April 25, 2024

Consolidated Financial Results for Year Ended March 31, 2024 (Fiscal 2023) <under IFRS>

Listed company name: Daiichi Sankyo Company, Limited
Listed exchange: the Tokyo Stock Exchange
Stock code number: 4568
URL: https://www.daiichisankyo.com
Representative: Mr. Hiroyuki Okuzawa, Representative Director, President and COO
Contact: Mr. Kentaro Asakura, Vice President of Corporate Communications Department
Telephone: +81-3-6225-1125
Scheduled date of Ordinary General Meeting of Shareholders: June 17, 2024
Scheduled date of dividend payments: From June 18, 2024
Scheduled date of Annual Securities Report filing: June 17, 2024
Preparing supplementary material (Reference Data) on financial results: Yes
Holding information meeting: Yes (for institutional investors, analysts and the press)

(All amounts have been rounded down to the nearest million JPY)

1. Consolidated Financial Results for Year Ended March 31, 2024

(1) Consolidated Financial Results

(Percentages indicate changes from the previous fiscal year.)

	Revenue		Core Operating Profit		Operating Profit		Profit before tax	
	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%
Year ended March 31, 2024	1,601,688	25.3	195,263	59.3	211,588	75.5	237,234	87.0
Year ended March 31, 2023	1,278,478	22.4	122,610	35.3	120,580	65.1	126,854	72.6

	Profit for the year		Profit attributable to owners of the Company		Total comprehensive income		Basic earnings per share
	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%	JPY
Year ended March 31, 2024	201,016	84.1	200,731	83.8	308,447	107.0	104.69
Year ended March 31, 2023	109,188	63.0	109,188	63.0	149,038	14.4	56.96

	Diluted earnings per share	Return on equity attributable to owners of the Company	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
	JPY	%	%	%
Year ended March 31, 2024	104.62	12.8	7.9	13.2
Year ended March 31, 2023	56.91	7.8	5.4	9.4

Reference: Share of profit or loss of investments accounted for using the equity method:

Year ended March 31, 2024: JPY184 million
Year ended March 31, 2023: JPY(19) million

Note: Daiichi Sankyo discloses core operating profit, which excludes non-recurring gains and losses from operating profit, as an indicator of underlying profitability. For the definition of core operating profit, please refer to "1. Results of Operations (1) Operating Results for Year ended March 31, 2024 1 Overview)" on page 2 of the attached material.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets	Equity per share attributable to owners of the Company
	Millions of JPY	Millions of JPY	Millions of JPY	%	JPY
As of March 31, 2024	3,461,135	1,688,603	1,688,173	48.8	880.40
As of March 31, 2023	2,508,889	1,445,854	1,445,854	57.6	754.09

(3) Consolidated Cash Flows

	Net cash flows from operating activities	Net cash flows from investing activities	Net cash flows from financing activities	Cash and cash equivalents at the end of year
	Millions of JPY	Millions of JPY	Millions of JPY	Millions of JPY
Year ended March 31, 2024	599,258	(282,636)	(123,564)	647,180
Year ended March 31, 2023	114,514	(257,782)	(89,594)	441,921

2. Dividend

	Annual dividend per share					Total dividend (Total)	Dividend payout ratio (Consolidated)	Ratio of dividend to equity attributable to owners of the Company (Consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total			
	JPY	JPY	JPY	JPY	JPY	Millions of JPY	%	%
Year ended March 31, 2023	–	15.00	–	15.00	30.00	57,515	52.7	4.1
Year ended March 31, 2024	–	20.00	–	30.00	50.00	95,874	47.8	6.1
Year ending March 31, 2025 (Forecast)	–	30.00	–	30.00	60.00		60.5	

3. Forecast of Consolidated Financial Results for Year Ending March 31, 2025

(Percentages indicate changes from the previous fiscal year.)

	Revenue		Core operating profit		Operating profit		Profit before tax		Profit for the year		Profit attributable to owners of the Company		Basic earnings per share
	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%	JPY
Full year	1,750,000	9.3	210,000	7.5	230,000	8.7	235,000	(0.9)	190,000	(5.5)	190,000	(5.3)	99.09

*Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in scope of consolidation): No

(2) Changes in accounting policies and changes in accounting estimates

1) Changes in accounting policies required by IFRS: No
2) Changes in accounting policies due to other reasons: No
3) Changes in accounting estimates: No

(3) Number of ordinary shares issued

1) Number of shares issued at the end of the period (including own shares)

As of March 31, 2024	1,947,034,029 shares
As of March 31, 2023	1,947,034,029 shares

2) Number of own shares at the end of the period

As of March 31, 2024	29,531,339 shares
As of March 31, 2023	29,690,154 shares

3) Average number of shares during the period

Year ended March 31, 2024	1,917,426,289 shares
Year ended March 31, 2023	1,917,034,606 shares

(Reference)

Non-Consolidated Financial Results for Year Ended March 31, 2024

(1) Non-Consolidated Financial Results

(Percentages indicate changes from the previous fiscal year.)

	Net sales		Operating income (loss)		Ordinary income		Net income	
	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%
Year ended March 31, 2024	1,214,732	41.4	104,081	-	182,730	99.5	184,122	76.6
Year ended March 31, 2023	858,974	13.9	(37,088)	-	91,615	92.1	104,247	165.4

	Basic net income per share	Diluted net income per share
	JPY	JPY
Year ended March 31, 2024	96.03	95.96
Year ended March 31, 2023	54.38	54.34

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of JPY	Millions of JPY	%	JPY
As of March 31, 2024	2,563,981	1,104,519	43.1	575.73
As of March 31, 2023	1,865,707	977,560	52.4	509.53

Reference: Equity:

As of March 31, 2024: JPY1,103,959 million
As of March 31, 2023: JPY976,951 million

* This consolidated financial results report is not subject to audit procedures by Certified Public Accountants or audit firm

*Disclaimer regarding forward-looking information including appropriate use of forecast consolidated financial results

The forecast information included in these materials is based on information currently available and certain assumptions that the Company regards as reasonable. Actual performance and results may differ from those forecast due to various factors.

Please see *"1. Results of Operations (3) Future Outlook"* on page 12 for matters related to the above forecasts.

Attached Material

Index

1. Results of Operations

(1) Operating Results for Year ended March 31, 2024

1) Overview

[Consolidated Financial Results (Core Base)]

(Millions of JPY; all amounts have been rounded down to the nearest million JPY.)

	Year ended March 31, 2023	Year ended March 31, 2024	YoY change
Revenue	1,278,478	1,601,688	323,210 25.3%
Cost of sales*	349,069	414,765	65,695 18.8%
Selling, general and administrative expenses*	470,081	627,318	157,237 33.4%
Research and development expenses*	336,716	364,340	27,624 8.2%
Core operating profit*	122,610	195,263	72,653 59.3%
Temporary income*	21,897	27,261	5,364 24.5%
Temporary expenses*	23,926	10,936	-12,989 -54.3%
Operating profit	120,580	211,588	91,007 75.5%
Profit before tax	126,854	237,234	110,379 87.0%
Profit attributable to owners of the Company	109,188	200,731	91,543 83.8%
Total comprehensive income	149,038	308,447	159,409 107.0%

* Daiichi Sankyo Group (hereinafter, "the Group") discloses core operating profit, which excludes temporary income and expenses from operating profit, as an indicator of ordinary profitability. Temporary income and expenses include gains/losses on sale of non-current assets, gains/losses associated with business restructuring (excluding gains/losses on sales of developed products and products on the market), impairment losses on property, plant and equipment, intangible assets, and goodwill, compensation for damages or settlement, and non-recurring and large gains/losses.

This table shows the actual results of cost of sales, selling, general and administrative expenses, and research and development expenses, exclusive of temporary income and expenses. The adjustment table from operating profit to core operating profit is stated in the reference data.

<JPY exchange rates for major currencies (average rate for year)>

(JPY)

	Year ended March 31, 2023	Year ended March 31, 2024
USD/JPY	135.48	144.62
EUR/JPY	140.97	156.79

a. Revenue

- Revenue in the year ended March 31, 2024 (fiscal 2023) increased by JPY323.2 billion, or 25.3% year on year, to JPY1,601.7 billion.
- Revenue increased year on year due to the achieved growth with global mainstay products such as Enhertu (generic name: trastuzumab deruxtecan, T-DXd/DS-8201) and Lixiana (generic name: edoxaban), the positive effect from foreign exchange by the depreciation of JPY and others.
- The positive effect on revenue from foreign exchange was JPY66.8 billion in total.

b. Core operating profit

- Core operating profit increased by JPY72.7 billion, or 59.3% year on year, to JPY195.3 billion.
- Cost of sales increased by JPY65.7 billion, or 18.8%, to JPY414.8 billion due to an increase in revenue.
- Selling, general and administrative expenses increased by JPY157.2 billion, or 33.4%, to JPY627.3 billion due to the cost increase by an increase in profit sharing with AstraZeneca related to Enhertu.
- Research and development expenses increased by JPY27.6 billion, or 8.2% year on year, to JPY364.3 billion due to increased R&D investment in 5DXd ADCs (trastuzumab deruxtecan, datopotamab deruxtecan: Dato-DXd/DS-1062, patritumab deruxtecan: HER3-DXd/U3-1402, ifinatamab deruxtecan: I-DXd/DS-7300, DS-6000).
- The positive effect on core operating profit from foreign exchange was JPY10.6 billion in total.

c. Operating profit

- Operating profit increased by JPY91.0 billion, or 75.5% year on year, to JPY211.6 billion.
- The amount of increase compared to that of core operating profit was higher due to an increase in temporary income as a result of receiving settlement payment from Novartis following the settlement of a Daiichi Sankyo subsidiary in the U.S., Plexxikon's patent infringement lawsuit against Novartis.

d. Profit before tax

- Profit before tax increased by JPY110.4 billion, or 87.0% year on year, to JPY237.2 billion.
- Profit before tax increased mainly due to improvement in financial income and expenses by JPY19.2 billion driven by an increase in interest income and others.

e. Profit attributable to owners of the Company

- Profit attributable to owners of the Company increased by JPY91.5 billion, or 83.8% year on year, to JPY200.7 billion.

f. Total comprehensive income

- Total comprehensive income increased by JPY159.4 billion, or 107.0% year on year, to JPY308.4 billion.

[Revenue by Business Unit]

Revenue by business unit in the fiscal 2023 is as follows. Revenue by product is stated in the reference data.

a. Japan Business Unit

- Revenue from Japan Business Unit includes revenue generated by the innovative pharmaceuticals business, the vaccine business and revenue from products generated by the generic pharmaceutical business of Daiichi Sankyo Espha Co., Ltd.
- Revenue from the Unit increased by JPY61.0 billion, or 13.3% year on year, to JPY518.9 billion due to the growth of Inavir, Enhertu, Lixiana, Tarlige and others.

The following describes the major progress in the fiscal 2023.

- In May 2023, antitumor agent Vanflyta was approved for the first line treatment of acute myeloid leukemia (AML) and the promotion began.
- In May 2023, pain treatment Tarlige OD tablets was launched.
- In August 2023, Enhertu was approved for the second line treatment for HER2 mutant non-small cell lung cancer (NSCLC) for and the promotion began.
- In November 2023, COVID-19 mRNA vaccines DAICHIRONA for Intramuscular Injection (monovalent: omicron XBB.1.5 variant) was approved in Japan and was supplied in December 2023.

b. Daiichi Sankyo Healthcare Unit

- Revenue from Daiichi Sankyo Healthcare Unit increased by JPY5.6 billion, or 8.0% year on year, to JPY76.0 billion as a result of the increase in sales of Loxonin, Minon and others.

c. Oncology Business Unit

- Revenue from Oncology Business Unit includes revenue generated from cancer treatment products sold by Daiichi Sankyo, Inc. (the U.S.) and Daiichi Sankyo Europe GmbH.
- Revenue from the Unit increased by JPY149.2 billion, or 80.5% year on year, to JPY334.6 billion and the revenue in local currency increased by USD945 million, or 69.1%, to USD2,314 million due to growth of Enhertu in the U.S. and Europe.

The following describes the major progress in the fiscal 2023.

- In August 2023, Vanflyta was launched in the U.S. (Indication: First line treatment for AML)
- In October 2023, Enhertu was approved for the second line treatment for HER2 mutant non-small cell lung cancer (NSCLC) in Europe and the promotion began.
- In February 2024, Vanflyta was launched in Europe. (Indication: First line treatment for AML)

d. American Regent Unit

- Revenue from American Regent Unit increased by JPY16.1 billion, or 8.6% year on year, to JPY203.4 billion and the revenue in local currency increased by USD24 million, or 1.7%, to USD1,407 million due to an increase in sales of Venofer and others, despite the impact of decrease in sales for Injectafer.

e. EU Specialty Business Unit

- Revenue from EU Specialty Business Unit includes revenue from products other than from cancer treatment products generated by Daiichi Sankyo Europe GmbH.

- Revenue from the Unit increased by JPY38.8 billion, or 25.8% year on year, to JPY189.2 billion and the revenue in local currency increased by EUR140 million, or 13.1%, to EUR1,207 million due to the growth in sales of Lixiana and Nilemdo/Nustendi.

f. ASCA Business Unit

- Revenue from ASCA[*1] Business Unit includes sales to overseas licensees.
- Revenue from the Unit increased by JPY41.3 billion, or 28.9% year on year, to JPY184.1 billion due to increase of Enhertu in Brazil and others.

[*1] Asia, South & Central America

The following describes the major progress in the fiscal 2023.

- In June 2023, Enhertu was launched in China (Indication: Second line treatment for HER2-positive breast cancer).
- In July 2023, Enhertu was approved for HER2 low breast cancer (post-chemotherapy) in China and the promotion began.

2) Status of R&D

The Group focuses on accelerating global clinical development and is working on research and development in accordance with the "5DXd ADCs[*1] and Next Wave" Strategy, which intensively allocates resources to five DXd ADCs for maximizing their product values, and aims to deliver medicines that change SOC[*2] for realization of sustainable growth (Next Wave).

In the medium to long term, the Group aims to develop therapeutic drugs for various diseases in addition to oncology by utilizing its competitive science and technology, and strives to strengthen drug discovering capabilities by technology research of new modalities[*3].

[*1] ADC: Abbreviation for Antibody Drug Conjugate, drug composed of an antibody drug and a payload (a small molecule drug) linked via appropriate linker. By using a monoclonal antibody that binds to a specific target expressed on cancer cells, a cytotoxic payload is delivered to cancer cells effectively with reducing systemic exposure. DXd ADCs are drugs that combine the Company's proprietary drugs and linkers with antibodies.

[*2] Standard of Care: Universally applied best treatment practice in today's medical science.

[*3] Modality: Medical treatment such as small molecule drugs, antibody drugs, ADC, nucleic acid drugs and gene therapy.

【5DXd ADCs】

The following describes the Group's clinical development of 5DXd ADCs projects in the fiscal 2023. The status of each clinical trial is stated in the reference data.

The Group is developing trastuzumab deruxtecan and datopotamab deruxtecan jointly with AstraZeneca. In addition, the Group concluded a strategic collaboration agreement with Merck & Co., Inc., Rahway, NJ, USA (hereinafter "Merck in the U.S.") for patritumab deruxtecan, ifinatamab deruxtecan (DS-7300), and DS-6000 in October 2023 and the Group is developing these three products jointly with Merck in the U.S.

a. Trastuzumab deruxtecan (T-DXd/DS-8201: HER2-directed ADC, brand name: Enhertu)

The following describes the major progress in the fiscal 2023.

- In June 2023, the first data was presented at the American Society of Clinical Oncology (ASCO) from the Phase II clinical trial for HER2 expressing multiple solid tumors (trial name: DESTINY-PanTumor02).
- In June 2023, the first data was presented at the ASCO from the Phase II clinical trial for the third line treatment for HER2-positive colorectal cancer (trial name: DESTINY-CRC02).

- In July 2023, the application was approved in China for HER2 low breast cancer (post-chemotherapy).
- In August 2023, the application was approved in Japan for the second line treatment for HER2 mutant NSCLC.
- In September 2023, the grant of Breakthrough Therapy designations[*4] by the U.S. Food and Drug Administration (FDA) for second or later line treatment for HER2 positive (IHC 3+) solid tumors and for third or later line treatment for HER2 positive (IHC 3+) colorectal cancer were announced.
- In September 2023, the data from the Phase II clinical trial for second or later line treatment for HER2 mutant NSCLC (trial name: DESTINY-Lung02) was presented at the World Conference on Lung Cancer (WCLC).
- In September 2023, the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) recommended for approval for the second line treatment for HER2 mutant NSCLC.
- In October 2023, the primary analysis data from the Phase II clinical trial for HER2 expressing multiple solid tumors (trial name: DESTINY-PanTumor02) was presented at the European Society for Medical Oncology Congress (ESMO).
- In October 2023, the application was approved in Europe for the second line treatment for HER2 mutant NSCLC.
- In December 2023, the first data from a cohort on combination therapy with endocrine therapy in the Phase Ib clinical trial for HER2 low breast cancer (chemotherapy naive/post-chemotherapy) (trial name: DESTINY-Breast08) was presented at the San Antonio Breast Cancer Symposium (SABCS).
- In December 2023, the application for approval was accepted in China for the third or later line treatment for HER2-positive gastric cancer.
- In January 2024, the application for approval was accepted in the U.S. for multiple HER2-positive solid tumors under the RTOR*[5] (Real-Time Oncology Review) program and Priority Review[*6] was granted by the FDA.
- In March 2024, the application for approval was accepted in China for the second or later line treatment for HER2 mutant NSCLC.

[*4] A System designed to expedite the development and review of medicines that may demonstrate substantial benefit over currently available treatments in order to ensure that patients with serious diseases have access to new treatments as soon as possible.

[*5] The Real-Time Oncology Review (RTOR) program aims to explore a more efficient review process to ensure that safe and effective treatments are available to patients as early as possible. Under the program, the FDA allows for accelerated screening of large amounts of data prior to an applicant formally submitting the complete application.

[*6] A designation, that is granted by the FDA to drugs that would be significant improvements in the safety or effectiveness of the treatment, diagnosis or prevention of serious conditions when compared to standard applications in the U.S. Under Priority Review, the FDA aims to take action on an application within 6 months as compared to 10 months under standard review.

b. Datopotamab deruxtecan (Dato-DXd/DS-1062: TROP2-directed ADC)

The following describes the major progress in the fiscal 2023.

- In June 2023, the latest data from the Phase Ib clinical trial for combination therapy with immune checkpoint inhibitors for NSCLC (trial name: TROPION-Lung02) was presented at the ASCO.
- In July 2023, the outline of trial results from the Phase III clinical trial for second or later line treatment for NSCLC (trial name: TROPION-Lung01) was presented.
- In September 2023, the first data from a cohort study on combination therapy with durvalumab in the Phase Ib clinical trial for the first and second line treatments for NSCLC without actionable genomic alterations (trial name: TROPION-Lung04) was presented at the WCLC.

- In September 2023, the outline of trial results from the Phase III clinical trial for second or later line treatment for hormone receptor (HR) positive, HER2 low or negative breast cancer (trial name: TROPION-Breast01) was presented.
- In October 2023, the first data from the Phase III clinical trial for second or later line treatment for NSCLC (trial name: TROPION-Lung01) was presented at the ESMO.
- In October 2023, the primary analysis data from the Phase II clinical trial for NSCLC with actionable genomic alterations (trial name: TROPION-Lung05) was presented at the ESMO.
- In October 2023, the first data from the Phase III clinical trial for second or later line treatment for HR positive, HER2 low or negative breast cancer (trial name: TROPION-Breast01) was presented at the ESMO.
- In October 2023, the latest data from the Phase Ib/II clinical trial for combination therapy with immune checkpoint inhibitors for the first line treatment for triple negative breast cancer (TNBC) (trial name: BEGONIA) was presented at the ESMO.
- In November 2023, the Phase III clinical trial to evaluate the combination therapy with durvalumab as neoadjuvant/adjuvant therapy for TNBC or HR low, HER2 low or negative breast cancer (trial name: TROPION-Breast04) was initiated.
- In November 2023, the Phase III clinical trial to evaluate monotherapy and the combination therapy with durvalumab for the first line treatment for TNBC (trial name: TROPION-Breast05) was initiated.
- In February 2024, the application for approval was accepted in the U.S. for the second or later line treatment for nonsquamous NSCLC.
- In March 2024, the application for approval was accepted in Europe for the second or later line treatment for nonsquamous NSCLC and for the second or later line treatment for HR positive, HER2 low or negative breast cancer.
- In March 2024, the application for approval was accepted in Japan and China for the second or later line treatment for HR positive, HER2 low or negative breast cancer.

c. Patritumab deruxtecan (HER3-DXd/U3-1402: HER3-directed ADC)

The following describes the major progress in the fiscal 2023.

- In April 2023, the outline of trial results from the Phase II clinical trial for third or later line treatment for EGFR-mutated NSCLC (trial name: HERTHENA-Lung01) was presented.
- In September 2023, the first data from the Phase II clinical trial for the third line treatment for EGFR-mutated NSCLC (trial name: HERTHENA-Lung01) was presented at the WCLC.
- In December 2023, the application for approval was accepted in the U.S. for the third line treatment for EGFR-mutated NSCLC under the RTOR program and Priority Review was granted by the FDA.
- In March 2024, the Phase II clinical trial for the treatment of locally advanced or metastatic solid tumors (trial name: HERTHENA-PanTumor01) was initiated.

d. Ifinatamab deruxtecan (I-DXd/DS-7300: B7-H3-directed ADC)

The following describes the major progress in the fiscal 2023.

- In April 2023, Orphan Drug Designation[*7] for the treatment of small cell lung cancer was granted by the U.S. FDA.
- In September 2023, the latest data from a subgroup analysis of small cell lung cancer patients in a Phase I/II clinical trial for the treatment of solid tumors was presented at the WCLC.
- In October 2023, the latest data from a subgroup analysis of patients with esophageal squamous cell carcinoma, castration-resistant prostate cancer and squamous NSCLC in a Phase I/II clinical trial for the treatment of solid tumors was presented at the ESMO.

[*7] A system under which designation is granted in order to support and expedite development for medicines intended for the treatment, diagnosis or prevention of rare diseases or disorders that affect fewer than 200,000 people in the U.S.

e. DS-6000 (CDH6-directed ADC)

The following describes the major progress in the fiscal 2023.

- In October 2023, the latest data from the Phase I clinical trial for ovarian cancer was presented at the ESMO.

【Next Wave】

The following describes the major progress in the Next Wave for the fiscal 2023. The status of each clinical trial is stated in the reference data.

- In April 2023, the outline of trial results from the Phase III clinical trial for first immunization using DS-5670 (COVID-19 mRNA vaccine) (monovalent: original strain) targeting healthy adults in Japan was presented.
- In May 2023, the Phase III clinical trial for additional immunization using DS-5670 (bivalent: the original strain and omicron BA.4-5 subvariant) targeting healthy subjects aged 12 or older in Japan was initiated.
- In May 2023, the Phase II/III clinical trial for additional immunization using DS-5670 (bivalent: the original strain and omicron BA.4-5 subvariant) targeting subjects from ages five to 11 in Japan was initiated.
- In May 2023, quizartinib (AC220: FLT3 inhibitor, brand name in Japan: Vanflyta) was approved for first line treatment of *FLT3*-ITD-positive acute myeloid leukemia (AML) in Japan.
- In May 2023, Rare Pediatric Disease[*8] Designation for Netherton syndrome was granted for DS-2325 (KLK5 inhibitor) by the U.S. FDA.
- In June 2023, the Phase I clinical trial for DS-1103 (Anti-SIRPα antibodies) for combination with Enhertu for solid tumors was initiated.
- In June 2023, the outline of clinical results from the Phase II clinical trial for valemetostat (DS-3201: EZH1/2 inhibitor, brand name in Japan: Ezharmia) for peripheral T-cell lymphoma (PTCL) (trial name: VALENTINE-PTCL01) was obtained.
- In July 2023, quizartinib was approved for first line treatment of *FLT3*-ITD-positive acute myeloid leukemia (AML) in the U.S.
- In August 2023, DS-5670 (monovalent: original strain) (brand name in Japan: DAICHIRONA for Intramuscular Injection) was approved for additional immunization for the prevention of infectious disease caused by SARS-CoV-2 in Japan.
- In September 2023, it was announced that the primary endpoint was met in the Phase III clinical trial for additional immunization using DS-5670 (bivalent: the original strain and omicron BA.4-5 subvariant) targeting subjects aged 12 or older in Japan.
- In September 2023, an application for DS-5670 (monovalent: omicron XBB.1.5 variant) was submitted in Japan.
- In September 2023, the Phase I clinical trial for DS-1471 (Anti-CD147 antibodies) for the treatment of solid tumors was initiated.
- In September 2023, the Phase I/II clinical trial for DS-3939 (Anti-TA-MUC1 ADC) for the treatment of solid tumors was initiated.
- In September 2023, quizartinib was recommended for approval for the first line treatment for AML by the CHMP of the EMA.

- In October 2023, the combination mRNA vaccine being developed for seasonal influenza and COVID-19 was selected for “Development of vaccines for major infectious diseases” of the “Program on R&D of new generation vaccine including new modality application (public recruiting)” for 2023 managed by the Japan Agency for Medical Research and Development (AMED).
- In November 2023, quizartinib was approved for first line treatment of *FLT3*-ITD-positive AML in Europe.
- In November 2023, the application was approved in Japan for DS-5670 (monovalent: omicron XBB.1.5 variant).
- In December 2023, the first data from the Phase II clinical trial for valemetostat for PTCL (trial name: VALENTINE-PTCL01) was presented at the American Society of Hematology (ASH).
- In December 2023, the Phase Ib/II clinical trial for DS-2325 for patients with Netherton syndrome was initiated.
- In January 2024, the application for approval was accepted in Japan for valemetostat for PTCL.
- In February 2024, Phase 1b clinical trial for valemetostat in combination with Enhertu for HER2-positive gastric cancer and in combination with Dato-DXd for nonsquamous NSCLC was initiated.
- In March 2024, the application for approval was accepted in Japan for VN-0102/JVC-001 (measles, mumps, and rubella triple combination dry attenuated live vaccine).

[*8] A system under which designation is granted for medicines intended for the treatment or prevention of rare diseases or disorders that develop prior to patients reaching the age of 18 and that affect fewer than 200,000 patients in the U.S., and under which preferential treatment can be received, such as the granting of priority review vouchers when approval is obtained for the drug.

(2) Analysis of Financial Position as of March 31, 2024

1) Assets, Liabilities and Capital Position

- Total assets as of the fiscal year-end were JPY3,461.1 billion, an increase of JPY952.2 billion from the previous fiscal year-end, mainly due to increases in cash and cash equivalents and other financial assets (current assets).
- Total liabilities as of the fiscal year-end were JPY1,772.5 billion, an increase of JPY709.5 billion from the previous fiscal year-end, mainly due to increases in contract liabilities (non-current liabilities) and trade and other payables, which were partially offset by a decrease in bonds and borrowings (current liabilities).
- Total equity as of the fiscal year-end was JPY1,688.6 billion, an increase of JPY242.7 billion from the previous fiscal year-end, mainly because of the profit for the year and increases in other components of equity, which were partially offset by dividend payments.
- The ratio of equity attributable to owners of the Company to total assets was 48.8%, a decrease of 8.9 points from the previous fiscal year-end.

2) Status of Cash Flows

Cash and cash equivalents increased by JPY205.3 billion for the year ended March 31, 2024 to JPY647.2 billion. The cash flow status and the contributing factors are summarized as follows:

Cash Flows from Operating Activities

- Net cash inflows provided by operating activities totaled JPY599.3 billion (previous year: JPY114.5 billion inflow), mainly due to cash inflows from profit before tax (JPY237.2 billion), non-cash items such as depreciation and amortization (JPY59.6 billion), as well as the upfront payments for the strategic collaboration of HER3-DXd, I-DXd and DS-6000.

Cash Flows from Investing Activities

- Net cash outflows used in investing activities totaled JPY282.6 billion (previous year: JPY257.8 billion outflow), mainly due to cash outflows deposited into deposit accounts, capital expenditure and acquisition of intangible assets.

Cash Flows from Financing Activities

- Net cash outflows used in financing activities totaled JPY123.6 billion (previous year: JPY89.6 billion outflow), mainly due to cash outflows from dividend payments and repayments of bonds and borrowings.

(Reference) Cash flow-related indicators

Principal Cash Flow Indicators

	Fiscal 2022	Fiscal 2023
Ratio of equity attributable to owners of the Company to total assets (%)	57.6	48.8
Ratio of equity attributable to owners of the Company to total assets (at market value) (%)	368.5	264.7
Interest-bearing debt to cash flow ratio (years)	1.18	0.22
Interest coverage ratio (times)	78.28	378.41

Ratio of equity attributable to owners of the Company to total assets: equity attributable to owners of the Company /total assets

Ratio of equity attributable to owners of the Company to total assets (at market value): total market capitalization/total assets

Interest-bearing debt to cash flow ratio: interest-bearing debt/cash flows

Interest coverage ratio: cash flows/interest paid

(Notes)

1. All indicators are calculated on a consolidated basis.
2. Total market capitalization is calculated based on the number of outstanding ordinary shares (net of own shares).
3. Cash flows equal the amount of net cash provided by operating activities in the consolidated statement of cash flows less the amounts of “interest paid” and “income taxes paid.” Interest paid equals the “interest paid” included in the consolidated statement of cash flows.
4. Interest-bearing debt includes all liabilities reported on the consolidated statement of financial position which are subject to interest payments.

(3) Future Outlook

Forecast of Consolidated Financial Results for Year Ending March 31, 2025 (Fiscal 2024)

(JPY Millions; all amounts have been rounded down to the nearest JPY million)

	Fiscal 2023	Fiscal 2024	Amount change	Percentage change
Revenue	1,601,688	1,750,000	148,311	9.3
Core operating profit*	195,263	210,000	14,736	7.5
Operating profit	211,588	230,000	18,411	8.7
Profit before tax	237,234	235,000	-2,234	-0.9
Profit for the year	201,016	190,000	-11,016	-5.5
Profit attributable to owners of the Company	200,731	190,000	-10,731	-5.3

* The Group discloses core operating profit, which excludes temporary income and expenses from operating profit, as an indicator of ordinary profitability. Temporary income and expenses include gains/losses on sale of non-current assets, gains/losses associated with business restructuring (excluding gains/losses on sales of developed products and products on the market), impairment losses on property, plant and equipment, intangible assets, and goodwill, compensation for damages or settlement, and non-recurring and large gains/losses. For the adjustment table from operating profit to core operating profit, please refer to the reference data.

- Regarding revenue, the Company is expecting a 9.3% increase in revenue year on year, to JPY1,750.0 billion by revenue increase from our mainstay products such as Enhertu, Lixiana and Tarlige.
- Core operating profit is expected to increase by 7.5% to JPY210.0 billion year on year due to the expected increase in gross profit by an increased revenue, despite the expected increase resulting from the increase in profit share payments to AstraZeneca due to increased sales of Enhertu, the expansion and acceleration of 5DXd ADCs development plan driven by strategic collaboration agreement with Merck in the U.S., and the intensive investment in the oncology business, etc.
- Operating profit is expected to JPY230.0 billion year on year exceeding core operating profit as temporary income related to the shares transfer of Daiichi Sankyo Espha Co., Ltd. and others is expected to be recorded.
- Profit before tax is expected to decrease by 0.9% to JPY235.0 billion year on year as interest income and others is expected to decrease following the decrease in financial assets in U.S. dollar.
- Profit for the year and profit attributable to owners of the Company are expected to be JPY190.0 billion each, which is 5.5% and 5.3% decrease year on year, respectively. Tax expenses decreased in the fiscal 2023 according to the impact of tax effect accounting related to the decision for the stock transfer of Daiichi Sankyo Espha Co., Ltd., however such impact is not expected in the fiscal 2024 which results in expected increase of tax expenses.
- Forecasts are based on assumption of foreign exchange rates at JPY145 against U.S. dollar and JPY155 against euro.

(4) Basic Policy on Profit Distribution and Dividend for the Years Ended March 2024 and Ending March 2025

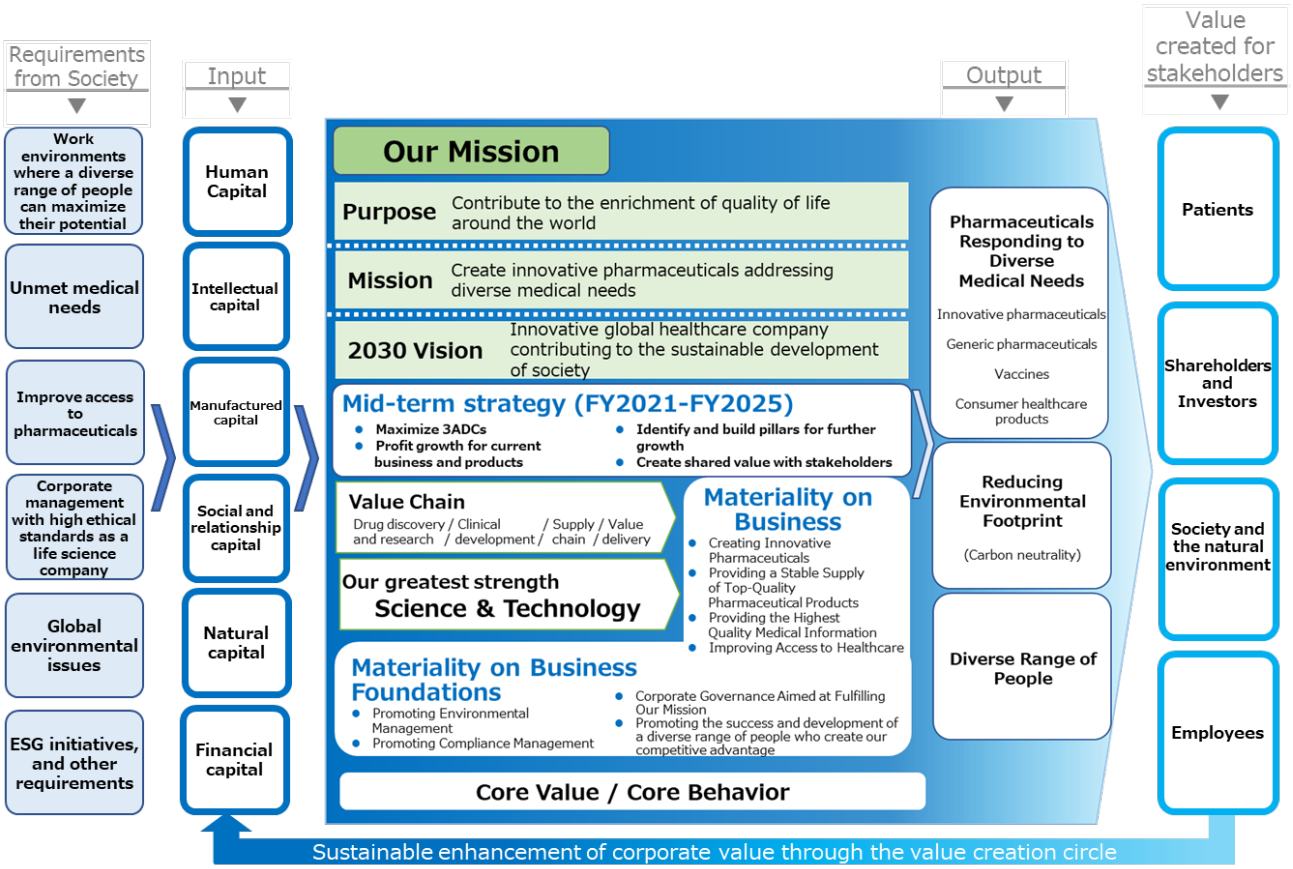
- In order to secure sustainable growth in corporate value, one of the fundamental business policies of Daiichi Sankyo is to decide profit distributions based on a comprehensive consideration of the investments essential for implementing its growth strategy and returning profits to shareholders.
- The Company has decided the annual dividend forecast for fiscal 2023 to be JPY50 (interim dividend: JPY20, year-end dividend forecast: JPY30) per share, an increase of JPY20 from the annual dividend actual for fiscal 2022 at the meeting of the Board of Directors held on April 25, 2024 mainly due to the continuous strong business performance following the revenue increase of Enhertu and the receipt of upfront payment related to strategic collaboration agreement with Merck in the U.S.
- The Company has decided the annual dividend forecast for fiscal 2024 to be JPY60 (interim dividend: JPY30, year-end dividend forecast: JPY30) per share, an increase of JPY10 from the annual dividend forecast for fiscal 2023 at the meeting of the Board of Directors held on the same day mainly due to increasing probability of achieving the fiscal 2025 KPIs following further sales expansion of Enhertu. In addition, the Company has decided to acquire its own shares from April 26, 2024 to January 15, 2025 up to a total acquisition amount of JPY200.0 billion or a total acquisition shares of 55 million shares and to cancellate all the own shares acquired through the acquisition (Scheduled cancellation date: January 31, 2025) at the meeting of the Board of Directors held on the same day to enhance capital efficiency and to improve shareholder returns.

(5) Prospective Challenges

1) Daiichi Sankyo's Value Creation Process and ESG Management

- The Group defines ESG management as "management based on a long-term perspective that enhances both financial and non-financial value by reflecting ESG elements in business strategies," and we are implementing this management.
- To meet society's diverse requirements, we invest a variety of internal and external management resources into the value creation process and provide value to each stakeholder and society with "Science and Technology" as our greatest source of competitive advantage. By circulating the value creation process, we believe to be able to achieve both sustainable growth of the Company, and of society as a whole.
- Considering the two aspects of impact on medium- to long-term corporate value and expectations from society, including various stakeholders, we identified eight key issues as our materiality, which we have categorized as materiality on business and materiality on business foundation.

Daiichi Sankyo's Value Creation Process



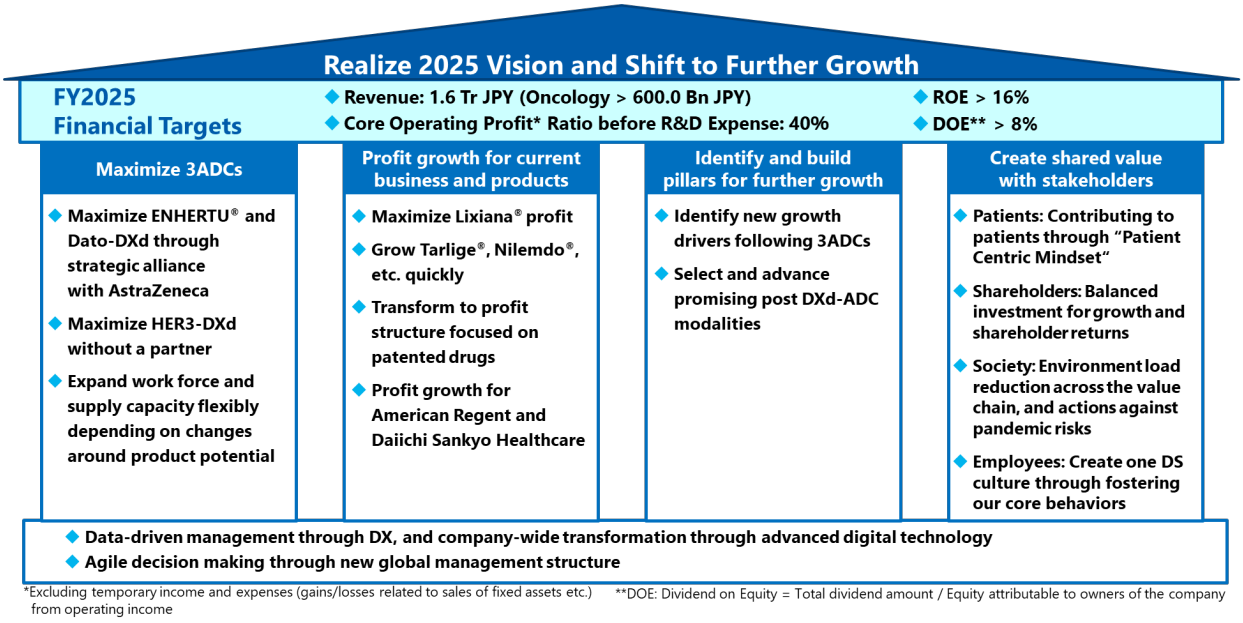
2) 2030 Vision

- Under ESG management, we newly established our 2030 Vision of being an "innovative global healthcare company contributing to the sustainable development of society."
- To realize our "Purpose," which is to "contribute to the enrichment of quality of life around the world," we aim to address the social issues that we are expected by society to solve through our business activities, such as the creation of innovative pharmaceuticals and efforts for achieving the SDGs. We challenge ourselves to continuously provide innovative solutions based on our strength: Science & Technology.

3) 5-Year Business Plan (Fiscal 2021 to Fiscal 2025)

- We have established 5-Year Business Plan (fiscal 2021 to fiscal 2025) and four strategic pillars as a plan to achieve our Fiscal 2025 Goal, “Global Pharma Innovator with Competitive Advantage in Oncology” and shift to further growth toward realizing our 2030 Vision, while conducting ESG management.

Strategic Pillars for the 5-Year Business Plan (FY2021-FY2025)



【Four Strategic Pillars】

a. Maximize 3ADCs

- In the 5-Year Business Plan, maximizing 3ADCs (Enhertu, Dato-DXd and HER3-DXd) is our most important materiality.
- With regard to Enhertu, we will accelerate market penetration and acquisition of new indications through our strategic collaboration with AstraZeneca. In addition, we will establish advantage over competitive products for HER2, and will firmly establish HER2 low expression concept for the treatment of breast cancer.
- As for Dato-DXd, our target is to obtain approval and additional indications as quickly as possible through the strategic collaboration with AstraZeneca. Moreover, we will establish and implement an effective launch plan, and establish advantages over competitive products for TROP2.
- For HER3-DXd, we will launch as fast as possible through our in-house development. After having developed and implemented an effective launch plan, we will establish HER3 as a cancer treatment target.
- In addition to these efforts, we will promote appropriate use of the products through monitoring and risk analysis of interstitial lung disease (ILD), which is one notable side effect. We will also efficiently and gradually expand the workforce and supply capacity depending on changes around the product potential.

<Major Progress Fiscal 2021-Fiscal 2023>

- Revenue from Enhertu increased at a pace exceeding initial plans given that it has steadily achieved market penetration, expanded number of countries and regions where the drug has been launched, and has furthermore acquired new indications including the second line treatment for HER2-positive breast cancer and HER2 low breast cancer previously treated with chemotherapy. In addition,

progress has also been achieved in clinical trials for further acquisition of new indications, including early treatment of breast cancer, and for expanding the applicable cancer types. With regard to Dato-DXd, development progressed toward obtaining approval and subsequent additional indications, including the acceptance of applications for approval for the second or later line treatments of nonsquamous NSCLC and hormone receptor (HR) positive, HER2 low or negative breast cancer. With regard to HER3-DXd, together with I-DXd (B7-H3-directed ADC) and DS-6000 (CDH6-directed ADC), favorable clinical trial data has been accumulated and the product has moved to the stage of planning to maximize its product value. In addition, as competition in ADC development grows increasingly intense, the need to increase capacity, resources, and capability to maximize the DXd ADC franchise has increased. In order to deliver these three products to more patients more quickly, we have decided to enter into, and have begun, a strategic collaboration agreement with Merck in the U.S. to co-develop and co-promote these three products. Development progressed toward obtaining approval and subsequent additional indications for HER3-DXd, including the acceptance of an application for approval for the third line treatment of EGFR-mutated NSCLC. We will continue to make steady efforts to maximize product value through effective development investments, which will lead to dramatic growth in the second half of the 5-Year Business Plan period.

b. Profit Growth for Current Business and Products

- Profit growth for current business and products in addition to the oncology business will also be an important challenge as we continue to invest for sustainable growth.
- Lixiana is a highly profitable product that generates a stable profit, so we will work to further expand revenue to use it from this product as a source of investment in 3ADCs and post-3ADC growth drivers.
- For new products such as Tarlige and Nilemdo, we aim to achieve quick growth through additional indications and so forth. Through realizing early growth for these new products, in addition to Lixiana, we aim to achieve sustainable growth in our businesses for newly patented products outside of oncology as well.
- In each country/region, we aim to transform ourselves into a business structure that supports sustainable profit growth through transformation to patented product-based profit structure.
- At American Regent, Inc., we aim to grow profits mainly through Injectafer and generic injectable products. At Daiichi Sankyo Health Care Co., Ltd., we aim to grow profits primarily through expanding store sales and online business.

<Major Progress Fiscal 2021-Fiscal 2023>

- Revenue from Lixiana increased steadily as a result of improvement in product value through additional usage and dosage. Moreover, Tarlige, Venofer, Nilemdo/Nustendi and other products have also encountered steady growth in each country/region. In addition, we have launched new products such as Emgality, made progress in product transfers after loss of exclusivity in each country/region and the transfer of shares of Daiichi Sankyo Espha Co., Ltd., which handles the Japanese generic drug business, and moved forward in transforming into a patented product-based business structure. Going forward, we will continue to expand sales of highly profitable products in order to transform the business structure to one that supports sustainable profit growth.

c. Identify and Build Pillars for Further Growth

- In order to achieve sustainable growth, it is important that we identify post-3ADC growth drivers and select and advance post-DXd-ADC modalities through a multi-modality research strategy.

- We will identify post-3ADC growth drivers from fields such as the DXd-ADC family, second-generation and new-concept ADC, and modified antibodies.
- We will identify post-DXd-ADC modalities for sustainable growth from various modality technologies. Regarding LNP-mRNA, we will utilize it also in vaccines other than those for COVID-19 infections to drive the growth of the vaccine business.

<Major Progress Fiscal 2021-Fiscal 2023>

- Due to the accumulation of favorable clinical trial data and increased product potential, the Company positioned I-DXd and DS-6000 as growth drivers following the 3ADCs. In order to further accelerate future growth, development of both products is being accelerated together with Enhertu, Dato-DXd, and HER3-DXd. In addition, progress has been made in selecting post-DXd ADC modalities. Clinical trials for the second-generation ADC DS-9606 (target undisclosed ADC) have been initiated and the approval for mRNA vaccines against COVID-19 has been obtained and its supply began. Going forward, we will continue to identify and build pillars of further growth using our proprietary ADC technology and other technologies.

d. Create Shared Value with Stakeholders

- To promote ESG management from a long-term perspective, it is also important to create shared value with stakeholders, namely, patients, shareholders, society, the environment, and employees.
- As we expand 3ADCs to various types of cancer and target more rare diseases, we will strengthen our initiatives under a patient centric mindset and contribute to patients, not only in pharmaceutical development but across the entire value chain.
- We will implement well-balanced investment for growth, and shareholder returns to sustainably increase the value for the Company.
- For social and environmental challenges such as decarbonization society, circular economy and a society in harmony with nature, we will implement various initiatives to reduce environmental impact throughout the value chain from research and development to sales, and contribute to society and the environment.
- In addition to our stable supply in ordinary times of seasonal influenza and other vaccines from in-house manufacturing sites, we will contribute to society by establishing technologies that can be applied to vaccines for COVID-19 as well as emerging/re-emerging infectious diseases and establishing a vaccine supply system for future pandemics.
- By determining the Group's common core behaviors, which form its common core across the entire Group, we will cultivate a unique corporate culture, "One DS Culture," and further enhance the strengths of our global organization and human resources.

<Major Progress Fiscal 2021-Fiscal 2023>

- We made progress in terms of addressing pandemic risks, including supply of COVID-19 mRNA vaccines DAICHIRONA for Intramuscular Injection (monovalent: omicron XBB.1.5 variant) in Japan. Meanwhile, we joined "RE100[*1]," a global initiative that aims to use 100% renewable energy for electricity consumed in business activities. We also engaged in initiatives to address environmental challenges that include shifting to renewable energy with respect to electricity consumption the Company's sites in Japan. We will continue to implement a variety of measures to strengthen the value creation process with stakeholders.

[*1] A global initiative to promote 100% corporate renewable energy, run by the Climate Group, an international environmental NGO, in partnership with CDP, which encourages companies to disclose information about their climate change initiatives.

【Platform for Supporting Strategy Execution】

- To strengthen our platform for supporting the execution of our four strategic pillars, we will implement data-driven management by advancing digital transformation and advance company transformation with cutting-edge digital technology. In addition, we will realize agile decision-making through our new global management structure.

<Major Progress Fiscal 2021-Fiscal 2023>

- We began global operation of an analytical platform that enables integrated data analysis of Enhertu inside and outside the Company. In addition, the Oncology Business Unit was newly established to promptly respond to rapid changes in treatment systems and the market environment in the field of oncology from both business and scientific perspectives. Going forward, we will accelerate data-driven management and continue to strengthen our global structure in line with changes and expansion of our business operations.

【Shareholder Return Policy】

- In addition to maintaining the ordinary dividend of JPY27 per share, we will increase dividend that takes account of our profit growth. We will also flexibly acquire own shares and will enhance shareholder returns.
- We have adopted dividend on equity[*2] (DOE) based on shareholders' equity as a KPI in line with our policy of providing stable returns to shareholders. Going forward, we aim to maximize shareholder value, with a target for DOE of 8% or more in fiscal 2025, exceeding the cost of shareholders' equity.

[*2] Dividend on equity = Total dividend amount / Equity attributable to owners of the Company

<Major Progress Fiscal 2021-Fiscal 2023>

- In the fiscal 2022, given a higher-than-anticipated increase in sales of Enhertu, the Company decided to move up the initially planned dividend increase and increaed the annual dividend for the fiscal 2022 from JPY27 per share in the fiscal 2021, to JPY30 per share.
- In the fiscal 2023, the Company has decided the annual dividend forecast for fiscal 2023 to be JPY50 per share, an increase of JPY20 from the annual dividend actual for fiscal 2022 mainly due to the continuous strong business performance following the revenue increase of Enhertu and the receipt of upfront payment related to strategic collaboration agreement with Merck in the U.S.
- We will strive to further enhance shareholder returns through continued efforts by increasing dividends in alignment with profit growth and/or flexible acquisition of own shares.

(6) Strategic Targets and Forward-Looking Statements

- Strategic targets, forward-looking statements and other information disclosed in this material are all determined by the Company based on information obtained at the time of disclosure of this material with certain assumptions, premises and future forecasts, and thus, there are various inherent risks as well as uncertainties involved. As such, actual results of the Company may diverge materially from the content of this material.
- These risks and uncertainties include, among others, the risk of being unable to meet future commercial product/trial supply plans for 5DXd ADC products (Enhertu, Dato-DXd, HER3-DXd, I-DXd, DS-6000), risks regarding clinical trials of 5DXd ADC products, and risks related to intellectual property disputes.

2. Matters Relating to Corporate Governance

- In addition to creating a management structure that can respond speedily and flexibly to changes in the business environment, the Daiichi Sankyo is working to secure legal compliance and management transparency and to strengthen oversight of management and the conduct of operations. We place great importance on building up a corporate governance structure that is responsive to the trust of our stakeholders, especially our shareholders.

1) Corporate Governance Structure

a. To clarify Directors management responsibility and reinforce their oversight of management and the conduct of operations, their terms of office are set at one year, and four out of our nine Directors are Outside Directors. Since June 2020, an Outside director has been appointed chairman of the Board of Directors (the Board).

b. To ensure management transparency, the Company has established two voluntary committees as advisory bodies to the Board: the Nomination Committee and the Compensation Committee. Both committees respectively deliberate on selections or dismissals of CEO and COO, the succession plan of CEO, selections of Director and Audit & Supervisory Board Member candidates, the compensation policy for Directors, the individual amounts of compensation of Directors, and other matters.

c. It is comprised by four Outside Directors and one Outside Audit & Supervisory Board Member participates as the observer in each committee.

d. For audits of legal compliance and soundness of management, the Company has adopted an Audit & Supervisory Board system and established the Audit & Supervisory Board comprising five Audit & Supervisory Board Members, including three Outside Audit & Supervisory Board Members.

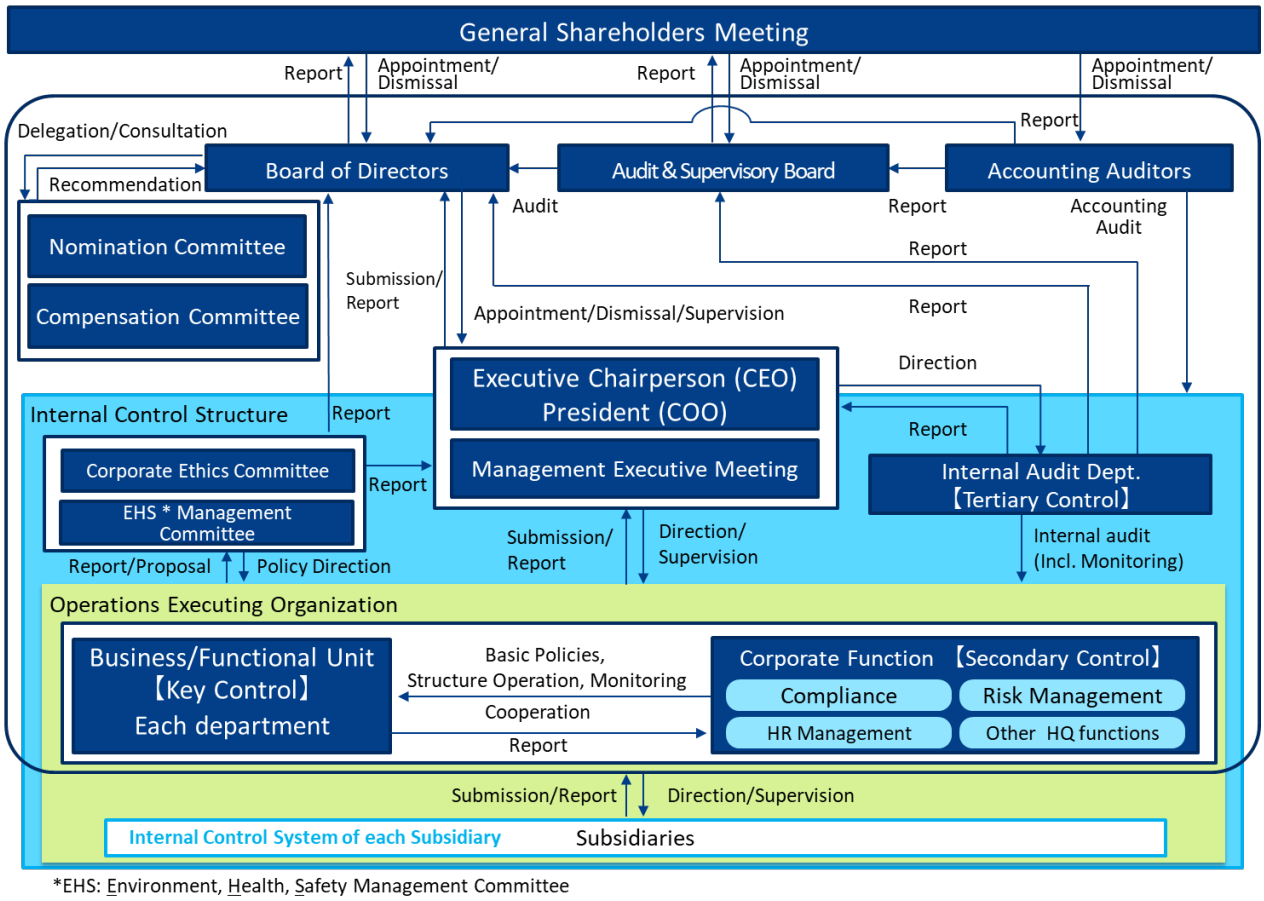
e. The Company prescribes specific criteria on the judgment of independence of Outside Directors and Outside Audit & Supervisory Board Members and basic matters regarding execution of duties by Directors and Audit & Supervisory Board Members.

f. Under the global management structure, the Management Executive Meeting with CxOs, Unit Heads, and Heads of Global Corporate Functions as members is held as appropriate to deliberate on important matters related to the strategy, policy, and execution of group management, and to contribute to management decision-making.

g. The Company employs a Corporate Officer System which contributes to appropriate and swift management decision-making and the conduct of operations.

h. With the aims of ensuring effectiveness and efficiency of operations, ensuring reliability of financial reporting, complying with applicable laws and regulations relevant to business activities, and safeguarding assets, the Company structures its internal control system to consist of self-monitoring carried out by respective organizations which execute its functions (primary controls), policy development and monitoring for respective organizations carried out by the corporate organization (secondary controls), and internal auditing encompassing monitoring carried out by the Internal Audit Department (tertiary controls).

Overview of the Corporate Governance Structure



*EHS: Environment, Health, Safety Management Committee

2) Policies and Procedures for Appointment/Selection of Directors, Audit & Supervisory Board Members, and CEO

- Directors shall meet the requirement of being personnel of excellent character and insight who contribute to maximizing the corporate value of the Group.
- Directors shall meet the requirements of being appropriate persons with respect to term of office and age, and of being suitably competent of performing timely and accurate judgment, looking at the changes in the business environment while giving importance to the continuance of management policies, etc.
- Directors shall meet the requirements that they are the individuals with expertise, experience, and insight in one or more of the following fields: corporate management and management strategy, finance and accounting, science and technology, business strategy and marketing, global business, human resources and HR development, legal and risk management, sustainability and ESG, and/or DX and IT.
- Directors shall meet the requirements that there shall always be Outside Directors included to strengthen the decision-making functions based on various perspectives and to strengthen the function of supervising conduct of operations.
- In principle, it is a requirement that Outside Directors have no more than three concurrent positions as officers of listed companies, excluding the Company.
- The Company recognizes that ensuring the diversity of Directors particularly in terms of gender, nationality, race, etc. as well as incorporating diverse opinions into management are important for strengthening the decision-making functions and the supervisory function of the Board. The Company will continue to discuss the selection of candidates for Directors going forward.
- When selecting the candidates for Directors, the Board shall select the candidates after they have been sufficiently deliberated by the Nomination Committee, of which Outside Directors form a majority.

- Directors should attend Board of Directors meetings and maintain an attendance rate of at least 75% or more unless there are unavoidable circumstances.
- Audit & Supervisory Board Members shall meet the requirement of whether they can fulfil their duties and ensure their independence from the representative directors, Directors, and corporate officers.
- When selecting the candidates for Audit & Supervisory Board Members, the Board shall select the candidates after they have been deliberated by the Nomination Committee, and agreed by the Audit & Supervisory Board.
- Outside Directors and Outside Audit & Supervisory Board Members shall be confirmed to have no problems according to specific criteria on the judgment of independence.
- When selecting the candidates for Directors and Audit & Supervisory Board Members, the General Meeting of Shareholders shall select them after the relevant proposal.
- Candidates for CEO shall be selected based on the successor plan and defined eligibility requirements, etc. that have been repeatedly discussed at the Nomination Committee.
- Selection of CEO and COO (including reelection) shall be determined by resolution of the Board over a recommendation from the Nomination Committee that the Committee submits after sufficient deliberation.

3) Policies and Procedures for Dismissal of Directors and CEO

- If any Director is found not meeting eligibility requirements or requirements for execution of duties defined in the Companies Act or the Directors Regulations, following deliberation at the Nomination Committee and the Board, the General Meeting of Shareholders shall deem that it meets criteria for dismissal of Directors, and resolve dismissal of such Director after the relevant proposal.
- Dismissal of CEO and COO shall be called into account in light of the Companies Act, defined CEO eligibility requirements or requirements for execution of duties, and determined in the same manner as appointment, by resolution of the Board over a recommendation from the Nomination Committee that the Committee submits after sufficient deliberation.

4) Matters concerning the Decision Policy regarding the Content of Individual Compensations of Directors

- The Company has established a policy regarding decisions of the content of individual compensations for Directors at the Board meeting held on May 13, 2021 and has revised a part of the content at the Board meeting held on May 19, 2022 and November 30, 2023. The outline is as follows.

1. Compensations policy

Compensations to Directors are designed based on the following ideas.

(1) Compensation system with a compensation level that can secure and maintain excellent human resources

(2) Compensation system that motivates sustainable growth over the medium to long term and contributes to the increase of the value of the Company and shareholder value

(3) A transparent, fair and rational compensation system accountable to stakeholders

2. Level of compensations

The level of compensations to Directors is set aiming to provide the high level compensations in the industrial circle, referring to the levels of other companies learned from the surveys of external specialist institutions. Specifically, the Company will mainly compare companies within the top 100 companies by market capitalization among the companies listed on the Tokyo Stock Exchange, and also refer to the levels of major domestic pharmaceutical companies.

3. Composition of compensations

Directors (excluding Outside Directors)

It is designed to encourage management efforts from a short-term to medium-long-term perspective and appropriately to be able to reward the results by the composition of four compensations such as basic, fixed compensation, annual performance-based bonuses, which is a variable compensation serving as short-term incentive, and restricted share-based compensation and medium-term performance-based share compensation serving as long-term incentive. Retirement benefit system is not adopted.

Outside Directors

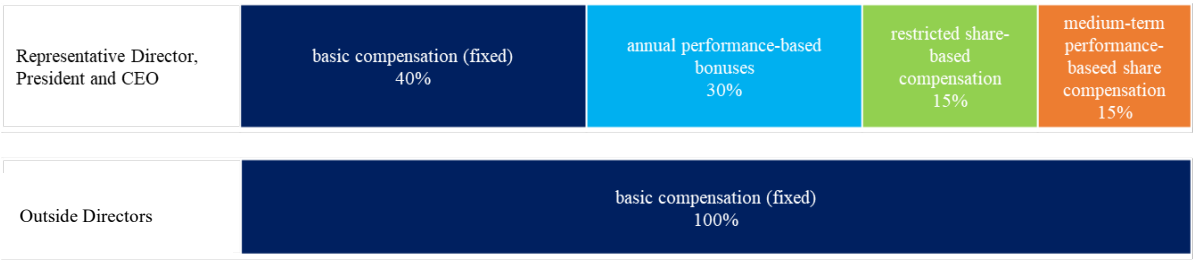
Compensation to Outside Directors who are in charge of management oversight and are not in the position to take charge of business execution is only basic, fixed compensation. Incentive bonuses and retirement benefit system are not adopted.

4. Ratio of the composition of compensations

The composition of compensations to Representative Director, President and CEO is designed to have its ratio of 40% as basic compensation, 30% as annual performance-based bonuses, 15% as restricted share-based compensation and 15% as medium-term performance-based share compensation when achieving the performance target of 100%.

The ratio of the composition of compensations of other Directors (excluding Outside Directors) will be determined in consideration of the responsibilities and the level of compensation according to the ratio of composition of compensation of Representative Director, President and CEO.

Compensation to Outside Directors is only basic, fixed compensation.



5. Basic compensation

Basic compensation to Directors shall be paid on one regular day of each month during their tenure, and the amount of individual compensation is determined according to the compensations policy and the level of compensations.

6. Annual performance-based bonuses (short-term incentive)

The amount of annual performance-based bonuses, which are short-term incentive remuneration, will be decided according to the degree of achievement of the earnings forecasts announced at the beginning of the fiscal year about profit attributable to owners of the Company, revenue and core operating profit ratio, and the evaluation of goals and tasks which each Director set at the beginning of the fiscal year.

The formula for calculating the amount of payment, and the evaluation ratio and mechanism of annual performance-based bonuses are as follows.

(1) Calculation formula for annual performance-based bonus

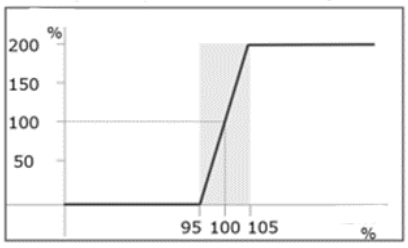
Bonus payment amount = Standard amount by position ＊ Achievement of annual targets (revenue + core operating profit ratio + profit attributable to owners of the Company) ＊ performance evaluation

(2) Achievement of annual targets (evaluation ratio and mechanism)

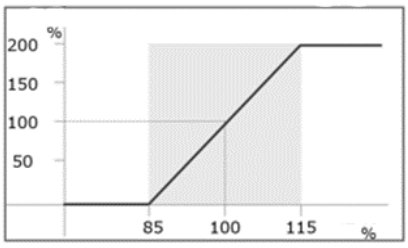
Index for the achievement of annual targets	Evaluation ratio	Evaluation coefficient fluctuation range	Targets (set with the following as a guide)
Revenue	10%	0%-200%	Upper limit: Target ＊ 105% Target: Expected value announced at the beginning of the fiscal year Lower limit: Target ＊ 95%
Core operating profit ratio	10%	0%-200%	Upper limit: Target ＊ 115% Target: Expected value announced at the beginning of the fiscal year Lower limit: Target ＊ 85%
Profit attributable to owners of the Company	80%	0%-200%	Upper limit: Target ＊ 120% Target: Expected value announced at the beginning of the fiscal year Lower limit: Target ＊ 80%
Total	100%	0%-200%	

[Target achievement ratio]

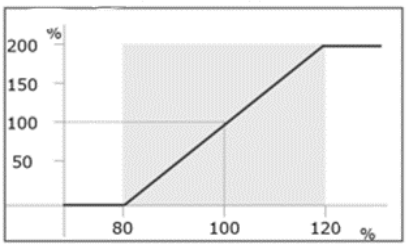
Revenue



Core operating profit ratio



Profit attributable to owners of the Company



(3) Performance evaluation

It will be converted into a coefficient and calculated according to the degree of achievement of each Director's goals and tasks set at the beginning of the fiscal year.

(i) The performance evaluation of the Executive Chairperson and the President will be determined after deliberation at a joint meeting of the Nomination Committee and the Compensation Committee.

(ii) For other Directors, the evaluation decided by CEO after deliberation at the performance meeting shall be applied. The evaluation results of Directors will be reported to the Compensation Committee.

	Index	Coefficient	Evaluation method
Executive Chairperson / President	Company-wide tasks such as R&D progress Successor training, etc.	50%-150%	Decided after deliberation at a joint meeting of the Nomination Committee and the Compensation Committee
Other Directors	Department (individual) goals	80%-120%	Performance evaluation (CEO)

7. Restricted share-based compensation (Long-term incentives)

The Company grants, every year in principle, shares with transfer restriction until the time immediately after resignation or retirement of a Director. The objective of the system is to give

incentives to sustainably increase the value of the Company and to promote sharing the same value between shareholders and Directors for as long as possible by having the restricted shares. The total number of the ordinary shares of the Company to be issued or disposed of is 240 thousand shares or less per year (if a share split of the Company's ordinary shares (including a gratis allotment of the Company's ordinary shares) or a share consolidation occurs, or if there is any other reason that requires adjustment of the total number, Daiichi Sankyo will adjust the number in a reasonable range as necessary according to the split or consolidation ratio.).

When restricted share-based compensation is paid, monetary compensation receivables will be paid to Directors based on a resolution of Board of Directors of the Company, and Directors will pay all of the paid monetary compensation receivables as in-kind contribution assets of the Company's ordinary shares and will be issued them.

When delivering the Company's ordinary shares, a restricted share allotment agreement will be concluded between the Company and each Director, and Directors shall not freely transfer, set security interests or otherwise dispose of the Company's ordinary shares allotted under the allotment agreement for a certain period of time specified in the allotment agreement.

In the allotment agreement, (1) if a Director of the Company retires or resigns during the transfer restriction period, the Company shall acquire all of the restricted shares without consideration unless otherwise such the retirement or resignation is admitted by Board of Directors that it has justifiable reasons such as expiration of terms of office, death or others, and (2) if a Director retires or resigns due to expiration of term, death or other reasons deemed justified by Board of Directors during the service provision period, the Company shall rationally adjust the number of shares for which the restrictions will be released and the timing of the release as necessary and acquire the restricted shares which the restrictions will not be released free of charge, will be included.

The number of restricted share-based compensation to be delivered shall be the number of shares of the Company's ordinary shares, which is the amount of restricted share-based compensation for each position divided by the closing price of the market price of the Company's ordinary share on the day before the allotment resolution by Board of Directors.

8. Medium-term performance-based share compensation (Long-term incentives)

Medium-term performance-based share compensation, which is a long-term incentive compensation, will be a trust-type share compensation system that has the nature of performance share (performance-based share compensation) for Directors (excluding Outside Directors) and the Corporate Officers (hereinafter, "the Target Directors & Officers.") as compensation based on the achievement of the performance of the mid-term business plan in order to promote management with an emphasis on increasing shareholder value over the medium to long term.

The trust period for the fiscal year covered by the mid-term business plan (hereinafter, the "Target Period," and the initial Target Period is 5-Year Business Plan (fiscal 2021-fiscal 2025)) will be set.

The number of shares of the Company, etc. to be delivered, etc. to the Target Directors & Officers shall be determined at a certain time every year based on share delivery points calculated by multiplying the number of points accumulated over a Target Period, which are awarded according to their position, by the performance-based coefficient. The performance-based coefficient shall be determined within the range between 0% and 200% according to the degree of achievement of targets of Daiichi Sankyo's performance indicators set forth for the final fiscal year of the Target Period (For the initial Target Period, revenue, core operating profit ratio before research and development expenses, ROE, research and development progress, ESG indicators, and relative TSR set forth in Daiichi Sankyo's 5-Year Business Plan announced in fiscal 2021 have been adopted.), and one ordinary share in Daiichi Sankyo per point shall be delivered. During the trust period, if a share split of the Company's ordinary shares (including a gratis allotment of the Company's ordinary shares) or a share consolidation occurs, or if there is any other reason that requires adjustment of the number of points, Daiichi Sankyo will adjust the number of points in a reasonable range as necessary according to the split or consolidation ratio. The total number of ordinary shares, etc. of the Company to be delivered to the Target Directors & Officers during the Target Period will be limited to the number obtained by multiplying the maximum number of 0.5 million shares per

fiscal year by the number of fiscal years of the Target Period (The initial Target Period is 2.5 million shares for the five fiscal years.). As a general rule, when the Target Directors & Officers receive the Company's shares, etc., after their retirement, 50% of the shares to be delivered will be converted into money and be provided for the purpose of allocating to tax payment funds such as withholding income tax. Shares and monetary payments will be provided through the executive compensation BIP (Board Incentive Plan) trust of Mitsubishi UFJ Trust and Banking Corporation.

With justifiable reason, when it is not possible to establish the trust, amend the trust agreement, make additional contribution to the Trust, or when Target Directors & Officers are non-resident of Japan, or with any other justifiable reason, that delivery of the Company's Shares, etc. to Target Directors & Officers from the trust is not possible, the Company may, within the upper limit of amount of money to be contributed by the Company, make monetary payments of the amount reasonably calculated based on the number of the Company's Shares, etc. that should be delivered in accordance with the plan and share price, etc., to Target Directors & Officers.

Index for the achievement of targets	Evaluation ratio	Evaluation coefficient fluctuation range	Targets (set with the following as a guide)
Revenue	20%	0%-200%	Upper limit: Target ＊ 110% Target: Expected value announced about 5-Year Business Plan Lower limit: Target ＊ 90%
Core operating profit ratio before research and development expenses	20%	0%-200%	Upper limit: Target ＊ 120% Target: Expected value announced about 5-Year Business Plan Lower limit: Target ＊ 80%
ROE	20%	0%-200%	Upper limit: Target ＊ 140% Target: Expected value announced about 5-Year Business Plan Lower limit: Target ＊ 60%
Research and development progress	15%	0%-200%	Research and development achievements (number of new indications for 3ADC on the market, pipeline value in the early and late stages)
ESG indicators	10%	0%-200%	Evaluation based on Dow Jones Sustainability Indices, FTSE Russell or Access to Medicine
Relative TSR	15%	0%-200%	Upper limit: Comparison result with TOPIX including dividend ＊ 150% Target: Comparison result with TOPIX including dividend ＊ 100% Lower limit: Comparison result with TOPIX including dividend ＊ 50%
Total	100%	0%-200%	

9. Clawback provision

Daiichi Sankyo will set forth a clawback clause that can request for the refund of part or all of the compensation received for annual performance-based bonuses and medium-term performance-based

share compensation by the resolution of Board of Directors after consultation with the Compensation Committee in the event that a material accounting error or fraud, or record of a significant impairment loss occurs.

This clause will be applied from the fiscal 2021 annual performance-based bonus and medium-term performance-based share compensation and will be applied for all periods thereafter.

10. Compensation governance and decision-making process

The Compensation Committee has been established as an advisory body to Board of Directors to ensure the appropriateness of compensation for Directors and the transparency of the decision-making process. The Compensation Committee consists of only Outside Directors, with one Outside Audit & Supervisory Board Member participating as an observer, and the chairperson is appointed by mutual appointment of the members.

The Compensation Committee fully discusses the compensation policy, the level of compensations, the composition of the compensation, the ratio of the composition of compensations, Clawback provision, the compensation governance and decision-making process, amount of annual performance-based bonuses, allocation of restricted share, and result of medium-term performance-based share compensation. In addition, the Compensation Committee discusses and confirms the detailed design of indices for the achievement of each compensation, and also verifies the compensation levels for each position.

The amount of compensation for each individual Director of the Company is first deliberated by the Compensation Committee, and then based on the deliberation results, each type of the compensation will be determined by a resolution of Board of Directors within the total amount of compensation resolved at the General Meeting of Shareholders.

- As stated in the above policy, the Compensation Committee fully discusses the compensations policy, the level of compensations, the composition of the compensation, the ratio of the composition of compensations, Clawback provision, the compensation governance and decision-making process, amount of annual performance-based bonuses, allocation of restricted share, and result of medium-term performance-based share compensation. The content of individual compensation for Directors in the current fiscal year is also decided by the Board after being first deliberated by the Compensation Committee. We judge that the content of the Company's compensation governance is in line with the above-mentioned policy regarding decisions of the content of individual compensation for Directors.

5) Decision Policy regarding the Content of Individual Compensations of Audit & Supervisory Board Members

The outline of the decision policy regarding the content of individual compensations of Audit & Supervisory Board Members is as follows.

- Compensation to Audit & Supervisory Board Members is only basic, fixed compensation in view of the role of oversight of management and no position to take charge of business execution.
- The level of basic compensations is set aiming to provide high level compensations in the industrial sector, referring to the levels of other companies learned from the surveys of external specialist institutions. Specifically, a group of companies is selected for comparison from the top 100 listed companies on the Tokyo Stock Exchange with the largest market capitalization. The Company also refers to the levels of other leading domestic pharmaceutical companies.
- The amount of the compensation for each Audit & Supervisory Board Member has been determined through the discussion and with the unanimous consent in the Audit & Supervisory Board meetings within the total amount of the compensation approved by the General Meeting of Shareholders.

3. Rationale for the Selection of Accounting Standards

The Group has adopted International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") starting in the fiscal 2013. Having considered what accounting and financial reporting standards would be best to contribute to growth in corporate value through a concerted global business development program, Daiichi Sankyo made this move (1) to improve the international comparability of the Group's financial statements with global capital markets, (2) to unify the accounting treatments applied across the Group, and (3) to contribute to diversification of the Group's methods of fund procurement in global markets.

4. Consolidated Financial Statements with Primary Notes

(1) Consolidated Statement of Financial Position

(Millions of JPY)

	As of March 31, 2023	As of March 31, 2024
ASSETS		
Current assets		
Cash and cash equivalents	441,921	647,180
Trade and other receivables	349,111	454,188
Other financial assets	383,205	577,040
Inventories	301,608	438,111
Other current assets	19,204	32,999
Subtotal	1,495,051	2,149,521
Assets held for sale	–	24,503
Total current assets	1,495,051	2,174,024
Non-current assets		
Property, plant and equipment	348,912	421,692
Goodwill	98,330	108,498
Intangible assets	159,609	168,300
Investments accounted for using the equity method	1,306	608
Other financial assets	130,393	147,906
Deferred tax assets	180,096	249,354
Other non-current assets	95,188	190,749
Total non-current assets	1,013,837	1,287,111
Total assets	2,508,889	3,461,135

(Millions of JPY)

	As of March 31, 2023	As of March 31, 2024
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Trade and other payables	395,169	557,131
Bonds and borrowings	41,396	399
Other financial liabilities	11,080	12,775
Income taxes payable	21,470	46,391
Provisions	7,626	15,435
Contract liabilities	28,867	57,435
Other current liabilities	24,652	22,345
Subtotal	530,263	711,914
Liabilities directly associated with assets held for sale	–	11,484
Total current liabilities	530,263	723,399
Non-current liabilities		
Bonds and borrowings	101,692	101,314
Other financial liabilities	41,647	46,229
Post-employment benefit liabilities	1,310	1,291
Provisions	16,376	13,978
Contract liabilities	292,245	680,166
Deferred tax liabilities	12,647	12,858
Other non-current liabilities	66,851	193,294
Total non-current liabilities	532,770	1,049,133
Total liabilities	1,063,034	1,772,532
Equity		
Equity attributable to owners of the Company		
Share capital	50,000	50,000
Capital surplus	–	1,962
Own shares	(36,808)	(36,629)
Other components of equity	200,874	283,998
Retained earnings	1,231,788	1,388,842
Total equity attributable to owners of the Company	1,445,854	1,688,173
Non-controlling interests	–	429
Total equity	1,445,854	1,688,603
Total liabilities and equity	2,508,889	3,461,135

(2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

(Millions of JPY)

	Year ended March 31, 2023	Year ended March 31, 2024
Revenue	1,278,478	1,601,688
Cost of sales	363,525	415,322
Gross profit	914,952	1,186,366
Selling, general and administrative expenses	471,221	636,997
Research and development expenses	341,570	365,169
Other income	19,101	27,477
Other expenses	680	88
Operating profit	120,580	211,588
Financial income	14,773	31,487
Financial expenses	8,480	6,026
Share of profit (loss) of investments accounted for using the equity method	(19)	184
Profit before tax	126,854	237,234
Income taxes	17,666	36,217
Profit for the year	109,188	201,016
Profit attributable to:		
Owners of the Company	109,188	200,731
Non-controlling interests	–	285
Profit for the year	109,188	201,016
Earnings per share		
Basic earnings per share (JPY)	56.96	104.69
Diluted earnings per share (JPY)	56.91	104.62

Consolidated Statement of Comprehensive Income

(Millions of JPY)

	Year ended March 31, 2023	Year ended March 31, 2024
Profit for the year	109,188	201,016
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(2,798)	15,114
Remeasurements of defined benefit plans	5,932	16,226
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	36,312	75,512
Cash flow hedges	403	578
Other comprehensive income for the year	39,850	107,431
Total comprehensive income for the year	149,038	308,447
Total comprehensive income attributable to:		
Owners of the Company	149,038	307,945
Non-controlling interests	–	502
Total comprehensive income for the year	149,038	308,447

(3) Consolidated Statement of Changes in Equity

Year ended March 31, 2023

(Millions of JPY)

	Equity attributable to owners of the Company					
				Other components of equity		
	Share capital	Capital surplus	Own shares	Subscription rights to shares	Exchange differences on translation of foreign operations	Cash flow hedges
Balance as of April 1, 2022	50,000	–	(37,482)	822	132,103	–
Profit for the year	–	–	–	–	–	–
Other comprehensive income for the year	–	–	–	–	36,312	403
Total comprehensive income for the year	–	–	–	–	36,312	403
Purchase of own shares	–	–	(24)	–	–	–
Disposal of own shares	–	–	698	(213)	–	–
Dividend	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	–
Others	–	–	–	–	–	–
Total transactions with owners of the Company	–	–	674	(213)	–	–
Balance as of March 31, 2023	50,000	–	(36,808)	608	168,415	403

(Millions of JPY)

	Equity attributable to owners of the Company					
	Other components of equity					
	Financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	Total other components of equity	Retained earnings	Total equity attributable to owners of the Company	Total equity
Balance as of April 1, 2022	35,211	–	168,147	1,170,208	1,350,872	1,350,872
Profit for the year	–	–	–	109,188	109,188	109,188
Other comprehensive income for the year	(2,798)	5,932	39,850	–	39,850	39,850
Total comprehensive income for the year	(2,798)	5,932	39,850	109,188	149,038	149,038
Purchase of own shares	–	–	–	–	(24)	(24)
Disposal of own shares	–	–	(213)	(194)	290	290
Dividend	–	–	–	(54,632)	(54,632)	(54,632)
Transfer from other components of equity to retained earnings	(976)	(5,932)	(6,909)	6,909	–	–
Others	–	–	–	309	309	309
Total transactions with owners of the Company	(976)	(5,932)	(7,123)	(47,607)	(54,056)	(54,056)
Balance as of March 31, 2023	31,446	–	200,874	1,231,788	1,445,854	1,445,854

Year ended March 31, 2024

(Millions of JPY)

	Equity attributable to owners of the Company						
				Other components of equity			
	Share capital	Capital surplus	Own shares	Subscription rights to shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2023	50,000	–	(36,808)	608	168,415	403	31,446
Profit for the year	–	–	–	–	–	–	–
Other comprehensive income for the year	–	–	–	–	75,512	578	15,114
Total comprehensive income for the year	–	–	–	–	75,512	578	15,114
Purchase of own shares	–	–	(25)	–	–	–	–
Disposal of own shares	–	156	204	(48)	–	–	–
Dividend		–	–	–	–	–	–
Share-based compensation	–	1,806	–	–	–	–	–
Changes in ownership interest in subsidiaries	–	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	–	(6,818)
Transfer to non-financial assets and similar items						(1,213)	–
Others	–	–	–	–	–	–	–
Total transactions with owners of the Company	–	1,962	178	(48)	–	(1,213)	(6,818)
Balance as of March 31, 2024	50,000	1,962	(36,629)	560	243,928	(232)	39,742

(Millions of JPY)

	Equity attributable to owners of the Company					
	Other components of equity					
	Remeasure-ments of defined benefit plans	Total other components of equity	Retained earnings	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance as of April 1, 2023	–	200,874	1,231,788	1,445,854	–	1,445,854
Profit for the year	–	–	200,731	200,731	285	201,016
Other comprehensive income for the year	16,009	107,213	–	107,213	217	107,431
Total comprehensive income for the year	16,009	107,213	200,731	307,945	502	308,447
Purchase of own shares	–	–	–	(25)	–	(25)
Disposal of own shares	–	(48)	–	311	–	311
Dividend	–	–	(67,109)	(67,109)	–	(67,109)
Share-based compensation	–	–	–	1,806	–	1,806
Changes in ownership interest in subsidiaries	–	–	–	–	(73)	(73)
Transfer from other components of equity to retained earnings	(16,009)	(22,827)	22,827	–	–	–
Transfer to non-financial assets and similar items	–	(1,213)	–	(1,213)	–	(1,213)
Others	–	–	604	604	–	604
Total transactions with owners of the Company	(16,009)	(24,089)	(43,677)	(65,626)	(73)	(65,699)
Balance as of March 31, 2024	–	283,998	1,388,842	1,688,173	429	1,688,603

(4) Consolidated Statement of Cash Flows

(Millions of JPY)

	Year ended March 31, 2023	Year ended March 31, 2024
Cash flows from operating activities		
Profit before tax	126,854	237,234
Depreciation and amortization	67,789	59,646
Impairment losses (reversal of impairment losses)	19,083	826
Financial income	(14,773)	(31,487)
Financial expenses	8,480	6,026
Share of (profit) loss of investments accounted for using the equity method	19	(184)
(Gain) loss on sale and disposal of non-current assets	(11,228)	1,298
(Increase) decrease in trade and other receivables	(64,584)	(69,893)
(Increase) decrease in inventories	(80,664)	(128,734)
Increase (decrease) in trade and other payables	51,069	119,836
Increase (decrease) in contract liabilities	86,800	416,097
Others, net	(33,677)	68,302
Subtotal	155,169	678,968
Interest and dividend received	7,674	18,892
Interest paid	(2,080)	(1,844)
Income taxes paid	(46,248)	(96,758)
Net cash flows from (used in) operating activities	114,514	599,258
Cash flows from investing activities		
Payments into time deposits	(481,799)	(484,189)
Proceeds from maturities of time deposits	332,503	356,053
Acquisition of securities	(322,031)	(298,770)
Proceeds from sale and redemption of securities	285,068	261,950
Acquisition of property, plant and equipment	(60,749)	(88,321)
Proceeds from sale of property, plant and equipment	9,941	519
Acquisition of intangible assets	(6,617)	(34,470)
Acquisition of subsidiaries	(30,812)	(6,900)
Proceeds from sale of subsidiaries	8,302	7,500
Proceeds from collection of loans receivable	311	173
Others, net	8,101	3,818
Net cash flows from (used in) investing activities	(257,782)	(282,636)

(Millions of JPY)

	Year ended March 31, 2023	Year ended March 31, 2024
Cash flows from financing activities		
Proceeds from bonds and borrowings	–	484
Repayments of bonds and borrowings	(20,394)	(41,396)
Purchase of own shares	(24)	(25)
Proceeds from sale of own shares	0	0
Dividend paid	(54,616)	(67,080)
Repayments of lease liabilities	(14,560)	(15,545)
Others, net	0	0
Net cash flows from (used in) financing activities	(89,594)	(123,564)
Net increase (decrease) in cash and cash equivalents	(232,862)	193,057
Cash and cash equivalents at the beginning of the year	662,477	441,921
Effect of exchange rate changes on cash and cash equivalents	12,306	21,423
Cash and cash equivalents at the end of the year	441,921	656,403
Cash and cash equivalents reclassified to assets held for sale	–	(9,222)
Cash and cash equivalents at the end of the year	441,921	647,180
(Consolidated statement of financial position)		

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Presentation

Consolidated Statement of Financial Position

"Contract liabilities", which was included in "Trade and other payables" under current liabilities and "Other non-current liabilities" under non-current liabilities in the previous consolidated fiscal year, is disclosing separately from the current fiscal year, since the monetary significance has increased.
To reflect this change in presentation, the consolidated statement of financial position as of March 31, 2023 has been reclassified on a consistent basis.
As a result, a portion of the amounts reported in "Trade and other payables" under current liabilities and "Other non-current liabilities" under non-current liabilities as of March 31, 2023 amounting to JPY28,867 million and JPY292,245 million, respectively, has been reclassified as "Contract liabilities" under current liabilities and non-current liabilities.

Consolidated Statement of Cash Flows

The “Increase (decrease) in contract liabilities”, which was included in “Increase (decrease) in trade and other payables” and “Others, net” under cash flows from operating activities, is disclosing separately from the current fiscal year, since the monetary significance has increased.
To reflect this change in presentation, the Consolidated Statement of Cash Flows for year ended March 31, 2023, has been reclassified on a consistent basis.
As a result, a portion of the amounts reported in "Increase (decrease) in trade and other payables" and " Others, net" under cash flows from operating activities in the Consolidated Statement of Cash Flows for year ended March 31, 2023 amounting to JPY3,065 million and JPY83,734 million, respectively, has been reclassified as "Increase (decrease) in contract liabilities".

Operating Segment Information

1) Reportable Segments
Disclosure is omitted as the Group has a single segment, “Pharmaceutical Operation”.

2) Information about products and services
Sales by products and services were as follows:

(Millions of JPY)

	Year ended March 31, 2023		Year ended March 31, 2024		Increase / (decrease)	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Prescription drugs	1,205,939	94.3	1,523,410	95.1	317,470	26.3
Healthcare (OTC) products	70,331	5.5	75,895	4.7	5,564	7.9
Others	2,207	0.2	2,382	0.2	175	7.9
Total	1,278,478	100.0	1,601,688	100.0	323,210	25.3

3) Information by geographical area

Revenue and non-current assets by geographical area were as follows:

a. Revenue

(Millions of JPY)

	Japan	North America	Europe	Other regions	Consolidated
Year ended March 31, 2023	533,508	396,579	204,657	143,733	1,278,478
Year ended March 31, 2024	599,977	499,280	310,842	191,588	1,601,688

(Notes) Revenue is classified according to the geographical location of customers.

b. Non-current assets

(Millions of JPY)

	Japan	North America	Europe	Other regions	Consolidated
As of March 31, 2023	301,766	212,166	85,337	7,581	606,852
As of March 31, 2024	318,143	237,429	130,670	12,247	698,491

(Notes) Non-current assets are primarily presented based on the geographical location of assets, and are comprised of property, plant and equipment, goodwill and intangible assets.

4) Information on major customers

Customers for which sales were over 10% of total revenue in the Consolidated Statement of Profit or Loss are as follows:

(Millions of JPY)

Name of customer	Year ended March 31, 2023	Year ended March 31, 2024
Alfresa Holdings Corporation and its group companies	180,523	199,732
McKesson Corporation	117,513	173,348
Cencora, Inc.	121,646	162,713

Earnings per Share

1) Basis for calculation of basic earnings per share

	Year ended March 31, 2023	Year ended March 31, 2024
a. Profit Attributable to owners of the Company		
Profit attributable to owners of the Company (Millions of JPY)	109,188	200,731
Profit not attributable to owners of the Company (Millions of JPY)	–	–
Profit used to calculate basic earnings per share (Millions of JPY)	109,188	200,731
b. Weighted-average Number of Ordinary Shares		
Weighted-average number of ordinary shares (basic) (Thousands of shares)	1,917,034	1,917,426
c. Basic Earnings per Share		
Basic earnings per share (JPY)	56.96	104.69

2) Diluted Earnings per Share

	Year ended March 31, 2023	Year ended March 31, 2024
a. Diluted Profit Attributable to owners of the Company		
Profit used to calculate basic earnings per share (Millions of JPY)	109,188	200,731
Adjustment to profit (Millions of JPY)	–	–
Profit used to calculate diluted earnings per share (Millions of JPY)	109,188	200,731
b. Weighted-average Number of Diluted Ordinary Shares		
Weighted-average number of ordinary shares (basic) (Thousands of shares)	1,917,034	1,917,426
Potential effect of issue of subscription rights (Thousands of shares)	1,553	1,229
Weighted-average number of ordinary shares (diluted) (Thousands of shares)	1,918,587	1,918,655
c. Diluted Earnings per Share		
Diluted earnings per share (JPY)	56.91	104.62

Subsequent Events

1) Transfer of Shares of Daiichi Sankyo Espha Co., Ltd.

On April 1, 2024, the Company transferred 21% of the issued shares of Daiichi Sankyo Espha Co., Ltd. (“DSEP”) held by the Company based on the provisions of the stock transfer agreement with Qol Holdings Co., Ltd. signed on May 16, 2023. The stock transfer agreement includes the phased transfer of all shares in DSEP. Since 30% of the total issued shares were already transferred on October 1, 2023, the Company’s ownership interest decreased to 49%, and the Company lost its control over DSEP.
As these share transfer transactions are intended to achieve a smooth transfer of the generic operations of DSEP, the Company has determined that it is appropriate to account for the two stock transfer transactions leading to the loss of control as a single transaction.
As a result, the Company will record approximately JPY16.0 billion as “Gain on transfer of subsidiaries and associates” (Other income) in the Consolidated Statement of Profit or Loss for the first quarter of the fiscal year ending March 31, 2025.

As of March 31, 2024 (the consolidated financial statement date for the current fiscal year), the assets and liabilities of DSEP are classified as "Assets held for sale" and "Liabilities directly associated with assets held for sale", respectively.

2) Purchase and cancellation of own shares

The Company approved at the Board of Directors ("BOD") meeting held on April 25, 2024 to purchase its own shares as own shares based on the provisions of Article 156 of the Companies Act as applied by replacing the relevant terms pursuant to the provisions of Article 165, Paragraph 3 of the same act. In addition, the Company approved at the same BOD meeting to cancel the purchased own shares based on the provisions of Article 178 of the Companies Act.

a. Reason for the Purchase and Cancellation of Own Shares
To enhance capital efficiency and to improve shareholder returns.

b. Details of Purchase
(i). Class of Shares to be Purchased
Ordinary shares of the Company
(ii). Total Number of Shares to be Purchased
Maximum of 55,000,000 shares representing 2.87% of issued shares (excluding own shares)
(iii). Aggregate amount of purchase cost
Maximum of JPY200,000 million
(iv). Purchasing Period
From April 26, 2024 to January 15, 2025
(v). Purchasing Method
Purchase on the Tokyo Stock Exchange

c. Details of Cancellation
(i). Class of Shares to be Cancelled
Ordinary shares of the Company
(ii). Total Number of Shares to be Cancelled
Total number of own shares purchased pursuant to b. above
(iii). Planned Cancellation Date
January 31, 2025