April 27, 2022

Consolidated Financial Results for Year Ended March 31, 2022 (Fiscal 2021) <under IFRS>

Listed company name: Daiichi Sankyo Company, Limited
Listed exchange: First Section of the Tokyo Stock Exchange
Stock code number: 4568
URL: https://www.daiichisankyo.com
Representative: Dr. Sunao Manabe, Representative Director, President and CEO.
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Scheduled date of Ordinary General Meeting of Shareholders: June 27, 2022
Scheduled date of dividend payments: From June 28, 2022
Scheduled date of Annual Securities Report filing: June 27, 2022
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 yen.)

1. Consolidated Financial Results for Year Ended March 31, 2022

(1) Consolidated Financial Results

(Percentages indicate changes from the previous fiscal year.)

	Revenue		Operating profit		Profit before tax		Profit for the year	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2022	1,044,892	8.6	73,025	14.5	73,516	(0.8)	66,972	(11.7)
Year ended March 31, 2021	962,516	(2.0)	63,795	(54.0)	74,124	(47.5)	75,830	(41.2)

	Profit attributable to owners of the Company		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Year ended March 31, 2022	66,972	(11.8)	130,292	13.3	34.94	34.91
Year ended March 31, 2021	75,958	(41.2)	114,982	13.2	39.17	39.11

	Return on equity attributable to owners of the Company	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
	%	%	%
Year ended March 31, 2022	5.1	3.4	7.0
Year ended March 31, 2021	5.9	3.5	6.6

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

Year ended March 31, 2022: 129 million yen
Year ended March 31, 2021: 168 million yen

Note: Effective Thursday, October 1, 2020, Daiichi Sankyo Company, Limited (hereinafter, "Daiichi Sankyo" or "the Company") implemented a three-for-one share split of its ordinary shares. "Basic earnings per share" and "Diluted earnings per share" are calculated as if the share split had taken place at the beginning of the year ended March 31, 2021.

(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 yen	Millions of yen	Millions of yen	%	Yen
As of March 31, 2022	2,221,402	1,350,872	1,350,872	60.8	704.76
As of March 31, 2021	2,085,178	1,272,053	1,272,053	61.0	663.85

Note: Effective Thursday, October 1, 2020, Daiichi Sankyo implemented a three-for-one share split of its ordinary shares. "Equity per share attributable to owners of the Company" is calculated as if the share split had taken place at the beginning of the year ended March 31, 2021.

(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 yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2022	139,226	212,339	(86,231)	662,477
Year ended March 31, 2021	192,207	(39,246)	(202,433)	380,547

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			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2021	–	40.50	–	13.50	–	52,132	68.9	4.0
Year ended March 31, 2022	–	13.50	–	13.50	27.00	51,752	77.3	3.9
Year ending March 31, 2023 (Forecast)	–	13.50	–	13.50	27.00		62.4	

Note: Effective Thursday, October 1, 2020, Daiichi Sankyo implemented a three-for-one share split of its ordinary shares. The dividend for the end of the second quarter of the year ended March 31, 2021, presents the amount prior to the share split. The annual dividend per share for the year ended March 31, 2021 is not stated because the amounts cannot be simply combined due to the implementation of the share split. When calculated based on the assumption of no share split, the annual dividend per share is ¥81 for the year ended March 31, 2021. For further details, please refer to "1. Results of Operations (4) Basic Policy on Profit Distribution and Dividend for the Years Ended March 31, 2022 and Ending March 31, 2023" on page 14.

3. Forecast of Consolidated Financial Results for Year Ending March 31, 2023

(Percentages indicate changes from the same period in 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 yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,150,000	10.1	105,000	15.9	105,000	43.8	105,000	42.8	83,000	23.9	83,000	23.9	43.30

Note: Daiichi Sankyo Group is disclosing Core operating profit as an indicator of its recurring profitability, excluding one-time income and expenses from Operating profit. For the definition of Core operating profit, please refer to "1. Results of Operations (1) Operating Results for Year ended March 31, 2022 1) Overview" on page 2.

*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 treasury shares)

As of March 31, 2022	1,947,034,029 shares
As of March 31, 2021	2,127,034,029 shares

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

As of March 31, 2022	30,247,523 shares
As of March 31, 2021	210,868,203 shares

3) Average number of shares during the period

Year ended March 31, 2022	1,916,602,512 shares
Year ended March 31, 2021	1,939,343,390 shares

Note: Effective Thursday, October 1, 2020, Daiichi Sankyo implemented a three-for-one share split of its ordinary shares. "Number of ordinary shares issued" is calculated as if the share split had taken place at the beginning of the year ended March 31, 2021.

(Reference)

Non-Consolidated Financial Results for Year Ended March 31, 2022

(1) Non-Consolidated Financial Results

(Percentages indicate changes from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2022	754,007	7.6	10,157	(74.4)	47,688	(43.6)	39,273	(51.5)
Year ended March 31, 2021	701,000	5.4	39,652	146.5	84,543	70.0	81,002	(27.3)

	Basic net income per share	Diluted net income per share
	Yen	Yen
As of March 31, 2022	20.49	20.47
Year ended March 31, 2021	41.77	41.71

Note: Effective Thursday, October 1, 2020, Daiichi Sankyo implemented a three-for-one share split of its ordinary shares. "Basic net income per share" and "Diluted net income per share" are calculated as if the share split had taken place at the beginning of the year ended March 31, 2021.

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2022	1,638,011	930,266	56.7	484.90
As of March 31, 2021	1,589,239	947,766	59.6	494.07

Reference: Equity:

As of March 31, 2022: 929,444 million yen
As of March 31, 2021: 946,727 million yen

Note: Effective Thursday, October 1, 2020, Daiichi Sankyo implemented a three-for-one share split of its ordinary shares. "Net assets per share" is calculated as if the share split had taken place at the beginning of the year ended March 31, 2021.

* This 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 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 13 for matters related to the above forecasts.

Attached Material

Index

1. Results of Operations

(1) Operating Results for Year ended March 31, 2022

1) Overview

[Consolidated Financial Results]

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

	Year ended March 31, 2021	Year ended March 31, 2022	YoY change
Revenue	962,516	1,044,892	82,375 8.6%
Cost of sales*	337,751	348,036	10,284 3.0%
Selling, general and administrative expenses*	318,468	352,125	33,656 10.6%
Research and development expenses*	227,442	254,124	26,682 11.7%
Core operating profit*	78,853	90,605	11,751 14.9%
Temporary income*	557	3,912	3,354 602.1%
Temporary expenses*	15,615	21,492	5,876 37.6%
Operating profit	63,795	73,025	9,230 14.5%
Profit before tax	74,124	73,516	-608 -0.8%
Profit attributable to owners of the Company	75,958	66,972	-8,985 -11.8%
Total comprehensive income	114,982	130,292	15,310 13.3%

* Daiichi Sankyo Group is disclosing 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.

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

(Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
USD/Yen	106.06	112.38
EUR/Yen	123.70	130.56

a. Revenue

- Revenue in the year ended March 31, 2022 (fiscal 2021) increased by ¥82.4 billion, or 8.6% year on year, to ¥1,044.9 billion.
- Revenue increased year on year due to the achieved growth with global mainstay products such as Lixiana (generic name: edoxaban) and Enhertu (generic name: trastuzumab deruxtecan, T-DXd/DS-8201) and others.
- The positive effect on revenue from foreign exchange was ¥28.7 billion in total.

b. Core operating profit

- Core operating profit increased by ¥11.8 billion, or 14.9% year on year, to ¥90.6 billion.
- Cost of sales increased only by ¥10.3 billion, or 3.0% year on year, to ¥348.0 billion due to an improvement in cost-to-sales ratio as a result of a change in the product mix, despite an increase in revenue.
- Selling, general and administrative expenses increased by ¥33.7 billion, or 10.6%, to ¥352.1 billion due to the cost increase by an increase in profit sharing with AstraZeneca pertaining to Enhertu.
- Research and development expenses increased by ¥26.7 billion, or 11.7%, to ¥254.1 billion, mainly due to increased R&D investment in 3ADCs (trastuzumab deruxtecan, datopotamab deruxtecan: Dato-DXd/DS-1062 and patritumab deruxtecan: HER3-DXd/U3-1402).
- The positive effect on core operating profit from foreign exchange was ¥3.9 billion in total.

c. Operating profit

- Operating profit increased by ¥9.2 billion, or 14.5% year on year, to ¥73.0 billion.
- The amount of increase in operating profit decreased compared to core operating profit due to increased temporary expenses by the record of the environmental measures costs of the former Yasugawa factory and others.

d. Profit before tax

- Profit before tax decreased by ¥0.6 billion, or 0.8% year on year, to ¥73.5 billion.

e. Profit attributable to owners of the Company

- Profit attributable to owners of the Company decreased by ¥9.0 billion, or 11.8% year on year, to ¥67.0 billion.
- Because deferred tax assets increased due to increased future taxable income amount, income taxes accounted negative in the previous fiscal year. As a result of the increase of income taxes rate compared to the previous fiscal year by this effect etc., profit decrease rate was higher than profit before tax.

f. Total comprehensive income

- Total comprehensive income increased by ¥15.3 billion, or 13.3% year on year, to ¥130.3 billion.
- Total comprehensive income increased due to improvement in the currency translation difference pertaining to net assets of overseas subsidiaries, despite a worsening in the valuation difference on financial assets.

[Revenue by Business Unit]

Revenue by business unit in the fiscal 2021 is as follows. In addition, 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 was ¥489.5 billion, approximately the same level as the previous fiscal year due to growth in sales of Lixiana, Tarlige, Enhertu, Emgality and others, despite the impact of NHI drug price revision, decline in sales of Nexium which was terminated co-promotion and decline in sales of Memary caused by generic entries following the loss of exclusivity, and others.

The following describes the major progress in the fiscal 2021.

- In April 2021, the migraine prevention drug Emgality was launched.
- In May 2021, adalimumab biosimilar, a fully human anti-TNF-α monoclonal antibody, was launched.
- In August 2021, a supplemental application was approved for partial changes in usage and dosage for Lixiana tablets 15 mg and Lixiana OD tablets 15 mg.
- In August 2021, a collaborative agreement was concluded to commercialize REYVOW in Japan for the treatment of migraines.
- In November 2021, Delytact oncolytic virus G47Δ was launched.
- In December 2021, a supplemental application was approved for partial changes in usage and dosage for antiplatelet agents Efient 3.75 mg Tablets and Efient 2.5 mg Tablets.
- In January, 2022, approval was gained for manufacturing and marketing of REYVOW for the treatment of migraines[*1].
- In March 2022, a supplemental application was approved for partial changes in indication for pain treatment Tarlige.

[*1] The approval was gained by Eli Lilly Japan, with whom Daiichi Sankyo concluded a reverse co-promotion agreement.

b. Daiichi Sankyo Healthcare Unit

- Revenue from Daiichi Sankyo Healthcare Unit decreased by ¥2.5 billion, or 3.7% year on year, to ¥64.7 billion caused by decline in sales of the drugs for common cold such as Lulu.

c. Oncology Business Unit

- Revenue from Oncology Business Unit includes revenue from products generated by Daiichi Sankyo, Inc. (the U.S.) and revenue generated from cancer treatment products sold by Daiichi Sankyo Europe GmbH.
- Revenue from the Unit increased by ¥22.2 billion, or 46.9% year on year, to ¥69.6 billion due to increase of Enhertu in the U.S. and Europe. Revenue in local currency terms increased by US$173 million, or 38.7%, to US$619 million.

d. American Regent Unit

- Revenue from American Regent Unit increased by ¥27.7 billion, or 22.8% year on year, to ¥149.5 billion due to an increase in sales of Injectafer and others affected by the spread of COVID-19 in the previous fiscal year. Revenue in local currency terms increased by US$182 million, or 15.9%, to US$1,330 million.

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 ¥16.6 billion, or 14.9% year on year, to ¥128.2 billion due to steady growth in sales of Lixiana. Revenue in local currency terms increased by EUR80 million, or 8.8%, to EUR982 million.

f. ASCA Business Unit

- Revenue from ASCA[*2] Business Unit includes sales to overseas licensees.
- Revenue from the Unit increased by ¥14.5 billion, or 14.5% year on year, to ¥114.1 billion due to increase of olmesartan and others in China.

The following describes the major progress in the fiscal 2021.

- In April 2021, Esperion's bempedoic acid, the hypercholesterolemia treatment, was licensed in for Asia and South America.
- In March 2022, an agreement was concluded to transfer the rights to manufacture and commercialize Cravit preparations in China and all of our equity interest in Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd. to YaoPharma Co., Ltd.

[*2] Asia, South & Central America

2) Status of R&D

- The Daiichi Sankyo Group (hereinafter, "the Group") is working on research and development including active collaboration with the outside in accordance with the "3 and Alpha" Strategy, which intensively allocates resources to 3ADCs[*1] for maximizing their product values, and aims to deliver medicines that change SOC[*2] for realization of sustainable growth (Alpha). In addition, the Group focuses on accelerating global clinical development.
- 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] 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.

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

*3 New medical treatment such as ADC, nucleic acid drugs, viruses for treatment, and cell therapy.

【3ADCs】

The following describes the Group's clinical development of 3ADCs projects in the fiscal 2021. The status of each clinical trial is stated in the reference data.

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

- The product is marketed under the brand name Enhertu. Daiichi Sankyo is jointly developing Enhertu with AstraZeneca, a company with a wealth of global experience in oncology.

The following describes the major progress in the fiscal 2021.

- In June 2021, data was presented at the 2021 American Society of Clinical Oncology (ASCO) from the Phase Ib/II clinical trial for patients with triple negative breast cancer (TNBC) (trial name: BEGONIA) and the Phase II clinical trial for the third line treatment for patients with HER2 expressing colorectal cancer (trial name: DESTINY-CRC01).
- In June 2021, a Phase III clinical trial for the first line treatment for patients with HER2-positive breast cancer (trial name: DESTINY-Breast09) was initiated.
- In June 2021, the top line results (the outline of trial results) of the Phase II clinical trial for the second line treatment for patients with HER2-positive gastric cancer (trial name: DESTINY-Gastric02) were obtained.
- In June 2021, the top line results of the Phase II clinical trial for the second or later line treatment for patients with HER2-overexpressing or HER2 mutant, non-small cell lung cancer (NSCLC) (trial name: DESTINY-Lung01) were obtained.
- In July 2021, a Phase III clinical trial for the second line treatment for patients with HER2-positive gastric cancer (trial name: DESTINY-Gastric04) was initiated.
- In August 2021, the primary endpoint in interim analysis of the Phase III clinical trial for the second line treatment for patients with HER2-positive breast cancer (trial name: DESTINY-Breast03) was achieved, and Real-Time Oncology Review (RTOR*4) designation was obtained from the U.S. Food and Drug Administration (FDA).
- In September 2021, a Phase II clinical trial for the third line treatment for patients with HER2-positive gastric cancer (trial name: DESTINY-Gastric06) was initiated in China.
- In September 2021, data was presented at the European Society for Medical Oncology Congress 2021 (ESMO Congress 2021) from the Phase II clinical trial for the third line treatment for patients with HER2-positive breast cancer (trial name: DESTINY-Breast01), the DESTINY-Breast03 clinical trial, the DESTINY-Gastric02 clinical trial, and the DESTINY-Lung01 clinical trial.
- In October 2021, Breakthrough Therapy Designation*5 was obtained from the FDA for the second or later line treatment for patients with HER2-positive breast cancer.
- In November 2021, the Type II Variation application for the second line treatment for patients with HER2-positive gastric cancer was validated by the European Medicines Agency (EMA).
- In November 2021, a Phase III clinical trial for neoadjuvant therapy for patients with HER2-positive early-stage breast cancer (trial name: DESTINY-Breast11) was initiated.
- In December 2021, the analysis results of the DESTINY-Breast03 clinical trial for patient subgroups with brain metastases were presented at the 2021 San Antonio Breast Cancer Symposium (#SABCS2021) in the U.S.

- In December 2021, a supplemental new drug application was submitted in Japan and the Type II Variation application was validated by the EMA for the second line treatment for patients with HER2-positive breast cancer.
- In December 2021, a Phase III clinical trial for the first line treatment for patients with HER2 mutant NSCLC (trial name: DESTINY-Lung04) was initiated.
- In January 2022, a supplemental new drug application was accepted in the U.S. for the second line treatment for patients with HER2-positive breast cancer.
- In February 2022, the primary endpoint of the Phase III clinical trial for patients with HER2 low expressing metastatic breast cancer (trial name: DESTINY-Breast04) was achieved.
- In March 2022, the application for approval was accepted in China for the second line treatment for patients with HER2-positive breast cancer.

[*4] 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.

[*5] The Breakthrough Therapy Designation is 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.

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

- Daiichi Sankyo is jointly developing the product with AstraZeneca, a company with a wealth of global experience in oncology.

The following describes the major progress in the fiscal 2021.

- In May 2021, data was presented at the European Society for Medical Oncology Breast Cancer Virtual Congress 2021 (ESMO Breast Cancer 2021) for TNBC patients in the Phase I clinical trial for solid tumors (trial name: TROPION-PanTumor01).
- In June 2021, data was presented at the 2021 American Society of Clinical Oncology (ASCO) for NSCLC patients in the TROPION-PanTumor01 clinical trial.
- In September 2021, data was presented at the 2021 World Conference on Lung Cancer (WCLC) and the European Society for Medical Oncology Congress 2021 (ESMO Congress 2021) for NSCLC patients in the TROPION-PanTumor01 clinical trial.
- In October 2021, an agreement was entered into with Merck & Co., Inc. to conduct a Phase III clinical trial for the first line treatment for NSCLC patients to evaluate the combination with pembrolizumab, the immune checkpoint inhibitor (trial name: TROPION-Lung08).
- In November 2021, a Phase III clinical trial for the second line treatment for patients with hormone receptor-positive, HER2-negative metastatic breast cancer (trial name: TROPION-Breast01) was initiated.
- In December 2021, data was presented at the 2021 San Antonio Breast Cancer Symposium (#SABCS2021) in the U.S. for TNBC patients in the TROPION-PanTumor01 clinical trial.
- In March 2022, the TROPION-Lung08 clinical trial was initiated.

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

The following describes the major progress in the fiscal 2021.

- In June 2021, data was presented at the 2021 American Society of Clinical Oncology (ASCO) from the Phase I clinical trial for patients with epidermal growth factor receptor (EGFR)-mutated NSCLC.

- In June 2021, a Phase I clinical trial was initiated to evaluate the combination with osimertinib, a tyrosine kinase inhibitor, in patients with EGFR-mutated NSCLC.
- In December 2021, Breakthrough Therapy Designation was obtained from the FDA for patients with metastatic EGFR-mutated NSCLC.

【Alpha】

The following describes the major progress in clinical development of Alpha projects in the fiscal 2021. The status of each clinical trial is stated in the reference data.

- In April 2021, a Phase I/II clinical trial for DS-1594 (Menin-MLL interaction inhibitor) was initiated for patients with acute myeloid leukemia (AML) and acute lymphocytic leukemia.
- In April 2021, a Phase II clinical trial for pexidartinib (PLX3397: CSF-1R inhibitor, brand name in the U.S.: Turalio) was initiated in Japan for patients with tenosynovial giant cell tumor.
- In April 2021, a Phase I clinical trial for DS-6016 (anti-ALK2 antibody) was initiated for patients with fibrodysplasia ossificans progressiva.
- In May 2021, a supplemental new drug application was submitted for the pain agent mirogabalin (DS-5565: α2δ ligand, brand name: Tarlige) for an additional indication related to central neuropathic pain in Japan.
- In June 2021, approval for manufacturing and marketing in Japan was received for the oncolytic virus teserpaturev (DS-1647: G47Δ, brand name: Delytact).
- In June 2021, data was presented at the annual congress of the European Hematology Association (EHA) from the Phase I clinical trial of valemetostat (DS-3201: EZH1/2 dual inhibitor) for patients with non-Hodgkin lymphoma.
- In June 2021, a Phase II clinical trial of valemetostat was initiated for patients with relapsed/refractory peripheral T-cell lymphoma (PTCL) and adult T-cell leukemia-lymphoma (ATL) (trial name: VALENTINE-PTCL01).
- In June 2021, a Phase I clinical trial for VN-0200 (RS virus vaccine) was initiated with healthy Japanese adults including elderly individuals.
- In August 2021, the primary endpoint of the ENVISAGE-TAVI AF clinical trial involving the anticoagulant edoxaban (brand name: Lixiana) for patients with atrial fibrillation (AF) who have undergone transcatheter aortic valve implantation (TAVI) was achieved, and results were presented at the European Society of Cardiology Congress 2021 (ESC Congress 2021).
- In September 2021, data was presented at the European Society for Medical Oncology Congress 2021 (ESMO Congress 2021) from the Phase I/II clinical trial of DS-7300 (B7-H3-directed ADC) for solid tumors.
- In November 2021, the primary endpoint of the Phase III clinical trial of quizartinib (AC220: FLT3 inhibitor, brand name in Japan: Vanflyta) for the first line treatment for patients with AML (trial name: QuANTUM-First) was achieved.
- In December 2021, data was presented at the meeting of the American Society of Hematology (ASH) from the Phase II clinical trial of valemetostat in Japan for relapsed/refractory ATL patients for the treatment of ATL, Orphan Drug Designation[*6] was obtained from Japan's Ministry of Health, Labour and Welfare (MHLW), and an application for manufacturing and marketing in Japan was submitted.
- In December 2021, Orphan Drug Designation[*7] for valemetostat was obtained from the FDA for the treatment of PTCL.
- In February 2022, a Phase I clinical trial for DS-7011 (anti-TLR7 antibody) was initiated for patients with systemic lupus erythematosus.

[*6] A system under which designation is granted in order to support and expedite development under the conditions that there are fewer than 50,000 patients in Japan and there is a particularly high medical need for it.

[*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.

【Other】

In March 2022, in order to further strengthen R&D capabilities for sustainable growth, Daiichi Sankyo optimized resource allocation by the termination of the R&D function of Plexxikon Inc..

3) Efforts to Address the Novel Coronavirus Infection

- Daiichi Sankyo is proactively involved in the establishment of prevention and treatment methods in the fight against COVID-19, for which there is an urgent global social need. The Company is leveraging our research properties, technologies and knowledge to the maximum extent, and through partnerships with other organizations, we are proceeding with the following R&D.

a. DS-5670 (COVID-19 mRNA vaccine)

- For the prevention of COVID-19, the Company is currently participating in "Fundamental Research on the Control of the Novel Coronavirus (2019-nCoV[*1]),"[*2] an initiative supported by the Japan Agency for Medical Research and Development (hereinafter, AMED). In addition, using novel nucleic acid delivery technology[*3] developed in-house, the Company is taking part in a basic research project on a genetic (mRNA) vaccine with the title "Development of a Genetic Vaccine for 2019-nCoV."
- The Company has been selected by the MHLW to be a provider for the Japanese Government's "Emergent Initiative to Build Production Capacity for COVID-19 Vaccines[*4] (First Round)" as well as by AMED to be a company for the AMED's Drug Discovery Support Program "Development of COVID-19 Vaccines[*5] (Second Round)."
- The Company is conducting clinical trials in Japan with healthy adults including elderly individuals.

[*1] 2019-nCoV is synonymous with SARS-CoV-2.

[*2] A vaccine development initiative determined for support by AMED under urgent government-wide efforts against the worldwide spread of COVID-19.

[*3] Technology focusing on forming lipid nanoparticle structures, stabilizing pharmaceutical active ingredients and delivering nucleic acids into immune cells. Compared to conventional vaccine technology, it has demonstrated to induce a more optimal immune response.

[*4] The project aims to swiftly develop an actual (large-scale) production system for biologics, including vaccines, in order to ensure that the vaccines necessary for the prevention of the spread and severity of unexpected epidemics, including COVID-19, are produced as soon as possible, and that their supply is secured for the Japanese people.

[*5] The project aims to support the development of a vaccine against COVID-19, for which R&D is already underway, and aims to ensure the early commercialization of safe and effective vaccines.

The following describes the major progress in the fiscal 2021.

- In November 2021, a Phase II clinical trial was initiated using a batch of DS-5670 from the optimized manufacturing process to evaluate the safety and determine the recommended dose of DS-5670.

- In January 2022, Phase I/II/III trials in Japan were initiated for healthy adults including elderly individuals who completed initial doses (1st and 2nd doses) of vaccinations for COVID-19 approved in Japan and more than 6 months have elapsed since the vaccinations.

b. DS-2319 (Nafamostat inhalation formulation)

- Daiichi Sankyo was carrying out a collaborative R&D on nafamostat inhalation formulation for the treatment of COVID-19 with the University of Tokyo, RIKEN, and Nichi-Iko Pharmaceutical Co., Ltd.

The following describes the major progress in the fiscal 2021.

- In June 2021, the Company decided to discontinue the development of DS-2319 as a result of examining the data of ongoing nonclinical studies and Phase I clinical trial.

c. Supply of AstraZeneca's novel coronavirus vaccine, Vaxzevria

- Based on the agreement which Daiichi Sankyo entered into with AstraZeneca to manufacture the vaccine, Daiichi Sankyo Biotech Co., Ltd., a subsidiary of the Company, has been manufacturing the vaccine (including vial filling and packaging, etc.) since March 2021.

The following describes the major progress in the fiscal 2021.

- In June 2021, through the Japanese government, Vaxzevria was supplied to Southeast Asia and other regions.

(2) Analysis of Financial Position as of March 31, 2022

1) Assets, Liabilities and Capital Position

- Total assets as of the fiscal year-end were ¥2,221.4 billion, an increase of ¥136.2 billion from the previous fiscal year-end, mainly due to increases in cash and cash equivalents and property, plant and equipment, which were partially offset by a decrease in other financial assets (current assets).
- Total liabilities as of the fiscal year-end were ¥870.5 billion, an increase of ¥57.4 billion from the previous fiscal year-end, mainly due to increases in trade and other payables and other non-current liabilities, which were partially offset by a decrease in bonds and borrowings (non-current liabilities).
- Total equity as of the fiscal year-end was ¥1,350.9 billion, an increase of ¥78.8 billion from the previous fiscal year-end, mainly because of the profit for the year, which was partially offset by dividend payments.
- The ratio of equity attributable to owners of the Company to total assets was 60.8%, a decrease of 0.2 points from the previous fiscal year-end.

2) Status of Cash Flows

Cash and cash equivalents increased by ¥281.9 billion during the year ended March 31, 2022 to ¥662.5 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 ¥139.2 billion (previous year: ¥192.2 billion inflow), besides profit before tax (¥73.5 billion) and non-cash items such as depreciation and amortization (¥58.2 billion), which mainly reflected cash inflows from the receipt of the upfront fee for the strategic collaboration regarding datopotamab deruxtecan.

Cash Flows from Investing Activities

- Net cash inflows provided by investing activities totaled ¥212.3 billion (previous year: ¥39.2 billion outflow), mainly due to proceeds from maturities of time deposits, which were partially offset by acquisitions of property, plant and equipment and intangible assets.

Cash Flows from Financing Activities

- Net cash outflows used in financing activities totaled ¥86.2 billion (previous year: ¥202.4 billion outflow), which reflected spending on dividend payments and repayments of borrowings.

(Reference) Cash flow-related indicators

Principal Cash Flow Indicators

	Fiscal 2020	Fiscal 2021
Ratio of equity attributable to owners of the Company to total assets (%)	61.0	60.8
Ratio of equity attributable to owners of the Company to total assets (at market value) (%)	296.4	231.2
Interest-bearing debt to cash flow ratio (years)	1.03	1.26
Interest coverage ratio (times)	118.83	91.95

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 treasury 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, 2023 (Fiscal 2022)

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

	Fiscal 2021	Fiscal 2022	Amount change	Percentage change
Revenue	1,044,892	1,150,000	105,107	10.1
Core operating profit*	90,605	105,000	14,394	15.9
Operating profit	73,025	105,000	31,974	43.8
Profit before tax	73,516	105,000	31,483	42.8
Profit for the year	66,972	83,000	16,027	23.9
Profit attributable to owners of the Company	66,972	83,000	16,027	23.9

* Daiichi Sankyo Group is disclosing 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 10.1% increase in revenue year on year, to ¥1,150.0 billion by revenue increase from our mainstay products such as Enhertu, Lixiana and Tarlige although there are factors of decrease in revenue such as the NHI drug price revision in Japan and the termination of the sales collaboration for Nexium (September, 2021).
- Core operating profit is expected to increase 15.9% to ¥105.0 billion year on year due to the expected increase in gross profit by an increased revenue and an improvement in cost-to-sales ratio as a result of a change in the product mix, despite the expected increase in expenses resulting from the intensive investment in the oncology business, including the increase of profit share payments to AstraZeneca due to increased sales of Enhertu and the expansion of 3ADC development plan, etc..
- Operating profit is expected to increase 43.8% to ¥105.0 billion year on year due to posting the environmental measures costs of the former Yasugawa factory and others as temporary expenses in the previous fiscal year and no plan to make a temporary gains/losses in the fiscal 2022.
- Profit for the year and profit attributable to owners of the Company are expected to be ¥83.0 billion each, which is 23.9% increase year on year.
- Forecasts are based on assumption of foreign exchange rates at ¥130 against U.S. dollar and ¥140 against euro.
- The Company assumes that activity restrictions continue due to COVID-19 infections. However, the impact on operating income of the Group is expected to be negligible.

(4) Basic Policy on Profit Distribution and Dividend for the Years Ended March 2022 and Ending March 2023

- 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.
- For the fiscal 2021, based on the above policy, the Company paid an interim dividend of ¥13.5 per share on December 1, 2021. The Company intends to pay a year-end dividend of ¥13.5 per share and an annual dividend of ¥27.0 per share.
- For the fiscal 2022, based on the shareholder return policy of 5-Year Business Plan (fiscal 2021 to fiscal 2025)[*1], the Company intends to pay an interim dividend of ¥13.5 per share, a year-end dividend of ¥13.5 per share and an annual dividend of ¥27.0 per share.

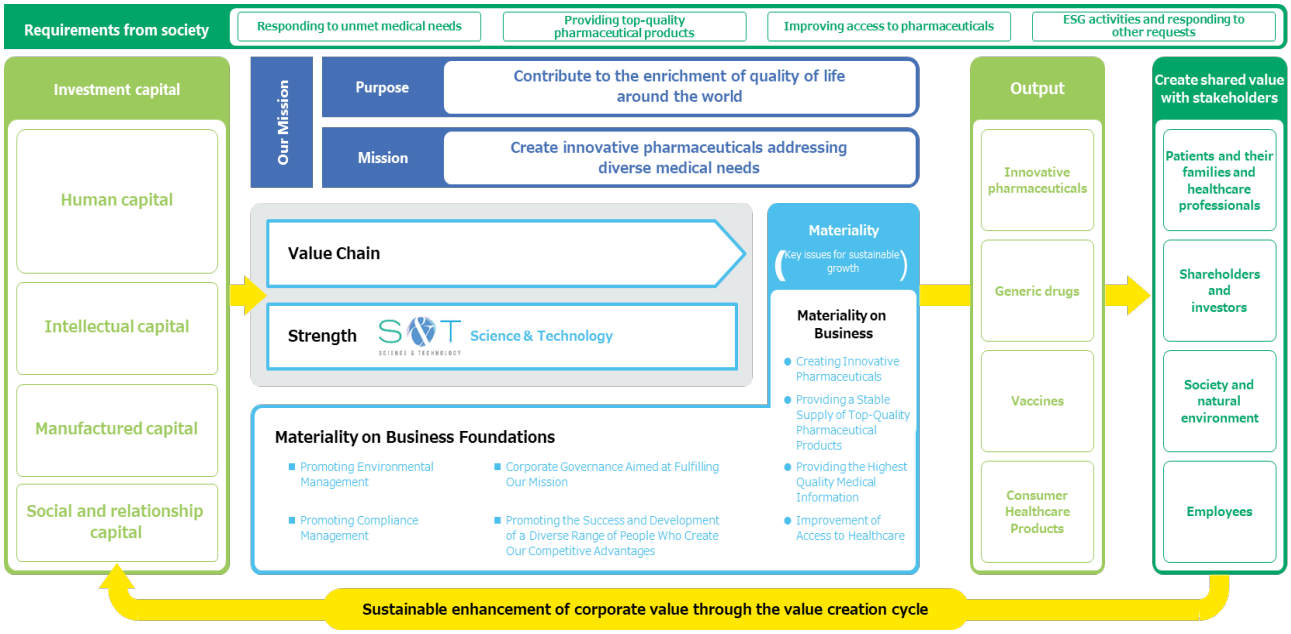
*1 For the shareholder return policy of 5-Year Business Plan (fiscal 2021 to fiscal 2025), please refer to "1. Results of Operations (5) Prospective Challenges" on page 15.

(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



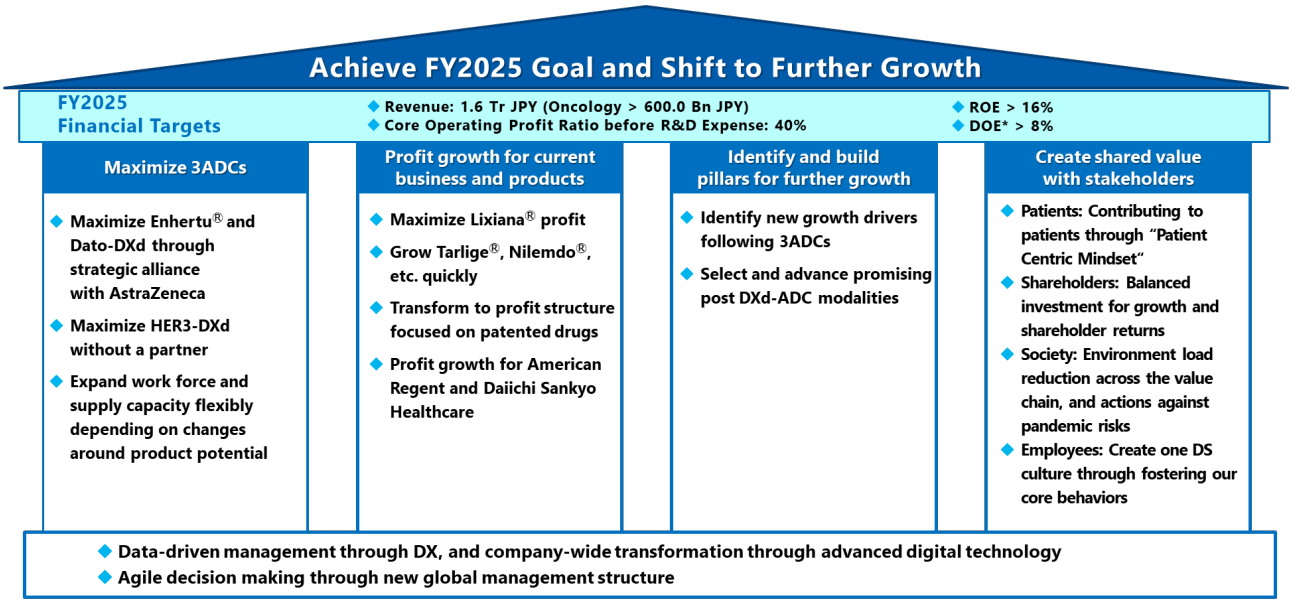
2) 2030 Vision

- 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)



**DOE: Dividend on Equity = Total dividend amount / Equity attributable to owners of the company

【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 product through interstitial lung disease (ILD) monitoring and risk analysis, and efficiently and gradually expand the work force and supply capacity depending on changes around the product potential.
- In the fiscal 2021, Enhertu product sales grew steadily as its share of new patients in target markets expanded in Japan, the US, and Europe. In addition, data showing unprecedented improvement in progression-free survival was obtained in the DESTINY-Breast03 clinical trial for the second line treatment for patients with HER2-positive breast cancer, and applications were filed in Japan, the US, Europe, and China for approval. Also, the primary endpoint was achieved in the DESTINY-Breast04 clinical trial for patients with HER2 low expressing metastatic breast cancer previously treated with chemotherapy, and our efforts to maximize product value have made significant progress. For Dato-DXd and HER3-DXd, we accelerated development as we believe it is important to enter the market at an early stage. We will continue to make steady efforts to maximize 3ADCs so that effective development investment in 3ADCs will lead to dramatic growth in the second half of the 5-Year Business Plan.

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 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 Japanese domestic in-store sales and online business.
- In the fiscal 2021, sales of Lixiana, Injectafer, Tarlige, Nilemdo, and other products grew steadily. In addition, in order to transform the business structure, we concluded agreements to transfer the rights to manufacture and commercialize conventional products in the US, marketing authorization of Cravit preparations in China, and all of our equity interest in Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd. outside the Group. 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, modified antibodies, and the ENA® family[*1].
- 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.
- In the fiscal 2021, we obtained positive data regarding DS-7300 and DS-6000, so we positioned it as “Rising Stars” and are promoting its development. Going forward, we will continue to identify and build pillars of further growth using our proprietary ADC technology.

[*1] 2’-O,4’-C-Ethylene-bridged Nucleic Acids: It is a modified nucleic acid using Daiichi Sankyo’s proprietary technology.

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.
- We have been promoting COMPASS activities[*2] for some time, and in the fiscal 2021, we decided to share information on these activities with all employees in Japan in order to further strengthen the "Patient Centric Mindset" so that they will be aware of patients in their daily work and have an opportunity to better appreciate the patients' feelings. In addition, as part of our efforts to address environmental issues as a member of society, we joined "RE100[*3]", a global initiative that aims to use 100% renewable energy for electricity consumed in business activities. We will continue to implement a variety of measures to strengthen the value creation process with stakeholders, including the permeation of "Patient Centric Mindset" and "One DS Culture."

[*2] "Compassion for Patients" Strategy activities. Based on our slogan "Compassion for Patients," these are internal and external activities where we create and provide opportunities for direct interaction between patients and healthcare professionals with our employees, with the aim of contributing to the realization of "daily living with a smile" for people around the world.

[*3] 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.
- During the fiscal 2021, 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 ¥27 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[*4] (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.

- In the fiscal 2021, the Company paid an interim dividend of ¥13.5 per share. Together with the tentative year-end dividend of ¥13.5, the Company plans to pay total annual dividend of ¥27 per share. In April 2021, we cancelled 180 million treasury shares. DOE for the fiscal 2021 is 3.9%, and we will continue to aim for DOE of 8% or more in fiscal 2025.

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

【Fiscal 2025 Financial Targets】

- Revenue: ¥1.6 trillion (Oncology: ¥600.0 billion or more)
- Core operating profit ratio before research and development expenses: 40% or more
- ROE: 16% or more
- DOE: 8% or more

Assumption of exchange rate for fiscal 2025: 1 USD=¥105, 1 EUR = ¥120

(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.
- Various risks and uncertainties are included in these, such as risks regarding Enhertu/Dato-DXd clinical trials and less returns on the executed investments.

2. Matters Relating to Corporate Governance

(1) Systems and Policies on 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.

b. To ensure management transparency, nomination of candidates for Director and Corporate Officer, successor plan of CEO and compensation thereof are deliberated on by a Nomination Committee and a Compensation Committee, respectively, which are established as voluntary committees. It is comprised by four Outside Directors and one Outside Audit & Supervisory Board Member participates as the observer in each committee.

c. 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.

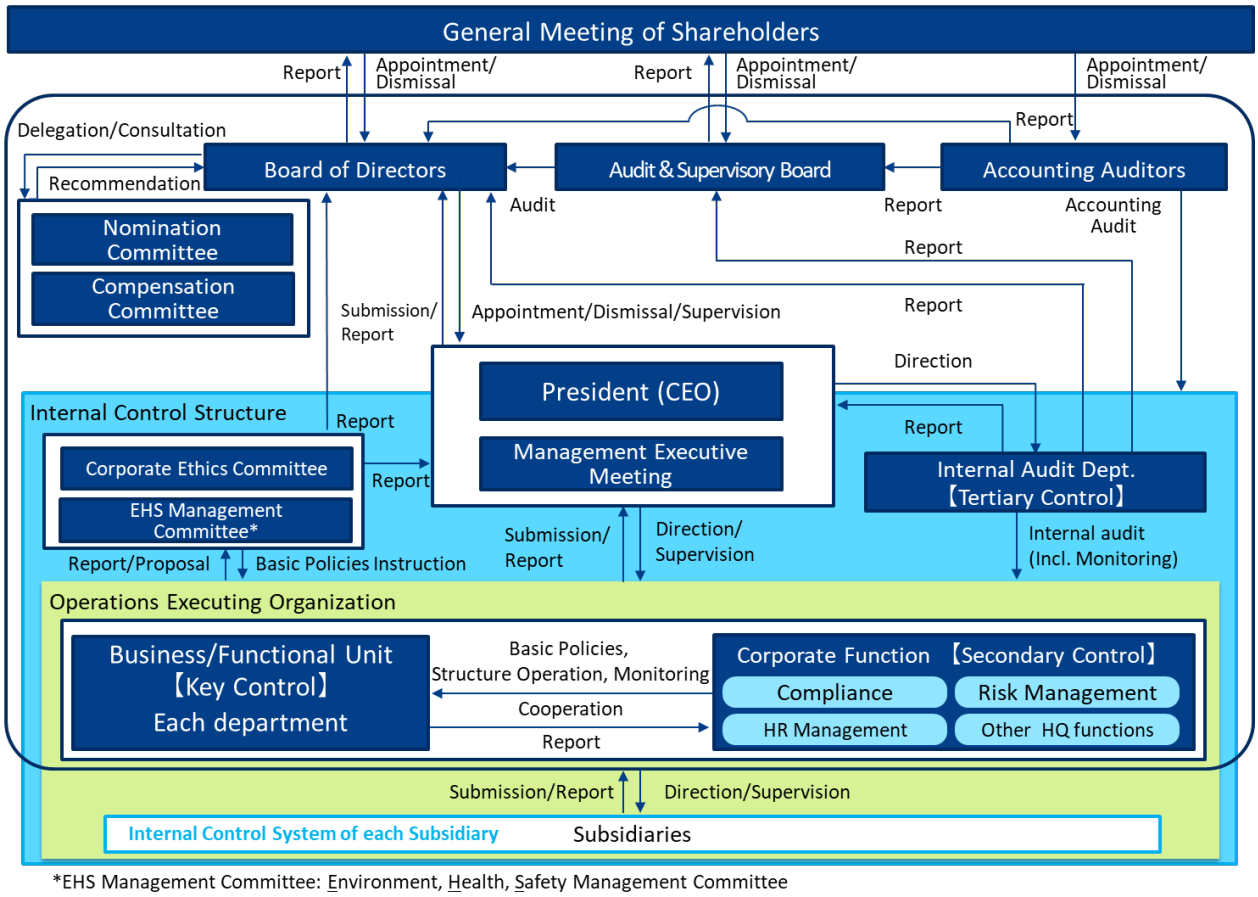
d. The Company prescribes specific criteria on the judgment of independence of Outside Directors and Outside Audit & Supervisory Board Members and basic matters regarding execution of duties by Directors and Audit & Supervisory Board Members.

e. Under the global management structure, the Management Executive Meeting with business unit heads 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.

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

g. 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 Management Committee: Environment, Health, Safety Management Committee

2) Policies and Procedures for Appointment 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 supervisory function and decision-making of the Board of Directors. The Company will continue to discuss the selection of candidates for Directors going forward.

- When appointing the candidates for Directors, the Board of Directors shall appoint 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 appointing the candidates for Audit & Supervisory Board Members, the Board of Directors shall appoint 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 appointing the candidates for Directors and Audit & Supervisory Board Members, the General Meeting of Shareholders shall appoint the candidates after the relevant proposal.
- Candidates for CEO shall be appointed based on the successor plan and defined eligibility requirements, etc. that have been repeatedly discussed at the Nomination Committee.
- Appointment of CEO (including reelection) shall be determined by resolution of the Board of Directors 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 of Directors, 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 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 of Directors 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

- At the Board of Directors meeting held on May 13, 2021, the Company has established a policy regarding decisions of the content of individual compensations for Directors. 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

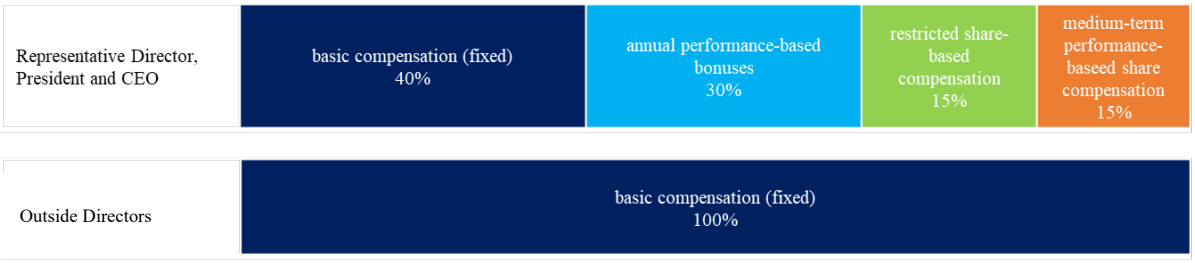
Compensation to Outside Directors who are in charge of management oversight and are not in the position to take charge of business execution is only basic, fixed compensation. Incentive bonuses and retirement benefit system are not adopted.

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 (profit attributable to owners of the Company +revenue + core operating profit ratio) ＊ 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)
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%
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%
Total	100%	0%-200%	

(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 Chairperson and the President will be determined after deliberation at the Nomination and Compensation Joint Committee.

(ii) For other Directors, the evaluation decided by the President 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
Chairperson / President	Company-wide tasks such as R&D progress Successor training, etc.	50%-150%	Decided after deliberation at the Nomination and Compensation Joint Committee
Other Directors	Department (individual) goals	80%-120%	Performance evaluation (President)

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 shall be 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.

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 Corporate Officers 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 elected by mutual election of the members.

The Compensation Committee fully discusses the compensation system, the composition of the compensation, verification and review of compensation levels for each position, target setting and result confirmation of annual performance-based bonuses and medium-term performance-based share compensation, and allocation of restricted share.

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 has fully deliberated about verifications and reviews of the compensation system, the composition of the compensation, and compensation level for each position, set targets and results of performance-based compensation, and the allocation of the restricted share. The content of individual compensation for Directors in the current fiscal year is also decided by the Board of Directors 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.

(2) Basic Policy regarding Moves toward Large-Scale Acquisition of Company's Stock

- The Company believes that it is the shareholders to decide whether or not to respond to any moves toward large-scale acquisition of Company stock. The Company does not deny the potentially significant impact that transfers of management control may have in terms of stimulating business enterprise. In line with this thinking, the Company has not prepared any specific takeover defenses.
- Nonetheless, the Company would consider it a self-evident duty of the Company management to oppose any takeover plans whose aims were generally considered inappropriate (such as schemes to ramp up the share price) or that would otherwise be deemed detrimental to the corporate value or the mutual interests of shareholders. Accordingly, the Company will continue monitoring closely share transactions and changes in shareholders. In the event any moves toward large-scale acquisition of Company stock are noticed, the Company would evaluate any takeover proposal with outside experts and determine carefully the impact of such on the corporate value and the mutual interests of shareholders. If any proposal were deemed detrimental to such interests, the Company would institute appropriate anti-takeover measures in response to individual cases.

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 yen)

	As of March 31, 2021	As of March 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	380,547	662,477
Trade and other receivables	232,036	266,675
Other financial assets	444,368	181,368
Inventories	200,860	217,910
Other current assets	10,607	16,838
Total current assets	1,268,420	1,345,271
Non-current assets		
Property, plant and equipment	265,281	304,070
Goodwill	77,706	83,555
Intangible assets	172,822	163,884
Investments accounted for using the equity method	1,440	1,425
Other financial assets	139,991	131,509
Deferred tax assets	128,525	138,173
Other non-current assets	30,990	53,513
Total non-current assets	816,757	876,131
Total assets	2,085,178	2,221,402

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	297,499	324,784
Bonds and borrowings	20,391	20,394
Other financial liabilities	9,359	10,766
Income taxes payable	6,096	6,910
Provisions	6,051	6,795
Other current liabilities	14,173	25,616
Total current liabilities	353,571	395,268
Non-current liabilities		
Bonds and borrowings	163,441	143,067
Other financial liabilities	36,983	42,615
Post-employment benefit liabilities	3,929	2,624
Provisions	8,741	18,290
Deferred tax liabilities	17,516	12,444
Other non-current liabilities	228,941	256,219
Total non-current liabilities	459,553	475,262
Total liabilities	813,125	870,530
Equity		
Equity attributable to owners of the Company		
Share capital	50,000	50,000
Capital surplus	94,494	-
Treasury shares	(261,252)	(37,482)
Other components of equity	111,479	168,147
Retained earnings	1,277,332	1,170,208
Total equity attributable to owners of the Company	1,272,053	1,350,872
Total equity	1,272,053	1,350,872
Total liabilities and equity	2,085,178	2,221,402

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

Consolidated Statement of Profit or Loss

(Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Revenue	962,516	1,044,892
Cost of sales	338,289	353,328
Gross profit	624,227	691,563
Selling, general and administrative expenses	333,079	358,309
Research and development expenses	227,353	260,228
Operating profit	63,795	73,025
Financial income	12,916	6,114
Financial expenses	2,755	5,753
Share of profit (loss) of investments accounted for using the equity method	168	129
Profit before tax	74,124	73,516
Income taxes	(1,705)	6,543
Profit for the year	75,830	66,972
Profit attributable to:		
Owners of the Company	75,958	66,972
Non-controlling interests	(127)	-
Profit for the year	75,830	66,972
Earnings per share		
Basic earnings per share (Yen)	39.17	34.94
Diluted earnings per share (Yen)	39.11	34.91

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Profit for the year	75,830	66,972
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	12,499	(4,590)
Remeasurements of defined benefit plans	7,847	5,831
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	18,805	62,078
Other comprehensive income for the year	39,151	63,319
Total comprehensive income for the year	114,982	130,292
Total comprehensive income attributable to:		
Owners of the Company	115,110	130,292
Non-controlling interests	(127)	-
Total comprehensive income for the year	114,982	130,292

(3) Consolidated Statement of Changes in Equity

Year ended March 31, 2021

(Millions of yen)

	Equity attributable to owners of the Company					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Subscription rights to shares	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2020	50,000	94,633	(162,519)	1,611	51,218	29,264
Profit for the year	–	–	–	–	–	–
Other comprehensive income for the year	–	–	–	–	18,805	12,499
Total comprehensive income for the year	–	–	–	–	18,805	12,499
Purchase of treasury shares	–	(138)	(100,054)	–	–	–
Disposal of treasury shares	–	–	1,320	(572)	–	–
Dividend	–	–	–	–	–	–
Changes associated with losing control of subsidiaries	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(1,347)
Total transactions with owners of the Company	–	(138)	(98,733)	(572)	–	(1,347)
Balance as of March 31, 2021	50,000	94,494	(261,252)	1,038	70,024	40,416

(Millions of yen)

	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, 2020	–	82,094	1,241,600	1,305,809	464	1,306,274
Profit for the year	–	–	75,958	75,958	(127)	75,830
Other comprehensive income for the year	7,847	39,151	–	39,151	–	39,151
Total comprehensive income for the year	7,847	39,151	75,958	115,110	(127)	114,982
Purchase of treasury shares	–	–	–	(100,192)	–	(100,192)
Disposal of treasury shares	–	(572)	(474)	273	–	273
Dividend	–	–	(48,946)	(48,946)	–	(48,946)
Changes associated with losing control of subsidiaries	–	–	–	–	(336)	(336)
Transfer from other components of equity to retained earnings	(7,847)	(9,194)	9,194	–	–	–
Total transactions with owners of the Company	(7,847)	(9,767)	(40,226)	(148,866)	(336)	(149,203)
Balance as of March 31, 2021	–	111,479	1,277,332	1,272,053	–	1,272,053

Year ended March 31, 2022

(Millions of yen)

	Equity attributable to owners of the Company					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Subscription rights to shares	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2021	50,000	94,494	(261,252)	1,038	70,024	40,416
Profit for the year	–	–	–	–	–	–
Other comprehensive income for the year	–	–	–	–	62,078	(4,590)
Total comprehensive income for the year	–	–	–	–	62,078	(4,590)
Purchase of treasury shares	–	–	(15)	–	–	–
Disposal of treasury shares	–	–	776	(216)	–	–
Cancellation of treasury shares		(94,494)	223,009	–	–	–
Dividend	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(604)
Total transactions with owners of the Company	–	(94,494)	223,770	(216)	–	(604)
Balance as of March 31, 2022	50,000	–	(37,482)	822	132,103	35,221

(Millions of yen)

	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, 2021	–	111,479	1,277,332	1,272,053	–	1,272,053
Profit for the year	–	–	66,972	66,972	–	66,972
Other comprehensive income for the year	5,831	63,319	–	63,319	–	63,319
Total comprehensive income for the year	5,831	63,319	66,972	130,292	–	130,292
Purchase of treasury shares	–	–	–	(15)	–	(15)
Disposal of treasury shares	–	(216)	(274)	285	–	285
Cancellation of treasury shares	–	–	(128,514)	–	–	–
Dividend	–	–	(51,744)	(51,744)	–	(51,744)
Transfer from other components of equity to retained earnings	(5,831)	(6,435)	6,435	–	–	–
Total transactions with owners of the Company	(5,831)	(6,652)	(174,096)	(51,473)	–	(51,473)
Balance as of March 31, 2022	–	168,147	1,170,208	1,350,872	–	1,350,872

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Cash flows from operating activities		
Profit before tax	74,124	73,516
Depreciation and amortization	57,382	58,245
Impairment losses (reversal of impairment losses)	607	10,446
Financial income	(12,916)	(6,114)
Financial expenses	2,755	5,753
Share of (profit) loss of investments accounted for using the equity method	(168)	(129)
(Gain) loss on sale and disposal of non-current assets	829	(2,700)
(Increase) decrease in trade and other receivables	83,093	(19,060)
(Increase) decrease in inventories	(21,222)	(603)
Increase (decrease) in trade and other payables	23,882	13,290
Others, net	7,315	28,107
Subtotal	215,683	160,750
Interest and dividend received	2,889	2,836
Interest paid	(1,839)	(1,779)
Income taxes paid	(24,525)	(22,580)
Net cash flows from (used in) operating activities	192,207	139,226
Cash flows from investing activities		
Payments into time deposits	(568,192)	(180,675)
Proceeds from maturities of time deposits	746,544	316,820
Acquisition of securities	(352,431)	(328,952)
Proceeds from sale and redemption of securities	203,043	476,150
Acquisition of property, plant and equipment	(31,245)	(62,736)
Proceeds from sale of property, plant and equipment	33	5,260
Acquisition of intangible assets	(32,848)	(13,946)
Acquisition of subsidiaries	(4,401)	–
Payments for loans receivable	(24)	-
Proceeds from collection of loans receivable	725	379
Others, net	(449)	40
Net cash flows from (used in) investing activities	(39,246)	212,339

(Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Cash flows from financing activities		
Repayments of bonds and borrowings	(40,389)	(20,391)
Purchase of treasury shares	(100,192)	(15)
Proceeds from sale of treasury shares	2	0
Dividend paid	(48,946)	(51,730)
Repayments of lease liabilities	(12,907)	(14,095)
Others, net	0	0
Net cash flows from (used in) financing activities	(202,433)	(86,231)
Net increase (decrease) in cash and cash equivalents	(49,471)	265,334
Cash and cash equivalents at the beginning of the year	424,184	380,547
Effect of exchange rate changes on cash and cash equivalents	5,834	16,595
Cash and cash equivalents at the end of the year	380,547	662,477

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

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 yen)

	Year ended March 31, 2021		Year ended March 31, 2022		Increase / (decrease)	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Prescription drugs	892,923	92.8	977,984	93.6	85,060	9.5
Healthcare (OTC) products	67,425	7.0	64,703	6.2	(2,722)	(4.0)
Others	2,167	0.2	2,204	0.2	37	1.7
Total	962,516	100.0	1,044,892	100.0	82,375	8.6

3) Information by geographical area

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

a. Revenue

(Millions of yen)

	Japan	North America	Europe	Other regions	Consolidated
Year ended March 31, 2021	560,725	191,651	114,047	96,091	962,516
Year ended March 31, 2022	558,253	235,997	138,618	112,022	1,044,892

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

b. Non-current assets

(Millions of yen)

	Japan	North America	Europe	Other regions	Consolidated
As of March 31, 2021	278,542	172,357	56,775	8,134	515,810
As of March 31, 2022	294,485	179,684	67,337	10,002	551,509

(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 yen)

Name of customer	Year ended March 31, 2021	Year ended March 31, 2022
Alfresa Holdings Corporation and its group companies	185,556	187,782

Earnings per Share

1) Basis for calculation of basic earnings per share

	Year ended March 31, 2021	Year ended March 31, 2022
a. Profit Attributable to owners of the Company		
Profit attributable to owners of the Company (Millions of yen)	75,958	66,972
Profit not attributable to owners of the Company (Millions of yen)	–	–
Profit used to calculate basic earnings per share (Millions of yen)	75,958	66,972
b. Weighted-average Number of Ordinary Shares		
Weighted-average number of ordinary shares (basic) (Thousands of shares)	1,939,343	1,916,602
c. Basic Earnings per Share		
Basic earnings per share (Yen)	39.17	34.94

Note: Effective Thursday, October 1, 2020, Daiichi Sankyo implemented a three-for-one share split of its ordinary shares. Basic earnings per share is calculated as if the share split had taken place at the beginning of the year ended March 31, 2021.

2) Diluted Earnings per Share

	Year ended March 31, 2021	Year ended March 31, 2022
a. Diluted Profit Attributable to owners of the Company		
Profit used to calculate basic earnings per share (Millions of yen)	75,958	66,972
Adjustment to profit (Millions of yen)	–	–
Profit used to calculate diluted earnings per share (Millions of yen)	75,958	66,972
b. Weighted-average Number of Diluted Ordinary Shares		
Weighted-average number of ordinary shares (basic) (Thousands of shares)	1,939,343	1,916,602
Potential effect of issue of subscription rights (Thousands of shares)	2,631	1,897
Weighted-average number of ordinary shares (diluted) (Thousands of shares)	1,941,975	1,918,499
c. Diluted Earnings per Share		
Diluted earnings per share (Yen)	39.11	34.91

Note: Effective Thursday, October 1, 2020, Daiichi Sankyo implemented a three-for-one share split of its ordinary shares. Diluted earnings per share is calculated as if the share split had taken place at the beginning of the year ended March 31, 2021.

Subsequent Events

Not applicable.