January 31, 2023

Consolidated Financial Results for the First Nine Months of the Year Ending March 31, 2023 (Fiscal 2022) <under IFRS>

Listed company name: Daiichi Sankyo Company, Limited
Listed exchange: the Tokyo Stock Exchange
Stock code number: 4568
URL: https://www.daiichisankyo.com
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Scheduled date of Quarterly Report filing: February 6, 2023
Scheduled date of dividend payments: -
Preparing supplementary material (Reference Data) on quarterly financial results: Yes
Holding quarterly 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 the First Nine Months of the Year Ending March 31, 2023 (from April 1, 2022 to December 31, 2022)

(1) Consolidated Financial Results

(Percentages indicate changes from the same period in the previous fiscal year)

	Revenue		Core-Operating profit		Operating profit		Profit before tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2022	948,276	16.9	118,341	△3.8	127,131	2.7	127,450	1.2
Nine months ended December 31, 2021	810,967	9.8	122,995	37.6	123,772	38.3	125,886	26.4

	Profit for the period		Profit attributable to owners of the Company		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	Yen
Nine months ended December 31, 2022	86,700	△8.1	86,700	△8.1	117,658	6.3	45.23	45.19
Nine months ended December 31, 2021	94,318	24.6	94,318	24.4	110,638	49.2	49.21	49.16

Note: Daiichi Sankyo discloses core operating profit, which excludes non-recurring gains and losses from operating profit, as an indicator of underlying profitability. For the definition of core operating profit, please refer to "1. Qualitative Information about Consolidated Results for the First Nine Months (1) Information about Operating Results" on page 2 of the attached material.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets	Equity per share attributable to owners of the Company
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of December 31, 2022	2,398,031	1,414,320	1,414,320	59.0	737.72
As of March 31, 2022	2,221,402	1,350,872	1,350,872	60.8	704.76

2. Dividend

	Annual dividend per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	–	13.50	–	13.50	27.00
Year ending March 31, 2023	–	15.00	–		
Year ending March 31, 2023 (Forecast)				15.00	30.00

Note: Revision of the forecast from most recently announced figures: No

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

(Percentages indicate changes from the previous fiscal year)

	Revenue		Core operating profit		Operating profit		Profit before tax		Profit for the year	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Full year	1,250,000	19.6	120,000	32.4	130,000	78.0	130,000	76.8	100,000	49.3

	Profit attributable to owners of the Company		Basic earnings per share
	Millions of yen	%	Yen
Full year	100,000	49.3	52.16

Note: Revision of the forecast from most recently announced figures: No

*Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in scope of consolidation): Yes

Excluded from consolidation: One company Daiichi Sankyo Pharmaceutical (Beijing) Co. Ltd.

Note: Please see "2. Condensed Interim Consolidated Financial Statements with Primary Notes, (5) Notes to Condensed Interim Consolidated Financial Statements, (Changes in Significant Subsidiaries during the Period)" on page 19.

(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 December 31, 2022	1,947,034,029 shares
As of March 31, 2022	1,947,034,029 shares

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

As of December 31, 2022	29,873,978 shares
As of March 31, 2022	30,247,523 shares

3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2022	1,916,974,859 shares
Nine months ended December 31, 2021	1,916,549,230 shares

* This quarterly financial results summary is not subject to quarterly review procedures by Certified Public Accountants or an 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 Daiichi Sankyo regards as reasonable. Actual performance and results may differ from those forecast due to various factors.

Please see *"1. Qualitative Information about Consolidated Results for the First Nine Months (3) Information about Forecasts of Consolidated Financial Results and Other Forward-Looking Statements"* on page 10 for matters related to the above forecasts.

Attached Material

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1. Qualitative Information about Consolidated Results for the First Nine Months

(1) Information about Operating Results

1) Overview

[Consolidated Financial Results (Core Base)]

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

	Nine months ended December 31, 2021	Nine months ended December 31, 2022	YoY change
Revenue	810,967	948,276	137,309 16.9%
Cost of sales*	263,208	257,404	-5,804 -2.2%
Selling, general and administrative expenses*	255,679	330,810	75,131 29.4%
Research and development expenses*	169,083	241,720	72,637 43.0%
Core operating profit*	122,995	118,341	-4,654 -3.8%
Temporary income*	2,120	11,039	8,918 420.6%
Temporary expenses*	1,343	2,249	905 67.4%
Operating profit	123,772	127,131	3,358 2.7%
Profit before tax	125,886	127,450	1,563 1.2%
Profit attributable to owners of the Company	94,318	86,700	-7,618 -8.1%
Total comprehensive income	110,638	117,658	7,019 6.3%

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

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

<Yen exchange rates for major currencies (average rate during the period)>

(Yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
USD/Yen	111.10	136.53
EUR/Yen	130.62	140.60

a. Revenue

- Revenue in the first nine months of the year ending March 31, 2023 increased by JPY137.3 billion, or 16.9% year on year, to JPY948.3 billion.
- Revenue increased year on year due to the achieved growth with global mainstay products such as Enhertu (generic name: trastuzumab deruxtecan, T-DXd/DS-8201) and Lixiana (generic name: edoxaban), the positive effect from foreign exchange by the depreciation of the yen and others, despite the negative effect of decrease in revenue for Nexium by the termination of co-promotion in Japan (September, 2021).
- The positive effect on revenue from foreign exchange was JPY72.3 billion in total.

b. Core operating profit

- Core operating profit decreased by JPY4.7 billion, or 3.8% year on year, to JPY118.3 billion.
- Cost of sales decreased by JPY5.8 billion, or 2.2% year on year, to JPY257.4 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 JPY75.1 billion, or 29.4%, to JPY330.8 billion due to the cost increase by an increase in profit sharing with AstraZeneca related to Enhertu.
- Research and development expenses increased by JPY72.6 billion, or 43.0%, to JPY241.7 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 negative effect on core operating profit from foreign exchange was JPY3.2 billion in total.

c. Operating profit

- Operating profit increased by JPY3.4 billion, or 2.7% year on year, to JPY127.1 billion.
- The amount of increase compared to that of core operating profit was higher due to an increase in temporary income as a result of recording of gain on the transfer of Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd., and others.

d. Profit before tax

- Profit before tax increased by JPY1.6 billion, or 1.2% year on year, to JPY127.5 billion.

e. Profit attributable to owners of the Company

- Profit attributable to owners of the Company decreased by JPY7.6 billion, or 8.1% year on year, to JPY86.7 billion.
- Profit attributable to owners of the Company decreased year on year due to the increase of income taxes.

f. Total comprehensive income

- Total comprehensive income increased by JPY7.0 billion, or 6.3% year on year, to JPY117.7 billion.
- Total comprehensive income increased due to increase in the currency translation difference related to net assets of overseas subsidiaries and other factors.

[Revenue by Business Unit]

Revenue by business unit in the first nine months of the year ending March 31, 2023 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 decreased by JPY37.3 billion, or 9.5% year on year, to JPY356.4 billion due to the termination of co-promotion of Nexium, the impact of NHI drug price revision, etc., despite growth in sales of Lixiana, Tarlige and others.

The following describes the major progress in the first nine months of the year ending March 31, 2023.

- In April 2022, the migraine prevention drug Emgality was specified as a drug for at-home self-injection.
- In June 2022, the migraine treatment drug Reyvow was launched.
- In November 2022, the application was approved for the second line treatment for HER2-positive breast cancer for Enhertu and the promotion began.
- In December 2022, the antitumor agent Ezharmia was launched.

b. Daiichi Sankyo Healthcare Unit

- Revenue from Daiichi Sankyo Healthcare Unit increased by JPY5.1 billion, or 10.2% year on year, to JPY54.8 billion as a result of the increase in sales of Lulu, Loxonin and others.

c. Oncology Business Unit

- Revenue from Oncology Business Unit includes revenue generated from cancer treatment products sold by Daiichi Sankyo, Inc. (the U.S.) and Daiichi Sankyo Europe GmbH.
- Revenue from the Unit increased by JPY75.6 billion, or 153.7% year on year, to JPY124.7 billion due to increase of Enhertu in the U.S. and Europe. Revenue in local currency increased by USD471 million, or 106.4%, to USD914 million.

The following describes the major progress in the first nine months of the year ending March 31, 2023.

- In May 2022, the application was approved in the U.S. for the second line treatment for HER2-positive breast cancer for Enhertu and the promotion began.
- In July 2022, the application was approved in Europe for the second line treatment for HER2-positive breast cancer for Enhertu and the promotion began.
- In August 2022, the application was approved in the U.S. for HER2 low breast cancer (post-chemotherapy) for Enhertu and the promotion began.
- In August 2022, the application was approved in the U.S. for the second line treatment for HER2 mutant non-small cell lung cancer (NSCLC) for Enhertu and the promotion began.

- In December 2022, the application was approved in Europe for the second line treatment for HER2-positive gastric cancer for Enhertu and the promotion began.

d. American Regent Unit

- Revenue from American Regent Unit increased by JPY27.9 billion, or 24.1% year on year, to JPY143.5 billion due to an increase in sales of Venofer and others. Revenue in local currency increased by USD11 million, or 1.0%, to USD1,051 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 JPY14.6 billion, or 14.9% year on year, to JPY112.5 billion due to steady growth in sales of Lixiana. Revenue in local currency increased by EUR50 million, or 6.7%, to EUR800 million.

f. ASCA Business Unit

- Revenue from ASCA[*1] Business Unit includes sales to overseas licensees.
- Revenue from the Unit increased by JPY23.5 billion, or 28.4% year on year, to JPY106.4 billion due to increase of Enhertu in Brazil and olmesartan in China, and others.

[*1] Asia, South & Central America

2) Status of R&D

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 first nine months of the year ending March 31, 2023 (from April 1, 2022 to December 31, 2022). 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 first nine months of the year ending March 31, 2023.

- In April 2022, the application for approval was accepted in the U.S. for the second line treatment for HER2 mutant NSCLC.
- In April 2022, Breakthrough Therapy Designation[*4] was obtained from the U.S. Food and Drug Administration (FDA) for HER2 low breast cancer (post-chemotherapy).
- In May 2022, the application was approved in the U.S. for the second line treatment for HER2-positive breast cancer.
- In June 2022, the latest data was presented at the American Society of Clinical Oncology (ASCO) from the Phase III clinical trial for HER2 low breast cancer (post-chemotherapy) (trial name: DESTINY-Breast04).
- In June 2022, the applications for approval were accepted in Japan and Europe for HER2 low breast cancer (post-chemotherapy).
- In June 2022, the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) recommended approval for the second line treatment for HER2-positive breast cancer.
- In July 2022, the application was approved in Europe for the second line treatment for HER2-positive breast cancer.
- In July 2022, the application for approval was accepted in the U.S. for HER2 low breast cancer (post-chemotherapy), and in August 2022, the application for this indication was approved in the U.S.
- In August 2022, the application was approved in the U.S. for the second line treatment for HER2 mutant NSCLC.
- In August 2022, the primary endpoint of the Phase III clinical trial for the third line treatment for HER2-positive breast cancer (trial name: DESTINY-Breast02) was achieved.
- In August 2022, the application for approval was accepted in China for HER2 low breast cancer (post-chemotherapy).
- In August 2022, a Phase II clinical trial for the second or later line treatment for HER2 mutant NSCLC (trial name: DESTINY-Lung05) was initiated in China.
- In September 2022, data was presented at the European Society for Medical Oncology Congress 2022 (ESMO Congress 2022) from the Phase II clinical trials for NSCLC (trial names: DESTINY-Lung01 and DESTINY-Lung02).
- In September 2022, Orphan Drug Designation[*5] was obtained from Japan's Ministry of Health, Labour and Welfare (MHLW) for the treatment of HER2-positive unresectable advanced or recurrent NSCLC.
- In November 2022, the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) recommended approval for the second line treatment for HER2-positive gastric cancer.
- In November 2022, the application was approved in Japan for the second line treatment for HER2-positive breast cancer.
- In December 2022, the latest data was presented from the Phase III clinical trial for the second line treatment (trial name: DESTINY-Breast03) and the first data was presented from the Phase III clinical trial for the third line treatment (trial name: DESTINY-Breast02) for HER2-positive breast cancer at the San Antonio Breast Cancer Symposium (SABCS).
- In December 2022, an application was submitted for the second line treatment for HER2 mutant NSCLC in Japan.
- In December 2022, the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) recommended approval for HER2 low breast cancer (post-chemotherapy).
- In December 2022, the application was approved in Europe for the second line treatment for HER2-positive gastric cancer.

*4 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.

*5 Orphan Drug 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.

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 first nine months of the year ending March 31, 2023.

- In June 2022, a Phase III clinical trial for the first line treatment for triple negative breast cancer (TNBC) (trial name: TROPION-Breast02) was initiated.
- In July 2022, a Phase I/II clinical trial for NSCLC and triple negative breast cancer (TNBC) (trial name: TROPION-PanTumor02) was initiated in China.
- In August 2022, the first data was presented at the World Conference on Lung Cancer (WCLC) from the Phase I-b clinical trial for combination with immune checkpoint inhibitors for NSCLC (trial name: TROPION-Lung02).
- In September 2022, a Phase II clinical trial for multiple solid tumors (trial name: TROPION-PanTumor03) was initiated.
- In December 2022, the first data was presented at the San Antonio Breast Cancer Symposium (SABCS) from the Phase I clinical trial for hormone receptor-positive, HER2 low or HER2-negative metastatic breast cancer (trial name: TROPION-PanTumor01).
- In December 2022, the latest data was presented at the San Antonio Breast Cancer Symposium (SABCS) from the Phase I clinical trial for triple negative breast cancer (TNBC) monotherapy (trial name: TROPION-PanTumor01) and the Phase I/II clinical trial for combination therapy with immune checkpoint inhibitors (trial name: BEGONIA).
- In December 2022, a Phase III clinical trial for triple negative breast cancer (TNBC) monotherapy and combination therapy with durvalumab following neoadjuvant therapy (trial name: TROPION-Breast03) was initiated.

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

The following describes the major progress in the first nine months of the year ending March 31, 2023.

- In June 2022, the latest data was presented at the ASCO from the Phase I/II clinical trial for breast cancer and the Phase I clinical trial for NSCLC.
- In August 2022, a Phase III clinical trial for the second line treatment for EGFR mutated NSCLC (trial name: HERTHENA-Lung02) was initiated.

【Alpha】

The following describes the major progress in clinical development of Alpha projects in the first nine months of the year ending March 31, 2023. The status of each clinical trial is stated in the reference data.

- In June 2022, the latest data was presented at the ASCO from the Phase I clinical trial of DS-6000 (CDH6-directed ADC) for ovarian cancer and renal cell carcinoma.
- In June 2022, the latest data was presented at the European Hematology Association (EHA) from the Phase III clinical trial of quizartinib (AC220: FLT3 inhibitor, brand name in Japan: Vanflyta) for the first line treatment for acute myeloid leukemia (AML) (trial name: QuANTUM-First).

- In June 2022, a Phase I clinical trial of DS-2325 (KLK5 inhibitor) for healthy adults was initiated.
- In June 2022, a Phase II clinical trial of DS-7300 (B7-H3-directed ADC) for the second line treatment for small cell lung cancer (SCLC) was initiated.
- In June 2022, a Phase I clinical trial of DS-9606 (undisclosed ADC target) for solid tumors was initiated.
- In August 2022, the application for approval was accepted in Japan and Europe for quizartinib for the first line treatment of acute myeloid leukemia (AML).
- In September 2022, the latest data was presented at the European Society for Medical Oncology Congress (ESMO) from the Phase I/II clinical trial of DS-7300 for solid tumors.
- In September 2022, the application was approved in Japan for valemetostat (DS-3201: EZH1/2 inhibitor, brand name: EZHARMIA) for relapsed or refractory adult T-cell leukemia-lymphoma (ATLL).
- In October 2022, the application for approval was accepted in the U.S. for marketing quizartinib for the first line treatment of acute myeloid leukemia (AML).
- In November 2022, a Phase II clinical trial of DS-1211 (TNAP inhibitor) for patients with pseudoxanthoma elasticum (PXE) was initiated.
- In December 2022, the application was approved in Japan for axicabtagene ciloleucel (Axi-Cel: CAR T-cells targeted at CD19 antigen, brand name in Japan: Yescarta) for the second line treatment of large B-cell lymphoma[*6].
- In December 2022, Orphan Drug Designation[*7] (Orphan Drug) was obtained from the U.S. Food and Drug Administration (FDA) for DS-2325 (KLK5 inhibitor) for Netherton syndrome.

[*6] In December 2022, Daiichi Sankyo, Kite Pharma, Inc. and Gilead Sciences K.K. agreed that manufacturing and marketing authorization rights in Japan for Yescarta held by Daiichi Sankyo shall be transferred to Gilead Sciences K.K. during 2023.

[*7] A system under which designation is granted for medicines intended for the treatment, diagnosis or prevention of rare diseases or disorders that affect fewer than 200,000 patients in the U.S., and preferential treatment such as tax incentives and subsidies can be received.

3) Efforts to Address the Novel Coronavirus Infection

Daiichi Sankyo is actively working to establish a vaccine manufacturing system in Japan for the novel coronavirus disease (COVID-19), which has become a significant issue facing society. 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.

DS-5670 (COVID-19 mRNA vaccine)

DS-5670 is an mRNA vaccine against COVID-19 using cationic lipids, which are a proprietary discovery. The clinical trials to evaluate the first immunization for unvaccinated healthy adults and the additional immunization for healthy adults and elderly persons who are vaccinated twice with an mRNA vaccine approved in Japan and passed at least six months after the vaccination are conducted. The clinical development of DS-5670 is being conducted through “Vaccine development project” promoted by the Japan Agency for Medical Research and Development (AMED) and “Urgent improvement project for vaccine manufacturing systems[*1]” supported by the Japanese Ministry of Health, Labour and Welfare (MHLW).

[*1] 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.

The following describes the major progress in the first nine months of the year ending March 31, 2023.

- In May 2022, the results from the Phase II clinical trial of original strain vaccine for unvaccinated healthy adults were obtained.
- In May 2022, with respect to the Phase I/II/III clinical trial of original strain vaccine to determine the booster effect by an additional immunization, an active-controlled non-inferiority trial to compare DS-5670 to an mRNA vaccine approved in Japan was initiated for healthy adults and elderly persons.
- In September 2022, a Phase III clinical trial of original strain vaccine for unvaccinated healthy adults was initiated.
- In November 2022, the primary endpoint of the Phase I/II/III clinical trial of original strain vaccine to evaluate the booster effect by an additional immunization was achieved.
- In November 2022, a Phase III clinical trial of original strain vaccine for unvaccinated healthy children aged from 12 to 17 was initiated.

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

- Total assets as of December 31, 2022 were JPY2,398.0 billion, an increase of JPY176.6 billion from the previous fiscal year-end, mainly due to increases in trade and other receivables, and other financial assets (current assets), which was partially offset by a decrease in cash and cash equivalents.
- Total liabilities as of December 31, 2022 were JPY983.7 billion, an increase of JPY113.2 billion from the previous fiscal year-end, mainly due to increases in trade and other payables, and other non-current liabilities, which was partially offset by a decrease in bonds and borrowings (non-current liabilities).
- Total equity as of December 31, 2022 was JPY1,414.3 billion, an increase of JPY63.4 billion from the previous fiscal year-end, mainly due to profit for the period and an increase in other components of equity, which was partially offset by dividend paid.
- The ratio of equity attributable to owners of the Company to total assets was 59.0%, a decrease of 1.8 points from the previous fiscal year-end.

(3) Information about Forecasts of Consolidated Financial Results and Other Forward-Looking Statements

- There are no changes from the forecasts of consolidated financial results for the year ending March 31, 2023 publicly announced on October 31, 2022.

(4) Information about Return to Shareholders

- 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. During the current 5-year business plan period (fiscal year 2021 through fiscal year 2025), in addition to maintaining the ordinary dividend of JPY27.00 per share, we will take account of our profit growth and increase dividend. We will also flexibly conduct share buy-back and will enhance shareholder return.
- For the year ended March 31, 2022, the Company paid a year-end dividend of JPY13.50 per share on June 28, 2022. Accordingly, the annual dividend for the fiscal year, together with the interim dividend of JPY13.50 per share paid on December 1, 2021, was JPY27.00 per share in total.
- For the year ending March 31, 2023, in consideration of the forecast for consolidated financial results, the Company intends to pay an interim dividend and an year-end dividend of JPY15.00 per share, an increase of JPY1.50 respectively, i.e. annual dividend to be JPY30.00 per share, an increase of JPY3.00 from the previous fiscal year.
- An ordinary dividend payment of JPY15.00 per share as an interim dividend was approved by the Board of Directors meeting held on October 31, 2022, and the Company paid it on December 1, 2022 to shareholders as of September 30, 2022.

2. Condensed Interim Consolidated Financial Statements with Primary Notes

(1) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	662,477	395,176
Trade and other receivables	266,675	355,358
Other financial assets	181,368	400,013
Inventories	217,910	266,685
Other current assets	16,838	19,329
Assets held for sale	—	1,046
Total current assets	1,345,271	1,437,610
Non-current assets		
Property, plant and equipment	304,070	333,670
Goodwill	83,555	94,973
Intangible assets	163,884	183,064
Investments accounted for using the equity method	1,425	1,246
Other financial assets	131,509	133,089
Deferred tax assets	138,173	136,264
Other non-current assets	53,513	78,110
Total non-current assets	876,131	960,420
Total assets	2,221,402	2,398,031

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	324,784	358,379
Bonds and borrowings	20,394	41,396
Other financial liabilities	10,766	10,355
Income taxes payable	6,910	14,315
Provisions	6,795	6,534
Other current liabilities	25,616	25,753
Liabilities directly associated with assets held for sale	—	332
Total current liabilities	395,268	457,068
Non-current liabilities		
Bonds and borrowings	143,067	101,786
Other financial liabilities	42,615	42,895
Post-employment benefit liabilities	2,624	3,133
Provisions	18,290	17,214
Deferred tax liabilities	12,444	16,620
Other non-current liabilities	256,219	344,991
Total non-current liabilities	475,262	526,642
Total liabilities	870,530	983,710
Equity		
Equity attributable to owners of the Company		
Share capital	50,000	50,000
Treasury shares	(37,482)	(37,033)
Other components of equity	168,147	196,727
Retained earnings	1,170,208	1,204,626
Total equity attributable to owners of the Company	1,350,872	1,414,320
Total equity	1,350,872	1,414,320
Total liabilities and equity	2,221,402	2,398,031

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

Condensed Interim Consolidated Statement of Profit or Loss

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Revenue	810,967	948,276
Cost of sales	264,571	257,542
Gross profit	546,395	690,734
Selling, general and administrative expenses	255,939	330,815
Research and development expenses	169,149	240,415
Other income	2,470	8,087
Other expenses	3	460
Operating profit	123,772	127,131
Financial income	4,882	9,214
Financial expenses	2,883	8,814
Share of profit (loss) of investments accounted for using the equity method	65	(80)
Profit before tax	125,886	127,450
Income taxes	31,568	40,750
Profit for the period	94,318	86,700
Profit attributable to:		
Owners of the Company	94,318	86,700
Earnings per share		
Basic earnings per share (Yen)	49.21	45.23
Diluted earnings per share (Yen)	49.16	45.19

Condensed Interim Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit for the period	94,318	86,700
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(5,220)	(1,401)
Remeasurements of defined benefit plans	(144)	0
Items that are or may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	21,684	32,358
Other comprehensive income for the period	16,319	30,958
Total comprehensive income for the period	110,638	117,658
Total comprehensive income attributable to:		
Owners of the Company	110,638	117,658

(3) Condensed Interim Consolidated Statement of Changes in Equity

Nine months ended December 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, 2021	50,000	94,494	(261,252)	1,038	70,024	40,416
Profit for the period	–	–	–	–	–	–
Other comprehensive income for the period	–	–	–	–	21,684	(5,220)
Total comprehensive income for the period	–	–	–	–	21,684	(5,220)
Purchase of treasury shares	–	–	(12)	–	–	–
Disposal of treasury shares	–	–	697	(191)	–	–
Cancellation of treasury shares	–	(94,494)	223,009	–	–	–
Dividend	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(405)
Total transactions with owners of the Company	–	(94,494)	223,694	(191)	–	(405)
Balance as of December 31, 2021	50,000	–	(37,558)	847	91,708	34,790

(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	Total equity
Balance as of April 1, 2021	–	111,479	1,277,332	1,272,053	1,272,053
Profit for the period	–	–	94,318	94,318	94,318
Other comprehensive income for the period	(144)	16,319	–	16,319	16,319
Total comprehensive income for the period	(144)	16,319	94,318	110,638	110,638
Purchase of treasury shares	–	–	–	(12)	(12)
Disposal of treasury shares	–	(191)	(221)	285	285
Cancellation of treasury shares	–	–	(128,514)	–	–
Dividend	–	–	(51,744)	(51,744)	(51,744)
Transfer from other components of equity to retained earnings	144	(260)	260	–	–
Total transactions with owners of the Company	144	(452)	(180,218)	(51,471)	(51,471)
Balance as ofDecember31, 2021	–	127,346	1,191,432	1,331,220	1,331,220

Nine months ended December 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, 2022	50,000	–	(37,482)	822	132,103	35,221
Profit for the period	–	–	–	–	–	–
Other comprehensive income for the period	–	–	–	–	32,358	(1,401)
Total comprehensive income for the period	–	–	–	–	32,358	(1,401)
Purchase of treasury shares	–	–	(19)	–	–	–
Disposal of treasury shares	–	–	469	(134)	–	–
Dividend	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(674)
Others	–	–	–	–	(1,568)	–
Total transactions with owners of the Company	–	–	449	(134)	(1,568)	(674)
Balance as of December 31, 2022	50,000	–	(37,033)	687	162,893	33,146

(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	Total equity
Balance as of April 1, 2022	–	168,147	1,170,208	1,350,872	1,350,872
Profit for the period	–	–	86,700	86,700	86,700
Other comprehensive income for the period	0	30,958	–	30,958	30,958
Total comprehensive income for the period	0	30,958	86,700	117,658	117,658
Purchase of treasury shares	–	–	–	(19)	(19)
Disposal of treasury shares	–	(134)	(44)	289	289
Dividend	–	–	(54,632)	(54,632)	(54,632)
Transfer from other components of equity to retained earnings	(0)	(674)	674	–	–
Others	–	(1,568)	1,720	151	151
Total transactions with owners of the Company	(0)	(2,377)	(52,282)	(54,210)	(54,210)
Balance as of December 31, 2022	–	196,727	1,204,626	1,414,320	1,414,320

(4) Condensed Interim Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Cash flows from operating activities		
Profit before tax	125,886	127,450
Depreciation and amortization	43,199	46,080
Impairment losses (reversal of impairment losses)	1,339	(1,474)
Financial income	(4,882)	(9,214)
Financial expenses	2,833	8,814
Share of (profit) loss of investments accounted for using the equity method	(65)	80
(Gain) loss on sale and disposal of non-current assets	(1,286)	(579)
(Increase) decrease in trade and other receivables	(46,584)	(73,420)
(Increase) decrease in inventories	(5,982)	(46,815)
Increase (decrease) in trade and other payables	(23,432)	10,829
Others, net	28,998	49,006
Subtotal	120,023	110,756
Interest and dividend received	2,489	4,774
Interest paid	(962)	(1,123)
Income taxes paid	(20,413)	(32,272)
Net cash flows from (used in) operating activities	101,137	82,136
Cash flows from investing activities		
Payments into time deposits	(162,070)	(316,150)
Proceeds from maturities of time deposits	254,873	148,916
Acquisition of securities	(241,636)	(218,801)
Proceeds from sale and redemption of securities	378,813	180,823
Acquisition of property, plant and equipment	(46,873)	(43,849)
Proceeds from sale of property, plant and equipment	2,804	1,910
Acquisition of intangible assets	(13,010)	(6,746)
Acquisition of subsidiaries	–	(31,046)
Proceeds from sale of subsidiaries	–	8,359
Proceeds from collection of loans receivable	298	246
Others, net	(678)	864
Net cash flows from (used in) investing activities	172,520	(275,474)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Cash flows from financing activities		
Repayments of bonds and borrowings	(20,293)	(20,295)
Purchase of treasury shares	(12)	(19)
Proceeds from sale of treasury shares	0	0
Dividend paid	(51,774)	(54,664)
Payments of lease liabilities	10,558	(10,823)
Others, net	0	0
Net cash flows from (used in) financing activities	(82,637)	(85,802)
Net increase (decrease) in cash and cash equivalents	191,019	(279,141)
Cash and cash equivalents at the beginning of the period	380,547	662,477
Effect of exchange rate changes on cash and cash equivalents	5,728	11,840
Cash and cash equivalents at the end of the period	577,295	395,176

(5) Notes to Condensed Interim Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Significant Subsidiaries during the Period

Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd. has been excluded from the scope of consolidation since Daiichi Sankyo (China) Holdings Co., Ltd., a consolidated subsidiary of the Company, has sold all the equity interests during the second quarter ended September 30, 2022.

Changes in Presentation

Condensed Interim Consolidated Statement of Profit or Loss

In order to appropriately present the results of the business activities resulting in gains and losses generated from transactions such as asset sales, the Group has changed its method of presentation and now presents these amounts in “Other income” and “Other expenses” from the fiscal year ending March 31, 2023.
As a result, “Cost of sales”, “Selling, general and administrative expenses” and “Research and development expenses” of 72 million yen, 2,366 million yen, and 28 million yen, respectively, in the Condensed Interim Consolidated Statement of Profit or Loss for the nine months ended December 31, 2021, have been reclassified as “Other income” and “Other expenses” of 2,470 million yen and 3 million yen, respectively.

Subsequent Events

The Company transferred fixed assets of a subsidiary on January 31, 2023 in order to optimize the assets held by the Group. The overview of the transaction is as follows;

- Name of the assets: Daiichi Sankyo Kyushu Branch Building
- Address of the assets: 2-10-1, Hakata Eki Higashi, Hakata, Fukuoka
- Type of assets: Land and building
- Current use of the assets: Branch office and real estate for lease
- Execution date of the transfer agreement: January 12, 2023
- Date of the transfer: January 31, 2023
- Gain from the transfer: Approximately 8.0 billion yen*

* The amount of gain from the transfer is approximate amount after deduction of costs relating to the transfer and will be recorded in the fourth quarter for the year ending March 31, 2023.

Due to the arrangement between the Company and the transferee, the name of the transferee, the transfer price and the book value of the assets shall not be disclosed. There are no capital, personal or business relationships to be disclosed between the Group and the transferee, and the transferee is not a related party of the Group.