[Translation]

REPORT TO SHAREHOLDERS

For the Fiscal Year Ended March 31, 2023

- ✓ **Business Report for the 18th Fiscal Period**
- ✓ **Consolidated Statement (IFRS)**
- ✓ **Non-Consolidated Statement (Japanese GAAP)**
- ✓ **Independent Auditor's Report**
- ✓ **Audit Report**

The following items are provided only electronically and are not included in this document.
Please refer to "The 18th Ordinary General Shareholders Meeting Other Matters regarding Electronic Provision Measure (Matters Omitted in the Documents to be Delivered)" in the Company's Website, etc.

- ✓ "Status of Subscription Rights to Shares", "Internal Control System" and "Matters regarding Accounting Auditors" of the Business Report
- ✓ "Consolidated Statement of Changes in Equity" and "Notes to Consolidated Financial Statements" of the Consolidated Financial Statements
- ✓ "Non-consolidated Statement of Changes in Net Assets" and "Notes to Non-consolidated Financial Statements" of Non-consolidated Financial Statements

Daiichi Sankyo Company, Limited

*Note: This translation does not include pictures, charts etc. originally issued in the Japanese version.

[Translation]

Business Report for the 18th Fiscal Period

(From April 1, 2022 to March 31, 2023)

1. Status of Daiichi Sankyo Group

(1) Progress and Results of Operations

1) Overview

[Consolidated Financial Results (Core Base)]

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

	Year ended March 31, 2022	Year ended March 31, 2023	YoY change
Revenue	1,044,892	1,278,478	233,586 22.4%
Cost of sales*	348,036	349,069	1,033 0.3%
Selling, general and administrative expenses*	352,125	470,081	117,956 33.5%
Research and development expenses*	254,124	336,716	82,591 32.5%
Core operating profit*	90,605	122,610	32,004 35.3%
Temporary income*	3,912	21,897	17,984 459.7%
Temporary expenses*	21,492	23,926	2,434 11.3%
Operating profit	73,025	120,580	47,555 65.1%
Profit before tax	73,516	126,854	53,338 72.6%
Profit attributable to owners of the Company	66,972	109,188	42,215 63.0%
Total comprehensive income	130,292	149,038	18,745 14.4%

* 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 for year)>

(JPY)

	Year ended March 31, 2022	Year ended March 31, 2023
USD/JPY	112.38	135.48
EUR/JPY	130.56	140.97

a. Revenue

- Revenue in the year ended March 31, 2023 (fiscal 2022) increased by JPY233.6 billion, or 22.4% year on year, to JPY1,278.5 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 JPY 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 JPY93.9 billion in total.

b. Core operating profit

- Core operating profit increased by JPY32.0 billion, or 35.3% year on year, to JPY122.6 billion.
- Cost of sales was JPY349.1 billion, approximately the same level as the previous fiscal year 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 JPY118.0 billion, or 33.5%, to JPY470.1 billion due to the cost increase by the increase in profit sharing with AstraZeneca related to Enhertu.
- Research and development expenses increased by JPY82.6 billion, or 32.5%, to JPY336.7 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 JPY6.5 billion in total.

c. Operating profit

- Operating profit increased by JPY47.6 billion, or 65.1% year on year, to JPY120.6 billion.
- The amount of increase compared to that of core operating profit was higher due to the increase in temporary income as a result of recording of gain on the sale of Kyushu Branch Building and gain on the equity transfer of Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd., and others.

d. Profit before tax

- Profit before tax increased by JPY53.3 billion, or 72.6% year on year, to JPY126.9 billion.
- The amount of increase compared to that of operating profit was higher due to the increase of interest income and others.

e. Profit attributable to owners of the Company

- Profit attributable to owners of the Company increased by JPY42.2 billion, or 63.0% year on year, to JPY109.2 billion.

f. Total comprehensive income

- Total comprehensive income increased by JPY18.7 billion, or 14.4% year on year, to JPY149.0 billion.
- The amount of increase compared to that of profit attributable to owners of the Company was lower due to the lower increase of the currency translation difference related to net assets of overseas subsidiaries compared to that in the fiscal 2021.

[Revenue by Business Unit]
Revenue by business unit in the fiscal 2022 is as follows.

a. Japan Business Unit

- Revenue from Japan Business Unit includes revenue from products generated by the innovative pharmaceuticals business, the vaccine business and the generic pharmaceutical business of Daiichi Sankyo Espha Co., Ltd.
- Revenue from the Unit decreased by JPY31.6 billion, or 6.4% year on year, to JPY457.9 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 fiscal 2022.

- 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.
- In March 2023, the application was approved for HER2 low breast cancer (post-chemotherapy) for Enhertu and the promotion began.

b. Daiichi Sankyo Healthcare Unit

- Revenue from Daiichi Sankyo Healthcare Unit increased by JPY5.6 billion, or 8.7% year on year, to JPY70.3 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 JPY115.8 billion, or 166.4% year on year, to JPY185.4 billion due to increase of Enhertu in the U.S. and Europe. Revenue in local currency increased by USD749 million, or 121.0%, to USD1,369 million.

The following describes the major progress in the fiscal 2022.

- 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.
- In January 2023, the application was approved in Europe for HER2 low breast cancer (post-chemotherapy) for Enhertu and the promotion began.

d. American Regent Unit

- Revenue from American Regent Unit increased by JPY37.9 billion, or 25.4% year on year, to JPY187.4 billion due to the increase in sales of Venofer and others. Revenue in local currency increased by USD53 million, or 4.0%, to USD1,383 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 JPY22.2 billion, or 17.3% year on year, to JPY150.4 billion due to steady growth in sales of Lixiana. Revenue in local currency increased by EUR85 million,

or 8.6%, to EUR1,067 million.

f. ASCA Business Unit

- Revenue from ASCA[*1] Business Unit includes sales to overseas licensees.
- Revenue from the Unit increased by JPY28.6 billion, or 25.1% year on year, to JPY142.8 billion due to the 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 fiscal 2022.

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 2022.

- In April 2022, the application for approval was accepted in the U.S. for the second line treatment for HER2 mutant, non-small cell lung cancer (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 CHMP of the 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 CHMP of the 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.
- In January 2023, the application for approval was accepted in Europe for the second line treatment for HER2 mutant NSCLC.
- In January 2023, the application was approved in Europe for HER2 low breast cancer (post-chemotherapy).
- In February 2023, the application was approved in China for the second line treatment for HER2-positive breast cancer.
- In March 2023, expected target was achieved for interim analysis of a Phase II clinical trial for patients with HER2 expressing multiple solid tumors (trial name: DESTINY-PanTumor02).
- In March 2023, the application was approved in Japan for HER2 low breast cancer (post-chemotherapy).

[*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 fiscal 2022.
- 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 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 Ib 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 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 SABCS from the Phase I clinical trial for 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 TNBC monotherapy and combination therapy with durvalumab following neoadjuvant therapy (trial name: TROPION-Breast03) was initiated.
- In January 2023, a Phase III clinical trial for combination with immune checkpoint inhibitors for the first line treatment for NSCLC without actionable genomic alterations, PD-L1 < 50% (trial name: TROPION-Lung07) was initiated.

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

The following describes the major progress in the fiscal 2022.
- 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.
- In March 2023, the latest data was presented at Japanese Society of Medical Oncology (JSMO) for a Global Phase I clinical trial targeting patients with metastatic NSCLC, and Japan and the U.S. Phase I/II clinical trials targeting patients with metastatic breast cancer with HER3 expression.

【Alpha】

The following describes the major progress in clinical development of Alpha projects in the fiscal 2022.
- 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 (target undisclosed ADC) 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 AML.
- In September 2022, the latest data was presented at the 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 quizartinib for the first line treatment of 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 relapsed or refractory large B-cell lymphoma[*6].
- In December 2022, Orphan Drug Designation[*7] was obtained from the FDA for DS-2325 (KLK5 inhibitor) for Netherton syndrome, and in February 2023, Fast Track Designation[*8] for the aforementioned was obtained from the FDA.
- In March 2023, the application was approved in Japan for nasal live attenuated influenza vaccine (VN-0107, brand name: FluMist).

[*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.

[*8] System that is designed in the U.S. to accelerate the development and review of promising medicines for the treatment of severe disease with high unmet medical needs.

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 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 fiscal 2022.

- 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.
- In January 2023, an application was submitted for approval for an additional immunization targeting healthy adults and elderly persons using the original strain vaccine.

(2) Status of Plant and Equipment Investment

- The Group continuously invests in plants and equipment, aiming to enhance and streamline production facilities as well as strengthen and facilitate research and development. During the fiscal year under review, the Group spent JPY71.5 billion on plants and equipment.

(3) Status of Financing

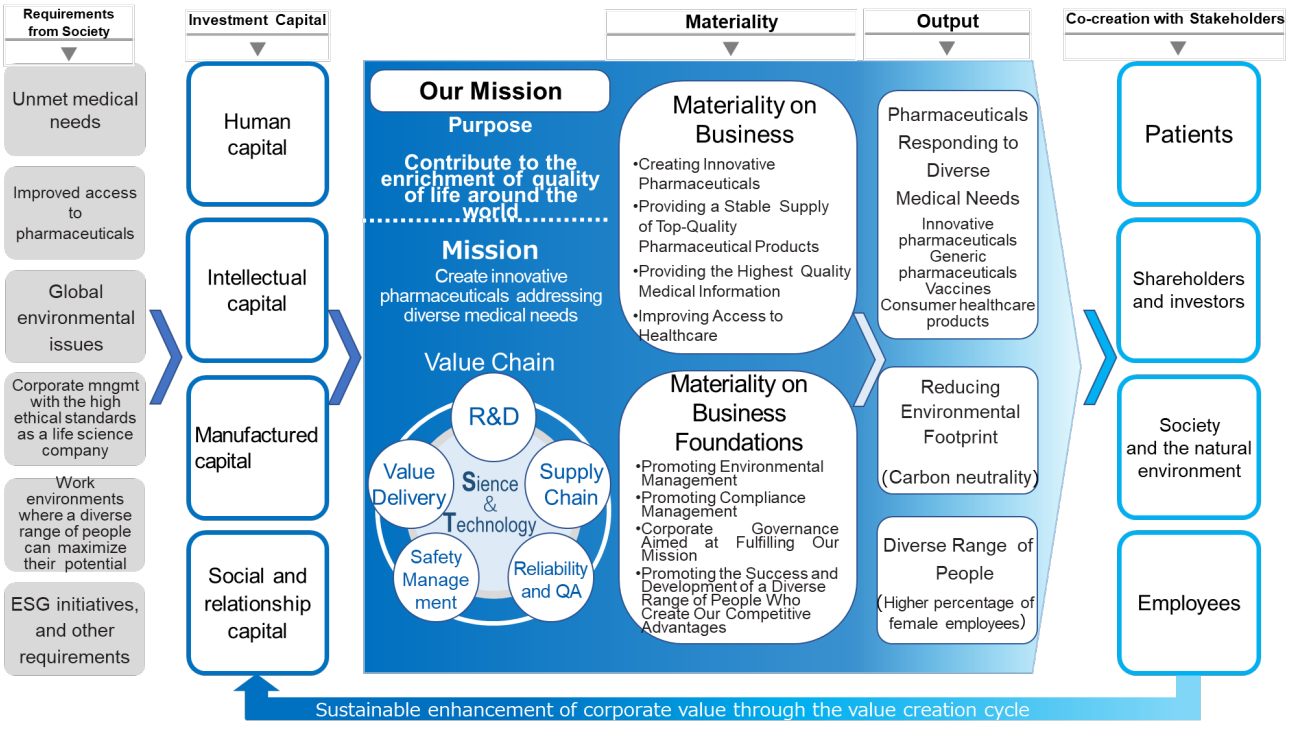
- Not applicable.

(4) 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 & 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

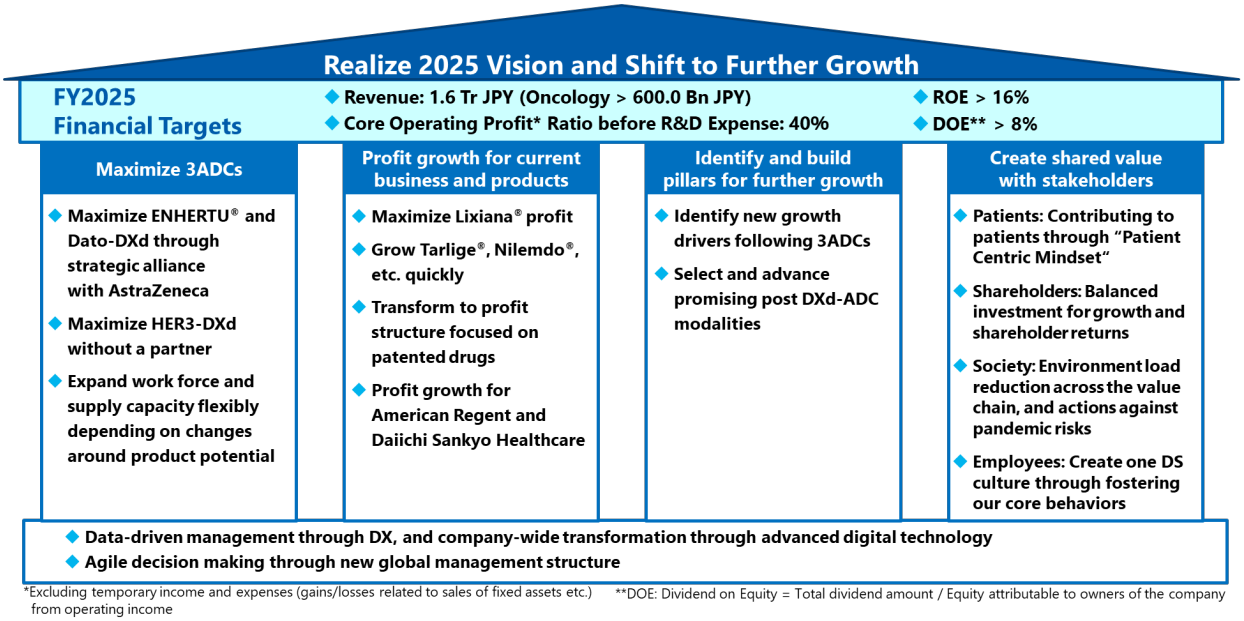
- Under ESG management, we newly established our 2030 Vision of being an "innovative global healthcare company contributing to the sustainable development of society."
- To realize our "Purpose," which is to "contribute to the enrichment of quality of life around the world," we aim to address the social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

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

- We have established 5-Year Business Plan (fiscal 2021 to fiscal 2025) and four strategic pillars as a plan to achieve our Fiscal 2025 Goal, "Global Pharma Innovator with Competitive Advantage

in Oncology" and shift to further growth toward realizing our 2030 Vision, while conducting ESG management.

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



【Four Strategic Pillars】

a. Maximize 3ADCs

- In the 5-Year Business Plan, maximizing 3ADCs (Enhertu, Dato-DXd and HER3-DXd) is our most important materiality.
- With regard to Enhertu, we will accelerate market penetration and acquisition of new indications through our strategic collaboration with AstraZeneca. In addition, we will establish advantage over competitive products for HER2, and will firmly establish HER2 low expression concept for the treatment of breast cancer.
- As for Dato-DXd, our target is to obtain approval and additional indications as quickly as possible through the strategic collaboration with AstraZeneca. Moreover, we will establish and implement an effective launch plan, and establish advantages over competitive products for TROP2.
- For HER3-DXd, we will launch as fast as possible through our in-house development. After having developed and implemented an effective launch plan, we will establish HER3 as a cancer treatment target.
- In addition to these efforts, we will promote appropriate use of the products through monitoring and risk analysis of interstitial lung disease (ILD), which is one notable side effect. We will also efficiently and gradually expand the workforce and supply capacity depending on changes around the product potential.
- In the fiscal 2021 and fiscal 2022, revenue from Enhertu increased at a pace exceeding initial plans given that it has steadily achieved market penetration and has furthermore acquired new indications that include the second line treatment for HER2-positive breast cancer and post-chemotherapy HER2 low breast cancer. In addition, progress has also been achieved in clinical trials for further acquisition of new indications, including early treatment of breast cancer. We have made progress in clinical trials for market launch of Dato-DXd and HER3-DXd, and have accelerated development in multiple clinical trials seeking additional indications subsequent to launch. We will continue to make steady

efforts to maximize 3ADCs so that effective development investment in 3ADCs will lead to dramatic growth in the latter 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 from this product to use it as a source of investment in 3ADCs and post-3ADC growth drivers.
- For new products such as Tarlige and Nilemdo, we aim to achieve quick growth through additional indications and so forth. Through realizing early growth for these new products, in addition to Lixiana, we aim to achieve sustainable growth in our businesses for newly patented products outside of oncology as well.
- In each country/region, we aim to transform ourselves into a business structure that supports sustainable profit growth through transformation to patented product-based profit structure.
- At American Regent, Inc., we aim to grow profits mainly through Injectafer and generic injectable products. At Daiichi Sankyo Health Care Co., Ltd., we aim to grow profits primarily through expanding Japanese domestic in-store sales and online business.
- In the fiscal 2021 and fiscal 2022, revenue from Lixiana increased steadily as a result of improvement in product value through additional usage and dosage. Moreover, Tarlige, Injectafer, Venofer, Nilemdo and other products have also encountered steady growth in each country/region. In addition, we have launched new products such as Emgality, made progress in product transfers after loss of exclusivity in each country/region, and moved forward in transforming into the business structure based on new products. 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 and fiscal 2022, we made progress in developing DS-7300 (B7-H3-directed ADC) and DS-6000 (CDH6-directed ADC) and encountered mounting expectations that they will become post-3ADC growth drivers. In addition, we made progress in selecting post-DXd-ADC modalities in part by embarking on clinical trials of second-generation ADC DS-9606. 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 of 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.
- In the fiscal 2021 and fiscal 2022, we made progress in terms of addressing pandemic risks through application for approval pertaining to additional immunization using original strain vaccine with respect to the DS-5670 mRNA vaccine against COVID-19, etc. Meanwhile, we also engaged in initiatives to address environmental challenges that include joining "RE100[*2]," a global initiative that aims to use 100% renewable energy for electricity consumed in business activities, and shifting to renewable energy with respect to electricity consumption the Company's sites in Japan, etc.. We will continue to implement a variety of measures to strengthen the value creation process with stakeholders.

  [*2] 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.
- In the fiscal 2021and 2022, 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 in line with changes and expansion of our business operations and continue to strengthen our global structure.

【Shareholder Return Policy】

- In addition to maintaining the ordinary dividend of JPY27 per share, we will increase dividend that takes account of our profit growth. We will also flexibly acquire treasury shares and will enhance shareholder returns.
- We have adopted dividend on equity[*3] (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.
- For the fiscal 2022, given a higher-than-anticipated increase in revenue for Enhertu, the most important product in the 5-Year Business Plan (fiscal 2021 to fiscal 2025), the Company has decided to move up the initially planned dividend increase and raised the planned annual dividend for the fiscal 2022 from JPY27 per share to JPY30 per share. We will strive to further enhance shareholder returns through continued efforts by increasing dividends in alignment with profit growth and/or flexible acquisition of treasury shares.

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

(5) Transition of Status of the Assets and Profit and Losses

(Millions of JPY, unless otherwise stated)

Category	Year ended March 31, 2019 (14th fiscal period)	Year ended March 31, 2020 (15th fiscal period)	Year ended March 31, 2021 (16th fiscal period)	Year ended March 31, 2022 (17th fiscal period)	Year ended March 31, 2023 (Current fiscal year; 18th fiscal period)
Revenue	929,717	981,793	962,516	1,044,892	1,278,478
Operating profit	83,705	138,800	63,795	73,025	120,580
Profit before tax	85,831	141,164	74,124	73,516	126,854
Profit attributable to owners of the Company	93,409	129,074	75,958	66,972	109,188
Basic earnings per share (JPY)	48.07	66.40	39.17	34.94	56.96
Return on equity attributable to owners of the Company (ROE) (%)	7.8	10.1	5.9	5.1	7.8
Annual dividend per share (JPY)	70	70	27	27	30
Total assets	2,088,051	2,105,619	2,085,178	2,221,402	2,508,889
Equity attributable to owners of the Company	1,249,642	1,305,809	1,272,053	1,350,872	1,445,854

Notes: 1. Basic earnings per share is calculated based on the average number of shares during the period, exclusive of the number of treasury shares.

2. Effective as of October 1, 2020, the Company 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, 2019.

3. Annual dividend per share is calculated as if the share split had taken place at the beginning of the year ended March 31, 2021.

(6) Principal Business

Research and development, manufacturing, marketing, and import and export of pharmaceuticals.

(7) Status of Material Subsidiaries, etc.

1) Status of Material Subsidiaries

The Group consists of Daiichi Sankyo Company, Limited, its 49 subsidiaries and its 2 associates, a total of 52 companies. Material subsidiaries are as follows:

Name of Group Company	Stated Capital (Millions of JPY, unless otherwise stated)	Voting Rights Percentage (%)	Principal Business
Daiichi Sankyo Espha Co., Ltd.	450	100.00	Research and development and marketing of pharmaceuticals
Daiichi Sankyo Healthcare Co., Ltd.	100	100.00	Research and development, manufacture and marketing of healthcare (OTC) products
Daiichi Sankyo Propharma Co., Ltd.	100	100.00	Manufacture of pharmaceuticals
Daiichi Sankyo Chemical Pharma Co., Ltd.	50	100.00	Manufacture of pharmaceuticals
Daiichi Sankyo Biotech Co., Ltd.	50	100.00	Manufacture of vaccines, biologics, investigational drugs, etc.
Daiichi Sankyo RD Novare Co., Ltd.	50	100.00	Support for research and development of the Group
Daiichi Sankyo Business Associe Co., Ltd.	50	100.00	Business support for the Group
Daiichi Sankyo U.S. Holdings, Inc.	3.0 U.S. dollars	100.00	A holding company
Daiichi Sankyo, Inc.	0.17 million U.S. dollars	100.00	Research and development and marketing of pharmaceuticals
American Regent, Inc.	0.20 million U.S. dollars	100.00	Research and development, manufacture and marketing of pharmaceuticals
Daiichi Sankyo Europe GmbH	16 million euro	100.00	Supervision of the Daiichi Sankyo EUROPE Group, and research and development, manufacture and marketing of pharmaceuticals
Daiichi Sankyo (China) Holdings Co., Ltd.	146 million U.S. dollars	100.00	Research and development and marketing of pharmaceuticals
Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd.	53 million U.S. dollars	100.00	Research and development, manufacture and marketing of pharmaceuticals

Note: Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd. was excluded from the scope of consolidation since Daiichi Sankyo (China) Holdings Co., Ltd., a consolidated subsidiary of the Company, sold all the equity interests as of August 31, 2022.

2) Status of Material Alliances, etc.

a. Licensing-in of technology

Name of Group Company	Other party	Country	Details of Technology
Daiichi Sankyo Company, Limited	Amgen Inc.	U.S.	Technology related to Denosumab, an anti-RANKL antibody
Daiichi Sankyo Company, Limited	Amgen Inc.	U.S.	Technology related to biosimilars
Daiichi Sankyo Company, Limited	Cell Therapy Ltd.	UK	Technology related to Heartcel, an immune-modulatory progenitor cell therapeutic agent for ischemic heart failure
Daiichi Sankyo Company, Limited	Kite Pharma, Inc.	U.S.	Technology related to Yescarta, a cellular cancer therapeutic agent for malignant lymphomas
Daiichi Sankyo Company, Limited	MedImmune, LLC	U.S.	Technology related to a live attenuated influenza vaccine administered as a nasal spray
Daiichi Sankyo Company, Limited	Ultragenyx Pharmaceutical Inc.	U.S.	Gene therapy manufacturing technology with adeno associated virus (AAV) vector
American Regent, Inc.	Vifor (International) Ltd.	Switzerland	Technology related to Venofer and Injectafer, drugs for treating anemia

b. Distribution agreement and others (licensing-in)

Name of Group Company	Other Party	Country	Details
Daiichi Sankyo Company, Limited	UCB Biopharma Sprl	Belgium	Exclusive sale and co-promotion in Japan of Vimpat, a treatment for epilepsy
Daiichi Sankyo Company, Limited	Kissei Pharmaceutical Co., Ltd.	Japan	Joint sale in Japan of the dysuria treatment drug Urief
Daiichi Sankyo Company, Limited	Mitsubishi Tanabe Pharma Corporation	Japan	Exclusive sale and co-promotion in Japan of hypoglycemic agent Tenelia
Daiichi Sankyo Company, Limited	Mitsubishi Tanabe Pharma Corporation	Japan	Co-promotion in Japan of hypoglycemic agent Canaglu
Daiichi Sankyo Company, Limited	Mitsubishi Tanabe Pharma Corporation	Japan	Exclusive sale and co-promotion in Japan of Canalia, a combination drug for the treatment of type 2 diabetes mellitus
Daiichi Sankyo Company, Limited	Eli Lilly Japan K.K. Eli Lilly and Company	Japan U.S.	Exclusive sale and co-promotion in Japan of the migraine prevention drug Emgality
Daiichi Sankyo Company, Limited	Eli Lilly Japan K.K. Eli Lilly and Company	Japan U.S.	Exclusive sale and co-promotion in Japan of Reyvow, a treatment for migraines
Daiichi Sankyo Company, Limited	Esperion Therapeutics, Inc.	U.S.	Exclusive sale in South Korea, Brazil, Taiwan, Hong Kong, Macao, Thailand, Vietnam, Myanmar, and Cambodia of the hypercholesterolemia treatment, bempedoic acid
Daiichi Sankyo Europe GmbH	Esperion Therapeutics, Inc.	U.S.	Exclusive sale in Europe of the hypercholesterolemia treatment, bempedoic acid

c. Distribution agreement and others (licensing-out)

Name of Group Company	Other Party	Country	Details
Daiichi Sankyo Company, Limited	AstraZeneca UK Limited	UK	Joint development and commercialization collaboration, worldwide except for Japan, of HER2-directed ADC Enhertu
Daiichi Sankyo Company, Limited	AstraZeneca UK Limited	UK	Joint development and commercialization collaboration, worldwide except for Japan, of TROP2-directed ADC Dato-DXd
Daiichi Sankyo Company, Limited	Servier Canada inc.	Canada	Exclusive sale in Canada of the anticoagulant Lixiana
American Regent, Inc.	Fresenius USA Manufacturing, Inc.	U.S.	Exclusive sale in the U.S.A. of the anemia treatment, Venofer for dialysis patients
Daiichi Sankyo Europe GmbH	Menarini International Operations Luxembourg S.A.	Luxembourg	Joint sale in Europe of the antihypertensive agent Olmetec
Daiichi Sankyo Northern Europe GmbH	Organon Trade LLC	U.S.	Exclusive sale in Europe of the anticoagulant Lixiana

(8) The Principal Branches, Plants and Laboratories (As of March 31, 2023)

1) The Company

Headquarters: 5-1, Nihonbashi Honcho 3-chome, Chuo-ku, Tokyo

Branches: Sapporo Branch (Hokkaido), Tohoku Branch (Miyagi), Tokyo Branch (Tokyo), Chiba-Saitama Branch (Chiba), Yokohama Branch (Kanagawa), Kanetsu Branch (Tokyo), Tokai Branch (Aichi), Kyoto Branch (Kyoto), Kansai Branch (Osaka), Chugoku Branch (Hiroshima), Shikoku Branch (Kagawa), and Kyushu Branch (Fukuoka)

* Effective as of April 1, 2023, 12 branches and 25 Area Management Departments were reorganized into 16 Pharmaceutical Sales Departments to strengthen area marketing functions.

Laboratories: Shinagawa R&D Center (Tokyo), Kasai R&D Center (Tokyo), Tatebayashi Biopharmaceuticals Center (Gunma), and Pharmaceutical Technology Division, Hiratsuka site (Kanagawa)

2) Subsidiaries

a. Domestic

Daiichi Sankyo Espha Co., Ltd.	Chuo-ku, Tokyo	
Daiichi Sankyo Healthcare Co., Ltd.	Chuo-ku, Tokyo	
Daiichi Sankyo Propharma Co., Ltd.	Headquarters	Chuo-ku, Tokyo
	Plants	Hiratsuka Plant (Kanagawa)
Daiichi Sankyo Chemical Pharma Co., Ltd.	Headquarters	Chuo-ku, Tokyo
	Plants	Onahama Plant (Fukushima), Tatebayashi Plant (Gunma), and Odawara Plant (Kanagawa)
Daiichi Sankyo Biotech Co., Ltd.	Kitamoto, Saitama	
Daiichi Sankyo RD Novare Co., Ltd.	Edogawa-ku, Tokyo	
Daiichi Sankyo Business Associe Co., Ltd.	Chuo-ku, Tokyo	
Daiichi Sankyo Happiness Co., Ltd.	Hiratsuka, Kanagawa	

b. Overseas

Daiichi Sankyo, Inc.	Basking Ridge, New Jersey, U.S.A.
American Regent, Inc.	Shirley, New York, U.S.A.
Daiichi Sankyo Europe GmbH	Munich, Germany

(9) Status of Employees (As of March 31, 2023)

Number of Employees		Change from Previous Fiscal Year-End
17,435		977 (increased)
Japan	9,263	128 (increased)
North America	3,062	356 (increased)
Europe	2,554	275 (increased)
Other regions	2,556	218 (increased)

Note: The number of employees is that of working employees, and does not include that of employees temporarily seconded to other groups, but does include that of employees temporarily seconded to the Group from other groups.

(10) Principal Lenders and the Amount of Loans (As of March 31, 2023)

Lender	Outstanding amount of loans (Millions of JPY)
Syndicated loan	20,000
Nippon Life Insurance Company	1,000

Note: Syndicated loan is jointly financed by Mizuho Bank, Ltd. and 25 other financial institutions.

(11) Litigation and Other Matters

1) Declaratory Judgement Action and Other Matters related to Daiichi Sankyo's Proprietary Antibody Drug Conjugate (ADC) Technology against Seagen Inc.

- In November 2019, the Company filed a declaratory judgment action in the U.S. District Court of Delaware against Seagen Inc. related to the ADC joint research with Seagen Inc. conducted from 2008 to 2015, alleging that certain intellectual property rights related to the Company's ADC technology belong to Seagen Inc.
- In response, in November 2019, Seagen Inc. filed an arbitration with the American Arbitration Association (AAA) regarding the claim, but as published in a press release dated August 13, 2022, the AAA rendered an award denying Seagen Inc.'s claim in its entirety on August 11, 2022.

2) Lawsuit and Other Matters related to U.S. Patent Held by Seagen Inc.

- Seagen Inc. filed a patent infringement lawsuit in the District Court for the Eastern District of Texas in October 2020, claiming Daiichi Sankyo's proprietary ENHERTU and other ADCs infringed the U.S. patent held by Seagen Inc. In April 2022, a trial was conducted in the same district court and a jury decided that ENHERTU infringes said patent. The jury awarded Seagen Inc. approximately US$42 million in damages for the period leading up to trial and found that there was willful infringement of said patent. In July 2022, the Court entered a judgment confirming the aforementioned jury verdict, but while the jury found willful infringement, it did not increase the amount of damages based on the totality of the circumstances. The Company disagrees with the Court's judgment and has filed a Post-trial Motion.
- Meanwhile, in December 2020, the Company and relevant parties filed a petition with the U.S. Patent Office for post-grant review (PGR) contesting the patentability of said US patent of Seagen Inc., but, in June 2021, it was decided that a trial examination for such PGR shall not commence. Upon the decision the Company and relevant parties filed a request for rehearing with the U.S. Patent and Trademark Office in July 2021, and filed an administrative lawsuit in the District Court for the Eastern District of Virginia in August. As a result, in April 2022, the U.S. Patent and Trademark Office granted the above request for rehearing and decided to initiate the PGR. In July 2022, the U.S. Patent and Trademark Office granted Seagen Inc.'s request for rehearing and decided not to proceed with the PGR, but in February 2023, it granted the Company's request for rehearing and decided to resume the PGR.

2. Matters regarding Shares

(1) Status of Shares (As of March 31, 2023)

1) Total Number of Authorized Shares: 8,400,000,000 shares
2) Total Number of Issued Shares: 1,947,034,029 shares (including 29,690,154 treasury shares)
3) Number of Shareholders: 80,624 (decrease of 25,759 from the end of previous fiscal year)
4) Major Shareholders (Top 10):

Name of Shareholders	Number of Shares Held (thousand shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	337,410	17.60
Custody Bank of Japan, Ltd. (trust account)	169,629	8.85
JP MORGAN CHASE BANK 385632	129,660	6.76
Nippon Life Insurance Company	85,863	4.48
STATE STREET BANK AND TRUST COMPANY 505001	56,230	2.93
SSBTC CLIENT OMNIBUS ACCOUNT	44,125	2.30
Custody Bank of Japan, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	38,381	2.00
STATE STREET BANK WEST CLIENT-TREATY 505234	32,282	1.68
The Shizuoka Bank, Ltd.	30,422	1.59
GOLDMAN, SACHS & CO. REG	29,235	1.52

Notes: 1. The Company held 29,690,154 treasury shares as of March 31, 2023, which are excluded from the above table.
2. Treasury shares are not included in the computing of shareholding ratio.

<Composition Ratios by Shareholder Category>

Shareholder Category	Shareholding Ratio	
	As of March 31, 2022 (For Reference)	As of March 31, 2023
National government and local governments	0.00%	0.00%
Financial institutions	43.29%	41.26%
Financial instrument firms	1.39%	1.03%
Other corporations	2.72%	2.59%
Foreign institutions and individuals	40.09%	43.80%
Individual investors and others	10.96%	9.80%
Treasury share	1.55%	1.53%

5) Shares Granted to Directors as Compensation during the Fiscal Year
The status of shares granted to Directors as compensation for their execution of duties during the fiscal year under review is as follows:

Category	Class and number of shares	Number of grantees
Directors (excluding Outside Directors)	Ordinary shares of the Company 30,106 shares	5

Note: The above shares are granted as restricted share-based compensation of the Company.

3. Matters regarding Directors and Audit & Supervisory Board Members

(1) Status of Directors and Audit & Supervisory Board Members (As of March 31, 2023)

Name	Position and Assignments, etc.	Material Concurrent Positions	Relationship between companies where they have material concurrent positions and the Company
Sunao Manabe	Representative Director, President and CEO		
Shoji Hirashima	Representative Director, Senior Executive Officer, Head of Japan Business Unit		
Masahiko Ohtsuki	Director, Senior Executive Officer, Head of Digital Transformation Management Division		
Hiroyuki Okuzawa	Director, Senior Executive Officer, Head of Corporate Planning & Management Division and CFO		
Takashi Fukuoka	Director, Executive Officer, Head of Corporate Strategy Division		
Noritaka Uji	Outside Director	Representative Director and Representative Chair of the Japan Association of Technology Executives Director of the Japan Telework Association Visiting Professor of Center for Global Communications, International University of Japan Auditor of the Nippon Omni-Management Association	No material business relationship
Kazuaki Kama	Outside Director	Senior Advisor of IHI Corporation Outside Director of SUMITOMO LIFE INSURANCE COMPANY Statutory Auditor (Outside) of Tokyo Stock Exchange, Inc. Statutory Auditor (Outside) of JPX Market Innovation & Research, Inc.	No material business relationship
Sawako Nohara	Outside Director	President of IPSe Marketing, Inc. Outside Director of Keikyu Corporation Outside Director of Resona Holdings, Inc.	No material business relationship
Yasuhiro Komatsu	Outside Director	Chairman and Professor, Department of Healthcare Quality and Safety, Graduate School of Medicine, Gunma University Director, Department of Healthcare Quality and Safety, Gunma University Hospital Vice president (specially appointed), Gunma University Hospital	No material business relationship
Ryoichi Watanabe	Full-time Audit & Supervisory Board Member		

Name	Position and Assignments, etc.	Material Concurrent Positions	Relationship between companies where they have material concurrent positions and the Company
Kenji Sato	Full-time Audit & Supervisory Board Member		
Yukiko Imazu	Outside Audit & Supervisory Board Member	Partner, Attorney-at-Law of Anderson Mōri & Tomotsune Outside Auditor of dip Corporation Outside Director of ALCONIX CORPORATION	No material business relationship
Masako Watanabe	Outside Audit & Supervisory Board Member	Outside Director of SAKATA SEED CORPORATION	No material business relationship
Mitsuhiro Matsumoto	Outside Audit & Supervisory Board Member		

Notes:

1. The Company's Board of Directors (the Board) consists of nine Directors and five Audit & Supervisory Board Members, totaling 14, and including three female members (the ratio of female members is 21.4%).
2. In the above, Outside Director means an outside director prescribed by Article 2, Item 15 of the Companies Act and Outside Audit & Supervisory Board Member means an outside audit & supervisory board member prescribed by Article 2, Item 16 of the Companies Act.
3. The Company has designated all Outside Directors (Noritaka Uji, Kazuaki Kama, Sawako Nohara and Yasuhiro Komatsu) and Outside Audit & Supervisory Board Member (Yukiko Imazu, Masako Watanabe and Mitsuhiro Matsumoto) as Independent Directors/Corporate Auditors and filed them with the Tokyo Stock Exchange accordingly.
4. Ryoichi Watanabe, Full-time Audit & Supervisory Board Member, has held various senior positions including Vice President, Corporate Finance & Accounting Department and has considerable knowledge and experience in finance and accounting.
5. Masako Watanabe, Outside Audit & Supervisory Board Member, is a certified public accountant and has considerable knowledge in finance and accounting.
6. No Directors or Audit & Supervisory Board Members resigned or were removed during this fiscal year. Directors Satoru Kimura and Tsuguya Fukui and Audit & Supervisory Board Member Tateshi Higuchi retired following the end of their tenure of office at the conclusion of the 17th Ordinary General Shareholders Meeting held on June 27, 2022.

(2) Status of Outside Directors and Outside Audit & Supervisory Board Members

1) Relationship between Companies Where They Have Material Concurrent Positions and the Company (As of March 31, 2023)

- The relationship between companies where they have material concurrent positions and the Company is as described in (1) Status of Directors and Audit & Supervisory Board Members.

2) Major Activities During this Fiscal Year

Position	No. of attendance	Major activities
Noritaka Uji		
Outside Director Chairperson of the Board Member of the Nomination Committee Member of the Compensation Committee	[The Board Meetings] 13/13 (100%) [Nomination Committee Meetings] 11/11 (100%) [Compensation Committee Meetings] 11/11 (100%)	Noritaka Uji has a wealth of experience and a wide range of knowledge in overall corporate management, IT, and digital technology, developed through his management experience in the area of information technology. He attended all Board meetings held during this fiscal year. Since June 2020, he has served as the Chairperson of the Board, the first Outside Director to assume the position in the Company. By making useful comments and proposals as needed based on the above experience, professional insight and objective standpoint, as well as appropriately managing the proceedings of the Board meetings, he has contributed to the separation of execution and oversight, and appropriately fulfilled his roles including the oversight on execution of the operation. Furthermore, as a member of the Nomination Committee and the Compensation Committee, he attended all meetings of both Committees held during this fiscal year and actively made comments from an external perspective, contributing to the enhancement of the Committees' oversight functions on management.
Kazuaki Kama		
Outside Director Chairperson of the Nomination Committee Member of the Compensation Committee	[The Board Meetings] 13/13 (100%) [Nomination Committee Meetings] 11/11 (100%) [Compensation Committee Meetings] 11/11 (100%)	Kazuaki Kama has a wealth of experience and a wide range of knowledge in overall corporate management as well as finance and accounting, developed through his management experience at a comprehensive heavy-industry manufacturer. He attended all Board meetings held during this fiscal year. By making useful comments and proposals as needed at the Board meetings based on the above experience, professional insight and objective standpoint, he has appropriately fulfilled his roles including the oversight on execution of the operation. Furthermore, as Chairperson of the Nomination Committee (appointed in June 2022), he attended all meetings of the Committee held during this fiscal year and appropriately managed the proceedings of meetings of the Committee from an external perspective. In addition, as a member of the Compensation Committee, he attended all meetings of the Committee held during this fiscal year and made useful comments as needed, contributing to the enhancement of the Committees' oversight functions on management.

Position	No. of attendance	Major activities
Sawako Nohara		
Outside Director Chairperson of the Compensation Committee Member of the Nomination Committee	[The Board Meetings] 13/13 (100%) [Nomination Committee Meetings] 11/11 (100%) [Compensation Committee Meetings] 11/11 (100%)	Sawako Nohara has a wealth of experience and a wide range of knowledge in such fields as overall corporate management, IT, business strategies and marketing strategies, developed through her experience as the founder of a company engaging in the Internet and digital business and management experience. She attended all Board meetings held during this fiscal year. By making useful comments and proposals as needed at the Board meetings based on the above experience, professional insight and objective standpoint, she has appropriately fulfilled her roles including the oversight on execution of the operation. Furthermore, as Chairperson of the Compensation Committee (appointed in June 2022), she attended all meetings of the Committee held during this fiscal year and appropriately managed the proceedings of meetings of the Committee from an external perspective. In addition, as a member of the Nomination Committee, her attended all meetings of the Committee held during this fiscal year and made useful comments as needed, contributing to the enhancement of the Committees' oversight functions on management.
Yasuhiro Komatsu		
Outside Director Member of the Nomination Committee Member of the Compensation Committee	[The Board Meetings] 10/10 (100%) [Nomination Committee Meetings] 10/10 (100%) [Compensation Committee Meetings] 8/8 (100%)	Yasuhiro Komatsu has a wealth of experience and a wide range of knowledge in medical care, clinical governance, public health, drug safety, and risk management, etc. from his experience as a medical doctor. He attended all Board meetings held during this fiscal year after appointment as Director in June 2022. By making useful comments and proposals as needed at meetings of the Board based on the above experience, professional insight and objective standpoint, he has appropriately fulfilled his roles including the oversight on execution of the operation. Furthermore, as a member of the Nomination Committee and the Compensation Committee, he attended all meetings of both Committees held during this fiscal year after the appointment in June 2022, and actively made comments from an external perspective, contributing to the enhancement of the Committees' oversight functions on management.
Yukiko Imazu		
Outside Audit & Supervisory Board Member Observer of the Compensation Committee	[The Board Meetings] 13/13 (100%) [Audit & Supervisory Board Meetings] 13/13 (100%) [Compensation Committee Meetings] 11/11 (100%)	Yukiko Imazu has a wealth of experience and a wide range of knowledge in overall legal affairs, developed through her experience as a lawyer. She attended all Board meetings and Audit & Supervisory Board held during this fiscal year and made useful comments and proposals as needed based on the above experience, professional insight and objective standpoint. She also assessed the status of decision making by the Board and other matters, thereby performing her duties to audit the execution of Directors' duties in an appropriate manner. In addition, she attended the meetings of the Compensation Committee as an observer and provided valuable opinions and advice as needed.

Position	No. of attendance	Major activities
Masako Watanabe		
Outside Audit & Supervisory Board Member	[The Board Meetings] 13/13 (100%) [Audit & Supervisory Board Meetings] 13/13 (100%)	Masako Watanabe has a wealth of experience and a wide range of knowledge in overall finance and accounting, developed through her experience as a certified public accountant. She attended all Board meetings and Audit & Supervisory Board during this fiscal year and made useful comments and proposals as needed based on the above experience, professional insight and objective standpoint. She also assessed the status of decision making by the Board and other matters, thereby performing her duties to audit the execution of Directors' duties in an appropriate manner.
Mitsuhiro Matsumoto		
Outside Audit & Supervisory Board Member Observer of the Nomination Committee	[The Board Meetings] 10/10 (100%) [Audit & Supervisory Board Meetings] 10/10 (100%) [Nomination Committee Meetings] 10/10 (100%)	Mitsuhiro Matsumoto served in key leadership positions in the National Police Agency, and has a wealth of experience and a wide range of knowledge in such as public administrations, the operation of large organizations, domestic/international risk management. He attended all Board meetings and Audit & Supervisory Board after assuming office as Audit & Supervisory Board Member and made useful comments and proposals as needed based on the above experience, professional insight and objective standpoint. He also assessed the status of decision making by the Board and other matters, thereby performing his duties to audit the execution of Directors' duties in an appropriate manner. In addition, he attended all meetings of the Nomination Committee as an observer after assuming office as Audit & Supervisory Board Member and provided valuable opinions and advice as needed.

Note: The number of meetings attended by Yasuhiro Komatsu and Mitsuhiro Matsumoto indicates the number only to such meetings held after their assumptions of office on June 27, 2022.

3) Outline of the Terms of Liability Limitation Agreement

- With regard to liability for damages under Article 423, Paragraph 1 of the Companies Act, the Company has entered into agreements with Outside Directors Noritaka Uji, Kazuaki Kama, Sawako Nohara and Yasuhiro Komatsu, and Outside Audit & Supervisory Board Members Yukiko Imazu, Masako Watanabe and Mitsuhiro Matsumoto to limit their liabilities based on the Articles of Incorporation in the event that the case falls under the requirements defined in laws and ordinances (Liability Limitation Agreement), and the maximum amount of liabilities under such agreement is the minimum liability amount as provided by applicable laws and ordinances.

(3) Matters regarding Directors and Officers Liability Insurance Policy

- The Company has entered into a directors and officers liability insurance policy with an insurance company. In the event of a claim for damages filed against an insured by a shareholder or a third party, this insurance policy covers such damages as compensation for damages and litigation cost to be borne by the insured. However, this policy does include certain exemption clauses, for instance, not covering damages attributable to acts in violation of laws or regulations carried out by an insured with full knowledge of his/her illegality, so as not to impair the appropriateness of execution of duties by directors and other officers.
- The insureds of this insurance policy are Directors, Audit & Supervisory Board Members and Corporate Officers of the Company and domestic Group companies* as well as key Executive Persons and managerial employees of overseas Group companies (excluding those in the U.S.)*. The insurance premiums are fully paid by companies to which the insureds belong.

  * Group companies in the U.S. have separately entered into an insurance policy similar to this directors and officers liability insurance policy.

(4) The Amount of Compensation and Related Payments to Directors and Audit & Supervisory Board Members for Fiscal 2021

Classification	Total amount of compensation and related payments (Millions of JPY)	Total amount of compensation and related payments to Directors and Audit & Supervisory Board Members by type (Millions of JPY)				Number of Directors and Audit & Supervisory Board Members to be paid (Number of persons)
		Basic compensation	Annual performance-based bonuses	(Non-monetary compensation) Restricted share-based compensation	(Non-monetary compensation) Medium-term performance-based share compensation	
Directors (excluding Outside Directors)	997	315	393	99	189	6
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	93	93	–	–	–	2
Outside Directors	95	95	–	–	–	5
Outside Audit & Supervisory Board Members	61	61	–	–	–	4

Note: The amount of compensation and related payments to Directors (excluding Outside Directors) and Outside Audit & Supervisory Board Members, and the number of persons to be paid include those of one Director (excluding Outside Director), one Outside Director and one Outside Audit & Supervisory Board Member who retired following the end of their tenure of office at the conclusion of the 17th Ordinary General Shareholders Meeting held on June 27, 2022.

1) Basic compensation

- The total amount of "basic compensation" paid to Directors shall be JPY630 million or less per fiscal year (including the total amount of basic compensation paid to Outside Directors at JPY140 million or less per fiscal year) (excluding the portion of salaries for Directors concurrently working as employees) and the total amount of compensation paid to Audit & Supervisory Board Members shall be JPY180 million or less per fiscal year as approved at the 16th Ordinary General Shareholders Meeting held on June 21, 2021 (the Company had nine Directors, including four Outside Directors, and five Audit & Supervisory Board Members, including three Outside Audit & Supervisory Board Members at the close of said Ordinary General Shareholders Meeting).

2) Annual performance-based bonuses

- "Annual performance-based bonuses" above represent an estimated amount to be paid as "Annual performance-based bonuses" for the fiscal year under review. In addition to the total amount of basic compensation, the total amount of "annual performance-based bonus" paid to Directors (excluding Outside Directors) shall be JPY850 million or less per fiscal year as approved at the 16th Ordinary General Shareholders Meeting held on June 21, 2021 (the Company had nine Directors, including four Outside Directors at the close of said Ordinary General Shareholders Meeting).
- The amount of "annual performance-based bonuses" will be decided according to the degree of achievement of the earnings forecasts announced at the beginning of the fiscal year about revenue, core operating profit ratio, and profit attributable to owners of the Company, and the degree of achievement of each Director's goals and tasks set at the beginning of the fiscal year. Setting the degree of achievement of the earnings forecasts for the relevant fiscal year about "revenue," which indicate the size of business, "core operating profit ratio," which indicates the efficiency of business activities, and "profit attributable to owners of the Company," which indicates the final outcome of corporate activities, as the evaluation criteria, it is intended to provide a strong motivation to commit to achieving the targets as short-term incentive compensation.
- The formula for calculating the amount of payment is as follows.

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

The targets and actual results of indices for "Annual performance-based bonuses" for the fiscal year under review are as follows:

Breakdown of annual target achievement ratio (Fiscal 2022)

Index for the achievement of annual targets	Evaluation ratio	Evaluation coefficient fluctuation range	Target	Achievement	Evaluation factor	Bonus payment rate
Revenue	10%	0%-200%	JPY1,150.0 billion	JPY1,278.5 billion	200.0%	193.4%
Core operating profit ratio	10%	0%-200%	9.1%	9.6%	133.6%	
Profit attributable to owners of the Company	80%	0%-200%	JPY83.0 billion	JPY109.2 billion	200.0%	

3) Restricted share-based compensation

- The amount of "restricted share-based compensation" above represents the amount recorded as expenses for restricted share-based compensation in this fiscal year.
  This restricted share-based compensation with a maximum limit of JPY160 million in total per fiscal year was approved to be paid to Directors (excluding Outside Directors) of the Company ("Target Directors") at the 16th Ordinary General Shareholders Meeting held on June 21, 2021, separately from the aforementioned total amount of basic compensation and annual performance-based bonuses. At the same time, the total number of ordinary shares of the Company to be issued or disposed of, in order to be delivered to Directors (excluding Outside Directors), was also approved to be 240 thousand shares or less per year (if the Company performs a share split (including allotment of shares without contribution) or a share consolidation of its ordinary shares, or any other reason requiring an adjustment to the total number of such shares arises, the said total number shall be reasonably adjusted in accordance with the share split or share consolidation ratio) (The Company had nine Directors (of which four were Outside Directors) at the conclusion of the said Ordinary General Shareholders Meeting.).

  The content of restricted share-based compensation paid to Directors (excluding Outside Directors) as non-monetary compensation for the fiscal year under review is as follows:
  - Target Directors and number of shares granted: Five Directors (excluding Outside Directors) of the Company; 30,106 shares
  - Grant date: July 26, 2022
  - Method for grant: Disposal of treasury shares (contribution in kind of monetary compensation receivables provided to Target Directors as property to be contributed to acquire restricted shares)
  - Conditions for providing restricted shares: Conclusion of a restricted share allotment agreement (hereinafter the "Allotment Agreement")

(Overview of the Allotment Agreement)

a. Restricted period
The restricted period shall be the period extending to the time immediately after resignation or retirement from the position of Director or Corporate Officer not concurrently serving as Director of the Company from July 26, 2022 (the "Disposal Date").

b. Terms for lifting of transfer restriction of shares
A Target Director must continue to be a Director or Corporate Officer not concurrently serving as Director of the Company during the period from July 26, 2022 to the time immediately before the conclusion of the first Ordinary General Shareholders Meeting after the Date (the "Period of Service").
However, in the event that an Target Director resigns or retires from the position of Director or Corporate Officer not concurrently serving as Director of the Company during the restricted period due to the end of his/her tenure of office, attainment of retirement age or any other justifiable reason in the Period of Service, the transfer restriction shall be lifted at the time immediately after the resignation or retirement regarding the number of shares reasonably adjusted according to the period until the resignation or retirement date.

c. Acquisition without contribution by the Company
The Company, shall, by rights, acquire without contribution any allotted shares on which the transfer restriction has not been lifted at the expiration of the restricted period or at the time of lifting the transfer restriction.

4) Medium-term performance-based share compensation

- As approved at the 16th Ordinary General Shareholders Meeting held on June 21, 2021 (the Company had nine Directors, including four Outside Directors at the close of said Ordinary General Shareholders Meeting), the total amount of "medium-term performance-based compensation" is targeted at the Company's Directors (excluding Outside Directors) and Corporate Officers (hereinafter, the "Target Directors & Officers") and is set separately from the above total amount of basic compensation, total amount of annual performance-based bonus and total amount of restricted share-based compensation, at JPY800 million per fiscal year for the fiscal years covered by the medium-term business plan (hereinafter, the "Target Period", and the initial Target Period is the 5-year business plan from fiscal 2021 to fiscal 2025), multiplied by the number of fiscal years corresponding to the Target Period (for the initial Target Period commencing from fiscal 2021, the upper limit shall be JPY4.0 billion for five fiscal years) as the upper limit (for amount to be contributed); in addition, the maximum number of the Company's shares, etc. to be delivered to Target Directors & Officers shall be 500 thousand shares per fiscal year, multiplied by the number of fiscal years corresponding to the Target Period (for the initial Target Period commencing from fiscal 2021, the maximum number shall be 2.5 million shares for five fiscal years).
- The medium-term performance-based share compensation, which serves as long-term incentive and links pay to the achievement of performance during a series of fiscal years subject to a medium-term business plan, aims to promote management with a focus on increasing shareholder value over the medium to long term, and is a trust-type and share-based compensation plan which has the nature of performance-based share compensation. The performance-based coefficient shall be determined according to the degree of achievement of targets of the Company'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 the medium-term business plan announced in fiscal 2021 are adopted), with the intention to provide a strong motivation to commit to achieving the targets of the medium-term business plan.
- Although the trust for the "medium-term performance-based compensation," which is a trust-type and share-based compensation plan that uses share delivery trust, has not been established yet, as points for the medium-term performance-based compensation are awarded based on the already established share delivery rules, the expenses are recorded as provisions for the fiscal year under review for future payment of the medium-term performance-based compensation, and such amounts are presented in the table above.
- Regarding the compensation, the 17th Ordinary General Shareholders Meeting approved on June 27, 2022 that when it is not possible to establish the trust, amend the trust agreement, make additional

contribution to the Trust with justifiable reason, or when delivery of the Company's Shares, etc. to Target Directors & Officers from the trust is not possible because Target Directors & Officers are non-resident of Japan, or with any other justifiable reason, the Company may, within the upper limit of money to be contributed by the Company, make monetary payments of the amount reasonably calculated based on the number and the share price of the Company's Shares, etc. that should be delivered in accordance with the plan to Target Directors & Officers,etc. (The number of Directors of the Company will be nine, including four outside Directors, at the conclusion of the said General Shareholders Meeting). While the compensation shall, in principle, be paid after the performance of the medium-term business plan is finalized, considering situations where the trust has not been established yet, etc. regarding the compensation, based on the same calculation method of a trust-type and share-based compensation plan, as an alternative to delivery of the Company's Shares, etc. from the trust, the Company made monetary payments of the amount reasonably calculated based on the number and the share price of the Company's Shares, etc. that should be delivered in accordance with such plan to Directors who retired due to expiration of their terms of office at the conclusion of the 17th General Shareholders Meeting held on June 27, 2022.

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

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

1) Compensations policy

Compensations to Directors are designed based on the following ideas.

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

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

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

2) Level of compensations

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

3) Composition of compensations

Directors (excluding Outside Directors)

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

Outside Directors

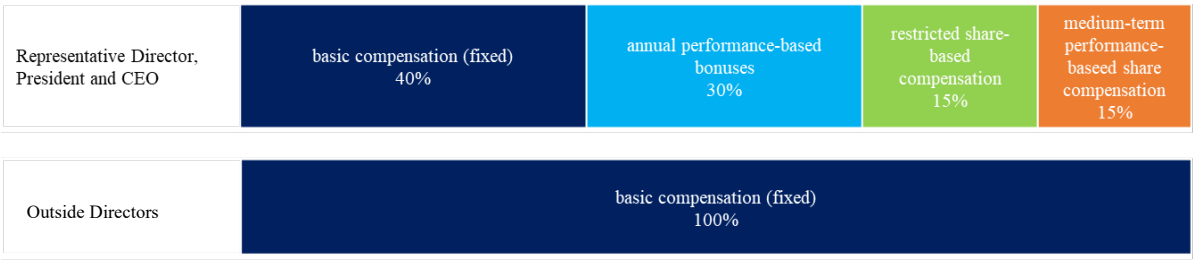
Compensation to Outside Directors who are in charge of management oversight and are not in the position to take charge of business execution is only basic, fixed compensation. Incentive bonuses and retirement benefit system are not adopted.

4) Ratio of the composition of compensations

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

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

Compensation to Outside Directors is only basic, fixed compensation.



5) Basic compensation

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

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

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

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

(1) Calculation formula for annual performance-based bonus

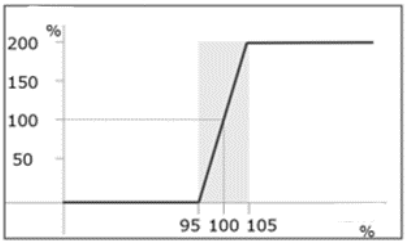
Bonus payment amount = Standard amount by position ＊ Achievement of annual targets (revenue + core operating profit ratio + profit attributable to owners of the Company) ＊ performance evaluation

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

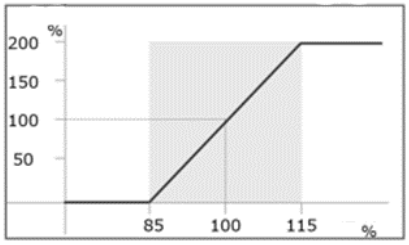
Index for the achievement of annual targets	Evaluation ratio	Evaluation coefficient fluctuation range	Targets (set with the following as a guide)
Revenue	10%	0%-200%	Upper limit: Target ＊ 105% Target: Expected value announced at the beginning of the fiscal year Lower limit: Target ＊ 95%
Core operating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

[Target achievement ratio]

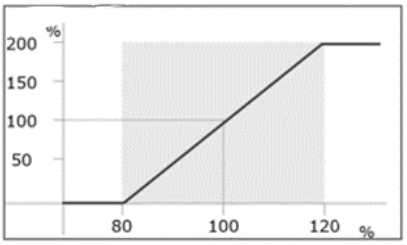
Revenue



Core operating profit ratio



Profit attributable to owners of the Company



(3) Performance evaluation

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

(i) The performance evaluation of the Executive Chairperson and the President will be determined after deliberation at 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
Executive 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, the Company 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 The Board 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 The Board 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 The Board 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 The Board.

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 the Company'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 the Company's 5-Year Business Plan announced in fiscal 2021 have been adopted.), and one ordinary share in the Company 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, the Company 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.

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

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

9) Clawback provision

The Company 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 The Board 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 The Board 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 appointed by mutual appointment 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 the Board within the total amount of compensation resolved at the General Shareholders Meeting.

- 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 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.

(6) 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 Shareholders Meeting.

(7) Basic Policy regarding Moves toward Large-Scale Acquisition of Company's Shares

- The Company believes that it is the shareholders to decide whether or not to respond to any moves toward large-scale acquisition of Company share. 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 share 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.

Consolidated Statement of Financial Position (IFRS)
(As of March 31, 2023)

(Millions of JPY)

Account	17th Fiscal Period (for reference)	18th Fiscal Period
[ASSETS]		
Current assets		
Cash and cash equivalents	662,477	441,921
Trade and other receivables	266,675	349,111
Other financial assets	181,368	383,205
Inventories	217,910	301,608
Other current assets	16,838	19,204
Total current assets	1,345,271	1,495,051
Non-current assets		
Property, plant and equipment	304,070	348,912
Goodwill	83,555	98,330
Intangible assets	163,884	159,609
Investments accounted for using the equity method	1,425	1,306
Other financial assets	131,509	130,393
Deferred tax assets	138,173	180,096
Other non-current assets	53,513	95,188
Total non-current assets	876,131	1,013,837
Total assets	2,221,402	2,508,889

Note: Figures are rounded down to the nearest million Japanese yen.

(Millions of JPY)

Account	17th Fiscal Period (for reference)	18th Fiscal Period
[LIABILITIES AND EQUITY]		
Current liabilities		
Trade and other payables	324,784	424,036
Bonds and borrowings	20,394	41,396
Other financial liabilities	10,766	11,080
Income taxes payable	6,910	21,470
Provisions	6,795	7,626
Other current liabilities	25,616	24,652
Total current liabilities	395,268	530,263
Non-current liabilities		
Bonds and borrowings	143,067	101,692
Other financial liabilities	42,615	41,647
Post-employment benefit liabilities	2,624	1,310
Provisions	18,290	16,376
Deferred tax liabilities	12,444	12,647
Other non-current liabilities	256,219	359,096
Total non-current liabilities	475,262	532,770
Total liabilities	870,530	1,063,034
[EQUITY]		
Equity attributable to owners of the Company		
Share capital	50,000	50,000
Treasury shares	(37,482)	(36,808)
Other components of equity	168,147	200,874
Retained earnings	1,170,208	1,231,788
Total equity attributable to owners of the Company	1,350,872	1,445,854
Total equity	1,350,872	1,445,854
Total liabilities and equity	2,221,402	2,508,889

Note: Figures are rounded down to the nearest million Japanese yen.

Consolidated Statement of Profit or Loss (IFRS)
(From April 1, 2022 to March 31, 2023)

(Millions of JPY)

Account	17th Fiscal Period (for reference)	18th Fiscal Period
Revenue	1,044,892	1,278,478
Cost of sales	353,400	363,525
Gross profit	691,491	914,952
Selling, general and administrative expenses	362,456	471,221
Research and development expenses	260,326	341,570
Other income	4,321	19,101
Other expenses	3	680
Operating profit	73,025	120,580
Financial income	6,114	14,773
Financial expenses	5,753	8,480
Share of profit (loss) of investments accounted for using the equity method	129	(19)
Profit before tax	73,516	126,854
Income taxes	6,543	17,666
Profit for the year	66,972	109,188
Profit attributable to:		
Owners of the Company	66,972	109,188

Note: Figures are rounded down to the nearest million Japanese yen.

Non-Consolidated Balance Sheet (Japanese GAAP)

(As of March 31, 2023)

(Millions of yen)

Account	17th Fiscal Period (for reference)	18h Fiscal Period
[ASSETS]	**1,638,011**	**1,865,707**
I. Current assets	885,232	990,883
Cash and time deposits	482,479	430,103
Trade notes receivable	203	208
Accounts receivable - trade	193,617	242,763
Securities	39,998	59,985
Merchandise and finished goods	66,441	83,725
Raw materials	47,276	94,010
Prepaid expenses	2,877	3,316
Short-term loans receivable	4,545	5,924
Accounts receivable - other	26,372	36,162
Other current assets	23,823	37,308
Provisions for doubtful accounts	(2,405)	(2,623)
II. Non-current assets	752,778	874,824
Property, plant and equipment	80,914	83,989
Buildings and structures	55,762	55,129
Machinery	618	376
Vehicles, tools, furniture and fixtures	7,822	8,656
Land	14,206	13,822
Construction in progress	2,504	6,004
Intangible assets	21,613	26,246
Patent rights	280	266
Software	1,539	1,195
Others	19,793	24,784
Investments and other assets	650,251	764,587
Investment securities	53,383	49,773
Shares in subsidiaries and associates	281,993	304,772
Investments in capital of subsidiaries and associates	106,040	106,040
Long-term loans receivable	47,518	105,342
Prepaid pension costs	27,454	29,778
Deferred tax assets	88,953	94,343
Others	45,037	74,670
Provisions for doubtful accounts	(130)	(134)
Total	1,638,011	1,865,707

Note: Figures are rounded down to the nearest million Japanese yen.

(Millions of JPY)

Account	17th Fiscal Period (for reference)	18th Fiscal Period
[LIABILITIES]	**707,744**	**888,147**
I. Current liabilities	334,668	455,106
Accounts payable - trade	32,850	46,088
Short-term bonds	-	20,000
Short-term borrowings	39,481	55,980
Accounts payable - other	82,429	135,316
Accrued expenses	64,019	62,818
Income taxes payable	1,717	1,031
Consumption taxes payable	4,724	-
Deposit received	70,009	93,687
Contract liabilities	24,340	26,047
Contingency reserve	1,219	-
Provisions for environmental measures	-	964
Other current liabilities	13,875	13,171
II. Non-current liabilities	373,076	433,041
Bonds	120,000	100,000
Long-term borrowings	21,000	-
Long-term accounts payable - other	305	286
Contract liabilities	206,319	290,233
Provisions for environmental measures	16,032	15,068
Other non-current liabilities	9,420	27,453
[NET ASSETS]	**930,266**	**977,560**
I. Shareholders' equity	907,703	957,798
Share capital	50,000	50,000
Capital surplus	432,337	432,142
Legal reserve	179,858	179,858
Other capital surplus	252,478	252,284
Retained earnings	462,849	512,464
Other retained earnings	462,849	512,464
Reserve for advanced depreciation of property, plant and equipment	4,969	4,669
Retained earnings carried forward	457,880	507,795
Treasury shares	(37,482)	(36,808)
II. Valuation and translation adjustments	21,740	19,152
Net unrealized gain or loss on investment securities	21,217	18,749
Deferred gains or losses on hedges	523	403
III. Subscription rights to shares	822	608
Total	**1,638,011**	**1,865,707**

Note: Figures are rounded down to the nearest million Japanese yen.

Non-Consolidated Statement of Income (Japanese GAAP)
(From April 1, 2022 to March 31, 2023)

(Millions of JPY)

Account	17th Fiscal Period (for reference)	18th Fiscal Period
Net sales	754,007	858,974
Cost of sales	266,117	264,980
Gross profit	487,890	593,994
Selling, general and administrative expenses	477,733	631,082
Operating income (loss)	10,157	(37,088)
Non-operating income	41,179	133,740
Interest income	213	1,694
Interest on securities	23	19
Dividend income	32,362	125,135
Rental income	3,821	3,923
Foreign exchange gains, net	4,278	2,572
Other non-operating income	481	394
Non-operating expenses	3,648	5,036
Interest expenses	426	792
Interest on bonds	1,076	1,076
Cost of rental income	1,666	1,683
Depreciation of idle non-current assets	10	4
Other non-operating expenses	468	1,479
Ordinary income	47,688	91,615
Extraordinary gains	4,961	7,842
Gain on sales of non-current assets	3,703	1,171
Gain on sales of investment securities	933	1,405
Subsidy income	-	3,957
Reversal of provision for contingent loss	-	1,219
Other extraordinary gains	325	88
Extraordinary losses	11,483	1,180
Loss on disposal of non-current assets	554	493
Business transfer price adjustment	-	677
Provision for contingent loss	1,219	-
Provisions for environmental measures	9,474	-
Other extraordinary losses	235	9
Income before income taxes	41,167	98,277
Income taxes - current	(867)	(1,716)
Income taxes - deferred	2,761	(4,253)
Net income	39,273	104,247

Note: Figures are rounded down to the nearest million Japanese yen.

Translation of a report originally issued in Japanese

Independent Auditor's Report

May 12, 2023

The Board
Daiichi Sankyo Company, Limited

KPMG AZSA LLC
Tokyo Office, Japan

Kanako Ogura
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Hiroshi Tani
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masahiro Emori
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the related notes of Daiichi Sankyo Company, Limited. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), as at March 31, 2023 and for the year from April 1, 2022 to March 31, 2023 in accordance with Article 444-4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of the Group for the period, for which the consolidated financial statements were prepared, in accordance with the latter part of Article 120-1 of the Regulation on Corporate Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements and the accompanying supplementary schedules does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements and the accompanying supplementary schedules, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the accompanying supplementary schedules or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, Audit & Supervisory Board and Its Members for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the latter part of Article 120-1 of the Regulation on Corporate Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with the latter part of Article 120-1 of the Regulation on Corporate Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board and its members are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The selection and application of audit procedures depends on the auditor's judgment.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with the latter part of Article 120-1 of the Regulation on Corporate Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board and its members regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board and its members with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Translation of a report originally issued in Japanese

Independent Auditor's Report

May 12, 2023

The Board
Daiichi Sankyo Company, Limited

KPMG AZSA LLC
Tokyo Office, Japan

Kanako Ogura
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Hiroshi Tani
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masahiro Emori
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the related notes, and the accompanying supplementary schedules ("the financial statements and others") of Daiichi Sankyo Company, Limited ("the Company") as at March 31, 2023 and for the year from April 1, 2022 to March 31, 2023 in accordance with Article 436-2-1 of the Companies Act.

In our opinion, the financial statements and others referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and others were prepared, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements and Others* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements and others does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements and others, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the accompanying supplementary schedules or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, Audit & Supervisory Board and Its Members for the Financial Statements and Others

Management is responsible for the preparation and fair presentation of the financial statements and others in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and others that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and others, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board and its members are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements and Others

Our objectives are to obtain reasonable assurance about whether the financial statements and others as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and others.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and others, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The selection and application of audit procedures depends on the auditor's judgment.

- Obtain an understanding of internal control relevant to the audit at the time of risk assessment in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and others or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and others are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and others, including the disclosures, and whether the financial statements and others represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board and its members regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide Audit & Supervisory Board and its members with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Translation of a report originally issued in Japanese

AUDIT REPORT

In the following report, we, Audit & Supervisory Board, have prepared the results of consultation based on the Audit Reports compiled by each Audit & Supervisory Board Member, with respect to the audit of the performance of duties by Directors during the 18th business year from April 1, 2022 to March 31, 2023.

1. Auditing methods used by Audit & Supervisory Board Members and Audit & Supervisory Board, and details of audit

(1) Audit & Supervisory Board specified the audit standard, and the audit policy and the audit plan for the 18th fiscal year ended March 31, 2023, and received reports on the status and results of the audit carried out by each Audit & Supervisory Board Member based on said standard, policy and plan, as well as received reports from Directors and accounting auditors on the status of the execution of their duties and asked them for explanations as needed.

(2) Each Audit & Supervisory Board Member, according to the audit standard set up by Audit & Supervisory Board described in (1), has maintained good communications with Directors, the audit division and employees of other divisions, and strived to collect information and improve the audit environment. We have executed the audit based on the following methods.

1) Each Audit & Supervisory Board Member attended the Board meetings and other meetings as deemed important, received from Directors and employees reports on the execution of their duties, asked for explanations as necessary, perused the documents whereby the important decisions were made, and examined business and financial conditions at the head office and its major business offices. With regard to subsidiaries, in addition to maintaining good communications and exchanging information with Directors, Audit & Supervisory Board Members and others of the subsidiaries of the Company, and, as needed, receiving from the subsidiaries reports on their business conditions, Audit & Supervisory Board of the Company, for each domestic subsidiary, received reports from Audit & Supervisory Board Members of the subsidiary concerning the audit results. Also, full-time Audit & Supervisory Board Members of the Company concurrently served as part-time Audit & Supervisory Board Members of principal domestic subsidiaries. They attended the Board meetings and Management Executive Meetings of those companies, perused important approval document and other such documentation, sought explanations as necessary, and checked those companies' status of the establishment and implementation of their internal control systems.

2) We have monitored and verified the details of the resolution made by the Board concerning the establishment of systems defined in Article 100, Paragraph 1 and Paragraph 3 of the Regulation for Enforcement of the Companies Act as what is necessary for ensuring compliance with laws and regulations and the Company's Articles of Incorporation in the execution of duties by Directors, which are described in the Business Report, and for ensuring the proper operation of the Group consisting of the Company and its subsidiaries. We have also monitored and verified the status of the systems established based on the said resolution (internal control systems) by periodically receiving from Directors and employees reports on the status of development and operation of such systems.

3) We have received from the accounting auditors' reports on the execution of their duties and asked them for explanations as necessary. We were reported by the accounting auditors that "systems for ensuring proper execution of duties" (listed in each item of Article 131 of the Regulation on Corporate Accounting) have been established in accordance with the Quality Control Standards Concerning Audit (Business Accounting Council, October 28, 2005), etc., and asked them for explanations as necessary. We have monitored and verified whether the accounting auditors maintain independency and properly implement audit.

In light of the audit conducted based on methods mentioned above, we have reviewed the Business Report, their supplementary schedules, financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and notes to non-consolidated financial statements), their supplementary schedules and consolidated financial statements (consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity and notes to consolidated financial statements) for the said fiscal year.

2. Results of Audit

(1) Results of audit of the Business Report, etc.

1) We consider that the Business Report and their supplementary schedules fairly present the situation of the Company in accordance with relevant laws and regulations and the Company's Article of Incorporation.

2) With respect to the performance of duties by Directors, we have found neither undue transactions nor material facts that violate relevant laws and regulations or the Company's Article of Incorporation.

3) We consider that the details of the resolution made by the Board concerning internal control systems are proper. With respect to the details described in the Business Report and the performance of duties by Directors regarding the said internal control systems, we have found no items to be pointed out.

(2) Results of audit of financial statements and their supplementary schedules

We consider that the auditing methods and results of the Company's Accounting Auditors, KPMG AZSA LLC, are proper.

(3) Results of audit of consolidated financial statements

We consider that the auditing methods and results of the Company's Accounting Auditors, KPMG AZSA LLC, are proper.

May 16, 2023

Audit & Supervisory Board of Daiichi Sankyo Company, Limited

Full-time Audit & Supervisory Board Member	Kenji Sato (Seal)
Full-time Audit & Supervisory Board Member	Ryoichi Watanabe (Seal)
Outside Audit & Supervisory Board Member	Yukiko Imazu (Seal)
Outside Audit & Supervisory Board Member	Masako Watanabe (Seal)
Outside Audit & Supervisory Board Member	Mitsuhiro Matsumoto (Seal)

(Reference) Significant subsequent events related to the Company or the corporate group arising after the receipt of the audit report of the Audit & Supervisory Board

Transfer of shares of subsidiary

The Board resolved at a meeting held on May 16,2023 to transfer all shares of DAIICHI SANKYO ESPHA CO., LTD. (“DSEP”), a subsidiary of the Company, held by the Company to Qol Holdings Co., Ltd. (“Qol”) and entered into a stock transfer agreement with Qol on the same day.

1. Reason for stock transfer

In the Japanese market, with the government’s measures to increase generics uptake, generics have replaced branded products. The ratio of generics usage has already reached the target of 80%, and drugs of this kind are now seen as essential. However, issues such as ensuring stable supply and quality control still remain.

DSEP has taken advantage of its strength in authorized generics (AG) and has rapidly expanded its business. On the other hand, Qol has two business segments, its Pharmacy Business and its Medical Related Business, and the company has been engaged in projects to support medical care and healthcare in these fields.

We believe that we can create synergies through the integration of the two companies’ businesses, strengthen corporate capabilities, such as those for drug development and stable supply, to expand DSEP’s generics business focused on AG, and examine ways to launch new businesses. As a result, we have come to the conclusion that the best course of action to meet the increased expectations of patients, healthcare professionals, and stakeholders is to continue to expand DSEP’s business activities and to consider new business initiatives.

2. Name of counterparty to transfer: Qol Holdings Co., Ltd.

3. Name of subsidiary to be transferred and business description

Name: DAIICHI SANKYO ESPHA CO., LTD.

Business description: Research, development and sales of pharmaceuticals

4. Number of shares transferred, consideration for transfer, and status of shares held before and after transfer

Number of shares held by the Company before transfer	18,000 shares (number of voting rights: 18,000; percentage of voting rights held by the Company: 100%)
Number of shares transferred	18,000 shares
Consideration for transfer	JPY25,000 million
Number of shares held by the Company after transfer	0 share (number of voting rights: 0; percentage of voting rights held by the Company: 0%)

5. Timeline of transfer

Date of resolution by the Board	May 16, 2023
Date of conclusion of stock transfer agreement	May 16, 2023
Date of stock transfer execution (planned)	October 1, 2023 (30% of the shares held by the Company) April 1, 2024 (21% of the shares held by the Company) The date of execution of the transfer of the remaining 49% of the Company's shares will be determined by separate negotiation.

6. Impact on the Company’s earnings and financial position

(Consolidated financial statements)

The Company expects to record a gain on transfer of shares. However, this amount is currently undetermined, as the timing for recording the gain on transfer is currently still reviewing and the amount of the gain on transfer will fluctuate depending on the amount of the subsidiary’s net assets at

the time of loss of control.

Furthermore, the Company plans to classify the assets and liabilities of the subsidiary as assets held for sale and liabilities directly associated with assets held for sale in the first quarter for the year ending March 31, 2024.

(Non-consolidated financial statements)

The company expects to record gain on sales of subsidiaries and associates' shares each time the share transfer takes place. In the year ending March 31, 2024, the Company expects to record gain on sale of approximately JPY7.2 billion.