January 31, 2024

Consolidated Financial Results for the First Nine Months of the Year Ending March 31, 2024 (Fiscal 2023) <under IFRS>

Listed company name: Daiichi Sankyo Company, Limited
Listed exchange: the Tokyo Stock Exchange
Stock code number: 4568
URL: https://www.daiichisankyo.com
Representative: Mr. Hiroyuki Okuzawa, Representative Director, President and COO
Contact: Mr. Kentaro Asakura, Vice President of Corporate Communications Department
Telephone: +81-3-6225-1125

Scheduled date of Quarterly Report filing: February 6, 2024
Scheduled date of dividend payments: -
Preparing supplementary material (Reference Data) on quarterly financial results: Yes
Holding quarterly information meeting: Yes (for institutional investors, analysts and the press)

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

1. Consolidated Financial Results for the First Nine Months of the Year Ending March 31, 2024 (from April 1, 2023 to December 31, 2023)

(1) Consolidated Financial Results

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

	Revenue		Core Operating profit		Operating profit		Profit before tax	
	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%
Nine months ended December 31, 2023	1,173,269	23.7	172,229	45.5	194,551	53.0	199,846	56.8
Nine months ended December 31, 2022	948,276	16.9	118,341	(3.8)	127,131	2.7	127,450	1.2

	Profit for the period		Profit attributable to owners of the Company		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%	JPY	JPY
Nine months ended December 31, 2023	164,102	89.3	163,564	88.7	208,045	76.8	85.31	85.25
Nine months ended December 31, 2022	86,700	(8.1)	86,700	(8.1)	117,658	6.3	45.23	45.19

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

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets	Equity per share attributable to owners of the Company
	Millions of JPY	Millions of JPY	Millions of JPY	%	JPY
As of December 31, 2023	3,268,945	1,587,111	1,586,338	48.5	827.32
As of March 31, 2023	2,508,889	1,445,854	1,445,854	57.6	754.09

2. Dividend

	Annual dividend per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	JPY	JPY	JPY	JPY	JPY
Year ended March 31, 2023	–	15.00	–	15.00	30.00
Year ending March 31, 2024	–	20.00	–		
Year ending March 31, 2024 (Forecast)				30.00	50.00

Note: Revision of the forecast from most recently announced figures: Yes

3. Forecast of Consolidated Financial Results for Year Ending March 31, 2024

(Percentages indicate changes from the previous fiscal year)

	Revenue		Core operating profit		Operating profit		Profit before tax		Profit for the year	
	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%
Full year	1,580,000	23.6	180,000	46.8	200,000	65.9	205,000	61.6	175,000	60.3

	Profit attributable to owners of the Company		Basic earnings per share
	Millions of JPY	%	JPY
Full year	175,000	60.3	91.27

Note: Revision of the forecast from most recently announced figures: Yes

*Notes

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

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

1) Changes in accounting policies required by IFRS: No

2) Changes in accounting policies due to other reasons: No

3) Changes in accounting estimates: No

(3) Number of ordinary shares issued

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

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

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

As of December 31, 2023	29,581,839 shares
As of March 31, 2023	29,690,154 shares

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

Nine months ended December 31, 2023	1,917,410,710 shares
Nine months ended December 31, 2022	1,916,974,859 shares

* This quarterly financial results summary is not subject to quarterly review procedures by Certified Public Accountants or an audit firm.

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

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

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

Attached Material

Index

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

(1) Information about Operating Results

1) Overview

[Consolidated Financial Results (Core Base)]

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

	Nine months ended December 31, 2022	Nine months ended December 31, 2023	YoY change
Revenue	948,276	1,173,269	224,992 23.7%
Cost of sales*	257,404	310,318	52,913 20.6%
Selling, general and administrative expenses*	330,810	433,921	103,111 31.2%
Research and development expenses*	241,720	256,799	15,078 6.2%
Core operating profit*	118,341	172,229	53,888 45.5%
Temporary income*	11,039	26,876	15,837 143.5%
Temporary expenses*	2,249	4,555	2,305 102.5%
Operating profit	127,131	194,551	67,420 53.0%
Profit before tax	127,450	199,846	72,395 56.8%
Profit attributable to owners of the Company	86,700	163,564	76,864 88.7%
Total comprehensive income	117,658	208,045	90,386 76.8%

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

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

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

(JPY)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
USD/JPY	136.53	143.29
EUR/JPY	140.60	155.28

a. Revenue

- Revenue in the first nine months of the year ending March 31, 2024 increased by JPY225.0 billion, or 23.7% year on year, to JPY1,173.3 billion.
- Revenue increased year on year due to the achieved growth with global mainstay products such as Enhertu (generic name: trastuzumab deruxtecan, T-DXd/DS-8201) and Lixiana (generic name: edoxaban), the positive effect from foreign exchange by the depreciation of JPY and others.
- The positive effect on revenue from foreign exchange was JPY40.0 billion in total.

b. Core operating profit

- Core operating profit increased by JPY53.9 billion, or 45.5% year on year, to JPY172.2 billion.
- Cost of sales increased by JPY52.9 billion, or 20.6%, to JPY310.3 billion due to an increase in revenue.
- Selling, general and administrative expenses increased by JPY103.1 billion, or 31.2%, to JPY433.9 billion due to the cost increase by an increase in profit sharing with AstraZeneca related to Enhertu.
- Research and development expenses increased by JPY15.1 billion, or 6.2% year on year, to JPY256.8 billion due to increased R&D investment in 5DXd ADCs (trastuzumab deruxtecan, datopotamab deruxtecan: Dato-DXd/DS-1062, patritumab deruxtecan: HER3-DXd/U3-1402, ifinatamab deruxtecan: I-DXd/DS-7300, DS-6000).
- The positive effect on core operating profit from foreign exchange was JPY5.3 billion in total.

c. Operating profit

- Operating profit increased by JPY67.4 billion, or 53.0% year on year, to JPY194.6 billion.
- The amount of increase compared to that of core operating profit was higher due to an increase in temporary income as a result of receiving settlement payment from Novartis following the settlement of a Daiichi Sankyo subsidiary in the U.S., Plexxikon’s patent infringement lawsuit against Novartis.

d. Profit before tax

- Profit before tax increased by JPY72.4 billion, or 56.8% year on year, to JPY199.8 billion.
- Profit before tax increased mainly due to improvement in financial income and expenses by JPY4.8 billion driven by an increase in interest income.

e. Profit attributable to owners of the Company

- Profit attributable to owners of the Company increased by JPY76.9 billion, or 88.7% year on year, to JPY163.6 billion.
- The amount of increase compared to that of profit before tax was higher due to the decrease in income taxes according to the impact of tax effect accounting related to the decision regarding the stock transfer of Daiichi Sankyo Espha Co., Ltd.

f. Total comprehensive income

- Total comprehensive income increased by JPY90.4 billion, or 76.8% year on year, to JPY208.0 billion.

[Revenue by Business Unit]

Revenue by business unit in the first nine months of the year ending March 31, 2024 is as follows. Revenue by product is stated in the reference data.

a. Japan Business Unit

- Revenue from Japan Business Unit includes revenue generated by the innovative pharmaceuticals business, the vaccine business and revenue from products generated by the generic pharmaceutical business of Daiichi Sankyo Espha Co., Ltd.
- Revenue from the Unit increased by JPY55.9 billion, or 15.7% year on year, to JPY412.3 billion due to the growth of Inavir, Lixiana, Enhertu, Tarlige and others.

The following describes the major progress in the first nine months of the year ending March 31, 2024.

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

b. Daiichi Sankyo Healthcare Unit

- Revenue from Daiichi Sankyo Healthcare Unit increased by JPY5.1 billion, or 9.4% year on year, to JPY59.9 billion as a result of the increase in sales of Loxonin, Minon and others.

c. Oncology Business Unit

- Revenue from Oncology Business Unit includes revenue generated from cancer treatment products sold by Daiichi Sankyo, Inc. (the U.S.) and Daiichi Sankyo Europe GmbH.
- Revenue from the Unit increased by JPY108.2 billion, or 86.8% year on year, to JPY233.0 billion and the revenue in local currency increased by USD712 million, or 77.9%, to USD1,626 million due to growth of Enhertu in the U.S. and Europe.

The following describes the major progress in the first nine months of the year ending March 31, 2024.

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

d. American Regent Unit

- Revenue from American Regent Unit increased by JPY8.5 billion, or 5.9% year on year, to JPY152.0 billion and the revenue in local currency increased by USD9 million, or 0.9%, to USD1,061 million due to an increase in sales of Venofer and others, despite the impact of decrease in sales for Injectafer.

e. EU Specialty Business Unit

- Revenue from EU Specialty Business Unit includes revenue from products other than from cancer treatment products generated by Daiichi Sankyo Europe GmbH.
- Revenue from the Unit increased by JPY25.1 billion, or 22.3% year on year, to JPY137.6 billion and the revenue in local currency increased by EUR86 million, or 10.8%, to EUR886 million due to the growth in sales of Lixiana and Nilemdo/Nustendi.

f. ASCA Business Unit

- Revenue from ASCA[*1] Business Unit includes sales to overseas licensees.
- Revenue from the Unit increased by JPY25.4 billion, or 23.8% year on year, to JPY131.8 billion due to increase of Enhertu in Brazil and others.

[*1] Asia, South & Central America

The following describes the major progress in the first nine months of the year ending March 31, 2024.

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

2) Status of R&D

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

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

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

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

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

【5DXd ADCs】

The following describes the Group's clinical development of 5DXd ADCs projects in the first nine months of the year ending March 31, 2024 (from April 1, 2023 to December 31, 2023). The status of each clinical trial is stated in the reference data.

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

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

The following describes the major progress in the first nine months of the year ending March 31, 2024.

- In June 2023, the first data was presented at the American Society of Clinical Oncology (ASCO) from the Phase II clinical trial for HER2 expressing multiple solid tumors (trial name: DESTINY-PanTumor02).
- In June 2023, the first data was presented at the ASCO from the Phase II clinical trial for the third line treatment for HER2-positive colorectal cancer (trial name: DESTINY-CRC02).
- In July 2023, the application was approved in China for HER2 low breast cancer (post-chemotherapy).
- In August 2023, the application was approved in Japan for the second line treatment for HER2 mutant NSCLC.
- In September 2023, the grant of Breakthrough Therapy designations[*4] by the U.S. Food and Drug Administration (FDA) for second or later line treatment for HER2 positive (IHC 3+) solid tumors and for third or later line treatment for HER2 positive (IHC 3+) colorectal cancer were announced.
- In September 2023, the data from the Phase II clinical trial for second or later line treatment for HER2 mutant NSCLC (trial name: DESTINY-Lung02) was presented at the World Conference on Lung Cancer (WCLC).
- In September 2023, the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) recommended for approval for the second line treatment for HER2 mutant NSCLC.
- In October 2023, the primary analysis data from the Phase II clinical trial for HER2 expressing multiple solid tumors (trial name: DESTINY-PanTumor02) was presented at the European Society for Medical Oncology Congress (ESMO).
- In October 2023, the application was approved in Europe for the second line treatment for HER2 mutant NSCLC.
- In December 2023, the first data from a cohort on combination therapy with endocrine therapy in the Phase Ib clinical trial for HER2 low breast cancer (chemotherapy naive/post-chemotherapy) (trial name: DESTINY-Breast08) was presented at the San Antonio Breast Cancer Symposium (SABCS).

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

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

The following describes the major progress in the first nine months of the year ending March 31, 2024.

- In June 2023, the latest data from the Phase Ib clinical trial for combination therapy with immune checkpoint inhibitors for NSCLC (trial name: TROPION-Lung02) was presented at the ASCO.
- In July 2023, the outline of trial results from the Phase III clinical trial for second or later line treatment for NSCLC (trial name: TROPION-Lung01) was presented.
- In September 2023, the first data from a cohort study on combination therapy with durvalumab in the Phase Ib clinical trial for the first and second line treatments for NSCLC without actionable genomic alterations (trial name: TROPION-Lung04) was presented at the WCLC.
- In September 2023, the outline of trial results from the Phase III clinical trial for second or later line treatment for hormone receptor (HR) positive, HER2 low or negative breast cancer (trial name: TROPION-Breast01) was presented.
- In October 2023, the first data from the Phase III clinical trial for second or later line treatment for NSCLC (trial name: TROPION-Lung01) was presented at the ESMO.
- In October 2023, the primary analysis data from the Phase II clinical trial for NSCLC with actionable genomic alterations (trial name: TROPION-Lung05) was presented at the ESMO.

- In October 2023, the first data from the Phase III clinical trial for second or later line treatment for hormone receptor (HR) positive, HER2 low or negative breast cancer (trial name: TROPION-Breast01) was presented at the ESMO.
- In October 2023, the latest data from the Phase Ib/II clinical trial for combination therapy with immune checkpoint inhibitors for the first line treatment for triple negative breast cancer (TNBC) (trial name: BEGONIA) was presented at the ESMO.
- In November 2023, the Phase III clinical trial to evaluate the combination therapy with durvalumab as neoadjuvant/adjuvant therapy for TNBC or HR low, HER2 low or negative breast cancer (trial name: TROPION-Breast04) was initiated.
- In November 2023, the Phase III clinical trial to evaluate monotherapy and the combination therapy with durvalumab for the first line treatment for TNBC (trial name: TROPION-Breast05) was initiated.

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

The following describes the major progress in the first nine months of the year ending March 31, 2024.

- In April 2023, the outline of trial results from the Phase II clinical trial for third or later line treatment for EGFR-mutated NSCLC (trial name: HERTHENA-Lung01) was presented.
- In September 2023, the first data from the Phase II clinical trial for the third line treatment for EGFR-mutated NSCLC (trial name: HERTHENA-Lung01) was presented at the WCLC.
- In December 2023, the application for approval was accepted in the U.S. for the third line treatment for EGFR-mutated NSCLC under the Real-Time Oncology Review (RTOR[*5]) program and Priority Review[*6] was granted by the FDA.

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

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

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

The following describes the major progress in the first nine months of the year ending March 31, 2024.

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

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

e. DS-6000 (CDH6-directed ADC)

The following describes the major progress in the first nine months of the year ending March 31, 2024.

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

【Next Wave】

The following describes the major progress in the Group's clinical development of Next Wave for the first nine months of the year ending March 31, 2024. The status of each clinical trial is stated in the reference data.

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

- In December 2023, the first data from the Phase II clinical trial for valemetostat for PTCL (trial name: VALENTINE-PTCL01) was presented at the American Society of Hematology (ASH).
- In December 2023, the Phase Ib/II clinical trial for DS-2325 for patients with Netherton syndrome was initiated.

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

(2) Analysis of Financial Position as of December 31, 2023

- Total assets as of December 31, 2023 were JPY3,268.9 billion, an increase of JPY760.1billion from the previous fiscal year-end, mainly due to increases in cash and cash equivalents, and other financial assets (current assets).
- Total liabilities as of December 31, 2023 were JPY1,681.8 billion, an increase of JPY618.8 billion from the previous fiscal year-end, mainly due to increases in contract liabilities (non-current liabilities), and other non-current liabilities, which was partially offset by a decrease in bonds and borrowings (current liabilities).
- Total equity as of December 31, 2023 was JPY1,587.1 billion, an increase of JPY141.3billion from the previous fiscal year-end, mainly due to profit for the period and an increase in other components of equity, which was partially offset by dividend paid.
- The ratio of equity attributable to owners of the Company to total assets was 48.5%, a decrease of 9.1 points from the previous fiscal year-end.

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

- The differences from the forecasts of consolidated financial results for the year ending March 31, 2024, which were publicly announced on October 31, 2023, are shown below.

1) Revisions to the forecasts of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

	Revenue	Core operating profit	Operating profit	Profit before tax	Profit for the year	Profit attributable to owners of the Company
	Millions of JPY	Millions of JPY	Millions of JPY	Millions of JPY	Millions of JPY	Millions of JPY
Previous forecasts (A)	1,550,000	155,000	150,000	160,000	135,000	135,000
Revised forecasts (B)	1,580,000	180,000	200,000	205,000	175,000	175,000
Change (B-A)	30,000	25,000	50,000	45,000	40,000	40,000
Percentage of change (%)	1.9	16.1	33.3	28.1	29.6	29.6
(Reference) Year ended March 31, 2023	1,278,478	122,610	120,580	126,854	109,188	109,188

* Assumed exchange rate for the fourth quarter: USD/JPY = 145, EUR/JPY = 155

Note: The forecasted statements shown above are based on information currently available and certain assumptions that Daiichi Sankyo regards as reasonable. Actual performance and other results may differ from these forecasted figures due to various factors.

2) Reason for the revision

- Revenue has been revised upward by JPY30.0 billion from the previous forecast to JPY1,580.0 billion to reflect the positive effect from foreign exchange by the depreciation of the JPY, and sales increase of Inavir due to the outbreak of influenza and sales increase by supplying Daichirona in Japan and others.
- Core operating profit has been revised upward by JPY25.0 billion from the previous forecast to JPY180.0 billion mainly due to expected increase in gross profit following the revenue increase.

- Operating profit has been revised upward by JPY50.0 billion from the previous forecast to JPY200.0 billion mainly to reflect settlement payment received from Novartis following the settlement of Plexxikon's patent infringement lawsuit.
- Profit before tax has been revised upward by JPY45.0 billion from the previous forecast to JPY205.0 billion mainly to reflect increase in financial expenses due to deterioration in foreign exchange gains/losses and others.
- Profit attributable to owners of the Company has been revised upward by JPY40.0 billion from the previous forecast to JPY175.0 billion.

(4) Information about Return to Shareholders

- In order to secure sustainable growth in corporate value, one of the fundamental business policies of Daiichi Sankyo is to decide profit distributions based on a comprehensive consideration of the investments essential for implementing its growth strategy and returning profits to shareholders.
- For fiscal 2022, the Company paid a year-end dividend of JPY15 per share on June 20, 2023. Accordingly, the annual dividend for the fiscal year, together with the interim dividend of JPY15 per share paid on December 1, 2022, was JPY30 per share in total.
- For fiscal 2023, given a higher probability of achieving the major financial targets for fiscal 2025 mainly due to increased sales of Enhertu, the Company intended to pay JPY34 as annual dividend per share, an increased by JPY4 compared to that of fiscal 2022.
- At the meeting of the Board of Directors held on October 31, 2023, the Company decided the revision of the interim dividend and the year-end dividend forecast for fiscal 2023 to be JPY20 per share, an increase of JPY3 from the initial forecast respectively, i.e. annual dividend forecast to be JPY40 per share, an increase by JPY6 from the initial forecast mainly due to the receipt of upfront payment following the conclusion of strategic collaboration agreement with Merck & Co., Inc., Rahway, NJ, USA related to 3DXd ADC products and the strong business performance centered on Enhertu.
- On December 8, 2023, the interim dividend had been paid to shareholders as of September 30, 2023.
- At the meeting of the Board of Directors held on January 31, 2024, the Company decided the revision of annual dividend forecast for fiscal 2023 to be JPY50 (the interim dividend: JPY20, the year-end dividend forecast: JPY30) per share, an increase by JPY10 compared to the forecast announced on October 31, 2023, an increase by JPY20 compared to fiscal 2022 actual mainly due to the upward revision of the forecasts of consolidated financial results following the continuous strong business performance and settlement payment received from Novartis following the settlement of Plexxikon's patent infringement lawsuit and others.

2. Condensed Interim Consolidated Financial Statements with Primary Notes

(1) Condensed Interim Consolidated Statement of Financial Position

(Millions of JPY)

	As of March 31, 2023	As of December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	441,921	666,736
Trade and other receivables	349,111	458,624
Other financial assets	383,205	534,275
Inventories	301,608	391,232
Other current assets	19,204	48,450
Subtotal	1,495,051	2,099,319
Assets held for sale	—	18,255
Total current assets	1,495,051	2,117,574
Non-current assets		
Property, plant and equipment	348,912	394,744
Goodwill	98,330	103,044
Intangible assets	159,609	148,441
Investments accounted for using the equity method	1,306	525
Other financial assets	130,393	149,519
Deferred tax assets	180,096	196,898
Other non-current assets	95,188	158,196
Total non-current assets	1,013,837	1,151,370
Total assets	2,508,889	3,268,945

(Millions of JPY)

	As of March 31, 2023	As of December 31, 2023
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	395,169	456,265
Bonds and borrowings	41,396	398
Other financial liabilities	11,080	11,581
Income taxes payable	21,470	36,219
Provisions	7,626	8,325
Contract liabilities	28,867	58,819
Other current liabilities	24,652	22,779
Subtotal	530,263	594,391
Liabilities directly associated with assets held for sale	—	12,421
Total current liabilities	530,263	606,812
Non-current liabilities		
Bonds and borrowings	101,692	101,408
Other financial liabilities	41,647	44,946
Post-employment benefit liabilities	1,310	1,705
Provisions	16,376	16,000
Contract liabilities	292,245	694,428
Deferred tax liabilities	12,647	12,897
Other non-current liabilities	66,851	203,634
Total non-current liabilities	532,770	1,075,022
Total liabilities	1,063,034	1,681,834
Equity		
Equity attributable to owners of the Company		
Share capital	50,000	50,000
Capital surplus	–	1,307
Own shares	(36,808)	(36,686)
Other components of equity	200,874	241,823
Retained earnings	1,231,788	1,329,894
Total equity attributable to owners of the Company	1,445,854	1,586,338
Non-controlling interests	–	772
Total equity	1,445,854	1,587,111
Total liabilities and equity	2,508,889	3,268,945

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

Condensed Interim Consolidated Statement of Profit or Loss

(Millions of JPY)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Revenue	948,276	1,173,269
Cost of sales	257,542	310,759
Gross profit	690,734	862,509
Selling, general and administrative expenses	330,815	437,942
Research and development expenses	240,415	257,062
Other income	8,087	27,063
Other expenses	460	16
Operating profit	127,131	194,551
Financial income	9,214	21,532
Financial expenses	8,814	16,338
Share of profit (loss) of investments accounted for using the equity method	(80)	101
Profit before tax	127,450	199,846
Income taxes	40,750	35,744
Profit for the period	86,700	164,102
Profit attributable to:		
Owners of the Company	86,700	163,564
Non-controlling interests	–	537
Profit for the period	86,700	164,102
Earnings per share		
Basic earnings per share (JPY)	45.23	85.31
Diluted earnings per share (JPY)	45.19	85.25

Condensed Interim Consolidated Statement of Comprehensive Income

(Millions of JPY)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit for the period	86,700	164,102
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(1,401)	9,923
Remeasurements of defined benefit plans	0	35
Items that are or may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	32,358	32,625
Cash flow hedges	–	1,358
Other comprehensive income for the period	30,958	43,942
Total comprehensive income for the period	117,658	208,045
Total comprehensive income attributable to:		
Owners of the Company	117,658	207,507
Non-controlling interests	–	537
Total comprehensive income for the period	117,658	208,045

(3) Condensed Interim Consolidated Statement of Changes in Equity

Nine months ended December 31, 2022

(Millions of JPY)

	Equity attributable to owners of the Company				
			Other components of equity		
	Share capital	Own shares	Subscription rights to shares	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2022	50,000	(37,482)	822	132,103	35,221
Profit for the period	–	–	–	–	–
Other comprehensive income for the period	–	–	–	32,358	(1,401)
Total comprehensive income for the period	–	–	–	32,358	(1,401)
Purchase of own shares	–	(19)		–	–
Disposal of own shares	–	469	(134)	–	–
Dividend	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	(674)
Others	–	–	–	(1,568)	–
Total transactions with owners of the Company	–	449	(134)	(1,568)	(674)
Balance as of December 31, 2022	50,000	(37,033)	687	162,893	33,146

(Millions of JPY)

	Equity attributable to owners of the Company				
	Other components of equity				
	Remeasure-ments of defined benefit plans	Total other components of equity	Retained earnings	Total equity attributable to owners of the Company	Total equity
Balance as of April 1, 2022	–	168,147	1,170,208	1,350,872	1,350,872
Profit for the period	–		86,700	86,700	86,700
Other comprehensive income for the period	0	30,958	–	30,958	30,958
Total comprehensive income for the period	0	30,958	86,700	117,658	117,658
Purchase of own shares	–	–	–	(19)	(19)
Disposal of own shares	–	(134)	(44)	289	289
Dividend	–	–	(54,632)	(54,632)	(54,632)
Transfer from other components of equity to retained earnings	(0)	(674)	674	–	–
Others	–	(1,568)	1,720	151	151
Total transactions with owners of the Company	(0)	(2,377)	(52,282)	(54,210)	(54,210)
Balance as of December31, 2022	–	196,727	1,204,626	1,414,320	1,414,320

Nine months ended December 31, 2023

(Millions of JPY)

	Equity attributable to owners of the Company						
				Other components of equity			
	Share capital	Capital surplus	Own shares	Subscription rights to shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2023	50,000	–	(36,808)	608	168,415	403	31,446
Profit for the period	–	–	–	–	–	–	–
Other comprehensive income for the period	–	–	–	–	32,625	1,358	9,923
Total comprehensive income for the period	–	–	–	–	32,625	1,358	9,923
Purchase of own shares	–	–	(17)	–	–	–	–
Disposal of own shares	–	194	139	(22)	–	–	–
Dividend	–	–			–	–	–
Share-based payment transaction	–	1,112	–	–	–	–	–
Changes in ownership interest in subsidiaries	–	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	–	(1,189)
Transfer to non-financial assets and similar items	–	–	–	–	–	(1,746)	–
Others	–	–	–	–	–	–	–
Total transactions with owners of the Company	–	1,307	121	(22)	–	(1,746)	(1,189)
Balance as of December 31, 2023	50,000	1,307	(36,686)	586	201,041	15	40,179

(Millions of JPY)

	Equity attributable to owners of the Company					
	Other components of equity					
	Remeasure-ments of defined benefit plans	Total other components of equity	Retained earnings	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance as of April 1, 2023	–	200,874	1,231,788	1,445,854	–	1,445,854
Profit for the period	–	–	163,564	163,564	537	164,102
Other comprehensive income for the period	35	43,942	–	43,942	–	43,942
Total comprehensive income for the period	35	43,942	163,564	207,507	537	208,045
Purchase of own shares	–	–	–	(17)	–	(17)
Disposal of own shares	–	(22)	–	311	–	311
Dividend	–	–	(67,109)	(67,109)	–	(67,109)
Share-based payment transaction	–	–	–	1,112	–	1,112
Changes in ownership interest in subsidiaries	–	–	–	–	235	235
Transfer from other components of equity to retained earnings	(35)	(1,224)	1,224	–	–	–
Transfer to non-financial assets and similar items	–	(1,746)	–	(1,746)	–	(1,746)
Others	–	–	425	425	–	425
Total transactions with owners of the Company	(35)	(2,993)	(65,458)	(67,023)	235	(66,788)
Balance as of December 31, 2023	–	241,823	1,329,894	1,586,338	772	1,587,111

(4) Condensed Interim Consolidated Statement of Cash Flows

(Millions of JPY)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Cash flows from operating activities		
Profit before tax	127,450	199,846
Depreciation and amortization	46,080	43,526
Impairment losses (reversal of impairment losses)	(1,474)	361
Financial income	(9,214)	(21,532)
Financial expenses	8,814	16,338
Share of (profit) loss of investments accounted for using the equity method	80	(101)
(Gain) loss on sale and disposal of non-current assets	(579)	832
(Increase) decrease in trade and other receivables	(73,420)	(89,758)
(Increase) decrease in inventories	(46,815)	(86,514)
Increase (decrease) in trade and other payables	9,330	50,435
Increase (decrease) in contract liabilities	78,307	431,904
Others, net	(27,802)	79,182
Subtotal	110,756	624,521
Interest and dividend received	4,774	12,891
Interest paid	(1,123)	(1,018)
Income taxes paid	(32,272)	(67,102)
Net cash flows from (used in) operating activities	82,136	569,291
Cash flows from investing activities		
Payments into time deposits	(316,150)	(372,330)
Proceeds from maturities of time deposits	148,916	270,101
Acquisition of securities	(218,801)	(240,782)
Proceeds from sale and redemption of securities	180,823	199,050
Acquisition of property, plant and equipment	(43,849)	(68,332)
Proceeds from sale of property, plant and equipment	1,910	55
Acquisition of intangible assets	(6,746)	(7,083)
Acquisition of subsidiaries	(31,046)	(6,900)
Proceeds from sale of subsidiaries	8,359	7,500
Proceeds from collection of loans receivable	246	148
Others, net	864	(657)
Net cash flows from (used in) investing activities	(275,474)	(219,231)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Cash flows from financing activities		
Repayments of bonds and borrowings	(20,295)	(41,297)
Purchase of own shares	(19)	(17)
Proceeds from sale of own shares	0	0
Dividend paid	(54,664)	(67,141)
Repayments of lease liabilities	(10,823)	(11,268)
Others, net	0	0
Net cash flows from (used in) financing activities	(85,802)	(119,725)
Net increase (decrease) in cash and cash equivalents	(279,141)	230,334
Cash and cash equivalents at the beginning of the period	662,477	441,921
Effect of exchange rate changes on cash and cash equivalents	11,840	806
Cash and cash equivalents at the end of the period	395,176	673,062
Cash and cash equivalents reclassified to assets held for sale	—	(6,325)
Cash and cash equivalents at the end of the period (Consolidated statements of financial position)	395,176	666,736

(5) Notes to Condensed Interim Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Presentation

Condensed Interim Consolidated Statement of Financial Position

"Contract liabilities", which was included in "Trade and other payables" under current liabilities and "Other non-current liabilities" under non-current liabilities in the previous consolidated fiscal year, is disclosing separately from the third quarter of the current fiscal year, since the monetary significance has increased.
To reflect this change in presentation, the consolidated statement of financial position as of March 31, 2023 has been reclassified on a consistent basis.
As a result, a portion of the amounts reported in "Trade and other payables" under current liabilities and "Other non-current liabilities" under non-current liabilities as of March 31, 2023 amounting to 28,867 million JPY and 292,245 million JPY, respectively, has been reclassified as "Contract liabilities" under current liabilities and non-current liabilities.

Condensed Interim Consolidated Statement of Cash Flows

The “Increase (decrease) in contract liabilities”, which was included in “Increase (decrease) in trade and other payables” and “Others, net” under cash flows from operating activities for the nine months ended December 31, 2022, is disclosing separately from the third quarter of the current fiscal year, since the monetary significance has increased.
To reflect this change in presentation, the Condensed Interim Consolidated Statement of Cash Flows for the nine months ended December 31, 2022, has been reclassified on a consistent basis.
As a result, a portion of the amounts reported in "Increase (decrease) in trade and other payables" and " Others, net" under cash flows from operating activities in the Condensed Interim Consolidated Statement of Cash Flows for the nine months ended December 31, 2022 amounting to 1,499 million JPY and 76,808 million JPY, respectively, has been reclassified as "Increase (decrease) in contract liabilities".