[Translation]

# REPORT TO SHAREHOLDERS

## For the Fiscal Year Ended March 31, 2024

- ✓ **Business Report for the 19th 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 19th 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," "Matters regarding Accounting Auditors" and "Basic Policy regarding Moves toward Large-Scale Acquisition of Company's Share" 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 19th Fiscal Period

(From April 1, 2023 to March 31, 2024)

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

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

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

(JPY)

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

**a. Revenue**

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

**b. Core operating profit**

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

**c. Operating profit**

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

**d. Profit before tax**

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

**e. Profit attributable to owners of the Company**

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

**f. Total comprehensive income**

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

**[Revenue by Business Unit]**

Revenue by business unit in the fiscal 2023 is as follows.

**a. Japan Business Unit**

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

due to the growth of Inavir, Enhertu, Lixiana, Tarlige and others.

The following describes the major progress in the fiscal 2023.

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

**b. Daiichi Sankyo Healthcare Unit**

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

**c. Oncology Business Unit**

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

The following describes the major progress in the fiscal 2023.

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

**d. American Regent Unit**

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

**e. EU Specialty Business Unit**

- Revenue from EU Specialty Business Unit includes revenue from products other than from cancer treatment products generated by Daiichi Sankyo Europe GmbH.
- Revenue from the Unit increased by JPY38.8 billion, or 25.8% year on year, to JPY189.2 billion and the revenue in local currency increased by EUR140 million, or 13.1%, to EUR1,207 million due to the growth in sales of Lixiana and Nilemdo/Nustendi.

**f. ASCA Business Unit**

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

[*1] Asia, South & Central America

The following describes the major progress in the fiscal 2023.

- In June 2023, Enhertu was launched in China (Indication: Second line treatment for HER2-positive

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

**2) Status of R&D**

The Group focuses on accelerating global clinical development and is working on research and development in accordance with the "5DXd ADCs[*1] and Next Wave" Strategy, which intensively allocates resources to five DXd ADCs for maximizing their product values, and aims to deliver medicines that change SOC[*2] for realization of sustainable growth (Next Wave).
In the medium to long term, the Group aims to develop therapeutic drugs for various diseases in addition to oncology by utilizing its competitive science and technology, and strives to strengthen drug discovering capabilities by technology research of new modalities[*3].

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

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

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

**【5DXd ADCs】**

The following describes the Group's clinical development of 5DXd ADCs projects in the fiscal 2023.
The Group is developing trastuzumab deruxtecan and datopotamab deruxtecan jointly with AstraZeneca. In addition, the Group concluded a strategic collaboration agreement with Merck & Co., Inc., Rahway, NJ, USA (hereinafter "Merck in the U.S.") for patritumab deruxtecan, ifinatamab deruxtecan (DS-7300), and DS-6000 in October 2023 and the Group is developing these three products jointly with Merck in the U.S.

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

The following describes the major progress in the fiscal 2023.
- In June 2023, the first data was presented at the American Society of Clinical Oncology (ASCO) from the Phase II clinical trial for HER2 expressing multiple solid tumors (trial name: DESTINY-PanTumor02).
- In June 2023, the first data was presented at the ASCO from the Phase II clinical trial for the third line treatment for HER2-positive colorectal cancer (trial name: DESTINY-CRC02).
- In July 2023, the application was approved in China for HER2 low breast cancer (post-chemotherapy).
- In August 2023, the application was approved in Japan for the second line treatment for HER2 mutant NSCLC.
- In September 2023, the grant of Breakthrough Therapy designations[*4] by the U.S. Food and Drug Administration (FDA) for second or later line treatment for HER2 positive (IHC 3+) solid tumors and for third or later line treatment for HER2 positive (IHC 3+) colorectal cancer were announced.
- In September 2023, the data from the Phase II clinical trial for second or later line treatment for HER2 mutant NSCLC (trial name: DESTINY-Lung02) was presented at the World Conference on

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

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

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

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

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

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

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

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

The following describes the major progress in the fiscal 2023.

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

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

The following describes the major progress in the fiscal 2023.

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

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

**e. DS-6000 (CDH6-directed ADC)**

The following describes the major progress in the fiscal 2023.

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

the ESMO.

**【Next Wave】**

The following describes the major progress in the Next Wave for the fiscal 2023.

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

name: VALENTINE-PTCL01) was presented at the American Society of Hematology (ASH).
- In December 2023, the Phase Ib/II clinical trial for DS-2325 for patients with Netherton syndrome was initiated.
- In January 2024, the application for approval was accepted in Japan for valemetostat for PTCL.
- In February 2024, Phase 1b clinical trial for valemetostat in combination with Enhertu for HER2-positive gastric cancer and in combination with Dato-DXd for nonsquamous NSCLC was initiated.
- In March 2024, the application for approval was accepted in Japan for VN-0102/JVC-001 (measles, mumps, and rubella triple combination dry attenuated live vaccine).

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

**(2) 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 JPY89.4 billion on plants and equipment.

**(3) Status of Financing**

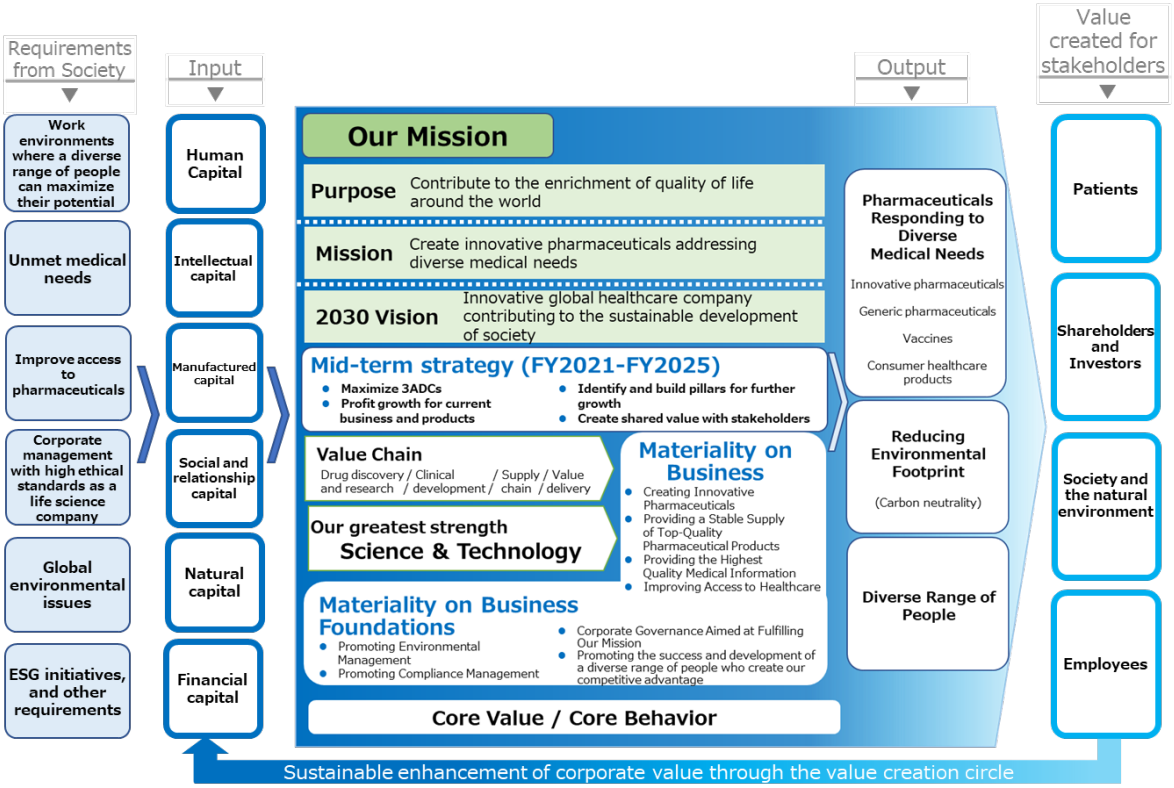
- Not applicable.

### (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 and Technology" as our greatest source of competitive advantage. By circulating the value creation process, we believe to be able to achieve both sustainable growth of the Company, and of society as a whole.
- Considering the two aspects of impact on medium- to long-term corporate value and expectations from society, including various stakeholders, we identified eight key issues as our materiality, which we have categorized as materiality on business and materiality on business foundation.

**Daiichi Sankyo's Value Creation Process**




#### 2) 2030 Vision

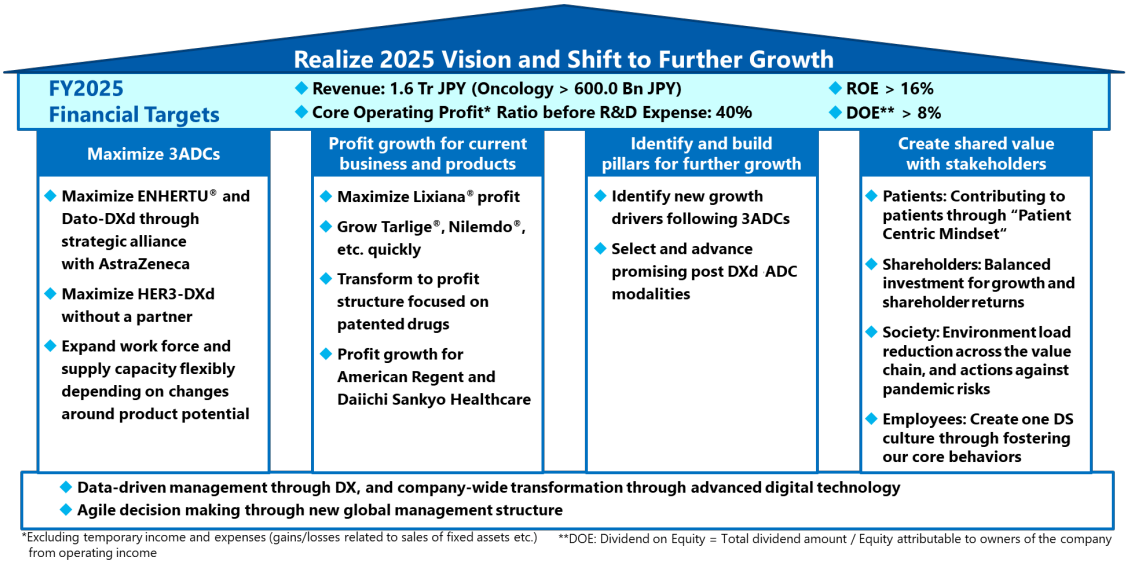
- Under ESG management, we newly established our 2030 Vision of being an "innovative global healthcare company contributing to the sustainable development of society."
- To realize our "Purpose," which is to "contribute to the enrichment of quality of life around the world," we aim to address the social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

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

- We have established 5-Year Business Plan (fiscal 2021 to fiscal 2025) and four strategic pillars as a

plan to achieve our Fiscal 2025 Goal, "Global Pharma Innovator with Competitive Advantage in Oncology" and shift to further growth toward realizing our 2030 Vision, while conducting ESG management.

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




**【Four Strategic Pillars】**

**a. Maximize 3ADCs**

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

<Major Progress Fiscal 2021-Fiscal 2023>

- Revenue from Enhertu increased at a pace exceeding initial plans given that it has steadily achieved market penetration, expanded number of countries and regions where the drug has been launched, and has furthermore acquired new indications including the second line treatment for HER2-positive breast cancer and HER2 low breast cancer previously treated with chemotherapy. In addition, progress has also been achieved in clinical trials for further acquisition of new indications, including early treatment of breast cancer, and for expanding the applicable cancer types. With regard to Dato-DXd, development progressed toward obtaining approval and subsequent additional indications, including the acceptance of applications for approval for the second or later line treatments of nonsquamous NSCLC and hormone receptor (HR) positive, HER2 low or negative breast cancer. With regard to HER3-DXd, together with I-DXd (B7-H3-directed ADC) and DS-6000 (CDH6-directed ADC), favorable clinical trial data has been accumulated and the product has moved to the

stage of planning to maximize its product value. In addition, as competition in ADC development grows increasingly intense, the need to increase capacity, resources, and capability to maximize the DXd ADC franchise has increased. In order to deliver these three products to more patients more quickly, we have decided to enter into, and have begun, a strategic collaboration agreement with Merck in the U.S. to co-develop and co-promote these three products. Development progressed toward obtaining approval and subsequent additional indications for HER3-DXd, including the acceptance of an application for approval for the third line treatment of EGFR-mutated NSCLC. We will continue to make steady efforts to maximize product value through effective development investments, which will lead to dramatic growth in the second half of the 5-Year Business Plan period.

**b. Profit Growth for Current Business and Products**

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

<Major Progress Fiscal 2021-Fiscal 2023>

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

**c. Identify and Build Pillars for Further Growth**

- In order to achieve sustainable growth, it is important that we identify post-3ADC growth drivers and select and advance post-DXd-ADC modalities through a multi-modality research strategy.
- We will identify post-3ADC growth drivers from fields such as the DXd-ADC family, second-generation and new-concept ADC, and modified antibodies.
- We will identify post-DXd-ADC modalities for sustainable growth from various modality technologies. Regarding LNP-mRNA, we will utilize it also in vaccines other than those for COVID-19 infections to drive the growth of the vaccine business.

<Major Progress Fiscal 2021-Fiscal 2023>

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

**d. Create Shared Value with Stakeholders**

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

<Major Progress Fiscal 2021-Fiscal 2023>

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

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

**【Platform for Supporting Strategy Execution】**

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

<Major Progress Fiscal 2021-Fiscal 2023>

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

**【Shareholder Return Policy】**

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

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

<Major Progress Fiscal 2021-Fiscal 2023>

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

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

(Millions of JPY, unless otherwise stated)

| Category | 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 (18th Fiscal Period) | Year ended March 31, 2024 (Current fiscal year; 19th Fiscal Period) |
|---|---|---|---|---|---|
| Revenue | 981,793 | 962,516 | 1,044,892 | 1,278,478 | 1,601,688 |
| Operating profit | 138,800 | 63,795 | 73,025 | 120,580 | 211,588 |
| Profit before tax | 141,164 | 74,124 | 73,516 | 126,854 | 237,234 |
| Profit attributable to owners of the Company | 129,074 | 75,958 | 66,972 | 109,188 | 200,731 |
| Basic earnings per share (JPY) | 66.40 | 39.17 | 34.94 | 56.96 | 104.69 |
| Return on equity attributable to owners of the Company (ROE) (%) | 10.1 | 5.9 | 5.1 | 7.8 | 12.8 |
| Annual dividend per share (JPY) | 70 | 27 | 27 | 30 | 50 |
| Total assets | 2,105,619 | 2,085,178 | 2,221,402 | 2,508,889 | 3,461,135 |
| Equity attributable to owners of the Company | 1,305,809 | 1,272,053 | 1,350,872 | 1,445,854 | 1,688,173 |

Notes: 1. Basic earnings per share is calculated based on the average number of shares during the period, exclusive of the number of own 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, 2020.

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

### (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 one associate, a total of 51 companies.
Material subsidiaries are as follows: (As of March 31, 2024)

| Name of Group Company | Stated Capital (Millions of JPY, unless otherwise stated) | Voting Rights Percentage (%) | Principal Business |
|---|---|---|---|
| Daiichi Sankyo Espha Co., Ltd.*1 | 450 | 70.00 | 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.*2 | 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 |

Notes: 1. On October 1, 2023, the Company transferred shares equivalent to 30% of the total shares issued by Daiichi Sankyo Espha Co., Ltd. that were held by the Company to Qol Holdings Co., Ltd. based on the share transfer agreement with Qol Holdings Co., Ltd. On April 1, 2024, the Company transferred shares equivalent to 21% of the total shares issued by Daiichi Sankyo Espha Co., Ltd. to Qol Holdings Co., Ltd., thereby completing transfer of shares equivalent to 51% of the total shares issued and removed Daiichi Sankyo Espha Co., Ltd. from the scope of consolidation.

2. Due to research and development structure restructuring, the functions of Daiichi Sankyo RD Novare Co., Ltd. were transferred to the Company and Daiichi Sankyo RD Novare Co., Ltd. ceased its operations on March 31, 2024.

**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 | 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.<br>Eli Lilly and Company | Japan<br>U.S. | Exclusive sale and co-promotion in Japan of the migraine prevention drug Emgality |
| Daiichi Sankyo Company, Limited | Eli Lilly Japan K.K.<br>Eli Lilly and Company | Japan<br>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 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 |
| Daiichi Sankyo Company, Limited | Merck & Co., Inc. | U.S. | Joint development and commercialization collaboration, worldwide except for Japan, of ADC HER3-DXd, I-DXd, and DS-6000 |
| 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 Offices, Laboratories, and Plants (As of March 31, 2024)

#### 1) The Company

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

Pharmaceutical Sales Departments: Hokkaido Office (Hokkaido), Tohoku Office (Miyagi), Tokyo Office (Tokyo), Chiba Office (Chiba), Saitama Office (Saitama), Kanagawa Office (Kanagawa), Kita-Kanto Office (Saitama), Koshinetsu Office (Tokyo), Tokai Office (Aichi), Keiji Office (Kyoto), Hokuriku Office (Ishikawa), Osaka Office (Osaka), Hyogo Office (Hyogo), Chugoku Office (Hiroshima), Shikoku Office (Kagawa), Kyushu Office (Fukuoka)

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. Japan

| | | |
|---|---|---|
| Daiichi Sankyo Espha Co., Ltd.*1 | 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.*2 | Edogawa-ku, Tokyo | |
| Daiichi Sankyo Business Associe Co., Ltd. | Chuo-ku, Tokyo | |
| Daiichi Sankyo Happiness Co., Ltd. | Hiratsuka, Kanagawa | |

Notes: 1. On April 1, 2024, the Company completed transfer of shares of Daiichi Sankyo Espha Co., Ltd. equivalent to 51% of the total shares issued and removed it from the scope of consolidation.
2. Due to research and development structure restructuring, the functions of Daiichi Sankyo RD Novare Co., Ltd. were transferred to the Company and Daiichi Sankyo RD Novare Co., Ltd. ceased its operations on March 31, 2024.

b. Outside Japan

| | |
|---|---|
| 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, 2024)

| Number of Employees | | Change from Previous Fiscal Year-End |
|---|---|---|
| 18,726 | | 1,291 (increased) |
| Japan | 9,468 | 205 (increased) |
| North America | 3,573 | 511 (increased) |
| Europe | 2,901 | 347 (increased) |
| Other regions | 2,784 | 228 (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, 2024)

- Not applicable.

**(11) Litigation and Other Matters**

**1) Arbitration Proceedings related to Daiichi Sankyo's Proprietary Antibody Drug Conjugate (ADC) Technology with Seagen Inc.**

- As published in a press release dated August 13, 2022, Seagen Inc. filed an arbitration with the American Arbitration Association (AAA) regarding Daiichi Sankyo's proprietary Antibody Drug Conjugate (ADC) technology, but the AAA rendered an award denying Seagen Inc.'s claim in its entirety.
- The above decision was intermediate, but in November 2023, the AAA made a final decision on the case, ordering Seagen Inc. to pay the approximately US$45.5 million in fees incurred by the Company for the arbitration.
- This final decision confirmed that the AAA denied Seagen Inc.'s claim in its entirety, and led to the closure of the arbitration proceedings at the AAA.

**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 October 2023, the court made an initial decision finding Seagen Inc. eligible for damages of approximately US$42 million through March 31, 2022 and 8% royalties of Enhertu sales in the United States from April 1, 2022 to November 4, 2024. The Company did not agree with the initial decision, and submitted an appeal to the Court of Appeals for the Federal Circuit in November 2023.
- 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. In January 2024, the U.S. Patent Office found that the corresponding US patent was invalid.

## 1. Matters regarding Shares

### (1) Status of Shares (As of March 31, 2024)

**1) Total Number of Authorized Shares:** 8,400,000,000 shares
**2) Total Number of Issued Shares:** 1,947,034,029 shares (including 29,531,339 own shares)
**3) Number of Shareholders:** 92,038 (increase of 11,414 from March 31, 2023)
**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) | 320,049 | 16.69% |
| Custody Bank of Japan, Ltd. (trust account) | 163,473 | 8.53% |
| JP MORGAN CHASE BANK 385632 | 117,255 | 6.11% |
| Nippon Life Insurance Company | 85,863 | 4.48% |
| STATE STREET BANK AND TRUST COMPANY 505001 | 53,230 | 2.78% |
| SSBTC CLIENT OMNIBUS ACCOUNT | 52,935 | 2.76% |
| STATE STREET BANK WEST CLIENT - TREATY 505234 | 36,407 | 1.90% |
| GOVERNMENT OF NORWAY | 29,150 | 1.52% |
| JP MORGAN CHASE BANK 385781 | 26,213 | 1.37% |
| Custody Bank of Japan, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd. | 25,014 | 1.30% |

Notes: 1. The Company held 29,531,339 own shares as of March 31, 2024, which are excluded from the above table.
2. Own shares are not included in the computing of shareholding ratio.

**<Composition Ratios by Shareholder Category>**

| Shareholder Category | Shareholding Ratio | |
|---|---|---|
| | As of March 31, 2023 (For Reference) | As of March 31, 2024 |
| National government and local governments | 0.00% | 0.00% |
| Financial institutions | 41.26% | 38.35% |
| Financial instrument firms | 1.03% | 1.28% |
| Other corporations | 2.59% | 2.38% |
| Foreign institutions, etc. | 43.80% | 46.87% |
| Individual investors and others | 9.80% | 9.59% |
| Own share | 1.53% | 1.52% |

**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 share of the Company 23,606 shares | 5 |

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

**6) Other Important Matters Concerning Shares**

- In order to ensure stable dividend payments, increase dividends in line with growth in profits, and improve capital efficiency via the flexible acquisition of our own shares, we have set a DOE target of 8% or above in fiscal 2025.
- To increase shareholder returns and enhance capital efficiency based on this target, the Board of Directors (the Board) resolved at the meeting held on April 25, 2024 to acquire a total of JPY200

billion or a maximum of 55 million own shares over the period from April 26, 2024 to January 15, 2025, via the market purchasing method at the Tokyo Stock Exchange. The Board also resolved at the same meeting to cancel all the acquired own shares on January 31, 2025.

## 2. Matters regarding Directors and Audit & Supervisory Board Members

### (1) Status of Directors and Audit & Supervisory Board Members (As of March 31, 2024)

| Name | Position and Assignments, etc. | Material Concurrent Positions | Relationship between companies where they have material concurrent positions and the Company |
|---|---|---|---|
| Sunao Manabe | Representative Director, Executive Chairperson, and CEO | | |
| Hiroyuki Okuzawa | Representative Director, President and COO | | |
| Shoji Hirashima | Representative Director Senior Executive Officer Head of Japan Business Unit | | |
| Masahiko Ohtsuki | Director, Senior Executive Officer Head of Global DX, CDXO | | |
| Takashi Fukuoka | Director, Senior Executive Officer, and Head of Global Corporate Strategy, CStO | | |
| Kazuaki Kama | Outside Director | Senior Advisor of IHI Corporation<br>Outside Director of Japan Exchange Group, Inc. | No material business relationship |
| Sawako Nohara | Outside Director | President of IPSe Marketing, Inc.<br>Outside Director of Keikyu Corporation<br>Outside Director of Resona Holdings, Inc. | No material business relationship |
| Yasuhiro Komatsu | Outside Director | Professor Emeritus and Professor (Specially appointed for Quality & Safety Science) at Gunma University<br>Vice president, Itabashi Chuo Medical Center<br>Advisory Board Member of Gunma University Hospital | No material business relationship |
| Takaaki Nishii | Outside Director | Senior Corporate Advisor of Ajinomoto Co., Inc.<br>Outside Director of Kao Corporation | No material business relationship |
| Kenji Sato | Full-time Audit & Supervisory Board Member | | |
| Miyuki Arai | Full-time Audit & Supervisory Board Member | | |
| Yukiko Imazu | Outside Audit & Supervisory Board Member | Partner, Attorney-at-Law of Anderson Mōri & Tomotsune<br>Outside Director (Audit & Supervisory Committee Member) of dip Corporation<br>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 | Outside Director of Japan Exchange Group, Inc. | No material business relationship |

Notes:
1. The Board consists of 9 Directors and 5 Audit & Supervisory Board Members, totaling 14, and including 4 female members (the ratio of female members is 28.5%).

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 (Kazuaki Kama, Sawako Nohara, Yasuhiro Komatsu and Takaaki Nishii) 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. Masako Watanabe, Outside Audit & Supervisory Board Member, is a certified public accountant and has considerable knowledge in finance and accounting.
5. No Directors or Audit & Supervisory Board Members resigned or were removed during this fiscal year. Director Noritaka Uji and Audit & Supervisory Board Member Ryoichi Watanabe retired following the end of their tenure of office at the conclusion of the 18th Ordinary General Shareholders Meeting held on June 19, 2023.

**(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, 2024)**

- 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 |
|---|---|---|
| Kazuaki Kama | | |
| Outside Director<br><br>Chairperson of the Board<br><br>Member of the Nomination Committee<br><br>Member of the Compensation Committee | [The Board meetings]<br>16/16 (100%)<br><br>[Nomination Committee meetings]<br>9/9 (100%)<br><br>[Compensation Committee meetings]<br>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. Since June 2023, he has served as Chairperson of the Board as an Outside Director. 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, he attended all meetings of the Nomination Committee and the Compensation Committee held during this fiscal year and provided valuable opinions, contributing to the enhancement of the Committees' oversight functions on management. |
| Sawako Nohara | | |
| Outside Director<br><br>Chairperson of the Compensation Committee<br><br>Member of the Nomination Committee | [The Board meetings]<br>16/16 (100%)<br><br>[Nomination Committee meetings]<br>9/9 (100%)<br><br>[Compensation Committee meetings]<br>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, she 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 |
|---|---|---|
| Yasuhiro Komatsu | | |
| Outside Director<br><br>Member of the Nomination Committee<br><br>Member of the Compensation Committee | [The Board meetings]<br>16/16 (100%)<br><br>[Nomination Committee meetings]<br>9/9 (100%)<br><br>[Compensation Committee meetings]<br>11/11 (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. 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, he attended all meetings of the Nomination Committee and the Compensation Committee held during this fiscal year and provided valuable opinions, contributing to the enhancement of the Committees' oversight functions on management. |
| Takaaki Nishii | | |
| Outside Director<br><br>Chairperson of the Nomination Committee<br><br>Member of the Compensation Committee | [The Board meetings]<br>13/13 (100%)<br><br>[Nomination Committee meetings]<br>8/8 (100%)<br><br>[Compensation Committee meetings]<br>8/8 (100%) | Takaaki Nishii has a wealth of experience and a wide range of knowledge in overall corporate management as well as overseas business and personnel strategy, developed through his management experience at a food/amino acid material manufacturer. He attended all Board meetings held during this fiscal year after appointment as Director in June 2023. 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, since being appointed Chairperson of the Nomination Committee in June 2023, 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 since being appointed a member in June 2023 and made useful comments as needed, contributing to the enhancement of the Committees' oversight functions on management. |
| Yukiko Imazu | | |
| Outside Audit & Supervisory Board Member<br><br>Compensation Committee Observer | [The Board meetings]<br>16/16 (100%)<br><br>[Audit & Supervisory Board meetings]<br>14/14 (100%)<br><br>[Compensation Committee meetings]<br>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 all meetings of the Compensation Committee held during this fiscal year 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]<br>16/16 (100%)<br><br>[Audit & Supervisory Board meetings]<br>14/14 (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 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. |
| Mitsuhiro Matsumoto | | |
| Outside Audit & Supervisory Board Member<br><br>Nomination Committee Observer | [The Board meetings]<br>16/16 (100%)<br><br>[Audit & Supervisory Board meetings]<br>14/14 (100%)<br><br>[Nomination Committee meetings]<br>9/9 (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 held during this fiscal year 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 held during this fiscal year as an observer and provided valuable opinions and advice as needed. |

Note: The number of meetings attended by Takaaki Nishii indicates only the number of such meetings held after his assumption of office on June 19, 2023.

**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 Kazuaki Kama, Sawako Nohara, Yasuhiro Komatsu and Takaaki Nishii, 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 2023**

| 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) | 1,105 | 351 | 480 | 110 | 162 | 5 |
| Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members) | 93 | 93 | – | – | – | 3 |
| Outside Directors | 95 | 95 | – | – | – | 5 |
| Outside Audit & Supervisory Board Members | 61 | 61 | – | – | – | 3 |

Note: The amount of remuneration and related payments to Outside Directors and Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members) and the number of persons to be paid, include those of one Outside Director and one Audit& Supervisory Board Member (excluding Outside Audit & Supervisory Board Members) who retired following the end of their tenure of office at the close of the 18th Ordinary General Shareholders Meeting held on June 19, 2023.

**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 2023)

| Index for the achievement of annual targets | Evaluation ratio | Evaluation coefficient fluctuation range | Target | Achievement | Evaluation factor | Bonus payment rate |
|---|---|---|---|---|---|---|
| Revenue | 10% | 0%-200% | JPY1,450 billion | JPY1,601.7 billion | 200.0% | 200.0% |
| Core operating profit ratio | 10% | 0%-200% | 9.7% | 12.2% | 200.0% | |
| Profit attributable to owners of the Company | 80% | 0%-200% | JPY115 billion | JPY200.7 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:5 Directors (excluding Outside Directors) of the Company; 23,606 shares
  - Grant date: July 18, 2023
  - Method for grant: Disposal of own 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 18, 2023 (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 18, 2023 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 Ordinary General Shareholders Meeting).

**(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 and November 30, 2023. The outline is as follows.

**1. Compensations policy**

Compensations to Directors are designed based on the following ideas.

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

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

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

**2. Level of compensations**

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

**3. Composition of compensations**

Directors (excluding Outside Directors)

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

Outside Directors

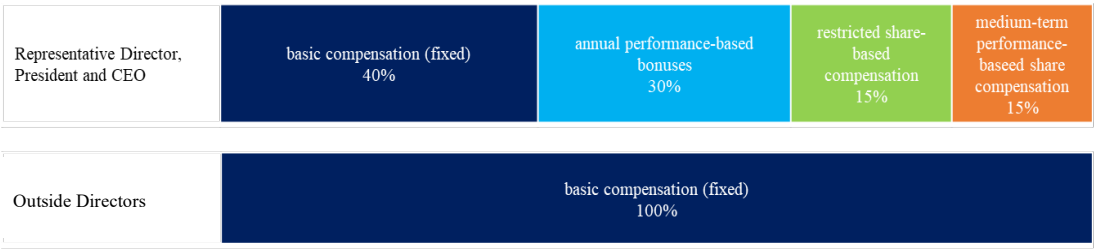
Compensation to Outside Directors who are in charge of management oversight and are not in the position to take charge of business execution is only basic, fixed compensation. Incentive bonuses and retirement benefit system are not adopted.

**4. Ratio of the composition of compensations**

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

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

Compensation to Outside Directors is only basic, fixed compensation.




**5. Basic compensation**

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

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

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

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

(1) Calculation formula for annual performance-based bonus

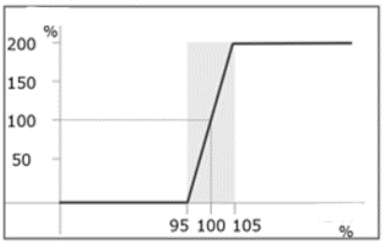
Bonus payment amount = Standard amount by position ＊ Achievement of annual targets (revenue + core operating profit ratio + profit attributable to owners of the Company) ＊ performance evaluation

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

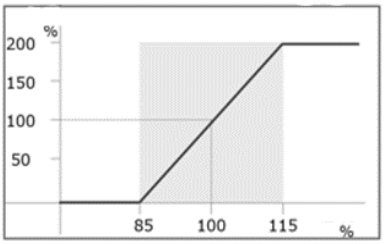
| Index for the achievement of annual targets | Evaluation ratio | Evaluation coefficient fluctuation range | Targets (set with the following as a guide) |
|---|---|---|---|
| Revenue | 10% | 0%-200% | Upper limit: Target ＊ 105%<br>Target: Expected value announced at the beginning of the fiscal year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

[Target achievement ratio]

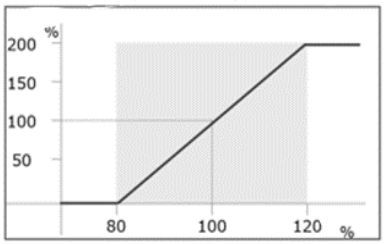
Revenue




Core operating profit ratio




Profit attributable to owners of the Company




(3) Performance evaluation

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

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

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

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

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

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

When restricted share-based compensation is paid, monetary compensation receivables will be paid to Directors based on a resolution of 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 Daiichi Sankyo's performance indicators set forth for the final fiscal year of the Target Period (For the initial Target Period, revenue, core operating profit ratio before research and development expenses, ROE, research and development progress, ESG indicators, and relative TSR set forth in Daiichi Sankyo's 5-Year Business Plan announced in fiscal 2021 have been adopted.), and one ordinary share in Daiichi Sankyo per point shall be delivered. During the trust period, if a share split of the Company's ordinary shares (including a gratis allotment of the Company's ordinary shares) or a share consolidation occurs, or if there is any other reason that requires adjustment of the number of points, Daiichi Sankyo will adjust the number of points in a reasonable range as necessary according to the split or consolidation ratio. The total number of ordinary shares, etc. of the Company to be delivered to the Target Directors & Officers during the Target Period will be limited to the number obtained by multiplying the maximum number of 0.5 million shares per fiscal year by the number of fiscal years of the Target Period (The initial Target Period is 2.5 million shares for the five fiscal years.). As a general rule, when the Target Directors & Officers receive the Company's shares, etc., after their retirement, 50% of the shares to be delivered will be converted into money and be provided for the purpose of allocating to tax payment funds such as withholding income tax. Shares and monetary payments will be provided through the executive compensation BIP (Board Incentive Plan) trust of Mitsubishi UFJ Trust and Banking Corporation.
With justifiable reason, when it is not possible to establish the trust, amend the trust agreement, make additional contribution to the Trust, or when Target Directors & Officers are non-resident of Japan, or with any other justifiable reason, that delivery of the Company's Shares, etc. to Target Directors & Officers from the trust is not possible, the Company may, within the upper limit of amount of money to be contributed by the Company, make monetary payments of the amount reasonably calculated based on the number of the Company's Shares, etc. that should be delivered in accordance with the plan and share price, etc., to Target Directors & Officers.

| Index for the achievement of targets | Evaluation ratio | Evaluation coefficient fluctuation range | Targets (set with the following as a guide) |
|---|---|---|---|
| Revenue | 20% | 0%-200% | Upper limit: Target ＊ 110%<br>Target: Expected value announced about 5-Year Business Plan<br>Lower limit: Target ＊ 90% |
| Core operating profit ratio before research and development expenses | 20% | 0%-200% | Upper limit: Target ＊ 120%<br>Target: Expected value announced about 5-Year Business Plan<br>Lower limit: Target ＊ 80% |
| ROE | 20% | 0%-200% | Upper limit: Target ＊ 140%<br>Target: Expected value announced about 5-Year Business Plan<br>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%<br>Target: Comparison result with TOPIX including dividend ＊ 100%<br>Lower limit: Comparison result with TOPIX including dividend ＊ 50% |
| Total | 100% | 0%-200% | |

**9. Clawback provision**

Daiichi Sankyo will set forth a clawback clause that can request for the refund of part or all of the compensation received for annual performance-based bonuses and medium-term performance-based share compensation by the resolution of 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 transparency of the decision-making process. The Compensation Committee consists of only Outside Directors, with one Outside Audit &

Supervisory Board Member participating as an observer, and the chairperson is appointed by mutual appointment of the members.

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

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

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

**(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 Meeting of Shareholders.

[Translation]

# Consolidated Statement of Financial Position (IFRS)
**(As of March 31, 2024)**

(Millions of JPY)

| Account | 18th Fiscal Period (for reference) | 19th Fiscal Period |
|---|---|---|
| **[ASSETS]** | | |
| **Current assets** | | |
| Cash and cash equivalents | 441,921 | 647,180 |
| Trade and other receivables | 349,111 | 454,188 |
| Other financial assets | 383,205 | 577,040 |
| Inventories | 301,608 | 438,111 |
| Other current assets | 19,204 | 32,999 |
| Subtotal | 1,495,051 | 2,149,521 |
| Assets held for sale | – | 24,503 |
| Total current assets | 1,495,051 | 2,174,024 |
| **Non-current assets** | | |
| Property, plant and equipment | 348,912 | 421,692 |
| Goodwill | 98,330 | 108,498 |
| Intangible assets | 159,609 | 168,300 |
| Investments accounted for using the equity method | 1,306 | 608 |
| Other financial assets | 130,393 | 147,906 |
| Deferred tax assets | 180,096 | 249,354 |
| Other non-current assets | 95,188 | 190,749 |
| Total non-current assets | 1,013,837 | 1,287,111 |
| **Total assets** | 2,508,889 | 3,461,135 |

Note: Figures are rounded down to the nearest million JPY.

(Millions of JPY)

| Account | 18th Fiscal Period (for reference) | 19th Fiscal Period |
|---|---|---|
| **[LIABILITIES AND EQUITY]** | | |
| **Current liabilities** | | |
| Trade and other payables | 395,169 | 557,131 |
| Bonds and borrowings | 41,396 | 399 |
| Other financial liabilities | 11,080 | 12,775 |
| Income taxes payable | 21,470 | 46,391 |
| Provisions | 7,626 | 15,435 |
| Contract liabilities | 28,867 | 57,435 |
| Other current liabilities | 24,652 | 22,345 |
| Subtotal | 530,263 | 711,914 |
| Liabilities directly associated with assets held for sale | – | 11,484 |
| Total current liabilities | 530,263 | 723,399 |
| **Non-current liabilities** | | |
| Bonds and borrowings | 101,692 | 101,314 |
| Other financial liabilities | 41,647 | 46,229 |
| Post-employment benefit liabilities | 1,310 | 1,291 |
| Provisions | 16,376 | 13,978 |
| Contract liabilities | 292,245 | 680,166 |
| Deferred tax liabilities | 12,647 | 12,858 |
| Other non-current liabilities | 66,851 | 193,294 |
| Total non-current liabilities | 532,770 | 1,049,133 |
| **Total liabilities** | 1,063,034 | 1,772,532 |
| **[EQUITY]** | | |
| **Equity attributable to owners of the Company** | | |
| Share capital | 50,000 | 50,000 |
| Capital surplus | – | 1,962 |
| Treasury shares | (36,808) | (36,629) |
| Other components of equity | 200,874 | 283,998 |
| Retained earnings | 1,231,788 | 1,388,842 |
| Total equity attributable to owners of the Company | 1,445,854 | 1,688,173 |
| Non-controlling interests | – | 429 |
| **Total equity** | 1,445,854 | 1,688,603 |
| **Total liabilities and equity** | 2,508,889 | 3,461,135 |

Note: Figures are rounded down to the nearest million JPY.

[Translation]

# Consolidated Statement of Profit or Loss (IFRS)

**(From April 1, 2023 to March 31, 2024)**

(Millions of JPY)

| Account | 18th Fiscal Period (for reference) | 19th Fiscal Period |
|---|---|---|
| Revenue | 1,278,478 | 1,601,688 |
| Cost of sales | 363,525 | 415,322 |
| **Gross profit** | 914,952 | 1,186,366 |
| Selling, general and administrative expenses | 471,221 | 636,997 |
| Research and development expenses | 341,570 | 365,169 |
| Other income | 19,101 | 27,477 |
| Other expenses | 680 | 88 |
| **Operating profit** | 120,580 | 211,588 |
| Financial income | 14,773 | 31,487 |
| Financial expenses | 8,480 | 6,026 |
| Share of profit (loss) of investments accounted for using the equity method | (19) | 184 |
| **Profit before tax** | 126,854 | 237,234 |
| Income taxes | 17,666 | 36,217 |
| **Profit for the year** | 109,188 | 201,016 |
| **Profit attributable to:** | | |
| Owners of the Company | 109,188 | 200,731 |
| Non-controlling interests | – | 285 |
| **Profit for the year** | 109,188 | 201,016 |

Note: Figures are rounded down to the nearest million JPY.

[Translation]

# Non-Consolidated Balance Sheet (Japanese GAAP)

**(As of March 31, 2024)**

(Millions of JPY)

| Account | 18th Fiscal Period (for reference) | 19th Fiscal Period |
|---|---|---|
| **[ASSETS]** | **1,865,707** | **2,563,981** |
| I. Current assets | 990,883 | 1,495,071 |
| Cash and time deposits | 430,103 | 575,347 |
| Trade notes receivable | 208 | – |
| Accounts receivable - trade | 247,763 | 367,220 |
| Securities | 59,985 | 159,970 |
| Merchandise and finished goods | 83,725 | 88,406 |
| Raw materials | 94,010 | 191,455 |
| Prepaid expenses | 3,316 | 3,717 |
| Short-term loans receivable | 5,924 | 14,786 |
| Accounts receivable - other | 36,162 | 28,232 |
| Other current assets | 37,308 | 68,910 |
| Provisions for doubtful accounts | (2,623) | (2,974) |
| II. Non-current assets | 874,824 | 1,068,909 |
| Property, plant and equipment | 83,989 | 87,000 |
| Buildings and structures | 55,129 | 58,502 |
| Machinery | 376 | 321 |
| Vehicles, tools, furniture and fixtures | 8,656 | 10,340 |
| Land | 13,822 | 16,473 |
| Construction in progress | 6,004 | 1,363 |
| Intangible assets | 26,246 | 28,385 |
| Patent rights | 266 | 201 |
| Software | 1,195 | 5,634 |
| Others | 24,784 | 22,549 |
| Investments and other assets | 764,587 | 953,523 |
| Investment securities | 49,773 | 61,240 |
| Shares in subsidiaries and associates | 304,772 | 310,035 |
| Investments in capital of subsidiaries and associates | 106,040 | 154,505 |
| Long-term loans receivable | 105,342 | 138,043 |
| Prepaid pension costs | 29,778 | 31,445 |
| Deferred tax assets | 94,343 | 113,807 |
| Others | 74,670 | 144,580 |
| Provisions for doubtful accounts | (134) | (134) |
| **Total** | 1,865,707 | 2,563,981 |

Note: Figures are rounded down to the nearest million JPY.

(Millions of JPY)

| Account | 18th Fiscal Period (for reference) | 19th Fiscal Period |
|---|---|---|
| **[LIABILITIES]** | **888,147** | **1,459,461** |
| I. Current liabilities | 455,106 | 510,101 |
| Accounts payable - trade | 46,088 | 53,742 |
| Short-term bonds | 20,000 | – |
| Short-term borrowings | 55,980 | 27 |
| Accounts payable - other | 135,316 | 206,073 |
| Accrued expenses | 62,818 | 30,077 |
| Income taxes payable | 1,031 | 36,673 |
| Consumption taxes payable | – | 1,665 |
| Deposit received | 93,687 | 70,065 |
| Contract liabilities | 26,047 | 88,525 |
| Provisions for environmental measures | 964 | 6,624 |
| Other current liabilities | 13,171 | 16,626 |
| II. Non-current liabilities | 433,041 | 949,360 |
| Bonds | 100,000 | 100,000 |
| Long-term accounts payable - other | 286 | 1,835 |
| Contract liabilities | 290,233 | 789,979 |
| Provisions for environmental measures | 15,068 | 13,015 |
| Other non-current liabilities | 27,453 | 44,529 |
| **[NET ASSETS]** | **977,560** | **1,104,519** |
| I. Shareholders' equity | 957,798 | 1,076,863 |
| Share capital | 50,000 | 50,000 |
| Capital surplus | 432,142 | 434,014 |
| Legal reserve | 179,858 | 179,858 |
| Other capital surplus | 252,284 | 254,156 |
| Retained earnings | 512,464 | 629,478 |
| Other retained earnings | 512,464 | 629,478 |
| Reserve for advanced depreciation of property, plant and equipment | 4,669 | 4,378 |
| Retained earnings carried forward | 507,795 | 625,099 |
| Treasury shares | (36,808) | (36,629) |
| II. Valuation and translation adjustments | 19,152 | 27,096 |
| Net unrealized gain or loss on investment securities | 18,749 | 27,328 |
| Deferred gains or losses on hedges | 403 | (232) |
| III. Subscription rights to shares | 608 | 560 |
| **Total** | **1,865,707** | **2,563,981** |

Note: Figures are rounded down to the nearest million JPY.

[Translation]

# Non-Consolidated Statement of Income (Japanese GAAP)
**(From April 1, 2023 to March 31, 2024)**

(Millions of JPY)

| Account | 18th Fiscal Period (for reference) | 19th Fiscal Period |
|---|---|---|
| Net sales | 858,974 | 1,214,732 |
| Cost of sales | 264,980 | 305,414 |
| Gross profit | 593,994 | 909,317 |
| Selling, general and administrative expenses | 631,082 | 805,236 |
| Operating income (loss) | (37,088) | 104,081 |
| Non-operating income | 133,740 | 87,380 |
| Interest income | 1,694 | 9,379 |
| Interest on securities | 19 | 42 |
| Dividend income | 125,135 | 69,677 |
| Rental income | 3,923 | 4,118 |
| Foreign exchange gains, net | 2,572 | 2,932 |
| Other non-operating income | 394 | 1,229 |
| Non-operating expenses | 5,036 | 8,731 |
| Interest expenses | 792 | 3,948 |
| Interest on bonds | 1,076 | 984 |
| Cost of rental income | 1,683 | 1,612 |
| Depreciation of idle non-current assets | 4 | 4 |
| Other non-operating expenses | 1,479 | 2,181 |
| Ordinary income | 91,615 | 182,730 |
| Extraordinary gains | 7,482 | 18,505 |
| Gain on sales of non-current assets | 1,171 | 37 |
| Gain on sales of investment securities | 1,405 | 9,831 |
| Gain on transfer of subsidiaries and associates | – | 7,230 |
| Subsidy income | 3,957 | 1,385 |
| Reversal of provision for contingent loss | 1,219 | – |
| Other extraordinary gains | 88 | 22 |
| Extraordinary losses | 1,180 | 7,029 |
| Loss on disposal of non-current assets | 493 | 730 |
| Provisions for environmental measures | – | 4,571 |
| Loss compensation | – | 1,343 |
| Business transfer price adjustment | 677 | – |
| Other extraordinary losses | 9 | 383 |
| Income before income taxes | 98,277 | 194,206 |
| Income taxes - current | (1,716) | 33,035 |
| Income taxes - deferred | (4,253) | (22,951) |
| Net income | 104,247 | 184,122 |

Note: Figures are rounded down to the nearest million JPY.

**Translation of a report originally issued in Japanese**

## Independent Auditor's Report

May 10, 2024

To the Board of Directors of 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

Yusuke Matsumoto
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, 2024 and for the year from April 1, 2023 to March 31, 2024 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.

### Emphasis of Matter

We draw attention to Note 9, "Notes Concerning Significant Subsequent Events, (2) Purchase and cancellation of treasury shares" to the consolidated financial statements. The Company approved at the Board of Directors meeting held on April 25, 2024 to purchase its own shares as treasury shares and to cancel the purchased treasury shares.

Our opinion is not modified in respect of this matter.

**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 and 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 and 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 and 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 and 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, actions taken to eliminate threats or safeguards applied.

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

Our firm and its designated engagement partners do not have any interest in the Company and its subsidiaries 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 10, 2024

To the Board of Directors of 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

Yusuke Matsumoto
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, 2024 and for the year from April 1, 2023 to March 31, 2024 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.

### Emphasis of Matter

We draw attention to Note 10, "Notes Concerning Significant Subsequent Events, (2) Purchase and cancellation of treasury shares" to the financial statements. The Company approved at the Board of Directors meeting held on April 25, 2024 to purchase its own shares as treasury shares and to cancel the purchased treasury shares.

Our opinion is not modified in respect of this matter.

**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 and 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 and 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 and 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 and 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, actions taken to eliminate threats or safeguards applied.

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

Our firm and its designated engagement partners 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 19th business year from April 1, 2023 to March 31, 2024.

**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 19th fiscal year ended March 31, 2024, 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. Also, full-time Audit & Supervisory Board Members of the Company concurrently served as part-time Audit & Supervisory Board Members of principal domestic subsidiaries 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), 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 14, 2024

Audit & Supervisory Board of Daiichi Sankyo Company, Limited

| | |
|---|---|
| Full-time Audit & Supervisory Board Member | Kenji Sato (Seal) |
| Full-time Audit & Supervisory Board Member | Miyuki Arai (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) |