Daiichi-Sankyo

Passion for Innovation.
Compassion for Patients.™

Daiichi Sankyo Group Value Report 2016

Our Mission

To contribute to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs.

We have established Core Values and Commitments as the criteria for our business activities and decision making. Our global brand is a pledge to our stakeholders of what the Company is capable of delivering, now and in the future. Our corporate slogan succinctly states how we make efforts for what and for whom.

In addition, we have established the DAIICHI SANKYO Group Corporate Conduct Charter* to act with the highest ethical standards and a good social conscience appropriate for a company engaged in a business that affects human lives.

* The full text of the DAIICHI SANKYO Group Corporate Conduct Charter can be found on page 28.

Core Values and Commitments (Criteria of the Value Judgment to Fulfill Our Mission)

Core Values	Notes
Innovation	: the introduction of new ideas, methods, or invention
Integrity	: the quality of being honest and of always having high moral principles
Accountability	: being responsible for the effects of your actions, and being willing to explain or be criticized for them

Commitments

1. To create innovative medicines changing SOC*
   * SOC (Standard of Care): Universally applied best treatment practice in today's medical science
2. To take a global perspective, and respect regional values
3. To foster intellectual curiosity and strategic insight
4. To provide the highest quality medical information
5. To provide a stable supply of top-quality pharmaceutical products
6. To be an ethical, trusted, and respectful partner
7. To be accountable for achieving our goals
8. To demonstrate professionalism, respect for others, and teamwork

Corporate Slogan

Passion for Innovation.
Compassion for Patients.™

Contents

Communication Policy

The Daiichi Sankyo Group's *Value Report* has been positioned as a communication tool for institutional investors, healthcare professionals, consumers, Group employees, and other stakeholders. Through this report, we aim to communicate the Group's management philosophy and strategies to our stakeholders in an easy-to-understand manner and to facilitate understanding with regard to the Group's corporate value, growth potential, and capacity for business continuity.

Relevant Information

For investor relations and the latest information on our responsible corporate activities, please refer to the Company's website, which includes a variety of information, such as account settlement, audio distribution of briefing sessions for investors, and market data. The PDF and e-book version of this *Value Report* are also available on the website.

WEB http://www.daiichisankyo.com

Highlights of Value Report 2016

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Business and CSR Activities Pursuing Sustainable Improvement for Corporate Value

This section explains the Group's vision for the sustainable improvement for corporate value, together with an overview of efforts of the Group to promote the integrated advancement of business activities and CSR activities.

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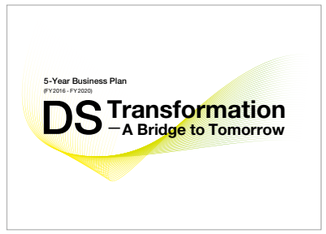
Message from the CEO

President Nakayama explains our policies for realizing the sustainable improvement of the Daiichi Sankyo Group's corporate value, the background that led us to define our "2025 Vision," and our goals for the future.



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5-Year Business Plan

Under the new 5-year business plan, we will tackle the two challenges of "grow beyond FY2017 LOE" and "establish a foundation of sustainable growth" to further our transformation toward realizing the "2025 Vision."

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This section details the various business activities of the Group as well as the CSR activities incorporated into these business activities.

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In this section, we look at the corporate governance systems that form the foundations for the Group's pursuit of the sustainable improvement of corporate value.

Description of Icons

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Business and CSR Activities Pursuing Sustainable Improvement for Corporate Value

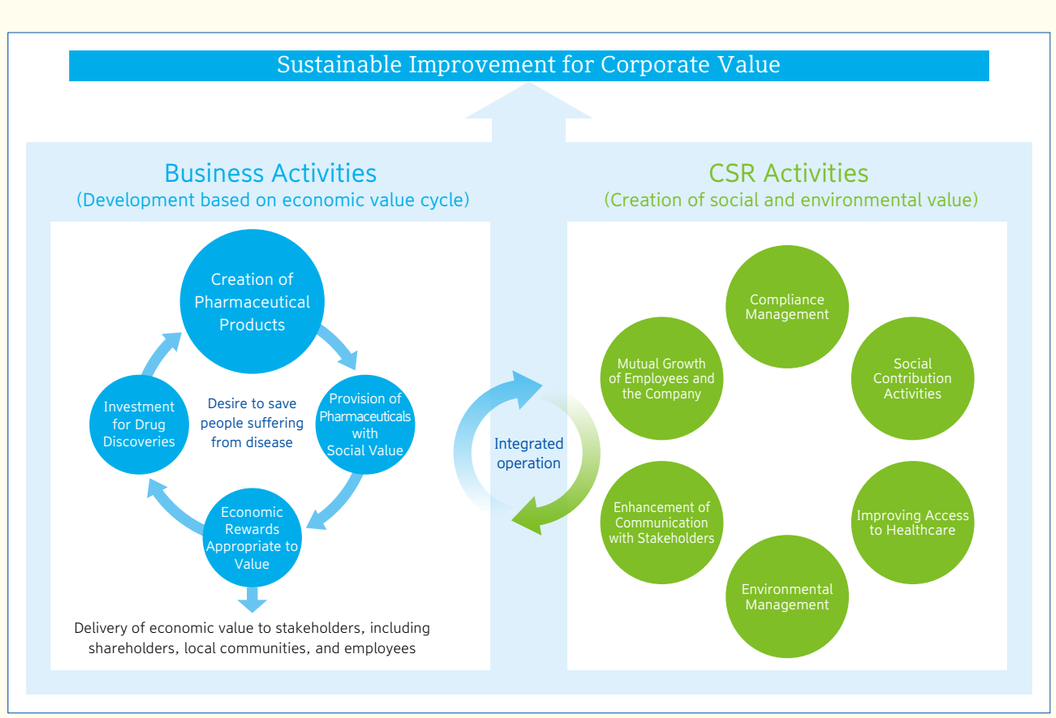
This section explains the Group's vision for sustainable improvement for corporate value, together with an overview of efforts of the Group to promote the integrated advancement of business activities and CSR activities.

Sustainable Improvement for Corporate Value

The raison d'être of a pharmaceutical company lies in addressing diverse medical needs around the world and helping patients through the creation of pharmaceuticals, a principle that rests at the core of our business. For a pharmaceutical company, the creation and ongoing improvement of corporate value is based on the sustainable development of an economic value cycle through its business activities. In this cycle, we create and supply pharmaceuticals with social value and receive economic rewards based on that value. The rewards gained are delivered to shareholders and other stakeholders and used for making investments for further drug discoveries. Continuing to build upon this economic value cycle is the means through which we create value as a pharmaceutical company and also the basis for the sustainable improvement for corporate value.

Furthermore, from among social, environment, and other sustainability issues, we have identified those issues that are important for us to address and organized these into six domains on which we will concentrate CSR activities. Actual activities are based on international CSR initiatives, such as the United Nations Global Compact*1 and ISO 26000,*2 as well as the type of responsible activities our stakeholders expect of us. Furthermore, we incorporate the requests and expectations of society as well as considerations of the relationship between issues and our medium-to-long-term business development into the CSR activities in order to contribute to the realization of a sustainable society. We believe that engaging in such activities will not only help create social and environmental value but also prevent damage to our corporate value from a risk management standpoint.

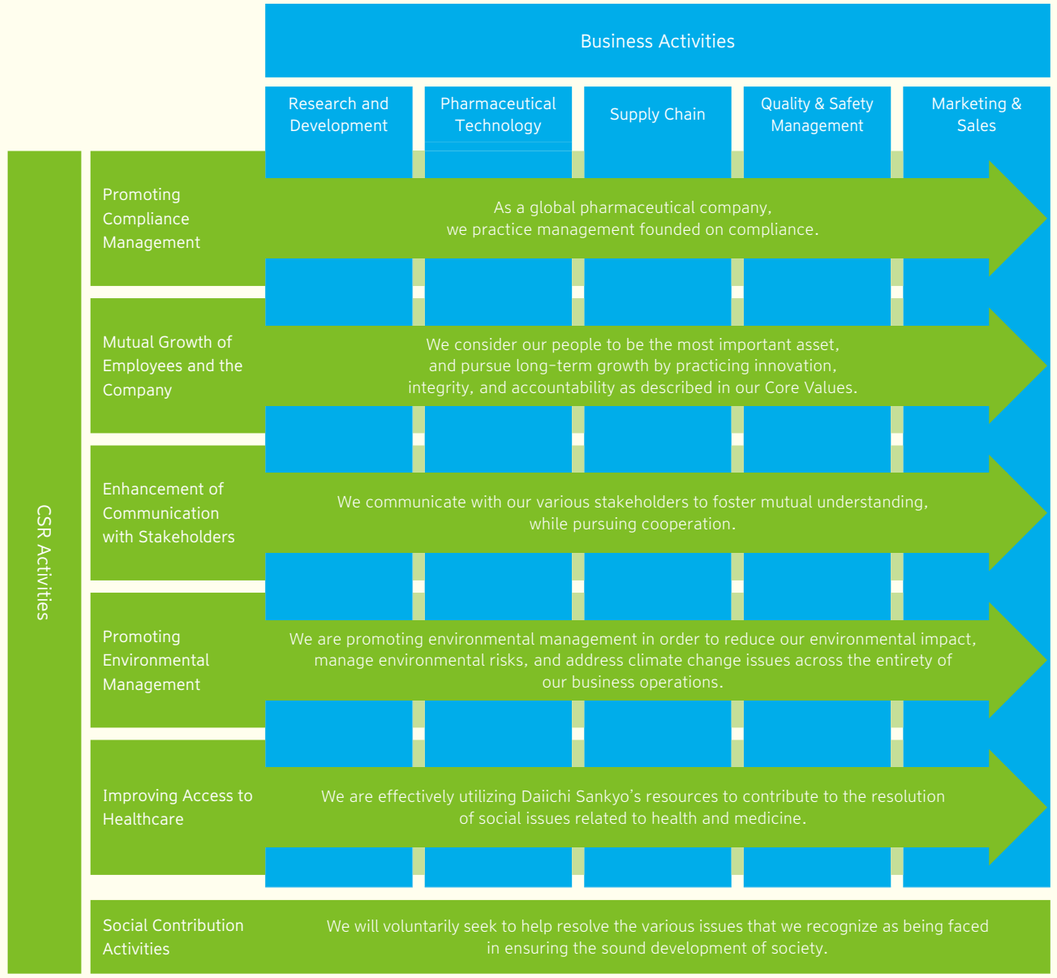
We feel that both business activities and CSR activities are indispensable, and we conduct these activities in an integrated manner in order to create sustainable improvements in our corporate value.
(See chart below.)



*1. A voluntary initiative in which companies and organizations demonstrate responsible and creative leadership and act as upstanding members of society by participating in the creation of global frameworks aimed at realizing sustainable growth
*2. International guidance standard not aimed at providing third-party verification of the social responsibility of companies and other organizations

Integration of Business Activities and CSR Activities

The business activities section of this report explains our initiatives for the advancement of an economic value cycle in the areas of research and development, pharmaceutical technology, supply chains, quality and safety management and medical affairs, and marketing and sales. With regard to CSR activities for creating social and environmental value, we will introduce activities conducted in our six domains that have been integrated into our business activities in line with action policies.
(See chart below.)



Joji Nakayama
Representative Director
President and CEO

As a Global Pharma Innovator with competitive advantage in oncology, Daiichi Sankyo aims to realize sustainable growth of its corporate value by contributing to the enrichment of quality of life around the world.

The business of the Daiichi Sankyo Group entails connections with shareholders, investors, patients, healthcare professionals, employees, business partners, local communities and various other stakeholders. We believe that by keeping our stakeholders informed about our diverse activities in a more formal way, our stakeholders can appreciate our true value as a company. Based on this belief, we began compiling information on the Group's activities into the annual, comprehensive *Value Reports* in fiscal 2013. The contents of these reports include management policy, business strategy and financial information, as well as information on the corporate social responsibility (CSR) activities that the Group conducts to contribute to the realization of a sustainable society.

We create innovative pharmaceuticals via R&D activities and have received economic rewards for the value we deliver by providing these pharmaceuticals to people around the world. These economic rewards are returned to stakeholders in a balanced manner and are also used to make investments for further drug discoveries. Continuing to build upon this economic value cycle is one of the means through which we create value as pharmaceutical company and also the basis for the sustainable improvement for corporate value. In order to continue stable growth over the long term, we aim to actively respond to the diverse and ever-changing needs of society, fulfill our responsibilities and duties as members of society, and grow together with society. In other words, it is important that we simultaneously strengthen corporate governance systems and conduct CSR activities aimed at promoting compliance management, facilitating the mutual growth of employees and the Company, and responding to social issues, such as the need to improve access to healthcare, as a pharmaceutical company. These activities must be integrated into the operation of our cycle of economic value to realize sustainable improvement for corporate value.

"*Value Report 2016*" was designed with the aim of informing stakeholders about the Daiichi Sankyo Group's various business activities, with particular emphasis placed on its "2025 Vision" and the 4th mid-term 5-year business plan, both of which were announced in March 2016. To begin with, I will explain the background that led us to define our "2025 Vision" as being a "Global Pharma Innovator with competitive advantage in oncology."

Looking Back

Since its inception through the merger of Sankyo Co., Ltd., and Daiichi Pharmaceutical Co., Ltd., the Daiichi Sankyo Group has worked to fulfill its mission "To contribute to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs."

Seeking to fulfill this mission, we launched the 1st mid-term business plan in fiscal 2007 with the theme of "maximization of synergy and expansion of growth foundation." This plan was followed by the 2nd mid-term business plan in fiscal 2010, which was centered on the "advancement of global hybrid business model," and then the 3rd mid-term business plan in fiscal 2013, which advocated the "promotion of measures toward sustainable growth beyond LOE (loss of exclusivity)." Our activities were thus advanced based on these themes.

Looking back at our progress with regard to major post-merger initiatives, we still have some distance to go with regard to the launch of an oncology business and the creation of global top-class pipelines in core therapeutic areas. Conversely, we have sufficiently accomplished our goals with regard to the maximization of the *olmesartan* franchise and the expansion of business foundations in Japan, and we have established our thrombosis franchise with *prasugrel* and *edoxaban* and made progress toward best practice operational efficiency.

With regard to the "realization of global hybrid business model," we changed the direction of our strategies during the period of the 3rd mid-term business plan with the decision to divest Ranbaxy Laboratories Ltd.

External Environment

The operating environment for the pharmaceutical industry is characterized by rising global pressure to limit medical expenses combined with an emphasis on cost effectiveness and the growing influence of payers. In addition, the markets for medicines frequently prescribed at hospitals and by specialists are growing, while innovative medicines changing the standard of care (SOC) are becoming increasingly more prominent. Meanwhile, the differences in market shares of specific drugs by country and region are widening due to differences in regulatory and insurance systems.

Differences between Countries and Regions and Transition to Regional Value

Stagnant growth is expected for the Japanese market due to the worsening of government finances, which has resulted in trends such as the government' s establishment of a target of 80% for the ratio of generic prescriptions to total prescriptions, as well as the introduction of the special price cut for blockbuster drugs. On the other hand, Japan is also deploying policies for encouraging innovation in the pharmaceutical market, including the promotion of regenerative medicine and cell therapy advancement and the introduction of new drug discovery incentives.

The United States continues to be home to the world's largest pharmaceutical market, where cutting-edge science born out of intense competition lays fertile ground for the creation of new drugs and treatment methods. As such, this market is expected to see ongoing stable growth into the future, although significant pressures on pricing and insurance coverage continue to be challenging in this market as well.

In Europe, the pressure to limit medical expenses is particularly heavy, making for a low-growth market. However, this market does present opportunities for pharmaceuticals that have been highly evaluated for cost-effectiveness.

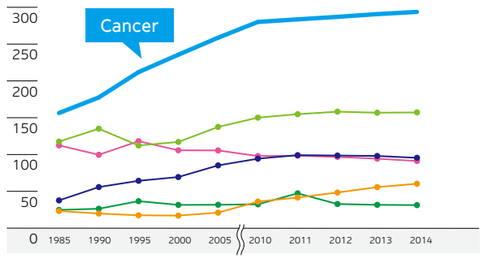
Growing Unmet Needs in Specialty Area centered on Oncology

The mortality rate of cancer has become overwhelmingly high among all therapeutic areas, particularly in Japan. Moreover, in terms of global sales of drugs that are effective in treating cancer, the cancer market is incredibly large, with annual sales of ¥9.5 trillion. Patient medical needs remain unmet with many promising approaches being explored, such as immuno-oncology.

As such, I believe that unmet needs in specialty area centered on oncology are expected to increase going forward.

Leading Causes of Death (Japan)

(Deaths per 100,000 people)

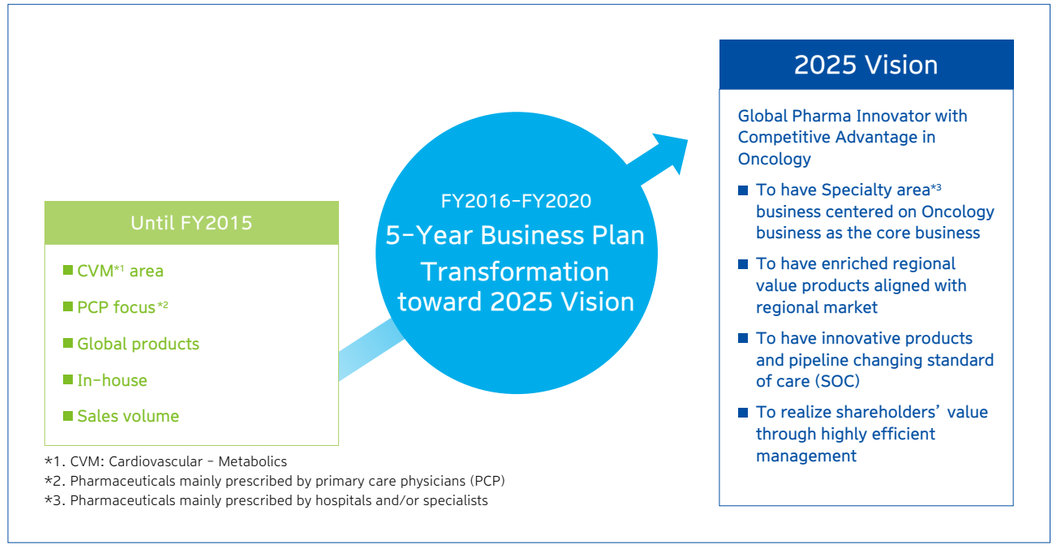


Source: Office of Pharmaceutical Industry Research (based on demographic statistics released by the Ministry of Health, Labour and Welfare)

Worldwide Trends by Therapeutic Area (2014)

Rank	Therapeutic Area	Worldwide Prescription Drug & OTC Sales	2014 Sales (Billions of yen)	Growth Rate*
1	Oncology		79.2	8%
2	Antirheumatics		48.8	8%
3	Antivirals		43.1	55%
4	Antidiabetics		41.4	8%
5	Bronchodilators		32.5	0%
6	Antihypertensives		30.5	-9%

Source: "World Preview 2015, Outlook to 2020" , EvaluatePharma®
* Growth rates represent growth from 2013.



*1. CVM: Cardiovascular – Metabolics
*2. Pharmaceuticals mainly prescribed by primary care physicians (PCP)
*3. Pharmaceuticals mainly prescribed by hospitals and/or specialists

2025 Vision

We defined our "2025 Vision" and announced it in March 2016. The "2025 Vision" resulted from our extensive discussions and is based upon our accumulated drug discovery capabilities as well as the aforementioned operating environment. We decided to define our "2025 Vision" as striving to become a "Global Pharma Innovator with competitive advantage in oncology."

Specifically, the vision for Daiichi Sankyo in 2025 entails the Company having specialty area business centered on oncology as its core business, having enriched regional value products aligned with each regional market, and having innovative products and pipelines changing the SOC in each market. At the same time, we will be realizing shareholder value through highly efficient management.

To realize our "2025 Vision," we will transform from our current business structure, which is focused on CVM area such as hypertension treatments, to a global company having the products and pipeline to change SOC in specialty area pertaining to drugs prescribed by specialists and centered on oncology.

At the same time, we will diverge from our previous approach of pursuing uniform global expansion, instead adopting an approach of expanding our range of regional value products suited to the markets of specific countries.

Another transformation will be the abandonment of our emphasis on conducting all areas of operations in-house. Rather, we will utilize alliances to an even greater degree going forward as we pursue sustainable profit growth.

In Closing

The 5-year business plan will facilitate the changes needed to realize our "2025 Vision." As such, "transformation" has been chosen as a keyword for the plan, under which we will tackle two challenges: "grow beyond FY2017 LOE" and "establish a foundation of sustainable growth."

With the loss of exclusivity for *olmesartan*, the Company has been faced with a difficult situation. However, we are confident in our ability to continue creating and supplying patients with important and useful medicines. And through this undertaking, we are convinced that we can increase corporate value in the eyes of our stakeholders.

We are motivated by our simple desire to alleviate suffering from disease. Driven by this desire, we will utilize the strengths we have accumulated to date to continue creating innovative new pharmaceuticals. As a Global Pharma Innovator with competitive advantage in oncology in the future, we will focus particularly on developing specialty products centered on oncology. We hope to contribute to society through these efforts.

Charged with this proud mission, the Daiichi Sankyo Group is taking its first step forward in its transformation into a company well-poised for sustainable growth into the future.

In closing, I would like to ask for the continued understanding and support of all of our stakeholders.

Path Walked by Daiichi Sankyo

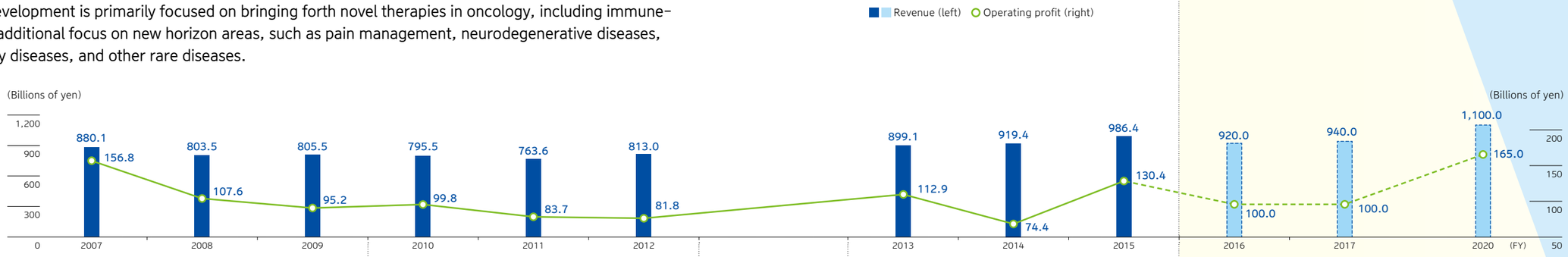
Daiichi Sankyo Group is dedicated to the creation and supply of innovative pharmaceutical products to address diversified, unmet medical needs of patients in both mature and emerging markets.

With over 100 years of scientific expertise and a presence in more than 20 countries, Daiichi Sankyo and its 16,000 employees around the world draw upon a rich legacy of innovation and a robust pipeline of promising new medicines to help people.

In addition to a strong portfolio of medicines for hypertension and thrombotic disorders, under the Group's "2025 Vision" to become a "Global Pharma Innovator with Competitive Advantage in Oncology," Daiichi Sankyo research and development is primarily focused on bringing forth novel therapies in oncology, including immune-oncology, with additional focus on new horizon areas, such as pain management, neurodegenerative diseases, heart and kidney diseases, and other rare diseases.

2025 Vision

Global Pharma Innovator with competitive advantage in oncology



Notes:
1. Excluding Ranbaxy Laboratories Ltd.
2. Figures for fiscal 2011 and prior are based on Japanese GAAP, and figures for fiscal 2012 and forward are based on IFRS.

	1st Mid-Term Business Plan	2nd Mid-Term Business Plan	3rd Mid-Term Business Plan	4th Mid-Term 5-Year Business Plan
Overview of initiatives under mid-term business plans	**Maximization of synergies and expansion of growth foundation** • Focus on thrombosis, cancer, diabetes, and other fields • Maximize sales of *olmesartan* franchise • Introduced Ranbaxy into Group in 2008	**Advancement of global hybrid business model** • Focus on thrombosis, cardiovascular-metabolics, and cancer fields • Expand operating foundations in Japan • Conduct frontline and backyard collaboration with Ranbaxy	**Promotion of measures toward sustainable growth beyond LOE** • Focus on thrombosis, cardiovascular-metabolics, and cancer fields • Divest and liquidate Ranbaxy over period from April 2014 to April 2015 • Return to innovative business	**Transformation toward 2025 Vision** • Grow beyond FY2017 LOE • Establish a foundation of sustainable growth
Launches of new products	Japan *Loxonin Tape* US *AZOR* US *Effient* Europe *Sevikar* Europe *Efient*	Japan *Loxonin Gel* Japan *Rezaltas* Japan *Inavir* Japan *NEXIUM* Japan *Memary* Japan *LIXIANA* Japan *RANMARK* Japan *TENELIA* US *TRIBENZOR* Europe *Sevikar HCT*	Japan *PRALIA* Japan *Efient* US *Injectafer* US *SAVAYSA* US *MOVANTIK* Europe *LIXIANA*	
Important management decisions: Business expansion / Regional expansion	Europe Expansion in Turkey and Ireland US Expansion in Puerto Rico	Japan Start of generic business Japan Start of vaccine business		
Important management decisions: In-licensed products	Japan *Denosumab* US *Tivantinib* Europe *Tivantinib*	Japan *NEXIUM*	US *CL-108* Japan *VIMPAT, FluMist* Global *TS23*	
Important management decisions: Acquisition	Europe U3 Pharma GmbH US Pharma-Force, Inc.	US Packaging factory Plexxikon Inc.	US Ambit Biosciences Corp. Japan Im Co., Ltd.	
Important management decisions: Restructuring		Close of Osaka Plant Sale of Shizuoka Plant	Sale of Akita Plant Restructuring in Japan, United States, and Europe	
Important management decisions: Ranbaxy Laboratories Ltd.	Acquisition of Ranbaxy		Divestment of Ranbaxy to Sun Pharmaceutical Industries Ltd. Completion of sale of Sun Pharmaceutical shares	
CSR	• First time for inclusion in FTSE4Good*1; inclusion continues thereafter • First time for inclusion in Dow Jones Sustainability Indices*2 (Asia Pacific); inclusion continues thereafter	• Start of "Daiichi Sankyo Presents Family Tie Theater" program • Revision of Daiichi Sankyo Group Corporate Conduct Charter • Establishment of Daiichi Sankyo Kusuri Museum • Commencement of mobile healthcare field clinic services in developing countries • Participation in United Nations Global Compact	• Participation in the Global Health Innovative Technology (GHIT) Fund • Receipt of first-prize UCDA Award 2015*3 for Daiichi Sankyo's *Value Report 2015* • Establishment of Daiichi Sankyo Group Individual Conduct Principles	

Challenge 1:
Grow beyond FY2017 LOE

(1) Measures for recovering revenue

(2) Measures for generating profits

Challenge 2:
Establish a foundation of sustainable growth

(1) Business strategies

- Strategic Target 1 Grow *edoxaban*
- Strategic Target 2 Establish oncology business
- Strategic Target 3 Grow as No. 1 company in Japan
- Strategic Target 4 Expand U.S. businesses
- Strategic Target 5 Continuously generate innovative medicine changing SOC
- Strategic Target 6 Enhance profit generation capabilities

(2) Policies for growth investment, shareholder returns, and cash allocation

(3) Shareholder returns policy

For more information on the 5-year business plan, see pages 12 to 21.

*1. Index compiled by FTSE Russell recognizing companies that engage in responsible corporate activities
*2. Index compiled by S&P Dow Jones Indices LLC and RobecoSAM AG recognizing companies that exhibit sustainability
*3. Award for communication design

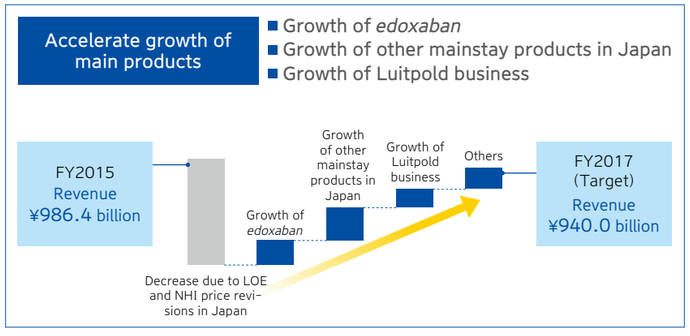
The 5-year business plan is designed to transform Daiichi Sankyo toward its “2025 Vision” . Under this plan, we will work to tackle two challenges: “grow beyond FY2017 LOE” and “establish a foundation of sustainable growth” for the future.

Challenge 1: Grow Beyond FY2017 LOE

We aim to overcome declines resulting from the loss of exclusivity (LOE) for mainstay products such as *olmesartan*, an antihypertensive agent, as well as the impacts of National Health Insurance (NHI) drug price revisions in Japan. We will target revenue of ¥940.0 billion and operating profit of ¥100.0 billion in fiscal 2017.

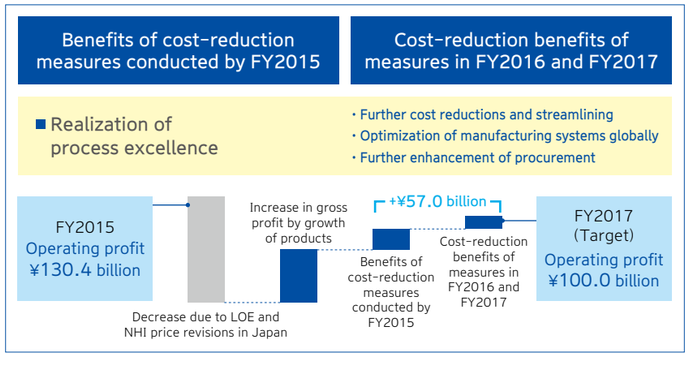
(1) Measures for Recovering Revenue

By accelerating growth of *edoxaban*, an anticoagulant, and other mainstay products for the Japanese market and increasing the growth of Luitpold Pharmaceuticals, Inc. (LPI), of the United States, we will strive to achieve revenue of ¥940.0 billion in fiscal 2017.



(2) Measures for Generating Profits

In addition to cost reduction measures conducted by the end of fiscal 2015, we will pursue further cost reductions and streamlining to achieve operating profit of ¥100.0 billion in fiscal 2017.



Challenge 2: Establish a Foundation of Sustainable Growth

Daiichi Sankyo will strive for a target revenue of ¥1,100.0 billion and operating profit of ¥165.0 billion for fiscal 2020. In addition, in fiscal 2020, we aim to have three to five late-stage pipelines that can be launched within the next five years with the potential to generate annual revenue exceeding ¥100.0 billion each at peak. If we can achieve these targets, we will achieve return on equity (ROE) of more than 8% in fiscal 2020.

(Billions of yen)

	FY2015	FY2017 (Target)	FY2020 (Target)
Revenue	986.4	940.0	1,100.0
Operating profit	130.4	100.0	165.0

Increase value of late-stage pipelines

In FY2020, to have three to five late-stage pipelines that can be launched within the next five years with the potential to generate annual revenue exceeding ¥100.0 billion each at peak

ROE: More than 8% (FY2020)

Note: Foreign exchange assumptions: US$1 = ¥120, €1 = ¥130

To accomplish these targets in fiscal 2020, the following business strategies will be implemented.

(1) Business Strategies

Strategic Target 1 Grow *Edoxaban*

We will strive to accelerate growth of *edoxaban* to cultivate it into a mainstay product that generates more than ¥120.0 billion in revenue in fiscal 2020.

Strategic Target 2 Establish Oncology Business

We will establish an oncology business and then strive to grow this business revenue to over ¥40.0 billion in fiscal 2020 and approximately ¥300.0 billion in fiscal 2025.

Strategic Target 3 Grow as No.1 Company in Japan

We will strive to grow Daiichi Sankyo into the No. 1 company in Japan in terms of quality and quantity by leveraging the strength of our innovative pharmaceuticals business in combination with our generic business, vaccine business, and over-the-counter (OTC) related business.

Strategic Target 4 Expand U.S. Businesses

Daiichi Sankyo, Inc. (DSI), is targeting revenue from its pain franchise of more than ¥100.0 billion in fiscal 2020.

LPI will work toward a revenue target of ¥150.0 billion for fiscal 2020.

Strategic Target 5 Continuously Generate Innovative Medicine Changing Standard of Care (SOC)

We seek to continuously generate innovative medicine with the potential to change SOC in oncology, which we call our primary focused area, and the other areas which we define as new horizon areas, encompassing pain, central nervous system diseases, heart and kidney disease, and rare diseases.

Strategic Target 6 Enhance Profit Generation Capabilities

We will push forward with massive cost-reduction and streamlining measures on a group-wide basis, reviewing cost of sales, selling, general, and administrative (SG&A) expenses, and R&D expenses to enhance profit generation capabilities.

(2) Policies for Growth Investment, Shareholder Returns and Cash Allocation

Under the 5-year business plan, our policy will be to prioritize growth investments while also enhancing shareholder returns.

As of March 31, 2016, cash-on-hand totaled roughly ¥700.0 billion. Our activities over the five years of the plan will be funded by this cash as well as the approximately ¥2,200.0 billion to be generated in the form of free cash flow before R&D expenses (Profit before R&D, depreciation and amortization), and cash recovered through asset downsizing. As for specific allocations, we plan to conduct growth investments of ¥900.0 billion in R&D expenses and ¥500.0 billion in business development investments. The remainder of the funds will be used for shareholder returns, capital expenditure and working capital.

(3) Shareholder Returns Policy

We will seek a total return ratio of 100% or more over the period of the plan and annual ordinary dividends of more than ¥70 per share. While continuing stable dividend payments, we will conduct flexible acquisition of our own shares.

More information on each of these six strategic targets can be found in the pages that follow.

- Total return ratio*: 100% or more
  * Total return ratio = (Dividends + Total acquisition costs of our own shares) / Profit attributable to owners of the Company
- Annual ordinary dividends: More than ¥70 per share
- Flexible acquisition of our own shares

Strategic Target 1: Grow *Edoxaban*

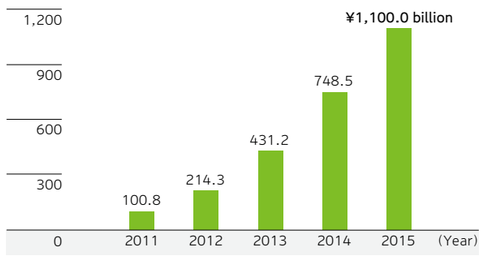
The direct oral anticoagulant (DOAC)*1 market, which comprises 4 products—*edoxaban*, *dabigatran*, *rivaroxaban* and *apixaban*—is growing and has already reached the scale of ¥1,100.0 billion on a global basis. Looking at the ratio of prescription numbers, it is clear that substantial room still exists for DOACs to overtake *warfarin*, the current standard treatment.

Edoxaban (*LIXIANA* in Japan and Europe, and *SAVAYSA* in the US) has superior bleeding safety compared to *warfarin* coupled with the convenience of once daily doses, has significant evidence on its efficacy and safety backed by robust clinical trial results, and addresses needs of atrial fibrillation (AF) patients and venous thromboembolism (VTE) patients. In order to solicit its unique characteristics and endeavor to grow *LIXIANA* into a pillar supporting medium-to-long-term growth, we commit to advance steadily global launch strategies and generate new evidence to strengthen the appeal of this product.

In Japan, we aim to grow *LIXIANA* into the No. 1 DOAC in the domestic market through our high-quality marketing capabilities. In Europe, we established a marketing alliance with Merck Sharp & Dohme Corp., a European subsidiary of Merck & Co., Inc., in February 2016. We will accelerate the growth of *LIXIANA* throughout all of Europe, as Daiichi Sankyo markets it in Western Europe and Merck Sharp & Dohme focuses on Northern and Central Eastern Europe. In the United States, we will continue to market *SAVAYSA* for appropriate patients and seek to implement measures to improve access environment. Meanwhile, we will strive to realize early approval and launch of *edoxaban* in other regions while seeking best partners who we can collaborate with to develop full-fledged promotional activities in those new markets.

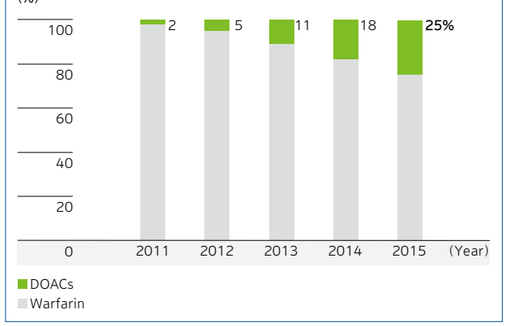
By advancing these initiatives, we aim to grow *edoxaban* into a product with annual global revenue of more than ¥120.0 billion.

DOAC Market Trend



Note: Translated at rate of US$1 = ¥120

Ratio of Prescription Numbers of *Warfarin* and DOACs



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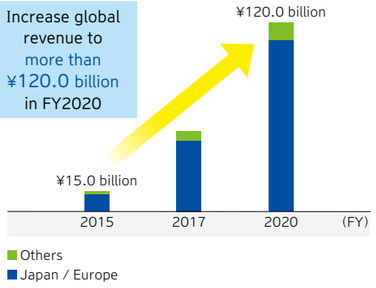
*1. DOAC: Another term commonly used to refer to novel oral anticoagulants or Non-vitamin K antagonist oral anticoagulants (NOAC)

Grow *Edoxaban* into a Pillar Supporting Medium-to-Long-Term Growth

Increase global revenue to more than ¥120.0 billion in FY2020



Characteristics

- High safety and convenience
- Ability to adjust dosage amounts based on patient condition

Strategies

- Advance global launch strategies
- Continue to appeal product profile
- Generate new evidence

Strategic Target 2: Establish Oncology Business

We will establish an oncology business by launching several drugs currently in late-stage development. Concurrently, we will accelerate early-stage pipeline development and evaluate further enrichment in oncology through the acquisition of external assets. Through the acceleration of oncology research and development, we aim to grow our oncology business revenue to more than ¥40.0 billion in fiscal 2020 and ¥300.0 billion in fiscal 2025.

Revenue	
FY2020	FY2025
More than ¥40.0 billion	Approx. ¥300.0 billion

- Establish oncology business by launching current late-stage pipeline products
- Accelerate early-stage pipeline development
- Enrich pipeline by acquisition of external assets
- Accelerate oncology research and development by a new organization

(1) Establish Oncology Business by Launching Current Late-Stage Pipeline Products

By launching *quizartinib*, *tivantinib*, and *pexidartinib* prior to fiscal 2020, we will target revenue contributions of ¥40.0 billion by fiscal 2020.

Quizartinib is currently in phase 3 studies for newly-diagnosed and relapsed/refractory FLT3-ITD-positive (FMS-like tyrosine kinase 3 internal tandem duplication) acute myeloid leukemia (AML). We expect top-line results (TLR)*1 of the phase 3 study for relapsed / refractory AML patients (QuANTUM-R study) during the first half of 2018. If *quizartinib* is approved for newly-diagnosed and relapsed/refractory treatment, we believe it will generate peak annual revenue of approximately ¥100.0 billion.

Pexidartinib was discovered by Plexxikon Inc., and has been granted Breakthrough Therapy Designation by the U.S. Food and Drug Administration (FDA) for the treatment of tenosynovial giant cell tumor. It is being evaluated in a phase 3 study and we expect TLR during the first half of 2018. In addition, we are currently engaged in a collaborative study (phase 1/2a study) with U.S.-based Merck & Co. to investigate *pexidartinib* in combination with Merck's anti-PD-1 antibody (immune checkpoint inhibitor). We expect the TLR of this study in the latter half of 2019. We believe that *pexidartinib* will generate peak annual revenue in the range of ¥100.0 billion by expanding the indications.

Quizartinib	*Pexidartinib*
Indication: AML (phase 3) TLR: 1st half of 2018 Expected peak annual revenue: ¥100.0 billion	Indication: Tenosynovial giant cell tumor (phase 3) TLR: 1st half of 2018 Other studies: Solid tumors (phase 1/2a) TLR: 2nd half of 2019 Expected peak annual revenue: ¥100.0 billion (including expansion of indications)

Tivantinib is being developed in partnership with ArQule Inc. in the United States and Europe for the treatment of refractory hepatocellular carcinoma. In March 2016, the independent data monitoring committee of the phase 3 study (METIV-HCC study) conducted the planned interim assessment, and it was determined the study will continue to its final analysis. We expect TLR during the first half of 2017.

Tivantinib to is expected generate peak annual revenue of around ¥30.0 billion.

Patritumab is being evaluated as a treatment for head and neck cancer in a phase 2 study. In the preceding phase 1b study, we collected promising data from an analysis of a limited number of cases, and this data was announced at the American Society of Clinical Oncology together with our design for the phase 2 study in June 2016.

Tivantinib	*Patritumab*
Indication: Hepatocellular carcinoma (phase 3) TLR: 1st half of 2017 Expected peak annual revenue: ¥30.0 billion	Head and neck cancer (phase 2)

*1. TLR: Anticipated initial results for studies

(2) Accelerate Early-Stage Pipeline Development

We have focused on drug discovery in oncology since the merger of Daiichi and Sankyo in 2007 and allocated additional management resources to this area since 2009. As a result, we are now advancing many early-stage pipeline molecules with the aim of innovating the current standard of care (SOC). Going forward, we expect revenue contributions of ¥300.0 billion in fiscal 2025 from the total oncology portfolio.

Additionally, the following are four promising early-stage development compounds with different modes of action.

We are currently performing phase 1 studies in Japan and the United States for *DS-6051*, a ROS1 inhibitor, with regard to lung cancer in which the ROS1 gene mutation has been identified, and we are targeting completion of these studies in fiscal 2017. In the U.S. study, we observed a case where *DS-6051* exhibited tumor reduction in a patient that was resistant to *crizotinib* and *ceritinib*. The interim analysis that revealed this finding was publicly reported in April 2016. In Japan, we are recruiting patients with similar mutations through the SCRUM-Japan project.*1

DS-6051

(NTRK / ROS1 inhibitor)
Indication:
Solid tumor (lung cancer)

DS-3201 is an EZH 1/2 dual inhibitor discovered through joint research with the National Cancer Center and the University of Tokyo. In studies that commenced in March 2016, *DS-3201* is the first compound studied by the Company to target an epigenetics*2 approach. *DS-3201* is expected to be a promising treatment option for adult T-cell leukemia, which, to date, lacks a consistently effective treatment. We aim to complete the phase 1 study in fiscal 2018.

DS-3201

(EZH1/2 inhibitor)
Indication:
Non-Hodgkin's lymphoma (including adult T-cell leukemia)

DS-3032 is an inhibitor of MDM2, a protein that is related to regulation of the p53 tumor suppressor. It is currently in phase 1 studies for the treatment of solid tumors and hematological tumors.

For a subgroup of patients, MDM2 gene amplification has been confirmed inside liposarcoma, a type of solid tumor. We anticipate high efficacy in patients in this subgroup.

DS-3032

(MDM2 inhibitor)
Indication:
Solid tumor and hematologic tumor

DS-8201 is Daiichi Sankyo's first antibody drug conjugate (ADC) and was created using innovative ADC technologies. This drug displays the potential for significant efficacy in patients for which the efficacy of currently marketed anti-HER2 antibodies and anti-HER2 ADCs is insufficient. We are currently performing a phase 1 study for *DS-8201* with the goal of acquiring study results during fiscal 2017.

DS-8201

(HER2-ADC)
Indication:
Solid tumor

*1. SCRUM-Japan: National project led by the National Cancer Center to screen for oncogenic abnormality of cancer patients in order to provide the best-fit medicines to them
*2. Epigenetics: Chemical modification of DNA or histone leading to acquired change in gene expression without modification of DNA sequence

(3) Enrich Pipeline by Acquisition of External Assets

Daiichi Sankyo has continued to pursue the expansion of products and pipelines by acquiring external assets via M&A or alliances. Going forward, we will continue to explore pipeline acquisition, prioritizing those that will contribute to the growth of our oncology franchise.

(4) Accelerate Oncology Research and Development into a New Organization

With the aim of accelerating research and development in the oncology area, Daiichi Sankyo reformed its organizational structure. This reorganization included the April 2016 establishment of the Oncology R&D Sub Unit, which oversees the global research and clinical development functions in the oncology area.

This move will enable us to consolidate our oncology R&D expertise and also facilitate flexible and seamless decision-making in oncology in order to accelerate meeting our research and development objectives in this area.

The Oncology R&D Sub Unit is led by Antoine Yver, MD, MSc, who was appointed to this position in April 2016. Dr. Yver previously led oncology research at global pharma companies, and he has a wealth of experience in the development of oncology drugs. Under his leadership, we will accelerate oncology research and development.

Strategic Target 3: Grow as No.1 Company in Japan

We are striving to grow Daiichi Sankyo into the No. 1 company in Japan in terms of quality and quantity. To accomplish this objective, the Company will address a wide range of medical needs related to areas such as prevention, self-medication and treatment through leveraging the strength of its innovative pharmaceuticals business in combination with its generic business, vaccine business and OTC related business.

Make Comprehensive Contributions to Medical Needs in Japan

Innovative Pharmaceuticals	Generic
Aim to be trusted as medical partner	Become No. 1 generic company with innovation background
Vaccines	**OTC Related**
Continually introduce new products	Grow business through core products and direct marketing through the Internet

In our innovative pharmaceuticals business, we boast top-class sales capabilities in terms of both quality and quantity, and we will utilize these capabilities to drive ongoing growth. Moreover, the strong reputation of these sales capabilities outside of the Company has resulted in successful in-licensing opportunities. We will continue to grow our own in-house products as well as in-licensed products in domestic operations, which in turn builds a stronger reputation for our sales capabilities. The resulting cycle is a source of our ongoing growth.

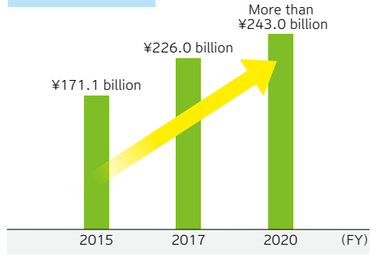
With regard to major domestic products, we will pursue growth in revenue of *NEXIUM*, *Memary*, *PRALIA*, *RANMARK*, *Efient*, and *TENELIA*, including seeking additional indications for some of these products. We thereby aim to increase total revenue from these six products to more than ¥243.0 billion.

In fiscal 2016 and beyond, we will proceed with the sequential launches of such new products as *VIMPAT* (epilepsy treatment), *VN-100* (intradermal HA vaccine injection syringe for influenza), *hydromorphone* (opioid analgesic*1), and *Etanercept BS* (biosimilar biogeneric of *etanercept*, a treatment for rheumatoid arthritis). Through this constant reinforcement of our product line, we will grow Daiichi Sankyo into Japan's No. 1 pharmaceutical company.

*1. Opioid analgesic: Narcotic analgesic

Growth of Major Products

Increase revenue to more than ¥243.0 billion in FY2020



Product Strategies

■ *NEXIUM* (ulcer treatment: proton pump inhibitor)
- Maintain No. 1 share by establishing position as "first choice" drug for GERD*1 treatment

■ *Memary* (Alzheimer's disease treatment)
- Standardize combination therapy with ChE*2 inhibitor for the treatment of moderate-to-severe Alzheimer's disease by provision of clinical evidence

■ *PRALIA* (treatment for osteoporosis)
- Increase market penetration by promoting high evaluations received in guidelines
- Grow by getting additional indication for rheumatoid arthritis

■ *RANMARK* (treatment for bone complications caused by bone metastasis from tumors)
- Maintain position as standard of care (SOC) for treating bone complications caused by bone metastasis from tumors
- Grow by getting additional indication for breast cancer

■ *Efient* (antiplatelet agent)
- Maintain No. 1 share in heart area by promoting ideal dosage for Japanese people
- Lead next generation of antiplatelet treatment in Japan by getting additional indication for brain area

■ *TENELIA* (type 2 diabetes mellitus inhibitor)
- Advertise efficacy and ease of use for seniors and patients with renal impairment to become first-line treatment for diabetes and expand market share

*1. GERD: Gastroesophageal reflux disease
*2. ChE: Cholinesterase

Strategic Target 4: Expand U.S. Businesses

(1) Business Expansion in Pain Franchise (DSI)

Daiichi Sankyo, Inc. (DSI), of the United States, will pursue business expansion in its pain franchise through *MOVANTIK*, *CL-108*, and *mirogabalin*.

The pain market in the United States is approximately ¥3,360.0 billion, and approximately 40% of this market is accounted for by opioid analgesics, which is significantly different from the markets of Japan and other countries.

The total number of prescriptions written in the overall US pain market exceeds 330 million per year. The segments of this market targeted by *MOVANTIK*, *CL-108* and *mirogabalin* each make up approximately 25% of the total market and represent more than 80 million prescriptions.

MOVANTIK is the first once-daily oral treatment for opioid-induced constipation approved by the FDA. It is primarily for adults that have also been prescribed opioids for treating chronic non-cancer pain. We commenced co-promotion of this drug together with AstraZeneca in fiscal 2015.

Approximately 40% of patients taking opioids for non-cancer pain experience constipation. We therefore believe that *MOVANTIK* can address substantial unmet medical needs.

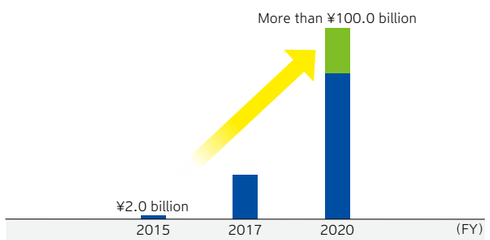
CL-108 is a novel fixed-dose, immediate-release bi-layered tablet with a rapid release layer containing *promethazine* and a second layer containing *hydrocodone* and *acetaminophen*, which releases after *promethazine*. A combination of *hydrocodone* and *acetaminophen* is the standard treatment for pain after external injury or surgery, and this combination is prescribed to approximately 53 million patients each year. Data show that approximately 40% of opioid patients experience opioid-induced nausea and vomiting (OINV). FDA is currently reviewing the NDA for the management of pain severe enough to require an opioid analgesic, while preventing or reducing the associated OINV. The FDA has set a target action date under the Prescription Drug User Fee Act (PDUFA) of January 31, 2017.

Mirogabalin is a new, oral $\alpha 2\delta$-ligand undergoing development for the treatment of pain associated with fibromyalgia in the United States. The U.S. $\alpha 2\delta$-ligand market has a scale of 50 million annual prescriptions. *Pregabalin* has a majority of revenue in this market and achieved sales totaling US$2.7 billion in 2015. However, more than 50% of patients prescribed this drug stop using it within 12 months for reasons such as insufficient pain relief. Accordingly, we feel that there are substantial unmet needs with this regard. We hope that the phase 3 study currently underway will allow us to differentiate *mirogabalin* from *pregabalin* in terms of ease of use, efficacy and safety, and we anticipate the acquisition of top-line results in the first half of 2017.

DSI is targeting U.S. launches of *CL-108* in fiscal 2017 and *mirogabalin* in fiscal 2019, and we will endeavor to grow revenue from the pain franchise to more than ¥100.0 billion in fiscal 2020.

Business Expansion for Pain Franchise (DSI)

Increase revenue to more than ¥100.0 billion in FY2020



Key Success Factors and Main Strategies

■ *MOVANTIK* (treatment for opioid-induced constipation)
- Raise awareness regarding opioid-induced constipation
- Inspire a conversation about opioid-induced constipation
- Deliver affordable access

■ *CL-108* (treatment for pain and opioid-induced nausea and vomiting, targeted launch in FY2017)
- Raise awareness among healthcare professionals regarding opioid-induced nausea and vomiting
- Engage the medical community

■ *Mirogabalin* (treatment for pain associated with fibromyalgia, targeted launch in FY2019)
- Differentiate from *pregabalin* based on phase 3 clinical trial data

(2) Growth of Luitpold Business

Luitpold Pharmaceuticals, Inc. (LPI), another U.S. subsidiary, is achieving rapid growth by increasing revenue of *Injectafer* iron injection and its generic injectable franchise.

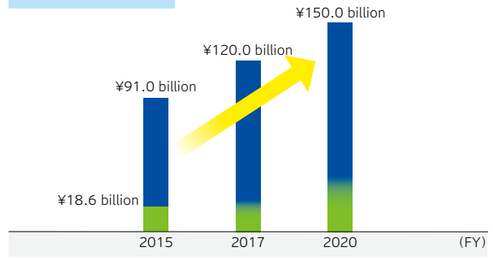
Positioning *Injectafer* as its flagship product, LPI will expand the target scope of its sales teams' coverage to include gastroenterologists,cardiologists and obstetrician-gynecologists that treat iron-deficiency anemia. LPI seeks to acquire a share of more than 40% in the hematology and oncology market. Through these efforts, LPI will realize annual revenue growth of 20% to 30%.

In regard to its generic injectable franchise, LPI will expand capacity for plants and become a top 4 supplier in the United States.

Through the growth of *Injectafer* and the generic injectable franchise, we will aim to achieve revenue of ¥150.0 billion in the Luitpold business.

Growth of Luitpold Business

Increase revenue to more than ¥150.0 billion in FY2020



Iron Franchise

- Build *Injectafer* into a flagship product and a market leader (Compound annual growth rate: 20%–30%)
- Execute lifecycle management
- Expand the target scope of promotion activities to include gastroenterologists, cardiologists and obstetrician-gynecologists that treat iron-deficiency anemia
- Gain a share of more than 40% in the hematology and oncology segment

Generic Injectable Franchise

■ Expand and maximize product portfolio
- Focus on high-market-value products (e.g. anticancer drugs)

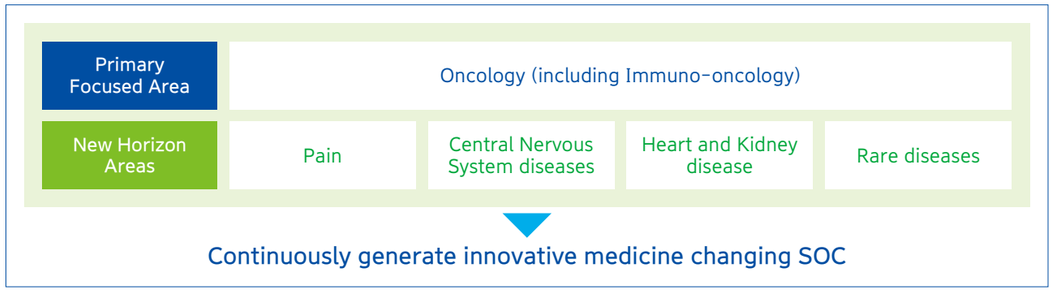
■ Become a top 4 supplier in the U.S. generic injectable market
- Shirley Plant : Upgrade existing manufacturing infrastructure
- New Albany Plant : Consolidate operations and expand capacity
- Hilliard Plant : Maximize space use and expand capacity

Strategic Target 5: Continuously Generate Innovative Medicine Changing Standard of Care (SOC)

(1) Create New Drugs in Oncology and New Horizon Areas

Our target therapeutic areas include oncology, which will be positioned as a primary focused area, as well as pain, central nervous system diseases, heart and kidney disease, and rare diseases, which we define as new horizon areas. Research and development of treatments in these areas will be a priority going forward. By taking advantage of partnering, open innovation,*1 and translation research,*2 we will strive to continuously generate innovative medicine changing SOC.

To facilitate drug discovery efforts in new horizon areas, we transformed our research organization in April 2016 to transition to a bioventure model. Under this model, the Company created small organizations that possess either pharmacology and medicinal chemistry functions or pharmacology and biologics functions. These organizations will be granted decision-making authority in relation to research themes and receive resource allocations based on the results they generate. We expect that this change will give rise to an innovative, venture mind-set and serve to expedite decision making. Consequently, we anticipate a rise in research speed and productivity.



(2) Realize Clinical Application of Innovative Technology

In regard to our advanced fundamental bio technologies, we will have already commenced phase 1 studies for several compounds that utilize antibody dependent cellular cytotoxicity (ADCC), antibody drug conjugate (ADC) and nucleic acid drug*3 technologies. As for bispecific technologies*4 and cell therapies,*5 we are advancing research and preclinical studies on compounds that may be the next candidates to proceed on to the clinical phase.

One example of our nucleic acid drugs is *DS-5141*, a treatment for Duchenne muscular dystrophy that went into phase 1/2 studies in Japan in February 2016. Committed to providing a treatment option for patients suffering from serious cases of this disease, we are working in close coordination with specialists with the aim of acquiring domestic manufacturing and marketing approval for this drug in 2020.

At the same time, we are stepping up initiatives to realize clinical application of our cell therapy technologies. Through efforts out of the Cell Therapy Laboratories established in April 2016 and Asubio Pharma Co., Ltd., which has been advancing research for regeneration and cell therapy with academia, we will lead the advancement of cell therapy in Japan as an industry representative.

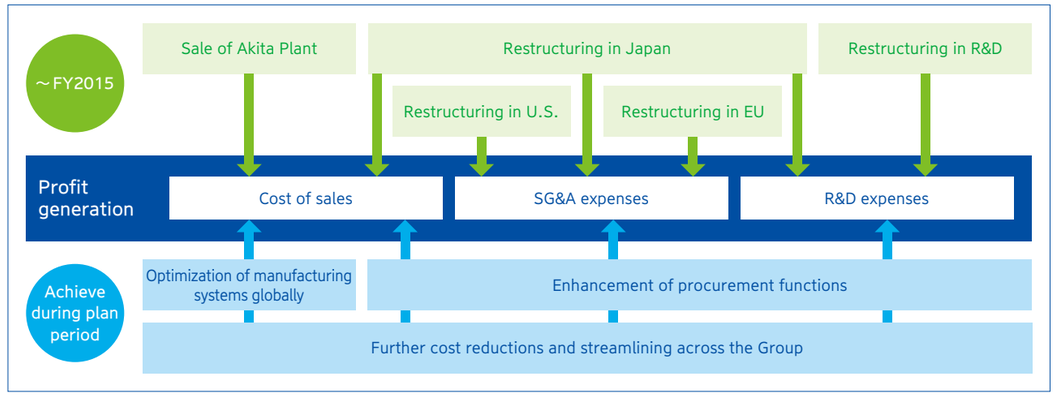
In May 2016, we concluded an in-licensing agreement with U.K.-based Cell Therapy Ltd. (Celixir at present), where Nobel Laureate Professor Martin Evans works as chief science officer, for *Heartcel*, an allogeneic cell therapeutic agent for ischemic heart failure currently in development. Under this agreement, Daiichi Sankyo will be responsible for development and sales of *Heartcel* in Japan. Preparations for a domestic phase 1 study are currently being made.

Furthermore, we have commenced joint research with Asahikawa Medical University targeting the creation of cell therapies using capillary stem cells. Research is currently moving forward to verify the therapeutic effect and realize practical application of these cells for the treatment of patients with a wide range of diseases, including lower leg ischemia and ischemic heart disease.

*1. Open innovation: Development method in which external development capabilities and ideas are used to overcome internal development challenges and create innovative new value
*2. Translation research: Integrated research process encompassing development of new medical innovations, testing in clinical settings to verify safety and efficacy, and application in everyday medical practice
*3. Nucleic acid drugs: Drugs utilizing nucleic acids comprised of genes
*4. Bispecific technologies: Technologies for simultaneously inhibiting the functions of two antigens
*5. Cell therapies: Treatment methods in which cells are extracted from a patient and then selected, activated, multiplied, differentiated, or otherwise manipulated before being administered to the patient to treat various diseases

Strategic Target 6: Enhance Profit Generation Capabilities

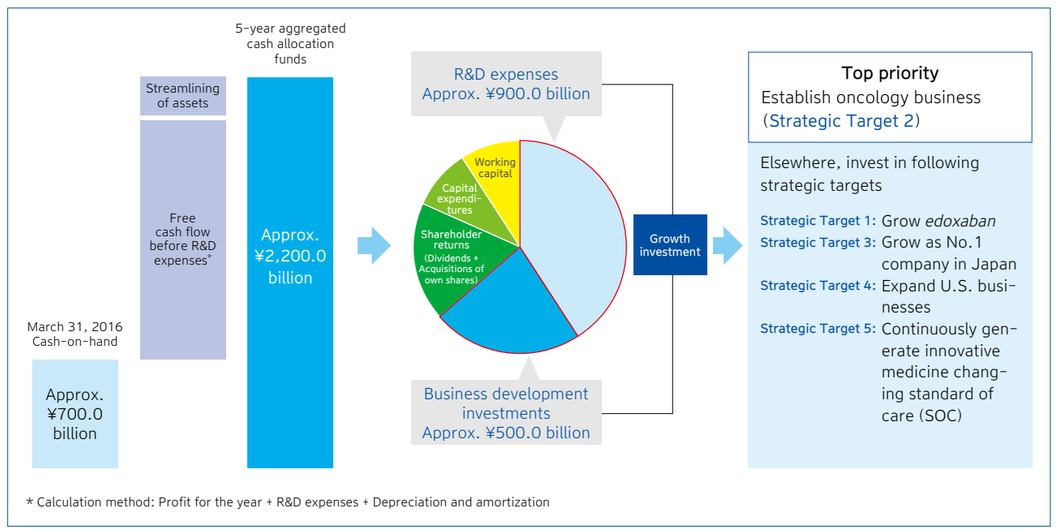
To enhance our profit generation capabilities, we will build upon the business restructuring measures conducted by fiscal 2015. Efforts during the period of this 5-year business plan will include optimizing manufacturing systems globally and further enhancing procurement. In addition, we will pursue further cost reductions and streamlining across the Group, advancing a concerted effort to review cost of sales, SG&A expenses, and R&D expenses to boost our ability to generate profit.



Growth Investments for Advancing Strategic Targets

Daiichi Sankyo will actively conduct growth investments to facilitate the advancement of these strategic targets.

The Company will utilize cash on hand of roughly ¥700.0 billion as of March 31, 2016, as well as the approximately ¥2,200.0 billion in cash to be generated during the period of this 5-year business plan to conduct growth investments of ¥900.0 billion in R&D expenses and ¥500.0 billion in business development. In conducting these investments, our top priority will be to acquire oncology products and pipelines, and investments will be made for advancing other growth strategies as necessary.



Operations and Financial Position

Summary of Financial Results in Fiscal 2015

- Revenue up ¥67.1 billion, to ¥ **986.4** billion (**7.3**% ↗up)
- Operating profit up ¥56.0 billion, to ¥**130.4** billion (**75.2**% ↗up)
- Profit before tax up ¥42.5 billion, to ¥**122.4** billion (**53.1**% ↗up)
- Profit from continuing operations up ¥36.8 billion, to ¥ **80.4** billion (**84.5**% ↗up)
- Profit attributable to owners of the Company down ¥239.8 billion, to ¥ **82.3** billion (**74.5**% ↘down)

Consolidated Financial Results for Fiscal 2015

Revenue

Group revenue in fiscal 2015 increased ¥67.1 billion, or 7.3% year on year, to ¥986.4 billion.

The increase in revenue was mainly due to growth in sales of mainstay products in Japan, the United States, and Asia, combined with the positive impact of foreign exchange rate movements, which boosted revenue by approximately ¥12.9 billion.

Operating Profit

Operating profit increased ¥56.0 billion, or 75.2% year on year, to ¥130.4 billion.

Operating profit increased largely due to higher gross profit combined with lower selling, general and administrative expenses despite a rise in research and development expenses.

Profit before Tax

Profit before tax increased ¥42.5 billion, or 53.1% year on year, to ¥122.4 billion.

The increase in profit before tax was not as substantial as the increase in operating profit due to foreign exchange rate movements coupled with a rise in financial expenses related to payments regarding the sale of Sun Pharmaceutical Industries Ltd.'s shares.

Profit from Continuing Operations

Profit from continuing operations increased ¥36.8 billion, or 84.5% year on year, to ¥80.4 billion.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company declined ¥239.8 billion, or 74.5% year on year, to ¥82.3 billion.

Profit attributable to owners of the Company declined substantially because the gain from merger of a subsidiary of ¥278.7 billion (after tax effect) resulting from Ranbaxy Laboratories Ltd.'s merger with Sun Pharmaceutical Industries Ltd. was included in fiscal 2014.

Consolidated financial results

(Billions of yen)

	FY2014	FY2015	YoY change
Revenue	919.4	986.4	67.1 7.3%
Operating profit	74.4	130.4	56.0 75.2%
Profit before tax	79.9	122.4	42.5 53.1%
Profit from continuing operations	43.6	80.4	36.8 84.5%
Profit (loss) from discontinued operations	275.4	—	(275.4) —
Profit attributable to owners of the Company	322.1	82.3	(239.8) (74.5%)

Note: During fiscal 2014, following the fact that Ranbaxy Laboratories Ltd. ("Ranbaxy") was merged into Sun Pharmaceutical Industries Ltd. ("Sun Pharma"), the Ranbaxy Group was excluded from the cope of consolidation. In fiscal 2014, the Ranbaxy Group was classified as a discontinued operation. Consequently, for the amounts of revenue, operating profit and profit before tax, only the figures for continuing operations excluding the Ranbaxy Group are presented.

Revenue from global mainstay products

(Billions of yen)

Product name		FY2014	FY2015	YoY change
Olmesartan	Antihypertensive agent	293.5	284.1	(9.4) (3.2%)
Prasugrel	Antiplatelet agent	24.9	32.2	7.3 29.4%
Edoxaban	Anticoagulant	4.3	15.0	10.7 251.1%

Research and development expenses

(Billions of yen)

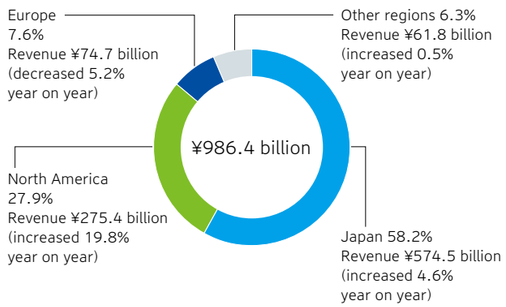
	FY2014	FY2015
Research and development expenses	190.7	208.7
Ratio of research and development expenses to revenue	20.7%	21.2%

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

(Yen)

	FY2014	FY2015
USD / JPY	109.94	120.14
EUR / JPY	138.78	132.57

Revenue by Geographic Area



Reports by Segment

Japan

Revenue: ¥574.5 billion (increased 4.6% year on year);
Revenue Composition Ratio: 58.2%

Revenue in Japan increased 4.6% year on year, to ¥574.5 billion.

Revenue from prescription drugs in Japan increased 4.6% year on year, to ¥499.1 billion. This increase was attributable to factors including growth in sales of products such as *NEXIUM*, *Memary*, *TENELIA*, *LIXIANA*, *PRALIA*, *RANMARK*, and *Efient*, which offset the impact of a rise in prescriptions of generic drugs. This segment also includes revenue generated by Daiichi Sankyo Espha Co., Ltd., which engages mainly in the generic business, and revenue generated from the vaccine business of Kitasato Daiichi Sankyo Vaccine Co., Ltd., and Japan Vaccine Co., Ltd. In addition, *Olmetec orally disintegrating (OD) tablets* and *Squarekids*, a tetravalent combination vaccine (DPT-IPV) for the prevention of diphtheria, pertussis, tetanus, and poliomyelitis, were launched in December 2015.

Revenue from royalty and exports, which centered on exports of the active pharmaceutical ingredients of *levofloxacin*, a synthetic antibacterial agent, decreased 13.1% year on year, to ¥18.7 billion.

Revenue from the OTC related business of Daiichi Sankyo Healthcare Co., Ltd., increased 11.6% year on year, to ¥53.4 billion. In November 2015, Daiichi Sankyo Healthcare Co., Ltd. acquired all of the shares of Im Co., Ltd., in order to reinforce foundations for the direct marketing business in the skincare field.

Primary revenue composition in Japan

(Billions of yen)

Category	FY2014	FY2015	YoY change
Prescription drugs	477.0	499.1	22.1 4.6%
Royalty and exports	21.5	18.7	(2.8) (13.1%)
Healthcare (OTC) products	47.8	53.4	5.5 11.6%

Domestic revenue from mainstay prescription drugs

(Billions of yen)

Product name		FY2014	FY2015	YoY change
NEXIUM	Ulcer treatment	69.3	82.4	13.1 18.8%
Olmetec	Antihypertensive agent	76.3	73.9	(2.5) (3.2%)
Loxonin	Anti-inflammatory analgesic [of which *Loxonin Tape*]	49.5 [31.1]	48.1 [31.8]	(1.4) (2.8%)
Memary	Alzheimer's disease treatment	36.8	42.4	5.6 15.3%
Cravit	Synthetic antibacterial agent	27.8	18.4	(9.5) (34.0%)
Rezaltas	Antihypertensive agent	18.4	18.2	(0.2) (1.3%)
Omnipaque	Contrast medium	17.2	16.9	(0.3) (1.9%)
TENELIA	Type 2 diabetes mellitus inhibitor	7.6	16.5	9.0 118.9%
Artist	Treatment for hypertension, angina pectoris and chronic heart failure	18.1	15.1	(3.0) (16.8%)
Inavir	Anti-influenza treatment	16.6	14.0	(2.6) (15.4%)
Mevalotin	Antihyperlipidemic agent	16.2	13.4	(2.7) (16.9%)
LIXIANA	Anticoagulant	3.6	13.0	9.4 262.6%
PRALIA	Treatment for osteoporosis	7.3	12.5	5.1 70.1%
RANMARK	Treatment for bone complications caused by bone metastases from tumors	10.2	12.4	2.2 22.0%
Urief	Treatment for dysuria	11.5	11.8	0.3 2.8%
Efient	Antiplatelet agent	0.7	4.9	4.2 613.5%

North America

Revenue: ¥275.4 billion (increased 19.8% year on year);
Revenue Composition Ratio: 27.9%

Revenue in North America increased 19.8% year on year, to ¥275.4 billion. Revenue in local currency terms rose by 9.6%, to US$2,292 million.

At Daiichi Sankyo, Inc. (DSI), overall sales increased thanks to contributions from higher sales of *TRIBENZOR*, *Effient*, and *MOVANTIK*, for which co-promotion started in April 2015 despite a decline in sales of *Benicar* and *Benicar HCT*, *AZOR*, *Welchol*, and *SAVAYSA*.

At Luitpold Pharmaceuticals, Inc., sales of *Injectafer* contributed significantly to the increase in revenue, though performance of *Venofer*. remained unchanged.

In addition, DSI decided to reorganize its commercial structure to prepare for the launch of new products in the U.S. market in highly specialized areas including the pain, oncology, and cardiovascular-metabolic fields. As part of its aim of transitioning to a more efficient and flexible organization, DSI reduced its workforce by around 1,000 people.

Revenue of Daiichi Sankyo, Inc.'s mainstay products

(Millions of US$)

Product name		FY2014	FY2015	YoY change
Benicar / Benicar HCT	Antihypertensive agent	700	661	(39) (5.6%)
AZOR	Antihypertensive agent	166	164	(2) (1.1%)
TRIBENZOR	Antihypertensive agent	103	103	1 0.5%
Welchol	Hypercholesterolemia treatment / type 2 diabetes mellitus inhibitor	431	403	(29) (6.6%)
Effient	Antiplatelet agent (co-promotion revenue)	160	173	13 8.0%
SAVAYSA	Anticoagulant	6	4	(3) (41.1%)
MOVANTIK	Opioid-induced constipation treatment (co-promotion revenue)	—	17	17 —%

Revenue of Luitpold Pharmaceuticals, Inc.'s mainstay products

(Millions of US$)

Product name		FY2014	FY2015	YoY change
Venofer	Treatment for iron deficiency anemia	260	260	(0) (0.1%)
Injectafer	Treatment for iron deficiency anemia	69	155	86 123.2%

Europe

Revenue: ¥74.7 billion (decreased 5.2% year on year);
Revenue Composition Ratio: 7.6%

Revenue in Europe decreased 5.2% year on year, to ¥74.7 billion. Revenue in local currency terms declined 0.7%, to €564 million.

Although sales of *Sevikar HCT*, *Efient*, and *LIXIANA* (launched in fiscal 2015) rose, this increase was offset by lower sales of *Olmetec* and *Olmetec Plus* as well as *Sevikar*.

Revenue of Daiichi Sankyo Europe GmbH's mainstay products

(Millions of euro)

Product name		FY2014	FY2015	YoY change
Olmetec / Olmetec Plus	Antihypertensive agent	272	248	(24) (9.0%)
Sevikar	Antihypertensive agent	127	124	(2) (1.9%)
Sevikar HCT	Antihypertensive agent	71	73	1 1.9%
Efient	Antiplatelet agent (co-promotion revenue)	34	41	6 18.3%
LIXIANA	Anticoagulant agent	—	12	12 —%

Other regions

Revenue: ¥61.8 billion (increased 0.5% year on year);
Revenue Composition Ratio: 6.3%

In other regions, revenue rose 0.5% year on year, to ¥61.8 billion.

Sales of mainstay products grew in China, South Korea, and other countries.

Revenue in Venezuela decreased ¥7.9 billion year on year, to ¥0.2 billion, due to changes in the exchange rates for Venezuela's currency (Venezuelan bolivar), which resulted from the deterioration of economic conditions in this country.

Financial Results Forecasts for Fiscal 2016

Revenue in fiscal 2016 is expected to decrease 6.7% year on year, to ¥920.0 billion, partially because of the loss of patent protection for *olmesartan*, which will occur first in the United States, as well as the adverse effects of the NHI price revisions in Japan and unfavorable foreign exchange influences. This decrease will occur despite Daiichi Sankyo's efforts focusing on increasing sales of *edoxaban*, expanding sales of mainstay products in Japan, and growing sales of *Injectafer* by U.S.-based Luitpold Pharmaceuticals.

In addition, Daiichi Sankyo expects to secure operating profit of ¥100.0 billion, a decrease of 23.3% from fiscal 2015. Operating profit will be affected by one-time expenses of approximately ¥20.0 billion associated with restructuring costs to be carried out in fiscal 2016.

Profit attributable to owners of the Company is expected to be ¥65.0 billion, down 21.0% year on year.

Forecasts are based on an assumption of foreign exchange rates at ¥110 to the U.S. dollar and ¥125 to the euro.

Daiichi Sankyo Group

(Billions of yen)

	FY2015	FY2016	YoY change
Revenue	986.4	920.0	(66.4) (6.7%)
Cost of sales*	318.6	320.0	1.4
Selling, general and administrative expenses*	328.8	310.0	(18.8)
Research and development expenses*	208.7	190.0	(18.7)
Operating profit	130.4	100.0	(30.4) (23.3%)
Profit before tax	122.4	100.0	(22.4) (18.3%)
Profit attributable to owners of the Company	82.3	65.0	(17.3) (21.0%)

* These expenses in fiscal 2016 include one-time expenses of approximately ¥20.0 billion associated with restructuring costs.

		FY2015	FY2016
Foreign exchange rates	USD / JPY	120.14	110
	EUR / JPY	132.57	125

Shareholder Returns

In order to achieve sustainable growth in corporate value, the basic policy of management is to decide profit distributions based on a comprehensive consideration of the investments essential for implementing the growth strategy and profit returns to shareholders.

Under this basic policy, Daiichi Sankyo acquired approximately 20,650 thousand of its own shares for approximately ¥50.0 billion on the open market over the period from May to August 2015.

Daiichi Sankyo celebrated its 10th founding anniversary on September 28, 2015. To commemorate this event, the Company paid a commemorative dividend of ¥10 per share, in addition to the ordinary dividend of ¥30 to all shareholders as of September 30, 2015. Accordingly, annual dividends in fiscal 2015 amounted to ¥70 per share (regular dividend of ¥60 + commemorative dividend of ¥10 per share).

The 5-year business plan, which was announced in March 2016, sets forth a shareholder return policy that calls for a total return ratio of 100% or more for the duration of the plan (total return ratio = (dividends + total acquisition costs of own shares) / profit attributable to owners of the Company). On the basis of this policy, Daiichi Sankyo intends to pay a regular dividend of ¥70 per share for fiscal 2016, a ¥10 per share increase from fiscal 2015. In addition, over the period from June 21 to October 28, 2016, the Company will acquire its own shares from the open market. The upper limit for this acquisition will be ¥50.0 billion (28 million shares).

Shareholder returns

		FY2015	FY2016
Annual dividends per share (yen)	Ordinary dividend	60	70 (plan)
	Commemorative dividend	10	—
Acquisition of treasury shares (billion yen)		50.0 (Implemented from May through August)	50.0 limit (Implementing from June through October)

Business Risks

The following section provides an overview of the principal risks that could negatively affect the business results and financial condition of the Group. Any forward-looking statements or projections contained in this overview represent the best judgment of management based on information available as of March 31, 2016. Actual results may differ from the forecasts due to a range of factors.

1) Risks Related to Dependence on Specific Products

In fiscal 2015, sales of *olmesartan* accounted for 28.8% of consolidated revenue. A decrease in revenue resulting from expiration of the patent protection with respect to *olmesartan* or other factors could adversely affect Daiichi Sankyo's business results and financial position (the patent protection remains in effect until October 2016 in the United States, and until February 2017 in Japan and Europe).

2) Litigation-Related Risks

Besides potential fair transaction issues, the Group could face litigation of various forms concerning its business activities, including without limitation lawsuits related to drug side effects, product liability, or labor disputes. Any such litigation could have an adverse effect on the Group's business results and financial position.

Multiple lawsuits have been filed against Daiichi Sankyo Company, Limited; Daiichi Sankyo, Inc. (DSI); and Daiichi Sankyo U.S. Holdings, Inc., as well as Forest Laboratories, LLC (head office: New York, United States), and the subsidiaries and affiliates thereof in U.S. federal and state courts by claimants alleging to have experienced sprue-like enteropathy (primary symptoms include severe diarrhea) and other complications as a result of taking pharmaceuticals containing *olmesartan medoxomil* (sold under *Benicar* or other brand names in the United States). Although the Company and the Company's consolidated subsidiaries could incur damages as a result of the above-mentioned litigation, it would be difficult or impossible at present to reasonably estimate the monetary amount of any such damages.

3) Risks Related to Laws, Regulations, and Regulatory Trends to Limit Healthcare Expenditures

Prescription drugs in Japan are subject to a variety of laws, regulations, and ordinances. Any regulatory changes or associated trends related to the medical treatment system and national health insurance (NHI)—most notably NHI price revisions—could have a negative impact on the Group's earnings and financial position. Similarly, sales of prescription drugs in overseas markets are also subject to various legal and regulatory constraints; the Group's performance in these markets could be adversely affected by regulatory trends.

Following an investigation by the U.S. Department of Justice into the Physician Opinion & Discussion programs

related to the mainstay products, DSI concluded a legal settlement with the Department of Justice and other government agencies. Under the settlement, DSI agreed in fiscal 2014 to pay approximately US$39 million, while also entering into a Corporate Integrity Agreement with the Office of Inspector General of the U.S. Department of Health and Human Services.

The Daiichi Sankyo Group is making concerted efforts to ensure even greater thoroughness with respect to compliance with the laws and regulations of various countries around the world.

4) Risks Related to Corporate Acquisitions and Other Such Initiatives

Daiichi Sankyo engages in corporate acquisitions, capital alliances, and other such initiatives as part of its efforts to develop R&D and other operational areas. When acquiring a corporation or taking other such action, Daiichi Sankyo's efforts involve conducting due diligence in relation to the entity being considered for acquisition or the potential alliance counterparty and determining the potential effects anticipated as a result of the corporate acquisition or other such action taken. Nevertheless, a situation could develop involving an unanticipated outcome as a consequence of such an acquisition or other actions, amid factors including a changing business environment and business operations of the target company, or the emergence of information not revealed in the course of conducting due diligence. Such circumstances could adversely affect Daiichi Sankyo's business results and financial position.

Daiichi Sankyo announced in April 2014 that it had concluded an agreement with Sun Pharmaceutical Industries Ltd. (Sun Pharma), under which the latter would acquire Ranbaxy Laboratories Ltd. (Ranbaxy) via a merger in exchange for receipt by Daiichi Sankyo of shares in Sun Pharma. This merger was completed on March 24, 2015 (the closing date).

As per the contract between Sun Pharma and Daiichi Sankyo regarding the merger of Ranbaxy into Sun Pharma, Daiichi Sankyo could be required to indemnify Sun Pharma for 63.5% of penalties and damages, etc., arising from quality issues of Ranbaxy prior to the closing date, which are to be paid to U.S. federal or state governmental authorities by Sun Pharma or Ranbaxy, with a maximum cap amount of US$325 million. This obligation lasts for seven years from the closing date. In April 2015, Daiichi Sankyo sold all of the acquired Sun Pharma shares, but the aforementioned agreement remains in effect.

5) Risks Related to R&D and Alliances

Research and development of new drug candidates is a costly process that requires many years to complete successfully, during which time there is a continual risk that R&D activities concerning a particular compound may be terminated due to failure to demonstrate the expected clinical efficacy. Even if favorable results are obtained in clinical trials, changes in the regulatory approval criteria may result in failure to gain drug approval. In addition, any changes in the terms of agreements related to R&D-related alliances with third parties, or the cancellation thereof, may adversely affect the outcomes of R&D programs.

Group subsidiary Kitasato Daiichi Sankyo Vaccine Co., Ltd. (KDSV), was selected in 2011 to receive a grant from the Ministry of Health, Labour and Welfare (MHLW) in Japan for a cell culture vaccine production facility as part of the MHLW's second initiative to build up Japan's capacity for producing H5N1 influenza vaccines. Under the terms of the grant, KDSV planned to build a vaccine supply chain capable of producing sufficient amounts of vaccine for 40 million people within six months by the end of March 2014. However, the company was not able to establish sufficient capacity to attain this goal due to declines in yield experienced in the viral antigen purification process. After taking steps to improve yields by subsequently revamping production processes, the project is expected to continue until the establishment of a vaccine supply chain capable of producing sufficient amounts of vaccine for 40 million people.

6) Manufacturing and Procurement Risks

The Group manufactures some of its products at its own production facilities using original technology but is also dependent on specific suppliers for the supply of some finished products, raw materials, and production intermediates. Any delay, suspension, or termination of manufacturing or supply activities for any reason could have a material impact on the Group's business results and financial position. The manufacture of pharmaceuticals in Japan is subject to strict regulation as stipulated in the Pharmaceuticals and Medical Device Act. Any quality assurance problem necessitating a product recall or other action could have an adverse effect on the Group's business results and financial position.

7) Risks Related to Emergence of Side Effects or Sales of Rival Products

Daiichi Sankyo's business results and financial position could be adversely affected by a decline in sales of its pharmaceutical products due to situations such as those involving the emergence of unanticipated side effects of a drug or due to competition against rival products or the entry of generic products upon expiration of a patent within the same therapeutic area, particularly in situations where low-priced generic pharmaceuticals go on sale upon patent expiration. Any changes in the terms of sales or technology transfer agreements, or the expiration or cancellation thereof, could also adversely affect Daiichi Sankyo's business results and financial position. In addition, any new product may not necessarily generate sales and profits commensurate with the investment in its research and development due to growing use of generic products in the United States and other developed countries in which it is possible to file for the approval of generic pharmaceutical products even before patent expiration or due to unfavorable results emerging from negotiations with public and private insurers.

8) Intellectual Property Risks

Any infringement of patents or other intellectual property rights of other parties arising from the Group's business activities could result in legal restraints being placed on such activities or prompt related commercial litigation. Conversely, an infringement of the intellectual property rights of the Group by third parties could lead to legal action by the Group to protect such rights. In either case, the resulting outcome could have a material impact on the Group's business results and financial position.
In particular, due to the increasing use of generic products in developed countries, lawsuits and other challenges to Group-owned intellectual property could increase in prevalence.

9) Risks Related to Developing Business Overseas

Daiichi Sankyo faces risks with respect to operations abroad in the course of actively expanding its business overseas involving pharmaceutical product development, sales, and other such activities. Such risks include the possibility of violating laws and regulations of respective regions as well as those pertaining to local labor-management relations, particularly when faced with adverse geopolitical factors, including political instability and deteriorating economic conditions in a particular region. Accordingly, Daiichi Sankyo's business results and financial position could be adversely affected should any such risk materialize.

10) Operational Risks Related to Occurrence of Disasters

Any damage to Group production, research, or other facilities or any related suspension or cessation of business activities as a result of earthquakes, floods, typhoons, storms, or other natural disasters or due to conflicts, acts of terrorism, fire, or other man-made causes, including incidents at nuclear power stations or any other occurrences resulting in long-term damage to electricity supply networks or other social infrastructure, could have a negative impact on the Group's business results and financial position.

Based on our experience with the Great East Japan Earthquake that occurred in March 2011, the Group formulated a new business continuity plan (BCP) to support swift restoration of operations in an emergency and ensure an ability to maintain reliable supplies of high-quality pharmaceuticals for the benefit of Japan's medical system. The BCP revises the prioritization of actions from the perspectives of ensuring the continuity of operations, especially for mainstay products, and the rapid restoration of any supplies of medicines for emergency use and medicines with no substitutes, both of which are categories with high social significance.

The supply chain risks associated with the time required to restore supplies in the event of an emergency were also evaluated, based on the recovery period required after the Great East Japan Earthquake and the probability of further earthquakes. In addition, the Group has appropriately updated its preventative measures for natural disasters and emergencies, including its contingency measures to enable the restoration of supplies or switches to substitute products.

11) Environmental Risks

Certain chemicals used in pharmaceutical research and manufacturing processes include substances with the potential to exert a negative impact on human health and natural ecosystems. While the Group strives to ensure that the management of these substances is conducted properly at all times, any judgment that Group operations pose a risk of serious environmental impact due to soil contamination, air pollution, or water pollution could adversely affect the Group's business results and financial position.

12) Financial Market and Foreign Exchange Rate Fluctuation Risks

Declines in share prices could lead to write-downs or losses on disposal related to stocks owned by the Group. The Group's retirement benefit expenses could increase depending on trends in interest rates. In addition, fluctuations in foreign exchange rates could have an adverse effect on the Group's financial position. The Group conducts business, including production, sales, import, and export activities, on a global basis, and foreign rate exchange movements could therefore have a material impact on its business results and financial position.

13) Other Risks

Other risks besides those noted above that could have a negative impact on the Group's business results and financial position include an interruption of the Group's computer systems due to a network-mediated virus or other causes; unauthorized disclosures of confidential information; illegal or improper actions by officers or employees; and changes in share prices or interest rates and other risks related to funding procurement.

Organization-Wide Initiatives Pursuing Sustainable Improvement for Corporate Value

The Daiichi Sankyo Group has defined the DAIICHI SANKYO Group Corporate Conduct Charter to act with the highest ethical standards and good social conscience appropriate for a company engaged in a business that affects human lives to fulfill its corporate mission. Based on this charter, we advance corporate activities in a socially responsible manner to meet the diverse expectations of society and improve corporate value.

The Principles of Our Corporate Activities to Fulfill Our Mission

DAIICHI SANKYO Group Corporate Conduct Charter

The DAIICHI SANKYO Group fulfills its mission to "To contribute to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs."
We comply with laws, regulations and rules regarding global corporate activities, and act with the highest ethical standards and a good social conscience appropriate for a company engaged in a business that affects human lives based on the following principles. We fulfill our corporate social responsibility (CSR) by actively responding to an ever-changing society and enacting improvements for corporate value.

Article 1 We diligently address medical needs by providing beneficial, safe, and reliable pharmaceuticals and services.

Article 2 We conduct business in an ethical, fair and competitive manner, and maintain a healthy and professional relationship with our stakeholders, which include medical professionals and governments.

Article 3 We actively communicate with our stakeholders by disclosing corporate information in a timely and appropriate manner in accordance with the principles of corporate accountability. We take appropriate measures to manage and protect personal and customer information and the confidential information of our and other companies.

Article 4 The globalization of business activities requires that we operate by being compliant with the laws of each country and region, and by being respectful to all international norms including human rights, various cultures and customs. As a result, we contribute to the development of the local economy and society.

Article 5 We respect diversity in the personal values, qualities and individuality of our employees, and ensure a safe and working environment that does not tolerate inappropriate treatment such as discrimination or harassment. We provide employees the opportunity to develop their skills and abilities for the mutual development of the employee and the corporation.

Article 6 We responsibly manage the environmental impact of our operations as environmental issues are common challenges for mankind and such concerns are integral to our corporate activities and our very survival.

Article 7 We actively engage in community activities and philanthropic programs focused on social causes.

Article 8 We do not support or conduct our business with antisocial forces, prohibited entities or groups that may threaten the order or safety of civil society.

Article 9 Executives of the DAIICHI SANKYO Group actively build and maintain effective systems to implement this Charter, ensure it is understood by all Group companies and make this Charter known to our business partners.

Article 10 If the Charter is violated, executives of DAIICHI SANKYO Group Companies ensure that there is a commitment to determine the cause of infringement, take corrective action as necessary and make efforts to prevent similar violations in the future. Executives are accountable for promptly making required disclosures and upon discerning responsibility regarding the infringement, impose appropriate disciplinary action, including upon Executives themselves.

Global Management Structure (As of July 1, 2016)

Joji Nakayama
President and CEO

Business Units

Satoru Kimura
Sales & Marketing Unit (Japan)

Toshiaki Tojo, Ph.D.
Vaccine Business Unit

Ken Keller
Daiichi Sankyo, Inc. (DSAC)

Jan Van Ruymbeke, MD.
Daiichi Sankyo Europe GmbH

Shuji Handa
ASCA Company

Ken Keller
Luitpold Pharmaceuticals, Inc.

Yoshiki Nishii
Daiichi Sankyo Healthcare Co., Ltd.

Stuart Mackey
Business Development

Yoshihiro Aoyagi
General Counsel

Corporate Units

Toshiaki Sai
Corporate Strategy Unit

Kazunori Hirokawa, MD., Ph.D.
Corporate Management Unit

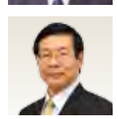
Sunao Manabe DVM, Ph.D.
General Affairs & Human Resources Unit

Functional Units

Glenn Gormley, MD., Ph.D.
R&D Unit

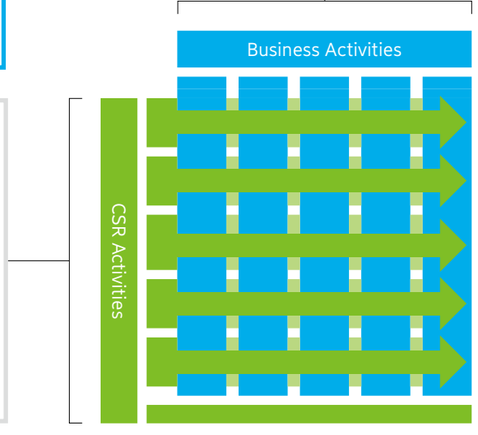
Naoyuki Kishi, Ph.D.
Pharmaceutical Technology Unit

Katsumi Fujimoto, Ph.D.
Supply Chain Unit



Hirosumi Izawa
Quality & Safety Management Unit

This section provides detailed explanations of the activities of each of the Group's business units and functional units.



Business Units

Business Units (Japan)

Accurate Response to Medical Needs and Social Trends through Four Businesses

The Daiichi Sankyo Group will strengthen and enhance its innovative pharmaceuticals business as the core of its operations while steadily growing its vaccine business, generic business, and over-the-counter (OTC) business. Through these four businesses, the Company will furnish accurate responses to a wide range of medical needs and social trends related to areas such as prevention, self-medication, and treatment, thereby making comprehensive contributions to medicine in Japan.

Sales & Marketing Unit (Japan)
(Innovative Pharmaceuticals Business)

We will contribute to progress in the advanced medicine field by continually providing information on new drug treatment methods as an ethical, trusted and respectful partner.

Daiichi Sankyo Espha Co., Ltd.
(Generic Business)

Daiichi Sankyo seeks to leverage the public trust in its ability to manufacture quality generic drug products, and thereby contribute to the health and wellness of patients, and contribute to national medicine in Japan in this era of rapidly aging societies.

Vaccine Business Unit: Kitasato Daiichi Sankyo Vaccine Co., Ltd., Japan Vaccine Co., Ltd.
(Vaccine Business)

We are committed to contributing to public health by creating innovative vaccines and reliably supplying high-quality vaccines.

Daiichi Sankyo Healthcare Co., Ltd.
(OTC Related Business)

As a consumer healthcare company, we will promote the safe and effective use of OTC medicines, empowering individuals to actively manage their health.

Business Units (Overseas)

United States

Daiichi Sankyo, Inc. (DSAC*)

Daiichi Sankyo, Inc., is branching out from the cardiovascular field, which centers on physicians in private practices, to transform into a company with product portfolios for pain, oncology, and other specialty fields.

Luitpold Pharmaceuticals, Inc.

Luitpold Pharmaceuticals, Inc., is leading the growth of the IV iron market and strives to become a top 4 supplier of generics in the small volume injectable market.

* Daiichi Sankyo, Inc. Administrative & Commercial Operations

Europe

Daiichi Sankyo Europe GmbH

Daiichi Sankyo Europe GmbH is evolving into a specialty care and hospital focused company that complements the manufacturing and sales foundations it has established in the cardiovascular field with capabilities in specialty fields.

Asia, South & Central America (ASCA)

ASCA Company

The ASCA Company advances a business that brings value to patients in the ASCA region, with a particular focus on China and Brazil, where it holds manufacturing and sales bases, and South Korea, Taiwan, and Thailand, where it employs sales professionals.

Japan
Sales & Marketing Unit (Japan)
(Innovative Pharmaceuticals Business)

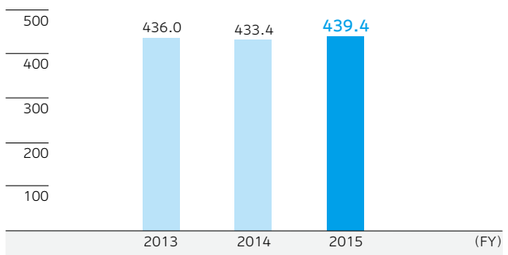
Satoru Kimura
Head of Sales & Marketing Unit (Japan)

Sales & Marketing Unit

The Sales & Marketing Unit is responsible for the innovative pharmaceuticals business that forms the core of domestic pharmaceutical operations. Over the past several years, this unit has launched numerous products that will be increasingly important to Japan as its population ages. Focused on new product lineups, this unit will, in large part, drive the growth of the Daiichi Sankyo Group going forward.

It is becoming ever more important to collect, provide and transmit information regarding the appropriate use of pharmaceuticals to physicians, pharmacists and other healthcare professionals. This crucial task is entrusted to our approximately 2,200 medical representatives (MRs), who provide information on pharmaceuticals throughout Japan on a daily basis. These MRs supply top-quality pharmaceutical products and deliver appropriate medical information to enable physicians to ensure that patients receive appropriate treatment with peace of mind. Through these efforts, we hope to help foster strong relationships between patients and their families and healthcare professionals, and we strive to be viewed as an ethical, trusted and respectful partner to healthcare professionals.

Sales & Marketing Unit Revenue



Major Achievements in Fiscal 2015

- **Revenue of ¥439.4 billion (up 1.4% year on year)**
  Despite the impacts of increased prescriptions of generic pharmaceuticals, sales grew for new products, such as *NEXIUM*, *Memary*, *TENELIA*, *LIXIANA*, *PRALIA*, *RANMARK*, and *Efient*.
- **MRs ranked No.1**
  In fiscal 2015, Daiichi Sankyo was ranked in Japan as No.1 among pharmaceutical companies by all surveyed physicians in an overall assessment on MR activities, and it was also ranked as No.1 by cardiologists.* We have maintained the top ranking in both categories for four consecutive years beginning with fiscal 2012.
- **All MRs pass certificate test for six consecutive years**
  In regard to new MR training, all MRs have passed the certificate test held in December for six consecutive years since fiscal 2010.

* Survey conducted by ANTERIO Inc.

Sales & Marketing Unit (Japan) 5-Year Business Plan

- Enhance our reputation as an ethical, trusted and respectful partner
- Advance field and product strategies—conduct information provision activities (BRIDGE)
- Construct systems and functions compatible with operating environment changes
- Promote multichannel approach

Quest to Be Recognized as an Ethical, Trusted and Respectful Partner

Our greatest assets are our MRs. We believe it is important for our MRs to leverage their skills, an area in which they are particularly highly evaluated, to build strong, trusting relationships with healthcare professionals. To become the type of MR that is truly in demand by healthcare professionals, our MRs strive to provide information that matches the ever-changing needs of these professionals and form a link between different individuals in the same area, thereby becoming established as ethical, trusted, and respectful partners.

Field and Product Strategies—Information Provision Activities (BRIDGE)

One of Daiichi Sankyo's strengths is its robust lineup of products in a diverse range of fields. Going forward, we will step up information provision activities in relation to the thrombosis, lifestyle-related disease, central nervous system (dementia, epilepsy) and osteoporosis fields. In the thrombosis field, we are also leveraging our historical expertise and strengths to pursue the quick maximization of sales of *LIXIANA*, an anticoagulant, and *Efient*, an antiplatelet agent.

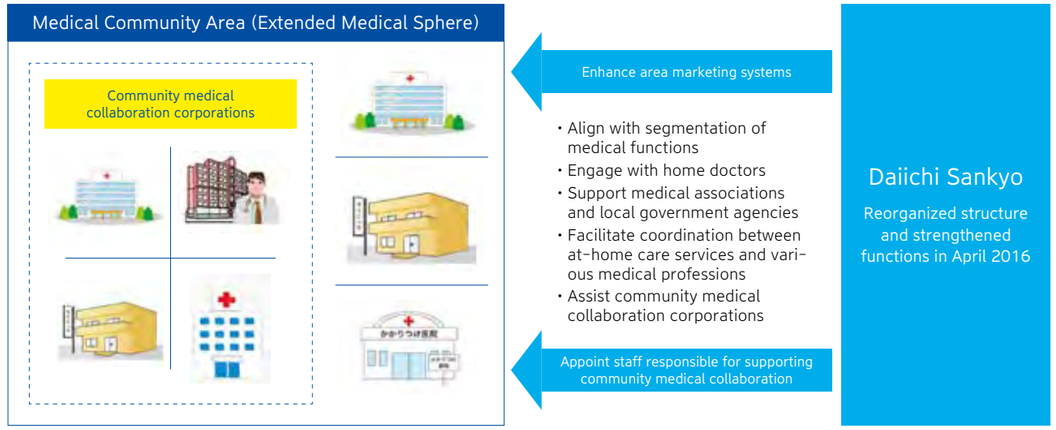
In advancing our information provision activities, we are deploying our new "Bright Days Together" or "BRIDGE" concept based on our goal of bridging the gap between healthcare professionals and patients and their families. For healthcare professionals who treat patients with various symptoms and diseases, information provision will not be limited to a single particular drug. Rather, we will provide a more comprehensive range of information in consideration of all areas of patient care. We also offer necessary information for responding to the rapidly changing healthcare environment to aid healthcare professionals in their daily endeavor to provide safe and reliable healthcare.

Construction of Systems and Functions Compatible with Operating Environment Changes

Looking ahead, it can be expected that the medical field will transition away from its traditional facility-housed form toward a community-encompassing form in which medical functions are segmented throughout regions adopting the medical community concept. This shift will clarify the division of areas. The spread of this medical community concept and the associated integrated community medical system will increase the importance of conducting marketing activities that target entire areas. In view of the scheduled creation of integrated community medical systems in 2025* and the rapid changes occurring in the industry, we will strengthen and evolve our area marketing systems to cater to the needs of community-encompassing medical spheres.

* 2025: Target year for the creation of integrated community medical systems set by the Ministry of Health, Labour and Welfare

Enhance necessary roles and systems to respond to the promotion of integrated community medical systems through the medical community concept and community medical collaboration corporations



Multichannel Approach

We will adopt a multichannel approach to fully leverage the capabilities of our MRs, an area of Company strength, and thereby enhance our information provision activities. The information provided by MRs serves as the foundation for these activities, which include collaboration with marketing specialists (MSs) and encompass channels such as lectures, e-promotions, and disease education campaigns.

During the period of the 5-year business plan, we will utilize the capabilities of these MRs, which are ranked No. 1 in the industry, to capture the top share of the domestic market. We will thereby strive to drive the growth of the Daiichi Sankyo Group and stably generate sales and income.

All members of the Sales & Marketing Unit will unite on our quest to continue growing as an ethical, trusted, and respectful partner that contributes to medicine on both a countrywide and regional level. As such a partner, we will pursue the leading domestic share, the top MR rating, and unparalleled levels of trust so that we may move toward our vision of becoming the No. 1 domestic pharmaceutical company.

Initiatives for Fiscal 2016

- Advance and enhance area marketing activities
- Rapidly expand sales of major innovative products
- Strengthen information provision activities through multichannel approach
- Ensure thorough compliance

Advancement and Enhancement of Area Marketing Activities

Fiscal 2016 will be the first year of the 5-year business plan, making it an important year toward accomplishing the goals of the plan. During this year, we will enhance our area marketing activities in order to become No. 1 in terms of marketing capabilities and thereby continue growing as an ethical, trusted, and respectful partner.

To this end, we will advance and strengthen area marketing activities to respond to the promotion of integrated community medical systems through the medical community concept and community medical collaboration corporations. Specifically, we will reorganize sales offices and teams within medical community areas and appoint staff responsible for supporting community medical collaboration.

Rapid Expansion of Sales of Major Innovative Products

We will strive to rapidly expand the sales of new products launched over the past several years, positioning these products as growth drivers to fuel the ongoing development of Daiichi Sankyo. Major innovative products that will be the target of such sales expansion include antihypertensive agents *Olmetec* and *Rezaltas*, Alzheimer's disease treatment *Memary*, ulcer treatment *NEXIUM*, anticoagulant *LIXIANA*, antiplatelet agent *Efient*, type 2 diabetes treatments *TENELIA* and *CANAGLU*, osteoporosis treatment *PRALIA*, and *RANMARK*, a treatment for bone metastasis associated with cancer.

With regard to thrombosis field products *LIXIANA* and *Efient*, we have positioned fiscal 2016 as the year in which we wage war on thrombosis. During the year, we aim to cultivate these products into new earnings pillars alongside *Olmetec* by fully capitalizing on the industry-leading capabilities of our MRs in the cardiovascular field, an area of strength, to provide highly valuable information on these drugs to rapidly expand their sales.

As for new products, we expect to be able to commence sales of *VIMPAT*, an epilepsy treatment in-licensed from UCB Biopharma SPRL, in Japan during fiscal 2016.

Strengthening of Information Provision Activities through Multichannel Approach

By incorporating a multichannel approach utilizing lectures, e-promotions, and other venues in information provision activities by MRs, which represents one of the Company's strengths, we will endeavor to provide information that is even more valuable in greater quantities.

Thorough Compliance

In recent years, society has become ever more demanding of the pharmaceutical industry and the companies operating therein, expecting such companies to ensure greater levels of transparency in their actions. We exercise thorough compliance with a strong focus on acting with the highest level of ethics and social consciousness, which is essential for a life science-oriented company, in order to increase the trust of society in Daiichi Sankyo.

Japan
Sales & Marketing Unit (Japan): Daiichi Sankyo Espha Co., Ltd. (Generic Business)

Hiroto Yoshiwaka
Daiichi Sankyo Espha Co., Ltd.
President

Daiichi Sankyo Espha Co., Ltd.

Daiichi Sankyo Espha Co., Ltd., advances its generic business through a system of 14 sales divisions with approximately 150 MRs, which is similar to the system of 14 sales branches used by Daiichi Sankyo.

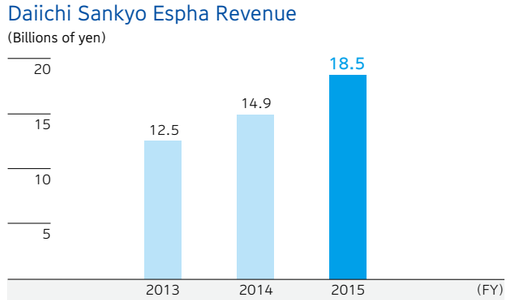
With an emphasis on quality control, stable supply, education, and affordability, we will contribute to national healthcare in a rapidly aging Japan.

Major Achievements in Fiscal 2015

- **Revenue of ¥18.5 billion (up 23.9% year on year)**
  Levofloxacin, the Group's first authorized generic (AG)* in Japan, has maintained a share of approximately 50% of its market. In addition, we have been realizing ongoing growth in the sales of *donepezil*, an Alzheimer's disease treatment, by coordinating with our parent company Daiichi Sankyo, which markets *Memary*, another new drug that treats this disease.
- **Expansion of Product Portfolio**
  We launched generic drugs with three new active ingredients in June 2015, five new ingredients in December, and one new ingredient in March 2016, bringing our total portfolio to 147 products with 60 active ingredients.

* Authorized generic (AG): Generic drug manufactured after receiving consent from the manufacturer of the original drug through receipt of patent rights or other means.

Daiichi Sankyo Espha Revenue



Daiichi Sankyo Espha 5-Year Business Plan

- Steadily launch AGs and other day-one generics* and secure market shares
- Strengthen AG lineup
- Step up coordination with partners in Japan and overseas

* Day-one generics: Generic drugs launched on the first day that sale of a generic is possible.

Daiichi Sankyo Espha has defined its corporate vision of becoming a leader in the domestic generic drug market in order to contribute to national medicine in this era of rapidly aging societies. As a step toward this vision, we aim to be No. 1 in Japan in terms of AG lineup and revenue. The Japanese government has set the goal of raising the portion of the pharmaceutical market represented by generic drugs to more than 80%. To accomplish this lofty goal, it will be necessary to eliminate the firmly rooted concerns held by medical institutions and patients with regard to the quality and reliability of generic drugs in Japan. At Daiichi Sankyo Espha, we strive to help maintain the current national health insurance systems while responding to various pharmaceutical-related needs, particularly those pertaining to AGs.

Initiatives for Fiscal 2016

- Strengthen operating foundations and prepare for the launch of major generic drugs

In fiscal 2017, several major generic drugs are expected to appear on the market. To ensure that we are fully prepared for the advent of these giants, we will further strengthen our marketing systems and other operating foundations during fiscal 2016.

Japan

Vaccine Business Unit
(Vaccine Business)

Toshiaki Tojo, Ph.D.
Head of of Vaccine Business Unit

Vaccine Business Unit

Japan has gradually been catching up with the United States and principal European countries in terms of vaccinations, an area where Japan had been lagging behind for some time. Vaccines are growing increasingly more important in Japanese society.

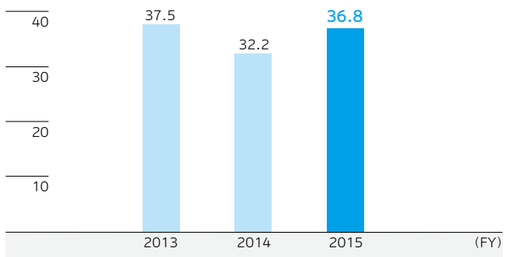
The Vaccine Business Unit advances its vaccine business through organic collaboration between Kitasato Daiichi Sankyo Vaccine Co., Ltd. (KDSV), which is responsible for the research, development, production and sales of vaccines, and Japan Vaccine Co., Ltd., which conducts late-phase clinical development and sales.

In April 2015, the strategy and corporate planning functions of the vaccine business, with the exception of certain processes, were transferred to KDSV, further reinforcing this company's integrated structure encompassing functions ranging from research to sales.

We are committed to contributing to public health by creating innovative vaccines that address social needs and reliably supplying high-quality vaccines.

Vaccine Business Unit Revenue

(Billions of yen)



Major Achievements in Fiscal 2015

- Revenue of ¥36.8 billion (up 14.2% year on year)
- Launch of influenza vaccine with four protective strains
- Release of *Squarekids*, a 4-valent combination vaccine*

* 4-valent combination vaccine: Vaccine for the prevention of pertussis, diphtheria, tetanus, and poliomyelitis (polio)

Vaccine Business Unit 5-Year Business Plan

- Develop and encourage early adoption of new influenza vaccines boasting potential for high efficacy and new, exceptionally convenient combination vaccines
- Complete the establishment of a production system for new influenza vaccines* and maintain production systems in preparation for future pandemics
- Establish stable and low-cost supply systems

* Project on the establishment of a production system for new influenza vaccines: Open application project spearheaded by the Ministry of Health, Labour and Welfare to establish development and production systems for new influenza vaccines and secure venues for swift supply in the case of influenza outbreaks or pandemics

Initiatives for Fiscal 2016

- Complete construction of supply systems under project on the establishment of a production system for new influenza vaccines
- Promote and strengthen business development activities and alliances
- Advance R&D projects on schedule
- Ensure supply of existing products

In fiscal 2016, we will advance R&D projects to guarantee the release of new products. In addition, we will endeavor to ensure a stable supply of high-quality vaccines that are compatible with the global Good Manufacturing Practices (GMP) standards of the Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme (jointly referred to as PIC/S). Furthermore, preparations will be advanced for the start of manufacturing at a new building equipped with state-of-the-art facilities to improve production efficiency.

Japan

Daiichi Sankyo Healthcare Co., Ltd.
(OTC Related Business)

Yoshiki Nishii
Daiichi Sankyo Healthcare Co., Ltd.
President

Daiichi Sankyo Healthcare Co., Ltd.

Currently, Japan is advancing policies aimed at extending the healthy lifespans of its citizens, drawing attention to the concepts of self-medication and self-care. Daiichi Sankyo Healthcare Co., Ltd., develops consumer healthcare products such as OTC medicines as well as skincare and oral care products.

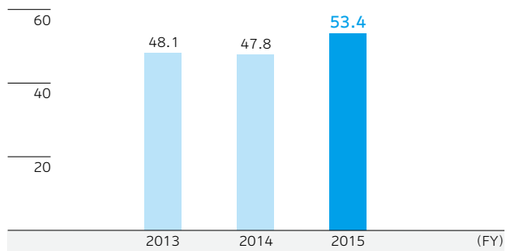
Leveraging our product development and marketing capabilities, which have been built up based on our deep understanding of consumer needs, we will pursue sustainable growth as we develop our operations with a marketing system consisting of three sales divisions and 12 branches.

Major Achievements in Fiscal 2015

- Revenue of ¥53.4 billion (up 11.6% year on year)
- Higher sales realized through increased brand value and enhanced lineup
  Smooth sales growth was registered for the *Lulu* brand (*Lulu Attack* series), skincare brands (*MINON*, *Transino* series of skin enhancers), and oral care brands (*Clean Dental*, *CITEETH*). We also launched *Loxonin S plus*, a new addition to the *Loxonin S* brand.
- Conversion of direct marketing company Im Co., Ltd., to a subsidiary to strengthen direct marketing business

Daiichi Sankyo Healthcare Revenue

(Billions of yen)



Daiichi Sankyo Healthcare 5-Year Business Plan

- Improve product brand value in OTC business
- Accelerate growth of direct marketing business through synergies with Im
- Achieve independence in overseas businesses
- Strengthen operating foundations to ensure responsiveness to market environment changes

Daiichi Sankyo Healthcare has unveiled Vision 2020—The Next Stage of DSHC—based on which it will strive to become a consumer healthcare company with the ability to achieve dramatic sales growth and sustainable income improvements. Specifically, we will focus on expanding the OTC business, centered on *Loxonin S* and *Lulu*, as well as operations in the functional skincare and oral care fields. In November 2015, we were joined by new ally Im, a direct marketing company specializing in skincare products. Our growth drivers going forward will be the direct marketing business leveraging synergies with Im and developing our overseas businesses focused on participation in the Chinese market. Furthermore, we are striving to realize efficient operations and strong structures that will allow us to respond to changes in the operating environment.

Initiatives for Fiscal 2016

- Expand the *Loxonin S* brand in the OTC business
- Establish new systems incorporating Im in the direct marketing business
- Enter into the Chinese market in overseas businesses

Fiscal 2016, the first year of the 5-year business plan, will be a year of transition for everyone at Daiichi Sankyo Healthcare. In addition to the measures listed above, important themes will include maximizing sales of the *Lulu* brand and accelerating growth through new additions to our lineups of skincare and oral care products. We will also step up efforts to develop new sales channels and address demand from inbound travelers.

United States
Daiichi Sankyo, Inc.
(DSAC)

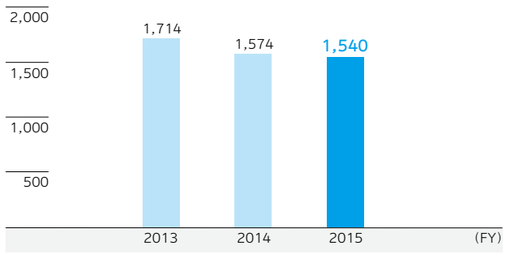
Ken Keller
Daiichi Sankyo, Inc. (DSAC)
President

Daiichi Sankyo, Inc.

On April 2016, the sales and marketing division of Daiichi Sankyo, Inc. (DSAC: Daiichi Sankyo, Inc. Administrative & Commercial Operations) marked the 10th anniversary of the merger between the Daiichi and Sankyo organizations in the United States. In that decade, the commercial division of Daiichi Sankyo, Inc. created a history of success. Our core franchises of *Benicar*, *Benicar HCT*, *AZOR*, *TRIBENZOR* (antihypertensive agents), *Effient* (antiplatelet agent) and *Welchol* (a treatment for both hypercholesterolemia and type 2 diabetes mellitus) have contributed over US$13 billion (approximately ¥1.4 trillion) in this frame to the revenue for our global organization.

Daiichi Sankyo, Inc. Revenue

(Millions of USD)



Major Achievements in Fiscal 2015

- Revenue of US$1,540 million (down 2.1% year on year)
- Launching *MOVANTIK*, a treatment for opioid-induced constipation
  The second most successful US launch in 2015 in terms of monthly prescription volume and uptake.
- Preparation for launching *CL-108*, opioid μ-receptor agonist combination product
  Launch planning and campaigns with focus on raising opioid-induced nausea and vomiting (OINV) awareness, and successfully passing FDA and DEA inspections related to *CL-108* packaging.
- Maximizing *olmesartan*, *Effient*, and *Welchol* performance
- Creating operational and organizational efficiencies to help offset anticipated revenue pressures in fiscal 2016 and beyond

Daiichi Sankyo, Inc. 5-Year Business Plan

- Continue to progress the transformation into a low-cost operating model, while energizing employees toward success
- Grow the pain franchise
  To achieve continued *MOVANTIK* growth, maximizing *CL-108* potential and successfully launching *mirogabalin*
- Build and grow oncology capabilities as data matures and new options can be put in the hands of patients and their providers
- Maximize profit for the mature products through LOE* timeframe

* LOE: Loss of exclusivity

Even with this past success and pride upon which to build, the US marketplace is dynamic and ever evolving. The US organization joins all of our global affiliates in working to overcome upcoming patent expirations and positioning the Company for success. This required the US commercial team to transform itself from a maturing primary care product portfolio to a differentiated specialty portfolio. Our new areas of focus, such as pain management and oncology, hold great opportunity.

Our first step in this transformation included putting in place a new structure—a smaller, highly targeted and efficient operating model, with a greater emphasis on high impact customer-facing roles. While the reorganization led to a reduction in the actual number of sales positions at Daiichi Sankyo, Inc. to about 750, the sales roles are now more focused on specialty and hospital settings, in addition to primary care physicians who also see patients with specialty conditions.

Future success in the US market rests not only on bringing new medicines that help patients live longer, higher quality lives compared with standard treatments, but also on offering proof of a new medicine's value, through high quality clinical and outcomes data. Daiichi Sankyo, Inc. is now well positioned to realize this goal with a new focus, the right structure, and renewed energy.

Initiatives for Fiscal 2016

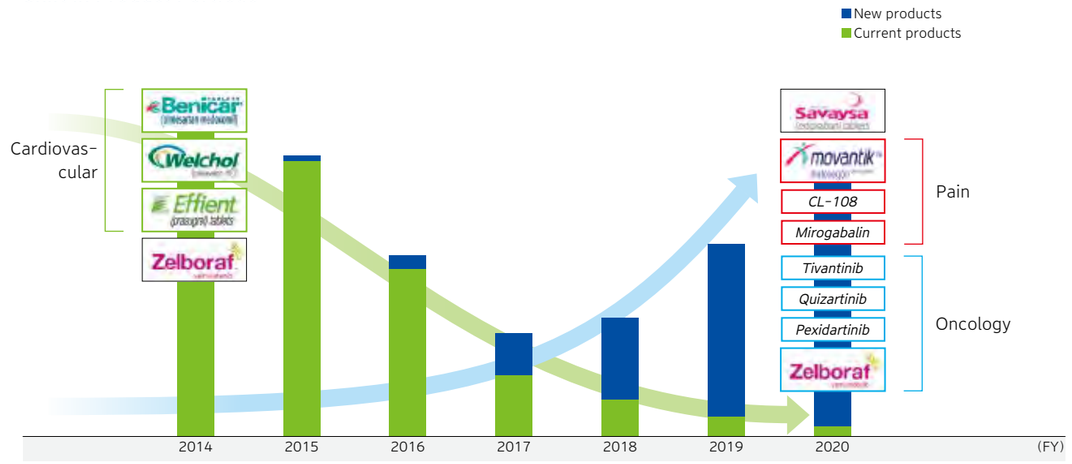
- Maximize the full potential of *CL-108* through flawless execution of pre-launch activities
- Increase *SAVAYSA* and *MOVANTIK* demand
- Optimally manage LOE for our *olmesartan* franchise
- Fully leverage multi-channel marketing capabilities
- Achieve critical milestones for LCM* projects
- Develop a master plan for our oncology franchise
- Accelerate the organizational transformation and begin to realize the benefits of our newly agile, efficient, and customer-centric organization

* LCM: Life cycle management

For the US organization, in today's market, understanding and helping to manage the needs of patients and their providers—as well as payers—is paramount. Only then will the company be able to reach our fiscal 2016 goals, by flawlessly executing the strategies mentioned above.

Ultimately, fiscal 2016 will springboard the US commercial organization toward fulfilling our share of the Daiichi Sankyo Group's 5-year business plan.

Shift in Product Portfolio



New Product Launches

Savaysa, movantik

- *CL-108*

FY2018 and beyond

- *Mirogabalin*
- *Quizartinib*
- *Tivantinib*
- *Pexidartinib*

United States

Luitpold Pharmaceuticals, Inc.

Ken Keller
Luitpold Pharmaceuticals, Inc.
President & CEO

Luitpold Pharmaceuticals, Inc.

Luitpold Pharmaceuticals, Inc., is a diversified specialty pharmaceutical company that manufactures high value branded and generic injectable medications which are marketed primarily throughout the United States. The branded human health products (*Venofer* and *Injectafer*) are leading therapies in the IV iron market for the treatment of iron deficiency anemia (IDA). The other main driver of the business is our growing generic injectable portfolio which currently consists of over 50 products. In addition to its human pharmaceuticals business, Luitpold markets specialty animal health and dental device products.

The company maintains two development and manufacturing sites in Ohio and New York, the latter which also serves as the headquarters location, and a clinical operations office in Norristown, Pennsylvania. Of its about 920 employees approximately 120 are customer facing, field based personnel.

Major Achievements in Fiscal 2015

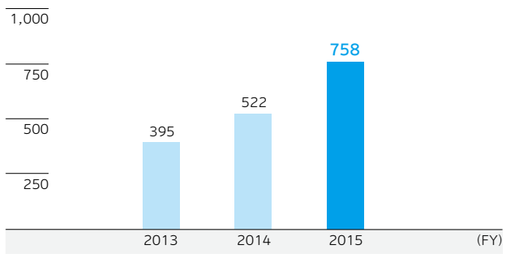
- Revenue of US$758 million (up 45.2% year on year)
  Strong performance by all four commercial business units with overall revenue growth of 45% over prior fiscal year
- Successful expansion of *Injectafer* to the gastroenterology specialist community
- New, state of the art manufacturing facility in New Albany, Ohio, commenced commercial operations
- Secured approval of capital project plan to further increase manufacturing capacity at Luitpold production facilities in New York and Ohio
- Successfully implemented improvements to quality and compliance systems

Luitpold Pharmaceuticals 5-Year Business Plan

- Grow our business to exceed US$1 billion in annual revenue
- Build *Injectafer* into our flagship product and market leader
- Expand our generic portfolio with a variety of products to support customer needs
- Become a top 4 suppler of small volume generic injectables in the US

Luitpold Pharmaceuticals Revenue

(Millions of USD)



I am genuinely excited about the prospects for Luitpold's business over the next five years. Fiscal 2015 was a record breaking year for the company and Luitpold is poised to use it as a springboard for success in the next five years.

Our vision is to be a top performing branded company with our iron franchise as well as a top four supplier of generics in the small volume injectable market. We will accomplish this vision by building *Injectafer* into our flagship product and the iron market leader by launching it in new specialty areas where iron deficiency anemia is prevalent, and seeking new indications while maintaining *Venofer* business in key markets.

We are also actively looking at opportunities to add complementary products to this franchise. Our strategy in the generic injectable market is to expand and differentiate our product portfolio, including introducing oncology products. We will also execute a significant capital investment plan at our locations in New York and Ohio to increase capacity, provide back-up redundancy and increase our flexibility to respond to critical market needs.

The achievement of our plan is only possible through the hard work and dedication of the talented employees at Luitpold. Luitpold looks forward to contributing to the growth and success of Daiichi Sankyo throughout this business cycle.

Initiatives for Fiscal 2016

- Continue to grow *Injectafer* and strengthen its market position in existing markets and prepare for entry into new market segments through education and awareness of iron deficiency anemia
- Maintain leading position in the IV iron market segment with our iron franchise products — *Venofer* and *Injectafer*
- Maintain healthy financial margins by fostering a lean, efficient operating model
- Continue to build our portfolio of high value products including oncology field
- Continue to increase manufacturing capacity and execute the capital project plan

Luitpold continues to have many opportunities to grow our organization. In fiscal 2016, we will focus on executing our capital expansion program and investing in our organization. As a first step, the new filling equipment at our Hilliard site in Ohio will be put into commercial use this year. We will be serialization ready by 2017. All of our business units are poised for growth; *Injectafer* and generic injectables are looking to have an especially strong year. Luitpold will launch its first oncology product in fiscal 2016 with additional products to follow.

Business Expansion of Luitpold Pharmaceuticals

<table>
<tr><th>Business Domains</th><th>Business Outline</th><th>Strategic Imperatives</th></tr>
<tr><td>Iron Franchise</td><td>More than 50% share of non-HD segment
<table><tr><th>Product name</th><th>Launch</th><th>Indications</th></tr><tr><td>Injectafer</td><td>2013</td><td>IDA in patients with CKD and of various non-CKD etiologies where oral iron failed</td></tr><tr><td>Venofer</td><td>2000</td><td>IDA in patients with CKD</td></tr></table>Provide practical solutions
Real Challenges in Current Iron Therapies
• Intolerance / unsatisfactory response
• Safety concerns
• Dosing and compliance issues</td><td>Differentiate Injectafer from other treatment options
Raise awareness of IDA
Build on market share leadership
Market expansion into new therapeutic areas for IDA</td></tr>
<tr><td>Generic Injectable Franchise</td><td>• Focused on small volume vials and ampules
• Over 50 products in active production
• Additional 25 in various phases of development
• Expanding capacity across 3 manufacturing sites to support portfolio growth and ensure consistent supply</td><td>Maximize / expand existing portfolio
Consistent supply of high quality products
Rapid response to market changes
High product differentiation
Strong relationships quickly identify market opportunities</td></tr>
<tr><td>Other Franchise</td><td>Animal health
Dental device</td><td>Portfolio expansion
International expansion
Education on product differentiation
International expansion</td></tr>
</table>

Europe
Daiichi Sankyo Europe GmbH

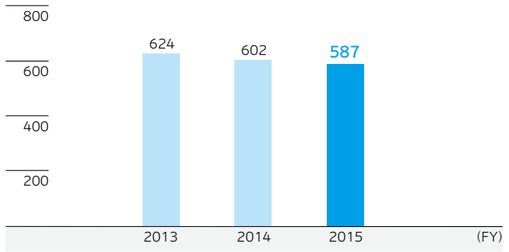
Jan Van Ruymbeke, MD.
Daiichi Sankyo Europe GmbH
Managing Director, CEO

Daiichi Sankyo Europe

Daiichi Sankyo Europe (DSE) currently does business in 12 European countries. Through licensing and sales agreements, our products are available in almost every European country. We are one of the strongest Japanese pharmaceutical companies located in Europe, which is the third most important market for the Daiichi Sankyo Group following Japan and the United States. Our European headquarters is in Munich, Germany, and close by, in Pfaffenhofen, is one of our global production plants.

Daiichi Sankyo Europe Revenue

(Millions of euro)



Major Achievements in Fiscal 2015

- Revenue of €587 million (down 2.5% year on year)
- Once-daily *LIXIANA* received market authorization for the European Union in June 2015
  LIXIANA has been launched in five European countries in fiscal 2015 (Germany, United Kingdom, Netherlands, Switzerland, and Ireland).
- Successful launch of *LIXIANA* in Germany
  Daiichi Sankyo Germany's resource-focusing strategy, i.e. winning account by account, has proven to have a strong impact.
- Agreement of *LIXIANA* sales alliance in Europe
  Agreement in February 2016 with Merck Sharp & Dohme Corp. (MSD)*1 for the exclusive rights to market once-daily *LIXIANA* (*edoxaban*) in 13 European countries.*2 DSE currently has no affiliated companies in these countries.
- Start to take promotional lead of *Efient* in EU
  The transfer of the marketing authorization for *Efient* from Eli Lilly to DSE in December 2015 as a prerequisite to take over the promotional lead in Europe from January 2016.

*1. Merck Sharp & Dohme Corp.: a European subsidiary of Merck & Co., Inc.
*2. Bulgaria, Croatia, Czech Republic, Denmark, Finland, Hungary, Iceland, Norway, Poland, Romania, Slovakia, Slovenia and Sweden

Daiichi Sankyo Europe 5-Year Business Plan

- Successfully overcome the *olmesartan* portfolio challenge
  Maximize profit from established brands and manage revenue decline through focused investment.
- Maximize *LIXIANA*'s potential
  Rapid penetration through a focused account strategy. A very important element is the sales partnership agreement with MSD for the distribution rights for *LIXIANA* in 13 Northern and Central Eastern European countries.
- Diversify portfolio
  Reduce risk related to single product dependency. Measures among others are the expansion of geographical reach and / or the acquisition of late stage / in-market opportunities.
- Prepare for launch success in oncology
- Organizational development
  Evolve into specialty care player and align structure with go-to market strategy.

"Be brave and do it" —this is our leading principle for the years ahead of us. More specifically our 5-year business plan is about evolving into a specialty and hospital focused company capable of generating sustainable profitable growth through a focus on *LIXIANA*'s growth while building oncology as a core area.

One important step in our development into a specialty care provider is the rich oncology R&D portfolio and the opportunities this represents for us in the market place. We see a large market potential for our products and have started to prepare for first launches from 2017.

When it comes to *LIXIANA*, we also have exciting prospects ahead of us: Our vision is to have one million patients treated with *LIXIANA* in 2020 and thousands of strokes prevented and lives saved.

Our organization at Daiichi Sankyo Europe has evolved over the past three years and it has to evolve even further in order to reflect the needs of our product portfolio and to meet the challenges of the pharma market environment. This environment is characterized by fierce competition, highly regulated markets and the most unmet medical needs in specialty care areas.

This is a demanding process but will be rewarding at the same time if we manage to achieve our goals.

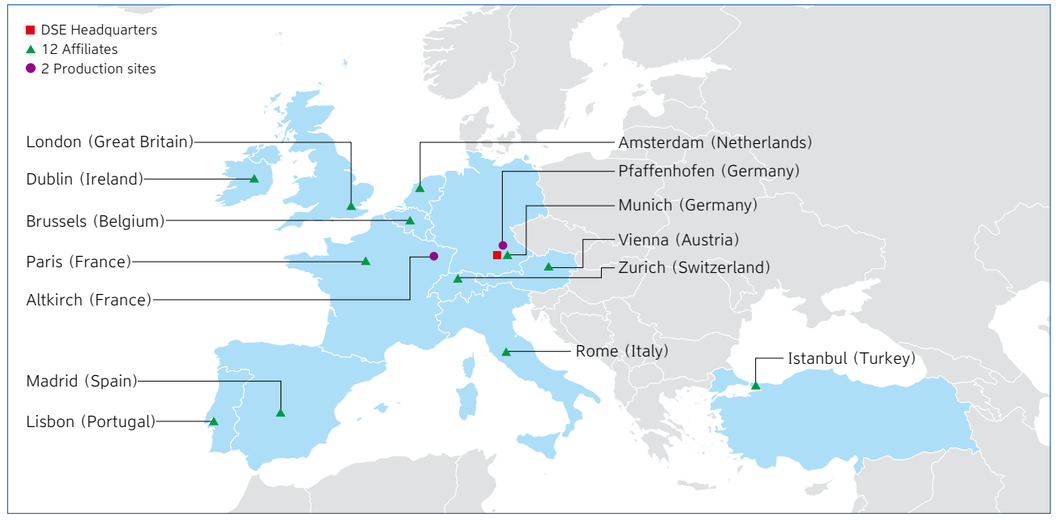
Initiatives for Fiscal 2016

- Successful launch of once-daily *LIXIANA* (*edoxaban*) in further European countries such as Italy or Spain
- First launches of *LIXIANA* in Northern and Central Eastern European countries covered by the agreement with MSD
- Evolution into a specialty care player: finalize a new operating model and conclude alignment of European organizational structure with go-to market strategy
- Continue preparations for first launches in oncology

Fiscal 2016 is an important year for us. We will see further launches of *LIXIANA* in Europe, for example, in important markets such as Italy and Spain. In addition, we are convinced that having one of the biggest pharma companies in the world as our partner is a vote of confidence in *LIXIANA*. We are therefore also looking forward to making *LIXIANA* available as a viable treatment option for even more patients across Europe this year and beyond.

We will also conclude our organizational alignment process to further evolve into a specialty care provider and focus on our preparations for oncology launches. The first launch might be possible as early as 2017.

Business Locations of DSE



Asia, South & Central America (ASCA)
ASCA Company

Shuji Handa
ASCA Company
President

ASCA Company

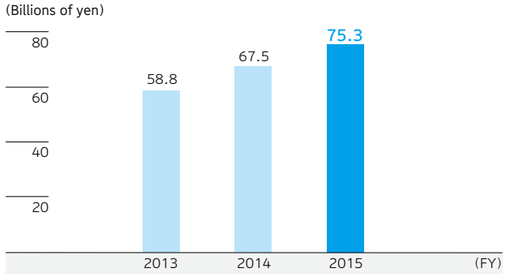
The ASCA Company is responsible for operations in the ASCA[*1] region. In addition to conducting sales activities out of its seven individual sales subsidiaries (located in China, South Korea, Taiwan, Thailand, Hong Kong, Brazil, and Venezuela), the ASCA Company develops export operations targeting licensees around the world. It also conducts manufacturing activities at factories in China and Brazil. This business unit has continued to achieve stable growth by maximizing sales of its mainstay products in China, Brazil and other countries through accurate responses to the needs of markets and customers in each country of operation.

*1. Asia, South & Central America

Major Achievements in Fiscal 2015

- **Revenue of ¥75.3 billion (up 11.6% year on year)**
  The ASCA Company worked to maximize sales of mainstay products, such as *Olmetec* and *Cravit*, while utilizing external resources acquired through alliances and in-licensing. In China, overall sales growth was primarily thanks to *Cravit*, *Asmeton*, *Olmetec*, and *Mevalotin*.
- **Launch of new products**
  Loxonin Tape was launched in China in July 2015, while *LIXIANA* was introduced to the ASCA region for the first time with its February 2016 debut in South Korea. The ASCA Company and its partners will focus on developing *LIXIANA* into a highly successful product.

ASCA Company Revenue



ASCA Company 5-Year Business Plan

- Maintain and expand sales of existing products
- Quickly develop, launch, and expand sales of new products
- Enhance portfolio of products matched to the specific needs of respective regions and countries
- Advance swift and proactive project development in China
- Strengthen the business capability and implement measures targeting growth markets with an eye to fiscal 2021 and beyond

We aim to accomplish the five tasks listed above by 2020.

In the ASCA region, the social trends, economic conditions, health insurance systems, market characteristics and regulations vary by country. For this reason, swiftly responding to the changing operating environment while remaining respectful of diversity is crucial to success. In this region, we are committed to achieving sustainable growth by developing our business with an emphasis on value and always respecting the diversity of the region.

Our goal in China is to quickly encourage widespread usage of our products. To this end, we are deploying a strategy of achieving coverage of this massive market by allying with local partners in certain areas. We will further build upon this strategy going forward.

In Brazil, we are expanding our product portfolio by advancing the introduction of *lurasidone*, an atypical antipsychotic agent licensed from Sumitomo Dainippon Pharma Co., Ltd., as well as other products that meet local needs.

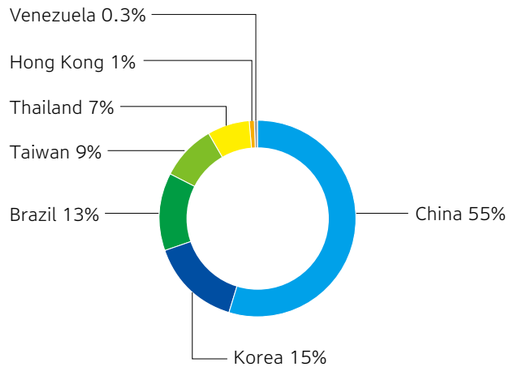
Initiatives for Fiscal 2016

- Maximize sales of mainstay products
- Utilize external resources acquired through alliances and in-licensing
- Launch and rapidly expand sales of *LIXIANA*

In fiscal 2016, the ASCA Company will continue to maximize sales of mainstay products, such as *Olmetec*, *Cravit*, and *Mevalotin*, while utilizing external resources acquired through alliances and in-licensing. At the same time, we will launch and rapidly expand sales of *LIXIANA* in ASCA markets and undertake other initiatives for realizing the vision set out in the 5-year business plan.

LIXIANA made its ASCA debut in South Korea in fiscal 2015, and Daiichi Sankyo plans to directly launch this product in Taiwan, Hong Kong, Thailand and Brazil in fiscal 2016. We will seek to maximize the value of this product by ensuring the success of these launches and seeking out partners in countries where the Company will not sell *LIXIANA* directly.

Sales Ratios of ASCA Company Subsidiaries



Shanghai Factory, Daiichi Sankyo (China) Holdings Co., Ltd.

Beijing Factory, Daiichi Sankyo (China) Holdings Co., Ltd.

Deployment of ASCA Company Subsidiaries

Functional Units

R&D Unit

We will continue to create innovative drugs, driven by the inquisitive minds of our researchers and a desire to contribute to humanity.

Glenn Gormley, MD., Ph.D.
Head of R&D Unit

R&D Unit

The role of the R&D Unit is to further develop a range of innovative, high-quality pharmaceuticals. The R&D Unit brings life to the vision of Daiichi Sankyo to become a Global Pharma Innovator to, by developing new, high-value-added drugs. Our passion is to develop treatments that can improve patients' quality of life and improve upon the standard of care in medicine today.

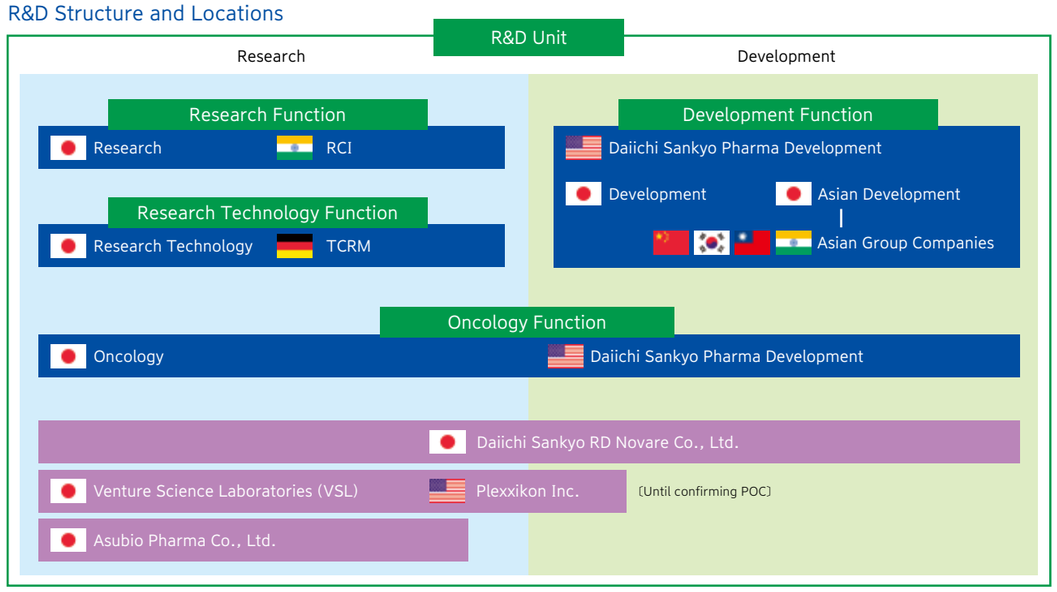
The inquiring minds of our researchers and their desire to contribute to human health issues are the forces driving us in our R&D efforts. Our goal is to create new medicines that can deliver effective therapy to patients as quickly as possible. This passion is the driving force of our challenge towards that goal.

However, the road to this goal is not an easy one. Nonetheless, we remain devoted in our ongoing drug development efforts with our focus on the day when a drug developed globally will provide hope to people worldwide.

R&D Structure and Locations

Under Daiichi Sankyo's R&D structure, the head of the R&D Unit serves as the R&D Global Head, below which four Global Heads are appointed for each of the unit's four functions: the Research Function, the Research Technology Function, the Development Function, and the Oncology Function. Coordination is pursued among these heads as R&D activities are advanced on a global scale. In addition, a Global Head is respectively assigned for R&D planning and project management to provide the functions that support global governance for the R&D Unit.

R&D Structure and Locations



Research Function

The Research Function conducts research on non-oncology areas including pain and neurosciences, end-organ diseases, rare diseases and LCM,*1 and cell therapy. All laboratories contain small-scale organizations that possess both pharmacology and synthesis functions, allowing for a transition to a bio-venture model capable of rapid decision-making. Daiichi Sankyo Life Science Research Centre in India (RCI) is affiliated with the Research Function and is researching respiratory and infectious diseases.

*1. LCM: Life cycle management. To extend products lifetime through expanding indications, adding new dosage forms, and/or improving dosage and so on.

Research Technology Function

The Research Technology Function seeks to expedite overall R&D activities by unifying the laboratories that spearhead the creation of fundamental research technologies related to drug metabolism and pharmacokinetics, safety, and modality.*2 As one of the organizations included under this function, the Tissue and Cell Research Center Munich (TCRM), in Germany, advances research utilizing human tissue and cells through joint efforts with a human tissue consortium.*3

*2. A type of drug format, e.g. small molecule compound, monoclonal antibody, antibody-drug conjugate or nucleic acid etc as a therapeutics

*3. A consortium of academic institutions and private-sector companies that collaborates with the aim of making use of human tissue and cells

Development Function

The Development Function strives to deliver products created for the global market to medical institutions around the world as quickly as possible. To this end, we are extending our global reach by utilizing our network among Japan, the United States, and Asia. Moreover, Daiichi Sankyo RD Novare Co., Ltd., and other Group companies in Japan maintain close coordination with Group companies in the United States and Asia, and development processes are advancing in an integrated manner. Daiichi Sankyo Pharma Development (DSPD), located in New Jersey, the United States, manages clinical trials across the globe. The Japan Development is also responsible for clinical trials conducted globally, as well as those in Japan and Asia. Clinical trials in Asia are handled by the Asian Development in cooperation with Daiichi Sankyo (China) Holdings Co., Ltd., Daiichi Sankyo Korea Co., Ltd., Daiichi Sankyo Taiwan Ltd., and Daiichi Sankyo India Pharma Private Ltd.

Oncology Function

Daiichi Sankyo has positioned oncology as a primary focus area. The Oncology Function consolidates research and clinical development functions for oncology-related small molecule medicine and biologics as well as immuno-oncology. Through the creation of an integrated global structure encompassing activities from research to development, we are accelerating decision making and strengthening R&D capabilities based on uniform policies and strategies.

Other Research Functions

Daiichi Sankyo RD Novare Co., Ltd. (DSRDN), Venture Science Laboratories (VSL), Plexxikon Inc., and Asubio Pharma Co., Ltd., are advancing research activities while leveraging the strengths of each organization. These organizations are overseen directly by the R&D global head. VSL and Plexxikon Inc. are conducting early-stage development until confirming POC,*4 as well as drug discovery.

DSRDN acts as a pharmaceutical technology platform. VSL, which was established as an in-house start-up organization in 2013, strives to discover drugs for neurodegenerative diseases and a wide range of other diseases. Plexxikon, located in the United States, is conducting drug discovery in the small molecule medicine field using the Scaffold-Based Drug Discovery platform.*5 Asubio Pharma targets the nervous system, the immune system, and regenerative medicine in its drug discovery efforts.

*4. Abbreviation for proof of concept. Identification of predicted features relating to the efficacy and safety of a new drug through clinical trials

*5. A technology used to efficiently create lead compounds for various drug discovery targets

Major Achievements in Fiscal 2015

- **Submitted applications for three drugs**
  - *CL-108*, novel, opioid-containing formulation for the management of pain while preventing or reducing the associated opioid-induced nausea and vomiting (OINV) (US)
  - *Hydromorphone* hydrochloride oral formulation, narcotic analgesic (JP)
  - *Inavir*, an anti-influenza treatment
  (JP : a partial revision of the usage method and dosages)
- **Commenced two late-phase clinical trials**
  - *Quizartinib*: Phase 3 clinical trial as a first-line treatment of acute myeloid leukemia
  - *DS-8500*: Phase 2b clinical trial for the treatment of diabetes
- **Began 10 phase 1 clinical trials**
  - 5 in the oncology field (*PLX73086*, *PLX51107*, *U3-1784*, *DS-8201*, and *DS-1123*)
  - 2 in the cardiovascular and metabolic field (*DS-9001* and *DS-2330*)
  - 3 in other fields (*DS-7080*, *DS-2969*, and *DS-5141*)
- **Other accomplishments**
  - *Etanercept biosimilar*, a treatment for rheumatoid arthritis and other autoimmune diseases: Achievement of primary endpoint in Phase 3 clinical trial
  - Oncolytic Virus (*G47Δ*): Jointly applied with the Institute of Medical Science of the University of Tokyo and received designation under the SAKIGAKE Designation System for regenerative medicine products
  - Expanding access to clinical trial data related to pharmaceuticals that have been approved in Europe and the United States

R&D Unit 5-Year Business Plan

Vision
- Create a competitive pipeline
- Deliver innovative products to patients
- Change the standard of care (SOC)

Targets
- Develop for launch at least two major indications per year
- Proceed to phase 3, at least four major indications per year
- Enter phase 1 with at least 9 new molecular entities per year

R&D has adopted a new therapeutic focused area to ensure success in the next five years.

Primary Focused Area: Oncology

In oncology, we are focusing development on securing and accelerating perfect development for our lead assets, while applying critical efforts and planning for success on the best of our next wave of compounds. Focus on emerging disease franchises contributes to this effort. Business development activities are informed by the emerging newly refreshed strategy, including the fields of immuno-oncology, which uses the patients' immune system to attack the cancer, and cell therapy, which uses genetically modified T cells, as a drug to target and destroy cancer cells.

New Horizon Areas:

- Pain (Develop therapies that will change SOC in the treatment of acute and chronic pain)
- Central nervous system diseases (Develop drugs for neurodegenerative diseases)
- End-organ disease (Mainly focusing on heart and kidney disease)
- Rare diseases (Optimize new modalities*1 to treat rare diseases)

To achieve our goals, R&D has introduced important changes in April 2016 in structure including:
- Creation of a fully integrated and global discovery and development Oncology R&D subunit
- Shifted to small-scale research organizations that possess both pharmacology and synthesis functions, allowing for a transition to a bioventure model characterized by management resource allocations based on delegated decision-making authority and productivity levels

These fundamental changes to the R&D organization together with clear targets, will allow the entire organization to work together with a single vision to make a difference in the lives of so many patients who are counting on us to change the practice of medicine and either extend their lives or extend the quality of their lives in a meaningful way.

*1. A type of drug format, e.g. small molecule compound, monoclonal antibody, antibody-drug conjugate or nucleic acid etc as a therapeutics

Initiatives for Fiscal 2016

Research

Masahiko Ohtsuki, Ph.D.
Global Head of Research

Fiscal 2016 will be the first year under the new laboratory system classified by the diseases / targets as pain & neuroscience, end-organ disease and rare disease & LCM, meaning we will need to propose and advance research themes and make decisions based on a mind-set that is different from the previously adopted system. A key representation of this mind-set is the concept of "a bio-venture model". By this, I refer to an approach similar to that of a venture company in which we actively collaborate with external organizations, advance research themes based on openly produced ideas, and make decisions within the organization. This approach should enable us to create results using less time and effective investment.

In the past, we may have been prone to limit the range of our activities to "pharmacology" and "chemistry", conducting research within these scientific disciplines. However, we are now expected to move beyond these boundaries, actively exchanging information and having discussion between pharmacologists and chemists to propose new themes and advance each of the research themes with speed and efficiency. I have empowered the decision making authority at the research phase to each laboratory, and this has empowered laboratories to take reasonable accountability and responsibility for results.

Indian subsidiaries RCI has been created a number of development candidate compounds, and this company is participating in the development of pharmaceuticals for developing countries with the support of the Global Health Innovative Technology Fund.

Pharmaceutical development is an incredibly time-consuming process with an exceptionally low success rate. Nonetheless, our researchers continue to go about their duties while remaining passionate and highly motivated. This commitment comes from all researchers carrying close to their hearts our corporate slogan of "Passion for Innovation. Compassion for Patients." As the Global Head of Research, I am dedicated to supporting these passionate researchers to the best of my abilities.

Research Technology

Junichi Koga, Ph.D.
Global Head of Research Technology

The recent restructuring of our research organizations has aimed to tailor resources to specific therapeutic areas to be utilized more flexibly and to accelerate therapeutic area-specific research activities. I feel that the mission of the Research Technology Function is to offer cross-functional support for such activities and to provide leadership with its specialties in fundamental research and technologies required for modern drug discovery.

In new modality research activities, our original technologies are applied to create antibody-drug conjugates (ADCs) and nucleic acid drugs with global competitiveness supported by superb performance. Clinical trials of these drugs have already begun. Going forward, we will continue to push forward with our research to provide optimal forms of modality for various target treatments, including small molecules, ADCs, antisense oligonucleotides, peptides/proteins, and cell therapies, as we seek to build more-robust pipeline changing SOC.

Another axis of our activities involves drug metabolism and pharmacokinetics (DMPK) research and medicinal safety research. By predicting and verifying the efficacy and safety of drugs on humans from preclinical studies to late-phase clinical development and quickly establishing a position of competitiveness, DMPK and medicinal safety research play a crucial role in increasing the overall productivity of research and development.

In conducting non-clinical DMPK research and biomarker research, we will emphasize efficiency while formulating highly accurate predictions of the pharmacological actions and side effects that will appear at clinical stages. At the same time, we will make contributions to planning clinical trial strategies by building upon biomarker hypotheses and providing biomarkers. Furthermore, coordination will be pursued with development function, DSRDN and TCRM to advance biomarker research and cultivate its technology platforms. It is estimated that more than 50% of compounds at the non-clinical research phase are dropped due to safety issues in phase 1 clinical trials. To improve the development success rate, we will enhance both exploration of safety biomarkers and initial toxicity evaluation of compounds.

Another important role of the Research Technology Function is the provision of cross-divisional functions, such as the reinforcement of medicinal chemistry foundations, management of research compliance, oversight of animal experiments, and operation of facilities compliant with Good Laboratory Practices.*2 We are committed to contributing to the further development of our medicinal chemistry foundations and to improving the quality and reliability of Daiichi Sankyo's overall research activities.

*2. Standard to secure reliability about the safety of the non-clinical trial of pharmaceutical products

Development

Marielle Cohard-Radice, MD.
Global Head of Development

The Daiichi Sankyo Development organization provides a critical interface between our discovery engine and the delivery of medicines to patients. Progressing medicines through human testing faces significant challenges including cost, execution time, and a high risk of attrition.

To that end, the Daiichi Sankyo Development organization has identified several initiatives to facilitate faster, more efficient execution of projects that address unmet medical needs. Those initiatives are focused on structure, process and appropriate selection of innovative mechanisms.

Organizational Structures

With the goal of simplifying our clinical structure, we have re-aligned our clinical groups and created Global Therapeutic Areas. The structure is intended to provide an enhanced mechanism for optimal clinical designs and generate integrated approaches to the development phases from first-in-human studies to final approval. We expect the model to optimize development timelines and costs, as well as deliver clear results necessary for prudent decisions.

Processes

We have identified areas of our Drug Development Process that can be enhanced to improve efficiency and productivity, including but not limited to the clinical development planning and protocol development.

Appropriate Selection of Innovative Mechanisms

Consistent with the R&D goal of simplifying governance and decision points, Development has partnered with Research to create a shared view on the therapeutic area strategy and selection process of projects that should progress into clinical testing. This decision is now a joint accountability between Discovery and Development with the common goal of progressing innovative projects with the highest potential to change the standard of care. This is a great step forward in achieving alignment between the scientists working in discovery and the clinical members that oversee clinical testing.

With the planning phase complete and endorsed, our mission at this point is to ensure the successful implementation of the 5-year business plan and deliver innovative medicines to patients and value to our organization.

Oncology

Antoine Yver, MD., MSc.
Global Head of R&D Oncology

Daiichi Sankyo is committed to the fight against cancer, which continues to be a leading cause of death world-wide.

To enhance our delivery of new cancer treatments, we have created a new global Oncology R&D subunit. The integration of oncology research and development under a single leader fosters faster and disciplined portfolio decision making, agility in delivering the full value of our portfolio through a focus on key and promising assets, aiming for perfection, and nurturing the next waves of valuable candidates in early clinical stage through targeted efforts planning for full success. Using science and rigor to drive our strategies, with a sharp alignment between well identified unmet medical needs with a unique and differentiated science, we will enhance our discovery engine from internal identification of novel treatments as well as aggressively pursuing external investments that fit with our emerging refreshed strategy around key franchises or mechanisms. We aim at providing an external view of our refreshed strategy by the second half of fiscal 2016.

Working together, as a single global team, the Oncology R&D subunit will transform how we discover and develop treatments. To be successful in bringing innovative and valuable treatments to patients, we will ensure swift and competitive development, aiming at early approval where the medical needs and our science warrants the opportunity, use smart development strategies to develop translational development stage projects and continuously supply our pipeline with innovative and relevant projects.

The quality of our science makes it our upmost obligation to transform it into valuable options to serve unmet medical needs and make these new options accessible to patients with cancer.

Development Pipeline

The Daiichi Sankyo Group develops and expands pipelines with a constant focus on patients' unmet medical needs. The R&D Unit has positioned oncology as the Primary Focused therapeutic area and has also categorized pain treatment, central nervous system diseases, heart and kidney disease, and rare diseases as the New Horizon area. By advancing efforts targeting diseases in these areas, we aim to create advanced medicines that bring about changes in standard treatments.

Oncology Field

Pexidartinib, *quizartinib* and *tivantinib*, are currently in late-phase development, and all of these drugs have been designated as orphan drugs by the U.S. Food and Drug Administration (FDA) and the European Medicines Agency. *Pexidartinib*, in particular, has been designated as a breakthrough treatment for tenosynovial giant cell tumor (TGCT) by the FDA. Of early-stage projects, we have also commenced clinical trials for *DS-6051*, an NTRK/ROS1 inhibitor that is designed to overcome resistance to existing treatment in a rare genetically-defined subtype of non-small-cell lung cancer. We have started a phase 1 clinical trial for *DS-3201*, an EZH1/2 dual inhibitor, targeting an epigenetics, which is one of our attracting targets of next-generation oncology field. Based on the phase 1 study in the US for *DS-3032* has suggested effectiveness in patients with liposarcoma (LPS). In the biologics field, *DS-8201*, a groundbreaking conjugate combining an anti-HER2 antibody with an anticancer drug is in phase 1 clinical trials.

Cardiovascular and Metabolic Field

In fiscal 2015, *edoxaban*, our proprietary oral anticoagulant, was approved in the United States and Europe and is expected to grow into one of Daiichi Sankyo's flagship products. In addition to *edoxaban* and *prasugrel*, an antiplatelet agent, we are developing thrombus dissolving agents *DS-1040* and *DS-9231* and aim to realize a complete lineup of thrombosis treatments. As for the phase 2 and later stage projects, *DS-8500*, a GPR119 agonist, is under phase 2b clinical trial in type 2 diabetes. In addition, phase 2 clinical trials of *CS-3150*, a MR antagonist, for hypertension and diabetic nephropathy are being conducted in Japan.

Pain Field

In the United States, an NDA for *CL-108*, an innovative two-layer combination tablet containing *hydrocodone*, *acetaminophen*, and *promethazine* was submitted to the FDA for marketing approval. In Japan, Daiichi Sankyo has filed an application for the manufacture and sales of *hydromorphone* hydrochloride oral formulation. This was one of the agents publicly offered for the development by the Review Committee on Unapproved Drugs and Indications with High Medical Needs under the Ministry of Health, Labour and Welfare. We are also advancing a phase 3 clinical trial for the injection form of this drug in Japan. Meanwhile, *mirogabalin*, a novel in-house compound developed by Daiichi Sankyo, is being submitted for phase 3 clinical trials in Japan, the United States, Europe, and Asia.

Major R&D Pipelines (In-House Development Projects, as of July 2016)

Therapeutic area	Phase 1 Conduct trials on healthy volunteers*1 to assess safety of drug, including side effects	Phase 2 Conduct trials on a small group of patient volunteers to assess safety, efficacy, dosage and administration regimen	Phase 3 Conduct trials on a large number of patient volunteers to assess safety and efficacy in comparison with existing drugs	Application
Oncology	■ *DS-3032* (US/JP) (MDM2 inhibitor) ■ *PLX7486* (US) (FMS / TRK inhibitor) ■ *PLX8394* (US) (BRAF inhibitor) ■ *DS-6051* (US/JP) (NTRK/ROS1 inhibitor) ■ *PLX9486* (US) (KIT inhibitor) ■ *DS-3201* (JP) (EZH1/2 inhibitor) ■ *PLX73086* (US) (CSF-1R inhibitor) ■ *PLX51107* (US) (BRD4 inhibitor) ■ *DS-8895* (JP) (Anti-EPHA2 antibody) ■ *DS-8273* (US) (Anti-DR5 antibody) ■ *DS-5573* (JP) (Anti-B7-H3 antibody) ■ *DS-8201* (JP) (Anti-HER2 ADC) ■ *U3-1784* (EU) (Anti-FGFR4 antibody) ■ *DS-1123* (JP) (Anti-FGFR2 antibody)	■ *Patritumab* (EU) (U3-1287 / Anti-HER3 antibody) ■ *Pexidartinib* (US) (PLX3397 / CSF-1R/KIT/FLT3-ITD inhibitor) ■ *DS-1647* (JP) (Glioblastoma / G47Δ virus)	■ *Tivantinib* (US/EU) (ARQ 197 / HCC / MET inhibitor) ■ *Denosumab* (JP) (AMG 162 / Breast cancer adjuvant / Anti-RANKL antibody) ■ *Nimotuzumab* (JP) (DE-766 / Gastric cancer / Anti-EGFR antibody) ■ *Vemurafenib* (US/EU) (PLX4032 / Melanoma adjuvant / BRAF inhibitor) ■ *Quizartinib* (US/EU/Asia) (AC220 / AML-2nd / FLT3-ITD inhibitor) ■ *Quizartinib* (US) (AC220 / AML-1st / FLT3-ITD inhibitor) ■ *Pexidartinib* (US/EU) (PLX3397 / TGCT / CSF-1R/KIT/FLT3-ITD inhibitor)	
Cardio-vascular Metabolics	■ *DS-1040* (Acute ischemic stroke / TAFIa inhibitor) ■ *DS-2330* (Hyperphosphatemia) ■ *DS-9231/TS23* (Thrombosis / α2-PI inactivating antibody) ■ *DS-9001* (Dyslipidemia / Anti-PCSK9 Anticalin-Albumod)	■ *CS-3150* (JP) (Hypertension・DM nephropathy / MR antagonist) ■ *DS-8500* (JP/US) (Diabetes / GPR119 agonist)	■ *Prasugrel* (JP) (CS-747 / Ischemic stroke / Anti platelet agent)	■ *Edoxaban* (ASCA*2 etc.) (DU-176b / AF / oral factor Xa inhibitor) ■ *Edoxaban* (ASCA*2 etc.) (DU-176b / VTE / oral factor Xa inhibitor)
Others	■ *DS-1971* (Chronic pain) ■ *DS-1501* (Osteoporosis / Anti-Siglec-15 antibody) ■ *DS-7080* (US) (AMD / Angiogenesis inhibitor) ■ *DS-2969* (Clostridium difficile infection / GyrB inhibitor) ■ *DS-5141* (JP) (DMD / ENA oligonucleotide) ■ *VN-0102/JVC-001* (JP) (MMR vaccine)	■ *Laninamivir* (US/EU) (CS-8958 / Anti-influenza / out-licensing with Biota)	■ *Mirogabalin* (US/EU) (DS-5565 / Fibromyalgia / α2δ ligand) ■ *Mirogabalin* (JP/Asia) (DS-5565 / DPNP/ α2δ ligand) ■ *Mirogabalin* (JP/Asia) (DS-5565 / PHN / α2δ ligand) ■ *Denosumab* (JP) (AMG 162 / Rheumatoid arthritis / Anti-RANKL antibody) ■ *Hydromorphone* (JP) (DS-7113 / Cancer pain / Opioid μ-receptor regulator) <Injection> ■ *CHS-0214* (JP) (*Etanercept BS* / Rheumatoid arthritis / TNF α inhibitor) ■ *VN-0105* (JP) (DPT-IPV / Hib vaccine)	■ *Hydromorphone* (JP) (DS-7113 / Cancer pain / Opioid μ-receptor agonist) <Oral> ■ *CL-108* (US) (Acute pain / Opioid μ-receptor agonist) ■ *Intradermal Seasonal Influenza Vaccine* (JP) (*VN-100* / Prefilled i.d. vaccine for seasonal flu) ■ *VN-0107/MEDI3250* (JP) (Nasal spray flu vaccine)

*1. Patient volunteers may be included depending on the tests
*2. Asia, South & Central America

Functional Units

Pharmaceutical Technology Unit

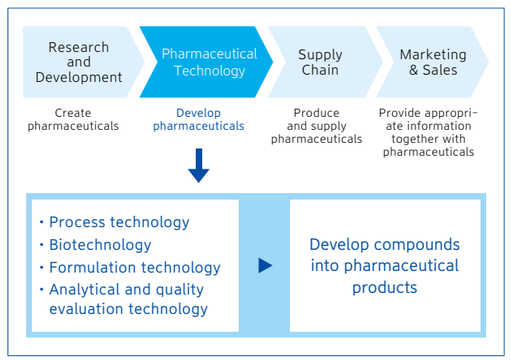
We are responsible for developing candidate compounds for drugs into commercial pharmaceutical products.

Naoyuki Kishi, Ph.D.
Head of Pharmaceutical Technology Unit

Pharmaceutical Technology Unit

Pharmaceutical technology is used to develop processes for consistent manufacturing of high-quality pharmaceuticals that meet desired efficacy and safety parameters, the fundamental values provided by pharmaceuticals. In addition, pharmaceutical technologies help improve product value in terms of use and customer satisfaction.

The Pharmaceutical Technology Unit defines its mission as providing new technology platforms that are compatible with the product portfolios sought by Daiichi Sankyo, adding extra value to pharmaceuticals. It thus works to realize a timely supply of the new drug candidates discovered by the R&D Unit in the form of investigational drugs. The unit also designs manufacturing processes for realizing consistent manufacturing of high-quality pharmaceuticals and transfers related manufacturing and analytical technologies to the Supply Chain Unit.

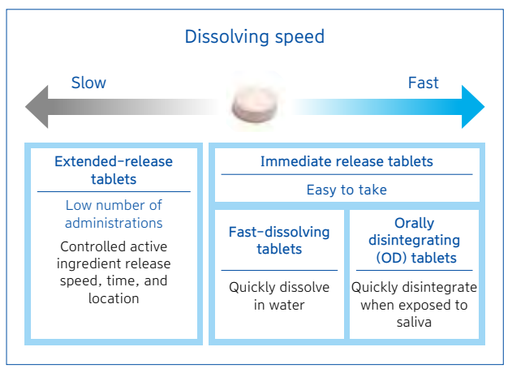


Major Achievements in Fiscal 2015

- **Innovative manufacturing process established for *edoxaban* drug substances**
  We established a low-cost manufacturing process that applied green sustainable chemistry[*1] principles.
- **Development and establishment of formulation platform technologies and application to products**
  We obtained marketing approval for two products in the form of orally disintegrating (OD) tablets[*2] (*Urief OD Tablet* and *Olmetec OD Tablet*), which can be taken without water.
  In addition, applications for marketing approval were submitted for a total of five other products, including OD tablets, fast-dissolving tablets,[*3] and extended-release tablets.[*4]
- **Prospective application of new global regulations**
  We participated in ICH[*5] and involved the alternative regulations in advance.

*1. Environmental initiative that proposes an approach toward sustainable chemistry in consideration of impacts on ecosystems
*2. Tablets that dissolve quickly
*3. Tablets designed to control the release speed, time, and location for the active ingredient from the formulation
*4. Tablets designed to control active ingredient release speed, time, and location
*5. The Japan-U.S.-Europe coalition known as the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use

Response to Needs for Various Pharmaceutical Forms



Pharmaceutical Technology Unit 5-Year Business Plan

- Accelerate and improve efficiency of oncology development
- Enhance key technology of biologics manufacturing platforms
- Develop high-value-added formulations, reduce costs and establish new production methods

In order to accelerate and improve the efficiency of oncology development, we will execute a chemistry, manufacturing and controls (CMC) strategy,[*1] under which we will target quick starts to clinical trials and flexible measures with regard to these trials while also striving to shorten development timelines.

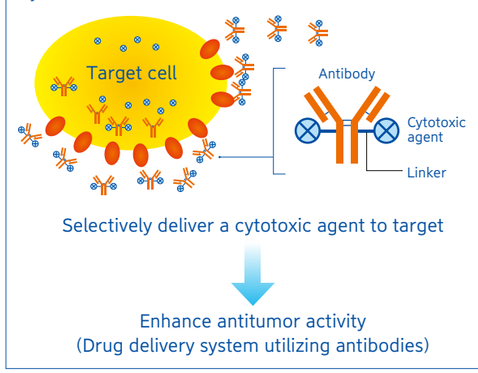
To enhance biologics manufacturing platforms, the Biologics Technology Research Laboratories have been organized into the Pharmaceutical Technology Unit beginning in fiscal 2016. The Pharmaceutical Technology Unit will cover our entire portfolio, from the small molecule field to the biologics field, through a flexible allocation of resources. We anticipate that this new organization will contribute to increased coordination with regard to the development of commercial processes for ADCs[*2] (see the illustration below).

In regard to initiatives to develop high-value-added formulations, reduce costs and establish new production methods, we utilize Daiichi Sankyo's original technologies to continually create high-value-added LCM[*3] products that satisfy the needs of patients and healthcare professionals. At the same time, we will establish new manufacturing methods to optimize manufacturing processes while pursuing continually cost reductions.

*1. CMC strategy: R&D strategy pertaining to drug substances, formulations, and quality that aims to maximize the value of pharmaceuticals
*2. Antibody-drug conjugates
*3. Lifecycle management

ADCs: Armed Antibodies through Chemistry

ADCs are complex pharmaceutical molecules composed of antibodies linked to cytotoxic (anticancer) agents via a synthetic linker.



Initiatives for Fiscal 2016

- Quickly and steadily launch products under development to contribute to growth in corporate earnings
- Accelerate and improve efficiency of oncology development to expand product pipeline
- Enhance key technology of biologics manufacturing technology platform and advance CMC strategy
- Develop, utilize, and effectively manage cutting-edge technologies

Fiscal 2016 will be the first year of the 5-year business plan. The Pharmaceutical Technology Unit is devoted to contributing to the progress of this plan by submitting approval applications on schedule and transferring technologies to ensure the launch of new drugs with efficiency and speed.

The opioid analgesic[*4] *hydromorphone* can be used as example of our development of pharmaceutical technology. This drug has been positioned as a standard drug for pain control in the WHO[*5] guidelines for the treatment of cancer pain. Daiichi Sankyo has stepped up to respond to the request of the Japanese government to develop this drug in the consideration of the high medical need for it. We simultaneously developed two oral formulations for this drug (extended-release tablet and fast-dissolving tablet) to treat the two different types of cancer pain faced by patients: ongoing pain and sudden pain. Marketing applications for *hydromorphone* were submitted in March 2016. We hope to deliver these pharmaceuticals to patients in Japan as soon as possible. Furthermore, we plan to apply for approval of an injectable form of *hydromorphone* during fiscal 2016 to help manage the pain of patients needing immediate relief or those unable to ingest tablets.

In this manner, we are actively developing and applying new technologies to contribute to pharmaceutical development and respond to the diverse needs for pharmaceutical products. Going forward, we will continue our mission to provide various pharmaceuticals that meet the needs of patients and healthcare professionals.

The operating environment surrounding the pharmaceutical business has been changing over the past several years. Seeking to respond to these changes, the Pharmaceutical Technology Unit will continue to grow as a flexible organization by heightening creativity with the organization and increasing the diversity of its people.

*4. Narcotic analgesics
*5. World Health Organization

Functional Units

Supply Chain Unit

We consistently supply our high quality drugs to patients around the world using our advanced technological capabilities and efficient supply chain system.

Katsumi Fujimoto, Ph.D.
Head of Supply Chain Unit

Supply Chain Unit

Contributing to Daiichi Sankyo's innovative pharmaceutical business, the Supply Chain Unit is an organization that conducts optimal management along the global supply chain function axis, which crosses regional and national boundaries. The global organization is responsible for overseeing supply chain functions and manufacturing sites in Japan, the United States, Europe, Brazil and China.

The mission of the Supply Chain Unit is 1) providing a consistent supply of our high quality drugs to patients around the world using our advanced technological capabilities and efficient supply chain system and 2) supporting early launch of new products and business expansion of existing products. We believe our actions directly contribute to enhance corporate value of the Daiichi Sankyo Group.

Major Achievements in Fiscal 2015

- Established new supply chain organizational structure in Japan aimed at consolidating and strengthening Supply Chain function
- Established global supply chain for *edoxaban* and realized a consistent supply of the product
- Steadfast response to PIC/S*1 and GDP*2 to ensure quality in line with global standards
- Contribution to entire Group profit through cost-reduction measures and low-cost operations
- Global inventory optimization activities resulting in massive decrease in inventories

*1. Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme (PIC/S): Unofficial framework for cooperation between inspection authorities targeting the international development, implementation, and maintenance of inspection authority quality systems and Good Manufacturing Practices (GMP) standards appropriate for the pharmaceutical field

*2. Good Distribution Practices (GDP): Standards designed to maintain the quality of pharmaceuticals during transportation and storage processes

Global Production Sites of the Supply Chain Unit

Overseas staff: Approx. 1,000 people Domestic staff: Approx. 1,800 people

Supply Chain Unit 5-Year Business Plan

- Transform and rebuild supply chain structures to match projected medium-to-long-term production volumes and changes in product variety
- Advance cost reduction measures on a global scale
- Establish new manufacturing systems and obtain new technologies to deal with DS Group pipeline and lifecycle management strategies
- Achieve optimal level of inventory and capital expenditure on a global level by enhancing global management

During the period of the 5-year business plan, we will face several environmental changes in addition to the loss of exclusivity for *olmesartan*. Such changes will include a decline in production volume over the medium-to-long term as well as alterations in our product mix due to the shift in the Daiichi Sankyo Group pipeline toward oncology products and biologics (mass production items→high-variety, low-volume production items; small molecule compounds →large molecule compounds; solid formulations → injectable formulations). To respond swiftly and flexibly to these changes, we strive to keep ahead of the curve to transform and rebuild supply chain structures. Specifically, we will aggregate manufacturing sites on a global level and establish a manufacturing system for biologics and high-variety low-volume production variety.

Cost reduction activities, meanwhile, will include refining supply chain technologies, advancing cost planning*1 and cost reduction for major products, and achieving low-cost operations. By carrying out such various cost reduction activities on a global basis, we will contribute to overall Group profits.

*1. Cost planning: Setting cost targets based on product lifecycles and medium-to-long-term strategies and planning cost reduction measures to achieve these targets

Initiatives for Fiscal 2016

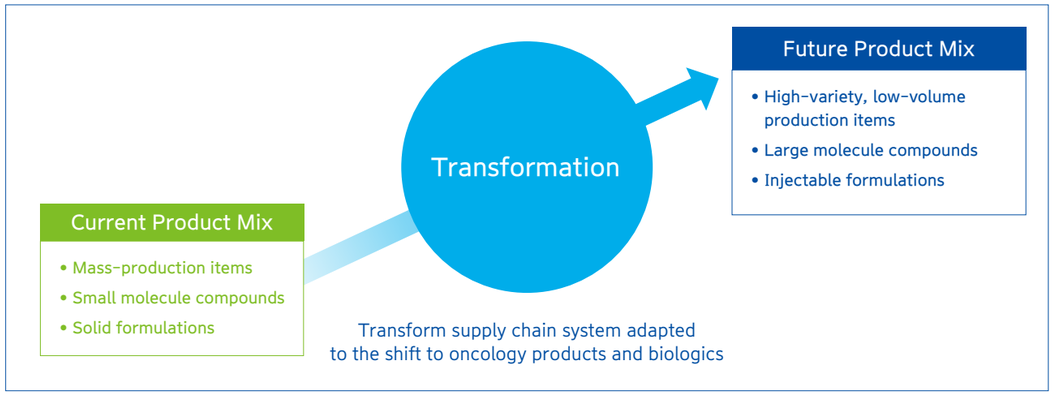
- Establish high-variety, low-volume manufacturing system of oncology products
- Future planning for future biologics manufacturing systems
- Establish optimal manufacturing systems for each region
- Support *edoxaban's* business expansion to all over the world and maintain stable supply
- Advance cost reduction measures on a global level

Fiscal 2016 will not only be the first year of the 5-year business plan but also a year in which the Supply Chain Unit takes a large first step in transforming and rebuilding global supply chain structures looking ahead even beyond the next five years.

We will start taking actions to establish systems for high-variety, low-volume manufacturing targeting oncology products and future planning for biologics manufacturing systems, while optimizing manufacturing systems for each region. Specific measures will include boosting manufacturing capacity at the Beijing and Shanghai Plants to manage business expansion in China. We will also prepare to close the Hiratsuka Plant of Daiichi Sankyo Chemical Pharma as part of the aggregation of API manufacturing sites in Japan.

At the same time, we will take steps to respond to the business expansion of *edoxaban* in Europe and emerging countries in order to maintain stable supply. Furthermore, we will advance cost reduction activities on a global level to contribute to increase the foundation of Daiichi Sankyo Group's future growth.

Transformation and Rebuilding of Supply Chain Structures for the Future



Functional Units

Quality & Safety Management Unit

We will secure quality and safety to deliver reliable medicines.

Hirosumi Izawa
Head of Quality & Safety Management Unit

Quality & Safety Management Unit

The ability for pharmaceuticals to fulfill their purpose depends on quality manufacturing as well as developing and providing information, as appropriate.

The Quality & Safety Management Unit was developed to help deliver reliable medicines to patients and healthcare professionals all over the world. This unit focuses on the following five functions in its activities.

1. Quality assurance of a steady supply of medicines to the world through manufacturing and analytical data reviews related to areas ranging from clinical trials to post-marketing
2. Promotion of patient safety through safety measures based on analyses and evaluations of data on adverse drug reactions received from all stages of use ranging from clinical trials to post-marketing
3. Quality assurance of data (efficacy and safety information) in areas ranging from clinical trials during R&D to post-marketing
4. Information creation by utilizing post-marketing data and value improvement for post-market pharmaceuticals through post-marketing surveillance
5. Stringent compliance with applicable laws and regulations through comprehensive management of regulatory affairs functions

These five functions support the value chains for R&D, pharmaceutical technology, supply chain, and marketing and sales, which are major areas of activity for a pharmaceutical company.

Major Achievements in Fiscal 2015

- Appropriate steps taken to ensure safety of *LIXIANA/SAVAYSA*, *Efient/Effient*, and other innovative pharmaceuticals
- Foundations formed for utilizing medical information database
- Change management approaches to reduce costs based on regulatory affairs strategies for mainstay products
- Reliability assurance functions strengthened for Group companies

Support for Value Chain to Ensure Quality, Safety, and Reliability

Quality & Safety Management Unit 5-Year Business Plan

- Continue post-marketing surveillance on *edoxaban* and *prasugrel* to create information
- Introduce quality risk analysis and evaluation systems for new fields and new technologies
- Strengthen safety monitoring measures and verify effectiveness of safety measures

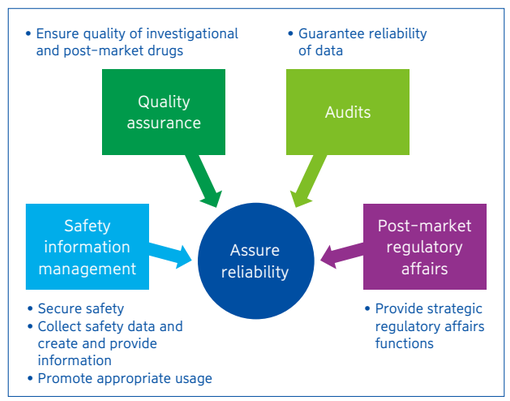
The Quality & Safety Management Unit has established a vision for fiscal 2020 and formulated concrete measures for realizing this vision.

As *LIXIANA/SAVAYSA* and *Efient/Effient* are in the post-marketing phase and clinical development in the oncology field is being accelerated, there will be a need to respond to the Company's shift toward a product mix with a different set of potential adverse drug reactions. To address this need, the unit will advance post-marketing surveillance to create information for strengthening safety measures and promoting appropriate use of Daiichi Sankyo's oncology products.

The unit will also introduce quality risk analysis and evaluation systems that are compatible with the changes in the Company's emerging product portfolio. At the same time, we will advance the utilization of new medical information databases, a new initiative, to help us better understand the circumstances regarding the use of our products based on data from actual clinical settings and confirm the effectiveness of existing safety measures. This will allow us to create swift and sophisticated new safety measures as needed.

Moreover, as our business expands, we will further strengthen quality assurance and regulatory assurance functions and move forward with the creation of robust quality and safety management systems that can respond to increases in production volumes and changes in regulations.

Functions Underpinning Reliability



Initiatives for Fiscal 2016

- Steadily advance safety measures and post-marketing surveillance for innovative pharmaceuticals
- Continue to improve reliability with regard to products manufactured by the Daiichi Sankyo Group (adhere to GMP) and application materials
- Realize regulatory affairs measures that contribute to product lifecycle management

Safety Information Management

The Quality & Safety Management Unit will strengthen global governance systems through an initiative spearheaded by offices in Japan, thereby positioning itself to conduct more sophisticated evaluations of adverse drug reactions for *LIXIANA/SAVAYSA*, *Efient/Effient*, and other drugs and promote related safety measures.

In Japan, the information contained in package inserts is expected to undergo substantial revisions based on the policies of the applicable regulatory authority. Because Daiichi Sankyo provides numerous products, we will steadily advance these revisions while exercising our integrated functions.

At the same time, the Quality & Safety Management Unit will research medical information databases aimed at further strengthening foundations and formulating safety measures for mainstay products based on the perspective of patients.

Furthermore, we will steadily move forward with post-marketing surveillance regarding mainstay products to create new information and promote appropriate use.

Quality Assurance and Audits

In preparation for production volume increases and new product launches, quality assurance functions will be reinforced at the production sites of Group companies in order to contribute to the expansion of operations by achieving a stable supply of high-quality pharmaceuticals.

We will also continue to ensure the reliability of R&D activities in consideration of global standards and regional characteristics. Particular effort will be devoted to furthering our expertise in establishing audit systems in China given our plans to enhance clinical research operations in this country.

Post-Marketing Regulatory Affairs

The Quality & Safety Management Unit will determine the optimal form for its overall organizational structure and strengthen functions to better exercise its strategic regulatory affairs functions and thereby supporting the launch of new products and, at the same time, maintain and expand sales of existing products.

Society has recently been turning an even stricter eye to the pharmaceutical industry. Under this increased scrutiny, the Quality and Safety Management Unit will ensure effective regulatory affairs management and stringent compliance, and we will flexibly respond to changes in the operating environment while advancing our duties without hesitance to implement reforms when necessary.

Functional Units

Medical Affairs Division

The Medical Affairs Division in Japan will contribute to the maximization of product value by enhancing coordination between functions from pharmaceutical information collection to distribution.

Sunao Manabe, DVM, Ph.D.
Head of Medical Affairs Division

Background for Establishment of Medical Affairs Division

The ability for pharmaceuticals to fulfill their purpose depends on quality manufacturing as well as appropriate data management.

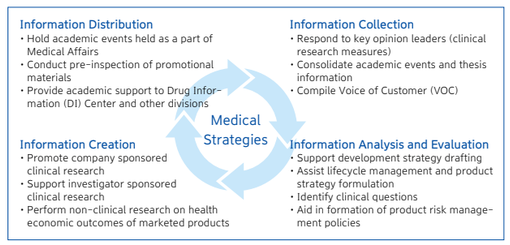
As a life science-oriented company, we are expected to create and distribute high-quality medical information, always adhering to high ethical standards.

The Medical Affairs Division was established in April 2016 to enhance how and what we communicate to our key stakeholders regarding our products and the diseases they treat, while ensuring transparency and a high level of compliance. Guided by this mission, we will enhance activities to create information about our pharmaceutical products through clinical research and other methods that respond to the needs of the medical field and distribute information based on the perspectives of both healthcare professionals and patients.

Role of the Medical Affairs Division

We create and distribute high quality information in the disease areas in which Daiichi Sankyo is involved based on scientific and medical judgment in a responsible way. Furthermore, we have adopted a value linkage scheme (see the illustration below) to maximize product value evaluated as contribution to treatment in the medical field. We thereby endeavor to improve corporate value and contribute to advancements in medicine.

Value Linkage Scheme Targeted through Medical Affairs



Medical Affairs Division 5-Year Business Plan

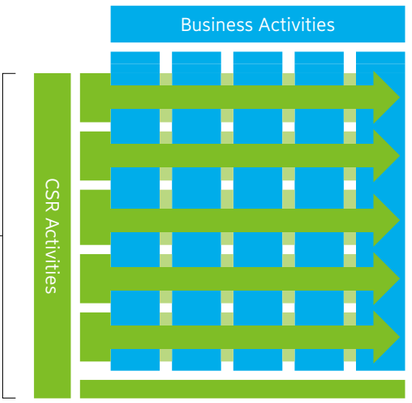
- Conduct large-scale observational studies for *prasugrel* and *edoxaban* and collect clinical evidence
- Create and distribute information on priority drugs and new products based on the Medical Strategies
- Develop more sophisticated medical affairs systems corresponding to environment changes
- Strive to improve customer loyalty
- Enhance medical information
- Entrench practice of utilizing Voice of Customer (VOC)

Initiatives for Fiscal 2016

- Formulate and implement medical strategies
- Ensure strict compliance
- Increase quality of response to medical inquiries
- Promote coordination within the Medical Affairs Division and enhance medical information
- Increase information distribution activities

For priority drugs, the Medical Affairs Division will formulate and implement medical strategies for collecting, analyzing, and evaluating information in order to anticipate and respond to important clinical questions. At the same time, we will contribute to the improvement of corporate value and to advances in medicine by maximizing product value, all while practicing strict compliance with applicable laws and regulations. The division has defined the slogan of "Trust built with every word of thanks" for its efforts to respond to medical inquiries, and we are working to increase the quality of such responses in order to improve customer loyalty. At the same time, we coordinate within the division to further develop specialized expertise and enhance medical information. By compiling and analyzing inquiries, we endeavor to communicate information on unmet needs to relevant internal divisions as well to assist in implementing necessary product improvements and continuing to increase information about our products.

This section details the various business activities of the Group as well as the CSR activities incorporated into these business activities.



CSR Management

We endeavor to conduct CSR activities that are integrated into our business activities and that are based on the Daiichi Sankyo Group Corporate Conduct Charter. In order to facilitate our commitment to social, environmental and other sustainability issues, we have identified and organized CSR issues into six domains on which CSR management will concentrate its resources. Actual activities are promoted through a system of committees with cross-organizational membership. We will also engage in active communication with our various stakeholders, taking their evaluations of the Group to heart and reflecting these evaluations in CSR activities.

The Daiichi Sankyo Group's CSR Activities

CSR Activities Based on the Daiichi Sankyo Group Corporate Conduct Charter

Based on the Daiichi Sankyo Group Corporate Conduct Charter (see page 28), we are conducting CSR activities as part of all our corporate activities. The Daiichi Sankyo Group Corporate Conduct Charter defines principles to be practiced in all of the Company's activities in order to fulfill its corporate mission. Taking each of these principles very seriously, and complying with legal regulations and rules, we act with the highest ethical standards and good social conscience appropriate for a company engaged in a business that affects human lives. Through this commitment, we strive to meet the diverse requirements and expectations of society to improve corporate value and thereby fulfill our Corporate Social Responsibility (CSR).

CSR Activities for Addressing Diverse and Changing Sustainability Issues

We must respond to a diverse range of sustainability issues, including those related to human rights, gender equality, corruption prevention, environmental preservation and global health. In responding to sustainability needs, we have clarified the CSR issues that the Group will focus on based on their medium-to-long-term relationship with our business and arranged these into six domains for CSR activities (see steps 1 and 2 to the right).

Step 1

Identify CSR Issues

We have identified 36 CSR issues that pharmaceutical companies generally need to address by referencing the inspection criteria of international CSR initiatives (Ten Principles of the United Nations Global Compact, ISO 26000, etc.) and socially responsible investment (SRI) indices (Dow Jones Sustainability Indices, FTSE4Good, Access to Medicine Index, etc.) as well as the policies and visions of pharmaceutical company organizations (International Federation of Pharmaceutical Manufacturers & Associations, Japan Pharmaceutical Manufacturers Association, etc.).

Step 2

Arrange CSR Issues into Domains for CSR Activities

The 36 CSR issues related to CSR activities were further organized and arranged into six domains for activities:

1. promoting compliance management,
2. mutual growth of employees and the Company,
3. enhancement of communication with stakeholders,
4. promoting environmental management,
5. improving access to healthcare, and
6. social contribution activities.

(See "Issues to Be Addressed as Part of CSR Activities" on page 61.)

Issues to Be Addressed as Part of Responsible Corporate Activities

Promoting Compliance Management (12 Issues)

- Observe Group-wide codes of conduct
- Anti-corruption
- Ensure transparency of corporate activities
- Conduct clinical trials in accordance with ICH-GCP
- Ensure product quality and safety
- Ethical marketing practices
- Consider bioethics and genetic resources
- CSR procurement
- Report on critical recalls
- Report on breach of laws and legal cases
- Respect human rights in business activities
- Tax strategy

Mutual Growth of Employees and the Company (8 Issues)

- Develop human resources
- Acquire and retain talented individuals
- Promote diversity
- Communication between labor and management
- Respect human rights in labor practices
- Pay equal wages to men and women
- Promote work-life balance
- Prevent occupational accidents

Enhancement of Communication with Stakeholders (5 Issues)

- Identify, respond to, and disclose material CSR issues
- Improve customer satisfaction
- Respond to complaints
- Stakeholder engagement
- External verification for CSR reports

Promoting Environmental Management (6 Issues)

- Address climate change
- Manage chemical substances
- Control water usage volumes
- Manage waste
- Preserve biodiversity
- Receive ISO 14001 and other environmental management system certification

Improving Access to Healthcare (4 Issues)

- Address global health issues
- Measures to combat counterfeit medicines
- Addressing cost burden
- Health outcome contribution

Social Contribution Activities (1 Issue)

- Conduct social contribution activities suited to a pharmaceutical company

Based on the above CSR issues, we have defined the following five areas of focus for CSR activity domains in the fourth mid-term business plan.

CSR Targets (5-Year Business Plan)

Promoting Compliance Management

- Dissemination of global compliance policies, such as the Daiichi Sankyo Group Individual Conduct Principles

Mutual Growth of Employees and the Company

- Human resources development to realize value creation and secure competitive advantage through our core values of innovation, integrity, accountability, and respect for diversity

Enhancement of Communication with Stakeholders

- Effective disclosure and performance improvement of CSR & ESG

Promoting Environmental Management

- Reducing environmental impacts and risks and addressing climate change
  (Fiscal 2020 CO_2 emissions target: 5.6% reduction from fiscal 2015)

Improving Access to Healthcare

- Promoting R&D for intractable disease, orphan disease and global health
- Mobile healthcare field clinics, Healthcare professionals development, Health and hygiene training to the local in the regions face a lack of medical infrastructure

Promotion of CSR Activities

Initiatives related to compliance management, environmental management and social contribution activities are promoted by specific committees set up for each area (Corporate Ethics Committee, Environmental Management Committee, and Social Contributions Committee). Relevant Company divisions serve as the secretariat for each of these committees, which are membered by individuals from across the organization. In addition, important matters related to CSR are reported to and discussed by the Management Executive Meeting.

Corporate Ethics Committee (Secretariat: Legal Affairs Department)

The Corporate Ethics Committee promotes management that complies with domestic and international laws and regulations as well as corporate ethics and fulfills corporate social responsibility.
Chairperson: Compliance officer (Head of General Affairs & Human Resources Division)
Members: The Committee consists of 11 members including 10 members internally assigned by the chairperson and an outside lawyer for ensuring transparency and confidence of the Committee

Environmental Management Committee (Secretariat: CSR Department)

The Environmental Management Committee promotes environment-friendly and balanced management which contributes to sustainable society throughout its overall corporate activities.
Chairperson: Chief executive officer of environmental management (Head of Corporate Management Division)
Members: The Committee consists of 10 members including Environmental Management Officer (vice president of CSR Department)

Social Contributions Committee (Secretariat: CSR Department)

The Social Contributions Committee promotes social contribution activities from the perspective of fulfilling corporate social responsibilities as a good corporate citizen.
Chairperson: Head of Corporate Management Division
Members: 6 members appointed by the chairperson

The CSR Department works to identify sustainability issues and, based on the global management structure (see page 29), collaborates with relevant divisions to support and promote the Group's CSR activities.

External CSR and ESG Evaluations and CSR Communication

Inclusion in SRI Indexes in Reflection of External CSR and ESG Evaluations

We pursue ongoing improvements in corporate value by integrating our CSR activities for addressing sustainability issues into our business activities. These efforts have been highly evaluated, resulting in the Company being included in four socially responsible investment (SRI) : Dow Jones Sustainability Indices (DJSI), RobecoSAM AG Sustainability Award Industry Mover, FTSE4Good Global Index, and Morningstar Socially Responsible Investment Index. Overviews of each index and the status of the Company's inclusion are as follows (as of September 30, 2016).

The DJSI is managed cooperatively by S&P Dow Jones Indices LLC, of the United States, and RobecoSAM AG, of Switzerland. This SRI index evaluates the sustainability of a company from the perspectives of economic, environmental, and social factors and provides important criterion for the selection of investment targets by investors. The Company has been included in DJSI Asia Pacific for seven consecutive years.

RobecoSAM AG, of Switzerland, published *RobecoSAM Sustainability Yearbook 2016*, in which it recognized companies that exhibited excellence in terms of initiatives and disclosure from the perspectives of economic, environmental, and social factors. In this report, the Company was selected as an Industry Mover because, among the 55 pharmaceutical companies worldwide, Daiichi Sankyo's score showed the greatest year-on-year improvement of all the companies in the top 15%.

The FTSE4Good Index is created by FTSE Russell, a part of London Stock Exchange Group plc. The FTSE4Good index is designed to measure the performance of companies demonstrating strong Environmental, Social, and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products. The Company has been included in the FTSE4Good Index for eight consecutive years.
http://www.ftse.com/products/indices/FTSE4Good

Morningstar Japan K.K. selects 150 companies each year for inclusion in the Morningstar Socially Responsible Investment Index. Chosen from among Japanese listed companies, this index includes those companies that have been assessed from the perspectives of governance, environmental, social and human resources development. The Company has been included in this index for eight consecutive years.

CSR Communication

We engage in active communication with the institutions supporting CSR initiatives, SRI investigation firms, institutional investors that emphasize CSR and ESG, and CSR experts. In addition to explaining the Group's CSR activities (see the "CSR Issues and Initiatives" table below), we use such communications as an opportunity to understand requests and expectations of our various stakeholders for the Group to keep them current and to reflect this understanding in CSR activities.

CSR Issues and Initiatives

	CSR Issues	Topics Covered in Value Report	Page	Topics Covered on Corporate Website
Promoting Compliance Management	Observe Group-wide codes of conduct	・Continued operation of the compliance system ・Dissemination of the ICP ・Approach to clinical research support	64 64 65	・Compliance training and educational activities ・Information security
	Anti-corruption	・Initiatives for anti-corruption	65	
	Ensure transparency of corporate activities	・Measures for ensuring the transparency of corporate activities	65	
	Conduct clinical trials in accordance with ICH-GCP			・GCP training
	Ensure product quality and safety			・Product safety training
	Ethical marketing practices	・MR accreditation test results	32	・Ethical promotional activity
	Consider bioethics and genetic resources			・R&D ethics ・Fair utilization of genetic resources
	CSR procurement	・Promotion of compliance in procurement	65	・CSR procurement ・CSR Procurement Outline
	Report on critical recalls			・Product recall information
	Report on breach of laws and legal cases	・Business risks	25	
	Respect human rights in business activities	・Training related to the Ten Principles of the UN Global Compact	96	
	Tax strategy			・Our Approach to Tax
Mutual Growth of Employees and the Company	Develop human resources	・Cultivation of leaders ・Development of entry- and mid-level employees ・Cultivation of line managers (organization heads)	66 66 66	
	Acquire and retain talented individuals	・Basic policy	66	・Daiichi Sankyo Human Resources Management Philosophy
	Promote diversity	・Promotion of Diversity and Inclusion ・Promotion of the employment of individuals with disabilities ・Building of a dynamic corporate culture	66 67 67	・Support for the career development and work styles of diverse employees ・Support for the career development of female employees (Japan) ・Employment of seniors (Japan) ・Systems and measures to support diverse work styles (Japan)
	Communication between labor and management	・Communication with labor unions	67	
	Respect human rights in labor practices	・Initiatives promoting respect for human rights	67	・Policy for respecting human rights
	Pay equal wages to men and women			・Training related to the Ten Principles of the UN Global Compact
	Promote work-life balance			・Promotion of the "Work-Life Cycle" (Japan)
	Prevent occupational accidents	・Promotion of occupational health and safety	67	・Systems and initiatives for supporting occupational health and safety (Japan)
Enhancement of Communication with Stakeholders	Identify, respond to, and disclose material CSR issues	・CSR management	60	
	Improve customer satisfaction	・Communication with healthcare professionals and patients	68	
	Respond to complaints			・Compliance reporting system
	Stakeholder engagement	・Communication with shareholders and investors ・Communication with employees ・Communication with SRI/ESG rating agencies	68 69 69	・Provision of valuable information to healthcare professionals ・Collection and communication of input from healthcare professionals ・Operation of the Daiichi Sankyo Kusuri Museum
	External verification for CSR reports			・External verification of environmental reports
Promoting Environmental Management	Address climate change	・Climate change and global warming response measures ・Energy saving measures	71 70	・CO_2 emissions reduction targets and performance ・CO_2 emissions reduction initiatives
	Manage chemical substances			・Usage reduction and emission and transfer control of chemical substances
	Control water usage volumes			・Appropriate use of water resources
	Manage waste	・Environmental audits	70	・Waste reduction targets and performance ・Promotion of waste compliance
	Preserve biodiversity			・Biodiversity initiatives
	Receive ISO 14001 and other environmental management system certification			・ISO 14001 certification acquisition
Improving Access to Healthcare	Address global health issues	・Mobile healthcare field clinic services in India and Africa ・Cultivation of healthcare workers in China ・Participation in the GHIT Fund ・Initiatives targeting rare diseases ・Technical cooperation for MR vaccine production	72 72 73 73 73	・Basic policy for Intellectual properties
	Measures to combat counterfeit medicines			・Measures to combat counterfeit medicines
	Addressing cost burden			・Patient Assistance Programs (United States)
	Health outcome contribution			・Expanding access to clinical trial data
Social Contribution Activities	Conduct social contribution activities suited to a pharmaceutical company	・Daiichi Sankyo Presents Family Tie Theater ・Health camps in India ・Activities to consider the healthcare of elderly people in an aging society in Taiwan ・Reconstruction support following the Great East Japan Earthquake	74 75 75 75	・Advancement of medicine and pharmacology (scholarships, etc.) ・Social welfare (TABLE FOR TWO, etc.) ・Environmental preservation activities (cleanup activities around operating sites, etc.) ・Disaster relief (disaster relief support, etc.) ・Youth development (science and pharmacology seminars for high school students, etc.) ・Promotion of culture and the arts (sponsorship of a cherry blossom festival in Rome, etc.)

Promoting Compliance Management

No matter how successful or strongly performing a company may be, it will be unable to continue growing within society if it does not practice good compliance. As a global pharmaceutical company, the Daiichi Sankyo Group therefore practices management founded on compliance.

Basic Policy

In conducting its global business operations, the Daiichi Sankyo Group is committed to practicing good corporate ethics and views compliance as the foundation for its corporate management. We remain compliant with all relevant laws and regulations and conduct compliance management with a strong focus on ensuring the highest level of ethics and social consciousness, which is essential for a life science-oriented company.

To guide us in these efforts, we have established the Daiichi Sankyo Group Corporate Conduct Charter and the Daiichi Sankyo Group Individual Conduct Principles (ICP), which are applied throughout our operations. Based on the essence of the Charter and the ICP, the Company and other Group companies have developed compliance conduct standards appropriate to their respective regions and social requirements. Awareness regarding these standards is being entrenched among all executive officers and employees.

Directives for Initiatives

- Appropriate operation of the global compliance system
- Enhance compliance education and conduct effective monitoring at domestic Group companies
- Steadily implement measures for ensuring transparency of corporate activities

Examples of Initiatives

Continued Operation of the Compliance System

The vice president of the Legal Affairs Department of the Company plays a central role in promoting compliance throughout the Daiichi Sankyo Group.

At Daiichi Sankyo in Japan, the head of the General Affairs & Human Resources Division serves as the compliance officer, a position that entails managing our entire compliance program, which includes the Daiichi Sankyo Code of Conduct for Compliance and related rules and annual objectives. The compliance officer also serves as the chairperson of the Company's Corporate Ethics Committee in Japan. This committee is a deliberation and decision-making body for compliance that meets twice per year, in principle, and is made up of 11 members, including the chairperson and nine other internal representatives, as well as an appointed external attorney, who ensures that the committee operates in transparent and reliable manner.

In addition, a compliance officer is appointed at each Group company in Japan to promote and oversee compliance programs at their respective company.

In April 2016, we established the Global Compliance Advisory Committee as an advisory organ to the Corporate Ethics Committee to further evolve its global compliance system. Full-time members of the new committee include compliance officers from subsidiaries in Europe and the United States, and the committee is responsible for examining global policies and annual targets for the Group.

Dissemination of the ICP

Global companies have recently come to be expected to establish broad-ranging global policies regarding the requirements for the behavior of individuals across their organization. Moreover, this policy must be adhered to and disclosed outside of the company to demonstrate that its global business activities are being conducted with integrity. In light of this expectation, we developed the ICP, a shared, Group-wide policy regarding the behavior of individual executive officers and employees established as a supplement to the Daiichi Sankyo Group Corporate Conduct Charter. The ICP was put into effect at Group companies in Japan and overseas in April 2015.

To promote understanding of the ICP among all Group employees, the president of each Group company transmitted messages regarding the implementation of this policy. Other measures were used to promote understanding, including interactive training programs conducted at all Group companies and departments as well as training sessions in which members of the Legal Affairs Department are dispatched to provide direct support on-site for certain Group companies.
(See "Voice" on page 65.)

Initiatives for Anti-Corruption

For companies developing their operations on a global scale, the risks related to bribery of government officials are growing with each coming year.

One of the Individual Norms defined in the ICP states our commitment to preventing corruption and bribery. To uphold this commitment, we continue efforts to actively incorporate such topics into compliance training programs.

Promotion of Compliance in Procurement

The Daiichi Sankyo Group has established a global procurement policy. Acting in accordance with this policy, we base our global procurement activities on good compliance. In addition, the Company and Group companies in Japan have positioned compliance among their procurement missions, declaring that strict compliance must be practiced regarding procurement-related laws enacted in Japan, such as the Antimonopoly Act, Act against Delay in Payment of Subcontract Proceeds, Etc., to Subcontractors, and others.

Measures for Ensuring the Transparency of Corporate Activities

We work to ensure the transparency of our relationships with healthcare professionals, medical institutions and patient groups in Japan based on the Company's defined policies, and we disclose information on payments to such entities on the Company's corporate website. Overseas, we disclose information on payments to healthcare professionals and medical institutions by calendar year based on the applicable law, including for instance, Physician Payments Sunshine Act for payments in the United States and EFPIA HCP/HCO Disclosure Code for payments conducted in Europe. We also comply with applicable regulations and codes of each country.

Approach to Clinical Research Support

In supporting clinical research, Daiichi Sankyo adheres to the Japan Pharmaceutical Manufacturers Association's Guidelines for Supporting Clinical Research Projects headed by External Researchers with Pharmaceuticals. We support research only after identifying any possible conflicts of interest among researchers and examining issues with an eye to the potential implementation of a clinical research law currently in the drafting phase.

Daiichi Sankyo also provides scholarship donations. To improve transparency with regard to these scholarships, we introduced the Daiichi Sankyo Scholarship Program in April 2016. In this program, universities and other research institutions submit applications for scholarships directly through the Company's corporate website, and these applications are investigated and approved by an organization that is independent from the Sales & Marketing Division.

Other Initiatives

WEB The Company updates its corporate website with information on the following initiatives.
http://www.daiichisankyo.com/about_us/responsibility/csr/business/fair/index.html

- R&D ethics
- Information security
- CSR procurement

Voice

Promotion of Compliance as a Team

One of the duties of the Compliance Group of the Legal Affairs Department is to advance initiatives for promoting compliance on a Group-wide basis. I am personally responsible for conducting training spearheaded by the Legal Affairs Department at domestic Group companies and formulating global policies related to compliance for the Group. We form teams to work in for each activity. I would like to contribute to my teams by calling on the knowledge and experience I gained as a lawyer.

For example, the content of materials and the methods used in conducting compliance training are decided in a collaborative process. We include case studies of compliance violations and incorporate interactive training activities. In formulating global policies for the Daiichi Sankyo Group, the teams collect information on overseas legal systems and trends in activities of overseas regulatory authorities and conduct exhaustive discussion with compliance representatives from overseas Group companies. Through this process, we always take into account the future direction of the companies within the Group.

We continue to advance activities targeting even higher levels of compliance management by combining the skills of all team members.

Kasumi Fujii
Compliance Group
Legal Affairs Department
General Affairs & Human Resources Division
Daiichi Sankyo Co., Ltd.

Mutual Growth of Employees and the Company

The Daiichi Sankyo Group considers its people to be its most important asset, and pursues long-term growth by practicing innovation, integrity and accountability as described in our Core Values.

Basic Policy

At Daiichi Sankyo, we believe that employees, through their embodiment of the Daiichi Sankyo Group's Core Values and their diligent daily efforts to carry out our Commitments in and outside the Company, will be a strong driving force behind realizing our vision and fulfilling our mission.

The Daiichi Sankyo Human Resources Management Philosophy was designed to support the development, empowerment and fair treatment of employees that, irrespective of their location in the world, share in the principles of innovation, integrity and accountability. At the same time, we expect employees to uphold the ethics and standards we have defined and work toward the realization of our corporate vision.

To improve the speed and quality of the Daiichi Sankyo Group's global operations, it is essential that businesses in different regions coordinate and collaborate closely with one another. We are further expanding our global business by providing rotational opportunities for our employees among our locations in different countries and regions, thus enabling employees to experience different cultures and ways of thinking and creating an environment in which diversity is respected.

Directives for Initiatives

- Cultivate employees with highly competitive skills based on workforce strategies
- Promote diversity and inclusion (D&I) to foster creativity within the organization and increase success
- Develop a corporate culture and organizational atmosphere based on our Core Values

Examples of Initiatives

Develop Human Resources

・Cultivation of Leaders

It is our fundamental practice to help our employees develop through their work and to cultivate all employees with the professional mind-set of doing what is best for the Company as a whole. We develop leaders on an individual basis through a combination of rotational work assignments, on-the-job training and evaluations, while linking these activities to dedicated self-study and training. At the same time, we select executive management candidates from mid-level and management employees to receive development opportunities, such as internal and external training and chances to take on new challenges.

・Development of Entry- and Mid-level Employees

For entry-level employees in Japan, we provide training, usually in their third year of employment and upon promotion to a manager-level position, aimed at developing individuals that can take ownership of their own growth and personal development. In addition to providing opportunities for personal development, we seek to place mid-level employees in positions based on their abilities to help them acquire the practical knowledge and experience essential to progress as a leader in the organization.

・Cultivation of Line Managers (Organization Heads)

We cultivate line managers by increasing the range of opportunities through which they can engage in an ongoing cycle of exercising and improving their skills. The aim of these efforts is "to create a workplace that develops individuals capable of consistently providing results, while independently adapting to a changing environment."

Promotion of Diversity and Inclusion (D&I)

The Daiichi Sankyo Group believes that the most important factor behind its ability to develop its global business and foster innovation is the diversity of its employees. The Group must employ a diverse population of individuals in terms of nationality, gender, age, ways of thinking and lifestyles. All employees must be accepted and able to fully exercise their talents. For this reason, we continue to cultivate environments at all sites in which employees understand D&I and respect one another.

(See "Voice" on page 67.)

・Promotion of the Employment of Individuals with Disabilities

In Japan, through Group companies including Daiichi Sankyo Happiness Co., Ltd.—a special subsidiary company that meets the terms of the Act on the Promotion of the Employment of Disabled Persons—we promote the employment of individuals with disabilities. In fiscal 2015, these activities were recognized by the Ministry of Health, Labour and Welfare when the Company received an award as a superior workplace for promoting the employment of individuals with disabilities.

Fostering of Our Corporate Culture

・Initiatives promoting Respect for Human Rights

In Japan, we conduct ongoing training for all employee groups—from newly hired employees to management—relating to human rights, and we promote an environment in which a diverse range of employees can readily and respectfully work with one another. Besides striving to raise awareness about harassment in the workplace on a daily basis, we have implemented training that uses case studies and is designed to improve the counseling skills of the Harassment Call Center staff. This staff is stationed at the Japan head office, at each work location within Japan, and at the labor union. Each and every alleged violation is treated seriously; we emphasize appropriate behavior and seek the opinions of external individuals, including legal counsel. We then report the matter to the Corporate Ethics Committee, and put necessary preventative measures in place to avoid a recurrence. In addition, as a measure to support individuals seeking assistance, individual Group companies have hotlines available as venues for consultation and reports on human rights and labor issues. These hotlines can be accessed 24 hours a day and are available to individuals both inside and outside of the various member companies of the Daiichi Sankyo Group. We have also created tools to help facilitate understanding with regard to the Ten Principles of the United Nations Global Compact, and these tools are deployed at domestic and overseas Group companies.

・Communication with Labor Unions

In Japan, we value trusting relationships with labor unions, and we protect the rights of our employees by engaging in dialogue between labor and management, through which we constructively discuss resolutions to problems and disclose information in a highly transparent manner. We have established the Labor Management Committee to handle matters related to occupational health and safety and work-hour management in Japan, and we are faithfully implementing labor management practices based on a plan-do-check-act (PDCA) cycle.

・Building of a Dynamic Corporate Culture

Based on the results of an Employee Engagement Survey that took place in fiscal 2014, we are taking steps to build a dynamic corporate culture in Japan. To this end, we have line managers convey to their team members, in their own words, their organization's vision as well as communicate their intent and align everyone in the same direction. In addition, we are implementing training programs to improve relationships among employees in the workplace in Japan.

Promotion of Occupational Health and Safety

In Japan, while collaborating with occupational physicians, we advance occupational health and safety programs that are focused on preventing occupational accidents and ensuring employees are in good physical and mental health. In addition, we coordinate with the Daiichi Sankyo Group Health Insurance Association and an external Employee Assistance Program (EAP) to provide health management and counseling systems for employees of the company in Japan and their families.

Other Initiatives

WEB The Company updates its corporate website with information on the following initiatives.
http://www.daiichisankyo.com/about_us/responsibility/csr/business/human/index.html

- Promotion of the "Work-Life Cycle" (Japan)
- Support for the Career Development of Female Employees (Japan)
- Systems and initiatives for Supporting Occupational Health and Safety (Japan)

Voice

Transitioning from Empowering Female Employees to Promoting D&I

In 2010, Daiichi Sankyo took its first step in promoting D&I in Japan by pursuing coordination among domestic Group companies to implement a wide range of measures for empowering female employees. These measures included holding various training sessions and enhancing work-life balance support systems.

Our second step is to implement measures that promote D&I in Japan and are aimed enabling all employees to realize their full potential, bolstering organizational strength, and thereby maximizing the value created by the Company. These measures are based on three approaches: (1) eliminating bias, (2) facilitating inclusion to help all employees express their individuality and fully exercise their talents, and (3) encouraging healthy conflict to create new value.

The goal of these measures is to change how all employees think and act in order to entrench a corporate culture that makes use of the value of diversity.

(From left)
Christi Rowley,
Mika Yoshida,
Kiyoshi Kaneko

People and Organization Development Group
Human Resources Department
General Affairs & Human Resources Division
Daiichi Sankyo Co., Ltd.

Enhancement of Communication with Stakeholders

Responding to the social demands and expectations for Daiichi Sankyo Group is crucial to the sustainability of corporate activities. We therefore communicate with our various stakeholders to foster mutual understanding, while pursuing cooperation.

Basic Policy

We believe that sustainable growth and the medium-to-long-term growth of corporate value are made possible by the resources and support we obtain from various stakeholders such as patients, healthcare professionals, shareholders, investors, employees, business partners, and communities. By communicating with these various stakeholders, we are able to learn about their demands and expectations for us. Moreover, by explaining the Group's initiatives, we will foster mutual understanding and facilitate cooperation for realizing a sustainable society.

Directives for Initiatives

- Become a trusted medical partner
- Step up investor relations activities based on interactive communication with market players
- Promote changes to employee attitudes and behaviors based on the key message of "Transformation"
- Understand requirements from ESG rating agencies and improve evaluations

Examples of Initiatives

Communication with Healthcare Professionals and Patients

The activities of our medical representatives (MRs) in Japan were ranked No. 1 among pharmaceutical companies by all surveyed physicians (in a survey conducted by ANTERIO Inc.) on their proposal of treatment options based on the perspectives of healthcare professionals and patients.

Our Medical Information Center strives to serve patients and healthcare professionals respectfully and empathetically by delivering accurate information in response to their inquiries. The Center puts into practice its four commitments: providing highly specialized information, making consistent and great quality responses, addressing customers cordially and utilizing customer feedback.

Daiichi Sankyo's Medical Information Center was ranked No. 1 among several pharmaceutical companies in terms of overall customer satisfaction based on a questionnaire survey*1 of Japan pharmacies conducted in fiscal 2015.

We actively analyze, examine and share customer feedback in-house with relevant sections or departments of the Company. This activity has resulted in the implementation of improvements in drug formulations and packaging. In fiscal 2015, we began placing information about some examples of these improvements on the section "Minasama-no-Koe wo Katachi ni" (Turning Our Customers' Voice into reality) of our corporate website (in Japanese).

WEB Please visit the following site for the section "Minasama-no-Koe wo Katachi ni" (Turning Our Customers' Voice into reality):
http://www.daiichisankyo.co.jp/healthy/customer/index.html

Communication with Shareholders and Investors

The Company engages in timely and proactive disclosure of information for shareholders, investors, and other market players based on the principles of transparency, impartiality, and continuity and in compliance with disclosure regulations.

In fiscal 2015, our investor relations activities included the General Meeting of Shareholders, quarterly financial results presentations and conference calls by the CEO, R&D Day, and an explanatory forum on the 5-year business plan. In addition, we participated in conferences held by securities companies, visited and held teleconferences with institutional investors. These activities were conducted on approximately 300 occasions both in and outside of Japan.

In addition, we issued an investor relations e-mail magazine containing recent topics related to the Group to investors twice per month, and a video message from the CEO was distributed twice during the year. Thirteen briefings for private investors were held at locations across Japan, with roughly 600 in total participants.

*1. A survey we conducted through an outside private research company

Communication with Employees

Daiichi Sankyo takes steps to ensure active internal communication with the aims of promoting an understanding and awareness of management insights and fostering a corporate culture in which the organization and its employees act as one to pursue the Company's objectives.

Specifically, we issue internal newsletters for Group companies in Japan and for Group companies overseas four times per year. In addition, a variety of information is posted on Daiichi Sankyo's intranet, including articles submitted from various divisions, videos messages from management, and other content detailing employee achievements inside and outside of the Company and explaining the passion our employees devote to their work.

The *PATIO* (our internal newsletter) was presented with the overall excellence award for annual company newsletters for fiscal 2015 for three consecutive years by KEIDANREN Business Services in Japan. The reasons for *PATIO*'s receipt of this award included the strong sense of management's commitment exuding from the pages and the editorial approach of tackling in a forward-looking manner what external experts pointed out to us.(See "Voice" to the right.)

Communication with ESG Rating Agencies

We actively communicate with agencies addressing socially responsible investment (SRI) and environmental, social, and governance (ESG) indices, such as the Dow Jones Sustainability Indices and FTSE4Good, as well as organizations related to the United Nations Global Compact and other stakeholders. We thereby seek to develop an understanding of social issues and expectations of the Company.

For example, when representatives from the Access to Medicine Foundation visited Japan in January 2016, we arranged a meeting with Daiichi Sankyo President Nakayama. The Access to Medicine Foundation is a global non-profit organization (NPO) based in the Netherlands. This organization ranks efforts to improve global access to medicine of 20 research-based major global pharmaceutical companies. During the meeting, we explained our initiatives on this front and shared information on issues regarding access to medicine faced around the world.

Meeting with the Access to Medicine Foundation

Daiichi Sankyo's *Value Report 2015* Receives UCDA Award

Daiichi Sankyo's *Value Report 2015* (Japanese edition) received the first prize in the newly established CSR Report category (which includes integrated reports) of the Universal Communication Design Association's UCDA Award 2015. The major reasons for the Company's receipt of this award was due to the ability to explain our pharmaceutical company's business model in simple and clear terms to the general public and the consistency of the design throughout the booklet.

Other Initiatives

WEB The Company updates its corporate website with information on the following initiatives.
http://www.daiichisankyo.com/about_us/responsibility/csr/business/communication/index.html

- Provision of valuable information to healthcare professionals
- Operation of the Daiichi Sankyo Kusuri Museum

Voice

Active Communication Stimulated the *PATIO* Internal Newsletter

As a patio is a place where visitors gather to engage in free conversation, we chose this word as the name for our newsletter with the aim of providing a similar opportunity for communication. Each edition of *PATIO* features articles on a wide variety of subjects, ranging from information on management and Daiichi Sankyo's global activities to close-to-home topics such as the employees working at various operating sites. The contents of *PATIO* are not limited to the articles included in the pages of its published version; we also try to provide more direct messages through early posting of articles on the intranet and distribution of videos. We will continue our efforts to present the words of the people we interview to all employees in a very real manner to provide opportunities for simulating even livelier communication within the Company.

Takashi Osanai (left)
Akiko Ito (right)
Public Relations Group
Corporate Communications Department,
Corporate Management Division
Daiichi Sankyo Co., Ltd.

Promoting Environmental Management

As the impact of various environmental factors increases, we will need to realize a sustainable society if we are to continue our corporate activities. Accordingly, we are promoting environmental management in order to reduce our environmental impact, manage environment risks and address climate change issues across the entirety of our business operations.

Basic Policy

Environmental issues such as global warming and extreme weather could be seen as very closely related to our lifestyles and work. We are practicing environmental management on a global scale in accordance with the Daiichi Sankyo Group Corporate Conduct Charter and the Basic Environment Management Policy, which sets forth rules for these management practices. We thereby aim to address such environmental issues through responsible corporate activities.

Basic Environment Management Policy

Safeguarding the environment is the foundation of all Group operational management. We pursue environmental management that contributes to a sustainable society and enhances our good corporate citizenship.

Directives for Initiatives

- Reduce energy and resource usage, greenhouse gas and waste emissions
- Ensure stringent environmental compliance and continue improving environmental management systems
- Manage external risks that have the potential to force us to make changes to business operations, such as climate change and water risks
- Preserve biodiversity and practice sustainable use of ecosystem services
- Improve reliability of environmental information disclosure and enhance environmental communication

Examples of Initiatives

Environmental Management Promotion System

The head of the Corporate Management Division of Daiichi Sankyo serves as the chief executive officer of environmental management and oversees environmental management on a Group basis, while the vice president of the CSR Department promotes environmental management. As for the Group's environmental management promotion system, we have set up environmental management units based on the corporations and internal companies that manage businesses. Each environmental management unit defines environmental management sites as necessary out of consideration for their region and function.

In addition, we have established an Environmental Management Committee chaired by the chief executive officer of environmental management as part of our corporate governance structure (see page 77). This committee discusses the formulation of environmental management policies and other important matters.

Energy Saving Measures

We have instituted energy saving measures, including the installation of high-efficiency equipment, with the aim of doing our part to prevent climate change and global warming.

Training session on global warming countermeasures

Environmental Audits

To enhance environmental compliance, during fiscal 2015, environmental audits were conducted at four production sites in Japan and one site outside of Japan as part of an ongoing series of audits.

Environmental audit being conducted at a U.S. production site

Climate Change and Global Warming Response Measures

The Fourth Medium-Term Environmental Management Policy states that we should "Lower the environmental impact of all operations by conserving energy and resources, or reducing greenhouse gas emissions and waste." Acting in accordance with this policy statement, we are working to use resources and energy more efficiently.

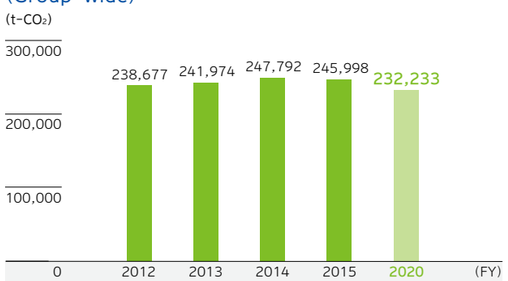
To facilitate responsible corporate activities that address climate change, we have set a CO_2 emission target for fiscal 2020, the final year of 5-year business plan, of pursuing a 5.6% reduction from fiscal 2015 based on our long-term CO_2 emission target for fiscal 2030 and the approach of the Science Based Targets initiative.*1 (See "External Voice" to the right.)

Environmental Communication

With the aim of fostering environmental awareness, we hold an annual contest for artwork, which helps our employees express their views on the environment, and conducted environmental e-learning programs. Winning submissions in the art contest have been used to construct posters, which are displayed at Group companies and operating sites.

A poster for raising environmental awareness

CO_2 Emission Volumes,*2 Transition*3 and Target (Group-wide)



*1. Science-Based Targets: An international initiative that encourages companies to set CO_2 reduction targets based on scientific evidence in order to help accomplish the goal of the Paris Agreement of keeping the average increase in global temperature below 2°C
*2. Adjusted emissions coefficients from each fiscal year were used for calculating CO_2 emissions from electricity consumption.
*3. CO_2 emissions data collected only from operating sites applicable under the fiscal 2020 target

Other Initiatives

WEB The Company updates its corporate website with information on the following initiatives.
http://www.daiichisankyo.com/about_us/responsibility/csr/business/environment/index.html

- Third-party verification of CO_2 emissions
- Appropriate disposable of waste containing polychlorinated biphenyls
- Management of wastewater through whole effluent toxicity tests
- Environmental evaluations based on ecological footprint

External Voice

Science-Based Targets Initiative for Contributing to Paris Agreement Goal

In making investment decisions, institutional investors have recently been increasingly considering ESG data and companies' efforts to respond to requirements and expectations with regard to social and environmental issues, such as those related to the Sustainable Development Goals.

In 2015, the Paris Agreement, a new international framework targeting greenhouse gas emission reductions after 2020, was adopted and keeping the average increase in global temperature below 2°C was set as a target. At CDP,*1 we collaborated with the United Nations Global Compact and other organizations to establish the Science Based Targets initiative, which encourages companies to set CO_2 emission reduction targets based on science*2, in order to facilitate efforts to work toward this goal.

I think Daiichi Sankyo deserves praise for its pioneering efforts in endorsing the approach of Science Based Targets and setting CO_2 emission reduction targets using globally recognized methodology.

In the future, I would like Daiichi Sankyo to encourage suppliers across its value chain to set CO_2 emission reduction targets. In addition, I hope that the efforts of Science Based Targets will spread throughout the pharmaceutical industry.

Michiyo Morisawa
CDP Japan Director

*1. CDP: An international NPO that provides global systems for use by companies and cities in measuring, disclosing, managing, and sharing important environmental data
*2. Targets based on science: to limit global warming to less than 2° C compared to pre-industrial temperatures.

WEB Detailed environmental data can be found in Daiichi Sankyo's *Environmental Data Book*, which is available on the following website.
http://www.daiichisankyo.com/about_us/responsibility/csr/business/environment/databook/index.html

Improving Access to Healthcare

Improving access to healthcare is an important mission as a pharmaceutical company. We are effectively utilizing Daiichi Sankyo's resources to contribute to the resolution of social issues related to health and medicine, such as global health issues in developing countries and limited access to medicine for difficult to treat and rare diseases in developed countries.

Basic Policy

The member states of the United Nations have adopted 17 Sustainable Development Goals to be accomplished by 2030 in relation to the issues needing to be addressed on a global scale. Of these, "Goal 3: Ensure healthy lives and promote well-being for all at all ages," is particularly applicable to the healthcare field. (See table below.)

Goal 3
Ensure healthy lives and promote well-being for all at all ages

Global health issues faced in developing countries include lacking measures to address neglected tropical diseases and limited access to basic medical services as well as the presence of people and entire regions suffering from health problems due to insufficient health and hygiene knowledge. In addition, developed countries still require appropriate access to medicine for difficult to treat and rare diseases.The Daiichi Sankyo Group continues its endeavor to create new pharmaceuticals and improve access to healthcare in developing countries to contribute to the achievement of Goal 3 of the Sustainable Development Goals.

Directives for Initiatives

- Provide mobile healthcare field clinic services, cultivate healthcare workers, and educate local residents about healthcare and hygiene in regions lacking sufficient medical infrastructure
- Promote R&D activities for addressing difficult-to-treat diseases, rare diseases and global health issues

Examples of Initiatives

Mobile Healthcare Field Clinic Services in India and Africa

In India, Cameroon, and Tanzania, we have been operating mobile healthcare field clinics in cooperation with international non-governmental organizations (NGOs), local governments, and local communities in order to contribute to regions where medical infrastructure, doctors and transportation to hospitals are all in insufficient supply.

Activities such as vaccinations and antenatal physical examinations started in fiscal 2011 to contribute to "Goal 4: Reduce child mortality" and "Goal 5: Improve maternal health" of the Millennium Development Goals. The status of activities in fiscal 2015 is as follows. In Cameroon, a significantly large number of children received vaccinations, and prenatal checkups were conducted in collaboration with Maternal Health Week conducted by the Regional Delegation of Public Health, which is operated under Cameroon's Ministry of Public Health. To aid in these activities, Daiichi Sankyo is focusing on the fostering of community healthcare workers that are capable of supporting healthcare activities.

Fiscal 2015 Achievements

	India	Cameroon	Tanzania
Number of mobile healthcare field clinics (times)	503	1,758	408
Number of infants receiving preventative vaccinations (people)	6,726	1,070,787	3,240
Number of prenatal checkups (people)	563	47,682	535

WEB Details on the initiatives conducted since the start of these activities can be found on the following website.
http://www.daiichisankyo.com/about_us/responsibility/csr/business/medical/index.html

Cultivation of Healthcare Workers in China

In July 2015, the Company embarked on a project targeting approximately 60,000 households in six townships in Guangnan County, in the Yunnan province of China. This project is conducted together with the NGO Plan International Japan, a member of Plan International, and through collaboration with government health authorities and mother-child healthcare institutions from the target area. This area has a particularly high number of children suffering from developmental disorders, and, through this project, we hope to contribute to better health for these children as well as their mothers. Daiichi Sankyo is supporting activities in the aforementioned regions for cultivating healthcare workers capable of contributing to better healthcare for children and mothers and for providing healthcare education to local residents. The Company is focusing on improving the health and nutrition among children aged five and under in this impoverished area through the improvement of the healthcare system. To accomplish this goal, we are working to develop medical professionals in community healthcare through a series of Integrated Management of Childhood Illness strategy training sessions and by offering education to improve the capability of local pediatric care through the establishment of a community center.

The opening ceremony for a community center established in Guangnan County was held in November 2015. This ceremony was attended by approximately 230 individuals, including representatives from health and hygiene bureaus, healthcare professionals (village doctors), the mayor of the village in which the center was built, and other local residents. We will continue to hold Integrated Management of Childhood Illness strategy training sessions to foster healthcare workers.

Participation in the Global Health Innovative Technology (GHIT) Fund

The Daiichi Sankyo Group is participating in the GHIT Fund, a public-private partnership originating in Japan supported by the government of Japan, six Japanese pharmaceutical companies, and the Bill & Melinda Gates Foundation. The GHIT Fund was established in April 2013, founded on the belief that public-private partnership is necessary to promote the development of drugs for combating infectious diseases in developing countries.

Daiichi Sankyo is participating in the Fund by utilizing its compound library (consisting of small molecules and natural substances) in a screening program through this fund for exploring candidate compounds to treat tuberculosis, malaria, and neglected tropical diseases (leishmaniasis, Chagas disease). We are also engaged in the joint development of lead compounds for tuberculosis and malaria based on promising compounds discovered through this program.

Initiatives Targeting Rare Diseases

Developed countries face issues with regard to preventive medicine and the treatment of rare diseases. To address some of these issues, in 2015, Daiichi Sankyo commenced a joint clinical trial with the Orphan Disease Treatment Institute[*1] for *DS-5141*, a nucleic acid treatment drug for Duchenne muscular dystrophy. We also commercially provide *Biopten*,[*2] *Methylene Blue Injection*,[*3] *Gabalon Intrathecal Injection*,[*4] and other orphan drugs.

Technical Cooperation for MR Vaccine Production

Kitasato Daiichi Sankyo Vaccine Co., Ltd. (KDSV), provided technical cooperation for strengthening the capacity for measles vaccine production to POLYVAC,[*5] in Hanoi, Vietnam, from March 2006 to March 2010 as part of international cooperation between the Japanese and Vietnamese governments. Following this effort, KDSV has been providing technical cooperation utilizing the production technology for the measles-rubella combined vaccine (MR vaccine) under a five-year contract starting in May 2013. We will contribute to the establishment of MR vaccine production in Vietnam and support a decrease in the infection rate of measles and rubella. (See "Voice" below.)

Other Initiatives

WEB The Company updates its corporate website with information on the following initiatives.
http://www.daiichisankyo.com/about_us/responsibility/csr/business/medical/index.html

- Daiichi Sankyo Open Care Program (United States)
- Disclosure of clinical data to researchers

Voice

Contribution to Healthcare in Vietnam through Stable Manufacturing of High-Quality MR Vaccine

Technical cooperation with Vietnam began after a 1987 request from the World Health Organization to transfer technologies to this country. After this request, we began technical cooperation with regard to the measles vaccine and then later the MR vaccine, and these efforts continue today.

During the 2014 measles outbreak in Vietnam, both POLYVAC and the World Health Organization spread word of the importance of being vaccinated by POLYVAC measles vaccines, which were both safe and effective as they were manufactured using superior Japanese technologies. The endorsement of these two organizations enabled various citizens to have peace of mind in receiving vaccinations. In November 2015, Vietnam's Ministry of Health presented KDSV with the "For the People's Health" award to recognize the role KDSV played in helping Vietnam begin manufacturing measles vaccines and in containing the measles outbreak. When presenting the award, the vice minister stated that they were "greatly appreciative for KDSV's enduring contributions to the medical systems and the citizens of Vietnam."

The project for transferring MR vaccine manufacturing technologies currently underway is now in the clinical trial phase. As a member of this project, I am committed to helping realize the manufacturing of this vaccine in Vietnam as soon as possible in order to contribute to further improvements in healthcare and open more possibilities for the future of Vietnamese children.

Miki Tamura
Business Performance Management Group
Corporate Business Management Department
Corporate Management Division
Kitasato Daiichi Sankyo Vaccine Co., Ltd.

*1. Company established through joint investment by Innovation Network Corporation of Japan, a fund operated by Mitsubishi UFJ Capital Co., Ltd., and Daiichi Sankyo
*2. Naturally derived tetrahydrobiopterin formulation
*3. Treatment for toxic methemoglobinemia
*4. Drug used in intrathecal baclofen therapy, a therapeutic method for easing spasms by directly injecting baclofen into areas surrounding the spinal cord, the site of action
*5. Center for Research and Production of Vaccines and Biologicals in Vietnam

Social Contribution Activities

We will not only contribute to society through our business but also voluntarily seek to help resolve the various issues that we recognize as being faced in ensuring the sound development of society.

Basic Policy

The Daiichi Sankyo Group has established the Basic Policies on Group Social Contribution Activities, which guide various initiatives for contributing to other organizations and society as a whole. These initiatives aid in the advancement of medicine and pharmacology. We consider our activities to promote social contributions as our responsibility to society as well as for the support it provides to our business. We continue to identify the areas on which we should focus from among relevant social issues and challenges. To advance initiatives, we emphasize collaborating with a wide range of stakeholders, such as NPOs, NGOs, local volunteer groups, government organizations, and public sector institutions.

Furthermore, we view employees' participation in volunteer activities as a chance for them to step away from their day-to-day work and experience a completely new perspective, with the goal of supporting a concern for society. We believe that this broadening of one's horizons helps link the healthy development of society with the sound development of the Company. We therefore are working to foster an environment and provide opportunities that support employees' participation in volunteer activities.

Basic Group Social Contribution Policy

- We will help create a sustainable society engaging in activities to contribute to society.
- We will particularly prioritize progress in medicine and pharmacology, social welfare, and environmental conservation. We will assist with disaster restoration, youth education, and promote culture and arts.
- We will foster healthy social development by participating in and supporting voluntary activities.
- We will engage with and prosper with communities.

Directives for Initiatives

- Advance activities based on global and regional needs
- Provide support for post-Great East Japan Earthquake reconstruction

Examples of Initiatives

Daiichi Sankyo Presents Family Tie Theater

Daiichi Sankyo has been holding the "Daiichi Sankyo Presents Family Tie Theater" program in cooperation with the Shiki Theatre Company and the NPO Cancer Support Community Japan every year since fiscal 2010. Through this program, we invite cancer patients and their family members to enjoy musicals by the Shiki Theatre Company.

In fiscal 2015, 20 employees volunteered from the Group to carry out this event. Some of the comments received from patients were "I feel like this event has deepened my connection with my family," and "Please make new medicine for us." These sentiments help all of us at Daiichi Sankyo remember why we are in the business of drug discovery.

Employee volunteers guiding visitors to the event site

Health Camps (Visiting Free Health Examination Program) in India

In cooperation with the NGO Plan International, Daiichi Sankyo India Pharma Private Ltd. is holding health camps in areas of South Delhi that lack sufficient medical infrastructure. In these health camps, physicians offer free checkup, and we also provide vaccinations for infants to improve the maternal and child health and conduct programs to provide mothers with knowledge about child healthcare.

In fiscal 2015, approximately 12,000 people participated in these health camps.

Checkup by physician at a Health Camp

Activity to Consider the Healthcare of Elderly People in an Aging Society in Taiwan

Daiichi Sankyo Taiwan Ltd. promotes health improvement among elderly people to help contribute to the aging society.

In 2015, approximately 120 employees visited nursing homes for elderly people, at which pharmacists led lectures called "Medication Guide" on the subject of health. After the lectures, they moved on to the entertainment portion of the event, which included simple exercises offered in time to relaxing music and dances performed by employees. These activities provided a valuable opportunity for the employees to reaffirm the importance of health.

Daiichi Sankyo Taiwan employees exercising with elderly people

Reconstruction Support Following the Great East Japan Earthquake

Daiichi Sankyo supports the ideals of the Coastal Forest Restoration Project, a long-term post-Great East Japan Earthquake reconstruction support program conducted by Natori City, in Miyagi Prefecture, and has been supporting this initiative since 2012.

In October 2015, 15 employee volunteers assisted in planting and caring for these trees. Among the tasks they performed were weeding and digging holes in which to plant broadleaf trees around the Japanese black pine (Pinusthunbergii) trees grown through this project. Employee volunteers participating in this project have stated that seeing the condition of the coastal forests made it apparent that the post-earthquake reconstruction effort was not yet finished. Others pointed out how the experience made them realize the necessity of offering continuous aid into the future. Going forward, we will continue to provide ongoing support in the form of employee volunteers to respond to the project's need for human assistance over the long term. (See "Voice" below.)

Other Initiatives

WEB The Company updates its corporate website with information on the following initiatives.
http://www.daiichisankyo.com/about_us/responsibility/philanthropy/index.html

- Advancement of medicine and pharmacology (scholarships, etc.)
- Environmental preservation activities (cleanup activities around operating sites, etc.)
- Developmental Support for Youth (science and pharmacology seminars for high school students, etc.)

Voice

Ongoing Vigilance in Contributing to the Growth of Coastal Forests

The coastal forests of the Sendai plain were apparently formed 400 years ago. After the surrounding hinterlands were converted to farmland, these coastal forests are said to have protected people from the strong ocean winds and high tides. It was learning of this history of the coastal forests that made the goal of the Coastal Forest Restoration Project, namely reviving forests that had been damaged by flooding due to tsunamis following the Great East Japan Earthquake in 2011, resonated with me, inspiring me to volunteer to participate.

Visiting the site of the project, I was able to get a clear picture of the damage incurred as a result of the earthquake, even though five years had passed. After finishing cultivation and weeding activities along a two kilometer strip of coastline, I watched the sunset from the shore. It was then that I realized how much persistence would be necessary to recover the once-beautiful scenery at this site. I hope to continue participating in these volunteer activities, helping in my limited capacity through ongoing vigilance to contribute to the growth of the coastal forests.

Tomiyo Kamata
Business Planning Department
ASCA Company
Daiichi Sankyo Co., Ltd.

Members of the Board and Members of the Audit & Supervisory Board (As of June 20, 2016)

Members of the Board (Outside)

⑧ Tsuguya Fukui, MD., MPH, Ph.D.
Member of the Board (Outside)

⑨ Naoki Adachi
Member of the Board (Outside)

① Hiroshi Toda
Member of the Board (Outside)

② Noritaka Uji
Member of the Board (Outside)

Members of the Board

⑩ Katsumi Fujimoto, Ph.D.
Member of the Board
Senior Executive Officer

⑪ Toshiaki Sai
Member of the Board
Senior Executive Officer

⑫ Toshiaki Tojo, Ph.D.
Member of the Board
Senior Executive Officer

③ Kazunori Hirokawa, MD., Ph.D.
Representative Director
Executive Vice President

④ Joji Nakayama
Representative Director
President and CEO

⑤ Sunao Manabe, DVM, Ph.D.
Representative Director
Executive Vice President

Members of the Audit & Supervisory Board

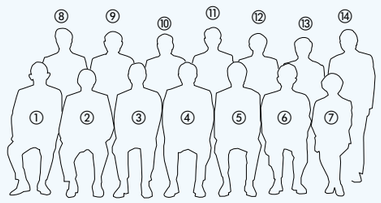
⑬ Kazuyuki Watanabe
Member of the Audit & Supervisory Board

⑥ Hideyuki Haruyama, Ph.D.
Member of the Audit & Supervisory Board

Members of the Audit & Supervisory Board (Outside)

⑭ Yutaka Katagiri
Member of the Audit & Supervisory Board (Outside)

⑦ Akiko Kimura
Member of the Audit & Supervisory Board (Outside)

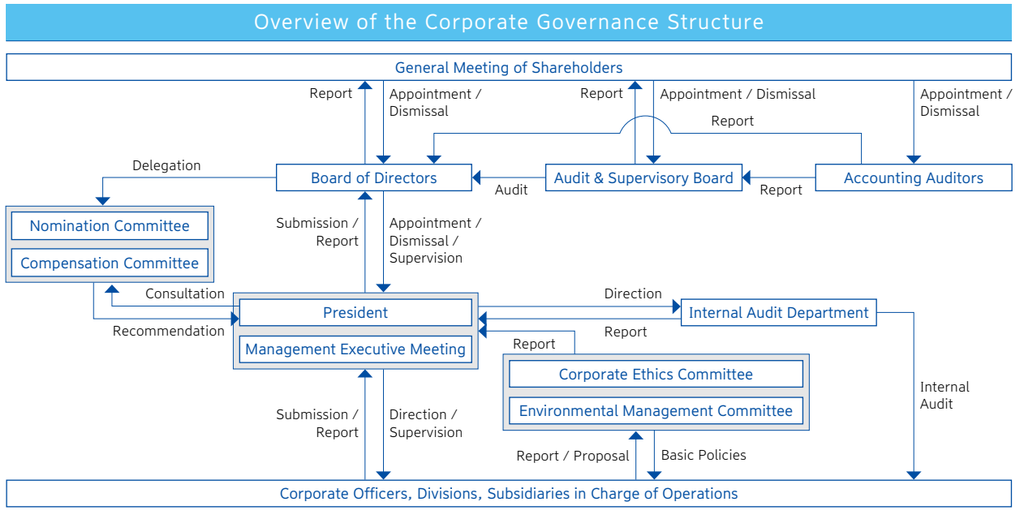


In addition to creating a management structure that can respond speedily and flexibly to changes in the business environment, Daiichi Sankyo is working to secure legal compliance and management transparency and to strengthen oversight of management and the conduct of operations. We place great importance on building up a corporate governance structure that is responsive to the trust of our stakeholders, especially our shareholders.

Characteristics of Daiichi Sankyo's Corporate Governance

- To clarify the management responsibility of Members of the Board and reinforce their oversight of management and the conduct of operations, their terms of office are set at one year, and four out of our ten Members of the Board are Members of the Board (Outside).
- To ensure management transparency, nomination of candidates for Member of the Board and Corporate Officer and compensation thereof are deliberated on by a Nomination Committee and a Compensation Committee, respectively, which are established as voluntary committees.
  These Committees consist of at least three Members of the Board, of whom Members of the Board (Outside) form a majority, and are chaired by a Member of the Board (Outside).
- For audits of legal compliance and soundness of management, the Company has adopted an Audit & Supervisory Board system and established the Audit & Supervisory Board comprising four members, including two Members of the Audit & Supervisory Board (Outside).
- The Company prescribes specific criteria on the judgment of independence of Members of the Board (Outside) and Members of the Audit & Supervisory Board (Outside) and basic matters regarding execution of duties by Members of the Board and Members of the Audit & Supervisory Board.
- The Company employs a Corporate Officer System which contributes to appropriate and swift management decision-making and the conduct of operations.

Overview of the Corporate Governance Structure



Response to Japan's Corporate Governance Code

The Company has complied with and implemented all of the Principles of the Corporate Governance Code, which was enacted on June 1, 2015. We understand and respect the objectives and spirit of the code, and we are continually pursuing improvements in our corporate governance systems based on the code.

Nomination Committee

The Nomination Committee has been established to deliberate matters required for the nomination of Members of the Board and Corporate Officers at the request of the Board of Directors and contribute to the enhancement of management transparency.

In fiscal 2015, meetings were held three times in April, October, and January 2016 to discuss matters required for nominating candidate Members of the Board and Corporate Officers and plan to train successors of the President and CEO.

Chairperson : Noritaka Uji, Member of the Board (Outside)
Members : Hiroshi Toda, Naoki Adachi and Tsuguya Fukui, Members of the Board (Outside)

Policies and Procedures for Appointment and Nomination of Candidates for Members of the Board and Members of the Audit & Supervisory Board

- The candidates for Members of the Board shall meet the requirement of being personnel of excellent character and insight who contribute to maximizing the corporate value of the Daiichi Sankyo Group.
- The candidates for Members of the Board shall meet the requirements of being appropriate candidates with respect to term of office and age, and of being suitably competent of performing timely and accurate judgment, looking at the changes in the business environment while giving importance to the continuance of management policies, etc.
- The candidates for Members of the Board shall meet the requirements that there shall always be Members of the Board (Outside) included to strengthen the decision-making functions based on various perspectives and to strengthen the function of supervising business execution.
- When appointing the candidates for Members of the Board, the Board of Directors shall appoint the candidates after they have been sufficiently deliberated by the Nomination Committee, of which Members of the Board (Outside) form a majority.
- The candidates for Members of the Audit & Supervisory Board shall be examined prudently concerning their suitability as Members of the Audit & Supervisory Board, such as whether they can fulfil their duties, ensuring their independence from the Representative Directors, Members of the Board, and Corporate Officers.
- The candidates for Members of the Audit & Supervisory Board (Outside), in addition to meeting the aforementioned requirements, shall be confirmed to have no problems according to specific criteria relating to the judgment of independence.
- When appointing the candidates for Members of the Audit & Supervisory Board, the Board of Directors shall appoint the candidates after the relevant proposal has been sufficiently verified and agreed to by the Audit & Supervisory Board.

Compensation Committee

The Compensation Committee has been established to deliberate matters required for a policy on compensation of Members of the Board and Corporate Officers at the request of the Board of Directors and contribute to the enhancement of management transparency.

In fiscal 2015, meetings were held a total of three times, two meetings were held in May and one meeting in February 2016, to discuss matters required for bonuses to Members of the Board and Corporate Officers and share remuneration-type stock options.

Chairperson : Hiroshi Toda, Member of the Board (Outside)
Members : Noritaka Uji, Naoki Adachi and Tsuguya Fukui, Members of the Board (Outside)

Basic Design of Remuneration to Members of the Board and Members of the Audit & Supervisory Board

- Remuneration to Members of the Board is designed to provide remuneration that contributes to maximizing corporate value. Specifically, in addition to basic remuneration, performance based bonuses serving as a short-term incentive and share remuneration-type stock options serving as a long-term incentive are adopted.
- Performance based bonuses serving as short-term incentives are determined by the degree of achievement of a single fiscal year measured by adopting revenue, operating profit margin and profit attributable to owners of the Company as the relevant indices.
- Share remuneration-type stock options serving as long-term incentives provide a scheme whereby stock options may not be exercised during the period in office of a Member of the Board and the value of current management efforts being reflected in future share price rises can be received.
- The level of remunerations is set to provide a medium-to-high level of remuneration in the industrial sector, referring to the levels of other companies based on surveys of external specialist institutions.
- In order to ensure that Members of the Board (Outside) and Members of the Audit & Supervisory Board adequately perform their role, which is supervision of management, short-term and long-term incentives are not provided and only basic remuneration is granted.

Determination of Procedures for Remuneration to Members of the Board and Members of the Audit & Supervisory Board

- The General Meeting of Shareholders approves basic remuneration to Members of the Board of up to ¥450 million per fiscal year and share-based payments with stock options of up to ¥140 million per fiscal year. Performance bonuses are approved in the General Meeting of Shareholders for each relevant fiscal year.
- The General Meeting of Shareholders approved remuneration to Audit & Supervisory Board Members that consists of only the fixed basic remuneration of up to ¥120 million per fiscal year.
- The Compensation Committee, of which Outside Directors form a majority, sufficiently deliberates on matters that involve establishing the remuneration system for Directors and Corporate Officers and setting criteria thereof, examining and reviewing levels of remuneration for each position, confirming performance-based bonuses, and calculating and granting share-based payments with stock options.

Remuneration for Members of the Board for Fiscal 2015

Classification	Members of the Board		Members of the Audit & Supervisory Board		Total	
	Payment recipients	Amount paid	Payment recipients	Amount paid	Payment recipients	Amount paid
	Number of persons	Millions of yen	Number of persons	Millions of yen	Number of persons	Millions of yen
Fees (annual amount) [Of which Members of the Board (Outside) and Members of the Audit & Supervisory Board (Outside)]	13 〔6〕	380 〔60〕	6 〔2〕	105 〔30〕	19 〔8〕	485 〔90〕
Members of the Board bonuses (Excluding Members of the Board (Outside) and Members of the Audit & Supervisory Board)	6	128	—	—	6	128
Share remuneration-type stock option remuneration (Excluding Members of the Board (Outside) and Members of the Audit & Supervisory Board)	6	106	—	—	6	106
Total [Of which Members of the Board (Outside) and Members of the Audit & Supervisory Board (Outside)]	13 〔6〕	612 〔60〕	6 〔2〕	105 〔30〕	19 〔8〕	717 〔90〕

Introduction of Members of the Board and Members of the Audit & Supervisory Board

Members of the Board

Joji Nakayama

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1979 Entered Suntory Limited (“Suntory”)
Mar. 2000 Director of Suntory
Dec. 2002 President of Daiichi Suntory Pharma Co., Ltd.
Mar. 2003 Resigned as Director of Suntory
Jun. 2003 Member of the Board of Daiichi Pharmaceutical Co., Ltd. (“Daiichi”)
Jun. 2006 Member of the Board, Vice President of Corporate Strategy Department of Daiichi
Apr. 2007 Corporate Officer, Vice President of Europe / US Business Management Department of the Company
Apr. 2009 Executive Officer, Vice President of Overseas Business Management Department of the Company
Apr. 2010 Executive Vice President, President of Japan Company of the Company
Jun. 2010 Representative Director, President and CEO of the Company (to present)

Sunao Manabe

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1978 Entered Sankyo Company, Limited (“Sankyo”)
Jul. 2005 Vice President, Medicinal Safety Research Laboratories of Sankyo
Apr. 2007 Vice President, Medicinal Safety Research Laboratories of the Company
Apr. 2009 Corporate Officer, Vice President of Global Project Management Department, R&D Division of the Company
Apr. 2011 Corporate Officer, Head of Group HR & CSR of the Company
Apr. 2012 Corporate Officer, Vice President of Corporate Strategy Department, Corporate Strategy Division of the Company
Apr. 2014 Executive Officer, President of Japan Company and Head of Business Intelligence Division of the Company
Jun. 2014 Member of the Board, Executive Officer, President of Japan Company and Head of Business Intelligence Division of the Company
Apr. 2015 Member of the Board, Senior Executive Officer, In Charge of Global Sales & Marketing of the Company
Apr. 2016 Member of the Board, Executive Vice President, Head of General Affairs & Human Resources Division, and Medical Affairs Division of the Company (to present)

Katsumi Fujimoto

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1980 Entered Sankyo Company, Limited (“Sankyo”)
Nov. 2005 Vice President, Development CMC Planning Department of Sankyo
Apr. 2007 Vice President, CMC Planning Department, Pharmaceutical Technology Division of the Company
Apr. 2011 Corporate Officer, Vice President, CMC Planning Department, Pharmaceutical Technology Division of the Company
Jun. 2011 Corporate Officer, Head of Pharmaceutical Technology Division of the Company
Apr. 2014 Executive Officer, Head of Pharmaceutical Technology Division of the Company
Apr. 2015 Executive Officer, Head of Supply Chain Division of the Company
Apr. 2016 Senior Executive Officer, Head of Supply Chain Division of the Company (to present)

Kazunori Hirokawa

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1975 Entered Daiichi Pharmaceutical Co., Ltd. (“Daiichi”)
Oct. 2000 Vice President, Drug Safety Administration Department of Daiichi
Oct. 2002 Vice President, Medical Planning & Coordination Department of Daiichi
Jun. 2003 Member of the Board, Vice President of Medical Planning & Coordination Department of Daiichi
Oct. 2004 Member of the Board, Vice President of R&D Strategy Department of Daiichi
Jun. 2005 Senior Corporate Officer, Vice President of R&D Strategy Department of Daiichi
Apr. 2006 Executive Vice President, Daiichi Sankyo Inc. in U.S.
Apr. 2007 Executive Officer, Head of R&D Division of the Company
Apr. 2010 Senior Executive Officer, Head of R&D Division of the Company
Jun. 2010 Member of the Board, Senior Executive Officer, Head of R&D Division of the Company
Apr. 2012 Member of the Board, Senior Executive Officer, Head of Corporate Strategy Division of the Company
Apr. 2013 Member of the Board, Senior Executive Officer, Head of Corporate Strategy Division, and Head of Business Intelligence Division, Japan Company of the Company
Apr. 2014 Member of the Board, Senior Executive Officer, Head of Corporate Strategy Division of the Company
Apr. 2015 Member of the Board, Executive Vice President, Head of Corporate Management Division of the Company
Jun. 2015 Representative Director, Member of the Board, Executive Vice President, Head of Corporate Management Division of the Company (to present)

Toshiaki Sai

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1979 Entered Daiichi Pharmaceutical Co., Ltd.
Apr. 2007 Vice President, Management System Department of the Company
Apr. 2008 Vice President, Corporate Communications Department of the Company
Apr. 2010 Corporate Officer, Vice President of Corporate Communications Department of the Company
Apr. 2012 Corporate Officer, Vice President of Global Brand Strategy Department, Corporate Strategy Division of the Company
Apr. 2014 Executive Officer, Vice President of Corporate Strategy Department, Corporate Strategy Division of the Company
Apr. 2015 Senior Executive Officer, Head of Corporate Strategy Division of the Company
Jun. 2015 Member of the Board, Senior Executive Officer, Head of Corporate Strategy Division of the Company (to present)

Toshiaki Tojo

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1980 Entered Daiichi Pharmaceutical Co., Ltd.
Apr. 2010 Vice President, Supply Chain Technology Department, Supply Chain Division of the Company
Apr. 2011 Corporate Officer, Vice President, Supply Chain Technology Department, Supply Chain Division of the Company
Jun. 2011 Corporate Officer, Vice President, Supply Chain Planning Department, Supply Chain Division of the Company
Apr. 2013 Corporate Officer, Head of Quality and Safety Management Division of the Company
Apr. 2014 Executive Officer, Head of Quality and Safety Management Division of the Company
Apr. 2016 Senior Executive Officer, In charge of Vaccine Business of the Company (to present)

(Material Concurrent Positions)
Representative Director and President of Kitasato Daiichi Sankyo Vaccine Co., Ltd.

Members of the Audit & Supervisory Board

Hideyuki Haruyama

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1980 Entered Sankyo Company, Limited (“Sankyo”)
Jul. 2003 Vice President, IT Management Department of Sankyo
Jun. 2004 Corporate Officer, Head of Research Division and Vice President of IT Management Department of Sankyo
Feb. 2005 Corporate Officer, Head of Research Division of Sankyo
Apr. 2007 Corporate Officer, Vice President of R&D Planning & Management Department of the Company
Apr. 2010 Corporate Officer, In Charge of Research, R&D Division of the Company
Apr. 2011 President, Daiichi Sankyo RD Novare Co., Ltd. (“Novare”)
Apr. 2015 Member of the Board of Novare (to present)

Kazuyuki Watanabe

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1978 Entered Daiichi Pharmaceutical Co., Ltd. (“Daiichi”)
Jun. 2006 General Manager, Secretariat Department of Daiichi
Apr. 2007 Vice President, General Affairs Department of the Company
Apr. 2012 Vice President, External Affairs Department, Business Intelligence Division, Japan Company of the Company
Apr. 2014 Corporate Officer, Vice President of External Affairs Department, Business Intelligence Division, Japan Company of the Company
Apr. 2015 Corporate Officer, In Charge of External Affairs of the Company (to present)

Member of the Board (Outside) (Independent Director)

Noritaka Uji

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1973 Entered Nippon Telegraph and Telephone Public Corporation
Jun. 1999 Director, Senior Vice President, Advanced Information Network Services Sector of NTT DATA Corporation (“NTT DATA”)
Sep. 2000 Director, Senior Vice President, Corporate Strategy Planning Department of NTT DATA
Jun. 2001 Director, Senior Vice President, Industrial System Sector of NTT DATA
Apr. 2002 Director, Senior Vice President, Enterprise Business Sector of NTT DATA
Jun. 2003 Managing Director, Executive Vice President, Enterprise Systems Sector and Enterprise Business Sector of NTT DATA
Jun. 2005 Representative Director, Executive Officer of NTT DATA
Jun. 2007 Representative Director, Senior Executive Vice President, Nippon Telegraph and Telephone Corporation (“NTT”)
Jun. 2012 Adviser of NTT (to present)
Jun. 2014 Member of the Board (Outside) of the Company (to present)

(Material Concurrent Positions)
Adviser of Nippon Telegraph and Telephone Corporation
Outside Director of Yokogawa Electric Corporation
Chairman of Japan Institute of Information Technology
President of Japan Telework Association

Corporate governance is a common topic of discussion lately. There is a clear need for management systems capable of furnishing a quick and flexible response to changes in the operating environment and a Board of Directors structure that sufficiently incorporates outside viewpoints. I therefore feel immense responsibility to live up to expectations with this regard as an Outside Member of the Board.

Over the medium term, Daiichi Sankyo will need to overcome the challenges presented by the loss of exclusivity for some of its products. This period will be an incredibly important time for transformation to build foundations for sustainable growth to ensure that the Company can continue growing.

This topic was discussed when formulating this 5-year business plan. However, more important than planning for this period will be steadily implementing that plan. Based on this belief, I will fulfill my responsibilities based on the perspective of “aggressive governance.”

I am committed to offering viable advice and suggestions based on my experience as a manager in the information and communication industry and the insight gained through this experience, thereby contributing to more lively discussions among the Board of Directors. At the same time, from my outside standpoint, I will strive to facilitate effectively functioning corporate governance with regard to such areas as conducting appropriate investments for future growth and selecting members of the management team.

I also am interested in helping Daiichi Sankyo improve its corporate value by contributing to the enrichment of quality of life around the world through the union of medicine, healthcare, and information and communication technology.

Member of the Board (Outside) (Independent Director)

Hiroshi Toda

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1975 Entered Nomura Securities Co., Ltd.
Jun. 1991 President of Nomura Bank (Switzerland) Limited
Jun. 1997 Director, Head of Financial Market of Nomura Securities Co., Ltd.
Jun. 2000 Senior Managing Director, Head of Investment Banking of Nomura Securities Co., Ltd.
Oct. 2001 Director of Nomura Holdings, Inc. and Senior Managing Director, Head of Global Wholesale of Nomura Securities Co., Ltd.
Jun. 2003 Deputy President and Chief Operating Officer of Nomura Holdings, Inc. and Deputy President and Chief Operating Officer of Nomura Securities Co., Ltd.
Apr. 2008 Vice Chairman of Nomura Securities Co., Ltd.
Mar. 2009 Resigned as Vice Chairman of Nomura Securities Co., Ltd.
Jul. 2010 Ambassador extraordinary and plenipotentiary to Greece
Jun. 2014 Member of the Board (Outside) of the Company (to present)

(Material Concurrent Positions)
Outside Director (Part Time) of Yusen Logistics Co., Ltd.
Special Adviser of UBS Securities Japan Co., Ltd.

Over the next five years, Daiichi Sankyo’s management will be faced with one of the toughest and most challenging periods it has ever experienced. During this period, management will need to undertake a bold transformation to a new business model, build global business operation systems, and tackle other tasks. Of course, this means that the number of important management decisions to be made by President Nakayama and other members of the executive team will continue to increase.

In this challenging period, I will aspire to go about my duties as an Outside Member of the Board based on an in-depth understanding of Daiichi Sankyo’s mission, strategies, corporate culture, and history. In addition, I will make sure not to forget the perspective of ensuring that the Company’s fiduciary duty and accountability duties toward shareholders are being fulfilled.

Japan’s Corporate Governance Code states that one of the responsibilities of the Board of Directors is “setting the broad direction of corporate strategy.” To help accomplish this objective, I hope to facilitate lively discussion among the Board of Directors with regard to the structure of the pharmaceutical industry and nature of competition therein, analyses of risks anticipated in future business activities, measures to improve corporate value, and other matters. I thereby aim to contribute to the setting of directives based on which we will “articulate the profit plans and capital policy,” “present targets for profitability and capital efficiency,” and provide explanations with “respect to the allocation of management resources and specific measures that will be taken in order to achieve the plans and targets.”

Member of the Board (Outside) (Independent Director)

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1962 Entered Toppan Printing Co., Ltd. ("Toppan")
Jun. 1993 Director, General Manager of Commercial Printing Subdivision, Commercial Printing Division of Toppan
Apr. 1995 Director, General Manager of Commercial Printing Division of Toppan
Jun. 1995 Managing Director, General Manager of Commercial Printing Division of Toppan
Oct. 1996 Managing Director, General Manager of Commercial Printing Division; Head of Finance Instruments and Securities Division of Toppan
Jun. 1997 Senior Managing Director, General Manager of Commercial Printing Division; Head of Finance Instruments and Securities Division of Toppan
Apr. 1998 Senior Managing Director, In Charge of Corporate Sales & Marketing; Head of Finance Instruments and Securities Division and Commercial Printing Division of Toppan
Jun. 1998 Representative Executive Vice President, In Charge of Corporate Sales & Marketing; Head of Finance Instruments and Securities Division and Commercial Printing Division of Toppan
Jun. 2000 President & Representative Director of Toppan
Jun. 2010 Chairman & Representative Director of Toppan (to present)
Jun. 2015 Member of the Board (Outside) of the Company (to present)

(Material Concurrent Positions)
Chairman & Representative Director of Toppan Printing Co., Ltd.
Director of Toppan Forms Co., Ltd.
Director & Advisor of Tosho Printing Co., Ltd.
Director of Toyo Ink SC Holdings Co., Ltd.

Naoki Adachi

I firmly believe a company should have a strong social presence that is trusted and respected by society. At TOPPAN PRINTING CO., LTD., where I serve as chairman and representative director, I remind our officers and employees of this need at every opportunity. To grow beyond being a company that simply pursues earnings growth to become a company that earns the respect of all of its stakeholders, the construction and implementation of an appropriate corporate governance system is of the utmost importance. However, there is no such thing as the "right" corporate governance system. Rather, companies must find the system that is best suited to maximizing their particular corporate value and the value for their shareholders. Based on this perspective, I hope to help contribute to the ideal corporate governance system for Daiichi Sankyo.

Furthermore, I view my role as an Outside Member of the Board that is also an independent director to be to aid in ensuring the soundness of the Company to the greatest degree possible. Calling upon the insight I have gained through my interactions with various companies over my long career as well as during my time as a corporate manager, I will proactively swap opinions with other members of the Board of Directors while striving to be of assistance to Daiichi Sankyo's management.

Member of the Board (Outside) (Independent Director)

Career Summary, Positions, Assignments, and Material Concurrent Positions

Jan. 1992 Professor, Department of General Medicine of Saga Medical School Hospital
Mar. 1994 Professor, Department of General Medicine of Kyoto University Hospital
Apr. 1999 Professor, Department of Clinical Epidemiology, Kyoto University Graduate School of Medicine
Apr. 2000 Professor, Department of Clinical Epidemiology, Professor, Department of Health Informatics, Dean, School of Public Health, Kyoto University Graduate School of Medicine
Feb. 2001 Professor, Department of Clinical Epidemiology, Professor, Department of Health Informatics, Director, EBM Collaborative Research Center, School of Public Health, Kyoto University Graduate School of Medicine
Sep. 2004 Chief of Staff, Department of Internal Medicine, Vice President, St. Luke's International Hospital
Apr. 2005 President of St. Luke's International Hospital (to present)
Apr. 2012 Chairperson of the Board of Trustees of St. Luke's College of Nursing (currently St. Luke's International University)
Jun. 2015 Member of the Board (Outside) of the Company (to present)
Apr. 2016 President of St.Luke's International University (to present)

(Material Concurrent Positions)
President of St. Luke's International University
President of St. Luke's International Hospital
Executive Director of Japan Hospital Association
President of The Japan Medical Library Association

Tsuguya Fukui

Medicine is among the most important elements of the underlying infrastructure for a society in which everyone can feel at ease, and drugs form the foundation of medicine. As a pharmaceutical company, it is important to determine the drugs that are worth developing from the perspectives of patients and healthcare professionals. These drugs must then be created by collectively utilizing modern-day science, such as biomedicine, pharmacy, and chemistry, and cutting-edge technologies, after which their safety and efficacy will need to be verified so that these drugs may be quickly delivered to the frontlines of the medical field. Moreover, these noble social contributions are to be made while increasing returns through the unique competitive mechanism of a capitalist society.

As a physician, I have utilized numerous pharmaceuticals in a clinical setting. Over the past 40 years, I have witnessed substantial changes in the rates of occurrence and shocking drops in the fatality rates of countless illnesses. It is from this experience as a clinician and a medical scientist and from my standpoint as a manager of a hospital and a university that I offer opinions at meetings of the Board of Directors.

Daiichi Sankyo is currently at a crossroads with regard to determining the illnesses and fields it will target in drug development. In this junction, I am committed to helping the Company faithfully practice the high level of corporate governance society expects of a first-rate company so that it may grow with confidence.

Member of the Audit & Supervisory Board (Outside) (Independent Auditor)

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1973 Entered Nishimura, Komatsu & Tomotsune (currently Anderson Mōri & Tomotsune), Attorney-at-law
Jan. 1977 Partner of Nishimura, Komatsu & Tomotsune
Oct. 1997 Member of the Council Committee on Foreign Exchange and Other Transactions of the Ministry of Finance of Japan
Jan. 2001 Member of the Council on Customs Duties, Foreign Exchange and Other Transactions of the Ministry of Finance of Japan
Jan. 2011 Of Counsel, Anderson Mōri & Tomotsune (to present)

(Material Concurrent Positions)
Of Counsel, Anderson Mōri & Tomotsune
Outside Auditor of Fuji Electric Co., Ltd.

Akiko Kimura

Japanese companies are rapidly expanding their business on a global basis. Accordingly, these companies need to promptly establish corporate governance systems at their subsidiaries and affiliates in foreign countries as well as those in Japan. This task requires an enormous amount of efforts by Japanese companies, because they have historically been managed in Japan where a single language is used and the society is relatively homogenous. Furthermore, in the case of Daiichi Sankyo, as research and development, manufacture, and sales of pharmaceuticals are subject to strict regulations in every country, it is imperative for the Company to establish systems for securing compliance with those regulations in each country of its operation and also to establish a global framework for monitoring the situation of such compliance.

The Company is standing at a significant turning point with its "2025 Vision" and the 5-year business plan being prepared. It could be said that the establishment of global corporate governance systems is a prerequisite for accomplishing such vision and business plan.

As I have been practicing law primarily in the area of international transactions, I will make my best efforts to contribute to sound development of Daiichi Sankyo's business from a legal perspective.

Member of the Audit & Supervisory Board (Outside) (Independent Auditor)

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1975 Entered National Police Agency
Feb. 2001 Chief of Community Safety Bureau of Tokyo Metropolitan Police Department
Jan. 2002 Director General of Kyoto Prefectural Police
Aug. 2003 Chief Inspector General of National Police Agency
Aug. 2004 Director General for Secretariat's Policy Matters, Commissioner General's Secretariat of National Policy Agency
Jan. 2007 Chief of Community Safety Bureau of National Policy Agency
Aug. 2008 Chief of Commissioner General's Secretariat of National Policy Agency
Jun. 2009 Deputy Commissioner General of National Police Agency
Oct. 2011 Commissioner General of National Police Agency
Jun. 2013 President of Council for Public Policy (to present)

(Material Concurrent Positions)
President of Council for Public Policy
Consultant of Sompo Japan Insurance Inc.
Special Advisor of The Japan Chamber of Commerce and Industry and The Tokyo Chamber of Commerce and Industry

Yutaka Katagiri

Two years have passed since I became an Outside Member of the Audit & Supervisory Board at Daiichi Sankyo. In these two years, several movements have been made to reinforce corporate governance among Japanese companies, including the implementation of the revised Companies Act and the establishment and enactment of Japan's Corporate Governance Code. At the same time, this has been a period during which we have been unfortunate in witnessing numerous corporate scandals.

Daiichi Sankyo has faithfully endeavored to appropriately implement the new governance frameworks. While engaging in active discussion among the Board of Directors, compliance was achieved for all 73 requirements of the Corporate Governance Code, and we also put regulations into place for the Audit & Supervisory Board.

However, as stated by Kabuki actor Ichikawa Enou I, "It's easy to make the form, but difficult to put the heart into it." Even if we have these governance systems in place, putting our heart into them will be no easy task. The real struggle therefore lies ahead of us.

Pharmaceutical companies are charged with the important mission of protecting people's health and safeguarding their lives. I hope to continue aiding Daiichi Sankyo in fulfilling this mission and growing in a sound manner.

Criteria for Independence as Member of the Board (Outside) and Member of the Audit & Supervisory Board (Outside)

1. A Member of the Board or a Member of the Audit & Supervisory Board shall be determined to be independent from the Company and may not have a conflict of interests with general shareholders of the Company unless any of the following categories applies to him or her:
   (1) A candidate or his or her immediate family member who:
      i) is or has been an Executive Officer, of the Company or sister company or subsidiary (referring to a director other than outside director, corporate officer, executive officer or other employee; provided, however, limited to those who are important persons in terms of relationship with immediate family members. The same shall apply hereafter.); or
      ii) has received during any of the last three fiscal years more than ¥10 million in direct compensation for his or her services as a consultant, a specialist in law, accounting or tax, or a healthcare professional, etc. from the Company, other than compensation as Member of the Board or Member of the Audit & Supervisory Board.
      * An "immediate family member" includes a person's spouse, parents, children, siblings, grandparents, grandchildren, mothers and fathers-in-law, sons and daughters-in-law, spouses of siblings, grandchildren-in-law, and brothers and sisters-in-law. The same shall apply hereafter.
   (2) A candidate or his or her immediate family member who is or has been within the last ten years, an Executive Officer, of a corporation or other association that falls under the following items:
      i) Business relationship
         (a) A company that has made payments to, or received payments from, the Group for products or services in an amount which, in any of the last three fiscal years, exceeds 2% of any of the companies' consolidated gross revenues;
         (b) A consulting firm, law firm, auditing firm, tax accounting firm or incorporated educational institution, etc. that receives remuneration from the Group exceeding 10% of its gross revenue in any of the last three fiscal years; or
         (c) A lender from whom the Group obtained a loan of more than 10% of its consolidated total assets at the end of the fiscal year immediately before nomination.
      ii) Major shareholder
      A corporation or other legal entity that is a major shareholder of the Company or a corporation that the Company is a major shareholder of at the time of determining the independence. A major shareholder means a shareholder holding at least 10% of total shares outstanding of the Company.
      iii) Recipient of charitable contributions
      An organization to which the Company's discretionary charitable contributions in any of the last three fiscal years are more than ¥10 million and 2% of annual gross revenues of that organization or other associations.
      iv) Accounting auditor
      An audit firm that is or has been for the last three years an accounting auditor of the Group.
      v) Cross-directorship arrangement
      A listed company in which an Executive Officer of the Company is a current Member of the Board (Outside) or Member of the Audit & Supervisory Board (Outside).

2. Even though any of the above apply to a candidate for Member of the Board / Member of the Audit & Supervisory Board (Outside), when the Board of Directors or the Audit & Supervisory Board judge him or her to be ensured of independent after comprehensive review, it may be determined that he or she satisfies the criteria for independence as Member of the Board / Member of the Audit & Supervisory Board (Outside).

Basic Policy on Establishing Internal Control Structure

Concerning systems for ensuring compliance with laws and ordinances and the Company's Articles of Incorporation in the execution of duties by Members of the Board and other systems for securing appropriateness of duties, the Company has resolved the basic policies at the Board of Directors' Meeting held on April 28, 2015 and effective on May 1, 2015, as follows. Major changes from the previous basic policy are to fulfill (1) a system on the Group's internal control and (2) a system on arranging audit environment for Members of the Audit & Supervisory Board, considering the revision of the Companies Act in 2014.

A Systems for Ensuring Compliance with Laws and Regulations and the Company's Articles of Incorporation in the Execution of Duties by Members of the Board

- The Company shall establish a compliance system by stipulating the Daiichi Sankyo Group Corporate Conduct Charter, Daiichi Sankyo Group Principles of Individual Behavior, etc. as the code of conduct for Members of the Board and employees and setting up a meeting body, including outside experts.
- The Company shall appoint Members of the Board (Outside) for the strengthening and enhancing the function to supervise management.
- Members of the Audit & Supervisory Board shall audit the execution of duties by Members of the Board, process and contents of decision making and the status of the establishment and implementation of internal control systems.

B Systems Regarding the Retention and Management of Information Relating to the Execution of Duties by Members of the Board

- The Company shall establish information security systems, and properly store and manage information relating to the execution of duties by Members of the Board, including the minutes of the Board of Directors, in accordance with laws, ordinances and internal regulations of the Company.

C Rules and Other Systems for Risk Management

- The Company shall stipulate various internal regulations to establish risk management systems.
- The Internal Audit Department shall audit the status of operation of the systems mentioned above.

D Systems for Ensuring the Efficient Execution of Duties by Members of the Board

- The Company shall form a Management Executive Meeting—consisting of Members of the Board excluding Members of the Board (Outside), and executives appointed by the President who are responsible for the main regions, corporate bodies and functions—which shall deliberate important matters for strategic decision-making by the President. The Company shall also set up an approval system as a means of decision-making.
- The Company shall introduce a corporate officer system in consideration of speedy decision making and execution of duties.

E Systems for Ensuring Compliance with Laws and Ordinances and the Company's Articles of Incorporation in the Execution of Duties by Employees

- The Company shall establish a compliance system by stipulating Daiichi Sankyo Group Corporate Conduct Charter, Daiichi Sankyo Group Principles of Individual Behavior, etc. as the code of conduct for Members of the Board and Members of the Audit & Supervisory Board and employees and setting up a meeting body, including outside experts.
- Vice Presidents and executives responsible for the main regions, corporate bodies and functions who receive orders from the President shall manage duties in their charge and supervise, manage and direct members of their business units in accordance with the Global Management Regulations, the Organizational Management Regulations and other Company rules.
- Each of the functions related to the improvement of systems concerning personnel management, risk management, etc. shall convey policies to manage and guide each department.
- The Internal Audit Department shall implement internal audit of the status of compliance with laws and ordinances, and the Articles of Incorporation and internal regulations.

F Systems for Ensuring the Proper Operation of the Group, Consisting of the Company and Its Subsidiaries

- The Company shall establish Global Management Regulations and Internal Control System Establishment Regulations to clarify the management control system of the Daiichi Sankyo Group, and transmit management policies, etc. to Group companies and set a system in place for receiving reports on management and financial results from the Board of group companies.
- The Company shall establish Group Company Management Regulations to clarify responsibilities and authorities of each group company.
- The Company shall establish Risk Management Promotion Regulations to develop the Daiichi Sankyo Group risk management system.
- The Company shall establish Daiichi Sankyo Group Principles of Individual Behavior, etc. to develop it to all Group companies and also arrange the Group's compliance promotion system to keep all Group companies informed about it.
- The Company shall establish Internal Control Regulations on Financial Reporting and ensure the reliability of financial reporting by properly implementing those regulations.
- The Company shall establish Internal Audit Regulations and implement internal audit on Group companies.

G Systems Regarding Employees Assisting Duties of Members of the Audit & Supervisory Board, when Members of the Audit & Supervisory Board Ask to Appoint Such Employees

- The Company shall appoint full-time staffs who assist with the duties of Members of the Audit & Supervisory Board.

H Matters Regarding the Independence of the Employees Specified in the Preceding Paragraph (G) from Members of the Board and Ensuring of Effectiveness of Instructions by Members of the Audit & Supervisory Board

- Full-time staffers assisting Members of the Audit & Supervisory Board shall be independent of Members of the Board, and shall execute duties under the directions and orders from Members of the Audit & Supervisory Board.
- Personnel changes, performance appraisal, etc. of full-time staffers assisting Members of the Audit & Supervisory Board shall require prior consent of the Audit & Supervisory Board.

I Systems of Reporting to Members of the Audit & Supervisory Board of the Company by Members of the Board and Employees of the Company and Subsidiaries and Other Systems Regarding Reporting to Members of the Audit & Supervisory Board of the Company

- The Company shall establish a system under which when Members of the Board find facts that could badly hurt the Company, they shall immediately report the facts to Members of the Audit & Supervisory Board.
- Members of the Audit & Supervisory Board of the Company shall receive reports on the status of execution of duties from executives and employees of the Company as well as executives and employees of Group companies.
- Members of the Audit & Supervisory Board of the Company shall attend the Management Executive Meeting and other important meetings.
- To verify process and details of approvals, the Company shall establish the Members of the Audit & Supervisory Board as permanent recipients of approval document notification.

J Other Systems for Ensuring the Effective Audit by Members of the Audit & Supervisory Board

- Members of the Audit & Supervisory Board of the Company shall have meetings with Representative Members of the Board on a regular basis to check management policies and exchange views concerning important issues related to auditing.
- Members of the Audit & Supervisory Board of the Company shall exchange information with Members of the Audit & Supervisory Board of the Group companies and closely cooperate with them.
- Members of the Audit & Supervisory Board of the Company shall coordinate and exchange views with external auditors and the Internal Audit Department.
- The Company shall not treat unfairly any person who reports under the second item in the preceding paragraph (I) or any person who reports according to Daiichi Sankyo Group Principles of Individual Behavior, etc. because of the fact of such reporting.
- The Company shall bear expenses that may be occurred in executing the duties of the Members of the Audit & Supervisory Board.

K Basic Ideas About and Systems for Eliminating Antisocial Forces

- The Company shall take a firm stance toward antisocial forces and organizations that threaten the order and safety of civil society. To prevent antisocial forces and organizations from being involved in the Company's management activities and to stop such forces and organizations from harming the Company, the Company shall stipulate, as its basic policy, in the Daiichi Sankyo Group Corporate Conduct Charter, etc. that it shall thoroughly forbid relations with antisocial forces and organizations. In addition, the Company shall establish an organizational structure to that end, and strive to eliminate relations with antisocial forces and organizations through means such as collecting information in cooperation with the police and other bodies, and conducting activities to train Members of the Board and other Officers, and employees.

Risk Management

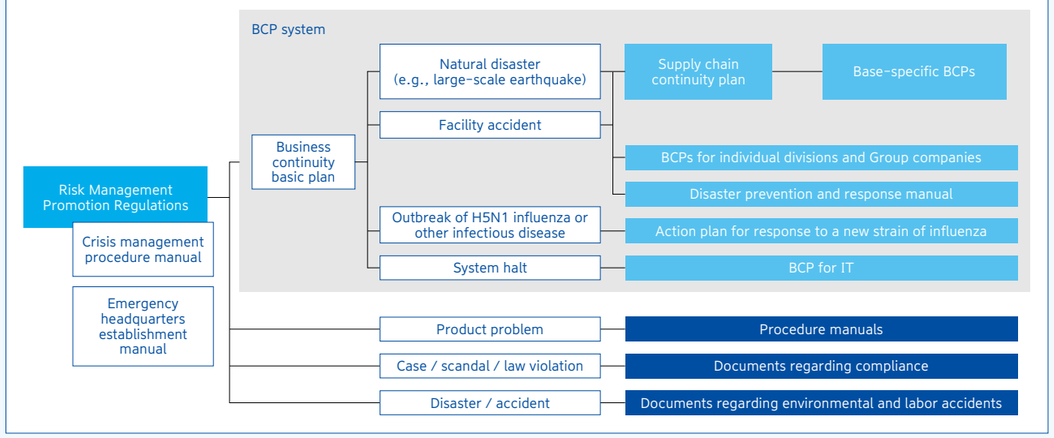
The Daiichi Sankyo Group defines risks as those factors that may prevent the Group from attaining its organizational goals and targets and that can be predicted in advance. The Group is promoting risk management through such means as taking steps to address risks inherent in corporate activities through retaining, reducing, avoiding, or eliminating these risks and rationally controlling the potential impacts should risks actualize. In this manner, we seek to minimize the adverse impacts of risks on people, society, and the Group.

Risk Management System

The head of the Corporate Management Unit oversees Group-wide risk management as the chief risk management officer (CRMO), promotes risk management education, and operates the risk management system. In addition, the heads of each division autonomously manage risks to aid in the accomplishment of their divisions' goals and targets. To this end, they analyze and evaluate individual risks, formulate and implement yearly risk management plans, and provide employees with information on underlying risks in organization, education, and insight concerning risk management. Moreover, the Company takes precautions to prevent the actualization of risks with the potential to significantly impact the management of the Company. At meetings of the Board of Directors and Management Executive Meeting, we regularly seek to identify and assess such risks. Moreover, the heads of each division formulate countermeasures through coordination with the CRMO.

As part of the risk management scheme, the Group has a business continuity plan (BCP) that stipulates preparations for and measures to be instituted in the event of a disaster as well as crisis management procedure manuals for use in the case of an emergency. (See chart below.)

Risk Management System



Data Section

Financial Data

Consolidated Statement of Financial Position

(Millions of yen)

ASSETS	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)
Current assets		
Cash and cash equivalents	189,372	222,159
Trade and other receivables	241,547	248,762
Other financial assets	186,457	493,768
Inventories	150,093	144,273
Other current assets	14,697	15,233
Subtotal	782,168	1,124,196
Assets held for sale	3,165	1,071
Total current assets	785,334	1,125,268
Non-current assets		
Property, plant and equipment	266,491	250,168
Goodwill	71,366	78,691
Intangible assets	199,411	210,395
Investments accounted for using the equity method	1,347	1,207
Other financial assets	593,944	168,189
Deferred tax assets	45,330	55,726
Other non-current assets	19,059	10,875
Total non-current assets	1,196,951	775,254
Total assets	1,982,286	1,900,522

(Millions of yen)

LIABILITIES AND EQUITY	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)
Current liabilities		
Trade and other payables	235,546	241,831
Bonds and borrowings	20,000	20,000
Other financial liabilities	7,576	819
Income taxes payable	7,767	53,936
Provisions	19,444	28,335
Other current liabilities	6,735	34,770
Subtotal	297,070	379,694
Liabilities directly associated with assets held for sale	426	—
Total current liabilities	297,496	379,694
Non-current liabilities		
Bonds and borrowings	201,000	181,000
Other financial liabilities	8,337	9,148
Post-employment benefit liabilities	11,631	14,028
Provisions	2,713	12,287
Deferred tax liabilities	88,357	33,679
Other non-current liabilities	65,707	37,161
Total non-current liabilities	377,747	287,306
Total liabilities	675,244	667,000
Equity		
Equity attributable to owners of the Company		
Share capital	50,000	50,000
Capital surplus	105,267	103,927
Treasury shares	(14,198)	(64,155)
Other components of equity	169,034	146,717
Retained earnings	993,953	994,916
Total equity attributable to owners of the Company	1,304,057	1,231,406
Non-controlling interests		
Non-controlling interests	2,984	2,115
Total equity	1,307,041	1,233,521
Total liabilities and equity	1,982,286	1,900,522

Consolidated Statement of Profit or Loss

(Millions of yen)

	FY2014 (For the year ended March 31, 2015)	FY2015 (For the year ended March 31, 2016)
Revenue	919,372	986,446
Cost of sales	323,087	318,622
Gross profit	596,284	667,823
Selling, general, and administrative expenses	331,195	328,755
Research and development expenses	190,666	208,656
Operating profit	74,422	130,412
Financial income	9,600	5,292
Financial expenses	3,160	13,028
Share of loss of investments accounted for using the equity method	925	287
Profit before tax	79,936	122,388
Income taxes	36,370	41,988
Profit from continuing operations	43,566	80,399
Profit from discontinued operations	275,357	—
Profit for the year	318,923	80,399
Profit attributable to:		
Owners of the Company	322,119	82,282
Non-controlling interests	(3,195)	(1,883)
Profit for the year	318,923	80,399
Earnings per share		
Basic earnings per share (yen)	457.56	119.37
Continuing operations	66.01	119.37
Discontinued operations	391.55	—
Diluted earnings per share (yen)	456.62	119.11
Continuing operations	65.88	119.11
Discontinued operations	390.75	—

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY2014 (For the year ended March 31, 2015)	FY2015 (For the year ended March 31, 2016)
Profit for the year	318,923	80,399
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	26,694	(18,942)
Remeasurements of defined benefit plans	(4,293)	(5,397)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on the translation of foreign operations	29,131	(31,088)
Cash flow hedges	(4,347)	—
Share of other comprehensive income of investments accounted for using the equity method	66	(11)
Other comprehensive income (loss), net of taxes	47,252	(55,439)
Total comprehensive income	366,176	24,959
Total comprehensive income attributable to:		
Owners of the Company	366,201	26,961
Non-controlling interests	(24)	(2,001)
Total comprehensive income	366,176	24,959

Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the Company						
				Other components of equity			
	Share capital	Capital surplus	Treasury shares	Subscription rights to shares	Exchange differences on the translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2014	50,000	105,267	(14,408)	1,680	80,252	—	39,821
Profit for the year	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	25,963	(4,347)	26,684
Total comprehensive income	—	—	—	—	25,963	(4,347)	26,684
Acquisition of treasury shares	—	—	(25)	—	—	—	—
Disposal of treasury shares	—	—	234	(117)	—	—	—
Share-based payments	—	—	—	197	—	—	—
Dividends	—	—	—	—	—	—	—
Change in scope of consolidation	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	(1,086)
Other	—	—	—	—	(12)	—	(0)
Total transactions with the owners of the Company	—	—	209	80	(12)	—	(1,087)
Balance as of April 1, 2015	50,000	105,267	(14,198)	1,760	106,202	(4,347)	65,419
Profit for the year	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	(31,001)	—	(18,942)
Total comprehensive income	—	—	—	—	(31,001)	—	(18,942)
Acquisition of treasury shares	—	(201)	(50,037)	—	—	—	—
Disposal of treasury shares	—	—	80	(45)	—	—	—
Share-based payments	—	—	—	220	—	—	—
Dividends	—	—	—	—	—	—	—
Acquisition of non-controlling interests	—	(1,138)	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	(6)	4,347	23,109
Other	—	—	—	—	—	—	—
Total transactions with the owners of the Company	—	(1,339)	(49,957)	175	(6)	4,347	23,109
Balance as of March 31, 2016	50,000	103,927	(64,155)	1,935	75,195	—	69,586

(Millions of yen)

	Equity attributable to owners of the Company					
	Other components of equity					
	Remeasurements of defined benefit plans	Total other components of equity	Retained earnings	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance as of April 1, 2014	—	121,753	717,320	979,933	27,594	1,007,527
Profit for the year	—	—	322,119	322,119	(3,195)	318,923
Other comprehensive income	(4,218)	44,081	—	44,081	3,170	47,252
Total comprehensive income	(4,218)	44,081	322,119	366,201	(24)	366,176
Acquisition of treasury shares	—	—	—	(25)	—	(25)
Disposal of treasury shares	—	(117)	(116)	0	—	0
Share-based payments	—	197	—	197	212	410
Dividends	—	—	(42,238)	(42,238)	—	(42,238)
Change in scope of consolidation	—	—	—	—	(25,016)	(25,016)
Transfer from other components of equity to retained earnings	4,218	3,131	(3,131)	—	—	—
Other	—	(12)	—	(12)	218	206
Total transactions with the owners of the Company	4,218	3,198	(45,486)	(42,077)	(24,585)	(66,662)
Balance as of April 1, 2015	—	169,034	993,953	1,304,057	2,984	1,307,041
Profit for the year	—	—	82,282	82,282	(1,883)	80,399
Other comprehensive income	(5,378)	(55,321)	—	(55,321)	(118)	(55,439)
Total comprehensive income	(5,378)	(55,321)	82,282	26,961	(2,001)	24,959
Acquisition of treasury shares	—	—	—	(50,239)	—	(50,239)
Disposal of treasury shares	—	(45)	(34)	0	—	0
Share-based payments	—	220	—	220	—	220
Dividends	—	—	(48,456)	(48,456)	—	(48,456)
Acquisition of non-controlling interests	—	—	—	(1,138)	1,138	—
Transfer from other components of equity to retained earnings	5,378	32,828	(32,828)	—	—	—
Other	—	—	—	—	(5)	(5)
Total transactions with the owners of the Company	5,378	33,004	(81,320)	(99,613)	1,133	(98,479)
Balance as of March 31, 2016	—	146,717	994,916	1,231,406	2,115	1,233,521

Consolidated Statement of Cash Flows

(Millions of yen)

	FY2014 (For the year ended March 31, 2015)	FY2015 (For the year ended March 31, 2016)
Cash flows from operating activities		
Profit before tax from continuing operations	79,936	122,388
Depreciation and amortization	42,023	44,306
Impairment loss	37,612	4,730
Financial income	(9,600)	(5,292)
Financial expenses	3,160	13,028
Share of (profit) loss of investments accounted for using the equity method	925	287
(Gain) loss on sale and disposal of fixed assets	(1,056)	(7,739)
(Increase) decrease in trade and other receivables	(966)	(15,121)
(Increase) decrease in inventories	(237)	972
Increase (decrease) in trade and other payables	3,661	33,083
Other, net	(1,769)	18,875
Subtotal	153,688	209,519
Interest and dividends received	3,468	3,603
Interest paid	(1,732)	(1,397)
Income taxes paid	(21,874)	(37,443)
Cash flows from operating activities of discontinued operations	9,227	—
Net cash flows from operating activities	142,776	174,281
Cash flows from investing activities		
Purchase of time deposits	(64,511)	(674,891)
Proceeds from maturities in time deposits	72,915	419,899
Acquisition of securities	(259,142)	(303,023)
Proceeds from sale of securities	390,984	618,423
Settlement of forward foreign exchange contract for sale of securities	—	(7,024)
Acquisitions of property, plant, and equipment	(38,500)	(27,136)
Proceeds from sale of property, plant, and equipment	453	5,546
Acquisition of intangible assets	(56,130)	(42,261)
Acquisition of subsidiary	(33,476)	(11,771)
Proceeds from sale of subsidiary	—	7,004
Payments for loans receivable	(1,728)	(1,616)
Proceeds from collection of loans receivable	1,489	1,913
Other, net	3,080	8,971
Cash flows from investing activities of discontinued operations	(36,712)	—
Net cash flows from investing activities	(21,278)	(5,967)
Cash flows from financing activities		
Proceeds from bonds and borrowings	0	0
Repayments of bonds and borrowings	(90,000)	(22,976)
Purchase of treasury shares	(25)	(50,239)
Proceeds from sales of treasury shares	0	0
Dividends paid	(42,254)	(48,468)
Other, net	(906)	(1,247)
Cash flows from financing activities of discontinued operations	984	—
Net cash flows from financing activities	(132,200)	(122,930)
Net increase (decrease) in cash and cash equivalents	(10,701)	45,383
Cash and cash equivalents at the beginning of the year	183,070	189,372
Effect of exchange rate change on cash and cash equivalents	17,003	(12,596)
Cash and cash equivalents at the end of the year	189,372	222,159

Historical Data

(Billions of yen)

	Japanese GAAP						
	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
Financial Results							
Net sales	929.5	880.1	842.1	952.1	967.3	938.6	997.8
Overseas sales	356.7	358.6	373.2	482.3	489.7	469.0	486.6
Ratio of overseas sales to net sales (%)	38.4	40.7	44.3	50.7	50.6	50.0	48.8
Operating income	136.3	156.8	88.8	95.5	122.1	98.2	100.5
Ratio of operating income to net sales (%)	14.7	17.8	10.6	10.0	12.6	10.5	10.1
Net income (loss)	78.5	97.6	(215.4)	41.8	70.1	10.3	66.6
Research and development expenses	170.6	163.4	184.5	196.8	194.3	185.0	183.0
Ratio of research and development expenses to net sales (%)	18.4	18.6	21.9	20.7	20.1	19.7	18.3
Depreciation and amortization	39.9	38.7	40.5	45.9	43.9	46.3	41.4
Capital expenditure	31.5	21.1	19.6	29.7	37.3	62.9	65.1
Financial Position							
Total assets	1,636.8	1,487.8	1,494.5	1,489.5	1,480.2	1,518.4	1,644.0
Net assets	1,272.1	1,244.5	888.6	889.5	887.7	832.7	915.7
Per Share Information							
Basic net income per share (yen)	107.75	135.35	(304.22)	59.45	99.62	14.75	94.64
Net assets per share (yen)	1,740.26	1,730.09	1,226.04	1,215.62	1,206.12	1,143.52	1,253.86
Annual dividends per share (yen)	60	70	80	60	60	60	60
Main Financial Indicators							
Return on equity (ROE) (%)	6.3	7.8	(20.5)	4.9	8.2	1.3	7.9
Equity ratio (%)	77.5	83.6	57.7	57.4	57.4	53.0	53.7
Dividend on equity (DOE) (%)	3.5	4.0	5.4	4.9	5.0	5.1	5.0
Free cash flows*	151.7	17.2	(335.4)	172.8	78.1	(32.5)	19.9
Average exchange rates (USD/JPY)	116.99	114.28	100.54	92.86	85.72	79.07	83.11
(EUR/JPY)	146.16	160.52	143.49	131.16	113.13	108.96	107.15
Number of Employees	15,358	15,349	28,895	29,825	30,488	31,929	32,229

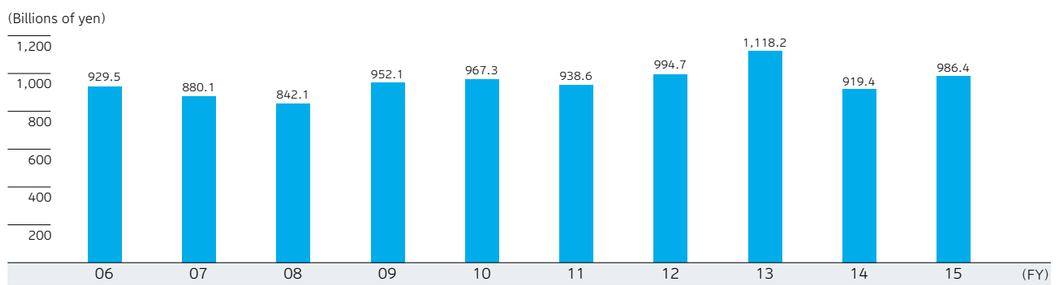
* Cash flows from operating activities + Cash flows from investing activities

(Billions of yen)

	IFRS			
	FY2012	FY2013	FY2014	FY2015
Financial Results				
Revenue	994.7	1,118.2	919.4	986.4
Overseas revenue	483.2	585.7	392.4	430.7
Ratio of overseas revenue to revenue (%)	48.6	52.4	42.7	43.7
Operating profit	98.7	111.6	74.4	130.4
Ratio of operating profit to revenue (%)	9.9	10.0	8.1	13.2
Profit attributable to owners of the Company	64.0	60.9	322.1	82.3
Research and development expenses	184.4	191.2	190.7	208.7
Ratio of research and development expenses to revenue (%)	18.5	17.1	20.7	21.2
Depreciation and amortization	45.3	51.5	42.0	44.3
Capital expenditure	65.1	49.2	36.3	23.3
Financial Position				
Total assets	1,684.9	1,854.0	1,982.3	1,900.5
Total equity	938.5	1,007.5	1,307.0	1,223.5
Per Share Information				
Basic earnings per share (yen)	90.96	86.57	457.56	119.37
Equity per share attributable to owners of the Company (yen)	1,287.94	1,392.03	1,852.28	1,801.90
Annual dividends per share (yen)	60	60	60	70
Main Financial Indicators				
Return on equity attributable to owners of the Company (ROE) (%)	7.4	6.5	28.2	6.5
Ratio of equity attributable to owners of the Company to total assets (%)	53.8	52.9	65.8	64.8
Ratio of dividends to equity attributable to owners of the Company (%)	4.9	4.5	3.7	3.8
Free cash flows	20.4	(124.1)	121.5	168.3
Average exchange rates (USD/JPY)	83.11	100.24	109.94	120.14
(EUR/JPY)	107.15	134.38	138.78	132.57
Number of Employees	32,229	32,791	16,428	15,249

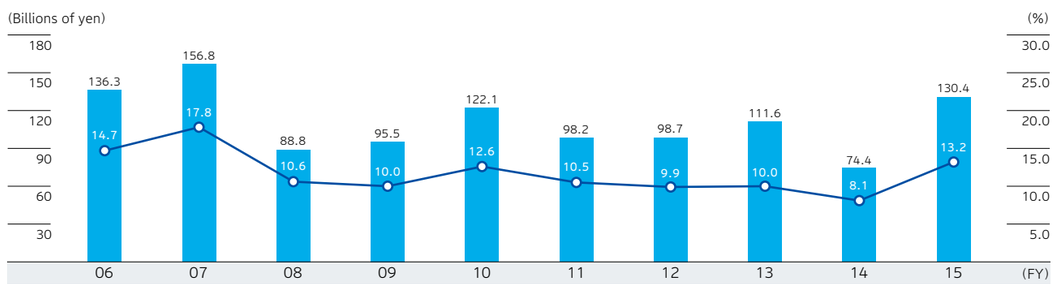
Note: Results for fiscal 2012 in compliance with IFRS are restated for comparison purposes.

Revenue



Note: Figures for fiscal 2011 and prior are based on Japanese GAAP, and figures for fiscal 2012 and forward are based on IFRS.

Operating Profit/Ratio of Operating Profit to Revenue



■ Operating profit (left axis) ○ Ratio of operating profit to revenue (right axis)
Note: Figures for fiscal 2011 and prior are based on Japanese GAAP, and figures for fiscal 2012 and forward are based on IFRS.

ESG Data (Environmental, Social, and Governance Data)

■ Environmental

Promoting Environmental Management

Aspect	Classification	Item	Scope	Unit	FY2013	FY2014	FY2015
CO_2	CO_2 emissions		In Japan	t-CO_2	173,793	178,510	176,157
			Global	t-CO_2	539,642	475,296	243,402
	CO_2 emissions by Greenhouse Gas Protocol	Scope 1	In Japan	t-CO_2	96,599	89,743	85,045
			Global	t-CO_2	206,757	171,580	115,243
		Scope 2	In Japan	t-CO_2	77,194	88,767	91,112
			Global	t-CO_2	332,885	303,716	128,159
Water resources	Water used		In Japan	1,000 m³	11,628	11,624	11,868
			Global	1,000 m³	13,785	12,140	12,531
	Wastewater		In Japan	1,000 m³	10,457	10,490	10,834
			Global	1,000 m³	11,615	10,937	11,288
	Effective water usage volume*1		Global	1,000 m³	—	—	1,243
Waste	Waste generated		Global	t	37,191	22,359	21,764
	Final disposal rate		In Japan	%	0.47	0.68	0.46
	Amount of office paper consumed		In Japan	Million sheets	67.17	58.98	54.69

■ Social

Promoting Compliance Management

Aspect	Classification	Item	Scope	Unit	FY2013	FY2014	FY2015
Compliance	Compliance training*2		In Japan	Persons	347	384	354
	Training on Daiichi Sankyo Group Individual Conduct Principles	Ratio of employees participating in e-learning and group training	In Japan	%	—	—	100
			Outside Japan	%	—	—	100
	Compliance violations discovered through DS-hotline and reporting venues for sexual and power harassment		In Japan	Cases	5	6	7
	Compliance training based on Corporate Integrity Agreement*3 in the United States		In Japan	Persons	—	74	37
			Outside Japan	Persons	—	1,094	772
	Training by UN Global Compact area (human rights)	Views of intranet training pages (aggregate)	In Japan	Times	—	—	1,578

Mutual Growth of Employees and the Company

Aspect	Classification	Item	Scope	Unit	FY2013	FY2014	FY2015
Employees	Number of employees by region*4	In Japan	In Japan	Persons	9,145	8,549	8,589
		Outside Japan	Outside Japan	Persons	8,111	7,879	6,660
		Ranbaxy Group	Outside Japan	Persons	15,535	—	—
		Total	Consolidated	Persons	32,791	16,428	15,249
	Employee data*4	Number of male employees	In Japan	Persons	7,170	6,788	6,631
			Outside Japan	Persons	—	—	3,290
		Number of female employees	In Japan	Persons	2,157	1,973	1,958
			Outside Japan	Persons	—	—	3,370
		Average years of service	In Japan	Years	17.8	18.0	17.6
		Percentage of female employees	In Japan	%	22.6	22.1	22.8
			Global	%	—	—	34.9
		Percentage of women in managerial positions	In Japan	%	4.2	4.5	5.0
			Global	%	—	—	20.5
	Challenged worker*4	Employment rate of people with physical or mental disabilities	In Japan	%	2.21	2.34	2.45
	Human resource development	Number of company-wide award winners*5	In Japan	Persons	51	46	49

*1. Water intake − Wastewater
*2. Total of training for new hires, newly appointed managerial employees, newly appointed executive candidates, and mid-career hires
*3. Corporate Integrity Agreement: an agreement regarding legal compliance
*4. Figures as of the settlement date of each Group company; numbers of employees (in Japan) except fiscal 2015 are as of April 1 of the following fiscal year; figures for employment rate of people with physical or mental disabilities are as of June 1 for all fiscal years except fiscal 2015
*5. The total number of employees who received prize from the culture-building and achievement awards.

Enhancement of Communication with Stakeholders

Aspect	Classification	Item	Scope	Unit	FY2013	FY2014	FY2015
Patients and medical professionals	Evaluation of corporate stance and MR activities	MRs rated (all responding physicians)*6	In Japan	Rank	First	First	First
		Overall assessment of MRs (cardiologists)*6	In Japan	Rank	First	First	First
	Number of inquiries received (pharmaceutical products)		In Japan	Cases	120,000	120,000	118,000
Shareholders	Dividends per share	Interim	Non-consolidated	Yen	30	30	40
		Year-end	Non-consolidated	Yen	30	30	30
		Total	Non-consolidated	Yen	60	60	70

Improving Access to Healthcare

Aspect	Classification	Item	Scope	Unit	FY2013	FY2014	FY2015
Social	Number of mobile healthcare field clinics	Number of activities	In India	Times	501	499	503
			In Cameroon	Times	1,141	1,773	1,758
			In Tanzania	Times	202	306	408
	Number of development projects conducted through the GHIT Fund*7				3	3	3

Social Contribution Activities

Aspect	Classification	Item	Scope	Unit	FY2013	FY2014	FY2015
Social	Amount of contributions		In Japan	¥ Million	2,780	2,549	2,176
	Number of visitors to our factories		In Japan	Persons	1,600	1,700	1,200
	Number of visitors to Kusuri Museum		Non-consolidated	Persons	11,811	14,695	13,674
Employees	Acquisition of volunteer leave		In Japan	Persons	16	20	15

■ Governance

Aspect	Classification	Item	Scope	Unit	FY2013	FY2014	FY2015
Governance	Structure of Board of Directors	Number of directors	Non-consolidated	Persons	10	10	10
		Number of outside directors	Non-consolidated	Persons	4	4	4
		Number of female directors	Non-consolidated	Persons	0	0	0
	Structure of Audit & Supervisory Board	Number of Audit & Supervisory Board members	Non-consolidated	Persons	4	4	4
		Number of Outside Audit & Supervisory Board members	Non-consolidated	Persons	2	2	2
		Number of Outside Audit & Supervisory Board members (female)	Non-consolidated	Persons	0	1	1
	Remuneration of Directors	Total	Non-consolidated	¥ Million	669	555	612
	Remuneration of Audit & Supervisory Board members	Total	Non-consolidated	¥ Million	105	105	105

*6. Conducted by ANTERIO Inc. (FY2013—FY2015)
*7. Global Health Innovative Technology Fund

Referenced Guidelines

- UN Global Compact
- Japanese Ministry of the Environment, “Environmental Reporting Guidelines, 2012 Edition”
- ISO 26000
- IIRC (International Integrated Reporting Council), “International Integrated Reporting Framework”

Major Products

Innovative Drugs

Brand name (generic name)		Efficacy	Launched	Remarks
Japan [Daiichi Sankyo Co., Ltd.]				
Efient	(*prasugrel*)	Antiplatelet agent	2014	Inhibits platelet aggregation and reduces the incidence of artery stenosis and occlusion.
PRALIA	(*denosumab*)	Treatment for osteoporosis	2013	Human monoclonal antibody that binds to RANKL. A subcutaneous injection for use once every six months as a novel treatment for osteoporosis.
TENELIA	(*teneligliptin*)	Type 2 diabetes mellitus inhibitor	2012	DPP-4 (dipeptidyl peptidase-4) inhibitor. Inhibits the activity of DPP-4, an enzyme that inactivates incretin, which is a glucose-dependent insulin-releasing hormone excreted from the gastrointestinal tract, and thereby increases incretin concentration in blood and facilitates insulin release.
RANMARK	(*denosumab*)	Treatment for bone complications caused by bone metastases from tumors	2012	Human monoclonal antibody that binds to RANKL. A new and effective treatment option for treating bone disorders stemming from multiple myeloma and bone metastases from solid tumors.
LIXIANA	(*edoxaban*)	Anticoagulant	2011	Orally administered Factor Xa inhibitor. It is an anticoagulant that specifically, reversibly and directly inhibits the enzyme, Factor Xa, a clotting factor in the blood. Approved for the prevention of venous thromboembolism (VTE) in patients with lower limb orthopedic surgery.
			2014	Approved for additional indications for the prevention of ischemic stroke and systemic embolism (SE) in patients with non-valvular atrial fibrillation (NVAF) and for the treatment and recurrence prevention of venous thromboembolism (VTE) (deep vein thrombosis (DVT) and pulmonary thromboembolism).
NEXIUM	(*esomeprazole*)	Ulcer treatment	2011	Proton pump inhibitor. Licensed from AstraZeneca. It suppresses gastric acid secretion.
Memary	(*memantine*)	Alzheimer's disease treatment	2011	N-methyl-D-aspartate (NMDA) receptor antagonist. Memantine slows down progression of dementia symptoms in patients with moderate to severe Alzheimer's disease.
Inavir	(*laninamivir*)	Anti-influenza treatment	2010	Neuraminidase inhibitor that inhibits influenza viral proliferation. Treatment is completed with a single inhaled dosage.
Urief	(*silodosin*)	Treatment for dysuria	2006	Selective alpha 1A-adrenoceptor antagonist that selectively blocks alpha 1A-adrenoceptors in the lower part of the urinary tract. Compared with other alpha blockers, it causes fewer side effects, such as orthostatic hypotension.
Olmetec	(*olmesartan*)	Antihypertensive agent	2004	Angiotensin II receptor blocker. *Olmesartan* blocks the vasoconstrictor effects of angiotensin II by selectively blocking the binding of angiotensin II to the angiotensin II receptor.
Rezaltas			2010	A combination of two antihypertensive drugs: calcium ion antagonist, *azelnidipine*, and an angiotensin II receptor blocker, *olmesartan medoxomil*.
Cravit	(*levofloxacin*)	Synthetic antibacterial agent	1993	New quinolone antibacterial agent offering strong antibacterial action and a broad antibacterial spectrum. Injectable preparation has been added as part of life-cycle management.
Artist	(*carvedilol*)	Treatment for hypertension, angina pectoris and chronic heart failure	1993	Beta blocker that selectively blocks beta-adrenaline receptors of the sympathetic nerve.
Mevalotin	(*pravastatin*)	Antihyperlipidemic agent	1989	HMG-CoA reductase inhibitor (statin) that lowers blood cholesterol levels by inhibiting cholesterol synthesis in the liver.
Omnipaque	(*iohexol*)	Contrast medium	1987	Nonionic contrast medium used to improve visibility of diagnostic X-ray imaging is inadequate.
Loxonin	(*loxoprofen*)	Anti-inflammatory analgesic	1986	Nonsteroidal anti-inflammatory analgesic. *Loxonin* tablets and granules have strong analgesic activity with lowered gastric side effects. *Loxoprofen* is a prodrug and is not metabolized in the stomach but activated after absorption through the small intestine. Other formulations such as tape are also available as a part of life cycle management.

Olmetec (Japan)

NEXIUM (Japan)

PRALIA (Japan)

Efient (Japan)

LIXIANA (Japan)

Memary (Japan)

RANMARK (Japan)

TENELIA (Japan)

Innovative Drugs

Brand name (generic name)		Efficacy	Launched	Remarks
US [Daiichi Sankyo Inc.]				
MOVANTIK	(*naloxegol*)	Opioid-induced constipation treatment	2015	First once-daily oral product approved by the FDA for the treatment of opioid-induced constipation (OIC) for adults with chronic non-cancer pain.
SAVAYSA	(*edoxaban*)	Anticoagulant	2015	Orally administered Factor Xa inhibitor. It is an anticoagulant that specifically, reversibly and directly inhibits the enzyme,Factor Xa, a clotting factor in the blood. Approved for indications to reduce the risk of stroke and systemic embolism (SE) in patients with non-valvular atrial fibrillation (NVAF) and for the treatment of venous thromboembolism (VTE) (deep vein thrombosis (DVT) and pulmonary embolism (PE)).
Efficent	(*prasugrel*)	Antiplatelet agent	2009	Inhibits platelet aggregation and reduces the incidence of artery stenosis and occlusion.
Benicar	(*olmesartan*)	Antihypertensive agent	2002	*Benicar*: *Olmesartan*
Benicar HCT			2003	*Benicar HCT*: Combination of *olmesartan medoxomil* and *hydrochlorothiazide* (diuretic)
AZOR			2007	*AZOR*: Combination of *olmesartan medoxomil* and *amlodipine besylate* (calcium channel blocker)
TRIBENZOR			2010	*TRIBENZOR*: Triple combination of *olmesartan medoxomil*, *hydrochlorothiazide*, and *amlodipine besylate*
Welchol	(*colesevelam*)	Hypercholesterolemia treatment/ type 2 diabetes mellitus inhibitor	2000	Bile acid sequestrant. Marketed as a drug for treatment of hypercholesterolemia. Gained approval also for type 2 diabetes mellitus indication as part of life-cycle management.
US [Luitpold Pharmaceuticals, Inc.]				
Injectafer	(*ferric carboxymaltose injection*)	Anemia treatment	2013	Effective for patients who have intolerance to oral iron or who have had unsatisfactory response to oral iron or who have non-dialysis-dependent chronic kidney disease.
Venofer	(*iron sucrose injection*)	Anemia treatment	2000	Iron replacement product. Effective for treatment of iron deficiency anemia in dialysis patients.
Europe [Daiichi Sankyo Europe GmbH]				
LIXIANA	(*edoxaban*)	Anticoagulant	2015	Orally administered Factor Xa inhibitor. It is an anticoagulant that specifically, reversibly and directly inhibits the enzyme,Factor Xa, a clotting factor in the blood. Approved for indications for the prevention of stroke and systemic embolism (SE) in patients with non-valvular atrial fibrillation (NVAF) and for the treatment and prevention of recurrent venous thromboembolism (VTE) (deep vein thrombosis (DVT) and pulmonary embolism (PE)).
Efient	(*prasugrel*)	Antiplatelet agent	2009	Inhibits platelet aggregation and reduces the incidence of artery stenosis and occlusion.
Olmetec	(*olmesartan*)	Antihypertensive agent	2002	*Olmetec*: *Olmesartan*
Olmetec Plus			2005	*Olmetec Plus*: Combination of *olmesartan medoxomil* and *hydrochlorothiazide* (diuretic)
Sevikar			2009	*Sevikar*: Combination of *olmesartan medoxomil* and *amlodipine besylate* (calcium channel blocker)
Sevikar HCT			2010	*Sevikar HCT*: Triple combination of *olmesartan medoxomil*, *hydrochlorothiazide*, and *amlodipine besylate*

Generic Drugs

Brand name (Efficacy)	
Japan [Daiichi Sankyo Espha Co., Ltd.]	
donepezil	(Alzheimer's disease treatment)
atorvastatin	(Antihyperlipidemic agent)
amlodipine	(Antihypertensive agent)
levofloxacin	(Synthetic antibacterial agent)
pioglitazone	(Type 2 diabetes mellitus inhibitor)

OTC Related Drugs

Brand name (Efficacy)	
Japan [Daiichi Sankyo Healthcare Co., Ltd.]	
Lulu	(Combination cold remedy)
Daiichi Sankyo Ichoyaku	(Multi-ingredient digestive remedy)
Loxonin S	(Antipyretic analgesic)
Patecs	(Antiphlogistic analgesic for external use)
Transino	(Melasma treatment)

Vaccines

Brand name (Efficacy)	
Japan [Kitasato Daiichi Sankyo Vaccine Co., Ltd., Japan Vaccine Co., Ltd.]	
ActHIB	(Haemophilus influenzae type b vaccine)
Rotarix	(Rotavirus vaccine)
Influenza HA Vaccine	(Seasonal influenza vaccine)
Live Attenuated Measles / Rubella Combined Vaccine	(Measles and rubella vaccine)

MOVANTIK (US)

LIXIANA (Europe)

Loxonin S (OTC Related Drugs)

MINON series (OTC Related Drugs)

Injectafer (US)

levofloxacin (Generic Drugs)

Transino (OTC Related Drugs)

ActHIB (Vaccines)

Corporate Information

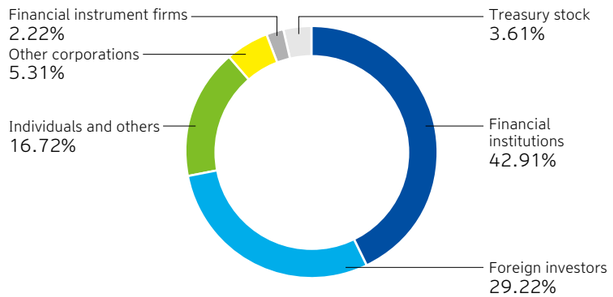
Corporate Profile (As of April 1, 2016)

Company name: DAIICHI SANKYO COMPANY, LIMITED
Established: September 28, 2005
Business: Research and development, manufacturing, import, sales, and marketing of pharmaceutical products
Paid-in capital: ¥50,000 million
Headquarters: 3-5-1, Nihonbashi-honcho, Chuo-ku, Tokyo 103-8426, Japan
Branches: Sapporo, Tohoku, Tokyo, Chiba, Saitama, Yokohama, Kanetsu, Tokai, Kyoto, Osaka, Kobe, Chugoku, Shikoku, Kyushu

Common Stock (As of March 31, 2016)

Number of shares authorized: 2,800,000,000
Number of shares issued: 709,011,343
Number of shareholders: 105,897

Distribution of Shareholders (As of March 31, 2016)



Major Shareholders (As of March 31, 2016)

Name	Number of shares held (Thousands of shares)	Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	50,222	7.35
Japan Trustee Services Bank, Ltd. (trust account)	46,293	6.77
Nippon Life Insurance Company	35,776	5.24
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	14,402	2.11
Sumitomo Mitsui Banking Corporation	11,413	1.67
Employee stock ownership of Daiichi Sankyo Group	10,590	1.55
STATE STREET BANK WEST CLIENT – TREATY 505234	9,636	1.41
STATE STREET BANK AND TRUST COMPANY 505225	9,285	1.36
Japan Trustee Services Bank, Ltd. (trust account 7)	9,063	1.33
Mizuho Bank, Ltd.	8,591	1.26

Notes: 1. The Company holds 25,618,187 treasury shares, which are excluded from the above list.
2. Treasury shares are not included in the computing of equity stake.

Main Group Companies (As of April 1, 2016)

Region	Company name	Main business activities
Japan	Daiichi Sankyo Espha Co., Ltd.	Manufacturing and sales of pharmaceuticals
	Daiichi Sankyo Healthcare Co., Ltd.	Manufacturing and purchase / sales of pharmaceuticals, over-the-counter products, cosmetics, medical equipment, food products, and drinking water
	Daiichi Sankyo Propharma Co., Ltd.	Manufacturing of pharmaceuticals
	Daiichi Sankyo Chemical Pharma Co., Ltd.	Manufacturing and contract manufacturing of active pharmaceutical ingredients and intermediates
	Asubio Pharma Co., Ltd.	Research and development of pharmaceuticals
	Daiichi Sankyo RD Novare Co., Ltd.	Research and development of pharmaceuticals
	Daiichi Sankyo Business Associe Co., Ltd.	Group business support
	Daiichi Sankyo Happiness Co., Ltd.	Group business support
	Kitasato Daiichi Sankyo Vaccine Co., Ltd.	Research and development, manufacturing, and sales of vaccines
U.S.A.	Daiichi Sankyo, Inc.	Research, development, and marketing of pharmaceuticals
	Luitpold Pharmaceuticals, Inc.	Manufacturing and marketing of pharmaceuticals and drugs for animals
	Plexxikon Inc.	Research of prescription drugs
	Ambit Biosciences Corp.	Research of prescription drugs
Europe	Daiichi Sankyo Europe GmbH	Control of Group development in Europe and manufacturing of pharmaceuticals
	Daiichi Sankyo France SAS	Sales and marketing of pharmaceuticals
	Daiichi Sankyo Deutschland GmbH	Marketing of pharmaceuticals
	Daiichi Sankyo Italia S.p.A.	Marketing of pharmaceuticals
	Daiichi Sankyo España, S.A.	Marketing of pharmaceuticals
	Daiichi Sankyo UK Ltd.	Marketing of pharmaceuticals
	Daiichi Sankyo (Schweiz) AG	Marketing of pharmaceuticals
	Daiichi Sankyo Portugal, Lda.	Marketing of pharmaceuticals
	Daiichi Sankyo Austria GmbH	Marketing of pharmaceuticals
	Daiichi Sankyo Belgium N.V.-S.A.	Marketing of pharmaceuticals
	Daiichi Sankyo Nederland B.V.	Marketing of pharmaceuticals
	Daiichi Sankyo Ilac Ticaret Ltd. Sti.	Marketing of pharmaceuticals
	Daiichi Sankyo Ireland Ltd.	Marketing of pharmaceuticals
	Daiichi Sankyo Altkirch S.a.r.l.	Manufacturing of raw materials for pharmaceuticals
	U3 Pharma GmbH	Research of prescription drugs
	Daiichi Sankyo Development Ltd.	Development of prescription drugs
ASCA*	Daiichi Sankyo (China) Holdings Co., Ltd.	Management of Chinese subsidiary business and investment
	Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd.	Development, manufacturing, and marketing of pharmaceuticals
	Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd.	Research, development, manufacturing, and marketing of pharmaceuticals
	Daiichi Sankyo Taiwan Ltd.	Marketing of pharmaceuticals
	Daiichi Sankyo Korea Co., Ltd.	Sales and marketing of pharmaceuticals
	Daiichi Sankyo (Thailand) Ltd.	Marketing of pharmaceuticals
	Daiichi Sankyo Hong Kong Ltd.	Sales and marketing of pharmaceuticals
	Daiichi Sankyo Brasil Farmaceutica LTDA.	Manufacturing and marketing of pharmaceuticals
	Daiichi Sankyo Venezuela, S.A.	Marketing of pharmaceuticals
	Daiichi Sankyo India Pharma Private Ltd.	Research, development, and marketing of pharmaceuticals

* Abbreviation for Asia, South & Central America

DAIICHI SANKYO CO., LTD.

3-5-1, Nihonbashi-honcho, Chuo-ku, Tokyo 103-8426, Japan

Corporate Communications Department
Tel : +81-3-6225-1126

CSR Department
Tel : +81-3-6225-1067

http://www.daiichisankyo.com

Precautions for future prospects

This report contains future prospects, such as the Company's plan, strategy, and business performance. These prospects are based on our conclusions from information that is currently available. Therefore, please be advised that the actual business performance will be influenced by various risks and uncertainties and could achieve different results from these prospects. Examples of factors that could influence future prospects are including, but are not limited to, the economic environment, competition, related laws, change in product development circumstances, or fluctuation of exchange rates that surround the Company's business domain.

Period covered

April 1, 2015 – March 31, 2016 (fiscal 2015) and also information for the period from April 2016 onward.

Value Report 2016 was printed using environmental-friendly paper, inks, and manufacturing method.

Paper	MIX Paper from responsible sources FSC® C022475	This report uses FSC® certified paper, which indicates that the paper used to print this report was produced from properly managed forests.
Inks	VEGETABLE OIL INK	This report was printed using 100% biodegradable printing inks from vegetable oil.
Printing	Waterless Printing Naturally	The waterless printing method used for this report minimized the use and release of harmful liquid wastes.

Printed in Japan