May 14, 2015

Consolidated Financial Results for Fiscal 2014 (Year Ended March 31, 2015) <under IFRS>

Listed company name: Daiichi Sankyo Company, Limited
Listed exchange: First Section of the Tokyo Stock Exchange
Stock code number: 4568
URL: http://www.daiichisankyo.com
Representative: Mr. Joji Nakayama, President & CEO
Contact: Mr. Noriaki Ishida, Executive Officer, Vice President, Corporate Communications Department
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Scheduled date of Ordinary General Meeting of Shareholders: June 22, 2015
Scheduled date of dividend payments: From June 23, 2015
Scheduled date of Annual Securities Report filing: June 22, 2015
Preparing supplementary material (Reference Data) on financial results: Yes
Holding information meeting: Yes (for institutional investors, analysts and the press)

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

1. Consolidated Financial Results for Fiscal 2014 (from April 1, 2014 to March 31, 2015)

(1) Consolidated Financial Results

(Percentages indicate changes from the previous fiscal year.)

	Revenue		Operating profit		Profit before tax		Profit for the year	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2014	919,372	2.3	74,422	−34.1	79,936	−29.2	318,923	497.7
Fiscal 2013	899,126	–	112,922	–	112,950	–	53,357	−19.0

	Profit attributable to owners of the Company		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Fiscal 2014	322,119	428.6	366,176	231.0	457.56	456.62
Fiscal 2013	60,943	−4.8	110,632	−13.8	86.57	86.41

	Return on equity attributable to owners of the Company	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
	%	%	%
Fiscal 2014	28.2	4.2	8.1
Fiscal 2013	6.5	6.4	12.6

Reference: Share of profit or loss of investments accounted for using the equity method:

Fiscal 2014: −925 million yen
Fiscal 2013: −591 million yen

Note: During fiscal 2014, Ranbaxy Laboratories Ltd. (“Ranbaxy”) was excluded from the scope of consolidation due to its merger with Sun Pharmaceutical Industries Ltd. (“Sun Pharma”).

In fiscal 2014, Ranbaxy Group was classified as a discontinued operation. Consequently, for the amounts of revenue, operating profit and profit before tax, and the ratio of profit before tax to total assets and the ratio of

operating profit to revenue, only the values for continuing operations excluding the Ranbaxy Group are indicated.

The amounts of profit for the year, profit attributable to owners of the Company and total comprehensive income includes the amount for continuing operations, the gain on merger of subsidiary due to the Sun Pharma merger, profit and loss attributable to the Ranbaxy Group, and merger-related expenses, among others.

The figures for fiscal 2013, have been restated in the same way as those for fiscal 2014. In addition, in the percentages of changes from the previous fiscal year for revenue, operating profit and profit before tax in fiscal 2013, the amounts for discontinued operations in fiscal 2012 have not been reclassified, and as a result the corresponding percentages of changes are not indicated.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets	Equity per share attributable to owners of the Company
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of March 31, 2015	1,982,286	1,307,041	1,304,057	65.8	1,852.28
As of March 31, 2014	1,854,037	1,007,527	979,933	52.9	1,392.03

(3) Consolidated Cash Flows

	Net cash flows from operating activities	Net cash flows from investing activities	Net cash flows from financing activities	Cash and cash equivalents at the end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2014	142,776	–21,278	–132,200	189,372
Fiscal 2013	37,304	–161,368	100,322	183,070

2. Dividends

	Annual dividends per share					Total dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to equity attributable to owners of the Company (Consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal 2013	–	30.00	–	30.00	60.00	42,237	69.3	4.5
Fiscal 2014	–	30.00	–	30.00	60.00	42,240	13.1	3.7
Fiscal 2015 (Forecast)	–	40.00	–	30.00	70.00		82.1	

Note: Breakdown of interim dividend for fiscal 2015 (forecast): ordinary dividend ¥30, commemorative dividend ¥10

3. Forecasts of Consolidated Financial Results for Fiscal 2015
(from April 1, 2015 to March 31, 2016)

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

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of the Company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	920,000	0.1	100,000	34.4	95,000	18.8	60,000	-81.4	85.22

Note: Please see *8) Forecasts of Consolidated Financial Results for Fiscal 2015, (1) Analysis of Results of Operations, 1. Analysis of Results of Operations and Financial Position* on page 12 for further details.

*Notes

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

Newly included: None Excluded: One company, Ranbaxy (Netherlands) B.V.

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

1) Changes in accounting policies required by IFRS: Yes
2) Changes in accounting policies due to other reasons: No
3) Changes in accounting estimates: No

Note: Please see *"5. Consolidated Financial Statements, (5) Notes to Consolidated Financial Statements, (Changes in Accounting Policies)"* on page 33.

(3) Number of ordinary shares issued

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

As of March 31, 2015	709,011,343 shares
As of March 31, 2014	709,011,343 shares

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

As of March 31, 2015	4,983,171 shares
As of March 31, 2014	5,051,576 shares

3) Average number of shares during the period

Fiscal year ended March 31, 2015	703,989,640 shares
Fiscal year ended March 31, 2014	703,957,681 shares

(Reference)

Non-Consolidated Financial Results

Non-Consolidated Financial Results for Fiscal 2014 (from April 1, 2014 to March 31, 2015)

(1) Non-Consolidated Financial Results

(Percentages indicate changes from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2014	622,424	0.7	23,347	−64.4	30,686	−69.2	266,569	313.6
Fiscal 2013	618,179	12.4	65,528	78.3	99,554	61.2	64,452	15.4

	Basic net income per share	Diluted net income per share
	Yen	Yen
Fiscal 2014	378.65	377.88
Fiscal 2013	91.56	91.38

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2015	1,597,689	1,074,160	67.1	1,523.23
As of March 31, 2014	1,296,974	823,864	63.4	1,167.94

Reference: Equity:

As of March 31, 2015: 1,072,400 million yen
As of March 31, 2014: 822,183 million yen

*Indication regarding execution of audit procedures

This financial results report is exempt from the audit procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this financial results report, the audit procedures for financial statements are in progress.

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

The forecasted statements shown in these materials are based on information currently available and certain assumptions that the Company regards as reasonable. Actual performance and other results may differ from these forecasted figures due to various factors.

Please see *"8) Forecasts of Consolidated Financial Results for Fiscal 2015, (1) Analysis of Results of Operations, 1. Analysis of Results of Operations and Financial Position"* on page 12 for matters related to the above forecasts.

Attached Material

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1. Analysis of Results of Operations and Financial Position

Daiichi Sankyo and its consolidated subsidiaries ("the Group") have adopted IFRS starting in fiscal 2013.

(1) Analysis of Results of Operations

1) Overview

[Consolidated Financial Results]

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

	Fiscal 2013	Fiscal 2014	YoY change
Revenue	899,126	919,372	20,245 2.3%
Operating profit	112,922	74,422	−38,500 −34.1%
Profit before tax	112,950	79,936	−33,014 −29.2%
Profit from continuing operations	65,792	43,566	−22,226 −33.8%
Profit (loss) from discontinued operations	−12,435	275,357	287,793 –
Profit attributable to owners of the Company	60,943	322,119	261,176 428.6%

Note: During fiscal 2014, following the merger of Ranbaxy Laboratories Ltd. ("Ranbaxy") by Sun Pharmaceutical Industries Ltd. ("Sun Pharma"), the Ranbaxy Group was excluded from the scope of consolidation.

In fiscal 2014, Ranbaxy Group was classified as a discontinued operation. Consequently, for the amounts of revenue, operating profit and profit before tax, only the values for continuing operations excluding the Ranbaxy Group are indicated.

Profit (loss) from discontinued operations includes gain on merger of subsidiary due to the Sun Pharma merger, profit and loss attributable to the Ranbaxy Group, and merger-related expenses, among others.

Profit attributable to owners of the Company includes profit (loss) from discontinued operations as well as profit from continuing operations.

The figures for fiscal 2013 have been restated in the same way as those for fiscal 2014.

<Revenue from global mainstay products>

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

Item name	Fiscal 2013	Fiscal 2014	YoY change
Olmesartan Antihypertensive agent	300,173	293,504	−6,668 −2.2%
Prasugrel Antiplatelet agent	22,267	24,878	2,610 11.7%
Edoxaban Anticoagulant	401	4,279	3,878 967.0%

<Research and development expenses>

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

	Fiscal 2013	Fiscal 2014
Research and development expenses	180,664	190,666
Ratio of research and development expenses to revenue	20.1%	20.7%

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

(Yen)

	Fiscal 2013	Fiscal 2014
Yen/USD	100.24	109.94
Yen/EUR	134.38	138.78
Yen/INR	1.68	1.81

a. Revenue

Group revenue in fiscal 2014 increased by ¥20.2 billion, or 2.3% year on year, to ¥919.4 billion.

The NHI price revision, consumption tax increase and increased prescribing of generics in Japan negatively impactd on revenue growth. These factors were outweighed by growth in sales of mainstay products in Japan, Asia and South and Central America, and by the positive impact of currency movements (valued at about ¥28.5 billion).

b. Operating Profit

Operating profit declined by ¥38.5 billion, or 34.1% year on year, to ¥74.4 billion.

Significant factors contributing to the year-on-year decline in operating profit included a decline in gross profit caused by ¥35.0 billion of impairment of the commercial rights for the anticancer agent *Zelboraf*® owned by consolidated subsidiary Plexxikon Inc. and expenses of ¥13.9 billion associated with the restructuring of Group operations in Japan.

c. Profit before Tax

Profit before tax declined by ¥33.0 billion, or 29.2% year on year, to ¥79.9 billion.

Foreign exchange gains were insufficient to offset the decline in operating profit, resulting in a year-on-year decline in profit before tax.

d. Profit from Continuing Operations

Profit from continuing operations declined by ¥22.2 billion, or 33.8% year on year, to ¥43.6 billion.

e. Profit Attributable to Owners of the Company

Profit attributable to owners of the Company increased by ¥261.2 billion, or 428.6% year on year, to ¥322.1 billion.

Profit attributable to owners of the Company increased substantially in fiscal 2014 due to a gain on merger of a subsidiary of ¥278.7 billion after the application of tax effect accounting (with recorded ¥81.5 billion as deferred tax liabilities) resulting from Ranbaxy being merged with Sun Pharma.

[Revenue by Geographic Area]

i. Japan

Revenue in Japan declined by 1.0% year on year to ¥549.2 billion.

Revenue from prescription drugs in Japan fell by 0.9% year on year to ¥477.0 billion. This reflected the impact of the NHI price revision, the consumption tax increase and increased generic prescribing, which outweighed the growth in sales of products such as *NEXIUM*®, *Memary*®, *Inavir*®, *RANMARK*®, *TENELIA*®, *PRALIA*® and *LIXIANA*®. This segment also includes revenue generated by Daiichi Sankyo Espha Co., Ltd. ("Daiichi Sankyo Espha"), which engages mainly in the generic pharmaceutical business, and revenue generated from the vaccine business of Kitasato Daiichi Sankyo Vaccine Co., Ltd. ("Kitasato Daiichi Sankyo"), Japan Vaccine Co., Ltd. ("Japan Vaccine") and other Group companies.

New products launched in fiscal 2014 included *Efient*®, which was introduced in May 2014. In September 2014, Daiichi Sankyo began co-promoting the type 2 diabetes treatment *CANAGLU*® with Mitsubishi Tanabe Pharma Corporation, which originally developed the drug. In December 2014, the Group introduced a 60mg tablet formulation of *LIXIANA*® (generic name: edoxaban) to coincide with the drug's approval for additional indications for treatment of patients with atrial fibrillation (AF) and venous thromboembolism (VTE).

Revenue from royalty and exports declined by 3.1% year on year to ¥21.5 billion.

Revenue from healthcare (OTC) products, which are marketed by the Group subsidiary Daiichi Sankyo Healthcare Co., Ltd., declined by 0.5% year on year to ¥47.8 billion.

<Primary revenue composition in Japan>

(Billions of yen; all amounts have been rounded off to the nearest single decimal place.)

	Fiscal 2013	Fiscal 2014	YoY change
Prescription drugs	481.4	477.0	−4.3 −0.9%
Royalty and exports	22.2	21.5	−0.7 −3.1%
Healthcare (OTC) products	48.1	47.8	−0.3 −0.5%

< Domestic revenue from mainstay prescription drugs>

(Billions of yen; all amounts have been rounded off to the nearest single decimal place.)

Product name	Fiscal 2013	Fiscal 2014	YoY change
Olmetec® Antihypertensive agent	79.1	76.3	−2.8 −3.5%
NEXIUM® Ulcer treatment	54.2	69.3	15.1 27.9%
Loxonin® Anti-inflammatory analgesic (of which *Loxonin*® Tape)	59.3 (35.2)	49.5 (31.1)	−9.8 −16.5%
Memary® Alzheimer's disease treatment	33.3	36.8	3.5 10.5%
Cravit® Synthetic antibacterial agent	33.5	27.8	−5.7 −16.9%
Rezaltas® Antihypertensive agent	18.5	18.4	−0.0 −0.3%
Artist® Treatment for hypertension, angina pectoris and chronic heart failure	22.4	18.1	−4.3 −19.1%
Omnipaque® Contrast medium	19.7	17.2	−2.5 −12.5%
Inavir® Anti-influenza treatment	13.4	16.6	3.1 23.4
Mevalotin® Antihyperlipidemic agent	21.5	16.2	−5.3 −24.8%
Urief® Treatment for dysuria	11.4	11.5	0.1 0.7%
RANMARK® Treatment for bone complications	8.1	10.2	2.1 26.1%
TENELIA® Type 2 diabetes mellitus inhibitor	1.5	7.6	6.0 390.5%
PRALIA® Treatment for osteoporosis	3.2	7.3	4.2 131.8%
LIXIANA® Anticoagulant	0.4	3.6	3.2 792.8%
Efient® Antiplatelet agent	–	0.7	0.7 –%

ii. North America

Revenue in North America increased by 8.4% year on year to ¥229.9 billion. Revenue in local currency terms fell by 1.2% to US$2,091 million.

Sales of *TRIBENZOR*®, *Welchol*®, *Effient*®, *Venofer*®, and *Injectafer*® increased while sales of *Benicar*®/*Benicar HCT*® and *AZOR*® declined due mainly to the impact of intensified competition.

New products included *SAVAYSA*™ (generic name: edoxaban), which was launched by Daiichi Sankyo, Inc. ("DSI") in February 2015.

Following an investigation by the U.S. Department of Justice into 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 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 committed to

maintaining the highest levels of legal and regulatory compliance across its worldwide operations going forward.

<Revenue of Daiichi Sankyo, Inc. mainstay products>

(Millions of US$; all amounts have been rounded off to the nearest million US$.)

Product name	Fiscal 2013	Fiscal 2014	YoY change
Benicar®/*Benicar HCT*® Antihypertensive agent	857	700	−156 −18.2%
AZOR® Antihypertensive agent	174	166	−8 −4.4%
TRIBENZOR® Antihypertensive agent	90	103	13 14.3%
Welchol® Hypercholesterolemia treatment/ type 2 diabetes mellitus inhibitor	422	431	9 2.2%
Effient® Antiplatelet agent (co-promotion revenue)	154	160	6 3.7%
SAVAYSA™ Anticoagulant	–	6	6 –%

<Revenue of Luitpold Pharmaceuticals, Inc. mainstay products>

(Millions of US$; all amounts have been rounded off to the nearest million US$.)

Product name	Fiscal 2013	Fiscal 2014	YoY change
Venofer® Anemia treatment	248	260	12 4.7%
Injectafer® Anemia treatment	13	69	56 431.9%

iii. Europe

Revenue in Europe declined by 0.6% year on year to ¥78.8 billion. Revenue in local currency terms fell by 3.8% to EUR568 million.

Although sales of *Sevikar*® and *Sevikar HCT*® increased, sales of *Olmetec*® and *Olmetec Plus*® declined.

<Revenue of Daiichi Sankyo Europe GmbH mainstay products>

(Millions of euro; all amounts have been rounded off to the nearest million euro.)

Product name	Fiscal 2013	Fiscal 2014	YoY change
Olmetec®/*Olmetec Plus*® Antihypertensive agent	331	272	−59 −17.9%
Sevikar® Antihypertensive agent	100	127	26 26.1%
Sevikar HCT® Antihypertensive agent	57	71	15 25.8%

iv. Other regions

In other regions, revenue rose by 16.4% year on year to ¥61.5 billion.

Sales of Olmesartan, *Cravit*® and other mainstay products showed growth in China, Brazil and other countries.

2) Merger of Ranbaxy with Sun Pharmaceutical Industries

Daiichi Sankyo concluded an agreement with Sun Pharma in April 2014 for a merger of Ranbaxy with Sun Pharma, under which it would receive 0.8 shares in Sun Pharma for each share of Ranbaxy.

Daiichi Sankyo obtained shares of approximately 9% in Sun Pharma upon completion of the merger procedures on March 24, 2015.

The gain on the merger of a subsidiary worth ¥278.7 billion (after the application of tax effect accounting) associated with the share exchange, the merger-related expenses, and profit or loss from Ranbaxy Group operations were all recognized in the consolidated results of operations for the fiscal 2014 under profit from discontinued operations.

To seek further increase of its corporate value, Daiichi Sankyo sold all the shares in Sun Pharma acquired through the share exchange in April 2015.

3) R&D Activities

The Daiichi Sankyo Group's R&D program promotes accelerated and sustained generation of innovative medicines. The Group has designated the fields of cardiovascular-metabolic, oncology and frontier medicine as priority areas for drug development. Efforts continue to develop potential best-in-class or first-in-class products.

With the establishment in April 2013 of Venture Science Laboratories ("VSL"), the Group, together with its subsidiaries Asubio Pharma Co., Ltd., U3 Pharma GmbH and Plexxikon Inc., continues its efforts to cultivate and reinforce an entrepreneurial culture within the Group.

In addition, the Group is continuing to develop R&D alliances with other companies and to pursue an open innovation approach. At the same time, the Group is reinforcing its R&D activities in preparation for full-scale entry into the biopharmaceutical sector, and also promoting vaccine R&D programs.

[Daiichi Sankyo Priority Development Projects]

a. Prasugrel

The drug has been marketed in Japan since May 2014 under the brand name *Efient*® with indication for ischemic heart disease in patients undergoing percutaneous coronary intervention (PCI). In addition, a Phase III clinical trial is proceeding in Japan to evaluate its efficacy in patients with ischemic stroke.

Separately, a Phase III clinical trial is being conducted in the United States to evaluate its efficacy for the treatment of pediatric patients with sickle cell disease.

b. Edoxaban

Edoxaban has been marketed in Japan since 2011 under the brand name *LIXIANA*® for the prevention of venous thromboembolism (VTE) after major orthopedic surgery. The product also received approval in Japan in September 2014 for additional indications for prevention of ischemic stroke and systemic embolism in patients with non-valvular atrial fibrillation (NVAF), and for the treatment and prevention of recurrence of VTE (deep vein thrombosis (DVT) and pulmonary thromboembolism).

In the United States, edoxaban acquired approval in January 2015 for indication for reduction of the risk of stroke and systemic embolism in NVAF patients, and for treatment of VTE (DVT and pulmonary embolism). The drug was launched in the U.S. market in February 2015 under the brand name

SAVAYSA™. As indicated in this approval, *SAVAYSA*™ should not be used in NVAF patients with a creatinine clearance rate (an indicator of renal function) greater than 95 mL/min.

In Europe, regulatory authorities are still reviewing an application filed for edoxaban by Daiichi Sankyo in January 2014. The Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) issued a positive opinion in April 2015. Swissmedic, the regulatory authority of Switzerland which is not affiliated with the EMA, granted approval for edoxaban in April 2015.

c. Denosumab

Denosumab is an antibody drug for conditions related to bone metabolism. The Company has obtained the rights to develop and market this product in Japan from Amgen Inc. of the US. The drug was launched in April 2012 under the brand name *RANMARK*® for the treatment of bone complications stemming from multiple myeloma or bone metastases from solid tumors. In May 2014, Daiichi Sankyo received approval for a partial modification of the license to include additional indication of giant cell tumor of bone.

Daiichi Sankyo also launched denosumab in Japan in June 2013 under the brand name *PRALIA*® for the treatment of osteoporosis.

Denosumab is also currently undergoing global phase III clinical studies for postoperative adjuvant breast cancer therapy and phase III clinical studies in Japan for rheumatoid arthritis.

d. Mirogabalin

Phase III clinical trials are underway in the U.S. and Europe to evaluate the efficacy of mirogabalin in patients with fibromyalgia.

Phase III clinical trials were also initiated in January 2015 in Japan and Asia to evaluate the efficacy of mirogabalin in patients suffering pain associated with diabetic peripheral neuropathy or postherpetic neuralgia.

e. Vaccines

Kitasato Daiichi Sankyo received manufacturing and marketing approval in Japan in July 2014 for *Squarekids*® Subcutaneous Injection Syringe, a quadrivalent combination vaccine for the prevention of pertussis, diphtheria, tetanus and poliomyelitis (polio). Separately, in April 2015, Group affiliate Japan Vaccine filed an application for approval for manufacturing and marketing in Japan of an intradermal seasonal influenza vaccine co-developed by four companies (Daiichi Sankyo, Terumo Corporation, Japan Vaccine and Kitasato Daiichi Sankyo). The Group continues to promote multiple vaccine R&D projects targeting areas of high medical need.

[Major R&D Alliances]

a. Collaboration with Other Companies and corporate acquisition

(1) In-licensing of CL-108 (combination treatment for pain and OINV) from Charleston Laboratories

In August 2014, Daiichi Sankyo in-licensed CL-108, a combination drug for the treatment of pain and opioid-induced nauseas and vomiting (OINV), from U.S.-based Charleston Laboratories. A Phase III clinical trial is currently underway to evaluate the efficacy of CL-108 in treating moderate to severe acute pain and reducing OINV.

(2) Acquisition of Ambit Biosciences

In November 2014, Daiichi Sankyo acquired U.S.-based Ambit Biosciences Corporation. Phase III clinical trials are underway to evaluate the efficacy of the latter's FLT3 tyrosine kinase inhibitor quizartinib in the treatment of patients with acute myeloid leukemia.

(3) Joint commercialization of antiepileptic lacosamide in Japan with UCB of Belgium

Daiichi Sankyo signed an agreement with UCB Biopharma SPRL ("UCB") of Belgium in November 2014 governing the joint commercialization in Japan of lacosamide**,** an epilepsy treatment developed in-house by UCB. UCB plans to file an application for Japanese regulatory approval in 2015. Under the joint commercialization agreement, UCB will manufacture and supply the product, while Daiichi Sankyo will handle sales and distribution.

(4) Joint commercialization of *MOVANTIK*™ in U.S. with AstraZeneca

DSI signed an agreement with AstraZeneca in March 2015 for joint commercialization in the U.S. of *MOVANTIK*™, a treatment for opioid-induced constipation. The drug went on sale in the U.S. in April 2015. Under the joint commercialization agreement, AstraZeneca is responsible for manufacturing the product, recognizing sales, and making sales-related commission payments to Daiichi Sankyo.

b. Open Innovation Approach

(1) Collaborative neurodegenerative drug discovery research with UCSF

In March 2014, Daiichi Sankyo concluded a joint research agreement with the Institute for Neurodegenerative Diseases (IND) at the University of California, San Francisco (UCSF). The collaboration will focus on the development of novel therapeutics and molecular diagnostics for neurodegenerative diseases such as Alzheimer's or Parkinson's disease. A research team from the Group's Venture Science Laboratories, which was established in April 2013, has been assigned to the program. Tapping the strengths and knowledge of both partners, it aims to use multiple screens to identify novel therapeutics for targeting neurodegenerative disorders.

(2) Joint research agreement with Sanford-Burnham Medical Research Institute

In May 2014, Daiichi Sankyo concluded a comprehensive joint research agreement with U.S.-based Sanford-Burnham Medical Research Institute (SBMRI) to develop novel therapeutics for cardiovascular-metabolic diseases. Under the collaboration, Daiichi Sankyo will undertake joint research with SBMRI focused on identifying, validating and screening novel drug targets in the field of cardiovascular-metabolic disease. The alliance aims to accelerate the acquisition of lead compounds for developing first-in-class therapeutics in areas with unmet medical needs.

(3) Collaborative drug discovery program (TaNeDS)

Since fiscal 2011, Daiichi Sankyo has pursued an open innovation approach by conducting a collaborative research program called TaNeDS (Take a New challenge for Drug diScovery) involving academic researchers in Japan. It is now engaged in collaborative research with a number of selected academic institutions in Japan through this program.

In 2013, Daiichi Sankyo initiated the TaNeDS Global Program to expand this drug discovery initiative to include researchers working in universities or other research institutions in Germany, Switzerland and Austria. Selection and initiation of multiple joint research projects began in fiscal 2014.

4) Production and Logistics

On April 1, 2015, with the aim of reinforcing the Group's supply chain functions and creating a cost-competitive production system, the Group's three supply chain subsidiaries (Daiichi Sankyo Propharma Co., Ltd. ("Daiichi Sankyo Propharma"), Daiichi Sankyo Chemical Pharma Co., Ltd. ("Daiichi Sankyo Chemical Pharma") and Daiichi Sankyo Logistics Co., Ltd.) were reorganized into Daiichi Sankyo Propharma (for formulation, packaging and related logistics functions) and Daiichi Sankyo Chemical Pharma (for supply of drug precursors and active ingredients). In conjunction with this move, operations at Daiichi Sankyo Propharma's Akita facility were transferred to Alfresa Pharma Corporation.

As part of efforts to reinforce the functional capabilities of the Group's supply chain and enhance its

efficiency, responsibility for manufacturing and supplying drugs for clinical trials was transferred from the Production Technology Department to Daiichi Sankyo Propharma and Daiichi Sankyo Chemical Pharma.

In overseas production facilities the Group continued to prepare for the launch of edoxaban.

The Group also upgraded the production capacity and capabilities of Daiichi Sankyo's Chinese manufacturing subsidiary to support ongoing growth in that market.

5) Operational Restructuring

To enable investment for sustained growth on an ongoing basis, the Daiichi Sankyo is working to optimize its business management systems through reinforcement of operating platforms to improve profitability, further strengthen the operational autonomy of Group companies, and transit to a low-cost structure through organizational streamlining and other moves designed to increase operating efficiency.

After examining the organizational structures and personnel assignment of each Group company in Japan, Daiichi Sankyo implemented special career transition assistance measure in December 2014 and 513 employees have applied for it. Personnel related costs such as supplemental retirement benefits, etc. amounting to ¥13.9 billion have been recorded.

Separately, the Group restructured its sales organizations in Europe during fiscal 2013 and in the U.S. during fiscal 2014. Approximately 500 employees in each region were dismissed as a result.

6) Corporate Governance

a. Management Structure

In addition to creating a management structure that can respond quickly and flexibly to changes in the business environment, the Daiichi Sankyo Group seeks to ensure full legal and regulatory compliance and management transparency while upgrading the oversight functionality for its management and conduct of operations. The Group places importance on building corporate governance structures that earn the enduring trust of its shareholders and other stakeholders.

- Corporate governance structures:

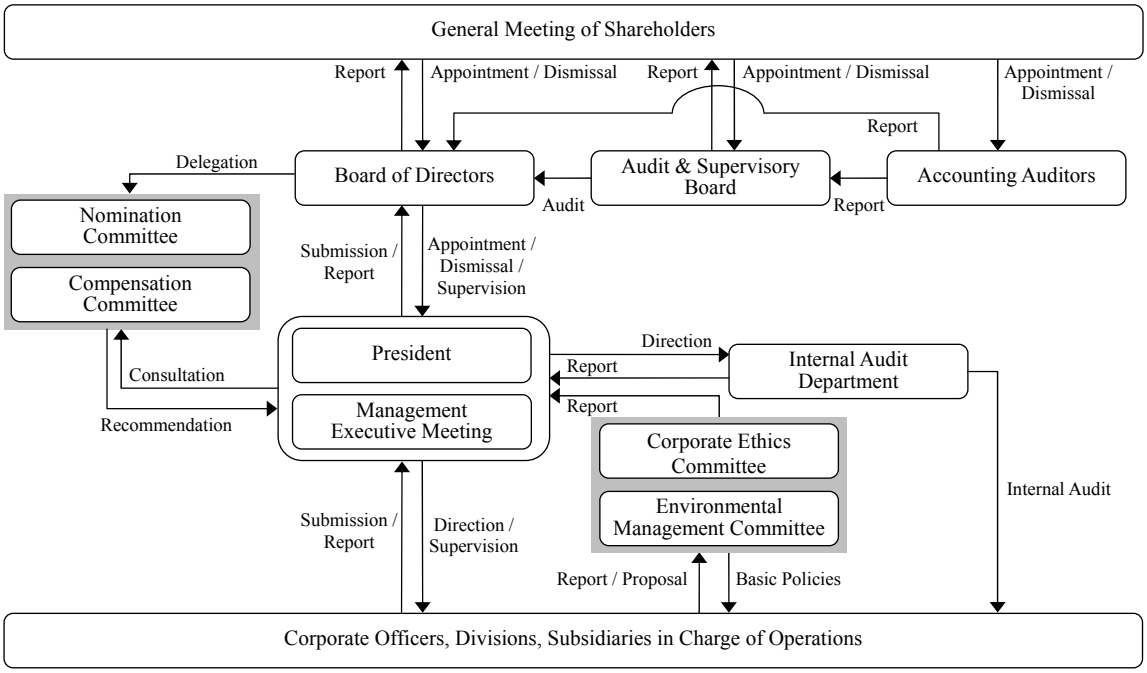
  a. The terms of office of all Directors are set at one year to help clarify the management responsibilities of Directors and strengthen the oversight of management and conduct of operations. The 10-member Board of Directors includes four Outside Directors.

  b. Daiichi Sankyo has voluntarily established the Nomination Committee and the Compensation Committee to ensure that the appointment and remuneration of Directors and Corporate Officers is discussed and conducted in a transparent manner. Both committees comprise three or more Directors, with the Outside Directors constituting a majority and chairing all meetings.

  c. For supervision of legal compliance and sound management, the Company has adopted a Kansayaku (Audit & Supervisory Board Member) System and established an Audit & Supervisory Board comprising four Audit & Supervisory Board Members, including two Outside Audit & Supervisory Board Members.

  d. To further clarify the Group's corporate governance measures, the Board of Directors and the Audit & Supervisory Board approved the adoption of specific standards related to the independence of Outside Directors, along with a set of basic standards governing the executive duties of Directors, at their respective meetings held on March 31, 2014. These measures are expected to reinforce the Group's corporate governance going forward.

  e. The Company employs a Corporate Officer System under the supervision of the Board of Directors to facilitate swift and appropriate management decision-making and conduct of operations.



b. Compensation of Directors

- Remuneration paid to Directors is determined to provide compensation that contributes to maximizing corporate value. Specifically, in addition to basic monthly fixed remuneration, the Company utilizes profit-sharing bonuses as short-term incentives and share remuneration-type stock options to provide long-term incentives.
- The profit-sharing bonuses that serve as short-term incentives are linked to the Group's financial performance in the relevant fiscal year as gauged by the indicators of revenue, operating margin and profit attributable to owners of the Company.
- The share remuneration-type stock options that serve as long-term incentives are structured so that they cannot be exercised during the term of office, but are designed instead to reward the Directors' current efforts through future growth in the share price.
- The level of remuneration is set in the upper half of the industry pay scale, with reference to data on remuneration levels at other companies as provided by expert third-party research organizations.
- To ensure adequate oversight of management, no short-term or long-term incentives have been established for Outside Directors or Outside Audit & Supervisory Board Members, all of whom receive only fixed remuneration.

7) Corporate Social Responsibility (CSR) Activities

Under the Daiichi Sankyo Group Corporate Conduct Charter, Daiichi Sankyo is committed to ensuring that integrity is an essential characteristic of the conduct of the Group's business operations. The Company aims to implement this charter to fulfill its corporate social responsibility (CSR) while targeting sustained growth in corporate value by providing effective, safe and reliable medicines and related services that are of significant value to society.

Daiichi Sankyo has defined its six core CSR domains as Compliance, Human Rights and Labor Practices, Communication, Environmental Management, Social Contribution, and Healthcare Access. The Group aims to enhance its activities in each of these domains on an ongoing basis.

As part of its commitment to integrity, Daiichi Sankyo also seeks to upgrade its stakeholder

communications by improving disclosure of information related to environmental, social and governance (ESG) issues.

8) Forecasts of Consolidated Financial Results for Fiscal 2015 (April 1, 2015 to March 31, 2016)

Daiichi Sankyo Group

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

	Fiscal 2014	Fiscal 2015	Amount change	Percentage change
Revenue	919,372	920,000	627	0.1
Operating profit	74,422	100,000	25,577	34.4
Profit before tax	79,936	95,000	15,063	18.8
Profit attributable to owners of the Company	322,119	60,000	−262,119	−81.4
(Reference: of which, continuing operations)	(46,473)	(60,000)	(13,526)	(29.1)

In terms of revenue, although sales decline is expected reflecting the expiration of the patent period for *Welchol*® in the United States and a slowdown in growth in sales of olmesartan in Europe and the United States, the Group will work to secure smooth market launches and sales growth for edoxaban in all regions, and aim to increase revenue by such means as expanding growth products in Japan and expanding sales of Luitpold Pharmaceuticals' *Injectafer*® and sales in China.
With respect to operating profit, a temporary disposition of loss was completed in fiscal 2014. Furthermore, in fiscal 2015, there will be effects from optimizing the business operation structure in Japan and the United States in fiscal 2014 and cost reductions through selection and concentration of investments across the whole Group. As a consequence, the Group will aim to secure operating profit of over ¥100 billion, an increase of 34.4% year on year.
Profit attributable to owners of the Company is expected to be ¥60 billion. This will be an increase against profit attributable to owners of the Company of continuing operations in fiscal 2014.
Forecasts are based on assumed foreign exchange rates of ¥120 against the US dollar and ¥130 against the euro.
In addition, the Group will aim for sustained enhancement of corporate value by using funds gained through the sale of Sun Pharma shares not only for investments in prioritized targets which is in line with the Group's new management direction but also for enhancement of shareholder returns.

9) Basic Policy on Profit Distribution and Dividends for the Years Ended March 2015 and Ending March 2016

In order to secure sustainable growth in corporate value, one of the fundamental business policies of Daiichi Sankyo is to decide profit distributions based on a comprehensive consideration of the investments essential for implementing its growth strategy and returning profits to shareholders. As part of this, Daiichi Sankyo will examine flexible methods of returning profits, such as purchasing own shares while keeping capital efficiency in consideration, in addition to stable payment of dividends.

During fiscal 2014, the Company paid an interim dividend of ¥30 per share on December 1, 2014. A year-end dividend of ¥30 was also declared, bringing total dividend payments to ¥60 per share.

For fiscal 2015, on the assumption that the above-mentioned financial results forecasts will be achieved, the Company plans to pay a regular dividend of ¥60 per share. In addition, on September 28 this year, Daiichi Sankyo will reach the tenth year since its foundation. To mark this anniversary, and express its thanks to shareholders for their constant support, Daiichi Sankyo plans to pay a commemorative dividend of ¥10 per share on September 30, 2015. Therefore, including the regular dividend, Daiichi Sankyo intends to pay annual dividends of ¥70 per share for the fiscal year ending March 31, 2016.

In addition, in accordance with the above basic policy, the Company resolved at a meeting of the Board of

Directors held on May 14, 2015, to purchase its own shares at a maximum total amount of ¥50 billion, in order to enhance capital efficiency and improve shareholder returns.

(2) Analysis of Financial Position

1) Assets, Liabilities and Capital Position

Total equity as of the fiscal year-end equaled ¥1,307.0 billion (an increase of ¥299.5 billion compared with the previous fiscal year-end), and total assets amounted to ¥1,982.3 billion (an increase of ¥128.2 billion compared with the previous fiscal year-end). The ratio of equity attributable to owners of the Company to total assets was 65.8% at this date (compared with 52.9% at the previous fiscal year-end). Total equity increased due to gains in profit for the year and higher exchange differences on translation of foreign operations. The increase in total assets was slight compared to that in total equity owing to factors such as the repayment of corporate bonds and borrowings, despite a substantial increase in other financial assets due to the recording of a gain on merger of a subsidiary resulting from Ranbaxy being merged with Sun Pharma.

2) Status of Cash Flows

Cash and cash equivalents increased by ¥6.3 billion during fiscal 2014, to ¥189.4 billion. The cash flow status and its contributing factors are summarized as follows:

Cash Flows from Operating Activities

Net cash flows provided by operating activities totaled ¥142.8 billion, an increase of ¥105.5 billion compared with the previous year. Besides non-cash items such as profit before tax (¥79.9 billion), depreciation and amortization (¥42.0 billion), and impairment loss (¥37.6 billion), this reflected cash outflows from the payments of income taxes.

Cash Flows from Investing Activities

Net cash flows used in investing activities amounted to ¥21.3 billion, a decline of ¥140.1 billion in year-on-year terms. This reflected capital spending on facilities and subsidiary acquisitions, among other factors.

Cash Flows from Financing Activities

Net cash flows used in financing activities totaled ¥132.2 billion, an increase in cash outflow of ¥232.5 billion compared with the prior year. This reflected repayments of corporate bonds and borrowings as well as dividend payments, among other factors.

(Reference) Cash flow-related indicators

Principal Cash Flow Indicators

	Fiscal 2013	Fiscal 2014
Ratio of equity attributable to owners of the Company to total assets (%)	52.9	65.8
Ratio of equity attributable to owners of the Company to total assets (at market value) (%)	66.0	67.7
Interest-bearing debt ratio (years)	4.13	1.43
Interest coverage ratio (times)	9.2	90.7

Ratio of equity attributable to owners of the Company to total assets: equity attributable to owners of the Company /total assets
Ratio of equity attributable to owners of the Company to total assets (at market value): total market capitalization/total assets
Interest-bearing debt ratio: interest-bearing debt/cash flows
Interest coverage ratio: cash flows/interest paid

(Notes)

1. All indicators are calculated on a consolidated basis. Aggregate figures for continuing and discontinued operations are used for fiscal 2013, whereas the fiscal 2014 data represent figures for continuing operations only.
2. Total market capitalization is calculated based on the number of outstanding ordinary shares (net of treasury shares).
3. Cash flows equal the amount of net cash provided by operating activities in the consolidated statement of cash flows less the amounts of "interest paid" and "income taxes paid." Interest paid equals the "interest paid" included in the consolidated statement of cash flows.
4. Interest-bearing debt includes all liabilities reported on consolidated statement of financial position which are subject to interest payments.

(3) 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 at the end of the fiscal year under review. Actual results may differ from the forecasts due to a range of factors.

1) Risks Related to Merger of Ranbaxy and Sun Pharma

Daiichi Sankyo announced in April 2014 that it had concluded an agreement with Sun Pharma under which the latter would acquire 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 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 7 years from the closing date.

2) 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 manmade 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.

Following 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 new 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 categories are of 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 restoration of supplies or switches to substitute products.

3) 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. 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.

4) Financial Market and Currency 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 currency 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 exchange movements could therefore have a material impact on its business results and financial position.

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 good 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 also adversely affect the outcomes of R&D programs.

Group subsidiary Kitasato Daiichi Sankyo 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, Kitasato Daiichi Sankyo planned to build a vaccine supply chain capable of producing sufficient 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. Yields have now been improved due to subsequent changes in the production process. Amid efforts to build up production capacity as quickly as possible, the Group now expects to achieve a reliable supply capability for the originally targeted quantity of vaccine by the end of June 2016.

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

Any decline in sales due to the emergence of unanticipated side effects of a drug, or due to the entry of generic products into a sector following the expiration of a patent or the introduction of competing products within the same therapeutic area, could negatively affect the Group's business results and financial position. Any changes in the terms of sales or technology transfer agreements, or the expiration or cancellation thereof, could also have a material impact on the Group's business results and financial position. In addition, due to ongoing growth in the use of generic products in developed country markets, the launch of any new product may not generate sales and profits commensurate with the investment in its research and development.

7) Risks Related to Laws, Regulations and Regulatory Trends to Restrain 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 – 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 to pay approximately US$39 million, and has also entered 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 remains committed to maintaining the highest levels of legal and regulatory compliance across its worldwide operations going forward.

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, 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) Environmental Risks

Certain of the 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.

10) Litigation-related Risks

Besides potential antitrust issues, the Group could also face litigation of various forms concerning its business activities, such as lawsuits related to drug side effects, product liability or labor disputes. Such developments could have an adverse effect on its business results and financial position.

11) Other Risks

Other risks besides those noted above that could have a negative impact on the Group's business results and financial position include 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.

(4) Basic Policy Regarding Moves toward Large-Scale Acquisition of Company Stock

The Company believes that it is the sole prerogative of shareholders to decide whether or not to respond to any move toward large-scale acquisition of Company stock. The Company does not deny the potentially significant impact that transfers of management control may have in terms of stimulating business enterprise. In line with this thinking, the Company has not prepared any specific takeover defenses.

Nonetheless, the Company would consider it a self-evident duty of the Company management to oppose any takeover plans whose aims were generally considered inappropriate (such as schemes to ramp up the share price) or that would otherwise be deemed detrimental to the value of the Company or the mutual interests of shareholders. Accordingly, the Company will continue its close monitoring of share transactions and changes in shareholders. In the event that any move toward large-scale acquisition of Company stock is noticed, the Company would assemble a panel of outside experts to evaluate any takeover proposal and to determine carefully the impact of such on the value of the Company and the mutual interests of shareholders. If any proposal were deemed detrimental to such interests, the Company would institute anti-takeover measures appropriate to the individual circumstances.

2. Business Policies and Issues

(1) Mission

The mission of the Daiichi Sankyo Group is to contribute to the enrichment of quality of life around the world via the continuous creation of innovative pharmaceuticals and the provision of pharmaceuticals to address diverse medical needs.

(2) Key Performance Indicators

The Group places importance on achieving targets for the KPIs of revenue, operating margin and return on equity attributable to owners of the Company (ROE).

(3) Medium-to-Long-Term Business Strategy

Recognizing that the most significant medium-term risk faced by the Group is the patent cliff facing olmesartan**,** Daiichi Sankyo sought to mitigate this by targeting sustained growth and profitability improvements based on a hybrid business model spanning the operations of Daiichi Sankyo and Ranbaxy.

In April 2014, Daiichi Sankyo agreed to sell Ranbaxy to Sun Pharma in return for an equity stake in the latter. The merger of Ranbaxy with Sun Pharma was completed in March 2015 after all necessary regulatory procedures in India and other countries had been completed.

At the same time, following deliberations over the business policy that should be adopted going forward, Daiichi Sankyo defined its business direction as follows:

1) A return to a business strategy with innovative pharmaceuticals at its core;
2) Business base reinforcement, particularly in the Japanese and U.S. markets, prioritizing China as the Group's favored emerging market for investment; and
3) Further strengthening of R&D capabilities.

Going forward, the Group plans to invest the funds realized from the sale of its stake in Sun Pharma in priority areas, in line with the Group's business direction. Daiichi Sankyo plans to enhance shareholder returns at the same time as part of efforts targeting sustained growth in corporate value.

(4) Prospective Challenges

The following are the main issues facing the Group going forward.

a. Launch of edoxaban in global markets and cultivation as blockbuster

In fiscal 2014 Daiichi Sankyo began marketing edoxaban, which is expected to be the next mainstay product for the Group after olmesartan, in the U.S. and Japanese markets with indications for atrial fibrillation (AF) and VTE. Seeking to minimize the effect of U.S. label usage restrictions, the Group is harnessing its resources to generate steady growth in sales by making full use of the Group's sales platform while leveraging strengths cultivated over the years in the field of cardiovascular medicine. Following the positive opinion issued by the CHMP in Europe in April 2015, the Group believes that smooth introductions of edoxaban will be possible in markets across Asia and South and Central America as well. By leveraging the Group's global resources, Daiichi Sankyo plans to develop edoxaban as one of its top products. In addition, the Group plans to use lifecycle management techniques to ensure maximization of the product's value.

b. Revenue maximization from olmesartan

The Group is focusing on maximizing revenues generated by olmesartan ahead of its anticipated loss of patent protection in Japan, the U.S. and Europe from around the second half of fiscal 2016. At the same

time, Daiichi Sankyo is formulating and implementing strategies aimed at minimizing the impact of this patent cliff.

c. Growth of prasugrel in Japan and maintenance in other markets

Daiichi Sankyo began marketing the antiplatelet agent prasugrel in Japan in 2014. Based on strong relationships cultivated with medical practitioners, the Group is seeking to translate the positive evaluations of the efficacy and safety of prasugrel gained in its first year on the market into rapid growth in sales. Meanwhile, efforts to increase sales of the drug will continue in Europe, the U.S., Asia and South and Central America.

d. Share growth in Japan targeting market leadership

Daiichi Sankyo is striving to attain market leadership in Japan by focusing promotional efforts on major products (*Olmetec*®/*Rezaltas*®, *Memary*®, *NEXIUM*®, *Efient*®, *LIXIANA*®, *TENELIA*®, *CANAGLU*®, *RANMARK*®, and *PRALIA*®).

The Group also continues to focus on expanding its other domestic business franchises in vaccines through collaboration with Kitasato Daiichi Sankyo and Japan Vaccine, and improving profitability in the generics business through Daiichi Sankyo Espha and the OTC healthcare products business through Daiichi Sankyo Healthcare.

e. Development of operations in U.S. and emerging markets

Besides focusing on olmesartan, edoxaban and prasugrel, DSI is continuing to promote the development of in-licensed products. In fiscal 2014, DSI secured commercial or co-promotional rights to drugs such as CL-108, quizartinib and *MOVANTIK*™ as part of efforts to mitigate the impact of the upcoming loss of patent protection, olmesartan.

Successful sales promotional activities have enabled Luitpold Pharmaceuticals Inc. to achieve rapid growth in sales of the anemia treatment *Injectafer*® since its launch in 2013.

In emerging markets, the Group is targeting an expansion of sales across the ASCA region (encompassing Asia, South & Central America), led by growth generated by mainstay products such as olmesartan in China.

f. Reinforcement of R&D capabilities

The Group has designated the fields of cardiovascular-metabolic, oncology and frontier medicine as priority areas for drug development. Daiichi Sankyo is also upgrading its R&D efforts in the field of pain, which is an area of high medical need.

The Group is working to accelerate R&D programs and boost productivity with a view to generating a continuous stream of new drug candidates. Examples of such initiatives include a focus on personalized medicine, reinforcement of biomarker development, and the establishment of VSL in 2013.

The Group is promoting strategic investment in drug development, moreover, to establish a post-edoxaban in-house drug pipeline. Phase III clinical trials are currently underway for drugs such as mirogabalin, quizartinib and CL-108.

In addition, the Group is looking to promote faster drug development and to create high-value-added drug formulations using more advanced proprietary production technologies.

g. Vaccine business-related issues

Having received an MHLW grant in 2011 for a cell culture H5N1 influenza vaccine production facility, Kitasato Daiichi Sankyo Vaccine has not yet been able to achieve its goal of building a supply chain

capable of producing sufficient vaccine for 40 million people within six months due to reductions in yield associated with the viral antigen purification process. Steps have since been taken to revise the production process to boost productivity, and the Group expects to achieve a reliable supply capability for the originally targeted quantity of vaccine by the end of June 2016.

The Group is also striving to establish a production base to ensure reliable supplies of other vaccines, while also seeking to lower production costs in order to improve profit.

h. Measures to boost profitability

The Group has restructured its operations in Japan, the U.S. and Europe in an effort to ensure sufficient ongoing cash flow for re-investment in the business. These measures have included organizational streamlining and downsizing of regional workforces.

Going forward, the Group will continue to focus on improving profitability via reductions in consolidated expenses by seeking to lower manufacturing costs for edoxaban through improved production methods, investing resources as effectively as possible in R&D through program selection and concentration, and pursuing constant efforts to achieve SG&A cost savings through additional efficiency enhancement, based on appropriate ongoing revision of its domestic and overseas business structures.

At the same time, the Group will focus on engineering improvements in cash flows through asset efficiency.

i. Formulation of new medium-term business plan

During fiscal 2015, Daiichi Sankyo plans to formulate a new medium-term business plan covering the five-year period from fiscal 2016–2020. The plan will be based on the Group's new three-faceted growth strategy:

1) A return to a business strategy with innovative pharmaceuticals at its core;
2) Business base reinforcement, particularly in the Japanese and U.S. markets, prioritizing China as the Group's favored emerging market for investment; and
3) Further strengthening of R&D capabilities.

(5) Other significant matters

Not applicable.

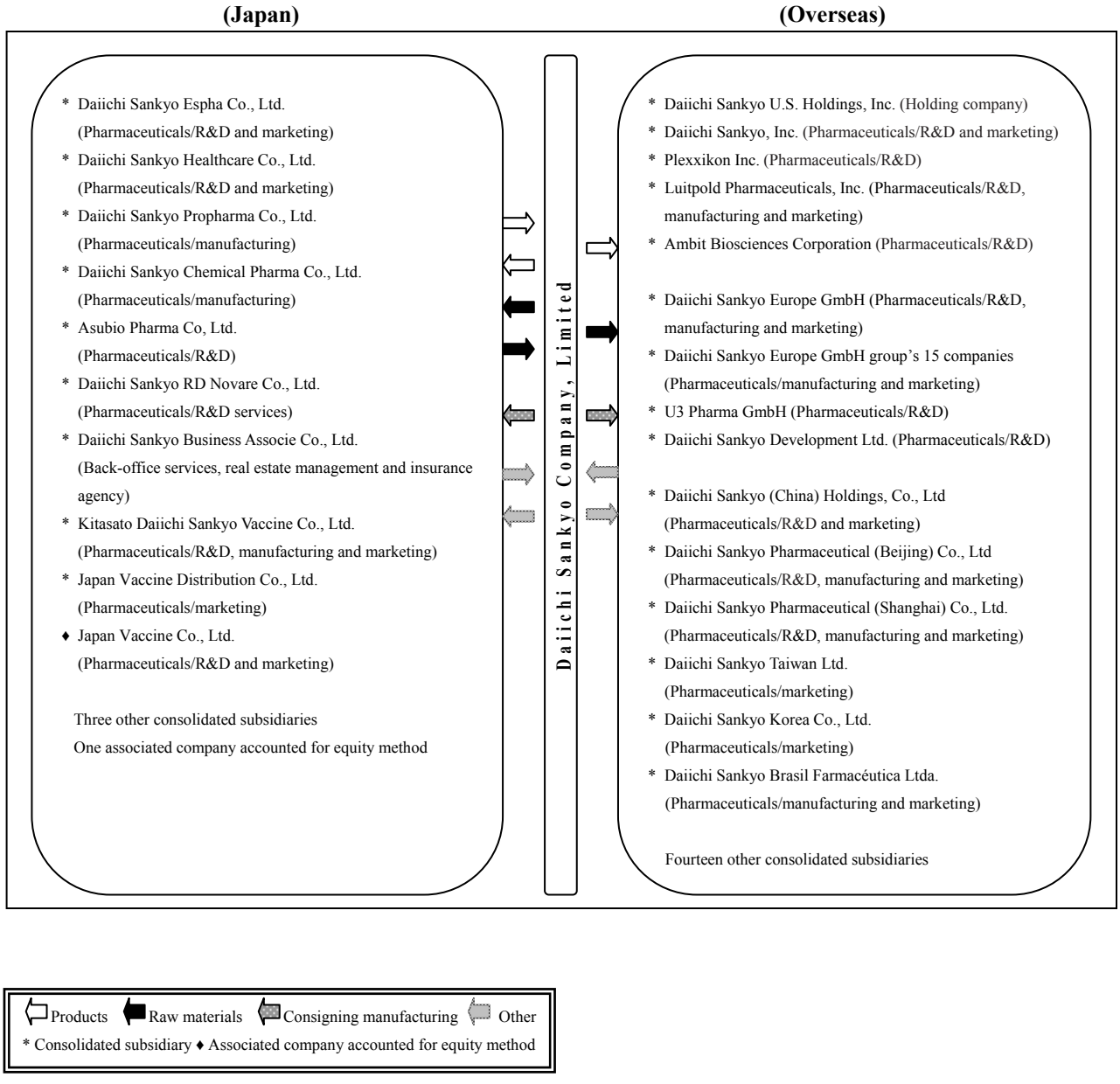
3. Basic Rationale Regarding the Selection of Accounting Standards

Daiichi Sankyo and its consolidated subsidiaries ("the Group") have adopted IFRS starting in the fiscal year ended March 31, 2014. Having considered what accounting and financial reporting standards would be best to contribute to growth in corporate value through a concerted global business development program, Daiichi Sankyo has made this move (1) to improve the international comparability of the Group's financial statements with global capital markets, (2) to unify the accounting treatment applied across the Group, and (3) to contribute to diversification of the Group's methods of fund procurement in global markets.

4. State of the Group

The Daiichi Sankyo Group consists of Daiichi Sankyo Company, Limited, its 55 subsidiaries and its 2 associates, a total of 58 companies. The Group's principal business is the manufacture and sale of pharmaceuticals, and related operations.

The following chart illustrates the organization of the Group as of March 31, 2015.



Subsidiaries and Associates

(as of March 31, 2015; "Company" in the table refers to Daiichi Sankyo Company, Limited.)

Name	Location	Capital (Millions of yen, except as noted)	% of voting rights held [indirect holdings]	Relationship
Consolidated subsidiaries				
Daiichi Sankyo Espha Co., Ltd.	Chuo-ku, Tokyo	450	100.0	Concurrent directors Products supplied to Company Office space, etc. leased from Company
Daiichi Sankyo Healthcare Co., Ltd.	Chuo-ku, Tokyo	100	100.0	Products supplied by Company Office space, etc. leased from Company
Daiichi Sankyo Propharma Co., Ltd.	Chuo-ku, Tokyo	100	100.0	Concurrent directors Products supplied to Company Office space and factory land leased from Company Facility capital borrowed from Company
Daiichi Sankyo Chemical Pharma Co., Ltd.	Hiratsuka-shi, Kanagawa	50	100.0	Products supplied to Company Factory land leased from Company Facility capital borrowed from Company
ASUBIO PHARMA CO., LTD.	Kobe-shi, Hyogo	50	100.0	Concurrent directors R&D function subcontracted by Company
Daiichi Sankyo RD Novare Co., Ltd.	Edogawa-ku, Tokyo	50	100.0	Concurrent directors R&D function subcontracted by Company Office space leased from Company
Daiichi Sankyo Business Associe Co., Ltd.	Chuo-ku, Tokyo	50	100.0	Concurrent directors Back-office operations subcontracted by Company Office space and rental property leased from Company Office space rented out to Company
Kitasato Daiichi Sankyo Vaccine Co., Ltd.	Kitamoto-shi, Saitama	100	51.0	Concurrent directors Products supplied to Company R&D function subcontracted by CompanyFacility capital borrowed from Company
Japan Vaccine Distribution Co., Ltd.	Chiyoda-ku, Tokyo	10	50.0	Concurrent directors Products supplied to Company
Daiichi Sankyo U.S. Holdings, Inc.	New Jersey, U.S.	3.0 U.S. dollars	100.0	Concurrent directors
Daiichi Sankyo, Inc.	New Jersey, U.S.	170 thousand U.S. dollars	100.0 [100.0]	Concurrent directors Products supplied by Company Promotional and R&D functions subcontracted by Company
Plexxikon Inc.	California, U.S.	1.0 U.S. dollar	100.0 [100.0]	Concurrent directors R&D function subcontracted by Company
Luitpold Pharmaceuticals, Inc.	New York, U.S.	200 thousand U.S. dollars	100.0 [100.0]	Concurrent directors
Ambit Biosciences Corporation	California, U.S.	1.0 U.S. dollar	100.0	
Daiichi Sankyo Europe GmbH	Munich, Germany	16 million euros	100.0	Concurrent directors Products supplied by Company Manufacturing subcontract work received from Company Promotional and R&D functions subcontracted by Company
Daiichi Sankyo France S.A.S.	Rueil Malmaison, France	12,482 thousand euros	100.0 [100.0]	
Daiichi Sankyo Deutschland GmbH	Munich, Germany	51 thousand euros	100.0 [100.0]	

Name	Location	Capital (Millions of yen, except as noted)	% of voting rights held [indirect holdings]	Relationship
Daiichi Sankyo Italia S.p.A.	Rome, Italy	120 thousand euros	100.0 [100.0]	
Daiichi Sankyo España, S.A.	Madrid, Spain	120 thousand euros	100.0 [100.0]	
Daiichi Sankyo UK Ltd.	Buckinghamshire, UK	19.5 million GB pounds	100.0 [100.0]	
Daiichi Sankyo (Schweiz) AG	Thalwil, Switzerland	3 million Swiss Francs	100.0 [100.0]	
Daiichi Sankyo Portugal Lda.	Porto Salvo, Portugal	349 thousand euros	100.0 [100.0]	
Daiichi Sankyo Austria GmbH	Vienna, Austria	36 thousand euros	100.0 [100.0]	
U3 Pharma GmbH	Munich, Germany	1,126 thousand euros	100.0	Concurrent directors R&D function subcontracted by Company
Daiichi Sankyo Development Ltd.	Buckinghamshire, UK	400 thousand GB pounds	100.0	Concurrent directors R&D function subcontracted by Company
Daiichi Sankyo (China) Holdings Co., Ltd.	Shanghai, China	30,000 thousand US dollars	100.0	Concurrent directors Products supplied by Company R&D function subcontracted by Company
Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd.	Beijing, China	83,800 thousand US dollars	100.0 [23.9]	Concurrent directors Products supplied by Company
Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd.	Shanghai, China	53,000 thousand US dollars	100.0	Concurrent directors Products supplied by Company Manufacturing function subcontracted by Company
Daiichi Sankyo Taiwan Ltd.	Taipei, Taiwan	345 million TW dollars	100.0	Concurrent directors Products supplied by Company Products supplied to Company
Daiichi Sankyo Korea Co., Ltd.	Seoul, Korea	3,000 million won	100.0	Concurrent directors Products supplied by Company
Daiichi Sankyo Brasil Farmacéutica Ltda.	Sao Paulo, Brazil	39 million BRL	100.0	Concurrent directors Products supplied by Company Operating capital borrowed from Company
Other 24 companies				
Associated companies accounted for by the equity method				
Japan Vaccine Co., Ltd.	Chiyoda-ku, Tokyo	100	50.0	Concurrent directors Products supplied by Company
Hitachi Pharma Evolutions, Ltd.	Chiyoda-ku, Tokyo	250	49.0	Concurrent directors Back-office operations subcontracted by Company Office space leased from Company

(Notes)

1. Among the afore-mentioned subsidiaries and associates, Daiichi Sankyo Prophorma Co., Ltd., Japan Vaccine Distribution Co., Ltd., Daiichi Sankyo, Inc., Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd. and Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd. fall under the category of specified subsidiaries.
2. Figures in parentheses in the percentage of voting rights held column refer to the percentage of ownership held indirectly through other subsidiaries.

5. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Millions of yen)

	Fiscal 2013 (as of March 31, 2014)	Fiscal 2014 (as of March 31, 2015)
ASSETS		
Current assets		
Cash and cash equivalents	183,070	189,372
Trade and other receivables	269,194	241,547
Other financial assets	324,160	186,457
Inventories	189,408	150,093
Other current assets	24,769	14,697
Subtotal	990,603	782,168
Assets held for sale	–	3,165
Total current assets	990,603	785,334
Non-current assets		
Property, plant and equipment	316,304	266,491
Goodwill	85,518	71,366
Intangible assets	171,417	199,411
Investments accounted for using the equity method	2,624	1,347
Other financial assets	141,553	593,944
Deferred tax assets	122,550	45,330
Other non-current assets	23,464	19,059
Total non-current assets	863,433	1,196,951
Total assets	1,854,037	1,982,286

(Millions of yen)

	Fiscal 2013 (as of March 31, 2014)	Fiscal 2014 (as of March 31, 2015)
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	245,422	235,546
Bonds and borrowings	160,326	20,000
Other financial liabilities	15,115	7,576
Income taxes payable	5,636	7,767
Provisions	22,702	19,444
Other current liabilities	11,985	6,735
Subtotal	461,188	297,070
Liabilities directly associated with assets held for sale	–	426
Total current liabilities	461,188	297,496
Non-current liabilities		
Bonds and borrowings	263,289	201,000
Other financial liabilities	14,177	8,337
Post-employment benefit liabilities	8,947	11,631
Provisions	3,747	2,713
Deferred tax liabilities	39,838	88,357
Other non-current liabilities	55,320	65,707
Total non-current liabilities	385,321	377,747
Total liabilities	846,509	675,244
Equity		
Equity attributable to owners of the Company		
Share capital	50,000	50,000
Capital surplus	105,267	105,267
Treasury shares	(14,408)	(14,198)
Other components of equity	121,753	169,034
Retained earnings	717,320	993,953
Total equity attributable to owners of the Company	979,933	1,304,057
Non-controlling interests		
Non-controlling interests	27,594	2,984
Total equity	1,007,527	1,307,041
Total liabilities and equity	1,854,037	1,982,286

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

Consolidated Statement of Profit or Loss

(Millions of yen)

	Fiscal 2013 (For the year ended March 31, 2014)	Fiscal 2014 (For the year ended March 31, 2015)
Revenue	899,126	919,372
Cost of sales	282,851	323,087
Gross profit	616,274	596,284
Selling, general and administrative expenses	322,688	331,195
Research and development expenses	180,664	190,666
Operating profit	112,922	74,422
Financial income	5,163	9,600
Financial expenses	4,543	3,160
Share of loss of investments accounted for using the equity method	591	925
Profit before tax	112,950	79,936
Income taxes	47,157	36,370
Profit from continuing operations	65,792	43,566
Profit (loss) from discontinued operations	(12,435)	275,357
Profit for the year	53,357	318,923
Profit attributable to:		
Owners of the Company	60,943	322,119
Non-controlling interests	(7,585)	(3,195)
Profit for the year	53,357	318,923
Earnings per share		
Basic earnings per share (Yen)	86.57	457.56
Continuing operations	97.74	66.01
Discontinued operations	(11.17)	391.55
Diluted earnings per share (Yen)	86.41	456.62
Continuing operations	97.56	65.88
Discontinued operations	(11.15)	390.75

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal 2013 (For the year ended March 31, 2014)	Fiscal 2014 (For the year ended March 31, 2015)
Profit for the year	53,357	318,923
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	7,968	26,694
Remeasurements of defined benefit plans	7,688	(4,293)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	43,053	29,131
Cash flow hedges	(1,510)	(4,347)
Share of other comprehensive income of investments accounted for using the equity method	75	66
Other comprehensive income (loss), net of taxes	57,275	47,252
Total comprehensive income	110,632	366,176
Total comprehensive income attributable to:		
Owners of the Company	115,255	366,201
Non-controlling interests	(4,623)	(24)
Total comprehensive income	110,632	366,176

(3) 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 translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2013	50,000	105,194	(14,460)	1,504	40,545	959	42,057
Profit for the year	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	39,708	(957)	7,969
Total comprehensive income	-	-	-	-	39,708	(957)	7,969
Acquisition of treasury shares	-	-	(31)	-	-	-	-
Disposal of treasury shares	-	-	83	(55)	-	-	-
Share-based payments	-	-	-	231	-	-	-
Dividends	-	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	(10,205)
Other	-	73	-	-	(1)	(2)	(0)
Total transactions with the owners	-	73	52	175	(1)	(2)	(10,205)
Balance as of March 31, 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	-	-	209	80	(12)	-	(1,087)
Balance as of March 31, 2015	50,000	105,267	(14,198)	1,760	106,202	(4,347)	65,419

(Millions of yen)

	Equity attributable to owners of the Company					
	Other components of equity		Retained earnings	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
	Remeasurements of defined benefit plans	Total other components of equity				
Balance as of April 1, 2013	-	85,067	680,844	906,645	31,835	938,480
Profit for the year	-	-	60,943	60,943	(7,585)	53,357
Other comprehensive income	7,592	54,312	-	54,312	2,962	57,275
Total comprehensive income	7,592	54,312	60,943	115,255	(4,623)	110,632
Acquisition of treasury shares	-	-	-	(31)	-	(31)
Disposal of treasury shares	-	(55)	(27)	0	-	0
Share-based payments	-	231	-	231	594	825
Dividends	-	-	(42,237)	(42,237)	-	(42,237)
Change in scope of consolidation	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	(7,592)	(17,798)	17,798	-	-	-
Other	-	(3)	-	70	(212)	(142)
Total transactions with the owners	(7,592)	(17,625)	(24,466)	(41,966)	381	(41,584)
Balance as of March 31, 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	4,218	3,198	(45,486)	(42,077)	(24,585)	(66,662)
Balance as of March 31, 2015	-	169,034	993,953	1,304,057	2,984	1,307,041

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal 2013 (For the year ended March 31, 2014)	Fiscal 2014 (For the year ended March 31, 2015)
Cash flows from operating activities		
Profit before tax from continuing operations	112,950	79,936
Depreciation and amortization	38,364	42,023
Impairment loss	4,684	37,612
Financial income	(5,163)	(9,600)
Financial expenses	4,543	3,160
Share of (profit) loss of investments accounted for using the equity method	591	925
(Gain) loss on sale and disposal of fixed assets	(12,973)	(1,056)
(Increase) decrease in trade and other receivables	3,789	(966)
(Increase) decrease in inventories	(5,840)	(237)
Increase (decrease) in trade and other payables	6,040	3,661
Other, net	(81)	(1,769)
Subtotal	146,905	153,688
Interest and dividends received	3,318	3,468
Interest paid	(1,902)	(1,732)
Income taxes paid	(48,172)	(21,874)
Cash flows from operating activities of discontinued operations	(62,844)	9,227
Net cash flows from operating activities	37,304	142,776
Cash flows from investing activities		
Purchase of time deposits	(122,542)	(64,511)
Proceeds from maturities in time deposits	46,117	72,915
Acquisition of securities	(388,411)	(259,142)
Proceeds from sale of securities	303,377	390,984
Acquisitions of property, plant and equipment	(36,388)	(38,500)
Proceeds from sale of property, plant and equipment	11,898	453
Acquisition of intangible assets	(4,704)	(56,130)
Acquisition of subsidiary	–	(33,476)
Payments for loans receivable	(1,065)	(1,728)
Proceeds from collection of loans receivable	594	1,489
Other, net	2,205	3,080
Cash flows from investing activities of discontinued operations	27,549	(36,712)
Net cash flows from investing activities	(161,368)	(21,278)

(Millions of yen)

	Fiscal 2013 (For the year ended March 31, 2014)	Fiscal 2014 (For the year ended March 31, 2015)
Cash flows from financing activities		
Proceeds from bonds and borrowings	140,862	0
Repayments of bonds and borrowings	(20,266)	(90,000)
Purchase of treasury shares	(31)	(25)
Proceeds from sale of treasury shares	0	0
Dividends paid	(42,238)	(42,254)
Other, net	(890)	(906)
Cash flows from financing activities of discontinued operations	22,885	984
Net cash flows from financing activities	100,322	(132,200)
Net increase (decrease) in cash and cash equivalents	(23,742)	(10,701)
Cash and cash equivalents at the beginning of the year	191,145	183,070
Effect of exchange rate change on cash and cash equivalents	15,667	17,003
Cash and cash equivalents at the end of the year	183,070	189,372

(5) Notes to Consolidated Financial Statements

(Note Related to Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

Significant accounting policies for the Group's consolidated financial statements are the same as the accounting policies for its consolidated financial statements for the previous fiscal year except for the following.

The Group has adopted the following standards and interpretations starting in the fiscal year ended March 31, 2015 in accordance with the respective transitional measures. Adoption of these standards, etc. does not materially impact the consolidated financial statements.

Standards and interpretations		Description of new standards/amendments
IAS 32	Financial Instruments: Presentation	Clarification of conditions for presentation of offsetting and addition of guidance
IFRS 10	Consolidated Financial Statements	Establishment of definitions of an investment entity and accounting treatment for investments held by an investment entity
IFRS 12	Disclosure of Interests in Other Entities	
IAS 27	Separate Financial Statements	
IFRIC 21	Levies	Clarification of accounting treatment of levies
IAS 36	Impairment of Assets	Revision of provisions for disclosure of recoverable amounts of non-financial assets
IAS 39	Financial Instruments: Recognition and Measurement	Establishment of exceptions for provisions of the discontinuance of hedge accounting

(Segment Information)

(1) Information on reportable segment

The reportable segments used by the Group are based on the financial data available for discrete operating units, and are subject to periodic review by the Board of Directors to facilitate decisions related to the allocation of resources and the evaluation of business performance.

Whereas two reporting segments, the Daiichi Sankyo Group and the Ranbaxy Group, were reported previously, this was revised to the use of a single segment, the "Daiichi Sankyo Group" from the end of fiscal 2014.

This was due to the loss of control of Ranbaxy Laboratories Ltd., which had represented the Ranbaxy Group , following its merger with Sun Pharmaceutical Industries Ltd. Moreover, this business had been classified as a discontinued operation.

Depreciation and amortization pertaining to the discontinued operation in fiscal 2013 and fiscal 2014 was ¥13,121 million and ¥9,413 million, respectively. In addition, capital expenditure pertaining to the discontinued operation in fiscal 2013 and fiscal 2014 was ¥13,422 million and ¥5,454 million, respectively.

(2) Information about products and services

Sales by product for continuing operations were as follows:

(Millions of yen)

Item name	Fiscal 2013 (For the year ended March 31, 2014)		Fiscal 2014 (For the year ended March 31, 2015)		YoY change	
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount	Composition ratio (%)
Prescription drugs	848,272	94.4	868,779	94.5	20,506	2.4
Healthcare (OTC) products	48,074	5.3	47,822	5.2	−251	−0.5
Other	2,779	0.3	2,770	0.3	−9	−0.3
Total	899,126	100.0	919,372	100.0	20,245	2.3

(3) Information by geographical area

Fiscal 2013 (For the year ended March 31, 2014)

(Millions of yen)

	Japan	North America	Europe	India	Other regions	Consolidated
Revenue from external customers (Note 1)	532,586	216,921	86,124	39	63,455	899,126
Non-current assets (Note 2)	259,638	172,768	40,915	79,241	20,675	573,240

Fiscal 2014 (For the year ended March 31, 2015)

(Millions of yen)

	Japan	North America	Europe	India	Other regions	Consolidated
Revenue from external customers (Note 1)	526,980	236,629	85,147	37	70,576	919,372
Non-current assets (Note 2)	290,349	160,360	74,139	2	12,417	537,270

(Notes)

1. Revenue from continuing operations is classified according to the degree of geographical proximity.
2. Non-current assets are primarily measured based on the geographical location of assets, and are comprised of property, plant and equipment, goodwill and intangible assets.

(4) Information on major customers

Fiscal 2013 (For the year ended March 31, 2014)

(Millions of yen)

Name of customer	Revenue
Alfresa Holdings Corporation	157,737
McKesson Corporation	110,755

Fiscal 2014 (For the year ended March 31, 2015)

(Millions of yen)

Name of customer	Revenue
Alfresa Holdings Corporation	159,984
McKesson Corporation	138,514

(Earnings per Share)

(1) Basis of computation of basic earnings per share

a. Profit attributable to ordinary shareholders of the Company

(Millions of yen)

	Fiscal 2013 (For the year ended March 31, 2014)	Fiscal 2014 (For the year ended March 31, 2015)
Profit attributable to owners of the Company	60,943	322,119
Profit not attributable to ordinary shareholders of the Company	—	—
Profit used in the calculation of basic earnings per share	60,943	322,119
Continuing operations	68,806	46,473
Discontinued operations	−7,863	275,646

b. Weighted average number of ordinary shares outstanding during the period

(1,000 shares)

	Fiscal 2013 (For the year ended March 31, 2014)	Fiscal 2014 (For the year ended March 31, 2015)
Weighted average number of ordinary shares outstanding during the period	703,957	703,989

(2) Basis of computation of diluted earnings per share

a. Diluted profit attributable to ordinary shareholders

(Millions of yen)

	Fiscal 2013 (For the year ended March 31, 2014)	Fiscal 2014 (For the year ended March 31, 2015)
Profit used in the calculation of basic earnings per share	60,943	322,119
Adjustment to profit	—	—
Profit used in the calculation of diluted earnings per share	60,943	322,119
Continuing operations	68,806	46,473
Discontinued operations	−7,863	275,646

b. Weighted average number of ordinary shares outstanding during the period—diluted

(1,000 shares)

	Fiscal 2013 (For the year ended March 31, 2014)	Fiscal 2014 (For the year ended March 31, 2015)
Weighted average number of ordinary shares outstanding during the period	703,957	703,989
Increase in number of ordinary shares due to dilutive effect of share acquisition rights	1,335	1,445
Weighted average number of ordinary shares outstanding during the period—diluted	705,292	705,435

(Subsequent Events)

(1) Disposal of Sun Pharma shares

The Company's Board of Directors resolved at the board meeting on April 20, 2015, to dispose of all or part of the shares owned in Sun Pharmaceutical Industries Ltd. ("Sun Pharma"). The transaction was completed on April 21, 2015.

a. Rationale for disposal of shares

Daiichi Sankyo acquired shares in Sun Pharma in exchange for the Group's shares in Ranbaxy, which was merged into Sun Pharma.

The Company had deliberated possible courses of action with regard to the Sun Pharma shares and reached the conclusion of disposing of all of the shares from the perspective of increasing corporate value. While Daiichi Sankyo loses its position as a shareholder of Sun Pharma upon the merger, our business alliance with Sun Pharma will continue.

b. Method of sale

Offer for sale through stock exchange in India

c. Change in shareholding due to sale

Number of shares held prior to sale:	214,969,058
Number of shares sold:	214,969,058
Number of shares held after sale:	0

d. Impact on business results and financial position

In the first quarter of fiscal 2015, due to the sale of ¥424,338 million in Sun Pharma shares recorded as other financial assets, negative ¥45,845 million is scheduled to be recorded as other comprehensive income. The sale of the Sun Pharma shares is not expected to have any material impact on profit attributable to owners of the Company in the consolidated financial results for fiscal 2015.

(2) Acquisition of own shares

The Company's Board of Directors resolved at the board meeting on May 14, 2015, to purchase its own shares based on the provisions of Article 156 of the Companies Act as applied by replacing the relevant terms pursuant to the provisions of Article 165, Paragraph 3 of the same act.

a. Reason for acquiring of own shares

To enhance capital efficiency and shareholder returns.

b. Class of shares to be acquired

Ordinary shares of the Company

c. Total number of shares to be acquired

28,000,000 shares (maximum)
(3.98% of issued shares (excluding treasury shares))

d. Aggregate amount of acquisition cost

¥50,000 million (maximum)

e. Acquisition period

From May 15, 2015 to August 31, 2015

f. Acquisition method

Open-market purchase on the Tokyo Stock Exchange