May 12, 2016

Consolidated Financial Results for Fiscal 2015 (Year Ended March 31, 2016) <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, Representative Director, President and CEO.
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Scheduled date of Ordinary General Meeting of Shareholders: June 20, 2016
Scheduled date of dividend payments: From June 21, 2016
Scheduled date of Annual Securities Report filing: June 20, 2016
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 2015 (from April 1, 2015 to March 31, 2016)

(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 2015	986,446	7.3	130,412	75.2	122,388	53.1	80,399	−74.8
Fiscal 2014	919,372	2.3	74,422	−34.1	79,936	−29.2	318,923	497.7

	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 2015	82,282	−74.5	24,959	−93.2	119.37	119.11
Fiscal 2014	322,119	428.6	366,176	231.0	457.56	456.62

	Return on equity attributable to owners of the Company	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
	%	%	%
Fiscal 2015	6.5	6.3	13.2
Fiscal 2014	28.2	4.2	8.1

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

Fiscal 2015: −287 million yen
Fiscal 2014: −925 million yen

Note: During fiscal 2014, Ranbaxy Laboratories Ltd. (“Ranbaxy”) was excluded from the scope of consolidation due to the fact that Ranbaxy was merged into Sun Pharmaceutical Industries Ltd. (“Sun Pharma”).

In fiscal 2014, the Ranbaxy Group was classified as a discontinued operation. Consequently, 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, have been restated and indicated as only the values for continuing operations excluding the Ranbaxy Group.

(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, 2016	1,900,522	1,233,521	1,231,406	64.8	1,801.90
As of March 31, 2015	1,982,286	1,307,041	1,304,057	65.8	1,852.28

(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 2015	174,281	−5,967	−122,930	222,159
Fiscal 2014	142,776	−21,278	−132,200	189,372

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 2014	–	30.00	–	30.00	60.00	42,240	13.1	3.7
Fiscal 2015	–	40.00	–	30.00	70.00	47,837	58.6	3.8
Fiscal 2016 (Forecast)	–	35.00	–	35.00	70.00		73.6	

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

3. Forecasts of Consolidated Financial Results for Fiscal 2016
(from April 1, 2016 to March 31, 2017)

(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	−6.7	100,000	−23.3	100,000	−18.3	65,000	−21.0	95.11

Note: Please see *7) Forecasts of Consolidated Financial Results for Fiscal 2016, (1) Analysis of Results of Operations, 1. Analysis of Results of Operations and Financial Position* on page 14 for further details.

*Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in scope of consolidation): None

(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 36.

(3) Number of ordinary shares issued

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

As of March 31, 2016	709,011,343 shares
As of March 31, 2015	709,011,343 shares

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

As of March 31, 2016	25,618,187 shares
As of March 31, 2015	4,983,171 shares

3) Average number of shares during the period

Fiscal year ended March 31, 2016	689,313,003 shares
Fiscal year ended March 31, 2015	703,989,640 shares

(Reference)

Non-Consolidated Financial Results

Non-Consolidated Financial Results for Fiscal 2015 (from April 1, 2015 to March 31, 2016)

(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 2015	643,219	3.3	28,325	21.3	46,661	52.1	10,555	−96.0
Fiscal 2014	622,424	0.7	23,347	−64.4	30,686	−69.2	266,569	313.6

	Basic net income per share	Diluted net income per share
	Yen	Yen
Fiscal 2015	15.31	15.28
Fiscal 2014	378.65	377.88

(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, 2016	1,416,088	985,391	69.4	1,439.08
As of March 31, 2015	1,597,689	1,074,160	67.1	1,523.23

Reference: Equity:

As of March 31, 2016: 983,455 million yen
As of March 31, 2015: 1,072,400 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 *"7) Forecasts of Consolidated Financial Results for Fiscal 2016, (1) Analysis of Results of Operations, 1. Analysis of Results of Operations and Financial Position"* on page 14 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 2014	Fiscal 2015	YoY change
Revenue	919,372	986,446	67,074 7.3%
Operating profit	74,422	130,412	55,990 75.2%
Profit before tax	79,936	122,388	42,451 53.1%
Profit from continuing operations	43,566	80,399	36,833 84.5%
Profit (loss) from discontinued operations	275,357	–	−275,357 –%
Profit attributable to owners of the Company	322,119	82,282	−239,836 −74.5%

Note: During fiscal 2014, Ranbaxy was excluded from the scope of consolidation due to the fact that the Ranbaxy was merged into Sun Pharma. In fiscal 2014, the Ranbaxy Group was classified as a discontinued operation. Consequently, the amounts of revenue, operating profit and profit before tax have been indicated as only the values for continuing operations excluding the Ranbaxy Group.

<Revenue from global mainstay products>

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

Item name	Fiscal 2014	Fiscal 2015	YoY change
Olmesartan Antihypertensive agent	293,504	284,127	−9,376 −3.2%
Prasugrel Antiplatelet agent	24,878	32,201	7,322 29.4%
Edoxaban Anticoagulant	4,279	15,024	10,745 251.1%

<Research and development expenses>

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

	Fiscal 2014	Fiscal 2015
Research and development expenses	190,666	208,656
Ratio of research and development expenses to revenue	20.7%	21.2%

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

(Yen)

	Fiscal 2014	Fiscal 2015
Yen/USD	109.94	120.14
Yen/EUR	138.78	132.57

a. Revenue

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

Increase of the revenue mainly owed to growth in sales of mainstay products in Japan, the U.S., and Asia, combined with the positive impact of currency movements (valued at about ¥12.9 billion).

b. Operating Profit

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

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

c. Profit before Tax

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

Due to an increase in financial expenses related to the payments regarding the sale of Sun Pharma shares, the increase in profit before tax was not as substantial as the increase in the operating profit.

d. Profit from Continuing Operations

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

e. Profit Attributable to Owners of the Company

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

Profit attributable to owners of the Company declined substantially due to a gain from merger of a subsidiary of ¥278.7 billion (after tax effect) resulting from Ranbaxy being merged with Sun Pharma in the previous fiscal year.

[Revenue by Geographic Area]

i. Japan

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

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

Revenue from royalty and exports, which centered on exports of the active pharmaceutical ingredients (API) of Levofloxacin, the synthetic antibacterial agent, decreased by 13.1% year on year to ¥18.7 billion.

Revenue from the healthcare (OTC) products business of Daiichi Sankyo Healthcare Co., Ltd. increased by 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 build up a foundation for the mail-order business in the skin care field.

<Primary revenue composition in Japan>

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

	Fiscal 2014	Fiscal 2015	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; all amounts have been rounded off to the nearest single decimal place.)

Product name	Fiscal 2014	Fiscal 2015	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%

ii. North America

Revenue in North America increased by 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., overall sales increased with the contribution from higher sales of *TRIBENZOR*®, *Effient*® and *MOVANTIK*™, which co-promotion started in April 2015, although there was a decline in sales of *Benicar*®/*Benicar HCT*®, *AZOR*®, *Welchol*® and *SAVAYSA*™.

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

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

<Revenue of Daiichi Sankyo, Inc. mainstay products>

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

Product name	Fiscal 2014	Fiscal 2015	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. mainstay products>

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

Product name	Fiscal 2014	Fiscal 2015	YoY change
Venofer® Treatment for iron deficiency anemia	260	260	−0 −0.1%
Injectafer® Treatment for iron deficiency anemia	69	155	86 123.2%

iii. Europe

Revenue in Europe decreased by 5.2% year on year to ¥74.7 billion.

Revenue in local currency terms fell by 0.7% to EUR564 million.

Although sales of *Sevikar HCT*®, *Efient*® and *LIXIANA*® (launched in fiscal 2015) increased, the effect was offset by lower sales of *Olmetec*®/*Olmetec Plus*® and *Sevikar*®.

<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 2014	Fiscal 2015	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 –%

iv. Other regions

In other regions, revenue rose by 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 by ¥7.9 billion year on year to ¥0.2 billion due to devaluation in the yen exchange rate for Venezuela's currency (Venezuelan bolivar) from economic uncertainties in the country.

2) Sale of Sun Pharma Shares

In April 2014, Daiichi Sankyo concluded an agreement with Sun Pharma for a merger of Ranbaxy with Sun Pharma, under which the Company would receive 0.8 shares in Sun Pharma for each share of Ranbaxy. Daiichi Sankyo owned approximately 9% shares in Sun Pharma upon the completion of the merger procedures in March 2015, and recorded a gain on the merger of the subsidiary of ¥278.7 billion (after tax effect) in profit from discontinued operations for the fiscal 2015.

To further increase its corporate value, Daiichi Sankyo sold all the shares in Sun Pharma for ¥378.5 billion in April 2015. In the consolidated financial results for the fiscal 2015, ¥21.5 billion (after tax effect) in loss on sale relating to this transaction was recorded in other comprehensive income.

3) R&D Activities

The Daiichi Sankyo Group 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 its research and development. Efforts have been continuing to develop potential first-in-class and/or best-in-class products.

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 business, and also promoting vaccine R&D activities.

Meanwhile, as part of its efforts to bolster its R&D capabilities, the Group has worked on converting the

R&D unit to a low-cost structure to boost the investment efficiency of development projects. As a part of this effort, the Group reviewed its global R&D platform and decided to close the subsidiaries, U3 Pharma GmbH in Europe and Daiichi Sankyo Development Ltd. in the U.K.

The following section describes the Group's priority development projects, progresses made in each project and the future Group's R&D platform.

[Daiichi Sankyo Priority Development Projects]

a. Prasugrel

Prasugrel has been marketed in Japan since 2014 under the brand name *Efient*® with indication for ischemic cardiac diseases 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, in the U.S., the Phase III clinical trial was conducted to evaluate its efficacy for the treatment of pediatric patients with sickle cell disease and the trial results were submitted to the U.S. Food and Drug Administration (FDA). As a result, the market exclusivity is expected to be extended by 180 days.

b. Edoxaban

The Company has introduced Edoxaban to the market in Switzerland, the U.K., Germany, Ireland, the Netherlands and South Korea, following Japan and the U.S., as of the end of the fiscal 2015. The product also obtained approval in Taiwan, and applications for approval are underway in China, Hong Kong, Thailand, Australia, Canada, Brazil and Turkey.

Furthermore, since June 2015, the Company has conducted the Hokusai-VTE Cancer study for patients with venous thromboembolism associated with cancer.

c. Mirogabalin

In the U.S. and Europe, Phase III clinical trials are underway to evaluate the efficacy of mirogabalin in patients with fibromyalgia (FM). In Japan and Asia, Phase III clinical trials are underway to evaluate its efficacy on patients with diabetic peripheral neuropathic pain (DPNP) and patients with postherpetic neuralgia (PHN).

d. Pexidartinib

Phase III clinical trials are being conducted in the U.S. and Europe to evaluate its efficacy in patients with tenosynovial giant cell tumor (TGCT). In October 2015 the FDA granted "Breakthrough Therapy" designation to Pexidartinib for the treatment of TGCT.

In addition, Phase I/IIa trials are being conducted to evaluate its efficacy in cancer patients with advanced solid tumors as combination therapies with other drugs, such as anti-PD-1 antibodies.

e. Vaccines

In April 2015, an application was filed in Japan for manufacturing and sales approval of intradermal seasonal influenza vaccine which was co-developed with Terumo Corporation.

In September 2015, Daiichi Sankyo signed a licensing agreement with a U.S.-based company MedImmune, LLC, a subsidiary of AstraZeneca, regarding development and commercialization in Japan of a live attenuated influenza vaccine administered as a nasal spray. Daiichi Sankyo is preparing to file an application for marketing authorization.

[Major R&D Alliances, etc. and Status of Related Projects, etc.]

a. Application for Marketing Authorization for Lacosamide in Japan for the Treatment of Epilepsy

Daiichi Sankyo and UCB Japan Co., Ltd. ("UCB") signed an agreement in November 2014 for joint commercialization of lacosamide, an epilepsy treatment developed by UCB. In June 2015, UCB filed an application for marketing authorization for this drug in Japan as adjunctive therapy in the treatment of partial onset seizures with or without secondary generalization in patients who have not obtained sufficient response to other antiepileptic drugs. UCB presented the clinical trial results for this drug at the 2015 Annual Meeting of the American Epilepsy Society (AES2015) with the drug meeting the primary endpoint in efficacy. UCB will manufacture and supply the product, while Daiichi Sankyo will sell and distribute the product. The two companies will jointly carry out promotion activities.

b. Introduction of Thrombus Dissolving Agent DS-9231/TS23

Daiichi Sankyo signed an exclusive licensing agreement in September 2015 with U.S.-based Translational Sciences, Inc. regarding Translational Sciences, Inc.'s thrombus dissolving agent, TS23, which is currently undergoing Phase I clinical trials. Under the agreement, Daiichi Sankyo will hold the exclusive rights to globally develop and commercialize TS23, and will take over the development work on the drug. The Company will develop the drug as its own drug DS-9231.

In the field of thrombosis, Daiichi Sankyo has the antiplatelet agent Prasugrel and the anticoagulant agent Edoxaban for treatment of disease in its chronic phase. As for acute phase drugs, Daiichi Sankyo has enhanced its development pipeline and aims to fill out its portfolio of products in the field of thrombosis by newly adding DS-9231 to its own thrombus dissolving agent under development, DS-1040.

c. Achievement of primary endpoints in Phase III Trial of Combination Treatment for Pain and OINV CL-108

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, Inc. The Phase III trial for the treatment of moderate to severe acute pain and reducing OINV was completed in October 2015 and met two of the primary endpoints. Accordingly, in March 2016, Charleston Laboratories, Inc. submitted NDA to FDA.

d. Achievement of primary endpoint in Phase III International Joint Trial of Etanercept Biosimilar

Daiichi Sankyo achieved major objectives in the Phase III international joint trial (RApsody) of CHS-0214, an investigational etanercept (genetical recombination) biosimilar under development with a U.S. company, Coherus BioSciences, Inc. The trial compared the efficacy and safety of CHS-0214 with *Enbrel*® in rheumatoid arthritis (RA) patients with an inadequate response to methotrexate. No significant difference was noted between CHS-0214 and the reference product group, so that the primary endpoint met the criteria of equivalence as defined in advance. Daiichi Sankyo will continue the development of CHS-0214 to apply for approval in Japan.

e. Oncolytic Virus (G47Δ) Designated Under "SAKIGAKE Designation System"

The oncolytic virus (G47Δ), for which Daiichi Sankyo jointly applied with Dr. Tomoki Todo, a professor at the Institute of Medical Science, the University of Tokyo ("Professor Todo"), has been designated under the SAKIGAKE Designation System which was launched in 2015 for medical equipment and in vitro diagnostic pharmaceuticals and regenerative medicine products.

In 2015, Professor Todo initiated the Phase II clinical trial targeting glioblastoma, through a virus treatment using the now-designated G47Δ.

f. Commencement of Clinical Trials in Japan of a Nucleic Acid Drug (DS-5141b) for Duchenne Muscular Dystrophy Treatment

Daiichi Sankyo has recently began the first clinical trial (Phases I/II in Japan) of the Duchenne muscular dystrophy ("DMD") treatment drug DS-5141b ("the Drug"), which is being jointly developed with Orphan Disease Treatment Institute Co., Ltd.. The Drug is a nucleic acid pharmaceutical that is expected to act as an effective treatment for DMD, a rare and severe sex-linked recessive genetic disorder. Daiichi Sankyo is forging ahead in developing the Drug, aiming to obtain manufacturing and marketing approval by 2020.

g. Commencement of Phase I Trial of Epigenetic Targeting EZH1/2 dual inhibitor (DS-3201b)

Daiichi Sankyo has been acting in conjunction with the National Cancer Center and the University of Tokyo in carrying out joint development of a histone methylation enzyme EZH1/2 dual inhibitor (DS-3201b) as a new molecular targeting agent for hematologic malignancy, and consequently commenced Phase I clinical trial involving patients with malignant lymphoma and adult T-cell leukemia-lymphoma (ATL).

h. 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 fiscal 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 2015.

[Reorganization of R&D Platform toward the 2025 Vision]

Daiichi Sankyo established its 2025 Vision of being a "Global Pharma Innovator with Competitive Advantage in Oncology," and in April 2016 accordingly conducted a reorganization of its R&D platform with sights set on making it a reality.

In so doing, Daiichi Sankyo newly established the Oncology R&D subunit which globally brings together our drug discovery and clinical development framework, and brought in an outside expert to lead it. This will make it possible to accelerate R&D initiatives in the field of oncology, the Primary Focused area for Daiichi Sankyo.

Daiichi Sankyo has also categorized pain treatment, central nervous system diseases, heart and kidney diseases, and rare diseases under the New Horizon area, and applied a bioventure business model to the New Horizon area as well. Daiichi Sankyo is going to accelerate decision-making to achieve speedier drug discovery and greater productivity by creating small organizational units that are specific to respective therapeutic areas and that also maintain dual functions in terms of either pharmacology and medicinal chemistry, or pharmacology and biologics.

4) Production and Logistics

In April 2015, the Daiichi Sankyo Group reorganized its domestic supply chain subsidiaries into two companies, one being Daiichi Sankyo Propharma Co., Ltd. ("DSPP") which handles formulation and related logistics functions, and the other Daiichi Sankyo Chemical Pharma Co., Ltd. ("DSCP") which handles supply of drug precursors and active ingredients. In addition, manufacturing functions for new investigational drugs of Daiichi Sankyo were transferred to DSPP and DSCP. In conjunction with this move, operations at DSPP's Akita facility were transferred to Alfresa Pharma Corporation.

In March 2016, while operations of the Tokyo Distribution Center have been transferred to Yasuda Warehouse Co., Ltd., Daiichi Sankyo made the decision to end production at DSCP Hiratsuka plant in

March 2017 and to close the plant in September 2017 after having conducted a comprehensive assessment with respect to streamlining operations and making API production more competitive on a global level.

Overseas, Daiichi Sankyo has been adjusting Edoxaban's supply chain system in pace with efforts to expand its sales to other markets, while also upgrading the production capacity and capabilities of its Chinese manufacturing subsidiary to support ongoing growth in that market.

5) Corporate Governance

a. Management Structure

In addition to creating a management structure that can respond quickly and flexibly to changes in the business environment, Daiichi Sankyo 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:

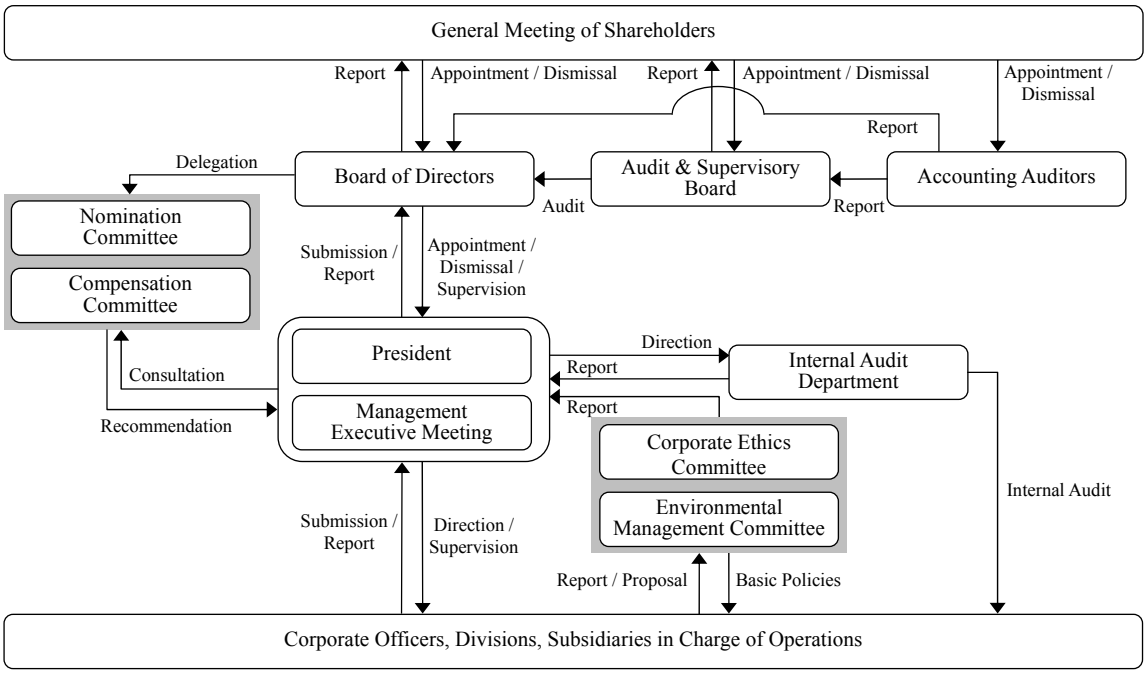
  a. The terms of office of all Directors are set at one year to help clarify the management responsibilities of Directors and strengthen the oversight of management and conduct of operations. The ten member Board of Directors includes four Outside Directors.

  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. 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 and Audit & Supervisory Board Members.

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



[Policy and Determination on Amount of Remuneration and Related Payments to Directors and Audit & Supervisory Board Members or Calculation of Remuneration]

a. Basic design of remunerating to Directors and Audit & Supervisory Board Members

- 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.

b. Determination procedures of remuneration to Directors and Audit & Supervisory Board Members

- The General Meeting of Shareholders approves basic remuneration to Directors up to ¥450 million per fiscal year and share-based payments with stock options 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 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.

[Policies and Procedures for Appointment and Nomination of Candidates for Directors and Audit & Supervisory Board Members]

- The candidates for Directors 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 Directors shall meet the requirements with respect to term of appointment and age, and of being suitably competent in making 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 Directors shall always include outside candidates to strengthen the decision-making functions based on various perspectives and to strengthen the function of supervising business execution.
- When appointing the candidates for Directors, the Board of Directors shall appoint the candidates after they have been sufficiently deliberated by the Nomination Committee, of which outside Directors form a majority.
- The candidates for Audit & Supervisory Board Members shall be examined prudently concerning their suitability as Audit & Supervisory Board Members, such as whether they can fulfil their duties, ensuring their independence from the Representative Director, Directors, executive officers, and so forth.
- The candidates for Audit & Supervisory Board Members (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 Audit & Supervisory Board Members, the Board of Directors shall appoint the candidates after the relevant proposal has been sufficiently verified and agreed to by the Audit & Supervisory Board.

6) 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.

On the basis of challenges surrounding sustainability and from the perspective of relation between the requests and expectations from society and medium- and long-term business activities, 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 well as above mentioned measures, 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.

7) Forecasts of Consolidated Financial Results for Fiscal 2016 (April 1, 2016 to March 31, 2017)

Daiichi Sankyo Group

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

	Fiscal 2015	Fiscal 2016	Amount change	Percentage change
Revenue	986,446	920,000	−66,446	−6.7
Operating profit	130,412	100,000	−30,412	−23.3
Profit before tax	122,388	100,000	−22,388	−18.3
Profit attributable to owners of the Company	82,282	65,000	−17,282	−21.0

Revenue is expected to decrease by 6.7% from fiscal 2015, partially because of the loss of patent protection for Olmesartan beginning in the U.S., along with adverse effects of the NHI price revision in Japan, while Daiichi Sankyo will focus on efforts for increasing sales of Edoxaban, expanding sales of mainstay products in Japan, and extending sales of *Injectafer*® of a U.S.-based company Luitpold Pharmaceuticals.

With respect to operating profit, Daiichi Sankyo aims to secure operating profit of ¥100 billion, a decrease of 23.3%from fiscal 2015, by achieving positive outcomes from the restructuring in Japan, the U.S. and Europe which have been implemented by fiscal 2015 as well as additional cost reduction and streamlining thereafter.

Profit attributable to owners of the Company is expected to be ¥65 billion, which is a 21.0% decrease year on year.

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

8) Basic Policy on Profit Distribution and Dividends for the Years Ended March 2016 and Ending March 2017

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.

Under this basic policy, to increase shareholder returns and enhance capital efficiency, the Daiichi Sankyo acquired approximately 20,650 thousand of its own shares for approximately ¥50.0 billion from May 15 to August 25, 2015 on the open market.

Daiichi Sankyo marked its 10th founding anniversary on September 28, 2015. To commemorate this event and show appreciation for continued support of its shareholders, 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, totaling a dividend of ¥40 per share on December 1, 2015. The year-end dividend for the fiscal year ending March 31, 2016 is forecast at ¥30 per share, for a forecast annual dividend of ¥70 per share for the fiscal year ending March 31, 2016.

The 5-Year Business Plan sets a shareholder return policy that calls for a total return ratio of 100% or higher for the duration of the plan (Total return ratio = (Dividends + Total acquisition costs of treasury shares) / Profit attributable to owners of the company). On the basis of that policy, Daiichi Sankyo intends to pay an ordinary dividend of ¥70 per share for the fiscal year ending March 2017, a ¥10 per share increase, on the assumption that the above-mentioned financial results forecasts will be achieved.

(2) Analysis of Financial Position

1) Assets, Liabilities and Capital Position

Total equity as of the fiscal year-end equaled ¥1,233.5 billion (a decrease of ¥73.5 billion compared with the previous fiscal year-end), and total assets amounted to ¥1,900.5 billion (a decrease of ¥81.8 billion compared with the previous fiscal year-end). The ratio of equity attributable to owners of the Company to total assets was 64.8% at this date (compared with 65.8% at the previous fiscal year-end). Total equity decreased due mainly to acquisitions of treasury shares, despite the recording of profit for the period. The decrease in total assets was larger than that in total equity, mainly reflecting repayment of borrowings.

2) Status of Cash Flows

Cash and cash equivalents increased by ¥32.8 billion during fiscal 2015, to ¥222.2 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 ¥174.3 billion, an increase of ¥31.5 billion compared with the previous year. Besides non-cash items such as profit before tax (¥122.4 billion), depreciation and amortization (¥44.3 billion), and impairment loss (¥4.7 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 ¥6.0 billion, a decline of ¥15.3 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 ¥122.9 billion, a decline in cash outflow of ¥9.3 billion compared with the prior year. This reflected acquisition of treasury shares, dividend payments and repayments of borrowings among other factors.

(Reference) Cash flow-related indicators

Principal Cash Flow Indicators

	Fiscal 2014	Fiscal 2015
Ratio of equity attributable to owners of the Company to total assets (%)	65.8	64.8
Ratio of equity attributable to owners of the Company to total assets (at market value) (%)	67.7	90.0
Interest-bearing debt ratio (years)	1.43	0.96
Interest coverage ratio (times)	90.7	152.5

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. 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 Dependence on Specific Products

In fiscal 2015, sales of Olmesartan account 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 U.S., and until February 2017 in Japan and Europe).

2) Litigation-related Risks

Besides potential antitrust issues, the Group could also 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"), Daiichi Sankyo U.S. Holdings, Inc. as well as Forest Laboratories, LLC (head office: New York, U.S.A.) and the subsidiaries and affiliates thereof in U.S. federal and state courts by claimants alleging to have experienced sprue-like enteropathy (primary symptoms of sprue-like enteropathy 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 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 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 the various countries throughout 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. Accordingly, 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 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. 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 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 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 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. The project is expected to come to a conclusion following efforts to build the supply chain by June 2016, upon taking steps to improve yields by subsequently revamping production processes.

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. 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 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, even before patent expiration, 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 U.S. and other developed countries where it is possible to file for approval of generic pharmaceutical products, and 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, 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 business overseas involving pharmaceutical product development, sales and other such domains. 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 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 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.

11) 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.

12) 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.

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 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's 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

In March 2016, Daiichi Sankyo released our 5-Year Business Plan (Fiscal 2016 – Fiscal 2020) and 2025 Vision.

With the aim of achieving our 2025 Vision, we will take action on two challenges, "Grow beyond fiscal 2017 LOE[*1]" and "Establish foundations for sustainable growth" thereafter.

*1 LOE : loss of exclusivity

[2025 Vision]

Daiichi Sankyo Group aspires to be a "Global Pharma Innovator with Competitive Advantage in Oncology" as its 2025 Vision and positions its innovative pharmaceutical business, centered on oncology, as a core business in order to become a global company with innovative products changing standard of care for diseases with high unmet needs. In the concrete, Daiichi Sankyo Group aspires to be a company:

- To have specialty area[*2] business centered on oncology business as the core business
- To have enriched regional value products[*3] aligned with regional market
- To have innovative products and pipeline changing SOC[*4]
- To realize shareholders' value through highly efficient management

*2 Specialty area: Drugs mainly prescribed at hospitals and/or by specialty practitioners

*3 Regional value products: Products aligned with regional market

*4 SOC: Standard of care

(4) Prospective Challenges

[5-Year Business Plan]

Designated as the plan to realize the transformation towards the 2025 Vision, Daiichi Sankyo Group will address the following two managerial challenges during five years.

a. Managerial challenge 1: Grow beyond fiscal 2017 LOE*

To overcome the patent cliff with respect to our mainstay products such as antihypertensive agent Olmesartan, we will take action to recover revenues and generate profits, aiming to achieve target revenue of ¥940.0 billion and operating profit of ¥100.0 billion in fiscal 2017.

Our efforts to recover the revenues will involve accelerating growth of the anticoagulant Edoxaban, flagship products in Japan, and the Luitpold Pharmaceuticals business in the U.S.

Our efforts to generate profits will involve aiming operating profit of ¥100.0 billion through the measures we have been implementing up through fiscal 2015, while also moving forward with measures for further

cost reductions and streamlining.

b. Managerial challenge 2: Establish foundations for sustainable growth

In order to establish foundations for ensuring sustainable growth, we aim to achieve revenue of ¥1,100.0 billion, operating profit of ¥165.0 billion, and ROE of 8% or above in fiscal 2020. Moreover, as of fiscal 2020, we aim to hold three to five late-stage products that can be commercialized within five years and are expected to achieve respective peak revenues exceeding ¥100.0 billion.

We will implement the following business strategies in order to achieve our fiscal 2020 goals.

i. Business Strategies

Strategy 1: Grow Edoxaban

With Edoxaban, we will forge ahead with efforts that involve consistently deploying our market launch strategy globally, continually promoting the appeal of the product's established attributes, and generating new evidence with the aim of enhancing its product strengths. We will accelerate growth of Edoxaban and develop it into a mainstay product that generates more than ¥120.0 billion in revenues in fiscal 2020. To such ends, in Japan we will draw on its product strengths and our high-quality marketing capabilities in order to make it a top-selling product, and in Europe we will bring about full-scale launch of the product across Europe by taking advance of collaborative initiatives with an alliance partner.

Strategy 2: Establish oncology business

We will develop our oncology business to the point where such operations generate revenue of more than ¥40.0 billion in fiscal 2020, and ¥300.0 billion in fiscal 2025. Efforts to that end will involve getting oncology business off the ground by bringing late-stage products to market, steadily developing products in the early stage of the pipeline, enriching the product-line and the pipeline by acquiring external assets, and creating a new organization to accelerate oncology R&D initiatives.

Strategy 3: Grow as No.1 company in Japan

We aim to grow into Japan's leading pharmaceutical company as the No.1 company. We will leverage the strengths of our innovative pharmaceuticals business, while precisely addressing various social needs and medical needs such as prevention, self-medication and medical treatment with the innovative business as well as our vaccines, generics and OTC drug businesses.

Strategy 4: Expand U.S. Business

Daiichi Sankyo Inc. (DSI) will pursue expansion of the pain franchise business encompassing the products *MOVANTIK*™, CL-108 and Mirogabalin, with the aim of revenue of more than ¥100.0 billion in fiscal 2020.

With Luitpold Pharmaceuticals, we aim to achieve revenue of ¥150.0 billion in fiscal 2020 by facilitating growth of its business through increased sales of the *Injectafer*® iron franchise and the generic injectable franchise.

Strategy 5: Continuously Generate Innovative Medicine changing SOC

With the aim of transforming operations of the research organization to a bioventure model, we will make oncology the Primary Focused area with respect to target disease, while categorizing pain treatments, central nervous system disease, heart and kidney disease, and rare disease in the New Horizon area, while also generating innovative medicine changing standards of care (SOC) by drawing on initiatives that involve partnering, open innovation and translational research. In addition, we will forge ahead in bringing about clinical applications for nucleic acid, cell therapies and other advanced technologies.

Strategy 6: Enhance Profit Generation

In addition to initiatives taken up through fiscal 2015 to enhance our capacity for generating profits, for

the duration of the business plan we will also forge ahead with efforts that involve optimizing our manufacturing systems on a global level and strengthening procurement functions. At the same time, we will enhance our ability to generate profits by drastically cutting costs and streamlining operations across the entire Daiichi Sankyo Group, while also conducting reviews with respect to cost of sales, selling, general and administrative expenses, and research and development expenses.

ii. Approach to investment for future growth and shareholder returns, etc.

Our policy with respect to generating and using cash for the duration of the 5-Year Business Plan is to prioritize growth investments while enhancing shareholder returns.

Available funds under the five-year plan amount to approximately ¥2,200 billion, which consists of approximately ¥700 billion in cash on hand and free cash flow before R&D expenses along with cash to be derived from streamlining of assets in the future. With respect to growth investment, we intend to invest ¥900.0 billion to R&D, ¥500.0 billion to business development, while allocating the remaining amount to shareholder returns, capital spending, and working capital.

iii. Shareholder return policy

Our shareholder return policy calls for a total return ratio[*5] of 100% or higher for the duration of the plan, along with an increase in the regular annual dividend to at least ¥70 per share. We will pay consistent dividends while taking a flexible approach to acquiring treasury shares.

*5 Total return ratio = (Dividends + Total acquisition costs of treasury shares) / Profit attributable to owners of the company

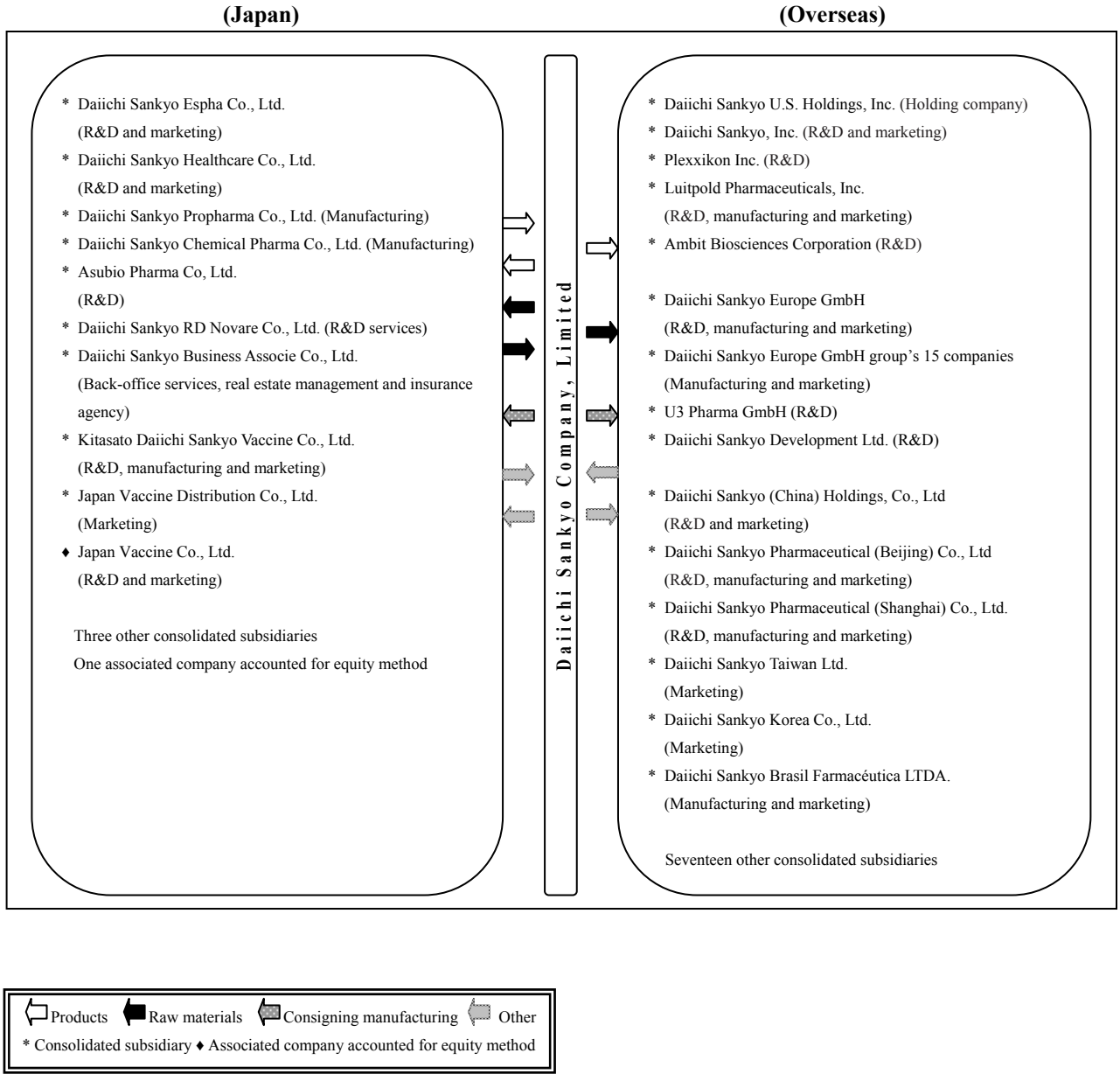
3. Basic Rationale Regarding the Selection of Accounting Standards

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 treatments 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 58 subsidiaries and its 2 associates, a total of 61 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, 2016.



Subsidiaries and Associates

(as of March 31, 2016; "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, Japan	450	100.0	Products supplied to Company Office space, etc. leased from Company Capital for in-license products borrowed from Company
Daiichi Sankyo Healthcare Co., Ltd.	Chuo-ku, Tokyo, Japan	100	100.0	Products supplied by Company Office space, etc. leased from Company
Daiichi Sankyo Propharma Co., Ltd.	Chuo-ku, Tokyo, Japan	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.	Chuo-ku, Tokyo, Japan	50	100.0	Concurrent directors Products supplied to Company Factory land leased from Company Facility capital borrowed from Company
Asubio Pharma Co., Ltd.	Kobe, Hyogo, Japan	50	100.0	Concurrent directors R&D function subcontracted by Company
Daiichi Sankyo RD Novare Co., Ltd.	Edogawa-ku, Tokyo, Japan	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, Japan	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, Saitama, Japan	100	80.0	Concurrent directors Products supplied to Company R&D function subcontracted by Company Office space, etc. leased from Company Facility capital borrowed from Company
Japan Vaccine Distribution Co., Ltd.	Chiyoda-ku, Tokyo, Japan	10	50.0	Concurrent directors Products supplied to Company
Daiichi Sankyo U.S. Holdings, Inc.	New Jersey, United States	3.0 U.S. dollars	100.0	Concurrent directors
Daiichi Sankyo, Inc.	New Jersey, United States	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, United States	1.0 U.S. dollar	100.0 [100.0]	Concurrent directors R&D function subcontracted by Company
Luitpold Pharmaceutical, Inc.	New York, United States	200 thousand U.S. dollars	100.0 [100.0]	
Ambit Biosciences Corporation	California, United States	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 SAS	Ryu El 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, United Kingdom	19.5 million GB pounds	100.0 [100.0]	
Daiichi Sankyo (Schweiz) AG	Tar Ville, 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, United Kingdom	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 U.S. 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 U.S. dollars	100.0 [23.9]	Concurrent directors Products supplied by Company
Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd.	Shanghai, China	53,000 thousand U.S. dollars	100.0	Concurrent directors Products supplied by Company
Daiichi Sankyo Taiwan Ltd.	Taipei, Taiwan	345 million TW dollars	100.0	Concurrent directors Products supplied by 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 27 companies				
Associated companies accounted for by the equity method				
Japan Vaccine Co., Ltd.	Chiyoda-ku, Tokyo, Japan	100	50.0	Concurrent directors Products supplied by Company
Hitachi Pharma Evolutions, Ltd.	Chiyoda-ku, Tokyo, Japan	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 Propharma 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 2014 (as of March 31, 2015)	Fiscal 2015 (as of March 31, 2016)
ASSETS		
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)

	Fiscal 2014 (as of March 31, 2015)	Fiscal 2015 (as of March 31, 2016)
LIABILITIES AND EQUITY		
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

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

Consolidated Statement of Profit or Loss

(Millions of yen)

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

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

(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, 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
Purchase of treasury shares	–	–	(25)	–	–	–	–
Cancellation 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)
Others	–	–	–	–	(12)	–	(0)
Total transactions with the owners of the Company	–	–	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
Profit for the year	–	–	–	–	–	–	–
Other comprehensive income for the year	–	–	–	–	(31,001)	–	(18,942)
Total comprehensive income for the year	–	–	–	–	(31,001)	–	(18,942)
Purchase of treasury shares	–	(201)	(50,037)	–	–	–	–
Cancellation 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
Others	–	–	–	–	–	–	–
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		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, 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
Purchase of treasury shares	–	–	–	(25)	–	(25)
Cancellation 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)	–	–	–
Others	–	(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 March 31, 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 for the year	(5,378)	(55,321)	–	(55,321)	(118)	(55,439)
Total comprehensive income for the year	(5,378)	(55,321)	82,282	26,961	(2,001)	24,959
Purchase of treasury shares	–	–	–	(50,239)	–	(50,239)
Cancellation 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)	–	–	–
Others	–	–	–	–	(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

(4) Consolidated Statement of Cash Flows

(Millions of yen)

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

(Millions of yen)

	Fiscal 2014 (For the year ended March 31, 2015)	Fiscal 2015 (For the year ended March 31, 2016)
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 sale of treasury shares	0	0
Dividends paid	(42,254)	(48,468)
Others, 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

(5) Notes to Consolidated Financial Statements

(Note Related to Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

The significant accounting policies adopted in preparing the consolidated financial statements of the Group have not changed from the prior year except for the following.
In the year ended March 31, 2016, the Group adopted following accounting standard. The new accounting standard has not had a material impact on the consolidated financial statements.

IFRS		Overview
IAS 19	Employee Benefits	Simplification of accounting treatment related to contributions from employees or third parties not dependent on years of service

(Segment Information)

(1) 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.

Previously, the Group reported two reportable segments, “Daiichi Sankyo Group” and “Ranbaxy Group”. However, this was revised to the use of a single segment, the “Pharmaceutical Operation” (formally “Daiichi Sankyo Group”) from the end of the year ended March 31, 2015. The revision was made as Ranbaxy Laboratories Ltd., which had represented the Ranbaxy Group, was excluded from the scope of consolidation during the year ended March 31, 2015, and its business was classified as a discontinued operation due to the fact that Ranbaxy Laboratories Ltd. was merged into Sun Pharmaceutical Industries Ltd.

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

(2) Information about products and services

Sales by products and services for continuing operations were as follows:

(Millions of yen)

Item name	Fiscal 2014 (For the year ended March 31, 2015)		Fiscal 2015 (For the year ended March 31, 2016)		YoY change	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Prescription drugs	868,779	94.5	930,323	94.3	61,544	7.1
Healthcare (OTC) products	47,822	5.2	53,365	5.4	5,543	11.6
Others	2,770	0.3	2,756	0.3	–13	–0.5
Total	919,372	100.0	986,446	100.0	67,074	7.3

(3) Information by geographical area

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

(Millions of yen)

	Japan	North America	Europe	Other regions	Consolidated
Revenue from external customers (Note 1)	526,980	236,629	85,147	70,614	919,372
Non-current assets (Note 2, 3)	290,349	212,121	22,751	12,048	537,270

Fiscal 2015 (For the year ended March 31, 2016)

(Millions of yen)

	Japan	North America	Europe	Other regions	Consolidated
Revenue from external customers (Note 1)	555,770	279,748	78,472	72,455	986,446
Non-current assets (Note 2)	322,849	189,236	18,248	8,920	539,256

(Notes)

1. Revenue from continuing operations is classified according to the geographical location.
2. Non-current assets are primarily presented based on the geographical location of assets, and are comprised of property, plant and equipment, goodwill and intangible assets.
3. Non-current assets for fiscal 2014 presented above have been adjusted for errors in the 2014 balances of North America, Europe and Other regions presented in the Consolidated Financial Results for Fiscal 2014. For more information, please refer to the correction report of the securities report, which was submitted to the Kanto Finance Bureau on May 12, 2016

(4) Information on major customers

(Millions of yen)

Name of customer	Fiscal 2014 (For the year ended March 31, 2015)	Fiscal 2015 (For the year ended March 31, 2016)
Alfresa Holdings Corporation and its group companies	172,251	182,593
McKesson Corporation	138,514	164,957
Cardinal Health, Inc.	91,523	121,245

(Earnings per Share)

(1) Basis of calculation of basic earnings per share

	Fiscal 2014 (For the year ended March 31, 2015)	Fiscal 2015 (For the year ended March 31, 2016)
a. Profit Attributable to owners of the Company		
Profit attributable to owners of the Company (Millions of yen)	322,119	82,282
Profit not attributable to owners of the Company (Millions of yen)	–	–
Profit used to calculate basic earnings per share (Millions of yen)	322,119	82,282
Continuing operations (Millions of yen)	46,473	82,282
Discontinued operations (Millions of yen)	275,646	–
b. Weighted-average Number of Ordinary Shares		
Weighted-average number of ordinary shares (basic) (1,000 shares)	703,989	689,313
c. Basic Earnings per Share		
Basic earnings per share (Yen)	457.56	119.37
Continuing operations (Yen)	66.01	119.37
Discontinued operations (Yen)	391.55	–

(2) Diluted Earnings per Share

	Fiscal 2014 (For the year ended March 31, 2015)	Fiscal 2015 (For the year ended March 31, 2016)
a. Diluted Profit Attributable to owners of the Company		
Profit used to calculate basic earnings per share (Millions of yen)	322,119	82,282
Adjustment to profit (Millions of yen)	–	–
Profit used to calculate diluted earnings per share (Millions of yen)	322,119	82,282
Continuing operations (Millions of yen)	46,473	82,282
Discontinued operations (Millions of yen)	275,646	–
b. Weighted-average Number of Diluted Ordinary Shares		
Weighted-average number of ordinary shares (basic) (1,000 shares)	703,989	689,313
Effect of issue of stock acquisition rights (1,000 shares)	1,445	1,506
Weighted-average number of ordinary shares (diluted) (1,000 shares)	705,435	690,819
c. Diluted Earnings per Share		
Diluted earnings per share (Yen)	456.62	119.11
Continuing operations (Yen)	65.88	119.11
Discontinued operations (Yen)	390.75	–

(Subsequent Events)

Not applicable.