Summary of Financial Results in Fiscal 2016

Revenue	Operating Profit	Profit before Tax	Profit attributable to owners of the Company
¥955.1 billion (3.2% down)	¥88.9 billion (31.8% down)	¥87.8 billion (28.3% down)	¥53.5 billion (35.0% down)

Consolidated revenue in fiscal 2016 decreased ¥31.3 billion, or 3.2% year on year, to ¥955.1 billion.

Looking at expenses, cost of sales increased ¥30.8 billion year on year, with selling, general and administrative expenses (SG&A) decreasing ¥26.3 billion and research and development expenses increasing ¥5.7 billion. As a result, operating profit decreased ¥41.5 billion, or 31.8% year on year, to ¥88.9 billion.

Profit before tax was ¥87.8 billion, and profit attributable to owners of the Company decreased ¥28.8 billion, or 35.0% year on year, to ¥53.5 billion.

As for average exchange rates over fiscal 2016, the yen appreciated ¥11.72 against the U.S. dollar compared to fiscal 2015, with ¥108.42 equaling U.S.$1, and ¥13.73 against the euro, with ¥118.84 equaling €1.

Consolidated Financial Results

(Billions of yen)

	FY2015 Results	FY2016 Results	YoY
Revenue	986.4	955.1	−31.3 (−3.2%)
Cost of Sales	318.6	349.4	30.8
SG&A Expenses	328.8	302.5	−26.3
R&D Expenses	208.7	214.3	5.7
Operating Profit	130.4	88.9	−41.5 (−31.8%)
Profit before Tax	122.4	87.8	−34.6 (−28.3%)
Profit attributable to owners of the Company	82.3	53.5	−28.8 (−35.0%)

Yen Exchange Rates for Major Currencies (Average rate for year)

	FY2015 Results	FY2016 Results	YoY
USD / JPY	120.14	108.42	−11.72
EUR / JPY	132.57	118.84	−13.73

Consolidated Financial Results for Fiscal 2016

1. Revenue

Consolidated revenue in fiscal 2016 decreased ¥31.3 billion, or 3.2% year on year, to ¥955.1 billion.

The impacts of yen appreciation placed downward pressure on revenue to the extent of ¥41.6 billion. When the impacts of foreign exchange influences are excluded, revenue was up ¥10.3 billion year on year.

Factors behind revenue movements, when the impacts of foreign exchange influences are excluded, included the following.

Although Japan Business, which include domestic pharmaceutical operations and the vaccine and OTC businesses, were impacted by national health insurance (NHI) drug price revisions, revenues from *LIXIANA*, an anticoagulant, grew substantially. Large year-on-year increases in revenue were also seen centered on mainstay products such as *TENELIA*, a type 2 diabetes mellitus treatment; *Inavir*, an anti-influenza treatment; *Efient*, an antiplatelet agent; *PRALIA*, an osteoporosis treatment; *Memary*, an Alzheimer's disease treatment; and *NEXIUM*, an ulcer treatment. However, revenues from *Loxonin*, an anti-inflammatory analgesic, and other long-offered products declined due to the increased prescription of generic drugs.

Meanwhile, revenue surged at Daiichi Sankyo Healthcare Co., Ltd., which acquired direct marketing company Im Co., Ltd., in fiscal 2015.

As a result, overall revenue from operations in Japan rose ¥24.9 billion year on year.

In the United States, revenue from Daiichi Sankyo, Inc. declined ¥27.4 billion year on year, despite contributions from *Effient*, an antiplatelet agent, and *MOVANTIK*, a treatment for opioid-induced constipation, following decreases in sales of *olmesartan*, an antihypertensive agent, resulted from the loss of exclusivity (LOE) for this drug in October 2016.

Meanwhile, Luitpold Pharmaceuticals, Inc., the United States, saw revenue increase ¥6.6 billion year on year, following higher sales of *Injectafer*, a treatment for iron deficiency anemia.

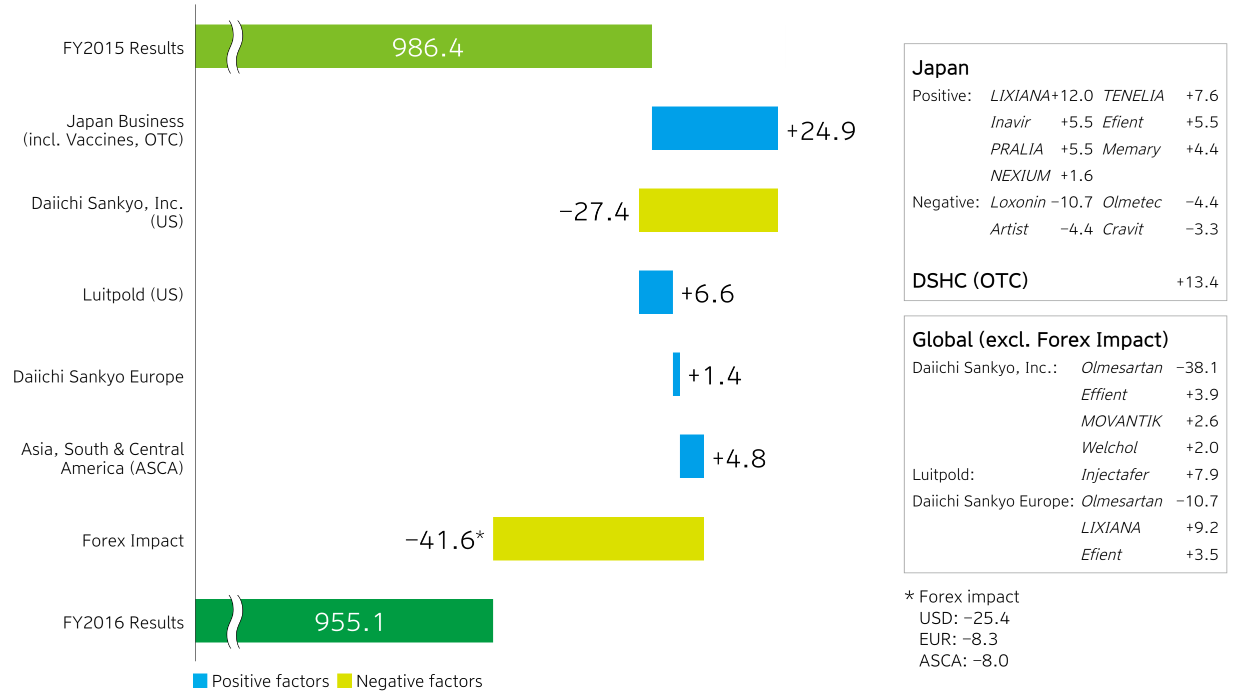
Revenue at Daiichi Sankyo Europe GmbH increased ¥1.4 billion year on year due to contributions from *LIXIANA* and *Efient*.

In the Company's operations in Asia, South & Central America (ASCA), revenue was up ¥4.8 billion year on year.

Revenue

Decreased by ¥31.3 billion (Increased by ¥10.3 billion excl. forex impact)

(Billions of yen)



2. Operating Profit

Operating profit decreased ¥41.5 billion, or 31.8% year on year, to ¥88.9 billion.

One reason behind this decrease in profit was the ¥31.3 billion decrease in revenue, itself a result of downward pressure to the extent of ¥41.6 billion placed on revenue by foreign exchange influences.

In terms of expenses, foreign exchange influences caused a total decrease of ¥38.1 billion in expenses. Of this decrease, ¥11.4 billion was in cost of sales, ¥16.6 billion was in SG&A expenses, and ¥10.1 billion was in research and development expenses. Special items factors* resulted in a year-on-year increase of ¥21.9 billion in expenses in fiscal 2016. Factors behind operating profit movements, when the impacts of foreign exchange influences and special items are excluded, included the following.

Cost of sales was up ¥21.0 billion year on year as revenue increased when the impacts of foreign exchange influences are excluded and because the ratio of cost of sales to revenue rose due to the impacts of NHI drug price revisions.

SG&A expenses decreased ¥11.6 billion due to the benefits of cost-cutting measures in the United States, while research and development expenses increased ¥16.9 billion following progress in *edoxaban* life-cycle management initiatives and oncology projects.

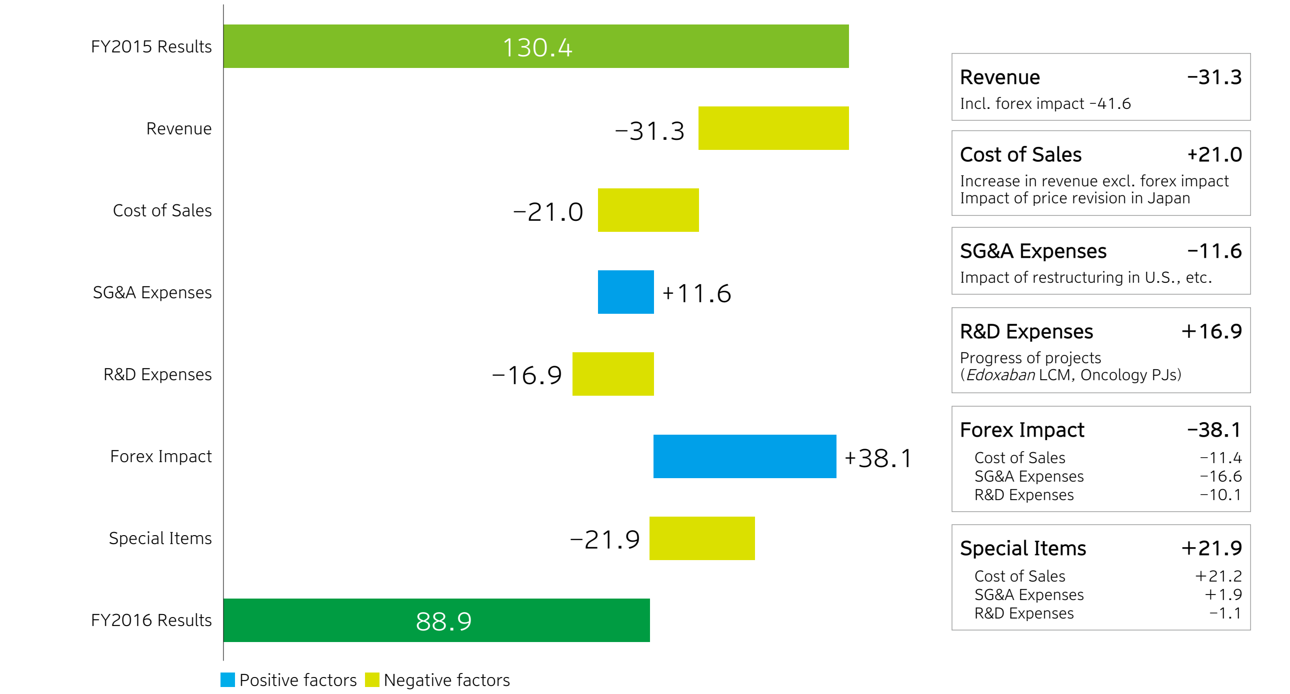
Due to the above, operating profit in fiscal 2016 decreased ¥41.5 billion year on year, to ¥88.9 billion. When the impacts of foreign exchange influences (¥38.1 billion decrease in expenses) and special items (¥21.9 billion increase in expenses) are excluded, operating profit was up ¥16.1 billion.

* Large, one-time movements in operating profit including profit and losses related to sales of fixed assets, business reorganizations, impairment losses, and litigations of more than ¥1.0 billion each

Operating Profit

Decreased by ¥41.5 billion (Decreased by ¥16.1 billion excl. forex impact and special items)

(Billions of yen)



Operations and Financial Position

(1) Special Items

In fiscal 2015, business restructuring expenses were recorded in U.S. operations, and we also sold subsidiaries along with property, plant and equipment, making for a combined total increase in expenses of ¥18.5 billion.
In fiscal 2016, increases in expenses from extraordinary factors amounted to ¥40.4 billion, ¥21.9 billion higher than in fiscal 2015. Specific sources of expenses included reorganizations of supply chain and R&D structures and operations in Europe as well as an impairment loss related to Kitasato Daiichi Sankyo Vaccine Co., Ltd.

Special Items

(Billions of yen)

	FY2015 Results		FY2016 Results		YoY
Cost of Sales	Gain on sales of subsidiary	−2.4	Restructuring costs in SC	3.6	21.2
	Gain on sales of fixed assets	−1.1	Impairment loss (Vaccine)	20.6	
	Impairment loss (Intangible)	1.9			
	Restructuring costs in SC	4.6			
SG&A Expenses	Restructuring costs in US	15.2	Restructuring costs in EU	10.6	1.9
	Restructuring costs in EU	2.9	Impairment loss (Vaccine)	1.0	
	Gain on sales of fixed assets	−8.2			
R&D Expenses	Restructuring costs in R&D	5.6	Restructuring costs in R&D	2.5	−1.1
			Impairment loss (Vaccine)	0.2	
			Impairment loss (Intangible)	1.8	
Total		18.5		40.4	21.9

(2) Impairment Loss in Vaccine Business

Kitasato Daiichi Sankyo Vaccine Co., Ltd. (KDSV), recorded an impairment loss of ¥21.9 billion on property, plant and equipment and intangible assets due to delays in multiple development projects, most notably the MMR vaccine, a trivalent combination vaccine for the measles, mumps, and rubella.

As a result of the impairment losses, KDSV has incurred excess liabilities to the extent of nearly ¥23.0 billion. Daiichi Sankyo has chosen to address this situation by increasing its investment in this company by approximately ¥40.0 billion in order to fortify its financial position.

Looking ahead, we will implement various measures to reduce cost of sales and other expenses at KDSV in order to quickly achieve a position of profitability. At the same time, we will seek to maintain vaccine quality and ensure a stable supply as we move ahead with the development and launch of new products with the aim of growing profits over the medium-to-long term.

3. Profit Attributable to Owners of the Company

Profit attributable to owners of the Company decreased ¥28.8 billion, or 35.0% year on year, to ¥53.5 billion.

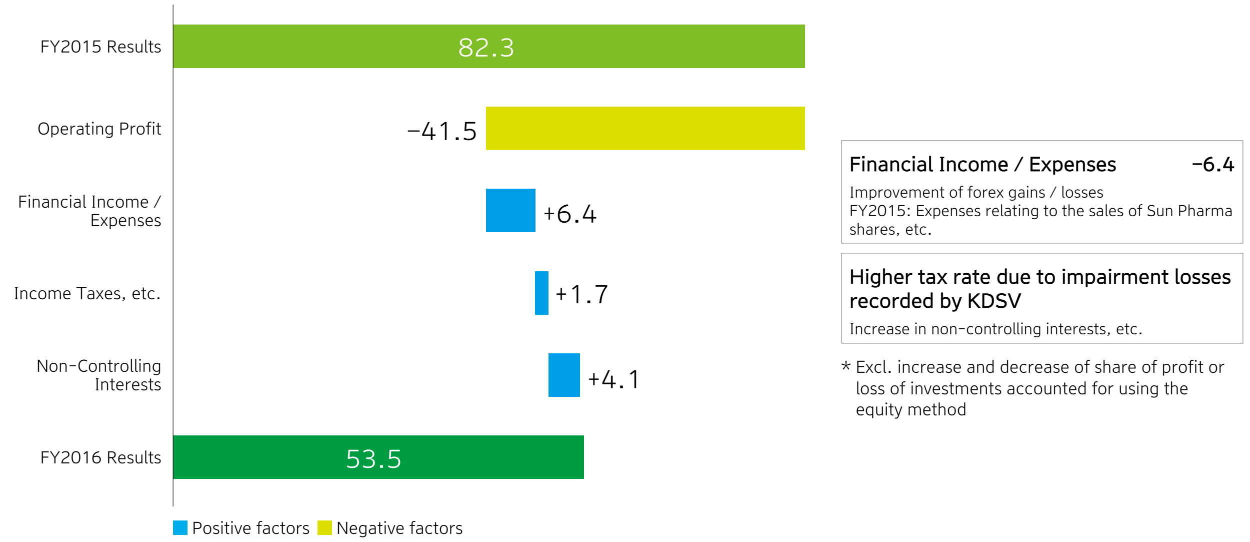
A contributor to this outcome was the fact that operating profit decreased ¥41.5 billion year on year when the impacts of foreign exchange influences (¥38.1 billion decrease in expenses) and special items (¥21.9 billion increase in expenses) are included.

Net financial expenses decreased ¥6.4 billion year on year due to a reduction in foreign exchange losses and the absence of the financial expenses recorded in fiscal 2015 in relation to payments regarding the sale of Sun Pharmaceutical Industries Ltd.'s shares.

After incorporating the impact of the impairment loss at KDSV on non-controlling interests, profit attributable to owners of the Company came to ¥53.5 billion.

Profit Attributable to Owners of the Company
Decreased by ¥28.8 billion

(Billions of yen)



Financial Results Forecasts for Fiscal 2017

1. Consolidated Financial Results

Revenue is forecast to decrease 2.6% year on year, to ¥930.0 billion, as the impacts of the loss of exclusivity for *olmesartan* come into full-swing. Performance forecasts excluding the impacts of special items from fiscal 2016 are as follows.

A rise in the ratio of cost of sales to revenue will be seen due to the heavy impact of the expected reduction in sales of *olmesartan*, which had a particularly high profit margin among Company products.

Despite the benefits of cost reductions and efficiency improvement measures, SG&A expenses are projected to increase following the expansion of the strategic alliance with Mitsubishi Tanabe Pharma Corporation and of alliances in China.

Research and development expenses will undergo a substantial decrease due to the conclusion of the phase 3 clinical trial for *mirogabalin* as well as the benefits of cost reductions and efficiency improvements arising from the optimization of R&D structures undertaken leading up to the previous fiscal year.

As a result, operating profit is forecasted to decrease 22.7% in comparison to the fiscal 2016 figure excluding special items, to ¥100.0 billion. Forecasts are based on an assumption of foreign exchange rates at ¥110 to the U.S. dollar and ¥120 to the euro.

FY2017 Consolidated Forecast

(Billions of yen)

	FY2016 Results (excl. special items)	FY2017 Forecast	YoY
Revenue	955.1	930.0	−25.1 −2.6%
Cost of Sales	325.2	340.0	14.8
SG&A Expenses	290.8	300.0	9.2
R&D Expenses	209.8	190.0	−19.8
Operating Profit	129.3	100.0	−29.3 −22.7%

Yen Exchange Rates for Major Currencies

(Average rate for year)

	FY2016 Results	FY2017 Results
USD / JPY	108.42	110.00
EUR / JPY	118.84	120.00

Major Business Units Revenue Forecast

(Billions of yen))

	FY2016 Results	FY2017 Forecast	YoY
Japan	506.6	536.0	29.4
Daiichi Sankyo Healthcare	66.7	69.0	2.3
Daiichi Sankyo, Inc.	142.3	62.0	−80.3
Luitpold	88.1	103.0	14.9
Daiichi Sankyo Europe	71.0	66.0	−5.0
Asia, South & Central America (ASCA)	72.1	84.0	11.9

2. Revenue Forecasts for Major Business Units

Higher revenue is expected for domestic pharmaceutical operations, the vaccine business, the healthcare business, Luitpold Pharmaceuticals of the United States, and the ASCA region due to rapid sales expansions for *edoxaban* in Japan and overseas, ongoing growth of major domestic products, and increased sales of Luitpold Pharmaceuticals' *Injectafer*. Conversely, Daiichi Sankyo, Inc. of the United States will suffer a massive decline in revenue as a result of the loss of exclusivity for *olmesartan*.

Shareholder Returns

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

The 5-year business plan sets forth a shareholder return policy that calls for a total return ratio* of 100% or more for the duration of the plan and regular dividend payments of ¥70 per share or more. On the basis of this policy, Daiichi Sankyo intends to pay stable dividends while flexibly acquiring shares of its own stock.

Under this basic policy, Daiichi Sankyo acquired approximately 20,250,000 shares of its own stock for approximately ¥50.0 billion in fiscal 2016. In addition, annual dividends per share of ¥70 were issued, making for a total return ratio of 180.7%.

The Company plans to issue annual dividends per share of ¥70 in fiscal 2017.

* Total return ratio = (Total dividends + Total acquisition costs of own shares) / Profit attributable to owners of the Company

Shareholder Returns

	FY2016 Results	FY2017 Plan	(Target during 5YBP)
Total return ratio	180.7%		100% or more
Annual dividends per share	¥70	¥70	more than ¥70
Acquisition of own shares	¥50.0 billion	Flexible	Flexible