Daiichi-Sankyo

Passion for Innovation.
Compassion for Patients.™

Daiichi Sankyo Group Value Report 2015

Our Mission

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

We have established Our Values and Commitments as the criteria for our business activities and decision making. Our global brand is a pledge to our stakeholders of what the Company is capable of delivering, now and in the future, based on the corporate culture created by Our Values and Commitments. Our corporate slogan succinctly states how we make efforts for what and for whom, based on Daiichi Sankyo's unique quality represented in Our Values and Commitments.
In addition, we have established the DAIICHI SANKYO Group Corporate Conduct Charter* to act with the highest ethical standards and a good social conscience appropriate for a company engaged in a business that affects human lives.

* The full text of the DAIICHI SANKYO Group Corporate Conduct Charter can be found on page 38.

The Criteria of the Value Judgment to Fulfill Our Mission

Our Values and Commitments

Innovation "Our Imperative"	1. To create first-in-class and best-in-class drugs 2. To take a global perspective, and respect local values 3. To foster intellectual curiosity and strategic insight
Integrity "Our Strength"	4. To provide the highest quality medical information 5. To provide a stable supply of top-quality pharmaceutical products 6. To be an ethical, trusted, and respectful partner
Accountability "Our Culture"	7. To be accountable for achieving our goals 8. To demonstrate professionalism, respect for others, and teamwork

Corporate Slogan

Passion for Innovation. Compassion for Patients.™

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Communication Policy

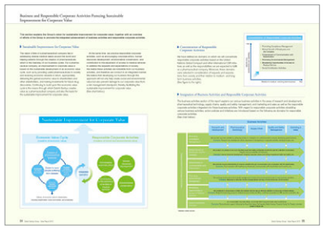
The Daiichi Sankyo Group's Value Report has been positioned as a communication tool for institutional investors, healthcare professionals, consumers, Group employees, and other stakeholders. Through this report, we aim to communicate the Group's management philosophy and strategies to our stakeholders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

Relevant Information

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

WEB http://www.daiichisankyo.com

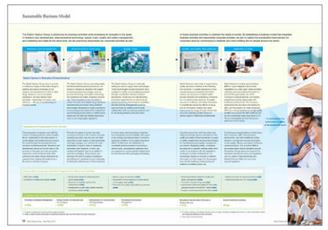
Highlights of Value Report 2015



P04-05

Business and Responsible Corporate Activities Pursuing Sustainable Improvement for Corporate Value

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



P06-07

Sustainable Business Model

This section provides an overview of the business model the Group utilizes in pursuing the sustainable improvement for corporate value.

P10-19

Message from the CEO

In this message, President and CEO Joji Nakayama explains the challenges faced by the Group in realizing the sustainable improvement for corporate value and the strategies that will be implemented to overcome these challenges.

P20-23

Topics – Delivering Edoxaban to Patients around the World

Here, we offer a look at our efforts to provide a new treatment for thromboembolism.

P24-33

Corporate Governance / Risk Management

These two sections explain the corporate governance systems and risk management measures that form the foundations for the Group's pursuit of the sustainable improvement for corporate value.

P38-81

Organization-Wide Initiatives Pursuing Sustainable Improvement for Corporate Value

These sections detail the various business activities of the Group as well as the responsible corporate activities incorporated into these business activities.

Description of Icons

References (related pages within this report)　WEB References (related websites)

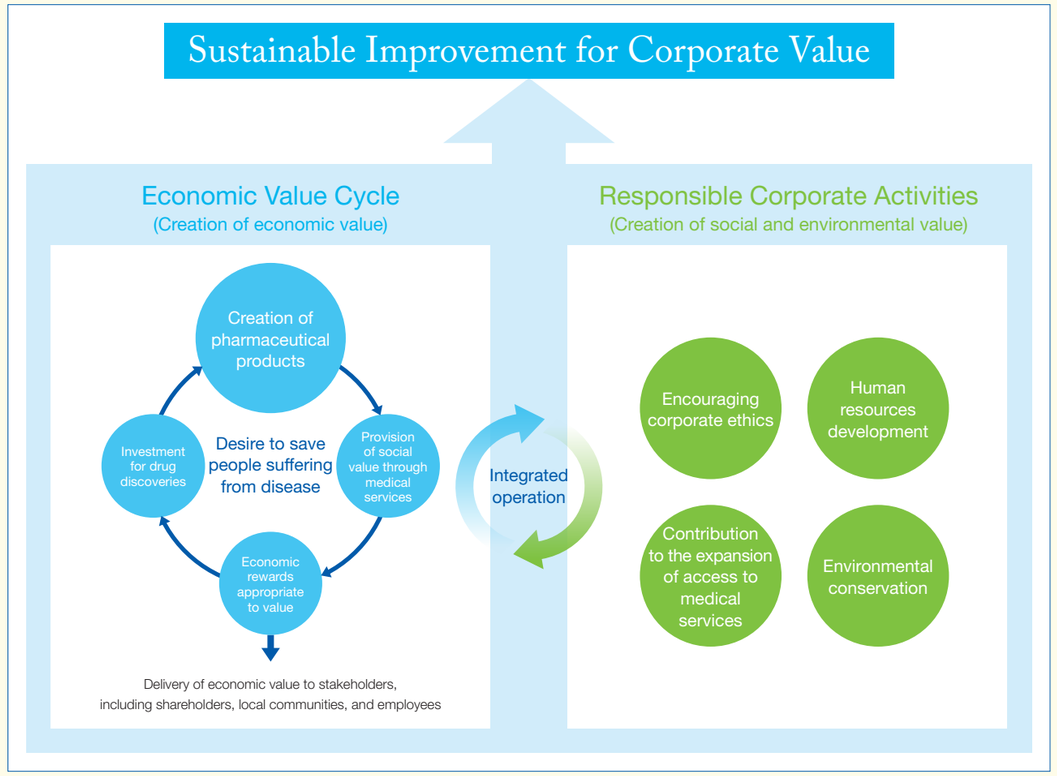
Business and Responsible Corporate Activities Pursuing Sustainable Improvement for Corporate Value

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

Sustainable Improvement for Corporate Value

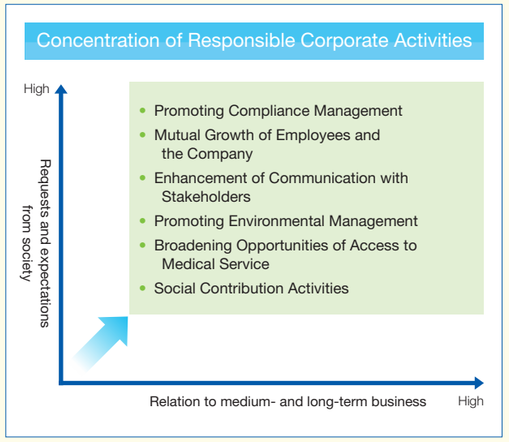
The raison d'être of a pharmaceutical company lies in addressing diverse medical needs around the world and helping patients through the creation of pharmaceuticals, which is the mainstay of our business cycles. For a pharmaceutical company, an improvement in corporate value is based on the sustainable development of an economic value cycle, such as by providing useful pharmaceuticals to society and receiving economic rewards in return, appropriately delivering the gained economic value to shareholders and other stakeholders, and making investments for future drug discoveries. Continuing to build upon this economic value cycle is the means through which Daiichi Sankyo creates value as a pharmaceutical company and also the basis for the sustainable improvement for corporate value.

At the same time, we practice responsible corporate activities, such as encouraging corporate ethics, human resources development, environmental conservation, and contribution to the expansion of access to medical services to address the requests and expectations of society.
We realize these activities are indivisible from our business activities, and therefore we conduct in an integrated manner. We believe that developing our business through this approach will not only help create social and environmental value but also prevent damage to our corporate value from a risk management standpoint, thereby facilitating the sustainable improvement for corporate value.
(See chart below.)



Concentration of Responsible Corporate Activities

We have defined six domains on which we will concentrate responsible corporate activities based on the United Nations Global Compact and other international CSR initiatives as well as the responsibilities we are expected to fulfill as a pharmaceutical company. Moreover, these domains were selected in consideration of requests and expectations from society and their relation to medium- and long-term business activities.
(See figure to the right.)



Integration of Business Activities and Responsible Corporate Activities

The business activities section of this report explains our various business activities in the areas of research and development, pharmaceutical technology, supply chains, quality and safety management, and marketing and sales as well as the responsible corporate activities integrated into these business activities. With regard to responsible corporate activities straddling various business activities, action policies and initiatives are introduced based on the following six domains for responsible corporate activities.
(See chart below.)

Responsible Corporate Activities	Business Activities: Research and Development / Pharmaceutical Technology / Supply Chain / Quality and Safety Management / Marketing & Sales
Promoting Compliance Management	We execute corporate activities by giving top priority to compliance as a pharmaceutical company developing global business. Examples: Research and development ethics, assurance of transparency in corporate activities, ethical promotion, etc.
Mutual Growth of Employees and the Company	We position our people as the most important asset and realize sustainable growth through the cultivation of innovation, integrity and accountability of employees. Examples: Human resources development, fostering corporate culture, promoting occupational health and safety, etc.
Enhancement of Communication with Stakeholders	We promote mutual understanding in business activities through communication and cooperation with the stakeholders. Examples: Communication with healthcare professionals, communication with shareholders and investors, etc.
Promoting Environmental Management	We continues to promote environmental management to reduce the environmental burden in every business operation. Examples: Measures to deal with climate changes/global warming, Environmental risk communication
Broadening Opportunities of Access to Medical Services	We contribute to social issues in health and medical care through an effective utilization of resources of Daiichi Sankyo Examples: Project for improving access to medical services in India and Africa, technical cooperation for MR vaccine* production, etc
Social Contribution Activities	As a responsible corporate citizen, we provide direct support to help solve social issues Examples: Reconstruction support following the Great East Japan Earthquake, Daiichi Sankyo Presents Family Tie Theater, volunteer project in Brazil, etc.

* Measles-rubella vaccine

Sustainable Business Model

The Daiichi Sankyo Group is advancing its business activities while leveraging its strengths in the areas of research and development, pharmaceutical technology, supply chain, quality and safety management, and marketing and sales.At the same time, we are practicing responsible our corporate activities as part of these business activities to address the needs of society. By establishing a business model that integrates business activities and responsible corporate activities, we aim to realize the sustainable improvement for corporate value by contributing to healthier and more fulfilling life for people around the world.

Daiichi Sankyo's Strengths (Characteristics)

The Daiichi Sankyo Group aims to provide a continuous supply of innovative drugs to patients and places emphasis on the research and development of first-in-class drugs. Based on our accumulated experience, we have defined three principles – leadership, innovation, and efficiency – with aim of transforming our business model.

The Daiichi Sankyo Group is providing highly beneficial pharmaceutical products by continuing to develop its strengths with regard to pharmaceutical technologies, such as process technology, formulation technology and analytical and quality evaluation technology. These strengths involve the ability to create innovative and reliable drug substance manufacturing processes using synthesis technologies developed in-house, proficiency in uncovering unmet needs at the medical front and developing product ideas to address these needs and our swift and flexible responsiveness to new drug-quality regulations.

The Daiichi Sankyo Group is continually refining its various supply chain technologies. These technologies include production technologies for swiftly commercializing products through coordination between research laboratories, enhancing our manufacturing processes supported by our advanced art, quickly transferring technological capabilities, and also include management practices, such as those for cutting costs through collaboration with our business partners and for developing flexible production plans.

Daiichi Sankyo's value chain is supported by quality assurance activities in the following four functions: (1) quality assurance of drug manufacturing and analytical information reviews, (2) assurance of patient safety through analyses and evaluations of information on adverse drug reactions, (3) quality assurance of efficacy and safety information to scientifically ensure the effects of drugs, and (4) information creation and value improvement for drugs through clinical trials and post-marketing studies based on various needs of healthcare professionals.

Daiichi Sankyo's medical representatives (MRs) in Japan diligently improve their capabilities on a daily basis, while providing, collecting, and transmitting information to promote the appropriate use of the Company's pharmaceuticals, and thereby establishing trusting relationships with healthcare professionals. The Company emphasizes the education and training for MRs, and its program for newly employed MRs has a strong reputation for its high quality. All MRs have passed the MR certificate test for five consecutive years since fiscal 2010. This is a remarkable and the first accomplishment in the industry.

To contribute to the enrichment of quality of life around the world

Requests and Expectations from Society

Pharmaceutical companies must fulfill the mission of helping patients achieve healthy life by contributing to the improvement of social welfare and medical services around the world through the development and provision of pharmaceuticals. Research and development serves as the first step in this process. In this area, we must accurately respond to unmet medical needs while practicing the higher ethical standards are required when dealing with patients as a life science-oriented company.

Recently, the aging of society has been causing an increase in the number of people requiring long-term care and who are often prescribed a wide variety of pharmaceuticals with large dosages. It is common for such individuals to forget to take or mistakenly administer their medicine, or fail to use medicine all together due to an inability to open the packaging. These factors can decrease the level of medical compliance*1 and adherence*2 practiced by such individuals, hindering the effectiveness of their treatment.

In recent years, pharmaceutical companies have stringently ensured reliability with regard to the storage and transportation of pharmaceuticals in addition to the quality assurance efforts. Furthermore, the distribution of counterfeit pharmaceuticals is becoming a serious issue, necessitating measures such as a response to country-specific requirements for barcodes and other packaging and labeling.

Countries around the world have been instituting increasingly rigorous standards for the quality and safety of pharmaceuticals. In regard to quality, requirements are becoming stringent for manufacturing and quality management procedures. Regarding safety, companies are expected to globally manage safety information in accordance with the regulations of relevant countries. Furthermore, it is increasingly required to provide a sufficient information on their drugs from the perspectives of both healthcare professionals and patients to facilitate proper use.

Functioning as representatives of pharmaceutical companies, MRs visit physicians, pharmacists, and other healthcare professionals to compile and provide information on the quality, efficacy, and safety of pharmaceutical products. It is crucial for MRs to encourage higher ethical standards among themselves that go above and beyond the standards described in laws and regulations such as Japan's Pharmaceuticals and Medical Devices Affairs Act and other relevant legislation.

Responsible Corporate Activities Integrated into Business Activities

- R&D ethics ➡ P46
- Protection of intellectual property ➡ P48

- Social issues related to pharmaceutical technologies ➡ P51
- Discovery of usability needs at the medical front ➡ P52
- Development of high-value-added products prioritizing usability ➡ P52

- Steady supply of edoxaban ➡ P54
- Recognition of and response to social issues in the supply chain ➡ P55
- Promotion of socially responsible procurement ➡ P55

- Social expectations related to quality and safety management ➡ P56
- Promotion of proper drug use ➡ P57
- Improvement of pharmacovigilance*3 and quality assurance levels in the ASCA*4 region ➡ P57
- Creation of pharmaceutical information ➡ P57

- Ethical promotion for pharmaceuticals ➡ P59
- Ethical promotion for OTC drugs ➡ P63

Companywide Responsible Corporate Activities

Promoting Compliance Management ➡ P64

Mutual Growth of Employees and the Company ➡ P68

Enhancement of Communication with Stakeholders ➡ P72

Promoting Environmental Management ➡ P76

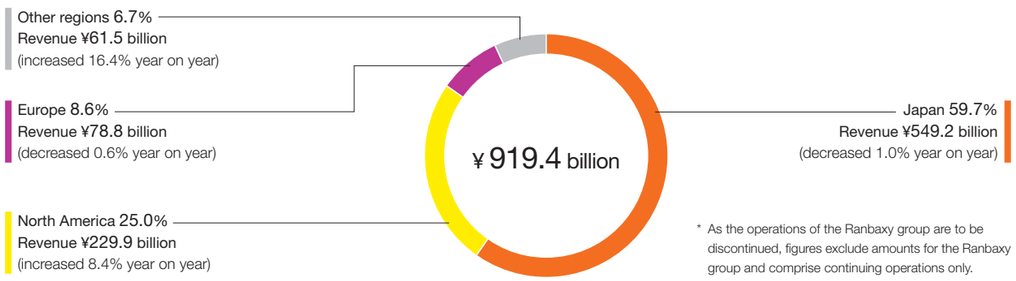
Broadening Opportunities of Access to Medical Services ➡ P78

Social Contribution Activities ➡ P80

*1. Properly complying with pharmaceutical usage procedures
*2. When a patient actively participates in developing treatment plans and then follows the plans developed
*3. To collect, evaluate, and analyze adverse events of drugs, including investigational products, or other drug-related matters and implement initiatives for their prevention
*4. Asia, South & Central America

This section details revenue in fiscal 2014, the Company's product lineup, and major durg candidates in phase 3 clinical trials or later in the R&D pipeline.

Revenue and Distribution by Segment in Fiscal 2014



* As the operations of the Ranbaxy group are to be discontinued, figures exclude amounts for the Ranbaxy group and comprise continuing operations only.

Product Lineup

Innovative Pharmaceuticals (Global)

olmesartan
Antihypertensive agent

prasugrel (Efient® / Effient®)
Antiplatelet agent

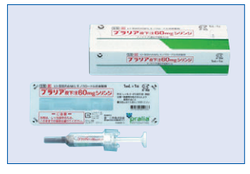
edoxaban (LIXIANA®, SAVAYSA™)
Anticoagulant

Innovative Pharmaceuticals (Japan)

Memary®
Treatment for Alzheimer's disease

NEXIUM®
Treatment for ulcer

PRALIA®
Treatment for osteoporosis

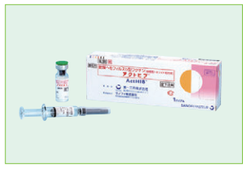


Generic Pharmaceutical

levofloxacin tablet
Broad-spectrum antibacterial agent

Vaccine

ActHIB®
Haemophilus b conjugate vaccine



OTC Drugs and Consumer Healthcare Products

LOXONIN® S series
Category 1 OTC drug, analgesic, and anti-inflammatory drug

TRANSINO® II
Category 1 OTC drug, drug to improve spots (chloasma only)

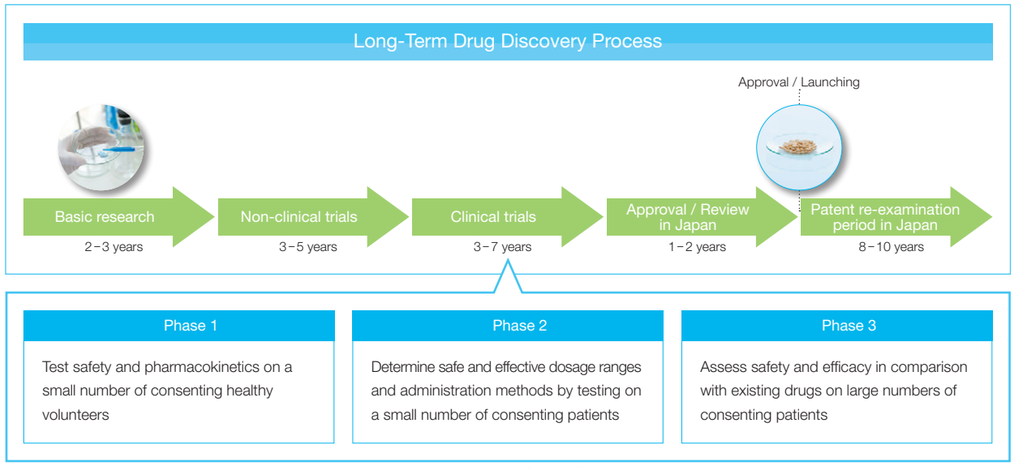
MINON series
Medicated / cosmetic moisturizing cleansing products

Major R&D Pipeline in Phase 3 or Later (In-House Development Projects, as of July 2015)

Long-Term Business Cycle of Drug Discovery

We must remain aware that drug discovery efforts, which drive the economic value cycle, represent a long-term business cycle.

To ensure safety and efficacy, new drugs must undergo an extremely strict process ranging from basic research and non-clinical and clinical trials to application for marketing approval and regulatory review. This process usually spans 9 to 17 years and requires enormous R&D investment. Even after launch, approved drugs in Japan must be monitored over a re-examination period of 8 to 10 years to confirm their efficacy and safety. Other regions also have extensive post-approval safety requirements. During this period, additional information on these drugs is collected so that action can be taken if necessary.



Source: "Textbook" (partially revised), Japan Pharmaceutical Manufacturers Association

Therapeutic area	Phase 3	Application
Cardiovascular-Metabolics	■Prasugrel (JP) (CS-747 / ischemic stroke / antiplatelet agent) ■Prasugrel (US) (CS-747 / sickle cell disease / antiplatelet agent)	■Edoxaban (ASCA*) (DU-176b / AF / oral factor Xa inhibitor) ■Edoxaban (ASCA) (DU-176b / VTE / oral factor Xa inhibitor)
Oncology	■Tivantinib (US/EU) (ARQ 197 / HCC / MET inhibitor) ■Denosumab (JP) (AMG 162 / breast cancer adjuvant / anti-RANKL antibody) ■Nimotuzumab (JP) (DE-766 / gastric cancer / anti-EGFR antibody) ■Vemurafenib (US/EU) (PLX4032 / melanoma adjuvant / BRAF inhibitor) ■Quizartinib (US/EU) (AC220 / AML / FLT3-ITD inhibitor) ■PLX3397 (US/EU) (TGCT / FMS / KIT / FLT3-ITD inhibitor)	
Others	■Mirogabalin (US/EU) (DS-5565 / fibromyalgia / α2δ ligand) ■Mirogabalin (JP/Asia) (DS-5565 / DPNP/ α2δ ligand) ■Mirogabalin (JP/Asia) (DS-5565 / PHN / α2δ ligand) ■Denosumab (JP) (AMG 162 / rheumatoid arthritis / anti-RANKL antibody) ■Hydromorphone (JP) (DS-7113 / cancer pain / opioid μ-receptor regulator) ■CHS-0214 (JP) (Etanercept BS / rheumatoid arthritis / TNFα inhibitor) ■CL-108 (US) (Acute pain / opioid μ-receptor regulator) ■VN-101 (JP) (Cell-culture H5N1 influenza vaccine) ■VN-0105 (JP) (DPT-IPV / Hib vaccine)	■Levofloxacin (JP) (DR-3355 / anti-infection / new quinolone) ■Intradermal seasonal Influenza Vaccine (JP) (VN-100 / prefilled intradermal vaccine for seasonal flu)

*1 Abbreviation for Asia, South & Central America

Joji Nakayama
Representative Director,
President and CEO

We aim for realizing the sustainable improvement for corporate value by contributing to the enrichment of quality of life around the world.

Challenging business environments have persisted owing to negative growth of the Japanese market as a consequence of government measures to promote the usage of generics, together with stronger downward pressure on pricing in the European market amid an economic downturn. In such circumstances, in fiscal 2014, Daiichi Sankyo decided to divest Ranbaxy Laboratories Ltd. (Ranbaxy), our former Indian subsidiary, which was to be merged with Sun Pharmaceutical Industries Ltd. (Sun Pharma). In Japan, we executed operational restructuring for the first time since the establishment of Daiichi Sankyo. Furthermore, following deliberations on management's direction on how the Group should advance, we decided to shift our focus from a "global hybrid business model," under which we developed both our innovative and generic businesses worldwide, to a business model under which we will "concentrate on our innovative business." Reflecting this decision, in April 2015, we sold all of the Sun Pharma shares that we obtained in return for Sun Pharma's acquisition of Ranbaxy.

The most significant issue facing Daiichi Sankyo is the impact of the loss of exclusivity (LOE) for our flagship product, olmesartan (antihypertensive agent). Our strategy for growth beyond the olmesartan LOE is to build up sales of our next blockbuster drug, edoxaban (anticoagulant), while maximizing the value of the stream of new products we have introduced in recent years. We are also working to enrich our R&D pipeline in order to create the next generation of core products.

While we have adjusted our management direction, the vision articulated in the last 5-year business plan remains unchanged: to become one of the leading companies to provide health/medical solutions globally.

We are resolved to accomplish this vision by overcoming the financial impact of the olmesartan LOE.

In fiscal 2015, we are making a fresh start, based on the new management direction, to concentrate on and return to the innovative business; prioritize investment in Japan, the U.S., and China; and enhance R&D capabilities. From now on, we will advance various measures based on this new management direction.

As a pharmaceutical company, the sustainable enhancement of our corporate value is based on a cycle of economic value. Through this cycle, we create innovative pharmaceuticals via R&D activities. The economic benefits gained from these products are returned to stakeholders, including shareholders, local communities, and employees, in a balanced manner and are also used to make investments for drug discovery, including R&D activities for creating new pharmaceutical products. In order to continue stable growth through this value cycle over the long term, it is important to actively address the diverse and ever-changing needs of society, fulfill our responsibilities and duties as members of society, and grow together with society. In other words, it is important that we simultaneously strengthen corporate governance systems and conduct responsible corporate activities aimed at encouraging corporate ethics, facilitating the mutual growth of employees and the Company, and responding to social issues as a pharmaceutical company. These activities must be integrated into the operation of our cycle of economic value to realize the sustainable improvement for corporate value.

The Daiichi Sankyo Group aspires to help people who are afflicted by disease. In 2015, the tenth anniversary of the establishment of the Group, we are determined to achieve our aspirations by creating and providing innovative pharmaceuticals, which has long been our core competence.

I appreciate the continued understanding and support of all of our stakeholders.

Issues Surrounding the Pharmaceutical Industry

The issue facing pharmaceutical companies is how to generate a continuous stream of innovative drugs.

The current pharmaceutical industry is confronted with various issues that can affect business conditions.

One issue is pressure on the industry from national pharmaceutical regulations in each country. Due to factors such as population aging in advanced countries and population growth in developing ones, the burden of social security expenditures for governments worldwide has been rising, and therefore the pressure to lower prescription drug prices has also been increasing. This trend is particularly evident in Europe. One of the major issues that pharmaceutical companies encounter is securing R&D budgets for new innovative drugs in the face of such regulatory pricing trends.

Another major issue is the increasing difficulty of proprietary drug development, the lifeblood of the industry. Within the industry, while the chances of successfully creating and launching new drugs are now said to be a mere 30,000 to 1, a large amount of R&D budgets are required to fund the high costs of the lengthy, large-scale clinical trials needed to establish the safety of any new drugs. Even if a drug does make it through development, it will face competition from low-priced generics once it loses patent protection, which typically leads to a rapid loss of market share. We call this situation a “patent cliff.” The issue facing pharmaceutical companies is how to generate a continuous stream of innovative drugs to avoid falling off the patent cliff.

Pharmaceutical companies have a responsibility to ensure that their drugs are used appropriately by patients who need them. Developing a new drug is not the end of the process. At times, new events, including side effects, may become known after the launch of a drug. For pharmaceutical companies, it is necessary to report these new events to regulatory authorities without delay so that the information can be communicated to healthcare professionals appropriately. With such involvement, pharmaceutical companies have a responsibility to ensure that a variety of drugs, which meet diverse medical needs, are used appropriately by patients who need them.

For a pharmaceutical company to continue growing, addressing each of these issues is imperative. To achieve growth beyond the patent cliff, pharmaceutical companies must expedite the process of development and enrich R&D pipelines to enable smooth transitions from core products to next-generation products.

Concentrate on and Return to the Innovative Business

We will deploy our core competences to maximum effect.

Our plan going forward is to pursue a global strategy that concentrates on the innovative business, an area where our strengths lie. In other words, we are returning to the stance that we had prior to the acquisition of Ranbaxy.

Generating a continuous stream of new drugs is in fact part of Daiichi Sankyo’s DNA. The creation of paradigm-shifting drugs such as pravastatin (antihyperlipidemic agent), levofloxacin (synthetic antibacterial agent), olmesartan, and edoxaban, as well as the development of these compounds into blockbuster drugs, truly demonstrate our strengths that lie in our DNA at Daiichi Sankyo. On the sales and marketing side, we have been comparable to global mega pharma and successful not only in Japan, but also overseas in the U.S. and Europe. ▶ Chart 1 Although olmesartan was the seventh drug to be launched in the U.S. in the angiotensin II receptor blocker (ARB) category, the product’s strong clinical efficacy and safety profile, along with our creativity in data collection, presentation, and marketing communications methods, we were able to foster it into the second-ranked product in terms of market share.

▶ Chart 1

Concentrate on and Return to the Innovative Business

“Innovation” in our DNA
Capabilities to generate in-house drugs:
pravastatin, levofloxacin, olmesartan,
edoxaban, mirogabalin

Sales / Marketing capabilities comparable to Global Mega Pharma
Success of olmesartan in Japan / U.S. / Europe

▼

Growth by further enhancement of
our strong innovative business

The most critical business issue that the Daiichi Sankyo Group currently faces is how to grow beyond the olmesartan LOE. It is essential that we concentrate our resources on the innovative business so that we can smoothly transition from our current core products to next-generation products. We plan to do this by enriching our R&D pipeline and developing and launching the products that will fuel the next phase of the Group’s growth.

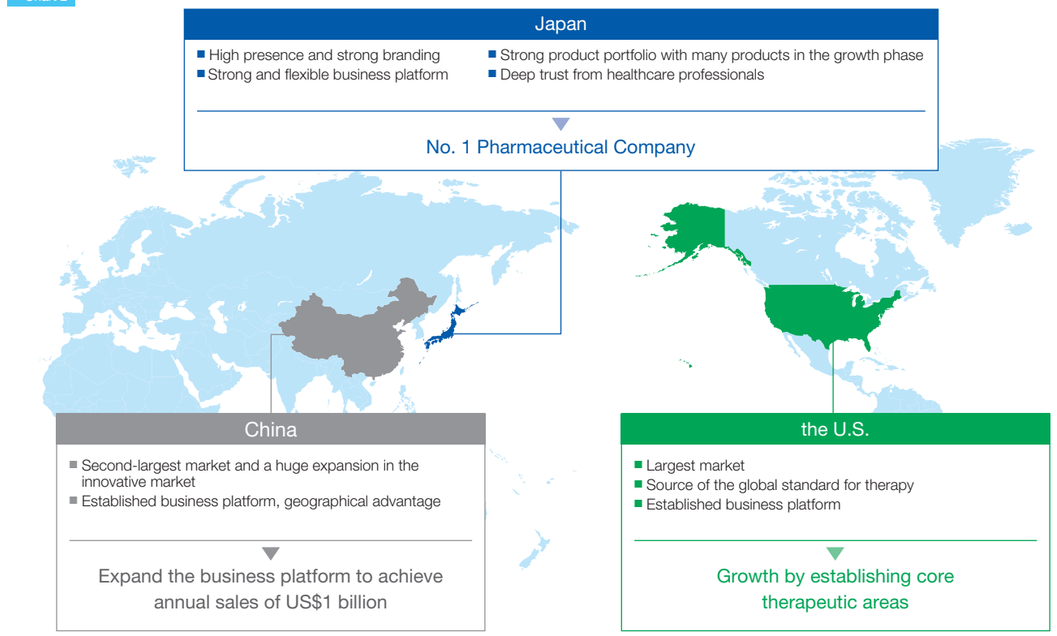
Focusing on innovative drugs will not be an easy path by any means in view of the risks involved, but we believe we can continue delivering to patients the medicines they need by making a fresh start and deploying our core competences to maximum effect within the innovative business.

Prioritize Investment in Japan, the U.S., and China

We will concentrate investment on priority areas.

I will now explain the reason why our new medium-term management direction calls for us to prioritize investment in Japan, the U.S., and China, as well as our investment policies for each of these countries. ▶ Chart 2

▶ Chart 2



Japan

The Daiichi Sankyo Group has a high presence and strong branding in its home market of Japan. We have already established a strong, flexible business platform. While we will focus on the innovative business globally, in Japan we are pursuing a regional strategy that also involves developing operations in three segments: generics, OTC, and vaccines. In these segments, we are seeking to maximize value through the operations of Group subsidiaries Daiichi Sankyo Espha, Daiichi Sankyo Healthcare, Kitasato Daiichi Sankyo Vaccine, and Japan Vaccine. Concurrently, we are strengthening collaboration among the Group’s operations to address issues related to health and medicine in Japan. In the innovative business, we have a substantial number of products in the growth phase in Japan, including NEXIUM (ulcer treatment), Memary (Alzheimer’s disease treatment), PRALIA (osteoporosis treatment), LIXIANA (generic name: edoxaban), and Efient (antiplatelet agent). Using our domestic network of 14 sales offices, we have continuously provided healthcare professionals with a stream of accurate safety information quickly. As a result, we have been highly evaluated by them. Moreover, we have shown that we can leverage opportunities to generate additional growth from in-licensed products such as NEXIUM and TENELIA (type 2 diabetes mellitus treatment). That is a part of the reason why we have also successfully in-licensed the epilepsy treatment lacosamide from UCB Biopharma. Building on these strengths, we plan to continue prioritizing investment in the Japanese market with the aim of becoming the No. 1 pharmaceutical company in Japan in terms of both market share and reputation, which includes such factors as the deep trust that healthcare professionals have in Daiichi Sankyo and the fulfillment of our corporate social responsibility.

the U.S.

As the world’s largest pharmaceutical market, the U.S. is the source of cutting-edge medical science and innovation. Novel therapeutic approaches are typically first established in the U.S. before they are accepted as standard practice in other parts of the world, and thus the country’s importance is self-evident. Daiichi Sankyo, Inc., has established its strong business platform through the promotion of olmesartan, Welchol (hypercholesterolemia treatment/type 2 diabetes mellitus treatment), and Effient (antiplatelet agent). To achieve sustained growth in the U.S. by building on this business platform and alleviate the future impact from the olmesartan LOE, we will work to swiftly maximize the value of edoxaban, which was launched in the U.S. under the brand name SAVAYSA in February 2015. In addition, we will continue to promote investment in the U.S. with the aim of establishing the Group’s new core therapeutic areas.

For example, in August 2014, we in-licensed CL-108 (combination drug for the treatment of pain and opioid-induced nausea and vomiting (OINV)) from the U.S.-based Charleston Laboratories. We have secured exclusive marketing rights for this drug in the U.S. Currently, a phase 3

study is under way, and we expect to launch CL-108 during fiscal 2016. Although opioids are widely prescribed in the U.S. for patients who want to control general pain, many of those patients suffer from OINV and that compels them to stop taking these drugs. We see tremendous potential for CL-108 because its formulation is optimized to reduce the side effects of OINV. It has also been reported that around 40% of patients taking opioid medications for the treatment of chronic pain suffer from constipation, and about half of these patients fail to gain relief from over-the-counter laxatives. In April 2015, we began co-promotion with AstraZeneca of MOVANTIK, a first-in-class product for the treatment of opioid-induced constipation (OIC). We believe this is another product with significant market potential. Furthermore, we have another potential pain product in phase 3 study: mirogabalin (α2δ ligand). We are prioritizing investment in these products as a core franchise to establish a presence in the therapeutic area of pain.

In addition, at another U.S. subsidiary, Luitpold Pharmaceuticals Inc., we plan to continue investing in the market for iron injections and grow this area into another core therapeutic area by building on the leading share of Venofer and expanding early sales of the company's new product, Injectafer.

China

China, which is already the world's second-largest market for pharmaceuticals, is particularly attractive because the projected future growth of the middle class implies a huge future expansion in the market for innovative pharmaceuticals. With its geographical proximity to Japan, the Daiichi Sankyo Group has its own development, manufacturing, and sales infrastructures in China, and it has developed business in that country over decades. Going forward, we will focus on the further expansion of our drug pipeline in China. Besides olmesartan and edoxaban, which we expect to introduce in China in due course, we are looking to the in-licensed drugs and the Japanese long-listed products as the principal products to cultivate the market. Our target goal is to increase annual sales in China to the US$1 billion mark by expanding the business platform in China. To that end, we will continue to invest in China while paying due attention to country risk and compliance risk.

Other Regions

In Europe, business environments remain challenging in light of ongoing reductions in drug prices. We plan to make the necessary investment in the region in order to maintain growth of the business platform that the Group has already established there, based on the assessment of the cost-effectiveness of each such investment. We will also consider investing in regions elsewhere if we identify compelling and attractive opportunities.

For more information, please refer to "Marketing & Sales" on page 58.

Enhance R&D Capabilities

We will reinforce our R&D efforts primarily in areas where we have invested and where our expertise has developed.

To date, we have focused the Group's R&D efforts on generating best-in-class or first-in-class products within the designated core therapeutic areas of cardiovascular & metabolic, oncology, and the frontier. Going forward, we will reinforce our R&D efforts primarily in areas where we have invested and where our expertise has developed. ▸Chart 3

We designated oncology as one of the core therapeutic areas in 2010. Having subsequently invested resources into oncology research, we have seen a favorable return on that investment in terms of the number of compounds in phase 1 studies. Our challenge going forward will be to realize the potential of these compounds as quickly as possible, to identify and promote the development of promising drugs, and to increase the number of drugs in late-stage clinical trials. In October 2014, we acquired Ambit Biosciences Corporation, a U.S.-based biopharmaceutical company, and its investigational compound quizartinib. We are developing quizartinib for the treatment of acute myeloid leukemia (AML) in patients who have certain genetic mutations. We have received fast-track designation from the U.S. Food and Drug Administration (FDA) for quizartinib, and our expectation is that this will be an essential project as we continue to build a powerful R&D pipeline in the oncology area. In May 2015, we initiated a phase 3 study of our compound PLX3397 for the treatment of giant cell tumor of the tendon sheath. This drug is also being used in a collaborative clinical trial with U.S.-based Merck to investigate its effectiveness in combination with Merck's anti-PD-1 antibody (immune checkpoint inhibitor). We have high expectations for both of these projects.

In the cardiovascular & metabolic area, where we have accumulated a wealth of research expertise, we are trying to broaden our pipeline of potential first-in-class projects. In particular, in the field of thrombosis, where we have developed antiplatelet agents and anticoagulants, we are also seeking to develop drugs with a mechanism of action that could enable blood clots to be dissolved. We will continue to strive to broaden our product lineup in this particular area.

In the frontier category, we have enhanced research for unique mechanism-based research themes, rather than simply focus on specific areas of disease. To this end, we are promoting various collaborative R&D projects with academic institutions in the U.S. and Japan. For example, in March 2014, we started a joint research initiative with Dr. Stanley Prusiner, who won a Nobel Prize for his discovery of prions at the Institute for Neurodegenerative Diseases (IND) of the University of California, San Francisco (UCSF).

In this collaborative endeavor, we are achieving certain levels of results on the development of novel therapeutics and molecular diagnostics for Alzheimer's, Parkinson's, and other neurodegenerative diseases. We are also focusing on generating potential compounds for development going forward. In terms of advanced medical technology, we are involved in the fields of regenerative medicine and cell-based therapies. We will continue working to develop the next generation of biopharmaceuticals. ▸Chart 4

▸Chart 3

Major R&D Pipelines (In-House Development Projects, as of July 2015)

Therapeutic area	Phase 1 Conduct trials on healthy volunteers*1 to assess safety of drug, including side effects	Phase 2 Conduct trials on a small group of patient volunteers to assess safety, efficacy, dosage and administration regimen	Phase 3 Conduct trials on a large number of patient volunteers to assess safety and efficacy in comparison with existing drugs.	Application
Cardiovascular-Metabolic	■ DS-1040 (Acute ischemic stroke / TAFIa inhibitor) ■ DS-8312 (Hypertriglyceridemia)	■ CS-3150 (JP) (Hypertension・DM nephropathy / MR antagonist) ■ DS-8500 (JP) (Diabetes / GPR119 agonist)	■ Prasugrel (JP) (CS-747 / ischemic stroke / antiplatelet agent) ■ Prasugrel (US) (CS-747 / sickle cell disease / antiplatelet agent)	■ Edoxaban (ASCA*2) (DU-176b / AF / oral factor Xa inhibitor) ■ Edoxaban (ASCA) (DU-176b / VTE / oral factor Xa inhibitor)
Oncology	■ U3-1565 (US/JP) (Anti-HB-EGF antibody) ■ DS-3032 (US/JP) (MDM2 inhibitor) ■ PLX7486 (US) (FMS / TRK inhibitor) ■ DS-8895 (JP) (Anti-EPHA2 antibody) ■ DS-8273 (US) (Anti-DR5 antibody) ■ PLX8394 (US) (BRAF inhibitor) ■ DS-6051 (US) (NTRK / ROS1 inhibitor) ■ DS-5573 (JP) (Anti-B7-H3 antibody) ■ PLX9486 (US) (KIT inhibitor)	■ Patritumab (US/EU) (U3-1287 / anti-HER3 antibody) ■ PLX3397 (US) (FMS / KIT / FLT3-ITD inhibitor)	■ Tivantinib (US/EU) (ARQ 197 / HCC / MET inhibitor) ■ Denosumab (JP) (AMG 162 / breast cancer adjuvant / anti-RANKL antibody) ■ Nimotuzumab (JP) (DE-766 / gastric cancer / anti-EGFR antibody) ■ Vemurafenib (US/EU) (PLX4032 / melanoma adjuvant / BRAF inhibitor) ■ Quizartinib (US/EU) (AC220 / AML / FLT3-ITD inhibitor) ■ PLX3397 (US/EU) (TGCT / FMS / KIT / FLT3-ITD inhibitor)	
Others	■ DS-1093 (Anemia of chronic kidney disease / HIF-PH inhibitor) ■ DS-3801 (Chronic obstipation / GPR38 agonist) ■ DS-1971 (Chronic pain) ■ DS-1501 (Osteoporosis / anti-Siglec-15 antibody)	■ SUN13837 (US/EU) (Spinal cord injury / modulator of bFGF signaling system) ■ Laninamivir (US/EU) (CS-8958 / anti-influenza / out-licensing with Biota) ■ Ioforminol (JP) (GE-145 / X-ray contrast media / angiography)	■ Mirogabalin (US/EU) (DS-5565 / fibromyalgia / α2δ ligand) ■ Mirogabalin (JP/Asia) (DS-5565 / DPNP/ α2δ ligand) ■ Mirogabalin (JP/Asia) (DS-5565 / PHN / α2δ ligand) ■ Denosumab (JP) (AMG162 / rheumatoid arthritis / anti-RANKL antibody) ■ Hydromorphone (JP) (DS-7113 / cancer pain / opioid μ-receptor regulator) ■ CHS-0214 (JP) (Etanercept BS / rheumatoid arthritis / TNFα inhibitor) ■ CL-108 (US) (Acute pain / opioid μ-receptor regulator) ■ VN-101 (JP) (H5N1 influenza / Cell-cultured H5N1 influenza vaccine) ■ VN-0105 (JP) (DPT-IPV / Hib / 5-valent combination vaccine)	■ Levofloxacin (JP) (DR-3355 / anti-infection / new quinolone) ■ Intradermal influenza HA vaccine (JP) (VN-100 / Influenza)

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

▸Chart 4

Enhance R&D Capabilities

Enrich pipelines and realize growth driven by the current pipelines

- Oncology: Enhance R&D capabilities to realize growth driven by the current pipelines rapidly
- Cardiovascular-metabolic: Increase first-in-class projects
- Frontier: Enhance research for unique research themes
- Enhance to develop the next generation of biopharmaceuticals

Upgrading the skills of those in charge of R&D is of course a necessary element in the successful development of these various compounds, but it is also important not to discount the value of serendipity – an ability to capture the idea generated from a sudden inspiration. Accordingly, we will continue to try to stimulate innovation across national and organizational boundaries by promoting open innovation and collaborative R&D.

For more information, please refer to “Research and Development” on page 40.

Measures to Avoid the Patent Cliff for Olmesartan

We are developing edoxaban and implementing several measures.

We are harnessing all resources of the Group to mitigate the impact of the impending LOE for olmesartan. We already have implemented several measures, as follows.

First, we are focusing on developing edoxaban globally as the Group’s flagship product. ▸ Chart 5

▸ Chart 5

Grow beyond the olmesartan LOE

- **Global**
  Launch edoxaban and maximize its potential as a flagship product
- **Japan**
  Achieve No. 1 market share by maximizing new products
  - Efient, LIXIANA, Memary, NEXIUM, denosumab, etc.
  - Lacosamide
- **U.S.**
  Rapid growth of new products and establishment of core therapeutic areas
  - MOVANTIK, CL-108
  - Injectafer
- **Boosting productivity while reducing costs**
  Selection and concentration

We received approval for edoxaban in Japan in September 2014 for the additional indications of the prevention of ischemic stroke and systemic embolism in patients with non-valvular atrial fibrillation (NVAF), and the treatment and recurrence prevention of venous thromboembolism (VTE) [deep vein thrombosis (DVT) and pulmonary thromboembolism]. We began selling 60mg tablets for these indications in December 2014.

In the U.S., we received approval for edoxaban in January 2015 for the reduction of stroke risk in NVAF and for the treatment of VTE. The product was launched in February 2015 under the brand name SAVAYSA. The ability to be administered through simple once-daily doses coupled with lower bleeding risks than existing anticoagulants ensure that edoxaban can compete with rival products that are currently on the market.

In Europe, we were granted approval for edoxaban by the regulatory authority in Switzerland in March 2015 and subsequently launched it in that market in May. In addition, we received marketing approval from the European Medicines Agency in June 2015, and edoxaban was later launched in both the United Kingdom and Germany. ▸ Chart 6

▸ Chart 6

Overview of edoxaban (AF / VTE) Filing and Approval

Japan		Dec. 2013	Filed (additional indication)
		Sep. 2014	Approved (additional indication)
		Dec. 2014	Launched 60mg
U.S.		Jan. 2014	Filed
		Jan. 2015	Approved
		Feb. 2015	Launched
Europe	Switzerland	Jan. 2014	Filed
		Mar. 2015	Approved
		May 2015	Launched
	EU	Jan. 2014	Filed
		Apr. 2015	Received positive CHMP opinion
		Jun. 2015	Approved
		Jul. 2015	Launched in United Kingdom
		Aug. 2015	Launched in Germany
Asia / South and Central America (ASCA*)	Brazil	Jun. 2014	Filed
	Taiwan	Jul. 2014	Filed
	South Korea	Sep. 2014	Filed
	Thailand	Jul. 2015	Filed

* Abbreviation for Asia, South & Central America

For more information, please refer to “Topics—Delivering Edoxaban to Patients around the World” on page 20.

In addition to edoxaban, we have implemented a number of other measures.

In Japan, we have a broad lineup of products with strong growth potential over the medium-to-long term. In addition, we have in-licensed lacosamide from UCB and expect to launch this product in fiscal 2016. We aim to secure the top share in the Japanese market by maximizing these products.

In the U.S., we are steadily developing our business in pain therapies, which includes MOVANTIK, which we are co-promoting with AstraZeneca; CL-108, introduced from Charleston Laboratories and now under joint development; and mirogabalin, which is undergoing a phase 3 study. The pain category is gradually increasing its number of products, and is quickly turning into a core therapeutic area for Daiichi Sankyo, following cardiovascular and metabolic.

Additionally, Injectafer is being marketed by Luitpold Pharmaceuticals and is set to become another major product in the market for prescription iron supplements after Venofer. We expect strong sales growth in this market. Establishing a trusted presence in core therapeutic areas in the U.S. promises to help make a significant contribution to future profit and growth.

Selection and concentration are key words as we look to create highly productive operating structures across the Group. We are looking at various approaches for boosting productivity while reducing costs.

By promoting and accelerating initiatives in the areas that I have outlined, we aim to overcome the financial impact of the olmesartan LOE and grow beyond it.

Utilization of Funds from Sale of Sun Pharma

We plan to invest the funds in growing areas while returning value to shareholders.

In April 2015, we sold all of the Sun Pharma shares that we had obtained in return for the merger of Ranbaxy with Sun Pharma. We plan to invest the funds realized from the sale in growing areas that can contribute to Daiichi Sankyo’s profits, while at the same time partly returning value directly to shareholders. With regard to investing in growth areas, we will focus investments on making edoxaban a flagship product, as well as enhancing our R&D capabilities over the medium-to-long term. For instance, this could include investing in the oncology area, or in efforts to speed up R&D of in-house projects with high potential to drive future earnings growth. ▸ Chart 7

▸ Chart 7

Utilization of Funds Generated through the Sale of Sun Pharma Shares

Invest in growing areas
- Investment in making edoxaban a flagship product
- Enhance R&D capabilities over the medium-to-long term
  - Enhance oncology area
  - Speed up R&D
  - Acquire new pipeline projects

Return to shareholders
- Acquisition of our own shares, etc.

Alternatively, we could look at investing in new pipeline acquisitions.

In this regard, we are looking at acquiring new products that could help us overcome the financial impact of the olmesartan LOE in the short term. If we identify potential acquisitions that fit our business direction, and if the timing is right, we will take action without waiting for the scheduled announcement of our next 5-year business plan in March 2016.

As far as returns to shareholders, we have announced the acquisition of our own shares up to ¥50 billion and will consider additional ways of returning value in the future as well.

New Mid-Term Business Plan

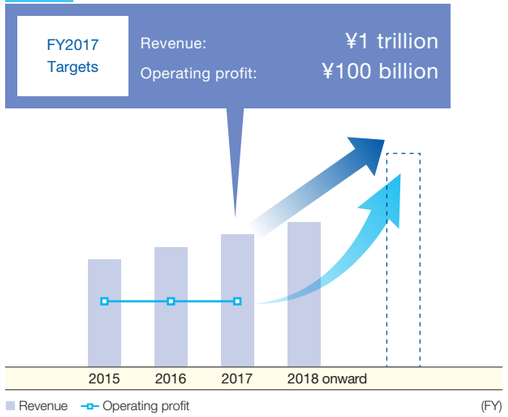
We are developing a new mid-term business plan.

We are developing a new 5-year business plan for the period of fiscal 2016 to fiscal 2020 to reveal our new management direction.

In that plan, we will present a strategy for securing net sales of ¥1 trillion and operating profit of ¥100 billion in fiscal 2017 and overcome the financial impact of the olmesartan LOE, as well as our plan for achieving faster growth from fiscal 2018 onward. The plan will also include measures to enhance our profit generation capabilities, reinforce R&D, and increase shareholder value as well as a greater ROE-oriented management focus.

We will announce the new plan in March 2016. ▸ Chart 8

▸ Chart 8



Strengthening Corporate Governance

We will continue to strengthen corporate governance with the aim of maximizing shareholder value and corporate value.

Daiichi Sankyo is committed to establishing a corporate governance system that lives up to the trust of its shareholders and other stakeholders. To this end, the Company is establishing a management system that facilitates swift and flexible responses to changes in the operating environment. The Company is also taking steps to ensure thorough legal compliance, proper management transparency, and stronger oversight for management and operational execution.

Moreover, the Company understands and respects both the content and the spirit of Japan's Corporate Governance Code, which was put into effect on June 1, 2015. We are going to disclose and explain our response to the code, the measures that will be implemented, and other matters under consideration.

Going forward, we will continue to strengthen corporate governance with the aim of maximizing shareholder value and corporate value by realizing sustainable growth for the Company.

For more information, please refer to "Corporate Governance" on page 24.

Responsible Corporate Activities

We have established the Daiichi Sankyo Group Corporate Conduct Charter, and we are conducting responsible corporate activities based on this charter.

In order to fulfill our corporate social responsibility (CSR) and improve corporate value by actively responding to the diverse and ever-changing needs of society, we must comply with laws, regulations, and rules and act with the highest ethical standards and good social conscience suited to a life science-oriented company. To facilitate this action, the Group has established the Daiichi Sankyo Group Corporate Conduct Charter (see page 38) and is conducting responsible corporate activities based on this charter.

Promoting corporate ethics

The conduct of our activities in accordance with national and regional laws and regulations, social norms, ethics, and convention must be ensured for sustained business operations. In particular, because of our connection to people's well-being as a pharmaceutical company, we must ensure legal compliance in all areas of operations, ranging from research and development and drug production to supply chain management, quality assurance, marketing, and sales. The Company and all Group companies develop compliance and other codes of conduct based on the Daiichi Sankyo Group Corporate Conduct Charter, and these are tailored to match the conditions of their region and social expectations therein. All executive officers and employees are held accountable under these corporate standards and codes. In addition, the Daiichi Sankyo Group Individual Conduct Principles were established in April 2015, and apply to all Group executive officers and employees. Due to increasing cross-border laws and regulations as well as growing social demands, the principles were developed to supplement the Daiichi Sankyo Group Corporate Conduct Charter. Looking ahead, we will build the foundations for the sustainable growth of the Group by enforcing these principles along with the codes of conduct at Group companies.

In addition to compliance, we will continue working to ensure transparency with regard to relationships with healthcare professionals and circumstances surrounding clinical trials as a global requirement.

For more information, please refer to "Promoting Compliance Management" on page 64.

Mutual growth of employees and the Company

The pharmaceutical business is built on innovation, and breeding innovation requires creative thinking and science. It is for this reason that we position human resources as our most valuable asset and define securing and motivating talented people as a top management priority.

The researchers of the Daiichi Sankyo Group are passionate about creating quality drugs for the sake of patients, and this passion is one of the driving forces giving rise to innovation. Moreover, hiring unique employees who possess a venture spirit that inspire them to pursue innovation without fear of failure forms the basis for the ongoing growth of the Group.

Our business strategies require that we further diversify and globalize our operations in the future. Since we are a group of people with different cultural backgrounds and ways of thinking and diverse talents, all Group employees must possess a shared vision toward working to make concerted efforts toward the same goal. We believe that our long-term success or, in other words, the fulfillment of our corporate philosophy, will become a reality when our employees work with passion and share the values of and grow together with the Company through active open-minded communication.

For more information, please refer to "Mutual Growth of Our Employees and the Company" on page 68.

Efforts to broaden opportunities for access to medical services

Health and medical issues are increasingly becoming important social concerns for people around the world. As a pharmaceutical company, the Daiichi Sankyo Group regards broadening opportunities for access to medical services as an important social mission, and it is committed to contributing to society by providing various solutions in this area on a global basis.

For example, several regions face a lack of social or medical infrastructure, and countless people in these regions are suffering damage to their health as a result. At the same time, we recognize that there are people and entire regions for which opportunities to learn about hygiene and diseases have not been adequate, and this situation has resulted in insufficient knowledge about healthcare and medicine. As a member of the healthcare and medical industry, we will contribute to the resolution of such global health issues in cooperation with non-government organizations (NGOs), public administrators, and local communities. As part of these efforts, we have been helping to provide mobile medical examination services in India, Cameroon, and Tanzania. These social contribution activities began in fiscal 2011 with the aim of improving access to medical services. In addition, during fiscal 2015 we commenced a project in China in rural villages in the province of the Yunnan, an area with a particularly high number of children suffering from developmental disorders. ▶ Chart 9 Through this project, we are working to cultivate healthcare workers to become capable of contributing to better healthcare for children and mothers while providing healthcare education to local residents. This project, as well as the aforementioned mobile medical examination services, are aimed at helping achieve two of the healthcare-related United Nations Millennium Development Goals: reduce child mortality and improve maternal health.

▶ Chart 9

In addition, there are numerous patients suffering from rare diseases around the world. These diseases are difficult to treat and in high need of an effective treatment, and progress in the development of drugs to treat these diseases has often been slow due to the small number of patients. The Daiichi Sankyo Group aims to utilize its expertise and technologies to provide treatments for such diseases.

To respond to unmet medical needs in the world, we will make Groupwide efforts to help expand access to medical services through such means as addressing global health issues and conducting R&D activities targeting rare diseases. We firmly believe that such a strategic approach will bring opportunities for the Group to create innovation and form unique partnerships, and that these efforts will support our sustained growth.

For more information, please refer to "Broadening Opportunities of Access to Medical Services" on page 78.

Joji Nakayama
Representative Director, President and CEO

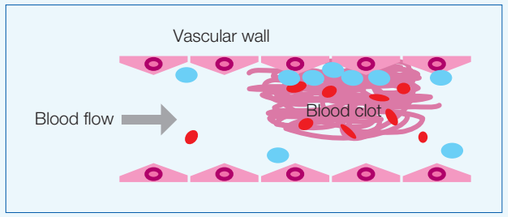
In this section, we explain Daiichi Sankyo's new drug for treating thromboembolism.

Thromboembolism

A blood clot occurs when components of blood harden, or coagulate, due to one of various possible causes, and a solid blood deposit is formed inside a vein. Generally, such blood clots shrink since they are dissolved over time. However, if a clot does not dissolve and becomes even larger, it can cause tissue in areas further down the clogged vein to suffer from a lack of blood and eventually undergo necrosis. This phenomenon is known as thromboembolism.

Common forms of thromboembolism include cardiogenic embolism, when atrial fibrillation (AF) results in a stroke, and venous thromboembolism (VTE), for which the representative example is pulmonary embolism.

Thromboembolism in vein with slow blood flow



Atrial Fibrillation

AF is a condition in which the heartbeat is rapid and irregular that is often seen in older people and can potentially lead to a stroke. Stroke is one of the leading causes of death worldwide. Compared with those without AF, people with this form of arrhythmia have a three to five times higher risk of a stroke. Moreover, strokes due to AF are nearly twice as likely to be fatal than strokes in patients without AF and are more likely to result in lasting aftereffects.

Venous Thromboembolism

VTE is an umbrella term for two conditions, deep vein thrombosis and pulmonary embolism. Deep vein thrombosis is a blood clot found anywhere in the deep veins of the legs, while pulmonary embolism occurs when part of a clot detaches and lodges in the pulmonary arteries, causing a potentially fatal condition. This condition is sometimes referred to as "economy-class syndrome."

Treatment of Thromboembolism — Responding to Unmet Medical Needs for Blood Clotting in Veins

For more than 50 years prior to the creation of FXa inhibitors (activated coagulation factor X) and other oral novel oral anticoagulants (NOACs), warfarin was used for the treatment of thromboembolism. Warfarin was known to be both highly effective and safe when used properly. However, patients taking warfarin had to restrict their consumption of foods containing high levels of vitamin K, such as spinach. In addition, warfarin is known to suffer from significant variability in effect among individuals. The large degree to which the anticoagulation effect of warfarin varied by individual required that patients undergo routine blood tests and frequent adjustments to fine-tune dosages. If dosages were not set appropriately, there was risk that blood clots could clog veins or that bleeding would occur as a side effect. As warfarin faced these limitations, there was strong demand for an alternative anticoagulant. Aiming to create a new treatment option to help respond to these unmet medical needs, a number of NOACs were developed, one of which was edoxaban.

What is Edoxaban?

Edoxaban is an oral anticoagulant agent developed by Daiichi Sankyo that specifically and reversibly inhibits FXa. In 1979, we embarked on an exploratory research project with the goal of developing an FXa inhibitor that could be effectively administered orally. After approximately 10 years of exploratory research, we discovered the world's first direct FXa inhibitor DX-9065a. However, this investigational agent showed low oral absorptivity. We therefore continued with exploratory research and, after more than a decade of searching for compounds with high oral absorptivity, succeeded in discovering edoxaban.

After this finding, we conducted a number of clinical trials on edoxaban, which confirmed its safety and efficacy. Before introducing edoxaban to the world, Japanese marketing approval for edoxaban was acquired in 2011 under the brand name LIXIANA with an indication for the prevention of venous thromboembolism (VTE) after major orthopedic surgery. Furthermore, in 2014 approval was received to market LIXIANA in Japan with indications for the prevention of ischemic stroke and systemic embolism in patients with non-valvular AF as well as for the treatment and prevention of the recurrence of VTE (deep vein thrombosis and pulmonary thromboembolism).

Region		Japan	U.S.	Europe
Brand name		LIXIANA	SAVAYSA	LIXIANA
Indication	VTE after major orthopedic surgery	April 2011	—	—
	Ischemic stroke and systemic embolism in patients with non-valvular AF	September 2014	January 2015	June 2015 (Switzerland: March 2015)
	VTE			

(Dates are for receipt of approval.)

Voice

Contributions to improved health from providing safety information on edoxaban

I am in the Pharmacovigilance Department at Daiichi Sankyo Co., Ltd. Our department is tasked with monitoring the safety of medicine and taking actions to reduce the risks and increase the benefits of medicine. To accomplish this, we collect and evaluate adverse events and other safety information on investigational drugs and marketed products from around the world. We then analyze the safety data and take appropriate measures that will help minimize the risks of adverse events, if needed. I am in charge of edoxaban, an oral anticoagulant agent that is one of Daiichi Sankyo's global strategic products.

We strongly believe that edoxaban will contribute to improved health for all of the patients who need anticoagulant therapy. However, edoxaban increases the risk of bleeding and can cause serious and potentially fatal bleeding. Therefore, it is absolutely important to provide safety information to healthcare professionals and patients to encourage the safe use of edoxaban. For this reason, I engaged in countless discussions with related parties in Japan and overseas when reflecting safety information from clinical trials in the package insert and prescriber's guide. I was relieved when we successfully received approval in Japan for edoxaban for the AF and VTE indications; however, I quickly remembered my department's important mission of continuing to manage the safety of drugs on the market, and this realization once again empowered me to carry out my duties.

The Daiichi Sankyo Group has acquired approval for edoxaban in Europe and the U.S. and is steadily expanding the global availability of this drug. Going forward, we are carefully managing the post-marketing safety information of edoxaban received from Japan, the U.S., Europe, and other parts of the world. We will continue to do our utmost for edoxaban to ensure its global success.

Kenji Kobayashi
Safety Evaluation & Planning Group I
Pharmacovigilance Department
Daiichi Sankyo Co., Ltd.

Preventative Treatment of Thromboembolism

Patients suffering from non-valvular AF may be exposed to several ischemic stroke risk factors. These factors include congestive heart failure, hypertension, age (risk increases in people aged 75 or over), diabetes, and a medical history of stroke or transient ischemic stroke (TIA). Treatment guidelines for non-valvular AF in Japan, the United States, and Europe recommend that anticoagulants be administered to prevent strokes based on the risk factors faced by a given patient.

Meanwhile, VTE risk factors include previous surgery or physical trauma, being bedridden, cancer, or prior experience of VTE. For this reason, VTE is a common ailment among patients hospitalized after surgery or with cancer.

Previously, warfarin was used as a preventative measure for thromboembolism, but recently it has become possible for NOACs, including edoxaban, to be used to treat patients with thromboembolism. The anticoagulation effects of NOACs tend to appear shortly after administration and then disappear relatively quickly after usage. For this reason, NOACs have rapidly become a commonly selected treatment option.

Edoxaban was developed as a NOAC that provides patient-specific dosing guidelines based on a patient's condition. In a large-scale clinical trial of patients with non-valvular AF, it was confirmed that edoxaban is the only NOAC that features less risk of major bleeding with once-daily usage in comparison with well-managed warfarin.

Future Initiatives

Daiichi Sankyo hopes to ensure that edoxaban can be used with peace of mind by both patients and the healthcare professionals involved in their treatment. For this reason, we began conducting clinical trials targeting select groups of patients, such as the ENSURE-AF study and the Hokusai-VTE Cancer study, as part of our life-cycle management initiatives in relation to edoxaban. At the same time, we realize that bleeding risks remain even when using NOACs. For this reason, we are working together with partner companies to develop reversal agents that can neutralize the anticoagulation effect to quickly stop bleeding when this side effect occurs.

ENSURE-AF Study

ENSURE-AF is a study evaluating the efficacy and safety of once-daily edoxaban for the prevention of stroke, systemic embolic event, myocardial infarction, and cardiovascular mortality versus other drugs in patients with non-valvular AF undergoing electrical cardioversion. Cardioversion is a procedure that can restore a fast or irregular heartbeat to a normal rhythm, but it is associated with a risk of thromboembolic events, including stroke, in patients who do not receive anticoagulation therapy.

Hokusai-VTE Cancer Study

The Hokusai-VTE Cancer is a multinational study that will investigate the efficacy and safety of edoxaban for the treatment of VTE associated with cancer. With approximately 1,000 patients, the study evaluates edoxaban's effect on the reoccurrence of VTE and major bleeding in patients that have previously experienced cancer-associated VTE. This condition is a major cause of morbidity and mortality in patients with cancer.

Voice

Always thinking of patients and their families as we strive to serve as a bridge connecting all parties involved in the local medical community

At Aomori Sales Office I, where I am stationed, we operate under the policy of adopting the patient's perspective. Furthermore, we feel that, as a life science-oriented company, we have an important mission to fulfill with regard to the so-called 2015 crisis*1 and 2025 crisis*2 in Japan, which relate to the issues that will arise with medical systems when Japan's baby boomers, or those born immediately after World War II, reach old age. In fulfilling this mission, we are holding academic forums based on the medical needs expected to evolve in the region going forward. These efforts are designed to lend force to the initiatives of local government authorities aimed at addressing the rapid aging of society, lifting Aomori Prefecture out of its notorious position at the bottom of national life expectancy polls, and helping people remain healthy for a longer portion of their life. To further respond to such needs, we believe it is essential for effective coordination to be realized between different clinical departments, between hospitals and patients' main doctors, and between different hospitals. For this reason, we pursued collaboration with various healthcare professionals, and these efforts have helped us continue to hold academic forums together with the community and ensure the quality of these forums is high enough to maintain attendance. We have also been proactively conducting training programs, a measure that has enabled us to develop a comprehensive understanding of the ailments that commonly affect senior citizens. This knowledge is being utilized to speed us along the way toward becoming a bridge between patients and their families and healthcare professionals.

We must provide medical institutions with information on edoxaban in real time if they are to properly understand the drug. Accordingly, our information provision activities make important contributions to the medical field. Moreover, they help further evolve Daiichi Sankyo's corporate culture, which emphasizes forming connections between medical representatives (MRs) and between different divisions, thereby fostering a sense of unity within the organization and furthering the development of new employees. This cohesiveness has resulted because our employees are united with a strong desire to protect both patients and their families from the serious repercussions of illnesses such as cardiogenic embolism, which bears the risk of serious aftereffects, including leaving patients with difficulty walking or even making them bedridden. The R&D staff poured their hearts into the creation of edoxaban. Priding ourselves on edoxaban's compatibility with our corporate mission, as MRs we go about our duties with the same passion as the R&D staff, working zealously to help people live healthily for a longer period of time.

*1. 2015 crisis: Rise in the ratio of people classified as senior citizens due to the entire baby boom generation (those born between 1947 and 1949) exceeding the age of 65
*2. 2025 crisis: Projected increase in nursing care and medical expenses as baby boomers pass the age of 75 and enter into the later stages of life

Masayuki Shibuya
Aomori Sales Office I, Area Sales Promotion Department I
Tohoku Branch
Daiichi Sankyo Co., Ltd.

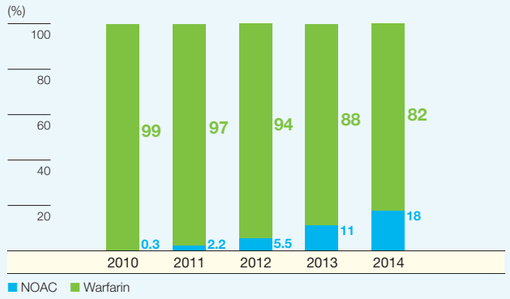
Global NOAC Market

The global NOAC market has been expanding rapidly since it became possible to use NOACs for treating patients, and the total scale of this market was US$6.6 billion in 2014. Furthermore, since a large number of patients are still being treated with warfarin, NOACs only represent around 18% of the overall oral anticoagulant market on a sales volume basis.

Daiichi Sankyo will work faithfully to aid in the treatment of patients going forward by providing edoxaban, which features the convenience of a once-daily dose combined with high levels of safety.

In fiscal 2014, sales of edoxaban totaled ¥3.6 billion in Japan and ¥0.7 billion in the U.S.

Ratio of Sales of NOACs and Warfarin



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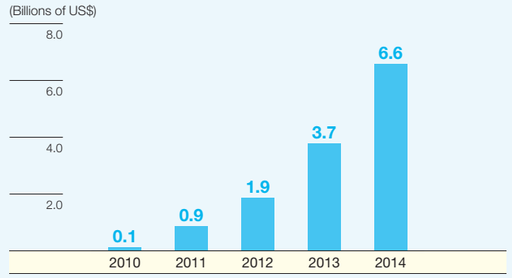
Global Sales in NOAC Market



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External Voice

Edoxaban's high efficacy from a convenient, once-daily dose is good news for patients, doctors, and pharmacies alike.

Germany is the first country in which we witnessed the separation of the professions of doctors and pharmacists to the extent that only the latter has the right to dispense medicine. The Central Apotheke pharmacy was established in the small town of Rottenburg in southern Germany in 1997. On average, this pharmacy serves approximately 180 people each day. Together with the other members of the pharmacy staff, I work tirelessly to ensure that it is a friendly, neighborhood facility that is trusted by the community. The aging of the population is a serious issue for Germany. According to preliminary calculations by the Statistisches Bundesamt, this country's statistics bureau, 36.8% of Germany's population will be over the age of 60 by 2030, making it a highly aged society. As such, this country is faced with the task of effectively utilizing its limited financial resources to create quality medical treatments in preparation for the advent of this society.

Central Apotheke is devoted to adhering to traditions in Germany to continue being a pharmacy that contributes to providing healthcare for the local community. I therefore have high expectations for edoxaban. In addition to delivering high efficacy with a once-daily dose, this drug has low risk of unwanted interactions with other drugs. For this reason, the mental burden on patients is reduced, making them more willing to take their medicine. Patients using FXa inhibitors often take various other medications at the same time, and pharmacies therefore have to be highly conscientious when providing patients with instructions on the proper usage of their drugs. Accordingly, edoxaban's efficacy from a convenient, once-daily dose is good news for patients, doctors, and pharmacies alike.

Dr. Keiko Assenheimer
Director / Pharmacist, Central Apotheke in Rottenburg, Germany
Director, Japanese Association for Community Pharmacy

The Daiichi Sankyo Group's management structure is designed to swiftly and flexibly address changes in the business environment. At the same time, we strive to ensure legal and regulatory compliance and management transparency while strengthening oversight of management and company operations.

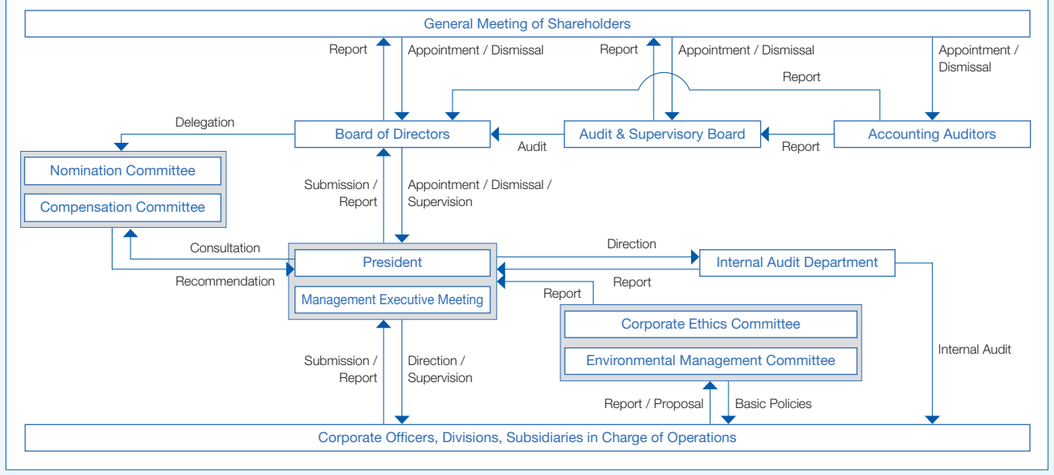
We have established a Nomination Committee and a Compensation Committee, which are discretionary organs. Members of the Board (Outside) comprise a majority of the membership of each of these committees. By introducing outside perspectives into the deliberations of the Board of Directors, we aim to ensure sound corporate management.

While continually strengthening corporate governance, Daiichi Sankyo strives to maximize shareholder value based on sustainable growth.

Characteristics of Daiichi Sankyo's Corporate Governance

- The term of office of Members of the Board is one year. Four Members of the Board out of ten are Members of the Board (Outside).
- A Nomination Committee and a Compensation Committee, discretionary organs each of which is chaired by a Member of the Board (Outside), are established.
- Specific criteria on the judgment of independence of Members of the Board (Outside) and Members of the Audit & Supervisory Board (Outside) and basic matters regarding execution of duties by Members of the Board have been clarified.
- A Corporate Officer System is employed to contribute to appropriate and swift decision-making by the management and execution of operations.

Overview of the Corporate Governance Structure



Members of the Board and Members of the Audit & Supervisory Board (As of June 22, 2015)

①Joji Nakayama
Representative Director
President and CEO

②Yuki Sato
Representative Director
Executive Vice President
Head of General Affairs & Human Resources Div.

③Kazunori Hirokawa, MD., Ph.D.
Representative Director
Executive Vice President
Head of Corporate Management Div.

④Takeshi Ogita, Ph.D.
Senior Executive Officer
Vaccine Business

⑤Sunao Manabe, DVM, Ph.D.
Senior Executive Officer
Global Sales & Marketing

⑥Toshiaki Sai
Senior Executive Officer
Head of Corporate Strategy Div.

⑦Noritaka Uji
Member of the Board (Outside)

⑧Hiroshi Toda
Member of the Board (Outside)

⑨Naoki Adachi
Member of the Board (Outside)

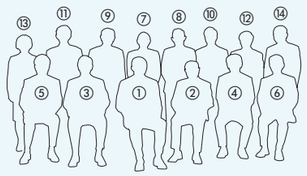
⑩Tsuguya Fukui, MD., MPH, Ph.D.
Member of the Board (Outside)

⑪Hideyuki Haruyama, Ph.D.
Member of the Audit & Supervisory Board

⑫Kazuyuki Watanabe
Member of the Audit & Supervisory Board

⑬Akiko Kimura
Member of the Audit & Supervisory Board (Outside)

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



Requirements for Candidates for Member of the Board

- The Board of Directors Regulations specify that, in addition to their personal qualities, knowledge, insight, experience, etc., candidates for Member of the Board are required to be appropriate in terms of the period of their service, age, etc. so that they are capable of making appropriate decisions in a timely manner in light of change in the business environment while respecting continuity of management policies etc.
- Based on the deliberations by the Nomination Committee, the Board of Directors selects candidates satisfying the criteria and proposes the matter at the General Meeting of Shareholders.

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

- On March 31, 2014, the Board of Directors and the Audit & Supervisory Board established by their resolutions the "Criteria for Independence of Members of the Board (Outside) and Members of the Audit & Supervisory Board (Outside)."
- In order to ensure there be no conflict of interest with general shareholders of the Company, specific criteria for attributes that provide grounds for independent judgment are stipulated from various perspectives.

Independence of a candidate or his or her immediate family members

Independence of a candidate or his or her immediate family members from the following related parties:

✔ Business partners ✔ Major shareholders ✔ Accounting auditor
✔ Listed companies where an executive officer of the Company serves as a Member of the Board or a Member of the Audit & Supervisory Board

- The Company emphasizes substantial independence, and has confirmed the independence of all four Members of the Board (Outside) and two Members of the Audit & Supervisory Board (Outside) in light of the Company's criteria for independence in addition to the criteria for independence specified by the Tokyo Stock Exchange. Thus, the Company has designated all six members as Independent Members of the Board or Independent Members of the Audit & Supervisory Board.

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

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

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

Independent Outside Directors

Members of the Board (Outside)

Noritaka Uji

Career Summary and Positions

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

Reason for Appointment

To reflect his expertise on the information communication business and his insight on overall corporate management based on his corporate management experience in the management of the Company.

Hiroshi Toda

Career Summary and Positions

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

Reason for Appointment

To reflect his expertise on securities and finance and his insight based on his corporate management and diplomatic experience in the management of the Company.

Naoki Adachi

Career Summary and Positions

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

Reason for Appointment

To reflect his broad-ranging business expertise centered on printing technologies and his insight on overall corporate management based on his corporate management experience in the management of the Company.

Tsuguya Fukui, MD, MPH, Ph.D.

Career Summary and Positions

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

Reason for Appointment

To reflect his knowledge and insight as a medical scientist in the management of the Company.

Members of the Audit & Supervisory Board (Outside)

Akiko Kimura

Career Summary and Positions

Apr. 1973	Entered Nishimura, Komatsu & Tomotsune (currently, Anderson Mori & Tomotsune), Attorney-at-law
Jan. 1977	Partner of Nishimura, Komatsu & Tomotsune
Oct. 1997	Member of the Council Committee on Foreign Exchange and Other Transactions of the Ministry of Finance of Japan
Jan. 2001	Member of the Council on Customs Duties, Foreign Exchange and Other Transactions of the Ministry of Finance of Japan
Jan. 2011	Of Counsel, Anderson Mori & Tomotsune (to present)
Jun. 2014	Member of the Audit & Supervisory Board (Outside) of the Company (to present)

Reason for Appointment

To reflect her knowledge and insight based on her abundant experience as a lawyer in the audit of the Company.

Yutaka Katagiri

Career Summary and Positions

Apr. 1975	Entered National Police Agency
Feb. 2001	Chief of Community Safety Bureau of Tokyo Metropolitan Police Department
Jan. 2002	Director General of Kyoto Prefectural Police
Aug. 2003	Chief Inspector General of National Police Agency
Aug. 2004	Director General for Secretariat's Policy Matters, Commissioner General's Secretariat of National Policy Agency
Jan. 2007	Chief of Community Safety Bureau of National Policy Agency
Aug. 2008	Chief of Commissioner General's Secretariat of National Policy Agency
Jun. 2009	Deputy Commissioner General of National Police Agency
Oct. 2011	Commissioner General of National Police Agency
Jun. 2013	President of Council for Public Policy (to present)
Jun. 2014	Member of the Audit & Supervisory Board (Outside) of the Company (to present)

Reason for Appointment

To reflect his knowledge and insight based on his experience at administrative agencies, etc. in the audit of the Company.

Nomination Committee

- The Nomination Committee deliberates on nomination of Members of the Board and Corporate Officers at the request of the Board of Directors so that management transparency is secured.
- The Nomination Committee consists of at least three Members of the Board, of whom Members of the Board (Outside) form a majority, and is chaired by a Member of the Board (Outside).

Members

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

Compensation Committee

- The Compensation Committee deliberates on policy on compensation of Members of the Board and Corporate Officers at the request of the Board of Directors so that management transparency is secured.
- The Compensation Committee consists of at least three Members of the Board, of whom Members of the Board (Outside) form a majority, and is chaired by a Member of the Board (Outside).

Members

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

Basic Design of Remuneration for Members of the Board

- Remuneration for Members of the Board is designed such that it contributes to maximization of corporate value. Specifically, in addition to the fixed basic remuneration, the Company grants performance-linked bonuses as short-term incentives and share remuneration-type stock options to provide long-term incentives.
- In order to ensure that Members of the Board (Outside) and Members of the Audit & Supervisory Board exercise a sufficient supervisory function over the management, the Company pays only basic remuneration without short- or long-term incentives.

Procedures for Determining Remuneration for Members of the Board and Members of the Audit & Supervisory Board

- Payment of basic remuneration to Members of the Board up to ¥450 million per year and granting of share remuneration-type stock options to Members of the Board in the total amount up to ¥140 million per year have been approved by the General Meeting of Shareholders. Payment of performance-linked bonuses requires approval by the General Meeting of Shareholders for the relevant fiscal year.
- Payment of remuneration for Members of the Audit & Supervisory Board, which consists only of basic remuneration, up to ¥120 million per year has been approved by the General Meeting of Shareholders.

Remuneration for Members of the Board for Fiscal 2014

Classification	Members of the Board		Members of the Audit & Supervisory Board		Total	
	Number of Members	Amount of remuneration	Number of Members	Amount of remuneration	Number of Members	Amount of remuneration
		(million yen)		(million yen)		(million yen)
Remuneration (annual amount) [Outside Members]	13 [6]	386 [60]	6 [4]	105 [30]	19 [10]	491 [90]
Bonuses to Members of the Board (excluding Members of the Board (Outside) and Members of the Audit & Supervisory Board)	6	69	—	—	6	69
Share remuneration-type stock option remuneration (excluding Members of the Board (Outside) and Members of the Audit & Supervisory Board)	6	101	—	—	6	101
Total [Outside Members]	13 [6]	555 [60]	6 [4]	105 [30]	19 [10]	660 [90]

Global Management Structure (As of March 31, 2015)

Joji Nakayama
CEO

Stuart Mackey
Business Development

Ryoji Nagasaka
Secretariat Dept.

Yoshihiro Aoyagi
General Counsel

Ryoichi Watanabe
Internal Audit Dept.

Corporate Units

Toshiaki Sai
Corporate Strategy Unit
- Corporate Strategy Dept.
- Business Development & Licensing Dept.
- Intellectual Property Dept.

Kazunori Hirokawa, MD., Ph.D.
Corporate Management Unit
- Corporate Business Management Dept.
- Finance & Accounting Dept.
- Corporate Communications Dept.
- IT Strategy Dept.
- CSR Dept.

Yuki Sato
General Affairs & Human Resources Unit
- Human Resources Dept.
- General Affairs & Procurement Dept.
- Legal Affairs Dept.

Business Units

Sunao Manabe, DVM, Ph.D
Global Sales & Marketing

Satoru Kimura
Sales & Marketing Unit (Japan)

Shuji Handa
ASCA*1 Company

Ken Keller
Daiichi Sankyo, Inc. (DSAC*2)

Jan Van Ruymbeke, MD.
Daiichi Sankyo Europe GmbH

Mary Jane Helenek
Luitpold Pharmaceuticals, Inc.

Yoshiki Nishii
Daiichi Sankyo Healthcare Co., Ltd.

Takeshi Ogita, Ph.D.
Vaccine Business Unit

Functional Units

Glenn Gormley, Ph.D.
R&D Unit

Naoyuki Kishi, Ph.D.
Pharmaceutical Technology Unit

Katsumi Fujimoto, Ph.D.
Supply Chain Unit

Toshiaki Tojo, Ph.D.
Quality & Safety Management Unit

*1. Asia, South & Central America
*2. Daiichi Sankyo, Inc. Administrative & Commercial Operation

Basic Policy on Establishing Internal Control System

Concerning systems for ensuring compliance with laws and regulations and the Company's Articles of Incorporation in the execution of duties by Members of the Board and other systems for securing appropriateness of duties, the Company resolved the basic policies to establish such systems at the Board of Directors' Meeting (Effective from May 1, 2015).

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

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

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

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

C Rules and Other Systems for Risk Management

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

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

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

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

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

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

i) The Company shall establish Global Management Regulations and Internal Control System Establishment Regulations to clarify the management control system of the Daiichi Sankyo Group, and communicate management policies, etc. to Group companies and put systems in place for receiving reports on management and financial results from the boards of Group companies.
ii) The Company shall establish Group Company Management Regulations to clarify responsibilities and authority of each Group company.
iii) The Company shall establish Risk Management Promotion Regulations to develop the Daiichi Sankyo Group risk management system.
iv) The Company shall establish Daiichi Sankyo Group Principles of Individual Behavior, etc. and inculcate them in Group companies. In addition, the Company shall establish the Group's compliance promotion system and ensure that Group companies are fully aware of such system.
v) The Company shall establish Internal Control Regulations on Financial Reporting and ensure the reliability of financial reporting by properly implementing those regulations.
vi) The Company shall establish Internal Audit Regulations and execute internal audit of Group companies.

G Systems Regarding Employees Assisting Members of the Audit & Supervisory Board in the Performance of their Duties when Members of the Audit & Supervisory Board Request that Such Employees be Appointed

i) The Company shall appoint full-time staffers to assist Members of the Audit & Supervisory Board in the performance of their duties.

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

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

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

i) The Company shall establish a system whereby Members of the Board who become aware of facts that could result in substantial damage to the Company shall immediately report such facts to Members of the Audit & Supervisory Board.
ii) Members of the Audit & Supervisory Board of the Company shall receive reports on the status of execution of duties from Members of the Board and employees of the Company as well as from Members of the Board and employees of Group companies.
iii) Members of the Audit & Supervisory Board of the Company shall attend the Management Executive Meeting and other important meetings.
iv) To verify process and details of approvals, the Company shall designate Members of the Audit & Supervisory Board as permanent recipients of approval document notification.

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

i) Members of the Audit & Supervisory Board of the Company shall hold meetings with Representative Members of the Board on a regular basis to confirm management policies and exchange views concerning important issues related to auditing.
ii) Members of the Audit & Supervisory Board of the Company shall exchange information with Members of the Audit & Supervisory Board of Group companies and closely cooperate with them.
iii) Members of the Audit & Supervisory Board of the Company shall coordinate and exchange views with external auditors and the Internal Audit Department.
iv) The Company shall not treat unfairly any person who reports pursuant to Article I Paragraph ii or any person who reports in accordance with Daiichi Sankyo Group Principles of Individual Behavior, etc. due to the fact of such reporting.
v) The Company shall bear expenses that may be incurred in executing the duties of the Members of the Audit & Supervisory Board.

K Basic Policy and Systems for Eliminating Antisocial Forces

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

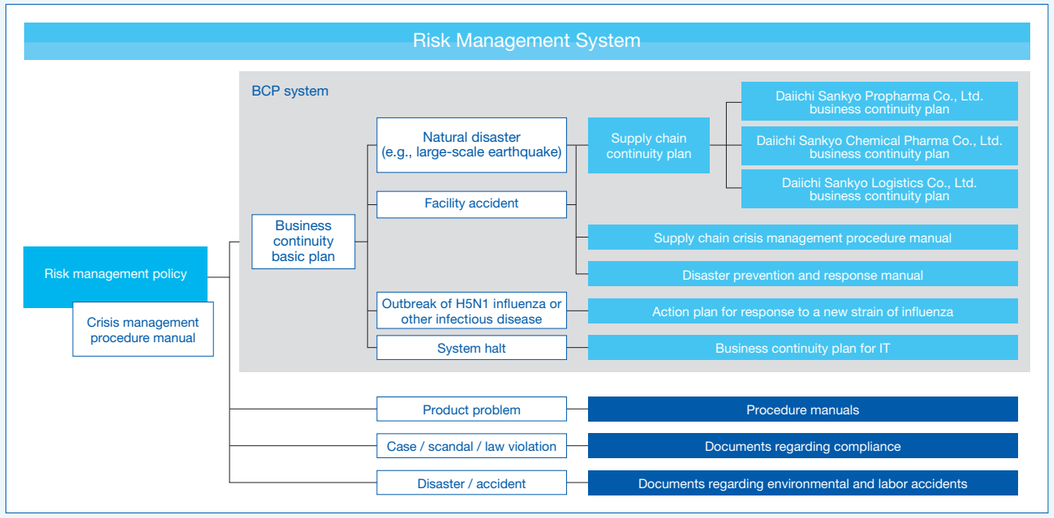
Risk Management

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

Risk Management System

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

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



Business Continuity Plan

The Group has a BCP to prepare for four major threats to business continuity: natural disasters, facility accidents, H5N1 influenza and other infectious diseases, and system failures. Based on this plan, systems are in place to quickly restore operations in the event of an emergency and to ensure a steady supply of pharmaceutical products with assured quality to help support the continued provision of medical services.

Based on its experiences following the Great East Japan Earthquake, the Group revised its BCP in 2012. Since then, we have continued to improve upon the BCP through such means as incorporating revisions to national disaster response plans and adjusting for changes in workflow procedures related to priority drugs. In this manner, we strive to ensure effective response measures are taken in the event that a risk actualizes. In addition, we regularly revise the list of priority drugs based on social needs to guarantee we can quickly supply drugs used by a large number of patients, drugs needed in emergencies, and drugs with no substitutes. In fiscal 2014, three new drugs were added to the list of priority drugs.

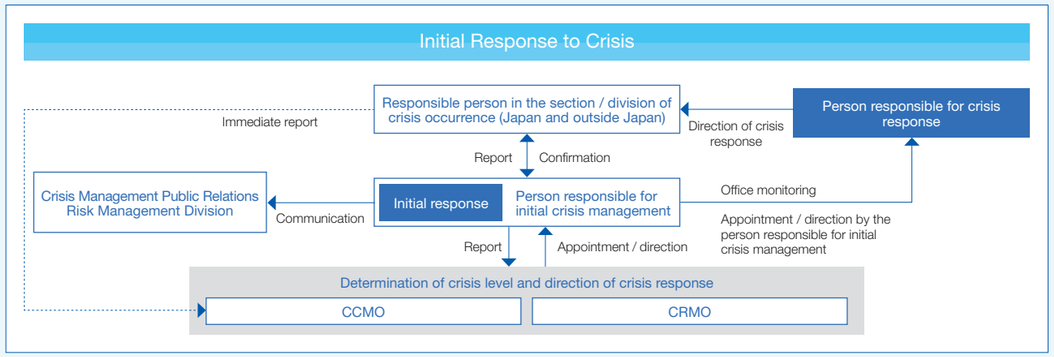
To ensure the steady supply of its pharmaceutical products, the Company is taking steps to create backup supply systems by dispersing manufacturing and distribution sites and maintaining relationships with multiple suppliers. In addition, we have introduced private electricity generators to help minimize the impact of any interruption in the supply of electricity. Furthermore, we are reinforcing our IT foundations by installing redundancy into major systems.

Crisis Management

The Daiichi Sankyo Group defines crises as factors that may cause an adverse event or a secondary event arising from an initial occurrence with the possibility of leading to serious negative effects on the Group or its stakeholders. Crisis management is defined by the Group as appropriate responses to such events conducted based on prompt and rational management and analyses of their potential impact.

In the event of a crisis, the appointed representative in the affected section or division shall issue an initial report to the individual responsible for first responses to crises, the vice president of the General Affairs and Procurement Department. This individual will then report to the chief crisis management officer (CCMO), either the president or the officer appointed by the president, to determine whether or not Companywide measures are necessary, after which they will issue a more detailed report. This individual will also share the information with the CRMO to quickly formulate first-response and subsequent emergency response measures.

In responding to crises, the Group defines its top priority as ensuring the health, safety, and peace of mind of all of its stakeholders, including patients, healthcare professionals, members of local communities, and employees.



Operations and Financial Position

Summary of Financial Results in Fiscal 2014

- Revenue up ¥20.2 billion, to ¥**919.4** billion (**2.3**% ↑ up)
- Operating profit down ¥38.5 billion, to ¥**74.4** billion (**34.1**% ↓ down)
- Profit before tax down ¥33.0 billion, to ¥**79.9** billion (**29.2**% ↓ down)
- Profit from continuing operations down ¥22.2 billion, to ¥**43.6** billion (**33.8**% ↓ down)
- Profit attributable to owners of the Company up ¥261.2 billion, to ¥**322.1** billion (**428.6**% ↑ up)

Consolidated Financial Results for Fiscal 2014

Revenue

Group revenue in the fiscal year ended March 31, 2015, increased ¥20.2 billion, or 2.3% year on year, to ¥919.4 billion.

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

Operating profit

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

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

Profit before tax

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

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

Profit from continuing operations

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

Profit attributable to owners of the Company

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

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

Consolidated financial results

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

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

Note: During fiscal 2014, following the merger of Ranbaxy Laboratories Ltd. ("Ranbaxy") by Sun Pharmaceutical Industries Ltd. ("Sun Pharma"), the Ranbaxy Group was excluded from the scope of consolidation.
In fiscal 2014, the Ranbaxy Group was classified as a discontinued operation. Consequently, for the amounts of revenue, operating profit, and profit before tax, only the values for continuing operations excluding the Ranbaxy Group are indicated.
Profit (loss) from discontinued operations includes gain on merger of subsidiary due to the Sun Pharma merger, profit and loss attributable to the Ranbaxy Group, and merger-related expenses, among others.
Profit attributable to owners of the Company includes profit (loss) from discontinued operations as well as profit from continuing operations.
The figures for fiscal 2013 have been restated in the same way as those for fiscal 2014.

Revenue from global mainstay products

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

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

Research and development expenses

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

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

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

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

Reports by Segment

Japan

Revenue: ¥549.2 billion (decreased 1.0% year on year), composition ratio: 59.7%

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

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

New products launched in fiscal 2014 included Efient®, which was introduced in May 2014. In September 2014, Daiichi Sankyo began co-promoting the type 2 diabetes treatment CANAGLU® with Mitsubishi Tanabe Pharma Corporation, which originally developed the drug. In December 2014, the Group introduced a 60mg tablet formulation of LIXIANA® (generic name: edoxaban) to coincide with the drug's approval for additional indications for treatment of patients with atrial fibrillation (AF) and venous thromboembolism (VTE). Revenue from royalty and exports declined by 3.1% year on year, to ¥21.5 billion.

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

Primary revenue composition in Japan

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

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

Domestic revenue from mainstay prescription drugs

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

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

North America

Revenue: ¥229.9 billion (increased 8.4% year on year), composition ratio: 25.0%

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

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

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

Following an investigation by the U.S. Department of Justice into Physician Opinion & Discussion programs related to mainstay products, DSI concluded a legal settlement with the Department of Justice and other government agencies. Under the settlement, DSI agreed to pay approximately US$39 million, while also entering into a Corporate Integrity Agreement with the Office of Inspector General of the U.S. Department of Health and Human Services. The Daiichi Sankyo Group is committed to maintaining the highest levels of legal and regulatory compliance across its worldwide operations going forward.

Revenue of Daiichi Sankyo, Inc., mainstay products

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

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

Revenue of Luitpold Pharmaceuticals, Inc., mainstay products

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

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

Europe

Revenue: ¥78.8 billion (decreased 0.6% year on year), composition ratio: 8.6%

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

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

Revenue of Daiichi Sankyo Europe GmbH mainstay products

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

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

Other regions

Revenue: ¥61.5 billion (increased 16.4% year on year), composition ratio: 6.7%

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

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

Merger of Ranbaxy with Sun Pharmaceutical Industries

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

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

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

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

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

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

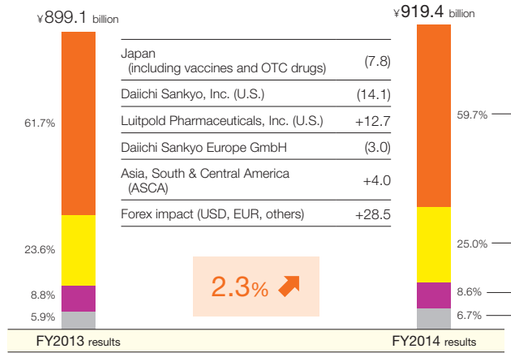
During fiscal 2014, the Company paid an interim dividend of ¥30 per share on December 1, 2014. A year-end dividend of ¥30 was also declared, bringing total dividend payments to ¥60 per share.

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

In addition, in accordance with the above basic policy, the Company resolved at a meeting of the Board of Directors held on May 14, 2015, to purchase its own shares at a maximum total amount of ¥50 billion, in order to enhance capital efficiency and improve shareholder returns.

Revenue

(The Ranbaxy Group was excluded from the scope of consolidation in fiscal 2014 and is classified as a discontinued operation. The figures for fiscal 2013 have been restated in the same way as those for fiscal 2014.)



Revenue Trends of Major Business Units

(Billions of yen)

		Fiscal 2013	Fiscal 2014
Japan	Japan Company + Vaccine business	486.5	480.5
	Daiichi Sankyo Healthcare	48.1	47.8
U.S.	Daiichi Sankyo, Inc.	171.8	173.0
	Olmesartan	112.3	106.6
	Welchol	42.3	47.4
	Effient (co-promotion revenue)	15.4	17.6
	SAVAYSA	—	0.7
	Luitpold Pharmaceuticals, Inc.	39.6	57.4
	Venofer	24.9	28.6
	Injectafer	1.3	7.6
Europe	Daiichi Sankyo Europe GmbH	83.9	83.5
	Olmesartan	65.6	65.2
	Effient (co-promotion revenue, etc.)	4.7	4.8
Other Regions	Asia, South & Central America (ASCA)	58.8	67.5

Inclusion in SRI Indexes

Socially responsible investment (SRI) refers to a stance toward investment that entails considering and evaluating how the target company is exercising its social responsibility as well as the degree of its financial performance and growth potential when making investment decisions. Daiichi Sankyo believes that responsible corporate activities are indivisible from its business activities and has continued to advance these activities in an integrated manner. This stance has been acknowledged, resulting in the Company's inclusion in two SRI indexes: the Dow Jones Sustainability Index (DJSI) and FTSE4Good.

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

The DJSI is one of the most recognized SRI indexes and managed cooperatively by S&P Dow Jones Indices LLC, of the United States, and RobecoSAM AG, of Switzerland. This index evaluates the sustainability of a company from the perspectives of economic, environmental, and social factors, and thus serves as an important criterion for the selection of investment targets by investors concerned with companies' social responsibility. The Company has been included in DJSI Asia Pacific for six consecutive years in FY2015.

FTSE4Good

FTSE4Good is operated by FTSE Russell, a wholly owned subsidiary of London Stock Exchange plc. This index evaluates the responsible corporate activities of companies from the perspectives of environmental, social, and governance (ESG) factors. As an SRI index, FTSE4Good is an important criterion for consideration by investors. The Company has been included in FTSE4Good series indexes for seven consecutive years in FY2015.

Message from Vice President of CSR Department

Sincere corporate activities and comprehensive information disclosure

Daiichi Sankyo has continually been selected for inclusion in DJSI Asia Pacific and FTSE4Good, both major SRI indexes.

I believe that this accomplishment is due to the recognition of our efforts to fulfill our corporate mission and integrate responsible corporate activities into our business activities based on the recognition that they are indivisible.

At the same time, however, we realize that the expectations for initiatives related to sustainability, ESG and related information disclosure are rising rapidly and on a global scale. In Japan, for example, we have recently witnessed the establishment of Japan's Stewardship Code and the Corporate Governance Code as well as the release of the final report of the Ito Review's "Competitiveness and Incentives for Sustainable Growth: Building Favorable Relationships between Companies and Investors" Project. These developments have stimulated further growth in the demand for more sincere corporate activities, more comprehensive information disclosure, and more active communication with stakeholders, making response to this demand a must for companies.

We began issuing the Value Report in 2013 amidst such rising expectations. This report has been positioned as a communication tool for facilitating an understanding of the Group's corporate value, growth potential, and capacity for business continuity among shareholders, investors, healthcare professionals, consumers, Group employees, and our various other stakeholders. Through the Value Report, we are providing comprehensive disclosure of information related to business activities as well as ESG factors while also encouraging more active communication with stakeholders.

Katsuyuki Yogosawa
Vice President of CSR Department
Daiichi Sankyo Co., Ltd.

Organization-Wide Initiatives Pursuing Sustainable Improvement for Corporate Value

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

The Principles of Our Corporate Activities to Fulfill Our Mission

DAIICHI SANKYO Group Corporate Conduct Charter

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

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

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

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

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

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

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

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

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

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

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

These sections detail the various business activities of the Group as well as the responsible corporate activities which are integrated into these business activities.

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- Quality and Safety Management 56
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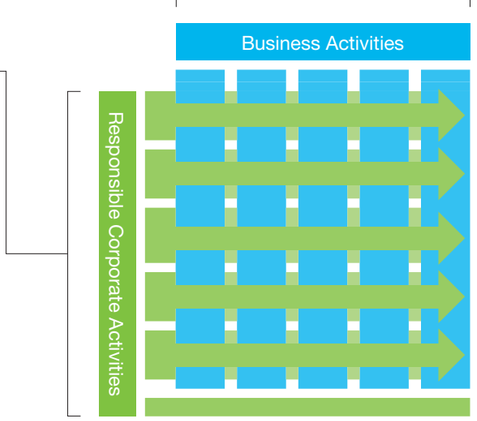


Research and Development

Quest to Become a Global Pharma Innovator

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

Continuous Creation of Innovative New Drugs

The Daiichi Sankyo Group aims to provide a continuous supply of innovative drugs to patients, and to this end it places emphasis on the research and development (R&D) of first-in-class drugs as a Global Pharma Innovator. The inquiring minds of our researchers and their desire to contribute the resolution of human health issues are the forces driving us in our R&D efforts.

In the current pharmaceutical market, we cannot expect to achieve sustainable growth with a conventional business model due to various factors, such as the decrease of novel compound approvals, increase in biologics, and rise in R&D costs. We therefore need to address unknown biological processes with a flexible mindset and spirit of innovation and ambition to improve productivity by using our experience and creativity. We also need to promote cost reductions to control R&D expenses, which are constantly increasing due to the necessity of conducting large-scale clinical trials, which are often designed to demonstrate efficacy and safety. In order to address these two tasks at the same time, the R&D Unit has defined three principles—leadership, innovation, and efficiency—with the aim of transforming its business model. In addition, "Our Values," the common standards for value judgments in the Daiichi Sankyo Group, serve as the fundamental and universal foundation for daily activities in the R&D Unit.

Transformation of Mindset for Exercising Leadership

The R&D Unit values leadership and empowerment in its organization and focuses on innovation and taking on new challenges, both of which are aspects of its organizational culture. All employees engaged in R&D are required to be proactive and demonstrate leadership in their field of responsibility, and they are expected to clearly recognize that it is their obligation to accomplish results. Everyone is empowered to play a leading role in their respective area of expertise in order to facilitate swift decision making unhindered by the fear of failure.

Furthermore, the promotion of world-class R&D activities requires bold ideas that break through existing boundaries. That is why we endeavor to strengthen communication between research and development functions across all regions, including Japan, the U.S., Europe, and Asia. We also make efforts to promote cross-cultural understanding with regard to diverse views and backgrounds and to provide a common ground for frank and constructive debate. We hope that collaboration will be born that is unrestricted by functional or local boundaries, and we will work to conceive many creative and groundbreaking ideas.

Initiatives for Realizing Innovation

Innovation created from diversity (Research)

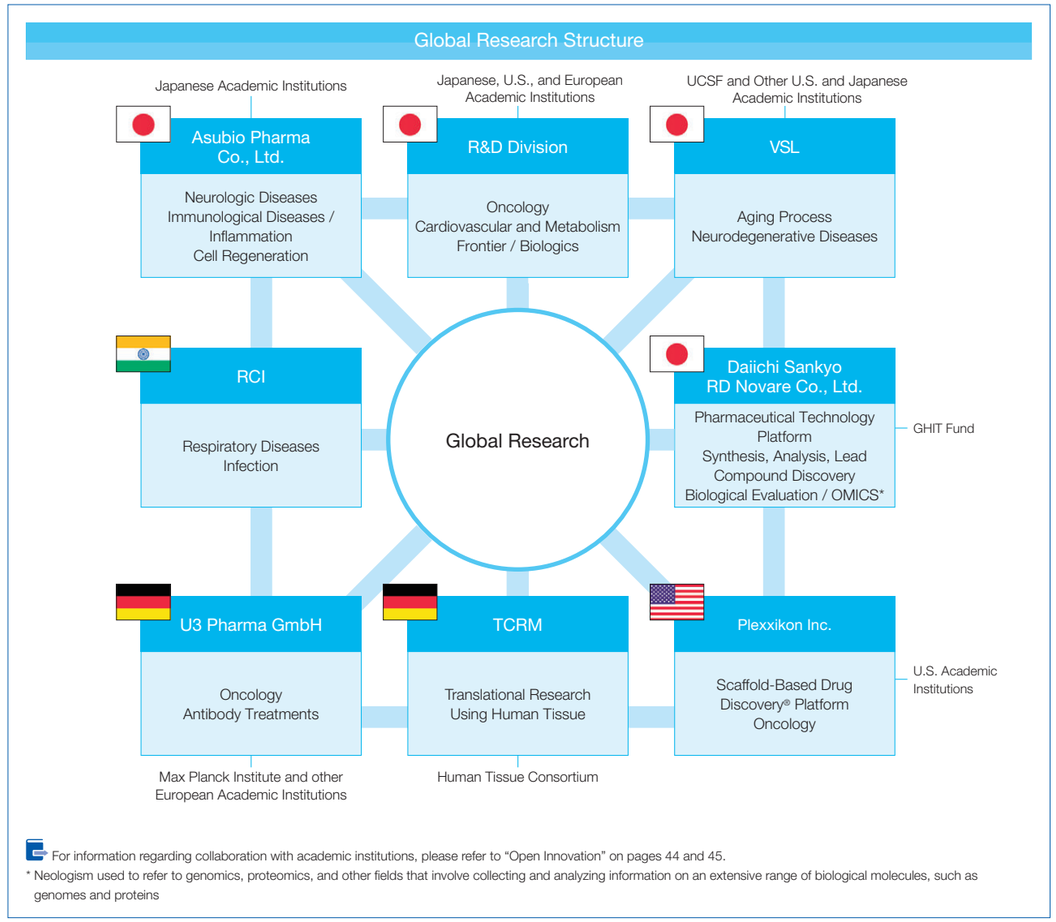
The Daiichi Sankyo Group's drug discovery efforts span from research to proof of concept (POC).*1 The oncology and cardiovascular and metabolic fields have been identified as priority fields for these efforts, and management resources are allocated to these fields in a concentrated manner. Moreover, as a frontier area that spreads across the boundaries of specific disease fields, we are actively engaged in researching new drug functions and treatment methods based on biological mechanisms. The Company is also researching rare diseases and examining drug repositioning*2 possibilities. At the same time, Venture Science Laboratories (VSL), an in-house start-up organization, is conducting research related to neurodegenerative diseases.

Furthermore, we are taking advantage of the framework of the Global Health Innovative Technology Fund*3 to address issues related to neglected tropical diseases.

Research functions related to small molecule medicine are centered in Daiichi Sankyo's Shinagawa and Kasai laboratories. Elsewhere, Plexxikon Inc., in the U.S., is conducting drug discovery in this field using the Scaffold-Based Drug Discovery® platform,*4 while Daiichi Sankyo Life Science Research Centre in India (RCI) is researching respiratory and infectious diseases. Each laboratory is advancing new drug research utilizing its individual strengths.

In the field of biologics, Daiichi Sankyo, through its Shinagawa R&D Center, Kasai Research and Development Center, and Tatebayashi Plant, is developing technology platforms centered on antibodies and nucleic acids while also advancing biologics-related drug discovery ventures. At the same time, U3 Pharma GmbH, in Germany, is researching antibody agents through collaboration with the Max Planck institute with the aim of developing oncological treatments.

Drug discovery efforts at ASUBIO PHARMA Co., Ltd., are targeted at the nervous system, the immune system, and regenerative medicine. Meanwhile, Daiichi Sankyo RD Novare Co., Ltd., acts as a pharmaceutical technology platform, while Tissue and Cell Research Center Munich (TCRM), in Germany, advances research utilizing human tissue and cells through joint efforts with a consortium of other organizations.*5 Collectively, the entire Group is stepping up personalized medicine*6 initiatives. (See chart below.)



For information regarding collaboration with academic institutions, please refer to "Open Innovation" on pages 44 and 45.

* Neologism used to refer to genomics, proteomics, and other fields that involve collecting and analyzing information on an extensive range of biological molecules, such as genomes and proteins

*1. Identification of predicted features relating to the efficacy and safety of a new drug through clinical trials

*2. Discovering new drugs that are effective in treating certain diseases by further developing compounds for which development has been ceased or pharmaceuticals that are effective in treating other diseases

*3. An international non-profit organization originating from Japan that promotes new drug discovery

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

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

*6. A medical approach that entails tailoring treatment methods to individual patients based on consideration of their genetic background, physiological conditions, and disease characteristics

Initiatives for Realizing Innovation

Reinforcement of biologics research functions

Biologics are drugs that contain peptides, proteins, nucleic acids, and other biological materials as active ingredients. In addition to growth hormones, insulin, and interferon, which have been sold for more than a decade, many antibody agents have been developed and launched in recent years. In 2014, we pushed forward with the development of technology platforms in this area centered on antibodies and nucleic acids and advanced drug discovery and clinical development initiatives to create new biologics. With regard to antibody agents, we have installed additional production facilities that are compliant with Good Manufacturing Practice requirements, and we are producing investigational drugs. In addition, Daiichi Sankyo has been successful with the in-house development of protein engineering technologies that can be used to design antibodies with superior efficacy that are also incredibly safe, and it has acquired patents for these technologies. Furthermore, the Company is focused on developing antibody-drug conjugates (ADCs), which combine antibody agents and anticancer drugs to realize a powerful tumor-fighting effect. We are developing original technologies related to ADCs and antisense oligonucleotide drugs. After confirming that these drugs possess the superior levels of efficacy and safety expected through non-clinical trials, preparations are under way to quickly bring these drugs to clinical trials. In the field of cancer immunotherapy, which is garnering attention as a viable option for treating cancer, Daiichi Sankyo is engaged in joint research with academic institutions to develop revolutionary and highly specialized technologies. At the same time, we are pushing forward with drug discovery research with the aim of offering new pharmaceuticals based on proteins and peptides to create the next innovation after antibody drugs.

Venture Science Laboratories (VSL)

Established in April 2013, VSL focuses on research targets thought to be related to aging and is undertaking drug discovery ventures aimed at neurodegenerative diseases and a wide range of other ailments. Actively engaged in joint research with the University of California, San Francisco (UCSF), and other globally recognized research institutions, VSL members are working together to achieve high productivity, despite their small team. This commitment has kindled an adventurous spirit in each of VSL's researchers, and the number of ambitious individuals that seize opportunities in their research attempts is increasing. At the moment, compound screening is under way with regard to various research targets. Although such research is still in the preliminary stages, VSL has already created promising compounds that have the potential of becoming the "seeds" of new drugs.

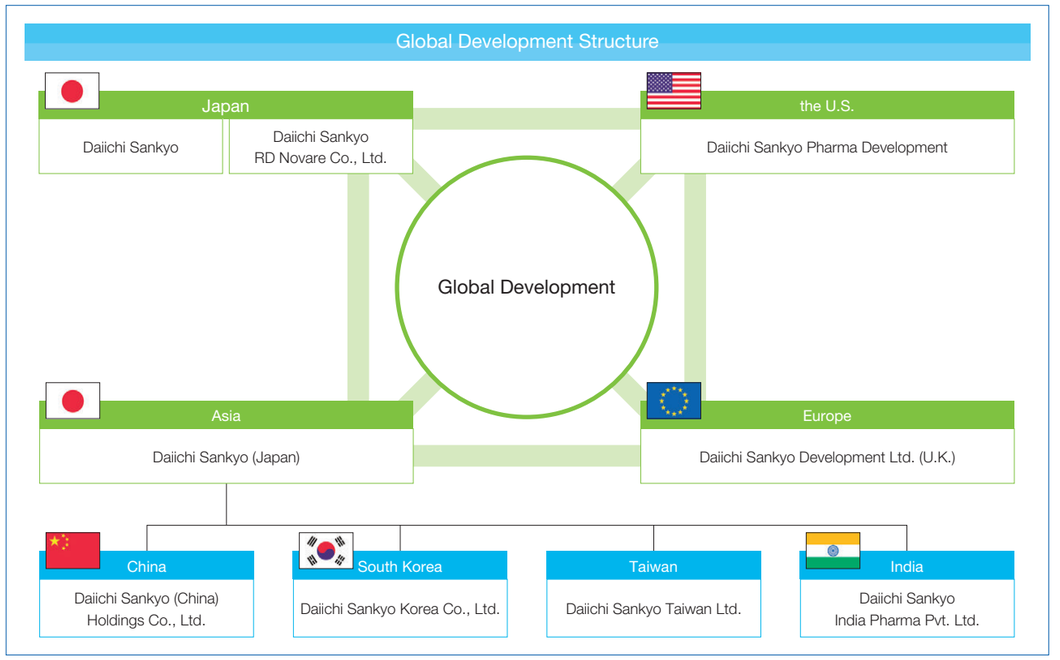
Promotion of global development

In its development efforts, the Group strives to deliver products created for the global market to medical institutions around the world as quickly as possible. To this end, we are extending our global reach by utilizing our network of bases in Japan, the U.S., Europe, and Asia. Moreover, we have developed a system through which Daiichi Sankyo RD Novare and other Group companies in Japan maintain close coordination with Group companies in the U.S., Europe, and Asia, and development processes are advancing in an integrated manner.

Daiichi Sankyo Pharma Development, which has an office in Edison, New Jersey, in the U.S., conducts the management of global clinical trials. Daiichi Sankyo Development Ltd., located in the United Kingdom, is in charge of clinical trials in Europe, whereas clinical trials in Asia are handled by Asian development hubs Daiichi Sankyo Korea Co., Ltd., Daiichi Sankyo Taiwan Ltd., Daiichi Sankyo (China) Holdings Co., Ltd., and Daiichi Sankyo India Pharma Private Ltd. (See chart and "Voice" on page 43.)

Leveraging this development network, we conducted two large-scale phase 3 clinical trials for edoxaban, which were successfully completed thanks to the cooperation of more than 29,200 patients in Japan, the U.S., Europe, and Asia. Edoxaban was later launched in Japan and the U.S. in December 2014 and February 2015, respectively, as a treatment for ailments related to venous thromboembolism and non-valvular atrial fibrillation. In Europe, edoxaban received marketing approval by the regulatory authority of Switzerland in March 2015, and then by the European Medicines Agency in June 2015.

In the field of pain treatment, one of our areas of specialty, we are advancing the development of mirogabalin, a chronic pain treatment, on a global scale. Phase 3 clinical trials are under way in Japan and Asia to evaluate the drug for the treatment of diabetic peripheral neuropathic pain and postherpetic neuralgia, while other phase 3 clinical trials are being conducted in Europe and the U.S. with regard to the treatment of fibromyalgia.



Voice

Effort to address the unique development issues in Asia

The Asia Development Department collaborates with R&D bases in Japan, the United States, and Europe, and structures its operations around two divisions: the Clinical Development Group and the Regulatory Affairs Group. Development-related tasks include confirming the efficacy and safety of drugs through clinical trials. Regulatory affairs duties entail providing data on products to be marketed to the regulatory authorities of each country to obtain approval. Regulatory affairs involve submitting applications for variation or updates of materials related to post-market pharmaceuticals, such as changes in manufacturing locations or package inserts, and obtaining related approval. We are currently preparing to submit an application for marketing approval to the Chinese regulatory authority with regard to edoxaban, a drug that has completed clinical trials and is anticipated to become a flagship product. A culmination of our eight years of seeking out the best practices for operating in the Chinese market, we are compiling the application for this product, which has fulfilled all the requirements expected of applicants undergoing review by the Chinese regulatory authority.

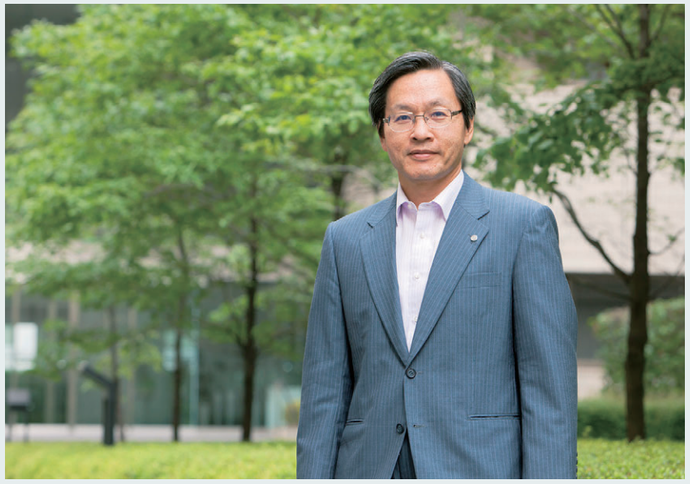
Asia differs from Japan, the U.S., and Europe, in that the regulatory conditions differ between countries and regions, forcing us to compile applications to fulfill different requirements for South Korea, Taiwan, Hong Kong, and Southeast Asian countries, for example. This is particularly true in China, where pharmaceutical regulations and other operating conditions are highly volatile. We must conduct business in this country while pursuing constant improvement through a plan-do-check-act (PDCA) cycle implemented based on interactions with the regulatory authorities. We also must carefully explain the special characteristics of the Chinese market to representatives of regulatory affairs and other functions from different regions, as we build upon our experience and share this knowledge through ongoing discussions with these individuals.

One characteristic of the healthcare environment in China is the large number of patients that are forced to commute to one of the country's large hospitals from remote locations, making it difficult from them to undergo frequent examinations. For this reason, edoxaban, which does not require routine monitoring or dosage adjustments that are necessary when using warfarin, is expected to make significant contributions to healthcare in China. Going forward, we will strive to act as a role model for drug development in Asia, carefully accounting for the high number of underweight patients and otherwise adopting a perspective focused on the unique issues faced in this region.

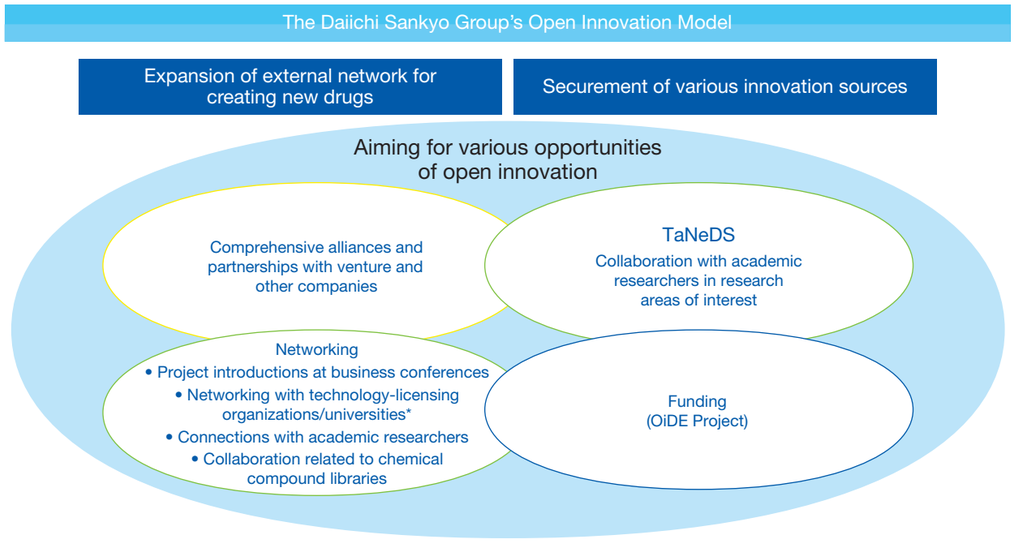
Koichi Miyazaki, MSc, RPh
Regulatory Affairs Group,
Asia Development Department
R&D Division
Daiichi Sankyo Co., Ltd.

Ari Fujishiro

The Daiichi Sankyo Group has defined its mission as being “to contribute to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs.” Fulfilling this mission requires that we draw on the knowledge of numerous researchers. We conduct open innovation activities as one means of tapping such knowledge. This section will explain some of these activities.



Masahiko Ohtsuki, Ph.D.
Corporate Officer
Global Head of Research
Vice President of Research Function, R&D Division
Daiichi Sankyo Co., Ltd.



* Organizations that help transform the successes of university researchers into patented technologies and facilitate the introduction of these technologies at companies

Open Innovation

In their R&D activities, pharmaceutical companies must address the recent trend of declining efficiency in the process of discovering new drugs. To remain competitive and continuously create new drugs that are valuable to patients requires a company to be involved with various research themes and take advantage of numerous technology development opportunities to uncover the “seeds” of viable new drugs. In order to accomplish this, it is now absolutely essential for a company to quickly adopt the findings of not only its own R&D activities but also the countless basic research ventures and non-clinical and clinical trials of other companies and subsequently make use of these open innovations. It is becoming more important than ever to utilize the findings of various cutting-edge research projects as well as the technologies born out of these projects.

The discovery and verification of novel pharmaceutical targets as well as other aspects of drug discovery research rely on the results of various basic research projects. At the same time, wide-ranging technology and research platforms are essential to resolving the issues that arise during the R&D process. These platforms are primarily researched at university departments and graduate schools in a wide variety of fields.

The Daiichi Sankyo Group actively promotes open innovation initiatives, as it strives to introduce a diverse range of perspectives into its drug discovery research efforts and merge these perspectives to breed innovation and thereby create revolutionary new drugs.

Comprehensive collaboration with research institutions and collaboration with venture companies

The Group has concluded comprehensive joint research agreements with certain research institutions that boast significant scientific achievements. Through these agreements, we are engaged in closely coordinated industry-academia collaboration. Domestic partners include the National Cancer Center, the National Institute of Advanced Industrial Science and Technology, and the University of Tokyo’s Institute of Medical Science. Research is being conducted on several themes with these partners. Outside of Japan, we have formed comprehensive novel pharmaceutical target discovery research partnerships with institutions including Virtici, LLC and Celdara Medical, LLC of the U.S., Medical Research Council Technology of the United Kingdom, and Lead Discovery Center GmbH of Germany. Joint research projects are being advanced while taking advantage of the networks of these institutions, which have close ties to academia. In addition, Daiichi Sankyo is jointly researching drugs and diagnostic agents for various neurodegenerative diseases together with the UCSF Institute for Neurodegenerative Diseases, in the U.S. We are also conducting comprehensive joint research with Sanford-Burnham Medical Research Institute in the U.S. to study novel drug targets for the treatment of cardiovascular-metabolic diseases.

Networking

Daiichi Sankyo collaborates with participants of business conferences and sections of academic institutions that conduct industry-academia collaboration and actively contacts academic researchers to seek out various opportunities for cooperation.

For example, with the aim of effectively utilizing its compound library, Daiichi Sankyo entered into a library-sharing partnership with Astellas Pharma, Inc. in April 2014. Through this partnership, both parties select approximately 400,000 exchangeable compounds from their libraries to share for use by the other party. In addition, we have commenced a joint research project through which a library of compounds designed by Daiichi Sankyo has been supplied to academic institutions so that they may conduct screening.

TaNeDS

Daiichi Sankyo launched its Take a New Challenge for Drug Discovery (TaNeDS; name derived from tane, which means “seeds” in Japanese) collaborative drug discovery project in fiscal 2011. Each year, more than 20 joint research projects are commenced through this program, and by advancing joint research based on selected themes, this program has led to the discovery of several potential candidates for practical application. In fiscal 2013, this program was expanded to the European Union in the form of TaNeDS Global Programme 2014, and a number of projects are under way through this extended program as well.

Funding (OiDE Project)

In September 2013, the Open innovation for the Development of Emerging technologies (OiDE) fund was established through joint investment by Mitsubishi UFJ Capital Co., Ltd., the Organization for Small & Medium Enterprises and Regional Innovation, Japan, and Daiichi Sankyo. Through this fund, we are lending our full support to the development of new drugs and technologies by uncovering promising seeds with the potential to become fundamental pharmaceutical technologies from among the research findings of Japanese universities and other organizations. Venture companies are then founded to develop these seeds.

About the TaNeDS Logo Mark

TaNeDS
Take A New Challenge For Drug Discovery

A symbol of “hope to grow by partnership.” Two people facing each other, holding hands expresses the intention of collaboration, to foster the seeds of hope together.

Improvement of R&D Efficiency and Productivity

Global decision making and effective investment of resources

To ensure we are effectively investing in human and material resources, we regularly engage in robust discussions on the productivity of our global research projects from the earliest stages of research based on scientific and business perspectives. Moreover, we pursue ongoing improvements in meeting procedures to expedite decision making, while actively delegating responsibility.

The committees that participate in the Global Executive Meeting of R&D (GEMRAD), at which issues related to the later stages of development are discussed, and the Translational Research-GEMRAD (TR-GEMRAD), at which issues related to the earlier stages of development are addressed, act as the highest decision-making bodies in the Group's R&D process. Members of these committees include employees of the R&D Unit as well as representatives from a wide range of specialized functions, such as regulatory affairs, product portfolio management, and licensing. These appointments ensure that appropriate decisions are made from a broad perspective. In addition, GEMRAD prioritizes development projects to guarantee that resources are invested effectively and in accordance with portfolio strategies.

Global R&D management

Under the third mid-term business plan, the R&D Unit is tasked with meeting three numerical goals each year. These goals are (i) to launch two new products for major indications, (ii) to advance four projects into late-phase clinical developments after POC,*1 and (iii) to advance nine projects into phase 1 clinical studies. In fiscal 2014, the first goal was met by launching edoxaban in Japan and the U.S. as well as prasugrel in Japan. Going forward, we will not only work to build a competitive product pipeline but also create innovative drugs that can meet a diverse range of unmet medical needs.

R&D Ethics

Maintaining social trust is crucial to a company's business activities. At the same time, it is vital to remain constantly aware of the importance of compliance. In life science-oriented industries, in particular, higher ethical standards are required with regard to human research subjects and laboratory animals. We are aware that our research is strongly related to the health and safety of people, and therefore we emphasize values based on bioethics.

Ethical considerations in research using human biological materials

Before conducting clinical trials, it is beneficial to estimate and predict both the pharmacological effects and side effects of a drug using biological materials from humans, such as tissue, blood, or genes. In recent years, there have been rapid advances in research on human-derived cells, such as embryonic stem (ES) cells and induced pluripotent stem (iPS) cells. In accordance with Japanese guidelines, including the Ethical Guidelines for Medical and Health Research Involving Human Subjects and the Ethical Guidelines for Human Genome / Gene Analysis Research, we established the Ethical Research Practice Committee on Human Tissue and Other Human Material Research. This committee is charged with the task of objectively ascertaining the necessity and value of such research. It is also responsible for ensuring respect for the human rights and dignity of sample donors. Furthermore, Daiichi Sankyo practices the highest ethical standards and follows legal and regulatory requirements in the process of collecting samples, which includes obtaining voluntary prior consent from research subjects (informed consent) and stringently protecting their genetic information and other personal information. Moreover, researchers active in this field are required to undergo specialized training each year.

Considerations in animal experiments

Animal experiments must be conducted in an appropriate manner as prescribed by research ethics and with due consideration paid to the welfare of laboratory animals.

Daiichi Sankyo has established the Detailed Rules on Animal Experimentation based on Japanese laws and guidelines, including the Act on Welfare and Management of Animals and the fundamental guidelines issued by the Ministry of Health, Labour and Welfare regarding how institutions under its jurisdiction conduct animal experiments and related activities. Acting in accordance with these rules, we practice the 3Rs of animal research.*2 All animal-use protocol must be approved by the Company's Institutional Animal Care and Use Committee, and only the protocol that have received approval can be enacted. Moreover, researchers conducting animal research are required to receive specialized training each year. To confirm that our experiments are in compliance with Japanese laws and guidelines, we conduct annual self-inspections and also seek accreditation from external organizations. In fiscal 2014, the Kasai R&D Center renewed its certification from the Japan Health Sciences Foundation's Center for Accreditation of Laboratory Animal Care and Use. At the same time, the Shinagawa R&D Center received accreditation from the Association for Assessment and Accreditation of Laboratory Animal Care International (AAALAC International). (See "Voice" on page 47.)

*1. Identification of predicted features relating to the efficacy and safety of a new drug through clinical trials
*2. Replacement (utilizing alternative testing measures), reduction (lowering the number of laboratory animals used), and refinement (minimizing the suffering of laboratory animals)

Measures to deal with biohazards

The Company practices strict compliance with the Act on Prevention of Infectious Diseases and Medical Care for Patients Suffering from Infectious Diseases and the Act on Domestic Animal Infectious Diseases Control. An internal biosafety manual has been created that includes rules for the safe handling of pathogens and pathogen-containing materials. The Biosafety Committee fulfills the role of determining proper operating rules. In addition, we have formulated internal rules for recombinant DNA experiments to ensure that genetically modified organisms are managed appropriately in accordance with the Act on the Conservation and Sustainable Use of Biological Diversity through Regulations on the Use of Living Modified Organisms (Cartagena Act on Biosafety). Furthermore, the Recombinant DNA Safety Committee checks all research protocol to ensure compliance with the Cartagena Act on Biosafety prior to commencement. To prevent accidents from occurring during recombinant DNA experiments, the Committee takes steps to identify all possible risks related to accidents by researchers and formulate countermeasures to address these risks. Training is also provided to recombinant DNA researchers to help prevent accidents.

Fair utilization of genetic resources

Concerning the preservation of biodiversity, sustainable use, and fair and equitable sharing of the benefits arising out of the utilization of genetic resources, we abide by the Convention on Biological Diversity and the Bonn Guidelines. Moreover, we are giving full consideration to recent domestic developments related to the Nagoya Protocol, which was adopted during the 10th Meeting of the Conference of the Parties to the Convention on Biological Diversity (COP 10).

Ethics in clinical trials

The Daiichi Sankyo Group assesses the efficacy and safety of drugs in development through clinical trials. These clinical trials are conducted in accordance with the Declaration of Helsinki, which defines the standards for ethical medical research involving human subjects. This means that trials are only conducted after obtaining voluntary informed consent from participants, while also ensuring their human rights are protected, personal information is securely managed, and their lives, health, and well-being are safeguarded. We comply with regulations such as Japan's Pharmaceuticals and Medical Devices Affairs Act and the Good Clinical Practice ordinance of the Ministry of Health, Labour and Welfare. Moreover, we have set up the Daiichi Sankyo Ethical and Scientific Review Board, which monitors all clinical trials we conduct in Japan to ensure compliance with ethical standards and scientific validity and to ensure that medical tests are appropriate. Clinical trials in regions outside of Japan are instituted in accordance with the good clinical practices of the Japan-U.S.-Europe coalition that known as the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use (ICH) as well as the regulations of the country in which they take place. To ensure transparency, we disclose information related to our clinical trials in accordance with the regulations of the respective country, the Joint Position on the Disclosure of Clinical Trial Information via Clinical Trial Registries and Databases of the International Federation of Pharmaceutical Manufacturers & Associations (IFPMA), and voluntary standards set forth by the Japan Pharmaceutical Manufacturers Association.

Voice

Higher levels of ethics in experimental animal care realized by receiving accreditation from AAALAC International

I belong to the Biological Research Laboratories at Daiichi Sankyo Co., Ltd., as the attending veterinarian and I am responsible for the welfare and well-being of all kinds of experimental animals at the Shinagawa R&D Center, such as zebrafish, mice, rats, guinea pigs, rabbits, dogs, marmosets, and cynomolgus monkeys. Moreover, I review the protocols of the animal experiments as a member of the Institutional Animal Care and Use Committee (IACUC) and inspect the status of experimental animal facilities.

Recently, we applied to AAALAC International to obtain AAALAC accreditation. To obtain accreditation, we had to submit the document "Program Description," which reached more than 90 pages, and other documents that included information such as the drawing of facilities' structures and functions, and minutes of the IACUC. In addition, I took site visitors from AAALAC International around the site to all facilities where animals are being raised. After this site visit, they pointed out many issues, and I had to make improvements to resolve all of these issues.

To acquire AAALAC International accreditation, we prepared standard operating procedures, cages for each experimental animal as recommended, the adequate number of cages, and AAALAC International's required storage method and attention to the expiration of reagents and other agents. Many members, such as the deputy animal care unit managers, members of the IACUC, researchers, an animal care unit manager, and members of the physical plant worked together to make meeting these requirements possible.

I thank all those who were involved in this undertaking for helping us acquire this globally recognized accreditation.

The standards required by law and guidelines as well as social expectations are growing more stringent with each coming year. To ensure that we can maintain this accreditation, we will continue to raise the level of ethics awareness at our animal facilities and improve our animal experiments.

Plate received following accreditation

Takakazu Hamada, DVM, DJCLAM
Biological Research Laboratories
R&D Division
Daiichi Sankyo Co., Ltd.

Protection of Intellectual Property

A variety of intellectual properties are used throughout the process of bringing drugs from the R&D phase to commercialization and to eventual use by appropriate patients in need. These intellectual properties include the ideas needed to overcome scientific and technical issues (patents and utility models), designs that make products easy to use (designs), and branding provisions to ensure customers can properly choose our drugs (trademarks).

The Daiichi Sankyo Group seeks to appropriately protect these intellectual properties. Our patent portfolio protects products with the contained substance patents, which relate to the active ingredients of drugs, as well as other patents pertaining to manufacturing processes, pharmaceutical technology, and new efficacies and effects. Intellectual property rights are not only acquired for inventions that are directly associated with products; we also realize the importance of such intellectual properties as the various tools and biomarkers necessary for R&D and the basic techniques necessary for manufacturing, and we are actively acquiring rights to protect these properties.

Daiichi Sankyo works to secure business opportunities while protecting its own intellectual property rights in a variety of areas and respecting those of other companies. Areas in which intellectual property rights must be considered include biologics, generic products, biosimilars, vaccines, and over-the-counter (OTC) drugs. As we develop our operations on a global scale, we are expanding the range of countries in which we acquire intellectual property. In addition, intellectual property representatives have been positioned in Japan, the U.S., Europe, and India to ensure timely and accurate responses to the Company's intellectual property needs that are fine-tuned to the respective region. We are also building cooperative relationships with external partners that possess cutting-edge scientific and technological capabilities to guarantee we are able to continue creating innovative new drugs through the utilization of open innovations and open development projects.

*1. Medical field related to climate-related illnesses for which patients are few

Line-ups of Products Responding to Medical Needs

The Daiichi Sankyo Group's product portfolio includes drugs for the treatment of hypertension, infectious diseases, dyslipidemia, and other conditions. We aim to develop a line-up of products for disease areas where unmet medical needs are great. To this end, we are advancing late-stage R&D projects in the oncology and cardiovascular and metabolic fields, while at the same time developing pain relief drugs with the aim of providing additional treatment options. The following are major pharmaceuticals that are in the late stages of development.

Quizartinib (AC220)

Quizartinib is an FLT3-ITD (FMS-like tyrosine kinase 3 internal tandem duplication) inhibitor for which the Company received development rights for through the acquisition of bio-field venture company Ambit Biosciences Corporation. We are conducting phase 3 clinical trials for quizartinib as a treatment for acute myelocytic leukemia in Europe and the U.S.

Pexidartinib (PLX3397)

Pexidartinib is a kinase inhibitor developed by Group company Plexxikon Inc. After generating impressive results in a phase 1 clinical trial for the treatment of pigmented villonodular synovitis, a type of giant cell tumor of the tendon sheath, Pexidartinib was approved as an orphan drug*1 by the U.S. Food and Drug Administration. We are currently advancing phase 3 clinical trials to test this drug as a treatment for giant cell tumors of the tendon sheath in Europe and the U.S.

Mirogabalin (DS-5565)

Mirogabalin is a chronic pain treatment developed by Daiichi Sankyo that controls the excessive excretion of neurotransmitters in nerve endings to relieve associated pain. Two phase 3 clinical trials are under way in Japan and Asia to evaluate the drug for the treatment of diabetic peripheral neuropathic pain and postherpetic neuralgia.

In addition, phase 3 clinical trials are being conducted in Europe and the U.S. with regard to the treatment of fibromyalgia.

Hydromorphone (DS-7113)

Hydromorphone is a narcotic analgesic marketed for more than 80 years outside Japan that has been positioned as a standard drug for pain control in the World Health Organization's guidelines for the treatment of cancer pain. However, this drug has not been approved in Japan. Therefore, this drug has been designated as an unapproved drug by an evaluation committee on unapproved and off-label drugs with high medical needs of the Ministry of Health, Labour and Welfare. Daiichi Sankyo is advancing the development of this drug, as this task is viewed as a social responsibility.

CHS-0214

CHS-0214 is a biosimilar (biogenetic) of etanercept, a treatment for rheumatoid arthritis and other autoimmune diseases. Daiichi Sankyo has concluded an agreement with Coherus BioSciences, Inc., of the U.S., regarding strategic collaboration for commercializing biosimilars in Japan. CHS-0214 is currently being tested as a treatment for rheumatoid arthritis in a phase 3 clinical trial in Japan.

CL-108

CL-108 is a novel hydrocodone combination product containing hydrocodone, acetaminophen, and promethazine. The Company has entered into a strategic collaboration agreement with Charleston Laboratories, Inc., regarding the future development of CL-108 as well as its commercialization in the U.S. We are currently advancing a phase 3 clinical trial in the U.S. to test this drug for the treatment of acute pain as well as the reduction of opioid-induced nausea and vomiting.

VN-100 (Intradermal Vaccine-Injection Syringe for Seasonal Influenza)

VN-100 consists of an intradermal injection syringe for influenza that is prefilled with HA vaccine. It was developed jointly by Terumo Corporation, Japan Vaccine Co., Ltd., Kitasato Daiichi Sankyo Vaccine Co., Ltd., and Daiichi Sankyo based on an agreement concluded with Terumo February 23, 2012, regarding the practical application of its intradermal infectious disease vaccines. The syringe is specially designed to prevent risks of damage to hypodermal peripheral arteries and nerves, and it is therefore anticipated to help eliminate the burden placed on recipients of vaccinations, including the mental burden from fear of needles. Domestic manufacturing and marketing approval was received for this product in April 2015.

For more information, please refer to "Major R&D Pipelines" on page 15.

Collaboration with External Partners

Daiichi Sankyo is actively collaborating with external partners to swiftly provide patients with a continuous supply of new drugs. Such collaboration includes in-licensing activities, which entail incorporating the R&D successes of bio-field venture companies and other external organizations into the Company, and activities for developing our own compounds together with partners that possess superior know-how.

Co-commercialization agreement for opioid-induced constipation treatment MOVANTIK™ between AstraZeneca and U.S. subsidiary

In March 2015, U.S. subsidiary Daiichi Sankyo, Inc. (DSI), concluded an agreement with AstraZeneca plc through which the companies will conduct co-commercialization in the United States for MOVANTIK™, a treatment for constipation induced by opioids (narcotic analgesics). DSI has been participating in sales promotions since May. Under the agreement, AstraZeneca will be responsible for manufacturing, and sales of MOVANTIK™ will be recorded by this company, which in turn will make sales-related commission payments to DSI.

Partnership between UCB and Daiichi Sankyo to co-commercialize epilepsy treatment lacosamide in Japan

In November 2014, Daiichi Sankyo concluded an agreement with UCB Biopharma SPRL for the co-commercialization of this company's lacosamide epilepsy treatment in Japan. UCB applied for approval for lacosamide in Japan in 2015. In supplying lacosamide to the Japanese market, UCB will be responsible for manufacturing, while the Company will handle sales and distribution.

In-licensing agreement for hydrocodone combination product CL-108 from U.S.-based Charleston Laboratories

In August 2014, the Company concluded an in-licensing agreement with Charleston Laboratories, Inc., for CL-108, a novel hydrocodone combination product. This drug will further strengthen Daiichi Sankyo's pain-relief product portfolio, which includes such noteworthy products as Mirogabalin and MOVANTIK™.

Acquisition of U.S. Ambit Biosciences Corporation

In November 2014, the Company acquired Ambit Biosciences Corporation, of the U.S. Daiichi Sankyo has defined the medium-to-long-term goal of continually providing groundbreaking new drugs in the oncology field, and this acquisition is expected to help further strengthen the Company's oncology product portfolio.

Development of nucleic acid treatment for Duchenne muscular dystrophy through joint investment with Innovation Network Corporation of Japan

In March 2013, the Company established Orphan Disease Treatment Institute Co., Ltd., with Innovation Network Corporation, of Japan, and other organizations. We are currently co-developing with Orphan Disease Treatment Institute a nucleic acid treatment drug for Duchenne muscular dystrophy (DMD). This drug functions during the process of synthesizing protein from a dystrophin gene by skipping the splicing of the premature m-RNA's exon 45 to create a mature m-RNA of dystrophin protein that is incomplete but functional. During fiscal 2015, we plan to commence a clinical trial of the drug on a part of DMD patients for whom it is anticipated to prove effective.

Pharmaceutical Technology

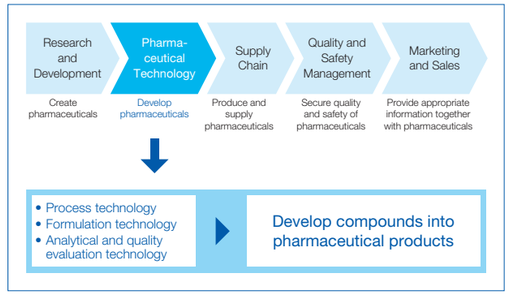
Quest to Become Daiichi Sankyo as a Global Pharma Innovator

We will develop candidate compounds into commercially viable pharmaceutical products.

Pharmaceutical Technology

Pharmaceutical technology is a collective term for technologies to develop candidate compounds that have either been discovered or created into commercial pharmaceutical products. These products are made by transforming chemical compounds with useful effects on the human body into high-quality dosage forms that can appropriately exhibit effects against disease. Pharmaceutical technologies are divided into the following three functions. (See chart below.)

- Process technology for researching synthetic methods to be used to manufacture candidate compounds efficiently and consistently in large amounts and with high quality
- Formulation technology for investigating dosage forms, formulations, and packages based on absorption stability, and usability in consideration of the characteristics of candidate compounds, and then selecting and preparing the optimal administration form
- Analytical and quality evaluation technology for establishing a variety of analytical and quality evaluation systems to properly and appropriately assure the quality of the pharmaceutical products



The Daiichi Sankyo Group has an important mission of providing highly beneficial pharmaceutical products by refining these pharmaceutical technologies and broadening the range of their applications.

Creation of High-Value-Added Products Using Pharmaceutical Technology

Efficacy and safety are the primary requirements for any pharmaceutical product. However, it is becoming significantly more important to provide pharmaceutical products that can be more easily used by patients, healthcare professionals, and caregivers in order to respond to the rapid aging of society and the needs for advanced medical care. Examples of user-friendly pharmaceutical products include extended-release tablets, which reduce the frequency at which pharmaceuticals must be administrated, and orally disintegrating (OD) tablets, which can be taken without water. Meanwhile, examples of innovation for healthcare professionals include syringes that are prefilled with drug solutions to reduce the hassle of preparation and the risk of needle injuries, as well as IC tags for pharmaceutical products or packages that are helpful in preventing medical errors. Additionally, we are utilizing various formulation technologies to provide user-friendly pharmaceutical products adding new value. Such innovations on this front include package designs and tablets with the product name printed on them in order to prevent any misuse. (See “Voice” on page 51.)

We are advancing the development of new synthetic processes based on the eco-friendly concept of “green chemistry,” which is aimed at achieving global environmental sustainability through means such as preventing pollution and reducing consumption of materials and energy.

Such new pharmaceutical technologies have been optimally applied to the following products that are currently offered: Olmetec, Rezaltas combination tablets, Memary, Inavir, Omnipaque, PRALIA, Efient (Japan), and LIXIANA.

Major Initiatives

Creation of high-quality products using advanced technologies

We are actively creating product quality designs based on the new Quality by Design (QbD) framework for quality assurance. For example, by applying advanced QbD approaches, LIXIANA, oral anticoagulant tablets, became the first pharmaceutical in Japan to utilize the real time release testing (RTRT) for all release tests.

Generally, the quality of pharmaceuticals is tested after production – products that have been assured to be up to quality are subsequently released. In contrast, RTRT is a sophisticated quality assurance system that utilizes advanced analytical technologies to manage quality during production and thereby eliminates the need for post-production quality tests. We are earnestly committed to ensuring quality by continuing to apply advanced technologies to our products.

Social issues related to pharmaceutical technologies

Recently in Japan, the aging of society has driven an increase in the number of people requiring long-term care, and these individuals are often prescribed a wide variety of pharmaceuticals to treat their illnesses. It is common for such individuals to forget to take or mistakenly administer their medicine – or fail to use medicine altogether – due to an inability to open the packaging. These factors can decrease the level of medical compliance*1 and adherence*2 practiced by such individuals, hindering the effectiveness of their treatment, and such trends are becoming a social issue. At Daiichi Sankyo, we are advancing research and development to create high-value-added products that help address this issue by responding to the needs of patients, caregivers, and healthcare professionals.

Voice

Development of designs based on the user’s perspective

I am in charge of developing tablets, capsules, and other orally administered solid formulations. At Daiichi Sankyo, we are committed to developing pharmaceuticals that are easy to take for patients and easy to administer for individuals assisting in their care. Memary OD tablets were our first OD formulation. In developing the tablets, our main focus was realizing two opposing characteristics. The tablet had to be soft to ensure that it could dissolve quickly in a patient’s mouth. At the same time, it needed to be hard enough to be easily handled by patients, pharmacists, and caregivers and prevent breaking should the tablets be dropped. We developed the formulation of the OD tablets through a trial and error process that entailed examining and evaluating formulations and utilizing numerous manufacturing processes and raw materials. Furthermore, taste is more of a concern with OD tablets than with conventional tablets, so it was also important to control the bitterness of the medicine to provide a taste that would make ingesting these tablets easier for patients.

Due to these efforts, Memary OD tablets have received much praise from patients, pharmacists, and caregivers alike. Many have mentioned that the change to the OD tablet made taking the medicine easier or that patients who were previously unwilling to take their pills had stopped refusing after switching to OD tablets. Others even stated that patients, who previously refused their pills, sometimes going as far as spitting them out, now take their medicine without any problems, which has greatly reduced the amount of time they spend administering pharmaceuticals.

In July 2015, we began selling Memary OD tablets with the name printed on each pill to clarify that these are the improved OD tablets. I hope this measure will reduce the hassle of dispensing or administering this product.

Moreover, the encouraging user feedback received with regard to Memary OD tablets has further inspired me to always maintain an understanding of unmet usability needs, and to develop formulations based on the user’s perspective.

Gaku Sekiguchi
Solid Formulation Research Group III
Formulation Technology Research Laboratories
Pharmaceutical Technology Division
Daiichi Sankyo Co., Ltd.

*1. Properly complying with pharmaceutical usage procedures
*2. When a patient actively participates in developing treatment plans, and then follows the plans developed

Major Initiatives

Discovery of usability needs at the medical front

Previously, when conducting research and development of formulation and packages to create high-value-added products, we relied primarily on information gathered from inside the Company or the pharmaceutical industry. This limited the range of ideas utilized to those that could easily be produced by researchers. It was for this reason that we launched initiatives for discovering the formulation and packaging needs of actual users. These activities included dispatching researchers to the medical front to directly observe and listen to the requests of healthcare professionals. The aim of these activities was to create high-value-added products that respond to the needs of the medical front.

Examples of products developed based on this approach include OD tablets and other easily administered formulations. We often hear of cases in which seniors are using lower quantities of water when taking their medicine, when compared with healthy young adults. This can make conventional tablets difficult to swallow. However, easy-to-dissolve OD tablets can be used with less or even no water. We anticipate that the creation of such tablets will help contribute to ease of administration, increase patients' medication adherence, and subsequently improve the effectiveness of treatment.

Another example would be tablets printed with their product name and dosage. Many pharmacists dispense numerous pharmaceuticals at once, and it is common for patients to take a large number of drugs. It has been suggested that, for such pharmacists and patients as well as for their caregivers, tablets printed with their name and dosage would be easier to distinguish from other drugs, and thereby provide a sense of security. Furthermore, should a healthcare professional order a patient to stop administering a certain drug, such printed tablets will enable the patient to easily discern which of their medicines they need to cease taking. In this manner, side effects from misuse can be prevented and risks to patient health can otherwise be minimized.

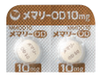
The Daiichi Sankyo Group remains strongly committed to giving form to ideas for high-value-added products that address the formulation and packaging needs of patients, their caregivers, healthcare professionals, and pharmaceutical wholesalers. (See "External Voice" on page 53.)

Development of High-Value-Added Products Prioritizing Usability

Memary OD tablets

One high-value-added product development by the Company is Memary OD tablets, which were launched in May 2014. This drug was developed with the aim of limiting the advancement of dementia in patients with moderate-to-severe Alzheimer's disease.

It is difficult for dementia sufferers to manage their own schedules for taking medicine, and common for them to refuse to use prescribed pharmaceuticals. Accordingly, the task of managing administration often falls upon the caregivers of such patients. We therefore believe that it is possible to decrease the burden on caregivers by providing OD tablets for dementia patients that also have difficulty consuming food or water. Memary OD tablets were developed using Daiichi Sankyo's OD tablets platform technology and are manufactured to be dissolved with saliva or small amounts of water. This means the patients experiencing difficulty swallowing pills or facing limitations on fluid intake can still take these tablets easily. In addition, we took steps to reduce the bitterness of these tablets, which we expect will prevent patients from spitting them out and thereby contribute to improved medical adherence. Furthermore, each tablet is printed with the name "Memary OD" as well as the dosage in clear lettering (see photographs below). Such labeling makes it easy to recognize these tablets and determine dosages, thereby aiding caregivers in accurately administering this product. Moreover, this information is printed on both sides of tablets, allowing for easy discernment even when the tablets are contained within blister package sheets. These features make Memary OD tablets an easy-to-use, easy-to-recognize, and high-value-added product prioritizing usability.

	High clarity (600 dots per inch)	Printed tablets in blister package sheets
5 mg tablet		
10 mg tablet		
20 mg tablet		

HANP Injection 1000

HANP Injection 1000 is a freeze-dried pharmaceutical used to treat acute heart failure. Originally launched in 1995, this product initially had to be stored at below 10°C.

Aiming to enhance usability, we changed the formulation for this product and were eventually successful in developing a formulation with improved stability. Furthermore, the product quality design for HANP Injection 1000 was reconstructed based on the QbD framework, enabling us to establish manufacturing conditions that optimized freeze-drying requirements through skillful innovation. We were thereby able to create an enhanced form of HANP Injection 1000, which is a new formulation that features the same quality as before while allowing for storage at room temperature, making it significantly more convenient to use.

After the Great East Japan Earthquake devastated many facilities and created electricity supply constraints, Japan was faced with a situation in which pharmaceuticals could not easily be stored at refrigerated temperatures. As such, the medical community was quite pleased to hear that HANP Injection 1000, a drug necessary for treating the serious condition of heart failure, could now be stored at room temperature. Going forward, we will continue to utilize our formulation technology to enhance the value of products throughout the entirety of their long life cycle.

HANP Injection 1000

External Voice

Contributions to the medical field made by accurately transmitting feedback from healthcare professionals and patients to pharmaceutical companies

I am a marketing specialist at the Alfresa Group, Japan's largest pharmaceutical wholesaler. My duties are diverse, primarily involving the conduct of business discussions as part of marketing activities. In the course of these activities, I quickly and accurately communicate product information to the medical front. Moreover, I visit hospitals and clinics nearly every day to have in-depth conversations with doctors and pharmacists to solicit opinions and guidance. I work in Kakogawa City, Hyogo Prefecture, which is home to around 70 hospitals and clinics and 30 insurance pharmacies. At the same time, I am responsible for roughly 230 pharmaceutical companies, making for a busy but rewarding job.

One step past doctors and pharmacists brings us to the patients who take pharmaceuticals on a daily basis. The opinions of patients are indispensable to the improvement of formulations. I therefore strive to accurately transmit this feedback to pharmaceutical companies so that it may be reflected in efforts to improve upon formulations. In the past, comments from insurance pharmacies that blister package sheets were too big and would not fit in shelves have led to changes in the size of sheets. Likewise, the opinion that certain tablets were bitter and hard to swallow has resulted in pharmaceutical companies switching to OD tablets. Moreover, after it was brought to our attention that the packages and blister package sheets of some products looked too similar to those of others, we changed packaging designs to prevent dispensing errors.

In the future, I will continue to listen carefully to all feedback from healthcare professionals, precisely collecting and transmitting information. At the same time, I will strive to continue to be a trustworthy marketing specialist with the goal of being No. 1 in my area to better aid patients suffering from various diseases and make larger contributions to the medical field.

Yuto Yano
Osaka / Hyogo Marketing Supervisory Development
Hyogo Marketing Department Division II
Kakogawa Branch Sales Office I
Alfresa Co., Ltd.

Supply Chain

Quest to Become a Global Pharma Innovator

We will leverage our advanced technological capabilities to efficiently produce consistently high quality drugs and to provide a steady supply of these drugs to patients around the world.

Transformation of the Supply Chain in Response to Changing Times

The operating environment for the pharmaceutical industry is changing rapidly as the pharmaceutical market grows on a global basis, pharmaceutical needs diversify, and generic drugs quickly permeate the domestic market. Moreover, these changes are making our supply chain increasingly more complex. In today's market, it is important that companies practice good corporate social responsibility while also assuring the quality of their pharmaceutical products and securing a steady drug supply. Accordingly, pharmaceutical manufacturers are now required to implement a wide range of responsible corporate activities' initiatives throughout all areas of operations, from raw material procurement to production and sales. In this highly volatile era, it is absolutely essential to transform the supply chain to make it more adaptive and flexible.

Refinement of the Supply Chain Technologies

As our entire business expands globally, we are establishing and optimizing a global product supply chain that is suited to the lifecycles of individual products by fully leveraging the strengths of all manufacturing sites.

In advancing these initiatives, the Daiichi Sankyo Group is supported by its supply chain technologies and is continually refining these technologies. Our various supply chain technologies include production technologies for swiftly commercializing products through coordination between research laboratories, and establishing integrated production systems encompassing processes from manufacturing new investigational drugs to commercial pharmaceuticals. Other production technologies include those for enhancing our manufacturing processes that are supported by our advanced art and for transferring technological capabilities.

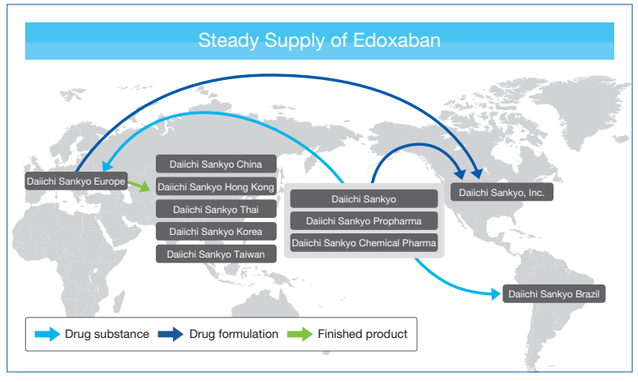
Supply chain technologies also include management practices, such as those for cutting costs through collaboration with our business partners and for developing flexible production plans.

Furthermore, in order to ensure high quality, steady and uninterrupted drug supply, and low costs, we strive to practice seamless business operations without any barriers impeding the flow of information that could create misunderstanding between different parts of the organization. In this highly volatile era, it is important to create strengths by aligning the entire organization with the same thought processes. We will continue to foster a corporate culture that promotes the refinement and integration of all supply chain technologies, which are to be backed by employees' knowledge and experience, to guarantee that our performance is always the best. (See "Voice" on page 55.)

Major Initiatives

Steady supply of edoxaban

We have received marketing approval for edoxaban in Japan, the U.S., and Europe, and we plan to expand the range of regions in which this drug is sold to include the Asia, South & Central America region.



To facilitate these efforts, we are developing systems for manufacturing bases in Japan, Germany, the U.S., and Brazil to ensure that we can quickly begin supplying specific markets with edoxaban after the prerequisite local regulatory approval has been received. In this manner, we are constructing an efficient supply chain network to guarantee a steady supply of this drug. We are also installing provisions to ensure a steady supply after launch, as well as to hedge risks and reduce costs. These efforts include developing a platform of multiple suppliers from which necessary raw materials can be procured and conducting production at several manufacturing sites. Through these measures, we aim to provide all markets with a steady supply of products.

Reorganization of Japan's supply chain functions

Effective April 1, 2015, the previous three domestic supply chain-related subsidiaries were reorganized into two companies, one for manufacturing APIs and the other for manufacturing pharmaceuticals and conducting logistics. In addition, new investigational drug manufacturing functions have been installed in the Supply Chain Unit. We have thereby constructed a supply chain for new investigational drugs that can also provide these products at any stage of operations, ranging from development to commercial use.

Furthermore, we are working to improve the efficiency of the foundations of our business operations. For example, we are establishing frameworks to allow technologies to be transferred with minimal hassle between divisions, to ensure that the manufacturing processes and analytical technologies developed during the production of new investigational drugs can be applied to the commercial production phase.

Recognition of and Response to Social Issues in the Supply Chain

One social issue needing to be addressed in the supply chain is the increased social demand for measures to assure the reliability of pharmaceuticals. Traditionally, pharmaceutical quality assurance efforts have been primaly focused on the manufacturing process, where we have ensured reliability by complying with Good Manufacturing Practices (GMP) for pharmaceutical and peripheral manufacturing and quality management. In recent years, pharmaceutical companies have also stringently ensured reliability with regard to the storage and transportation of pharmaceuticals and have conformed to Good Distribution Practices (GDP).

Daiichi Sankyo has developed its own GDP guidelines, which are implemented while utilizing serialization*1 measures in Japan and other regions for certain products as well as various packaging and labeling.

*1. Tracking method employing serial numbers to help prevent the spread of counterfeit pharmaceuticals
*2. Self-evaluations utilizing check sheets that include items related to human rights, labor conditions, corporate ethics, environmental measures, stability of supply capacity, and information security

Promotion of socially responsible procurement

To further promote socially responsible procurement practices, the Supply Chain Unit periodically assesses suppliers of raw materials in Japan to evaluate their ability to ensure quality and provide a stable supply of the desired resources.

In addition, in fiscal 2014, we held meetings with major suppliers that had instituted CSR self-evaluations*2 with the aim of improving socially responsible procurement measures. These suppliers scored higher on re-evaluations, and these meetings can thus be seen as a successful example of our initiatives to work together with partners (suppliers) by practicing socially responsible procurement activities. Going forward, we will promote socially responsible procurement as one facet of our corporate activities, which emphasize sustainability in addition to superior quality, steady drug supply, and low costs.

Voice

Improvement in technological and organizational capabilities to boost supply chain QCD

Edoxaban will undoubtedly be an important new drug in the future of the Daiichi Sankyo Group. For this reason, the Supply Chain Unit has been tasked with the crucial mission of developing a production system that excels in terms of quality, costs, and delivery (QCD), and is able to deliver a steady supply of high-quality products around the world at low costs.

At the Hiratsuka Plant in Japan and our plant in Germany, both of which are global formulation manufacturing bases, we conduct Real-Time Release Testing (RTRT), which allows final products to be shipped based on data collected from actual manufacturing processes. Conducted under the guidance of the Pharmaceutical Technology Division and the Quality and Safety Management Division, these initiatives and other technological innovations have helped us to realize higher-quality production at lower costs. Furthermore, as we work to expand sales in Asia, we are employing serialization measures as well as various packaging and labeling requirements of products sold in this market. Similarly, we faithfully implement the transportation quality assurance measures required in the U.S. for formulations exported to this country, and we are taking other steps to respond to the differing social expectations of each country in which we sell our products. More importantly, our three domestic manufacturing sites recently underwent GMP inspections by the U.S. Food and Drug Administration. We successfully passed these inspections through seamless coordination between various organizations, once again reaffirming the strength of the Daiichi Sankyo Group's organizational capabilities.

In April 2015, domestic supply chain functions were reorganized, transforming Daiichi Sankyo Propharma Co., Ltd., into an organization that possesses manufacturing functions for new investigational drugs. Going forward, we will continue to improve Daiichi Sankyo's technological and organizational capabilities to boost supply chain QCD for both pharmaceutical products and investigational products.

Kenji Ochiai
Technology Administration Group
Technology Department
Daiichi Sankyo Propharma Co., Ltd.

Quality and Safety Management

Quest to Become a Global Pharma Innovator

We will secure quality and safety to deliver reliable drugs.

Quality and Safety Management Unit

The success of Daiichi Sankyo's investigational and marketed drug products depends on quality manufacturing as well as appropriate data management. The Daiichi Sankyo Group's Quality and Safety Management Unit was developed to help deliver reliable drugs to patients and healthcare professionals all over the world. This unit focuses on the following four functions, the last of which was introduced in April 2015.

1. Quality assurance of a steady supply of drugs (products) to the world through manufacturing and analytical information reviews related to areas ranging from clinical trials to post-marketing
2. Assurance of patient safety through safety measures based on analyses and evaluations of information on adverse drug reactions received from all stages of use ranging from clinical trials to post-marketing
3. Quality assurance of data (efficacy and safety information) in areas ranging from R&D to post-marketing to validate the accuracy of the information we provide about the effects of our products on patients
4. Information creation and value improvement for drugs through clinical studies and post-marketing studies based on various needs of healthcare professionals for marketed products

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

Social Expectations Related to Quality and Safety Management

In recent years, countries around the world have been instituting increasingly rigorous standards for the quality and safety of pharmaceuticals. In regard to quality, manufacturing and quality management procedures are expected to be at the levels stipulated by international standards. Representative examples of such standards include the Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme (jointly referred to as PIC/S) and Good Manufacturing Practices (GMP) for pharmaceutical manufacturing and quality management. There is also a growing expectation that companies conform to Good Distribution Practices (GDP) for pharmaceuticals. In regard to safety, companies are expected to globally manage safety information in accordance with the regulations of relevant countries. For example, in Japan, pharmaceutical companies must provide a sufficient amount of information on their drugs from the perspectives of both healthcare professionals and patients to facilitate proper use.

The Quality and Safety Management Unit is proactive in ensuring compliance with these expectations. To uphold quality standards, the unit works in close coordination with the Supply Chain Unit to encourage subcontractors to observe the PIC/S, GMP, and GDP in their activities. In regard to safety, our main businesses in Japan, the U.S. and Europe as well as other important business units have introduced the Integrated Pharmacovigilance Operations System (IPOS) global safety database to realize more sophisticated management of safety information. In addition, in Japan the Company has formulated and disclosed pharmaceutical risk management plans (RMPs) to promote appropriate use of certain products. The contents of these plans are shared with a wide range of healthcare professionals and patients to help reinforce safety measures for drugs after launch.

The Quality and Safety Management Unit recognizes that a core aspect of its duties is responding to changes in social expectations to live up to society's trust, and the unit will work to maintain Daiichi Sankyo's standing as a trustworthy company going forward.

Major Initiatives

Promotion of proper drug use

Two years have passed since Japan instituted regulations requiring pharmaceutical companies to develop RMPs. Daiichi Sankyo has sequentially released RMPs for prasugrel, denosumab, and edoxaban, and the Company is pushing forward with other safety measures. RMPs play an important role in fostering a shared understanding among healthcare professionals, government authorities, and pharmaceutical companies with regard to the risk management measures necessary for specific marketed pharmaceuticals. Moreover, we recognize that by utilizing RMPs to enhance safety measures for the pharmaceuticals we market, we are able to help patients and their families live healthier lives. (See "Voice" on the right-hand side of this page.)

Initiatives related to edoxaban

Currently, edoxaban has been approved for three indications in Japan. The administration methods and dosage amounts vary for each disease. In addition, edoxaban's flexible dosing strategy offers physicians the advantage of dose reduction for important patient factors that are known to increase bleeding risk such as advanced age, low body weight, and reduced renal function. We have thus taken steps to make proper-usage information easier to understand to clarify usage procedures. Specifically, we have developed separate documents for each disease, and extra attention has been paid to package inserts for customers, such as using different-colored covers and photographs to more easily distinguish which document is needed.

Improvement of pharmacovigilance and quality assurance levels in the ASCA region

The pharmaceutical markets in the Asia, South & Central America (ASCA) region are growing rapidly, and to continue expanding our operations in these markets, complying with laws and regulations of the different countries in these regions is of paramount importance. Sharing information among operations is crucial in other countries and regions in which we market the same drugs, such as Japan, the U.S., and Europe. Therefore, it is essential we continue to develop pharmacovigilance* and quality assurance levels at our units in the ASCA region.

The Quality and Safety Management Unit is providing support and guidance to Group companies in these regions to help facilitate the sharing of information on a global scale to improve pharmacovigilance and quality assurance levels. Specific areas of attention include (1) activities related to the enhancement of quality assurance systems at production bases in these regions, (2) the development of contracts with license providers to ensure the exchange of safety information, and (3) measures to ensure the reliability of approval application materials for edoxaban and respond to related inspections.

* To collect, evaluate, and analyze adverse events of drugs (including investigational products) or other drug-related matters and implement initiatives for their prevention

Creation of pharmaceutical information

The Quality and Safety Management Unit is responsible for developing internal inspection systems for ensuring the utmost levels of ethics and transparency. The unit is aggressively conducting clinical studies with the aim of creating information with substantial medical and scientific merits. For example, the unit investigated treatment conditions with regard to edoxaban to aid in formulating life-cycle management strategies for this drug. It also conducted clinical studies in relation to prasugrel to ensure its competitiveness over rival products. The findings of such investigations are incorporated into theses and actively presented at academic events.

Voice

Creation of proper-usage documents enables Daiichi Sankyo to remain a leading company in terms of providing safety information

Daiichi Sankyo's expertise in creating package inserts, interview forms, RMP materials, and other proper-usage documents is consolidated within the Safety Information Management Group, which was established in April 2015 with the aim of strengthening information provision capabilities. Stationed in this division, I am responsible for constructing and managing package inserts and for formulating and editing the proper-usage documents that provide healthcare professionals and patients with information on the adverse drug reaction and proper-usage methods in Japan. These documents have a tendency to be very long and repetitive. For this reason, I take special care to make documents as simple and easy to read as possible to help their busy readers better utilize them for their desired results. I carefully draft and edit these documents to best present their content to readers.

For example, when I created a document for edoxaban, I continued to engage in vigorous discussions with related divisions in house, head doctors, and representatives from the Pharmaceuticals and Medical Devices Agency throughout the process. In order to accommodate for differing needs of various users, I constructed a proper-usage guide for edoxaban for use by healthcare professionals and a separate booklet aimed at patients.

At Daiichi Sankyo, we are committed to providing high-quality products to patients by maximizing the efficacy of pharmaceuticals while minimizing their risks. As I contribute to this endeavor, I am always growing more aware of the importance of reviewing products from the perspective of adverse drug reaction as well as efficacy, and of supplying timely information. I will continue to devote my efforts to helping Daiichi Sankyo provide appropriate safety information on its pharmaceuticals.

Chikako Fujita
Safety Information Management Group
Safety and Risk Management Department
Quality and Safety Management Division,
Daiichi Sankyo Co., Ltd.

Marketing & Sales

Quest to Become a Global Pharma Innovator

We continue providing appropriate pharmaceutical information to function as a bridge between patients and their families and healthcare professionals.

Japan

Since fiscal 2010, Daiichi Sankyo has launched a number of new products. These new products include Rezaltas, an antihypertensive agent; Memary, a treatment for Alzheimer's disease; NEXIUM, a treatment for ulcer; RANMARK, a treatment for bone complications; and PRALIA, a treatment for osteoporosis. Each of these drugs will become even more important as the population of Japan continues to age.

One major characteristic of Daiichi Sankyo's business is that the Company continually releases new products in the cardiovascular field, which has been identified as a priority field.

Thrombosis drugs marketed in Japan include the recently launched Efient, an antiplatelet agent with the potential to become the standard treatment in Japan for thrombosis and embolism, as well as LIXIANA, an oral anticoagulant originally marketed for prevention of VTE post-major orthopedic surgery since 2011, and for which new indications in atrial fibrillation and for the treatment and prevention of VTE were recently acquired. In regard to diabetes drugs, in addition to marketing TENELIA, a DPP-4 inhibitor manufactured by Mitsubishi Tanabe Pharma Corporation, we are participating in joint-promotion campaigns with this company for canaglu, a SGLT-2 inhibitor that was launched in 2014.

Going forward, we will nurture these new products into core earnings pillars and achieve sustainable growth by leveraging our extensive product portfolio. At the same time, we aim to build strong trusting relationships with patients, their families, and healthcare professionals and to be recognized as a trusted partner by healthcare professionals. To this end, we will continue to utilize the Company's unique MR Crosswise Structure*1 for medical representatives (MRs)*2 while fostering collaboration among Group companies.

Revenue from domestic sales of pharmaceutical products amounted to ¥477.0 billion, down 0.9% year on year. While sales of new products, including Memary, NEXIUM, LIXIANA, TENELIA, RANMARK, PRALIA, and Inavir, grew as a result of aggressive sales promotions, these increases were unable to absorb the impact of drug price revisions, the consumption tax hike, and the increasing trend toward the prescription of generic drugs.

In Japan, MRs provide an important foundation for sustainable growth by supporting patients' health through the provision of medical information related to our products. We emphasize the education and training of MRs at all levels, from new recruits to industry veterans. These MRs diligently improve their capabilities on a daily basis, while providing, collecting, and transmitting information to promote the appropriate use of the Company's pharmaceuticals, thereby building trusting relationships with healthcare professionals. Daiichi Sankyo's education and training program for newly employed MRs has a strong reputation for its high quality. In addition, all MRs have passed the MR certificate test held in December for five consecutive years since fiscal 2010. This is a remarkable accomplishment and an industry first. (See "Voice" on page 59.)

The operating environment for pharmaceuticals is in a constant state of change that corresponds to the diversification of medical needs. To continue to be recognized as a trusted partner by all healthcare professionals in this ever-changing environment, we strive to provide information that is relevant and takes into consideration the needs of patients and their families.

We also provide accurate, prompt, and courteous information to healthcare professionals as well as patients and their families through a multichannel approach. The information provided by MRs serves as the foundation for these activities, which include collaboration with marketing specialists (MSs) and encompass channels such as lectures, e-promotions, and disease education campaigns. Through these activities, we strive to provide healthcare professionals with useful information in a wide range of fields. In addition, we are strengthening activities with a particular focus on the cardiovascular and metabolism field, which includes thrombo-embolism, as well as the dementia and osteoporosis fields.

For healthcare professionals that treat patients with various symptoms and diseases, information provision will not be limited to a single particular drug. Rather, we will provide a more comprehensive range of information in consideration of all areas of patient care.

We also offer necessary information for responding to the rapidly changing healthcare environment to aid healthcare professionals in their daily endeavor to provide safe and reliable healthcare.

Through these information provision activities, we aim to build solid, trusting relationships with all healthcare professionals. We also aim to help improve the quality of life of as many patients as possible, treasuring the connections with each and every individual with whom we interact in this process. We hope to remain a bridge between patients and their families and healthcare professionals by faithfully supplying top-quality pharmaceutical products and appropriate medical information to enable patients to receive treatment with peace of mind.

Ethical Promotion for Pharmaceuticals

In Japan, MRs function as representatives of pharmaceutical companies. Their duties primarily involve visiting physicians, pharmacists, and other healthcare professionals to compile and provide information on the quality, efficacy, and safety of pharmaceutical products to ensure these products are used appropriately and to promote their usage in accordance with the Act on Securing Quality, Efficacy and Safety of Pharmaceuticals, Medical Devices, Generative and Cellular Therapy Products, Gene Therapy Products, and Cosmetics.

In providing medical information, the Daiichi Sankyo Group places compliance as its top priority. The Company practices strict compliance with the Pharmaceutical Affairs Act as well as related laws and regulations and the Fair Competition Regulations of Japan, as set forth in the Code of Practices for Pharmaceutical Industry published by the Federation of Pharmaceutical Manufacturers' Associations of Japan. We have also established our internal ethical code of conduct–the Daiichi Sankyo Promotion Code for Prescription Drugs (DS-P Code)–which is observed in medical information provision activities. The DS-P Code is revised as necessary in response to changes in the medical environment, social climate, or other factors. In the Sales & Marketing Division, monthly meetings are held with regard to the DS-P Code with the aim of raising awareness among MRs and preventing code violations. At these meetings, representatives from each area provide relevant MRs with information on important matters related to the DS-P Code. Furthermore, an employee responsible for Fair Competition Regulations compliance measures provides direct training to MRs in each sales office twice a year.

Voice

My experience undergoing training to study for the MR certificate test

I joined Daiichi Sankyo in 2014 and I am now working in the Kawagoe Sales Office of the Saitama Branch, where I work with physicians in private practices. Aiming to become a reliable MR, I spent five months following my entry into the Company at a training facility. There, together with 44 of my peers, I took part in an intensive training program designed to help us acquire the MR certificate, a standard industry qualification.

Throughout the training period, we always acted in teams of five. Each team included people with different educational backgrounds, such as those who had studied pharmacy, science, or liberal arts in college. As I had studied liberal arts, I had only a very small amount of basic medical and pharmaceutical knowledge, and this team structure proved highly informative for me. Furthermore, we had to take numerous tests during the training period, for which total team scores were ranked. Motivated to compete with other teams, this system encouraged us to support each other and work together to improve each of our performances. It also allowed us to share a feeling of accomplishment when we succeeded. More importantly, this experience instilled in us a spirit of teamwork, which is a core element of Daiichi Sankyo's corporate culture. I was assigned to my work post in August 2014. Over the period leading up to the MR certificate test in December, I continued to study on my own while also performing other duties. I believe that this system and the corporate culture surrounding it is the secret behind Daiichi Sankyo's ability to have 100% of its MRs pass the MR certificate test for five straight years. After having the experience of serving hospitals and other market segments, I eventually hope to be placed in charge of training the next generation of new employees.

Hiroki Shiota

Kawagoe Sales Office I,
Area Sales Promotion Department
Saitama Branch
Sales & Marketing Division
Daiichi Sankyo Co., Ltd.

*1. A structure linking MRs that serve certain medical facilities and regional areas with MRs that supply specialized data related to specific medical and therapeutic fields (forming "cross" field coordination) to ensure the provision of high-quality (or "wise") information
*2. Abbreviation for medical representative (medical information representative)

North America

In fiscal 2014, downward pressure was placed on the earnings of Daiichi Sankyo, Inc. (DSI), by intensified competition following the release of a generic rival for the olmesartan feranchise. With regard to Welchol, a treatment for both hypercholesterolemia and type 2 diabetes mellitus, competing generic drugs were not released during fiscal 2014, contrary to expectations. As a result, both Welchol and Effient experienced sales that were in line with the previous fiscal year. In addition, edoxaban was launched in the North American market under the brand name Savaysa in February 2015. DSI's revenue amounted to ¥173.0 billion in fiscal 2014, down 0.7% year on year.

In fiscal 2015, we will continue to implement marketing initiatives aimed at patients, healthcare professionals, and other stakeholders with regard to DSI's mainstay olmesartan franchise, even in the midst of the fierce competition from generic drugs in the antihypertension treatment market. Our sales forecasts for fiscal 2015 are based on the assumption that a generic drug will be released to compete with Welchol. With regard to the newly launched Savaysa, we plan to construct sales strategies and steadily implement marketing and contracting strategies, while taking into account labeling restrictions, in order to expand sales and grow this drug into a mainstay product. Also, DSI concluded a co-commercialization agreement with AstraZeneca plc in March 2015 for MOVANTIK, a treatment for constipation induced by opioids. DSI will quickly develop sales promotion strategies for this drug through collaboration with AstraZeneca.

Luitpold Pharmaceuticals, Inc. (LPI), which specializes in anemia treatments and injection treatments, recorded revenue of ¥57.4 billion, up 44.8% year on year. This impressive increase in sales can be attributed in part to the stable earnings base formed by Venofer, an iron-deficiency anemia treatment for patients with chronic kidney disease, as well as the launch of the new Injectafer anemia treatment in fiscal 2013, which has served as a major driving force behind sales of this company's entire iron supplement franchise. Another contributor was the performance of LPI's generic injection treatments, which benefited from successful marketing strategies that accurately responded to changes in a highly volatile market.

In addition, investigations by the U.S. Food and Drug Administration were smoothly brought to completion during fiscal 2014 at both the new LPI plant in New Albany, Ohio, and the existing plant in Shirley, New York, which has been addressing quality management issues since fiscal 2011. This represents a large step forward in recovering LPI's North American production capacity.

Going forward, we will continue to increase production capacity in North America to enhance our responsiveness to market changes and to ensure a stable supply of quality products to the market.

Europe

In fiscal 2014, revenue for Daiichi Sankyo Europe GmbH (DSE) was down 0.6% year on year, to ¥83.5 billion. This outcome was due in part to the benefits of yen depreciation, which compensated for the large decrease in the government-defined selling price for mainstay product olmesartan in Germany.

The European Medicines Agency approved edoxaban in the European Union under the brand name LIXIANA in June 2015. DSE is in the process of launching LIXIANA in the EU, and this product is expected to make favorable contributions to performance going forward. As a part of launching this major product, the company is working to restructure its sales systems to shift from its current "Share of Voice" model to an "Access" model. This transition will entail revising current sales strategies to emphasize the volume of information provided to healthcare practitioners. Through these new strategies, large quantities of high-quality information will quickly be provided to various stakeholders in accordance with their specific needs, which vary based on their country or region or with which of the processes leading up to prescription decisions they are associated. As another part of this reorientation, DSE is cutting back on staff numbers and thoroughly strengthening core functions.

Through this "Access" model, DSE will further build upon the sales capabilities developed through its olmesartan franchise to maintain the strong presence of existing products in Europe while maximizing the benefits from the new introduction of LIXIANA.

ASCA*

In fiscal 2014, we implemented initiatives to maximize sales of olmesartan, levofloxacin, and other existing products, and to rapidly develop and launch new products, such as edoxaban, in the ASCA region. Moreover, we worked to utilize external resources through alliances and in-licensing while taking steps to incorporate demand in new markets. As a result, revenue for the ASCA region increased 15.2% year on year, to ¥61.6 billion. Mainstay products such olmesartan, levofloxacin, and pravastatin registered particularly strong sales growth in all countries.

In fiscal 2015, we will target sustainable growth in revenue and operating income in the ASCA region by continuing to pursue maximized sales of existing products and advancing preparation to ensure the quick development and launch of edoxaban and other new products. Expanding operations by utilizing external resources through alliances and in-licensing will also be positioned as a priority measure. We will focus particularly on creating business opportunities through alliances and in-licensing activities with global and local companies in China and Brazil, and we will seek to generate the greatest possible results through these efforts.

* Asia, South & Central America

Vaccines

The ongoing national campaign to promote vaccinations in Japan has been making headway, which is evident by the country's verification by the World Health Organization as having eliminated measles in March 2015. Japan has gradually been catching up with the United States and principal European countries in terms of vaccinations, an area where Japan had been lagging behind for some time. Vaccines are growing increasingly more important in Japanese society. This trend was clearly present in the April 2014 announcement of the Basic Immunization Plan by the Ministry of Health, Labour and Welfare (MHLW), which contained a medium-to-long-term vision for the future of Japan in regard to measures for promoting immunizations.

In April 2015, the Daiichi Sankyo Group integrated the operating foundations of its vaccine business by transferring all of its vaccine-related functions, with the exception of those related to alliances, to Kitasato Daiichi Sankyo Vaccine Co., Ltd. (KDSV). At the same time, we worked to strengthen our integrated scheme for research, development, production, marketing, and sales through organic collaboration with Japan Vaccine Co., Ltd., a joint venture with GlaxoSmithKline K.K. established in 2012 to conduct late-phase clinical development and sales.

The Daiichi Sankyo Group is committed to contributing to public health by creating innovative vaccines that address social needs and stably supplying high-quality vaccines.

R&D of vaccines needed in Japan

The Daiichi Sankyo Group actively engages in the research and development of the "high-priority vaccines" described in the basic immunization plan issued by the MHLW.

In 2014, the Company received manufacturing and marketing approval for a 4-valent combination vaccine for the prevention of pertussis, diphtheria, tetanus, and poliomyelitis (polio). We are presently in the process of developing a 5-valent combination vaccine that will protect against infectious disease caused by Haemophilus influenza type b. Another vaccine under development is the MMR combination vaccine, which combines a vaccine for mumps with the measles-rubella combined vaccine (MR vaccine) we are currently marketing. Furthermore, in April 2014, we applied for manufacturing and marketing approval for an intradermal seasonal influenza vaccine in Japan. This state-of-the-art intradermal vaccination product supplies the Company's influenza HA vaccine prefilled in an intradermal injection device developed by Terumo Corporation.

In addition to the above, Daiichi Sankyo was selected for a grant under the Next generation TEchnology transfer Program conducted by the Japan Science and Technology Agency. This grant was awarded for the development of a novel, versatile vaccine adjuvant, and we are advancing an R&D project with the aim of bringing this adjuvant to practical application.

Enhancement of manufacturing and pharmaceutical technology structures and improvement of manufacturing efficiency

KDSV is strengthening its pharmaceutical technology structures while constructing a new manufacturing building equipped with state-of-the-art facilities as part of steps to improve energy efficiency and manufacturing efficiency. At the same time, this company is implementing other various initiatives, including improvement measures aimed at ensuring conformity with the Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme (jointly referred to as PIC / S) and GMP standards for pharmaceutical and peripheral manufacturing and quality management as well as guaranteeing stable supply.

Contribution to national pandemic response project

KDSV has been participating in a project on the development / establishment of a production system for new influenza vaccines spearheaded by the MHLW and obtained manufacturing and marketing approval for a cell-cultured H5N1 influenza vaccine in March 2014. Although we were unable to construct the production systems initially planned, we continue to improve manufacturing processes with the aim of creating the necessary supply of this vaccine.

Generic Business

Regarding the operating environment for generic drugs in Japan, accelerated measures to promote the usage of generic drugs, including increased premiums for generic dispensing systems in pharmacies utilizing health insurance plans and the introduction of a "generic drug coefficient" for evaluating the functionality of hospitals using the diagnosis procedure combination system were introduced by the Ministry of Health, Labour and Welfare (MHLW) in April 2014 based on the "roadmap for further promotion of the use of generic medicines," which has defined its goal of having generic drugs represent 60% or more of the pharmaceutical market on a sales volume basis by March 31, 2018. At the same time, prices for generic drugs were consolidated within three price ranges, effectively stimulating cost competition.

In fiscal 2014, Daiichi Sankyo Espha Co., Ltd. (DSEP) launched new generic drugs with three new active ingredients in both June (valsartan, losarhyd (losartan potassium + hydrochlorothiazide tablets), and imatinib) and December 2014 (levofloxacin, candesartan, and oxaliplatin). The Company's generic product portfolio now consists of 124 drugs with 51 active ingredients. Levofloxacin provides authorized generic versions* of Cravit, the originator of which is Daiichi Sankyo, and is manufactured from the same substance and additives using the same manufacturing methods as Cravit. Levofloxacin has been well received as a more affordable alternative for Cravit for medical institutions and patients looking to use generic drugs. In sales, we took steps to create a system to facilitate increased coordination between Daiichi Sankyo and DSEP As a result of these efforts, levofloxacin was able to garner immense market support immediately after its December 2014 launch. This success led it to capture a share of approximately 50% of the market for this particular generic active ingredient on a monetary value basis by March 31, 2015.

The generic drug market is expected to continue growing in fiscal 2015. Accordingly, we will push forward with the expansion of our lineup of premium generic drugs, which are based on the principle of making these drugs safer, more reliable, and easier to use for patients and medical institutions. One example of these drugs would be the newly launched letrozole tablet postmenopausal breast cancer treatment. This drug employs the innovative measures DSEP has traditionally used with regard to formulations and labels to make drugs easier to take and less likely to be misused. In addition, it features proprietary child-proofing functions developed with the aim of stopping children from mistakenly consuming pharmaceuticals, an issue that has recently grown to a societal level of importance. Through these efforts, DSEP strives to help make medical treatments safer and more reliable through the provision of generic drugs while also expanding the Daiichi Sankyo Group's generic business in Japan as its main proponent.

* Generic drugs manufactured after receiving consent from the manufacturer of the original drug through receipt of patent rights or other means

OTC Business

Initiatives and results in fiscal 2014

In fiscal 2014, the over-the-counter (OTC) drug market benefited from strong sales of products for rhinitis and eye drops stemming from higher levels of pollen dispersion than in the previous year. However, overall OTC drug sales were lower than fiscal 2013 due to poor sales of cold remedies, which represent a significant portion of the market, and the heavy impacts of the rebound from the consumption tax hike in April 2014. Demand rushes were evident during the year for high-priced items such as hair tonics, multivitamins, and revitalizers.

In this environment, Daiichi Sankyo Healthcare Co., Ltd. (DSHC) have made every effort to invigorate the market by redoubling the provision of information as well as through in-store promotion activities for growing product categories as well as advancing consumer-oriented development and marketing activities. However, its overall revenue fell 0.5%, to ¥47.8 billion.

Noteworthy products include the MINON Skin / Hair washing series of low-irritant washing products; the MINON Amino Moist series of low-irritant skincare products; the PRECOL Time Release Capsule, a comprehensive cold remedy designed to grant sufficient effects with only two doses per day; and AG Nose Allercut and AG Eyes Allercut, both anti-allergy agents. Of these products, the MINON Skin / Hair washing series made a particularly large contribution to total sales as a result of the strong benefits of the television commercials and other advertising activities that accompanied its first major brand renewal campaign in 12 years. Conversely, LOXONIN S, an analgesic and anti-inflammatory drug, suffered from fierce competition in its fifth year on the market. As a result, the ever-increasing sales that LOXONIN S has recorded since its launch have begun to decline.

Goals and key initiatives in fiscal 2015

In the OTC market, consumers have been increasingly practicing self-care and self-medication as part of their efforts to prevent diseases, to improve their health, and to extend their lifespan. As a result, consumers are becoming more consciousness of their own health. Daiichi Sankyo Healthcare aims to address this trend by focusing on developing products that respond to the diverse needs of consumers who are seeking to be healthier or more beautiful. In particular, we will accelerate the development of switch-OTC products that utilize the know-how of the ethical drug business we possess as an OTC company and step up the activities aimed at providing information related to LOXONIN S and other category 1 OTC drugs. At the same time, we will create new markets by acquiring rights to new materials and active ingredients and developing new products based on fresh ideas. We will also expand sales and improve our income structure by conducting selection and concentration focused on growing markets and enhancing brands.

Initiatives for growing markets

We will expand our business in the growing functional skincare and oral markets through active investment. (See "Voice" below.) As for the direct marketing business, we will push forward with efforts to reconstruct our operating foundation. We are also exploring new opportunities for overseas expansion.

Ethical promotion for OTC drugs

DSHC is operating its business with a high ethical self-awareness of social responsibility to provide OTC drugs that contribute to self-care and self-medication.

When conducting sales promotion, we comply with laws such as the Pharmaceutical and Medical Device Act, the Act on the Protection of Personal Information, and the Antimonopoly Act as well as the Guideline for Fair Sales Activity of DSHC and the Promotion Code for OTC drugs based on the guideline. We conduct fair sales promotion as well as accurate and proper activities for collecting and providing information on medicinal products.

When advertising OTC drugs, we not only adhere to related laws, such as the Pharmaceutical and Medical Device Act, the Standard for Adequate Advertisement of Pharmaceutical Products, and the Act against Unjustifiable Premiums and Misleading Representations, but also examine advertisements at meetings of the Board of Reviewing Promotional Goods and Advertisement of DSHC in accordance with the Guideline for Proper Advertisement, which was instituted by the Japan Federation of Self-Medication Industries.

Voice

Dedication to providing trusted and beloved products

I am positioned in the Skin Care Sales Group. In this group, we work to expand our skincare business by visiting shops and headquarters of drugstore companies together with MRs to provide information on products and sales promotions. I am primarily responsible for approaching drugstores located in the eastern part of Japan. When going about my job, I focus most on earning the trust of customers. Always valuing communication, I strive to build trusting relationships with customers by addressing their needs in a sincere manner.

One of the product lines I am responsible for is MINON, a long-selling brand of low-irritant washing products designed to be used by customers suffering from sensitive or dry skin and even by babies. Over the 40 years since its launch, this series of products has continued to win the support of customers of all ages. In August 2015, we launched the new MINON product line of medicated haircare products, including MINON Medicated Shampoo and MINON Medicated Conditioner. These products retain their low-irritant characteristics while featuring improved tactile sensation. Handling products that were developed by a pharmaceutical company means that it is my duty to provide customers with the type of easy-to-understand information steeped in insight and scientific evidence that we are able to offer as a pharmaceutical company. My own skin has been quite sensitive since I was a child, and I have been using low-irritant washing products myself. I am therefore motivated by my desire to help as many individuals suffering from similar conditions as I can. Going forward, I hope to deepen my knowledge in various areas of skincare, not only of MINON, so that I may help improve the quality of life for individuals suffering from sensitive or dry skin. I also want to continue to always value trust as an employee of a pharmaceutical company, and I will continue to practice dedication to providing beloved products.

Yumi Nishimoto

Skin Care Sales Group, Sales Administration Division
Daiichi Sankyo Healthcare Co., Ltd.

Promoting Compliance Management

Compliance is essential to achieving a strong business performance and results for any company. The Daiichi Sankyo Group, a global pharmaceutical company, therefore places compliance management among its top priorities within the organization.

Initiatives for Compliance

The Daiichi Sankyo Group's corporate initiatives and initiatives for each area of business are discussed on the pages that follow. A list of the topics covered can be found below.

Introduction of Initiatives for Compliance

Corporate initiatives (P64 to P67)

Corporate Ethics and Legal Compliance	• Continued operation of compliance promotion systems • Establishment and dissemination of the ICP • Compliance training and educational activities • Use of compliance reporting system • Protection of personal information, enforcement of information security, and compliance with the "My Number Act" • Measures for ensuring transparency of corporate activities • Approach to clinical research support • Initiatives for anti-corruption
Cooperative Relationships with Business Partners	• Promotion of compliance in procurement

Initiatives for each area of business

Research	• Ethical considerations in research using human biological materials (P46) • Considerations in animal experiments (P46) • Measures to deal with biohazards (P47) • Fair utilization of genetic resources (P47)
Development	• Ethics in clinical trials (P47)
Supply Chain	• Promotion of socially responsible procurement (P55)
Marketing & Sales	• Ethical promotion for pharmaceuticals (P59)

Corporate Ethics and Legal Compliance

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

To guide us in these efforts, we have established the Daiichi Sankyo Group Corporate Conduct Charter and the Daiichi Sankyo Group Individual Conduct Principles (ICP), which are applied throughout our global operations. Based on the essence of the Charter and the ICP, the Company and other Group companies have developed compliance conduct standards appropriate to their respective regions and social requirements. These standards serve as a set of concrete internal rules by which all executive officers and employees are held accountable.

Continued operation of compliance promotion systems

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

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

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

In conjunction with the structural reorganization that commenced in April 2015, we have been working to determine the ideal platform for coordination between Group companies in Japan, the U.S., and Europe with the aim of enhancing the Group's global compliance system.

Establishment and dissemination of the ICP

Global companies are expected to establish broad-ranging policies regarding the expectations for the behavior of individuals across their organization. Moreover, this policy must be adhered to and disclosed outside of the company to demonstrate that its global business activities are being conducted with integrity.

In light of this expectation, we developed the ICP, a global policy regarding the behavior of individual executive officers and employees established as a supplement to the Daiichi Sankyo Group Corporate Conduct Charter. The ICP was put into effect at Group companies in Japan and overseas in April 2015. In fiscal 2015, we will work to spread awareness regarding the principles and embed them into the minds of all Group members. (See "Voice" below.)

Compliance training and educational activities (Including Corporate Integrity Agreement training in the U.S.)

Compliance training and educational activities are an indispensable part of advancing our compliance programs.

Each year, e-learning programs are instituted for executive officers and employees of the Company and Group companies in Japan to help improve understanding of the Daiichi Sankyo Code of Conduct for Compliance. In addition, we actively invite lecturers to conduct training sessions and distribute information for educational purposes in consideration of the characteristics of individual worksites with the aim of raising compliance awareness among all members of the Daiichi Sankyo Group in Japan.

In fiscal 2014, we instituted a compliance awareness survey targeting all executive officers and employees at the Company and Group companies in Japan. This survey enabled us to develop an understanding of compliance awareness levels at specific organizations and Group companies and subsequently analyze these results. In addition, by communicating the results to division heads and Group company presidents in Japan, we are utilizing this survey's findings in advancing the compliance programs at individual organizations and Group companies in Japan.

An affiliate in the U.S., Daiichi Sankyo, Inc. (DSI), has reached a civil settlement with the U.S. government, including the Department of Justice, in January 2015. According to the Corporate Integrity Agreement executed with this settlement, DSI is enhancing its compliance programs including appointment of an independent Board member, compliance training, revision of internal policies, etc. Certain Daiichi Sankyo employees also took such compliance training.

Voice

Global Adoption of the ICP

The ICP were established and put into effect in April 2015. The decision to establish the ICP was based on the recognition that basic compliance by all Group executive officers and employees is essential to forming the foundations for earning society's trust and improving corporate value. Another consideration was the social expectation for companies to establish and disclose such principles, as is represented in Principle 2.2 of the Code of Conduct of Japan's Corporate Governance Code, which was established by the Tokyo Stock Exchange.

We are actively taking steps to expedite the dissemination of the ICP to quickly make them a solid fixture in the Group's corporate culture. In fiscal 2015, we will develop internal regulations and conduct training related to the ICP at Group companies with the aim of spreading awareness and embedding the ICP into the minds of all Group members.

Yoshihiro Aoyagi
General Council
Corporate Officer,
Vice President,
Legal Affairs Department
Daiichi Sankyo Co., Ltd.

Corporate Ethics and Legal Compliance

Use of compliance reporting system

Compliance reporting systems have been implemented of the Company and Group companies operating sites in Japan.

These systems can be used to report legal violations, harassment, or other issues to the Legal Affairs Department or an external law firm. Swift and appropriate action is taken to address any issues reported.

Furthermore, each Group company in Japan provides reporting channels, such as a hotline or e-mail system. The Company and Group companies in Japan have formulated internal rules related to internal compliance reporting, which clearly specify that confidentiality will be maintained, and that the individual who reported the issue will be protected from any unfavorable treatment as a consequence of reporting.

Outside of Japan, we are developing compliance reporting systems that are matched to the circumstances in specific countries and regions. For example, Daiichi Sankyo, Inc., of the U.S., employs an external compliance reporting system that is available on a 24-hour basis. Meanwhile, Daiichi Sankyo Europe GmbH, of Germany, installed an external reporting system in fiscal 2014, which has been made available to all European companies under Daiichi Sankyo Europe's jurisdiction and in all relevant languages.

Protection of personal information, enforcement of information security, and compliance with the "My Number Act"

Collecting personal information is a routine part of a pharmaceutical company's business activities. However, due to the sensitive nature of this information, misuse can cause serious personal damage, and many countries have enacted legislation requiring certain protection and safeguards to be established for such data. Recognizing this fact, the Company has established internal rules related to information management and the protection of personal information and is promoting information security to ensure personal information is handled in an appropriate manner.

In addition, we have thorough precautionary measures in Japan in place to prevent loss and theft of Company computers that are taken off the premises to ensure that Company and personal information is protected. Employees also carry emergency contact cards that indicate which official is to be contacted should an extraordinary circumstance create the risk of an information leak. Furthermore, security measures are installed into the hard drives of Company computers as an added precaution against information leakage.

With regard to the use of identification numbers under Japan's Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure ("My Number Act"), which is scheduled to start in January 2016, we have established special in-house teams that are preparing necessary measures for adhering to this system.

Measures for ensuring transparency of corporate activities

As a life science-oriented company, transparency is even more important in Daiichi Sankyo's business activities than in those of companies in other industries. By ensuring transparency in our relationships with medical institutions through our business activities, we hope to widely promote understanding with regard to our contributions in the development of medicine, pharmacology, and other life science fields and our high level of corporate ethics.

We have established the Basic Policy on Transparency in Relationships between Daiichi Sankyo and Healthcare Institutions to ensure the transparency of our relationships with medical institutions in Japan. Based on this policy, we collected information on payments to Japanese medical institutions in fiscal 2014, including those made by Group companies in Japan, and disclosed this information on the Company's corporate website in August 2015.

In addition, we work to ensure the transparency of our relationships with patient groups in Japan based on the Basic Policy on Transparency in Relationships between Daiichi Sankyo and Patient Groups. Accordingly, we have collected information on payments to patient groups in Japan during fiscal 2014 and disclosed this information on the Company's corporate website in August 2015.

Daiichi Sankyo actively complies with the Physician Payments Sunshine Act, which is part of the Patient Protection and Affordable Care Act launched in the United States in 2010. Accordingly, the Company has been reporting the amount of monetary payments and the value of goods and services provided to healthcare professionals and university hospitals to the U.S. government by calendar year since 2013. In Europe, we comply with the regulations and codes developed for countries belonging to the European Federation of Pharmaceutical Industries and Associations (EFPIA) based on the code of conduct adopted at the EFPIA Annual Meeting held in June 2013. We will be disclosing the amount of monetary payments and the value of goods and services provided to healthcare professionals and medical institutions by calendar year from 2015 onward.

We also adhere to the various regulations and codes of different countries, which relate to transparency issues.

Approach to clinical research support

Established in fiscal 2013, the taskforce for clinical research examines various issues regarding our approach to supporting external clinical research in Japan. The taskforce has developed the following policies based on the basic principle of the modality of clinical research support in pharmaceutical companies communicated by the Japan Pharmaceutical Manufacturers Association to member companies in April 2014.

- Create and adhere to contracts with regard to the provision of support in the form of funds or goods to clinical research projects related to Daiichi Sankyo's drugs
- Forbid the provision of labor to clinical research projects headed by external researchers
- Clarify internal monitoring systems for clinical research*1
- Create self-inspection procedures and checklists for supporting clinical research projects headed by external researchers
- Establish a committee to investigate conflicts of interests with regard to clinical research and arrange for external organizations to conduct investigations to ensure that conduct in this area is ethical

Supporting clinical research conducted by research institutions in disease areas related to Daiichi Sankyo's products allows the Company to further contribute to the development of medicine and pharmacology and the improvement of the health and hygiene of the population. Daiichi Sankyo also provides scholarship donations,*2 which are thoroughly examined to ensure that no conflicts of interests exist by the CSR Department, an organization that is independent from the Sales & Marketing Division.

Initiatives for anti-corruption

One of the Individual Norms defined in the Daiichi Sankyo Group Individual Conduct Principles (ICP), which were instituted in April 2015, states our commitment to preventing corruption and bribery.

As part of our compliance activities in this area, we held training sessions in fiscal 2014 for representatives at the Company and Group companies in Japan. These sessions covered the Unfair Competition Prevention Act of Japan as well as similar laws and regulations outside of Japan, such as the Foreign Corrupt Practices Act of the U.S., the Bribery Act 2010 of the United Kingdom, and the Anti-Unfair Competition Law of China. In addition, we instituted anti-corruption compliance training at Group companies that operate in the Asia, South & Central America.

Cooperative Relationships with Business Partners

Promotion of compliance in procurement

The Company and Group companies in Japan have established internal rules on procurement in which compliance is listed as a procurement mission, stipulating that strict compliance must be practiced regarding the procurement-related laws, such as the Antimonopoly Act, Act against Delay in Payment of Subcontract Proceeds, Etc., to Subcontractors, among others. In fiscal 2011, we established the CSR Procurement Standard (see figure below) to encourage all of our suppliers to engage in socially responsible actions. The Company and Group companies in Japan are working to clarify the procurement process and realize optimal procurement based on such internal rules. Specifically, since 2012, we have been requesting that suppliers from which we procure raw materials conduct voluntary CSR self-inspections, based on which we conduct follow-up activities when necessary.

In fiscal 2014, the Group formulated a global procurement policy in consideration of global trends. This policy stipulates that compliance with the laws and applicable regulations in each region must form the foundation for procurement activities. Going forward, the Daiichi Sankyo Group will continue to promote compliance-based procurement activities in both Japan and other regions.

CSR Procurement Outline

Daiichi Sankyo encourages all of its suppliers to engage in socially responsible actions to meet the following requirements and works together with them to provide support to achieve their goals.

1. Comply with laws and enhance socially responsible activities
(1) Protect human rights, labor rights
(2) Ensure workplace safety and health
(3) Comply with relevant laws and international conventions
(4) Contribute to society and community

2. Promote fair trade and ethics
(1) Prohibit corruption and bribery
(2) Promote fairness, transparency, free competition, and sound trade

3. Consider the environment
(1) Reinforce environmental management systems
(2) Reduce waste and use resources effectively
(3) Control hazardous chemicals in products
(4) Green Procurement

4. Secure optimal quality and cost
(1) Establish and implement quality management system
(2) Secure good product quality
(3) Offer competitive prices

5. Ensure stable supply
(1) Secure steady delivery times and stable supply

6. Keep information security
(1) Secure computer networks against threats
(2) Prevent the leakage of personal and customer confidential information

*1. Clinical research which is conducted by medical institutions in accordance with contracts with pharmaceutical companies with the aim of contributing to the advancement of medical treatments for certain diseases. The third-party nature of these research projects is maintained to prevent pharmaceutical companies from directly influencing data.
*2. Scholarship donations are provided to finance education or research at universities and research institutions.

Mutual Growth of Employees and the Company

For our employees, who embody the "Values" to which the Daiichi Sankyo Group aspires, performing meaningful work is the greatest driver for realizing our corporate vision. We pursue long-term growth while considering human resources to be our most important asset and encouraging their innovation, integrity, and accountability.

Driving Human Resource Initiatives Based on the Corporate Vision

At Daiichi Sankyo, we view people as the most important resource to our business. We believe employees will help realize our vision and fulfill our mission through their embodiment of the Daiichi Sankyo Group's key "Values" and their daily efforts to carry out its "Commitments" inside and outside the Company.

The Daiichi Sankyo Human Resources Management Philosophy represents management's commitment to supporting the development, empowerment, and fair treatment of employees that are deeply passionate about doing meaningful work and are highly innovative, irrespective of their location in the world. Simultaneously, we expect employees to uphold the ethics and standards that are included within our corporate vision.

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

Promoting Diversity

To expand our global business and generate innovation, it is important to create an environment in which all employees can achieve their full potential, regardless of their race, culture, gender, age or other legally protected characteristic. Thus, a component in the Daiichi Sankyo Group Corporate Conduct Charter stipulates the importance of diversity, and the Daiichi Sankyo Human Resources Management Philosophy advocates the utmost respect for matters of diversity. By linking the success of the organization to the diversity of individual employees, we seek to nurture both employees and the Company. (Please refer to page 69 for a list of systems and initiatives.)

Supporting the career development and work styles of diverse employees

Regarding the career development of our employees, we have put in place an evaluation system that contributes to the growth of our employees, while at the same time providing opportunities for placement and development based on individual aptitudes and capabilities, regardless of their age, gender, disability, or other legally protected characteristic. In addition, we strive to create and maintain an environment in which diverse employees can work with ease. For example, we have a system in place in Japan through which employees can continue to do meaningful work during or after a major life event, such as having and raising a child, or caring for a family member, instead of having to leave the workforce. Employees can continue to work by shortening or changing their work hours to accommodate their circumstances, provided their total work hours comply with Company guidelines.

Supporting the career development of our female employees in Japan

In Japan, we have initiatives that facilitate more flexible work styles and reduce the impact of major life events to support the career development of our female employees. These initiatives include enacting conditions that prevent women from being placed at a disadvantage for promotion after taking maternity leave and rehiring individuals that temporarily leave the Company for personal reasons (the "Re-Member" system). Additionally, we believe it is essential to make working conditions easier for women who return to the workplace after maternity leave. Accordingly, we provide ongoing support measures that help employees balance their work with their childcare needs, such as in-house child daycare centers (four in total), and training geared toward facilitating a smooth return to work after taking childcare leave.

Employment of senior citizens

With respect to the employment of senior citizens in Japan, we re-hire individuals that wish to continue working after reaching the mandatory retirement age. We are continually and comprehensively evaluating and adjusting the employment conditions, placement, treatment, and overall workplace environment for senior-citizen employees as we believe a diversity of generations will also benefit our business and our employees.

Promoting the employment of individuals with disabilities

At the Company in Japan, and other Group companies in Japan, through Daiichi Sankyo Happiness Co. Ltd.–a special subsidiary company that meets the terms of the Act on the Promotion of the Employment of Disabled Persons–we promote the employment of individuals with disabilities in compliance with our medium-term policy. To maintain a work environment where disabled individuals can consistently contribute, we seek feedback from both the employees and their supervisors.

Attaining Kurumin certification

At the Company and Group companies in Japan, we are actively providing support systems for employees raising children that are both easy to use and geared toward diversity.

As part of those efforts, we have been working to acquire the Kurumin next-generation authorization mark. Kurumin is the informal title of the employee child support program accredited by the Ministry of Health, Labour and Welfare. Companies and legal entities that fulfill certain criteria, including the provision of childcare support systems, are allowed to add the Kurumin mark to their advertisements and products. Daiichi Sankyo, as well as Asubio Pharma Co., Ltd., Daiichi Sankyo Business Association Co., Ltd., Daiichi Sankyo Propharma Co., Ltd., Daiichi Sankyo RD Novare Co., Ltd., and Daiichi Sankyo Healthcare Co., Ltd., have attained and consistently maintained accreditation under the Kurumin program. Going forward, we will continue to expand child support programs as we pursue obtaining certification for all Group companies in Japan.

Developing Our Employees

Cultivating leaders

It is our fundamental practice to help our employees develop through their work and to cultivate all employees with the professional mind-set of doing what is best for the Company as a whole. We develop the leaders required in various work sites through a combination of rotational work assignments, on-the-job training, and evaluations with dedicated self-study and training conducted on an individual work-site basis. At the same time, we select executive management candidates, who must be able to manage all enterprise and functional units, from mid-level and management employees. Once selected, we provide these individuals with various development opportunities, such as internal and external training, opportunities to take on new challenges, and global-level personnel exchanges.

Developing entry- and mid-level employees

In consideration of the Daiichi Sankyo Human Resources Management Philosophy, in Japan, we put energy behind developing employees who demonstrate innovation, integrity, and passion through their work. For entry-level employees in Group companies in Japan, we provide training, usually in their third year of employment and upon promotion to a manager-level position, that is aimed at developing individuals who can learn through their work experiences and take ownership of their own growth and personal development. In addition to providing opportunities for personal development, we seek to place mid-level employees in positions that, based on their aptitude, will help them acquire the practical knowledge and refined skills essential for being a leader in the organization.

Systems and Measures to Support Diverse Work Styles in Japan

Name of the Program	Details
Flextime	Work hours are adjusted on a monthly basis to allow for flexibility in the number of daily work hours.
Shortened Work Hours for Childcare (Fixed-Time System and Flextime System)	Employees raising children are able to shorten their daily work hours until their children complete the third grade of elementary school. Employees working shortened hours can also utilize the flextime system.
Shortened Working Hours for Nursing Care (Fixed-Time System and Flextime System)	Employees who need to provide care for family members (based on the Company's definition) are able to shorten their daily work hours. Employees working shortened hours can also utilize the flextime system.
In-House Nursery School (KIDS GARDEN)	In-house nursery schools have been established to help support parents with children waiting for admission into standard nursery schools. Childcare is provided either on a full-time or temporary basis. **Full-Time Childcare** We admit employees' children into our program full time, provided they are older than 57 days, not yet in elementary school, and are on the waiting list for government-authorized nursery schools. **Temporary Childcare** Regardless of their status on nursery school waiting lists, in-house nursery schools can be used by employees' children when the nursery school or kindergarten the child normally attends is on holiday. In these cases, pre-registration is required.
Adjusted Location and Work Time System (Part-Time Work System for Medical Representative (MRs))	Company MRs are allowed to adjust their work hours or days depending on circumstances related to their family, and the Company considers work location requests from MRs.

Developing Our Employees

Moreover, we have established a platform that supports self-directed learning of the general skills sought in business professionals. Training programs for each company and functional organization have also been designed based on the skills needed for each line of work.

Enhancing learning and development opportunities for line managers (organization heads)

In Japan, we have been augmenting our development curriculum for line managers with the purpose of "creating a workplace that develops individuals capable of consistently providing results while independently adapting to a changing environment." In particular, we have improved the New Line Manager Training Program. This program now provides group training on several occasions over the period beginning with the assumption of a new position as a line manager and ending with the one-year follow-up assessment, during which managers are expected to learn and grow through on-the-job experience. Further, for current line managers, we have introduced programs such as communications skills training.

Fostering Our Corporate Culture

Respecting human rights

Daiichi Sankyo recognizes the importance of conducting its corporate activities in a manner that is respectful of human rights, which is critical for developing a global business. We adhere to the core labor standards of the International Labour Organization (ILO), which are representative of the rights of working employees. In addition, we stringently manage personal information and require informed consent when conducting human genome and gene analysis research. Furthermore, the Company observes Good Clinical Practice by the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use (ICH-GCP), which are based on the spirit of the World Medical Association's Declaration of Helsinki, a statement of ethical principles for medical research involving human subjects. We believe that each of these initiatives is an important part of respecting human rights.

To promote respect for human rights in all regions of our operations, we communicate with every employee on December 10 of each year to mark Human Rights Day, which was established in commemoration of the adoption of the Universal Declaration of Human Rights. This message introduces initiatives conducted throughout the Daiichi Sankyo Group in relation to the three pillars of the United Nations Guiding Principles on Business and Human Rights and helps raise awareness in this regard. We are also implementing initiatives to foster respect for human rights in collaboration with material suppliers, manufacturing subcontractors, and other business partners in accordance with the Daiichi Sankyo Group Corporate Conduct Charter.

Please refer to "R&D Ethics" on page 46 for details.

Pursuing the respect of human rights

In Japan, we conduct ongoing training for all employee groups—from newly hired employees to management—relating to human rights, and we promote an environment in which a diverse range of employees can readily and respectfully work with one another. Besides working to raise awareness about harassment in the workplace on a daily basis, we have implemented training that uses case studies and is designed to improve the counseling skills of the Harassment Call Center staff, who are stationed at the head office, each work location, and at the labor union. Each and every case of violation is treated seriously—we emphasize appropriate behavior; seek the opinions of external individuals, such as lawyers, rather the keeping the matter contained within the Company; report the matter to the Corporate Ethics Committee; and put preventative measures in place to avoid a recurrence.

Communicating with labor unions

In accordance with the labor agreement concluded with the labor union, Daiichi Sankyo guarantees the right of employees to organize and negotiate as a collective group in Japan. The Daiichi Sankyo Human Resources Management Philosophy states that the utmost consideration must be given to communication with the labor union. We ensure the rights of our employees by making it a principle to engage in dialogues between labor and management, through which we constructively discuss resolutions to problems and disclose information in a highly transparent manner. We have established the Labor Management Committee to handle matters related to occupational health and safety and work-hour management, and we are faithfully implementing labor management based on the PDCA (Plan-Do-Check-Act) process by labor and management.

Building a dynamic corporate culture

In the midst of a business environment that is changing rapidly and employee values that are becoming increasingly diverse, the key to our organization's success is the ability of our line managers to convey to their team members, in their own words, the Company's vision as well as communicate their intent and align everyone in the same direction. Moreover, improving relationships among employees in the workplace is essential for consistently producing results and increasing the vitality of the organization. Based on this recognition, in fiscal 2014, we incorporated organization development concepts into the New Line Manager Training Program for Japan. We have also begun conducting more proactive measures for building a dynamic corporate culture based on the results of the Employee Engagement Survey that took place in fiscal 2014. (Please refer to "Voice" on page 71 for details.)

Promoting the "Work-Life Cycle"

In Japan, our work-life balance initiatives do not simply consist of the option for flexible or reduced work hours or providing a robust benefits plan; our initiatives create new values based on the concept of continuously developing both employees and the Company. Furthermore, these initiatives aim to balance work and personal life as well as advocate the idea we call the "Work-Life Cycle," which entails both work and personal life influencing one another and creating a cycle of positive synergy. We deepen awareness of this concept through training programs and the development of related materials, which have been created in collaboration with labor and management.

Voice

It's our employees that make the Company a "Great Place to Work"

Just recently, the Great Place To Work® Institute has honored us with the "Best Workplaces of Turkey 2015" award in the category for companies with 50 to 500 employees. This is a great success for us, and it confirms that we take our resonsibility as an employer very seriously.

The decision was based on a long and comprehensive selection process that also included an employee survey. Overall, we ranked 7th among all industries. In the pharma sector, we even made it to the very top and won the 1st place. Additionally, we received the "Work-Life Balance" special award, as we got the highest score in this area.

Both awards further add to our already good employer reputation in Turkey: since we started our operations in 2008, we have been awarded by Aon Hewitt with the 1st place as Turkey's best employer across all industries in 2010 and also obtained the "Respect to Human Beings" award for five times already from Kariyer.net, the largest recruitment company and a well-known brand in Turkey.

Dr. İlker Özbay (left)
General Manager of
Daiichi Sankyo
Ilac Ticaret Ltd. Şti (Turkey)

Promoting Occupational Health and Safety

At Daiichi Sankyo, we believe that ensuring safety in the workplace and the health of our employees is an important responsibility and a cornerstone for all our business operations. To us, preventing the occurrence and reoccurrence of workplace accidents and work-related illnesses is a given. The goal of our programs is to go beyond this to create a safe and engaging workplace environment that allows us to increase employee satisfaction through favorable working conditions and to boost productivity by instilling a sense of personal accountability and ownership. (Please refer to the chart below for a list of systems and initiatives.)

Tackling occupational health and safety

Centered on promoting occupational health and safety and avoiding excessive overtime, we are actively engaged in preventing workplace accidents and ensuring the physical and mental health of our employees in Japan. To advance our health and safety management programs, we established the Central Health and Safety Committee in Japan. After implementing policies and procedural policies developed in consultation with the labor union, the committee holds biannual meetings of health and safety committees at all Group companies in Japan and monthly meetings at each work location. A summary of the activities of these committees and associated results are collected in meeting minutes, which are then shared with all employees. Occupational physicians also participate in these committees.

In addition, as a means of providing a consistent level of support throughout Japan, we have employed a chief occupational physician within the Human Resources Department, and we coordinate with an external Employee Assistance Program (EAP) company to provide employee and employee family counseling services. We also carry out initiatives in cooperation with the Daiichi Sankyo Group Health Insurance Association.

Systems and Initiatives for Supporting Occupational Health and Safety in Japan

Systems and Initiatives	Details
Excessive Overtime Countermeasures	Consultations with physicians are provided for employees working extra hours. Those requiring additional care are offered personalized guidance that is coordinated between their supervisor and an occupational physician.
Medical Checkup Program	For the purpose of encouraging employees to receive medical checkups, we cooperate with the Daiichi Sankyo Group Health Insurance Association.
Mental Health Support	We have conducted stress checks, which show that on average the stress levels of our employees are low compared with the national average. Self-care measures*1 and line-care measures*2 are conducted as a way of fostering good mental health of our employees.
Return-to-Work Assistance	The Return-to-Work Assistance Program is conducted through the mental health system, which is spearheaded and overseen by a chief industrial physician, to increase the number of employees who return to work from administrative leave and to reduce the number of lost work days.
Health Databank	The Health Databank is equipped with centralized data management functions for medical checkup results. Employees can access their individual results, along with self-care functions, including stress checks and fatigue assessment tests.
Group Long-Term Disability Insurance System	To help mitigate the risk of losing one's livelihood, the Group Long-Term Disability Insurance System guarantees a fixed portion of income, possibly paid up to the retirement age, for employees rendered incapable of working due to sickness or injury.

*1. Activities are aimed at endowing employees with a better understanding of stress and mental health to enable them to appropriately handle their own stress.
*2. Activities spearheaded by supervisors, who interact with their subordinates on a daily basis, include improving workplace environments to support good mental health and responding to consultations from subordinates.

Enhancement of Communication with Stakeholders

We will communicate and cooperate with stakeholders with regard to all areas of business and promote mutual understanding. This section will introduce examples of communication activities conducted with healthcare professionals, patients, shareholders, investors, and other stakeholders.

Communication with Healthcare Professionals

Goal of being a trusted medical partner

In Japan, medical representatives (MRs) fulfill a particularly vital role in gathering, providing, and disseminating information to healthcare professionals, such as physicians and pharmacists. Daiichi Sankyo's goal is to continue to be recognized as a trusted medical partner by the entire healthcare profession.

We hope to form a bridge between patients, their families, and healthcare professionals by offering high-quality drugs and appropriate information related to these drugs in a wide range of therapeutic areas. We strive to provide information based on the needs of patients and their families, support healthcare professionals, and contribute to improvements in patients' quality of life.

As part of these efforts, we pursue continual improvements in the activities of MRs by periodically surveying healthcare professionals through third-party investigation firms.

In fiscal 2014, Daiichi Sankyo was ranked in Japan as No. 1 among pharmaceutical companies by all surveyed physicians in an overall assessment on MR activities, and it was also ranked as No.1 by cardiologists.

Assessment by Questionnaire

	FY2012	FY2013	FY2014
Overall assessment of MRs (all physicians responded)	No. 1 (n=2,451)	No. 1 (n=4,337)	No. 1 (n=4,085)
Overall assessment of MRs (cardiologists)	No. 1 (n=308)	No. 1 (n=442)	No. 1 (n=397)

Conducted by Daiichi Sankyo with the cooperation of an outside research company (FY2012), conducted by ANTERIO Inc. (FY2013–FY2014)

*1. Clinical studies are conducted by medical institutions in accordance with contracts with pharmaceutical companies with the aim of contributing to the advancement of medical treatments for certain diseases. The third-party nature of these studies is maintained to prevent pharmaceutical companies from directly influencing data.
*2. Studies of products in daily medical examination environments conducted by pharmaceutical companies through contracts with medical institutions that are based on good post-marketing study practices

Provision of high-quality medical information

Pharmaceutical products are used based on an evaluation of their benefits versus their risks. Therefore, it is important for pharmaceutical companies to create high-quality information on the efficacy and safety of their products and to provide this information to professionals in the healthcare field to promote proper use. In the early phase after the launch of a product, in particular, there is not sufficient information available to meet various needs in the medical practice, even though the efficacy and safety of these products have been confirmed in clinical trials. At the Daiichi Sankyo Group, relevant units cooperate to determine the information required from the perspectives of various healthcare professionals and identify the areas in which available information is lacking. We then work together with healthcare professionals to create the information necessary through optimal methods, which may include clinical studies*1 or post-marketing studies*2 of products that have been launched. The results of these activities are provided to healthcare professionals in a timely manner via medical publications, announcements at academic events, and proper-usage documents. Through these efforts, we strive to improve the value of our products by promoting proper usage and thereby contributing to the medical field.

To be considered high quality, information must not only have both medical and scientific value but also comply with various laws, regulations, and guidelines. When conducting clinical studies, post-marketing studies, or other activities, we develop plans that are compliant with such rules and decide which activities will be undertaken based on ethical and scientific considerations. Moreover, all such activities are conducted based on contracts with medical institutions to ensure transparency and effective management to prevent any conflicts of interest.

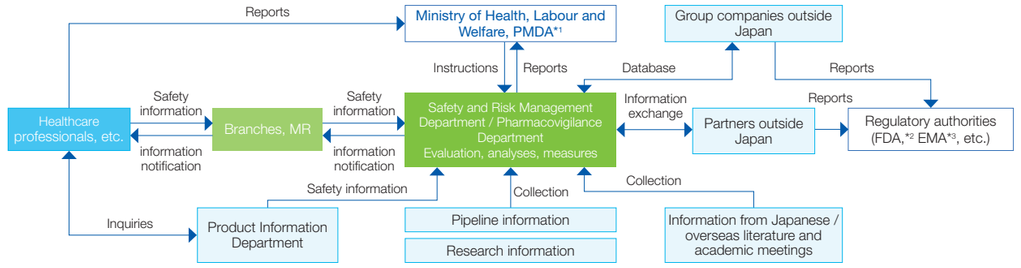
In fiscal 2014, post-marketing studies were conducted with regard to edoxaban, prasugrel, and denosumab. Going forward, we plan to provide the findings of these activities to healthcare professionals in the form of proper-usage information.

Collection of information and feedback

We collected approximately 15,500 safety reports in fiscal 2014 on adverse drug reactions and other matters from healthcare professionals in Japan via our MRs. Together with the reports from clinical trials, medical literature, and our partners in and outside Japan, we received approximately 64,000 safety reports during the fiscal year. The Safety and Risk Management Department and the Pharmacovigilance Department input this information into the Integrated Pharmacovigilance Operations System (IPOS), a global safety database, and then evaluate and report to the regulatory authorities without delay as per the criteria stipulated by relevant regulations. We also perform tabulated analyses and cause analyses in relation to safety information, and we work to reflect the latest information into the proper-usage documents provided to healthcare professionals by our MRs.

In conjunction with the acquisition of a new indication for this drug in fiscal 2014, safety information that was collected was in turn utilized to provide proper-usage information for preventing bleeding when using edoxaban. In addition, proper-usage documents on denosumab were distributed detailing factors about the occurrence of hypocalcemia.

Flow of Collection, Provision, and Communication of Information



*1. Abbreviation for Pharmaceuticals and Medical Devices Agency. PMDA conducts scientific reviews of marketing authorization application of pharmaceuticals and medical devices, monitoring of their post-marketing safety. PMDA is also responsible for providing relief compensation for sufferers from adverse drug reaction and infections by pharmaceuticals or biological products.
*2. Abbreviation for Food and Drug Administration. An U.S. government agency specialized in food, drugs, and cosmetics.
*3. Abbreviation for European Medicines Agency. A decentralized agency of the European Union whose main responsibility is the protection and promotion of public and animal health through the evaluation and supervision of medicines for human and veterinary use.

Communication with Patients

The Daiichi Sankyo Group values communication with patients. We communicate with patients through multiple channels, such as the Product Information Center in Japan, which directly receives inquiries regarding information on the Daiichi Sankyo Group's products that are prescribed at medical institutions or prescription pharmacies. We also indirectly communicate with patients through drug development activities and interactions with healthcare professionals. In addition, the "Kusuri-no-Shiori" (Drug Information Sheet) section of our corporate website (Japanese only) serves as a supplementary communication venue to help users better understand our drugs.

System to Utilize Customer Feedback

Daiichi Sankyo's Product Information Center strives to offer sincere and personalized service to provide patients and healthcare professionals with accurate information. In doing so, the center exercises "Innovation," "Integrity," and "Accountability," which have been defined in "Our Values" to serve as the common standard for the Group. The Product Information Center also adheres to its own four commitments of providing specialized information, offering consistent and high-quality responses, addressing customers with sincerity, and utilizing customer feedback.

We hope that people will find utilizing Daiichi Sankyo's Product Information Center to be a satisfying experience. We are committed to conveying accurate and easy-to-understand information to healthcare professionals as well as to patients, their families, and caregivers through this center. To this end, the center's staff continues to improve their skills and knowledge. Furthermore, we have instituted a system through which employees are appointed as dedicated representatives for communication with patients. These individuals take steps to fully understand the circumstances surrounding inquiries and work to deliver peace of mind to patients who have made medical inquiries.

We exercise care to provide consistent and high-quality information by consulting a wide range of pharmaceutical databases. Utilizing basic product information and internal questioning routines, we offer prompt and complete responses to inquiries.

System to Utilize Customer Feedback

In addition, we use the VOC (Voices of Customers) Portal, which is shared and utilized in-house, to analyze and track issues related to the valuable information received from patients and healthcare professionals via the Product Information Center. Furthermore, in fiscal 2015, we began including examples of such information in improvements to formulations and packaging on the "Minasama-no-Koe wo Katachi ni" (Giving Form to User Input) section of our website (Japanese only). We believe that utilizing feedback solicited through the Product Information Center to create better products will in turn contribute to society. (See "Voice" below.)

Voice

Earnest response to feedback from healthcare professionals and consumers to improve products and services based on unmet needs

As a member of the Product Information Center, I am responsible for responding to approximately 500 inquiries we receive each day from healthcare professionals and consumers (see "Number of Inquiries Received" to the right). When speaking on the phone, we talk slowly and in a slightly high-pitched tone to be more easily heard, and we listen intently to discover customers' needs. Handling phone inquiries requires high-level communication skills as we are unable to read the customer's facial expressions. I therefore actively take part in education and training programs to enhance these skills.

In general, there are two types of inquiries: those that can be handled immediately and those that require highly specialized knowledge. For the latter type, I work together with the specialists in various areas at the Product Information Center to provide customers with a fast and accurate response (see "Breakdown of Inquiries by Content" to the right).

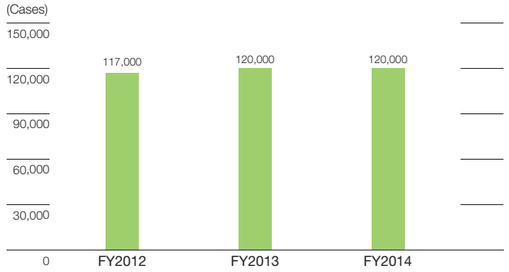
The Product Information Center is a venue for receiving feedback directly from healthcare professionals and consumers. Aiming to utilize this input throughout the organization, we established the VOC Portal in 2010, which is used to analyze inquiries in order to provide information on users' unmet needs to the relevant members of Daiichi Sankyo's staff. There are numerous examples of this information being successfully utilized to make our pharmaceuticals easier for patients to take. We created the "Minasama-no-Koe wo Katachi ni" page on our Japanese website to introduce such examples of products being improved based on user feedback and thereby communicate our earnest stance toward customer input.

WEB For more information, please refer to the "Minasama-no-Koe wo Katachi ni (Giving Form to User Input)" section on the Company's website via the link below (Japanese only).

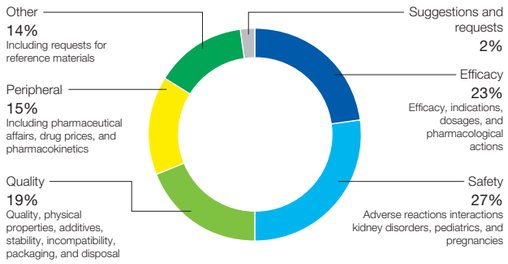
http://www.daiichisankyo.co.jp/healthy/customer/index.html

Shinobu Murata
General Consultation Group
Product Information Center
Sales & Marketing Division
Daiichi Sankyo Co., Ltd.

Number of Inquiries Received (Pharmaceutical Products)



Breakdown of Inquiries by Content (Fiscal 2014)



Communication with Shareholders and Investors

Timely and easy-to-understand information disclosure

The Company's basic policy for disclosing investor relations (IR) information for shareholders and investors requires that the Company conducts transparent, impartial, and ongoing information disclosure as stipulated by the Financial Instruments and Exchange Act and the timely disclosure regulations of the Tokyo Stock Exchange. In addition, this policy calls for the active and timely disclosure of other information that has been deemed as valuable to understanding the Company.

On the "Investor Relations" section of our website, we provide various documents, including financial results, briefings presentation materials, and documents related to the General Meeting of Shareholders.

WEB For IR information disclosure policies, please refer to our website at the link below.

http://www.daiichisankyo.com/media_investors/investor_relations/ir_disclosure_policy.html

Reciprocal IR activities

Briefings are held for announcing quarterly financial results, at which representative directors explain matters regarding management to investors, securities analysts, and members of the press. At these briefings, each topic is explained by a representative from the relevant division of the Company to ensure ease of understanding. Videos of these briefings, including the question-and-answer sessions, have been recorded and uploaded onto the Company's website. In fiscal 2014, R&D Day and Edoxaban U.S. business briefing were held as topic-specific explanatory forums in addition to the main quarterly results briefings.

In addition, DS Seminars are held twice yearly as explanatory forums on selected topics of particular interest to institutional investors and analysts. We also participate in IR conferences, hold individual meetings with institutional investors, and conduct teleconferences. These activities are carried out in and outside Japan.

The Company also places importance on communication activities targeting private investors and shareholders. We issue an IR e-mail magazine from IR representatives to investors twice per month. These magazines contain IR information and recent topics related to the Company. In addition, a video from the president is uploaded onto the Company's website semiannually to clearly communicate his message.

Furthermore, we hold explanatory forums for private investors, which serve as valuable opportunities to directly solicit feedback from these individuals. In fiscal 2014, 12 such forums were held in locations throughout Japan, at which we had the chance to speak with more than 500 private investors.

Results briefing

Dividend payments and forecasts

Management's basic policy for profit allocation is to make decisions based on a comprehensive evaluation of such factors as the need to bolster internal reserves in preparation for future growth strategies. In particular, returning profits to shareholders is viewed as a matter of utmost importance, and we therefore strive to provide shareholder returns in a flexible manner through means that include issuing stable dividend payments and acquiring our own shares.

For fiscal 2014, the Company issued an interim dividend and a year-end dividend of ¥30 per share each, amounting to full-year dividends per share of ¥60.

Fiscal 2015 will mark the 10th anniversary of Daiichi Sankyo's founding. We therefore plan to pay a commemorative dividend of ¥10 per share along with the ordinary interim dividend of ¥30 per share to be paid at the end of the second quarter. This commemorative dividend is an expression of our appreciation for the constant support of our shareholders. Accordingly, full-year dividends per share are forecast to amount to ¥70 in fiscal 2015.

Communication with Employees

Daiichi Sankyo communicates with employees in a timely manner with the aims of promoting understanding and awareness of management insights and fostering a corporate culture in which the organization and its employees act as one to pursue the Company's targets.

Specifically, we issue internal newsletters four times per year for Group companies around the world. These newsletters come in two forms: the Japanese-language PATIO and the English-language Global Patio.*1 In addition, messages from management and videos are posted on the Company's intranet detailing the vibrant working practices of employees as well as various other topics.

PATIO has been recognized for two consecutive years in the annual company newsletter recommendations released by KEIDANREN Business Services in Japan. In fiscal 2014, PATIO received an award of excellence in the physical booklet category after being presented with the overall excellence award in fiscal 2013. These awards reflect the high evaluation of PATIO's structure, which is designed to portray the Company-wide sense of cohesion in initiatives, as well as of the newsletter's abundance of complete and worthwhile articles.

Award of excellence trophy and certificate from fiscal 2014 company newsletter recommendations
Noriaki Ishida (right)
Executive Officer
Head of Corporate Communication Department, Corporate Management Division
Daiichi Sankyo Co., Ltd.
Akiko Ito (left)
Public Relations Group
Corporate Communication Department, Corporate Management Division
Daiichi Sankyo Co., Ltd.

Communication with Local Communities

Operation of the Daiichi Sankyo Kusuri Museum as a facility for providing comprehensive understanding of medicine

In 2012, the Daiichi Sankyo Kusuri Museum was founded in the Nihonbashi district of Tokyo, which has historically been associated with medicine. This facility is a museum for promoting an understanding of the Company's drug discovery activities and the pharmaceutical industry as a whole through hands-on exhibits. Since opening its doors, more than 45,000 people have visited the museum.*2 The facility welcomes visitors of all ages, and it is even used for drug education*3 programs for schools and company training.

*1. The name "PATIO" was chosen to symbolize the newsletter's function as a forum in which employees can freely take part and communicate.
*2. As of May 2015
*3. Study of pharmaceutical efficacy and side effects to learn proper usage

Promoting Environmental Management

Sustainable corporate activities, which care for the environment, are required. Initiatives for environmental issues are one of our key social challenges. The Daiichi Sankyo Group recognizes the environmental burden in every business operation and promotes environmental management.

Environmental Management System

Recognizing that caring for the environment is one of its key social responsibilities, the Daiichi Sankyo Group not only complies with the law but also has stipulated the following in the Daiichi Sankyo Group Corporate Charter: “We responsibly manage the environmental impact of our operations as environmental issues are common challenges for mankind and such concerns are integral to our corporate activities and our very survival.” The Group has also formulated rules for conducting environmental management and established its Basic Environment Management Policy based on these rules.

Basic Environment Management Policy

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

Based on the results of the analysis and assessment on the environmental impact of our corporate operations, we focus on major environmental issues, such as countermeasures for climate change, effective usage of natural resources, proper management of chemical substances, and biodiversity consideration. We address these issues by establishing, operating, and improving environmental management systems and communicating with stakeholders.

Environmental management promotion system

The vice president of the CSR Department oversees the Group’s environmental management. As for the Group’s environmental management promotion system, we have set up environmental management units based on the business units comprised of the corporations and internal companies that manage regions and businesses. The officials of environmental management units oversee the offices and other bases that make up their environmental management units.

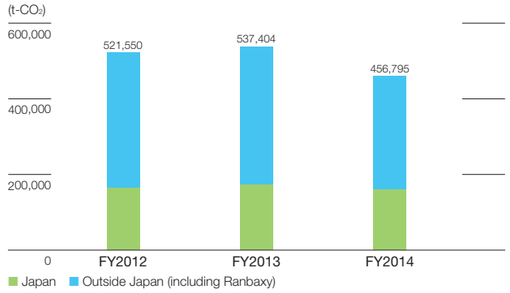
For example, an environmental management unit has been established for Japan, comprised of Daiichi Sankyo and domestic Group companies. The head of the Corporate Management Division of Daiichi Sankyo, who takes responsibility for this environmental management unit, has been designated as the chief executive officer of environmental management. This chief executive officer chairs the Environmental Management Committee which discusses important issues related to the environment. Moreover, this officer advances environmental management by overseeing environmental management classifications that are arranged around individual offices. The directors of these classifications take responsibility for these environmental managements and operate environmental management systems through ISO 14001 and other standards.

Climate Change and Global Warming Response Measures

Climate change presents risks in terms of the institution of more stringent regulations for greenhouse gas emissions based on international consensus and in the forms of phenomenon such as higher average temperatures. There are also risks that stem from factors including the frequent occurrence of abnormal weather and the impact on people’s health from alterations in disease structures.

The Group must consider the impacts that climate change and related risks could have on its business plans and earnings. The ability to respond to risks that have materialized is important. We are therefore formulating countermeasures and advancing other necessary initiatives to address these issues as a life science-oriented company. As part of its countermeasures for preventing global warming, the Daiichi Sankyo Group is striving to use resources and energy more efficiently in accordance with one of the policies of the Third Mid-term Environmental Management Policy: “Use energy efficiently and reduce carbon dioxide emissions in all operations to help prevent global warming.” (See graphs on page 77.)

Breakdown of CO_2 Emissions



CO_2 Emissions by Scopes in FY2014 (t-CO_2)

	Scope 1 (Direct emissions)	Scope 2 (Indirect emissions from energy)	Scope 1 and 2 total
Japan	90,795	69,214	160,009
Outside Japan	33,139	37,453	70,593
Overall (continuing operations)	123,934	106,667	230,602
Ranbaxy (discontinued operations)	48,698	177,495	226,193

Evaluation of the Environmental Impact of Pharmaceuticals Manufacturing

The Daiichi Sankyo Group realizes that one of the sustainability risks associated with its business activities is the possible negative impacts of pharmaceutical manufacturing and its by-products on the environment.

The Daiichi Sankyo Group complies with environmental impact regulations and requirements by conducting the necessary environmental impact assessments for its drugs based on the guidelines of relevant countries.

There have been incidents in the past in which pharmaceutical manufacturing by-products have been detected in rivers and other natural environments. The Group is well aware that social concern is rising with regard to this issue as well as its possible environmental repercussions. To address this concern, we believe we need to coordinate with governments, industry organizations, and research institutions to realize more appropriate risk evaluations and risk management.

In fiscal 2014, Whole Effluent Toxicity (WET)* test was conducted at the Tatebayashi Biopharmaceuticals Center to evaluate water expelled from the plant. It was confirmed that this discharged water did not pose a threat to ecosystems. In fiscal 2015, we plan to conduct WET tests at all plants and research facilities in Japan to assess the impacts of discharged water on the environment. (See “Voice” and photo to the right.)

* A testing method that utilizes the biological responses of fish, Daphnia, and seaweed to determine the whole toxicity of discharged water

External Voice

WET tests, an evaluation technique for discharged water management

Although the amounts are miniscule, a certain amount of unregulated chemical substances can be found in discharged water from plants, and the impact of these substances on aquatic environments is difficult to discern. It is for this reason that WET tests are used in countries around the world, particularly in Europe and the United States. This testing method utilizes aquatic organisms to evaluate discharged water, and it has been found to be an effective means of assessing the potential damage that could be caused to aquatic environments.

The WET testing method is employed mainly by municipal governments and major companies. However, the Ministry of the Environment is examining the possibility of instituting regulatory systems for promoting the use of this testing method as a discharged water management procedure. Looking ahead, we anticipate that this testing method will become a well-established means of assessing environmental impact in Japan, stimulating the further development of this method.

In fiscal 2014, LSI Medience Corporation conducted WET test at Daiichi Sankyo’s Tatebayashi Biopharmaceuticals Center. This test found that the risk of discharged water from this center causing chronic damage to aquatic life is incredibly low. This test was requested by Daiichi Sankyo on a voluntary basis to confirm that the discharged water from the Tatebayashi Biopharmaceuticals Center was safe for aquatic life as well as for local communities and the environment as a whole. I highly respect how the Daiichi Sankyo Group is fulfilling its social responsibility through a proactive and sophisticated Groupwide approach brimming with care for the environment.

Tatsuhiro Niino, Ph.D.

Team Leader, Ecosystem Impact Assessment Team
Environmental Impact Assessment Group,
Environmental Risk Assessment Center
LSI Medience Corporation

Extracting water for the WET test

Broadening Opportunities of Access to Medical Services

Broadening the opportunities of access to medical services is an important mission as a pharmaceutical company. We contribute to improving health-related social conditions by utilizing Daiichi Sankyo's resources.

Contribution to Achievement of Globally Shared Goals

There are several regions and countless people around the world that have insufficient access to medical services due to reasons such as a lack of social infrastructure or health care system. Similarly, there are people and entire regions that have not been given adequate opportunities to learn about public health and diseases, a situation that has resulted in insufficient knowledge about healthcare and medicine. The Daiichi Sankyo Group is working to rectify these medical access issues to provide people in such regions with medical care as well as to support them in developing public health and healthcare knowledge and proficiency.

The United Nations has defined a total of eight Millennium Development Goals (MDGs), including the eradicattion of extreme poverty and hunger, which have been set with a target achievement date of 2015.

United Nations Millennium Development Goals (MDGs)

- Goal 1: Eradicate Extreme Poverty & Hunger
- Goal 2: Achieve Universal Primary Education
- Goal 3: Promote Gender Equality and Empower Women
- Goal 4: Reduce Child Mortality *
- Goal 5: Improve Maternal Health *
- Goal 6: Combat HIV/AIDS, Malaria, and Other Diseases *
- Goal 7: Ensure Environmental Sustainability
- Goal 8: Develop a Global Partnership for Development *

* Goals related to the healthcare field

The Daiichi Sankyo Group recognizes MDG 4, 5, 6, and 8 as areas in which pharmaceutical companies can contribute to global health, and we are working to improve access to medical services to help achieve these goals.

*1. A group of companies, NGOs, government organizations, and other bodies that agree to work together in the pursuit of a common goal

Utilization of Company Resources to Resolve Social Issues

Daiichi Sankyo believes that issues faced by the global society are best addressed through the efforts of consortiums*1 formed by members with various differing functions as opposed to the efforts of private-sector companies acting alone. Based on this belief, we recognize the necessity of public-private partnerships, and we are therefore strengthening coordination with local government authorities, private-sector companies, and non-government organizations (NGOs) in regions of operation. Furthermore, our activities on this front comply with the global health policies set forth by the United Nations and the Japanese government.

Offering a mobile healthcare field clinics service

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

Activities such as vaccinations and antenatal physical examinations started in fiscal 2011 to contribute "Goal 4: Reduce Child Mortality" and "Goal 5: Improve Maternal Health" of the MDGs. The status of activities in fiscal 2014 is as follows. In Cameroon, a significantly large number of children received vaccinations or physical examinations in collaboration with Maternal Health Week conducted by the Regional Delegation of Public Health, which is operated under Cameroon's Ministry of Public Health.

Fiscal 2014 Achievements

	India	Cameroon	Tanzania
Number of mobile healthcare field clinics (times)	499	1,773	306
Number of infants receiving preventative vaccinations (people)	3,646	836,082	2,493
Number of prenatal checkups (people)	452	23,071	520

To aid these activities, Daiichi Sankyo is focusing on the fostering of community healthcare workers that are capable of supporting healthcare activities.

Start of medical access improvement project in China

In 2015, the Company embarked on a project aimed at improving access to medical services in six townships in Guangnan County in the Yunnan province of China. This area has a particularly high number of children suffering from developmental disorders, and we hope to contribute to better health for these children as well as their mothers through this project. Together with the NGO Plan Japan, a member of Plan International, this project will be carried out over a five-year period through collaboration with government health authorities and mother–child healthcare institutions.

In China, the medical services available to children and mothers can vary greatly by region, and this situation has resulted in child mortality rates that are anywhere from two to five times higher in rural areas than in urban areas. Moreover, roughly 40% of children under the age of five in rural areas display stunted growth. For this reason, there is an urgent need to improve the capacity of healthcare workers in rural areas to respond to child illnesses while also increasing the ability of local residents to react properly to such illnesses. Accordingly, the Company is supporting activities in the aforementioned regions for cultivating healthcare workers capable of contributing to better healthcare for children and mothers and for providing healthcare education to local residents.

Participation in the Global Health Innovative Technology (GHIT) Fund

The Daiichi Sankyo Group is participating in the GHIT Fund, a public-private partnership originating in Japan supported by the government of Japan, five Japanese pharmaceutical companies, and the Bill & Melinda Gates Foundation. The GHIT Fund was established in April 2013 under the belief that public-private partnership was necessary to promote the development of drugs for combating infectious diseases in developing countries. Daiichi Sankyo is exploring candidate compounds for the treatment of drug-resistant tuberculosis and malaria via collaboration with pharmaceutical product development partners through the GHIT Fund.

Measures to address rare diseases

Developed countries face issues with regard to preventive medicine and the treatment of rare diseases. To help address this issue, the Group's insight and technologies were utilized to realize the provision of orphan drugs such as Methylene Blue Injection*2 and Gabalon Intrathecal Injection.*3

*2. Treatment for toxic methemoglobinemia
*3. Drug used in intrathecal baclofen therapy, a therapeutic method for easing spasms by directly injecting baclofen into areas surrounding the spinal cord, the site of action
*4. Center for Research and Production of Vaccines and Biologicals in Vietnam

Technical cooperation for MR vaccine production

Kitasato Daiichi Sankyo Vaccine Co., Ltd. (KDSV), provided technical cooperation for strengthening the capacity for measles vaccine production to POLYVAC*4 in Vietnam from March 2006 to March 2010 as part of international cooperation between Japanese and Vietnamese governments. Following this, KDSV has been providing technical cooperation utilizing the production technology for the MR vaccine under a 5-year contract starting in May 2013. We will contribute to the establishment of MR vaccine production in Vietnam and support a decrease in the infection rate of measles and rubella. (See "External Voice" below.)

External Voice

Contribution to a stable supply of high-quality MR vaccine in Vietnam

It was in 2003 when I first underwent measles vaccine solution production training at the Kitasato Institute (currently KDSV). Utilizing the experience gained through this training, I was able to help make around 20 million doses of safe and highly effective measles vaccine in my position as manager of the Bulk Production Department, which was responsible for this vaccine over the period from 2007 to 2014. I participated in rubella vaccine solution production training in 2013 as part of the project for transferring MR vaccine production technologies. The passionate instructors that taught me during both of these training sessions helped me acquire highly specialized manufacturing technical knowledge and insight. (Mr. Nguyen Xuan Hoa)

In 2013, I took part in a four-month quality management training program in Japan. This training helped me contribute to combating the massive outbreak of measles that occurred in Vietnam early in 2014. I am proud to have played a part in rapidly providing the people of Vietnam with large quantities of safe and effective measles vaccine to constrain this outbreak. We are now working to establish a stable supply of Vietnam's first high-quality MR vaccine. I hope to utilize the insight gained through my training to conduct quality inspections for ensuring that the vaccines we provide are high not only in quality but also in reliability. (Dr. Ngo Thu Huong)

Center for Research and Production of Vaccines and Biologicals
Vietnamese public corporation (POLYVAC)

Mr. Nguyen Xuan Hoa (left)
Manager, Bulk Production Department, MR Vaccine Production Facilities

Dr. Ngo Thu Huong (right)
Manager, Quality Control Department, MR Vaccine Production Facilities

Social Contribution Activities

We will not only contribute to society through our business but also by directly supporting the resolution of social issues as a good corporate citizen.

Action as a Good Corporate Citizen

Daiichi Sankyo's social contribution activities provide people with hope through its contributions to society as well as scientific endeavors. Our policies encourage employee voluntarism and engagement in collaborative programs and foster the shift from mere funding to participating in worthwhile programs. Based on these sentiments, the Group has formulated the Basic Policies on Group Social Contribution Activities, which guide initiatives worldwide for contributing to the advancement of science and research (medical and pharmaceutical) as well as initiatives related to the preservation of the environment.

Basic Group Social Contributions Policy

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

The society we live in supports our business in many ways. In turn, as a responsible corporate citizen, Daiichi Sankyo is engaged in various activities to give support back to our society by helping to address social issues and challenges. We consider our activities to promote social contributions as a type of responsibility to society for the support it provides to our business, and we continue to identify the activities on which we focus from among relevant social issues and challenges. To advance initiatives, we emphasize collaborating with a wide range of stakeholders, such as NPOs, NGOs, local volunteer groups, government organizations, and public sector institutions. In addition, we are working to create an environment and provide opportunities that support employees' participation in volunteer activities.

Reconstruction support following the Great East Japan Earthquake

Daiichi Sankyo supports the ideals of the Coastal Forest Restoration Project, a long-term post-Great East Japan Earthquake Support program conducted by Natori City, in Miyagi Prefecture, and has been supporting this initiative since 2012. The reforestation activities of this project commenced in April 2014, and the planted trees are currently being maintained while Japanese black pine (Pinus thunbergii) seedlings are also cultivated for future transplantation.
In fiscal 2014, Daiichi Sankyo employee volunteers assisted in raising these trees. Ensuring the healthy growth of Japanese black pine trees is a task that requires a considerable amount of manual labor to be conducted over the long term. Human hands are needed to perform weeding, thinning, woodchip placement, and fertilizer dispersal, and people are needed to stomp down the roots of trees to compound them. Employee volunteers participating in this project have stated that seeing the condition of the coastal forests made it apparent that the post-earthquake reconstruction effort was not yet finished. Others expressed their desire to bear witness to the growth of the Japanese black pine trees they had helped plant. Going forward, we will continue to provide ongoing support in the form of employees volunteers to respond to the project's need for human assistance over the long term.

Employee volunteers participating in the Coastal Forest Restoration Project

Volunteer project at cardiology hospital

In 2010, Daiichi Sankyo Brasil Farmaceutica LTDA. began supporting the activities of Friends of the Heart Association, an NPO based in a cardiology hospital that strives to make hospitals more comfortable for patients. In 2012, a volunteer project was launched with the aim of understanding the needs of patients and providing these patients with nearby support. As part of this project, in fiscal 2014 a team of 30 employee volunteers visited hospitals to offer encouragement to patients, assist in holding Christmas activities and other events, and present patients being discharged with specialized "discharge kits" containing daily-use sundries. We believe that such opportunities are a source of local support for patients and that they help employees recognize the importance of their mission of saving patient lives and devoting their time and efforts.


Employees making origami Christmas presents for patients.

"Make a Difference Day" activities aimed at coexistence with local communities

In the United Kingdom, Daiichi Sankyo Development Ltd. conducts activities as part of its "Make a Difference Day" events with the aim of building relationships with local communities. In fiscal 2014, 10 employees took part in volunteer activities, in which they repainted the rooms of a neighboring hospice and helped create a free-use space for patients of this facility. These activities served as an opportunity for employees to interact with local patients and thereby better understand how they feel. In this manner, these activities helped employees reaffirm their desire to save as many lives as possible through their drug discovery efforts.


Employee volunteers repainting walls of a hospice room

Daiichi Sankyo presents Family Tie Theater

Daiichi Sankyo holds the "Daiichi Sankyo Presents Family Tie Theater" program, in which it invites cancer patients and their family members to enjoy musicals by the Shiki Theatre Company. This program is implemented in cooperation with the Shiki Theatre Company and the NPO Cancer Support Community Japan, both of which understand and support the spirit of this activity, namely to inspire and energize patients through musicals. The program is held every year, and the 5th program was held in 2014. Daiichi Sankyo employees help at the event as volunteers. We received positive feedback from patients and their family members such as "We look forward to innovative drugs from the Daiichi Sankyo Group." This program is a good opportunity for us to reexamine the significance of drug discovery.
(See "Voice" below.)

Voice

Sense of responsibility gained through volunteer experience as an employee of a pharmaceutical company

In the past, I did not have the opportunity to interact with patients during the course of my daily work. I did, however, at one point find myself in the position of caring for a relative. The wealth of advice received from healthcare professionals, social workers, and my supervisors and colleagues was immensely helpful, and it was this experience that made me want to lend my support to others.
The first volunteer activity I participated in was the "Daiichi Sankyo Presents Family Tie Theater" program. On the day of the event, I was responsible for staffing the reception desk and guiding customers through the facility. This position gave me the opportunity to interact directly with patients and their families. I vividly remember the smiles of guests as they were heading home after the event, expressing how much they enjoyed the show and the long-overdue outing with their family. When a person is overcoming some sort of ordeal, it is important to stand by that person and lend them aid when needed. I will continue to hold this sentiment close to heart, doing what I can to fulfill my role of contributing to the health and happiness of patients as an employee of a company that protects people's lives and health.

Ryoko Tatsuno
Strategy Implementation Group
Marketing Department, Sales & Marketing Division
Daiichi Sankyo Co., Ltd.

ESG Data (Environmental, Social, and Governance Data)

Environmental

Aspect	Page	Classification	Items	Scope	Unit	FY2012	FY2013	FY2014*
CO_2	77	Breakdown of CO_2 emissions	Sales vehicles	In Japan	t-CO_2	7,845	7,433	7,016
				Global	t-CO_2	37,908	35,058	30,635
			Offices	In Japan	t-CO_2	5,017	5,099	4,989
				Global	t-CO_2	19,690	15,274	15,175
			Plants and R&D centers	In Japan	t-CO_2	152,052	159,022	148,004
				Global	t-CO_2	463,951	487,071	410,984
			Total	In Japan	t-CO_2	164,914	171,554	160,009
				Global	t-CO_2	521,550	537,404	456,795
	77	CO_2 emissions by Greenhouse Gas Protocol	Scope 1	In Japan	t-CO_2	94,192	100,166	90,795
				Global	t-CO_2	217,257	210,324	172,632
			Scope 2	In Japan	t-CO_2	70,722	71,388	69,214
				Global	t-CO_2	304,293	327,079	284,163
Energy	–	Breakdown of energy use (in Japan)	Electricity	In Japan	1,000 GJ	1,836	1,850	1,803
			City gas	In Japan	1,000 GJ	1,443	1,642	1,527
			Others (LPG, LNG heavy oil, kerosene, diesel, gasoline)	In Japan	1,000 GJ	351	282	255
			Steam	In Japan	1,000 GJ	28	31	25
			Total	In Japan	1,000 GJ	3,659	3,806	3,610
	–	Breakdown of energy use (Group overall)	Electricity	Global	1,000 GJ	4,678	4,937	2,370
			City gas	Global	1,000 GJ	1,571	1,827	1,710
			Others (LPG, LNG heavy oil, kerosene, diesel, gasoline)	Global	1,000 GJ	2,367	2,083	692
			Total	Global	1,000 GJ	8,616	8,847	4,772
Water resources	–	Water used		In Japan	1,000 m³	13,535	13,460	13,454
				Global	1,000 m³	16,199	15,617	13,970
		Wastewater		In Japan	1,000 m³	13,284	12,363	12,371
				Global	1,000 m³	14,386	13,521	12,818
Water pollution	–	BOD		In Japan	t	42	31	27
		COD		In Japan	t	23	22	29
Waste	–	Waste generated		In Japan	t	39,421	35,925	24,120
		Outsourced waste treatment		In Japan	t	26,824	23,412	16,250
		Recycled waste		In Japan	t	12,894	12,324	8,625
		Recycling rates		In Japan	%	48.1	52.6	53.1
		Final disposal volume		In Japan	t	158	165	143
		Final disposal rate		In Japan	%	0.40	0.46	0.60
		Amount of office paper consumed		In Japan	Million sheets	6,970	6,759	5,950
Air	–	SOx		In Japan	t	0.6	1.1	0.9
				Global	t	198	388	1.1
		NOx		In Japan	t	35	43	59
				Global	t	354	232	66
PRTR	–	Amount handled		In Japan	t	6,087.1	6,248.8	2,726.3
		Amount discharged (air)		In Japan	t	112.8	108.5	37.0
		Amount discharged (water)		In Japan	t	3.3	4.4	3.8
		Amount discharged (sewer)		In Japan	t	47.7	47.7	22.8
		Amount discharged (waste)		In Japan	t	2,495.2	1,958.0	593.8
Containers	–	Containers and packaging	Required recycling volume	In Japan	t	2,380	2,222	2,263
Management	–	ISO14001–certified sites		In Japan	Sites	8	7	7
				Global	Sites	14	15	8

* Data as of July 31, 2015, CO_2 emissions data includes figures from the Ranbaxy Group

Referenced Guidelines
- UN Global Compact
- Global Reporting Initiative (GRI), “Sustainability Reporting Guidelines Version 3.1”
- Japanese Ministry of the Environment, “Environmental Reporting Guidelines, 2012 Edition”
- ISO26000
- IIRC (International Integrated Reporting Council), “International Integrated Reporting Framework”

Social

Aspect	Page	Classification	Items	Scope	Unit	FY2012	FY2013	FY2014
Compliance	65	Compliance training	Training new hires	In Japan	Persons	104	97	138
			Training newly appointed managerial employees	In Japan	Persons	191	185	168
			Training newly appointed executive candidates	In Japan	Persons	81	37	72
			Training mid-career hires	In Japan	Persons	33	28	6
			Total	In Japan	Persons	409	347	384
	66	Number of reports to DS–hotline		In Japan	Cases	7	3	5
		Compliance training based on U.S. CIA*1		In Japan	Persons	–	–	74
		Compliance awareness surveys	Response rate	In Japan	%	–	–	84.8
Research and development	–	R&D expenses*2	R&D expenses	Consolidated	¥ Billion	183.0	191.2	190.7
			R&D expenses to net sales	Consolidated	%	18.3	17.1	20.7
Patients and medical professionals	72	Evaluation of corporate stance and MR activities	MRs rated (all responding physicians)*3	In Japan	Rank	First	First	First
			Overall assessment of MRs (cardiologists)*3	In Japan	Rank	First	First	First
	74	Number of inquiries received (pharmaceutical products)		In Japan	Cases	117,000	120,000	120,000
Business partners	67	Questionnaires about CSR procurement	Number of companies requested to take surveys	In Japan	Companies	185	–	–
Employees	–	Number of employees by region*4	In Japan*5	In Japan	Persons	9,251	9,145	8,580
			Outside Japan*5	Outside Japan	Persons	8,277	8,111	7,879
			Ranbaxy Group	Outside Japan	Persons	14,701	15,535	–
			Total	Consolidated	Persons	32,229	32,791	16,428
	68-69	Employee data*6	Number of men employees	In Japan	Persons	7,305	7,170	6,788
			Number of women employees	In Japan	Persons	2,183	2,157	1,973
			Average years of service	In Japan	Years	17.0	17.8	18.0
			Average annual salary	Non–consolidated	Yen	9,981,713	10,362,700	11,118,600
			Percentage of women employees	In Japan	%	19.0	22.0	21.9
			Percentage of women in managerial positions	In Japan	%	3.6	4.5	4.8
	69	Human resource development	Number of company–wide award winners*7	In Japan	Persons	49	51	46
	68-69	Challenged worker*8	Employment rate of people with physical or mental challenges	In Japan	%	2.15	2.21	2.34
	68	Persons taking childcare leave	Women taking child care leave	In Japan	Persons	147	155	133
			Men taking child care leave	In Japan	Persons	5	2	12
	–	Acquisition of volunteer leave	Volunteer leave acquisition numbers	In Japan	Persons	10	16	20
	70-71	Occupational health and safety management	Paid vacation usage rate	In Japan	%	55.5	56.1	65.4
			Total annual hours worked	In Japan	Hours	1,901	1,868	1,840
			Frequency*9	In Japan	–	0.39	0.65	0.27
			Accident severity rate*9	In Japan	–	0.01	0.002	0.002
			Percentage/rate of participation in a labor union	In Japan	%	100.0	100.0	100.0
Shareholders	–	Dividends per share	Interim	Non–consolidated	Yen	30	30	30
			Year–end	Non–consolidated	Yen	30	30	30
			Total	Non–consolidated	Yen	60	60	60
Social	–	Amount of contributions		Non–consolidated	¥ Million	2,926	2,780	2,549
	–	Number of visitors to our factories		In Japan	Persons	Approximately 1,500	Approximately 1,600	Approximately 1,700
	75	Number of visitors to Kusuri Museum		Non–consolidated	Persons	13,951	11,811	14,695

*1. Corporate Integrity Agreement, an agreement regarding legal compliance
*2. Figures for FY2013 and forward are calculated based on International Financial Reporting Standards (IFRS)
*3. Conducted by Daiichi Sankyo with the cooperation of an outside research company (FY2012), conducted by ANTERIO Inc. (FY2013—FY2014)
*4. Figures are as of the end of the settlement period at each Group company.
*5. Excluding Ranbaxy Group
*6. The data shows the figures as of April 1 in the following fiscal year of each fiscal year. Scope of data: same as the financial statements. As for the data on average years of service, Daiichi Sankyo Logistics is not included.
*7. The total number of employees who received a prize from the culture—building awards and the achievement awards.
*8. Employment rate of people with physical or mental challenges as of June 1 of each year following the fiscal year.
*9. Scope of data: Daiichi Sankyo, Daiichi Sankyo Espha, Daiichi Sankyo Healthcare, Daiichi Sankyo Propharma, Daiichi Sankyo Chemical Pharma, Daiichi Sankyo Logistics, Asubio Pharma, Daiichi Sankyo RD Novare, Daiichi Sankyo Business Associe

Governance

Aspect	Page	Classification	Items	Scope	Unit	FY2012	FY2013	FY2014
Governance	24-31	Structure of Board of Directors	Number of directors	Non–consolidated	Persons	10	10	10
			Number of outside directors	Non–consolidated	Persons	4	4	4
			Number of woman directors	Non–consolidated	Persons	0	0	0
		Structure of Board of audit & supervisory boards	Number of audit & supervisory boards	Non–consolidated	Persons	4	4	4
			Number of outside audit & supervisory boards	Non–consolidated	Persons	2	2	2
			Number of outside audit & supervisory boards (woman)	Non–consolidated	Persons	0	0	1
		Remuneration of directors	Total	Non–consolidated	¥ Million	669	669	555
		Remuneration of audit & supervisory boards	Total	Non–consolidated	¥ Million	105	105	105

Financial Data

Consolidated Statement of Financial Position

(Millions of yen)

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

(Millions of yen)

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

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

(Millions of yen)

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

Consolidated Statement of Comprehensive Income

(Millions of yen)

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

Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the Company						
				Other components of equity			
	Share capital	Capital surplus	Treasury shares	Subscription rights to shares	Exchange differences on the translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2013	50,000	105,194	(14,460)	1,504	40,545	959	42,057
Profit for the year	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	39,708	(957)	7,969
Total comprehensive income	—	—	—	—	39,708	(957)	7,969
Acquisition of treasury shares	—	—	(31)	—	—	—	—
Disposal of treasury shares	—	—	83	(55)	—	—	—
Share-based payments	—	—	—	231	—	—	—
Dividends	—	—	—	—	—	—	—
Change in scope of consolidation	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	(10,205)
Other	—	73	—	—	(1)	(2)	(0)
Total transactions with the owners	—	73	52	175	(1)	(2)	(10,205)
Balance as of March 31, 2014	50,000	105,267	(14,408)	1,680	80,252	—	39,821
Profit for the year	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	25,963	(4,347)	26,684
Total comprehensive income	—	—	—	—	25,963	(4,347)	26,684
Acquisition of treasury shares	—	—	(25)	—	—	—	—
Disposal of treasury shares	—	—	234	(117)	—	—	—
Share-based payments	—	—	—	197	—	—	—
Dividends	—	—	—	—	—	—	—
Change in scope of consolidation	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	(1,086)
Other	—	—	—	—	(12)	—	(0)
Total transactions with the owners	—	—	209	80	(12)	—	(1,087)
Balance as of March 31, 2015	50,000	105,267	(14,198)	1,760	106,202	(4,347)	65,419

(Millions of yen)

	Equity attributable to owners of the Company					
	Other components of equity					
	Remeasurements of defined benefit plans	Total other components of equity	Retained earnings	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance as of April 1, 2013	—	85,067	680,844	906,645	31,835	938,480
Profit for the year	—	—	60,943	60,943	(7,585)	53,357
Other comprehensive income	7,592	54,312	—	54,312	2,962	57,275
Total comprehensive income	7,592	54,312	60,943	115,255	(4,623)	110,632
Acquisition of treasury shares	—	—	—	(31)	—	(31)
Disposal of treasury shares	—	(55)	(27)	0	—	0
Share-based payments	—	231	—	231	594	825
Dividends	—	—	(42,237)	(42,237)	—	(42,237)
Change in scope of consolidation	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	(7,592)	(17,798)	17,798	—	—	—
Other	—	(3)	—	70	(212)	(142)
Total transactions with the owners	(7,592)	(17,625)	(24,466)	(41,966)	381	(41,584)
Balance as of March 31, 2014	—	121,753	717,320	979,933	27,594	1,007,527
Profit for the year	—	—	322,119	322,119	(3,195)	318,923
Other comprehensive income	(4,218)	44,081	—	44,081	3,170	47,252
Total comprehensive income	(4,218)	44,081	322,119	366,201	(24)	366,176
Acquisition of treasury shares	—	—	—	(25)	—	(25)
Disposal of treasury shares	—	(117)	(116)	0	—	0
Share-based payments	—	197	—	197	212	410
Dividends	—	—	(42,238)	(42,238)	—	(42,238)
Change in scope of consolidation	—	—	—	—	(25,016)	(25,016)
Transfer from other components of equity to retained earnings	4,218	3,131	(3,131)	—	—	—
Other	—	(12)	—	(12)	218	206
Total transactions with the owners	4,218	3,198	(45,486)	(42,077)	(24,585)	(66,662)
Balance as of March 31, 2015	—	169,034	993,953	1,304,057	2,984	1,307,041

Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal 2013 (For the year ended March 31, 2014)	Fiscal 2014 (For the year ended March 31, 2015)
Cash flows from operating activities		
Profit before tax from continuing operations	112,950	79,936
Depreciation and amortization	38,364	42,023
Impairment loss	4,684	37,612
Financial income	(5,163)	(9,600)
Financial expenses	4,543	3,160
Share of (profit) loss of investments accounted for using the equity method	591	925
(Gain) loss on sale and disposal of fixed assets	(12,973)	(1,056)
(Increase) decrease in trade and other receivables	3,789	(966)
(Increase) decrease in inventories	(5,840)	(237)
Increase (decrease) in trade and other payables	6,040	3,661
Other, net	(81)	(1,769)
Subtotal	146,905	153,688
Interest and dividends received	3,318	3,468
Interest paid	(1,902)	(1,732)
Income taxes paid	(48,172)	(21,874)
Cash flows from operating activities of discontinued operations	(62,844)	9,227
Net cash flows from operating activities	37,304	142,776
Cash flows from investing activities		
Purchase of time deposits	(122,542)	(64,511)
Proceeds from maturities in time deposits	46,117	72,915
Acquisition of securities	(388,411)	(259,142)
Proceeds from sale of securities	303,377	390,984
Acquisitions of property, plant, and equipment	(36,388)	(38,500)
Proceeds from sale of property, plant, and equipment	11,898	453
Acquisition of intangible assets	4,704	(56,130)
Acquisition of subsidiary	—	(33,476)
Payments for loans receivable	(1,065)	(1,728)
Proceeds from collection of loans receivable	594	1,489
Other, net	2,205	3,080
Cash flows from investing activities of discontinued operations	27,549	(36,712)
Net cash flows from investing activities	(161,368)	(21,278)
Cash flows from financing activities		
Proceeds from bonds and borrowings	140,862	0
Repayments of bonds and borrowings	(20,266)	(90,000)
Purchase of treasury shares	(31)	(25)
Proceeds from sales of treasury shares	0	0
Dividends paid	(42,238)	(42,254)
Other, net	(890)	(906)
Cash flows from financing activities of discontinued operations	22,885	984
Net cash flows from financing activities	100,322	(132,200)
Net increase (decrease) in cash and cash equivalents	(23,742)	(10,701)
Cash and cash equivalents at the beginning of the year	191,145	183,070
Effect of exchange rate change on cash and cash equivalents	15,667	17,003
Cash and cash equivalents at the end of the year	183,070	189,372

Historical Data

(Billions of yen)

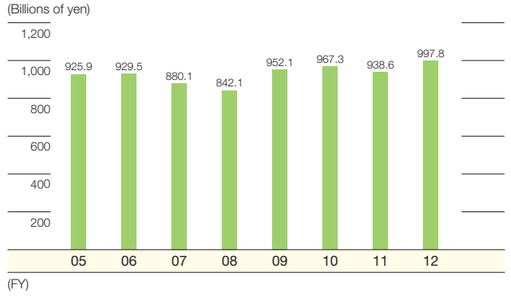
	Japanese GAAP							
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
Financial Results								
Net sales	925.9	929.5	880.1	842.1	952.1	967.3	938.6	997.8
Overseas sales	307.2	356.7	358.6	373.2	482.3	489.7	469.0	486.6
Ratio of overseas sales to net sales (%)	33.2	38.4	40.7	44.3	50.7	50.6	50.0	48.8
Operating income	154.7	136.3	156.8	88.8	95.5	122.1	98.2	100.5
Ratio of operating income to net sales (%)	16.7	14.7	17.8	10.6	10.0	12.6	10.5	10.1
Net income (loss)	87.6	78.5	97.6	(215.4)	41.8	70.1	10.3	66.6
Research and development expenses	158.7	170.6	163.4	184.5	196.8	194.3	185.0	183.0
Ratio of research and development expenses to net sales (%)	17.1	18.4	18.6	21.9	20.7	20.1	19.7	18.3
Depreciation and amortization	41.1	39.9	38.7	40.5	45.9	43.9	46.3	41.4
Capital expenditure	30.1	31.5	21.1	19.6	29.7	37.3	62.9	65.1
Financial Position								
Total assets	1,596.1	1,636.8	1,487.8	1,494.5	1,489.5	1,480.2	1,518.4	1,644.0
Net assets	1,237.5	1,272.1	1,244.5	888.6	889.5	887.7	832.7	915.7
Per Share Information								
Basic net income per share (yen)	119.49	107.75	135.35	(304.22)	59.45	99.62	14.75	94.64
Net assets per share (yen)	1,696.97	1,740.26	1,730.09	1,226.04	1,215.62	1,206.12	1,143.52	1,253.86
Annual dividends per share (yen)	25	60	70	80	60	60	60	60
Main Financial Indicators								
Return on equity (ROE) (%)	7.3	6.3	7.8	(20.5)	4.9	8.2	1.3	7.9
Equity ratio (%)	77.5	77.5	83.6	57.7	57.4	57.4	53.0	53.7
Dividend on equity (DOE) (%)	2.9	3.5	4.0	5.4	4.9	5.0	5.1	5.0
Free cash flows	93.5	151.7	17.2	(335.4)	172.8	78.1	(32.5)	19.9
Average exchange rates (USD/JPY)	–	116.99	114.28	100.54	92.86	85.72	79.07	83.11
(EUR/JPY)	–	146.16	160.52	143.49	131.16	113.13	108.96	107.15
Number of Employees	18,434	15,358	15,349	28,895	29,825	30,488	31,929	32,229

(Billions of yen)

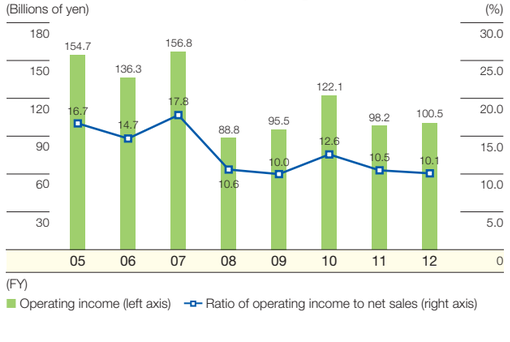
	IFRS		
	FY2012*	FY2013	FY2014
Financial Results			
Revenue	994.7	1,118.2	919.4
Overseas revenue	483.2	585.7	392.4
Ratio of overseas revenue to revenue (%)	48.6	52.4	42.7
Operating profit	98.7	111.6	74.4
Ratio of operating profit to revenue (%)	9.9	10.0	8.1
Profit attributable to owners of the Company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

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

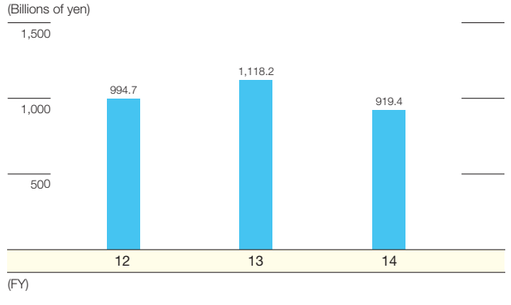
Net Sales



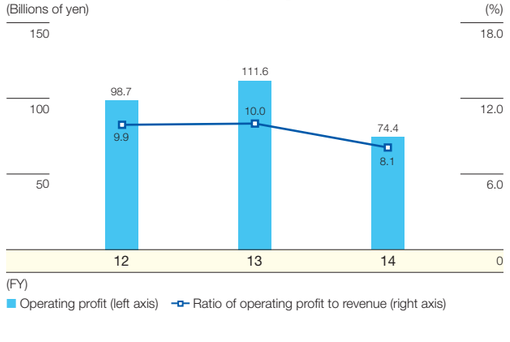
Operating Income/Ratio of Operating Income to Net Sales



Revenue



Operating Profit/Ratio of Operating Profit to Revenue



Corporate Information

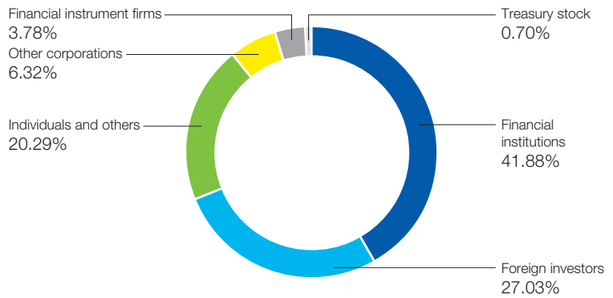
Corporate Profile (As of April 1, 2015)

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

Common Stock (As of March 31, 2015)

Number of shares authorized: 2,800,000,000
Number of shares issued: 709,011,343
Number of shareholders: 128,226

Distribution of Shareholders (As of March 31, 2015)



Major Shareholders (As of March 31, 2015)

Name	Number of shares held (Thousands of shares)	Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	43,837	6.23
Japan Trustee Services Bank, Ltd. (trust account)	41,512	5.90
Nippon Life Insurance Company	35,776	5.08
JP Morgan Chase Bank 385147	18,853	2.68
Trust & Custody Services Bank, Ltd., as trustee for Mizuho Bank, Ltd., Retirement Benefit Trust Account re–entrusted by Mizuho Trust and Banking Co., Ltd.	14,402	2.05
Sumitomo Mitsui Banking Corporation	11,413	1.62
Employee stock ownership of Daiichi Sankyo Group	10,952	1.56
Deutche Bank Trust Company Americas ADR Dept Account	10,368	1.47
State Street Bank and Trust Company 505225	10,196	1.45
Mizuho Bank, Ltd.	8,591	1.22

Note: Treasury shares (4,983,171 shares) are not included in the computing of equity stake.

Main Group Companies (As of April 1, 2015)

Region	Company name	Main business activities
Japan	Daiichi Sankyo Espha Co., Ltd.	Manufacturing and sales of pharmaceuticals
	Daiichi Sankyo Healthcare Co., Ltd.	Manufacturing and purchase/sale of pharmaceuticals, over-the-counter products, cosmetics, medical equipment, food products, and drinking water
	Daiichi Sankyo Propharma Co., Ltd.	Manufacturing of pharmaceuticals
	Daiichi Sankyo Chemical Pharma Co., Ltd.	Manufacturing and contract manufacturing of active pharmaceutical ingredients and intermediates
	Asubio Pharma Co., Ltd.	Research and development of pharmaceuticals
	Daiichi Sankyo RD Novare Co., Ltd.	Research and development of pharmaceuticals
	Daiichi Sankyo Business Associe Co., Ltd.	Group business support
	Daiichi Sankyo Happiness Co., Ltd.	Group business support
	Kitasato Daiichi Sankyo Vaccine Co., Ltd.	Research and development, manufacturing, and sales of vaccine
U.S.A.	Daiichi Sankyo, Inc.	Research, development, and marketing of pharmaceuticals
	Luitpold Pharmaceuticals, Inc.	Manufacturing and marketing of pharmaceuticals and drugs for animals
	Plexxikon Inc.	Research of prescription drugs
Europe	Daiichi Sankyo Europe GmbH	Control of Group development in Europe and pharmaceutical manufacturing
	Daiichi Sankyo France SAS	Sale and marketing of pharmaceuticals
	Daiichi Sankyo Deutschland GmbH	Marketing of pharmaceuticals
	Daiichi Sankyo Italia S.p.A.	Marketing of pharmaceuticals
	Daiichi Sankyo España, S.A.	Marketing of pharmaceuticals
	Daiichi Sankyo UK Ltd.	Marketing of pharmaceuticals
	Daiichi Sankyo (Schweiz) AG	Marketing of pharmaceuticals
	Daiichi Sankyo Portugal, Lda.	Marketing of pharmaceuticals
	Daiichi Sankyo Austria GmbH	Marketing of pharmaceuticals
	Daiichi Sankyo Belgium N.V.-S.A.	Marketing of pharmaceuticals
	Daiichi Sankyo Nederland B.V.	Marketing of pharmaceuticals
	Daiichi Sankyo Ilac Ticaret Ltd. Şti.	Marketing of pharmaceuticals
	Daiichi Sankyo Ireland Ltd.	Marketing of pharmaceuticals
	Daiichi Sankyo Altkirch S.a.r.l.	Manufacturing of raw materials for pharmaceuticals
	U3 Pharma GmbH	Research of prescription drugs
	Daiichi Sankyo Development Ltd.	Development of prescription drugs
ASCA*1	Daiichi Sankyo (China) Holdings Co., Ltd.	Management of Chinese subsidiary business and investment
	Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd.	Development, manufacturing, and marketing of pharmaceuticals
	Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd.	Research, development, manufacturing, and marketing of pharmaceuticals
	Daiichi Sankyo Taiwan Ltd.	Marketing of pharmaceuticals
	Daiichi Sankyo Korea Co., Ltd.	Sales and marketing of pharmaceuticals
	Daiichi Sankyo (Thailand) Ltd.	Marketing of pharmaceuticals
	Daiichi Sankyo Hong Kong Ltd.	Sales and marketing of pharmaceuticals
	Daiichi Sankyo Mexico S.A. de C.V.	Marketing of pharmaceuticals
	Daiichi Sankyo Brasil Farmaceutica LTDA.	Manufacturing and marketing of pharmaceuticals
	Daiichi Sankyo Venezuela, S.A.	Marketing of pharmaceuticals
	Daiichi Sankyo India Pharma Private Ltd.	Research, development, and marketing of pharmaceuticals

*1 Abbreviation for Asia, South & Central America.

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Precautions for future prospects

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

Period covered

April 1, 2014 – March 31, 2015 (fiscal 2014) and also contains information for the period from April 2015 onward.

Value Report 2015 was printed using environmental-friendly paper, inks, and manufacturing method.

Paper	FSC MIX Paper from responsible sources FSC™ C014687	This report uses FSC certified paper, which indicates that the paper used to print this report was produced from properly managed forests.
Inks	VEGETABLE OIL INK	This report was printed using 100% biodegradable printing inks from vegetable oil.
Printing	Waterless Printing Naturally	The waterless printing method used for this report minimized the use and release of harmful liquid wastes.

Printed in Japan