[Translation]

CONVOCATION NOTICE OF THE 14TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

For the Fiscal Year Ended March 31, 2019

Daiichi Sankyo Company, Limited

*Note: This translation does not include pictures, charts etc. originally issued in the Japanese version.

[Translation]

To Our Shareholders

At the Daiichi Sankyo Group ("the Group"), we are proceeding with the initiatives of 4th mid-term business plan with the aim of becoming a "Global Pharma Innovator with Competitive Advantage in Oncology" as set forth in our 2025 Vision. In fiscal 2018, we made significant progress in developing new drugs in oncology area, including *DS-8201*, an antibody drug conjugates utilizing our proprietary technologies. In addition, we entered into a strategic collaboration agreement with AstraZeneca, which has strengths in the oncology business, for the global development and commercialization of *DS-8201* in order to maximize its value. Furthermore, sales of mainstay products such as *edoxaban*, an anticoagulant which supports current earnings of the Group, were firm in Japan and overseas. The achievement of initial target of mid-term business plan for fiscal 2020 is expected to be delayed by two years due to failure of achievement of the plan for pain franchise business and additional investments in research and development. However, we are gaining confidence of achieving our 2025 Vision and accelerating growth in the future due to the significant improvement in the value of oncology area pipelines.

We will continue to make every effort to achieve the goals of the Medium-Term Management Plan and 2025 Vision.

I greatly appreciate your continued support in the future.

May 2019

Sunao Manabe
Representative Director, President and COO

[Translation]

CONVOCATION NOTICE OF THE 14TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

1. Date and Time: June 17, 2019, Monday at 10 a.m. (Japan Time) (Reception starts at 9 a.m.)

2. Place: Royal Hall, Royal Park Hotel 3F
1-1, Nihonbashi-Kakigaracho 2-chome, Chuo-ku, Tokyo, Japan

3. Purpose of the Meeting:
Matters to be Reported:
   1. Reports on the Business Report, the Consolidated Financial Statements for the 14th Fiscal Year (from April 1, 2018 to March 31, 2019); and Audit Reports of the Consolidated Financial Statements by the Accounting Auditors and the Audit and Supervisory Board
   2. Reports on the Non-consolidated Financial Statements for the 14th Fiscal Year (from April 1, 2018 to March 31, 2019)

Proposals to be Resolved:

First Proposal:	Appropriation of Surplus
Second Proposal:	Election of Nine (9) Members of the Board
Third Proposal:	Election of Two (2) Members of the Audit and Supervisory Board
Fourth Proposal:	Provision of Bonuses to Members of the Board

Please note that commemorative gifts for attending the General Meeting of Shareholders will not be provided. We greatly appreciate your understanding.

General Information

1. Exercise of Voting Rights by Proxy

If you are unable to attend the Meeting in person, one proxy shareholder holding voting rights of the Company may be chosen to attend the Meeting. However, in this case, submission of a document evidencing the proxy's power of representation is required.

2. Disclosures through the Internet

■ The following items are posted on the Company's website, in accordance with laws and ordinance, and the provision in Article 16 of the Company's Articles of Incorporation. Therefore, they are not included with this Convocation Notice of the 14th Ordinary General Meeting of Shareholders.

i) Status of Subscription Rights to Shares in the Business Report
ii) Consolidated Statement of Changes in Equity and Notes to Consolidated Financial Statements
iii) Non-Consolidated Statement of Changes in Net Assets and Notes to Non-consolidated Financial Statements

In addition to documents stated in the reference documents attached to the Convocation Notice of the 14th Ordinary General Meeting of Shareholders, Status of Subscription Rights to Shares in the Business Report, Consolidated Statement of Changes in Equity, Notes to Consolidated Financial Statements, Non-Consolidated Statement of Changes in Net Assets and Notes to Non-consolidated Financial Statements posted on the Company's website are included in Business Report audited by the Audit and Supervisory Board, Consolidated and Non-consolidated Financial Statements audited by the Accounting Auditors and the Audit and Supervisory Board.

■ If any revisions in the Reference Documents for General Meeting of Shareholders, Business Report, and Non-consolidated and Consolidated Financial Statements arise, revised matters will be placed on the Company's website.

Company's website:
https://www.daiichisankyo.com/media_investors/investor_relations/shareholders/

3. Method for Receiving the Convocation Notice

For the General Meeting of Shareholders to be held next time and in subsequent times, shareholders may elect to receive their convocation notice by e-mail upon requesting delivery in that method. Shareholders accessing the voting website on PC or smartphone should complete the registration procedures on the website. (Please note that e-mail addresses for mobile phones cannot be used for the registration.)

[Information on Exercise of Voting Rights]

If you will not be able to attend the Meeting, you may exercise your voting rights by mail or on the electronic means (internet, etc.), in which case please exercise your voting rights no later than 17:30 on June 14 (Friday), 2019 (Japan Time), after examining the attached reference documents.

If you will be able to attend the Meeting,

Exercise of voting rights by attending the Meeting

・ Please submit the enclosed voting form at the reception desk. In addition, please bring this convocation notice to save resources. One proxy shareholder holding voting rights of the Company may be chosen to attend the Meeting. However, in this case, submission of a document evidencing the proxy's power of representation is required.

If you will not be able to attend the Meeting,

・ You can exercise your voting rights by mail or via electronic means (internet, etc.).
・ Please exercise your voting rights by **no later than 17:30 on June 14 (Friday), 2019 (Japan Time)** as described below.

Exercise of voting rights by electronic means (e.g. the internet, etc.)

- Please access the website for exercising voting rights and exercise your voting rights.
(Please refer to the following Information on Exercise of Voting Rights by the internet)

Exercise of voting rights by mail

- Please indicate your approval or disapproval for the proposals on the enclosed voting form and return the form to the Company, so that we receive it by the dead line above.
  (Note) If you indicate neither your approval nor disapproval for the proposals on the enclosed voting form, your answer will be deemed have approved the proposals.

■ **To institutional investors:**
The Company participates in the electronic voting platform for institutional investors operated by ICJ, Inc.

Information on Exercise of Voting Rights by the internet

Please access the website for exercising voting rights from a PC, a smartphone or a mobile phone, use the "login ID" and the "temporary password" printed on the enclosed voting form for exercise of voting rights and input your vote in accordance with the instructions that will appear on your screen.

Website for exercising voting rights: https://evote.tr.mufg.jp/

►Treatment of voting rights exercised more than once

Treatment of Duplicate Votes by Mail and on the Internet, etc.
If your voting rights are exercised both by mail and on the internet, etc., we will consider the exercise on the Internet to be valid.

Treatment of Duplicate Votes on the Internet, etc.
If your voting rights are exercised more than once on the Internet, we will consider the latest vote to be valid.

Points to Note

■ All costs associated with the access to the voting website (https://evote.tr.mufg.jp/) (cost of dial-up connections, telephone tolls, etc.) need to be borne by the shareholder. Also, when voting by mobile phone, packet communication fees and other costs entailed by the use of mobile phones also need to be borne by the shareholder.

■ Please note that shareholders cannot exercise the rights on the website between 2:00 a.m. and 5:00 a.m. (Japan Time) each day due to maintenance and inspection. Please complete the entry of your voting by the dead line above.

For further assistance regarding the system, please contact:
Transfer Agent Department (Help Desk)
Mitsubishi UFJ Trust and Banking Corporation
Phone: 0120-173-027 (9:00 to 21:00 (Japan Time), toll free (Japan only))

Reference Documents for the 14th Ordinary General Meeting of Shareholders

Proposals and References

First Proposal: Appropriation of Surplus

The Company regards the distribution of profits to all shareholders as a key management issue. Its basic policy is to pay a stable dividend.

During the year ended March 31, 2019 (fiscal 2018), the Company paid an interim dividend of ¥35 per share on December 3, 2018. A year-end dividend of ¥35 was also declared, bringing total dividend payments for fiscal 2018 to ¥70 per share.

For this fiscal year, the Company proposes to pay year-end dividends as follows.

Matters regarding year-end dividends

1) The kind of dividend property
   Money
2) The matters regarding the assignment of the dividend property to shareholders and the total amount
   ¥35 per common share of the Company
   Total amount: ¥22,676,032,435
3) The day on which such distribution of dividends from surplus takes effect
   Tuesday, June 18, 2019

(Reference) Shareholder Returns Policy during 4th mid-term business plan (FY2016-FY2022)
-Total return ratio*: 100% or more (Aggregated ratio for 7 years)
-Annual ordinary dividend: ¥70 or more
-Flexible acquisition of treasury shares
*Total return ratio = (Total amount of dividends + Total acquisition costs of treasury shares) / Profit attributable to owners of the Company

Second Proposal: Election of Nine (9) Members of the Board

The terms of office of all nine (9) current Members of the Board will expire at the close of this Ordinary General Meeting of Shareholders.

Accordingly, the Company requests approval for the election of nine (9) Members of the Board. Candidates for Member of the Board are as follows:

Candidate Number	Name (Age)			Tenure	Number of Board of Directors' meetings attended
1	Joji Nakayama	(69)	Reelection	9 years	14/14 meetings (100%)
2	Sunao Manabe	(64)	Reelection	5 years	14/14 meetings (100%)
3	Toshiaki Sai	(64)	Reelection	4 years	14/14 meetings (100%)
4	Toshiaki Tojo	(63)	Reelection	3 years	14/14 meetings (100%)
5	Noritaka Uji	(70)	Reelection Independent Director Candidate for Member of the Board (Outside)	5 years	14/14 meetings (100%)
6	Tsuguya Fukui	(67)	Reelection Independent Director Candidate for Member of the Board (Outside)	4 years	14/14 meetings (100%)
7	Satoru Kimura	(61)	New election	–	–
8	Kazuaki Kama	(70)	New election Independent Director Candidate for Member of the Board (Outside)	–	–
9	Sawako Nohara	(61)	New election Independent Director Candidate for Member of the Board (Outside)	–	–

Notes:

1. There are no special conflict of interests between each candidate and the Company.
2. Candidates for Members of the Board (Outside) Noritaka Uji and Tsuguya Fukui satisfy the requirements for Independent Directors/Auditors as provided by the Tokyo Stock Exchange and criteria for independence as Members of the Board (Outside) provided by the Company (see page 26), and the Company has filed them as Independent Directors with the aforementioned exchange. When the election of new candidates for Members of the Board (Outside) Kazuaki Kama and Sawako Nohara is approved at the Meeting, they will also be designated as Independent Directors.
3. With regard to liability for damages under Article 423, Paragraph 1 of the Companies Act, the Company has entered into agreements with each Member of the Board (Outside) to limit their liabilities based on the Articles of Incorporation in the event that the case falls under the requirements defined in laws and ordinances (Liability Limitation Agreements); provided, however, that the maximum amount of liabilities under such agreement is the minimum liability amount as provided by applicable laws and ordinances. When the election of each candidate for Member of the Board (Outside) is approved at the Meeting, we will enter into the Liability Limitation Agreement on the same terms and conditions.
4. The age of each candidate for Member of the Board is as of June 17, 2019.

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 10, 2019)	Number of Shares of the Company Held
1	 Joji Nakayama (May 11, 1950) Reelection	April 1979 Entered Suntory Limited ("Suntory") March 2000 Director of Suntory December 2002 President of Daiichi Suntory Pharma Co., Ltd. March 2003 Resigned as Director of Suntory June 2003 Member of the Board of Daiichi Pharmaceutical Co., Ltd. ("Daiichi") June 2006 Member of the Board, Vice President of Corporate Strategy Department of Daiichi April 2007 Corporate Officer, Vice President of Europe/US Business Management Department of the Company April 2009 Executive Officer, Vice President of Overseas Business Management Department of the Company April 2010 Executive Vice President, President of Japan Company of the Company June 2010 Representative Director, President and CEO of the Company April 2017 Representative Director, Chairman and CEO of the Company (to present)	64,196
		(Number of years as a Member of the Board) Nine (9) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 14/14 meetings (100%)	
		[Reason for nomination as a candidate for Member of the Board] Joji Nakayama served as Representative Director and President and CEO from 2010, and commencing 2017, he is serving as Representative Director, Chairman and CEO. He also has the experience of serving as a president of an affiliate company and being involved in corporate strategy and management of overseas Group companies. The Company has nominated him as a candidate for Member of the Board because of his expected capacity to secure and enhance the effectiveness of the Board of Directors in terms of its decision-making functions regarding execution of the operation and its oversight functions, by continuing to leverage his abundant experience and expertise on the Board of Directors.	
		Note: There are no special conflict of interests between Joji Nakayama and the Company.	

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 10, 2019)	Number of Shares of the Company Held
2	 Sunao Manabe (August 5, 1954) Reelection	April 1978 Entered Sankyo Company, Limited ("Sankyo") July 2005 Vice President, Medicinal Safety Research Laboratories of Sankyo April 2007 Vice President, Medicinal Safety Research Laboratories of the Company April 2009 Corporate Officer, Vice President of Global Project Management Department, R&D Division of the Company April 2011 Corporate Officer, Head of Group HR & CSR of the Company April 2012 Corporate Officer, Vice President of Corporate Strategy Department, Corporate Strategy Division of the Company April 2014 Executive Officer, President of Japan Company and Head of Business Intelligence Division of the Company June 2014 Member of the Board, Executive Officer, President of Japan Company and Head of Business Intelligence Division of the Company April 2015 Member of the Board, Senior Executive Officer, In Charge of Global Sales & Marketing of the Company April 2016 Member of the Board, Executive Vice President, Head of General Affairs & Human Resources Division, and Medical Affairs Division of the Company June 2016 Representative Director, Member of the Board, Executive Vice President, Head of General Affairs & Human Resources Division, and Medical Affairs Division of the Company April 2017 Representative Director, Member of the Board, President and COO of the Company (to present)	31,880
		(Number of years as a Member of the Board) Five (5) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 14/14 meetings (100%)	
		[Reason for nomination as a candidate for Member of the Board] Sunao Manabe has served as a Member of the Board since 2014 and as a Representative Director, Member of the Board, President and COO since 2017. He also has the experience of being involved in research, development, general affairs & human resources, corporate strategy, global sales & marketing and medical affairs. The Company has nominated him as a candidate for Member of the Board because of his expected capacity to secure and enhance the effectiveness of the Board of Directors in terms of its decision-making functions regarding execution of the operation and its oversight functions, by continuing to leverage his abundant experience and expertise on the Board of Directors.	

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 10, 2019)	Number of Shares of the Company Held
		Note: There are no special conflict of interests between Sunao Manabe and the Company.	

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 10, 2019)	Number of Shares of the Company Held
3	 Toshiaki Sai (March 25, 1955) Reelection	April 1979 Entered Daiichi Pharmaceutical Co., Ltd. April 2007 Vice President, Management System Department of the Company April 2008 Vice President, Corporate Communications Department of the Company April 2010 Corporate Officer, Vice President of Corporate Communications Department of the Company April 2012 Corporate Officer, Vice President of Global Brand Strategy Department, Corporate Strategy Division of the Company April 2014 Executive Officer, Vice President of Corporate Strategy Department, Corporate Strategy Division of the Company April 2015 Senior Executive Officer, Head of Corporate Strategy Division of the Company June 2015 Member of the Board, Senior Executive Officer, Head of Corporate Strategy Division of the Company April 2017 Member of the Board, Senior Executive Officer, Head of Global Brand Strategy Division of the Company April 2018 Member of the Board, Executive Vice President and CFO, Head of Corporate Strategy & Management Division of the Company June 2018 Representative Director, Member of the Board, Executive Vice President and CFO, Head of Corporate Strategy & Management Division of the Company (to present)	18,262
		(Number of years as a Member of the Board) Four (4) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 14/14 meetings (100%)	
		[Reason for nomination as a candidate for Member of the Board] Toshiaki Sai has served as a Member of the Board since 2015 and as a Representative Director, Member of the Board, Executive Vice President and CFO since 2018, with his experience of being involved in public relations & investor relations, corporate strategy, and global brand strategy. The Company has nominated him as a candidate for Member of the Board because of his expected capacity to secure and enhance the effectiveness of the Board of Directors in terms of its decision-making functions regarding execution of the operation and its oversight functions, by continuing to leverage his abundant experience and expertise on the Board of Directors.	
		Note: There are no special conflict of interests between Toshiaki Sai and the Company.	

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 10, 2019)	Number of Shares of the Company Held
4	 Toshiaki Tojo (November 11, 1955) Reelection	April 1980 Entered Daiichi Pharmaceutical Co., Ltd. April 2010 Vice President, Supply Chain Technology Department, Supply Chain Division of the Company April 2011 Corporate Officer, Vice President, Supply Chain Technology Department, Supply Chain Division of the Company June 2011 Corporate Officer, Vice President, Supply Chain Planning Department, Supply Chain Division of the Company April 2013 Corporate Officer, Head of Quality and Safety Management Division of the Company April 2014 Executive Officer, Head of Quality and Safety Management Division of the Company April 2016 Senior Executive Officer, In charge of Vaccine Business of the Company June 2016 Member of the Board, Senior Executive Officer, In charge of Vaccine Business of the Company April 2019 Member of the Board, Senior Executive Officer, In charge of Vaccine Business and Quality & Safety Management of the Company (to present)	14,014
		(Number of years as a Member of the Board) Three (3) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 14/14 meetings (100%) (Material concurrent positions) Chairman of Daiichi Sankyo Biotech Co., Ltd. (consolidated subsidiary company of the Company)	
		[Reason for nomination as a candidate for Member of the Board] Toshiaki Tojo has served as a Member of the Board since 2016, while being involved in supply chains, quality and safety management, vaccine business, etc. The Company has nominated him as a candidate for Member of the Board because of his expected capacity to secure and enhance the effectiveness of the Board of Directors in terms of its decision-making functions regarding execution of the operation and its oversight functions, by continuing to leverage his abundant experience and expertise on the Board of Directors.	
		Note: There are no special conflict of interests between Toshiaki Tojo and the Company.	

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 10, 2019)	Number of Shares of the Company Held
5	 Noritaka Uji (March 27, 1949) Candidate for Member of the Board (Outside) Independent Director Reelection	April 1973 Entered Nippon Telegraph and Telephone Public Corporation June 1999 Director, Senior Vice President, Advanced Information Network Services Sector of NTT DATA Corporation ("NTT DATA") September 2000 Director, Senior Vice President, Corporate Strategy Planning Department of NTT DATA June 2001 Director, Senior Vice President, Industrial System Sector of NTT DATA April 2002 Director, Senior Vice President, Enterprise Business Sector of NTT DATA June 2003 Managing Director, Executive Vice President, Enterprise Systems Sector and Enterprise Business Sector of NTT DATA June 2005 Representative Director, Executive Officer of NTT DATA June 2007 Representative Director, Senior Executive Vice President, Nippon Telegraph and Telephone Corporation ("NTT") June 2012 Adviser of NTT June 2014 Member of the Board (Outside) of the Company (to present) (Number of years as a Member of the Board) Five (5) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 14/14 meetings (100%) (Material concurrent positions) Outside Director of Yokogawa Electric Corporation Honorary Chairman of Japan Institute of Information Technology Honorary President of Japan Telework Association Visiting Professor of Center for Global Communications, International University of Japan [Reason for nomination as a candidate for Member of the Board (Outside)] The Company again nominates Noritaka Uji as a candidate for Member of the Board (Outside) because he has given opinions as needed and beneficially, based on his expertise in the area of information technology and insights on overall corporate management developed through his management experience.	3,500

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 10, 2019)	Number of Shares of the Company Held
		Notes: 1 There are no special conflict of interests between Noritaka Uji and the Company. 2 Noritaka Uji satisfies the requirements for Independent Directors/Auditors as provided for by the Tokyo Stock Exchange and criteria for independence as Members of the Board (Outside) provided by the Company (see page 26), and the Company has filed him as an Independent Director with the aforementioned exchange. When the election of Noritaka Uji is approved at the Meeting, he will continue to be designated as an Independent Director. 3 With regard to liability for damages under Article 423, Paragraph 1 of the Companies Act, the Company has entered into an agreement with Noritaka Uji to limit his liability based on the Articles of Incorporation in the event that the case falls under the requirements defined in laws and ordinances (Liability Limitation Agreement); provided, however, that the maximum amount of liabilities under such agreement is the minimum liability amount as provided by applicable laws and ordinances. When the election of Noritaka Uji is approved at the Meeting, we will continue the Liability Limitation Agreement on the same terms and conditions.	

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 10, 2019)	Number of Shares of the Company Held
6	 Tsuguya Fukui (June 24, 1951) Candidate for Member of the Board (Outside) Independent Director Reelection	January 1992 Professor, Department of General Medicine of Saga Medical School Hospital March1994 Professor, Department of General Medicine of Kyoto University Hospital April 1999 Professor, Department of Clinical Epidemiology, Kyoto University Graduate School of Medicine April 2000 Professor, Department of Clinical Epidemiology, Professor, Department of Health Informatics, Dean, School of Public Health, Kyoto University Graduate School of Medicine February 2001 Professor, Department of Clinical Epidemiology, Professor, Department of Health Informatics, Director, EBM Collaborative Research Center, School of Public Health, Kyoto University Graduate School of Medicine September 2004 Chief of staff, Department of Internal medicine, Vice President, St. Luke's International Hospital April 2005 President of St. Luke's International Hospital (to present) April 2012 Chairperson of the Board of Trustees of St. Luke's College of Nursing (currently, St. Luke's International University) June 2015 Member of the Board (Outside) of the Company (to present) April 2016 President of St. Luke's International University (to present) (Number of years as a Member of the Board) Four (4) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 14/14 meetings (100%) (Material concurrent positions) President of St. Luke's International University President of St. Luke's International Hospital Executive Director of Japan Hospital Association President of The Japan Medical Library Association [Reason for nomination as a candidate for Member of the Board (Outside)] The Company again nominates Tsuguya Fukui as a candidate for Member of the Board (Outside) because he gave opinions as needed and beneficially, based on his expertise and insights as a medical scientist.	7,700

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 10, 2019)	Number of Shares of the Company Held
		Notes: 1 There are no special conflict of interests between Tsuguya Fukui and the Company. 2 Tsuguya Fukui satisfies the requirements for Independent Directors/Auditors as provided for by the Tokyo Stock Exchange and criteria for independence as Members of the Board (Outside) provided by the Company (see page 26), and the Company has filed him as an Independent Director with the aforementioned exchange. When the election of Tsuguya Fukui is approved at the Meeting, he will continue to be designated as an Independent Director. 3 With regard to liability for damages under Article 423, Paragraph 1 of the Companies Act, the Company has entered into an agreement with Tsuguya Fukui to limit his liability based on the Articles of Incorporation in the event that the case falls under the requirements defined in laws and ordinances (Liability Limitation Agreement); provided, however, that the maximum amount of liabilities under such agreement is the minimum liability amount as provided by applicable laws and ordinances. When the election of Tsuguya Fukui is approved at the Meeting, we will continue the Liability Limitation Agreement on the same terms and conditions.	

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 10, 2019)	Number of Shares of the Company Held
7	 Satoru Kimura (September 27, 1957) New election	April 1981 Entered Daiichi Pharmaceutical Co., Ltd. April 2009 Vice President of Kyoto Branch, Sales & Marketing Division, Japan Company of the Company April 2014 Corporate Officer, Head of Sales & Marketing Division and Vice President of Marketing Department, Japan Company of the Company April 2015 Executive Officer, Head of Sales & Marketing Division of the Company April 2016 Senior Executive Officer, Head of Sales & Marketing Division of the Company (to present) [Reason for nomination as a candidate for Member of the Board] Satoru Kimura has served as a Corporate Officer since 2014, involved in Sales & Marketing. The Company has nominated him as a candidate for Member of the Board because of his expected capacity to secure and enhance the effectiveness of the Board of Directors in terms of its conduct of operations and decision-making functions and its oversight functions, by continuing to leverage his abundant experience and expertise as Head of Sales & Marketing Division on the Board of Directors. Notes: There are no special conflict of interests between Satoru Kimura and the Company.	16,918

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 10, 2019)	Number of Shares of the Company Held
8	 Kazuaki Kama (December 26, 1948) Candidate for Member of the Board (Outside) Independent Director New election	July 1971 Entered Ishikawajima-Harima Heavy Industries Co., Ltd. (currently, IHI Corporation) June 1987 Executive Vice President of IHI INC. (New York) July 2002 Associate Director and Deputy General Manager of Finance and Accounting Division of Ishikawajima-Harima Heavy Industries Co., Ltd. June 2004 Executive Officer and General Manager of Finance and Accounting Division of Ishikawajima-Harima Heavy Industries Co., Ltd. April 2005 Managing Executive Officer, General Manager of Finance and Accounting Division of Ishikawajima-Harima Heavy Industries Co., Ltd. June 2005 Board Director, Managing Executive Officer, General Manager of Finance and Accounting Division of Ishikawajima-Harima Heavy Industries Co., Ltd. April 2007 President and Chief Executive Officer of Ishikawajima-Harima Heavy Industries Co., Ltd. April 2012 Chairman of the Board of IHI Corporation April 2016 Board Director of IHI Corporation June 2016 Executive Corporate Advisor of IHI Corporation (to present) (Material concurrent positions) Executive Corporate Advisor of IHI Corporation Outside Director of KYOKUTO BOEKI KAISHA, LTD (scheduled to retire in June 2019) Outside Director of NSK, Ltd. (scheduled to retire in June 2019) Outside Director of SUMITOMO LIFE INSURANCE COMPANY Statutory Auditor (Outside) of Tokyo Stock Exchange, Inc. (scheduled to assume the position in June 2019) [Reason for nomination as a candidate for Member of the Board (Outside)] The Company has nominated Kazuaki Kama as a candidate for Member of the Board (Outside) so that its management can benefit from his insights on overall corporate management, developed through his management experience at a comprehensive heavy-industry manufacturer, and his expertise in financial matters.	0

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 10, 2019)	Number of Shares of the Company Held
		Notes: 1 There are no special conflict of interests between Kazuaki Kama and the Company. 2 It was found that IHI Corporation, where Kazuaki Kama served as Director from June 2005 to June 2016, conducted inadequate practices in its Civil Aero Engine Maintenance Business during his term of office as Director. Given this fact, the Ministry of Economy, Trade and Industry issued an order based on the Aircraft Manufacturing Industry Act to IHI Corporation in March 2019 demanding that engine maintenance and repair work be performed using approved methods. Further, in April 2019, IHI Corporation received a business improvement order from the Ministry of Land, Infrastructure, Transport and Tourism based on the Civil Aeronautics Act. 3 Kazuaki Kama satisfies the requirements for Independent Directors/Auditors as provided for by the Tokyo Stock Exchange and criteria for independence as Members of the Board (Outside) provided by the Company (see page 26), and when the election of Kazuaki Kama is approved at the Meeting, he will be designated as an Independent Director. 4 With regard to liability for damages under Article 423, Paragraph 1 of the Companies Act, when the election of Kazuaki Kama is approved at the Meeting, the Company will enter into an agreement with him to limit his liability based on the Articles of Incorporation in the event that the case falls under the requirements defined in laws and ordinances (Liability Limitation Agreement); provided, however, that the maximum amount of liabilities under such agreement is the minimum liability amount as provided by applicable laws and ordinances.	

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 10, 2019)	Number of Shares of the Company Held
9	 Sawako Nohara (January 16, 1958) Candidate for Member of the Board (Outside) Independent Director New election	April 1980 Entered Mitsubishi Petrochemical Co., Ltd. (currently, Mitsubishi Chemical Corporation) December 1988 Entered Life Science Institute Co., Ltd. July 1995 Entered InfoCom Research, Inc. July 1998 Head of the E-Commerce Business Development Group of InfoCom Research, Inc. December 2001 President of IPSe Marketing, Inc. (to present) June 2006 Outside Director of the Board of NEC Corporation November 2009 Project Professor of the Graduate School of Media and Governance, Keio University (to present) June 2012 Audit & Supervisory Board Member of Sompo Japan Insurance Inc. June 2013 Outside Director of the Board of NKSJ Holdings, Inc. (currently, Sompo Holdings, Inc.) (to present) June 2014 Outside Director of the Board of Nissha Printing Co., Ltd. (currently, Nissha Co., Ltd.) June 2014 Outside Director of the Board of JAPAN POST BANK Co., Ltd. (to present) June 2018 Outside Audit & Supervisory Board Member of Tokyo Gas Co., Ltd. (to present) (Material concurrent positions) President of IPSe Marketing, Inc. Project Professor of the Graduate School of Media and Governance, Keio University Outside Director of the Board of Sompo Holdings, Inc. Outside Director of the Board of JAPAN POST BANK Co., Ltd. Outside Audit & Supervisory Board Member of Tokyo Gas Co., Ltd. [Reason for nomination as a candidate for Member of the Board (Outside)] The Company has nominated Sawako Nohara as a candidate for Member of the Board (Outside) so its management can benefit from her insights on overall corporate management, developed through her management experience, and her expertise in IT, business strategies and marketing strategies.	0

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 10, 2019)	Number of Shares of the Company Held
		Notes: 1 There are no special conflict of interests between Sawako Nohara and the Company. 2 Sawako Nohara satisfies the requirements for Independent Directors/Auditors as provided for by the Tokyo Stock Exchange and criteria for independence as Members of the Board (Outside) provided by the Company (see page 26), and when the election of Sawako Nohara is approved at the Meeting, she will be designated as an Independent Director. 3 With regard to liability for damages under Article 423, Paragraph 1 of the Companies Act, when the election of Sawako Nohara is approved at the Meeting, the Company will enter into an agreement with her to limit her liability based on the Articles of Incorporation in the event that the case falls under the requirements defined in laws and ordinances (Liability Limitation Agreements); provided, however, that the maximum amount of liabilities under such agreement is the minimum liability amount as provided by applicable laws and ordinances.	

Third Proposal: Election of Two (2) Members of the Audit and Supervisory Board

The terms of office of two (2) Members of the Audit and Supervisory Board Hideyuki Haruyama and Kazuyuki Watanabe will expire at the close of this Ordinary General Meeting of Shareholders.

Accordingly, the Company requests approval for the election of two (2) Members of the Audit and Supervisory Board. Candidates for Members of the Audit and Supervisory Board are as follows.

The Company has already obtained the approval from the Audit and Supervisory Board with respect to this agenda item.

(Reference) Audit and Supervisory Board structure after the approval of Third Proposal

Candidate Number	Name (Age)		Tenure	Number of Board of Directors' meetings attended	Number of Audit and Supervisory Board meetings attended
1	Ryoichi Watanabe	(60)	New election Candidate for Member of the Audit and Supervisory Board	–	–	–
2	Kenji Sato	(56)	New election Candidate for Member of the Audit and Supervisory Board	–	–	–
–	Sayoko Izumoto	(65)	Independent Auditor Member of the Audit and Supervisory Board (Outside)	2 years	14/14 meetings (100%)	12/13 meetings (92%)
–	Tateshi Higuchi	(66)	Independent Auditor Member of the Audit and Supervisory Board(Outside)	1 year	10/11 meetings (91%)	10/10 meetings (100%)
–	Yukiko Imazu	(50)	Independent Auditor Member of the Audit and Supervisory Board(Outside)	1 year	11/11 meetings (100%)	10/10 meetings (100%)

Notes:

1. The term of office for Audit and Supervisory Board members of the Company is four years. Sayoko Izumoto was elected at 12th Ordinary General Meeting of Shareholders held on June 2017. Tateshi Higuchi and Yukiko Imazu were elected at 13rd Ordinary General Meeting of Shareholders held in June 2018.
2. The number of attendance for Tateshi Higuchi and Yukiko Imazu in the meetings of the Board of Directors and the Audit and Supervisory Board signifies the number of attendance only to such meetings of the Board of Directors and the Audit and Supervisory Board held after their assumption of office in June 18, 2018.
3. The age of each member of the Audit and Supervisory Board and candidate for member of the Audit and Supervisory Board is as of June 17, 2019.

Candidate Number	Name (Date of Birth)	Career Summary, Positions, and Material Concurrent Positions (as of May 10, 2019)	Number of Shares of the Company Held
1	 Ryoichi Watanabe (September 28, 1958) New election	April 1981 Entered Sankyo Company, Limited (“Sankyo”) June 2003 Vice President, Accounting Department of Sankyo April 2004 Vice President, Business Performance Management Department of Sankyo April 2007 Vice President, Corporate Accounting Department of the Company April 2009 Vice President, Corporate Finance & Accounting Department of the Company April 2012 Vice President, General Affairs & Procurement Department, General Affairs & Human Resources Division of the Company April 2014 Vice President, Finance & Accounting Department, Corporate Management Division of the Company April 2015 Vice President, Internal Audit Department of the Company April 2016 Corporate Officer, Vice President, Internal Audit Department of the Company April 2019 Corporate Officer, in charge of Internal Audit Department of the Company (to present) (Material concurrent positions) None [Reason for nomination as a candidate for Member of the Audit and Supervisory Board] Ryoichi Watanabe has experience from being involved in financial accounting, management control, general affairs and procurement, and internal audits, among other areas, and is well versed in the overall business activities of the Company. The Company has nominated him as a candidate for Member of the Audit and Supervisory Board as it expects to leverage his broad perspective and extensive knowledge in its audit activities.	12,221
		Note: There are no special conflict of interests between Ryoichi Watanabe and the Company.	

Candidate Number	Name (Date of Birth)	Career Summary, Positions, and Material Concurrent Positions (as of May 10, 2019)	Number of Shares of the Company Held
2	 Kenji Sato (February 28, 1963) New election	April 1988 Entered Daiichi Pharmaceutical Co., Ltd. April 2016 Vice President, R&D General Affairs & Human Resources Department, R&D Division of the Company April 2019 Principal, R&D General Affairs & Human Resources Department, R&D Division of the Company (to present) (Material concurrent positions) None [Reason for nomination as a candidate for Member of the Audit and Supervisory Board] Kenji Sato has experience from being involved in research and development, human resources and management control, among other areas, and is well versed in the overall business activities of the Company. The Company has nominated him as a candidate for Member of the Audit and Supervisory Board as it expects to leverage his broad perspective and extensive knowledge in its audit activities.	4,720
		Note: There are no special conflict of interests between Kenji Sato and the Company.	

(Reference) Policies and Procedures for Appointment and Nomination of Candidates for Members of the Board and Members of the Audit and Supervisory Board

- The candidates for Members of the Board shall meet the requirement of being personnel of excellent character and insight who contribute to maximizing the corporate value of the Group.
- The candidates for Members of the Board shall meet the requirements of being appropriate candidates with respect to term of office and age, and of being suitably competent of performing timely and accurate judgment, looking at the changes in the business environment while giving importance to the continuance of management policies, etc.
- The candidates for Members of the Board shall meet the requirements that there shall always be Members of the Board (Outside) included to strengthen the decision-making functions based on various perspectives and to strengthen the function of supervising conduct of operations.
- The candidates for Members of the Board (Outside) shall meet the requirements that they are the individuals with expertise, experience and insight in Japan and overseas in fields including corporate management, medical and pharmaceutical sciences, legal and administrative affairs, and finance and accounting.
- When appointing the candidates for Members of the Board, the Board of Directors shall appoint the candidates after they have been sufficiently deliberated by the Nomination Committee, of which Members of the Board (Outside) form a majority.
- The candidates for Members of the Audit and Supervisory Board shall be examined prudently concerning their suitability as Members of the Audit and Supervisory Board, such as whether they can fulfil their duties, ensuring their independence from the representative directors, members of the board, and corporate officers.
- The candidates for Members of the Audit and Supervisory Board (Outside), in addition to meeting the aforementioned requirements, shall be confirmed to have no problems according to specific criteria on the judgment of independence.
- When appointing the candidates for Members of the Audit and Supervisory Board, the Board of Directors shall appoint the candidates after the relevant proposal has been sufficiently verified and agreed to by the Audit and Supervisory Board.

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

In nominating candidates for Members of the Board, the Company shall include a person who satisfies the definition of Member of the Board (Outside), aiming at reinforcing decision-making functions from various perspectives and enhancing the supervising function for execution of operation. Outside Directors/Auditors (Member of the Board (Outside) and Member of the Audit and Supervisory Board (Outside)) are required to ensure their independence from the Company.

On March 31, 2014, the Board of Directors and the Audit and Supervisory Board resolved "Criteria for independence" as follows:

1. A Member of the Board or a Member of the Audit and Supervisory Board shall be determined to be independent from the Company and may not have a conflict of interest with general shareholders of the Company unless he or she falls into any of the following categories:.

(1) A candidate or his or her immediate family member* who:

i) is or has been an Executive Officer, of the Company or its fellow subsidiary 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 director or member of audit and supervisory board compensation.

* 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 falling into:

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 school corporation 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 of which the Company is a major shareholder 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 Company Group.

v) Cross-directorship arrangement

When an Executive Officer of the Company is a current Member of the Board (Outside) or Member of the Audit and Supervisory Board (Outside) in a cross-directorship arrangement with the listed company.

2. Even though a candidate for an outside director/ auditor falls into any of the above, when the Board of Directors or the Audit and Supervisory Board judge him or her to be ensured of independence after a comprehensive review, he or she may be determined to have no problem with criteria for independence as an outside director/ auditor.

Fourth Proposal: Provision of Bonuses to Members of the Board

The Company requests approval for the payment of directors' bonuses, amounting to ¥158 million in total to the five Members of the Board (excluding Members of the Board (Outside)) who were at office at the end of this fiscal year taking into consideration the Company's performance, etc. during the business year.

The Company also requests approval for delegation of determination of the amount of the bonus to be paid to each Member of the Board to the Board of Directors.

(Reference)

Basic design of remuneration to Members of the Board and Members of the Audit and Supervisory Board

- Remuneration to Members of the Board (excluding Members of the Board (Outside)) is designed to provide remuneration that contributes to maximizing corporate value. Specifically, in addition to a basic, fixed remuneration, performance based bonuses serving as short-term incentive and restricted share-based remuneration serving as long-term incentive are adopted as variable remunerations.
- Performance based bonuses serving as short-term incentives are determined by the degree of achievement of a single fiscal year measured by adopting revenue, operating profit margin and profit attributable to owners of the Company as the relevant indices.
- As long-term incentives, the Company grants, every year in principle, restricted stocks with 3-5 years of transfer restriction to the eligible Members of the Board. The objective of the scheme is to provide Member of the Board an incentive to sustainably increase the Company's corporate value and to further promote shared value between shareholders and them by having the restricted stocks.
- In order to enhance an incentive to further increase the Company's corporate value, the Company will increase variable remunerations and increasing the ratio of it.
- In order to ensure that Members of the Board (Outside) and Members of the Audit and Supervisory Board adequately perform their role, which is oversight of management, short-term and long-term incentives are not provided and only basic remuneration is granted.
- The level of remunerations is set aiming to provide medium to high level remunerations in the industrial sector, referring to the levels of other companies learned from the surveys of external specialist institutions.

Procedures for deciding remuneration of Members of the Board and Members of the Audit and Supervisory Board

- The General Meeting of Shareholders has approved a basic remuneration of Members of the Board at a maximum limit of ¥450 million per fiscal year and a total amount of restricted share-based remuneration to be granted to Members of the Board at a maximum limit of ¥140 million per fiscal year. Performance based bonuses are approved by the General Meeting of Shareholders for the relevant fiscal year.
- The General Meeting of Shareholders has approved a basic, fixed remuneration of Members of the Audit and Supervisory Board, which shall be the only remuneration they receive, at a maximum limit of ¥120 million per fiscal year.
- Establishment of the remuneration system and criteria for Members of the Board and Corporate Officers, examination and review of the remuneration level for each position, confirmation of the results of performance based bonuses, and allotment of restricted stocks have been thoroughly deliberated at the Compensation Committee, in which the majority of members are Members of the Board (Outside).

Component Ratio of Remuneration to Members of the Board and Members of the Audit and Supervisory Board

	Fixed remuneration	Variable remuneration	
	Basic remuneration *2	Performance based bonuses *3 (Short-term incentives)	Restricted share-based remuneration *4 (Long-term incentives)
Members of the Board (excluding Members of the Board (Outside)) *1	60%	20%	20%
Members of the Board (Outside)	100%	–	–
Members of the Audit and Supervisory Board	100%	–	–

*1 Component Ratio is described based on 1) 100% degree of achievement on evaluation indices for performance based bonuses and 2) stock price at the time when restricted share-based remuneration is granted.

*2 Maximum limit of ¥450 million Members of the Board (excluding Members of the Board (Outside), ¥120 million for Members of the Audit and Supervisory Board per fiscal year.

*3 Amount determined at the General Meeting of Shareholders.

*4 Maximum limit of ¥140 million per fiscal year.

[Attachment]

Business Report for the 14th Fiscal Period

(From April 1, 2018 to March 31, 2019)

1. Status of Daiichi Sankyo Group

(1) Progress and Results of Operations

1) Overview

Consolidated Financial Results

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

	Year ended March 31, 2018	Year ended March 31, 2019	YoY change
Revenue	960,195	929,717	–30,478 –3.2%
Operating profit	76,282	83,705	7,423 9.7%
Profit before tax	81,021	85,831	4,809 5.9%
Profit attributable to owners of the Company	60,282	93,409	33,127 55.0%
Total comprehensive income	61,890	163,893	102,003 164.8%

<Revenue from global mainstay products>

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

Product name	Year ended March 31, 2018	Year ended March 31, 2019	YoY change
Edoxaban anticoagulant	77,089	117,686	40,597 52.7%
Olmesartan antihypertensive agent	149,672	105,922	–43,750 –29.2%
Prasugrel antiplatelet agent	32,815	23,214	–9,601 –29.3%

<Selling, general and administrative expenses>

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

	Year ended March 31, 2018	Year ended March 31, 2019	YoY change
Selling, general and administrative expenses	301,845	277,695	–24,150 –8.0%
Ratio of selling, general and administrative expenses to revenue	31.4%	29.9%	–1.6%

<Research and development expenses>

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

	Year ended March 31, 2018	Year ended March 31, 2019	YoY change
Research and development expenses	236,046	203,711	–32,334 –13.7%
Ratio of research and development expenses to revenue	24.6%	21.9%	–2.7%

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

(Yen)

	Year ended March 31, 2018	Year ended March 31, 2019
USD/Yen	110.86	110.91
EUR/Yen	129.70	128.40

a. Revenue
- Revenue in the year ended March 31, 2019 (fiscal 2018) decreased by ¥30.5 billion, or 3.2% year on year, to ¥929.7 billion.
- The negative effect from a decrease in sales of *Olmesartan* due to the loss of exclusivity and drug price reductions resulting from revisions to the National Health Insurance (NHI) system led to the decline in revenue, despite growth in sales of mainstay products such as *Edoxaban*.
- The negative effect on revenue from foreign exchange was ¥3.2 billion in total.

b. Operating profit
- Operating profit increased by ¥7.4 billion, or 9.7% year on year, to ¥83.7 billion.
- Gross profit decreased by ¥49.1 billion, or 8.0%, to ¥565.1 billion due to an increase in cost of sales largely as a result of change in the product mix as well as having recorded impairment losses for intangible assets (¥15.1 billion) particularly in relation to the antitumor agent *Zelboraf*, in addition to a decrease of revenue.
- Selling, general and administrative expenses fell by ¥24.2 billion, or 8.0%, to ¥277.7 billion, mainly due to the effect of cost reductions by the increase in gain on sale of property, plant and equipment, in addition to the effect of cost reductions in the U.S.
- Research and development expenses decreased by ¥32.3 billion, or 13.7% year on year, to ¥203.7 billion mainly because impairment losses (¥30.2 billion) on intangible assets related to *CL-108*, a combination drug for the treatment of pain and opioid-induced nauseas and vomiting (OINV), and others were recorded in the previous fiscal year, while no impairment loss was recorded in fiscal 2018.
- The negative effect on operating profit from foreign exchange was ¥1.4 billion in total.

c. Profit before tax
- Profit before tax increased by ¥4.8 billion, or 5.9% year on year, to ¥85.8 billion.
- The increase in profit before tax was modest compared to the increase in operating profit mainly due to a deterioration of loss (gain) on exchange differences relating to assets denominated in foreign currencies.

d. Profit attributable to owners of the Company
- Profit attributable to owners of the Company increased by ¥33.1 billion, or 55.0% year on year, to ¥93.4 billion.
- The future taxable income amount has increased in conjunction with strategic collaboration with AstraZeneca on *DS-8201* (HER2-targeting ADC). As a result, it has become possible to recognize additional deferred tax assets and realize a substantial decrease in income taxes, etc., leading to a significant increase in profit attributable to owners of the Company.

e. Total comprehensive income
- Total comprehensive income increased by ¥102.0 billion, or 164.8% year on year, to ¥163.9 billion.
- Total comprehensive income increased significantly year on year mainly due to the reversal of tax liabilities related to business restructuring of the Group carried out in prior years.

Revenue by Geographic Area

The Group's primary revenue by geographic area is as follows.

a) Japan
Revenue in Japan decreased by ¥23.2 billion, or 3.8% year on year, to ¥589.7 billion.

<Prescription drug business>

- Revenue from the prescription drug business decreased by ¥16.7 billion, or 3.1% year on year, to ¥523.3 billion. The decrease was mainly due to drug price reductions resulting from revisions to the National Health Insurance (NHI) system and the effect of a decrease in sales of *Olmetec* due to the loss of exclusivity, despite the growth in sales of mainstay products *LIXIANA*, *Canalia*, *PRALIA, Vimpat* and others, and the contribution to sales from authorized generic*1 products.
  This revenue also includes revenue generated by the generic pharmaceutical business of Daiichi Sankyo Espha Co., Ltd., and revenue generated by the vaccine business of companies that include Kitasato Daiichi Sankyo Vaccine Co., Ltd., Japan Vaccine Co., Ltd., etc. In December 2018, Daiichi Sankyo decided that Japan Vaccine's commercial activities will be transferred to Daiichi Sankyo and GlaxoSmithKline, and the joint venture will be dissolved.
- In May 2018, Daiichi Sankyo launched *Naruvein Injection* for cancer pain treatment, whose principal ingredients are hydromorphone hydrochloride. In addition, Daiichi Sankyo launched the transdermal long-acting treatment for cancer pain *FENTANYL CITRATE TAPE for 1 day "DAIICHI SANKYO"* in June, thereby enhancing the lineup of opioid analgesics to better meet the various needs of cancer pain treatment.
- Daiichi Sankyo decided in July 2018 that the domestic manufacturing and sales approvals for 41 long-listed products that Daiichi Sankyo and its subsidiary Daiichi Sankyo Espha Co., Ltd. are currently manufacturing and selling would be transferred to Alfresa Pharma Corporation.
- In November 2018, Daiichi Sankyo launched the antitumor agent *trastuzumab BS for intravenous drip infusions "DAIICHI SANKYO,"* a biosimilar product to the anti-HER2 antibody, *trastuzumab*.
- In March 2019, Daiichi Sankyo launched the antiepileptic drug *Vimpat Dry syrup* and *Vimpat for I.V. infusion*.

*1 Authorized generic: Generic drug manufactured after receiving consent from the manufacturer of the original drug.

<Healthcare (OTC) products business>

- Revenue from the healthcare (OTC) products business decreased by ¥6.5 billion, or 9.0% year on year, to ¥66.4 billion. The decrease is mainly due to changes in the accounting for applying new accounting policy (sales incentives, previously accounted for as expenses, are treated as sales deductions effective from this fiscal year) despite growth in sales including those of the *Transino* series handled by Daiichi Sankyo Healthcare Co., Ltd.

<Primary revenue composition in Japan>

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

Category	Year ended March 31, 2018	Year ended March 31, 2019	YoY change
Prescription drug business*	540.0	523.3	–16.7 –3.1%
Healthcare (OTC) products business	72.9	66.4	–6.5 –9.0%

* Includes generic pharmaceutical business and vaccine business.

<Domestic revenue from mainstay prescription drugs>

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

Product name	Year ended March 31, 2018	Year ended March 31, 2019	YoY change
NEXIUM ulcer treatment	86.5	78.3	–8.3 –9.6%
LIXIANA anticoagulant	45.3	64.9	19.6 43.2%
Memary Alzheimer's disease treatment	48.6	50.2	1.7 3.4%
Loxonin anti-inflammatory analgesic	36.5	30.5	–6.0 –16.4%
PRALIA treatment for osteoporosis/ inhibitor of the progression of bone erosion associated with rheumatoid arthritis	23.2	27.4	4.2 18.1%
TENELIA type 2 diabetes mellitus treatment	26.3	25.3	–1.0 –3.7%
Inavir anti-influenza treatment	25.3	18.2	–7.1 –28.0%
Olmetec antihypertensive agent	44.6	14.9	–29.7 –66.7%
RANMARK treatment for bone complications caused by bone metastases from tumors	15.4	16.4	1.0 6.5%
Efient antiplatelet agent	12.8	13.9	1.1 8.3%
Rezaltas antihypertensive agent	16.8	15.5	–1.3 –7.5%
Urief treatment for dysuria	11.1	10.3	–0.9 –7.7%
Omnipaque contrast medium	14.0	12.0	–2.0 –14.4%
Canalia type 2 diabetes mellitus treatment	2.7	9.2	6.5 241.9%
Vimpat anti-epileptic agent	2.6	6.6	3.9 148.5%

b) North America
- In January 2019, the company name of former Luitpold Pharmaceuticals, Inc. was changed to American Regent, Inc. "American Regent" is a product brand being used for most of company's products and being widely known in the U.S. market.
- Revenue in North America decreased by ¥26.1 billion, or 14.5% year on year, to ¥154.1 billion. Revenue in local currency terms decreased by US$236 million, or 14.5%, to US$1,389 million.
  This revenue includes revenue generated by Daiichi Sankyo, Inc., and American Regent, Inc.
- At Daiichi Sankyo, Inc., sales of *Effient* and *Olmesartan* and its combination drugs declined, in addition to a decrease of sales of *Welchol* due to entry of generics in May 2018.
- At American Regent, Inc., sales of *Injectafer* increased.

<Revenue of Daiichi Sankyo, Inc. mainstay products>

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

Product name	Year ended March 31, 2018	Year ended March 31, 2019	YoY change
*Olmesartan** antihypertensive agent	192	97	–96 –49.6%
Welchol hypercholesterolemia treatment/ type 2 diabetes mellitus inhibitor	306	121	–185 –60.5%
Effient antiplatelet agent	96	22	–74 –77.1%
SAVAYSA anticoagulant	20	21	1 5.8%
MOVANTIK opioid-induced constipation treatment	42	38	–4 –9.7%

* *Benicar/Benicar HCT*, *AZOR*, *TRIBENZOR* and authorized generics for *Olmesartan*

<Revenue of American Regent, Inc.* mainstay products>

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

Product name	Year ended March 31, 2018	Year ended March 31, 2019	YoY change
Venofer treatment for iron deficiency anemia	279	261	–18 –6.6%
Injectafer treatment for iron deficiency anemia	310	399	89 28.7%

* Formerly, Luitpold Pharmaceuticals, Inc.

c) Europe
- Revenue in Europe increased by ¥9.1 billion, or 11.5% year on year, to ¥88.6 billion. Revenue in local currency terms increased by EUR77 million, or 12.6%, to EUR690 million.
- The increase of revenue is mainly attributable to increase in sales of *LIXIANA* despite decreases in sales of *Olmesartan* and its combination drugs and *Efient*.
- In January 2019, Daiichi Sankyo Europe GmbH entered into a licensing agreement with Esperion Therapeutics, Inc. of the U.S. for the exclusive sales rights in Europe of bempedoic acid for the treatment of hypercholesterolemia.

<Revenue of Daiichi Sankyo Europe GmbH mainstay products>

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

Product name	Year ended March 31, 2018	Year ended March 31, 2019	YoY change
*Olmesartan** antihypertensive agent	258	213	–45 –17.5%
Efient antiplatelet agent	62	44	–17 –28.1%
LIXIANA anticoagulant	208	357	148 71.3%

* *Olmetec/Olmetec Plus*, *Sevikar* and *Sevikar HCT*

d) Asia, South & Central America
- Revenue in Asia, South & Central America increased by ¥7.3 billion, or 9.0% year on year, to ¥87.7 billion. This revenue includes revenue to overseas' licensees.
- Mainstay products such as synthetic antibacterial agent *Cravit* grew in China.
- Products such as *LIXIANA* and *Olmesartan* and its combination drugs grew in South Korea.

2) R&D Activities

- The Group has established its 2025 Vision of being a "Global Pharma Innovator with Competitive Advantage in Oncology."
- In setting out to achieve our 2025 Vision, the Group established the antibody drug conjugates (ADC)[*1] franchise, acute myeloid leukemia (AML) franchise and Breakthrough Science[*2] as three pillars for oncology which is the primary focused area, and is working on strategic research and development activities.
- Additionally, the Group is accelerating research activities in areas other than oncology, particularly for rare diseases and immune diseases.
- Furthermore, the Group is also working on research and development activities based on innovative drug discovery technology through technical research on new modalities[*3].
- The Group is trying to continuously generate innovative medicine that transforms standards of care (SOC) utilizing partnering[*4], open innovation[*5] and translational research[*6] in the research and early-stage of development.
- As for the late-stage of development, the Group is developing drugs in oncology, cardiovascular-metabolics and other fields.
- The Group is continuously undertaking life cycle management activities[*7] particularly in the field of cardiovascular-metabolics.

*1 Antibody drug conjugate (ADC): Drugs composed of an antibody drug and a payload (a low molecule drug) linked via appropriate linker. By using a monoclonal antibody that binds to a specific target expressed on cancer cells, a cytotoxic payload is delivered to cancer cells effectively with reducing systemic exposure.

*2 Breakthrough Science: New treatment that brings radical innovation to cancer treatment methods through the practical application of innovative science and technology.

*3 New modalities: New drug discovery fundamentals technology such as ADC, nucleic acid drugs, viruses for treatment, and cell therapy.

*4 Partnering: Cooperation between companies, universities and research institutions utilizing their

own strengths mutually to generate new values.

*5 Open innovation: Development method in which external development capabilities and ideas are used to overcome internal development challenges and create innovative new value.

*6 Translational research: Research process that translates basic scientific results obtained in preclinical studies into new drugs or medical technologies for practical application via testing at clinical settings, or applies the efficacy and safety confirmed at clinical settings to new basic researches.

*7 Life cycle management: Initiatives to bring the value of pharmaceuticals to the healthcare fields over a long period by further enhancing its product value through expanding indications and improving dosage and administration.

- The following section describes the Group's major development projects and progress made in each project.

Oncology Area

a. DS-8201 (HER2-targeting ADC): [Fam-] trastuzumab deruxtecan

- The second part (expansion study) of the Phase I clinical trial for multiple types of HER2-expressing cancers is underway in Japan and the U.S.
- Updated safety and efficacy data in these trials were presented at the American Society of Clinical Oncology (ASCO) meeting in June 2018. These most recent data suggest that *DS-8201* is a promising treatment, regardless of the level of HER2 expression, and for a wide variety of types of cancer.
- In September 2018, updated safety and efficacy data for patients with HER2-expressing or -mutated non-small cell lung cancer were presented at the World Conference on Lung Cancer (WCLC). These most recent data suggest that *DS-8201* is also a promising treatment for non-small cell lung cancer.
- Updated safety and efficacy data for patients with colorectal cancer in these trials were presented at the European Society for Medical Oncology (ESMO) congress in October 2018.
- Updated safety and efficacy data for patients with HER2 low expressing metastatic breast cancer in these trials were presented at the San Antonio Breast Cancer Symposium (SABCS) in December 2018. These most recent data suggest that *DS-8201* is also a promising treatment for patients with HER2 low expressing metastatic breast cancer.
  In addition, concerning interstitial lung disease (ILD), the first analysis of interstitial lung disease (ILD) data of all clinical trials for *DS-8201*, including adjudicated case results, was presented.

- In addition to the above clinical trials, the Group is conducting the following trials for each type of cancer.

<Breast cancer>

- Patient enrollment (approximately 230 patients) was completed in September 2018 for the global Phase II clinical trial (DESTINY-Breast01) with the primary endpoint being the overall response rate in patients with HER2-positive recurrent and/or metastatic breast cancer previously treated with medicines including T-DM1 (the third or later line treatment).
  In March 2019, the Group announced that the filing of the application for approval to the U.S. Food and Drug Administration (FDA), which was originally planned for 2020, has now been brought forward to the first half of fiscal 2019. The results from DESTINY-Breast01 will be presented at scientific forums, after the results are obtained. The decision regarding the exact timing of the filing of the application for approval will be based on future discussions with the FDA.
- The global Phase III clinical trial (DESTINY-Breast02) designed to compare the safety and efficacy of *DS-8201* versus the investigator's choice for the above-mentioned patients also commenced in September 2018.
- *DS-8201* has been granted Breakthrough Therapy designation*8 by the FDA for the treatment of the above patients.

- The global Phase III clinical trial (DESTINY-Breast03) designed to compare the safety and efficacy of *DS-8201* versus T-DM1 in patients with HER2-positive recurrent and/or metastatic breast cancer previously treated with *trastuzumab*, etc. (the second line treatment) commenced in September 2018.
- The global Phase III clinical trial (DESTINY-Breast04) designed to compare the safety and efficacy of *DS-8201* versus the investigator's choice (chemotherapy) for the patients with HER2 low expressing metastatic breast cancer commenced in January 2019.

*8 Breakthrough Therapy designation system: System that is designed to expedite the development and review of medicines that may demonstrate substantial benefit over currently available treatments in order to ensure that patients with serious diseases have access to new treatments as soon as possible.

<Gastric cancer>
- The Group is conducting Phase II clinical trials (DESTINY-Gastric01) in Japan and South Korea for patients with HER2-positive recurrent and/or advanced gastric cancer.
- *DS-8201* has been granted SAKIGAKE Designation[*9] by the Japan Ministry of Health, Labour and Welfare (MHLW) for the treatment of the above patients.

*9 SAKIGAKE Designation System: System that promotes R&D in Japan by providing prioritized access to clinical trials and approval procedures aiming at early practical application for innovative pharmaceutical products.

<Non-small cell lung cancer>
- In May 2018, the Group initiated global Phase II clinical trials for patients with HER2-positive, recurrent and/or advanced non-small cell lung cancer (NSCLC).

<Colorectal cancer>
- The Group is conducting global Phase II clinical trials for patients with HER2-positive, recurrent and/or advanced colorectal cancer.

<Combination and R&D Alliances, etc.>
- Daiichi Sankyo is conducting a collaborative clinical trial with the U.S. company, Bristol-Myers Squibb Company, to evaluate the combination of *DS-8201* and *nivolumab*, the immune checkpoint inhibitor (product name: *Opdivo*) in patients with HER2-positive breast cancer.
- In September 2018, Daiichi Sankyo entered into a clinical trial collaboration agreement with a subsidiary of the U.S. company, Merck & Co., Inc., to evaluate the combination of *DS-8201* and *pembrolizumab*, the immune checkpoint inhibitor (product name: *KEYTRUDA*) in patients with HER2-expressing breast cancer and non-small cell lung cancer.
- In October 2018, Daiichi Sankyo entered into a clinical trial collaboration agreement with German company, Merck KGaA and U.S. company Pfizer Inc., to evaluate the combination of *DS-8201* and *avelumab*, the immune checkpoint inhibitor (product name: *BAVENCIO*) and DNA damage response inhibitor (DDR) being developed by Merck KGaA, in patients with HER2-expressing or -mutated solid tumors.

- To maximize the value of *DS-8201*, which was created using Daiichi Sankyo's proprietary ADC technology, Daiichi Sankyo has entered into a global development and commercialization agreement concerning the *DS-8201* with AstraZeneca, a company with a wealth of global experience and resources in oncology, in March 2019.

b. U3-1402 (HER3-targeting ADC)
- Phase I/II clinical trials in patients with HER3-positive recurrent and/or metastatic breast cancer is underway in Japan and the U.S.
- Safety and efficacy data in these trials were presented for the first time at the American Society of Clinical Oncology (ASCO) meeting in June 2018. In addition, in December 2018 updated data of these trials were presented at the San Antonio Breast Cancer Symposium (SABCS). These most recent data suggest that *U3-1402* is a promising treatment. Daiichi Sankyo considers that these data suggest that Daiichi Sankyo's ADC technology could

provide a new treatment approach for patients.
- Currently, in addition to the above trials, the Group is conducting Phase I clinical trials in the U.S. for patients with epidermal growth factor receptor (EGFR)-mutated non-small cell lung cancer (NSCLC) whose disease has progressed while taking an EGFR tyrosine kinase inhibitor (TKI).

c. Quizartinib (FLT3 Inhibitor)

- The FDA has granted Fast Track designation*10 to *Quizartinib* for the treatment of relapsed or refractory acute myeloid leukemia (AML) with FLT3-ITD mutations. Also, it has been granted Orphan Drug designation by the FDA and the European Medicines Agency (EMA) for the treatment of AML.
  The FDA also granted *Quizartinib* Breakthrough Therapy designation for the treatment of relapsed or refractory AML with FLT3-ITD mutations in August 2018, and in September 2018 *Quizartinib* was granted Orphan Drug designation by the Japan Ministry of Health, Labour and Welfare (MHLW) for the treatment of AML with FLT3 mutations.
- In the QuANTUM-R, a Phase III clinical trial being conducted in Europe, the U.S., and Asia for patients with relapsed or refractory AML with FLT3-ITD mutations, the primary endpoint was met in May 2018, and this was presented in a Late Breaking Session of the European Hematology Association (EHA) in June 2018.
  Based on these results, an application for manufacturing and marketing approval was filed in Japan in October 2018. In addition, in November 2018, the applications for approval for marketing were accepted for review and granted Accelerated Assessment designation*11 and Priority Review designation*12 at the European Medicines Agency (EMA) and the FDA, respectively.
- Currently, in addition to the above trials, we are conducting global Phase III clinical trials (QuANTUM-First) to obtain approval for the indication as a first-line treatment of AML.

*10 Fast Track designation: A designation that is granted by the FDA to drugs that can expect an accelerated assessment period because they are a promising treatment for severe disease with high unmet medical needs.

*11 Accelerated Assessment: A designation that is granted by the EMA to drugs that can expect an accelerated assessment period because they are a promising treatment considered to be of major interest for public health and therapeutic innovation.

*12 Priority Review: A designation that is granted by the FDA to drugs that would be significant improvements in the safety or effectiveness of the treatment, diagnosis or prevention of serious conditions when compared to standard applications. Under Priority Review, the FDA aims to take action on an application within six months as compared to 10 months under standard review.

<Combination, etc.>

- In December 2018, Daiichi Sankyo initiated global Phase I trials to evaluate the combination of *Quizartinib* and *milademetan*[*13], the MDM2 inhibitor (*DS-3032*), in patients with relapsed or refractory AML with FLT3-ITD mutation or patients with newly-diagnosed AML with FLT3-ITD mutation unfit for intensive chemotherapy.

*13 *Milademetan* (*DS-3032*): Phase I trials are underway targeting patients with solid and hematologic malignancies. Data from preclinical AML animal trials suggests that when combined with *Quizartinib*, it has a synergetic effect that is greater than when used as a single agent.

d. Pexidartinib (CSF-1R/KIT/FLT3 Inhibitor）

- *Pexidartinib* was granted Breakthrough Therapy designation by the FDA for the treatment of tenosynovial giant cell tumor (TGCT). Furthermore, it has been granted Orphan Drug designation.
- In October 2017, in Phase III clinical trials for TGCT patients in Europe and the U.S., the primary endpoints were met, and this was presented at the American Society of Clinical Oncology (ASCO) meeting in June 2018. In February 2019, the FDA has accepted the application for approval for marketing based on these results, and granted Priority Review

designation for *Pexidartinib*.

e. Axicabtagene ciloleucel (CD19-targeting CAR-T cell)

- In October 2018, *axicabtagene ciloleucel* was granted Orphan Drug designation by the Japan Ministry of Health, Labour and Welfare (MHLW) for the treatment of diffuse large B-cell lymphoma (DLBCL), primary mediastinal (thymus) large B-cell lymphoma (PMBCL), high-grade B-cell lymphoma (HGBL) and transformed follicular lymphoma (TFL), which are aggressive forms of non-Hodgkin lymphoma (NHL).

f. DS-1205 (AXL Inhibitor)

- In October 2018, the Group commenced the Phase I clinical trials in Japan to evaluate the combination of *DS-1205* and *gefitinib*, epidermal growth factor receptor (EGFR) tyrosine kinase inhibitor (TKI) (product name: *IRESSA*) for patients with EGFR-mutated non-small cell lung cancer (NSCLC) whose disease has progressed while taking an EGFR TKI.

[Major R&D Alliances, etc. in Oncology Area]

g. Conclusion of research collaboration agreement with DarwinHealth, Inc. for identifying new cancer targets

- In April 2018, Daiichi Sankyo entered into a research collaboration agreement with DarwinHealth, Inc. in order to identify potential new targets for cancer drug development.
- Under this agreement, both companies will search for, evaluate, and verify potential targets for specific types of cancer using DarwinHealth's bioinformatics technology*14.

*14 Bioinformatics technology: Technology to efficiently analyze and extract beneficial information that is biologically meaningful, using the computational power of computers on the vast information obtained from living bodies, such as the sequence of genes and the expression information of proteins.

h. Expansion of collaboration with Zymeworks Inc. regarding bispecific antibodies

- In September 2016, Daiichi Sankyo entered a cross-licensing and collaboration agreement with Zymeworks Inc. of Canada regarding bispecific antibodies*15. Under this agreement, Daiichi Sankyo obtained the right to use Zymeworks' proprietary technology platform in the manufacture of one bispecific antibody. At the same time, Daiichi Sankyo gave Zymeworks the right to research, develop and commercialize bispecific antibodies based on the immuno-oncology-related antibodies held by Daiichi Sankyo.
- In May 2018, Daiichi Sankyo entered into an agreement expanding the collaborative research with Zymeworks, and obtained the right to use Zymeworks' technology platform in the manufacture of two more bispecific antibodies.

*15 Bispecific antibodies: An antibody that can bind different antigens to the two antigen binding sites of one antibody molecule.

i. Conclusion of worldwide licensing agreement with Glycotope GmbH for ADC

- In October 2017, Daiichi Sankyo has signed an option agreement with the German company, Glycotope GmbH (Glycotope), for future strategic collaboration and licensing to develop an ADC by combining Daiichi Sankyo's proprietary ADC technology with Glycotope's investigational tumor-associated TA-MUC1 antibody *gatipotuzumab*.
- In July 2018, Daiichi Sankyo exercised the option based on the results of the feasibility study and entered into an exclusive worldwide licensing agreement for the rights to develop and commercialize *gatipotuzumab*.

j. Conclusion of agreement of collaboration with Roche on the development of HER2 low companion diagnostic test

- In November 2018, Daiichi Sankyo entered into an agreement of collaboration with Roche in Switzerland on the development of a HER2 low companion diagnostic test*16.

*16 Companion diagnostic test: It is a diagnostic test that measures the efficacy and safety of

a therapeutic treatment before drugs are administered. It is used to select the most suitable therapeutic treatment. It is also a clinical test that is used when monitoring the therapeutic effects of treatment.

k. Conclusion of collaboration agreement with Sarah Cannon Research Institute for the global development of the oncology field

- In December 2018, Daiichi Sankyo entered into a collaboration agreement with U.S. company Sarah Cannon Research Institute to carry out global clinical trials including Japan for the purpose of accelerating development of drugs in the oncological pipeline, including the ADC franchise held by Daiichi Sankyo.

l. Conclusion of worldwide exclusive license agreement ("Agreement") with AnHeart Therapeutics Inc. for DS-6051

- In December 2018, Daiichi Sankyo entered into a worldwide exclusive license agreement ("Agreement") with U.S. company AnHeart Therapeutics Inc. for *DS-6051*, Daiichi Sankyo's selective ROS1/NTRK inhibitor.
- Following the conclusion of this agreement, Daiichi Sankyo will work in cooperation with AnHeart Therapeutics Inc. in the Phase I trial in patients with solid tumors harboring either a ROS1 or NTRK fusion gene and neuroendocrine tumors in the U.S. and Japan.

Areas Other than Oncology

a. Edoxaban (Anticoagulant)

- *Edoxaban* has been on the Japanese market since 2011 under the brand name *LIXIANA* with indication for the prevention of venous thromboembolism (VTE) after major orthopedic surgery. In 2014, the product also received approval in Japan for additional indications for the prevention of ischemic stroke and systemic embolism in patients with non-valvular atrial fibrillation (AF), and for the treatment and prevention of recurrence of VTE (deep vein thrombosis (DVT) and pulmonary embolism (PE)).
- As for global including Japan, *Edoxaban* has been on the market in more than 30 countries and regions.
- Currently, we are undertaking activities to generate new clinical and real-world data, concerning the use of *Edoxaban* in patients with AF and VTE. The efficacy and safety data in ELIMINATE-AF study for patients with AF undergoing catheter ablation[*17], was presented in a Late Breaking Session of the European Heart Rhythm Association (EHRA) in March 2019.

  *17 Catheter ablation: a procedure used to ablate abnormal electrical pathways in the heart tissue by inserting a thin tube (catheter) through the blood vessels to the heart in order to restore normal rhythm of the heart of patients with AF.

b. Esaxerenone (Antihypertensive agent)

- Based on the result of Phase III clinical trials in Japan for patients with essential hypertension, an application was filed in Japan for manufacturing and marketing approval in February 2018.
- In January 2019, manufacturing and marketing approval was received for the treatment of hypertension in Japan.
- The Phase III clinical trials in Japan are underway in patients with diabetic nephropathy.

c. Mirogabalin (Pain agent)

- Based on the results of Phase III clinical trials for patients with diabetic peripheral neuropathic pain and Phase III clinical trials for patients with postherpetic neuralgia, both conducted in Japan and other countries in Asia, an application was filed in Japan for manufacturing and marketing approval in February 2018.
- In January 2019, manufacturing and marketing approval was received for the treatment of peripheral neuropathic pain[*18] in Japan.
- In March 2019, the Group initiated Phase III clinical trials for patients with post-spinal cord injury neuropathic pain in Japan and other countries in Asia.

  *18 Peripheral neuropathic pain (PNP): PNP is caused by damage or functional abnormality

of peripheral nerves due to various causes. Typical PNPs are diabetic peripheral neuropathic pain and postherpetic neuralgia.

d. DS-5141 (Duchenne muscular dystrophy treatment drug)

- *DS-5141*, whose clinical trials are jointly underway with Orphan Disease Treatment Institute Co., Ltd., has been granted SAKIGAKE Designation by the Japan Ministry of Health, Labour and Welfare (MHLW).
- The top-line results of the Phase I/II clinical trials in Japan were announced in April 2018. In these trials, although we were not able to confirm clear expression of the dystrophin protein during the trial, no safety concerns were observed, and because it was confirmed that messenger RNA was produced by skipping the gene exon 45, we are proceeding with development as quickly as possible.

e. VN-100 (Intradermal seasonal influenza vaccine)

- As a result of having reviewed the influenza vaccine project within the Daiichi Sankyo Group, in October 2018, Daiichi Sankyo decided to discontinue the development of *VN-100* for strategic reasons.

[Major R&D Alliances, etc. in Areas Other than Oncology]

f. Commencement of open innovation research on iPS cell-derived insulin producing cells

- In January 2019, Daiichi Sankyo commenced open innovation research with the aim of creating insulin producing cells from iPS cells for use in regenerative medicine and cell therapy, with Mitsubishi UFJ Capital Co., Ltd. (Mitsubishi UFJ Capital) and National University Corporation Tokyo Institute of Technology.
- To carry out the research, a new company called OiDE RYO-UN, Inc. was established. OiDE RYO-UN, Inc. was wholly funded by the OiDE Fund Investment Limited Partnership, a fund jointly set up by Daiichi Sankyo and Mitsubishi UFJ Capital in 2013.

3) Production and Logistics

- The Group is working on transforming its production platform toward the establishment of an oncology business.
- To accelerate oncology development and launches, the Group is seeking to make capital investments of more than ¥25.0 billion over the five years from fiscal 2018 to fiscal 2022.
  In the current fiscal year, Daiichi Sankyo made capital investments for ADC, including *DS-8201*. Moreover, Daiichi Sankyo has been using overseas CMOs (pharmaceutical contract manufacturing organizations) with its sights set on global expansion of *DS-8201*, in addition working to train oncology and bioscience professionals while also establishing production infrastructure looking toward market launches.
- With regard to the global product *Edoxaban*, preparations have been made for establishing the product supply system to accommodate sales growth in Japan and Europe as well as further approvals and market launches particularly in countries in Asia and South & Central America.
- In Japan, Daiichi Sankyo has set up a production platform for fiscal 2019 market launches of *Mirogabalin* (product name: *Tarlige* tablets) and *Esaxerenone* (product name: *MINNEBRO* tablets).
- In April 2018, as part of a review of the vaccine business, Daiichi Sankyo decided to transfer the manufacturing and production technology functions of Kitasato Daiichi Sankyo Vaccine Co., Ltd. to Daiichi Sankyo Biotech Co., Ltd., a newly established subsidiary specializing in manufacturing, and to transfer the functions other than manufacturing and production technologies (research and development, quality assurance, sales, etc.) to Daiichi Sankyo on April 1, 2019.
- In January 2019, Daiichi Sankyo decided to transfer Takatsuki Plant owned by Daiichi Sankyo Propharma Co., Ltd. to Taiyo Holdings Co., Ltd. on October 1, 2019, aiming to achieve transformation to future oriented global supply chain structure.

4) Corporate Social Responsibility (CSR) Activities

- The Daiichi Sankyo Group Corporate Conduct Charter commits the Group to working as a whole with

respect to social issues and business activities in a manner that actively respond to the varied demands of our society.

- The Group has been undertaking initiatives such as those that involve addressing unmet medical needs, providing a stable supply of top-quality pharmaceutical products, and improving access to pharmaceuticals, and seamlessly with our business activities, we have also been engaging in projects addressing challenges posed by the Sustainable Development Goals (SDGs) adopted by the United Nations in September 2015, including goals regarding climate change and human rights. In so doing, the Group has been enhancing our corporate value, fulfilling our social responsibilities and contributing to the realization of a sustainable society.
- For working on these activities, Daiichi Sankyo seeks to upgrade its stakeholder communications and also improve disclosure of information related to environmental, social and governance (ESG) issues.

(2) Status of Plant and Equipment Investment

- The Group continuously invests in plants and equipment, aiming to enhance and streamline production facilities as well as strengthen and facilitate research and development. During the fiscal year under review, the Group spent ¥38.3 billion on plants and equipment.

(3) Status of Financing

- Not applicable.

(4) Prospective Challenges

1) 2025 Vision

- The Group has established its 2025 Vision of being a "Global Pharma Innovator with Competitive Advantage in Oncology."
- Specifically, the Group aspires to be a company having a specialty area[*1] business centered on oncology as its core business, having enriched regional value products[*2] aligned with each regional market, and having innovative products and pipeline changing the SOC[*3] in each market. At the same time, the Company aims to realize high shareholder value through highly efficient management in 2025.

  *1 Specialty area: Drugs mainly prescribed at hospitals and/or by specialty practitioners
  *2 Regional value products: Products aligned with regional market
  *3 SOC (Standards of care): Universally applied best treatment practice in today's medical science

2) 4th Mid-Term Business Plan

- The Group has established the 4th mid-term business plan as a plan for transformation toward 2025 Vision, and has been working on the establishment of foundations for ensuring sustainable growth centered on six strategic targets.

[Six strategic targets in the 4th mid-term business plan]
a. Grow Edoxaban
b. Grow as No. 1 Company in Japan
c. Expand U.S. Businesses
d. Establish Oncology Business
e. Continuously Generate Innovative Medicine Changing SOC
f. Enhance Profit Generation Capabilities

- The following section describes the details of the progress made and issues in the six strategic targets, cash generation and allocation in investment for future growth, and shareholder return policy.

[Six Strategic Targets]

a. Grow Edoxaban

- We are forging ahead with efforts geared to bringing about growth of the anticoagulant *Edoxaban*, which acts as a mainstay product underpinning revenues. It has achieved steadily expanding market share, which is a result of developing it into a top-selling product in Japan drawing on its outstanding product strengths and our high-quality marketing capabilities, and also a result of having completed approvals and market launches in major nations of the European and Asian regions.
- Going forward, we aim to disseminate new clinical and real-world data generated through activities to gain evidences on efficacy and safety concerning the use of *Edoxaban*. We also aim to achieve value maximization of the product by successfully launching it in the Chinese market.

b. Grow as No. 1 Company in Japan

- Japan is an important market for the Daiichi Sankyo Group in terms of its revenue generated on a regional basis. We aim to grow into Japan's No. 1 company in name and substance alike. To such ends, we will leverage the strengths of our innovative pharmaceuticals business[*4], while precisely addressing various social and medical needs such as prevention, self-medication and medical treatment, with the innovative business as well as our vaccines, generics and OTC drug businesses.
- Although our mainstay innovative business has grown steadily, the market environment has become increasingly severe, due to the fundamental reforms in the current NHI drug price system in Japan.
- Going forward, we will leverage our high-quality marketing capabilities and accordingly

overcome the severe market environment by developing new products such the pain agent *Tarlige* and the antihypertensive agent *MINNEBRO*, both developed in-house and actively engaging in in-licensing initiatives.

*4 Innovative pharmaceutical products: Ethical drugs protected by the exclusivity period granted by patents.

c. Expand U.S. Businesses

- As the world's largest market for pharmaceuticals, the U.S. market stands as a key market for the Daiichi Sankyo Group, given that we aspire to be a global enterprise. We have been aiming to expand the pain franchise business of Daiichi Sankyo Inc. (DSI), while also expanding business centering on American Regent, Inc. with respect to growth of the *Injectafer* treatment for iron deficiency anemia and the generic injectable franchise.
- Efforts to expand the pain franchise business have come up against hurdles to achieving initial targets due to failures incurred in developing pain treatment medication. On the other hand, we have been achieving steady growth with respect to *Injectafer* treatment for iron deficiency anemia and the generic injectable franchise.
- Going forward, we will swiftly develop a framework for the oncology business, with the aim of launching operations and expanding business by rolling out new products such as the FLT3 inhibitor *Quizartinib* and the CSF-1R/KIT/FLT3 inhibitor *Pexidartinib*.

d. Establish Oncology Business

- We are taking a variety of approaches to establish an oncology business by bringing late-stage products to market, steadily develop products in the early stage of the pipeline, and enrich the product-line and the pipeline through the acquisition of external assets.
- Going forward, in addition to launching the new products of *Quizartinib* and *Pexidartinib*, we will promptly roll out *DS-8201* and promote the establishment of a global business framework. We will also maximize the value of the ADC franchise encompassing *DS-8201*, *U3-1402* and *DS-1062*, by engaging in partnerships and a full range of other initiatives.

e. Continuously Generate Innovative Medicine Changing SOC

- We will make oncology the primary focused area with respect to target disease, while in other fields aiming to generate innovative medicine that changes SOC by drawing on initiatives that involve partnering, open innovation and translational research, with a focus on rare disease and immunodeficiency.
- We have been making steady progress in carrying out research and development of medicines with new modalities, such as oncolytic viruses, nucleic acid drugs and cell therapy.
- Going forward, we will also explore the possibilities of drug discovery extending beyond our own laboratories by collaborating with various organizations, including companies and academia, with our sights set ahead to our 2025 Vision.

f. Enhance Profit Generation Capabilities

- We are working on optimization of our systems for research and development, manufacturing, and sales on a global level and strengthening of procurement functions.
- Going forward, we will further enhance our ability to generate profits by cutting costs and streamlining operations across the entire Group, while also conducting reviews with respect to research and development expenses, cost of sales, and selling, general and administrative expenses.

[Cash Generation and Allocation in Investment for Future Growth]

- During the 4th mid-term business plan, we will prioritize growth investments while enhancing shareholder returns.
- We will generate cash through efforts that involve increasing free cash flow before R&D expenses by enhancing our profit generation capabilities while downsizing assets including cross-held shares and real estate properties.

- We will make best use of our funds available by allocating funds to R&D investments, which we consider growth investment, giving priority to oncology while concentrating our business development investments on boosting the oncology businesses.

[Shareholder Return Policy]

- During the 4th mid-term business plan, we will seek a total return ratio*5 of 100% or more over the period of the plan and annual ordinary dividends of ¥70 or more per share. While continuing stable dividend payments, we will conduct flexible acquisition of our own shares.
  *5 Total return ratio = (Total amount of dividends + Total acquisition costs of treasury shares) / Profit attributable to owners of the Company

[Revised Target]

- In October 2018, we revised our initial quantitative targets in order to accelerate growth in the oncology business, amid a scenario of steady progress being achieved in developing new products such as *DS-8201* in oncology.
- We have now set our sights on achieving a fiscal 2025 revenue target of ¥500.0 billion, thereby exceeding the initial target of ¥300.0 billion, which will entail augmenting and concentrating investment in the oncology business.
- We have also set the goal of achieving our initial fiscal 2020 target (revenue of ¥1,100.0 billion, operating profit of ¥165.0 billion, and ROE of 8% or more) by fiscal 2022, thereby extending the timeline by two years.
- With shareholder returns, we will hold to the initial policy of achieving a total return ratio of 100% or more by fiscal 2022.

[Targets for Fiscal 2022]
- Revenue: ¥1,100.0 billion
- Operating profit: ¥165.0 billion
- ROE: 8% or more
- Increase value of late-stage pipeline: Total expected revenue at peak of ¥500.0 billion or more

[Revenue Target of Oncology Business]
- Fiscal 2022: ¥150.0 billion
- Fiscal 2025: ¥500.0 billion

[Shareholder Return Policy]
- Total return ratio: 100% or more during the 7-year period from fiscal 2016 through fiscal 2022

* The above targets do not include the effect of collaboration relating to *DS-8201* with AstraZeneca.

3) DS-8201 Strategic Collaboration

- To maximize the value of *DS-8201*, which was created using Daiichi Sankyo's proprietary ADC technology, Daiichi Sankyo has entered into a global development and commercialization agreement concerning the *DS-8201* with AstraZeneca, a company with a wealth of global experience and resources in oncology, in March 2019.
- Under the terms of the agreement, Daiichi Sankyo will receive an upfront payment of US$1.35 billion. Upon the achievement of all the future regulatory milestones and other contingencies and sales-related milestones, total consideration will reach up to US$6.90 billion.
- Both companies are to share profits and losses worldwide, excluding Japan. Whereas Daiichi Sankyo is to recognize revenue in Japan, the U.S., Europe, and other markets, AstraZeneca is to recognize revenue in China, Australia, Canada, and other markets.

[Collaboration Overview]		
• Collaborator:	AstraZeneca (Headquarters: Cambridge, UK)	
• Details of collaboration:	Joint development and commercialization for *DS-8201*	
• Development:	Jointly develop monotherapy and combination therapy for HER2 expressing cancers including breast cancer, gastric cancer, non-small cell lung cancer and colorectal cancer, and equally share development costs	
• Commercialization:	[Region excluding Japan]	Both companies will jointly commercialize and share profits and losses
	[Japan]	Daiichi Sankyo will commercialize on a stand-alone basis and pay royalties to AstraZeneca
	<Revenue booking by region>	
	[Daiichi Sankyo]	Japan, the U.S., certain countries in Europe, and certain other markets where Daiichi Sankyo has affiliates
	[AstraZeneca]	All other markets worldwide, including China, Australia, Canada and Russia
• Manufacturing and supply:	Daiichi Sankyo manufactures and supplies *DS-8201*	
• Consideration:	Up to US$6.9 billion in total Upfront payment: US$1.35 billion Future regulatory milestones and other contingencies: US$3.8 billion (max) Sales-related milestones: US$1.75 billion (max)	

- Going forward, we aim to deliver *DS-8201* to more patients earlier by accelerating the development and commercialization of *DS-8201*. Specifically, for the cancer types and indications currently under development, we aim to accelerate market penetration in the U.S. and Europe and realize early launch in markets other than Japan, the U.S. and Europe; while for the cancer types and indications we plan to develop in the future, we aim to fast-track the development plans in order to pursue a further increase in possibilities regarding cancer types and indications.
- Through the strategic collaboration with AstraZeneca, we will accelerate the establishment of in-house oncology business structure in global oncology market.
- Further, we will enrich our pipeline value by allocating research and development expenses and human resources that had been concentrated in *DS-8201* to other ADC projects.

(5) Trends in Operating Results and Assets

(Millions of yen, unless otherwise stated)

Account title	IFRS				
	Year ended March 31, 2015 (10th fiscal period)	Year ended March 31, 2016 (11th fiscal period)	Year ended March 31, 2017 (12th fiscal period)	Year ended March 31, 2018 (13th fiscal period)	Year ended March 31, 2019 (Current fiscal year; 14th fiscal period)
Revenue	919,372	986,446	955,124	960,195	929,717
Operating profit	74,422	130,412	88,929	76,282	83,705
Profit before tax	79,936	122,388	87,788	81,021	85,831
Profit attributable to owners of the Company	322,119	82,282	53,466	60,282	93,409
Basic earnings per share (yen)	457.56	119.37	79.63	91.31	144.20
Return on equity attributable to owners of the Company (ROE) (%)	28.2	6.5	4.4	5.2	7.8
Annual dividends per share (yen)	60	70	70	70	70
Total assets	1,982,286	1,900,522	1,914,979	1,897,754	2,088,051
Equity attributable to owners of the Company	1,304,057	1,231,406	1,175,897	1,132,982	1,249,642

Note: Basic earnings per share is calculated based on the average number of shares outstanding during the year, exclusive of the number of treasury shares.

(6) Principal Business

Research and development, manufacturing, marketing, and import and export of pharmaceuticals

(7) Status of Material Subsidiaries, etc.

1) Status of Material Subsidiaries

The Daiichi Sankyo Group consists of Daiichi Sankyo Company, Limited, its 47 subsidiaries and its 3 associates, a total of 51 companies. Material subsidiaries are as follows:

Name of Group Company	Stated Capital (Millions of yen, unless otherwise stated)	Voting Rights Percentage (%)	Principal Business
Daiichi Sankyo Espha Co., Ltd.	450	100.00	Research and development and marketing of pharmaceuticals
Daiichi Sankyo Healthcare Co., Ltd.	100	100.00	Research and development, manufacture and marketing of healthcare (OTC) products
Daiichi Sankyo Propharma Co., Ltd.	100	100.00	Manufacture of pharmaceuticals
Daiichi Sankyo Chemical Pharma Co., Ltd.	50	100.00	Manufacture of pharmaceuticals
Daiichi Sankyo RD Novare Co., Ltd.	50	100.00	Support for research and development of the Group
Daiichi Sankyo Business Associe Co., Ltd.	50	100.00	Business support for the Group
Kitasato Daiichi Sankyo Vaccine Co., Ltd. (Note 1)	100	100.00	Research and development, manufacture and marketing of vaccines
Daiichi Sankyo Biotech Co., Ltd.	50	100.00	Manufacture of vaccines, biologics, investigational drugs, etc.
Daiichi Sankyo U.S. Holdings, Inc.	3.0 U.S. dollars	100.00	A holding company
Daiichi Sankyo, Inc.	0.17 million U.S. dollars	100.00	Research and development and marketing of pharmaceuticals
Plexxikon Inc.	1.0 U.S. dollars	100.00	Research and development of pharmaceuticals
American Regent, Inc. (Note 2)	0.20 million U.S. dollars	100.00	Research and development, manufacture and marketing of pharmaceuticals
Ambit Biosciences Corporation	1.0 U.S. dollars	100.00	Research and development of pharmaceuticals
Daiichi Sankyo Europe GmbH	16 million euro	100.00	Supervision of the Daiichi Sankyo EUROPE Group, and research and development, manufacture and marketing of pharmaceuticals
Daiichi Sankyo (China) Holdings Co., Ltd.	146 million U.S. dollars	100.00	Research and development and marketing of pharmaceuticals
Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd.	83 million U.S. dollars	100.00	Research and development, manufacture and marketing of pharmaceuticals
Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd.	53 million U.S. dollars	100.00	Research and development, manufacture and marketing of pharmaceuticals

Notes: 1. As of April 1, 2019, the Company acquired Kitasato Daiichi Sankyo Vaccine Co., Ltd. through an absorption-type merger and the firm was dissolved. By means of the company split, the manufacturing and production technology functions of the firm were transferred to Daiichi Sankyo Biotech Co., Ltd., and the functions other than manufacturing and production technologies were transferred to the Company.

2. In January 2019, the company name of former Luitpold Pharmaceuticals, Inc. was changed to American Regent, Inc.

2) Status of Material Alliances, etc.

a. Licensing-in of technology

Name of Group Company	Other Party	Country	Details of Technology
Daiichi Sankyo Company, Limited	Amgen Inc.	U.S.A.	Technology related to "Denosumab," an anti-RANKL antibody
Daiichi Sankyo Company, Limited	Amgen Inc.	U.S.A.	Technology related to biosimilars
Daiichi Sankyo Company, Limited	Cell Therapy Ltd.	UK	Technology related to "Heartcel," an immune-modulatory progenitor cell therapeutic agent for ischemic heart failure
Daiichi Sankyo Company, Limited	Kite Pharma EU B.V.	Netherlands	Technology related to *axicabtagene ciloleucel*, a cellular cancer therapeutic agent for malignant lymphomas
Daiichi Sankyo Company, Limited	MedImmune, LLC	U.S.A.	Technology related to a live attenuated influenza vaccine administered as a nasal spray
Daiichi Sankyo, Inc.	Genzyme Corporation	U.S.A.	Technology related to *Welchol*, an antihyperlipidemic agent
American Regent, Inc.	Vifor (International) Inc.	Switzerland	Technology related to *Venofer* and *Injectafer*, drugs for treating anemia

b. Licensing-out of technology

Name of Group Company	Other Party	Country	Details of Technology
Daiichi Sankyo Company, Limited	AnHeart Therapeutics Inc.	U.S.A.	Technology related to *DS-6051*, a selective ROS1/NTRK inhibitor
Daiichi Sankyo Company, Limited	Boston Pharmaceuticals Inc.	U.S.A.	Technology related to *DS-5010*, a selective RET kinase inhibitor
Daiichi Sankyo Company, Limited	Eli Lilly and Company	U.S.A.	Technology related to antiplatelet agent "*Prasugrel*"
Daiichi Sankyo Company, Limited	Sanofi-Aventis Deutschland GmbH	Germany	Technology related to synthetic antibacterial agent "Levofloxacin"
Daiichi Sankyo Company, Limited	Daewoong Pharmaceutical Co., Ltd.	South Korea	Technology related to *Olmesartan*, an antihypertensive agent
Daiichi Sankyo Company, Limited	Santen Pharmaceutical Co., Ltd.	Japan	Technology related to synthetic antibacterial agent "Levofloxacin" for ophthalmologic drugs

c. Distribution agreement and others

Name of Group Company	Other Party	Country	Details of Agreement
Daiichi Sankyo Company, Limited	AstraZeneca AB	Sweden	Exclusive sale and co-promotion in Japan of *NEXIUM*, a proton pump inhibitor
Daiichi Sankyo Company, Limited	AstraZeneca UK Limited	UK	Joint development and commercialization collaboration, worldwide except for Japan, of HER2-targeting ADC [fam-] *trastuzumab deruxtecan* (*DS-8201*)
Daiichi Sankyo Company, Limited	Cheplapharm Arzneimittel GmbH	Germany	Exclusive sale in Japan of the antihypertensive agent *Artist*
Daiichi Sankyo Company, Limited	GE Healthcare AS	Norway	Exclusive sale in Japan of the contrast media *Omnipaque*
Daiichi Sankyo Company, Limited	Merz Pharmaceuticals GmbH	Germany	Exclusive sale in Japan of *Memary* for the treatment of Alzheimer's disease
Daiichi Sankyo Company, Limited	Servier Canada inc.	Canada	Exclusive sale in Canada of the anticoagulant *LIXIANA* (*Edoxaban*)
Daiichi Sankyo Company, Limited	UCB Biopharma Sprl	Belgium	Exclusive sale and co-promotion in Japan of *Vimpat,* a treatment for epilepsy
Daiichi Sankyo Company, Limited	Kissei Pharmaceutical Co., Ltd.	Japan	Joint sale in Japan of the dysuria treatment drug *Urief*
Daiichi Sankyo Company, Limited	Sanofi K.K.	Japan	Sale in Japan of *ActHib*, a pediatric vaccine for the prevention of infections caused by Haemophilus influenza Type b
Daiichi Sankyo Company, Limited	Mitsubishi Tanabe Pharma Corporation	Japan	Exclusive sale and co-promotion in Japan of hypoglycemic agent *TENELIA*
Daiichi Sankyo Company, Limited	Mitsubishi Tanabe Pharma Corporation	Japan	Co-promotion in Japan of hypoglycemic agent *CANAGLU*
Daiichi Sankyo Company, Limited	Mitsubishi Tanabe Pharma Corporation	Japan	Exclusive sale and co-promotion in Japan of *Canalia*, a combination drug for the treatment of type 2 diabetes mellitus
Daiichi Sankyo, Inc.	AstraZeneca UK Limited	UK	Co-promotion in the U.S.A. of *MOVANTIK*, a treatment for opioid-induced constipation
Daiichi Sankyo, Inc.	Inspirion Delivery Sciences, LLC.	U.S.A.	Exclusive sale and co-promotion in the U.S.A. of two agents including *MorphaBond*, an opioid analgesic
American Regent, Inc.	Fresenius U.S.A. Manufacturing Inc.	U.S.A.	Exclusive sale in the U.S.A. of the anemia treatment, *Venofer* for dialysis patients
Daiichi Sankyo Europe GmbH	Esperion Therapeutics, Inc.	U.S.A.	Exclusive sale in Europe of the hypercholesterolemia treatment, bempedoic acid
Daiichi Sankyo Europe GmbH	Menarini International Operations Luxembourg S.A.	Luxembourg	Joint sale in Europe of the antihypertensive agent *Olmetec*
Daiichi Sankyo Northern Europe GmbH	Merck and Company, Incorporated	U.S.A.	Exclusive sale in Europe of the anticoagulant *LIXIANA*

(8) The Principal Branches, Plants and Laboratories

1) The Company

Headquarters: 5-1, Nihonbashi Honcho 3-chome, Chuo-ku, Tokyo

Branches: Sapporo Branch (Hokkaido), Tohoku Branch (Miyagi), Tokyo Branch (Tokyo), Chiba Branch (Chiba), Saitama Branch (Saitama), Yokohama Branch (Kanagawa), Kanetsu Branch (Tokyo), Tokai Branch (Aichi), Kyoto Branch (Kyoto), Osaka Branch (Osaka), Kobe Branch (Hyogo), Chugoku Branch (Hiroshima), Shikoku Branch (Kagawa), and Kyushu Branch (Fukuoka)

Laboratories: Shinagawa R&D Center (Tokyo), Kasai R&D Center (Tokyo), Tatebayashi Biopharmaceuticals Center (Gunma), and Pharmaceutical Technology Division, Hiratsuka site (Kanagawa)

2) Subsidiaries

a. In Japan

Daiichi Sankyo Espha Co., Ltd.	Chuo-ku, Tokyo	
Daiichi Sankyo Healthcare Co., Ltd.	Chuo-ku, Tokyo	
Daiichi Sankyo Propharma Co., Ltd.	Headquarters	Chuo-ku, Tokyo
	Plants	Hiratsuka Plant (Kanagawa), and Takatsuki Plant (Osaka) (Note 1)
Daiichi Sankyo Chemical Pharma Co., Ltd.	Headquarters	Chuo-ku, Tokyo
	Plants	Onahama Plant (Fukushima), Tatebayashi Plant (Gunma), and Odawara Plant (Kanagawa)
Daiichi Sankyo RD Novare Co., Ltd.	Edogawa-ku, Tokyo	
Daiichi Sankyo Business Associe Co., Ltd.	Chuo-ku, Tokyo	
Daiichi Sankyo Happiness Co., Ltd.	Hiratsuka, Kanagawa	
Kitasato Daiichi Sankyo Vaccine Co., Ltd. (Note 2)	Kitamoto, Saitama	
Daiichi Sankyo Biotech Co., Ltd.	Kitamoto, Saitama	

Notes: 1. The Company plans to transfer Takatsuki Plant owned by Daiichi Sankyo Propharma Co., Ltd. to Taiyo Holdings Co., Ltd. on October 1, 2019.

2. As of April 1, 2019, the Company acquired Kitasato Daiichi Sankyo Vaccine Co., Ltd. through an absorption-type merger and the firm was dissolved. By means of the company split, the manufacturing and production technology functions of the firm were transferred to Daiichi Sankyo Biotech Co., Ltd., and the functions other than manufacturing and production technologies were transferred to the Company.

b. Overseas

Daiichi Sankyo, Inc.	Basking Ridge, New Jersey, U.S.A.
American Regent, Inc.	Shirley, New York, U.S.A.
Daiichi Sankyo Europe GmbH	Munich, Germany

Note: In January 2019, the company name of former Luitpold Pharmaceuticals, Inc. was changed to American Regent, Inc.

(9) Status of Employees (As of March 31, 2019)

Number of Employees		Change from Previous Fiscal Year-End
14,887		441 (increased)
Japan	8,865	100 (increased)
North America	2,172	19 (decreased)
Europe	1,778	196 (increased)
Other regions	2,072	164 (increased)

Note: The number of employees is that of working employees, and does not include that of employees temporarily transferred to other groups, but does include that of employees temporarily transferred to the Group from other groups.

(10) Principal Lenders and the Amount of Loans (As of March 31, 2019)

Lender	Outstanding amount of loans (Millions of yen)
Syndicated loan	80,000
Nippon Life Insurance Company	1,000

Note: Syndicated loan is jointly financed by Mizuho Bank, Ltd. and 38 other financial institutions.

(11) Litigation

- Multiple lawsuits were filed against Daiichi Sankyo Company, Limited, Daiichi Sankyo Inc. ("DSI"), Daiichi Sankyo U.S. Holdings, Inc. as well as Allergan Sales, LLC (former Forest Laboratories, LLC) and the subsidiaries and affiliates thereof in U.S. federal and state courts by claimants alleging to have experienced sprue-like enteropathy (primary symptoms of sprue-like enteropathy include severe diarrhea) and other complications as a result of taking pharmaceuticals containing Olmesartan medoxomil (sold under *Benicar* or other brand names in the United States). On August 1, 2017, a settlement agreement was concluded with the plaintiffs and on March 30, 2018, an agreement to partially amend the content of the settlement was concluded.
- The settlement agreement became effective in June 2018 given, among other thresholds, that at least 97% of all eligible litigants and claimants in the lawsuits decided to opt-in to the settlement under certain conditions. Going forward, the eligible claimants under this settlement agreement will receive payouts from the settlement fund of US$358 million.
- The impact to the financial position of the Company and its consolidated subsidiaries is not considered material, because the settlement fund of US$358 million is expected to be comprised primarily of proceeds from insurance.

2. Status of Shares

(1) Status of Shares (As of March 31, 2019)

1) Total Number of Authorized Shares: 2,800,000,000 shares

2) Total Number of Issued Shares: 709,011,343 shares (including 61,124,702 treasury shares)

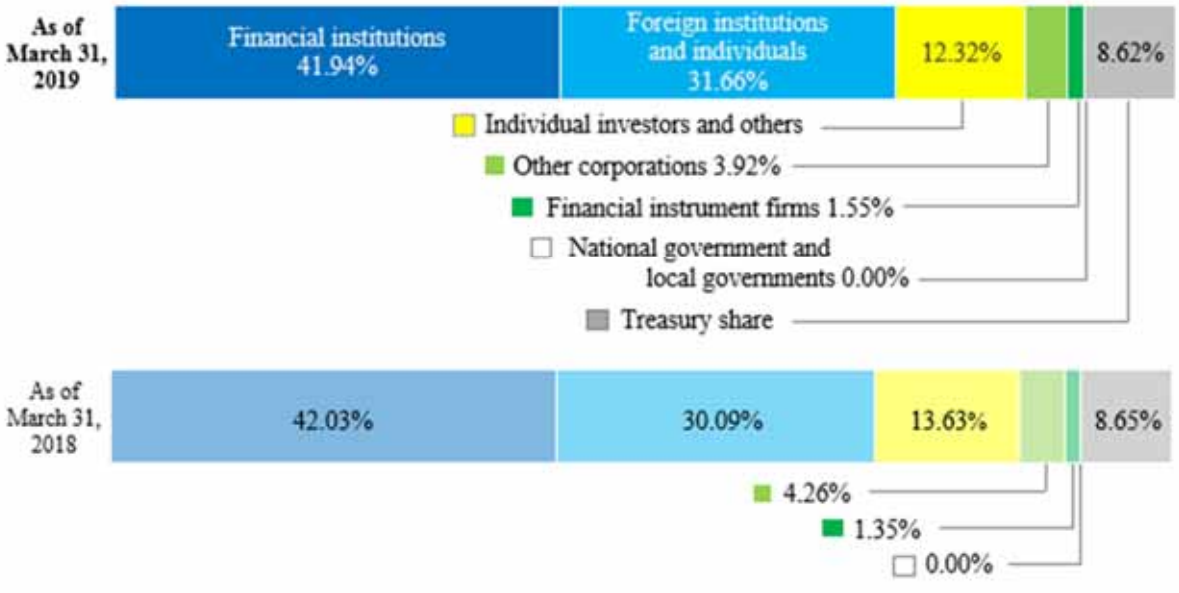
3) Number of Shareholders: 74,272 (decrease of 8,293 from March 31, 2018)

4) Major Shareholders (Top 10):

Name of Shareholders	Number of Shares Held (thousand shares)	Equity Stake (%)
The Master Trust Bank of Japan, Ltd. (trust account)	62,797	9.69
JP Morgan Chase Bank 380055	55,009	8.49
Japan Trustee Services Bank, Ltd. (trust account)	53,972	8.33
Nippon Life Insurance Company	35,776	5.52
SSBTC CLIENT OMNIBUS ACCOUNT	20,224	3.12
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	2.22
The Shizuoka Bank, Ltd.	11,390	1.76
Japan Trustee Services Bank, Ltd. (trust account 5)	11,230	1.73
Japan Trustee Services Bank, Ltd. (trust account 7)	10,099	1.56
JP Morgan Chase Bank 385151	9,861	1.52

Notes: 1. The Company holds 61,124,702 treasury shares, which are excluded from the above list.
2. Treasury shares are not included in the computing of equity stake.

<Composition Ratios by Shareholder Category>



3. Status of Corporate Governance

(1) Systems on Corporate Governance

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

1) Corporate Governance Structure:

a. To clarify Members' of the Board management responsibility and reinforce their oversight of management and the conduct of operations, their terms of office are set at one year, and four out of our nine Members of the Board are Members of the Board (Outside).

b. To ensure management transparency, nomination of candidates for Member of the Board and Corporate Officer and compensation thereof are deliberated on by a Nomination Committee and a Compensation Committee, respectively, which are established as voluntary committees. These Committees consist of at least three Members of the Board, of whom Members of the Board (Outside) form a majority, and are chaired by a Member of the Board (Outside). Currently, these Committees consist only of Members of the Board (Outside).

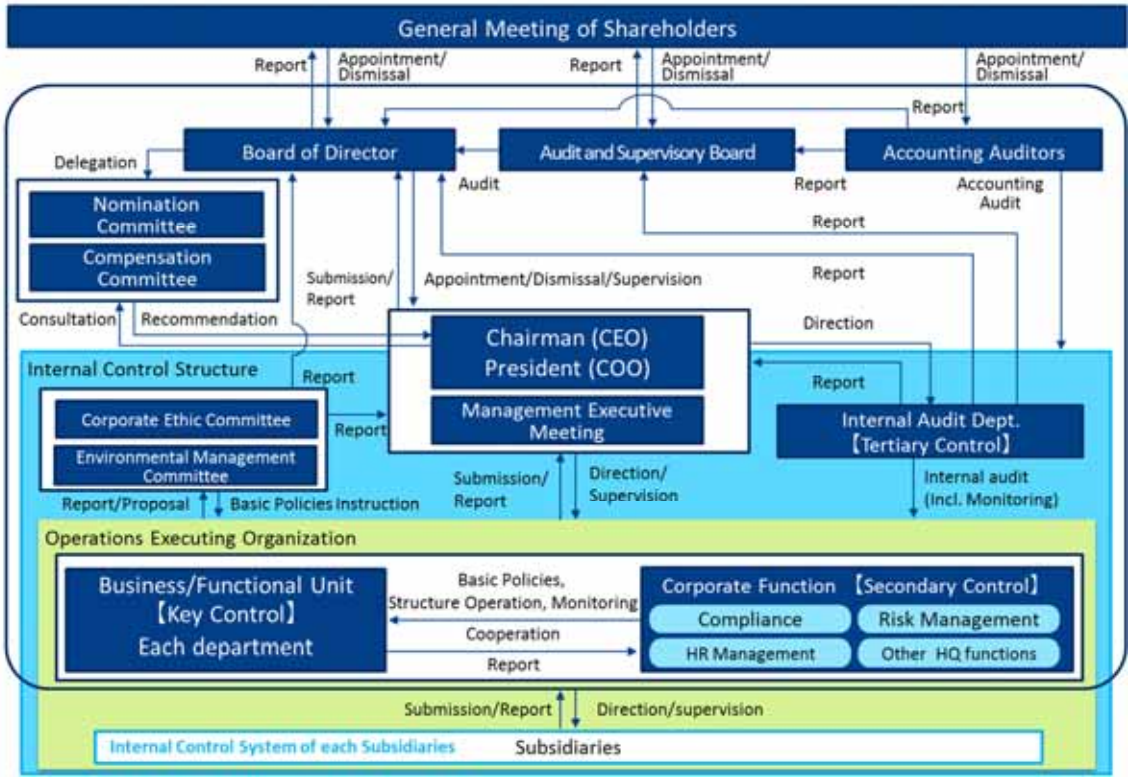
c. For audits of legal compliance and soundness of management, the Company has adopted an Audit and Supervisory Board system and established the Audit and Supervisory Board comprising five Members of the Audit and Supervisory Board, the majority of which are Members of the Audit and Supervisory Board (Outside).

d. The Company prescribes specific criteria on the judgment of independence of Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside) and basic matters regarding execution of duties by Members of the Board and Members of the Audit and Supervisory Board.

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

f. With the aims of ensuring effectiveness and efficiency of operations, ensuring reliability of financial reporting, complying with applicable laws and regulations relevant to business activities, and safeguarding assets, the Company structures its internal control system to consist of self-monitoring carried out by respective organizations which execute its functions (primary controls), policy development and monitoring for respective organizations carried out by the corporate organization (secondary controls), and internal auditing encompassing monitoring carried out by the Internal Audit Department (tertiary controls).

Overview of the Corporate Governance Structure



2) Composition and Functions of Each Committee:

a. Nomination Committee
Chairperson: Noritaka Uji, Member of the Board (Outside)
Members: Hiroshi Toda, Naoki Adachi and Tsuguya Fukui, Members of the Board (Outside)
Observer: Tateshi Higuchi, Member of the Audit and Supervisory Board (Outside)
- It is established to deliberate matters required for the nomination of Members of the Board and Corporate Officers at the request of the Board of Directors and contribute to the enhancement of management transparency.
- In fiscal 2018, meetings were held eight times, in April, August, September, November, December, January, February, and March, to discuss matters required for nominating candidate Members of the Board and Corporate Officers, and plan to train successors of the President and CEO and Senior Corporate Adviser and Corporate Adviser System, as well as other matters.

b. Compensation Committee
Chairperson: Hiroshi Toda, Member of the Board (Outside)
Members: Noritaka Uji, Naoki Adachi and Tsuguya Fukui, Members of the Board (Outside)
Observer: Sayoko Izumoto, Member of the Audit and Supervisory Board (Outside)
- It is established to deliberate matters required for a policy on compensation of Members of the Board and Corporate Officers at the request of the Board of Directors and contribute to the enhancement of management transparency.
- In fiscal 2018, meetings were held six times, in April, May, October, January, February, and March, to discuss amounts and calculation standards for bonuses of Members of the Board and Corporate Officers, allotment of restricted stocks, examination of remuneration level for Members of the Board and Members of the Audit and Supervisory Board, and other matters.

c. Corporate Ethics Committee
Chairperson: Compliance Officer (Head of Corporate Affairs Division)
Members: The Committee consists of 12 members including 11 members internally assigned by the chairperson and an outside lawyer for ensuring transparency and confidence of the Committee
Observers: Hideyuki Haruyama and Kazuyuki Watanabe, Members of the Audit and Supervisory Board (Full-time), Vice President of Internal Audit Department
- It has been established to comply with Japanese and other jurisdictions' laws and corporate ethics and to promote the management of corporate social responsibility.
- In fiscal 2018, meetings were held twice, in July and February, to discuss revisions to the Global Marketing Code of Conduct and the Global Anti-Bribery & Anti-Corruption Policy in conjunction with the revised IFPMA Code of Practice*, the Fiscal 2019 Activity Plan (awareness promotion, education, monitoring, surveys, revision of regulations, and other matters related to compliance), as well as discussion on other activities.

*IFPMA Code of Practice: A set of international self-regulatory standards for the pharmaceutical industry prescribed by the International Federation of Pharmaceutical Manufacturers & Associations (IFPMA) with respect to the ethical promotion of pharmaceutical products to healthcare professionals and interactions between member companies and the healthcare community.

d. Environmental Management Committee
Chairperson: Chief Executive Officer of Environmental Management (Head of Corporate Affairs Division)
Members: The Committee consists of 12 members including Environment Management Officer (Vice President of CSR Department) assigned by the chairperson
Observer: Kazuyuki Watanabe, Member of the Audit and Supervisory Board (Full-time)
- It has been established to promote environmental management, which elaborates to reduce environmental burden and harmonize with global environment and contributes to building sustainable society through overall corporate activities.

- In fiscal 2018, meetings were held twice, in July and February, to discuss environmental management action plans, including measures to combat climate change and optimize the environmental management system, along with formulating the Global EHS Policy on the environment, health and safety.

(2) Policies and Procedures for Appointment of Members of the Board and CEO

- The candidates for Members of the Board shall meet the requirement of being personnel of excellent character and insight who contribute to maximizing the corporate value of the Group.
- The candidates for Members of the Board shall meet the requirements of being appropriate candidates with respect to term of office and age, and of being suitably competent of performing timely and accurate judgment, looking at the changes in the business environment while giving importance to the continuance of management policies, etc.
- The candidates for Members of the Board shall meet the requirements that there shall always be Members of the Board (Outside) included to strengthen the decision-making functions based on various perspectives and to strengthen the function of supervising conduct of operations.
- The candidates for Members of the Board (Outside) shall meet the requirements that they are the individuals with expertise, experience and insight in Japan and overseas in fields including corporate management, medical and pharmaceutical sciences, legal and administrative affairs, and finance and accounting.
- When appointing the candidates for Members of the Board, the Board of Directors shall appoint the candidates after they have been sufficiently deliberated by the Nomination Committee, of which Members of the Board (Outside) form a majority.
- The candidates for Members of the Audit and Supervisory Board shall be examined prudently concerning their suitability as Members of the Audit and Supervisory Board, such as whether they can fulfil their duties, ensuring their independence from the representative directors, members of the board, and corporate officers.
- The candidates for Members of the Audit and Supervisory Board (Outside), in addition to meeting the aforementioned requirements, shall be confirmed to have no problems according to specific criteria on the judgment of independence.
- When appointing the candidates for Members of the Audit and Supervisory Board, the Board of Directors shall appoint the candidates after the relevant proposal has been sufficiently verified and agreed to by the Audit and Supervisory Board.
- When appointing the candidates for Members of the Board and Members of the Audit and Supervisory Board, the General Meeting of Shareholders shall appoint the candidates after the relevant proposal.
- Candidates for CEO shall be appointed based on the successor plan and defined eligibility requirements, etc. that have been repeatedly discussed at the Nomination Committee.
- Appointment of CEO (including reelection) shall be determined by resolution of the Board of Directors over a recommendation from the Nomination Committee that the Committee submits after sufficient deliberation.

(3) Policies and Procedures for Dismissal of Members of the Board and CEO

- If any Member of the Board is found not meeting eligibility requirements or requirements for execution of duties defined in the Companies Act or the Members of the Board Regulations, following deliberation at the Nomination Committee and the Board of Directors, the General Meeting of Shareholders shall deem that it meets criteria for dismissal of Members of the Board, and resolve dismissal of such Member of the Board after the relevant proposal.
- Dismissal of CEO shall be called into account in light of the Companies Act, defined CEO eligibility requirements or requirements for execution of duties, and determined in the same manner as appointment, by resolution of the Board of Directors over a recommendation from the Nomination Committee that the Committee submits after sufficient deliberation.

(4) Members of the Board and Members of the Audit and Supervisory Board (as of March 31, 2019)

Name	Position and Assignments, etc.	Material Concurrent Positions	Relationship of companies where they have material concurrent positions, and the Company
Joji Nakayama	Representative Director, Chairman and CEO		
Sunao Manabe	Representative Director, Member of the Board, President and COO		
Toshiaki Sai	Representative Director, Member of the Board, Executive Vice President and CFO Head of Corporate Strategy & Management Division		
Katsumi Fujimoto	Member of the Board, Senior Executive Officer, Head of Supply Chain Division		
Toshiaki Tojo	Member of the Board, Senior Executive Officer, In charge of Vaccine Business	Representative Director and President of Kitasato Daiichi Sankyo Vaccine Co., Ltd.	Consolidated subsidiary
Noritaka Uji	Member of the Board (Outside)	Outside Director of Yokogawa Electric Corporation Honorary Chairman of Japan Institute of Information Technology Honorary President of Japan Telework Association Visiting Professor of Center for Global Communications, International University of Japan	No material relationship
Hiroshi Toda	Member of the Board (Outside)	Outside Director (Part Time) of Yusen Logistics, Co., Ltd.	No material relationship
Naoki Adachi	Member of the Board (Outside)	Chairman & Representative Director of Toppan Printing Co., Ltd. Director of Toppan Forms Co., Ltd. Director of Toyo Ink SC Holdings Co., Ltd.	No material relationship
Tsuguya Fukui	Member of the Board (Outside)	President of St. Luke's International University President of St. Luke's International Hospital Executive Director of Japan Hospital Association President of The Japan Medical Library Association	No material relationship
Hideyuki Haruyama	Member of the Audit and Supervisory Board (Full-time)		
Kazuyuki Watanabe	Member of the Audit and Supervisory Board (Full-time)		

Name	Position and Assignments, etc.	Material Concurrent Positions	Relationship of companies where they have material concurrent positions, and the Company
Sayoko Izumoto	Member of the Audit and Supervisory Board (Outside)	External Audit and Supervisory Board Member of Freund Corporation	No material relationship
		Outside Director of Hitachi Transport System, Ltd.	
Tateshi Higuchi	Member of the Audit and Supervisory Board (Outside)	Consultant of Sompo Japan Nipponkoa Insurance Inc.	No material relationship
		Special Advisor of MIURA CO., LTD.	
Yukiko Imazu	Member of the Audit and Supervisory Board (Outside)	Partner of Anderson Mōri & Tomotsune	No material relationship
		Director of Ishibashi Foundation	

Notes:

1. The Company's Boards consist of nine Members of the Board and five Members of the Audit and Supervisory Board, totaling 14, and including two female Members of the Audit and Supervisory Board (a ratio of female directors and auditors is 14.3%).
2. In the above, Members of the Board (Outside) means a member of the board (outside) prescribed by Article 2, Item 15 of the Companies Act of Japan ("the Companies Act") and Member of the Audit and Supervisory Board (Outside) means a member of the audit and supervisory board (outside) prescribed by Article 2, Item 16 of the Companies Act.
3. The Company has designated all Members of the Board (Outside) (Noritaka Uji, Hiroshi Toda, Naoki Adachi and Tsuguya Fukui) and Members of the Audit and Supervisory Board (Outside) (Sayoko Izumoto, Tateshi Higuchi and Yukiko Imazu) as Independent Directors/ Auditors and filed them with the Tokyo Stock Exchange accordingly.
4. Sayoko Izumoto, Member of the Audit and Supervisory Board (Outside), is a certified public accountant and has considerable knowledge on financial and accounting matters.
5. No Members of the Board or Members of the Audit and Supervisory Board resigned or were removed during the fiscal year.
   Member of the Board Kazunori Hirokawa and Members of the Audit and Supervisory Board Akiko Kimura and Yutaka Katagiri retired following the end of their tenure of office at the conclusion of the Ordinary General Meeting of Shareholders on June 18, 2018.

(5) Status of Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside)

1) Relationship of Companies Where They Have Material Concurrent Positions, and the Company (As of March 31, 2019)

- Relationship of companies where they have material concurrent positions, and the Company, is as described in (4) Members of the Board and Members of the Audit and Supervisory Board.

2) Major Activities During the Fiscal Year

Name	Position	No. of attendance	Major activities
Noritaka Uji	Member of the Board (Outside)	Board of Directors Meeting 14/14 times (100%)	He spoke as needed and beneficially based on his expertise in information technology and insight on overall corporate management developed through his management experience. He also served as Chairperson of the Nomination Committee and member of the Compensation Committee.
Hiroshi Toda	Member of the Board (Outside)	Board of Directors Meeting 14/14 times (100%)	He spoke as needed and beneficially based on his expertise in securities and finance as well as insight developed through his management experience and global experience as a diplomat. He also served as Chairperson of the Compensation Committee and member of the Nomination Committee.
Naoki Adachi	Member of the Board (Outside)	Board of Directors Meeting 12/14 times (86%)	He spoke as needed and beneficially based on his expertise of broad business areas based on printing technologies and his insights into overall corporate management developed through his management experience. He also served as member of the Nomination Committee and the Compensation Committee.
Tsuguya Fukui	Member of the Board (Outside)	Board of Directors Meeting 14/14 times (100%)	He spoke as needed and beneficially based on his professional knowledge and insights as a medical scientist. He also served as member of the Nomination Committee and the Compensation Committee.
Sayoko Izumoto	Member of the Audit and Supervisory Board (Outside)	Board of Directors Meeting 14/14 times (100%) Meetings of the Audit and Supervisory Board 12/13 times (92%)	She spoke as needed and beneficially based on her expertise and insight developed through her broad business experience as a certified public accountant.
Tateshi Higuchi	Member of the Audit and Supervisory Board (Outside)	Board of Directors Meeting 10/11 times (91%) Meetings of the Audit and Supervisory Board 10/10 times (100%)	He spoke as needed and beneficially based on his expertise and insight developed through his extensive experience at administrative agencies.
Yukiko Imazu	Member of the Audit and Supervisory Board (Outside)	Board of Directors Meeting 11/11 times (100%) Meetings of the Audit and Supervisory Board 10/10 times (100%)	She spoke as needed and beneficially based on her expertise and insight developed through her broad business experience as a lawyer.

Note: The number of attendance for Tateshi Higuchi and Yukiko Imazu in the meetings of the Board of Directors and the Audit and Supervisory Board signifies the number of attendance only to such meetings of the Board of Directors and the Audit and Supervisory Board held after their assumption of office on June 18, 2018.

3) Outline of the Terms of Liability Limitation Agreement

- With regard to liability for damages under Article 423, Paragraph 1 of the Companies Act, the Company has entered into agreements with Members of the Board (Outside) Noritaka Uji, Hiroshi Toda, Naoki Adachi and Tsuguya Fukui and Members of the Audit and Supervisory Board (Outside) Sayoko Izumoto, Tateshi Higuchi and Yukiko Imazu to limit their liabilities based on the Articles of Incorporation in the event that the case falls under the requirements defined in laws and ordinances (Liability Limitation Agreements); provided, however, that the maximum amount of liabilities under such agreement is the minimum liability amount as provided by applicable laws and ordinances.

(6) Policy and Determination Methods on Remuneration Amounts or Related Calculation Methods to Members of the Board and Members of the Audit and Supervisory Board

1) Basic design of remuneration to Members of the Board and Members of the Audit and Supervisory Board

- Remuneration to Members of the Board (excluding Members of the Board (Outside)) is designed to provide remuneration that contributes to maximizing corporate value. Specifically, in addition to a basic, fixed remuneration, performance based bonuses serving as short-term incentive and restricted share-based remuneration serving as long-term incentive are adopted as variable remunerations.
- Performance based bonuses serving as short-term incentives are determined by the degree of achievement of a single fiscal year measured by adopting revenue, operating profit margin and profit attributable to owners of the Company as the relevant indices.
- As long-term incentives, the Company grants, every year in principle, restricted stocks with 3-5 years of transfer restriction to the eligible Members of the Board. The objective of the scheme is to provide Member of the Board an incentive to sustainably increase the Company's corporate value and to further promote shared value between shareholders and them by having the restricted stocks.
- In order to enhance an incentive to further increase the Company's corporate value, the Company will increase variable remunerations and increasing the ratio of it.
- In order to ensure that Members of the Board (Outside) and Members of the Audit and Supervisory Board adequately perform their role, which is oversight of management, short-term and long-term incentives are not provided and only basic remuneration is granted.
- The level of remunerations is set aiming to provide medium to high level remunerations in the industrial sector, referring to the levels of other companies learned from the surveys of external specialist institutions.

2) Procedures for deciding remuneration of Members of the Board and Members of the Audit and Supervisory Board

- The General Meeting of Shareholders has approved a basic remuneration of Members of the Board at a maximum limit of ¥450 million per fiscal year and a total amount of restricted share-based remuneration to be granted to Members of the Board at a maximum limit of ¥140 million per fiscal year. Performance based bonuses are approved by the General Meeting of Shareholders for the relevant fiscal year.
- The General Meeting of Shareholders has approved a basic, fixed remuneration of Members of the Audit and Supervisory Board, which shall be the only remuneration they receive, at a maximum limit of ¥120 million per fiscal year.
- Establishment of the remuneration system and criteria for Members of the Board and Corporate Officers, examination and review of the remuneration level for each position, confirmation of the results of performance based bonuses, and allotment of restricted stocks have been thoroughly deliberated at the Compensation Committee, in which the majority of members are Members of the Board (Outside).

(7) The Amount of Remuneration and Related Payments to Members of the Board and Members of the Audit and Supervisory Board Concerning the Fiscal Year

Classification	Total amount of remuneration and related payments (Millions of yen)	Total amount of remuneration and related payments to Members of the Board and Members of the Audit and Supervisory Board by type (Millions of yen)			Number of Members of the Board and Members of the Audit and Supervisory Board to be paid (Number of persons)
		Basic remuneration	Performance based bonuses	Restricted share-based remuneration	
Members of the Board (excluding Members of the Board (Outside))	591	322	158	112	6
Members of the Audit and Supervisory Board (excluding Members of the Audit and Supervisory Board (Outside))	75	75	–	–	2
Members of the Board (Outside)	60	60	–	–	4
Members of the Audit and Supervisory Board (Outside)	45	45	–	–	5

Notes: 1. The amount of remuneration and related payments to Members of the Board (excluding Members of the Board (Outside)) and Members of the Audit and Supervisory Board (Outside) and the number of persons to be paid, include those of one Member of the Board and two Members of the Audit and Supervisory Board (Outside) who retired following the end of their tenure of office at the conclusion of the 13th Ordinary General Meeting of Shareholders held on June 18, 2018.

2. The total amount of remuneration paid to Members of the Board is ¥450 million or less per fiscal year, and the total amount of remuneration to Members of the Audit and Supervisory Board is ¥120 million or less per fiscal year (excluding the portion of salaries for Members of the Board concurrently working as employees), which were approved at the 151st Ordinary General Meeting of Shareholders of (former) Sankyo Company, Limited and the 127th Ordinary General Meeting of Shareholders of (former) Daiichi Pharmaceutical Co., Ltd., held on June 29, 2005, concerning the establishment of a holding company through a Share Transfer.

3. "Performance based bonuses" are estimated amounts to be paid in addition to the amounts shown in the "Basic remuneration" columns if the proposed "Provisions of Bonuses to Members of the Board" is approved at the 14th Ordinary General Meeting of Shareholders of the Company.

4. "Restricted share-based remuneration" above represents the amount posted to expenses as restricted share-based remuneration in this fiscal year. This restricted share-based remuneration with a maximum limit of ¥140 million per fiscal year was approved at the 12th Ordinary General Meeting of Shareholders held on June 19, 2017, separate from the resolution on the total amount of remuneration described in 2. above.

Component Ratio of Remuneration to Members of the Board and Members of the Audit and Supervisory Board

	Fixed remuneration	Variable remuneration	
	Basic remuneration *2	Performance based bonuses *3 (Short-term incentives)	Restricted share-based remuneration *4 (Long-term incentives)
Members of the Board (excluding Members of the Board (Outside)) *1	60%	20%	20%
Members of the Board (Outside)	100%	–	–
Members of the Audit and Supervisory Board	100%	–	–

*1 Component Ratio is described based on 1) 100% degree of achievement on evaluation indices for performance based bonuses and 2) stock price at the time when restricted share-based remuneration is granted.

*2 Maximum limit of ¥450 million Members of the Board (excluding Members of the Board (Outside), ¥120 million for Members of the Audit and Supervisory Board per fiscal year.

*3 Amount determined at the General Meeting of Shareholders.

*4 Maximum limit of ¥140 million per fiscal year.

(8) Internal Control Structure

1) Basic Policy on Establishing Internal Control Structure

- Concerning systems for ensuring compliance with laws and ordinances and the Company's Articles of Incorporation in the execution of duties by Members of the Board and other systems for securing appropriateness of duties, the Company has resolved the basic policies at the Board of Directors' Meeting held on March 31, 2017, as follows.

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

b. Systems Regarding the Retention and Management of Information Relating to the Execution of Duties by Members of the Board
   - The Company shall establish information security systems, and properly store and manage information relating to the execution of duties by Members of the Board, including the minutes of the Board of Directors, in accordance with laws, ordinances and internal regulations of the Company.

c. Rules and Other Systems for Risk Management
   - The Company shall stipulate various internal regulations to establish risk management systems.
   - The Internal Audit Department shall audit the status of operation of the systems mentioned above.

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

e. Systems for Ensuring Compliance with Laws and Ordinances and the Company's Articles of Incorporation in the Execution of Duties by Employees
   - The Company shall establish a compliance system by stipulating Daiichi Sankyo Group Corporate Conduct Charter, Daiichi Sankyo Group Principles of Individual Behavior, etc. as the code of conduct for Members of the Board and Members of the Audit and Supervisory Board and employees and setting up a meeting body, including outside experts.
   - Vice Presidents responsible for the main regions, corporate bodies and functions who receive orders from the CEO in accordance with the "Global Management Regulations" and persons in charge who receive orders from the President in accordance with the

"Organizational Management Regulations" shall manage duties in their charge and supervise, manage and direct members of their business units.
- Each of the functions related to the improvement of systems concerning personnel management, risk management, etc. shall convey policies to manage and guide each department.
- The Internal Audit Department shall implement internal audit of the status of compliance with laws and ordinances, and the Articles of Incorporation and internal regulations.

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

g. Systems Regarding Employees Assisting Duties of Members of the Audit and Supervisory Board, when Members of the Audit and Supervisory Board Ask to Appoint Such Employees
- The Company shall appoint full-time staff members who assist with the duties of Members of the Audit and Supervisory Board.

h. Matters Regarding the Independence of the Employees Specified in the Preceding Paragraph (g) from Members of the Board and Ensuring of Effectiveness of Instructions by Members of the Audit and Supervisory Board
- Full-time staffers assisting Members of the Audit and Supervisory Board shall be independent of Members of the Board, and shall execute duties under the directions and orders from Members of the Audit and Supervisory Board.
- Personnel changes, performance appraisal, etc. of full-time staffers assisting Members of the Audit and Supervisory Board shall require prior consent of the Audit and Supervisory Board.

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

the Audit and Supervisory Board as permanent recipients of approval document notification.

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

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

2) Overview of Status for Implementing Internal Control Structure

[Matters Regarding Risk Management]

- The 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 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.
- Chief Financial Officer (CFO) oversees group-wide risk management as the chief risk management officer, promotes risk management education, and operates the risk management system. 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 Meetings, etc. we specify risks and regularly seek to identify and assess such risks. Moreover, the heads of divisions formulate countermeasures through coordination with the chief risk management officer.
- 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, etc. for use in the case of an emergency.

[Matters Regarding Compliance]

- To unify conduct principles of executives and employees of the Group globally, the Group formulated Daiichi Sankyo Group Principles of Individual Behavior as auxiliary provisions of the Daiichi Sankyo Group Corporate Conduct Charter and started enforcing it in April 2015. Activities for legal and regulatory compliance are reported annually to Chief Executive Officer (CEO), Chief Operating Officer (COO) and the Corporate Ethics Committee (including an outside lawyer) and, if there is an issue, a system is in place to make a proposal for implementing measures to resolve such issue.
- The Company has set up a whistle-blowing hotline in accordance with the Whistleblower Protection Act in the Legal Department and the external law firm that employees of domestic Group companies and business partners can use.
- In response to the revisions made to the "IFPMA Code of Practice (IFPMA Code)," which included the prohibition of providing monetary gifts and other promotional aids, the Company revised the "Daiichi Sankyo Group Global Anti-Bribery & Anti-Corruption Policy," "Daiichi Sankyo Group Global Marketing Code of Conduct" and "Daiichi Sankyo Promotion Code for Prescription Drugs" in January 2019.
- In accordance with "Global Management Regulations," "Organizational Management Regulations," and other rules, Vice Presidents and executives responsible for the main regions, corporate bodies and functions who receive orders from CEO and COO supervise, manage, and direct members of their business units. Progress is reported to executives appropriately through the Management Executive Meeting and operation results meetings.

[Matters Regarding Management of Subsidiaries]

- The Company regularly communicates its policies to Group companies through the Management Executive Meeting and operation results meetings, and receives a report on the management and results of operations from Group companies. The Boards of Directors of domestic Group companies resolved to revise the respective Basic Policy based on a revision of the Companies Act implemented in May 2015 and the revision of the Basic Policy on Establishing Internal Control Structure of the Company.
- The Group has established a Global Compliance Advisory Committee as an advisory organ to the Corporate Ethics Committee, which consists of compliance officers of subsidiaries in overseas, in order to ensure the effectiveness of the global compliance system. In addition, Group companies in Japan and abroad have set up a whistle-blowing hotline comparable to that of the Company in line with the Whistleblower Protection Act. The progress of promoting compliance is reported to CEO, COO and the Corporate Ethics Committee appropriately.

[Matters Regarding Audit by the Internal Audit Department]

- The Company has established the Internal Audit Department as an internal audit department independent from departments engaging in business execution, which comprises a certain number of staff members with special qualifications, including a certified internal auditor, and the Company maintains a system in which effective internal control is ensured by having the Internal Audit Department perform monitoring from a fair and independent position and report on risks and issues to management.
- With the purpose of contributing to the effective achievement of management targets, internal audits are performed to evaluate the business activities of organizations covered in the audits from various perspectives, including the effectiveness and efficiency of business operations and compliance, and the results of audits are reported to CEO, COO, the Board of Directors, and other relevant parties.
- Audits of the Company are based on a comprehensive auditing approach and cover the entire organization, including Group companies, and the Internal Audit Department decides where and what to audit based on its risk assessment, risks recognized by management, audit intervals and other factors, and performs audits by organization or audits across the organization by issue.

- The Internal Audit Department receives reports of audit results from Group companies that have an audit organization and identifies risks and issues of the Group.
- The Internal Audit Department continually conducts self-evaluations of audit quality, as well as receiving evaluations of audit quality by an external specialist institution on a regular basis as part of its efforts to enhance the quality of audits.

[Matters Regarding Audit by Members of the Audit and Supervisory Board]

- Members of the Board and employees of the Company, as well as executives and employees of Group companies, report the status of the execution of operations to Members of the Audit and Supervisory Board of the Company as necessary. The Company has a system in place, under which when Members of the Board of the Company find facts that could seriously damage the Company, they can immediately report the facts to Members of the Audit and Supervisory Board of the Company.
- Members of the Audit and Supervisory Board of the Company hold regular meetings to exchange views with Members of the Board, including the Representative Director of the Company, while attending important meetings. They also coordinate closely with the Internal Audit Department and accounting auditors of the Company, and secure a system under which Members of the Audit and Supervisory Board can conduct an audit effectively.
- To further strengthen the audit functions of Members of the Audit and Supervisory Board, full-time staffers, who are independent from the execution of operations, assist with the duties of Members of the Audit and Supervisory Board.

(Reference) Self-evaluation of the Board of Directors for the 2018 fiscal year

The Company utilizes the self-evaluation of the Board of Directors for the purpose of evaluating the current status of the Board of Directors and the Members of the Board itself.

The Board of Directors assesses the current status and the status of improvements made in the previous fiscal year in response to the improvement measures taken to address the issues identified in the evaluation. The evaluation of the Board of Directors are conducted every fiscal year, and efforts are made to improve the functions and effectiveness of the Board of Directors on an ongoing basis.

The Company recently conducted an evaluation of the Board of Directors for the fiscal year 2018.

- Implementation method of the self-evaluation of the Board of Directors

The Company determines the self-evaluation items and contents including the items to evaluate Members of the Board itself with reference to the principle and supplementary principle associated with the general principle 4, “Roles and Responsibilities of the Board,” of Japan’s Corporate Governance Code.

All Members of the Board self-evaluated the roles and responsibilities, operation and composition of the Board of Directors, and the improvement status compared to the previous fiscal year’s self-evaluation by selecting grades and answering free descriptions. In addition, the analysis results and the details are reported to the Board of Directors.

- Results of the self-evaluation of the Board of Directors

The evaluation of the Board of Directors for the fiscal year 2018 concluded that the Board of Directors of the Company is appropriately functioning in terms of its roles, duties, operation and composition, and that the overall effectiveness of the Board of Directors has been ensured. In addition, the Company confirmed that improvements are being made in (i) agenda setting considering the strengthening of the functions of the Board of Directors furthermore, (ii) enhancing and deepening the materials for Board of Directors meetings materials and the contents of explanations and reports, and (iii) continuous information delivery to promote understanding by Members of the Board (outside) and Members of the Audit and Supervisory Board (outside) which was identified as an item for furthermore improvement in the evaluation of the previous fiscal year.

The Company confirmed that it should continue to address the issues mentioned in (i) through (iii) above. In addition, the Company recognizes the fact that there are no female Members of the Board

is also an issue.
In view of the evaluation for the fiscal year 2018, the Company will strive to ensure and improve functions and effectiveness of the Company's Board of Directors by addressing the improvement measures on the operation of the Board of Directors continuously to enhance and deepen the discussions at the Board of Directors furthermore.

(9) Basic Policy Regarding Moves toward Large-Scale Acquisition of Company's Stock

- The Company believes that it is the shareholders to decide whether or not to respond to any moves toward large-scale acquisition of Company stock. The Company does not deny the potentially significant impact that transfers of management control may have in terms of stimulating business enterprise. In line with this thinking, the Company has not prepared any specific takeover defenses.
- Nonetheless, the Company would consider it a self-evident duty of the Company management to oppose any takeover plans whose aims were generally considered inappropriate (such as schemes to ramp up the share price) or that would otherwise be deemed detrimental to the value of the Company or the mutual interests of shareholders. Accordingly, the Company will continue monitoring closely share transactions and changes in shareholders. In the event any moves toward large-scale acquisition of Company stock are noticed, the Company would evaluate any takeover proposal with outside experts and determine carefully the impact of such on the value of the Company and the mutual interests of shareholders. If any proposal were deemed detrimental to such interests, the Company would institute appropriate anti-takeover measures in response to individual cases.

4. Status of Accounting Auditors

(1) Name of Accounting Auditors (Independent Auditors)

KPMG AZSA LLC

(2) Amount of Fees and Others to Accounting Auditors Concerning the Fiscal Year

	Amount of fees (Millions of yen)
Amount of fees and others to Accounting Auditors concerning the current fiscal year	208
Total amount of money and other financial benefits that the Company and its subsidiaries should pay to Accounting Auditors	281

Notes: 1. The amount of fees and others to Accounting Auditors concerning the current fiscal year is the sum of the amount of remunerations for auditing services in accordance with the Companies Act and the amount of remunerations for auditing work in accordance with the Financial Instruments and Exchange Act, since the two kinds of remunerations are not clearly divided under the audit contract entered between the Company and Accounting Auditors and they cannot be divided practically.

2. The Audit and Supervisory Board approves fees and others of Accounting Auditors as provided in Article 399, Paragraph 1 of the Companies Act by comparing the audit plan of Accounting Auditors for the prior year with actual results, checking any change in audit hours and amount of fees, and judging the reasonableness of estimated audit hours and amount of fees in the fiscal year under review in a comprehensive manner.

(3) Details of Non-Auditing Services

- The Company entrusts accounting auditors with services other than service as provided in Article 2, Paragraph 1 of the Certified Public Accountants Law (non-auditing services), including advisory services concerning the English-version financial results reports (*Kessan Tanshin*) and pays such fees accordingly.

(4) Policy on Decision to Dismiss or not to Reappoint Accounting Auditors

- In accordance with the "Accounting Auditors Assessment Standards" of the Company, the Audit and Supervisory Board shall assess the accounting auditors in a comprehensive manner and, when deemed necessary to change the accounting auditors, it shall decide a proposal for dismissing or not reappointing the accounting auditors to be submitted to a General Meeting of Shareholders.
- When accounting auditors meet any of the items of Article 340, Paragraph 1 of the Companies Act, and it is considered reasonable to dismiss them, the Audit and Supervisory Board shall, with the consent of all Members of the Audit and Supervisory Board, dismiss the accounting auditors.
- The "Accounting Auditors Assessment Standards" of the Company stipulate that the Company shall select a candidate for accounting auditor by assessing the reasonableness of the respective assessment items such as legal compliance structure, audit quality management structure, audit results, independence from the Company, knowledge and experience of pharmaceutical industry, global audit framework, and audit fees, and it shall assess the reasonableness of additional assessment items including reporting to Members of the Audit and Supervisory Board, communicating with corporate representative, and verifying status of audit when deliberating dismissal or non-reappointment of the accounting auditors.

Consolidated Statement of Financial Position (IFRS)
(As of March 31, 2019)

(Millions of yen)

Account	13th Fiscal Period (for reference)	14th Fiscal Period
[ASSETS]		
Current assets		
Cash and cash equivalents	357,702	243,155
Trade and other receivables	231,529	419,609
Other financial assets	429,380	536,880
Inventories	172,586	176,067
Other current assets	10,347	15,471
Subtotal	1,201,545	1,391,183
Assets held for sale	–	2,000
Total current assets	1,201,545	1,393,184
Non-current assets		
Property, plant and equipment	217,946	229,085
Goodwill	75,479	77,851
Intangible assets	173,537	169,472
Investments accounted for using the equity method	1,693	2,200
Other financial assets	179,177	114,895
Deferred tax assets	40,339	94,809
Other non-current assets	8,035	6,551
Total non-current assets	696,209	694,866
Total assets	1,897,754	2,088,051

Note: Figures are rounded down to the nearest million Japanese yen.

(Millions of yen)

Account	13th Fiscal Period (for reference)	14th Fiscal Period
[LIABILITIES AND EQUITY]		
Current liabilities		
Trade and other payables	226,164	312,660
Bonds and borrowings	20,000	40,000
Other financial liabilities	516	530
Income taxes payable	64,609	10,451
Provisions	34,015	7,837
Other current liabilities	7,800	12,715
Subtotal	353,105	384,195
Liabilities directly associated with assets held for sale	–	349
Total current liabilities	353,105	384,544
Non-current liabilities		
Bonds and borrowings	260,564	220,585
Other financial liabilities	8,155	5,680
Post-employment benefit liabilities	10,547	10,384
Provisions	48,752	4,985
Deferred tax liabilities	18,676	17,166
Other non-current liabilities	64,911	195,000
Total non-current liabilities	411,608	453,802
Total liabilities	764,713	838,346
[EQUITY]		
Equity attributable to owners of the Company		
Share capital	50,000	50,000
Capital surplus	94,633	94,633
Treasury shares	(163,531)	(162,964)
Other components of equity	120,504	115,166
Retained earnings	1,031,376	1,152,806
Total equity attributable to owners of the Company	1,132,982	1,249,642
Non-controlling interests		
Non-controlling interests	58	62
Total equity	1,133,041	1,249,705
Total liabilities and equity	1,897,754	2,088,051

Note: Figures are rounded down to the nearest million Japanese yen.

Consolidated Statement of Profit or Loss (IFRS)
(From April 1, 2018 to March 31, 2019)

(Millions of yen)

Account	13th Fiscal Period (for reference)	14th Fiscal Period
Revenue	960,195	929,717
Cost of sales	346,021	364,605
Gross profit	614,173	565,112
Selling, general and administrative expenses	301,845	277,695
Research and development expenses	236,046	203,711
Operating profit	76,282	83,705
Financial income	8,642	8,141
Financial expenses	4,223	5,910
Share of profit (loss) of investments accounted for using the equity method	320	(105)
Profit before tax	81,021	85,831
Income taxes	21,210	(7,591)
Profit for the year	59,811	93,422
Profit attributable to:		
Owners of the Company	60,282	93,409
Non-controlling interests	(471)	12

Note: Figures are rounded down to the nearest million Japanese yen.

Non-Consolidated Balance Sheet (Japanese GAAP)
(As of March 31, 2019)

(Millions of yen)

Account	13th Fiscal Period (for reference)	14th Fiscal Period
[ASSETS]	**1,464,338**	**1,619,500**
I. Current assets	793,693	971,715
Cash and time deposits	467,093	458,102
Trade notes receivable	278	268
Accounts receivable - trade	165,948	318,513
Securities	50,009	49,998
Merchandise and finished goods	66,392	73,151
Raw materials	13,334	16,535
Prepaid expenses	2,767	2,730
Short-term loans receivable	3,978	1,158
Accounts receivable - other	23,012	50,177
Other current assets	2,965	3,259
Provisions for doubtful accounts	(2,087)	(2,181)
II. Non-current assets	670,644	647,785
Property, plant and equipment	87,292	85,045
Buildings and structures	64,529	62,242
Machinery	566	449
Vehicles, tools, furniture and fixtures	6,240	6,499
Land	15,346	14,934
Construction in progress	609	919
Intangible assets	22,786	18,479
Patent rights	530	467
Software	1,735	1,499
Others	20,520	16,512
Investments and other assets	560,565	544,260
Investment securities	97,475	78,305
Shares in subsidiaries and associates	278,935	274,553
Investments in capital of subsidiaries and associates	105,201	105,201
Long-term loans receivable	8,688	13,913
Long-term accounts receivable - other	37,449	-
Prepaid pension costs	7,449	6,324
Deferred tax assets	20,649	61,153
Others	4,877	4,970
Provisions for doubtful accounts	(162)	(162)
Total	1,464,338	1,619,500

Note: Figures are rounded down to the nearest million Japanese yen.

(Millions of yen)

Account	13th Fiscal Period (for reference)	14th Fiscal Period
[LIABILITIES]	**584,336**	**661,819**
I. Current liabilities	277,722	293,465
Accounts payable - trade	37,546	43,376
Short-term bonds	-	40,000
Short-term borrowings	20,000	-
Accounts payable - other	38,497	85,063
Accrued expenses	43,518	42,370
Income taxes payable	55,743	1,140
Consumption taxes payable	5,076	2,036
Deposit received	74,439	65,209
Deferred revenue	307	-
Contract liabilities	-	10,171
Provisions for sales returns	143	-
Provisions for sales rebates	418	-
Provisions for environmental measures	-	91
Other current liabilities	2,030	4,006
II. Non-current liabilities	306,614	368,353
Bonds	180,000	140,000
Long-term borrowings	81,000	81,000
Long-term accounts payable - other	164	367
Contract liabilities	-	143,746
Provisions for business restructuring	2,865	470
Provisions for loss on litigation	38,044	-
Other non-current liabilities	4,540	2,770
[NET ASSETS]	**880,001**	**957,680**
I. Shareholders' equity	831,789	920,440
Share capital	50,000	50,000
Capital surplus	656,275	656,159
Legal reserve	179,858	179,858
Other capital surplus	476,416	476,301
Retained earnings	289,046	377,244
Other retained earnings	289,046	377,244
Reserve for advanced depreciation of property, plant and equipment	6,999	6,662
Retained earnings carried forward	282,047	370,582
Treasury shares	(163,531)	(162,964)
II. Valuation and translation adjustments	46,218	35,434
Net unrealized gain or loss on investment securities	46,218	35,434
III. Subscription rights to shares	1,993	1,805
Total	**1,464,338**	**1,619,500**

Note: Figures are rounded down to the nearest million Japanese yen.

Non-Consolidated Statement of Income (Japanese GAAP)
(From April 1, 2018 to March 31, 2019)

(Millions of yen)

Account	13th Fiscal Period (for reference)	14th Fiscal Period
Net sales	630,954	625,046
Cost of sales	271,754	273,859
Provisions for sales returns	5	-
Gross profit	359,194	351,186
Selling, general and administrative expenses	342,016	343,297
Operating income	17,177	7,889
Non-operating income	79,846	47,606
Interest income	396	176
Interest on securities	21	22
Dividend income	72,479	41,333
Rental income	4,370	4,022
Foreign exchange gains, net	1,664	819
Other non-operating income	914	1,233
Non-operating expenses	6,888	4,771
Interest expenses	537	664
Interest on bonds	1,896	1,896
Provisions for doubtful accounts	-	93
Cost of rental income	1,989	1,632
Depreciation of idle non-current assets	31	73
Loss on valuation of investment securities	64	11
Other non-operating expenses	2,367	399
Ordinary income	90,136	50,724
Extraordinary gains	33,013	22,372
Gain on sales of non-current assets	42	8,125
Gain on sales of investment securities	9,838	10,647
Reversal of provisions for business restructuring	-	2,365
Reversal of provisions for doubtful accounts	18,948	-
Reversal of provisions for loss on business of subsidiaries and associates	4,012	-
Other extraordinary gains	172	1,234
Extraordinary losses	31,040	25,669
Loss on disposal of non-current assets	451	1,002
Loss on sales of investment securities	370	-
Adjustments for intra-group transfer pricing	-	19,771
Loss on valuation of subsidiaries and associates' shares	28,311	4,738
Other extraordinary losses	1,907	157
Income before income taxes	92,109	47,427
Income taxes - current	4,130	1,984
Income taxes - prior period	-	(53,846)
Income taxes - deferred	4,250	(34,780)
Net income	83,729	134,069

Note: Figures are rounded down to the nearest million Japanese yen.

Translation of a report originally issued in Japanese

Independent Auditor's Report

May 8, 2019

The Board of Directors
Daiichi Sankyo Company, Limited

KPMG AZSA LLC

Toshihiro Otsuka (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Michiaki Yamabe (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masahiro Emori (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the related notes of Daiichi Sankyo Company, Limited as at March 31, 2019 and for the year from April 1, 2018 to March 31, 2019 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the latter part of Article 120-1 of the Regulation on Corporate Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards, and for internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material

misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of the group consisting of Daiichi Sankyo Company, Limited and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with the latter part of Article 120-1 of the Regulation on Corporate Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:
The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Translation of a report originally issued in Japanese

Independent Auditor's Report

May 8, 2019

The Board of Directors
Daiichi Sankyo Company, Limited

KPMG AZSA LLC

Toshihiro Otsuka (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Michiaki Yamabe (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masahiro Emori (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the financial statements, comprising the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the related notes, and the supplementary schedules of Daiichi Sankyo Company, Limited as at March 31, 2019 and for the year from April 1, 2018 to March 31, 2019 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation of financial statements and the supplementary schedules that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or

error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Daiichi Sankyo Company, Limited for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:
The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Translation of a report originally issued in Japanese

AUDIT REPORT

In the following report, we, the Audit and Supervisory Board, have prepared the results of consultation based on the Audit Reports compiled by each Member of the Audit and Supervisory Board, with respect to the audit of the performance of duties by the Members of the Board during the 14th business year from April 1, 2018 to March 31, 2019.

1. Auditing methods used by Members of the Audit and Supervisory Board and the Audit and Supervisory Board, and details of audit

(1) The Audit and Supervisory Board specified the audit standard, and the audit policy and the audit plan for the 14th fiscal year ended March 31, 2019, and received reports on the status and results of the audit carried out by each Member of the Audit and Supervisory Board based on said standard, policy and plan, as well as received reports from Members of the Board and accounting auditors on the status of the execution of their duties and asked them for explanations as needed.

(2) Each Member of the Audit and Supervisory Board, according to the audit standard set up by the Audit and Supervisory Board described in (1), has maintained good communications with Members of the Board, the audit division and employees of other divisions, and strived to collect information and improve the audit environment. We have executed the audit based on the following methods.

1) Each Member of the Audit and Supervisory Board attended meetings of the Board of Directors and other meetings as deemed important, received from Members of the Board and employees reports on the execution of their duties, asked for explanations as necessary, perused the documents whereby the important decisions were made, and examined business and financial conditions at the head office and its major business offices. With regard to subsidiaries, in addition to maintaining good communications and exchanging information with Members of the Board, Members of the Audit and Supervisory Board and others of the subsidiaries of the Company, and, as needed, receiving from the subsidiaries reports on their business conditions, the Audit and Supervisory Board of the Company, for each domestic subsidiary, received reports from Members of the Audit and Supervisory Board of the subsidiary concerning the previous fiscal year's audit results. Also full-time Members of the Audit and Supervisory Board of the Company concurrently served as part-time Members of the Audit and Supervisory Board of domestic subsidiaries, and they attended the Board of Directors meetings and Management Executive Meetings of those companies and checked those companies' status of the establishment and implementation of its internal control system.

2) We have monitored and verified the details of the resolution made by the Board of Directors concerning the establishment of systems defined in Article 100, Paragraph 1 and Paragraph 3 of the Regulation for Enforcement of the Companies Act as what is necessary for ensuring compliance with laws and regulations and the Company's Articles of Incorporation in the execution of duties by Members of the Board, which are described in the Business Report, and for ensuring the proper operation of the Group consisting of the Company and its subsidiaries. We have also monitored and verified the status of the systems established based on the said resolution (internal control systems) by periodically receiving from Members of the Board and employees reports on the status of development and operation of such systems.

3) We have received from the accounting auditors' reports on the execution of their duties and asked them for explanations as necessary. We were reported by the accounting auditors that "systems for ensuring proper execution of duties" (listed in each item of Article 131 of the Regulation on Corporate Accounting) have been established in accordance with the Quality Control Standards Concerning Audit (Business Accounting Council, October 28, 2005), etc., and asked them for explanations as necessary. We have monitored and verified whether the accounting auditors maintain independency and properly implement audit.

In light of the audit conducted based on methods mentioned above, we have reviewed the Business Report, their supplementary schedules, financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and notes to non-consolidated financial statements), their supplementary schedules and consolidated financial statements (consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity and notes to consolidated financial statements) for the said fiscal year.

2. Results of Audit

(1) Results of audit of the Business Report, etc.

1) We consider that the Business Report and their supplementary schedules fairly present the situation of the Company in accordance with relevant laws and regulations and the Company's Article of Incorporation.

2) With respect to the performance of duties by the Members of the Board, we have found neither undue transactions nor material facts that violate relevant laws and regulations or the Company's Article of Incorporation.

3) We consider that the details of the resolution made by the Board of Directors concerning internal control systems are proper. With respect to the details described in the Business Report and the performance of duties by the Members of the Board regarding the said internal control systems, we have found no items to be pointed out.

(2) Results of audit of financial statements and their supplementary schedules
We consider that the auditing methods and results of the Company's Accounting Auditors, KPMG AZSA LLC, are proper.

(3) Results of audit of consolidated financial statements
We consider that the auditing methods and results of the Company's Accounting Auditors, KPMG AZSA LLC, are proper.

May 10, 2019

Audit and Supervisory Board of Daiichi Sankyo Company, Limited

Member of the Audit and Supervisory Board (Full-time)	Kazuyuki Watanabe (Seal)
Member of the Audit and Supervisory Board (Full-time)	Hideyuki Haruyama (Seal)
Member of the Audit and Supervisory Board (Outside)	Sayoko Izumoto (Seal)
Member of the Audit and Supervisory Board (Outside)	Tateshi Higuchi (Seal)
Member of the Audit and Supervisory Board (Outside)	Yukiko Imazu (Seal)