

**CONVOCATION NOTICE OF THE 11TH ORDINARY
GENERAL MEETING OF SHAREHOLDERS**

For the Fiscal Year Ended March 31, 2016

Daiichi Sankyo Company, Limited

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

To Our Shareholders

Although the Japanese domestic economy showed steady performance by the summer of the past fiscal year, which ended March 31, uncertainty over the future prevailed as a result of changes in the global economy triggered by a slowdown of China's economy and historically low crude oil prices. The pharmaceutical industry also continued to experience ongoing difficulties in conducting business, reflecting an expansion of generic pharmaceutical prescriptions and medical cost containment efforts by governments.

Under these circumstances, the Daiichi Sankyo Group has implemented various measures as typified by the early expansion of Edoxaban. At the same time, the Group has reconsidered its long-term business strategy and come up with its 2025 Vision, which is to become a "Global Pharma Innovator with Competitive Advantage in Oncology." We have formulated a "5-Year Business Plan" (Fiscal 2016 – Fiscal 2020) to realize the transformation of the Group towards its 2025 Vision. By implementing the "5-Year Business Plan", we will achieve our goals to "Grow beyond fiscal 2017 loss of exclusivity (LOE)" and "Establish foundations for sustainable growth" onward into the coming years.

Daiichi Sankyo is committed to making concerted efforts as a Group to achieve its "5-Year Business Plan" and enhance shareholder value, while at the same time responding to the expectations of our shareholders.

I greatly appreciate your further support in the future as we embark on the aforementioned activities.

May 30, 2016



Joji Nakayama
Representative Director and President and CEO

CONVOCAATION NOTICE OF THE 11TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

1. Date and Time: June 20, 2016, 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 11th Fiscal Year (from April 1, 2015 to March 31, 2016); and Audit Reports of the Consolidated Financial Statements by the Accounting Auditors and the Audit & Supervisory Board
 2. Reports on the Non-consolidated Financial Statements for the 11th Fiscal Year (from April 1, 2015 to March 31, 2016)
Proposals to be Resolved:
First Proposal: Appropriation of Surplus
Second Proposal: Election of Ten (10) Members of the Board
Third Proposal: Provision of Bonuses to Members of the Board

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 we ask that you please exercise your voting rights no later than 17:30 on June 17 (Friday), 2016 (Japan Time), after examining the attached reference documents.

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, a document evidencing the proxy's power of representation is required to be submitted.

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 11th Ordinary General Meeting of Shareholders.

- i) Consolidated Statement of Changes in Equity and Notes to Consolidated Financial Statements
- ii) 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 11th Ordinary General Meeting of Shareholders, 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 web-site are included in Consolidated and Non-consolidated Financial Statements audited by the Accounting Auditors and the Audit & 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: <http://www.daiichisankyo.com>

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 could attend the Meeting,

- Please submit the enclosed voting form at the reception desk.

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 17 (Friday), 2016 (Japan Time)** as described below.

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

- Please access to the website (<http://www.evot.jp/>) 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. (However, please note that Shareholders cannot exercise the rights between 2:00 am and 5:00 am every day at the website). Please complete the entry of your voting by the dead line above.

Points to Note

- 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.

■ Password

1. Please note that, to prevent unauthorized access to the site by individuals other than shareholders (persons impersonating shareholders) or the alteration of votes already made by authentic shareholders, we may request shareholders to change their “temporary password” at Dedicated Voting Website.
2. Shareholders will be informed of the new “login ID” and “temporary password”, every time a General Meeting of Shareholders is called.

■ Costs Related to Accessing the Voting Website

All costs associated with the access to the voting website (<http://www.evot.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.

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 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 fiscal 2015, the year ended March 31, 2016, the Company paid an interim dividend of ¥40 per share (including a commemorative dividend of ¥10 per share) on December 1, 2015. A year-end dividend of ¥30 was also declared, bringing total dividend payments for fiscal 2015 to ¥70 per share.

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

- 1) The kind of dividend property
Money
- 2) The matters regarding the assignment of the dividend property to shareholders and the total amount
¥30 per common share of the Company
Total amount: ¥20,501,794,680
- 3) The day on which such distribution of dividends from surplus takes effect
Tuesday, June 21, 2016.

Second Proposal: Election of Ten (10) Members of the Board

The terms of office of all ten (10) 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 ten (10) Members of the Board. Candidates for Member of the Board are as follows:

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions	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 (to present) (Number of years as a Member of the Board) Six (6) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 15/15 meetings (100%) [Reason for nomination as a candidate for Member of the Board] Joji Nakayama has served as Representative Director and President and CEO since 2010, with his 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 conduct of operations and decision-making functions and its oversight functions, by continuing to leverage his abundant experience and expertise on the Board of Directors.	32,149

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions	Number of Shares of the Company Held
2	Kazunori Hirokawa (June 7, 1951) Reelection	April 1975 Entered Daiichi Pharmaceutical Co., Ltd. (“Daiichi”) October Vice President, Drug Safety Administration 2000 Department of Daiichi October Vice President, Medical Planning & Coordination 2002 Department of Daiichi June 2003 Member of the Board, Vice President of Medical Planning & Coordination Department of Daiichi October Member of the Board, Vice President of R&D Strategy 2004 Department of Daiichi June 2005 Senior Corporate Officer, Vice President of R&D Strategy Department of Daiichi April 2006 Executive Vice President, Daiichi Sankyo Inc. in U.S. April 2007 Executive Officer, Head of R&D Division of the Company April 2010 Senior Executive Officer, Head of R&D Division of the Company June 2010 Member of the Board, Senior Executive Officer, Head of R&D Division of the Company April 2012 Member of the Board, Senior Executive Officer, Head of Corporate Strategy Division of the Company April 2013 Member of the Board, Senior Executive Officer, Head of Corporate Strategy Division, and Head of Business Intelligence Division, Japan Company of the Company April 2014 Member of the Board, Senior Executive Officer, Head of Corporate Strategy Division of the Company April 2015 Member of the Board, Executive Vice President, Head of Corporate Management Division of the Company June 2015 Representative Director, Member of the Board, Executive Vice President, Head of Corporate Management Division of the Company (to present) (Number of years as a Member of the Board) Six (6) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 15/15 meetings (100%) [Reason for nomination as a candidate for Member of the Board] Kazunori Hirokawa has served as a Member of the Board since 2010, with his experience of being involved in quality and safety management, development, research, corporate strategy, and corporate management. 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 on the Board of Directors.	22,358

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions	Number of Shares of the Company Held
3	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 (to present) (Number of years as a Member of the Board) Two (2) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 15/15 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, with his experience of being involved in research, development, general affairs & human resources, corporate strategy, global 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 on the Board of Directors.	6,100

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions	Number of Shares of the Company Held
4	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 (to present) (Number of years as a Member of the Board) One (1) year at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 10/10 meetings (100%) after his assumption of office in June 2015 [Reason for nomination as a candidate for Member of the Board] Toshiaki Sai has served as a Member of the Board since 2015, with his experience of being involved in public relations & investor relations, global brand strategy, and corporate 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 conduct of operations and decision-making functions and its oversight functions, by continuing to leverage his abundant experience and expertise on the Board of Directors.	4,700

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions	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 (to present) June 2014 Member of the Board (Outside) of the Company (to present) (Number of years as a Member of the Board) Two (2) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 15/15 meetings (100%) (Material Concurrent Positions) Adviser of Nippon Telegraph and Telephone Corporation Outside Director of Yokogawa Electric Corporation Chairman of Japan Institute of Information Technology President of Japan Telework Association [Reason for nomination as a candidate for Member of the Board (Outside)] The Company again nominates Uji Noritaka as a candidate for Member of the Board (Outside) because he gave 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.	1,700

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions	Number of Shares of the Company Held
6	Hiroshi Toda (September 12, 1951) Candidate for Member of the Board (Outside) Independent Director Reelection	April 1975 Entered Nomura Securities Co., Ltd. June 1991 President of Nomura Bank (Switzerland) Limited June 1997 Director, Head of Financial Market of Nomura Securities Co., Ltd. June 2000 Senior Managing Director, Head of Investment Banking of Nomura Securities Co., Ltd. October 2001 Director of Nomura Holdings, Inc. and Senior Managing Director, Head of Global Wholesale of Nomura Securities Co., Ltd. June 2003 Deputy President and Chief Operating Officer of Nomura Holdings, Inc. and Deputy President and Chief Operating Officer of Nomura Securities Co., Ltd. April 2008 Vice Chairman of Nomura Securities Co., Ltd. March 2009 Resigned as Vice Chairman of Nomura Securities Co., Ltd. July 2010 Ambassador extraordinary and plenipotentiary to Greece June 2014 Member of the Board (Outside) of the Company (to present) (Number of years as a Member of the Board) Two (2) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 14/15 meetings (93%) (Material Concurrent Positions) Outside Director (Part Time) of Yusen Logistics Co., Ltd. Special Adviser of UBS Securities Japan Co., Ltd. [Reason for nomination as a candidate for Member of the Board (Outside)] The Company again nominates Hiroshi Toda as a candidate for Member of the Board (Outside) because he gave opinions as needed and beneficially, based on his expertise in securities and finance and insights developed through his management experience and experience as a diplomat.	900

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions	Number of Shares of the Company Held
7	Naoki Adachi (February 23, 1939) Candidate for Member of the Board (Outside) Independent Director Reelection	April 1962 Entered Toppan Printing Co., Ltd. ("Toppan") June 1993 Director, General Manager of Commercial Printing Subdivision, Commercial Printing Division of Toppan April 1995 Director, General Manager of Commercial Printing Division of Toppan June 1995 Managing Director, General Manager of Commercial Printing Division of Toppan October 1996 Managing Director, General Manager of Commercial Printing Division; Head of Finance Instruments and Securities Division of Toppan June 1997 Senior Managing Director, General Manager of Commercial Printing Division; Head of Finance Instruments and Securities Division of Toppan April 1998 Senior Managing Director, In Charge of Corporate Sales & Marketing; Head of Finance Instruments and Securities Division and Commercial Printing Division of Toppan June 1998 Representative Executive Vice President, In Charge of Corporate Sales & Marketing; Head of Finance Instruments and Securities Division and Commercial Printing Division of Toppan June 2000 President & Representative Director of Toppan June 2010 Chairman & Representative Director of Toppan (to present) June 2015 Member of the Board (Outside) of the Company (to present) (Number of years as a Member of the Board) One (1) year at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 10/10 meetings (100%) after his assumption of office in June 2015 (Material Concurrent Positions) Chairman & Representative Director of Toppan Printing Co., Ltd. Director of Toppan Forms Co., Ltd. Director & Advisor of Tosho Printing Co., Ltd. Director of Toyo Ink SC Holdings Co., Ltd. [Reason for nomination as a candidate for Member of the Board (Outside)] The Company again nominates Naoki Adachi as a candidate for Member of the Board (Outside) because he gave opinions as needed and beneficially, based on his expertise of broad business areas based on printing technology and his insights on overall corporate management developed through his management experience.	600

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions	Number of Shares of the Company Held
8	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 March 1994 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) One (1) year at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 10/10 meetings (100%) after his assumption of office in June 2015 (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.	1,600

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions	Number of Shares of the Company Held
9	Katsumi Fujimoto (February 11, 1955) New	April 1980 Entered Sankyo Company, Limited (“Sankyo”) November 2005 Vice President, Development CMC Planning Department of Sankyo April 2007 Vice President, CMC Planning Department, Pharmaceutical Technology Division of the Company April 2011 Corporate Officer, Vice President, CMC Planning Department, Pharmaceutical Technology Division of the Company June 2011 Corporate Officer, Head of Pharmaceutical Technology Division of the Company April 2014 Executive Officer, Head of Pharmaceutical Technology Division of the Company April 2015 Executive Officer, Head of Supply Chain Division of the Company April 2016 Senior Executive Officer, Head of Supply Chain Division of the Company (to present) [Reason for nomination as a candidate for Member of the Board] Katsumi Fujimoto has served as Corporate Officer since 2011, involved in pharmaceutical technology and supply chains. 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 on the Board of Directors.	6,600
10	Toshiaki Tojo (November 11, 1955) New	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 (to present) (Material Concurrent Positions) Representative Director and President of Kitasato Daiichi Sankyo Vaccine Co., Ltd.	4,700

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions	Number of Shares of the Company Held
		[Reason for nomination as a candidate for Member of the Board] Toshiaki Tojo has served as a Corporate Officer since 2011, involved in supply chains and quality and safety management. 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 on the Board of Directors.	

(Reference) Criteria for Independence as Member of the Board (Outside) / Member of the Audit & 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 (Members of the Board (Outside) and Members of the Audit & Supervisory Board (Outside)) are required to ensure their independence from the Company.

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

1. A Member of the Board or a Member of the Audit & Supervisory Board shall be determined to be independent from the Company and may not have a conflict of interests with general shareholders of the Company unless 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 brother company or subsidiary (referring to a director other than outside director, corporate officer, executive officer or other employee; provided, however, limited to those who are important persons in terms of relationship with immediate family members. The same shall apply hereafter.); or
 - ii) has received during any of the last three fiscal years more than ¥10 million in direct compensation for his or her services as a consultant, a specialist in law, accounting or tax, or a healthcare professional, etc. from the Company, other than director or member of audit & 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, etc. that receives remuneration from the Group exceeding 10% of its gross revenue in any of the last three fiscal years; or
 - c) a lender from whom the Group obtained a loan of more than 10% of its consolidated total assets at the end of the fiscal year immediately before nomination.
 - ii) Major shareholder

A corporation or other legal entity that is a major shareholder of the Company or a corporation that the Company is a major shareholder at the time of determining the independence. A major shareholder means a shareholder holding at least 10% of total shares outstanding of the company.
 - iii) Recipient of charitable contributions

An organization to which the Company's discretionary charitable contributions in any of the last three fiscal years are more than ¥10 million and 2% of annual gross revenues of that organization or other associations.
 - iv) Accounting auditor

An audit firm that is or has been for the last three years an accounting auditor of the Group.
 - v) Cross-directorship arrangement

A listed company in which an Executive Officer of the Company is a current Member of the Board (Outside) or Member of the Audit & Supervisory Board (Outside).
2. Even though a candidate for an outside director/ auditor falls into any of the above, when the Board of Directors or the Audit & 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.

Third Proposal: Provision of Bonuses to Members of the Board

The Company requests approval for the payment of directors' bonuses, amounting to 128 million yen in total to the six 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 resolution of the Board of Directors.

[Attachment]

Business Report for the 11th Fiscal Period
(From April 1, 2015 to March 31, 2016)

1. Status of Daiichi Sankyo Group
(1) Progress and Results of Operations

Daiichi Sankyo and its consolidated subsidiaries (“the Group”) have adopted IFRS starting in the fiscal year ended March 31, 2014 (fiscal 2013)..

1) Overview
Consolidated Financial Results

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

	Fiscal 2014	Fiscal 2015	YoY change
Revenue	919,372	986,446	67,074 7.3%
Operating profit	74,422	130,412	55,990 75.2%
Profit before tax	79,936	122,388	42,451 53.1%
Profit from continuing operations	43,566	80,399	36,833 84.5%
Profit (loss) from discontinued operations	275,357	—	−275,357 —
Profit Attributable to owners of the Company	322,119	82,282	−239,836 −74.5%

Note: During fiscal 2014, following the fact that Ranbaxy Laboratories Ltd. (“Ranbaxy”) was merged into Sun Pharmaceutical Industries Ltd. (“Sun Pharma”), the Ranbaxy Group was excluded from the scope of consolidation. In fiscal 2014, Ranbaxy Group was classified as a discontinued operation. Consequently, for the amounts of revenue, operating profit and profit before tax, only the figures for continuing operations excluding the Ranbaxy Group are presented.

<Revenue from global mainstay products>

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

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

<Research and development expenses>

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

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

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

(Yen)

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

a. Revenue

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

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

b. Operating Profit

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

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

c. Profit before Tax

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

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

d. Profit from Continuing Operations

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

e. Profit Attributable to Owners of the Company

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

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

Revenue by Geographic Area

a) Japan

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

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

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

Revenue from the healthcare (OTC) products business of Daiichi Sankyo Healthcare Co., Ltd. increased by 11.6% year on year to ¥53.4 billion. In November 2015, Daiichi Sankyo Healthcare Co., Ltd. acquired all of the shares of Im Co., Ltd. in order to build up a foundation for the mail order business in the skin care field.

<Primary revenue composition in Japan>

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

Category	Fiscal 2014	Fiscal 2015	YoY change
Prescription drugs	477.0	499.1	22.1 4.6%
Royalty and exports	21.5	18.7	-2.8 -13.1%
Healthcare (OTC) products	47.8	53.4	5.5 11.6%

<Domestic revenue from mainstay prescription drugs>

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

Product name	Fiscal 2014	Fiscal 2015	YoY change
<i>NEXIUM</i> ® Ulcer treatment	69.3	82.4	13.1 18.8%
<i>Olmotec</i> ® Antihypertensive agent	76.3	73.9	-2.5 -3.2%
<i>Loxonin</i> ® Anti-inflammatory analgesic (of which Loxonin® Tape)	49.5 (31.1)	48.1 (31.8)	-1.4 -2.8%
<i>Memary</i> ® Alzheimer's disease treatment	36.8	42.4	5.6 15.3%
<i>Cravit</i> ® Synthetic antibacterial agent	27.8	18.4	-9.5 -34.0%
<i>Rezaltas</i> ® Antihypertensive agent	18.4	18.2	-0.2 -1.3%
<i>Omnipaque</i> ® Contrast medium	17.2	16.9	-0.3 -1.9%
<i>TENELIA</i> ® Type 2 diabetes mellitus inhibitor	7.6	16.5	9.0 118.9%
<i>Artist</i> ® Treatment for hypertension, angina pectoris and chronic heart failure	18.1	15.1	-3.0 -16.8%
<i>Inavir</i> ® Anti-influenza treatment	16.6	14.0	-2.6 -15.4%
<i>Mevalotin</i> ® Antihyperlipidemic agent	16.2	13.4	-2.7 -16.9%
<i>LIXIANA</i> ® Anticoagulant	3.6	13.0	9.4 262.6%
<i>PRALIA</i> ® Treatment for osteoporosis	7.3	12.5	5.1 70.1%
<i>RANMARK</i> ® Treatment for bone complications caused by bone metastases from tumors	10.2	12.4	2.2 22.0%
<i>Urief</i> ® Treatment for dysuria	11.5	11.8	0.3 2.8%
<i>Efient</i> ® Antiplatelet agent	0.7	4.9	4.2 613.5%

b) North America

Revenue in North America increased by 19.8% year on year to ¥275.4 billion.

Revenue in local currency terms rose by 9.6% to US\$2,292 million.

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

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

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

<Revenue of Daiichi Sankyo, Inc. mainstay products>

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

Product name	Fiscal 2014	Fiscal 2015	YoY change
<i>Benicar</i> ®/ <i>Benicar HCT</i> ® Antihypertensive agent	700	661	-39 -5.6%
<i>AZOR</i> ® Antihypertensive agent	166	164	-2 -1.1%
<i>TRIBENZOR</i> ® Antihypertensive agent	103	103	1 0.5%
<i>Welchol</i> ® Hypercholesterolemia treatment/ type 2 diabetes mellitus inhibitor	431	403	-29 -6.6%
<i>Effient</i> ® Antiplatelet agent (co-promotion revenue)	160	173	13 8.0%
<i>SAVAYSA</i> ™ Anticoagulant	6	4	-3 -41.1%
<i>MOVANTIK</i> ™ opioid-induced constipation treatment (co-promotion revenue)	—	17	17 -%

<Revenue of Luitpold Pharmaceuticals, Inc. mainstay products>

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

Product name	Fiscal 2014	Fiscal 2015	YoY change
<i>Venofer</i> ® Treatment for iron deficiency anemia	260	260	-0 -0.1%
<i>Injectafer</i> ® Treatment for iron deficiency anemia	69	155	86 123.2%

c) Europe

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

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

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

<Revenue of Daiichi Sankyo Europe GmbH mainstay products>

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

Product name	Fiscal 2014	Fiscal 2015	YoY change
<i>Olmotec</i> ®/ <i>Olmotec Plus</i> ® Antihypertensive agent	272	248	-24 -9.0%
<i>Sevikar</i> ® Antihypertensive agent	127	124	-2 -1.9%
<i>Sevikar HCT</i> ® Antihypertensive agent	71	73	1 1.9%
<i>Efient</i> ® Antiplatelet agent (co-promotion revenue)	34	41	6 18.3%
<i>LIXIANA</i> ® anticoagulant agent	—	12	12 —%

d) Other regions

In other regions, revenue rose by 0.5% year on year to ¥61.8 billion.

Sales of mainstay products grew in China, South Korea and other countries. Revenue in Venezuela decreased by ¥7.9 billion year on year to ¥0.2 billion due to devaluation in the yen exchange rate for Venezuela's currency (Venezuelan bolivar) from economic uncertainties in the country.

2) Disposal of Sun Pharma Shares

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

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

3) R&D Activities

The Daiichi Sankyo Group promotes accelerated and sustained generation of innovative medicines. The Group has designated the fields of cardiovascular-metabolic, oncology and frontier medicine as priority areas for its research and development. Efforts have been continuing to develop potential first-in-class and/or best-in-class products.

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

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

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

Daiichi Sankyo Priority Development Projects

a. Prasugrel

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

Separately, in the U.S., the Phase III clinical trial was conducted to evaluate its efficacy for the treatment of pediatric patients with sickle cell disease and the trial results were submitted to the U.S. Food and Drug Administration (FDA). As a result, the market exclusivity is expected to be extended by 180 days.

b. Edoxaban

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

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

c. Mirogabalin

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

d. Pexidartinib

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

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

e. Vaccines

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

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

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

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

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

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

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

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

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

In August 2014, Daiichi Sankyo in-licensed CL-108, a combination drug for the treatment of pain and opioid-induced nausea and vomiting (OINV), from U.S.-based Charleston Laboratories, Inc. The Phase III trial for the treatment of moderate to severe acute pain and reducing OINV was completed in October 2015 and met two of the primary endpoints. Accordingly, in March 2016, Charleston Laboratories, Inc. submitted NDA to FDA.

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

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

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

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

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

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

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

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

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

h. Collaborative Drug Discovery Program (TaNeDS)

Since fiscal 2011, Daiichi Sankyo has pursued an open innovation approach by conducting a collaborative research program called TaNeDS (Take a New challenge for Drug diScovery) involving academic researchers in Japan. It is now engaged in collaborative research with a number of selected academic institutions in Japan through this program. In fiscal 2013, Daiichi Sankyo initiated the TaNeDS Global Program to expand this drug discovery initiative to include researchers working in universities or other research institutions in Germany, Switzerland and Austria. Selection and initiation of multiple joint research projects began in fiscal 2015.

Review of R&D Platform toward the 2025 Vision

Daiichi Sankyo established its 2025 Vision of being a “Global Pharma Innovator with Competitive Advantage in Oncology,” and in April 2016 accordingly conducted a reorganization of

its R&D platform with sights set on making it a reality.

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

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

4) Production and Logistics

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

In March 2016, while operations of the Tokyo Distribution Center have been transferred to Yasuda Warehouse Co., Ltd., Daiichi Sankyo made the decision to end production at DSCP Hiratsuka plant in March 2017 and to close the plant in September 2017 after having conducted a comprehensive assessment with respect to streamlining operations and making API production more competitive on a global level.

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

5) Corporate Social Responsibility (CSR) Activities

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

On the basis of challenges surrounding sustainability and from the perspective of relation between the requests and expectations from society and medium- and long-term business activities, Daiichi Sankyo has defined its six core CSR domains as Compliance, Human Rights and Labor Practices, Communication, Environmental Management, Social Contribution, and Healthcare Access. The Group aims to enhance its activities in each of these domains on an ongoing basis.

As well as above mentioned measures, as part of its commitment to integrity, Daiichi Sankyo also seeks to upgrade its stakeholder communications by improving disclosure of information related to environmental, social and governance (ESG) issues.

(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 ¥23.3 billion on plants and equipment.

(3) Status of Financing

Not applicable.

(4) Issues to Be Dealt With

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

With the aim of achieving our 2025 Vision, we will take action on two challenges, “Grow beyond fiscal 2017 LOE^{*1}” and “Establish foundations for sustainable growth” thereafter.

^{*1} LOE: Loss of exclusivity

1) 2025 Vision

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

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

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

^{*3} Regional value products: Products aligned with regional market

^{*4} SOC: Standard of care

2) Overview of 5-Year Business Plan

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

a. Managerial challenge 1: Grow beyond fiscal 2017 LOE

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

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

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

b. Managerial challenge 2: Establish foundations for sustainable growth

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

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

i. Business Strategies

Strategy 1: Growth of Edoxaban

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

Strategy 2: Establish Oncology Business

We will develop our oncology business to the point where such operations generate revenue of

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

Strategy 3: Grow as No. 1 company in Japan

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

Strategy 4: Expand U.S. Business

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

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

Strategy 5: Continuously Generate Innovative Medicine that transforms SOC

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

Strategy 6: Enhance Profit Generation

In addition to initiatives taken up through fiscal 2015 to enhance our capacity for generating profits, for the duration of the business plan we will also forge ahead with efforts that involve optimizing our manufacturing systems on a global level and strengthening procurement functions. At the same time, we will enhance our ability to generate profits by drastically cutting costs and streamlining operations across the entire Daiichi Sankyo Group, while also conducting reviews with respect to cost of sales, selling, general and administrative expenses, and research and development expenses.

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

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

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

iii. Shareholder return policy

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

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

(5) Trends in the Group's Operating Results and Assets

(Millions of yen, unless otherwise stated)

Account title	Japanese GAAP	IFRS			
	Fiscal 2012 (8th fiscal period)	Fiscal 2012 (8th fiscal period)	Fiscal 2013 (9th fiscal period)	Fiscal 2014 (10th fiscal period)	Fiscal 2015 (Current fiscal year; 11th fiscal period)
Revenue	997,852	994,659	899,126	919,372	986,446
Operating profit	100,516	98,743	112,922	74,422	130,412
Ordinary income	99,147	-	-	-	-
Profit before tax	-	95,861	112,950	79,936	122,388
Profit attributable to owners of the Company	66,621	64,027	60,943	322,119	82,282
Basic earnings per share (yen)	94.64	90.96	86.57	457.56	119.37
Annual dividends per share (yen)	60	60	60	60	70
Total assets	1,644,071	1,684,949	1,854,037	1,982,286	1,900,522
Total equity	915,745	938,480	1,007,527	1,307,041	1,233,521

- Notes: 1. The Group prepared its consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRS") from the 9th fiscal period, pursuant to provisions of Article 120, Paragraph 1 of the Corporate Accounting Rules, and the amounts for the 8th fiscal period presented here have also been presented in accordance with IFRS.
2. Concerning the IFRS terminology, the corresponding Japanese GAAP terms are as follows: "revenue" corresponds to "net sales," "profit attributable to owners of the Company" corresponds to "profit attributable to owners of parent," "basic earnings per share" corresponds to "basic net income per share," "total assets," corresponds to "total assets," and "total equity" corresponds to "net assets."
3. Basic earnings per share is calculated based on the average number of shares outstanding during the year, exclusive of the number of treasury shares.
4. In line with the completion of the merger and acquisition procedures of Ranbaxy by Sun Pharma, the Group classified the Ranbaxy business as a discontinued operation and accordingly, restated the results of the 9th period.

(6) The Group's Principal Business

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

(7) Status of Material Subsidiaries, etc.

1) Status of Material Subsidiaries:

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
Asubio Pharma Co., Ltd.	50	100.00	Research and development 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.	100	80.00	Research and development, manufacture and marketing of vaccines
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
Luitpold Pharmaceuticals, Inc.	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.	30 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

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	LOCL Pharma, Inc.	U.S.A.	Technology related to “CL-108,” a combination treatment for pain and OINV
Daiichi Sankyo Company, Limited	Innomab Pte. Ltd.	Singapore	Technology related to “nimotuzumab,” an anti-EGFR antibody
Daiichi Sankyo Company, Limited	Amgen Inc.	U.S.A.	Technology related to “Denosumab,” an anti-RANKL antibody
Daiichi Sankyo Company, Limited	ArQule Inc.	U.S.A.	Technology related to “ARQ 197,” an agent for inhibiting malignant tumors
Daiichi Sankyo Company, Limited	Translational Sciences, Inc.	U.S.A.	Technology related to “TS23,” a thrombus dissolving agent
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 <i>Welchol</i> [®] , an antihyperlipidemic agent
Luitpold Pharmaceuticals, Inc.	Vifor AG	Switzerland	Technology related to <i>Venofer</i> [®] , a drug for treating anemia

b. Licensing-out of technology

Name of Group Company	Other Party	Country	Details of Technology
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	Santen Pharmaceutical Co., Ltd.	Japan	Technology related to synthetic antibacterial agent “Levofloxacin” for ophthalmologic drugs
Daiichi Sankyo Company, Limited	Daewoong Pharmaceutical Co., Ltd.	South Korea	Technology related to “Olmesartan,” an antihypertensive agent

c. Distribution Agreement and Others

Name of Group Company	Other Party	Country	Details of Agreement
Daiichi Sankyo Company, Limited	Mitsubishi Tanabe Pharma Corporation	Japan	Co-promotion in Japan of hypoglycemic agent, <i>TENELLA</i> ® and <i>CANAGLU</i> ®
Daiichi Sankyo Company, Limited	AstraZeneca AB	Sweden	Exclusive sale and co-promotion in Japan of <i>Nexium</i> ®, a proton pump inhibitor
Daiichi Sankyo Company, Limited	Merz Pharmaceuticals GmbH	Germany	Exclusive sale in Japan of <i>Memary</i> ® for the treatment of Alzheimer's disease
Daiichi Sankyo Company, Limited	GE Healthcare	Norway	Exclusive sale in Japan of the contrast media <i>Omnipaque</i> ®
Daiichi Sankyo Company, Limited	F. Hoffman-La Roche	Switzerland	Exclusive sale in Japan of the antihypertensive agent <i>Artist</i> ®
Daiichi Sankyo Company, Limited	UCB Biopharma SPRL	Belgium	Exclusive sale and co-promotion in Japan of Lacosamide, a treatment for epilepsy
Daiichi Sankyo Company, Limited	Kissei Pharmaceutical Co., Ltd.	Japan	Joint sale in Japan of the dysuria treatment drug <i>Urief</i> ®
Daiichi Sankyo Company, Limited	Sanofi K.K.	Japan	Sale in Japan of <i>ActHib</i> ®, a pediatric vaccine for the prevention of infections caused by Haemophilus influenza Type b
Daiichi Sankyo, Inc.	AstraZeneca UK Limited	UK	Co-promotion in U.S.A. of <i>MOVANTIK</i> ™, a treatment for opioid-induced constipation
Daiichi Sankyo Europe GmbH	Menarini International Operations Luxembourg S.A.	Italy	Joint sale in Europe of the antihypertensive agent <i>Olmotec</i> ®
Luitpold Pharmaceuticals, Inc.	Fresenius U.S.A. Manufacturing Inc.	U.S.A.	Exclusive sale in U.S.A. of the anemia treatment, <i>Venofer</i> ® for the End Stage Renal Disease (Stage V) patient population
Daiichi Sankyo Europe GmbH	Merck & Co., Inc.	U.S.A.	Exclusive sale in Europe of the anticoagulant, <i>LIXIANA</i> ®

(8) The Group's Principal Branches, Plants and Laboratories**1) In Japan**

Daiichi Sankyo Company, Limited	Headquarters	Chuo-ku, Tokyo
	Branches	Sapporo Branch, Tohoku Branch (Miyagi), Tokyo Branch, Chiba Branch, Saitama Branch, Yokohama Branch, Kanetsu Branch (Tokyo), Tokai Branch (Aichi), Kyoto Branch, Osaka Branch, Kobe Branch, Chugoku Branch (Hiroshima), Shikoku Branch (Kagawa), and Kyushu Branch (Fukuoka)
	Laboratories	Shinagawa (Tokyo), Edogawa (Tokyo), Hiratsuka (Kanagawa), and Tatebayashi (Gunma)
Daiichi Sankyo Espha Co., Ltd.	Headquarters	Chuo-ku, Tokyo
Daiichi Sankyo Healthcare Co., Ltd.	Headquarters	Chuo-ku, Tokyo
	Sales Departments	Sales Department I (Tokyo, Osaka), Sales Department II (Hokkaido, Tokyo) and Sales Department III (Aichi, Osaka, Hiroshima, Fukuoka)
Daiichi Sankyo Propharma Co., Ltd.	Plants	Hiratsuka Plant (Kanagawa) and Takatsuki Plant (Osaka)
Daiichi Sankyo Chemical Pharma Co., Ltd.	Plants	Onahama Plant (Fukushima), Tatebayashi Plant (Gunma), Hiratsuka Plant (Kanagawa), and Odawara Plant (Kanagawa)
Asubio Pharma Co., Ltd.	Headquarters	Kobe, Hyogo
Daiichi Sankyo RD Novare Co., Ltd.	Headquarters	Edogawa-ku, Tokyo
Daiichi Sankyo Business Associe Co., Ltd.	Headquarters	Chuo-ku, Tokyo
Daiichi Sankyo Happiness Co., Ltd.	Headquarters	Hiratsuka, Kanagawa
Kitasato Daiichi Sankyo Vaccine Co., Ltd.	Headquarters	Kitamoto, Saitama

2) Overseas

Daiichi Sankyo, Inc.	Headquarters	Parsippany, New Jersey, U.S.A.
Luitpold Pharmaceuticals, Inc.	Headquarters	Shirley, New York, U.S.A.
Daiichi Sankyo Europe GmbH	Headquarters	Munich, Germany

(9) The Group's Status of Employees (As of March 31, 2016)

Number of Employees		Change from Previous Fiscal Year-End
15,249		1,179 (decreased)
Japan	8,589	46 (increased)
North America	2,321	1,001 (decreased)
Europe	1,997	97 (decreased)
Other regions	2,342	127 (decreased)

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

Lender	Outstanding amount of loans (Millions of yen)
Syndicated loan	120,000
Nippon Life Insurance Company	1,000

Note: Syndicated loan is jointly financed by Mizuho Bank, Ltd. and 47 other financial institutions.

(11) Litigation

Multiple lawsuits have been filed against Daiichi Sankyo Company, Limited, Daiichi Sankyo Inc., Daiichi Sankyo U.S. Holdings, Inc. as well as Forest Laboratories, LLC (head office: New York, U.S.A.) and the subsidiaries and affiliates thereof in U.S. federal and state courts by claimants alleging to have experienced sprue-like enteropathy (primary symptoms of sprue-like enteropathy include severe diarrhea) and other complications as a result of taking pharmaceuticals containing Olmesartan medoxomil (sold under Benicar® or other brand names in the United States).

Although it is possible that the Company and its consolidated subsidiaries may incur damages as a result of the above-mentioned litigation, it is difficult or unable at present to reasonably estimate the monetary amount of any such damages.

2. Status of Shares and Subscription rights to shares

(1) Status of Shares (As of March 31, 2016)

- 1) Total Number of Authorized Shares: 2,800,000,000 shares
- 2) Total Number of Issued Shares: 709,011,343 shares (including 25,618,187 treasury shares)
- 3) Number of Shareholders: 105,897 (decrease of 22,329 from March 31, 2015)
- 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)	50,222	7.35
Japan Trustee Services Bank, Ltd. (trust account)	46,293	6.77
Nippon Life Insurance Company	35,776	5.24
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	2.11
Sumitomo Mitsui Banking Corporation	11,413	1.67
Employee stock ownership of Daiichi Sankyo Group	10,590	1.55
STATE STREET BANK WEST CLIENT – TREATY 505234	9,636	1.41
STATE STREET BANK AND TRUST COMPANY 505225	9,285	1.36
Japan Trustee Services Bank, Ltd. (trust account 7)	9,063	1.33
Mizuho Bank, Ltd.	8,591	1.26

Notes: 1. The Company holds 25,618,187 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>>

Attribute of shareholders	Equity Stake	
	As of March 31, 2016	As of March 31, 2015
National government and local governments	0.00%	0.00%
Financial institutions	42.91%	41.88%
Financial instrument firms	2.22%	3.78%
Other corporations	5.31%	6.32%
Foreign institutions and individuals	29.22%	27.03%
Individual investors and others	16.72%	20.29%
Treasury share	3.61%	0.70%

5) Purchase of Treasury Shares

In order to secure sustainable growth in corporate value, one of the fundamental business policies of Daiichi Sankyo is to decide profit distributions based on a comprehensive consideration of the investments essential for implementing its growth strategy and returning profits to shareholders.

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

(2) Status of Subscription rights to shares**1) Status of Subscription rights to shares owned by Members of the Board and Members of the Audit & Supervisory Board of the Company Granted as Remuneration for Their Execution of Duties as of the End of the Fiscal Year**

	Date of resolution on issuance	Grantees and number of grantees	Number of share options	Class and number of shares subject to Subscription rights to shares	Amount to be paid in for Subscription rights to shares	Value of property contributed upon exercise of Subscription rights to shares	Exercisable period for Subscription rights to shares
No. 1 Subscription rights to shares (Issued on February 15, 2008)	January 31, 2008	Four Members of the Board of the Company (excluding Members of the Board (Outside))	131 units	13,100 shares of the ordinary share of the Company (100 shares per Subscription rights to shares)	252,800 yen per Subscription rights to shares	100 yen per Subscription rights to shares	From February 16, 2008 to February 15, 2038
No. 2 Subscription rights to shares (Issued on November 17, 2008)	October 31, 2008	Four Members of the Board of the Company (excluding Members of the Board (Outside)) One Member of the Audit & Supervisory Board of the Company (excluding Members of the Audit & Supervisory Board (Outside))	215 units 35 units	21,500 shares of the ordinary share of the Company 3,500 shares of the ordinary share of the Company (100 shares per Subscription rights to shares)	134,200 yen per Subscription rights to shares	100 yen per Subscription rights to shares	From November 18, 2008 to November 17, 2038
No. 3 Subscription rights to shares (Issued on August 17, 2009)	July 31, 2009	Five Members of the Board of the Company (excluding Members of the Board (Outside)) One Member of the Audit & Supervisory Board of the Company (excluding Members of the Audit & Supervisory Board (Outside))	444 units 49 units	44,400 shares of the ordinary share of the Company 4,900 shares of the ordinary share of the Company (100 shares per Subscription rights to shares)	133,800 yen per Subscription rights to shares	100 yen per Subscription rights to shares	From August 18, 2009 to August 17, 2039
No. 4 Subscription rights to shares (Issued on August 19, 2010)	July 30, 2010	Six Members of the Board of the Company (excluding Members of the Board (Outside)) One Member of the Audit & Supervisory Board of the Company (excluding Members of the Audit & Supervisory Board (Outside))	673 units 49 units	67,300 shares of the ordinary share of the Company 4,900 shares of the ordinary share of the Company (100 shares per Subscription rights to shares)	119,700 yen per Subscription rights to shares	100 yen per Subscription rights to shares	From August 20, 2010 to August 19, 2040
No. 5 Subscription rights to shares (Issued on July 12, 2011)	June 27, 2011	Six Members of the Board of the Company (excluding Members of the Board (Outside))	758 units	75,800 shares of the ordinary share of the Company (100 shares per Subscription rights to shares)	111,200 yen per Subscription rights to shares	100 yen per Subscription rights to shares	From July 13, 2011 to July 12, 2041
No. 6 Subscription rights to shares (Issued on July 9, 2012)	June 22, 2012	Six Members of the Board of the Company (excluding Members of the Board (Outside))	1,003 units	100,300 shares of the ordinary share of the Company (100 shares per Subscription rights to shares)	88,400 yen per Subscription rights to shares	100 yen per Subscription rights to shares	From July 10, 2012 to July 9, 2042
No. 7 Subscription rights to shares (Issued on July 8, 2013)	June 21, 2013	Six Members of the Board of the Company (excluding Members of the Board (Outside))	719 units	71,900 shares of the ordinary share of the Company (100 shares per Subscription rights to shares)	119,900 yen per Subscription rights to shares	100 yen per Subscription rights to shares	From July 9, 2013 to July 8, 2043

	Date of resolution on issuance	Grantees and number of grantees	Number of share options	Class and number of shares subject to Subscription rights to shares	Amount to be paid in for Subscription rights to shares	Value of property contributed upon exercise of Subscription rights to shares	Exercisable period for Subscription rights to shares
No. 8 Subscription rights to shares (Issued on July 8, 2014)	June 23, 2014	Six Members of the Board of the Company (excluding Members of the Board (Outside)) One Member of the Audit & Supervisory Board of the Company (excluding Members of the Audit & Supervisory Board (Outside))	681 units 34 units	68,100 shares of the ordinary share of the Company 3,400 shares of the ordinary share of the Company (100 shares per Subscription rights to shares)	136,100 yen per Subscription rights to shares	100 yen per Subscription rights to shares	From July 9, 2014 to July 8, 2044
No. 9 Subscription rights to shares (Issued on July 7, 2015)	June 22, 2015	Six Members of the Board of the Company (excluding Members of the Board (Outside))	566 units	56,600 shares of the ordinary share of the Company (100 shares per Subscription rights to shares)	185,800 yen per Subscription rights to shares	100 yen per Subscription rights to shares	From July 8, 2015 to July 7, 2045

- Notes: 1. Part of the Subscription rights to shares owned by Members of the Board and Members of the Audit & Supervisory Board include Subscription rights to shares granted to Members of the Board and Members of the Audit & Supervisory Board during their terms as Corporate Officers.
2. Conditions for exercise of Subscription rights to shares are as follows:
- Persons to whom share options are granted (hereinafter referred to as “holders of Subscription rights to shares”) may exercise their Subscription rights to shares until the last day of the last fiscal year that ends within 10 years from the following day of the day when they retired from their office as Member of the Board or Corporate Officer of the Company that they held when the Subscription rights to shares were granted (if the holders of Subscription rights to shares concurrently serve as Member of the Board and Corporate Officer, the day when they retired from office means the day when they retired from the office of Member of the Board, regardless of whether they continued to hold the position of Corporate Officer; and if the holders of Subscription rights to shares served as Corporate Officer when the Subscription rights to shares were granted and if they took office as Member of the Board upon their retirement from office as Corporate Officer, the day when they retired from office means the day when they retired from office as Member of the Board, not the day when they retired from office as Corporate Officer).
 - Holders of Subscription rights to shares may not dispose of the Subscription rights to shares by any means, including pledging.
 - When holders of Subscription rights to shares die, their heir may inherit the Subscription rights to shares that have not been exercised as of the day when the cause of their inheritance occurs, and may exercise the rights in accordance with the terms of the Agreement on Allotment of Subscription rights to shares, to be entered between the Company and holders of Subscription rights to shares.
 - When holders of Subscription rights to shares exercise their Subscription rights to shares, they may not partially exercise one Subscription rights to shares.
 - Other conditions are set force in the Agreement on Allotment of Subscription rights to shares, to be entered between the Company and holders of Subscription rights to shares, in accordance with the resolution of the Board of Directors.
3. Events and conditions for the acquisition of Subscription rights to shares are as follows:
- When holders of Subscription rights to shares can no longer exercise their rights pursuant to the provisions specified in the above-mentioned note 2, the Company may acquire, free of charge, the said Subscription rights to shares held by the said holders of Subscription rights to shares on the day separately determined by the Board of Directors.
 - When an absorption-type merger agreement, under which the Company is absorbed and disappears, is approved at a General Meeting of Shareholders of the Company (a meeting of the Board of Directors if a resolution of a General Meeting of Shareholders is not required), or when a proposal on approval of a share exchange agreement, under which the Company will become a wholly-owned subsidiary company in the share exchange, or a proposal on approval for a share transfer plan, under which the Company will become a wholly-owned subsidiary company in the share transfer, is approved at a General Meeting of Shareholders of the Company (a meeting of the Board of Directors if a resolution of a General Meeting of Shareholders is not required), the Company may acquire, free of charge, the Subscription rights to shares held by the holders of Subscription rights to shares on the day separately determined by the Board of Directors.

- c. When holders of Subscription rights to shares offer in writing to abandon all or part of their Subscription rights to shares, the Company may acquire, free of charge, the said Subscription rights to shares held by those holders of Subscription rights to shares on the day separately determined by the Board of Directors.

2) Details of Subscription rights to shares Granted to Employees, etc. of the Company as Remuneration for Their Execution of Duties during the Fiscal Year

	No. 9 Subscription rights to shares (Issued on July 7, 2015)
Date of resolution on issuance	June 22, 2015
Grantees and number of grantees	16 Corporate Officers of the Company (excluding those who concurrently serve as Members of the Board)
Number of Subscription rights to shares	621 units
Class and number of shares subject to Subscription rights to shares	62,100 shares of the ordinary share of the Company (100 shares per Subscription rights to shares)
Amount to be paid in for Subscription rights to shares	185,800 yen per Subscription rights to shares
Value of property contributed upon exercise of Subscription rights to shares	100 yen per Subscription rights to shares
Exercisable period for Subscription rights to shares	From July 8, 2015 to July 7, 2045
Conditions for exercise of Subscription rights to shares	Note 1
Events and conditions for acquisition of Subscription rights to shares	Note 2

Notes: 1. Same as Note 2 to 1) above.

2. Same as Note 3 to 1) above.

3. Matters related to the Company's Members of the Board and Members of the Audit & Supervisory Board

(1) Status of the Company's Members of the Board and Members of the Audit & Supervisory Board

1) Members of the Board and Members of the Audit & Supervisory Board (as of March 31, 2016)

Name	Position and Assignments, etc.	Material Concurrent Positions	Relationship of companies where they have material concurrent positions, and the Company
Joji Nakayama	Representative Director, President and CEO		
Yuki Sato	Representative Director, Member of the Board, Executive Vice President, Head of General Affairs & Human Resources Division		
Kazunori Hirokawa	Representative Director, Member of the Board, Executive Vice President, Head of Corporate Management Division		
Takeshi Ogita	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
Sunao Manabe	Member of the Board, Senior Executive Officer, In Charge of Global Sales & Marketing of the Company		
Toshiaki Sai	Member of the Board, Senior Executive Officer, Head of Corporate Strategy Division		
Noritaka Uji	Member of the Board (Outside)	Adviser of Nippon Telegraph and Telephone Corporation	No material relationship
		Outside Director of Yokogawa Electric Corporation	
		Chairman of Japan Institute of Information Technology	
		President of Japan Telework Association	
Hiroshi Toda	Member of the Board (Outside)	Outside Director (Part Time) of Yusen Logistics, Co., Ltd.	No material relationship
		Special Adviser of UBS Securities Japan Co., Ltd.	
Naoki Adachi	Member of the Board (Outside)	Chairman & Representative Director of Toppan Printing Co., Ltd.	No material relationship
		Director of Toppan Forms Co., Ltd.	
		Director & Advisor of Tosho Printing Co., Ltd.	
		Director of Toyo Ink SC Holdings Co., Ltd.	
Tsuguya Fukui	Member of the Board (Outside)	Chairperson of the Board of Trustees of St. Luke's International University	No material relationship
		President of St. Luke's International Hospital	

Name	Position and Assignments, etc.	Material Concurrent Positions	Relationship of companies where they have material concurrent positions, and the Company
		Executive Director of Japan Hospital Association	
		President of The Japan Medical Library Association	
Hideyuki Haruyama	Member of the Audit & Supervisory Board		
Kazuyuki Watanabe	Member of the Audit & Supervisory Board		
Akiko Kimura	Member of the Audit & Supervisory Board (Outside)	Of Counsel, Anderson Mōri & Tomotsune	No material relationship
		Outside Auditor of Fuji Electric Co., Ltd.	
		Outside Director of Nomura Asset Management Co., Ltd.	
Yutaka Katagiri	Member of the Audit & Supervisory Board (Outside)	President of Council for Public Policy	No material relationship
		Consultant of Sompo Japan Nipponkoa Insurance Inc.	
		Special Advisor of The Japan Chamber of Commerce and Industry and The Tokyo Chamber of Commerce and Industry	

Notes:

1. The Company's Boards consist of ten Members of the Board and four Members of the Audit & Supervisory Board, totaling 14, and including one female director (a ratio of female directors of 7.1%).
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 & Supervisory Board (Outside) means a member of the audit & 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 & Supervisory Board (Outside) (Akiko Kimura and Yutaka Katagiri) as Independent Directors/ Auditors and filed them with the Tokyo Stock Exchange accordingly.
4. No Members of the Board or Members of the Audit & Supervisory Board resigned or were dismissed removed during the fiscal year.
Member of the Board Manabu Sakai and Members of the Board (Outside) Hiroshi Hirabayashi and Kunio Ishihara as well as Members of the Audit & Supervisory Board Kazuo Koike and Takashi Chiba retired following the end of their tenure of office at the conclusion of the Ordinary General Meeting of Shareholders on June 22, 2015.

2) The Amount of Remuneration and Related Payments to Members of the Board and Members of the Audit & Supervisory Board

Classification	Members of the Board		Members of the Audit & Supervisory Board		Total	
	Payment recipients	Amount paid	Payment recipients	Amount paid	Payment recipients	Amount paid
	Number of persons	Millions of yen	Number of persons	Millions of yen	Number of persons	Millions of yen
Fees (annual amount) (Of which Members of the Board (Outside) and Members of the Audit & Supervisory Board (Outside))	13 (6)	380 (60)	6 (2)	105 (30)	19 (8)	485 (90)
Members' of the Board bonuses (Excluding Members of the Board (Outside) and Members of the Audit & Supervisory Board)	6	128	-	-	6	128
Share remuneration-type stock option remuneration (Excluding Members of the Board (Outside) and Members of the Audit & Supervisory Board)	6	106	-	-	6	106
Total (Of which Members of the Board (Outside) and Members of the Audit & Supervisory Board (Outside))	13 (6)	612 (60)	6 (2)	105 (30)	19 (8)	717 (90)

- Notes: 1. "Payment recipients" and "Amount paid" of "Remuneration (annual amount)," and each "Total" include those of the three Members of the Board (including two Members of the Board (Outside)) who retired upon expiration of their term at the conclusion of the 10th Ordinary General Meeting of Shareholders held on June 22, 2015.
2. "Payment recipients" and "Amount paid" of "Remuneration (annual amount)," and each "Total" include those of the two Members of the Audit & Supervisory Board who retired upon expiration of their term at the conclusion of the 10th Ordinary General Meeting of Shareholders held on June 22, 2015.
3. 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 & 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.
4. "Members' of the Board bonuses" are estimated amounts to be paid in addition to the amounts shown in the "Remuneration (annual amount)" columns if the proposed "Provisions of Bonuses to Members of the Board" is approved at the 11th Ordinary General Meeting of Shareholders of the Company.
5. The above-mentioned share remuneration-type stock option remunerations, which are separated from the above-mentioned "Remuneration (annual amount)," indicate the amount equivalent to compensation for the execution of duties during the current fiscal year, included in the monetary remunerations paid to offset the payment obligations of the payment amount of the share remuneration-type stock options (Subscription rights to shares), which were granted on July 7, 2015. These share remuneration-type stock options were approved subject to its maximum total amount of fees ¥140 million per fiscal year at the 2nd Ordinary General Meeting of Shareholders of the Company held on June 28, 2007, which are separated from the above resolutions regarding the total amount of remuneration as described in the above 3.

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

- a. Basic design of remunerating to Members of the Board and Members of the Audit & Supervisory Board
 - Remuneration to Members of the Board is designed to provide remuneration that contributes to maximize corporate value. Specifically, in addition to a basic remuneration, performance based bonuses serving as short-term incentive and share remuneration-type stock options serving as long-term incentive are adopted.
 - 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.
 - Share remuneration-type stock options serving as long-term incentives provide a scheme whereby stock options may not be exercised during the period in office of a Member of the Board and the value of current management efforts being reflected in future share price rises can be received.
 - 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.
 - In order to ensure that Members of the Board (Outside) and Members of the Audit & Supervisory Board adequately perform their role, which is supervision of management, short-term and long-term incentives are not provided and only basic remuneration is granted.
- b. Determination procedures of remuneration to Members of the Board and Members of the Audit & Supervisory Board
 - The General Meeting of Shareholders approves basic remuneration to Members of the Board up to ¥450 million per fiscal year and share-based payments with stock options up to ¥140 million per fiscal year. Performance bonuses are approved in the General Meeting of Shareholders for each relevant fiscal year.
 - The General Meeting of Shareholders approved remuneration to Audit & Supervisory Board Members that consists of only the fixed basic remuneration up to ¥120 million per fiscal year.
 - The Compensation Committee, of which Outside Directors form a majority, sufficiently deliberates on matters that involve establishing the remuneration system for Directors and Corporate Officers and setting criteria thereof, examining and reviewing levels of remuneration for each position, confirming performance-based bonuses, and calculating and granting share-based payments with stock options.

(2) Status of Members of the Board (Outside) and Members of the Audit & Supervisory Board (Outside)

1) Relationship of Companies Where They Have Material Concurrent Positions, and the Company (As of March 31, 2016)

Relationship of companies where they have material concurrent positions, and the Company, is as described in (1) Status of the Company's Members of the Board and Members of the Audit & Supervisory Board, 1) Members of the Board and Members of the Audit & 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 15/15 times (100%)	He spoke as needed and beneficially based on his expertise in information technology and insight 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 14/15 times (93%)	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 10/10 times (100%)	Since taking office on June 22, 2015, he has given opinions 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 10/10 times (100%)	Since taking office on June 22, 2015, he has given opinions 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.
Akiko Kimura	Member of the Audit & Supervisory Board (Outside)	Board of Directors Meeting 15/15 times (100%) Meetings of the Audit & Supervisory Board 14/14 times (100%)	She spoke as needed and beneficially based on her expertise and insight developed through her broad business experience as a lawyer.
Yutaka Katagiri	Member of the Audit & Supervisory Board (Outside)	Board of Directors Meeting 15/15 times (100%) Meetings of the Audit & Supervisory Board 14/14 times (100%)	He spoke as needed and beneficially based on his expertise and insight developed through his extensive experience at administrative agencies.

3) Outline of the Terms of Liability Limitation Agreement

The Company has entered into agreements with each Member of the Board (Outside) Noritaka Uji, Hiroshi Toda, Naoki Adachi and Tsuguya Fukui and Members of the Audit & Supervisory Board (Outside) Akiko Kimura and Yutaka Katagiri 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.

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
Amount of fees and others to Accounting Auditors concerning the current fiscal year	¥200 million
Total amount of money and other financial benefits that the Company and its subsidiaries should pay to Accounting Auditors	¥278 million

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 & 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 & 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 & Supervisory Board shall, with the consent of all Members of the Audit & 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 & Supervisory Board, communicating with corporate representative, and verifying status of audit when deliberating dismissal or non-reappointment of the accounting auditors.

5. Systems and policies

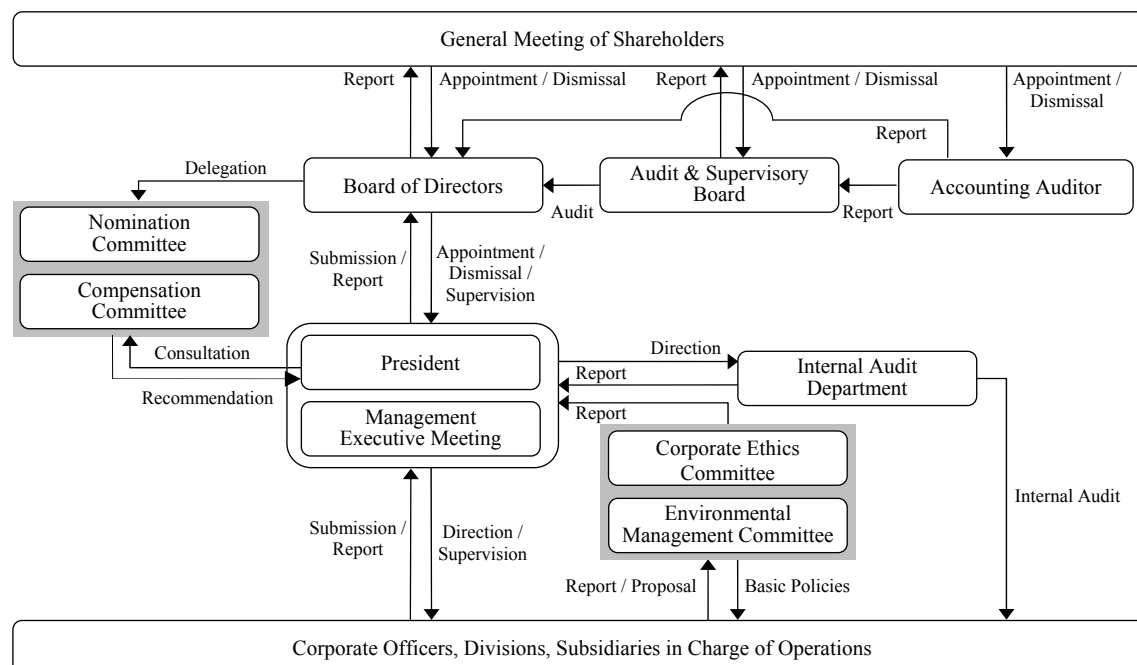
(1) Systems and Policies on Corporate Governance

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 structures:

- 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 ten 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).
- c. For audits of legal compliance and soundness of management, the Company has adopted an Audit & Supervisory Board system and established the Audit & Supervisory Board comprising four members, including Members of the Audit & 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 & Supervisory Board (Outside) and basic matters regarding execution of duties by Members of the Board and Members of the Audit & Supervisory Board.
- e. The Company employs a Corporate Officer System which contributes to appropriate and swift management decision-making and the conduct of operations.

<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)

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 2015, meetings were held three times in April, October, and January to discuss matters required for nominating candidate Members of the Board and Corporate Officers and plan to train successors of the President and CEO.

b. Compensation Committee

Chairperson: Hiroshi Toda, Member of the Board (Outside)

Members: Noritaka Uji, Naoki Adachi and Tsuguya Fukui, Members of the 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 2015, meetings were held a total of three times, two meetings were held in May and one meeting in February, to discuss matters required for bonuses to Members of the Board and Corporate Officers and share remuneration-type stock options.

c. Corporate Ethics Committee

Chairperson: Compliance Officer (Head of General Affairs & Human Resources Division)

Members: The Committee consists of 10 members including nine members internally assigned by the chairperson and an outside lawyer for ensuring transparency and confidence of the Committee

It is established to promote management that complies with domestic and international laws and regulations as well as corporate ethics and fulfils corporate social responsibility.

d. Environmental Management Committee

Chairperson: Environmental Chief Executive Officer (Head of Corporate Management Division)

Members: The Committee consists of 11 members including Environment Management Officer (Head of CSR Division) assigned by the chairperson

It is established to promote environment-friendly and balanced management which contributes to sustainable society through its overall corporate activities.

3) Policies and Procedures for Appointment and Nomination of Candidates for Members of the Board and Members of the Audit & 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 Daiichi Sankyo 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 business execution.
- 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 & Supervisory Board shall be examined prudently concerning their suitability as Members of the Audit & 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 & Supervisory Board (Outside), in addition to meeting the aforementioned requirements, shall be confirmed to have no problems according to specific criteria relating to the judgment of independence.
- When appointing the candidates for Members of the Audit & Supervisory Board, the Board of Directors shall appoint the candidates after the relevant proposal has been sufficiently verified and agreed to by the Audit & Supervisory Board.

4) 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 April 28, 2015 and effective on May 1, 2015, as follows. Major changes from the previous basic policy are to fulfill (1) a system on the Group's internal control and (2) a system on arranging audit environment for Members of the Audit & Supervisory Board, considering the revision of the Companies Act in 2014.

- 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 & 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 President who are responsible for the main regions, corporate bodies and functions - which shall deliberate important matters for strategic decision-making by the President. 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 & Supervisory Board and employees and setting up a meeting body, including outside experts.
 - Vice Presidents and executives responsible for the main regions, corporate bodies and functions who receive orders from the President shall manage duties in their charge and supervise, manage and direct members of their business units in accordance with the "Global Management Regulations", the "Organizational Management Regulations" and other Company rules.
 - 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 & Supervisory Board, when Members of the Audit & Supervisory Board Ask to Appoint Such Employees
 - The Company shall appoint full-time staffs who assist with the duties of Members of the Audit & 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 & Supervisory Board
 - Full-time staffers assisting Members of the Audit & Supervisory Board shall be independent of Members of the Board, and shall execute duties under the directions and orders from Members of the Audit & Supervisory Board.
 - Personnel changes, performance appraisal, etc. of full-time staffers assisting Members of the Audit & Supervisory Board shall require prior consent of the Audit & Supervisory Board.

- i. Systems of Reporting to Members of the Audit & Supervisory Board of the Company by Members of the Board and Employees of the Company and Subsidiaries and Other Systems Regarding Reporting to Members of the Audit & Supervisory Board of the Company
 - 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 & Supervisory Board.
 - Members of the Audit & 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 & 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 & Supervisory Board as permanent recipients of approval document notification.
- j. Other Systems for Ensuring the Effective Audit by Members of the Audit & Supervisory Board
 - Members of the Audit & 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 & Supervisory Board of the Company shall exchange information with Members of the Audit & Supervisory Board of the Group companies and closely cooperate with them.
 - Members of the Audit & 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 & 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.

5) 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..
- The head of Corporate Management Division 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 Meeting, we regularly seek to identify and assess such risks. Moreover, the

heads of each division 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 for use in the case of an emergency.
- The Internal Audit Department decides where and what to audit, given the status of operations of the risk management system, and conducts an internal audit.

[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 the President 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.
- 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 the President supervise, manage, and direct members of their business units. Progress is reported to executives appropriately through the Management Executive Meeting and operation results meetings.
- The Internal Audit Department decides where and what to audit, given the status of compliance with laws and ordinances, the Articles of Incorporation, and internal regulations, and conducts an internal audit.

[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 in 2014 and the revision of the Basic Policy on Establishing Internal Control Structure of the Company.
- In April 2016, the Group decided to establish a new Global Compliance Advisory Committee as an advisory organ to the Corporate Ethics Committee, which consists of compliance officers of subsidiaries in Europe and the U.S., in order to ensure the effectiveness of the global compliance system. While the Company set up a whistle-blowing hotline at the Legal Department and external law firm employees of domestic Group companies and business partners can use, Group companies in Japan and abroad also set up a whistle-blowing hotline. The progress of promoting compliance is reported to the President and the Corporate Ethics Committee appropriately.
- The Internal Audit Department prepares an internal audit plan, which covers Group companies, and conducts an audit. Group companies that have an audit organization report the audit results to the Department.

[Matters Regarding Audit by Members of the Audit & 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 & 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 & Supervisory Board of the Company.

- Members of the Audit & Supervisory Board of the Company hold regular meetings to exchange views with Members of the Board, including the Representative Director and President 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 & Supervisory Board can conduct an audit effectively.
- To further strengthen the audit functions of Members of the Audit & Supervisory Board, full-time staffers, who are independent from the execution of operations, assist with the duties of Members of the Audit & Supervisory Board.

(2) Basic Policy Regarding Moves toward Large-Scale Acquisition of Company 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 belief, 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 inflate the share price and sell the share for the inflated price) or that would otherwise be deemed detrimental to the value of the Company or the common 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 common interests of shareholders. If any proposal were deemed detrimental to such value or interests, the Company would institute appropriate anti-takeover measures depending on individual cases.

Consolidated Statement of Financial Position (IFRS)
(As of March 31, 2016)

(Millions of yen)

Item	10th Fiscal Period (for reference)	11th Fiscal Period
[ASSETS]		
Current assets		
Cash and cash equivalents	189,372	222,159
Trade and other receivables	241,547	248,762
Other financial assets	186,457	493,768
Inventories	150,093	144,273
Other current assets	14,697	15,233
Subtotal	782,168	1,124,196
Assets held for sale	3,165	1,071
Total current assets	785,334	1,125,268
Non-current assets		
Property, plant and equipment	266,491	250,168
Goodwill	71,366	78,691
Intangible assets	199,411	210,395
Investments accounted for using the equity method	1,347	1,207
Other financial assets	593,944	168,189
Deferred tax assets	45,330	55,726
Other non-current assets	19,059	10,875
Total non-current assets	1,196,951	775,254
Total assets	1,982,286	1,900,522

Note: Amounts less than one million yen have been rounded down to the nearest million yen.

(Millions of yen)

Item	10th Fiscal Period (for reference)	11th Fiscal Period
[LIABILITIES AND EQUITY]		
Current liabilities		
Trade and other payables	235,546	241,831
Bonds and borrowings	20,000	20,000
Other financial liabilities	7,576	819
Income taxes payable	7,767	53,936
Provisions	19,444	28,335
Other current liabilities	6,735	34,770
Subtotal	297,070	379,694
Liabilities directly associated with assets held for sale	426	-
Total current liabilities	297,496	379,694
Non-current liabilities		
Bonds and borrowings	201,000	181,000
Other financial liabilities	8,337	9,148
Post-employment benefit liabilities	11,631	14,028
Provisions	2,713	12,287
Deferred tax liabilities	88,357	33,679
Other non-current liabilities	65,707	37,161
Total non-current liabilities	377,747	287,306
Total liabilities	675,244	667,000
[EQUITY]		
Equity attributable to owners of the Company		
Share capital	50,000	50,000
Capital surplus	105,267	103,927
Treasury shares	(14,198)	(64,155)
Other components of equity	169,034	146,717
Retained earnings	993,953	994,916
Total equity attributable to owners of the Company	1,304,057	1,231,406
Non-controlling interests		
Non-controlling interests	2,984	2,115
Total equity	1,307,041	1,233,521
Total liabilities and equity	1,982,286	1,900,522

Note: Amounts less than one million yen have been rounded down to the nearest million yen.

Consolidated Statement of Profit or Loss (IFRS)
(From April 1, 2015 to March 31, 2016)

(Millions of yen)

Item	10th Fiscal Period (for reference)	11th Fiscal Period
Revenue	919,372	986,446
Cost of sales	323,087	318,622
Gross profit	596,284	667,823
Selling, general and administrative expenses	331,195	328,755
Research and development expenses	190,666	208,656
Operating profit	74,422	130,412
Financial income	9,600	5,292
Financial expenses	3,160	13,028
Share of loss of investments accounted for using the equity method	925	287
Profit before tax	79,936	122,388
Income taxes	36,370	41,988
Profit from continuing operations	43,566	80,399
Profit from discontinued operations	275,357	-
Profit for the year	318,923	80,399
Profit attributable to:		
Owners of the Company	322,119	82,282
Non-controlling interests	(3,195)	(1,883)

Note: Amounts less than one million yen have been rounded down to the nearest million yen.

Non-Consolidated Balance Sheet (Japanese GAAP)
(As of March 31, 2016)

(Millions of yen)

Item	10th Fiscal Period (for reference)	11th Fiscal Period
[ASSETS]	1,597,689	1,416,088
I. Current assets	500,202	742,205
Cash and time deposits	41,035	292,825
Trade notes receivable	220	249
Accounts receivable	185,853	185,884
Securities	114,049	139,065
Merchandise and finished goods	53,890	51,028
Raw materials	14,112	16,390
Prepaid expenses	3,373	2,935
Deferred tax assets	48,608	32,930
Short-term loans	22,800	11,090
Other receivables	8,260	8,707
Other current assets	7,997	3,010
Allowance for doubtful accounts	-	(1,910)
II. Non-current assets	1,097,486	673,882
Property, plant and equipment	111,281	96,582
Buildings and structures	77,505	70,842
Machinery and equipment	3,344	1,738
Vehicles, tools, furniture and fixtures	9,037	7,268
Land	19,841	15,614
Lease assets	4	2
Construction in progress	1,547	1,117
Intangible assets	26,244	28,477
Patent right	2,521	1,203
Software	5,683	4,091
Other	18,040	23,182
Investments and other assets	959,959	548,822
Investment securities	559,771	132,979
Shares in subsidiaries and affiliates	266,861	267,520
Investments in capital of subsidiaries and affiliates	105,826	105,826
Long-term loans	13,490	28,374
Prepaid pension costs	9,288	9,764
Other assets	4,881	4,520
Allowance for doubtful accounts	(159)	(161)
Total assets	1,597,689	1,416,088

Note: Amounts less than one million yen have been rounded down to the nearest million yen.

(Millions of yen)

Item	10th Fiscal Period (for reference)	11th Fiscal Period
[LIABILITIES]	523,528	430,697
I. Current liabilities	223,004	229,891
Accounts payable – trade	41,511	36,763
Short-term loans payable	20,000	20,000
Lease obligations	2	1
Accounts payable – other	46,693	39,449
Accrued expenses	66,164	45,083
Income taxes payable	1,485	50,293
Consumption taxes payable	5,175	5,128
Deposit received	34,602	31,503
Unearned revenue	134	107
Allowance for sales returns	130	136
Allowance for sales rebates	479	329
Provision for environmental measures	-	510
Other current liabilities	6,623	584
II. Non-current liabilities	300,524	200,805
Bonds payable	80,000	80,000
Long-term loans payable	121,000	101,000
Lease obligations	2	0
Long-term accounts payable – other	1,050	476
Deferred tax liabilities	95,398	13,518
Provision for business restructuring	-	2,865
Other non-current liabilities	3,073	2,945
[NET ASSETS]	1,074,160	985,391
I. Shareholders' equity	1,015,237	922,809
Share capital	50,000	50,000
Capital surplus	663,728	659,158
Legal capital surplus	179,858	179,858
Other capital surplus	483,870	479,300
Retained earnings	315,707	277,806
Other retained earnings	315,707	277,806
Reserve for reduction entries for non-current assets	9,497	9,199
Retained earnings carried forward	306,210	268,607
Treasury stock, at cost	(14,198)	(64,155)
II. Valuation and translation adjustments	57,162	60,646
Net unrealized gain or loss on investment securities	58,504	60,646
Deferred gains or losses on hedges	(1,341)	-
III. Subscription rights to shares	1,760	1,935
Total liabilities and net assets	1,597,689	1,416,088

Note: Amounts less than one million yen have been rounded down to the nearest million yen.

Non-Consolidated Statement of Income (Japanese GAAP)
(From April 1, 2015 to March 31, 2016)

(Millions of yen)

Item	10th Fiscal Period (for reference)	11th Fiscal Period
Net sales	622,424	643,219
Cost of sales	207,087	226,876
Reversal of allowance for sales returns	3	-
Provision for allowance for sales returns	-	6
Gross profit	415,340	416,336
Selling, general and administrative expenses	391,993	388,011
Operating income	23,347	28,325
Non-operating income	15,430	30,423
Interest income	180	460
Interest on securities	185	174
Dividend income	7,836	23,808
Rent income	4,576	4,750
Foreign exchange gains	2,053	-
Other income	596	1,229
Non-operating expenses	8,091	12,087
Interest expense	774	642
Interest on bonds	1,139	989
Provision of allowance for doubtful accounts	0	1,913
Foreign exchange losses	-	5,371
Cost of lease revenue	1,893	2,108
Depreciation of inactive non-current assets	112	64
Loss on valuation of investment securities	3,562	175
Other expenses	609	823
Ordinary income	30,686	46,661
Extraordinary income	344,321	16,207
Gain on sales of non-current assets	3,328	9,757
Gain on sales of investment securities	1,803	1,455
Gain on sales of shares in subsidiaries and affiliates	-	4,880
Gain on business combination	338,835	-
Other income	352	114
Extraordinary losses	17,938	68,744
Loss on disposal of non-current assets	1,181	2,954
Loss on sales of investment securities	-	52,757
Loss on valuation of investments in affiliates	4,494	7,636
Loss on business restructuring	10,215	4,519
Loss on impairment of long-lived assets	1,844	-
Other losses	202	876
Income (loss) before income taxes	357,069	(5,874)
Income taxes – current	2,130	49,380
Income taxes – deferred	88,370	(65,810)
Net profit for the year	266,569	10,555

Note: Amounts less than one million yen have been rounded down to the nearest million yen.

Translation of a report originally issued in Japanese

Independent Auditor's Report

May 10, 2016

The Board of Directors
Daiichi Sankyo Company, Limited

KPMG AZSA LLC

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

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

Michiaki Yamabe (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, 2016 and for the year from April 1, 2015 to March 31, 2016 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 Ordinance of Companies Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards, and for such 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 for the purpose of expressing 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 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 Ordinance of Companies 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 Law 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 10, 2016

The Board of Directors
Daiichi Sankyo Company, Limited

KPMG AZSA LLC

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

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

Michiaki Yamabe (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, 2016 and for the year from April 1, 2015 to March 31, 2016 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 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 for the purpose of expressing 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 Law 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

We, the Audit & Supervisory Board, have prepared upon consultation this Audit Report based on reports compiled by each Member of the Audit & Supervisory Board with respect to the Members of the Board performance of their duties during the 11th business year from April 1, 2015 to March 31, 2016, as follows:

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

- (1) The Audit & Supervisory Board specified an audit policy and an audit plan, and received reports from each Member of the Audit & Supervisory Board on the status of implementation and results of audit 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 & Supervisory Board, according to the audit standard and the audit policy and the audit plan for the 11th fiscal year ended March 31, 2016 set up by the Audit & Supervisory Board, 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 & 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. Also, we have maintained good communications and exchanged information with Members of the Board, Members of the Audit & Supervisory Board and others of the subsidiaries of the Company, and received from the subsidiaries reports on their business conditions, as needed.
 - 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 Ordinance for Enforcement of the Corporation Law 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 also monitored and verified whether the accounting auditors maintain independency and properly implement audit, 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 Corporate Accounting Rules) 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.

Based on the methods mentioned above, we have reviewed the Business Report, their annexed 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 annexed 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 Members of the Board performance of their duties, 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 Members of the Board performance of their duties 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 12, 2016

Audit & Supervisory Board of Daiichi Sankyo Company, Limited

Member of the Audit & Supervisory Board

Member of the Audit & Supervisory Board

Member of the Audit & Supervisory Board (Outside)

Member of the Audit & Supervisory Board (Outside)

Hideyuki Haruyama

Kazuyuki Watanabe

Akiko Kimura

Yutaka Katagiri