[Translation]

CONVOCATION NOTICE OF THE 13TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

For the Fiscal Year Ended March 31, 2018

Daiichi Sankyo Company, Limited

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

To Our Shareholders

At the Daiichi Sankyo Group ("the Group"), we carry out our corporate activities under the guidance of our corporate mission: "To contribute to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs." With sights set on achieving our 2025 Vision of being a "Global Pharma Innovator with Competitive Advantage in Oncology," we are proceeding with the initiatives of the "5-Year Business Plan."

In fiscal 2017, Daiichi Sankyo Company, Limited ("the Company") produced results toward achieving the "5-Year Business Plan," such as expanding Edoxaban, an anticoagulant in our global mainstay product line, achieving the rank of No. 1 in revenues from prescription drugs for the second consecutive year, giving presentations on DS-8201, which utilizes our original antibody drug conjugate (ADC) technology, at several major international conferences, and starting clinical studies for two products targeting several types of cancer that we have been developing by applying our ADC technology. Meanwhile, in the U.S., considering the changes in the environment surrounding the pain business, we have begun reviewing our regional strategy.

We will continue to make utmost efforts going forward to achieve the "5-Year Business Plan" and to realize our 2025 Vision.

I greatly appreciate your continued support in the future.

May 2018

Sunao Manabe
Representative Director, President and COO

[Translation]

CONVOCATION NOTICE OF THE 13TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

1. Date and Time: June 18, 2018, 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 13th Fiscal Year (from April 1, 2017 to March 31, 2018); and Audit Reports of the Consolidated Financial Statements by the Accounting Auditors and the Audit and Supervisory Board
   2. Reports on the Non-consolidated Financial Statements for the 13th Fiscal Year (from April 1, 2017 to March 31, 2018)

Proposals to be Resolved:

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

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

General Information

1. Exercise of Voting Rights by Proxy

If you are unable to attend the Meeting in person, one proxy shareholder holding voting rights of the Company may be chosen to attend the Meeting. However, in this case, 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 13th Ordinary General Meeting of Shareholders.

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

In addition to documents stated in the reference documents attached to the Convocation Notice of the 13th Ordinary General Meeting of Shareholders, Status of Subscription Rights to Shares in the Business Report, Consolidated Statement of Changes in Equity, Notes to Consolidated Financial Statements, Non-Consolidated Statement of Changes in Net Assets and Notes to Non-consolidated Financial Statements posted on the Company's website are included in Business Report audited by the Audit and Supervisory Board, Consolidated and Non-consolidated Financial Statements audited by the Accounting Auditors and the Audit and Supervisory Board.

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

Company's website: https://www.daiichisankyo.com

3. Method for Receiving the Convocation Notice

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

[Information on Exercise of Voting Rights]

If you will not be able to attend the Meeting, you may exercise your voting rights by mail or on the electronic means (internet, etc.), in which case we ask that you please exercise your voting rights no later than 17:30 on June 15 (Friday), 2018 (Japan Time), after examining the attached reference documents.

If you could attend the Meeting,

Exercise of voting rights by attending 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 15 (Friday), 2018 (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.
  (Note) If you indicate neither your approval nor disapproval for the proposals on the enclosed voting form, your answer will be deemed to be approval.

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

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

Information on Exercise of Voting Rights by Electronic Means (e.g.: the internet, etc.)
Please access the website for exercising voting rights from a PC, a smartphone or a mobile phone, use the "login ID" and the "temporary password" printed on the enclosed voting form for exercise of voting rights and input your vote in accordance with the instructions that will appear on your screen.

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

►Treatment of voting rights exercised more than once

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

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

Points to Note

- All costs associated with the access to the voting website (https://evote.tr.mufg.jp/) (cost of dial-up connections, telephone tolls, etc.) need to be borne by the shareholder. Also, when voting by mobile phone, packet communication fees and other costs entailed by the use of mobile phones also need to be borne by the shareholder.
- Please note that shareholders cannot exercise the rights between 2:00 a.m. and 5:00 a.m. (Japan Time) every day at the website due to maintenance and inspection. Please complete the entry of your voting by the dead line above.

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

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

[Translation]

Reference Documents for the 13th Ordinary General Meeting of Shareholders

Proposals and References

First Proposal: Appropriation of Surplus

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

During the year ended March 31, 2018 (fiscal 2017), the Company paid an interim dividend of ¥35 per share on December 1, 2017. A year-end dividend of ¥35 was also declared, bringing total dividend payments for fiscal 2017 to ¥70 per share.

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

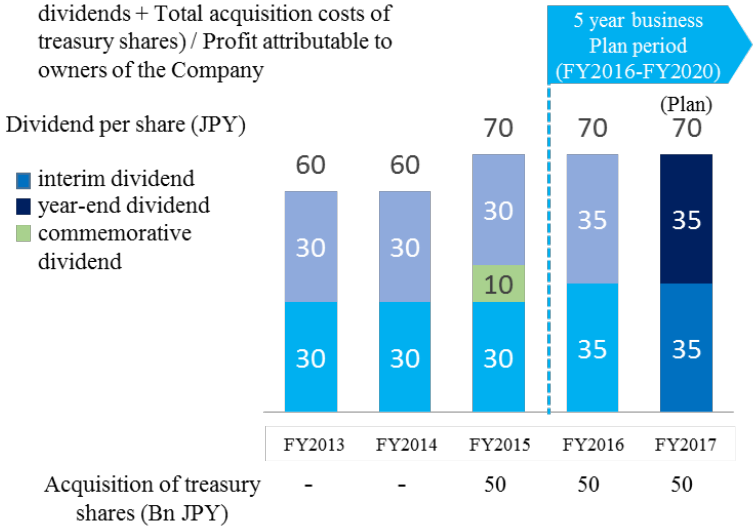
Matters regarding year-end dividends

1) The kind of dividend property
   Money
2) The matters regarding the assignment of the dividend property to shareholders and the total amount
   ¥35 per common share of the Company
   Total amount: ¥22,668,365,860
3) The day on which such distribution of dividends from surplus takes effect
   Tuesday, June 19, 2018

(Reference) Shareholder Returns Policy during 5 Year business plan (FY2016-FY2020)

- Total return ratio*: 100% or more (Aggregated ratio for 5 years)
- Annual ordinary dividend: more than 70 JPY
- Flexible acquisition of treasury shares

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



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

The terms of office of all 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 nine (9) Members of the Board. Candidates for Member of the Board are as follows:

Candidate Number	Name (Age)			Tenure	Number of Board of Directors' meetings attended
1	Joji Nakayama	(68)	Reelection	8 years	13/13 meetings (100%)
2	Sunao Manabe	(63)	Reelection	4 years	13/13 meetings (100%)
3	Toshiaki Sai	(63)	Reelection	3 years	13/13 meetings (100%)
4	Katsumi Fujimoto	(63)	Reelection	2 years	13/13 meetings (100%)
5	Toshiaki Tojo	(62)	Reelection	2 years	13/13 meetings (100%)
6	Noritaka Uji	(69)	Reelection Independent Director Candidate for Member of the Board (Outside)	4 years	13/13 meetings (100%)
7	Hiroshi Toda	(66)	Reelection Independent Director Candidate for Member of the Board (Outside)	4 years	13/13 meetings (100%)
8	Naoki Adachi	(79)	Reelection Independent Director Candidate for Member of the Board (Outside)	3 years	12/13 meetings (92%)
9	Tsuguya Fukui	(66)	Reelection Independent Director Candidate for Member of the Board (Outside)	3 years	13/13 meetings (100%)

Notes:

1. There are no special conflict of interests between each candidate and the Company.
2. The Company has designated each candidate for Member of the Board (Outside) Noritaka Uji, Hiroshi Toda, Naoki Adachi and Tsuguya Fukui as Independent Directors, and filed them with the Tokyo Stock Exchange accordingly. They satisfy criteria for independence as Members of the Board (Outside) provided by the Company (see page 22).
3. Outline of liability limitation agreement with the candidates for Members of the Board (Outside)
   With regard to liability for damages under Article 423, Paragraph 1 of the Companies Act, the Company has entered into agreements with each candidate for Member of the Board (Outside) Noritaka Uji, Hiroshi Toda, Naoki Adachi and Tsuguya Fukui to limit their liabilities based on the Articles of Incorporation in the event that the case falls under the requirements defined in laws and ordinances (Liability Limitation Agreements); provided, however, that the maximum amount of liabilities under such agreement is the minimum liability amount as provided by applicable laws and ordinances. When the election of each candidate for Member of the Board (Outside) is approved at the Meeting, we will continue the Liability Limitation Agreement on the same terms and conditions.
4. The age of each member of the Board is as of June 18, 2018.

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 11, 2018)	Number of Shares of the Company Held
1	Joji Nakayama (May 11, 1950) Reelection	April 1979 Entered Suntory Limited ("Suntory") March 2000 Director of Suntory December 2002 President of Daiichi Suntory Pharma Co., Ltd. March 2003 Resigned as Director of Suntory June 2003 Member of the Board of Daiichi Pharmaceutical Co., Ltd. ("Daiichi") June 2006 Member of the Board, Vice President of Corporate Strategy Department of Daiichi April 2007 Corporate Officer, Vice President of Europe/US Business Management Department of the Company April 2009 Executive Officer, Vice President of Overseas Business Management Department of the Company April 2010 Executive Vice President, President of Japan Company of the Company June 2010 Representative Director, President and CEO of the Company April 2017 Representative Director, Chairman and CEO of the Company (to present) (Number of years as a Member of the Board) Eight (8) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 13/13 meetings (100%) [Reason for nomination as a candidate for Member of the Board] Joji Nakayama served as Representative Director and President and CEO from 2010, and commencing 2017, he is serving as Representative Director, Chairman and CEO. He also has the experience of serving as a president of an affiliate company and being involved in corporate strategy and management of overseas Group companies. The Company has nominated him as a candidate for Member of the Board because of his expected capacity to secure and enhance the effectiveness of the Board of Directors in terms of its decision-making functions regarding execution of the operation and its oversight functions, by continuing to leverage his abundant experience and expertise on the Board of Directors.	53,481

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 11, 2018)	Number of Shares of the Company Held
2	Sunao Manabe (August 5, 1954) Reelection	April 1978 Entered Sankyo Company, Limited ("Sankyo") July 2005 Vice President, Medicinal Safety Research Laboratories of Sankyo April 2007 Vice President, Medicinal Safety Research Laboratories of the Company April 2009 Corporate Officer, Vice President of Global Project Management Department, R&D Division of the Company April 2011 Corporate Officer, Head of Group HR & CSR of the Company April 2012 Corporate Officer, Vice President of Corporate Strategy Department, Corporate Strategy Division of the Company April 2014 Executive Officer, President of Japan Company and Head of Business Intelligence Division of the Company June 2014 Member of the Board, Executive Officer, President of Japan Company and Head of Business Intelligence Division of the Company April 2015 Member of the Board, Senior Executive Officer, In Charge of Global Sales & Marketing of the Company April 2016 Member of the Board, Executive Vice President, Head of General Affairs & Human Resources Division, and Medical Affairs Division of the Company June 2016 Representative Director, Member of the Board, Executive Vice President, Head of General Affairs & Human Resources Division, and Medical Affairs Division of the Company April 2017 Representative Director, Member of the Board, President and COO of the Company (to present)	24,012
		(Number of years as a Member of the Board) Four (4) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 13/13 meetings (100%)	
		[Reason for nomination as a candidate for Member of the Board] Sunao Manabe has served as a Member of the Board since 2014 and as a Representative Director, Member of the Board, President and COO since 2017. He also has the experience of being involved in research, development, general affairs & human resources, corporate strategy, global sales & marketing and medical affairs. The Company has nominated him as a candidate for Member of the Board because of his expected capacity to secure and enhance the effectiveness of the Board of Directors in terms of its decision-making functions regarding execution of the operation and its oversight functions, by continuing to leverage his abundant experience and expertise on the Board of Directors.	

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 11, 2018)	Number of Shares of the Company Held
3	Toshiaki Sai (March 25, 1955) Reelection	April 1979 Entered Daiichi Pharmaceutical Co., Ltd. April 2007 Vice President, Management System Department of the Company April 2008 Vice President, Corporate Communications Department of the Company April 2010 Corporate Officer, Vice President of Corporate Communications Department of the Company April 2012 Corporate Officer, Vice President of Global Brand Strategy Department, Corporate Strategy Division of the Company April 2014 Executive Officer, Vice President of Corporate Strategy Department, Corporate Strategy Division of the Company April 2015 Senior Executive Officer, Head of Corporate Strategy Division of the Company June 2015 Member of the Board, Senior Executive Officer, Head of Corporate Strategy Division of the Company April 2017 Member of the Board, Senior Executive Officer, Head of Global Brand Strategy Division of the Company April 2018 Member of the Board, Executive Vice President and CFO, Head of Corporate Strategy & Management Division of the Company (to present)	13,280
		(Number of years as a Member of the Board) Three (3) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 13/13 meetings (100%)	
		[Reason for nomination as a candidate for Member of the Board] Toshiaki Sai has served as a Member of the Board since 2015, with his experience of being involved in public relations & investor relations, corporate strategy, and global brand strategy. The Company has nominated him as a candidate for Member of the Board because of his expected capacity to secure and enhance the effectiveness of the Board of Directors in terms of its decision-making functions regarding execution of the operation and its oversight functions, by continuing to leverage his abundant experience and expertise on the Board of Directors.	

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 11, 2018)	Number of Shares of the Company Held
4	Katsumi Fujimoto (February 11, 1955) Reelection	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 June 2016 Member of the Board, Senior Executive Officer, Head of Supply Chain Division of the Company (to present)	13,780
		(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) 13/13 meetings (100%)	
		[Reason for nomination as a candidate for Member of the Board] Katsumi Fujimoto has served as a Member of the Board since 2016, while being involved in pharmaceutical technology, supply chains, etc. The Company has nominated him as a candidate for Member of the Board because of his expected capacity to secure and enhance the effectiveness of the Board of Directors in terms of its decision-making functions regarding execution of the operation and its oversight functions, by continuing to leverage his abundant experience and expertise on the Board of Directors.	

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 11, 2018)	Number of Shares of the Company Held
5	Toshiaki Tojo (November 11, 1955) Reelection	April 1980 Entered Daiichi Pharmaceutical Co., Ltd. April 2010 Vice President, Supply Chain Technology Department, Supply Chain Division of the Company April 2011 Corporate Officer, Vice President, Supply Chain Technology Department, Supply Chain Division of the Company June 2011 Corporate Officer, Vice President, Supply Chain Planning Department, Supply Chain Division of the Company April 2013 Corporate Officer, Head of Quality and Safety Management Division of the Company April 2014 Executive Officer, Head of Quality and Safety Management Division of the Company April 2016 Senior Executive Officer, In charge of Vaccine Business of the Company June 2016 Member of the Board, Senior Executive Officer, In charge of Vaccine Business of the Company (to present)	10,480
		(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) 13/13 meetings (100%) (Material concurrent positions) Representative Director and President of Kitasato Daiichi Sankyo Vaccine Co., Ltd. (consolidated subsidiary company of the Company)	
		[Reason for nomination as a candidate for Member of the Board] Toshiaki Tojo has served as a Member of the Board since 2016, while being involved in supply chains, quality and safety management, vaccine business, etc. The Company has nominated him as a candidate for Member of the Board because of his expected capacity to secure and enhance the effectiveness of the Board of Directors in terms of its decision-making functions regarding execution of the operation and its oversight functions, by continuing to leverage his abundant experience and expertise on the Board of Directors.	

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 11, 2018)	Number of Shares of the Company Held
6	Noritaka Uji (March 27, 1949) Candidate for Member of the Board (Outside) Independent Director Reelection	April 1973 Entered Nippon Telegraph and Telephone Public Corporation June 1999 Director, Senior Vice President, Advanced Information Network Services Sector of NTT DATA Corporation ("NTT DATA") September 2000 Director, Senior Vice President, Corporate Strategy Planning Department of NTT DATA June 2001 Director, Senior Vice President, Industrial System Sector of NTT DATA April 2002 Director, Senior Vice President, Enterprise Business Sector of NTT DATA June 2003 Managing Director, Executive Vice President, Enterprise Systems Sector and Enterprise Business Sector of NTT DATA June 2005 Representative Director, Executive Officer of NTT DATA June 2007 Representative Director, Senior Executive Vice President, Nippon Telegraph and Telephone Corporation ("NTT") June 2012 Adviser of NTT June 2014 Member of the Board (Outside) of the Company (to present) (Number of years as a Member of the Board) Four (4) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 13/13 meetings (100%) (Material concurrent positions) Outside Director of Yokogawa Electric Corporation Chairman of Japan Institute of Information Technology Honorary President of Japan Telework Association Visiting Professor of Center for Global Communications, International University of Japan [Reason for nomination as a candidate for Member of the Board (Outside)] The Company again nominates Noritaka Uji as a candidate for Member of the Board (Outside) because he has given opinions as needed and beneficially, based on his expertise in the area of information technology and insights on overall corporate management developed through his management experience.	3,100

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 11, 2018)	Number of Shares of the Company Held
7	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) Four (4) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 13/13 meetings (100%) (Material concurrent positions) Outside Director (Part Time) of Yusen Logistics 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.	2,700

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 11, 2018)	Number of Shares of the Company Held
		[A fact of improper conduct in operations during the term of office of a candidate for Member of the Board (Outside) as director, corporate officer or audit & supervisory board member of another corporation in the past five years] It was found that Yusen Logistics Co., Ltd. where Hiroshi Toda, a candidate for Member of the Board (Outside), has served as an Outside Director (Part-time) since June 2014, made an improper filing in customs operations for imported fresh fish in July 2015. As a result, the firm received administrative disposition under the Customs Act in January 2017 and under the Customs Business Act in March 2017. While Hiroshi Toda was not aware of this fact until the improper conduct came to light, he had been making comments on the importance of compliance at meetings of the Board of Directors, etc. on a regular basis. After this fact was found, he carried out his duties, including investigating the facts and making recommendations regarding the implementation of measures to prevent recurrence, etc.	

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 11, 2018)	Number of Shares of the Company Held
8	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) Three (3) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 12/13 meetings (92%) (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.	2,500

Candidate Number	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 11, 2018)	Number of Shares of the Company Held
9	Tsuguya Fukui (June 24, 1951) Candidate for Member of the Board (Outside) Independent Director Reelection	January 1992 Professor, Department of General Medicine of Saga Medical School Hospital March1994 Professor, Department of General Medicine of Kyoto University Hospital April 1999 Professor, Department of Clinical Epidemiology, Kyoto University Graduate School of Medicine April 2000 Professor, Department of Clinical Epidemiology, Professor, Department of Health Informatics, Dean, School of Public Health, Kyoto University Graduate School of Medicine February 2001 Professor, Department of Clinical Epidemiology, Professor, Department of Health Informatics, Director, EBM Collaborative Research Center, School of Public Health, Kyoto University Graduate School of Medicine September 2004 Chief of staff, Department of Internal medicine, Vice President, St. Luke's International Hospital April 2005 President of St. Luke's International Hospital (to present) April 2012 Chairperson of the Board of Trustees of St. Luke's College of Nursing (currently, St. Luke's International University) June 2015 Member of the Board (Outside) of the Company (to present) April 2016 President of St. Luke's International University (to present) (Number of years as a Member of the Board) Three (3) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 13/13 meetings (100%) (Material concurrent positions) President of St. Luke's International University President of St. Luke's International Hospital Executive Director of Japan Hospital Association President of The Japan Medical Library Association [Reason for nomination as a candidate for Member of the Board (Outside)] The Company again nominates Tsuguya Fukui as a candidate for Member of the Board (Outside) because he gave opinions as needed and beneficially, based on his expertise and insights as a medical scientist.	6,200

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

The terms of office of two (2) Members of the Audit and Supervisory Board Akiko Kimura and Yutaka Katagiri will expire at the close of this Ordinary General Meeting of Shareholders.

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

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

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

Candidate Number	Name (Age)			Tenure	Number of Board of Directors' meetings attended	Number of Audit and Supervisory Board meetings attended
–	Hideyuki Haruyama	(63)		3 years	13/13 meetings (100%)	14/14 meetings (100%)
–	Kazuyuki Watanabe	(62)		3 years	13/13 meetings (100%)	14/14 meetings (100%)
–	Sayoko Izumoto	(64)	Independent Auditor Member of the Audit and Supervisory Board (Outside)	1 year	9/10 meetings (90%)	11/11 meetings (100%)
1	Tateshi Higuchi	(65)	New election Independent Auditor Candidate for Member of the Audit and Supervisory Board (Outside)	–	–	–
2	Yukiko Imazu	(49)	New election Independent Auditor Candidate for Member of the Audit and Supervisory Board (Outside)	–	–	–

Notes:

1. The age of each member of the Audit and Supervisory Board is as of June 18, 2018.
2. The term of office for Audit and Supervisory Board members of the Company is four years. Hideyuki Haruyama and Kazuyuki Watanabe were elected at 10th Ordinary General Meeting of Shareholders held on June 2015. Sayoko Izumoto was elected at 12th Ordinary General Meeting of Shareholders held on June 2017.

Candidate Number	Name (Date of Birth)	Career Summary, Positions, and Material Concurrent Positions (as of May 11, 2018)	Number of Shares of the Company Held
1	Tateshi Higuchi (April 11, 1953) Candidate for Member of the Audit and Supervisory Board (Outside) Independent Auditor New	April 1978 Entered National Police Agency August 2007 Deputy Director General for Policy Evaluation and Deputy Director General of National Police Agency August 2008 Chief of Personnel and Training Bureau of Tokyo Metropolitan Police Department March 2009 Deputy Superintendent General and Acting Chief of Personnel and Training Bureau of Tokyo Metropolitan Police Department January 2010 Chief of Community Safety Bureau of National Police Agency August 2011 Superintendent General April 2014 Ambassador Extraordinary and Plenipotentiary of Japan to the Republic of the Union of Myanmar (Material concurrent positions) None [Reason for nomination as a candidate for Member of the Audit and Supervisory Board (Outside)] The Company nominated Tateshi Higuchi as a candidate for Member of the Audit and Supervisory Board (Outside) because the Company would like him to apply his expertise and insight based on his experience in administrative organizations, etc. to its audit activities.	0

Candidate Number	Name (Date of Birth)	Career Summary, Positions, and Material Concurrent Positions (as of May 11, 2018)	Number of Shares of the Company Held
2	Yukiko Imazu (July 28, 1968) Candidate for Member of the Audit and Supervisory Board (Outside) Independent Auditor New	April 1996 Entered Anderson Mōri (currently, Anderson Mōri & Tomotsune) January 2005 Partner of Anderson Mōri & Tomotsune (to present) April 2007 Associate Professor of Keio University Law School March2014 Director of Ishibashi Foundation (to present) (Material concurrent positions) Partner of Anderson Mōri & Tomotsune Director of Ishibashi Foundation [Reason for nomination as a candidate for Member of the Audit and Supervisory Board (Outside)] The Company nominated Yukiko Imazu as a candidate for Member of the Audit and Supervisory Board (Outside) because the Company would like her to apply her expertise and insight developed through her abundant practical experience as a lawyer to its audit activities.	0

Notes:
1. There are no special conflict of interests between each candidate and the Company.
2. There is no important business transactions relationship between the Company and the material concurrent positions shown above.
3. The candidates, Tateshi Higuchi and Yukiko Imazu are planned to be designated as Independent Auditors after their election as Members of the Audit and Supervisory Board. They satisfy criteria for independence as Members of the Audit and Supervisory Board (Outside) provided by the Company (see page 22).
4. Outline of liability limitation agreement with the candidate of Member of the Audit and Supervisory Board (Outside)
   With regard to liability for damages under Article 423, Paragraph 1 of the Companies Act, the Company plans to enter into agreements with the candidates for Members of the Audit and Supervisory Board (Outside) Tateshi Higuchi and Yukiko Imazu to limit their liabilities based on the Articles of Incorporation in the event that the case falls under the requirements defined in laws and ordinances (Liability Limitation Agreements); provided, however, that the maximum amount of liabilities under such agreement is the minimum liability amount as provided by applicable laws and ordinances.
5. The surname of Yukiko Imazu is Shimato in the family register.

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

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

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

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

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

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

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

i) is or has been an Executive Officer, of the Company or its fellow subsidiary or subsidiary (referring to a director other than outside director, corporate officer, executive officer or other employee; provided, however, limited to those who are important persons in terms of relationship with immediate family members. The same shall apply hereafter.); or

ii) has received during any of the last three fiscal years more than ¥10 million in direct compensation for his or her services as a consultant, a specialist in law, accounting or tax, or a healthcare professional, etc. from the Company, other than director or member of audit and supervisory board compensation.

* An "immediate family member" includes a person's spouse, parents, children, siblings, grandparents, grandchildren, mothers and fathers-in-law, sons and daughters-in-law, spouses of siblings, grandchildren-in-law, and brothers and sisters-in-law. The same shall apply hereafter.

(2) A candidate or his or her immediate family member who is or has been within the last ten years, an Executive Officer, of a corporation or other association falling into:

i) Business relationship

a) a company that has made payments to, or received payments from, the Group for products or services in an amount which, in any of the last three fiscal years, exceeds 2% of any of the companies' consolidated gross revenues;

b) a consulting firm, law firm, auditing firm, tax accounting firm or school corporation that receives remuneration from the Group exceeding 10% of its gross revenue in any of the last three fiscal years; or

c) a lender from whom the Group obtained a loan of more than 10% of its consolidated total assets at the end of the fiscal year immediately before nomination.

ii) Major shareholder

A corporation or other legal entity that is a major shareholder of the Company or a corporation of which the Company is a major shareholder at the time of determining the independence. A major shareholder means a shareholder holding at least 10% of total shares outstanding of the Company.

iii) Recipient of charitable contributions

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

iv) Accounting auditor

An audit firm that is or has been for the last three years an accounting auditor of the Company Group.

v) Cross-directorship arrangement

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

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

Fourth Proposal: Provision of Bonuses to Members of the Board

The Company requests approval for the payment of directors' bonuses, amounting to ¥106 million 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.

(Reference)

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

- Remuneration to Members of the Board is designed to provide remuneration that contributes to maximizing corporate value. Specifically, in addition to a basic, fixed remuneration, performance-based bonuses serving as short-term incentive and restricted share-based remuneration serving as long-term incentive are adopted.
- Performance-based bonuses serving as short-term incentives are determined by the degree of achievement of a single fiscal year measured by adopting revenue, operating profit margin and profit attributable to owners of the Company as the relevant indices.
- As long-term incentives, the Company grants, every year in principle, restricted stocks with 3-5 years of transfer restriction to the eligible Members of the Board. The objective of the scheme is to provide Member of the Board an incentive to sustainably increase the Company's corporate value and to further promote shared value between shareholders and them by having the restricted stocks.
- 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 and Supervisory Board adequately perform their role, which is oversight of management, short-term and long-term incentives are not provided and only basic remuneration is granted.

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

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

[Attachment]

Business Report for the 13th Fiscal Period

(From April 1, 2017 to March 31, 2018)

1. Status of Daiichi Sankyo Group

(1) Progress and Results of Operations

1) Overview

Consolidated Financial Results

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

	Year ended March 31, 2017	Year ended March 31, 2018	YoY change
Revenue	955,124	960,195	5,070 0.5%
Operating profit	88,929	76,282	–12,647 –14.2%
Profit before tax	87,788	81,021	–6,766 –7.7%
Profit attributable to owners of the Company	53,466	60,282	6,815 12.7%
Total comprehensive income	32,332	61,890	29,557 91.4%

<Revenue from global mainstay products>

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

Product name	Year ended March 31, 2017	Year ended March 31, 2018	YoY change
Olmesartan antihypertensive agent	218,017	149,672	–68,344 –31.3%
Edoxaban anticoagulant	37,332	77,089	39,756 106.5%
Prasugrel antiplatelet agent	41,609	32,815	–8,793 –21.1%

<Selling, general and administrative expenses>

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

	Year ended March 31, 2017	Year ended March 31, 2018	YoY change
Selling, general and administrative expenses	302,475	301,845	–629 –0.2%
Ratio of selling, general and administrative expenses to revenue	31.7%	31.4%	–0.2%

<Research and development expenses>

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

	Year ended March 31, 2017	Year ended March 31, 2018	YoY change
Research and development expenses	214,347	236,046	21,699 10.1%
Ratio of research and development expenses to revenue	22.4%	24.6%	2.1%

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

(Yen)

	Year ended March 31, 2017	Year ended March 31, 2018
USD/Yen	108.42	110.86
EUR/Yen	118.84	129.70

a. Revenue
- Revenue in the year ended March 31, 2018 (fiscal 2017) increased by ¥5.1 billion, or 0.5% year on year, to ¥960.2 billion.
- The positive effects from growth in sales of mainstay products such as Edoxaban and ongoing yen depreciation (¥14.0 billion) led to an increase in revenue, despite a decrease in sales of Olmesartan due to the loss of exclusivity.

b. Operating Profit
- Operating profit decreased by ¥12.6 billion, or 14.2% year on year, to ¥76.3 billion.
- Gross profit increased by ¥8.4 billion, or 1.4% year on year, to ¥614.2 billion. Although the increase in cost of sales arising from changes in the product mix did have a negative effect, the historical factor of impairment losses for property, plant and equipment and intangible assets in the vaccine business (¥20.6 billion) recorded as cost of sales in the previous fiscal year led to the net increase in gross profit.
- Selling, general and administrative expenses were ¥301.8 billion, nearly flat compared to the previous fiscal year.
- Research and development expenses increased by ¥21.7 billion, or 10.1% year on year, to ¥236.0 billion mainly because an impairment loss (¥27.8 billion) on intangible assets related to CL-108, a combination drug for the treatment of pain and opioid-induced nauseas and vomiting (OINV), was recorded.
- The positive effects on operating profit stemming from yen depreciation were ¥1.9 billion in total.

c. Profit before Tax
- Profit before tax decreased by ¥6.8 billion, or 7.7% year on year, to ¥81.0 billion.
- The decrease in profit before tax was modest compared to the decrease in operating profit mainly due to an improvement of loss (gain) on exchange differences relating to assets denominated in foreign currencies.

d. Profit Attributable to Owners of the Company
- Profit attributable to owners of the Company increased by ¥6.8 billion, or 12.7% year on year, to ¥60.3 billion.
- Profit attributable to owners of the Company increased mainly from the impact of a decrease in income taxes resulting from the reduction of tax rates in the U.S.

e. Total Comprehensive Income
- Total comprehensive income increased by ¥29.6 billion, or 91.4% year on year, to ¥61.9 billion.
- Total comprehensive income increased significantly year on year mainly due to improvements in valuation difference on financial assets.

Revenue by Geographic Area

Primary revenue by geographic area is as follows.

a) Japan
Revenue in Japan increased by ¥39.7 billion, or 6.9% year on year, to ¥612.9 billion.

[Prescription drug business]

- Revenue from prescription drug business increased by ¥33.5 billion, or 6.6% year on year, to ¥540.0 billion. The increase is attributable to growth in sales of mainstay products such as *LIXIANA*, *Inavir*, *PRALIA*, *NEXIUM*, *Efient*, *TENELIA*, *Memary* and *RANMARK*, and contributions to sales from newly launched authorized generic[*1] products, despite a decline in sales of *Olmetec* and negative effects on sales of long-listed products as a result of the growing numbers of prescriptions of generic drugs. This revenue also includes revenue generated by the generic pharmaceutical business of Daiichi Sankyo Espha Co., Ltd., and revenue generated by the vaccine business of companies that include Kitasato Daiichi Sankyo Vaccine Co., Ltd., Japan Vaccine Co., Ltd., etc.
- In June 2017, Daiichi Sankyo launched *Narurapid* tablets (immediate release formulation) and *Narusus* tablets (extended release formulation) for cancer pain treatment, whose principal ingredients are hydromorphone hydrochloride.
- In September 2017, Daiichi Sankyo launched *CANALIA* (combination drug of *TENELIA* and *CANAGLU*), a type 2 diabetes mellitus treatment agent.
- In November 2017, Daiichi Sankyo launched oral anticoagulant *Lixiana* OD tablets (orally disintegrating tablets).
- The antiepileptic drug *VIMPAT* was approved, in August 2017, for monotherapy for partial-onset seizures in patients with epilepsy. Furthermore, in September 2017, the Ministry of Health, Labour and Welfare issued a notification announcing the lifting of the restriction on the prescription period for *VIMPAT*.
- Since June 2017, Daiichi Sankyo Espha Co., Ltd. has successively launched multiple authorized generic products including *Olmesartan* OD tablets.

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

[Healthcare (OTC) products business]

- Revenue from the healthcare (OTC) products business increased by ¥6.2 billion, or 9.3% year on year, to ¥72.9 billion. The increase is attributable to growth in sales including those of the *MINON* series handled by Daiichi Sankyo Healthcare Co., Ltd.

<Primary revenue composition in Japan>

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

	Year ended March 31, 2017	Year ended March 31, 2018	YoY change
Prescription drug business*	506.6	540.0	33.5 6.6%
Healthcare (OTC) products business	66.7	72.9	6.2 9.3%

* Includes generic pharmaceutical business and vaccine business.

<Domestic revenue from mainstay prescription drugs>

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

Product name	Year ended March 31, 2017	Year ended March 31, 2018	YoY change
NEXIUM ulcer treatment	84.0	86.5	2.6 3.0%
Memary Alzheimer's disease treatment	46.9	48.6	1.7 3.6%
Olmetec antihypertensive agent	69.4	44.6	–24.8 –35.8%
LIXIANA anticoagulant	25.0	45.3	20.3 81.4%
Loxonin anti-inflammatory analgesic	37.4	36.5	–1.0 –2.6%
TENELIA type 2 diabetes mellitus treatment	24.2	26.3	2.1 8.8%
PRALIA treatment for osteoporosis/ inhibitor of the progression of bone erosion associated with rheumatoid arthritis	18.0	23.2	5.2 29.1%
Rezaltas antihypertensive agent	17.5	16.8	–0.8 –4.4%
RANMARK treatment for bone complications caused by bone metastases from tumors	13.9	15.4	1.5 10.6%
Efient antiplatelet agent	10.4	12.8	2.4 23.2%
Inavir anti-influenza treatment	19.6	25.3	5.7 29.2%
Cravit synthetic antibacterial agent	15.1	12.7	–2.4 –16.1%
Urief treatment for dysuria	11.4	11.1	–0.3 –2.7%
Omnipaque contrast medium	14.2	14.0	–0.2 –1.6%
Mevalotin antihyperlipidemic agent	10.4	8.6	–1.8 –17.6%

b) North America

- Revenue in North America decreased by ¥50.2 billion, or 21.8% year on year, to ¥180.2 billion. Revenue in local currency terms decreased by US$500 million, or 23.5%, to US$1,625 million. This revenue includes revenue generated by Daiichi Sankyo, Inc., and Luitpold Pharmaceuticals, Inc.
- At Daiichi Sankyo, Inc., sales of *Olmesartan* and its combination drugs, *Welchol* and *Effient* declined.
- Daiichi Sankyo, Inc. signed a license agreement with Inspirion Delivery Sciences LLC, which has given Daiichi Sankyo, Inc. an exclusive license in the U.S. to commercialize two abuse-deterrent opioid analgesics in October 2016.
  Based on the contract, Daiichi Sankyo, Inc. launched *MorphaBond*, morphine extended-release tablets, in October 2017. Moreover, Daiichi Sankyo, Inc. has determined the commercialization of *RoxyBond*, FDA-approved oxycodone hydrochloride immediate-release tablets, in May 2017 and its launch preparation is underway.
- Daiichi Sankyo Inc., after giving careful thought to the drug product group in the United States and the pipeline (group of new drug candidates) for oncology, decided in March 2018 reorganization including reduction of the number of personnel at its sales departments by approximately 280 people as part of efforts to gain further efficiency improvements from the sales organization operations so that it can prepare for the future new drug market for oncology.
- At Luitpold Pharmaceuticals, Inc., sales of *Injectafer* and *Venofer* increased.

<Revenue of Daiichi Sankyo, Inc. mainstay products>

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

Product name	Year ended March 31, 2017	Year ended March 31, 2018	YoY change
*Olmesartan** antihypertensive agent	612	192	–420 –68.5%
Welchol hypercholesterolemia treatment/ type 2 diabetes mellitus inhibitor	420	306	–114 –27.1%
Effient antiplatelet agent	205	96	–109 –53.0%
SAVAYSA anticoagulant	17	20	2 13.0%
MOVANTIK opioid-induced constipation treatment	38	42	4 9.9%

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

<Revenue of Luitpold Pharmaceuticals, Inc. mainstay products>

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

Product name	Year ended March 31, 2017	Year ended March 31, 2018	YoY change
Venofer treatment for iron deficiency anemia	263	279	17 6.3%
Injectafer treatment for iron deficiency anemia	221	310	89 40.1%

c) Europe
- Revenue in Europe increased by ¥8.5 billion, or 12.0% year on year, to ¥79.4 billion. Revenue in local currency terms increased by EUR15 million, or 2.6%, to EUR613 million.
- The increase of revenue is mainly attributable to increase in sales of *LIXIANA* despite of decrease in sales of *Olmesartan* and its combination drugs.

<Revenue of Daiichi Sankyo Europe GmbH mainstay products>

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

Product name	Year ended March 31, 2017	Year ended March 31, 2018	YoY change
*Olmesartan** antihypertensive agent	363	258	–105 –28.9%
Efient antiplatelet agent	67	62	–5 –7.6%
LIXIANA anticoagulant	81	208	127 155.7%

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

d) Asia, South & Central America
- Revenue in Asia, South & Central America increased by ¥8.2 billion, or 11.4% year on year, to ¥80.4 billion. This revenue includes revenue to overseas' licensees.
- Mainstay products such as synthetic antibacterial agent *Cravit* grew in China.
- Mainstay products such as anticoagulant *LIXIANA* grew in South Korea.

2) R&D Activities

- Daiichi Sankyo Group (the Group) has established its 2025 Vision of being a "Global Pharma Innovator with Competitive Advantage in Oncology."
- In setting out to achieve our 2025 Vision, the Group established antibody drug conjugates (ADC)[*1] franchise, acute myeloid leukemia (AML) franchise and Breakthrough Science[*2] as three pillars for oncology which is the primary focused area, and is working on strategic research and development activities.
- In addition, the Group positioned pain, central nervous system diseases, heart and kidney diseases, and rare diseases as new horizon areas, and is accelerating research activities.
- The Group is trying to generate innovative medicine that transforms standards of care (SOC) utilizing partnering[*3], open innovation[*4] and translational research[*5] in the research and early-stage of development.
- As for the late-stage of development, the Group is developing drugs in oncology, cardiovascular-metabolics and other fields.
- The Group is continuously undertaking life cycle management activities[*6] particularly in the field of cardiovascular-metabolics.
- In April 2017, Biologics Division was newly established which has integrated functions for biologics' modality research[*7] and production technology research and development.
- As part of initiatives to improve R&D functions, Daiichi Sankyo made the decision to carry out an absorption-type merger with its domestic subsidiary Asubio Pharma Co., Ltd., on April 1, 2018.

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

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

*3 Partnering: Cooperation between companies, universities and research institutions utilizing their own strengths mutually to generate new values.

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

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

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

*7 Modality research: Drug discovery technology research for all compounds excluding small molecules, such as antibodies, ADC, peptides, and nucleic acid etc.

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

Oncology Area

a. DS-8201 (HER2-targeting ADC)

- The U.S. Food and Drug Administration (FDA) has granted Fast Track designation to DS-8201 for the treatment of HER2-positive metastatic breast cancer in December 2016. Furthermore, the FDA has granted Breakthrough Therapy designation[*8] to DS-8201, for the treatment of HER2-positive, recurrent and/or metastatic breast cancer in August 2017. In addition, the Japan Ministry of Health, Labour and Welfare (MHLW) has granted SAKIGAKE Designation[*9] to DS-8201 for the treatment of HER2-overexpressing unresectable recurrent and/or advanced gastric cancer that has progressed after cancer chemotherapy by the Japan Ministry of Health, Labour and Welfare (MHLW) in March 2018.
- Second part (expansion study) of Phase I clinical trial for patients with HER2-positive cancer is underway in Japan and the U.S. The preliminary results were presented at the

American Society of Clinical Oncology (ASCO) in June 2017 and the European Society for Medical Oncology (ESMO) in September 2017. Furthermore, updated safety and efficacy data from patients with HER2-positive and HER2 low-expressing breast cancer were presented at the San Antonio Breast Cancer Symposium in December 2017 and updated safety and efficacy data from patients with HER2-positive gastric cancer were presented at the ASCO Gastrointestinal Cancers Symposium (ASCO-GI) in January 2018.

- In August 2017, the Group initiated global Phase II clinical trials for patients with HER2-positive, recurrent and/or metastatic breast cancer.
- In November 2017, the Group initiated Phase II clinical trials in Japan and South Korea for patients with HER2-positive, recurrent and/or advanced gastric cancer.
- In February 2018, the Group initiated global Phase II clinical trials for patients with HER2-positive, recurrent and/or advanced colorectal cancer.

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

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

[Research and development collaboration relating DS-8201]

- Daiichi Sankyo concluded an agreement with the U.S. company, Bristol-Myers Squibb Co., in August 2017 concerning a collaborative clinical trial to evaluate the combination of DS-8201 and nivolumab, the immune checkpoint inhibitor (product name: *Opdivo*) in patients with HER2-positive breast cancer and bladder cancer.
- Daiichi Sankyo concluded an agreement with the U.S. company, Puma Biotechnology, Inc. and Memorial Sloan Kettering Cancer Center, in December 2017 concerning a collaborative preclinical trial to evaluate the combination of DS-8201 and tyrosine kinase inhibitor neratinib (product name in the U.S.: *NERLYNX*) in cancer patients with HER2-mutated solid tumors.

b. U3-1402 (HER3-targeting ADC)

- A Phase I/II clinical trial is being conducted in Japan and the U.S. in patients with HER3-positive metastatic and/or unresectable breast cancer.
- In February 2018, the Group initiated Phase I clinical trials in the U.S. for patients with epidermal growth factor receptor (EGFR)-mutated non-small cell lung cancer (NSCLC) whose disease has progressed while taking an EGFR tyrosine kinase inhibitor (TKI).

c. DS-1062 (TROP2-targeting ADC)

- In February 2018, the Group initiated Phase I clinical trials in Japan and the U.S. for patients with recurrent and/or advanced NSCLC.

d. Quizartinib

- Phase III clinical trials are underway in Europe, the U.S. and Asia to obtain approval for indication as second-line treatment and first-line treatment in AML patients with FLT3-ITD mutations.

e. DS-3201

- Phase I clinical trials are being conducted in Japan in patients with relapsed or refractory non-Hodgkin lymphomas, and the preliminary results were presented at the American Society of Hematology (ASH) Annual Meeting in December 2017.
- Phase I clinical trials are being conducted in the U.S. in patients with relapsed or refractory AML and acute lymphocytic leukemia (ALL).

f. Pexidartinib

- Pexidartinib was granted Breakthrough Therapy designation by the FDA for the treatment of tenosynovial giant cell tumor (TGCT) in October 2015.
- In October 2017, Daiichi Sankyo announced that Phase III clinical trial in TGCT patients in Europe and the U.S. met its primary endpoints.

g. DS-1647

- The oncolytic virus G47Δ (DS-1647), for which the Group is jointly conducting Phase II clinical trials in Japan with Dr. Tomoki Todo, Professor at the Institute of Medical Science, the University of Tokyo, was granted SAKIGAKE Designation for the treatment of glioblastoma in February 2016. Furthermore, DS-1647 was designated as an orphan drug for the treatment of glioblastoma in July 2017.

h. Denosumab

- Denosumab has been on the Japanese market under the brand name *RANMARK*, since 2012 with indications for the treatment of bone complications stemming from multiple myeloma or bone metastases from solid tumors, and since 2014 with indications for the treatment of giant cell tumors of bone (GCTB). In 2013, manufacturing and marketing approval was received for the treatment for osteoporosis in Japan, where it has been on the market under the brand name *PRALIA*.
- As for *PRALIA*, the Group obtained approval for an additional indication for inhibition of the progression of bone erosion associated with rheumatoid arthritis in July 2017.
- In February 2018, the Group and Amgen Inc., in the U.S. made an announcement regarding the top-line results from their global Phase III clinical trials for *RANMARK* as a postoperative adjuvant breast cancer therapy which the companies jointly have conducted. The trial did not meet its primary endpoint of prolonged bone metastasis-free survival. Adverse events observed in patients treated with *RANMARK* were generally consistent with the known safety profile.

[Major R&D Alliances, etc.]

a. Conclusion of option agreement with Glycotope GmbH regarding ADC

- In October 2017, Daiichi Sankyo has signed an option agreement with the German company, Glycotope GmbH (Glycotope), for future strategic collaboration and licensing to develop an ADC by combining Daiichi Sankyo's proprietary ADC technology with Glycotope's investigational tumor-associated TA-MUC1 antibody PankoMab-GEX.
- Under the agreement, once a feasibility study has been successfully completed, Daiichi Sankyo has the worldwide exclusive rights to develop and commercialize PankoMab-GEX ADC.

b. Conclusion of agreement with MD Anderson Cancer Center regarding research and development collaboration relating to therapies for AML

- In September 2017, Daiichi Sankyo's U.S. subsidiary Daiichi Sankyo Inc., together with Plexxikon Inc., concluded an agreement with the U.S. university, the University of Texas MD Anderson Cancer Center, regarding research and development collaboration relating to therapies for AML.
- Under the agreement, the collaboration will conduct translational research, including preclinical development and exploration of novel biomarkers[*10], while assessing the concomitant effects (concomitant effects among Daiichi Sankyo's drugs and those with other companies' drugs) of the multiple compounds under development in Daiichi Sankyo's AML Franchise.

  *10 Biomarker: An indicator for patient stratification, discovery of modes of action of pharmaceuticals, and efficacy and safety thereof.

c. Conclusion of cancer R&D collaboration agreement with Max Planck Innovation GmbH

- In July 2017, Daiichi Sankyo, Max Planck Innovation GmbH (Max Planck) and its exploratory research center the Lead Discovery Center GmbH (LDC) signed an agreement providing Daiichi Sankyo with the option to receive the exclusive rights to a new lead compound[*11] for the treatment of cancer to be discovered and developed at the LDC.
- Under the agreement, Daiichi Sankyo, Max Planck researchers and the LDC will now closely cooperate to further optimize these novel compounds that target cancer cell transcription and proliferation.

*11 Lead compound: A compound that marks the starting point for a drug discovery process. Modifications of its chemical structure may lead to improvements in its activity, toxicity and pharmacokinetics.

d. Conclusion of DS-5010 licensing agreement with Boston Pharmaceuticals Inc.

- In August 2017, Daiichi Sankyo concluded an agreement with the U.S. company, Boston Pharmaceuticals Inc., granting that company worldwide rights for the research, development, manufacturing and commercialization of Daiichi Sankyo's DS-5010, a highly selective and potent RET (ret proto-oncogene) kinase inhibitor.

e. Commencement of open innovation research on a new cancer hyperthermia therapy

- In March 2018, Daiichi Sankyo commenced open innovation research on a new cancer hyperthermia therapy with Public University Corporation Nagoya City University, Chubu University, Incorporated Educational Institution Chubu University, and Mitsubishi UFJ Capital Co., Ltd. (Mitsubishi UFJ Capital).
- To carry out the research, a new company called OiDE RYO-UN, Inc. was established. OiDE RYO-UN, Inc. was wholly funded by the OiDE Fund Investment Limited Partnership, a fund jointly set up by Daiichi Sankyo and Mitsubishi UFJ Capital in 2013.
- Daiichi Sankyo will promote industry-university collaboration of new drug discovery fundamentals research and aim to develop new treatment methods.

Specialty Medicine Area[*12]

*12 Specialty Medicine Area: Areas other than cancer, including areas such as cardiovascular-metabolics, pain, central nervous system diseases, heart and kidney diseases, and rare diseases

a. Edoxaban

- Edoxaban has been on the Japanese market since 2011 under the brand name *LIXIANA* with indication for the prevention of venous thromboembolism (VTE) after major orthopedic surgery. In 2014, the product also received approval in Japan for additional indications for the prevention of ischemic stroke and systemic embolism in patients with non-valvular atrial fibrillation (AF), and for the treatment and prevention of recurrence of VTE (deep vein thrombosis (DVT) and pulmonary embolism (PE)).
- As for overseas, Edoxaban has received marketing approval in over 20 countries including the U.S., Europe and Asia regions.
- The Group initiated randomized controlled trials (ENVISAGE-TAVI AF study) in patients with AF undergoing transcatheter aortic valve implantation in Europe and the U.S. in April 2017.
- The results from the Hokusai-VTE CANCER study for patients with VTE associated with cancer in Europe and the U.S. were presented during the late-breaker session at the American Society of Hematology (ASH) Annual Meeting in December 2017.

b. Esaxerenone

- The Group initiated Phase III clinical trial in Japan for patients with diabetic nephropathy in September 2017.
- The top-line results that the primary efficacy endpoint was met in Phase III clinical trials for patients with essential hypertension in Japan were announced in September 2017.

- Based on the result, an application was filed in Japan for manufacturing and marketing approval for the treatment of hypertension in February 2018.

c. Mirogabalin

- The top-line results of two Phase III clinical trials to evaluate the efficacy of mirogabalin in patients with pain were announced in June 2017. As for clinical trial in patients with postherpetic neuralgia (PHN) in Japan and Asia, mirogabalin met the primary efficacy endpoint. On the other hand, with regards to clinical trial in patients with fibromyalgia (FM) in Europe and the U.S., mirogabalin did not meet the primary efficacy endpoint.
- The top-line results that the primary efficacy endpoint was met in Phase III clinical trials for patients with diabetic peripheral neuropathic pain (DPNP) in Japan and Asia were announced in August 2017.
- Based on the result of Phase III clinical trials in Japan and Asia, an application was filed in Japan for manufacturing and marketing approval for the treatment of peripheral neuropathic pain in February 2018.

d. DS-5141

- Duchenne muscular dystrophy treatment drug, DS-5141, whose Phase I/II clinical trial is jointly underway in Japan with Orphan Disease Treatment Institute Co., Ltd., was granted SAKIGAKE Designation in April 2017.

e. CHS-0214

- In July 2017, the Group decided to discontinue the joint development being carried out with the U.S. company, Coherus BioSciences, Inc., in Japan of CHS-0214, an etanercept biosimilar for autoimmune disease treatment mainly of rheumatoid arthritis, because a manufacturing process to enable stable supply cannot be established at this time.

[Major R&D Alliances, etc.]

a. Termination of TS23 licensing agreement with Translational Sciences, Inc.

- In October 2017, Daiichi Sankyo decided to return all rights to develop and commercialize Translational Sciences, Inc.'s thrombus dissolving agent, TS23, due to the re-prioritization and re-focusing of the R&D pipeline.

b. Termination of development and commercialization agreement with Charleston Laboratories, Inc. regarding CL-108

- Daiichi Sankyo and U.S. subsidiary Daiichi Sankyo Inc. decided in August 2017 to terminate a development and commercialization agreement with the U.S. company, Charleston Laboratories, Inc., regarding CL-108, a combination drug for the treatment of pain and opioid-induced nauseas and vomiting (OINV) as a result of a revaluation of the U.S. pain market and the Group's portfolio.

c. Conclusion of agreement with Cuorips Inc. regarding commercialization of iPS-derived cardiomyocyte (iPS-CM) sheet

- In August 2017, Daiichi Sankyo signed an investment contract with Cuorips Inc. (Cuorips), an Osaka University spin-off venture to receive an option right concerning the worldwide commercialization of iPS-CM sheet developed by Cuorips.
- Under the agreement, Daiichi Sankyo and Cuorips are aiming to commercialize iPS-CM sheets as a pioneering treatment for severe heart failure.

(Reference) Major R&D Pipeline

Area	Phase 1	Phase 2	Phase 3	Application
Oncology	■ DS-3032 (US/JP) (MDM2 inhibitor) ■ PLX7486 (US) (FMS / TRK inhibitor) ■ PLX8394 (US) (BRAF inhibitor) ■ PLX9486 (US) (KIT inhibitor) ■ DS-3201 (JP/US) (EZH1/2 inhibitor) ■ PLX73086 (US) (CSF-1R inhibitor) ■ PLX51107 (US) (BRD4 inhibitor) ■ U3-1402 (JP/US) (Anti-HER3 ADC) ■ DS-1001 (JP) (IDH1m inhibitor) ■ DS-1205 (US) (AXL inhibitor) ■ PLX2853 (US) (BRD4 inhibitor) ■ DS-1062 (US/JP) (Anti-TROP2 ADC)	■ Patritumab (EU) (U3-1287 / H&N cancer / Anti-HER3 antibody) ■ DS-1647 (JP) (Glioblastoma / G47Δ virus) ■ Quizartinib (JP) (AC220 / AML-2nd / FLT3 inhibitor) ■ DS-8201 (JP/US/EU) (Breast cancer/anti-HER2 ADC) ■ DS-8201 (JP/Asia) (Gastric cancer/anti-HER2 ADC) ■ DS-8201 (JP/US/EU) (CRC/anti-HER2 ADC) ■ DS-8201 (JP/US/EU) (NSCLC/anti-HER2 ADC) ■ KTE-C19(JP) (Large B Cell Lymphoma/ anti-CD19 CAR T cells)	■ Denosumab (JP) (AMG 162 / Breast cancer adjuvant/ Anti-RANKL antibody) ■ Quizartinib (US/EU/Asia) (AC220 / AML-2nd / FLT3 inhibitor) ■ Quizartinib (US/EU/Asia) (AC220 / AML-1st / FLT3 inhibitor) ■ Pexidartinib (US/EU) (PLX3397 / TGCT / CSF-1R/KIT/FLT3 inhibitor)	
Specialty Medicine	■ DS-1040 (US/EU/JP) (Acute ischemic stroke, acute pulmonary embolism / TAFIa inhibitor) ■ DS-2330 (Hyperphosphatemia) ■ DS-1501 (US) (Osteoporosis / Anti-Siglec-15 antibody) ■ DS-7080 (US) (AMD / Angiogenesis inhibitor) ■ DS-5141 (JP) (DMD / ENA oligonucleotide) ■ DS-1211 (US) (TNAP inhibitor) ■ VN-0102/JVC-001 (JP) (MMR vaccine)		■ Edoxaban (JP) (DU-176b / AF (very elderly) / FXa inhibitor) ■ Prasugrel (JP) (CS-747 / Ischemic stroke / Anti-platelet agent) ■ Esaxerenone (JP) (CS-3150 / DM nephropathy / MR antagonist) ■ Laninamivir (JP) (CS-8958 / Anti-influenza / nebulizer) ■ VN-0105 (JP) (DPT-IPV / Hib vaccine) ■ Intradermal Seasonal Influenza Vaccine (JP) (VN-100 / prefilled i.d. vaccine for seasonal flu)	■ Edoxaban (ASCA) (DU-176b / AF / FXa inhibitor) ■ Edoxaban (ASCA) (DU-176b / VTE / FXa inhibitor) ■ Mirogabalin (JP) (DS-5565 / DPNP/PHN/ α2δ ligand) ■ Esaxerenone (JP) (CS-3150/Hypertension/ MR antagonist) ■ VN-0107/MEDI3250 (JP) (Nasal spray flu vaccine)

3) Production and Logistics

- The Group is working on transforming its production platform toward the establishment of an oncology business.
- Daiichi Sankyo made capital investments for ADC, including DS-8201, at its three domestic plants to expand its production platform.
- With regard to its global product Edoxaban, preparations have been made for establishing the product supply system that will accommodate sales growth in Japan and Europe as well as market launches in China and Brazil in the future.
- In Japan, Daiichi Sankyo has built the system to increase production of *Inavir* Dry Powder Inhaler, which has been designated as a product for governmental stockpile against novel influenza, and preparations of production platform have been made for market launches of Esaxerenone and Mirogabalin. Furthermore, the production system for *Olmesartan* OD tablets (an authorized generic product), which has been newly released in the current fiscal year, has been developed.
- In China, the construction of a new building for pharmaceutical processing at Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd.'s Shanghai Factory has completed, securing the Group's increase in its production capacity in conjunction with future growth of the China business.

4) Corporate Social Responsibility (CSR) Activities

- The Daiichi Sankyo Group Corporate Conduct Charter commits the Group to working as a whole to carry out CSR activities based on medium- and long-term business activities and corporate social responsibility. The Group aims to achieve sustainable improvement of corporate value by following through on this commitment.
- Daiichi Sankyo has defined its six domains for CSR activities as promoting compliance management, mutual growth of employees and the Company, enhancement of communication with stakeholders, promoting environmental management, improving access to healthcare, and social contribution activities, and works on its activities in each of these domains on an ongoing basis.
- For working on these activities, Daiichi Sankyo seeks to enhance its stakeholder communications and also improve disclosure of information related to environmental, social and governance (ESG) issues.

(2) Status of Plant and Equipment Investment

- The Group continuously invests in plants and equipment, aiming to enhance and streamline production facilities as well as strengthen and facilitate research and development. During the fiscal year under review, the Group spent ¥26.9 billion on plants and equipment.

(3) Status of Financing

- Not applicable.

(Reference) Corporate Social Responsibility (CSR) Activities

Efforts to Improve Access to Healthcare for Rare Diseases

The Daiichi Sankyo Group sets out to improve access to healthcare for rare diseases as one of the initiatives toward resolving social issues related to health and healthcare.
In Japan, a rare disease is generally referred to as an illness with the number of patients being less than 50,000 within the country. Although the need for healthcare is high, as is the case with other illnesses, pharmaceutical companies face challenges in research and development due to the small number of patients.
Setting its corporate mission as "the provision of pharmaceuticals addressing diverse medical needs," Daiichi Sankyo continues to provide orphan drugs, such as *Biopten*, *Gabalon* Intrathecal Injection and Methylene Blue Injection. Further, with cooperation from outside organizations, we engage in the development of a therapeutic agent for Duchenne Muscular Dystrophy, a severe rare hereditary disease and Oncolytic Virus that have received designation on the SAKIGAKE Designation System under which designated drugs are given priority for clinical trial consultation and review. We are receiving great anticipation for these efforts, among others. We will continue to proceed with the development of orphan drugs for the sake of patients suffering from intractable diseases and their families by making use of open innovation on top of our research and development capabilities.

■ Contribution to treating a rare disease with an improved agent
Biopten is a therapeutic agent for hyperphenylalaninemia, an illness caused by a genetic metabolic disorder and which is said to have an incidence rate of 1 in 70,000 persons. Since *Biopten* was initially developed as a product that can be administered also to infants, it became evident that a large amount would be necessary for adult patients, causing a significant burden. *Biopten* is a chemically synthesized form of natural coenzyme, and amid facing significant technical challenges, we strove to improve the agent over many years with the aim of lessening the aforesaid burden. Consequently, we launched high content *Biopten* Granules 10%, which reduced the dosage down to 10%. We have received comments from patients and their families that the launch of this high content agent has made it easier to take the drug.

In the case of a patient weighing 30 kg

Biopten Granules 2.5%
(10 mg of active ingredient)
60 sachets taken per day

Biopten Granules 10%
(100 mg of active ingredient)
6 sachets taken per day

(4) Prospective Challenges

1) 2025 Vision

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

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

2) 5-Year Business Plan

- The fourth medium-term plan for the period covering fiscal 2016 through fiscal 2020 is designated as the 5-Year Business Plan to realize the transformation towards the 2025 Vision. Under this plan, we are taking action on two challenges: growing beyond the patent cliff[*4] for antihypertensive agent *Olmesartan* and establishing foundations for ensuring sustainable growth thereafter.
- Furthermore, we strive 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 pipeline products that can be commercialized within five years and are expected to achieve respective peak revenues exceeding ¥100.0 billion.
- The six strategic targets put up to establish foundations for ensuring sustainable growth, key efforts to attain the targets and the results in fiscal 2017 are as follows.

  *4 Patent cliff (LOE: loss of exclusivity): Decreases in sales and profits brought by the patent expiration of certain products.

i. Strategic Targets

1. Grow Edoxaban

- With Edoxaban, we will forge ahead with efforts that involve consistently deploying our market launch strategy globally, continually promoting the appeal of the product's established attributes, and generating new evidence with the aim of enhancing its product strengths. We will accelerate growth of Edoxaban and develop it into a mainstay product that generates ¥120.0 billion or more 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.

[Key Efforts and Results in Fiscal 2017]
- Orally disintegrating tablets (product name: *Lixiana* OD tablets) was launched in Japan.
- Market share and revenues in Japan, Germany, and South Korea were expanded substantially.
- Countries in Europe, Asia and South & Central America in which products are approved or brought to market were expanded.
- Started a new randomized study of ENVISAGE-TAVI AF. Also, Hokusai-VTE CANCER study results were announced at the American Society of Hematology (ASH) Annual Meeting.

2. 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.

[Key Efforts and Results in Fiscal 2017]
- Revenue in 6 mainstay products (*NEXIUM*, *Memary*, *PRALIA*, *RANMARK*, *Efient* and *TENELIA*) grew.
- Received approval for *PRALIA* for an additional indication for inhibition of the progression of bone

erosion associated with rheumatoid arthritis.
- Started sales of *CANALIA* combination tablets, a type 2 diabetes mellitus treatment agent and several authorized generic products, including *Olmesartan* OD tablets, an antihypertensive agent.
- Applied for approval to manufacture and sell Esaxerenone, an antihypertensive agent and Mirogabalin, a neuropathic pain agent.
- Received No. 1 MR evaluation for the sixth year in a row from medical practitioners.

3. Expand U.S. Businesses

- Daiichi Sankyo Inc. (DSI) will pursue expansion of the pain franchise business 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.

[Key Efforts and Results in Fiscal 2017]
<Daiichi Sankyo Inc.>
- In addition to starting sales of *MorphaBond* (morphine extended-release tablets) abuse-deterrent opioid analgesic, decided to commercialize RoxyBond (oxycodone hydrochloride immediate-release tablets) abuse-deterrent opioid analgesic.
- Stopped development of CL-108, a combination drug for the treatment of pain and opioid-induced nauseas and vomiting (OINV), which had been positioned as a central item in the expansion of the pain treatment business. Also, gave up on applying for manufacture and sale approval for Mirogabalin for the treatment of fibromyalgia (FM) patients due to not reaching primary endpoint in the clinical study of Mirogabalin for fibromyalgia (FM) patients.

<Luitpold Pharmaceuticals>
- Expanded *Injectafer*'s revenue and share in iron injectable market.

4. 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, and enriching the product-line and the pipeline by acquiring external assets.

[Key Efforts and Results in Fiscal 2017]
- DS-8201 received breakthrough designation from the U.S. FDA for recurrent and/or metastatic breast cancer, and also received SAKIGAKE Designation from the Ministry of Health, Labour and Welfare for recurrent and/or advanced gastric cancer.
- DS-8201 received good clinical study results and they were announced at American/European conferences of Clinical Oncology.
- Started several new clinical studies for ADC franchise. (DS8201 Phase II clinical studies for breast cancer, gastric cancer, and colorectal cancer, and Phase I studies for both U3-1402 and DS-1062 for non-small cell lung cancer patients).
- Promoted investment in ADC production facilities, aiming to enhance the production platform.
- Promoted strategic alliance activities regarding the ADC and AML franchises (commencements of R&D Alliances on combination therapies with other companies, etc.)

5. Continuously Generate Innovative Medicine Changing SOC

- With the aim of transforming operations of the research organization to a bioventure model*[5], 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.

  *5 Bioventure model: A business form similar to that of a venture company in which the organization actively collaborate with external organizations, advance research themes

based on openly produced ideas, and make decisions within the organization, thereby achieving results within a limited time period by making efficient investment.

[Key Efforts and Results in Fiscal 2017]
- Obtained an option right concerning the commercialization of iPS-derived cardiomyocyte (iPS-CM) sheet, a treatment for heart failure.
- Oncolytic virus G47Δ (DS-1647) received designation as an orphan drug for regenerative health care from the Ministry of Health, Labour and Welfare.
- DS-5141, a Duchenne muscular dystrophy treatment drug, received SAKIGAKE Designation.

6. Enhance Profit Generation Capabilities

- 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 Group, while also conducting reviews with respect to cost of sales, selling, general and administrative expenses, and research and development expenses.

[Key Efforts and Results in Fiscal 2017]
- Decided restructuring of the U.S. commercial organization (decision to reduce headcount at Daiichi Sankyo Inc.).
- Implemented domestic R&D platform restructuring. (absorption-type merger of Asubio Pharma Co., Ltd.)

ii. Cash Generation and Allocation in Investment for Future Growth

- During the 5-Year Business Plan, we will prioritize growth investments while enhancing shareholder returns.
- As of March 31, 2016, cash-on-hand totaled roughly ¥700.0 billion. Our activities over the five years of the plan will be funded by this cash as well as the approximately ¥2,200.0 billion to be generated in the form of free cash flow before R&D expenses (profit before R&D, depreciation and amortization), and cash recovered through asset downsizing. As for specific allocations, we plan to conduct growth investments of ¥900.0 billion in R&D expenses and ¥500.0 billion in business development investments. The remainder of the funds will be used for shareholder returns, capital expenditure and working capital.

[Key Efforts and Results in Fiscal 2017]
- Sold cross-held shares creating cash of ¥14.4 billion.
- Made preferential R&D investments in oncology, promoted the acceleration of starting up and establishment of the oncology business.

iii. Shareholder Return Policy

- We will seek a total return ratio*[6] of 100% or more over the period of the plan and annual ordinary dividends of more than ¥70 per share. While continuing stable dividend payments, we will conduct flexible acquisition of treasury shares.

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

[Key Results in Fiscal 2017]
- Issued an interim dividend of ¥35 per share. With a ¥35 per share year-end dividend, expecting a ¥70 annual dividend per share.
- Obtained approximately 15.73 million treasury shares for approximately ¥50.0 billion.

(5) Trends in Operating Results and Assets

(Millions of yen, unless otherwise stated)

Account title	IFRS				
	Year ended March 31, 2014 (9th fiscal period)	Year ended March 31, 2015 (10th fiscal period)	Year ended March 31, 2016 (11th fiscal period)	Year ended March 31, 2017 (12th fiscal period)	Year ended March 31, 2018 (Current fiscal year; 13th fiscal period)
Revenue	899,126	919,372	986,446	955,124	960,195
Operating profit	112,922	74,422	130,412	88,929	76,282
Profit before tax	112,950	79,936	122,388	87,788	81,021
Profit attributable to owners of the Company	60,943	322,119	82,282	53,466	60,282
Basic earnings per share (yen)	86.57	457.56	119.37	79.63	91.31
Return on equity attributable to owners of the Company (ROE) (%)	6.5	28.2	6.5	4.4	5.2
Annual dividends per share (yen)	60	60	70	70	70
Total assets	1,854,037	1,982,286	1,900,522	1,914,979	1,897,754
Total equity	1,007,527	1,307,041	1,233,521	1,171,428	1,133,041

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.
2. Basic earnings per share is calculated based on the average number of shares outstanding during the year, exclusive of the number of treasury shares.
3. 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 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	100.00	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.	146 million U.S. dollars	100.00	Research and development and marketing of pharmaceuticals
Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd.	83 million U.S. dollars	100.00	Research and development, manufacture and marketing of pharmaceuticals
Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd.	53 million U.S. dollars	100.00	Research and development, manufacture and marketing of pharmaceuticals

Note: As of April 1, 2018, the Company acquired Asubio Pharma Co., Ltd. through an absorption-type merger and the firm was dissolved. The Company has succeeded the businesses and functions of the firm.

2) Status of Material Alliances, etc.

a. Licensing-in of technology

Name of Group Company	Other Party	Country	Details of Technology
Daiichi Sankyo Company, Limited	Amgen Inc.	U.S.A.	Technology related to "Denosumab," an anti-RANKL antibody
Daiichi Sankyo Company, Limited	Amgen Inc.	U.S.A.	Technology related to biosimilars
Daiichi Sankyo Company, Limited	Celixir Ltd.	UK	Technology related to "Heartcel," an immune-modulatory progenitor cell therapeutic agent for ischemic heart failure
Daiichi Sankyo Company, Limited	Kite Pharma EU B.V.	Netherlands	Technology related to "KTE-C19," a cellular cancer therapeutic agent for malignant lymphomas
Daiichi Sankyo Company, Limited	MedImmune, LLC	U.S.A.	Technology related to a live attenuated influenza vaccine administered as a nasal spray
Daiichi Sankyo, Inc.	Genzyme Corporation	U.S.A.	Technology related to *Welchol*, an antihyperlipidemic agent
Luitpold Pharmaceuticals, Inc.	Vifor (International) Inc.	Switzerland	Technology related to *Venofer*, a drug for treating anemia

b. Licensing-out of technology

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

c. Distribution agreement and others

Name of Group Company	Other Party	Country	Details of Agreement
Daiichi Sankyo Company, Limited	AstraZeneca AB	Sweden	Exclusive sale and co-promotion in Japan of *Nexium*, a proton pump inhibitor
Daiichi Sankyo Company, Limited	Cheplapharm Arzneimittel GmbH	Germany	Exclusive sale in Japan of the antihypertensive agent *Artist*
Daiichi Sankyo Company, Limited	GE Healthcare AS	Norway	Exclusive sale in Japan of the contrast media *Omnipaque*
Daiichi Sankyo Company, Limited	Merz Pharmaceuticals GmbH	Germany	Exclusive sale in Japan of *Memary* for the treatment of Alzheimer's disease
Daiichi Sankyo Company, Limited	Servier Canada inc.	Canada	Exclusive sale in Canada of the anticoagulant *Lixiana* (edoxaban)
Daiichi Sankyo Company, Limited	UCB Biopharma Sprl	Belgium	Exclusive sale and co-promotion in Japan of *VIMPAT*, a treatment for epilepsy
Daiichi Sankyo Company, Limited	Kissei Pharmaceutical Co., Ltd.	Japan	Joint sale in Japan of the dysuria treatment drug *Urief*
Daiichi Sankyo Company, Limited	Sanofi K.K.	Japan	Sale in Japan of *ActHib*, a pediatric vaccine for the prevention of infections caused by Haemophilus influenza Type b
Daiichi Sankyo Company, Limited	Mitsubishi Tanabe Pharma Corporation	Japan	Exclusive sale and co-promotion in Japan of hypoglycemic agent *TENELIA*
Daiichi Sankyo Company, Limited	Mitsubishi Tanabe Pharma Corporation	Japan	Co-promotion in Japan of hypoglycemic agent *CANAGLU*
Daiichi Sankyo Company, Limited	Mitsubishi Tanabe Pharma Corporation	Japan	Exclusive sale and co-promotion in Japan of *CANALIA*, a combination drug for the treatment of type 2 diabetes mellitus
Daiichi Sankyo, Inc.	AstraZeneca UK Limited	UK	Co-promotion in U.S.A. of *MOVANTIK*, a treatment for opioid-induced constipation
Daiichi Sankyo, Inc.	Inspirion Delivery Sciences, LLC.	U.S.A.	Exclusive sale and co-promotion in U.S.A. of two agents including *MorphaBond*, an opioid analgesic
Luitpold Pharmaceuticals, Inc.	Fresenius U.S.A. Manufacturing Inc.	U.S.A.	Exclusive sale in U.S.A. of the anemia treatment, *Venofer* for the End Stage Renal Disease (Stage V) patient population
Daiichi Sankyo Europe GmbH	Menarini International Operations Luxembourg S.A.	Luxembourg	Joint sale in Europe of the antihypertensive agent *Olmetec*
Daiichi Sankyo Northern Europe GmbH	Merck and Company, Incorporated	U.S.A.	Exclusive sale in Europe of the anticoagulant, *LIXIANA*

(8) The Principal Branches, Plants and Laboratories

1) The Company

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

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

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

2) Subsidiaries

a. In Japan

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

Note: As of April 1, 2018, the Company acquired Asubio Pharma Co., Ltd. through an absorption-type merger and the firm was dissolved. The Company has succeeded the businesses and functions of the firm.

b. Overseas

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

(9) Status of Employees (As of March 31, 2018)

Number of Employees		Change from Previous Fiscal Year-End
14,446		224 (decreased)
Japan	8,765	117 (increased)
North America	2,191	273 (decreased)
Europe	1,582	4 (increased)
Other regions	1,908	72 (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 (As of March 31, 2018)

Lender	Outstanding amount of loans (Millions of yen)
Syndicated loan	100,000
Nippon Life Insurance Company	1,000

Note: Syndicated loan is jointly financed by Mizuho Bank, Ltd. and 46 other financial institutions.

(11) Litigation

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

2. Status of Shares

(1) Status of Shares (As of March 31, 2018)

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

2) Total Number of Issued Shares: 709,011,343 shares (including 61,343,747 treasury shares)

3) Number of Shareholders: 82,565 (decrease of 13,170 from March 31, 2017)

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)	56,565	8.73
JP Morgan Chase Bank 380055	56,068	8.66
Japan Trustee Services Bank, Ltd. (trust account)	46,712	7.21
Nippon Life Insurance Company	35,776	5.52
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	14,402	2.22
STATE STREET BANK WEST CLIENT – TREATY 505234	12,614	1.95
Japan Trustee Services Bank, Ltd. (trust account 5)	10,936	1.69
Employee stock ownership of Daiichi Sankyo Group	10,278	1.59
Sumitomo Mitsui Banking Corporation	9,913	1.53
The Shizuoka Bank, Ltd.	9,390	1.45

Notes: 1. The Company holds 61,343,747 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, 2018
National government and local governments	0.00%
Financial institutions	42.03%
Financial instrument firms	1.35%
Other corporations	4.26%
Foreign institutions and individuals	30.09%
Individual investors and others	13.63%
Treasury share	8.65%

(2) Status of 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, Daiichi Sankyo purchased approximately 15.73 million of its treasury shares for approximately ¥50.0 billion from November 1, 2017 to March 22, 2018 on the open market.

(Reference) Human resources management

Initiatives to Further Advance Gender Diversity

At the Daiichi Sankyo Group, we seek to advance Diversity & Inclusion (D&I) with the aim of company that creates new value and competitive advantage through employees' ability to fully manifest their individual characteristics and talents.

As part of this effort, we are promoting gender diversity (people fully demonstrating talents irrespective of gender) company-wide.

As a company with Members of the Audit and Supervisory Board, Daiichi Sankyo Company, Limited has five Members of the Audit and Supervisory Board including two female members, Akiko Kimura and Sayoko Izumoto, who carry out important roles on the Audit and Supervisory Board and the Board of Directors. We are also taking initiatives to further promote gender diversity. The nomination of a female Member of the Board (in a near future) is an agenda of the Nomination Committee, which is composed of Members of the Board (Outside).

In Japan, to further empower the women in its workforce, the Daiichi Sankyo Group seeks to address three main tasks: (1) supporting work-life balance, (2) encouraging women employees to pursue their careers actively, and (3) fostering a positive workplace culture. Based on our Action plan for Empowering Woman, we are implementing a wide range of initiatives to address these tasks, including providing various training programs and enhancing systems to support work-life balance. For example, we are introducing flexible work-leave systems to encourage employees to continue working with motivation while coping with life-time events, such as child-rearing and nursing care, and putting in place a childcare facility at our office site. These systems are made well known in the workplace as systems that can also be used by male employees.

In 2017, we established the Shining Women's Advancement Network (SWAN), a network for women managers, with the purpose of expressing the management's support for the contributions of women managers and providing a venue for network members to share their concerns and contribute to each other's growth and development in addition to their own. The SWAN regularly holds a forum to hold discussions with senior management, etc. Last year, Akiko Kimura and Sayoko Izumoto, Members of the Audit and Supervisory Board (Outside), gave lectures on contributions by female workers based on their own experiences, respectively.

Discussion forum between members of senior management and women managers. Lectures being given by A. Kimura and S. Izumoto, Members of the Audit and Supervisory Board (Outside)

Going forward, Daiichi Sankyo will continue to actively deploy initiatives to create a workplace environment in which female employees can develop their career over the long term and contribute in managerial positions

3. Status of Corporate Governance

(1) Systems on Corporate Governance

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

1) Corporate Governance Structure:

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

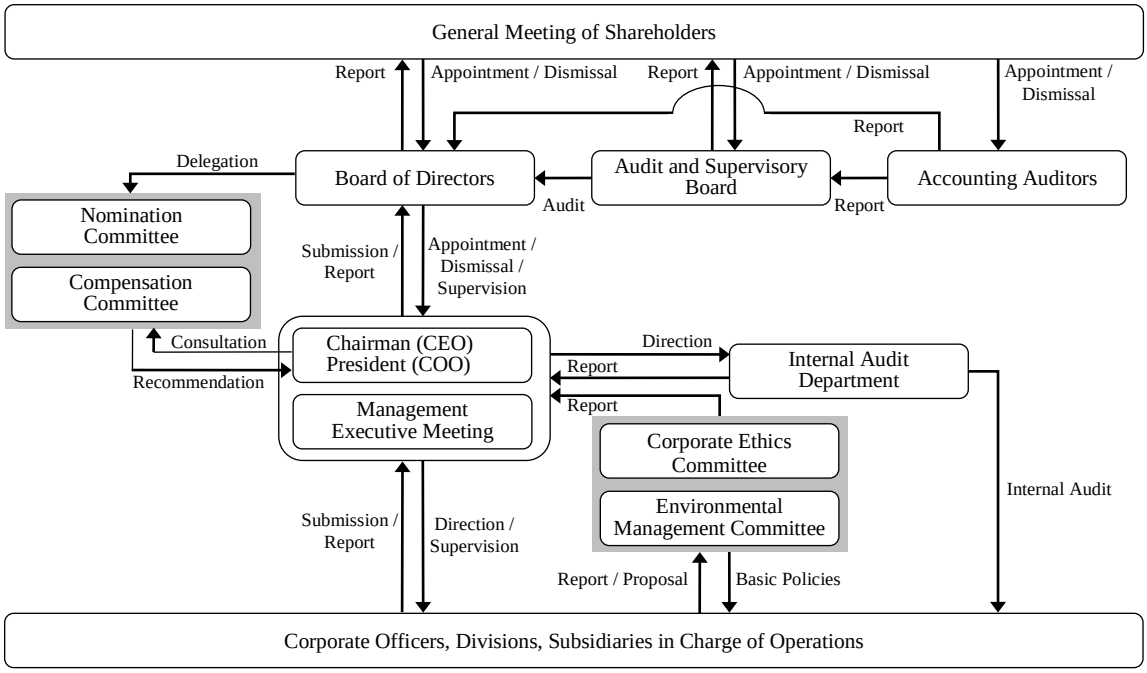
b. To ensure management transparency, nomination of candidates for Member of the Board and Corporate Officer and compensation thereof are deliberated on by a Nomination Committee and a Compensation Committee, respectively, which are established as voluntary committees.
These Committees consist of at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

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

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

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

<Overview of the corporate governance structure>



(Note) In addition to relations shown in the Corporate Governance Structure, coordination such as report to Audit and Supervisory Board by Internal Audit Department etc. is made appropriately.

2) Composition and Functions of Each Committee

a. Nomination Committee

Chairperson: Noritaka Uji, Member of the Board (Outside)
Members: Hiroshi Toda, Naoki Adachi and Tsuguya Fukui, Members of the Board (Outside)
Observer: Yutaka Katagiri, Member of the Audit and Supervisory Board (Outside)

- It is established to deliberate matters required for the nomination of Members of the Board and Corporate Officers at the request of the Board of Directors and contribute to the enhancement of management transparency.
- In fiscal 2017, meetings were held five times, in April, September, November, December, 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 and Senior Corporate Adviser and Corporate Adviser System, as well as other matters.

b. Compensation Committee

Chairperson: Hiroshi Toda, Member of the Board (Outside)
Members: Noritaka Uji, Naoki Adachi and Tsuguya Fukui, Members of the Board (Outside)
Observer: Akiko Kimura, Member of the Audit and Supervisory Board (Outside)

- It is established to deliberate matters required for a policy on compensation of Members of the Board and Corporate Officers at the request of the Board of Directors and contribute to the enhancement of management transparency.
- In fiscal 2017, meetings were held a total of three times, in April, May, and February to discuss bonuses of Members of the Board and Corporate Officers, restricted share-based remuneration, and revisions to directors' remuneration, as well as other matters.

c. Corporate Ethics Committee

Chairperson: Compliance Officer (Head of Corporate Affairs Division)
Members: The Committee consists of 12 members including 11 members internally assigned by the chairperson and an outside lawyer for ensuring transparency and confidence of the Committee
Observers: Hideyuki Haruyama and Kazuyuki Watanabe, Members of the Audit and Supervisory Board (Full-time), Vice President of Internal Audit Department

- It has been established to comply with Japanese and other jurisdictions' laws and corporate ethics and to promote the management of corporate social responsibility.
- In fiscal 2017, meetings were held a total of two times, in July and February to discuss the global policy for Anti-Bribery & Anti-Corruption and the Fiscal 2018 Activity Plan (awareness promotion, education, monitoring, surveys, revision of regulations, and other matters related to compliance) as well as discussion on other activities.

d. Environmental Management Committee

Chairperson: Chief Executive Officer of Environmental Management (Head of Corporate Affairs Division)
Members: The Committee consists of 12 members including Environment Management Officer (Vice President of CSR Department) assigned by the chairperson

- It has been established to promote environmental management, which elaborates to reduce environmental burden and harmonize with global environment and contributes to building sustainable society through overall corporate activities.
- In fiscal 2017, meetings were held a total of three times, in July, November, and February to discuss environmental management action plans, including measures for combatting climate change and optimizing the environmental management system, along with revising the policies for environmental management practices.

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

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

(3) Members of the Board and Members of the Audit and Supervisory Board (as of March 31, 2018)

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

Name	Position and Assignments, etc.	Material Concurrent Positions	Relationship of companies where they have material concurrent positions, and the Company
Tsuguya Fukui	Member of the Board (Outside)	President of St. Luke's International University	No material relationship
		President of St. Luke's International Hospital	
		Executive Director of Japan Hospital Association	
		President of The Japan Medical Library Association	
Hideyuki Haruyama	Member of the Audit and Supervisory Board (Full-time)		
Kazuyuki Watanabe	Member of the Audit and Supervisory Board (Full-time)		
Akiko Kimura	Member of the Audit and 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 and 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	
Sayoko Izumoto	Member of the Audit and Supervisory Board (Outside)	External Audit and Supervisory Board Member of Freund Corporation	No material relationship
		Outside Director of Hitachi Transport System, Ltd.	

Notes:

1. The Company's Boards consist of ten Members of the Board and five Members of the Audit and Supervisory Board, totaling 15, and including two female Members of the Audit and Supervisory Board (a ratio of female directors and auditors is 13.3%).
2. In the above, Members of the Board (Outside) means a member of the board (outside) prescribed by Article 2, Item 15 of the Companies Act of Japan ("the Companies Act") and Member of the Audit and Supervisory Board (Outside) means a member of the audit and supervisory board (outside) prescribed by Article 2, Item 16 of the Companies Act.
3. The Company has designated all Members of the Board (Outside) (Noritaka Uji, Hiroshi Toda, Naoki Adachi and Tsuguya Fukui) and Members of the Audit and Supervisory Board (Outside) (Akiko Kimura, Yutaka Katagiri and Sayoko Izumoto) as Independent Directors/ Auditors and filed them with the Tokyo Stock Exchange accordingly.
4. Sayoko Izumoto, Member of the Audit and Supervisory Board (Outside), is a certified public accountant and has considerable knowledge on financial and accounting matters.
5. No Members of the Board or Members of the Audit and Supervisory Board resigned or were removed during the fiscal year.
6. Kitasato Daiichi Sankyo Vaccine Co., Ltd. is a consolidated subsidiary of the Company. There are no important business transaction relationships between the Company and the other entities at which Members of the Board and Members of the Audit and Supervisory Board hold material concurrent positions.

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

1) Relationship of Companies Where They Have Material Concurrent Positions, and the Company (As of March 31, 2018)

- Relationship of companies where they have material concurrent positions, and the Company, is as described in (3) Members of the Board and Members of the Audit and Supervisory Board.

2) Major Activities During the Fiscal Year

Name	Position	No. of attendance	Major activities
Noritaka Uji	Member of the Board (Outside)	Board of Directors Meeting 13/13 times (100%)	He spoke as needed and beneficially based on his expertise in information technology and insight on overall corporate management developed through his management experience. He also served as Chairperson of the Nomination Committee and member of the Compensation Committee.
Hiroshi Toda	Member of the Board (Outside)	Board of Directors Meeting 13/13 times (100%)	He spoke as needed and beneficially based on his expertise in securities and finance as well as insight developed through his management experience and global experience as a diplomat. He also served as Chairperson of the Compensation Committee and member of the Nomination Committee.
Naoki Adachi	Member of the Board (Outside)	Board of Directors Meeting 12/13 times (92%)	He spoke as needed and beneficially based on his expertise of broad business areas based on printing technologies and his insights into overall corporate management developed through his management experience. He also served as member of the Nomination Committee and the Compensation Committee.
Tsuguya Fukui	Member of the Board (Outside)	Board of Directors Meeting 13/13 times (100%)	He spoke as needed and beneficially based on his professional knowledge and insights as a medical scientist. He also served as member of the Nomination Committee and the Compensation Committee.
Akiko Kimura	Member of the Audit and Supervisory Board (Outside)	Board of Directors Meeting 12/13 times (92%) Meetings of the Audit and Supervisory Board 13/14 times (93%)	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 and Supervisory Board (Outside)	Board of Directors Meeting 13/13 times (100%) Meetings of the Audit and 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.
Sayoko Izumoto	Member of the Audit and Supervisory Board (Outside)	Board of Directors Meeting 9/10 times (90%) Meetings of the Audit and Supervisory Board 11/11 times (100%)	She spoke as needed and beneficially based on her expertise and insight developed through her broad business experience as a certified public accountant.

Note: The number of attendance for Sayoko Izumoto in the meetings of the Board of Directors and the Audit and Supervisory Board signifies the number of attendance only to such meetings of the Board of Directors and the Audit and Supervisory Board held after her assumption of office on June 19, 2017.

3) Outline of the Terms of Liability Limitation Agreement

- With regard to liability for damages under Article 423, Paragraph 1 of the Companies Act, the Company has entered into agreements with each Member of the Board (Outside) Noritaka Uji, Hiroshi Toda, Naoki Adachi and Tsuguya Fukui and Members of the Audit and Supervisory Board (Outside) Akiko Kimura, Yutaka Katagiri and Sayoko Izumoto 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.

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

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

- Remuneration to Members of the Board is designed to provide remuneration that contributes to maximizing corporate value. Specifically, in addition to a basic, fixed remuneration, performance-based bonuses serving as short-term incentive and restricted share-based remuneration serving as long-term incentive are adopted.
- Performance-based bonuses serving as short-term incentives are determined by the degree of achievement of a single fiscal year measured by adopting revenue, operating profit margin and profit attributable to owners of the Company as the relevant indices.
- As long-term incentives, the Company grants, every year in principle, restricted stocks with 3-5 years of transfer restriction to the eligible Members of the Board. The objective of the scheme is to provide Member of the Board an incentive to sustainably increase the Company's corporate value and to further promote shared value between shareholders and them by having the restricted stocks.
- 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 and Supervisory Board adequately perform their role, which is oversight of management, short-term and long-term incentives are not provided and only basic remuneration is granted.

(Reference)
System of remuneration to Members of the Board and Members of the Audit and Supervisory Board and eligible recipients

		Members of the Board	Members of the Board (Outside)	Members of the Audit and Supervisory Board
Fixed remuneration	**Basic remuneration** (Members of the Board: a maximum limit of ¥450 million per fiscal year; Members of the Audit and Supervisory Board: a maximum limit of ¥120 million per fiscal year)	●	●	●
Performance based remuneration	**Short-term incentive** **Performance based bonuses** (amount determined at the General Meeting of Shareholders)	●	-	-
	Long-term incentive **Restricted share-based remuneration** (a maximum limit of ¥140 million per fiscal year)	●	-	-

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

- The General Meeting of Shareholders has approved a basic remuneration of Members of the Board at a maximum limit of ¥450 million per fiscal year and a total amount of restricted share-based remuneration to be granted to Members of the Board at a maximum limit of ¥140 million per fiscal year. Performance-based bonuses are approved by the General Meeting of Shareholders for the relevant fiscal year.
- The General Meeting of Shareholders has approved a basic, fixed remuneration of Members of the Audit and Supervisory Board, which shall be the only remuneration they receive, at a maximum limit of ¥120 million per fiscal year.

- Establishment of the remuneration system and criteria for Members of the Board and Corporate Officers, examination and review of the remuneration level for each position, confirmation of the results of performance-based bonuses, and allotment of restricted stocks have been thoroughly deliberated at the Compensation Committee, in which the majority of members are Members of the Board (Outside).

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

Classification	Members of the Board		Members of the Audit and 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
Remuneration (annual amount) (Of which Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside))	10 (4)	412 (60)	5 (3)	117 (42)	15 (7)	529 (102)
Bonuses to Members of the Board (Excluding Members of the Board (Outside) and Members of the Audit and Supervisory Board)	6	106	-	-	6	106
Restricted share-based remuneration (Excluding Members of the Board (Outside) and Members of the Audit and Supervisory Board)	6	92	-	-	6	92
Total (Of which Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside))	10 (4)	609 (60)	5 (3)	117 (42)	15 (7)	725 (102)

Notes: 1. The total amount of remuneration paid to Members of the Board is ¥450 million or less per fiscal year, and the total amount of remuneration to Members of the Audit and Supervisory Board is ¥120 million or less per fiscal year (excluding the portion of salaries for Members of the Board concurrently working as employees), which were approved at the 151st Ordinary General Meeting of Shareholders of (former) Sankyo Company, Limited and the 127th Ordinary General Meeting of Shareholders of (former) Daiichi Pharmaceutical Co., Ltd., held on June 29, 2005, concerning the establishment of a holding company through a Share Transfer.

2. “Bonuses to Members of the Board” 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 13th Ordinary General Meeting of Shareholders of the Company.

3. “Restricted share-based remuneration” above represents the amount posted to expenses as restricted share-based remuneration in this fiscal year. This restricted share-based remuneration with a maximum limit of ¥140 million per fiscal year was approved at the 12th Ordinary General Meeting of Shareholders held on June 19, 2017, separate from the resolution on the total amount of remuneration described in 1. above.

(7) Internal Control Structure

1) Basic Policy on Establishing Internal Control Structure

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

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

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

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

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

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

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

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

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

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

i. Systems of Reporting to Members of the Audit and Supervisory Board of the Company by Members of the Board and Employees of the Company and Subsidiaries and Other Systems Regarding Reporting to Members of the Audit and Supervisory Board of the Company
- The Company shall establish a system under which when Members of the Board find facts that could badly hurt the Company, they shall immediately report the facts to Members of the Audit and Supervisory Board.
- Members of the Audit and Supervisory Board of the Company shall receive reports on the status of execution of duties from executives and employees of the Company as well as executives and employees of Group companies.
- Members of the Audit and Supervisory Board of the Company shall attend the

Management Executive Meeting and other important meetings.
- To verify process and details of approvals, the Company shall establish the Members of the Audit and Supervisory Board as permanent recipients of approval document notification.

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

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

2) Overview of Status for Implementing Internal Control Structure

[Matters Regarding Risk Management]

- The Group defines risks as those factors that may prevent the Group from attaining its organizational goals and targets and that can be predicted in advance. The Group is promoting risk management through such means as taking steps to address risks inherent in corporate activities and rationally controlling the potential impacts should risks actualize. In this manner, we seek to minimize the adverse impacts of risks on people, society, and the Group.
- Chief Financial Officer (CFO) oversees group-wide risk management as the chief risk management officer, promotes risk management education, and operates the risk management system. The Company takes precautions to prevent the actualization of risks with the potential to significantly impact the management of the Company. At meetings of the Board of Directors and Management Executive Meetings, etc. we specify risks and regularly seek to identify and assess such risks. Moreover, the heads of divisions formulate countermeasures through coordination with the chief risk management officer.
- As part of the risk management scheme, the Group has a business continuity plan (BCP) that stipulates preparations for and measures to be instituted in the event of a disaster as well as crisis management procedure manuals 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 Chief Executive Officer (CEO), Chief Operating Officer (COO) and the Corporate Ethics Committee (including an outside lawyer) and, if there is an issue, a system is in place to make a proposal for implementing measures to resolve such issue.
- With the purpose of establishing the minimum standards of global anti-bribery and anti-corruption rules and principles that the Daiichi Sankyo Group companies should comply with, thereby reinforcing the anti-bribery and anti-corruption system for the entire Daiichi Sankyo Group, the Daiichi Sankyo Group Global Anti-Bribery & Anti-Corruption Policy ("Global ABAC Policy") was established in October 2017.
- In accordance with "Global Management Regulations," "Organizational Management Regulations," and other rules, Vice Presidents and executives responsible for the main regions, corporate bodies and functions who receive orders from CEO and COO supervise, manage, and direct members of their business units. Progress is reported to executives appropriately through the Management Executive Meeting and operation results meetings.
- 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 implemented in May, 2015 and the revision of the Basic Policy on Establishing Internal Control Structure of the Company.
- The Group has established a Global Compliance Advisory Committee as an advisory organ to the Corporate Ethics Committee, which consists of compliance officers of subsidiaries in overseas, in order to ensure the effectiveness of the global compliance system. 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 Board of Directors, CEO, COO 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 and Supervisory Board]

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

- To further strengthen the audit functions of Members of the Audit and Supervisory Board, full-time staffers, who are independent from the execution of operations, assist with the duties of Members of the Audit and Supervisory Board.

(Reference) Self-evaluation of the Board of Directors for the 2017 fiscal year

The Company conducts the self-evaluation of the Board of Directors every fiscal year to recognize the current status of the functions and effectiveness of the Board of Directors, and improve the functions and effectiveness accordingly. The Company recently implemented the self-evaluation of the Board of Directors for the 2017 fiscal year.

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

The Company determines the self-evaluation items and contents including the items to evaluate Members of the Board itself with reference to the principle and supplementary principle associated with the general principle 4, "Roles and Responsibilities of the Board," of Japan's Corporate Governance Code. All Members of the Board self-evaluated the roles and responsibilities, operation and composition of the Board of Directors, and the improvement status compared to the previous fiscal year's self-evaluation by selecting grades and answering free descriptions. In addition, the analysis results and the details were reported to the Board of Directors.

In addition, the Company continuously works to improve the functions and effectiveness of the Board of Directors by making use of the self-evaluation to have the Board of Directors and the Members of the Board assess their own current status and become aware of issues, take steps to implement measures for improvement against those issues extracted from the evaluation, and evaluate items, including the status of improvement, in the following fiscal year.

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

The evaluation of the Board of Directors for the 2017 fiscal year concluded that the Board of Directors of the Company is appropriately functioning in terms of its roles, duties, operation and composition, and that the overall effectiveness of the Board of Directors has been ensured. In addition, it was ensured that the initiatives taken to strengthen the function of the Board of Directors to supervise management, which was identified as an item for improvement in the self-evaluation of the previous fiscal year, have led to strengthening the supervision function. Such initiatives included, (i) establishing opportunities other than meetings of the Board of Directors to share information related to important deliberation items to further enhance deliberations and (ii) specifying timely, appropriate themes as matters to be reported.

In view of the evaluation for the 2017 fiscal year, the Company will strive to ensure and improve functions and effectiveness of the Company's Board of Directors by addressing the improvement measures on the operation of the Board of Directors continuously to enhance and deepen the discussions at the Board of Directors furthermore.

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

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

4. Status of Accounting Auditors

(1) Name of Accounting Auditors (Independent Auditors)

KPMG AZSA LLC

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

	Amount of fees (Millions of yen)
Amount of fees and others to Accounting Auditors concerning the current fiscal year	208
Total amount of money and other financial benefits that the Company and its subsidiaries should pay to Accounting Auditors	266

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

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

(3) Details of Non-Auditing Services

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

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

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

Consolidated Statement of Financial Position (IFRS)
(As of March 31, 2018)

(Millions of yen)

Account	12th Fiscal Period (for reference)	13th Fiscal Period
[ASSETS]		
Current assets		
Cash and cash equivalents	246,050	357,702
Trade and other receivables	231,867	231,529
Other financial assets	552,896	429,380
Inventories	153,138	172,586
Other current assets	10,461	10,347
Subtotal	1,194,414	1,201,545
Assets held for sale	3,374	-
Total current assets	1,197,788	1,201,545
Non-current assets		
Property, plant and equipment	217,772	217,946
Goodwill	78,446	75,479
Intangible assets	217,044	173,537
Investments accounted for using the equity method	1,424	1,693
Other financial assets	140,856	179,177
Deferred tax assets	53,502	40,339
Other non-current assets	8,143	8,035
Total non-current assets	717,190	696,209
Total assets	1,914,979	1,897,754

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

(Millions of yen)

Account	12th Fiscal Period (for reference)	13th Fiscal Period
[LIABILITIES AND EQUITY]		
Current liabilities		
Trade and other payables	219,759	226,164
Bonds and borrowings	-	20,000
Other financial liabilities	535	516
Income taxes payable	57,955	64,609
Provisions	41,223	34,015
Other current liabilities	6,285	7,800
Subtotal	325,758	353,105
Liabilities directly associated with assets held for sale	1,058	-
Total current liabilities	326,817	353,105
Non-current liabilities		
Bonds and borrowings	280,543	260,564
Other financial liabilities	9,069	8,155
Post-employment benefit liabilities	11,381	10,547
Provisions	16,350	48,752
Deferred tax liabilities	32,294	18,676
Other non-current liabilities	67,093	64,911
Total non-current liabilities	416,733	411,608
Total liabilities	743,550	764,713
[EQUITY]		
Equity attributable to owners of the Company		
Share capital	50,000	50,000
Capital surplus	103,750	94,633
Treasury shares	(113,952)	(163,531)
Other components of equity	124,489	120,504
Retained earnings	1,011,610	1,031,376
Total equity attributable to owners of the Company	1,175,897	1,132,982
Non-controlling interests		
Non-controlling interests	(4,469)	58
Total equity	1,171,428	1,133,041
Total liabilities and equity	1,914,979	1,897,754

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

Consolidated Statement of Profit or Loss (IFRS)

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

Account	12th Fiscal Period (for reference)	13th Fiscal Period
Revenue	955,124	960,195
Cost of sales	349,373	346,021
Gross profit	605,751	614,173
Selling, general and administrative expenses	302,475	301,845
Research and development expenses	214,347	236,046
Operating profit	88,929	76,282
Financial income	6,406	8,642
Financial expenses	7,710	4,223
Share of profit (loss) of investments accounted for using the equity method	162	320
Profit before tax	87,788	81,021
Income taxes	40,309	21,210
Profit for the year	47,479	59,811
Profit attributable to:		
Owners of the Company	53,466	60,282
Non-controlling interests	(5,987)	(471)

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

Non-Consolidated Balance Sheet (Japanese GAAP)

(As of March 31, 2018)

(Millions of yen)

Account	12th Fiscal Period (for reference)	13th Fiscal Period
[ASSETS]	**1,463,461**	**1,472,669**
I. Current assets	847,098	822,673
Cash and time deposits	506,766	467,093
Trade notes receivable	240	278
Accounts receivable - trade	183,872	165,948
Securities	34,998	50,009
Merchandise and finished goods	61,441	66,392
Raw materials	14,248	13,334
Prepaid expenses	2,716	2,767
Deferred tax assets	26,750	28,980
Short-term loans receivable	11,693	3,978
Accounts receivable - other	9,093	23,012
Other current assets	2,430	2,965
Provisions for doubtful accounts	(7,153)	(2,087)
II. Non-current assets	616,363	649,995
Property, plant and equipment	92,569	87,292
Buildings and structures	69,486	64,529
Machinery	1,199	566
Vehicles, tools, furniture and fixtures	6,750	6,240
Land	14,755	15,346
Leased assets	0	-
Construction in progress	377	609
Intangible assets	23,494	22,786
Patent rights	593	530
Software	2,486	1,735
Others	20,415	20,520
Investments and other assets	500,299	539,916
Investment securities	105,618	97,475
Shares in subsidiaries and associates	263,089	278,935
Investments in capital of subsidiaries and associates	105,201	105,201
Long-term loans receivable	27,549	8,688
Long-term accounts receivable - other	-	37,449
Prepaid pension costs	8,332	7,449
Others	4,670	4,877
Provisions for doubtful accounts	(14,162)	(162)
Total	1,463,461	1,472,669

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

(Millions of yen)

Account	12th Fiscal Period (for reference)	13th Fiscal Period
[LIABILITIES]	**574,942**	**600,009**
I. Current liabilities	276,963	277,722
Accounts payable - trade	38,655	37,546
Short-term borrowings	1,527	20,000
Lease obligations	0	-
Accounts payable - other	88,266	38,497
Accrued expenses	41,023	43,518
Income taxes payable	53,098	55,743
Consumption taxes payable	4,296	5,076
Deposit received	43,681	74,439
Deferred revenue	197	307
Provisions for sales returns	137	143
Provisions for sales rebates	357	418
Provisions for environmental measures	339	-
Provisions for loss on business of subsidiaries and associates	4,012	-
Other current liabilities	1,369	2,030
II. Non-current liabilities	297,978	322,287
Bonds	180,000	180,000
Long-term borrowings	101,000	81,000
Long-term accounts payable - other	177	164
Deferred tax liabilities	9,530	15,672
Provisions for business restructuring	2,865	2,865
Provisions for loss on litigation	-	38,044
Other non-current liabilities	4,404	4,540
[NET ASSETS]	**888,519**	**872,659**
I. Shareholders' equity	839,517	824,448
Share capital	50,000	50,000
Capital surplus	659,063	656,275
Legal reserve	179,858	179,858
Other capital surplus	479,205	476,416
Retained earnings	244,406	281,704
Other retained earnings	244,406	281,704
Reserve for advanced depreciation of property, plant and equipment	7,607	6,999
Retained earnings carried forward	236,798	274,705
Treasury shares	(113,952)	(163,531)
II. Valuation and translation adjustments	46,934	46,218
Net unrealized gain or loss on investment securities	46,934	46,218
III. Subscription rights to shares	2,067	1,993
Total	**1,463,461**	**1,472,669**

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

Non-Consolidated Statement of Income (Japanese GAAP)
(From April 1, 2017 to March 31, 2018)

(Millions of yen)

Account	12th Fiscal Period (for reference)	13th Fiscal Period
Net sales	629,151	630,954
Cost of sales	238,086	271,754
Provisions for sales returns	1	5
Gross profit	391,063	359,194
Selling, general and administrative expenses	372,580	342,016
Operating income	18,483	17,177
Non-operating income	29,602	79,846
Interest income	360	396
Interest on securities	29	21
Dividend income	23,452	72,479
Rental income	4,569	4,370
Foreign exchange gains, net	142	1,664
Other non-operating income	1,047	914
Non-operating expenses	7,109	6,888
Interest expenses	526	537
Interest on bonds	1,612	1,896
Provisions for doubtful accounts	294	-
Cost of rental income	2,020	1,989
Depreciation of idle non-current assets	46	31
Loss on valuation of investment securities	646	64
Other non-operating expenses	1,962	2,367
Ordinary income	40,976	90,136
Extraordinary gains	9,650	33,013
Gain on sales of non-current assets	8	42
Gain on sales of investment securities	9,642	9,838
Reversal of provisions for doubtful accounts	-	18,948
Reversal of provisions for loss on business of subsidiaries and associates	-	4,012
Other extraordinary gains	-	172
Extraordinary losses	29,276	31,040
Loss on disposal of non-current assets	581	451
Loss on sales of investment securities	324	370
Provisions for doubtful accounts	18,948	-
Provisions for loss on business of subsidiaries and associates	4,012	-
Loss on valuation of subsidiaries and associates' shares	5,404	28,311
Other extraordinary losses	4	1,907
Income (loss) before income taxes	21,349	92,109
Income taxes - current	2,680	4,130
Income taxes - deferred	8,190	4,250
Net income	10,479	83,729

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

Translation of a report originally issued in Japanese

Independent Auditor's Report

May 9, 2018

The Board of Directors
Daiichi Sankyo Company, Limited

KPMG AZSA LLC

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

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

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

We have audited the consolidated financial statements, comprising the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the related notes of Daiichi Sankyo Company, Limited as at March 31, 2018 and for the year from April 1, 2017 to March 31, 2018 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 9, 2018

The Board of Directors
Daiichi Sankyo Company, Limited

KPMG AZSA LLC

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

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

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

We have audited the financial statements, comprising the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the related notes, and the supplementary schedules of Daiichi Sankyo Company, Limited as at March 31, 2018 and for the year from April 1, 2017 to March 31, 2018 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

In the following report, we, the Audit and Supervisory Board, have prepared the results of consultation based on the Audit Reports compiled by each Member of the Audit and Supervisory Board, with respect to the audit of the performance of duties by the Members of the Board during the 13th business year from April 1, 2017 to March 31, 2018.

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

(1) The Audit and Supervisory Board specified the audit standard, and the audit policy and the audit plan for the 13th fiscal year ended March 31, 2018, and received reports on the status and results of the audit carried out by each Member of the Audit and Supervisory Board based on said standard, policy and plan, as well as received reports from Members of the Board and accounting auditors on the status of the execution of their duties and asked them for explanations as needed.

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

1) Each Member of the Audit and Supervisory Board attended meetings of the Board of Directors and other meetings as deemed important, received from Members of the Board and employees reports on the execution of their duties, asked for explanations as necessary, perused the documents whereby the important decisions were made, and examined business and financial conditions at the head office and its major business offices. Also, we have maintained good communications and exchanged information with Members of the Board, Members of the Audit and 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 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. We have monitored and verified whether the accounting auditors maintain independency and properly implement audit.

In light of the audit conducted based on methods mentioned above, we have reviewed the Business Report, their 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 11, 2018

Audit and Supervisory Board of Daiichi Sankyo Company, Limited

Member of the Audit and Supervisory Board (Full-time)	Hideyuki Haruyama
Member of the Audit and Supervisory Board (Full-time)	Kazuyuki Watanabe
Member of the Audit and Supervisory Board (Outside)	Akiko Kimura
Member of the Audit and Supervisory Board (Outside)	Yutaka Katagiri
Member of the Audit and Supervisory Board (Outside)	Sayoko Izumoto