Our Mission

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

We have established Core Values and Commitments as the criteria for our business activities and decision making. Our global brand is a pledge to our stakeholders of what the Company is capable of delivering, now and in the future. Our corporate slogan succinctly states how we make efforts for what and for whom.

In addition, we have established the DAIICHI SANKYO Group Corporate Conduct Charter* to act with the highest ethical standards and a good social conscience appropriate for a company engaged in a business that affects human lives.

* The full text of the DAIICHI SANKYO Group Corporate Conduct Charter can be found on page 28.

Core Values and Commitments (Criteria of the Value Judgment to Fulfill Our Mission)

<table>
<thead>
<tr>
<th>Core Values</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation</td>
<td>the introduction of new ideas, methods, or invention</td>
</tr>
<tr>
<td>Integrity</td>
<td>the quality of being honest and of always having high moral principles</td>
</tr>
<tr>
<td>Accountability</td>
<td>being responsible for the effects of your actions, and being willing to explain or be criticized for them</td>
</tr>
</tbody>
</table>

Commitments

1. To create innovative medicines changing SOC*
   * SOC (Standard of Care): Universally applied best treatment practice in today’s medical science
2. To take a global perspective, and respect regional values
3. To foster intellectual curiosity and strategic insight
4. To provide the highest quality medical information
5. To provide a stable supply of top-quality pharmaceutical products
6. To be an ethical, trusted, and respectful partner
7. To be accountable for achieving our goals
8. To demonstrate professionalism, respect for others, and teamwork

Corporate Slogan

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

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

http://www.daiichisankyo.com

Highlights of Value Report 2016

Page 4 - 5
Business and CSR Activities Pursuing Sustainable Improvement for Corporate Value
This section explains the Group’s vision for the sustainable improvement for corporate value, together with an overview of efforts of the Group to promote the integrated advancement of business activities and CSR activities.

Page 6 - 9
Message from the CEO
President Nakayama explains our policies for realizing the sustainable improvement of the Daiichi Sankyo Group’s corporate value, the background that led us to define our “2025 Vision,” and our goals for the future.

Page 12 - 21
5-Year Business Plan
Under the new 5-year business plan, we will tackle the two challenges of “grow beyond FY2017 LDE” and “establish a foundation of sustainable growth” to further our transformation toward realizing the “2025 Vision.”

Page 30 - 58
Business Activities
This section provides detailed explanations of the activities of each of the Group’s business units and functional units.

Page 59 - 75
CSR Activities
This section details the various business activities of the Group as well as the CSR activities incorporated into these business activities.

Page 76 - 85
Corporate Governance
In this section, we look at the corporate governance systems that form the foundations for the Group’s pursuit of the sustainable improvement of corporate value.

Description of Icons

References (related websites)
Business and CSR Activities Pursuing Sustainable Improvement for Corporate Value

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

### Sustainable Improvement for Corporate Value

The raison d'être of a pharmaceutical company lies in addressing diverse medical needs around the world and helping patients through the creation of pharmaceuticals, a principle that rests at the core of our business. For a pharmaceutical company, the creation and ongoing improvement of corporate value is based on the sustainable development of an economic value cycle through its business activities. In this cycle, we create and supply pharmaceuticals with social value and receive economic rewards based on that value. The rewards gained are delivered to shareholders and other stakeholders and used for making investments for further drug discoveries. Continuing to build upon this economic value cycle is the means through which we create value as a pharmaceutical company and also the basis for the sustainable improvement for corporate value.

Furthermore, from among social, environment, and other sustainability issues, we have identified those issues that are important for us to address and organized these into six domains on which we will concentrate CSR activities. Actual activities are based on international CSR initiatives, such as the United Nations Global Compact1 and ISO 26000,2 as well as the type of responsible activities our stakeholders expect of us. Furthermore, we incorporate the requests and expectations of society as well as considerations of the relationship between issues and our medium- to- long-term business development into the CSR activities in order to contribute to the realization of a sustainable society. We believe that engaging in such activities will not only help create social and environmental value but also prevent damage to our corporate value from a risk management standpoint.

We feel that both business activities and CSR activities are indispensable, and we conduct these activities in an integrated manner in order to create sustainable improvements in our corporate value. (See chart below.)

### Integration of Business Activities and CSR Activities

The business activities section of this report explains our initiatives for the advancement of an economic value cycle in the areas of research and development, pharmaceutical technology, supply chains, quality and safety management and medical affairs, and marketing and sales. With regard to CSR activities for creating social and environmental value, we will introduce activities conducted in our six domains that have been integrated into our business activities in line with action policies. (See chart below.)

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1. A voluntary initiative in which companies and organizations demonstrate responsible and creative leadership and act as upstanding members of society by participating in the creation of global frameworks aimed at realizing sustainable growth.
2. International guidance standard not aimed at providing third-party verification of the social responsibility of companies and other organizations.
As a Global Pharma Innovator with competitive advantage in oncology, Daiichi Sankyo aims to realize sustainable growth of its corporate value by contributing to the enrichment of quality of life around the world.

The business of the Daiichi Sankyo Group entails connections with shareholders, investors, patients, healthcare professionals, employees, business partners, local communities and various other stakeholders. We believe that by keeping our stakeholders informed about our diverse activities in a more formal way, our stakeholders can appreciate our true value as a company. Based on this belief, we began compiling information on the Group’s activities into the annual, comprehensive Value Reports in fiscal 2013. The contents of these reports include management policy, business strategy and financial information, as well as information on the corporate social responsibility (CSR) activities that the Group conducts to contribute to the realization of a sustainable society.

We create innovative pharmaceuticals via R&D activities and have received economic rewards for the value we deliver by providing these pharmaceuticals to people around the world. These economic rewards are returned to stakeholders in a balanced manner and are also used to make investments for further drug discoveries. Continuing to build upon this economic value cycle is one of the means through which we create value as pharmaceutical company and also the basis for the sustainable improvement for corporate value. In order to continue stable growth over the long term, we aim to actively respond to the diverse and ever-changing needs of society, fulfill our responsibilities and duties as members of society, and grow together with society. In other words, it is important that we simultaneously strengthen corporate governance systems and conduct CSR activities aimed at promoting compliance management, facilitating the mutual growth of employees and the Company, and responding to social issues, such as the need to improve access to healthcare, as a pharmaceutical company. These activities must be integrated into the operation of our cycle of economic value to realize sustainable improvement for corporate value.

“Value Report 2016” was designed with the aim of informing stakeholders about the Daiichi Sankyo Group’s various business activities, with particular emphasis placed on its “2025 Vision” and the 4th mid-term 5-year business plan, both of which were announced in March 2016. To begin with, I will explain the background that led us to define our “2025 Vision” as being a “Global Pharma Innovator with competitive advantage in oncology.”
Looking Back
Since its inception through the merger of Sankyo Co., Ltd., and Daiichi Pharmaceutical Co., Ltd., the Daiichi Sankyo Group has worked to fulfill its 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.”
Seeking to fulfill this mission, we launched the 1st mid-term business plan in fiscal 2007 with the theme of “maximization of synergy and expansion of growth foundation.” This plan was followed by the 2nd mid-term business plan in fiscal 2010, which was centered on the “advancement of global hybrid business model,” and then the 3rd mid-term business plan in fiscal 2013, which advocated the “promotion of measures toward sustainable growth beyond LDE (loss of exclusivity).” Our activities were thus advanced based on these themes.
Looking back at our progress with regard to major post-merger initiatives, we still have some distance to go with regard to the launch of an oncology business and the creation of global top-class pipelines in core therapeutic areas. Conversely, we have sufficiently accomplished our goals with regard to the maximization of the almesutan franchise and the expansion of business foundations in Japan, and we have established our thrombosis franchise with prasugrel and edoxaban and made progress toward best practice operational efficiency.
With regard to the “realization of global hybrid business model,” we changed the direction of our strategies during the period of the 3rd mid-term business plan with the decision to divest Rantyaxis Laboratories Ltd.

Market Environment
The operating environment for the pharmaceutical industry is characterized by rising global pressure to limit medical expenses combined with an emphasis on cost effectiveness and the growing influence of payers. In addition, the markets for medicines frequently prescribed at hospitals and by specialists are growing, while innovative medicines changing the standard of care (SOC) are becoming increasingly more prominent. Meanwhile, the differences in market shares of specific drugs by country and region are widening due to differences in regulatory and insurance systems.

Differences between Countries and Regions and Transition to Regional Value
Stagnant growth is expected for the Japanese market due to the worsening of government finances, which has resulted in trends such as the government’s establishment of a target of 80% for the ratio of generic prescriptions to total prescriptions, as well as the introduction of the special price cut for blockbuster drugs. On the other hand, Japan is also deploying policies for encouraging innovation in the pharmaceutical market, including the promotion of regenerative medicine and cell therapy advancement and the introduction of new drug discovery incentives.

The United States continues to be home to the world’s largest pharmaceutical market, where cutting-edge science born out of intense competition lays fertile ground for the creation of new drugs and treatment methods. As such, this market is expected to see ongoing stable growth into the future, although significant pressures on pricing and insurance coverage continue to be challenging in this market as well.
In Europe, the pressure to limit medical expenses is particularly heavy, making for a low-growth market. However, this market does present opportunities for pharmaceuticals that have been highly evaluated for cost-effectiveness.

Growing Unmet Needs in Specialty Area centered on Oncology
The mortality rate of cancer has become overwhelmingly high among all therapeutic areas, particularly in Japan. Moreover, in terms of global sales of drugs that are effective in treating cancer, the cancer market is incredibly large, with annual sales of ¥9.5 trillion. Patient medical needs remain unmet with many promising approaches being explored, such as immuno-oncology.
As such, I believe that unmet needs in specialty area centered on oncology are expected to increase going forward.

Leading Causes of Death (Japan) (deaths per 100,000 people)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cause of Death</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Death</td>
<td>Cancer</td>
<td>45.8</td>
<td>45.5</td>
<td>45.2</td>
<td>44.9</td>
</tr>
<tr>
<td>Death</td>
<td>Heart diseases</td>
<td>17.6</td>
<td>17.5</td>
<td>17.4</td>
<td>17.3</td>
</tr>
<tr>
<td>Death</td>
<td>Stroke</td>
<td>13.8</td>
<td>13.7</td>
<td>13.6</td>
<td>13.5</td>
</tr>
<tr>
<td>Death</td>
<td>Chronic kidney disease</td>
<td>8.9</td>
<td>8.8</td>
<td>8.7</td>
<td>8.6</td>
</tr>
<tr>
<td>Death</td>
<td>Cerebrovascular diseases</td>
<td>7.6</td>
<td>7.5</td>
<td>7.4</td>
<td>7.3</td>
</tr>
<tr>
<td>Death</td>
<td>Malnutrition/cancer</td>
<td>7.1</td>
<td>7.0</td>
<td>6.9</td>
<td>6.8</td>
</tr>
<tr>
<td>Death</td>
<td>Liver cancer</td>
<td>5.5</td>
<td>5.4</td>
<td>5.3</td>
<td>5.2</td>
</tr>
<tr>
<td>Death</td>
<td>Kidney cancer</td>
<td>5.2</td>
<td>5.1</td>
<td>5.0</td>
<td>4.9</td>
</tr>
<tr>
<td>Death</td>
<td>Lung cancer</td>
<td>4.7</td>
<td>4.6</td>
<td>4.5</td>
<td>4.4</td>
</tr>
<tr>
<td>Death</td>
<td>Malignant melanoma</td>
<td>3.6</td>
<td>3.5</td>
<td>3.4</td>
<td>3.3</td>
</tr>
<tr>
<td>Death</td>
<td>Non-melanotic skin cancer</td>
<td>3.3</td>
<td>3.2</td>
<td>3.1</td>
<td>3.0</td>
</tr>
</tbody>
</table>

Source: Office of Pharmaceutical Industry Research Based on demographic statistics released by the Ministry of Health, Labour and Welfare

Worldwide Trends by Therapeutic Area (2014)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Therapeutic Area</th>
<th>Worldwide Prescription Growth (%)</th>
<th>2013 Sales Rank</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Oncology</td>
<td>79.2</td>
<td>8</td>
<td>15%</td>
</tr>
<tr>
<td>2</td>
<td>Antihypertensives</td>
<td>48.8</td>
<td>9</td>
<td>8%</td>
</tr>
<tr>
<td>3</td>
<td>Antiarthritics</td>
<td>43.1</td>
<td>10</td>
<td>5%</td>
</tr>
<tr>
<td>4</td>
<td>Antidepressants</td>
<td>41.9</td>
<td>11</td>
<td>7%</td>
</tr>
<tr>
<td>5</td>
<td>Anticoagulants</td>
<td>32.0</td>
<td>12</td>
<td>9%</td>
</tr>
<tr>
<td>6</td>
<td>Antihyperlipidemics</td>
<td>30.5</td>
<td>13</td>
<td>9%</td>
</tr>
</tbody>
</table>

Sources: World Phrma 2015, Outlook 2020, EvaluatePharma
+ Growth rates represent growth from 2013.
Path Walked by Daiichi Sankyo

Daiichi Sankyo Group is dedicated to the creation and supply of innovative pharmaceutical products to address diversified, unmet medical needs of patients in both mature and emerging markets.

With over 100 years of scientific expertise and a presence in more than 20 countries, Daiichi Sankyo and its 16,000 employees around the world draw upon a rich legacy of innovation and a robust pipeline of promising new medicines to help people.

In addition to a strong portfolio of medicines for hypertension and thrombotic disorders, under the Group’s “2025 Vision” to become a “Global Pharma Innovator with Competitive Advantage in Oncology,” Daiichi Sankyo research and development is primarily focused on bringing forth novel therapies in oncology, including immune-oncology, with additional focus on new horizon areas, such as pain management, neurodegenerative diseases, heart and kidney diseases, and other rare diseases.

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues (Billions of yen)</th>
<th>Operating Profit (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>880.1</td>
<td>136.6</td>
</tr>
<tr>
<td>2018</td>
<td>883.5</td>
<td>142.5</td>
</tr>
<tr>
<td>2019</td>
<td>807.6</td>
<td>135.2</td>
</tr>
<tr>
<td>2020</td>
<td>795.5</td>
<td>89.8</td>
</tr>
<tr>
<td>2021</td>
<td>763.6</td>
<td>83.7</td>
</tr>
<tr>
<td>2022</td>
<td>813.0</td>
<td>81.8</td>
</tr>
<tr>
<td>2023</td>
<td>899.1</td>
<td>112.9</td>
</tr>
<tr>
<td>2024</td>
<td>919.4</td>
<td>96.6</td>
</tr>
<tr>
<td>2025</td>
<td>968.6</td>
<td>130.4</td>
</tr>
</tbody>
</table>

1. Including Raribay Corporation Ltd.
2. Figures for fiscal 2011 and prior are based on Japanese GAAP and are not comparable to figures for fiscal 2012 and forward that are based on IFRS.
3. Award for communication design.

Notes:
- Exterior
- Effet
- Sekisui
- Effet

Launches of new products:
- Osepin Tape
- OJU
- Sekisui Gel
- RANMARK
- TENVIA
- Chiba
- NEXUM
- SNV
- Merck
- NEXUM

Important management decisions:
- Expansion in Turkey and Ireland
- Expansion in Puerto Rico
- NEXUM
- Packaging factory: Flexikan Inc.
- Atrir Biologics Corp.
- Taisei Co., Ltd.
- Closed of Otsuka Plant
- Sale of Shizuoka Plant
- Acquisition of Raribay

CSR
- First time for inclusion in FTSE4Good®: inclusion continues thereafter
- Start of “Daiichi Sankyo Presents Familyincome Theater” program
- Revision of Daiichi Sankyo Group Corporate Conduct Charter
- Establishment of Daiichi Sankyo Kuroki Miriam
- Commencement of mobile healthcare field clinic services in developing countries
- Participation in United Nations Global Compact
- Participation in the Global Health Innovative Technology (GHIT) Fund
- Receipt of first series USAID Award 2015® for Daiichi Sankyo’s Value Report 2015
- Establishment of Daiichi Sankyo Group Individual Conduct Principles

*1. Index compiled by FTSE Russell recognizing companies that engage in responsible corporate activities
*2. Index compiled by S&P Dow Jones Indices LLC and RobecoSAM AG recognizing companies that exhibit sustainability
*3. Award for communication design

For more information on the 5-year business plan, see pages 12 to 21.
5-Year Business Plan

The 5-year business plan is designed to transform Daiichi Sankyo toward its “2025 Vision”. Under this plan, we will work to tackle two challenges: “grow beyond FY2017 LOE” and “establish a foundation of sustainable growth” for the future.

Challenge 1: Grow Beyond FY2017 LOE

We aim to overcome declines resulting from the loss of exclusivity (LOE) for mainstay products such as almesertan, an antihypertensive agent, as well as the impacts of National Health Insurance (NHI) drug price revisions in Japan. We will target revenue of ¥940.0 billion and operating profit of ¥100.0 billion in fiscal 2017.

(1) Measures for Recovering Revenue

By accelerating growth of edoxaban, an anticoagulant, and other mainstay products for the Japanese market and increasing the growth of Lutipold Pharmaceuticals, Inc. (LPPI), of the United States, we will strive to achieve revenue of ¥940.0 billion in fiscal 2017.

(2) Measures for Generating Profits

In addition to cost reduction measures conducted by the end of fiscal 2015, we will pursue further cost reductions and streamlining to achieve operating profit of ¥100.0 billion in fiscal 2017.

Challenge 2: Establish a Foundation of Sustainable Growth

Daiichi Sankyo will strive for a target revenue of ¥1,100.0 billion and operating profit of ¥165.0 billion for fiscal 2020. In addition, in fiscal 2020, we aim to have three to five late-stage pipelines that can be launched within the next five years with the potential to generate annual revenue exceeding ¥100.0 billion each at peak. If we can achieve these targets, we will achieve return on equity (ROE) of more than 8% in fiscal 2020.

To accomplish these targets in fiscal 2020, the following business strategies will be implemented.

(1) Business Strategies

- **Strategic Target 1: Grow Edoxaban**
  We will strive to accelerate growth of edoxaban to cultivate it into a mainstay product that generates more than ¥120.0 billion in revenue in fiscal 2020.

- **Strategic Target 2: Establish Oncology Business**
  We will establish an oncology business and then strive to grow this business revenue to over ¥40.0 billion in fiscal 2020 and approximately ¥30.0 billion in fiscal 2020.

- **Strategic Target 3: Grow as No. 1 Company in Japan**
  We will strive to grow Daiichi Sankyo into the No. 1 company in Japan in terms of quality and quantity by leveraging the strength of our innovative pharmaceuticals business in combination with our generic business, vaccine business, and over-the-counter (OTC) related business.

(2) Policies for Growth Investment, Shareholder Returns and Cash Allocation

Under the 5-year business plan, our policy will be to prioritize growth investment and also enhancing shareholder returns. As of March 31, 2016, cash-on-hand totaled roughly ¥70.0 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.

(3) Shareholder Returns Policy

We will seek a total return ratio 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 our own shares.

More information on each of these six strategic targets can be found in the pages that follow.
Strategic Target 1: Grow Edoxaban

The direct oral anticoagulant (DOAC) market, which comprises 4 products—edoxaban, dabigatran, rivaroxaban, and apixaban—is growing and has already reached the scale of ¥1,100.0 billion on a global basis. Looking at the ratio of prescription numbers, it is clear that substantial room still exists for DOACs to overtake warfarin, the current standard treatment.

Edoxaban (LIXIANA in Japan and Europe, and SAVAYSA in the US) has superior bleeding safety compared to warfarin coupled with the convenience of once daily doses, has significant evidence on its efficacy and safety backed by robust clinical trial results, and addresses needs of atrial fibrillation (AF) patients and venous thromboembolism (VTE) patients. In order to solicit its unique characteristics and endeavor to grow LIXIANA into a pillar supporting medium-to-long-term growth, we commit to advance steady global launch strategies and generate new evidence to strengthen the appeal of this product.

In Japan, we aim to grow LIXIANA into the No. 1 DOAC in the domestic market through our high-quality marketing capabilities. In Europe, we established a marketing alliance with Merck Sharp & Dohme Corp., a European subsidiary of Merck & Co., Inc., in February 2016. We will accelerate the growth of LIXIANA throughout all of Europe, as Daichi Sankyo markets it in Western Europe and Merck Sharp & Dohme focuses on Northern and Central Eastern Europe. In the United States, we will continue to market SAVAYSA for appropriate patients and seek to implement measures to improve access environment. Meanwhile, we will strive to realize early approval and launch of edoxaban in other regions while seeking best partners who we can collaborate with to develop full-fledged promotional activities in those new markets.

By advancing these initiatives, we aim to grow edoxaban into a product with annual global revenue of more than ¥120.0 billion.

![Grow Edoxaban into a Pillar Supporting Medium-to-Long Term Growth](image)

<table>
<thead>
<tr>
<th>Characteristics</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>High safety and convenience</td>
<td></td>
</tr>
<tr>
<td>Ability to adjust dosage amounts based on patient condition</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategies</td>
<td></td>
</tr>
<tr>
<td>Advance global launch strategies</td>
<td></td>
</tr>
<tr>
<td>Continue to appeal product profile</td>
<td></td>
</tr>
<tr>
<td>Generate new evidence</td>
<td></td>
</tr>
</tbody>
</table>

DOAC Market Trend (Billions of yen)

<table>
<thead>
<tr>
<th>Year (Year of FY)</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
</table>
| Ratio of Prescription Numbers of Warfarin and DOACs

©2016 IMS Health

Strategic Target 2: Establish Oncology Business

We will establish an oncology business by launching several drugs currently in late-stage development. Concurrently, we will accelerate early-stage oncology pipeline and evaluate further enrichment in oncology through the acquisition of external assets. Through the acceleration of oncology research and development, we aim to grow our oncology business revenue to more than ¥40.0 billion in fiscal 2020 and ¥300.0 billion in fiscal 2025.

![Revenues of FY2020 and FY2025](image)

1. Establish Oncology Business by Launching Current Late-Stage Pipeline Products

Quizartinib is currently in phase 3 studies for newly-diagnosed and relapsed/refractory FLT3-ITD-positive (FMS-like tyrosine kinase 3 internal tandem duplication) acute myeloid leukemia (AML). We expect top-line results (TLR)1 of the phase 3 study for relapsed / refractory AML patients (QuANTUM-R study) during the first half of 2018. If quizartinib is approved for newly-diagnosed and relapsed/refractory treatment, we believe it will generate peak annual revenue of approximately ¥100.0 billion.

![Quizartinib](image)

Peexpandirdinib was discovered by Plexikon Inc., and has been granted Breakthrough Therapy Designation by the U.S. Food and Drug Administration (FDA) for the treatment of tenosynovial giant cell tumor. It is being evaluated in a phase 3 study and we expect TLR during the first half of 2018. In addition, we are currently engaged in a collaborative study (phase 1/2a study) with U.S.-based Merck & Co. to investigate pexidartinib in combination with Merck’s anti-PD-1 antibody (immune checkpoint inhibitor). We expect the TLR of this study in the latter half of 2019. We believe that pexidartinib will generate peak annual revenue in the range of ¥100.0 billion by expanding the indications.

![Pexidartinib](image)

Tivantinib is being developed in partnership with ArQule Inc. in the United States and Europe for the treatment of refractory hepatocellular carcinoma. In March 2016, the independent data monitoring committee of the phase 3 study (METAV-C study) conducted the planned interim assessment, and it was determined the study will continue to its final analysis. We expect TLR during the first half of 2017. Tivantinib is expected generate peak annual revenue of around ¥30.0 billion.

![Tivantinib](image)

Patni Rutub is being evaluated as a treatment for head and neck cancer in a phase 2 study. In the preceding phase 1b study, we collected promising data from an analysis of a limited number of cases, and this data was announced at the American Society of Clinical Oncology together with our design for the phase 2 study in June 2016.

![Patni Rutub](image)

1. TLR: Anticipated initial results for studies
(2) Accelerate Early-Stage Pipeline Development
We have focused on drug discovery in oncology since the merger of Daichi and Sankyo in 2007 and allocated additional management resources to this area since 2009. As a result, we are now advancing many early-stage pipeline molecules with the aim of innovating the current standard of care (SOC). Going forward, we expect revenue contributions of ¥300.0 billion in fiscal 2025 from the total oncology portfolio.

Additionally, the following are four promising early-stage development compounds with different modes of action.

- **DS-3032**: An inhibitor of MDM2, a protein that is related to regulation of the p53 tumor suppressor. It is currently in phase 1 studies for the treatment of solid tumors and hematomal tumors. For a subgroup of patients, MDM2 gene amplification has been confirmed inside liposarcoma, a type of solid tumor. We anticipate high efficacy in patients in this subgroup.

- **DS-8201**: Daichi Sankyo’s first antibody drug conjugate (ADC) and was created using innovative ADC technologies. This drug displays the potential for significant efficacy in patients for which the efficacy of currently marketed anti-HER2 antibodies and anti-HER2 ADCs is insufficient. We are currently performing a phase 1 study for DS-8201 with the goal of acquiring study results during fiscal 2017.

- **DS-3201**: An EZH1 / EZH2 dual inhibitor discovered through joint research with the National Cancer Center and the University of Tokyo. In studies that commenced in March 2016, DS-3201 is the first compound studied by the Company to target an epigenetics approach. DS-3201 is expected to be a promising treatment option for adult T-cell leukemia, which, to date, lacks a consistently effective treatment. We aim to complete the phase 1 study in fiscal 2018.

- **DS-6051**: An INK / RAS1 inhibitor with Indications: solid tumor (liver cancer)

(3) Enrich Pipeline by Acquisition of External Assets
Daichi Sankyo has continued to pursue the expansion of products and pipelines by acquiring external assets via M&A or alliances. Going forward, we will continue to explore pipeline acquisition, prioritizing those that will contribute to the growth of our oncology franchise.

(4) Accelerate Oncology Research and Development into a New Organization
With the aim of accelerating research and development in the oncology area, Daichi Sankyo reformed its organizational structure. This reorganization included the April 2016 establishment of the Oncology R&D Sub Unit, which oversees the global research and clinical development functions in the oncology area. This move will enable us to consolidate our oncology R&D expertise and also facilitate flexible and seamless decision-making in order to accelerate meeting our research and development objectives in this area.

The Oncology R&D Sub Unit is led by Antoine Yyer, MD, MSc, who was appointed to this position in April 2016. Dr. Yyer previously led oncology research at global pharma companies, and he has a wealth of experience in the development of oncology drugs. Under his leadership, we will accelerate oncology research and development.

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**Strategic Target 3: Grow as No. 1 Company in Japan**

We are striving to grow Daichi Sankyo into the No. 1 company in Japan in terms of quality and quantity. To accomplish this objective, the Company will address a wide range of medical needs related to areas such as prevention, self-medication and treatment through leveraging the strength of its innovative pharmaceuticals business in combination with its generic business, vaccine business and OTC related business.

In our innovative pharmaceuticals business, we boast top-class sales capabilities in terms of both quality and quantity, and we will utilize these capabilities to drive ongoing growth. Moreover, the strong reputation of these sales capabilities outside of the Company has resulted in successful in-licensing opportunities. We will continue to grow our own in-house products as well as in-licensed products in domestic operations, which in turn builds a stronger reputation for our sales capabilities. The resulting cycle is a source of our ongoing growth.

With regard to major domestic products, we will pursue growth in revenue of NEXUM, Memory, PRLIA, RAMARK, Effent, and TENELIA, including seeking additional indications for some of these products. We thereby aim to increase total revenue from these six products to more than ¥243.0 billion. In fiscal 2016 and beyond, we will proceed with the sequential launches of such new products as VIMPAT (epilepsy treatment), W-100 (intradermal HA vaccine injection syringe for influenza), hydromorphone (opioid analogics)*1, and Etanercept BS (biosimilar biologic of etanercept, a treatment for rheumatoid arthritis). Through this constant reinforce-ment of our product line, we will grow Daichi Sankyo into Japan’s No. 1 pharmaceutical company.

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*1: Opioid analogics: Narcotic analgesic

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**Product Strategies**

- **NEXUM** (lucer treatment: proton pump inhibitor)
  - Maintain No. 1 share by establishing position as “first choice” drug for LERD treatment
- **Memory** (Alzheimer’s disease treatment)
  - Standard combination therapy with β-secretase inhibitor for the treatment of moderate-to-severe Alzheimer’s disease by promotion of clinical evidence
- **PRLIA** (treatment for osteoporosis)
  - Increase market penetration by promoting high evaluations received in guidelines
  - Growth by getting additional indication for rheumatoid arthritis
- **RAMARK** (treatment for bone complications caused by bone metastasis from tumors)
  - Maintain position as standard of care (SOC) for treating bone complications caused by bone metastasis from tumors
  - Growth by getting additional indication for breast cancer
- **Effent** (antiplatelet agent)
  - Maintain No. 1 share in heart area by promoting ideal dosage for Japanese people
  - Lead next generation of antiplatelet treatment in Japan by getting additional indication for brain area
- **TENELIA** (type 2 diabetes mellitus inhibitor)
  - Advertise efficacy and ease of use for seniors and patients with renal impairment to become first-line treatment for diabetes and expand market share

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**Growth of Major Products**

- **Increase revenue to more than ¥243.0 billion in FY2020**
  - ¥171.1 billion
  - ¥226.0 billion
  - More than ¥243.0 billion

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**Make Comprehensive Contributions to Medical Needs in Japan**

<table>
<thead>
<tr>
<th>Innovative Pharmaceuticals</th>
<th>Generic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aim to be trusted as medical partner</td>
<td>Become No. 1 generic company with innovation background</td>
</tr>
<tr>
<td>Vaccines</td>
<td>OTC Related</td>
</tr>
<tr>
<td>Continuously introduce new products</td>
<td>Grow business through core products and direct marketing through the Internet</td>
</tr>
</tbody>
</table>
Strategic Target 4: Expand U.S. Businesses

(1) Business Expansion in Pain Franchise (DSI)
Daichi Sankyo, Inc. (DSI), of the United States, will pursue business expansion in its pain franchise through MOVANTIK, CL-108, and miragabalin.

- The pain market in the United States is approximately $3.360.0 billion, and approximately 40% of this market is accounted for by opioid analgesics, which is significantly different from the markets of Japan and other countries.
- The total number of prescriptions written in the overall U.S. pain market exceeds 330 million per year. The segments of this market targeted by MOVANTIK, CL-108 and miragabalin each make up approximately 25% of the total market and represent more than 80 million prescriptions.
- MOVANTIK is the first once-daily oral treatment for opioid-induced constipation approved by the FDA. It is primarily for adults who have also been prescribed opioids for treating chronic non-cancer pain. We commenced co-promotion of this drug together with AstraZeneca in fiscal 2015.
- Approximately 40% of patients taking opioids for non-cancer pain experience constipation. We therefore believe that MOVANTIK can address substantial unmet medical needs.

CL-108 is a novel fixed-dose, immediate-release bi-layered tablet with a rapid release layer containing promethazine and a second layer containing hydrocodone and acetaminophen, which releases after promethazine. A combination of hydrocodone and acetaminophen is the standard treatment for pain after external injury or surgery, and this combination is prescribed to approximately 53 million patients each year. Data show that approximately 40% of opioid patients experience opioid-induced nausea and vomiting (OINV). FDA is currently reviewing the NDA for the management of pain severe enough to require an opioid analgesic, while preventing or reducing the associated OINV. The FDA has set a target action date under the Prescription Drug User Fee Act (PDUFA) of January 31, 2017.

Miragabalin is a new, oral α2δ-ligand undergoing development for the treatment of pain associated with fibromyalgia in the United States. The U.S. α2δ-ligand market has a scale of 50 million annual prescriptions. Pregabalin has a majority of revenue in this market and achieved sales totaling US$2.7 billion in 2015. However, more than 50% of patients prescribed this drug stop using it within 12 months for reasons such as insufficient pain relief. Accordingly, we feel that there are substantial unmet needs with this regard. We hope that the phase 3 study currently underway will allow us to differentiate miragabalin from pregabalin in terms of ease of use, efficacy and safety, and we anticipate the acquisition of top-line results in the first half of 2017.

DSI is targeting U.S. launches of CL-108 in fiscal 2017 and miragabalin in fiscal 2019, and we will endeavor to grow revenue from the pain franchise to more than ¥100.0 billion in fiscal 2020.

Key Success Factors and Main Strategies
- MOVANTIK (treatment for opioid-induced constipation)
  - Raise awareness regarding opioid-induced constipation
  - Improve conversation about opioid-induced constipation
  - Deliver affordable access
- CL-108 (treatment for pain and opioid-induced nausea and vomiting, targeted launch in FY2017)
  - Raise awareness among healthcare professionals regarding opioid-induced nausea and vomiting
  - Engage the medical community
- Miragabalin (treatment for pain associated with fibromyalgia, targeted launch in FY2019)
  - Differentiate from pregabalin based on phase 3 clinical trial data

(2) Growth of Luitpold Business
Luitpold Pharmaceuticals, Inc. (LPI), another U.S. subsidiary, is achieving rapid growth by increasing revenue of Injectafer iron injection and its generic injectable franchise.

- Positioning Injectafer as its flagship product, LPI will expand the target scope of its sales teams’ coverage to include gastroenterologists, cardiologists and obstetrician-gynecologists that treat iron-deficiency anemia. LPI seeks to acquire a share of more than 40% in the hematologic and oncology market. Through these efforts, LPI will realize annual revenue growth of 20% to 30%.
- In regard to its generic injectable franchise, LPI will expand capacity for plants and become a top 4 supplier in the United States.

Through the growth of Injectafer and the generic injectable franchise, we will aim to achieve revenue of ¥150.0 billion in the Luitpold business.

Growth of Luitpold Business

- **Iron Franchise**
  - Build Injectafer into a flagship product and a market leader
  - Increase annual growth rate: 20%–30%/
  - Execute lifecycle management
  - Expand the target scope of promotion activities to include gastroenterologists, cardiologists and obstetrician-gynecologists that treat iron-deficiency anemia
  - Gain a share of more than 40% in the hematologic and oncology segment

- **Generic Injectable Franchise**
  - Expand and maximize product portfolio
  - Focus on high-market-value products (e.g., anticancer drugs)
  - Become a top 4 supplier in the U.S. generic injectable market
  - Shirley Plant: Upgrade existing manufacturing infrastructure
  - New Albany Plant: Consolidate operations and expand capacity
  - Hillard Plant: Maximize space use and expand capacity
Strategic Target 5: Continuously Generate Innovative Medicine Changing Standard of Care (SOC)

(1) Create New Drugs in Oncology and New Horizons Areas

Our target therapeutic areas include oncology, which will be positioned as a primary focused area, as well as pain, central nervous system diseases, heart and kidney disease, and rare diseases, which we define as new horizon areas. Research and development of treatments in these areas will be a priority going forward. By taking advantage of partnering, open innovation,\(^1\) and translation research,\(^2\) we will strive to continuously generate innovative medicine changing SOC.

To facilitate drug discovery efforts in new horizon areas, we transformed our research organization in April 2016 to transition to a bioventure model. Under this model, the Company created small organizations that possess either pharmacology and medicinal chemistry functions or pharmacology and biologics functions. These organizations will be granted decision-making authority in relation to research themes and receive resource allocations based on the results they generate. We expect that this change will give rise to an innovative, venture mind-set and serve to expedite decision making. Consequently, we anticipate a rise in research speed and productivity.

(2) Realize Clinical Application of Innovative Technology

In regard to our advanced fundamental bio technologies, we will have already commenced phase 1 studies for several compounds that utilize antibody drug conjugates (ADCs), antibody drug conjugate (ADC) and nucleic acid drug technologies. As for bispecific technologies\(^3\) and cell therapies, we are advancing research and preclinical studies on compounds that may be the next candidates to proceed on to the clinical phase.

One example of our nucleic acid drugs is D5–S141, a treatment for Duchenne muscular dystrophy that went into phase 1/2 studies in Japan in February 2016. Committed to providing a treatment option for patients suffering from serious cases of this disease, we are working in close coordination with specialists with the aim of acquiring domestic manufacturing and marketing approval for this drug in 2020.

At the same time, we are stepping up initiatives to realize clinical application of our cell therapy technologies. Through efforts out of the Cell Therapy Laboratories established in April 2016 and Asubio Pharma Co., Ltd., which has been advancing research for regeneration and cell therapy with academia, we will lead the advancement of cell therapy in Japan as an industry representative.

In May 2016, we concluded an in-licensing agreement with U.K.-based Cell Therapy Ltd. (Celixir at present), where Nobel Laureate Professor Martin Evans works as chief science officer, for Heartcel, an allogeneic cell therapeutic agent for ischemic heart failure currently in development. Under this agreement, Daichii Sankyo will be responsible for development and sales of Heartcel in Japan. Preparations for a domestic phase 1 study are currently being made.

Furthermore, we have commenced joint research with Asahikawa Medical University targeting the creation of cell therapies using capillary stem cells. Research is currently moving forward to verify the therapeutic effect and realize practical application of these cells for the treatment of patients with a wide range of diseases, including lower leg ischemia and ischemic heart disease.

\(^{1}\) Open innovation: Development method in which external development capabilities and ideas are used to overcome internal development challenges and create innovative new value

\(^{2}\) Translation research: Integrated research process encompassing development of new medical innovations, testing in clinical settings to verify safety and efficacy, and application in everyday medical practice

\(^{3}\) Nucleic acid drug: Drug utilizing nucleic acids composed of genes

\(^{4}\) Bispecific: A drug that recognizes multiple antigens

\(^{5}\) Cell therapies: Treatment methods in which cells are extracted from a patient and then selected, activated, differentiated, or otherwise manipulated before being administered to the patient to treat various diseases

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Growth Investments for Advancing Strategic Targets

Daichii Sankyo will actively conduct growth investments to facilitate the advancement of these strategic targets. The Company will utilize cash on hand of roughly ¥700.0 billion as of March 31, 2016, as well as the approximately ¥22,000.0 billion in cash to be generated during the period of this 5-year business plan to conduct growth investments of ¥900.0 billion in R&D expenses and ¥500.0 billion in business development. In conducting these investments, our top priority will be to acquire oncology products and pipelines, and investments will be made for advancing other growth strategies as necessary.

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Strategic Target 6: Enhance Profit Generation Capabilities

To enhance our profit generation capabilities, we will build upon the business restructuring measures conducted by fiscal 2015. Efforts during the period of this 5-year business plan will include optimizing manufacturing systems globally and further enhancing procurement. In addition, we will pursue further cost reductions and streamlining across the Group, advancing a concerted effort to review cost of sales, SG&A expenses, and R&D expenses to boost our ability to generate profit.
Operations and Financial Position

Summary of Financial Results in Fiscal 2015

- Revenue up ¥67.1 billion, to ¥986.4 billion (7.3% up)
- Operating profit up ¥56.0 billion, to ¥130.4 billion (57.2% up)
- Profit before tax up ¥42.5 billion, to ¥122.4 billion (53.1% up)
- Profit from continuing operations up ¥36.8 billion, to ¥80.4 billion (84.5% up)
- Profit attributable to owners of the Company down ¥239.8 billion, to ¥82.3 billion (74.5% down)

Consolidated Financial Results for Fiscal 2015

Revenue

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

Operating Profit

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

Operating profit increased largely due to higher profit margins in sales of的主要 products in Japan, the United States, and Asia, combined with the positive impact of foreign exchange rate movements, which boosted revenue by approximately ¥12.9 billion.

Profit before Tax

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

Profit before income tax was not as substantial as the increase in operating profit due to foreign exchange rate movements coupled with a rise in financial expenses related to payments regarding the sale of Sun Pharmaceutical Industries Ltd.’s shares.

Profit from Continuing Operations

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

Profit Attributable to Owners of the Company

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

Reconciliation of Income Statement Items

Translation gains on foreign currency financial assets and liabilities increased ¥57.1 billion, or 19.4% year on year, to ¥340.9 billion.

Research and development expenses increased ¥10.7 billion, or 25.1% year on year, to ¥51.1 billion.

Research and development expenses as a percentage of revenue increased from 11.7% to 14.5% year on year.

Balance Sheet

Current assets increased ¥57.2 billion, or 7.2% year on year, to ¥844.6 billion.

Non-current assets increased ¥57.2 billion, or 7.2% year on year, to ¥844.6 billion.

Gross fixed assets decreased ¥5.4 billion, or 1.4% year on year, to ¥373.6 billion.

Reconciliation of Net Capital Expenditure Items

Capital expenditures increased ¥57.1 billion, or 19.4% year on year, to ¥340.9 billion.

Net capital expenditure increased ¥10.7 billion, or 25.1% year on year, to ¥51.1 billion.

Consolidated financial results (Billions of yen)

<table>
<thead>
<tr>
<th>Product name</th>
<th>FY2015</th>
<th>FY2016</th>
<th>%Y/Y increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deon &amp; Mester</td>
<td>63.9%</td>
<td>62.9%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Olmetec</td>
<td>76.3%</td>
<td>73.9%</td>
<td>(3.5%)</td>
</tr>
<tr>
<td>Lomoten</td>
<td>49.5%</td>
<td>48.1%</td>
<td>(3.1%)</td>
</tr>
<tr>
<td>Memory</td>
<td>36.8%</td>
<td>42.4%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Cestin</td>
<td>27.8%</td>
<td>18.4%</td>
<td>(34.0%)</td>
</tr>
<tr>
<td>Astellap</td>
<td>18.4%</td>
<td>18.2%</td>
<td>(1.3%)</td>
</tr>
<tr>
<td>Tenella</td>
<td>17.2%</td>
<td>16.9%</td>
<td>(1.5%)</td>
</tr>
<tr>
<td>Irodin</td>
<td>18.1%</td>
<td>15.1%</td>
<td>(18.0%)</td>
</tr>
<tr>
<td>Menvinil</td>
<td>16.6%</td>
<td>14.0%</td>
<td>(15.4%)</td>
</tr>
<tr>
<td>Laxiana</td>
<td>3.6%</td>
<td>13.0%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Peralin</td>
<td>7.3%</td>
<td>12.5%</td>
<td>71.0%</td>
</tr>
<tr>
<td>Ramanok</td>
<td>10.2%</td>
<td>12.4%</td>
<td>22.0%</td>
</tr>
<tr>
<td>umbil</td>
<td>11.5%</td>
<td>11.8%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Effient</td>
<td>0.7%</td>
<td>4.9%</td>
<td>613.5%</td>
</tr>
</tbody>
</table>

Revenue by Regional Group

- North America: 27.9% (2014: 25.7%)
- Europe: 7.6% (2014: 8.3%)
- Other regions: 6.3% (2014: 6.9%)

Revenue by Geographic Area

- North America: 58.2% (2014: 59.2%)
- Europe: 10.5% (2014: 11.2%)
- Other regions: 31.3% (2014: 30.2%)

Yen exchange rates for major currencies (average rate for the year)


Revenues in North America increased 19.8% year on year, to ¥275.4 billion. Revenue in local currency terms rose by 9.6%, to US$2.922 million.

At Daiichi Sankyo, Inc. (DSII), overall sales increased thanks to contributions from higher sales of TRIBENIZOR, Effient, and MIVANTIK, for which co-promotion started in April 2015 despite a decline in sales of Benicar and Benicar HCT, AZON, Wielch, and SAVAYSA.

At Lupid Pharmaceuticals, Inc., sales of Injekter contributed significantly to the increase in revenue, though performance of Verofer, remained unchanged.

In addition, DSII decided to reorganize its commercial structure to prepare for the launch of new products in the U.S. market in highly specialized areas including the pain, oncology, and cardiovascular–metabolic fields. As part of its aim of transitioning to a more efficient and flexible organization, DSII reduced its workforce by around 1,000 people.
Revenue of Daiichi Sankyo, Inc.’s mainstay products

<table>
<thead>
<tr>
<th>Product name</th>
<th>FY2015</th>
<th>FY2016</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benicar</td>
<td>700</td>
<td>661</td>
<td>-5.6%</td>
</tr>
<tr>
<td>AZOR</td>
<td>166</td>
<td>164</td>
<td>1.1%</td>
</tr>
<tr>
<td>TRIBREXOR</td>
<td>103</td>
<td>103</td>
<td>0.0%</td>
</tr>
<tr>
<td>Wilechol</td>
<td>431</td>
<td>403</td>
<td>-6.6%</td>
</tr>
<tr>
<td>Effient</td>
<td>160</td>
<td>173</td>
<td>13.1%</td>
</tr>
<tr>
<td>SAIYAYA</td>
<td>6</td>
<td>4</td>
<td>-31.6%</td>
</tr>
<tr>
<td>MOVANTIK</td>
<td>—</td>
<td>17</td>
<td>17.0%</td>
</tr>
</tbody>
</table>

Revenue in Venezuela decreased ¥7.9 billion year on year, to ¥0.2 billion, due to changes in the exchange rates for Venezuela’s currency (Venezuelan bolivar), which resulted from the deterioration of economic conditions in this country.

### Financial Results Forecasts for Fiscal 2016

Revenue in fiscal 2016 is expected to decrease 6.7% year on year, to ¥920.0 billion, partially because of the loss of patent protection for olmesartan, which will occur first in the United States, as well as the adverse effects of the NIH price revisions in Japan and unfavorable foreign exchange influences. This decrease will occur despite Daiichi Sankyo’s efforts focusing on increasing sales of edoxaban, expanding sales of mainstay products in Japan, and growing sales of Injectafy by U.S.-based Lutipold Pharmaceuticals.

In addition, Daiichi Sankyo expects to secure operating profit of ¥100.0 billion, a decrease of 23.3% from fiscal 2015. Operating profit will be affected by one-time expenses of approximately ¥20.0 billion associated with restructuring costs to be carried out in fiscal 2016.

Profit attributable to owners of the Company is expected to be ¥655.0 billion, down 21.0% year on year. Forecasts are based on an assumption of foreign exchange rates at ¥110 to the U.S. dollar and ¥125 to the euro.

### Business Risks

The following section provides an overview of the principal risks that could negatively affect the business results and financial condition of the Group. Any forward-looking statements or projections contained in this overview represent the best judgment of management based on information available as of March 31, 2016. Actual results may differ from the forecasts due to a range of factors.

1) **Risks Related to Dependence on Specific Products**

In fiscal 2015, sales of olmesartan accounted for 28.8% of consolidated revenue. A decrease in revenue resulting from expiration of the patent protection with respect to olmesartan or other factors could adversely affect Daiichi Sankyo’s business results and financial position on the patent protection remains in effect until October 2016 in the United States, and until February 2017 in Japan and Europe.

2) **Ligation-Related Risks**

Besides potential fair transaction issues, the Group could face litigation of various forms concerning its business activities, including without limitation lawsuits related to drug side effects, product liability, or labor disputes. Any such litigation could have an adverse effect on the Group’s business results and financial position.

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

Although the Company and the Company’s consolidated subsidiaries could incur damages as a result of the above-mentioned litigation, it would be difficult or impossible at present to reasonably estimate the monetary amount of any such damages.

3) **Risks Related to Laws, Regulations, and Regulatory Trends to Limit Healthcare Expenditures**

Prescription drugs in Japan are subject to a variety of laws, regulations, and ordinances. Any regulatory changes or associated trends related to the medical treatment system and national health insurance (NHI)—most notably NHI price revisions—could have a negative impact on the Group’s earnings and financial position. Similarly, sales of prescription drugs in overseas markets are also subject to various legal and regulatory constraints; the Group’s performance in those markets could be adversely affected by regulatory trends.

Following an investigation by the U.S. Department of Justice into the Physician Opinion & Discussion programs
related to the mainstay products, DSI concluded a legal settlement with the Department of Justice and other government agencies. Under the settlement, DSI agreed in fiscal 2014 to pay approximately US$39 million, while also entering into a Corporate Integrity Agreement with the Office of Inspector General of the U.S. Department of Health and Human Services.

The Daiichi Sankyo Group is making concerted efforts to ensure even greater thoroughness with respect to compliance with the laws and regulations of various countries around the world.

4) Risks Related to Corporate Acquisitions and Other Such Initiatives
Daiichi Sankyo engages in corporate acquisitions, capital alliances, and other such initiatives as part of its efforts to develop R&D and other operational areas. When acquiring a corporation or taking other such action, Daiichi Sankyo’s efforts involve conducting due diligence in relation to the entity being considered for acquisition or the potential alliance counterparty and determining the potential effects anticipated as a result of the corporate acquisition or other such action taken. Nevertheless, a situation could develop involving an unanticipated outcome as a consequence of such an acquisition or other actions, amid factors including a changing business environment and business operations of the target company, or the emergence of information not revealed in the course of conducting due diligence. Such circumstances could adversely affect Daiichi Sankyo’s business results and financial position.

Daiichi Sankyo announced in April 2014 that it had concluded an agreement with Sun Pharmaceutical Industries Ltd. (Sun Pharma), under which the latter would acquire Ranbaxy Laboratories Ltd. (Ranbaxy) via a merger in exchange for receipt by Daiichi Sankyo of shares in Sun Pharma. This merger was completed on March 24, 2015 (the closing date).

As per the contract between Sun Pharma and Daiichi Sankyo regarding the merger of Ranbaxy into Sun Pharma, Daiichi Sankyo could be required to indemnify Sun Pharma for 63.5% of penalties and damages, etc., arising from quality issues of Ranbaxy prior to the closing date, which are to be paid to U.S. federal or state governmental authorities by Sun Pharma in Ranbaxy, with a maximum cap amount of US$325 million. This obligation lasts for seven years from the closing date. In April 2015, Daiichi Sankyo sold all of the acquired Sun Pharma shares, but the aforementioned agreement remains in effect.

5) Risks Related to R&D and Alliances
Research and development of new drug candidates is a costly process that requires many years to complete successfully, during which time there is a continual risk that R&D activities concerning a particular compound may be terminated due to failure to demonstrate the expected clinical efficacy. Even if favorable results are obtained in clinical trials, changes in the regulatory approval criteria may result in failure to gain drug approval. In addition, any changes in the terms of agreements related to R&D-related alliances with third parties, or the cancellation thereof, may adversely affect the outcomes of R&D programs.

Group subsidiary Kitasato Daiichi Sankyo Vaccine Co., Ltd. (KSIV), was selected in 2011 to receive a grant from the Ministry of Health, Labour and Welfare (MLW) in Japan for a cell culture vaccine production facility as part of the MLW’s second initiative to build up Japan’s capacity for producing H5N1 influenza vaccines. Under the terms of the grant, KOSIV planned to build a vaccine supply chain capable of producing sufficient amounts of vaccine for 40 million people within six months by the end of March 2014. However, the company was not able to establish sufficient capacity to attain this goal due to declines in yield experienced in the viral antigen purification process. After taking steps to improve yields by subsequently revamping production processes, the project is expected to continue until the establishment of a vaccine supply chain capable of producing sufficient amounts of vaccine for 40 million people.

6) Manufacturing and Procurement Risks

The Group manages some of its products at its own production facilities using original technology but is also dependent on specific suppliers for the supply of some finished products, raw materials, and production intermediate. Any delay, suspension, or termination of manufacturing or supply activities for any reason could have a material impact on the Group’s business results and financial position. The manufacture of pharmaceuticals in Japan is subject to strict regulation as stipulated in the Pharmaceutical and Medical Devices Act. Any quality assurance problem necessitating a product recall or other action could have an adverse effect on the Group’s business results and financial position.

7) Risks Related to Emergence of Side Effects or Sales of Rival Products

Daiichi Sankyo’s business results and financial position could be adversely affected by a decline in sales of its pharmaceutical products due to situations such as those involving the emergence of unanticipated side effects of a drug or due to competition against rival products or the entry of generic products upon expiration of a patent within the same therapeutic area, particularly in situations where low-priced generic pharmaceuticals go on sale upon patent expiry. Any changes in the terms of sales or technology transfer agreements, or the expiration or cancellation thereof, could also adversely affect Daiichi Sankyo’s business results and financial position. In addition, any new product may not necessarily generate sales and profits commensurate with the investment in its research and development due to growing use of generic products in the United States and other developed countries in which it is possible to file for the approval of generic pharmaceutical products even before patent expiration or due to unfavorable results emerging from negotiations with public and private insurers.

8) Intellectual Property Risks

Any infringement of patents or other intellectual property rights of other parties arising from the Group’s business activities could result in legal restraints being placed on such activities or prompt related commercial litigation. Conversely, an infringement of the intellectual property rights of the Group by third parties could lead to legal action by the Group to protect such rights. In either case, the resulting outcome could have a material impact on the Group’s business results and financial position.

In particular, due to the increasing use of generic products in developed countries, lawsuits and other challenges to Group-owned intellectual property could increase in prevalence.

9) Risks Related to Developing Business Overseas

Daiichi Sankyo faces risks with respect to operations abroad in the course of actively expanding its business overseas involving pharmaceutical product development, sales, and other such activities. Such risks include the possibility of violating laws and regulations of respective regions as well as those pertaining to local labor-management relations, particularly when faced with adverse geopolitical factors, including political instability and deteriorating economic conditions in a particular region. Accordingly, Daiichi Sankyo’s business results and financial position could be adversely affected should any such risk materialize.

10) Operational Risks Related to Occurrence of Disasters

Any damage to Group production, research, or other facilities or any related suspension or cessation of business activities as a result of earthquakes, floods, typhoons, storms, or other natural disasters or due to conflicts, acts of terrorism, fire, or other man-made causes, including incidents at nuclear power stations or any other occurrences resulting in long-term damage to electricity supply networks or other social infrastructure, could have a negative impact on the Group’s business results and financial position.

Based on our experience with the Great East Japan Earthquake that occurred in March 2011, the Group formulated a new business continuity plan (BCP) and is preparing to support swift restoration of operations in an emergency and ensure an ability to maintain reliable supplies of high-quality pharmaceuticals for the benefit of Japan’s medical system. The BCP revises the prioritization of actions from the perspectives of ensuring the continuity of operations, especially for mainstay products, and the prioritization and restoration of any supplies of medicines for emergency use and medicines with no substitutes, both of which are categories with high social significance.

The supply chain risks associated with the time required to restore supplies in the event of an emergency were also evaluated, based on the recovery period required after the Great East Japan Earthquake and the probability of further earthquakes. In addition, the Group has appropriately updated its preventative measures for natural disasters and emergencies, including its contingency measures to enable the restoration of supplies or switches to substitute products.

11) Environmental Risks

Certain chemicals used in pharmaceutical research and manufacturing processes include substances with the potential to exert a negative impact on human health and natural ecosystems. While the Group strives to ensure that the management of these substances is conducted properly at all times, any judgment that Group operations pose a risk of serious environmental impact due to soil contamination, air pollution, or water pollution could adversely affect the Group’s business results and financial position.

12) Financial Market and Foreign Exchange Rate Fluctuation Risks

Declines in share prices could lead to write-downs or losses on disposal related to stocks owned by the Group. The Group’s retirement benefit expenses could increase depending on trends in interest rates. In addition, fluctuations in foreign exchange rates could have a material impact on the Group’s financial position. The Group conducts business, including production, sales, import, and export activities, on a global basis, and foreign currency exchange movements could therefore have a material impact on its business results and financial position.

13) Other Risks

Other risks besides those noted above that could have a negative impact on the Group’s business results and financial position include an interruption of the Group’s computer systems due to a network-mediated virus or other causes; unauthorized disclosures of confidential information; illegal or improper actions by officers or employees; and changes in share prices or interest rates and other risks related to funding procurement.

Operations and Financial Position
Organization-Wide Initiatives Pursuing Sustainable Improvement for Corporate Value

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

The Principles of Our Corporate Activities to Fulfill Our Mission

DAICHI SANKYO Group Corporate Conduct Charter

The DAICHI SANKYO Group fulfills its mission to “To contribute to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs.”

We comply with laws, regulations and rules regarding global corporate activities, and act with the highest ethical standards and a good social conscience appropriate for a company engaged in a business that affects human lives based on the following principles. We fulfill our corporate social responsibility (CSR) by actively responding to an ever-changing society and enacting improvements for corporate value.

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

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

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

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

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

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

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

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

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

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

Global Management Structure (As of July 1, 2016)
This section provides detailed explanations of the activities of each of the Group’s business units and functional units.

**Business Units**
- Business Units (Japan) .................................................. 32
- Business Units (Overseas) ............................................. 38

**Functional Units**
- R&D Unit ................................................................. 46
- Pharmaceutical Technology Unit ............................. 52
- Supply Chain Unit ..................................................... 54
- Quality & Safety Management Unit .......................... 56
- Medical Affairs Division ............................................. 58

**Business Activities**
- CSR Management ..................................................... 60
- Promoting Compliance Management ....................... 64
- Mutual Growth of Employees and the Company .......... 66
- Enhancement of Communication with Stakeholders .... 68
- Promoting Environmental Management .................. 70
- Improving Access to Healthcare ................................ 72
- Social Contribution Activities ................................. 74
Sales & Marketing Unit (Japan)

Major Achievements in Fiscal 2015

- Revenue of ¥439.4 billion (up 1.4% year on year)
- Despite the impacts of increased prescriptions of generic pharmaceuticals, sales grew for new products, such as NEXKUM, Memary, TELNIA, LIXIANA, PRALIA, RANMARK, and Effient.
- MRs ranked No.1
  In fiscal 2015, Daichi Sankyo was ranked in Japan as No.1 among pharmaceutical companies by all surveyed physicians in an overall assessment on MR activities, and it was also ranked as No.1 by cardiologists. We have maintained the top ranking in both categories for four consecutive years beginning with fiscal 2012.
- All MRs pass certificate test for six consecutive years
  In regard to new MR training, all MRs have passed the certificate test held in December for six consecutive years since fiscal 2010.
  * Survey conducted by WINTER Inc.

Sales & Marketing Unit Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>(Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>436.0</td>
</tr>
<tr>
<td>2014</td>
<td>433.6</td>
</tr>
<tr>
<td>2015</td>
<td>439.4</td>
</tr>
</tbody>
</table>

Sales & Marketing Unit

The Sales & Marketing Unit is responsible for the innovative pharmaceuticals business that forms the core of our domestic pharmaceutical operations. Over the past several years, this unit has launched numerous products that will be increasingly important to Japan as its population ages. Focused on new product lineups, this unit will, in large part, drive the growth of the Daichi Sankyo Group going forward. It is becoming ever more important to collect, provide and transmit information regarding the appropriate use of pharmaceuticals to physicians, pharmacists and other healthcare professionals. This crucial task is entrusted to our approximately 2,200 medical representatives (MRs), who provide information on pharmaceuticals throughout Japan on a daily basis. These MRs supply top-quality pharmaceutical products and deliver appropriate medical information to enable physicians to ensure that patients receive appropriate treatment with peace of mind. Through these efforts, we hope to help foster strong relationships between patients and their families and healthcare professionals, and we strive to be viewed as an ethical, trusted and respectful partner to healthcare professionals.

Sales & Marketing Unit (Japan) 5-Year Business Plan

- Enhance our reputation as an ethical, trusted and respectful partner
- Advance field and product strategies—conduct information provision activities (BRIDGE)
- Construct systems and functions compatible with operating environment changes
- Promote multichannel approach

Quest to Be Recognized as an Ethical, Trusted and Respectful Partner

Our greatest assets are our MRs. We believe it is important for our MRs to leverage their skills, an area in which they are particularly highly evaluated, to build strong, trusting relationships with healthcare professionals. To become the type of MR that is truly in demand by healthcare professionals, our MRs strive to provide information that matches the ever-changing needs of these professionals and form a link between different individuals in the same area, thereby becoming established as ethical, trusted, and respectful partners.

Field and Product Strategies—Information Provision Activities (BRIDGE)

One of Daichi Sankyo’s strengths is its robust lineup of products in a diverse range of fields. Going forward, we will step up information provision activities in relation to the thrombosis, lifestyle-related disease, central nervous system (dementia, epilepsy) and osteoporosis fields. In the thrombosis field, we are also leveraging our historical expertise and strengths to pursue the quick maximization of sales of LIXIANA, an anticoagulant, and Effient, an antiplatelet agent.

Enhance necessary roles and systems to respond to the promotion of integrated community medical systems through the medical community concept and community medical collaboration corporations
Multichannel Approach
We will adopt a multichannel approach to fully leverage the capabilities of our MRs, an area of Company strength, and thereby enhance our information provision activities. The information provided by MRs serves as the foundation for these activities, which include collaboration with marketing specialists (MSSs) and encompass channels such as lectures, e-promotions, and disease education campaigns.

During the period of the 5-year business plan, we will utilize the capabilities of these MRs, which are ranked No. 1 in the industry, to capture the top share of the domestic market. We will thereby strive to drive the growth of the Daiichi Sankyo Group and stably generate sales and income.

All members of the Sales & Marketing Unit will unite on our quest to continue growing as an ethical, trusted, and respectful partner that contributes to medicine on both a countrywide and regional level. As such a partner, we will pursue the leading domestic share, the top MR rating, and unparalleled levels of trust so that we may move toward our vision of becoming the No. 1 domestic pharmaceutical company.

Initiatives for Fiscal 2016
- Advance and enhance area marketing activities
- Rapidly expand sales of major innovative products
- Strengthen information provision activities through multichannel approach
- Ensure thorough compliance

Advancement and Enhancement of Area Marketing Activities
Fiscal 2016 will be the first year of the 5-year business plan, making it an important year toward accomplishing the goals of the plan. During this year, we will enhance our area marketing activities in order to become No. 1 in terms of marketing capabilities and thereby continue growing as an ethical, trusted, and respectful partner.

To this end, we will advance and strengthen area marketing activities to respond to the promotion of integrated community medical systems through the medical community concept and community medical collaboration corporations. Specifically, we will reorganize sales offices and teams within medical community areas and appoint staff responsible for supporting community medical collaboration.

Rapid Expansion of Sales of Major Innovative Products
We will strive to rapidly expand the sales of new products launched over the past several years, positioning these products as growth drivers to fuel the ongoing development of Daiichi Sankyo. Major innovative products that will be the target of such sales expansion include antihypertensive agents Olmecet and Rezaltas, Alzheimer’s disease treatment Memary, ulcer treatment NEXIUM, anticoagulant LIXIANA, antiplatelet agent Eifent, type 2 diabetes treatments TENELIA and CANAGLIS, osteoporosis treatment PRALAIA, and RANKMARK, a treatment for bone metastases associated with cancer.

With regard to thrombosis field products LIXIANA and Eifent, we have positioned fiscal 2016 as the year in which we wage war on thrombosis. During the year, we aim to cultivate these products into new earnings pillars alongside Olmecet by fully capitalizing on the industry-leading capabilities of our MRs in the cardiovascular field, an area of strength, to provide highly valuable information on these drugs to rapidly expand their sales.

As for new products, we expect to be able to commence sales of VIMPAT, an epilepsy treatment in-licensed from UCB Biopharma SPRL, in Japan during fiscal 2016.

Strengthening of Information Provision Activities through Multichannel Approach
By incorporating a multichannel approach utilizing lectures, e-promotions, and other venues in information provision activities by MRs, which represents one of the Company’s strengths, we will endeavor to provide information that is even more valuable in greater quantities.

Thorough Compliance
In recent years, society has become ever more demanding of the pharmaceutical industry and the companies operating therein, expecting such companies to ensure greater levels of transparency in their actions. We exercise thorough compliance with a strong focus on acting with the highest level of ethics and social consciousness, which is essential for a life science-oriented company, in order to increase the trust of society in Daiichi Sankyo.

Japan
Sales & Marketing Unit (Japan): Daiichi Sankyo Espha Co., Ltd. (Generic Business)

Daiichi Sankyo Espha Co., Ltd.
Daiichi Sankyo Espha Co., Ltd., advances its generic business through a system of 14 sales divisions with approximately 150 MRs, which is similar to the system of 14 sales branches used by Daiichi Sankyo.

With an emphasis on quality control, stable supply, education, and affordability, we will contribute to national healthcare in a rapidly aging Japan.

Major Achievements in Fiscal 2015
- Revenue of ¥18.5 billion (up 23.9% year on year)
  Levofloxacin, the Group’s first authorized generic (AG)* in Japan, has maintained a share of approximately 50% of its market. In addition, we have been realizing ongoing growth in the sales of dopexamol, an Alzheimer’s disease treatment, by coordinating with our parent company Daiichi Sankyo, which markets Memary, another new drug that treats this disease.
- Expansion of Product Portfolio
  We launched generic drugs with three new active ingredients in June 2015, five new ingredients in December, and one new ingredient in March 2016, bringing our total portfolio to 147 products with 60 active ingredients.

* Authorized generic (AG): Generic drug manufactured after receiving consent from the manufacturer of the original drug through receipt of patent rights or other means.

Daiichi Sankyo Espha 5-Year Business Plan
- Steadily launch AGs and other day-one generics* and secure market shares
- Strengthen AG lineup
- Step up coordination with partners in Japan and overseas

Daiichi Sankyo Espha has defined its corporate vision of becoming a leader in the domestic generic drug market in order to contribute to national medicine in this era of rapidly aging societies. As a step toward this vision, we aim to be No. 1 in Japan in terms of AG lineup and revenue.

The Japanese government has set the goal of raising the portion of the pharmaceutical market represented by generic drugs to more than 80%. To accomplish this lofty goal, it will be necessary to eliminate the firmly rooted concerns held by medical institutions and patients with regard to the quality and reliability of generic drugs in Japan. At Daiichi Sankyo Espha, we strive to help maintain the current national health insurance systems while responding to various pharmaceutical-related needs, particularly those pertaining to AGs.

Initiatives for Fiscal 2016
- Strengthen operating foundations and prepare for the launch of major generic drugs

In fiscal 2017, several major generic drugs are expected to appear on the market. To ensure that we are fully prepared for the advent of these giants, we will further strengthen our marketing systems and other operating foundations during fiscal 2016.
Japan
Vaccine Business Unit
(Vaccine Business)

Toshiaki Tojo, Ph.D.
Head of Vaccine Business Unit

Japan Daiichi Sankyo Healthcare Co., Ltd.
(OTC Related Business)

Yoshiki Nishii
Daiichi Sankyo Healthcare Co., Ltd.
President

Vaccine Business Unit

Japan has gradually been catching up with the United States and principal European countries in terms of vaccinations, an area where Japan had been lagging behind for some time. Vaccines are growing increasingly more important in Japanese society.

The Vaccine Business Unit advances its vaccine business through organic collaboration between KitaKata Daiichi Sankyo Vaccine Co., Ltd. (KDSV), which is responsible for the research, development, production and sales of vaccines, and Japan Vaccine Co., Ltd., which conducts late-phase clinical development and sales.

In April 2015, the strategy and corporate planning functions of the vaccine business, with the exception of certain processes, were transferred to KDSV, further reinforcing this company’s integrated structure encompassing functions ranging from research to sales.

We are committed to contributing to public health by creating innovative vaccines that address social needs and reliably supplying high-quality vaccines.

Vaccine Business Unit 5-Year Business Plan

- Develop and encourage early adoption of new Influenza vaccines boasting potential for high efficacy and new, exceptionally convenient combination vaccines
- Complete the establishment of a production system for new influenza vaccines and maintain production systems in preparation for future pandemics
- Establish stable and low-cost supply systems
- Project on the establishment of a production system for new influenza vaccines

Major Achievements in Fiscal 2015

- Revenue of ¥36.8 billion (up 14.2% year on year)
- Launch of Influenza vaccine with four protective strains
- Release of Squarekids, a 4-valent combination vaccine
  * 4-valent combination vaccine: Vaccine for the prevention of pertussis, diphtheria, tetanus, and pneumococcal polio

Initiatives for Fiscal 2016

- Complete construction of supply systems under project on the establishment of a production system for new influenza vaccines
- Promote and strengthen business development activities and alliances
- Advance R&D projects on schedule
- Ensure supply of existing products

In fiscal 2016, we will advance R&D projects to guarantee the release of new products. In addition, we will endeavor to ensure a stable supply of high-quality vaccines that are compatible with the global Good Manufacturing Practices (GMP) standards of the Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme (jointly referred to as PIC/S). Furthermore, prepa-

Daiichi Sankyo Healthcare Co., Ltd.

Currently, Japan is advancing policies aimed at extending the healthy lifespans of its citizens, drawing attention to the concepts of self-medication and self-care. Daiichi Sankyo Healthcare Co., Ltd., develops consumer healthcare products such as OTC medicines as well as skincare and oral care products.

Leveraging our product development and marketing capabilities, which have been built up based on our deep understanding of consumer needs, we will pursue sustainable growth as we develop our operations with a marketing system consisting of three sales divisions and 12 branches.

Major Achievements in Fiscal 2015

- Revenue of ¥53.4 billion (up 11.6% year on year)
- Higher sales realized through increased brand value and enhanced lineup
  - Smooth sales growth was registered for the Lulu brand (Lulu Attack series), skincare brands (Miwon, Transino series of skin enhancers), and oral care brands (Clean Dental, CITTEETH). We also launched Loxomin S plus, a new addition to the Loxomin S brand.
  - Conversion of direct marketing company Im Co., Ltd., to a subsidiary to strengthen direct marketing business

Initiatives for Fiscal 2016

- Expand the Loxomin S brand in the OTC business
- Establish new systems incorporating im in the direct marketing business
- Enter into the Chinese market in overseas businesses

Fiscal 2016, the first year of the 5-year business plan, will be a year of transition for everyone at Daiichi Sankyo Healthcare. In addition to the measures listed above, important themes will include maximizing sales of the Lulu brand and accelerating growth through new additions to our lines of skincare and oral care products. We will also step up efforts to develop new sales channels and address demand from inbound travelers.
Daiichi Sankyo, Inc.

On April 2016, the sales and marketing division of Daiichi Sankyo, Inc. (DSAC: Daiichi Sankyo, Inc. Administrative & Commercial Operations) marked the 10th anniversary of the merger between the Daiichi and Sankyo organizations in the United States. In that decade, the commercial division of Daiichi Sankyo, Inc. created a history of success. Our core franchises of Benicar, Benicar HCT, APOZOR (antihypertensive agents), Effient (antiplatelet agent) and Weichai (a treatment for both hypercholesterolemia and type 2 diabetes mellitus) have contributed over US$1.3 billion (approximately ¥1.4 trillion) to the revenue for our global organization.

Major Achievements in Fiscal 2015

- Revenue of US$1.540 million (down 2.1% year on year)
- Launching MOVANTIK, a treatment for opioid-induced constipation
  The second most successful US launch in 2015 in terms of monthly prescription volume and uptake.
- Preparation for launching CL-108, opioid μ-receptor agonist combination product
  - Launch planning and campaigns with focus on raising opioid-induced nausea and vomiting (OINV) awareness, and successfully passing FDA and DEA inspections related to CL-108 packaging.
- Maximizing omeprazole, Effient, and Weichai performance
  - Creating operational and organizational efficiencies to help offset anticipated revenue pressures in fiscal 2016 and beyond.

Daiichi Sankyo, Inc. 5-Year Business Plan

- Continue to progress the transformation into a low-cost operating model, while energizing employees toward success.
- Grow the pain franchise
  - To achieve continued MOVANTIK growth, maximizing CL-108 potential and successfully launching minogabap.
- Build and grow oncology capabilities as data matures and new options can be put in the hands of patients and their providers.
- Maximize profit for the mature products through LOE* timeframe.

Shift in Product Portfolio

Even with this past success and pride upon which to build, the US marketplace is dynamic and ever evolving. The US organization joins all of our global affiliates in working to overcome upcoming patient expectations and positioning the Company for success. This required the US commercial team to transform itself from a maturing primary care product portfolio to a differentiated specialty portfolio. Our new areas of focus, such as pain management and oncology, hold great opportunity.

Our first step in this transformation included putting in place a new structure—a smaller, highly targeted and efficient operating model, with a greater emphasis on high impact customer-facing roles. While the reorganization led to a reduction in the actual number of sales positions at Daiichi Sankyo, Inc. to about 750, the sales roles are now more focused on specialty and hospital settings, in addition to primary care physicians who also see patients with specialty conditions.

Future success in the US market rests not only on bringing new medicines that help patients live longer, higher quality lives compared with standard treatments, but also on offering proof of a new medicine’s value, through high quality clinical and outcomes data. Daiichi Sankyo, Inc. is now well positioned to realize this goal with a new focus, the right structure, and renewed energy.

Initiatives for Fiscal 2016

- Maximize the full potential of CL-108 through flawless execution of pre-launch activities.
- Increase SAVIYSA and MOVANTIK demand.
- Optimal manage LOE for our omeprazole franchise.
- Fully leverage multi-channel marketing capabilities.
- Achieve critical milestones for LOE* projects.
- Develop a master plan for our oncology franchise.
- Accelerate the organizational transformation and begin to realize the benefits of our newly agile, efficient, and customer-centric organization.

For the US organization, in today’s market, understanding and helping to manage the needs of patients and their providers—as well as payer—is paramount. Only then will the company be able to reach our fiscal 2016 goals, by flawlessly executing the strategies mentioned above.

Ultimately, fiscal 2016 will springboard the US commercial organization toward fulfilling our share of the Daiichi Sankyo Group’s 5-year business plan.
**Luitpold Pharmaceuticals, Inc.**

Luitpold Pharmaceuticals, Inc., is a diversified specialty pharmaceutical company that manufactures high value branded and generic injectable medications which are marketed primarily throughout the United States. The branded human health products (Venofer and Injectafier) are leading therapies in the IV iron market for the treatment of iron deficiency anemia (IDA). The other main driver of the business is our growing generic injectable portfolio which currently consists of over 50 products. In addition to its human pharmaceuticals business, Luitpold markets specialty animal health and dental device products.

The company maintains two development and manufacturing sites in Ohio and New York, the latter which also serves as the headquarters location, and a clinical operations office in Norristown, Pennsylvania. Of its about 920 employees approximately 120 are customer facing, field based personnel.

**Major Achievements in Fiscal 2015**

- Revenue of US$758 million (up 45.2% year on year)
- Strong performance by all four commercial business units with overall revenue growth of 45% over prior fiscal year
- Successful expansion of Injectafier to the gastroenterology specialist community
- New, state-of-the-art manufacturing facility in New Albany, Ohio, commenced commercial operations
- Secured approval of capital project plan to further increase manufacturing capacity at Luitpold production facilities in New York and Ohio
- Successfully implemented improvements to quality and compliance systems

**Business Expansion of Luitpold Pharmaceuticals**

<table>
<thead>
<tr>
<th>Business Domains</th>
<th>Business Outline</th>
<th>Strategic Imperatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron Franchise</td>
<td>More than 50% share of iron IV segment</td>
<td>Differentiate Injectafier from other treatment options</td>
</tr>
<tr>
<td></td>
<td>2013</td>
<td>Raise awareness of IDA</td>
</tr>
<tr>
<td></td>
<td>2000</td>
<td>Build on market share leadership</td>
</tr>
<tr>
<td></td>
<td>vs. patients with ID and patients with ID and anemia</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Venofer</td>
<td>Market expansion into new therapeutic areas for IDA</td>
</tr>
<tr>
<td></td>
<td>Provide practical solutions</td>
<td>Maximize / expand existing portfolio</td>
</tr>
<tr>
<td></td>
<td>Real Challenges in Current Iron Therapies</td>
<td>Commercial supply of high quality products</td>
</tr>
<tr>
<td></td>
<td>- Inefficacy / unsatisfactory response</td>
<td>Rapid response to market changes</td>
</tr>
<tr>
<td></td>
<td>- Safety concerns</td>
<td>High product differentiation</td>
</tr>
<tr>
<td></td>
<td>- Dosing and compliance issues</td>
<td>Strong relationships quickly identify market opportunities</td>
</tr>
<tr>
<td>General Injectable Franchise</td>
<td>Focused on small volume vials and ampules</td>
<td></td>
</tr>
<tr>
<td>Other Franchise</td>
<td>Over 50 products in active production</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Additional: 25 in various phases of development</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Expanding capacity across 4 manufacturing sites to support portfolio growth and ensure consistent supply</td>
<td></td>
</tr>
</tbody>
</table>

Luitpold continues to have many opportunities to grow our organization. In fiscal 2016, we will focus on executing our capital expansion program and investing in our organization. As a first step, the new filling equipment at our Hilliard site in Ohio will be put into commercial use this year. We will be serialization ready by 2017. All of our business units are poised for growth; Injectafier and generic injectables are looking to have an especially strong year. Luitpold will launch its first oncology product in fiscal 2016 with additional products to follow.
Daiichi Sankyo Europe (DSE) currently does business in 12 European countries. Through licensing and sales agreements, our products are available in almost every European country. We are one of the strongest Japanese pharmaceutical companies located in Europe, which is the third most important market for the Daiichi Sankyo Group following Japan and the United States. Our European headquarters is in Munich, Germany, and close by, in Pfaffenhofen, is one of our global production plants.

Major Achievements in Fiscal 2015

- **Revenue of €387 million (down 2.5% year on year)**
- **Once-daily LIXIANA received market authorization for the European Union in June 2015**
  - LIXIANA has been launched in five European countries in fiscal 2015 (Germany, United Kingdom, Netherlands, Switzerland, and Ireland).
- **Successful launch of LIXIANA in Germany**
- Daiichi Sankyo Germany’s resource-focusing strategy, i.e. winning account by account, has proven to have a strong impact.
- **Agreement of LIXIANA sales alliance in Europe**
  - Agreement in February 2016 with Merck Sharp & Dohme Corp. (MSD)° for the exclusive rights to market once-daily LIXIANA (edoxaban) in 13 European countries.* DSE currently has no affiliated companies in these countries.
- **Start to take promotional lead of Effient in EU**
  - The transfer of the marketing authorization for Effient from Eli Lilly to DSE in December 2015 as a prerequisite to take over the promotional lead in Europe from January 2016.

Daiichi Sankyo Europe 5-Year Business Plan

- **Successfully overcome the olemaarten portfolio challenge**
  - Maximize profit from established brands and manage revenue decline through focused investment.
- **Maximize LIXIANA’s potential**
  - Rapid penetration through a focused account strategy. A very important element is the sales partnership agreement with MSD for the distribution rights for LIXIANA in 13 Northern and Central Eastern European countries.
- **Diversify portfolio**
  - Reduce risk related to single product dependency. Measures among others are the expansion of geographical reach and/or the acquisition of late stage / in-market opportunities.
- **Prepare for launch success in oncology**
- **Organizational development**
  - Evolve into a specialty care player and align structure with go-to-market strategy.

"Be brave and do it"—this is our leading principle for the years ahead of us. More specifically our 5-year business plan is about evolving into a specialty and hospital focused company capable of generating sustainable profitable growth through a focus on LIXIANA’s growth while building oncology as a core area.

One important step in our development into a specialty care provider is the rich oncology R&D portfolio and the opportunities this represents for us in the market place. We see a large market potential for our products and have started to prepare for first launches from 2017.

When it comes to LIXIANA, we also have exciting prospects ahead of us: Our vision is to have one million patients treated with LIXIANA in 2020 and thousands of strokes prevented and lives saved.

Our organization at Daiichi Sankyo Europe has evolved over the past three years and it has to evolve even further in order to reflect the needs of our product portfolio and to meet the challenges of the pharma market environment. This environment is characterized by fierce competition, highly regulated markets and the most unmet medical needs in specialty care areas.

This is a demanding process but will be rewarding at the same time if we manage to achieve our goals.

Initiatives for Fiscal 2016

- **Successful launch of once-daily LIXIANA (edoxaban) in further European countries such as Italy or Spain**
- **First launches of LIXIANA in Northern and Central Eastern European countries covered by the agreement with MSD**
- **Evolution into a specialty care player: finalize a new operating model and conclude alignment of European organizational structure with go-to-market strategy**
- **Continue preparations for first launches in oncology**

Fiscal 2016 is an important year for us. We will see further launches of LIXIANA in Europe, for example, in important markets such as Italy and Spain. In addition, we are convinced that having one of the biggest pharma companies in the world as our partner is a vote of confidence in LIXIANA. We are therefore also looking forward to making LIXIANA available as a viable treatment option for even more patients across Europe this year and beyond.

We will also conclude our organizational alignment process to further evolve into a specialty care provider and focus on our preparations for oncology launches. The first launch might be possible as early as 2017.

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* Source: Dakichi Sankyo Europe GmbH
° Source: Merck Sharp & Dohme Corp.
Asia, South & Central America (ASCA)
ASCA Company

Shuji Handa
ASCA Company President

ASCA Company

The ASCA Company is responsible for operations in the ASCA* region. In addition to conducting sales activities out of its seven individual sales subsidiaries (located in China, South Korea, Taiwan, Thailand, Hong Kong, Brazil, and Venezuela), the ASCA Company develops export operations targeting new markets around the world. It also conducts manufacturing activities at factories in China and Brazil. This business unit has continued to achieve stable growth by maximizing sales of its mainstay products in China, Brazil and other countries through accurate responses to the needs of markets and customers in each country of operation.

Major Achievements in Fiscal 2015

- Revenue of ¥75.3 billion (up 11.6% year on year)
  The ASCA Company worked to maximize sales of mainstay products, such as Olmetec and Cravit, while utilizing external resources acquired through alliances and in-licensing. In China, overall sales growth was primarily thanks to Cravit, Asmeton, Olmetec, and Mevalatin.
- Launch of new products
  Loxomin Tape was launched in China in July 2015, while LXIANA was introduced to the ASCA region for the first time with its February 2016 debut in South Korea. The ASCA Company and its partners will focus on developing LXIANA into a highly successful product.

ASCA Company 5-Year Business Plan

- Maintain and expand sales of existing products
- Quickly develop, launch, and expand sales of new products
- Enhance portfolio of products matched to the specific needs of respective regions and countries
- Advance swift and proactive project development in China
- Strengthen the business capability and implement measures targeting growth markets with an eye to fiscal 2021 and beyond

We aim to accomplish the five tasks listed above by 2020.

In the ASCA region, the social trends, economic conditions, health insurance systems, market characteristics and regulations vary by country. For this reason, swiftly responding to the changing operating environment while remaining respectful of diversity is crucial to success. In this region, we are committed to achieving sustainable growth by developing our business with an emphasis on value and always respecting the diversity of the region.

Our goal in China is to quickly encourage widespread usage of our products. To this end, we are deploying a strategy of achieving coverage of this massive market by aligning with local partners in certain areas. We will further build upon this strategy going forward.

In Brazil, we are expanding our product portfolio by advancing the introduction of iluvisone, an atypical antipsychotic agent licensed from Sumitomo Dainippon Pharma Co., Ltd., as well as other products that meet local needs.

Initiatives for Fiscal 2016

- Maximize sales of mainstay products
- Utilize external resources acquired through alliances and in-licensing
- Launch and rapidly expand sales of LXIANA

In fiscal 2016, the ASCA Company will continue to maximize sales of mainstay products, such as Olmetec, Cravit, and Mevalatin, while utilizing external resources acquired through alliances and in-licensing. At the same time, we will launch and rapidly expand sales of LXIANA in ASCA markets and undertake other initiatives for realizing the vision set out in the 5-year business plan.

LXIANA made its ASCA debut in South Korea in fiscal 2015, and Daichi Sankyo plans to directly launch this product in Taiwan, Hong Kong, Thailand and Brazil in fiscal 2016. We will seek to maximize the value of this product by ensuring the success of these launches and seeking out partners in countries where the Company will not sell LXIANA directly.

ASCA Company Revenue (Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>58.8</td>
</tr>
<tr>
<td>2014</td>
<td>67.5</td>
</tr>
<tr>
<td>2015</td>
<td>75.3</td>
</tr>
</tbody>
</table>

Sales Ratios of ASCA Company Subsidiaries

- China 55%
- Korea 15%
- Brazil 13%
- Taiwan 9%
- Thailand 7%
- Hong Kong 1%
- Venezuela 0.3%

Deployment of ASCA Company Subsidiaries

- Seoul (Korea)
- Beijing, Shanghai (China)
- Taipei (Taiwan)
- Hong Kong (Hong Kong)
- Bangkok (Thailand)
- Sao Paulo (Brazil)
- Caracas (Venezuela)
Functional Units

R&D Unit

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

R&D Unit

The role of the R&D Unit is to further develop a range of innovative, high-quality pharmaceuticals. The R&D Unit brings life to the vision of Daichi Sankyo to become a Global Pharma Innovator to, by developing new, high-value-added drugs. Our passion is to develop treatments that can improve patients’ quality of life and improve upon the standard of care in medicine today. The inquiring minds of our researchers and their desire to contribute to human health issues are the forces driving us in our R&D efforts. Our goal is to create new medicines that can deliver effective therapy to patients as quickly as possible. This passion is the driving force of our challenge towards that goal.

R&D Structure and Locations

Under Daichi Sankyo’s R&D structure, the head of the R&D Unit serves as the R&D Global Head, below which four Global Heads are appointed for each of the unit’s four functions: the Research Function, the Research Technology Function, the Development Function, and the Oncology Function. Coordination is pursued among these heads as R&D activities are advanced on a global scale. In addition, a Global Head is respectively assigned for R&D planning and project management to provide the functions that support global governance for the R&D Unit.

However, the road to this goal is not an easy one. Nonetheless, we remain devote our ongoing drug development efforts with our focus on the day when a drug developed globally will provide hope to people worldwide.

Research Function

The Research Function conducts research on non-oncology areas including pain and neurosciences, end-organ diseases, rare diseases and LCM, and cell therapy. All laboratories contain small–scale organizations that possess both pharmacology and synthesis functions, allowing for a transition to a bio-venture model capable of rapid decision-making. Daichi Sankyo Life Science Research Centre in India (RCI) is affiliated with the Research Function and is researching respiratory and infectious diseases.

Research Technology Function

The Research Technology Function seeks to expedite overall R&D activities by unifying the laboratories that spearhead the creation of fundamental research technologies related to drug metabolism and pharmacokinetics, safety, and modality. As one of the organizations included under this function, the Tissue and Cell Research Center Munich (TCRM), in Germany, advances research utilizing human tissue and cells through joint efforts with a human tissue consortium.

Development Function

The Development Function strives to deliver products created for the global market to medical institutions around the world as quickly as possible. To this end, we are extending our global reach by utilizing our network among Japan, the United States, and Asia. Moreover, Daichi Sankyo RD Novare Co., Ltd., and other Group companies in Japan maintain close coordination with Group companies in the United States and Asia, and development processes are advancing in an integrated manner. Daichi Sankyo Pharma Development (DSPD), located in New Jersey, the United States, manages clinical trials across the globe. The Japan Development is also responsible for clinical trials conducted globally, as well as those in Japan and Asia. Clinical trials in Asia are handled by the Asian Development in cooperation with Daichi Sankyo (China) Holdings Co., Ltd., Daichi Sankyo Korea Co., Ltd., Daichi Sankyo Taiwan Ltd., and Daichi Sankyo India Pharma Private Ltd.

Oncology Function

Daichi Sankyo has positioned oncology as a primary focus area. The Oncology Function consolidates research and clinical development functions for oncology-related small molecule medicine and biologics as well as immune-oncology. Through the creation of an integrated global structure encompassing activities from research to development, we are accelerating decision making and strengthening R&D capabilities based on uniform policies and strategies.

Other Research Functions

Daichi Sankyo RD Novare Co., Ltd. (DSRONI), Venture Science Laboratories (VSL), Flexion Inc., and Asubio Pharma Co., Ltd., are advancing research activities while leveraging the strengths of each organization. These organizations are overseen directly by the R&D global head. VSL and Flexion Inc. are conducting early-stage development until confirming POC, as well as drug discovery.

DSRONI acts as a pharmaceutical technology platform. VSL, which was established as an in-house start-up organization in 2013, strives to discover drugs for neurodegenerative diseases and a wide range of other diseases. Flexion, located in the United States, is conducting drug discovery in the small molecule medicine field using the Scaffold-Based Drug Discovery platform. Asubio Pharma targets the nervous system, the immune system, and regenerative medicine in its drug discovery efforts.

Target Major Achievements in Fiscal 2015

- Submitted applications for three drugs
  - ‘C-108R’, novel, opioid-containing formulation for the management of pain while preventing or reducing the associated opioid-induced nausea and vomiting (OINV) (US)
  - Hydromorphone hydrochloride oral formulation, narcotic analogic (JP)
  - iNAM, an anti-influenza treatment (JP: a partial revision of the usage method and dosage)
- Commenced two late-phase clinical trials
  - Quazar: Td Phase 3 clinical trial as a first-line treatment of acute myeloid leukemia
  - DS-8500: Phase 2b clinical trial for the treatment of diabetes
- Began 10 phase 1 clinical trials
  - 5 in the oncology field (PF-273086, PLX51007, LU-1784, DS-8201, and DS-1123)
  - 2 in the cardiovascular and metabolic field (DS-250F and DS-2330)
  - 3 in other fields (DS-7080, DS-2569, and DS-5741)
- Other accomplishments
  - Elancept biosimilar, a treatment for rheumatoid arthritis and other autoimmune diseases: Achievement of primary endpoint in Phase 3 clinical trial
  - Oncolytic Virus (O47A): Jointly applied with the Institute of Medical Science of the University of Tokyo and received designation under the SAKIGAKE Designation System for regenerative medicine products
  - Expanding access to clinical trial data related to pharmaceuticals that have been approved in Europe and the United States

Glenn Gormley, M.D., Ph.D.,
Head of R&D Unit

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Daiichi Sankyo Group Value Report 2016
R&D has adopted a new therapeutic focused area to ensure success in the next five years.

Primary Focused Area: Oncology
In oncology, we are focusing development on securing and accelerating perfect development for our lead assets, while applying critical efforts and planning for success on the best of our next wave of compounds. Focus on emerging disease franchises contributes to this effort. Business development activities are informed by the emerging newly refreshed strategy, including the fields of immuno-oncology, which uses the patients’ immune system to attack the cancer, and cell therapy, which uses genetically modified T cells, as a drug to target and destroy cancer cells.

New Horizon Areas:
- Pain (Develop therapies that will change SOCS in the treatment of acute and chronic pain)
- Central nervous system diseases (Develop drugs for neurodegenerative diseases)
- End-organ disease (Mainly focusing on heart and kidney disease)
- Rare diseases (Optimize new modalities1 to treat rare diseases)

To achieve our goals, R&D has introduced important changes in April 2016 in structure including:
- Creation of a fully integrated and global discovery and development Oncology R&D subunit
- Shifted to small-scale research organizations that possess both pharmacology and synthesis functions, allowing for a transition to a bioventure model characterized by management resource allocations based on delegated decision-making authority and productivity levels

These fundamental changes to the R&D organization together with clear targets, will allow the entire organization to work together with a single vision to make a difference in the lives of so many patients who are counting on us to change the practice of medicine and either extend their lives or extend the quality of their lives in a meaningful way.

1. A type of drug format, e.g. small molecule compound, monoclonal antibody, antibody-drug conjugate or nucleic acid etc. as a therapeutics

Initiatives for Fiscal 2016

Masahiko Ohtsuki, Ph.D.
Global Head of Research

Fiscal 2016 will be the first year under the new laboratory system classified by the diseases / targets as pain & neuroscience, end-organ disease and rare disease & LCM, meaning we will need to propose and advance research themes and make decisions based on a mind-set that is different from the previously adopted system. A key representation of this mind-set is the concept of “a bio-venture model”. By this, I refer to an approach similar to that of a venture company in which we actively collaborate with external organizations, advance research themes based on openly produced ideas, and make decisions within the organization. This approach should enable us to create results at less time and effective investment.

In the past, we may have been prone to limit the range of our activities to “pharmacology” and “chemistry”, conducting research within these scientific disciplines. However, we are now expected to move beyond these boundaries, actively exchanging information and having discussion between pharmacologists and chemists to propose new themes and advance each of the research themes with speed and efficiency. I have empowered the decision making authority at the research phase to each laboratory, and this has empowered laboratories to take reasonable accountability and responsibility for results.

Indian subsidiaries RCI has been created a number of development candidate compounds, and this company is participating in the development of pharmaceuticals for developing countries with the support of the Global Health Innovative Technology Fund.

Pharmacological development is an incredibly time-consuming process with an exceptionally low success rate. Nonetheless, our researchers continue to go about their duties while remaining passionate and highly motivated. This commitment comes from all researchers carrying close to their hearts our corporate slogan of “Passion for Innovation. Compassion for Patients.” As the Global Head of Research, I am dedicated to supporting these passionate researchers to the best of my abilities.

Research Technology

Junichi Koga, Ph.D.
Global Head of Research Technology

The recent restructuring of our research organizations has aimed to tailor resources to specific therapeutic areas to be utilized more flexibly and to accelerate therapeutic area-specific research activities. I feel that the mission of the Research Technology Function is to offer cross-functional support for such activities and to provide leadership with its specialties in fundamental research and technologies required for modern drug delivery.

In new modality research activities, our original technologies are applied to create antibody-drug conjugates (ADCs) and nucleic acid drugs with global competitiveness supported by superb performance. Clinical trials of these drugs have already begun. Going forward, we will continue to push forward with our research to provide optimal forms of modality for various target treatments, including small molecules, ADCs, antisense oligonucleotides, peptides/proteins, and cell therapies, as we seek to build more robust pipeline changing SOC.

Another axis of our activities involves drug metabolism and pharmacokinetics (DMPK) research and medicinal safety research. By predicting and verifying the efficacy and safety of drugs on humans from preclinical studies to late-phase clinical development and quickly establishing a position of competitiveness, DMPK and medicinal safety research play a crucial role in increasing the overall productivity of research and development.

In conducting non-clinical DMPK research and biomarker research, we will emphasize efficiency while formulating highly accurate predictions of the pharmacological actions and side effects that will appear at clinical stages. At the same time, we will make contributions to planning clinical trial strategies by building upon biomarker hypotheses and providing biomarkers. Furthermore, coordination will be pursued with development function, DSRDN and TCRM to advance biomarker research and cultivate its technology platforms. It is estimated that more than 50% of compounds at the non-clinical research phase are dropped due to safety issues in phase 1 clinical trials. To improve the development success rate, we will enhance both exploration of safety biomarkers and initial toxicity evaluation of compounds.

Another important role of the Research Technology Function is the provision of cross-disciplinary functions, such as the reinforcement of medicinal chemistry foundations, management of research compliance, oversight of animal experiments, and operation of facilities compliant with Good Laboratory Practices.2 We are committed to contributing to the further development of our medicinal chemistry foundations and to improving the quality and reliability of Daichii Sankyo’s overall research activities.

2. Standard to secure reliability about the safety of the non-clinical trial of pharmaceutical products

Organizational Structures

With the goal of simplifying our clinical structure, we have re-aligned our clinical groups and created Global Therapeutic Areas. The structure is intended to provide an enhanced mechanism for optimal clinical designs and generate integrated approaches to the development phases from first-in-human studies to final approval. We expect the model to optimize development timelines and costs, as well as deliver clear results necessary for prudent decisions.

Processes

We have identified areas of our Drug Development Process that can be enhanced to improve efficiency and productivity, including but not limited to the clinical development planning and protocol development.

Appropriate Selection of Innovative Mechanisms

Consistent with the R&D goal of simplifying governance and decision points, Development has partnered with Research to create a shared view on the therapeutic area strategy and selection process of projects that should progress into clinical testing. This decision is now a joint accountability between Discovery and Development with the common goal of progressing innovative projects with the highest potential to change the standard of care. This is a great step forward in achieving alignment between the scientists working in discovery and the clinical members that oversee clinical testing.

With the planning phase complete and endorsed, our mission at this point is to ensure the successful implementation of the 5-year business plan and deliver innovative medicines to patients and value to our organization.
## Development Pipeline

The Daichi Sankyo Group develops and expands pipelines with a constant focus on patients’ unmet medical needs. The R&D Unit has positioned oncology as the Primary Focused therapeutic area and has also categorized pain treatment, central nervous system diseases, heart and kidney disease, and rare diseases as the New Horizon areas. By advancing efforts targeting diseases in these areas, we aim to create advanced medicines that bring about changes in standard treatments.

### Oncology Field

Pexidartinib, quizartinib and tivantinib, are currently in late-phase development, and all of these drugs have been designated as orphan drugs by the U.S. Food and Drug Administration (FDA) and the European Medicines Agency. Pexidartinib, in particular, has been designated as a breakthrough therapy for tenosynovial giant cell tumor (TGCT) by the FDA. Early-stage projects, we have also commenced clinical trials for DS-6051, an NTRK/R051 inhibitor that is designed to overcome resistance to existing treatment in a rare genetically-defined subtype of non–small-cell lung cancer. We have started a phase 1 clinical trial for DS-3201, an EZH2/PI3 dual inhibitor, targeting an epigenetics, which is one of our attractive targets of next-generation oncology field. Based on the phase 1 study in the US for DS-3032 has suggested effectiveness in patients with liposarcoma (LPS). In the biologics field, DS-8201, a groundbreaking conjugate combining an anti–HER2 antibody with an anticancer drug is in phase 1 clinical trials.

### Cardiovascular and Metabolic Field

In fiscal 2015, edoxaban, our proprietary oral anticoagulant, was approved in the United States and Europe and is expected to grow into one of Daichi Sankyo’s flagship products. In addition to edoxaban and prasugrel, an antiplatelet agent, we are developing thrombus dissolving agents DS-1040 and DS-9233 and aim to realize a complete lineup of thrombosis treatments. As for the phase 2 and later stage projects, DS-8500, a GPR119 agonist, is under phase 2b clinical trial in type 2 diabetes. In addition, phase 2 clinical trials of CS-3150, a MR antagonist, for hypertension and diabetic nephropathy are being conducted in Japan.

### Major R&D Pipelines (In-House Development Projects, as of July 2016)

<table>
<thead>
<tr>
<th>Therapeutic Area</th>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
<th>Application</th>
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<tbody>
<tr>
<td><strong>Oncology</strong></td>
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<tr>
<td><strong>Cardiovascular &amp; Metabolic</strong></td>
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<tr>
<td><strong>Others</strong></td>
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</tbody>
</table>

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

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### Pain Field

In the United States, an NDA for CL-108, an innovative two-layer combination tablet containing hydrocodone, acetaminophen, and promethazine was submitted to the FDA for marketing approval. In Japan, Daichi Sankyo has filed an application for the manufacture and sales of hydromorphone hydrochloride oral formulation. This was one of the agents publicly offered for the development by the Review Committee on Unapproved Drugs and Indications with High Medical Needs under the Ministry of Health, Labour and Welfare. We are also advancing a phase 3 clinical trial for the injection form of this drug in Japan. Meanwhile, mirabegron, a novel in-house compound developed by Daichi Sankyo, is being submitted for phase 3 clinical trials in Japan, the United States, Europe, and Asia.
Functional Units
Pharmaceutical Technology Unit
We are responsible for developing candidate compounds for drugs into commercial pharmaceutical products.

Naoyuki Kishi, Ph.D.
Head of Pharmaceutical Technology Unit

Pharmaceutical Technology Unit
Pharmaceutical technology is used to develop processes for the consistent manufacturing of high-quality pharmaceuticals that meet desired efficacy and safety parameters, the fundamental values provided by pharmaceuticals. In addition, pharmaceutical technology helps improve product value in terms of use and customer satisfaction. The Pharmaceutical Technology Unit defines its mission as providing new technology platforms that are compatible with the product portfolios sought by Daichi Sankyo, adding extra value to pharmaceuticals. It thus works to realize a timely supply of the new drug candidates discovered by the R&D Unit in the form of investigational drugs.

The unit also designs manufacturing processes for realizing consistent manufacturing of high-quality pharmaceuticals and transfers related manufacturing and analytical technologies to the Supply Chain Unit.

Major Achievements in Fiscal 2015
- Innovative manufacturing process established for adoxanib drug substances
  We established a low-cost manufacturing process that applied green sustainable chemistry principles.
- Development and establishment of formulation platform technologies and application to products
  We obtained marketing approval for two products in the form of orally disintegrating (ODI) tablets (Adoxanib OD Tablet and Olmetec OD Tablet), which can be taken without water.
  In addition, applications for marketing approval were submitted for a total of five other products, including ODI tablets, fast-dissolving tablets, and extended-release tablets.
- Prospective application of new global regulations
  We participated in ICHQ and involved the alternative regulations in advance.

Pharmaceutical Technology Unit 5-Year Business Plan
- Accelerate and improve efficiency of oncology development
- Enhance key technology of biologics manufacturing platforms
- Develop high-value-added formulations, reduce costs and establish new production methods

In order to accelerate and improve the efficiency of oncology development, we will execute a chemistry, manufacturing and controls (CMC) strategy, under which we will target quick starts to clinical trials and flexible measures with regard to these trials while also striving to shorten development timelines.

To enhance biologics manufacturing platforms, the Biologics Technology Research Laboratories have been organized within the Pharmaceutical Technology Unit beginning in Fiscal 2016. The Pharmaceutical Technology Unit will cover our entire portfolio, from the small molecule field to the biologics field, through a flexible allocation of resources. We anticipate that this new organization will contribute to increased coordination with regard to the development of commercial processes for ADCs (see the illustration below)

In regard to initiatives to develop high-value-added formulations, reduce costs and establish new production methods, we utilize Daichi Sankyo’s original technologies to continually create high-value-added LCM® products that satisfy the needs of patients and healthcare professionals. At the same time, we will establish new manufacturing methods to optimize manufacturing processes while seeking continual cost reductions.

Initiatives for Fiscal 2016
- Quickly and steadily launch products under development to contribute to growth in corporate earnings
- Accelerate and improve efficiency of oncology development to expand product pipeline
- Enhance key technology of biologics manufacturing platform and advance CMC strategy
- Develop, utilize, and effectively manage cutting-edge technologies

ADCS: Armed Antibodies through Chemistry
ADCS are complex pharmaceutical molecules composed of antibodies (linked to cytotoxic (anticancer) agents via a synthetic linker.

Response to Needs for Various Pharmaceutical Forms

- Process technology
- Biotechnology
- Formulation technology
- Analytical and quality evaluation technology

Development of compounds into pharmaceutical products

Research and Development
Pharmaceutical Technology
Supply Chain
Marketing & Sales

Create pharmaceuticals
Develop pharmaceuticals
Provide appropriate information together with pharmaceutical.com

Slow
Extended-release tablets
Low number of administrations
Controlled active ingredient release speed, time, and location

Dissolving speed
Fast
Immediate release tablets
Easy to take

Selectively deliver a cytotoxic agent to target
Enhance antitumor activity
(Drug delivery system utilizing antibodies)

Target cell
Antibody
Cytotoxic agent
Linker

1. Adoxanib ODI Tablets
2. Fast-dissolving ODI Tablets
3. Quickly dissolve in water
4. Quickly disintegrating ODI Tablets
5. Easily dissolvable

Source: World Health Organization

Fiscal 2016 will be the first year of the 5-year business plan. The Pharmaceutical Technology Unit is devoted to contributing to the progress of this plan by submitting approval applications on schedule and transferring technologies to ensure the launch of new drugs with efficiency and speed.

The opioid analgesic hydromorphone can be used as an example of our development of pharmaceutical technology. This drug has been positioned as a standard drug for pain control in the WHO’s guidelines for the treatment of cancer pain. Daichi Sankyo has stepped up to respond to the request of the Japanese government to develop this drug in the consideration of the high medical need for it. We simultaneously developed two oral formulations for this drug (extended-release tablet and fast-dissolving tablet) to treat the two different types of cancer pain faced by patients: ongoing pain and sudden pain. Marketing applications for hydromorphone were submitted in March 2016. We hope to deliver these pharmaceuticals to patients in Japan as soon as possible. Furthermore, we plan to apply for approval of an injectable form of hydromorphone during Fiscal 2016 to help manage the pain of patients needing immediate relief or those unable to ingest tablets.

In this manner, we are actively developing and applying new technologies to contribute to pharmaceutical development and respond to the diverse needs for pharmaceutical products. Going forward, we will continue our mission to provide various pharmaceuticals that meet the needs of patients and healthcare professionals.

The operating environment surrounding the pharmaceutical business has been changing over the past several years. Seeking to respond to these changes, the Pharmaceutical Technology Unit will continue to grow as a flexible organization by heightening creativity with the organization and increasing the diversity of its people.
Functional Units

Supply Chain Unit

We consistently supply our high quality drugs to patients around the world using our advanced technological capabilities and efficient supply chain system.

Katsumi Fujimoto, Ph.D.
Head of Supply Chain Unit

Supply Chain Unit

Contributing to Daichi Sankyo’s innovative pharmaceutical business, the Supply Chain Unit is an organization that conducts optimal management along the global supply chain function axis, which crosses regional and national boundaries. The global organization is responsible for overseeing supply chain functions and manufacturing sites in Japan, the United States, Europe, Brazil and China.

The mission of the Supply Chain Unit is to provide a consistent supply of our high quality drugs to patients around the world using our advanced technological capabilities and efficient supply chain system and (2) supporting early launch of new products and business expansion of existing products. We believe our actions directly contribute to enhance corporate value of the Daichi Sankyo Group.

Major Achievements in Fiscal 2015

- Established new supply chain organizational structure in Japan aimed at consolidating and strengthening Supply Chain function
- Established global supply chain for edoxaban and realized a consistent supply of the product
- Steadfast response to PIC/S and GDP1 to ensure quality in line with global standards
- Contribution to entire Group profit through cost-reduction measures and low-cost operations
- Global inventory optimization activities resulting in massive decrease in inventories

1. Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme (PIC/S); Unofficial framework for cooperatives between inspection authorities targeting the international development, implementation, and maintenance of inspection authority quality systems and Good Manufacturing Practice (GMP) standards appropriate for the pharmaceutical field

Global Production Sites of the Supply Chain Unit

Transformation and Rebuilding of Supply Chain Structures for the Future

During the period of the 5-year business plan, we will face several environmental changes in addition to the loss of exclusivity for olmesartan. Such changes will include a decline in production volume over the medium-to-long term as well as alterations in our product mix due to the shift in the Daichi Sankyo Group pipeline toward oncology products and biologics (mass production items—high-variety, low-volume production items; small molecule compounds—large molecule compounds; solid formulations—injectable formulations). To respond swiftly and flexibly to these changes, we strive to keep ahead of the curve to transform and rebuild supply chain structures. Specifically, we will aggregate manufacturing sites on a global level and establish a manufacturing system for biologics and high-variety low-volume production products. Cost reduction activities, meanwhile, will include refining supply chain technologies, advancing cost planning2 and cost reduction for major products, and achieving low-cost operations. By carrying out such various cost reduction activities on a global basis, we will contribute to overall Group profits.

2. Cost planning: Setting cost targets based on product lifecycles and medium-to-long term strategies and planning cost reduction measures to achieve these targets

Initiatives for Fiscal 2016

- Establish high-variety, low-volume manufacturing system of oncology products
- Future planning for future biologics manufacturing systems
- Establish optimal manufacturing systems for each region
- Support edoxaban’s business expansion to all over the world and maintain stable supply
- Advance cost reduction measures on a global level

Fiscal 2016 will not only be the first year of the 5-year business plan but also a year in which the Supply Chain Unit takes a large first step in transforming and rebuilding global supply chain structures looking ahead even beyond the next five years. We will start taking actions to establish systems for high-variety, low-volume manufacturing targeting oncology products and future planning for biologics manufacturing systems, while optimizing manufacturing systems for each region. Specific measures will include boosting manufacturing capacity at the Beijing and Shanghai Plants to manage business expansion in China. We will also prepare to close the Hiratsuka Plant of Daichi Sankyo Chemical Pharma as part of the aggregation of API manufacturing sites in Japan.

At the same time, we will take steps to respond to the business expansion of edoxaban in Europe and emerging countries in order to maintain stable supply. Furthermore, we will advance cost reduction activities on a global level to contribute to the increase of Daichi Sankyo Group’s future growth.
Functional Units

Quality & Safety Management Unit
We will secure quality and safety to deliver reliable medicines.

Hirosumi Izawa
Head of Quality & Safety Management Unit

Quality & Safety Management Unit
The ability for pharmaceuticals to fulfill their purpose depends on quality manufacturing as well as developing and providing information, as appropriate.

The Quality & Safety Management Unit was developed to help deliver reliable medicines to patients and healthcare professionals all over the world. This unit focuses on the following five functions in its activities.

1. Quality assurance of a steady supply of medicines to the world through manufacturing and analytical data reviews related to areas ranging from clinical trials to post-marketing
2. Promotion of patient safety through safety measures based on analyses and evaluations of data on adverse drug reactions received from all stages of use ranging from clinical trials to post-marketing
3. Quality assurance of data (efficacy and safety information) in areas ranging from clinical trials during R&D to post-marketing
4. Information creation by utilizing post-marketing data and value improvement for post-market pharmaceuticals through post-marketing surveillance
5. Stringent compliance with applicable laws and regulations through comprehensive management of regulatory affairs functions

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

Major Achievements in Fiscal 2015

- Appropriate steps taken to ensure safety of LIXIANA/SAVIYASA, Effient/Effient, and other innovative pharmaceuticals
- Foundations formed for utilizing medical information database
- Change management approaches to reduce costs based on regulatory affairs strategies for mainstay products
- Reliability assurance functions strengthened for Group companies

Quality & Safety Management Unit 5-Year Business Plan

- Continue post-marketing surveillance on edoxaban and prasugrel to create information
- Introduce quality risk analysis and evaluation systems for new fields and new technologies
- Strengthen safety monitoring measures and verify effectiveness of safety measures

The Quality & Safety Management Unit has established a vision for fiscal 2020 and formulated concrete measures for realizing this vision.

As LIXIANA/SAVIYASA and Effient/Effient are in the post-marketing phase and clinical development in the oncology field is being accelerated, there will be a need to respond to the Company’s shift toward a product mix with a different set of potential adverse drug reactions. To address this need, the unit will advance post-marketing surveillance to create information for strengthening safety measures and promoting appropriate use of Daiichi Sankyo’s oncology products.

The unit will also introduce quality risk analysis and evaluation systems that are compatible with the changes in the Company’s emerging product portfolio. At the same time, we will advance the utilization of new medical information databases, a new initiative, to help us better understand the circumstances regarding the use of our products based on data from actual clinical settings and confirm the effectiveness of existing safety measures. This will allow us to create swift and sophisticated new safety measures as needed.

Moreover, as our business expands, we will further strengthen quality assurance and regulatory assurance functions and move forward with the creation of robust quality and safety management systems that can respond to increases in production volumes and changes in regulations.

Support for Value Chain to Ensure Quality, Safety, and Reliability

Quality & Safety Management Unit

- Focus on quality of pharmaceuticals in phases from clinical trials to post-marketing
- Focus on safety of pharmaceuticals used by patients
- Assure reliability of data (efficacy and safety information) in areas ranging from clinical trial results during R&D to post-marketing

Safety Information Management

Safety Information Management

The Quality & Safety Management Unit will strengthen global governance systems through an initiative spearheaded by offices in Japan, thereby positioning itself to conduct more sophisticated evaluations of adverse drug reactions for LIXIANA/SAVIYASA, Effient/Effient, and other drugs and promote related safety measures.

In Japan, the information contained in package inserts is expected to undergo substantial revisions based on the policies of the applicable regulatory authority. Because Daiichi Sankyo provides numerous products, we will steadily advance these revisions while exercising our integrated functions.

At the same time, the Quality & Safety Management Unit will research medical information databases aimed at further strengthening foundations and formulating safety measures for mainstay products based on the perspective of patients.

Furthermore, we will steadily move forward with post-marketing surveillance regarding mainstay products to create new information and promote appropriate use.

Quality Assurance and Audits

In preparation for production volume increases and new product launches, quality assurance functions will be reinforced at the production sites of Group companies in order to contribute to the expansion of operations by achieving a stable supply of high-quality pharmaceuticals.

We will also continue to ensure the reliability of R&D activities in consideration of global standards and regional characteristics. Particular effort will be devoted to furthering our expertise in establishing audit systems in China given our plans to enhance clinical research operations in this country.

Post-Marketing Regulatory Affairs

The Quality & Safety Management Unit will determine the optimal form for its overall organizational structure and strengthen functions to better exercise its strategic regulatory affairs functions and thereby supporting the launch of new products and, at the same time, maintain and expand sales of existing products.

Society has recently been turning an even stricter eye to the pharmaceutical industry. Under this increased scrutiny, the Quality and Safety Management Unit will ensure effective regulatory affairs management and stringent compliance, and we will flexibly respond to changes in the operating environment while advancing our duties without hesitation to implement reforms when necessary.
Functional Units
Medical Affairs Division

The Medical Affairs Division in Japan will contribute to the maximization of product value by enhancing coordination between functions from pharmaceutical information collection to distribution.

Sunao Manabe, DVM, Ph.D.
Head of Medical Affairs Division

Background for Establishment of Medical Affairs Division

The ability for pharmaceuticals to fulfill their purpose depends on quality manufacturing as well as appropriate data management. As a life science-oriented company, we are expected to create and distribute high-quality medical information, always adhering to high ethical standards. The Medical Affairs Division was established in April 2016 to enhance how and what we communicate to our key stakeholders regarding our products and the diseases they treat, while ensuring transparency and a high level of compliance. Guided by this mission, we will enhance activities to create information about our pharmaceutical products through clinical research and other methods that respond to the needs of the medical field and distribute information based on the perspectives of both healthcare professionals and patients.

Role of the Medical Affairs Division

We create and distribute high quality information in the disease areas in which Daiichi Sankyo is involved based on scientific and medical judgment in a responsible way. Furthermore, we have adopted a value linkage scheme (see the illustration below) to maximize product value evaluated as contribution to treatment in the medical field. We thereby endeavor to improve corporate value and contribute to advancements in medicine.

Medical Affairs Division

5-Year Business Plan

- Conduct large-scale observational studies for prasugrel and edoxaban and collect clinical evidence
- Create and distribute information on priority drugs and new products based on the Medical Strategies
- Develop more sophisticated medical affairs systems corresponding to environment changes
- Strive to improve customer loyalty
- Enhance medical information
- Entrainment practice of utilizing Voice of Customer (VOC)

Initiatives for Fiscal 2016

- Formulate and implement medical strategies
- Ensure strict compliance
- Increase quality of response to medical inquiries
- Promote coordination within the Medical Affairs Division and enhance medical information
- Increase information distribution activities

Value Linkage Scheme Targeted through Medical Affairs

This section details the various business activities of the Group as well as the CSR activities incorporated into these business activities.
CSR Management

We endeavor to conduct CSR activities that are integrated into our business activities and that are based on the Daiichi Sankyo Group Corporate Conduct Charter. In order to facilitate our commitment to social, environmental and other sustainability issues, we have identified and organized CSR issues into six domains on which CSR management will concentrate its resources. Actual activities are promoted through a system of committees with cross-organizational membership. We will also engage in active communication with our various stakeholders, taking their evaluations of the Group to heart and reflecting these evaluations in CSR activities.

The Daiichi Sankyo Group’s CSR Activities

CSR Activities Based on the Daiichi Sankyo Group Corporate Conduct Charter

Based on the Daiichi Sankyo Group Corporate Conduct Charter (see page 28), we are conducting CSR activities as part of all our corporate activities. The Daiichi Sankyo Group Corporate Conduct Charter defines principles to be practiced in all of the Company’s activities in order to fulfill its corporate mission. Taking each of these principles very seriously, and complying with legal regulations and rules, we act with the highest ethical standards and good social conscience appropriate for a company engaged in a business that affects human lives. Through this commitment, we strive to meet the diverse requirements and expectations of society to improve corporate value and thereby fulfill our Corporate Social Responsibility (CSR).

CSR Activities for Addressing Diverse and Changing Sustainability Issues

We must respond to a diverse range of sustainability issues, including those related to human rights, gender equality, corruption prevention, environmental preservation and global health. In responding to sustainability needs, we have clarified the CSR issues that the Group will focus on based on their medium-to-long-term relationship with our business and arranged these into six domains for CSR activities (see steps 1 and 2 to the right).

Step 1

Identify CSR Issues

We have identified 36 CSR issues that pharmaceutical companies generally need to address by referencing the inspection criteria of international CSR initiatives (Ten Principles of the United Nations Global Compact, ISO 26000, etc.) and socially responsible investment (SRI) indices (Dow Jones Sustainability Indices, FTSE4Good, Access to Medicine Index, etc.) as well as the policies and visions of pharmaceutical company organizations (International Federation of Pharmaceutical Manufacturers & Associations, Japan Pharmaceutical Manufacturers Association, etc.).

Step 2

Arrange CSR Issues into Domains for CSR Activities

The 36 CSR issues related to CSR activities were further organized and arranged into six domains for activities:

1. promoting compliance management,
2. mutual growth of employees and the Company,
3. enhancement of communication with stakeholders,
4. promoting environmental management,
5. improving access to healthcare, and
6. social contribution activities.

(See “Issues to Be Addressed as Part of CSR Activities” on page 61.)

Issues to Be Addressed as Part of Responsible Corporate Activities

Promoting Compliance Management (12 Issues)

- Observe Group-wide codes of conduct
- Anti-corruption
- Ensure transparency of corporate activities
- Conduct clinical trials in accordance with ICH-GCP
- Ensure product quality and safety
- Ethical marketing practices
- Consider bioethics and genetic resources
- CSR procurement
- Report on critical recalls
- Report on breach of laws and legal cases
- Respect human rights in business activities
- Tax strategy

Mutual Growth of Employees and the Company (8 Issues)

- Develop human resources
- Acquire and retain talented individuals
- Promote diversity
- Communication between labor and management
- Respect human rights in labor practices
- Pay equal wages to men and women
- Promote work-life balance
- Prevent occupational accidents

Enhancement of Communication with Stakeholders (5 Issues)

- Identify, respond to, and disclose material CSR issues
- Improve customer satisfaction
- Respond to complaints
- Stakeholder engagement
- External verification for CSR reports

Promoting Environmental Management (6 Issues)

- Address climate change
- Manage chemical substances
- Control water usage volumes
- Manage waste
- Preserve biodiversity
- Receive ISO 14001 and other environmental management system certification

Improving Access to Healthcare (4 Issues)

- Address global health issues
- Measures to combat counterfeit medicines
- Addressing cost burden
- Health outcome contribution

Social Contribution Activities (1 Issue)

- Conduct social contribution activities suited to a pharmaceutical company

Based on the above CSR issues, we have defined the following five areas of focus for CSR activity domains in the fourth mid-term business plan.

CSR Targets (5-Year Business Plan)

Promoting Compliance Management

- Dissemination of global compliance policies, such as the Daiichi Sankyo Group Individual Conduct Principles

Mutual Growth of Employees and the Company

- Human resources development to realize value creation and secure competitive advantage through our core values of innovation, integrity, accountability, and respect for diversity

Enhancement of Communication with Stakeholders

- Effective disclosure and performance improvement of CSR & ESG

Promoting Environmental Management

- Reducing environmental impacts and risks and addressing climate change
  (Fiscal 2020 Cb: emissions target: 5.6% reduction from fiscal 2015)

Improving Access to Healthcare

- Promoting R&D for intractable disease, orphan disease and global health
- Mobile healthcare field clinics, Healthcare professionals development, Health and hygiene training to the local in the regions face a lack of medical infrastructure

Social Contribution Activities

- Conduct social contribution activities suited to a pharmaceutical company
Promotion of CSR Activities

Initiatives related to compliance management, environmental management and social contribution activities are promoted by specific committees set up for each area (Corporate Ethics Committee, Environmental Management Committee, and Social Contributions Committee). Relevant Company divisions serve as the secretariat for each of these committees, which are members by individuals from across the organization. In addition, important matters related to CSR are reported to and discussed by the Management Executive Meeting.

Corporate Ethics Committee (Secretariat: Legal Affairs Department)
The Corporate Ethics Committee promotes management that complies with domestic and international laws and regulations as well as corporate ethics and fulfills corporate social responsibility.
Chairperson: Compliance officer (Head of General Affairs & Human Resources Division)
Members: The Committee consists of 11 members including 10 members internally assigned by the chairperson and an outside lawyer for ensuring transparency and confidence of the Committee.

Environmental Management Committee (Secretariat: CSR Department)
The Environmental Management Committee promotes environment-friendly and balanced management which contributes to sustainable society throughout its overall corporate activities.
Chairperson: Chief executive officer of environmental management (Head of Corporate Management Division)
Members: The Committee consists of 10 members including Environmental Management Officer (vice president of CSR Department).

Social Contributions Committee (Secretariat: CSR Department)
The Social Contributions Committee promotes social contribution activities from the perspective of fulfilling corporate social responsibilities as a good corporate citizen.
Chairperson: Head of Corporate Management Division
Members: 6 members appointed by the chairperson.

The CSR Department works to identify sustainability issues and, based on the global management structure (see page 29), collaborates with relevant divisions to support and promote the Group’s CSR activities.

External CSR and ESG Evaluations and CSR Communication

Inclusion in SRI Indexes in Reflection of External CSR and ESG Evaluations
We pursue ongoing improvements in corporate value by integrating our CSR activities for addressing sustainability issues into our business activities. These efforts have been highly evaluated, resulting in the Company being included in four socially responsible investment (SRI): Dow Jones Sustainability Indices (DJSI), RobecoSAM AG Sustainability Award Industry Mover, FTSE4Good Global Index, and Morningstar Socially Responsible Investment Index. Overviews of each index and the status of the Company’s inclusion are as follows (as of September 30, 2016).

CSR Issues and Initiatives
We engage in active communication with the institutions supporting CSR initiatives, SRI investigation firms, institutional investors that emphasize CSR and ESG, and CSR experts. In addition to explaining the Group’s CSR activities (see the “CSR Issues and Initiatives” table below), we use such communications as an opportunity to understand requests and expectations of our various stakeholders for the Group to keep them current and to reflect this understanding in CSR activities.

The FTSE4Good Global Index is part of the FTSE Global Exchange Group. The FTSE4Good Index is designed to measure the performance of companies demonstrating strong corporate governance. The index seeks to select companies that are leaders in their sectors and companies of the top tier with respect to certain environmental, social and governance criteria.
Promoting Compliance Management

No matter how successful or strongly performing a company may be, it will be unable to continue growing within society if it does not practice good compliance. As a global pharmaceutical company, the Daiichi Sankyo Group therefore practices management founded on compliance.

Basic Policy

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

To guide us in these efforts, we have established the Daiichi Sankyo Group Corporate Conduct Charter and the Daiichi Sankyo Group Individual Conduct Principles (ICP), which are applied throughout our operations. Based on the essence of the Charter and the ICP, the Company and other Group companies have developed compliance conduct standards appropriate to their respective regions and social requirements. Awareness regarding these standards is being entrenched among all executive officers and employees.

Directives for Initiatives

- Appropriate operation of the global compliance system
- Enhance compliance education and conduct effective monitoring at domestic Group companies
- Steadily implement measures for ensuring transparency of corporate activities

Examples of Initiatives

Continued Operation of the Compliance System

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

In addition, a compliance officer is appointed at each Group company in Japan to promote and oversee compliance programs at their respective company. In April 2016, we established the Global Compliance Advisory Committee as an advisory organ to the Corporate Ethics Committee to further evolve its global compliance system. Full-time members of the new committee include compliance officers from subsidiaries in Europe and the United States, and the committee is responsible for examining global policies and annual targets for the Group.

Dissemination of the ICP

Global companies have recently come to be expected to establish broad-ranging global policies regarding the requirements for the behavior of individuals across their organization. Moreover, this policy must be adhered to and disclosed outside of the company to demonstrate that its global business activities are being conducted with integrity. In light of this expectation, we developed the ICP, a shared, Group-wide policy regarding the behavior of individual executive officers and employees established as a supplement to the Daiichi Sankyo Group Corporate Conduct Charter. The ICP was put into effect at Group companies in Japan and overseas in April 2015.

To promote understanding of the ICP among all Group employees, the president of each Group company transmitted messages regarding the implementation of this policy. Other measures were used to promote understanding, including interactive training programs conducted at all Group companies and departments as well as training sessions in which members of the Legal Affairs Department are dispatched to provide direct support on-site for certain Group companies. (See “Voice” on page 65.)

Initiatives for Anti-Corruption

For companies developing their operations on a global scale, the risks related to bribery of government officials are growing with each coming year. One of the Individual Norms defined in the ICP states our commitment to preventing corruption and bribery. To uphold this commitment, we continue efforts to actively incorporate such topics into compliance training programs.

Promotion of Compliance in Procurement

The Daiichi Sankyo Group has established a global procurement policy. Acting in accordance with this policy, we base our global procurement activities on good compliance. In addition, the Company and Group companies in Japan have positioned compliance among their procurement missions, declaring that strict compliance must be practiced regarding procurement-related laws enacted in Japan, such as the Antimonopoly Act, Act against Delay in Payment of Subcontract Proceeds, Etc., to Subcontractors, and others.

Measures for Ensuring the Transparency of Corporate Activities

We work to ensure the transparency of our relationships with healthcare professionals, medical institutions and patient groups in Japan based on the Company’s defined policies, and we disclose information on payments to such entities on the Company’s corporate website. Overseas, we disclose information on payments to healthcare professionals and medical institutions by calendar year based on the applicable law, including for instance, Physician Payments Sunshine Act for payments in the United States and EFPIA HCP/ICO Disclosure Code for payments conducted in Europe. We also comply with applicable regulations and codes of each country.

Approach to Clinical Research Support

In supporting clinical research, Daiichi Sankyo adheres to the Japan Pharmaceutical Manufacturers Association’s Guidelines for Supporting Clinical Research Projects headed by External Researchers with Pharmaceuticals. We support research only after identifying any possible conflicts of interest among researchers and examining issues with an eye to the potential implementation of a clinical research law currently in the drafting phase.

Daiichi Sankyo also provides scholarship donations. To improve transparency with regard to these scholarships, we introduced the Daiichi Sankyo Scholarship Program in April 2016. In this program, universities and other research institutions submit applications for scholarships directly through the Company’s corporate website, and these applications are investigated and approved by an organization that is independent from the Sales & Marketing Division.
Mutual Growth of Employees and the Company

The Daichi Sankyo Group considers its people to be its most important asset, and pursues long-term growth by practicing innovation, integrity and accountability as described in our Core Values.

Basic Policy

At Daichi Sankyo, we believe that employees, through their embodiment of the Daichi Sankyo Group’s Core Values and their diligent daily efforts to carry out our Commitments in and outside the Company, will be a strong driving force behind realizing our vision and fulfilling our mission.

The Daichi Sankyo Human Resources Management Philosophy was designed to support the development, empowerment and fair treatment of employees that, irrespective of their location in the world, share in the principles of innovation, integrity and accountability. At the same time, we expect employees to uphold the ethics and standards we have defined and work toward the realization of our corporate vision.

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

Directives for Initiatives

- Cultivate employees with high-competitive skills based on workforce strategies
- Promote diversity and inclusion (D&I) to foster creativity within the organization and increase success
- Develop a corporate culture and organizational atmosphere based on our Core Values

Examples of Initiatives

- Develop Human Resources
- Cultivation of Leaders
- Promotion of the Employment of Individuals with Disabilities
- Fostering of Our Corporate Culture

Promotion of the Employment of Individuals with Disabilities

In Japan, through Group companies including Daichi Sankyo Happinex Co., Ltd.—a special subsidiary company that meets the terms of the Act on the Promotion of the Employment of Disabled Persons—we promote the employment of individuals with disabilities. In fiscal 2015, these activities were recognized by the Ministry of Health, Labour and Welfare when the Company received an award as a superior workplace for promoting the employment of individuals with disabilities.

Fostering of Our Corporate Culture

- Initiatives promoting Respect for Human Rights
- In Japan, we conduct ongoing training for all employee groups—from newly hired employees to management—relating to human rights, and we promote an environment in which a diverse range of employees can readily and respectfully work with one another. Besides striving to raise awareness about harassment in the workplace on a daily basis, we have implemented training that uses case studies and is designed to improve the counseling skills of the Harassment Call Center staff. This staff is stationed at the Japan head office, at each work location within Japan, and at the labor union. Each and every alleged violation is treated seriously; we emphasize appropriate behavior and seek the opinions of external individuals, including legal counsel. We then report the matter to the Corporate Ethics Committee, and put necessary preventative measures in place to avoid a recurrence. In addition, as a measure to support individuals seeking assistance, individual Group companies have hotlines available as venues for consultation and reports on human rights and labor issues. These hotlines can be accessed 24 hours a day and are available to individuals both inside and outside of the various member companies of the Daichi Sankyo Group. We have also established facilitation understanding with regard to the Ten Principles of the United Nations Global Compact, and these tools are deployed at domestic and overseas Group companies.

- Communication with Labor Unions

In Japan, we value trusting relationships with labor unions, and we protect the rights of our employees by engaging in dialogue between labor and management, through which we constructively discuss resolutions to problems and disclose information in a highly transparent manner. We have established the Labor Management Committee to handle matters related to occupational health and safety and work-hour management in Japan, and we are faithfully implementing labor management practices based on a plan-do-check-act (PDCA) cycle.

- Building of a Dynamic Corporate Culture

Based on the results of an Employee Engagement Survey that took place in fiscal 2014, we are taking steps to build a dynamic corporate culture in Japan. To this end, we have line managers convey to their team members, in their own words, their organization’s vision as well as communicate their intent and align everyone in the same direction. In addition, we are implementing training programs to improve relationships among employees in the workplace in Japan.

Promotion of Occupational Health and Safety

In Japan, while collaborating with occupational physicians, we advance occupational health and safety programs that are focused on preventing occupational accidents and ensuring employees are in good physical and mental health. In addition, we coordinate with the Daichi Sankyo Group Health Insurance Association and an external Employee Assistance Program (EAP) to provide health management and counseling systems for employees of the company in Japan and their families.

Voice

Transferring from Empowering Female Employees to Promoting D&I

In 2010, Daichi Sankyo took its first step in promoting D&I in Japan by pursuing coordination among domestic Group companies to implement a wider range of measures for empowering female employees. These measures included holding various training sessions and enterprise-wide work-life balance support systems.

Our second step is to implement measures that promote D&I in Japan and are aimed at enabling all employees to realize their full potential, fostering organizational strength, and thereby maximizing the value created by the Company. These measures are based on three approaches: (1) eliminating bias, (2) facilitating inclusion to help all employees express their individuality and fully exercise their talents, and (3) encouraging healthy conflict to create new value.

The goal of these measures is to change how all employees think and act in order to enrich a corporate culture that makes use of the value of diversity.

Christi Rawley, Mika Yoshida, Kiyoshi Kaneko

Development Manager, Corporate Affairs
Daichi Sankyo Happinex Co., Ltd.
Enhancement of Communication with Stakeholders
Responding to the social demands and expectations for Daiichi Sankyo Group is crucial to the sustainability of corporate activities. We therefore communicate with our various stakeholders to foster mutual understanding, while pursuing cooperation.

Basic Policy
We believe that sustainable growth and the medium-to-long-term growth of corporate value are made possible by the resources and support we obtain from various stakeholders such as patients, healthcare professionals, shareholders, investors, employees, business partners, and communities. By communicating with these various stakeholders, we are able to learn about their demands and expectations for us. Moreover, by explaining the Group’s initiatives, we will foster mutual understanding and facilitate cooperation for realizing a sustainable society.

Directives for Initiatives
- Become a trusted medical partner
- Step up investor relations activities based on interactive communication with market players
- Promote changes to employee attitudes and behaviors based on the key message of “Transformation”
- Understand requirements from ESG rating agencies and improve evaluations

Examples of Initiatives
Communication with Healthcare Professionals and Patients
The activities of our medical representatives (MRs) in Japan were ranked No. 1 among pharmaceutical companies by a survey conducted by ANTERIO Inc.* on their proposal of treatment options based on the perspectives of healthcare professionals and patients. Our Medical Information Center strives to serve patients and healthcare professionals respectfully and empathetically by delivering accurate information in response to their inquiries. The Center puts into practice its four commitments: providing highly specialized information, making consistent and great quality responses, addressing customers cordially and utilizing customer feedback.

Communication with Shareholders and Investors
The Company engages in timely and proactive disclosure of information for shareholders, investors, and other market players based on the principles of transparency, impar- tiality, and continuity and in compliance with disclosure regulations.

In fiscal 2015, our investor relations activities included the General Meeting of Shareholders, quarterly financial results presentations and conference calls by the CEO, R&D Day, and an explanatory forum on the 5–year business plan. In addition, we participated in conferences held by securities companies, visited and held teleconferences with institutional investors. These activities were conducted on approximately 300 occasions both in and outside of Japan.

In addition, we issued an investor relations e-mail magazine containing recent topics related to the Group to investors twice per month, and a video message from the CEO was distributed twice during the year. Thirteen briefing sessions for private investors were held at locations across Japan, with roughly 600 in total participants.

Communication with Employees
Daiichi Sankyo takes steps to ensure active internal communication with the aims of promoting an understanding and awareness of management insights and fostering a corporate culture in which the organization and its employees act as one to pursue the Company’s objectives.

Specifically, we issue internal newsletters for Group companies in Japan and for Group companies overseas every four times per year. In addition, a variety of information is posted on Daiichi Sankyo’s intranet, including articles submitted from various divisions, videos messages from management, and other content detailing employee achievements inside and outside of the Company and explaining the passion our employees devote to their work.

The PATIO (our internal newsletter) was presented with the overall excellence award for annual company newsletters for fiscal 2015 for three consecutive years by KEIDANREN Business Services in Japan. The reasons for PATIO’s receipt of this award included the strong sense of management’s commitment exuding from the pages and the editorial approach of tackling in a forward-looking manner what external experts pointed out to us. (See “Voice” to the right.)

Communication with ESG Rating Agencies
We actively communicate with agencies addressing socially responsible investment (SRI) and environmental, social, and governance (ESG) indices, such as the Dow Jones Sustainability Indices and FTSE4Good, as well as organizations related to the United Nations Global Compact and other stakeholders. We thereby seek to develop an understanding of social issues and expectations of the Company.

For example, when representatives from the Access to Medicine Foundation visited Japan in January 2016, we arranged a meeting with Daiichi Sankyo President Nakayama. The Access to Medicine Foundation is a global non-profit organization (NPO) based in the Netherlands. This organization ranks efforts to improve global access to medicine of 20 research-based major global pharmaceutical companies.

During the meeting, we explained our initiatives on this front and shared information on issues regarding access to medicine faced around the world.

Communication with the Media
Daiichi Sankyo’s Medical Information Center was ranked No. 1 among several pharmaceutical companies in terms of overall customer satisfaction based on a questionnaire survey* of Japan pharmacies conducted in fiscal 2015.

We actively analyze, examine and share customer feedback in-house with relevant sections or departments of the Company. This activity has resulted in the implementation of improvements in drug formulations and packaging. In fiscal 2015, we began placing information about some examples of these improvements on the section “Minasama-nor-Koe wo Katachi ni” (Turning Our Customers’ Voice into reality) of our corporate website (in Japanese).

Please see the following site for the section “Minasama-nor-Koe wo Katachi ni” (Turning Our Customers’ Voice into reality):
http://www.daiichisankyo.co.jp/healthcare/customer/index.html

Daiichi Sankyo’s Value Report 2015 Receives UCDA Award
Daiichi Sankyo’s Value Report 2015 (Japanese edition) received the first prize in the newly established CSR Report category (which includes integrated reports) of the Universal Communication Design Association’s UCDA Award 2015. The major reasons for the Company’s receipt of this award was due to the ability to explain our pharmaceu- tical company’s business model in simple and clear terms to the general public and the consistency of the design throughout the booklet.

Other Initiatives
The Company updates its corporate website with information on the following initiatives:
- Provision of valuable information to healthcare professionals
- Operation of the Daiichi Sankyo Kusatsu Museum

Voice
Active Communication Stimulated the PATIO Internal Newsletter
As a patio is a place where guests gather to engage in free conversation, we chose this word as the name for our newsletter with the aim of providing a similar opportunity for communication. Each edition of PATIO features articles on a wide variety of subjects, ranging from information on management and Daiichi Sankyo’s global activities to close-to-home topics such as the employees working at various operating sites. The contents of PATIO are not limited to the articles included in the pages of its published version; we also try to provide more direct messages through early posting of articles on the intranet and distribution of videos. We will continue our efforts to present the words of the people we interview to all employees in a very real manner to provide opportunities for stimulating even livelier communication within the Company.

Takashi Osanai
Akiiko Ito
Public Relations Group
Corporate Affairs Department
Corporate Management Division Daiichi Sankyo Co., Ltd.

Meeting with the Access to Medicine Foundation

*1. A survey we conducted through an outside private research company
Promoting Environmental Management

As the impact of various environmental factors increases, we will need to realize a sustainable society if we are to continue our corporate activities. Accordingly, we are promoting environmental management in order to reduce our environmental impact, manage environmental risks and address climate change issues across the entirety of our business operations.

Basic Policy

Environmental issues such as global warming and extreme weather could be seen as very closely related to our lifestyles and work. We are practicing environmental management on a global scale in accordance with the Daiichi Sankyo Group Corporate Conduct Charter and the Basic Environmental Management Policy, which sets forth rules for these management practices. We thereby aim to address such environmental issues through responsible corporate activities.

Directives for Initiatives

- Reduce energy and resource usage, greenhouse gas and waste emissions
- Ensure stringent environmental compliance and continue improving environmental management systems
- Manage external risks that have the potential to force us to make changes to business operations, such as climate change and water risks
- Preserve biodiversity and practice sustainable use of ecosystem services
- Improve reliability of environmental information disclosure and enhance environmental communication

Examples of Initiatives

Environmental Management Promotion System

The head of the Corporate Management Division of Daiichi Sankyo serves as the chief executive officer of environmental management and oversees environmental management on a Group basis, while the vice president of the CSR Department promotes environmental management. As for the Group’s environmental management promotion system, we have set up environmental management units based on the corporations and internal companies that manage businesses. Each environmental management unit defines environmental management sites as necessary out of consideration for their region and function.

In addition, we have established an Environmental Management Committee chaired by the chief executive officer of environmental management as part of our corporate governance structure (see page 77). This committee discusses the formulation of environmental management policies and other important matters.

Energy Saving Measures

We have instituted energy saving measures, including the installation of high-efficiency equipment, with the aim of doing our part to prevent climate change and global warming.

Environmental Audits

To enhance environmental compliance, during fiscal 2015, environmental audits were conducted at four production sites in Japan and one site outside of Japan as part of an ongoing series of audits.

Climate Change and Global Warming Response Measures

The Fourth Medium-Term Environmental Management Policy states that we should “Lower the environmental impact of all operations by conserving energy and resources, or reducing greenhouse gas emissions and waste.” Acting in accordance with this policy statement, we are working to use resources and energy more efficiently.

To facilitate responsible corporate activities that address climate change, we have set a CO2 emission target for fiscal 2020, the final year of 5-year business plan, of pursuing a 5.6% reduction from fiscal 2015 based on our long-term CO2 emission target for fiscal 2030 and the approach of the Science Based Targets initiative.11 (See “External Voice” to the right.)

Environmental Communication

With the aim of fostering environmental awareness, we hold an annual contest for artwork, which helps our employees express their views on the environment, and conducted environmental e-learning programs. Winning submissions in the art contest have been used to construct posters, which are displayed at Group companies and operating sites.

CO2 Emission Volumes,10 Transition10 and Target (Group-wide) (t-CO2)

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2020 Target</th>
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<td>0</td>
<td>236,677</td>
<td>241,974</td>
<td>247,792</td>
<td>245,998</td>
<td>232,233</td>
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</table>

1. Science-Based Targets: An international initiative that encourages companies to set CO2 reduction targets based on scientific evidence or in order to help accomplish the goals of the Paris Agreement of keeping the average increase in global temperature below 2°C.
2. Adjusted emissions coefficients from each fiscal year were used for calculating carbon dioxide equivalent emissions.
3. CO2 emissions data collected only from operating sites applicable under the fiscal 2020 target.

External Initiatives

Science-Based Targets Initiative for Contributing to Paris Agreement Goals

In making investment decisions, institutional investors have recently been increasingly considering ESG data and companies’ efforts to respond to requirements and expectations with regard to social and environmental issues, such as those related to the Sustainable Development Goals.

In 2015, the Paris Agreement, a new international framework targeting greenhouse gas emissions reductions after 2020, was adopted and keeping the average increase in global temperature below 2°C was set as a target. At COP11, we collaborated with the United Nations Global Compact and other organizations to establish the Science Based Targets initiative, which encourages companies to set CO2 emission reduction targets based on science, in order to facilitate efforts to work toward this goal.

I think Daiichi Sankyo deserves praise for its pioneering efforts in endorsing the approach of Science Based Targets and setting CO2 emission reduction targets using globally recognized methodology.

In the future, I would like Daiichi Sankyo to encourage suppliers across its value chain to set CO2 emission reduction targets. In addition, I hope that the efforts of Science Based Targets will spread throughout the pharmaceutical industry.

Michiyko Morisawa
CEO, Japan Stock

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1. COP: An international NPO that provides global systems for use by companies and cities in measuring, disclosing, managing, and sharing important environmental data
2. Tau: Targets based on science: to limit global warming to less than 2°C compared to pre-industrial temperatures

Detailed environmental data can be found in Daiichi Sankyo’s Environmental Data Book, which is available on the following website: http://www.daiichisankyo.com/about_us/responsibility/CSR/ business/environment/database/index.html
Improving Access to Healthcare

Improving access to healthcare is an important issue for a pharmaceutical company.

We are effectively utilizing Daichi Sankyo’ s resources to contribute to the resolution of social issues related to health and medicine, such as global health issues in developing countries and limited access to medicine for difficult to treat and rare diseases in developed countries.

Basic Policy

The member states of the United Nations have adopted 17 Sustainable Development Goals to be accomplished by 2030 in relation to the issues needing to be addressed on a global scale. Of these, “Goal 3: Ensure healthy lives and promote well-being for all at all ages,” is particularly applicable to the healthcare field. (See table below.)

Examples of Initiatives

Mobile Healthcare Field Clinic Services in India and Africa

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

Activities such as vaccinations and antenatal physical examinations started in fiscal 2011 to contribute to “Goal 4: Reduce child mortality” and “Goal 5: Improve maternal health” of the Millennium Development Goals. The status of activities in fiscal 2015 is as follows. In Cameroon, a significantly large number of children received vaccinations, and prenatal checkups were conducted in collaboration with Maternal Health Week conducted by the Regional Delegation of Public Health, which is operated under Cameroon’s Ministry of Public Health. To aid in these activities, Daichi Sankyo is focusing on the fostering of community healthcare workers that are capable of supporting healthcare activities.

Global health issues faced in developing countries include lacking measures to address neglected tropical diseases and limited access to basic medical services as well as the presence of people and entire regions suffering from health problems due to insufficient health and hygiene knowledge. In addition, developed countries still require appropriate access to medicine for difficult to treat and rare diseases. The Daichi Sankyo Group continues its endeavor to create new pharmaceuticals and improve access to healthcare in developing countries to contribute to the achievement of Goal 3 of the Sustainable Development Goals.

Directives for Initiatives

• Provide mobile healthcare field clinic services, cultivate healthcare workers, and educate local residents about healthcare and hygiene in regions lacking sufficient medical infrastructure.
• Promote R&D activities for addressing difficult-to-treat diseases, rare diseases and global health issues.

Cultivation of Healthcare Workers in China

In July 2015, the Company embarked on a project targeting approximately 60,000 households in six townships in Guangan County, in the Yunnan province of China. This project is conducted together with the NGO Plan International Japan, a member of Plan International, and through collaboration with government health authorities and mother-child healthcare institutions from the target area. This area has a particularly high number of children suffering from developmental disorders, and, through this project, we hope to contribute to better health for these children as well as their mothers. Daichi Sankyo is supporting activities in the aforementioned regions for cultivating healthcare workers capable of contributing to better healthcare for children and mothers and for providing healthcare education to local residents. The Company is focusing on improving the health and nutrition among children aged five and under in this impoverished area through the improvement of the healthcare system. To achieve this goal, we are working to develop medical professionals in community healthcare through a series of Integrated Management of Childhood Illness strategy training sessions and by offering education to improve the capability of local pediatric care through the establishment of a community center.

The opening ceremony for a community center established in Guangan County was held in November 2015. This ceremony was attended by approximately 230 individuals, including representatives from health and hygiene bureaus, healthcare professionals (village doctors), the mayor of the village in which the center was built, and other local residents. We will continue to hold Integrated Management of Childhood Illness strategy training sessions to foster healthcare workers.

Participation in the Global Health Innovative Technology (GHIT) Fund

The Daichi Saito Sankyo Group is participating in the GHIT Fund, a public-private partnership originating in Japan supported by the government of Japan, six Japanese pharmaceutical companies, and the Bill & Melinda Gates Foundation. The GHIT Fund was established in April 2013, founded on the belief that public-private partnership is necessary to promote the development of drugs for combating infectious diseases in developing countries.

Daichi Sankyo is participating in the Fund by utilizing its compound library (consisting of small molecules and natural substances) in a screening program through this fund for exploring candidate compounds to treat tuberculosis, malaria, and neglected tropical diseases (leishmaniasis, Chagas disease). We are also engaged in the joint development of lead compounds for tuberculosis and malaria based on promising compounds discovered through this program.

Initiatives Targeting Rare Diseases

Developed countries face issues with regard to preventive medicine and the treatment of rare diseases. To address some of these issues, in 2015, Daichi Sankyo commenced a joint clinical trial with the Orphan Disease Treatment Institute1 for DS-574, a nucleic acid treatment drug for Duchenne muscular dystrophy. We also commercially provide Bioten, 2 Methylen Blue Injection, 3 Gabalan Intrathecal Injection, 4 and other orphan drugs.

Technical Cooperation for MR Vaccine Production

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

Other Initiatives

The Company updates its corporate website with information on the following initiatives.


• Daichi Sankyo Open Care Program (United States)
• Disclosure of clinical data to researchers

Voice

Contribution to Healthcare in Vietnam through Stable Manufacturing of High-Quality MR Vaccine

Technical cooperation with Vietnam began after a 1987 request from the World Health Organization to transfer technologies to this country. After this request, we began technical cooperation with regard to the measles vaccine and then later the MR vaccine, and these efforts continue today.

During the 2014 measles outbreak in Vietnam, both POLYVAC and the World Health Organization spread word of the importance of being vaccinated by POLYVAC measles vaccines, which were both safe and effective as they were manufactured using superior Japanese technologies. The endorsement of these two organizations enabled various citizens to have peace of mind in receiving vaccinations. In November 2015, Vietnam’s Ministry of Health presented KDSV with the “For the People’s Health” award to recognize the role KDSV played in helping Vietnam begin manufacturing measles vaccines and in containing the measles outbreak. When presenting the award, the vice minister stated that they were “deeply appreciative for KDSV’s enduring contributions to the medical systems and the citizens of Vietnam.”

The project for transferring MR vaccine manufacturing technologies currently underway is now in the clinical trial phase. As a member of this project, I am committed to helping realize the manufacturing of this vaccine in Vietnam as soon as possible in order to contribute to further improvements in healthcare and open more possibilities for the future of Vietnamese children.

Miki Tamura
Business Performance Management Group
Corporate Business Management Department
Corporate Management Division
Kissei Daichi Sankyo Vaccine Co., Ltd.

1. Company established through joint investment by Innovation Network Corporation of Japan, a fund operated by Mitsubishi UFJ Capital Co., Ltd., and others.
2. Naturally derived hepatoblastoma (Hepa) cell line.
3. Treatment for basic/malignant blood disease.
4. Drug used in intrathecal bacillus therapy, a therapeutic method for easing symptoms by directly injecting bacteria into areas surrounding the spinal cord.
5. Center for Research and Production of Vaccines and Biologicals in Vietnam.
Social Contribution Activities
We will not only contribute to society through our business but also voluntarily seek to help resolve the various issues that we recognize as being faced in ensuring the sound development of society.

Basic Policy
The Daichi Sankyo Group has established the Basic Policies on Group Social Contribution Activities, which guide various initiatives for contributing to other organizations and society as a whole. These initiatives aid in the advancement of medicine and pharmacology. We consider our activities to promote social contributions as our responsibility to society as well as for the support it provides to our business. We continue to identify the areas on which we should focus from among relevant social issues and challenges. To advance initiatives, we emphasize collaborating with a wide range of stakeholders, such as NPOs, NGOs, local volunteer groups, government organizations, and public sector institutions. Furthermore, we view employees’ participation in volunteer activities as a chance for them to step away from their day-to-day work and experience a completely new perspective, with the goal of supporting a concern for society. We believe that this broadening of one’s horizons helps link the healthy development of society with the sound development of the Company. We therefore are working to foster an environment and provide opportunities that support employees’ participation in volunteer activities.

Examples of Initiatives
Daichi Sankyo Presents Family Tie Theater
Daichi Sankyo has been holding the “Daichi Sankyo Presents Family Tie Theater” program in cooperation with the Shiki Theatre Company and the NPO Cancer Support Community Japan every year since fiscal 2010. Through this program, we invite cancer patients and their family members to enjoy musicals by the Shiki Theatre Company. In fiscal 2015, 20 employees volunteered from the Group to carry out this event. Some of the comments received from patients were “I feel like this event has deepened my connection with my family,” and “Please make new medicine for us.” These sentiments help all of us at Daichi Sankyo remember why we are in the business of drug discovery.

Activity to Consider the Healthcare of Elderly People in an Aging Society in Taiwan
Daichi Sankyo Taiwan Ltd. promotes health improvement among elderly people, at which pharmacists led lectures called “Medication Guide” on the subject of health. After the lectures, they moved on to the entertainment portion of the event, which included simple exercises offered in time to relaxing music and dances performed by employees. These activities provided a valuable opportunity for the employees to reaffirm the importance of health.

Health Camps (Visiting Free Health Examination Program) in India
In cooperation with the NGO Plan International, Daichi Sankyo India Pharma Private Ltd. is holding health camps in areas of South Delhi that lack sufficient medical infrastructure. In these health camps, physicians offer free checkup, and we also provide vaccinations for infants to improve the maternal and child health and conduct programs to provide mothers with knowledge about child healthcare.

In fiscal 2015, approximately 12,000 people participated in these health camps.

Reconstruction Support Following the Great East Japan Earthquake
Daichi Sankyo supports the ideals of the Coastal Forest Restoration Project, a long-term post-Great East Japan Earthquake reconstruction support program conducted by Natori City, in Miyagi Prefecture, and has been supporting this initiative since 2012.

In October 2015, 15 employee volunteers assisted in planting and caring for these trees. Among the tasks they performed were weeding and digging holes in which to plant broadleaf trees around the Japanese black pine (Pinus thunbergii) trees grown through this project.

Employee volunteers participating in this project have stated that seeing the condition of the coastal forests made it apparent that the post-earthquake reconstruction effort was not yet finished. Others pointed out how the experience made them realize the necessity of offering continuous aid into the future. Going forward, we will continue to provide ongoing support in the form of employee volunteers to respond to the project’s need for human assistance over the long term. (See “Voice” below.)

Other Initiatives

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

Directives for Initiatives
- Develop activities based on global and regional needs
- Provide support for post-Great East Japan Earthquake reconstruction

Voice
Ongoing Vigilance in Contributing to the Growth of Coastal Forests
The coastal forests of the Sandai plain were apparently formed 400 years ago. After the surrounding hinterlands were converted to farmland, these coastal forests are said to have protected people from the strong ocean winds and high tides. It was learning of this history of the coastal forests that made the goal of the Coastal Forest Restoration Project, namely reviving forests that had been damaged by flooding due to tsunamis following the Great East Japan Earthquake in 2011, resonate with me, inspiring me to volunteer to participate.

Visiting the site of the project, I was able to get a clear picture of the damage incurred as a result of the earthquake, even though five years had passed. After finishing cultivation and weeding activities along a two-kilometer strip of coastline, I watched the sunset from the shore. It was then that I realized how much persistence would be necessary to recover the once beautiful scenery at this site. I hope to continue participating in these volunteer activities, helping in my limited capacity through ongoing vigilance to contribute to the growth of the coastal forests.

Tomiyo Kamata
Business Planning Department
ASCK Company
Daichi Sankyo Co., Ltd.

Photo: Daichi Sankyo Taiwan employees exercising with elderly people

Checkup by physicians at a Health Camp

Employee volunteers guiding visitors to the event site
Members of the Board and Members of the Audit & Supervisory Board (As of June 20, 2016)

Members of the Board:
1. Tsuguya Fukui, MD., MPH, Ph.D., Member of the Board (Outside)
2. Naoki Adachi, Member of the Board
3. Hiroshi Toda, Member of the Board (Outside)
4. Noritaka Uji, Member of the Board (Outside)
5. Futoshi Fujimoto, Ph.D., Member of the Board
6. Toshiaki Sai, Member of the Board, Senior Executive Officer
7. Kazunori Hirokawa, MD., Ph.D., Representative Director, Executive Vice President
8. Joji Nakayama, Representative Director, President and CEO
9. Kazuhiro Watanabe, Member of the Audit & Supervisory Board
10. Hideyuki Haruyama, Ph.D., Member of the Audit & Supervisory Board
11. Yutaka Katagiri, Member of the Audit & Supervisory Board (Outside)

Members of the Audit & Supervisory Board:
12. Taiji Kato, Member of the Audit & Supervisory Board

Characteristics of Daiichi Sankyo’s Corporate Governance

- To clarify the management responsibility of Members of the Board and reinforce their oversight of management and the conduct of operations, their terms of office are set at one year, and four out of ten Members of the Board are Members of the Board (Outside).
- 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).
- For audits of legal compliance and soundness of management, the Company has adopted an Audit & Supervisory Board system and established the Audit & Supervisory Board comprising four members, including two Members of the Audit & Supervisory Board (Outside).
- The Company prescribes specific criteria on the judgment of independence of Members of the Board (Outside) and Members of the Audit & Supervisory Board (Outside) and basic matters regarding execution of duties by Members of the Board and Members of the Audit & Supervisory Board.
- 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

Response to Japan’s Corporate Governance Code

The Company has complied with and implemented all of the Principles of the Corporate Governance Code, which was enacted on June 1, 2015. We understand and respect the objectives and spirit of the code, and we are continually pursuing improvements in our corporate governance systems based on the code.
Nomination Committee

The Nomination Committee has been established to deliberate matters required for the nomination of Members of the Board and Corporate Officers at the request of the Board of Directors and contribute to the enhancement of management transparency.

In fiscal 2015, meetings were held a total of three times, two meetings were held in May and one meeting in February 2016, to discuss matters required for nominations for corporate directors.

- When appointing the candidates for Members of the Board, the Board of Directors shall appoint the candidates after they have been sufficiently deliberated by the Nomination Committee, of which Members of the Board (Outside) form a majority.
- The candidates for Members of the Audit & Supervisory Board shall be examined prudently concerning their suitability as Members of the Audit & Supervisory Board, such as whether they can fulfill their duties, ensuring their independence from the Representative Directors, Members of the Board, and Corporate Officers.
- The candidates for Members of the Audit & Supervisory Board (Outside), in addition to meeting the aforementioned requirements, shall be confirmed to have no problems according to specific criteria relating to the judgment of independence.
- In order to ensure that Members of the Board (Outside) and Members of the Audit & Supervisory Board adequately perform their role, which is supervision of management, short-term and long-term incentives are not provided and only basic remuneration is granted.

Compensation Committee

The Compensation Committee has been established to deliberate matters required for a policy on compensation of Members of the Board and Corporate Officers at the request of the Board of Directors and contribute to the enhancement of management transparency.

In fiscal 2015, meetings were held a total of three times, two meetings were held in May and one meeting in February 2016, to discuss matters required for bonuses to Members of the Board and Corporate Officers and share remuneration-type stock options.

Basic Design of Remuneration to Members of the Board and Members of the Audit & Supervisory Board

- Remuneration to Members of the Board is designed to provide remuneration that contributes to maximizing corporate value. Specifically, in addition to basic remuneration, performance based bonuses serving as a short-term incentive and share remuneration-type stock options serving as a long-term incentive are adopted.
- Performance based bonuses serving as short-term incentives are determined by the degree of achievement of a single fiscal year measured by adopting revenue, operating profit margin and profit attributable to owners of the Company as the relevant indices.
- Share remuneration-type stock options serving as long-term incentives provide a scheme whereby stock options may not be exercised during the period in office of a Member of the Board and the value of current management efforts being reflected in future share price rises can be received.
- The level of remuneration is set to provide a medium-to-high level of remuneration in the industrial sector, referring to the levels of other companies based on surveys of external specialist institutions.

Remuneration for Members of the Board for Fiscal 2015

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<th>Classification</th>
<th>Members of the Board</th>
<th>Members of the Audit &amp; Supervisory Board</th>
<th>Total</th>
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<tr>
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<td>Payment recipients</td>
<td>Amount paid (M)</td>
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<td>Fees (annual amount)</td>
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<td>(Of which Members of the Board (Outside) and Members of the Audit &amp; Supervisory Board (Outside))</td>
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</tr>
<tr>
<td>Number of people</td>
<td>Millions of yen</td>
<td>Number of people</td>
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</tr>
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<td>(6)</td>
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<td>Total (Of which Members of the Board (Outside) and Members of the Audit &amp; Supervisory Board (Outside))</td>
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<tr>
<td>Number of people</td>
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<td>(6)</td>
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Introduction of Members of the Board and Members of the Audit & Supervisory Board

Members of the Board

Joji Nakayama
Career Summary, Positions, Assignments, and Material Concurrent Positions
Apr. 1979 - External Director of Takachiyama
May 1980 - President, Takachiyama
Apr. 2005 - President and CEO, Daiichi Sankyo Co., Ltd.
Jun. 2015 - President and CEO, Daiichi Sankyo Group
Kazunori Hirokawa
Career Summary, Positions, Assignments, and Material Concurrent Positions
Apr. 1980 - Assistant Manager, Drug Sales Promotion Department
Apr. 1984 - Manager, Drug Sales Promotion Department
May 1988 - General Manager, Drug Sales Promotion Department
Sep. 1994 - President, Daiichi Sankyo Co., Ltd.
Apr. 2012 - President and CEO, Daiichi Sankyo Co., Ltd.
Jun. 2015 - President and CEO, Daiichi Sankyo Group
Noritaka Uji
Career Summary, Positions, Assignments, and Material Concurrent Positions
Apr. 1973 - Member of the Board of Directors of Daiichi Sankyo Public Corporation
Jun. 1989 - Director, Senior Vice President, Material Information System Group Head of Corporate System Center of DAIICHI SANKYO Corporation
Sep. 2002 - Director, Senior Vice President, Corporate Strategy Planning Department of DAIICHI SANKYO
Apr. 2005 - Director, Corporate Strategy Planning Department of DAIICHI SANKYO
Jun. 2011 - Director, Corporate Strategy Planning Department of DAIICHI SANKYO
Apr. 2012 - Director, Corporate Strategy Planning Department of DAIICHI SANKYO
Jun. 2015 - Director, Corporate Group Risk Management Office of DAIICHI SANKYO

Sunao Manabe
Career Summary, Positions, Assignments, and Material Concurrent Positions
Apr. 1978 - External Director of Sankyo, Limited Term
Jun. 2000 - Vice President, Medical Safety Research & Development Division
Apr. 2007 - Vice President, Medical Safety Research & Development Division
May 2009 - President, Research & Development Division
Jun. 2015 - President and CEO, Daiichi Sankyo Co., Ltd.
Kazumi Fujimoto
Career Summary, Positions, Assignments, and Material Concurrent Positions
Apr. 1980 - External Director of Sankyo, Limited Term
May. 1980 - President, Development Department of Sankyo
Jun. 2000 - Corporate Officer, Vice President, Corporate Planning Division
Jun. 2015 - Corporate Officer, Vice President, Corporate Planning Division
Toshiaki Sai
Career Summary, Positions, Assignments, and Material Concurrent Positions
Apr. 1984 - General Manager, Technical Development Group
May. 1988 - Managing Director, Technical Development Group
Aug. 1998 - Senior Managing Director, Technical Development Group
Apr. 2000 - Managing Director, Technical Development Group
Apr. 2007 - Managing Director, Technical Development Group
Jun. 2015 - Managing Director, Technical Development Group
Toshiaki Tojo
Career Summary, Positions, Assignments, and Material Concurrent Positions
Apr. 1982 - External Director of Sankyo, Limited Term
Jun. 2000 - Vice President, Development and Research Work Group
Aug. 2010 - Corporate Officer, Vice President, Corporate Planning Division
Apr. 2012 - Corporate Officer, Vice President, Corporate Planning Division
Jun. 2015 - Corporate Officer, Vice President, Corporate Planning Division

Toshiaki Watanabe
Career Summary, Positions, Assignments, and Material Concurrent Positions
Apr. 1979 - External Director of Takachiyama
May. 1980 - President, External Director of Sankyo
Jun. 2000 - President and CEO, Daiichi Sankyo Co., Ltd.
Jun. 2015 - President and CEO, Daiichi Sankyo Co., Ltd.

Members of the Audit & Supervisory Board

Hideyuki Haruyama
Career Summary, Positions, Assignments, and Material Concurrent Positions
Apr. 1980 - External Director of Sankyo, Limited Term
Jun. 2000 - President, Audit Division of Sankyo
Apr. 2005 - President of Takeda Health Management Division of Sankyo
Jun. 2015 - President of Takeda Health Management Division of Sankyo

Kazuyuki Watanabe
Career Summary, Positions, Assignments, and Material Concurrent Positions
Apr. 1978 - External Director of Takachiyama
May. 1980 - General Manager, External Affairs Group
Aug. 2010 - President, External Affairs Group
Jun. 2015 - Corporate Officer, Charge of External Affairs of the Company

Member of the Board (Outside) (Independent Director)

Hiroshi Toda
Career Summary, Positions, Assignments, and Material Concurrent Positions
Apr. 1975 - Internal Auditor, Sankyo Bank Co., Limited
Jun. 1995 - President of Taisho Bank, Taisho Bank, Limited
Jun. 1997 - Director of the Board of Directors of Shin-Etsu Bank, Limited
Jun. 2000 - Senior Managing Director, Head of Corporate Business Financial Department of Shin-Etsu Bank, Limited
Aug. 2001 - Senior Managing Director, Head of Corporate Business Financial Department of Shin-Etsu Bank, Limited
Apr. 2008 - Senior Managing Director, Head of Corporate Business Financial Department of Shin-Etsu Bank, Limited
Mar. 2009 - Head of the Board of Directors of Shin-Etsu Bank, Limited
Apr. 2012 - Advisor of the Board of Directors of Shin-Etsu Bank, Limited
"Nobusuke Kishi" (Grandson of the late Prime Minister of Japan, Nobusuke Kishi)
Corporate Governance
Noritaka Uji
Corporate governance is a common topic of discussion lately. There is a clear need for management systems capable of achieving a quick and flexible response to changes in the operating environment and a Board of Directors structure that sufficiently incorporates outside viewpoints. Therefore, I feel immense responsibility to live up to expectations with this regard as an Outside Member of the Board.
Over the medium term, Daiichi Sankyo will need to overcome the challenges presented by the loss of exclusivity for some of its products. This period will be an incredibly important time for transformation to build foundations for sustainable growth to ensure that the Company can continue growing.
This topic was discussed when formulating this 5-year business plan. However, more important than planning for this period will be steadily implementing that plan. Based on this belief, I will fulfill my responsibilities based on the perspective of “aggressive governance.”
I am committed to offering stable advice and suggestions based on my experience as a manager in the information and communication industry and the insights gained through this experience, thereby contributing to more lively discussions among the Board of Directors. At the same time, from my outside standpoint, I will strive to facilitate effectively functioning corporate governance with regard to such areas as conducting appropriate investments for future growth and selecting members of the management team.
I also am interested in helping Daiichi Sankyo improve its corporate value by contributing to the enrichment of quality of life around the world through the union of medicine, healthcare, and information and communication technology.

Member of the Board (Outside) (Independent Director)

Daiichi Sankyo Group Value Report 2016
Naoki Adachi

I firmly believe a company should have a strong social presence that is trusted and respected by society. At TOPPAN PRINTING CO., LTD., where I serve as chairman and representative director, I remind our officers and employees of this need at every opportunity. To grow beyond being a company that simply pursues earnings growth to become a company that earns the respect of all of its stakeholders, the construction and implementation of an appropriate corporate governance system is of the utmost importance. However, there is no such thing as the “right” corporate governance system. Rather, companies must find the system that is best suited to maximizing their particular corporate value and the value for their shareholders. Based on this perspective, I hope to help contribute to the ideal corporate governance system for Daichi Sankyo.

Furthermore, I view my role as an Outside Member of the Board that is also an independent director to be to aid in ensuring the soundness of the Company to the greatest degree possible. Calling upon the insight I have gained through my interactions with various companies over my long career as well as during my time as a corporate manager, I will proactively expand opinions with other members of the Board of Directors while striving to be of assistance to Daichi Sankyo’s management.

Tsuguya Fukui

Medicine is among the most important elements of the underlying infrastructure for a society in which everyone can feel at ease, and drugs form the foundation of medicine. As a pharmaceutical company, it is important to determine the drugs that are worth developing from the perspectives of patients and healthcare professionals. These drugs must then be created by collectively utilizing modern-day science, such as biomedicine, pharmacy, and chemistry, and cutting-edge technologies, after which their safety and efficacy will need to be verified so that these drugs may be quickly delivered to the frontlines of the medical field. Moreover, these noble social contributions are to be made while increasing returns through the unique competitive mechanism of a capitalist society.

As a physician, I have utilized numerous pharmaceuticals in a clinical setting. Over the past 40 years, I have witnessed substantial changes in the rates of occurrence and the frequency of disorders such as cancer, diabetes, stroke, heart disease, and various other illnesses. I have been engaged in a variety of research projects. Daichi Sankyo is currently at a crossroads with regard to determining the illnesses and fields it will target in drug development. In this juncture, I am committed to helping the Company faithfully practice the high level of corporate governance society expects of a first-rate company so that it may grow with confidence.

Member of the Board (Outside) (Independent Director)

Member of the Audit & Supervisory Board (Outside) (Independent Auditor)

Akiko Kimura

Japanese companies are rapidly expanding their business on a global basis. Accordingly, these companies need to promptly establish corporate governance systems at their subsidiaries and affiliates in foreign countries as well as those in Japan. This task requires an enormous amount of efforts by Japanese companies, because they have historically been managed in Japan where a singular language is used and the society is relatively homogeneous. Furthermore, in the case of Daichi Sankyo, as research and development, manufacture, and sales of pharmaceuticals are subject to strict regulations in every country, it is imperative for the Company to establish systems for securing compliance with those regulations in each country of its operation and also to establish a global framework for monitoring the situation of such compliance.

The Company is standing at a significant turning point with its “2025 Vision” and the 5-year business plan being prepared. It could be said that the establishment of our corporate governance systems is a prerequisite for accomplishing such vision and business plan.

As I have been practicing law primarily in the area of international transactions, I will make my best efforts to contribute to sound development of Daichi Sankyo’s business from a legal perspective.

Member of the Board (Outside) (Independent Director)

Member of the Audit & Supervisory Board (Outside) (Independent Auditor)

Yutaka Katagiri

Two years have passed since I became an Outside Member of the Audit & Supervisory Board at Daichi Sankyo. In these two years, several movements have been made to reinforce corporate governance systems in Japanese companies, including the implementation of the revised Companies Act and the establishment and enactment of Japan’s Corporate Governance Code. At the same time, this has been a period during which we have been unfortunate in witnessing numerous corporate scandals.

Daichi Sankyo has faithfully endeavored to appropriately implement the new governance framework. While engaging in active discussion among the Board of Directors, compliance was achieved for all 73 requirements of the Corporate Governance Code, and we also put regulations into place for the Audit & Supervisory Board.

However, as stated by Kabuki actor Ichikawa Ennosuke I, “It’s easy to make the form, but difficult to put the heart into it.” Even if we have these governance systems in place, putting our heart into them will be no easy task. The real struggle therefore lies ahead of us.

Pharmaceutical companies are charged with the important mission of protecting people’s health and safeguarding their lives. I hope to continue aiding Daichi Sankyo in fulfilling this mission and growing in a sound manner.
Criteria for Independence as Member of the Board (Outside) and Member of the Audit & Supervisory Board (Outside)

1. A Member of the Board or a Member of the Audit & Supervisory Board shall be determined to be independent from the Company and may not have a conflict of interests with the charter of the Company unless any of the following categories apply to him or her:

(a) a candidate or his or her immediate family member who:
   - is or has been an Executive Officer of the Company or any subsidiary in the past three fiscal years; or
   - is an immediate family member of a person who is or has been a director or a member of the Audit & Supervisory Board of the Company in the past three fiscal years.

(b) a candidate or his or her immediate family member who in the past three fiscal years:
   - is or has been a senior officer of the Company or any subsidiary or any entity that has received more than $10 million in direct compensation for his or her services as a consultant, a specialist in law, accounting, or finance, or a healthcare professional, etc.

(c) a candidate or his or her immediate family member who in the past three fiscal years:
   - is or has been employed by the Company or any subsidiary or any entity that has received more than $10 million in direct compensation for his or her services as a consultant, a specialist in law, accounting, or finance, or a healthcare professional, etc.

2. Even though any of the above apply to a candidate for Member of the Board / Member of the Audit & Supervisory Board (Outside), the Board will determine whether or not he or she will be independent in whole or in part, based on the information provided and by reference to all of the facts and circumstances.

Basic Policy on Establishing Internal Control Structure

Concerning systems for ensuring compliance with laws and ordinances and the Company’s Articles of Incorporation in the execution of duties by Members of the Board and other systems for securing appropriateness of duties, the Company has resolved the basic policies at the Board of Directors’ Meeting held on April 28, 2015 and effective on May 1, 2015, as follows. Major changes from the previous basic policy are to fulfill (1) a system on the Group’s internal control and (2) a system on arranging audit environment for Members of the Audit & Supervisory Board, considering the revision of the Companies Act in 2014.

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

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

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

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 Daichi Sankyo Group Corporate Conduct Charter, Daichi Sankyo Group Principles of Individual Behavior, etc. as the code of conduct for Members of the Board and Members of the Audit & Supervisory Board and employees and setting up a meeting body, including outside experts.
- Vice Presidents and executives responsible for the main regions, corporate bodies and functions who receive orders from the President shall manage duties in their charge and supervise and manage direct members of their business units in accordance with the Global Management Regulations, the Organizational Management Regulations and other Company rules.
- Each of the functions related to the improvement of systems concerning personnel management, risk management, etc. shall convey policies to managers 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.

Systems for Ensuring the Proper Operation of the Group, Consisting of the Audit & Supervisory Board and Subsidiaries

- The Company shall establish Global Management Regulations and Internal Control System Establishment Regulations to clarify the management control system of the Daichi 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 Directors 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 Daichi Sankyo Group risk management system.
- The Company shall establish Daichi 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 to ensure reliability of financial reporting by properly implementing those regulations.
- The Company shall establish Internal Audit Regulations and implement internal audit on Group companies.

Systems for Ensuring the Efficient Execution of Duties by Members of the Audit & Supervisory Board

- The Company shall appoint full-time staffs who assist with the duties of Members of the Audit & Supervisory Board.

Matters Regarding the Independence of the Employees Specified in the Preceding Paragraph (6) to (8) of Members of the Board and Ensuring of Effectiveness of Instructions by Members of the Audit & Supervisory Board

- Full-time staffs assisting Members of the Audit & Supervisory Board shall be independent of Members of the Board, and shall execute duties in accordance with the directions and orders from Members of the Audit & Supervisory Board.
- Personnel changes, performance appraisal, etc. of full-time staff’s assisting Members of the Audit & Supervisory Board shall require prior consent of the Audit & Supervisory Board.

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

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

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

- The Members of the Audit & Supervisory Board of the Company shall have meetings with Representative Members of the Board on a regular basis to discuss management policies and exchange views concerning important issues related to auditing.
- Members of the Audit & Supervisory Board of the Company shall exchange information with Members of the Audit & Supervisory Board of the Group companies and closely cooperate with them.
- Members of the Audit & Supervisory Board of the Company shall coordinate and exchange with internal auditors and the Internal Audit Department.
- The Company shall not treat unfairly any person who reports under the second item in the preceding paragraph (6) or any person who reports according to Daichi Sankyo Group Principles of Individual Behavior, etc. because of the fact of such reporting.
- The Company shall bear expenses that may be incurred in executing the duties of the Members of the Audit & Supervisory Board.

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

| Risk Management System |

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

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

Data Section

- Financial Data ........................................... 88
- ESG Data (Environmental, Social, and Governance Data) ............ 96
- Major Products .......................................... 98
- Corporate Information .................................... 100

Risk Management System

BCP System

- Natural disaster (e.g., large-scale earthquake)
- Facility accident
- Business continuity basic plan
- Outbreak of infectious disease or other infectious disease
- System fail
- Supply chain continuity plan
- Base-specific BCPs

Risk Management Promotion Regulations

- BCPs for individual divisions and Group companies
- Disaster prevention and response manual
- Action plan for response to a new strain of influenza
- BCP for IT

Crisis Management Procedure Manual

- Procedure manuals
- Documents regarding compliance
- Documents regarding environmental and labor accidents

Emergency Headquarters establishment manual

- Product problem
- Sanitation / sanitary / fire violation
- Disaster / accident
### Consolidated Statement of Financial Position

#### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>FY2014 (As of March 31, 2015)</th>
<th>FY2015 (As of March 31, 2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>189,372</td>
<td>222,159</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>241,547</td>
<td>248,762</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>186,457</td>
<td>493,768</td>
</tr>
<tr>
<td>Inventories</td>
<td>150,093</td>
<td>144,273</td>
</tr>
<tr>
<td>Other current assets</td>
<td>14,697</td>
<td>15,233</td>
</tr>
<tr>
<td>Subtotal</td>
<td>782,168</td>
<td>1,124,196</td>
</tr>
<tr>
<td>Assets held for sale</td>
<td>3,165</td>
<td>1,071</td>
</tr>
<tr>
<td>Total current assets</td>
<td>785,334</td>
<td>1,125,268</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>266,491</td>
<td>250,168</td>
</tr>
<tr>
<td>Goodwill</td>
<td>71,366</td>
<td>78,691</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>199,411</td>
<td>210,395</td>
</tr>
<tr>
<td>Investments accounted for using the equity method</td>
<td>1,347</td>
<td>1,207</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>593,944</td>
<td>168,189</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>45,330</td>
<td>55,726</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>19,059</td>
<td>10,875</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>1,196,951</td>
<td>775,254</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,982,286</td>
<td>1,900,522</td>
</tr>
</tbody>
</table>

#### LIABILITIES AND EQUITY

<table>
<thead>
<tr>
<th></th>
<th>FY2014 (As of March 31, 2015)</th>
<th>FY2015 (As of March 31, 2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>235,546</td>
<td>241,831</td>
</tr>
<tr>
<td>Bonds and borrowings</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>7,576</td>
<td>819</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>7,767</td>
<td>53,936</td>
</tr>
<tr>
<td>Provisions</td>
<td>19,444</td>
<td>28,335</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>6,735</td>
<td>34,770</td>
</tr>
<tr>
<td>Subtotal</td>
<td>297,070</td>
<td>379,694</td>
</tr>
<tr>
<td>Liabilities directly associated with assets held for sale</td>
<td>426</td>
<td>—</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>297,496</td>
<td>379,694</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds and borrowings</td>
<td>201,000</td>
<td>181,000</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>8,337</td>
<td>9,148</td>
</tr>
<tr>
<td>Post-employment benefit liabilities</td>
<td>11,631</td>
<td>14,028</td>
</tr>
<tr>
<td>Provisions</td>
<td>2,713</td>
<td>12,287</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>88,357</td>
<td>33,679</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>65,707</td>
<td>37,161</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>377,747</td>
<td>287,306</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>675,244</td>
<td>667,000</td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity attributable to owners of the Company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>105,267</td>
<td>103,927</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(14,198)</td>
<td>(64,155)</td>
</tr>
<tr>
<td>Other components of equity</td>
<td>169,034</td>
<td>146,717</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>993,953</td>
<td>994,916</td>
</tr>
<tr>
<td>Total equity attributable to owners of the Company</td>
<td>1,304,057</td>
<td>1,231,406</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>2,994</td>
<td>2,115</td>
</tr>
<tr>
<td>Total equity</td>
<td>1,307,041</td>
<td>1,233,521</td>
</tr>
<tr>
<td>Total liabilities and equity</td>
<td>1,982,286</td>
<td>1,900,522</td>
</tr>
</tbody>
</table>
### Consolidated Statement of Profit or Loss

<table>
<thead>
<tr>
<th></th>
<th>FY2014 (for the year ended March 31, 2013)</th>
<th>FY2015 (for the year ended March 31, 2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>919,372</td>
<td>986,446</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>323,087</td>
<td>318,622</td>
</tr>
<tr>
<td>Gross profit</td>
<td>596,284</td>
<td>667,823</td>
</tr>
<tr>
<td>Selling, general, and administrative expenses</td>
<td>331,195</td>
<td>328,755</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>190,666</td>
<td>208,656</td>
</tr>
<tr>
<td>Operating profit</td>
<td>74,422</td>
<td>130,412</td>
</tr>
<tr>
<td>Financial income</td>
<td>9,600</td>
<td>5,292</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>3,160</td>
<td>13,028</td>
</tr>
<tr>
<td>Share of loss of investments accounted for using the equity method</td>
<td>925</td>
<td>287</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>79,936</td>
<td>122,388</td>
</tr>
<tr>
<td>Income taxes</td>
<td>36,370</td>
<td>41,988</td>
</tr>
<tr>
<td>Profit from continuing operations</td>
<td>43,566</td>
<td>80,399</td>
</tr>
<tr>
<td>Profit from discontinued operations</td>
<td>275,357</td>
<td>—</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>318,923</td>
<td>80,399</td>
</tr>
</tbody>
</table>

Profit attributable to:

<table>
<thead>
<tr>
<th></th>
<th>FY2014 (for the year ended March 31, 2013)</th>
<th>FY2015 (for the year ended March 31, 2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners of the Company</td>
<td>322,119</td>
<td>82,282</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>(3,195)</td>
<td>(1,883)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>318,923</td>
<td>80,399</td>
</tr>
</tbody>
</table>

Earnings per share

<table>
<thead>
<tr>
<th></th>
<th>FY2014 (for the year ended March 31, 2013)</th>
<th>FY2015 (for the year ended March 31, 2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings per share (yen)</td>
<td>457.56</td>
<td>119.37</td>
</tr>
<tr>
<td>Continuing operations</td>
<td>66.01</td>
<td>119.37</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>391.55</td>
<td>—</td>
</tr>
<tr>
<td>Diluted earnings per share (yen)</td>
<td>456.62</td>
<td>119.11</td>
</tr>
<tr>
<td>Continuing operations</td>
<td>65.88</td>
<td>119.11</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>390.75</td>
<td>—</td>
</tr>
</tbody>
</table>

### Consolidated Statement of Comprehensive Income

<table>
<thead>
<tr>
<th></th>
<th>FY2014 (for the year ended March 31, 2013)</th>
<th>FY2015 (for the year ended March 31, 2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>318,923</td>
<td>80,399</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will not be reclassified to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets measured at fair value through other comprehensive income</td>
<td>26,694</td>
<td>(18,942)</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td>(4,293)</td>
<td>(5,397)</td>
</tr>
<tr>
<td>Items that may be reclassified subsequently to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange differences on the translation of foreign operations</td>
<td>29,131</td>
<td>(31,088)</td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td>(4,347)</td>
<td>—</td>
</tr>
<tr>
<td>Share of other comprehensive income of investments accounted for using the equity method</td>
<td>66</td>
<td>(11)</td>
</tr>
<tr>
<td>Other comprehensive income (loss), net of taxes</td>
<td>47,252</td>
<td>(55,439)</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>366,176</td>
<td>24,959</td>
</tr>
</tbody>
</table>

Total comprehensive income attributable to:

<table>
<thead>
<tr>
<th></th>
<th>FY2014 (for the year ended March 31, 2013)</th>
<th>FY2015 (for the year ended March 31, 2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners of the Company</td>
<td>366,201</td>
<td>26,961</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>(24)</td>
<td>(2,001)</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>366,176</td>
<td>24,959</td>
</tr>
</tbody>
</table>
## Consolidated Statement of Changes in Equity

<table>
<thead>
<tr>
<th>Equity attributable to owners of the Company</th>
<th>(Millions of year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td></td>
</tr>
<tr>
<td>Capital surplus</td>
<td></td>
</tr>
<tr>
<td>Treasury shares</td>
<td></td>
</tr>
<tr>
<td>Subscribed share capital</td>
<td></td>
</tr>
<tr>
<td>Common share</td>
<td></td>
</tr>
<tr>
<td>Par value</td>
<td></td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td></td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
</tr>
<tr>
<td>Total equity</td>
<td></td>
</tr>
<tr>
<td><strong>Balance as of April 1, 2014</strong></td>
<td></td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
</tr>
<tr>
<td>Acquisition of treasury shares</td>
<td>25,963</td>
</tr>
<tr>
<td>Disposal of treasury shares</td>
<td>—</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>192</td>
</tr>
<tr>
<td>Dividends</td>
<td>212</td>
</tr>
<tr>
<td>Change in scope of consolidation</td>
<td>414</td>
</tr>
<tr>
<td>Transfer from other components of equity to retained earnings</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>25,963</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>1,007,527</td>
</tr>
<tr>
<td><strong>Balance as of March 31, 2016</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Equity attributable to owners of the Company</strong></td>
<td>(Millions of year)</td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
</tr>
<tr>
<td>Total equity</td>
<td></td>
</tr>
<tr>
<td><strong>Balance as of April 1, 2015</strong></td>
<td></td>
</tr>
<tr>
<td>Profit for the year</td>
<td>1,060,202</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>(31,001)</td>
</tr>
<tr>
<td>Acquisition of treasury shares</td>
<td>(201)</td>
</tr>
<tr>
<td>Disposal of treasury shares</td>
<td>(46)</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>220</td>
</tr>
<tr>
<td>Dividends</td>
<td>414</td>
</tr>
<tr>
<td>Acquisition of non-controlling interests</td>
<td>—</td>
</tr>
<tr>
<td>Transfer from other components of equity to retained earnings</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>(18,942)</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>1,051,184</td>
</tr>
<tr>
<td><strong>Balance as of March 31, 2016</strong></td>
<td></td>
</tr>
</tbody>
</table>

## Consolidated Statement of Cash Flows

<table>
<thead>
<tr>
<th>FY2015 (For the year ended March 31, 2015)</th>
<th>FY2016 (For the year ended March 31, 2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
</tr>
<tr>
<td>Profit before tax from continuing operations</td>
<td>79,936</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>42,023</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>37,612</td>
</tr>
<tr>
<td>Financial income</td>
<td>(9,600)</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>3,160</td>
</tr>
<tr>
<td>Share of (profit) loss of investments accounted for using the equity method</td>
<td>925</td>
</tr>
<tr>
<td>(Gain) loss on sale and disposal of fixed assets</td>
<td>(1,056)</td>
</tr>
<tr>
<td>(Increase) decrease in trade and other receivables</td>
<td>(966)</td>
</tr>
<tr>
<td>(Increase) decrease in inventories</td>
<td>237</td>
</tr>
<tr>
<td>Increase (decrease) in trade and other payables</td>
<td>3,661</td>
</tr>
<tr>
<td>Other, net</td>
<td>(1,769)</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>153,688</td>
</tr>
<tr>
<td>Interest and dividends received</td>
<td>3,468</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(1,732)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(21,874)</td>
</tr>
<tr>
<td>Cash flows from operating activities</td>
<td>9,227</td>
</tr>
<tr>
<td><strong>Net cash flows from operating activities</strong></td>
<td>142,716</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td></td>
</tr>
<tr>
<td>Purchase of time deposits</td>
<td>(64,511)</td>
</tr>
<tr>
<td>Proceeds from maturities in time deposits</td>
<td>72,915</td>
</tr>
<tr>
<td>Acquisition of securities</td>
<td>(259,142)</td>
</tr>
<tr>
<td>Proceeds from sale of securities</td>
<td>390,984</td>
</tr>
<tr>
<td>Settlement of forward foreign exchange contract for sale of securities</td>
<td>(7,024)</td>
</tr>
<tr>
<td>Acquisitions of property, plant, and equipment</td>
<td>(38,500)</td>
</tr>
<tr>
<td>Proceeds from sale of property</td>
<td>453</td>
</tr>
<tr>
<td>Acquisitions of intangible assets</td>
<td>(56,130)</td>
</tr>
<tr>
<td>Acquisition of subsidiary</td>
<td>(35,470)</td>
</tr>
<tr>
<td>Proceeds from sale of subsidiary</td>
<td>(7,004)</td>
</tr>
<tr>
<td>Payments for loans receivable</td>
<td>(1,728)</td>
</tr>
<tr>
<td>Proceeds from collection of loans receivable</td>
<td>1,489</td>
</tr>
<tr>
<td>Other, net</td>
<td>3,880</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td>136,712</td>
</tr>
<tr>
<td><strong>Net cash flows from investing activities</strong></td>
<td>(21,278)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
</tr>
<tr>
<td>Proceeds from bonds and borrowings</td>
<td>0</td>
</tr>
<tr>
<td>Repayments of bonds and borrowings</td>
<td>0</td>
</tr>
<tr>
<td>Repayments of bonds and borrowings</td>
<td>(90,000)</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>(25)</td>
</tr>
<tr>
<td>Proceeds from sale of treasury shares</td>
<td>0</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(42,254)</td>
</tr>
<tr>
<td>Other, net</td>
<td>(906)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td>(132,200)</td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash and cash equivalents</strong></td>
<td>(110,701)</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>183,070</td>
</tr>
<tr>
<td>Effect of exchange rate change on cash and cash equivalents</td>
<td>17,003</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the year</td>
<td>199,372</td>
</tr>
</tbody>
</table>

### Financial Data
## Financial Data

### Historical Data

<table>
<thead>
<tr>
<th>Financial Results</th>
<th>Japanese GAAP (in billions of yen)</th>
<th>IFRS (in billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>FY2006 929.5 FY2007 880.1 FY2008 842.1 FY2009 952.1 FY2010 967.3 FY2011 938.6 FY2012 997.8</td>
<td></td>
</tr>
<tr>
<td><strong>Overseas sales</strong></td>
<td>FY2006 356.7 FY2007 358.6 FY2008 373.2 FY2009 482.3 FY2010 489.7 FY2011 469.0 FY2012 486.6</td>
<td></td>
</tr>
<tr>
<td><strong>Ratio of overseas sales to net sales (%)</strong></td>
<td>FY2006 38.4 FY2007 40.7 FY2008 44.3 FY2009 50.7 FY2010 50.6 FY2011 50.0 FY2012 48.8</td>
<td></td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>FY2006 136.3 FY2007 156.8 FY2008 88.8 FY2009 95.5 FY2010 122.1 FY2011 98.2 FY2012 100.5</td>
<td></td>
</tr>
<tr>
<td><strong>Net income (%)</strong></td>
<td>FY2006 14.7 FY2007 17.8 FY2008 10.6 FY2009 10.0 FY2010 12.6 FY2011 10.5 FY2012 10.1</td>
<td></td>
</tr>
<tr>
<td><strong>Research and development expenses (%)</strong></td>
<td>FY2006 170.6 FY2007 163.4 FY2008 194.5 FY2009 196.8 FY2010 194.3 FY2011 185.0 FY2012 183.0</td>
<td></td>
</tr>
<tr>
<td><strong>Depreciation and amortization (%)</strong></td>
<td>FY2006 39.9 FY2007 38.7 FY2008 40.5 FY2009 45.9 FY2010 43.9 FY2011 46.3 FY2012 41.4</td>
<td></td>
</tr>
</tbody>
</table>

### Financial Position

| Total assets | FY2012 1,684.9 FY2013 1,854.0 FY2014 1,982.3 FY2015 1,900.5 |
| Net assets | FY2012 938.5 FY2013 1,007.5 FY2014 1,107.0 FY2015 1,223.5 |

### Per Share Information

| Basic earnings per share (yen) | FY2012 90.96 FY2013 86.57 FY2014 457.56 FY2015 119.37 |
| Equity per share attributable to owners of the company (yen) | FY2012 1,287.94 FY2013 1,392.03 FY2014 1,852.28 FY2015 1,801.90 |
| Annual dividends per share (yen) | FY2012 60 FY2013 60 FY2014 60 |
| Total equity | FY2012 1,007.5 FY2013 1,107.0 FY2014 1,223.5 |

### Main Financial Indicators

| Return on equity (ROE) (%) | FY2012 6.3 FY2013 7.8 FY2014 (20.5) FY2015 4.9 FY2016 8.2 FY2017 1.3 |
| Equity ratio (%) | FY2012 77.5 FY2013 83.6 FY2014 57.7 FY2015 57.4 FY2016 54.3 |
| Dividend on equity (DOE) (%) | FY2012 3.5 FY2013 4.0 FY2014 5.4 FY2015 4.9 FY2016 5.0 FY2017 5.1 |
| Free cash flows* | FY2012 151.7 FY2013 172.8 FY2014 (335.4) FY2015 78.1 FY2016 (32.5) |
| Average exchange rates (USD/JPY) | FY2012 116.99 FY2013 114.28 FY2014 100.54 FY2015 92.86 FY2016 85.72 FY2017 70.07 |
| Average exchange rates (EUR/JPY) | FY2012 146.16 FY2013 160.52 FY2014 163.49 FY2015 131.16 FY2016 113.13 FY2017 108.96 |

### Number of Employees


### Operating Profit/Ratio of Operating Profit to Revenue

| FY2006 | 100.5 |
| FY2007 | 100.0 |
| FY2008 | 100.0 |
| FY2009 | 100.0 |
| FY2010 | 100.0 |
| FY2011 | 100.0 |
| FY2012 | 100.0 |

* Free cash flows from operating activities \* Cash flows from investing activities

Note: Figures for fiscal 2011 and prior are based on Japanese GAAP, and figures for fiscal 2012 and forward are based on IFRS.
**ESG Data (Environmental, Social, and Governance Data)**

### Promoting Environmental Management

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Classification</th>
<th>Item</th>
<th>Scope</th>
<th>Unit</th>
<th>FY2015</th>
<th>FY2014</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO₂</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>In Japan</td>
<td>1-CD</td>
<td></td>
<td>173,793</td>
<td>178,510</td>
<td>176,157</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Global</td>
<td>1-CD</td>
<td></td>
<td>539,662</td>
<td>475,296</td>
<td>243,402</td>
</tr>
<tr>
<td></td>
<td></td>
<td>In Japan</td>
<td>2-CD</td>
<td></td>
<td></td>
<td></td>
<td>96,599</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Global</td>
<td>2-CD</td>
<td></td>
<td>206,757</td>
<td>171,560</td>
<td>115,243</td>
</tr>
</tbody>
</table>

### Water resources

| Water used | In Japan | 1,000 m³ | 11,628 | 11,624 | 11,986 |
|           | Global   | 1,000 m³ | 13,785 | 12,140 | 12,511 |

### Waste

| Waste generated | In Japan | 1,000 m³ | 37,191 | 22,359 | 21,764 |
| Final disposal rate | In Japan | % | 0.47 | 0.46 | 0.46 |
| Amount of office paper consumed | In Japan | millions sheets | 67.17 | 58.95 | 54.89 |

### Social Promoting Compliance Management

<table>
<thead>
<tr>
<th>Compliance</th>
<th>Classification</th>
<th>Item</th>
<th>Scope</th>
<th>Unit</th>
<th>FY2015</th>
<th>FY2014</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training on Saibiku Group Individual Conduct Principles</td>
<td>In Japan</td>
<td>Persons</td>
<td>347</td>
<td>386</td>
<td>354</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conduct violation discovered through IS hotline and reporting channels for sexual and power harassment</td>
<td>In Japan</td>
<td>Cases</td>
<td>6</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conduct training based on Corporate Integrity Agreement in the United States</td>
<td>In Japan</td>
<td>Persons</td>
<td>14</td>
<td>37</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total hours of internal training (appraisal)</td>
<td>In Japan</td>
<td>Times</td>
<td>1,094</td>
<td>772</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Mutual Growth of Employees and the Company

<table>
<thead>
<tr>
<th>Employee data</th>
<th>Classification</th>
<th>Item</th>
<th>Scope</th>
<th>Unit</th>
<th>FY2015</th>
<th>FY2014</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of new employees by region*4</td>
<td>In Japan</td>
<td>Persons</td>
<td>9,145</td>
<td>8,549</td>
<td>8,589</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outside Japan</td>
<td>Persons</td>
<td>8,111</td>
<td>7,879</td>
<td>6,660</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>Persons</td>
<td>15,555</td>
<td>16,428</td>
<td>15,249</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average number of employees</td>
<td>In Japan</td>
<td>Persons</td>
<td>7,170</td>
<td>6,788</td>
<td>6,631</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outside Japan</td>
<td>Persons</td>
<td>7,170</td>
<td>6,788</td>
<td>6,631</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>Persons</td>
<td>14,340</td>
<td>14,576</td>
<td>13,262</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of female employees</td>
<td>In Japan</td>
<td>%</td>
<td>22.6</td>
<td>22.1</td>
<td>22.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outside Japan</td>
<td>%</td>
<td>22.6</td>
<td>22.1</td>
<td>22.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>%</td>
<td>22.6</td>
<td>22.1</td>
<td>22.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of women in managerial positions</td>
<td>In Japan</td>
<td>%</td>
<td>4.2</td>
<td>4.5</td>
<td>5.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outside Japan</td>
<td>%</td>
<td>4.2</td>
<td>4.5</td>
<td>5.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>%</td>
<td>4.2</td>
<td>4.5</td>
<td>5.0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Enhancement of Communication with Stakeholders

<table>
<thead>
<tr>
<th>Patient and medical professionals</th>
<th>Classification</th>
<th>Item</th>
<th>Scope</th>
<th>Unit</th>
<th>FY2015</th>
<th>FY2014</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of inquiries received</td>
<td>In Japan</td>
<td>Cases</td>
<td>120,000</td>
<td>120,000</td>
<td>118,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Improving Access to Healthcare

<table>
<thead>
<tr>
<th>Social Contribution Activities</th>
<th>Classification</th>
<th>Item</th>
<th>Scope</th>
<th>Unit</th>
<th>FY2015</th>
<th>FY2014</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of mobile healthcare field clinics</td>
<td>In India</td>
<td>Number of activities</td>
<td>Times</td>
<td>501</td>
<td>499</td>
<td>503</td>
<td></td>
</tr>
<tr>
<td>Number of mobile healthcare field clinics</td>
<td>In Cameron</td>
<td>Times</td>
<td>1,141</td>
<td>1,775</td>
<td>1,758</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of mobile healthcare field clinics</td>
<td>In Tanzania</td>
<td>Times</td>
<td>202</td>
<td>306</td>
<td>408</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Governance

<table>
<thead>
<tr>
<th>Governance</th>
<th>Classification</th>
<th>Item</th>
<th>Scope</th>
<th>Unit</th>
<th>FY2015</th>
<th>FY2014</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structure of Board of Directors</td>
<td>Number of directors</td>
<td>Non-consolidated</td>
<td>Persons</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Number of outside directors</td>
<td>Non-consolidated</td>
<td>Persons</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of female directors</td>
<td>Non-consolidated</td>
<td>Persons</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Referenced Guidelines

- UN Global Compact
- ISO 30000
- IIRC (International Integrated Reporting Council), "International Integrated Reporting Framework"
Corporate Information

**Corporate Profile (As of April 1, 2016)**

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

**Common Stock (As of March 31, 2016)**

- Number of shares authorized: 2,800,000,000  
- Number of shares issued: 709,011,343  
- Number of shareholders: 105,897

**Distribution of Shareholders (As of March 31, 2016)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial instrument</td>
<td>2.22%</td>
</tr>
<tr>
<td>Other corporations</td>
<td>5.31%</td>
</tr>
<tr>
<td>Individuals and others</td>
<td>16.72%</td>
</tr>
<tr>
<td>Financial institutions</td>
<td>42.91%</td>
</tr>
<tr>
<td>Foreign investors</td>
<td>29.22%</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>3.61%</td>
</tr>
</tbody>
</table>

**Major Shareholders (As of March 31, 2016)**

<table>
<thead>
<tr>
<th>Name</th>
<th>Percentage of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Master Trust Bank of Japan, Ltd.</td>
<td>7.35%</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd.</td>
<td>6.77%</td>
</tr>
<tr>
<td>Nippon Life Insurance Company</td>
<td>5.24%</td>
</tr>
<tr>
<td>Trust &amp; Custody Services Bank, Ltd.</td>
<td>2.11%</td>
</tr>
<tr>
<td>Trustee Bank of Mizuho Trust and Banking Co., Ltd.</td>
<td>1.67%</td>
</tr>
<tr>
<td>Sumitomo Mitsui Banking Corporation</td>
<td>1.55%</td>
</tr>
<tr>
<td>Employee stock ownership of Daiichi Sankyo Group</td>
<td>1.41%</td>
</tr>
<tr>
<td>STATE STREET BANK WEST CLIENT – TREATY S05234</td>
<td>1.36%</td>
</tr>
<tr>
<td>STATE STREET BANK AND TRUST COMPANY S05225</td>
<td>1.33%</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (trust account 7)</td>
<td>1.26%</td>
</tr>
</tbody>
</table>

**Main Group Companies (As of April 1, 2016)**

**Japan**

- Daiichi Sankyo Europe GmbH  
- Daiichi Sankyo France SAS  
- Daiichi Sankyo Deutschland GmbH  
- Daiichi Sankyo Italia S.p.A.  
- Daiichi Sankyo España, S.A.  
- Daiichi Sankyo UK Ltd.  
- Daiichi Sankyo (Schweiz) AG  
- Daiichi Sankyo Portugal, Lda.  
- Daiichi Sankyo Austria GmbH  
- Daiichi Sankyo Belgium N.V.-S.A.  
- Daiichi Sankyo Nederland B.V.  
- Daiichi Sankyo IAC Ticaret Ltd. Sti.  
- Daiichi Sankyo Ireland Ltd.  
- Daiichi Sankyo Abicht GmbH & Co.  
- U3 Pharma GmbH  
- Daiichi Sankyo Development Ltd.

**Europe**

- Daiichi Sankyo France SAS  
- Daiichi Sankyo Italy S.p.A.  
- Daiichi Sankyo España, S.A.  
- Daiichi Sankyo UK Ltd.  
- Daiichi Sankyo (Schweiz) AG  
- Daiichi Sankyo Portugal, Lda.  
- Daiichi Sankyo Austria GmbH  
- Daiichi Sankyo Belgium N.V.-S.A.  
- Daiichi Sankyo Nederland B.V.  
- Daiichi SankyoIAC Ticaret Ltd. Sti.  
- Daiichi Sankyo Ireland Ltd.  
- Daiichi Sankyo Abicht GmbH & Co.  
- U3 Pharma GmbH  
- Daiichi Sankyo Development Ltd.

**U.S.A.**

- Daiichi Sankyo, Inc.  
- Lutipold Pharmaceuticals, Inc.  
- Pleaokin Inc.  
- Ambit Biosciences Corp.

**ASCA**

- Daiichi Sankyo (China) Holdings Co., Ltd.  
- Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd.  
- Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd.  
- Daiichi Sankyo Taiwan Ltd.  
- Daiichi Sankyo Korea Co., Ltd.  
- Daiichi Sankyo (Thailand) Ltd.  
- Daiichi Sankyo Hong Kong Ltd.  
- Daiichi Sankyo Brazil Farmacêutica LTDA  
- Daiichi Sankyo Venezuela, S.A.  
- Daiichi Sankyo India Pharma Private Ltd.

*Note: 1. The Company holds 20.4% of 187 treasury shares, which are excluded from the above list.  
2. Treasury shares are not included in the computing of equity stake.*
Precautions for future prospects
This report contains future prospects, such as the Company’s plan, strategy, and business performance. These prospects are based on our conclusions from information that is currently available. Therefore, please be advised that the actual business performance will be influenced by various risks and uncertainties and could achieve different results from these prospects. Examples of factors that could influence future prospects are including, but are not limited to, the economic environment, competition, related laws, change in product development circumstances, or fluctuation of exchange rates that surround the Company’s business domain.

Period covered
April 1, 2015 – March 31, 2016 (fiscal 2015) and also information for the period from April 2016 onward.

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