Data Section
Financial Results and Financial Analysis

Consolidated Financial Results for Fiscal 2017

Consolidated Financial Results

(Billions of yen)

	FY2016 Results	FY2017 Results	YoY	
Revenue	955.1	960.2	+5.1	(+0.5%)
Cost of Sales	349.4	346.0	–3.4	
SG&A Expenses	302.5	301.8	-0.6	
R&D Expenses	214.3	236.0	+21.7	
Operating Profit	88.9	76.3	-12.6	(–14.2%)
Profit before Tax	87.8	81.0	-6.8	(–7.7%)
Profit Attributable to Owners of the Company	53.5	60.3	+6.8	(+12.7%)

Yen Exchange Rates for Major Currencies (Annual Average Rate)

	FY2016 Results	FY2017 Results	YoY
USD/JPY	108.42	110.86	+2.44
EUR/JPY	118.84	129.70	+10.86

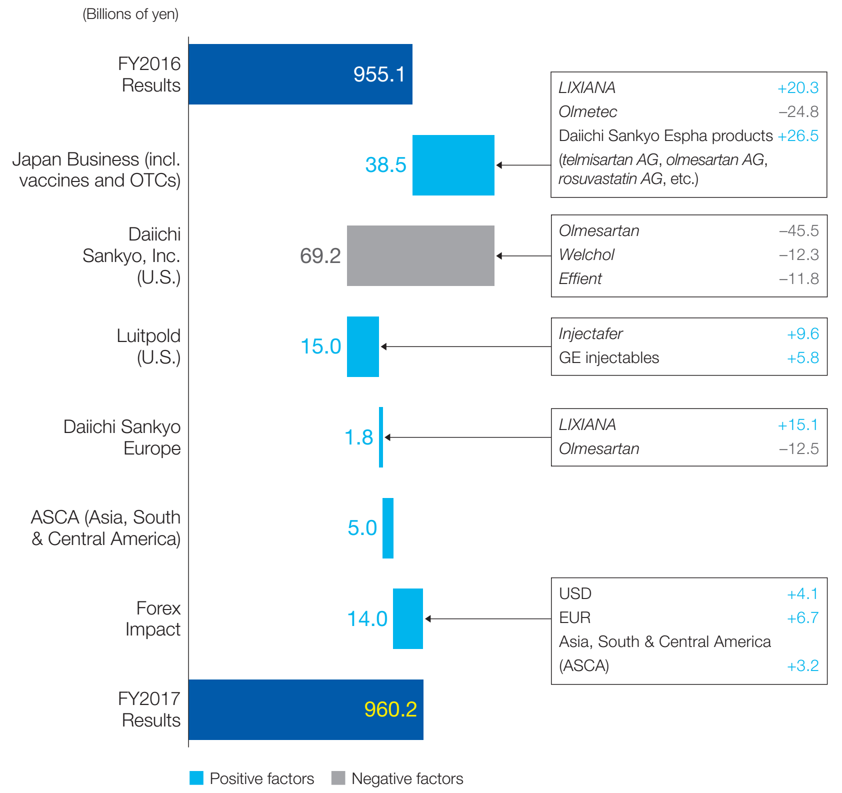
1. Revenue

Consolidated revenue in fiscal 2017 increased ¥5.1 billion, or 0.5% year on year, to ¥960.2 billion.

The impacts of yen depreciation raised revenue to the extent of ¥14.0 billion. When the impacts of foreign exchange influences are excluded, revenue was down ¥8.9 billion year on year.

Revenue

Increased by ¥5.1 billion (decreased by ¥8.9 billion excl. forex impact)



In the Japan Business, *Olmetec* experienced decreased revenue, though *LIXIANA* enjoyed a large increase in revenue and Daiichi Sankyo Espha saw a significant increase in revenue following the launches of multiple authorized generics, resulting in an overall increase of ¥38.5 billion.

In the United States, revenue from Daiichi Sankyo, Inc. declined ¥69.2 billion year on year following decrease in revenues of *olmesartan*, *Welchol*, and *Effient* among other factors. Meanwhile, Luitpold Pharmaceuticals, Inc., in the United States, saw revenue increase ¥15.0 billion year on year following higher sales of *Injectafer* and generic injectables. Revenue at Daiichi Sankyo Europe GmbH increased ¥1.8 billion year on year due to a large increase in *LIXIANA* sales, despite decreases in sales in *olmesartan*. In the Company's operations in ASCA, Asia and South & Central America, revenue was up ¥5.0 billion year on year.

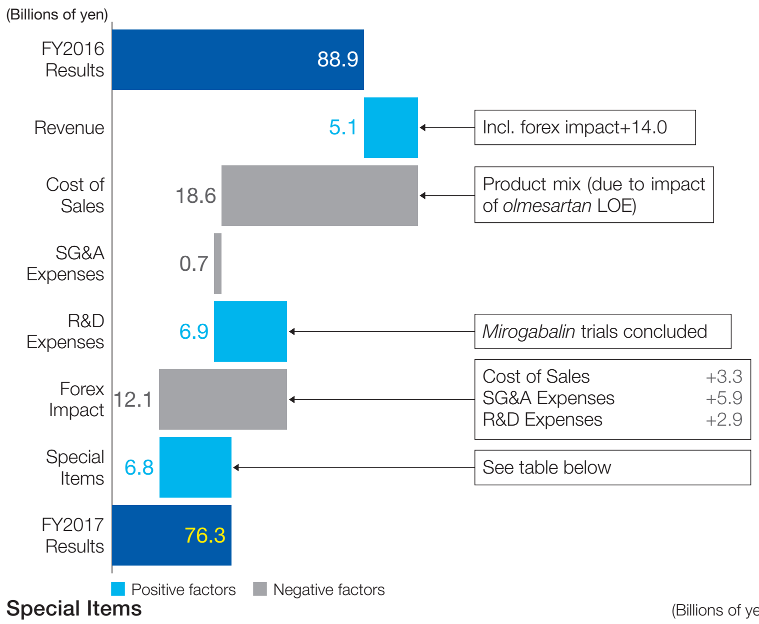
2. Operating Profit

Operating profit in fiscal 2017 decreased ¥12.6 billion, or 14.2% year on year, to ¥76.3 billion.

When the impacts of foreign exchange fluctuations and special items are excluded, the actual decrease in operating profit was ¥21.3 billion.

Operating Profit

Decreased by ¥12.6 billion (Decreased by ¥21.3 billion excl. forex impact and special items)



Consolidated revenue in fiscal 2017 increased ¥5.1 billion, including impact from foreign exchange to the extent of ¥14.0 billion.

Cost of sales was up ¥18.6 billion year on year as the ratio of cost of sales to revenue increased due to the impact of LOE of *olmesartan*. SG&A expenses were up ¥0.7 billion year on year. R&D expenses dropped ¥6.9 billion year on year as *mirogabalin* clinical studies were concluded.

Foreign exchange influences caused a total increase of ¥12.1 billion in expenses.

Special items in fiscal 2016 included restructuring expenses in Europe and impairment loss in the vaccine business, causing a total increase of ¥40.4 billion in expenses. Special items in fiscal 2017 included impairment loss in intangible assets related to CL-108, and restructuring expenses in the U.S. Business, resulting in a total increase of ¥33.6 billion in expenses, and a decrease of ¥6.8 billion in expenses year on year.

Special Items

(Billions of yen)

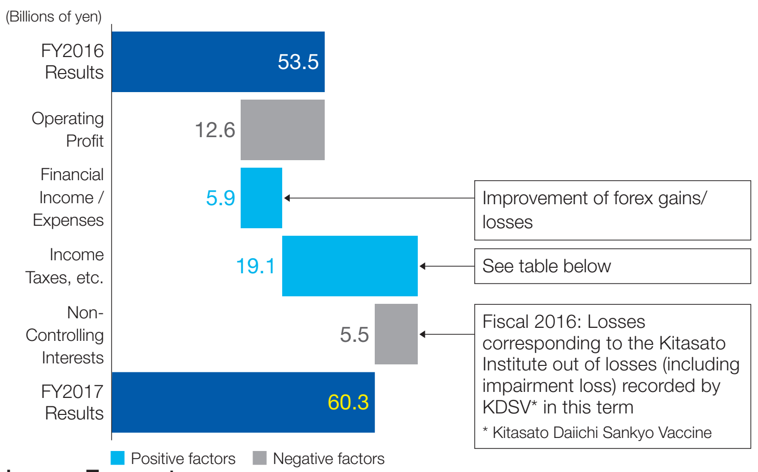
	FY2016 Results		FY2017 Results		YoY
Cost of Sales	Impairment loss, etc. (Vaccine)	24.2	Gain on Sales of fixed assets	–1.0	–25.2
SG&A Expenses	Restructuring costs in EU	11.6	Restructuring costs in the U.S.	4.5	–7.2
R&D Expenses	Cost of reorganizations of R&D structures, etc.	4.5	Impairment loss (Intangible assets)	30.2	+25.7
Total		40.4		33.6	–6.8

3. Profit Attributable to Owners of the Company

Profit attributable to owners of the Company increased ¥6.8 billion, or 12.7% year on year, to ¥60.3 billion.

Profit Attributable to Owners of the Company

Increased by ¥6.8 billion



Operating profit decreased ¥12.6 billion year on year including foreign exchange influences and special items.

Financial income and expenses decreased ¥5.9 billion year on year due to a reduction in foreign exchange losses among other factors. Income taxes decreased ¥19.1 billion year on year as a result of a reduction in the income tax rate following lowered tax rates in the U.S. in fiscal 2017, despite a higher tax rate as a result of large losses which were not applicable to tax effect accounting, such as impairment loss related to vaccines in fiscal 2016.

Regarding non-controlling interests, KDSV recorded a large loss in fiscal 2016 and therefore non-controlling interests considered to be attributable to the Kitasato Institute made a large positive impact in fiscal 2016, while improvements being seen in loss recorded by KDSV in fiscal 2017 led to an overall negative effect on profits to the extent of ¥5.5 billion year on year.

As a result of the above, the profit attributable to owners of the Company came to ¥60.3 billion.

Income Taxes, etc.

(Billions of yen)

	FY2016 Results	FY2017 Results	YoY
Profit before Tax	87.8	81.0	–6.8
Income Taxes, etc.	40.3	21.2	–19.1
Tax Rate	45.9%	26.2%	–19.7%

Fiscal 2016: Higher tax rate due to losses which were not applicable to tax effect accounting, such as impairment loss (vaccines), etc.

Fiscal 2017: Impact from reduced tax rates in the U.S.

Financial Results and Financial Analysis

Financial Position

1. Assets, Liabilities, and Equity

Assets

Total assets at the end of fiscal 2017 amounted to ¥1,897.8 billion. Other financial assets (non-current assets) increased (¥38.3 billion), while intangible assets decreased (¥43.5 billion) among other factors, ultimately leading to a decrease of ¥17.2 billion compared to the end of fiscal 2016.

Liabilities

Total liabilities at the end of fiscal 2017 amounted to ¥764.7 billion. Deferred tax liabilities decreased (¥13.6 billion), while provisions (non-current liabilities) increased (¥32.4 billion) among other factors, ultimately leading to an increase of ¥21.2 billion compared to the end of fiscal 2016.

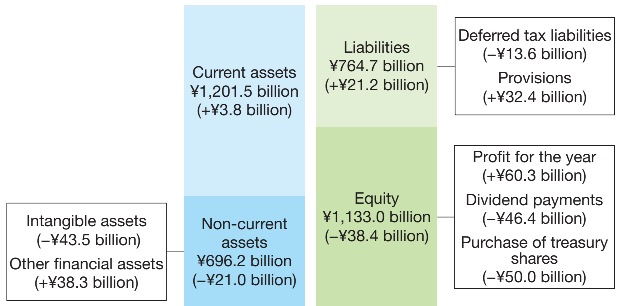
Equity

Total equity at the end of fiscal 2017 amounted to ¥1,133.0 billion. Profits (¥60.3 billion) were recorded for the current fiscal year, while dividend payments (¥46.4 billion), purchase of treasury shares (15,729 thousand shares, ¥50.0 billion), and other factors ultimately led to a decrease of ¥38.4 billion compared to the end of fiscal 2016.

Summary of Consolidated Statement of Financial Position

As of March 31, 2018: parentheses ( ) indicate comparison to March 31, 2017

Consolidated total assets ¥1,897.8 billion (–¥17.2 billion)



Ratio of equity attributable to owners of the Company to total assets (equity ratio) was 59.7% (¥1,133.0 billion ÷ ¥1,897.8 billion), which was a decrease of 1.7% compared to the end of fiscal 2016.

2. Cash Flows

Cash and cash equivalents at the end of fiscal 2017 increased by ¥111.7 billion year on year to ¥357.7 billion.

Cash flows from operating activities

Cash inflow from operating activities were ¥108.4 billion (¥136.2 billion in the previous fiscal year) due to increase in cash added by profit before tax and non-cash item, such as depreciation, amortization and impairment loss, despite decrease in cash caused by income tax payments and other factors.

Cash flows from investing activities

Cash inflow from investing activities were ¥108.6 billion (–¥96.8 billion in the previous fiscal year) due to proceeds from refund of time deposits and other factors, despite capital expenditure and acquisitions of intangible assets.

Cash flows from financing activities

Cash outflow due to financing activities were ¥101.8 billion (¥15.0 billion in the previous fiscal year) due to purchase of treasury shares, dividend payments, and other factors.

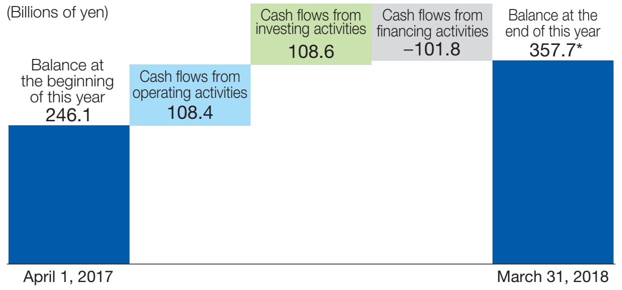
(Billions of yen)

	FY2016 Results	FY2017 Results	YoY
Cash flows from operating activities	136.2	108.4	–27.8
Cash flows from investing activities	–96.8	108.6	205.4
Cash flows from financing activities	–15.0	–101.8	–86.7
Net increase (decrease) in cash and cash equivalents	24.4	115.2	90.8
Effect of exchange rate changes on cash and cash equivalents	–0.5	–3.6	–3.1
Cash and cash equivalents at the end of the year	246.1	357.7	111.7
Free cash flows*	39.4	217.0	177.6

* Free cash flows = Cash flows from operating activities + Cash flows from investing activities

Summary of Consolidated Statement of Cash Flows

(Billions of yen)



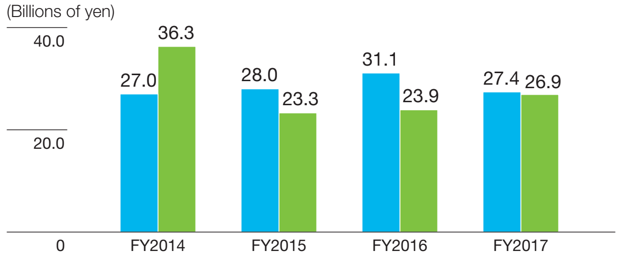
* incl. effect of exchange rate (–¥3.6 billion)

3. Capital expenditure

In fiscal 2017, we focused capital expenditure on research facilities for the Shinagawa R&D Center as well as production facilities for Daiichi Sankyo Propharma and Daiichi Sankyo Chemical Pharma. Especially, investments focusing on ADC increased, and the total capital expenditure amounted to ¥26.9 billion.

(Billions of yen)

	FY2016 Results	FY2017 Results	YoY
Capital expenditure	23.9	26.9	3.0
Depreciation (Property, plant and equipment)	31.1	27.4	–3.7



Financial Results Forecasts for Fiscal 2018

Sales revenues are projected to decrease 5.2% year on year to ¥910.0 billion, due to a reduction in sales of *olmesartan* following its LOE in Japan as well as the impact from reduced prices following NHI drug price revisions in Japan, despite swift increases of domestic and overseas *edoxaban* sales as well as a sales increase of *Injectafer* for Luitpold Pharmaceuticals, Inc., in the United States.

Operating profit is projected to increase 2.3% year on year, to ¥78.0 billion due to enhancement of profit generation capabilities and continued cost reductions among other factors, despite the fact that cost increases are expected as a result of advancing investments centered on the oncology business.

Profit attributable to owners of the Company is expected to decrease 8.8% year on year, to ¥55.0 billion.

Forecasts are based on an assumption of foreign exchange rates at ¥110 to the U.S. dollar and ¥130 to the euro.

Consolidated Financial Results Forecasts for Fiscal 2018

(Billions of yen)

	FY2017 Results	FY2018 Forecasts	YoY	
Revenue	960.2	910.0	–50.2	(–5.2%)
Operating Profit	76.3	78.0	+1.7	(+2.3%)
Profit before Tax	81.0	78.0	–3.0	
Profit attributable to owners of the Company	60.3	55.0	–5.3	(–8.8%)

Yen Exchange Rates for Major Currencies (Annual average rate)

	FY2017 Results	FY2018 Forecasts
USD/JPY	110.86	110.00
EUR/JPY	129.70	130.00

Shareholder Returns

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

The 5-year business plan sets forth a clear shareholder return policy that calls for a total return ratio* of 100% or more for the duration of the plan and annual ordinary dividend payments of ¥70 per share or more while flexibly acquiring shares of its own stock.

Under this basic policy, Daiichi Sankyo achieved ordinary dividend payments of ¥70 per share and acquired its own stock for approximately ¥50.0 billion in fiscal 2017.

As a result, the total return ratio was 159.1% for one year and 169.2% cumulatively over two years.

The Company plans to issue annual dividends per share of ¥70 in fiscal 2018.

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

Shareholder Returns Policy during 5YBP (Target)

Annual ordinary dividend: More than **¥70** + **Flexible** purchase of treasury shares = Total return ratio: **100%** or more

	FY2016 Results	FY2017 Results	FY2018 Plan	(5-Year Business Plan Target)
Annual dividend	¥70	¥70	¥70	More than ¥70
Purchase of treasury shares	¥50.0 billion	¥50.0 billion	Flexible	Flexible
Total return ratio	180.7%	159.1%	–	100% or more
	169.2%			