## Financial Results and Financial Analysis

### 1. Revenue

Consolidated revenue in fiscal 2018 decreased by ¥30.5 billion, or 3.2% year on year, to ¥929.7 billion. When the impacts of foreign exchange influences are excluded, revenue was down ¥27.3 billion year on year.

### 2. Operating Profit

Operating profit in fiscal 2018 increased ¥7.4 billion, or 9.7% year on year, to ¥83.7 billion. When the impacts of foreign exchange influences and special items are excluded, the actual decrease in operating profit was ¥13.2 billion.

### 3. Profit Attributable to Owners of the Company

Profit attributable to owners of the Company increased ¥33.1 billion, or 55.0% year on year, to ¥63.4 billion.

### Consolidated Financial Results for Fiscal 2018

<table>
<thead>
<tr>
<th>Item</th>
<th>FY2017 Results</th>
<th>FY2018 Results</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>960.2</td>
<td>929.7</td>
<td>-30.5</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>346.0</td>
<td>364.6</td>
<td>+18.6</td>
</tr>
<tr>
<td><strong>SG&amp;A expenses</strong></td>
<td>301.8</td>
<td>277.7</td>
<td>-24.2</td>
</tr>
<tr>
<td><strong>R&amp;D expenses</strong></td>
<td>238.0</td>
<td>203.7</td>
<td>-32.3</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>76.3</td>
<td>83.7</td>
<td>+7.4</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>81.0</td>
<td>85.8</td>
<td>+4.8</td>
</tr>
<tr>
<td><strong>Profit attributable to owners of the Company</strong></td>
<td>60.3</td>
<td>63.1</td>
<td>+31.1</td>
</tr>
</tbody>
</table>

**Yen Exchange Rates for Major Currencies (Annual Average Rate)**

<table>
<thead>
<tr>
<th>Currency</th>
<th>FY2017 Results</th>
<th>FY2018 Results</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD/JPY</td>
<td>110.86</td>
<td>110.91</td>
<td>+0.05</td>
</tr>
<tr>
<td>EUR/JPY</td>
<td>129.70</td>
<td>128.40</td>
<td>-1.30</td>
</tr>
</tbody>
</table>

### Special items

<table>
<thead>
<tr>
<th>Item</th>
<th>FY2018 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Special items</strong></td>
<td>22.0</td>
</tr>
</tbody>
</table>

### Income taxes, etc.

<table>
<thead>
<tr>
<th>Item</th>
<th>FY2018 Results</th>
</tr>
</thead>
</table>
Financial Results and Financial Analysis

1. Assets, Liabilities, and Equity
Assets
Total assets at the end of fiscal 2018 amounted to ¥2,088.1 billion. Trade and other receivables increased (¥188.1 billion year on year) among other factors, ultimately leading to an increase of ¥190.3 billion compared to the end of fiscal 2017.

Liabilities
Total liabilities at the end of fiscal 2018 amounted to ¥1,838.3 billion. Income taxes payable and provisions decreased (¥124.1 billion year on year), while trade and other payables as well as other non-current liabilities increased (¥216.6 billion year on year) among other factors, ultimately leading to an increase of ¥73.6 billion compared to the end of fiscal 2017.

Equity
Total equity at the end of fiscal 2018 amounted to ¥1,249.7 billion. Dividend payments (¥45.3 billion) contributed to a decrease, while profit attributable to owners of the Company (¥70.5 billion) recorded for the year among other factors, leading to an increase of ¥116.7 billion compared to the end of fiscal 2017.

Summary of consolidated statement of financial position
As of March 31, 2019: parentheses ( ) indicate comparison to March 31, 2018

### 2. Cash Flows

**Cash and cash equivalents**
- **Operating activities**: Increase of ¥216.6 billion due to continuing depreciation and amortization, and other factors, leading to a decrease in cash by ¥13.9 billion. Dividend payments, repayments of borrowings, and other factors, leading to an increase of ¥216.6 billion. As of March 31, 2019, cash and cash equivalents were ¥1,249.7 billion (¥1,035.8 billion year on year).
- **Investing activities**: Increase of ¥191.6 billion due to continuing depreciation and amortization, and other factors, leading to an increase of ¥191.6 billion. As of March 31, 2019, cash and cash equivalents were ¥1,249.7 billion (¥1,035.8 billion year on year).

**Free cash flows**
- **FY2019 Results**: FY2018 Results + ¥217.0 billion (Incl. effect of exchange rate (¥2.1 billion)
- **Net cash inflow from operating activities**: FY2018 Results + ¥108.4 billion
- **Net cash inflow from investing activities**: FY2018 Results + ¥27.4 billion (Incl. effect of exchange rate (¥2.1 billion)

**Balance at the beginning of the year**
- **April 1, 2018**: ¥92.0 billion
- **March 31, 2019**: ¥101.8 billion

Shareholder Returns

In order to achieve sustainable growth in corporate value, the basic policy of management is to decide profit distributions based on a comprehensive evaluation of the investments essential for implementing the growth strategy and profit returns to shareholders.

Our shareholder return policy calls for a total return ratio of 100% or more for the fiscal 2016 through fiscal 2022, and annual ordinary dividend payments of ¥70 per share or more. On the basis of this policy, Daiichi Sankyo intends to pay stable dividends while flexibly acquiring shares of its own stock.

Shareholder returns policy during SYBP (Target)

Sales revenues are projected to increase 1.1% year on year to ¥940.0 billion, due in part to the contractual lump-sum payment from our strategic collaboration for DS-8201 being incorporated into the recognized sales amount (¥10.0 billion) for year ending March 2020.

Operating profit is projected to increase 19.5% year on year to ¥10.0 billion due to continued cost reductions, as well as recording profit from selling the Takatsuki Plant (¥10.6 billion) among other factors, despite the fact that cost increases are expected as a result of investments centered on the oncology business.

### Financial Results Forecasts for Fiscal 2019

Sales revenues are projected to increase 11.5% year on year to ¥72.0 billion, due to income taxes going back to the regular tax rate in the year ending March 2020 despite temporarily being set at a negative rate in the previous year following our strategic collaboration for DS-8201 among other factors.

The impact following our strategic collaboration for DS-8201 only includes the amount recognized for this fiscal year in terms of the contractual lump-sum payment attributed to deferred revenue.

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

### Shareholder Returns

Under this basic policy, Daiichi Sankyo achieved ordinary dividend payments of ¥70 per share in fiscal 2018. As a result, the total return ratio was 48.5% for one year and 114.8% cumulatively over three years.

The Company plans to issue annual dividends per share of ¥70 in fiscal 2019.

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