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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 LOE (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 *olmesartan* 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 Ranbaxy Laboratories Ltd.

**External 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.

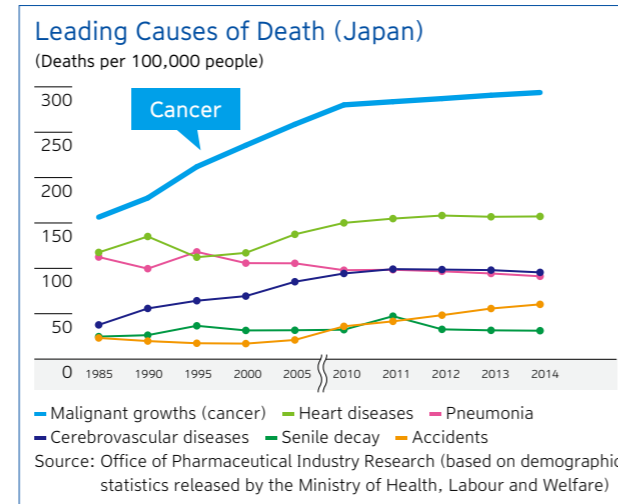
The United States continues to be home to the world’s largest pharmaceutical market, where cutting-edge science born out of intense competition lays fertile ground for the creation of new drugs and treatment methods. As such, this market is expected to see ongoing stable growth into the future, although 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.

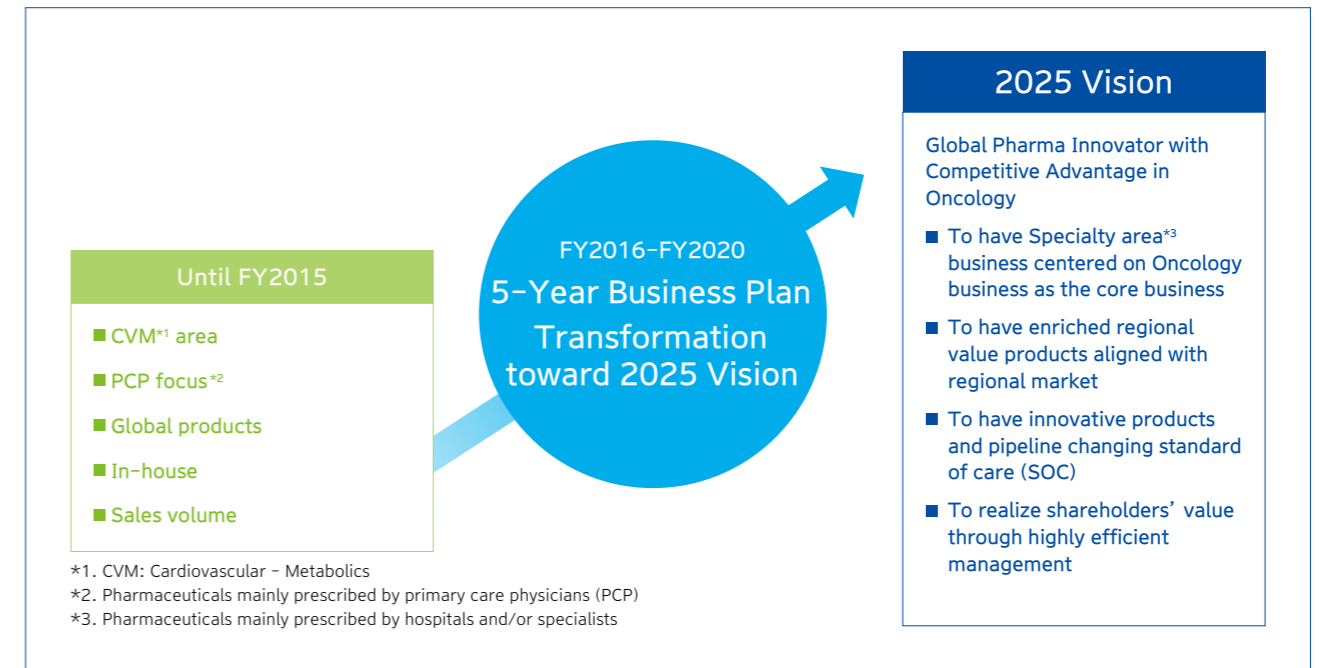
As such, I believe that unmet needs in specialty area centered on oncology are expected to increase going forward.



**Worldwide Trends by Therapeutic Area (2014)**

Rank	Therapeutic Area	Worldwide Prescription Drug & OTC Sales	2014 Sales (Billions of yen)	Growth Rate*
1	Oncology	████████████████████	79.2	8%
2	Antirheumatics	████████████████	48.8	8%
3	Antivirals	██████████████	43.1	55%
4	Antidiabetics	████████████	41.4	8%
5	Bronchodilators	██████████	32.5	0%
6	Antihypertensives	████████	30.5	-9%

Source: “World Preview 2015, Outlook to 2020”, EvaluatePharma®  
\* Growth rates represent growth from 2013.



**2025 Vision**

We defined our “2025 Vision” and announced it in March 2016. The “2025 Vision” resulted from our extensive discussions and is based upon our accumulated drug discovery capabilities as well as the aforementioned operating environment. We decided to define our “2025 Vision” as striving to become a “Global Pharma Innovator with competitive advantage in oncology.”

Specifically, the vision for Daiichi Sankyo in 2025 entails the Company having specialty area business centered on oncology as its core business, having enriched regional value products aligned with each regional market, and having innovative products and pipelines changing the SOC in each market. At the same time, we will be realizing shareholder value through highly efficient management.

To realize our “2025 Vision,” we will transform from our current business structure, which is focused on CVM area such as hypertension treatments, to a global company having the products and pipeline to change SOC in specialty area pertaining to drugs prescribed by specialists and centered on oncology.

At the same time, we will diverge from our previous approach of pursuing uniform global expansion, instead adopting an approach of expanding our range of regional value products suited to the markets of specific countries.

Another transformation will be the abandonment of our emphasis on conducting all areas of operations in-house. Rather, we will utilize alliances to an even greater degree going forward as we pursue sustainable profit growth.

**In Closing**

The 5-year business plan will facilitate the changes needed to realize our “2025 Vision.” As such, “transformation” has been chosen as a keyword for the plan, under which we will tackle two challenges: “grow beyond FY2017 LOE” and “establish a foundation of sustainable growth.”

With the loss of exclusivity for *olmesartan*, the Company has been faced with a difficult situation. However, we are confident in our ability to continue creating and supplying patients with important and useful medicines. And through this undertaking, we are convinced that we can increase corporate value in the eyes of our stakeholders.

We are motivated by our simple desire to alleviate suffering from disease. Driven by this desire, we will utilize the strengths we have accumulated to date to continue creating innovative new pharmaceuticals. As a Global Pharma Innovator with competitive advantage in oncology in the future, we will focus particularly on developing specialty products centered on oncology. We hope to contribute to society through these efforts.

Charged with this proud mission, the Daiichi Sankyo Group is taking its first step forward in its transformation into a company well-poised for sustainable growth into the future.

In closing, I would like to ask for the continued understanding and support of all of our stakeholders.