



## We will pursue sustainable improvement for corporate value by leveraging Daiichi Sankyo's strengths.

**George Nakayama**

Representative Director,  
Chairman and CEO

Through its business activities, the Daiichi Sankyo Group builds relationships with patients and their families, health-care professionals, shareholders, investors, business partners, local communities, employees, and various other stakeholders. We believe that by keeping our stakeholders informed about our diverse activities, they can better appreciate our true value as a company. Based on this belief, we began compiling information on the Group's activities into annual, comprehensive value reports in fiscal 2013. The contents of these reports include management policies, business strategies, 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.

### Daiichi Sankyo's Value Creation Process

Daiichi Sankyo is committed to saving people suffering from disease through the utilization of its human capital, intellectual capital, financial capital, and various other capital. This commitment inspires us to leverage the Company's unique strengths in Science & Technology, Global Organization & Talent, and Presence in Japan

—to contribute to the ongoing development of society through the creation of innovative pharmaceuticals. We receive economic rewards for delivering the innovative pharmaceuticals created leveraging these strengths 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 and developments. This process of creating an economic value cycle is the basis for the sustainable improvement of corporate value. In order to continue stably maintaining and developing this value creation process over the long term, we aim to 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 improving access to healthcare. These activities must be integrated into the business activities that continually create innovative pharmaceuticals in order to realize the sustainable improvement of corporate value.

### Initiatives Leveraging Daiichi Sankyo's Unique Strengths

#### Science & Technology

Daiichi Sankyo was formed through the merger of Sankyo Co., Ltd., and Daiichi Pharmaceutical Co., Ltd., two companies with histories of innovation spanning roughly a century. We also boast an impressive track record with the research capabilities that gave birth to *pravastatin*, *levofloxacin*, and *olmesartan* as well as the development capabilities that contributed to the success of large-scale global clinical trials for *olmesartan*, *prasugrel*, and *edoxaban*. This DNA of scientific and technological excellence remains alive within the Group today.

We have defined our 2025 Vision as striving to become a "Global Pharma Innovator with competitive advantage in oncology." Our strength in science & technology will be an important strength toward accomplishing this vision, particularly when it comes to research and development in the oncology field. In addition, I have high expectations for *DS-8201*, a top-priority project (flagship asset) that was created through this strength. *DS-8201* is a proprietary Daiichi Sankyo antibody drug conjugate (ADC). The antibody portion of this drug was created by applying the antibody research capability of the former Sankyo while the drug payload and linker were born out of the research capabilities of the former Daiichi Pharmaceutical. By merging these two strengths, we were able to develop the ideal ADC. *DS-8201* has been producing favorable results in phase 1 studies, raising my expectations even higher. Furthermore, this drug has substantial potential to contribute to the development of an ADC franchise as it may be possible to attach its payload and linker to other antibodies. This is just one example of how the scientific and technological prowess fostered throughout our history is paving the road toward our future.

#### Global Organization & Talent

Daiichi Sankyo has maintained a global management structure since the time of the merger to ensure that its management decisions have incorporated a global perspective. The Global Management Committee has long been the venue through which we practice highly diverse management. With participation by the heads of business units, this committee has been responsible for making decisions and tracking the progress of initiatives that are important to the Group. Meanwhile, R&D divisions have operated under the guidance of Glenn Gormley, head of the R&D Unit, and the Global Executive Meeting of Research and Development, the global decision-making body for this area. We also employ a project management system in which experts on various functions are assembled, regardless of nationality, to make decisions on specific development pipelines, rather than having isolated functional organizations.

In fiscal 2016, we welcomed Antoine Yver as the new head of Oncology R&D, which combines oncology field research functions with development functions. Yver has experience in taking a new oncology drug through the process of clinical trials and eventually launch at record speeds. With this new leadership, we have set our priorities in the field of oncology and are accelerating R&D activities accordingly. In addition, we have established the Global Oncology Marketing, which will be headed by Thierry Gruson, an individual boasting a track record of successful launches of an immuno-oncology drug on a global basis.

In this manner, we are employing many talented individuals with diverse backgrounds from across the globe. We have enhanced our global organization & talent through chemical reaction created by having such talents from around the world work together with our highly capable talents in Japan. Daiichi Sankyo will leverage the strength born out of this process to supply the world with innovative pharmaceuticals going forward.

#### Presence in Japan

Acting with integrity and in a trustworthy manner is a hallmark of our innovative pharmaceuticals business in Japan. As a whole, our sales divisions have not been focused purely on increasing short-term earnings, but rather have poured their heart into finding ways to contribute to medicine. This dedication has led to physicians coming to regard our medical representatives (MRs) as trusted partners.

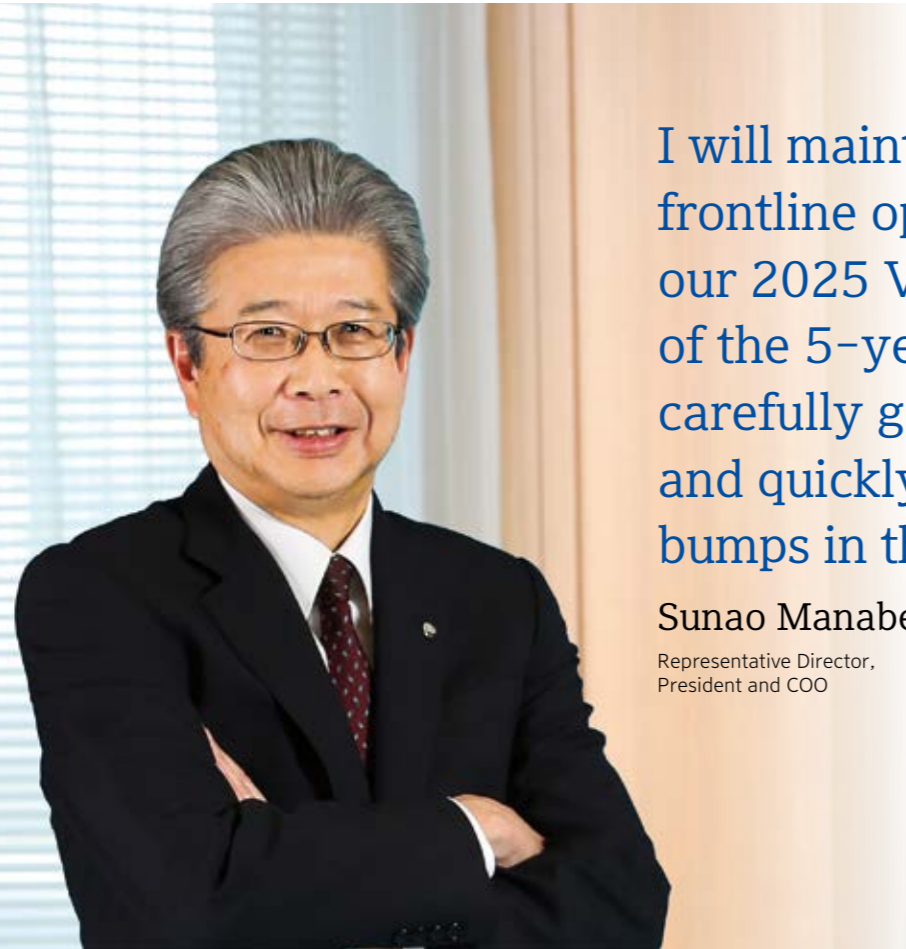
Moreover, Daiichi Sankyo has received high evaluation for its sales capabilities from outside of the Company, and this evaluation has help us receive licenses to promote other companies' products. By growing sales of both our products and these in-licensed products, Daiichi Sankyo will win greater evaluation, thereby sustaining a virtuous cycle. As a result, Daiichi Sankyo ranked No. 1 in both MR evaluation and revenue in Japan during fiscal 2016.

The trend toward integrated community medical systems in Japan is inspiring healthcare professionals to work together in various regions to build and enhance medical systems that encompass entire communities. Leveraging our robust product lineup and the efforts of our highly competent sales force, we will further cement our presence in the Japanese market by exercising our strengths in relation to this trend.

### In Closing

*Value Report 2017* contains information on Daiichi Sankyo's strengths and the goals it hopes to accomplish with those strengths.

By improving upon future value reports, we aim to facilitate understanding among stakeholders with regard to the Company not only from a numerical perspective but also from the perspectives of the value of its activities and the broad-meaning contributions it makes to social interests. We hope through this *Value Report*, you will appreciate Daiichi Sankyo's true value as a company.



I will maintain my focus on frontline operations as I pursue our 2025 Vision and the goals of the 5-year business plan, carefully gauging our progress and quickly addressing any bumps in the road.

**Sunao Manabe**  
Representative Director,  
President and COO

I would like to begin by thanking all of our stakeholders for their ongoing support of Daiichi Sankyo.

My name is Sunao Manabe and I took up the position of President and COO of the Company on April 1, 2017. Together with Chairman and CEO George Nakayama, I will advance management aimed at mustering the Group's collective strength to accomplish the 5-year business plan and move us forward on the path to our 2025 Vision of becoming a "Global Pharma Innovator with competitive advantage in oncology." In order to realize this vision, it will require that everyone, whether they are in R&D, sales, supply chain, or other divisions, think and act with a sense of ownership while promoting transformation by implementing any changes that may be necessary.

I have spent a significant portion of my career on the floor of research labs, and I have experienced many successes as well as many failures. I also have experience in sales, corporate strategy, human resources, and CSR. Based on this varied experience, I hope to maintain a focus on the perspective of frontline operations, identifying any issues present and setting directives as appropriate. I will thus place emphasis on the importance of discussion with the frontlines as I commit to pursuing the accomplishment of our goals.

### Review of the First Year of the 5-Year Business Plan

In fiscal 2016, I feel that we got off to a good start on the path toward our 2025 Vision.

Fiscal 2016 was an important year in our efforts to establish an oncology business as we saw the potential for the development of an ADC franchise using Daiichi Sankyo's proprietary technologies. Specifically, *DS-8201* achieved rather impressive results in phase 1 studies. These results made me highly anticipative of how this top-priority project (flagship asset) for our ADC franchise may come to be a powerful driver of our activities on this front going forward. Following in the steps of *DS-8201*, *U3-1402* and other ADC franchise drugs entered the clinical phase, and fiscal 2016 was thus a year in which progress toward our 2025 Vision was seen.

Meanwhile, *edoxaban* continues to expand its market share, now boasting a share of more than 30% of new patients in Japan, while being launched in new markets. In addition, Daiichi Sankyo ranked No. 1 in both MR evaluation and revenue in Japan while *Injectafer* grew in the iron injection market of the United States. As such, fiscal 2016 gave me increased confidence in our ability to grow beyond the loss of exclusivity (LOE) for *olmesartan*.

However, this year was not without its issues, which included an impairment loss in the vaccine business in Japan, and poor progress with regard to certain late-phase clinical development pipeline products, specifically the ceasing of development of *tivantinib*. It is important that we identify the causes of these issues and learn what lessons we can use in the future. Looking ahead, maintaining a focus on the frontlines, we must seek to quickly detect any issues with the potential to disrupt the progress of the 5-year business plan and swiftly respond to these issues.

### Core Values

Last year, in conjunction with the establishment of our 2025 Vision and the 5-year business plan, we defined our Core Values as innovation, integrity, and accountability. The Core Values are our criteria for decision-making and value judgments for fulfilling our mission. The main goal of defining these new values was to encourage all employees to change how they act in order to better pursue the 2025 Vision and the goals of the 5-year business plan. We recognize that accountability—the value of being responsible for the effects of your actions, and being willing to explain or be criticized for them—is the area among these values which is most challenging. By positioning accountability as one of the Core Values, we hope to inspire everyone to unite in working toward our goals while exercising responsibility for their own results and the processes they are engaged in.

### Management Caravan

In fiscal 2016, we implemented the Management Caravan program, in which members of senior management visited every operating base in Japan as well as principal overseas bases. During these visits, we offered thorough explanations of the management commitment that went into the 2025 Vision and the 5-year business plan to facilitate understanding among all employees. In addition, we asked that any issues identified during these visits not simply be left up to management, requesting instead that employees at the site of the issue also think of solutions that they could propose to management. If management can open its ears to voices from the frontlines, I am certain that Daiichi Sankyo will continue to grow and become stronger.

### In Closing

Daiichi Sankyo is currently in a difficult position as it is facing the loss of exclusivity for *olmesartan*. Nevertheless, I am confident in our ability to continue creating innovative pharmaceuticals that can be delivered to patients.

From fiscal 2017, Chairman and CEO Nakayama and I will function as a duo, devoting our full effort to advancing the 5-year business plan and achieving its goals.

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



Management Caravan meeting

