The 5-year business plan covers the period from fiscal 2016 to fiscal 2020, which has been positioned as a period for transformation leading up to the 2025 Vision. However, we made revisions to some targets in October 2018, owing to a wide range of environmental changes. Currently, we are studying new targets in light of our strategic alliance with AstraZeneca.

For details, refer to page 33.

## Six Strategic Targets for Accomplishing Our Performance Targets

### Grow Edoxaban

- Expanded global revenue (fiscal 2018 revenue: ¥117.7 billion)
- Ranked No.1 in market share within Japan (as of 4th quarter, fiscal 2018)
- Significantly expanded the market share in many countries within Europe and Asia

### Grow as the No. 1 Company in Japan

- Ranked No.1 in market share of domestic ethical drugs for three consecutive years
- Ranked No.1 in MR evaluation for seven consecutive years
- Continually launching new products (Tarlige and MINNEBRO)

### Establish Oncology Business

- Accumulated promising clinical data on DS-8201 and working ahead of schedule for the target date to submit an application for approval
- Presented positive clinical data on U3-1402 and DS-1062
- Submitted an NDA for Quizartinib and Pexidartinib

### Continuously Generate Innovative New Medicine changing Standard of Care (SOC)

- Ventured into many different modalities
- 
- DS-1647 (oncolytic virus) NDA submitting planned
- Progressed on open innovation

### Expand U.S. Businesses

- Expanded American Regent business (fiscal 2018 revenue: ¥117.8 billion)
- Expanded Injectafer revenue (fiscal 2018 revenue: ¥44.2 billion)
- Re-examined strategy for the pain franchise of Daiichi Sankyo, Inc.

### Enhance Profit Generation Capabilities

- Optimized Sales & Marketing structure in the U.S. and EU (total 550 position cuts in fiscal 2016 and 2017)
- Optimized global R&D structure (four locations closed)
- Optimized global manufacturing structure (two locations closed and decided to sell one location)

### Growth Investments and Shareholder Returns

- Reduced cross-shareholding shares (33 different stocks for a total amount of ¥46.0 billion over three-year period)
- Sold properties (¥25.0 billion over three-year period)
- Gain on sales of business transfers (¥6.3 billion)
- Issued super-long-term unsecured corporate bonds (¥100.0 billion)
- Acquired own shares (¥100.0 billion over three-year period)
- Maintained a total return ratio of 100% or more (114.8% over three-year period)
Message from the CFO

I would like to begin by thanking all of our stakeholders for the ongoing support to Daiichi Sankyo. Along with the explanation of our 5-year business plan, reasons for its revision, and its current state, I would like to introduce examples of specific initiatives I am working on to improve the corporate value as CFO.

5-Year Business Plan, Reasons for Its Revision, and Its Current State

1. 5-Year Business Plan (Presented in March 2016)
Since the development of 5-year business plan (fiscal 2016 to 2020) in March 2016, we are committed to establish a foundation for sustainable growth mainly consisting of the achievement of six strategic targets to transform ourselves along our 2025 Vision of becoming a “Global Pharma Innovator with competitive advantage in oncology.” Daiichi Sankyo has set revenue of ¥1,100.0 billion, operating profit of ¥165.0 billion, and return on equity (ROE) of more than 8% for fiscal 2020 as key numerical targets. In addition, for fiscal 2020, we aim to have three to five late-stage pipeline products that can be launched within the next five years with the potential to generate annual revenue exceeding ¥100.0 billion each at peak.

2. Revision of Targets (Presented in October 2018)
In October 2018, we revised the 5-year business plan. Although edoxaban, an oral anticoagulant that is one of our global mainstay products, strongly increased its market share in Japan and Europe, achievement of the targets initially set for fiscal 2020 has become challenging. This is due to the sense of uncertainty over future growth of Japan business as result of a radical reform of the NHI drug price system in the country, the unsuccessful development of new drugs in the U.S. pain business, and so on.

On the other hand, we decided to expand our investments to maximize the potential for our ADC franchise with DS-8201 listed first, and based on several strong data for the ADC franchise. Accordingly, we decided to delay our initial fiscal 2020 target (revenue of ¥1,100.0 billion, operating profit of ¥165.0 billion, and return on equity (ROE) of more than 8%) for two years to fiscal 2022. Meanwhile, as for returns to shareholders, we have decided to maintain the initial commitment calling for a total return ratio of 100% or more until 2022. As for our oncology business, we decided to set a revenue target of ¥500 billion in fiscal 2025, exceeding the initial target of ¥300 billion by increasing and focusing our investment in the oncology business.

Examples of Initiatives for Improving Corporate Value

Here, I will explain our specific ROE improvement and capital cost reduction initiatives as part of our initiatives for improving corporate value, following (1) to (6) in the figure below.

To Improve Corporate Value

1. “Realize Process Excellence”: Further Cost Reductions and Streamlining
2. Optimize of Business Portfolio: Investment Decisions Based on Hurdle Rate and Discount Rate
3. Streamline Non-core Assets
4. Realize Optimal Ratio of Capital to Liability, Enhance Shareholder Returns
5. Extensive Risk Management, Initiatives for Sustainability
6. Realize Engagement through Reinforcing IR Activities
Concerning the optimization of operating structures, we streamline non-core assets through pursuing optimization in assets and enhancing our total asset turnover ratio, while working to create free cash that will lead to improvement of corporate value. With regard to assets including real estate, we implement optimalization within our marketing & sales organization in Europe and the United States. We will further accelerate initiatives to enhance profit generation capabilities in the future.

We assumed our cost of shareholders’ equity to be approximately 6% and set forth the goal of more than 8% ROE, which is approximately 2% above the cost. Although we anticipate the WACC, the weighted average of our cost of shareholders’ equity and cost of debt, to be 5 to 6%, we use an 8% hurdle rate for investment decisions, by adding 2 to 3% to the WACC. In addition, we make investment decisions based on discount rate for each region that takes into account the characteristics of each market.

Streamlining Non-core Assets
We streamline non-core assets through pursuing optimization in assets and enhancing our total asset turnover ratio, while working to create free cash that will lead to improvement of corporate value. With regard to assets including real estate, we implement optimalization within our marketing & sales organization in Europe and the United States. We will further accelerate initiatives to enhance profit generation capabilities in the future.

Sankyo's policy of not holding listed stocks, except in cases where holding such stocks will maintain or strengthen long-term business relationship and contribute to improving our corporate value. We sold 10 stock brands for a total amount of ¥14.3 billion in fiscal 2018, and an aggregated total of 33 stock brands for a total amount of ¥46.0 billion so far. We will pursue further cost reductions in the future to achieve an appropriate level of capital efficiency.

In order to make prioritized investment of resources in the field of oncology, we decided to sell some of the long-listed products in Japan and recorded ¥6.3 billion in fiscal 2018. Going forward, we will continue to review our business portfolio to streamline our assets.

In Closing
Daiichi Sankyo Group aims to realize its 2025 Vision of striving to become a "Global Pharma Innovator with competitive advantage in oncology." In light of the strong progress in oncology development with focus on ADC, we formed a strategic alliance with AstraZeneca for DS-8201, which is our first ADC project. In March 2019 and have been making steady progress in development.

From a mid-term perspective, prior investment in preparation for the launch of oncology products is anticipated in each region. With respect to business development, demand for funds is expected to increase further to obtain pipelines, products, and businesses that meet the strategy. In addition, strategic investment from a long-term perspective is also essential. As such, I understand the role of CFO is extremely significant.

Going forward, I will continue to improve corporate value by enhancing shareholder returns while paying attention to the balance between investment and profitability.

Extensive risk management and initiatives for ESG are crucial in order to eliminate the risk of declining corporate value. For extensive risk management, I oversee group-wide risk management as the CFO and risk management officer. I operate the risk management system in conjunction with an annual cycle for formulating and implementing business plans. Based on assessment of impact and the likelihood of occurrence, risks with the potential to significantly impact the management of the Company are identified through the Global Management Committee Meeting and the Board Meeting. Risk response measures are enacted as well as corrected and revised as necessary.

Message from the CFO

Value Report 2019
Edoxaban, direct oral anticoagulant (DOAC) is a mainstay product in place of olated, a treatment for hyperten-

sion that has expired exclusivity. Since its marketed, the Company has steadily expanded its market share, partic-
ularly in Japan, Europe, and Asia. Going forward, we will strengthen our initiatives for life-cycle management and further raise awareness of product information. We also aim to maximize product value by successfully marketing this product in China.

Edoxaban’s “Edo” means that this product was born from a research institute in Tokyo. As the only made-in-
Japan product in this area, we are reminded of the desire to save patients not only in Japan but also around the world.

1 5-Year business plan

The annual global revenue of edoxaban has steadily increased from ¥37.3 billion in fiscal 2016 to ¥77.1 billion in fiscal 2017 and ¥117.7 billion in fiscal 2018. We forecast ¥149 billion in revenue in fiscal 2019 that will be more than the initial target for fiscal 2020, ¥120 billion ahead of schedule. Edoxaban is growing at a much faster pace than the initial expectation.

2 Progress to date

(1) Growth in Japan

Since the third quarter of fiscal 2018, we have become the No. 1 share in Japan by leveraging our product characteristics of once-daily administration and high levels of safety, as well as our high-quality marketing capabilities, which have been highly evaluated by external organizations.

Going forward, we will promote OD tablet (orally disintegrating tablet) by leveraging its strength, which is highly appreciated by doctors, saying that it is especially easy for elderly patients to take. Penetrating new evidence obtained from life-cycle management, we will try to make sure that doctors and patients will feel more reassured by anticoagulant therapy with edoxaban.

3 Life-cycle management initiatives

Currently, we are engaged in many clinical studies and lifecycle management activities, collectively referred to as EDOSURE® that create data on how edoxaban is used in clinical settings.

The efficacy and safety data for patients undergoing catheter ablation® was presented in a Late Breaking Session of the European Heart Rhythm Association (EHRA) in March 2019.

What are direct oral anticoagulants?

A blood clot usually forms to stop bleeding and will eventually dissolve and shrink. However, should a blood clot grow larger rather than dissolving, and consequently come to block a blood vessel, it could result in a lack of blood flow to areas of the body beyond the clot, potentially even leading to the death of the tissue therein. This condition is known as thrombosis.

Warfarin has long been the standard treatment to prevent blood clots. However, there are many restric-
tions to which attention needs to be paid when using warfarin such as periodic monitoring with blood tests,
a variety of drug interactions, and dietary restrictions. Direct oral anticoagulants including edoxaban have been developed to significantly improve the inconvenience of warfarin as mentioned above.
5-Year Business Plan Overview and Progress: Grow as the No.1 Company in Japan

1 5-Year business plan

In addition to LÚANA, an anticoagulant developed for the global market, the innovative pharmaceuticals business is developing its operations centered around six major products: NEXIUM, an ulcer treatment; Memary, an Alzheimer’s disease treatment; PRALIA, a treatment for osteoporosis that prevents the progression of bone erosion associated with rheumatoid arthritis; RANMARK, a treatment for bone complications caused by bone metastasis from tumors; Efient, an antiplatelet agent; and TENELIA, a type 2 diabetes mellitus treatment.

Of these, NEXIUM, Memary, PRALIA and RANMARK have achieved the No.1 shares in their respective markets.

* No.1 in the bone resorption inhibitor market

Total revenue from the six major products has steadily expanded, from ¥197.3 billion in fiscal 2016 to ¥212.8 billion in fiscal 2017. However, in fiscal 2018, revenue remained almost unchanged at ¥211.5 billion, due to factors such as significant reduction in the drug price of NEXIUM, which are more severe than expected at the time of the 4th mid-term business plan announcement. In fiscal 2019, revenue are expected to increase y-o-y to ¥217.0 billion, despite the impact of the drug price revision. Although the market environment is becoming increasingly challenging, we will leverage our extensive product portfolio and excellent sales capabilities to achieve our fiscal 2020 target of ¥243 billion in revenue.

2 Progress to date

By continually launching and expanding sales of propri- etarily developed products, we grew the innovative pharmaceuticals business. At the same time, we utilize the Company’s superior sales capabilities to acquire licenses for promising products in order to sustain a virtuous cycle driving further growth. Through these efforts, we are working to strengthen Daiichi Sankyo’s presence in Japan.

During the 5-year business plan, we have successfully achieved many feats seen below, including Vimpat, an epileptic agent, and CANALIA combination tablet, a treatment for type 2 diabetes mellitus, growing with a sales revenue target of ¥10 billion or more for fiscal 2019. Furthermore Daiichi Sankyo has ranked No.1 both in MR evaluation*, which is an important foundation for sustainable growth, for seven consecutive years, and in revenue from pharmaceutical products in Japan for three consecutive years.

* Based on survey conducted by ANTERKO Inc.
In our 5-year business plan, we set up the target of growing oncology business revenue to ¥300.0 billion in fiscal 2025. Last year, we raised it to over 500 billion yen. The development of the ADC franchise centered on DS-8201 and AML franchise have been steadily accelerating. In fiscal 2019, we obtained approval of quizartinib and DS-8201, and plan to submit pexidartinib, and plan to submit DS-8201 for approval.

1 5-Year Business Plan

We will establish an oncology business by launching several drugs currently in late-stage development. Concurrently, we will accelerate early-stage pipeline development and evaluate the further enrichment of our oncology pipeline through the acquisition of external assets. Through the acceleration of oncology research and development, we aim to grow oncology business revenue to more than ¥40.0 billion in fiscal 2020, ¥150.0 billion in fiscal 2022 and ¥500.0 billion in fiscal 2025, when this business will function as a core business.

2 Progress to Date and Future Initiatives

Daiichi Sankyo has been promoting organizational changes and strengthening human resources in order to accelerate development in the oncology area. We have completed organizational changes and have completed recruiting excellent global leaders with long years of experience in the oncology area.

Our organizations such as research and development, pharmaceutical technology, supply chain, global marketing, and global medical affairs cooperate organically under these leaders, and all employees are working together to promote a transformation to become a “Global Pharma Innovator with competitive advantage in oncology.”

The Oncology R&D sub unit has established three pillars, antibody drug conjugate (ADC) franchise, acute myeloid leukemia (AML) franchise, and breakthrough science that we will focus on.

We are aiming to become a world-leading science organization built on these three pillars and to deliver seven valuable new molecular entities (NMEs) over eight years by 2025.

3 3 About Cancer

Cancer is one of the diseases with high prevalence and mortality both in Japan and worldwide. Every year, approximately 14 million people are newly diagnosed with cancer across the world. In Japan, cancer has been the leading cause of death since 1981, while in 2018, annual cancer deaths reached approximately 410,000 people. Given these statistics, cancer has a devastating impact on human life and health.

Cancer death (all types of cancer) 2018

<table>
<thead>
<tr>
<th>Type of Cancer</th>
<th>Japan</th>
<th>U.S.</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New cases</td>
<td>2,080,000</td>
<td>1,724,000</td>
<td>1,598,000</td>
</tr>
<tr>
<td>Recurrent cases</td>
<td>1,800,000</td>
<td>3,200,000</td>
<td>3,100,000</td>
</tr>
</tbody>
</table>
| Source: GLOBOCAN 2018, FACT SHEET

4 Cancer Treatment

(1) Cancer treatment

Cancer treatments are divided into two categories: systemic therapy and local therapy. Local therapy consists of surgery and radiotherapy.

Type Methodology Characteristics
Systemic therapy Drug therapy Attacks cancer cells with drugs
• A mainstay of treatment if local therapy is inappropriate such as hematomal cancer or metastatic disease
Local therapy Surgery Removes cancer surgically
• Cancer can be cured if it remains in the primary lesion
Radiotherapy Eliminates cancer cells with radiation
• Exerts therapeutic effects without surgically removing organs
• Sometimes combined with drug therapy and surgery

(2) Drug therapy (chemotherapeutic drugs and molecular targeted drugs)

Previously, chemotherapeutic drugs played a principal role in drug therapy. Chemotherapeutic drugs are small molecule drugs that produce therapeutic effects on highly proliferative cells. They also affect to maintain function, such as gastrointestinal and bone marrow cells. This impact on normal cells are the cause of most of the chemotherapy-induced side effects.

On the other hand, molecular targeted drugs target genes and proteins that are highly expressed in cancer cells. They are less likely to affect rapidly dividing normal cells. Although molecular targeted drugs have their own unique side effects, they have relatively fewer side effects than conventional chemotherapeutic drugs.

Source: CancerMPact, Kantar Health/Synix Inc. (Strict diversion of confidential information)