External Evaluations (as of June 30, 2018)

MSCI Japan Empowering Women Select Index

The inclusion of Daiichi Sankyo Co., Ltd. in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Daiichi Sankyo Co., Ltd. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.
Daiichi Sankyo began publishing Value Reports, its brand of integrated reports, in fiscal 2013. These reports have been positioned as communication tools for facilitating understanding with regard to the Group’s corporate value, growth potential, and capacity for business continuity. Through these reports, we aim to provide easy-to-understand information on the Company’s management policies, business strategies, and financial performance as well as on the CSR activities we conduct to contribute to the realization of a sustainable society to patients, their families, healthcare professionals, shareholders, investors, business partners, local communities, employees, and various other stakeholders.

For investor relations (IR) and the latest information on our CSR activities, please refer to the Company’s website, which includes a variety of contents, including financial results summaries and videos of briefing sessions for investors.

Daiichi Sankyo began publishing Value Reports, its brand of integrated reports, in fiscal 2013. These reports provide easy-to-understand information on the Company’s management policies, business strategies, and financial performance as well as on the CSR activities we conduct to contribute to the realization of a sustainable society to patients, their families, healthcare professionals, shareholders, investors, business partners, local communities, employees, and various other stakeholders.

For investor relations (IR) and the latest information on our CSR activities, please refer to the Company’s website, which includes a variety of contents, including financial results summaries and videos of briefing sessions for investors.

**Contents**

**Who we are**
- Our Mission
- To Our Stakeholders
- Daiichi Sankyo's Strengths
- Science & Technology
- Global Organization & Talent
- Presence in Japan

**Daiichi Sankyo’s Growth Strategy**
- 2025 Vision
- Global Management Structure
- Business Units
- Social Contribution Activities
- Global Management Structure
- Business Units
- Social Contribution Activities

**Business Activities**
- Message from the CFO
- 2025 Vision
- Overview of 5-Year Business Plan
- Progress of 5-Year Business Plan
- Global Management Structure
- Business Units
- Social Contribution Activities
- Global Management Structure
- Business Units
- Social Contribution Activities

**CSR Activities**
- CSR Management
- Promoting Compliance Management
- Mutual Growth of Employees and the Company
- Business Units
- Social Contribution Activities
- Global Management Structure
- Business Units
- Social Contribution Activities

**Corporate Governance**
- Corporate Governance
- Introduction of Members of the Board and Members of the Audit and Supervisory Board
- Messages from Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside) (Independent Directors)

**Data Section**
- 10-Year Financial Summary
- Financial Results and Financial Analysis
- Consolidated Financial Statements
- ESG (Environmental, Social, and Governance) Data
- Major Products
- Corporate Profile / Main Group Companies
- Shareholders’ Information

**Message from the CFO**

**Overview of 5-Year Business Plan**
- Global Management Structure
- Business Units
- Social Contribution Activities
- Global Management Structure
- Business Units
- Social Contribution Activities

**Progress of 5-Year Business Plan**
- Global Management Structure
- Business Units
- Social Contribution Activities
- Global Management Structure
- Business Units
- Social Contribution Activities

**Message from the CFO**

**Message from the COO**

**Consolidated Financial Statements**
- ESG (Environmental, Social, and Governance) Data
- Major Products
- Corporate Profile / Main Group Companies
- Shareholders’ Information
Our 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.

Core Values

1. Innovation
   - the introduction of new ideas, methods, or invention

2. Integrity
   - the quality of being honest and of always having moral principles

3. Accountability
   - being responsible for the effects of your actions, and being willing to explain or be criticized for them

Commitments

1. To create innovative medicines changing SOC*
   - SOC (Standard of Care): Universally applied best treatment practice in today’s medical science
2. To take a global perspective, and respect regional values
3. To foster intellectual curiosity and strategic insight
4. To provide the highest quality medical information
5. To provide a stable supply of top-quality pharmaceutical products
6. To be an ethical, trusted, and respectful partner
7. To be accountable for achieving our goals
8. To demonstrate professionalism, respect for others, and teamwork

Corporate Slogan

Passion for Innovation. Compassion for Patients.™

The Daiichi Sankyo Group delivers wide-ranging value created through its business activities to patients and their families, healthcare professionals, shareholders, investors, business partners, local communities, employees and various other stakeholders.

The Group uses financial assets, intellectual assets and human assets and leverages its strengths in Science & Technology, Global Organization & Talent, and Presence in Japan, to continuously create and deliver innovative pharmaceuticals to people around the world. Through the sustainable process of returning the rewards of our business activities to the stakeholders as well as reinvesting the rewards in further drug discoveries and developments, we address social and environmental problems and other ESG issues together with our business activities.

We hope through this Value Report, you will come to appreciate the efforts of Daiichi Sankyo Group in resolving social issues, in other words how we deliver wide-ranging value to society.

* The full text of the DAIICHI SANKYO Group Corporate Conduct Charter can be found on page 75.
Pharmaceutical companies have continued to explore solutions to the social challenge of conquering disease. However, there are many fields in which social needs are not yet met. What social issues is Daiichi Sankyo recognizing and identifying, and how are they addressing them in management?

The CEO George Nakayama and Member of the Board (Outside) Dr. Tsuguya Fukui sat down and discussed these topics.

The Social Issues We’ve Solved Up Until Now

Nakayama

The pharmaceutical industry has been working to solve the social issue of saving people’s lives for over a century. Especially, since the end of the 19th century to the beginning of the 20th century, the French biochemist and microbiologist Louis Pasteur, who is also known as the founder of modern microbiology, as well as the German physician and microbiologist Robert Koch emerged and created innovative drugs using new science, and spread the use of vaccinations, which led to the cure of many diseases, bringing dramatic changes to society.

Although the contributions of pharmaceutical products and companies in the world are not recognized, the fact remains that drugs and medical care have saved countless lives. I believe that this has brought about great changes in society.

Fukui

I agree completely. With the emergence of penicillin, the world’s first antibiotic, and streptomycin, the world’s first therapeutic drug for tuberculosis, the world of medical care has changed dramatically. Pharmaceutical products have made great contributions to the world, such as the expansion of surgical treatment with the use of antibacterial drugs and painkillers, and have served as agents of extraordinary change in society. For example, diseases like leukemia used to take the lives of most patients, but today, the situation has changed greatly as we can now even expect it to be cured.

On the other hand, as demonstrated by the data showing decreasing numbers of deaths due to tuberculosis before the drugs arrived, all problems are not solved just with drugs. It is clear that society as a whole must advance itself through various ways, including nutrition, environment and social hygiene, education, and healthcare system.

Nakayama

I agree. It’s definitely crucial to raise the level of public health.

Social Challenges to Tackle Going Forward

Fukui

In recent years, it is becoming widely recognized that efforts made toward ESG issues*, such as those related to the environment, society, and corporate governance is crucial as corporate citizens, likewise their core businesses.

Nakayama

As a pharmaceutical company, the biggest challenge is how we can create innovative medicines that can change Standard of Care (SOC*), but as good corporate citizens, we are also striving to find solutions to environmental and social issues.

* Issues on Environmental, Social and Governance. Environmental issues such as climate change, social issues such as human rights and labor standards, governance issues such as corporate governance.

* Therapies that are currently considered to be the best and the most extensively used.
With regard to the environment, we focus on a goal which called “the 2°C target” has been set in the Paris Agreement on climate change to keep global temperature increase below 2°C to compared to pre-industrial temperature. In order to meet the 2°C target, an international initiative called Science Based Targets (SBT) was established to approve companies that proactively aim to achieve CO2 reduction targets. Our Group promptly set our CO2 reduction targets based on the SBT criteria, placing us as the second corporation in Japan to be approved for SBT initiative, for which we’ve received public praise.

Furthermore, with regard to the Sustainable Development Goals (SDGs), an initiative that our company takes seriously as an effort to solve social issues for all people in the world, we are working to tackle the issue in its healthcare field target, which is to improve access to healthcare. As we move forward, unless we can adeptly integrate social demands with a sustainable business, it will become increasingly difficult to continue solving social issues in the long term.

Fukui There are also high social needs for orphan drugs. Daiichi Sankyo is making various efforts in this field.

Nakayama Yes. We are also engaged in the development of orphan drugs. We created Xeplion, a drug for treating atypical hyperphenylalaninemia, which is caused by a hereditary genetic abnormality and affects one out of 70,000 people. The drug can be taken by children right after birth, but since the dosage scales with body weight, the dosage had to be increased to keep up with growth, which was a large burden. We worked to improve the formulation over many years, and created a high concentration formulation under the same drug price. We were very much appreciated by patients, and we feel we were able to contribute to fighting rare diseases.

Fukui It would be good to see Daiichi Sankyo continue to develop more orphan drugs and to let more people know about that.

Nakayama Besides that, we’ve also launched an ITB (Intrathecal Baclofen) therapeutic product for patients with severe spastic paralysis. This treatment has the ability to improve the quality of life and has been well received by patients. In addition, we are also working on drugs for treating Duchenne muscular dystrophy, which is an especially severe rare disease that occurs to one out of 3,500 newborn boys, many of whom only live to reach their 20s or 30s.

Fukui Speaking of the issue of access to healthcare, several decades ago, I participated in a conference in Geneva of a committee on essential medicines of the WHO. The task was to create a list of essential medicines that must be made available worldwide, especially in developing countries like African countries. I was very shocked to learn there were many differences from developed countries in the approach to medicine, pricing and distribution issues, etc.

Nakayama When talking about access to healthcare, I believe it’s crucial to be able to offer access to effective drugs for people in developing countries, but it is often difficult to make it a viable business in terms of securing profit. At Daiichi Sankyo, in order to do our best to proactively contribute to the SDGs, we’ve taken part in the Global Health Innovative Technology Fund (GHIT Fund) in Japan, for which we have not only provided funds, but also contributed by sharing our know-how. For example, we’ve provided our compound library which consists of compounds we designed and synthesized by ourselves.

Fukui In addition to transferring technologies and providing affordable products, isn’t it also important to train people?

Nakayama Yes, I do believe training people is important. You can treat patients if you can provide good treatment or if you can diagnose diseases earlier. But with limited medical knowledge, there are cases in which you can get ahold of the drugs, but you can’t deliver the treatment.

Tsuguya Fukui
Graduated from Kyoto University Faculty of Medicine. Served as the Professor of Kyoto University Graduate School of Medicine after completing the Harvard School of Public Health, and has served as the President of St. Luke’s International Hospital since 2005 and the President of St. Luke’s International University since April 2016. Assumed his post as a Member of the Board (Outside) of the Company in June 2015.

It would be good to see Daiichi Sankyo continue to develop more orphan drugs and to let more people know about that.
Who we are — Challenges of Daiichi Sankyo —

To Continue to Address Social Issues as a Pharmaceutical Company

Cancers with Unmet Medical Needs

Fukui In the clinical field over the past 20 years or so, cancer medications have emerged one after another, and have become increasingly effective. It’s like we’re living in a different age. Pancreatic cancer and esophageal cancer are still difficult areas to tackle, but with a little more effort, it might be the case that cancer will become a disease that we won’t need to fear so much. In recent years, new medicines that target immunity have emerged, and good data have come from our DS-8201. These events have led us to have very high hopes for the future.

Nakayama At Daiichi Sankyo, we set forth our 2025 Vision for becoming a “Global Pharma Innovator with competitive advantage in oncology.” Daiichi Sankyo was originally a company that focused its strength in research and development. With the goal of venturing into a field where we can leverage our R&D capabilities, where leading-edge science can most effectively exhibit results, where we can leverage our R&D capabilities, where new knowledge can most likely lead to development of new medicine, we have made the oncology area a core focus of our business.

The most pleasant point of all is that our proprietary medicines have emerged one after another, and have become increasingly effective. It’s like we’re living in a different age. Pancreatic cancer and esophageal cancer have become increasingly effective. It’s like we’re living in a different age. Pancreatic cancer and esophageal cancer have become increasingly effective. It’s like we’re living in a different age. Pancreatic cancer and esophageal cancer have become increasingly effective. It’s like we’re living in a different age.

To Inspire Innovative Ideas

Fukui I believe there are two kinds of innovation. The kind where you take time, anyone can produce results, and the kind where people create things that no one has thought of before. I think that on the level of national governments, it is necessary to drive both types of innovation simultaneously. Innovation in pharmaceutical companies tend to follow the pattern of the latter and it requires a firm will to take on many difficult challenges, but I want you to do that boldly.

Fukui I’m expecting it to be very effective. I can’t wait to see it launched.

Disruptive innovation. I like that expression.

Nakayama They use the word “disruptive” a lot these days. It’s used in a way that conveys a positive meaning. Global mega-pharma corporations bring in many new products from venture companies, but our goal is to create our own. For example, although DS-8201 wasn’t highly evaluated in the company at the beginning, a few people were convinced of its potential, and pushed it forward regardless of the surrounding skepticism. In the end, their efforts have led to the results we see today. Of course, if you’re too dependent on that, you can fall into stagnation, and it gives researchers a sense of complacency, which is not good. I think we need to constantly be conscious that we are competing with others in the industry.

When considering how we can spark disruptive innovation, I think it’s very important for researchers to be closely involved with the medical care field and with patients. Especially in the field of oncology, you might call it a “patient journey”, but it’s crucial to look at what treatments patients are receiving and have the sense of what is being expected of drugs that exceed today’s best therapies. We are also conducting activities where we ask doctors to introduce patients to us, so that we can hear their stories.

Fukui That is a very important thing. When you interact with patients, it gives you insights to problems from a completely different point of view. I think it’s important for more researchers to have such opportunities.

Nakayama I think it’s important for our researchers to also set their sights to how patients are being treated in the field of medical care, and think of ideas from that perspective. The next important thing is to make sure that the company environment allows for freedom. In such an environment, if the elements of patients and the medical care field can be combined effectively, it will surely help continue to spark innovation going forward.

Fukui It might be a little different story, but when it comes to the field of medical care, we welcome many students of all ages from elementary school to high school, to come visit St. Luke’s International Hospital and observe our work. They come from every region in Japan and they all seem to be deeply impressed at the end. After their visits, a number of students tend to go on into the healthcare field.

About Daiichi Sankyo’s Vision of the Future

Nakayama As a pharmaceutical company, I want Daiichi Sankyo to be a company where products continue to emerge from within. In that regard, we want to foster researchers, while having them set their focus on not only advanced science, but also the people who are on the ground in the healthcare field. I also think that the greatest motivating factor in our work is to understand the suffering of patients. We at Daiichi Sankyo cannot create everything alone, but at least with the core solutions, I want us to be a company that can continue to produce results, and supplement the places where we are lacking with external know-how through partnerships.

Fukui While innovative drugs are needed in advanced countries, developing countries still need all the drugs that have been used in Japan up until now. I hope Daiichi Sankyo’s drugs will be delivered to patients all over the world.

Nakayama As a Global Pharma Innovator with competitive advantage in oncology, I want us to continue to create innovative drugs and deliver them to patients all over the world. At the same time, we want to understand the needs that are in each part of the world, and continue to pursue regional value. As a part of this vision, I also think it would be good to contribute to society and provide know-how, and through GHIT and other initiatives, continue to also contribute in terms of providing Pharmaceuticals.
Who we are

History of Daiichi Sankyo—Path to the Merger

Daiichi Sankyo was born out of the merger of Sankyo Co., Ltd., and Daiichi Pharmaceutical Co., Ltd., two drug discovery-oriented companies with histories spanning roughly a century. From the 1980s onward, both companies proceeded to expand their operations globally while developing and launching new products. Pravastatin, levofoxacin and olmesartan became blockbuster drugs* on the global market.

---

* New drugs whose annual peak sales exceed ¥100 billion (or $1 billion).

---

Meanwhile, these companies maintained a strong presence for a long time in the Japanese market through their honest and trustworthy sales activities. The two companies’ histories of placing focus on science, expanding global business from early phases and progressing as Japan’s leading companies have led to creating the current Daiichi Sankyo.

---

History of Sankyo

Sankyo started its journey by commercializing compounds created through its fermentation, extraction of biological materials from plants and animals, and other biotechnologies such as taka-diastase, adrenaline and orizanin. In the years that followed, it built upon its biotechnology research to create numerous antibiotic drugs.

Another innovative pharmaceutical developed by applying Sankyo’s biological fermentation technologies was pravastatin, a early statin compound that was created by Sankyo and that revolutionized medicines in the world as an antihyperlipidemic agent.

As for organic synthesis technologies, this company created loxoprofen and olmesartan, both best-in-class drugs.

---

History of Daiichi Pharmaceutical

Daiichi Pharmaceutical began its advance by using its organic synthesis technologies to realize the domestic production of salvarsan, a pioneering chemotherapeutic drug.

This company also commercialized tranexamic acid, which is once again garnering attention for its antiplasmin effects (hemostasis and anti-inflammatory effects), and succeeded in developing and launching ticlopidine, which opened the door for antiplatelet therapies in the cardiovascular field.

Levofoxacin, which could be seen as a masterpiece in the field of synthetic antibacterial agents, left a mark on the history of not only Japan but also the entire world with its broad spectrum of antibacterial activity.

---

---
Who we are

History of Daiichi Sankyo—Road After the Merger

Caring on the century-long strength in science & technology forged by its predecessors, Daiichi Sankyo continues its quest to create innovative pharmaceuticals. We have been successful in growing olmesartan and edoxaban, the fruits of our predecessors’ efforts and expertise in science & technology, into major global products. The ADC* franchise, which will be key to the future of Daiichi Sankyo, is also built upon these strengths using the biotechnologies of Sankyo in the antibody portion of these drugs and the synthesis technologies of Daiichi in the linker and drug payload portions.

Moreover, we are committed to maintaining a corporate governance structure that always fits with the times as we build upon our global systems together with our robust, global pool of talent. In Japan, the honest and trustworthy activities of our medical representatives have continued to be highly appreciated for a long time. As a result of that, our domestic pharmaceutical revenue claimed the No. 1 spot for two consecutive years since fiscal 2016. Looking ahead, we will further strengthen our presence in Japan by furnishing wide-ranging responses to diverse medical needs through our four businesses of innovative pharmaceuticals, generic, vaccine and over-the-counter (OTC) related businesses.

*1) Index compiled by FTSE Russell recognizing companies that engage in responsible corporate activities
*2) Index compiled by S&P Dow Jones Indices LLC and RobecoSAM AG recognizing companies that exhibit sustainability

Global Pharma Innovator with Competitive Advantage in Oncology

Daiichi Sankyo Group Value Report 2018
Summary of Financial Results in Fiscal 2017

- **Revenue**: ¥960.2 billion
- **Cost of sales**: ¥346.0 billion (36.0% of revenue)
- **SG&A expenses**: ¥301.8 billion (31.4% of revenue)
- **R&D expenses**: ¥236.0 billion (24.6% of revenue)
- **Operating profit**: ¥76.3 billion (7.9% of revenue)
- **Profit attributable to owners of the Company**: ¥60.3 billion (6.3% of revenue)

**ROE**: 5.2%

**Liabilities**: ¥764.7 billion

**Net assets**: ¥1,133.0 billion

**Total assets**: ¥1,897.8 billion

**Equity ratio**: 59.7%

Employees and Bases (As of March 31, 2018)

- **No. of group employees**: 14,446
  - Japan: 8,765
  - Europe: 1,582
  - Asia: 1,553
  - North America: 2,191

**Group companies**: 57

**Number of countries/regions with bases**: 24

**R&D bases**: 8 bases in 4 countries/regions

**Production bases**: 14 bases in 6 countries/regions

**Revenue Composition Ratio by Region**

- **Global**: 38.8%
- **Japan**: 38.1%
- **North America**: 18.8%
- **Europe**: 8.3%
- **Asia**: 4.4%
- **Other**: 9.1%

**Vaccine Business**

- **Seasonal influenza vaccine**: Influenza HA Vaccine
- **Anticoagulant**: Lixiana/Savaysa

**OTC Related Business**

- **Antihypertensive agent**: Olmesartan (AG)
- **Seasonal influenza vaccine**: Influenza HA Vaccine

**OTC Related Business**

- **Antipyretic analgesics/Topical anti-inflammatory analgesics**: Loxonin S

**Key Products**

- **Innovative Pharmaceuticals Business**
  - **Anticoagulant**: Lixiana/Savaysa
  - **Antihypertensive agent**: Olmetec/Benicar
  - **Ulcerc treatment**: Nexium

- **Generic Business**
  - **Antihypertensive agent**: Olmesartan (AG)
  - **Seasonal influenza vaccine**: Influenza HA Vaccine

- **Vaccine Business**
  - **Anticoagulant**: Lixiana/Savaysa

- **OTC Related Business**
  - **Antipyretic analgesics/Topical anti-inflammatory analgesics**: Loxonin S

**Employees and Bases**

- **Group companies**: 57
- **Number of countries/regions with bases**: 24
- **R&D bases**: 8 bases in 4 countries/regions
- **Production bases**: 14 bases in 6 countries/regions

**R&D Pipeline Highlights** (As of July 2018)

- **Oncology Specialty Medicine**
  - **Target indications**: 5
  - **Number of projects**: 2

- **AML Franchise**
  - **Target indications**: 3
  - **Number of projects**: 2

- **Breakthrough Science**
  - **Target indications**: 7
  - **Number of projects**: 1

- **Vaccines**
  - **Target indications**: 3
  - **Number of projects**: 1

**Studies conducted for applications**

- **ADC Franchise**: 2
  - **Target indications**: 5
  - **Number of projects**: 1

- **Oncology Specialty Medicine**
  - **Target indications**: 4
  - **Number of projects**: 2

- **AML Franchise**
  - **Target indications**: 7
  - **Number of projects**: 1

- **Breakthrough Science**
  - **Target indications**: 3
  - **Number of projects**: 1
Who we are
Daiichi Sankyo’s Value Creation Process

Daiichi Sankyo is requested from society for various needs including providing a stable supply of quality pharmaceuticals, responding to unmet medical needs and improving access to pharmaceuticals. The creation of value through business activities including investing financial capital, intellectual capital and human capital, and creating and delivering innovative pharmaceuticals that revolutionize SOC*3 constitutes the basis for Daiichi Sankyo’s value creation process in which the Company’s strengths in Science & Technology, Global Organization & Talent, and Presence in Japan are made the most use of.

*1 Medical needs for effective treatment and drugs yet to be developed
*2 To have pharmaceuticals needed by patients be delivered sufficiently and consistently
*3 Standard of Care. Universally applicable best treatment practice in today’s medical science.

At the same time, we integrally address sustainability issues in society and the environment. These CSR activities also create values and deliver them to society. As such, we will continue providing in a balanced manner value generated through Daiichi Sankyo’s value creation process to our stakeholders including patients, their families, healthcare professionals, our shareholders and investors, business partners, employees and local communities. Moreover, we expect that this cycle of creating value will contribute to the sustainable improvement of corporate value.

Diverse Requirements of Society

- Providing a stable supply of top-quality pharmaceutical products
- Responding to unmet medical needs
- Improving access to pharmaceuticals
- Responding to other requests

Daiichi Sankyo’s Strengths

- Science & Technology
  - Strong R&D DNA cultivated over years of operation as a drug discovery-oriented company
  - Superior pharmaceutical technologies for creating innovative pharmaceuticals
  - Strong ties with leading-edge academic institutions (open innovation activities)
- Global Organization & Talent
  - Global management system unifying intellects from around the world
  - Robust, global pool of talent
- Presence in Japan
  - No. 1 pharmaceutical revenue in Japan
  - No. 1 MR Evaluation
  - Four businesses responding to diverse medical needs

Value Provided to Society

- Patients and their families, and healthcare professionals
  - Innovative Medicine Changing SOC
  - Improving Patients’ Quality of Life (QOL)
  - Providing a stable supply of top-quality pharmaceutical products
  - Improving Community-based Healthcare
  - Providing the highest quality medical information
- Shareholders and investors
  - Stable and sustainable returns to shareholders
  - Providing IR information with transparency
  - Constructive communication
- Business Partners
  - Fair and free competition
  - Appropriate transactions
  - Responsible procurement
- Employees
  - Promoting diversity
  - Organizing comfortable work environments
  - Providing opportunities for developing skills
- Local communities
  - Contributing to the local community through social participation
- Natural environment
  - Addressing climate change
  - Conserving biodiversity

Business Activities (Creation of economic value)

Creation and Provision of Pharmaceuticals

- R&D
- Pharmaceutical Technology
- Supply Chain
- Biologics
- Medical Affairs
- Quality & Safety Management

CSR Activities (Creation of social and environmental value)

- Promoting Compliance Management
- Mutual Growth of Employees and the Company
- Enhancement of Communication with Stakeholders
- Promoting Environmental Management
- Improving Access to Healthcare
- Social Contribution Activities

Sustainable improvement of corporate value through value creation cycle
Daiichi Sankyo is working on the development of competitive drug discovery by developing innovative modality technologies for the creation of innovative pharmaceuticals. Diverse modality technologies, such as next-generation ADCs, fusion antibodies, therapeutic viruses and cell therapy are utilized to broaden the possibilities for drug discovery.

Powerful Research Engines

Research labs in Japan combining chemistry and biology capability

Many Nobel laureates have come from Japan to date, and Japan has shown the world its high standard of research. At Daiichi Sankyo, we hire many talented researchers from the best universities in Japan every year from a wide range of fields, including synthetic chemistry, pharmacology, pharmacokinetics, toxicology and biologics. Additionally, we strive to improve the scientific level of employees after joining the company, sending many of them to study at overseas universities and prestigious research institutions.

These researchers together with cross-functional project teams consist of development division, pharmaceutical technology division, marketing division and other divisions, conducting research every day in order to create new drugs.

Strong R&D DNA Cultivated Over Years of Operation as a Drug Discovery-Oriented Company

The roots of Daiichi Sankyo’s R&D DNA can be traced back to the founding of the company. Our journey began with the extraction of antiplasmin, which is still used today as a hemostatic agent worldwide, and founded the company. Our journey began with the extraction of antiplasmin, which is still used today as a hemostatic agent worldwide, and revolutionized the world of antithrombotic agents. Daiichi Sankyo opened the doors for innovation-oriented pharmaceuticals globally.

In the field of cancer research, we made a leukemia-related research and development alliance with the University of Texas MD Anderson Cancer Center, and we made efforts in alliances in the field of oncology to incorporate cutting-edge science, including the Memorial Sloan Kettering Cancer Center.

Who we are

Daiichi Sankyo's Proprietary Antibody Drug Conjugate (ADC) Technologies

DS-8201 was created through Daiichi Sankyo's proprietary science and technology. The antibody portion of this drug was created by applying the antibody research and protein engineering capability of the former Sankyo, while the drug payload and linker were born out of the research capabilities of the former Daiichi Pharmaceutical.

Research and development on ADC started in 2010, though it was met with considerable opposition internally because the preceding HER2-targeted ADC already existed in another company at the time. Amid that context, researchers were selected for a cross-functional project team involved in technological development on ADC. In order to thoroughly examine the merits and issues regarding the preceding drug and to solve the issues regarding the preceding drug, the researchers in this team scrutinized and optimized over several hundred combinations of antibodies, linkers, and payloads to ultimately produce the current DS-8201. They systematically researched and resolved all critical aspects necessary to create a truly best-in-class technology. Daiichi Sankyo's ADC technologies have substantial potential to contribute to the development of an ADC franchise, as it may be possible to attach the payload and linker to other antibodies.

Diverse Modality Technologies

Daiichi Sankyo is working on the development of competitive drug discovery by developing innovative modality technologies for the creation of innovative pharmaceuticals. Diverse modality technologies, such as next-generation ADCs, fusion antibodies, therapeutic viruses and cell therapy are utilized to broaden the possibilities for drug discovery.

Strong Ties with Leading-Edge Academic Institutions (Open Innovation Activities)

At Daiichi Sankyo, we strive to conduct research and development on treatments that will change SOC, the universally applied best treatment practice in today's medical science. We are collaborating with various organizations, including in academia and companies, in order to further enhance our portfolio of competitive products. In fiscal 2016, we started a lung cancer-related research alliance with the Dana-Farber Cancer Institute. In fiscal 2017, we made a leukemia-related research and development alliance with The University of Texas MD Anderson Cancer Center, and we made efforts in alliances in the field of oncology to incorporate cutting-edge science, including the Memorial Sloan Kettering Cancer Center.

Development capabilities contributing to success in large-scale global clinical trials

1902 Launched salsalate (Product name: Artrasan), the world's first arylsalicylate anti-inflammatory drug to be marketed successfully

1915 Realized domestic production of vaccines, a treatment for whooping cough, a severe respiratory disease in Japan

1965 Launched nimesulide (Product name: Transamin), an antiprostaglandin medicine

1989 Launched pravastatin (Product name: Lipobay), a broad-spectrum antilipid agent that became an antiplatelet therapy

2002 Launched ramiprilat (Product name: Ramipril), an antihypertensive agent that became a blockbuster drug on the global market

2009 Launched ertapenem (Product name: Ertapenem), an antipseudomonal agent developed for the global market

2011 Launched selatide (Product name: Lixiana, SAVAYSA), an anticoagulant developed for the global market

Lung cancer-related research alliance

Dana-Farber Cancer Institute

Research and development alliance for AML treatments

The University of Texas MD Anderson Cancer Center

Memorial Sloan Kettering Cancer Center

Located in the state of Massachusetts in the U.S., this institute is one of the world's largest and most important academic research centers on leukemia

An ideal partner for accelerating the development of new drugs for the treatment of acute myeloid leukemia (AML)

Located in the state of New York in the U.S., this institution provides treatments and conducts research and education in the field of oncology at a global, cutting-edge level since its foundation in 1934

Requested physician at this site to be the Principal Investigator for clinical trials of DS-8201 in breast cancer

Lung cancer-related research alliance

Dana-Farber Cancer Institute

Research and development alliance for AML treatments

The University of Texas MD Anderson Cancer Center

Memorial Sloan Kettering Cancer Center

Located in the state of Massachusetts in the U.S., this institute is one of the world's largest and most important academic research centers on leukemia

An ideal partner for accelerating the development of new drugs for the treatment of acute myeloid leukemia (AML)

Located in the state of New York in the U.S., this institution provides treatments and conducts research and education in the field of oncology at a global, cutting-edge level since its foundation in 1934

Requested physician at this site to be the Principal Investigator for clinical trials of DS-8201 in breast cancer
Who we are

Daiichi Sankyo’s Strengths

Global Organization & Talent

Global Management System Uniting Intellects from Around the World

Global Management Committee
Facilitating Swift and Accurate Decision-Making

In order to conduct management and decision-making from a global perspective, we established the Global Management Committee (GMO), led by the head of each unit. In the GMO, the CEO speedily and accurately grasps trends in the market and environment through discussions with people responsible for major regions and functions, and engages in strategic decision from a global perspective.

Execution of Global Matrix Management Comprised of Regional Business Units and Functional Units

Each global entity organically, working to maximize value at a group level from a functional perspective, including research and development, pharmaceutical technology and production. These global entities also work to maximize regional value, operating in alignment with unmet needs and regulations in each country.

Global R&D Structure Enabling Swift Decision-Making

GERMAD*, the top decision-making body in R&D, is composed of members representing various domestic and overseas divisions, including those responsible for R&D, pharmaceutical technology, business, marketing, business development and finance. The multi-functional memberships enable GERMAD to make appropriate decisions based on active discussions with a global perspective and comprehensive assessments covering everything from science to business starting at the research and development stage.

Moreover, establishing R&D project teams under GERMAD and granting each team considerable authority enables the acceleration and improvement in efficiency in research and development.

* Global Executive Meeting for Research And Development

Dynamic Global Organization for Responding Promptly to Operating Environment Changes

In recent years, there has been a strong cry for speed in global research and development in the oncology area. As one example of this, we have hired excellent global talent leaders in research and development, marketing, and other functions in the oncology area, accelerating research and development and conducting preparation for launches, in order to become a “Global Pharma Innovator with competitive advantage in oncology.”

Robust, Global Pool of Talent

Proactive Employment of Global Talents from Around the World

We employ many talented individuals with diverse backgrounds from across the globe and we enhance our global organization and talent while working to achieve synergy by having such talent from around the world work together with our highly capable talents in Japan.

Human Resources Development Programs Taking Advantage of Global Experience

Daiichi Sankyo considers its people to be its most important asset. In human resources development programs taking advantage of global experience, Daiichi Sankyo identifies positions that are key to the accomplishment of its management vision and the goals of its mid-term business plan on a global basis, and develops people through the challenges on a global basis.

We proactively promote global talent management that offers opportunities for further contributions.

Who we are

Daiichi Sankyo’s Strengths

Global Organization & Talent

Global Management System Uniting Intellects from Around the World

Global Management Committee
Facilitating Swift and Accurate Decision-Making

In order to conduct management and decision-making from a global perspective, we established the Global Management Committee (GMO), led by the head of each unit. In the GMO, the CEO speedily and accurately grasps trends in the market and environment through discussions with people responsible for major regions and functions, and engages in strategic decision from a global perspective.

Execution of Global Matrix Management Comprised of Regional Business Units and Functional Units

Each global entity organically, working to maximize value at a group level from a functional perspective, including research and development, pharmaceutical technology and production. These global entities also work to maximize regional value, operating in alignment with unmet needs and regulations in each country.

Global Management Committee
COO
CEO
Global Management Committee (GMO)

Global R&D Structure Enabling Swift Decision-Making

GERMAD*, the top decision-making body in R&D, is composed of members representing various domestic and overseas divisions, including those responsible for R&D, pharmaceutical technology, business, marketing, business development and finance. The multi-functional memberships enable GERMAD to make appropriate decisions based on active discussions with a global perspective and comprehensive assessments covering everything from science to business starting at the research and development stage.

Moreover, establishing R&D project teams under GERMAD and granting each team considerable authority enables the acceleration and improvement in efficiency in research and development.

* Global Executive Meeting for Research And Development

Dynamic Global Organization for Responding Promptly to Operating Environment Changes

In recent years, there has been a strong cry for speed in global research and development in the oncology area. As one example of this, we have hired excellent global talent leaders in research and development, marketing, and other functions in the oncology area, accelerating research and development and conducting preparation for launches, in order to become a “Global Pharma Innovator with competitive advantage in oncology.”

Robust, Global Pool of Talent

Proactive Employment of Global Talents from Around the World

We employ many talented individuals with diverse backgrounds from across the globe and we enhance our global organization and talent while working to achieve synergy by having such talent from around the world work together with our highly capable talents in Japan.

Human Resources Development Programs Taking Advantage of Global Experience

Daiichi Sankyo considers its people to be its most important asset. In human resources development programs taking advantage of global experience, Daiichi Sankyo identifies positions that are key to the accomplishment of its management vision and the goals of its mid-term business plan on a global basis, and develops people through the challenges on a global basis.

We proactively promote global talent management that offers opportunities for further contributions.

Who we are

Daiichi Sankyo’s Strengths

Global Organization & Talent

Global Management System Uniting Intellects from Around the World

Global Management Committee
Facilitating Swift and Accurate Decision-Making

In order to conduct management and decision-making from a global perspective, we established the Global Management Committee (GMO), led by the head of each unit. In the GMO, the CEO speedily and accurately grasps trends in the market and environment through discussions with people responsible for major regions and functions, and engages in strategic decision from a global perspective.

Execution of Global Matrix Management Comprised of Regional Business Units and Functional Units

Each global entity organically, working to maximize value at a group level from a functional perspective, including research and development, pharmaceutical technology and production. These global entities also work to maximize regional value, operating in alignment with unmet needs and regulations in each country.

Global R&D Structure Enabling Swift Decision-Making

GERMAD*, the top decision-making body in R&D, is composed of members representing various domestic and overseas divisions, including those responsible for R&D, pharmaceutical technology, business, marketing, business development and finance. The multi-functional memberships enable GERMAD to make appropriate decisions based on active discussions with a global perspective and comprehensive assessments covering everything from science to business starting at the research and development stage.

Moreover, establishing R&D project teams under GERMAD and granting each team considerable authority enables the acceleration and improvement in efficiency in research and development.

* Global Executive Meeting for Research And Development

Dynamic Global Organization for Responding Promptly to Operating Environment Changes

In recent years, there has been a strong cry for speed in global research and development in the oncology area. As one example of this, we have hired excellent global talent leaders in research and development, marketing, and other functions in the oncology area, accelerating research and development and conducting preparation for launches, in order to become a “Global Pharma Innovator with competitive advantage in oncology.”

Robust, Global Pool of Talent

Proactive Employment of Global Talents from Around the World

We employ many talented individuals with diverse backgrounds from across the globe and we enhance our global organization and talent while working to achieve synergy by having such talent from around the world work together with our highly capable talents in Japan.

Human Resources Development Programs Taking Advantage of Global Experience

Daiichi Sankyo considers its people to be its most important asset. In human resources development programs taking advantage of global experience, Daiichi Sankyo identifies positions that are key to the accomplishment of its management vision and the goals of its mid-term business plan on a global basis, and develops people through the challenges on a global basis.

We proactively promote global talent management that offers opportunities for further contributions.

Who we are

Daiichi Sankyo’s Strengths

Global Organization & Talent

Global Management System Uniting Intellects from Around the World

Global Management Committee
Facilitating Swift and Accurate Decision-Making

In order to conduct management and decision-making from a global perspective, we established the Global Management Committee (GMO), led by the head of each unit. In the GMO, the CEO speedily and accurately grasps trends in the market and environment through discussions with people responsible for major regions and functions, and engages in strategic decision from a global perspective.

Execution of Global Matrix Management Comprised of Regional Business Units and Functional Units

Each global entity organically, working to maximize value at a group level from a functional perspective, including research and development, pharmaceutical technology and production. These global entities also work to maximize regional value, operating in alignment with unmet needs and regulations in each country.

Global R&D Structure Enabling Swift Decision-Making

GERMAD*, the top decision-making body in R&D, is composed of members representing various domestic and overseas divisions, including those responsible for R&D, pharmaceutical technology, business, marketing, business development and finance. The multi-functional memberships enable GERMAD to make appropriate decisions based on active discussions with a global perspective and comprehensive assessments covering everything from science to business starting at the research and development stage.

Moreover, establishing R&D project teams under GERMAD and granting each team considerable authority enables the acceleration and improvement in efficiency in research and development.

* Global Executive Meeting for Research And Development

Dynamic Global Organization for Responding Promptly to Operating Environment Changes

In recent years, there has been a strong cry for speed in global research and development in the oncology area. As one example of this, we have hired excellent global talent leaders in research and development, marketing, and other functions in the oncology area, accelerating research and development and conducting preparation for launches, in order to become a “Global Pharma Innovator with competitive advantage in oncology.”

Robust, Global Pool of Talent

Proactive Employment of Global Talents from Around the World

We employ many talented individuals with diverse backgrounds from across the globe and we enhance our global organization and talent while working to achieve synergy by having such talent from around the world work together with our highly capable talents in Japan.

Human Resources Development Programs Taking Advantage of Global Experience

Daiichi Sankyo considers its people to be its most important asset. In human resources development programs taking advantage of global experience, Daiichi Sankyo identifies positions that are key to the accomplishment of its management vision and the goals of its mid-term business plan on a global basis, and develops people through the challenges on a global basis.

We proactively promote global talent management that offers opportunities for further contributions.

Who we are

Daiichi Sankyo’s Strengths

Global Organization & Talent

Global Management System Uniting Intellects from Around the World

Global Management Committee
Facilitating Swift and Accurate Decision-Making

In order to conduct management and decision-making from a global perspective, we established the Global Management Committee (GMO), led by the head of each unit. In the GMO, the CEO speedily and accurately grasps trends in the market and environment through discussions with people responsible for major regions and functions, and engages in strategic decision from a global perspective.

Execution of Global Matrix Management Comprised of Regional Business Units and Functional Units

Each global entity organically, working to maximize value at a group level from a functional perspective, including research and development, pharmaceutical technology and production. These global entities also work to maximize regional value, operating in alignment with unmet needs and regulations in each country.

Global R&D Structure Enabling Swift Decision-Making

GERMAD*, the top decision-making body in R&D, is composed of members representing various domestic and overseas divisions, including those responsible for R&D, pharmaceutical technology, business, marketing, business development and finance. The multi-functional memberships enable GERMAD to make appropriate decisions based on active discussions with a global perspective and comprehensive assessments covering everything from science to business starting at the research and development stage.

Moreover, establishing R&D project teams under GERMAD and granting each team considerable authority enables the acceleration and improvement in efficiency in research and development.

* Global Executive Meeting for Research And Development

Dynamic Global Organization for Responding Promptly to Operating Environment Changes

In recent years, there has been a strong cry for speed in global research and development in the oncology area. As one example of this, we have hired excellent global talent leaders in research and development, marketing, and other functions in the oncology area, accelerating research and development and conducting preparation for launches, in order to become a “Global Pharma Innovator with competitive advantage in oncology.”

Robust, Global Pool of Talent

Proactive Employment of Global Talents from Around the World

We employ many talented individuals with diverse backgrounds from across the globe and we enhance our global organization and talent while working to achieve synergy by having such talent from around the world work together with our highly capable talents in Japan.

Human Resources Development Programs Taking Advantage of Global Experience

Daiichi Sankyo considers its people to be its most important asset. In human resources development programs taking advantage of global experience, Daiichi Sankyo identifies positions that are key to the accomplishment of its management vision and the goals of its mid-term business plan on a global basis, and develops people through the challenges on a global basis.

We proactively promote global talent management that offers opportunities for further contributions.
Who we are

Daiichi Sankyo’s Strengths

Presence in Japan

No. 1 in Terms of Pharmaceutical Revenue in Japan for 2 Consecutive Years

Extensive product lineup
- Selling products with a wide range of areas of disease, including the cardiovascular, endocrine system, central nervous system, infectious diseases and anti-inflammation.
- Acquire valuable new products
- Continuously acquiring valuable new products including denosumab, NEXIUM, TENELIA, and IMAPAC.

Strong cooperative relationship with wholesalers
- Strengthening cooperative relationships through close coordination with MRs who are highly trusted by healthcare professionals.
- Marketing specialists at wholesalers

Rated No. 1 in terms of inquiry response
- Ranked No. 1 in inquiry responses to pharmacists working in pharmacies.
- Introduced artificial intelligence (AI) technologies to reinforce inquiry response functions.

Continuous launch & sales growth of own products
- Launching and achieving sales growth in our proprietary products Efient and LIXIANA.
- Currently applying for approval for our proprietary products mirogabalin and esaserine.

In order to complement this virtuous cycle, we have strengthened our cooperative relationship with wholesalers, and have closely cooperated among all internally related departments in earnestly and appropriately responding to inquiries from healthcare professionals and to medical affairs functions. As a result, we have achieved No. 1 in terms of revenue.

No. 1 MR Evaluation

MRs Ranked No. 1 by Physicians for 6 Consecutive Years
With changes in the environment such as integrated community medical systems in Japan, the needs of healthcare professionals change and diversify all the time. In this context, based on the thoughts of each healthcare professional, we have contributed to medicine by faithfully developing activities according to customer functions and needs by mainly MRs in multichannel approach. We believe that these activities have been highly appreciated.

Comprehensive Training Programs
- All MRs have passed the certificate test held in December for the eighth consecutive year since fiscal 2010.
- We are strengthening training programs for MRs with a view toward the launch of specialty products centered on the oncology business. By establishing an internal oncology certification program, we are planning to raise the level of expert knowledge, and increasing and strengthening future MRs that can manage oncology.

Multichannel approach

Utilize capabilities of MRs with various supporting channels
- Lecture
- Materials
- Web contents
- Web Lecture
- Companies’ web site
- Website for medical care

Four Businesses Responding to Diverse Medical Needs

By leveraging the strength of its innovative pharmaceuticals* business, Daiichi Sankyo engages in its generic business, vaccine business, and OTC related business in Japan.

As the No. 1 company in Japan in both name and substance, Daiichi Sankyo addresses a wide range of medical needs related to areas such as treatment, reducing medical costs, prevention, self-medication with these four businesses making comprehensive contributions to medicine in Japan.

* Phramaceuticals protected during the exclusivity period by re-registration patent and patents.

Who we are

Daiichi Sankyo Group Value Report 2018
We will make a concerted effort to deliver quality products as fast as possible to patients suffering from cancer and to their families.

Cancer is One of the Diseases with the Highest Morbidity and Mortality

Cancer is one of the diseases with the highest morbidity both in Japan and overseas with 14 million new cases worldwide every year. Cancer is also the second leading cause of death. One-sixths of all deaths in the world in 2015 were attributed to cancer, which was responsible for 8.2 million deaths. The percentage of cancer as the cause of death in developed countries is even higher— one in two Japanese people is reported to be diagnosed with cancer during their lifetime, and one in three Japanese people is said to die from cancer.

Number of new cancer patients (all cancer types) 2012

<table>
<thead>
<tr>
<th></th>
<th>Global</th>
<th>Japan</th>
<th>U.S.</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patients</td>
<td>14,068</td>
<td>704</td>
<td>1,604</td>
<td>3,715</td>
</tr>
</tbody>
</table>

Cancer deaths (all cancer types) 2012

<table>
<thead>
<tr>
<th></th>
<th>Global</th>
<th>Japan</th>
<th>U.S.</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patients</td>
<td>8,202</td>
<td>379</td>
<td>617</td>
<td>1,933</td>
</tr>
</tbody>
</table>

Transformation in Cancer Treatments and the Unmet Medical Needs That Still Remain

If you look at the global pharmaceutical market by the types of diseases, the oncology area dominates a large portion of the market, exceeding 100 billion dollars. Previously, chemotherapeutic drugs, whose efficacies were difficult to separate from their adverse effects, were the mainstream of cancer treatment. However, molecular targeted drugs like antibody drugs have emerged, which exert potent therapeutic effects by the underlying molecular subtype for a cancer type. Recently, revolutionary therapies and drugs such as cancer immunotherapy and cancer cell therapy have emerged, exhibiting remarkable therapeutic effects and survival benefit for some cancer types. However, there are still many challenges that we as a pharmaceutical company must tackle including the existence of cancer types and subtypes for which there are no effective drugs and acquired resistance against anticancer drugs.

Our Strength as a Drug Discovery-Oriented Company Originating in Japan

Daichi Sankyo was born out of the merger of Sankyo Co., Ltd. and Daiichi Pharmaceutical Co., Ltd., two drug discovery-oriented companies with histories spanning roughly a century. Both companies strove to become drug discovery-oriented companies originating in Japan since their founding, and created drugs that became blockbuster drugs on the global market such as krestin and irinotecan. Even in the oncology area, although few in numbers, the companies created drugs including krestin and irinotecan.

I have built my career as a researcher in laboratories in Japan over many years. Through my experience studying abroad in the U.S. and my engagement in research and development in the U.S., since that time I have been feeling that the level of science and technology at Daichi Sankyo was very high and at a world level. I was firmly convinced that Japanese researchers and R&D team would be successful in creating blockbuster drugs that could change SOC (Standard of Care) even in the extremely competitive global field of oncology with their artisan spirits that carefully scrutinized details and their emphasis on team spirit. This led us to set out the strategic targets of establishing the oncology business.

Transformation in Oncology R&D

Shortly after our announcement of the 2025 Vision and the 5-year business plan in April 2016, we integrated the oncology research and oncology development into one organization, inviting Antoine Yver as the global head of the oncology R&D. Since then, we have been taking various measures in large and small scales.
Daiichi Sankyo’s Growth Strategy

Message from the COO

First, we assessed the potential of oncology pipeline products, and set priorities with regard to what investments to accelerate, what developments to suspend, and what projects to outsource licenses.

Next, in addition to starting the Cancer Enterprise, a virtual function that serves to launch the oncology business going beyond R&D, we set two franchises, ADC (antibody-drug conjugate) franchise and AML (acute myeloid leukemia) franchise, as the priority areas for investments, and organized a structure to harness the synergy within each franchise. At the same time, we improved the oncology R&D function, and employed many global talents that would play key roles.

We have also made significant changes to our development strategy. For example, we have changed the study design so that we could submit an NDA application with the results from a phase 2 study, and have prioritized the development of treatment for cancer types with higher market potential and treatment for patient population with a possible early marketing approval by looking at market potential and treatment for patient population with a possible early marketing approval by looking at competitive status and predicting changes in SOC. In this way, we have been proceeding with our development strategy flexibly.

Two franchises

∗ ADC franchise
∗ AML franchise

Expectations for the ADC Franchise

The data from a clinical study of DS-8201, HER2-ADC, using our proprietary ADC technology was first presented in October 2016 at the European Society for Medical Oncology (ESMO) 2016. Even at that time, a certain level of efficacy was observed, but the number of patients was small, and its prolonged effects were not demonstrated yet, so that even internally, not many employees had confidence in its potential.

However, as the clinical studies proceeded, more patients were administered the drug and the treatment period extended, and in June 2018, we exhibited remarkable data at the American Society of Clinical Oncology (ASCO). (See P39 for more details.)

For Maximization of Oncology Business

With the steady progresses in development in DS-8201, the ADC pipeline products, and the AML pipeline products, we announced in December 2017 that we may allocate a part of the business development investments planned in the 5-year business plan to the R&D investments, and moreover focus the R&D investments to the oncology area by weighted allocation. As for the development portion of the R&D investments, we anticipate that we can achieve the weighted allocation set for fiscal 2020 target ahead of schedule by fiscal 2018.

We will accelerate the necessary investments not only in R&D, but also in supply chains, medical affairs, and marketing with regard to the establishment of the oncology business.

At ASCO in June 2018, the data from a clinical study of DS-8201, HER3-ADC, were also presented for the first time. The data were similarly impressive as those of DS-8201 presented at ESMO 2016, which made us realize again how DS-8201 may also be a very promising product. Moreover, because we obtained favorable results for two products, we believe that our ADC technology is a proven platform applicable to other antibodies.

Cash allocation in the 5-year business plan

(After review)

- To allocate a part of business development investments (¥900.0 billion) to the R&D investments
- To weight allocation of the R&D investments (¥900.0 billion) to the oncology area

Communication with Employees

In fiscal 2016 and 2017, members of senior management visited operating bases in Japan as well as overseas, to explain to the on-site employees about the 2025 Vision and the 5-year business plan, and created opportunities to convey their message directly. The senior management initially felt there was some skepticism and anxiety among employees regarding this transformation toward the oncology area. However, they continued to convey their message of firm determination, and finally the favorable results from the clinical studies starting with DS-8201 emerged along with the positive feedback from doctors who participate in the clinical studies. Now, we are increasingly feeling confidence in our direction.

Meanwhile, there is a growing sense of competition among the employees who are in charge of products other than DS-8201, planning marketing within the entire company toward efforts to create new drugs.

In Closing

I personally feel that the path toward reaching our 2025 Vision of becoming a “Global Pharma Innovator with competitive advantage in oncology” is becoming brighter, and at the same time I feel the heightened expectations of healthcare professionals as well as shareholders and investors. We will make a concerted effort to prepare for the delivery of quality products as fast as possible to patients suffering from cancer and to their families. I would like to ask for the continued support of all of you to help us achieve this goal.

Sunao Manabe
Representative Director, President and COO
Daiichi Sankyo Group Value Report 2018

Daiichi Sankyo’s Growth Strategy

Daichi Sankyo is moving ahead toward realizing its 2025 Vision of becoming a “Global Pharma Innovator with competitive advantage in oncology.” We would like to explain background and reason why the 2025 Vision was established in 2016 as our long-term direction.

Unmet Medical Needs in Cancer

Cancer has been the second leading cause of death in developed countries (no.1 cause in Japan) since the 1980s, and it was already said as of 2016 that one in every three Japanese citizens would die from cancer. Thanks to progress in research and development of a variety of anticancer drugs, survival rates were steadily improving, and yet we had not conquered cancer completely, and people were seeking more effective drugs. For example, there were still cancer subtypes with no effective drug as well as an issue of drug resistance, indicating that we need further breakthroughs to defeat cancer.

- Annual Trends in Mortality Rates by Major Causes of Death (in Japan)
  - Cancer: 38.6 (Per 100,000 population)
  - Pneumonia: 31.2
  - Cardiovascular: 30.9

Growth of the Cancer Market

When the 2025 Vision was established in 2016, sales of anticancer drugs were overwhelmingly no. 1 in all therapy areas, and had expanded worldwide to ¥9.5 trillion (US$79.2 billion; ¥120/US$) due to relatively high-priced anticancer agents with a peptide conjugated to a chemotherapeutic drug and in-house development of biopharmaceuticals such as antibodies.

Our R&D Capabilities and Pipelines

After our merger in 2005, we had strengthened the oncology area as a priority area in our research and development, and as a result, we had then promising pipelines in the pre-clinical and phase 1 stages. At the same time, we had acquired multiple pipelines in later stages, such as phases 2 and 3, through licensing and M&A activities.

As mentioned above, we had scrutinized both internal and external environments. After such deep analyses, we believed that we could start up our oncology business by launching the in-licensed late-stage products, and later on establish oncology business as our core business by developing and launching our in-house products.

The 2025 Vision was established and announced in March 2016 to define our vision as an ideal goal based on our initiatives and success to date, our strengths, and the outlook for the operating environment.

To realize its 2025 Vision, Daichi Sankyo will transform from its previous business structure, which is focused on cardiovascular area including hypertension treatment to a global company with innovative products and pipelines that could change the Standard of Care (SOC) in specialty areas centered on oncology area, in which pharmaceuticals are prescribed by specialists. At the same time, we will transform ourselves to enrich our regional value products aligned with each regional market by changing our previous approach of pursuing uniform global expansion. We will also break away from an obsession as doing everything in-house, and expand alliances more than ever with the aim of realizing sustainable profit growth.
Special Issue

Cancer

(ANTIBODY DRUG CONJUGATE: ADC)

This section of the Special Issue cover the basic knowledge on cancer, basic background on antibody drug conjugate (ADC), characteristics of Daichi Sankyo’s proprietary ADC technology, and data on our clinical stage projects of ADC Franchise such as DS-8201, U3-1402, and DS-1062. This Special Issue will provide an understanding of the characteristics of Daichi Sankyo’s ADC technology and the reasons why we are targeting cancer.

1 Cancer

Cancer is one of the diseases with the high prevalence and mortality both in Japan and worldwide. Every year, approximately 16 million people are newly diagnosed with cancer across the world. In Japan, cancer has been the leading cause of death since 1981, while in 2012, annual cancer deaths reached approximately 380,000 people. Given these statistics, cancer has a devastating impact on human life and health.

- **Cancer death (all types of cancer) 2012 (thousands/year)**
  - Worldwide: 8,202
  - Japan: 379
  - U.S.: 1,999


2 Cancer Treatment

(1) Cancer treatment

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

<table>
<thead>
<tr>
<th>Type</th>
<th>Methodology</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Systemic therapy</strong></td>
<td>Drug therapy</td>
<td>Attacks cancer cells with drugs</td>
</tr>
<tr>
<td></td>
<td>Attacks cancer cells with drugs</td>
<td>A mainstay of treatment if local therapy is inappropriate such as hematological cancer or metastatic disease</td>
</tr>
<tr>
<td>Surgery</td>
<td>Removes cancer surgically</td>
<td>Can remove the cancer cells if it remains in the primary lesion</td>
</tr>
<tr>
<td><strong>Local therapy</strong></td>
<td>Radiotherapy</td>
<td>Eliminates cancer cells with radiation</td>
</tr>
<tr>
<td></td>
<td>Exerts therapeutic effects without surgically removing organs</td>
<td>Sometimes combined with drug therapy and surgery</td>
</tr>
</tbody>
</table>

2.1) Number of new patients, number of patients with recurrent disease, 5-year survival (2017)

<table>
<thead>
<tr>
<th>Cancer type</th>
<th>Newly diagnosed (n)</th>
<th>Recurrent (n)</th>
<th>5-Year survival (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breast cancer (n)</td>
<td>95,000</td>
<td>11,000</td>
<td>89%</td>
</tr>
<tr>
<td>Gastric cancer (n)</td>
<td>144,000</td>
<td>26,000</td>
<td>82%</td>
</tr>
<tr>
<td>Non-small cell lung cancer</td>
<td>114,000</td>
<td>139,000</td>
<td>82%</td>
</tr>
<tr>
<td>Colorectal cancer (n)</td>
<td>52,000</td>
<td>14,000</td>
<td>60%</td>
</tr>
<tr>
<td>5-Year survival (%)</td>
<td>84%</td>
<td>61%</td>
<td></td>
</tr>
</tbody>
</table>

Source: CancerMPact (Synix Inc./Kantar Health)

2.2 Cancer death (all types of cancer) 2012 (thousands/year)

<table>
<thead>
<tr>
<th>Cancer type</th>
<th>Japan</th>
<th>U.S.</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breast cancer (n)</td>
<td>95,000</td>
<td>321,000</td>
<td>259,000</td>
</tr>
<tr>
<td>Recurrent cancer (n)</td>
<td>11,000</td>
<td>34,000</td>
<td>37,000</td>
</tr>
<tr>
<td>5-Year survival (%)</td>
<td>89%</td>
<td>85%</td>
<td>-</td>
</tr>
<tr>
<td>Gastric cancer (n)</td>
<td>144,000</td>
<td>26,000</td>
<td>35,000</td>
</tr>
<tr>
<td>Recurrent cancer (n)</td>
<td>29,000</td>
<td>11,000</td>
<td>20,000</td>
</tr>
<tr>
<td>5-Year survival (%)</td>
<td>82%</td>
<td>25%</td>
<td>-</td>
</tr>
<tr>
<td>Non-small cell lung cancer</td>
<td>114,000</td>
<td>139,000</td>
<td>135,000</td>
</tr>
<tr>
<td>Recurrent cancer (n)</td>
<td>41,000</td>
<td>60,000</td>
<td>68,000</td>
</tr>
<tr>
<td>5-Year survival (%)</td>
<td>87%</td>
<td>18%</td>
<td>-</td>
</tr>
<tr>
<td>Colorectal cancer (n)</td>
<td>52,000</td>
<td>143,000</td>
<td>233,000</td>
</tr>
<tr>
<td>Recurrent cancer (n)</td>
<td>18,000</td>
<td>32,000</td>
<td>54,000</td>
</tr>
<tr>
<td>5-Year survival (%)</td>
<td>64%</td>
<td>56%</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: CancerMPact (Synix Inc./Kantar Health)

3 What are Antibody Drug Conjugates (ADCs)?

(1) What are ADCs?

ADC, which is short for Antibody Drug Conjugate, is an agent that covalently combines an antibody with a payload, chemotherapeutic drug, through a molecule called linker. Chemotherapeutic drugs and antibody drugs each have their own advantages and disadvantages, but ADCs have the potential to skillfully compensate for the disadvantages of both drugs.

With conventional chemotherapeutic drugs, the minimum effective dose required for killing cancer cells is high, whereas the maximum tolerated dose is low, because their toxicity hampers substantial dose escalation. Thus, a narrow therapeutic range is a problem for these drugs. By employing ADC technologies, the chemotherapeutic agent can be delivered more to cancer cells. As a result, the drug exerts its therapeutic effects at a lower dose, and because the amount of chemotherapeutic drug reaching normal cells is decreased, the maximum tolerated dose is higher, so that the therapeutic range becomes wider.

(2) Mechanism of action

1) ADC binds to an antigen on the surface of a cancer cell
2) Subsequently, ADC is taken up into the cancer cell by internalization
3) Lysosomes in the cancer cell play a role in cleaving linker in the cancer cell, resulting in release of payload (drug)
4) The released payload exerts its therapeutic effects
4. Characteristics of Daiichi Sankyo’s ADCs

As of July 2018, 4 ADCs have been approved for marketing. Daiichi Sankyo scientists pursued the goal of developing ADC technology which overcomes difficulties of preceding ADCs.

<table>
<thead>
<tr>
<th>Existing ADCs</th>
<th>Daiichi Sankyo’s ADC technology</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Linker issues</strong></td>
<td><strong>Characteristic 1: high drug-antibody ratio (DAR)</strong></td>
</tr>
<tr>
<td>• Drug-antibody ratio (DAR)*: 2 to 4</td>
<td>• DAR at the maximum</td>
</tr>
<tr>
<td>• Toxicity and/or reduced efficacy due to released payloads in the blood</td>
<td>• Payload is less likely to be detached in the blood, which reduces the risk of exposing normal tissue to toxicity.</td>
</tr>
<tr>
<td><strong>Payload issues</strong></td>
<td><strong>Characteristic 2: highly stable linker</strong></td>
</tr>
<tr>
<td>• Most of the ADCs use tubulin polymerization inhibitors</td>
<td>• Newly developed DNA topoisomerase I inhibitor</td>
</tr>
<tr>
<td>• Toxicity and/or reduced efficacy caused by released payloads in the blood</td>
<td>• The drug can exert its therapeutic effects even in an environment where various cancer cells are mixed.</td>
</tr>
<tr>
<td>• Concern for relatively long half-life which may affect normal cells</td>
<td>• Linkers are selectively cleaved in cancer cells to release the payload.</td>
</tr>
</tbody>
</table>

*Average number of drugs linked to each antibody

**(1) Characteristic 1: high drug-antibody ratio (DAR)**

The drug-antibody ratios (DARs) for currently approved ADCs range between 2 and 4, whereas Daiichi Sankyo’s ADCs can load a maximum number of payloads of 8. Historically, ADCs using more payloads per antibody cause aggregation. But Daiichi Sankyo’s ADC causes no aggregation, even though it has high payload loading. Furthermore, we have technology to control DAR according to antigen expression and internalization rates. Also, for currently approved ADCs, the number of payloads varies. There are antibodies with no payload loaded, or those with only one or two payloads, leading to insufficient drug efficacy.

Daiichi Sankyo’s ADC technology enables maximum of eight payloads per antibody homogeneously.

**Payload issues**

• Most of the ADCs use tubulin polymerization inhibitors
• No treatment option for tumors unresponsive/resistant to existing ADCs
• Concern for relatively long half-life which may affect normal cells

**(2) Characteristic 2: highly stable linker**

ADC technology is currently characterized by its cancer cell-specific efficacy, in which the linker plays an important role. If the linker is unstable, ADC is degraded and the payloads are released in the human blood plasma, thereby reducing efficacy and potentially causing side effects. As shown in the graph below, the pre-clinical study has confirmed the long-term stability of Daiichi Sankyo’s ADCs. Moreover, pharmacokinetic analysis of the phase 1 study has confirmed in vivo stability of ADCs as well. The graph on the right shows that the linker is stable by indicating that the blue line representing the blood concentration of the antibody closely overlaps with the red line representing the blood concentration of DS-8201. If the unstable linker releases the payload, the red line and the blue line diverge extremely from each other.

![In vitro Plasma Stability of DS-8201](image)

**Reference information**

<table>
<thead>
<tr>
<th>DAR</th>
<th>Days</th>
<th>Theoretical release rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>1</td>
<td>1.1</td>
</tr>
</tbody>
</table>

**T-DM1 (human plasma concentration)**

- **Payload (drug)**
  - Tubulin inhibitor (DM1)
  - Linker (cysteine residue)
  - Anti-HER2 Ab

**DS-8201**

- **Payload (drug)**
  - Topoisomerase I inhibitor

**Cell membrane of cancer cell**

- **Antibody**
- **Cysteine residue**
- **Linker**
- **Payload**

**DS-8201 Neutralizing Activity**

- **SN-38**
  - Active metabolite of irinotecan
  - Neutralizing activity: 2.78 μM

**DXd**

- **Topoisomerase I inhibitor**
  - Neutralizing activity: 2.78 μM

**Effect at approximately one-tenth of the dose**

1. TOPO1 IC50: A concentration required for 50% inhibition of topoisomerase inhibition of topoisomerase activity.
2. μM: micromolar, a unit of concentration.

**Cell membrane of cancer cell**

- **Catharan**

*Kadolis BLA Source: Oghian Y et al., Cdc, Cancer Res. 2010; 70:5587-5596, Marcon-J et al., Protein Science 2015; 24:1215-1223*
expression-positive cancer cells and antigen expression-negative cancer cells are present concomitantly. By this bystander effect, the drug is also expected to exert an efficacy on tumors with a large number of cancer cells of negative expressing of antigen.

To validate the clinical relevance of this proposed effect, we are currently conducting translational research.*

* Translational research: the research, method, and process of deepening the understanding of diseases and drug interaction mechanisms through the mutual use of information and samples in clinical and non-clinical studies.

5 Daiichi Sankyo’s ADC Projects

At present, Daiichi Sankyo has seven ADC projects for different antibody targets with the same linker and payload. The compounds at the clinical stage are DS-8201, U3-1402, and DS-1062, and those at the pre-clinical stage are DS-7300, DS-6157, and DS-6000.

Among these compounds, DS-8201 and U3-1402 have achieved a certain level of effects at the clinical stage, and we will provide detailed information mainly on the results.

<table>
<thead>
<tr>
<th>Payloads</th>
<th>Half-life in rats (hrs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DXT® (payload of Daiichi Sankyo’s ADCs)</td>
<td>0.9</td>
</tr>
<tr>
<td>DMT™ (payload of T-DM1)</td>
<td>3.3-10</td>
</tr>
</tbody>
</table>

*1 In-house report
*2 KADOKUSA BLA

(5) Characteristic 5: bystander effect

The DXT® payload is designed to have higher lipophilicity and membrane permeability than the payload of T-DM1. The payload is released from the ADC in cancer cells, penetrates the membrane and exerts effects on the neighboring cancer cells. This is known as Daiichi Sankyo ADC’s “bystander effect”. In a cancer lesion, antigen positive cancer cells and antigen expression-negative cancer cells are present concomitantly. By this bystander effect, the drug is also expected to exert an efficacy on tumors with a large number of cancer cells of negative expressing of antigen.

To validate the clinical relevance of this proposed effect, we are currently conducting translational research.*

(6) Characteristic 6: payload with a short half-life in the blood

In general, the increased blood concentration of free drug payloads released from ADC has potential to cause side effects. Although, Daiichi Sankyo’s drug payload is less likely to be released because of stable linker compared to other ADCs, that the drug payload is designed to be eliminated quickly from the blood (a short half-life in the blood) even when released.

Daiichi Sankyo’s ADC Projects

At present, Daiichi Sankyo has seven ADC projects for different antibody targets with the same linker and payload. The compounds at the clinical stage are DS-8201, U3-1402, and DS-1062, and those at the pre-clinical stage are DS-7300, DS-6157, and DS-6000.

Among these compounds, DS-8201 and U3-1402 have achieved a certain level of effects at the clinical stage, and we will provide detailed information mainly on the results.

5 Daiichi Sankyo’s ADC Projects

At present, Daiichi Sankyo has seven ADC projects for different antibody targets with the same linker and payload. The compounds at the clinical stage are DS-8201, U3-1402, and DS-1062, and those at the pre-clinical stage are DS-7300, DS-6157, and DS-6000.

Among these compounds, DS-8201 and U3-1402 have achieved a certain level of effects at the clinical stage, and we will provide detailed information mainly on the results.

5 Daiichi Sankyo’s ADC Projects

At present, Daiichi Sankyo has seven ADC projects for different antibody targets with the same linker and payload. The compounds at the clinical stage are DS-8201, U3-1402, and DS-1062, and those at the pre-clinical stage are DS-7300, DS-6157, and DS-6000.

Among these compounds, DS-8201 and U3-1402 have achieved a certain level of effects at the clinical stage, and we will provide detailed information mainly on the results.

5 Daiichi Sankyo’s ADC Projects

At present, Daiichi Sankyo has seven ADC projects for different antibody targets with the same linker and payload. The compounds at the clinical stage are DS-8201, U3-1402, and DS-1062, and those at the pre-clinical stage are DS-7300, DS-6157, and DS-6000.

Among these compounds, DS-8201 and U3-1402 have achieved a certain level of effects at the clinical stage, and we will provide detailed information mainly on the results.

5 Daiichi Sankyo’s ADC Projects

At present, Daiichi Sankyo has seven ADC projects for different antibody targets with the same linker and payload. The compounds at the clinical stage are DS-8201, U3-1402, and DS-1062, and those at the pre-clinical stage are DS-7300, DS-6157, and DS-6000.

Among these compounds, DS-8201 and U3-1402 have achieved a certain level of effects at the clinical stage, and we will provide detailed information mainly on the results.

5 Daiichi Sankyo’s ADC Projects

At present, Daiichi Sankyo has seven ADC projects for different antibody targets with the same linker and payload. The compounds at the clinical stage are DS-8201, U3-1402, and DS-1062, and those at the pre-clinical stage are DS-7300, DS-6157, and DS-6000.

Among these compounds, DS-8201 and U3-1402 have achieved a certain level of effects at the clinical stage, and we will provide detailed information mainly on the results.
treated with trastuzumab and pertuzumab and have disease progression after ado-trastuzumab (T-DM1) by the U.S. FDA in August 2017.

Since autumn in 2017, a number of new studies have been started.

For breast cancer, a pivotal phase 2 study in patients with HER2-positive breast cancer who had already received treatment with the existing therapeutic agent of T-DM1 was started in October 2017.

For gastric cancer, a pivotal phase 2 study in patients with HER2-overexpressing gastric cancer after treatment with the existing therapeutic agent of trastuzumab was started in November 2017. Concerning gastric cancer, DS-8201 was granted SAKIGAKE Designation for unresectable advanced and relapsed gastric cancer with HER2-overexpression by the Ministry of Health, Labour and Welfare in March 2018.

In addition, phase 2 studies in patients with HER2-overexpressing colorectal cancer and a phase 2 study in those with HER2-overexpressing or HER2-mutated non-small-cell lung cancer were also started in March 2018 and May 2018, respectively.

Various studies including the phase 3 study of previously mentioned HER2-low breast cancer are planned to be started sequentially after 2018.

Concerning breast cancer, we are aiming to submit the regulatory applications globally in fiscal 2020, while we are making every effort to submit them even earlier within fiscal 2019. For gastric cancer, we plan to file the application firstly in Japan in fiscal 2020.

### Development status

**2015**
- Phase 1 started

- Studies started for breast and gastric cancer. The breast cancer study was conducted in Japan and in the U.S. and the gastric cancer study was conducted in Japan.

**2016**
- Granted Breakthrough Therapy Designation by the FDA

- Studies conducted for breast cancer with T-DM1
- Studies conducted for gastric cancer with trastuzumab
- Studies conducted for colorectal cancer with T-DM1

**2017**
- Granted SAKIGAKE Designation for gastric cancer
- Studies conducted for gastric cancer with DS-8201

**2018**
- NDA application planned

**2019**
- Studies completed for breast cancer with DS-8201
- Studies completed for gastric cancer with DS-8201

The interim results from a phase 1 study conducted for multiple cancers including gastric cancer, colorectal cancer, and lung cancer as well as breast cancer were presented at ASCO in June 2018. The graph below is waterfall chart presenting percent change of response from baseline, pre-treatment with DS-8201.

Each bar represents each individual patient's result in order of high to low tumor shrinkage rate from right to left.

Tumor shrinkage is observed in a high proportion of patients, both in HER2 positive breast cancer and HER2 low expressing breast cancer.

**HER2 positive breast cancer**

- Overall Response Rate (ORR) and Disease Control Rate (DCR) in confirmed patients (5.4 or 6.4 mg/kg)
- HER2 positive breast cancer 54/99 (54.5) 93/99 (93.9)
- HER2 low breast cancer 10/19 (52.6) 18/19 (94.7)

**HER2 low breast cancer**

- HER2 expressing colorectal cancer, lung cancer, and others 12/31 (38.4) 26/31 (83.9)

**HER2 positive breast cancer**

- DS-8201 has so far shown a favorable efficacy in HER2-positive breast cancer, and in this study, the drug yielded the overall response rate\(^*2\) of 50.0% in HER2-low breast cancer, which is equivalent to 54.5% in HER2-positive breast cancer.

**Overall Response Rate (ORR)\(^*1\) and Disease Control Rate (DCR)**

<table>
<thead>
<tr>
<th>ORR (%)</th>
<th>DCR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>54.5</td>
<td>93.9</td>
</tr>
<tr>
<td>5.2</td>
<td>26.0</td>
</tr>
</tbody>
</table>

\(^*1\)ORR is defined as the percentage of patients for whom there was a confirmed complete or partial response to treatment.

\(^*2\)DCR is defined as the percentage of patients for whom there was a confirmed complete or partial response, stable disease, or minor response to treatment.

Regarding adverse events of special interest, laboratory abnormalities of liver and heart function were generally low grade, asymptomatic and, patients continued to receive DS-8201 treatment.

Concerning interstitial lung disease and pneumonitis, five fatal cases were observed. An external committee responsible for evaluating interstitial lung disease is now in the process of conducting evaluation in each case.
Breast Cancer

The current status for breast cancer and the existing standard of care

Breast cancer is the most common cancer in women, and the numbers of new and recurrent breast cancer cases in Japan, U.S., and Europe in 2017 are provided in the figure to the right.

Data published by the Ministry of Health, Labour and Welfare shows that the number of patients who died of breast cancer in Japan continues to rise and reached approximately 14,000 in 2016, more than three times higher than 35 years ago, with breast cancer ranked first as the cause of death in women aged 30 to 64 years.

Breast cancer is generally classified into the stages below, and surgery is the standard of care. Pre-operative or post-operative drug therapy is given to some patients to prevent cancer recurrence. In addition, in patients in whom surgical procedures are inappropriate because of metastases and other conditions, drug therapy is principally used.

In drug therapy for breast cancer, tests are performed to look at receptors on cancer cells first, and select anticancer drugs appropriate for the receptor status.

Breast cancer treatment has significantly improved compared to previous treatments with the emergence of trastuzumab, pertuzumab, and T-DM1, which are HER2 targeted drugs. Notwithstanding, as shown in the table above, not a few patients still experience recurrence. Furthermore, patients and oncologists still remain many challenges to be dealt with (unmet medical needs) such as patients refractory to treatment with existing drugs and attenuation of drug efficacy due to acquired drug resistance. DS-8201 is an ADC that acts on the HER2 like trastuzumab and other drugs, and it has become apparent that it has the potential to produce a certain effect as well on breast cancer cells not overexpressing HER2. We are continuing our development in order to respond to unmet medical needs that cannot be resolved with existing approved drugs, and we are working to deliver the drug to patients as soon as possible.
Daiichi Sankyo’s Growth Strategy

Overview of 5-Year Business Plan

The 5-Year Business Plan

We have positioned our 4th mid-term business plan from 2016 to 2020 as 5-year business plan to realize our transformation toward our 2025 Vision of becoming a "Global Pharma Innovator with competitive advantage in oncology." To achieve this, we have set six strategic targets with the aim of tackling two challenges of "growing beyond loss of exclusivity (LOE) of olmesartan", an antihypertensive agent, and "establishing a foundation of sustainable growth."

Daiichi Sankyo has set revenue of ¥1,100.0 billion, operating profit of ¥165.0 billion, and return on equity (ROE) of more than 8.0% for fiscal 2020 as 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 achieve peak annual sales exceeding ¥100.0 billion each.

Review of 5-Year Business Plan

Among the six strategic targets, edoxaban is growing at a pace that exceeds the initial target. Furthermore, with regard to the establishment of the oncology business, the developments of the ADC franchise and the AML franchise are progressing steadily, spearheaded by DS-8201. Our transformation toward our 2025 Vision of becoming a "Global Pharma Innovator with competitive advantage in oncology" is on a steady path of progress.

On the other hand, with regard to the expansion of the U.S. business, it is becoming difficult to achieve our initial targets due to the return of CL-108's marketing right and the failure in the development of miragabalin in the U.S. pain franchise. Although the Japan business has grown smoothly up until now, the fundamental reforms in the current NHI drug price system are bringing uncertainty to the business environment.

With the environmental changes above, we will plan to create a new set of numerical targets and more ahead toward the targets.

Challenge

Challenge 1
Growing beyond the LOE* of olmesartan
- Accelerate the growth of existing flagship products
- Reduce costs

Challenge 2
Establish a Foundation of Sustainable Growth
[Six Strategic Targets]
- Grow Edoxaban
- Grow as No.1 Company in Japan
- Expand U.S. Businesses
- Establish Oncology Business
- Continuously Generate Innovative Medicine Changing Standard of Care (SOC)
- Enhance Profit Generation Capabilities

Six Strategic Targets for Accomplishing Fiscal 2020 Performance Targets

Grow Edoxaban
Achievements and Progress
- Expanded global revenue (fiscal 2017 revenue: ¥77.1 billion)
- Significantly expanded market shares in Japan, Germany, and Korea
- Increased the number of countries where the drug has been approval and launched (at the end of fiscal 2017: 28 countries)

Grow as No.1 Company in Japan
Achievements and Progress
- Ranked No.1 in sales of domestic ethical drugs for two consecutive years
- Expanded revenues for six flagship products (fiscal 2017 revenue: ¥122.8 billion)
- Ranked No.1 in MRI evaluation for six consecutive years

Expand U.S. Business
Achievements and Progress
- Expanded Utidostat business (fiscal 2017 revenue: ¥105.4 billion)
- Expanded Injectafer revenue (fiscal 2017 revenue: ¥94.3 billion)
- Reviewed strategy for the pain franchise of Daiichi Sankyo, Inc.

Establish Oncology Business
Achievements and Progress
- Progressed DS-8201 clinical studies and expanded studies toward multiple indications
- Started multiple clinical studies for ADC franchise
- Submitted an NDA for quazartinib

Continuously Generate Innovative Medicine Changing Standard of Care (SOC)
Achievements and Progress
- Ventured into nucleic acid drug (DS-0141)
- Ventured into cell therapy and regenerative medicine (CAR-T, etc.)
- Progressed open innovation

Enhance Profit Generation Capabilities
Achievements and Progress
- Optimized Sales & Marketing in the U.S. and EU (total 550 position cuts over two year period)
- Optimalized global R&D (four locations closed)
- Reduced procurement costs (total ¥31.4 billion over two year period)
- Optimized global production systems (two locations closed)

Growth Investments and Shareholder Returns

Prioritizing growth investments while also enhancing shareholder returns
- Acquired own share (¥100 billion over two year period)
- Maintained a total return ratio of 100% or more (169% over two year period)
- Reduced cross-shareholding shares (23 different stocks for a total amount of ¥31.7 billion over two year period)
- Continued R&D investments (total ¥415.7 billion over two year period [excluding special factors])
- Issued super-long-term unsecured corporate bonds (¥100 billion)

FY2020 Targets

- Revenue ¥1,100.0 billion
- Operating Profit ¥165.0 billion
- ROE of more than 8.0%
- Increase value of late-stage pipelines

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.
Daiichi Sankyo's Growth Strategy

Progress of 5-Year Business Plan

**Strategic Target**

**Grow Edoxaban**

Brand name: LIXIANA (Japan, Europe, Asia), SAVAYSA (U.S.)

The growth of edoxaban is one of the important pillars to overcome the impact of the loss of exclusivity (LOE) for almesatan. Over the past two years, we have steadily expanded our market share, mainly in Japan, Europe and Asia. Going forward, we will strengthen our efforts for life-cycle management* and to further accelerate growth.

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. Going forward, we will strengthen our efforts for life-cycle management and to further accelerate growth in Japan, Europe, and Asia. Even in countries and regions in which Daiichi Sankyo lacks its own sales organization, we will advance full-fledged promotional activities through collaborations with ideal partners epitomized by MSD and Les Laboratoires Servier in each region.

Through these efforts, we will endeavor to grow edoxaban into a product with annual global revenue of more than ¥120 billion in fiscal 2020.

2. Progress to Date and Future Initiatives

(1) Market Size of Direct Oral Anticoagulants (DOACs)

The DOAC market, which comprises four products—dabigatran, rivaroxaban, apixaban, and edoxaban—has grown to a scale of ¥2.0 trillion on a global basis.

In addition, switching from warfarin, which has been the standard treatment to date, has steadily progressed alongside the market expansion, and the DOAC prescription rate has reached about 40%.

(2) Growth of Edoxaban by Country

The number of countries in which edoxaban has launched is steadily on the rise. It has attained approval and launched in over 20 countries, approximately 90% of the DOAC market, on a sales basis. We have realized high levels of safety and convenience (once-daily formulation) at the same time, which has led to a steady increase in sales in each country, particularly in Japan, Europe and Asia, utilizing the product’s capabilities supported by high-quality clinical study data. Market share on a volume basis in Japan has expanded to 21.8%. The product has been ranked No.1 since March 2017 for the prescription share among new patients, which is a leading indicator of growth. Thus, we expect edoxaban to gain the No. 1 market share in Japan in the near future. Looking to Europe, the market share in Germany is 11.4%, and the market shares in other European countries including Belgium, Italy and Spain have steadily been growing. In Asia, the market share in South Korea has increased to 22.6%. The rapid growth of market share has also been seen in Taiwan.

Furthermore, it has received marketing approval in Brazil in March 2018, and the application has already been submitted in China. We can anticipate further accelerated growth if edoxaban is launched in those countries, whose DOAC markets have experienced remarkable growth.

3. Life-Cycle Management Initiatives

In November 2017, we launched OD tablet (orally disintegrating tablet), which is the only OD tablet in DOAC in Japan. The OD tablet, which features an easy-to-take design, has been highly appreciated by doctors, saying that it is beneficial especially for elderly patients.

Currently, we are conducting many clinical studies and clinical research aimed at maximizing edoxaban’s value. We have created a brand mark, EDOSURE, which collectively refers to these initiatives and activities. The name EDOSURE is derived from two words, edoxaban and Assurance. It signifies our hope that doctors and patients will feel more reassured by anticoagulant therapy with edoxaban.

---

* Initiatives to bring the value of pharmaceuticals to the healthcare fields over a long period by further enhancing the product value through expanding indications and improving dosage and administration.
Daiichi Sankyo’s Growth Strategy

Progress of 5-Year Business Plan

1. 5-Year Business Plan

(1) Six Major Products

In addition to LIXIANA, 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 antithrombotic 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

(2) 5-Year Business Plan

Total revenue from the six major products (excluding LIXIANA) has steadily expanded, from ¥197.3 billion in fiscal 2016 to ¥212.8 billion in fiscal 2017. However, the market environment has become more severe than was assumed at the time the 5-year business plan was announced, partly due to the significant reduction in the drug price of NEXIUM, the slowing of the growth of Memary, and the delay in the additional indication for the brain area for Efient. Thus, revenue for fiscal 2018 is forecast to remain flat, at ¥212.0 billion.

Daiichi Sankyo will leverage its sales capabilities, which are top-class in terms of both quality and quantity, in order to return to a growth track in fiscal 2019 and achieve over ¥243.0 billion in total revenue in fiscal 2020.

* Pharmaceuticals still protected by the exclusivity period granted by patents

2. Progress to Date and Future Initiatives

For our six major innovative pharmaceutical products, we have overcome the impact of the drug price revisions, and their total revenue steadily expanded up to fiscal 2017. By continually launching and expanding sales of proprietarily developed products, we grew the innovative pharmaceuticals business. At the same time, we utilize the Company’s expert sales capabilities to acquire licenses for promising products developed elsewhere 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 period of the plan, we have successfully achieved many feats seen below, including acquiring the Vimpat antiepileptic agent, along with applying for approval for the peripheral neuropathic pain treatment miogalbin and antihypertensive agent esaxerenone. In particular, Daiichi Sankyo has ranked No.1 both in MR evaluation*, which is an important foundation for sustainable growth, for six consecutive years, and in revenue from pharmaceutical products in Japan for two consecutive years since fiscal 2016.

As our product portfolio is expected to be upgraded with the launches of miogalbin and esaxerenone, we will strive to firmly maintain our position as the No.1 company in Japan.

* Based on survey conducted by ANTERIO Inc.

**Pharmaceutical Market in Japan**

In Japan, approximately 90% of the pharmaceutical market is comprised of prescription pharmaceuticals that require prescriptions from physicians with the remainder of the market being accounted for by general pharmaceuticals and other over-the-counter (OTC) drugs that can be freely purchased in pharmacies and drug stores. Moreover, the use of generic drugs has been increasing in the prescription pharmaceutical market, and these drugs have recently come to represent about 66% of the market on a sales-volume basis* in September 2017.

* Based on survey conducted by ANTERIO Inc.
Daiichi Sankyo’s Growth Strategy

Progress of 5-Year Business Plan

Strategic Target  Expand U.S. Businesses

In order to overcome the effects of the loss of exclusivity (LOE) for olmesartan, Daiichi Sankyo aimed to expand the U.S. Businesses by establishing a pain franchise through Daiichi Sankyo, Inc. (DSI) in the United States and by focusing on the business growth of Luitpold Pharmaceuticals, Inc. Although Luitpold business has been growing steadily, we have decided to review the pain franchise of Daiichi Sankyo Inc., due to environmental changes. Daiichi Sankyo has positioned the U.S. market as an important one, so we will continuously strive to expand our business in the United States.

1. Reviewing the Pain Franchise of Daiichi Sankyo, Inc.

Daiichi Sankyo Inc., in the United States has sought to establish a pain franchise that can generate revenue of more than ¥100.0 billion in fiscal 2020 under its 5-year business plan. However, in the United States, the problems of abuse, addiction and overdoses of opioid analgesics due to usage other than their intended usage have become a major social problem, and given such circumstances, we have returned the rights of CL-108 to Charleston Laboratories, Inc. In addition, due to the failure of the phase 3 study of miogabalin in fibromyalgia patients conducted in Europe and the United States, we have decided that it would be difficult to attain the initial goal and have decided to review the pain business in the United States.

2. 5-Year Business Plan (Luitpold* Business)

The main business of Luitpold Pharmaceuticals, Inc. (LPI) is an iron injection franchise with two products, Injectafer and Venofer, for the treatment of iron deficiency anemia, and a generic injectable franchise focused on small volume vials and ampules. By growing and expanding these two franchises, LPI aims to achieve annual global revenue of US$1,250 million (¥150.0 billion) in fiscal 2020.

3. Progress to Date and Future Initiatives (Luitpold Business)

(1) Iron Injection Franchise

The iron injection franchise focuses on two products; Venofer, which is used to treat iron deficiency anemia (IDA) resulted from chronic kidney disease, and Injectafer, which can treat IDA resulted from chronic kidney disease, as well as from various other causes, but cannot be used in patients undergoing dialysis.

In particular, due to its ability to treat a wide range of conditions and the convenience of being able to completely dose patients in only two administrations, Injectafer has enjoyed a rapid growth in market share since it was launched. These two products boast a combined share of the U.S. iron injection market of more than 75%, making LPI the undisputed leader in this market.

We are strengthening our efforts to maximize the product value of Injectafer. We are newly implementing promotion measures that target gastroenterology and obstetrics and gynecology specialists who treat IDA, in addition to the traditional sales targets of cancer and hematology and oncology specialists.

Furthermore, we are proceeding with a phase 3 study (HEART-FID) to evaluate Injectafer as a treatment for heart failure patients with an iron deficiency, with the aim of expanding the range of application in the future.

(2) Generic Injectable Franchise

LPI supplies generic injectable products focused on small volume vials and ampules, and it has been launching new products continuously and successfully to achieve sustainable growth. LPI submitted 5 drug approvals and applications in fiscal 2016 and 12 in fiscal 2017, and launched 5 new products. In fiscal 2018, to achieve its sustainable growth, we plan to submit 7 drug approvals and applications with the aim of launching 6 new products.

LPI will also promote capital investment to become one of the top suppliers in the U.S. generic injectable market.

COLUMNS

Iron deficiency anemia and iron injections

Hemoglobin in red blood cells is responsible for carrying oxygen to other parts of the body. Iron is a vital element to the functioning of hemoglobin, and a lack of iron within the body can lead to a condition known as iron deficiency anemia (IDA). Other causes of IDA include chronic heart failure and inflammatory bowel diseases, in addition to cancer and chronic kidney disease (CKD), among various other diseases. It has been common for IDA to be treated via oral iron supplements in the past. However, such supplements required extended periods of use to be effective and the actual amount of iron absorbed by the body was low. These and other issues led to the expansion of the market shares of high-dose iron injections in Europe and the United States.

First launch in Europe

- Olmesartan
- Amlodipine
- Metoprolol
- Metoclopramide

Source: First launch in Europe

- Olmesartan
- Amlodipine
- Metoprolol
- Metoclopramide

Source: Daiichi Sankyo Group Value Report 2018
Progress of 5-Year Business Plan

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 by the new organization, we aim to grow oncology business revenue to more than ¥340 billion in fiscal 2020 and ¥300 billion in fiscal 2025, when this business will function as a core business.

2. Progress to Date and Future Initiatives

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

We introduced the concept of Cancer Enterprise in May 2016 so that organizations such as research and development, pharmaceutical technologies, 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 RD Sub Unit has established antibody drug conjugate (ADC) and acute myeloid leukemia (AML) as franchises (priority areas) that we will focus on. We have also set out to play a role in actively forming external alliances in order to strengthen these franchises.

In addition to the two franchises of ADC and AML, we newly set Breakthrough Science as the third pillar. 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.

(2) AML Franchise

Leukemia, which is one of the three major blood cancers along with malignant lymphoma and multiple myeloma, is a disease in which hematopoietic stem cells in the bone marrow multiply at an abnormal rate and then become cancerous. Leukemia is classified into four types: chronic myeloid leukemia (CML), acute myeloid leukemia (AML), chronic lymphocytic leukemia (CLL), and acute lymphocytic leukemia (ALL). Although there are cancer types such as CML for which remission can be expected with molecular targeted drugs, the five-year survival rate of AML is still about 26%, which is very low. By developing multiple compounds targeting AML, we aim to solve unmet medical needs in AML.

Daichi Sankyo is developing AML treatments by targeting various mechanisms. There are currently five pipelines undergoing clinical trials: quizartinib, an FLT3 inhibitor targeting growth factor receptor; DS-3032, an MDM2 inhibitor targeting transcriptional deregulation; PLX51107, a BRD4 inhibitor and DS-3201, an EZH 1/2 inhibitor both targeting epigenetic regulation. (A phase 1 study in patients with glioma is currently underway for the DS-1001, an IDH1 inhibitor that may be indicated for the treatment of AML.)

Among these, we will explain the details of quizartinib with the results of the phase 3 study for relapsed/refractory AML and DS-3201 with the interim results of the phase 1 study for relapsed/refractory non-Hodgkin’s lymphoma presented at the American Society of Hematology (ASH) in 2017.

AML Franchise Pipelines

<table>
<thead>
<tr>
<th>Target class</th>
<th>Products under development (target)</th>
<th>Development status</th>
<th>Mechanism of action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grow factor receptor inhibition</td>
<td>Quizartinib (FLT3)</td>
<td>Clinical trial</td>
<td>FLT3 inhibitor. Quizartinib displays a potent inhibitory activity against mutated gene called FLT3-ITD, which is present in around 30% of AML patients. Granted Breakthrough Therapy Designation (BTD) by the FDA.</td>
</tr>
<tr>
<td>Transcriptional deregulation</td>
<td>DS-3032 (MDM2)</td>
<td></td>
<td>MDM2 inhibitor. DS-3032 activites p53, a tumor suppressor gene, by inhibiting MDM2, which suppresses wild-type p53 activity.</td>
</tr>
<tr>
<td></td>
<td>PLX51107 (BRD4)</td>
<td></td>
<td>BRD4 inhibitor. PLX51107 suppresses the expression of cancer-related genes by inhibiting binding between BRD4 and histone acetylated lysines.</td>
</tr>
<tr>
<td></td>
<td>DS-3201 (EZH1/2)</td>
<td></td>
<td>EZH1/2 inhibitor. Both EZH1 and EZH2 are an enzyme to suppress gene expression. DS-3201 inhibits both EZH1 and EZH2 which facilitating the inactivation of tumor suppressor genes.</td>
</tr>
<tr>
<td>Epigenetic regulation</td>
<td>DS-1001 (IDH1)</td>
<td></td>
<td>A selective inhibitor of mutant isocitrate dehydrogenase IDH1. DS-1001 inhibits mutant enzyme expressed by IDH1 gene mutation frequently seen in malignant brain tumors (glioma), acute myeloid leukemia, cholangiocarcinoma, chondrosarcoma and other malignant tumors.</td>
</tr>
</tbody>
</table>

Daiichi Sankyo Group Value Report 2018

Strategic Target

Establish Oncology Business

In our 5-year business plan, we set up the target of growing oncology business revenue to ¥300.0 billion in fiscal 2025. The development of the ADC franchise centered on DS-8201 and AML franchise and have been steadily accelerating. In fiscal 2018, we will submit applications for quizartinib and pexidartinib, and work for further accelerate the development of DS-8201.
Quizartinib (FLT3 inhibitor)  
AML is a disease with a high mortality rate, and it is said that the 5-year survival rate after being diagnosed is about 26%. In particular, AML patients with mutated FLT3, which is a receptor tyrosine kinase involved in the proliferation of cancer cells, are known to have a particularly high degree of malignancy and extremely poor prognosis with a rate of recurrence two years after bone marrow transplants that is three times higher than that of other forms of AML. Quizartinib is a tyrosine kinase inhibitor that displays specific potent inhibitory activity against FLT3-ITD. In the general AML treatment algorithm shown below, we are conducting two phase 3 studies of quizartinib in the patients circled in green.

The estimated survival probability at 1 year was 27% with quizartinib and 20% with salvage chemotherapy. The estimated overall survival was 6.2 months with quizartinib and 4.7 months with salvage chemotherapy. We have obtained the results of the QUANTUM-R study in patients with relapsed/refractory AML. Regarding the efficacy of the drug in this study, quizartinib significantly prolongs overall survival (OS) compared to salvage chemotherapy. Quizartinib had a 24% statistically significant reduction in the risk of death compared to salvage chemotherapy. The median overall survival was 6.2 months with quizartinib and 4.7 months with salvage chemotherapy.

Registration of participants is proceeding smoothly in the QUANTUM-First study to evaluate the efficacy and safety of quizartinib in combination with the standard of care as a first-line treatment for AML as well as in continuation therapy.

DS-3201 (EZH2/1 inhibitor)  
Malignant lymphoma is commonly known to have a poor prognosis. One cause of this is thought to be the fact that the cancer stem cells, which have the ability to regenerate cancer cells, survive after the treatment. However, cancer stem cells require histone methylation enzymes EZH1 and EZH2 to sustain themselves. Accordingly, by inhibiting these enzymes, it may be possible to eradicate cancer stem cells and breakdown a cancer’s resistance to treatments, effectively preventing recurrence.

The phase 1 study of DS-3201 is currently underway in patients with relapsed/refractory non-Hodgkin’s lymphoma in Japan, and the interim results were presented at the American Society of Hematology (ASH) in 2017. Also, the phase 1 study is ongoing in the U.S. in patients with relapsed/refractory acute myeloid leukemia and acute lymphatic leukemia.

<DS-3201 Phase 1 study>  
Interim results in patients with relapsed/refractory non-Hodgkin’s lymphoma

<table>
<thead>
<tr>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
<th>0</th>
</tr>
</thead>
<tbody>
<tr>
<td>ORR is 59%</td>
<td>Evaluable patients 10/17 (ORR + 9 PR)</td>
<td>In patients with PTCL, ORR is 100% (4/4) in PTCL-NOS, 2/4 in LGCT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Further evaluation in patients with LGCT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Axicabtagene ciloleucel  
- Tumor size increase of 147% truncated at 100% (N=8) Late-onset B-cell lymphoma
- (N=3) Diffuse large B-cell lymphoma (DLBCL)


Daiichi Sankyo’s Growth Strategy
Progress of 5-Year Business Plan

- Axitinib (CSF-1R/Kit/FLT3 inhibitor)  
Axitinib is a receptor tyrosine kinase inhibitor showing specific inhibitory activity against CSF-1R/Kit and FLT3. Since 2015, we have been moving forward with a placebo-controlled phase 3 study (ENLIVEN) in patients with tenosynovial giant cell tumor and presented the results at the American Society of Clinical Oncology (ASCO) in June 2018. The overall response rate for pexidartinib was 39.3% (9/23) for placebo. Concerning the safety, although the drug was generally tolerated, 8 patients discontinued the medication due to adverse events involving liver function, and 4 patients suffered from non-fatal serious liver toxicity. In addition, in a separate clinical studies in which this drug was administered to patients with malignant tumors, two cases of serious liver toxicity including a fatal case were reported. Tenosynovial giant cell tumor is a type of benign tumor occurring in joints. It is known that there is no treatment method other than surgery and it causes extreme inconvenience in daily life. The recurrence rate is also high, and in some cases, limb amputation may be unavoidable. This drug was granted Breakthrough Therapy Designation (BTD) and Orphan Drug Designation by the U.S. FDA. Based on the results of this study, we plan to apply for approval to the U.S. FDA in the second half of fiscal 2018 so that we can deliver a new treatment option as soon as possible to patients awaiting this medicine.

Extreme Example of Effective Treatment from Phase 3 Study (ENLIVEN Study)
Daiichi Sankyo Group Value Report 2018

Daiichi Sankyo’s Growth Strategy

Progress of 5-Year Business Plan

Strategic Target
Continuously Generate Innovative Medicine Changing SOC (Standard of Care)

In the 5-year business plan, we set the goal of continuously generating innovative medicines changing SOC. Research and development of medicines with new modalities, such as oncolytic viruses, nucleic acid drugs, cell therapy, have been proceeding smoothly since then. We are also exploring the possibilities of drug discovery beyond our own laboratory by collaborating with various organizations, including companies and academia, mainly in the oncology area. We will continue to work on similar initiatives in fiscal 2018 and aim to generate innovative medicines as soon as possible.

1. 5-Year Business Plan

Daiichi Sankyo aims to continuously generate innovative medicines changing SOC1. SOC stands for “Standard of Care,” indicating universally applied best treatment practice in today’s medical science. Our target therapeutic areas for research and development include oncology, which will be positioned as a primary focused area, as well as pain, central nervous system diseases, heart failure/kidney disease, and rare diseases, which we define as new horizon area. Research and development of treatments in these areas will be accelerated going forward. We will strive to continuously generate innovative medicines changing SOC by utilizing partnering, open innovation2, and translational research3.

2. Progress to Date and Future Schedule

(1) DS-1647 (oncolytic virus G47Δ)

G47Δ (delta), developed by Professor Tomoki Todo of the Institute of Medical Science of the University of Tokyo, is oncolytic virus therapy—a new modality of cancer treatment that sets itself apart from conventional agents. For instance, molecule-targeted agents pinpoint proteins and genes on the surface of cancer cells, while oncolytic virus therapy targets the cancer cell itself. G47Δ, which is a third-generation strand of oncolytic herpes simplex virus 1, is controlled by deleting or inactivating three genes (δ44, δ5, and δ6), making it only proliferate in cancer cells. By deleting δ47 in addition to second generation, G47Δ inactivates immunological escape mechanism of the virus. G47Δ is believed to be a relatively safe treatment as it does not proliferate in normal cells, and if any adverse event occurs, it can be dealt with antiviral agents. This drug has received SAKIGAKE Designation, and a clinical study is currently underway in malignant gliomas. Although this is the first attempt of oncolytic virus therapy by Daiichi Sankyo, but based on future results, we will aim for a speedy approval of the drug for the treatment of malignant gliomas through in-depth discussions with Professor Tomoki Todo and regulatory authorities.

Key collaborations started by June 2018

<table>
<thead>
<tr>
<th>Research Alliance</th>
<th>Development in Japan</th>
<th>Key Collaborator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Antibody Collaboration</td>
<td>October, 2016</td>
<td>ImmunoGen Inc.</td>
</tr>
<tr>
<td>Target Exploration</td>
<td>March, 2017</td>
<td>AgonOx, Inc.</td>
</tr>
<tr>
<td>Research alliance related to clinical studies</td>
<td>June, 2017</td>
<td>Dana-Farber Cancer Institute</td>
</tr>
<tr>
<td>Research collaboration related to clinical studies</td>
<td>September, 2017</td>
<td>Bristol-Myers Squibb, Inc.</td>
</tr>
<tr>
<td>Research alliance related to clinical studies</td>
<td>November, 2017</td>
<td>Glycotope GmbH</td>
</tr>
</tbody>
</table>
Daiichi Sankyo's Growth Strategy
Message from the CFO

Dear stakeholders, my name is Toshiaki Sai, and I took up the position of CFO and Head of Corporate Strategy & Management Division in the Company in April 2018. In the Corporate Strategy & Management Division, there are four functions served by the CFO: planning business strategies, promoting management, planning and executing financial strategies, and conducting IR activities. I will support the CEO and COO while performing these functions to manage the business in order to accomplish the 2025 Vision and the 5-year business plan.

Toward the Improvement of Corporate Value

We are implementing a variety of initiatives to achieve the goal of more than 8% ROE as outlined in the 5-year business plan.

1. Improving ROE

When making decisions on business investment or capital expenditure, which has a significant impact on future business profits, we will support such decisionmakings by taking the future business environment, vision, and strategy into consideration and by setting hurdle rate, discount rate and other standards in response to market and business risks. Regarding optimization of business portfolio, while taking the synergy between businesses into consideration, we would like to offer financial suggestions with capital cost in mind.

2. Reducing Capital Cost

(1) It is said that the capital cost is generally the expected rate of return, a percentage return expected to be earned by investors, and that the expected rate of return is proportional to the risk in that corporation. An exhaustive risk management and initiatives in ESG issues will also be crucial in order to eliminate this risk of tarnishing corporate value. As for an exhaustive risk management, I will oversee group-wide risk management as the CFO and risk management officer. Regarding initiatives in ESG issues, focusing on initiatives taken as a corporation, we are proactively disclosing such initiatives in order to reduce risks from investors’ perspective. In the previous fiscal year, Daiichi Sankyo was the first Japanese company from the pharmaceutical sector to be listed on the Dow Jones Sustainability World, a world-leading ESG index, as well as the first Japanese company in the sector to be selected for the Silver Class distinction by RobecoSAM. In addition, through the further proactive disclosure of information, we would like to be a company selected by investors, which will lead to greater corporate value.

(2) Engagement means having a conversation with purpose, and we will foster mutual understanding and further improve corporate value through healthy discussions between investors and our management team. In the distribution of IR information, we will disclose information in a timely manner while giving consideration to transparency and fairness, and we will endeavor to undertake IR activities so as to narrow the gap in the corporate value envisioned by people inside and outside of the Company. In particular, we will proactively disclose information on the values of pipelines, which are difficult to represent numerically, and we will further pursue activities to promote understanding among investors. In the previous fiscal year, we strengthened the distribution of pipeline information through initiatives including organizing conference calls aimed at investors after holding presentations at major academic conferences in Europe and the United States, and we conducted about 350 interviews. As CFO, I myself will engage by proactively holding conversations with investors and analysts, toward the realization of engagement.

Toward the Improvement of Corporate Value
Improvement of ROE

Improvement of Process Resilience

Further Asset Reductions and Streamlining

Exhaustive Risk Management in ESG Issues

Realization of Process Excellence: Further Optimizations of Operating Structures

Exhaustive Risk Management in ESG Issues

Realization of the Optimal Ratio of Capital to Liability

Realization of the Optimal Ratio of Capital to Liability

Realization of Engagement by Reinforcing IR Activities

Toshiaki Sai
Member of the Board, Executive Vice President and CFO

Message from the CFO
The Daiichi Sankyo Group’s Value Chain and Organization

The Daiichi Sankyo Group’s value chain primarily encompasses research & development, biologics, pharmaceutical technologies, its supply chain, marketing & sales, medical affairs, and quality & safety management. In conjunction with this value chain, we operate our organization in an independent manner that draws on our unique strengths—Science & Technology, Global Organization & Talent, and Presence in Japan.

---

**Business Activities**

**The Daiichi Sankyo Group’s Value Chain and Organization**

- **R&D Unit**
  - The R&D Unit is responsible for continually uncovering the “seeds” of new drugs and cultivating these seeds into innovative pharmaceuticals by refining them, taking them through pre-clinical and clinical trials, and receiving manufacturing and marketing approval.

- **Pharmaceutical Technology Unit**
  - The Pharmaceutical Technology Unit supplies high-quality investigational drugs, develops manufacturing processes for the drug substances and formulations needed to stabilize produce high-quality pharmaceuticals, and adds value to products through measures such as making them easier to use.

- **Supply Chain Unit**
  - The Supply Chain Unit leverages our technological prowess to efficiently manufacture high-quality pharmaceuticals while supporting the swift launch of new products, the stable supply and quality assurance of products, and the ongoing pursuit of cost reductions.

- **Biologics Unit**
  - The Biologics Unit is responsible for promoting research and development on biologics, which are prepared using genes, proteins, cells, viruses, and other substances derived from biological functions and continuously develop innovative biologics.

- **Quality & Safety Management Unit**
  - The Quality & Safety Management Unit fulfills the mission of ensuring product quality, patient safety, data and application material reliability, creating information that responds to medical needs and promoting regulatory compliance.

- **Medical Affairs Unit**
  - The Medical Affairs Unit collects, analyzes, evaluates, creates, and distributes information on pharmaceuticals to maximize the value of Daiichi Sankyo products evaluated as contributing to treatment in the medical field.

---

**Japan**

- **Sales & Marketing Unit**
  - The Sales & Marketing Unit leverages Daiichi Sankyo’s strong presence as the No. 1 pharmaceutical company in Japan to develop operations focused on innovative pharmaceuticals (new drugs) that are protected by reexamination period and patients during exclusivity periods.

- **Daichi Sankyo Espha Co., Ltd.**
  - Daichi Sankyo Espha Co., Ltd., takes advantage of the reputation for reliability we have fostered as an innovative pharmaceutical manufacturer to develop a generic business centered on authorized generics (AGs).

- **Vaccine Business Unit**
  - The Vaccine Business Unit develops a vaccine business that creates the vaccines needed in Japan and makes comprehensive contributions to medicine in Japan through a stable supply of high-quality vaccines.

- **Daichi Sankyo Healthcare Co., Ltd.**
  - Daiichi Sankyo Healthcare Co., Ltd. is engaged in an over-the-counter (OTC) business that contributes to self-medication and self-care in Japan and Asia through the provision of OTC medicines and skincare and oral care products.

- **Medical Affairs Unit**
  - The Medical Affairs Unit collects, analyzes, evaluates, creates, and distributes information on pharmaceuticals to maximize the value of Daiichi Sankyo products evaluated as contributing to treatment in the medical field.

---

**Overseas**

- **United States**
  - Daiichi Sankyo, Inc. (DSAC)
    - DSAC develops innovative pharmaceutical operations in the United States focused on pain, oncology, and other specialty fields.

- **Europe**
  - Daiichi Sankyo Europe GmbH
    - Daiichi Sankyo Europe GmbH provides innovative pharmaceuticals for cardiovascular, oncology, and other specialty fields in 12 European countries.

- **Asia, South & Central America (ASCA)**
  - The ASCA Company develops pharmaceutical operations based on regional value in China, Brunei, South Korea, Taiwan, Hong Kong, Thailand, and other parts of the ASCA region.

---

**United States**

- **Luitpold Pharmaceuticals, Inc.**
  - Luitpold Pharmaceuticals, Inc., offers an iron injection franchise for treating iron-deficiency anemia as well as a generic injection franchise in the United States.

---

* Authorized generic (AG): Generic drug manufactured after receiving consent from the manufacturer of the original drug through the receipt of patent rights. The same ingredients, quantities, and manufacturing processes as the original drug are used to create a generic drug of the same quality as the original, and authorized companies are granted priority permission to market these drugs ahead of other companies by using the patent rights. 

* DSAC: Daiichi Sankyo, Inc., Administrative & Commercial Operations
The Sales & Marketing Unit delivers a broad range of products to patients. This enables us to deliver products and information not only from the perspective of one single disease, but also from the perspective of the total care of patients. We strive to contribute to medicine in Japan as a trusted medical partner by continually providing high-quality pharmaceuticals and accurate information.

### Progress of the Sales & Marketing Unit’s 5-Year Business Plan

#### Target

Enhance Daiichi Sankyo’s reputation as a trusted medical partner by improving information provision activities based on the BRIDGE concept.

Aim to firmly maintain No. 1 ranking in MR assessment.

Maximize revenue by promoting field and product strategies.

Build foundations for sustainable growth by expanding our major domestic products and new products.

Construct systems and functions in response to environmental changes.

Establish sales networks in the specialty care area.

Promote a multichannel approach.

Utilize a multichannel approach that meets individual needs.

#### Major Achievements in Fiscal 2017

- MRs ranked No. 1 for the sixth consecutive year
- Earned highest revenue since the business merger
- Promoted and enhanced area marketing
- Constructed systems and functions in response to environmental changes
- Promoted a multichannel approach
- Utilized a multichannel approach that meets individual needs

#### Initiatives for Fiscal 2018

- Aim to firmly maintain No. 1 ranking in MR assessment
- Maximize revenue by promoting field and product strategies
- Construct systems and functions in response to environmental changes
- Promote a multichannel approach
- Utilize a multichannel approach that meets individual needs

### Topics

To Become an Innovative Group that Leads the Japanese Market

Daiichi Sankyo ranked No. 1 among Japanese companies in pharmaceutical revenue for two consecutive years, fiscal 2016 and fiscal 2017, as a result of the expansion of its innovative pharmaceuticals including LIXIANA, as well as Daiichi Sankyo Euphaus GE business. On the other hand, the environment surrounding medicines in Japan is undergoing a drastic transform. In fiscal 2018, we will implement various reforms including reorganization and work style transformation, and build business foundations that will allow us to keep achieving results as a core unit for the Group’s revenue.
**Business Activities**

**Sales & Marketing Unit: Daiichi Sankyo Espha Co., Ltd. (Generic Business)**

Daiichi Sankyo Espha takes pride in being an innovator in the domestic generic pharmaceutical industry and provides authorized generics (AGs), or a new standard for generics featuring formulation, labeling, and packaging innovations that are easy to swallow but hard to swallow accidentally. Going forward, we will create an environment that enables the use of generics while addressing various needs, in order to contribute to national medicine in the era of rapidly aging societies.

*Authorized generic (AG): a generic drug manufactured after receiving approval from the brand-name pharmaceutical company through the receipt of patent rights*

Hiroto Yoshiwaka  Daiichi Sankyo Espha Co., Ltd. President

### Progress of Daiichi Sankyo Espha's 5-Year Business Plan

**Target**

- Strengthen the authorized generic (AG) lineup
- Steadily launch AGs and other day-one generics* and gain market shares
- Step up coordination with partners in Japan and overseas

**Major Achievements in Fiscal 2017**

- Launched AGs with 5 new active ingredients for major drugs
- Newly launched authorized generic drugs gained a large market share as generic drugs that meet market needs
- Promoted cost reductions with a view toward future environmental changes
- Strengthen coordination with partner companies based on changes in the market environment

**Initiatives for Fiscal 2018**

- Expanding product portfolio focused on AGs
- Secured market shares by launching new products including AGs
- Promoted development themes based on changes in the market environment
- Coordinate partnerships with companies on future environmental changes
- Promote development themes to improve AG recognition and recognition rates

### Vaccine Business Unit

**Vaccine Business Unit (Vaccine Business)**

In November 2017, Kitasato Daiichi Sankyo Vaccine Co., Ltd. (KDSV) became a wholly owned subsidiary of Daiichi Sankyo, enabling a smoother collaboration than ever before. In April 2019, KDSV will be reorganized as a subsidiary specialized in production, Daiichi Sankyo Biotech in order to further improve stable production and quality, and strengthen the financial condition of the Company. The Vaccine Business Unit will implement Transformation that anticipates future changes within the changing environments.

Toshiaki Tojo, Ph.D., Head of Vaccine Business Unit

### Progress of the Vaccine Business Unit's 5-Year Business Plan

**Target**

- Establish stable and low-cost supply systems
- Develop a pandemic influenza vaccine
- Complete the establishment of a development and production system for pandemic influenza vaccine
- Develop and encourage early adoption of new influenza vaccines expected to be highly effective and new, highly convenient combination vaccines

**Major Achievements in Fiscal 2017**

- Achieved early shipment, increased production and completed all vaccine shipments before the influenza season
- Achieved early completion of all components before the influenza season
- Achieved the stable supply of influenza vaccines
- Promoted development themes

**Initiatives for Fiscal 2018**

- Complete the establishment of a development and production system for pandemic influenza vaccine
- Promote development themes
- Promote development themes
- Complete the pandemic influenza vaccine project
- Achieve stable supply and implement cost reductions
- Achieve stable supply of MR vaccines and store sufficient vaccine stock solutions in preparation for a sudden epidemic
- Promote cost reduction measures for overall vaccine production and aim to maximize productivity

### TOPICS

**Ensuring the AGs have even better competitive advantages**

In response to the expansion of our AG lineup, we have been working so that healthcare professionals can better recognize and understand AGs, which has resulted in increased AG recognition rates* of 66% among doctors (+22 points y/y) and 86% among pharmacists (+14 points y/y) as of March 2018. We will continue to make efforts to improve AG recognition and understanding, which is the key to ensuring the competitive advantages of AGs, as well as achieving a market share of 80% for generic drugs on a volume basis, which is the government target.

*ANTERIO Inc. “Recognition Survey on AGs”*

**In Search for Synergy with Biotechnology**

In the face of the increased importance of biopharmaceuticals, Daiichi Sankyo is enhancing its biological technologies. KDSV boasts a broad range of biological technologies cultivated over its long history of vaccine production. Going forward, KDSV will be reorganized as Daiichi Sankyo Biotech, and it will not only produce vaccines, but also contribute to Daiichi Sankyo’s biopharmaceutical business by applying its biological expertise.
### Business Activities

#### Business Units (Japan)

**Daiichi Sankyo Healthcare Co., Ltd. (OTC Related Business)**

In fiscal 2017, sales exceeded market growth and set a new record high for the third consecutive year. Daiichi Sankyo Healthcare will continue to promote self-medication and self-care through the provision of products familiar to customers, such as over-the-counter (OTC) drugs, skincare, and oral care products, and will tackle new goals based on our mission of "transition to higher QOL" for all individuals hoping to be healthier and more attractive. *1

Yoshiki Nishii, Daiichi Sankyo Healthcare Co., Ltd., President

<table>
<thead>
<tr>
<th>Progress of Daiichi Sankyo Healthcare’s 5-Year Business Plan</th>
<th>Initiatives for Fiscal 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target</strong></td>
<td><strong>Major Achievements in Fiscal 2017</strong></td>
</tr>
<tr>
<td>Improve product brand value in the OTC business</td>
<td>Grew smoothly in the mainstay area</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Accelerate the growth of the direct marketing business through leveraging synergies with Im Co., Ltd., in the direct marketing business</td>
<td>Launched the new BRIGHTAGE skincare brand</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Overseas business: achieve independence</td>
<td>Expanded business in China and elsewhere</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Strengthen operating foundations to ensure responsiveness to market environment changes</td>
<td>Established the CSI* Department and Product Strategy Department</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*1: Abbreviation of quality of life

---

#### Business Units (United States)

**Daiichi Sankyo, Inc. (DSAC*)**

Daiichi Sankyo, Inc. is in a period of exciting transition. The Company has begun the hard work of reorganizing into a specialty organization. Not only are we skilled at maximizing our in-line products, as shown through the successful launch of Morpholfin ER and the continued growth of Injector, but we have also laid the groundwork in the commercial organization to ensure we are ready to succeed in launching our future oncology medicines in the United States pending FDA approval. We are instilling a culture of collaboration and innovation on behalf of the patients we serve and who rely on us.

Ken Keller, Daiichi Sankyo, Inc. President

<table>
<thead>
<tr>
<th>Daiichi Sankyo, Inc., 5-Year Business Plan</th>
<th>Initiatives for Fiscal 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target</strong></td>
<td><strong>Major Achievements in Fiscal 2017</strong></td>
</tr>
<tr>
<td>Build and grow oncology capabilities</td>
<td>Built and Sustained Momentum</td>
</tr>
<tr>
<td></td>
<td>• With new initiatives, injector grow not only within the hematology/oncology market – where it is still the market leader – but also overall in new areas of patient need.</td>
</tr>
<tr>
<td>Grow pain business</td>
<td>Successful launch of Morpholfin ER</td>
</tr>
<tr>
<td></td>
<td>• In the first six months after launch, Morpholfin ER total prescriptions exceeded all recent ADF launches. Also, our Commitments in Pain Care program is dedicated to awareness and education around responsible pain management</td>
</tr>
<tr>
<td>Maximize profit for mature products through LOE* time-frame</td>
<td>Maintained Access for In-Line products</td>
</tr>
<tr>
<td></td>
<td>• We focused on maintaining demand for Watch in advance of generic entry, and programs to assist patients in accessing our branded hypertension products.</td>
</tr>
</tbody>
</table>

*1: Daiichi Sankyo, Inc. Administration & Commercial Operations

---

### TOPICS

**Growth of the MINON Amino Moist skincare brand**

Sales of this brand have increased dramatically since its renewal in 2015 and it has played the role of being a growth driver in this 5-year business plan. In the Japanese market, this brand has attracted a lot of attention from women and grown to be a leading brand in the sensitive skin category. In other countries, we launched an eighth additional item in China in April 2017 and entered the Singapore and Taiwanese markets in September. Going forward, we will develop the brand as a strategic brand that effectively combines inbound and outbound marketing.

---

**Transformation and New Ways of Thinking to Set Ourselves Apart**

Daiichi Sankyo, Inc. is creating an agile organization that transforms into a successful oncology company with the skills and insight to stay ahead of market dynamics in order to meet and exceed our customers needs. Future success in the US market will be possible only by bringing forward new medicines that help patients live longer, better quality lives compared with standard of care, and communicating each new medicine’s value. We remain inspired by the possibilities to achieve commercial excellence, but more importantly, to serve patients.
Daiichi Sankyo Group Value Report 2018

Business Activities

Luitpold Pharmaceuticals, Inc.

Luitpold is a developer, manufacturer and distributor of diversified pharmaceutical products. Our growing business comprises high quality injectable generics, branded iron and veterinary medicine use. Our capabilities allow us to develop and launch difficult-to-manufacture and complex generics. Luitpold employs around 1,000 people in the U.S. and we manufacture products within facilities in New York and Ohio. We market our products to hospitals, wholesalers, group purchasing organizations, veterinarians, and government agencies. Our broad portfolio of more than 30 marketed products is constantly evolving.

Ken Keller Luitpold Pharmaceuticals, Inc. President & CEO

Daiichi Sankyo Europe GmbH

The last year has been a very successful one for Daiichi Sankyo Europe: LIXIANA® is continuously increasing its market share and our revenue has grown by 2% compared to the previous year despite the generic erosion of the Olmesartan portfolio.

To be able to stay successful in a constantly changing environment, we have to focus relentlessly on our customers’ needs. Our aspiration is to become, by 2020, the benchmark for customer centricity in the areas we work to sustain growth. Our values, collaboration, commitment, courage and integrity will support us to reach this goal as guiding principles in all our customer interactions as well as internally.

Jan Van Ruymbeke, MD. Daiichi Sankyo Europe GmbH Managing Director, CEO

### Business Units (Europe)

#### Daiichi Sankyo Europe 5-Year Business Plan

**Target**

**Initiatives for Fiscal 2018**

**Maximize LIXIANA’s potential**

*Successful Launches of LIXIANA*

- Since we launched LIXIANA in 2015 in Germany and the UK, all countries in Europe, except for France, have by now introduced LIXIANA in their local markets.
- These latest launches have proven to be very successful. As a result, our EU patient market share in March 2018 equals 15%.
- This growing uptake of LIXIANA has more than offset the impact of the loss of exclusivity for Olmesartan.

**Focus on Gaining Market Share**

*We continue maximizing LIXIANA by focusing on market share gains.*

*We will achieve this by differentiating from competitors and by flawlessly implementing this strategy in all our activities.*

**Establish oncology business**

*We have been preparing diligently for the future oncology business.*

*In addition, through our medical affairs department, we are working closely with Cancer Enterprises to ensure the successful development of DS-8201.*

**Launch with Excellence**

*Our focus is on preparing a successful launch of our DS-8201 in 2019.*

**Develop organization to further evolve into specialty care provider**

*We have expanded the oncology division over the last year, we have set the ground for future launches.*

*At the same time we have further adapted our customer-facing roles to the needs of a specialty care environment.*

**Evolve Together with Our Customers**

*We are constantly evolving our organization to adapt to the changing healthcare environment.*

*In FY 2018, we will keep focusing on how to best provide our customers with solutions for their requirements in both the cardiovascular and oncology fields.*

---

**Daiichi Sankyo Europe 5-Year Business Plan**

**Target**

**Initiatives for Fiscal 2018**

**Successful Launches of LIXIANA**

- Since we launched LIXIANA in 2015 in Germany and the UK, all countries in Europe, except for France, have by now introduced LIXIANA in their local markets.
- These latest launches have proven to be very successful. As a result, our EU patient market share in March 2018 equals 15%.
- This growing uptake of LIXIANA has more than offset the impact of the loss of exclusivity for Olmesartan.

**Focus on Gaining Market Share**

*We continue maximizing LIXIANA by focusing on market share gains.*

*We will achieve this by differentiating from competitors and by flawlessly implementing this strategy in all our activities.*

**Maximize LIXIANA’s potential**

*Successful Launches of LIXIANA*

- Since we launched LIXIANA in 2015 in Germany and the UK, all countries in Europe, except for France, have by now introduced LIXIANA in their local markets.
- These latest launches have proven to be very successful. As a result, our EU patient market share in March 2018 equals 15%.
- This growing uptake of LIXIANA has more than offset the impact of the loss of exclusivity for Olmesartan.

**Establish oncology business**

*We have been preparing diligently for the future oncology business.*

*In addition, through our medical affairs department, we are working closely with Cancer Enterprises to ensure the successful development of DS-8201.*

**Launch with Excellence**

*Our focus is on preparing a successful launch of our DS-8201 in 2019.*

**Develop organization to further evolve into specialty care provider**

*We have expanded the oncology division over the last year, we have set the ground for future launches.*

*At the same time we have further adapted our customer-facing roles to the needs of a specialty care environment.*

**Evolve Together with Our Customers**

*We are constantly evolving our organization to adapt to the changing healthcare environment.*

*In FY 2018, we will keep focusing on how to best provide our customers with solutions for their requirements in both the cardiovascular and oncology fields.*

---

**Luitpold Pharmaceuticals 5-Year Business Plan**

**Target**

**Initiatives for Fiscal 2018**

**Build Injectator into flagship product and market leader**

*Secured market leader position*

- Luitpold increased market share and maintained predominant presence as a market leader in the injectable iron category through Injectator and Vencer businesses.
- Total market share Injectator + Vencer was approximately 70% through the end of FY2017.

*Achieved the revenue target*

- Revenue achieved $310 million, an increase of 40.1% over the previous year. Strategic collaboration between Luitpold and DSAC throughout the year resulted in significant growth for Injectator, which was the largest contributor for Luitpold in reaching record revenue.

**Expand generic injectable portfolio with a variety of products to support customer needs**

*New products*

- Luitpold successfully launched 5 new products in FY2017: Indigo Carmine, Calcium Chloride, Busulfan, Dicoumarol and Methohexital.
- All launches successfully contributed to generic injectable business growth.

*Achieved the revenue target*

- In parallel with contributions from new product launches, Luitpold’s existing drugs also drove strong performance.
- Swift reactions to market drug shortages were representative of a robust pipeline and commitment to responding to the U.S. medical marketplace.

**Reinforce rock-solid No.1 presence**

*Revenue target in FY2018 is $355 million, up 14.5% from the previous year. Key strategies are to:*

- Differentiate clinical-value-added services.
- Increased DA awareness and diagnosis among referrers.
- Drive awareness among disilludened oral iron patients and call to action.

**Accelerate life cycle management**

- Phase 3 clinical trial titled HEART-FID study is ongoing, and will assess the efficacy and safety of iron therapy using Injectator relative to placebo, in treating patients with heart failure, iron deficiency and a reduced ejection fraction.

**Expand generic injectables portfolio**

- Luitpold plans to launch 6 new products in FY2018 in order to offset revenue loss from increase competition in some key categories.
- Our strategy is to continue developing and launching new niche products and hard-to-manufacture generics such as cytotoxic oncology products.

**Progress CapiEx investment**

- A long-term investment of approximately $200 million has been launched across three manufacturing sites.
- This investment emboldens a commitment to our company’s future, and represents an opportunity for us to deliver state-of-the-art manufacturing capabilities with a robust and sustainable turkey pharmaceutical operation.

**TOPICS**

**Luitpold to be renamed to American Regent**

Luitpold announced it will change its legal name to American Regent in January 2019. American Regent was the market facing brand for Luitpold’s iron products and multisource injectable franchise, which represented more than 95% of revenue. The division to elevate the American Regent brand as the official corporate name supports our principles of customer-centricity and a deep commitment to and investment in U.S. sterile pharmaceutical manufacturing. American Regent is a strong, well-recognized, and well-respected brand and the new name reinforces our emphasis on strength and stability.
The keywords concerning the growth of the ASCA company are China, Liviana, and business development. In China, the world’s second-largest market, we aim to maximize sales through alliances. For Liviana, we will take full advantage of the customer base that we have established for Olmesartan and synergize both products. Regarding business development, we will explore new markets by in-licensing local products with regional value and establishing new local corporations.

Hiroshi Okuawa, ASCA Company President

Progress of the ASCA Company's 5-Year Business Plan

<table>
<thead>
<tr>
<th>Target</th>
<th>Major Achievements in Fiscal 2017</th>
<th>Initiatives for Fiscal 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintain and expand sales of existing products</td>
<td>Achieved revenue of ¥80.4 billion (up 11.4% year on year)</td>
<td>Expand the sales of existing mainstay products including Cravit, Livolated, and Loxonat significantly in China.</td>
</tr>
<tr>
<td>Quickly develop, launch, and expand sales of new products</td>
<td>Achieved revenue of ¥90 billion (up 12.0% year on year)</td>
<td>Increase the market share of LUXARA in countries where it is marketed, expand sales regions by launching and promoting the product in South Korea.</td>
</tr>
<tr>
<td>Enhance portfolio of products matched to the specific needs of respective regions and countries</td>
<td>In-licensed products and steadily promoted development</td>
<td>Expand the sales of existing mainstay products including Cravit, Livolated, and Loxonat.</td>
</tr>
<tr>
<td>Accelerate new product development in China</td>
<td>In-licensed products and steadily promoted development</td>
<td>In-licensed local products in South Korea and Brazil.</td>
</tr>
<tr>
<td>Strengthen business capabilities and implement measures targeting growth markets with an eye to fiscal 2021 and beyond</td>
<td>Out-licensed products in countries where we do not have subsidiary and stepped up marketing activities for anticancer drugs</td>
<td>Obtain marketing approval for LATUDU in Brazil.</td>
</tr>
</tbody>
</table>

Functional Units

R&D Unit

The R&D Unit has made efforts to achieve its annual numerical targets on a per development stage basis as the goals of the 5-year business plan, and it has acquired enriched pipelines, especially in the oncology field. We defined our new R&D 2025 Vision in order to launch those products as valuable ones and continue to develop pipelines. We will largely shift R&D investment to the oncology field, maximize the value of the ADC and mAb portfolio, and focus investment in the IM" area as the priority focused area. We will strive to generate innovative medicine-changing SOC*

Glenn Gormley, M.D., Ph. D. Head of R&D Unit

Progress of the R&D Unit’s Plan

**R&D 2025 Vision**

<table>
<thead>
<tr>
<th>R&amp;D 2025 Vision</th>
<th>Major Achievements in Fiscal 2017</th>
<th>Initiatives for Fiscal 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximize near-term revenue and grow future franchises in the specialty medicine area</td>
<td>Obtained approval</td>
<td>Facilitate pivotal phase 2 studies in breast cancer and gastric cancer.</td>
</tr>
</tbody>
</table>

**TOPICS**

More Women Playing Active Roles in the ASCA Company

The ASCA company has bases in Asia and South and Central America, and is developing its business there. The company, whose operation is supported by approximately 2,000 employees, is characterized by the strong presence of women; women comprise more than 50% of its workforce, and women occupy more than 40% of managerial positions. Notably, almost all the managerial positions at Daiichi Sankyo (Thailand) are women. The company will make medical contributions matching the needs of the specific countries by promoting diversity including the presence of women in the company.

Managerial positions at Daiichi Sankyo (Thailand)
Biologics Unit

The Biologics Unit is in charge of enhancing the development of Daiichi Sankyo’s technological biologics. Nowadays biologics (biological molecules such as therapeutic antibodies and cells, and synthetic chemicals such as nucleic acids) have diversified. Biologics Unit quickly building the technology required for development of biologics from molecular design phase to commercial production phase. In addition, Biologics Unit is aiming to be an in-house center of excellence that cultivates and provide talent in biologics through the development of advanced technology, and in this way serve as an engine for sustained corporate growth.

Masayuki Yabuta, Ph.D., Head of the Biologics Unit

- Develop an antibody manufacturing process for DS-8201
- Established an antibody manufacturing process for commercial production
- Established an antibody manufacturing process for next generation ADCs
- Promote turning our proprietary technologies into a platform and reducing costs

- Developed cutting-edge technologies and apply them to product candidates
- New biologics using proprietary Daiichi Sankyo technologies
- Promoted drug discovery activities based on modalities
- Created new modalities for drug discovery themes including gene therapy
- Developed new method to produce nucleic acid delivery technology to vaccines (see TOPICS)
- Promoted cell therapy projects
- Implement technology transfer to CMOs regarding anticancer drugs
- Manufacture ADCs under development
- Application-related works and on-time technology transfer
- Developed a new method to produce nucleic acid monomers
- Developed high-value-added formulations, reduced costs, and established new production methods

- Manufactured product candidates using proprietary Daiichi Sankyo technologies
- Established a process to swiftly manufacture products under development
- Promoted drug discovery themes with antibodies, proteins, nucleic acids, and peptides as modalities
- Promoted innovative technologies and expand the scope of its application
- Construct and reinforce technology and human resources platforms to commercialize cell therapies and other biologics
- Promoted cell therapy projects
- Implement technology transfer to CMGs regarding anticancer drugs
- Manufacture ADCs under development
- Application-related works and on-time technology transfer
- Developed a new method to produce nucleic acid monomers
- Developed high-value-added formulations, reduced costs, and established new production methods

- Developed an antibody manufacturing process for DS-8201
- Established an antibody manufacturing process for commercial production
- Established an antibody manufacturing process for next generation ADCs
- Developed cutting-edge technologies and apply them to product candidates
- New biologics using proprietary Daiichi Sankyo technologies
- Promoted drug discovery activities based on modalities
- Created new modalities for drug discovery themes including gene therapy
- Developed new method to produce nucleic acid delivery technology to vaccines

- Manufactured product candidates using proprietary Daiichi Sankyo technologies
- Established a process to swiftly manufacture products under development
- Promoted drug discovery themes with antibodies, proteins, nucleic acids, and peptides as modalities
- Promoted innovative technologies and expand the scope of its application
- Construct and reinforce technology and human resources platforms to commercialize cell therapies and other biologics
- Promoted cell therapy projects
- Implement technology transfer to CMOs regarding anticancer drugs
- Manufacture ADCs under development
- Application-related works and on-time technology transfer
- Developed a new method to produce nucleic acid monomers
- Developed high-value-added formulations, reduced costs, and established new production methods

- Developed an antibody manufacturing process for DS-8201
- Established an antibody manufacturing process for commercial production
- Established an antibody manufacturing process for next generation ADCs
- Developed cutting-edge technologies and apply them to product candidates
- New biologics using proprietary Daiichi Sankyo technologies
- Promoted drug discovery activities based on modalities
- Created new modalities for drug discovery themes including gene therapy
- Developed new method to produce nucleic acid delivery technology to vaccines

- Manufactured product candidates using proprietary Daiichi Sankyo technologies
- Established a process to swiftly manufacture products under development
- Promoted drug discovery themes with antibodies, proteins, nucleic acids, and peptides as modalities
- Promoted innovative technologies and expand the scope of its application
- Construct and reinforce technology and human resources platforms to commercialize cell therapies and other biologics
- Promoted cell therapy projects
- Implement technology transfer to CMOs regarding anticancer drugs
- Manufacture ADCs under development
- Application-related works and on-time technology transfer
- Developed a new method to produce nucleic acid monomers
- Developed high-value-added formulations, reduced costs, and established new production methods

- Developed an antibody manufacturing process for DS-8201
- Established an antibody manufacturing process for commercial production
- Established an antibody manufacturing process for next generation ADCs
- Developed cutting-edge technologies and apply them to product candidates
- New biologics using proprietary Daiichi Sankyo technologies
- Promoted drug discovery activities based on modalities
- Created new modalities for drug discovery themes including gene therapy
- Developed new method to produce nucleic acid delivery technology to vaccines

- Manufactured product candidates using proprietary Daiichi Sankyo technologies
- Established a process to swiftly manufacture products under development
- Promoted drug discovery themes with antibodies, proteins, nucleic acids, and peptides as modalities
- Promoted innovative technologies and expand the scope of its application
- Construct and reinforce technology and human resources platforms to commercialize cell therapies and other biologics
- Promoted cell therapy projects
- Implement technology transfer to CMOs regarding anticancer drugs
- Manufacture ADCs under development
- Application-related works and on-time technology transfer
- Developed a new method to produce nucleic acid monomers
- Developed high-value-added formulations, reduced costs, and established new production methods
The Supply Chain Unit is in the process of transforming. We are transitioning towards a structure that will support anticancer drugs and biologics, making aggressive capital investments and developing our human resources to enhance the manufacturing ability of ADCs. Furthermore, we have improved manufacturing and supply of edoxaban which sustain recent growth globally, supporting our recent rapid growth. By continuing launch activities and maintaining stable supply of regional value product, we are reducing costs and contributing to further-reaching of the Group.

Katsuni Fujimoto, Ph. D., Head of Supply Chain Unit

- Transform and rebuild supply chain structures adapted to changes in the product mix
- Established a manufacturing system for anticancer drugs and biologics
- Expanded a manufacturing system by promoting capital investments such as: A. A manufacturing facilities including DS-8021
- Formulated a roadmap for securing and developing human resources in order to ensure personnel in charge of biologics, and enhance their skills, and promoted various initiatives for transformation of supply chain structures.

Construct a supply system in response to the growth of existing and new products and respond to new technologies

- Improved a supply system for edoxaban
- Responded to the need for increased production because of sales growth in Japan and Europe
- Prepared a product supply system in anticipation of future launches in other countries including China and Brazil

- Responded to new product launch on schedule
- Prepared a manufacturing system according to domestic launch schedules for esaxerenone and mirogabalin
- Established a manufacturing system for omisiran-AG

- Reinforced continuous profit generation by cost reductions
- Realized a decrease of more than ¥15.0 billion in manufacturing costs in comparison with fiscal 2015 by reducing manufacturing and supply-related costs including procurement for direct materials and facility procurement

- Reinforce continuous profit generation by cost reductions
- Promote manufacturing cost reduction by considering low-cost processes from various viewpoints including procurement and technical factors

TOPICS
Striving to be a “reliable supply chain with technological innovation”
Our duty is to improve raw material procurement, manufacturing, delivery, and our diverse technologies that support these factors, realize continuous cost reductions while maintaining the quality required by the market, and reinforce the foundations for corporate growth.
We will fulfill those duties through the following initiatives: establishment of a stable supply system for small molecule drugs including vaccines and biopharmaceuticals in collaboration with business bases and factories in the United States, Europe, Brazil, China, and especially Japan; establishment of an efficient manufacturing system for early introduction of new facilities/technologies that helps to realize the accelerated development and launch of new products in the oncology field; and daily challenge to technological innovation.

Functional Units
Supply Chain Unit

- The Progress of MA Unit’s 5-Year Business Plan
  - Target
    - Generated scientific evidence for edoxaban
    - Completed enrollment of the largest-scale registry study in Japan targeting elderly people with significantly shorter times than anticipated
    - Medical Science Liaison (MSLs) * started activities
    - France responsible for collecting clinical evidence and identifying and answering all-out questions to engage in medical and scientific discussion in all academic activities

  - Initiatives for Fiscal 2018
    - Generate evidence on priority products
      - Generated evidence on priority products
      - Engaged aggressively in scientific evidence generation on priority products such as prasugrel in the TENDINCULUM, and DES-8021 by activating global oncology MA
      - Contributed to the phase transition in the medical field

  - Medical Affairs Unit
  - Transition to the stage of disseminating scientific evidence on edoxaban
    - Complete enrollment of multiple clinical research and transition to the stage of evidence dissemination
    - Start presenting timelines data of large-scale studies (including patient background at enrollment) at academic society meetings

- The Progress of Supply Chain Unit’s 5-Year Business Plan
  - Target
    - Generate and disseminate scientific evidence in the oncology field
      - Established oncology foundation
        - Developed medical strategies (evidence generation / dissemination strategies to maximize product values) for quizartinib and DS-8021 by activating global oncology MA
      - Contribute to the phase transition in the medical field

- Initiatives for Fiscal 2018
  - Generate and disseminate scientific evidence on other priority products
    - Promote MA activities for other priority products and follow-up PENDULUM studies

  - Sophisticate MA system in response to environmental changes
    - Strengthen the global system
    - Increase activity as one of the major MA systems in Japan
    - Promote use of VOC and establish a system to provide oncology medical information

- Improve customer satisfaction, enhance medical information, and enliven practice of utilizing Voice of Customer (VOC)
  - Ranked No.1 for three consecutive years
    - Our call center was ranked No.1 among pharmacists in Japan targeting elderly people with significantly shorter times than anticipated

- Topics
Striving to be the unparalleled No.1 by introducing the industry’s first AI system
In April 2018, the Medical Information Center started inquiry response operations incorporating a call center support system that utilizes AI (artificial intelligence). This AI system comprehends the intent and meaning of inquiries, making it possible to swiftly deliver optimized information to patients and healthcare professionals by instantly finding closely-related Q&A data. Going forward, we will aim to continuously offer industry-top customer services by effectively using these AI technologies.

- The Global Medical Affairs (MA) Unit was established in October 2017 in a form of being added to the Japan MA functions. Our critical mission for 2018 is to establish launch readiness for our oncology products while enhancing our system. Additionally, MA activities focusing on mainstay products including edoxaban will finally transition to the stage of evidence dissemination. The quality of evidence and the high level of compliance awareness is the basis of our MA activity. We will strive to heighten the quality of our customer support by improving medical information functions in Japan.

Kohei Wada, Head of Medical Affairs Unit
### Business Activities

**Quality & Safety Management Unit**

The Quality & Safety Management Unit, a group of quality and safety specialists, is contributing significantly to quality management and safety assurance of pharmaceuticals and investigational drugs with its high-level of expertise and organizational strength. In fiscal 2018, we will proceed with post-marketing surveillance on mainstay products, the creation of evidence, and the improvement of safety measures. Furthermore, we will strengthen safety management and quality assurance with a view toward the post-marketing of DS-8201 and quinaprilat. We will contribute to achieving the 5-year business plan by implementing the PDCA cycle in such a way that we can be reborn, evolve, grow, and then show our true value.

Hiromu Izawa
Head of the Quality & Safety Management Unit

#### Progress of the Quality & Safety Management Unit’s 5-Year Business Plan

**Target**

- Continue the post-marketing surveillance on mainstay products and obtained additional real-world evidence
- Promote post-marketing surveillance on mainstay products and create additional evidence
- Introduce quality risk analysis and evaluation systems for new fields and new technologies
- Strengthen safety monitoring measures and verify the effectiveness of safety measures

**Major Achievements in Fiscal 2017**

- Continued the post-marketing surveillance on mainstay products and obtained additional real-world evidence
- Established a quality assurance system for products in new areas
- Reinforced safety measures for new and mainstay products

**Initiatives for Fiscal 2018**

- Promote post-marketing surveillance on mainstay products and create additional evidence
- Introduce quality risk analysis and evaluation systems for new fields and new technologies
- Strengthen safety monitoring measures and verify the effectiveness of safety measures

### CSR Activities

#### CSR Management

In this section, we explain Daiichi Sankyo’s corporate social responsibility (CSR) activities, which are integrated into its business activities and based on the **DAIICHI SANKYO Group Corporate Conduct Charter** (see below).

Specifically, we have identified CSR issues that need addressing as the Group for social and environmental issues related to sustainability. Of these, we have extracted material CSR issues as “materiality*” based on their importance, and categorized them into six priority areas on which to act.

The Company has established and implemented a system to promote CSR management to resolve these CSR issues. We also communicate with our various stakeholders, taking their evaluations of the Group to heart and reflecting these evaluations in CSR activities.

---

* CSR issues deemed important from the viewpoint of an organization’s effects on the economy/environment/society and effects toward the organization’s mission to long-term value

### The Principles of Our Corporate Activities to Fulfill Our Mission

**DAIICHI SANKYO Group Corporate Conduct Charter**

The **DAIICHI SANKYO Group fulfills 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. We comply with laws, regulations, and rules regarding global corporate activities, and act with the highest ethical standards and a good social conscience appropriate for a company engaged in a business that affects human lives based on the following principles. We fulfill our CSR by actively responding to an ever-changing society and enacting improvements for corporate value.

**Article 1** We diligently address medical needs by providing beneficial, safe, and reliable pharmaceuticals and services.

**Article 2** We conduct business in an ethical, fair and competitive manner, and maintain a healthy and professional relationship with our stakeholders, which include medical professionals and governments.

**Article 3** We actively communicate with our stakeholders by disclosing corporate information in a timely and appropriate manner.

**Article 4** We respect diversity in the personnel values, qualities and individuality of our employees, and ensure a safe and working environment that does not tolerate inappropriate treatment such as discrimination or harassment.

**Article 5** We responsibly manage the environmental impact of our operations as environmental issues are common challenges for mankind and such concerns are integral to our corporate activities and our very survival.

**Article 6** We actively engage in community activities and philanthropic programs focused on social causes.

**Article 7** We do not support or conduct our business with antisocial forces, prohibited entities or groups that may threaten the order or safety of civil society.

**Article 9** Executives of the DAIICHI SANKYO Group actively build and maintain effective systems to implement this Charter, ensure it is understood by all Group companies, and make this Charter known to our business partners.

**Article 10** If the Charter is violated, executives of DAIICHI SANKYO Group Companies ensure that there is a commitment to determine the cause of infringement, take corrective action as necessary and make efforts to prevent similar violations in the future. Executives are accountable for promptly making required disclosures and upon discovering responsibility regarding the infringement, impose appropriate disciplinary action, including upon Executives themselves.

### CSR Activities

The Group conducts activities to contribute to “Goal 3: Ensure healthy lives and promote wellbeing for all at all ages” of the Sustainable Development Goals (SDGs), particularly as a measure towards ever-changing sustainability issues. The SDGs are a set of goals for 2030 to address the key issues facing the world, and have been adopted by the member states of the United Nations. Seventeen goals to be accomplished by 2030 have 169 targets.

The Group’s initiatives with regard to the 17 SDGs have been compiled into a list of the Daiichi Sankyo Group’s initiatives related to the SDGs.

---

*A list of the Daiichi Sankyo Group’s initiatives related to the SDGs is available on the corporate website. [https://www.daiichisankyo.com/about_us/responsibility/csr/gc/index.html](https://www.daiichisankyo.com/about_us/responsibility/csr/gc/index.html)*
The Daiichi Sankyo Group’s CSR Activities

CSR Activities Based on the DAIICHI SANKYO Group Corporate Conduct Charter

Based on the DAIICHI SANKYO Group Corporate Conduct Charter, we are conducting CSR activities as part of all of our corporate activities. The DAIICHI SANKYO Group Corporate Conduct Charter defines principles to be practiced in all of the Company’s activities in order to fulfill its corporate mission. Taking each of these principles seriously and complying with legal regulations and rules, we act with the highest ethical standards and good social conscience appropriate for a company engaged in a business that affects human lives. Through this commitment, we strive to meet the diverse requirements and expectations of society to improve corporate value and thereby fulfill our CSR.

Identifying materiality in CSR activities and classifying their priority areas

Our CSR activities are based on responsible actions expected from pharmaceutical companies and global CSR initiatives such as the United Nations Global Compact (UNGC) from the perspectives of “diverse requirements and expectations of society” and “the relationship to our medium-to-long-term business.” The materiality has been identified based on these CSR issues and categorized per activity area.

CSR 6 priority areas for activities, 36 items identified as materiality and examples of initiatives

<table>
<thead>
<tr>
<th>Priority areas for activities</th>
<th>Materiality (56 items)</th>
<th>Examples of Initiatives</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop human resources</td>
<td>- Group talent management</td>
<td>- Recruitment and human resource development policies</td>
<td>82</td>
</tr>
<tr>
<td>Acquire and retain talented</td>
<td>- Development of new products</td>
<td>- Employment of new products</td>
<td>83</td>
</tr>
<tr>
<td>individuals</td>
<td>- Cultivation of the managers (organization heads)</td>
<td>- Technological Innovation</td>
<td>83</td>
</tr>
<tr>
<td>DAIICHI Sankyo Group</td>
<td>- Daiichi Sankyo Human Resources Management Philosophy</td>
<td>- Branding plan</td>
<td>83</td>
</tr>
<tr>
<td>Mutual Growth of Employees</td>
<td>- Acquisition of the Highest Grade of Excellence Certification based on the Act on Promotion of Women’s Participation and Advancement in the Workplace</td>
<td>- Promotion of Diversity and Inclusion</td>
<td>83</td>
</tr>
<tr>
<td>and the Company</td>
<td>- Promotion of The Women’s Employment Principles (WEPs)</td>
<td>- Participation in Business Alliance</td>
<td>83</td>
</tr>
<tr>
<td></td>
<td>- Support for the career development and work styles of diverse employees</td>
<td>- Support for the career development of women employees (Japan)</td>
<td>83</td>
</tr>
<tr>
<td></td>
<td>- Initiatives based on action plans for empowering women</td>
<td>- Company’s commitment to women’s empowerment</td>
<td>83</td>
</tr>
<tr>
<td></td>
<td>- Promotion of the employment of individuals with disabilities</td>
<td>- Support for the career development of men employees (Japan)</td>
<td>83</td>
</tr>
<tr>
<td></td>
<td>- Measures and resources to support diverse work styles (Japan)</td>
<td>- Support for diverse work styles (Japan)</td>
<td>83</td>
</tr>
</tbody>
</table>

The 36 CSR issues identified as materiality were further organized and classified into six priority areas for activities: Promoting compliance management, Mutual growth of employees and the Company, Enhancement of Communication with Stakeholders, Promoting Environmental Management, Addressing CSR and other environmental management system verification, and Conducting social contribution activities.

(See pages 76 to 77 “CSR 6 priority areas for activities, 36 items identified as materiality and examples of initiatives”)

Step 1: Recognizing CSR issues and identifying materiality

We have reviewed the information on CSR issues that pharmaceutical companies generally need to address by referencing the global initiatives (Ten Principles of the UNGC), the evaluation criteria of G30 indices (Dow Jones Sustainability Indices, FTSE4Good Index Series, Access to Medicine Index, etc.) as well as the policies and visions of pharmaceutical company organizations (International Federation of Pharmaceutical Manufacturers & Associations, Japan Pharmaceutical Manufacturers Association, etc.) and then identified 36 items as material.

Step 2: Classifying priority areas for activities related to materiality

The 36 CSR issues identified as materiality were further organized and classified into six priority areas for activities: Promoting compliance management, Mutual growth of employees and the Company, Enhancement of communication with stakeholders, Promoting environmental management, improving access to healthcare, and Social contribution activities.

1) A voluntary initiative in which companies and organizations demonstrate leadership and act as aspirational members of society by participating in the creation of global frameworks aimed at realizing sustainable growth

2) An international guidance standard aimed at helping companies and other organizations and address the social responsibilities relevant to their business
Promotion of CSR Activities

The Daiichi Sankyo Group is constructing a CSR management cycle based on the global management structure (see page 60) to promote CSR activities that are integrated into business operations.

Extracting CSR issues

Issues are extracted based on expectations and needs identified through various CSR initiatives stakeholder communication or results of the reviews by CSR/ESG evaluation organizations, and these are shared with related divisions and group companies.

Prioritizing issues

Issues that need to address are based on business strategies and requests from stakeholders, etc.

Appropriate responses to priority issues

Cooperation with related divisions and group companies to promote issues that should be prioritized.

Stakeholder communication

We conduct self-assessment through stakeholder communication such as reviews by CSR/ESG evaluation organizations and disclosure of responses regarding priority issues.

Inclusion in ESG Indices in Reflection of External CSR/ESG Evaluations

To address sustainability issues, we pursue ongoing improvements to our corporate values by integrating our CSR management cycle based on the global management structure (see page 60) to promote CSR activities that are integrated into business operations.

The CSR management cycle

- **Extracting CSR issues**: We conduct self-assessment through stakeholder communication such as reviews by CSR/ESG evaluation organizations and disclosure of responses regarding priority issues.
- **Stakeholder communication**: We communicate with stakeholders to understand their expectations and needs, and share our CSR activities and results.
- **Prioritizing issues**: We identify the most important issues based on business strategies and requests from stakeholders, etc.
- **Appropriate responses to priority issues**: We cooperate with related divisions and group companies to implement effective strategies for prioritized issues.

**Appropriate responses to priority issues**

- Cooperation with related divisions and group companies to promote issues that should be prioritized.

**Stakeholder communication**

- We conduct self-assessment through stakeholder communication such as reviews by CSR/ESG evaluation organizations and disclosure of responses regarding priority issues.

**Prioritizing issues**

- Issues that need to address are based on business strategies and requests from stakeholders, etc.

In addition to this, we have also been selected for the "DJSI Asia/Pacific," "RobecoSAM Sustainability Award Silver Class 2018," "FTSE4Good," "FTSE Blossom Japan," "MS-SRI," "SNAM Sustainability Index," and the "MSCI Japan Empowering Women (WIN) Select Index."

The first Japanese company to be selected for the "Silver Class" in the pharmaceutical sector

The Company has been selected for the "Silver Class" of S&P Dow Jones Indices LLC of the United States, Dow Jones Indices LLC of the United States, a wholly owned subsidiary of S&P Global Inc., and the FTSE Russell, a global index provider and wholly owned subsidiary of London Stock Exchange Group plc. The FTSE Blossom Japan Index is used for sustainable investments and is widely applied in creating and assessing indexes selected by the Government Pension Investment Fund (GPIF) as an ESG Index.

The Company has been selected for the "Silver Class" of the FTSE Russell, a global index provider and wholly owned subsidiary of London Stock Exchange Group plc. The FTSE Russell is a leading global index provider with more than 12,000 indexes covering 45 asset classes, sectors, and industries. The FTSE Russell is used for sustainable investments and is widely applied in creating and assessing indexes selected by the Government Pension Investment Fund (GPIF) as an ESG Index.

The Company has been included in the index for the first time and the DJSI Asia/Pacific for eight years.

The DJSI is managed cooperatively by S&P Dow Jones Indices LLC of the United States and RobecoSAM AG of Switzerland. The ESG Index evaluates the sustainability of a company and provides important criteria for investors to select investment targets. The Company has been included in the DJSI World Index for the first time and the DJSI Asia/Pacific for eight consecutive years.

**Areas in which Daiichi Sankyo was ranked the highest among pharmaceutical companies**

- **Economic Dimension**: Codes of Business Conduct
- **Environmental Dimension**: Climate strategy
- **Social Dimension**: Occupational Health and Safety

**Inclusion in ESG Indices**

- **DJSI World Index**: Pharmaceutical sector
- **DJSI Asia/Pacific**: Pharmaceutical sector
- **FTSE Russell**: Global Index Provider
- **FTSE Blossom Japan**: Sustainable investments
- **FTSE4Good**: ESG Index
- **SNAM Sustainability Index**: Swiss-based Sustainability Award
- **MSCI Japan Empowering Women (WIN) Select Index**: ESG Index in Japanese stock

**Initiatives toward materiality**

In April 2018, we established a global "Access to Healthcare Policy" that addresses our goal to unite as a company towards global health. The policy summarizes research and development, pharmaceutical technologies, manufacturing, sales and marketing, quality & safety management, and we also recognize the importance of promoting CSR in the supply chain, and revised the "Global Procurement Policy," the highest-level policy for procurement, in October 2017, along with revising the "Sustainable Procurement Guideline."

The Daiichi Sankyo Group takes appropriate measures toward various sustainability issues including social/environmental issues such as human rights, gender equality, prevention of corruption, environmental conservation and global health.
CSR Activities

Promoting Compliance Management

No matter how successful or strongly performing a company may be, it will be unable to continue corporate activities within society if it does not practice good compliance. Therefore, as a global pharmaceutical company, the Daiichi Sankyo Group practices management founded on compliance.

Basic Policy

At the Daiichi Sankyo Group, we define integrity as one of our Core Values. We have therefore positioned compliance as the standard we use in making decisions and value judgments. In conducting our global business operations, we remain compliant with all relevant laws and regulations and conduct compliance management with a strong focus on ensuring the highest level of ethics and social consciousness, which is essential for a life science-oriented company.

To guide us in these efforts, we have established the Daiichi Sankyo Group Corporate Conduct Charter (Charter) and the Daiichi Sankyo Group Individual Conduct Principles (ICP), which are applied throughout our operations. Based on the essence of the Charter and the ICP, the Company and other Group companies have developed compliance conduct standards appropriate to their respective regions and social requirements. Awareness regarding these standards is being entrenched among all executive officers and employees.

Continued Operation of Compliance System

In Japan, the head of the Corporate Affairs Division serves as the compliance officer, a position that entails managing our entire compliance program, which includes the Daiichi Sankyo Code of Conduct for Compliance and related rules and annual objectives. The compliance officer also serves as the chairperson of the Company’s Corporate Ethics Committee in Japan. This committee is a deliberation and decision-making body for compliance that meets twice per year, in principle, and is made up of 13 members including 12 internal representatives and an appointed external attorney, who ensures that the committee operates in a transparent and reliable manner. Full-time Members of the Audit and Supervisory Board will also participate as observers. In addition, a compliance officer, etc. is appointed at each Group company in Japan and overseas to promote and oversee compliance programs at their respective companies.

Furthermore, in order to ensure the effectiveness of Daiichi Sankyo Group’s global compliance system, we established the Global Compliance Advisory Committee as an advisory organ to the Corporate Ethics Committee. Full-time members of the committee include compliance officers from subsidiaries in Europe and the United States, and the committee is responsible for examining the global policies and annual targets of the Group. Deliberations made at the Corporate Ethics Committee and the Global Compliance Advisory Committee are reported to the CEO, COO and the Board of Directors as Fiscal Year Promoting Activities on Compliance.

Implementation of a Compliance Awareness Survey

A compliance awareness survey was conducted in approximately 9,000 corporate and domestic Group executives and employees (including temporary and contract staff). The response ratio was 96.7% for the entire Group in fiscal 2017. We were able to ascertain the Group’s strengths and issues through this survey by analyzing factors such as comprehension levels of the Group’s mission and compliance-related codes, compliance implementation, and development of in-house systems. The results of this survey were reported to the Corporate Ethics Committee, CEO and COO, and also analysis results for each organization were delivered as feedback to each unit head, Group President and persons in charge of promoting compliance in Japan in order to utilize as basic data for activities promoting compliance in the next fiscal year.

CSR Procurement

Promotion of Compliance in Procurement

In October 2017, our Group revised the Global Procurement Policy, which is the highest prioritized policy for procurement. It clearly states that we will formulate a Supplier Code of Conduct including six items (1. Ethics 2. Labor 3. Health and safety 4. Environment 5. Ensuring optimal quality, cost, and stable supply 6. Management systems) for all Group companies, including overseas subsidiaries, and bolster CSR procurement throughout the entire Group.

Implementation of CSR Self-Assessment Surveys

The CSR self-assessment surveys previously conducted were positioned as an initiative for the entire Group including overseas subsidiaries. Furthermore, we have decided to take a broader approach with this, and newly apply it to business partners (suppliers) of indirect materials as well as raw materials. For fiscal 2017, we conducted CSR self-assessment surveys for the top 100 companies for both direct and indirect materials.

Establishment of Global Anti-Bribery & Anti-Corruption Policy

No matter how successful or strongly performing a company may be, it will be unable to continue corporate activities within society if it does not practice good compliance. Therefore, as a global pharmaceutical company, the Daiichi Sankyo Group practices management founded on compliance.

Moreover, Daiichi Sankyo and domestic Group companies have also started conducting surveys toward secondary suppliers of important direct materials.

CSR Highlights

<table>
<thead>
<tr>
<th>Targets</th>
<th>Fiscal 2017 Accomplishments</th>
</tr>
</thead>
</table>
| Dissemination of global compliance policies including the Daiichi Sankyo Group Individual Conduct Principles | Conducted a compliance awareness survey
Conducted CSR self-assessment survey on CSR procurement
Established and rolled out Global Anti-Bribery & Anti-Corruption Policy |

How we adress CSR issues

Maturity | Observe Group-Wide Codes of Conduct

Thorough Prevention of Corruption

The laws and regulations against bribery and other forms of corruption in countries around the world are growing stricter with each coming year. Thus, it is becoming increasingly important for companies developing their operations on a global scale to implement initiatives for preventing bribery and other forms of corruption. Our Group clearly states preventing bribery and corruption as a basic principle per field in the Daiichi Sankyo Group Individual Conduct Principles. However, to make even greater strides toward these policies, the Daiichi Sankyo Group global anti-bribery and anti-corruption policy was newly established in October 2017, and includes details such as prohibiting cash payment to government officials and healthcare professionals.

We reviewed corporate policies and procedures and related operations of the Company and other Group companies, and conducted training programs for anti-bribery and anti-corruption. Our Group will continue to conduct training programs for anti-bribery and anti-corruption regularly, and bolster our corporate structure. We will especially take measures against bribery and other unwanted activities in business in high-risk countries. (See “Voice” below)

CSR Procurement

Establishment of Global Anti-Bribery & Anti-Corruption Policy

The Compliance Group of the Legal Affairs Department is responsible for promoting compliance on a Group-wide basis. Group companies that posed a high risk of bribery and other corruption were checked when implementing the Daiichi Sankyo Group Global anti-bribery and anti-corruption policy established in October 2017. Gifts and cash payment to healthcare professionals were reviewed to see whether there is any dishonest practices, confirming any dishonest practices, and instruction was given when applicable. We have also distributed anti-bribery and anti-corruption training material to overseas subsidiaries to support raising comprehension and awareness among employees. We will contribute to foster higher levels of compliance awareness through these activities.

Furthermore, we have decided to take a broader approach with this, and newly apply it to business partners (suppliers) of indirect materials as well as raw materials. For fiscal 2017, we conducted CSR self-assessment surveys for the top 100 companies for both direct and indirect materials.


Naoki Hatakeyama
Senior Director, Compliance Group, Legal Affairs Division
Daiichi Sankyo Co., Ltd.

VOICE

Aiming to Develop a High Awareness of Compliance

The Compliance Group of the Legal Affairs Department is responsible for promoting compliance on a Group-wide basis. Group companies that posed a high risk of bribery and other corruption were checked when implementing the Daiichi Sankyo Group Global anti-bribery and anti-corruption policy established in October 2017. Gifts and cash payment to healthcare professionals were reviewed to see whether there is any dishonest practices, confirming any dishonest practices, and instruction was given when applicable. We have also distributed anti-bribery and anti-corruption training material to overseas subsidiaries to support raising comprehension and awareness among employees. We will contribute to foster higher levels of compliance awareness through these activities.

Naoki Hatakeyama
Senior Director, Compliance Group, Legal Affairs Division
Daiichi Sankyo Co., Ltd.
The Daiichi Sankyo Group considers its people to be its most important asset, and pursues long-term growth by practicing innovation, integrity and accountability as described in its Core Values.

Basic Policy
At Daiichi Sankyo, we believe that employees, through their embodiment of the Daiichi Sankyo Group's Core Values and their diligent daily efforts to carry out our Commitments in and outside the Company, will be a strong driving force in realizing our vision and fulfilling our mission.

The Daiichi Sankyo Human Resources Management Philosophy was designed to support the development, empowerment, and fair treatment of employees that, irrespective of their location in the world, share in the principles of innovation, integrity and accountability. At the same time, we expect employees to uphold the ethics and standards we have defined and to work toward the realization of our corporate vision.

To improve the speed and quality of the Daiichi Sankyo Group's global operations, it is essential that businesses in different regions coordinate and collaborate closely with one another. We are further expanding our global business by providing rotational opportunities for our employees among our locations in different countries and regions, thus enabling employees to experience different cultures and ways of thinking and creating an environment in which diversity is respected.

CSR Activities

Mutual Growth of Employees and the Company

The Daiichi Sankyo Group considers its people to be its most important asset, and pursues long-term growth by practicing innovation, integrity and accountability as described in its Core Values.

Basic Policy
At Daiichi Sankyo, we believe that employees, through their embodiment of the Daiichi Sankyo Group’s Core Values and their diligent daily efforts to carry out our Commitments in and outside the Company, will be a strong driving force in realizing our vision and fulfilling our mission.

The Daiichi Sankyo Human Resources Management Philosophy was designed to support the development, empowerment, and fair treatment of employees that, irrespective of their location in the world, share in the principles of innovation, integrity and accountability. At the same time, we expect employees to uphold the ethics and standards we have defined and to work toward the realization of our corporate vision.

To improve the speed and quality of the Daiichi Sankyo Group’s global operations, it is essential that businesses in different regions coordinate and collaborate closely with one another. We are further expanding our global business by providing rotational opportunities for our employees among our locations in different countries and regions, thus enabling employees to experience different cultures and ways of thinking and creating an environment in which diversity is respected.

CSR Highlights

Fiscal 2017 Accomplishments

- Promoted Group talent management
- Obtained the highest grade of Eruboshi certification for promoting women’s participation and advancement in the workplace (in 2018)
- Selected for the 2018 Certified Health and Productivity Management Organization —White 500 (Fiscal 2018)

How we address CSR issues

Group Talent Management
Daiichi Sankyo promotes talent management with primary focus on leadership development, with the aim of continuously producing quality leaders in future generations.

- Regional Initiatives
  We have been organizing structures to develop future leaders in Japan, the U.S., Europe and ASCA. For example, in the ASCA region, we select candidates for next generation leaders from each country, and hold joint training sessions at our Headquarters in Japan. Participants boost/develop their leadership capabilities while debating/exchanging opinions on expansion and growth in emerging markets.

To ensure these initiatives are carried out, HR representatives from Japan, the U.S., Europe and ASCA region meet regularly to exchange information on the progress of shared global initiatives as well as regional initiatives.

- Mid-term policy of occupational health and safety management
  1. Promote employee health
  2. Bolster mental health care
  3. Execute measures toward safety management and comfortable workplace/working environment
  4. Enhance occupational health and safety system Based on the Human Resources Management Philosophy, which gives maximum consideration on employees’ mental and physical health, we strive to maintain and improve employees’ health in collaboration with the Daiichi Sankyo Group Health Insurance Association and labor union.

2018 Certified Health and Productivity Management Organization Recognition Program (Large Enterprise Category)—White 500
In fiscal 2017, we established a corporate structure with a CHO (Chief Health Officer) as the head toward maintaining and improving employees’ health. A Declaration of Health has also been issued by the CHO. At the moment, Daiichi Sankyo is working with the Health Insurance Association and labor union to enhance the environment where employees can actively maintain/improve their health by accurately understanding their own physical condition. We have set performance indicators and goals to reinforce health guidance and employee awareness. (See “VOICE” below)

In February 2018, Daiichi Sankyo has been selected for the 2018 Certified Health and Productivity Management Organization (White 500) by the Japanese Ministry of Economy, Trade and Industry. We received this recognition based on our continuous efforts to date, and on enhanced initiatives including the appointment of a CHO.

Promotion of Occupational Health and Safety
The Daiichi Sankyo Group determines and implements measures for each fiscal year based on the mid-term policy of occupational health and safety management which the senior management and trade union have agreed.

Maturity: Prevention of Occupational Accidents

Establishing Performance Indicators Related to Employee Health Maintenance and Improvement
Daiichi Sankyo has established an environment in which employees can proactively maintain their health. We believe this will promote behavioral changes that will result in preventing health problems in the future.

We promote the PDCA based on performance indicators and goals related to maintenance and improvement of employees’ health to encourage their behavioral changes.

To meet such goals, for fiscal 2018, we will develop and execute various measures to improve employee’s health awareness and literacy, through discussion and collaboration with the labor union.

Takashi Munese
Employee Relations Group, Human Resources Department, Corporate Affairs Division
Daiichi Sankyo Co., Ltd.
CSR Activities

Enhancement of Communication with Stakeholders

Responding to the social demands and expectations for the Daiichi Sankyo Group is crucial to the sustainability of corporate activities. We therefore communicate with our various stakeholders to foster mutual understanding, while pursuing cooperation.

Basic Policy

We believe that in order to achieve sustainable growth and the medium-to-long-term growth of corporate value, it is important to communicate with various stakeholders such as patients, their families, healthcare professionals, shareholders, investors, employees, business partners, and communities. By communicating with these various stakeholders, we are able to learn about their demands and expectations for us. Moreover, by explaining the Group’s initiatives, we will foster mutual understanding and facilitate cooperation for realizing a sustainable society.

We therefore communicate with our various stakeholders to foster mutual understanding, while pursuing cooperation.

CSR Highlights

<table>
<thead>
<tr>
<th>Targets</th>
<th>Fiscal 2017 Accomplishments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective disclosure of CSR and ESG</td>
<td>› Maintained the top ranking for six consecutive years in overall assessments of MR activities</td>
</tr>
<tr>
<td>information and improvement in external evaluation</td>
<td>› Swiftly and accurately responded to inquiries by introducing a call center support system using AI (artificial intelligence)</td>
</tr>
<tr>
<td></td>
<td>› Implemented the Management Caravan program, allowing for direct communication with employees both in Japan and overseas.</td>
</tr>
</tbody>
</table>

How we adress CSR issues

Maturity: Improve customer satisfaction

Aiming for being a trusted medical partner

Medical representatives (MRs) play a particularly important role in providing, gathering, and disseminating information to healthcare professionals including doctors and pharmacists. Information that healthcare professionals need differs greatly depending on the circumstances of the patient examined as well as the position and role of the healthcare professional. For example, they may be a family doctor, a specialist, a hospital pharmacist or at a dispensing pharmacy. Based on Daiichi Sankyo’s Bright Days Together (BRIDGE) concept, we hope to form a bridge to a brighter future for patients, their families, and healthcare professionals by responding appropriately to a wide range of diverse and constantly changing information requirements, and by striving to provide assistance. In addition, we aim to be seen as a trusted medical partner by all people involved in healthcare.

We also pursue continual improvements in the activities of MRs in Japan by utilizing surveys conducted on healthcare professionals by third-party research firms. In fiscal 2017, Daiichi Sankyo was ranked No. 1 in Japan in an overall assessment of MR activities in both the entire market and the hospital and private-practice market categories. We have maintained the top ranking for six consecutive years in the entire market and hospital categories, beginning with fiscal 2012.

Response to Inquiries from Patients and Healthcare Professionals

Our Medical Information Center strives to serve patients and healthcare professionals with the utmost respect and empathy while delivering accurate information. The Center puts into practice its four commitments: providing highly specialized information, giving consistent and high-quality responses, addressing customers cordially, and utilizing customer feedback.

In fiscal 2017, we made the decision to introduce a call center support system using AI (artificial intelligence), and took the lead over other companies from April 2018 in adopting this system for inquiry response operations aimed at QA&A for all products. This system recognizes the intent and meaning of inquiries, and finds closely related QA&A data in an instant so as to deliver an optimal answer for the individual making the inquiry. We have previously launched initiatives to improve response speed including the preparation of new QAAs and the refinement of product knowledge. We introduced AI with the goal of delivering information even more swiftly as an effective enhancement that can bring immediate results. (See "VOICE" on page 85.)

Materiality: Communication with Stakeholders

Communication with Shareholders and Investors

The Company discloses information according to its IR information disclosure policy, which complies fully with disclosure regulations. The policy calls for engaging in the timely and proactive disclosure of information for shareholders, investors, and other market players based on the principles of transparency, impartiality, and continuity.

In fiscal 2017, our IR activities included delivering the Convocation Notice of Ordinary General Meeting of Shareholders (in both Japanese and English) three weeks in advance as well as disclosing information four weeks in advance on the Internet. This was to ensure sufficient time for shareholders in Japan and overseas to consider before exercising their right to vote. In addition, we held a briefing session for shareholders in Nagoya to provide a place for communication with shareholders.

We also held quarterly financial results presentations and conference calls by the management, an R&D Day as well as the Daiichi Sankyo Seminar, which was hosted by internal specialists for institutional investors. Some of our newly launched initiatives include organizing seminars for institutional investors held immediately after R&D product presentations made at academic conferences, and holding similar seminars for securities companies upon request. As part of the regular activities for gathering IR information, we participated in conferences held by securities companies and visited and held teleconferences with institutional investors. These activities took place on approximately 350 occasions both in and outside Japan. With regard to ESG, we had conversations with experts and investors on six occasions, and held nine shareholder relations (SR) conferences with individuals designated voting.

In addition, we issued a twice-monthly IR e-mail magazine to investors, featuring recent topics related to the Group.

VOICE

Aiming to Achieve Even Greater Satisfaction with Our AI Inquiry Response System

The Medical Information Center receives around 500 inquiries from healthcare professionals and patients every day. The Center endeavors to acquire knowledge related to Daiichi Sankyo’s products and the diseases they treat so that it can provide swift and accurate responses to a wide range of inquiries. Our Medical Information Center has received high praise and trust in its responses to inquiries. The Center takes care in responding to inquiries courteously as a representative of the Company, and strives daily to make inquirers feel happy to have contacted Daiichi Sankyo. To further enhance the quality of the responses, we started running a call center support system using AI (artificial intelligence) in April 2018, enabling us to promptly deliver necessary and optimal information. Daiichi Sankyo aims to achieve even greater satisfaction with our AI inquiry response system going forward.

Rika Nagasaka

Medical Information Center Group I, Medical Information Department, Medical Affairs Division, Daiichi Sankyo Co., Ltd.
CSR Activities

Promoting Environmental Management

As the impact of various environmental factors increases, we will need to help realize a sustainable society if we are to continue our corporate activities. Accordingly, we are promoting environmental management in order to reduce our environmental impact, manage environmental risks and address climate change issues across the entirety of our business operations.

Basic Policy

Environmental issues such as global warming and extreme weather could be seen as very closely related to our lifestyles and work. We are practicing environmental management on a global scale in accordance with the Daiichi Sankyo Group Corporate Conduct Charter and the Basic Environmental Management Policy. We thereby aim to address such environmental issues through responsible corporate activities.

Environmental Management System

- The head of the General Affairs Division of Daiichi Sankyo serves as the chief executive officer of environmental management and oversees environmental management on a Group basis, while the vice president of the CSR Department promotes environmental management as the environmental management officer. As a system for promoting environmental management, we have established an environmental management unit that takes business activities into consideration, and each environmental management unit establishes an environmental management site that considers regions and functions as necessary, and manages the goals. In addition, we have established an Environmental Management Committee chaired by the chief executive officer of environmental management. This committee discusses the formulation of environmental management policies and other important matters to report to the Board of Directors.

Auditing Environmental Management

- The Group's auditing system for environmental management comprises three complementary approaches that are implemented in accordance with the situation at each operating site. These approaches include internal audits implemented by each operating site, evaluations by ISO audit organizations, and environmental audits performed by the environmental management team of CSR Department. Environmental audits of all operating sites by the CSR Department focus on compliance with environmental laws. For fiscal 2017, audits were conducted at the Daiichi Sankyo Headquarters, the Shinoagawa/Kasai Research and Development Center, Daiichi Sankyo Healthcare and the Daiichi Sankyo (China) Beijing Plant and Shanghai Plant. The audits confirmed that good compliance was being practiced and that there were no concerns with the potential of leading to major environmental risks.

- To facilitate responsible corporate activities that address climate change, we have set a CO2 emission target for fiscal 2020, the final year of the 5-year business plan, of pursuing a 5.6% reduction from fiscal 2015 based on our long-term CO2 emission target of reducing 27% for fiscal 2030 and the approach of the Science Based Targets (SBT) initiative,* which aims to help accomplish the goal of the Paris Agreement of keeping the average increase in global temperature below 2°C. This CO2 emissions target places us at the second SBT-certified company in Japan, and Daiichi Sankyo will continue to cooperate with the Ministry of the Environment in SBT promotional activities.

- We reached No.1 pharmaceutical company on Ranking of Japanese Corporations for Effective Efforts to Address Climate and Energy Issues rated by WWF in June 2018. Furthermore, we are taking actions against Climate Change such as participating in the "Japan Climate Initiative" that started in July of the same year.

- During fiscal 2017, at the plant and laboratories in Japan, an "Energy-saving assessment" was conducted for the evaluations and improvement of energy use. Operating sites in Europe and Brazil have significantly reduced CO2 emissions by using renewable energy. We are continuously introducing the renewable energy at the overseas operating sites. CO2 emissions for fiscal 2017 were 228,557t (7.1% reduction from fiscal 2016).

CSR Highlights

- Targets
  - Reducing environmental impact and risks, and addressing climate change (CO2 emissions target for fiscal 2020: 5.6% reduction from fiscal 2015)

- Fiscal 2017 Accomplishments
  - Acquired ISO14001 multi-site certification
  - Conducted environmental audits under the theme of environment-related laws
  - CO2 emissions: 228,557t (7.1% reduction from fiscal 2015)
  - Ranked No.1 among pharmaceutical corporations in effective efforts to address climate and energy issues evaluated by WWF Japan (2018)

- How we address CSR issues

Enhancing Environmental Management System

- The Group's auditing system for environmental management comprises three complementary approaches that are implemented in accordance with the situation at each operating site. These approaches include internal audits implemented by each operating site, evaluations by ISO audit organizations, and environmental audits performed by the environmental management team of CSR Department. Environmental audits of all operating sites by the CSR Department focus on compliance with environmental laws. For fiscal 2017, audits were conducted at the Daiichi Sankyo Headquarters, the Shinoagawa/Kasai Research and Development Center, Daiichi Sankyo Healthcare and the Daiichi Sankyo (China) Beijing Plant and Shanghai Plant. The audits confirmed that good compliance was being practiced and that there were no concerns with the potential of leading to major environmental risks.

Optimizing the Environmental Management System

- Operating sites that use large amounts of energy for manufacturing have acquired the certification of ISO14001, the international standard for the Environmental Management System (EMS). We acquired ISO14001 multi-site certification in January 2016. The certification covers CSR Department, all production sites in Japan and newly added Kitamoto site of Kitasato Daiichi Sankyo Vaccine. The objective of acquiring the certification is to strengthen governance of environmental management. Operating sites have established and comply with the "Daiichi Sankyo Group Environmental Management System Standard Documents" to build an EMS according to the ISO14001 standards.

- In our overseas Group, the Brazil Alphaville Plant has also acquired ISO14001 certification. We have started taking action towards acquiring ISO14001 certification for the Beijing and Shanghai Plants in China, and the Althirch Plant in France for fiscal 2018.

- The Daiichi Sankyo Group operates EMS to reduce environmental impacts and risks throughout all Group activities under "Optimization of the Environmental Management System." (See page 87, VOICE)

Efforts for Saving Energy and Combatting Global Warming

- The Fourth Medium-Term Environmental Management Policy states that we should "Lower the environmental impact of all operations by conserving energy and resources, and by reducing greenhouse gas emissions and waste." Acting in accordance with this policy, we are working to use resources and energy more efficiently.

Initiatives for Climate Change

- To reduce CO2 emissions by using renewable energy, we are continuously introducing the renewable energy at the overseas operating sites. CO2 emissions for fiscal 2017 were 228,557t (7.1% reduction from fiscal 2016).

- An international initiative that encourages companies to set CO2 reduction targets based on scientific evidence in order to help accomplish the goal of the Paris Agreement of keeping the average increase in global temperature below 2°C. The Company updates its corporate website with information on other initiatives. https://www.daiichisankyo.com/about_us/responsibility/csr/business/environment/index.html

- * An international initiative that encourages companies to set CO2 reduction targets based on scientific evidence in order to help accomplish the goal of the Paris Agreement of keeping the average increase in global temperature below 2°C.

- * An international initiative that encourages companies to set CO2 reduction targets based on scientific evidence in order to help accomplish the goal of the Paris Agreement of keeping the average increase in global temperature below 2°C.

Initiative "Integrate EMS and Business Activities" for ISO14001

- The Kitamoto site of Kitasato Daiichi Sankyo Vaccine acquired ISO14001 certification in January 2018. Upon acquiring certification, multiple meetings were held to promote understanding of what it means, and EMS restructuring was carried out aiming to integrate business and CSR activities.

- Specifically, we have set environmental targets to reduce waste and increase yield in the manufacturing and research divisions. We have also established the EMS that links the organizational goals of each division to the environmental improvements, such as by setting support and management as the environmental objectives in the staff division. As a result, we were able to realize the business activity goal of a stable vaccine supply and minimal product returns along with the EMS goal of reducing waste and saving resources, so we were able to fulfill the integration of business and environmental management with ISO14001. We will also promote business operations concerning biodiversity and the surrounding environment.

- Tomohiro Aizetsu
General Affairs Department, Kitasato Daiichi Sankyo Vaccine Co., Ltd.
Improving Access to Healthcare

Improving access to healthcare is an important mission as a pharmaceutical company. Unmet medical needs and access barriers to essential healthcare caused by social factors such as public health, education and income inequality are social issues against health and medical care. We are effectively utilizing internal and external resources to contribute to the resolution of these social issues.

Basic Policy

At the Daiichi Sankyo Group, our mission is “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 accomplish this mission, the Daiichi Sankyo Group utilizes various internal capitals such as human capital, intellectual capital, financial capital, and social and relationship capital through partnerships and open innovation. With these resources, we are able to take advantage of the Company’s strengths in terms of science and technology, its global organization and talent, and solid presence in Japan in order to advance our business activities, thereby contributing to the evolution of society.

Pharmaceutical companies face a multitude of challenges surrounding access to healthcare that must be addressed. These include unmet medical needs, access barriers to essential healthcare caused by social factors such as public health, education and income inequality.

The 5-year business plan establishes the “Access to Healthcare” policy of Daiichi Sankyo Group, which is the pillar for activities such as the “promotion of research and development,” “Improved access to pharmaceuticals,” and “reinforcement of regional medical infrastructures,” to be implemented mainly by the CSR Department Global Health Team. Initiatives for the Value Chain from research and development to manufacturing, sales and credibility assurance activities are being made as the Group. Initiatives for resolving these challenges contribute to the “Goal 3: Ensure healthy lives and promote wellbeing for all at all ages” of the Sustainable Development Goals (SDGs) established by the United Nations.

Continued initiatives targeting rare diseases

The Group has been expanding healthcare access to fight rare diseases as one of its initiatives toward resolving social issues related to health and medical care. We supply pharmaceuticals such as Bepotin®, Methylene Blue®, and Gabapentin® for rare diseases.

Daiichi Sankyo also provides DS-5141 (treatment for Duchenne muscular dystrophy), which is being jointly developed with the Orphan Disease Treatment Institute® and G4731 (DS-1647: oncolytic virus), which is being jointly developed with Professor Tomoko Todo of the Institute of Medical Science of the University of Tokyo. Each treatment has been designated for the Saiigake Designation System®, and the G4731 has been specified as an orphan generic medicinal product. In this way, we continue to strive to resolve issues related to rare diseases by applying our external resources such as joint development in addition to our in-house resources.

Healthcare services in Tanzania and China

We work together with NGO Plan International Japan to provide mobile healthcare field clinic services in Tanzania and to cultivate healthcare workers in China’s Yunnan Province. Evaluation items have been set for these activities, and progress is continuously monitored (see page 90 “External Voice”). Additionally, these activities have received recognition as initiatives from Access Accelerated®, and we have been reporting on activity results.

Participation in the Global Health Innovative Technology Fund

The Daiichi Sankyo Group has been funding the Global Health Innovative Technology (GHIT) Fund for its first phase, five years since its establishment in April 2013. Created to promote the development of drugs for combating infectious diseases in developing countries, the GHIT Fund is a public-private partnership originating in Japan and supported by the government of Japan, six Japanese pharmaceutical companies, and the Bill & Melinda Gates Foundation. During this time, the Fund has contributed to the progress of many innovative product developments through its investments.

The Group is participating in joint development with the Fund by utilizing its compound library (consisting of small molecules and natural substances) in a screening program through the Fund to explore candidate compounds to treat malaria and neglected tropical diseases (NTDs), namely leishmaniasis and Chagas disease. This program is at the lead-compound optimization stage for malaria and the lead-compound creation stage for leishmaniasis and Chagas disease.

The Group will continue to contribute to this Fund, which began its second phase in April 2018.

Progress report on Mobile Healthcare Field Clinic Services in Tanzania (February 2017 to December 2017)

- Number of mobile healthcare field clinics: 521 times
- Number of infants less than one year old who have received a triple vaccine: 5,934
- Number of pregnant women who received prenatal checkup (at 16 weeks): 2,782
- Number of participants in the campaign to raise awareness: 13,509
- Number of individuals who received training for healthcare workers: 110

• Cultivation of Healthcare Workers in China

In July 2015, the Company commenced a project targeting approximately 60,000 households in six towns of Guangnan County in the Yunnan Province of China. Daiichi Sankyo is supporting activities in the aforementioned regions to cultivate healthcare workers capable of contributing to better healthcare for children and mothers and to provide healthcare education to local residents. The Company is focusing on improving the health and nutrition among children aged five and under in this impoverished area. Over the project’s five-year period, we have been working to cultivate healthcare professionals through a series of Integrated Management of Childhood Illness (IMCI) strategy training sessions, while also establishing community center to offer education for improving the ability of local residents to address pediatric diseases.

Up to now, approximately 260 healthcare professionals (village doctors) have received IMCI training such as how to...
### CSR Activities

#### Improving Access to Healthcare

A scene from the essential newborn care training in Yunnan Province of China (January 2015 to December 2017)

- Number of participants in IMCI training: 257
- Number of participants in IMCI refresher training: 201
- Number of participants in Essential Newborn Care* training: 202
- Number of participants in community center activities: 9,823

1. Essential newborn care (ENC) is a set of guidelines recommended by the World Health Organization (WHO) on activities aimed at reducing infant mortality in developing countries where healthcare systems are limited. These activities incorporate the three main principles of ENC: moisturizing, nutrition (breastfeeding), and disease prevention.

### CSR Activities

#### Social Contribution Activities

We will not only contribute to society through our business activities but also voluntarily seek to help resolve the various issues that we face in ensuring the sound development of society.

### External Voice

We will promote innovative activities through partnership with corporates and private sector

The provision of mobile healthcare field clinics in Tanzania in collaboration with Daiichi Sankyo and the cultivation of healthcare workers in China are activities contributing to the accomplishment of Goal 3 of the Sustainable Development Goals (SDGs).

In addition to the outputs and outcome, a recent activity evaluation requires us to produce a social impact from a mid-to-long-term perspective. In Tanzania, a local community has built a simple facility for prenatal checkups for pregnant women and educational activities for local people in liaison with our activities proactively even without help from district government or NGOs. We consider this behavioral change in local people as one of social impacts. We will continue to support these community members so that they can solve local issues on their own in the future.

A simple facility built by the community

Deputy National Director, General Manager, Plan International Japan

Ikuro Sato

---

### Technical Cooperation for MR Vaccine Production

For five years until March 2018, Kitasato Daiichi Sankyo Vaccine cooperated with the Japan International Cooperation Agency (JICA) for the Vietnam POLYVAC* "MR Vaccine Production Technology Transfer Project." This technology transfer project has been incorporated into the MR vaccine expansion project with Vietnam-made vaccines, and administration of the vaccine for children in Vietnam started in March 2018. From now on, the country will be able to take swift action without relying on imported vaccines for measles or rubella outbreaks. The Company’s contribution to the project has been highly regarded in Vietnam, and earned the Vietnamese Minister of Health’s *Certificate of Good Performance Award* in September 2017, which is the most prestigious award for achievements in Vietnamese healthcare.

* Center for Research and Production of Vaccines and Biologicals in Vietnam

---

### CSR Highlights

#### Targets

- Promote activities based on global and regional needs
- Reconstruction support following the Great East Japan Earthquake

#### Fiscal 2017 Accomplishments

- Held the “Daiichi Sankyo Presents Family Tie Theater” program
- Supported overseas forest restoration projects, which are long-term reconstruction assistance measures for the Great East Japan Earthquake

---

### How we address CSR issues

#### Support for Cancer Patients and their Families

Daiichi Sankyo has been holding the “Daiichi Sankyo Presents Family Tie Theater” program in cooperation with the Shiki Theatre Company and NPO Cancer Support Community Japan every year since fiscal 2010. In fiscal 2017, approximately 400 patients and their families were invited to the event, and eight employees from the Group participated as volunteers for it.

A scene from the awards ceremony of the Vietnamese Minister of Health’s “Certificate of Good Performance Award”

A simple facility built by the community

Deputy National Director, General Manager, Plan International Japan

Ikuro Sato

---

### Reorganization Support Following the Great East Japan Earthquake

Daiichi Sankyo affirms the purpose of OISCA’s Coastal Forest Restoration Project, a long-term post-Great East Japan Earthquake reconstruction support program conducted by Natori City in Miyagi Prefecture, and has been supporting this initiative since 2012. In fiscal 2017, 24 volunteers from the Group participated in tree-planting activities.

The employee volunteers managed overall guidance including weeding and soil management.

---

### Basic Group Social Contribution Policy

- We will help create a sustainable society by engaging in activities that contribute to society.
- We will especially prioritize progress in medicine and pharmacology, social welfare, and environmental conservation. We will assist with disaster restoration, youth education, and promote culture and arts.
- We will foster healthy social development by participating in and supporting voluntary activities.
- We will engage with and prosper with communities.
Corporate Governance

The Daiichi Sankyo Group is working to secure legal compliance and management transparency, and to strengthen the oversight of management and the conduct of operations in addition to creating a management structure that can respond speedily and flexibly to changes in the business environment. We place great importance on building a corporate governance structure that is responsive to the trust that our stakeholders, especially our shareholders, place in us.

Up to this point, we have taken the following initiatives while conducting a self-evaluation of the Board of Directors (refer to P95) to strive for the increased functionality and effectiveness of the Board of Directors to reinforce our corporate governance.

Daiichi Sankyo will continue to implement initiatives to enhance its corporate governance systems going forward.

Initiatives to reinforce corporate governance

2005
- Appointed Members of the Board (Outside) (four out of ten members are Members of the Board (Outside))
- Established Audit & Supervisory Board (two out of four members are Members of the Audit & Supervisory Board (Outside))
- Introduced Corporate Officer System

2007
- Established Nomination Committee and Compensation Committee (the majority is comprised of Members of the Board (Outside))
- Introduced a share remuneration-type stock option plan

2014
- Prescribed specific criteria on the judgment of independence of outside officers
  - All members of the Nomination Committee and Compensation Committee (comprised of the Member of the Board (Outside))

2016
- Implemented and achieved compliance with all principles of Japan’s Corporate Governance Code

2017
- Increased the number of Members of the Audit & Supervisory Board (Outside) by one (three out of five members are Members of the Audit & Supervisory Board (Outside))
- Introduced a share remuneration-type stock option plan

2018
- Received the “Winner Company” award for “Corporate Governance of the Year® 2017”
- Received the “Governance of the Year® 2017”

Overview of the corporate governance structure

Characteristics of Daiichi Sankyo’s Corporate Governance

To clarify the management responsibility of Members of the Board and reinforce their oversight of management and the conduct of operations, their terms of office are set at one year and four out of nine Members of the Board are Members of the Board (Outside).

To ensure management transparency, nomination of candidates for Members of the Board and Corporate Officer and compensation thereof are deliberated on by the Nomination Committee and the Compensation Committee, respectively, which are established as voluntary committees. These committees consist of at least three Members of the Board, of whom Members of the Board (Outside) form a majority, and are chaired by a Member of the Board (Outside). At the meeting, both committees are comprised entirely of Members of the Board (Outside).

Response to Japan’s Corporate Governance Code

The Company has compiled with and implemented all of the Principles of the Corporate Governance Code, which came into force in June 2015. We understand and respect the objectives and spirit of the code and emphasize the importance of the underlying principles of corporate governance, and are continually pursuing improvements in our corporate governance systems based on the code.

Nomination Committee

Chairperson: Noritaka Uji, Member of the Board (Outside)
Members:
- Hiroshi Toda, Naoki Akuzhi, and Tsuguya Fukui, Members of the Board (Outside)
Observer:
- Takashi Ighuchi, Member of the Audit and Supervisory Board (Outside)

The Nomination Committee has been established to deliberate on matters required for the nomination of Members of the Board and Corporate Officers at the request of the Board of Directors and to contribute to the enhancement of management transparency.

In fiscal 2017, meetings were held five times, in April, September, November, December and in January 2018, to discuss matters required for nominating candidates Members of the Board and Corporate Officers, and to plan to train successors of the President and CEO and Senior Corporate Adviser and Corporate Adviser system, as well as other matters.

Policies and Procedures for Appointment and Nomination of Candidates for Members of the Board and Members of the Audit and Supervisory Board

- The candidates for Members of the Board shall meet the requirements of being appropriate candidates with respect to term of office and age and of being suitably competent of performing timely and accurate judgment, looking at the changes in the business environment while paying serious attention to the continuance of management policies, etc.
- The candidates for Members of the Board shall meet the requirements that there shall always be Members of the Board (Outside) included to strengthen decision-making functions based on various perspectives and to strengthen the function of supervising business execution.
- When appointing candidates for Members of the Board, the Board of Directors shall appoint the candidates after they have been sufficiently deliberated on by the Nomination Committee, in which Members of the Board (Outside) form a majority.
- The candidates for Members of the Audit and Supervisory Board shall be examined prudently concerning their suitability as Members of the Audit and Supervisory Board, such as whether they can fulfill their duties, ensuring their independence from the Representative Directors, Members of the Board, and Corporate Officers.
- The candidates for Members of the Audit and Supervisory Board (Outside), in addition to meeting the aforementioned requirements, shall be confirmed to have no problems according to specific criteria relating to the judgment of independence.
- When appointing the candidates for Members of the Audit and Supervisory Board, the Board of Directors shall appoint the candidates after the relevant proposal has been sufficiently verified and agreed to by the Audit and Supervisory Board.
Corporate Governance

Fiscal 2017 Evaluation of Board of Directors

Daiichi Sankyo conducts a self-evaluation of the Board of Directors every year in order to recognize the current status of the functions and effectiveness of the Board of Directors and to implement improvements. The method and results of the 2017 Evaluation of the Board of Directors are as follows.

Method of Evaluation of Board of Directors

The Company determines the self-evaluation items and contents including the items to evaluate Members of the Board itself with reference to the principle and supplementary principle associated with general principle 4, “Roles and Responsibilities of the Board,” of Japan’s Corporate Governance Code. All Members of the Board self-evaluated the roles and responsibilities, operation and composition of the Board of Directors, and the improvement status compared to the previous fiscal year’s self-evaluations by selecting grades and answering using free descriptions. In addition, the analysis results and the details were reported to the Board of Directors. Furthermore, the Evaluation of the Board Directors works to grasp the current assessments and issues of the Board of Directors and the Members themselves. Actions toward improvement are taken towards issues identified through this evaluation, and this improvement also becomes a criterion for the next evaluation, which allows for the continuous improvement of the Board of Directors functions and effectiveness.

Results of the Evaluation of the Board Directors

The evaluation of the Board of Directors conducted in fiscal 2017 concluded that the Board of Directors of the Company—its roles and responsibilities, operation and composition—is functioning appropriately and that the overall effectiveness of the Board of Directors has been ensured. Furthermore, the following has been verified to be effective in reinforcing the previous year’s issue, “strengthening management oversight of the Board of Directors”: (1) A place for information sharing on important agenda outside of the Board of Directors has been established, resulting in increasingly fulfilling deliberations, and (2) Having timely and appropriate themes as matters for reporting. Based on the evaluation from fiscal 2017, the Company will strive to improve the functions and effectiveness of the Board of Directors by continuously implementing improvement related to the operation of the Board of Directors in order to ensure more robust and in-depth discussions at meetings of the Board of Directors.

Remuneration for Members of the Board and the Member of the Audit and Supervisory Board for Fiscal 2017

<table>
<thead>
<tr>
<th>Classification</th>
<th>Members of the Board</th>
<th>Members of the Audit and Supervisory Board</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Payment recipients (number of persons)</td>
<td>Amount paid (millions of yen)</td>
<td>Payment recipients (number of persons)</td>
</tr>
<tr>
<td>Fixed (annual amount)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Of which Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside)</td>
<td>10</td>
<td>412</td>
<td>117</td>
</tr>
<tr>
<td>Of which Members of the Board (Outside) and Members of the Audit and Supervisory Board</td>
<td>6</td>
<td>106</td>
<td>–</td>
</tr>
<tr>
<td>Restricted stocks remuneration (Excluding Members of the Board (Outside) and Members of the Audit and Supervisory Board)</td>
<td>6</td>
<td>92</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>609</td>
<td>5</td>
</tr>
</tbody>
</table>

Topics

Selected as “Winner Company” for the “Corporate Governance of the Year® 2017”

“Corporate Governance of the Year®” is a government growth strategy that awards corporations that have successfully made sound medium-to-long term growth applying corporate governance.

In 2017, our activities toward governance which included the past three-year results, having three or more external members of the board, and the fact we have a Nomination Committee and Compensation Committee were highly regarded, resulting in our company being selected as “Winner Company” from approximately two thousand corporations in the First Section of the Tokyo Stock Exchange. The judges’ review said, “Daiichi Sankyo is a company that ‘does what needs to be done’ when it comes to corporate governance. The company implements both defensive and offensive governance.”

At the awards ceremony, Mr. Nakayama, our CEO, commented on this time’s award, “This commendation is one that recognizes our business operations, corporate governance activities, and the management and employees. It is a great honor for not only our management, but for our employees as well.” He further said, “We will continue to make efforts for further recognition.”
### Introduction of Members of the Board and the Audit and Supervisory Board

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Company</th>
<th>Start Date</th>
<th>Conclusion Date</th>
</tr>
</thead>
</table>

### Corporate Governance

**George Nakayama**

**Toshibio Sai**

**Toshitaka Tojo**

**Kazuyuki Watanabe**

**Hiroyuki Hanyama**

**Noriyuki Uji**

**Naoki Adachi**

**Hiroshi Toda**

**Yukiko Imaizumi**

**Tsuyoshi Fukui**
Corporate Governance

Messages from Members of the Board (Outside) and the Audit and Supervisory Board (Outside) (Independent Directors)

There is a clear need for management systems capable of furnishing a quick and flexible response to changes in the operating environment and a Board of Directors’ structure that sufficiently incorporates outside viewpoints. Therefore, I believe it is necessary for us to review the Board’s composition and structure in this regard. Over the medium term, Daiichi Sankyo will need to overcome the challenges presented by the loss of exclusivity for some of our products. This period will be an incredibly important time for transformation to achieve future growth to ensure that the Company can continue growing. This topic was discussed when formulating the 5-year business plan. Responding to changes and striving toward achieving the vision, even when faced with dramatic changes in internal and external operating environments, will be of utmost importance. Based on my experience as a manager in the information and communication industry and the insight gained through this experience, I will make every effort to contribute to the development of a single, uniform standard for determining the compensation of Members of the Board and Corporate Officers. As the Chairperson of the Nomination Committee, I have been leading discussions from the perspective of the ongoing growth of Daiichi Sankyo and the qualities required of its management. The new management team led by CEO Nakayama and COO Maranaka took office in fiscal 2017. In the midst of the difficult operating environment, I will continue to examine measures to further strengthen the Company’s management team, including evaluating the management team, selecting a more diverse and younger team of Corporate Officers, and cultivating candidates for future management positions, in order to support the ongoing growth of Daiichi Sankyo.

Message as Chairperson of the Nomination Committee

The Nomination Committee is an advisory committee delivered by the Board of Directors. The primary role of this committee is to review, prepare for the appointment, and make proposals for the Board of Directors and Corporate Officers. As the Chairperson of the Nomination Committee, I have been leading discussions from the perspective of the ongoing growth of Daiichi Sankyo and the qualities required of its management. The new management team led by CEO Nakayama and COO Maranaka took office in fiscal 2017. In the midst of the difficult operating environment, I will continue to examine measures to further strengthen the Company’s management team, including evaluating the management team, selecting a more diverse and younger team of Corporate Officers, and cultivating candidates for future management positions, in order to support the ongoing growth of Daiichi Sankyo.

Circumstances surrounding the pharmaceutical industry are growing increasingly severe, causing other competitors to release new actions. I understand that Daiichi Sankyo’s management is in the midst of a period that is growing ever more challenging. During this period, management will need to undertake a bold transformation to a new business model and integrate all business operations systems, and tackle other tasks. Of course, this means that a number of important management decisions to be made by Chairman and CEO Nakayama, President and COO Maranaka, and other members of the executive team will continue to increase steadily. In this challenging period, I will aspire to go about my duties as a Member of the Board (Outside) based on an in-depth understanding of Daiichi Sankyo’s mission, strategies, corporate culture, and history. In addition, I will make every effort to foster the development of management resources and specific measures that will be taken in order to achieve the goals and plans.

Message as Chairperson of the Compensation Committee

I am the Chairperson of the Compensation Committee, an advisory committee delegated by the Board of Directors. The main goal of this committee is to create systems that offer compensation in line with the responsibilities of each Member of the Board and Corporate Officers. As the Chairperson of the Compensation Committee, I have been leading discussions from the perspective of the ongoing growth of Daiichi Sankyo and the qualities required of its management. The new management team led by CEO Nakayama and COO Maranaka took office in fiscal 2017. In the midst of the difficult operating environment, I will continue to examine measures to further strengthen the Company’s management team, including evaluating the management team, selecting a more diverse and younger team of Corporate Officers, and cultivating candidates for future management positions, in order to support the ongoing growth of Daiichi Sankyo.

Message as Chairperson of the Compensation Committee

I am the Chairperson of the Compensation Committee, an advisory committee delegated by the Board of Directors. The main goal of this committee is to create systems that offer compensation in line with the responsibilities of each Member of the Board and Corporate Officers. As the Chairperson of the Compensation Committee, I have been leading discussions from the perspective of the ongoing growth of Daiichi Sankyo and the qualities required of its management. The new management team led by CEO Nakayama and COO Maranaka took office in fiscal 2017. In the midst of the difficult operating environment, I will continue to examine measures to further strengthen the Company’s management team, including evaluating the management team, selecting a more diverse and younger team of Corporate Officers, and cultivating candidates for future management positions, in order to support the ongoing growth of Daiichi Sankyo.

I firmly believe a company should have a strong social presence that is trusted and respected by society. As a business executive, I remind officers and employees of this need every day. In order to grow beyond being a business executive, I will make every effort to foster the development of management resources and specific measures that will be taken in order to achieve the goals and plans.

Norttaka Uji Member of the Board (Outside) (Independent Director)

There is a clear need for management systems capable of furnishing a quick and flexible response to changes in the operating environment and a Board of Directors’ structure that sufficiently incorporates outside viewpoints. Therefore, I believe it is necessary for us to review the Board’s composition and structure in this regard. Over the medium term, Daiichi Sankyo will need to overcome the challenges presented by the loss of exclusivity for some of our products. This period will be an incredibly important time for transformation to achieve future growth to ensure that the Company can continue growing. This topic was discussed when formulating the 5-year business plan. Responding to changes and striving toward achieving the vision, even when faced with dramatic changes in internal and external operating environments, will be of utmost importance. Based on my experience as a manager in the information and communication industry and the insight gained through this experience, I will make every effort to implement this plan while incorporating the perspective of “aggressive governance.”

I am committed to offering viable advice and suggestions based on my experience as a manager in the information and communication industry and the insight gained through this experience, thereby contributing to more lively discussions among the Board of Directors. At the same time, I will strive to facilitate effective corporate governance with regard to such areas as formulating strategies, conducting appropriate investments for future growth, and selecting members of the management team.

Takeshi Hirochi Member of the Audit and Supervisory Board (Outside) (Independent Auditor)

As a corporate manager, I will work to implement this plan while incorporating the perspective of “aggressive governance.”

I am committed to offering viable advice and suggestions based on my experience as a manager in the information and communication industry and the insight gained through this experience, thereby contributing to more lively discussions among the Board of Directors. At the same time, I will strive to facilitate effective corporate governance with regard to such areas as formulating strategies, conducting appropriate investments for future growth, and selecting members of the management team.

Takeshi Hirochi Member of the Audit and Supervisory Board (Outside) (Independent Auditor)

I was appointed as a Member of the Audit and Supervisory Board (Outside) after being appointed at the 13th Ordinary General Meeting of Shareholders held on June, 2018. I greatly appreciate your support.

For the last four years until this spring, I have been a Japanese ambassador in Myanmar, which has recently transitioned to civilian rule, and have worked on various initiatives toward the country’s development and economic growth. One of the activities I have carried out is extending the Yagon Stock Exchange. Currently, I am participating in measures to increase the number of listed enterprises to investors in the country and, thereby promoting and thorough implementation of corporate governance has proved to be a major issue. In order to make great strides in ensuring sustainable growth and improvement of corporate values based on the application of corporate governance is essential.

The Company’s management has been diligently tackling issues to resolve various business challenges toward achieving its 5-year business plan. As a Member of the Audit and Supervisory Board (Outside), I will make every effort to ensure legal compliance and transparent management by auditing this progress from a viewpoint of legality and appropriateness. Furthermore, Daiichi Sankyo holds many domestic and overseas Group companies. I will strive to ensure sound management that lives up to stakeholders’ expectations by auditing internal control systems while cooperating with internal audit divisions, accounting auditors and auditors from Group companies to secure appropriate business practices as a corporate group.

I have had auditing experience in various industries and business categories over the years as a certified public accountant. It has been one year since I took the post as a Member of the Audit and Supervisory Board of the Company. I have asked myself whether I could fulfill my duties for the past year my new position as an Outside Member of the Audit and Supervisory Board who is responsible for auditing the company’s financial statements from the outside and whose position is opposite of the corporate managers and auditors. Under these circumstances as well as different auditing methods, I have decided to accompany full-time Members of the Audit and Supervisory Board to plants, laboratories and branch offices to get a firm grasp on the actual company.

Daiichi Sankyo has been taking a major step toward its 2020 Vision of becoming a “Global Pharma Innovator with competitive advantage in oncology.” Initiatives toward realizing this Vision involve a great amount of R&D investments and business development activities. For this purpose, precise accounting and information disclosure are crucial. The Corporate Governance Code specifies “Companies should recognize that the existence of diverse perspectives and values reflecting a variety of experiences, skills and characteristics is a strength that supports their sustainable growth.” Thus, companies should promote diversity of personnel and diverse perspectives. I would like to leverage my experience and strive to ensure credibility of stakeholders including employees, clients, suppliers and local communities.

Sayoko Izumoto Member of the Audit and Supervisory Board (Outside) (Independent Auditor)
The Daiichi Sankyo Group identifies risks as those factors that may prevent the Group from attaining its organizational goals and targets and that can be predicted in advance. The Group is promoting risk management through a system of steps to address risks inherent in corporate activities through retaining, reducing, avoiding, or transferring these risks. In addition, we seek to minimize the adverse impacts of risks on people, society and the Group should risks actualize.

Risk Management System
The chief financial officer (CFO) oversees Groupwide risk management as the risk management officer (RMO) and operates the risk management system in conjunction with an annual cycle for formulating and implementing business plans. In addition, the heads of each division autonomously manage risks to aid in the accomplishment of their divisions’ goals and targets. To this end, they analyze and evaluate individual risks, formulate and implement yearly risk management plans, and provide employees with information on underlying risks in the organization, education and insight concerning risk management.

Annual Cycle for Management of Material Risks
Based on assessment of impact and the likelihood of occurrence, risks with the potential to significantly impact the management of the Company are identified by the Management Executive Meeting and the Board of Directors Meeting (see the conceptual diagram below on the Group’s risk level classification). Individuals who have been assigned responsibility for each risk formulate risk response measures (Plan), which are then enacted through coordination with relevant organizations (Do). The progress of risk response measures is monitored twice a year (Check). The risk response measures are corrected or improved upon as necessary (Action). Should precursors of the potential appearance of a material risk be detected, related information will quickly be assembled for provision to the RMO, and appropriate measures will be taken.

As part of the risk management scheme, the Group has a business continuity plan (BCP) that stipulates preparations for and measures to be instituted in the event of a disaster as well as for provisions for crisis management.

Conceptual diagram of the Group’s risk level classification

Risk Management

Business Continuity Plan (BCP)
The Group has a BCP to prepare for four major threats to business continuity: natural disasters, facility accidents, H5N1 influenza and other infectious diseases, and system failures. Based on this plan, systems are in place to quickly restore operations in the event of an emergency and to ensure a stable supply of pharmaceutical products with assured quality to help support the continued provision of medical services.

Based on its experiences following the Great East Japan Earthquake, the Group revised its BCP in 2012. Since then, we have continued to improve upon the BCP through such means as incorporating revisions to national disaster response plans and adjusting for changes in workflow procedures and organizations related to drugs for which supply should be prioritized based on social needs. In this manner, we strive to ensure effective response measures are taken in the event that a risk appears. In addition, we regularly review the list of priority supply drugs to guarantee we can quickly supply drugs used by a large number of patients, drugs needed in emergencies, and drugs with no substitutes.

To ensure the steady supply of its pharmaceutical products, the Company is taking steps to create backup supply systems by dispersing manufacturing and distribution sites and maintaining relationships with multiple suppliers for important raw materials. In addition, we have introduced private electricity generators to help minimize the impact of any interruption in the supply of electricity. Furthermore, we are strengthening IT infrastructure including the redundancy of key systems.

Crisis Management
The Daiichi Sankyo Group defines crises as factors that may cause an adverse event or a secondary event arising from an initial occurrence with the possibility of leading to serious negative effects on the Group or its stakeholders. Crisis management is defined by the Group as appropriate responses to such events conducted based on prompt and rational management and analyses of their potential impact.

In the event of a crisis, the appointed representative in the affected section or division shall issue an initial report to the individual responsible for first responses to crises, the vice president of the General Affairs and Procurement Department. This individual will then report to the crisis management officer (CCMO), either the CEO or the officer appointed by the CEO, to determine whether or not Companywide measures are necessary, after which they will issue a more detailed report. This individual will also share the information with the RMO to quickly formulate first response and subsequent emergency response measures. In responding to crises, the Group defines its top priority as ensuring the health, safety, and peace of mind of all of its stakeholders, including patients, healthcare professionals, members of local communities, and employees.
## 10-Year Financial Summary

### Japanese GAAP

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>842.1</td>
<td>952.1</td>
<td>967.3</td>
<td>938.6</td>
<td>997.8</td>
</tr>
<tr>
<td>Overseas sales</td>
<td>373.3</td>
<td>462.3</td>
<td>488.7</td>
<td>469.0</td>
<td>486.6</td>
</tr>
<tr>
<td>Ratio of overseas sales to net sales (%)</td>
<td>44.3</td>
<td>50.7</td>
<td>50.6</td>
<td>50.0</td>
<td>48.8</td>
</tr>
<tr>
<td>Operating income</td>
<td>85.7</td>
<td>106.1</td>
<td>122.1</td>
<td>98.2</td>
<td>100.5</td>
</tr>
<tr>
<td>Ratio of operating income to net sales (%)</td>
<td>10.6</td>
<td>10.0</td>
<td>12.6</td>
<td>10.3</td>
<td>10.1</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>(215.4)</td>
<td>41.8</td>
<td>70.1</td>
<td>42.7</td>
<td>39.3</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>21.9</td>
<td>20.7</td>
<td>20.1</td>
<td>19.7</td>
<td>18.3</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>19.6</td>
<td>29.7</td>
<td>37.3</td>
<td>62.3</td>
<td>65.1</td>
</tr>
</tbody>
</table>

### Financial Position

| Total assets       | 1,494.5| 1,489.5| 1,480.2| 1,518.4| 1,644.0|
| Net assets         | 888.6  | 889.5  | 887.7  | 832.7  | 915.7  |

### Cash Flows

| Net increase (decrease) in cash and cash equivalents | (266.5)| 81.4  | 43.2  | (69.7) | (21.9) |
| Free cash flows* | (335.4)| 172.8  | 78.1  | (32.5) | 19.9  |

### Per Share Information

| Basic net income (loss) per share (yen) | (304.22)| 58.45  | 98.62  | 14.75  | 94.64  |
| Free cash flows* | (335.4)| 172.8  | 78.1  | (32.5) | 19.9  |

### Main Financial Indicators

| Return on equity (ROE) (%) | (20.5)| 4.9  | 9.2  | 1.3  | 7.9  |
| Equity ratio (%) | 57.7  | 57.4  | 57.4  | 53.0  | 53.7  |
| Dividend on equity (DOE) (%) | 5.4  | 4.9  | 5.0  | 5.1  | 5.0  |
| Price-earnings ratio (PER) | —     | 29.5  | 16.1  | 102.2 | 19.2  |
| Stock price at the end of the year | 1,488 | 1,751  | 1,606  | 1,508  | 1,815  |
| Market capitalization | 11,802| 12,325 | 11,304 | 10,692 | 12,777 |
| Average exchange rates (USD/JPY) | 143.49| 131.16 | 113.13 | 108.96 | 107.15 |

### Number of Employees

| Number of Employees | 26,995| 25,925 | 30,498 | 31,529 | 32,229 |
| Japan | 9,148 | 8,592  | 9,022  | 9,339  | 9,251  |
| North America | 3,376 | 3,580  | 3,410  | 3,737  | 3,331  |
| Europe | 2,504 | 2,516  | 2,576  | 2,624  | 2,556  |
| Others | 13,887| 14,937 | 15,503 | 16,280 | 17,097 |

* Cash flows from operating activities = Cash flows from investing activities

### IFRS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>994.7</td>
<td>1,118.2</td>
<td>919.4</td>
<td>986.4</td>
<td>955.1</td>
</tr>
<tr>
<td>Overseas revenue</td>
<td>483.2</td>
<td>584.5</td>
<td>392.4</td>
<td>430.7</td>
<td>375.2</td>
</tr>
<tr>
<td>Ratio of overseas revenue to revenue (%)</td>
<td>48.6</td>
<td>53.3</td>
<td>42.7</td>
<td>43.7</td>
<td>39.3</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>98.7</td>
<td>111.6</td>
<td>74.4</td>
<td>130.4</td>
<td>88.9</td>
</tr>
<tr>
<td>Ratio of operating profit to revenue (%)</td>
<td>9.9</td>
<td>10.0</td>
<td>8.1</td>
<td>13.2</td>
<td>9.3</td>
</tr>
<tr>
<td>Profit attributable to owners of the Company</td>
<td>64.0</td>
<td>60.9</td>
<td>322.1</td>
<td>82.3</td>
<td>53.5</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>184.4</td>
<td>191.2</td>
<td>190.7</td>
<td>208.7</td>
<td>214.3</td>
</tr>
<tr>
<td>Ratio of research and development expenses to revenue (%)</td>
<td>18.5</td>
<td>20.2</td>
<td>20.7</td>
<td>21.2</td>
<td>22.4</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>45.3</td>
<td>51.5</td>
<td>42.0</td>
<td>44.3</td>
<td>47.4</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>65.1</td>
<td>49.2</td>
<td>51.3</td>
<td>39.3</td>
<td>29.0</td>
</tr>
</tbody>
</table>

### Financial Position

| Total assets       | 1,684.9| 1,854.0 | 1,982.3 | 1,900.5 | 1,915.0 |
| Total equity       | 936.5  | 1,007.5 | 1,307.0 | 1,233.5 | 1,133.0 |

### Cash Flows

| Net increase (decrease) in cash and cash equivalents | (37.8)| (23.7) | (10.7) | 45.4  | 24.4  |
| Free cash flows | 20.4  | (124.1)| 121.5  | 168.3  | 39.4  |

### Per Share Information

| Basic earnings per share (yen) | 90.96 | 86.57  | 457.56 | 119.37 | 79.63  |
| Equity per share attributable to owners of the Company (yen) | 1,287.94| 1,392.03| 1,852.28| 1,801.90| 1,772.99|

### Main Financial Indicators

| Return on equity attributable to owners of the Company (ROE) (%) | 7.4   | 6.5   | 28.2  | 6.5   | 4.4   |
| Ratio of equity attributable to owners of the Company to total assets (%) | 53.8  | 52.9  | 65.8  | 64.8  | 61.4  |
| Ratio of dividends to equity attributable to owners of the Company (%) | 4.9   | 4.5   | 3.7   | 3.8   | 3.9   |
| Price-earnings ratio (PER) | 20.0  | 20.1  | 4.2   | 21.0  | 31.5  |
| Stock price at the end of the year | 1,815 | 1,738  | 1,907  | 2,502  | 2,507  |
| Market capitalization | 12,777| 13,426 | 17,102 | 17,102 | 17,102 |
| Average exchange rates (USD/JPY) | 103.11| 100.24| 109.94| 120.14| 108.42|

### Number of Employees

| Number of Employees | 32,229| 32,791 | 16,428 | 15,249 | 14,670 |
| Japan | 9,251 | 9,145  | 8,543  | 8,589  | 8,765  |
| North America | 3,331 | 3,402  | 3,322  | 2,464  | 2,491  |
| Europe | 2,556 | 2,226  | 2,094  | 1,997  | 1,582  |
| Others | 17,091| 18,018 | 2,469  | 2,342  | 1,908  |

Note: Results for fiscal 2012 in compliance with IFRS are restated for comparison purposes.
Data Section

Financial Results and Financial Analysis

Consolidated Financial Results for Fiscal 2017

<table>
<thead>
<tr>
<th>Item</th>
<th>FY2016 Results (Billions of yen)</th>
<th>FY2017 Results (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>955.1</td>
<td>960.2</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>349.4</td>
<td>346.0</td>
</tr>
<tr>
<td>SG&amp;A Expenses</td>
<td>302.5</td>
<td>301.8</td>
</tr>
<tr>
<td>R&amp;D Expenses</td>
<td>214.3</td>
<td>236.0</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>88.9</td>
<td>76.3</td>
</tr>
<tr>
<td>Profit before Tax</td>
<td>87.9</td>
<td>6.8</td>
</tr>
<tr>
<td>Profit Attributable to Owners of the Company</td>
<td>53.5</td>
<td>6.8</td>
</tr>
</tbody>
</table>

In the Japan Business, Ometec experienced increased revenue, though LIXIANA enjoyed a large increase in revenue and Daiichi Sankyo Pharma 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, telmisartan, 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 injectable and generic injectables. Revenue at Daiichi Sankyo Europe GmbH increased ¥11.8 billion year on year following 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.

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.

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

<table>
<thead>
<tr>
<th>Positive factors</th>
<th>Negative factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan Business (incl. vaccines and OTC)</td>
<td>–38.5</td>
</tr>
<tr>
<td>Daiichi Sankyo, Inc. (U.S.)</td>
<td>–69.2</td>
</tr>
<tr>
<td>Luitpold (U.S.)</td>
<td>–15.0</td>
</tr>
<tr>
<td>Daiichi Sankyo Europe</td>
<td>–1.3</td>
</tr>
<tr>
<td>ASCA (Asia, South &amp; Central America)</td>
<td>–5.0</td>
</tr>
<tr>
<td>Forex Impact</td>
<td>–14.0</td>
</tr>
<tr>
<td>Total</td>
<td>–6.8</td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th>Positive factors</th>
<th>Negative factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>88.9</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>18.6</td>
</tr>
<tr>
<td>SG&amp;A Expenses</td>
<td>0.7</td>
</tr>
<tr>
<td>R&amp;D Expenses</td>
<td>6.9</td>
</tr>
<tr>
<td>Forex Impact</td>
<td>0.1</td>
</tr>
<tr>
<td>Special items</td>
<td>6.8</td>
</tr>
<tr>
<td>Total</td>
<td>76.3</td>
</tr>
</tbody>
</table>

Influences are excluded, revenue was down ¥8.9 billion year on year.

Income Taxes, etc.

- Tax Effect
- Income Taxes
- Income Taxes, etc.
- Fiscal year
- Fiscal year

Profit attributable to owners of the Company came to ¥60.3 billion.

Profit Attributable to Owners of the Company
Increased by ¥6.8 billion (increased by ¥18.7 billion excl. forex impact and special items)

<table>
<thead>
<tr>
<th>Positive factors</th>
<th>Negative factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016 Results</td>
<td>53.5</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>12.6</td>
</tr>
<tr>
<td>Financial Income / Expenses</td>
<td>5.9</td>
</tr>
<tr>
<td>Income Taxes, etc.</td>
<td>19.1</td>
</tr>
<tr>
<td>Non-Controlling Interests</td>
<td>5.5</td>
</tr>
<tr>
<td>FY2017 Results</td>
<td>60.3</td>
</tr>
</tbody>
</table>

Operating profit decreased ¥12.6 billion year on year including foreign exchange influence 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.
Financial Results and Financial Analysis

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 (¥96.6 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 ¥50.0 billion due to capital expenditure and acquisitions of intangible assets.

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

FY2016 Results FY2017 Results YoY

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 NIH drug price revisions in Japan, despite swift increases of domestic and overseas edoxaban sales as well as a sales increase of Injefecta for Lupild 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.

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.

Shareholder Returns Policy during 5YBP (Target)

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.
Data Section

Consolidated Financial Statements

Consolidated Statement of Profit or Loss

(Millions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2016 (As of March 31, 2017)</th>
<th>FY2017 (As of March 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>955,124</td>
<td>960,195</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>349,373</td>
<td>346,021</td>
</tr>
<tr>
<td>Gross profit</td>
<td>605,751</td>
<td>614,173</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>352,475</td>
<td>351,845</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>214,347</td>
<td>230,046</td>
</tr>
<tr>
<td>Operating profit</td>
<td>88,929</td>
<td>76,282</td>
</tr>
<tr>
<td>Financial income</td>
<td>6,406</td>
<td>8,642</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>7,710</td>
<td>4,223</td>
</tr>
<tr>
<td>Share of profit of investments accounted for using the equity method</td>
<td>162</td>
<td>200</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>87,798</td>
<td>85,911</td>
</tr>
<tr>
<td>Income taxes</td>
<td>40,309</td>
<td>21,210</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>47,479</td>
<td>64,711</td>
</tr>
<tr>
<td>Profit attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of the Company</td>
<td>53,466</td>
<td>60,282</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>(5,987)</td>
<td>(471)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>47,479</td>
<td>59,811</td>
</tr>
<tr>
<td>Earnings per share</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic earnings per share (yen)</td>
<td>79.63</td>
<td>91.31</td>
</tr>
<tr>
<td>Diluted earnings per share (yen)</td>
<td>79.44</td>
<td>91.10</td>
</tr>
</tbody>
</table>

Consolidated Statement of Comprehensive Income

(Millions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2016 (As of March 31, 2017)</th>
<th>FY2017 (As of March 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>47,479</td>
<td>59,811</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will not be reclassified to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets measured at fair value through other comprehensive income</td>
<td>(9,366)</td>
<td>10,688</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td>1,840</td>
<td>1,616</td>
</tr>
<tr>
<td>Items that are or may be reclassified subsequently to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>(7,626)</td>
<td>(10,229)</td>
</tr>
<tr>
<td>Share of other comprehensive income of investments accounted for using the equity method</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Other comprehensive income (loss) for the year</td>
<td>(15,146)</td>
<td>(2,079)</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>32,332</td>
<td>61,890</td>
</tr>
</tbody>
</table>

Consolidated Statement of Financial Position

(Millions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2016 (As of March 31, 2017)</th>
<th>FY2017 (As of March 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>246,053</td>
<td>231,529</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>246,053</td>
<td>231,529</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>231,867</td>
<td>231,529</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>552,896</td>
<td>429,380</td>
</tr>
<tr>
<td>Inventories</td>
<td>153,138</td>
<td>172,156</td>
</tr>
<tr>
<td>Other current assets</td>
<td>10,461</td>
<td>10,247</td>
</tr>
<tr>
<td>Subtotal</td>
<td>1,194,414</td>
<td>1,201,545</td>
</tr>
<tr>
<td>Assets held for sale</td>
<td>5,974</td>
<td>5,917</td>
</tr>
<tr>
<td>Total current assets</td>
<td>1,197,988</td>
<td>1,201,462</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>217,772</td>
<td>217,946</td>
</tr>
<tr>
<td>Goodwill</td>
<td>78,446</td>
<td>75,479</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>217,044</td>
<td>173,537</td>
</tr>
<tr>
<td>Investments accounted for using the equity method</td>
<td>1,424</td>
<td>1,693</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>140,856</td>
<td>179,177</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>53,502</td>
<td>40,339</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>8,143</td>
<td>8,035</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>717,198</td>
<td>826,807</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,914,979</td>
<td>1,897,754</td>
</tr>
</tbody>
</table>

LIABILITIES AND EQUITY

(Millions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2016 (As of March 31, 2017)</th>
<th>FY2017 (As of March 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT LIABILITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>219,759</td>
<td>217,946</td>
</tr>
<tr>
<td>Bonds and borrowings</td>
<td>280,543</td>
<td>260,564</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>9,069</td>
<td>8,155</td>
</tr>
<tr>
<td>Post-employment benefit liabilities</td>
<td>11,381</td>
<td>10,547</td>
</tr>
<tr>
<td>Provisions</td>
<td>16,350</td>
<td>16,350</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>32,294</td>
<td>16,676</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>6,709</td>
<td>64,911</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>416,733</td>
<td>411,608</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>743,650</td>
<td>764,713</td>
</tr>
<tr>
<td>EQUITY</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity attributable to owners of the Company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>193,750</td>
<td>94,633</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(113,952)</td>
<td>(163,531)</td>
</tr>
<tr>
<td>Other components of equity</td>
<td>124,489</td>
<td>120,654</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>1,511,610</td>
<td>1,311,378</td>
</tr>
<tr>
<td>Total equity attributable to owners of the Company</td>
<td>1,175,897</td>
<td>1,133,343</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>4,439</td>
<td>51</td>
</tr>
<tr>
<td>Total equity</td>
<td>1,171,428</td>
<td>1,133,343</td>
</tr>
<tr>
<td>Total liabilities and equity</td>
<td>1,914,979</td>
<td>1,897,754</td>
</tr>
</tbody>
</table>
### Consolidated Statement of Changes in Equity

**Data Section**

**Consolidated Financial Statements**

#### Consolidated Statement of Changes in Equity

**[Millions of yen]**

<table>
<thead>
<tr>
<th>Equity attributable to owners of the Company</th>
<th>Share capital</th>
<th>Capital surplus</th>
<th>Treasury shares</th>
<th>Subscription rights to shares</th>
<th>Share capital attributable to owners of the Company</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as of April 1, 2016</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as of March 31, 2018</td>
<td>50,000</td>
<td>103,790</td>
<td>894,159</td>
<td>1,031,376</td>
<td>1,132,982</td>
<td>58,159</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income (loss) for the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total transactions with owners of the Company</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income (loss) for the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance as of March 31, 2017</strong></td>
<td>50,000</td>
<td>103,790</td>
<td>894,159</td>
<td>1,031,376</td>
<td>1,132,982</td>
<td>58,159</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income (loss) for the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total transactions with owners of the Company</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income (loss) for the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Consolidated Statement of Cash Flows

**[Millions of yen]**

**FY2016**

For the year ended March 31, 2017

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>Profit before tax</th>
<th>Depreciation and amortization</th>
<th>Impairment loss</th>
<th>Financial income</th>
<th>Financial expenses</th>
<th>Share of (profit) loss of investments accounted for using the equity method</th>
<th>(Gain) loss on sale and disposal of non-current assets</th>
<th>(Increase) decrease in trade and other receivables</th>
<th>(Increase) decrease in inventories</th>
<th>Increase (decrease) in trade and other payables</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td>87,788</td>
<td>4,737</td>
<td>26,459</td>
<td>(6,406)</td>
<td>7,710</td>
<td>(162)</td>
<td>(162)</td>
<td>15,145</td>
<td>10,394</td>
<td>238</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>87,788</td>
<td>4,737</td>
<td>26,459</td>
<td>(6,406)</td>
<td>7,710</td>
<td>(162)</td>
<td>(162)</td>
<td>15,145</td>
<td>10,394</td>
<td>238</td>
</tr>
<tr>
<td><strong>Other comprehensive income (loss)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total transactions with owners of the Company</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total comprehensive income (loss)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**FY2017**

For the year ended March 31, 2017

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>Profit before tax</th>
<th>Depreciation and amortization</th>
<th>Impairment loss</th>
<th>Financial income</th>
<th>Financial expenses</th>
<th>Share of (profit) loss of investments accounted for using the equity method</th>
<th>(Gain) loss on sale and disposal of non-current assets</th>
<th>(Increase) decrease in trade and other receivables</th>
<th>(Increase) decrease in inventories</th>
<th>Increase (decrease) in trade and other payables</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td>81,021</td>
<td>46,680</td>
<td>(6,642)</td>
<td>8,426</td>
<td>4,223</td>
<td>(220)</td>
<td>(5,125)</td>
<td>2,539</td>
<td>10,394</td>
<td>238</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>81,021</td>
<td>46,680</td>
<td>(6,642)</td>
<td>8,426</td>
<td>4,223</td>
<td>(220)</td>
<td>(5,125)</td>
<td>2,539</td>
<td>10,394</td>
<td>238</td>
</tr>
<tr>
<td><strong>Other comprehensive income (loss)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total transactions with owners of the Company</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total comprehensive income (loss)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Cash flows from investing activities**

**Payments into time deposits** | (492,441) | (388,376) |
| **Proceeds from maturities of time deposits** | 404,416 | 486,576 |
| **Acquisition of securities** | (520,085) | (126,492) |
| **Proceeds from sale of securities** | 219,049 | 165,645 |
| **Acquisitions of property, plant and equipment** | (24,766) | (23,399) |
| **Proceeds from sale of property, plant and equipment** | 2,403 | 139 |
| **Acquisition of intangible assets** | (28,196) | (14,609) |
| **Payments for loans receivable** | (71) | (982) |
| **Proceeds from collection of loans receivable** | 1,472 | 753 |

**Net cash flows from used in operating activities** | 138,234 | 108,439 |

**Net cash flows from used in investing activities** | (92,792) | (108,285) |

**Cash flows from financing activities**

**Proceeds from bonds and borrowings** | 100,000 | 0 |
| **Repayments of bonds and borrowings** | (20,000) | 0 |
| **Purchase of treasury shares** | (50,095) | (50,085) |
| **Proceeds from sale of treasury shares** | 1 | 1 |
| **Dividends paid** | (43,889) | (46,423) |

**Net cash flows from used in financing activities** | (15,022) | (101,766) |

**Net increase (decrease) in cash and cash equivalents** | 24,419 | 115,241 |

**Cash and cash equivalents at the beginning of the year** | 222,159 | 246,050 |

**Effect of exchange rate changes on cash and cash equivalents** | (527) | (3,590) |

**Cash and cash equivalents at the end of the year** | 246,050 | 252,590 |

---

**Data Source:** Daiichi Sankyo Group Value Report 2018

---

**Note:** The information above is a representation of the natural text extracted from the document. It may not include all the details provided in the original text due to the nature of the data and the constraints of the text representation format.
## Environmental

### Promoting Environmental Management

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Classification</th>
<th>Item</th>
<th>Scope</th>
<th>Unit FY2015</th>
<th>Unit FY2016</th>
<th>Unit FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co2</td>
<td></td>
<td>In Japan</td>
<td>1,440</td>
<td>178,157</td>
<td>176,133</td>
<td>165,837</td>
</tr>
<tr>
<td>CO2 emissions</td>
<td></td>
<td>Global</td>
<td>2,420</td>
<td>238,168</td>
<td>238,168</td>
<td>234,495</td>
</tr>
<tr>
<td>CO2 emissions by Greenhouse Gas Protocol</td>
<td>Scope 1</td>
<td>In Japan</td>
<td>1,440</td>
<td>99,916</td>
<td>99,916</td>
<td>93,559</td>
</tr>
<tr>
<td></td>
<td>Scope 2</td>
<td>In Japan</td>
<td>1,440</td>
<td>91,112</td>
<td>90,612</td>
<td>85,882</td>
</tr>
<tr>
<td>Water usage</td>
<td></td>
<td>Global</td>
<td>1,476</td>
<td>17,889</td>
<td>17,889</td>
<td>17,889</td>
</tr>
<tr>
<td>Waste generated</td>
<td></td>
<td>Global</td>
<td>1,476</td>
<td>16,203</td>
<td>16,203</td>
<td>13,509</td>
</tr>
<tr>
<td>Waste generated</td>
<td></td>
<td>In Japan</td>
<td>1,476</td>
<td>126,559</td>
<td>125,784</td>
<td>124,881</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>In Japan</td>
<td>1,476</td>
<td>11,689</td>
<td>10,985</td>
<td>10,331</td>
</tr>
</tbody>
</table>

### Social

#### Promoting Compliance Management

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Classification</th>
<th>Item</th>
<th>Scope</th>
<th>Unit FY2015</th>
<th>Unit FY2016</th>
<th>Unit FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-specific compliance training</td>
<td></td>
<td>In Japan</td>
<td>354</td>
<td>436</td>
<td>520</td>
<td>520</td>
</tr>
<tr>
<td>Theme-focused compliance training</td>
<td></td>
<td>In Japan</td>
<td>%</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Outside Japan</td>
<td>%</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Compliance-related disclosure</td>
<td></td>
<td>In Japan</td>
<td>%</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Compliance training</td>
<td></td>
<td>In Japan</td>
<td>%</td>
<td>125</td>
<td>147</td>
<td>147</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Outside Japan</td>
<td>%</td>
<td>2,007</td>
<td>2,074</td>
<td>2,074</td>
</tr>
<tr>
<td>Compliance-related training</td>
<td></td>
<td>Non-consolidated</td>
<td>%</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Development-related training (including GCP)</td>
<td></td>
<td>Non-consolidated</td>
<td>%</td>
<td>98.6</td>
<td>99.8</td>
<td>99.9</td>
</tr>
</tbody>
</table>

### Mutual Growth of Employees and the Company

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Classification</th>
<th>Item</th>
<th>Scope</th>
<th>Unit FY2015</th>
<th>Unit FY2016</th>
<th>Unit FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees</td>
<td></td>
<td>In Japan</td>
<td>6,163</td>
<td>2,457</td>
<td>2,457</td>
<td>2,457</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Outside Japan</td>
<td>2,083</td>
<td>2,056</td>
<td>2,056</td>
<td>2,056</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>8,246</td>
<td>4,513</td>
<td>4,513</td>
<td>4,513</td>
</tr>
<tr>
<td>Number of male employees</td>
<td></td>
<td>In Japan</td>
<td>5,140</td>
<td>3,387</td>
<td>3,387</td>
<td>3,387</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Outside Japan</td>
<td>2,083</td>
<td>2,056</td>
<td>2,056</td>
<td>2,056</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>7,223</td>
<td>5,443</td>
<td>5,443</td>
<td>5,443</td>
</tr>
<tr>
<td>Number of female employees</td>
<td></td>
<td>In Japan</td>
<td>2,103</td>
<td>2,029</td>
<td>2,029</td>
<td>2,029</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Outside Japan</td>
<td>2,083</td>
<td>2,056</td>
<td>2,056</td>
<td>2,056</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>4,186</td>
<td>4,085</td>
<td>4,085</td>
<td>4,085</td>
</tr>
<tr>
<td>Average years of service</td>
<td></td>
<td>In Japan</td>
<td>17.6</td>
<td>18.2</td>
<td>18.9</td>
<td>18.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Outside Japan</td>
<td>17.6</td>
<td>18.2</td>
<td>18.9</td>
<td>18.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>17.6</td>
<td>18.2</td>
<td>18.9</td>
<td>18.9</td>
</tr>
</tbody>
</table>

#### For disclosing ESG data, we referred to the following guidelines.
- IIRC (International Integrated Reporting Council), "International Integrated Reporting Framework"
- ISO 26000 (Guidance on Social Responsibility)
- International norms such as 10 Principles of UN Global Compact
Innovative Pharmaceuticals Business

<table>
<thead>
<tr>
<th>Brand Name (Generic Name)</th>
<th>Efficacy</th>
<th>Launched</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effient (naprafine)</td>
<td>Antithrombotic agent</td>
<td>2016</td>
<td>First once-daily oral product approved by the FDA for the treatment of opioid-induced constipation (OIC) for adults with chronic non-cancer pain.</td>
</tr>
<tr>
<td>SAVITRA (abibercept)</td>
<td>Antiangiogenic</td>
<td>2015</td>
<td>Clinically validated for the potential treatment of diabetic retinopathy and age-related macular degeneration (AMD).</td>
</tr>
<tr>
<td>LAVANA (talamipristine)</td>
<td>Antithrombotic agent</td>
<td>2015</td>
<td>Clinically validated for the treatment of osteoporosis.</td>
</tr>
<tr>
<td>Cravit (krofloxin)</td>
<td>Synthetic antibacterial agent</td>
<td>1993</td>
<td>Clinically validated for the treatment of osteoporosis.</td>
</tr>
<tr>
<td>Cravit (krofloxin)</td>
<td>Synthetic antibacterial agent</td>
<td>1993</td>
<td>Clinically validated for the treatment of osteoporosis.</td>
</tr>
<tr>
<td>Complique (kabalex)</td>
<td>Contracted medium</td>
<td>1987</td>
<td>Clinically validated for the treatment of osteoporosis.</td>
</tr>
<tr>
<td>Loxclusin (loxaprofen)</td>
<td>Anti-inflammatory analgesic</td>
<td>1986</td>
<td>Clinically validated for the treatment of osteoporosis.</td>
</tr>
</tbody>
</table>

Generic Business

<table>
<thead>
<tr>
<th>Brand Name (Efficacy)</th>
<th>Efficacy</th>
<th>Launched</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan (Daiichi Sankyo Healthcare Co., Ltd.)</td>
<td>Anti-cancer therapy</td>
<td>2015</td>
<td>Clinically validated for the treatment of osteoporosis.</td>
</tr>
<tr>
<td>Loxclusin (Synthetic antibacterial agent)</td>
<td>Antithrombotic agent</td>
<td>1986</td>
<td>Clinically validated for the treatment of osteoporosis.</td>
</tr>
<tr>
<td>Inotuzumab (Zoledronic acid)</td>
<td>Antithrombotic agent</td>
<td>2010</td>
<td>Clinically validated for the treatment of osteoporosis.</td>
</tr>
<tr>
<td>Loxclusin (Pantoprazole)</td>
<td>Antithrombotic agent</td>
<td>1986</td>
<td>Clinically validated for the treatment of osteoporosis.</td>
</tr>
<tr>
<td>Loxclusin (Pantoprazole)</td>
<td>Antithrombotic agent</td>
<td>1986</td>
<td>Clinically validated for the treatment of osteoporosis.</td>
</tr>
<tr>
<td>Loxclusin (Pantoprazole)</td>
<td>Antithrombotic agent</td>
<td>1986</td>
<td>Clinically validated for the treatment of osteoporosis.</td>
</tr>
</tbody>
</table>

OTC Related Business

Innovative Pharmaceuticals Business

<table>
<thead>
<tr>
<th>Brand Name (Efficacy)</th>
<th>Efficacy</th>
<th>Launched</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAVITRA (abibercept)</td>
<td>Antiangiogenic</td>
<td>2015</td>
<td>Clinically validated for the treatment of osteoporosis.</td>
</tr>
<tr>
<td>TREBIN/ZIP (olmesartan)</td>
<td>Antihypertensive agent</td>
<td>2010</td>
<td>Clinically validated for the treatment of osteoporosis.</td>
</tr>
<tr>
<td>LAVANA (talamipristine)</td>
<td>Antithrombotic agent</td>
<td>2015</td>
<td>Clinically validated for the treatment of osteoporosis.</td>
</tr>
<tr>
<td>Cravit (krofloxin)</td>
<td>Synthetic antibacterial agent</td>
<td>1993</td>
<td>Clinically validated for the treatment of osteoporosis.</td>
</tr>
<tr>
<td>Complique (kabalex)</td>
<td>Contracted medium</td>
<td>1987</td>
<td>Clinically validated for the treatment of osteoporosis.</td>
</tr>
<tr>
<td>Loxclusin (loxaprofen)</td>
<td>Anti-inflammatory analgesic</td>
<td>1986</td>
<td>Clinically validated for the treatment of osteoporosis.</td>
</tr>
</tbody>
</table>

Vaccine Business

<table>
<thead>
<tr>
<th>Brand Name (Efficacy)</th>
<th>Efficacy</th>
<th>Launched</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan (Daiichi Sankyo Vaccine Co., Ltd.)</td>
<td>Anti-cancer therapy</td>
<td>2015</td>
<td>Clinically validated for the treatment of osteoporosis.</td>
</tr>
<tr>
<td>Loxclusin (Synthetic antibacterial agent)</td>
<td>Antithrombotic agent</td>
<td>1986</td>
<td>Clinically validated for the treatment of osteoporosis.</td>
</tr>
<tr>
<td>Inotuzumab (Zoledronic acid)</td>
<td>Antithrombotic agent</td>
<td>2010</td>
<td>Clinically validated for the treatment of osteoporosis.</td>
</tr>
<tr>
<td>Loxclusin (Pantoprazole)</td>
<td>Antithrombotic agent</td>
<td>2003</td>
<td>Clinically validated for the treatment of osteoporosis.</td>
</tr>
<tr>
<td>Loxclusin (Pantoprazole)</td>
<td>Antithrombotic agent</td>
<td>1986</td>
<td>Clinically validated for the treatment of osteoporosis.</td>
</tr>
<tr>
<td>Loxclusin (Pantoprazole)</td>
<td>Antithrombotic agent</td>
<td>1986</td>
<td>Clinically validated for the treatment of osteoporosis.</td>
</tr>
<tr>
<td>Loxclusin (Pantoprazole)</td>
<td>Antithrombotic agent</td>
<td>1986</td>
<td>Clinically validated for the treatment of osteoporosis.</td>
</tr>
</tbody>
</table>

Daiichi Sankyo Group Value Report 2018
### Corporate Profile

**Company Name:** Daiichi Sankyo Company, Limited  
**Established:** September 28, 2005  
**Business:** Research, development, manufacturing, import, sales, and marketing of pharmaceutical products  
**Paid-in Capital:** ¥50,000 million  
**Headquarters:** 3-5-1, Nihonbashi-Honcho, Chuo-ku, Tokyo 103-8426, Japan  
**Branches:** Sapporo, Tohoku, Tokyo, Chiba, Saitama, Yokohama, Kanetsu, Tokai, Kyoto, Osaka, Kobe, Chugoku, Shikoku, Kyushu  

### FY2016 and FY2017 Results (Billions of yen)

<table>
<thead>
<tr>
<th>Product</th>
<th>FY2016 Sales</th>
<th>FY2017 Sales</th>
<th>YoY (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daiichi Sankyo Europe</td>
<td>71.0</td>
<td>80.4</td>
<td>+8.2</td>
</tr>
<tr>
<td>Olmesartan</td>
<td>43.2</td>
<td>33.5</td>
<td>-25.0</td>
</tr>
<tr>
<td>Efient</td>
<td>22.2</td>
<td>10.7</td>
<td>-51.5</td>
</tr>
<tr>
<td>LIXIANA</td>
<td>18.0</td>
<td>23.2</td>
<td>+34.3</td>
</tr>
<tr>
<td>Daiichi Sankyo, Inc.</td>
<td>142.3</td>
<td>74.8</td>
<td>-51.5</td>
</tr>
<tr>
<td>Olmesartan</td>
<td>66.4</td>
<td>21.3</td>
<td>-67.5</td>
</tr>
<tr>
<td>Welchol</td>
<td>45.2</td>
<td>32.9</td>
<td>-22.5</td>
</tr>
<tr>
<td>Effient</td>
<td>22.2</td>
<td>10.7</td>
<td>-51.5</td>
</tr>
<tr>
<td>SAVAYSA</td>
<td>1.9</td>
<td>2.2</td>
<td>+12.3</td>
</tr>
<tr>
<td>MOVANTIK</td>
<td>4.2</td>
<td>4.7</td>
<td>+11.1</td>
</tr>
<tr>
<td>Luitpold</td>
<td>88.1</td>
<td>105.4</td>
<td>+19.1</td>
</tr>
<tr>
<td>Latofer</td>
<td>28.8</td>
<td>31.0</td>
<td>+8.4</td>
</tr>
<tr>
<td>Jektamizer</td>
<td>24.0</td>
<td>36.3</td>
<td>+51.8</td>
</tr>
<tr>
<td>Daiichi Sankyo, Inc.</td>
<td>142.3</td>
<td>74.8</td>
<td>-51.5</td>
</tr>
<tr>
<td>Olmesartan</td>
<td>66.4</td>
<td>21.3</td>
<td>-67.5</td>
</tr>
<tr>
<td>Welchol</td>
<td>45.2</td>
<td>32.9</td>
<td>-22.5</td>
</tr>
<tr>
<td>Effient</td>
<td>22.2</td>
<td>10.7</td>
<td>-51.5</td>
</tr>
<tr>
<td>LIXIANA</td>
<td>18.0</td>
<td>23.2</td>
<td>+34.3</td>
</tr>
<tr>
<td>Daiichi Sankyo, Inc.</td>
<td>142.3</td>
<td>74.8</td>
<td>-51.5</td>
</tr>
<tr>
<td>Olmesartan</td>
<td>66.4</td>
<td>21.3</td>
<td>-67.5</td>
</tr>
<tr>
<td>Welchol</td>
<td>45.2</td>
<td>32.9</td>
<td>-22.5</td>
</tr>
<tr>
<td>Effient</td>
<td>22.2</td>
<td>10.7</td>
<td>-51.5</td>
</tr>
<tr>
<td>LIXIANA</td>
<td>18.0</td>
<td>23.2</td>
<td>+34.3</td>
</tr>
<tr>
<td>Daiichi Sankyo, Inc.</td>
<td>142.3</td>
<td>74.8</td>
<td>-51.5</td>
</tr>
<tr>
<td>Olmesartan</td>
<td>66.4</td>
<td>21.3</td>
<td>-67.5</td>
</tr>
<tr>
<td>Welchol</td>
<td>45.2</td>
<td>32.9</td>
<td>-22.5</td>
</tr>
<tr>
<td>Effient</td>
<td>22.2</td>
<td>10.7</td>
<td>-51.5</td>
</tr>
<tr>
<td>LIXIANA</td>
<td>18.0</td>
<td>23.2</td>
<td>+34.3</td>
</tr>
<tr>
<td>Daiichi Sankyo, Inc.</td>
<td>142.3</td>
<td>74.8</td>
<td>-51.5</td>
</tr>
<tr>
<td>Olmesartan</td>
<td>66.4</td>
<td>21.3</td>
<td>-67.5</td>
</tr>
<tr>
<td>Welchol</td>
<td>45.2</td>
<td>32.9</td>
<td>-22.5</td>
</tr>
<tr>
<td>Effient</td>
<td>22.2</td>
<td>10.7</td>
<td>-51.5</td>
</tr>
<tr>
<td>LIXIANA</td>
<td>18.0</td>
<td>23.2</td>
<td>+34.3</td>
</tr>
<tr>
<td>Daiichi Sankyo, Inc.</td>
<td>142.3</td>
<td>74.8</td>
<td>-51.5</td>
</tr>
<tr>
<td>Olmesartan</td>
<td>66.4</td>
<td>21.3</td>
<td>-67.5</td>
</tr>
<tr>
<td>Welchol</td>
<td>45.2</td>
<td>32.9</td>
<td>-22.5</td>
</tr>
<tr>
<td>Effient</td>
<td>22.2</td>
<td>10.7</td>
<td>-51.5</td>
</tr>
<tr>
<td>LIXIANA</td>
<td>18.0</td>
<td>23.2</td>
<td>+34.3</td>
</tr>
<tr>
<td>Daiichi Sankyo, Inc.</td>
<td>142.3</td>
<td>74.8</td>
<td>-51.5</td>
</tr>
<tr>
<td>Olmesartan</td>
<td>66.4</td>
<td>21.3</td>
<td>-67.5</td>
</tr>
<tr>
<td>Welchol</td>
<td>45.2</td>
<td>32.9</td>
<td>-22.5</td>
</tr>
<tr>
<td>Effient</td>
<td>22.2</td>
<td>10.7</td>
<td>-51.5</td>
</tr>
<tr>
<td>LIXIANA</td>
<td>18.0</td>
<td>23.2</td>
<td>+34.3</td>
</tr>
<tr>
<td>Daiichi Sankyo, Inc.</td>
<td>142.3</td>
<td>74.8</td>
<td>-51.5</td>
</tr>
<tr>
<td>Olmesartan</td>
<td>66.4</td>
<td>21.3</td>
<td>-67.5</td>
</tr>
<tr>
<td>Welchol</td>
<td>45.2</td>
<td>32.9</td>
<td>-22.5</td>
</tr>
<tr>
<td>Effient</td>
<td>22.2</td>
<td>10.7</td>
<td>-51.5</td>
</tr>
<tr>
<td>LIXIANA</td>
<td>18.0</td>
<td>23.2</td>
<td>+34.3</td>
</tr>
<tr>
<td>Daiichi Sankyo, Inc.</td>
<td>142.3</td>
<td>74.8</td>
<td>-51.5</td>
</tr>
<tr>
<td>Olmesartan</td>
<td>66.4</td>
<td>21.3</td>
<td>-67.5</td>
</tr>
<tr>
<td>Welchol</td>
<td>45.2</td>
<td>32.9</td>
<td>-22.5</td>
</tr>
<tr>
<td>Effient</td>
<td>22.2</td>
<td>10.7</td>
<td>-51.5</td>
</tr>
<tr>
<td>LIXIANA</td>
<td>18.0</td>
<td>23.2</td>
<td>+34.3</td>
</tr>
</tbody>
</table>

### Corporate Profile / Main Group Companies

#### Japan
- Daiichi Sankyo Espha Co., Ltd.
- Daiichi Sankyo Healthcare Co., Ltd.
- Daiichi Sankyo Propharma Co., Ltd.
- Daiichi Sankyo Chemical Pharma Co., Ltd.
- Daiichi Sankyo RD Novare Co., Ltd.
- Daiichi Sankyo Business Associe Co., Ltd.
- Daiichi Sankyo Happiness Co., Ltd.
- Kitasato Daiichi Sankyo Vaccine Co., Ltd.

#### Europe
- Daiichi Sankyo Europe GmbH
- Daiichi Sankyo Deutschland GmbH
- Daiichi Sankyo France SAS
- Daiichi Sankyo Italia S.p.A.
- Daiichi Sankyo España, S.A.
- Daiichi Sankyo UK Ltd.
- Daiichi Sankyo (Schweiz) AG
- Daiichi Sankyo Portugal, Unipessoal Lda.
- Daiichi Sankyo Austria GmbH
- Daiichi Sankyo Belgium N.V.-S.A.
- Daiichi Sankyo Nederland B.V.
- Daiichi Sankyo Iac Ticaret Ltd. Şti.
- Daiichi Sankyo Ireland Ltd.
- Daiichi Sankyo Atkirsch Sari

#### Asia, South & Central America (ASCA*)
- Daiichi Sankyo (China) Holdings Co., Ltd.
- Daiichi Sankyo Taiwan Ltd.
- Daiichi Sankyo Korea Co., Ltd.
- Daiichi Sankyo (Thailand) Ltd.
- Daiichi Sankyo Hong Kong Ltd.
- Daiichi Sankyo Brasil Farmaceutica LTDA.

* Asia, South & Central America
Data Section
Shareholders’ Information

Common Stock (As of March 31, 2018)

<table>
<thead>
<tr>
<th>Number of shares authorized:</th>
<th>2,800,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares issued:</td>
<td>709,011,343</td>
</tr>
<tr>
<td>Number of shareholders:</td>
<td>82,565</td>
</tr>
</tbody>
</table>

Share Registrar

Mitsubishi UFJ Trust and Banking Corporation

Mailing address and telephone number:
Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division
Shin-TOKYO Post Office post office box No.29, 137-8081, Japan
Tel: 0120-232-711 (toll free within Japan)

Major Shareholders (As of March 31, 2018)

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares Held (Thousands of shares)</th>
<th>Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (trust account)</td>
<td>56,565</td>
<td>8.73</td>
</tr>
<tr>
<td>JP Morgan Chase Bank 380055</td>
<td>56,068</td>
<td>8.66</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (trust account)</td>
<td>46,712</td>
<td>7.21</td>
</tr>
<tr>
<td>Nippon Life Insurance Company</td>
<td>35,776</td>
<td>5.52</td>
</tr>
<tr>
<td>Trust &amp; Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd.</td>
<td>14,402</td>
<td>2.22</td>
</tr>
<tr>
<td>Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>STATE STREET BANK WEST CLIENT – TREATY 505234</td>
<td>12,614</td>
<td>1.95</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (trust account 5)</td>
<td>10,936</td>
<td>1.69</td>
</tr>
<tr>
<td>Employee stock ownership of Daiichi Sankyo Group</td>
<td>10,278</td>
<td>1.59</td>
</tr>
<tr>
<td>Sumitomo Mitsui Banking Corporation</td>
<td>9,913</td>
<td>1.53</td>
</tr>
<tr>
<td>The Shizuoka Bank, Ltd.</td>
<td>9,390</td>
<td>1.45</td>
</tr>
</tbody>
</table>

Notes: 1. The Company holds 61,343,747 treasury shares, which are excluded from the above list.
2. Treasury shares are not included in the computing of equity ratios.

Distribution of Shareholders (As of March 31, 2018)

- Treasury share: 8.85%
- Financial instrument firms: 1.38%
- Other corporations: 4.28%
- Individual investors and others: 13.63%
- Financial institutions: 42.03%
- Foreign institutions and individuals: 30.09%
- National government and local governments: 0.00%

118 Daiichi Sankyo Group Value Report 2018