External Evaluations  (as of June 30, 2019)

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**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.

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**Core Values**

- **Innovation**: the introduction of new ideas, methods, or invention
- **Integrity**: the quality of being honest and of always having high moral principles
- **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*  
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.™

---

**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 based on the following 10 principles of this Charter.

In order to actively respond to an ever-changing society, we address social issues and business in an integrated manner. It will enhance our corporate value, fulfill our social responsibilities and contribute to the realization of a sustainable society.

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

**Article 2** Fair business practices  
We respect international norms, diverse cultures and customs, conduct business in a fair manner through free and fair competition, and conduct responsible procurement by complying with laws and regulations in each country and region in which we do business. We maintain productive, positive and professional relationships with our stake-holders, which include medical professionals and governments.

**Article 3** Fair disclosure of information and constructive dialogue with stakeholders  
We actively, effectively and fairly disclose corporate information to the public and engage in an open and constructive dialogue with a wide range of stakeholders.

**Article 4** Respect for human rights  
We conduct business that respects the human rights of all persons.

**Article 5** Enhancement of workplace environment and human resource development  
We respect the diversity of our employees, and seek to include a diversity of thought in our daily work. We are committed to ensuring a healthy and safe working environment and do not tolerate harassment and discrimination. We provide employees the opportunity to develop their skills and abilities for the mutual growth of the individual employee and the corporation.

**Article 6** Information management  
We take necessary measures to manage and protect personal information, business partner information as well as other confidential information of Daiichi Sankyo and others.

**Article 7** Environmental issues  
Environmental challenges are universally critical to all of mankind. We responsibly manage the environmental impact of our operations and include our efforts for a better environment in our corporate activities and our very survival.

**Article 8** Involvement in community and contribution to its development  
We are actively involved in community activities and contribute to its development as a good corporate citizen.

**Article 9** Engagements and social initiatives  
We actively, effectively and fairly disclose corporate information to the public and engage in an open and constructive dialogue with a wide range of stakeholders.

**Article 10** Role of executives and implementation of this Charter  
Executives of the DAIICHI SANKYO Group actively build and maintain effective governance systems to implement this Charter, ensure it is understood by all Group companies, and encourage behavior based on the principles of this Charter to the business partners of Daiichi Sankyo Group. If the Charter is violated, executives of DAIICHI SANKYO Group Companies take responsibility to respond by determining the cause of infringement, taking corrective action as necessary and making efforts to prevent similar violations in the future.

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**Sustainable Development Goals (SDGs)**  
In light of the Sustainable Development Goals (SDGs) and other international initiatives, the Group has made revisions to the DAIICHI SANKYO Group Corporate Conduct Charter in April 2019 and has declared that the Group will contribute to the realization of a sustainable society.
Introduction

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*, improving access to pharmaceuticals**, and ESG activities. We engage in medium-to-long-term initiatives using our financial capital, intellectual capital, human capital and other capitals to enhance our long-term corporate value, as well as to realize a sustainable society.

At Daiichi Sankyo, we define our 2025 Vision as striving to become a “Global Pharma Innovator with competitive advantage in oncology,” and we are currently aiming to achieve the goals in our 5-Year Business Plan in order to realize this vision. The basis of Daiichi Sankyo’s value creation is in addressing diverse medical needs through continually creating innovative pharmaceuticals while taking advantage of our strengths in science and technology.

By continuing this cycle of our value creation process, we will sustainably improve our corporate value, and we will provide the values in a well-balanced manner generated by Daiichi Sankyo to our stakeholders and society, including patients, their families, healthcare professionals, our shareholders and investors, business partners, employees and local communities.

*1 Medical needs for effective treatment and drugs yet to be developed
*2 Pharmaceuticals needed by patients being delivered sufficiently and consistently
Contents

Daiichi Sankyo Group Value Report 2019

1 Our Mission
2 Daiichi Sankyo’s Value Creation Process
3 Message from the CEO
4 At a glance
   ➤Annual Topics for Fiscal 2018
   ➤Summary of Financial Results in Fiscal 2018, Key Products, Employees and Others
   ➤Columns: Pharmaceutical Company’s Business Model
   ➤Major R&D Pipeline
7 Value Creation Story
12 History of Daiichi Sankyo
   ➤Path to the Merger
   ➤Road After the Merger
21 Medium-to-Long-Term Initiatives and Challenges
   ➤Promoting Environmental Management
   ➤Corporate Governance Aimed at Fulfilling Our Mission
   ➤Promoting Compliance Management
   ➤Promoting the Success and Development of a Diverse Range of Human Resources Who Can
   ➤Produce Competitive Advantages
   ➤Creating Innovative Pharmaceuticals
   ➤Improving Access to Healthcare
   ➤Providing the Highest Quality Medical Information
   ➤Providing a Stable Supply of Top-Quality Pharmaceutical Products
29 Daiichi Sankyo’s Strengths
31 2025 Vision
32 5-Year Business Plan Overview and Progress
33 Message from the CFO
37 Strategic Target
   ➤Grow Edoxaban
39 Strategic Target
   ➤Grow as the No. 1 Company in Japan
41 Strategic Target
   ➤Establish Oncology Business
59 Special Issue
   ➤Strategic Collaboration to Maximize the Value of DS-8201
61 Corporate Governance
   ➤Message from Chairman of the Board
   ➤Corporate Governance
   ➤Messages from Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside) (Independent Directors)
   ➤Introduction of Members of the Board and Members of the Audit and Supervisory Board
73 Risk Management
75 Daiichi Sankyo Group’s Value Chain and Organization
77 Global Management Structure
78 Business units
   ➤Innovative Pharmaceuticals Business: Sales & Marketing Unit
   ➤Generic Business: Daiichi Sankyo Etepha Co., Ltd.
   ➤Vaccine Business
   ➤DTC Related Business: Daiichi Sankyo Healthcare Co., Ltd.
   ➤Daiichi Sankyo, Inc. (DSUSB)
   ➤American Regent, Inc.
   ➤Daiichi Sankyo Europe GmbH
   ➤ASCRA Company
86 Functional units
   ➤R&D Unit
   ➤Biologics Unit
   ➤Pharmaceutical Technology Unit
   ➤Supply Chain Unit
   ➤Medical Affairs Unit
   ➤Quality & Safety Management Unit
92 Initiatives Aimed at Realizing a Sustainable Society
97 10-Year Financial Summary
99 Financial Results and Financial Analysis
103 Consolidated Financial Statements
107 Major Products
109 Corporate Profile / Main Group Companies
111 ESG (Environmental, Social, and Governance) Data
113 Independent Assurance Report for Social Indicators
114 Shareholders’ Information

Value Section

Business Activities

Review of 5-Year Business Plan
R&D Pipeline
DS-8201
Strategic Collaboration with AstraZeneca

Period Covered
April 1, 2018 – March 31, 2019 (fiscal 2018) and also information for the period from April 2019 onward

Cautionary Note Regarding Forward-Looking Statements
Management strategies and plans, financial forecasts, future projections and policies, and R&D information that Daiichi Sankyo discloses are all classified as “Daiichi Sankyo’s future prospects.” These forward-looking statements were determined by Daiichi Sankyo based on information obtained as of today with certain assumptions, premises and future forecasts, and thus, there are various inherent risks as well as uncertainties involved. As such, please note that actual results of Daiichi Sankyo may diverge materially from Daiichi Sankyo’s outlook or the content of this material.

Editorial Policy
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 various 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 the latest information on the Company’s 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.

Company’s website
https://www.daiichisankyo.com/

Major Keywords of Value Report 2019

P9, P34, P59

P9, P45, P59

P8, P21

P33

P15

P9, P45, P59

P9, P34, P59
Message from the CEO

We will make a concerted effort to achieve our 2025 Vision of becoming a “Global Pharma Innovator with competitive advantage in oncology.”

Dear stakeholders, I would like to begin by expressing my sincere gratitude for your continued support and understanding regarding our business.

My name is Sunao Manabe, and I took up the position of CEO in June 2019. Up until now, I have engaged in corporate activities with former CEO George Nakayama, and we have focused Daiichi Sankyo Group’s entire strength toward realizing our 2025 Vision of becoming a “Global Pharma Innovator with competitive advantage in oncology.”

Going forward, I will begin discussions regarding our next 5-year business plan, and will draw up a roadmap for achieving our 2025 Vision. In addition, I believe that one of my significant responsibilities as CEO is to make the necessary moves with consideration for the year 2025 and beyond.

I would first like to introduce Daiichi Sankyo’s medium-to-long-term initiatives and challenges for improving our long-term corporate value and realizing a sustainable society.

Medium-to-Long-Term Initiatives and Challenges

In recent years, social issues such as climate change, a growing wealth gap, as well as extortion, bribery and other forms of corruption have been recognized as global risks. Initiatives are being promoted to solve these issues through international frameworks such as the SDGs and the Guiding Principles on Business and Human Rights. Apart from compliance with laws and regulations, there is demand for companies to actively engage in initiatives to solve these social issues. Daiichi Sankyo Group has worked in such initiatives for some time as a good corporate citizen.

Activities to continually create innovative pharmaceuticals and to address diverse medical needs serve as the basis for creating value at Daiichi Sankyo. These activities also serve as solutions for issues related to sustainability, including social and environmental problems. At Daiichi Sankyo Group, we aim to conduct activities as an integral part of our business to solve social issues. Our position as a company engaging in business that affects human lives enables us to undertake such activities, and we wish to continue delivering wide-ranging value to society.

This Value Report features an overview of our medium-to-long term corporate activities, and I would also like to give a brief description of these activities here.
Message from the CEO

We recognize global warming, climate change, and other environmental problems as severe issues that can affect our lifestyles as well as our business. We are actively promoting environmental management to conduct responsible corporate activities in light of a wide range of environmental issues.

In addition, we are developing a corporate governance structure that can swiftly and dynamically respond to changes in the business environment. We are carrying out compliance management, not just to comply with laws, regulations, and rules, but also to act with the highest ethical standards and a good social conscience, appropriate for a company engaged in a business that affects human lives.

With regard to human resources, we will nurture global talent and actively acquire highly experienced individuals. We will create competitive advantages by encouraging our personnel to achieve success.

In addition to addressing unmet medical needs through continually creating innovative pharmaceuticals, we are also engaging in initiatives for improving access to healthcare. These initiatives include actions for resolving access barriers to healthcare caused by social factors such as public health, education, and income inequality.

We continue to fulfill our mission as a company even after creating innovative pharmaceuticals, by providing high-quality information and sending out messages that promote proper use in appropriate patients, as well as by providing a stable supply of top-quality pharmaceutical products across the globe.

As described above, the medium-to-long-term initiatives and challenges at Daiichi Sankyo Group include undertakings to continually create innovative pharmaceuticals, as well as to tackle issues related to sustainability, including social and environmental problems. We strive to deliver wide-ranging value to society through these activities, and we believe that these actions ultimately contribute to the continued improvement of our corporate value.

We set forth our 2025 Vision of becoming a “Global Pharma Innovator with competitive advantage in oncology,” and are working to achieve our 4th 5-year business plan. The concept “Creating Innovative Pharmaceuticals” stands at the base of our business in terms of our current activities, and we currently have very high expectations of DS-8201 in this regard. Here, I would like to describe DS-8201 in more detail.

Submitting NDA for DS-8201

The data from a clinical study of DS-8201, the first compound in our ADC (Antibody Drug Conjugate) franchise, was first presented at the European Society for Medical Oncology (ESMO) in 2016. At that point, data was preliminary with limited number of patients; therefore, efficacy and safety, as well as duration of therapy were not clear. However, as the clinical studies proceeded, data became mature, and we came to acquire data indicating an improvement in response rate as well as prolonged effects. At the end of April 2019, we published the latest data on phase 1 studies in breast and gastric cancers in the academic journal Lancet Oncology. This data demonstrated prolonged efficacy, with the progression-free survival exceeding 22 months for breast cancer.

At the end of May, we obtained results from a pivotal phase 2 study in tertiary treatment for metastatic breast cancer, and these data demonstrated clinically significant efficacy. Based on these results, we plan to submit applications for the breast cancer indication in several regions on a gradual basis: the U.S. in the first half of fiscal 2019, Japan in the second half of fiscal 2019, and Europe in the first half of fiscal 2020.

We also plan to file an NDA in Japan for the metastatic gastric cancer indication in fiscal 2020. In this way, we are finally seeing possibilities for delivering DS-8201 to patients. We are filing NDAs in an extremely short period of time; just four years after starting clinical trials in 2015. We believe that this achievement was a result of company-wide collective efforts, as well as the potential of DS-8201 created through our proprietary science and technology.

Maximizing the Product Value of DS-8201: Strategic Collaboration with AstraZeneca

In light of the steady progress in development on DS-8201 as well as our increasingly high esteem among healthcare professionals and market players, we signed a contract with AstraZeneca in March 2019 regarding global development and commercialization. We will be able to deliver DS-8201 to more patients even quicker by planning and carrying out various strategies together with our partner, who has exhibited extensive experience and resources worldwide in the field of oncology. We will each work in different roles to achieve this goal. This strategic collaboration has significance in three main areas.

First, our collaboration with AstraZeneca will accelerate the pace of our expansion into the European market, and will spur on global development regarding new indications, in addition to advancing our schedule for entering the market in China and other countries. This will allow us to deliver DS-8201 to more patients even quicker. Second, this experience will accelerate work to build a structure for an oncology business in the global market. Finally, this collaboration will also add to our R&D costs and personnel resource requirements, meaning that Daiichi Sankyo can allocate more resources toward ADC projects that follow after DS-8201.

When deciding on a partner for DS-8201, we focused on whether candidates gave the highest possible evaluation regarding the value of DS-8201. We then placed importance on other factors, such as whether candidates saw Daiichi Sankyo as a vital partner, and whether we could gain extensive knowledge from them in order to build a global platform for our oncology business. We have already built a relationship of trust through the co-promotion of Nivolumab in Japan, among other activities.

Furthermore, after signing this contract, we have made a strong start with a Joint Committee holding vital functions in R&D, MA, marketing, supply chain, and other areas. The Joint Committee holds discussions on issues encountered in each of these areas. We will utilize this collaboration to the fullest in order to maximize the value of DS-8201.

The Significance of This Collaboration

1. Accelerate DS-8201 development & commercialization to reach more patients earlier.
2. Accelerate the establishment of Daiichi Sankyo’s global oncology infrastructure.
3. Expand resource allocation for other ADC programs following DS-8201.

ADC (Antibody Drug Conjugate) Pipeline

Combinable with a wide range of antibodies

<table>
<thead>
<tr>
<th>Compound</th>
<th>Target</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>DS-8201</td>
<td>HER2</td>
<td></td>
</tr>
<tr>
<td>U3-1402</td>
<td>HER3</td>
<td></td>
</tr>
<tr>
<td>DS-1062</td>
<td>TROP2</td>
<td></td>
</tr>
<tr>
<td>DS-7300</td>
<td>B7-H3</td>
<td></td>
</tr>
</tbody>
</table>
Daiichi Sankyo’s R&D Capabilities and Growing Beyond ADCs

I originally specialized in safety for pre-clinical studies, and was deeply involved with prasugrel, olmesartan, prasugrel, etoricoxib, and other projects. Based on my experience in these projects, as well as the history of Daiichi Sankyo group companies up to now, I feel that the level of science and technology at Daiichi Sankyo is very high and at a world-class level. I think that DS-8201 and the other new ADC projects were born out of this history and the company DNA. This is the picture of an iceberg which I drew by myself as an image. DS-8201 and our ADC technology are currently viable, but they are only the tip of the iceberg when it comes to Daiichi Sankyo’s R&D capabilities with science and technology running throughout them.

In Closing

Fiscal 2019 marked the start of our oncology business, with plans to bring quazartinib and pexidartinib to the market as our first oncology products following our merger, as well as our work in submitting successive NDAs for DS-8201 in the U.S. and Japan. All employees will make a concerted effort to achieve our 2025 Vision of becoming a “Global Pharma Innovator with competitive advantage in oncology” through the ADC franchise with a focus on DS-8201. At the same time, we will aim to achieve even more competitive drug discovery in order to grow beyond ADC in 2025 and onward. I believe that we can save even more patients with our science and technology as a result of these efforts. I would like to ask for the continued support of all of you to help us achieve this goal.

Message from the CEO
## Summary of Financial Results in Fiscal 2018

<table>
<thead>
<tr>
<th>Ratio to Revenue</th>
<th>Revenue ¥ 929.7 billion</th>
<th>Cost of sales ¥ 364.6 billion</th>
<th>39.2%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>¥ 277.7 billion</td>
<td></td>
<td>29.9%</td>
</tr>
<tr>
<td></td>
<td>¥ 203.7 billion</td>
<td></td>
<td>21.9%</td>
</tr>
<tr>
<td></td>
<td>¥ 83.7 billion</td>
<td></td>
<td>9.0%</td>
</tr>
<tr>
<td>Profit attributable to owners of the Company</td>
<td>¥ 93.4 billion</td>
<td>10.0%</td>
<td></td>
</tr>
<tr>
<td>ROE</td>
<td>7.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td>¥ 838.3 billion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total equity</td>
<td>¥ 1,249.7 billion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>¥ 2,088.1 billion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity ratio</td>
<td>59.8%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Key Products

#### Innovative Pharmaceuticals Business

<table>
<thead>
<tr>
<th>Global</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="Image" alt="Anticoagulant" /></td>
<td><img src="Image" alt="LIXIANA/SAVAYSA" /></td>
</tr>
<tr>
<td><img src="Image" alt="Antihypertensive agent" /></td>
<td><img src="Image" alt="Ometec/Benicar" /></td>
</tr>
<tr>
<td><img src="Image" alt="Ulcet treatment" /></td>
<td><img src="Image" alt="NEXIUM" /></td>
</tr>
<tr>
<td><img src="Image" alt="Generic Business" /></td>
<td><img src="Image" alt="Vacine Business" /></td>
</tr>
<tr>
<td><img src="Image" alt="OTC Related Business" /></td>
<td><img src="Image" alt="Generic Business" /></td>
</tr>
</tbody>
</table>

- **Anticoagulant**: LIXIANA/SAVAYSA
- **Antihypertensive agent**: Ometec/Benicar
- **Ulcet treatment**: NEXIUM
- **Generic Business**: Olmesartan (AG)
- **Vacine Business**: Influenza HA Vaccine
- **OTC Related Business**: Loxin S

#### Cake Products

<table>
<thead>
<tr>
<th>Region</th>
<th>Revenue Composition Ratio by Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>10.5%</td>
</tr>
<tr>
<td>North America</td>
<td>9.5%</td>
</tr>
<tr>
<td>Japan</td>
<td>63.4%</td>
</tr>
<tr>
<td>Other</td>
<td>16.6%</td>
</tr>
</tbody>
</table>

### Employees and Bases

<table>
<thead>
<tr>
<th>Region</th>
<th>No. of group employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>14,887</td>
</tr>
<tr>
<td>Europe</td>
<td>2,172</td>
</tr>
<tr>
<td>Asia</td>
<td>1,678</td>
</tr>
<tr>
<td>South &amp; Central America</td>
<td>394</td>
</tr>
</tbody>
</table>

- **Japan**: 14,887
- **Europe**: 2,172
- **Asia**: 1,678
- **South & Central America**: 394

### Revenue Composition Ratio by Region

- **Europe**: 10.5%
- **North America**: 9.5%
- **Japan**: 63.4%
- **Other**: 16.6%

### Key Figures

- **Revome in fiscal 2018**:
  - ¥ 117.7 billion (Global)
  - ¥ 105.9 billion (Japan)
  - ¥ 78.3 billion (Generic Business)
  - ¥ 51.7 billion (OTC Related Business)
  - ¥ 40.9 billion (Vaccine Business)
  - ¥ 35.9 billion (Innovative Pharmaceuticals Business)

### Key Diagrams

- **COLUMN: Pharmaceutical Company’s Business Model**
  - Launching a new drug requires an R&D period spanning some 9 to 16 years, as well as anything from tens of billions of yen to over 100 billion yen in costs. As such, it is said that the probability of creating a new drug is one in around 25 thousand compounds.
  - Once approved, new drugs enjoy an exclusivity period for as long as their patents are effective. After launch, sales of the new drug grow during the exclusivity period, but then fall dramatically once the exclusivity period ends and generic drugs are launched. This fall in sales at the loss of exclusivity (LOE) is called the “patent cliff.” In order to overcome the patent cliff and achieve continuous growth, it is essential to continually develop and launch new drugs through R&D.

- **Conceptual diagram showing the changes in new drug sales over time**
  - Exploratory research
  - Pre-clinical study
  - Clinical trial (Phases 1, 2, and 3)
  - Review for approval
  - Patent cliff

### Key Highlights

- **9 to 16 years** until a new drug launches
- **Over 100 billion yen**
- **1 in 25,000** compounds becomes a new drug
- **3 to 4 years**
- **Hundreds of millions of yen**

---

**At a glance**

**Summary of Financial Results in Fiscal 2018**

**Employees and Bases**

**Key Products**

**COLUMNS: Pharmaceutical Company’s Business Model**

**Key Highlights**
At a glance

At the Daiichi Sankyo Group, we build and expand pipelines while constantly placing focus on patients’ unmet medical needs. The R&D Unit defines oncology as a priority area, and makes investments in a concentrated manner for three main pillars: the ADC (antibody drug conjugate) franchise, the AML (acute myeloid leukemia) franchise, and Breakthrough Science (creating first-in-class or best-in-class compounds with breakthrough mechanism of action or modality). In addition to this, we aim to create innovative medicines that change the SOC for rare diseases outside of the oncology field.

Major R&D Pipeline

<table>
<thead>
<tr>
<th>Franchise</th>
<th>Generic Name/Project Code Number (INN/ Trade Name)</th>
<th>Region</th>
<th>Stage</th>
<th>Partner</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ADC</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Franchise</td>
<td>Breast cancer (HER2 positive post T-DM1)</td>
<td>JP/US/EU/Asia</td>
<td>P2/P3</td>
<td>AstraZeneca</td>
</tr>
<tr>
<td>Franchise</td>
<td>Breast cancer (HER2 positive vs. T-DM1)</td>
<td>Asia</td>
<td>P3</td>
<td>AstraZeneca</td>
</tr>
<tr>
<td>Franchise</td>
<td>Breast cancer (HER2 low expression)</td>
<td>JP/US/EU/Asia</td>
<td>P2/P3</td>
<td>AstraZeneca</td>
</tr>
<tr>
<td>Franchise</td>
<td>Glioblastoma (HER2 positive post trastuzumab)</td>
<td>Asia</td>
<td>P2</td>
<td>AstraZeneca</td>
</tr>
<tr>
<td>Franchise</td>
<td>Colorectal cancer (HER2 expression)</td>
<td>JP/US/EU</td>
<td>P2</td>
<td>AstraZeneca</td>
</tr>
<tr>
<td>Franchise</td>
<td>Non-small cell lung cancer (HER2 expressing/mutant)</td>
<td>JP/US/EU</td>
<td>P2</td>
<td>AstraZeneca</td>
</tr>
<tr>
<td>Franchise</td>
<td>Breast cancer, bladder cancer (combination with nivolumab)</td>
<td>US/EU</td>
<td>P1</td>
<td>IMS</td>
</tr>
<tr>
<td>Franchise</td>
<td>U3-1402/Anti-HER3-ADC</td>
<td>JP/US</td>
<td>P1</td>
<td></td>
</tr>
<tr>
<td>Franchise</td>
<td>EGFR-mutant non-small cell lung cancer</td>
<td>JP/US</td>
<td>P1</td>
<td></td>
</tr>
<tr>
<td>Franchise</td>
<td>DS-1062/Anti-TROP2-ADC</td>
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<td>P1</td>
<td></td>
</tr>
<tr>
<td>Franchise</td>
<td>Quazartinib/FLT3 inhibitor</td>
<td>EU/Asia</td>
<td>Submitted</td>
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<tr>
<td>Franchise</td>
<td>Milademetan/DS-3032/MDM2 inhibitor</td>
<td>JP/US/EU/Asia</td>
<td>P3</td>
<td></td>
</tr>
<tr>
<td>Franchise</td>
<td>Valemtostat/DS-3201/EZH1/2 inhibitor</td>
<td>JP/US</td>
<td>P1</td>
<td></td>
</tr>
<tr>
<td>Franchise</td>
<td>PLX2993/BET inhibitor</td>
<td>US</td>
<td>P1</td>
<td></td>
</tr>
<tr>
<td>Franchise</td>
<td>Ancabatigene ciloleucel/ Axi-Cel/ Anti-CD19 CAR-T cells</td>
<td>JP/P3</td>
<td>Kite/Gilead</td>
<td></td>
</tr>
<tr>
<td>Franchise</td>
<td>Pexidartinib/DSF-1/107/FLT3 inhibitor</td>
<td>US/EU</td>
<td>Submitted</td>
<td></td>
</tr>
<tr>
<td>Franchise</td>
<td>DS-1647/D474/Oncolytic HSV-1</td>
<td>JP</td>
<td>P2/P3</td>
<td></td>
</tr>
<tr>
<td>Franchise</td>
<td>DS-1061/ mutant IDH inhibitor</td>
<td>JP</td>
<td>P1</td>
<td></td>
</tr>
<tr>
<td>Franchise</td>
<td>DS-1205/AXL inhibitor</td>
<td>Asia</td>
<td>P1</td>
<td></td>
</tr>
</tbody>
</table>

**Pharmacological research:AKERU**

- **Discovery**
  - **Stanford Burnham Prebys Medical Discovery Institute**
  - **Burnham Institute**
  - **Stanford Medical Institute**
  - **Insiis**

- **Preclinical stage**
  - **AstraZeneca**
  - **BMS**
  - **Sanofi**
  - **Ube Industries**

- **Clinical trial stages**
  - **P1: Phase 1**
  - **P2: Phase 2**
  - **P3: Phase 3**

- **Specialty medicine**
  - **Eribulin/Factor Xa inhibitor**
  - **Paregrel/Anti-platelet agents**
  - **Exsaxerone/MR antagonist**
  - **DS-1049/TAFia inhibitor**
  - **Mirogabalin/1G2 ligand**
  - **DS-5141/ENA oligonucleotide**
  - **DS-1211/TNAP inhibitor**
  - **VN-0107/MECD3250/Nasal cavity spray live attenuated influenza vaccine**
  - **VN-0103/DPT-P/VHb**
  - **VN-0102/VC-001/ Measles-Mumps-Mumps-Rubella vaccine**

- **Orphan Drug Designation**
  - **DS-5141/ENA oligonucleotide**

- **Life Cycle Management**

- **Projects in the field of oncology which are planned for application based on the results of Phase 2 trials**
- **Projects that have been granted SAKIGAKE Designation (Japan), Breakthrough Therapy Designation (FDA), or Orphan Drug Designation**
**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, levofloxacin and olmesartan became blockbuster drugs* on the global market.

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### 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, adrenaliné 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 lvoxoprofen and olmesartan, both best-in-class drugs.

### History of Daiichi Pharmaceutical

Daiichi Pharmaceutical began its advancement 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.

Levofloxacin, which could be seen as a masterpiece in the field of synthetic antibacterials, left a broad spectrum of antibacterial activity. 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.

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* These drugs whose annual peak sales exceed ¥100 billion (or $1 billion).
History of Daiichi Sankyo – Road After the Merger

Carrying 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 that will be key to the future of Daiichi Sankyo is also built upon these strengths, using the biotechnologies of Sankyo in the antibody drug linker and payload (drug) portions.

We are finally ready to file an NDA in fiscal 2019 for DS-8201, the first entry in our ADC franchise. We have also entered into an agreement with AstraZeneca for collaborating in global development and commercialization. This collaboration will accelerate and expand development as well as help achieve early market penetration, allowing us to deliver DS-8201 to more patients even quicker. Furthermore, as well as accelerating the process of building a structure for our oncology business in the global market, we will also allocate resources to other projects and accelerate the pace of their development.

# 1st Mid-Term Business Plan
Maximization of synergies and expansion of growth foundation
- Focus on thrombotic, cancer, and diabetes fields
- Maximize sales of olmesartan franchise
- Introduced Ranbaxy into the Group in 2008

# 2nd Mid-Term Business Plan
Advancement of the global hybrid business model
- Focus on thrombotic, cardiovascular-metabolics, and cancer fields
- Expand operating foundations in Japan
- Conduct frontline and backyard collaboration with Ranbaxy

# 3rd Mid-Term Business Plan
Promotion of measures toward sustainable growth beyond the patent cliff
- Focus on thrombotic, cardiovascular-metabolics, and cancer fields
- Divest and liquidate Ranbaxy
- Return to the innovative medicine business

# 4th Mid-Term 5-Year Business Plan
Transformation toward the 2025 Vision
- Grow beyond FY2017 patent cliff
- Establish a foundation of sustainable growth

Overview of initiatives under mid-term business plans

Launches of new products
1. Lovanorin Tape
2. AZOR
3. Effentor
4. Sevikar

In-licensed products
1. Denosumab
2. Tivantinib (Development discontinued)
3. Tivantinib (Development discontinued)

Acquisition
1. ESI Pharma GmbH
2. Pharma-Force, Inc.
3. Pharma-Biotech Laboratories Ltd.
4. Bethlehem Plant, Flexion Inc.

Business expansion
1. Expansion in Turkey and Ireland
2. Expansion in Puerto Rico

Important management decisions
1. Set the term of Board Members as one year, four out of 10 Board Members are Outside Members
2. Established Nomination Committee and Compensation Committee
3. Established Audit & Supervisory Board to two out of four Members of the Audit & Supervisory Board are Outside Members
4. Introduced Corporate Officer System

ESG
1. Environmental
2. Social
3. Governance
4. In 2019, Daiichi Sankyo’s representatives were prioritized for inclusion in the Dow Jones Sustainability World Index.
5. Daiichi Sankyo is included in the Dow Jones Sustainability World Index for the 13th consecutive year.
6. Daiichi Sankyo is selected as the winner of the Corporate Governance of the Year for three consecutive years (2017-2019) in the Dow Jones Sustainability Indices (World Index).

For more information on the 5-year business plan, see pages 33 to 34.
Medium-to-Long-Term Initiatives and Challenges

Daiichi Sankyo is working to enhance our long-term corporate value, as well as to engage in medium-to-long-term initiatives and challenges in order to realize a sustainable society.

We have positioned the constant creation of innovative pharmaceuticals and the provision of pharmaceuticals addressing diverse medical needs as the basis for our value creation and have been delivering values to society by committing ourselves to solving issues on sustainability, including social and environmental problems, through our corporate activities.

We will explain the following eight issues that Daiichi Sankyo should address in its corporate activities on a medium-to-long-term basis.

### Promoting Environmental Management

Daiichi Sankyo Group recognizes, with great importance, environmental issues such as global warming or extreme weather which have impacts on our work and life, and we also understand that these issues are risks that may affect our long-term business itself. We work to promote environmental management based on this understanding, and we believe that doing so contributes to a sustainable society and helps build long-term foundations for corporate growth.

#### Introduction of Our Initiatives

Expressing Agreement with the Recommendations of the TCFD (Task Force on Climate-related Financial Disclosures)

In April 2019, Daiichi Sankyo Group was the first pharmaceutical company in Japan to express support for the TCFD’s recommendation, which were formulated to encourage companies to disclose information about the risks and opportunities presented by climate change in business activities.

We see “Climate Action,” Goal 13 in the SDGs (Sustainable Development Goals), to be an important issue within environmental management, and we are actively engaged in initiatives to independently disclose climate-related financial information in line with the recommendations of the TCFD and in response to requests from stakeholders.

Setting a Target to Reduce CO₂ (by 27% Compared to 2015) with Consideration for Long-Term Goals

We have set a target at Daiichi Sankyo Group to reduce greenhouse gases, and this target has been approved by the Science Based Targets initiative (SBTI). Our target to reduce greenhouse gases emitted through business activities at the Group falls in line with the necessary degree of reduction for keeping the average increase in global temperature below 2°C.

In fiscal 2018, we achieved a 12.7% reduction of CO₂ emissions from fiscal 2015, meaning that we have gone beyond our target for fiscal 2020. We will continue to engage in initiatives for CO₂ reduction in consideration of long-term goals in 2030.

#### Breakdown of CO₂ Emissions (Groupwide)

<table>
<thead>
<tr>
<th>Year</th>
<th>CO₂ Emissions (tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>341,274</td>
</tr>
<tr>
<td>2016</td>
<td>341,274</td>
</tr>
<tr>
<td>2017</td>
<td>320,577</td>
</tr>
<tr>
<td>2018</td>
<td>324,843</td>
</tr>
<tr>
<td>2019</td>
<td>323,223</td>
</tr>
</tbody>
</table>

* Sources: [Showa Denko K.K.](https://www.showadenko.com/)

#### Corporate Governance Aimed at Fulfilling Our Mission

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 are promoting a corporate governance structure aimed at fulfilling our mission.

#### Creating Innovative Pharmaceuticals

Daiichi Sankyo Group is united to create innovative pharmaceuticals and resolve the social issue of overcoming illnesses. To meet patients’ unmet medical needs, our diverse global members are united to enhance our science & technology, with the aim of developing innovative pharmaceuticals to help treat as many people as possible, as quickly as possible.

#### Improving Access to Healthcare

Within Daiichi Sankyo Group, we work to address access to healthcare issues, including unmet medical needs (UMN) regarding diseases for which an effective method of treatment does not exist, and access barriers to healthcare caused by social factors such as public health, education and income inequality.

#### Providing the Highest Quality Medical Information

Pharmaceuticals are crucial for the life of each and every patient. As such, it is vital to create and convey high-quality information, so that patients can use pharmaceuticals correctly. Within Daiichi Sankyo Group, we continually establish high-quality information and deliver this information in an appropriate manner, thereby promoting the proper use of our pharmaceuticals and enhancing their product value (contribution to patient treatment in the medical field).

#### Providing a Stable Supply of Top-Quality Pharmaceutical Products

Pharmaceutical companies have an imperative mission to provide high-quality pharmaceuticals in an appropriate and stable manner. As we at Daiichi Sankyo Group work to expand our product lineup to meet demand for a high level of manufacturing technologies, we strive to fulfill this mission by continually providing high-quality pharmaceuticals to the world in a stable manner over a long-term period, even in the event of an earthquake or other emergency.

#### Promoting Compliance Management

At Daiichi Sankyo Group, we recognize that thorough compliance is essential for maintaining and improving our corporate value over the long term. We remain compliant with all relevant laws and regulations and manage compliance with a strong focus on ensuring the highest level of ethics and social consciousness, which we believe is essential for a life science-oriented company.

#### Promoting the Success and Development of a Diverse Range of Human Resources Who Can Produce Competitive Advantages

In order to achieve sustainable business activities, it is essential to promote the success and development of a diverse range of human resources. Based on Daiichi Sankyo Group’s Human Resources Management Philosophy, we respect the diversity of each and every employee, and we aim to achieve mutual growth between employees and the company in order to produce competitive advantages.

### Building a System to Secure the Reliability of Environmental Performance Data

We recognize actions to secure the reliability of environmental performance data, including climate change, to be the most crucial issue within environmental management. As such, we have gained third-party certification in order to enhance the reliability of our data.

We have built a system that can collate all applicable data with external evidence such as electricity and gas meter readings. We received a high evaluation from the third-party certification body for this system as it ensures the accuracy of data.

#### Other Initiatives: Structure for promoting environmental management; response to water risks; effective use of resources; control of chemical substances; initiatives for biodiversity conservation. The Company updates its corporate website with information regularly. See [more information](https://www.daiichisankyo.com/about_sustainability/en/environment/index.html)

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**Note:**

The image contains a table showing the breakdown of CO₂ emissions (Groupwide) and a graph illustrating the emission targets. The table compares emission levels from fiscal 2015 to 2019, highlighting a significant reduction. The graph visually represents the progress towards the targets, with bars indicating the reduction of CO₂ emissions. The data is presented in a clear and concise manner, allowing for easy understanding and comparison of the emission trends over the specified years.
Promoting Compliance Management

Basic Policy
At Daiichi Sankyo Group, we recognize that thorough compliance is essential for maintaining and improving our corporate value over the long term. We remain compliant with all relevant laws and regulations and manage compliance with a strong focus on ensuring the highest level of ethics and social consciousness, which we believe is essential for a life science-oriented company.

Introduction of Our Initiatives

Entrenching Compliance Awareness Among Employees
Daiichi Sankyo Group has established and continually updated the Daiichi Sankyo Group Corporate Conduct Conduct and the Daiichi Sankyo Group Individual Conduct Principles. Compliance officers at each company send out messages and carry out other activities in order to entrench awareness of these standards among all employees, including executive officers.

At the beginning of fiscal year 2018, we adopted a “Blue Tree” symbol as our Groupwide compliance logo. This logo is utilized to “brand” compliance-related materials and activities, and serves as a reminder of the importance of compliance to employees.

Revising and Enforcing the Daiichi Sankyo Group Global Marketing Code of Conduct
We established a Global Marketing Code of Conduct on October 1, 2016, with the aim of maintaining high standards in interactions with healthcare professionals, medical institutions and patients, as well as in the promotion of pharmaceutical products. This Code of Conduct is applicable to, and enforced throughout, Daiichi Sankyo Group companies. In January 2019 the Code was updated to incorporate revisions made to the IFPMA (International Federation of Pharmaceutical Manufacturers & Associations) Code of Practice that address the prohibition of providing gifts and promotional aids to healthcare professionals. We promote appropriate marketing activities based on this Code.

Respecting Human Rights in Accordance with the UN Guiding Principles on Business and Human Rights
As a pharmaceutical company that operates businesses around the globe, Daiichi Sankyo Group promotes business activities that consider the human rights of a diverse range of stakeholders. Examples include, a focus on ethics in R&D, as addressed in the Declaration of Helsinki; showing respect for the human rights of people within the supply chain; and providing a workplace environment where employees can work easily without harassment or discrimination. Based on the UN Guiding Principles on Business and Human Rights, we began to build a structure for human rights due diligence at all of our companies in fiscal 2019 so that the issues regarding human rights can be understood on a global scale.

Establishing the Daiichi Sankyo Group Global Anti-Bribery & Anti-Corruption Policy
The laws and regulations that pertain to 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 with global operations to implement measures for the prevention of bribery and other forms of corruption.

We established the Daiichi Sankyo Group Global Anti-Bribery & Anti-Corruption Policy in October 2017, which includes details such as prohibiting cash payments to government officials and healthcare professionals. We are working to bolster our corporate structure by conducting measures in a focused manner, taking special measures against bribery and other unwanted activities in business in high-risk countries.

Other initiatives: Compliance system; sustainable procurement; information security; R&D ethics. The Company updates its corporate website with information regularly.


Promoting the Success and Development of a Diverse Range of Human Resources Who Can Produce Competitive Advantages

Basic Policy
In order to achieve sustainable business activities, it is essential to promote the success and development of a diverse range of human resources. Based on Daiichi Sankyo Group’s Human Resources Management Philosophy, we respect the diversity of each and every employee, and we aim to achieve mutual growth between employees and the company in order to produce competitive advantages.

Introduction of Our Initiatives

Promoting Diversity and Inclusion
Within Daiichi Sankyo Group, we engage in initiatives to foster a culture of actively accepting all employees with a wide range of diverse characteristics depending on each type of job position, including varied specialties, mindsets, values, and lifestyles, in addition to nationality, gender, age, and other attributes; and also a culture of respecting one another in order that all employees can exercise their abilities to the greatest extent possible. In addition to achieving diversity within the Group, through acquiring talent from outside and promoting the Global Management Structure, we realize a form of management where a wide range of employees can achieve success through their individual differences and strengths, working beyond national and organizational boundaries. (E.g.: Daiichi Sankyo conducts training programs about Diversity Management for employees who have been newly appointed to management positions. A total of 134 people participated in fiscal 2018)

Promoting Group Talent Management
Within Daiichi Sankyo Group, we aim for optimal human resources to achieve success as leaders, regardless of their nationality, gender, or age. To this end, we actively promote and acquire human resources with a broad range of experience from both inside and outside the Group, and we promote Group talent management with a primary focus on continually producing quality leaders in future generations. In particular, we have identified key global positions that are vital for realizing our Vision and 5-year business plan, and we are effectively promoting leadership development activities through training programs, opportunities, and positions that allow for further growth among successor candidates. We have also been actively providing opportunities for global business experience (international assignment and overseas study programs), to allow future leaders to expand their knowledge and comprehend global business. As of April 2019, 99 individuals are engaged in work outside of Japan.

Other initiatives: Promotion of occupational health and safety; signing of a Statement of Support for the Women’s Empowerment Principles (WEPs). The Company updates its corporate website with information regularly.

https://www.daiichisankyo.com/about_us/responsibility/hr/business/human/index.html

Daiichi Sankyo Group Value Report 2019
Creating Innovative Pharmaceuticals

Basic Policy
Daiichi Sankyo Group is united to create innovative pharmaceuticals and resolve the social issue of overcoming illnesses. To meet patients’ unmet medical needs, our diverse global resources are united to enhance our science & technology, with the aim of delivering innovative pharmaceuticals to help treat as many people as possible, as quickly as possible.

Introduction of Initiatives

Mid-to-long-term Initiatives in R&D

Since its founding, Daiichi Sankyo has been focusing on expanding its business through in-house drug discovery. In-house drug discovery that lead to business expansion requires researchers with a high degree of specialization and expertise based on a wealth of experience. Researchers at Daiichi Sankyo are involved in many projects through various opportunities and have acquired the ability to deliver a message that draws people around us. Our researchers deepen their awareness of diverse experiences and create a network of global researchers by studying at leading universities and laboratories in and outside Japan. Such experience leads to the development of researchers with far-sightedness in identifying future directions, creating a culture that allows researchers to conduct research activities as they wish according to their interests and based on science without fear of failure. The path to drug discovery is not seamless, rather it is a series of challenges and these challenges lead to the discovery of DS-8201 and other medicines in the ADC franchise. Daiichi Sankyo will continue creating innovative pharmaceuticals through such experience.

New Modalities

Daiichi Sankyo has been advancing research on modalities in which, in addition to small molecules and DS-8201 in the ADC franchise, we conduct research of next generation ADC, bispecific antibodies, nucleic acid drugs, oncolytic viruses, cell therapy (including IPS cells), gene therapy, and so on. Through such research, we have been advancing multi-modality strategies to select the optimal forms of modality for drug discovery targets or find the diseases on which the characteristics of these modalities are best utilized.

Maximizing Created Value

With the aim of obtaining approval and launching new drug candidates as quickly as possible, we have been evolving our R&D process. To strengthen the creation of cancer treatment medicines, in particular, we have combined oncology field research and development into one sub unit. Also, in collaboration with Medical Affairs and Global Marketing, we make decisions swiftly and optimize resource allocation. Furthermore, in an attempt to strengthen our translational research*, we have built and started the operation of a platform that enables us to make the most of our clinical data. Going forward, we will store and utilize data from other institutions working in our joint research. Using knowledge obtained from this database, we will develop companion diagnostics and conduct small-scale clinical trials with high success rates. Storing data through this platform also enables us to react immediately and appropriately upon obtaining new scientific knowledge.

In clinical development, we develop clinical trial plans, taking into account the specialty of the doctor and medical institution based on the characteristics of the project as well as from a global viewpoint. Thus, we conducted the phase 1 study for DS-8201 in Japan ahead of other countries. Meanwhile, we collaborate with major laboratories in the U.S. that have a wealth of experience and expertise in the field of oncology and authentic academia with a track record of success to introduce different types of know-how on the development of pharmaceuticals for cancers.

Furthermore, we continue to create information by collecting real world data to increase product value, and also strive to advance highly sophisticated manufacturing technologies such as ADC, enhance the product supply system, and strengthen the quality assurance system on a global basis. Throughout the entire process for creating pharmaceutical products, we also solidify the intellectual property strategy covering technology and use.

Improving Access to Healthcare

Basic Policy
Within Daiichi Sankyo Group, we work to address access to healthcare issues including unmet medical needs (UMN) regarding diseases for which an effective method of treatment does not exist, and access barriers to healthcare caused by social factors such as public health, education and income inequality.

Introduction of Our Initiatives

Establishing the Access to Healthcare Policy of Daiichi Sankyo Group
We established Access to Healthcare policy of Daiichi Sankyo Group in 2018 in order to eliminate access barriers to healthcare within developing countries and all other regions around the world. We work to address access to healthcare challenges in the following three activity areas: “Research & Development”, “Availability”, and “Capacity Building”.

Global Market Access & Pricing (Availability)
In order to contribute to patients’ good health by providing pharmaceuticals, Daiichi Sankyo Group launched the Global Market Access & Pricing Department in April 2017 with the aim of more reliably delivering the pharmaceuticals needed by each patient at a reasonable price. We strive to improve patients’ access to pharmaceuticals while giving consideration to the appropriate market access from early stages in clinical trials. This is achieved by setting appropriate prices for pharmaceuticals based on their value and in consideration of healthcare systems, income levels, and other environmental differences within each country and region.

Participating in the Global Health Innovative Technology (GHIT) Fund (Capacity Building)
The Global Health Innovative Technology (GHIT) Fund* aims to achieve drug discovery for combating infectious diseases in developing countries. Daiichi Sankyo Group has contributed to the Fund since its establishment. We are also promoting collaboration research with the GHIT Fund by providing our compound library (consisting of small molecules and natural substances) in a screening program to explore candidate compounds to treat malaria, tuberculosis and neglected tropical diseases (NTDs), namely leishmaniasis and Chagas disease.

Value Creation Story

Daiichi Sankyo Group in 2018 in order to eliminate access barriers to healthcare within developing countries and all other regions around the world. We work to address access to healthcare challenges in the following three activity areas: “Research & Development”, “Availability”, and “Capacity Building”.

Challenges to access to healthcare

Access to healthcare policy of Daiichi Sankyo Group

Maximizing Created Value

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Initiatives Targeting Rare Diseases (Research & Development)

There is a continually high level of UMN regarding rare diseases with a small number of patients and with no established method of treatment. Within Daiichi Sankyo Group, we actively undertake initiatives to develop pharmaceuticals for these rare diseases with significant social needs.

Disease

- Atrial hypertension
- Angioedema
- Severe allergies
- Duchenne muscular dystrophy
- Large B cell lymphoma

Drug name

- Ripogen
- Amgen
- Novo Nordisk
- Daiichi Sankyo Group
- Incyte
- Genentech
- Pfizer
- Daiichi Sankyo Group
- Daiichi Sankyo Group

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* Global Health Innovative Technology (GHIT) Fund: It was established in 2013 through a public-private partnership originating in Japan, and is supported by the government of Japan, six pharmaceutical companies, and the Bill & Melinda Gates Foundation.

Other initiatives: Participating in Access Accelerated; vaccine production technology transfer for Vietnam. The Company updates its corporate website with information regularly.

Providing the Highest Quality Medical Information

**Basic Policy**
Pharmaceuticals are crucial for the life of each and every patient. As such, it is vital to create and convey high-quality information, so that patients can use pharmaceuticals correctly. Within Daiichi Sankyo Group, we continually establish high-quality information and deliver this information in an appropriate manner, thereby promoting the proper use of our pharmaceuticals and enhancing their product value (contribution to patient treatment in the medical field).

**Introduction of Our Initiatives**

**Developing Pharmaceuticals Based on Statistical Evidence**
In order to receive approval for a pharmaceutical, it is necessary to verify its efficacy and safety through clinical studies carried out appropriately and scientifically. At Daiichi Sankyo Group, we include statistical experts in the project team as we develop the optimal plan for conducting an objective evaluation, enabling us to carry out high-quality pharmaceutical development.

**Managing Safety Information and Promoting Proper Use**
We collect safety management information (such as information on adverse events) globally, use this information to conduct objective assessments, review, and analysis, and then we provide the results to the front line of medical field in order to promote the proper use of pharmaceuticals. In addition, we strive to minimize the safety risk for patients by conducting training for all employees every year about safety management information, as well as by thoroughly enforcing safety management activities.

**Generate Information (Evidence) Through Clinical Research and Other Activities**
The Medical Affairs Division works to generate new evidence through clinical research, so that our products can contribute even more toward the treatment of patients. We design trials that closely follow the actual conditions of patient treatment by using real-world databases, and we deliver information about the evidence gained in these studies through academic meetings, conferences, and other similar events.

**Activities in Providing Medical Information that Meets the Needs of Healthcare Professionals**
With changes in the environment such as integrated community medical systems in Japan, the needs of healthcare professionals are changing all the time. Our marketing division engages in activities to provide medical information through a wide range of methods, including lectures, web seminars, and websites on the Internet. Apart from providing information, MRs play an important role in gathering and reporting information on safety. We also aim to enhance the level of specialized knowledge among MRs by implementing an MRI qualification system and reinforcing our training programs.

**Responding to Inquiries Appropriately**
The Medical Information Department in Japan receives about 10 thousand inquiries each month from healthcare professionals and patients. The department has secured the leading rank* in all surveyed categories, including “Ease in Getting through when Calling by Phone,” “Swift Responses,” “Good Cooperation with MRs,” and “Attitude and Politeness of Staff.” The department started running a system using AI from April 2018, enabling optimal information to be delivered even more quickly.

* Survey of pharmacists in health insurance pharmacies conducted by an outside research company

**Providing a Stable Supply of Top-Quality Pharmaceutical Products**

**Basic Policy**
Pharmaceutical companies have an imperative mission to provide high-quality pharmaceuticals in an appropriate and stable manner. As we at Daiichi Sankyo Group work to expand our product lineup to meet demand for a high level of manufacturing technologies, we strive to fulfill this mission by continually providing high-quality pharmaceuticals to the world in a stable manner over a long-term period, even in the event of an earthquake or other emergency.

**Introduction of Our Initiatives**

**Developing Manufacturing Processes**
We develop manufacturing processes before receiving approval so that the new drugs created through R&D can be produced in a high-quality, stable, and efficient manner. In addition, we transfer the developed manufacturing process to global commercial production.

**Manufacturing and Supply Systems**

**Supply Chain Management**
At Daiichi Sankyo Group, we have constructed flexible and efficient manufacturing and supply systems (supply chains) that integrate two main groups of functions: systematic manufacturing functions that involve collaborating with global manufacturing bases and procuring raw materials stably; and logistics functions for shipping swiftly and reliably after receiving an order. Unlike traditional small molecule drugs, DS-8201 and other antibody drugs present technical hurdles including the optimization of production cells for manufacturing. In addition, the process of creating an antibody drug conjugate (ADC) by conjugating an antibody with a drug payload requires advanced technological capabilities, such as for conjugating the payload (drug) with a linker and then lyophilizing to produce a formulation. We strive to build efficient manufacturing and supply systems using new facilities and technologies, and we aim to undertake new challenges every day to achieve innovative technologies as well as to develop manufacturing and supply systems for innovative pharmaceuticals.

**Quality Assurance at a Global Standard**
At Daiichi Sankyo Group, we guarantee the quality of our products in adherence with GMP (Good Manufacturing Practice: rules on managing the production and quality of pharmaceuticals), whereby we use a scientifically backed method of managing all processes, from receiving raw materials to manufacturing and shipping products. We collaborate with many global suppliers in order to maintain and enhance our global level of quality assurance.

**Systems for Achieving Stable Supply During Emergencies**
Daiichi Sankyo Group has a business continuity plan (BCP) in preparation for four major threats to business continuity: natural disasters, facility accidents, pandemic 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 steady supply of pharmaceutical products with assured quality to help support the continued provision of medical services.

For details, refer to page 74.
Daiichi Sankyo's Strengths

Carrying on the century-long strength in science & technology forged by its predecessors, Daiichi Sankyo continues its quest to create innovative pharmaceuticals.

Moreover, with a robust, global pool of talent and global management, we will utilize our strong presence in Japan as so as to continue our earnest and trustworthy activities.

Science & Technology

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 adrenaline, the discovery of onset of and the domestic production of salvarsan. Ever since then, we have aimed to be a drug discovery-oriented company originating from Japan and have focused on house drug discovery. We have also gone on to create and deliver innovative products that have had a global impact such as pravastatin, levofloxacin, olmesartan, and edoxaban to patients around the world. Utilizing this strong R&D DNA, honed and cultivated over years of operation, Daiichi Sankyo is committed to the development of innovative pharmaceuticals that will change SDOCs.

Superior Pharmaceutical and Technological Capabilities for Creating Innovative Pharmaceuticals

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

DS-8201T 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. Our ADC project started in 2010 by examining the merits and issues regarding the preceding ADC. In order to solve these issues regarding the preceding ADC, our researchers screened and optimized over several hundred combinations of antibodies, linkers, and payloads to ultimately produce the technology we have now. Daiichi Sankyo ADC has been established as a platform technology where a payload and linker can be combined with many different antibodies, and we are currently developing seven ADC projects.

Diverse Modality Technologies

Daiichi Sankyo is working on the development of innovative modality technologies for the creation of innovative pharmaceuticals. Diverse modality technologies, such as next-generation ADC, nucleic acid drugs, oncolytic viruses, cell therapy, and gene therapy are utilized to broaden the possibilities for drug development.

Diverse modality technologies are applied to developing new therapeutic agents. Examples include nucleic acid drugs, cell therapy, ADCs, oncolytic viruses, and gene therapy.

Global Management System Uniting Internets from Around the World

Global Management Committee and Global Matrix Management Facilitating Swift and Accurate Decision-Making

In order to conduct swift and accurate management and decision-making from a global perspective, we established the Global Management Committee (GMC). Led by the CEO and the head of each unit, the GMC is the highest-ranking committee structure within Daiichi Sankyo. Business units that focus on each region and functional units that focus on global value chain functions (including R&D, Pharmaceutical Technology, and Supply Chain) collaborate to conduct management and hold discussions in the GMC in order to maximize value creation across the entire Group.

Global R&D Structure Enabling Swift Decision-Making

GEMRAD*, the decision-making body for global R&D projects, is composed of senior members from the R&D Unit, the Pharmaceutical Technology Unit, the Biologics Unit, Global Marketing, the Business Development Unit, and other departments. The multicultural memberships allow GEMRAD to make decisions based on active discussions with a global perspective and comprehensive assessments covering science and business.

Global Organization & Talent

Robust, Global Pool of Talent

Projective Employment of Global Talent from Around the World

We employ many highly-talented individuals with diverse backgrounds in Japan and 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.

Human Resources Development Programs Taking Advantage of Global Experience

In human resources development, 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 nurtures people by assigning them duties with challenging goals or difficult tasks or by relocating them overseas. As such, we proactively promote global talent management that offers opportunities for further contributions.

Assigning Human Resources to Strengthened Fields in a Concentrated Manner: COF Project

The Create our Future (COF) Project started in 2017, with the aim of assigning Daiichi Sankyo’s human resources to strengthened fields that focus on oncology at appropriate times and in an appropriate manner, as well as to promote the maximum possible success of each and every employee.

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Presence in Japan

No.1 in Terms of Pharmaceutical Revenue in Japan

By continually launching and expanding the sales of proprietarily developed products, Daiichi Sankyo works to grow the innovative pharmaceuticals’ business. At the same time, we utilize Daiichi Sankyo’s experts sales capabilities to acquire licenses for promising products developed elsewhere in order to sustain a virtuous cycle that drives further growth. Through this process, we maintain the No.1 position in terms of pharmaceutical revenue in Japan.

Four Businesses Responding to Diverse Medical Needs

By leveraging the strength of its innovative pharmaceutical business, Daiichi Sankyo engages in generic business, vaccine business, and OTC-related business in Japan. As the No.1 company in Japan in both name and practice, Daiichi Sankyo addresses a wide range of medical needs related to areas such as treatment, reduction of medical costs, prevention, and self-medication, making comprehensive contributions to medicine in Japan.

For details, refer to page 27

For details, refer to page 29

Continuous launch & sales growth of own products

- Launching and achieving sales growth in Efient and LOXANA

- Newly launched Tarlige and MINNESIO in fiscal 2019

Growth of Japanese business

- Sales growth of acquired products

- Top-class sales capabilities to identify and qualify

- Fine-tuned sales capabilities

Acquire valuable new products

- Acquiring and achieving sales growth in NEXUM, Memary, RAMARKIPRALLA, TENEAL/CANALIA, and VIPMAT

Comprehensive Training Programs

In order to maintain our superior sales capabilities, we have developed comprehensive training programs for MRs, and all MRs have passed the certificate test for nine consecutive years.

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2025 Vision

Daiichi Sankyo set out our 2025 Vision of becoming a “Global Pharma Innovator with Competitive Advantage in Oncology.” The vision for Daiichi Sankyo in 2025 entails the Company having a specialty area centered on oncology as the core business, having enriched regional value products aligned with the regional market, and having innovative products and pipelines changing SOC in each market. At the same time, the Company aims to realize shareholders’ value through highly efficient management.

5-Year Business Plan Overview and Progress

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

Why Oncology?

In recent years, new therapeutic drugs and therapies such as cancer immunotherapy and cell therapy have been developed. However, to overcome cancer, there is still a need for more effective and safer drugs and therapies in areas where unmet medical needs are still high. In fiscal 2019, we anticipate the launch of the first oncology product after integration, and we believe that we will be able to establish a core business for cancer, with the DS-8201 of in-house developed products as the leading source of many promising drugs.

Our group is steadily advancing into our 2025 vision, “Global Pharma Innovator with Competitive Advantage in Oncology.”

2025 Vision

Global Pharma Innovator with Competitive Advantage in Oncology

- To have a specialty area centered on oncology as the core business
- To have enriched regional value products aligned with the regional market
- To have innovative products and pipelines changing standard of care (SOC)
- To realize shareholders’ value through highly efficient management

Why Oncology?

 Until FY2015
- Cardiovascular-
- Primary care
- Global products
- Sales volume

Until FY2020
- In-house
- Global products
- In-house
- Sales volume

Six Strategic Targets for Accomplishing Our Performance Targets

- Grow Edoxaban
- Grow as the No. 1 Company in Japan
- Expand U.S. Businesses
- Establish Oncology Business
- Combining Ovarian Resistant New Medicine (oncolytic virus) NDA
- Enhance Profit Generation Capabilities

Growth Investments and Shareholder Returns

- Reduced cross-shareholding shares
- Sold properties
- Gain on sales of business transfers

Fiscal 2022 Target

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

Expected total revenue at peak: ¥500.0 billion or more

Achievements and Progress

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

- Ranked No.1 in market share of domestic ethical drugs for three consecutive years
- Continually launching new products (Targel and MINVEBRC)

- Optimized global manufacturing structure (total 550 position cuts in the U.S. and EU)
- Re-examined strategy for the pain franchise of Daiichi Sankyo, Inc.
Message from the CFO

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

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

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

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

* Broadly applied best treatment practice in today’s medical science

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

On the other hand, we decided to expand our investments to maximize the potential for our ADC franchise with DS-8201 listed first, and based on several strong data for the ADC franchise. Accordingly, we decided to delay our initial fiscal 2020 target (revenue of ¥1,100.0 billion, operating profit of ¥165.0 billion, and return on equity (ROE) of more than 8%) for two years to fiscal 2022.

Meanwhile, as for returns to shareholders, we have decided to maintain the initial commitment calling for a total return ratio of 100% or more until 2022. As for our oncology business, we decided to set a revenue target of ¥500 billion in fiscal 2025, exceeding the initial target of ¥300 billion by increasing and focusing our investment in the oncology business.

3. Revision Based on Impact of Strategic Alliance with AstraZeneca
After the revision of numerical targets for the current 5-year business plan in October 2018, Daiichi Sankyo decided to form strategic alliance with AstraZeneca for DS-8201 in March 2019. Currently, we are having discussion with AstraZeneca on the details of the development and commercialization plan. Once we reach agreement, we will present Daiichi Sankyo’s updated numerical targets including revised resource allocation for the other development projects such as U3-1402.

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

To Improve Corporate Value
- Improve ROE
  - Operating Profit Ratio to Revenue
  - Total Asset Turnover Ratio
  - Financial Leverage
- Reduce Capital Cost
  - (1) “Realize Process Excellence”: Further Cost Reductions and Streamlining
  - (2) Optimize Business Portfolio: Investment Decisions Based on Hurdle Rate and Discount Rate
  - (3) Streamline Non-core Assets
  - (4) Realize Optimal Ratio of Capital to Liability, Enhance Shareholder Returns
  - (5) Extensive Risk Management, Initiatives for Sustainability
  - (6) Realize Engagement through Reinforcing IR Activities
(1) Realize Process Excellence

In order to improve the profit ratio as well as expand sales, we have taken steps to achieve further cost reductions and to streamline Daiichi Sankyo Group through activities called “Realize Process Excellence.” Major initiatives include enhancement of the procurement function and optimization of operating structures for manufacturing, marketing & sales, and R&D. Concerning the optimization of operating structures, in the past three years to fiscal 2018 since the start of the current 5-year business plan, we have sold, closed, or transferred three sites within our supply chain organization, and closed four sites within our R&D organization. We have also implemented optimization within our marketing & sales organization in Europe and the United States. We will further accelerate initiatives to enhance profit generation capabilities in the future.

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

(2) Optimize Business Portfolio

In terms of investment, our focus is to optimize business portfolio by reinforcing financial investment decisions with capital cost in mind and taking synergies into consideration.

When making investment decisions for the business or capital expenditure, which has significant impact on future profit, we will support such decision through reading the future business environment, vision, and strategy, and by setting the hurdle rate, discount rate and other factors in response to market and business risks.

(3) Streamline Non-core Assets

We streamline non-core assets through pursuing optimization in assets and enhancing our total asset turnover ratio, while working to create free cash that will lead to improvement of corporate value. With regard to assets including real estate, we implement liquidation of non-core assets at the appropriate timing while considering not only the necessity of the assets for business activities and the ability to be replaced, but also life-cycle costs (maintenance costs needed to maintain functions subject to deterioration and renovation costs required to improve performance) and business continuity plans (BCPs). We sold real estate worth ¥11.0 billion in fiscal 2018 and ¥25.0 billion in total so far. In fiscal 2019, we also sold our Nihonbashi Building.

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

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

(4) Realize Optimal Ratio of Capital to Liability, Enhance Shareholder Returns

In order to support sufficient investment to develop oncology projects including DS-8201, we will work to streamline our assets as well as to maintain our strong financial base. With the current equity ratio of around 60% as a guide, Daiichi Sankyo will continue to pay stable dividends and flexibly implement share buy-back.

(5) Extensive Risk Management, Initiatives for Sustainability

Extensive risk management and initiatives for ESG are crucial in order to eliminate the risk of declining corporate value.

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

For details, refer to page 73.

(6) Realize Engagement through Reinforcing IR Activities

Engagement means having conversation with purpose, and we will foster mutual understanding and increase transparency, and thus further improve corporate value through healthy discussions between investors and our management team. In the distribution of IR information, we disclose information in a timely manner while giving consideration to transparency and fairness, and we endeavor to undertake IR activities to narrow the gap between the corporate value envisioned by people inside and outside of the Company. Following the recent enhancement of our financial transparency at major scientific conferences in the U.S. and Europe around such factors as the DS-8201 project, in March 2019 and have been making steady progress in development.

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

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

In Closing

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

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

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

Grow Edoxaban

Edoxaban, direct oral anticoagulant (DOAC) is a mainstay product in place of antithrombin, a treatment for hypertension that has expired exclusivity. Since it’s marketed, the Company has steadily expanded its market share, particularly in Japan, Europe, and Asia. Going forward, we will strengthen our initiatives for life-cycle management and further raise awareness of product information. We also aim to maximize product value by successfully marketing this product in China.

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

1 5-Year business plan

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

2 Progress to date

(1) Growth in Japan

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

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

(2) Growth in each country

Since it’s marketed, steadily increasing the number of countries in which edoxaban has been marketed, it has been on the market in more than 30 countries and regions globally. In addition to steady growth in Asian region like South Korea and Taiwan, as well as in European region like Belgium and Germany, it was marketed in Brazil in August 2018 and was approved in China in December 2018. Going forward, we aim to achieve further growth by successfully marketing it in China.

Growth of edoxaban by each country (volume share) (%)

(3) Life-cycle management initiatives

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

The efficacy and safety data for patients undergoing catheter ablation*1 was presented in a Late Breaking Session of the European Heart Rhythm Association (EHRA) in March 2019.

What are direct oral anticoagulants?

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

Warfarin has long been the standard treatment to prevent blood clots. However, there are many restrictions to which attention needs to be paid when using warfarin such as periodic monitoring with blood tests, a variety of drug interactions, and dietary restrictions. Direct oral anticoagulants including edoxaban have been developed to significantly improve the inconvenience of warfarin as mentioned above.

Conventional tablet OD tablet

taken by water dissolved rapidly by oral saliva

Solubility of tablet

Process of dissolving

Slow Rapid

Epoxy, Trivalon, Triadone

April 25 months after dissolve

Start

Blood flow

Various thrombus (blood clot)

Risk of bleeding

Direct oral Anticoagulant

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*1 Derived from two words, edoxaban and Assurance. It signifies our hope that doctors and patients will feel more reassured by anticoagulant therapy with edoxaban.

*2 A procedure used to ablate abnormal electrical pathways in the heart tissue by inserting a thin tube (catheter) through the blood vessels to the heart in order to restore normal rhythm of the heart of patients with AF.
Strategic Target

Grow as the No.1 Company in Japan

Japan is an important market for the Daiichi Sankyo Group in terms of its revenue generated on a regional basis. We aim to grow as the No.1 company in Japan in name and substance alike. To such ends, we will leverage the strengths of our innovative pharmaceuticals’ business, while precisely addressing various social and medical needs such as prevention, self-medication and medical treatment, with the innovative business as well as our vaccines, generics and OTC drug businesses.

* Pharmaceuticals still protected by the exclusivity period granted by patents

1 5-Year business plan

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

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

* No.1 in the bone resorption inhibitor market

Total revenue from the six major products has steadily expanded, from ¥197.3 billion in fiscal 2016 to ¥212.8 billion in fiscal 2017. However, in fiscal 2018, revenue remained almost unchanged at ¥211.5 billion, due to factors such as significant reduction in the drug price of NEXIUM, which are more severe than expected at the time of the 4th mid-term business plan announcement. In fiscal 2019, revenue is expected to increase by ¥7 billion to ¥217.0 billion, despite the impact of the drug price revision. Although the market environment is becoming increasingly challenging, we will leverage our extensive product portfolio and excellent sales capabilities to achieve our fiscal 2020 target of ¥243 billion in revenue.

2 Progress to date

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

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

* Based on survey conducted by ANTERIO Inc.

Pharmaceutical Market in Japan

The pharmaceutical market in Japan is worth approximately ¥10 trillion, of which approximately 90% 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 73% of the market on a sales-volume basis* in September 2018.

* Generic drugs = (original drugs for which generic drugs have been released + generic drugs)

COLUMNS

Continuous launch & sales growth of own products

- Acquired additional indication related to rheumatoid arthritis for PRALIA
- Launched Nuxeo® Tablets and Nuxeo Tablets for cancer pain treatment
- Launched Tarlige for pain treatment and Minnebro for hypertension
- Acquired approvals for Vimpat for the treatment of epilepsy/refractory FLT3-ITD AML and insulin resistant formulation, anti-influenza agent

In fiscal 2019, we will add to our product portfolio our in-house developed drugs, Tarlige for pain treatment, and Minnebro for hypertension, and Vimpat, a promising new cancer product. We will aim to quickly nurture these new products.

Through aggressive in-licensing activities, we will win promising-in-licensing products to overcome the challenging market environment.
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. Last year, we raised it to over 500 billion yen. The development of the ADC franchise centered on DS-8201 and AML franchise have been steadily accelerating. In fiscal 2019, we obtained approval of quizartinib and pexidartinib, and plan to submit DS-8201 for approval.

1 5-Year Business Plan

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

2 Progress to Date and Future Initiatives

Daiichi Sankyo has been promoting organizational changes and strengthening human resources in order to accelerate development in the oncology area. We have completed organizational changes and have completed recruiting excellent global leaders with long years of experience in the oncology area. Our organizations such as research and development, pharmaceutical technology, supply chain, global marketing, and global medical affairs cooperate organically under these leaders, and all employees are working together to promote a transformation to become a “Global Pharma Innovator with competitive advantage in oncology.”

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

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

3 About Cancer

Cancer is one of the diseases with high prevalence and mortality both in Japan and worldwide. Every year, approximately 14 million people are newly diagnosed with cancer across the world. In Japan, cancer has been the leading cause of death since 1981, while in 2016, annual cancer deaths reached approximately 140,000 people. Given these statistics, cancer has a devastating impact on human life and health.

Cancer death (all types of cancer) 2018

<table>
<thead>
<tr>
<th>Country</th>
<th>Japan</th>
<th>U.S.</th>
<th>Europe</th>
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<tr>
<td>9,555</td>
<td>409</td>
<td>617</td>
<td>1,949</td>
</tr>
</tbody>
</table>

Source: GLOBOCAN 2018, FACT SHEET

4 Cancer Treatment

(1) Cancer treatment

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

<table>
<thead>
<tr>
<th>Type</th>
<th>Methodology</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Systemic Therapy</td>
<td>Drug therapy</td>
<td>Attacks cancer cells with drugs</td>
</tr>
<tr>
<td>Local therapy</td>
<td>Surgery</td>
<td>Removes cancer surgically</td>
</tr>
<tr>
<td>Radiotherapy</td>
<td>Eliminates cancer cells with radiation</td>
<td></td>
</tr>
</tbody>
</table>

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

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

On the other hand, molecular targeted drugs target genes and proteins that are highly expressed in cancer cells. They are less likely to affect rapidly dividing normal cells. Although molecular targeted drugs have their own unique side effects, they have relatively fewer side effects than conventional chemotherapeutic drugs.
Overview and Progress of 5-Year Business Plan: Establish Oncology Business

Daiichi Sankyo’s ADC (Antibody Drug Conjugate)

1. What is ADC?

An ADC, which is short for Antibody Drug Conjugate, is an agent that covalently combines an antibody with a chemotherapeutic drug, payload, through a linker. Antibody drugs and chemotherapeutic drugs each have their own advantages and disadvantages, but ADC has the potential to exploit the strengths of both while mutually compensating for the disadvantages of both drugs.

- **Antibody drug**
  - High target selectivity
  - Fewer side effects, relative to chemo
  - Sometimes insufficient efficacy

- **Chemotherapeutic drug**
  - Low target selectivity
  - Many potential side effects
  - Potent anti-tumor effects (cytotoxic activity)

2. Mechanism of Action with ADC

ADC exerts its therapeutic effects through the following steps:

1. **Bind to antigen**
2. **Internalization**
3. **Drug action**
4. **Drug release**

3. Structure of Daiichi Sankyo’s ADC

4. Characteristics of Daiichi Sankyo’s ADC

Daiichi Sankyo began development on ADC technology in 2010. There were already preceding products in the market. For example, ado-trastuzumab emtansine (Kadcyla®) and brentuximab vedotin (Hycamtin®) are ADCs that are currently being used in clinical practice. Another ADC, DS-8201, has an antibody that binds to a HER2-negative cancer cell and a payload that attacks the cancer cell. The dipikizumab vedotin (T-DXd) is an ADC that is designed to bind to HER2-positive cells and is currently in clinical trials.

- **Drug-antibody ratio (DAR)**
  - High DAR: Many payloads
  - Low DAR: Fewer payloads

5. Stable linker

For ADC technology to exhibit cancer cell-specific efficacy, the payloads must be reliably delivered to cancer cells, and the linker plays an important role. If the linker is unstable, the ADC may degrade after administration and the payloads will be released in the blood. This can reduce efficacy before the payloads are carried to the cancer cells, and can potentially cause side effects if the payloads affect normal cells. Pharmacokinetic analysis of the phase 1 study has confirmed the in vivo stability of Daiichi Sankyo’s ADC construct. The graph below demonstrates that the linker is stable by showing that the blue line representing the blood concentration of antibodies (antibodies present as ADC and the antibody following ADC degradation) has high overlap with the red line representing the blood concentration of DS-8201.

6. Selectively cleaved linker in cancer cells

The linker must be stable in the blood and yet readily release its payload once internalized into the cancer cell following binding to the cancer cell antigen. The linker of Daiichi Sankyo’s ADC is cleaved by enzymes including cathepsins, which are highly expressed in cancer cells, causing payload release. Therefore, the possibility of the linker being cleaved in parts other than cancer cells is minimized. In addition, the cleavage site is situated at an appropriate location for efficiently releasing the payload inside cancer cells.

7. High drug-ratio antibody

The drug antibody ratios (the number of payloads held on a single antibody) for currently approved ADCs range unevenly between two and seven, whereas Daiichi Sankyo’s ADC can load a maximum of eight payloads with high uniformity. Historically, ADCs bearing more payloads per antibody cause aggregation after being formulated. But Daiichi Sankyo’s ADC construct and its formulation minimizes aggregation, even with the high DAR. For example, DS-8201 and U3-1402 have a DAR of eight, but they are highly uniformed. Furthermore, we possess technology to control the drug-ratio antibody ratios according to antigen expression and internalization rates. For example, DS-1062 is optimized as a DAR of four.
Daiichi Sankyo’s ADC Franchise

At present, Daiichi Sankyo has seven ADC projects for different antibody targets with the same linker and payload.

Clinical trials began for DS-8201, U3-1402, and DS-1062 are in progress, with data presented at numerous medical conferences. Phase 1 studies are slated to start in fiscal 2019 for DS-7300 and DS-6157.

1) **DS-8201 (anti-HER2-ADC)**

DS-8201 is an anti-HER2 antibody-drug conjugate which our proprietary linker and payload are conjugated to anti-HER2 antibody. This project is most advanced of our ADC franchise, with clinical studies underway in breast cancer, gastric cancer, lung cancer, colorectal cancer, and bladder cancer.

**What is HER2?**

HER2 is an antigen found on the cell surface. It has a structure similar to the epidermal growth factor receptor (HER1/EGFR). It is a receptor tyrosine kinase associated with cell proliferation, HER2, which is overexpressed on the surface of cancer cells, such as those of breast cancer, gastric cancer, colorectal cancer, lung cancer, and bladder cancer, induces cancer cell proliferation by activating signal transmission.

**DS-8201 exerts its efficacy by binding to this HER2.**

(2) **DS-8201 overall development plan**

The figure below shows the overall development plan for DS-8201 as of April 2019. We are currently discussing the future development plan with AstraZeneca.

**Phase 1 study breast cancer, comparison to similar drugs**

**Breast**

<table>
<thead>
<tr>
<th>Drug</th>
<th>mPFS</th>
<th>DoR</th>
<th>OS</th>
<th>ORR</th>
<th>Median prior Rx for adv. disease</th>
</tr>
</thead>
<tbody>
<tr>
<td>T-DM1</td>
<td>14.1m</td>
<td>9.6m</td>
<td>6.2m</td>
<td>80%</td>
<td>0</td>
</tr>
<tr>
<td>DS-8201</td>
<td>22.1m</td>
<td>20.7m</td>
<td>9.7m</td>
<td>59.5%</td>
<td>1</td>
</tr>
</tbody>
</table>

**Phase 1 study gastric cancer, comparison to similar drugs**

**Gastric**

<table>
<thead>
<tr>
<th>Drug</th>
<th>mPFS</th>
<th>DoR</th>
<th>OS</th>
<th>ORR</th>
<th>Median prior Rx for adv. disease</th>
</tr>
</thead>
<tbody>
<tr>
<td>T-DM1</td>
<td>4.3m</td>
<td>7.0m</td>
<td>NR</td>
<td>43.2%</td>
<td>2</td>
</tr>
<tr>
<td>DS-8201</td>
<td>5.6m</td>
<td>7.0m</td>
<td>NR</td>
<td>42.3%</td>
<td>3</td>
</tr>
</tbody>
</table>

**List of abbreviations**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>English</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>CR</td>
<td>Complete response</td>
<td>Complete response (complete resolution of cancer)</td>
</tr>
<tr>
<td>DCR</td>
<td>Disease control rate</td>
<td>Disease control rate (percentage of patients with controlled disease status)</td>
</tr>
<tr>
<td>DOR</td>
<td>Duration of response</td>
<td>Duration of response (duration of response)</td>
</tr>
<tr>
<td>DLT</td>
<td>Dose limiting toxicity</td>
<td>Dose-limiting Toxicity (toxicities that may require dose modification or treatment delay)</td>
</tr>
<tr>
<td>MTD</td>
<td>Maximum tolerated dose</td>
<td>Maximum tolerated dose (maximum dose that can be administered without causing unacceptable side effects)</td>
</tr>
<tr>
<td>OS</td>
<td>Overall survival</td>
<td>Overall survival (time from start of treatment to death)</td>
</tr>
<tr>
<td>PD</td>
<td>Progression disease</td>
<td>Progression (disease progression despite treatment)</td>
</tr>
<tr>
<td>PFS</td>
<td>Progression-free survival</td>
<td>Progression-free survival (survival without cancer progression)</td>
</tr>
<tr>
<td>PR</td>
<td>Partial response</td>
<td>Partial response (reduction in the size of the cancer by 30% or more that lasts for 4 weeks)</td>
</tr>
<tr>
<td>SD</td>
<td>Stable disease</td>
<td>Stable disease (the size of the cancer is almost unchanged before and after treatment)</td>
</tr>
</tbody>
</table>
(4) Interstitial lung disease

Interstitial lung disease is a group of disorders that damage the walls of the alveoli in the lungs and the spaces around the blood vessels and small airways. It is usually diagnosed by chest X-ray or chest CT. Over 380 drugs are known to induce ILD and other respiratory diseases, with significant issues being that the majority of ILDs emerge from unpredictable, or idiosyncratic circumstances. Drug-related ILD is diagnosed by distinguishing signs and symptoms (such as fever, cough, and shortness of breath) from other disorders.

ILD has been recognized as a critical adverse event for DS-8201 from the earliest stage of the program. A decision was taken to evaluate all suspected ILD cases via an external and independent adjudication committee. At the same time, we are actively organizing a broad campaign to further drive awareness of safety use.

Interstitial lung disease (ILD) is a group of disorders that

<table>
<thead>
<tr>
<th>Grade</th>
<th>Adjudication status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Investigator reported, n (%)</td>
</tr>
<tr>
<td>2</td>
<td>Cases adjudicated, n</td>
</tr>
<tr>
<td>3</td>
<td>Adjudicated as drug-related ILD, n</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total</th>
<th>Grade 1</th>
<th>Grade 2</th>
<th>Grade 3</th>
<th>Grade 4</th>
<th>Grade 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>66 (0.9)</td>
<td>30 (4.5)</td>
<td>23 (3.5)</td>
<td>6 (0.9)</td>
<td>2 (0.3)</td>
<td>5 (0.8)</td>
</tr>
<tr>
<td>38</td>
<td>16</td>
<td>13</td>
<td>4</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>30</td>
<td>11</td>
<td>12</td>
<td>3</td>
<td>0</td>
<td>4</td>
</tr>
</tbody>
</table>

Currently, 1) pivotal phase 2 study for third line treatment (post T-DLM1) of HER2 positive metastatic breast cancer (DESTINY-Breast01 study), 2) phase 3 study for the same treatment (DESTINY-Breast02 study), and 3) phase 3 study for second line treatment (vs. T-DM1) of HER2 positive metastatic breast cancer (DESTINY-Breast03) are being conducted in the United States, Japan, and Europe.

How to Read Graphs

Waterfall Chart

Maximum tumor shrinkage from baseline tumor status prior to drug administration. Each bar represents the outcome of each patient, from right to left, with a high rate of cancer shrinkage.

Spider Plot

Relationship between percent change in tumor size and duration of treatment. Each line represents the outcome of each patient.
(6) Progress of HER2-low expression breast cancer clinical study
To date, breast cancers HER2 status has been classified into two types by immunostaining that detects expression: HER2-positive and HER2-negative. However, it has been revealed that HER2 is expressed (IHC 2+/ISH-, IHC1+) in some types of breast cancers classified as HER2-negative. For the purposes of our clinical development program, we are now calling these patients “HER2 low”. It is said that HER2 low accounts for approximately 44% of breast cancer patients. To date, there are no approved HER2-targeted agents that have shown clinical benefit for patients with HER2-low tumors.

The graph below is a waterfall chart representing efficacy in HER2 low metastatic breast cancer patients. Even though some patients were heavily pre-treated, favorable activity even for HER2 positive metastatic gastric cancer.

> HER2 positive gastric cancer (ASCO 2018)

Based on this result, a phase 2 study (DESTINY-Gastric01 study) is currently underway for patients with HER2 positive metastatic gastric cancer post-trastuzumab. The study is proceeding with the goal to submit an application for approval by the first half of fiscal 2020. The Ministry of Health, Labour and Welfare of Japan has granted a SAKIGAKÉ Designation for this indication, resulting in a potentially faster review period.

In addition to the study in Japan and Asia, a phase 2 study for patients in the US and Europe is planned to start in fiscal 2019.

(7) Progress of gastric cancer clinical study
About 10% to 20% of gastric cancer patients overexpress HER2. However, while trastuzumab has been approved for first-line treatment, no other HER2-targeting drug has been approved following progression after trastuzumab. The graph below is a waterfall chart representing efficacy in HER2 positive metastatic gastric cancer patients. As this interim data shows, DS-8201 exhibits high antitumor activity even for HER2 positive metastatic gastric cancer.

> HER2 expressing Gastric Cancer (ESMO 2018)

(8) Progress of colorectal cancer clinical study
About 1% to 2% of colorectal cancer patients express HER2. However, no HER2-targeting drug has been approved so far.

Although, the number of cases are low at this point, a certain level of antitumor effect (see graph below) has been achieved in the treatment of HER2-expressing colorectal cancer in a phase 1 study. A global phase 2 study is currently underway for HER2-expressing colorectal cancer patients.

> HER2-expressing Colorectal Cancer (ESMO 2018)

(9) Progress of lung cancer clinical study
According to the 2018 WHO worldwide cancer statistics (estimate), lung cancer was the most common cancer in terms of number of patients affected and number of deaths. Of the various lung cancers, it has been reported that 4% to 35% of non-small-cell lung cancer (NSCLC) patients are HER2-expressing, but similar to colorectal cancer, no HER2-targeting drug has been approved.

Although, the number of cases are low at this point, a remarkable antitumor effect (see graph below) has been achieved in the treatment of HER2-mutated lung cancer in a phase 1 study. A global phase 2 study is currently underway for HER2-expressing and HER2-mutated lung cancer patients.

> HER2-expressing non-small-cell lung cancer (WCLC 2018)

(10) Progress of studies on combinations with immune checkpoint inhibitors
The results of pre-clinical studies show that the efficacy of DS-8201 can be increased by combining with immune checkpoint inhibitors such as nivolumab without compromising safety.

To identify the most effective combination, we are considering a combination study with three different immune checkpoint inhibitors. Currently, a phase 1 study in combination with nivolumab is underway for patients with breast cancer and bladder cancer.

Furthermore, preparations are being made for phase 1 studies in combination with pembrolizumab or avelumab.

> Combination benefit of DS-8201a and an anti-PD-1 antibody in vivo

Value Creation Story
Overview and progress of 5-Year Business Plan: Establish Oncology Business
Concerning safety, most of the adverse events were of grade 1 or 2, and while there is dose-limiting toxicity, the maximum tolerated dose had not yet been reached. The drug will undergo the dose expansion part of the phase 1 study in the second half of fiscal 2019.

In addition, HER3 is highly expressed in cancers such as colorectal cancer and prostate cancer, so expansion into other types of cancer is being considered.
Concerning safety, of the 39 non-small-cell lung cancer (NSCLC) patients, 16 (41.0%) experienced adverse events grade 3 or higher at least once. Although dose-limiting toxicity was observed as a grade 3 rash (in one patient), the maximum tolerated dose had not yet been reached (at the data cut-off date).

DS-1062 initiated the dose expansion part of phase 1 study from July 2019. Based on the interim data from this study, we are considering to expand development of DS-1062 to other cancer indications.

4 DS-7300 (anti-B7-H3-ADC)

DS-7300 is an anti-B7-H3 ADC which our proprietary linker and payload are conjugated to an anti-B7-H3 antibody. The drug linker is the same as that of DS-8201 and U3-1402, but DS-7300 has a DAR of 4 like DS-1062.

(1) What is B7-H3?
B7-H3 is a type I transmembrane protein belonging to the B7 family. B7-H3 is overexpressed in many types of solid tumors, and is suggested to be related to a poor prognosis in some solid tumors such as NSCLC and prostate cancer.

DS-7300 exerts its efficacy by binding to this B7-H3.

(2) Phase 1 study in patients with selected solid tumor
In fiscal 2019, initiation of phase 1 study of DS-7300 in patients with selected solid tumors is planned.

5 DS-6157 (anti-GPR20-ADC)

DS-6157 is an anti-GPR20 ADC which our proprietary linker and payload are conjugated to an anti-GPR20 antibody. The drug linker is the same as the DS-8201 and U3-1402, with 8 payloads.

(1) What is GPR20?
GPR20 is an orphan G protein-coupled receptor (GPCR) with 8 payloads.

(2) What is GIST?
GIST is the most common mesenchymal tumors of the gastrointestinal tract. Currently, three tyrosine kinase inhibitors have been approved in its treatment, but there are still unmet medical needs in regard to relapse, refractory, and resistant patients.

In fiscal 2019, initiation of phase 1 study of DS-6157 in patients with GIST is planned.

6 Other ADCs

Pre-clinical research is currently underway for DS-6000 (target undisclosed), which targets renal cancer and ovarian cancer, as well as ADC of anti-TA-MUC1 antibody from Glycotope.

The drug linker of these compounds are the same as the DS-8201, U3-1402 and DS-1062.

Since Daiichi Sankyo’s ADC technologies are applicable to a wide variety of antibodies, we are always examining possibilities for collaboration with other companies to increase the range of antibodies we can apply our ADC technologies to.

We are also focusing on developing different drugs and linkers and research on antibody-modifying technologies, assuming that DS-8201 and other ADCs are ineffective or become resistant during treatment in some cases.

Breast Cancer

The current status of 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 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 which are appropriate for the receptor status.

Breast cancer subtype classification and our pipeline

We are conducting clinical studies in DS-8201 for HER2 positive and HER2 low metastatic breast cancer and in U3-1402 for HER2 positive refractory/metastatic breast cancer.
Lung Cancer

The current status of lung cancer and the existing standard treatments

Lung cancer occurs when bronchial or lung cells become cancerous through a variety of factors, with smoking known to be the largest risk factor. Other risk factors include chronic obstructive pulmonary disease, the inhalation of asbestos, arsenic, chromium, or other carcinogens due to occupational exposure or air pollution, as well as aging.

According to statistics (estimate) provided by the WHO regarding cancer around the world in 2018, lung cancer has the highest number of incident cases and deaths worldwide, with 2.09 million patients and 1.76 million people dying from the disease.

Lung cancers are classified into two groups based on their histological characteristics: small-cell lung cancers and non-small-cell lung cancers, with the latter accounting for about 85% of all cases. The following paragraphs describe treatments for non-small-cell lung cancers.

Lung cancer is categorized into stages I through IV based on a combination of the size and extension of infiltration of the tumor (T), the degree of metastasis to nearby lymph nodes (N), and the presence of distant metastasis (M).

Treatments for non-small-cell lung cancers include surgery, radiotherapy, drug therapy, or combinations of these. The method of treatment is selected based on the stage of the cancer. If the tumor can be removed, treatment is carried out centered on surgery. However, if surgery is not a viable option due to the patient’s general state, age, or the presence of other complicating diseases, treatment is carried out with a focus on radiotherapy. Drug therapy is used if tumors progressed further.

In drug therapy for non-small-cell lung cancers, different treatments are used depending on the stage. A platinum-based drug combination therapy was conventionally used for stages IIb to IV, but recent methods of treatment involve selecting drugs after investigating the genetic mutations in the patients.

In Daiichi Sankyo's several clinical studies are underway for NSCLC; DS-8201 for HER2-expressing or HER2 mutated NSCLC, U-1402 for EGFR-mutated NSCLC and DS-1962 for NSCLC patients who are unresponsive or progressed with standard of therapy.

Daiichi Sankyo's AML Franchise

Leukemia 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: acute myeloid leukemia (AML), chronic myeloid leukemia (CML), acute lymphocytic leukemia (ALL) and chronic lymphocytic leukemia (CLL). 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. Daiichi Sankyo is developing AML therapeutics with various targets, aiming to eliminate AML unmet medical needs.

AML franchise pipelines

<table>
<thead>
<tr>
<th>Development stage</th>
<th>Therapy</th>
<th>Mechanism of action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quizartinib (FLT3)</td>
<td>PFS/LM</td>
<td>FLT3 inhibitor, displays a potent inhibition activity against mutated gene called FLT3/ITD, which is present in around 30% of AML patients.</td>
</tr>
<tr>
<td>DS-3201 (EZH2)</td>
<td>P1</td>
<td>EZH2 inhibitor, inhibits EZH2, a protein involved in the expression of genes essential for the development of cancer cells.</td>
</tr>
<tr>
<td>DS-3032 (BET)</td>
<td>P1</td>
<td>BET inhibitor, suppresses the expression of cancer-related genes and inhibits the growth of leukemia cells.</td>
</tr>
<tr>
<td>Axi-Cel®</td>
<td>P2</td>
<td>A cell therapy (chimeric antigen receptor T cell) targeting CLL or DLBCL expressed on the surface of B cells.</td>
</tr>
</tbody>
</table>

1 Quizartinib (FLT3 Inhibitor)

AML is a disease with high mortality rate. 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 to five 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 2018, we applied for approval in Japan, the United States, and Europe, based on the results of the QUANTUM-R study in patients with relapsed/refractory AML. In Japan, the Ministry of Health, Labour and Welfare approved quizartinib for the treatment of relapsed/refractory FLT3/ITD AML in June 2019. We will launch it under the brand name VANCELY®.

In the United States, we received a Complete Response Letter® in June 2019. We plan to decide upon our next step in the United States after detailed review of the contents of the Complete Response Letter.

In Europe, quizartinib is under review, with approval expected in the second half of fiscal 2019. Enrollment of patients 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.

2 Mesylpolys-protonophore

Disease:

- Myelodysplastic syndrome
- Acute myeloid leukemia
- Acute lymphocytic leukemia
- Chronic myeloid leukemia
- Chronic lymphocytic leukemia

DS-3032

3 Quizartinib

Disease:

- Myeloid leukemia
- B-cell leukemia

DS-3201, DS-3032

4 DS-3032

5 Multiple myeloma

DS-3201

Axi-Cel®

6 Myeloma

DS-3201

* A document issued by the FDA when the approval application has been reviewed and the current content does not result in approval

** Patients who are treated by IntensiveLow Intensity chemotherapy (S-10%)

Sources:

- Based on an illustrated reference guide, vol. 3
- Based on the results of genetic and PD-L1 testing
- Based on an illustrated reference guide, vol. 4
- Based on an illustrated reference guide, vol. 5
- Based on an illustrated reference guide, vol. 6

- Source: Based on WHO CANCER TODAY
- Source: Based on WHO CANCER TODAY
- Source: Based on an illustrated reference guide, vol. 3
- Source: Based on an illustrated reference guide, vol. 4
- Source: Based on an illustrated reference guide, vol. 5
- Source: Based on an illustrated reference guide, vol. 6

- * NSCLC: Non-Small-Cell Lung Cancer
- ** AML: Acute Myeloid Leukemia
- *** CML: Chronic Myeloid Leukemia
- **** CLL: Chronic Lymphocytic Leukemia
- ***** ALL: Acute Lymphocytic Leukemia
- ****** PTCL: Peripheral T-cell lymphoma
- ******* ATL: Adult T-cell leukemia/lymphoma
- ******** CML: Chronic Myeloid Leukemia
- ********* ALL: Acute Lymphocytic Leukemia
- ********** GM: Granulocyte
- *********** CSF: Colony stimulating factor
- ************ GM-CSF: Granulocyte-macrophage colony stimulating factor
- ************* G-CSF: Granulocyte colony stimulating factor
- *************** Macrophage colony stimulating factor
- *************** GM-CSF: Granulocyte-macrophage colony stimulating factor
- ****************** IFN: Interferon
- ******************* IL-2: Interleukin-2
- ********************* IL-6: Interleukin-6
- ********************** IL-8: Interleukin-8
- *********************** TNF: Tumor necrosis factor
Daiichi Sankyo’s Breakthrough Science

Breakthrough Science is the third pillar, with the goal of creating first-in-class or best-in-class compounds with breakthrough mechanism of action or modality. The foundation of drug development and therapeutic approaches such as protein modification technologies to modify HSV-1 so that it only multiplies inside cancer cells. We will continue to move forward with development of DS-1001, to assess its efficacy and safety in glioma. In glioma, IDH1 mutations are said to be present in around 80% of lower grade gliomas. Lower-grade gliomas often arise in the generation in their 30s and 40s, who are in the prime of their working life. Although they are generally growing slowly, most of them eventually transform into more aggressive tumors and result in death. Treatment options for lower grade gliomas and its recurrent disease are very limited. We will continue to move forward with development of DS-1001, to assess its efficacy and safety in glioma.

1 Pexidartinib (CSF-1R/KIT/FLT3 inhibitor)

Pexidartinib is a receptor tyrosine kinase inhibitor showing specific inhibitory activity against CSF-1R/KIT and FLT3. We obtained approval in the United States in August 2019 based on the results of a placebo-controlled phase 3 study (ENLIVEN) in patients with tensosynovial giant cell tumor (TGCT) and launched under the brand name Turaloza™. We also applied for approval in Europe in March 2019. TGCT is a type of benign tumor occurring in joints. It is known that there is no treatment method other than surgery and it can cause extreme inconvenience in daily life. The recurrence rate for diffuse disease is also high, and in some cases, limb amputation may be unavoidable. Pexidartinib is the first drug to be indicated for TGCT.

EZH1 and EZH2 are histone-methylating enzymes with similar functions, and some cancer cells shows dependent growth on them.

The phase 1 study of DS-3201 is currently underway in patients with relapsed/refractory small cell lung cancer in the US. In Europe, a phase 2 study of DS-3201 is ongoing in patients with relapsed/refractory acute myeloid leukemia. The Ministry of Health, Labour and Welfare has granted DS-3201 SAKIGAKE Designation. PTCL is a type of non-Hodgkin’s lymphoma that occurs in T-cells, and is said to have a particularly poor prognosis if it recurs. There are few treatment options and a high degree of unmet medical need.

* The foundation of drug development and therapeutic approaches such as protein modification technologies to modify HSV-1 so that it only multiplies inside cancer cells.

Non-Hodgkin’s lymphoma (ASH 2017)

The phase 1 study of DS-3201 is ongoing in the U.S. in patients with relapsed/refractory acute myeloid leukemia and acute lymphatic leukemia. In addition, phase 1 study is ongoing in the U.S. in patients with small cell lung cancer.
Strategic Collaboration to Maximize the Value of DS-8201

The DS-8201 Strategic Collaboration
In order to maximize the value of DS-8201, created using our proprietary ADC technology, we entered into joint development and commercialization agreement in March 2019 with AstraZeneca, a company with a wealth of global experience and expertise in oncology.

Overview of the Collaboration
Our collaborator:
AstraZeneca plc
(headquarters: Cambridge, UK)

Content of collaboration:
Joint development and commercialization for DS-8201

Financial Terms
Up to $6.90 billion (759.0 billion yen) in total

- Upfront payment $1.35 billion (148.5 billion yen)
- Regulatory and other contingencies (Maximum) $3.80 billion (418.0 billion yen)
- Sales-related milestones (Maximum) $1.75 billion (192.5 billion yen)
($1 = 110 yen)

Development
- Joint development as monotherapy and combination therapy for HER2 expressing cancers
- Equally share development costs and efforts
- Daiichi Sankyo will continue development of combination therapy that are currently being investigated

Commercialization
- Global (excluding Japan): Both companies will jointly commercialize and share profits
- Japan: Daiichi Sankyo will commercialize on a stand-alone basis and pay royalties to AstraZeneca

Sales booking by region
- Daiichi Sankyo: Japan, US, certain countries in Europe, and certain other markets where Daiichi Sankyo has affiliates
- AstraZeneca: All other markets worldwide, including China, Australia, Canada and Russia

Manufacturing and supply
- Daiichi Sankyo manufactures and supplies DS-8201

Accelerate DS-8201 commercialization and development
Early market penetration
- Cancer types and indications currently under development
- Accelerating market penetration in U.S. and Europe
- Early launch in other markets other than Japan, U.S and Europe

Accelerate and expand development
- Cancer types and indications for future development
- Advancing development plans
- Further expansion of cancer types and indications

Maximizing the product value of DS-8201

For example, in regions such as China where Daiichi Sankyo has little experience in development and commercialization, AstraZeneca’s development experience and sales network can be used to realize earlier launches and increase revenue.

AstraZeneca has rich experience and resources in the global oncology area, and we will create various strategies in collaboration, assigning and sharing roles and executing the strategy. This will also accelerate the establishment of Daiichi Sankyo’s oncology business infrastructure.

In addition to DS-8201, we have 6 other ADCs and other oncology-related projects. We will be able to maximize the product values of those projects in the future through this experience.

Governance with AstraZeneca
A joint committee framework has been established between Daiichi Sankyo and AstraZeneca, and the creation/execution of development and marketing strategies is implemented through discussion and mutual agreement between the two companies. Currently, the joint committee framework has a common vision to “Transform” treatments for patients with HER2 expressing cancer. More specifically, this involves the creation of an overall vision and strategy for DS-8201, management of profits and losses for business collaborations, approval of major investments in development and business, management of overall results and important milestones, and promotion of preparations for a global launch.
We will further enhance our corporate governance to put Our Mission into practice.

The Daiichi Sankyo Group aims to realize its 2025 Vision to become “Global Pharma Innovator with competitive advantage in oncology” and to sustainably increase its corporate value by bringing out the best in our strengths which are Science & Technology, Global Organization & Talent, and Presence in Japan.

As for global circumstances, the frameworks such as the Sustainable Development Goals (SDGs), the UN Guiding Principles on Business Human Rights, and the Paris Agreement, all led by the United Nations, are becoming more important. Moreover, the flow toward ESG investment including the Principles for Responsible Investment (PRI) has been significantly affecting our business environment. We will make contributions to realize a sustainable society by actively tackling social issues indicated by such global movements.

In order to sustainably increase the corporate value, we have to establish a management structure capable of responding flexibly and timely to changes in the business environment.

At Daiichi Sankyo, the Board appropriately makes important business decisions while establishing and operating the internal control system that ensures efficient execution under delegation of directors’ authority.

The Daiichi Sankyo Group is creating a management structure that can respond speedily and flexibly to changes in the business environment, in addition to working to secure legal compliance and management transparency, and to strengthen oversight of management and the conduct of operations. In this way, we have been advancing the corporate governance structure for achieving our mission.

Since its establishment of joint holding company of Sankyo Co., Ltd. and Daiichi Pharmaceutical Co., Ltd. in 2005, the Daiichi Sankyo Group has been striving to strengthen corporate governance. We are committed to establishing the system for the Board of Directors to appropriately make important business decisions and oversight its management, establishing the internal control system that ensures proper operation under delegation of Board of Directors’ authority, and operating and implementing measures for the board to be effective and to improve its function.

Daiichi Sankyo has complied with and implemented all of the Principles of the Corporate Governance Code, which came into force in 2015, including those revised in June 2018 as of June 17, 2019.

Daiichi Sankyo will continue to implement initiatives for enhancing its corporate governance systems going forward, as well as securing and improving the functions and effectiveness of the Board of Directors.

The following introduces the corporate governance system of the Group, with focus on the mechanism for decision making, oversight, and delegation of the Board of Directors’ authority and another mechanism for reinforcing it.

The Group’s initiatives for corporate governance

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<tr>
<td>Chairman of the Board</td>
<td>George Nakayama</td>
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<td>CEO</td>
<td>Takashi Shoda</td>
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<td>Takashi Shoda</td>
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<td>Members of the Board</td>
<td>Inside</td>
<td>2 persons</td>
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<td></td>
<td>Outside</td>
<td>4 persons</td>
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<tr>
<td>Members of the Audit and Supervisory Board</td>
<td>Inside</td>
<td>2 persons</td>
<td>2 persons</td>
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<td></td>
<td>Outside</td>
<td>2 persons</td>
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<tr>
<td>Nomination Committee</td>
<td>Members of the Board</td>
<td>2 outside persons and 1 internal person (including one female member)</td>
<td>4 outside persons</td>
<td>4 outside persons</td>
<td>4 outside persons</td>
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<tr>
<td>Corporate Committee</td>
<td>Members of the Board</td>
<td>2 outside persons and 1 internal person (including one female member)</td>
<td>4 outside persons</td>
<td>4 outside persons</td>
<td>4 outside persons</td>
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<tr>
<td>Remuneration system</td>
<td>Short term</td>
<td>Performance-based bonus</td>
<td>Share remuneration-type stock option plan</td>
<td>Restricted share-based remuneration plan</td>
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<tr>
<td></td>
<td>Long term</td>
<td>Share remuneration-type stock option plan</td>
<td>Restricted share-based remuneration plan</td>
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Corporate Governance Code

Explained about 3 items immediately after applying the Code
Compiled with all the items

Explained about 1 item after revising the Code
Compiled with all the items
1. Securing and enhancing the effectiveness of the important business decision and oversight functions of the Board of Directors

In principle, the Board of Directors Meetings of Daiichi Sankyo are held once a month. We are committed to establish and enhance the effectiveness of the Board’s appropriate decision-making and oversight functions as follows:

1. Participation of Members of the Board (Outside) and the Audit and Supervisory Board (Outside)

(1) The Company has nine Members of the Board, of which four are outside members. Each Member of the Board (Outside) actively makes suggestions and appropriate remarks in the Board of Directors Meeting, based on insight as corporate managers in various industries and sectors, including the telecommunication, general heavy industries, IT, business strategy and marketing strategy, and/or expert knowledge and insight as medical doctor, playing important roles in enhancing the decision-making and oversight functions of the Board.

(2) The Audit and Supervisory Board has five members, of which three are outside members and conducts audits of legal compliance and appropriateness of management.

(3) Both of the Nomination and the Compensation Committees are established to ensure management transparency.

The four Members of the Board (Outside) serve as members and one Member of the Audit and Supervisory Board (Outside) participates in each committee as the observer.

(4) In addition to the qualification and performance requirements, etc. defined in the Member of the Board Regulations and The Code of Audit and Supervisory Board Member Auditing Standards, both Members of the Board (Outside) and Member of the Audit and Supervisory Board (Outside) meet the independence criteria of the Tokyo Stock Exchange (TSE) and the independence judgment criteria for outside directors set forth by the Company. All the members are reported as independent directors to the TSE.

2. Enhancement of discussion for strengthening the decision-making and oversight functions of the Board

In order to improve and strengthen the effectiveness of the Board’s important business decision and oversight functions, the Company properly submits matters for resolution and to be reported to the Board of Directors in accordance with laws and the article of association in a timely manner. In fiscal 2018, productive discussions were held on subjects, such as the 5-year business plan, business strategy, business investment, corporate governance (evaluation of the Board of Directors, status of cross-shareholdings, policy and procedure for appointment and dismissal of the CEO, CEO succession plan, payment of bonus to Members of the Board, revised Japan’s Corporate Governance Code), and revisions of internal rules on important management matters.

When holding the Board of Directors Meeting, we promote enrichment and deepening of discussions by providing a preliminary briefing on the agenda of the meeting to Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside) each time in an attempt to provide information that will lead to promoting their understanding.

3. the Board of Directors’ address at ESG issues

The Company has established the Corporate Ethics Committee chaired by the compliance officer and the EHS Management Committee chaired by the chief executive officer of EHS. The Board of Directors receives reports from the both committees regarding important matters and conducts oversight on ESG issues.

(1) Corporate Ethics Committee

We have established the Corporate Ethics Committee for the Daiichi Sankyo Group to promote management that complies with domestic and international laws and regulations as well as corporate ethics and fulfills corporate social responsibility, and to ensure compliance of its executives and employees. The Committee also has one appointed external attorney to ensure objectivity.

In fiscal 2018, the Corporate Ethics Committee Meeting was held in July and February to deliberate on the revision of the Global Marketing Code of Conduct and the Anti-Bribery and Anti-Corruption policy due to a revision to the IFPMA Code of Practice*, activity plan for fiscal 2019 (enlightenment, education, monitoring, investigation, review of rules, etc. related to corporate ethics), and so on.

* IFPMA Code of Practice: An international voluntary standard for the pharmaceutical industry defined by the International Federation of Pharmaceutical Manufacturers and Associations (IFPMA) on ethical promotion of pharmaceuticals to healthcare professionals and negotiations between the member companies and healthcare professionals.

(2) EHS Management Committee (EHS: Environment, Health and Safety)

In order to ensure environmental conservation, health and safety in overall business activities at the Daiichi Sankyo Group and thereby to contribute to a sustainable society as well as to operate and promote management of the environment, health, and safety with a high likelihood of risk in an integrated manner, we have formulated the Global EHS Policy and the EHS Management Policy and established a new EHS Management Committee consisting of committee members including from Group companies in April 2019. As a result, we have developmentally dissolved the Environmental Management Committee into the new organization and deliberate on policies, target setting, and activities on the global EHS management in the meeting held twice a year in July and February.

In fiscal 2018, we held the Environmental Management Committee Meeting, the former committee structure, in July and February to deliberate on climate change measures, optimization of the environmental management system, and endorsement of the TCFD* recommendations.

* TCFD (Task Force on Climate-related Financial Disclosures): This task force was established in December 2015 by the FSB (Financial Stability Board). The FSB is an international organization joined by central banks and financial regulators from the major powers.

For the overview of the corporate governance structure, refer to page 65.
Establishing internal control system that ensures proper operation under delegation of Board of Directors’ authority

To establish an executive system that can flexibly and dynamically respond to changes in business environment, proper delegation of Board of Directors’ authority to corporate officers including CEO and the establishment of an essential internal control system that enables such delegation are essential.

1. Delegation of Board of Directors’ authority to achieve proper and speedy management decision-making and the conduct of operations

The Company clearly defines the scope of conduct of operations to be delegated by the Board of Directors in the Management Executive Meeting Regulations and the Approval policy and employs a Corporate Officer System as the mechanism and system that contribute to proper and speedy management decision-making and the conduct of operations.

2. Establishment of internal control system

The Company has established an internal control system in accordance with the Basic Policy on Establishing Internal Control System that was resolved in Board of Directors Meetings for the following purposes:

- Secure the effectiveness and efficiency of operations
- Ensure the reliability of financial reporting
- Adhere laws and regulations regarding business activities
- Safeguard assets

The system is operated based on a solid control system comprised of self-monitoring by each organization responsible for the Business/Functional Unit (Key Control), deployment and monitoring of the policy to each organization by the Executive Function (Primary Control), and collaboration with other departments and compliance and risk management (including monitoring).

Corporate Function (Secondary Control), and internal audit including monitoring by the Internal Audit Department (Tertiary Control). In establishing the internal control system, we have developed a system for ensuring that Members of the Audit and Supervisory Board effectively conduct audits and confirm the status of operation of the internal control system mainly with respect to risk management, compliance, subsidiary management, and audits by Internal Audit Department and the Audit and Supervisory Board during the Board of Directors Meeting in March every year.

System and measures that contribute to enhancing the effectiveness and function of the Board of Directors

To secure and improve the effectiveness of the important business decision-making and oversight functions of the Board of Directors, we work to operate the system and implement measures as follows:

1. Terms of office and system for Members of the Board

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 are Members of the Board (Outside).

2. Evaluation of the Board of Directors

The Company utilizes the evaluation of the Board of Directors, for the Board itself and Members to conduct a self-evaluation and recognize the current issues. The Members of the Board work on improvements for issues extracted from the evaluation and confirm the current evaluation and the status of improvement from the previous year. We conduct an evaluation of the Board of Directors every fiscal year and continue to work to improve the functions and effectiveness of the Board of Directors.

Results of the evaluation of the Board of Directors (Overview)

The evaluation of the Board of Directors conducted in fiscal 2018 confirmed that the overall effectiveness of the Board of Directors has been ensured.

In addition, for the following issues concluded as requiring further improvement in the previous evaluation, improvements have been made.

1. Setting agenda giving more consideration to strengthening the functions of the Board of Directors
2. Enriching and deepening the content of materials, briefing, and reports of the Board of Directors
3. Continuing to provide information that will lead to promoting the understanding of the Members of the Board (Outside)

These issues have been confirmed as ones that should continue to be worked on in fiscal 2019.

3. Nomination Committee and Compensation Committee

To ensure management transparency, nomination of candidates for Members of the Board, Members of the Audit and Supervisory Board, and Corporate Officers 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 an Member of the Board (Outside). Both committees are comprised entirely of Members of the Board (Outside) at present and one Member of the Audit and Supervisory Board (Outside) participates in each committee as an observer.

(1) Nomination Committee

In fiscal 2018, meetings were held eight times to discuss matters required for nominating candidate Members of the Board, Members of the Audit and Supervisory Board, and Corporate Officers, plans for training successors for the President and CEO, Advisors and the Advisory System, etc.
Message from Chairperson of the Nomination Committee

The Nomination Committee is an advisory committee delegated by the Board of Directors. The primary roles of this committee are to maintain transparency while examining and making proposals for the appointment and dismissal of Members of the Board and Corporate Officers. As the Chairman of the Nomination Committee, I lead discussions from the perspective of the ongoing growth of Daiichi Sankyo and the qualities required of its management.

The new structure with Chairman Nakayama and President and CEO Manabe following the General Meeting in June 2019 is also a result of discussion by the Nomination Committee for the last several years. In a severe business environment, I will continue to examine measures for further strengthening the management structure, including the evaluation of the management, realization of a more diverse and younger team of Corporate Officers, and cultivation of candidates for future management positions in order to support the ongoing growth of Daiichi Sankyo.

(2) Compensation Committee

The Compensation Committee has been established to deliberate on compensation of Members of the Board and Corporate Officers at the request of the Board of Directors and contribute to the enhancement of management transparency. In fiscal 2018, meetings were held six times to deliberate on the verification of the remuneration levels, standard for calculating the bonus and bonus payment amounts and allocation of restricted stocks, etc., for Members of the Board and Corporate Officers.

Basic design of remuneration to Members of the Board and Members of the Audit and Supervisory Board

The remuneration to Members of the Board (excluding Members of the Board (Outside)) is designed to provide remuneration that contributes to maximize corporate value. Specifically, in addition to a basic remuneration as fixed remuneration, performance-based bonuses serving as short-term incentive and restricted share-based remuneration serving as long-term incentive are adopted as variable remuneration. The percentage of each remuneration component is designed to be 60% for basic remuneration, 20% for performance-based bonus, and 20% for restricted share-based remuneration if 100% of the performance goal is achieved.

The performance-based bonuses serving as short-term incentives are calculated by adopting revenue, indicating the size of the business, as an index with a high correlation to the maximization of corporate value, ratio of operating income to revenue, indicating the efficiency of business activities, and profit attributable to owners of the Company, indicating the final outcome of corporate activities, as the relevant indices.

Message from Chairperson of the Compensation Committee

I have been appointed to serve as the new Chairperson of the Compensation Committee from this fiscal year. As visualization and expansion of disclosure of remuneration of Members of the Board are demanded in recent years, I feel the weight of responsibility as the Chairperson.

The major role of the Compensation Committee is to create a remuneration system that functions as an appropriate incentive for motivating Members of the Board to achieve our management vision and the 5-year business plan. At the same time, it is also important to design and operate a system that enables us to secure the transparency of management fulfillment accountability to stakeholders.

In light of Daiichi Sankyo’s system created through experience, I will examine the system for more appropriate remuneration from a new point of view.

The Remuneration system for Members of the Board and Member of the Audit and Supervisory Board for Fiscal 2018

<table>
<thead>
<tr>
<th>Classification of Members of the Board and Member of the Audit and Supervisory Board</th>
<th>Total payment amount including remuneration (millions of yen)</th>
<th>Total amount of remuneration for Members of the Board and Member of the Audit and Supervisory Board by type (millions of yen)</th>
<th>Number of eligible Members of the Board and Member of the Audit and Supervisory Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members of the Board (excluding Members of the Board (Outside))</td>
<td>591</td>
<td>322</td>
<td>158</td>
</tr>
<tr>
<td>Members of the Audit and Supervisory Board (excluding Members of the Board (Outside))</td>
<td>75</td>
<td>75</td>
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<tr>
<td>Members of the Board (Outside)</td>
<td>60</td>
<td>60</td>
<td>—</td>
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<tr>
<td>Members of the Audit and Supervisory Board (Outside)</td>
<td>45</td>
<td>45</td>
<td>—</td>
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</table>

* The amount of remuneration, etc. and the number of Members of the Board (excluding Members of the Board (Outside)) and Members of the Audit and Supervisory Board (Outside) include one Member of the Board and two Members of the Audit and Supervisory Board (Outside) who retired at the end of his or her term of office as of the end of the 15th General Meeting of Shareholders held on June 18, 2018.

The evaluation factors of revenue and operating profit margin are calculated by fixed formulas using the comparison of the actual results and the targets.
Corporate Governance:
Messages from members of the Audit and Supervisory Board (Outside) (Independent Directors)

Tsuguya Fukui
Member of the Board (Outside) (Independent Director)

There is a clear need for management systems capable of furnishing a speedy and flexible response to changes in the business environment and a Board of Directors’ structure that sufficiently incorporates external expertise. I therefore feel immense responsibility to live up to expectations with this regard as a Member of the Board (Outside).

Against this backdrop, there are expectations that the Board of Directors will play an even more active role in promoting the development of the entire company, and this will be crucial to ensuring the sustainability of the Company. To this end, I will endeavour to fulfill my role as a Member of the Board (Outside). In particular, I will remain focused on ensuring that the Company continues to grow in line with an appropriate business strategy.

Kazuzaki Kama
Member of the Board (Outside) (Independent Director)

I understand the role of the Board of Directors as “conducting monitoring for sustainable growth and increased corporate value,” specifically, the decision-making on the management policy management board and the monitoring and supervising the conduct of operations by Members of the Board and Corporate Officers (monitoring board).

Members of the Board (Outside) are required to assess the effectiveness of the management strategy and risks associated with the implementation of the strategy and to constantly verify the effectiveness of governance and internal control to prevent damage to corporate value, from the standpoint of a third party which is not involved in the conduct of operations.

Providing advice, etc., based on my experiences as a manager of a heavy machinery manufacturer in a directly opposite position of the Company as well as the expertise and practical experience in the area of finance and accounting, I will contribute to the best of my ability to improve the effectiveness of the Board of Directors of the Company. Taking risks is necessary for the growth of a company. Daiichi Sankyo is also looking to take risks in pursuit of growth.

Members of the Board (Outside) tend to be negative when it comes to implementing a strategy for taking risks. I will fulfill my role from the standpoint of supporting the Corporate Officers by taking a positive stance in implementing strategies and monitoring the PDCA cycle for implementing the strategies.

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

I was appointed a Member of the Board (Outside) in June 2019. I think our 2025 Vision of becoming a “Global Pharma Innovator with competitive advantage in oncology” is an excellent vision that is socially beneficial as well as gives people great hope in terms of coping with the challenges people are continuing to overcome. I am delighted to engage in the management of the Company as a Member of the Board (Outside).

I would like to offer advice and assistance in the management of the Company from the viewpoint of an outsider based on my accumulated knowledge on business strategies and innovation eco-systems in the digital field and skills to derive desired products and services from the standpoint of a consumer. I will also comment my opinions on corporate governance at the board meetings, by leveraging my experience as an external director in other industries and as an expert member in many Policy Councils.

On the other hand, since I do not have much knowledge about the pharmaceutical industry, I will try to understand the actual conditions of the Company by taking opportunities to inspect the field and exchange opinions with each division as much as possible. So that I will strive to fulfill my role as a Member of the Board and improve our corporate value. Thank you.

Sayoko Izumoto
Member of the Audit and Supervisory Board (Outside) (Independent Auditor)

It has been one year since I assumed my position as a Member of the Audit and Supervisory Board (Outside) being appointed at Ordinary General Meeting of Shareholders held last year. I believe it is not easy for a company to realize sustainable growth under the ever-changing circumstances in and outside of Japan and amid the increasingly severe management environment. With the aim of becoming a “Global Pharma Innovator with competitive advantage in oncology,” the Company has been advancing steadily under the 5-year business plan.

From a different viewpoint, on the other hand, it seems that the Company is about to enter a drastic transitional period. I think we are required to commit to building a flexible and resilient organization that resists changes.

As a government police officer, I had long been working to create a society that is resistant to or that are not prone to crimes or accidents, in an attempt to realize a society where people in Japan can live more safely and secure. Both creating a society and building an organization are essentially the same. I will strive to respond to the expectations and trust of many stakeholders in collaboration with Internal Audit Department, accounting auditors, and Members of the Audit and Supervisory Board of our Group companies, especially from the viewpoint of corporate governance.

Takashi Higuchi
Member of the Audit and Supervisory Board (Outside) (Independent Auditor)

Today, a higher priority is placed on transparency and compliance in corporate management than ever before. As the Work Style Reform Act entered into force last April, reviewing the work style of each employee is now a pressing issue. Leveraging my experience in corporate legal affairs and corporate governance with a focus on labor and employment cases as a lawyer, I, as a Member of the Audit and Supervisory Board, will continuously strive to contribute to establishing good corporate governance in response to the public trust.

Towards the implementation of the 2025 Vision, the Company has been promoting transformation, and the forming of an alliance with Astellas for DS-801 is a critical step forward. However, when a company tries to make a change, not only opportunities but also risks will arise. In order to select and execute the best strategy from various choices within time constraint, an organization needs to make quick decisions. A Member of the Audit and Supervisory Board in the capacity of a lawyer is expected to contribute to providing a sense of security to shareholders and increasing corporate value of the Company. In order to achieve these, I will always offer objective opinions from an auditor’s view in accordance from the legal mind and a neutral stance, so that unnecessary legal disputes and damages to corporate value will be avoided. I will continue to endeavor to secure compliance and sound management of the Company in pursuit of its sustainable growth.

Yukiko Imazu
Member of the Audit and Supervisory Board (Outside) (Independent Auditor)

I am committed to offering viable advice and suggestions based on my experience as a manager in the information technology industry and the insight gathered therein. I sincerely contribute to the management of the Company as a Member of the Audit and Supervisory Board. I will strive to facilitate effective corporate governance with regard to such areas as formulating business strategy and conducting appropriate investments for future growth and selecting members of the management team. I am delighted to engage in the management of the Company as a Member of the Audit and Supervisory Board (Outside).

Members of the Audit and Supervisory Board, but I still continue to wonder if there is anything else I can do. Daiichi Sankyo has entered an agreement on global development and commercialization regarding DS-801, accelerating its large-scale R&D. Accordingly, our perspective, battlefield, and funds for the development will increase more than twofold. I consider being able to participate in this historical opportunity of a large project worked on by the entire Group as a Member of the Audit and Supervisory Board to be the ultimate fortune. I will further strive to establish good corporate governance of the Company that can respond to the public trust and thereby create corporate value.
Corporate Governance: Introduction of Members of the Board and Members of the Audit and Supervisory Board

Members of the Board

- George Nakayama
- Naoki Mutou
- Takehisa Satsuki
- Toshiaki Tojo
- Satoru Kimura
- Noritaka Uji
- Ryosuke Watanabe
- Yosuke Kato
- Kazuaki Kama
- Sawako Nohara

Members of the Audit and Supervisory Board

- Yuichi Watanabe
- Sayoko Izumoto
- Tatsuki Higuchi
- Yukiko Imazu

For detailed information, please refer to the full document.
Risk Management

The Daiichi Sankyo Group identifies factors that may prevent the Group from attaining its organizational goals and targets and that can be predicted in advance as risks. The Group is promoting risk management by taking steps to address risks inherent in corporate activities by retaining, reducing, avoiding, or eliminating these risks. In addition, we seek to minimize the adverse impacts of risks on people, society, and the Group should they occur. Specifically, in addition to the risk management system that defines steps to address risks inherent in corporate activities, the Group has a business continuity plan (BCP) that enables it to continue to operate even in the event of disasters, etc., that may affect its business, as well as a crisis management system to minimize loss should a risk greater than expected occur.

Risk Management System

The chief financial officer (CFO) oversees Group-wide risk management as the risk management officer (RMO) and operates the risk management system in conjunction with an annual cycle of formulating and implementing business plans. In addition, the heads of each division autonomously manage risks to aid 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 the Management of Material Risks

Based on the assessment of the impact and the likelihood of occurrence, risks with the potential to significantly affect 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 by coordinating 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 occurrence of a material risk be detected, related information will quickly be assembled for the RMO, and appropriate measures will be taken.

Conceptual diagram of the Group’s risk level classification

Key material risks selected by the Group
- Risks related to sales of rival products
- Litigation-related risks
- Risks related to laws, regulations, and regulatory trends to limit healthcare expenditures
- Risks related to R&D and alliances
- Risks related to business development overseas
- Risks related to manufacturing
- Risks related to the financial market and foreign exchange rate fluctuations
- Risks related to information management, etc.

Business Continuity Plan

The Group has a business continuity plan (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 steady 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 occurs. In addition, we regularly revise 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, in particular, 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 reinforcing our IT foundations by installing redundancy into major systems.

Crisis Management

In response to the declaration to "ensure crisis management" in Article 9 of the DAIICHI SANKYO Group Corporate Conduct Charter that was revised in April 2019, the Group has established a new Global Crisis Management Policy. This policy collectively defines crises as events that have occurred and require immediate response and other events with extremely high likelihood of occurrence, among potential risks in business activities. For the purpose of minimizing loss due to the occurrence of a crisis, the policy stipulates basic items related to crisis management. The Global Crisis Management Policy stipulates that "In the event of a crisis, crisis management shall be conducted promptly and certainly to minimize the loss of people, society, and the company with the principle of ‘Securing the lives of Daiichi Sankyo Group employees and related parties and the safety of the local community’ and ‘Fulfilling the responsibilities of a company that is engaged in a business that affects human lives’ and making efforts to ensure business continuity and early recovery from the crisis.’

While independently promoting crisis management in each region, function, and group company, we also have a structure to flexibly and globally respond to crisis depending on the type (disaster/accident, incident including terrorism, scandal, breach of laws, information management-related problem, product-related problem) or the degree of impact of the crisis.

We have clearly defined the reporting criteria and channels and established the crisis management officer (CMO), either the CEO or an officer appointed by the CEO, and the person responsible for the initial crisis management (the vice president of the General Affairs and Procurement). For a crisis with a global impact requiring company-wide response, we strive to prevent the situation from escalating and to resolve it by sharing the relevant information with the RMO (CFO) and the relevant channels. For an initial crisis response, after the crisis has been resolved, we conduct ex-post analysis to prevent a recurrence of the crisis and improve our response.
Daiichi Sankyo Group’s Value Chain and Organization

Daiichi Sankyo Group’s value chain primarily encompasses research & development, biologics, pharmaceutical technologies, supply chain, marketing & sales, medical affairs, and quality & safety management. In conjunction with this value chain, we operate our organization independently while utilizing our unique strengths: Science & Technology, Global Organization & Talent, and Presence in Japan.

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 stably produce high-quality pharmaceuticals, and adds value to products through means such as making them easier to use.

Supply Chain Unit
- The Supply Chain Unit leverages our technological processes 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.

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

Marketing & Sales
- The Marketing & Sales Unit leverages our unique strengths: Science & Technology, Global Organization & Talent, and Presence in Japan.

Biologics
- The Biologics Unit is responsible for promoting research and development as well as developing drug technologies in biologics, which are prepared using genes, proteins, cells, viruses, and other substances derived from biological functions and continuously develops innovative biologics.

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

American Regent, Inc.
- American Regent Inc., operates an iron injection franchise for treating iron deficiency anemia as well as a generic injection franchise in the United States.

ASCA* Company
- The ASCA Company develops pharmaceutical operations based on regional value in China, Brazil, South Korea, Taiwan, Hong Kong, Thailand, and other parts of the ASCA region.

DSUSB* develops innovative pharmaceutical operations in the United States focused on pain, oncology, and other specialty fields.

Generic Business:
- Daiichi Sankyo Espha Co., Ltd.
  - Daiichi 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).

Innovative Pharmaceutical Business:
- Daiichi Sankyo US Business
  - Daiichi Sankyo US Business

Vaccine Business
- Developing a vaccine business that creates the vaccines needed in Japan through a stable supply of high-quality vaccines.

OTC Related Business:
- Daiichi 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.

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

* Daiichi Sankyo US Business

Overseas
- 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.
Global Management Structure (As of June 18, 2019)

Functional Units

- Yoshikazu Fukuchi, Pharmaceutical Technology Unit
- Masayuki Yabuta, Biologics Unit
- Ken Keller, United States, American Regent, Inc.
- Matsunobu Furuta, Corporate Affairs Unit
- Toshiaki Iai, Corporate Strategy & Management Department

Business Units

- Satoru Kimura, Head of Sales & Marketing Unit
- Naoto Tsukaguchi, General Counsel
- Jan Van Roombaye, Europe, Asia, South & Central America (ASCA)
- Suneo Manabe, CEO
- Junichi Koga, R&D Unit

Innovative Pharmaceuticals Business: Sales & Marketing Unit

The Sales & Marketing Unit delivers a wide range of high-quality innovative pharmaceuticals to patients, ranging from Lixiana and other primary areas*1 to specialty areas*2 centered on the oncology products. Taking the perspective of total care centered on patients, we aim to meet the needs of each customer and to contribute to healthcare in Japan by providing relevant information correctly, quickly, and carefully to all healthcare professionals who treat patients with diverse symptoms and conditions.

*1 Drugs mainly prescribed by general practitioners
*2 Drugs mainly prescribed by hospital specialists

Toward a Trusted Medical Partner.

Based on the BRIDGE’s activity concept, which wants to be a bridge between patients, their families and healthcare professionals by emphasizing the connection between people and providing proper information and promoting products, we aim to be recognized as a reliable medical partner by everyone involved in healthcare. In addition to fostering MRs that can respond to a wide range of information needs that change on a daily basis, we are increasing the number of MRs with cancer-related expertise and raising the level of expertise. In addition, each employee strives to improve the correct understanding of dementia and cardiovascular diseases, and promotes to take training courses for supporters of dementia and to obtain a certification in dementia skills.

Satoshi Hirashima
Global Brand Strategy Unit

Progress in Medium-Term Management Planning of Pharmaceutical Sales Units.

<table>
<thead>
<tr>
<th>Target</th>
<th>Major Achievements in Fiscal 2018</th>
<th>Initiatives for Fiscal 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>MRs ranked No. 1 for the seventh consecutive year</td>
<td>• All MRs have passed the test through the implementation of high-quality introductory training</td>
<td></td>
</tr>
<tr>
<td>Domestic prescription drug share ranked No. 1 for the third consecutive year</td>
<td>• Establish an operating structure that can respond to total care</td>
<td></td>
</tr>
<tr>
<td>Maintain MR No. 1 ranking with high-quality information provision</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>• Implement MR activities that contribute to the realization of medical care that all involved in medical care thinks by providing correct information to patients, their families and medical personnel</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• All MRs passed the test based on the BRIDGE concept</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• All MRs pass the certificate test for the tenth consecutive year</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Establishing an operating structure to further increase the level of expertise based on an internal oncology certification system and to respond to the total care of patients waiting for treatment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Establish a multi-channel system that enables MRs to conduct activities in accordance with the needs of physicians, pharmacists, nurses, and other healthcare professionals in charge of team medical care, and provide accurate and quick information</td>
</tr>
</tbody>
</table>

Value Chain

- Pharmaceutical Technology
- Marketing & Sales
- Business Units (Japan)
- Biologics
- Medical Affairs
- Quality & Safety Management
- R&D

Lixiana for three consecutive years due to expansion of major products, mainly Lixiana, and early market penetration of new products

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Generics Business: Daiichi Sankyo Espha Co., Ltd.

Daiichi Sankyo Espha takes pride in being as 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 based on the quality-level and stable supplies of Daiichi Sankyo groups. Through a promotion of the newly launched anticancer AG drug, we will create an environment where those who need generic drugs can use with peace of mind, while addressing various needs, in order to contribute to national medicine.

* Authorized generic (AG): a generic drug manufactured after receiving approval from the brand-name pharmaceutical

Progress of Daiichi Sankyo Espha’s 5-Year Business Plan

<table>
<thead>
<tr>
<th>Target</th>
<th>Major Achievements in Fiscal 2018</th>
<th>Initiatives for Fiscal 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthen the authorized generic (AG) lineup</td>
<td>Launched AGs with 3 new active ingredients</td>
<td>Expand product portfolio focused on AGs</td>
</tr>
<tr>
<td>Steadily launch AGs and other one-day generics* and gain market shares</td>
<td>Expanded market share with new products, including AGs</td>
<td>Promote anticanccer AGs</td>
</tr>
<tr>
<td>Step up coordination with partners in Japan and overseas</td>
<td>Strengthen coordination with partner companies based on changes in the market environment</td>
<td>Promote management efficiency in response to changes in the market environment</td>
</tr>
</tbody>
</table>

Vaccine Business

In April 2019, the functions of Kitasato Daiichi Sankyo Vaccine (KDSV) like manufacturing and production technologies were transferred to Daiichi Sankyo Biotech, and the functions like R&D, quality & safety, and sales & marketing were transferred to Daiichi Sankyo. In addition, a portion of the Japan Vaccine business was transferred to Daiichi Sankyo to integrate dispersed vaccination functions. Daiichi Sankyo, as a manufacturer and distributor of vaccines, is more closely related to healthcare organizations and the government than ever before. By further improving stable supplies and quality levels, we aim to contribute more and more to the healthy lives and well-being of people.

Technical collaboration on MR-vaccine* manufacture in Vietnam.

KHSV participated in the MR Vaccine Manufacturing Technology Transfer Project in JICA for five years until March 2018, and contributed to the domestic manufacturing and stable supplies in Vietnam by implementing manufacturing technology transfer to Vietnam’s Vaccine Public. In October 2016, activities received the 14th JICA President’s Award and the 70th Health and Cultural Award. We also donated these awards to Saitama Prefecture’s National Minder Fund, where Daiichi Sankyo Biotech is located, to contribute to the conservation of surrounding natural environments. We also contributed to global medical activities by donating to medical institutions implementing medical activities in Vietnam.

Progress of the Vaccine Business’s 5-Year Business Plan

<table>
<thead>
<tr>
<th>Target</th>
<th>Major Achievements in Fiscal 2018</th>
<th>Initiatives for Fiscal 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stable supply of vaccines</td>
<td>Stable supply of vaccines</td>
<td>Stable supply of vaccines</td>
</tr>
<tr>
<td>Establish a stable supply system</td>
<td>Establish a stable supply system</td>
<td>Establish a stable supply system</td>
</tr>
<tr>
<td>Awareness and dissemination of vaccines</td>
<td>Awareness and dissemination of vaccines</td>
<td>Awareness and dissemination of vaccines</td>
</tr>
</tbody>
</table>

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

Value Report 2019
Progress of Daiichi Sankyo Healthcare's 5-Year Business Plan

<table>
<thead>
<tr>
<th>Target</th>
<th>Major Achievements in Fiscal 2018</th>
<th>Initiatives for Fiscal 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve product brand value in the OTC business</td>
<td>Expansion of key brands • Expanded key brands, including Lulu, Lexicon S, and Tranxil • Established a new brand Breathe Labo (medicinal toothpaste) and added a new line such as MINON Men to address a wide range of lifestyle needs</td>
<td>Accelerate growth of skin care and oral care business • Accelerate growth of MINON, Transoso, Clean Dental, and Breathe Labo</td>
</tr>
<tr>
<td>Strengthening operations in China, Hong Kong and Taiwan</td>
<td>Expansion of key brands • Breakthrough in the second year of launch of the female aging care brand BRIGHTAGE • Launched of Regain Triple Force</td>
<td>Continue growth in the OTC business • Strengthen mainstay brands such as &quot;Lulu&quot; and &quot;Lexicon S&quot;</td>
</tr>
<tr>
<td>Build and grow oncology capabilities</td>
<td>Expansion of key brands • Breakthrough in the second year of launch of the female aging care brand BRIGHTAGE • Launched of Regain Triple Force</td>
<td>Build and grow oncology capabilities • Building awareness of our portfolio injectable • With new initiatives, injectator grew not only within the hematology/oncology market – where it is still the market leader – but also overall in new areas of patient need • In 2018, we launched our first direct-to-patient promotional campaign driving thousands of new potential patients to speak with their HCPs about FanDFla in Amea (FDA), including our OTC iron Informed campaign with celebrity IDA patient. Oncology • Our medical teams have been incredibly responsive to healthcare providers seeking to learn about the mechanisms-of-action and data released to date for our oncology portfolio. • We have also recruited our talent into the organization to launch our new cancer therapies once approved, many with more than a decade of experience with leading oncology companies.</td>
</tr>
<tr>
<td>Tackling challenges head on</td>
<td>Strengthening operations in China, Hong Kong and Taiwan • Further expansion of the MINON brand as a whole • Increase the number of marketed products • Further promote by strengthening inbound efforts</td>
<td>Tackling challenges head on • For Morpholoid and Mivantik we maintained formulary coverage and access. • Our team remained resilient and adaptable to address challenges and to ensure all appropriate patients have access to our pain portfolio. • With the continued dialogue with the U.S. FDA regarding RoxlyBond, our commercial organization continued focus on growing Mivantik and Morpholoid U.S.</td>
</tr>
</tbody>
</table>

OTC Related Business: Daiichi Sankyo Healthcare Co., Ltd.

Daiichi Sankyo Healthcare handles a wide range of OTC drugs*, including skin care cosmetics and oral care products. Among the Daiichi Sankyo groups, OTC is a unit that is closer to customers more broadly. By promoting self-medication and self-care through the contact and communication with customers, we will contribute to improving the quality of life (QOL) of many people who wish to be healthier and more attractive.

* OTC drugs available in pharmacies, drug stores, etc.

Ken Keller
Daiichi Sankyo, Inc. President and CEO

The year 2018 was another successful year of transformation for Daiichi Sankyo, Inc. We have taken great strides toward our goal of becoming a leader in oncology in the U.S. by building new teams with deep and broad cancer expertise. Our new structure will allow us to maximize our in-line medicines as we prepare to launch our oncology portfolio. Injectator stands out as our growth driver with increased sales across all customer types and continues as the #1 iron therapy in oncology clinics by dose volume and the fastest growing iron therapy in the U.S.

Patient advocacy Initiatives

At Daiichi Sankyo, Inc., we believe our business extends beyond the discovery and development of therapies for unmet medical needs. It’s our mission to make a positive difference in the communities where we live and work. Our philanthropic initiatives help people identify, prevent and manage illness. In 2018, examples include support for American Cancer Society, World Cancer Day, Zufall Mobile Health Van, Myelodysplastic Syndromes Foundation, and the Leukemia & Lymphoma Society.

"Be more familiar with the use of medicines"

A website that uses portals and is more familiar to consumers

With the evolution of digital environments, we provide an easy-to-understand introduction to the company website about signs of familiar symptoms, how to deal with self-care, and points to go to the hospital, in keeping with the end of solving daily questions and shopping on smartphones. We also provide a contact point for people who are unaware of their symptoms and who are encouraged to manage their health.

"Be more familiar with the use of medicines"

A website that uses portals and is more familiar to consumers

With the evolution of digital environments, we provide an easy-to-understand introduction to the company website about signs of familiar symptoms, how to deal with self-care, and points to go to the hospital, in keeping with the end of solving daily questions and shopping on smartphones. We also provide a contact point for people who are unaware of their symptoms and who are encouraged to manage their health.

Katsuhiro Yoshida
Daiichi Sankyo Healthcare Co., Ltd. President
American Regent, Inc., a developer, manufacturer, and distributor of diversified pharmaceutical products, has a long history of supplying high quality injectable generics, branded IV iron, and veterinary medicine drugs to the US marketplace. Our growing business generates over $1 Billion dollars in revenue and is a highly profitable unit within Daiichi Sankyo. Taking advantage of our capabilities to develop difficult-to-manufacture and complex generics, we continue to launch competitive products. Our broad portfolio of more than 30 marketed products is constantly evolving to meet our customers needs.

Communication with community

At American Regent, Inc., we strive to make a positive impact in our communities. In FY2018, our company and our employees participated in numerous events to make a difference in the neighborhoods in which we work and live. Such examples include participating in Habitat for Humanity, which provide adequate and affordable housing, the Take Steps-Crohn’s and Colitis Foundation walk, and our annual Holiday Adopt an Angel program.

Ken Keller
American Regent, Inc. President and CEO

American Regent 5-Year Business Plan

<table>
<thead>
<tr>
<th>Target</th>
<th>Major Achievements in Fiscal 2018</th>
<th>Initiatives for Fiscal 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build Injectafer into flagship product and market leader</td>
<td>Secured market leader position</td>
<td>Continue market leadership for injectafer</td>
</tr>
<tr>
<td>Bring new products to market</td>
<td>• American Regent successfully launched 7 new products in FY2018: Nesotrigline, Sterile Water, Hydroxyprogesterone Capsules, Femopacalo, Testosterone Cypionate, Aminocaproic Acid and Droperidol.</td>
<td>Expand generics portfolio</td>
</tr>
<tr>
<td>Expanding generic injectable portfolio with a variety of products to support customer needs</td>
<td>Achieved revenue target</td>
<td>Expand generics portfolio to launch between 6 and 8 new products in FY2019. These product launches, coupled with American Regent’s existing portfolio, will help to drive growth in the face of increasing competition in some key categories.</td>
</tr>
<tr>
<td>FY2018 actual American Regent generic injectable revenue exceeded budget and continued to deliver year on year growth.</td>
<td>Continuous focus and investment in product development and NDA/AFDA/505(b)2b filing efforts along with enhanced contracting strategies with GPOs and new evolving players entering the market will help to increase revenue going forward.</td>
<td></td>
</tr>
<tr>
<td>Capital expansion investment underway</td>
<td>• American Regent’s capital expansion investment of approximately $200M across three manufacturing sites is underway and on-track. When completed, this investment will provide robust, state of the art manufacturing capabilities that will enable us to continue to meet the needs of our patients and customers.</td>
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</tbody>
</table>

Daiichi Sankyo Europe GmbH

FY2018 was a very successful year for Europe. LIXIANA\(^\text{®}\) is continuously increasing its market share and we in-licensed bempedoic acid for patients who need additional LDL cholesterol lowering after maximum tolerated statin therapy. If authorized the new product will be a synergistic addition to our cardiovascular portfolio. We also established an effective commercial oncology organization to successfully launch our oncology products in Europe.

For both business areas we continue to work on our aspiration to become the benchmark for customer centricity and have implemented many projects and processes to achieve this goal.

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

Mycancertherapy.eu: Video portal for patients with cancer

Mycancertherapy.eu provides information in 16 different languages. It aims to help patients overcome barriers – often due to medical jargon, foreign language and a sense of being overwhelmed after a cancer diagnosis – in understanding their therapy journey. Leading HPFs answer the most frequent patient questions in their native tongue on the main aspects of cancer treatment, including side-effects or types of treatment. The website supports physicians in patient education as it enables patients to have the most important information about cancer explained to them by experts at home.

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

Daiichi Sankyo Europe 5-Year Business Plan

<table>
<thead>
<tr>
<th>Target</th>
<th>Major Achievements in Fiscal 2018</th>
<th>Initiatives for Fiscal 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximize LIXIANA’s potential</td>
<td>Increasing market share</td>
<td>Brand refinement</td>
</tr>
<tr>
<td>• Since 2015 we launched LIXIANA(^\text{®}) in all our European affiliates except for France and keep growing market shares.</td>
<td>• We have defined a new single-minded proposition for LIXIANA(^\text{®}). “Your choice for the elderly NFWA patients” is rolled-out across all European markets.</td>
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<tr>
<td>• As a result, our EU market share in March 2019 is more than 12% (exit share in DOT – days of treatment) – for the monthly</td>
<td>• FY2019 is also the year we prepare for the launch of bempedoic acid formulation in Q2 of FY2020. Launch preparations will build on the capabilities, synergies and learnings from the LIXIANA(^\text{®}) introduction.</td>
<td></td>
</tr>
<tr>
<td>• To leverage our cardiovascular success and heritage we have in-licensed bempedoic acid for patients who need additional LDL cholesterol lowering.</td>
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<tr>
<td>Establish oncology business</td>
<td>Thorough preparation for launches</td>
<td>Launching with excellence</td>
</tr>
<tr>
<td>The European commercial organization is set up well to successfully launch our oncology products.</td>
<td>• Our focus this year is the successful launch of VANFLYTA(^\text{®}) in early 2020. Together with our partner AstraZeneca we are also preparing for the launch of DS-8201.</td>
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<tr>
<td>We have hired talented professionals for medical, market access, marketing, field force and other functions.</td>
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<tr>
<td>Our focus on customer centrivity enables us to cater to the needs of the full set of stakeholders who contribute to patient care, among them oncologists and hematologists.</td>
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<td></td>
</tr>
<tr>
<td>Develop organization to further evolve into a specialty care provider</td>
<td>Adapt to upcoming oncology portfolio</td>
<td>Focus on patients’ and customers’ needs</td>
</tr>
<tr>
<td>With the build-out of our oncology division over the last years, we have set the ground for future launches.</td>
<td>• We are constantly evolving our organization to adapt to the changing healthcare environment.</td>
<td></td>
</tr>
<tr>
<td>At the same time we have further adapted our customer-facing roles to the needs of a specialty care environment.</td>
<td>• In FY2019, we keep focusing on how to best meet patients’ needs as well as provide our stakeholders – e.g. HPFs, payers – with solutions for their requirements in both the cardiovascular and oncology field.</td>
<td></td>
</tr>
</tbody>
</table>
The keywords concerning the growth of ASCA Company are “China”, “LIXNANA”, “Business Development” and “Oncology business.” In China, we aim to ensure growth and improve profitability by strengthening the business structure. For LIXNANA, we will take full advantage of the customer relationship that we have established for Dimerstat and synergize both products. Regarding Business Development, we will explore new markets by in-licensing local products and establishing DS own companies. We will also build a business infrastructure and prepare for launch in China, Brazil, and other countries with a large market for oncology products in order to quickly deliver promising new drugs in the future.

Hiroyuki Okuzawa
ASCA Company President

The R&D Unit developed “R&D2025” Vision at the end of 2017, which includes seven new compounds launches in the oncology area and five new compounds launches in the Specialty Medicine area by 2025, and has made every effort to achieve this vision. We will accelerate the development of DS-8201 through co-development with AstraZeneca, and will make use of that experiences to develop the entire oncology area. We will also build new pillars to support us next to the oncology area by challenging the therapeutic applications of innovative and diverse modalities such as nucleic acid drugs and cell therapies, leading to generate innovative pharmaceuticals which will change SOC*

Junichi Koga, Ph.D.
Head of R&D Unit
The Biologics Division is responsible for promoting the development of Daiichi Sankyo biologics from the viewpoint of technologies; by rapidly developing the required technologies, from molecular designing to commercial manufacturing of biopharmaceuticals that are diversifying, including antibody pharmaceuticals and other proteinaceous pharmaceuticals, biological materials such as therapeutic cells, synthetic oligo nucleic acids and peptides. In addition, we aim to become a hub for the development of advanced biotechnology and the development and supply of in-house biotech human resources, and to be a driving force for sustainable company growth.

Masayuki Yabuta, Ph.D.  Head of Biologics Unit

To develop highly productive expression systems in novel CHO cell lines*1

In the manufacture of antibody drugs, long-term cell culture is one of the high cost factors of antibody drugs. Daiichi Sankyo has participated in the Manufacturing Technology Association of Biologics, so-called MAB, supported by the AMED*2 and MITI*3, and successfully obtained novel CHO cell line with high growth performance. In addition, a new CHO cell expression system developed by combination with an in-house developed vector showed about three times higher antibody productivity than the previous system. In the future, we will apply this new technology by applying it to the production of biopharmaceuticals, and we hope that this cell will be widely used in other companies by the collaboration with MAB.

*1 Cell lines derived from Chinese hamster ovary cells. It is widely used in the manufacture of antibody drugs.
*2 Japan Agency of Medical Research and Development
*3 the Ministry of Economy, Trade, and Industry

Hiroto Kashiwase, DVM, Ph.D.  Global Head of Pharmaceutical Technology Unit

Strengthening the supply system for investigational drug products

The Pharmaceutical Technology Unit develops new technologies and new application, such as ultra-low temperature cold chain technology, in order to deliver drug candidates, which consist of various modalities, as investigational drug products for clinical trials. We are working to deliver investigational drug products as soon as possible to patients who are waiting for a new treatment approach. We are also doing our best to address the demands from physicians and patients for compassionate use of investigational drug products, as well as supporting the ongoing extended access for patients after the completion of clinical trial. In addition, we are establishing a robust system for stable supply of investigational drug products.

Functional Units

Biologics Unit

Target

Major Achievements in Fiscal 2018

Establish commercial manufacturing process of antibodies for DS-8201

○ Established antibody manufacturing process for commercialization
○ Completed technology transfer to group companies responsible for commercial manufacturing
○ Started discussion on manufacturing process for large-scale manufacturing

Initiatives for Fiscal 2019

Establish commercial manufacturing process for DS-8201 and ADCs

○ Conduct actions for NDA of DS-8201
○ Continue discussion on manufacturing process for large-scale manufacturing
○ Develop manufacturing process for antibody part of ADC franchise

Develop cutting-edge technologies and apply them to development candidates.

○ Develop antibody manufacturing process by using novel CHO cell line
○ Establish strategic antibody manufacturing alliance including group companies for clinical/commercial provision
○ Utilize in-house technology for the manufacture of various modalities

Discover innovative forms of modality*3

○ The translation of drug development and therapeutic approaches such as protein drugs, nucleic acids and nucleic medicine including the molecular compounds, peptide (molecule therapy)

Promote cell therapy projects and R&D

○ Conducted various projects for NDA of DS-6157 (gat Claims) in collaboration with partners
○ Conducted technology transfer of cell manufacturing methods in Axi-Cel® (CAR-T) projects

Promote cell therapy projects and R&D

○ Taken actions for NDA of DS-6157 (gat Claims) and Axi-Cel® (CAR-T)
○ Promote joint research with Tokyo Industrial University on the preparation methods of IPS cell derived insulin-producing cells

Promoting next-generation ADC development

○ Develop high-value-added products
○ Develop high-value-added products for more re usable*4 formulation
○ Designed of a package capable of preventing exposure to oncology drugs

Promote high-value-added products, reduce costs, and establish new manufacturing processes

○ Device for re usable drug solutions through the mouth and nose

Promote high-value-added products, reduce costs, and establish new manufacturing processes

Promotion of next-generation ADC development

○ Develop high-value-added products
○ Developed high-value-added products for more re usable*4 formulation
○ Designed of a package capable of preventing exposure to oncology drugs

Develop both high- value-added products and R&D

○ Promote joint research with Tokyo industrial University on the preparation methods of IPS cell derived insulin-producing cells

Build and strengthen technology and human resource infrastructure that support commercialization of biologics including cell therapies

○ Promote joint research with Tokyo Industrial University on the preparation methods of IPS cell derived insulin-producing cells

Strengthening the supply system for investigational drug products

○ Strengthen the supply system for next-generation ADCs

Daiichi Sankyo Group Value Report 2019

Functional Units

Pharmaceutical Technology Unit

Target

Major Achievements in Fiscal 2018

Initiatives for Fiscal 2019

Accelerate and improve the efficiency of oncology development

○ Steadily performed application-related work and technology transfer
○ Implemented process validation and prepared application dossier in order to achieve acceleration of DS-8201 application
○ Implemented technology transfer for commercial manufacturing facilities for launch of DS-8201
○ Determined commercial manufacturing conditions for qulatitatively and productively, which achieve good quality and productivity
○ Prepared application dossiers for qulatitatively and productively

Enhance fundamental technologies of biologics (ADCs)

○ Enhance and deploy ADC-related technologies
○ Developed new formulations by using ADC-platform technologies (e.g., DS-6157 and DS-8201)
○ Developed ADC analysis technology that enables precise control of impurities

Initiatives for DS-8201

○ Prepare for BLA/NDA submission in Japan and the US and respond to inquiries from regulatory reviews
○ Establish manufacturing and supply system for investigational drug products and commercial products considering collaboration with AstraZeneca,
○ Develop other oncology drugs
○ Ensure supply investigational drugs that support accelerated development even within rapid changes in the demand of investigational oncology products and comparator

Prepare for the next generation ADCs

○ Developed efficiently next-generation ADCs based on the experience of existing ADCs

Promotion of next-generation ADC development

○ Develop high-speed analytical technology that shortens the research and development period for biopharmaceuticals
○ Establish investigational product manufacturing and supply system for next-generation ADCs

Develop high-value-added products, reduce costs, and establish new manufacturing processes

○ Develop high-value-added products
○ Developed high-value-added products for more re usable*4 formulation
○ Designed of a package capable of preventing exposure to oncology drugs

Develop technologies that address a variety of modalities

○ Established ultra-low temperature cold chain*5 that supports cell therapy and regenerative medicines
○ Established technology for cold chain cold drugs to reduce cost

Logistics methods that maintain ultralow temperature between manufacturing, transportation and consumer activities

*5 Logistics method that maintains ultralow temperature between manufacturing, transportation and consumer activities
The Supply Chain Unit is rapidly transforming its organizational functions with the aim of a “supply chain with competitive advantages in oncology and biotechnology”. In particular, for the launch of DS-8201, we are strengthening our stable production and supply system by investments in biologics and manufacturing facilities, addition of contract manufacturers worldwide and continuing development of biotech personnel capabilities. In the meantime, we are working to achieve stable supply and reduce product cost in response to the growing demand in edoxaban, which supports our growth. We will continue to contribute to the creation of group profits by transforming and strengthening supply chain functions.

Toward a production system that utilizes environmentally friendly equipment

Daiichi Sankyo Propharma Co., Ltd., a subsidiary company belongs to the Supply Chain Unit, has used an environment-friendly gas co-generation system since 2012 after the earthquake, and efficiently uses energy such as heat and steam generated by its operation. Furthermore, this system can supply power even in an emergency such as power failure. In FY2018, this system contributed to the reduction of environment impact by reducing approximately 2,200t of CO2. The effect is on the rise year by year, and we aim to make a more environmentally focused production system by using it continuously.

Junichi Fukute Head of Supply Chain Unit

Progress of Supply Chain Unit’s 5-Year Business Plan

<table>
<thead>
<tr>
<th>Target</th>
<th>Major Achievements in Fiscal 2018</th>
<th>Initiatives for Fiscal 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transform and rebuild supply chain structures adapted to changes in the product mix</td>
<td>Established a manufacturing system for anticancer drugs and biologics</td>
<td>Strengthen a manufacturing system for anticancer drugs and biologics</td>
</tr>
<tr>
<td></td>
<td>• Established manufacturing facilities for drug substances and formulations in accordance with the development plan of the ADC franchise</td>
<td>• Strengthen the global manufacturing and supply system for anticancer drugs and biologics, including investigational drugs</td>
</tr>
<tr>
<td></td>
<td>• Secured and developed human resources in accordance with the human resources developing roadmap in biologics field</td>
<td>• Secure manufacturing and analysis personnel based on the human resources developing roadmap in biologics field</td>
</tr>
<tr>
<td></td>
<td>• Promoted preparations/considerations on initiatives for a stable supply globally in accordance with the mid-to-long-term supply plan</td>
<td>• Promote capital investment plan based on our future vision</td>
</tr>
<tr>
<td>Construct a supply system in response to environmental changes</td>
<td>Established a global supply system for edoxaban</td>
<td>Establish and promote a supply system in accordance with development and launch schedules</td>
</tr>
<tr>
<td></td>
<td>• Established a stable supply system by reviewing mid-to-long-term supply system in response to the expansion of approved countries</td>
<td>• Prepare for launch of new products on schedule and achieve a stable supply after launch</td>
</tr>
<tr>
<td></td>
<td>• Achieved a stable supply of edoxaban in response to growing demand in Japan and Europe</td>
<td>• Achieve a stable supply stability in response to environmental changes</td>
</tr>
<tr>
<td>Promote cost reduction activities and attain results globally</td>
<td>Established a manufacturing and supply system for cutting-edge pharmaceutical products</td>
<td>Establish a reliable supply system for ADC and cutting-edge pharmaceutical products and study mid-to-long term stable supply measures</td>
</tr>
<tr>
<td></td>
<td>• Promoted an establishment of production system and cold chain tailored to individual product characteristics of regenerative medical products, such as Axi-Cap® (CAP-T) and DS-1647 (G47Δ)</td>
<td>• Promote mid-to-long term reliable supply measures to increase production of DS-8201</td>
</tr>
<tr>
<td></td>
<td>• Developed cost reduction measures for Axi-Cap® and DS-1647 (G47Δ)</td>
<td>• Establish a manufacturing and supply system for Axi-Cap® and DS-1647 (G47Δ)</td>
</tr>
</tbody>
</table>

Medical Affairs Affairs

The Medical Affairs (MA) Unit will accelerate activity which has been working since fiscal 2018 to further prepare the MA system for the launch of new oncology products. In particular, for DS-8201, we will establish a collaborative relationship with its strategic partners, AstaZeneca, to ensure that high-quality evidence is delivered to healthcare professionals and patients as soon as possible. In Japan, new products other than oncology have been launched, and we aim to build evidence to answer clinical questions in the medical community. In addition, we are enriching product information functions and enhancing the quality of the response to our client.

Yoshikazu Fukuchi Head of Medical Affairs Unit

Initiatives for the dissemination of latest information to healthcare professionals and patients in the oncology field

Novel cancer drugs provide new benefits to patients who failed conventional therapies, but they also could carry a variety of side effect risk. We will provide benefits to patients by finding new knowledge on efficacy and safety from various clinical studies and disseminating them to healthcare professionals and patients as soon as possible. To this end, we will strengthen our MSL functions and also strengthen and maximize oncology and pipeline knowledge of our call centers.

Progress of Medical Affairs (MA) Unit’s 5-Year Business Plan

<table>
<thead>
<tr>
<th>Target</th>
<th>Major Achievements in Fiscal 2018</th>
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</thead>
<tbody>
<tr>
<td>Generate and disseminate scientific evidence on edoxaban</td>
<td>Generate scientific evidence on edoxaban</td>
<td>Generate scientific evidence on edoxaban</td>
</tr>
<tr>
<td></td>
<td>• Presented ELANNAKE results at scientific conferences</td>
<td>• Presented patient background data from a large-scale registry study in Japan at scientific conferences</td>
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<td></td>
<td>• Study in patients with atrial fibrillation who underwent catheter ablation</td>
<td>Study in patients with atrial fibrillation who underwent catheter ablation</td>
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<td></td>
<td>• Promote capital investment plan based on our future vision</td>
<td>Establish launch readiness for oncology products</td>
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<tr>
<td></td>
<td>• Establish new logistics functions in response to environmental changes</td>
<td>• Established a medical plan to prepare for the launch of quizartinib and DS-8201</td>
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<tr>
<td></td>
<td></td>
<td>• Deployed oncology MSL in Japan</td>
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<tr>
<td></td>
<td></td>
<td>• Evidence generation and dissemination plan to contribute to medical practice</td>
</tr>
<tr>
<td>Generate and disseminate scientific evidence in the oncology field</td>
<td>Generate and disseminate scientific evidence in the oncology field</td>
<td>MA activities for esaxerenone and mirabegron</td>
</tr>
<tr>
<td></td>
<td>• Presented ELIANNAKE results at scientific conferences</td>
<td>• Developed activity plan for creation and dissemination of evidence for new products</td>
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<td></td>
<td></td>
<td>• Data lock for presurgical PENDULUM study*</td>
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<td></td>
<td></td>
<td>• Investigation of thrombotic events, bleeding events, and platelet aggregation inhibition by antiplatelet therapy in patients undergoing PCI</td>
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<tr>
<td></td>
<td></td>
<td>• Development of data analysis plan to contribute to medical practice</td>
</tr>
<tr>
<td>Generate and disseminate scientific evidence on other priority products</td>
<td>Generate and disseminate scientific evidence on other priority products</td>
<td>MA activities for quizartinib and mirabegron</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Start clinical research studies of esaxerenone and mirabegron</td>
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<tr>
<td></td>
<td></td>
<td>• Present at a conference and publish paper on the results of a PENDULUM study</td>
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<tr>
<td></td>
<td></td>
<td>• Information gathering through advisory meetings</td>
</tr>
<tr>
<td>Sophisticate MA operation in response to environmental changes</td>
<td>Reinforce infrastructures for the global MA operation</td>
<td>Reinforce the Global MA activities in the oncology field</td>
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<tr>
<td></td>
<td></td>
<td>• Further strengthen GAMA functions, mainly in the oncology field</td>
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<tr>
<td></td>
<td></td>
<td>• Sophisticate information generation and dissemination activities through deepening collaboration with relevant departments, such as R&amp;D and market access</td>
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<tr>
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<td></td>
<td>• Create more sophisticated medical information functions</td>
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<td></td>
<td>• Aim to continue to be ranked No. 1 among pharmaceuticals in health insurance pharmaceuticals for 4 consecutive years and also aim to be ranked No. 1 among pharmaceuticals in hospitals</td>
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<tr>
<td></td>
<td></td>
<td>• Comply with Guidelines for Sales Information Provision Activities</td>
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<tr>
<td></td>
<td></td>
<td>• Present clinical questions by gathering, analyzing, and evaluating the voice of customers</td>
</tr>
</tbody>
</table>

* Position responsible for collecting clinical evidence and identifying and answering clinical questions by engaging in medical and scientific discussions with healthcare professionals and researchers and by promoting clinical research and academic activities
Aiming to promote further diversification

In fiscal 2019, the percentage of women in The Quality & Safety division’s 205 employees is 42%, and the percentage of women in management positions is 28%. Many employees have returned to work after maternity leave. We have a team system that allows us to follow each other, so we are able to flexibly utilize flex-time, home-based work, and short working hour system to make balance of both work and private including childcare and nursing care. We also provide career change opportunities for senior employees to work that leverages their past experiences. We aim to promote further diversity in the future in order to foster a corporate culture in which everyone can work lively and be active in a variety of ways.

Promote post-marketing surveillance on mainstay products and create additional evidence

- To continue to execute post-marketing surveillance on LIXIVA and Effient and present efficacy and safety information at major academic conferences etc.
- To start specific use results survey for new products such as Tarlige and Minnebro and plan database survey

Establish a quality assurance system for new areas

- To establish the quality assurance system for the safety of new products

Aiming to improve safety and quality

The Quality & Safety Management Unit is responsible for product safety assurance, and the safety management system in pharmaceuticals throughout the life cycle using global standards. We will establish the safety management system to ensure the reliability of not only small molecule pharmaceuticals but also antibodies and new modality products, as well as a safety management system that can respond to the shift toward the cancer area. In addition, by ensuring to monitor adverse reactions and disseminate various information on proper use and safety management that enable to contribute to patient’s safety and security, we will be able to treat patients with high risk of side effects, and aim to suppress adverse reactions and diseases to become severe.

Miyuki Arai
Head of the Quality & Safety Management Unit

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

<table>
<thead>
<tr>
<th>Target</th>
<th>Major Achievements in Fiscal 2018</th>
<th>Initiatives for Fiscal 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continue the post-marketing surveillance on LIXIVA and Effient to create additional evidence</td>
<td>- Published LIXIVA’s latest evidence and shared with healthcare professionals&lt;br&gt;- Presented data on Effient’s large-scale real-world data on dosages suitable for the Japanese at the late breaking session of the Japanese Circulation Society for two consecutive years</td>
<td>- Prosecuted post-marketing surveillance on new products and created additional evidence&lt;br&gt;- Continued to execute large-scale studies on LIXIVA and Effient and present efficacy and safety information at major academic conferences etc.&lt;br&gt;- Start specific use results survey for new products such as Tarlige and Minnebro and plan database survey</td>
</tr>
<tr>
<td>Introduce quality risk analysis and evaluation systems for new fields and new technologies</td>
<td>- Established a quality assurance system for products in new areas&lt;br&gt;- Ensured the reliability of manufacturing sites for DS-8201 and prepared for regulatory inspections&lt;br&gt;- Supported problem solution at the contract manufacturers for NDA of DS-1647 (G47Δ)</td>
<td>- Establish a quality assurance system for products in new areas&lt;br&gt;- Promote reliability assurance of DS-8201 BLA/NDA data and response to regulatory inspections, and establish a manufacturing site control system including CMO:&lt;br&gt;- Complete NDA of DS-1647 (G47Δ) and Asel-CaRa (CAP-T) as planned and respond to regulatory review.&lt;br&gt;- CMO: Contract Manufacturing Organization</td>
</tr>
<tr>
<td>Strengthen safety monitoring measures and verify the effectiveness of safety measures</td>
<td>- Reinforced safety measures for new and mainstay products&lt;br&gt;- Practiced integrated risk management and thorough safety measures in the global clinical trial of Su001-8201&lt;br&gt;- Built a framework that facilitates prompt communication with healthcare professionals on the safety information of oncology products&lt;br&gt;- Improved productivity by automating routine tasks with RPA* implementation&lt;br&gt;- Matsushita Process Automation</td>
<td>- Reinforce safety measures for new and mainstay products&lt;br&gt;- Continue DS-8201 clinical trial safety measures, prepare package inserts and RMP* for approval, and establish a system to collect and provide information after launch&lt;br&gt;- Contribute to the safety and security of patients by providing a framework that facilitates prompt communication with healthcare professionals on the safety information of oncology products&lt;br&gt;- RMP: Risk Management Plan</td>
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</table>

Business Activities

Initiatives Aimed at Realizing a Sustainable Society

The Daiichi Sankyo Group is working to address many issues related to sustainability as part of our medium-to-long-term initiatives and challenges. We fulfill our corporate social responsibility (CSR) by addressing to resolve social challenges through business activities and enacting improvements for corporate value based on the DAIIICHI SANKYO Group Corporate Conduct Charter, which is the basis of its business activities. The following introduce the Group’s initiatives aimed at realizing a sustainable society.

Daiichi Sankyo Group’s Initiatives for SDGs

The Daiichi Sankyo Group is working to address business and sustainability issues based on the DAIIICHI SANKYO Group Corporate Conduct Charter.

In light of the Sustainable Development Goals (SDGs) and other international frameworks, the Group has made revisions to the DAIIICHI SANKYO Group Corporate Conduct Charter in April 2019 and has declared that it will contribute to the realization of a sustainable society.

With a philosophy of “Leaves no one behind,” 17 Goals and 169 Targets to be accomplished by 2030 were established as SDGs to resolve global social issues for realizing a sustainable, diverse and inclusive society. This idea is in line with the philosophy of the Group, “to contribute to the enrichment of quality of life around the world.”

For “Goal 3: Ensure healthy lives and promote well-being for all at all ages” the Group is especially working to resolve unmet medical needs, such as cancer and other non-communicable diseases, rare diseases, malaria, tuberculosis, and neglected tropical diseases through innovation (Goal 9). To address climate change (Goal 13), the Group is working to reduce the environmental impact and risks in all its business activities and to effectively use resources. As for partnership (Goal 17), the Group is working together with various partners in the fields of industry, academia and government for the above initiatives.

For details, refer to page 27

https://www.daiichisankyo.com/about_us/responsibility/csr/sdgs/index.html#fgc_list

The Group will contribute to ensuring healthy lives and promoting well-being for all by working to resolve unmet medical needs, such as cancer and other non-communicable diseases, rare diseases, malaria, tuberculosis, and neglected tropical diseases.
Initiatives for Sustainability Issues

The Daiichi Sankyo Group is working to address many CSR issues related to sustainability. So far, we have identified CSR issues based on international frameworks such as the Ten Principles of the United Nations Global Compact (UNGC) and the TCFD* and rankings by Access to Medicine Index, which evaluate practices and contributions to improving availability of pharmaceuticals in developing countries. We further categorizes these issues into six priority areas for activities (promoting compliance management, mutual growth of employees and the Company, enhancing communication with stakeholders, promoting environmental management, improving access to healthcare, and social contribution activities).

In addition, among these six activity areas, we have set “promoting environmental management”, “promoting compliance management”, and “improving access to healthcare” as the medium- to long-term initiatives in order to realize a sustainable society and to improve the corporate values in the medium-to-long-term.

Organizing Sustainability Issues

For our initiatives for Sustainability issues, we need to periodically conduct self-assessments and revise them according to the progress in resolving issues and changing requirements from stakeholders and society. In fiscal 2018, the third year of our 5-year business plan, we organized CSR issues for the purpose of appropriately responding to requirements and expectations found from assessment results by ESG rating agencies and through stakeholder communication. As a result of these efforts we established new issues to be addressed, consolidated issues, and lowered the priorities of issues that we have determined have sufficiently been addressed. The result of this activity was discussed during a meeting of the Global Management Committee (GMC) in December 2018 and the issues were organized into 21 issues as shown in the table below.

Initiatives for CSR issues organized into six priority areas for activities

<table>
<thead>
<tr>
<th>Priority area for activities</th>
<th>Issues (21 items)</th>
<th>Examples of initiatives</th>
</tr>
</thead>
</table>
| Promoting Compliance Management | 59 items | - Continued operation of the compliance system  
- Implementation of a Compliance Awareness Survey  
- Development of a Global Marketing Code of Conduct  
- Oversight of the ICP  
- Compliance and training activities  
- Response to thorough information ( Cyber security)  
- A spread of Global Policies Related to Preventing Bribery and Corruption  
- Supporting the improvement of the data security system  
- Maintaining the reliability of the sales system  
- Monitoring the performance of the sales system  
- Implementation of the self-assessment  
- Codes of conduct of business partners  
- Social and market research  |
| Consideration for R&D ethics, bioethics, and genetic resources | 7 items | - Good Practice and other development-related training  
- Through R&D ethics  
- Fair utilization of genetic resources  |
| Maintaining reliability for ensuring product quality and safety | 9 items | - Safety-related training (SPM training)  
- Quality audit of raw material and other suppliers  
- Product recall information  |
| Ethical marketing practices | 2 items | - Compliance with the Guidelines on Providing Sales Information  
- Strengthening the review system for sale promotion materials  |
| Sustainable procurement | 3 items | - Through compliance in procurement  
- Implementation of self-CSR examinations  
- Codes of conduct of business partners  |
| Report on breach of laws and legal cases | 1 item | - Disclosures of business and other risks  |
| Respect for rights of all people involved in business activities | 1 item | - Initiatives for promoting respect for human rights  
- Training related to the UNGC  |

* TCFD (Task Force on Climate-related Financial Disclosures): This task force was established in December 2015 by the FSB (Financial Stability Board). The FSB is an international organization joined by central banks and financial regulators from the major powers.

Initiatives for Sustainability Issues

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* TCFD (Task Force on Climate-related Financial Disclosures): This task force was established in December 2015 by the FSB (Financial Stability Board). The FSB is an international organization joined by central banks and financial regulators from the major powers.
CSR Management

The Daiichi Sankyo Group is working on CSR issues through its business under the global management structure. By establishing and continuing to promote a CSR management cycle which includes extracting and reviewing issues to be addressed based on requirements and expectations from society, addressing issues in cooperating with related divisions, and conducting self-assessment through stakeholder communication, we will improve corporate value in the long term.

Extracting CSR issues
Issues are extracted based on expectations and needs identified through stakeholder communications or investigations done by ESG rating agencies and various CSR initiatives, and these are shared with related divisions and group companies.

Reviewing issues to be addressed
Issues that need attention are reviewed based on business strategies and requests from stakeholders, etc. By continuing to conduct these activities and thereby improving external CSR/ESG evaluations and increasing awareness of employees, we improve long term cooperate value as a result.

Properly responding to issues to be addressed
Addressing issues is promoted in cooperation with related sections.

Stakeholder communication
We conduct self-assessment based on stakeholder communication such as investigations by ESG rating agencies and disclosure of responses regarding issues.

The progress on addressing issues is reported during a meeting of the Global Management Committee (GMC) and other meetings along with evaluation from stakeholders, etc. By continuing to conduct these activities and thereby improving external CSR/ESG evaluations and increasing awareness of employees, we improve long term cooperate value as a result.

The CSR management cycle

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

To address sustainability issues, we pursue ongoing improvements to our corporate values. These efforts have been highly appreciated, resulting in the Group being selected for the following ESG indices as of June 2019.

Selected for the “World Index” in the pharmaceutical sector for two consecutive years

The DJSI is jointly managed by S&P Dow Jones Indices LLC of the United States and RobecoSAM AG of Switzerland. This ESG index evaluates the sustainability of a company and provides important criterion for investors to select investment targets. The Company has been included in the DJSI World Index for two consecutive years since last year and the DJSI Asia/Pacific for nine consecutive years. This Group was selected for the DJSI World Index as the first Japanese corporation in the pharmaceutical sector last year as is being selected as the only Japanese company among the seven companies selected for the pharmaceutical sector.

Selected consecutively for eleven years/three years

The FTSE4Good Index Series and the FTSE Blossom Japan Index are indices that reflect the performance of corporations that excel in environmental, societal, and governance (ESG) factors, established by FTSE Russell, a global index provider and wholly-owned subsidiary of the London Stock Exchange. The Company has been selected for eleven consecutive years as a component of the FTSE4Good Global Index from 2009 and for three consecutive years as a component of the FTSE Blossom Japan Index from 2017. This index is one of four indices selected by the Government Pension Investment Fund (GPIF) as an ESG Index in Japanese stock.

The MSCI Japan Empowering Women (WIN) Select Index is an index of MSCI in the U.S. that assesses gender diversity in corporations such as the percentage of females among new recruits, employees, average work years and the percentage of female executives, and comprises corporations that excel in these factors. The Company has been included in this index for two consecutive years from 2018. This Index is one of four indices selected by the Government Pension Investment Fund (GPIF) as an ESG Index in Japanese stock.

Selected consecutively for four years

The SNAM Sustainability Index is an ERI fund managed by Sompo Japan Nipponkoa Asset Management Co., Ltd., aimed at pension funds and institutional investors that invest in a wide range of companies highly rated in terms of ESG factors (environment, society, governance). The Company has been included in this index for four consecutive years.

Items that received the highest appraisal in the pharmaceutical sector

Environmental aspects: Environmental efficiency in operation
Social aspects: Corporate citizenship and social contribution, Occupational health and safety

(As of June 2019)
## 10-Year Financial Summary

### Financial Results

<table>
<thead>
<tr>
<th></th>
<th>FY2009</th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales (¥bn)</td>
<td>952.1</td>
<td>967.3</td>
<td>938.6</td>
<td>997.8</td>
</tr>
<tr>
<td>Overseas sales</td>
<td>482.3</td>
<td>489.7</td>
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<td>50.0</td>
<td>48.8</td>
</tr>
<tr>
<td>Operating income</td>
<td>95.5</td>
<td>122.1</td>
<td>98.2</td>
<td>100.5</td>
</tr>
<tr>
<td>Net income (¥bn)</td>
<td>41.8</td>
<td>70.1</td>
<td>10.3</td>
<td>66.6</td>
</tr>
<tr>
<td>Research and development expenses (¥bn)</td>
<td>196.8</td>
<td>194.3</td>
<td>185.0</td>
<td>183.0</td>
</tr>
<tr>
<td>Capital expenditure (¥bn)</td>
<td>29.7</td>
<td>37.3</td>
<td>62.9</td>
<td>65.1</td>
</tr>
</tbody>
</table>

### Net sales (¥bn)

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### Operating income (¥bn)

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### Research and development expenses (¥bn)

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### Capital expenditure (¥bn)

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<thead>
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### Financial Position

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<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets (¥bn)</td>
<td>1,489.5</td>
<td>1,480.2</td>
<td>1,518.4</td>
<td>1,644.0</td>
</tr>
<tr>
<td>Total equity (¥bn)</td>
<td>889.5</td>
<td>887.7</td>
<td>832.7</td>
<td>915.7</td>
</tr>
</tbody>
</table>

### Cash Flows

<table>
<thead>
<tr>
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<th>FY2009</th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase (¥bn) in cash and cash equivalents</td>
<td>81.4</td>
<td>43.2</td>
<td>(89.7)</td>
<td>(21.8)</td>
</tr>
<tr>
<td>Cash flows* (¥bn)</td>
<td>172.8</td>
<td>78.1</td>
<td>(32.5)</td>
<td>19.9</td>
</tr>
</tbody>
</table>

### Per Share Information

<table>
<thead>
<tr>
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<th>FY2009</th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings per share (¥)</td>
<td>90.96</td>
<td>86.57</td>
<td>457.56</td>
<td>119.37</td>
</tr>
<tr>
<td>Equity per share attributable to owners of the Company (¥)</td>
<td>1,287.94</td>
<td>1,392.03</td>
<td>1,852.28</td>
<td>1,801.90</td>
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</tbody>
</table>

### Main Financial Indicators

<table>
<thead>
<tr>
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<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on equity (ROE) (%)</td>
<td>4.9</td>
<td>8.2</td>
<td>1.3</td>
<td>7.9</td>
</tr>
<tr>
<td>Equity ratio (%)</td>
<td>57.4</td>
<td>57.4</td>
<td>53.0</td>
<td>53.7</td>
</tr>
<tr>
<td>Dividend on equity (DOE) (%)</td>
<td>4.9</td>
<td>5.0</td>
<td>5.1</td>
<td>5.0</td>
</tr>
<tr>
<td>Price-earnings ratio (PER)</td>
<td>29.5</td>
<td>16.1</td>
<td>102.2</td>
<td>19.2</td>
</tr>
<tr>
<td>Stock price at the end of the year (¥)</td>
<td>1,751</td>
<td>1,606</td>
<td>1,508</td>
<td>1,815</td>
</tr>
<tr>
<td>Market capitalization (¥bn)</td>
<td>12,326</td>
<td>11,304</td>
<td>10,692</td>
<td>12,777</td>
</tr>
<tr>
<td>Average exchange rates (¥/¥)</td>
<td>92.86</td>
<td>85.72</td>
<td>79.07</td>
<td>83.11</td>
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### Number of Employees

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<th>FY2011</th>
<th>FY2012</th>
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<tr>
<td>Japan</td>
<td>8,892</td>
<td>9,002</td>
<td>9,308</td>
<td>9,251</td>
</tr>
<tr>
<td>North America</td>
<td>3,580</td>
<td>3,410</td>
<td>3,737</td>
<td>3,331</td>
</tr>
<tr>
<td>Europe</td>
<td>2,516</td>
<td>2,576</td>
<td>2,624</td>
<td>2,556</td>
</tr>
<tr>
<td>Others</td>
<td>14,837</td>
<td>15,003</td>
<td>16,260</td>
<td>17,091</td>
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### IFRS

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<tr>
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<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
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<td>Revenues (¥bn)</td>
<td>994.7</td>
<td>1,118.2</td>
<td>919.4</td>
<td>986.4</td>
<td>905.1</td>
<td>960.2</td>
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<tr>
<td>Overseas sales (¥bn)</td>
<td>483.2</td>
<td>584.5</td>
<td>392.4</td>
<td>430.7</td>
<td>375.2</td>
<td>341.9</td>
<td>333.8</td>
</tr>
<tr>
<td>Operating profit (¥bn)</td>
<td>94.6</td>
<td>52.3</td>
<td>42.7</td>
<td>43.7</td>
<td>39.3</td>
<td>35.6</td>
<td>35.9</td>
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<td>Profit attributable to owners of the Company (¥bn)</td>
<td>60.9</td>
<td>32.1</td>
<td>82.3</td>
<td>53.5</td>
<td>60.3</td>
<td>93.4</td>
<td></td>
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<tr>
<td>Research and development expenses (¥bn)</td>
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<td>191.2</td>
<td>190.7</td>
<td>206.7</td>
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### Note:
- Results for FY2012 in compliance with IFRS are shown for comparison purposes.
In the Japan Business, Lixiana and Daiichi Sankyo Espira products enjoyed an increased in revenue, but Omeprazole experienced a significant decrease in revenue owing to the impact of price revisions, and Daiichi Sankyo Healthcare saw a reduction in revenue following a change to our accounting methods. These factors among others resulted in an overall decrease of ¥20.7 billion.

In the United States, revenue from Daiichi Sankyo, Inc. declined ¥810.5 billion year on year due to a large increase in Lixiana sales, despite decreases in sales from omeprazole. In the Company’s operations in ASCA, Asia and South & Central America, revenue was up ¥9.6 billion year on year, with results chiefly seen in China and Korea.

1. Revenue

Consolidated revenue in fiscal 2018 decreased by ¥380.5 billion, or 3.2% year on year, to ¥929.7 billion. The impacts of yen appreciation placed downward pressure on revenue to the extent of ¥32.3 billion. When the impacts of foreign exchange influences are excluded, revenue was down ¥27.3 billion year on year.

Revenue

Decreased by ¥30.5 billion

(Billions of yen)

<table>
<thead>
<tr>
<th>FY2017 Results</th>
<th>FY2018 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>960.2</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>346.0</td>
</tr>
<tr>
<td>SG&amp;A expenses</td>
<td>301.8</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>238.0</td>
</tr>
<tr>
<td>Operating profit</td>
<td>76.3</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>81.0</td>
</tr>
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<td>Profit attributable to owners of the Company</td>
<td>60.3</td>
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2. Cash Flows

Cash and cash equivalents at the end of fiscal 2018 decreased by ¥114.5 billion year on year to ¥2,432.2 billion.

Cash flows from operating activities

Cash inflows from operating activities were ¥1,280.6 billion (¥1,082.6 billion in the previous fiscal year) due to a decrease in cash caused by a profit before tax amounting to ¥865.8 billion, depreciation and amortization amounting to ¥462.2 billion, impairment loss amounting to ¥15.2 billion, and other non-cash items, as well as income tax payments and other factors.

Cash flows from investing activities

Cash outflows due to investing activities were ¥142.5 billion (¥1,086.6 billion in the previous fiscal year) due to payments into time deposits, as well as capital expenditure and acquisitions of intangible assets, among other factors.

Cash flows from financing activities

Cash outflows due to financing activities were ¥116.7 billion (¥93.4 billion in the previous fiscal year) due to dividend payments, repayments of borrowings, and other factors.

Summary of consolidated statement of financial position

As of March 31, 2019, the company’s financial position was as follows:

- Total assets amounted to ¥2,088.1 billion, up ¥73.6 billion compared to the end of fiscal 2017.
- Total liabilities amounted to ¥1,393.2 billion, up ¥1.3 billion compared to the end of fiscal 2017.
- Total equity increased to ¥694.9 billion due to continued cost reductions, as well as recording profit from selling the Takatsuki Plant (¥19.0 billion) and real estate (¥10.6 billion) among other factors, despite the fact that cost increases are expected as a result of investments centered on the oncology business.

Equity

Total equity at the end of fiscal 2018 amounted to ¥1,249.7 billion. Dividend payments (¥45.3 billion) contributed to a decrease, while profit attributable to owners of the Company (¥93.4 billion) and other comprehensive income (¥70.5 billion) recorded for the year among other factors.

Ratio of equity attributable to owners of the Company to total assets (equity ratio) was 59.8% (¥1,249.7 billion ÷ ¥2,088.1 billion), which was an increase of 0.1% compared to the end of fiscal 2017.

Shareholder Returns

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

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

Shareholder returns policy during 5YBP (Target)

Under this basic policy, Daiichi Sankyo achieved ordinary dividend payments of ¥70 per share in fiscal 2018. As a result, the total return ratio was 48.5% for one year and 114.8% cumulatively over three years. The Company plans to issue annual dividends per share of ¥70 in fiscal 2019.

Shareholder Returns

- Total ordinary dividends: More than ¥70
- Flexible purchase of treasury shares

Financial Results Forecasts for Fiscal 2019

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

Operating profit is projected to increase 19.5% year on year to ¥100.0 billion due to continued cost reductions, as well as recording profit from selling the Takatsuki Plant (¥19.0 billion) and real estate (¥10.6 billion) among other factors.

Profit attributable to owners of the Company is expected to decrease 22.9% year on year to ¥72.0 billion, due to income taxes going back to the regular tax rate in the year ending March 2020 despite temporarily being set at a negative rate in the previous year following our strategic collaboration for DS-8201 among other factors.

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

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

Shareholder returns policy during 5YBP (Target)

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

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

Shareholder returns policy during 5YBP (Target)
### Consolidated Statement of Profit or Loss

<table>
<thead>
<tr>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>(For the year ended March 31, 2018)</td>
<td>(For the year ended March 31, 2019)</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>960,195</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>346,021</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>301,845</td>
</tr>
<tr>
<td><strong>Research and development expenses</strong></td>
<td>236,064</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>76,282</td>
</tr>
<tr>
<td><strong>Financial income</strong></td>
<td>8,642</td>
</tr>
<tr>
<td><strong>Financial expenses</strong></td>
<td>4,223</td>
</tr>
<tr>
<td><strong>Share of profit (loss) of investments accounted for using the equity method</strong></td>
<td>320</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>81,021</td>
</tr>
<tr>
<td><strong>Income taxes</strong></td>
<td>21,210</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>59,811</td>
</tr>
<tr>
<td><strong>Earnings per share</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Basic earnings per share (yen)</strong></td>
<td>91.31</td>
</tr>
<tr>
<td><strong>Diluted earnings per share (yen)</strong></td>
<td>91.10</td>
</tr>
</tbody>
</table>

### Consolidated Statement of Financial Position

<table>
<thead>
<tr>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>(As of March 31, 2018)</td>
<td>(As of March 31, 2019)</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Cash and cash equivalents</strong></td>
<td>357,702</td>
</tr>
<tr>
<td><strong>Trade and other receivables</strong></td>
<td>231,529</td>
</tr>
<tr>
<td><strong>Other financial assets</strong></td>
<td>429,380</td>
</tr>
<tr>
<td><strong>Inventories</strong></td>
<td>172,586</td>
</tr>
<tr>
<td><strong>Other current assets</strong></td>
<td>10,347</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>1,201,545</td>
</tr>
<tr>
<td><strong>Assets held for sale</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>1,201,545</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Property, plant and equipment</strong></td>
<td>217,946</td>
</tr>
<tr>
<td><strong>Goodwill</strong></td>
<td>75,479</td>
</tr>
<tr>
<td><strong>Intangible assets</strong></td>
<td>173,537</td>
</tr>
<tr>
<td><strong>Investments accounted for using the equity method</strong></td>
<td>1,693</td>
</tr>
<tr>
<td><strong>Other financial assets</strong></td>
<td>179,177</td>
</tr>
<tr>
<td><strong>Deferred tax assets</strong></td>
<td>40,339</td>
</tr>
<tr>
<td><strong>Other non-current assets</strong></td>
<td>8,035</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>696,209</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>1,897,754</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>(For the year ended March 31, 2018)</td>
<td>(For the year ended March 31, 2019)</td>
</tr>
<tr>
<td><strong>LIABILITIES AND EQUITY</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Trade and other payables</strong></td>
<td>226,164</td>
</tr>
<tr>
<td><strong>Bonds and borrowings</strong></td>
<td>20,000</td>
</tr>
<tr>
<td><strong>Other financial liabilities</strong></td>
<td>64,609</td>
</tr>
<tr>
<td><strong>Post-employment benefit liabilities</strong></td>
<td>10,547</td>
</tr>
<tr>
<td><strong>Deferred tax liabilities</strong></td>
<td>18,676</td>
</tr>
<tr>
<td><strong>Other non-current liabilities</strong></td>
<td>64,911</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>353,105</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>764,713</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Equity attributable to owners of the Company</strong></td>
<td>50,000</td>
</tr>
<tr>
<td><strong>Capital surplus</strong></td>
<td>94,633</td>
</tr>
<tr>
<td><strong>Treasury shares (163,531)</strong></td>
<td>(162,964)</td>
</tr>
<tr>
<td><strong>Retained earnings</strong></td>
<td>1,031,376</td>
</tr>
<tr>
<td><strong>Total equity attributable to owners of the Company</strong></td>
<td>1,132,982</td>
</tr>
<tr>
<td><strong>Non-controlling interests</strong></td>
<td>58</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>1,132,940</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>1,897,754</td>
</tr>
</tbody>
</table>

### Consolidated Statement of Comprehensive Income

<table>
<thead>
<tr>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>(For the year ended March 31, 2018)</td>
<td>(For the year ended March 31, 2019)</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>59,811</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Items that will not be reclassified to profit or loss</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Financial assets measured at fair value through other comprehensive income</strong></td>
<td>10,688</td>
</tr>
<tr>
<td><strong>Remeasurements of defined benefit plans</strong></td>
<td>1,816</td>
</tr>
<tr>
<td><strong>Items that may be reclassified subsequently to profit or loss</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Exchange differences on translation of foreign operations</strong></td>
<td>10,229</td>
</tr>
<tr>
<td><strong>Share of other comprehensive income of investments accounted for using the equity method</strong></td>
<td>3</td>
</tr>
</tbody>
</table>
### Consolidated Financial Statements

#### Consolidated Statement of Changes in Equity

<table>
<thead>
<tr>
<th>(Millions of yen)</th>
<th>Equity attributable to owners of the Company</th>
<th>Other components of equity</th>
<th>Total for other components of equity</th>
<th>Total equity attributable to owners of the Company</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of April 1, 2017</td>
<td>124,485</td>
<td>1,011,810</td>
<td>1,176,297</td>
<td>4,458</td>
<td>1,171,848</td>
<td></td>
</tr>
<tr>
<td>Profit for the year</td>
<td>105</td>
<td>62,361</td>
<td>59,911</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income (loss) for the year</td>
<td>1,620</td>
<td>2,078</td>
<td>2,078</td>
<td>2,078</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as of April 1, 2018</td>
<td>1,725</td>
<td>1,074,178</td>
<td>1,159,951</td>
<td>4,536</td>
<td>1,155,487</td>
<td></td>
</tr>
<tr>
<td>Changes in accounting policies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted balance as of April 1, 2018</td>
<td>1,725</td>
<td>1,074,178</td>
<td>1,159,951</td>
<td>4,536</td>
<td>1,155,487</td>
<td></td>
</tr>
<tr>
<td>Profit for the year</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>Purchase of treasury shares</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cancellation of treasury shares</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer from other components of equity to retained earnings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</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>Balance as of March 31, 2019</td>
<td>1,725</td>
<td>1,074,178</td>
<td>1,159,951</td>
<td>4,536</td>
<td>1,155,487</td>
<td></td>
</tr>
</tbody>
</table>

#### Consolidated Statement of Cash Flows

<table>
<thead>
<tr>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>(For the year ended March 31, 2018)</td>
<td>(For the year ended March 31, 2019)</td>
</tr>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>81,021</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>46,680</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>36,672</td>
</tr>
<tr>
<td>Financial income</td>
<td>(8,642)</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>4,223</td>
</tr>
<tr>
<td>Share of (profit) loss of investments accounted for using the equity method</td>
<td>(520)</td>
</tr>
<tr>
<td>(Gain) loss on sale and disposal of non-current assets</td>
<td>(5,125)</td>
</tr>
<tr>
<td>(Increase) decrease in trade and other receivables</td>
<td>2,535</td>
</tr>
<tr>
<td>(Increase) decrease in inventories</td>
<td>(19,394)</td>
</tr>
<tr>
<td>Increase (decrease) in trade and other payables</td>
<td>238</td>
</tr>
<tr>
<td>Others, net</td>
<td>(9,755)</td>
</tr>
<tr>
<td>Subtotal</td>
<td>128,134</td>
</tr>
<tr>
<td>Interest and dividends received</td>
<td>4,516</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(2,038)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(22,173)</td>
</tr>
<tr>
<td>Net cash flows from (used in) operating activities</td>
<td>108,439</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td></td>
</tr>
<tr>
<td>Payments into time deposits</td>
<td></td>
</tr>
<tr>
<td>Proceeds from maturities of time deposits</td>
<td>488,576</td>
</tr>
<tr>
<td>Acquisition of securities</td>
<td>(128,492)</td>
</tr>
<tr>
<td>Proceeds from sale of securities</td>
<td>165,458</td>
</tr>
<tr>
<td>Acquisitions of property, plant and equipment</td>
<td>(33,399)</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>139</td>
</tr>
<tr>
<td>Acquisition of intangible assets</td>
<td>(14,609)</td>
</tr>
<tr>
<td>Proceeds from sale of subsidiary</td>
<td></td>
</tr>
<tr>
<td>Payments for loans receivable</td>
<td>(982)</td>
</tr>
<tr>
<td>Proceeds from collection of loans receivable</td>
<td>753</td>
</tr>
<tr>
<td>Others, net</td>
<td>9,501</td>
</tr>
<tr>
<td>Net cash flows from (used in) investing activities</td>
<td>108,568</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td></td>
</tr>
<tr>
<td>Repayments of bonds and borrowings</td>
<td></td>
</tr>
<tr>
<td>Proceeds from maturities of time deposits</td>
<td>(50,085)</td>
</tr>
<tr>
<td>Proceeds from sale of treasury shares</td>
<td></td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(46,420)</td>
</tr>
<tr>
<td>Others, net</td>
<td>(4,262)</td>
</tr>
<tr>
<td>Net cash flows from (used in) financing activities</td>
<td>(101,766)</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>115,241</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>246,050</td>
</tr>
<tr>
<td>Effect of exchange rate change on cash and cash equivalents</td>
<td>3,589</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the year</td>
<td>257,740</td>
</tr>
</tbody>
</table>
### Major Products

#### 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>CAVALIA (maleate / camargicil)</td>
<td>Type 2 diabetes mellitus treatment</td>
<td>2017</td>
<td>A first combination drug of the DPP-4 inhibitor sitagliptin and the SGLT2 inhibitor canagliflozin approved in Japan, which demonstrates blood glucose-lowering activity through a complementary pharmacological effect.</td>
</tr>
<tr>
<td>VIVUNET (acetaminophen)</td>
<td>Anti-inflammatory agent</td>
<td>2016</td>
<td>Sodium channel blocker. Suppresses the excessive excitation of nerves in the brain, and thereby reduces the occurrence of epileptic seizures.</td>
</tr>
<tr>
<td>Effent (prazosin)</td>
<td>Antihypertensive agent</td>
<td>2014</td>
<td>α1 receptor inhibitor. Inhibits platelet aggregation and reduces the incidence of artery intima destruction and occlusion due to thrombosis.</td>
</tr>
<tr>
<td>PRALIA (denosumab)</td>
<td>Anti-osteoporosis therapy / inhibitor of osteoclasts / induced progression of bone metastasis from tumors</td>
<td>2013</td>
<td>Human monoclonal anti-RANKL antibody. Subcutaneous formulation which controls bone resorption and bone destruction by specifically inhibiting RANKL.</td>
</tr>
<tr>
<td>TENELIA (teneligliptin)</td>
<td>Type 2 diabetes mellitus treatment</td>
<td>2012</td>
<td>DPP-4 inhibitor. The agent facilitates glucose-dependent insulin release and inhibits glucagon release, thereby demonstrating the blood glucose-lowering activity.</td>
</tr>
<tr>
<td>RAMARK (denosumab)</td>
<td>Treatment for bone disorders caused by bone metastasis from tumors</td>
<td>2012</td>
<td>Human monoclonal anti-RANKL antibody. This controls abnormal bone destruction caused by osteoclasts, and reduces the occurrence of fractures and other skeletal-related events (SREs). Approvals for the indication of pelvic wall tumors of bone in 2014 and was designated as an orphan drug.</td>
</tr>
<tr>
<td>LIXIANA (edoxaban)</td>
<td>Anticoagulant</td>
<td>2012</td>
<td>Orally active Factor Xa inhibitor. It is an anticoagulant that specifically, reversibly and directly inhibiting the enzyme, Factor Xa, a clotting factor in the blood.</td>
</tr>
<tr>
<td>MOVANTIK (naloxegol)</td>
<td>Analgesic</td>
<td>2011</td>
<td>Propion pump inhibitor. This can be used for a wide range of ages, from infants to adults. It suppresses excessive gastric acid secretion.</td>
</tr>
<tr>
<td>Efient (prasugrel)</td>
<td>Antiplatelet agent</td>
<td>2010</td>
<td>Neuraminidase inhibitor that inhibits influenza viral proliferation. Treatment is completed with a single inhaled dosage.</td>
</tr>
<tr>
<td>Telma (telmisartan)</td>
<td>Antihypertensive agent</td>
<td>2004</td>
<td>Angiotensin II receptor blocker. This suppresses the vasoconstrictive effects of angiotensin II, and thereby demonstrate the effect of lowering blood pressure.</td>
</tr>
<tr>
<td>Telma (telmisartan)</td>
<td>Antihypertensive agent</td>
<td>2010</td>
<td>A combination drug of two antihypertensive agents: an angiotensin II receptor blocker, telmisartan mebasulite, and a calcium ion antagonist, amlodipine besylate. This combination demonstrates the effect of decreasing blood pressure through a complementary pharmacological effect.</td>
</tr>
<tr>
<td>Chirat (levocetirizine)</td>
<td>Synthetic antibacterial agent</td>
<td>1993</td>
<td>New quinoline antibacterial agent offering strong antibacterial activity and a broad antibacterial spectrum.</td>
</tr>
<tr>
<td>Mediblock (levocetirizine)</td>
<td>Hypocholesterolaemia treatment</td>
<td>1989</td>
<td>HMG-CoA reductase inhibitor (statin) that lowers blood cholesterol levels by inhibiting cholesterol synthesis in the liver.</td>
</tr>
<tr>
<td>Omprodil (ibuprofen)</td>
<td>Contrast medium</td>
<td>1987</td>
<td>Nonionic contrast medium. This is used to add contrast to images or highlight specific tissues in images that are difficult to read under normal diagnostic conditions.</td>
</tr>
<tr>
<td>Lossine (diclofenac)</td>
<td>Anti-inflammatory agent</td>
<td>1986</td>
<td>Non-steroidal anti-inflammatory analgesic. Suppresses the production of prostaglandins associated with inflammation, and thereby demonstrates an analgesic effect. Also available as transdermal agents (gel, tape).</td>
</tr>
</tbody>
</table>

#### 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>MOVANTIK</td>
<td>Antiplatelet agent</td>
<td>2010</td>
<td>First orally-active single drug approved by the FDA for the treatment of osteoporosis (delayed release).</td>
</tr>
<tr>
<td>SAVIRSA</td>
<td>Anticoagulant</td>
<td>2015</td>
<td>Daily active Factor Xa inhibitor. It is an anticoagulant that specifically, reversibly and directly inhibits the enzyme. Factor Xa, a clotting factor in the blood.</td>
</tr>
<tr>
<td>Effent (prazosin)</td>
<td>Antihypertensive agent</td>
<td>2003</td>
<td>Inhibits platelet aggregation and reverses the incidence of artery intima destruction and occlusion due to thrombosis.</td>
</tr>
<tr>
<td>Benicar HCT</td>
<td>Antihypertensive agent</td>
<td>2002</td>
<td>A combination drug of olmesartan medoxomil and hydrochlorothiazide (diuretic)</td>
</tr>
<tr>
<td>AZOR</td>
<td>Antihypertensive agent</td>
<td>2013</td>
<td>A combination drug of olmesartan medoxomil and amiloride bicarbonate (calciu channel blocker)</td>
</tr>
<tr>
<td>TRIBENZOR</td>
<td>Antihypertensive agent</td>
<td>2010</td>
<td>A triple combination drug of olmesartan medoxomil, hydrochlorothiazide, and amiloride bicarbonate.</td>
</tr>
<tr>
<td>VEPAT</td>
<td>Anticoagulant</td>
<td>2012</td>
<td>Inhibits platelet aggregation and reduces the incidence of artery intima destruction and occlusion.</td>
</tr>
<tr>
<td>Benicar HCT</td>
<td>Antihypertensive agent</td>
<td>2002</td>
<td>Benicar: Olmesartan</td>
</tr>
<tr>
<td>Venofer (iron sucrose injection)</td>
<td>2017</td>
<td>A combination drug of the DPP-4 inhibitor, and the SGLT2 inhibitor.</td>
<td></td>
</tr>
<tr>
<td>MOVANTIK</td>
<td>Analgesic</td>
<td>2011</td>
<td>Effient: Prazosin</td>
</tr>
<tr>
<td>Olmesartan</td>
<td>Antihypertensive agent</td>
<td>2009</td>
<td>Antiplatelet agent 2009 Inhibits platelet aggregation and reduces the incidence of artery stenosis and occlusion.</td>
</tr>
<tr>
<td>Benicar HCT</td>
<td>Antihypertensive agent</td>
<td>2009</td>
<td>A combination drug of two antihypertensive agents: an angiotensin II receptor blocker, telmisartan mebasulite, and a calcium ion antagonist, amlodipine besylate. This combination demonstrates the effect of decreasing blood pressure through a complementary pharmacological effect.</td>
</tr>
</tbody>
</table>

#### Generic Business

<table>
<thead>
<tr>
<th>Brand Name (Efficacy)</th>
<th>Launched</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Influenza HA Vaccine</td>
<td>2020</td>
<td>Effective for prevention of primary and secondary influenza in children and adults, who have been exposed to influenza.</td>
</tr>
<tr>
<td>Sevikar HCT</td>
<td>2002</td>
<td>Reduces the occurrence of epileptic seizures.</td>
</tr>
</tbody>
</table>

#### OTC Related Business

<table>
<thead>
<tr>
<th>Brand Name (Efficacy)</th>
<th>Launched</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan (Kaketsu)</td>
<td>2017</td>
<td>Combination cold remedial</td>
</tr>
<tr>
<td>Loxitin S</td>
<td>2017</td>
<td>Antipyretic analgesic / topical anti-inflammatory agent</td>
</tr>
<tr>
<td>Talacin</td>
<td>2017</td>
<td>Analgesic / anti-inflammatory agent</td>
</tr>
<tr>
<td>Silbind</td>
<td>2017</td>
<td>Analgesic / anti-inflammatory agent</td>
</tr>
<tr>
<td>Gelbind</td>
<td>2017</td>
<td>Analgesic / anti-inflammatory agent</td>
</tr>
</tbody>
</table>

#### Vaccine Business

<table>
<thead>
<tr>
<th>Brand Name (Efficacy)</th>
<th>Launched</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Live-Attenuated Influenza Vaccine</td>
<td>2019</td>
<td>Combination cold remedial for the prevention of primary and secondary influenza in children and adults.</td>
</tr>
<tr>
<td>Live-Attenuated Mumps Vaccine</td>
<td>2019</td>
<td>Combination cold remedial for the prevention of primary and secondary influenza in children and adults.</td>
</tr>
<tr>
<td>Squarekids</td>
<td>2019</td>
<td>Combination cold remedial for the prevention of primary and secondary influenza in children and adults.</td>
</tr>
</tbody>
</table>
Corporate Profile / Main Group Companies

Company name: DAIICHI SANKYO CO., LTD.
Established: September 28, 2005
Business: Research and development, manufacturing, import, sales, and marketing of pharmaceutical products
Share capital: ¥50,000 million
Headquarters: 3-5-1, Nihonbashi-Honcho, Chuo-ku, Tokyo 103-8426, Japan
Branches: Sapporo, Tohoku, Tokyo, Chiba, Satsuma, Yokohama, Kanazawa, Tokai, Kyushu, Osaka, Kobe, Chugoku, Shikoku, and Kyushu

Revenue (Billions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2017 Results</th>
<th>FY2018 Results</th>
<th>Y/W</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Prescription Drug and Vaccine Business</td>
<td>540.0</td>
<td>523.3</td>
<td>-16.7</td>
</tr>
<tr>
<td>Nexium</td>
<td>86.5</td>
<td>79.3</td>
<td>-7.7</td>
</tr>
<tr>
<td>Lixiana</td>
<td>45.3</td>
<td>41.9</td>
<td>-7.4</td>
</tr>
<tr>
<td>Memary</td>
<td>46.6</td>
<td>50.2</td>
<td>+7.7</td>
</tr>
<tr>
<td>Loniten</td>
<td>38.5</td>
<td>30.5</td>
<td>-26.0</td>
</tr>
<tr>
<td>Pralialia</td>
<td>25.2</td>
<td>27.4</td>
<td>+8.8</td>
</tr>
<tr>
<td>Tenelia</td>
<td>26.3</td>
<td>25.3</td>
<td>-4.0</td>
</tr>
<tr>
<td>Invel</td>
<td>25.3</td>
<td>18.2</td>
<td>-29.0</td>
</tr>
<tr>
<td>Cimetric</td>
<td>44.6</td>
<td>14.9</td>
<td>-67.7</td>
</tr>
<tr>
<td>HANAMAKI</td>
<td>15.4</td>
<td>16.6</td>
<td>+8.0</td>
</tr>
<tr>
<td>Efient</td>
<td>12.8</td>
<td>13.9</td>
<td>+9.2</td>
</tr>
<tr>
<td>Radialia</td>
<td>16.8</td>
<td>15.0</td>
<td>-11.2</td>
</tr>
<tr>
<td>Uefi</td>
<td>11.1</td>
<td>10.3</td>
<td>-7.0</td>
</tr>
<tr>
<td>Clompaque</td>
<td>14.0</td>
<td>12.0</td>
<td>-15.0</td>
</tr>
<tr>
<td>Canum</td>
<td>2.7</td>
<td>9.2</td>
<td>+263.1</td>
</tr>
<tr>
<td>Jidantai</td>
<td>2.5</td>
<td>6.6</td>
<td>+166.0</td>
</tr>
<tr>
<td>DAIICHI SANKYO Medical (OTC-related)</td>
<td>72.9</td>
<td>68.4</td>
<td>-5.8</td>
</tr>
</tbody>
</table>

Revenue (Billions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2017 Results</th>
<th>FY2018 Results</th>
<th>Y/W</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daiichi Sankyo, Inc.</td>
<td>74.6</td>
<td>39.3</td>
<td>-48.0</td>
</tr>
<tr>
<td>Olmesartan</td>
<td>21.3</td>
<td>10.7</td>
<td>-50.7</td>
</tr>
<tr>
<td>Webril</td>
<td>33.9</td>
<td>13.4</td>
<td>-60.2</td>
</tr>
<tr>
<td>Efient</td>
<td>10.7</td>
<td>3.4</td>
<td>-67.5</td>
</tr>
<tr>
<td>SAVAYSA</td>
<td>2.2</td>
<td>2.3</td>
<td>+0.0</td>
</tr>
<tr>
<td>MOVANTIK</td>
<td>4.7</td>
<td>4.2</td>
<td>-12.5</td>
</tr>
<tr>
<td>American Regent, Inc.</td>
<td>105.4</td>
<td>137.8</td>
<td>+31.8</td>
</tr>
<tr>
<td>Venclext</td>
<td>31.0</td>
<td>28.9</td>
<td>-7.6</td>
</tr>
<tr>
<td>Nectalter</td>
<td>34.5</td>
<td>44.2</td>
<td>+29.0</td>
</tr>
</tbody>
</table>

Corporate Profile (As of April 1, 2019)

Revenue

<table>
<thead>
<tr>
<th></th>
<th>FY2017 Results</th>
<th>FY2018 Results</th>
<th>Y/W</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daiichi Sankyo Europe</td>
<td>79.4</td>
<td>88.6</td>
<td>+11.5</td>
</tr>
<tr>
<td>Olmesartan</td>
<td>33.5</td>
<td>27.4</td>
<td>-18.0</td>
</tr>
<tr>
<td>Efient</td>
<td>8.0</td>
<td>5.7</td>
<td>-33.3</td>
</tr>
<tr>
<td>Lixiana</td>
<td>27.0</td>
<td>45.8</td>
<td>+71.9</td>
</tr>
</tbody>
</table>

Revenue

<table>
<thead>
<tr>
<th></th>
<th>FY2017 Results</th>
<th>FY2018 Results</th>
<th>Y/W</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daiichi Sankyo China</td>
<td>35.3</td>
<td>38.5</td>
<td>+8.9</td>
</tr>
<tr>
<td>Daiichi Sankyo Taiwan</td>
<td>6.6</td>
<td>7.1</td>
<td>+7.7</td>
</tr>
<tr>
<td>Daiichi Sankyo Korea</td>
<td>11.8</td>
<td>15.7</td>
<td>+32.6</td>
</tr>
<tr>
<td>Daiichi Sankyo Thailand</td>
<td>2.9</td>
<td>3.3</td>
<td>+13.7</td>
</tr>
<tr>
<td>Daiichi Sankyo Brazil</td>
<td>10.1</td>
<td>10.5</td>
<td>+4.0</td>
</tr>
</tbody>
</table>

Data Section

Company name: DAICHI SANKYO CO., LTD.
Established: September 28, 2005
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Branches: Sapporo, Tohoku, Tokyo, Chiba, Satsuma, Yokohama, Kanazawa, Tokai, Kyushu, Osaka, Kobe, Chugoku, Shikoku, and Kyushu
ESG (Environmental, Social, and Governance) Data

Environmental

Promoting Environmental Management

<table>
<thead>
<tr>
<th>Aspect Classification</th>
<th>Item</th>
<th>Scope*1</th>
<th>Unit</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO2 emissions</td>
<td>In Japan</td>
<td>1,486</td>
<td>5,443</td>
<td>5,312</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Global</td>
<td>9,809</td>
<td>9,808</td>
<td>9,832</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CO2 emissions by Greenhouse Gas Protocol</td>
<td>In Japan</td>
<td>204</td>
<td>204</td>
<td>204</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Global</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water resources</td>
<td>In Japan</td>
<td>1,486</td>
<td>5,443</td>
<td>5,312</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Global</td>
<td>9,809</td>
<td>9,808</td>
<td>9,832</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waste</td>
<td>In Japan</td>
<td>1,486</td>
<td>5,443</td>
<td>5,312</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Global</td>
<td>9,809</td>
<td>9,808</td>
<td>9,832</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final disposal rate</td>
<td>In Japan</td>
<td>0.59</td>
<td>0.45</td>
<td>0.51</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Global</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Social

Promoting Compliance Management

<table>
<thead>
<tr>
<th>Aspect Classification</th>
<th>Item</th>
<th>Scope*1</th>
<th>Unit</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training on Daiichi Sankyo Group Individ...</td>
<td>In Japan</td>
<td>Persons</td>
<td>—</td>
<td>—</td>
<td>2,000</td>
<td></td>
</tr>
<tr>
<td>Compliance training based on Corporate Integrity Agreement...</td>
<td>In Japan</td>
<td>Persons</td>
<td>125</td>
<td>141</td>
<td>175</td>
<td></td>
</tr>
<tr>
<td>Development-related...</td>
<td>Non-consolidated</td>
<td>Times</td>
<td>20</td>
<td>23</td>
<td>26</td>
<td></td>
</tr>
</tbody>
</table>

Compliance Data for FY2018 (Global)

- Number of allegations received (excluding through monitoring): 248
- Categories of allegations: Financial and competitive integrity, Workplace standards, Marketing and promotional activities, Conflicts of interest, Other
- Measures: Out of all allegations received we appropriately investigated cases that we determined as requiring investigation. For cases that were recognized as compliance violations among them, we took necessary disciplinary action including dismissing the violators.

Note: The values included in the information for FY2016 were calculated by each DS affiliate from the individual criteria, as impacted by regional differences in laws, employment practices, and local policies & procedures. Accordingly, this information has been aggregated and the discrepancies impact the overall meaning and categorization of the figures.

Data Section

Daiichi Sankyo Group Value Report 2019

Enhancement of Communication with Stakeholders

<table>
<thead>
<tr>
<th>Aspect Classification</th>
<th>Item</th>
<th>Scope</th>
<th>Unit</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patients and medical professionals</td>
<td>Evaluation of corporate stance and CRM activities</td>
<td>MFR rated ‘silicon practice physician’</td>
<td>In Japan</td>
<td>Rank</td>
<td>First</td>
<td>First</td>
</tr>
<tr>
<td>Shareholders</td>
<td>Dividends per share</td>
<td>Non-consolidated</td>
<td>Yen</td>
<td>35</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Social</td>
<td>Number of mobile health care facilities</td>
<td>Non-consolidated</td>
<td>Times</td>
<td>102</td>
<td>102</td>
<td>1,090</td>
</tr>
<tr>
<td>Social Contribution Activities</td>
<td>Amount of contributions</td>
<td>Non-consolidated</td>
<td>Millions of yen</td>
<td>2,000</td>
<td>1,671</td>
<td>1,532</td>
</tr>
<tr>
<td>Employees</td>
<td>Acquisition of volunteer leave</td>
<td>Non-consolidated</td>
<td>Persons</td>
<td>5</td>
<td>5</td>
<td>4</td>
</tr>
</tbody>
</table>

Governance

<table>
<thead>
<tr>
<th>Aspect Classification</th>
<th>Item</th>
<th>Scope</th>
<th>Unit</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structure of Board of Directors</td>
<td>Number of directors</td>
<td>Non-consolidated</td>
<td>Persons</td>
<td>10</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Structure of Audit &amp; Supervisory Board</td>
<td>Number of Audit &amp; Supervisory Board members</td>
<td>Non-consolidated</td>
<td>Persons</td>
<td>4</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Remuneration of Directors</td>
<td>Total</td>
<td>Non-consolidated</td>
<td>Millions of yen</td>
<td>578</td>
<td>604</td>
<td>650</td>
</tr>
<tr>
<td>Remuneration of Audit &amp; Supervisory Board members</td>
<td>Total</td>
<td>Non-consolidated</td>
<td>Millions of yen</td>
<td>105</td>
<td>117</td>
<td>120</td>
</tr>
</tbody>
</table>

*1 In Japan / Daiichi Sankyo (non-consolidated) and consolidated subsidiaries in Japan. Outside Japan: consolidated overseas subsidiaries. Daiichi Sankyo (non-consolidated) and all its consolidated subsidiaries.
*2 Corporate Integrity Agreement: An agreement regarding legal compliance
*3 Good Practice: Standard for green marketing and safety control of pharmaceuticals
*4 Number of employees as of the settlement date of each Group company on March 31, 2019 for FY2019. However, employees leaving outside the Group in the Group are excluded. Figures for the average years of service are current as of March 31, 2019.
*5 Daiichi Sankyo Group (non-consolidated) and all its consolidated subsidiaries.

Independent Assurance Report

To the President and COO of Daiichi Sankyo Co., Ltd.

We were engaged by Daiichi Sankyo Co., Ltd. (the “Company”) to undertake a limited assurance engagement of the social performance indicators marked with “*” (the “Indicators”) for the period from April 1, 2018 to March 31, 2019 included in its Value Report 2019 (the “Report”) for the financial year ended March 31, 2019.

The Company’s Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company’s reporting criteria”), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on our procedures that we have performed. We conducted our engagement in accordance with the “International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information” issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than, for a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company’s responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company’s reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company’s reporting criteria, and recalculating the Indicators.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company’s reporting criteria as described in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG A2Z Sustainability Co., Ltd.
Tokyo, Japan
September 13, 2019
This report uses FSC® certified paper, which indicates that the paper used to print this report was produced from properly managed forests.

This report was printed using 100% biodegradable printing inks from vegetable oil.

The waterless printing method used for this report minimized the use and release of harmful liquid wastes.