

2025 Vision Global Pharma Innovator with Competitive Advantage in Oncology

- To have Specialty area*¹ business centered on Oncology business as the core business
- To have enriched regional value products*² aligned with regional market
- To have innovative products and pipeline changing standard of care (SOC)*³
- To realize shareholders' value through highly efficient management

*¹ Pharmaceuticals mainly prescribed by hospitals and/or specialists
 *² Products aligned with regional market
 *³ Universally applied best treatment practice in today's medical science

FY2016–2020
 5-Year Business Plan
Transformation
 toward 2025 Vision

Until FY2015

- Cardiovascular-metabolics area
- Primary care physician focus
- Global products
- In-house
- Sales volume

2025 Vision

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

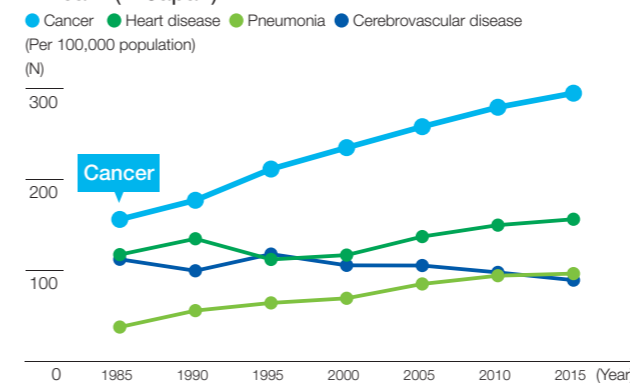
To realize its 2025 Vision, Daiichi Sankyo will transform from its previous business structure, which is focused on cardiovascular area including hypertension treatment to a global company with innovative products and pipelines that could change the Standard of Care (SOC) in specialty areas centered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

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

Unmet Medical Needs in Cancer

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

▶ Annual Trends in Mortality Rates by Major Causes of Death (in Japan)



Source: Prepared by the Office of Pharmaceutical Industry Research, based on Vital Statistics by the Ministry of Health, Labour and Welfare

Growth of the Cancer Market

When the 2025 Vision was established in 2016, sales of anticancer drugs were overwhelmingly no. 1 in all therapy areas, and had expanded worldwide to ¥9.5 trillion (US\$79.2 billion: ¥120/US\$) due to relatively high-priced

▶ Market Trend by Therapy Area Worldwide (2014)

Rank	Therapy Area	Worldwide Prescription Drug & OTC Sales	2014 (Billions of US\$)	% Growth*
1	Oncology		79.2	8%
2	Anti-rheumatics		48.8	8%
3	Anti-virals		43.1	55%
4	Anti-diabetics		41.4	8%
5	Bronchodilators		32.5	0%
6	Anti-hypertensives		30.5	-9%

Source: Evaluate Pharma (World Preview 2015, Outlook to 2020)
 * The percentage growth is calculated in comparison to 2013.

molecular targeted drugs and biologics that were already on the market. In addition, it was expected that the cancer market would continue to be the largest for some time, and many companies including mega-pharma corporations in Europe and the United States competed in developing new drugs.

Although the oncology area has high unmet medical needs and is highly attractive as a market, can Daiichi Sankyo compete with Western mega-pharma corporations or cancer specialty companies? There have been many in-depth discussions on this topic.

The Importance of Science

The oncology business places far more importance on product profiles compared with sales force capability and marketing strategy. We believed that we would be able to compete in this area if we can create good products by exerting excellent science. As products under development in the oncology area are administrated to patients in a phase 1 study, a quicker decision can be made whether to continue the drug development. This was a major factor that led us to make this area central in our 2025 Vision.

Our R&D Capabilities and Pipelines

When it comes to our R&D capabilities in the oncology area, we had continued fundamental research and development for more than ten years in each of our predecessor companies, Daiichi Pharmaceutical and Sankyo, as seen in the examples of development of anticancer agents with a peptide conjugated to a chemotherapeutic drug and in-house development of biopharmaceuticals such as antibodies.

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

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