



We will make a concerted effort to deliver quality products as fast as possible to patients suffering from cancer and to their families.

Sunao Manabe
 Representative Director,
 President and COO

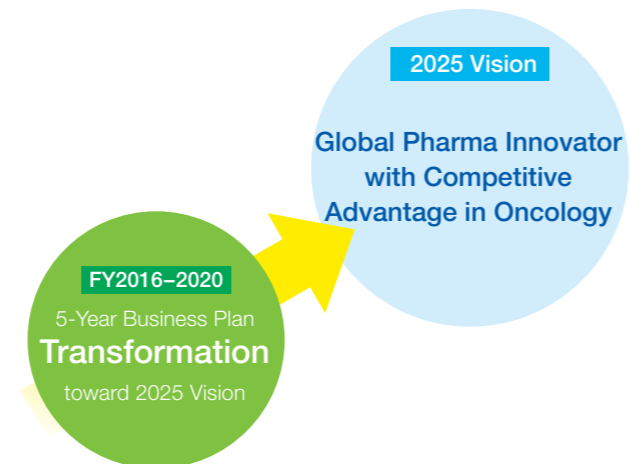
To Our 2025 Vision—Becoming a Company with Competitive Advantage in Oncology

We set out our **2025 Vision** of becoming a "Global Pharma Innovator with competitive advantage in oncology," and announced our 4th mid-term business plan from 2016 to 2020 as **5-year business plan** in March 2016 for realizing our **transformation** toward our 2025 Vision.

When we first announced our transformation from being a company with strengths in cardiovascular and metabolism area to a company with a competitive advantage in oncology, we occasionally heard voices of skepticism from our stakeholders.

Now that two years from fiscal 2016 to 2017 have passed, all employees at Daiichi Sankyo feel that our research and development in oncology have steadily and definitely progressed toward achieving our 2025 Vision. Furthermore, we feel the heightened expectations of external healthcare professionals as well as shareholders

and investors. I would like to explain our determination behind why we decided to venture into the oncology area, and the advancements we've made in the past two years.



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

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

Number of new cancer patients (all cancer types) 2012

Global	Japan	U.S.	Europe
14,068	704	1,604	3,715

Cancer deaths (all cancer types) 2012

Global	Japan	U.S.	Europe
8,202	379	617	1,933

Source: GLOBOCAN 2012, "estimated cancer incidence, mortality and prevalence worldwide in 2012"

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

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

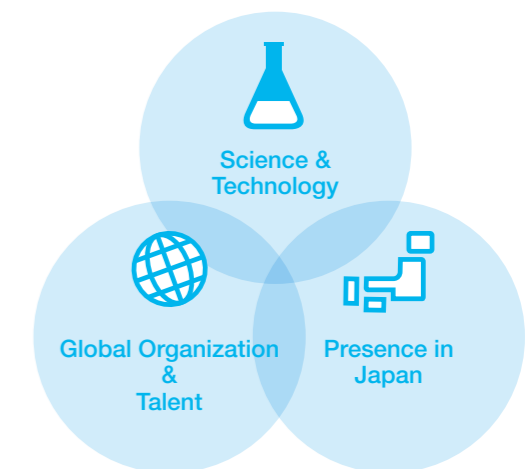
Our Strength as a Drug Discovery-Oriented Company Originating in Japan

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. Both companies strove to become drug discovery-oriented companies originating in Japan since their founding, and created drugs that became blockbuster drugs on the global market such as **pravastatin**, **levofloxacin**, and **olmesartan**. Even in the oncology area, although few in numbers, the companies created drugs including **krestin** and **irinotecan**.

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

* "Standard of Care." Universally applied best treatment practice in today's medical science

Daiichi Sankyo's Strengths



Transformation in Oncology R&D

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

Daiichi Sankyo's Growth Strategy

Message from the COO

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

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

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

Two franchises



Expectations for the ADC Franchise

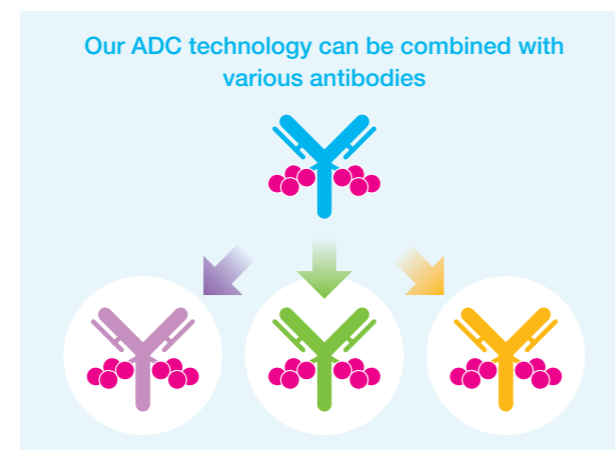
The data from a clinical study of **DS-8201**, HER2-ADC, using our proprietary ADC technology was first presented in October 2016 at the European Society for Medical Oncology (ESMO) 2016. Even at that time, a certain level of efficacy was observed, but the number of patients was small, and its prolonged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

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



DS-8201 oral session at ASCO 2018

At ASCO in June 2018, the data from a clinical study of **U3-1402**, HER3-ADC, were also presented for the first time. The data were similarly impressive as those of **DS-8201** presented at ESMO 2016, which made us realize again how **U3-1402** may also be a very promising product. Moreover, because we obtained favorable results for two products, we believe that our ADC technology is a **proven platform** applicable to other antibodies.



For Maximization of Oncology Business

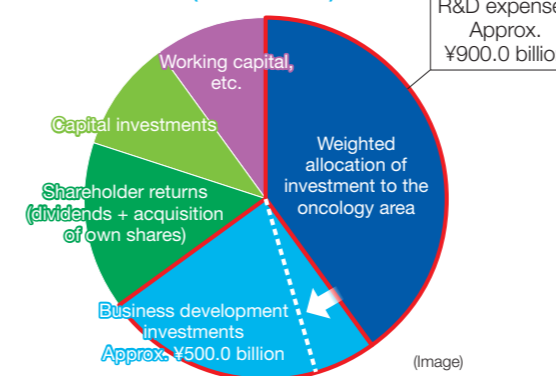
With the steady progresses in development in **DS-8201**, the ADC pipeline products, and the AML pipeline products, we announced in December 2017 that we may allocate a part of the business development investments planned in the 5-year business plan to **the R&D investments**, and moreover focus the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



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

who participate in the clinical studies. Now, we are increasingly feeling confidence in our direction. Meanwhile, there is a growing sense of competition among the employees who are in charge of products other than **DS-8201**, **sparking motivation** within the entire company toward efforts to create new drugs.

Cash allocation in the 5-year business plan (After review)



- To allocate a part of business development investments (¥500.0 billion) to the R&D investments
- To weight allocation of the R&D investments (¥900.0 billion) to the oncology area

Communication with Employees

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

Visits operating bases by members of senior management

	Fiscal 2016	Fiscal 2017
Japan	35 locations including subsidiaries, branches, laboratories, and plants	33 locations including subsidiaries, branches, laboratories, and plants
Overseas	Three locations in North America, Europe and other regions	Six locations in China, South America and other regions

In Closing

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

Sunao Manabe
Representative Director,
President and COO