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 CSR activities we conduct to contribute to the realization of a sustainable society to patients, their families, healthcare professionals, shareholders, investors, business partners, local communities, employees, and various other stakeholders.

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

Contents

Who we are

This section provides an overview of Daiichi Sankyo through a CEO Interview, Daiichi Sankyo’s value creation process, strengths and other articles.

Daiichi Sankyo’s Growth Strategy

This section describes progress made toward the 2025 Vision of becoming a “Global Pharma Innovator with competitive advantage in oncology” including a message from the CEO, a special issue on cancer, information on progress in the 5-Year Business Plan, and a message from the CFO.

Business Activities

This section provides detailed explanations of the activities of each of the Group’s business units and functional units.

CSR Activities

This section details the various CSR activities incorporated into these business activities.

Corporate Governance

In this section, we will explain the corporate governance structure that forms the foundations for the Daiichi Sankyo Group’s ongoing improvement of corporate value. Messages from independent directors and auditors are also provided.

Data Section

This section provides financial data, non-financial data and the corporate profile of the Daiichi Sankyo Group.

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.

Period Covered

April 1, 2017 - March 31, 2018 (fiscal 2017) and also information for the period from April 2018 onward.
Our Mission

To contribute to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs.

Core Values

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

Integrity
- the quality of being honest and of always having 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.™

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

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

We hope through this Value Report, you will come to appreciate the efforts of Daiichi Sankyo Group in resolving social issues, in other words how we deliver wide-ranging value to society.
Pharmaceutical companies have continued to explore solutions to the social challenge of conquering disease. However, there are many fields in which social needs are not yet met. What social issues is Daiichi Sankyo recognizing and identifying, and how are they addressing them in management?

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

The Social Issues We’ve Solved Up Until Now

Nakayama

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

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

Fukui

I agree completely. With the emergence of penicillin, the world’s first antibiotic, and streptomycin, the world’s first therapeutic drug for tuberculosis, the world of medical care has changed dramatically. Pharmaceutical products have made great contributions to the world, such as the expansion of surgical treatment with the use of antibacterial drugs and painkillers, and have served as agents of extraordinary change in society.

For example, diseases like leukemia used to take the lives of most patients, but today, the situation has changed greatly as we can now even expect it to be cured.

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

Nakayama

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

Social Challenges to Tackle Going Forward

Fukui

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

*Therapies that are currently considered to be the best and the most extensively used.

Nakayama

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

* Issues on Environmental, Social and Governance. Environmental issues such as climate change, social issues such as human rights and labor standards, governance issues such as corporate governance.
I think it’s important for our researchers to also set their sights to how patients are being treated in the field of medical care, and think of ideas from that perspective.

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

Furthermore, with regard to the Sustainable Development Goals (SDGs), an initiative that our company takes seriously as an effort to solve social issues in the long term.

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

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

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

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

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

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

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

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

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

Tsuguya Fukui

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

With regard to educating or training people, since 2011 we have been providing mobile healthcare field clinics in places like India and Tanzania, where we are providing education for people engaging in medical care and also cultivating local residences with health and hygiene. In China, we are also focusing on providing education for people engaging in medical care. Those efforts are very much appreciated.

Fukui Even in the field of medical care, there have been many failures related to education. Expensive radiation machines were sent to developing countries, but no one there could use them. I believe that a contribution which can be highly appreciated for the longer term is the training of people. We need to create a positive cycle whereby we train people, allowing them to gain knowledge and skills, who can then go on to teach others about such knowledge and skills. I hope that Daiichi Sankyo will contribute to society from the point of view of training people.

Nakayama I would most certainly like to do that. Even with drugs, if you don’t have doctors who know how to handle them, they won’t be used, or even used in toxic ways. I believe it is crucial to develop new medicines, deliver them to patients and provide them with appropriate information in an integrated manner.
Challenges of Daiichi Sankyo —
To Continue to Address Social Issues as a Pharmaceutical Company

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

Nakayama At Daiichi Sankyo, we set forth our 2025 Vision for becoming a “Global Pharma Innovator with competitive advantage in oncology.” Daiichi Sankyo was originally a company that focused its strength in research and development. With the goal of venturing into a field where we can leverage our R&D capabilities, where leading-edge science can most effectively exhibit results, where new knowledge can most likely lead to development of new medicine, we have made the oncology area a core focus of our business. The most pleasant point of all is that our proprietary ADC franchise,* Antibody Drug Conjugate, has emerged, and good data have come from our DS-8201.

To Inspire Innovative Ideas
Fukui I think there are two kinds of innovation: the continuous kind that constantly pursues improvement and reform, and the disruptive kind. In Japan, companies are good at accumulating experience, but the challenge lies in sparking a disruptive type of innovation.

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

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

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

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

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

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

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

Nakayama As a Global Pharma Innovator with competitive advantage in oncology, I want us to continue to create innovative drugs and deliver them to patients all over the world. At the same time, we want to understand the needs that are in each part of the world, and continue to pursue regional value. As a part of this vision, I also think it would be good to contribute to society and provide know-how, and through GHT and other initiatives, continue to also contribute in terms of providing pharmaceuticals.
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. New drugs whose annual peak sales exceed ¥100 billion (or $1 billion).

Who we are

History of Daiichi Sankyo—Path to the Merger

Daiichi Pharmaceutical began its advance by using its organic synthesis technologies to realize the domestic production of salvarsan, a pioneering chemotherapeutic drug. This company also commercialized tranexamic acid, which is once again garnering attention for its antiplasmin effects (hemostasis and anti-inflammatory effects), and succeeded in developing and launching ticlopidine, which opened the door for antplatelet therapies in the cardiovascular field. Levofloxacin, which could be seen as a masterpiece in the field of synthetic antibacterial agents, left a mark on the history of not only Japan but also the entire world with its broad spectrum of antibacterial activity.

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

History of Sankyo

Sankyo started its journey by commercializing compounds created through its fermentation, extraction of biological materials from plants and animals, and other biotechnologies such as taka-diastase, adrenaline and orizanin. In the years that followed, it built upon its biotechnology research to create numerous antibiotic drugs. Another innovative pharmaceutical developed by applying Sankyo’s biological fermentation technologies was pravastatin, a early statin compound that was created by Sankyo and that revolutionized medicines in the world as an antihyperlipidemic agent.

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

History of Daiichi Pharmaceutical

Daiichi Pharmaceutical began its journey 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 antplatelet therapies in the cardiovascular field. Levofloxacin, which could be seen as a masterpiece in the field of synthetic antibacterial agents, left a mark on the history of not only Japan but also the entire world with its broad spectrum of antibacterial activity.
Who we are

History of Daiichi Sankyo—Road After the Merger

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

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

1. Excluding Ranbaxy
2. Figures for fiscal 2011 and prior are based on Japanese GAAP, while figures for fiscal 2012 onward are based on IFRS.
3. Award for communication design
4. An award for companies hosted by the Japan Association of Corporate Directors, which supports corporations that have achieved and maintained medium to long-term growth
5. Initiative through which pharmaceutical companies work together with the World Bank Group and the Union for International Cancer Control to improve non-communicable diseases prevention, diagnosis, and treatment options in low-income and lower-middle-income countries

* Antibody Drug Conjugate

Global Pharma Innovator with Competitive Advantage in Oncology

Who we are

- **Overview of initiatives under mid-term business plans**
  - Maximization of synergies and expansion of growth foundation
  - Advancement of global hybrid business model
  - Promotion of measures toward sustainable growth beyond FY2017 LOE
  - Transformation toward 2025 Vision

- **Launches of new products**
  - Lonson Tape
  - Azor
  - Acesta
  - Ambis Healthcare

- **In-licensed products**
  - Denosumab
  - Tivantinib (Development discontinued)
  - Xeloda

- **Acquisition**
  - US Pharma GmbH
  - Lonson Kusuri Laboratories Ltd.
  - Ambit Biosciences Corp., Inc.

- **Important management decisions**
  - Establishment of Daiichi Sankyo Kusuri Museum
  - Commencement of mobile healthcare field clinic
  - Participation in United Nations Global Compact

- **Business expansion Restructuring**
  - Restructuring of operations in Europe and the United States
  - Decision to close the Herisau site of Daiichi Sankyo’s Pharma site in Switzerland

- **EBG Environmental**
  - Revision of DAIICHI SANKYO Group Environmental Management System

- **Social Governance**
  - Decision to close the Herisau site of Daiichi Sankyo’s Pharma site in Switzerland

For more information on the 5-year business plan, see pages 42 to 55.

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

Innovative Pharmaceuticals Business

- Key Products:
  - Anticoagulant: LIXIANA/SAVAYSA (Generic name: Edoxaban)
  - Antihypertensive agent: Olmetec/Benicar (Generic name: Olmesartan)
  - Ulcer treatment: NEXIUM (Generic name: Esomeprazole)

Generic Business

- Antihypertensive agent: Olmesartan (AG)

Vaccine Business

- Seasonal influenza vaccine: Influenza HA Vaccine
- Antipyretic analgesics/Topical anti-inflammatory analgesics: Loxonin S

OTC Related Business

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

Revenue Composition Ratio by Region

- Innovative Pharmaceuticals Business: 46.9%
- Generic Business: 4.9%
- Vaccine Business: 4.4%
- OTC Related Business: 7.6%
- Japan: 63.8%
- North America: 18.8%
- Europe: 8.3%
- Asia: 4.4%
- Other: 9.1%

Employees and Bases (As of March 31, 2018)

- No. of group employees: 14,446
  - Japan: 8,765
  - Europe: 1,582
  - Asia: 1,553
  - North America: 2,191
  - Other: 355

- Group companies: 57
- Number of countries with bases: 24
- R&D bases: 8
- Production bases: 14

R&D Pipeline Highlights (As of July 2018)

- Oncology
  - ADC Franchise
  - Number of projects: 2
  - Target indications: 5
- AML Franchise
  - Number of projects: 4
  - Target indications: 7
- Breakthrough Science
  - Number of projects: 3
  - Target indications: 2
- Specialty Medicine
  - Number of projects: 4
  - Target indications: 4
- Vaccines
  - Number of projects: 1
  - Target indications: 1

Equity ratio: 59.7%
### Major R&D Pipeline (In-House Development Projects) (As of July 2018)

<table>
<thead>
<tr>
<th>Generic Name/Project Code Number</th>
<th>Class</th>
<th>Target indication</th>
<th>Region</th>
<th>Stage</th>
<th>Partner</th>
<th>Remarks</th>
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<tbody>
<tr>
<td><strong>Oncology</strong></td>
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<tr>
<td>DS-1051</td>
<td>Anti-TRC2 antibody drug conjugate</td>
<td>Solid tumors</td>
<td>US/JP</td>
<td>Preclinical</td>
<td>US/EU</td>
<td>–</td>
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<tr>
<td>DS-1050</td>
<td>Anti-B7-h3 antibody drug conjugate</td>
<td>Solid tumors</td>
<td>US/JP</td>
<td>Preclinical</td>
<td>US/EU</td>
<td>–</td>
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<tr>
<td>M3201</td>
<td>MDM2 inhibitor</td>
<td>Acute myeloid leukemia</td>
<td>US/JP</td>
<td>Preclinical</td>
<td>US/EU</td>
<td>–</td>
</tr>
<tr>
<td>RUX-2717</td>
<td>BRD4 inhibitor</td>
<td>Acute myeloid leukemia, myelodysplastic syndrome, solid tumor</td>
<td>US/JP</td>
<td>Preclinical</td>
<td>US/EU</td>
<td>–</td>
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<tr>
<td>DS-1291</td>
<td>FLT3 mutant inhibitor</td>
<td>AML</td>
<td>US/JP</td>
<td>Preclinical</td>
<td>US/EU</td>
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<tr>
<td>RUX-9682</td>
<td>BRD4 inhibitor</td>
<td>Acute myeloid leukemia, solid tumors</td>
<td>US/JP</td>
<td>Preclinical</td>
<td>US/EU</td>
<td>–</td>
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<tr>
<td>Atrasinghenel phosphate</td>
<td>Astra/GSK CAP-1 cells</td>
<td>Large B cell lymphoma</td>
<td>US/JP</td>
<td>Preclinical</td>
<td>US/EU</td>
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<tr>
<td><strong>Breakthrough Science</strong></td>
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<td><strong>Specially medicinal</strong></td>
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<td><strong>The field of the Cardiovascular Metabolics</strong></td>
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<tr>
<td>Ezubikan[DU-17B]</td>
<td>Factor Xa inhibitor</td>
<td>Atrial fibrillation (AF)</td>
<td>ASCA</td>
<td>Preclinical</td>
<td>–</td>
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<td><strong>The field of the Internal Medicine</strong></td>
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<tr>
<td>Mongabin[DS-5515]</td>
<td>αS2-fap inhibitor</td>
<td>Diabetic nephropathy</td>
<td>JPN</td>
<td>Preclinical</td>
<td>US/EU</td>
<td>–</td>
</tr>
<tr>
<td>Lucentis/CS-3700</td>
<td>MN antagonist</td>
<td>Hypertension</td>
<td>JPN</td>
<td>Preclinical</td>
<td>US/EU</td>
<td>–</td>
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<tr>
<td>DS-5487</td>
<td>SGLT2 inhibitor</td>
<td>Acute ischemic stroke, acute pulmonary embolism</td>
<td>JPN</td>
<td>Preclinical</td>
<td>US/EU</td>
<td>–</td>
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<td>DS-3532</td>
<td>Metyrapol</td>
<td>Hypertrophic cardiomyopathy</td>
<td>JPN</td>
<td>Preclinical</td>
<td>US/EU</td>
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<tr>
<td>DS-5141</td>
<td>EHA-digoxinolide</td>
<td>Duchenne muscular dystrophy</td>
<td>JPN</td>
<td>Preclinical</td>
<td>US/EU</td>
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### Notes

1. Phase 1: Conduct trials on a small group of healthy volunteers to assess the safety and pharmacokinetics of a drug (patient volunteers may be included depending on the trial).
2. Phase 2: Conduct trials on a small group of patients to evaluate safety, efficacy, dosage and administration regimen.
3. Phase 3: Conduct trials on a large number of patient volunteers to assess safety and efficacy of a new drug in comparison with existing drugs.

\*1 Projects in the field of oncology which are planned for application on the basis of the results of Phase 2 trials.
Who we are
Daichi Sankyo’s Value Creation Process

Daichi Sankyo is requested from society for various needs including providing a stable supply of quality pharmaceuticals, responding to unmet medical needs*1 and improving access to pharmaceuticals*2. The creation of value through business activities including investing financial capital, intellectual capital and human capital, and creating and delivering innovative pharmaceuticals that revolutionize SOC*3 constitutes the basis for Daichi Sankyo’s value creation process in which the Company’s strengths in Science & Technology, Global Organization & Talent, and Presence in Japan are made the most use of.

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

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*1 Medical needs for effective treatment and drugs yet to be developed
*2 To have pharmaceuticals needed by patients be delivered sufficiently and consistently
*3 Standard of Care. Universally accepted best treatment practice in today’s medical science.
Research and development on ADC started in 2010, though it was met with considerable opposition internally because the procedure required ADC already existed in another company at the time. Amid that context, researchers were selected for a cross-functional project team involving technological development on ADC. In order to thoroughly examine the merits and issues regarding the preceding drug and to solve the issues regarding the preceding drug, the researchers in this team screened and optimized over several hundred combinations of antibodies, linkers, and payloads to ultimately produce the current DS-8201. They systematically researched and resolved all critical aspects necessary to create a truly best-in-class technology. Daiichi Sankyo’s ADC technologies have substantial potential to contribute to the development of an ADC franchise, as it may be possible to attach therapeutic viruses and cell therapy to the payload and linker to other antibodies.

Diverse Modality Technologies

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

Powerful Research Engines

Research labs in Japan combining chemistry and biology expertise

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

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

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

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

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 adrenalin, the discovery of ornithine, and the domestic production of warfarin, and we have since developed numerous drugs that lead the drug discovery in Japan. We have also created and delivered innovative products that have had a global impact such as prevakin and anefrizo to people around the world.

Omisiran was also created by Daiichi Sankyo, aiming for a superior profile among many other preceding drugs. DS-8201 was also similarly supported by ADC technologies, achieved by overcoming issues one by one in preceding drugs.

Using this strong R&D DNA, honed and cultivated over years of operation, Daiichi Sankyo is committed to the development of innovative medicines that will change SOC.
Global Organization & Talent

Global Management System Uniting Intellects from Around the World

Global Management Committee
Facilitating Swift and Accurate Decision-Making

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

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

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

Global R&D Structure Enabling Swift Decision-Making

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

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

* Global Executive Meeting for Research And Development

Dynamic Global Organization for Responding Promptly to Operating Environment Changes

In recent years, there has been a strong cry for speed in global research and development in the oncology area. Daiichi Sankyo integrated its oncology R&D organizations and introduced the Cancer Enterprise, a unique concept originated in Daiichi Sankyo. The Cancer Enterprise works in cancer drug developments as well as marketing toward pharmaceutical technology, biologics, marketing, business development, and finance. The multi-functional teams work together to obtain information on market needs and for differentiating from competitor products, as well as in responding promptly to environmental changes.

Robust, Global Pool of Talent

Proactive Employment of Global Talents from Around the World

We employ many talented individuals with diverse backgrounds from across the globe and we enhance our global organization and talent while working to achieve synergy by having such talent from around the world work together with our highly capable talents in Japan. As one example of this, we have hired excellent global talent leaders in research and development, marketing, and other functions in the oncology area, accelerating research and development and conducting preparation for launches, in order to become a “Global Pharma Innovator with competitive advantage in oncology.”

Human Resources Development Programs Taking Advantage of Global Experience

Daiichi Sankyo considers its people to be its most important asset. In human resources development programs taking advantage of global experience, Daiichi Sankyo identifies positions that are key to the accomplishment of its management vision and the goals of its mid-term business plan on a global basis, and develop people through duties with challenging goals and high difficulty or through relocations overseas. As such, we proactively promote global talent management that offers opportunities for further contributions.

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Who we are

Daiichi Sankyo’s Strengths

Global Oncology Marketing

Daiichi Sankyo’s Strengths

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Who we are

Daiichi Sankyo’s Strengths

Presence in Japan

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

- Extensive product lineup
  - Selling products with a wide range of areas of disease, including the cardiovascular, endocrine system, central nervous system, infectious diseases and anti-inflammation.

- Acquire valuable new products
  - Continually acquiring valuable new products including denosumab, NEXIUM, TENELIA and XAMPEX.

Strong cooperative relationship with wholesalers

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

Rated No. 1 in terms of inquiry response

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

In order to complement this virtuous cycle, we have strengthened our cooperative relationship with wholesalers, and have closely cooperated among all internally related departments in earnestly and appropriately responding to inquiries from healthcare professionals and to medical affairs and post-marketing studies, in addition to sales capabilities. Omotec was the fifth ARB*1 to enter such a market environment, though with Daiichi Sankyo’s collective strength in medical affairs and post-marketing studies in addition to sales capabilities, Omotec grew to ultimately gain the No. 1 share. Similarly, NEXIUM was the fourth PPI*2 to enter the market, though NEXIUM grew to gain the No. 1 share in three years. The currently growing LIXIANA was also fourth to enter the market with additional indication, though it is running at a close second in market share. In light of these accomplishments, we think that Daiichi Sankyo has a competitive advantage in the Japanese market, which resulted in us being No. 1 in terms of pharmaceutical revenue for two consecutive years.

By continually launching and expanding sales of our proprietary products, we will grow an innovative pharmaceuticals business through a robust product lineup. At the same time, we will utilize the Company’s superb sales capabilities to acquire licenses for promising products in order to sustain a virtuous cycle driving further growth.

MRs Ranked No. 1 by Physicians for 6 Consecutive Years

With changes in the environment such as integrated community medical systems in Japan, the needs of healthcare professionals change and diversify all the time. In this context, based on the thoughts of each healthcare professional, we have contributed to medicine by faithfully developing activities according to customer functions and needs by mainly MRs in multichannel approach*3. We believe that these activities have been highly appreciated.

With regard to MR evaluation as well, we have been ranked highly not just for items such as knowledge and information, but also in items including human nature and responsiveness. As a result, we are comprehensively ranked No. 1.*4

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

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

Growth of Japanese business

- Sales growth of acquired products
  - Top-class sales capabilities in quantity and quality
  - Fine-tuned sales capabilities

- Acquire valuable new products
  - Acquiring and achieving sales growth in NEXIUM, Memary, RAMMARK/PHALIA, and TENELIA/CANALIA

No. 1 MR Evaluation

- Multichannel approach

- Utilize capabilities of MRs with various supporting channels

- Four Businesses Responding to Diverse Medical Needs

- By leveraging the strength of its innovative pharmaceuticals*5 business, Daiichi Sankyo engages in its generic business, vaccine business, and OTC related business in Japan.

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

- Comprehensive Training Programs

  - All MRs have passed the certificate test held in December for the eight consecutive year since fiscal 2010.
  - We are strengthening training programs for MRs with a view toward the launch of specialty products centered on the oncology business. By establishing an internal oncology certification program, we are planning to raise the level of expert knowledge, and increasing and strengthening future MRs that can manage oncology.
We will make a concerted effort to deliver quality products as fast as possible to patients suffering from cancer and to their families.

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

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

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 a 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.

Advantage in Oncology

We occasionally heard voices of skepticism from our stakeholders. 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.

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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.

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.

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.

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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.
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) and AML (acute myeloid leukemia), 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 the development of treatments for cancer types with higher market potential and treatment for patient population with a possible early marketing approval.

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) in June 2018, the data from a clinical study of HER2-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 regain our confidence in our direction.

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.

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.
Daiichi Sankyo's Growth Strategy

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)
- Cancer: Heart disease: Pneumonia: Cardiovascular diseases (Per 100,000 population) [N]

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 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.
Cancer

(Antibody Drug Conjugate: ADC)

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

1 Cancer

Cancer is one of the diseases with the high prevalence and mortality both in Japan and worldwide. Every year, approximately 1.6 million people are newly diagnosed with cancer across the world. In Japan, cancer has been the leading cause of death since 1981, while in 2012, annual cancer deaths reached approximately 380,000 people. Given these statistics, cancer has a devastating impact on human life and health.

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

<table>
<thead>
<tr>
<th>Cancer Type</th>
<th>Newly diagnosed (n)</th>
<th>Recurrent (n)</th>
<th>5-Year survival (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breast cancer</td>
<td>96,000</td>
<td>11,000</td>
<td>91%</td>
</tr>
<tr>
<td>Gastric cancer</td>
<td>144,000</td>
<td>26,000</td>
<td>85%</td>
</tr>
<tr>
<td>Non-small cell lung cancer</td>
<td>114,000</td>
<td>26,000</td>
<td>85%</td>
</tr>
<tr>
<td>Colorectal cancer</td>
<td>152,000</td>
<td>143,000</td>
<td>85%</td>
</tr>
</tbody>
</table>
| Source: GLOBOCAN 2012, "estimated cancer incidence, mortality and prevalence worldwide in 2012"

2 Cancer Treatment

(1) Cancer treatment

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

<table>
<thead>
<tr>
<th>Treatment Type</th>
<th>Methodology</th>
<th>Characteristics</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drug therapy</td>
<td>Attacks cancer cells with drugs</td>
<td>A mainstream of treatment if local therapy is inappropriate such as hematological cancer or metastatic disease</td>
<td></td>
</tr>
<tr>
<td>Surgery</td>
<td>Removes cancer surgically</td>
<td>Cancer can be cured if it remains in the primary lesion</td>
<td></td>
</tr>
<tr>
<td>Radiation</td>
<td>Eliminates cancer cells with radiation</td>
<td>Exerts therapeutic effects without surgically removing organs</td>
<td>Sometimes combined with drug therapy and surgery</td>
</tr>
</tbody>
</table>

3 What are Antibody Drug Conjugates (ADCs)?

(1) What are ADCs?

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

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

(2) Mechanism of action

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

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

<table>
<thead>
<tr>
<th>Existing ADCs</th>
<th>Daiichi Sankyo’s ADC technology</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Linker issues</strong></td>
<td></td>
</tr>
<tr>
<td>• Drug-antibody ratio (DAR)*: 2 to 4</td>
<td>• DAR at the maximum</td>
</tr>
<tr>
<td>• Toxity and/or reduced efficacy due to released payloads in the blood</td>
<td>• Payloads are less likely to be detached in the blood, which reduces the risk of causing normal tissue to toxicity.</td>
</tr>
<tr>
<td><strong>Payload issues</strong></td>
<td></td>
</tr>
<tr>
<td>• Most of the ADCs use tubulin polymerization inhibitors</td>
<td>• Developed DNA topoisomerase I inhibitor for payload cleavage.</td>
</tr>
<tr>
<td>• No treatment option for tumors unresponsive/ resistant to existing ADCs</td>
<td>• This drug can exert its therapeutic effects even in an environment where various cancer cells are mixed.</td>
</tr>
<tr>
<td>• Concern for relatively long half-life which may affect normal cells</td>
<td>• The drug can exert its therapeutic effects even in an environment where various cancer cells are mixed.</td>
</tr>
</tbody>
</table>

*Average number of drugs linked to each antibody

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

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

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

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

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

(3) **Characteristic 3: selective linker cleavage**

The linker must be stable in the blood, and readily release its payload once internalized into the cancer cell after it binds to the cancer-cell antigen. Some existing ADCs have linkers that are cleaved by proteinases in lysosomes found not only in cancer cells but also in other parts. In this case, the linkers may also be cleaved in extracellular environment. On the other hand, to release the payload, the linker of Daiichi Sankyo’s ADCs is cleaved by cathepsins, which are highly expressed in cancer cells; therefore, the possibility of the linker being cleaved in parts other than cancer cells is extremely low. Concerning the cleavage site of ADC, the linker of some existing ADCs does not have the cleavage site on linker, whereas DS-8201 has the cleavage site at appropriate location of linker, which efficiently releases payload in cancer cells.

(4) **Characteristic 4: unique and potent payload**

The payload of Daiichi Sankyo’s ADCs is DXd, a topoisomerase I inhibitor. Daiichi Sankyo has an experience of developing irinotecan, which has been launched for the treatment of cancers including colorectal cancer and lung cancer. As the in vitro activity of DXd is approximately 10 times as potent as that of SN-38 (active metabolite of irinotecan), DXd exerts potent effects at a relatively low dose.

Furthermore, the pre-clinical pharmacology study has demonstrated that DXd is effective in cancer cells less sensitive or resistant to payload of T-DM1, the standard of care for breast cancer.

![Image](https://example.com/image.png)

Source: Ogihara Y et al., Cite: Cancer Res. 2018; 22:5097-5108, Marcoux-J et al., Protein Science 2015; 24:1210-1223
expression-positive cancer cells and antigen expression-negative cancer cells are present concomitantly. By this bystander effect, the drug is also expected to exert an efficacy on tumors with a large number of cancer cells of negative expressing of antigen. To validate the clinical relevance of this proposed effect, we are currently conducting translational research.*

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

Revised drug payloads penetrate into neighboring cancer cells

(5) Characteristic 5: bystander effect

The DXd payload is designed to have higher lipophilicity and membrane permeability than the payload of T-DM1. The payload is released from the ADC in cancer cells, penetrates the membrane and exerts effects on the neighboring cancer cells. This is known as Daiichi Sankyo ADC’s “bystander effect”. In a cancer lesion, antigen

<table>
<thead>
<tr>
<th>Payloads</th>
<th>Half-life in rats [time]</th>
</tr>
</thead>
<tbody>
<tr>
<td>DXd* (payload of Daiichi Sankyo's ADCs)</td>
<td>0.9</td>
</tr>
<tr>
<td>DM1** (payload of T-DM1)</td>
<td>3.3-10</td>
</tr>
</tbody>
</table>

* In-house report
** KADCYLA Data

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

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

At present, Daiichi Sankyo has seven ADC projects for different antibody targets with the same linker and payload. The compounds at the clinical stage are DS-8201, U3-1402, and DS-1062, and those at the pre-clinical stage are DS-7300, DS-6157, and DS-6000. Among these compounds, DS-8201 and U3-1402 have achieved a certain level of effects at the clinical stage, and we will provide detailed information mainly on the results.

Daiichi Sankyo’s ADC Projects

ADC Franchise

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

DS-8201 is an anti-HER2 antibody conjugate using our proprietary ADC technologies, which is our first and flagship ADC that has proceeded to the clinical phase.

1) What is HER2?

HER2 is a glycoprotein found on the cell surface. It has a structure similar to the epidermal growth factor receptor (HER1). 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, activates signal transmission and induces cancer cell proliferation.

b) HER2 low expression

To date, cancers have been classified into two types by immunostaining that detects HER2 expression: HER2-positive and HER2-negative. However, it has been revealed that HER2 is expressed in some types of breast cancers classified as HER2-negative (IHC2+/ISH-, IHC1+). These are called HER2 low expression (HER2 Low) by us. It is said that approximately 44% of breast cancer patients have HER2-low tumors, and at the moment, no medications are approved for the indication of HER2-low tumors.

The phase 3 study in patients with HER2 low breast cancer, which will be started in fiscal 2018, aims to address this part of unmet medical needs.

Furthermore, it has also been revealed that HER2-negative cancer cells classified as IHC0 by immunostaining show HER2 expression that is not completely zero, but at a certain level (below 10%). We will perform further translational research including a companion diagnostics (CDS) to increase the HER2 measurement sensitivity so that DS-8201 can be a treatment option for such patients.

Focusing on HER2-expressing breast cancer patients, both HER2-positive and HER2-negative, the company is also furthert promoting translational research on the HER2-low expression cancer setting. Such research is anticipated to be a source of the discovery of new treatments, especially for the small percentage of patients with HER2-low expression.

Number of total patients n=288,550

<table>
<thead>
<tr>
<th>HER2 Status</th>
<th>n=19,869</th>
<th>95% CI</th>
<th>p=0.002</th>
</tr>
</thead>
<tbody>
<tr>
<td>HER2 positive</td>
<td>11,030</td>
<td>11,030-11,030</td>
<td>13.5%</td>
</tr>
<tr>
<td>HER2 low</td>
<td>7,440</td>
<td>7,440-7,440</td>
<td>6.8%</td>
</tr>
<tr>
<td>HER2 negative</td>
<td>10,049</td>
<td>10,049-10,049</td>
<td>11.5%</td>
</tr>
</tbody>
</table>

* Source: Decision Resources, inclusive of US, EU5, and Japan (Breast Cancer), Last updated, December 2017, CancerMPACT (2017)

(2) DS-8201 development plan and clinical studies started in fiscal 2017

In the phase 1 study, which was started in September 2015, DS-8201 was administered to approximately 250 patients with HER2-expressing breast cancer, gastric cancer, colorectal cancer, and lung cancer. Although they have a history of treatment with multiple drugs, many of them showed a complete response irrespective of cancer types.

Based on the interim results from the phase 1 study, DS-8201 was granted Breakthrough Therapy Designation for the treatment of patients with HER2-positive, locally advanced or metastatic breast cancer who have been...
treated with trastuzumab and pertuzumab and have disease progression after ado-trastuzumab (T-DM1) by the U.S. FDA in August 2017.

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

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

For gastric cancer, a pivotal phase 2 study in patients with HER2-overexpressing gastric cancer after treatment with the existing therapeutic agent of trastuzumab was started in November 2017. Concerning gastric cancer, DS-8201 was previously mentioned HER2-low breast cancer are planned to be started sequentially after 2018.

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

### Development status

<table>
<thead>
<tr>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DS-8201: Study schedule</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 1 started</td>
<td>Phase 2 started</td>
<td>NDA application planned</td>
</tr>
</tbody>
</table>

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

**DS-8201**

- **Phase 1**
  - September 2017: Granted SAKIGAKE Designation for HER2-low breast cancer by the MHLW.
  - October 2017: Phase 1 started.
  - DS-8201 was previously mentioned HER2-low breast cancer were started in August 2017.

- **Phase 2**
  - November 2017: Phase 2 started.
  - DS-8201 was previously mentioned HER2-low breast cancer were started in October 2017.

### HER2 positive breast cancer

The interim results from a phase 1 study conducted for multiple cancers including gastric cancer, colorectal cancer, and lung cancer as well as breast cancer were presented at ASCO in June 2018.

- The graph below is waterfall chart presenting percent change from baseline, pre-treatment with DS-8201.
- Each bar represents each individual patient’s result in order of high to low tumor shrinkage rate from right to left.

### HER2 low breast cancer

DS-8201 has so far shown a favorable efficacy in HER2-positive breast cancer, and in this study, the drug yielded the overall response rate\(^3\) of 50.0% in HER2-low breast cancer, which is equivalent to 54.5% in HER2-positive breast cancer.

### Overall Response Rate (ORR\(^1\)) and Disease Control Rate (DCR\(^2\))

<table>
<thead>
<tr>
<th>HER2 status</th>
<th>ORR (%)</th>
<th>DCR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>HER2 positive breast cancer</td>
<td>54.5</td>
<td>93.9</td>
</tr>
<tr>
<td>HER2 low breast cancer</td>
<td>17.0</td>
<td>29.4</td>
</tr>
<tr>
<td>HER2 positive gastric cancer</td>
<td>18.4</td>
<td>34.1</td>
</tr>
<tr>
<td>HER2 expressing colorectal cancer, lung cancer, and others</td>
<td>12.5</td>
<td>30.1</td>
</tr>
</tbody>
</table>

\(^1\)ORR: Ratio of patients in which tumors had shrunk by more than 30% or completely disappeared.

\(^2\)DCR: The percentage of patients with stable disease (a change of lesion size ranging from an increase of <20% to a decrease of <20%) plus those with CR.

### Tumor shrinkage

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

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

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\(^3\)Patients in whom tumors had shrunk by more than 30% or completely disappeared.

\(^4\)The percentage of patients with stable disease (a change of lesion size ranging from an increase of <20% to a decrease of <20%) plus those with CR.

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

---
(2) U3-1402 (anti-HER3-ADC)
U3-1402 is an anti-HER3-ADC, in which patritumab (an anti-HER3 antibody) is loaded with our proprietary linker and payload. HER3, present on the surface of many cancer cells, functions as a receptor tyrosine kinase classified into the HER family as with HER2 (see p27). It is overexpressed on the surface of breast cancer cells, lung cancer cells and other tumor types. HER3-positive breast cancer patients are suggested to have poor prognosis.

In HER3-positive refractory/metastatic breast cancer patients, the phase 1/2 study was started in December 2016, for which we presented the interim efficacy and safety data at the American Society of Clinical Oncology (ASCO) in June 2018. As for preliminary efficacy, the overall response rate and disease control rate were 47% (15/32) and 94% (30/32), respectively.

Concerning safety, although bone marrow or liver function test abnormalities were found in 34 patients receiving 1.6 to 8.0 mg/kg body weight every three weeks, the maximum tolerated dose had not yet been reached. The efficacy of U3-1402 obtained from this study is similar to the initial data of DS-8201 which was presented at the meeting of the European Society for Medical Oncology (ESMO) in 2016. Accordingly, we believe that Daiichi Sankyo’s ADC technologies are applicable even after changing antibodies.

Furthermore, the phase 1 study in patients with advanced EGFR-mutated non-small cell lung cancer has been ongoing since January 2018.

(3) DS-1062 (anti-TROP2-ADC)
DS-1062 is an anti-TROP2-ADC, in which an anti-TROP2 antibody is loaded with our proprietary linker and payload. TROP2 is overexpressed on the membrane of various cancer cells including those of lung cancer, and is known to be associated, in particular, with the promotion of cancer cell proliferation, metastasis, and the acquisition of drug resistance. The phase 1 study in patients with recurrent/progressive non-small cell lung cancer was started in February 2018. Once safety and efficacy are confirmed with non-small cell lung cancer, additional evaluation is planned on other TROP2 over-expressing solid tumor patients.

(4) Other ADCs
DS-7300 is an anti-B7-H3-ADC, in which an anti-B7-H3 antibody is loaded with our proprietary linker and payload. B7-H3 is known to be expressed in esophageal cancer, lung cancer, endometrial cancer and prostate cancer. A pre-clinical study is currently underway with a view to entering the clinical phase in fiscal 2019. The pre-clinical research is underway for DS-6157 targeting gastrointestinal stromal tumor (GIST), and DS-6000 targeting kidney cancer and ovarian cancer (target antigens of both ADCs are not disclosed).

In any of these compounds, the same linker and payload as DS-8201, U3-1402, and DS-1062 are used.

(5) Creation of new ADCs by partnership
As part of a strategy to maximize the business value of our ADC technologies, we have entered into a licensing agreement with Glycotope for the development, development and commercialization of Galgotuzumab (anti-TA-MUC1 antibody) using the ADC technologies. Galgotuzumab is a humanized monoclonal antibody, which specifically binds to TA-MUC1 that is highly expressed in many types of cancers including ovarian cancer, lung cancer, and breast cancer.

In this way, we will also create further partnerships in the future.

Breast Cancer
The current status for breast cancer and the existing standard of care
Breast cancer is the most common cancer in women, and the numbers of new and recurrent breast cancer cases in Japan, U.S. and Europe in 2017 are provided in the figure to the right.

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

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

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

Breast Cancer treatment has significantly improved compared to previous treatments with the emergence of trastuzumab, pertuzumab, and T-DM1, which are HER2 targeted drugs. Notwithstanding, as shown in the table above, not a few patients still experience recurrence. Furthermore, in some patients who have already experienced recurrence, there still remain many challenges to be dealt with (unmet medical needs) such as patients refractory to treatment with existing drugs and attenuation of drug efficacy due to acquired drug resistance.

DS-8201 is an ADC that acts on the HER2 like trastuzumab and other drugs, and it has become apparent that it has the potential to produce a certain effect as well on breast cancer cells not overexpressing HER2. We are continuing our development in order to respond to unmet medical needs that cannot be resolved with existing approved drugs, and we are working to deliver the drug to patients as soon as possible.
**Daiichi Sankyo’s Growth Strategy**

**Overview of 5-Year Business Plan**

The 5-Year Business Plan

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

Daiichi Sankyo has set revenue of ¥1,100.0 billion, operating profit of ¥165.0 billion, and return on equity (ROE) of more than 8.0% for fiscal 2020 as numerical targets. In addition, for fiscal 2020, we aim to have three to five late-stage pipeline products that can be launched within the next five years with the potential to achieve peak annual sales exceeding ¥100.0 billion each.

**Review of 5-Year Business Plan**

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

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

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

---

**Challenge**

**Challenge 1**
Growing beyond the LOE* of olmesartan

- Accelerate the growth of existing flagship products
- Reduce costs

**Challenge 2**
Establish a Foundation of Sustainable Growth

[Six Strategic Targets]

- Grow Edoxaban
- Grow as No.1 Company in Japan
- Expand U.S. Business
- Establish Oncology Business
- Continuously Generate Innovative Medicine Changing Standard of Care (SOC)
- Enhance Profit Generation Capabilities

* Loss of revenue and profits resulting from LOE

**Six Strategic Targets for Accomplishing Fiscal 2020 Performance Targets**

**Growth Investments and Shareholder Returns**

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

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**FY2020 Targets**

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

Three to five late-stage pipeline products that can be launched within the next five years with the potential to generate annual revenue exceeding ¥100.0 billion each at peak.
1. 5-Year Business Plan
The annual global revenue of edoxaban has steadily increased from ¥57.3 billion in fiscal 2016 to ¥77.1 billion in fiscal 2017. Going forward, we will strengthen our efforts for life-cycle management and to further accelerate growth.

2. Progress to Date and Future Initiatives

(1) Market Size of Direct Oral Anticoagulants (DOACs)
The DOAC market, which comprises four products—dabigatran, rivaroxaban, apixaban, and edoxaban—has grown to a scale of ¥2.0 trillion on a global basis. In addition, switching from warfarin, which has been the standard treatment to date, has steadily progressed alongside the market expansion, and the DOAC prescription rate has reached about 40%.

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

(3) Life-Cycle Management Initiatives
In November 2017, we launched OD tablet (orally disintegrating tablet), which is the only OD tablet in DOAC in Japan. The OD tablet, which features an easy-to-take design, has been highly appreciated by doctors, saying that it is beneficial especially for elderly patients. Currently, we are conducting many clinical studies and clinical research aimed at maximizing edoxaban’s value. We have created a brand mark, EDOSURE, which collectively refers to these initiatives and activities. The name EDOSURE is derived from two words, edoxaban and Assurance. It signifies our hope that doctors and patients will feel more reassured by anticoagulant therapy with edoxaban.

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.
Daiichi Sankyo’s Growth Strategy

Progress of 5-Year Business Plan

Strategic Target  Grow as the No.1 Company in Japan

We are striving to grow Daiichi Sankyo into the No. 1 company in Japan through its four businesses; the innovative pharmaceuticals’ business, the generics business, the vaccine business, and the OTC-related business. Although our mainstay innovative pharmaceuticals business has grown steadily, the market environment has grown increasingly severe, partly due to the effects of drastic drug price revisions in Japan. We will return back to growth trajectory in fiscal 2019 and accomplish the target.

1. 5-Year Business Plan

(1) Six Major Products
In addition to LIGASHA, 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 TENEJIA, a type 2 diabetes mellitus treatment.

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

(2) 5-Year Business Plan
Total revenue from the six major products (excluding LIQASHA) has steadily expanded, from ¥197.3 billion in fiscal 2016 to ¥212.8 billion in fiscal 2017. However, the market environment has become more severe than was assumed at the time the 5-year business plan was announced, partly due to the significant reduction in the drug price of NEXIUM, the slowing of the growth of Memary, and the delay in the additional indication for the brain area for Efient. Thus, revenue for fiscal 2018 is forecast to remain flat, at ¥212.0 billion. Daiichi Sankyo will leverage its sales capabilities, which are top-class in terms of both quality and quantity, in order to return to a growth track in fiscal 2019 and achieve over ¥243.0 billion in total revenue in fiscal 2020.

* Pharmaceuticals still protected by the exclusivity period granted by patents

2. Progress to Date and Future Initiatives

For our six major innovative pharmaceutical products, we have overcome the impact of the drug price revisions, and their total revenue steadily expanded up to fiscal 2017. By continually launching and expanding sales of propriety developed products, we grew the innovative pharmaceuticals business. At the same time, we utilize the Company’s agent sales capabilities to acquire licenses for promising products developed elsewhere in order to sustain a virtuous cycle driving further growth. Through these efforts, we are working to strengthen Daiichi Sankyo’s presence in Japan.

During the 5-year period of the plan, we have successfully achieved many feats seen below, including acquiring the Vimpat antiepileptic agent, along with applying for approval for the peripheral neuropathic pain treatment mirogabalin and antihypertensive agent esaxerenone. In particular, Daiichi Sankyo has ranked No.1 both in MR evaluation*, which is an important foundation for sustainable growth, for six consecutive years, and in revenue from pharmaceutical products in Japan for two consecutive years since fiscal 2016.

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

* Based on survey conducted by ANTERIO Inc.

Pharmaceutical Market in Japan

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

* Generic drugs = (original drugs for which generic drugs have been released + generic drugs)
### Daiichi Sankyo Group Value Report 2018

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

#### Strategic Target

**Expand U.S. Businesses**

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

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

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

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

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

**5-Year Business Plan Target and Results to Date**

<table>
<thead>
<tr>
<th>Year</th>
<th>Injection Franchise</th>
<th>LPI products other than injection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal 2016</td>
<td>Assumes 81%</td>
<td>Assumes 19%</td>
</tr>
<tr>
<td>Fiscal 2017</td>
<td>Assumes 86%</td>
<td>Assumes 14%</td>
</tr>
<tr>
<td>Fiscal 2018</td>
<td>Assumes 91%</td>
<td>Assumes 9%</td>
</tr>
</tbody>
</table>

* Luitpold announced it will change its legal name to American Regent in January 2019

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

1. **Iron Injection Franchise**

The iron injection franchise focuses on two products; Venofer, which is used to treat iron deficiency anemia (IDA) resulted from chronic kidney disease, and Injectafer, which can treat IDA resulted from chronic kidney disease, as well as from various other causes, but cannot be used in patients undergoing dialysis. In particular, due to its ability to treat a wide range of conditions and the convenience of being able to completely dose patients in only two administrations, Injectafer has enjoyed a rapid growth in market share since it was launched. These two products boast a combined share of the U.S. iron injection market of more than 75%, making LPI the undisputed leader in this market.

- **Injectafer**
  - US IV Iron Market (includes dialysis)
  
<table>
<thead>
<tr>
<th>Year</th>
<th>Injectafer</th>
<th>LPI products other than Injectafer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal 2016</td>
<td>608</td>
<td>1,920</td>
</tr>
<tr>
<td>Fiscal 2017</td>
<td>786</td>
<td>1,250</td>
</tr>
<tr>
<td>Fiscal 2018</td>
<td>853</td>
<td>1,200</td>
</tr>
</tbody>
</table>

2. **Generic Injectable Franchise**

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

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

**COLUMN**

Iron deficiency anemia and iron injections

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

**Chronic heart failure**: 17%
**CKD**: 36-76%
**Cancer**: 7-42%
**HUB/IDA prevalent in women**: 100%
**Postpartum anemia**: 15%
**Pregnancy**: 18%
**CKD Stage 3**: 42%
**CKD Stage 4**: 54%
**Dialysis**: 92%

* Severe uterine bleeding

IDP Statistics: American Regent Inc. and Vifor Pharma IDA prevalence data.
Daiichi Sankyo’s Growth Strategy
Progress of 5-Year Business Plan

Strategic Target  Establish Oncology Business

In our 5-year business plan, we set up the target of growing oncology business revenue to ¥300.0 billion in fiscal 2025. The development of the ADC franchise centered on DS-8201 and AML franchise have been steadily accelerating. In fiscal 2018, we will submit applications for quizartinib and pexidartinib, and work for further accelerate the development of DS-8201.

1. 5-Year Business Plan

We will establish an oncology business by launching several drugs currently in late-stage development. Concurrently, we will accelerate early-stage pipeline development and evaluate the further enrichment of our oncology pipeline through the acquisition of external assets. Through the acceleration of oncology research and development by the new organization, we aim to grow oncology business revenue to more than ¥40.0 billion in fiscal 2020 and ¥300.0 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 restructuring and strengthening human resources in order to accelerate development in the oncology area. We have completed organizational restructuring and have almost completed recruiting excellent global leaders with long years of experience in the oncology area. We introduced the concept of Cancer Enterprise in May 2016 so that organizations such as research and development, pharmaceutical technologies, supply chain, global marketing, and global medical affairs cooperate organically under these leaders, and all employees are working together to transform the company into a “Global Pharma Innovator with competitive advantage in oncology.”

The Oncology R&D Sub Unit has established antibody drug conjugate (ADC) and acute myeloid leukemia (AML) franchises (priority areas) that we will focus on. We have also set out a policy to actively form external alliances in order to strengthen these franchises.

In addition to the two franchises of ADC and AML, we newly set Breakthrough Science as the third pillar. We are aiming to become a world-leading science organization built on these three pillars and to deliver seven valuable new molecular entities (NMEs) over eight years by 2025.

(1) ADC Franchise
For ADC, please see “Special Issue on Cancer” on page 32.

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

Daichi Sankyo is developing AML treatments by targeting various mechanisms. There are currently five pipelines undergoing clinical trials: quizartinib, an FLT3 inhibitor targeting growth factor receptor; DS-3032, an MDM2 inhibitor targeting transcriptional deregulation; PLX51107, a BRD4 inhibitor and DS-3201, an EZH1/2 inhibitor both targeting epigenetic regulation. (A phase 1 study in patients with glioma is currently underway for the DS-1001, an IDH1 inhibitor that may be indicated for the treatment of AML.)

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

AML Franchise Pipelines

<table>
<thead>
<tr>
<th>Target class</th>
<th>Products under Development (Targets)</th>
<th>Development status</th>
<th>Mechanisms of action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth factor receptor inhibition</td>
<td>Quizartinib (FLT3)</td>
<td>Granted Breakthrough Therapy Designation (BTD) by the FDA.</td>
<td>FLT3-inhibitor. Quizartinib displays a potent inhibitory activity against mutated gene called FLT3-ITD, which is present in around 30% of AML patients.</td>
</tr>
<tr>
<td>Transcriptional deregulation</td>
<td>DS-3032/ MDX40</td>
<td>MDM2 inhibitor. DS-3032 activates p53, a tumor suppressor gene, by inhibiting MDM2, which suppresses wild-type p53 activity.</td>
<td></td>
</tr>
<tr>
<td>Epigenetic regulation</td>
<td>PLX51107 (BRD4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>DS-3201 (EZH1/2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>DS-1001 (EZH1)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Submit Applications for Approval of 7 NMEs by 2025
Progress of 5-Year Business Plan

Daiichi Sankyo's Growth Strategy

a) Quizartinib (FLT3 inhibitor)
AML is a disease with a high mortality rate, and it is said that the 5-year survival rate after being diagnosed is about 26%. In particular, AML patients with mutated FLT3, which is a receptor tyrosine kinase involved in the proliferation of cancer cells, are known to have a particularly high degree of malignancy and extremely poor prognosis with a rate of recurrence two years after bone marrow transplantation that is three times higher than that of other forms of AML. Quizartinib is a tyrosine kinase inhibitor that displays specific potent inhibitory activity against FLT3-ITD. In the general AML treatment algorithm shown below, we are conducting two phase 3 studies of quizartinib in the patients circled in green.

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

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

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

52

(3) Breakthrough Science
Breakthrough Science was launched in December 2017 as 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 drugs including low molecular compounds, peptide (medium-sized molecular) drugs, and antibody drugs, nucleic acid drugs, cell therapy, and regenerative medicine.

Breakthrough Science Pipelines

- Patients who can be treated by conventional therapy (5-10%)
- Patients who cannot be treated by conventional therapy (20-30%)
- Patients who can be treated by conventional therapy (5-10%)

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

The estimated survival probability at 1 year was 27% with quizartinib and 20% with salvage chemotherapy.

Axiacabtagene ciloleucel
\[ \text{Median overall survival} \quad 6.2 \text{ months} \]
\[ \text{Surviving at 1 year} \quad 47 \% \]
\[ \text{Estimated survival probability at 1 year} \quad 27 \% \]
\[ \text{Transplant rate} \quad 12 \% \]

Regarding the safety of the drug in this study, no new concerns were seen.

Based on the results of this study, we plan to submit regulatory applications globally in the second half of fiscal 2018.

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

October, 2016
November, 2016
June, 2017
September, 2017
May, 2018
**Strategic Target**

Continuously Generate Innovative Medicine
Changing SOC (Standard of Care)

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

1. **5-Year Business Plan**

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

2. **Progress to Date and Future Schedule**

(1) **DS-1647** (oncolytic virus G47Δ)

G47Δ (delta), developed by Professor Tomoki Todo of the Institute of Medical Science of the University of Tokyo, is an oncolytic virus therapy—a new modality of cancer treatment that sets itself apart from conventional agents. For instance, molecule-targeted agents pinpoint proteins and genes on the surface of cancer cells, while oncolytic virus therapy targets the cancer cell itself. G47Δ, which is a third-generation strand of oncolytic herpes simplex virus 1, is controlled by deleting or inactivating three genes; ω4Δ, ICP6, and ω4Δ, making it only proliferate in cancer cells. By deleting ω4Δ in addition to second generation, G47Δ inactivates immunological escape mechanism of the virus. G47Δ is believed to be a relatively safe treatment as it does not proliferate in normal cells, and if any adverse event occurs, it can be dealt with antiviral agents. This drug has received SAKIGAKE Designation, and a phase 2 investigator-initiated study is currently underway in malignant gliomas. Although this is the first attempt of oncolytic virus therapy by Daiichi Sankyo, but based on future results, we will aim for a speedy approval of the drug for the treatment of malignant gliomas through in-depth discussions with Professor Tomoki Todo and regulatory authorities.

**oncolytic virus therapy**

- Virus infection
- Virus proliferation and destruction of cancer cells
- Spread of viruses to the surrounding cells

3. **Key collaborations started by June 2018**

- **(2) Axicabtagene ciloleucel CAR-T** (cell therapy)
  Axicabtagene ciloleucel is a form of chimeric antigen receptor T (CAR-T), which is a cell therapy directed against CD19, an antigen expressed on the surface of B-cell malignant lymphoma cells. Applied via intravenous injection, this therapy is expected to have therapeutic effects on relapsed or refractory malignant lymphoma. Kite Pharma, Inc., has already obtained marketing approval for axicabtagene ciloleucel in the U.S. and it was launched in 2017 under the product name of Yescarta. In Japan, the main consultation with the regulatory authorities prior to the initiation of clinical study has been completed, and we will start a phase 2 study in the second half of 2018 in patients with refractory or relapsed diffuse large B cell lymphoma. We are also building a production and distribution system in Japan.

4. **Progress of 5-Year Business Plan**

- **(3) DS-5141** (nucleic acid drug)
  Duchenne muscular dystrophy (DMD) is progressive muscular atrophy with an X-linked recessive inheritance pattern, and is known to occur in roughly 1 out of every 3,500 newborn boys. Muscle weakness progresses with age, and many patients do not survive past their 20s or 30s due to respiratory failure or heart failure. DMD is caused by the lack of the dystrophin protein, which is not produced due to abnormalities in the dystrophin gene. We have obtained the results of the phase 1/2 clinical studies conducted in Japan for DMD drug DS-5141. There were no safety concerns, and after 12 weeks of subsequent administration, the production of messenger RNA obtained by skipping exon 45 of the dystrophin gene in muscle tissue was clearly confirmed in all seven cases. The expression of dystrophin protein was also observed in some patients. Based on this result, we started extension study.

   - **Dystrophin pre-mRNA**
     - **incomplete, but functional dystrophin**
       - **3** SES: splicing enhancer sequence

5. **Strategic alliance for research and development**

We are collaborating with various organizations, including academia and companies beyond our in-house R&D to further advance our competitive pipelines. As shown in the figure below, we have progressed research and development alliances mainly in the oncology area. With the intensified competition for new drug development, we believe that partnering with other academia and companies beyond the framework of our own laboratories will lead to the discovery of seeds that will be new-drug candidates in the future.
Message from the CFO

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

Improving the ROE and reducing the capital cost are two important roles held by the CFO toward improving corporate value. I would like to explain what initiatives Daiichi Sankyo has so far carried out and what initiatives the Company will conduct from now.

1. Improving ROE

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

(1) In order to enhance profit generation capabilities, we have taken steps to achieve further cost reductions and streamlining throughout the entire group through activities called “Realization of Process Excellence.” Major initiatives include enhancement of the procurement function and optimization of structures for production, marketing, & sales, and R&D including repositioning of bases. Regarding the enhancement of the procurement function, the 5-year business plan sets forth a goal to achieve ¥50 billion in cost reduction for indirect materials, and we have accomplished ¥13.2 billion and ¥16.2 billion of cost reductions in fiscal 2016 and fiscal 2017, respectively. Concerning the optimization of operating structures, in the past two years since the start of the 5-year business plan, we have sold or closed two bases within our R&D organization structures. We have also implemented optimization within our marketing & sales organization structures in Europe and the United States. We will further accelerate initiatives to enhance profit generation capabilities in the future.

(2) We will realize streamlining of total assets and enhance our total asset turnover ratio. We will aim at shortening the CFO (cash conversion cycle) and maintaining a balance with a stable supply, we will aggressively pursue optimization in inventories on a global basis. With regard to assets including real estate, we aim to realize liquidation of non-core assets at the appropriate timing while considering not only the necessity of the assets to business activities and their ability to be replaced, but also life-cycle costs (maintenance costs needed to maintain functions subject to deterioration and renovation costs required to improve the required performance) and business continuity plans (BCPs). With regard to capital expenditure, we will carry out efficient investments based on the order of priority. We also started the reduction of cross-shareholdings, and sold our holdings of 14 different stocks for a total amount of ¥17.3 billion in fiscal 2016, and 9 different stocks for a total of ¥14.4 billion in fiscal 2017. We will pursue further cost reductions in the future so as to achieve an appropriate level of capital efficiency.

(3) With regard to financial leverage, while taking the future of business and trends of financial markets into consideration, we will pursue the realization of the optimal ratio of capital to assets. How much should we return to shareholders and to what extent should we reduce equity by using cash generated from operating income, asset reduction, and debt increase? We will find out the best way and realize it.

2. Reducing Capital Cost

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

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

Toward the Improvement of Corporate Value

- Realization of Process Excellence
- Further Cost Reductions and Streamlining

- Exhaustive Risk Management Initiatives in ESG Issues
- Realization of Engagement by Reinforcing IR Activities
The Daiichi Sankyo Group’s value chain primarily encompasses research & development, biologics, pharmaceutical technologies, its supply chain, marketing & sales, medical affairs, and quality & safety management. In conjunction with this value chain, we operate our organization in an independent manner that draws on our unique strengths—Science & Technology, Global Organization & Talent, and Presence in Japan.

### Business Activities

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

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

### 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 prowess to efficiently manufacture high-quality pharmaceuticals while supporting the swift launch of new products, the stable supply and quality assurance of products, and the ongoing pursuit of cost reductions.

### Sales & Marketing Unit

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

### Biologics Unit

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

### Quality & Safety Management Unit

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

### Medical Affairs Unit

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

### Japan

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

### Overseas

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

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

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

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

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* Authorized generic (AG): Generic drug manufactured after receiving consent from the manufacturer of the original drug through the receipt of patent rights. The same ingredients, additives, and manufacturing processes as the original drug are used to create a generic drug of the same quality, as the original and authorized companies are granted priority permission to market these drugs ahead of other competitors by using the original drug’s patent rights.
Progress of the Sales & Marketing Unit’s 5-Year Business Plan

<table>
<thead>
<tr>
<th>Target</th>
<th>Major Achievements in Fiscal 2017</th>
<th>Initiatives for Fiscal 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhance Daiichi Sankyo’s reputation as a trusted medical partner by improving information provision activities based on the BRIDGE* concept</td>
<td>MRs ranked No. 1 for the sixth consecutive year</td>
<td>Aim to firmly maintain No. 1 ranking in MR assessment</td>
</tr>
<tr>
<td></td>
<td>*Survey conducted by Mix Online</td>
<td></td>
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<tr>
<td></td>
<td></td>
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</tr>
<tr>
<td>Maximize revenue by promoting field and product strategies</td>
<td>Earned highest revenue since the business merger</td>
<td>Construct systems and functions in response to environmental changes</td>
</tr>
<tr>
<td></td>
<td>• Earned the highest revenue since the business merger in fiscal 2017 thanks to the expansion of innovative pharmaceuticals, including LIXIANA, leading to No.1 ranking in domestic pharmaceutical/revenue for the second consecutive year</td>
<td>Promoted and enhanced area marketing</td>
</tr>
<tr>
<td></td>
<td>• All MRs have passed the certificate test for the eighth consecutive year (Total pass rate in fiscal 2017: 69.8%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• MRs ranked No. 1 in Japan in an overall assessment of MR activities including LIXIANA, leading to No.1 ranking in domestic pharmaceutical/revenue for the second consecutive year</td>
<td>Promote a multichannel approach</td>
</tr>
<tr>
<td></td>
<td>• All MRs have passed the certificate test for the eighth consecutive year</td>
<td></td>
</tr>
<tr>
<td></td>
<td>*Survey conducted by Mix Online</td>
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</tbody>
</table>

TOPICS

To Become an Innovative Group that Leads the Japanese Market

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

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

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

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

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

<table>
<thead>
<tr>
<th>Target</th>
<th>Major Achievements in Fiscal 2017</th>
<th>Initiatives for Fiscal 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthen the authorized generic (AG) lineup</td>
<td>Expanded product portfolio focused on AGs</td>
<td>Increase market shares by launching new products including AGs</td>
</tr>
<tr>
<td>Steadily launch AGs and other day-one generics* and gain market shares</td>
<td>Secured market shares with newly launched AGs</td>
<td>Increase market shares by launching new products including AGs</td>
</tr>
<tr>
<td>Step up coordination with partners in Japan and overseas</td>
<td>Promoted cost reductions with a view toward future environmental changes</td>
<td>Strengthen coordination with partner companies based on changes in the market environment</td>
</tr>
</tbody>
</table>

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#### TOPICS

Ensuring the AGs have even better competitive advantages

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

* ANTERIO Inc. “Recognition Survey on AGs”

### Business Units (Japan)

#### Vaccine Business Unit

Vaccine Business Unit (Vaccine Business)

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

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

<table>
<thead>
<tr>
<th>Target</th>
<th>Major Achievements in Fiscal 2017</th>
<th>Initiatives for Fiscal 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish stable and low-cost supply systems</td>
<td>Developed a pandemic influenza vaccine</td>
<td>Complete the establishment of a development and production system for pandemic influenza vaccines and maintain production systems in preparation for future pandemics</td>
</tr>
<tr>
<td>Increase market shares by launching new products including AGs</td>
<td>Secured profits by reducing costs</td>
<td>Completed the establishment of a development and production system for pandemic influenza vaccines and maintain production systems in preparation for future pandemics</td>
</tr>
<tr>
<td>Step up coordination with partner companies based on changes in the market environment</td>
<td>Promoted cost reductions resulting from increased efficiency</td>
<td>Develop and encourage early adoption of new influenza vaccines expected to be highly effective and new, highly convenient combination vaccines</td>
</tr>
</tbody>
</table>

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#### TOPICS

In Search for Synergy with Biotechnology

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

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

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

Yoshiki Nishi Daiichi Sankyo Healthcare Co., Ltd. President

■ Progress of Daiichi Sankyo Healthcare’s 5-Year Business Plan

<table>
<thead>
<tr>
<th>Target</th>
<th>Major Achievements in Fiscal 2017</th>
<th>Initiatives for Fiscal 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve product brand value in the OTC business</td>
<td>Grew smoothly in the mainstream area</td>
<td>Further expand the mainstream brands</td>
</tr>
<tr>
<td>Achieve the growth of the direct marketing business leveraging synergies with Im Co., Ltd., in the direct marketing business</td>
<td>Launched the new BRIGHTAGE skincare brand</td>
<td>Establishe BRIGHTAGE in the market</td>
</tr>
<tr>
<td>Overseas business: achieve independence</td>
<td>Established the Overseas Sales Department</td>
<td>Strengthen foundations to respond to changing market environment changes</td>
</tr>
<tr>
<td>Strengthen operating foundations to ensure responsiveness to market environment changes</td>
<td>Established the CS* Department and Product Strategy Department</td>
<td>Strengthen foundations to respond to changing consumer needs</td>
</tr>
</tbody>
</table>

*Abbreviation of quality of life.

TOPICS

Growth of the MINON Amino Moist skincare brand

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

Ken Keller Daiichi Sankyo, Inc. President

Daiichi Sankyo, Inc. (DSAC*)

TOPICS

Transformation and New Ways of Thinking to Set Ourselves Apart

Daiichi Sankyo, Inc. is creating an agile organization that transforms into a successful oncology company with the skills and insight to stay ahead of market dynamics in order to meet and exceed our customers’ needs. Future success in the US market will be possible only by bringing forward new medicines that help patients live longer, better quality lives compared with standard of care, and communicating each new medicine’s value. We remain inspired by the possibilities to achieve commercial excellence, but more importantly, to serve patients.
Luitpold is a developer, manufacturer and distributor of diversified pharmaceutical products. Our growing business comprises high quality injectable generics, branded iron and veterinary medicine use. Our capabilities allow us to develop and launch difficult-to-manufacture and complex generics. Luitpold employs around 1,000 people in the U.S. and we manufacture products within facilities in New York and Ohio. We market our products to hospitals, wholesalers, group purchasing organizations, veterinarians, and government agencies. Our broad portfolio of more than 30 marketed products is constantly evolving.

Ken Keller, Luitpold Pharmaceuticals, Inc. President & CEO

Business Units (United States)

Luitpold Pharmaceuticals, Inc.

TOpICS

Luitpold to be renamed to American Regent

Luitpold announced it will change its legal name to American Regent in January 2019. American Regent was the market-facing brand for Luitpold’s iron products and multisource injectable franchise, which represented more than 95% of revenue. The division’s relationships with Amergin Regent as the official corporate name supports our principles of customer-centricity and a deep commitment to and investment in U.S. sterile pharmaceutical manufacturing. American Regent is a strong, well-recognized, and well-respected brand and the new name reinforces our emphasis on strength and stability.

Business Units (Europe)

Daiichi Sankyo Europe GmbH

TOPICS

It is all about customer centricity!

We have made substantial headway to become more customer-centric over the last years by introducing the key ac-count model and establishing the necessary functions and roles to support it. The aim is to change the way we interact and work with our customers. We also encourage and challenge everyone to think and act differently. In our project ASPIRE we have analyzed what our customers expect from us. They want us to be committed, courageous, collaborative and to act with integrity – these values are the guiding principles of our daily work. They will make us even stronger as a company and help us to best meet our customers’ needs today and tomorrow.

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

Daiichi Sankyo Europe 5-Year Business Plan

Target

Successful Launches of LIXIANA

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

Maximize LIXIANA’s potential

• We continue maximizing LIXIANA by focusing on market share gains.
• We will achieve this by differentiating from competitors and by relentlessly implementing this strategy in all our activities.
• To leverage our cardiovascular success and heritage we are also looking at bringing additional specialty medicine* assets into our portfolio.

Focus on Gaining Market Share

• We continue focusing on preparing a successful launch of DS-8201 in 2019.
• In addition, through our medical affairs department, we are working closely with Cancer Enterprise® to ensure the successful development of DS-8201.

Establish oncology business

• Talented people have been attracted to build out a strong and competitive oncology organization capable of successfully introducing the pipeline assets.

Launching with Excellence

• Our focus is on preparing a successful launch of our cancer portfolio.

Daiichi Sankyo Europe 5-Year Business Plan

Target

Thorough Preparation

• We have been preparing diligently for the future oncology business.
• Our focus is on preparing a successful launch of our cancer portfolio.

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Daiichi Sankyo Europe 5-Year Business Plan

Target

Develop organization to further evolve into specialty care provider

• We are constantly evolving our organization to best provide our customers with solutions for the changing healthcare environment.

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

Evolve Together With Our Customers

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

• In FY 2018, we will keep focusing on how to best provide our customers with solutions for the changing healthcare environment.

Daiichi Sankyo Europe 5-Year Business Plan

Target

Adapt to upcoming oncology portfolio

• With the build-out of our oncology division over the last year, we have set the ground for future launches.

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

TOpICS

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Business Units (ASCA*)

ASCA Company

* Asia, South & Central America

The key words concerning the growth of the ASCA company are China, Liviana, and business development. In China, the world’s second-largest market, we aim to maximize sales through alliances. For Liviana, we will take full advantage of the customer base that we have established for Olmesartan and synergize both products. Regarding business development, we will explore new market by in-licensing local products with regional value and establishing new local corporations.

Hiroyuki Okuzawa  ASCA Company President

Business Activities

- Stepped up marketing activities for anticancer drugs.
- In-licensed local products in South Korea and Brazil. Obtained marketing approval for LATUDA in South Korea and obtained SAKIGAKE Designation (Duchenne muscular dystrophy) in Japan.
- Our R&D Unit has made efforts to achieve its annual numerical targets on a per development stage basis as the goals of the 5-year business plan, and it has acquired enriched pipelines, especially in the oncology field. We defined our new R&D 2025 Vision in order to launch those products as valuable ones and continue to develop pipelines. We will largely shift R&D investment to the oncology field, maximize the value of the ADC and AMI portfolio, and focus investment in the IMB area as its priority focused area. We will strive to generate innovative medicine-changing SOC.*1

Functional Units

R&D Unit

The R&D Unit has made efforts to achieve its annual numerical targets on a per development stage basis as the goals of the 5-year business plan, and it has acquired enriched pipelines, especially in the oncology field. We defined our new R&D 2025 Vision in order to launch those products as valuable ones and continue to develop pipelines. We will largely shift R&D investment to the oncology field, maximize the value of the ADC and AMI portfolio, and focus investment in the IMB area as its priority focused area. We will strive to generate innovative medicine-changing SOC.*1

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

Business Activities

- Achieved revenue of ¥90 billion (up 12.0% year on year).
- Expand the sales of existing mainstay products including Cravit, Olmetec, and Liviran significantly in China.
- Promoted diversity including the presence of women in the company.

Hiroyuki Okuzawa  ASCA Company President

Progress of the R&D Unit’s Plan

R&D 2025 Vision

- Become a leader of FIC*1/BIC*2/ADCs
- Obtain approval for DS-1205 (AML franchise) and DS-1040, DS-1062, DS-1205 (AXL inhibitor)

Major Achievements in Fiscal 2017

- Achieved revenue of ¥80.4 billion (up 11.4% year on year).
- New products, LIXIANA, gained a share of more than 20% in South Korea, achieving rapid expansion. The product steadily grew in all countries where it had been already launched including Taiwan, where its market share increased smoothly.

Initiatives for Fiscal 2018

- Stepped up marketing activities for anticancer drugs.
- In-licensed local products with regional value and synergize both products. Regarding business development, we will explore new market by in-licensing local products with regional value and establishing new local corporations.

Target

Maintain and expand sales of existing products

Quickly develop, launch, and expand sales of new products

Enhance portfolio of products matched to the specific needs of respective regions and countries

Accelerate new product development in China

Strengthen business capabilities and implement measures targeting growth markets with an eye to fiscal 2021 and beyond

Major Achievements in Fiscal 2017

- Out-licensed products in China, where we do not have subsidiary and stepped up marketing activities for anticancer drugs.
- Selected companies in the Philippines, Malaysia, and Singapore to out-license LIVIRAN.
- Expended up marketing activities for anticancer drugs in China.
- Strengthen business capabilities and expand bases in China.
- Improve profitability further by optimizing the alliance model in China.
- Consider establishing new sales bases in growth markets.

Initiatives for Fiscal 2018

- In-licensed products and steadily promoted development.
- Launch new product in China, LIXIANA in Brazil, and Effient in Taiwan.
- Strengthen the development structure in China and promote preparations for developing priority drugs including DS-8037 and mirogabalin.

Target

Achieve revenue of ¥90 billion (up 12.0% year on year)

Quickly develop, launch, and expand sales of new products

Enhance portfolio of products matched to the specific needs of respective regions and countries

Accelerate new product development in China

Strengthen business capabilities and implement measures targeting growth markets with an eye to fiscal 2021 and beyond

Major Achievements in Fiscal 2017

- Existing mainstay products including Olmetec and Cravit steadily grew in each country where they are marketed. Particularly in China, the promotion of alliances with local partners helped boost the sales of the two products above by more than 30%.
- New products, LIXIANA, gained a share of more than 20% in South Korea, achieving rapid expansion. The product steadily grew in all countries where it had been already launched including Taiwan, where its market share increased smoothly.

R&D 2025 Vision

- Become a leader of FIC*1/BIC*2/ADCs
- Establish a hematology cancer franchise

Major Achievements in Fiscal 2017

- Achieved revenue of ¥80.4 billion (up 11.4% year on year)
- Expand the sales of existing mainstay products including Cravit, Olmetec, and Liviran significantly in China.
- Increase the market share of LIXIANA in countries where it is marketed, expand sales regions by launching and marketing it by ourselves in Brazil, and introducing it into the market through partner companies in regions with no sales bases such as the Middle East and Indonesia.

Initiatives for Fiscal 2018

- Stepped up marketing activities for anticancer drugs.
- In-licensed local products with regional value and synergize both products. Regarding business development, we will explore new market by in-licensing local products with regional value and establishing new local corporations.

TOPICS

More Women Playing Active Roles in the ASCA Company

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

Manager positions at Daiichi Sankyo (Thailand)

TOPICS

Presented the R&D 2025 Vision at the R&D day

We presented the R&D 2025 Vision at the R&D day held on December 13, 2017. We aim to launch seven new compounds in the oncology field, our priority focused area, and five new compounds in the specialty medicine area between 2018 and 2025.

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We presented the R&D 2025 Vision at the R&D day held on December 13, 2017. We aim to launch seven new compounds in the oncology field, our priority focused area, and five new compounds in the specialty medicine area between 2018 and 2025.
The Biologics Unit is in charge of enhancing the development of Daiichi Sankyo’s technological biologics. Nowadays biologics (biological molecules such as therapeutic antibodies and cells, and synthetic chemicals such as nucleic acids) have diversified. Biologics Unit quickly building the technology required for development of biologics from molecular design phase to commercial production phase. In addition, Biologics Unit is aiming to be an in-house center of excellence that cultivates and provide talent in biologics through the development of advanced technology, and in this way serve as an engine for sustained corporate growth.

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

### Functional Units

#### Biologics Unit

**Progress of the Biologics Unit 5-Year Business Plan**

<table>
<thead>
<tr>
<th>Target</th>
<th>Major Achievements in Fiscal 2017</th>
<th>Initiatives for Fiscal 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop manufacturing technologies and accelerate clinical development for biologics</td>
<td>Developed an antibody manufacturing process for DS-8201</td>
<td>Establish an antibody manufacturing process for commercial production</td>
</tr>
<tr>
<td></td>
<td>Manufactured product candidates using proprietary Daiichi Sankyo technologies</td>
<td>Technology transfer to manufacturing company in Daiichi Sankyo group</td>
</tr>
<tr>
<td></td>
<td>Developed cutting-edge technologies and apply them to product candidates</td>
<td>Manufactured antibodies for clinical studies in a timely manner</td>
</tr>
<tr>
<td></td>
<td>Developed a new drug discovery approach based on modalities</td>
<td>Promoted drug discovery activities based on modalities</td>
</tr>
<tr>
<td></td>
<td>Promoted drug discovery initiatives</td>
<td>Established a process to swiftly manufacture products under development</td>
</tr>
<tr>
<td></td>
<td>Enhanced drug discovery activities</td>
<td>Elevate research and development with timely manufacturing</td>
</tr>
<tr>
<td></td>
<td>Promoted drug delivery technologies</td>
<td>Established a process to swiftly manufacture products under development</td>
</tr>
<tr>
<td></td>
<td>Promoted drug delivery technologies</td>
<td>Created new biologicals using proprietary Daiichi Sankyo original technology</td>
</tr>
<tr>
<td></td>
<td>Promoted cell therapy projects</td>
<td>Promoted turning out proprietary technologies into a platform and reducing costs</td>
</tr>
<tr>
<td></td>
<td>Established an R&amp;D structure for joint research with Zymeworks Inc.</td>
<td>Deploy cutting-edge technologies and apply them to product candidates</td>
</tr>
<tr>
<td></td>
<td>Developed an antibody manufacturing process for DS-8201</td>
<td>Constructed systems to efficiently provide investigational drugs and performed process work</td>
</tr>
<tr>
<td></td>
<td>Implemented measures for CMC towards submitting an application for approval of DS-8201</td>
<td>Obtained new bi-specific antibodies through joint research with Zymeworks Inc.</td>
</tr>
<tr>
<td></td>
<td>Established an R&amp;D structure for joint research with Zymeworks Inc.</td>
<td>Developed high-value-added formulations, reduce costs, and establish new production methods</td>
</tr>
<tr>
<td></td>
<td>Manufactured product candidates using proprietary Daiichi Sankyo technologies</td>
<td>Established an R&amp;D structure for joint research with Zymeworks Inc.</td>
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<td></td>
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<tr>
<td></td>
<td>Developed cutting-edge technologies and apply them to product candidates</td>
<td>Promoted turning out proprietary technologies into a platform and reducing costs</td>
</tr>
<tr>
<td></td>
<td>Established an R&amp;D structure for joint research with Zymeworks Inc.</td>
<td>Created new modalities for drug discovery themes including gene therapy</td>
</tr>
<tr>
<td></td>
<td>Established an R&amp;D structure for joint research with Zymeworks Inc.</td>
<td>Promote development of modality production technology and expand the scope of its application</td>
</tr>
<tr>
<td></td>
<td>Established an R&amp;D structure for joint research with Zymeworks Inc.</td>
<td>Obtained new bi-specific antibodies through joint research with Zymeworks Inc.</td>
</tr>
<tr>
<td></td>
<td>Established an R&amp;D structure for joint research with Zymeworks Inc.</td>
<td>Applied a new nucleic acid delivery technology to vaccines (see TOPICS)</td>
</tr>
</tbody>
</table>

**TOPICS**

- Approaches to New Nucleic Acid Delivery Technology
  - Lipid nanoparticle – mRNA (LNP-mRNA) –
  - LNP-mRNA can express different proteins in the body by replacing its mRNA. This expands the possibilities for creating a variety of vaccines as well as drugs that may be effective for genetic disorders while using the same manufacturing technology, and there is a need for turning this into a platform. Following a related project being adopted by the Japan Agency for Medical Research and Development (AMED), we will work on developing technology platforms that help to quickly create vaccines against new viral infectious diseases.

### Functional Units

#### Pharmaceutical Technology Unit

**Progress of the Pharmaceutical Technology Unit’s 5-Year Business Plan**

<table>
<thead>
<tr>
<th>Target</th>
<th>Major Achievements in Fiscal 2017</th>
<th>Initiatives for Fiscal 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accelerate and improve the efficiency of oncology development</td>
<td>Application-related works and on-time technology transfer</td>
<td>Steadily perform application-related works and technology transfer</td>
</tr>
<tr>
<td></td>
<td>Established application strategies that enabled DS-8201 to receive the Breakthrough Therapy Designation in US and the SAKIGAKE Designation in Japan</td>
<td>Steadily promote technology transfer toward an application for approval of DS-8201 and its launch planned in or after fiscal 2019 pending regulatory approval</td>
</tr>
<tr>
<td></td>
<td>Established application strategies that enabled DS-8201 to receive the Breakthrough Therapy Designation in US and the SAKIGAKE Designation in Japan</td>
<td>Prepared materials to apply for EU/US/FDA for the approval of quar.dev and applying in the US for the approval of quar.dev, and proceed with talks related to the construction of commercial manufacturing systems</td>
</tr>
<tr>
<td></td>
<td>Established analytical technologies that help to stably ensure the quality of ADC substances and formulations</td>
<td>Further streamline the supply of investigational drugs and comparisons</td>
</tr>
<tr>
<td></td>
<td>Established an R&amp;D structure for joint research with Zymeworks Inc.</td>
<td>Enhanced key technologies of biologics (ADCs) manufacturing platforms</td>
</tr>
<tr>
<td></td>
<td>Established an R&amp;D structure for joint research with Zymeworks Inc.</td>
<td>Manufactured ADC substances and formulations and developed analytical technologies</td>
</tr>
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<td></td>
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<td></td>
<td>Established an R&amp;D structure for joint research with Zymeworks Inc.</td>
<td>Developed a new method to produce nucleic acid monomers*</td>
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**TOPICS**

- To Increase the Added Value of Pharmaceuticals Based on Our Excellent Technologies
  - To increase the added value of pharmaceuticals (such as ease of use), we are striving to research underlying technologies and to develop technologies for various dosage forms. We have developed a wide range of high-value-added pharmaceuticals including dry syrup that can be used either as granules or as a liquid and narcotic formulations with an abuse-deterrent function, as well as orally disintegrating tablets, immediate-release tablets, and extended-release tablets. In fiscal 2018, we are planning to apply for approval for twice mucolub, an anti-inflammatory agent, for patients who find it difficult to take powder inhalations.

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$\text{Functional Units}$

### Supply Chain Unit

The Supply Chain Unit is in the process of transforming. We are transitioning towards a structure that will support anticancer drugs and biologics, making aggressive capital investments and developing our human resources to enhancing the manufacturing ability of ADCs. Furthermore, we have improved manufacturing and supply of edoxaban which sustain recent growth globally, supporting our recent rapid growth. By continuing launch activities and maintaining stable supply of regional value product, we are reducing costs and contributing to far-reaching of the Group.

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

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

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<td>Transform and rebuild supply chain structures adapted to changes in the product mix</td>
<td>Constructed a manufacturing system for anticancer drugs and biologics</td>
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</tr>
<tr>
<td></td>
<td>Expanded a manufacturing system by promoting capital investments such as new ADC manufacturing facilities including DS-8201</td>
<td>• Proceed with establishment of manufacturing facilities for API and DP without delay in accordance with the development plan of the ADC franchise</td>
</tr>
<tr>
<td></td>
<td>Formulated a roadmap for securing and developing human resources in order to secure personnel in charge of biologics, and enhance their skills, and promoted various initiatives for transformation of supply chain structures.</td>
<td>• Secure and develop human resources in accordance with the roadmap for securing and developing human resources in biologics field</td>
</tr>
<tr>
<td>Construct a supply chain in response to the growth of existing and new products and respond to new technologies</td>
<td>Improved a supply system for edoxaban</td>
<td>Establish a global supply system for edoxaban</td>
</tr>
<tr>
<td></td>
<td>Responded to the need for increased production because of sales growth in Japan and Europe</td>
<td>• Secure a stable supply by increasing production capacity which meets growing demand due to anticipated product launch in various countries</td>
</tr>
<tr>
<td></td>
<td>Prepared a product supply system in anticipation of future launches in other countries including China and Brazil</td>
<td>Establish a manufacturing and supply system for cutting-edge pharmaceutical products</td>
</tr>
<tr>
<td></td>
<td>Prepared a manufacturing system according to domestic launch schedules for esomeprazole and micogabalin</td>
<td>• Promote preparation for launch on schedule in anticipation of approval of DS-8201 launch</td>
</tr>
<tr>
<td></td>
<td>Established a manufacturing system for esomeprazole AG</td>
<td>• Establish a manufacturing and supply system that corresponds to new technologies such as a cold chain system for call therapy</td>
</tr>
<tr>
<td>Promote cost reduction activities and attain results globally</td>
<td>Reinforced continuous profit generation by cost reductions</td>
<td>Reinforce continuous profit generation by cost reductions</td>
</tr>
<tr>
<td></td>
<td>Realized a decrease of more than ¥15.0 billion in manufacturing costs in comparison with fiscal 2015 by reducing manufacturing and supply-related costs including procurement for direct materials and facility procurement.</td>
<td>• Promote manufacturing cost reduction by considering low-cost processes from various viewpoints including procurement and technical factors</td>
</tr>
</tbody>
</table>

#### Medical Affairs Unit

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

Kohei Wada  Head of Medical Affairs Unit

#### Progress of MA Unit’s 5-Year Business Plan

<table>
<thead>
<tr>
<th>Target</th>
<th>Major Achievements in Fiscal 2017</th>
<th>Initiatives for Fiscal 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generate and disseminate scientific evidence on edoxaban</td>
<td>Generated scientific evidence for edoxaban</td>
<td>Constructed oncology foundation</td>
</tr>
<tr>
<td></td>
<td>• Conducted many clinical research studies domestically and globally</td>
<td>• Developed medical strategies (evidence generation / dissemination strategies to maximize product values*) for futemine and DS-8201 by activating global oncology MA</td>
</tr>
<tr>
<td></td>
<td>• Completed enrollment of the largest-scale registry study in Japan targeting elderly people with significantly shorter times than anticipated</td>
<td>* Contribution to patient treatment in the medical field</td>
</tr>
<tr>
<td></td>
<td>• Medical Science Liaison (MSL)’s started activities</td>
<td>• Introduce oncology MSL in Japan like other regions</td>
</tr>
<tr>
<td></td>
<td>• Position responsible for collecting clinical evidence and educating and answering all medical information provided to medical professionals and researchers and by promoting clinical research and academic activities.</td>
<td>• Promote MA activities for other priority products and follow-up hemophilia PELLENTUM studies</td>
</tr>
<tr>
<td>Generate and disseminate scientific evidence in the oncology field</td>
<td>Generated evidence on priority products</td>
<td>Establish launch readiness for oncology products</td>
</tr>
<tr>
<td></td>
<td>• Engaged aggressively in scientific evidence generation on priority products such as prasugrel in the two PELLENTUM studies, memantine and dorzolamide</td>
<td>• Construct a lead registration in the medical field</td>
</tr>
<tr>
<td></td>
<td>• Started the open application of investigator-initiated clinical research in Japan</td>
<td>• Introduce oncology MSL in Japan like other regions</td>
</tr>
<tr>
<td>Sophisticate MA system in response to environmental changes</td>
<td>Established Global MA Unit</td>
<td>Reinforce infrastructures for the Global MA system</td>
</tr>
<tr>
<td></td>
<td>• Established Global MA Unit and constructed systems processes and mechanisms.</td>
<td>• Strengthen the global system</td>
</tr>
<tr>
<td></td>
<td>• Completed adaptation to the new Clinical Trials Act by the end of this year</td>
<td>• Complete adaptation to the new Clinical Trials Act by the end of this year</td>
</tr>
<tr>
<td>Improve customer satisfaction, enhance medical information, and entercom practice of utilizing Voice of Customer (VOC)</td>
<td>Ranked No.1 for three consecutive years</td>
<td>Create more sophisticated Medical Information Department’s functions</td>
</tr>
<tr>
<td></td>
<td>• Our call center was ranked No.1 among pharmacists in health insurance pharmacies for three consecutive years based on a survey conducted by outside research company</td>
<td>• Aim to continue to be ranked No.1 among pharmacists in health insurance pharmacies for four consecutive years</td>
</tr>
<tr>
<td></td>
<td>•Introduced the industry’s first AI (refer to TOPICS)</td>
<td>• Expand AI functions for MSLs</td>
</tr>
<tr>
<td></td>
<td>• Reflected customer opinions to improve our products</td>
<td>• Promote use of VOC and establish a system to provide oncology medical information</td>
</tr>
</tbody>
</table>

#### TOPICS

**Striving to be a “reliable supply chain with technological innovation”**

Our duty is to improve raw material procurement, manufacturing, delivery, and our diverse technologies that support these factors, realize continuous cost reductions while maintaining the quality required by the market, and reinforce the foundations for corporate growth.

We will fulfill those duties through the following initiatives: establishment of a stable supply system for small molecular drugs including vaccines and biopharmaceuticals in collaboration with business bases and factories in the United States, Europe, Brazil, China, and especially Japan; establishment of an efficient manufacturing system for early introduction of new facilities-technologies that helps to realize the accelerated development and launch of products in the oncology field; and daily challenge to technological innovation.

**Striving to be the unparalleled No.1 by introducing the industry’s first AI system**

In April 2018, the Medical Information Center started inquiry response operations incorporating a call center support system that utilizes AI (artificial intelligence). This AI system comprehends the intent and meaning of inquiries, making it possible to swiftly deliver optimized information to patients and healthcare professionals by instantly finding closely-related ODA data. Going forward, we will aim to continuously offer industry-top customer services by effectively using these AI technologies.
**Business Activities**

**Quality & Safety Management Unit**

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

Hirosumi Izawa  Head of the Quality & Safety Management Unit

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

<table>
<thead>
<tr>
<th>Target</th>
<th>Major Achievements</th>
<th>Initiatives for Fiscal 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continue the post-marketing surveillance on edoxaban and prasugrel to create additional evidence</td>
<td>Continued the post-marketing surveillance on mainstay products and obtained additional real-world evidence</td>
<td>Promote post-marketing surveillance on mainstay products and create additional evidence</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</td>
<td>Establish a quality assurance system for products in new areas</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</td>
<td>Reinforce safety measures for new and mainstay products</td>
</tr>
</tbody>
</table>

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**Functional Units**

**Quality & Safety Management Unit**

**PDCA Cycle for Transformation**

For oncology products, it is necessary to promptly provide healthcare professionals with information on the possibilities of side effects and process of treatments so that side effects on patients can be prevented or minimized and patient can receive the benefits of the drugs. The Quality & Safety Management Unit will launch a cross-department project in order to understand the needs of healthcare professionals and to build a framework to deliver information to those in need of it at the best time and in the best manner.

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**CSR Activities**

**CSR Management**

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

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

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

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

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

**DAIIICHI SANKYO Group Corporate Conduct Charter**

The DAIIICHI SANKYO Group fulfills its mission to: To contribute to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs. We comply with laws, regulations, and rules regarding global corporate activities, and act with the highest ethical standards and a good social conscience appropriate for a company engaged in a business that affects human lives based on the following principles.

We fully fulfill our CSR by actively responding to an ever-changing society and enacting improvements for corporate value.

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

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

**Article 3** We actively communicate with our stakeholders by disclosing corporate information in a timely and appropriate manner in accordance with the principles of corporate accountability. We take appropriate measures to manage and protect personal and customer information and the confidential information of our and other companies.

**Article 4** We respect diversity in the personal values, qualities and individuality of our employees, and ensure a safe and working environment that does not tolerate inappropriate treatment such as discrimination or harassment. We provide employees with the opportunity to develop their skills and abilities for the mutual development of the employees and the corporation.

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

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

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

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

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

The Group conducts activities to contribute to “Goal 2: Ensure healthy lives and promote wellbeing for all at all ages” of the Sustainable Development Goals (SDGs), particularly as a measure towards ever-changing sustainability issues. The SDGs are a set of goals for 2030 to address the key issues facing the world, and have been adopted by the member states of the United Nations. Seventeen goals to be accomplished by 2030 have 169 targets.

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

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**TOPICS**

**PDCA Cycle for Transformation**

For oncology products, it is necessary to promptly provide healthcare professionals with information on the possibilities of side effects and process of treatments so that side effects on patients can be prevented or minimized and patient can receive the benefits of the drugs. The Quality & Safety Management Unit will launch a cross-department project in order to understand the needs of healthcare professionals and to build a framework to deliver information to those in need of it at the best time and in the best manner.

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**A list of the Daiichi Sankyo Group’s initiatives related to the SDGs is available on the corporate website.**

The Daiichi Sankyo Group’s CSR Activities

CSR Activities Based on the DAIICHI SANKYO Group Corporate Conduct Charter

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

Identifying materiality in CSR activities and classifying their priority areas

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

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

<table>
<thead>
<tr>
<th>Priority areas for activities</th>
<th>Materiality (36 items)</th>
<th>Examples of Initiatives</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal development of employees</td>
<td>- Enhancement of communication with stakeholders</td>
<td>- Establishment of Sustainable Procurement Guideline</td>
<td>81</td>
</tr>
<tr>
<td>Environmental protection</td>
<td>- Environmental management</td>
<td>- Conduct social contribution activities</td>
<td>82</td>
</tr>
<tr>
<td>Social development</td>
<td>- Social responsibility</td>
<td>- Conduct social contribution activities</td>
<td>83</td>
</tr>
<tr>
<td>Health management</td>
<td>- Health management</td>
<td>- Conduct social contribution activities</td>
<td>84</td>
</tr>
<tr>
<td>Economic growth</td>
<td>- Economic growth</td>
<td>- Conduct social contribution activities</td>
<td>85</td>
</tr>
<tr>
<td>Overall management</td>
<td>- Overall management</td>
<td>- Conduct social contribution activities</td>
<td>86</td>
</tr>
</tbody>
</table>

*2 An international guidance standard aimed at helping companies and other organizations assess and address the social responsibilities relevant to their business frameworks aimed at realizing sustainable growth.*
Promotion of CSR Activities

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

Extracting CSR issues

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

Prioritizing issues

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

Stakeholder communication

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

Appropriate responses to priority issues

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

The CSR management cycle

Prioritizing issues

Directions on important issues

Dialogue

Stakeholder communication

Sharing

Examining

The first Japanese corporation to be listed for the pharmaceutical “World Index”

The company has been selected for the “Silver Class” of Swiss-based RobecoSAM Sustainability Award Silver Class 2018, “FTSE4Good,” “FTSE Blossom Japan,” “MSCI Japan Empowering Women (WIN) Select Index,” “MICSA Japan Value Report 2018”

Extracting CSR issues

Appropriate responses to priority issues

The first Japanese company to be listed for the pharmaceutical “World Index”

The company has been selected for the “Silver Class” of Swiss-based RobecoSAM Sustainability Award Silver Class 2018.

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

To address sustainability issues, we pursue ongoing improvements to our corporate values by integrating our CSR activities with business activities. These efforts have been highly appreciated, resulting in the Group being as the first Japanese corporation selected for the “DJSI World Index” pharmaceutical sector in September 2017.

Promotion of CSR Activities

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

In April 2018, we established a global “Access to Healthcare Policy” that addresses our goal to unite as a company towards global health. The policy summarizes research and development, pharmaceutical technologies, manufacturing, sales and marketing, quality & safety management.

We also recognize the importance of promoting CSR in the supply chain, and revised the “Global Procurement Policy,” the highest-level policy for procurement, in October 2017, along with revising the “Sustainable Procurement Guideline.” The Daiichi Sankyo Group takes appropriate measures toward various sustainability issues including social/environmental issues such as human rights, gender equality, prevention of corruption, environmental conservation and global health.

The first Japanese corporation to be listed for the pharmaceutical “World Index”

The company has been selected for the “Silver Class” of Swiss-based RobecoSAM Sustainability Award Silver Class 2018.

An index that reflects the performance of companies demonstrating strong environmental, social, and governance (ESG) practices, established by FTSE Russell, a global index provider and wholly-owned subsidiary of London Stock Exchange Group plc. The FTSE4Good index series is used as a benchmark for investors to identify corporations that have overall good performance in ESG initiatives. The company has been selected for ten consecutive years as a component of the FTSE4Good Global Index from 2009.

The first Japanese company to be listed for the pharmaceutical “World Index”

The company has been selected for the “Silver Class” of Swiss-based RobecoSAM Sustainability Award Silver Class 2018.

An industry-neutral benchmark that reflects the performances of companies demonstrating strong environmental, social, and governance (ESG) practices in Japan, established by FTSE Russell, a global index provider and wholly-owned subsidiary of London Stock Exchange Group plc. The FTSE Blossom Japan Index is also used for sustainable investments and widely applied in creating and assessing other financial products and funds. It has been newly selected by the Government Pension Investment Fund (GPIF) as an ESG Index. Through third-party screening, the company has fulfilled the requirements to enter the FTSE Blossom Japan Index, and has been selected two years in a row for this index.

The first Japanese company to be listed for the pharmaceutical “World Index”

The company has been selected for the “Silver Class” of Swiss-based RobecoSAM Sustainability Award Silver Class 2018.

The MSCI Japan Empowering Women (WIN) Select Index is one of three indices selected by the Government Pension Investment Fund (GPIF) as an ESG Index in Japanese stocks. It assesses gender diversity in corporations such as the female ratio among new recruits, employees, average work years and the ratio of female executives, and compresses corporations that excel in these factors. In June 2018, the Company was included in this index for the first time.

The first Japanese company to be listed for the pharmaceutical “World Index”

The company has been selected for the “Silver Class” of Swiss-based RobecoSAM Sustainability Award Silver Class 2018.

Selected consecutively for two years

The Company has been included in this index for ten consecutive years beginning with 2008.

The first Japanese company to be listed for the pharmaceutical “World Index”

The company has been selected for the “Silver Class” of Swiss-based RobecoSAM Sustainability Award Silver Class 2018.

The MSCI Japan Empowering Women (WIN) Select Index is one of three indices selected by the Government Pension Investment Fund (GPIF) as an ESG Index in Japanese stocks. It assesses gender diversity in corporations such as the female ratio among new recruits, employees, average work years and the ratio of female executives, and compresses corporations that excel in these factors. In June 2018, the Company was included in this index for the first time.
No matter how successful or strongly performing a company may be, it will be unable to continue corporate activities within society if it does not practice good compliance. Therefore, as a global pharmaceutical company, the Daiichi Sankyo Group practices management founded on compliance.

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

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

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

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

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

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

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

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

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

Mutual Growth of Employees and the Company

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

Basic Policy

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

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

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

CSR Highlights

<table>
<thead>
<tr>
<th>Targets</th>
<th>Fiscal 2017 Accomplishments</th>
</tr>
</thead>
</table>
| Human resources development to realize value creation and secure competitive advantage through our Core Values of innovation, integrity, accountability, and respect for diversity | Promoted Group talent management  
Obtained the highest grade of Enuboshi certification for promoting women’s participation and advancement in the workplace (in 2018)  
Selected for the 2018 Certified Health and Productivity Management Organization — White 500 (Fiscal 2018) |

How we adress CSR issues

Group Talent Management

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

- Regional Initiatives
We have been organizing structures to develop future leaders in Japan, the U.S., Europe and ASCA. For example, in the ASCA region, we select candidates for next generation leaders from each country, and hold joint training sessions at our Headquarters in Japan. Participants boost/develop their leadership capabilities while debating/exchanging opinions on expansion and growth in emerging markets.
To ensure these initiatives are carried out, HR representatives from Japan, the U.S., Europe and ASCA region meet regularly to exchange information on the progress of shared global initiatives as well as regional initiatives.

- Acquisition of the Highest Level of Eruboshi Certification for Promoting Women’s Participation and Advancement in the Workplace
In May 2018, Daiichi Sankyo obtained the highest level (Grade 3) of “Enuboshi” certification for promoting women’s participation and advancement in the workplace. Under the Act on Promotion of Women’s Participation and Advancement in the Workplace which went into effect in April 2016, the Japanese Minister of Health, Labour and Welfare grants “Enuboshi” certifications to companies with outstanding efforts in implementing initiatives to empower the women in its workplace. We have provided opportunities for development based on each individual’s potential and aptitude for a job, and will continue to improve the environment that helps realze growth in every individual. Daiichi Sankyo and its Japanese affiliates have childcare support systems that help employees to make a smooth return to work from childcare leave as well as to assist balance work with childcare upon return. At the same time, we are actively building a workplace environment in which the systems are easily used without hesitation. As a result, we have obtained the “kurumin” next-generation authorization mark certification from the Japanese Ministry of Health, Labour and Welfare.

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

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

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

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

Promotion of Occupational Health and Safety

The Daiichi Sankyo Group organizes health-related initiatives including the appointment of a CHO.

- Regional Initiatives
We have been organizing structures to develop future leaders in Japan, the U.S., Europe and ASCA. For example, in the ASCA region, we select candidates for next generation leaders from each country, and hold joint training sessions at our Headquarters in Japan. Participants boost/develop their leadership capabilities while debating/exchanging opinions on expansion and growth in emerging markets.
To ensure these initiatives are carried out, HR representatives from Japan, the U.S., Europe and ASCA region meet regularly to exchange information on the progress of shared global initiatives as well as regional initiatives.

- VOICE

Establishing Performance Indicators Related to Employee Health Maintenance and Improvement

Daiichi Sankyo has established an environment in which employees can proactively maintain their health. We believe this will promote behavioral changes that will result in preventing health problems in the future.

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

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

Takashi Munesue
Employee Relations Group, Human Resources Department, Corporate Affairs Division
Daiichi Sankyo Co., Ltd.
Responding to the social demands and expectations for the Daiichi Sankyo Group is crucial to the sustainability of corporate activities. We therefore communicate with our various stakeholders to foster mutual understanding, while pursuing cooperation.

Basic Policy

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

CSR Activities

Enhancement of Communication with Stakeholders

Communication with Shareholders and Investors

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

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

As a result of our IR activities, we received approximately 350 inquiries from shareholders, investors, and other market players. These inquiries included questions about the Group’s financial performance, business strategies, and management philosophy. In response to these inquiries, we have provided detailed explanations and information through various communication channels.

Communication with Healthcare Professionals

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

In fiscal 2017, we made the decision to introduce a call center support system using AI (artificial intelligence), and the Medical Information Center was immediately recognized for its swift and accurate responses. Our Medical Information Center has received the highest praise and trust in its responses to inquiries. The Center takes care in responding to inquiries courteously as a representative of the Company, and strives daily to make inquirers feel happy to have contacted Daiichi Sankyo. To further enhance the quality of the responses, we have started running a call center support system using AI (artificial intelligence) in April 2018, enabling us to promptly deliver necessary and optimal information. Daiichi Sankyo aims to achieve even greater satisfaction with our AI inquiry response system going forward.

How we address CSR issues

Maturity: Improve customer satisfaction

Aiming for being a trusted medical partner

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

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

Response to Inquiries from Patients and Healthcare Professionals

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Communication with Local Communities

Located in the Nihonbashi district of Tokyo, which has historically been associated with medicine, the Daiichi Sankyo Kusum Museum is used in various ways including company training, school trips, and industry research by job hunters. This facility is entering its seventh year of operation in 2018, and a total of 100,000 people have visited over the years.

The Company updates its corporate website with information on other initiatives. https://www.daiichisankyo.com/about_us/responsibility csr_business/communication/index.html

Voice

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

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

Rika Nagasaki
Medical Information Center Group I, Medical Information Department, Medical Affairs Division, Daiichi Sankyo Co., Ltd.
As the impact of various environmental factors increases, we will need to help realize a sustainable society if we are to continue our corporate activities. Accordingly, we are promoting environmental management in order to reduce our environmental impact, manage environment risks and address climate change issues across the entirety of our business operations.

### Basic Policy

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

#### CSR Activities

**Promoting Environmental Management**

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

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**How we address CSR issues**

**Enhancing Environmental Management System**

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

**Optimizing the Environmental Management System**

Operating sites that use large amounts of energy for manufacturing have acquired the certification of ISO14001, the international standard for the Environmental Management System (EMS). We acquired ISO14001 multi-site certification in January 2018. The certification covers CSR Department, all production sites in Japan and newly added Kitamoto site of Kitasato Daiichi Sankyo Vaccine. The objective of acquiring the certification is to strengthen governance of environmental management. Other operating sites have established and comply with the “Daiichi Sankyo Group Environmental Management System Standard Documents” to build an EMS according to the ISO14001 standards.

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

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

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**Auditing Environmental Management**

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

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**Materiality**

*Initiatives for Climate Change*

**Efforts for Saving Energy and Combatting Global Warming**

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

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**Fulfilling "Integrate EMS and Business Activities" for ISO14001**

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

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

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**VOICE**

Tomohiro Azetsu

General Affairs Division, Kitasato Daiichi Sankyo Vaccine Co., Ltd.
Improving Access to Healthcare

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

Basic Policy

At the Daiichi Sankyo Group, our mission is “to contribute to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs.” Seeking to accomplish this mission, the Daiichi Sankyo Group utilizes various internal capitals such as human capital, intellectual capital, financial capital, and social and relationship capital through partnerships and open innovation. With these resources, we are able to take advantage of the Company’s strengths in terms of science and technology, its global organization and talent, and solid presence in Japan in order to advance our business activities, thereby contributing to the evolution of society.

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

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

CSR Highlights

<table>
<thead>
<tr>
<th>Targets</th>
<th>Fiscal 2017 Accomplishments</th>
</tr>
</thead>
<tbody>
<tr>
<td>› Addressing unmet healthcare needs</td>
<td>› Establishing the Daiichi Sankyo Group’s Access to Healthcare Policy</td>
</tr>
<tr>
<td>› Resolving access barriers to essential healthcare caused by social factors such as public health, education and income inequality</td>
<td>› Continued initiatives targeting rare diseases</td>
</tr>
<tr>
<td></td>
<td>› Kitasato Daiichi Sankyo Vaccine has received the “Vietnamese Minister of Health’s Certificate of Good Performance Award”</td>
</tr>
</tbody>
</table>

How we adress CSR issues

Maturity Approaches to global health

Participation in the Global Health Innovative Technology Fund

The Daiichi Sankyo Group has been funding the Global Health Innovative Technology (GHT) Fund for its first phase, five years since its establishment in April 2013. Created to promote the development of drugs for combating infectious diseases in developing countries, the GHT Fund is a public-private partnership originating in Japan and supported by the government of Japan, six Japanese pharmaceutical companies, and the Bill & Melinda Gates Foundation. During this time, the Fund has contributed to the progress of many innovative product developments through its investments. The Group is participating in joint development with the Fund by utilizing its compound library (comprising of small molecules and natural substances) in a screening program through the Fund to explore candidate compounds to treat malaria and neglected tropical diseases (NTDs), namely leishmaniasis and Chagas disease. This program is at the lead-compound optimization stage for malaria and the lead-compound creation stage for leishmaniasis and Chagas disease.

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

Continued initiatives targeting rare diseases

The Group has been expanding healthcare access to fight rare diseases as one of its initiatives toward resolving social issues related to health and medical care. We supply pharmaceuticals such as Bepotast®, Metyllulene Blue®, and Gabapentin® for rare diseases. Daiichi Sankyo also provides DS-5141 (treatment for Duchenne muscular dystrophy), which is being jointly developed with the Orphan Disease Treatment Institute™, and G4731 (DS-1647: oncolytic virus), which is being jointly developed with Professor Tomoki Todo of the Institute of Medical Science of the University of Tokyo. Each treatment has been designated for the Sakigake Designation System™, and the G4731 has been specified as an orphan regenerative medical product. In this way, we continue to strive to resolve issues related to rare diseases by applying our external resources such as joint development in addition to our in-house resources.

For non-communicable diseases (NCDs) in low-income and lower-middle income countries, since fiscal 2011 to contribute to regions where medical infrastructure, doctors, and transportation to hospitals are all insufficient. In line with the Goal 3 of the SDGs, we make efforts to improve the ratio of pregnant women who receive prenatal examinations as well as the ratio of children receiving vaccines in areas with healthcare access issues such as high infant and mother mortality rates. Daiichi Sankyo is also focusing on training community healthcare workers to support these activities.

Healthcare services in Tanzania and China

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

* An Initiative through which 24 pharmaceutical companies from Japan, the United States, and Europe work together with The World Bank Group and the Union for International Cancer Control to improve prevention, diagnosis, and treatment options for non-communicable diseases (NCDs) in low-income and lower-middle income countries.

Cultivation of Healthcare Workers in China

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

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

Improving Access to Healthcare

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

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

External Voice

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

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

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

Ikuho Sato
Deputy National Director, General Manager, Plan International Japan

Social Contribution Activities

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

Basic Policy
The Daiichi Sankyo Group has established the Basic Group
Social Contribution Policy, which guides various initiatives
that contribute to the advancement of medicine and
pharmacology, and society as a whole. We perceive social
contribution activities as “social investments” when
proceeding with our activities, actively highlighting social
issues that need attention and conducting social
contribution activities with our own corporate resources.
The Group also focuses on cooperation and collaboration
with organizations such as NPOs and NGOs to reinforce
activities that aim to resolve social issues. Furthermore, we
create opportunities and implement environmental
improvements that allow employees to actively participate
in social activities such as providing volunteer vacations.

CSR Highlights

<table>
<thead>
<tr>
<th>Targets</th>
<th>Fiscal 2017 Accomplishments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promote activities based on global and regional needs</td>
<td>Held the “Daiichi Sankyo Presents Family Tie Theater” program</td>
</tr>
<tr>
<td>Reconstruction support following the Great East Japan Earthquake</td>
<td>Supported overseas forest restoration projects, which are long-term reconstruction assistance measures for the Great East Japan Earthquake</td>
</tr>
</tbody>
</table>

How we address CSR issues

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

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

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

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

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

Initiatives to reinforce corporate governance

- Appointed Members of the Board (Outside) (four out of ten members are Members of the Board (Outside))
- Established Audit & Supervisory Board (two out of four members are Members of the Audit & Supervisory Board (Outside))
- Introduced Corporate Officer System
- Established Nomination Committee and Compensation Committee (the majority is comprised of Members of the Board (Outside))
- Introduced a share remuneration-type stock option plan

Characteristics of Daiichi Sankyo’s Corporate Governance

- To clarify the management responsibility of Members of the Board and reinforce their oversight of management and the conduct of operations, their terms of office are set at one year and four out of nine Members of the Board are Members of the Board (Outside).
- To ensure management transparency, nomination of candidates for Members of the Board and Corporate Officer and compensation thereof are deliberated on by the Nomination Committee and the Compensation Committee, respectively, which are established as voluntary committees.
- These committees consist of at least three Members of the Board, of whom Members of the Board (Outside) form a majority, and are chaired by a Member of the Board (Outside). At the moment, both committees are comprised entirely of Members of the Board (Outside).

Response to Japan's Corporate Governance Code

The Company has complied with and implemented all of the Principles of the Corporate Governance Code, which came into force in June 2015.

We understand and respect the objectives and spirit of the code and emphasize the importance of the underlying principles of corporate governance, and are continually pursuing improvements in our corporate governance systems based on the code.

Nomination Committee

Chairperson: Noriyuki Uji, Member of the Board (Outside)
Members: Hiroshi Toda, Naoki Adachi, and Tsuguya Fukui, Members of the Board (Outside)
Observer: Takeo Higuchi, Member of the Audit and Supervisory Board (Outside)

The Nomination Committee has been established to deliberate on matters required for the nomination of Members of the Board and Corporate Officers at the request of the Board of Directors and to contribute to the enhancement of management transparency. In fiscal 2017, meetings were held five times, in April, September, November, December and January 2018, to discuss matters required for nominating candidates Members of the Board and Corporate Officers, and to plan to train successors of the President and CEO and Senior Corporate Advisor and Corporate Advisor system, as well as other matters.

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

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

Compensation Committee
Chairperson: Hiroshi Toda, Member of the Board (Outside)
Members: Nontoh Li, Naoki Adachi, and Tsuguya Futaki, Members of the Board (Outside)
Observer: Sayuko Iizumi, Member of the Audit and Supervisory Board (Outside)

The Compensation Committee has been established to deliberate on necessary matters related to policies 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 2017, meetings were held a total of three times, in April and May 2017 and in February 2018, to discuss matters related to bonuses for Members of the Board and Corporate Officers, restricted stocks remuneration, and revisions to directors’ remuneration, as well as other matters.

Basic Design of Remuneration to Members of the Board and Members of the Audit and Supervisory Board

- Remuneration to Members of the Board is designed to provide remuneration that contributes to maximize corporate value. Specifically, in addition to a basic remuneration, performance based bonuses serving as short-term incentive and restricted stocks remuneration serving as long-term incentive are adopted.
- Performance based bonuses serving as short-term incentives are determined by the degree of achievement of a single fiscal year measured by adopting revenue, operating profit margin and profit attributable to owners of the Company as the relevant indices.
- The restricted stocks remuneration, which is a long-term incentive, annually grants company stock with transfer restrictions of three to five years as a general rule. Having Members of the Board maintain their shareholdings offers incentives for the sustainable improvement of our company’s values. It also aims to develop more shared values with our shareholders.
- The level of remunerations is set aiming to provide medium to high level of remunerations in the industrial sector, referring to the levels of other companies learned from the surveys of external specialist institutions.
- In order to ensure that Members of the Board (Outside) and Members of the Audit and Supervisory Board adequately perform their roles, which is oversight of management, short-term and long-term incentives are not provided and only basic remuneration is granted.

Determination of Procedures for Remuneration to Members of the Board and Members of the Audit and Supervisory Board

- The General Meeting of Shareholders has approved basic remuneration of Members of the Board at a maximum limit of 450 million yen per fiscal year and a total amount of restricted stocks remuneration to be granted to Members of the Board at a maximum limit of 140 million yen per fiscal year. Performance based bonuses are approved by the General Meeting of Shareholders for each relevant fiscal year.
- The General Meeting of Shareholders has approved a basic, fixed remuneration to Members of the Audit and Supervisory Board, which shall be the only remuneration they receive, at a maximum limit of 120 million yen per fiscal year.
- The Compensation Committee, in which Members of the Board (Outside) form a majority, sufficiently deliberates on matters that involve establishing the remuneration system for Members of the Board and Corporate Officers and setting criteria thereof, examining and reviewing levels of remuneration for each position, confirming the results of performance based bonuses, and allocating restricted stocks-remuneration.

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

<table>
<thead>
<tr>
<th>Classification</th>
<th>Members of the Board</th>
<th>Members of the Audit and Supervisory Board</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Payment recipients (number of persons)</td>
<td>Amount paid (millions of yen)</td>
<td>Payment recipients (number of persons)</td>
</tr>
<tr>
<td>Fees (annual amount)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[of which Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside)]</td>
<td>10</td>
<td>412</td>
<td>5</td>
</tr>
<tr>
<td>[of which Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside)]</td>
<td>(6)</td>
<td>(60)</td>
<td>(3)</td>
</tr>
<tr>
<td>Members of the Board bonuses [Excluding Members of the Board (Outside) and Members of the Audit and Supervisory Board]</td>
<td>6</td>
<td>106</td>
<td>--</td>
</tr>
<tr>
<td>Restricted stocks remuneration [Excluding Members of the Board (Outside) and Members of the Audit and Supervisory Board]</td>
<td>6</td>
<td>92</td>
<td>--</td>
</tr>
<tr>
<td>Total [of which Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside)]</td>
<td>10</td>
<td>609</td>
<td>5</td>
</tr>
<tr>
<td>[of which Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside)]</td>
<td>(6)</td>
<td>(60)</td>
<td>(3)</td>
</tr>
</tbody>
</table>

Fiscal 2017 Evaluation of Board of Directors

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

Method of Evaluation of Board of Directors

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

TOPICS

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

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

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

Results of the Evaluation of the Board Directors

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

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

Introduction of Members of the Board and Members of the Audit and Supervisory Board

Members of the Board

George Nakayama
Toshiaki Sai
Toshiaki Tojo

Hiroshi Toda
Naoki Adachi
Tsuguya Fukui

Members of the Audit and Supervisory Board

Hidetsugu Hanyama
Sayoko Izumoto
Yukiko Imazu

Kazuyuki Watanabe

Career Summary, Positions, Assignments, and Material Concurrent Positions

Daiichi Sankyo Group Value Report 2018
Daiichi Sankyo Group Value Report 2018
Corporate Governance

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

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

I have had auditing experience in various industries and business categories over the years as a certified public accountant. It has been one year since I took the post as a Member of the Audit and Supervisory Board of Daiichi Sankyo. I have asked myself whether I could fulfill my duties for the past year in my new position as an Outside Member of the Audit and Supervisory Board who is responsible for auditing the company’s financial statements from the outside and whose position is opposite of the corporate managers and auditors. Under these circumstances as well as different auditing methods, I have decided to accompany full-time Members of the Audit and Supervisory Board to plants, laboratories and branch offices to get a firm grasp on the actual company. Daiichi Sankyo has been taking a major step toward its 2025 Vision of being a “Global Pharma Innovator with a Global Value Chain.” Daiichi Sankyo has been taking a major step toward its 2025 Vision of being a “Global Pharma Innovator with a Global Value Chain.”

Seiko Iwamoto
Member of the Audit and Supervisory Board (Outside) (Independent Auditor)

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

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

As an attorney, I have so far been engaged in corporate legal affairs and corporate governance, especially focusing on labor and employment issues. Recently, there has been a trend towards the increasing importance of transparency of, and compliance with, the company management. Moreover, any company is now required to review the work styles of individual employees with the enactment of the Law related to work style reform. Under these circumstances, I will make my best efforts toward contributing to qualify corporate governance of the Company that_ fulfills society’s expectations, considering the reason why I have been appointed as a Member of the Audit and Supervisory Board (Outside) of the Company.

The Company has created a lofty goal called the “2025 Vision”, and is progressing with transformation towards realizing this goal. If a company attempts to change something, it gives rise to risks as well as chances at the same time. Swift administrative decision-making is also required to select and implement a plan among many methods within time constraints. A Member of the Audit and Supervisory Board (Outside) who is an attorney is always expected to work towards increasing corporate values and offering peace of mind to stockholders by expressing objective audit opinions on a neutral stance all the time based on a legal mindset in order to avoid unnecessary legal disputes and prevent damages to corporate value.

The pharmaceutical industry is a highly specialized one—.
The Daiichi Sankyo Group identifies risks as those factors that may prevent the Group from attaining its organizational goals and targets and that can be predicted in advance. The Group is promoting risk management through such means as taking steps to address risks inherent in corporate activities through retaining, reducing, avoiding, or transferring these risks. In addition, we seek to minimize the adverse impacts of risks on people, society and the Group should risks actualize.

Risk Management

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

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

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

Conceptual diagram of the Group’s risk level classification

- Material risk: Identified in Management Executive Meeting and the Board of Directors Meeting and worked on by the entire Company
- Worked on by business units/functional units
- Worked on by each division

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 manufacturing
- Financial market and foreign exchange rate fluctuation risks, etc.

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

Since then, we have continued to improve upon the BCP through such means as incorporating revisions to national disaster response plans and adjusting for changes in workflow procedures and organizations related to drugs for which supply should be prioritized based on social needs. In this manner, we strive to ensure effective response measures are taken in the event that a risk appears. In addition, we regularly 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, the Company is taking steps to create backup supply systems by dispersing manufacturing and distribution sites and maintaining relationships with multiple suppliers for important raw materials. In addition, we have introduced private electricity generators to help minimize the impact of any interruption in the supply of electricity. Furthermore, we are strengthening IT infrastructure including the redundancy of key systems.

Crisis Management
The Daiichi Sankyo Group defines crises as factors that may cause an adverse event or a secondary event arising from an initial occurrence with the possibility of leading to serious negative effects on the Group or its stakeholders.

Crisis management is defined by the Group as appropriate responses to such events conducted based on prompt and rational management and analyses of their potential impact.

In the event of a crisis, the appointed representative in the affected section or division shall issue an initial report within 10 minutes of confirmation of an event in accordance with the Group’s risk level classification. Individuals who have been assigned responsibility for initial responses to crises, the vice president of the General Affairs and Procurement Department, will then issue a more detailed report. This individual will also share the information with the RMO to quickly formulate first response and subsequent emergency response measures. In responding to crises, the Group defines its top priority as ensuring the health, safety, and peace of mind of all of its stakeholders, including patients, healthcare professionals, members of local communities, and employees.

Initial Response to Crisis

The Daiichi Sankyo Group Value Report 2018
## Financial Results

<table>
<thead>
<tr>
<th></th>
<th>FY2008 (Billions of yen)</th>
<th>FY2009</th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Japanese GAAP</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net sales</strong></td>
<td>842.1</td>
<td>952.1</td>
<td>967.3</td>
<td>938.6</td>
<td>997.8</td>
</tr>
<tr>
<td><strong>Overseas sales</strong></td>
<td>373.2</td>
<td>482.3</td>
<td>488.7</td>
<td>469.0</td>
<td>486.6</td>
</tr>
<tr>
<td><strong>Ratio of overseas sales to net sales (%)</strong></td>
<td>44.3</td>
<td>50.7</td>
<td>50.6</td>
<td>50.0</td>
<td>48.8</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>89.8</td>
<td>95.5</td>
<td>122.1</td>
<td>98.2</td>
<td>100.5</td>
</tr>
<tr>
<td><strong>Ratio of operating income to net sales (%)</strong></td>
<td>10.6</td>
<td>10.0</td>
<td>12.6</td>
<td>10.3</td>
<td>10.1</td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>(215.4)</td>
<td>41.8</td>
<td>70.1</td>
<td>42.7</td>
<td>39.3</td>
</tr>
<tr>
<td><strong>Research and development expenses</strong></td>
<td>40.5</td>
<td>45.9</td>
<td>43.9</td>
<td>46.3</td>
<td>41.4</td>
</tr>
<tr>
<td><strong>Capital expenditure</strong></td>
<td>13.6</td>
<td>29.7</td>
<td>37.3</td>
<td>32.9</td>
<td>43.1</td>
</tr>
</tbody>
</table>

### Overseas sales

- **FY2008:** 373.2
- **FY2009:** 482.3
- **FY2010:** 488.7
- **FY2011:** 469.0
- **FY2012:** 486.6

### Ratio of overseas sales to net sales (%)

- **FY2008:** 44.3
- **FY2009:** 50.7
- **FY2010:** 50.6
- **FY2011:** 50.0
- **FY2012:** 48.8

### Operating income

- **FY2008:** 89.8
- **FY2009:** 95.5
- **FY2010:** 122.1
- **FY2011:** 98.2
- **FY2012:** 100.5

### Ratio of operating income to net sales (%)

- **FY2008:** 10.6
- **FY2009:** 10.0
- **FY2010:** 12.6
- **FY2011:** 10.3
- **FY2012:** 10.1

### Net income (loss)

- **FY2008:** (215.4)
- **FY2009:** 41.8
- **FY2010:** 70.1
- **FY2011:** 42.7
- **FY2012:** 39.3

### Research and development expenses

- **FY2008:** 40.5
- **FY2009:** 45.9
- **FY2010:** 43.9
- **FY2011:** 46.3
- **FY2012:** 41.4

### Capital expenditure

- **FY2008:** 13.6
- **FY2009:** 29.7
- **FY2010:** 37.3
- **FY2011:** 32.9
- **FY2012:** 43.1

### Financial Position

- **Total assets:** 1,494.5 + 1,489.5 + 1,480.2 + 1,518.4 + 1,644.0
- **Net assets:** 888.6 + 889.5 + 887.7 + 832.7 + 915.7

### Cash Flows

- **Net increase (decrease) in cash and cash equivalents:** (266.5) + 81.4 + 43.2 + (89.7) + (21.9)
- **Free cash flows:** (335.4) + 172.8 + 78.1 + (32.5) + 19.9

### Per Share Information

- **Basic net income (loss) per share (yen):** (304.22) + 59.45 + 99.62 + 14.75 + 94.64
- **Net assets per share (yen):** 1,226.04 + 1,215.62 + 1,206.12 + 1,143.52 + 1,253.86
- **Annual dividends per share (yen):** 80 + 60 + 60 + 60 + 60

### Main Financial Indicators

- **Return on equity (ROE) (%):** (20.5) + 4.9 + 8.2 + 1.3 + 7.9
- **Equity ratio (%):** 57.7 + 57.4 + 57.4 + 53.0 + 53.7
- **Dividend on equity (DOE) (%):** 5.4 + 4.9 + 5.0 + 5.1 + 5.0
- **Price-earnings ratio (PER):** (20.5) + 29.5 + 16.1 + 102.2 + 19.2
- **Stock price at the end of the year:** 1,648 + 1,751 + 1,606 + 1,058 + 1,815
- **Market capitalization:** 11,832 + 12,326 + 11,304 + 10,692 + 12,777
- **Average exchange rates (USD/JPY):** 143.49 + 131.16 + 113.13 + 106.96 + 107.15

### Number of Employees

- **Total:** 28,895 + 29,825 + 30,486 + 31,029 + 32,229
- **Japan:** 9,148 + 8,892 + 9,002 + 9,308 + 9,251
- **North America:** 3,376 + 3,580 + 3,410 + 3,737 + 3,231
- **Europe:** 2,504 + 2,516 + 2,576 + 2,624 + 2,558
- **Others:** 13,887 + 14,037 + 15,503 + 16,280 + 17,091

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

Financial Results and Financial Analysis

### Consolidated Financial Results for Fiscal 2017

<table>
<thead>
<tr>
<th></th>
<th>FY2016 Results</th>
<th>FY2017 Results</th>
<th>Change (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>¥955.1</td>
<td>¥960.2</td>
<td>+¥5.1 (+0.6%)</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>¥349.4</td>
<td>¥346.0</td>
<td>-¥3.4 (-1.0%)</td>
</tr>
<tr>
<td>SG&amp;A Expenses</td>
<td>¥302.5</td>
<td>¥301.8</td>
<td>-¥0.7 (-0.6%)</td>
</tr>
<tr>
<td>R&amp;D Expenses</td>
<td>¥214.3</td>
<td>¥236.0</td>
<td>+¥21.7 (+10.4%)</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>¥88.9</td>
<td>¥76.3</td>
<td>-¥12.6 (-14.2%)</td>
</tr>
<tr>
<td>Profit before Tax</td>
<td>¥87.8</td>
<td>¥81.0</td>
<td>-¥6.8 (-7.7%)</td>
</tr>
<tr>
<td>Profit Attributable to Owners of the Company</td>
<td>¥53.5</td>
<td>¥60.3</td>
<td>+¥6.8 (+12.2%)</td>
</tr>
</tbody>
</table>

#### Yen Exchange Rates for Major Currencies (Annual Average Rate)

<table>
<thead>
<tr>
<th></th>
<th>FY2016 Results</th>
<th>FY2017 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD/JPY</td>
<td>108.42</td>
<td>110.86</td>
</tr>
<tr>
<td>EUR/JPY</td>
<td>119.94</td>
<td>123.70</td>
</tr>
</tbody>
</table>

#### 1. Revenue

Consolidated revenue in fiscal 2017 increased ¥5.1 billion, or 0.5% year on year, to ¥960.2 billion. The impacts of yen depreciation raised revenue to the extent of ¥14.0 billion. When the impacts of foreign exchange influences are excluded, revenue was down ¥8.9 billion year on year.

### 2. Operating Profit

Operating profit in fiscal 2017 decreased ¥12.6 billion, or 14.2% year on year, to ¥76.3 billion.

When the impacts of foreign exchange fluctuations and special items are excluded, the actual decrease in operating profit was ¥21.3 billion.

#### Decreased by ¥12.6 billion

<table>
<thead>
<tr>
<th></th>
<th>FY2016 Results</th>
<th>FY2017 Results</th>
<th>Change (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>¥88.9</td>
<td>¥76.3</td>
<td>-¥12.6 (-14.2%)</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>¥18.6</td>
<td>¥16.1</td>
<td>-¥2.5 (-13.1%)</td>
</tr>
<tr>
<td>SG&amp;A Expenses</td>
<td>¥5.1</td>
<td>¥4.3</td>
<td>-¥0.8 (-15.7%)</td>
</tr>
<tr>
<td>R&amp;D Expenses</td>
<td>¥6.9</td>
<td>¥5.8</td>
<td>-¥1.1 (-16.4%)</td>
</tr>
<tr>
<td>Forex Impact</td>
<td>¥2.1</td>
<td>¥0.6</td>
<td>-¥1.5 (-72.7%)</td>
</tr>
<tr>
<td>Special items</td>
<td>¥8.6</td>
<td>¥0.6</td>
<td>-¥8.0 (-93.9%)</td>
</tr>
</tbody>
</table>

#### Special Items

<table>
<thead>
<tr>
<th></th>
<th>FY2016 Results</th>
<th>FY2017 Results</th>
<th>Change (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive factors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Negative factors</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 3. Profit Attributable to Owners of the Company

Profit attributable to owners of the Company increased ¥6.8 billion, or 12.7% year on year, to ¥60.3 billion.

### Profit Attributable to Owners of the Company

In the Japan Business, Olmetec experienced increased revenue, though LIXIANA enjoyed a large increase in revenue and Daiichi Sankyo Espha saw a significant increase in revenue following the launches of multiple authorized generics, resulting in an overall increase of ¥38.5 billion.

In the United States, revenue from Daiichi Sankyo, Inc. declined ¥69.2 billion year on year following decrease in revenues of olmesartan, Welchol, and Effient among other factors. Meanwhile, Luitpold Pharmaceuticals, Inc., in the United States, saw revenue increase ¥15.0 billion year on year following higher sales of injectatfer and generic injectables. Revenue at Daiichi Sankyo Europe GmbH increased ¥1.8 billion year on year due to a large increase in LIXIANA sales, despite decreases in sales in olmesartan. In the Company’s operations in ASCA, Asia and South & Central America, revenue was up ¥5.0 billion year on year.

Operating profit decreased ¥12.6 billion year on year including impact from foreign exchange to the extent of ¥14.0 billion. Cost of sales was up ¥13.6 billion year on year as the ratio of cost of sales to revenue increased due to the impact of LOE of olmesartan. SG&A expenses were up ¥0.7 billion year on year. R&D expenses dropped ¥6.9 billion year on year as mirogabalin clinical studies were concluded.

Foreign exchange influences caused a total increase of ¥12.1 billion in expenses. Special items in fiscal 2016 included restructuring expenses in Europe and impairment loss in the vaccine business, resulting in a total increase of ¥40.4 billion in expenses. Special items in fiscal 2017 included impairment loss in intangible assets related to CI-108, and restructuring expenses in the U.S. Business, resulting in a total increase of ¥33.6 billion in expenses, and a decrease of ¥6.8 billion in expenses year on year.

### 4. Income Taxes, etc.

Operating profit decreased ¥12.6 billion year on year including foreign exchange influences and special items. Financial income and expenses decreased ¥5.9 billion year on year due to a reduction in foreign exchange losses among other factors. Income taxes decreased ¥19.1 billion year on year as a result of a reduction in the income tax rate following lower tax rates in the U.S. In fiscal 2017, despite a higher tax rate as a result of large losses which were not applicable to tax effect accounting, such as impairment loss related to vaccines in fiscal 2016. Regarding non-controlling interests, KDSV recorded a large loss in fiscal 2016 and therefore non-controlling interests considered to be attributable to the Kitasato Institute made a large positive impact in fiscal 2016, while improvements being seen in loss recorded by KDSV in fiscal 2017 led to an overall negative effect on profits to the extent of ¥0.5 billion year on year.

As a result of the above, the profit attributable to owners of the Company came to ¥60.3 billion.
Financial Position

1. Assets, Liabilities, and Equity

Assets
Total assets at the end of fiscal 2017 amounted to ¥1,897.8 billion. Other financial assets (non-current assets) increased (¥38.3 billion), while intangible assets decreased (¥3.7 billion) among other factors, ultimately leading to an increase of ¥17.2 billion compared to the end of fiscal 2016.

Liabilities
Total liabilities at the end of fiscal 2017 amounted to ¥1,133.0 billion. Deferred tax liabilities decreased (¥13.6 billion), while provisions (non-current liabilities) increased (¥32.4 billion) among other factors, ultimately leading to an increase of ¥21.2 billion compared to the end of fiscal 2016.

Equity
Total equity at the end of fiscal 2017 amounted to ¥1,764.8 billion (¥38.3 billion), which was a decrease of 1.7% compared to the end of fiscal 2016.

2. Cash Flows
Cash and cash equivalents at the end of fiscal 2017 increased by ¥111.7 billion year on year to ¥357.7 billion.

Cash flows from operating activities
Cash inflow from operating activities were ¥1,084.8 billion (¥136.2 billion in the previous fiscal year) due to increase in cash added by profit before tax and non-cash item, such as depreciation, amortization and impairment loss, despite decrease in cash caused by income tax payments and other factors.

Cash flows from investing activities
Cash inflow from investing activities were ¥108.6 billion (¥96.6 billion in the previous fiscal year) due to proceeds from refund of time deposits and other factors, despite capital expenditure and acquisitions of intangible assets.

Cash flows from financing activities
Cash outflow due to financing activities were ¥150.0 billion (¥145.6 billion in the previous fiscal year) due to proceeds from refund of time deposits and other factors.

3. Capital expenditure
In fiscal 2017, we focused capital expenditure on research facilities for the Shinagawa R&D Center as well as production facilities for Daiichi Sankyo Propharma and Daiichi Sankyo Chemical Pharma. Especially, investments focusing on ADC increased, and the total capital expenditure amounted to ¥23.9 billion.

4. Free cash flows* 39.4 217.0 177.6

5. Shareholder Returns
In order to secure sustainable growth in corporate value, one of the fundamental business policies of Daiichi Sankyo is to decide profit distributions based on a comprehensive evaluation of the investments essential for implementing the growth strategy and profit returns to shareholders.

The 5-year business plan sets forth a clear shareholder return policy that calls for a total return ratio* of 100% or more for the duration of the plan and annual ordinary dividend payments of ¥70 per share or more while flexibly acquiring shares of its own stock.

Shareholder Returns Policy during 5YBP (Target)

Under this basic policy, Daiichi Sankyo achieved ordinary dividend payments of ¥70 per share and acquired its own stock for approximately ¥50.0 billion in fiscal 2017. As a result, the total return ratio was 159.1% for one year and 169.2% cumulatively over two years.

The Company plans to issue annual dividends per share of ¥70 in fiscal 2018.

Shareholder Returns:

• Total return ratio: = (Total dividends + Total acquisition costs of own shares) / Profit attributable to owners of the Company

Yen Exchange Rates for Major Currencies (Annual average rate)

USD/JPY 110.86 119.60
EUR/JPY 129.70 135.00

Financial Results Forecasts for Fiscal 2018

Sales revenues are projected to decrease 5.2% year on year to ¥910.0 billion, due to a reduction in sales of olmesartan following its LOE in Japan as well as the impact from reduced prices following NHI drug price revisions in Japan, despite swift increases of domestic and overseas edoxaban sales as well as a sales increase of Injectafar for Lutipold Pharmaceuticals, Inc., in the United States.

Operating profit is projected to increase 2.3% year on year, to ¥78.0 billion due to enhancement of profit generation capabilities and continued cost reductions among other factors, despite the fact that cost increases are expected as a result of advancing investments centered on the oncology business.

Profit attributable to owners of the Company is expected to decrease 8.8% year on year, to ¥55.0 billion.

Forecasted annual average exchange rate is ¥110.0 to the U.S. dollar and ¥130.0 to the euro.

Shareholder Returns

Shareholder Returns:

• Total return ratio: = (Total dividends + Total acquisition costs of own shares) / Profit attributable to owners of the Company

* Total return ratio = (Total dividends + Total acquisition costs of own shares) / Profit attributable to owners of the Company
## Consolidated Statement of Profit or Loss

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(For the year ended March 31, 2017)</td>
<td>(For the year ended March 31, 2018)</td>
</tr>
<tr>
<td>Revenue</td>
<td>955,124</td>
<td>960,195</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>349,373</td>
<td>346,021</td>
</tr>
<tr>
<td>Gross profit</td>
<td>605,751</td>
<td>614,173</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>302,475</td>
<td>301,845</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>214,347</td>
<td>236,046</td>
</tr>
<tr>
<td>Operating profit</td>
<td>88,929</td>
<td>76,282</td>
</tr>
<tr>
<td>Financial income</td>
<td>6,406</td>
<td>8,642</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>7,710</td>
<td>4,223</td>
</tr>
<tr>
<td>Share of profit of investments accounted for using the equity method</td>
<td>162</td>
<td>220</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>87,798</td>
<td>81,245</td>
</tr>
<tr>
<td>Income taxes</td>
<td>40,309</td>
<td>21,210</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>47,479</td>
<td>59,811</td>
</tr>
</tbody>
</table>

Profit attributable to:

- Owners of the Company: 53,466 60,282
- Non-controlling interests: 162 320

Profit for the year: 47,479 59,811

Earnings per share:
- Basic earnings per share (yen): 79.63 91.31
- Diluted earnings per share (yen): 79.44 91.10

## Consolidated Statement of Comprehensive Income

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(For the year ended March 31, 2017)</td>
<td>(For the year ended March 31, 2018)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>47,479</td>
<td>59,811</td>
</tr>
</tbody>
</table>

**Other comprehensive income**

Items that will not be reclassified to profit or loss:
- Financial assets measured at fair value through other comprehensive income: 9,366 10,688
- Remeasurements of defined benefit plans: 1,840 1,616
- Exchange differences on translation of foreign operations: 7,626 10,229

Share of other comprehensive income of investments accounted for using the equity method: 6

Other comprehensive income (loss) for the year: 15,146 20,933

Total comprehensive income for the year: 32,332 59,811

Total comprehensive income attributable to:
- Owners of the Company: 38,309 60,282
- Non-controlling interests: 5,976 320

Total comprehensive income for the year: 32,332 59,811

## Consolidated Statement of Financial Position

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(As of March 31, 2017)</td>
<td>(As of March 31, 2018)</td>
</tr>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>246,050</td>
<td>367,702</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>231,867</td>
<td>291,529</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>552,896</td>
<td>429,380</td>
</tr>
<tr>
<td>Inventories</td>
<td>153,138</td>
<td>172,586</td>
</tr>
<tr>
<td>Other current assets</td>
<td>10,461</td>
<td>10,347</td>
</tr>
<tr>
<td>Subtotal</td>
<td>1,194,414</td>
<td>1,201,545</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>217,772</td>
<td>217,946</td>
</tr>
<tr>
<td>Goodwill</td>
<td>78,446</td>
<td>75,479</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>217,044</td>
<td>173,537</td>
</tr>
<tr>
<td>Investments accounted for using the equity method</td>
<td>1,424</td>
<td>1,693</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>140,856</td>
<td>179,177</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>53,502</td>
<td>40,339</td>
</tr>
<tr>
<td>Other current assets</td>
<td>8,143</td>
<td>8,125</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>717,190</td>
<td>836,767</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,914,979</td>
<td>1,897,754</td>
</tr>
</tbody>
</table>

LIABILITIES AND EQUITY

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(As of March 31, 2017)</td>
<td>(As of March 31, 2018)</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds and borrowings</td>
<td>280,543</td>
<td>260,564</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>9,069</td>
<td>8,155</td>
</tr>
<tr>
<td>Post-employment benefit liabilities</td>
<td>3,669</td>
<td>2,402</td>
</tr>
<tr>
<td>Provisions</td>
<td>57,955</td>
<td>75,065</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>32,294</td>
<td>16,876</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>67,093</td>
<td>64,911</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>416,733</td>
<td>411,628</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>743,650</td>
<td>784,713</td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>103,750</td>
<td>94,633</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(113,952)</td>
<td>(163,531)</td>
</tr>
<tr>
<td>Other components of equity</td>
<td>124,489</td>
<td>120,594</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>1,011,610</td>
<td>1,031,376</td>
</tr>
<tr>
<td>Total equity attributable to owners of the Company</td>
<td>1,175,897</td>
<td>1,153,962</td>
</tr>
</tbody>
</table>

Non-controlling interests: 4,469 98

Total equity: 1,171,428 1,153,041

Total liabilities and equity: 1,914,979 1,897,754
## Consolidated Statement of Changes in Equity

<table>
<thead>
<tr>
<th>Equity attributable to owners of the Company</th>
<th>(Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>Capital surplus</td>
</tr>
<tr>
<td>Balance as of April 1, 2016</td>
<td>146,717</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>21,115</td>
</tr>
<tr>
<td>Other comprehensive income (loss) for the year</td>
<td>10</td>
</tr>
<tr>
<td>Total comprehensive income (loss) for the year</td>
<td>21,125</td>
</tr>
<tr>
<td>Balance as of March 31, 2017</td>
<td>167,842</td>
</tr>
</tbody>
</table>

## Consolidated Statement of Cash Flows

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>(Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>87,788</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>47,373</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>36,672</td>
</tr>
<tr>
<td>Financial income</td>
<td>(6,460)</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>7,710</td>
</tr>
<tr>
<td>Share of (profit) loss of investments accounted for using the equity method</td>
<td>(162)</td>
</tr>
<tr>
<td>(Gain) loss on sale and disposal of non-current assets</td>
<td>449</td>
</tr>
<tr>
<td>(Increase) decrease in trade and other receivables</td>
<td>15,145</td>
</tr>
<tr>
<td>(Increase) decrease in inventories</td>
<td>10,394</td>
</tr>
<tr>
<td>Increase (decrease) in trade and other payables</td>
<td>16,979</td>
</tr>
<tr>
<td>Others, net</td>
<td>13,398</td>
</tr>
<tr>
<td>Subtotal</td>
<td>163,828</td>
</tr>
<tr>
<td>Interest and dividends received</td>
<td>4,269</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(1,511)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(30,371)</td>
</tr>
<tr>
<td>Net cash flows from used in operating activities</td>
<td>136,234</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from investing activities</th>
<th>(Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments into time deposits</td>
<td>(492,441)</td>
</tr>
<tr>
<td>Proceeds from maturities of time deposits</td>
<td>404,416</td>
</tr>
<tr>
<td>Acquisition of securities</td>
<td>(190,376)</td>
</tr>
<tr>
<td>Proceeds from sale of securities</td>
<td>219,049</td>
</tr>
<tr>
<td>Acquisitions of property, plant and equipment</td>
<td>(24,766)</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>2,403</td>
</tr>
<tr>
<td>Acquisition of intangible assets</td>
<td>(28,196)</td>
</tr>
<tr>
<td>Payments for loans receivable</td>
<td>(7)</td>
</tr>
<tr>
<td>Proceeds from collection of loans receivable</td>
<td>1,472</td>
</tr>
<tr>
<td>Others, net</td>
<td>1,719</td>
</tr>
<tr>
<td>Net cash flows from used in investing activities</td>
<td>26,752</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from financing activities</th>
<th>(Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from bonds and borrowings</td>
<td>100,000</td>
</tr>
<tr>
<td>Repayments of bonds and borrowings</td>
<td>(20,000)</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>(50,095)</td>
</tr>
<tr>
<td>Proceeds from sale of treasury shares</td>
<td>43,889</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(4,289)</td>
</tr>
<tr>
<td>Others, net</td>
<td>(1,038)</td>
</tr>
<tr>
<td>Net cash flows from used in financing activities</td>
<td>(15,022)</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>24,419</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>229,157</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>927</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the year</td>
<td>248,050</td>
</tr>
</tbody>
</table>
## ESG (Environmental, Social, and Governance) Data

### Environmental

#### Promoting Environmental Management

<table>
<thead>
<tr>
<th>Aspect Classification</th>
<th>Item</th>
<th>Scope</th>
<th>Unit</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO2</td>
<td>In-Japan</td>
<td>1,420</td>
<td>14,200</td>
<td>14,200</td>
<td>14,200</td>
<td></td>
</tr>
<tr>
<td>CO2 emissions by Greenhouse Gas Protocol</td>
<td>Global</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td></td>
</tr>
<tr>
<td>Waste generated</td>
<td>In-Japan</td>
<td>1</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>Effective water usage volume</td>
<td>Global</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>Water resources</td>
<td>In-Japan</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td></td>
</tr>
</tbody>
</table>

### Social

#### Promoting Compliance Management

<table>
<thead>
<tr>
<th>Aspect Classification</th>
<th>Item</th>
<th>Scope</th>
<th>Unit</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training-specific compliance training</td>
<td>In-Japan</td>
<td>Persons</td>
<td>35</td>
<td>436</td>
<td>520</td>
<td></td>
</tr>
<tr>
<td>Theme-focused compliance training</td>
<td>In-Japan</td>
<td>Persons</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Non-consolidated</td>
<td>Persons</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compliance violations discovered through DS hotline and reporting venues for sexual and physical harassment</td>
<td>In-Japan</td>
<td>Cases</td>
<td>7</td>
<td>6</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Development-related training (including GCP)</td>
<td>Non-consolidated</td>
<td>Times</td>
<td>31</td>
<td>93</td>
<td>93</td>
<td></td>
</tr>
</tbody>
</table>

#### Employee data

<table>
<thead>
<tr>
<th>Aspect Classification</th>
<th>Item</th>
<th>Scope</th>
<th>Unit</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees by region</td>
<td>In-Japan</td>
<td>Persons</td>
<td>8,089</td>
<td>6,649</td>
<td>6,785</td>
<td></td>
</tr>
<tr>
<td>Number of employees by region</td>
<td>Outside Japan</td>
<td>Persons</td>
<td>8,089</td>
<td>6,649</td>
<td>6,785</td>
<td></td>
</tr>
<tr>
<td>Number of female employees</td>
<td>In-Japan</td>
<td>Persons</td>
<td>3,029</td>
<td>2,000</td>
<td>2,100</td>
<td></td>
</tr>
<tr>
<td>Number of female employees</td>
<td>Outside Japan</td>
<td>Persons</td>
<td>3,029</td>
<td>2,000</td>
<td>2,100</td>
<td></td>
</tr>
<tr>
<td>Employee turnover rate</td>
<td>Global</td>
<td>%</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

### Governance

#### Structure of Board of Directors

<table>
<thead>
<tr>
<th>Aspect Classification</th>
<th>Item</th>
<th>Scope</th>
<th>Unit</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of directors</td>
<td>Non-consolidated</td>
<td>Persons</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Number of outside directors</td>
<td>Non-consolidated</td>
<td>Persons</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Number of Audit &amp; Supervisory Board members</td>
<td>Non-consolidated</td>
<td>Persons</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

### Insight

- **CO2**: **Mutual Growth of Employees and the Company**
- **Compliance**: Promoting Compliance Management
- **Waste generated**: Information with this mark is verified by SGS Japan Inc.

### Data Section

- **Information with this mark is assured by KPMG AZA Sustainability Co., Ltd.**

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**For disclosing ESG data, we referred to the following guidelines.**

- IIRC (International Integrated Reporting Council), "International Integrated Reporting Framework"
- ISO 26000 (Guidance on Social Responsibility)
- International norms such as 10 Principles of UN Global Compact
### Innovative Pharmaceuticals Business

#### Major Products

<table>
<thead>
<tr>
<th>Brand Name (Generic Name)</th>
<th>Efficacy</th>
<th>Launched</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIXIANA (edoxaban)</td>
<td>Anticoagulant</td>
<td>2015</td>
<td>First once-daily oral product approved by the FDA for the treatment of oral anticoagulation (OC) in adults with chronic non-valvular atrial fibrillation (NVAF) and for the treatment of venous thromboembolism (VTE) (deep vein thrombosis (DVT) and pulmonary embolism (PE)).</td>
</tr>
<tr>
<td>SAVIUS (olmesartan)</td>
<td>Antihypertensive agent</td>
<td>2009</td>
<td>Inhibits platelet aggregation and reduces the incidence of arterial disease and cardiovascular disease.</td>
</tr>
<tr>
<td>Movantik (naloxegol)</td>
<td>Opioid-induced constipation (OIC) treatment</td>
<td>2012</td>
<td>Approved as a drug for treatment of opioid-induced constipation (OIC) in adult patients with chronic non-cancer pain.</td>
</tr>
<tr>
<td>Movantik (edoxaban)</td>
<td>Anticoagulant</td>
<td>2015</td>
<td>Approved for the prevention of stroke and systemic embolism (SE) in patients with non-valvular atrial fibrillation (NVAF) and for the treatment of venous thromboembolism (VTE) (deep vein thrombosis (DVT) and pulmonary embolism (PE)).</td>
</tr>
<tr>
<td>Movantik (olmesartan)</td>
<td>Antihypertensive agent</td>
<td>2012</td>
<td>Approved for the treatment of arterial hypertension and arterial disease.</td>
</tr>
<tr>
<td>Movantik (olmesartan)</td>
<td>Antihypertensive agent</td>
<td>2013</td>
<td>Approved for the prevention of stroke and systemic embolism (SE) in patients with non-valvular atrial fibrillation (NVAF) and for the treatment of venous thromboembolism (VTE) (deep vein thrombosis (DVT) and pulmonary embolism (PE)).</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 (edoxaban)</td>
<td>Anticoagulant</td>
<td>2015</td>
<td>Approved for the prevention of stroke and systemic embolism (SE) in patients with non-valvular atrial fibrillation (NVAF) and for the treatment of venous thromboembolism (VTE) (deep vein thrombosis (DVT) and pulmonary embolism (PE)).</td>
</tr>
</tbody>
</table>

#### Generic Business

<table>
<thead>
<tr>
<th>Brand Name (Efficacy)</th>
<th>Efficacy</th>
<th>Launched</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minon (Moisturizing cleanser)</td>
<td>Moisturizing cleanser</td>
<td>2007</td>
<td>Effectively moisturizes the skin and improves skin barrier function.</td>
</tr>
<tr>
<td>Minon (Moisturizing cleanser)</td>
<td>Moisturizing cleanser</td>
<td>2007</td>
<td>Highly effective moisturizing cleanser for dry and rough skin.</td>
</tr>
</tbody>
</table>

#### OTG Related Business

<table>
<thead>
<tr>
<th>Brand Name (Efficacy)</th>
<th>Efficacy</th>
<th>Launched</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levofloxacin (480 mg)</td>
<td>Antimicrobial agent</td>
<td>1999</td>
<td>Highly effective treatment for bacterial infections.</td>
</tr>
<tr>
<td>Levofloxacin (480 mg)</td>
<td>Antimicrobial agent</td>
<td>1999</td>
<td>Demonstrated excellent efficacy against a wide range of Gram-positive and Gram-negative bacteria.</td>
</tr>
</tbody>
</table>

#### Vaccine Business

<table>
<thead>
<tr>
<th>Brand Name (Efficacy)</th>
<th>Efficacy</th>
<th>Launched</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>4MLIV (Influenza A)</td>
<td>Influenza Vaccine</td>
<td>1997</td>
<td>Approved for the prevention of influenza.</td>
</tr>
<tr>
<td>4MIV (Influenza A)</td>
<td>Influenza Vaccine</td>
<td>1997</td>
<td>Approved for the prevention of influenza.</td>
</tr>
<tr>
<td>4MLIV (Influenza A)</td>
<td>Influenza Vaccine</td>
<td>1997</td>
<td>Approved for the prevention of influenza.</td>
</tr>
<tr>
<td>4MIV (Influenza A)</td>
<td>Influenza Vaccine</td>
<td>1997</td>
<td>Approved for the prevention of influenza.</td>
</tr>
</tbody>
</table>
Corporate Profile

Company name: DAIIICHI SANKYO COMPANY, LIMITED
Established: September 28, 2005
Business: Research and development, manufacturing, import, sales, and marketing of pharmaceutical products
Paid-in capital: ¥50,000 million
Headquarters: 3-5-1, Nihonbashı-Horite, Chuo-ku, Tokyo 103-8426, Japan
Branches: Sapporo, Tohoku, Tokyo, Chiba, Saitama, Yokohama, Kanetsu, Tokai, Kyoto, Osaka, Kobe, Chugoku, Shikoku, Kyushu

Revenue FY2016 Results FY2017 Results YoY
Domestic Prescription Drug and Vaccine Business 506.6 540.0 +33.5
NEXIUM 84.0 86.5 +2.6
Memary 46.9 48.6 +1.7
Olmetec 69.4 44.6 –24.8
LIXIANA 25.0 45.3 +20.3
Loxonin 37.4 36.5 –1.0
TENELIA 24.2 26.3 +2.1
PRALIA 18.0 23.2 +5.2
Rezaltas 17.5 16.8 –0.8
RANMARK 13.9 15.4 +1.5
Efient 10.4 12.8 +2.4
INAVIR 19.6 25.3 +26.8
CRIVAL 15.1 12.7 –19.8
SALAMAT 11.4 11.1 –0.3
ASCA* 14.2 14.0 –0.2
Mevalotin 10.4 8.6 –1.8
Daiichi Sankyo Healthcare (OTC) 66.7 72.9 +6.2

Revenue FY2016 Results FY2017 Results YoY
Europe
Daiichi Sankyo Europe GmbH 71.2 79.4 +11.5
Olmesartan 7.9 33.5 +29.1
Efient 7.9 8.0 +0.5
LIXIANA 9.7 9.7 +0.0

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

Revenue FY2016 Results FY2017 Results YoY
Asia, South & Central America (ASCA) 72.1 80.4 +11.5
OLBOS 66.5 21.3 –29.3
MENET 22.2 10.7 –44.0
SAVAYSA 1.9 2.2 +13.5
MOVANTIK 4.2 4.5 +1.5
Luitpold 88.1 158.8 +71.7
Urief 30.6 30.6 +0.0

U.S.A.

Revenue FY2016 Results FY2017 Results YoY
Daiichi Sankyo, Inc. 142.3 74.8 –47.5
Olmesartan 88.4 21.3 –29.3
MENET 22.2 10.7 –44.0
SAVAYSA 1.9 2.2 +13.5
MOVANTIK 4.2 4.5 +1.5
Luitpold 88.1 158.8 +71.7
Urief 30.6 30.6 +0.0

ASCA*
Daiichi Sankyo (China) Holdings Co., Ltd.
Daiichi Sankyo Taiwan Ltd.
Daiichi Sankyo Korea Co., Ltd.
Daiichi Sankyo (Thailand) Ltd.
Daiichi Sankyo Hong Kong Ltd.
Daiichi Sankyo Brasil Farmaceutica LTDA.

Revenue FY2016 Results FY2017 Results YoY
Asia, South & Central America (ASCA) 72.1 80.4 +11.5
OLBOS 66.5 21.3 –29.3
MENET 22.2 10.7 –44.0
SAVAYSA 1.9 2.2 +13.5
MOVANTIK 4.2 4.5 +1.5
Luitpold 88.1 158.8 +71.7
Urief 30.6 30.6 +0.0

* Asia, South & Central America
Data Section

Shareholders' Information

Common Stock (As of March 31, 2018)

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

Share Registrar

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

Major Shareholders (As of March 31, 2018)

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

Notes:
1. The Company holds 61,062,747 treasury shares, which are excluded from the above list.
2. Treasury shares are not included in the computing of equity stakes.

Distribution of Shareholders (As of March 31, 2018)

- Financial institutions: 42.03%
- Individuals and others: 13.63%
- Foreign institutions and individuals: 30.09%
- National government and local governments: 0.00%
- Other corporations: 4.28%
- Financial instrument firms: 1.35%
- Treasury share: 8.65%
External Evaluations (as of June 30, 2018)

MSCI Japan Empowering Women Select Index

"Eruboshi" Certification Mark "Kurumin" Certification Mark

Logo given to Certified Health and Productivity Management Organization (White500)

Daiichi Sankyo Group Value Report 2018

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https://www.daiichisankyo.com/

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