This report uses FSC® certified paper, which indicates that the paper used to print this report was produced from properly managed forests.

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

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

Printed in Japan.
Commitments

The Core Values and Commitments serve as the criteria for business activities and decision-making used by executive officers and employees in working to fulfill Our Mission. Our Corporate Slogan succinctly explains the spirit of Our Mission, Core Values and Commitments.

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 high moral principles

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

Commitments

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

Corporate Slogan

Passion for Innovation. Compassion for Patients™

In addition, we have established the DAIICHI SANKYO Group Corporate Conduct Charter. This charter calls on us to fulfill our social responsibilities by acting with the highest ethical standards and a good social conscience appropriate for a company engaged in business that affects human lives, and we model our business activities accordingly.

DAIICHI SANKYO Group Corporate Conduct Charter

The DAIICHI SANKYO Group fulfills its mission “To contribute to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs.” We comply with laws, regulations and rules regarding global corporate activities, and act with the highest ethical standards and a good social conscience based on the following 10 principles of this Charter.

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

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

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

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

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

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

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

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

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

Article 9 Thorough crisis and emergency management
- We adhere to crisis and emergency management in the face of actions by antisocial forces, terrorism, cyber-attacks, natural disasters, pandemics and other significant issues that may threaten the order or safety of civil society and the corporate activity.

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

Sustainable Development Goals (SDGs)

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

Daiichi Sankyo’s Value Creation Process

Daiichi Sankyo is requested from society for various needs including providing a stable supply of quality pharmaceuticals, responding to unmet medical needs*, improving access to pharmaceuticals**, and ESG activities. We engage in medium-to-long-term initiatives using our financial capital, intellectual capital, human capital and other capitals to enhance our long-term corporate value, as well as to realize a sustainable society.

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

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

Daiichi Sankyo Group Value Report 2019

Introduction

1  Our Mission
2  Daiichi Sankyo’s Value Creation Process
3  Message from the CEO
4  At a glance
   ▶ Annual Topics for Fiscal 2018
   ▶ Summary of Financial Results in Fiscal 2018, Key Products, Employees and Business
   ▶ Columns: Pharmaceutical Company’s Business Model
   ▶ Major R&D Pipeline

Value Creation Story

17  History of Daiichi Sankyo
   ▶ Path to the Merger
   ▶ Road After the Merger

21  Medium-to-Long-Term Initiatives and Challenges
   ▶ Promoting Environmental Management
   ▶ Corporate Governance Aimed at Fulfilling Our Mission
   ▶ Promoting Compliance Management
   ▶ Promoting the Success and Development of a Diverse Range of Human Resources Who Can Produce Competitive Advantages
   ▶ Creating Innovative Pharmaceuticals
   ▶ Improving Access to Healthcare
   ▶ Providing the Highest Quality Medical Information
   ▶ Providing a Stable Supply of Top-Quality Pharmaceutical Products

29  Daiichi Sankyo’s Strengths
31  2025 Vision
32  5-Year Business Plan Overview and Progress
33  Message from the CFO
37  Strategic Target: Grow Edoxaban
39  Strategic Target: Grow as the No. 1 Company in Japan
41  Establish Oncology Business

Special Issue

59  Strategic Collaboration to Maximize the Value of DS-8201

61  Corporate Governance
   ▶ Message from Chairman of the Board
   ▶ Corporate Governance
   ▶ Messages from Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside) (Independent Directors)
   ▶ Introduction of Members of the Board and Members of the Audit and Supervisory Board

73  Risk Management

75  Daiichi Sankyo Group’s Value Chain and Organization

77  Global Management Structure

78  Business units
   ▶ Innovative Pharmaceuticals Business: Sales & Marketing Unit
   ▶ Generics Business: Daiichi Sankyo Europe Co., Ltd.
   ▶ Vaccine Business
   ▶ ICT Related Business: Daiichi Sankyo Healthcare Co., Ltd.
   ▶ Daiichi Sankyo, Inc. (DSUSA)
   ▶ American Regent, Inc.
   ▶ Daiichi Sankyo Europe GmbH
   ▶ ASCA Company

86  Functional units
   ▶ R&D Unit
   ▶ Biological Unit
   ▶ Pharmaceutical Technology Unit
   ▶ Supply Chain Unit
   ▶ Medical Affairs Unit
   ▶ Quality & Safety Management Unit

92  Initiatives Aimed at Realizing a Sustainable Society

97  10-Year Financial Summary

99  Financial Results and Financial Analysis

103  Consolidated Financial Statements

107  Major Products

109  Corporate Profile / Main Group Companies

111  ESG (Environmental, Social, and Governance) Data

113  Independent Assurance Report for Social Indicators

114  Shareholders’ Information

Business Activities

Company’s website

https://www.daiichisankyo.com/

Major Keywords of Value Report 2019

P9, P34, P59

Period Covered

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

Cautionsary Note Regarding Forward-Looking Statements

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

Editorial Policy

Daiichi Sankyo began publishing Value Reports, its brand of integrated reports, in fiscal 2013. These reports have been positioned as communication tools for facilitating understanding with regard to the Group’s corporate value, growth potential, and capacity for business continuity. Through these reports, we aim to provide easy-to-understand information on the Company’s management policies, business strategies, and financial performance as well as on the various activities we conduct to contribute to the realization of a sustainable society to patients, their families, healthcare professionals, shareholders, investors, business partners, local communities, employees, and various other stakeholders.

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

https://www.daiichisankyo.com/
Message from the CEO

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

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

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

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

Medium-to-Long-Term Initiatives and Challenges

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

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

This Value Report features an overview of our medium-to-long term corporate activities, and I would also like to give a brief description of these activities here.
We recognize global warming, climate change, and other environmental problems as severe issues that can affect our lifestyles as well as our business. We are actively promoting environmental management to conduct responsible corporate activities in light of a wide range of environmental issues.

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

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

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

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

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

We set forth our 2025 Vision of becoming a “Global Pharma Innovator with competitive advantage in oncology,” and are working to achieve our 4th 5-year business plan. The concept “Creating Innovative Pharmaceuticals” stands at the base of our business in the academic journal Lancet Oncology. This data demonstrated prolonged efficacy, with the progression-free survival exceeding 22 months for breast cancer.

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

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

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

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

This strategic collaboration has significance in three main areas.

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

When deciding on a partner for DS-8201, we focused on whether candidates gave the highest possible evaluation regarding the value of DS-8201. We then placed importance on other factors, such as whether candidates saw Daiichi Sankyo as a vital partner, and whether we could gain extensive knowledge from them in order to build a global platform for our oncology business. We have already built a relationship of trust through the co-promotion of NEXIUM in Japan, among other activities. Furthermore, after signing this contract, we have made a strong start with a Joint Committee holding vital functions in R&D, MA, marketing, supply chain, and other areas. The Joint Committee holds discussions on issues encountered in each of these areas. We will utilize this collaboration to the fullest in order to maximize the value of DS-8201.

For details, refer to page 23.

The Significance of This Collaboration

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

ADC (Antibody Drug Conjugate) Pipeline

Combines with a wide range of antibodies

<table>
<thead>
<tr>
<th>Antibody</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>DS-8201</td>
<td>HER2</td>
</tr>
<tr>
<td>U3-1402</td>
<td>HER3</td>
</tr>
<tr>
<td>DS-1062</td>
<td>TROP2</td>
</tr>
<tr>
<td>DS-7300</td>
<td>B7-H3</td>
</tr>
<tr>
<td>DS-6157</td>
<td>GPR20</td>
</tr>
<tr>
<td>DS-6000</td>
<td>Not disclosed</td>
</tr>
<tr>
<td>TA-MUC1</td>
<td>Project code pending</td>
</tr>
</tbody>
</table>

Daiichi Sankyo’s ADC Technology: Platform Technology

The ADC technology used for DS-8201 allows for the creation of a new ADC by combining a different antibody with the same drug linker. Currently, R&D is underway for seven ADC projects all with the same linker and payload.

At the American Society of Clinical Oncology (ASCO) 2018, we exhibited the first ever clinical trial data on breast cancer with U3-1402, our second ADC following DS-8201. In ASCO 2019, we presented the first ever clinical trial data on lung cancer with U3-1402 as well as with DS-1062, our third ADC. These results are still at an early stage, but the data shows potential efficacy in each ADC. We consider that both could have a similar potential as DS-8201, and we will make further investments in them going forward.

We will also make considerations with a flexible approach regarding the optimal strategy for maximizing value in these projects.

In addition, we plan to start phase 1 trials for our new ADCs, DS-7300 and DS-6157, during this fiscal year. We have more ADC projects scheduled after that as well.

The ADC projects produced with our ADC platform technology are successively going into clinics, and we plan to expand over a wide range of cancers and indications going forward. In this regard, we will need to make significant management decisions regarding when to increase our R&D expenses, personnel resources, production capacity, and other assets. I will make suitable management decisions, in order to deliver our innovative pharmaceuticals to more patients even earlier.
Daichi Sankyo's R&D Capabilities and Growing Beyond ADCs

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

In Closing

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

We are working with the aim to grow beyond ADC, and have already made progress in clinical trials with compounds in new modalities, including nucleic acid drugs, oncolytic viruses, and cell therapy. We are also moving forward in research on next-generation ADC, bispecific antibodies, gene therapy, and other areas. In this way, we aim to achieve even more competitive drug discovery by utilizing a diverse range of modality technologies. As mentioned at the start of this message, I believe that one of my significant responsibilities as CEO is to make the necessary moves with consideration for the year 2025 and beyond. With a view to 2025 and onward, I wish to take a wide range of actions to grow beyond ADC going forward, grow our iceberg to many times its current size, and continue to produce results.

At a glance

Annual Topics for Fiscal 2018

- Awarded first place in the WWF* ranking of corporate global warming countermeasures in 23 Japanese pharmaceutical companies
- Included in the MSCL Japan Empowering Women (WiNE) Select Index, one of the GPIF indices
- 13th Ordinary General Meeting of Shareholders
- Data presentation (DS-8201 Phase 1, U2-1402 Phase 1, and pexidartinib Phase 3) at the American Society of Clinical Oncology (ASCO)
- Announcement of Q1 FY 2018 financial results
- Data presentation (DS-8201 Phase 1 and U2-1402 Phase 1) at the San Antonio Breast Cancer Symposium in the U.S.
- R&D Day
- Announcement of Q2 FY 2018 financial results
- Data presentation (DS-8201 Phase 1 and U2-1402 Phase 1) at the San Antonio Breast Cancer Symposium in the U.S.
- Reconstruction support following the Great East Japan Earthquake: Coastal Forest Restoration Project (held 4 times in total)
- Announcement of Q3 FY 2018 financial results
- The Daiichi Sankyo Group Value Report 2018 received a Prize of Excellence in the 21st Nikkei Annual Report Awards
- Filed NDA for Quazartinib (Europe, U.S.)
- Announced the transfer of 41 long-listed products in Japan
- Approved manufacturing and sales approval in Japan for the pain treatment Taglife and the antihyperalgesic agent MINNIBRD
- Announcement of Q4 FY 2018 financial results
- Initiated pivotal phase 3 trial of DS-8201 targeting HER2 low expressing breast cancer patients
- Selected for the 2019 Certified Health and Productivity Management Organization Recognition Program (Large Enterprise Category) – White 500 for two consecutive years
- Global development and Commercialization Collaboration with AstraZeneca regarding DS-8201
- Accelerated BLA submission to U.S. FDA for DS-8201 targeting breast cancer
At a glance

### Summary of Financial Results in Fiscal 2018

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Ratio to Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>¥929.7 billion</td>
<td>—</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>¥364.6 billion</td>
<td>39.2%</td>
</tr>
<tr>
<td>SG&amp;A expenses</td>
<td>¥277.7 billion</td>
<td>29.9%</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>¥203.7 billion</td>
<td>21.9%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>¥83.7 billion</td>
<td>9.0%</td>
</tr>
<tr>
<td>Profit attributable to owners of the Company</td>
<td>¥93.4 billion</td>
<td>10.0%</td>
</tr>
<tr>
<td>ROE</td>
<td>7.8%</td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td>¥838.3 billion</td>
<td></td>
</tr>
<tr>
<td>Total equity</td>
<td>¥1,249.7 billion</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>¥2,088.1 billion</td>
<td></td>
</tr>
<tr>
<td>Equity ratio</td>
<td>59.8%</td>
<td></td>
</tr>
</tbody>
</table>

### Key Products

#### Innovative Pharmaceuticals Business

- **Global**
  - Anticoagulant: LIXIANA/SAVAYSA
  - Antihypertensive agent: Olmetec/Benicar
  - Ulcer treatment: NEXIUM
- **Japan**
  - Anticoagulant: Edoxaban
  - Antihypertensive agent: Olmesartan
  - Ulcer treatment: Esomeprazole

#### Generic Business

- Antihypertensive agent: Olmesartan (AG)

#### Vaccine Business

- Seasonal influenza vaccine: Influenza HA Vaccine

#### OTC Related Business

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

### Employees and Bases

<table>
<thead>
<tr>
<th>Region</th>
<th>No. of group employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>8,865</td>
</tr>
<tr>
<td>Asia</td>
<td>1,678</td>
</tr>
<tr>
<td>Europe</td>
<td>1,778</td>
</tr>
<tr>
<td>North America</td>
<td>2,172</td>
</tr>
<tr>
<td>South &amp; Central America</td>
<td>394</td>
</tr>
<tr>
<td>Brazil</td>
<td></td>
</tr>
</tbody>
</table>

COLUMNS: Pharmaceutical Company’s Business Model

Launching a new drug requires an R&D period spanning some 9 to 16 years, as well as anything from tens of billions of yen to over 100 billion yen in costs. As such, it is said that the probability of creating a new drug is one in around 25 thousand compounds.

Once approved, new drugs enjoy an exclusivity period for as long as their patents are effective. After launch, sales of the new drug grow during the exclusivity period, but then fall dramatically once the exclusivity period ends and generic drugs are launched. This fall in sales at the loss of exclusivity (LOE) is called the “patent cliff.” In order to overcome the patent cliff and achieve continuous growth, it is essential to continually develop and launch new drugs through R&D.
At the Daiichi Sankyo Group, we build and expand pipelines while constantly placing focus on patients’ unmet medical needs. The R&D Unit defines oncology as a priority area, and makes investments in a concentrated manner for three main pillars: the ADC (antibody drug conjugate) franchise, the AML (acute myeloid leukemia) franchise, and Breakthrough Science (creating first-in-class or best-in-class compounds with breakthrough mechanism of action or modality). In addition to this, we aim to create innovative medicines that change the SOC for rare diseases outside of the oncology field.

### Major R&D Pipeline

(Internal Development Projects, as of July 2019)

<table>
<thead>
<tr>
<th>Generic Name/Project Code Number</th>
<th>Region</th>
<th>Stage</th>
<th>Partner</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ADC Franchise</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Breast cancer (HER2 positive post T-DM1)</td>
<td>JP/US/EU/Asia</td>
<td>P2/P3</td>
<td>AstraZeneca</td>
</tr>
<tr>
<td>Breast cancer (HER2 positive vs. T-DM1)</td>
<td>JP/US/EU/Asia</td>
<td>P3</td>
<td>AstraZeneca</td>
</tr>
<tr>
<td>Breast cancer (HER2 low expression)</td>
<td>JP/US/EU/Asia</td>
<td>P2</td>
<td>AstraZeneca</td>
</tr>
<tr>
<td>Glioblastoma (HER2 positive post trastuzumab)</td>
<td>JP/Asia</td>
<td>P2</td>
<td>AstraZeneca</td>
</tr>
<tr>
<td>Colorectal cancer (HER2 expressing)</td>
<td>JP/US/EU</td>
<td>P2</td>
<td>AstraZeneca</td>
</tr>
<tr>
<td>Non-small cell lung cancer (HER2 expressing/mutant)</td>
<td>JP/US/EU</td>
<td>P2</td>
<td>AstraZeneca</td>
</tr>
<tr>
<td>Breast cancer, bladder cancer (combination with nivolumab)</td>
<td>US/EU</td>
<td>P1</td>
<td>BMS</td>
</tr>
<tr>
<td><strong>AML Franchise</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Breast cancer (HER3 expressing)</td>
<td>JP/US</td>
<td>P1</td>
<td></td>
</tr>
<tr>
<td>EGFR-mutant non-small cell lung cancer</td>
<td>JP/US</td>
<td>P1</td>
<td></td>
</tr>
<tr>
<td><strong>DS-1062/Anti-TROP2-ADC</strong></td>
<td>Non-small cell lung cancer</td>
<td>JP/US</td>
<td>P1</td>
</tr>
<tr>
<td><strong>Quazartinib/FLT3 inhibitor</strong></td>
<td>Acute myeloid leukemia (relapsed/refractory)</td>
<td>EU/Asia</td>
<td>Submitted</td>
</tr>
<tr>
<td>Acute myeloid leukemia (first-line)</td>
<td>JP/US/EU/Asia</td>
<td>P3</td>
<td></td>
</tr>
<tr>
<td><strong>Milaademetan/DS-3032/MDM2 inhibitor</strong></td>
<td>Solid tumor (lymphomas)</td>
<td>JP/US</td>
<td>P1</td>
</tr>
<tr>
<td>Acute myeloid leukemia</td>
<td>JP/US</td>
<td>P1</td>
<td></td>
</tr>
<tr>
<td><strong>Valmetostat/DS-3201/EZH1/2 inhibitor</strong></td>
<td>Peripheral T-cell lymphomas</td>
<td>JP/US</td>
<td>P1</td>
</tr>
<tr>
<td>Adult T-cell lymphoma/lymphoma</td>
<td>JP</td>
<td>P1</td>
<td></td>
</tr>
<tr>
<td>Acute myeloid leukemia, acute lymphoblastic leukemia.</td>
<td>US</td>
<td>P1</td>
<td></td>
</tr>
<tr>
<td>Small cell lung cancer</td>
<td>US</td>
<td>P1</td>
<td></td>
</tr>
<tr>
<td><strong>PLX2853/BET inhibitor</strong></td>
<td>Acute myeloid leukemia</td>
<td>US</td>
<td>P1</td>
</tr>
<tr>
<td><strong>Ancabatogene ciloleucel/ Axi-Cel/Axi-CD19 CAR-T cells</strong></td>
<td>B-cell lymphomas</td>
<td>JP</td>
<td>P2</td>
</tr>
<tr>
<td><strong>Pexidartinib/DSF-1/K07/FLT3 inhibitor</strong></td>
<td>Tenosynovial giant cell tumor</td>
<td>US/EU</td>
<td>Submitted</td>
</tr>
<tr>
<td><strong>DS-1647/D474/Oncolytic HSV-1</strong></td>
<td>Malignant glioma</td>
<td>JP</td>
<td>P2</td>
</tr>
<tr>
<td><strong>DS-1901/mutant IDH inhibitor</strong></td>
<td>Glioma</td>
<td>JP</td>
<td>P1</td>
</tr>
<tr>
<td><strong>DS-1205/AXL inhibitor</strong></td>
<td>Non-small cell lung cancer (combination with gefitinib)</td>
<td>JP</td>
<td>P1</td>
</tr>
<tr>
<td>Non-small cell lung cancer (combination with osimardin)</td>
<td>Asia</td>
<td>P1</td>
<td></td>
</tr>
</tbody>
</table>

### Speciality Medicine

<table>
<thead>
<tr>
<th>Generic Name/Project Code Number</th>
<th>Region</th>
<th>Stage</th>
<th>Partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estruvabine/Factor Xa inhibitor</td>
<td>Acute ischemic stroke in very elderly patients</td>
<td>JP</td>
<td>P3/LCM*</td>
</tr>
<tr>
<td>Prasugrel/Anti-platelet agent</td>
<td>Ischemic stroke</td>
<td>JP</td>
<td>P3/LCM*</td>
</tr>
<tr>
<td>Esasirinex/MR antagonist</td>
<td>Diabetic nephropathy</td>
<td>JP</td>
<td>P3/LCM*</td>
</tr>
<tr>
<td>DS-1049/TAFIa inhibitor</td>
<td>Acute ischemic stroke, acute pulmonary thromboembolism</td>
<td>JP/US/EU</td>
<td>P1</td>
</tr>
<tr>
<td>Mirogabalin/gg ligand</td>
<td>Central neuropathic pain</td>
<td>JP/Asia</td>
<td>P3/LCM*</td>
</tr>
<tr>
<td>DS-5141/ENA oligonucleotide</td>
<td>Duchenne type muscular dystrophy</td>
<td>JP</td>
<td>P2</td>
</tr>
<tr>
<td>DS-1211/TNAP inhibitor</td>
<td>Prevention of ectopic calcification diseases</td>
<td>US</td>
<td>P1</td>
</tr>
</tbody>
</table>

### Vaccines

<table>
<thead>
<tr>
<th>Generic Name/Project Code Number</th>
<th>Region</th>
<th>Stage</th>
<th>Partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>VN-0105/DPT/IP/Hib</td>
<td>Prevention of pertussis, diphtheria, tatanus, poliomyelitis and Hib infection</td>
<td>JP</td>
<td>P3</td>
</tr>
<tr>
<td>VN-0102/JWC-001/ Measles-Mumps-Rubella vaccine</td>
<td>Prevention of Measles, Mumps and Rubella</td>
<td>JP</td>
<td>P2</td>
</tr>
</tbody>
</table>

* : Projects in the field of oncology which are planned for application based on the results of Phase 2 trials
**: Projects that have been granted SAKIGAKE Designation (Japan), Breakthrough Therapy Designation (FDA), or Orphan Drug Designation

### Clinical trial stages

- **P1**: Phase 1
  - Conduct trials on a small group of healthy volunteers to assess safety and pharmacokinetics of drugs
  - (patient volunteers may be included depending on the tests)
- **P2**: Phase 2
  - Conduct trials on a small group of patients to assess safety, efficacy, dosage and administration regimen
- **P3**: Phase 3
  - Conduct trials on a large number of patient volunteers to assess safety and efficacy in comparison with existing drugs
Daiichi Sankyo Group Value Report 2019 Daiichi Sankyo Group

History of Daiichi Sankyo

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.

History of Sankyo

Sankyo started its journey by commercializing compounds created through its fermentation, extraction of biological materials from plants and animals, and other biological technologies such as fakase-dextase, adrenalin 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.

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 Daiichi Pharmaceutical

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

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

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

* These drugs whose annual peak sales exceed $1 billion.

2005
Daiichi Sankyo Co., Ltd., established by joint holding company of Sankyo Co., Ltd. and Daiichi Pharmaceutical Co., Ltd.

2007
Start of new Daiichi Sankyo Group
History of Daiichi Sankyo – Road After the Merger

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

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

For more information on the 5-year business plan, see pages 32 to 38.

Global Pharma Innovator with
Competitive Advantage in Oncology

2025 Vision

Value Creation Story

1. Index compiled by FTSE Russell evaluating companies’ engagement in Corporate Social Responsibility activities
2. Index compiled by S&P Dow Jones Indices LLC and RobecoSAM AG recognizing companies that exhibit sustainability
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.
Medium-to-Long-Term Initiatives and Challenges

Daiichi Sankyo is working to enhance our long-term corporate value, as well as to engage in medium-to-long-term initiatives and challenges in order to realize a sustainable society. We have positioned the constant creation of innovative pharmaceuticals and the provision of pharmaceuticals addressing diverse medical needs as the basis for our value creation and have been delivering values to society by committing ourselves to solving issues on sustainability, including social and environmental problems, through our corporate activities.

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

### Promoting Environmental Management

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

#### Corporate Governance Aimed at Fulfilling Our Mission

Daiichi Sankyo Group is working to secure legal compliance and management transparency, and to strengthen the oversight of management and the conduct of operations in addition to creating a management structure that can respond speedily and flexibly to changes in the business environment. We are promoting a corporate governance structure aimed at fulfilling our mission.

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

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

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

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

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

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

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

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

#### Providing the Highest Quality Medical Information

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

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

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

### Creating Innovative Pharmaceuticals

Daiichi Sankyo Group is united to create innovative pharmaceuticals and resolve the social issue of overcoming illnesses. To meet patients' unmet medical needs, our pharmaceuticals and enhance their product value correctly. Within Daiichi Sankyo Group, we continually expand our product lineup to meet demand for a high level of manufacturing technologies, we strive to fulfill this mission by continually providing high-quality pharmaceuticals to the world in a stable manner over a long-term period, even in the event of an earthquake or other emergency.

### Improving Access to Healthcare

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

### Promoting Compliance Management

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

### Providing a Medium-to-Long-Term Initiatives and Challenges

- **Value Creation Story**
  - **Medium-to-Long-Term Initiatives and Challenges**

- **Promoting Environmental Management**
  - **Basic Policy**
    - Daiichi Sankyo Group recognizes, with great importance, environmental issues such as global warming or extreme weather which have impacts on our work and life, and we also understand that these issues are risks that may affect long-term business itself. We work to promote environmental management based on this understanding, and we believe that doing so contributes to a sustainable society and helps build long-term foundations for corporate growth.
  - **Introduction of Our Initiatives**
    - Expressing Agreement with the Recommendations of the TCFD (Task Force on Climate-related Financial Disclosures)
      - In April 2019, Daiichi Sankyo Group was the first pharmaceutical company in Japan to express support for the TCFD recommendation, which were formulated to encourage companies to disclose information about the risks and opportunities presented by climate change in business activities.
      - We see “Climate Action,” Goal 13 in the SDGs (Sustainable Development Goals), to be an important issue within environmental management, and we are actively engaged in initiatives to independently disclose climate-related financial information in line with the recommendations of the TCFD and in response to requests from stakeholders.
    - **Setting a Target to Reduce CO₂ (by 27% Compared to 2015) with Consideration for Long-Term Goals**
      - We have set a target at Daiichi Sankyo Group to reduce greenhouse gases, and this target has been approved by the Science Based Targets initiative (SBTI). Our target to reduce greenhouse gases emitted through business activities at the Group falls in line with the necessary degree of reduction for keeping the average increase in global temperature below 2°C.
      - In fiscal 2018, we achieved a 12.7% reduction of CO₂ emissions from fiscal 2015, meaning that we have gone beyond our target for fiscal 2020. We will continue to engage in initiatives for CO₂ reduction in consideration of long-term goals in 2030.
    - **Building a System to Secure the Reliability of Environmental Performance Data**
      - We recognize actions to secure the reliability of environmental performance data, including climate change, to be the most crucial issue within environmental management. As such, we have gained third-party certification in order to enhance the reliability of our data.
      - We have built a system that can collect all applicable data with external evidence such as electricity and gas meter readings. We received a high evaluation from the third-party certification body for this system as it ensures the accuracy of data.

- **Corporate Governance Aimed at Fulfilling Our Mission**
  - Daiichi Sankyo Group is working to secure legal compliance and management transparency, and to strengthen the oversight of management and the conduct of operations in addition to creating a management structure that can respond speedily and flexibly to changes in the business environment. We are promoting a corporate governance structure aimed at fulfilling our mission.

- **Creating Innovative Pharmaceuticals**
  - Daiichi Sankyo Group is united to create innovative pharmaceuticals and resolve the social issue of overcoming illnesses. To meet patients' unmet medical needs, our pharmaceuticals and enhance their product value correctly. Within Daiichi Sankyo Group, we continually expand our product lineup to meet demand for a high level of manufacturing technologies, we strive to fulfill this mission by continually providing high-quality pharmaceuticals to the world in a stable manner over a long-term period, even in the event of an earthquake or other emergency.

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

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

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

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

- **Other initiatives:**
  - **Structure for promoting environmental management:** Respond to water risks; control of chemical substances; initiatives for biodiversity conservation. The Company updates its corporate website with information regularly.

- **Source:**
Promoting Compliance Management

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

Introduction of Our Initiatives

Entrenching Compliance Awareness Among Employees
Daiichi Sankyo Group companies have developed compliance conduct standards in their respective regions based on the Daiichi Sankyo Group Corporate Conduct Charter and the Daiichi Sankyo Group Individual Conduct Principles. Compliance officers at each company send out messages and carry out other activities in order to entrench awareness of these standards among all employees, including executive officers.

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

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

Establishing the Daiichi Sankyo Group Global Anti-Bribery & Anti-Corruption Policy
The laws and regulations that pertain to bribery and other forms of corruption in countries around the world are growing stricter with each coming year. Thus, it is becoming increasingly important for companies with global operations to implement initiatives for the prevention of bribery and other forms of corruption.

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

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

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

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

Introduction of Our Initiatives

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

Promoting Group Talent Management
Within Daiichi Sankyo Group, our aim is to build a talented and high-performing professional team that will continue to grow in the future. Our talent management strategy is based on the concept of “talent inventory management,” which is implemented in order to ensure the sustained growth of the Company. We conduct talent management activities through training programs, opportunities, and positions that allow for further growth among successor candidates. We have also been actively providing opportunities for global business experience (international assignment and overseas study programs), to allow future leaders to expand their knowledge and comprehend global business. As of April 2019, 99 individuals are engaged in work outside of Japan.

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

COF Project Overview
Employees’ endeavors and successes equate to the Company’s growth and development.

Focusing Efforts on Strengthened Fields to Realize Our 2025 Vision: the COF Project
The COF (Create Our Future) Project started in 2017 with the aim of achieving our 2025 Vision: becoming a “Global Pharma Innovator with competitive advantage in oncology” by taking the talented people who are the source of our competitiveness and allocating them to strengthened fields where they can maximize their ability. Apart from seeking to actively allocate personnel to our oncology business and other strengthened fields, we work to achieve mutual growth between employees and the company, using our internal portal to send out information needed to make career choices, including information on job positions and organizations as “Career Path Models.” We strive to foster an organizational culture in all business areas and functions within the company for developing an independent mindset regarding career development, so that we can continue to undertake even greater challenges than before.

Medium-to-Long-Term Initiatives and Challenges

Other initiatives: Compliance system, sustainable procurement; information security; R&D ethics. The Company updates its corporate website with information regularly.
https://www.daiichisankyo.com/about_us/responsibility/ins/biz/fair/index.html

Value Creation Story

Introduction of Our Initiatives

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

Establishing the Daiichi Sankyo Group Global Anti-Bribery & Anti-Corruption Policy
The laws and regulations that pertain to bribery and other forms of corruption in countries around the world are growing stricter with each coming year. Thus, it is becoming increasingly important for companies with global operations to implement initiatives for the prevention of bribery and other forms of corruption.

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

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

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

Introduction of Initiatives

Mid-to-long-term Initiatives in R&D
Since its founding, Daiichi Sankyo has been focusing on expanding its business through in-house drug discovery. In-house drug discovery that lead to business expansion requires researchers with a high degree of specialization and expertise based on a wealth of experience. Researchers at Daiichi Sankyo are involved in many projects through various opportunities and have acquired the ability to deliver a message that draws people around us. Our researchers deepen their awareness of diverse experiences and create a network of global researchers by studying at leading universities and laboratories in and outside Japan. Such experience leads to the development of researchers with far-sightedness in identifying future directions, creating a culture that allows researchers to conduct research activities as they wish according to their interests and based on science without fear of failure.

The path to drug discovery is not seamless, rather is a series of challenges and these challenges lead to the discovery of DS-8201 and other medicines in the ADC franchise. We will continue creating innovative pharmaceuticals through such experience.

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

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

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

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

Improving Access to Healthcare

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

Introduction of Our Initiatives

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

Access to Healthcare policy of Daiichi Sankyo Group

<table>
<thead>
<tr>
<th>Challenges to access to healthcare</th>
<th>Umn medical needs</th>
<th>Access barriers to essential healthcare</th>
<th>Economic, social, and cultural inequalities</th>
<th>Improvements of availability of pharmaceuticals</th>
<th>Reinforcement of regional healthcare infrastructures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Availability</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Research &amp; Development</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capacity Building</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Disease</th>
<th>Drug name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute lymphopenia</td>
<td>Ilapiprev</td>
</tr>
<tr>
<td>Severe ophthalmic disease</td>
<td>Glatiram</td>
</tr>
<tr>
<td>Diabetic nephropathy</td>
<td>Exonygen</td>
</tr>
<tr>
<td>Acute myocardial infarction</td>
<td>Promitax</td>
</tr>
<tr>
<td>Advanced digestive tract cancer</td>
<td>Pancre fiyatları</td>
</tr>
<tr>
<td>Duchenne muscular dystrophy</td>
<td>D-1541</td>
</tr>
<tr>
<td>Graft-vs-Cell reactions</td>
<td>Air-Collar</td>
</tr>
</tbody>
</table>

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

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

Other initiatives: Participating in Access Accelerated; vaccine production technology transfer for Vietnam.

The Company updates its corporate website with information regularly.

Providing the Highest Quality Medical Information

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

Introduction of Our Initiatives

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

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

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

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

Responding to Inquiries Appropriately
The Medical Information Department in Japan receives about 10,000 inquiries each month from healthcare professionals and patients. The department has secured the leading rank in all surveyed categories, including “Ease in Getting through when Calling by Phone,” “Swift Responses,” “Good Collaboration with MRs,” and “Attitude and Politeness of Staff.” The department started running a system using AI from April 2018, enabling optimal information to be delivered even more quickly.

Provide a Stable Supply of Top-Quality Pharmaceutical Products

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

Introduction of Our Initiatives

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

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

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

Systems for Achieving Stable Supply During Emergencies
Daiichi Sankyo Group has a business continuity plan (BCP) in preparation for four major threats to business continuity: natural disasters, facility accidents, pandemic influenza and other infectious diseases, and system failures. Based on this plan, systems are in place to quickly restore operations in the event of an emergency and to ensure a steady supply of pharmaceutical products with assured quality to help support the continued provision of medical services.
Daiichi Sankyo’s Strengths

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

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

Science & Technology

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

The roots of Daiichi Sankyo’s R&D DNA can be traced back to the founding of the company. Our journey began with the extraction of adrenaline, the discovery of ochestatin and the domestic production of salvarsan. Ever since then, we have aimed to be a drug discovery-oriented company originating from Japan and we have focused on in-house drug discovery. We have also gone on to create and deliver innovative products that have had a global impact such as pravastatin, levofloxacin, olmesartan, and edoxaban to patients around the world. Utilizing this strong R&D DNA, honed and cultivated over years of operation, Daiichi Sankyo is committed to the development of innovative pharmaceuticals that will change SOC*. * SOC (Standard of Care): Universally applied best treatment practice in today’s medical science

Global Management System Uniting Intellects from Around the World

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

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

Global R&D Structure Enabling Swift Decision-Making

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

* Global Executive Meeting for Research and Development

Robust, Global Pool of Talent

Proactive Employment and Utilization of Talents from Around the World

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

Human Resources Development Programs Taking Advantage of Global Experience

In human resources development, Daiichi Sankyo identifies positions that are key to the accomplishment of its management vision and the goals of its mid-term business plan on a global basis, and nurtures people by assigning them duties with challenging goals or difficult tasks or by relocating them overseas. As such, we proactively promote global talent management that offers opportunities for further contributions.

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

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

For details, refer to page 27

For details, refer to page 28

Global Superior and Pharmaceutical Technologies for Creating Innovative Pharmaceuticals

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

DS-8201 was created through Daiichi Sankyo’s proprietary science and technology. The antibody portion of this drug was created by applying the antibody research and production engineering capability of the former Sankyo, while the drug payload and linker were born out of the research capabilities of the former Daiichi Pharmaceutical. Our ADC project started in 2010 by examining the merits and issues regarding the preceding ADC. In order to solve these issues regarding the preceding ADC, our researchers screened and optimized over several hundred combinations of antibodies, linkers, and payloads to ultimately produce the technology we have now. Daiichi Sankyo’s ADC has been established as a platform technology where a payload and linker can be combined with many different antibodies, and we are currently developing seven ADC projects.

Diverse Modality Technologies

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

Powerful Research Engines

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 excellent universities in Japan every year from a wide range of fields, including pharmacology, medicinal chemistry, pharmaco-kinesics, toxicology and pharmaceutical technology. Additionally we strive to improve the scientific level of research employees after joining the company, sending many of them to study at overseas universities and prestigious research institutions. These researchers take part in cross-functional project teams together with the development division, the pharmaceutical technology division, the marketing division, 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 pharmaceuticals that will change SOC, the universally applied best treatment practice in today’s medical science. We have utilized collaborations with various organizations, including those in academia, so as to achieve many drug discovery targets, as well as to acquire and enhance drug discovery technologies. In fiscal 2018, we fostered multiple new collaborations in Japan and overseas, engaging in initiatives to bolster our pipeline by incorporating leading-edge science into the Company.

Presence in Japan

No.1 in Terms of Pharmaceutical Revenue in Japan

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

* Pharmaceutical revenue excluding the exclusive period granted by reimbursement period and patents

No.1 MR Evaluation

We have developed activities according to the various needs of each healthcare professional with a multichannel approach* led by MRs. With regard to MR evaluation, we have been ranked highly not only for our knowledge and information, but also in terms of human nature and responsiveness. As a result, we are comprehensively ranked No.1. * Utilizing lectures, web seminars, Internet and other methods, principally conducted by MRs

* Conducted by ANTEOR Inc.

Continuous launch & sales growth of own products

- Launching and achieving sales growth in Eferin and LONIZA
- Newly launched Tarlige and MINNEBRO in fiscal 2019

Sales growth of acquired products

- Growth of Japanese businesses
- Top class sales capabilities in quality and quantity

Fine-tuned sales capabilities

Acquire valuable new products

Strategic alliances

Clinical trials

Consecutive launch, sales growth of own products

● Launching and achieving sales growth in Eferin and LONIZA
● Newly launched Tarlige and MINNEBRO in fiscal 2019

Daiichi Sankyo’s Strengths
2025 Vision

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

Why Oncology?

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

Our group is steadily advancing into our 2025 vision, “Global Pharma Innovator with Competitive Advantage in Oncology.”
I would like to begin by thanking all of our stakeholders for the ongoing support to Daiichi Sankyo. Along with the explanation of our 5-year business plan, reasons for its revision, and its current state, I would like to introduce examples of specific initiatives I am working on to improve the corporate value as CFO.

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

1. 5-Year Business Plan (Presented in March 2016)
   Since the development of 5-year business plan (fiscal 2016 to 2020) in March 2016, we are committed to establish a foundation for sustainable growth mainly consisting of the achievement of six strategic targets to transform ourselves along our 2025 Vision of becoming a “Global Pharma Innovator with competitive advantage in oncology.”

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

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

Examples of Initiatives for Improving Corporate Value

I would like to introduce examples of specific initiatives I am working on to improve the corporate value as CFO. Here, I will explain our specific ROE improvement and capital cost reduction initiatives as part of our initiatives for improving corporate value, following (1) to (6) in the figure below.
Message from the CFO

To Improve Corporate Value

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

(5) Extensive Risk Management, Initiatives for Sustainability

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

For details, refer to page 96.

(6) Realize Engagement through Reinforcing IR Activities

Engagement means having conversation with purpose, and we will foster mutual understanding and increase transparency, and thus further improve corporate value through healthy discussions between investors and our management team. In the distribution of IR information, we disclose information in a timely manner while giving consideration to transparency and fairness, and we endeavor to undertake IR activities to narrow the gap between the corporate value envisioned by people inside and outside of the company. Following the recent enhancement of our pipelines in particular, we have set up meetings and conference calls aimed at investors after presentations at major scientific conferences in the U.S. and Europe for better and deeper understanding among investors. In addition, we conduct more than 350 interviews with investors annually, including ten international roads shows a year (interviews with international investors). As CFO, I myself engage by proactively holding conversations with investors and analysts, to realize engagement.

In Closing

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

From a mid-term perspective, prior investment in a long-term perspective is also crucial. We also engage in proactive disclosure of ESG information to reduce the risk from the viewpoint of investors. We have been selected for various ESG indices including the “DJSI World Index,” in which we have been selected in the pharmaceutical sector for the first time as a Japanese company and also for two consecutive years.

For details, refer to page 96.

(1) Realize Process Excellence

In order to improve the profit ratio as well as expand sales, we have taken steps to achieve further cost reductions and to streamline Daiichi Sankyo Group through activities called “Realize Process Excellence.” Major initiatives include enhancement of the procurement function and optimization of operating structures for manufacturing, marketing & sales, and R&D. Concerning the optimization of operating structures, in the past three years to fiscal 2018 since the start of

(2) Optimize Business Portfolio

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

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

(3) Streamline Non-core Assets

We streamline non-core assets through pursuing optimization in assets and enhancing our total asset turnover ratio, while working to create free cash that will lead to improvement of corporate value. With regard to assets including real estate, we implement liquidation of non-core assets at the appropriate timing while considering not only the necessity of the assets for business activities and the ability to be replaced, but also life-cycle costs (maintenance costs needed to maintain functions subject to deterioration and renovation costs required to improve performance) and business continuity plans (BCPs). We sold real estate worth ¥110 billion in fiscal 2018 and ¥25.0 billion in total so far. In fiscal 2019, we also sold our Nihonbashi Building.

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

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

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

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

(5) Extensive Risk Management, Initiatives for Sustainability

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

For details, refer to page 96.

(6) Realize Engagement through Reinforcing IR Activities

Engagement means having conversation with purpose, and we will foster mutual understanding and increase transparency, and thus further improve corporate value through healthy discussions between investors and our management team. In the distribution of IR information, we disclose information in a timely manner while giving consideration to transparency and fairness, and we endeavor to undertake IR activities to narrow the gap between the corporate value envisioned by people inside and outside of the company. Following the recent enhancement of our pipelines in particular, we have set up meetings and conference calls aimed at investors after presentations at major scientific conferences in the U.S. and Europe for better and deeper understanding among investors. In addition, we conduct more than 350 interviews with investors annually, including ten international roads shows a year (interviews with international investors). As CFO, I myself engage by proactively holding conversations with investors and analysts, to realize engagement.

In Closing

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

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

Going forward, I will continue to improve corporate value by enhancing shareholder returns while paying attention to the balance between investment and profitability.
5-Year Business Plan Overview and Progress: Grow Edoxaban

**Strategic Target**

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

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

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

### 1 5-Year business plan

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

### 2 Progress to date

#### (1) Growth in Japan

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

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

#### (2) Growth in each country

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

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

![Graph showing growth of edoxaban by each country](image)

*Copyright © Created based on 2019 IQVIA, MIDAS Sales Data Reprinted with permission*

#### (3) Life-cycle management initiatives

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

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

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

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

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

1 5-Year business plan

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

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

* No.1 in the bone resorption inhibitor market

Total revenue from the six major products has steadily expanded, from ¥197.3 billion in fiscal 2016 to ¥212.8 billion in fiscal 2017. However, in fiscal 2018, revenue remained almost unchanged at ¥211.5 billion, due to factors such as significant reduction in the drug price of NEXIUM, which are more severe than expected at the time of the 4th mid-term business plan announcement.

In fiscal 2019, revenue are expected to increase y-o-y approximately ¥10 trillion, of which approximately 90% is accounted for by general pharmaceuticals prescriptions from healthcare professionals: MR evaluation from healthcare professionals, which is an important foundation for sales revenue target of ¥10 billion or more for fiscal 2019.

Furthermore Daiichi Sankyo has ranked No. 1 both in MR evaluation*, which is an important foundation for sustainable growth, for seven consecutive years, and in revenue from pharmaceutical products in Japan for three consecutive years.

* Based on survey conducted by ANTERIO Inc.

2 Progress to date

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

During the 5-year business plan, we have successfully achieved many feats seen below, including Vimpat, an epileptic agent, and CANALIA combination tablet, a treatment for type 2 diabetes mellitus, growing with a sales revenue target of ¥10 billion or more for fiscal 2019.

In fiscal 2019, we will add to our product portfolio our in-house developed drugs, Tarlige for pain treatment and Minnebro for hypertension, and Varféria, a promising new cancer product. We will aim to quickly nurture these new products. Through aggressive in-licensing activities, we will win promising in-licensing products to overcome the challenging market environment.

Pharmaceutical Market in Japan

The pharmaceutical market in Japan is worth approximately ¥10 trillion, of which approximately 90% is comprised of prescription pharmaceuticals that require prescriptions from physicians with the remainder of the market being accounted for by general pharmaceuticals and other over-the-counter (OTC) drugs that can be freely purchased in pharmacies and drug stores. Moreover, the use of generic drugs has been increasing in the prescription pharmaceutical market, and these drugs have recently come to represent about 73% of the market on a sales-volume basis* in September 2018.

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

<table>
<thead>
<tr>
<th>Structure of Japanese Pharmaceutical Market</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmaceuticals</td>
<td>Approx. ¥10 trillion</td>
</tr>
<tr>
<td>Prescription pharmaceuticals</td>
<td></td>
</tr>
<tr>
<td>New drugs (innovative pharmaceuticals)</td>
<td>Approx. 81%*</td>
</tr>
<tr>
<td>OTC and others</td>
<td></td>
</tr>
<tr>
<td>New drugs</td>
<td>Approx. 9%*</td>
</tr>
<tr>
<td>Generic pharmaceuticals</td>
<td></td>
</tr>
<tr>
<td>Approx. 81%*</td>
<td></td>
</tr>
</tbody>
</table>

COLUMNS

**Strategic Target**

Grow as the No.1 Company in Japan

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

* Pharmaceuticals still protected by the exclusivity period granted by patents

---

Daiichi Sankyo Group Value Report 2019
Establish Oncology Business

In our 5-year business plan, we set up the target of growing oncology business revenue to ¥300.0 billion in fiscal 2025. Last year, we raised it to over 500 billion yen. The development of the ADC franchise centered on DS-8201 and AML franchise have been steadily accelerating. In fiscal 2019, we obtained approval of quizartinib and pexidartinib, and plan to submit DS-8201 for approval.

1 5-Year Business Plan

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

2 Progress to Date and Future Initiatives

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

The Oncology R&D sub unit has established three pillars, antibody drug conjugate (ADC) franchise, acute myeloid leukemia (AML) franchise, and breakthrough science that we will focus on. We are aiming to become a world-leading science organization built on these three pillars and to deliver seven valuable new molecular entities (NMEs) over eight years by 2025.

3 About Cancer

Cancer is one of the diseases with high prevalence and mortality both in Japan and worldwide. Every year, approximately 14 million people are newly diagnosed with cancer across the world. In Japan, cancer has been the leading cause of death since 1981, while in 2018, annual cancer deaths reached approximately 410,000 people. Given these statistics, cancer has a devastating impact on human life and health.

3.1 Cancer death (all types of cancer) 2018

<table>
<thead>
<tr>
<th>Type</th>
<th>Japan</th>
<th>U.S.</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>New cases</td>
<td>9,555</td>
<td>409</td>
<td>617</td>
</tr>
<tr>
<td>5-year survival (%)</td>
<td>1,943</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: GLOBOCAN 2018, FACT SHEET

3.2 Cancer Treatment

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

3.2.1 Systemic Therapy

- **Drug therapy**
  - **Type**: Attack cancer cells with drugs
  - **Methodology**: A mainstay of treatment if local therapy is inappropriate such as hematological cancer or metastatic disease

3.2.2 Local Therapy

- **Surgery**
  - **Type**: Remove cancer surgically
  - **Methodology**: Cancer can be cured if it remains in the primary lesion

- **Radiotherapy**
  - **Type**: Eliminates cancer cells with radiation
  - **Methodology**: Exerts therapeutic effects without surgically removing organs

3.2.3 Molecular targeted drugs (including antibody drugs)

- **Type**: Selectively target cancer cells

4 Conclusion

Cancer is a disease that affects the fundamental structure and function of human life and health. Cancer treatments are divided into two categories: systemic therapy and local therapy. Local therapy consists of surgery and radiotherapy.
**Daiichi Sankyo’s ADC (Antibody Drug Conjugate)**

**1 What is ADC?**

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

**2 Mechanism of Action with ADC**

ADC exerts its therapeutic effects through the following steps:

1. **Bind to antigen**
   - Antibody drug
   - Chemotherapeutic drug

2. **Internalization**
   - Endosome
   - Endolysosome

3. **Drug action**
   - Lyosome
   - Drug release

4. **Payloads**
   - Released drug payloads penetrate into neighboring cancer cells

**3 Structure of Daiichi Sankyo’s ADC**

Our ADC technology is applicable to various antibodies.

**4 Characteristics of Daiichi Sankyo’s ADC**

Daiichi Sankyo began development on ADC technology in 2010. There were already preceding products in the market that used ADC technology at that time, and our entry to the research and development was certainly not early. Daiichi Sankyo’s researchers screened over 100 types of linkers to bind the antibody to the payload. The key aim was to overcome the shortcomings of existing ADC technology. These efforts ultimately produced the ADC construct used in DS-8201 and other ADC products. The main characteristics of this technology are summarized in the figure below. Each characteristic is described in detail on the following page.

**Characteristics of Payload**

- **High potency of payload**
- **Bystander effect**
- **Payload with a short systemic half-life in the blood**
- **Stable linker**
- **Tumor selective cleavable linker**
- **High drug-antibody ratio**

**Characteristics of ADC**

- **High target selectivity**
- **Low target selectivity**
- **Payload with a short systemic half-life**
- **Fewer side effects, relative to chemo**
- **Potent anti-tumor effects (cytotoxic activity)**
- **Payload is less likely to be released while in the blood**

**5 Stable linker**

For ADC technology to exhibit cancer cell-specific efficacy, the payloads must be reliably delivered to cancer cells, and here the linker plays an important role. If the linker is unstable, the ADC may degrade after administration and the payloads will be released in the blood. This can reduce efficacy before the payloads are carried to the cancer cells, and can potentially cause side effects if the payloads affect normal cells. Pharmacokinetic analysis of the phase 1 study has confirmed the in vivo stability of Daiichi Sankyo’s ADC construct.

**6 Selectively cleaved linker in cancer cells**

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

**7 High drug-ratio**

The drug-ratio (the number of payloads held on a single antibody) for currently approved ADCs range unevenly between two and seven, whereas Daiichi Sankyo’s ADC can load a maximum of eight payloads with high uniformity. Historically, ADCs bearing more payloads per antibody cause aggregation after being formulated. But Daiichi Sankyo’s ADC construct and its formulation minimizes aggregation, even with the high DAR. For example, DS-8201 and L3-1402 have a DAR of eight, but they are highly uniformed. Furthermore, we possess technology to control the drug-ratio according to antigen expression and internalization rates. For example, DS-1062 is optimized as a DAR of four.
At present, Daiichi Sankyo has seven ADC projects for different antibody targets with the same linker and payload.

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

Overview and progress of 5-Year Business Plan: Establish Oncology Business

<Table>
<table>
<thead>
<tr>
<th>Project</th>
<th>Target Antibody</th>
<th>Indication</th>
<th>Phase</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>DS-8201 (HER2)</td>
<td>Breast cancer</td>
<td>Gastric cancer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DS-1062 (ITM2F)</td>
<td>Non-small-cell lung cancer</td>
<td>Non-small-cell lung cancer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DS-7300 (ITM2F)</td>
<td>Solid tumors</td>
<td></td>
<td></td>
<td>Start clinical study in FY2019</td>
</tr>
<tr>
<td>DS-6157 (ENV3195)</td>
<td>Gastrintestinal stromal tumor (GIST)</td>
<td></td>
<td></td>
<td>Start clinical study in FY2019</td>
</tr>
<tr>
<td>DS-8000 (untargeted)</td>
<td>Kidney cancer</td>
<td>Ovarian cancer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project code</td>
<td></td>
<td></td>
<td></td>
<td>3A-MUC1</td>
</tr>
</tbody>
</table>

1 DS-8201 (anti-HER2-ADC)

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

**WHAT IS HER2?**

HER2 is an antigen found on the cell surface. It has a structure similar to the epidermal growth factor receptor (HER1/EGFR). It is a receptor tyrosine kinase associated with cell proliferation, HER2, which is overexpressed on the surface of cancer cells, such as those of breast cancer, gastric cancer, colorectal cancer, lung cancer, and bladder cancer, induces cancer cell proliferation by activating signal transmission. DS-8201 exerts its efficacy by binding to this HER2.

2 DS-8201 overall development plan

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

3 Phase 1 study breast cancer, comparison to similar drugs

Breast

<table>
<thead>
<tr>
<th>Drug</th>
<th>mPFS</th>
<th>DoR</th>
<th>OS</th>
</tr>
</thead>
<tbody>
<tr>
<td>T-DM1</td>
<td>14.1m</td>
<td>4.4m</td>
<td>20.2m</td>
</tr>
<tr>
<td>DS-8201</td>
<td>18.5m</td>
<td>6.9m</td>
<td>22.1m</td>
</tr>
</tbody>
</table>

<Table>
<table>
<thead>
<tr>
<th>Drug</th>
<th>mPFS</th>
<th>DoR</th>
<th>OS</th>
</tr>
</thead>
<tbody>
<tr>
<td>T-DM1</td>
<td>14.1m</td>
<td>4.4m</td>
<td>20.2m</td>
</tr>
<tr>
<td>DS-8201</td>
<td>18.5m</td>
<td>6.7m</td>
<td>6.3m</td>
</tr>
</tbody>
</table>

Source: [The Lancet Oncology](https://www.thelancet.com/journals/lanonc)

4 Phase 1 study gastric cancer, comparison to similar drugs

Gastric

<table>
<thead>
<tr>
<th>Drug</th>
<th>mPFS</th>
<th>DoR</th>
<th>OS</th>
</tr>
</thead>
<tbody>
<tr>
<td>T-DM1</td>
<td>4.4m</td>
<td>6.0m</td>
<td>7.0m</td>
</tr>
<tr>
<td>DS-8201</td>
<td>6.7m</td>
<td>2.7m</td>
<td>5.6m</td>
</tr>
</tbody>
</table>

Source: [The Lancet Oncology](https://www.thelancet.com/journals/lanonc)

Regarding breast cancer, overall response rate (ORR) was 59.5%, duration of response (DOR) was 20.7 month and overall survival (OS) was not reached in patients who were treated by DS-8201 after progression with T-DM1, standard therapy for first line treatment.

Regarding gastric cancer, ORR was 43.2%, DOR was 12.8 months and OS was 59.5% in patients who were treated by DS-8201 after progression with trastuzumab, standard therapy for first line treatment.

This trial is fully enrolled, and final results will be presented at a future international medical conference.
(4) Interstitial lung disease

Interstitial lung disease is a group of disorders that damage the walls of the alveoli in the lungs and the spaces around the blood vessels and small airways. It is usually diagnosed by chest X-ray or chest CT. Over 300 drugs are known to induce ILD and other respiratory diseases, with significant issues being that the majority of ILD emerges from unpredictable, or idiopathic circumstances. Drug-related ILD is diagnosed by distinguishing signs and symptoms (such as fever, cough, and shortness of breath) from other disorders. ILD has been recognized as a critical adverse event for DS-8201 from the earliest stage of the program. And a decision was taken to evaluate all suspected ILD cases via an external and independent adjudication committee. At the December 2018 San Antonio Breast Cancer Symposium (SABCS), interim data on suspected ILDs was presented for the 665 cases treated with DS-8201. Of the 665 cases, 66 cases (9.9%) were reported by the investigator to be potential ILD cases. Of these, a lower occurrence of 15 out of 269 cases (5.6%) was found in breast cancer patients treated with the low dose of 5.4 mg/kg. As a result, the dosage to be used in 3 breast cancer phase 3 trials was set to 5.4 mg/kg. As early detection and early treatment is considered important in stopping ILDs from worsening, all study protocols were revised spring 2019. Prior to participating in the study, patients receive an explanation on the risks of ILDs when obtaining informed consent. They are then asked to immediately contact the physician in charge of their treatment should any symptoms or signs indicating the possibility of ILD appear. We also provide information to healthcare professionals about monitoring, evaluating, and treatment information of potential ILD symptoms. These changes of protocol are made to all our ADC projects. We continue to recognize ILD as critical adverse events and continue monitoring safety. At the same time, we are actively organizing a broad campaign to further drive awareness of safety use.

The following table shows the number of ILDs by severity in all patients and those treated with 5.4 mg/kg of DS-8201.

<table>
<thead>
<tr>
<th>Grade</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Investigator reported, n (%)</td>
<td>23 (3.5)</td>
</tr>
<tr>
<td>Cases adjudicated, n</td>
<td>16</td>
</tr>
<tr>
<td>Adjudicated as drug-related ILD, n</td>
<td>11</td>
</tr>
</tbody>
</table>

Currently, 1) pivotal phase 2 study for third line treatment (post-7-D01) of HER2 positive metastatic breast cancer (DESTINY-Breast01 study), 2) phase 3 study for the same treatment (DESTINY-Breast02 study), and 3) phase 3 study for second line treatment (vs. 7-D01) of HER2 positive metastatic breast cancer (DESTINY-Breast03 study) are being conducted in Japan, the United States, Europe, and Asia.

The following graph shows the waterfall chart representing efficacy of DS-8201. The graph below is a waterfall chart representing efficacy in HER 2 positive metastatic breast cancer patients. The waterfall chart is a visual representation of the changes in tumor size over time. Each bar represents the outcome of each patient, from right to left, with a high rate of cancer shrinkage.

The following is a spider plot showing the relationship between percent change in tumor size and duration of treatment. Each line represents the outcome of each patient.

How to Read Graphs

**Waterfall Chart**

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

**Spider Plot**

Relationship between percent change in tumor size and duration of treatment. Each line represents the outcome of each patient.
Overview and progress of 5-Year Business Plan: Establish Oncology Business

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

The graph below is a waterfall chart representing efficacy in HER2 low metastatic breast cancer patients. Even though some patients were heavily pre-treated, favorable effects, ORR 44%, are suggested. Based on this result, a phase 3 study (DESTINY-Breast04 study) is currently underway for patients with HER2 low expressing metastatic breast cancer.

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

HER2 positive gastric cancer (ASCO 2018)

(8) Progress of colorectal cancer clinical study
About 1% to 2% of colorectal cancer patients express HER2. However, no HER2-targeting drug has been approved so far. Although, the number of cases are low at this point, a certain level of antitumor effect (see graph below) has been achieved in the treatment of HER2-expressing colorectal cancer in a phase 1 study. A global phase 2 study is currently underway for HER2-expressing colorectal cancer patients.

HER2-expressing Colorectal Cancer (ESMO 2018)

(9) Progress of lung cancer clinical study
According to the 2016 WHO worldwide cancer statistics (estimate), lung cancer was the most common cancer in terms of number of patients affected and number of deaths. Of the various lung cancers, it has been reported that 4% to 35% of non-small-cell lung cancer (NSCLC) patients are HER2-expressing, but similar to colorectal cancer, no HER2-targeting drug has been approved so far.

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

How to measure HER2
Since the expression level of HER2 varies depending on the cancer type and patient, patient selection in DS-8201 studies measure HER2 using the immunostaining method IHC/ISH.

How to measure HER2

<table>
<thead>
<tr>
<th>Surgical method</th>
<th>Status</th>
<th>Subgroups</th>
<th>N=50</th>
<th>N=44</th>
<th>N=19</th>
<th>N=18</th>
</tr>
</thead>
<tbody>
<tr>
<td>IHC 1+ (n=27)</td>
<td>7/21</td>
<td>14/21</td>
<td>7.9 (2.1, 11.3)</td>
<td>5.7 (1.4, 7.9)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IHC 2+ (n=24)</td>
<td>12/22</td>
<td>20/22</td>
<td>11.0 (1.5, 23.6+)</td>
<td>13.6 (NA)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IHC 3+ HER2 positive</td>
<td>9/22</td>
<td>17/22</td>
<td>15.4 (2.3, 27.9)</td>
<td>19.6 (3.8, 28.3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IHC 4+ HER2 overexpressing</td>
<td>3/22</td>
<td>6/22</td>
<td>25.3 (6.6, 52.8)</td>
<td>31.0 (5.8, 52.7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IHC 5+ HER2 high expressing</td>
<td>0/22</td>
<td>0/22</td>
<td>0.0 (0.0, 0.0)</td>
<td>0.0 (0.0, 0.0)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Establish Oncology Business

<table>
<thead>
<tr>
<th>Commonly used</th>
<th>HER2 Status</th>
<th>DS Terminology for future use</th>
<th>Percentage in Total Breast Cancer</th>
</tr>
</thead>
<tbody>
<tr>
<td>HER2 positive or HER2-expr expressng</td>
<td>IHC 3+</td>
<td>HER2 positive or HER2-overexpressing</td>
<td>20.3%</td>
</tr>
<tr>
<td>HER2 negative</td>
<td>IHC 0</td>
<td>HER2 negative</td>
<td>35.8%</td>
</tr>
<tr>
<td>HER2 low</td>
<td>IHC 0</td>
<td>HER2 low</td>
<td>43.9%</td>
</tr>
<tr>
<td>HER2 high expressing</td>
<td>IHC 3+</td>
<td>HER2 high expressing</td>
<td>20.3%</td>
</tr>
<tr>
<td>HER2-overexpressing</td>
<td>IHC 2+ISH+</td>
<td>HER2-overexpressing</td>
<td>20.3%</td>
</tr>
<tr>
<td>HER2-expressing</td>
<td>IHC 1+ISH</td>
<td>HER2-expressing</td>
<td>20.3%</td>
</tr>
<tr>
<td>HER2-negative</td>
<td>IHC 0</td>
<td>HER2-negative</td>
<td>35.8%</td>
</tr>
<tr>
<td>HER2-low</td>
<td>IHC 0</td>
<td>HER2-low</td>
<td>43.9%</td>
</tr>
</tbody>
</table>

Value Creation Story

Staining methods used in pathology
- Measure proteins and nucleic acids that you want to detect in tissues and cells
- A technique that enables microscopic observation through staining using pigments and enzymes

IHC: abbreviation of immunohistochemistry
- Observes protein expression levels including HER2 (surface of cancer cell)

ISH: abbreviation of in situ Hybridization
- Observes amplification levels of HER2 gene (DNA), etc (nuclear of cancer cell)
- Etc (FISH) fluorescence in situ hybridization

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

Progress of colorectal cancer clinical study
About 1% to 2% of colorectal cancer patients express HER2. However, no HER2-targeting drug has been approved so far. Although, the number of cases are low at this point, a certain level of antitumor effect (see graph below) has been achieved in the treatment of HER2-expressing colorectal cancer in a phase 1 study. A global phase 2 study is currently underway for HER2-expressing colorectal cancer patients.

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

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

How to measure HER2
Since the expression level of HER2 varies depending on the cancer type and patient, patient selection in DS-8201 studies measure HER2 using the immunostaining method IHC/ISH.

Staining methods used in pathology
- Measure proteins and nucleic acids that you want to detect in tissues and cells
- A technique that enables microscopic observation through staining using pigments and enzymes

IHC: abbreviation of immunohistochemistry
- Observes protein expression levels including HER2 (surface of cancer cell)

ISH: abbreviation of in situ Hybridization
- Observes amplification levels of HER2 gene (DNA), etc (nuclear of cancer cell)
- Etc (FISH) fluorescence in situ hybridization

How to measure HER2
Since the expression level of HER2 varies depending on the cancer type and patient, patient selection in DS-8201 studies measure HER2 using the immunostaining method IHC/ISH.

Staining methods used in pathology
- Measure proteins and nucleic acids that you want to detect in tissues and cells
- A technique that enables microscopic observation through staining using pigments and enzymes

IHC: abbreviation of immunohistochemistry
- Observes protein expression levels including HER2 (surface of cancer cell)

ISH: abbreviation of in situ Hybridization
- Observes amplification levels of HER2 gene (DNA), etc (nuclear of cancer cell)
- Etc (FISH) fluorescence in situ hybridization

How to measure HER2
Since the expression level of HER2 varies depending on the cancer type and patient, patient selection in DS-8201 studies measure HER2 using the immunostaining method IHC/ISH.

Staining methods used in pathology
- Measure proteins and nucleic acids that you want to detect in tissues and cells
- A technique that enables microscopic observation through staining using pigments and enzymes

IHC: abbreviation of immunohistochemistry
- Observes protein expression levels including HER2 (surface of cancer cell)

ISH: abbreviation of in situ Hybridization
- Observes amplification levels of HER2 gene (DNA), etc (nuclear of cancer cell)
- Etc (FISH) fluorescence in situ hybridization

How to measure HER2
Since the expression level of HER2 varies depending on the cancer type and patient, patient selection in DS-8201 studies measure HER2 using the immunostaining method IHC/ISH.

Staining methods used in pathology
- Measure proteins and nucleic acids that you want to detect in tissues and cells
- A technique that enables microscopic observation through staining using pigments and enzymes

IHC: abbreviation of immunohistochemistry
- Observes protein expression levels including HER2 (surface of cancer cell)

ISH: abbreviation of in situ Hybridization
- Observes amplification levels of HER2 gene (DNA), etc (nuclear of cancer cell)
- Etc (FISH) fluorescence in situ hybridization

How to measure HER2
Since the expression level of HER2 varies depending on the cancer type and patient, patient selection in DS-8201 studies measure HER2 using the immunostaining method IHC/ISH.

Staining methods used in pathology
- Measure proteins and nucleic acids that you want to detect in tissues and cells
- A technique that enables microscopic observation through staining using pigments and enzymes

IHC: abbreviation of immunohistochemistry
- Observes protein expression levels including HER2 (surface of cancer cell)

ISH: abbreviation of in situ Hybridization
- Observes amplification levels of HER2 gene (DNA), etc (nuclear of cancer cell)
- Etc (FISH) fluorescence in situ hybridization

How to measure HER2
Since the expression level of HER2 varies depending on the cancer type and patient, patient selection in DS-8201 studies measure HER2 using the immunostaining method IHC/ISH.

Staining methods used in pathology
- Measure proteins and nucleic acids that you want to detect in tissues and cells
- A technique that enables microscopic observation through staining using pigments and enzymes

IHC: abbreviation of immunohistochemistry
- Observes protein expression levels including HER2 (surface of cancer cell)

ISH: abbreviation of in situ Hybridization
- Observes amplification levels of HER2 gene (DNA), etc (nuclear of cancer cell)
- Etc (FISH) fluorescence in situ hybridization

How to measure HER2
Since the expression level of HER2 varies depending on the cancer type and patient, patient selection in DS-8201 studies measure HER2 using the immunostaining method IHC/ISH.

Staining methods used in pathology
- Measure proteins and nucleic acids that you want to detect in tissues and cells
- A technique that enables microscopic observation through staining using pigments and enzymes

IHC: abbreviation of immunohistochemistry
- Observes protein expression levels including HER2 (surface of cancer cell)

ISH: abbreviation of in situ Hybridization
- Observes amplification levels of HER2 gene (DNA), etc (nuclear of cancer cell)
- Etc (FISH) fluorescence in situ hybridization

How to measure HER2
Since the expression level of HER2 varies depending on the cancer type and patient, patient selection in DS-8201 studies measure HER2 using the immunostaining method IHC/ISH.

Staining methods used in pathology
- Measure proteins and nucleic acids that you want to detect in tissues and cells
- A technique that enables microscopic observation through staining using pigments and enzymes

IHC: abbreviation of immunohistochemistry
- Observes protein expression levels including HER2 (surface of cancer cell)

ISH: abbreviation of in situ Hybridization
- Observes amplification levels of HER2 gene (DNA), etc (nuclear of cancer cell)
- Etc (FISH) fluorescence in situ hybridization
Concerning the safety, U3-1402 was tolerated over the 7.6-month median exposure period. The dose was also increased to 8 mg/kg, but the maximum tolerated dose was not reached. Currently, recommended dose for expansion was selected and the drug is undergoing the dose expansion part of the phase 1 study.

(3) Progress of EGFR-mutated non-small-cell lung cancer clinical study
A phase 1 study in patients with advanced EGFR-mutated non-small-cell lung cancer was started in January 2018, for which we presented interim efficacy and safety data from dose escalation part at the American Society of Clinical Oncology (ASCO) in 2019.

The graph below is a waterfall chart representing efficacy. Regarding the efficacy of the 16 evaluable cases, a shrinkage in tumor size were seen in all patients even though patients were enrolled without prior HER3 selection. Although there are a limited number of cases, some exhibited antitumor activity against mutated cancer cells that appear after treatment with tyrosine kinase inhibitors such as osimertinib. We will evaluate further.

Concerning safety, most of the adverse events were of grade 1 or 2, and while there is dose-limiting toxicity, the maximum tolerated dose had not yet been reached. The drug will undergo the dose expansion part of the phase 1 study in the second half of fiscal 2019. In addition, HER3 is highly expressed in cancers such as colorectal cancer and prostate cancer, so expansion into other types of cancer is being considered.

Regarding the efficacy of the 16 evaluable cases, a shrinkage in tumor size were seen in all patients even though patients were enrolled without prior HER3 selection. Although there are a limited number of cases, some exhibited antitumor activity against mutated cancer cells that appear after treatment with tyrosine kinase inhibitors such as osimertinib. We will evaluate further.

Concerning safety, most of the adverse events were of grade 1 or 2, and while there is dose-limiting toxicity, the maximum tolerated dose had not yet been reached. The drug will undergo the dose expansion part of the phase 1 study in the second half of fiscal 2019. In addition, HER3 is highly expressed in cancers such as colorectal cancer and prostate cancer, so expansion into other types of cancer is being considered.

(3) Progress of HER3-positive breast cancer clinical study
A phase 1 study in patients with HER3-positive refractory/metastatic breast cancer was started in December 2016, for which we presented interim efficacy and safety data from the dose escalation part of the study at the San Antonio Breast Cancer Symposium (SABCS) in 2018.

The graph below is a waterfall chart representing efficacy. Favorable antitumor effects are suggested with ORR 42.9%, despite the condition that most patients were confirmed partial response. As shown in below waterfall chart, partial responses are seen in cohort above the 2.0 mg/kg. Also shown in spider plot, partial responses are dose dependent.

This study was conducted in NSCLC patients who were unresponsive to standard treatments, experienced recurrence with standard treatments, or where a standard treatment does not exist. In addition, as TROP2 is highly expressed in non-small-cell lung cancer, and as such, presence or absence of TROP2 expression was not measured prospectively. Regardless of this condition, this study is notable that it displays dose-dependent antitumor effect.

Concerning safety, most of the adverse events were of grade 1 or 2, and while there is dose-limiting toxicity, the maximum tolerated dose had not yet been reached. The drug will undergo the dose expansion part of the phase 1 study in the second half of fiscal 2019. In addition, HER3 is highly expressed in cancers such as colorectal cancer and prostate cancer, so expansion into other types of cancer is being considered.

(3) Progress of non-small-cell lung cancer clinical study
A phase 1 study in patients with non-small-cell lung cancer (NSCLC) was initiated in February 2018, for which we presented interim efficacy and safety data from dose escalation part at the American Society of Clinical Oncology (ASCO) in 2019.

With respect to efficacy, 10 of the 19 evaluable patients showed partial responses (responses in 7 of these patients require further confirmation). As shown in below waterfall chart, partial responses are seen in cohort above the 2.0 mg/kg. Also shown in spider plot, partial responses are dose dependent.

This study was conducted in NSCLC patients who were unresponsive to standard treatments, experienced recurrence with standard treatments, or where a standard treatment does not exist. In addition, as TROP2 is highly expressed in non-small-cell lung cancer, and as such, presence or absence of TROP2 expression was not measured prospectively. Regardless of this condition, this study is notable that it displays dose-dependent antitumor effect.
Concerning safety, of the 39 non-small-cell lung cancer (NSCLC) patients, 16 (41.0%) experienced adverse events grade 3 or higher at least once. Although dose-limiting toxicity was observed as a grade 3 rash (in one patient), the maximum tolerated dose had not yet been reached (at the date cut-off date).

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

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

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

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

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

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

5 DS-6157 (anti-GPR20-ADC)

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

(1) What is GPR20?
GPR20 is an orphan G-protein coupled receptor (GPCR) whose ligand has not been identified. GPR20 is a seven-pass transmembrane protein and specifically expressed in GIST (gastrointestinal stromal tumors).

DS-6157 exerts its efficacy by binding to this GPR20.

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

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

6 Other ADCs

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

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

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

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

### Breast Cancer

#### Overview and progress of 5-Year Business Plan: Establish Oncology Business

Breast Cancer

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

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

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

Breast cancer 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 which are appropriate for the receptor status.

The breast cancer subtype classification and our pipeline

<table>
<thead>
<tr>
<th>Subtype</th>
<th>Treatment option (example)</th>
<th>HER2+/HER2-</th>
<th>HER2+</th>
<th>HER2-</th>
</tr>
</thead>
<tbody>
<tr>
<td>HER2+</td>
<td>HER2 targeted drugs</td>
<td>HER2 targeted drugs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HER2-</td>
<td>HER2 targeted drugs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HER2+ Low</td>
<td>HER2 targeted drugs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HER2-</td>
<td>HER2 targeted drugs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HER2+</td>
<td>HER2 targeted drugs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HER2-</td>
<td>HER2 targeted drugs</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

The current status of lung cancer and the existing standard treatments

Lung cancer occurs when bronchi or lung cells become cancerous through a variety of factors, with smoking known to be the largest risk factor. Other risk factors include chronic obstructive pulmonary disease, the inhalation of asbestos, arsenic, chromium, or other carcinogens due to occupational exposure or air pollution, as well as aging. According to statistics (estimates) provided by the WHO regarding cancer around the world in 2018, lung cancer has the highest number of incident cases and deaths worldwide, with 2.09 million patients and 1.76 million people dying from the disease.

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

Lung cancers are categorized into stages I through IV based on a combination of the size and extension of infiltration of the tumor (T), the degree of metastasis to nearby lymph nodes (N), and the presence of distant metastasis (M). Treatments for non-small-cell lung cancers include surgery, radiotherapy, drug therapy, or combinations of these. The method of treatment is selected based on the stage of the cancer. If the tumor can be removed, treatment is carried out centered on surgery. However, if surgery is not a viable option due to the patient’s general state, age, or the presence of other complicating diseases, treatment is carried out with a focus on radiotherapy. Drug therapy is used if tumors progressed further.

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

In Daiichi Sankyo’s AML Franchise

1. Quizartinib (FLT3 Inhibitor)

AML is a disease with high mortality rate. In particular, AML patients with mutated FLT3, which is a receptor tyrosine kinase involved in the proliferation of cancer cells, are known to have a particularly high degree of malignancy and extremely poor prognosis with a rate of recurrence two years after bone marrow transplants that is three times higher than that of other forms of AML. Quizartinib is a tyrosine kinase inhibitor that displays specific potent inhibitory activity against FLT3-ITD.

In 2018, we applied for approval in Japan, the United States, and Europe, based on the results of the QUANTUM-R study in patients with relapsed/refractory AML.

In Japan, the Ministry of Health, Labour and Welfare approved quizartinib for the treatment of relapsed/refractory FLT3-ITD AML in June 2019. We will launch it under the brand name XANVELYA®.

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

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

Enrollment of patient 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.

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

** Approval for relapsed/refractory AML (2018 estimates)
2 DS-3201 (EZH1/2 inhibitor)

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

The phase 1 study of DS-3201 is currently underway in patients with relapsed/refractory non-Hodgkin’s lymphoma in Japan and the US. Based on the favorable interim data from this study, particularly in patients with relapsed or refractory peripheral T-cell lymphoma (PTCL), the Ministry of Health, Labour and Welfare has granted DS-3201 SAKIGAKE Designation.

PTCL is a type of non-Hodgkin’s lymphoma that occurs in T-cells, and is said to have a particularly poor prognosis if it recurs. There are few treatment options and a high degree of unmet medical need.

1 Pexidartinib (CSF-1R/Kit/FLT3 Inhibitor)

Pexidartinib is a receptor tyrosine kinase inhibitor showing specific inhibitory activity against CSF-1R, Kit and FLT3.

We obtained approval in the United States in August 2019 based on the results of a placebo-controlled phase 3 study (ENLIVEN) in patients with tenosynovial giant cell tumor (TGCT) and launched under the brand name Turalio™. We obtained approval in the United States in August 2019.

In glioma, IDH1 mutations are said to be present in around 80% of lower grade gliomas. Lower-grade gliomas often arise in the generation in their 30s and 40s, who are in the prime of their working life. Although they are generally growing slowly, most of them eventually transform into more aggressive tumors and result in death. Treatment options for lower grade gliomas and its recurrent disease are very limited.

We will continue to move forward with development of DS-1001, to assess its efficacy and safety in glioma.

2 DS-1647 (oncolytic virus G47Δ)

DS-1647 is a cutting-edge (third-generation) oncolytic virus created by Professor Tomoki Todo of the Institute of Medical Science of the University of Tokyo, by using genetic modification technologies to modify herpes simplex virus type 1 so that it only multiplies inside cancer cells.

Glioma is classified into four grades according to the grade of malignancy and glioblastoma is the most common and most malignant (grade 4). Even if radiation therapy is given after surgery, the 5-year survival rate is about 10%, making it extremely difficult to cure.

In investigator initiated study in glioblastomas conducted by Professor Todo, interim analysis was conducted in July 2018, and the primary endpoint, 1-year survival rate, was 92.3%, confirming that the drug has high efficacy. Using this result, we plan to apply for approval in 2H of fiscal 2019. The Ministry of Health, Labour and Welfare granted a SAKIGAKE Designation, resulting in a potentially faster review period.

3 DS-1001 (mutant IDH1 inhibitor)

It is known that mutations in the gene encoding isocitrate dehydrogenase 1 (IDH1) are frequently seen in a variety of tumors including glioma, acute myeloid leukemia, cholangiocarcinoma, and chondrosarcoma. DS-1001 is a selective inhibitor of mutant IDH1 and has characteristic of high penetration into the brain. We presented interim efficacy and safety data from the phase 1 study in patients with recurrent IDH1 mutated glioma that started in January 2017 at the American Society of Clinical Oncology (ASCO) in 2019. The graph below is a waterfall chart representing efficacy. Although this study had a small sample size, we observed a certain level of efficacy from DS-1001 in both enhancing and non-enhancing patients. Regarding safety, the maximum tolerated dose was not reached up to 1,400mg/kg twice daily, and preliminary safety data suggested that DS-1001 is well tolerated.

In glioma, IDH1 mutations are said to be present in around 80% of lower grade gliomas. Lower-grade gliomas often arise in the generation in their 30s and 40s, who are in the prime of their working life. Although they are generally growing slowly, most of them eventually transform into more aggressive tumors and result in death. Treatment options for lower grade gliomas and its recurrent disease are very limited.

We will continue to move forward with development of DS-1001, to assess its efficacy and safety in glioma.
Strategic Collaboration to Maximize the Value of DS-8201

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

**Financial Terms**

<table>
<thead>
<tr>
<th>Financial Terms</th>
<th>Value (billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>$6.90 (759.0 billion yen)</td>
</tr>
<tr>
<td>Upfront payment</td>
<td>$1.35 (148.5 billion yen)</td>
</tr>
<tr>
<td>Regulatory and other contingencies (Max)</td>
<td>$3.80 (418.0 billion yen)</td>
</tr>
<tr>
<td>Sales-related milestones (Max)</td>
<td>$1.75 (192.5 billion yen)</td>
</tr>
</tbody>
</table>

**Overview of the Collaboration**

Our collaborator:
AstraZeneca plc
(headquarters: Cambridge, UK)

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

**Development**

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

**Commercialization**

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

**Sales booking by region**

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

**Manufacturing and supply**

- Daiichi Sankyo manufactures and supplies DS-8201

The Significance of This Collaboration

- **Accelerate DS-8201 commercialization and development**
  - This collaboration will allow earlier market penetration for cancer types and indications currently in development.
  - AstraZeneca’s oncology business reaches over 70 countries around the world. They have extensive expertise in market access through the relationships with payers and oncology specialists, and medical affairs. The early market penetration of DS-8201 can be realized through our collaboration with AstraZeneca.
  - For example, in regions such as China where Daiichi Sankyo has little experience in development and commercialization, AstraZeneca’s development experience and sales network can be used to realize earlier launches and increase revenue.

- **Accelerate the establishment of Daiichi Sankyo’s global oncology infrastructure**
  - AstraZeneca has rich experience and resources in the global oncology area, and we will create various strategies in collaboration, assigning and sharing roles and executing the strategy. This will also accelerate the establishment of Daiichi Sankyo’s oncology business infrastructure.
  - In addition to DS-8201, we have 6 other ADCs and other oncology-related projects. We will be able to maximize the product values of those projects in the future through this experience.

- **Expand resource allocation for other ADC projects following DS-8201**
  - By being able to allocate R&D expenses and human resources that was focused on DS-8201 to other ADC projects, it can accelerate development and increase the value of our pipeline.

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

Maximizing the product value of DS-8201

- **Accelerate commercialization and development**
  - Early market penetration
  - Accelerating market penetration in U.S. and Europe
  - Early launch in other markets other than Japan, U.S. and Europe

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

**Graph**

- **Revenue with collaboration**
- **Revenue without collaboration (stand-alone case)**

**Revenue**

- **Expand resource allocation by the collaboration**
- **Maximize product value for subsequent in-house oncology products**
- **Accelerate building of in-house oncology business structure**
- **Opportunities for strategic collaborations with excellent collaborator**

**Other ADC projects**

- **DS-8201**
- **R&D expenses**
- **Human resources**
We will further enhance our corporate governance to put Our Mission into practice.

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

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

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

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

We will establish corporate governance structure including an operation of the Board that is even more responsive to the trust of our diverse stakeholders, and endeavor to continue to further improve our corporate governance.

George Nakayama
Representative Director and Chairman of the Board

Corporate Governance

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

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

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

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

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

The Group’s initiatives for corporate governance

<table>
<thead>
<tr>
<th>Chairman of the Board</th>
<th>CEO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Takashi Shoda</td>
<td>George Nakayama</td>
</tr>
<tr>
<td>George Nakayama</td>
<td>Sunao Manabe</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Members of the Board</th>
<th>Outside</th>
<th>Inside</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>4 persons</td>
<td>6 persons</td>
</tr>
<tr>
<td>2007</td>
<td>4 persons</td>
<td>5 persons</td>
</tr>
<tr>
<td>2010</td>
<td>2 persons</td>
<td>2 persons</td>
</tr>
<tr>
<td>2014</td>
<td>2 persons (including one female member)</td>
<td>3 persons (including two female members)</td>
</tr>
<tr>
<td>2015</td>
<td>2 persons</td>
<td>2 persons</td>
</tr>
<tr>
<td>2016</td>
<td>2 outside persons and 1 internal person</td>
<td>4 outside persons</td>
</tr>
<tr>
<td>2017</td>
<td>1 observer (outside)</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>1 observer (outside)</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>1 observer (outside)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Nomination Committee Members of the Board</th>
<th>Outside</th>
<th>Inside</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>2 outside persons and 1 internal person</td>
<td>4 outside persons</td>
</tr>
<tr>
<td>2007</td>
<td>1 observer (outside)</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>1 observer (outside)</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>1 observer (outside)</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>1 observer (outside)</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>1 observer (outside)</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>1 observer (outside)</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>1 observer (outside)</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>1 observer (outside)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Remuneration system (Incentive)</th>
<th>Short term</th>
<th>Long term</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>Performance-based bonus</td>
<td>Share remuneration-type stock option plan</td>
</tr>
<tr>
<td>2007</td>
<td>Restricted share-based remuneration plan</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>Explained about 1 item immediately after applying the Code</td>
<td>Explained about 1 item immediately after applying the Code</td>
</tr>
<tr>
<td>2014</td>
<td>Explained about 1 item immediately after applying the Code</td>
<td>Explained about 1 item immediately after applying the Code</td>
</tr>
<tr>
<td>2015</td>
<td>Explained about 1 item immediately after applying the Code</td>
<td>Explained about 1 item immediately after applying the Code</td>
</tr>
<tr>
<td>2016</td>
<td>Explained about 1 item immediately after applying the Code</td>
<td>Explained about 1 item immediately after applying the Code</td>
</tr>
<tr>
<td>2017</td>
<td>Explained about 1 item immediately after applying the Code</td>
<td>Explained about 1 item immediately after applying the Code</td>
</tr>
<tr>
<td>2018</td>
<td>Explained about 1 item immediately after applying the Code</td>
<td>Explained about 1 item immediately after applying the Code</td>
</tr>
<tr>
<td>2019</td>
<td>Explained about 1 item immediately after applying the Code</td>
<td>Explained about 1 item immediately after applying the Code</td>
</tr>
</tbody>
</table>

George Nakayama
Chairman of the Board

Corporate Governance
Value Creation Story

Corporate Governance

1. Securing and enhancing the effectiveness of the important business decision and oversight functions of the Board of Directors

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

1. Participation of Members of the Board (Outside) and the Audit and Supervisory Board (Outside)
   (1) The Company has nine Members of the Board, of which four are outside members. Each Member of the Board (Outside) actively makes suggestions and appropriate remarks in the Board of Directors Meeting, based on insight as corporate managers in various industries and sectors, including the telecommunication, general heavy industries, IT, business strategy and marketing strategy, and/or expert knowledge and insight as medical doctor, playing important roles in enhancing the decision-making and oversight functions of the Board.
   (2) The Audit and Supervisory Board has five members, of which three are outside members and conducts audits of legal compliance and appropriateness of management.
   (3) Both of the Nomination and the Compensation Committees are established to ensure management transparency.
   (4) The four Members of the Board (Outside) serve as members and one Member of the Audit and Supervisory Board (Outside) participates in each committee as the observer.

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

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

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

3. the Board of Directors’ address at ESG issues

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

Outside directors for FY2019

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Years of Office</th>
<th>Year of Office</th>
<th>Significant Past Positions</th>
<th>Nomination Committee</th>
<th>Corporate Governance Committee</th>
<th>Significant Specialty/Background</th>
</tr>
</thead>
<tbody>
<tr>
<td>Noritaka Uji</td>
<td>70</td>
<td>5</td>
<td>2016</td>
<td>Former Representative Director, Senior Executive Vice President, Nippon Telegraph and Telephone Corporation (NTT)</td>
<td></td>
<td></td>
<td>Investment</td>
</tr>
<tr>
<td>Tsuguya Fukui</td>
<td>67</td>
<td>4</td>
<td>2015</td>
<td>President of St. Luke’s International Hospital (to present)</td>
<td></td>
<td></td>
<td>Medicine</td>
</tr>
<tr>
<td>Kazuaki Kama</td>
<td>70</td>
<td>—</td>
<td>2019</td>
<td>Representative Director of IHI Corporation</td>
<td></td>
<td></td>
<td>Industry</td>
</tr>
<tr>
<td>Sawako Nozaki</td>
<td>61</td>
<td>3</td>
<td>2017</td>
<td>President, IPSO Marketing, Inc. (to present)</td>
<td></td>
<td></td>
<td>Finance</td>
</tr>
</tbody>
</table>

Members of the Board (Outside)

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Years of Office</th>
<th>Year of Office</th>
<th>Significant Past Positions</th>
<th>Nomination Committee</th>
<th>Corporate Governance Committee</th>
<th>Significant Specialty/Background</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sayako Izumoto</td>
<td>66</td>
<td>2</td>
<td>2017</td>
<td>Former Partner at Deloitte Touche Tohmatsu LLC (C.P.A.)</td>
<td></td>
<td></td>
<td>Banking</td>
</tr>
<tr>
<td>Takashi Higuchi</td>
<td>66</td>
<td>1</td>
<td>2018</td>
<td>Former Ambassador Extraordinary and Plenipotentiary of Japan to the Republic of the Union of Myanmar</td>
<td></td>
<td></td>
<td>Diplomacy</td>
</tr>
<tr>
<td>Yukiko Imazu</td>
<td>60</td>
<td>1</td>
<td>2019</td>
<td>Partner Lawyer, Anderson Mori &amp; Tomotsu (to present)</td>
<td></td>
<td></td>
<td>Lawyer</td>
</tr>
</tbody>
</table>

* The ages listed above are as of June 2019

Major agenda of the Board of Directors Meeting for fiscal 2018

<table>
<thead>
<tr>
<th>Matters Resolved</th>
<th>Matters Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global development and commercialization collaboration for DS-8201</td>
<td>Monthly financial conditions</td>
</tr>
<tr>
<td>Revision of the 5-year business plan</td>
<td>Internal audit</td>
</tr>
<tr>
<td>Vaccine business, reorganizations of the Supply Chain Function</td>
<td>Auditors’ audit</td>
</tr>
<tr>
<td>Bail of real estate held</td>
<td>Compliance management activities</td>
</tr>
<tr>
<td>Succession of long-listed products and contract agents</td>
<td>Status of operation of the internal control system</td>
</tr>
</tbody>
</table>

(1) Corporate Ethics Committee

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

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

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

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

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

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

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

Overview of the corporate governance structure

1. Establishing internal control system that ensures proper operation under delegation of Board of Directors’ authority

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

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

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

2. Establishment of internal control system

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

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

The system is operated based on a solid control system comprised of self-monitoring by each organization responsible for the Business/Functional Unit (Key Control), deployment and monitoring of the policy to each organization by the

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

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

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

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

2. Evaluation of the Board of Directors

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

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

The evaluation of the Board of Directors conducted in fiscal 2018 confirmed that the overall effectiveness of the Board of Directors has been ensured. In addition, for the following issues concluded as requiring further improvement in the previous evaluation, improvements have been made.

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

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

3. Nomination Committee and Compensation Committee

To ensure management transparency, nomination of candidates for Members of the Board, Members of the Audit and Supervisory Board, and Corporate Officers and compensation thereof are deliberated on by the Nomination Committee and the Compensation Committee, respectively, which are established as voluntary committees.

These committees consist of at least three Members of the Board, of whom Members of the Board (Outside) form a majority, and are chaired by an Member of the Board (Outside). Both committees are comprised entirely of Members of the Board (Outside) at present and one Member of the Audit and Supervisory Board (Outside) participates in each committee as an observer.

(1) Nomination Committee

In fiscal 2018, meetings were held eight times to discuss matters required for nominating candidate Members of the Board, Members of the Audit and Supervisory Board, and Corporate Officers, plans for training successors for the President and CEO, Advisors and the Advisory System, etc.
Policies and procedures for appointment of Members of the Board, Members of the Audit and Supervisory Board, and CEO and Dismissal of Members of the Board and CEO.

The Company has defined policies and procedures for the appointment of candidate Members of the Board, Members of the Audit & Supervisory Board, and CEO as well as for the dismissal of Member of the Board and CEO.

For candidates for Members of the Board, the Board of Directors appoints the candidates after they have been sufficiently verified by Nomination Committee. For candidates for Members of the Audit and Supervisory Board, the Board of Directors appoints the candidates after they have been verified by Nomination Committee and then verified and agreed to by the Audit and Supervisory Board. An appointment of Members of the Board and Members of the Audit and Supervisory Board is referred to the General Meeting of Shareholders. As for candidates for the CEO, they are appointed in accordance with the successor plan, qualification requirement definitions, etc. that are repeatedly discussed by the Nomination Committee, and an appointment (including re-appointment) of the CEO is determined by the resolution of the Board of Directors after the sufficient deliberation by the Nomination Committee and the subsequent recommendations by the Committee.

Message from Chairperson of the Nomination Committee

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

The new structure with Chairman Nakayama and President and CEO Manabe following the General Meeting in June 2019 is also a result of discussion by the Nomination Committee for the last several years. In a severe business environment, I will continue to examine measures for future strengthening the management structure, including the evaluation of the management, realignments for the appointment and dismissal of Members of the Board and Corporate Officers. As the Chairman of the Nomination Committee, I lead discussions from the perspective of the ongoing growth of Daiichi Sankyo and the qualities required of its management.

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

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

In light of Daiichi Sankyo’s system created through experience, I will examine the system for further improving our corporate value.

Message from Chairperson of the Compensation Committee

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

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

In light of Daiichi Sankyo’s system created through experience, I will examine the system for more appropriate remuneration from a new point of view.
Corporate Governance: Messages from members of the Board (Outside) and the Audit and Supervisory Board (Outside) (Independent Directors)

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

Over the medium term, Daiichi Sankyo will need to overcome the challenges presented by the loss of exclusivity for some of its products. This period will be an incredibly important time for transformation to build a foundation for future growth to ensure that the Company can continue to grow. This topic was discussed when formulating the 6-year business plan. Advancing this plan to achieve our vision that is responsive to changes, amidst the situation where the business environment is significantly changing, and outside the Company by a large-scale alliance and the like, will be of utmost importance. Based on this belief, I will take action while incorporating the perspective of “aggressive governance.”

I am committed to offering viable advice and suggestions based on my experience as a manager in the information and communication industry and the insight gained through this experience, thereby contributing to creating a society in which people in Japan can live more safely and securely. Both creating a society and building an organization are essentially the same. I will strive to respond to the expectations and trust of many stakeholders in collaboration with Internal Audit Department, accounting auditors, and Members of the Audit and Supervisory Board of our Group companies, especially from the viewpoint of corporate governance.

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

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

I was appointed a Member of the Board (Outside) in June 2019.

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

For the 6-year period that I have been working as a Member of the Audit and Supervisory Board, the mission of certified public accountants, as professionals on auditing and accounting, “shall be to ensure matters such as the fair business activities of companies, etc. and the protection of investors and creditors by ensuring the reliability of financial documents and any other information concerning finance from an independent standpoint, thereby contributing to the sound development of the national economy.” (refer to Article 1 of the Certified Public Accountants Law) “Members of the Audit & Supervisory Board are responsible for ensuring the sound and sustainable growth of the Company, and establishing good corporate governance in response to the public trust by supervising the performance of duties of the Directors.” (refer to Article 2 paragraph 1 of the Code of Audit and Supervisory Board Member Auditing Standards) Although both certified Public Accountants and Members of the Audit & Supervisory Board conduct audit, the former deals with financial documents and information and the latter, performance of duties of the Directors. While the final goal of the former is a sound development of the entire national economy, that of the latter is to establish good corporate governance. For the last two years I have been working to conduct audits with different objectives and approaches as a Member of the Audit and Supervisory Board, but I still continue to wonder if there is anything else I can do.

Daiichi Sankyo has entered an agreement on global development and commercialization regarding DS-8201, accelerating its large-scale R&D. Accordingly, our perspective, battlefield, and funds for the development will increase more than twofold. I consider being able to participate in this historical opportunity of a large project worked on by the entire Group as a Member of the Audit and Supervisory Board is the ultimate fortune. I will further strive to establish good corporate governance of the Company that can respond to the public trust and thereby creating corporate value.

Sawako Nohara
Member of the Board (Outside) (Independent Director)

The mission of certified public accountants, as professionals on auditing and accounting, “shall be to ensure matters such as the fair business activities of companies, etc. and the protection of investors and creditors by ensuring the reliability of financial documents and any other information concerning finance from an independent standpoint, thereby contributing to the sound development of the national economy.” (refer to Article 1 of the Certified Public Accountants Law) “Members of the Audit & Supervisory Board are responsible for ensuring the sound and sustainable growth of the Company, and establishing good corporate governance in response to the public trust by supervising the performance of duties of the Directors.” (refer to Article 2 paragraph 1 of the Code of Audit and Supervisory Board Member Auditing Standards) Although both certified Public Accountants and Members of the Audit & Supervisory Board conduct audit, the former deals with financial documents and information and the latter, performance of duties of the Directors. While the final goal of the former is a sound development of the entire national economy, that of the latter is to establish good corporate governance. For the last two years I have been working to conduct audits with different objectives and approaches as a Member of the Audit and Supervisory Board, but I still continue to wonder if there is anything else I can do.

Daiichi Sankyo has entered an agreement on global development and commercialization regarding DS-8201, accelerating its large-scale R&D. Accordingly, our perspective, battlefield, and funds for the development will increase more than twofold. I consider being able to participate in this historical opportunity of a large project worked on by the entire Group as a Member of the Audit and Supervisory Board is the ultimate fortune. I will further strive to establish good corporate governance of the Company that can respond to the public trust and thereby creating corporate value.

It has been one year since I assumed my position as a Member of the Audit and Supervisory Board (Outside) being appointed at Ordinary General Meeting of Shareholders held last year. I believe it is not easy for a company to realize sustainable growth under the ever-changing circumstances in and outside of Japan and amid the increasingly severe management environment. With the aim of becoming a “Global Pharma Innovator with competitive advantage in oncology,” the Company has been achieving steadily under the 5-year business plan. From a different viewpoint, on the other hand, it seems that the Company is about to enter a drastic transitional period. I think we are required to commit to building a flexible and resilient organization that resists changes.

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

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

I have been working as a Member of the Audit and Supervisory Board (Outside) being appointed at Ordinary General Meeting of Shareholders held last year. I believe it is not easy for a company to realize sustainable growth under the ever-changing circumstances in and outside of Japan and amid the increasingly severe management environment. With the aim of becoming a “Global Pharma Innovator with competitive advantage in oncology,” the Company has been achieving steadily under the 5-year business plan. From a different viewpoint, on the other hand, it seems that the Company is about to enter a drastic transitional period. I think we are required to commit to building a flexible and resilient organization that resists changes.

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

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

For the 6-year period that I have been working as a Member of the Audit and Supervisory Board, the mission of certified public accountants, as professionals on auditing and accounting, “shall be to ensure matters such as the fair business activities of companies, etc. and the protection of investors and creditors by ensuring the reliability of financial documents and any other information concerning finance from an independent standpoint, thereby contributing to the sound development of the national economy.” (refer to Article 1 of the Certified Public Accountants Law) “Members of the Audit & Supervisory Board are responsible for ensuring the sound and sustainable growth of the Company, and establishing good corporate governance in response to the public trust by supervising the performance of duties of the Directors.” (refer to Article 2 paragraph 1 of the Code of Audit and Supervisory Board Member Auditing Standards) Although both certified Public Accountants and Members of the Audit & Supervisory Board conduct audit, the former deals with financial documents and information and the latter, performance of duties of the Directors. While the final goal of the former is a sound development of the entire national economy, that of the latter is to establish good corporate governance. For the last two years I have been working to conduct audits with different objectives and approaches as a Member of the Audit and Supervisory Board, but I still continue to wonder if there is anything else I can do.

Daiichi Sankyo has entered an agreement on global development and commercialization regarding DS-8201, accelerating its large-scale R&D. Accordingly, our perspective, battlefield, and funds for the development will increase more than twofold. I consider being able to participate in this historical opportunity of a large project worked on by the entire Group as a Member of the Audit and Supervisory Board is the ultimate fortune. I will further strive to establish good corporate governance of the Company that can respond to the public trust and thereby creating corporate value.

Tateshi Higuchi
Member of the Audit and Supervisory Board (Outside) (Independent Auditor)
### Corporate Governance: Introduction of Members of the Board and Members of the Audit and Supervisory Board

#### Members of the Board

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Date of Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>George Nakayama</td>
<td>Member of the Board</td>
<td>1978</td>
</tr>
<tr>
<td>Toshiaki Sai</td>
<td>Member of the Board, Senior Executive Officer, Head of Corporate Strategy &amp; Management Division of the Company</td>
<td>1999</td>
</tr>
<tr>
<td>Satoru Kimura</td>
<td>Member of the Board (Outside), Senior Executive Officer, Head of Corporate Strategy Division of the Company</td>
<td>2005</td>
</tr>
<tr>
<td>Bob Hebert</td>
<td>Member of the Board (Outside)</td>
<td>2019</td>
</tr>
<tr>
<td>Noritaka Uji</td>
<td>Member of the Board (Outside), Senior Executive Officer, CEO of Corporate Strategy &amp; Management Division of the Company</td>
<td>2015</td>
</tr>
<tr>
<td>Ryoshi Watanabe</td>
<td>Member of the Board</td>
<td>1989</td>
</tr>
</tbody>
</table>

#### Members of the Audit and Supervisory Board

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Date of Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sayoko Izumoto</td>
<td>Member of the Audit and Supervisory Board</td>
<td>2015</td>
</tr>
<tr>
<td>Kenji Sato</td>
<td>Member of the Audit and Supervisory Board</td>
<td>2016</td>
</tr>
<tr>
<td>Yukiko Imazu</td>
<td>Member of the Audit and Supervisory Board</td>
<td>2016</td>
</tr>
</tbody>
</table>

#### Members of the Board

1. **Toshiaki Sai**
   - Member of the Board
   - Senior Executive Officer, Head of Corporate Strategy & Management Division of the Company

2. **Satoru Kimura**
   - Member of the Board (Outside)
   - Senior Executive Officer, Head of Corporate Strategy Division of the Company

3. **Bob Hebert**
   - Member of the Board (Outside)

4. **Noritaka Uji**
   - Member of the Board (Outside)
   - Senior Executive Officer, Head of Corporate Strategy Division of the Company

5. **Ryoshi Watanabe**
   - Member of the Board

#### Members of the Audit and Supervisory Board

1. **Sayoko Izumoto**
   - Member of the Audit and Supervisory Board

2. **Kenji Sato**
   - Member of the Audit and Supervisory Board

3. **Yukiko Imazu**
   - Member of the Audit and Supervisory Board

### Value Creation Story

- **Tsuguyo Fukui**
- **Kazuki Kama**
- **Sawalo Nohara**

### References

- **Daiichi Sankyo Group Value Report 2019**
- **Value Report 2019**
- **Corporate Governance: Introduction of Members of the Board and Members of the Audit and Supervisory Board**

---

**Value Creation Story**

**Members of the Board**

**Members of the Audit and Supervisory Board**

---

**Daiichi Sankyo Group Value Report 2019**

---

**Daiichi Sankyo Group Value Report 2019**
Risk Management

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

Risk Management System

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

Annual Cycle for the Management of Material Risks

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

Crisis Management

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

Business Continuity Plan

The Group has a business continuity plan (BCP) to prepare for four major threats to business continuity: natural disasters, facility accidents, H1N1 influenza and other infectious diseases, and system failures. Based on this plan, systems are in place to quickly restore operations in the event of an emergency and to ensure a steady supply of pharmaceutical products with assured quality to help support the continued provision of medical services.

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

To ensure the steady supply of its pharmaceutical products, in particular, the Company is taking steps to create backup supply systems by dispersing manufacturing and distribution sites and maintaining relationships with multiple suppliers for important raw materials. In addition, we have introduced private electricity generators to help minimize the impact of any interruption in the supply of electricity. Furthermore, we are reinforcing our IT foundations by installing redundancy into major systems.
Daiichi Sankyo Group’s Value Chain and Organization

Daiichi Sankyo Group’s value chain primarily encompasses research & development, biologics, pharmaceutical technologies, supply chain, marketing & sales, medical affairs, and quality & safety management. In conjunction with this value chain, we operate our organization independently while utilizing our unique strengths: Science & Technology, Global Organization & Talent, and Presence in Japan.
**Global Management Structure** (As of June 18, 2019)

**Corporate Units**
- Naoto Tsukaguchi: General Counsel
- Toshiaki Saito: Corporate Strategy & Management Unit (CFO)
- Shoji Hirashima: Global Brand Strategy Unit
- Stuart Mackey: Business Development Unit
- Hiromi Furuta: Corporate Affairs Unit

**Business Units**
- Japan
  - Satoru Kimura: Head of Sales & Marketing Unit
  - Katsuhiko Yoshida: Sales & Marketing Unit (Japan)
  - Junichi Koga: Pharmaceutical Technology Unit
  - Masayuki Yabuta: Biologics Unit
- United States
  - Ken Keller: American Regent, Inc.
  - Hiroyuki Okuzawa: ASCA Company
  - Yoshikazu Fukuchi: Medical Affairs Unit
  - Miyuki Arai: Quality & Safety Management Unit
- Europe
  - Jan Van Ruymbaek: Daiichi Sankyo Europe GmbH
  - Hiroshi Kashiwase: Pharmaceutical Technology Unit
  - Junichi Fukuda: Supply Chain Unit

**Functional Units**
- Taisuke Izawa: Corporate Strategy & Management Unit (CFO)
- Satoru Kimura: Head of Sales & Marketing Unit
- Junichi Koga: Pharmaceutical Technology Unit
- Masayuki Yabuta: Biologics Unit
- Hiroshi Kashiwase: Pharmaceutical Technology Unit
- Junichi Fukuda: Supply Chain Unit
- Taisuke Izawa: Corporate Strategy & Management Unit (CFO)

**Value Chain**
- Pharmaceutical Technology
- Marketing & Sales
- Global Management Structure / Business Units

**Innovative Pharmaceuticals Business: Sales & Marketing Unit**

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

**Major Achievements in Fiscal 2018**

- MRs ranked No. 1 for the seventh consecutive year
  - Ranked No. 1 in Japan in an overall assessment of MR activities in both the entire market and the hospital and general practice market categories in the survey conducted by an external organization.*1
  - In the entire market category, we have maintained the top ranking for seven consecutive years since fiscal 2012.*2

- All MRs passed the certificate test for the ninth consecutive year
  - All MRs passed the certificate test for the ninth consecutive year since fiscal 2010.

**Initiatives for Fiscal 2019**

- Maintain MR No. 1 ranking with high-quality information provision
  - Implement MR activities that contribute to the realization of medical care that all involved in medical care thinks by providing correct information to patients, their families and medical personnel

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

- **Target**
  - MRs ranked No. 1 for the seventh consecutive year
  - All MRs passed the certificate test for the ninth consecutive year

- **Major Achievements in Fiscal 2018**
  - MRs ranked No. 1 for the seventh consecutive year
  - All MRs passed the certificate test for the ninth consecutive year

- **Target**
  - Domestic prescription drug share ranked No. 1 for third consecutive year
  - Established sales networks in the specialty care area

- **Major Achievements in Fiscal 2018**
  - Ranked No. 1 in Japanese prescription drug share for three consecutive years due to expansion of Lixiana and other major products
  - Established a domestic sales networks and information provision system to meet the market introduction of specialty products centered on oncology products, and the launch of new large-scale products such as Tarlige and Minnebro.

- **Initiatives for Fiscal 2019**
  - Expand major domestic products and early market penetration of new products
  - Achieve sustainable growth through further sales expansion of major products, mainly Lixiana, and early market penetration of new products

**Initiatives for Fiscal 2019**

- Establish an operating structure that can respond to total care
  - Establish an operating structure to further increase the level of expertise based on an internal oncology certification system and to respond to the total care of patients waiting for treatment

- Promote a multichannel approach
  - Utilized multichannel approach to meet individual needs
  - Promote a multichannel strategy to meet individual needs

**Promote a multichannel approach**

- Provide accurate information to all healthcare professionals
  - Build a multi-channel system that enables MRs to conduct activities in accordance with the needs of physicians, pharmacists, nurses, and other healthcare professionals in charge of team medical care, and provide accurate and quick information

**Target**

- Maintain MR No. 1 ranking with high-quality information provision

**Major Achievements in Fiscal 2018**

- MRs ranked No. 1 for the seventh consecutive year
- All MRs passed the certificate test for the ninth consecutive year

**Initiatives for Fiscal 2019**

- Expand major domestic products and early market penetration of new products
- Achieve sustainable growth through further sales expansion of major products, mainly Lixiana, and early market penetration of new products

**Established sales networks in the specialty care area**

- Established a domestic sales networks and information provision system to meet the market introduction of specialty products centered on oncology products, and the launch of new large-scale products such as Tarlige and Minnebro.
Generics Business:
Daichii Sankyo Espha Co., Ltd.

Daichii Sankyo Espha takes pride in being as an innovator in the domestic generic pharmaceutical industry and provides authorized generics (AGs)*, or a new standard for generics featuring formulation, labeling, and packaging innovations that are easy to swallow but hard to swallow accidentally based on the quality-level and stable supplies of Daichii Sankyo groups. Through a promotion of the newly launched anticanter AC drug, we will create an environment where those who need generic drugs can use with peace of mind, while addressing various needs, in order to contribute to national medicine.

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

Kentaro Murakawa
Daichii Sankyo Espha Co., Ltd. President

Packaging that reduces the risk of accidental ingestion and can safely carry drugs

Daichii Sankyo Espha is working on devices for formulation and packaging labels to prevent medical adverse events due to errors in taking drugs. Since there have been cases in which relatively high-risk drugs such as anticanter drugs are accidentally taken by families other than patients, especially small children, we have developed an external case for PTP sheets named C-guard/child-guard for the purpose of preventing children from taking the drugs by mistake and preventing drug misconduct and pop-out.

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

<table>
<thead>
<tr>
<th>Target</th>
<th>Major Achievements in Fiscal 2018</th>
<th>Initiatives for Fiscal 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steady launch AGs and other day-one generics* and gain market shares</td>
<td>Launched AGs with 3 new active ingredients</td>
<td>Expand product portfolio focused on AGs</td>
</tr>
<tr>
<td>Expanding market share with new products, including AGs</td>
<td>• Launched levofloxacin intravenous infusion/bag in June 2018 and gefitinib tablets and aliskiren tablets/DD tablets in March 2019</td>
<td>• Expanding our product portfolio to 186 products portfolio with 73 active ingredients (product portfolio for AGs expanded to 25 products with 8 active ingredients)</td>
</tr>
<tr>
<td>Step up coordination with partners in Japan and overseas</td>
<td>Strengthen coordination with partner companies based on changes in the market environment</td>
<td>Promote anticancer AGs</td>
</tr>
<tr>
<td>- Strengthened coordination with contract manufacturers and promoted cost reduction efforts by changing ingredients and streamlining manufacturing</td>
<td>• AS AG leading company, expand market share by maximizing trust and expectations from patients, healthcare professionals, and the administration for AG and Daichii Sankyo Espha through the promotion of anticanter AGs</td>
<td></td>
</tr>
</tbody>
</table>

Pharmaceutical Technology

Vaccine Business

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

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

Technical collaboration on MR-vaccine* manufacture in Vietnam.

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

* Measles vaccines combination vaccine
OTC Related Business: Daiichi Sankyo Healthcare Co., Ltd.

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

“Be more familiar with the use of medicines”
A website that uses portals and is more familiar to consumers
With the evolution of digital environments, we provide an easy-to-understand introduction to the company website about signs of familiar symptoms, how to deal with self-care, and points to go to the hospital, in keeping with the trend of solving daily questions and shopping on smartphones. We also provide a contact point for people who are unaware of their symptoms and who are encouraged to manage their health. [Drug and Health Information Office as a portal, Health and Beauty School for Women, and Orekara for Men]
The Store Search page allows you to search the nearest store that handles the desired product, and the Q&A allows you to check the detailed information about the product.

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

<table>
<thead>
<tr>
<th>Target</th>
<th>Major Achievements in Fiscal 2018</th>
<th>Initiatives for Fiscal 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve product brand value in the OTC business</td>
<td>Expansion of key brands: • Expanded key brands, including Lulu, Luxeivin S, and Transano</td>
<td>Accelerate growth of skin care and oral care business: • Accelerate growth of MINOV, Transano, Clean Dental, and Breath Labo</td>
</tr>
<tr>
<td></td>
<td>• Established a new brand Breath Labo (medication toothpaste) and added a new line such as MINOV Men to address a wide range of lifestyle needs</td>
<td>Continue growth in the OTC business: • Strengthen mainstay brands such as “Lulu” and “Luxeivin S”</td>
</tr>
<tr>
<td>Accelerate the growth of the direct marketing business through leveraging synergies with IM Co., Ltd., in the direct marketing business</td>
<td>Expansion of key brands: • Breakthrough in the second year of launch of the female aging care brand BRIGHTAGE</td>
<td>Expansion of direct marketing business: • Maximize the BRIGHTAGE branding power • Challenge to the new area • Further expansion of the RICE FORCE</td>
</tr>
<tr>
<td>Achieve independent overseas business</td>
<td>Expanding the mainstay brand MINOV Ammo Moist: • Expanded the number of sales stores in China • Launched in Hong Kong • Expanded sales during the second year of launch in Taiwan</td>
<td>Strengthening operations in China, Hong Kong and Taiwan: • Further expansion of the MINOV brand as a whole • Increase the number of marketed products • Further promote by strengthening inbound efforts</td>
</tr>
<tr>
<td>Strengthen operating foundations to ensure responsiveness to market environment changes</td>
<td>Strengthening the foundation to respond to changes in the needs of customers: • Provided continuous value creation based on perspectives originating from customers utilizing the functions of the CSI* Department and the Product Strategy Department • Increased the number of site visitors by continuous improvement of Daiichi Sankyo Healthcare corporate website</td>
<td>Establishment of business infrastructure to respond to environmental change: • Collect customer’s voice and respond in timely manner in various ways • Streamline existing works by using AI and shift manpower to more creative works</td>
</tr>
</tbody>
</table>

OTC drugs available in pharmacies, drug stores, etc.

* Abbreviation of Customer Satisfaction

Daiichi Sankyo Group  Value Report 2019

Ken Keller  Daiichi Sankyo, Inc. President and CEO

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

Katsuhiro Yoshida  Daiichi Sankyo Healthcare Co., Ltd. President

"Be more familiar with the use of medicines"
A website that uses portals and is more familiar to consumers
With the evolution of digital environments, we provide an easy-to-understand introduction to the company website about signs of familiar symptoms, how to deal with self-care, and points to go to the hospital, in keeping with the trend of solving daily questions and shopping on smartphones. We also provide a contact point for people who are unaware of their symptoms and who are encouraged to manage their health. [Drug and Health Information Office as a portal, Health and Beauty School for Women, and Orekara for Men]
The Store Search page allows you to search the nearest store that handles the desired product, and the Q&A allows you to check the detailed information about the product.

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

<table>
<thead>
<tr>
<th>Target</th>
<th>Major Achievements in Fiscal 2018</th>
<th>Initiatives for Fiscal 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build and grow oncology capabilities</td>
<td>Building awareness of our portfolio injector: • New initiatives, injector grew not only within the hematology/oncology market – where it is still the market leader – but also overall in new areas of patient need.</td>
<td>For Movantik in the U.S. &amp; Lymphoma Society, we prepared to launch our oncology portfolio.</td>
</tr>
<tr>
<td></td>
<td>• In 2018 we launched our first direct-to-patient promotional campaign driving thousands of new potential patients to speak with their HCPs about their options.</td>
<td>For Movantik, we maintained the market leader — but also overall in new areas of the hematology/oncology market – where we are the market leader. And for Movantik, we maintained the market leader — but also overall in new areas of the hematology/oncology market – where we are the market leader.</td>
</tr>
<tr>
<td></td>
<td>• In 2018 we launched our first direct-to-patient promotional campaign driving thousands of new potential patients to speak with their HCPs about their options.</td>
<td>For Movantik, we maintained the market leader — but also overall in new areas of the hematology/oncology market – where we are the market leader. And for Movantik, we maintained the market leader — but also overall in new areas of the hematology/oncology market – where we are the market leader.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>We have also recruited top talent into the organization to launch our new cancer therapies once approved, many with more than a decade of experience in business units focused on oncology.</td>
</tr>
<tr>
<td>Grow pain business</td>
<td>Tackling challenges head on: For Movantik and Movantik we maintained formulae coverage and access.</td>
<td>For Movantik and Movantik we maintained formulae coverage and access.</td>
</tr>
<tr>
<td></td>
<td>• Our team remained resilient and adaptable to address challenges and to ensure all appropriate patients have access to our pain portfolio.</td>
<td>For Movantik and Movantik we maintained formulae coverage and access.</td>
</tr>
<tr>
<td></td>
<td>• With the combined dialogue with the U.S. FDA regarding Ryzolt, our commercial organization continued to grow our pain portfolio.</td>
<td>For Movantik and Movantik we maintained formulae coverage and access.</td>
</tr>
<tr>
<td>Maximize profit for mature products through LOE* timeframe</td>
<td>Balance investments: • We maximized revenue for Welchol and others</td>
<td>For Welchol and others</td>
</tr>
<tr>
<td></td>
<td>• We have implemented innovative programs that reduce costs dedicated to our mature products while also ensuring our customers’ needs are met.</td>
<td>For Welchol and others</td>
</tr>
</tbody>
</table>

* Loss of exclusivity

Daiichi Sankyo Group  Value Report 2019
American Regent, Inc.

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

Communication with community

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

American Regent 5-Year Business Plan

<table>
<thead>
<tr>
<th>Target</th>
<th>Major Achievements in Fiscal 2018</th>
<th>Initiatives for Fiscal 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build Injectafer into flagship product and market leader</td>
<td>Secured market leader position</td>
<td>Continue market leadership for Injectafer</td>
</tr>
<tr>
<td>Build Injectafer into flagship product and market leader</td>
<td>• Our IV iron franchise is the #1 leader in the United States market, dominating market share with over 70% of all dollars in this category. Our two products, Injectafer and Venofer, are highly valued by our customers. We are focused on both protecting this business and expanding the appropriate use of IV iron into new therapeutic areas of iron deficiency in Heart Failure patients, as well as growing panination into IDA in women’s health and gastroenterology. Achieved revenue target</td>
<td>Continue Injectafer revenue target to FY2019 is $416 million, an increase of 23% over the previous year. Continued collaboration between American Regent, Inc. and CSLBB was a main driver of the growth of Injectafer in spite of increasing competitive pressure.</td>
</tr>
<tr>
<td>Expand generics portfolio with a variety of products to support customer needs</td>
<td>Bring new products to market</td>
<td>Expand generics portfolio</td>
</tr>
<tr>
<td>Expand generics portfolio with a variety of products to support customer needs</td>
<td>• American Regent successfully launched 7 new products in FY2018: Apatinib, Sterile Water, Hydroxypropylsodium Caprulate, Fomipapac, Testosterone Cypionate, Ammonium Acetate and Droperidol. Achieved revenue target</td>
<td>• FY2018 actual American Regent generic injectable portfolio revenue exceeded budget and continued to deliver year on year growth.</td>
</tr>
<tr>
<td>Develop organization to further evolve into customer-facing care provider</td>
<td>Adapt to upcoming oncology portfolio</td>
<td>• With the build-out of our oncology division over the last years, 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.</td>
</tr>
</tbody>
</table>

Daiichi Sankyo Europe GmbH

FY2018 was a very successful year for Europe. LIXIANA® is continuously increasing its market share and we in-licensed bempedoic acid for patients who need additional LDL cholesterol lowering after maximum tolerated statin therapy. If authorized the new product will be a synergistic addition to our cardiovascular portfolio. We also established an effective commercial oncology organization to successfully launch our oncology products in Europe. For both business areas we continue to work on our aspiration to become the benchmark for customer centricity and have implemented many projects and processes to achieve this goal.

Jan Van Ruymbeke, MD.

Daiichi Sankyo Europe GmbH

Major Achievements in Fiscal 2018

- Increased market share
- • Since 2016 we launched LIXIANA® in all our European affiliates except for France and keep growing market shares.
- • As a result, our EU market share in March 2019 is more than 12% (exit share in DOT – days of treatment – for the month)
- • To leverage our cardiovascular success and heritage we have in-licensed bempedoic acid for patients who need additional LDL cholesterol lowering.

Initiatives for Fiscal 2019

- Brand refinement
- • We have defined a new single-minded proposition for LIXIANA®: “Your choice for the elderly NAFW patients” is rolled-out across all European markets. 
- • FY2019 is also the year we prepare for the launch of bempedoic acid forecasting in Q2 of FY2020.

Establish oncology business

- Thorough preparation for launches
- • The European commercial organization is set up well to successfully launch our oncology products.
- • We have hired talented professionals for medical, market access, marketing, field force and other functions.
- • Our focus on customer centricity enables us to cater to the needs of the full set of stakeholders who contribute to patient care, among them oncologists and hematologists.

Launches with excellence

- • Our focus this year is the successful launch of VAPLINTSE® in early 2020. Together with our partner AstraZeneca we are also preparing for the launch of DES-8207.

Mycancertherapy.eu: Video portal for patients with cancer

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

Ken Keller

American Regent, Inc. President and CEO

Jan Van Ruymbeke, MD.

Daiichi Sankyo Europe GmbH

Managing Director, CEO

Mycancertherapy.eu: Video portal for patients with cancer

Mycancertherapy.eu: Video portal for patients with cancer

Leading HCPs answer the most frequent patient questions in their native tongue on the main aspects of cancer treatment, including side-effects or types of treatment. The website supports physicians in patient education as it enables patients to have the most important information about cancer explained to them by experts at home.

Ken Keller

American Regent, Inc. President and CEO

Jan Van Ruymbeke, MD.

Daiichi Sankyo Europe GmbH

Managing Director, CEO

Mycancertherapy.eu: Video portal for patients with cancer

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

Ken Keller

American Regent, Inc. President and CEO

Jan Van Ruymbeke, MD.

Daiichi Sankyo Europe GmbH

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

Masayuki Yabuta, Ph.D. Head of Biologics Unit

To develop highly productive expression systems in novel CHO cell line*

In the manufacture of antibody drugs, long-term cell culture is one of the high cost factors of antibody drugs. Daiichi Sankyo has participated in the Manufacturing Technology Association of Biologics, so-called MAB, and has developed vector showed about three times higher antibody productivity than the previous system. In the future, we will continue to be manufacturing by applying it to the production of biopharmaceuticals, and we hope that this cell line will be widely used in other companies by the collaboration with MAB.

*1 Cell lines derived from Chinese hamster ovary cells. It is widely used in the manufacture of antibody drugs.

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

Strengthening the supply system for investigational drug products

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

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

Initiatives for Fiscal 2019

Steadily performed application-related work and technology transfer

- Implemented process validation and prepared application dossier in order to achieve acceleration of DS-8201 evaluation
- Implemented technology transfer for commercial manufacturing facility for launch of DS-8201
- Determined commercial manufacturing conditions for quasarine and powders, which achieve good quality and productivity
- Prepared application dossier for quasarine and powders

Promotion of next-generation ADC development

- Developed high-value-added products
- Developed high-value-added products by having nebulae formulation
- Designed of a package capable of preventing exposure to oncology drugs
- Device for nebulizing drug solutions through the mouth and nose

Develop technologies that address a variety of medicines

- Established ultra-low temperature cold chain* that supports cell therapy and regenerative medicine
- Established ultra-low temperature cold chain for cold drugs to reduce cost
- Logistics method that maintains ambiented low temperature between manufacturing, transportation and consumer activities

*1 Cold chain developed by giving consideration to the storage and transportation of investigational drug products.
The Supply Chain Unit is rapidly transforming its organizational functions with the aim of a “supply chain with competitive advantages in oncology and biotechnology”. In particular, for the launch of DS-8201, we are strengthening our stable production and supply system through investments in biopharmaceutical manufacturing facilities, addition of contract manufacturers worldwide and continuing development of biotech personnel capabilities. In the meantime, we are working to achieve stable supply and reduce product cost in response to the growing demand in edoxaban, which supports our growth. We will continue to contribute to the creation of group profits by transforming and strengthening supply chain functions.

Junichi Fukute  Head of Supply Chain Unit

**Major Achievements in Fiscal 2018**

- Established a manufacturing system for anticancer drugs and biologics
- Established a global supply system for edoxaban
- Established a reliable supply system for ADC and cutting-edge pharmaceutical products
- Promote cost reduction activities and attain results globally

**Initiatives for Fiscal 2019**

- Generate and disseminate scientific evidence on edoxaban
- Generate scientific evidence on esaxerenone and mirabegron
- Generate and disseminate scientific evidence in the oncology field
- Accelerate dissemination of edoxaban evidence
- Reinforce the Global MA activities in the oncology field
- Create more sophisticated medical Information’s functions

**Major Achievements in Fiscal 2018**

- Established a manufacturing system for anticancer drugs and biologics
- Strengthen the global manufacturing and supply system for anticancer drugs and biologics, including investigational drugs
- Secure manufacturing and analysis personnel based on the human resources developing roadmap in biologics field
- Promote capital investment plan based on our future vision
- Establish new logistics functions in response to environmental changes

**Initiatives for Fiscal 2019**

- Generate scientific evidence on edoxaban
- Generate scientific evidence on esaxerenone and mirabegron
- Generate and disseminate scientific evidence in the oncology field
- Generate and disseminate scientific evidence on other priority products
- Generate and disseminate scientific evidence on other priority products
- Reinforce infrastructures for the global MA operation
- Create more sophisticated medical Information’s functions

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

Yoshikazu Fukuchi  Head of Medical Affairs Unit

**Major Achievements in Fiscal 2018**

- Presented ELLANITE results at scientific conferences
- Presented patient background data from a large-scale registry study in Japan at scientific conferences
- Study in patients with angioedema who underwent catheter ablation

**Initiatives for Fiscal 2019**

- Generate scientific evidence on edoxaban
- Generate scientific evidence on esaxerenone and mirabegron
- Generate scientific evidence in the oncology field
- Generate and disseminate scientific evidence on other priority products
- Generate and disseminate scientific evidence on other priority products
- Generate and disseminate scientific evidence on other priority products

The Medical Affairs (MA) Unit will accelerate activity which has been working since fiscal 2018 to further prepare the MA system for the launch of new oncology products. In particular, for DS-8201, we will establish a collaborative relationship with its strategic partners, AstraZeneca, to ensure that high-quality evidence is delivered to healthcare professionals and patients as soon as possible. In Japan, new products other than oncology have been launched, and in addition, we enrich product information functions and enhancing the quality of the response to our client.
The Daiichi Sankyo Group is working to address many issues related to sustainability as part of our medium-to-long-term initiatives and challenges. We fulfill our corporate social responsibility (CSR) by addressing to resolve social challenges through business activities and enacting improvements for corporate value based on the DAIICHI SANKYO Group Corporate Conduct Charter, which is the basis of its business activities. The following introduce the Group’s initiatives aimed at realizing a sustainable society.

**Daiichi Sankyo Group’s Initiatives for SDGs**

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

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

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

For “Goal 3: Ensure healthy lives and promote well-being for all at all ages” the Group is especially working to reduce the environmental impact and risks in all its business activities and to effectively use resources. As for partnership (Goal 17), the Group is working together with various partners in the fields of industry, academia and government for the above initiatives.

For details, refer to page 27.

**Business Activities**

**SDGs**

1. **Ensure healthy lives and promote well-being for all at all ages**
   - The Group will contribute to ensuring healthy lives and promoting well-being for all by working to resolve unmet medical needs, such as cancer and other non-communicable diseases, rare diseases, malaria, tuberculosis, and neglected tropical diseases.

2. **Climate Change**
   - The Group promotes the realization of a sustainable society through working to reduce environmental impact and risks in all its business activities and to effectively use resources.

3. **Partnership**
   - The Group addresses issues in research and development of medications and access barriers to innovation, thereby contributing to furthering its mission through creating innovative pharmaceuticals.

**Daiichi Sankyo Group Value Report 2019**
Initiatives for Sustainability Issues

The Daiichi Sankyo Group is working to address many CSR issues related to sustainability. So far, we have identified CSR issues based on international frameworks such as the Ten Principles of the United Nations Global Compact (UNGC) and the TCFD* and rankings by Access to Medicine Index, which evaluate practices and contributions to improving availability of pharmaceuticals in developing countries. We further categorize these issues into six priority areas for activities (promoting compliance management, mutual growth of employees and the Company, promoting the environment, access to healthcare, social contribution activities, and improving access to healthcare) as the medium-term to long-term initiatives in order to realize a sustainable society and to improve the corporate values in the medium to long-term.

Organizing Sustainability Issues

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

Please refer to the Daiichi Sankyo website for the organized 21 CSR issues (list).

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

Initiatives for CSR issues organized into six priority areas for activities

<table>
<thead>
<tr>
<th>Priority areas for activities</th>
<th>Issues (21 items)</th>
<th>Examples of initiatives</th>
</tr>
</thead>
</table>
| **Promoting Compliance Management** | - Continued operation of the compliance system  
- Implementation of a Compliance Awareness Survey  
- Development of a Global Marketing Code of Conduct  
- Demonstration of the ICP  
- Compliance training and educational activities  
- Response to thorough information (sub) security  
- Spread of Global Policies Related to Preventing Bribery and Corruption | - **Compliance** management activities  
- **Due Diligence** activities  
- **Ethical** behavior activities  
- **Transparency** and disclosure activities  
- **Sustainability** activities |
| **Consideration for R&D ethics, bioethics, and genetic resources** | - **GCP** and other development-related training  
- Thorough R&D ethics  
- Fair utilization of genetic resources  | - **Compliance** training and educational activities  
- **Due Diligence** activities  
- **Ethical** behavior activities  
- **Transparency** and disclosure activities  
- **Sustainability** activities |
| **Maintaining reliability for ensuring product quality and safety** | - Safety-related training (GMP) training  
- Quality audit of raw material and other suppliers  
- Product recall information  | - **Compliance** management activities  
- **Due Diligence** activities  
- **Ethical** behavior activities  
- **Transparency** and disclosure activities  
- **Sustainability** activities |
| **Ethical marketing practices** | - Compliance with the Guidelines on Providing Sales Information  
- Strengthening the review system for sales promotion materials  
- Proper advertising  
- MR accreditation test results  | - **Compliance** management activities  
- **Due Diligence** activities  
- **Ethical** behavior activities  
- **Transparency** and disclosure activities  
- **Sustainability** activities |
| **Sustainable procurement** | - Thorough compliance in procurement  
- Implementation of self-CSR examinations  
- Codes of conduct of business partners | - **Compliance** management activities  
- **Due Diligence** activities  
- **Ethical** behavior activities  
- **Transparency** and disclosure activities  
- **Sustainability** activities |
| **Report on breach of laws and legal cases** | - Disclosure of business and other risks | - **Compliance** management activities  
- **Due Diligence** activities  
- **Ethical** behavior activities  
- **Transparency** and disclosure activities  
- **Sustainability** activities |
| **Respect for all people involved in business activities** | - Initiatives for promoting respect for human rights  
- Training related to the UNGC | - **Compliance** management activities  
- **Due Diligence** activities  
- **Ethical** behavior activities  
- **Transparency** and disclosure activities  
- **Sustainability** activities |

Initiatives Aimed at Realizing a Sustainable Society

<table>
<thead>
<tr>
<th>Priority areas for activities</th>
<th>Issues (21 items)</th>
<th>Examples of initiatives</th>
</tr>
</thead>
</table>
| **Mutual Growth of Employees and the Company** | - Develop human resources / Acquire and retain talented individuals | - **Group talent management**  
- **Create Our Future (COF)** project  
- Recruitment activities  
- Development of entry- and mid-level employees  
- Cultivation of the managers (organization heads)  
- Daiichi Sankyo Human Resources Management Philosophy |
| **Diversity & Inclusion** | - Acquire of the Highest Level of Equal Employment Certification based on the Act on Promotion of Women’s Participation and Advancement in the Workplace  
- Development of environment for balancing life events and work  
- **EEO guidelines for the Women’s Empowerment Principles (WEPs)**  
- Participation in UN Women Alliance  
- Support for the Career Development and Work Styles of Diverse Employees  
- Establishment of career development of employees in Japan  
- Initiatives Based on Action Plan for Empowering Women  
- Acquisition of the Women’s Empowerment Certification  
- Promotion of the employment of individuals with disabilities  
- Systems and measures to support diverse work styles (Japan) | - **Group talent management**  
- **Create Our Future (COF)** project  
- Recruitment activities  
- Development of entry- and mid-level employees  
- Cultivation of the managers (organization heads)  
- Daiichi Sankyo Human Resources Management Philosophy |
| **Policy of equal pay for equal jobs** | - Training related to the UNGC | - **Group talent management**  
- **Create Our Future (COF)** project  
- Recruitment activities  
- Development of entry- and mid-level employees  
- Cultivation of the managers (organization heads)  
- Daiichi Sankyo Human Resources Management Philosophy |
| **Work-life cycle** | - **Promotion of the “Work-Life Cycle” (Japan)**  
- **Promotion of occupational health and safety**  
- **Systematic and initiatives for supporting occupational health and safety (Japan)**  
- 2016 Certified Health and Productivity Management Organization (Recognition Program for Leading Enterprises) -- White 100 | - **Group talent management**  
- **Create Our Future (COF)** project  
- Recruitment activities  
- Development of entry- and mid-level employees  
- Cultivation of the managers (organization heads)  
- Daiichi Sankyo Human Resources Management Philosophy |
| **Healthcare** | - **Promotion of the “Work-Life Cycle” (Japan)**  
- **Promotion of occupational health and safety**  
- **Systematic and initiatives for supporting occupational health and safety (Japan)**  | - **Group talent management**  
- **Create Our Future (COF)** project  
- Recruitment activities  
- Development of entry- and mid-level employees  
- Cultivation of the managers (organization heads)  
- Daiichi Sankyo Human Resources Management Philosophy |
| **Improving Access to Healthcare** | - **Address global health issues** | - **Promotion of the “Work-Life Cycle” (Japan)**  
- **Promotion of occupational health and safety**  
- **Systematic and initiatives for supporting occupational health and safety (Japan)**  | - **Group talent management**  
- **Create Our Future (COF)** project  
- Recruitment activities  
- Development of entry- and mid-level employees  
- Cultivation of the managers (organization heads)  
- Daiichi Sankyo Human Resources Management Philosophy |
| **Measures to combat counterfeit medicines** | - **Address global health issues** | - **Promotion of the “Work-Life Cycle” (Japan)**  
- **Promotion of occupational health and safety**  
- **Systematic and initiatives for supporting occupational health and safety (Japan)**  | - **Group talent management**  
- **Create Our Future (COF)** project  
- Recruitment activities  
- Development of entry- and mid-level employees  
- Cultivation of the managers (organization heads)  
- Daiichi Sankyo Human Resources Management Philosophy |
| **Social Contribution Activities** | - **Address global health issues** | - **Promotion of the “Work-Life Cycle” (Japan)**  
- **Promotion of occupational health and safety**  
- **Systematic and initiatives for supporting occupational health and safety (Japan)**  | - **Group talent management**  
- **Create Our Future (COF)** project  
- Recruitment activities  
- Development of entry- and mid-level employees  
- Cultivation of the managers (organization heads)  
- Daiichi Sankyo Human Resources Management Philosophy |
CSR Management

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

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

- Reviewing issues to be addressed
  Issues that need attention are reviewed based on business strategies and requests from stakeholders, etc.

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

The CSR management cycle

- Extracting CSR issues
- Stakeholder communication
  We conduct self-assessment based on stakeholder communication such as investigations by ESG rating agencies and disclosure of responses regarding issues.
- Reviewing issues to be addressed
  The progress on addressing issues is reported during a meeting of the Global Management Committee (GMC) and other meetings along with evaluation from stakeholders, etc. By continuing to conduct these activities and thereby improving external CSR/ESG evaluations and increasing awareness of employees, we improve long term cooperate value as a result.

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

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

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

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

Selected consecutively for eleven years/three years

- The FTSE4Good Index Series and the FTSE Blossom Japan Index are indices that reflect the performance of corporations that excel in environmental, society, and governance (ESG) factors, established by FTSE Russell, a global index provider and wholly-owned subsidiary of the London Stock Exchange.

- The Company has been included for eleven consecutive years as a component of the FTSE4Good Global Index from 2009 and for three consecutive years as a component of the FTSE Blossom Japan Index from 2017.

- This index is one of four indices selected by the Government Pension Investment Fund (GPIF) as an ESG Index in Japanese stocks.

Selected for the first time

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

Selected consecutively for two years

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

### Japanese GAAP

<table>
<thead>
<tr>
<th>Financial Results</th>
<th>FY2009</th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>992.1</td>
<td>967.3</td>
<td>938.6</td>
<td>997.8</td>
</tr>
<tr>
<td>Overseas sales</td>
<td>482.3</td>
<td>489.7</td>
<td>469.0</td>
<td>486.6</td>
</tr>
<tr>
<td>Ratio of overseas sales to net sales (%)</td>
<td>50.7</td>
<td>50.6</td>
<td>50.0</td>
<td>48.8</td>
</tr>
<tr>
<td>Operating income</td>
<td>95.5</td>
<td>122.1</td>
<td>98.2</td>
<td>100.5</td>
</tr>
<tr>
<td>Ratio of operating income to net sales (%)</td>
<td>10.0</td>
<td>12.6</td>
<td>10.5</td>
<td>10.1</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>41.8</td>
<td>70.1</td>
<td>10.3</td>
<td>66.6</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>196.8</td>
<td>194.3</td>
<td>185.0</td>
<td>183.0</td>
</tr>
<tr>
<td>Ratio of research and development expenses to net sales (%)</td>
<td>20.7</td>
<td>20.1</td>
<td>19.7</td>
<td>18.3</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>45.9</td>
<td>43.9</td>
<td>46.3</td>
<td>41.4</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>29.7</td>
<td>73.3</td>
<td>62.9</td>
<td>65.1</td>
</tr>
</tbody>
</table>

### Financial Position

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

### Cash Flows

| Net increase (decrease) in cash and cash equivalents | 81.4 | 43.2 | (89.7) | 21.8 |
| Free cash flows* | 172.8 | 78.1 | (32.5) | 19.9 |

### Per Share Information

| Basic net income (loss) per share (yen) | 59.45 | 99.62 | 14.75 | 94.64 |
| Net assets per share (yen) | 1,215.62 | 1,206.12 | 1,143.52 | 1,253.86 |
| Annual dividends per share (yen) | 60 | 60 | 60 | 60 |

### Main Financial Indicators

| Return on equity (ROE) (%) | 4.9  | 8.2  | 1.3  | 7.9  |
| Equity ratio (%) | 57.4 | 57.4 | 53.0 | 53.7 |
| Dividend on equity (DOE) (%) | 4.9  | 5.0  | 5.1  | 5.0  |
| Price-earnings ratio (PER) | 29.5 | 16.1 | 102.2 | 19.2 |
| Stock price at the end of the year | 1,751 | 1,606 | 1,508 | 1,815 |
| Market capitalization | 12,326 | 11,304 | 10,692 | 12,777 |
| Average exchange rates (USD/JPY) | 92.86 | 85.72 | 79.07 | 83.11 |
| Average exchange rates (EUR/JPY) | 131.16 | 113.13 | 108.96 | 107.15 |

### Number of Employees

| Japan | 8,892 | 9,002 | 9,308 | 9,251 |
| North America | 3,580 | 3,410 | 3,737 | 3,331 |
| Europe | 2,516 | 2,576 | 2,624 | 2,556 |
| Others | 14,837 | 15,503 | 16,260 | 17,091 |

* Cash flows from operating activities + Cash flows from investing activities

### IFRS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>994.7</td>
<td>1,118.2</td>
<td>919.4</td>
<td>986.4</td>
<td>905.1</td>
<td>960.2</td>
<td>929.7</td>
</tr>
<tr>
<td>Overseas revenue</td>
<td>483.2</td>
<td>584.5</td>
<td>392.4</td>
<td>430.4</td>
<td>375.2</td>
<td>341.9</td>
<td>333.8</td>
</tr>
<tr>
<td>Ratio of overseas revenue to revenue (%)</td>
<td>48.6</td>
<td>52.3</td>
<td>42.7</td>
<td>43.7</td>
<td>39.3</td>
<td>35.6</td>
<td>35.9</td>
</tr>
<tr>
<td>Operating profit</td>
<td>98.7</td>
<td>111.6</td>
<td>74.4</td>
<td>130.4</td>
<td>88.9</td>
<td>76.3</td>
<td>83.7</td>
</tr>
<tr>
<td>Ratio of operating profit to revenue (%)</td>
<td>9.9</td>
<td>10.0</td>
<td>8.1</td>
<td>13.2</td>
<td>9.3</td>
<td>7.9</td>
<td>9.0</td>
</tr>
<tr>
<td>Profit attributable to owners of the Company</td>
<td>64.0</td>
<td>60.9</td>
<td>322.1</td>
<td>82.3</td>
<td>53.5</td>
<td>60.3</td>
<td>93.4</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>184.4</td>
<td>191.2</td>
<td>190.7</td>
<td>208.7</td>
<td>214.3</td>
<td>236.0</td>
<td>203.7</td>
</tr>
<tr>
<td>Ratio of research and development expenses to revenue (%)</td>
<td>18.5</td>
<td>17.1</td>
<td>20.7</td>
<td>21.2</td>
<td>22.4</td>
<td>24.6</td>
<td>21.9</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>45.3</td>
<td>51.5</td>
<td>42.0</td>
<td>44.3</td>
<td>47.4</td>
<td>46.7</td>
<td>46.2</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>65.1</td>
<td>49.2</td>
<td>36.3</td>
<td>23.3</td>
<td>38.3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Financial Position

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

### Cash Flows

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

### Per Share Information

| Basic earnings per share (yen) | 90.96 | 86.57 | 457.56 | 119.37 |
| Equity per share attributable to owners of the Company (yen) | 1,215.62 | 1,392.03 | 1,852.28 | 1,801.90 |
| Annual dividends per share (yen) | 60 | 60 | 60 | 70 | 70 | 70 | 70 |

### Main Financial Indicators

| Return on equity attributable to owners of the Company (ROE) (%) | 7.4  | 6.5  | 28.2 | 6.5 | 4.4 | 5.2  | 7.8  |
| Ratio of equity attributable to owners of the Company to total assets (%) | 53.8 | 52.9 | 65.8 | 64.8 | 61.4 | 59.7 | 59.8 |
| Ratio of dividends to equity attributable to owners of the Company (DOE) (%) | 4.9  | 4.5  | 3.7  | 3.8  | 3.9  | 4.0  | 3.8  |
| Price-earnings ratio (PER) | 20.0 | 20.1 | 4.2  | 21.0 | 31.5 | 38.6 | 35.4 |
| Stock price at the end of the year | 1,815 | 1,738 | 1,907 | 2,502 | 2,507 | 3,526 | 5,100 |
| Market capitalization | 12,777 | 12,326 | 13,426 | 17,102 | 16,627 | 22,837 | 33,042 |
| Average exchange rates (USD/JPY) | 83.11 | 100.24 | 109.94 | 120.14 | 108.42 | 110.86 | 110.91 |
| (EUR/JPY) | 107.15 | 134.38 | 138.78 | 132.57 | 118.84 | 129.70 | 128.40 |

### Number of Employees

| Japan | 9,251 | 9,145 | 8,543 | 8,589 | 8,648 | 8,765 | 8,865 |
| North America | 2,331 | 3,402 | 3,322 | 2,321 | 2,464 | 2,191 | 2,172 |
| Europe | 2,556 | 2,226 | 2,094 | 1,997 | 1,578 | 1,582 | 1,778 |
| Others | 17,091 | 18,018 | 2,469 | 2,342 | 1,980 | 2,071 | 2,072 |

Note: Results for FY2012 in compliance with IFRS are shown for comparison purposes.
## Daiichi Sankyo Group Value Report 2019

### Financial Results and Financial Analysis

#### 1. Revenue

Consolidated revenue in fiscal 2018 decreased by ¥30.5 billion, or 3.2% year on year, to ¥929.7 billion. When the impacts of foreign exchange influences are excluded, revenue was down ¥27.3 billion year on year.

In the United States, revenue from Daiichi Sankyo, Inc. declined ¥38.5 billion year on year following a decrease in revenue from Welchol, olmesartan, and Effient among other factors. Meanwhile, American Regent, Inc. saw a revenue increase of ¥12.3 billion year on year following higher sales of injectable. Revenue at Daiichi Sankyo Europe GmbH increased ¥10.0 billion year on year due to a large increase in LX004A sales, despite decreases in sales from olmesartan. In the Company’s operations in ASCA, Asia and South & Central America, revenue was up ¥8.6 billion year on year, with results chiefly seen in China and Korea.

#### 2. Operating Profit

Operating profit in fiscal 2018 increased ¥7.4 billion, or 9.7% year on year, to ¥83.7 billion. When the impacts of foreign exchange influences and special items are excluded, the actual decrease in operating profit was ¥13.2 billion.

Operating profit decreased ¥30.5 billion, including impact from foreign exchange to the extent of ¥3.2 billion. Cost of sales was up ¥2.8 billion year on year as the ratio of cost of sales to revenue increased due to the impact of LOE of omesartan. SG&A expenses decreased ¥14.9 billion year on year, owing to effects from cost reductions in the U.S. as well as decreased costs following a change to accounting methods at Daiichi Sankyo Healthcare. R&D expenses dropped ¥2.0 billion year on year. Foreign exchange influences caused a total decrease of ¥1.8 billion in expenses. Special items in fiscal 2017 included impairment loss in intangible assets related to CL-108, and restructuring expenses in the U.S. Business, causing a total increase of ¥30.6 billion in expenses. Special items in fiscal 2018 included impairment loss in intangible assets related to Zelboraf and MOVANATK, resulting in a total increase of ¥11.6 billion in expenses, and a decrease of ¥22.0 billion in expenses year on year.

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

Profit attributable to owners of the Company increased ¥33.1 billion, or 55.0% year on year, to ¥93.4 billion.

Operating profit increased ¥7.4 billion year on year including foreign exchange influences and special items. Financial income and expenses increased ¥2.6 billion year on year due to the adverse impact from foreign exchange losses following due to the strong yen, among other factors. Income taxes decreased ¥28.8 billion year on year as a result of the fact that we could include additional deferred tax assets due to a significant increase in the amount of our future taxable income through the strategic collaboration with AstaZeneca for DS-6201, among other factors. Regarding non-controlling interests, we experienced a negative impact to profit, to the amount of ¥0.5 billion. As a result of the above, the profit attributable to owners of the Company came to ¥93.4 billion.

---

**Consolidated Financial Results for Fiscal 2018**

<table>
<thead>
<tr>
<th>Financial Results</th>
<th>FY2017 Results (Billions of yen)</th>
<th>FY2018 Results (Billions of yen)</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>¥960.2</td>
<td>¥929.7</td>
<td>-3.2%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>¥330.8</td>
<td>¥346.0</td>
<td>+4.8%</td>
</tr>
<tr>
<td>SG&amp;A expenses</td>
<td>¥331.8</td>
<td>¥288.0</td>
<td>-13.0%</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>¥288.0</td>
<td>¥301.8</td>
<td>+4.6%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>¥173.5</td>
<td>¥269.0</td>
<td>+55.0%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>¥103.5</td>
<td>¥101.0</td>
<td>-2.5%</td>
</tr>
<tr>
<td>Profit attributable to owners of the Company</td>
<td>¥93.4</td>
<td>¥92.5</td>
<td>-1.0%</td>
</tr>
</tbody>
</table>

---

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

<table>
<thead>
<tr>
<th>Currency</th>
<th>FY2017 Results (¥/¥)</th>
<th>FY2018 Results (¥/¥)</th>
<th>¥/¥</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD/JPY</td>
<td>110.86</td>
<td>110.91</td>
<td>+0.5</td>
</tr>
<tr>
<td>EUR/JPY</td>
<td>129.70</td>
<td>128.40</td>
<td>-0.9</td>
</tr>
</tbody>
</table>

---

**Profit attributable to owners of the Company increased ¥33.1 billion, or 55.0% year on year, to ¥93.4 billion.**

---

**Income taxes, etc.**

<table>
<thead>
<tr>
<th>FY2017 Results (Billions of yen)</th>
<th>FY2018 Results (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>¥97.5</td>
</tr>
<tr>
<td>Tax refund, etc.</td>
<td>¥4.2</td>
</tr>
<tr>
<td>Dividend</td>
<td>¥25.7</td>
</tr>
<tr>
<td>Total</td>
<td>¥127.4</td>
</tr>
<tr>
<td>Income taxes, etc.</td>
<td>¥28.8</td>
</tr>
</tbody>
</table>

---

**Notable factors**

- **Positive factors**: 
  - Increased by ¥7.4 billion at the operating profit level.
  - Increased by ¥33.1 billion at the profit attributable to owners of the Company.

**Negative factors**

- **Increased by ¥30.5 billion at the revenue level.**
  - Excluding impacts of foreign exchange.

---

**Data Section**

**2. Operating Profit**

<table>
<thead>
<tr>
<th>FY2017 Results (Billions of yen)</th>
<th>FY2018 Results (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>¥30.5</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>¥2.6</td>
</tr>
<tr>
<td>SG&amp;A expenses</td>
<td>¥1.4</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>¥2.0</td>
</tr>
<tr>
<td>Forex impact</td>
<td>¥1.6</td>
</tr>
<tr>
<td>Special items</td>
<td>¥2.0</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>FY2017 Results (Billions of yen)</th>
<th>FY2018 Results (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit</td>
<td>¥7.4</td>
</tr>
<tr>
<td>Financial profit</td>
<td>¥3.0</td>
</tr>
<tr>
<td>Income before tax</td>
<td>¥28.8</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>¥0.5</td>
</tr>
</tbody>
</table>

---

**Consolidated revenue in fiscal 2018 decreased ¥30.5 billion, including impact from foreign exchange to the extent of ¥3.2 billion.**

Cost of sales was up ¥2.8 billion year on year as the ratio of cost of sales to revenue increased due to the impact of LOE of omesartan. SG&A expenses decreased ¥14.9 billion year on year, owing to effects from cost reductions in the U.S. as well as decreased costs following a change to accounting methods at Daiichi Sankyo Healthcare. R&D expenses dropped ¥2.0 billion year on year. Foreign exchange influences caused a total decrease of ¥1.8 billion in expenses. Special items in fiscal 2017 included impairment loss in intangible assets related to CL-108, and restructuring expenses in the U.S. Business, causing a total increase of ¥30.6 billion in expenses. Special items in fiscal 2018 included impairment loss in intangible assets related to Zelboraf and MOVANATK, resulting in a total increase of ¥11.6 billion in expenses, and a decrease of ¥22.0 billion in expenses year on year.

---

**Financial Results and Financial Analysis**

---

**Daiichi Sankyo Group Value Report 2019**
Financial Results and Financial Analysis

1. Assets, Liabilities, and Equity

Assets
Total assets at the end of fiscal 2018 amounted to ¥2,088.1 billion. Trade and other receivables increased (¥188.1 billion year on year) among other factors, ultimately leading to an increase of ¥190.3 billion compared to the end of fiscal 2017.

Liabilities
Total liabilities at the end of fiscal 2018 amounted to ¥1,083.5 billion. Income taxes payable and provisions decreased (¥124.1 billion year on year), while trade and other payables as well as other non-current liabilities increased (¥216.5 billion year on year) among other factors, ultimately leading to an increase of ¥73.6 billion compared to the end of fiscal 2017.

Equity
Total equity at the end of fiscal 2018 amounted to ¥1,249.7 billion. Dividend payments (¥45.3 billion) contributed to a decrease, while profit attributable to owners of the Company (¥93.4 billion) and other comprehensive income (¥216.6 billion year on year) among other factors, ultimately led to an increase of ¥116.7 billion compared to the end of fiscal 2017.

Summary of consolidated statement of financial position
As of March 31, 2019,

Consolidated total assets ¥2,088.1 billion (+¥190.3 billion)

2. Cash Flows

Cash and cash equivalents at the end of fiscal 2018 were ¥694.9 billion, an increase of ¥116.7 billion compared to the previous fiscal year due to payments into time deposits, as well as capital expenditure and acquisitions of intangible assets, among other factors.

Cash flows from operating activities
Cash inflows from operating activities were ¥910.1 billion (¥108.6 billion in the previous fiscal year) due to a decrease in cash caused by a profit before tax amounting to ¥958.8 billion, depreciation and amortization amounting to ¥462.2 billion, impairment loss amounting to ¥15.2 billion, and other non-cash items, as well as income tax payments and other factors.

Cash flows from investing activities
Cash outflows due to investing activities were ¥1,424.5 billion (+¥108.6 billion in the previous fiscal year) due to payments into time deposits, as well as capital expenditure and acquisitions of intangible assets, among other factors.

Cash flows from financing activities
Cash inflows due to financing activities were ¥662.3 billion (¥101.8 billion in the previous fiscal year) due to dividend payments, repayments of borrowings, and other factors.

Free cash flows* 217.0 (Billions of yen)

3. Capital Expenditure

In fiscal 2018, we focused capital expenditure on production facilities for Daiichi Sankyo Chemical Pharma and Daiichi Sankyo Propharma. Especially, capital expenditure increased for our oncology business with a focus on the ADC franchise, and the total capital expenditure amounted to ¥383.8 billion.

Shareholder Returns

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

Shareholder returns policy during SYPB (Target)

Sales revenues are projected to increase 1.1% year on year to ¥940.0 billion, due to part of the contractual lump-sum payment from our strategic collaboration for DS-8201 being incorporated into the recognized sales amount (¥150.0 billion) for year ending March 2020.

Operating profit is projected to increase 19.5% year on year to ¥100.0 billion due to continued cost reductions, as well as recording profit from selling the Takatsuki Plant (¥19.0 billion) and real estate (¥10.6 billion) among other factors, despite the fact that cost increases are expected as a result of investments centered on the oncology business.

Consolidated financial results forecast for fiscal 2019

Shareholder returns policy during SYPB (Target)

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

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

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

Shareholder Returns

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

Our shareholder return policy calls for a total return ratio* of 100% or more for the fiscal 2016 through fiscal 2022, and annual ordinary dividend payments of ¥70 per share or more.

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

The Company plans to issue annual dividends per share of ¥70 in fiscal 2019.

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

Data Section

Financial Results Forecasts for Fiscal 2019

Sales revenues are projected to increase 1.1% year on year to ¥940.0 billion, due to part of the contractual lump-sum payment from our strategic collaboration for DS-8201 being incorporated into the recognized sales amount (¥150.0 billion) for year ending March 2020.

Operating profit is projected to increase 19.5% year on year to ¥100.0 billion due to continued cost reductions, as well as recording profit from selling the Takatsuki Plant (¥19.0 billion) and real estate (¥10.6 billion) among other factors, despite the fact that cost increases are expected as a result of investments centered on the oncology business.

Consolidated financial results forecast for fiscal 2019

<table>
<thead>
<tr>
<th></th>
<th>FY2016 Results</th>
<th>FY2017 Results</th>
<th>FY2018 Results</th>
<th>FY2019 Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>929.7</td>
<td>940.0</td>
<td>+10.3 (+1.1%)</td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>85.7</td>
<td>100.0</td>
<td>+16.3 (+19.5%)</td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>85.8</td>
<td>100.0</td>
<td>+14.2</td>
<td></td>
</tr>
<tr>
<td>Profit attributable to owners of the Company</td>
<td>93.4</td>
<td>72.0</td>
<td>-21.4 (-22.9%)</td>
<td></td>
</tr>
</tbody>
</table>

Shareholder Returns

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

Our shareholder return policy calls for a total return ratio* of 100% or more for the fiscal 2016 through fiscal 2022, and annual ordinary dividend payments of ¥70 per share or more.

On the basis of this policy, Daiichi Sankyo intends to pay stable dividends while flexibly acquiring shares of its own stock.

Shareholder returns policy during SYPB (Target)
## Consolidated Financial Statements

### Consolidated Statement of Profit or Loss

<table>
<thead>
<tr>
<th></th>
<th>FY2017 (For the year ended March 31, 2018)</th>
<th>FY2018 (For the year ended March 31, 2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>960,195</td>
<td>929,717</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>346,021</td>
<td>364,605</td>
</tr>
<tr>
<td>Gross profit</td>
<td>301,845</td>
<td>277,895</td>
</tr>
<tr>
<td>Research and develop. expenses</td>
<td>236,046</td>
<td>203,711</td>
</tr>
<tr>
<td>Operating profit</td>
<td>76,282</td>
<td>83,705</td>
</tr>
<tr>
<td>Financial income</td>
<td>8,642</td>
<td>8,141</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>301,845</td>
<td>277,695</td>
</tr>
<tr>
<td>Research and develop. expenses</td>
<td>236,046</td>
<td>203,711</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>59,811</td>
<td>93,422</td>
</tr>
</tbody>
</table>

Profit attributable to:
- Owners of the Company: 60,282 (93,409)
- Non-controlling interests: -471 (12)

Earnings per share:
- Basic earnings per share (yen): 91.31 (144.20)
- Diluted earnings per share (yen): 91.10 (143.88)

### Consolidated Statement of Comprehensive Income

<table>
<thead>
<tr>
<th></th>
<th>FY2017 (For the year ended March 31, 2018)</th>
<th>FY2018 (For the year ended March 31, 2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>59,811</td>
<td>93,422</td>
</tr>
</tbody>
</table>
| Other comprehensive income:
  - Items that will not be reclassified to profit or loss | 10,688                                   | 60,976                                   |
  - Remeasurements of defined benefit plans | 1,616                                     | 205                                      |
  - Items that may be reclassified subsequently to profit or loss | (10,229)                                 | 9,289                                    |
  - Share of other comprehensive income of investments accounted for using the equity method | 3                                        |                                          |
| Total comprehensive income | 2,078                                   | 70,471                                   |
| Total comprehensive income attributable to:
  - Owners of the Company | 62,361                                   | 163,893                                  |
  - Non-controlling interests | (471)                                    | 12                                       |
| Total comprehensive income for the year | 61,890                                   | 163,893                                  |

### Consolidated Statement of Financial Position

<table>
<thead>
<tr>
<th></th>
<th>FY2017 (As of March 31, 2018)</th>
<th>FY2018 (As of March 31, 2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>1,201,545</td>
<td>1,393,184</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>1,897,754</td>
<td>2,088,051</td>
</tr>
</tbody>
</table>

### Liabilities and Equity

<table>
<thead>
<tr>
<th></th>
<th>FY2017 (As of March 31, 2018)</th>
<th>FY2018 (As of March 31, 2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td>353,105</td>
<td>384,544</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>764,713</td>
<td>838,346</td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total equity</td>
<td>1,133,041</td>
<td>1,249,705</td>
</tr>
</tbody>
</table>

Total comprehensive income for the year:
- Owners of the Company: 62,361 (1,132,982)
- Non-controlling interests: -471 (1,249,642)

Total liabilities and equity:
- Share capital: 50,000 (50,000)
- Capital surplus: 94,633 (94,633)
- Treasury shares: (163,531) (162,964)
- Other components of equity: 120,504 (115,166)
- Retained earnings: 1,031,376 (1,152,806)
- Total equity: 1,133,041 (1,249,642)
### Consolidated Statement of Changes in Equity

| (Millions of yen) | 
|-------------------|------------------|
| Equity attributable to owners of the Company | Other components of equity |
| Share capital | Capital surplus | Treasury shares | Subscription rights | Exchange differences on foreign operations | Preference shares | Retained earnings | Measured at fair value through other comprehensive income |
| **Balance as of April 1, 2017** | 103,190 | (113,862) | 2,917 | 97,868 | 54,863 |
| **Profit for the year** | — | — | — | — | — |
| **Other comprehensive income (loss) for the year** | — | — | — | — | — |
| **Total comprehensive income for the year** | (205) | — | — | — | — |
| **Balance as of April 30, 2017** | (205) | (113,862) | 2,917 | 97,868 | 34,000 |

### Consolidated Statement of Cash Flows

**FY2017** (For the year ended March 31, 2018)

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>FY2017</th>
<th>(Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>81,021</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>46,680</td>
<td></td>
</tr>
<tr>
<td>Impairment loss</td>
<td>36,672</td>
<td></td>
</tr>
<tr>
<td>Financial income</td>
<td>(8,642)</td>
<td></td>
</tr>
<tr>
<td>Financial expenses</td>
<td>4,223</td>
<td></td>
</tr>
<tr>
<td>Share of (profit) loss of investments accounted for using the equity method</td>
<td>(320)</td>
<td></td>
</tr>
<tr>
<td>(Gain) loss on sale and disposal of non-current assets</td>
<td>(5,125)</td>
<td></td>
</tr>
<tr>
<td>(Increase) decrease in trade and other receivables</td>
<td>2,535</td>
<td></td>
</tr>
<tr>
<td>(Increase) decrease in inventories</td>
<td>(19,394)</td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in trade and other payables</td>
<td>238</td>
<td></td>
</tr>
<tr>
<td>Others, net</td>
<td>9,755</td>
<td></td>
</tr>
</tbody>
</table>

**Subtotal** | 128,134 |

**Net cash flows from (used in) operating activities** | 108,439 |

**Cash flows from investing activities** | (Millions of yen) |

| Payments into time deposits | (889,376) |
| Proceeds from maturities of time deposits | 488,576 |
| Acquisition of securities | (128,492) |
| Proceeds from sale of securities | 165,458 |
| Acquisitions of property, plant and equipment | (33,399) |
| Proceeds from sale of property, plant and equipment | 139 |
| Acquisition of intangible assets | 14,609 |
| Proceeds from sale of subsidiary | — |
| Payments for loans receivable | (982) |
| Proceeds from collection of loans receivable | 753 |
| Others, net | 9,501 |

**Net cash flows from (used in) investing activities** | 108,568 |

**Cash flows from financing activities** | (Millions of yen) |

| Repayments of bonds and borrowings | (92,000) |
| Purchase of treasury shares | (50,085) |
| Proceeds from sale of treasury shares | 1 |
| Dividends paid | (46,425) |
| Others, net | (5,262) |

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

**Increase (decrease) in cash and cash equivalents** | 115,241 |

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

**Effect of exchange rate change on cash and cash equivalents** | (3,569) |

**Cash and cash equivalents at the end of the year** | 252,702 |

**Value Report 2019**

**Daiichi Sankyo Group**

**Data Section**

**Total transactions with owners of the Company (205) (205) (75,808)**

**Balance as of March 31, 2019**

| (Millions of yen) | 
|-------------------|------------------|
| Share capital | Capital surplus | Treasury shares | Subscription rights | Exchange differences on foreign operations | Preference shares | Retained earnings | Measured at fair value through other comprehensive income |
| **Total transactions with owners of the Company** | (205) | (75,808) | 2,917 | 97,868 | 34,000 |
| **Balance as of March 31, 2019** | — | (75,808) | 2,917 | 97,868 | 34,000 |

**Data Section**

**Balance as of March 31, 2018**

| (Millions of yen) | 
|-------------------|------------------|
| Share capital | Capital surplus | Treasury shares | Subscription rights | Exchange differences on foreign operations | Preference shares | Retained earnings | Measured at fair value through other comprehensive income |
| **Total transactions with owners of the Company** | (1,620) | (6,063) | 2,917 | 97,868 | (163,531) |
| **Adjusted balance as of April 1, 2018** | — | (6,063) | 2,917 | 97,868 | (163,531) |

**Changes in accounting policies**

| (Millions of yen) | 
|-------------------|------------------|
| **Total transactions with owners of the Company** | (1,620) | (6,063) | 2,917 | 97,868 | (163,531) |
| **Adjusted balance as of April 1, 2018** | — | (6,063) | 2,917 | 97,868 | (163,531) |

**Consolidated Financial Statements**

**Value Report 2019**

**Daiichi Sankyo Group**

**Data Section**

**Total transactions with owners of the Company**

| (Millions of yen) | 
|-------------------|------------------|
| Share capital | Capital surplus | Treasury shares | Subscription rights | Exchange differences on foreign operations | Preference shares | Retained earnings | Measured at fair value through other comprehensive income |
| **Total transactions with owners of the Company** | (1,620) | (6,063) | 2,917 | 97,868 | (163,531) |
| **Adjusted balance as of April 1, 2018** | — | (6,063) | 2,917 | 97,868 | (163,531) |

**Changes in accounting policies**

| (Millions of yen) | 
|-------------------|------------------|
| **Total transactions with owners of the Company** | (1,620) | (6,063) | 2,917 | 97,868 | (163,531) |
| **Adjusted balance as of April 1, 2018** | — | (6,063) | 2,917 | 97,868 | (163,531) |

**Consolidated Financial Statements**

**Value Report 2019**

**Daiichi Sankyo Group**

**Data Section**

**Total transactions with owners of the Company**

| (Millions of yen) | 
|-------------------|------------------|
| Share capital | Capital surplus | Treasury shares | Subscription rights | Exchange differences on foreign operations | Preference shares | Retained earnings | Measured at fair value through other comprehensive income |
| **Total transactions with owners of the Company** | (45) | — | — | — | — |
| **Adjusted balance as of March 31, 2019** | — | — | — | — | — | (75,415) |

**Changes in accounting policies**

| (Millions of yen) | 
|-------------------|------------------|
| **Total transactions with owners of the Company** | (45) | — | — | — | — | (75,415) |
| **Adjusted balance as of March 31, 2019** | — | — | — | — | — | (75,415) |
**Major Products**

### Innovative Pharmaceuticals Business

<table>
<thead>
<tr>
<th>Brand Name (Generic Name)</th>
<th>Efficacy</th>
<th>Launched</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type 2 diabetes mellitus treatment</strong></td>
<td>2017</td>
<td></td>
<td>A first combination drug of the DPP-4 inhibitor saxagliptin and the SGLT2 inhibitor canagliflozin approved in Japan, which demonstrates blood glucose-lowering activity through a complementary pharmacological effect.</td>
</tr>
<tr>
<td><strong>Anti-inflammatory agents</strong></td>
<td>2016</td>
<td></td>
<td>Sodium channel blocker. Suppresses the excessive excitation of nerves in the brain, and reduces the occurrence of epileptic seizures.</td>
</tr>
<tr>
<td><strong>Antiplatelet agent</strong></td>
<td>2014</td>
<td></td>
<td>ADP receptor inhibitor. Inhibits platelet aggregation and reduces the incidence of arterial intima and occlusion due to thrombosis.</td>
</tr>
<tr>
<td><strong>Treatment for osteoporosis / inhibitor of bone erosion</strong></td>
<td>2013</td>
<td></td>
<td>Human monoclonal anti-RANKL antibody. Subcutaneous formulation which controls bone resorption and bone destruction by specifically inhibiting RANKL.</td>
</tr>
<tr>
<td><strong>Type 2 diabetes mellitus treatment</strong></td>
<td>2012</td>
<td></td>
<td>DPP-4 inhibitor. The agent facilitates glucose-dependent insulin release and inhibits glucagon release, thereby demonstrating the blood glucose-lowering activity.</td>
</tr>
<tr>
<td><strong>Treatment for bone disorders caused by bone metastases from tumors</strong></td>
<td>2012</td>
<td></td>
<td>Human monoclonal anti-RANKL antibody. The antibody inhibits bone destruction caused by osteoclasts, and reduces the occurrence of fractures and other skeletal-related events (SREs). Approved for the indication of pain control of bone in 2014 and was designated as an orphan drug.</td>
</tr>
<tr>
<td><strong>Anticoagulant</strong></td>
<td>2011</td>
<td></td>
<td>Daily active Factor Xa inhibitor. Prevents the formation of blood clots by specifically, reversibly, and directly inhibiting the enzyme. Factor Xa, a clotting factor in the blood.</td>
</tr>
<tr>
<td><strong>Analgesic</strong></td>
<td>2011</td>
<td></td>
<td>Protein pump inhibitor. This can be used for a wide range of ages, from infants to adults. It suppresses excessive gastric acid secretion.</td>
</tr>
<tr>
<td><strong>Anti-influenza treatment</strong></td>
<td>2010</td>
<td></td>
<td>Neuramidase inhibitor that inhibits influenza viral proliferation. Treatment is completed with a single inhaled dosage.</td>
</tr>
<tr>
<td><strong>Antihypertensive agent</strong></td>
<td>2004</td>
<td></td>
<td>Angiotensin II receptor blocker. This suppresses the vasoconstrictive effects of angiotensin II, and thereby demonstrates the effect of lowering blood pressure.</td>
</tr>
<tr>
<td><strong>Antihypertensive agent</strong></td>
<td>2010</td>
<td></td>
<td>A combination drug of two antihypertensive agents: an angiotensin II receptor blocker, olmesartan medoxomil, and a calcium ion channel blocker. The combination demonstrates the effect of decreasing blood pressure through a complementary pharmacological effect.</td>
</tr>
<tr>
<td><strong>Synthetic antibacterial agent</strong></td>
<td>1993</td>
<td></td>
<td>New quinoline antibacterial agent offering strong antibacterial action and a broad antibacterial spectrum.</td>
</tr>
<tr>
<td><strong>Hypochloroacetate treatment</strong></td>
<td>1989</td>
<td></td>
<td>HMGA美國 reduces inhibitor (poly) that lowers blood cholesterol levels by inhibiting cholesterol synthesis in the liver.</td>
</tr>
<tr>
<td><strong>Contrast medium</strong></td>
<td>1997</td>
<td></td>
<td>Nonionic contrast medium. This is used to add contrast to images or highlight specific tissues in images that are difficult to read under normal diagnostic conditions.</td>
</tr>
<tr>
<td><strong>Ant-inflammatory analgesic</strong></td>
<td>1986</td>
<td></td>
<td>Nonsteroidal anti-inflammatory analgesic. Suppresses the production of prostaglandins associated with inflammation, and thereby demonstrates an analgesic effect. Also available as transdermal agents (poultice, gel, tape).</td>
</tr>
</tbody>
</table>

### Generic Business

<table>
<thead>
<tr>
<th>OTC Related Business</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Live Attenuated Mumps Vaccine</strong></td>
</tr>
<tr>
<td><strong>Live Attenuated Measles-Rubella Combined Vaccine</strong></td>
</tr>
</tbody>
</table>

### Vaccine Business

<table>
<thead>
<tr>
<th>Vaccine</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Live Attenuated Influenza (Influenza Vaccine)</strong></td>
</tr>
</tbody>
</table>

---

**Data Section**

**Daiichi Sankyo Group Value Report 2019**
Revenue

FY2017 Results FY2018 Results % Y/Y
Domestic Prescription Drug and Vaccine Business

NEXIUM 86.5 78.3 −8.3
LIXIANA 45.3 64.9 +19.6
Memary 48.6 50.2 +1.7
Loxonin 36.5 30.5 −6.0
PRALIA 23.2 27.4 +16.5
TENELIA 26.3 25.0 −5.4
Inavir 25.3 18.2 −28.7
Cimicifuga 44.6 32.0 −28.9
SAIKYOSAN 15.4 16.4 +6.5
Effient 10.7 2.4 −8.2
AMWAY 3.7 2.3 −3.9

Revenue (Billions of yen)

Asia, South & Central America (ASCA)

Daiichi Sankyo, Inc. 74.8 38.9 −49.5
Otsuka 21.3 10.7 −50.6
Welby 33.6 13.4 −59.2
Effient 10.5 2.2 −8.2
SAIKYOSAN 2.5 0.7 −6.8
AMWAY 4.5 0.7 −8.2

Daiichi Sankyo, Inc.

Revenue (Billions of yen)

European Branches

Daiichi Sankyo Europe GmbH
Daiichi Sankyo Deutschland GmbH
Daiichi Sankyo France SAS
Daiichi Sankyo Italia S.p.A.
Daiichi Sankyo España, S.A.
Daiichi Sankyo UK Ltd.
Daiichi Sankyo (Schweiz) AG
Daiichi Sankyo Portugal, Unipessoal Lda.
Daiichi Sankyo Austria GmbH
Daiichi Sankyo Belgum N.V.-S.A.
Daiichi Sankyo Nederland B.V.
Daiichi Sankyo Ic Ticaret Ltd. Şti.
Daiichi Sankyo Ireland Ltd.
Daiichi Sankyo Aitkich Srl

Corporation Profile / Main Group Companies
ESG (Environmental, Social, and Governance) Data

Environmental

Promoting Environmental Management

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Classification</th>
<th>Item</th>
<th>Scope*1</th>
<th>Unit</th>
<th>FY2016 FY2017 FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO₂ emissions</td>
<td>In Japan</td>
<td>1 t-CO₂</td>
<td>178,732</td>
<td>165,931</td>
<td>156,323</td>
</tr>
<tr>
<td>Global</td>
<td>1 t-CO₂</td>
<td>236,162</td>
<td>224,828</td>
<td>211,760</td>
<td></td>
</tr>
<tr>
<td>CO₂ emissions by Greenhouse Gas Protocol</td>
<td>In Japan</td>
<td>1 t-CO₂</td>
<td>97,682</td>
<td>84,283</td>
<td>79,505</td>
</tr>
<tr>
<td>Global</td>
<td>1 t-CO₂</td>
<td>110,474</td>
<td>101,106</td>
<td>100,953</td>
<td></td>
</tr>
<tr>
<td>Water resources</td>
<td>In Japan</td>
<td>1,000 m³</td>
<td>10,996</td>
<td>10,311</td>
<td>9,867</td>
</tr>
<tr>
<td>Global</td>
<td>1,000 m³</td>
<td>11,324</td>
<td>10,828</td>
<td>10,383</td>
<td></td>
</tr>
</tbody>
</table>

Social

Promoting Compliance Management

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Classification</th>
<th>Item</th>
<th>Scope*1</th>
<th>Unit</th>
<th>FY2016 FY2017 FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training on Daiichi Sankyo Group Individual Conduct Guidelines</td>
<td>In Japan</td>
<td>Persons</td>
<td>—</td>
<td>—</td>
<td>344</td>
</tr>
<tr>
<td>Compliance training based on Corporate Integrity Agreement in the United States</td>
<td>Outside Japan</td>
<td>Persons</td>
<td>125,147</td>
<td>121,894</td>
<td>117,100</td>
</tr>
<tr>
<td>GVP*4 compliance training</td>
<td>In Japan</td>
<td>Persons</td>
<td>2,037</td>
<td>2,074</td>
<td>1,857</td>
</tr>
<tr>
<td>Development-related training (including GCP)</td>
<td>Non-consolidated</td>
<td>Times</td>
<td>23</td>
<td>23</td>
<td>25</td>
</tr>
</tbody>
</table>

Compliance Data for FY2018 (Global)

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

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

The Company updates its corporate website with other ESG data. [https://www.daiichisankyo.com/about_us/responsibility/csr/esg/index.html]

Mutual Growth of Employees and the Company

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Classification</th>
<th>Item</th>
<th>Scope*1</th>
<th>Unit</th>
<th>FY2016 FY2017 FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patients and medical professionals</td>
<td>Evaluation of corporate social and CRM activities</td>
<td>In Japan</td>
<td>Ranks</td>
<td>First</td>
<td>First</td>
</tr>
<tr>
<td></td>
<td>Number of inquiries our Medical Information Center received from outside the Company (pharmaceutical products)</td>
<td>In Japan</td>
<td>1,000 cases</td>
<td>99</td>
<td>101</td>
</tr>
<tr>
<td>Shareholders</td>
<td>Dividends per share</td>
<td>In Japan</td>
<td>Non-consolidated</td>
<td>¥70</td>
<td>¥70</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Non-consolidated</td>
<td>¥70</td>
<td>¥70</td>
<td>¥70</td>
</tr>
</tbody>
</table>

Enhancement of Communication with Stakeholders

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Classification</th>
<th>Item</th>
<th>Scope*1</th>
<th>Unit</th>
<th>FY2016 FY2017 FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social</td>
<td>Number of mobile helpline hotlines</td>
<td>In Tanzania</td>
<td>Total</td>
<td>102</td>
<td>121</td>
</tr>
<tr>
<td></td>
<td>Number of outside directors</td>
<td>In Japan</td>
<td>Persons</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

Social Contribution Activities

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Classification</th>
<th>Item</th>
<th>Scope*1</th>
<th>Unit</th>
<th>FY2016 FY2017 FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social</td>
<td>Number of employees to our laboratories/factories</td>
<td>In Japan</td>
<td>Persons</td>
<td>1,200</td>
<td>1,100</td>
</tr>
<tr>
<td></td>
<td>Number of employees at Kusun Museum</td>
<td>In Japan</td>
<td>Persons</td>
<td>14,720</td>
<td>22,157</td>
</tr>
</tbody>
</table>

Goverance

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Classification</th>
<th>Item</th>
<th>Scope*1</th>
<th>Unit</th>
<th>FY2016 FY2017 FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structure of Board of Directors</td>
<td>Number of directors</td>
<td>Non-consolidated</td>
<td>Persons</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Number of outside directors</td>
<td>Non-consolidated</td>
<td>Persons</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

| Structure of Audit and Supervisory Board | Number of Audit & Supervisory Board members | Non-consolidated | Persons | 4 | 5 | 6 |
| Remuneration of Directors | Total | Non-consolidated | Millions of yen | 578 | 628 | 690 |

Note: The information in this document is a summary of our annual ESG report. For details, please refer to the report itself.
Independent Assurance Report

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

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

The Company’s Responsibility

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

Our Responsibility

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

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

Conclusion

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

Our Independence and Quality Control

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

KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
September 13, 2019

---

Data Section

**Shareholders’ Information**

**Common Stock (as of March 31, 2019)**

- Number of shares authorized: 2,800,000,000
- Number of shares issued: 709,011,343
- Number of shareholders: 74,272

**Major Shareholders (as of March 31, 2019)**

<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.</td>
<td>62,797</td>
<td>9.69</td>
</tr>
<tr>
<td>JP MORGAN CHASE BANK 380055</td>
<td>55,009</td>
<td>8.49</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (trust account)</td>
<td>53,972</td>
<td>8.33</td>
</tr>
<tr>
<td>Nippon Life Insurance Company</td>
<td>35,776</td>
<td>5.52</td>
</tr>
<tr>
<td>SSBC STC OMNIBUS ACCOUNT</td>
<td>20,224</td>
<td>3.12</td>
</tr>
<tr>
<td>Trust &amp; Custody Services Bank, Ltd. as trustee for Mizuho Trust and Banking Co., 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>The Shizuoka Bank, Ltd.</td>
<td>11,390</td>
<td>1.76</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (trust account)</td>
<td>11,230</td>
<td>1.73</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (trust account 5)</td>
<td>10,099</td>
<td>1.56</td>
</tr>
<tr>
<td>JP MORGAN CHASE BANK 385151</td>
<td>9,861</td>
<td>1.52</td>
</tr>
</tbody>
</table>

Notes: 1. The Company holds 61,124,702 treasury shares, which are excluded from the above list.
2. Treasury shares are not included in the computing of equity stake.

**Distribution of Shareholders (as of March 31, 2019)**

- National government and local governments: 0.00%
- Financial institutions: 41.94%
- Foreign investors: 31.66%
- Financial instrument firms: 1.55%
- Other corporations: 3.32%
- Individuals and others: 12.32%
- Treasury shares: 8.62%

**Market Capitalization and Changes in Stock Price**

- Stock price*: (yen) 1,178
- Market capitalization*: (trillion yen) 4.71


Notes: 1. Stock prices and market capitalization are based on values for the end of March 2007 to the end of July 2019.
2. Market capitalization includes treasury shares.

---

Data Section