Daiichi-Sankyo

Passion for Innovation.
Compassion for Patients.™

Daiichi Sankyo Group Value Report 2017

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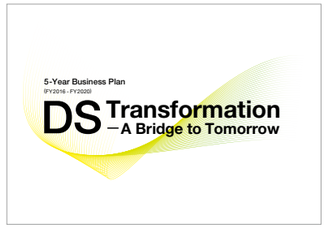
Daiichi Sankyo's Strengths

This section explains the Daiichi Sankyo Group's unique strengths, namely Science & Technology, Global Organization & Talent, and Presence in Japan.



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This section looks at the strategic targets set forth for accomplishing the goals of the 5-year business plan, progress toward these targets, and the initiatives that will be implemented in the future.

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

Description of Icons

WEB References (related websites)

We will pursue sustainable improvement for corporate value by leveraging Daiichi Sankyo's strengths.

George Nakayama

Representative Director,
Chairman and CEO

Through its business activities, the Daiichi Sankyo Group builds relationships with patients and their families, healthcare professionals, shareholders, investors, business partners, local communities, employees, and various other stakeholders. We believe that by keeping our stakeholders informed about our diverse activities, they can better appreciate our true value as a company. Based on this belief, we began compiling information on the Group's activities into annual, comprehensive value reports in fiscal 2013. The contents of these reports include management policies, business strategies, and financial information, as well as information on the corporate social responsibility (CSR) activities that the Group conducts to contribute to the realization of a sustainable society.

Daiichi Sankyo's Value Creation Process

Daiichi Sankyo is committed to saving people suffering from disease through the utilization of its human capital, intellectual capital, financial capital, and various other capital. This commitment inspires us to leverage the Company's unique strengths in Science & Technology, Global Organization & Talent, and Presence in Japan—to contribute to the ongoing development of society through the creation of innovative pharmaceuticals. We receive economic rewards for delivering the innovative pharmaceuticals created leveraging these strengths to people around the world. These economic rewards are returned to stakeholders in a balanced manner and are also used to make investments for further drug discoveries and developments. This process of creating an economic value cycle is the basis for the sustainable improvement of corporate value. In order to continue stably maintaining and developing this value creation process over the long term, we aim to fulfill our responsibilities and duties as members of society, and grow together with society. In other words, it is important that we simultaneously strengthen corporate governance systems and conduct CSR activities aimed at promoting compliance management, facilitating the mutual growth of employees and the Company, and improving access to healthcare. These activities must be integrated into the business activities that continually create innovative pharmaceuticals in order to realize the sustainable improvement of corporate value.

Initiatives Leveraging Daiichi Sankyo's Unique Strengths

Science & Technology

Daiichi Sankyo was formed through the merger of Sankyo Co., Ltd., and Daiichi Pharmaceutical Co., Ltd., two companies with histories of innovation spanning roughly a century. We also boast an impressive track record with the research capabilities that gave birth to *pravastatin*, *levofloxacin*, and *olmesartan* as well as the development capabilities that contributed to the success of large-scale global clinical trials for *olmesartan*, *prasugrel*, and *edoxaban*. This DNA of scientific and technological excellence remains alive within the Group today.

We have defined our 2025 Vision as striving to become a "Global Pharma Innovator with competitive advantage in oncology." Our strength in science & technology will be an important strength toward accomplishing this vision, particularly when it comes to research and development in the oncology field. In addition, I have high expectations for *DS-8201*, a top-priority project (flagship asset) that was created through this strength. *DS-8201* is a proprietary Daiichi Sankyo antibody drug conjugate (ADC). The antibody portion of this drug was created by applying the antibody research capability of the former Sankyo while the drug payload and linker were born out of the research capabilities of the former Daiichi Pharmaceutical. By merging these two strengths, we were able to develop the ideal ADC. *DS-8201* has been producing favorable results in phase 1 studies, raising my expectations even higher. Furthermore, this drug has substantial potential to contribute to the development of an ADC franchise as it may be possible to attach its payload and linker to other antibodies. This is just one example of how the scientific and technological prowess fostered throughout our history is paving the road toward our future.

Global Organization & Talent

Daiichi Sankyo has maintained a global management structure since the time of the merger to ensure that its management decisions have incorporated a global perspective. The Global Management Committee has long been the venue through which we practice highly diverse management. With participation by the heads of business units, this committee has been responsible for making decisions and tracking the progress of initiatives that are important to the Group. Meanwhile, R&D divisions have operated under the guidance of Glenn Gormley, head of the R&D Unit, and the Global Executive Meeting of Research and Development, the global decision-making body for this area. We also employ a project management system in which experts on various functions are assembled, regardless of nationality, to make decisions on specific development pipelines, rather than having isolated functional organizations.

In fiscal 2016, we welcomed Antoine Yver as the new head of Oncology R&D, which combines oncology field research functions with development functions. Yver has experience in taking a new oncology drug through the process of clinical trials and eventually launch at record speeds. With this new leadership, we have set our priorities in the field of oncology and are accelerating R&D activities accordingly. In addition, we have established the Global Oncology Marketing, which will be headed by Thierry Gruson, an individual boasting a track record of successful launches of a immuno-oncology drug on a global basis.

In this manner, we are employing many talented individuals with diverse backgrounds from across the globe. We have enhanced our global organization & talent through chemical reaction created by having such talents from around the world work together with our highly capable talents in Japan. Daiichi Sankyo will leverage the strength born out of this process to supply the world with innovative pharmaceuticals going forward.

Presence in Japan

Acting with integrity and in a trustworthy manner is a hallmark of our innovative pharmaceuticals business in Japan. As a whole, our sales divisions have not been focused purely on increasing short-term earnings, but rather have poured their heart into finding ways to contribute to medicine. This dedication has led to physicians coming to regard our medical representatives (MRs) as trusted partners.

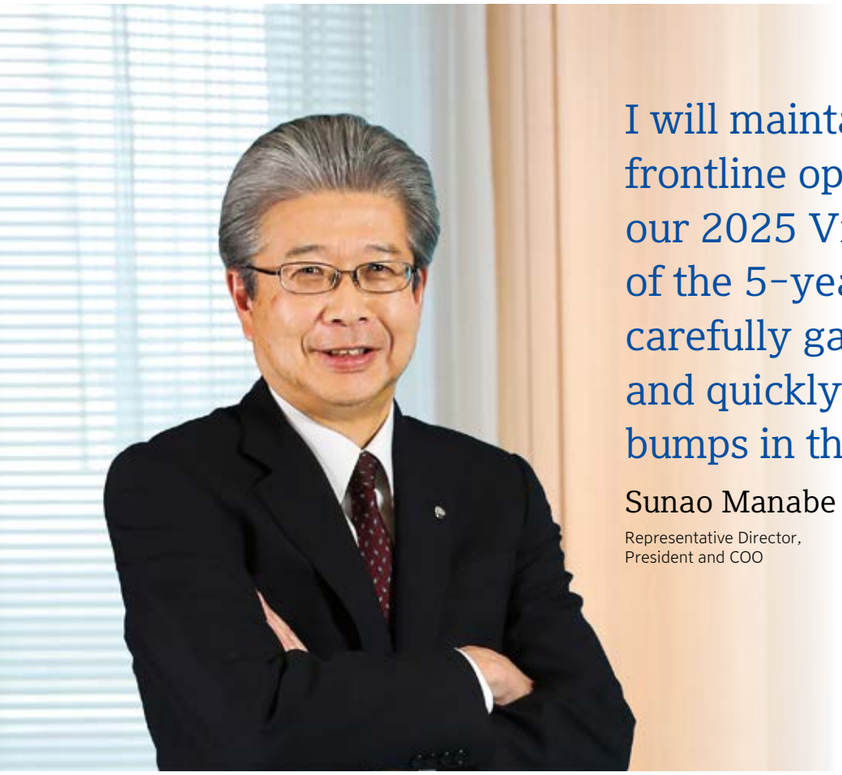
Moreover, Daiichi Sankyo has received high evaluation for its sales capabilities from outside of the Company, and this evaluation has help us receive licenses to promote other companies' products. By growing sales of both our products and these in-licensed products, Daiichi Sankyo will win greater evaluation, thereby sustaining a virtuous cycle. As a result, Daiichi Sankyo ranked No. 1 in both MR evaluation and revenue in Japan during fiscal 2016.

The trend toward integrated community medical systems in Japan is inspiring healthcare professionals to work together in various regions to build and enhance medical systems that encompass entire communities. Leveraging our robust product lineup and the efforts of our highly competent sales force, we will further cement our presence in the Japanese market by exercising our strengths in relation to this trend.

In Closing

Value Report 2017 contains information on Daiichi Sankyo's strengths and the goals it hopes to accomplish with those strengths.

By improving upon future value reports, we aim to facilitate understanding among stakeholders with regard to the Company not only from a numerical perspective but also from the perspectives of the value of its activities and the broad-meaning contributions it makes to social interests. We hope through this *Value Report*, you will appreciate Daiichi Sankyo's true value as a company.



I will maintain my focus on frontline operations as I pursue our 2025 Vision and the goals of the 5-year business plan, carefully gauging our progress and quickly addressing any bumps in the road.

Sunao Manabe

Representative Director,
President and COO

I would like to begin by thanking all of our stakeholders for their ongoing support of Daiichi Sankyo.

My name is Sunao Manabe and I took up the position of President and COO of the Company on April 1, 2017. Together with Chairman and CEO George Nakayama, I will advance management aimed at mustering the Group's collective strength to accomplish the 5-year business plan and move us forward on the path to our 2025 Vision of becoming a "Global Pharma Innovator with competitive advantage in oncology." In order to realize this vision, it will require that everyone, whether they are in R&D, sales, supply chain, or other divisions, think and act with a sense of ownership while promoting transformation by implementing any changes that may be necessary.

I have spent a significant portion of my career on the floor of research labs, and I have experienced many successes as well as many failures. I also have experience in sales, corporate strategy, human resources, and CSR. Based on this varied experience, I hope to maintain a focus on the perspective of frontline operations, identifying any issues present and setting directives as appropriate. I will thus place emphasis on the importance of discussion with the frontlines as I commit to pursuing the accomplishment of our goals.

Review of the First Year of the 5-Year Business Plan

In fiscal 2016, I feel that we got off to a good start on the path toward our 2025 Vision.

Fiscal 2016 was an important year in our efforts to establish an oncology business as we saw the potential for the development of an ADC franchise using Daiichi Sankyo's proprietary technologies. Specifically, *DS-8201* achieved rather impressive results in phase 1 studies. These results made me highly anticipative of how this top-priority project (flagship asset) for our ADC franchise may come to be a powerful driver of our activities on this front going forward. Following in the steps of *DS-8201*, *U3-1402* and other ADC franchise drugs entered the clinical phase, and fiscal 2016 was thus a year in which progress toward our 2025 Vision was seen.

Meanwhile, *edoxaban* continues to expand its market share, now boasting a share of more than 30% of new patients in Japan, while being launched in new markets. In addition, Daiichi Sankyo ranked No. 1 in both MR evaluation and revenue in Japan while *Injectafer* grew in the iron injection market of the United States. As such, fiscal 2016 gave me increased confidence in our ability to grow beyond the loss of exclusivity (LOE) for *olmesartan*.

However, this year was not without its issues, which included an impairment loss in the vaccine business in Japan, and poor progress with regard to certain late-phase clinical development pipeline products, specifically the ceasing of development of *tivantinib*. It is important that we identify the causes of these issues and learn what lessons we can use in the future. Looking ahead, maintaining a focus on the frontlines, we must seek to quickly detect any issues with the potential to disrupt the progress of the 5-year business plan and swiftly respond to these issues.

Core Values

Last year, in conjunction with the establishment of our 2025 Vision and the 5-year business plan, we defined our Core Values as innovation, integrity, and accountability. The Core Values are our criteria for decision-making and value judgments for fulfilling our mission. The main goal of defining these new values was to encourage all employees to change how they act in order to better pursue the 2025 Vision and the goals of the 5-year business plan. We recognize that accountability—the value of being responsible for the effects of your actions, and being willing to explain or be criticized for them—is the area among these values which is most challenging. By positioning accountability as one of the Core Values, we hope to inspire everyone to unite in working toward our goals while exercising responsibility for their own results and the processes they are engaged in.

Management Caravan

In fiscal 2016, we implemented the Management Caravan program, in which members of senior management visited every operating base in Japan as well as principal overseas bases. During these visits, we offered thorough explanations of the management commitment that went into the 2025 Vision and the 5-year business plan to facilitate understanding among all employees. In addition, we asked that any issues identified during these visits not simply be left up to management, requesting instead that employees at the site of the issue also think of solutions that they could propose to management. If management can open its ears to voices from the frontlines, I am certain that Daiichi Sankyo will continue to grow and become stronger.

In Closing

Daiichi Sankyo is currently in a difficult position as it is facing the loss of exclusivity for *olmesartan*. Nevertheless, I am confident in our ability to continue creating innovative pharmaceuticals that can be delivered to patients.

From fiscal 2017, Chairman and CEO Nakayama and I will function as a duo, devoting our full effort to advancing the 5-year business plan and achieving its goals.

In closing, I would like to ask for the continued understanding and support of all of our stakeholders.

Management Caravan meeting

Our Mission

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 and our Core Values and Commitments.

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.

* The full text of the DAIICHI SANKYO Group Corporate Conduct Charter can be found on page 71.

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*
   * 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.™

Science & Technology

Strong R&D DNA cultivated over years of operation as a drug discovery-oriented company

- Incorporated as drug discovery-oriented companies originating from Japan
  ▸ *Adrenaline* ▸ *Salvarsan* ▸ *Orizanin*
- Creation and cultivation of leading pharmaceuticals in Japan
  ▸ *Ticlopidine* ▸ *Loxoprofen*
- Research capabilities for creating innovative pharmaceuticals globally
  ▸ *Pravastatin* ▸ *Levofloxacin*
- Development capabilities contributing to success in large-scale global clinical trials
  ▸ *Olmesartan* ▸ *Prasugrel* ▸ *Edoxaban*

Superior pharmaceutical technologies for creating innovative pharmaceuticals

- Powerful research engines
  ▸ Research labs in Japan combining chemistry and biology expertise
  ▸ Drug discovery platform in U.S. subsidiary enabling efficient candidate identification
- Propriety ADC technologies
  DS-8201 and following projects in ADC franchise
- Diverse modality technologies
  ▸ Nucleic acid drugs ▸ Oncolytic virus
  ▸ Cell therapies

Strong ties with leading-edge academic institutions (open innovation activities)

- National Cancer Center Japan
- Dana-Farber Cancer Institute
- University of California, San Francisco
- Max Planck Innovation and Lead Discovery Center

Global Organization & Talent

Global management system uniting intellects from around the world

- Global Management Committee facilitating swift and accurate decision-making
- Execution of global matrix management comprised of regional business units and functional units
- Global R&D structure enabling swift decision-making
- Dynamic global organization for responding promptly to operating environment changes

Robust, global well of talent

- Proactive employment of global talents from around the world
- Human resources development programs taking advantage of global experience

Presence in Japan

No. 1 in terms of pharmaceutical revenue in Japan

- Extensive product lineup
- High-quality in-licensed products
- Strong cooperative relationship with wholesalers
- Evaluation as No. 1 in terms of inquiry response

MRs* ranked No. 1 in Japan

- MRs ranked No. 1 by physicians for 5 consecutive years
- Reputation for highest level of integrity in the industry
- Comprehensive training programs (all MRs passed certificate test for 7 consecutive years)

* Medical Representatives

Four businesses responding to diverse medical needs

- Innovative pharmaceuticals business
- Generic business
- Vaccine business
- OTC related business

The above is an advertisement for Daiichi Sankyo in Japan.
This advertisement symbolizes our desire to utilize the scientific and technological strength cultivated over our long history, one of Daiichi Sankyo's strengths, to deliver new treatments that will give hope to patients and their families.
We stand committed to fulfilling our corporate 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."

Major Accomplishments in Fiscal 2016

Performance

Revenue	Operating Profit
¥955.1 billion	¥88.9 billion

Research and Development Expenses	Ratio of Research and Development Expenses to Revenue
¥214.3 billion	22.4 %

CSR

DJSI Asia Pacific*1	Percentage of Female Employees
7 consecutive years of inclusion	33.7 %

CO_2 Emissions Volumes	Improvement of Access to Healthcare
Down 4.0% (versus fiscal 2015)	Global Health Innovative Technology Fund*2: 3 projects

*1 Index compiled by S&P Dow Jones Indices LLC and RobecoSAM AG recognizing companies that exhibit sustainability
*2 Public–private partnership originating in Japan seeking to combat infectious diseases in developing countries

Daiichi Sankyo's Strengths

Science & Technology

Establish Oncology Business

	Pre-Clinical	Early Stage	Late Stage
Antibody Drug Conjugate (ADC) Franchise	*DS-7300* (B7-H3 ADC)	*U3-1402* (HER3 ADC)	*DS-8201* (HER2 ADC)
	DS-1062 (TROP2 ADC)		
	Other ADCs		
Acute Myeloid Leukemia (AML) Franchise		*DS-1001* (IDH1)	*Quizartinib* (FLT3)
		DS-3032 (MDM2)	
		DS-3201 (EZH1/2)	
		PLX-51107 (BRD4)	

Continuously Generate Innovative Medicine Changing SOC*

Promote Joint Research and Development and Open Innovation

Cell therapy for ischemic heart failure *Heartcel* (*DS-8100*)	Oncolytic virus *G47Δ*: *DS-1647*	Lung cancer treatment Dana-Farber Cancer Institute	Bispecific antibodies Zymeworks Inc.	Pain treatment Heptares Therapeutics Limited
Nucleic acid drug Treatment for Duchenne muscular dystrophy: *DS-5141*	Cancer cell therapy Cancer CAR-T treatment: *KTE-C19*	Immuno-oncology drug AgonOx, Inc.	Biomarkers Astellas Pharma Inc. and Takeda Pharmaceutical Company Limited / Sysmex Corporation and Astellas Pharma Inc.	Capillary stem cells Asahikawa Medical University

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

Global Organization & Talent

Employees	Group Companies
14,670 Japan: 8,648 North America: 2,464 Europe: 1,578 Other: 1,980	59 (in 22 countries)

- Established Cancer Enterprise and recruited leader
- Established Global Oncology Marketing Function and recruited leader
- Created Biologics Unit

Presence in Japan

Pharmaceutical Revenue (Japan)	Overall Assessment of Medical Representatives (MRs) (Japan)
No. 1 *1	No. 1 for 5 consecutive years*2

- Rapidity expanded share for flagship product *LIXIANA*
  - No. 1 share of prescriptions to new patients in direct oral anticoagulant market
- Secured the No. 1 share of target market segments for mainstay products
  - *NEXIUM* *Memary* *PRALIA* *RANMARK*
- Acquired high-quality in-licensed products
  - *Vimpat* Nine biosimilars *CANALIA* Authorized generics (AGs)*3

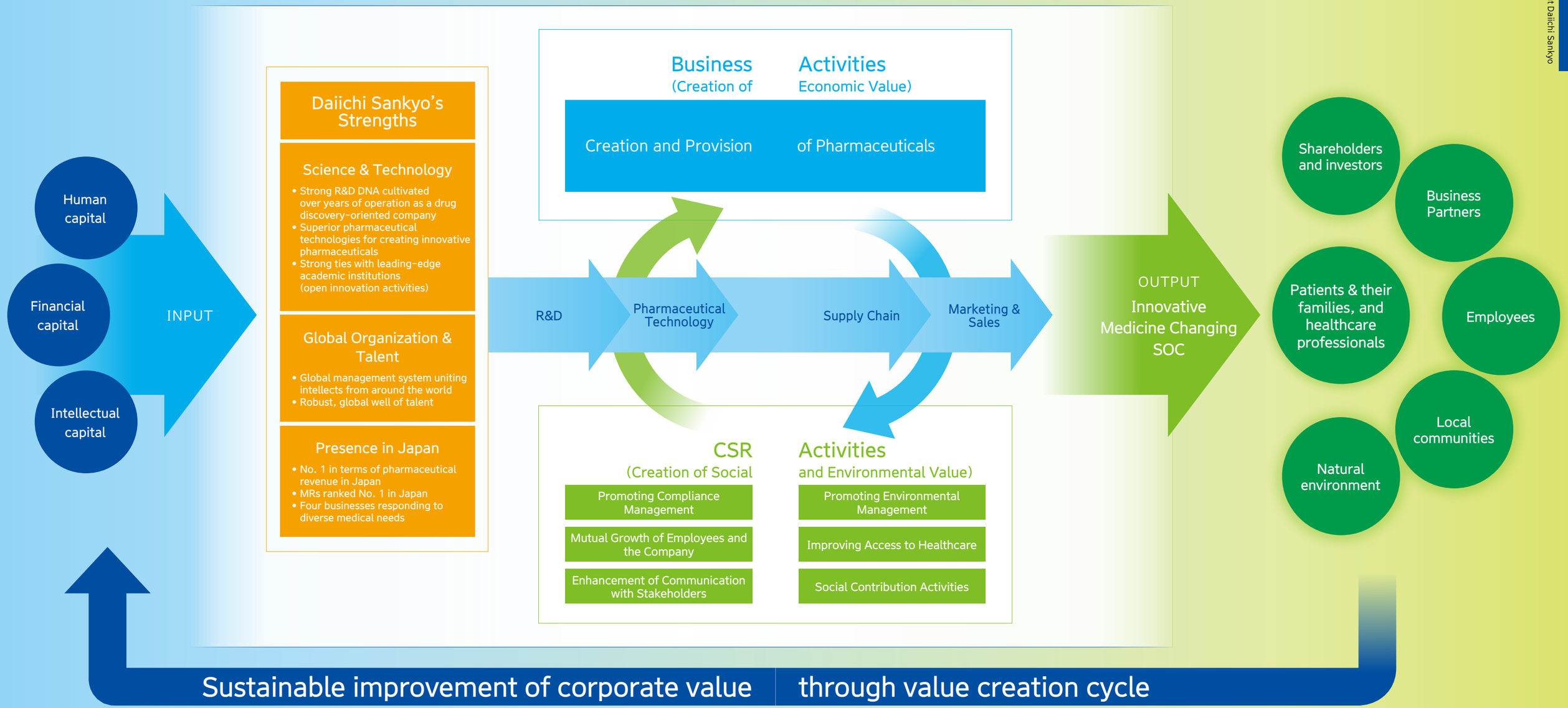
*1 Fiscal 2016
*2 Based on survey conducted by ANTERIO Inc.
*3 Generic drug manufactured after receiving consent from the manufacturer of the original drug through the receipt of patent rights. The same ingredients, additives, and manufacturing processes as the original drug are used to create a generic drug of the same quality as the original and authorized companies are granted priority permission to market these drugs ahead of other companies by using the patent rights

Enrichment of Quality of Life Around the World

Daiichi Sankyo utilizes financial capital, intellectual capital, human capital, and various other capital and takes advantage of its Strengths in Science & Technology, Global Organization & Talent, and Presence in Japan in order to respond to the diverse medical needs seen around the world. Creating economic value through business activities aimed at this objective is at the base of Daiichi Sankyo's efforts to improve corporate value.

In addition, we have organized social, environmental, and other issues related to sustainability into six priority CSR areas. Initiatives in these areas are integrated into business activities. Through such CSR activities, we strive to create social and environmental value and to prevent declines in corporate value. We implement this value creation process to supply innovative medicine that changes standard of care (SOC)* in order to create value for patients, their families, healthcare professionals, and other stakeholders in a balanced manner. Moreover, we expect that this cycle of creating value will contribute to the sustainable improvement of corporate value.

* Universally applied best treatment practice in today's medical science



History of Daiichi Sankyo—Path to the Merger

Daiichi Sankyo was born out of the merger of Sankyo Co., Ltd., and Daiichi Pharmaceutical Co., Ltd., two drug discovery-oriented companies with histories spanning roughly a century.

Sankyo started its journey by commercializing compounds created through its biological material extraction, fermentation, and other biotechnologies, such as *taka-diastase*, *adrenaline*, and *orizanin*. In the years that followed, it built upon these compounds to create numerous antibiotic drugs. Another innovative pharmaceutical developed by applying Sankyo's fermentation technologies was *pravastatin*, a drug that arose from the early statin compounds that were created by Sankyo and that revolutionized the world of medicine as antihyperlipidemic agents. This company created *loxoprofen* and *olmesartan*, both best-in-class organic synthetic drugs.

Daiichi Pharmaceutical began its advance by using its organic synthesis technologies to realize the domestic production of *salvarsan*, a pioneering chemotherapeutic drug. This company also commercialized *tranexamic acid*, which is once again garnering attention for its antiplasmin effects (hemostasis and anti-inflammatory effects), and succeeded in developing and launching *ticlopidine*, which opened the doors for antiplatelet 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.

From the 1980s forward, 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. Meanwhile, these companies maintained a strong presence in the Japanese market through their earnest and trustworthy sales activities.

In 2005, these companies were merged, creating Daiichi Sankyo to carry on their pedigreed histories.

History of Sankyo

1899

Founded as Sankyo Shoten through a joint investment by businessmen Matasaku Shiobara (pictured to the left), Shotaro Nishimura, and Genjiro Fukui and launched digestive enzyme *taka-diastase* (Dr. Jokichi Takamine discovered the enzyme from a fungus in 1894.)

1902

Launched *adrenalin* (Product name: *Adrenalin*), the world's first adrenal cortex hormone agent to be extracted successfully

1910

Dr. Umetaro Suzuki, who became Sankyo's scientific adviser in 1920, made the world's first discovery of vitamin B1 (*orizanin*) in rice bran and established a foundation for the theory of vitamins

1913

Changed company name from Sankyo Shoten to Sankyo Co., Ltd., and appointed Dr. Jokichi Takamine as its first president

1951

Launched Lulu cold medicine

1986

Launched *loxoprofen* (Product name: *Loxonin*), an anti-inflammatory analgesic

1989

Launched *pravastatin* (Product name: *Mevalotin*), a globally groundbreaking antihyperlipidemic agent

2002

Launched global product *olmesartan* (Product names: *Olmetec* and *Benicar*), an antihypertensive agent (Japanese launch took place in 2004)

History of Daiichi Pharmaceutical

1915

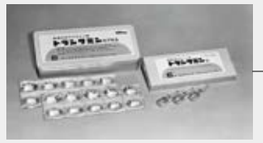
Founded as Arsemin Shokai by Dr. Katsuzaemon Keimatsu and realized domestic production of *salvarsan*, a treatment for syphilis, which was a common disease in Japan at that time

1918

Changed company name to Daiichi Pharmaceutical Co., Ltd., and appointed Seinosuke Shibata as its first president

1921

Launched *adrenaline* (Product name: *Bosmin*), a vasoconstriction, hemostasis, and asthma medicine that became its longest-lasting product



1965

Launched *tranexamic acid* (Product name: *Transamin*), an antiplasmin medicine

1981

Launched *ticlopidine* (Product name: *Panaldine*), an antiplatelet product

1985

Launched *ofloxacin* (Product name: *Tarivid*), a broad-spectrum oral antibacterial agent

1993

Launched *levofloxacin* (Product name: *Cravit*), a broad-spectrum oral antibacterial agent

Daiichi-Sankyo

2005

Daiichi Sankyo Co., Ltd., established through merger of Sankyo Co., Ltd., and Daiichi Pharmaceutical Co., Ltd.

2007

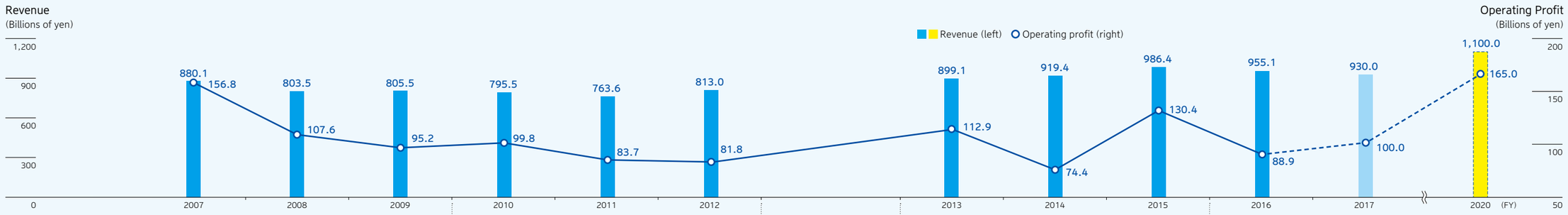
Start of new Daiichi Sankyo Group

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 antibody drug conjugate (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 drug payload portions.

Notes: 1. Excluding Ranbaxy Laboratories Ltd.
2. Figures for fiscal 2011 and prior are based on Japanese GAAP, while figures for fiscal 2012 onward are based on IFRS.

Moreover, we are committed to maintaining a corporate governance structure that is always suited to the times as we build upon our global systems together with our robust, global well of talent. In Japan, the earnest and trustworthy activities of our medical representatives have continued to rank No. 1, and our domestic pharmaceutical revenue also claimed the No. 1 spot in fiscal 2016. Looking ahead, we will further strengthen our presence in Japan by furnishing wide-ranging responses to diverse medical needs through our innovative pharmaceuticals business as well as our generic business, vaccine business, and over-the-counter (OTC) related business.



	1st Mid-Term Business Plan	2nd Mid-Term Business Plan	3rd Mid-Term Business Plan	4th Mid-Term 5-Year Business Plan
Overview of initiatives under mid-term business plans	**Maximization of synergies and expansion of growth foundation** ・Focus on thrombosis, cancer, diabetes, and other fields ・Maximize sales of *olmesartan* franchise ・Introduced Ranbaxy into Group in 2008	**Advancement of global hybrid business model** ・Focus on thrombosis, cardiovascular-metabolics, and cancer fields ・Expand operating foundations in Japan ・Conduct frontline and backyard collaboration with Ranbaxy	**Promotion of measures toward sustainable growth beyond LOE** ・Focus on thrombosis, cardiovascular-metabolics, and cancer fields ・Divest and liquidate Ranbaxy over period from April 2014 to April 2015 ・Return to innovative business	**Transformation toward 2025 Vision** ・Grow beyond FY2017 LOE ・Establish a foundation of sustainable growth
Launches of new products	Japan *Loxonin Tape* US *AZOR* US *Effient* Europe *Sevikar* Europe *Efient*	Japan *Loxonin Gel* Japan *Rezaltas* Japan *Inavir* Japan *NEXIUM* Japan *Memary* Japan *LIXIANA* Japan *RANMARK* Japan *TENELIA* US *TRIBENZOR* Europe *Sevikar HCT*	Japan *PRALIA* Japan *Efient* US *Injectafer* US *SAVAYSA* US *MOVANTIK* Europe *LIXIANA*	Japan *VIMPAT*
Important management decisions: Business expansion / Regional expansion	Europe Expansion in Turkey and Ireland US Expansion in Puerto Rico	Japan Start of generic business Japan Start of vaccine business		
Important management decisions: In-licensed products	Japan *Denosumab* US *Tivantinib* Europe *Tivantinib*	Japan *NEXIUM*	US *CL-108* Japan *VIMPAT*, *FluMist* Global *TS23*	Japan *Heartcel* Japan Nine biosimilars Japan *KTE-C19* Japan Four authorized generics US *MorphaBond*, *RoxyBond*
Important management decisions: Acquisition	Europe U3 Pharma GmbH US Pharma-Force, Inc. Global Ranbaxy Laboratories Ltd.	US Bethlehem Plant, Plexxikon Inc.	US Ambit Biosciences Corp. Japan Im Co., Ltd.	
Important management decisions: Restructuring		Close of Osaka Plant Sale of Shizuoka Plant	Sale of Akita Plant Restructuring in Japan, the United States, and Europe Divestment of Ranbaxy to Sun Pharmaceutical Industries Ltd. Completion of sale of Sun Pharmaceutical shares	Restructuring of operations in Europe Decision to close the Hiratsuka Plant of Daiichi Sankyo Chemical Pharma Co., Ltd. Sale of Bethlehem Plant of Daiichi Sankyo, Inc. Closure of U3 Pharma GmbH in Germany Decision to close Daiichi Sankyo India Pharma Private Ltd. Decision to close Asubio Pharma Co., Ltd.
ESG	Governance Set term of Members of the Board as one year, four out of 10 Members of the Board are Members of the Board (Outside) Governance Established Nomination Committee and Compensation Committee (comprised of Members of the Board (Outside)) Governance Established Audit & Supervisory Board (two out of four Members of the Audit & Supervisory Board are Members of the Audit & Supervisory Board (Outside)) Governance Introduced Corporate Officer System ・First time for inclusion in FTSE4Good*1; inclusion continues thereafter ・First time for inclusion in Dow Jones Sustainability Indices*2 (Asia Pacific); inclusion continues thereafter	・Start of "Daiichi Sankyo Presents Family Tie Theater" program ・Revision of DAIICHI SANKYO Group Corporate Conduct Charter ・Establishment of Daiichi Sankyo Kusuri Museum*3 ・Commencement of mobile healthcare field clinic services in developing countries ・Participation in United Nations Global Compact	Governance Prescribed specific criteria on the judgment of independence of outside officers Governance Implemented and achieved compliance with all principles of Japan's Corporate Governance Code ・Participation in the Global Health Innovative Technology (GHIT) Fund ・Receipt of first-prize UCDA Award 2015*4 for Daiichi Sankyo's *Value Report 2015* ・Establishment of Daiichi Sankyo Group Individual Conduct Principles	Governance Increased number of Members of the Audit & Supervisory Board (Outside) by one (three out of five Members of the Audit & Supervisory Board are Members of the Audit & Supervisory Board (Outside)) Governance Introduced restricted share-based remuneration plan ・Participation in the Access Accelerated initiative*5 ・First time for inclusion in Dow Jones Sustainability Indices (World Index) in 2017

2025 Vision

Global Pharma Innovator with competitive advantage in oncology

For more information on the 5-year business plan, see pages 18 to 47.

*1 Index compiled by FTSE Russell recognizing companies that engage in responsible corporate activities
*2 Index compiled by S&P Dow Jones Indices LLC and RobecoSAM AG recognizing companies that exhibit sustainability
*3 A venue which offers an entertaining, "experienced-based" learning opportunity to visitors, introducing medicine in an accessible, easy-to-understand way
*4 Award for communication design
*5 Initiative through which pharmaceutical companies work together with The World Bank Group and the Union for International Cancer Control to improve non-communicable diseases prevention, diagnosis, and treatment options in low-income and lower-middle income countries

2025 Vision

- Oncology business
- Specialty area
- Regional value
- Expansion of alliances
- Sustainable profit growth

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

Until FY2015

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

The Daiichi Sankyo Group defines its 2025 Vision as striving to become a "Global Pharma Innovator with competitive advantage in oncology."

The 5-year business plan covers the period from fiscal 2016 to fiscal 2020, which has been positioned as a period for transformation leading up to the 2025 Vision. In fiscal 2020, the final year of the plan, we will target revenue of ¥1,100.0 billion, operating profit of ¥165.0 billion, and return on equity (ROE) of more than 8.0%. Furthermore, in fiscal 2020 we aim to have three to five late-stage pipelines that can be launched within the next five years with the potential to generate annual revenue exceeding ¥100.0 billion each at peak.

2025 Vision

Global Pharma Innovator with Competitive Advantage in Oncology

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

*1 Pharmaceuticals mainly prescribed by hospitals and/or specialists
*2 Universally applied best treatment practice in today's medical science

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

	FY2020 Targets
Revenue	¥1,100.0 billion
Operating Profit	¥165.0 billion
ROE	More than 8.0%
Increases to Value of Late-Stage Pipelines	Late-stage pipeline products that can be launched within the next five years with the potential to generate annual revenue exceeding ¥100.0 billion each at peak 3–5

Strengths of Daiichi Sankyo

Daiichi Sankyo boasts various strengths in three main areas—science & technology, characterized by its R&D DNA cultivated over years of operation as a drug discovery-oriented company; superior pharmaceutical technologies for creating innovative pharmaceuticals; and strong ties with leading academic institutions. In terms of our global organization & talent, we find strength in our global management system, uniting intellects from around the world, and our robust, global well of talent. Meanwhile, Daiichi Sankyo's presence in Japan is illustrated by its No. 1 ranking in terms of pharmaceutical revenue and of its medical representatives (MRs), and by its four businesses responding to diverse medical needs.

Operating Environment

The operating environment for the pharmaceutical industry is characterized by rising global pressure to limit medical expenses combined with an increase in discussions on cost effectiveness and the growing influence of payers. In developed countries, innovative medicines changing the standard of care (SOC) are becoming increasingly more prominent. At the same time, the differences in market shares of specific drugs by country and region are widening due to differences in regulatory and insurance systems.

Meanwhile, the mortality rate of cancer has become overwhelmingly high among all therapeutic areas, and the needs of patients in this area still remain unmet. Moreover, in terms of global sales of drugs that are effective in treating cancer, the cancer drug market is incredibly large, with annual sales approaching ¥10 trillion. It can therefore be expected that demand will grow going forward centered on oncology and specialty areas (pharmaceuticals primarily prescribed by hospitals and specialists).

2025 Vision

The 2025 Vision was established and announced in March 2016 to define our vision for Daiichi Sankyo based on its initiatives and success to date, its strengths, and the outlook for the operating environment.

We decided to define our 2025 Vision as striving to become a "Global Pharma Innovator with competitive advantage in oncology."

Specifically, the vision for Daiichi Sankyo in 2025 entails the Company having a specialty area business centered on oncology as its core business, having enriched regional value products aligned with each regional market, and having innovative products and pipeline changing the SOC in each market. At the same time, the Company aims to realize high shareholder value through highly efficient management.

2025 Vision

Global Pharma Innovator with Competitive Advantage in Oncology

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

*1 Pharmaceuticals mainly prescribed by hospitals and/or specialists
*2 Universally applied best treatment practice in today's medical science

To realize its 2025 Vision, Daiichi Sankyo will transform from its current business structure, which is focused on such cardiovascular-metabolics areas as hypertension treatments, to become a global company with products and pipeline that change the SOC in specialty areas pertaining to pharmaceuticals prescribed by specialists and centered on oncology. At the same time, we will diverge from our previous approach of pursuing uniform global expansion, adopting instead an approach of expanding our range of regional value products suited to the markets of specific countries. Another transformation will be the abandonment of our emphasis on conducting all areas of operations in-house. Rather, Daiichi Sankyo will utilize alliances to an even greater degree going forward as it pursues sustainable profit growth.

The 5-year business plan is designed to transform Daiichi Sankyo toward its 2025 Vision. Under this plan, we are working to tackle two challenges: "grow beyond FY2017 LOE" and "establish a foundation of sustainable growth."

5-Year Business Plan
(FY2016 - FY2020)
DS Transformation —A Bridge to Tomorrow

Challenge 1: Grow Beyond FY2017 LOE

Daiichi Sankyo aims to overcome declines resulting from the loss of exclusivity (LOE) for mainstay products such as *olmesartan*, an antihypertensive agent. We are targeting revenue of ¥930.0 billion and operating profit of ¥100.0 billion in fiscal 2017.

On this front, *edoxaban*, an anticoagulant that is one of our global mainstay products, is growing smoothly alongside other major products for the Japanese market. Steady growth was also seen for Luitpold Pharmaceuticals, Inc. (LPI), of the United States. In addition, steady progress is being made in enhancing profit generation capabilities through structural reforms.

In April 2017, Daiichi Sankyo set forth its forecast of ¥100.0 billion for operating profit in fiscal 2017, and the Company is moving forward with a concerted effort to grow beyond the LOE for *olmesartan*.

Challenge 2: Establish a Foundation of Sustainable Growth

To establish a foundation of sustainable growth, Daiichi Sankyo will target revenue of ¥1,100.0 billion, operating profit of ¥165.0 billion, and return on equity (ROE) of more than 8.0% in fiscal 2020. In addition, in fiscal 2020 we aim to have three to five late-stage pipeline products that can be launched within the next five years with the potential to generate annual revenue exceeding ¥100.0 billion each at peak.

The Company is working toward accomplishing the following six strategic targets in order to establish a foundation of sustainable growth.

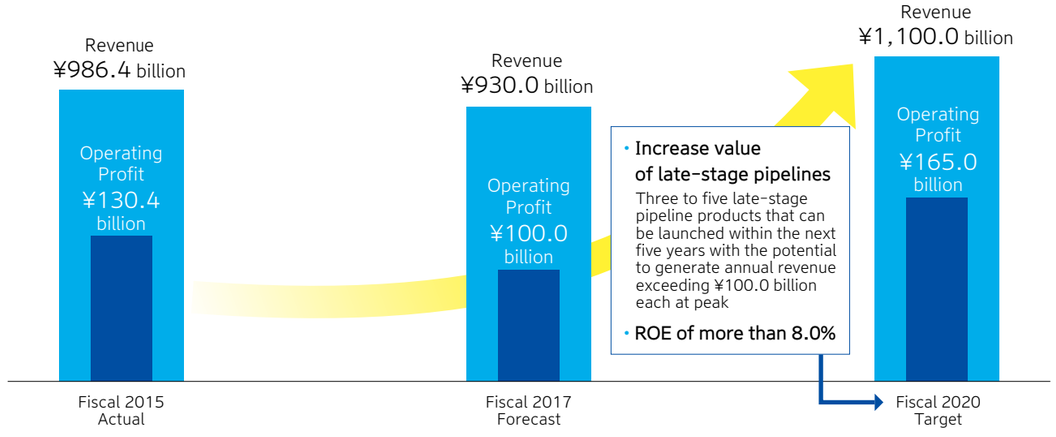
On the following pages, you will find information on our progress toward the six strategic targets as well as our growth investment and shareholder returns initiatives.

Challenge 1: Grow Beyond FY2017 LOE
Challenge 2: Establish a Foundation of Sustainable Growth

Six Strategic Targets for Accomplishing Fiscal 2020 Performance Targets

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

* Universally applied best treatment practice in today's medical science



Strategic Target Grow *Edoxaban*

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

1. Thrombosis and Anticoagulants

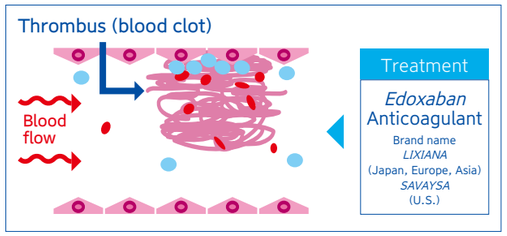
Blood clots are usually formed to stop bleeding and will eventually dissolve and shrink. However, should a blood clot grow larger, rather than dissolving, and consequently come to clog a vein, it could result in a lack of blood flow to areas of the body beyond the clot, potentially even leading to the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

In veins, where blood flow is slow, or in atrial, where blood can gather, blood coagulation can result in the formation of blood clots. Anticoagulants are used to prevent such blood clots from being formed. Some of the representative diseases treated with anticoagulants are as follows.

Major Indications Treated with Anticoagulants

■ Atrial Fibrillation (AF)	AF is a form of irregular heartbeat in which the heart cannot maintain the proper rhythm, causing blood to become stagnant in the intra-atrial courses and increasing the risk of blood clots forming. Should such a blood clot leave the intra-atrial courses and clog blood flow to the entire body, it could lead to ischemic stroke or systemic embolism.
■ Venous Thromboembolism (VTE)	
• Deep Vein Thrombosis (DVT)	DVT is thrombosis in deep veins such as those of the limbs (generally the calf or thigh) or pelvis.
• Pulmonary Embolism (PE)	PE is a potentially fatal condition in which part of a blood clot formed in a deep vein breaks off, drifts to the lungs, and clogs a pulmonary artery.

2. Direct Oral Anticoagulants and Characteristics of *Edoxaban*



Warfarin has long been the standard treatment for blood clot prevention. However, there were many restrictions that needed to be observed when using *warfarin*, such as a need to periodically monitor blood conditions, its various adverse interactions with other drugs, and the dietary restrictions it required. Direct oral anticoagulants (DOACs) such as *edoxaban* were developed to improve upon these shortcomings of *warfarin*. *Edoxaban*, in particular, has superior bleeding safety compared to *warfarin* coupled with the convenience of once daily dose, has significant evidence on its efficacy and safety backed by robust clinical trial results, and addresses needs of atrial fibrillation (AF) patients and venous thromboembolism (VTE) patients.

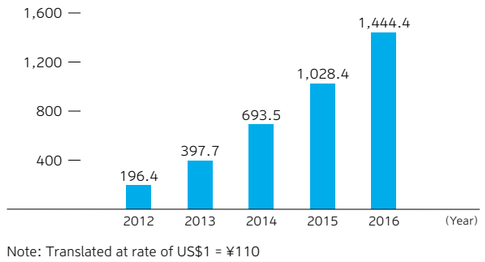
3. DOAC Market

The DOAC market, which comprises four products—*dabigatran*, *rivaroxaban*, *apixaban*, and *edoxaban*—has grown to a scale of ¥1.4 trillion on a global basis. Looking at the ratio of prescription numbers, DOACs are only used for 32% of cases that would have traditionally been treated with *warfarin*, the current standard treatment. As such, the DOAC market can be expected to grow further in the future.

Global

DOAC Market Trend

(Billions of yen)

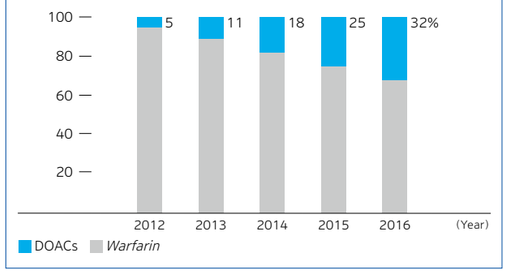


Note: Translated at rate of US$1 = ¥110

Global

Ratio of Prescription Numbers of *Warfarin* and DOACs

(%)



4. 5-Year Business Plan and its Progress

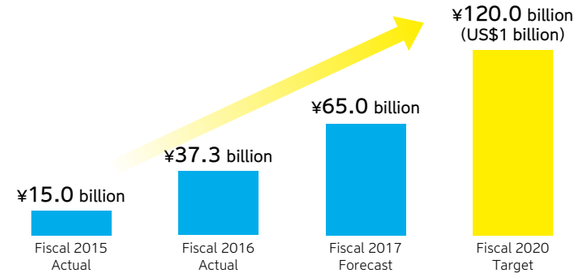
(1) 5-Year Business Plan

In Japan, we aim to grow *edoxaban* into the No. 1 DOAC in the domestic market by utilizing its superior capabilities and our high-quality marketing capabilities. In Europe, meanwhile, we are currently implementing a sales model that entails fined-tuned response to the needs of individual customers. The markets of other countries are also being explored. In countries and regions in which Daiichi Sankyo lacks its own sales bases, we will advance full-fledged promotional activities through collaboration with ideal partners in each country and region.

Through these initiatives, we succeeded in achieving revenue from *edoxaban* of ¥37.3 billion in fiscal 2016 and are now forecasting revenue of ¥65.0 billion in fiscal 2017. We aim to grow *edoxaban* into a product with annual global revenue of more than ¥120.0 billion (US$1 billion) in fiscal 2020, which is to be generated mainly in Japan and Europe.

Annual Global Revenue in Fiscal 2020

Increase to ¥120.0 billion (US$1 billion) or more



(2) Progress to Date

a. Revenue Growth

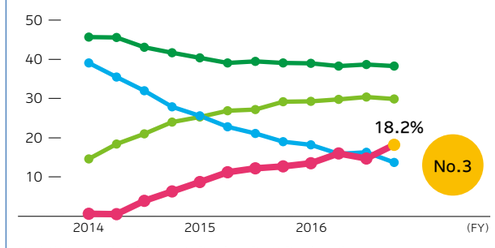
Annual global revenue from *edoxaban* has been showing impressive growth, with figures of ¥15.0 billion for fiscal 2015 and ¥37.3 billion for fiscal 2016.

The Japanese DOAC market is growing smoothly, and had reached a scale of more that ¥170.0 billion in 2016. *LIXIANA* boasts a revenue share of 18.2% and was No.3 in this market in the fourth quarter of fiscal 2016 and is quickly encroaching on the position of the two products that were launched prior to it. Furthermore, *LIXIANA* was being prescribed to 32% of new patients in Japan in March 2017, which is a leading indicator of growth.

We are also witnessing favorable revenue growth in Germany and other regions, with *LIXIANA* holding a 7.2% share of the German market in March 2017 along with a 15.6% share of the South Korean market, which is particularly impressive given that it was only launched in this market in February 2016.

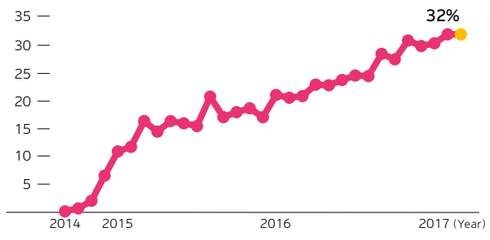
Market Share Growth in Japan

(%)



Market Share Growth in New Patients in Japan

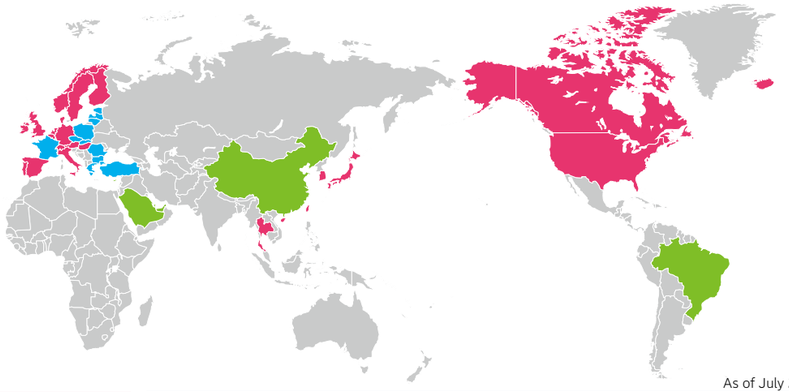
(%)



Source: Medi-trend

b. Launches in New Countries

Edoxaban has already been approved and launched in more than 20 countries, and we are in the process of applying for approval in China, Brazil, and Saudi Arabia, among other countries. In terms of sales scale, this will mean that *edoxaban* is approved and available in countries that make up 95% of the global DOAC market when all of these application processes have been completed. In addition, we have established marketing alliances with Merck Sharp & Dohme Corp. (MSD), a European subsidiary of Merck & Co., Inc., for sales in North and East Europe and with LES LABORATOIRES SERVIER for sales in Canada, Russia, and countries belonging to the Commonwealth of Independent States (CIS).



As of July 2017

Launched	Countries covered by alliance with MSD	14 countries in North and East Europe
Approved	Countries covered by alliance with LES LABORATOIRES SERVIER	15 countries including Canada, Russia, and CIS countries
Submitted		

c. Life-Cycle Management Initiatives

Maximizing the growth potential of *edoxaban* will require that Daiichi Sankyo generate new scientific evidence to further enhance the appeal of this product. Currently, we are engaged in the following *Edoxaban* Clinical Research Program. Those trials circled in red began in or after fiscal 2016.

The Randomized Controlled Trials*1

Study Name	Clinical Setting (Comparator)	Primary Completion
ENSURE-AF	Cardioversion (*enoxaparin / warfarin*)	Presented at ESC 2016
ENTRUST-AF PCI	PCI (*VKA*)	November 2018
ELIMINATE-AF	Cardiac ablation (*VKA*)	December 2018
ENVISAGE-TAVI AF	Transcatheter aortic valve implantation (*VKA*)	May 2020
ELDERCARE-AF	80 years or older who are ineligible for current OAC therapy (*placebo*)	December 2019
Hokusai VTE CANCER	VTE associated with cancer (*dalteparin**2)	December 2017

Non-Interventional Studies and Registries

Study Name	Clinical Setting
ETNA-AF Global	*Edoxaban* treatment in routine clinical practice in AF
ETNA-VTE Global	*Edoxaban* treatment in routine clinical practice in VTE
EMIT-AF/VTE	*Edoxaban* management in diagnostic and therapeutic procedures-AF/VTE
PREFER in AF	Prolongation PREFER in AF, European registry
ANAFIE	All Nippon in AF elderly registry in Japan
Cancer-VTE	Multicenter prospective registry in cancer patients in VTE patients in Japan

*1 Randomized controlled trial: A type of intervention study aimed at scientifically evaluating the preventative or treatment benefits of a specific drug. Participants are randomly assigned to either the test group or the control group, with the test group being administered the drug to be evaluated while the control group is administered a conventional drug or placebo. The results from the two groups are compared to evaluate the efficacy and safety of the drug.

*2 *Dalteparin* has not been approved for an indication for VTE in Japan.

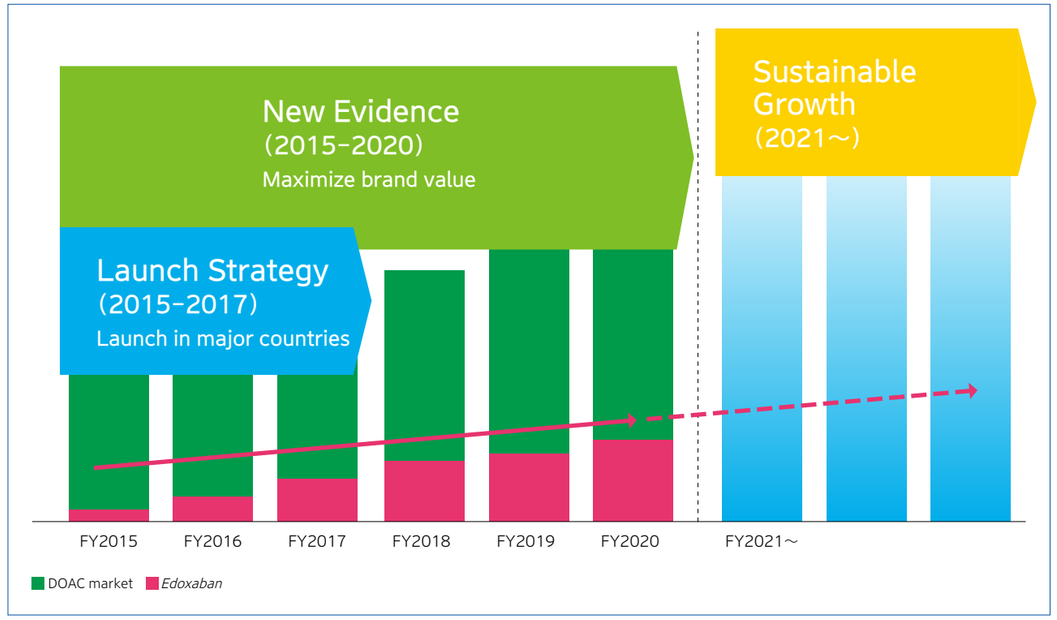
(3) Future Initiatives

Our basic growth strategy for *edoxaban* will be to grow this product in conjunction with the growth of the DOAC market. Fiscal 2017 will be an important year in which we will need to steadily advance a market launch strategy while accelerating the development of new scientific evidence to ensure that *edoxaban* can continue to growth consistently after fiscal 2020.

By accelerating growth in Japan and Europe, we will target annual global revenue from *edoxaban* of ¥65.0 billion in fiscal 2017. If we do not possess sales bases in a specific country or region, we will seek to advance full-fledged promotional activities through collaboration with ideal partners in each area, as we are doing with MSD and LES LABORATOIRES SERVIER.

As we launch *edoxaban* in new markets, we will also take steps with regard to our supply systems to ensure compatibility with the markets in which this product is available and guarantee a stable and continuous supply.

Through these efforts, we will endeavor to grow *edoxaban* into a product with annual global revenue of more than ¥120.0 billion in fiscal 2020.



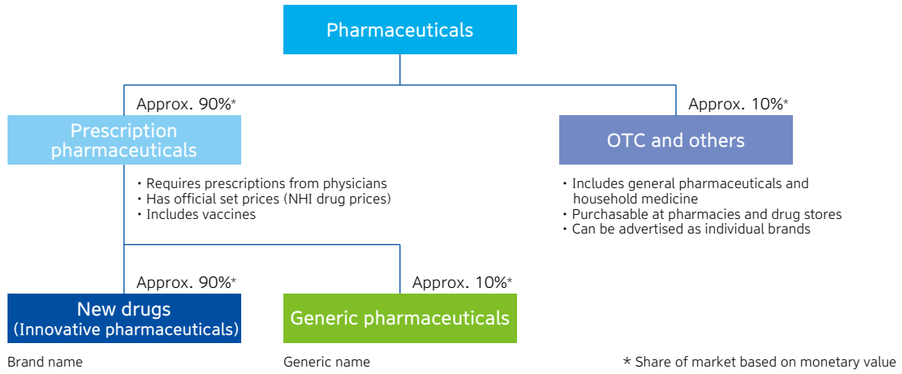
Strategic Target Grow as No. 1 Company in Japan

1. Pharmaceutical Market

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

* Generic drugs ÷ (Original drugs for which generic drugs have been released + Generic drugs)

Structure of Japanese Pharmaceutical Market



2. Daiichi Sankyo's Four Businesses

We are striving to grow Daiichi Sankyo into the No. 1 company in Japan in both name and substance. To accomplish this objective, the Company will address a wide range of medical needs related to areas such as prevention, self-medication, and treatment by leveraging the strength of its innovative pharmaceuticals* business in combination with its generic business, vaccine business, and OTC related business.

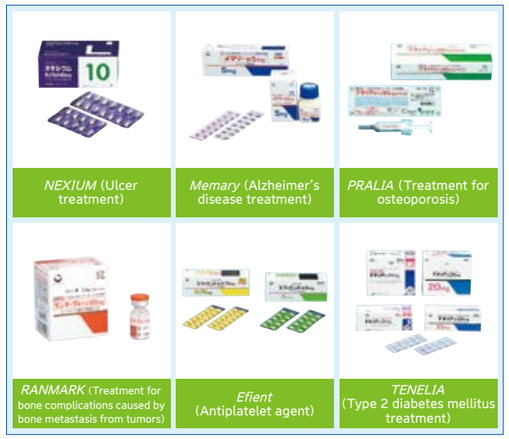
* Pharmaceuticals still protected by the exclusivity period granted by patents

Daiichi Sankyo's Japan Business

- Innovative pharmaceuticals business
  (Revenue in fiscal 2016: ¥447.8 billion)
- Generic business
  (Daiichi Sankyo Espha Co., Ltd.)
  (Revenue in fiscal 2016: ¥20.2 billion)
  → Promote use of generic pharmaceuticals
- Vaccine business (Kitasato Daiichi Sankyo Vaccine Co., Ltd., and Japan Vaccine Co., Ltd.)
  (Revenue in fiscal 2016: ¥38.5 billion)
  → Promote preventive medicine
- OTC related business
  (Daiichi Sankyo Healthcare Co., Ltd.)
  (Revenue in fiscal 2016: ¥66.7 billion)
  → Promote self-medication

Contribute comprehensively to medicine in Japan

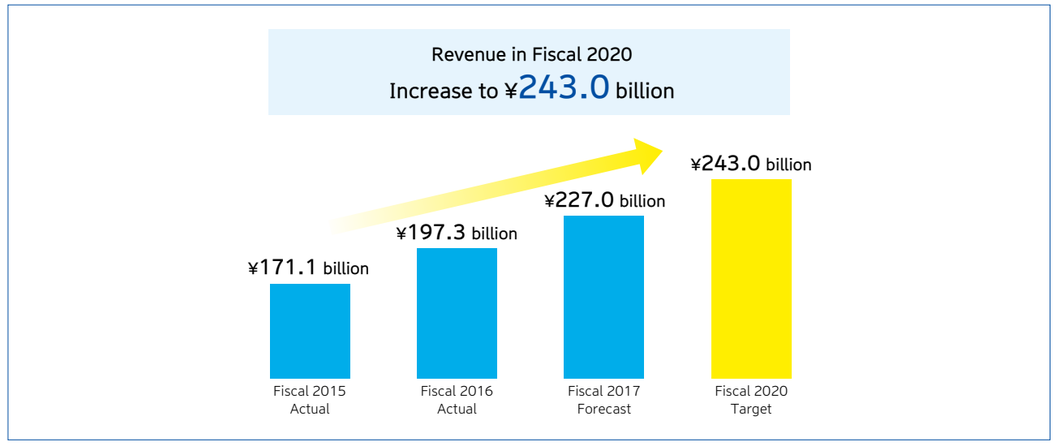
In addition to *LIXIANA*, an anticoagulant developed for the global market, the innovative pharmaceuticals business is developing its operations centered around six major products: *NEXIUM*, an ulcer treatment; *Memary*, an Alzheimer's disease treatment; *PRALIA*, a treatment for osteoporosis; *RANMARK*, a treatment for bone complications caused by bone metastasis from tumors; *Efient*, an antiplatelet agent; and *TENELIA*, a type 2 diabetes mellitus treatment.



3. 5-Year Business Plan and its Progress

(1) 5-Year Business Plan

Under the 5-year business plan, Daiichi Sankyo is working to increase the range of indications for its six major innovative pharmaceutical products for the domestic market. As a result of these efforts, total revenue from these six products amounted to ¥197.3 billion in fiscal 2016 and is forecast to come to ¥227.0 billion in fiscal 2017. By further growing revenues, we will target revenue of more than ¥243.0 billion in fiscal 2020.



(2) Progress to Date

Revenue from the Company's six major innovative pharmaceutical products has been steadily growing, and revenues from these products totaled ¥171.1 billion in fiscal 2015 and ¥197.3 billion in fiscal 2016. Of these, *NEXIUM*, *Memary*, *PRALIA*[*1], and *RANMARK* have achieved the No. 1 share of their respective markets and are continuing to grow.

Our efforts to launch new products and acquire licenses for promising products have proven incredibly successful. Our ability to introduce so many in-licensed products is due in part to the high praise partners have for Daiichi Sankyo's sales capabilities. As a result, Daiichi Sankyo ranked No. 1 among Japanese companies in pharmaceutical revenue for the first time in fiscal 2016.

New Product Launches and Product License Acquisitions

- Launched and submitted application for additional indication for *Vimpat* antiepileptic agent
- Received licenses for nine biosimilars from Amgen
- Reinforced AG business of Daiichi Sankyo Espha Co., Ltd.
- Launched *Narurapid* Tablets and *Narusus* Tablets for cancer pain treatment
- Acquired manufacturing and sales approval in Japan for *CANALIA* (*TENELIA* and *CANAGLU* combination tablet), a type 2 diabetes mellitus treatment
- Acquired additional indication related to rheumatoid arthritis for *PRALIA*

Evaluation of MRs

- MRs ranked No. 1 in various external surveys
  - Ranked No. 1 for five consecutive years in survey conducted by ANTERIO Inc.
  - Praised for MR visit activities and as a trustworthy manufacturer in survey conducted by Social Survey Research Information Co., Ltd.
  - Judged to have superior MRs in survey conducted by Mix Online

In the OTC related business, meanwhile, the acquisition of Im Co., Ltd.*2, a direct marketing company, contributed to a 25% year-on-year increase in revenue in fiscal 2016. We also launched a series of *Loxonin S* brand pain-relieving products for external use during this year.

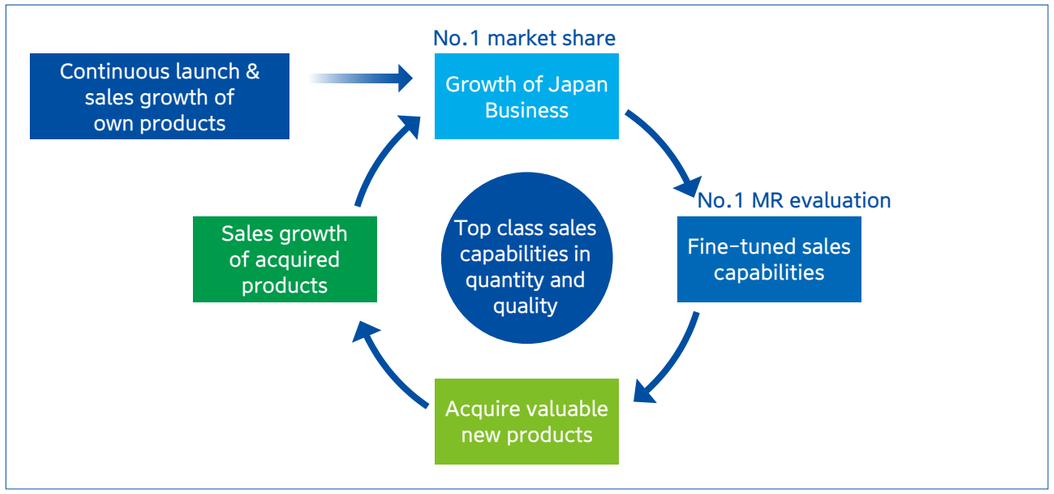
*1 No. 1 in the bone resorption inhibitor market
*2 Acquired in November 2015

(3) Future Initiatives

a. Innovative Pharmaceuticals Business

In the innovative pharmaceuticals business, Daiichi Sankyo will leverage its sales capabilities, which are top-class in terms of both quality and quantity, in order to realize sustainable growth and achieve ¥227.0 billion in total revenue for its six major products in fiscal 2017.

By continually launching and expanding sales of proprietarily developed products, we will grow the innovative pharmaceuticals business. At the same time, we will utilize the Company's superb sales capabilities to acquire licenses for promising products developed elsewhere in order to sustain a virtuous cycle driving further growth.



b. Generic Business (Daiichi Sankyo Espha Co., Ltd.)

In the generic business, we have defined our vision of becoming a leader in the domestic generic drug market in order to contribute to national medicine in this era of rapidly aging societies. As a step toward this vision, we aim to be No. 1 in Japan in terms of authorized generic (AG)* lineup and revenue. In fiscal 2017, we plan to launch AGs for *olmesartan* (a proprietary Daiichi Sankyo product), *telmisartan*, and *rosuvastatin*, among other products. We thereby hope to help contribute to medicine in Japan while responding to various pharmaceutical-related needs, particularly those pertaining to AGs.

* Generic drug manufactured by the innovator company and distributed by a generic company under a generic label, pursuant to an agreement between the innovator and the generic company. The same ingredients, additives, and manufacturing processes as the original brand drug are used to create a generic drug of the same quality as the original brand drug.

c. Vaccine Business (Kitasato Daiichi Sankyo Vaccine Co., Ltd., and Japan Vaccine Co., Ltd.)

The vaccine business is advanced through organic collaboration between Kitasato Daiichi Sankyo Vaccine Co., Ltd. (KDSV), which is responsible for the research, development, production, and sales of vaccines, and Japan Vaccine Co., Ltd., which conducts late-phase clinical development and sales. We are committed to contributing to public health in Japan by creating innovative vaccines and reliably supplying high-quality vaccines.

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

In the OTC related business, we strive to become a consumer healthcare company with the ability to achieve dramatic sales growth and sustainable income improvements. This vision is being pursued through growth driven by synergies with Im Co., Ltd., a direct marketing company focused on skincare products, and the expansion of overseas operations centered on entry into the Chinese market.

Strategic Target Expand U.S. Businesses

1. Business Expansion in Pain Franchise (DSI)

(1) Need for Abuse-Deterrent Formulations for Opioid Analgesics in the United States

The United States differs greatly from Japan and other countries in that opioid analgesics, most notably the exceptionally strong morphine and oxycodone, are commonly used to treat pain unrelated to cancer. Accordingly, there is a growing need for drugs to mediate the adverse drug reactions people can experience as a result of opioid use, such as opioid-induced constipation (OIC) symptoms that data suggests are experienced by approximately 40% of patients using opioids*1. Furthermore, the United States is currently in the midst of an opioid epidemic, a serious social issue arising from individuals using opioid analgesics for reasons other than medical purposes or becoming addicted to or overusing these substances. As a result, measures for fighting opioid abuse are popping up at both the federal and state levels. One potential means of combating this epidemic is through abuse-deterrent formulations (ADFs) for opioid analgesics that are designed, for example, to be difficult to crush, inhale or inject. As such, there is strong cry for the development of such ADFs. At the moment, New Drug Applications (NDAs)*2 for opioid analgesics that are not ADFs are subject to review by an advisory committee of the U.S. Food and Drug Administration (FDA), and the current government administration has shown great concern with regard to opioid analgesics. In the future, it can thus be expected that ADFs will replace many opioid analgesics.

*1 Sources: Kalso, et al. Pain. 2004. 112; 373–380.
*2 Application submitted to the U.S. FDA to receive approval to market a new drug

2. 5-Year Business Plan and its Progress

(1) 5-Year Business Plan

Daiichi Sankyo, Inc. (DSI), the United States, is currently in the process of transitioning from its previous product portfolio, which focused on private practices and was exemplified by products such as the antihypertensive agent *Benicar* (*olmesartan*), to a portfolio focused on hospitals, specialist, and other specialty care areas. As one facet of this transition, DSI will seek to establish a pain franchise that can generate revenue of more than ¥100.0 billion in the United States by fiscal 2020.
In 2015, this company began co-promotions of *MOVANTIK*, an OIC treatment, together with AstraZeneca. We will promote this drug as well as *MorphaBond* and *RoxyBond*, two new ADF opioid analgesics which will be launched in fiscal 2017, to growth our pain business in the United States.

(2) Progress to Date

With revenue of ¥2.0 billion in fiscal 2015 followed by ¥4.2 billion in fiscal 2016, *MOVANTIK* has been steadily growing in sales. We are currently engaged in direct-to-consumer educational campaigns aimed at improving awareness regarding OIC. In addition, DSI received rights in October 2016 from Inspirion Delivery Sciences, LLC, for commercialization in the United States of two opioid analgesics with abuse-deterrent properties—*MorphaBond* and *RoxyBond*. In the global phase 3 ALDAY clinical trials evaluating *mirogabalin* for the treatment of pain associated with fibromyalgia, *mirogabalin* did not meet the primary efficacy endpoint. We will continue to study *mirogabalin* and its potential use in pain syndromes as part of our ongoing global clinical development program.

In light of the opioid analgesic abuse epidemic that is becoming a major social issue in the United States, DSI has announced its Commitments in Pain Care. Detailed on the next page, these Commitments describe DSI's stance toward helping patients manage their pain and addressing the opioid analgesic abuse epidemic.

We are committed to:

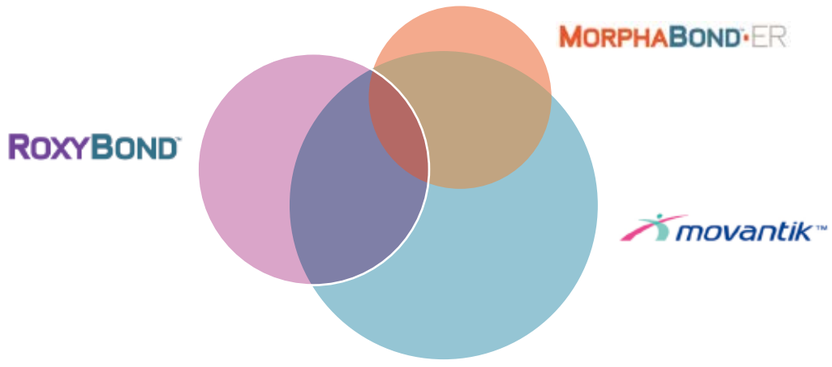
Commitments IN PAIN CARE

- The well-being and proper treatment of patients who suffer from pain and to providing prescription medicines to treat their pain and other related conditions.
- Educating healthcare providers, patients, families and caregivers on the appropriate use of pain medicines, and recognizing and preventing their potential for diversion, misuse, abuse, addiction, and overdose.
- Being a part of the solution to prescription drug abuse.
- Monitoring prescribing and distribution patterns for signs of inappropriate prescribing or diversion of these medications.
- Ensuring that our employees are reliable, trustworthy sources of information about pain treatments, and that our communications about pain medicines will be truthful, accurate, and respect the seriousness of the condition being treated, as well as the potential risks associated with these medicines.
- Ethical and socially responsible business practices at all times, conducting our business fairly, honestly, with integrity, and in accordance with our Standards of Business Conduct.

(3) Future Initiatives

The growth of *MOVANTIK* will be accelerated in fiscal 2017. OIC is still a condition that physicians and patients are not well aware of, meaning that the market will need to be educated. We will therefore seek to invigorate this market by stepping up education activities regarding this condition. In addition, *MorphaBond* and *RoxyBond*, the ADF opioid analgesics licensed from Inspirion, will be launched in the U.S. market in fiscal 2017. Both of these products feature SentryBond™, Inspirion's unique, patent-protected abuse-deterrent technology. *MorphaBond* is an extended-release morphine tablet meant for treating chronic pain while *RoxyBond* is a fast-acting oxycodone formulation designed to treat acute pain. DSI will work to grow both drugs into prominent products in their respective markets. Moreover, there is a great deal of overlap between the physician groups that would prescribe these two drugs and those who prescribe *MOVANTIK*, a fact that will enable us to advance efficient marketing activities.

Many target physicians for *MorphaBond* and *RoxyBond* are overlapped with target physicians for *Movantik*

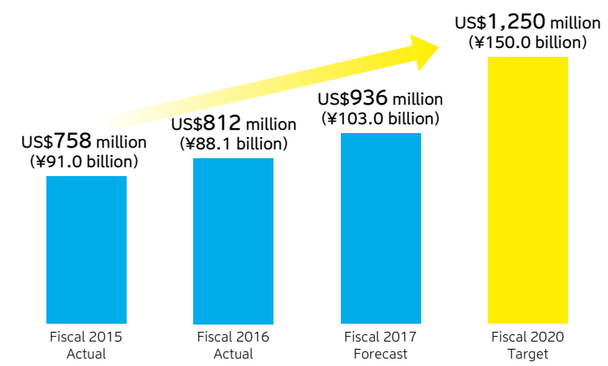


3. Growth of Luitpold Business

(1) 5-Year Business Plan and its Progress

The revenue of Luitpold Pharmaceuticals, Inc. (LPI), has been growing smoothly, totaling US$758 million in fiscal 2015 and US$812 million in fiscal 2016. By growing and expanding its iron injection franchise and its generic injectable franchise, LPI will target annual global revenue of US$1,250 million (¥150.0 billion) in fiscal 2020.

Annual Global Revenue in Fiscal 2020
Increase to US$1,250 million (¥150.0 billion) or more



* The above graph is based on local currency (US$) amounts.

(2) Iron Injection Franchise

a. Iron Deficiency Anemia and Iron Injections

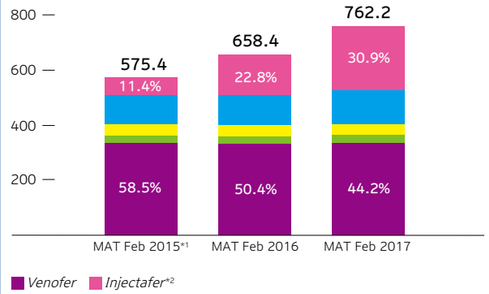
Hemoglobin located inside red blood cells is responsible for carrying oxygen to other parts of the body. Iron is vital to the functioning of hemoglobin, and a lack of iron within the body can lead to a condition known as iron deficiency anemia (IDA). Other causes of IDA include cancer and chronic kidney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

The U.S. iron injection market continues to grow with each coming year, and its scale recently reached US$762 million in MAT-based February 2017.

LPI provides two types of iron injections: *Venofer*, which is used to treat IDA resulted from chronic kidney disease, and *Injectafer*, which can treat IDA resulted from chronic kidney disease as well as from various other causes, but cannot be used by patients undergoing dialysis. Due to its ability to treat a wide range of conditions and the convenience of being able to completely dose patients in only two applications, *Injectafer* has enjoyed rapid growth in its share since launch. These two products boast a combined share of the U.S. iron injection market of more than 70%, making LPI the undisputed leader in this market.

US IV Iron Market (includes dialysis)

(Millions of US$)

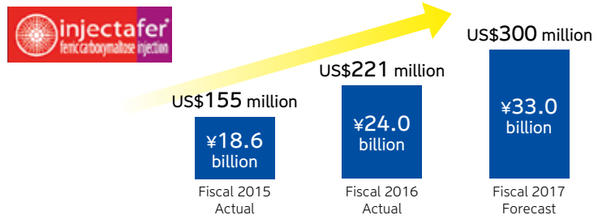


*1 March 2014-February 2015
*2 *Injectafer* is not indicated for patients who are dialysis dependent

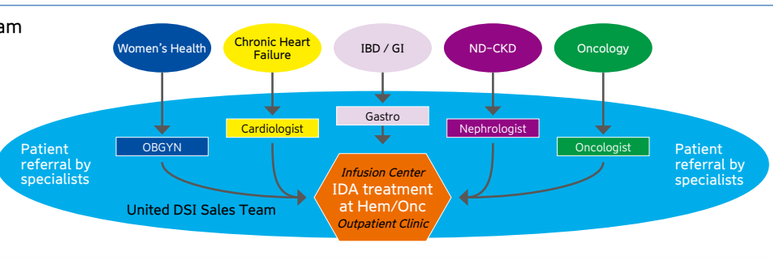
Source: IMS National Sales Perspectives Feb. 2017 (includes all US IV iron sales in all channels including dialysis chains)

b. Progress to Date and Future Initiatives

With revenue of US$155 million in fiscal 2015 and US$221 million in fiscal 2016, *Injectafer* is growing at an impressive rate, and we hope to take advantage of this momentum to achieve revenue of US$300 million (¥33.0 billion) in fiscal 2017.



In January 2017, we transferred the *Injectafer* sales team of LPI to DSI, integrating this team into DSI's own sales team. The goal of this move was to accelerate the growth of *Injectafer*, and the integrated sales team has already commenced promotions to this effect. Now able to leverage the strengths of both companies, the sales team is implementing promotion measures that target gastroenterology and obsterius and gynecology specialists who treat IDA in addition to the traditional sales targets of cancer and hematology and oncology specialists. Furthermore, we commenced a phase 3 study in March 2017 evaluating *Injectafer* for treatment for heart failure patients with iron deficiency, with the aim of maximizing the value of this product.



(3) Generic Injectable Franchise

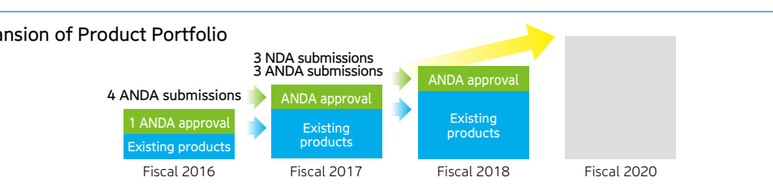
a. U.S. Generic Injectable Market

The U.S. generic injectable market is a highly dynamic market in which prices and demand fluctuate greatly. As such, achieving continuous growth requires the ongoing introduction of new products. LPI supplies this market with a lineup of more than 50 products focused on small volume vials and ampules.

b. Progress to Date and Future Initiatives

With the aim of expanding its product portfolio, LPI submitted four Abbreviated New Drug Applications (ANDAs)*1 in fiscal 2016, of which one has received approval. In fiscal 2017, we plan to submit three NDAs*2 and three ANDAs. LPI is also conducting capital investments for augmenting its production capacity in order to increase its ability to respond swiftly to market changes. These investments are being utilized to propel LPI toward the position of top supplier in the U.S. generic injectable market.

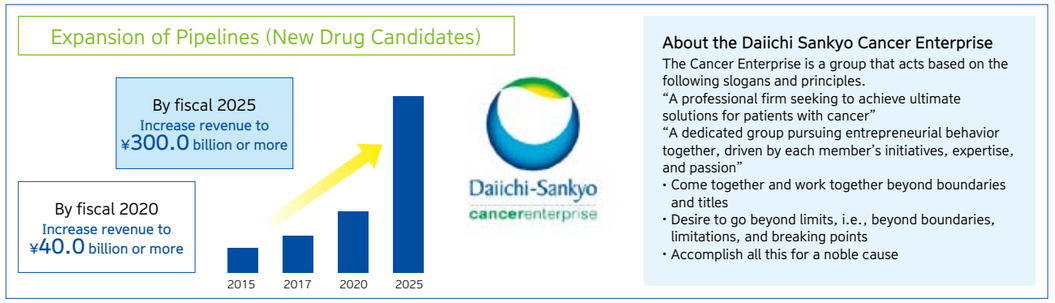
*1 Abbreviated New Drug Application (ANDA): Application submitted by a generic product manufacturer to the U.S. FDA to receive approval to market a generic product
*2 New Drug Application (NDA): Application submitted to the U.S. FDA to receive approval to market a new drug



Strategic Target Establish Oncology Business

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 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 and ¥300.0 billion in fiscal 2025, when this business will function as a core business.



2. Initiatives to Date

(1) New Start as a Cancer Enterprise

Daiichi Sankyo has strong scientific and technological prowess rooted in its history and backed by its global network.

In recent years, the speed of research and development has been accelerating on a global scale. Seeking to achieve a level of speed that surpasses the global standard, we integrated our oncology R&D organizations in April 2016. To lead the resulting organization, we appointed Antoine Yver, an individual that had previously headed up oncology development at a global mega-pharma corporation and that has recently become known for his breadth of experience and accomplished background in the field of global cancer treatment development. Guided by Yver, the Company's oncology R&D organization cut a new start as the Daiichi Sankyo Cancer Enterprise. Daiichi Sankyo has defined its focus franchises as antibody-drug conjugates (ADCs) and acute myeloid leukemia (AML). We have also set forth our policy of actively forming outside alliances to strengthen these franchises.

In April 2017, we established a new organization tasked with enhancing our global marketing capabilities in the oncology field. This organization will be led by Thierry Gruson, an individual that has played a role as a global leader in the immuno-oncology drug field, overseeing the marketing strategies of countless global products.

Under the guidance of these two leaders, we will accelerate the research and development of oncology drugs discovered by Daiichi Sankyo.

Daiichi Sankyo's Two Oncology Field Franchises

ADC Franchise
Development of proprietary technologies and application of developed technologies

AML Franchise
Development of numerous new drugs

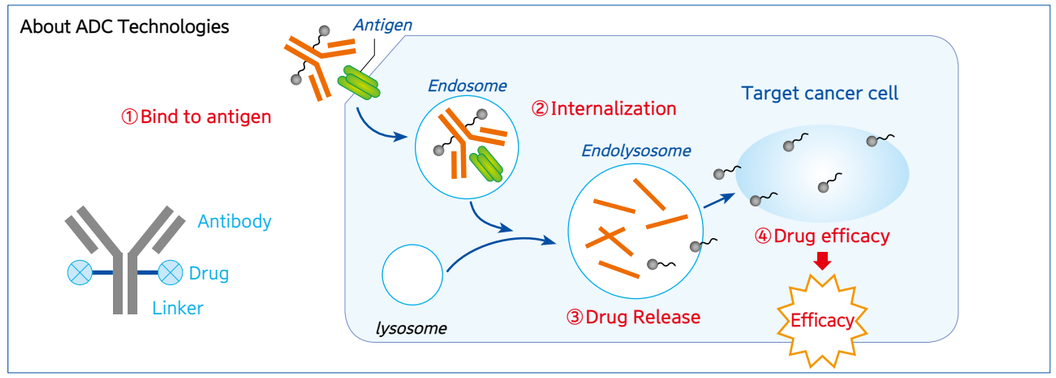
(2) ADC (antibody-drug conjugates) Franchise

a. ADC Technologies

In the past, over an extended period of time, cancer treatments predominantly consisted of small molecule drugs known as chemotherapy drugs that work by acting on cell proliferation to eradicate cancer cells. However, chemotherapy drugs presented troubles due to side effects, namely that they exhibited significant levels of cytotoxicity to normal cells. It was for this reason that the development of molecular targeted drugs, which only act on specific cancer cells, began in the 1990s. Development ventures that, for example, attempted to use antibodies that bind to proteins that are specifically expressed on the surface of cancer cells as anticancer drugs have been advancing since then. Today, quite a few antibody drugs have already been put on the market, where they have grown into major cancer treatments.

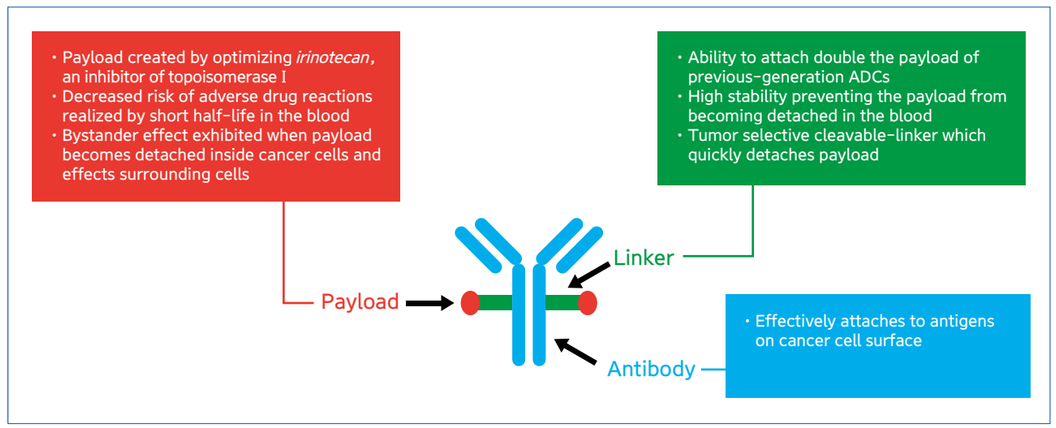
ADCs are made by bonding an antibody and a chemotherapy drug to discover a new therapy. Development on this drug technology is advancing in the hopes that chemotherapy drugs will only affect the cancer cells by specifically sending chemotherapy drugs into cancer cell.

First-generation ADCs have already been commercialized. However, the amount of the chemotherapy that can be loaded onto a single antibody molecule is still relatively low. Moreover, as the synthetic linkers used may be unstable, the chemotherapy portion can become detached, leading to the onset of adverse drug reactions. As such, ADC technologies are still evolving, and many companies are currently working to develop next-generation ADC technologies.



b. Characteristics of Daiichi Sankyo's ADC Technologies

Daiichi Sankyo's ADCs feature an optimal payload derived from *irinotecan*, a chemotherapy drug that inhibits topoisomerase I, which stimulates DNA synthesis. They also utilize proprietary technologies characterized by a structure of unique linkers connecting the drug and the antibody.



c. Future Initiatives

Daiichi Sankyo's ADC technologies allow for the linker and the payload to be combined with various antibodies. By capitalizing on this characteristic, we aim to maximize the value of these technologies through internal efforts and possibly through external collaboration.

In addition, the Company has resolved to devote ¥15.0 billion to its first wave of capital investments, eyeing the future increase and acceleration of ADC project development as well as the commercial production activities to be conducted. Such investments will be continued going forward in order to expand the scale of production.

(3) *DS-8201*

a. Progress to Date

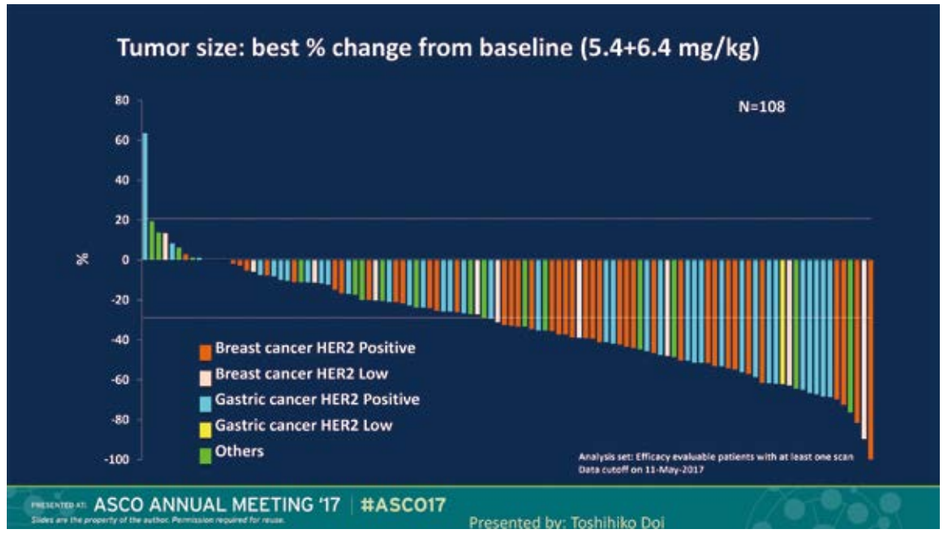
DS-8201 is an ADC created using anti-HER2 antibodies to represent the first compound utilizing Daiichi Sankyo's proprietary ADC technologies to be advanced to the clinical phase, with a phase 1 study which commenced in August 2015. In clinical trials, it was discovered that there were several cases in which *DS-8201* exhibits relatively high response in patients suffering from breast cancer or gastric cancer for which standard treatments, such as *T-DM1* (*trastuzumab emtansine*) or *trastuzumab*, are not effective and for which other treatment options do not exist. As of now, no serious adverse drug reactions have appeared that threaten the continuation of clinical trials.

Interim trial results were announced to the European Society for Medical Oncology in October 2016 (ESMO 2016). This announcement garnered much attention, being recognized as a highlight presentation of the academic meeting. *DS-8201* then received Fast Track Designation for HER2 positive metastatic breast cancer from the U.S. FDA in November 2016.

Later, at the Annual Meeting of the American Society of Clinical Oncology held in June 2017 (ASCO 2017), Daiichi Sankyo made an announcement on the interim results of trials on 108 patients to which *DS-8201* had been administered that included data collected after the announcement to ESMO 2016.

The graph below shows data on the 108 HER2 positive metastatic cancer patients that *DS-8201* had been administered to. Each bar represents one patient. The lower a bar stretches down, the more cancer tumors had shrunken. Patients are arranged in order of the degree to which tumors shrunk, with those showing the greatest rate of shrinkage on the right.

Interim Results of Phase 1 Study
(Announced at ASCO 2017)



In terms of efficacy, an overall response rate*1 of 40.2% and a disease control rate*2 of 91.8% were achieved among 97 condition confirmed patients out of 108 enrolled patients. In 30 patients who failed SOC of breast cancer, *T-DM1* (*Kadcyla*) and *pertuzumab* (*Perjeta*), overall response rate was 46.7% and disease control rate was 100%.

*1 Ratio of patients in which tumors had shrunken by more than 30% or completely disappeared
*2 Ratio of patients exhibiting an overall response in which tumors are remaining at a consistent size (less than 30% shrinkage and 20% growth)

Interim Results of Phase 1 Study
(Announced at ASCO 2017)
Confirmed Overall Response Rate (5.4+6.4 mg/kg)

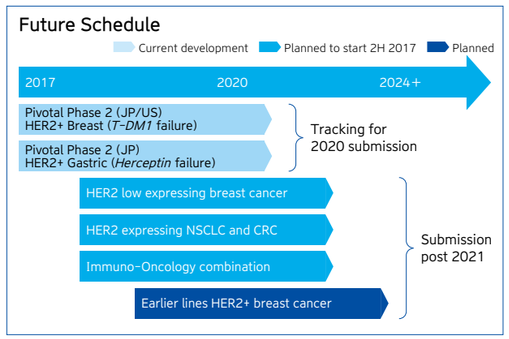
	ORR n (%)	DCR n (%)
Total	39/97 (40.2)	89/97 (91.8)
Breast Cancer	19/45 (42.2)	44/45 (97.8)
BC Prior *T-DM1*	16/35 (45.7)	35/35 (100.0)
BC Prior *T-DM1*+*Pertuzumab*	14/30 (46.7)	30/30 (100.0)
Gastric Cancer	16/36 (44.4)	32/36 (88.9)
GC Prior *CPT-11*	8/18 (44.4)	17/18 (94.4)

Analysis set: Efficacy evaluable patients for confirmed overall response
Data was analyzed based on the data cutoff on May 11, 2017

b. Future Initiatives

The interim results for the phase 1 study currently under way have indicated the safety and efficacy of *DS-8201*. Daiichi Sankyo is thus preparing to commence a pivotal study (a primary verification test for evaluating the safety and efficacy of an under-development drug) to evaluate the safety and efficacy of *DS-8201* in treating HER2 positive metastatic breast cancer and HER2 positive gastric cancer.

We also plan to commence studies evaluating *DS-8201* as a treatment for HER2 low expression breast cancer and HER2 expressing non-small-cell lung cancer (NSCLC) and colorectal cancer (CRC), for use in combination with immuno-oncology drugs, and as a first-line treatment for breast cancer.



We hope to be able to deliver *DS-8201* to patients as soon as possible, and are accelerating development with the target of commencing filing applications in 2020 for market approvals. Furthermore, to maximize the value of *DS-8201*, we are investigating the effectiveness of combination therapy with immuno-oncology medicines, such as immune checkpoint inhibitor.

(4) *U3-1402*

a. Progress to Date

U3-1402 is an ADC that utilizes the Company's proprietary ADC technologies together with *Patritumab*, an anti-HER3 antibody. In December 2016, a phase 1/2 clinical study was commenced in Japan targeting HER3 positive unresectable and metastatic breast cancer for which unmet medical needs are substantial. At the Annual Meeting of the American Association for Cancer Research held in April 2017, we announced the results of a pre-clinical study on *U3-1402*. In this study, it was confirmed that cancer cells pretreated with *erlotinib*, a standard treatment for non-small-cell lung cancer accompanied by epidermal growth factor receptor mutation, show high expression of HER3. *U3-1402* demonstrated a stronger antitumor effect than *erlotinib* in such pretreated cells that had been transplanted into test mice. *U3-1402* is therefore anticipated to prove effective for treating patients for which *erlotinib* lacks efficacy.

b. Future Initiatives

In the third quarter of fiscal 2017, we plan to commence a phase 1 study evaluating *U3-1402* in patients with non-small-cell lung cancer accompanied by epidermal growth factor receptor mutation.

Molecular Subtypes of Breast Cancer with HER2 ADC & HER3 ADC Targets

	Growth Speed	Hormone-Receptor Positive*	Hormone-Receptor Negative
HER2 Negative	Low	Luminal A	Triple-negative
	High	Luminal B (HER2 negative)	
HER2 Positive	—	Luminal B (HER2 positive)	HER2 type

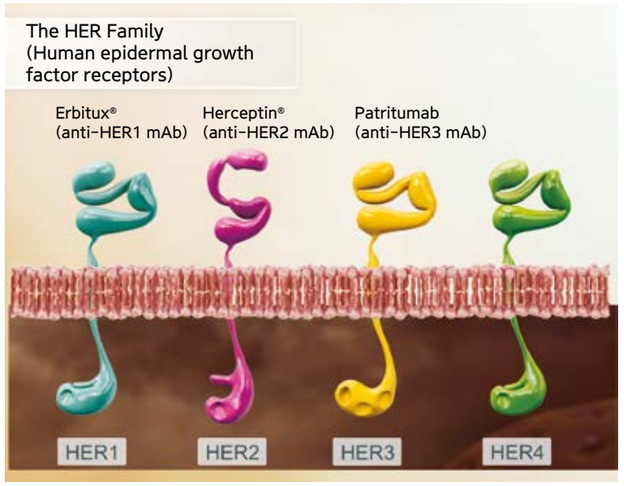
HER3 ADC *U3-1402*

HER2 ADC *DS-8201*

* Estrogen-receptor and/or progesterone-receptor positive

Luminal A	Hormone-receptor positive / HER2 negative / High growth speed
Luminal B(HER2 negative)	Hormone-receptor positive / HER2 negative / Low growth speed
Luminal B(HER2 positive)	Hormone-receptor positive / HER2 positive
HER2 type	Hormone-receptor negative / HER2 positive
Triple-negative	Hormone-receptor negative / HER2 negative

About the HER Family



The human epidermal growth factor receptor (HER) family consists of four receptors: HER1, HER2, HER3, and HER4. These receptors are involved in the regulation of cell multiplication and differentiation in normal cells. However, HER family receptors have been found to be overexpressed, amplified, or mutated in several types of cancer and are thus an important target to be focused on in treating cancer. Compounds and antibodies that inhibit HER1, also known as epidermal growth factor receptor, are used to treat lung, colorectal, and other cancers. Antibodies that target HER2 are used to treat breast cancer and gastric cancer. HER3, meanwhile, has been reported to be highly expressed in breast and lung cancer and is thus garnering attention as a new target for cancer treatment. Currently, no link between HER4 and cancer has been confirmed.

(5) Future Initiatives for Other ADCs

Daiichi Sankyo's ADC technologies are applicable to a wide variety of antibodies. For example, we are currently engaged in pre-clinical research on *DS-1062*, an anti-TROP2 ADC, and *DS-7300*, an anti-B7-H3 ADC. We also have several other ADCs in the pre-clinical phase. Daiichi Sankyo is always examining possibilities for collaboration with other companies to increase the range of antibodies it can apply its ADC technologies to.

Project Code	Antibody Target	Indication	Research	Pre-Clinical Development	Phase 1 Clinical Studies
DS-8201	HER2	Breast cancer Gastric cancer			
U3-1402	HER3	Breast cancer Non-small-cell lung cancer			
DS-1062	TROP2	Solid tumors			
DS-7300	B7-H3	Solid tumors			

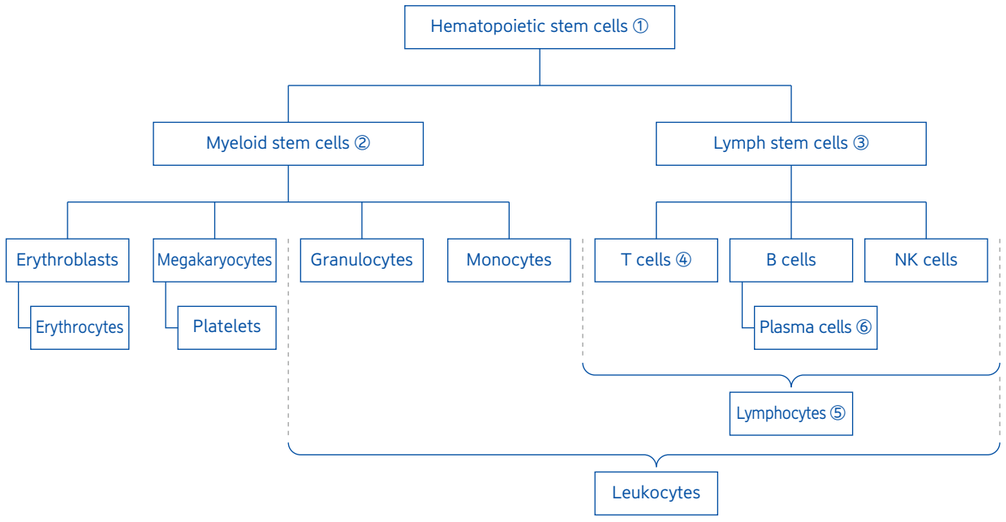
As of July 2017

(6) AML (acute myeloid leukemia) Franchise

a. About AML

Leukemia is a disease in which hematopoietic stem cells in bone marrow multiply at an abnormal rate when undergoing differentiation and development into white blood cells and platelets and then become cancerous. Acute myeloid leukemia (AML) is a form of myeloid leukemia that progresses extremely rapidly. The cause of AML is not completely clear. However, it is well known that this disease can become life-threatening as the amount of normally functioning white blood cells, red blood cells, and platelets declines in conjunction with the spread of the disease. Although, since 2000, numerous new drugs have been approved for other forms of hematological tumors, such as non-Hodgkin's lymphoma and multiple myeloma, only one drug has been approved for the treatment of AML, and that drug was not approved until 2017. It has been reported that only 26% of AML patients survive for five years*. Accordingly, there are significant unmet medical needs in relation to AML.

* Source: Leukemia & Lymphoma Society, NCCN Guidelines, Brunet-S, et al., J. Clin. Oncol. 2012; 30: 735-741, Dohner-H, et al., NEJM 2015; 373: 1136-1152



	Disease	Overview	Applicable Daiichi Sankyo Compounds
①	Myelodysplastic syndrome	・Disease resulted from abnormality in hematopoietic stem cells	*DS-3032*
②	Myeloid leukemia	・Disease in which myeloid stem cells become cancerous ・Acute and chronic variations	*Quizartinib, DS-3201, DS-3032, PLX51107*
③	Lymphocytic leukemia	・Disease in which lymph stem cells become cancerous ・Acute and chronic variations	
④	Adult T-cell leukemia	・Disease in which T cells become infected with human T-cell leukemia virus type 1 then become cancerous adult T-cell leukemia cells and multiply out of control	*DS-3201*
⑤	Malignant lymphoma	・Disease in which lymphocytes become cancerous ・Primarily categorized as Hodgkin's lymphoma or non-Hodgkin's lymphoma	*DS-3032, DS-3201*
⑥	Multiple myeloma	・Disease in which plasma cells in bone marrow become cancerous	

(7) *Quizartinib*

There exists a subtype of AML in which internal tandem duplication (ITD) mutations (genetic mutations) occur in FLT3 (a tyrosine kinase receptor that contributes to cancer cell proliferation). This subtype of AML, called FLT3-ITD-positive AML, has 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 a strong and focused ability to inhibit FLT3-ITD.

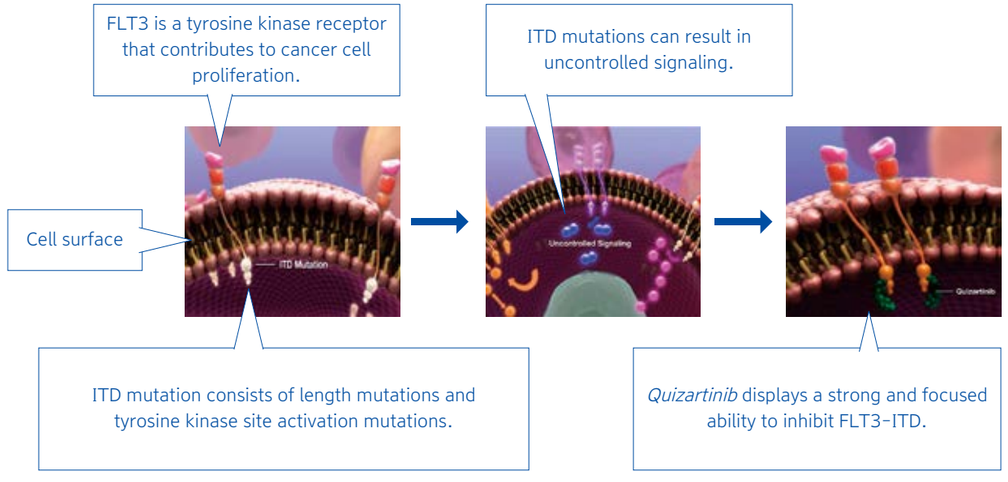
Currently, we are advancing a phase 3 study for *quizartinib* on relapsed and refractory FLT3-ITD-positive AML patients with overall survival periods as its primary endpoint. In April 2017, an independent data monitoring committee conducted an interim analysis of this study, and the continuation of the study was approved. We expect to be able to release results from this study during the first half of fiscal 2018. In addition, a phase 3 study was commenced in October 2016 in combination therapy with chemotherapeutic agents in the induction, consolidation, and maintenance methods that are first-line treatments for AML.

* Source: Leukemia & Lymphoma Society, NCCN Guidelines, Brunet-S, et al., J. Clin. Oncol. 2012; 30: 735-741, Dohner-H, et al., NEJM 2015; 373: 1136-1152

Development of *Quizartinib*

Induction / Consolidation / Maintenance	Relapsed / Refractory
QUANTUM-FIRST STUDY	QUANTUM-R STUDY
・Phase 3 study ・Combination with SOC chemotherapy*1 ・First patient dosed in Oct. 2016	・Phase 3 study ・Monotherapy ・Overall survival ・Interim analysis was conducted by independent data monitoring committee —Recommended to continue the study ・TLR*2: FY2018 H1

*1 Induction (*Cytarabine* + *Anthracycline* + *Quizartinib* for 1-2 cycles)
Consolidation (High dose *Cytarabine* + *Quizartinib* up to 4 cycles and/or HSCT)
Maintenance (*Quizartinib* or placebo up to 12 cycles)
*2 Topline results

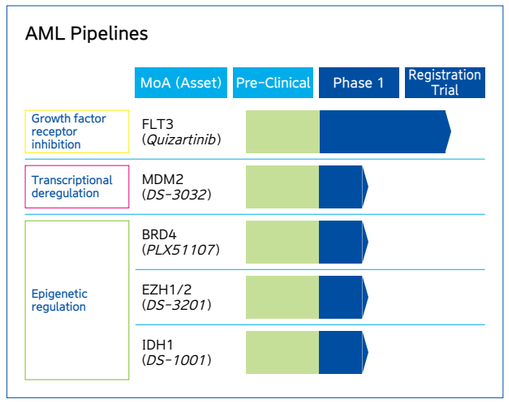


(8) AML Pipelines Other than *Quizartinib*

Aside from FLT3-ITD, there are several other target candidates to be focused on in developing AML treatments.

DS-3032 is an MDM2 inhibitor targeting transcriptional deregulation. Currently, a phase 1 study is under way in the United States to test *DS-3032* for treatment of relapsed and refractory AML patients and of patients with high-risk myelodysplastic syndromes. The results of this trial were announced to the American Society of Hematology in December 2016. Efficacy was confirmed in a preliminary evaluation of effectiveness, and we are currently planning the next phase of clinical trials.

In addition, phase 1 studies were started for *PLX51107*, a BRD4 inhibitor targeting epigenetic regulation (regulation of the transcription or expression of genes), in February 2016; *DS-3201*, an inhibitor of EZH1 and EZH2, in March 2016; and *DS-1001*, a mutated IDH1 inhibitor, in January 2017.



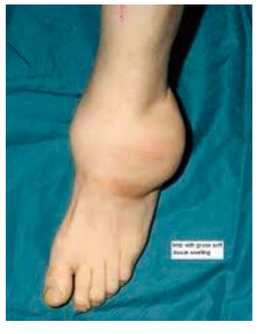
Daiichi Sankyo is working to expand its AML franchise to include a diverse range of pipelines. We are thoroughly committed to making contributions to the realization of multifaceted, comprehensive treatments for overcoming AML through these efforts.

(9) Progress of Other Late-Stage Pipelines

a. *Pexidartinib*

Pexidartinib is a tyrosine kinase inhibitor that specifically targets CSF-1R, Kit, and FLT3-ITD. We have been moving forward with a phase 3 study of this drug for treatment of tenosynovial giant cell tumor since 2015, and we anticipate to obtain results in the first half of fiscal 2017.

Tenosynovial giant cell tumor is a type of benign tumor that occurs in larger joints, such as the knee, and can become a serious obstacle impeding people's daily lives. Currently, there exists no treatment method outside of surgery. Moreover, the rate of recurrence is high, and there is sometimes no other choice but to amputate a patient's limb. As such, there is strong demand for new treatment methods for tenosynovial giant cell tumor. *Pexidartinib* was granted Breakthrough Therapy Designation by the U.S. FDA based on results from an extension cohort in a phase 1 study.



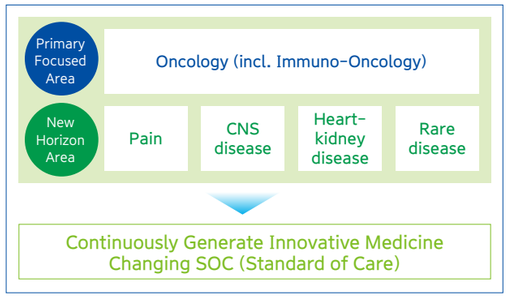
Strategic Target Continuously Generate Innovative Medicine Changing Standard of Care (SOC)

The standard of care (SOC) is the universally applied best treatment practice in today's medical science. Our target therapeutic areas for research and development include **oncology**, which will be positioned as a primary focused area, as well as **pain**, **central nervous system diseases**, **heart and kidney disease**, and **rare diseases**, which we define as new horizon area. Research and development of treatments in these areas will be accelerated going forward. We will strive to continuously generate innovative medicine changing SOC by taking advantage of partnering, open innovation*1, and translational research*2.

In the pages that follow, we will explain several examples of collaborative efforts with external organizations.

*1 Open innovation: Development method in which external development capabilities and ideas are used to overcome internal development challenges and create innovative new value

*2 Translational research: Integrated research process encompassing development of new medical innovations, testing in clinical settings to verify safety and efficacy, and application in everyday medical practice



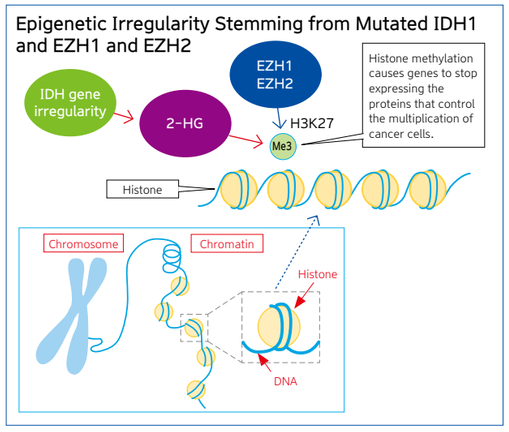
1. Oncology

(1) Comprehensive Collaboration with the National Cancer Center

Daiichi Sankyo entered into a comprehensive research alliance agreement with the National Cancer Center in May 2012, under which it has been engaged in joint drug-discovery efforts for developing revolutionary cancer treatments. The successes created through this collaboration include two compounds related to epigenetics (frameworks related to the regulation of the transcription or expression of genes) for which clinical trials are under way.

a. *DS-3201* (EZH1/2 Inhibitor)

DS-3201 is a compound that inhibits EZH1 and EZH2. Malignant lymphoma is commonly known to have poor prognosis. One cause of this is thought to be the fact that the cancer stem cells, which have the ability to regenerate cancer cells, survive after treatment. However, cancer stem cells require histone methylation enzymes EZH1 and EZH2 to sustain themselves. Accordingly, by inhibiting these enzymes, it may be possible to eradicate cancer stem cells and breakdown a cancer's resistance to treatments, effectively preventing recurrence. *DS-3201* is a drug with potency in inhibiting both EZH1 and EZH2, and a phase 1 study is currently being implemented to evaluate *DS-3201* as a treatment for malignant lymphoma.



b. *DS-1001* (IDH1 Inhibitor)

Mutations are seen in mutated isocitrate dehydrogenase IDH1 with relatively high frequency in malignant brain tumors, AML, cholangiocarcinoma, chondrosarcoma, and other malignant tumors. In March 2017, Daiichi Sankyo commenced a phase 1 clinical study to evaluate *DS-1001*, a drug that selectively inhibits mutated IDHI1, as a treatment for malignant brain tumors (gliomas). When gliomas are accompanied by IDH1 mutations, they tend to reoccur frequently, elongating treatment periods. *DS-1001* is anticipated to become a treatment that is capable of addressing unmet medical needs related to this condition.

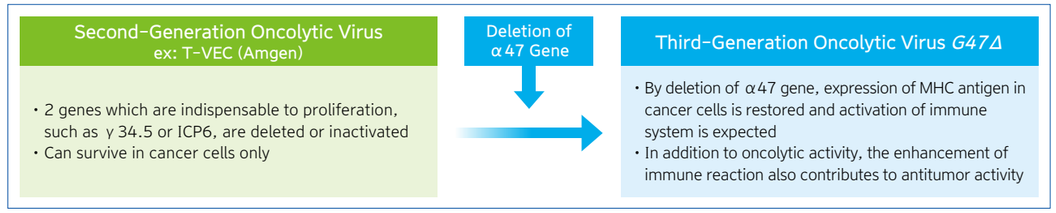
c. Potential for Treatment of AML

EZH1 and EZH2 and IDH1 are promising targets for the treatment of AML. *DS-3201* is therefore a pipeline that is anticipated to play a central role in Daiichi Sankyo's AML franchise. A phase 1 study was thus started in April 2017 to evaluate the ability of *DS-3201* to treat AML. We are also examining the potential for *DS-1001* to be used as an AML treatment.

(2) Joint Research with the Institute of Medical Science of the University of Tokyo (*DS-1647*: *G47Δ* Oncolytic Virus)

Developed together with Professor Tomoki Todo of the Institute of Medical Science of the University of Tokyo, *G47Δ* is a third-generation strand of oncolytic herpes simplex virus 1 (HSV1) created by using genetic modification technologies to modify HSV1 so that it only multiplies in cancer cells. This second-generation oncolytic virus was made by deleting or rendering inactive two genes (γ34.5 and ICP6) necessary for multiplication inside normal cells, making it only possible for the virus to multiply inside of cancer cells. In addition to these two genes, α47* was deleted from the third-generation virus to ensure that it only multiplies in cancer cells while also enhancing its antitumor immunity. An investigator initiated clinical phase 2 study targeting malignant gliomas was commenced in 2015. Furthermore, this drug received designation under the SAKIGAKE Designation System for medical equipment, in vitro diagnostic, and regenerative medicine products in February 2016. *G47Δ* was also designated as an orphan drug under the Orphan Drug/Medical Device Designation System by the Ministry of Health, Labour and Welfare in July 2017. Together with Professor Todo, Daiichi Sankyo is developing treatment methods using *G47Δ* for malignant gliomas and various other forms of cancer tumors.

* Proteins coded with the α47 gene limit the expression of MHC Class Ⅰ on the surface of host cells, restrict provision of virus proteins, and evade the immunity surveillance of host cells. Accordingly, by deleting α47 from the HSV1 virus, expression of MHC Class I on host cells can be maintained, giving the potential for strong stimulation of antitumor immunity cells.



(3) Partnership for Oncology Field Cell Therapy Pipeline with Kite Pharma

In January 2017, Daiichi Sankyo entered into a strategic partnership with Kite Pharma, Inc., the United States, in relation to its oncology field cell therapy R&D pipeline. This partnership grants the Company exclusive rights for development, manufacturing, and commercialization in Japan of Kite Pharma's *KTE-C19* (a cell therapy that uses Kite Pharma's genetically modified T cells). The agreement also includes optional licensing rights for certain of Kite Pharma's other product candidates, some of which will progress into the clinical development stage over the next three years.

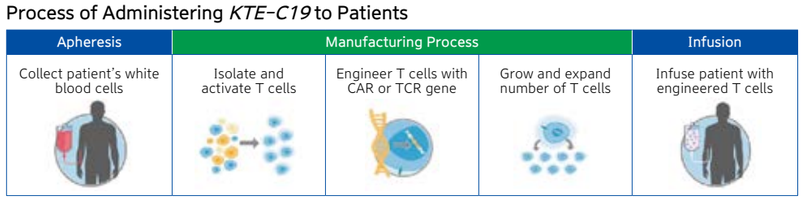
Cell Therapy Category	Definition	Applicable Daiichi Sankyo Compounds
Autologous	Made by cultivating and modifying cells taken from the patient	・*KTE-C19*
Allogeneic	Made by cultivating and modifying cells taken from a person other than the patient	・*DS-8100* (Heartcel™) ・iPS cell-derived cardiomyocyte sheet

KTE-C19 is a form of chimeric antigen receptor T (CAR-T), which is a cell therapy directed against CD19, an antigen expressed on the surface of B-cell malignant lymphoma cells. Applied via intravenous injection, this therapy is anticipated to demonstrate efficacy against recurrent and refractory malignant lymphoma. *KTE-C19* has been granted Breakthrough Therapy Designation by the U.S. FDA, and started rolling submission in the United States in December 2016 and was completed in March 2017. In Europe, *KTE-C19* has received Priority Medicines (PRIME) Designation from the European Medicines Agency and aim to file application for approval during fiscal 2017.

In Japan, we are engaging in discussions with the relevant authorities as part of preparations for commencing clinical trials.

The diagram below details the steps leading up to the administration of genetically modified T cells to patients. White blood cells extracted from patients are sent to a cell processing facility, where a viral vector is used to introduce the chimeric antigen receptor gene into the T cells taken from the patient to make *KTE-C19*. The engineered cells are then administered to the patient intravenously for treatment.

Process of Administering *KTE-C19* to Patients



(4) Other Cancer-Related Research Alliances

The following table shows cancer-related research alliances with research institutions that took place in fiscal 2016.

Start of Alliance	Partner	Alliance Details
May 2016	Astellas Pharma Inc., Takeda Pharmaceutical Company Limited	Establish basis of biomarker data
September 2016	Zymeworks Inc.	Joint discovery research and cross-licensing related to bi-specific antibodies
October 2016	AgonOx, Inc	Joint immuno-oncology research
October 2016	Dana-Farber Cancer Institute, Inc.	Pre-clinical research collaboration focused on lung cancer
December 2016	DarwinHealth, Inc.	Research alliance for establishing oncology field development strategies and prioritizing investigational compounds
December 2016	Sysmex Corporation, Astellas Pharma Inc.	Creation of a method for analyzing circulating tumor cells
March 2017	National Institutes of Biomedical Innovation, Health and Nutrition, Mitsubishi UFJ Capital Co., Ltd.	Open innovation research on new cancer immunotherapy

2. Pain

(1) Drug Discovery and Licensing Agreement with Heptares

In March 2017, Daiichi Sankyo entered into a drug discovery and research technology licensing agreement with Heptares Therapeutics Limited of the United Kingdom focused on G protein-coupled receptor (GPCR), which plays a role in alleviating pain. GPCR is known to contribute to various types of pain, and pharmaceuticals controlling the functioning of GPCR can be expected to be effective at alleviating pain. Through this agreement, Heptares Therapeutics' crystallization technology will be utilized to gain information on the structure of proteins in order to predict the type of compounds that will affect proteins. We anticipate that this process will allow for rational pharmaceutical design and thereby help accelerate the speed and increase the success of drug discovery ventures. Together with Heptares Therapeutics, Daiichi Sankyo will seek out new compounds and evaluate their safety and efficacy through animal experiments in a drive to jointly develop new pain treatments.

3. Central Nervous System Diseases

(1) Alliance with University of California San Francisco Institute for Neurodegenerative Diseases

Since April 2014, Daiichi Sankyo has been jointly researching drugs and diagnostic agents for various neurodegenerative diseases together with the University of California San Francisco Institute for Neurodegenerative Diseases (UCSF-IND). Established in 1999, the UCSF-IND is a world-leading academic research institution specializing in neurodegenerative diseases. Led by the institute's director, Professor Stanley B. Prusiner, a Nobel laureate, the UCSF-IND is utilizing the experience and insight it has gained through years of research in the field of prions (infectious agents composed of proteins) to advance research and development of drugs and diagnostic agents for various neurodegenerative diseases.

4. Heart and Kidney Disease

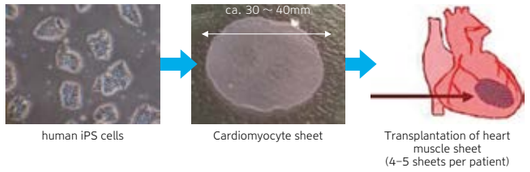
(1) In-Licensing Agreement with Celixir (*DS-8100*: *Heartcel* Cell Therapy)

In May 2016, we concluded an in-licensing agreement with U.K.-based Cell Therapy Ltd. (Celixir at present), where Nobel laureate Professor Martin Evans work as chief science officer, for *Heartcel*, an allogeneic cell (cell from a person other than the patient) therapeutic agent for ischemic heart failure currently in development. Under this agreement, Daiichi Sankyo will be responsible for development and sales of *Heartcel* in Japan. Preparations for development are currently being made.

Compound	Production Method
DS-8100 (*Heartcel*)	Derived from somatic stem cells (which possess pluripotency) isolated from healthy individuals that, based on cultivation under certain conditions, have been modified to show a treatment effect on cardiac disorders; unlike iPS cells, gene transfers do not take place
iPS cell-derived cardiomyocyte sheet	Heart muscle cells (iPS cardiomyocyte) made using human iPS cells; by introducing specific genes into somatic cells (which do not possess pluripotency), cells are reset to a state in which they had pluripotency (pluripotent stem cells); made through gene transfers

(2) Collaboration with Venture Company Originating from Osaka University (iPS Cell-Derived Cardiomyocyte Sheet)

In August 2017, Daiichi Sankyo concluded an agreement that will entail investment in Cuorips Inc., a venture company originating from Osaka University, and the acquisition of global sales rights for the induced pluripotent stem cell (iPS cell)-derived cardiomyocyte sheet developed by this company. This product is made using iPS cells, which can multiply almost indefinitely and have the ability to be differentiated into various tissue and organ cells. These cells are thus anticipated to be highly viable for use in cell therapy going forward. The iPS cell-derived cardiomyocyte sheet is an allogeneic cell therapeutic product (a product made by cultivating and modifying cells taken from a person other than the patient) comprised of human iPS cells that have been differentiated into cardiomyocyte cells and then processed into sheets. This product is expected to be beneficial for treating severe heart failure, a condition for which no viable treatment exists aside from the transplantation of a human heart or artificial heart. It should be possible to improve heart functioning and recovery from heart failure by implanting this product into the heart of a patient suffering from severe heart failure.



Daiichi Sankyo is researching the iPS cell-derived cardiomyocyte and potential manufacturing methods, and is currently developing efficient production technologies for this product with a view toward practical application. Going forward, we will advance discussions with Cuorips with the aim of engaging in joint development so that we can work together to be the first in the world to commercialize severe heart failure treatments using iPS cell-derived cardiomyocyte sheets.

5. Rare Diseases

(1) Joint Development with Orphan Disease Treatment Institute (*DS-5141*: Nucleic Acid Drug)

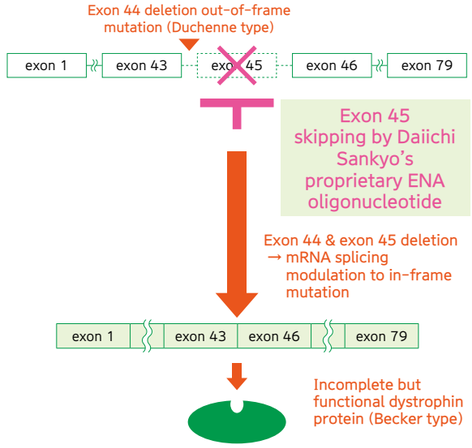
DS-5141 is a treatment drug for Duchenne muscular dystrophy (DMD) that is being developed together with Orphan Disease Treatment Institute Co., Ltd.*, and that went into phase 1/2 studies in Japan in February 2016. This is the first for the drug which has been submitted to clinical trials. DMD is a disease that has the same rate of occurrence in people from all ethnic backgrounds and is known to occur in roughly one out of every 3,500 boys. Many of the people affected by this incredibly serious and rare X-linked recessive condition (a genetic condition that expresses difference in sex) do not survive past their 20s or 30s. DMD prevents the production of dystrophin proteins in muscle cells, and can therefore lead to a decline in motor functions, respiratory failure, or cardiomyopathy. *DS-5141* is a nucleic acid drug that helps combat this condition by stimulating the production of imperfect but still functional dystrophin proteins. Moreover, the drug utilizes our ENA nucleic acid modification technology and has demonstrated exceptionally high efficacy in animal experiments.

ENA is an ethylene-bridged nucleic acid in which ethylene is bridged at the furanose sugar ring at 2'-O and 4'-C ends. ENA and other ENA oligonucleotides, which are short-chain nucleic acids, demonstrate high binding force with complementary DNA and RNA as well as superior thermal stability and nuclease resistance.

DS-5141 was granted SAKIGAKE Designation by the Ministry of Health, Labour and Welfare in April 2017. We are advancing development of *DS-5141b* in close coordination with specialists with the hopes of quickly delivering this drug to patients awaiting an effective treatment.

* Orphan Disease Treatment Institute: A company that was established in 2013 through joint investment by Innovation Network Corporation of Japan, a fund operated by Mitsubishi UFJ Capital Co., Ltd., and Daiichi Sankyo

Mechanism of Duchenne Muscular Dystrophy and Concept of ENA® Oligonucleotide-Induced Exon Skipping



- Exons are the base sequences of genes, which possess the information necessary for synthesizing proteins. Proteins are created when exons are linked and translated.
- If, for example, a DMD patient lacks exon 44, the gene information will not be able to be read properly and proteins will not be made.
- Exon skipping entails skipping exons to create imperfect versions of the target protein. In the example above, exon 45 would be skipped to link exon 43 and 46.

Strategic Target Enhance Profit Generation Capabilities

1. 5-Year Business Plan and its Progress

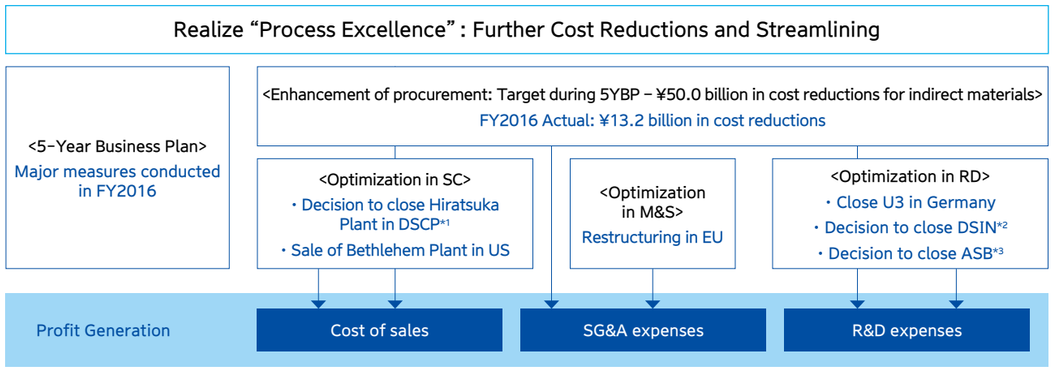
(1) 5-Year Business Plan

The Daiichi Sankyo Group is transforming on various fronts to realize its 2025 Vision of striving to become a "Global Pharma Innovator with competitive advantage in oncology."

A specific goal toward realizing this vision is to enhance profit generation capabilities, which will be accomplished by optimizing operating structures, repositioning bases, and taking other steps to revise processes and costs. Through these efforts, we aim to achieve what we call "process excellence." Various initiatives are being accelerated to this end.

By enhancing profit generation capabilities, we aim to grow beyond the LOE for *olmesartan* and achieve operating profit of ¥165.0 billion in fiscal 2020. A particular focus will be the procurement of indirect materials*, an area in which we will be optimizing procurement processes in pursuit of aggregate reductions of ¥50.0 billion over the period of the 5-year business plan.

* Excludes direct materials (raw materials, other materials, and procured articles)



*1 DSCP: Daiichi Sankyo Chemical Pharma Co., Ltd. in Japan
*2 DSIN: Daiichi Sankyo India Pharma Private Ltd.
*3 ASB: Asubio Pharma Co., Ltd., in Japan

(2) Progress to Date

Various initiatives are being advanced with the aim of optimizing all business. In fiscal 2016, one such initiative was the reorganization of our European marketing system, which was conducted centered on France. In addition, we resolved to close the Hiratsuka Plant of Daiichi Sankyo Propharma Co., Ltd., in Japan and sold the Bethlehem Plant of DSI in the United States in order to further optimize our global production systems.

Measures for optimizing our R&D system included finalizing the closures of U3 Pharma GmbH in Germany, Daiichi Sankyo India Pharma Private Ltd. in India, and Asubio Pharma Co., Ltd., in Japan. In this manner, we pursued selection and concentration across the Daiichi Sankyo Group.

With regard to raw materials and other direct materials, we advanced price negotiations based on global procurement volumes, examined low-cost production processes from a technical standpoint, and implemented other activities for reducing manufacturing costs in all areas. These initiatives led to manufacturing cost reductions of more than ¥10.0 billion in fiscal 2016.

In addition, we pursued our indirect material procurement cost reduction target of an aggregate ¥50.0 billion reduction over the period of the 5-year business plan with a focus on optimizing procurement processes. Specific measures included promoting global management of contract resource outsourcing expenses, transportation expenses, IT expenses, capital investments, and other outlays. As a result, we succeeded in reducing indirect material procurement costs ¥13.2 billion in fiscal 2016.

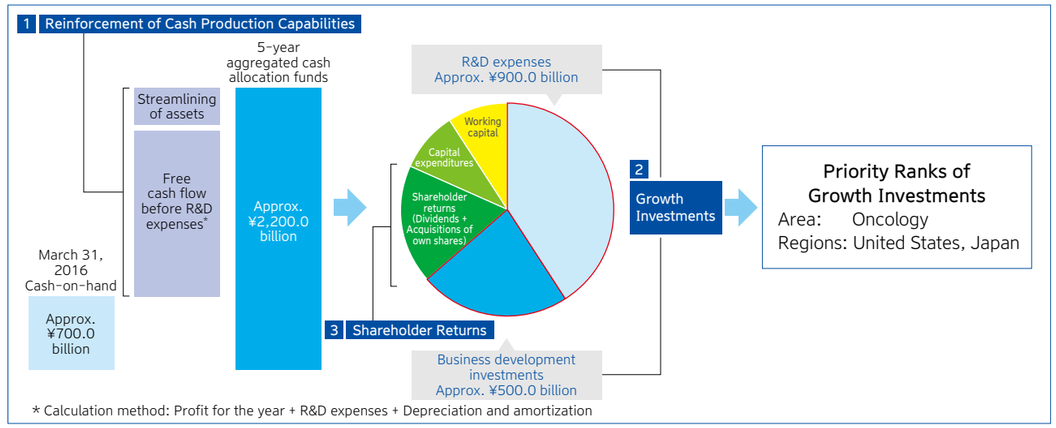
(3) Future Initiatives

Daiichi Sankyo's drive to enhance profit generation capabilities will continue, and aggressive promotion of process excellence will be a major part of this undertaking. As part of these efforts, we will pursue optimization across all businesses along with massive, groupwide cost reductions and efficiency improvements, which will primarily be accomplished through the reinforcement of procurement functions.

Growth Investments and Shareholder Returns

Under the 5-year business plan, our policy will be to prioritize growth investments while also enhancing shareholder returns.

On March 31, 2016, cash-on-hand totaled roughly ¥700.0 billion. Our activities over the five years of the plan will be funded by this cash as well as the approximately ¥2,200.0 billion to be generated in the form of free cash flow before R&D expenses (Profit before R&D expenses, depreciation and amortization) and cash recovered through asset downsizing. As for specific allocations, we plan to conduct growth investments of ¥900.0 billion in R&D expenses and ¥500.0 billion in business development. The remainder of the funds will be used for shareholder returns, capital expenditure, and working capital.



* Calculation method: Profit for the year + R&D expenses + Depreciation and amortization

1. Reinforcement of Cash Production Capabilities

(1) Free Cash Flow before R&D Expenses

Free cash flow before R&D expenses will be increased by achieving process excellence throughout the Daiichi Sankyo Group.

(2) Asset Streamlining

Proactive asset streamlining will be practiced to generate additional cash flows.

(1) Increase in free cash flow before R&D expenses

(2) Streamlining of assets

Current assets	a. Shorten CCC*
Fixed assets	b. Liquidate non-core assets Optimize capital expenditure
Securities	c. Reduce cross-shareholding shares

* CCC: Cash conversion cycle

a. Shortening of the Cash Conversion Cycle

Optimizing inventories is a goal we will aggressively pursue on a global basis in order to shorten the cash conversion cycle. By categorizing all items, we will implement exhaustive inventory management measures, with specific measures being deployed on a global and regional basis to establish systems for supporting such management. At the same time, we will also work to maintain stable supplies while achieving industry-leading levels of inventory management.

b. Liquidation of Non-Core Assets and Optimization of Capital Expenditure

We aim to liquidate non-core assets at the most ideal timing. With regard to real estate held by the Company, this judgment will be made by considering necessity to business activities, ability to be replaced, evaluations of life-cycle costs (maintenance costs needed to maintain functions subject to deterioration and renovation costs required to improve necessary performance aspects) and business continuity plans (BCPs), and market conditions.

c. Reduction of Cross-Shareholding Shares

The Company engages in cross-shareholdings of listed stocks when such holdings are judged to contribute to the maintaining and strengthening of long-term business relationships and subsequently to the improvement of corporate value. However, we seek to reduce the total amount of cross-shareholding shares to a level that is appropriate from the perspective of capital efficiency.

2. Growth Investments

Daiichi Sankyo will actively make growth investments to achieve the goals of the 5-year business plan. The Company is planning growth investments of ¥900.0 billion in R&D expenses and ¥500.0 billion in business development. In conducting these investments, our top priority will be to acquire oncology products and pipelines, and the United States and Japan will be defined as priority regions. Investment will be made as appropriate based on these polices.

3. Shareholder Returns

Our policy for shareholder returns will be to seek a total return ratio* of 100% or more over the period of the 5-year business plan and issue annual ordinary dividends of more than ¥70 per share. While continuing stable dividend payments, we will conduct flexible acquisitions of treasury shares.

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

Shareholder Returns Policy during 5YBP*

- Total return ratio: 100% or more
- Annual ordinary dividend: More than ¥70
- Flexible acquisition of own shares

* 5YBP: 5-year business plan (FY2016-FY2020)

4. Progress to Date

(1) Capital Investments

Efficient investments were carried out based on the priority ranks of each business. In addition, capital investments totaling ¥15.0 billion were approved for bolstering ADC production systems in order to facilitate the establishment of an oncology business.

(2) Reduction of Cross-Shareholding Shares

In fiscal 2016, the Company sold its holdings of 14 different stocks for a total amount of ¥17.3 billion. Going forward, the Board of Directors will periodically evaluate the rationale of listed shareholdings. The decision whether or not to sell those holdings that are deemed to lack meaning will be made based on a comprehensive evaluation of factors including impact on the market, and those that are to be sold will be done so sequentially.

(3) Issuance of Super-Long-Term Unsecured Corporate Bonds

Taking advantage of the continuation of low interest rates, Daiichi Sankyo issued super-long-term unsecured corporate bonds with maturity periods of 20 and 30 years in July 2016. These bonds were the first of their kind to come from the healthcare sector in Japan. Through these bonds, we procured ¥100.0 billion worth of funds with low, stable, long-term costs. Both the 20- and 30-year bonds have fixed interest rates. Those rates are 0.81% and 1.20%, respectively.

(4) Shareholder Returns

Daiichi Sankyo is targeting a total return ratio of 100% or more over the period of the 5-year business plan. In fiscal 2016, this ratio was 180.7% on a single-year basis.

Standard dividend payments were raised to ¥70 per share in fiscal 2016, from the ¥60 per share in fiscal 2015 and earlier. We plan to issue standard dividend payments of ¥70 in fiscal 2017 as well.

In addition, Daiichi Sankyo acquired approximately 20,650,000 of its own shares for approximately ¥50.0 billion on the open market in fiscal 2015 and then acquired an additional 20,250,000 for another ¥50.0 billion in fiscal 2016.

In order to achieve sustainable growth in corporate value, Daiichi Sankyo will continue to conduct investments essential for implementing its growth strategies while returning profit to shareholders.

		FY2015 Results	FY2016 Results	FY2017 Plan	(Target during 5YBP)
Total return ratio		118.9%	180.7%		100% or more
Dividend	Ordinary dividend	¥60	¥70	¥70	more than ¥70
	Anniversary dividend	¥10	—	—	—
Acquisition of own shares		¥50.0 billion	¥50.0 billion	Flexible	Flexible

Operations and Financial Position

Summary of Financial Results in Fiscal 2016

Revenue	Operating Profit	Profit before Tax	Profit attributable to owners of the Company
¥955.1 billion (3.2% down)	¥88.9 billion (31.8% down)	¥87.8 billion (28.3% down)	¥53.5 billion (35.0% down)

Consolidated revenue in fiscal 2016 decreased ¥31.3 billion, or 3.2% year on year, to ¥955.1 billion.

Looking at expenses, cost of sales increased ¥30.8 billion year on year, with selling, general and administrative expenses (SG&A) decreasing ¥26.3 billion and research and development expenses increasing ¥5.7 billion. As a result, operating profit decreased ¥41.5 billion, or 31.8% year on year, to ¥88.9 billion.

Profit before tax was ¥87.8 billion, and profit attributable to owners of the Company decreased ¥28.8 billion, or 35.0% year on year, to ¥53.5 billion.

As for average exchange rates over fiscal 2016, the yen appreciated ¥11.72 against the U.S. dollar compared to fiscal 2015, with ¥108.42 equaling U.S.$1, and ¥13.73 against the euro, with ¥118.84 equaling €1.

Consolidated Financial Results

(Billions of yen)

	FY2015 Results	FY2016 Results	YoY
Revenue	986.4	955.1	−31.3 −3.2%
Cost of Sales	318.6	349.4	30.8
SG&A Expenses	328.8	302.5	−26.3
R&D Expenses	208.7	214.3	5.7
Operating Profit	130.4	88.9	−41.5 −31.8%
Profit before Tax	122.4	87.8	−34.6 −28.3%
Profit attributable to owners of the Company	82.3	53.5	−28.8 −35.0%

Yen Exchange Rates for Major Currencies (Average rate for year)

	FY2015 Results	FY2016 Results	YoY
USD / JPY	120.14	108.42	−11.72
EUR / JPY	132.57	118.84	−13.73

Consolidated Financial Results for Fiscal 2016

1. Revenue

Consolidated revenue in fiscal 2016 **decreased ¥31.3 billion**, or 3.2% year on year, to **¥955.1 billion**.

The impacts of yen appreciation placed downward pressure on revenue to the extent of **¥41.6 billion**. When the impacts of foreign exchange influences are excluded, revenue was **up ¥10.3 billion** year on year.

Factors behind revenue movements, when the impacts of foreign exchange influences are excluded, included the following.

Although **Japan Business**, which include domestic pharmaceutical operations and the vaccine and OTC businesses, were impacted by national health insurance (NHI) drug price revisions, revenues from *LIXIANA*, an anticoagulant, grew substantially. Large year-on-year increases in revenue were also seen centered on mainstay products such as *TENELIA,* a type 2 diabetes mellitus treatment; *Inavir,* an anti-influenza treatment; *Efient*, an antiplatelet agent; *PRALIA*, an osteoporosis treatment; *Memary*, an Alzheimer's disease treatment; and *NEXIUM*, an ulcer treatment. However, revenues from *Loxonin*, an anti-inflammatory analgesic, and other long-offered products declined due to the increased prescription of generic drugs.

Meanwhile, revenue surged at **Daiichi Sankyo Healthcare Co., Ltd.**, which acquired direct marketing company Im Co., Ltd., in fiscal 2015.

As a result, overall revenue from operations in Japan **rose ¥24.9 billion year on year**.

In the United States, **revenue from Daiichi Sankyo, Inc. declined ¥27.4 billion year on year**, despite contributions from *Effient*, an antiplatelet agent, and *MOVANTIK*, a treatment for opioid-induced constipation, following decreases in sales of *olmesartan*, an antihypertensive agent, resulted from the loss of exclusivity (LOE) for this drug in October 2016.

Meanwhile, **Luitpold Pharmaceuticals, Inc.**, the United States, saw **revenue increase ¥6.6 billion year on year**, following higher sales of *Injectafer*, a treatment for iron deficiency anemia.

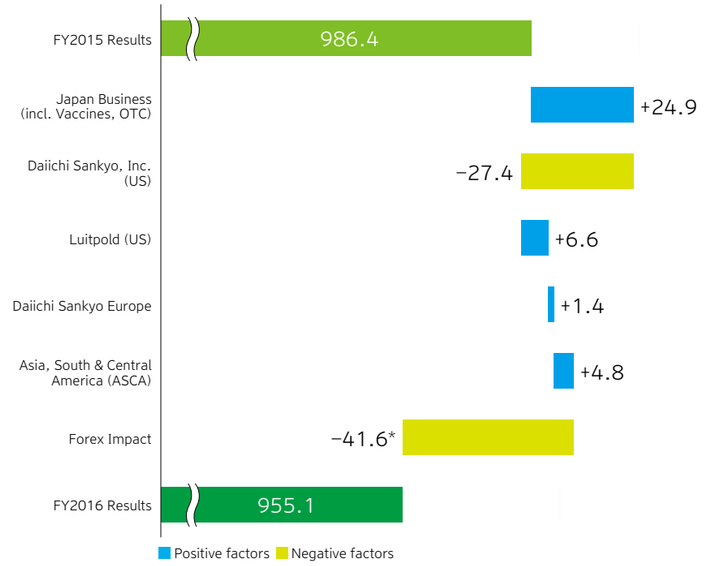
Revenue at Daiichi Sankyo Europe GmbH increased ¥1.4 billion year on year due to contributions from *LIXIANA* and *Efient*.

In the Company's **operations in Asia, South & Central America (ASCA), revenue was up ¥4.8 billion year on year.**

Revenue

Decreased by ¥31.3 billion (Increased by ¥10.3 billion excl. forex impact)

(Billions of yen)



Japan

Positive:	*LIXIANA*	+12.0	*TENELIA*	+7.6
	Inavir	+5.5	*Efient*	+5.5
	PRALIA	+5.5	*Memary*	+4.4
	NEXIUM	+1.6		
Negative:	*Loxonin*	−10.7	*Olmetec*	−4.4
	Artist	−4.4	*Cravit*	−3.3

DSHC (OTC) +13.4

Global (excl. Forex Impact)

Daiichi Sankyo, Inc.:	*Olmesartan*	−38.1
	Effient	+3.9
	MOVANTIK	+2.6
	Welchol	+2.0
Luitpold:	*Injectafer*	+7.9
Daiichi Sankyo Europe:	*Olmesartan*	−10.7
	LIXIANA	+9.2
	Efient	+3.5

* Forex impact
USD: −25.4
EUR: −8.3
ASCA: −8.0

2. Operating Profit

Operating profit **decreased ¥41.5 billion**, or 31.8% year on year, to **¥88.9 billion**.

One reason behind this decrease in profit was the **¥31.3 billion decrease in revenue**, itself a result of downward pressure to the extent of ¥41.6 billion placed on revenue by foreign exchange influences.

In terms of expenses, **foreign exchange influences** caused a total decrease of **¥38.1 billion** in expenses. Of this decrease, ¥11.4 billion was in cost of sales, ¥16.6 billion was in SG&A expenses, and ¥10.1 billion was in research and development expenses. **Special items factors*** resulted in a year-on-year increase of **¥21.9 billion** in expenses in fiscal 2016. Factors behind operating profit movements, when the impacts of foreign exchange influences and special items are excluded, included the following.

Cost of sales was **up ¥21.0 billion year on year** as revenue increased when the impacts of foreign exchange influences are excluded and because the ratio of cost of sales to revenue rose due to the impacts of NHI drug price revisions.

SG&A expenses decreased ¥11.6 billion due to the benefits of cost-cutting measures in the United States, while **research and development expenses increased ¥16.9 billion** following progress in *edoxaban* life-cycle management initiatives and oncology projects.

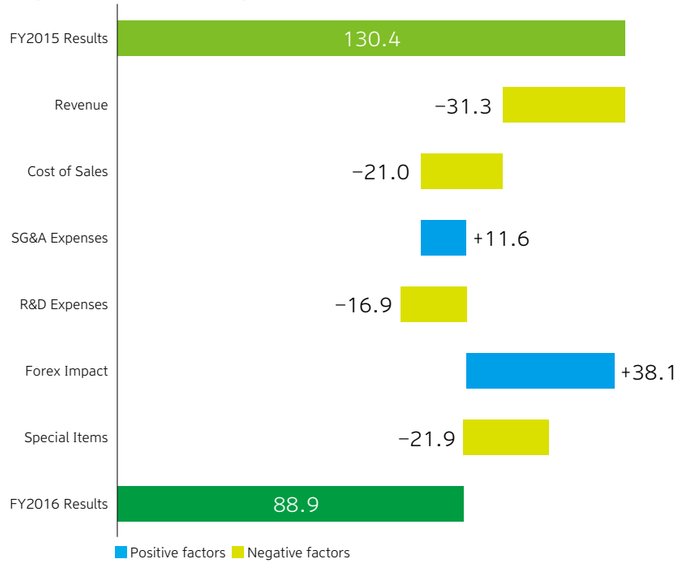
Due to the above, operating profit in fiscal 2016 decreased ¥41.5 billion year on year, to ¥88.9 billion. When the impacts of foreign exchange influences (¥38.1 billion decrease in expenses) and special items (¥21.9 billion increase in expenses) are excluded, **operating profit was up ¥16.1 billion.**

* Large, one-time movements in operating profit including profit and losses related to sales of fixed assets, business reorganizations, impairment losses, and litigations of more than ¥1.0 billion each

Operating Profit

Decreased by ¥41.5 billion (Decreased by ¥16.1 billion excl. forex impact and special items)

(Billions of yen)



Revenue −31.3
Incl. forex impact −41.6

Cost of Sales +21.0
Increase in revenue excl. forex impact
Impact of price revision in Japan

SG&A Expenses −11.6
Impact of restructuring in U.S., etc.

R&D Expenses +16.9
Progress of projects
(*Edoxaban* LCM, Oncology PJs)

Forex Impact −38.1
Cost of Sales −11.4
SG&A Expenses −16.6
R&D Expenses −10.1

Special Items +21.9
Cost of Sales +21.2
SG&A Expenses +1.9
R&D Expenses −1.1

(1) Special Items

In fiscal 2015, business restructuring expenses were recorded in U.S. operations, and we also sold subsidiaries along with property, plant and equipment, making for a combined total increase in expenses of ¥18.5 billion. In fiscal 2016, increases in expenses from extraordinary factors amounted to ¥40.4 billion, ¥21.9 billion higher than in fiscal 2015. Specific sources of expenses included reorganizations of supply chain and R&D structures and operations in Europe as well as an impairment loss related to Kitasato Daiichi Sankyo Vaccine Co., Ltd.

Special Items

(Billions of yen)

	FY2015 Results		FY2016 Results		YoY
Cost of Sales	Gain on sales of subsidiary	−2.4	Restructuring costs in SC	3.6	21.2
	Gain on sales of fixed assets	−1.1	Impairment loss (Vaccine)	20.6	
	Impairment loss (Intangible)	1.9			
	Restructuring costs in SC	4.6			
SG&A Expenses	Restructuring costs in US	15.2	Restructuring costs in EU	10.6	1.9
	Restructuring costs in EU	2.9	Impairment loss (Vaccine)	1.0	
	Gain on sales of fixed assets	−8.2			
R&D Expenses	Restructuring costs in R&D	5.6	Restructuring costs in R&D	2.5	−1.1
			Impairment loss (Vaccine)	0.2	
			Impairment loss (Intangible)	1.8	
Total		18.5		40.4	21.9

(2) Impairment Loss in Vaccine Business

Kitasato Daiichi Sankyo Vaccine Co., Ltd. (KDSV), recorded an impairment loss of ¥21.9 billion on property, plant and equipment and intangible assets due to delays in multiple development projects, most notably the MMR vaccine, a trivalent combination vaccine for the measles, mumps, and rubella.

As a result of the impairment losses, KDSV has incurred excess liabilities to the extent of nearly ¥23.0 billion. Daiichi Sankyo has chosen to address this situation by increasing its investment in this company by approximately ¥40.0 billion in order to fortify its financial position.

Looking ahead, we will implement various measures to reduce cost of sales and other expenses at KDSV in order to quickly achieve a position of profitability. At the same time, we will seek to maintain vaccine quality and ensure a stable supply as we move ahead with the development and launch of new products with the aim of growing profits over the medium-to-long term.

3. Profit Attributable to Owners of the Company

Profit attributable to owners of the Company decreased ¥28.8 billion, or 35.0% year on year, to ¥53.5 billion.

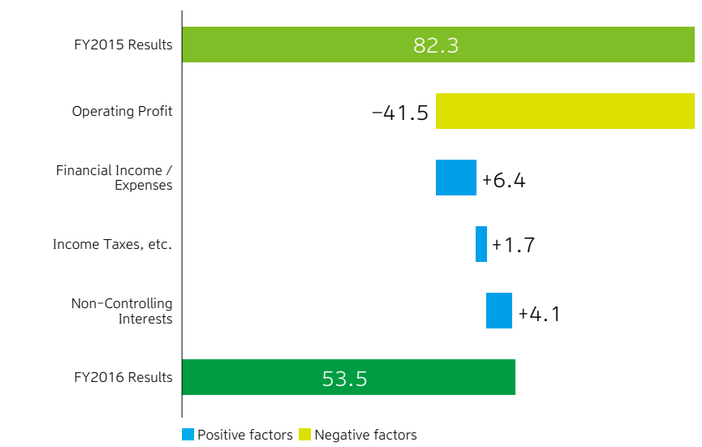
A contributor to this outcome was the fact that operating profit decreased ¥41.5 billion year on year when the impacts of foreign exchange influences (¥38.1 billion decrease in expenses) and special items (¥21.9 billion increase in expenses) are included.

Net financial expenses decreased ¥6.4 billion year on year due to a reduction in foreign exchange losses and the absence of the financial expenses recorded in fiscal 2015 in relation to payments regarding the sale of Sun Pharmaceutical Industries Ltd.'s shares.

After incorporating the impact of the impairment loss at KDSV on non-controlling interests, profit attributable to owners of the Company came to ¥53.5 billion.

Profit Attributable to Owners of the Company
Decreased by ¥28.8 billion

(Billions of yen)



Financial Income / Expenses −6.4
Improvement of forex gains / losses
FY2015: Expenses relating to the sales of Sun Pharma shares, etc.

Higher tax rate due to impairment losses recorded by KDSV
Increase in non-controlling interests, etc.

* Excl. increase and decrease of share of profit or loss of investments accounted for using the equity method

Financial Results Forecasts for Fiscal 2017

1. Consolidated Financial Results

Revenue is forecast to decrease 2.6% year on year, to ¥930.0 billion, as the impacts of the loss of exclusivity for *olmesartan* come into full-swing. Performance forecasts excluding the impacts of special items from fiscal 2016 are as follows.

A rise in the ratio of cost of sales to revenue will be seen due to the heavy impact of the expected reduction in sales of *olmesartan*, which had a particularly high profit margin among Company products.

Despite the benefits of cost reductions and efficiency improvement measures, SG&A expenses are projected to increase following the expansion of the strategic alliance with Mitsubishi Tanabe Pharma Corporation and of alliances in China.

Research and development expenses will undergo a substantial decrease due to the conclusion of the phase 3 clinical trial for *mirogabalin* as well as the benefits of cost reductions and efficiency improvements arising from the optimization of R&D structures undertaken leading up to the previous fiscal year.

As a result, operating profit is forecasted to decrease 22.7% in comparison to the fiscal 2016 figure excluding special items, to ¥100.0 billion. Forecasts are based on an assumption of foreign exchange rates at ¥110 to the U.S. dollar and ¥120 to the euro.

FY2017 Consolidated Forecast

(Billions of yen)

	FY2016 Results (excl. special items)	FY2017 Forecast	YoY
Revenue	955.1	930.0	−25.1 [-2.6%]
Cost of Sales	325.2	340.0	14.8
SG&A Expenses	290.8	300.0	9.2
R&D Expenses	209.8	190.0	−19.8
Operating Profit	129.3	100.0	−29.3 [-22.7%]

Yen Exchange Rates for Major Currencies

(Average rate for year)

	FY2016 Results	FY2017 Results
USD / JPY	108.42	110.00
EUR / JPY	118.84	120.00

Major Business Units Revenue Forecast

(Billions of yen))

	FY2016 Results	FY2017 Forecast	YoY
Japan	506.6	536.0	29.4
Daiichi Sankyo Healthcare	66.7	69.0	2.3
Daiichi Sankyo, Inc.	142.3	62.0	−80.3
Luitpold	88.1	103.0	14.9
Daiichi Sankyo Europe	71.0	66.0	−5.0
Asia, South & Central America (ASCA)	72.1	84.0	11.9

2. Revenue Forecasts for Major Business Units

Higher revenue is expected for domestic pharmaceutical operations, the vaccine business, the healthcare business, Luitpold Pharmaceuticals of the United States, and the ASCA region due to rapid sales expansions for *edoxaban* in Japan and overseas, ongoing growth of major domestic products, and increased sales of Luitpold Pharmaceuticals' *Injectafer*. Conversely, Daiichi Sankyo, Inc. of the United States will suffer a massive decline in revenue as a result of the loss of exclusivity for *olmesartan*.

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.

The 5-year business plan sets forth a shareholder return policy that calls for a total return ratio* of 100% or more for the duration of the plan and regular 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.

Under this basic policy, Daiichi Sankyo acquired approximately 20,250,000 shares of its own stock for approximately ¥50.0 billion in fiscal 2016. In addition, annual dividends per share of ¥70 were issued, making for a total return ratio of 180.7%.

The Company plans to issue annual dividends per share of ¥70 in fiscal 2017.

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

Shareholder Returns

	FY2016 Results	FY2017 Plan	(Target during 5YBP)
Total return ratio	180.7%		100% or more
Annual dividends per share	¥70	¥70	more than ¥70
Acquisition of own shares	¥50.0 billion	Flexible	Flexible

The Daiichi Sankyo Group's Value Chain and Organization

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

R&D Unit

The R&D Unit is responsible for continually uncovering the "seeds" of new drugs and cultivating these seeds into innovative pharmaceuticals by refining them, taking them through pre-clinical and clinical trials, and receiving manufacturing and marketing approval.

Major CSR Initiatives

- Consideration for bioethics and genetic resources
- Clinical trials conducted in accordance with ICH-GCP

Pharmaceutical Technology Unit

The Pharmaceutical Technology Unit supplies high-quality investigational drugs, develops manufacturing processes for the drug substances and formulations needed to stably produce high-quality pharmaceuticals, and adds value to products through means such as making them easier to use.

Major CSR Initiatives

- Research on patient and healthcare professional needs to develop formulations

Supply Chain Unit

The Supply Chain Unit leverages our technological prowess to efficiently manufacture high-quality pharmaceuticals while supporting the swift launch of new products, the stable supply and quality assurance of products, and the ongoing pursuit of cost reductions.

Major CSR Initiatives

- Environmental management
- Sustainable procurement

R&D | Pharmaceutical Technology | Supply Chain

Marketing & Sales

Medical Affairs

Quality & Safety Management

Biologics Unit

The Biologics Unit is responsible for promoting research and development on biologics, which are prepared using genes, proteins, cells, viruses, and other substances derived from biological functions. It also collaborates with R&D and pharmaceutical technology functions in order to support the ongoing development of innovative biologics.

Major CSR Initiatives

- Consideration for bioethics and genetic resources

Quality & Safety Management Unit

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

Major CSR Initiatives

- Product quality and safety assurance

Medical Affairs Division

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

Major CSR Initiatives

- Compliance in clinical research
- Improvement of customer satisfaction

Marketing & Sales

Japan

Sales & Marketing Unit

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

Daiichi Sankyo Espha Co., Ltd.

Daiichi Sankyo Espha Co., Ltd., takes advantage of the reputation for reliability we have fostered as an innovative pharmaceutical manufacturer to develop a generic business centered on authorized generics (AGs)*.

* Authorized generic (AG): Generic drug manufactured after receiving consent from the manufacturer of the original drug through the receipt of patent rights. The same ingredients, additives, and manufacturing processes as the original drug are used to create a generic drug of the same quality as the original and authorized companies are granted priority permission to market these drugs ahead of other companies by using the patent rights

Vaccine Business Unit

The Vaccine Business Unit develops a vaccine business that creates the vaccines needed in Japan and makes comprehensive contributions to medicine in Japan through a stable supply of high-quality vaccines.

Daiichi Sankyo Healthcare Co., Ltd.

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

Overseas

United States

Daiichi Sankyo, Inc. (DSAC*)

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

* DSAC: Daiichi Sankyo, Inc., Administrative & Commercial Operations

United States

Luitpold Pharmaceuticals, Inc.

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

Europe

Daiichi Sankyo Europe GmbH

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

Asia, South & Central America (ASCA)

ASCA Company

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

Major CSR Initiatives

- Ethical marketing practices
- Energy-saving measures

Global Management Structure (As of April 1, 2017)

George Nakayama
Chairman and CEO

Sunao Manabe, DVM, Ph.D.
President and COO

Business Units

Japan

Satoru Kimura
Sales & Marketing Unit

Toshiaki Tojo, Ph.D.
Vaccine Business Unit

Yoshiki Nishii
Daiichi Sankyo Healthcare Co., Ltd.

United States

Ken Keller
Daiichi Sankyo, Inc. (DSAC)

Ken Keller
Luitpold Pharmaceuticals, Inc.

Europe

Jan Van Ruymbeke, MD.
Daiichi Sankyo Europe GmbH

Asia, South & Central America (ASCA)

Koji Ogawa
ASCA Company

Yoshihiro Aoyagi
General Counsel

Corporate Units

Kazunori Hirokawa, MD., Ph.D.
Corporate Strategy & Management Unit

Toshiaki Sai
Global Brand Strategy Unit

Stuart Mackey
Business Development Unit

Yoshihiro Aoyagi
Corporate Affairs Unit

Functional Units

Glenn Gormley, MD., Ph.D.
R&D Unit

Masayuki Yabuta, Ph.D.
Biologics Unit

Takeshi Hamaura, Ph.D.
Pharmaceutical Technology Unit

Katsumi Fujimoto, Ph.D.
Supply Chain Unit

Hirosumi Izawa
Quality & Safety Management Unit

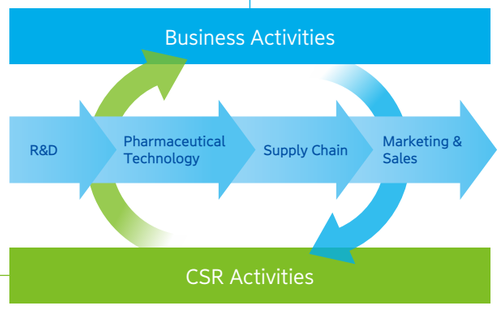
This section provides detailed explanations of the business activities (business units and functional units) and the CSR activities.

Business Activities

Business Units

Functional Units

CSR Activities



Business Units (Japan)

Sales & Marketing Unit

(Innovative Pharmaceuticals Business)

As an ethical, trusted, and respected partner that is worthy of the position as the No. 1 pharmaceutical company in Japan, the Sales & Marketing Unit contributes to the progress of medicine in Japan by continually providing high-quality innovative pharmaceuticals and accurate information to ensure patients can feel safe undergoing treatments.

Sales & Marketing Unit 5-Year Business Plan

- Enhance our reputation as an ethical, trusted, and respected partner
- Advance field and product strategies based on information provision activities (BRIDGE*)
- Construct systems and functions compatible with operating environment changes
- Promote multichannel approach

* Bright Days Together (BRIDGE): By providing accurate information and products with an emphasis on the importance of interpersonal connections, we aim to form a bridge to bright days for patients, their families, and healthcare professionals. In addition, we hope that our ongoing efforts in this area will enhance Daiichi Sankyo's reputation as an ethical, trusted, and respected partner.

Major Achievements in Fiscal 2016

• Achieved revenue of ¥447.8 billion (up 1.9% year on year)

Revenue was impacted by national health insurance (NHI) drug price revisions and increased prescriptions of generic drugs. Nonetheless, overall revenue was up due to increased revenues from mainstay products, including *LIXIANA*, an anticoagulant; *NEXIUM*, an ulcer treatment; *Memary*, an Alzheimer's disease treatment; *PRALIA*, an osteoporosis treatment; *RANMARK*, a treatment for bone metastasis associated with cancer; *Efient*, an antiplatelet agent; and *TENELIA*, a type 2 diabetes mellitus treatment.

• MRs ranked No. 1 for fifth consecutive year

In fiscal 2016, Daiichi Sankyo was ranked No. 1 in Japan in an overall assessment of MR activities in both the entire market and the hospital and private practice market categories*. In the entire market category, we have maintained the top ranking for five consecutive years beginning with fiscal 2012. In addition, we have also been ranked No. 1 in media surveys by Nikkei Medical and other publications.

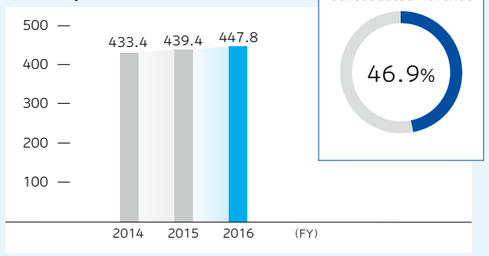
* Survey conducted by ANTERIO Inc.

• All MRs pass certificate test for seventh consecutive year

All MRs have passed the certificate test held in December for the seventh consecutive year since fiscal 2010.

Innovative Pharmaceutical Revenue

(Billions of yen)



Percentage of Total Consolidated Revenue

Initiatives for Fiscal 2017

• Achieve rapid growth in sales of mainstay innovative pharmaceuticals

We will continue to expand our business by achieving rapid growth in sales of mainstay innovative pharmaceuticals, including *LIXIANA* as well as *NEXIUM*; *Efient*; type 2 diabetes mellitus treatment *TENELIA*, *CANAGLU*, and *CANALIA*; *PRALIA*; *RANMARK*; and epilepsy treatment *VIMPAT*.

• Build upon MR activities based on BRIDGE

By providing accurate information and products with an emphasis on the importance of interpersonal connections, we aim to form a bridge to bright days for patients, their families, and healthcare professionals. In addition, we hope that our ongoing efforts in this area will enhance Daiichi Sankyo's reputation as an ethical, trusted, and respected partner.

• Promote and enhance area marketing

We will commence full-fledged operation based on the area marketing system we have been building throughout fiscal 2016 and prior, which entailed reorganizing sales offices and teams within medical community areas and appointing staff responsible for supporting community medical collaboration. With this new system in place, we will deploy and accelerate marketing activities based on regional characteristics as we pursue sustainable growth as an ethical, trusted, and respected partner.

• Enhance information provision capabilities through multichannel approach

By incorporating a multichannel approach utilizing lectures, e-promotions, and other venues in information provision activities by MRs, we will endeavor to provide information that is even more valuable in greater quantities.

• Promote compliance

We exercise thorough compliance with a strong focus on acting with the highest level of ethics and social consciousness, which is essential for a life science-oriented company, in order to further increase society's trust in Daiichi Sankyo.

Examples of CSR Activities

• Initiatives to become a trusted medical partner to healthcare professionals and patients Page 80

Business Units (Japan)

Sales & Marketing Unit: Daiichi Sankyo Espha Co., Ltd.

(Generic Business)

Daiichi Sankyo Espha takes advantage of the reputation for reliability and peace of mind we have fostered as an innovative pharmaceutical manufacturer to act as an innovator in the domestic generic pharmaceutical industry. With an emphasis on quality control, stable supply, information provision, and affordability, we will contribute to national healthcare in a rapidly aging Japan.

Daiichi Sankyo Espha Co., Ltd., 5-Year Business Plan

- Strengthen authorized generic (AG)*1 lineup
- Steadily launch AGs and other day-one generics*2 and secure market shares
- Step up coordination with partners in Japan and overseas

*1 Authorized generic (AG): Generic drug manufactured after receiving consent from the manufacturer of the original drug through the receipt of patent rights

*2 Day-one generics: Generic drugs launched on the first day that sale of a generic is possible

What are Authorized Generics?

Authorized generics are generic drugs manufactured after receiving consent from the manufacturer of the original drug through the receipt of patent rights. The same ingredients, additives, and manufacturing processes as the original drug are used to create a generic drug of the same quality as the original and authorized companies are granted priority permission to market these drugs ahead of other companies by using the patent rights.

Major Achievements in Fiscal 2016

• Achieved revenue of ¥20.2 billion (up 9.2% year on year)

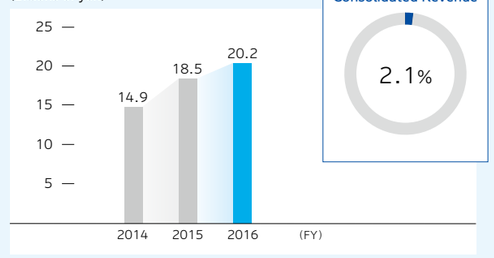
Although revenue was impacted by the NHI drug price revisions instituted in April 2016, we were able to achieve revenue growth that exceeded the market average thanks to government measures for promoting generic usage and the benefits of new products. *Levofloxacin tablet*, which was launched in December 2014 as the Group's first AG in Japan, continued to earn strong praise, maintaining a share of approximately 50% of the generic market.

• Expanded product portfolio

We launched generic drugs with two new active ingredients in June 2016 and two new ingredients in December, bringing our total portfolio to 163 products with 64 active ingredients. In order to strengthen our AG lineup, a central pillar of our 5-year business plan, we acquired manufacturing and marketing approval for AGs with 10 new active ingredients in February 2017, including AGs for such major drugs as *olmesartan*, the *telmisartan* family, and *rosuvastatin*. These products were not limited to AGs of Daiichi Sankyo products but also included AGs for which permission was acquired from other companies.

Daiichi Sankyo Espha Revenue

(Billions of yen)



Percentage of Total Consolidated Revenue

Initiatives for Fiscal 2017

• Reinforce operating foundations and prepare to launch major products

The multiple AGs for which manufacturing and marketing approval was acquired in February 2017 will no doubt make large contributions to earnings in fiscal 2017 and beyond. Accordingly, we will work to ensure smooth launches of these products.

• Improve recognition and understanding regarding AGs

The Japanese government has set the goal of raising the portion of the pharmaceutical market represented by generic drugs to more than 80% on a unit basis. Accomplishing this goal will require the development of an environment in which both healthcare professionals and patients are able to more proactively choose generics.
Daiichi Sankyo Espha is working to improve recognition and understanding regarding AGs to make patients with concerns regarding generics more willing to choose AGs among other generics.

Examples of CSR Activities

• Provision of information on premium generics featuring formulation, display, and packaging innovations via the website

Business Units (Japan)

Vaccine Business Unit

(Vaccine Business)

As vaccines become increasingly more important to Japanese society, the Vaccine Business Unit is working to contribute to public health in Japan by creating innovative vaccines that address social needs and reliably supplying high-quality vaccines.

Vaccine Business Unit 5-Year Business Plan

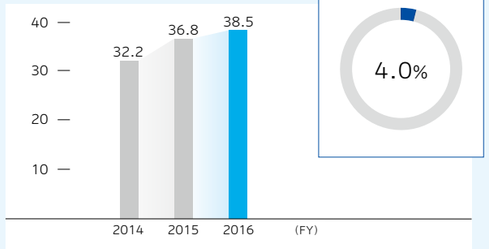
- Establish stable and low-cost supply systems
- Complete the establishment of a development and production system for new influenza vaccines* and maintain production systems in preparation for future pandemics
- Develop and encourage early adoption of new influenza vaccines boasting potential for high efficacy and new, exceptionally convenient combination vaccines

* Open application project spearheaded by the Ministry of Health, Labour and Welfare to establish development and production systems for new influenza vaccines and secure venues for swift supply in the case of influenza outbreaks or pandemics

Major Achievements in Fiscal 2016

- **Achieved revenue of ¥38.5 billion (up 4.7% year on year)**
  Squarekids, a 4-valent combination vaccine for the prevention of pertussis, diphtheria, tetanus, and poliomyelitis (polio), contributed to higher revenues.
- **Stably supplied HA vaccine for seasonal influenza**
  By basing vaccine supply activities on the seasons in which the vaccines are used, we realized a substantial decrease in the amount of vaccines returned.
- **Recommenced production of measles-rubella combined vaccine (MR vaccine)**
  Following the voluntary recall of the MR vaccine in fiscal 2015, we resolved the issues faced by this vaccine and recommenced production to resume shipments.

Vaccine Business Unit Revenue
(Billions of yen)



Percentage of Total Consolidated Revenue

Initiatives for Fiscal 2017

- **Maintain reliable supplies and reduce costs to secure profits**
  In fiscal 2017, new organizations specializing in planning, production, and other functions were established. Coordination will be pursued among these organizations to revise operating processes in order to reduce costs at production sites and lower expenses through refinements to the manufacturing processes for existing vaccines.
- **Reinforce foundations for quality and safety management**
  We aim to contribute to stable supplies of high-quality products by enhancing quality assurance systems. In addition, training, education, and other human resources development initiatives will be implemented in order to reinforce internal foundations for quality and safety management.
- **Advance project for establishment of a development and production system for new influenza vaccines**
  We will formulate manufacturing measures that guarantee to establish a vaccine supply system for 40 million people in six months, and work toward the accomplishment of the project's targets.
- **Conduct research and development**
  Daiichi Sankyo will move ahead with the research and development of highly convenient vaccines such as trivalent combination vaccine for the measles, mumps, and rubella and new vaccines such as nasal spray influenza live attenuated vaccines, DPT-IPV / Hib vaccines, for which social needs are high.

Examples of CSR Activities

- Provision of basic knowledge on vaccines to patients via the website

Business Units (Japan)

Daiichi Sankyo Healthcare Co., Ltd.

(OTC Business)

As a consumer healthcare company, Daiichi Sankyo Healthcare promotes self-medication and self-care. We seek to contribute to higher quality of life for all individuals hoping to be healthier and more attractive through the provision of OTC medicines as well as skincare and oral care products.

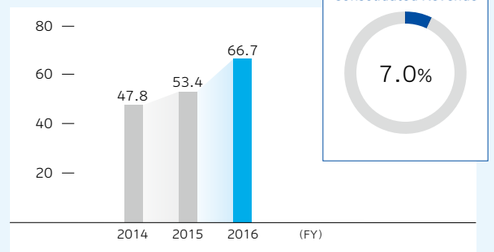
Daiichi Sankyo Healthcare Co., Ltd., 5-Year Business Plan

- Improve product brand value in the OTC business
- Accelerate growth of the direct marketing business through synergies with Im Co., Ltd., in the direct marketing business
- Achieve independence in overseas businesses
- Strengthen operating foundations to ensure responsiveness to market environment changes

Major Achievements in Fiscal 2016

- **Achieved revenue of ¥66.7 billion (up 25.0% year on year)**
  Substantial revenue growth was achieved due to the steady expansion of sales of mainstay OTC medicine brands, higher sales in the functional skincare field, and contributions from Im Co., Ltd., a direct marketing company for which all shares were acquired in 2015.
- **Grew sales through improved brand value and enhanced lineup**
  Smooth sales growth was once again seen for *Lulu* and *MINON* brand products. As for the *Loxonin S* brand, we enhanced our lineup of ingested medicines with the launch of *Loxonin S Premium* while also introducing external application *Loxonin S* products, including tapes, cataplasms, and gels.
- **Increased sales of direct marketing subsidiary Im**
  In addition to establishing direct marketing operating foundations, we achieved a large increase in sales of Im's mainstay *RICE FORCE* brand of skincare products.
- **Expanded overseas**
  A new operating base was established in China, and we succeeded in launching *MINON Amino Moist* in this market.

Daiichi Sankyo Healthcare Revenue
(Billions of yen)



Percentage of Total Consolidated Revenue

Major Brands of Daiichi Sankyo Healthcare

- *Loxonin S*
- *MINON*
- *Transino*

Initiatives for Fiscal 2017

- **Expand new product pipelines based on consumer perspective**
  In April 2017, two new organizations were established, one equipped with marketing research, product planning, and licensing functions and the other designed to quickly reflect customer input in business activities. Through these new organizations, we will formulate product strategies and conduct product planning based on a consumer perspective to cultivate strong brands and products that win customer favor.
- **Maximize revenue of the *Loxonin S* and *Lulu* brands and further expand skincare and oral care brand revenue in OTC business**
- **Expand sales of Im's mainstay *RICE FORCE* brand and launch new *BRIGHTAGE* skincare brand in direct marketing operations**
  Leveraging Im's infrastructure and know-how, we will seek to quickly cultivate the new *BRIGHTAGE* brand to further grow skincare product sales.
- **Expand overseas operations in China**
  MINON Amino Moist will be positioned as a strategic brand in China, which we entered into with the establishment of a Group operating site in 2016, and other countries as we endeavor to expand into new areas.

Examples of CSR Activities

- Provision of product information in various languages via the websites

Business Units (United States)

Daiichi Sankyo, Inc.

(DSAC*)

Daiichi Sankyo, Inc., is branching out from the cardiovascular field, which centers on physicians in private practices, to transform into a company with product portfolios for the pain, oncology, and other specialty fields. This company is committed to contributing to the advancement of medicine in the United States by supplying new drugs that help people live longer and healthier lives and providing reliable evidence based on high-quality clinical and outcomes data.

* Daiichi Sankyo, Inc., Administrative & Commercial Operations

Daiichi Sankyo, Inc., 5-Year Business Plan

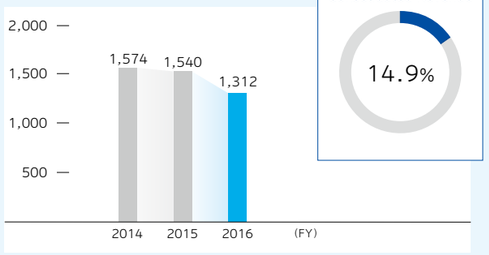
- Become a leader in pain care
- Build and grow oncology capabilities
- Maximize profit for mature products through LOE* timeframe

* LOE: Loss of exclusivity

Major Achievements in Fiscal 2016

- **Achieved revenue of US$1,312 million (down 14.8% year on year)**
  Effient grew, but total sales revenue decreased due to the impact of LOE of *olmesartan*.
- **Grew *MOVANTIK*, a treatment for opioid-induced constipation (OIC)**
  Co-promoting with AstraZeneca, the co-promotion revenue was US$38 million increased by US$22 million year on year.
- **Integrated LPI sales force into DSAC**
  Launched *Injectafer* into new key markets for the treatment of iron deficiency anemia, with a priority on gastrointestinal conditions (GI). Follow up with women's health, cardiovascular and other key markets where unmet medical needs exist.
- **Bolstered our pain franchise**
  Signed licensing agreement with Inspirion Delivery Sciences, LLC for two ADF opioids: *MorphaBond ER* (morphine sulfate) and *RoxyBond* (oxycodone hydrochloride).
  Launched www.CommitmentsinPainCare.com, which hosts an overview of our company's approach to responsible pain management and our dedication to being part of the solution to controlled substance abuse as we prepare to enter the opioid marketplace.
- **Divested packaging plant in Bethlehem**

Daiichi Sankyo, Inc., Revenue
(Millions of US$)



Percentage of Total Consolidated Revenue

Initiatives for Fiscal 2017

- Accelerate *MOVANTIK* growth
- Accelerate *Injectafer* revenue
  Expand into new markets with unmet medical needs
- Demonstrate launch success for *MorphaBond ER* and *RoxyBond*
- Maximize remaining opportunities for *Effient*, *Welchol* and hypertension products
- Enhance operational excellence

Examples of CSR Activities

- Participation in U.S. Initiative for Ending Hunger around the World Page 87

Business Units (United States)

Luitpold Pharmaceuticals, Inc.

Luitpold Pharmaceuticals, Inc., is contributing to healthcare in the United Sates as an injectable medication specialty pharmaceutical company. This company is driving the growth of the IV iron market with its high-value branded injectable medications while also increasing the flexibility of its growing generic injectable medication franchise in response to market needs.

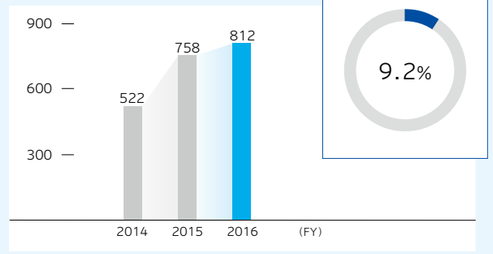
Luitpold Pharmaceuticals 5-Year Business Plan

- Build *Injectafer* into flagship product and market leader
- Expand generic injectable portfolio with a variety of products to support customer needs

Major Achievements in Fiscal 2016

- **Achieved revenue of US$812 million (up 7.2% year on year)**
- **Initiated business collaboration on *Injectafer* with DSAC**
  Expanded market reach by leveraging the established market presence in Hem/Onc and marketing excellence.
- **Initiated phase 3 trial to investigate *Injectafer* for heart failure patients with iron deficiency**
- **Expanded generic injectable portfolio**
  Submitted 4 ANDAs* and gained 1 ANDA approval.
  * Abbreviated New Drug Applications
- **Enhanced manufacturing capabilities**
  Started capital investment to become a one of top players in the U.S. generic injectable market.

Luitpold Pharmaceuticals Revenue
(Millions of US$)



Percentage of Total Consolidated Revenue

Initiatives for Fiscal 2017

- Accelerate *Injectafer* growth
  Strengthen leading position in the IV iron market segment with *Venofer* and *Injectafer*.
- Expand generic injectable franchise
  Grow business via optimization of in-market assets and new pipeline development.
  Submit 3 NDAs and 3 ANDAs.
- Execute R&D and clinical programs to support business growth
- Continue to increase manufacturing capacity and execute the capital project plan

Examples of CSR Activities

- Heart Walk Event for Raising Heart Disease Prevention Awareness in the United States Page 87

Business Units (Europe)

Daiichi Sankyo Europe GmbH

Daiichi Sankyo Europe GmbH is evolving into a specialty care-focused company to complement the manufacturing and sales foundations it has established in the cardiovascular field. As the most prominent Japanese pharmaceutical company with operating foundations in Europe, Daiichi Sankyo Europe develops its business in 12 European countries will partnering with companies in other parts of Europe to contribute to the advancement of medicine in this region.

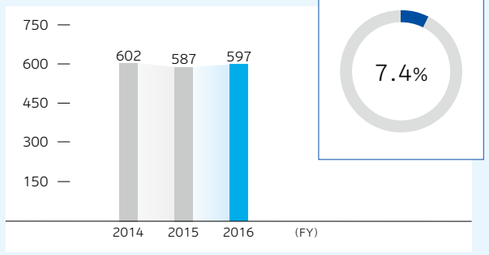
Daiichi Sankyo Europe 5-Year Business Plan

- Maximize profit from established brands through focused investment
- Maximize *LIXIANA*'s potential
  Rapid penetration in countries where Daiichi Sankyo Europe has a presence, in other countries collaboration with sales partners
- Diversify portfolio
- Establish oncology business
- Develop organization to further evolve into specialty care provider

Major Achievements in Fiscal 2016

- Achieved revenue of €597 million (up 1.8% year on year)
- Further launches of *LIXIANA*
  After *LIXIANA* launched in five European countries (Germany, the United Kingdom, the Netherlands, Switzerland and Ireland) in Fiscal 2015, launched in Belgium, Spain, Italy, Austria and Portugal in Fiscal 2016.
- Partnership for *LIXIANA*
  Agreement for a sales partnership with MSD* for the distribution rights for *LIXIANA* in 14 Northern and Central Eastern European countries as well as agreed with Servier Russia in 15 Russia and CIS countries. *LIXIANA* launched in Sweden, Norway and Denmark via the partnership with MSD.
  * Merck Sharp & Dohme Corp.: a European subsidiary of Merck & Co., Inc.
- Very good performance of *LIXIANA* in Germany
  Since its launch, *LIXIANA* has grown steadily and the market share reached 7.2% in March 2017.
- Licensing agreement with Nektar Therapeutics for *ONZEALD*
- Adaptation of organizational structures for further evolution into a specialty care provider

Daiichi Sankyo Europe Revenue
(Millions of euro)



Percentage of Total Consolidated Revenue

Initiatives for Fiscal 2017

- Grow market share of *LIXIANA* in countries where DSE has a presence
- Launch *LIXIANA* in more European countries via partnerships
- Strengthen life-cycle management (LCM) activities
  Our longest and largest pivotal studies as well as our ongoing clinical research program help to reassure healthcare professionals of the dosing, safety and efficacy when prescribing *LIXIANA* to their patients.
- Establish oncology business
  Build-out of oncology business unit for flawless execution of our oncology strategy.
- Further evolution into a specialty care provider
  Continue to work within the market access model and maintain alignment of European organizational structure with go-to market strategy.

Examples of CSR Activities

- Receipt of Award for Patient-Accommodating Package Design ····· Page 80

Business Units (ASCA*)

ASCA Company

The network of the ASCA Company stretches throughout the ASCA region with manufacturing and sales bases in China and Brazil and sales bases in South Korea, Taiwan, Hong Kong, and Thailand. By developing operations that respond to the market and customer needs and regional value* of each country, the ASCA Company contributes to the development of medicine in these countries.

* Country- and region-specific business strategies

* Asia, South & Central America

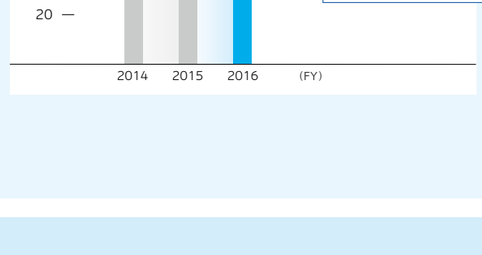
ASCA Company 5-Year Business Plan

- Maintain and expand sales of existing products
- Quickly develop, launch, and expand sales of new products
- Enhance portfolio of products matched to the specific needs of respective regions and countries
- Accelerate product development in China
- Strengthen business capabilities and implement measures targeting growth markets with an eye to fiscal 2021 and beyond

Major Achievements in Fiscal 2016

- Achieved revenue of ¥72.1 billion (down 4.2% year on year)
  Revenue was down year on year due to the impacts of foreign exchange rate movements. Nonetheless, we witnessed steady growth in revenue in each country of operation when calculated on a local currency basis. Factors contributing to this growth included efforts to maximize sales of *Cravit*, *Olmetec*, and other mainstay products as well as the proactive utilization of external resources through alliances (joint sales and promotions) and product in-licensing. In China, specifically, we strengthened coordination with local alliance partners and thereby achieved increases in sales of products including *Cravit*; *Asmeton*, a cough suppressant and expectorant; *Olmetec*; and *Mevalotin*.
- Launched and expanded sales of *LIXIANA*
  In South Korea, where *LIXIANA* saw its first ASCA region launch in February 2016, the share of sales accounted for by this product grew steadily, coming to 15.6% on March 31, 2017. In addition, we were able to release *LIXIANA* in Taiwan, Hong Kong, and Thailand in fiscal 2016.

ASCA Company Revenue
(Billions of yen)



Percentage of Total Consolidated Revenue

Initiatives for Fiscal 2017

- Maximize sales of *Olmetec*, *Cravit*, *Mevalotin*, and other existing mainstay products
- Rapidly grow sales of *LIXIANA*
  Daiichi Sankyo plans to directly introduce *LIXIANA* into the Brazilian market. In countries where we do not possess our own sales bases, this product will be commercialized via alliances with other companies.
- Augment production capacity in China
  In China, following the commencement of a new injectable production line at the Beijing Plant, we have been constructing a new formulation manufacturing building at the Shanghai Plant. In this manner, we plan to augment production capacity in line with the growth of our operations in China.
- Launch other pipelines on schedule
  In addition to *LIXIANA* and other global products, we will focus on launching pipelines that address the needs and regional value of specific countries on schedule.
- Create business opportunities and enhance product portfolio by acquiring and utilizing external resources
  The ASCA Company is working to enhance its product portfolio by acquiring external resources through means such as in-licensing from companies in other countries. In addition, we are forming alliances with local companies in each country of operation and with regard to specific product lines and otherwise utilizing external resources. Through these efforts, we aim to efficiently establish sales networks and increase sales productivity in order to further increase revenue and operating profit.

Examples of CSR Activities

- Cultivation of healthcare workers in China ····· Page 85
- CPR training in South Korea ····· Page 87

Functional Units

R&D Unit

The R&D Unit is tasked with utilizing the R&D capabilities Daiichi Sankyo has fostered over years of operation as a drug discovery-oriented company in order to continuously create innovative pharmaceuticals. Our passion is to develop treatments and preventative methods that can improve patients' health and become global standards of care.

R&D Unit 5-Year Business Plan

- Continuously generate innovative pharmaceuticals changing the standard of care in the primary focus area of oncology as well as the new horizon areas of pain, central nervous system diseases, heart and kidney disease, and rare diseases
- Acquire approval of at least two major indications per year
- Proceed to phase 3 with at least four major indications per year
- Enter phase 1 with at least 9 new molecular entities per year

Major Achievements in Fiscal 2016

- Acquired approval for two drugs
  - *Narurapid Tablet* (immediate-release tablets) for cancer pain (JP)
  - *Narusus Tablet* (extended-release formulation) for cancer pain (JP)
- Submitted applications for two drugs
  - *Hydromorphone Injection* for cancer pain (JP)
  - *PRALIA Subcutaneous Injection Syringe* for rheumatoid arthritis (JP: Application for partial change related to additional indication)
- Began phase 3 clinical trials for two indications
  - *Quizartinib*: Acute myeloid leukemia (first-line treatment)
  - *Esaxerenone* (*CS-3150*): Essential hypertension
- Began phase 1 clinical trials for two new compounds
  - *DS-1001*: Malignant brain tumors (gliomas)
  - *U3-1402*: HER3 positive refractory and metastatic breast cancer
- Other accomplishments
  - Reorganized oncology R&D organizations
    In April 2016, Daiichi Sankyo integrated its oncology R&D organizations, inviting Antoine Yver, an individual with a breadth of experience and an accomplished background in the field of global cancer treatment development, as its leader. This organization, named the Cancer Enterprise, selected two franchises to focus allocation of management resources, antibody drug conjugate (ADC) and acute myeloid leukemia (AML) franchises.
  - Promoted open innovation
    Daiichi Sankyo commenced joint research with Asahikawa Medical University regarding capillary stem cells (CapSCs) in April 2016 and also began research on new immuno-oncology treatments with the National Institutes of Biomedical Innovation, Health and Nutrition in March 2017.
  - *DS-8100* (*Heartcel* cell therapy for ischemic heart failure)
    In May 2016, we concluded an in-licensing agreement with U.K.-based Cell Therapy Ltd. (Celixir at present) granting exclusive development and sales rights for *Heartcel* in Japan.
  - *DS-8201* (anti-HER2 ADC)
    In November 2016, *DS-8201* received Fast Track Designation for HER2 positive metastatic breast cancer from the U.S. FDA.
  - *KTE-C19* (anticancer cell therapy)
    In January 2017, Daiichi Sankyo entered into a strategic partnership with Kite Pharma, Inc., of the United States that grants the Company exclusive rights for development, manufacturing, and commercialization in Japan of *KTE-C19* as well as optional licensing rights for other product candidates, some of which will progress into the clinical development stage over the next three years.

Examples of CSR Activities
- Initiatives based on R&D ethics ····· Page 77
- Good clinical practice and other development-related training ····· Page 106

Initiatives for Fiscal 2017

- Pass major milestones identified for fiscal 2017
- Entrench operation of Cancer Enterprise and activate further
  The R&D Unit will accelerate development and maximize the value of *DS-8201* and other compounds belonging to either the ADC or AML franchise.
- Optimize R&D procedures for cardiovascular-metabolics and other therapeutic areas
- Improve productivity in research, translational research, biomarker and companion diagnostics*, and development
- Enhance portfolio of competitive pipelines
  In-licensing and open innovation activities will be stepped up.
- Efficiently and effectively manage financial and human resources

* Pre-examination to predict the effects and adverse drug reaction risks of specific pharmaceuticals in individual patients

Fiscal 2017 Major R&D Milestone Events

As of August 2017

Project	Indication/Study	Q1	Q2	Q3	Q4	FY18-Q1
Denosumab	Rheumatoid arthritis (JP)	Approved				
Mirogabalin	Fibromyalgia Phase 3 study (US / EU)	TLR*				
	PHN Phase 3 studies (JP / Asia)	TLR				
	DPNP Phase 3 studies (JP / Asia)		TLR			
Pexidartinib	Tenosynovial giant cell tumor Phase 3 study (US / EU)		TLR			Submission
Quizartinib	QuANTUM-R AML 2nd line treatment Phase 3 study (US / EU / Asia)	Interim analysis				TLR
Esaxerenone (*CS-3150*)	Hypertension Phase 3 study (JP)			TLR	Submission	
	Diabetic nephropathy Phase 3 study (JP)			Study initiation		
DS-8201	HER2-positive Breast Cancer (*T-DM1* failure) Phase 2 study (pivotal) (JP / US / EU)		Study initiation			
	HER2-positive Gastric Cancer (*Herceptin* failure) Phase 2 study (pivotal) (JP / Korea)			Study initiation		
U3-1402	EGFRm NSCLC Phase 1 study			Study initiation		
DS-5141	Duchenne Muscular Dystrophy Phase 1/2 study (JP)	SAKIGAKE			TLR	

* Topline results

Major R&D Pipelines (In-House Development Projects, as of August 2017)

Therapeutic area	Phase 1 Conduct trials on healthy volunteers*1 to assess safety of drug, including side effects	Phase 2 Conduct trials on a small group of patient volunteers to assess safety, efficacy, dosage and administration regimen	Phase 3 Conduct trials on a large number of patient volunteers to assess safety and efficacy in comparison with existing drugs	Application
Oncology	■ *DS-3032* (US / JP) (MDM2 inhibitor) ■ *PLX7486* (US) (FMS / TRK inhibitor) ■ *PLX8394* (US) (BRAF inhibitor) ■ *DS-6051* (US / JP) (NTRK/ROS1 inhibitor) ■ *PLX9486* (US) (KIT inhibitor) ■ *DS-3201* (JP / US) (EZH1/2 inhibitor) ■ *PLX73086* (US) (CSF-1R inhibitor) ■ *PLX51107* (US) (BRD4 inhibitor) ■ *DS-8273* (US) (Anti-DR5 antibody) ■ *DS-8201* (JP / Asia) (anti-HER2 ADC) ■ *DS-1123* (JP) (Anti-FGFR2 antibody) ■ *U3-1402* (JP) (Anti-HER3 ADC) ■ *DS-1001* (JP) (IDH1m inhibitor)	■ *Patritumab* (EU) (U3-1287 / Anti-HER3 antibody) ■ *Pexidartinib* (US) (PLX3397 / Glioblastoma / CSF-1R / KIT / FLT3-ITD inhibitor) ■ *DS-1647* (JP) (Glioblastoma / G47Δ virus) ■ *Quizartinib* (JP) (AC220 / AML-2nd / FLT3-ITD inhibitor) ■ *DS-8201* (JP / US / EU) (HER 2 positive breast cancer (T-DM 1 failure)/ Anti-HER 2 ADC)	■ *Denosumab* (JP) (AMG 162 / Breast cancer adjuvant / Anti-RANKL antibody) ■ *Nimotuzumab* (JP) (DE-766 / Gastric cancer / Anti-EGFR antibody) ■ *Vemurafenib* (US / EU) (PLX4032 / Melanoma adjuvant / BRAF inhibitor) ■ *Quizartinib* (US / EU / Asia) (AC220 / AML-2nd / FLT3-ITD inhibitor) ■ *Quizartinib* (US / EU / Asia) (AC220 / AML-1st / FLT3-ITD inhibitor) ■ *Pexidartinib* (US / EU) (PLX3397 / TGCT / CSF-1R/KIT / FLT3-ITD inhibitor)	
Cardiovascular Metabolics	■ *DS-1040* (US / EU / JP) (Acute ischemic stroke / TAFIa inhibitor) ■ *DS-2330* (Hyperphosphatemia) ■ *DS-9231 / TS23* (Thrombosis / α2-PI inactivating antibody)	■ *Esaxerenone* (JP) (CS-3150 / DM nephropathy / MR antagonist)	■ *Edoxaban* (JP) (DU-176b / AF / FXa inhibitor) ■ *Prasugrel* (JP) (CS-747 / Ischemic stroke / Anti-platelet agent) ■ *Esaxerenone* (JP) (CS-3150 / Hypertension / MR antagonist)	■ *Edoxaban* (ASCA*2, etc.) (DU-176b / AF / FXa inhibitor) ■ *Edoxaban* (ASCA, etc.) (DU-176b / VTE / FXa inhibitor)
Others	■ *DS-1971* (Chronic pain) ■ *DS-1501* (US) (Osteoporosis / Anti-Siglec-15 antibody) ■ *DS-7080* (US) (AMD / Angiogenesis inhibitor) ■ *DS-2969* (US) (Clostridium difficile infection / GyrB inhibitor) ■ *DS-5141* (JP) (DMD / ENA oligonucleotide) ■ *VN-0102 / JVC-001* (JP) (MMR vaccine)	■ *Laninamivir* (US / EU) (CS-8958 / Anti-influenza / out-licensing with Biota)	■ *Mirogabalin* (US / EU) (DS-5565 / Fibromyalgia / α2δ ligand) ■ *Mirogabalin* (JP / Asia) (DS-5565 / DPNP / α2δ ligand) ■ *Mirogabalin* (JP / Asia) (DS-5565 / PHN / α2δ ligand) ■ *VN-0105* (JP) (DPT-IPV / Hib vaccine) ■ *Laninamivir* (JP) (CS-8958 / Anti-influenza / nebulizer)	■ *Hydromorphone* (JP) (DS-7113 / Cancer pain / Opioid μ-receptor agonist) <Injection> ■ *Intradermal Seasonal Influenza Vaccine* (JP) (VN-100 / prefilled i.d. vaccine for seasonal flu) ■ *VN-0107 / MEDI3250* (JP) (Nasal spray flu vaccine)

*1 Patient volunteers may be included depending on the tests
*2 Asia, South & Central America

Functional Units

Biologics Unit

Established in April 2017

The Biologics Unit is responsible for all processes spanning for the discovery to the marketing of high-quality and reliable biologics* that are also safe and effective. To fulfill this duty, the Biologics Unit pursues seamless collaboration with R&D and pharmaceutical technology functions in order to determine the optimal forms of modality for drug discovery targets and construct systems for swift and efficient production process development and investigational drug provision.

* Biologics differ from small molecule drugs in that they are derived from genes, proteins, cells, viruses, and other biological mater or utilize biological functions. Daiichi Sankyo is developing such biologics as well as others that include chemically synthesized pharmaceuticals, known as medium-sized molecule compounds, such as nucleic acids, peptides, and other synthesized materials.

Biologics Unit 5-Year Business Plan

- Contribute to accelerating launch of *DS-8201* and other ADC franchise drugs
- Develop manufacturing technologies and accelerate clinical development for biologics
- Discover innovative and cutting-edge forms of modality
- Construct and reinforce technology and human resource platforms for commercializing cell therapies and other biologics

Initiatives for Fiscal 2017

- Prepare for accelerating commercialization of *DS-8201*
- Swiftly launch products under development and enhance technology platforms through promotion of development projects
  The on-schedule supply of antibody drug substances will be pursued to maximize the value of *DS-8201* and other biologics through swift launches and expansion of indications. The Biologics Unit will accumulate experience through these efforts to further enhance technology platforms.
- Deploy advanced multi-modality strategies
  The Biologics Unit will establish competitive and innovative modality technologies for next-generation ADCs, peptides, nucleic acids, and other substances and make contributions to new drug discovery projects through coordination with the R&D Unit. (See table below)
- Construct technology platforms in relation to cell therapies
  The Biologics Unit will undertake the formulation and promotion of concrete plans related to investigation drugs and commercial production processes for *KTE-C19* and other development projects. Also, cell therapy-related platforms will be established by introducing technologies from partners and by drafting development and regulatory affairs strategies.
- Cultivate human resources capable of contributing to diverse biologics drug discovery projects
- Achieve efficient operation of new organization and formulate clear vision for future
  Functions related to biologics will be effectively consolidated within the new organization in order to quickly stabilize its operations, increase the speed and accuracy of decision-making, and flexibly and appropriately allocate resources. At the same time, research productivity will be improved, human resources will be secured and cultivated, and facilities and equipment will be optimized in order to ensure compatibility with cell therapies and the diverse range of other biologics.

Deployment of Multi-Modality Strategies

Modality (Molecule Type)	Strategy
Antibodies	Create foundations for quick launches of *DS-8201* and other biologics and establish innovative and competitive modality technologies for drugs such as next-generation ADCs
Antibody drug conjugates (ADCs)	
Bispecific antibodies Antibodies with two antigen-binding sites enabling them to bind to different types of antigens	Utilize Daiichi Sankyo's globally competitive, original T-cell-activated agonist antibody to cultivate important platforms for conducting drug discovery in the immuno-oncology field
Proteins and peptides Newly designed and prepared proteins and peptides that do not exist naturally in the human body	Expand range of target molecules for drug discovery that possess high specificity and compatibility
	Target development of platform for oral administration modalities for peptides
Nucleic acids (ENA® oligonucleotides, etc.) Natural nucleic acids, which contain DNA, RNA and other genetic information, and modified nucleic acids	Continue trend of *DS-5141*, which utilizes Daiichi Sankyo's proprietary ENA® oligonucleotide technology, to develop pipelines targeting rare diseases
Vaccine and adjuvants	Pursue preventative medicine and treatment benefits through development of adjuvants that are administered together with vaccines to augment their effectiveness
Viruses	Provide innovative treatment methods for previously difficult to treat diseases, such as modifying viruses for therapeutic purposes, administering normally functioning cells to support the functioning of abnormal cells, and utilizing cells from a patient or another individual to treat diseases
Genes	
Cells	

Utilize diverse and innovative modalities to broaden the possibilities for drug discovery

Functional Units

Pharmaceutical Technology Unit

The Pharmaceutical Technology Unit is committed to contributing to product value in terms of ease of use, customer satisfaction, and peace of mind. It thus works to realize a timely supply of the new drug candidates discovered through R&D in the form of investigational drugs. The unit also designs manufacturing processes for realizing consistent manufacturing of high-quality pharmaceuticals.

Pharmaceutical Technology Unit 5-Year Business Plan

- Accelerate and improve efficiency of oncology development
- Enhance key technologies of biologics manufacturing platforms (for ADCs)
- Develop high-value-added formulations, reduce costs, and establish new production methods

- Process technology
- Formulation technology
- Analytical and quality evaluation technology

▶ Develop compounds into pharmaceutical products

Major Achievements in Fiscal 2016

- Provided flexible support for accelerating the development of *DS-8201*
  Close coordination was pursued with the Cancer Enterprise to realize the quick and efficient supply of investigational drugs to support the acceleration of clinical development.
- Developed formulations that accurately address patient needs and improve quality of life
  Applications for manufacturing and marketing approval were submitted for *LIXIANA OD Tablet* (a highly stable orally disintegrating tablet*1 that does not require a drying agent) and *Memary Dry Syrup**2. At the same time, manufacturing and marketing approval was received for *Narurapid Tablets* (immediate-release tablets*3) and *Narusus Tablets* (extended-release tablets*4), two narcotic analgesics that alleviate pain over different periods of times.

  *1 Tablets that dissolve in the mouth without water
  *2 Formulations in the form of granules or powders that become syrups when mixed with water and are thus easy to preserve and transport
  *3 Tablets that immediately release their active ingredient
  *4 Tablet designed to release their active ingredient gradually over time
- Quickly launched *LIXIANA OD Tablet* through strategic application
  A quick launch of *LIXIANA OD Tablet* was achieved by strategic consulting with the authorities and carrying out efficient clinical trials to submit approval applications six months ahead of schedule (in August 2016).

Initiatives for Fiscal 2017

- Advance CMC strategies* and reinforce fundamental technologies for ADC development
  In addition to promoting the transfer of technologies to prepare for commercial production of *DS-8201*, the Pharmaceutical Technology Unit will acquire fundamental ADC technologies and apply these technologies to pipelines. In addition, CMC strategies will be formulated and implemented to facilitate applications and approvals for ADC franchise drugs.

  * Chemistry manufacturing and controls strategies: R&D strategies pertaining to drug substances, formulations, and quality that aim to maximize the value of pharmaceuticals
- Accelerate and improve efficiency of development projects to expand product pipelines
  Accelerate development of anticancer drugs while also enhancing technology management to maximize product value.
- Develop and utilize advanced technologies
  New technologies will be developed and utilized in regard to the manufacture and quality assessment of drug substances and formulations.
- Quickly and effectively launch under-development products to increase earnings
  Supply investigational drugs and transfer manufacturing technologies as required by development strategies in a timely and waste-free manner while steadily submitting applications and receiving approval.

Formulation Technologies Catering to Diverse Needs

LIXIANA anticoagulant
OD tablets (orally disintegrating tablets)
Memary Alzheimer's disease treatment
Dry syrup
▶ Easy-to-use medicine
Tablets that dissolve in the mouth without water
Tablets that are easy to preserve and transport

Narcotic analgesics
Narurapid Tablets (immediate-release tablets)
Narusus Tablets (extended-release tablets)
Oxycodone
▶ Pain control as part of total cancer care
Tablets with different release behavior of API

Examples of CSR Activities

- Incorporation of input from overseas healthcare professionals into formulation development Page 80

Functional Units

Supply Chain Unit

The Supply Chain Unit consistently supplies high-quality drugs to patients around the world by utilizing its advanced technological capabilities to carry out efficient production. In response to changes in product variety, the unit promotes and supports the early launch of new products and the expansion of businesses with existing products.

Supply Chain Unit 5-Year Business Plan

- Transform and rebuild supply chain structures adopted to change the product volume and the product mix in the medium-to-long term
- Advance cost reduction measures globally
- Establish new manufacturing systems and absorb new technologies based on pipeline and life-cycle management strategies
- Optimize inventory and capital expenditure globally
- Contribute to expansion of the opioid analgesics business in Japan

Major Achievements in Fiscal 2016

- **Commenced construction of manufacturing systems for anticancer drugs and biologics**
  Established capital investment and staffing plans for manufacturing Active Pharmaceutical Ingredients (API) and Drug Product (DP) to support biologics, such as *DS-8201* and also for wide-variety, low-volume product of anticancer drugs. These plans were implemented to work toward quick launches of products in these areas.
- **Developed manufacturing and supply systems optimized to specific regions**
  The Hiratsuka Plant of Daiichi Sankyo Chemical Pharma Co., Ltd., completed its final product activities (and is scheduled for closure on September 30, 2017) and the Bethlehem Plant of a U.S. subsidiary was sold. Meanwhile, production facilities were augmented at the Beijing Plant and the Shanghai Plant in preparation for the expansion of operations in China. These moves will enable us to optimize our global manufacturing and supply systems over the medium-to-long term.
- **Achieved stable supply corresponding to *edoxaban* demand forecast**

Initiatives for Fiscal 2017

- **Construct manufacturing systems for anticancer drugs and biologics**
  Based on API and DP equipment investment plans, we will design and commence construction of equipment for product, including wide-variety, low-volume product, of ADCs. At the same time, we will secure human resources for the biologics field and enhance their skills to furnish the foundations for manufacturing systems.
- **Support introduction of *edoxaban* into other countries and maintain stable supply**
  In addition to Japan, the United States, and Europe, manufacturing and supply systems will also be introduced into the ASCA region in order to support the introduction of *edoxaban* into other countries and maintain a stable supply.
- **Contribute to expansion of opioid analgesics business in Japan**
  The Supply Chain Unit will help ease the pain of patients suffering from cancer pain and improve their quality of life by stably supplying opioid analgesics, developing new formulations, and preparing for launches.

Transition to Supply Chain Compatible with Shift to Oncology and Biologics

Changes in Conditions

- Loss of exclusivity for *olmesartan*
- Focus on oncology and other specialty fields

→ **Drastic changes in product mix**
Introduction of new technologies and equipment

Previous → Current → Future

Small molecule drug centered production technologies

- Stable, full-year operation
  Dedicated drug substance plant
  Mass production line for formulations
- No need for containment

Addition of antibodies and ADCs
- Compatibility with biologics
- Shift to wide-variety, low-volume product items (anticancer drugs)

Addition of high-activity substances
- Containment structure design

Support application of advanced technologies to treatments

Examples of CSR Activities
- Sustainable Procurement Promotion ····· Page 77

Functional Units

Quality & Safety Management Unit

The Quality & Safety Management Unit strives to deliver reliable medicines to patients and healthcare professionals around the world. To this end, it strives to ensure product quality and safety for patients, guarantee the accuracy of data and application materials, create information that matches the needs of the medical field, and practice good regulatory affairs compliance.

Quality & Safety Management Unit 5-Year Business Plan

- Continue post-marketing study on *edoxaban* and *prasugrel* to create additional evidence
- Introduce quality risk analysis and evaluation systems for new fields and new technologies
- Strengthen safety monitoring measures and verify effectiveness of safety measures

Major Achievements in Fiscal 2016

- **Steady advancement of safety measures and post-marketing study for innovative pharmaceuticals**
  - Safety measures were advanced by the provision of information to healthcare professionals on the importance of monitoring seasonal blood pressure fluctuations.
  - Safety information was globally collected and identified risks were distributed to Japanese healthcare professionals
  - We sought to reinforce platforms for the practical application of medical database research utilizing big data.
  - Post-marketing study coordinators were introduced, and large-scale studies on *edoxaban* and *prasugrel* were carried out as planned.
- **Improvement of product quality (GMP) and application materials reliability**
  - Quality management systems in factories were reinforced to assure product quality.
  - Audit systems were established to ensure that clinical trials in China were advanced appropriately.
- **Implementation of regulatory affairs measures that contribute to product life-cycle management**
  - Proper regulatory affairs measures were implemented to facilitate new product launches, expand existing products, and maintain stable supplies.
  - Inspections for consistency between marketing approval documents and actual manufacturing process were conducted to confirm that there were no issues that could impact product quality or safety.

Initiatives for Fiscal 2017

- **Steadily advance safety measures and post-marketing surveillance for innovative pharmaceuticals**
  - Appropriate measures will be taken to ensure patient safety.
  - Systems will be constructed to grow oncology field operations into a core business.
  - Medical database research will be accelerated in light of revisions to ordinances pertaining to good post-marketing study practices.
  - Large-scale post-marketing studies on *edoxaban* and *prasugrel* will be advanced steadily.
- **Continue to improve reliability with regard to products manufactured by the Daiichi Sankyo Group (adhere to GMP) and application materials**
  - Quality management systems will be established in preparation for the launch of *DS-8201*.
  - Reinforce quality management systems with a view to the growth of mainstay products and launches of new products.
- **Realize regulatory affairs measures that contribute to product life-cycle management**
  - Appropriate regulatory affairs measures will be implemented to expand usage and ensure stable supplies of existing products on a global scale.
  - Scientific data inspections will be enhanced and compliance measures will be reinforced in response to regulatory affairs-related laws and systems.
- **Support efforts to receive approval for regenerative medicines and establish related systems**

Examples of CSR Activities
- Good vigilance practice training related to pharmaceutical safety ····· Page 106

Functional Units

Medical Affairs Division

The Medical Affairs Division implements a value linkage scheme that connects functions related to the collection, analysis, evaluation, creation, and distribution of information related to pharmaceuticals. Through this scheme, the division strives to maximize product value evaluated as contribution to treatment in the medical field and thereby contribute to the development of medicine.

Medical Affairs Division 5-Year Business Plan

- Conduct large-scale observational studies for *prasugrel* and *edoxaban* and collect clinical evidence
- Create and distribute information on priority drugs and new products based on the Medical Strategies*
- Develop more sophisticated medical affairs systems corresponding to environment changes
- Strive to improve customer loyalty
- Enhance medical information (information related to pharmaceuticals)
- Entrench practice of utilizing Voice of Customer (VOC)

* Strategies for improving product value and establishing and increasing Daiichi Sankyo's market presence that entail identifying clinical questions and creating and distributing information in response to these questions

Major Achievements in Fiscal 2016

- Quickly achieved target enrollment of large-scale observational studies for *prasugrel* and *edoxaban*
- Started new clinical research for collecting clinical evidence in relation to priority drugs
- Established Daiichi Sankyo Medical Library* as a new information distribution tool

  * New tool for distributing medical information to healthcare professionals through the Internet
- Established guidance for Medical Affairs Division staff when interacting with individuals from outside of the Company and conducted education programs to improve compliance
- Formulated grand design for new global systems and decided to appoint medical science liaisons* inside Japan organizations

  * Position responsible for collecting clinical evidence and identifying and answering clinical questions by engaging in medical and scientific discussions with healthcare professionals and researchers and by promoting clinical research and academic activities
- Ranked No. 1 in inquiry responses by pharmacists working in pharmacies utilizing health insurance plans

  * Based on a survey we conducted through an outside private research company

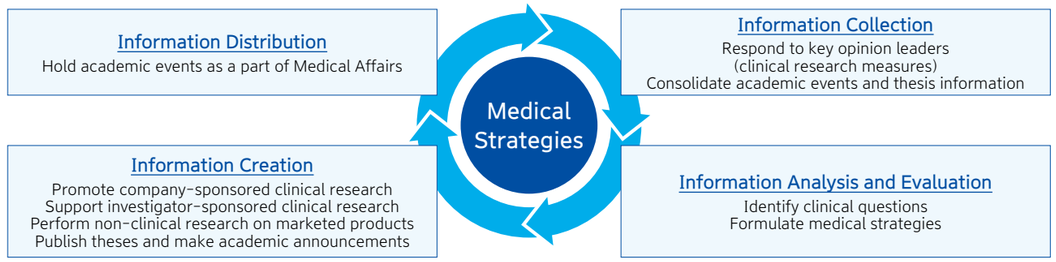
Initiatives for Fiscal 2017

- Create and distribute information based on the enhancement of Medical Strategies for *edoxaban* (domestically and globally)
- Create and distribute information based on the enhancement of Medical Strategies for *prasugrel* and other priority drugs
- Execute measures for reinforcing domestic functions and systems and construct and institute global systems
- Enhance medical intelligence*

  * Meaningful (valuable) information that has been created by collecting, integrating, evaluating, and analyzing medical information
- Continue to be ranked No. 1 in inquiry responses by pharmacists working in pharmacies utilizing health insurance plans
- Examine the possibility of introducing artificial intelligence (AI) technologies to reinforce inquiry response functions

Value Linkage Based on Medical Strategies

Daiichi Sankyo collects, analyzes, and evaluates information to identify clinical questions and then formulates medical strategies for creating and distributing information. Based on these strategies, the Company enhances and steps up coordination between functions related to processes spanning from collection to distribution of information in order to create the value linkage that is essential to medical affairs activities.



Examples of CSR Activities

- Communication with healthcare professionals and patients Page 80

CSR Management

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

In order to address social, environmental, and other sustainability issues, we have identified and organized CSR issues into six priority areas on which the Group will concentrate its resources. Actual activities are promoted through a system of committees with cross-organizational membership. We will also engage in active communication with our various stakeholders, taking their evaluations of the Group to heart and reflecting these evaluations in CSR activities.

The Principles of Our Corporate Activities to Fulfill Our Mission

DAIICHI SANKYO Group Corporate Conduct Charter

The DAIICHI SANKYO Group fulfills its mission to "To contribute to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs."
We comply with laws, regulations and rules regarding global corporate activities, and act with the highest ethical standards and a good social conscience appropriate for a company engaged in a business that affects human lives based on the following principles. We fulfill our corporate social responsibility (CSR) by actively responding to an ever-changing society and enacting improvements for corporate value.

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

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

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

Article 4 The globalization of business activities requires that we operate by being compliant with the laws of each country and region, and by being respectful to all international norms including human rights, various cultures and customs. As a result, we contribute to the development of the local economy and society.

Article 5 We respect diversity in the personal values, qualities and individuality of our employees, and ensure a safe and working environment that does not tolerate inappropriate treatment such as discrimination or harassment. We provide employees the opportunity to develop their skills and abilities for the mutual development of the employee and the corporation.

Article 6 We responsibly manage the environmental impact of our operations as environmental issues are common challenges for mankind and such concerns are integral to our corporate activities and our very survival.

Article 7 We actively engage in community activities and philanthropic programs focused on social causes.

Article 8 We do not support or conduct our business with antisocial forces, prohibited entities or groups that may threaten the order or safety of civil society.

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

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

The Daiichi Sankyo Group's CSR Activities

CSR Activities Based on the DAIICHI SANKYO Group Corporate Conduct Charter

Based on the DAIICHI SANKYO Group Corporate Conduct Charter (see page 71), we are conducting CSR activities as part of all of our corporate activities. The DAIICHI SANKYO Group Corporate Conduct Charter defines principles to be practiced in all of the Company's activities in order to fulfill its corporate mission. Taking each of these principles seriously and complying with legal regulations and rules, we act with the highest ethical standards and good social conscience appropriate for a company engaged in a business that affects human lives. Through this commitment, we strive to meet the diverse requirements and expectations of society to improve corporate value and thereby fulfill our corporate social responsibility (CSR).

CSR Activities for Addressing Diverse and Changing Sustainability Issues

We must respond to a diverse range of social, environmental, and other sustainability issues, including those related to human rights, gender equality, corruption prevention, environmental preservation, and global health. In responding to sustainability issues, we have clarified the CSR issues that the Group will focus on based on their medium-to-long-term relationship to our business and arranged these into six priority areas for CSR activities (see steps 1 and 2 below).

Step 1

Identify CSR Issues

We have identified 36 CSR issues that pharmaceutical companies generally need to address by referencing the inspection criteria of international CSR initiatives (Ten Principles of the United Nations Global Compact*1, ISO 26000*2, etc.) and ESG indices (Dow Jones Sustainability Indices, FTSE4Good Index Series, Access to Medicine Index, etc.) as well as the policies and visions of pharmaceutical company organizations (International Federation of Pharmaceutical Manufacturers & Associations, Japan Pharmaceutical Manufacturers Association, etc.).

Step 2

Arrange CSR Issues into Priority Areas for CSR Activities

The 36 CSR issues related to CSR activities were further organized and arranged into six priority areas for activities:
1. Promoting compliance management
2. Mutual growth of employees and the Company
3. Enhancement of communication with stakeholders
4. Promoting environmental management
5. Improving access to healthcare
6. Social contribution activities

(See "Issues to Be Addressed as Part of Responsible Corporate Activities" on the right.)

*1 A voluntary initiative in which companies and organizations demonstrate leadership and act as upstanding members of society by participating in the creation of global frameworks aimed at realizing sustainable growth
*2 An international guidance standard aimed at helping companies and other organizations assess and address the social responsibilities relevant to their business

The Daiichi Sankyo Group's SDGs Initiatives

Sustainable Development Goals (SDGs) are a set of goals for 2030 to address the key issues facing the world and have been adopted by the member states of the United Nations. 17 goals to be accomplished by 2030 have 169 targets. The Group is conducting activities to contribute to "Goal 3: Ensure healthy lives and promote well-being for all at all ages" in particular as a pharmaceutical company. The Group's initiatives with regard to the 17 SDGs have been compiled into a list of the Daiichi Sankyo Group's initiatives related to the SDGs.

WEB A list of the Daiichi Sankyo Group's initiatives related to the SDGs can be found on its corporate website.
http://www.daiichisankyo.com/about_us/responsibility/csr/gc/index.html

Issues to Be Addressed as Part of Responsible Corporate Activities

Promoting Compliance Management (12 Issues)

- Observe Group-wide codes of conduct
- Anti-corruption
- Ensure transparency of corporate activities
- Conduct clinical trials in accordance with ICH-GCP
- Ensure product quality and safety
- Ethical marketing practices
- Consider bioethics and genetic resources
- Sustainable procurement
- Report on critical recalls
- Report on breach of laws and legal cases
- Respect human rights in business activities
- Tax strategy

Mutual Growth of Employees and the Company (8 Issues)

- Develop human resources
- Acquire and retain talented individuals
- Promote diversity
- Communication between labor and management
- Respect human rights in labor practices
- Pay equal wages to men and women
- Promote work-life balance
- Prevent occupational accidents

Enhancement of Communication with Stakeholders (5 Issues)

- I dentify, respond to, and disclose material CSR issues
- Improve customer satisfaction
- Respond to complaints
- Stakeholder engagement
- External verification for CSR reports

Promoting Environmental Management (6 Issues)

- Address climate change
- Manage chemical substances
- Control water usage volumes
- Manage waste
- Preserve biodiversity
- Receive ISO 14001 and other environmental management system certifications

Improving Access to Healthcare (4 Issues)

- Address global health issues
- Measures to combat counterfeit medicines
- Addressing cost burden
- Health outcome contribution

Social Contribution Activities (1 Issue)

- Conduct social contribution activities suited to a pharmaceutical company

Based on the above CSR issues, we have defined the following priority areas for CSR activities in the 5-year business plan, and are acting accordingly.

CSR Targets (5-Year Business Plan) and Progress

Priority Areas for CSR Activities	Targets	Initiatives and Accomplishments in Fiscal 2016	Pages
Promoting Compliance Management	• Dissemination of global compliance policies, such as the Daiichi Sankyo Group Individual Conduct Principles	• Established the Global Compliance Advisory Committee • Formulated the Global Marketing Code of Conduct	P 76
Mutual Growth of Employees and the Company	• Human resources development to realize value creation and secure competitive advantage through our core values of innovation, integrity, accountability, and respect for diversity	• Conducted Group talent management • Advanced initiatives based on action plan for empowering women employees	P 78
Enhancement of Communication with Stakeholders	• Effective disclosure and evaluation improvement related to CSR and ESG	• Maintained inclusion in ESG indices • Actively communicated with shareholders and investors	P 74 P 81
Promoting Environmental Management	• Reducing environmental impacts and risks and addressing climate change (Fiscal 2020 CO_2 emissions target: 5.6% reduction from fiscal 2015)	• Achieved 4.0% reduction in CO_2 emissions from fiscal 2015 in fiscal 2016 • Received an award related to energy conservation	P 82
Improving Access to Healthcare	• Promoting R&D for intractable diseases, rare diseases, and global health • Mobile healthcare field clinics, healthcare professional development, and health and hygiene training for locals in regions facing a lack of medical infrastructure	• Participated in Access Accelerated initiative • Moved forward with joint research with the Global Health Innovative Technology (GHIT) Fund	P 84 P 85
Social Contribution Activities	• Advance activities based on global and regional needs • Provide support for post-Great East Japan Earthquake reconstruction	• Dispatched employee volunteers as part of ongoing support for the Coastal Forest Restoration Project • Participated in U.S. initiative for ending hunger around the world	P 86 P 87

Promotion of CSR Activities

Initiatives related to compliance management, environmental management, and social contribution activities are promoted by specific committees set up for each area (Corporate Ethics Committee, Environmental Management Committee, and Social Contributions Committee). Relevant Company divisions serve as the secretariat for each of these committees, which are membered by individuals from across the organization. In addition, important matters related to CSR are reported to and discussed by the Management Executive Meeting.

Corporate Ethics Committee (Secretariat: Legal Affairs Department)

The Corporate Ethics Committee promotes management that complies with domestic and international laws and regulations as well as corporate ethics and fulfills our CSR. In fiscal 2016, this committee met twice, in July 2016 and February 2017.

Chairperson: Compliance officer (Head of the Corporate Affairs Division)
Members: The committee consists of 11 members including 10 members internally assigned by the chairperson and an external attorney for ensuring the transparency and reliability of the committee.

Environmental Management Committee (Secretariat: CSR Department)

The Environmental Management Committee promotes environmental management, which elaborates to reduce environmental burden and harmonize with global environment and contributes to building sustainable society through overall corporate activities. In fiscal 2016, this committee met twice, in June 2016 and March 2017.

Chairperson: Chief executive officer of environmental management (Head of the Corporate Affairs Division)
Members: The committee consists of 12 members, including the Environmental Management Officer (Vice president of the CSR Department).

Social Contributions Committee (Secretariat: CSR Department)

The Social Contributions Committee promotes social contribution activities from the perspective of fulfilling CSR as a good corporate citizen. In fiscal 2016, this committee met once each quarter.

Chairperson: Head of the Corporate Affairs Division
Members: The committee consists of 6 members appointed by the chairperson.

The chairperson and members of each committee described above are as of April 1, 2017.

The CSR Department works to identify sustainability issues and, based on the global management structure (see page 54), collaborates with relevant divisions and Group companies to support and promote the Group's CSR activities.

External CSR and ESG Evaluations and CSR Communication

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

We pursue ongoing improvements in corporate value by integrating our CSR activities for addressing sustainability issues into our business activities. These efforts have been highly evaluated, resulting in the Company being included in the following ESG indices: Dow Jones Sustainability Indices (DJSI), FTSE4Good Global Index, Morningstar Socially Responsible Investment Index, and SNAM Sustainability Index.

Overviews of each index and the status of the Company's inclusion are as follows (as of September 30, 2017).

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

The DJSI is managed cooperatively 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 the selection of investment targets by investors. The Company has been included in DJSI World Index for the first time and DJSI Asia Pacific for eight consecutive years.

MS-SRI

Morningstar Japan K.K. selects 150 companies each year for inclusion in the Morningstar Socially Responsible Investment Index. Chosen from among Japanese listed companies, this index includes those companies that have been assessed from the perspectives of governance, environmental, social, and human resources development. The Company has been included in this index for ten consecutive years beginning with 2008.

FTSE4Good

The FTSE4Good Index Series is created by FTSE Russell, a wholly owned subsidiary of London Stock Exchange Group plc. The series is designed to evaluate the companies from the perspective of environmental, social, and governance (ESG) practices. The FTSE4Good indices are an important criterion for the selection of investment targets by investors. The Company has been included in the FTSE4Good Global Index for nine consecutive years.

Member of SNAM Sustainability Index 2017

The SNAM Sustainability Index is an ESG 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. The Company has been included in this index for two consecutive years.

CSR Communication

We engage in active communication with the institutions supporting CSR initiatives, ESG investigation firms, institutional investors that emphasize CSR and ESG, and CSR experts. In addition to explaining the Group's CSR activities (see the "CSR Issues and Initiatives" table below), we use such communications as an opportunity to understand requests and expectations of our various stakeholders for the Group to keep our understanding current and to reflect this understanding in CSR activities.

CSR Issues and Initiatives

	CSR Issues	Topics Covered in *Value Report 2017*	Page	Topics Covered on Corporate Website
Promoting Compliance Management	Observe Group-wide codes of conduct	• Continued operation of the compliance system • Establishment of Global Marketing Code of Conduct	76 76	• Dissemination of the ICP • Compliance training and educational activities • Information security
	Anti-corruption	• Initiatives for anti-corruption	76	
	Ensure transparency of corporate activities			• Measures for ensuring the transparency of corporate activities
	Conduct clinical trials in accordance with ICH-GCP	• GCP and other development-related training	106	
	Ensure product quality and safety	• Safety-related training (GVP training)	106	
	Ethical marketing practices	• MR accreditation test results • Ethical promotional activity	56 56	
	Consider bioethics and genetic resources	• R&D ethics	77	• Fair utilization of genetic resources
	Sustainable procurement	• Sustainable procurement promotion	77	• Promotion of compliance in procurement • Sustainable Procurement Guideline
	Report on critical recalls			• Product recall information
	Report on breach of laws and legal cases			• Business risks
	Respect human rights in business activities			• Training related to the Ten Principles of the UNGC
	Tax strategy			• Our Approach to Tax
Mutual Growth of Employees and the Company	Develop human resources	• Group talent management	78	• Human resources development policy • Development of entry- and mid-level employees • Cultivation of line managers (organization heads)
	Acquire and retain talented individuals	• Efforts to Secure and Retain Human Resources	78	• Daiichi Sankyo Human Resources Management Philosophy
	Promote diversity	• Support for the career development and work styles of diverse employees • Initiatives based on action plan for empowering women	78 78	• Promotion of Diversity and Inclusion • Support for the career development of women employees (Japan) • Endorsement of The Women's Empowerment Principles (WEPs) • Systems and measures to support diverse work styles (Japan)
	Communication between labor and management	• Communication with labor unions	79	
	Respect human rights in labor practices	• Initiatives promoting respect for human rights	79	• Policy for respecting human rights
	Pay equal wages to men and women			• Training related to the Ten Principles of the UN Global Compact
	Promote work-life balance			• Promotion of the" Work-Life Cycle" (Japan)
	Prevent occupational accidents	• Promotion of occupational health and safety	79	• Systems and initiatives for supporting occupational health and safety (Japan)
Enhancement of Communication with Stakeholders	Identify, respond to, and disclose material CSR issues	• CSR management	71	
	Improve customer satisfaction	• Communication with healthcare professionals and patients	80	
	Respond to complaints			• Compliance reporting system
	Stakeholder engagement	• Communication with healthcare professionals and patients • Communication with shareholders and investors • Communication with employees • Communication with local communities	80 81 81 81	• Provision of valuable information to healthcare professionals • Collection and communication of input from healthcare professionals
	External verification for CSR reports			• External verification of environmental reports
Promoting Environmental Management	Address climate change	• Conserving Energy • Adapting on Climate Change and Combating Global Warming	82 82	• CO_2 emissions reduction targets and performance • CO_2 emissions reduction initiatives
	Manage chemical substances			• Usage reduction and emission and transfer control of chemical substances
	Control water usage volumes			• Appropriate use of water resources
	Manage waste	• Auditing Environmental Management	82	• Waste reduction targets and performance • Promotion of compliance for waste management
	Preserve biodiversity			• Biodiversity initiatives
	Receive ISO 14001 and other environmental management system certification			• ISO 14001 certification acquisition
Improving Access to Healthcare	Address global health issues	• Participation in Access Accelerated initiative • Mobile healthcare field clinic services in Tanzania • Cultivation of healthcare workers in China • Participation in the GHIT Fund • Technical cooperation for MR vaccine production	84 84 84 85 85	• Initiatives targeting rare diseases
	Measures to combat counterfeit medicines			• Measures to combat counterfeit medicines
	Addressing cost burden			• Patient Assistance Programs (United States)
	Health outcome contribution			• Expanding access to clinical trial data
Social Contribution Activities	Conduct social contribution activities suited to a pharmaceutical company	• Support for cancer patients and their families • Reconstruction support following the Great East Japan Earthquake • Participation in U.S. initiative for ending hunger around the world • Walking event for raising heart disease awareness in the United States • CPR training in South Korea	86 86 87 87 87	• Advancement of medicine and pharmacology (scholarships, etc.) • Social welfare (TABLE FOR TWO, etc.) • Environmental preservation activities (cleanup activities around operating sites, etc.) • Disaster relief (disaster relief support, etc.) • Youth development (science and pharmacology seminars for high school students, etc.) • Promotion of culture and the arts (Activities honoring the achievements of Dr. Jokichi Takamine)

Promoting Compliance Management

No matter how successful or strongly performing a company may be, it will be unable to continue growing within society if it does not practice good compliance. Therefore, as a global pharmaceutical company, the Daiichi Sankyo Group practices management founded on compliance.

Basic Policy

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

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

Directives for Initiatives

- Appropriate operation of the global compliance system
- Enhance compliance education and conduct effective monitoring at domestic Group companies
- Steadily implement measures for ensuring transparency of corporate activities

Examples of Initiatives

Continued Operation of the Compliance System

The vice president of the Legal Affairs Department of the Company plays a central role in promoting compliance throughout the Daiichi Sankyo Group and the Compliance Group positioned within this department is responsible for advancing concrete activities (See “Voice” on page 77.).

In Japan, the head of the Corporate Affairs Division serves as the compliance officer, a position that entails managing our entire compliance program, which includes the Daiichi Sankyo Code of Conduct for Compliance and related rules and annual objectives. The compliance officer also serves as the chairperson of the Company’s Corporate Ethics Committee in Japan. This committee is a deliberation and decision-making body for compliance that meets twice per year, in principle, and is made up of 11 members, including the chairperson and nine other internal representatives as well as an appointed external attorney, who ensures that the committee operates in a transparent and reliable manner.

In addition, a compliance officer is appointed at each Group company in Japan and overseas to promote and oversee compliance programs at their respective company.

In April 2016, we established the Global Compliance Advisory Committee as an advisory organ to the Corporate Ethics Committee to further evolve our global compliance system. Full-time members of the new committee include compliance officers from subsidiaries in Europe and the United States, and the committee is responsible for examining the global policies and annual targets of the Group.

Establishment of Global Marketing Code of Conduct

In the past, the Company and other Group companies have implemented internal codes inspired by the IFPMA Code of Practice of the International Federation of Pharmaceutical Manufacturers and Associations as well as the industry codes based on the IFPMA Code of Practice in various countries and regions. We took another step forward with the establishment of the Global Marketing Code of Conduct on October 1, 2016. This shared, Group-wide code is designed to ensure even higher levels of ethics in the Group’s interactions with healthcare professionals, medical institutions, and patient groups and in pharmaceutical promotions. This code was introduced to all domestic and overseas Group companies during fiscal 2016 and is now being put into practice.

Initiatives for Anti-Corruption

Daiichi Sankyo is committed to preventing bribery and corruption, and does not provide, promise, or offer any money, gifts, or other advantages to domestic or foreign public officials or other third parties for the purpose of illicitly gaining or securing business advantages. The laws and regulations against bribery and other forms of corruption in countries around the world are growing stricter with each coming year. Thus, it is becoming increasingly important for companies developing their operations on a global scale to implement initiatives for preventing bribery and other forms of corruption.

One of the Individual Norms defined in the ICP states our commitment to preventing corruption and bribery. To uphold this commitment, we continue efforts to actively incorporate such topics into compliance training programs.

In addition, we are currently preparing for the launch of a more detailed global anti-bribery and anti-corruption policy in October 2017 to further enhance our efforts on this front.

Sustainable Procurement Promotion

To further promote sustainable procurement practices, particularly with regard to procurement of raw materials, initiatives centered on the Supply Chain Unit are implemented on a three-year cycle. During fiscal 2016, the second year of the current cycle, we provided feedback to the 194 suppliers asked to fill out CSR Self-Assessment Questionnaires (of which 170, or 87.6%, responded). We worked together with the seven companies that scored the lowest on these self-assessments to help them implement improvements. These assessments evaluated suppliers based on the six perspectives of how they (1) comply with laws and enhance socially responsible activities (promotion of voluntary employment, prevention of child labor, payment of appropriate wages, guarantee of reasonable work hours, management of safety, etc.), (2) promote fair trade and ethics (free competition, information disclosure, etc.), (3) consider the environment (resource conservation, waste reduction, biodiversity preservation, etc.), (4) secure optimal quality and costs (quality assurance, safety evaluation, etc.), (5) ensure stable supply (raw material management, system construction, etc.), and (6) keep information security (personal information protection, etc.). In fiscal 2017, the third year of the cycle, we plan to confirm the progress of these improvements.

Going forward, we will continue our initiatives to practice socially responsible procurement activities together with partners (suppliers). This concept will guide us in promoting sustainable procurement activities as part of our efforts to ensure sustainability in our corporate activities while securing superior quality, steady supplies, and low costs.

R&D Ethics

Maintaining social trust is crucial to our company’s business activities. In life science-oriented industries, in particular, higher ethical standards are required because of the impact of our work on patients. In fiscal 2016, Daiichi Sankyo’s R&D Division defined “ethics and patient safety first” (a statement that encapsulates our commitment to prioritizing ethics and patient safety above scientific or business interests) as its global R&D unit core value. We are committed to improving patients’ lives including our responsibilities for drug safety, and we therefore emphasize values based on bioethics.

Other Initiatives

The Company updates its corporate website with information on the following initiatives.

http://www.daiichisankyo.com/about_us/responsibility/csr/business/fair/index.html

- Compliance training and educational activities
- Dissemination of the ICP
- Exhaustive information security

VOICE

Efforts to Put a Face on Compliance Promotion

The Compliance Group of the Legal Affairs Department is responsible for promoting compliance on a Group-wide basis.

In fiscal 2016, we deployed a program of activities based on the concept of “putting a face on the Compliance Group.” Compliance training is conducted individually by each organization at domestic Group companies. Through this program, members of the Compliance Group sat in on the trainings of 276 out of the 493 organizations in the Group during fiscal 2016. Moreover, members in attendance offered guidance based on concrete examples of compliance violations and took park in discussion-oriented trainings at each organization. Having Compliance Group members sit in on the trainings of various organizations in this manner had palpable benefits in helping employees realize their individual responsibilities with regard to compliance, which was accomplished through the use of examples, and in improving understanding of ethical standards, which was fostered through more active discussion.

In fiscal 2017, we will continue to implement initiatives of this manner. At the same time, we will contribute to the establishment of more detailed global anti-bribery and anti-corruption policies in order to help foster even higher levels of compliance awareness.

Shunsuke Matsumoto
Senior Director, Compliance Group
Legal Affairs Department, Corporate Affairs Division
Daiichi Sankyo Co., Ltd.

Mutual Growth of Employees and the Company

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

Basic Policy

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

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

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

Directives for Initiatives

- Cultivate employees with highly competitive skills based on workforce strategies
- Promote diversity and inclusion (D&I) to foster creativity within the organization and increase success
- Develop a corporate culture and organizational atmosphere based on our Core Values

Examples of Initiatives

Group Talent Management

At the Daiichi Sankyo Group, human resources representatives from Japan, Europe, the United States, and Asia & South and Central America (ASCA) meet regularly to exchange information on the progress of shared global initiatives for cultivating future leaders along with information on initiatives and their progress in each region.

In fiscal 2012, we introduced the Daiichi Sankyo Core Competency Model to facilitate efforts for realizing the Daiichi Sankyo Human Resources Management Philosophy. This model has been incorporated into human resources systems in each country of operation, heralding the start of our Group talent management initiatives for furthering human resources development.

Since fiscal 2015, we have been using standardized tools in shared Group-wide practices and enhancing talent review and development plans in certain regions.

Efforts to Secure and Retain Human Resources

Daiichi Sankyo identifies positions that are key to the accomplishment of its corporate vision and the goals of its medium-term management plan on a global basis. We clearly designate the individuals that are potential successors to these key positions and provide them with opportunities and roles that allow them to tackle new challenges in order to further their growth. We thereby seek to secure and retain human resources.

Support for the Career Development and Work Styles of Diverse Employees

In Japan, when it comes to the career development of our employees, we have put in place an evaluation system that contributes to their growth, while at the same time providing opportunities for placement and development based on their individual aptitudes and capabilities, regardless of nationality, age, gender, disability, or other personal characteristics. Moreover, instead of having to leave their job, we endeavor to ensure that employees can continue to do meaningful work during or after a major life event, such as getting married, having and raising a child, or caring for a family member. To this end, we have established flexible work and leave systems, hold seminars on balancing child-rearing or care provision with one's work, and are implementing other measures on an ongoing basis to build a workplace environment where a diverse range of employees can readily work.

Initiatives Based on Action Plan for Empowering Women

In Japan, to further empower the women in its workforce, the Daiichi Sankyo Group seeks to address three main tasks: (1) supporting work-life balance, (2) encouraging the professional development of women employees, and (3) fostering a positive workplace culture. We are implementing a wide range of initiatives to address these tasks including providing various training programs and enhancing systems for supporting work-life balance.

Furthermore, in February 2017 we established the Shining Women's Advancement Network (SWAN), a network for women managers, and held a forum for discussing with senior management for members of this network. We plan to continue holding such forums in order to give management an opportunity to express its support for the contributions of women managers and to provide a venue for network members to share their concerns and contribute to each other's growth and development in addition to their own (See "Voice" below).

Discussion forum between members of senior management and women line managers

Initiatives Promoting Respect for Human Rights

The Daiichi Sankyo Group is promoting the development of a workplace environment in which a diverse range of employees can readily and respectfully work with one another. In Japan, we conduct ongoing training related to human rights for all employee groups—from newly hired employees to management. In addition to implementing daily awareness raising activities, we have implemented training that uses case studies and is designed to improve the counseling skills of the Harassment Call Center staff. This staff is stationed at each work location within Japan and at the labor union. Each and every alleged violation is treated seriously; we emphasize appropriate behavior and seek the opinions of external individuals, including legal counsel, and put necessary preventative measures in place to avoid a recurrence. In addition, we have made hotlines available on an individual country and global basis as venues for consultation and reports on human rights and labor issues. These hotlines can be accessed 24 hours a day and are available to individuals both inside and outside of the various member companies of the Daiichi Sankyo Group, and assistance is provided as needed. We have also created tools to help facilitate understanding with regard to the Ten Principles in four areas of the United Nations Global Compact (UNGC), and these tools are deployed at domestic and overseas Group companies.

Communication with Labor Unions

In Japan, we value trusting relationships with labor unions, and we protect the rights of our employees by engaging in dialogue between labor and management, through which we constructively discuss resolutions to problems and disclose information in a highly transparent manner.

We have established the Labor Management Committee to handle matters related to occupational health and safety and work-hour management in Japan. Matters discussed at this committee are shared with all employees through the Company intranet, and we are faithfully implementing labor management practices based on a plan-do-check-act (PDCA) cycle.

Promotion of Occupational Health and Safety

In Japan, while collaborating with occupational physicians, we advance occupational health and safety programs that are focused on preventing occupational accidents and ensuring employees are in good physical and mental health. In addition, we coordinate with the Daiichi Sankyo Group Health Insurance Association and an external Employee Assistance Program (EAP) to provide health management and counseling systems for employees of the company in Japan and their families.

Other Initiatives

The Company updates its corporate website with information on the following initiatives.

http://www.daiichisankyo.com/about_us/responsibility/csr/business/human/index.html

- Support for The Women's Empowerment Principles (WEPs)
- Promotion of the "Work-Life Cycle" (Japan)
- Support for the career development of women employees in Japan
- Systems and initiatives for supporting occupational health and safety in Japan

VOICE

Creation of a Company Where All Women Can Shine

Japan has long been criticized for being behind the times when it comes to empowering women in the workplace, and the pharmaceutical industry is no exception. However, the government of Japan has been active in recent years, laying out policies to promote the empowerment of women. Amid these positive steps, I was named as Daiichi Sankyo's first woman branch head in April 2017. Seeing the opportunities created by these trends, we were able to establish the SWAN women's network with the support of many individuals. The goal of our various initiatives for empowering women employees is to make Daiichi Sankyo into a company where all women can shine. In the future, I aim to create a network that is not just for women line managers, but rather will allow for networking between women of all generations, from new employees to department heads. I hope that, through such a network, we can further the development of the empowered and capable women employees that will drive the future development of Daiichi Sankyo.

Shigeko Okumura
Head of Kobe Branch, Sales & Marketing Division
Daiichi Sankyo Co., Ltd.

Enhancement of Communication with Stakeholders

Responding to the social demands and expectations for the Daiichi Sankyo Group is crucial to the sustainability of corporate activities. We therefore communicate with our various stakeholders to foster mutual understanding, while pursuing cooperation.

Basic Policy

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

Directives for Initiatives

- Become a trusted medical partner to healthcare professionals and patients
- Step up investor relations (IR) activities based on interactive communication with market players
- Promote changes to employee attitudes and behaviors based on the key message of "Transformation"
- Understand requirements from ESG rating agencies and improve evaluations

Examples of Initiatives

Communication with Healthcare Professionals and Patients

Medical representatives (MRs) play a particularly important role in providing, gathering, and disseminating information to healthcare professionals. Daiichi Sankyo's MRs strive to be capable at accurately communicating the value of the Company's products to healthcare professionals in order to contribute to improved quality of life for the greatest possible range of patients.

In Japan, surveys*1 of physicians are conducted to encourage ongoing improvement in the MR activities of pharmaceutical companies. In fiscal 2016, Daiichi Sankyo was ranked No. 1 in Japan in an overall assessment on MR activities by surveyed physicians in the entire market, hospital, and private practice market categories.

Our Medical Information Center strives to serve patients and healthcare professionals respectfully and empathetically by delivering accurate information in response to inquiries regarding Daiichi Sankyo pharmaceuticals. The Center puts into practice its four commitments: providing highly specialized information, making consistent and high-quality responses, addressing customers cordially, and utilizing customer feedback. In fiscal 2016, the customer's perspective was adopted in implementing initiatives for allowing for quicker connection to an operator, ensuring explanations are easy to understand, and improving response speeds. As a result of these efforts, in fiscal 2016 Daiichi Sankyo's Medical Information Center was ranked No. 1 among several pharmaceutical companies in terms of overall customer satisfaction based on a questionnaire survey*2 of Japanese pharmacies for the second consecutive year. Moreover, the Center ranked No. 1 in all items in the fiscal 2016 survey (See "Voice" on page 81).

*1 Survey conducted by ANTERIO Inc.
*2 Survey we conducted through an outside private research company

• Incorporation of Input from Overseas Healthcare Professionals into Formulation Development

Daiichi Sankyo seeks to develop formulations that provide value in the forms of ease of use, satisfaction, and peace of mind through attentiveness to the true needs seen in the medical field. Part of our approach to accomplishing this goal is communication with patients and healthcare professionals. As one facet of these activities, researchers involved in formulation development visit overseas pharmacies and hospitals in order to solicit direct feedback from the healthcare professionals working therein and develop an understanding of customer needs from a global as well as Japanese perspective. Through coordination with overseas Group companies, we were able to expand the scope of these visits. Continuing the tradition started by visits to the United States and Brazil in fiscal 2014, researchers visited medical institutions in South Korea and China in fiscal 2016.

These activities have also had a positive side effect in the form of increased desire to contribute to society among researchers.

• Receipt of Award for Patient-Accommodating Package Design

In October 2016, Daiichi Sankyo Europe GmbH received an award for a package design that contributed to increased ease of use for patients. We employ various techniques for improving medical adherence among patients. In addition to designing packages that are easy to open for elderly patients and patients with movement restrictions, we also utilize displays of dates on which medicine was taken in order to prevent patients from forgetting to take or mistakenly taking their medicine as well as QR codes that have access to the product information online.

Communication with Shareholders and Investors

The Company engages in timely and proactive disclosure of information for shareholders, investors, and other market players based on the principles of transparency, impartiality, and continuity and in compliance with disclosure regulations.

In fiscal 2016, our IR activities included the General Meeting of Shareholders as well as a briefing session for shareholders held in Osaka. We also conducted quarterly financial results presentations and conference calls by the president and CEO, R&D Day, and the Daiichi Sankyo Seminar for institutional investors. In addition, we participated in conferences held by securities companies and visited and held teleconferences with institutional investors. These activities were conducted on approximately 300 occasions both in and outside of Japan.

In addition, we issued an IR e-mail magazine containing recent topics related to the Group to investors twice per month, and a video message from the president and CEO was distributed three times during the year. Thirteen briefings for individual investors were held at locations across Japan, with roughly 900 participants in total.

Communication with Employees

In fiscal 2016, Daiichi Sankyo implemented the Management Caravan program in which the president and CEO and other directors visited 40 operating bases located across Japan. These management representatives spoke directly with line managers to facilitate understanding regarding the 2025 Vision and the 5-year business plan. The visits also provided an opportunity to share information on issues faced with those on the frontline of operations. In addition, discussion forums were held at work sites across Japan around the same time as the Management Caravan in order to gather questions and input from employees and share the information gained from the Management through Caravan visits. These initiatives were designed to help employees better realize their role as proponents of the 5-year business plan.

Communication with Local Communities

• Operation of the Daiichi Sankyo Kusuri Museum*1

We opened the doors of the Daiichi Sankyo Kusuri Museum in 2012. This facility is entering its sixth year of operation, and an aggregate total of 74,000 people*2 have visited over the years. Museum exhibits include those that provide easy-to-understand explanations of the activities of pharmaceutical companies and the proper usage of medicine. Located in the Nihonbashi district of Tokyo, which has historically been associated with medicine, the facility welcomes visitors of all ages, and is even used for company training, school trips, and industry research by job hunters as well as by parents aimed at fostering a sense of curiosity in their children.

In 2017, the Museum began exhibiting videos in its theater that enable viewers to learn about the mechanisms behind cancer, a primary focus area for the Company's R&D activities, and about state-of-the-art treatment methods. In addition, public relations (PR) videos using the Museum's original characters are distributed via media outlets and social networking sites in order to spread understanding with regard to Daiichi Sankyo's activities.

*1 A venue which offers an entertaining, "experienced-based" learning opportunity to visitors, introducing medicine in an accessible, easy-to-understand way
*2 As of April 2017

Inside the Daiichi Sankyo Kusuri Museum

Other Initiatives

The Company updates its corporate website with information on the following initiatives.

http://www.daiichisankyo.com/about_us/responsibility/csr/business/communication/index.html

- Provision of valuable information to healthcare professionals
- Communication with stakeholders with regard to the environment

VOICE

Contribution to Medicine through Cordial and High-Quality Responses

The Medical Information Center receives around 500 inquiries from healthcare professionals and patients every day. Inquiries can be incredibly varied as they relate to Daiichi Sankyo's approximately 200 products.

My colleagues and I endeavor to acquire knowledge related to Daiichi Sankyo's products and the diseases they treat so that we can provide swift and accurate responses to a wide range of customer responses.

Inquiries from customers arise from various circumstances and needs. This fact, as well as the inability to see the other party's facial expressions when speaking via the telephone, means that responses require a high degree of skill. We always endeavor to speak in an easy-to-discern tone and to develop an understanding of the circumstances and needs from which the inquiries of each individual customer arise. For inquiries that require a high degree of specialized knowledge, we coordinate with product representatives in order to supply quick and accurate responses.

Based on the slogan of "Trust built with every word of thanks," the entire Medical Information Center team is working toward our shared goal of providing earnest responses that leave customers with inquiries satisfied.

Miyuki Tanaka
Medical Information Center Group I
Medical Information Department,
Medical Affairs Division
Daiichi Sankyo Co., Ltd.

Promoting Environmental Management

As the impact of various environmental factors increases, we will need to help realize a sustainable society if we are to continue our corporate activities. Accordingly, we are promoting environmental management in order to reduce our environmental impact, manage environment risks and address climate change issues across the entirety of our business operations.

Basic Policy

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

Basic Environmental Management Policy

Safeguarding the environment is the foundation of all Group operational management. We pursue environmental management that contributes to a sustainable society and enhances our good corporate citizenship.

Directives for Initiatives

- Conserve energy and resource usage, and reduce greenhouse gas and waste emissions
- Ensure stringent environmental compliance and continue improving environmental management systems
- Manage external risks that have the potential to generate changes to business operations, such as climate change and water risks
- Preserve biodiversity and practice sustainable use of ecosystem services
- Improve reliability of environmental information disclosure and enhance environmental communication

Examples of Initiatives

Enhancing Environmental Management System

The head of the General Affairs Division of Daiichi Sankyo serves as the chief executive officer of environmental management and oversees environmental management on a Group basis, while the vice president of the CSR Department promotes environmental management as the Environmental Management Officer. As for the Group's environmental management promotion system, we have set up environmental management units based on the corporations and internal companies that manage businesses. Each environmental management unit defines environmental management sites as necessary out of consideration for their region and function.

In addition, we have established an Environmental Management Committee chaired by the chief executive officer of environmental management as part of our corporate governance structure (see page 89). This committee discusses the formulation of environmental management policies and other important matters.

Auditing Environmental Management

In fiscal 2016, environmental audits were conducted at Asubio Pharma Co., Ltd.; the Hiratsuka site of Daiichi Sankyo Propharma Co., Ltd.; the Tohoku Branch; the Yokohama Branch; the Osaka Branch; the Pfaffenhofen Plant in Germany; and the Altkirch Plant in France. The audits confirmed that good compliance was being practiced and that there were no concerns with the potential of leading to major environmental risks.

Environmental audit at the Pfaffenhofen Plant in Germany

Conserving Energy

Daiichi Sankyo has developed an energy management system that entails setting energy consumption and other targets for all Group operating sites, including those overseas, monitoring progress toward these targets, and conducting periodic audits. This system has earned external recognition, resulting in the Company receiving the FY2016 Kanto Bureau of Economy, Trade and Industry Award for Businesses Practicing Superior Energy Management.

Adapting on Climate Change and Combating Global Warming

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

To facilitate responsible corporate activities that address climate change, we have set a CO_2 emissions target for fiscal 2020—the final year of the 5-year business plan—of pursuing a 5.6% reduction from fiscal 2015 based on our long-term CO_2 emissions target for fiscal 2030 and the approach of the Science Based Targets (SBT)* initiative. This target led to Daiichi Sankyo being the second Japanese company certified by the SBT initiative, and the Company's SBT-minded initiatives are used as an example by the Ministry of the Environment as it attempts to promote the activities of SBT.

In fiscal 2016, CO_2 emissions were 4.0% lower than in fiscal 2015.

* Science Based Targets (SBT): An international initiative that encourages companies to set CO_2 reduction targets based on scientific evidence in order to help accomplish the goal of the Paris Agreement of keeping the average increase in global temperature below 2°C

Improving Environmental Performance Data Reliability

Aiming to improve the reliability of the information it discloses to stakeholders, Daiichi Sankyo receives third-party verification for its environmental performance data.

In fiscal 2016, we expanded the scope of data for which this verification is sought to additionally include data on CO_2 emissions, water use, and wastewater emissions at two plants in China. In Japan, third-party verification is received for waste discharge as well as for biochemical oxygen demand (BOD) and chemical oxygen demand (COD), both of which are indicators of water pollution, of emissions into public water areas from production and research facilities. Through these efforts, we strive to improve the reliability of environmental performance data (See "External Voice" below).

Improving Awareness of the Need to Combat Global Warming

The three-month period from December to February is designated as a period for improving awareness of the need to combat global warming. Every year, we create a poster using the award-winning works from the Environmental Art Contest to raise environmental awareness. Copies of the poster are exhibited at Group companies and operating sites.

Poster for raising environmental awareness

Other Initiatives

WEB The Company updates its corporate website with information on the following initiatives.

http://www.daiichisankyo.com/about_us/responsibility/csr/business/environment/index.html

- ISO 14001 certification
- Initiatives for biodiversity conservation
- Promotion of compliance for waste management

External Voice

Improvement of Information Disclosure Reliability through Third-Party Verification

In 2015, the Government Pension Investment Fund became a signatory to the Principles for Responsible Investment, indicating a rise in interest in investment that is mindful of ESG concerns in Japan.

In conjunction with this trend, companies are increasingly being expected to disclose non-financial information and to ensure the transparency and accuracy of this information.

SGS Japan Inc. provides services for verifying the accuracy of information disclosed by companies from an independent, third-party perspective. For companies, these services enable them to increase the reliability and transparency of the information they disclose by receiving verification.

The Daiichi Sankyo Group has been receiving third-party verification for its CO_2 emissions data since fiscal 2015 with the aim of improving transparency and better fulfilling its responsibility to society. Beginning with fiscal 2016, the Group will be receiving verification for a greater number of items and a wider range of locations. I see this move as demonstrating the Daiichi Sankyo Group's integrity in its quest to respond to society's expectations by improving the reliability of the information it discloses.

I hope that the Group will continue to exercise high levels of ethics and improve transparency, further expanding the scope of verification in order to ensure even greater degrees of reliability in the information it discloses.

Yuji Takeuchi
Certification and Business Enhancement Business Manager
SGS Japan Inc.

Improving Access to Healthcare

Improving access to healthcare is an important mission as a pharmaceutical company. We are effectively utilizing Daiichi Sankyo's resources to contribute to the resolution of social issues related to health and medicine, such as global health issues in developing countries and limited access to medicine for difficult-to-treat and rare diseases in developed countries.

Basic Policy

The member states of the United Nations have adopted 17 Sustainable Development Goals (SDGs) in relation to issues needing to be addressed on a global scale. Of these, "Goal 3: Ensure healthy lives and promote well-being for all at all ages," is particularly applicable to the healthcare field. With the aim of contributing to the accomplishment of this goal, the Daiichi Sankyo Group is advancing in-house development and partnering with external research institutions in order to create new pharmaceuticals and improve access to healthcare in developing countries.

In April 2017, the Global Health Team was established within the CSR Department in order to clarify the directives for the Group's global health initiatives under the 5-year business plan. With this new team in place, we will position the issues seen in regard to R&D, pharmaceutical technology, supply chain, marketing & sales, quality & safety management, medical affairs, and other areas of operation as tasks to be addressed throughout our entire business in order to promote global health initiatives in an integrated manner with our business.

Various issues impede access to medical products in developing countries, including insufficient healthcare systems and medical infrastructure, a lack of people capable of manufacturing and managing the quality of medical products, and a shortage of healthcare professionals. By addressing these issues, we will strive to fulfill our mission, which is "To contribute to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs."

Directives for Initiatives

- Provide mobile healthcare field clinic services, cultivate healthcare workers, and educate local residents about healthcare and hygiene in regions lacking sufficient medical infrastructure
- Promote R&D activities for addressing difficult-to-treat diseases, rare diseases, and global health issues

Examples of Initiatives

Participation in Access Accelerated Initiative

Daiichi Sankyo participates in Access Accelerated, an initiative through which 22 pharmaceutical companies from Japan, the United States, and Europe work together with The World Bank Group and the Union for International Cancer Control to improve prevention, diagnosis, and treatment options for non-communicable diseases* in low-income and lower-middle income countries.

Access Accelerated is working toward achieving one of the targets under Goal 3 of the SDGs, specifically "By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being."

* Non-communicable diseases include cancer, cardiovascular diseases, chronic respiratory disease, and diabetes

Mobile Healthcare Field Clinic Services in Tanzania

In Tanzania, we have been operating mobile healthcare field clinics in cooperation with non-governmental organizations (NGOs), local governments, and local communities since fiscal 2011 in order to contribute to regions where medical infrastructure, doctors, and transportation to hospitals are all in insufficient supply. In fiscal 2016, it was decided that these services would continue to be offered, but in a different region, and a kickoff ceremony was held for this new chapter of the project in February 2017. With a focus on contributing to the accomplishment of SDG Goal 3, we will seek to increase the immunization ratio among infants along with the ratio of women who receive antenatal care.

Mobile healthcare field clinics

Cultivation of Healthcare Workers in China

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

To date, approximately 260 healthcare professionals (village doctors) have taken part in IMCI training sessions through which they have learned about how to respond to pediatric diseases and provide care to infants. Furthermore, we have established community centers in all six townships, through which programs for educating parents are conducted. Over the past two years, approximately 6,200 local residents have taken part in these programs. We look forward to the start of activities by village doctors that have undergone IMCI training as well as the expanded efforts of local residents.

Participation in the Global Health Innovative Technology Fund

The Daiichi Sankyo Group has funding the Global Health Innovative Technology (GHIT) Fund since its establishment in April 2013. The GHIT Fund is a public–private partnership originating in Japan supported by the government of Japan, six Japanese pharmaceutical companies, and the Bill & Melinda Gates Foundation that was created to promote the development of drugs for combating infectious diseases in developing countries.

Daiichi Sankyo is participating in joint development with the Fund by utilizing its compound library (consisting of small molecules and natural substances) in a screening program through the Fund for exploring candidate compounds to treat tuberculosis, malaria, and neglected tropical diseases, namely leishmaniasis and Chagas disease. This program is at the lead compound optimization stage for malaria and the lead compound creation stage for tuberculosis, leishmaniasis, and Chagas disease (See "Voice" below).

Technical Cooperation for MR Vaccine Production

Kitasato Daiichi Sankyo Vaccine Co., Ltd.(KDSV) has been conducting the Measles-Rubella combined vaccine production technology transfer under a five-year contract started in May 2013, following the Project for Strengthening Capacity for Measles Vaccine Production as part of international cooperation between the Japanese and Vietnamese governments. The project provided the production technology for measles vaccine to POLYVAC*, in Hanoi, Vietnam.

Sales approval for MR vaccine was applied during fiscal 2016 and was approved in March 2017.

KDSV makes a significant contribution to Vietnam in the prevention of measles and rubella infections by establishing a system for stable production of MR vaccine in the country.

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

Other Initiatives

The Company updates its corporate website with information on the following initiatives.

http://www.daiichisankyo.com/about_us/responsibility/csr/business/medical/index.html

- Measures to combat counterfeit medicines
- Patient support programs in the United States
- Disclosure of clinical data
- Initiatives targeting rare diseases

VOICE

Quest to Create Global Health Benefits that Are Recognized Both Inside and Outside of Daiichi Sankyo

Since the GHIT Fund was established in 2013, Daiichi Sankyo has been taking part in its project for exploring treatments related to global health. In this project, we began with screening the Company's unique compounds and then moved on to research in a phased manner, and we are currently engaged in exploratory research on treatments for malaria, tuberculosis, and the neglected tropical diseases leishmaniasis and Chagas disease. Research in all of these areas is still in the initial phases. Those of us on Daiichi Sankyo's research team are working together with research partners as we forge ahead with research with the aim of fully utilizing the Company's drug discovery expertise to save patients.

These efforts are still relatively unknown outside of the Company. For this reason, I see it as my quest to create results that are recognized both inside and outside of the Company as an indication of Daiichi Sankyo's dedicated efforts to aid various stakeholders around the world.

Tsuyoshi Watanabe
Medical Chemistry Management Group, Research Function
R&D Division
Daiichi Sankyo Co., Ltd.

Social Contribution Activities

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

Basic Policy

The Daiichi Sankyo Group has established the Basic Group Social Contribution Policy, which guide various initiatives for contributing to other organizations and society as a whole. These initiatives aid in the advancement of medicine and pharmacology. We view our activities as inherently representing social contributions as our responsibility to society, and continue to identify the areas on which we should focus from among relevant social issues and challenges. In advancing initiatives, we emphasize collaborating with a wide range of stakeholders, such as NPOs, NGOs, local volunteer groups, government organizations, and public-sector institutions.

Furthermore, we view employees' participation in volunteer activities as a chance for them to step away from their day-to-day work and experience a completely new perspective, with the goal of fostering concern for society. We believe that this broadening of one's horizons helps link the healthy development of society with the sound development of the Company. We therefore are working to cultivate an environment and provide opportunities that support employees' participation in volunteer activities.

Basic Group Social Contribution Policy

- We will help create a sustainable society engaging in activities to contribute to society.
- We will particularly prioritize progress in medicine and pharmacology, social welfare, and environmental conservation. We will assist with disaster restoration, youth education, and promote culture and arts.
- We will foster healthy social development by participating in and supporting voluntary activities.
- We will engage with and prosper with communities.

Directives for Initiatives

- Advance activities based on global and regional needs
- Provide support for post-Great East Japan Earthquake reconstruction

Examples of Initiatives

Support for Cancer Patients and their Families

Daiichi Sankyo has been holding the "Daiichi Sankyo Presents Family Tie Theater" program in cooperation with the Shiki Theatre Company and NPO Cancer Support Community Japan every year since fiscal 2010. Through this program, we invite cancer patients and their family members to enjoy musicals by the Shiki Theatre Company out of our desire to help underscore the importance of family ties in supporting one another and to give them the strength to continue their fight against cancer.

In fiscal 2016, eight employees volunteered from the Group to carry out this event. One comment received from a patient was "Please make new medicine that will allow cancer patients to have a more positive outlook." Taking these sentiments to heart, Daiichi Sankyo will continue to forge ahead with drug discovery (See "Voice" on page 87).

Reconstruction Support Following the Great East Japan Earthquake

Daiichi Sankyo endorses the ideals of the Coastal Forest Restoration Project, a long-term post-Great East Japan Earthquake reconstruction support program conducted by Natori City, in Miyagi Prefecture, and has been supporting this initiative since 2012. This project was commenced in 2011, with the aim of restoring the coastal forests that were lost to the tsunamis that followed the earthquake. Initiatives for accomplishing this goal include raising 500,000 seedlings of tree varieties, including Japanese black pine (*Pinusthunbergii*), and planting and caring for these trees and conducting other afforestation activities over an area of approximately 100 hectares by the time of the Tokyo 2020 Olympic and Paralympic Games.

In September 2016, 23 employee volunteers from the Daiichi Sankyo Group assisted in planting and caring for these trees. Specific tasks included clearing away wild soybean (*Glycine soja*), kudzu (*Pueraria montana var. lobata*), and other weeds around the Japanese black pine trees. Some volunteers participating in this project stated how it provided a good opportunity to reflect on the Great East Japan Earthquake with others commenting on how meaningful the project was and how important they felt ongoing support would be.

Employee volunteers after conducting afforestation activities

Participation in U.S. Initiative for Ending Hunger around the World

Daiichi Sankyo, Inc., is participating in the activities of Rise Against Hunger, an organization that aims to end hunger around the world. In fiscal 2016, 250 employees volunteered, packaging roughly 50,000 nutritious meals. These meals were delivered to starving children in Africa.

Employee volunteers packaging nutritious meals

Heart Walk Event for Raising Heart Disease Prevention Awareness in the United States

Luitpold Pharmaceuticals, Inc., of the United States, has been holding a Heart Walk event since fiscal 2012 with the aim of supporting the American Heart Association and raising awareness about the risk of heart disease. Luitpold held this event for the fifth time in 2016, and 65 employees participated by measuring people's blood pressure for free and soliciting donations. These activities have succeeded in raising approximately US$87,000 in donations to date. This event is both a contribution to the local community and a valuable opportunity for employees.

Heart Walk event

CPR Training in South Korea

At Daiichi Sankyo Korea Co., Ltd., all employees have acquired cardiopulmonary resuscitation (CPR) instructor certificates, and employees are currently engaged in CPR training programs targeting elementary school students. In fiscal 2016, approximately 530 elementary school students took part in these training programs in which they were given a hands-on opportunity to learn about how to use automated external defibrillators (AEDs) and to practice CPR on mannequins. The programs thereby helped endow children with the skill necessary to respond in the case of an emergency. For employees, these training programs are an opportunity to learn about the preciousness of life as members of a pharmaceutical company.

CPR training program

Other Initiatives

The Company updates its corporate website with information on the following initiatives.

http://www.daiichisankyo.com/about_us/responsibility/philanthropy/index.html

- Advancement of medicine and pharmacology (scholarships, etc.)
- Environmental preservation activities (cleanup activities around operating sites, etc.)
- Developmental support for youths (community contributions through drug education for junior high school and high school students)

VOICE

Activities as an Employee Volunteer

I once found myself questioning if I was truly fulfilling my mission of contributing to patients' lives through the development of pharmaceuticals. This period of doubt coincided with the application period to volunteer for the "Daiichi Sankyo Presents Family Tie Theater" program. I applied and was placed in charge of the reception desk on the day of the event. Witnessing the conversations between patients and their families, their facial expressions, and the atmosphere of the event, I could feel their strong desire to be healthy and to live a fulfilling life even in the face of illness. This experience also sparked within me a commitment to doing my part in transforming the Daiichi Sankyo Group into a conglomerate boosting strength in terms of cancer so that we can help such individuals.

Tomoko Yokosaka
Administration and Quality Control Group, Clinical Development Department
Daiichi Sankyo RD Novare Co., Ltd.

Members of the Board and Members of the Audit and Supervisory Board (As of June 19, 2017)

⑦ Akiko Kimura
Member of the Audit and Supervisory Board (Outside)

⑧ Hideyuki Haruyama, Ph.D.
Member of the Audit and Supervisory Board

⑮ Sayoko Izumoto
Member of the Audit and Supervisory Board (Outside)

⑨ Naoki Adachi
Member of the Board (Outside)

⑩ Noritaka Uji
Member of the Board (Outside)

⑪ Hiroshi Toda
Member of the Board (Outside)

⑫ Tsuguya Fukui, MD., MPH, Ph.D.
Member of the Board (Outside)

⑬ Kazuyuki Watanabe
Member of the Audit and Supervisory Board

⑭ Yutaka Katagiri
Member of the Audit and Supervisory Board (Outside)

① Katsumi Fujimoto, Ph.D.
Member of the Board, Senior Executive Officer

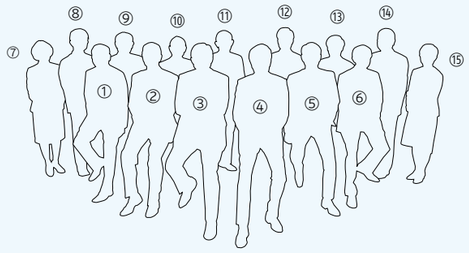
② Kazunori Hirokawa, MD., Ph.D.
Representative Director, Member of the Board, Executive Vice President and CFO

③ George Nakayama
Representative Director, Chairman and CEO

④ Sunao Manabe, DVM, Ph.D.
Representative Director, Member of the Board, President and COO

⑤ Toshiaki Sai
Member of the Board, Senior Executive Officer

⑥ Toshiaki Tojo, Ph.D.
Member of the Board, Senior Executive Officer



The Daiichi Sankyo Group is working to secure legal compliance and management transparency and to strengthen oversight of management and the conduct of operations, in addition to creating a management structure that can respond speedily and flexibly to changes in the business environment. We place great importance on building up a corporate governance structure that is responsive to the trust of our stakeholders, especially our shareholders.
In 2017, the following steps were taken to further enhance the Company's corporate governance systems.

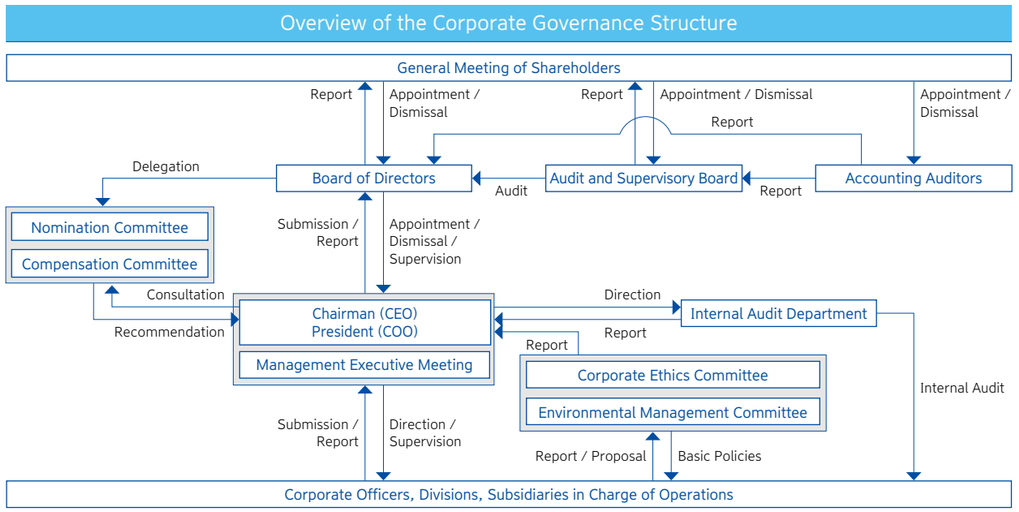
- Increased the number of Members of the Audit and Supervisory Board (Outside) by one (three out of five Members of the Audit and Supervisory Board are Members of the Audit and Supervisory Board (Outside)) to enhance its audit structure
- Strengthened management team by replacing the former one-person system (President and CEO) with a two-person system (Chairman and CEO and President and COO)
- Introduced the restricted stocks remuneration system for Members of the Board (excluding Members of the Board (Outside)) to further promote share value between shareholders and them

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

Characteristics of Daiichi Sankyo's Corporate Governance

- To clarify the management responsibility of Members of the Board and reinforce their oversight of management and the conduct of operations, their terms of office are set at one year, and four out of our ten Members of the Board are Members of the Board (Outside).
- To ensure management transparency, nomination of candidates for Member of the Board and Corporate Officer and compensation thereof are deliberated on by the Nomination Committee and the Compensation Committee, respectively, which are established as voluntary committees. These committees consist of at least three Members of the Board, of whom Members of the Board (Outside) form a majority, and are chaired by a Member of the Board (Outside). Both committees are comprised entirely of Members of the Board (Outside).
- For audits of legal compliance and soundness of management, the Company has adopted an Audit and Supervisory Board system and established the Audit and Supervisory Board, which is comprised of five members, a majority of which are Members of the Audit and Supervisory Board (Outside).
- The Company prescribes specific criteria on the judgment of independence of Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside) and basic matters regarding execution of duties by Members of the Board and Members of the Audit and Supervisory Board.
- The Company employs a Corporate Officer system which contributes to appropriate and swift management decision-making and the conduct of operations.

Overview of the Corporate Governance Structure



Response to Japan's Corporate Governance Code

The Company has complied with and implemented all of the Principles of the Corporate Governance Code. We understand and respect the objectives and spirit of the code and emphasize the importance of the underlying principles of corporate governance, and are continually pursuing improvements in our corporate governance systems based on the code.

Nomination Committee

The Nomination Committee has been established to deliberate on matters required for the nomination of Members of the Board and Corporate Officers at the request of the Board of Directors and to contribute to the enhancement of management transparency. In fiscal 2016, meetings were held seven times, in April, May, July, September, October, and November 2016 and in January 2017, to discuss matters required for nominating candidate Members of the Board and Corporate Officers and plans for training successors for the President and CEO.

Chairperson: Noritaka Uji, Member of the Board (Outside)
Members: Hiroshi Toda, Naoki Adachi, and Tsuguya Fukui, Members of the Board (Outside)

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

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

Compensation Committee

The Compensation Committee has been established to deliberate on necessary matters related to policies on compensation of Members of the Board and Corporate Officers at the request of the Board of Directors and contribute to the enhancement of management transparency. In fiscal 2016, meetings were held a total of five times, in April and May 2016 and in January, February, and March 2017, to discuss matters related to bonuses for Members of the Board and Corporate Officers, share remuneration-type stock options, and revisions to directors' remuneration, as well as other matters.

Chairperson: Hiroshi Toda, Member of the Board (Outside)
Members: Noritaka Uji, Naoki Adachi, and Tsuguya Fukui, Members of the Board (Outside)

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

- Remuneration to Members of the Board is designed to provide remuneration that contributes to maximize corporate value. Specifically, in addition to a basic remuneration, performance based bonuses serving as short-term incentive and restricted stocks remuneration serving as long-term incentive are adopted.
- Performance based bonuses serving as short-term incentives are determined by the degree of achievement of a single fiscal year measured by adopting revenue, operating profit margin and profit attributable to owners of the Company as the relevant indices.
- An introduction of the restricted stocks remuneration system serving as long-term incentive has been approved at the 12th Ordinary General Meeting of Shareholders which took place on June 19, 2017. The system was introduced in order to provide the Members of the Board (excluding Members of the Board (Outside)) with an incentive to sustainably increase the Company's corporate value and to further promote shared value between shareholders and them, in place of the existing share remuneration-type stock option plan designed for them, as part of the revision to its remuneration package for Members of the Board.
- The level of remunerations is set aiming to provide medium to high level remunerations in the industrial sector, referring to the levels of other companies learned from the surveys of external specialist institutions.
- In order to ensure that Members of the Board (Outside) and Members of the Audit and Supervisory Board adequately perform their role, which is supervision of management, short-term and long-term incentives are not provided and only basic remuneration is granted.

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

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

Remuneration for Members of the Board and Member of the Audit and Supervisory Board for Fiscal 2016

Classification	Members of the Board		Members of the Audit and Supervisory Board		Total	
	Payment recipients	Amount paid	Payment recipients	Amount paid	Payment recipients	Amount paid
	Number of persons	Millions of yen	Number of persons	Millions of yen	Number of persons	Millions of yen
Fees (annual amount) [Of which Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside)]	12 〔4〕	383 〔60〕	4 〔2〕	105 〔30〕	16 〔6〕	488 〔90〕
Members of the Board bonuses (Excluding Members of the Board (Outside) and Members of the Audit and Supervisory Board)	6	81	—	—	6	81
Share remuneration-type stock option remuneration (Excluding Members of the Board (Outside) and Members of the Audit and Supervisory Board)	6	115	—	—	6	115
Total [Of which Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside)]	12 〔4〕	578 〔60〕	4 〔2〕	105 〔30〕	16 〔6〕	683 〔90〕

Fiscal 2016 Evaluation of Board of Directors

Daiichi Sankyo conducted a self-evaluation of the Board of Directors in fiscal 2016 in order to recognize the current status of the functions and effectiveness of the Board of Directors and to implement improvements.

Method of Evaluation of Board of Directors

The Company determines the self-evaluation items and contents including the items to evaluate Members of the Board itself with reference to the principle and supplementary principle associated with the general principle 4, "Roles and Responsibilities of the Board," of Japan's Corporate Governance Code. All Members of the Board self-evaluated the roles and responsibilities, operation and composition of the Board of Directors, and the improvement status compared to the previous fiscal year's self-evaluation by selecting grades and answering free descriptions. In addition, the analysis results and the details were reported to the Board of Directors.

Results of the Evaluation of the Board of Directors

The evaluation of the Board of Directors conducted in fiscal 2016 concluded that the Board of Directors of the Company is functioning appropriately and that the overall effectiveness of the Board of Directors has been ensured. In addition, improvements were confirmed in regard to issues identified in the evaluation for fiscal 2015, namely the need to increase the amount of information provided to Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside) prior to meetings of the Board of Directors in order to facilitate understanding. Specific improvements included the holding of briefings on relevant themes of concern to Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside) during fiscal 2016.

Based on the evaluation from fiscal 2016, the Company will strive to improve the functions and effectiveness of the Board of Directors by continuously implementing improvement related to the operation of the Board of Directors in order to ensure more robust and in-depth discussions at meetings of the Board of Directors.

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

Members of the Board

George Nakayama

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1979	Entered Suntory Limited (“Suntory”)
Mar. 2000	Director of Suntory
Dec. 2002	President of Daiichi Suntory Pharma Co., Ltd.
Mar. 2003	Resigned as Director of Suntory
Jun. 2003	Member of the Board of Daiichi Pharmaceutical Co., Ltd. (“Daiichi”)
Jun. 2006	Member of the Board, Vice President of Corporate Strategy Department of Daiichi
Apr. 2007	Corporate Officer, Vice President of Europe / US Business Management Department of the Company
Apr. 2009	Executive Officer, Vice President of Overseas Business Management Department of the Company
Apr. 2010	Executive Vice President, President of Japan Company of the Company
Jun. 2010	Representative Director, President and CEO of the Company
Apr. 2017	Representative Director, Chairman and CEO of the Company (to present)

Sunao Manabe

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1978	Entered Sankyo Company, Limited (“Sankyo”)
Jul. 2005	Vice President, Medicinal Safety Research Laboratories of Sankyo
Apr. 2007	Vice President, Medicinal Safety Research Laboratories of the Company
Apr. 2009	Corporate Officer, Vice President of Global Project Management Department, R&D Division of the Company
Apr. 2011	Corporate Officer, Head of Group HR & CSR of the Company
Apr. 2012	Corporate Officer, Vice President of Corporate Strategy Department, Corporate Strategy Division of the Company
Apr. 2014	Executive Officer, President of Japan Company and Head of Business Intelligence Division of the Company
Jun. 2014	Member of the Board, Executive Officer, President of Japan Company and Head of Business Intelligence Division of the Company
Apr. 2015	Member of the Board, Senior Executive Officer, In charge of Global Sales & Marketing of the Company
Apr. 2016	Member of the Board, Executive Vice President, Head of General Affairs & Human Resources Division, and Medical Affairs Division of the Company
Jun. 2016	Representative Director, Member of the Board, Executive Vice President, Head of General Affairs & Human Resources Division, and Medical Affairs Division of the Company
Apr. 2017	Representative Director, Member of the Board, President and COO of the Company (to present)

Katsumi Fujimoto

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1980	Entered Sankyo Company, Limited (“Sankyo”)
Nov. 2005	Vice President, Development CMC Planning Department of Sankyo
Apr. 2007	Vice President, CMC Planning Department, Pharmaceutical Technology Division of the Company
Apr. 2011	Corporate Officer, Vice President, CMC Planning Department, Pharmaceutical Technology Division of the Company
Jun. 2011	Corporate Officer, Head of Pharmaceutical Technology Division of the Company
Apr. 2014	Executive Officer, Head of Pharmaceutical Technology Division of the Company
Apr. 2015	Executive Officer, Head of Supply Chain Division of the Company
Apr. 2016	Senior Executive Officer, Head of Supply Chain Division of the Company
Jun. 2016	Member of the Board, Senior Executive Officer, Head of Supply Chain Division of the Company (to present)

Kazunori Hirokawa

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1975	Entered Daiichi Pharmaceutical Co., Ltd. (“Daiichi”)
Oct. 2000	Vice President, Drug Safety Administration Department of Daiichi
Oct. 2002	Vice President, Medical Planning & Coordination Department of Daiichi
Jun. 2003	Member of the Board, Vice President of Medical Planning & Coordination Department of Daiichi
Oct. 2004	Member of the Board, Vice President of R&D Strategy Department of Daiichi
Jun. 2005	Senior Corporate Officer, Vice President of R&D Strategy Department of Daiichi
Apr. 2006	Executive Vice President, Daiichi Sankyo, Inc. in the U.S.
Apr. 2007	Executive Officer, Head of R&D Division of the Company
Apr. 2010	Senior Executive Officer, Head of R&D Division of the Company
Jun. 2010	Member of the Board, Senior Executive Officer, Head of R&D Division of the Company
Apr. 2012	Member of the Board, Senior Executive Officer, Head of Corporate Strategy Division of the Company
Apr. 2013	Member of the Board, Senior Executive Officer, Head of Corporate Strategy Division, and Head of Business Intelligence Division, Japan Company of the Company
Apr. 2014	Member of the Board, Senior Executive Officer, Head of Corporate Strategy Division of the Company
Apr. 2015	Member of the Board, Executive Vice President, Head of Corporate Management Division of the Company
Jun. 2015	Representative Director, Member of the Board, Executive Vice President, Head of Corporate Management Division of the Company
Apr. 2017	Representative Director, Member of the Board, Executive Vice President and CFO, Head of Corporate Strategy & Management Division of the Company (to present)

Toshiaki Sai

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1979	Entered Daiichi Pharmaceutical Co., Ltd.
Apr. 2007	Vice President, Management System Department of the Company
Apr. 2008	Vice President, Corporate Communications Department of the Company
Apr. 2010	Corporate Officer, Vice President of Corporate Communications Department of the Company
Apr. 2012	Corporate Officer, Vice President of Global Brand Strategy Department, Corporate Strategy Division of the Company
Apr. 2014	Executive Officer, Vice President of Corporate Strategy Department, Corporate Strategy Division of the Company
Apr. 2015	Senior Executive Officer, Head of Corporate Strategy Division of the Company
Jun. 2015	Member of the Board, Senior Executive Officer, Head of Corporate Strategy Division of the Company
Apr. 2017	Member of the Board, Senior Executive Officer, Head of Global Brand Strategy Division of the Company (to present)

Toshiaki Tojo

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1980	Entered Daiichi Pharmaceutical Co., Ltd.
Apr. 2010	Vice President, Supply Chain Technology Department, Supply Chain Division of the Company
Apr. 2011	Corporate Officer, Vice President, Supply Chain Technology Department, Supply Chain Division of the Company
Jun. 2011	Corporate Officer, Vice President, Supply Chain Planning Department, Supply Chain Division of the Company
Apr. 2013	Corporate Officer, Head of Quality and Safety Management Division of the Company
Apr. 2014	Executive Officer, Head of Quality and Safety Management Division of the Company
Apr. 2016	Senior Executive Officer, In charge of Vaccine Business of the Company
Jun. 2016	Member of the Board, Senior Executive Officer, In charge of Vaccine Business of the Company (to present)

(Material Concurrent Positions)
Representative Director and President of Kitasato Daiichi Sankyo Vaccine Co., Ltd. (a consolidated subsidiary company of the Company).

Members of the Audit and Supervisory Board

Hideyuki Haruyama

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1980	Entered Sankyo Company, Limited (“Sankyo”)
Jul. 2003	Vice President, IT Management Department of Sankyo
Jun. 2004	Corporate Officer, Head of Research Division and Vice President of IT Management Department of Sankyo
Feb. 2005	Corporate Officer, Head of Research Division of Sankyo
Apr. 2007	Corporate Officer, Vice President of R&D Planning & Management Department of the Company
Apr. 2010	Corporate Officer, In charge of Research, R&D Division of the Company
Apr. 2011	President, Daiichi Sankyo RD Novare Co., Ltd. (“Novare”)
Apr. 2015	Member of the Board of Novare
Jun. 2015	Member of the Audit and Supervisory Board of the Company (to present)

Kazuyuki Watanabe

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1978	Entered Daiichi Pharmaceutical Co., Ltd. (“Daiichi”)
Jun. 2006	General Manager, Secretariat Department of Daiichi
Apr. 2007	Vice President, General Affairs Department of the Company
Apr. 2012	Vice President, External Affairs Department, Business Intelligence Division, Japan Company of the Company
Apr. 2014	Corporate Officer, Vice President of External Affairs Department, Business Intelligence Division, Japan Company of the Company
Apr. 2015	Corporate Officer, In charge of External Affairs of the Company
Jun. 2015	Member of the Audit and Supervisory Board of the Company (to present)

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

Noritaka Uji

Member of the Board (Outside) (Independent Director)

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1973	Entered Nippon Telegraph and Telephone Public Corporation
Jun. 1999	Director, Senior Vice President, Advanced Information Network Services Sector of NTT DATA Corporation (“NTT DATA”)
Sep. 2000	Director, Senior Vice President, Corporate Strategy Planning Department of NTT DATA
Jun. 2001	Director, Senior Vice President, Industrial System Sector of NTT DATA
Apr. 2002	Director, Senior Vice President, Enterprise Business Sector of NTT DATA
Jun. 2003	Managing Director, Executive Vice President, Enterprise Systems Sector and Enterprise Business Sector of NTT DATA
Jun. 2005	Representative Director, Executive Officer of NTT DATA
Jun. 2007	Representative Director, Senior Executive Vice President, Nippon Telegraph and Telephone Corporation (“NTT”)
Jun. 2012	Adviser of NTT
Jun. 2014	Member of the Board (Outside) of the Company (to present)

(Material Concurrent Positions)
Outside Director of Yokogawa Electric Corporation
Chairman of Japan Institute of Information Technology
President of Japan Telework Association

Corporate governance is a common topic of discussion lately. There is a clear need for management systems capable of furnishing a quick and flexible response to changes in the operating environment and a Board of Directors’ structure that sufficiently incorporates outside 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 foundations for sustainable growth to ensure that the Company can continue growing.

This topic was discussed when formulating the 5-year business plan. Steadily implementing this plan, even when faced with a difficult operating environment, will be of utmost importance. Based on this belief, I will fulfill my responsibilities with regard to the implementation of this plan 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 more lively discussions among the Board of Directors. At the same time, from my outside standpoint, I will strive to facilitate effective corporate governance with regard to such areas as formulating visions and conducting appropriate investments for future growth and selecting members of the management team.

I also think it is important for Daiichi Sankyo to improve its corporate value by contributing to the enrichment of quality of life around the world through the union of medicine, healthcare, and information and communication technology.

Message as Chairperson of the Nomination Committee

The Nomination Committee is a positioned as an advisory committee to the Board of Directors. The primary roles of this committee are to maintain transparency while making proposals for the appointment and dismal of Members of the Board and Corporate Officers. As the Chairperson of the Nomination Committee, I have led discussions from the perspective of the ongoing growth of Daiichi Sankyo and the qualities required of its management. Based on these discussions, the Company was able to strengthen its management team through the appointment of George Nakayama as Chairman and CEO and Sunao Manabe as President and COO. Going into fiscal 2017 with this new team, Daiichi Sankyo is poised to accomplish the goals of the 5-year business plan in the midst of the difficult operating environment.

Looking ahead, I will continue to examine measures for realizing a more diverse and younger team of Corporate Officers and cultivating candidates for future management positions in order to support the ongoing growth of Daiichi Sankyo.

Hiroshi Toda

Member of the Board (Outside) (Independent Director)

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1975	Entered Nomura Securities Co., Ltd.
Jun. 1991	President of Nomura Bank (Switzerland) Limited
Jun. 1997	Director, Head of Financial Market of Nomura Securities Co., Ltd.
Jun. 2000	Senior Managing Director, Head of Investment Banking of Nomura Securities Co., Ltd.
Oct. 2001	Director of Nomura Holdings, Inc. and Senior Managing Director, Head of Global Wholesale of Nomura Securities Co., Ltd.
Jun. 2003	Deputy President and Chief Operating Officer of Nomura Holdings, Inc. and Deputy President and Chief Operating Officer of Nomura Securities Co., Ltd.
Apr. 2008	Vice Chairman of Nomura Securities Co., Ltd.
Mar. 2009	Resigned as Vice Chairman of Nomura Securities Co., Ltd.
Jul. 2010	Ambassador extraordinary and plenipotentiary to Greece
Jun. 2014	Member of the Board (Outside) of the Company (to present)

(Material Concurrent Positions)
Outside Director (Part Time) of Yusen Logistics Co., Ltd.

Daiichi Sankyo instituted a new management team consisting of Chairman and CEO Nakayama and President and COO Manabe, and then the second year of 5-year business plan started under this leadership.

I understand that Daiichi Sankyo’s management is in the midst of a period that is growing ever more challenging. During this period, management will need to undertake a bold transformation to a new business model, build global business operation systems, and tackle other tasks. Of course, this means that the number of important management decisions to be made by Chairman and CEO Nakayama, President and COO Manabe, and other members of the executive team will continue to increase steadily. In this challenging period, I will aspire to go about my duties as a Member of the Board (Outside) based on an in-depth understanding of Daiichi Sankyo’s mission, strategies, corporate culture, and history. In addition, I will make sure not to forget the perspective of ensuring that the Company’s fiduciary duty and accountability duties toward shareholders are being fulfilled.

Japan’s Corporate Governance Code states that one of the responsibilities of the Board of Directors is “setting the broad direction of corporate strategy.” To help accomplish this objective, I hope to facilitate lively discussion among the Board of Directors with regard to the structure of the pharmaceutical industry and nature of competition therein, analyses of risks anticipated in future business activities, measures to improve corporate value, and other matters. I thereby aim to contribute to the setting of directives based on which we will articulate profit plans and capital policy, present targets for profitability and capital efficiency, and provide explanations with respect to the allocation of management resources and specific measures that will be taken in order to achieve the plans and targets.

Message as Chairperson of the Compensation Committee

I am the Chairperson of the Compensation Committee, an advisory committee to the Board of Directors. The main goal of this committee is to create systems that offer compensation in line with the responsibilities of each Member of the Board and Corporate Officer in order to heighten their motivation and thereby improve performance. At the same time, we engage in discussions examining the possibility of implementing measures for increasing the link between the compensation of Members of the Board and Corporate Officers and the performance of the Company based on the perspective of shareholders.

Given the rising need for management to be conducted from a global perspective, our next step must be to move ahead with the development of a single, uniform standard for determining the compensation of Members of the Board and Corporate Officers in Japan and overseas.

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

Naoki Adachi

Member of the Board (Outside) (Independent Director)

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1962	Entered Toppan Printing Co., Ltd. ("Toppan")
Jun. 1993	Director, General Manager of Commercial Printing Subdivision, Commercial Printing Division of Toppan
Apr. 1995	Director, General Manager of Commercial Printing Division of Toppan
Jun. 1995	Managing Director, General Manager of Commercial Printing Division of Toppan
Oct. 1996	Managing Director, General Manager of Commercial Printing Division; Head of Finance Instruments and Securities Division of Toppan
Jun. 1997	Senior Managing Director, General Manager of Commercial Printing Division; Head of Finance Instruments and Securities Division of Toppan
Apr. 1998	Senior Managing Director, In charge of Corporate Sales & Marketing; Head of Finance Instruments and Securities Division and Commercial Printing Division of Toppan
Jun. 1998	Representative Executive Vice President, In charge of Corporate Sales & Marketing; Head of Finance Instruments and Securities Division and Commercial Printing Division of Toppan
Jun. 2000	President & Representative Director of Toppan
Jun. 2010	Chairman & Representative Director of Toppan (to present)
Jun. 2015	Member of the Board (Outside) of the Company (to present)

(Material Concurrent Positions)
Chairman & Representative Director of Toppan Printing Co., Ltd.
Director of Toppan Forms Co., Ltd.
Director & Advisor of Tosho Printing Co., Ltd.
Director of Toyo Ink SC Holdings Co., Ltd.

I firmly believe a company should have a strong social presence that is trusted and respected by society. At TOPPAN PRINTING CO., LTD., where I serve as chairman and representative director, I remind our officers and employees of this need at every opportunity. To grow beyond being a company that simply pursues earnings growth to become a company that earns the respect of all of its stakeholders, the construction and implementation of an appropriate corporate governance system is of the utmost importance. However, there is no such thing as the "right" corporate governance system. Rather, companies must find the system that is best suited to maximizing their particular corporate value and the value for their shareholders. Based on this perspective, I hope to help contribute to the ideal corporate governance system for Daiichi Sankyo.

Furthermore, I view my role as a Member of the Board (Outside) that is also an independent director to be to aid in ensuring the soundness of the Company to the greatest degree possible. Calling upon the insight I have gained through my interactions with various companies over my long career as well as during my time as a corporate manager, I will proactively swap opinions with other Members of the Board while striving to be of assistance to Daiichi Sankyo's management.

Tsuguya Fukui

Member of the Board (Outside) (Independent Director)

Career Summary, Positions, Assignments, and Material Concurrent Positions

Jan. 1992	Professor, Department of General Medicine of Saga Medical School Hospital
Mar. 1994	Professor, Department of General Medicine of Kyoto University Hospital
Apr. 1999	Professor, Department of Clinical Epidemiology, Kyoto University Graduate School of Medicine
Apr. 2000	Professor, Department of Clinical Epidemiology, Professor, Department of Health Informatics, Dean, School of Public Health, Kyoto University Graduate School of Medicine
Feb. 2001	Professor, Department of Clinical Epidemiology, Professor, Department of Health Informatics, Director, EBM Collaborative Research Center, School of Public Health, Kyoto University Graduate School of Medicine
Sep. 2004	Chief of Staff, Department of Internal Medicine, Vice President, St. Luke's International Hospital
Apr. 2005	President of St. Luke's International Hospital (to present)
Apr. 2012	Chairperson of the Board of Trustees of St. Luke's College of Nursing (currently St. Luke's International University)
Jun. 2015	Member of the Board (Outside) of the Company (to present)
Apr. 2016	President of St. Luke's International University (to present)

(Material Concurrent Positions)
President of St. Luke's International University
President of St. Luke's International Hospital
Executive Director of Japan Hospital Association
President of The Japan Medical Library Association

Japan's Corporate Governance Code, which was applied to listed companies on June 1, 2015, defines corporate governance as "a structure for transparent, fair, timely and decisive decision-making by companies, with due attention to the needs and perspectives of shareholders and also customers, employees and local communities." I share this view. Accordingly, I see my role as a member of the Board (Outside) to be voicing opinions at meetings of the Board of Directors from the perspectives of transparency and impartiality in order to ensure that Daiichi Sankyo practices good compliance and pays due heed to the interests of shareholders, employees, and other stakeholders.

In managing a pharmaceutical company like Daiichi Sankyo, it is crucial to make a distinction between short-term, medium-term, and long-term visions and to remain considerate of CSR. In regard to CSR, even contributions that may, at first glance, seem unrelated to the activities and interests of a company can prove to be in the interest of not only all of a company's stakeholders, but also the company itself. This is because, for example, the resolution of environmental issues and the invigoration of local communities can lead to a long-term increase in consumers. Given the breakneck speed of change in today's society, it is difficult to formulate long-term visions and to develop a narrative based on these visions. Nevertheless, I want Daiichi Sankyo to hold a long-term vision that is like something you would dream of.

Akiko Kimura

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

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1973	Entered Nishimura, Komatsu & Tomotsune (currently Anderson Mōri & Tomotsune), Attorney-at-law
Jan. 1977	Partner of Nishimura, Komatsu & Tomotsune
Oct. 1997	Member of the Council Committee on Foreign Exchange and Other Transactions of the Ministry of Finance of Japan
Jan. 2001	Member of the Council on Customs Duties, Foreign Exchange and Other Transactions of the Ministry of Finance of Japan
Jan. 2011	Of Counsel, Anderson Mōri & Tomotsune (to present)
Apr. 2013	Member of the Certified Public Accountants and Auditing Oversight Board of the Financial Services Agency (to present)
Jun. 2014	Member of the Audit and Supervisory Board (Outside) of the Company (to present)

(Material Concurrent Positions)
Of Counsel, Anderson Mōri & Tomotsune
Outside Auditor of Fuji Electric Co., Ltd.
Outside Director of Nomura Asset Management Co., Ltd.

Japanese companies are rapidly expanding their business on a global basis. Accordingly, it is becoming important for these companies to establish corporate governance systems of their subsidiaries within and outside Japan. Furthermore, in the case of Daiichi Sankyo, because research and development, manufacture, and sales of pharmaceutical products are subject to strict regulations in every country, it is also necessary to establish systems for securing compliance with these regulations in all relevant countries.

Upon establishing these systems, the Company would need to maintain close communication with its subsidiaries in order to secure appropriate implementation of these systems. This task requires an enormous amount of efforts, since Japanese companies have historically been managed within Japan where the only language is Japanese and the society is relatively homogeneous.

The Company, having established its 2025 Vision and the 5-year business plan, is currently standing at a significant turning point in terms of its business strategies. I must say the establishment and implementation of global corporate governance systems is a prerequisite for accomplishing such vision and business plan.

As I have been practicing law primarily in the area of international transactions, I will make my best efforts to contribute to sound development of Daiichi Sankyo's global business from a legal perspective.

Yutaka Katagiri

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

Career Summary, Positions, Assignments, and Material Concurrent Positions

Apr. 1975	Entered National Police Agency
Feb. 2001	Chief of Community Safety Bureau of Tokyo Metropolitan Police Department
Jan. 2002	Director General of Kyoto Prefectural Police
Aug. 2003	Chief Inspector General of National Police Agency
Aug. 2004	Director General for Secretariat's Policy Matters, Commissioner General's Secretariat of National Policy Agency
Jan. 2007	Chief of Community Safety Bureau of National Policy Agency
Aug. 2008	Chief of Commissioner General's Secretariat of National Policy Agency
Jun. 2009	Deputy Commissioner General of National Police Agency
Oct. 2011	Commissioner General of National Police Agency
Jun. 2013	President of Council for Public Policy (to present)
Jun. 2014	Member of the Audit and Supervisory Board (Outside) of the Company (to present)

(Material Concurrent Positions)
President of Council for Public Policy
Consultant of Sompo Japan Insurance Inc.
Special Advisor of The Japan Chamber of Commerce and Industry and The Tokyo Chamber of Commerce and Industry

I worked as a police officer for many years. One day I had the opportunity to ask a famous police investigator, the one that led the investigation of the series of terrorism acts perpetrated by the Aum Shinrikyo religious group in the 1990s, in fact, what he viewed as important to his role as a chief investigator. His reply was quite simple. He said, "To abandon selfish motives." I could not comprehend what he meant at first. He continued, "Concern for fame, or reputation, or honor only get in the way of investigations. I just focus on the task at hand: uncovering the truth and catching the criminal."

I think this principle goes beyond police investigations, and can be applied to the leaders of companies and other organizations as well. There is no shortage of managers that stray from their path due to the pursuit of fame, or reputation, or honor, whether for themselves or for their organization. It is therefore best to focus on one's mission. In the case of pharmaceutical companies, this is to make quality pharmaceuticals in order to improve people's health and save their lives and thereby contribute to society. If a company focuses on its mission, remaining steadfast in its efforts, success and social praise are sure to follow.

However, this requires time. I hope that the shareholders and other stakeholders of Daiichi Sankyo will be patient in their support of the Company.

In line with this principle, Shugoro Yamamoto, author of *The Tales of Dr. Redbeard*, once said, "More than being laughed at for being simple and honest, I fear being praised for a talent that I do not possess."

Sayoko Izumoto

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

Career Summary, Positions, Assignments, and Material Concurrent Positions

Mar. 1976	Joined Tohmatsu Awoki & Co. (currently "Deloitte Touche Tohmatsu LLC")
Mar. 1979	Registered as Certified Public Accountant
Jul. 1995	Partner of Tohmatsu & Co. (currently "Deloitte Touche Tohmatsu LLC")
Jan. 2007	Member of Business Accounting Council, Financial Services Agency
Jan. 2015	Member of Information and Communications Council, Ministry of Internal Affairs and Communications (to present)
Aug. 2016	Representative, Izumoto Certified Public Accountant Office (to present)
Apr. 2017	Member of Information Disclosure and Personal Information Protection Review Board, Ministry of Internal Affairs and Communications (to present)
Jun. 2017	Member of the Audit and Supervisory Board (Outside) of the Company (to present)

(Material Concurrent Positions)
Member of Business Accounting Council, Financial Services Agency
Member of Information Disclosure and Personal Information Protection Review Board, Ministry of Internal Affairs and Communications
Representative of Izumoto Certified Public Accountant Office
External Audit and Supervisory Board Member of Freund Corporation
Outside Director of Hitachi Transport System, Ltd.

I assumed my position as a Member of the Audit and Supervisory Board (Outside) after being appointed at the 12th Ordinary General Meeting of Shareholders held on June 19, 2017.

As a certified public accountant, I have been positioned in audit firms in the past, and have thus accumulated a breadth of experience in conducting accounting and financial audits at companies of various industries and business models as well as in setting accounting standards and audit standards in Japan. I am now moved by a new sense of commitment to call upon my experience in order to contribute to stronger corporate governance systems and ongoing improvements in corporate value at the Daiichi Sankyo Group.

The Group has adopted the International Financial Reporting Standards (IFRS), which allow for more global and transparent financial reporting, and also discloses accurate information on the R&D investments and business development activities that are crucial to the ongoing growth of pharmaceutical companies. However, I am fully aware of the fact that the pharmaceutical industry entails greater responsibilities and risks in relation to large investments than other companies. Acting in my capacity as a Member of the Audit and Supervisory Board (Outside) and as a specialist in corporate accounting and auditing, I will work diligently to ensure that initiatives for achieving Daiichi Sankyo's 2025 Vision can be advanced in a healthy manner. I will also go about my duties with the goal of ensuring that Daiichi Sankyo is viewed as reliable by employees, customers, business partners, members of local communities, and all of its other stakeholders.

Risk Management

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

Risk Management

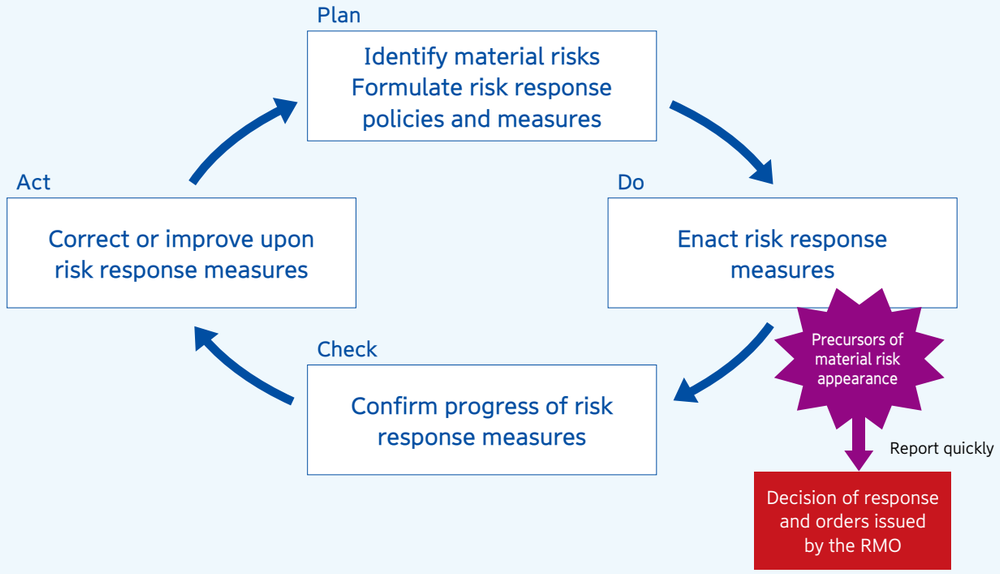
The chief financial officer (CFO) oversees Groupwide risk management as the risk management officer (RMO) and operates the risk management system in conjunction with an annual cycle for formulating and implementing business plans. In addition, the heads of each division autonomously manage risks to aid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

Risks with the potential to significantly impact the management of the Company are identified by the Management Executive Meeting, and responses are furnished through the plan–do–check–act (PDCA) cycle.

Individuals that have been assigned responsibility for each risk formulate risk response measures (Plan), which are then enacted through coordination with relevant organizations (Do). The progress of risk response measures is confirmed twice a year (Check), and the measures are corrected or improved upon as necessary (Action). Should precursors of the potential appearance of a material risk be detected, related information will quickly be assembled for provision to the RMO, and appropriate measures will be taken (see diagram below).

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

Annual Cycle for Management of Material Risks



Business Continuity Plan

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

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 appears. In addition, we regularly revise the list of priority supply drugs to guarantee we can quickly supply drugs used by a large number of patients, drugs needed in emergencies, and drugs with no substitutes.

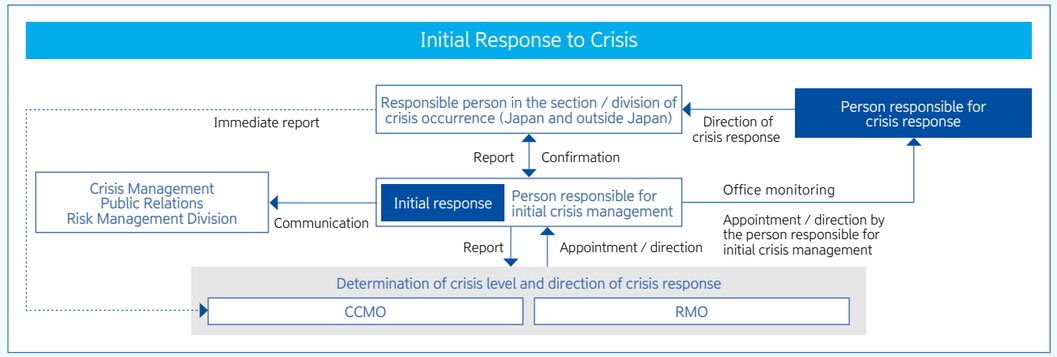
To ensure the steady supply of its pharmaceutical products, the Company is taking steps to create backup supply systems by dispersing manufacturing and distribution sites and maintaining relationships with multiple suppliers for important raw materials. In addition, we have introduced private electricity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

Crisis Management

The Daiichi Sankyo Group defines crises as factors that may cause an adverse event or a secondary event arising from an initial occurrence with the possibility of leading to serious negative effects on the Group or its stakeholders. Crisis management is defined by the Group as appropriate responses to such events conducted based on prompt and rational management and analyses of their potential impact.

In the event of a crisis, the appointed representative in the affected section or division shall issue an initial report to the individual responsible for first responses to crises, the vice president of the General Affairs and Procurement Department. This individual will then report to the chief crisis management officer (CCMO), either the CEO or the officer appointed by the CEO, to determine whether or not Companywide measures are necessary, after which they will issue a more detailed report. This individual will also share the information with the RMO to quickly formulate first-response and subsequent emergency response measures.

In responding to crises, the Group defines its top priority as ensuring the health, safety, and peace of mind of all of its stakeholders, including patients, healthcare professionals, members of local communities, and employees.



Data Section

Financial Data

Consolidated Statement of Profit or Loss

(Millions of yen)

	FY2015 (For the year ended March 31, 2016)	FY2016 (For the year ended March 31, 2017)
Revenue	986,446	955,124
Cost of sales	318,622	349,373
Gross profit	667,823	605,751
Selling, general and administrative expenses	328,755	302,475
Research and development expenses	208,656	214,347
Operating profit	130,412	88,929
Financial income	5,292	6,406
Financial expenses	13,028	7,710
Share of profit (loss) of investments accounted for using the equity method	(287)	162
Profit before tax	122,388	87,788
Income taxes	41,988	40,309
Profit for the year	80,399	47,479
Profit attributable to:		
Owners of the Company	82,282	53,466
Non-controlling interests	(1,883)	(5,987)
Profit for the year	80,399	47,479
Earnings per share		
Basic earnings per share (yen)	119.37	79.63
Diluted earnings per share (yen)	119.11	79.44

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY2015 (For the year ended March 31, 2016)	FY2016 (For the year ended March 31, 2017)
Profit for the year	80,399	47,479
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(18,942)	(9,366)
Remeasurements of defined benefit plans	(5,397)	1,840
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(31,088)	(7,626)
Share of other comprehensive income of investments accounted for using the equity method	(11)	6
Other comprehensive income (loss) for the year	(55,439)	(15,146)
Total comprehensive income for the year	24,959	32,332
Total comprehensive income attributable to:		
Owners of the Company	26,961	38,309
Non-controlling interests	(2,001)	(5,976)
Total comprehensive income for the year	24,959	32,332

Consolidated Statement of Financial Position

(Millions of yen)

ASSETS	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Current assets		
Cash and cash equivalents	222,159	246,050
Trade and other receivables	248,762	231,867
Other financial assets	493,768	552,896
Inventories	144,273	153,138
Other current assets	15,233	10,461
Subtotal	1,124,196	1,194,414
Assets held for sale	1,071	3,374
Total current assets	1,125,268	1,197,788
Non-current assets		
Property, plant and equipment	250,168	217,772
Goodwill	78,691	78,446
Intangible assets	210,395	217,044
Investments accounted for using the equity method	1,207	1,424
Other financial assets	168,189	140,856
Deferred tax assets	55,726	53,502
Other non-current assets	10,875	8,143
Total non-current assets	775,254	717,190
Total assets	1,900,522	1,914,979

(Millions of yen)

LIABILITIES AND EQUITY	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Current liabilities		
Trade and other payables	241,831	219,759
Bonds and borrowings	20,000	—
Other financial liabilities	819	535
Income taxes payable	53,936	57,955
Provisions	28,335	41,223
Other current liabilities	34,770	6,285
Subtotal	379,694	325,758
Liabilities directly associated with assets held for sale	—	1,058
Total current liabilities	379,694	326,817
Non-current liabilities		
Bonds and borrowings	181,000	280,543
Other financial liabilities	9,148	9,069
Post-employment benefit liabilities	14,028	11,381
Provisions	12,287	16,350
Deferred tax liabilities	33,679	32,294
Other non-current liabilities	37,161	67,093
Total non-current liabilities	287,306	416,733
Total liabilities	667,000	743,550
Equity		
Equity attributable to owners of the Company		
Share capital	50,000	50,000
Capital surplus	103,927	103,750
Treasury shares	(64,155)	(113,952)
Other components of equity	146,717	124,489
Retained earnings	994,916	1,011,610
Total equity attributable to owners of the Company	1,231,406	1,175,897
Non-controlling interests		
Non-controlling interests	2,115	(4,469)
Total equity	1,233,521	1,171,428
Total liabilities and equity	1,900,522	1,914,979

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 to shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2015	50,000	105,267	(14,198)	1,760	106,202	(4,347)	65,419
Profit for the year	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	(31,001)	—	(18,942)
Total comprehensive income for the year	—	—	—	—	(31,001)	—	(18,942)
Purchase of treasury shares	—	(201)	(50,037)	—	—	—	—
Cancellation of treasury shares	—	—	80	(45)	—	—	—
Share-based payments	—	—	—	220	—	—	—
Dividends	—	—	—	—	—	—	—
Acquisition of non-controlling interests	—	(1,138)	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	(6)	4,347	23,109
Others	—	—	—	—	—	—	—
Total transactions with owners of the Company	—	(1,339)	(49,957)	175	(6)	4,347	23,109
Balance as of March 31, 2016	50,000	103,927	(64,155)	1,935	75,195	—	69,586
Profit for the year	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	(7,626)	—	(9,366)
Total comprehensive income for the year	—	—	—	—	(7,626)	—	(9,366)
Purchase of treasury shares	—	(69)	(50,026)	—	—	—	—
Cancellation of treasury shares	—	—	230	(133)	—	—	—
Share-based payments	—	—	—	264	—	—	—
Dividends	—	—	—	—	—	—	—
Acquisition of non-controlling interests	—	(107)	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	(5,366)
Others	—	—	—	—	—	—	—
Total transactions with owners of the Company	—	(177)	(49,796)	131	—	—	(5,366)
Balance as of March 31, 2017	50,000	103,750	(113,952)	2,067	67,568	—	54,853

(Millions of yen)

	Equity attributable to owners of the Company					
	Other components of equity					
	Remeasurements of defined benefit plans	Total other components of equity	Retained earnings	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance as of April 1, 2015	—	169,034	993,953	1,304,057	2,984	1,307,041
Profit for the year	—	—	82,282	82,282	(1,883)	80,399
Other comprehensive income	(5,378)	(55,321)	—	(55,321)	(118)	(55,439)
Total comprehensive income for the year	(5,378)	(55,321)	82,282	26,961	(2,001)	24,959
Purchase of treasury shares	—	—	—	(50,239)	—	(50,239)
Cancellation of treasury shares	—	(45)	(34)	0	—	0
Share-based payments	—	220	—	220	—	220
Dividends	—	—	(48,456)	(48,456)	—	(48,456)
Acquisition of non-controlling interests	—	—	—	(1,138)	1,138	—
Transfer from other components of equity to retained earnings	5,378	32,828	(32,828)	—	—	—
Others	—	—	—	—	(5)	(5)
Total transactions with owners of the Company	5,378	33,004	(81,320)	(99,613)	1,133	(98,479)
Balance as of March 31, 2016	—	146,717	994,916	1,231,406	2,115	1,233,521
Profit for the year	—	—	53,466	53,466	(5,987)	47,479
Other comprehensive income	1,835	(15,157)	—	(15,157)	10	(15,146)
Total comprehensive income for the year	1,835	(15,157)	53,466	38,309	(5,976)	32,332
Purchase of treasury shares	—	—	—	(50,095)	—	(50,095)
Cancellation of treasury shares	—	(133)	(95)	1	—	1
Share-based payments	—	264	—	264	—	264
Dividends	—	—	(43,879)	(43,879)	—	(43,879)
Acquisition of non-controlling interests	—	—	—	(107)	(600)	(708)
Transfer from other components of equity to retained earnings	(1,835)	(7,202)	7,202	—	—	—
Others	—	—	—	—	(7)	(7)
Total transactions with owners of the Company	(1,835)	(7,071)	(36,772)	(93,817)	(608)	(94,425)
Balance as of March 31, 2017	—	124,489	1,011,610	1,175,897	(4,469)	1,171,428

Consolidated Statement of Cash Flows

(Millions of yen)

	FY2015 (For the year ended March 31, 2016)	FY2016 (For the year ended March 31, 2017)
Cash flows from operating activities		
Profit before tax	122,388	87,788
Depreciation and amortization	44,306	47,373
Impairment loss	4,730	26,459
Financial income	(5,292)	(6,406)
Financial expenses	13,028	7,710
Share of (profit) loss of investments accounted for using the equity method	287	(162)
(Gain) loss on sale and disposal of non-current assets	(7,739)	449
(Increase) decrease in trade and other receivables	(15,121)	15,148
(Increase) decrease in inventories	972	(10,951)
Increase (decrease) in trade and other payables	33,083	(16,979)
Others, net	18,875	13,398
Subtotal	209,519	163,828
Interest and dividends received	3,603	4,289
Interest paid	(1,397)	(1,511)
Income taxes paid	(37,443)	(30,371)
Net cash flows from operating activities	174,281	136,234
Cash flows from investing activities		
Payments into time deposits	(674,891)	(492,441)
Proceeds from maturities in time deposits	419,899	404,416
Acquisition of securities	(303,023)	(180,376)
Proceeds from sale of securities	618,423	219,049
Settlement of forward foreign exchange contract for sale of securities	(7,024)	—
Acquisitions of property, plant and equipment	(27,136)	(24,766)
Proceeds from sale of property, plant and equipment	5,546	2,403
Acquisition of intangible assets	(42,261)	(28,196)
Acquisition of subsidiary	(11,771)	—
Proceeds from sale of subsidiary	7,004	—
Payments for loans receivable	(1,616)	(71)
Proceeds from collection of loans receivable	1,913	1,472
Others, net	8,971	1,719
Net cash flows from investing activities	(5,967)	(96,792)
Cash flows from financing activities		
Proceeds from bonds and borrowings	0	100,000
Repayments of bonds and borrowings	(22,976)	(20,000)
Purchase of treasury shares	(50,239)	(50,095)
Proceeds from sale of treasury shares	0	1
Dividends paid	(48,468)	(43,889)
Others, net	(1,247)	(1,038)
Net cash flows from financing activities	(122,930)	(15,022)
Net increase (decrease) in cash and cash equivalents	45,383	24,419
Cash and cash equivalents at the beginning of the year	189,372	222,159
Effect of exchange rate change on cash and cash equivalents	(12,596)	(527)
Cash and cash equivalents at the end of the year	222,159	246,050

Historical Data

(Billions of yen)

	Japanese GAAP					
	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
Financial Results						
Net sales	880.1	842.1	952.1	967.3	938.6	997.8
Overseas sales	358.6	373.2	482.3	489.7	469.0	486.6
Ratio of overseas sales to net sales (%)	40.7	44.3	50.7	50.6	50.0	48.8
Operating income	156.8	88.8	95.5	122.1	98.2	100.5
Ratio of operating income to net sales (%)	17.8	10.6	10.0	12.6	10.5	10.1
Net income (loss)	97.6	(215.4)	41.8	70.1	10.3	66.6
Research and development expenses	163.4	184.5	196.8	194.3	185.0	183.0
Ratio of research and development expenses to net sales (%)	18.6	21.9	20.7	20.1	19.7	18.3
Depreciation and amortization	38.7	40.5	45.9	43.9	46.3	41.4
Capital expenditure	21.1	19.6	29.7	37.3	62.9	65.1
Financial Position						
Total assets	1,487.8	1,494.5	1,489.5	1,480.2	1,518.4	1,644.0
Net assets	1,244.5	888.6	889.5	887.7	832.7	915.7
Per Share Information						
Basic net income per share (yen)	135.35	(304.22)	59.45	99.62	14.75	94.64
Net assets per share (yen)	1,730.09	1,226.04	1,215.62	1,206.12	1,143.52	1,253.86
Annual dividends per share (yen)	70	80	60	60	60	60
Main Financial Indicators						
Return on equity (ROE) (%)	7.8	(20.5)	4.9	8.2	1.3	7.9
Equity ratio (%)	83.6	57.7	57.4	57.4	53.0	53.7
Dividend on equity (DOE) (%)	4.0	5.4	4.9	5.0	5.1	5.0
Free cash flows*	17.2	(335.4)	172.8	78.1	(32.5)	19.9
Average exchange rates						
(USD / JPY)	114.28	100.54	92.86	85.72	79.07	83.11
(EUR / JPY)	160.52	143.49	131.16	113.13	108.96	107.15
Number of Employees	15,349	28,895	29,825	30,488	31,929	32,229

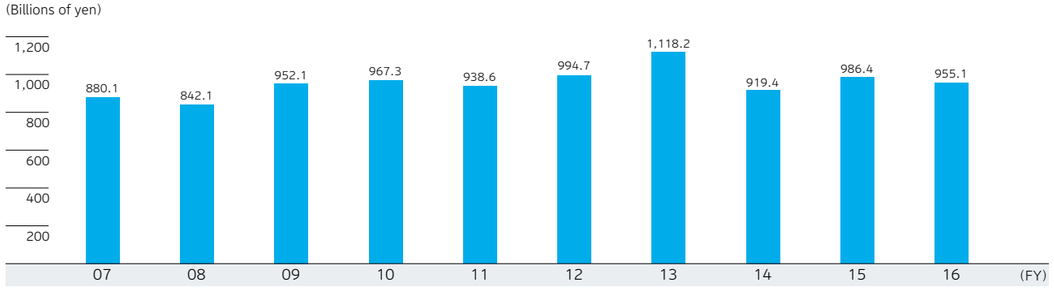
* Cash flows from operating activities + Cash flows from investing activities

(Billions of yen)

	IFRS				
	FY2012	FY2013	FY2014	FY2015	FY2016
Financial Results					
Revenue	994.7	1,118.2	919.4	986.4	955.1
Overseas revenue	483.2	584.5	392.4	430.7	375.2
Ratio of overseas revenue to revenue (%)	48.6	52.3	42.7	43.7	39.3
Operating profit	98.7	111.6	74.4	130.4	88.9
Ratio of operating profit to revenue (%)	9.9	10.0	8.1	13.2	9.3
Profit attributable to owners of the Company	64.0	60.9	322.1	82.3	53.5
Research and development expenses	184.4	191.2	190.7	208.7	214.3
Ratio of research and development expenses to revenue (%)	18.5	17.1	20.7	21.2	22.4
Depreciation and amortization	45.3	51.5	42.0	44.3	47.4
Capital expenditure	65.1	49.2	36.3	23.3	23.9
Financial Position					
Total assets	1,684.9	1,854.0	1,982.3	1,900.5	1,915.0
Total equity	938.5	1,007.5	1,307.0	1,223.5	1,171.4
Per Share Information					
Basic earnings per share (yen)	90.96	86.57	457.56	119.37	79.63
Equity per share attributable to owners of the Company (yen)	1,287.94	1,392.03	1,852.28	1,801.90	1,772.99
Annual dividends per share (yen)	60	60	60	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
Ratio of equity attributable to owners of the Company to total assets (%)	53.8	52.9	65.8	64.8	61.4
Ratio of dividends to equity attributable to owners of the Company (%)	4.9	4.5	3.7	3.8	3.9
Free cash flows	20.4	(124.1)	121.5	168.3	39.4
Average exchange rates (USD / JPY)	83.11	100.24	109.94	120.14	108.42
(EUR / JPY)	107.15	134.38	138.78	132.57	118.84
Number of Employees	32,229	32,791	16,428	15,249	14,670

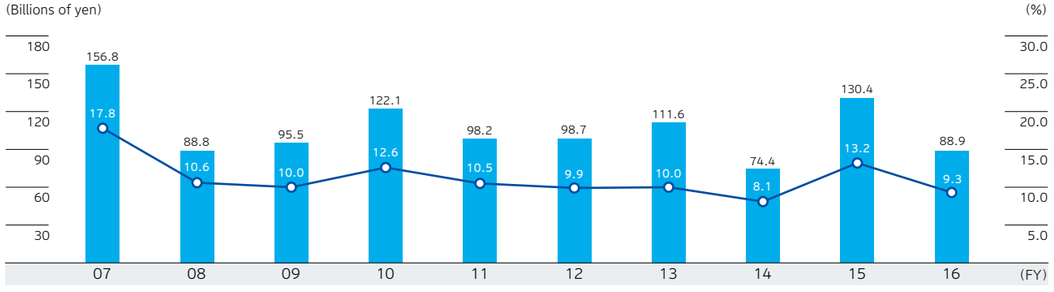
Note: Results for fiscal 2012 in compliance with IFRS are restated for comparison purposes.

Revenue



Note: Figures for fiscal 2011 and prior are based on Japanese GAAP, while figures for fiscal 2012 onward are based on IFRS.

Operating Profit/Ratio of Operating Profit to Revenue



■ Operating profit (left) ○ Ratio of operating profit to revenue (right)
Note: Figures for fiscal 2011 and prior are based on Japanese GAAP, while figures for fiscal 2012 onward are based on IFRS.

ESG (Environmental, Social, and Governance) Data

Environmental

Promoting Environmental Management

Aspect	Classification	Item	Scope	Unit	FY2014	FY2015	FY2016
CO_2	CO_2 emissions		In Japan	t-CO_2	178,511	176,157	176,732
			Global	t-CO_2	475,296	243,402	236,162
	CO_2 emissions by Greenhouse Gas Protocol	Scope 1	In Japan	t-CO_2	89,743	85,045	91,662
			Global	t-CO_2	171,580	115,243	115,474
		Scope 2	In Japan	t-CO_2	88,767	91,112	90,182
			Global	t-CO_2	303,716	128,159	125,799
Water resources	Water used		In Japan	1,000 m³	11,624	11,868	10,986
			Global	1,000 m³	12,140	12,531	11,534
	Wastewater		In Japan	1,000 m³	10,490	10,834	9,934
			Global	1,000 m³	10,937	11,288	10,370
	Effective water usage volume*1		Global	1,000 m³	—	1,243	1,164
Waste	Waste generated		In Japan	t	24,120	19,676	20,588
			Global	t	22,359	21,764	22,756
	Final disposal rate		In Japan	%	0.68	0.46	0.69
	Amount of office paper consumed		In Japan	Million sheets	58.98	54.69	53.55

Social

Promoting Compliance Management

Aspect	Classification	Item	Scope	Unit	FY2014	FY2015	FY2016
Compliance	Compliance training*2		In Japan	Persons	384	354	436
	Training on Daiichi Sankyo Group Individual Conduct Principles	Ratio of employees participating in e-learning and group training	In Japan	%	—	100	100
			Outside Japan	%	—	100	100
	Compliance violations discovered through DS-hotline and reporting venues for sexual and power harassment		Non-consolidated	Cases	6	7	0
	Compliance training based on Corporate Integrity Agreement*3 in the United States		In Japan	Persons	74	37	125
			Outside Japan	Persons	1,094	772	2,001
	GVP*4 training	Ratio of GVP-related employees undergoing training	Non-consolidated	%	100	100	100
		Ratio of all employees (excluding GVP-related employees) undergoing training	Non-consolidated	%	98.4	98.6	99.8
	Development-related training (including GCP)	Aggregate number of e-learning programs and group training sessions	Non-consolidated	Times	24	31	93

Mutual Growth of Employees and the Company

Aspect	Classification	Item	Scope	Unit	FY2014	FY2015	FY2016
Employees	Number of employees by region*5	In Japan	In Japan	Persons	8,549	8,589	8,648
		Outside Japan	Outside Japan	Persons	7,879	6,660	6,022
		Total	Consolidated	Persons	16,428	15,249	14,670
	Employee data*5	Number of male employees	In Japan	Persons	6,788	6,631	6,643
			Outside Japan	Persons	—	3,290	3,088
		Number of female employees	In Japan	Persons	1,973	1,958	2,005
			Outside Japan	Persons	—	3,370	2,934
		Average years of service	In Japan	Years	18.0	17.6	18.7
		Percentage of female employees	In Japan	%	22.1	22.8	23.2
			Global	%	—	34.9	33.7
		Percentage of women in managerial positions	In Japan	%	4.5	5.0	5.4
			Global	%	—	20.5	22.6
	Challenged worker*5	Employment rate of people with physical or mental disabilities	In Japan	%	2.34	2.45	2.44
	Human resource development	Number of company-wide award winners*6	In Japan	Persons	46	49	47
		Employee turnover rate*7	Global	%	—	—	5.3

*1 Water intake-Wastewater
*2 Total of training for new hires, newly appointed managerial employees, newly appointed executive candidates, and mid-career hires
*3 Corporate Integrity Agreement: An agreement regarding legal compliance
*4 Good Vigilance Practice: Standard for post-marketing safety control of pharmaceuticals
*5 Figures as of the settlement date of each Group company; figures for the number of employees (in Japan) and average years of service for fiscal 2014 are as of April 1 of the following fiscal year; figures for the employment rate of people with physical or mental disabilities for fiscal 2014 are as of June 1
*6 Total number of employees who received prize from the culture-building and achievement awards
*7 Rate of employees retiring for personal reasons

Enhancement of Communication with Stakeholders

Aspect	Classification	Item	Scope	Unit	FY2014	FY2015	FY2016
Patients and medical professionals	Evaluation of corporate stance and MR activities	MRs rated (all responding physicians)*8	In Japan	Rank	First	First	First
		MRs rated (hospital doctors)*8	In Japan	Rank	First	First	First
		MRs rated (private-practice physicians)*8	In Japan	Rank	Second	First	First
	Number of inquiries received (pharmaceutical products)		In Japan	Cases	120,000	118,000	116,000
Shareholders	Dividends per share	Interim	Non-consolidated	Yen	30	40	35
		Year-end	Non-consolidated	Yen	30	30	35
		Total	Non-consolidated	Yen	60	70	70

Improving Access to Healthcare

Aspect	Classification	Item	Scope	Unit	FY2014	FY2015	FY2016
Social	Number of mobile healthcare field clinics	Number of activities	In India	Times	499	503	496
			In Cameroon	Times	1,773	1,758	0
			In Tanzania	Times	306	408	93
	Number of development projects conducted through the GHIT Fund*9				3	3	3

Social Contribution Activities

Aspect	Classification	Item	Scope	Unit	FY2014	FY2015	FY2016
Social	Amount of contributions		In Japan	¥ Million	2,549	2,176	2,003
	Number of visitors to our factories		In Japan	Persons	1,700	1,200	1,200
	Number of visitors to Kusuri Museum*10		Non-consolidated	Persons	14,695	13,674	14,793
Employees	Acquisition of volunteer leave		In Japan	Persons	20	15	9

Governance

Aspect	Classification	Item	Scope	Unit	FY2014	FY2015	FY2016
Governance	Structure of Board of Directors	Number of directors	Non-consolidated	Persons	10	10	10
		Number of outside directors	Non-consolidated	Persons	4	4	4
		Number of female directors	Non-consolidated	Persons	0	0	0
	Structure of Audit & Supervisory Board	Number of Audit & Supervisory Board members	Non-consolidated	Persons	4	4	4
		Number of Outside Audit & Supervisory Board members	Non-consolidated	Persons	2	2	2
		Number of Outside Audit & Supervisory Board members (female)	Non-consolidated	Persons	1	1	1
	Remuneration of Directors	Total	Non-consolidated	¥ Million	555	612	578
	Remuneration of Audit & Supervisory Board members	Total	Non-consolidated	¥ Million	105	105	105

*8 Conducted by ANTERIO Inc. (FY2014-FY2016)
*9 Global Health Innovative Technology Fund
*10 A venue which offers an entertaining, "experienced-based" learning opportunity to visitors, introducing medicine in an accessible, easy-to-understand way

Referenced Guidelines

- UN Global Compact
- Japanese Ministry of the Environment, "Environmental Reporting Guidelines, 2012 Edition"
- ISO 26000
- IIRC (International Integrated Reporting Council), "International Integrated Reporting Framework"

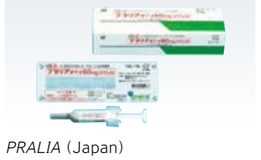
Major Products

Innovative Drugs

Brand Name (Generic Name)		Efficacy	Launched	Remarks
Japan [Daiichi Sankyo Co., Ltd.]				
Efient	(*prasugrel*)	Antiplatelet agent	2014	Inhibits platelet aggregation and reduces the incidence of artery stenosis and occlusion.
PRALIA	(*denosumab*)	Treatment for osteoporosis	2013	Human monoclonal antibody that binds to RANKL. A subcutaneous injection for use once every six months as a novel treatment for osteoporosis.
TENELIA	(*teneligliptin*)	Type 2 diabetes mellitus treatment	2012	DPP-4 (dipeptidyl peptidase-4) inhibitor. Inhibits the activity of DPP-4, an enzyme that inactivates incretin, which is a glucose-dependent insulin-releasing hormone excreted from the gastrointestinal tract, and thereby increases incretin concentration in blood and facilitates insulin release.
RANMARK	(*denosumab*)	Treatment for bone complications caused by bone metastases from tumors	2012	Human monoclonal antibody that binds to RANKL. A new and effective treatment option for treating bone disorders stemming from multiple myeloma and bone metastases from solid tumors.
LIXIANA	(*edoxaban*)	Anticoagulant	2011	Orally administered Factor Xa inhibitor. It is an anticoagulant that specifically, reversibly, and directly inhibits the enzyme, Factor Xa, a clotting factor in the blood. Approved for the prevention of venous thromboembolism (VTE) in patients with lower limb orthopedic surgery.
			2014	Approved for additional indications for the prevention of ischemic stroke and systemic embolism (SE) in patients with non-valvular atrial fibrillation (NVAF) and for the treatment and recurrence prevention of venous thromboembolism (VTE) (deep vein thrombosis (DVT) and pulmonary thromboembolism).
NEXIUM	(*esomeprazole*)	Ulcer treatment	2011	Proton pump inhibitor. Licensed from AstraZeneca. It suppresses gastric acid secretion.
Memary	(*memantine*)	Alzheimer's disease treatment	2011	N-methyl-D-aspartate (NMDA) receptor antagonist. Memantine slows down progression of dementia symptoms in patients with moderate to severe Alzheimer's disease.
Inavir	(*laninamivir*)	Anti-influenza treatment	2010	Neuraminidase inhibitor that inhibits influenza viral proliferation. Treatment is completed with a single inhaled dosage.
Urief	(*silodosin*)	Treatment for dysuria	2006	Selective alpha 1A-adrenoceptor antagonist that selectively blocks alpha 1A-adrenoceptors in the lower part of the urinary tract. Compared with other alpha blockers, it causes fewer side effects, such as orthostatic hypotension.
Olmetec	(*olmesartan*)	Antihypertensive agent	2004	Angiotensin II receptor blocker. *Olmesartan* blocks the vasoconstrictor effects of angiotensin II by selectively blocking the binding of angiotensin II to the angiotensin II receptor.
Rezaltas			2010	A combination of two antihypertensive drugs: calcium ion antagonist, *azelnidipine*, and an angiotensin II receptor blocker, *olmesartan medoxomil*.
Cravit	(*levofloxacin*)	Synthetic antibacterial agent	1993	New quinolone antibacterial agent offering strong antibacterial action and a broad antibacterial spectrum. Injectable preparation has been added as part of life-cycle management.
Artist	(*carvedilol*)	Treatment for hypertension, angina pectoris and chronic heart failure	1993	Beta blocker that selectively blocks beta-adrenaline receptors of the sympathetic nerve.
Mevalotin	(*pravastatin*)	Antihyperlipidemic agent	1989	HMG-CoA reductase inhibitor (statin) that lowers blood cholesterol levels by inhibiting cholesterol synthesis in the liver.
Omnipaque	(*iohexol*)	Contrast medium	1987	Nonionic contrast medium used to improve visibility of diagnostic X-ray imaging is inadequate.
Loxonin	(*loxoprofen*)	Anti-inflammatory analgesic	1986	Nonsteroidal anti-inflammatory analgesic. *Loxonin* tablets and granules have strong analgesic activity with lowered gastric side effects. *Loxoprofen* is a prodrug and is not metabolized in the stomach but activated after absorption through the small intestine. Other formulations such as tape are also available as a part of life-cycle management.

Olmetec (Japan)

NEXIUM (Japan)



PRALIA (Japan)

Efient (Japan)

LIXIANA (Japan)

Memary (Japan)

RANMARK (Japan)

TENELIA (Japan)

Innovative Drugs

Brand Name (Generic Name)		Efficacy	Launched	Remarks
US [Daiichi Sankyo Inc.]				
MOVANTIK	(*naloxegol*)	Opioid-induced constipation treatment	2015	First once-daily oral product approved by the FDA for the treatment of opioid-induced constipation (OIC) for adults with chronic non-cancer pain.
SAVAYSA	(*edoxaban*)	Anticoagulant	2015	Orally administered Factor Xa inhibitor. It is an anticoagulant that specifically, reversibly and directly inhibits the enzyme, Factor Xa, a clotting factor in the blood. Approved for indications to reduce the risk of stroke and systemic embolism (SE) in patients with non-valvular atrial fibrillation (NVAF) and for the treatment of venous thromboembolism (VTE) (deep vein thrombosis (DVT) and pulmonary embolism (PE)).
Efient	(*prasugrel*)	Antiplatelet agent	2009	Inhibits platelet aggregation and reduces the incidence of artery stenosis and occlusion.
Benicar	(*olmesartan*)	Antihypertensive agent	2002	*Benicar*: *Olmesartan*
Benicar HCT			2003	*Benicar HCT*: Combination of *olmesartan medoxomil* and *hydrochlorothiazide* (diuretic)
AZOR			2007	*AZOR*: Combination of *olmesartan medoxomil* and *amlodipine besylate* (calcium channel blocker)
TRIBENZOR			2010	*TRIBENZOR*: Triple combination of *olmesartan medoxomil*, *hydrochlorothiazide*, and *amlodipine besylate*
Welchol	(*colesevelam*)	Hypercholesterolemia treatment / type 2 diabetes mellitus treatment	2000	Bile acid sequestrant. Marketed as a drug for treatment of hypercholesterolemia. Gained approval also for type 2 diabetes mellitus indication as part of life-cycle management.
US [Luitpold Pharmaceuticals, Inc.]				
Injectafer	(*ferric carboxymaltose injection*)	Anemia treatment	2013	Effective for patients who have intolerance to oral iron or who have had unsatisfactory response to oral iron or who have non-dialysis-dependent chronic kidney disease.
Venofer	(*iron sucrose injection*)	Anemia treatment	2000	Iron replacement product. Effective for treatment of iron deficiency anemia in dialysis patients.
Europe [Daiichi Sankyo Europe GmbH]				
LIXIANA	(*edoxaban*)	Anticoagulant	2015	Orally administered Factor Xa inhibitor. It is an anticoagulant that specifically, reversibly and directly inhibits the enzyme, Factor Xa, a clotting factor in the blood. Approved for indications for the prevention of stroke and systemic embolism (SE) in patients with non-valvular atrial fibrillation (NVAF) and for the treatment and prevention of recurrent venous thromboembolism (VTE) (deep vein thrombosis (DVT) and pulmonary embolism (PE)).
Efient	(*prasugrel*)	Antiplatelet agent	2009	Inhibits platelet aggregation and reduces the incidence of artery stenosis and occlusion.
Olmetec	(*olmesartan*)	Antihypertensive agent	2002	*Olmetec*: *Olmesartan*
Olmetec Plus			2005	*Olmetec Plus*: Combination of *olmesartan medoxomil* and *hydrochlorothiazide* (diuretic)
Sevikar			2009	*Sevikar*: Combination of *olmesartan medoxomil* and *amlodipine besylate* (calcium channel blocker)
Sevikar HCT			2010	*Sevikar HCT*: Triple combination of *olmesartan medoxomil*, *hydrochlorothiazide*, and *amlodipine besylate*

Generic Drugs

Brand Name (Efficacy)	
Japan [Daiichi Sankyo Espha Co., Ltd.]	
levofloxacin	(Synthetic antibacterial agent)
donepezil	(Alzheimer's disease treatment)
telmisartan	(Antihypertensive agent)
metformin	(Type 2 diabetes mellitus treatment)
atorvastatin	(Antihyperlipidemic agent)

OTC Related Drugs

Brand Name (Efficacy)	
Japan [Daiichi Sankyo Healthcare Co., Ltd.]	
Lulu	(Combination cold remedy)
Daiichi Sankyo Ichoyaku	(Multi-ingredient digestive remedy)
Loxonin S	(Antipyretic analgesic)
Patecs	(Antiphlogistic analgesic for external use)
Transino	(Melasma treatment)

Vaccines

Brand Name (Efficacy)	
Japan [Kitasato Daiichi Sankyo Vaccine Co., Ltd., Japan Vaccine Co., Ltd.]	
ActHIB	(Haemophilus influenzae type b vaccine)
Rotarix	(Rotavirus vaccine)
Influenza HA Vaccine	(Seasonal influenza vaccine)
Live Attenuated Measles / Rubella Combined Vaccine	(Measles and rubella vaccine)

MOVANTIK (US)

LIXIANA (Europe)

Loxonin S (OTC Related Drugs)

MINON series (OTC Related Drugs)

Injectafer (US)

levofloxacin (Generic Drugs)

Transino (OTC Related Drugs)

ActHIB (Vaccines)

Corporate Profile / Main Group Companies

Corporate Profile (As of April 1, 2017)

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

Japan	Sales	Manufacturing	Research and development
Daiichi Sankyo Espha Co., Ltd.	●		
Daiichi Sankyo Healthcare Co., Ltd.	●	▲	■
Daiichi Sankyo Propharma Co., Ltd.		▲	
Daiichi Sankyo Chemical Pharma Co., Ltd.		▲	
Daiichi Sankyo RD Novare Co., Ltd.			■
Daiichi Sankyo Business Associe Co., Ltd.			
Daiichi Sankyo Happiness Co., Ltd.			
Kitasato Daiichi Sankyo Vaccine Co., Ltd.	●	▲	■

● Sales
▲ Manufacturing
■ Research and development

U.S.A.	Sales	Manufacturing	Research and development
Daiichi Sankyo, Inc.	●		■
Luitpold Pharmaceuticals, Inc.	●	▲	■
Plexxikon Inc.			■

● Sales
▲ Manufacturing
■ Research and development

Europe	Sales	Manufacturing	Research and development
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 Belgium N.V.-S.A.	●		
Daiichi Sankyo Nederland B.V.	●		
Daiichi Sankyo Ilac Ticaret Ltd. Sti.	●		
Daiichi Sankyo Ireland Ltd.	●		
Daiichi Sankyo Altkirch Sarl		▲	

● Sales
▲ Manufacturing
■ Research and development

ASCA*	Sales	Manufacturing	Research and development
Daiichi Sankyo (China) Holdings Co., Ltd.	●	▲	■
Daiichi Sankyo Taiwan Ltd.	●		
Daiichi Sankyo Korea Co., Ltd.	●		
Daiichi Sankyo (Thailand) Ltd.	●		
Daiichi Sankyo Hong Kong Ltd.	●		
Daiichi Sankyo Brasil Farmaceutica LTDA.	●	▲	

* Asia, South & Central America

● Sales
▲ Manufacturing
■ Research and development

Shareholders' Information

Common Stock (As of March 31, 2017)

Number of shares authorized:	2,800,000,000
Number of shares issued:	709,011,343
Number of shareholders:	95,735

Share Registrar

Mitsubishi UFJ Trust and Banking Corporation

Mailing address and telephone number:

Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division

Shin-TOKYO Post Office
post office box No.29, 137-8081, Japan

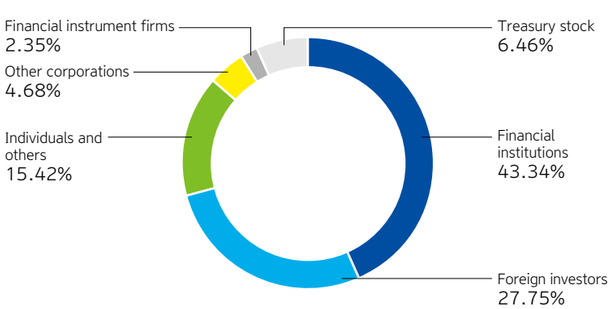
Tel: 0120-232-711(toll free within Japan)

Major Shareholders (As of March 31, 2017)

Name	Number of Shares Held (Thousands of shares)	Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	55,320	8.34
Japan Trustee Services Bank, Ltd. (trust account)	45,258	6.82
Nippon Life Insurance Company	35,776	5.39
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	14,402	2.17
Sumitomo Mitsui Banking Corporation	11,413	1.72
Japan Trustee Services Bank, Ltd. (trust account 5)	11,322	1.71
Employee stock ownership of Daiichi Sankyo Group	10,890	1.64
STATE STREET BANK WEST CLIENT-TREATY 505234	10,745	1.62
Japan Trustee Services Bank, Ltd. (trust account 7)	8,673	1.31
Mizuho Bank, Ltd.	8,591	1.30

Notes: 1. The Company holds 45,783,623 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, 2017)



Editorial Policy

Communication Policy

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

Relevant Information

For investor relations (IR) and the latest information on our CSR activities, please refer to the Company's website, which includes a variety of contents, including financial results summaries and videos of briefing sessions for investors. The PDF and e-book version of this *Value Report* are also available on the website.

WEB http://www.daiichisankyo.com/index.html

Cautionary Note Regarding Forward-Looking Statements

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

Period Covered

April 1, 2016 – March 31, 2017 (fiscal 2016) and also information for the period from April 2017 onward

DAIICHI SANKYO CO., LTD.

3-5-1, Nihonbashi-honcho, Chuo-ku, Tokyo 103-8426, Japan

Corporate Communications Department
Tel: +81-3-6225-1126

CSR Department
Tel: +81-3-6225-1067

http://www.daiichisankyo.com

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

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