Passion for Innovation.
Compassion for Patients.™

Daiichi-Sankyo

Daiichi Sankyo Group Value Report 2018

Editorial Policy

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

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

WEB Company's website **https://www.daiichisankyo.com/**

Cautionary Note Regarding Forward-Looking Statements

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

Period Covered

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

Contents

Who we are

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

Daiichi Sankyo's Growth Strategy

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

Business Activities

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

CSR Activities

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

Corporate Governance

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

Data Section

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

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 75.

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.™

To Our Stakeholders

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

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

We hope through this Value Report, you will come to appreciate the efforts of Daiichi Sankyo Group in resolving social issues, in other words how we deliver wide-ranging value to society.

George Nakayama
Representative Director,
Chairman and CEO

— Challenges of Daiichi Sankyo —

To Continue to Address Social Issues as a Pharmaceutical Company

Discussion

George Nakayama
Representative Director, Chairman and CEO

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Tsuguya Fukui, MD, MPH, PhD
Member of the Board (Outside)

Pharmaceutical companies have continued to explore solutions to the social challenge of conquering disease.
However, there are many fields in which social needs are not yet met. What social issues is Daiichi Sankyo recognizing and identifying, and how are they addressing them in management?
The CEO George Nakayama and Member of the Board (Outside) Dr. Tsuguya Fukui sat down and discussed these topics.

The Social Issues We've Solved Up Until Now

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

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

Fukui I agree completely.

With the emergence of *penicillin*, the world's first antibiotic, and *streptomycin*, the world's first therapeutic drug for tuberculosis, the world of medical care has changed dramatically. Pharmaceutical products have made great contributions to the world, such as the expansion of surgical treatment with the use of antibacterial drugs and painkillers, and have served as agents of extraordinary change in society.
For example, diseases like leukemia used to take the lives of most patients, but today, the situation has changed greatly as we can now even expect it to be cured.

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

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

Speaking in terms of the history of Daiichi Sankyo, Sankyo Co., Ltd. launched *taka-diastase*, a digestive enzyme, and *adrenaline*, the world's first adrenal cortex hormone agent. Arsemin Shokai, which later became Daiichi Pharmaceutical Co., Ltd., realized domestic production of *salvarsan*, a treatment for syphilis. Both companies have been active in finding solutions to the social issues of Japan since their formation. Since the 1990s, new drugs originating in Japan have started to gain worldwide attention. Drugs that we've developed, such as *pravastatin*, an antihyperlipidemic agent, and *levofloxacin*, a broad-spectrum oral antibacterial agent, are good examples.

Fukui I remember this taking me by surprise, because many diseases can now be controlled with drugs, including not only infectious diseases, but also chronic diseases such as hyperlipidemia, hypertension, and diabetes. As Daiichi Sankyo, we've also made great contributions with drugs like *pravastatin* and *olmesartan*. I think that the advancements in medical care in the past 40 to 50 years have been absolutely remarkable as a health care practitioner for many years.

Social Challenges to Tackle Going Forward

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

* Issues on Environmental, Social and Governance. Environmental issues such as climate change, social issues such as human rights and labor standards, governance issues such as corporate governance.

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

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

— Challenges of Daiichi Sankyo —

To Continue to Address Social Issues as a Pharmaceutical Company

I think it's important for our researchers to also set their sights to how patients are being treated in the field of medical care, and think of ideas from that perspective.

With regard to the environment, we focus on a goal which called “the 2°C target” has been set in the Paris Agreement on climate change to keep global temperature increase below 2°C to compared to pre-industrial temperature. In order to meet the 2°C target, an international initiative called Science Based Targets (SBT) was established to approve companies that proactively aim to achieve CO_2 reduction targets. Our Group promptly set our CO_2 reduction targets based on the SBT criteria, placing us as the second corporation in Japan to be approved for SBT initiative, for which we've received public praise.

Furthermore, with regard to the Sustainable Development Goals (SDGs), an initiative that our company takes seriously as an effort to solve social issues for all people in the world, we are working to tackle the issue in its healthcare field target, which is to improve access to healthcare.

As we move forward, unless we can adeptly integrate social demands with a sustainable business, it will become increasingly difficult to continue solving social issues in the long term.

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

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

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

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

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

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

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

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

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

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

Nakayama I would most certainly like to do that. Even with drugs, if you don't have doctors who know how to handle them, they won't be used, or even used in toxic ways. I believe it is crucial to develop new medicines, deliver them to patients and provide the appropriate information in an integrated manner.

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

Tsuguya Fukui

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

— Challenges of Daiichi Sankyo —

To Continue to Address Social Issues as a Pharmaceutical Company

Cancers with Unmet Medical Needs

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

Nakayama　At Daiichi Sankyo, we set forth our 2025 Vision for becoming a "Global Pharma Innovator with competitive advantage in oncology." Daiichi Sankyo was originally a company that focused its strength in research and development. With the goal of venturing into a field where we can leverage our R&D capabilities, where leading-edge science can most effectively exhibit results, and where new knowledge can most likely lead to development of new medicine, we have made the oncology area a core focus of our business.

The most pleasant point of all is that our proprietary technologies we've cultivated up until now have come to fruition, and we were able to start the ADC* franchise.

* Antibody Drug Conjugate

Fukui　I'm expecting it to be very effective. I can't wait to see it launched.

To Inspire Innovative Ideas

Fukui　I believe there are two kinds of innovation: the kind where if you take time, anyone can produce results, and the kind where people create things that no one has thought of before. I think that on the level of national governments, it is necessary to drive both types of innovation simultaneously. Innovation in pharmaceutical companies tend to follow the pattern of the latter and it requires a firm will to take on many difficult challenges, but I want you to do that boldly.

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

Fukui　Disruptive innovation. I like that expression.

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

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

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

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

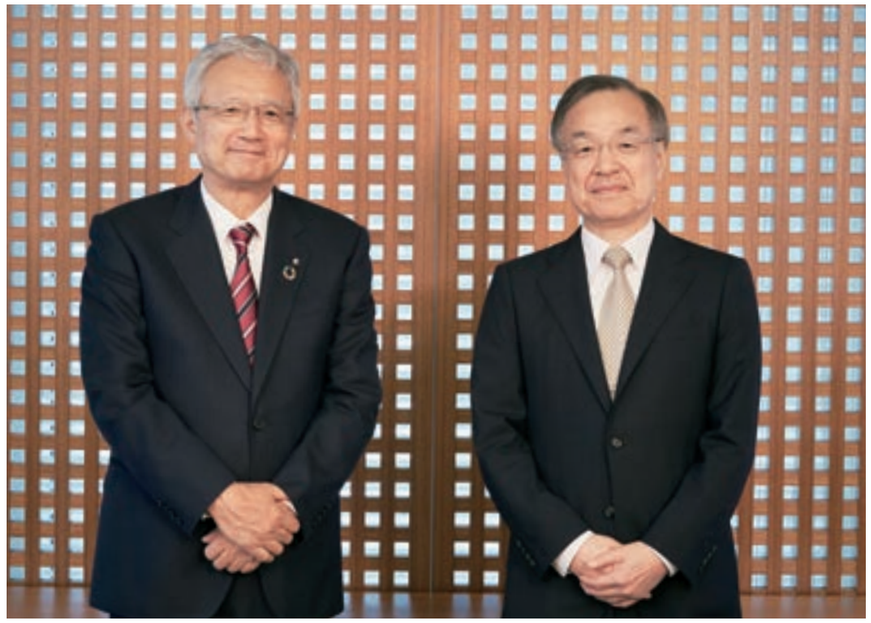
Fukui　It might be a little different story, but when it comes to the field of medical care, we welcome many students of all ages from elementary school to high school, to come visit St. Luke's International Hospital and observe our work. They come from every region in Japan and they all seem to be deeply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

About Daiichi Sankyo's Vision of the Future

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

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

Nakayama　As a Global Pharma Innovator with competitive advantage in oncology, I want us to continue to create innovative drugs and deliver them to patients all over the world. At the same time, we want to understand the needs that are in each part of the world, and continue to pursue regional value. As a part of this vision, I also think it would be good to contribute to society and provide know-how, and through GHIT and other initiatives, continue to also contribute in terms of providing pharmaceuticals.



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.
From the 1980s onward, both companies proceeded to expand their operations globally while developing and launching new products. *Pravastatin*, *levofloxacin* and *olmesartan* became blockbuster drugs* on the global market.

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

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

History of Sankyo

Sankyo started its journey by commercializing compounds created through its fermentation, extraction of biological materials from plants and animals, and other biotechnologies such as *taka-diastase*, *adrenaline* and *orizanin*. In the years that followed, it built upon its biotechnology research to create numerous antibiotic drugs.

Another innovative pharmaceutical developed by applying Sankyo's biological fermentation technologies was *pravastatin*, a early statin compound that was created by Sankyo and that revolutionized medicines in the world as an antihyperlipidemic agent.

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

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***

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, 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

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

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

1915

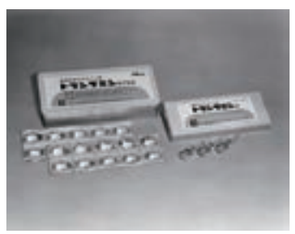
Founded as Arsemin Shokai by Dr. Katsuzaemon Keimatsu and realized domestic production of ***salvarsan***, a treatment for syphilis, which was a common disease in Japan at that time

1918

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

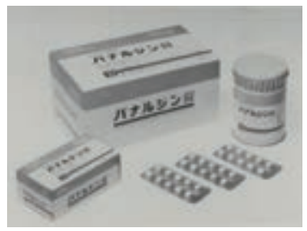
1921

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

1993

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

1985

Launched ***ofloxacin*** (Product name: *Tarivid*), 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

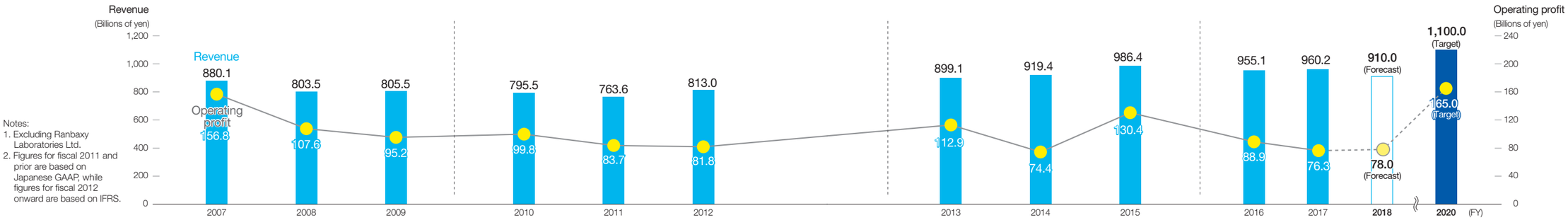
Start of new Daiichi Sankyo Group

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 ADC* franchise, which will be key to the future of Daiichi Sankyo, is also built upon these strengths using the biotechnologies of Sankyo in the antibody portion of these drugs and the synthesis technologies of Daiichi Pharmaceutical in the linker and drug payload portions.

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

* Antibody Drug Conjugate



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.

1st Mid-Term Business Plan | **2nd Mid-Term Business Plan** | **3rd Mid-Term Business Plan** | **4th Mid-Term 5-Year Business Plan**

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

		Maximization of synergies and expansion of growth foundation	Advancement of global hybrid business model	Promotion of measures toward sustainable growth beyond LOE	Transformation toward 2025 Vision
Overview of initiatives under mid-term business plans		• Focus on thrombosis, cancer and diabetes fields • Maximize sales of *olmesartan* franchise • Introduced Ranbaxy into Group in 2008	• Focus on thrombosis, cardiovascular-metabolics, and cancer fields • Expand operating foundations in Japan • Conduct frontline and backyard collaboration with Ranbaxy	• Focus on thrombosis, cardiovascular-metabolics, and cancer fields • Divest and liquidate Ranbaxy over period from April 2014 to April 2015 • Return to innovative business	• 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* US *MorphaBond*
Important management decisions	**In-licensed products**	Japan *Denosumab* US *Tivantinib* (Development discontinued) Europe *Tivantinib* (Development discontinued)	Japan *NEXIUM*	US *CL-108* (License returned) Japan *VIMPAT , FluMist* Global *TS23* (License returned)	Japan *Heartcel* Japan Nine biosimilars Japan *Axicabtagene ciloleucel* Japan Four authorized generics US *MorphaBond* US *RoxyBond*
	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.	
	Business expansion Restructuring	Europe Expansion in Turkey and Ireland US Expansion in Puerto Rico	Japan Start of generic business Japan Start of vaccine business Japan Close of Osaka Plant Japan Sale of Shizuoka Plant	Japan Sale of Akita Plant Japan US Europe Restructuring in Japan, the United States, and Europe Global Divestment of Ranbaxy to Sun Pharmaceutical Industries Ltd. Global Completion of sale of Sun Pharmaceutical shares	Europe US Restructuring of operations in Europe and the United States Japan Decision to close the Hiratsuka Plant of Daiichi Sankyo Chemical Pharma Co., Ltd. US Sale of Bethlehem Plant of Daiichi Sankyo, Inc. Europe Closure of U3 Pharma GmbH in Germany Others Decision to close Daiichi Sankyo India Pharma Private Ltd. Japan Decision to close Asubio Pharma Co., Ltd.
ESG E Environmental S Social G Governance		G Set term of Members of the Board as one year, four out of 10 Members of the Board are Members of the Board (Outside) G Established Nomination Committee and Compensation Committee (comprised of Members of the Board (Outside)) G Established Audit & Supervisory Board (two out of four Members of the Audit & Supervisory Board are Members of the Audit & Supervisory Board (Outside)) G Introduced Corporate Officer System E S G First time for inclusion in FTSE4Good*1; inclusion continues thereafter E S G First time for inclusion in Dow Jones Sustainability Indices*2 (Asia Pacific); inclusion continues thereafter	E S G Revision of DAIICHI SANKYO Group Corporate Conduct Charter E S Participation in United Nations Global Compact S Start of" Daiichi Sankyo Presents Family Tie Theater" program S Establishment of Daiichi Sankyo Kusuri Museum S Commencement of mobile healthcare field clinic services in developing countries	G Prescribed specific criteria on the judgment of independence of outside officers G Implemented and achieved compliance with all principles of Japan's Corporate Governance Code S Participation in the Global Health Innovative Technology (GHIT) Fund S Receipt of first-prize UCDA Award 2015*3 for Daiichi Sankyo's Value Report 2015 S Establishment of Daiichi Sankyo Group Individual Conduct Principles	G 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)) G Introduced restricted share-based remuneration plan G Selected for the winner of the Corporate Governance of the Year® 2017*4 E S G First time for inclusion in Dow Jones Sustainability Indices (World Index) in 2017 S Participation in the Access Accelerated initiative*5 S Acquired 2018 Certified Health and Productivity Management Organization Recognition Program (Large Enterprise Category)—White 500 for the first time S Acquired the Highest Grade of Eruboshi Certification for Promoting Women's Participation and Advancement in the Workplace (2018)

2025 Vision

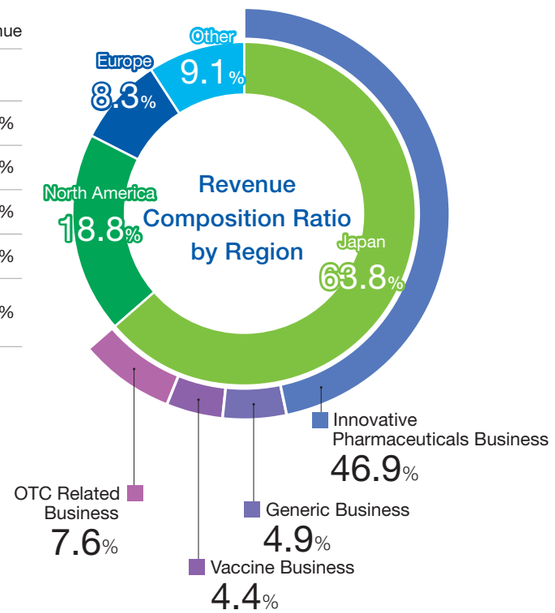
Global Pharma Innovator with Competitive Advantage in Oncology

*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 Award for communication design
*4 An award for companies hosted by the Japan Association of Corporate Directors, which supports corporations that have achieved and maintained medium to long-term growth
*5 Initiative through which pharmaceutical companies work together with The World Bank Group and the Union for International Cancer Control to improve non-communicable diseases prevention, diagnosis, and treatment options in low-income and lower-middle income countries

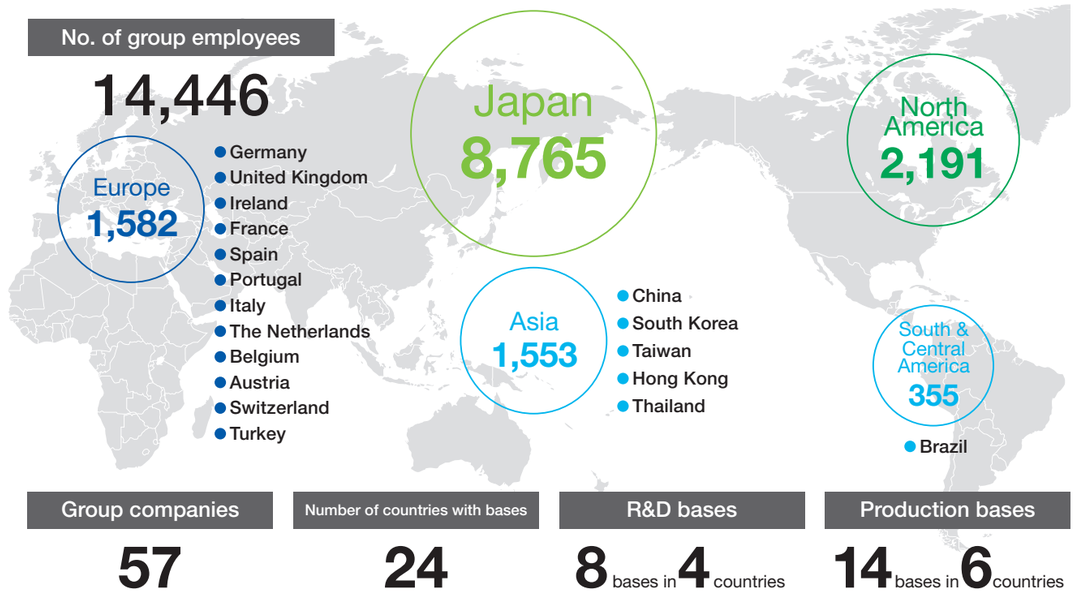
At a glance

Summary of Financial Results in Fiscal 2017

		Ratio to revenue
Revenue	¥960.2 billion	–
Cost of sales	¥346.0 billion	36.0%
SG&A expenses	¥301.8 billion	31.4%
R&D expenses	¥236.0 billion	24.6%
Operating profit	¥76.3 billion	7.9%
Profit attributable to owners of the Company	¥60.3 billion	6.3%
ROE	5.2%	
Liabilities	¥764.7 billion	
Net assets	¥1,133.0 billion	
Total assets	¥1,897.8 billion	
Equity ratio	59.7%	



Employees and Bases (As of March 31, 2018)



Group companies	Number of countries with bases	R&D bases	Production bases
57	24	8 bases in 4 countries	14 bases in 6 countries

Key Products

Innovative Pharmaceuticals Business

Anticoagulant
LIXIANA/SAVAYSA
Generic name *Edoxaban*
Revenue in fiscal 2017: ¥77.1billion

Antihypertensive agent
Olmetec/Benicar
Generic name *Olmesartan*
Revenue in fiscal 2017: ¥149.7billion

Ulcer treatment
NEXIUM
Generic name *Esomeprazole*
Revenue in fiscal 2017: ¥86.5 billion

Generic Business

Antihypertensive agen
Olmesartan (AG)

Vaccine Business

Seasonal influenza vaccine
Influenza HA Vaccine

OTC Related Business

Antipyretic analgesics/
Topical anti-inflammatory analgesics
Loxonin S

R&D Pipeline Highlights (As of July 2018)

		Phase 1-2 studies	Studies conducted for applications
Oncology	ADC Franchise	Number of projects: 2 Target indications: 5	Number of projects: 1 Target indications: 2
	AML Franchise	Number of projects: 4 Target indications: 7	Number of projects: 1 Target indications: 1
	Breakthrough Science	Number of projects: 2 Target indications: 2	Number of projects: 2 Target indications: 2
Specialty Medicine		Number of projects: 4 Target indications: 4	Number of projects: 5 Target indications: 7
Vaccines		Number of projects: 1 Target indications: 1	Number of projects: 3 Target indications: 3

At a glance

Major R&D Pipeline(In-House Development Projects)

(As of July 2018)

*1 Phase 1: Conduct trials on a small group of healthy volunteers to assess safety and pharmacokinetics of drugs (patient volunteers may be included depending on the trial)
*2 Phase 2: Conduct trials on a small group of patient volunteers to assess safety, efficacy, dosage and administration regimen
*3 Phase 3: Conduct trials on a large number of patient volunteers to assess safety and efficacy of a new drug in comparison with existing drugs
★: Projects in the field of oncology which are planned for application based on the results of Phase 2 trials

Generic Name/Project Code Number		Class	Target indication	Region	Stage	Partner	Remarks
Oncology							
ADC Franchise	*DS-8201*	Anti-HER2 antibody drug conjugate	Metastatic breast cancer (HER2 positive post T-DM1)	JP/US/EU/Asia	P2*2 ★ / P3*3	–	Granted Fast Track Designation by the FDA Granted Breakthrough Therapy Designation by the FDA
			Metastatic breast cancer (HER2 positive vs. T-DM1)	JP/US/EU/Asia	P3*3	–	
			Metastatic breast cancer (HER2 low expression)	JP/US/EU	P2*2	–	
			Metastatic gastric cancer (HER2 expressing post trastuzumab)	JP/Asia	P2*2 ★	–	Granted SAKIGAKE Designation by the Ministry of Health, Labour and Welfare
			Colorectal cancer	JP/US/EU	P2*2	–	
			Non-small cell lung cancer	JP/US/EU	P2*2	–	
			Metastatic breast cancer, urothelial (bladder) cancer	US/EU	P1*1	BMS	Combination with *nivolumab*
	U3-1402	Anti-HER3 antibody drug conjugate	Metastatic breast cancer	JP/US	P2*2	–	
			Non-small cell lung cancer	US	P1*1	–	
	DS-1062	Anti-TROP2 antibody drug conjugate	Solid tumors (non-small cell lung cancer)	JP/US	P1*1	–	
	DS-7300	Anti-B7-H3 antibody drug conjugates	Solid tumors	–	P1*1	–	
	DS-6157	Antibody drug conjugates	GIST (Gastrointestinal stromal tumor)	–	P1*1	–	
	DS-6000	Antibody drug conjugates	Renal cancer, ovarian cancer	–	P1*1	–	
	—	Anti-TA-MUC1 antibody drug conjugates	Solid tumors	–	P1*1	Glycotope	
AML Franchise	*Quizartinib/AC220*	FLT3 inhibitor	Acute myeloid leukemia (relapsed / refractory)	US/EU/Asia	P3*3	–	Granted Fast Track Designation by the FDA Granted Orphan Drug Designation by the FDA and the EMA
			Acute myeloid leukemia (first-line)	JP/US/EU/Asia	P3*3	–	
			Acute myeloid leukemia (relapsed / refractory)	JP	P3*3	–	
	Milademetan/DS-3032	MDM2 inhibitor	Solid tumors	JP/US	P2*2	–	
			Acute myeloid leukemia	US	P2*2	–	Added a combination cohort with *azacitidine*
			Acute myeloid leukemia	US	P1*1	–	Combination with *quizartinib*
	DS-3201	EZH1/2 inhibitor	Adult T-cell leukemia/lymphoma, peripheral T-cell lymphoma	JP	P2*2	–	
			Acute myeloid leukemia, Acute lymphoblastic leukemia	US	P2*2	–	
	PLX51107	BRD4 inhibitor	Acute myeloid leukemia, myelodysplastic syndrome, solid tumor	US	P2*2	–	
	DS-1001	IDH1 mutant inhibitor	Glioma	JP	P2*2	–	
	PLX2853	BRD4 inhibitor	Acute myeloid leukemia, solid tumors	US	P2*2	–	
Breakthrough Science	*Pexidartinib*	CSF-1R/KIT/FLT3 inhibitor	Tenosynovial giant cell tumor	US/EU	P3*3	–	Granted Breakthrough Therapy Designation by the FDA
	DS-1647(G47Δ)	Oncolytic HSV-1	Glioblastoma	JP	P2*2 ★	–	Granted SAKIGAKE Orphan Drug Designation by the Ministry of Health, Labour and Welfare
	DS-1205	AXL inhibitor	Non-small cell lung cancer	JP/US	P2*2	–	Combination with *osimertinib* (US) or *gefitinib* (JP)
	Axicabtagene ciloleucel	Anti-CD19 CAR-T cells	Large B Cell Lymphoma	JP	P2*2	Kite/Gilead	
Specialty medicine							
The field of Cardiovascular-Metabolics	*Edoxaban/DU-176b*	Factor Xa inhibitor	Atrial fibrillation (AF)	ASCA	P3*3	–	BR: received approval in Mar 2018 CN: submitted in Aug 2015
			Venous thromboembolism	ASCA	P3*3	–	BR: received approval in Mar 2018 CN: submitted in Aug 2015
			Very elderly patients with non-valvular AF	JP	P3*3	–	Additional dosage and formulation for very elderly (80 years and older) AF patients
	Prasugrel/CS-747	Anti-platelet agent	Ischemic stroke	JP	P3*3	Ube Industries	Additional indication, P3 studies completed
	Esaxerenone/CS-3150	MR antagonist	Hypertension	JP	P3*3	Exelixis, Inc.	Submitted in Feb 2018
			Diabetic nephropathy	JP	P2*2		
	DS-1040	TAFIa inhibitor	Acute ischemic stroke, acute pulmonary embolism	JP/US/EU	P2*2	–	
	DS-2330	Hyperphosphatemia treatment	Hyperphosphatemia in chronic kidney disease	–	P2*2	–	
The field of Internal Medicine	*Mirogabalin/DS-5565*	α2δ ligand	Diabetic peripheral neuropathic pain Postherpetic neuralgia	JP/Asia	P3*3	–	JP: submitted in Feb 2018
	Laninamivir/CS-8958	Neuraminidase inhibitor	Influenza	JP	P3*3	–	Additional dosage form, nebulizer formulation Submitted in Jul 2018
	DS-5141	ENA oligonucleotide	Duchenne muscular dystrophy	JP	P2*2	ODTI	Granted SAKIGAKE Designation by the Ministry of Health, Labour and Welfare
	DS-1211	TNAP inhibitor	Prevention of ectopic calcification diseases	US	P2*2	–	Research collaboration with Sanford Burnham Prebys Medical Discovery Institute
Vaccines							
	VN-0107/MEDI3250	Nasal cavity spray live attenuated influenza vaccine	Prevention of seasonal influenza	JP	P3*3	AstraZeneca/ MedImmune	Submitted by Daiichi Sankyo in Jun 2016
	VN-100	Intradermal seasonal influenza vaccine	Prevention of seasonal influenza	JP	P3*3	Terumo Corporation	
	VN-0105	DPT-IPV/Hib vaccine	Prevention of pertussis, diphtheria, tetanus, poliomyelitis and Hib	JP	P3*3	Sanofi Pasteur	Co-develop with Sanofi K.K. and KDSV
	VN-0102/JVC-001	Measles-Mumps-Rubella vaccine	Prevention of Measles, Mumps and Rubella	JP	P2*2	–	Japan vaccine company is preparing for the P3 study

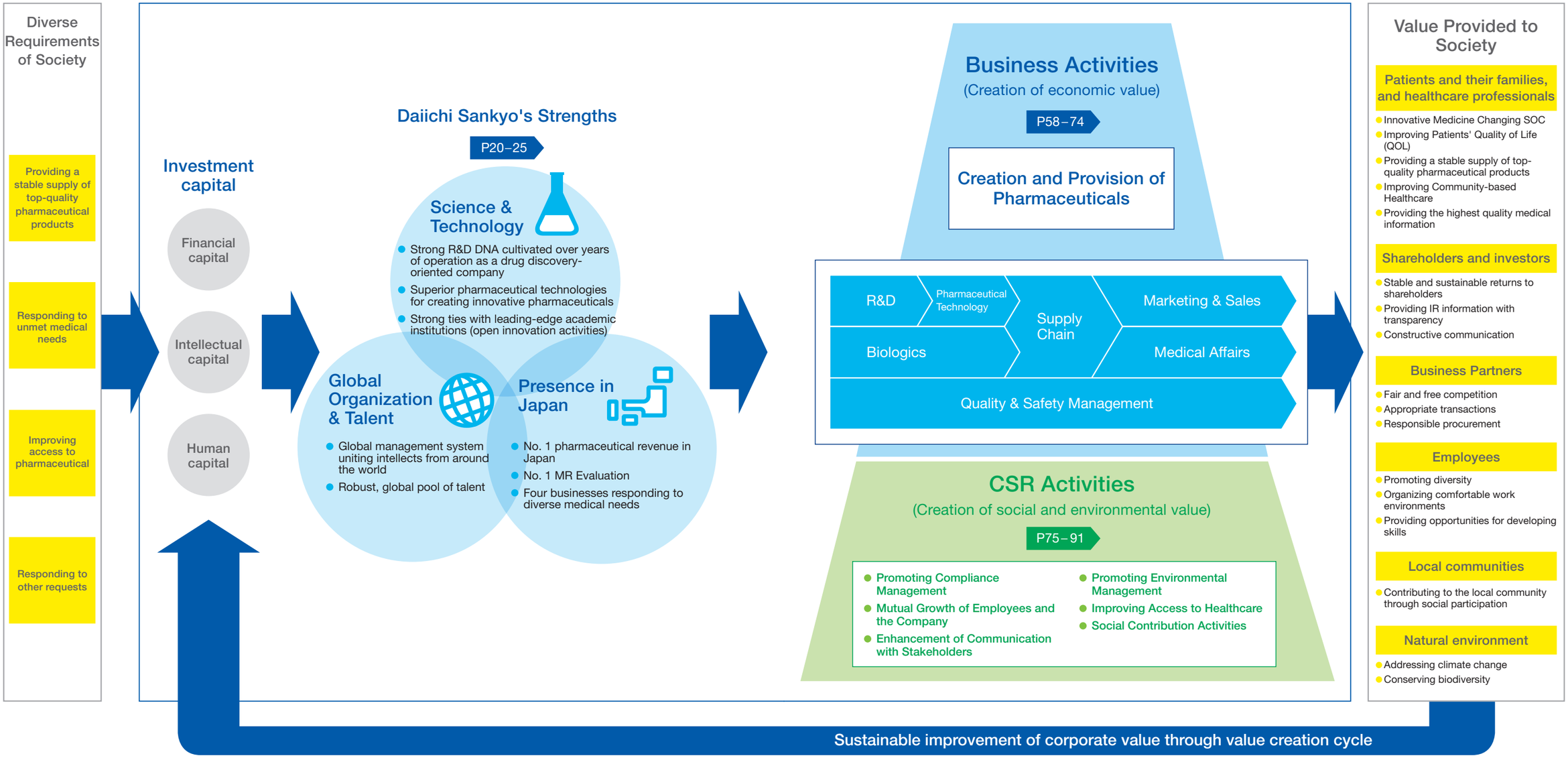
Who we are

Daiichi Sankyo's Value Creation Process

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

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

*1 Medical needs for effective treatment and drugs yet to be developed
*2 To have pharmaceuticals needed by patients be delivered sufficiently and consistently
*3 Standard of Care. Universally applied best treatment practice in today's medical science.



Science & Technology

Superior Pharmaceutical Technologies for Creating Innovative Pharmaceuticals

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

DS-8201 and following projects in ADC franchise

DS-8201 was created through Daiichi Sankyo's proprietary science and technology. The antibody portion of this drug was created by applying the antibody research and protein engineering capability of the former Sankyo, while the drug payload and linker were born out of the research capabilities of the former Daiichi Pharmaceutical. Research and development on ADC started in 2010, though it was met with considerable opposition internally because the preceding HER2-ADC already existed in another company at the time. Amid that context, researchers were selected for a cross-functional project team involved in technological development on ADC. In order to thoroughly examine the merits and issues regarding the preceding drug and to solve the issues regarding the preceding drug, the researchers in this team screened and optimized over several hundred combinations of antibodies, linkers, and payloads to ultimately produce the current *DS-8201*. They systematically researched and resolved all critical aspects necessary to create a truly best-in-class technology. Daiichi Sankyo's ADC technologies have substantial potential to contribute to the development of an ADC franchise, as it may be possible to attach the payload and linker to other antibodies.

Powerful Research Engines

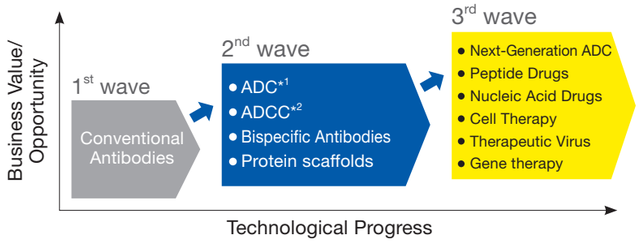
Research labs in Japan combining chemistry and biology expertise

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

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

Diverse Modality Technologies

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



*1 Antibody Drug Conjugate
*2 Antibody Dependent Cellular Cytotoxicity

Modality (Molecule Type)	Strategy
Conventional 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
Protein scaffolds/peptide drugs 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 affinity Target development of platform for oral administration modalities for peptides
Vaccine and adjuvants	Pursue preventative medicine and treatment benefits through development of adjuvants that are administered together with vaccines to augment their effectiveness
Nucleic acid drugs (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
Cell therapy	Provide innovative treatment methods for previously difficult to treat diseases, such as utilizing autologous and allogeneic cells to treat diseases, modifying viruses for therapeutic purposes, and administering normally functioning genes to support the functioning of abnormal genes
Therapeutic viruses	
Gene therapy	

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

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

Lung cancer-related research alliance

Dana-Farber Cancer Institute

- Located in the state of Massachusetts in the U.S., this is one of the world-leading institutions in cancer research and treatment for adults and children
- Requested physician at this site to be the Principal Investigator for clinical trials of *U3-1402* in lung cancer

Research and development alliance for AML treatments

The University of Texas MD Anderson Cancer Center

- Located in the state of Texas in the U.S., this is one of the world's largest and most important academic research centers on leukemia
- An ideal partner for accelerating the development of new drugs for the treatment of acute myeloid leukemia (AML)

Research alliance for *DS-8201*

Memorial Sloan Kettering Cancer Center

- Located in the state of New York in the U.S., this institution provides treatments and conducts research and education in the field of oncology at a global, cutting-edge level since its foundation in 1884
- Requested physician at this site to be the Principal Investigator for clinical trials of *DS-8201* in breast cancer.

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

The roots of Daiichi Sankyo's R&D DNA can be traced back to the founding of the company. Our journey began with the extraction of *adrenaline*, the discovery of *orizanin* and the domestic production of *salvarsan*, and we have since developed numerous drugs that lead the drug discovery in Japan. We have also created and delivered innovative products that have had a global impact such as *pravastatin* and *levofloxacin* to people around the world.

Edoxaban, which is currently continuing to grow as one of our mainstay products, also leverages Daiichi Sankyo's inherent R&D DNA. Starting with research and development on the antiplasmin medicine *Ipsilon*®, we subsequently developed *tranexamic acid*, which is still used today as a hemostatic agent worldwide, and *ticlopidine*, which opened the doors for antiplatelet therapies. Anticoagulants became our next target. Although *warfarin* already existed at the time, it had various issues such as its varying efficacy between individuals, and adverse interactions with other drugs and food. Many companies therefore were engaged in research and development for a new drug to solve these issues. It was amid these circumstances that Daiichi Sankyo succeeded for the first time in the world in synthesizing a compound with FXa inhibiting properties, which later gave rise to *edoxaban* with the improved absorption as an oral medicine.

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

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

Incorporated as drug discovery-oriented companies originating from Japan

1902 Launched *adrenalin* (Product name: *Adrenalin*), the world's first adrenal cortex hormone agent to be extracted successfully

1910 Made the world's first discovery of vitamin B1 (*orizanin*) in rice bran and established a foundation for the theory of vitamins

1915 Realized domestic production of *salvarsan*, a treatment for syphilis, which was a common disease in Japan

Creation and cultivation of leading pharmaceuticals in Japan

1965 Launched *tranexamic acid* (Product name: *Transamin*), an antiplasmin medicine

1981 Launched *ticlopidine* (Product name: *Panaldine*), which opened the doors for antiplatelet therapies

1986 Launched *loxoprofen* (Product name: *Loxonin*), an anti-inflammatory analgesic which has now come to be sold as an OTC

Research capabilities for creating innovative pharmaceuticals globally

1989 Launched *pravastatin* (Product name: *Mevalotin*), a drug that was developed by applying biological fermentation technologies and revolutionized the world of medicine as an antihyperlipidemic agent

1993 Launched *levofloxacin* (Product name: *Cravit*), a broad-spectrum oral antibacterial agent that left a mark on the history of not only Japan but also the entire world with its broad spectrum of antibacterial activity

Development capabilities contributing to success in large-scale global clinical trials

2002 Launched *olmesartan* (Product names: *Olmetec* and *Benicar*), an antihypertensive agent that became a blockbuster drug on the global market (Japanese launch took place in 2004)

2009 Launched *prasugrel* (Product name: *Efient*), an antiplatelet agent developed for the global market

2011 Launched *edoxaban* (Product names: *LIXIANA*, *SAVAYSA*), an anticoagulant developed for the global market

Global Organization & Talent

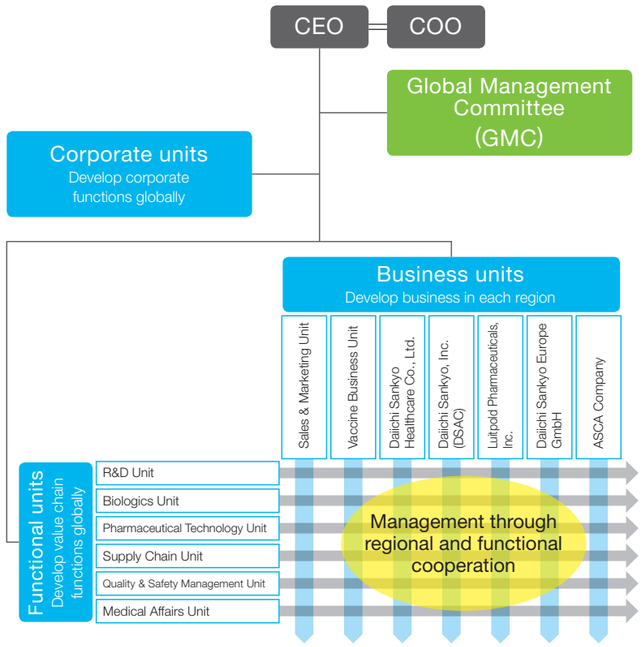
Global Management System Uniting Intellects from Around the World

Global Management Committee Facilitating Swift and Accurate Decision-Making

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

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

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



Global R&D Structure Enabling Swift Decision-Making

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

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

* Global Executive Meeting for Research And Development

Dynamic Global Organization for Responding Promptly to Operating Environment Changes

In recent years, there has been a strong cry for speed in global research and development in the oncology area. Daiichi Sankyo integrated its oncology R&D organizations and introduced the Cancer Enterprise, a unique concept originated in Daiichi Sankyo. The Cancer Enterprise works in cancer drug developments as well as marketing toward product launches, with functions going beyond research and development such as with pharmaceutical technology, Global Oncology Marketing, Global Medical Affairs and supply chain. Related functions work together to obtain information on market needs and for differentiating from competitor products, as well as in responding promptly to environmental changes.

Daiichi-Sankyo cancerenterprise

Robust, Global Pool of Talent

Proactive Employment of Global Talents from Around the World

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

As one example of this, we have hired excellent global talent leaders in research and development, marketing, and other functions in the oncology area, accelerating research and development and conducting preparation for launches, in order to become a "Global Pharma Innovator with competitive advantage in oncology."

Oncology R&D
- Antoine Yver — Global Head
- Tom Held — ADC Franchise Leader
- Arnaud Lesegretain — AML Franchise Leader
- Eric Richards — Oncology Regulatory Leader
- Gilles Gallant — Global Team Leader *DS-8201*
- Masato Murakami — Biomarker Leader

Global Oncology Marketing
- Thierry Gruson — Global Oncology Marketing Head

Global Market Access & Pricing
- Juan-Carlos Jaramillo — Market Access & Pricing Global Head

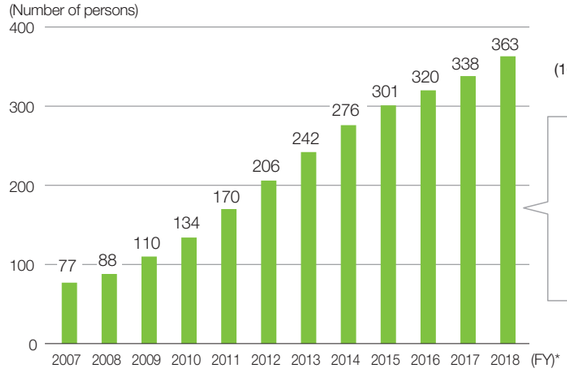
Global Oncology Medical Affairs
- Dalila Oulid-Aissa — Global Oncology Medical Affairs Head

Quality & Safety Management
- Vikram Dev — Global Medical Safety Lead

Human Resources Development Programs Taking Advantage of Global Experience

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

Number of Persons Newly Relocated from Japan to Overseas Group Companies (Cumulative)



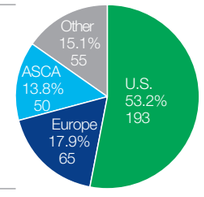
* Cumulative number as of April 1 of each year

Percentage of corporate officers with experience being assigned overseas

57.1%

(16 persons/28 persons total)

Itemized by region



Presence in Japan

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

for 2 consecutive years

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

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

Strong cooperative relationship with wholesalers
- Strengthening cooperative relationships through close coordination with MS* who are highly trusted by healthcare professionals.

* Marketing specialists at wholesalers

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

As a drug discovery-oriented company originating from Japan, Daiichi Sankyo established a firm position in Japan, and has developed *Mevalotin*, *Cravit* and others to become leading products in Japan.

As in other developed countries, it is common for first-in-class drugs to become market leaders in the Japanese market, and shares grow by order of launch in many segments.

Olmetec was the fifth ARB*1 to enter such a market environment, though with Daiichi Sankyo's collective strength in medical affairs and post-marketing studies in addition to sales capabilities, *Olmetec* grew to ultimately gain the No.1 share. Similarly, *NEXIUM* was the fourth PPI*2 to enter the market, though *NEXIUM* grew to gain the No. 1 share in three years. The currently growing *LIXIANA* was also fourth to enter the market with additional indication, though it is running at a close second in market share. In light of these accomplishments, we think that Daiichi Sankyo has a competitive advantage in the Japanese market, which resulted in us being No. 1 in terms of pharmaceutical revenue for two consecutive years.

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

*1 Angiotensin II Receptor Blocker
*2 Proton Pump Inhibitor

- *Olmetec*:
  Fifth to enter the market, went to No. 1 share
- *NEXIUM*:
  Fourth to enter the market, currently No. 1 share
- *LIXIANA*:
  Fourth to enter the market, currently No. 2 share

In order to complement this virtuous cycle, we have strengthened our cooperative relationship with wholesalers, and have closely cooperated among all internally related departments in earnestly and appropriately responding to inquiries from healthcare professionals and to medical affairs functions. As a result, we have achieved No. 1 in terms of revenue.

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

No. 1 share in sales

Growth of Japanese business

Sales growth of acquired products
Top class sales capabilities in quantity and quality
No.1 MR evaluation
Fine-tuned sales capabilities

Acquire valuable new products
- Acquiring and achieving sales growth in *NEXIUM*, *Memary*, *RANMARK/PRALIA*, and *TENELIA/CANALIA*

No.1 MR Evaluation

MRs Ranked No. 1 by Physicians for 6 Consecutive Years

With changes in the environment such as integrated community medical systems in Japan, the needs of healthcare professionals change and diversify all the time. In this context, based on the thoughts of each healthcare professional, we have contributed to medicine by faithfully developing activities according to customer functions and needs by mainly MRs in multichannel approach*1. We believe that these activities have been highly appreciated.

With regard to MR evaluation as well, we have been ranked highly not just for items such as knowledge and information, but also in items including human nature and responsiveness. As a result, we are comprehensively ranked No. 1.*2

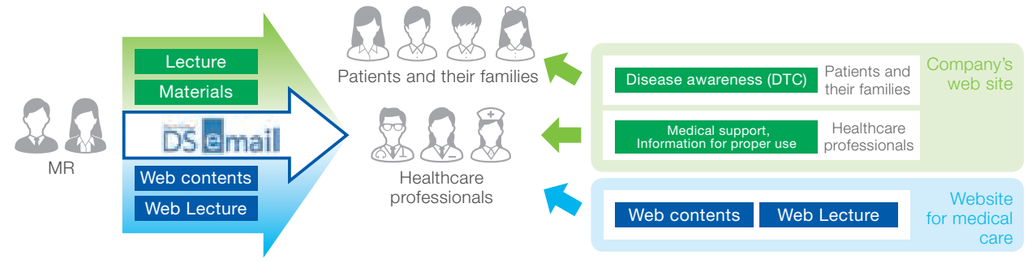
*1 Mainly MRs utilizing lecture, web lecture and internet etc.
*2 Conducted by ANTERIO Inc.

Comprehensive Training Programs

- All MRs have passed the certificate test held in December for the eighth consecutive year since fiscal 2010.
- We are strengthening training programs for MRs with a view toward the launch of specialty products centered on the oncology business. By establishing an internal oncology certification program, we are planning to raise the level of expert knowledge, and increasing and strengthening future MRs that can manage oncology.

Multichannel approach

Utilize capabilities of MRs with various supporting channels

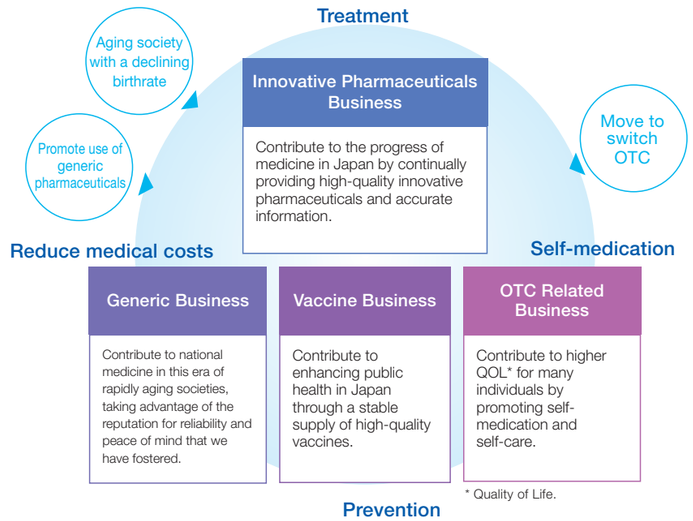


Four Businesses Responding to Diverse Medical Needs

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

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

* Pharmaceuticals protected during the exclusivity period granted by reexamination period and patents



* Quality of Life.

Daiichi Sankyo's Growth Strategy

Message from the COO

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

Sunao Manabe
Representative Director,
President and COO

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

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

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

Now that two years from fiscal 2016 to 2017 have passed, all employees at Daiichi Sankyo feel that our research and development in oncology have steadily and definitely progressed toward achieving our 2025 Vision. Furthermore, we feel the heightened expectations of external healthcare professionals as well as shareholders and investors. I would like to explain our determination behind why we decided to venture into the oncology area, and the advancements we've made in the past two years.

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

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

Number of new cancer patients (all cancer types) 2012

(Thousand/year)

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

Cancer deaths (all cancer types) 2012

(Thousand/year)

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

Source: GLOBOCAN 2012, "estimated cancer incidencem motarity and prevalence worldwide in 2012"

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

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

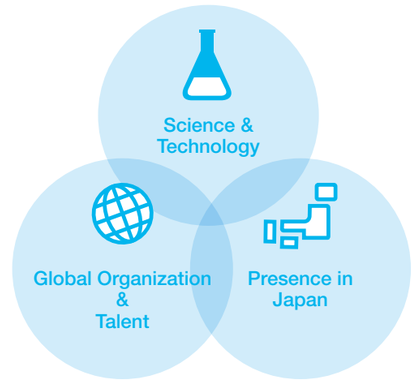
Our Strength as a Drug Discovery-Oriented Company Originating in Japan

Daiichi Sankyo was born out of the merger of Sankyo Co., Ltd. and Daiichi Pharmaceutical Co., Ltd., two drug discovery-oriented companies with histories spanning roughly a century. Both companies strove to become drug discovery-oriented companies originating in Japan since their founding, and created drugs that became blockbuster drugs on the global market such as *pravastatin*, *levofloxacin*, and *olmesartan*. Even in the oncology area, although few in numbers, the companies created drugs including *krestin* and *irinotecan*.

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

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

Daiichi Sankyo's Strengths



Transformation in Oncology R&D

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

Daiichi Sankyo's Growth Strategy

Message from the COO

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

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

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

Two franchises

ADC franchise

AML franchise

Expectations for the ADC Franchise

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

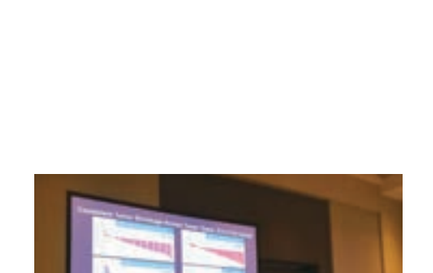
However, as the clinical studies proceeded, more patients were administered the drug and the treatment period extended, and in June 2018, we exhibited remarkable data at the American Society of Clinical Oncology (ASCO).

(See P39 for more details.)

*DS-8201*oral session at ASCO 2018

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

Our ADC technology can be combined with various antibodies

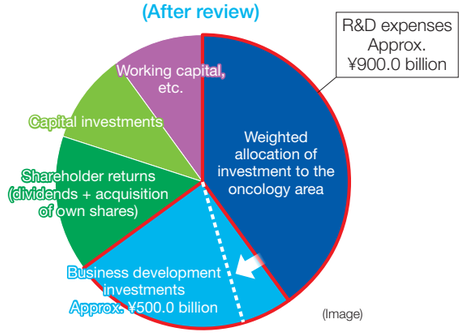


For Maximization of Oncology Business

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

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

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



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

Communication with Employees

In fiscal 2016 and 2017, members of senior management visited operating bases in Japan as well as overseas to explain to the on-site employees about the 2025 Vision and the 5-year business plan, and created opportunities to convey their message directly. The senior management initially felt there was some skepticism and anxiety among our employees regarding this transformation toward the oncology area. However, they continued to convey their message of firm determination, and finally the favorable results from the clinical studies starting with *DS-8201* emerged along with the positive feedback from doctors who participate in the clinical studies. Now, we are increasingly feeling confidence in our direction. Meanwhile, there is a growing sense of competition among the employees who are in charge of products other than *DS-8201*, sparking motivation within the entire company toward efforts to create new drugs.

Visits operating bases by members of senior management

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

In Closing

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

Sunao Manabe
Representative Director,
President and COO

2025 Vision

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

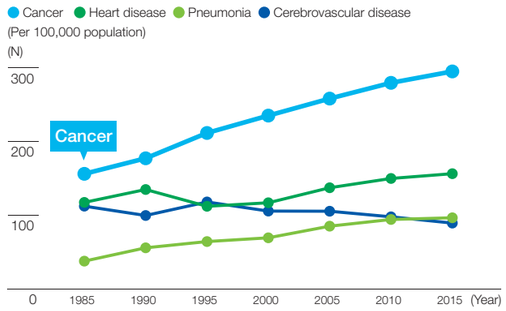
To realize its 2025 Vision, Daiichi Sankyo will transform from its previous business structure, which is focused on cardiovascular area including hypertension treatment to a global company with innovative products and pipelines that could change the Standard of Care (SOC) in specialty areas centered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

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

Unmet Medical Needs in Cancer

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

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



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

Growth of the Cancer Market

When the 2025 Vision was established in 2016, sales of anticancer drugs were overwhelmingly no. 1 in all therapy areas, and had expanded worldwide to ¥9.5 trillion (US$79.2 billion: ¥120/US$) due to relatively high-priced molecular targeted drugs and biologics that were already on the market. In addition, it was expected that the cancer market would continue to be the largest for some time, and many companies including mega-pharma corporations in Europe and the United States competed in developing new drugs.

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

▶ Market Trend by Therapy Area Worldwide (2014)

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

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

The Importance of Science

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

Our R&D Capabilities and Pipelines

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

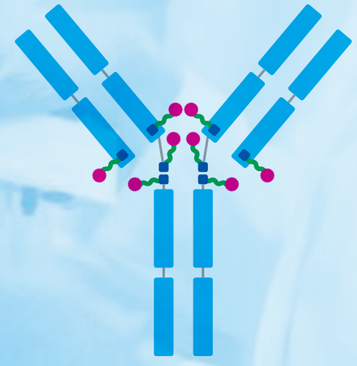
After our merger in 2005, we had strengthened the oncology area as a priority area in our research and development, and as a result, we had then promising pipelines in the pre-clinical and phase 1 stages.
At the same time, we had acquired multiple pipelines in later stages, such as phases 2 and 3, through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

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

Special Issue

Cancer

(Antibody Drug Conjugate: ADC)



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

1 Cancer

Cancer is one of the diseases with the high prevalence and mortality both in Japan and worldwide. Every year, approximately 14 million people are newly diagnosed with cancer across the world. In Japan, cancer has been the leading cause of death since 1981, while in 2012, annual cancer deaths reached approximately 380,000 people. Given these statistics, cancer has a devastating impact on human life and health.

▶ Cancer death (all types of cancer) 2012 (Thousands/year)

Worldwide	Japan	U.S.	Europe
8,202	379	617	1,993

Source: GLOBOCAN 2012, "estimated cancer incidencem motarity and prevalence worldwide in 2012"

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

		Japan	U.S.	5 European countries
Breast cancer	Newly diagnosed cancer (n)	95,000	321,000	259,000
	Recurrent cancer (n)	11,000	34,000	37,000
	5-Year survival (%)	91%	85%	–
Gastric cancer	Newly diagnosed cancer (n)	144,000	26,000	55,000
	Recurrent cancer (n)	25,000	11,000	25,000
	5-Year survival (%)	62%	25%	–
Non-small-cell lung cancer	Newly diagnosed cancer (n)	114,000	191,000	193,000
	Recurrent cancer (n)	41,000	65,000	68,000
	5-Year survival (%)	35%	18%	–
Colorectal cancer	Newly diagnosed cancer (n)	152,000	143,000	235,000
	Recurrent cancer (n)	18,000	32,000	54,000
	5-Year survival (%)	64%	56%	–

Source: CancerMPact (Synix Inc./Kantar Health)

2 Cancer Treatment

(1) Cancer treatment

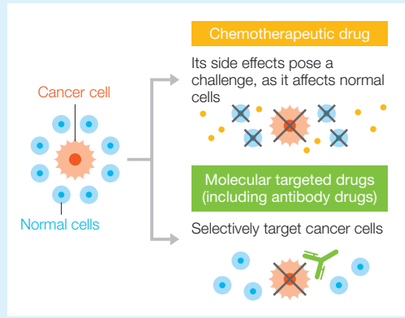
Cancer treatments are divided into two categories: systemic therapy and local therapy. Local therapy consists of surgery and radiotherapy.

	Type	Methodology	Characteristics
Systemic therapy	Drug therapy	Attacks cancer cells with drugs	• A mainstay of treatment if local therapy is inappropriate such as hematological cancer or metastatic disease
Local therapy	Surgery	Removes cancer surgically	• Cancer can be cured if it remains in the primary lesion
	Radiotherapy	Eliminates cancer cells with radiation	• Exerts therapeutic effects without surgically removing organs • Sometimes combined with drug therapy and surgery

(2) Drug therapy (chemotherapeutic drugs and molecular targeted drugs)

Previously, chemotherapeutic drugs played a principal role in drug therapy. Chemotherapeutic drugs are small molecule drugs that produce therapeutic effects on highly proliferative cells. They also affect to maintain function, such as gastrointestinal and bone marrow cells, This impact on normal cells are the cause of most of the chemotherapy-induced side effects.

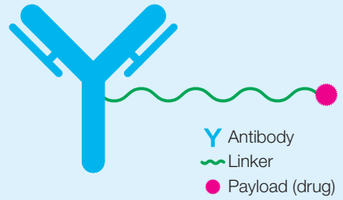
On the other hand, molecular targeted drugs target genes and proteins that are highly expressed in cancer cells. They are less likely to affect rapidly dividing normal cells, Although, molecular targeted drugs have their own unique side effects, they have relatively fewer side effects than conventional chemotherapeutic drugs.



3 What are Antibody Drug Conjugates (ADCs)?

(1) What are ADCs?

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



Chemotherapeutic drug
- Potent effects (cytocidal activity)
- Low target selectivity
- Problem of side effects

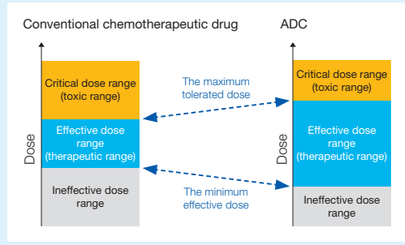
+

Antibody (molecular targeted drug)
- High target selectivity
- Relatively fewer side effects
- Sometimes insufficient efficacy

↓

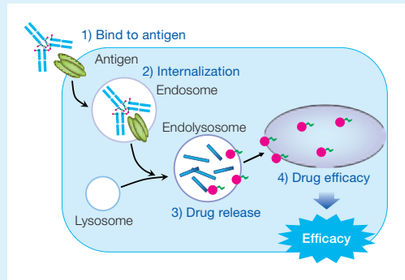
Antibody Drug Conjugate

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



(2) Mechanism of action

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



4 Characteristics of Daiichi Sankyo's ADCs

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

Existing ADCs	Daiichi Sankyo's ADC technology
Linker issues • Drug-antibody ratio (DAR)*: 2 to 4 • Toxicity and/or reduced efficacy due to released payloads in the blood	Characteristic 1: high drug-antibody ratio (DAR) • 8 at the maximum
	Characteristic 2: highly stable linker • Payloads are less likely to be detached in the blood, which reduces the risk of exposing normal tissue to toxicity.
	Characteristic 3: selective linker cleavage • Linkers are selectively cleaved in cancer cells to release the payload.
Payload issues • Most of the ADCs use tubulin polymerization inhibitors • No treatment option for tumors unresponsive/ resistant to existing ADCs. • Concern for relatively long half-life which may affect normal cells.	Characteristic 4: unique and potent payload • Newly developed DNA topoisomerase I inhibitor
	Characteristic 5: bystander effect • The drug can exert its therapeutic effects even in an environment where various cancer cells are mixed.
	Characteristic 6: payload with a short half-life in the blood • The payload, even if released, is quickly eliminated because of its short half-life in the blood

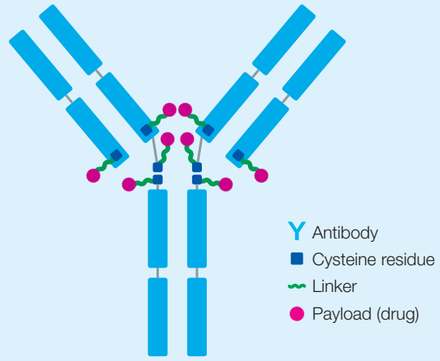
* Average number of drugs linked to each antibody

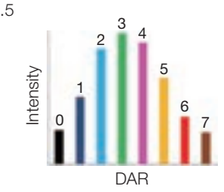
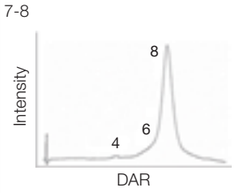
(1) Characteristic 1: high drug-antibody ratio (DAR)

The drug-antibody ratios (DARs) for currently approved ADCs range between 2 and 4, whereas Daiichi Sankyo's ADCs can load a maximum number of payloads of 8. Historically, ADCs bearing more payloads per antibody cause aggregation. But Daiichi Sankyo's ADC causes no aggregation, even though it has high payload loading. Furthermore, we have technology to control DAR according to antigen expression and internalization rates.

Also,for currently approved ADCs, the number of payloads varies. There are antibodies with no payload loaded, or those with only one or two payloads, leading to insufficient drug efficacy.

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



	*T-DM1**	*DS-8201*
Antibody	*Trastuzumab*	Anti-HER2 Ab
Payload	Tubulin inhibitor (*DM1*)	Topoisomerase I inhibitor
DAR	3.5 	7-8 

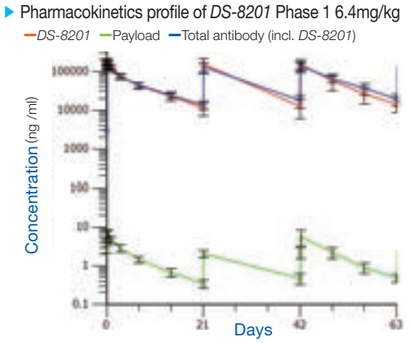
* *Kadcyla* BLA

Source: Ogitani-Y et al., Clin. Cancer Res. 2016; 22:5097-5108, Marcoux-J et al., Protein Science 2015; 24:1210-1223

(2) Characteristic 2: highly stable linker

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

▶ Pharmacokinetics profile of *DS-8201* Phase 1 6.4mg/kg



▶ In vitro Plasma Stability of *DS-8201*

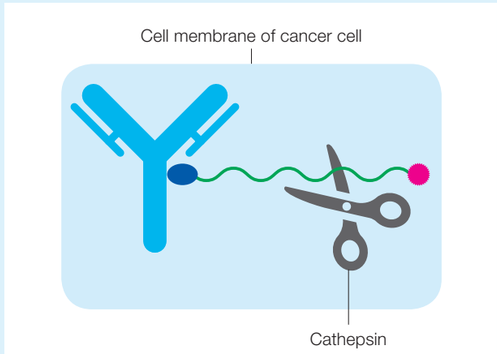
Reference information

	Days	Theoretical release rate
*T-DM1**	4	–20
DS-8201	7	1.1

* *Kadcyla* BLA

(3) Characteristic 3: selective linker cleavage

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



(4) Characteristic 4: unique and potent payload

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

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

SN-38 Active metabolite of *irinotecan*	*DXd* Payload on *DS-8201*
TOPO1 IC_{50}*1 2.78μM*2	TOPO1 IC_{50} 0.31μM

Effective at approximately one-tenth of the dose

*1 TOPO1 IC_{50}: A concentration required for 50% inhibition of topoisomerase Inhibition of topoisomerase prevents DNA synthesis and division of cancer cells

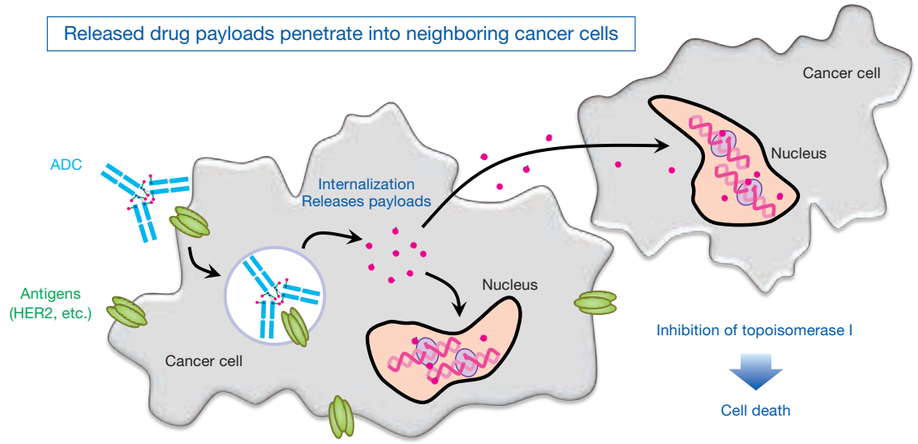
*2 μM: micromolar, a unit of concentration

(5) Characteristic 5: bystander effect

The *DXd* payload is designed to have higher lipophilicity and membrane permeability than the payload of *T-DM1*. The payload is released from the ADC in cancer cells, penetrates the membrane and exerts effects on the neighboring cancer cells. This is known as Daiichi Sankyo ADC's "bystander effect". In a cancer lesion, antigen expression-positive cancer cells and antigen expression-negative cancer cells are present concomitantly. By this bystander effect, the drug is also expected to exert an efficacy on tumors with a large number of cancer cells of negative expressing of antigen.

To validate the clinical relevance of this proposed effect, we are currently conducting translational research.*

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



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

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

Payloads	Half-life in rats (time)
*DXd**1 (payload of Daiichi Sankyo's ADCs)	0.9
*DM1**2 (payload of *T-DM1*)	3.3-10

*1 In-house report
*2 *KADCYLA* BLA

5 Daiichi Sankyo's ADC Projects

At present, Daiichi Sankyo has seven ADC projects for different antibody targets with the same linker and payload.

The compounds at the clinical stage are *DS-8201*, *U3-1402*, and *DS-1062*, and those at the pre-clinical stage are *DS-7300*, *DS-6157*, and *DS-6000*.

Among these compounds, *DS-8201* and *U3-1402* have achieved a certain level of effects at the clinical stage, and we will provide detailed information mainly on the results.

▶ ADC Franchise

Clinical stage

Project (target)	Preceded indications	Discovery	Pre-clinical	Phase 1	Pivotal
DS-8201 (HER2)	Breast cancer, Gastric cancer, Colorectal cancer, Non-small-cell lung cancer				
U3-1402 (HER3)	Breast cancer Non-small-cell lung cancer				
DS-1062 (TROP2)	Non-small-cell lung cancer				
DS-7300 (B7-H3)	Solid tumors				
DS-6157 (undisclosed)	Gastrointestinal stromal tumor (GIST)				
DS-6000 (undisclosed)	Kidney cancer Ovarian cancer				
TA-MUC1	Solid tumor				

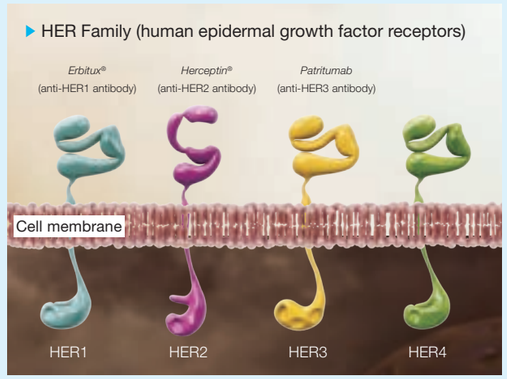
(1) *DS-8201 (anti-HER2-ADC)*

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

a) What is HER2?

HER2 is a glycoprotein found on the cell surface. It has a structure similar to the epidermal growth factor receptor (HER1). It is a receptor tyrosine kinase associated with cell proliferation. HER2, which is overexpressed on the surface of cancer cells, such as those of breast cancer, gastric cancer, colorectal cancer, lung cancer, and bladder cancer, activates signal transmission and induces cancer cell proliferation.

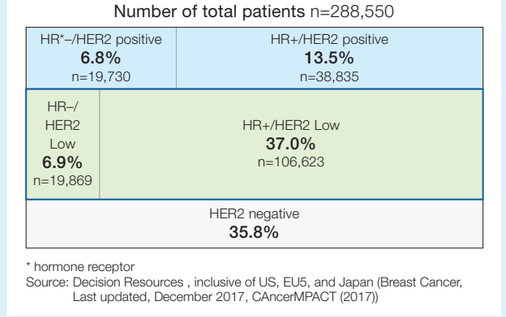
▶ HER Family (human epidermal growth factor receptors)



b) HER2 low expression

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

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



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

▶ What are IHC and ISH?

Staining methods used in pathology.
- Captures antigens detected such as proteins and nucleic acids in tissues and cells using a probe.
- A technique that enables microscopic observation through staining using pigments and enzymes bound to the probe.

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

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

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

Commonly Used	HER2 Status	DS terminology for Future Use
HER2 positive or HER2 overexpressing	IHC 3+	HER2 positive (HER2 overexpressing)
	IHC 2+/ISH +	
HER2 negative	IHC 2+/ISH -	HER2 low
	IHC 1+/ISH -	
	IHC 0	HER2 negative

c) *DS-8201* development plan and clinical studies started in fiscal 2017

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

Based on the interim results from the phase 1 study, *DS-8201* was granted Breakthrough Therapy Designation for the treatment of patients with HER2-positive, locally advanced or metastatic breast cancer who have been

treated with *trastuzumab* and *pertuzumab* and have disease progression after *ado-trastuzumab* (*T-DM1*) by the U.S. FDA in August 2017.

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

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

For gastric cancer, a pivotal phase 2 study in patients with HER2-overexpressing gastric cancer after treatment with the existing therapeutic agent of *trastuzumab* was started in November 2017. Concerning gastric cancer, *DS-8201* was granted SAKIGAKE Designation for unresectable advanced and relapsed gastric cancer with HER2-overexpression by the Ministry of Health, Labour and Welfare in March 2018.

In addition, phase 2 studies in patients with HER2-expressing colorectal cancer and a phase 2 study in those with HER2-overexpressing or HER2-mutated non-small-cell lung cancer were also started in March 2018 and May 2018, respectively.

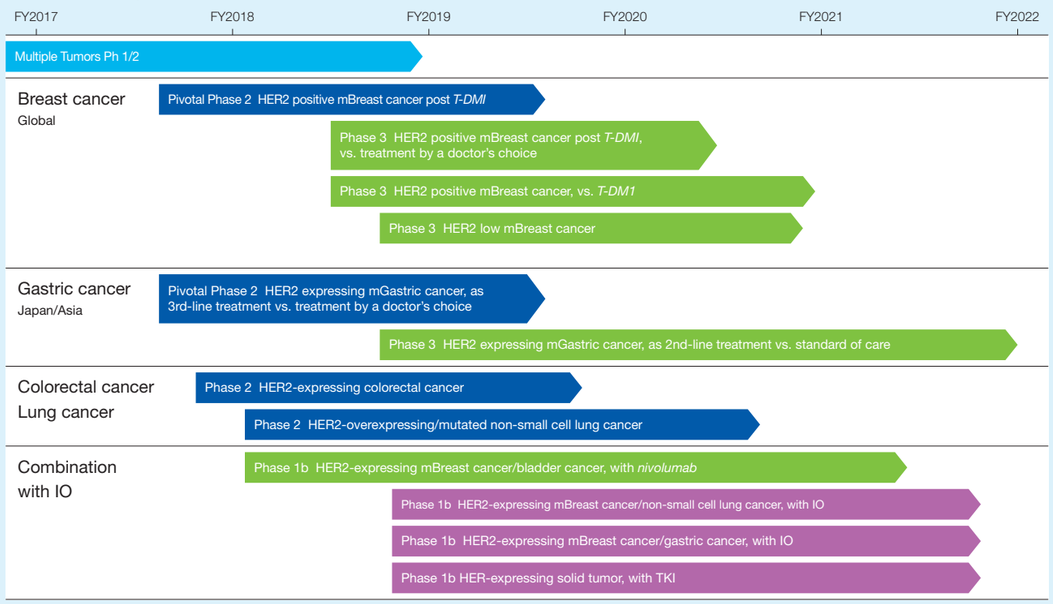
Various studies including the phase 3 study of previously mentioned HER2-low breast cancer are planned to be started sequentially after 2018.

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

▶ Development status

2015.9	2017.8	Fall 2017	2018.3	2020
Phase 1 started	Granted Breakthrough Therapy Designation by the FDA	Phase 2 started	Granted SAKIGAKE Designation by the Ministry of Health, Labour and Welfare	NDA application planned
Studies started for breast and gastric cancer. The breast cancer study was conducted in Japan and in the U.S., and the gastric cancer study was conducted in Japan.	Granted Breakthrough Therapy Designation by the U.S. FDA for the treatment of patients with HER2-positive, locally advanced or metastatic breast cancer who have been treated with *trastuzumab* and *pertuzumab* and have disease progression after *ado-trastuzumab* (*T-DM1*).	The phase 2 studies started for breast and gastric cancer. The NDA application will be submitted after the results of these studies are obtained.	Granted SAKIGAKE Designation by the Ministry of Health, Labour and Welfare for unresectable advanced and relapsed gastric cancer with HER2 overexpression	

▶ *DS-8201*: Study schedule



Blue : studies initiated by July 2018
Green : studies planned to start in fiscal 2018
Pink : studies planned to start in future

d) Clinical results of *DS-8201*

As mentioned above, the phase 1 study of *DS-8201* was started in August 2015, and the interim data were presented at numerous medical conferences.

▶ ADC Franchise

Period	Medical conference	Details of the presentation
October, 2016	European Society for Medical Oncology (ESMO)	Breast cancer, gastric cancer
June, 2017	American Society of Clinical Oncology (ASCO)	Breast cancer, gastric cancer
September, 2017	European Society for Medical Oncology (ESMO)	Colorectal cancer, lung cancer, and others
December, 2017	San Antonio Breast Cancer Symposium (SABCS)	Breast cancer
January, 2018	American Society of Clinical Oncology Gastrointestinal Cancers Symposium (ASCO G.I.)	Gastric cancer
June, 2018	American Society of Clinical Oncology (ASCO)	Breast cancer, gastric cancer, and others

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

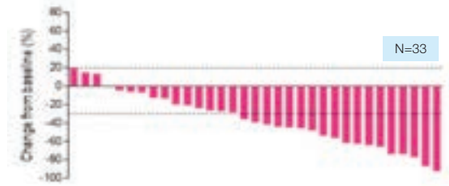
The graph below is waterfall chart presenting percent change of response from baseline, pre-treatment with *DS-8201*.

Each bar represents each individual patient's result in order of high to low tumor shrinkage rate from right to left.

Tumor shrinkage is observed in a high proportion of patients, both in HER2 positive breast cancer and HER2 low expressing breast cancer.

▶ HER2 positive breast cancer

▶ HER2 low breast cancer

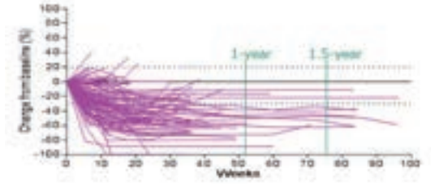


The graph in upper right (↗) is called spider plot, and shows the percentage change in tumor size after the treatment with *DS-8201* and the duration of treatment. Each line represents each individual patient's result. In the group of patients with high HER2 positive, tumor shrinkage was observed at an early stage after starting the treatment, and more patients had prolonged therapeutic effects. Of them, treatment effects maintained over 1.5 years in some patients.

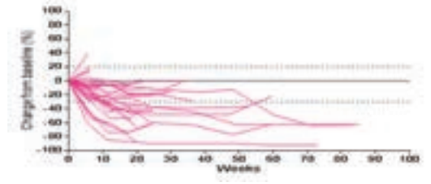
In the group of patients with HER2 low as well, although the onset of treatment effects was slower than those with high HER2 positive, tumor shrinkage was found as the treatment period extended.

This study result has opened up a possibility for providing the treatment option of *DS-8201* to patients with HER2-low breast cancer, whose number is twice as many as those with HER2-positive breast cancer.

▶ HER2 positive breast cancer



▶ HER2 low breast cancer



DS-8201 has so far shown a favorable efficacy in HER2-positive breast cancer, and in this study, the drug yielded the overall response rate*1 of 50.0% in HER2-low breast cancer, which is equivalent to 54.5% in HER2-positive breast cancer.

▶ Overall Response Rate (ORR)*1 and Disease Control Rate*2 (DCR) in confirmed patients (5.4 or 6.4 mg/kg)

	ORR N(%)	DCR N(%)
HER2 positive breast cancer	54/99 (54.5)	93/99 (93.9)
HER2 low breast cancer	17/34 (50.0)	29/34 (85.3)
HER2 positive gastric cancer	19/44 (43.2)	35/44 (79.5)
HER2-expressing colorectal cancer, lung cancer, and others	12/31 (38.4)	26/31 (83.9)

*1 Ratio of patients in which tumors had shrunken by more than 30% or completely disappeared.

*2 The percentage of patients with stable disease (a change of lesion size ranging from an increase of <20% to a decrease of <30%) plus those with ORR.

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

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

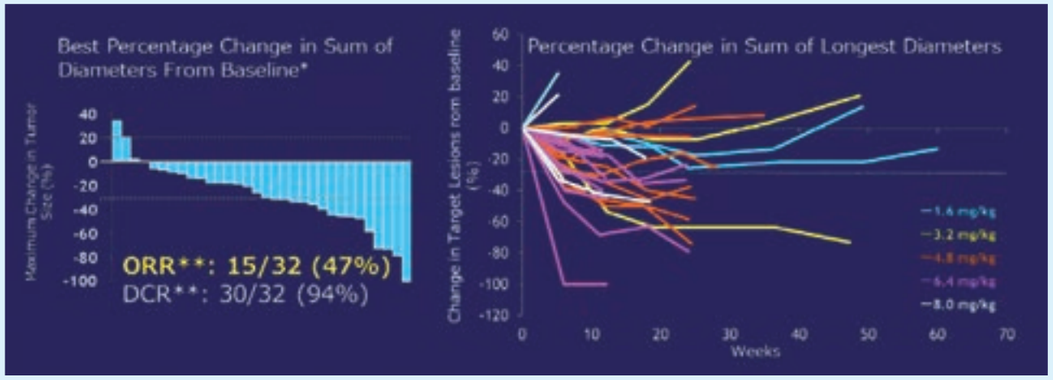
(2) *U3-1402* (anti-HER3-ADC)

U3-1402 is an anti-HER3-ADC, in which *patritumab* (an anti-HER3 antibody) is loaded with our proprietary linker and payload. HER3, present on the cell surface, is a receptor tyrosine kinase classified into the HER family as with HER2 (see P37). It is overexpressed on the surface of breast cancer cells, lung cancer cells and other tumor types. HER3-positive breast cancer patients are suggested to have poor prognosis.

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

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

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



(3) *DS-1062* (anti-TROP2-ADC)

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

(4) Other ADCs

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

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

(5) Creation of new ADCs by partnership

As part of a strategy to maximize the business value of our ADC technologies, we have entered into a licensing agreement with Glycotope for the research, development and commercialization of *Gatipotuzumab* (anti TA-MUC1 antibody) using the ADC technologies.

Gatipotuzumab is a humanized monoclonal antibody, which specifically binds to TA-MUC1 that is highly expressed in many types of cancers including ovarian cancer, lung cancer, and breast cancer.

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

COLUMN

Breast Cancer

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

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

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

▶ Breast cancer patients by stage (new, recurrence) 2017 (N)

	Japan		U.S.		Europe	
	New	Recurrence	New	Recurrence	New	Recurrence
Stage 0	12,018	53	62,802	336	—	—
Stage I	40,456	386	132,652	1,879	120,442	551
Stage II	32,912	714	83,711	2,035	87,211	1,963
Stage III	7,340	1,047	26,195	3,464	35,134	4,241
Stage IV	2,153	8,811	15,636	26,677	15,717	30,683
Total	94,879	11,011	320,996	34,391	258,504	37,438

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

Stage 0	Non-invasive cancer (including Paget's disease)
Stage I	The lump (tumor) in the breast is 20 mm or smaller and has not spread to the lymph nodes
Stage II	The lump is between 20 mm-50 mm and has not spread to the lymph nodes or the lump is 20 mm or smaller and has spread to the lymph nodes
Stage III	The lump has spread to several lymph nodes The lump is larger than 50 mm and has spread to the lymph nodes The lump has spread to skin and chest wall, inflammatory breast cancer
Stage IV	The lump has spread to other organs (lung, bone, liver, brain, etc.)

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

Subtype	Treatment option (example)
HER2 positive	HER2 targeted drugs
HR* positive / HER2 negative	Hormone therapy
HR negative / HER2 negative (triple negative)	Chemotherapy

* hormone receptor

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

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

Daiichi Sankyo's Growth Strategy

Overview of 5-Year Business Plan

The 5-Year Business Plan

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

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

Review of 5-Year Business Plan

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

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

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

Challenge

Challenge 1

Growing beyond the LOE* of *olmesartan*

- Accelerate the growth of existing flagship products
- Reduce costs

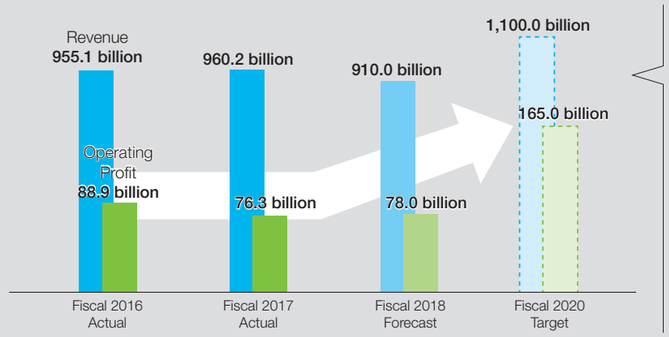
* Loss of revenue and profits resulting from LOE

Challenge 2

Establish a Foundation of Sustainable Growth [Six Strategic 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



FY2020 Targets

- Revenue **¥1,100.0** billion
- Operating Profit **¥165.0** billion
- ROE of more than **8.0**%
- **Increase value of late-stage pipelines**
  Three to five late-stage pipeline products that can be launched within the next five years with the potential to generate annual revenue exceeding ¥100.0 billion each at peak

Six Strategic Targets for Accomplishing Fiscal 2020 Performance Targets

Grow *Edoxaban*

Achievements and Progress

- Expanded global revenue (fiscal 2017 revenue: ¥77.1 billion)
- Significantly expanded market shares in Japan, Germany, and Korea
- Increased the number of countries where the drug has been approval and launched (at the end of fiscal 2017: 28 countries)

Grow as No.1 Company in Japan

Achievements and Progress

- Ranked No.1 in sales of domestic ethical drugs for two consecutive years
- Expanded revenues for six flagship products (fiscal 2017 revenue: ¥212.8 billion)
- Ranked No.1 in MR evaluation for six consecutive years

Expand U.S. Business

Achievements and Progress

- Expanded Luitpold business (fiscal 2017 revenue: ¥105.4 billion)
- Expanded *Injectafer* revenue (fiscal 2017 revenue: ¥34.3 billion)
- Reviewed strategy for the pain franchise of Daiichi Sankyo, Inc.

Establish Oncology Business

Achievements and Progress

- Progressed *DS-8201* clinical studies and expanded studies toward multiple indications
- Started multiple clinical studies for ADC franchise
- Submitted an NDA for *quizartinib*

Continuously Generate Innovative Medicine Changing Standard of Care (SOC)

Achievements and Progress

- Ventured into nucleic acid drug (*DS-5141*)
- Ventured into cell therapy and regenerative medicine (CAR-T, etc.)
- Progressed open innovation

Enhance Profit Generation Capabilities

Achievements and Progress

- Optimized Sales & Marketing in the U.S. and EU (total 550 position cuts over two year period)
- Optimized global R&D (four locations closed)
- Reduced procurement costs (total ¥31.4 billion over two year period) and optimized global production systems (two locations closed)

Growth Investments and Shareholder Returns

Prioritizing growth investments while also enhancing shareholder returns

Achievements and Progress

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

Strategic Target Grow *Edoxaban*

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

The growth of *edoxaban* is one of the important pillars to overcome the impact of the loss of exclusivity (LOE) for *olmesartan*. Over the past two years, we have steadily expanded our market share, mainly in Japan, Europe and Asia. Going forward, we will strengthen our efforts for life-cycle management* and to further accelerate growth.

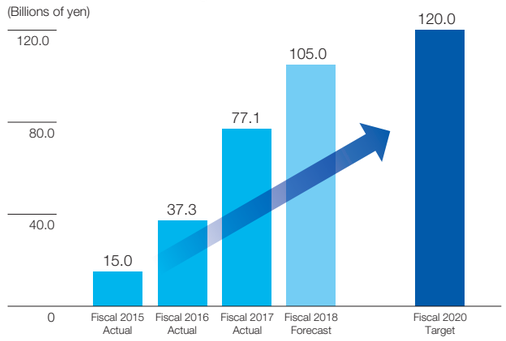
* Initiatives to bring the value of pharmaceuticals to the healthcare fields over a long period by further enhancing the product value through expanding indications and improving dosage and administration

1. 5-Year Business Plan

The annual global revenue of *edoxaban* has steadily increased from ¥37.3 billion in fiscal 2016 to ¥77.1 billion in fiscal 2017. Going forward, we will strengthen our efforts for life-cycle management and to further accelerate growth in Japan, Europe, and Asia. Even in countries and regions in which Daiichi Sankyo lacks its own sales organization, we will advance full-fledged promotional activities through collaborations with ideal partners epitomized by MSD and Les Laboratoires Servier in each region.

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.

5-Year Business Plan Target and Results to Date



2. Progress to Date and Future Initiatives

(1) Market Size of Direct Oral Anticoagulants (DOACs)

The DOAC market, which comprises four products—*dabigatran*, *rivaroxaban*, *apixaban*, and *edoxaban*—has grown to a scale of ¥2.0 trillion on a global basis.

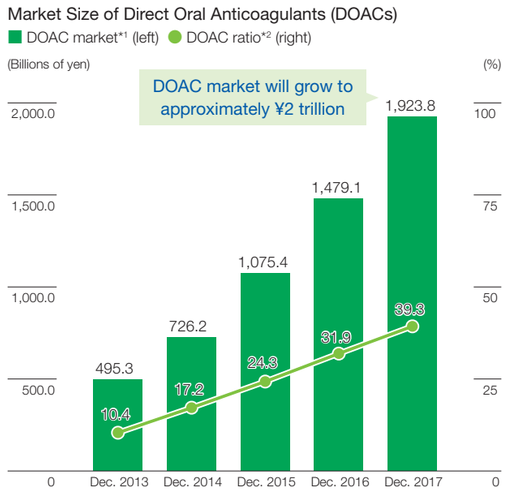
In addition, switching from warfarin, which has been the standard treatment to date, has steadily progressed alongside the market expansion, and the DOAC prescription rate has reached about 40%.

(2) Growth of *Edoxaban* by Country

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

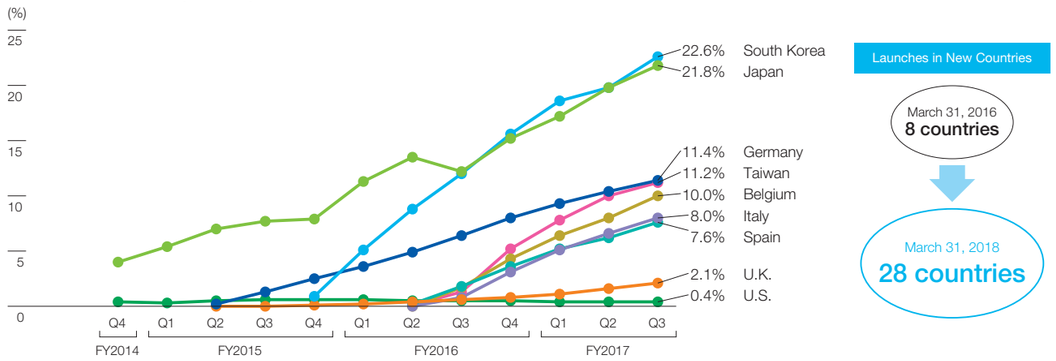
Furthermore, it has received marketing approval in Brazil in March 2018, and the application has already been submitted in China. We can anticipate further accelerated growth if *edoxaban* is launched in those countries, whose DOAC markets have experienced remarkable growth.

Market Size of Direct Oral Anticoagulants (DOACs)



*1 Translated at rate of US$1 = ¥110
*2 DOAC/(DOAC+*warfarin*) Ratio of days therapy(DOT)

Growth of *Edoxaban* by Country



(3) Life-Cycle Management Initiatives

In November 2017, we launched OD tablet (orally disintegrating tablet), which is the only OD tablet in DOAC in Japan. The OD tablet, which features an easy-to-take design, has been highly appreciated by doctors, saying that it is beneficial especially for elderly patients.

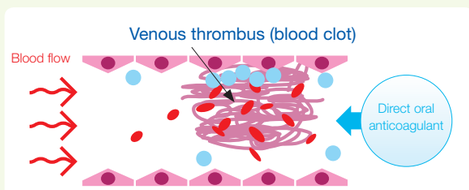
Currently, we are conducting many clinical studies and clinical research aimed at maximizing *edoxaban*'s value. We have created a brand mark, EDOSURE, which collectively refers to these initiatives and activities. The name EDOSURE is derived from two words, *edoxaban* and Assurance. It signifies our hope that doctors and patients will feel more reassured by anticoagulant therapy with *edoxaban*.

COLUMN

What are direct oral anticoagulants?

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

Warfarin has long been the standard treatment to prevent blood clots. However, there are many restrictions to which attention needs to be paid when using *warfarin* such as periodic monitoring with blood tests, a variety of drug interactions, and dietary restrictions. Direct oral anticoagulants including *edoxaban* have been developed to significantly improve the inconvenience of *warfarin* as mentioned above.



Progress of 5-Year Business Plan

Strategic Target Grow as the No.1 Company in Japan

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

* Pharmaceuticals still protected by the exclusivity period granted by patents

1. 5-Year Business Plan

(1) Six Major Products

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 Alzheimers disease treatment; *PRALIA*, a treatment for osteoporosis that prevents the progression of bone erosion associated with rheumatoid arthritis; *RANMARK*, a treatment for bone complications caused by bone metastasis from tumors; *Efient*, an antiplatelet agent; and *TENELIA*, a type 2 diabetes mellitus treatment.

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

* No.1 in the bone resorption inhibitor market

Ulcer treatment
NEXIUM

Alzheimer's disease treatment
Memary

Treatment for osteoporosis/ Inhibitor of the progression of bone erosion associated with rheumatoid arthritis
PRALIA

Treatment for bone complications caused by bone metastases from tumors
RANMARK

Antiplatelet agent
Efient

Type 2 diabetes mellitus treatment
TENELIA

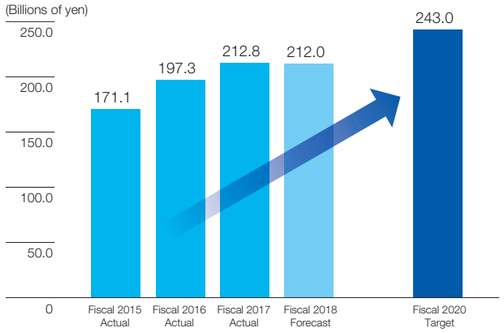
(2) 5-Year Business Plan

Total revenue from the six major products (excluding *LIXIANA*) has steadily expanded, from ¥197.3 billion in fiscal 2016 to ¥212.8 billion in fiscal 2017. However, the market environment has become more severe than was assumed at the time the 5-year business plan was announced, partly due to the significant reduction in the drug price of *NEXIUM*, the slowing of the growth of *Memary*, and the delay in the additional indication for the brain area for *Efient*. Thus, revenue for fiscal 2018 is forecast to remain flat, at ¥212.0 billion.

Daiichi Sankyo will leverage its sales capabilities, which are top-class in terms of both quality and quantity, in order to return to a growth track in fiscal 2019 and achieve over ¥243.0 billion in total revenue in fiscal 2020.

5-Year Business Plan Target and Results to Date

* Total of the 6 products above, including the impact of NHI drug price revisions.



2. Progress to Date and Future Initiatives

For our six major innovative pharmaceutical products, we have overcome the impact of the drug price revisions, and their total revenue steadily expanded up to fiscal 2017.

By continually launching and expanding sales of proprietarily developed products, we grew the innovative pharmaceuticals business. At the same time, we 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. Through these efforts, we are working to strengthen Daiichi Sankyo's presence in Japan.

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

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

* Based on survey conducted by ANTERIO Inc.

Continuous launch & sales growth of own products

- Submitted application for peripheral neuropathic pain agent ***mirogabalin*** and antihypertensive agent ***esaxerenone***
- Acquired additional indication related to rheumatoid arthritis for ***PRALIA***
- Launched ***Narurapid* Tablets** and ***Narusus* Tablets** for cancer pain treatment

Growth of Japan Business

No.1 for two consecutive years

- Domestic pharmaceutical revenue **No.1 for two consecutive years**

Sales growth of acquired products

Top class sales capabilities in quantity and quality

Fine-tuned sales capabilities

No. 1 for six consecutive years

- MR evaluation from healthcare professionals **No.1 for six consecutive years** [Survey conducted by ANTERIO Inc.]

Acquire valuable new products

- Antiepileptic agent, ***Vimpat*** [UCB Japan]
- Nine **biosimilars** [Amgen]
- ***CANALIA* combination tablet** (Type 2 diabetes mellitus treatment) [Mitsubishi Tanabe Pharma Corporation]

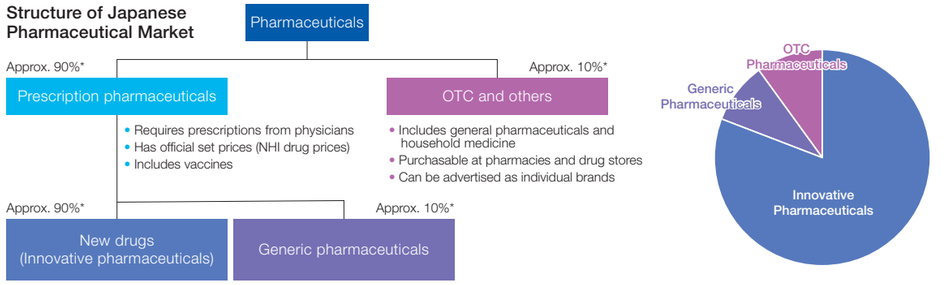
COLUMN

Pharmaceutical Market in Japan

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

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

Structure of Japanese Pharmaceutical Market



* Share of market based on monetary value

Progress of 5-Year Business Plan

Strategic Target Expand U.S. Businesses

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

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

Daiichi Sankyo Inc., in the United States has sought to establish a pain franchise that can generate revenue of more than ¥100.0 billion in fiscal 2020 under its 5-year business plan.

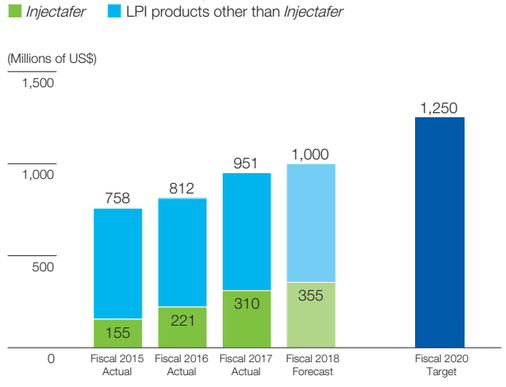
However, in the United States, the problems of abuse, addiction and overdoses of opioid analgesics due to usage other than their intended usage have become a major social problem, and given such circumstances, we have returned the rights of *CL-108* to Charleston Laboratories, Inc. In addition, due to the failure of the phase 3 study of *mirogabalin* in fibromyalgia patients conducted in Europe and the United States, we have decided that it would be difficult to attain the initial goal and have decided to review the pain business in the United States.

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

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

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

5-Year Business Plan Target and Results to Date



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

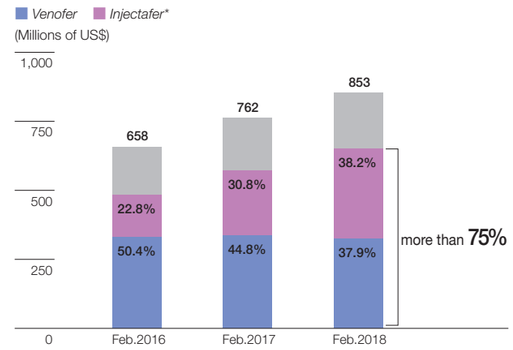
(1) Iron Injection Franchise

The iron injection franchise focuses on two products; *Venofer*, which is used to treat iron deficiency anemia (IDA) resulted from chronic kidney disease, and *Injectafer*, which can treat IDA resulted from chronic kidney disease, as well as from various other causes, but cannot be used in patients undergoing dialysis.

In particular, due to its ability to treat a wide range of conditions and the convenience of being able to completely dose patients in only two administrations, *Injectafer* has enjoyed a rapid growth in market share since it was launched. These two products boast a combined share of the U.S. iron injection market of more than 75%, making LPI the undisputed leader in this market.

We are strengthening our efforts to maximize the product value of *Injectafer*. We are newly implementing promotion measures that target gastroenterology and obstetrics and gynecology specialists who treat IDA, in addition to the traditional sales targets of cancer and hematology and oncology specialists.

US IV Iron Market (includes dialysis)



* *Injectafer* is not indicated for patients who are dialysis dependent
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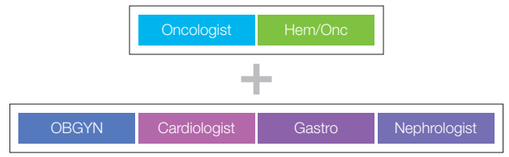
Source: IMS National Sales Perspectives FEB 2017
(includes all US IV Iron sales in all channels including dialysis chains)



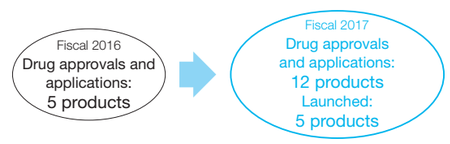
Furthermore, we are proceeding with a phase 3 study (HEART-FID) to evaluate *Injectafer* as a treatment for heart failure patients with an iron deficiency, with the aim of expanding the range of application in the future.

(2) Generic Injectable Franchise

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

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

Continuous addition of new products



COLUMN

Iron deficiency anemia and iron injections

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

Primary Disease	% IDA
Chronic heart failure	17%
IBD	36-76%
Celiac disease	46%
Gastric bypass	24%
Cancer	7-42%
HUB*/IDA prevalent in women	100%
Postpartum anemia	15%
Pregnancy	18%
CKD Stage 3	42%
CKD Stage 4	54%
Dialysis	92%

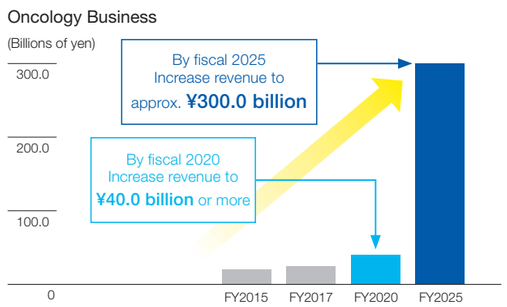
* Severe uterine bleeding
IDA Statistics: American Regent Inc. and Vifor Pharma IDA prevalence data.

Strategic Target Establish Oncology Business

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

1. 5-Year Business Plan

We will establish an oncology business by launching several drugs currently in late-stage development. Concurrently, we will accelerate early-stage pipeline development and evaluate the further enrichment of our oncology pipeline through the acquisition of external assets. Through the acceleration of oncology research and development by the new organization, we aim to grow oncology business revenue to more than ¥40.0 billion in fiscal 2020 and ¥300.0 billion in fiscal 2025, when this business will function as a core business.



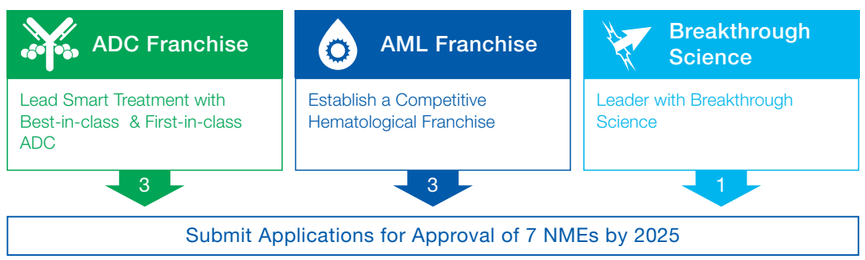
2. Progress to Date and Future Initiatives

Daiichi Sankyo has been promoting organizational restructuring and strengthening human resources in order to accelerate development in the oncology area. We have completed organizational restructuring and have almost completed recruiting excellent global leaders with long years of experience in the oncology area.

We introduced the concept of Cancer Enterprise in May 2016 so that organizations such as research and development, pharmaceutical technologies, supply chain, global marketing, and global medical affairs cooperate organically under these leaders, and all employees are working together to promote a transformation to become a "Global Pharma Innovator with competitive advantage in oncology."

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

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



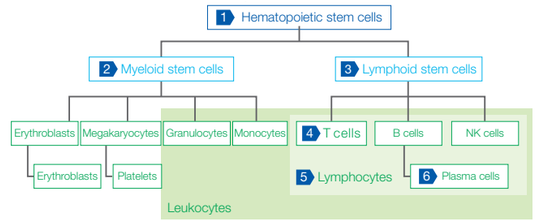
(1) ADC Franchise

For ADC, please see "Special Issue on Cancer" on page 32.

(2) AML Franchise

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

Differentiation of Hematopoietic Stem Cell



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 (AML) and chronic (CML) variations	*Quizartinib*, *DS-3201*, *DS-3032*, *PLX51107*
3 Lymphocytic leukemia	• Disease in which lymphoid stem cells become cancerous • Acute (ALL) and chronic (CLL) variations	
4 Adult T-cell lymphoma	• Generic term for hematopoietic tumors derived from mature T cells. Peripheral T-cell lymphoma (PTCL), adult T-cell lymphoma (ATL), etc.	*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	

Daiichi Sankyo is developing AML treatments by targeting various mechanisms. There are currently five pipelines undergoing clinical trials: *quizartinib*, an FLT3 inhibitor targeting growth factor receptor; *DS-3032*, an MDM2 inhibitor targeting transcriptional deregulation; *PLX 51107*, a BRD4 inhibitor and *DS-3201*, an EZH 1/2 inhibitor both targeting epigenetic regulation. (A phase 1 study in patients with glioma is currently underway for the *DS-1001*, an IDH1 inhibitor that may be indicated for the treatment of AML.)

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

AML Franchise Pipelines

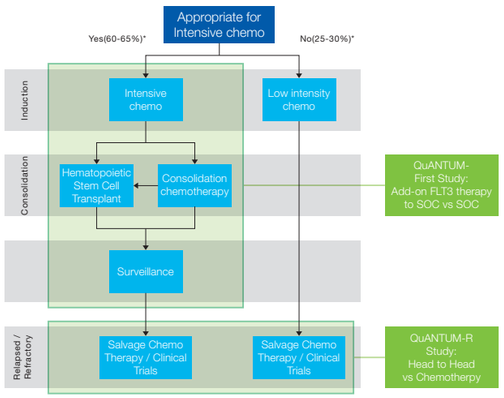
Target-class	Products under development (Targets)	Development status: Pre-clinical / Phase 1 / Registration Trial	Mechanism of action
Growth factor receptor inhibition	*Quizartinib* (FLT3)	Phase 1	FLT3 inhibitor. *Quizartinib* displays a potent inhibitory activity against mutated gene called FLT3-ITD, which is present in around 30% of AML patients. Granted Breakthrough Therapy Designation (BTD) by the FDA.
Transcriptional deregulation	*DS-3032* (MDM2)	Phase 1	MDM2 inhibitor. *DS-3032* activates p53, a tumor suppressor gene, by inhibiting MDM2, which suppresses wild-type p53 activity.
Epigenetic regulation	*PLX51107* (BRD4)	Phase 1	BRD4 inhibitor. *PLX51107* suppresses the expression of cancer-related genes by inhibiting binding between BRD4 and histone acetylated lysine.
	DS-3201 (EZH1/2)	Phase 1	EZH1/2 inhibitor. Both EZH1 and EZH2 are an enzyme to suppress gene expression. *DS-3201* inhibits both EZH1 and EZH2 which facilitating the inactivation of tumor suppressor genes.
	DS-1001 (IDH1)	Phase 1	A selective inhibitor of mutant isocitrate dehydrogenase IDH1. *DS-1001* inhibits mutant enzyme expressed by IDH1 gene mutation frequently seen in malignant brain tumors (glioma), acute myeloid leukemia, cholangiocarcinoma, chondrosarcoma and other malignant tumors. * AML at pre-clinical stage, glioma at phase 1.

Progress of 5-Year Business Plan

a) *Quizartinib* (FLT3 inhibitor)

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

* 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



* Patients who can not treated by intensive/low intensity chemo (5-10%)

We have obtained the results of the QUANTUM-R study in patients with relapsed/refractory AML.

Regarding the efficacy of the drug in this study, *quizartinib* significantly prolongs overall survival (OS) compared to salvage chemotherapy. *Quizartinib* had a 24% statistically significant reduction in the risk of death compared to salvage chemotherapy. The median overall survival was 6.2 months with *quizartinib* and 4.7 months with salvage chemotherapy.

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

	Quizartinib N=245	Salvage chemotherapy N=122
Median overall survival	6.2 month	4.7 month
Estimated survial probability at 1 year (%)	27	20
Transplant rate (%)	32	12

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

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

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

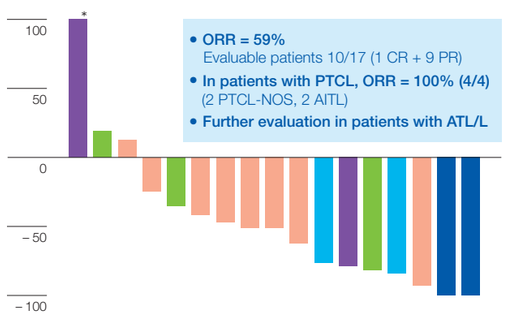
b) *DS-3201* (EZH1/2 inhibitor)

Malignant lymphoma is commonly known to have a poor prognosis. One cause of this is thought to be the fact that the cancer stem cells, which have the ability to regenerate cancer cells, survive after the treatment. However, cancer stem cells require histone methylation enzymes EZH1 and EZH2 to sustain themselves. Accordingly, by inhibiting these enzymes, it may be possible to eradicate cancer stem cells and breakdown a cancer's resistance to treatments, effectively preventing recurrence.

The phase 1 study of *DS-3201* is currently underway in patients with relapsed/refractory non-Hodgkin's lymphoma in Japan, and the interim results were presented at the American Society of Hematology (ASH) in 2017.

Also, the phase 1 study is ongoing in the U.S. in patients with relapsed/refractory acute myeloid leukemia and acute lymphatic leukemia.

<*DS-3201* Phase 1 study>
Interim results in patients with relapsed/refractory non-Hodgkin's lymphoma



- (N=2) Adult T-cell leukemia/lymphoma (ATL/L)
- (N=2) Peripheral T-cell lymphoma, not otherwise specified (PTCL-NOS)
- (N=2) Angioimmunoblastic T-cell lymphoma (AITL)
- (N=3) Diffuse large B-cell lymphoma (DLBCL)
- (N=8) Late-onset B-cell lymphoma

* Tumor size increase of 147% truncated at 100%

c) Promotion of combination therapy for AML

In the treatment of AML, by using molecular targeted drugs with a wide range of activation mechanisms in combination, it is said that there is the possibility of improving the therapeutic effect (improvement in response to each drug, response duration, transplant rate, and survival rate) as well as the avoidance of resistance mechanism. In addition to the AML franchise products under development, we will proactively confirm the effects of combination therapy with standard drugs developed by other companies. From fiscal 2018, we plan to start a phase 1 study to confirm the effects of the combination use of *quizartinib* and *DS-3032* (MDM2 inhibitor), as well as *DS-3032* and *azacytidine* (approved for the treatment of myelodysplastic syndromes, and many studies in AML patients are underway).

As part of the initiative, we have entered into an agreement with the University of Texas MD Anderson Cancer Center (MDACC) in the U.S. in September 2017 for research and development of AML treatment.

MDACC is one of the world's largest and most important academic research centers on leukemia, and we believe that it is an ideal partner for the development of our AML portfolio. Under this agreement, in order to accelerate the development of new drugs for the treatment of AML, we will evaluate a variety of combination effects using our AML franchise products under development through pre-clinical and clinical studies. We will also conduct translational research such as exploring novel biomarkers.

(3) Breakthrough Science

Breakthrough Science was launched in December 2017 as the third pillar, with the goal of creating first-in-class or best-in-class compounds with breakthrough mechanism of action or modality.*

* The foundation of drug development and therapeutic approaches such as protein drugs including low molecular compounds, peptide (medium-sized molecule) drugs, and antibody drugs, nucleic acid drugs, cell therapy and regenerative medicine.

Breakthrough Science Pipelines

Products (Targets)	Indication	Development status	Mechanism of action
Pexidartinib (CSF-1R)	TGCT (tenosynovial giant cell tumor)	Phase 1	• Receptor tyrosine kinase inhibitor showing specific inhibitory activity against CSF-1R, KIT and FLT3-ITD • Granted Breakthrough Therapy Designation (BTD) by the FDA
DS-1647 P54 (oncolytic virus)	Glioblastoma	Phase 1	• A third-generation strand of oncolytic herpes simplex virus 1 (HSV-1) created by using genetic modification technologies to modify HSV-1 so that it only multiplies in cancer cells
Axicabtagene ciloleucel P55 (CD19 CAR-T)	B-cell lymphoma	Phase 1	• A cell therapy (chimeric antigen receptor T cell: CAR-T) targeting CD19 expressed on the surface of B cells
DS-1205 (AXL)	NSCLC (non-small cell lung cancer)	Phase 1	• AXL receptor tyrosine kinase inhibitor • High expression of AXL is said to be associated with resistance to EGFR tyrosine kinase inhibitors in EGFR-mutant non-small cell lung cancer

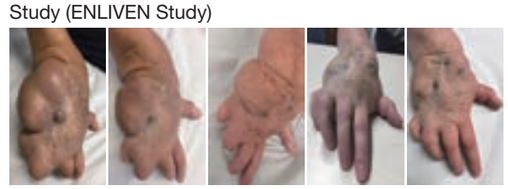
a) *Pexidartinib* (CSF-1R/KIT/FLT3 inhibitor)

Pexidartinib is a receptor tyrosine kinase inhibitor showing specific inhibitory activity against CSF-1R/KIT/ and FLT3. Since 2015, we have been moving forward with a placebo-controlled phase 3 study (ENLIVEN) in patients with tenosynovial giant cell tumor and presented the results at the American Society of Clinical Oncology (ASCO 2018) in June 2018.

The overall response rate for *pexidartinib* was 39.3% (0% for placebo). Concerning the safety, although the drug was generally tolerated, 8 patients discontinued the medication due to adverse events involving liver function, and 4 patients suffered from non-fatal serious liver toxicity. In addition, in a separate clinical studies in which this drug was administered to patients with malignant tumors, two cases of serious liver toxicity including a fatal case were reported.

Tenosynovial giant cell tumor is a type of benign tumor occurring in joints. It is known that there is no treatment method other than surgery and it causes extreme inconvenience in daily life. The recurrence rate is also high, and in some cases, limb amputation may be unavoidable. This drug was granted Breakthrough Therapy Designation (BTD) and Orphan Drug Designation by the U.S. FDA. Based on the results of this study, we plan to apply for approval to the U.S. FDA in the second half of fiscal 2018 so that we can deliver a new treatment option as soon as possible to patients awaiting this medicine.

Extreme Example of Effective Treatment from Phase 3 Study (ENLIVEN Study)



October, 2016 | November, 2016 | June, 2017 | September, 2017 | May, 2018

Progress of 5-Year Business Plan

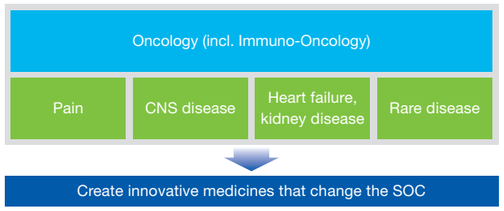
Strategic Target Continuously Generate Innovative Medicine Changing SOC (Standard of Care)

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

1. 5-Year Business Plan

Daiichi Sankyo aims to continuously generate innovative medicines changing SOC*1. SOC stands for "Standard of Care," indicating universally applied best treatment practice in today's medical science. Our target therapeutic areas for research and development include oncology, which will be positioned as a primary focused area, as well as pain, central nervous system diseases, heart failure/kidney disease, and rare diseases, which we define as new horizon area. Research and development of treatments in these areas will be accelerated going forward. We will strive to continuously generate innovative medicines changing SOC by utilizing partnering, open innovation*2, and translational research*3.

*1 SOC: SOC stands for "Standard of Care," indicating universally applied best treatment practice in today's medical science.
*2 Open innovation: a development method in which external development capabilities and ideas are used to overcome internal development challenges and create innovative new value
*3 Translational research: the research, method, and process of deepening the understanding of diseases and drug interaction mechanisms through the mutual use of information and samples in clinical and non-clinical studies.



2. Progress to Date and Future Schedule

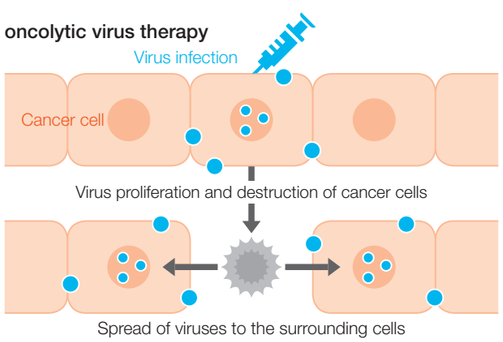
(1) *DS-1647* (oncolytic virus G47Δ)

G47Δ (delta), developed by Professor Tomoki Todo of the Institute of Medical Science of the University of Tokyo, is oncolytic virus therapy—a new modality of cancer treatment that sets itself apart from conventional agents. For instance, molecular-targeted agents pinpoint proteins and genes on the surface of cancer cells, while oncolytic virus therapy targets the cancer cell itself.

G47Δ, which is a third-generation strand of oncolytic herpes simplex virus 1, is controlled by deleting or inactivating three genes γ34.5, ICP6, and α47, making it only proliferate in cancer cells. By deleting α47 in addition to second generation, G47Δ inactivates immunological escape mechanism of the virus. G47Δ is believed to be a relatively safe treatment as it does not proliferate in normal cells, and if any adverse event occurs, it can be dealt with antiviral agents.

This drug has received SAKIGAKE Designation, and a phase 2 investigator-initiated study is currently underway in malignant gliomas. Although this is the first attempt of oncolytic virus therapy by Daiichi Sankyo, but based on future results, we will aim for a speedy approval of the drug for the treatment of malignant gliomas through in-depth discussions with Professor Tomoki Todo and regulatory authorities.

oncolytic virus therapy

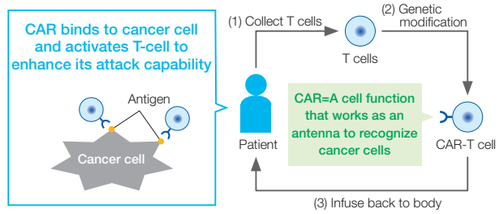


(2) *Axicabtagene ciloleucel* CAR-T (cell therapy)

Axicabtagene ciloleucel is a form of chimeric antigen receptor T (CAR-T), which is a cell therapy directed against CD19, an antigen expressed on the surface of B-cell malignant lymphoma cells. Applied via intravenous injection, this therapy is expected to have therapeutic effects on relapsed or refractory malignant lymphoma. Kite Pharma, Inc., has already obtained marketing approval for *axicabtagene ciloleucel* in the U.S. and it was launched in 2017 under the product name of *Yescarta*.

In Japan, the main consultation with the regulatory authorities prior to the initiation of clinical study has been completed, and we will start a phase 2 study in the second half of 2018 in patients with refractory or relapsed diffuse large B cell lymphoma. We are also building a production and distribution system in Japan.

How CAR-T cell therapy woks

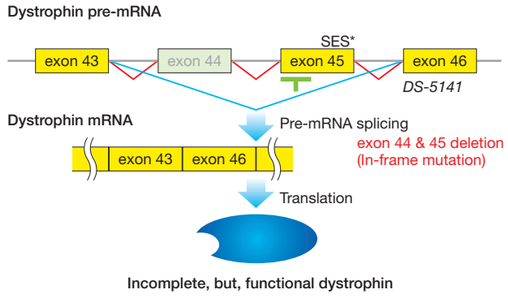


(3) *DS-5141* (nucleic acid drug)

Duchenne muscular dystrophy (DMD) is progressive muscular atrophy with an X-linked recessive inheritance pattern, and is known to occur in roughly 1 out of every 3,500 newborn boys. Muscle weakness progresses with age, and many patients do not survive past their 20s or 30s due to respiratory failure or heart failure. DMD is caused by the lack of the dystrophin protein, which is not produced due to abnormalities in the dystrophin gene.

We have obtained the results of the phase 1/2 clinical studies conducted in Japan for DMD drug *DS-5141*. There were no safety concerns, and after 12 weeks of subcutaneous administration, the production of messenger RNA obtained by skipping exon 45 of the dystrophin gene in muscle tissue was clearly confirmed in all seven cases. The expression of dystrophin protein was also observed in some patients.

Based on this result, we started extension study.



* SES: splicing enhancer sequence

(4) Strategic alliance for research and development

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

Key collaborations started by June 2018

Japan Asahikawa Medical University	Open innovation of capillary stem cells (CapSCs) April, 2016	
U.K. Celixir Ltd.	*Heartcel* for ischemic heart failure May, 2016	
Japan Astellas Pharma Inc. Takeda Pharmaceutical Co., Ltd.	Establish basis of biomarker May, 2016	
Canada Zymeworks Inc.	Progress in the Bispecific Antibody Collaboration September, 2016	
U.S. AgonOx, Inc.	Research alliance related to lung cancer October, 2016	
U.S. Dana-Farber Cancer Institute, Inc.	Cancer research and development alliance December, 2016	
U.S. Kite Pharma, Inc.	*Axicabtagene ciloleucel* (CAR-T) Development in Japan January, 2017	
U.K. Heptares Therapeutics Limited	Alliance related to small molecule drugs for cancer pain treatment March, 2017	
Germany Max Planck Innovation GmbH	Target Exploration July, 2017	
Japan Institute of Medical Science of the University of Tokyo	*G47Δ (DS-1647)* Development of Oncolytic Virus July, 2017	
U.S. Bristol-Myers Squibb Co.	*DS-8201* plus *Nivolumab* Combination Study August, 2017	
Japan Cuorips Inc.	iPS cell-derived cardiomyocyte sheet August, 2017	
U.S. MD Anderson Cancer Center	Broad AML Collaboration, multiple pipeline products September, 2017	
Germany Glycotope GmbH	ADC Collaboration October, 2017	
U.K. Vernalis	Research Collaboration December, 2017	
U.S. Puma Biotechnology, Inc.	Combination of *DS-8201* + *Neratinib* December, 2017	
U.S. Memorial Sloan Kettering Cancer Center	Research Collaboration December, 2017	
Japan Nagoya City University Chubu University Mitsubishi UFJ Capital Co., Ltd.	New hyperthermia treatment for cancer March, 2018	

Daiichi Sankyo's Growth Strategy

Message from the CFO

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

Toshiaki Sai
Member of the Board,
Executive Vice President and CFO

Toward the Improvement of Corporate Value

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

1. Improving ROE

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

(1) In order to enhance profit generation capabilities, we have taken steps to achieve further cost reductions and streamlining within the entire group through activities called "Realization of Process Excellence." Major initiatives include enhancement of the procurement function and optimization of structures for production, marketing & sales, and R&D including repositioning of bases. Regarding the enhancement of the procurement function, the 5-year business plan sets forth a goal to achieve ¥50 billion in cost reduction for indirect materials, and we have accomplished ¥13.2 billion and ¥18.2 billion of cost reductions in fiscal 2016 and fiscal 2017, respectively. Concerning the optimization of operating structures, in the past two years since the start of the 5-year business plan, we have sold or closed two bases within our production organization structures and closed three bases within our R&D organization structures. We have also implemented optimization within our marketing & sales organization structures in Europe and the United States. We will further accelerate initiatives to enhance profit generation capabilities in the future.

Additionally, we will focus on reinforcement of investment decisions as well as on optimization of business portfolio. When making decisions on business investment or capital expenditure, which has a significant impact on future business profits, we will support such decision makings by taking the future business environment, vision, and strategy into consideration and by setting hurdle rate, discount rate and other standards in response to market and business risks. Regarding optimization of business portfolio, while taking the synergy between businesses into consideration, I would like to offer financial suggestions with capital cost in mind.

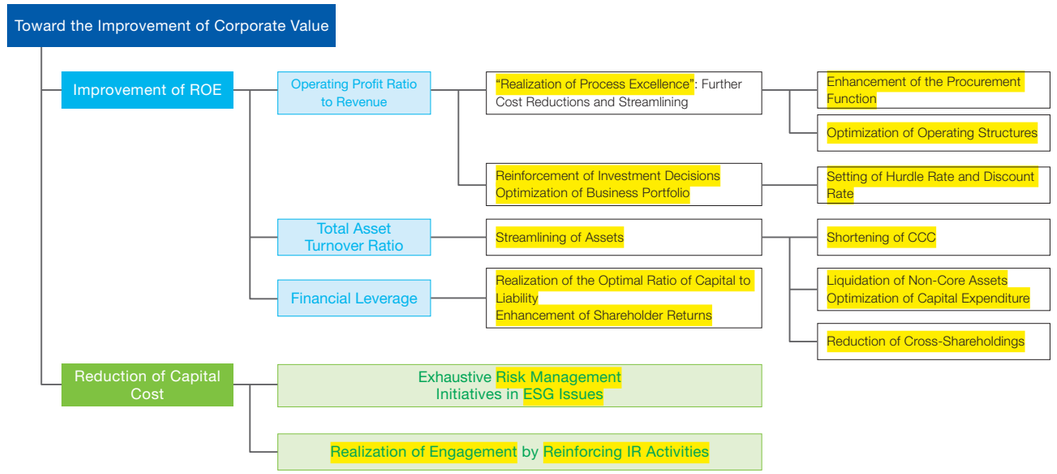
(2) We will realize streamlining of total assets and enhance our total asset turnover ratio. We will aim at shortening of the CCC (cash conversion cycle) and while maintaining a balance with a stable supply, we will aggressively pursue optimization in inventories on a global basis. With regard to assets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

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

2. Reducing Capital Cost

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

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



The Daiichi Sankyo Group's Value Chain and Organization

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

R&D Unit P.69

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

Pharmaceutical Technology Unit P.71

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

Supply Chain Unit P.72

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.

R&D

Pharmaceutical Technology

Supply Chain

Marketing & Sales

Biologics

Medical Affairs

Quality & Safety Management

Biologics Unit P.70

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

Quality & Safety Management Unit P.74

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.

Japan

Sales & Marketing Unit P.61

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

Daiichi Sankyo Espha Co., Ltd. P.62

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 P.63

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. P.64

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*) P.65

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. P.66

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 P.67

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 P.68

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.

Medical Affairs Unit P.73

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

Global Management Structure (As of April 1, 2018)

George Nakayama
Chairman and CEO

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

Yoshihiro Aoyagi
General Counsel

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)
Luitpold Pharmaceuticals, Inc.

Europe

Jan Van Ruymbeke, MD.
Daiichi Sankyo Europe GmbH

Asia, South & Central America (ASCA)

Hiroyuki Okuzawa
ASCA Company

Corporate Units

Toshiaki Sai
Corporate Strategy & Management Unit (CFO)

Yuichi Kubo
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

Kohei Wada
Medical Affairs Unit

Hirosumi Izawa
Quality & Safety Management Unit

Business Units (Japan)

Sales & Marketing Unit

(Innovative Pharmaceuticals Business)

The Sales & Marketing Unit delivers a broad range of products to patients. This enables us to deliver products and information not only from the perspective of one single disease, but also from the perspective of the total care of patients. We strive to contribute to medicine in Japan as a trusted medical partner by continually providing high-quality pharmaceuticals and accurate information.

Satoru Kimura Head of Sales & Marketing Unit

Progress of the Sales & Marketing Unit's 5-Year Business Plan

Target	Major Achievements in Fiscal 2017	Initiatives for Fiscal 2018
Enhance Daiichi Sankyo's reputation as a trusted medical partner by improving information provision activities based on the BRIDGE* concept *Bright Days Together	**MRs ranked No. 1 for the sixth consecutive year** • Ranked No. 1 in Japan in an overall assessment of MR activities in both the entire market and the hospital and general practice market categories in the survey conducted by an external organization*. In the entire market category, we have maintained the top ranking for six consecutive years since fiscal 2012 *ANTERIO Inc.	**Aim to firmly maintain No. 1 ranking in MR assessment** • Build upon MR activities based on the BRIDGE concept that aims to form a bridge for patients, their families, and healthcare professionals by providing accurate information and products with an emphasis on the importance of interpersonal connections
	All MRs passed the certificate test for the eighth consecutive year • All MRs have passed the certificate test for the eighth consecutive year since fiscal 2010 (Total pass rate in fiscal 2017: 69.8%)	**All MRs pass the certificate test** • All MRs pass the certificate test by implementing high-quality training programs that aim to provide information from the perspective of the total care of patients
Maximize revenue by promoting field and product strategies	**Earned highest revenue since the business merger** • Earned the highest revenue since the business merger in fiscal 2007 thanks to the expansion of innovative pharmaceuticals, including *LIXIANA*, leading to No.1 ranking in domestic pharmaceutical revenue for the second consecutive year	**Build foundations for sustainable growth by expanding our major domestic products and new products** • Ensure the introduction of new products planned to be launched as well as *LIXIANA* and other major domestic products, to build the foundations for sustainable growth
Construct systems and functions in response to environmental changes	**Promoted and enhanced area marketing** • We were ranked No.1* as the company committed to supporting community-medical collaborations owing to the promotion and enhancement of area marketing system *Survey conducted by Mix Online	**Establish sales networks in the specialty care area** • Reorganize the organization in order to progress the development pipelines and, in particular, to establish sales networks with a view toward the launch of specialty-care products centered on the oncology business
Promote a multichannel approach	**Information provision activities through a multichannel approach** • Received a high evaluation* by incorporating a multichannel approach utilizing lectures, e-promotions, and other venues in information provision activities by MRs, *Survey conducted by ANTERIO Inc.	**Utilize a multichannel approach that meets individual needs** • Promote information provision activities that meet the needs of individual healthcare professionals

TOPICS

To Become an Innovative Group that Leads the Japanese Market

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

Transformation

Business Units (Japan)

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

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

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

Hiroto Yoshiwaka Daiichi Sankyo Espha Co., Ltd. President

Progress of Daiichi Sankyo Espha's 5-Year Business Plan

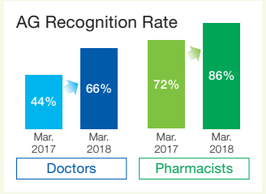
Target	Major Achievements in Fiscal 2017	Initiatives for Fiscal 2018
Strengthen the authorized generic (AG) lineup	**Launched AGs with 5 new active ingredients for major drugs** • Launched *telmisartan tablets*, *Teramuro combination tables*, and *Telthia combination tablets* in June; *olmesartan OD tablets* and *rosuvastatin tablets* in September; and *rosuvastatin OD tablets* in December • Our product portfolio expanded from 163 products with 64 active ingredients at the end of the previous fiscal year to 184 products with 72 active ingredients	**Expanded product portfolio focused on AGs** • Work to commercialize new AGs in order to be No. 1 in Japan in terms of the AG lineup and revenue, as set out in the goals of the 5-year business plan
Steadily launch AGs and other day-one generics* and gain market shares * Day-one generics: Generic drugs launched on the first day that sales of a generic is possible	**Secured market shares with newly launched AGs** • Newly launched authorized generic drugs gained a large market share as generic drugs that meet market needs • Jumped from the last year's 15th to 6th position in the pharmaceutical sales ranking	**Increase market shares by launching new products including AGs** • We obtained marketing approval for *levofloxacin* intravenous drip infusion (AG) in February 2018, and launched the product in June 2018. We will then continue to launch new products to increase market shares
Step up coordination with partners in Japan and overseas	**Promoted cost reductions with a view toward future environmental changes** • Achieved cost reductions for multiple products by coordinating with contract manufacturers and promoting various measures, including exploring more inexpensive ingredients and transferring a manufacturing site	**Strengthen coordination with partner companies based on changes in the market environment** • Further step up coordination with contract manufacturers and proceed with improvements to our business structures, as the industry is expected to face major changes from the drastic reforms of the NHI drug price system

TOPICS

Ensuring the AGs have even better competitive advantages

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

* ANTERIO Inc. "Recognition Survey on AGs"



Business Units (Japan)

Vaccine Business Unit

(Vaccine Business)

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

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

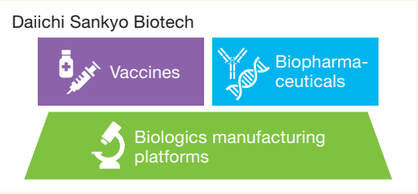
Progress of the Vaccine Business Unit's 5-Year Business Plan

Target	Major Achievements in Fiscal 2017	Initiatives for Fiscal 2018
Establish stable and low-cost supply systems	**Stably supplied seasonal influenza vaccine** • Achieved early shipment, increased production and completed all vaccine shipments before the influenza season **Re-shipped measles-rubella combined vaccine (MR vaccine)** • Solved production issues at an early stage and resumed market supply more than six months earlier than originally planned **Secured profits by reducing costs** • Cost reductions resulting from increased efficiency including reduced costs and improved production, contributed to improving the unit's profits	**Achieve stable supply and implement cost reductions** • Establish a more flexible shift production system in order to increase production of influenza vaccines in response to market demand • Achieve stable supply of MR vaccines and store sufficient vaccine stock solutions in preparation for a sudden epidemic • Promote cost reduction measures for overall vaccine production and aim to maximize productivity
Complete the establishment of a development and production system for pandemic influenza vaccines* and maintain production systems in preparation for future pandemics * Open application project spearheaded by the Ministry of Health, Labour and Welfare to establish a production system and secure venues for supply	**Developed a pandemic influenza vaccine** • Had prospects for the establishment of a robust production method by returning to the phase of collecting fundamental data and acquiring a large amount of production process data	**Complete the pandemic influenza vaccine project** • Advance the national project toward completion on the basis of the large amount of production process data previously obtained • Improve the production system and strengthen a training program so that vaccines for 40 million people can be supplied in six months in preparation for future pandemics
Develop and encourage early adoption of new influenza vaccines expected to be highly effective and new, highly convenient combination vaccines	**Promoted development themes** • Completed clinical trials of nasal spray influenza live attenuated vaccine • Promoted preparations for clinical trials of highly convenient trivalent combination vaccine for the measles, mumps, and rubella (MMR)	**Promote development themes** • Promote preparations for launching the nasal spray influenza live attenuated vaccine • Promote development of MMR vaccine • Improve manufacturing processes and test methods in order to achieve the stable production of existing vaccines

TOPICS

In Search for Synergy with Biotechnology

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



Business Units (Japan)

Daiichi Sankyo Healthcare Co., Ltd.

(OTC Related Business)

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

*Abbreviation of quality of life.

Yoshiki Nishii Daiichi Sankyo Healthcare Co., Ltd. President

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

Target	Major Achievements in Fiscal 2017	Initiatives for Fiscal 2018
Improve product brand value in the OTC business	**Grew smoothly in the mainstay area** • Sales expansion of cold remedies, *Loxonin S*, and skincare products and contribution of oral care products	**Further expand the mainstay brands** • Increase the value of our mainstay brands including *Lulu*, *Loxonin S*, *MINON*, and *Transino*, and expand the OTC business by launching new brands
Accelerate the growth of the direct marketing business through leveraging synergies with Im Co., Ltd., in the direct marketing business	**Launched the new *BRIGHTAGE* skincare brand** • Launched the *BRIGHTAGE* aging care brand for women via direct marketing subsidiary Im, and smoothly acquired customers	**Establish BRIGHTAGE in the market** • Increase the sales volume of Im's mainstay skincare brand *RICE FORCE* and establish *BRIGHTAGE* in the market
Overseas business: achieve independence	**Expanded business in China and elsewhere** • Achieved a plan for *MINON Amino Moist*, a mainstay brand in our overseas business • Strengthened foundations in the Chinese market and entered the Singapore market	**Establish the Overseas Sales Department** • Establish the Overseas Sales Department as an independent organization directly controlled by the President in order to expedite entry into new areas • Increase sales of existing products and expand lineups in the countries and regions that we have already entered (China, Taiwan, South Korea, Thailand, and Singapore)
Strengthen operating foundations to ensure responsiveness to market environment changes	**Established the CS* Department and Product Strategy Department** • Established the CS Department in order to better reflect customer input in business activities • Established the Product Strategy Department equipped with marketing research, product planning, and other functions *Abbreviation of customer satisfaction.	**Strengthen foundations to respond to changing consumer needs** • Utilize the functions of the CS Department and the Product Strategy Department established in the previous fiscal year and further promote continuous value creation based on perspectives originating from consumers

TOPICS

Growth of the *MINON Amino Moist* skincare brand

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

Business Units (United States)

Daiichi Sankyo, Inc. (DSAC*)

* Daiichi Sankyo, Inc. Administrative & Commercial Operations

Daiichi Sankyo, Inc. is in a period of exciting transition. The Company has begun the hard work of reorganizing into a specialty organization. Not only are we skilled at maximizing our in-line products, as shown through the successful launch of *MorphaBond* ER and the continued growth of *Injectafer*, but we have also laid the groundwork in the commercial organization to ensure we are ready to succeed in launching our future oncology medicines in the Unites States pending FDA approval. We are instilling a culture of collaboration and innovation on behalf of the patients we serve and who rely on us.

Ken Keller Daiichi Sankyo, Inc. President

Daiichi Sankyo, Inc., 5-Year Business Plan

Target	Major Achievements in Fiscal 2017	Initiatives for Fiscal 2018
Build and grow oncology capabilities	**Built and Sustained Momentum** • With new initiatives, *Injectafer* grew not only within the hematology/oncology market – where it is still the market leader – but also overall in new areas of patient need.	**Ensure Readiness** • We will ensure launch readiness and innovation by continuing to build a deep understanding of our customers, and expanding our capabilities in oncology.
Grow pain business	**Successful launch of MorphaBond ER** • In the first six months after launch, *MorphaBond* ER total prescriptions exceeded all recent ADF* launches. Also, our Commitments in Pain Care program is dedicated to awareness and education around responsible pain management *Abuse Deterrent Formulation	**Successful launch of new ADF** • In 2018, we will launch *RoxyBond*, offering a new ADF of oxycodone, to help combat prescription opioid abuse while offering effective pain relief to those in need.
Maximize profit for mature products through LOE* timeframe *Loss of exclusivity	**Maintained Access for In-Line products** • We focused on maintaining demand for *Welchol* in advance of generic entry, and programs to assist patients in accessing our branded hypertension products.	**Maintain Access and Brand Preference** • We will maximize profit in 2018 following our commercial restructuring and will continue programs that help patients access our mature brands.

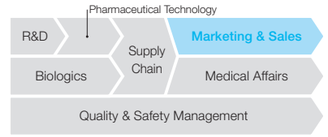
TOPICS

Transformation and New Ways of Thinking to Set Ourselves Apart

Daiichi Sankyo, Inc. is creating an agile organization that transforms into a successful oncology company with the skills and insight to stay ahead of market dynamics in order to meet and exceed our customers needs. Future success in the US market will be possible only by bringing forward new medicines that help patients live longer, better quality lives compared with standard of care, and communicating each new medicine's value. We remain inspired by the possibilities to achieve commercial excellence, but more importantly, to serve patients.

Business Units (United States)

Luitpold Pharmaceuticals, Inc.



Luitpold is a developer, manufacturer and distributor of diversified pharmaceutical products. Our growing business comprises high quality injectable generics, branded IV iron and veterinary medicine use. Our capabilities allow us to develop and launch difficult-to-manufacture and complex generics. Luitpold employs around 1,000 people in the U.S. and we manufacture products within facilities in New York and Ohio. We market our products to hospitals, wholesalers, distributors, group purchasing organizations, veterinarians, and government agencies. Our broad portfolio of more than 30 marketed products is constantly evolving.

Ken Keller Luitpold Pharmaceuticals, Inc. President & CEO

Luitpold Pharmaceuticals 5-Year Business Plan

Target	Major Achievements in Fiscal 2017	Initiatives for Fiscal 2018
Build *Injectafer* into flagship product and market leader	**Secured market leader position** • Luitpold increased market share and maintained predominant presence as a market leader in the injectable iron category through *Injectafer* and *Venofer* businesses. • Total market share (*Injectafer* + *Venofer*) was approximately 70% through the end of FY2017. **Achieved the revenue target** • Revenue achieved $310 million, an increase of 40.1% over the previous year. Strategic collaboration between Luitpold and DSAC throughout the year resulted in significant growth for *Injectafer*, which was the largest contributor for Luitpold in reaching record revenue.	**Reinforce rock-solid No.1 presence** • Revenue target in FY2018 is $355 million, up 14.5% from the previous year. Key strategies are to: - Differentiate clinical value-added services - Increased IDA awareness and diagnosis among referrers - Drive awareness among dissatisfied oral iron patients and call to action **Accelerate life cycle management** • Phase 3 clinical trial titled HEART-FID study is ongoing, and will assess the efficacy and safety of iron therapy using *Injectafer* relative to *placebo*, in treating patients with heart failure, iron deficiency and a reduced ejection fraction.
Expand generic injectable portfolio with a variety of products to support customer needs	**New products** • Luitpold successfully launched 5 new products in FY2017: *Indigo Carmine*, *Calcium Chloride*, *Busulfan*, *Dicyclomine* and *Methocarbamol*. • All launches successfully contributed to generic injectable business growth. **Achieved the revenue target** • In parallel with contributions from new product launches, Luitpold's existing drugs also drove strong performance. • Swift reactions to market drug shortages were representative of a robust pipeline and commitment to responding to the U.S. medical marketplace.	**Expand generic injectables portfolio** • Luitpold plans to launch 6 new products in FY2018 in order to offset revenue loss from increase competition in some key categories. • Our strategy is to continue developing and launching new niche products and hard-to-manufacture generics such as cytotoxic oncology products. **Progress CapEx investment** • A long-term investment of approximately $200 million has been launched across three manufacturing sites, This investment embodies a commitment to our company's future, and represents an opportunity for us to deliver state-of-the-art manufacturing capabilities with a robust and sustainable turnkey pharmaceutical operation.

TOPICS

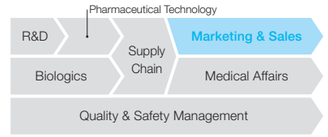
Luitpold to be renamed to American Regent

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

AMERICAN REGENT™
Reliable. Responsive. Respected.

Business Units (Europe)

Daiichi Sankyo Europe GmbH



The last year has been a very successful one for Daiichi Sankyo Europe: *LIXIANA*® is continuously increasing its market shares and our revenue has grown by 2% compared to the previous year despite the generic erosion of the *Olmesartan* portfolio.
To be able to stay successful in a constantly changing environment, we have to focus relentlessly on our customers' needs. Our aspiration is to become, by 2020, the benchmark for customer centricity in the areas we work to sustain growth. Our values collaboration, commitment, courage and integrity will support us to reach this goal as guiding principles in all our customer interactions as well as internally.

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

Daiichi Sankyo Europe 5-Year Business Plan

Target	Major Achievements in Fiscal 2017	Initiatives for Fiscal 2018
Maximize *LIXIANA*'s potential	**Successful Launches of *LIXIANA*** • Since we launched *LIXIANA* in 2015 in Germany and the UK, all countries in Europe, except for France, have by now introduced *LIXIANA* in their local markets. • These latest launches have proven to be very successful. As a result, our EU patient market share in March 2018 equals 10%. • This growing uptake of *LIXIANA* has more than offset the impact of the loss of exclusivity for *Olmesartan*.	**Focus on Gaining Market Share** • We continue maximizing *LIXIANA* by focusing on market share gains. • We will achieve this by differentiating from competitors and by flawlessly implementing this strategy in all our activities. • To leverage our cardiovascular success and heritage we are also looking at bringing additional specialty medicine* assets into our portfolio. * Pharmaceuticals mainly prescribed by hospitals and/or specialists
Establish oncology business	**Thorough Preparation** • We have been preparing diligently for the future oncology business. • Talented people have been attracted to build out a strong and competitive oncology organization capable of successfully introducing the pipeline assets.	**Launching with Excellence** • Our focus is on preparing a successful launch of *quizartinib* in 2019. • In addition, through our medical affairs department, we are working closely with Cancer Enterprise* to ensure the successful development of *DS-8201*. * A global and virtual cross-functional team
Develop organization to further evolve into specialty care provider	**Adapt to upcoming oncology portfolio** • With the build-out of our oncology division over the last year, we have set the ground for future launches. • At the same time we have further adapted our customer-facing roles to the needs of a specialty care environment.	**Evolve Together with Our Customers** • We are constantly evolving our organization to adapt to the changing healthcare environment. • In FY 2018, we will keep focusing on how to best provide our customers with solutions for their requirements in both the cardiovascular and oncology field.

TOPICS

It is all about customer centricity!

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

be ASPIREd

Business Units (ASCA*)

ASCA Company

* Asia, South & Central America

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

Hiroyuki Okuzawa ASCA Company President

Progress of the ASCA Company's 5-Year Business Plan

Target	Major Achievements in Fiscal 2017	Initiatives for Fiscal 2018
Maintain and expand sales of existing products	**Achieved revenue of ¥80.4 billion (up 11.4% year on year)** • Existing mainstay products including *Olmetec* and *Cravit* steadily grew in each country where they are marketed. Particularly in China, the promotion of alliances with local partners helped boost the sales of the two products above by more than 30% • A new product, *LIXIANA*, gained a share of more than 20% in South Korea, achieving rapid expansion. The product steadily grew in all countries where it had been already launched including Taiwan, where its market share increased smoothly	**Achieve revenue of ¥90 billion (up 12.0% year on year)** • Expand the sales of existing mainstay products including *Cravit*, *Olmetec*, and *Loxonin* significantly in China • Increase the market share of *LIXIANA* in countries where it is marketed, expand sales regions by launching and marketing it by ourselves in Brazil, and introducing it into the market through partner companies in regions with no sales bases such as the Middle East and Indonesia
Quickly develop, launch, and expand sales of new products		
Enhance portfolio of products matched to the specific needs of respective regions and countries	**In-licensed products and steadily promoted development** • Obtained marketing approval for *LATUDA** in Brazil. • In-licensed local products in South Korea and Brazil. • Submitted application for approval of *LIXIANA* and initiated a clinical trial for *quizartinib* in China * An antipsychotic agent discovered by Sumitomo Dainippon Pharma Co., Ltd. (generic name: lurasidone hydrochloride). Started marketing in Brazil by obtaining distribution right	**Expand product lineup and launch more development pipelines** • Launch *Sevikar* in China, *LATUDA* in Brazil, and *Efient* in Taiwan • Strengthen the development structure in China and promote preparations for developing priority drugs including *DS-8201* and *mirogabalin*
Accelerate new product development in China		
Strengthen business capabilities and implement measures targeting growth markets with an eye to fiscal 2021 and beyond	**Out-licensed products in countries where we do not have subsidiary and stepped up marketing activities for anticancer drugs.** • Selected companies in the Philippines, Malaysia, and Singapore to out-license *LIXIANA* • Stepped up marketing activities for anticancer drugs	**Strengthen business capabilities and expand bases in China** • Improve profitability further by optimizing the alliance model in China • Consider establishing new sales bases in growth markets

TOPICS

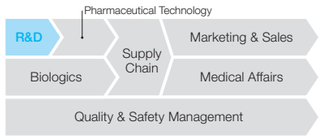
More Women Playing Active Roles in the ASCA Company

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

Managerial positions at Daiichi Sankyo (Thailand)

Functional Units

R&D Unit



The R&D Unit has made efforts to achieve its annual numerical targets on a per development stage basis as the goals of the 5-year business plan, and it has acquired enriched pipelines, especially in the oncology field. We defined our new R&D 2025 Vision in order to launch those products as valuable ones and continue to develop pipelines. We will largely shift R&D investment to the oncology field, maximize the value of the ADC and AML portfolio, and focus investment in the SM*1 area as the priority focused area. We will strive to generate innovative medicine-changing SOC*2.

*1 Specialty Medicine *2 Standard of Care

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

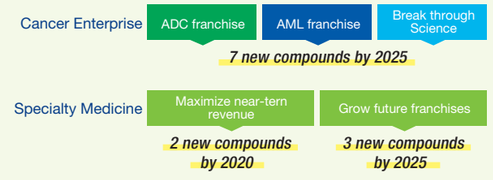
Progress of the R&D Unit's Plan

R&D 2025 Vision	Major Achievements in Fiscal 2017	Initiatives for Fiscal 2018
Become a leader of FIC*1/BIC*2ADCs (antibody-drug conjugates) *1 First-in-class *2 Best-in-class	***DS-8201*** **(HER2-ADC)** • Initiated pivotal phase 2 (breast cancer, gastric cancer) • Initiated a phase 2 study (colorectal cancer) • Granted Breakthrough Therapy Designation (breast cancer) in Japan and SAKIGAKE Designation (gastric cancer) in Japan **Other ADC franchises** • Initiated a phase 1 study of *DS-1062* (TROP2-ADC)	***DS-8201*** **(HER2-ADC)** • Facilitate pivotal phase 2 studies in breast cancer and gastric cancer • Initiate phase 3 studies in breast cancer and gastric cancer **Other ADC franchises** • Facilitate phase 1 studies of *U3-1402* (HER3-ADC) and *DS-1062* (TROP2-ADC)
Establish a hematology cancer franchise	***PLX2853*** **(BRD4 inhibitor)** • Initiated a phase 1 study	***Quizartinib*** **(FLT3 inhibitor)** • Obtain TLR in the QuANTUM-R study • Apply for approval in Japan, the US, and Europe
Become a leader in breakthrough science in the oncology field	***Pexidartinib*** • Obtained TLR* in a phase 3 ENLIVEN study * Top-line results	**Breakthrough science project** • Apply for approval of *pexidartinib* in the US • Initiate a phase 2 study of *axicabtagene ciloleucel* (CAR-T) • Initiate a phase 1 study of *DS-1205* (AXL inhibitor)
Maximize near-term revenue and grow future franchises in the specialty medicine area	**Obtained approval** • *PRALIA* Subcutaneous Injection Syringe for rheumatoid arthritis • *LIXIANA oral anticoagulant OD** *tablets* oral disintegrating tablet • *Memary Dry Syrup* for Alzheimer's disease treatment **Application** • *Esaxerenone*: hypertension • *Mirogabalin*: pain associated with peripheral neuropathy ***DS-5141*** **(nucleic acid drug)** • SAKIGAKE Designation (Duchenne muscular dystrophy) * oral disintegrating tablet	**Maximize near-term revenue** • Obtain approval of *esaxerenone*: hypertension • Obtain approval for *mirogabalin*: pain caused by peripheral neuropathy • Obtain approval for *Inavir nebulizer*: influenza virus infections **Grow future franchises** • Promote early-stage projects: *DS-1040*, *DS-2330*, *DS-1211*

TOPICS

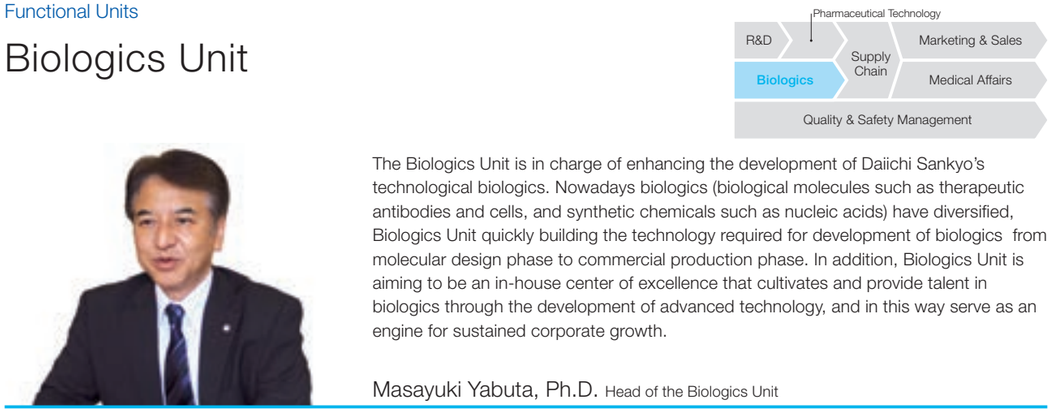
Presented the R&D 2025 Vision at the R&D day

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



Functional Units

Biologics Unit



The Biologics Unit is in charge of enhancing the development of Daiichi Sankyo's technological biologics. Nowadays biologics (biological molecules such as therapeutic antibodies and cells, and synthetic chemicals such as nucleic acids) have diversified, Biologics Unit quickly building the technology required for development of biologics from molecular design phase to commercial production phase. In addition, Biologics Unit is aiming to be an in-house center of excellence that cultivates and provide talent in biologics through the development of advanced technology, and in this way serve as an engine for sustained corporate growth.

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

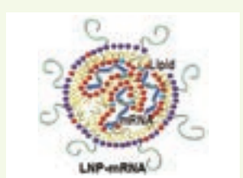
Progress of the Biologics Unit 5-Year Business Plan

Target	Major Achievements in Fiscal 2017	Initiatives for Fiscal 2018
Contribute to accelerating the launch of *DS-8201* and other ADC franchise drugs	**Developed an antibody manufacturing process for *DS-8201*** • Verified the antibody manufacturing process • Technology transfer to manufacturing company in Daiichi Sankyo group • Manufactured antibodies for clinical studies in a timely manner	**Establish an antibody manufacturing process for *DS-8201*** • Establish an antibody manufacturing process for commercial production • Develop an improved process aimed at increasing efficiency • Develop an antibody manufacturing process for next generation ADCs
Develop manufacturing technologies and accelerate clinical development for biologics	**Manufactured product candidates using proprietary Daiichi Sankyo technologies** • Reduced manufacturing costs using proprietary Daiichi Sankyo technologies • Established a process to swiftly manufacture products under development • Facilitated research and development with timely manufacturing	**Develop cutting-edge technologies and apply them to product candidates** • Create new biologics using proprietary Daiichi Sankyo original technologies • Promote turning our proprietary technologies into a platform and reducing costs
Discover innovative and cutting-edge forms of modality* * The foundation of drug development and therapeutic approaches such as protein drugs, nucleic acid medicine, cell medicine and regenerative medicine including low molecular compounds, peptide (middle molecule)	**Promoted drug discovery activities based on modalities** • Promoted drug discovery themes with antibodies, proteins, nucleic acids, and peptides as modalities • Obtained new bi-specific antibodies through joint research with Zymeworks Inc. • Applied a new nucleic acid delivery technology to vaccines (see TOPICS)	**Create new modalities** • Creating new modalities for drug discovery themes including gene therapy • Promote development of modality production technology and expand the scope of its application
Construct and reinforce technology and human resource platforms to commercialize cell therapies and other biologics	**Promoted cell therapy projects** • Implemented measures for CMC* toward submitting a investigational new drug application (IND) of *axicabtagene ciloleucel* in Japan • Established an R&D structure for joint research with Cuorips Inc. on the iPS cell-derived cardiomyocyte sheets and commenced R&D activities • Formulated biologics training programs for fostering internal human resources * Information on chemistry, manufacturing, and quality control of substances and formulations in the NDA documents.	**Promote cell therapy projects and R&D** • Implement technology transfer to CMOs* regarding *axicabtagene ciloleucel* • Manufacture iPS cell-derived cardiomyocyte sheets for clinical trials • Ensure steady performance of new themes • Continue to foster biologics talents * Contract Manufacturing Organization

TOPICS

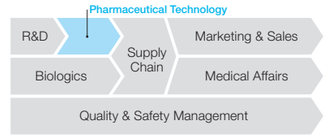
Approaches to New Nucleic Acid Delivery Technology – lipid nanoparticle - mRNA (LNP-mRNA) –

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



Functional Units

Pharmaceutical Technology Unit



The Pharmaceutical Technology Unit is committed to developing processes to produce top-quality pharmaceutical products, and it supplies investigational drugs in a timely manner through the research and development of drug substances, formulations, and analytical techniques. The entire unit is striving to file an early application for the approval of *DS-8201* that has a complex structure and requires a long time to manufacture. In addition, we are planning to turn our established ADC technologies into a platform in order to reduce the time it takes to develop the following ADCs. We are also promoting cost reductions and added-value creation, such as ease of use, with our pharmaceutical technologies.

Takeshi Hamaura, Ph.D. Head of Pharmaceutical Technology Unit

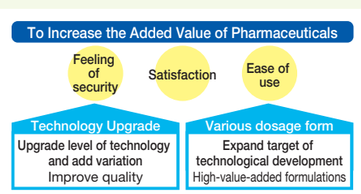
Progress of the Pharmaceutical Technology Unit's 5-Year Business Plan

Target	Major Achievements in Fiscal 2017	Initiatives for Fiscal 2018
Accelerate and improve the efficiency of oncology development	**Application-related works and on-time technology transfer** • Established application strategies that enabled *DS-8201* to receive the Breakthrough Therapy Designation in US and the SAKIGAKE Designation in Japan • Initiated technology transfer toward an application for approval of *DS-8201* • Constructed systems to efficiently provide investigational drugs and performed provision work	**Steadily perform application-related works and technology transfer** • Steadily promote technology transfer toward an application for approval of *DS-8201* and its launch planned in or after fiscal 2019 pending regulatory approval • Prepare materials to apply in JP/US/EU for the approval of *quizartinib* and applying in the US for the approval of *pexidartinib*, and proceed with tasks related to the construction of commercial manufacturing systems • Further streamline the supply of investigational drugs and comparators
Enhance key technologies of biologics (ADCs) manufacturing platforms	**Manufactured ADC substances and formulations and developed analytical technologies** • Improved efficiency by establishing platform formulations and manufacturing process • Established analytical technologies that help to stably ensure the quality of ADC substances and formulations	**Enhance and deploy ADC-related technologies** • Deploy platform formulations and manufacturing process to the ADC franchise **Prepare for the next generation ADCs** • Plan and promote efficient CMC strategies* in light of our existing ADC experiences * R&D strategies pertaining to drug substances, formulations, and quality
Develop high-value-added formulations, reduce costs, and establish new production methods	**Developed a new method to produce nucleic acid monomers*** • Developed a method to reduce costs significantly **Developed high-value-added formulations** • Applied for approval of formulations that are easy to take (*Efient orally disintegrating tablets*, *Welchol chewable bars*) and an abuse-deterrent formulation (*oxycodone extended-release tablets*) * Basic ingredients that constitute nucleic acid drugs	**Further develop analytical technologies for ADCs and nucleic acids** • Develop ADC analytical technologies aimed at realizing higher level impurity management • Draft strategies for quality management of nucleic acid drugs **Develop high-value-added formulations** • Apply for approval of *Inavir for nebulizer** * device which makes mist from drug solution in order to absorb through mouth or nose

TOPICS

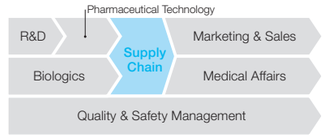
To Increase the Added Value of Pharmaceuticals Based on Our Excellent Technologies

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



Functional Units

Supply Chain Unit



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

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

Progress of Supply Chain Unit's 5-Year Business Plan

Target	Major Achievements in Fiscal 2017	Initiatives for Fiscal 2018
Transform and rebuild supply chain structures adapted to changes in the product mix	**Constructed a manufacturing system for anticancer drugs and biologics** • Expanded a manufacturing system by promoting capital investments such as domestic ADC manufacturing facilities including *DS-8201* • Formulated a roadmap for securing and developing human resources in order to secure personnel in charge of biologics, and enhance their skills, and promoted various initiatives for transformation of supply chain structures.	**Establish a manufacturing system for anticancer drugs and biologics** • Proceed with establishment of manufacturing facilities for API and DP without delay in accordance with the development plan of the ADC franchise • Secure and develop human resources in accordance with the roadmap for securing and developing human resources in biologics field • Promote preparations/considerations on initiatives for a stable supply globally in accordance with the medium-to-long term launch plan
Construct a supply system in response to the growth of existing and new products and respond to new technologies	**Improved a supply system for *edoxaban*** • Responded to the need for increased production because of sales growth in Japan and Europe • Prepared a product supply system in anticipation of future launches in other countries including China and Brazil	**Establish a global supply system for *edoxaban*** • Secure a stable supply by increasing production capacity which meets growing demand due to anticipated product launches in various countries
	Responded to new product launch on schedule • Prepared a manufacturing system according to domestic launch schedules for *esaxerenone* and *mirogabalin* • Established a manufacturing system for *olmesartan AG*	**Establish a manufacturing and supply system for cutting-edge pharmaceutical products** • Promote preparation for launch on schedule in anticipation of *quizartinib* and *DS-8201* launch • Establish a manufacturing and supply system that corresponds to new technologies such as a cold chain* system for cell therapy * A logistics method that maintains uninterrupted low temperatures between manufacturing, transportation and consumer activities
Promote cost reduction activities and attain results globally	**Reinforced continuous profit generation by cost reductions** • Realized a decrease of more than ¥15.0 billion in manufacturing costs in comparison with fiscal 2015 by reducing manufacturing-and supply-related costs including procurement for direct materials and facility procurement	**Reinforce continuous profit generation by cost reductions** • Promote manufacturing cost reduction by considering low-cost processes from various viewpoints including procurement and technical factors

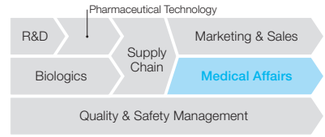
TOPICS

Striving to be a "reliable supply chain with technological innovation"

Our duty is to improve raw material procurement, manufacturing, delivery, and our diverse technologies that support these factors, realize continuous cost reductions while maintaining the quality required by the market, and reinforce the foundations for corporate growth.
We will fulfill these duties through the following initiatives: establishment of a stable supply system for small molecule drugs including vaccines and biopharmaceuticals in collaboration with business bases and factories in the United States, Europe, Brazil, China, and especially Japan; establishment of an efficient manufacturing system for early introduction of new facilities/technologies that helps to realize the accelerated development and launch of products in the oncology field; and daily challenge to technological innovation.

Functional Units

Medical Affairs Unit



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

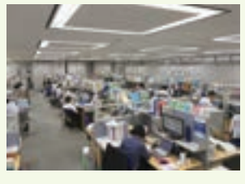
Kohei Wada Head of Medical Affairs Unit

Progress of MA Unit's 5-Year Business Plan

Target	Major Achievements in Fiscal 2017	Initiatives for Fiscal 2018
Generate and disseminate scientific evidence on *edoxaban*	**Generated scientific evidence for *edoxaban*** • Conducted many clinical research studies domestically and globally • Completed enrollment of the largest-scale registry study in Japan targeting elderly people with significantly shorter times than anticipated • Medical Science Liaisons (MSLs) * started activities * 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	**Transition to the stage of disseminating scientific information on *edoxaban*** • Complete enrollment of multiple clinical research and transition to the stage of evidence dissemination. • Start presenting baseline data of large-scale studies (including patient background at enrollment) at academic society meetings
Generate and disseminate scientific evidence in the oncology field	**Constructed oncology foundation** • Developed medical strategies (evidence generation / dissemination strategies to maximize product values*) for *quizartinib* and *DS-8201* by activating global oncology MA * Contribution to patient treatment in the medical field	**Establish launch readiness for oncology products** • Establish launch readiness for *quizartinib* and *DS-8201* (disseminate evidence and construct in-house system/ structure) • Introduce oncology MSL in Japan like other regions
Generate and disseminate scientific evidence on other priority products	**Generated evidence on priority products** • Engaged aggressively in scientific evidence generation on priority products such as *prasugrel* in the two PENDULUM studies, *memantine* and *denosumab*	**MA activities for *esaxerenone*, *mirogabalin* and other products** • Formulate a scientific evidence generation/ dissemination plan for the launch of both products • Promote MA activities for other priority products and follow-up two PENDULUM studies
Sophisticate MA system in response to environmental changes	**Established Global MA Unit** • Established Global MA Unit and constructed systems processes and mechanisms. • Started the open application of investigator-initiated clinical research in Japan	**Reinforce infrastructures for the Global MA system** • Strengthen the global system • Complete adaptation to the new Clinical Trials Act by the end of this year
Improve customer satisfaction, enhance medical information, and entrench practice of utilizing Voice of Customer (VOC)	**Ranked No.1 for three consecutive years** • Our call center was ranked No.1 among pharmacists in health insurance pharmacies for three consecutive years based on a survey conducted by outside research company • Introduced the industry's first AI (refer to Topics) • Reflected customer opinions to improve our products	**Create more sophisticated Medical Information Department's functions** • Aim to continue to be ranked No.1 among pharmacists in health insurance pharmacies for four consecutive years • Expand AI functions for MRs • Promote use of VOC and establish a system to provide oncology medical information

TOPICS

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



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

Functional Units

Quality & Safety Management Unit

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

Hirosumi Izawa Head of the Quality & Safety Management Unit

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

Target	Major Achievements in Fiscal 2017	Initiatives for Fiscal 2018
Continue the post-marketing surveillance on *edoxaban* and *prasugrel* to create additional evidence	**Continued the post-marketing surveillance on mainstay products and obtained additional real-world evidence** • Deployed PSCs*, which were introduced in fiscal 2016, in all of the 14 branches and strongly promoted studies on *edoxaban* and *prasugrel*, thereby reducing the time it takes to create additional evidence by six months or more • Presented data on *prasugrel* (large-scale real-world data on dosages suitable for the Japanese), which attracted the attention from the participants of the Japanese Circulation Society * Abbreviation of Post-Marketing Study Coordinator. Assists promotion of post-marketing surveillance	**Promote post-marketing surveillance on mainstay products and create additional evidence** • Continue to promote large-scale studies on *edoxaban* and *prasugrel* and present data on efficacy and safety information at major academic societies, etc. • Formulate new post-marketing surveillance on new products, including *quizartinib* and *mirogabalin*, that conform to the revised GPSP* ordinance * Abbreviation of Good Post-marketing Study Practice. Criteria for conducting post-marketing surveillance and studies for pharmaceuticals
Introduce quality risk analysis and evaluation systems for new fields and new technologies	**Established a quality assurance system for products in new areas** • Established internal foundations toward the launch of *DS-8201* and promoted the establishment of a quality assurance system • Guaranteed the accuracy of application materials toward an application for *quizartinib* • Obtained marketing approval for regenerative medicines	**Establish a quality assurance system for products in new areas** • Ensure reliability over commercial production of *DS-8201* and prepare for an inspection and receive approval from the authorities • Establish a new quality assurance system in light of the quality characteristics of various regenerative medicines
Strengthen safety monitoring measures and verify the effectiveness of safety measures	**Reinforced safety measures for new and mainstay products** • Established a global safety management system for oncology products, including *DS-8201* and achieved prompt evaluation and decision making to protect subjects • Promoted the proper use of *edoxaban* and *prasugrel* by providing information on the importance of blood pressure control, as well as the proper use of *denosumab* by adding support for medicine-dentistry collaboration	**Reinforce safety measures for new and mainstay products** • Practice global, integrated risk management that utilizes data from clinical trial with a view toward the post-marketing of *DS-8201* • Promote the proper use of oncology products by building a framework that facilitates prompt communication with healthcare professionals

TOPICS

PDCA Cycle for Transformation

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

Plan a new formation
Develop
Consider
Achieve

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

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

* CSR issues deemed important from the viewpoint of an organization's effects on the economy/environment/society and effects toward the organization's mid- to long-term values

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 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 with 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.

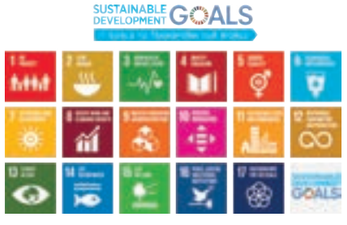
Article 8 We do not support or conduct our business with antisocial forces, prohibited entities or groups that may threaten the order or safety of civil society.

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 Group conducts activities to contribute to "Goal 3: Ensure healthy lives and promote wellbeing for all at all ages" of the Sustainable Development Goals (SDGs), particularly as a measure towards ever-changing sustainability issues. The SDGs are a set of goals for 2030 to address the key issues facing the world, and have been adopted by the member states of the United Nations. Seventeen goals to be accomplished by 2030 have 169 targets.

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



A list of the Daiichi Sankyo Group's initiatives related to the SDGs is available on the corporate website.
https://www.daiichisankyo.com/about_us/responsibility/csr/gc/index.html

CSR Management

The Daiichi Sankyo Group's CSR Activities

CSR Activities Based on the DAIICHI SANKYO Group Corporate Conduct Charter

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

Identifying materiality in CSR activities and classifying their priority areas

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

(See pages 76 to 77 "CSR 6 priority areas for activities, 36 items identified as materiality and examples of initiatives")

Step 1 Recognizing CSR issues and identifying materiality

We have reviewed the information on CSR issues that pharmaceutical companies generally need to address by referencing the global initiatives (Ten Principles of the UNGC*1, ISO 26000*2, etc.) and the evaluation criteria of 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.) and then identified 36 items as materiality.

Step 2 Classifying priority areas for activities related to materiality

The 36 CSR issues identified as materiality were further organized and classified into six priority areas for activities (Promoting compliance management, Mutual growth of employees and the Company, Enhancement of communication with stakeholders, Promoting environmental management, Improving access to healthcare, and Social contribution activities).

*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

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

Please refer to the Daiichi Sankyo website for initiatives with no page number.

Priority areas for activities	Materiality (36 items)	Examples of Initiatives	Page
Promoting Compliance Management	Observe Group-wide codes of conduct	• Continued operation of the compliance system • Implementation of a Compliance Awareness Survey • Implementation of a Global Marketing Code of Conduct • Dissemination of the ICP • Compliance training and educational activities • Information security	80 80
	Anti-corruption	• Establishment of Global Policies Related to Preventing Bribery and Corruption	81
	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	
	Product quality and safety assurance	• Product Safety-related training (GVP training) • Implementation of quality audit for raw materials suppliers	
	Ethical marketing practices	• MR accreditation test results (Japan) • Ethical MR promotional activity	
	Consider bioethics and genetic resources	• R&D ethics • Fair utilization of genetic resources	
	Sustainable procurement	• Promotion of compliance in procurement • Implementation of CSR Self-Assessment Surveys • Establishment of Sustainable Procurement Guideline	81 81
	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 UNGC	
	Tax strategy	• Our Approach to Tax	
Mutual Growth of Employees and the Company	Develop human resources	• Group talent management • Recruitment and human resources development policies • Development of entry- and mid-level employees • Cultivation of line managers (organization heads)	82
	Acquire and retain talented individuals	• Daiichi Sankyo Human Resources Management Philosophy • Benefit plan	
	Promote diversity	• Acquisition of the Highest Grade of Eruboshi Certification based on the Act on Promotion of Women's Participation and Advancement in the Workplace • Promotion of Diversity and Inclusion • Endorsement of The Women's Empowerment Principles (WEPs) • Participation in IkuBoss Alliance • Support for the career development and work styles of diverse employees • Support for the career development of women employees (Japan) • Initiatives based on action plan for empowering women • Acquisition of “Kurumin” next-generation authorization mark certification • Promotion of the employment of individuals with disabilities • Systems and measures to support diverse work styles (Japan)	83
	Communication between labor and management	• Communication with labor unions	
	Respect human rights in labor practices	• Policy for respecting human rights • Initiatives for promoting respect for human rights	
	Pay equal wages to men and women	• Training related to the UNGC	
	Promote work-life balance	• Promotion of the "Work-Life Cycle" (Japan)	
	Prevent occupational accidents	• Promotion of occupational health and safety • 2018 Certified Health and Productivity Management Organization Recognition Program (Large Enterprise Category)—White 500 • Systems and initiatives for supporting occupational health and safety (Japan)	83 83
Enhancement of Communication with Stakeholders	Identify, respond to, and disclose material CSR issues	• CSR management	76
	Improve customer satisfaction	• Addressing inquiries from patients and healthcare professionals	84
	Respond to complaints	• Use of the Compliance Reporting System	
	Stakeholder engagement	• Stakeholder Dialogue • Aiming for Being a Trusted Medical Partner • Communication with healthcare professionals and patients • Communication with shareholders and investors • Communication with employees • Communication with local communities • Provision of valuable information to healthcare professionals • Collection and communication of input from healthcare professionals	84 85 85 85
	External verification for CSR reports	• External verification of environmental reports	
Promoting Environmental Management	Address climate change	• Efforts for Saving Energy and Combatting Global Warming • CO_2 emissions reduction targets and performance • CO_2 emissions reduction initiatives	87
	Manage chemical substances	• Usage reduction and emission and transfer control of chemical substances	
	Control water usage volumes	• Management of water risks • Appropriate use of water resources	
	Manage waste	• Auditing Environmental Management • Waste reduction targets and performance • Promotion of compliance for waste management	87
	Preserve biodiversity	• Biodiversity initiatives	
	Receive ISO 14001 and other environmental management system certification	• Optimization of the environmental management system	86
Improving Access to Healthcare	Address global health issues	• Participation in Access Accelerated initiative • Participation in the GHIT Fund • Continued initiatives targeting rare diseases • Mobile healthcare field clinic services in Tanzania • Cultivation of healthcare workers in China • Technical cooperation related to manufacturing the combined measles-rubella vaccine (MR vaccine) • Clinical trials to be conducted from a humanitarian viewpoint	88 89 89 89 90
	Measures to combat counterfeit medicines	• Measures to combat counterfeit medicines	
	Address cost burden	• Patient Assistance Programs (United States)	
	Health outcome contribution	• Disclosure of clinical trial information	
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 • Support for disabled/seriously ill children and their families (United States) • Activities that heighten awareness of atrial fibrillation (Spain) • Activities that promote health in senior citizens (Taiwan) • Advancement of medicine and pharmacology (scholarships, etc.) • Social welfare (Table for Two, etc.) • Environmental preservation activities (cleanup activities around operating sites, etc.) • Youth development (science and pharmacology seminars for high school students, etc.)	91 91

CSR Management

Promotion of CSR Activities

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

Extracting CSR issues

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

Prioritizing issues

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

Appropriate responses to priority issues

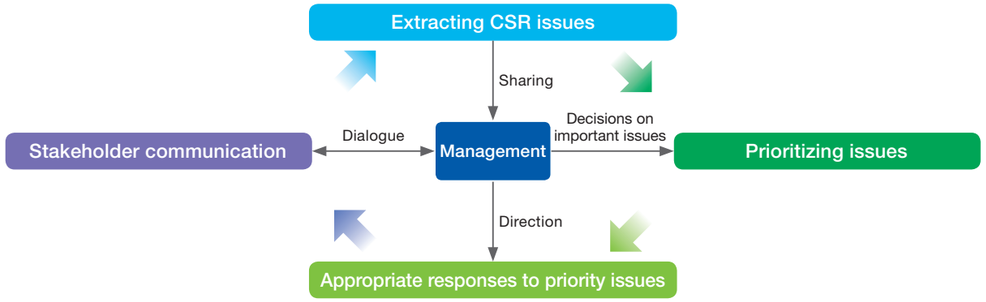
Cooperation with related divisions and group companies to promote issues that should be prioritized.

Stakeholder communication

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

Progress on measures taken on issues is shared with senior management when necessary, and senior management makes decisions related to important issues. These activities are continuously implemented to improve CSR/ESG external evaluation.

The CSR management cycle



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

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

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

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 investors to select investment targets. The Company has been included in the DJSI World Index for the first time and the DJSI Asia/Pacific for eight consecutive years.

Areas in which Daiichi Sankyo was rated the highest among pharmaceutical companies

Economic Dimension	• Codes of Business Conduct • Materiality
Environmental Dimension	• Climate strategy
Social Dimension	• Occupational Health and Safety • Health Outcome Contribution • Strategy to Improve Access to Drugs

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

The first Japanese company to be selected for the "Silver Class" in the pharmaceutical sector

ROBECOSAM Sustainability Award Silver Class 2018

The Company has been selected for the "Silver Class" of Swiss-based RobecoSAM Sustainability award in the pharmaceutical sector. The Silver Class distinction is given to the companies within the range of one to five percent of the industry's top-performing company's score. Daiichi Sankyo was recognized for the entire Environmental Dimension including Climate Strategy. As well, the Company was also recognized for its strong performance in the area of Codes of Business Conduct and Materiality in the Economic Dimension, Occupational Health and Safety, Health Outcome Contribution and Strategy to Improve Access to Drugs in the Social Dimension. There were two companies selected in the Gold Class for pharmaceuticals along with four Silver Class companies including Daiichi Sankyo, and two in the Bronze Class.

Selected consecutively for ten years

FTSE4Good

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

Selected consecutively for two years

FTSE Blossom Japan

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

Selected consecutively for ten years

MS-SRI

Morningstar Japan KK selects 150 companies each year from among Japanese listed companies. This index includes those companies that have been regarded as excellent 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.

Selected consecutively for three years

Member of SNAM Sustainability Index 2018

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

Selected for the first time

MSCI 2018 Constituent MSCI日本株 女性活躍指数 (WIN)

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

(As of the end of June 2018)

Initiatives toward materiality

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

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

Promoting Compliance Management

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

Basic Policy

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

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

CSR Highlights

Targets	Fiscal 2017 Accomplishments
Dissemination of global compliance policies including the Daiichi Sankyo Group Individual Conduct Principles	▶ Conducted a compliance awareness survey ▶ Conducted CSR self-assessment survey on CSR procurement ▶ Established and rolled out Global Anti-Bribery & Anti-Corruption Policy

How we adress CSR issues

Materiality Observe Group-Wide Codes of Conduct

Continued Operation of Compliance System

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 13 members including 12 internal representatives and an appointed external attorney, who ensures that the committee operates in a transparent and reliable manner. Full-time Members of the Audit and Supervisory Board will also participate as observers. In addition, a compliance officer, etc. is appointed at each Group company in Japan and overseas to promote and oversee compliance programs at their respective companies.

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

Implementation of a Compliance Awareness Survey

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

Materiality CSR Procurement

Promotion of Compliance in Procurement

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

Implementation of CSR Self-Assessment Surveys

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

Moreover, Daiichi Sankyo and domestic Group companies have also started conducting surveys toward secondary suppliers of important direct materials.

Materiality Thorough Prevention of Corruption

Establishment of Global Anti-Bribery & Anti-Corruption Policy

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

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

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

VOICE

Aiming to Develop a High Awareness of Compliance

The Compliance Group of the Legal Affairs Department is responsible for promoting compliance on a Group-wide basis. Group companies that posed a high risk of bribery and other corruption were checked when implementing the Daiichi Sankyo Group Global anti-bribery and anti-corruption policy established in October 2017. Gifts and cash payment to healthcare professionals were reviewed to see whether there is any dishonest practices, confirming any dishonest practices, and instruction was given when applicable. We have also distributed anti-bribery and anti-corruption training material to overseas subsidiaries to support raising comprehension and awareness among employees. We will contribute to foster higher levels of compliance awareness through these activities.

Naoki Hatakeyama

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.

CSR Highlights

Targets

Human resources development to realize value creation and secure competitive advantage through our Core Values of innovation, integrity, accountability, and respect for diversity

Fiscal 2017 Accomplishments

- Promoted Group talent management
- Obtained the highest grade of Eruboshi certification for promoting women's participation and advancement in the workplace (in 2018)
- Selected for the 2018 Certified Health and Productivity Management Organization —White 500 (Fiscal 2018)

How we adress CSR issues

Materiality Human Resources Development

Group Talent Management

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

・Shared Global Initiatives

We have identified global key positions that are vital for realizing our Vision/mid-term business plan (34 positions as of April 2018). By visualizing successor candidates and their development goals, Daiichi Sankyo effectively promotes leadership development measures tailored to employees' individual challenges, and offers training programs, opportunities, and positions that allow for their further growth. We have also been actively carrying out international assignment and overseas study programs to allow future leaders to expand their horizons and comprehend global business. As of April 2018, around 100 individuals participate in these initiatives.

・Regional Initiatives

We have been organizing structures to develop future leaders in Japan, the U.S., Europe and ASCA. For example, in the ASCA region, we select candidates for next generation leaders from each country, and hold joint training sessions at our Headquarters in Japan. Participants boost/develop their leadership capabilities while debating/exchanging opinions on expansion and growth in emerging markets.

To ensure these initiatives are carried out, HR representatives from Japan, the U.S., Europe and ASCA region meet regularly to exchange information on the progress of shared global initiatives as well as regional initiatives.

Materiality Diversity

Acquisition of the Highest Level of Eruboshi Certification for Promoting Women's Participation and Advancement in the Workplace

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

The Eruboshi Certificate Mark

"kurumin" Certificate Mark

Materiality Prevention of Occupational Accidents

Promotion of Occupational Health and Safety

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

・Mid-term policy of occupational health and safety management

1. Promote employee health
2. Bolster mental health care
3. Execute measures toward safety management and comfortable workplace/working environment
4. Enhance occupational health and safety system

Based on the Human Resources Management Philosophy, which gives maximum consideration on employees' mental and physical health, we strive to maintain and improve employees' health in collaboration with the Daiichi Sankyo Group Health Insurance Association and labor union.

2018 Certified Health and Productivity Management Organization Recognition Program (Large Enterprise Category)—White 500

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

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

Logo given to certified Health and Productivity Management Organization (white 500)

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

VOICE

Establishing Performance Indicators Related to Employee Health Maintenance and Improvement

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

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

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

Takashi Munesue

Employee Relations Group, Human Resources Department, Corporate Affairs Division
Daiichi Sankyo Co., Ltd.

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

CSR Highlights

Targets

Effective disclosure of CSR and ESG information and improvement in external evaluation

Fiscal 2017 Accomplishments

- Maintained the top ranking for six consecutive years in overall assessments of MR activities
- Swiftly and accurately responded to inquiries by introducing a call center support system using AI (artificial intelligence)
- Implemented the Management Caravan program, allowing for direct communication with employees both in Japan and overseas.

How we adress CSR issues

Materiality Improve customer satisfaction

Aiming for being a trusted medical partner

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

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

Response to Inquiries from Patients and Healthcare Professionals

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

In fiscal 2017, we made the decision to introduce a call center support system using AI (artificial intelligence), and took the lead over other companies from April 2018 in adopting this system for inquiry response operations aimed at Q&A for all products. This system recognizes the intent and meaning of inquiries, and finds closely related Q&A data in an instant so as to deliver an optimal answer for the individual making the inquiry. We have previously launched initiatives to improve response speed including the preparation of new Q&As and the refinement of product knowledge. We introduced AI with the goal of delivering information even more swiftly as an effective enhancement that can bring immediate results. (See "Voice" on page 85.)

Materiality Communication with Stakeholders

Communication with Shareholders and Investors

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

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

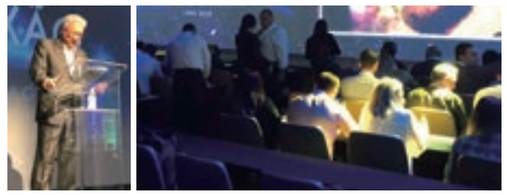
We also held quarterly financial results presentations and conference calls by the management, an R&D Day as well as the Daiichi Sankyo Seminar, which was hosted by internal specialists for institutional investors. Some of our newly launched initiatives include organizing seminars for institutional investors held immediately after R&D product presentations made at academic conferences, and holding similar seminars for securities companies upon request. As part of the regular activities for gathering IR information, we participated in conferences held by securities companies and visited and held teleconferences with institutional investors. These activities took place on approximately 350 occasions both in and outside Japan. With regard to ESG, we had conversations with experts and investors on six occasions, and held nine shareholder relations (SR) consultations for individuals dealing with voting.

In addition, we issued a twice-monthly IR e-mail magazine to investors, featuring recent topics related to the Group. Eight briefings for individual investors were held at locations across Japan with roughly 900 participants in total.

Communication with Employees

Daiichi Sankyo takes steps to ensure active internal communication with the aims of facilitating an understanding of management circumstances and fostering a corporate culture in which the organization and its employees act as one to pursue the Company's objectives.

In fiscal 2017, we implemented the Management Caravan program. This program involved the CEO and COO among other directors visiting 33 operating bases located across Japan as well as making visits to overseas Group companies in view of achieving the 2025 Vision and 5-year business plan.



The Management Caravan at Daiichi Sankyo Brazil

Communication with Local Communities

Located in the Nihonbashi district of Tokyo, which has historically been associated with medicine, the Daiichi Sankyo Kusuri Museum is used in various ways including company training, school trips, and industry research by job hunters.

This facility is entering its seventh year of operation in 2018, and a total of 100,000 people have visited over the years.

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

VOICE

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

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

Rika Nagasaki

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

CSR Activities

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. 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.

CSR Highlights

Targets

Reducing environmental impact and risks, and addressing climate change

(CO_2 emissions target for fiscal 2020: 5.6% reduction from fiscal 2015)

Fiscal 2017 Accomplishments

- Acquired ISO14001 multi-site certification
- Conducted environmental audits under the theme of environment-related laws
- CO_2 emissions: 228,557t (7.1% reduction from fiscal 2015)
- Ranked No.1 among pharmaceutical corporations in effective efforts to address climate and energy issues evaluated by WWF Japan (2018)

How we address CSR issues

Enhancing Environmental Management System

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

Optimizing the Environmental Management System

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

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

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

Auditing Environmental Management

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

Environmental audit at the Beijing Plant

Materiality Initiatives for Climate Change

Efforts for Saving Energy and Combatting Global Warming

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

To facilitate responsible corporate activities that address climate change, we have set a CO_2 emission 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 emission target of reducing 27% for fiscal 2030 and the approach of the Science Based Targets (SBT) initiative,* which aims to help accomplish the goal of the Paris Agreement of keeping the average increase in global temperature below 2°C. This CO_2 emissions target places us at the second SBT-certified company in Japan, and Daiichi Sankyo will continue to cooperate with the Ministry of the Environment in SBT promotional activities.

We reached No.1 pharmaceutical company on Ranking of Japanese Corporations for Effective Efforts to Address Climate and Energy Issues rated by WWF in June 2018. Furthermore, we are taking actions against Climate Change such as participating in the "Japan Climate Initiative" that started in July of the same year.

During fiscal 2017, at the plant and laboratories in Japan, an "Energy-saving assessment" was conducted for the evaluations and improvement of energy use. Operating sites in Europe and Brazil have significantly reduced CO_2 emissions by using renewable energy. We are continuously introducing the renewable energy at the overseas operating sites.

CO_2 emissions for fiscal 2017 were 228,557t (7.1% reduction from fiscal 2015).

* 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.

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

VOICE

Fulfilling "Integrate EMS and Business Activities" for ISO14001

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

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

Tomohiro Azetsu
General Affairs Department, Kitasato Daiichi Sankyo Vaccine Co., Ltd.

Improving Access to Healthcare

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

Basic Policy

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

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

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

CSR Highlights

Targets

- Addressing unmet healthcare needs
- Resolving access barriers to essential healthcare caused by social factors such as public health, education and income inequality

Fiscal 2017 Accomplishments

- Establishing the Daiichi Sankyo Group's Access to Healthcare Policy
- Continued initiatives targeting rare diseases
- Kitasato Daiichi Sankyo Vaccine has received the "Vietnamese Minister of Health's Certificate of Good Performance Award"

How we adress CSR issues

Materiality Approaches to global health

Participation in the Global Health Innovative Technology Fund

The Daiichi Sankyo Group has been funding the Global Health Innovative Technology (GHIT) Fund for its first phase, five years since its establishment in April 2013. Created to promote the development of drugs for combating infectious diseases in developing countries, the GHIT Fund is a public-private partnership originating in Japan and supported by the government of Japan, six Japanese pharmaceutical companies, and the Bill & Melinda Gates Foundation. During this time, the Fund has contributed to the progress of many innovative product developments through its investments.

The Group is participating in joint development with the Fund by utilizing its compound library (consisting of small molecules and natural substances) in a screening program through the Fund to explore candidate compounds to treat malaria and neglected tropical diseases (NTDs), namely leishmaniasis and Chagas disease. This program is at the lead-compound optimization stage for malaria and the lead-compound creation stage for leishmaniasis and Chagas disease.

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

Continued initiatives targeting rare diseases

The Group has been expanding healthcare access to fight rare diseases as one of its initiatives toward resolving social issues related to health and medical care. We supply pharmaceuticals such as *Biopten*[*1], *Methylene Blue*[*2], and *Gabalon*[*3] for rare diseases.

Daiichi Sankyo also provides *DS-5141* (treatment for Duchenne muscular dystrophy), which is being jointly developed with the Orphan Disease Treatment Institute[*4], and *G47Δ* (*DS-1647*: oncolytic virus), which is being jointly developed with Professor Tomoki Todo of the Institute of Medical Science of the University of Tokyo. Each treatment has been designated for the Sakigake Designation System[*5], and the *G47Δ* has been specified as an orphan regenerative medical product. In this way, we continue to strive to resolve issues related to rare diseases by applying our external resources such as joint development in addition to our in-house resources.

*1 Natural tetrahydrobiopterin agent
*2 Treatment for toxic methemoglobinemia
*3 An agent used for ITB treatment to suppress spasticity through direct administration of baclofen in the area of the spinal cord
*4 A joint investment company comprising Daiichi Sankyo and funds operated by the Innovation Network Corporation of Japan and Mitsubishi UFJ Capital Co., Ltd.
*5 A system to promote early clinical research/trials in Japan aiming at early practical application for innovative pharmaceuticals by conducting priority consultations, prior assessment, and priority reviews.

Healthcare services in Tanzania and China

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

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

• 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 to contribute to regions where medical infrastructure, doctors, and transportation to hospitals are all insufficient. In line with the Goal 3 of the SDGs, we make efforts to improve the ratio of pregnant women who receive prenatal examinations as well as the ratio of children receiving vaccines in areas with healthcare access issues such as high infant and mother mortality rates. Daiichi Sankyo is also focusing on training community healthcare workers to support these activities.

Progress report on Mobile Healthcare Field Clinic Services in Tanzania (February 2017 to December 2017)

Number of mobile healthcare field clinics	521 times
Number of infants less than one year old who have received a triple vaccine	5,934
Number of pregnant women who received prenatal checkups (at 16 weeks)	2,782
Number of participants in the campaign to raise awareness	13,509
Number of individuals who received training for healthcare workers	110

A scene from the pregnant women who received prenatal checkups

• Cultivation of Healthcare Workers in China

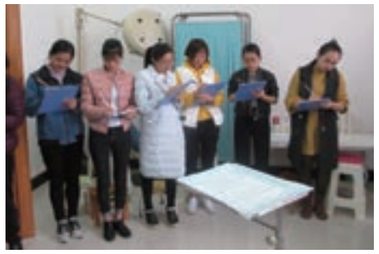
In July 2015, the Company commenced a project targeting approximately 60,000 households in six townships in Guangnan County in the Yunnan Province of China. Daiichi Sankyo is supporting activities in the aforementioned regions to cultivate healthcare workers capable of contributing to better healthcare for children and mothers and to provide healthcare education to local residents.
The Company is focusing on improving the health and nutrition among children aged five and under in this impoverished area. Over the project's five-year period, we have been working to cultivate healthcare professionals through a series of Integrated Management of Childhood Illness (IMCI) strategy training sessions, while also establishing community center to offer education for improving the ability of local residents to address pediatric diseases.
Up to now, approximately 260 healthcare professionals (village doctors) have received IMCI training such as how to

Improving Access to Healthcare

treat diseases in children and infant care. Improved healthcare quality for local residents can be anticipated through the activities of these village doctors.

Progress report on training healthcare workers in Yunnan Province of China (January 2015 to December 2017)

Number of participants in IMCI training	257
Number of participants in IMCI refresher training	201
Number of participants in Essential Newborn Care* training	202
Number of participants in community center activities	9,923



A scene from the essential newborn care training

* Essential newborn care (ENC) is a set of guidelines recommended by the World Health Organization (WHO) on activities aimed at reducing infant mortality in developing countries where healthcare systems are limited. These activities incorporate the three main principles of ENC: moisturizing, nutrition (breastfeeding), and disease prevention.

Technical Cooperation for MR Vaccine Production

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

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

A scene from the awards ceremony of the Vietnamese Minister of Health's "Certificate of Good Performance Award"

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

External Voice

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

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

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

A simple facility built by the community

PLAN INTERNATIONAL

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

Social Contribution Activities

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

Basic Policy

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

Basic Group Social Contribution Policy

- We will help create a sustainable society by engaging in activities that contribute to society.
- We will especially 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.

CSR Highlights

Targets

- Promote activities based on global and regional needs
- Reconstruction support following the Great East Japan Earthquake

Fiscal 2017 Accomplishments

- Held the “Daiichi Sankyo Presents Family Tie Theater” program
- Supported overseas forest restoration projects, which are long-term reconstruction assistance measures for the Great East Japan Earthquake

How we address CSR issues

Support for Cancer Patients and their Families

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

The employee volunteers managed overall operations including reception and visitor guidance

Reconstruction Support Following the Great East Japan Earthquake

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

Participating employee volunteers

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

Corporate Governance

The Daiichi Sankyo Group is working to secure legal compliance and management transparency, and to strengthen the oversight of management and the conduct of operations in addition to creating a management structure that can respond speedily and flexibly to changes in the business environment. We place great importance on building a corporate governance structure that is responsive to the trust that our stakeholders, especially our shareholders.
Up to this point, we have taken the following initiatives while conducting a self-evaluation of the Board of Directors (refer to P95) to strive for the increased functionality and effectiveness of the Board of Directors to reinforce our corporate governance.
Daiichi Sankyo will continue to implement initiatives to enhance its corporate governance systems going forward.

Initiatives to reinforce corporate governance

2005 Appointed Members of the Board (Outside) (four out of ten members are Members of the Board (Outside))

Established Audit & Supervisory Board (two out of four members are Members of the Audit & Supervisory Board (Outside))

Introduced Corporate Officer System

2007 Established Nomination Committee and Compensation Committee (the majority is comprised of Members of the Board (Outside))

Introduced a share remuneration-type stock option plan

2014 Prescribed specific criteria on the judgment of independence of outside officers

All members of the Nomination Committee and Compensation Committee (comprised by the Member of the Board (Outside))

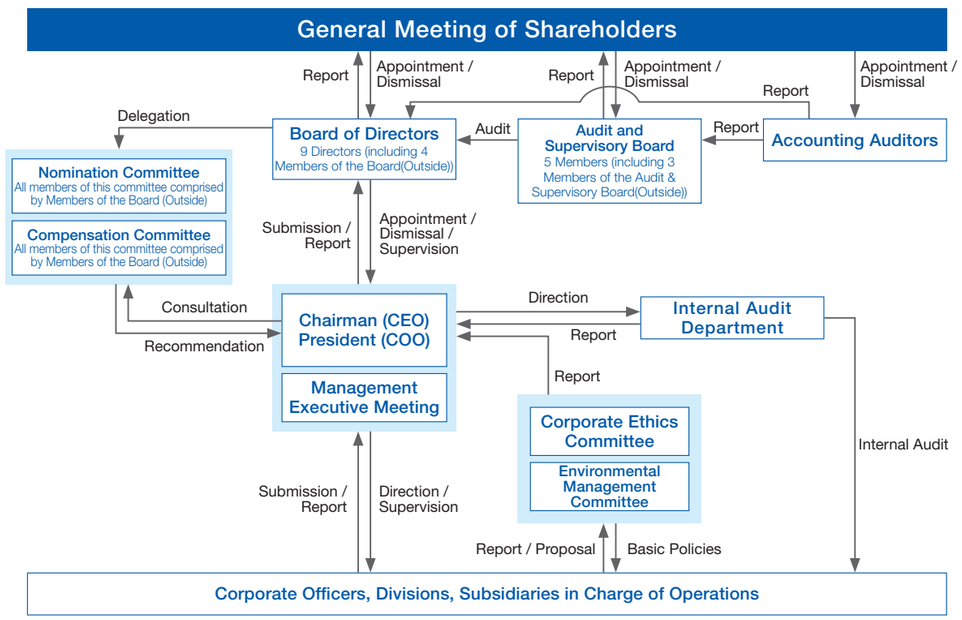
2016 Implemented and achieved compliance with all principles of Japan's Corporate Governance Code

2017 Increased the number of Members of the Audit & Supervisory Board (Outside) by one (three out of five members are Members of the Audit & Supervisory Board (Outside))

Introduced a share remuneration-type stock option plan

2018 Received the "Winner Company" award for "Corporate Governance of the Year® 2017"

Overview of the corporate governance structure



(Note) In addition to relations shown in the Corporate Governance Structure, coordination such as report to Audit and Supervisory Board by Internal Audit Department etc. is made appropriately.

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 nine 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). At the moment, both committees are comprised entirely of Members of the Board (Outside).
- For audits on 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 outside officers 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.

Response to Japan's Corporate Governance Code

The Company has complied with and implemented all of the Principles of the Corporate Governance Code, which came into force in June 2015.
We understand and respect the objectives and spirit of the code and emphasize the importance of the underlying principles of corporate governance, and are continually pursuing improvements in our corporate governance systems based on the code.

Nomination Committee

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

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

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

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

Corporate Governance

Compensation Committee

Chairperson: Hiroshi Toda, Member of the Board (Outside)
Members: Noritaka Uji, Naoki Adachi, and Tsuguya Fukui, Members of the Board (Outside)
Observer: Sayoko Izumoto. Member of the Audit and Supervisory Board (Outside)

The Compensation Committee has been established to deliberate on necessary matters related to policies on compensation of Members of the Board and Corporate Officers at the request of the Board of Directors and contribute to the enhancement of management transparency.
In fiscal 2017, meetings were held a total of three times, in April and May 2017 and in February 2018, to discuss matters related to bonuses for Members of the Board and Corporate Officers, restricted stocks remuneration, and revisions to directors' remuneration, as well as other matters.

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

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

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

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

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

Classification	Members of the Board		Members of the Audit and Supervisory Board		Total	
	Payment recipients (number of persons)	Amount paid (millions of yen)	Payment recipients (number of persons)	Amount paid (millions of yen)	Payment recipients (number of persons)	Amount paid (millions of yen)
Fees (annual amount) [Of which Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside)]	10 [4]	412 [60]	5 [3]	117 [42]	15 [7]	529 [102]
Members of the Board bonuses (Excluding Members of the Board (Outside) and Members of the Audit and Supervisory Board)	6	106	–	–	6	106
Restricted stocks remuneration (Excluding Members of the Board (Outside) and Members of the Audit and Supervisory Board)	6	92	–	–	6	92
Total [Of which Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside)]	10 [4]	609 [60]	5 [3]	117 [42]	15 [7]	725 [102]

Fiscal 2017 Evaluation of Board of Directors

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

Method of Evaluation of Board of Directors

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

Results of the Evaluation of the Board of Directors

The evaluation of the Board of Directors conducted in fiscal 2017 concluded that the Board of Directors of the Company—its roles and responsibilities, operation and composition—is functioning appropriately and that the overall effectiveness of the Board of Directors has been ensured.
Furthermore, the following has been verified to be effective in reinforcing the previous year's issue, "strengthening management oversight of the Board of Directors": (1) A place for information sharing on important agenda outside of the Board of Directors has been established, resulting in increasingly fulfilling deliberations, and (2) Having timely and appropriate themes as matters for reporting.

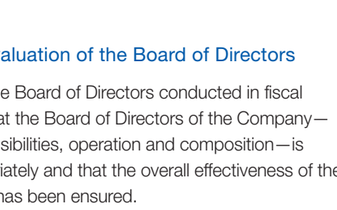
Based on the evaluation from fiscal 2017, the Company will strive to improve the functions and effectiveness of the Board of Directors by continuously implementing improvement related to the operation of the Board of Directors in order to ensure more robust and in-depth discussions at meetings of the Board of Directors.

TOPICS

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

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

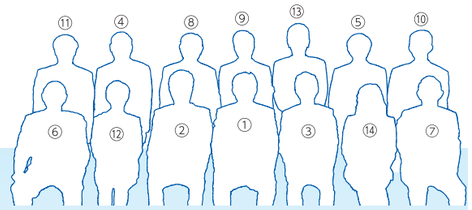
In 2017, our activities toward governance which included the past three-year results, having three or more external members of the board, and the fact we have a Nomination Committee and Compensation Committee were highly regarded, resulting in our company being selected as "Winner Company" from approximately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



Mr. Yoshihiko Miyauchi, Chairman, Japan Association of Corporate Directors, and Mr. George Nakayama, Chairman and CEO

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

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



Members of the Board

① Representative Director, Chairman and CEO — George Nakayama

Career Summary, Positions, Assignments, and Material Concurrent Positions

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

② Representative Director, Member of the Board, President and COO — Sunao Manabe

Career Summary, Positions, Assignments, and Material Concurrent Positions

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

③ Representative Director, Member of the Board, Executive Vice President and CFO — Toshiaki Sai

Career Summary, Positions, Assignments, and Material Concurrent Positions

1979 Entered Daiichi Pharmaceutical Co., Ltd.
2007 Vice President, Management System Department of the Company
2008 Vice President, Corporate Communications Department of the Company
2010 Corporate Officer, Vice President of Corporate Communications Department of the Company
2012 Corporate Officer, Vice President of Global Brand Strategy Department, Corporate Strategy Division of the Company
2014 Executive Officer, Vice President of Corporate Strategy Department, Corporate Strategy Division of the Company
2015 Senior Executive Officer, Head of Corporate Strategy Division of the Company
2015 Member of the Board, Senior Executive Officer, Head of Corporate Strategy Division of the Company
2017 Member of the Board, Senior Executive Officer, Head of Global Brand Strategy Division of the Company
2018 Member of the Board, Executive Vice President and CFO, Head of Corporate Strategy & Management Division of the Company
2018 Representative Director, Member of the Board, Executive Vice President and CFO, Head of Corporate Strategy & Management Division of the Company (to present)

④ Member of the Board, Senior Executive Officer — Katsumi Fujimoto

Career Summary, Positions, Assignments, and Material Concurrent Positions

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

⑤ Member of the Board, Senior Executive Officer — Toshiaki Tojo

Career Summary, Positions, Assignments, and Material Concurrent Positions

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

⑥ Member of the Board (Outside) — Noritaka Uji

Career Summary, Positions, Assignments, and Material Concurrent Positions

1973 Entered Nippon Telegraph and Telephone Public Corporation
1999 Director, Senior Vice President, Advanced Information Network Services Sector of NTT DATA Corporation (“NTT DATA”)
2000 Director, Senior Vice President, Corporate Strategy Planning Department of NTT DATA
2001 Director, Senior Vice President, Industrial System Sector of NTT DATA
2002 Director, Senior Vice President, Enterprise Business Sector of NTT DATA
2003 Managing Director, Executive Vice President, Enterprise Systems Sector and Enterprise Business Sector of NTT DATA
2005 Representative Director, Executive Officer of NTT DATA
2007 Representative Director, Senior Executive Vice President, Nippon Telegraph and Telephone Corporation (“NTT”)
2012 Adviser of NTT
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
・Honorary President of Japan Telework Association
・Visiting Professor of Center for Global Communications, International University of Japan

⑦ Member of the Board (Outside) — Hiroshi Toda

Career Summary, Positions, Assignments, and Material Concurrent Positions

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

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

⑧ Member of the Board (Outside) — Naoki Adachi

Career Summary, Positions, Assignments, and Material Concurrent Positions

1962 Entered Toppan Printing Co., Ltd. (“Toppan”)
1993 Director, General Manager of Commercial Printing Subdivision, Commercial Printing Division of Toppan
1995 Director, General Manager of Commercial Printing Division of Toppan
1995 Managing Director, General Manager of Commercial Printing Division of Toppan
1996 Managing Director, General Manager of Commercial Printing Division; Head of Finance Instruments and Securities Division of Toppan
1997 Senior Managing Director, General Manager of Commercial Printing Division; Head of Finance Instruments and Securities Division of Toppan
1998 Senior Managing Director, In Charge of Corporate Sales & Marketing; Head of Finance Instruments and Securities Division and Commercial Printing Division of Toppan
1998 Representative Executive Vice President, In Charge of Corporate Sales & Marketing; Head of Finance Instruments and Securities Division and Commercial Printing Division of Toppan
2000 President & Representative Director of Toppan
2010 Chairman & Representative Director of Toppan (to present)
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.
・Outside Director of Toyo Ink SC Holdings Co., Ltd.

⑨ Member of the Board (Outside) — Tsuguya Fukui

Career Summary, Positions, Assignments, and Material Concurrent Positions

1992 Professor, Department of General Medicine of Saga Medical School Hospital
1994 Professor, Department of General Medicine of Kyoto University Hospital
1999 Professor, Department of Clinical Epidemiology, Kyoto University Graduate School of Medicine
2000 Professor, Department of Clinical Epidemiology, Professor, Department of Health Informatics, Dean, School of Public Health, Kyoto University Graduate School of Medicine
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
2004 Chief of staff, Department of Internal medicine, Vice President, St. Luke’s International Hospital
2005 President of St. Luke’s International Hospital (to present)
2012 Chairperson of the Board of Trustees of St. Luke’s College of Nursing (currently, St. Luke’s International University)
2015 Member of the Board (Outside) of the Company (to present)
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

Members of the Audit and Supervisory Board

⑩ Member of the Audit and Supervisory Board — Hideyuki Haruyama

Career Summary, Positions, Assignments, and Material Concurrent Positions

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

⑪ Member of the Audit and Supervisory Board — Kazuyuki Watanabe

Career Summary, Positions, Assignments, and Material Concurrent Positions

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

⑫ Member of the Audit and Supervisory Board (Outside) — Sayoko Izumoto

Career Summary, Positions, Assignments, and Material Concurrent Positions

1976 Joined Tohmatsu Awoki & Co. (currently “Deloitte Touche Tohmatsu LLC”)
1979 Registered as Certified Public Accountant
1995 Partner of Tohmatsu & Co. (currently “Deloitte Touche Tohmatsu LLC”)
2007 Member of Business Accounting Council, Financial Services Agency
2015 Member of Information and Communications Council, Ministry of Internal Affairs and Communications (to present)
2016 Representative, Izumoto Certified Public Accountant Office (to present)
2017 Member of Information Disclosure and Personal Information Protection Review Board, Ministry of Internal Affairs and Communications (to present)
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.

⑬ Member of the Audit and Supervisory Board (Outside) — Tateshi Higuchi

Career Summary, Positions, Assignments, and Material Concurrent Positions

1978 Entered National Police Agency
2007 Deputy Director General for Policy Evaluation and Deputy Director General of National Police Agency
2008 Chief of Personnel and Training Bureau of Tokyo Metropolitan Police Department
2009 Deputy Superintendent General and Acting Chief of Personnel and Training Bureau of Tokyo Metropolitan Police Department
2010 Chief of Community Safety Bureau of National Police Agency
2011 Superintendent General
2014 Ambassador Extraordinary and Plenipotentiary of Japan to the Republic of the Union of Myanmar
2018 Member of the Audit and Supervisory Board (Outside) of the Company (to present)

(Material Concurrent Positions)
・Adviser of Sompo Japan Nipponkoa Insurance Inc.

⑭ Member of the Audit and Supervisory Board (Outside) — Yukiko Imazu

Career Summary, Positions, Assignments, and Material Concurrent Positions

1996 Entered Anderson Mōri (currently, Anderson Mōri & Tomotsune)
2005 Partner of Anderson Mōri & Tomotsune (to present)
2007 Associate Professor of Keio University Law School
2014 Director of Ishibashi Foundation (to present)
2018 Member of the Audit and Supervisory Board (Outside) of the Company (to present)

(Material concurrent positions)
・Partner of Anderson Mōri & Tomotsune
・Director of Ishibashi Foundation

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)

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 responsibility to live up to expectations in 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 future growth to ensure that the Company can continue growing. This topic was discussed when formulating the 5-year business plan. Responding to changes and striving toward achieving the vision, even when faced with dramatic changes in internal and external operating environments, will be of utmost importance. Based on this belief, I will work to implement 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 strategies, conducting appropriate investments for future growth, and selecting members of the management team.

I also think it is important for Daiichi Sankyo to utilize the advances in information and communication technology for the operation, so that we can contribute to the enrichment of quality of life around the world.

Message as Chairperson of the Nomination Committee

The Nomination Committee is an advisory committee delegated by the Board of Directors. The primary roles of this committee are to maintain transparency while making proposals for the appointment and dismissal of Members of the Board and Corporate Officers. As the Chairperson of the Nomination Committee, I have been leading discussions from the perspective of the ongoing growth of Daiichi Sankyo and the qualities required of its management. The new management team led by CEO Nakayama and COO Manabe kicked off in fiscal 2017. In the midst of the difficult operating environment, I will continue to examine measures to further strengthen the Company's management team, including evaluating the management team, 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)

Circumstances surrounding the pharmaceutical industry are growing increasingly severe, causing other competitors to initiate new actions. 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 regarding 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 delegated by 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 lift their motivation, thereby improving performance. At the same time, we engage in discussions to examine the possibility of implementing measures to reinforce the link between compensation for Members of the Board and Corporate Officers and the Company's performance 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.

Naoki Adachi
Member of the Board (Outside)
(Independent Director)

I firmly believe a company should have a strong social presence that is trusted and respected by society. As a business executive, I remind 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 while cautiously monitoring changes in social conditions. 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 help ensure 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 assist Daiichi Sankyo's management.

Tsuguya Fukui
Member of the Board (Outside)
(Independent Director)

I see my role as 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 according to Japan's Corporate Governance Code, pays due heed to the interests of shareholders, employees, and other stakeholders, and makes swift and bold decisions.

In modern society, pharmaceutical companies are responsible for identifying substances worthy of development from the patients' perspective; verifying safety and effectiveness using the very essence of modern science and technology including biomedicine, pharmacy, and chemistry; and promptly delivering them to medical institutions. Fulfilling this responsibility has resulted in a lower death rate from disease, a better quality of life (QOL), and improved human well-being (happiness and peace). Looking back over the approximately forty years since I became a doctor, there are countless diseases, including cancer, leukemia, myocardial infarction, apoplexy, and rheumatoid arthritis, for which survival rates and QOL have improved dramatically.

Taking pride in my noble, honorable job that is to protect precious lives, I hope to help further increase the corporate value of Daiichi Sankyo.

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

I have had auditing experience in various industries and business categories over the years as a certified public accountant. It has been one year since I took the post as a Member of the Audit and Supervisory Board of the Company. I have asked myself whether I could fulfill my duties for the past year in my new position as an Outside Member of the Audit and Supervisory Board who is responsible for auditing the company's financial statements from the outside and whose position is opposite of the corporate managers and auditors. Under these circumstances as well as different auditing methods, I have decided to accompany full-time Members of the Audit and Supervisory Board to plants, laboratories and branch offices to get a firm grasp on the actual company.

Daiichi Sankyo has been taking a major step toward its 2025 Vision of becoming a "Global Pharma Innovator with competitive advantage in oncology." Initiatives towards realizing this Vision involve a great amount of R&D investments and business development activities. For this purpose, precise accounting and information disclosure are crucial. The Corporate Governance Code specifies "Companies should recognize that the existence of diverse perspectives and values reflecting a variety of experiences, skills and characteristics is a strength that supports their sustainable growth". Thus, companies should promote diversity of personnel and diverse perspectives. I would like to leverage my experience and strive towards ensuring credibility of stakeholders including employees, clients, suppliers and local communities.

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

I assumed my position as a Member of the Audit and Supervisory Board (Outside) after being appointed at the 13th Ordinary General Meeting of Shareholders held on June, 2018. I greatly appreciate your support.
For the last four years until this spring, I have been a Japanese ambassador in Myanmar, which has recently transitioned to civilian rule, and have worked on various initiatives toward the country's overall democracy and economic growth. One of the activities there was establishment and operation of the Yangon Stock Exchange. Currently, measures to increase the number of listed enterprises and investors are being taken, but the promotion and thorough implementation of corporate governance has proved to be a major issue. In order to make great strides in economy, sustainable growth and improvement of corporate values based on the application of corporate governance is essential.

The Company's management has been diligently tackling issues to resolve various business challenges toward achieving its 5-year business plan. As a Member of the Audit and Supervisory Board (Outside), I will make every effort to ensure legal compliance and transparent management by auditing this progress from a viewpoint of legality and appropriateness. Furthermore, Daiichi Sankyo holds many domestic and overseas Group companies. I will strive to ensure sound management that lives up to stakeholder expectations by auditing internal control systems while cooperating with internal audit divisions, accounting auditors and auditors from Group companies to secure appropriate business practices as a corporate group.

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

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

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

Risk Management

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

Risk Management

Risk Management System

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

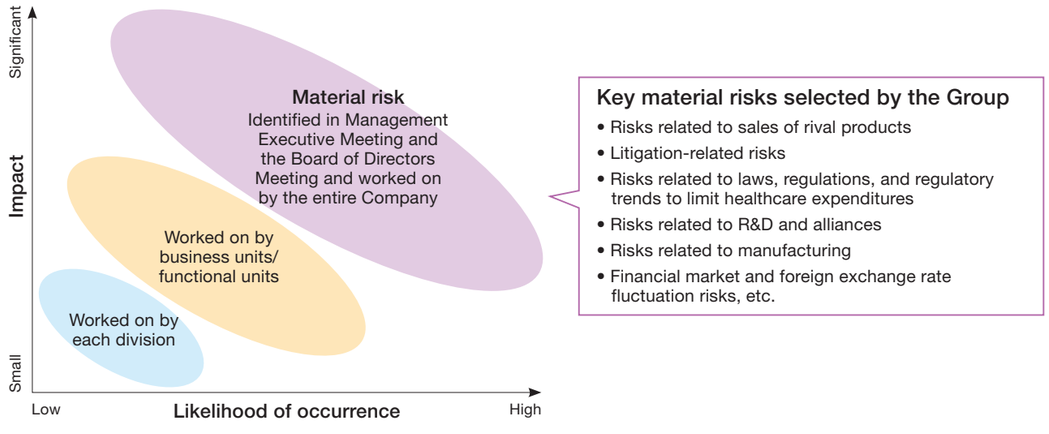
Annual Cycle for Management of Material Risks

Based on assessment of impact and the likelihood of occurrence, risks with the potential to significantly impact the management of the Company are identified by the Management Executive Meeting and the Board of Directors Meeting (see the conceptual diagram below on the Group's risk level classification). Individuals who have been assigned responsibility for each risk formulate risk response measures (Plan), which are then enacted through coordination with relevant organizations (Do). The progress of risk response measures is monitored twice a year (Check). The risk response measures are corrected or improved upon as necessary (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.

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.

* Business Continuity Plan

Conceptual diagram of the Group's risk level classification



Key material risks selected by the Group

- Risks related to sales of rival products
- Litigation-related risks
- Risks related to laws, regulations, and regulatory trends to limit healthcare expenditures
- Risks related to R&D and alliances
- Risks related to manufacturing
- Financial market and foreign exchange rate fluctuation risks, etc.

Business Continuity Plan (BCP)

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

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.

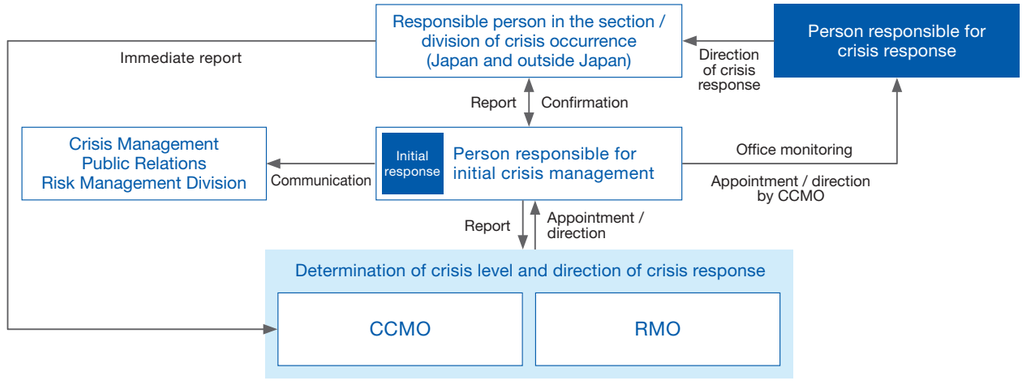
To ensure the steady supply of its pharmaceutical products, the Company is taking steps to create backup supply systems by dispersing manufacturing and distribution sites and maintaining relationships with multiple suppliers for important raw materials. In addition, we have introduced private electricity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

Crisis Management

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

In the event of a crisis, the appointed representative in the affected section or division shall issue an initial report 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.

Initial Response to Crisis



Data Section

10-Year Financial Summary

(Billions of yen)

	Japanese GAAP				
	FY2008	FY2009	FY2010	FY2011	FY2012
Financial Results					
Net sales	842.1	952.1	967.3	938.6	997.8
Overseas sales	373.2	482.3	489.7	469.0	486.6
Ratio of overseas sales to net sales (%)	44.3	50.7	50.6	50.0	48.8
Operating income	88.8	95.5	122.1	98.2	100.5
Ratio of operating income to net sales (%)	10.6	10.0	12.6	10.5	10.1
Net income (loss)	(215.4)	41.8	70.1	10.3	66.6
Research and development expenses	184.5	196.8	194.3	185.0	183.0
Ratio of research and development expenses to net sales (%)	21.9	20.7	20.1	19.7	18.3
Depreciation and amortization	40.5	45.9	43.9	46.3	41.4
Capital expenditure	19.6	29.7	37.3	62.9	65.1
Financial Position					
Total assets	1,494.5	1,489.5	1,480.2	1,518.4	1,644.0
Net assets	888.6	889.5	887.7	832.7	915.7
Cash Flows					
Net increase (decrease) in cash and cash equivalents	(266.5)	81.4	43.2	(89.7)	(21.8)
Free cash flows*	(335.4)	172.8	78.1	(32.5)	19.9
Per Share Information					
Basic net income (loss) per share (yen)	(304.22)	59.45	99.62	14.75	94.64
Net assets per share (yen)	1,226.04	1,215.62	1,206.12	1,143.52	1,253.86
Annual dividends per share (yen)	80	60	60	60	60
Main Financial Indicators					
Return on equity (ROE) (%)	(20.5)	4.9	8.2	1.3	7.9
Equity ratio (%)	57.7	57.4	57.4	53.0	53.7
Dividend on equity (DOE) (%)	5.4	4.9	5.0	5.1	5.0
Price-earnings ratio (PER)	—	29.5	16.1	102.2	19.2
Stock price at the end of the year	1,648	1,751	1,606	1,508	1,815
Market capitalization	11,602	12,326	11,304	10,692	12,777
Average exchange rates (USD/JPY)	100.54	92.86	85.72	79.07	83.11
(EUR/JPY)	143.49	131.16	113.13	108.96	107.15
Number of Employees	28,895	29,825	30,488	31,929	32,229
Japan	9,148	8,892	9,002	9,308	9,251
North America	3,376	3,580	3,410	3,737	3,331
Europe	2,504	2,516	2,576	2,624	2,556
Others	13,867	14,837	15,500	16,260	17,091

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

(Billions of yen)

	IFRS					
	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Financial Results						
Revenue	994.7	1,118.2	919.4	986.4	955.1	960.2
Overseas revenue	483.2	584.5	392.4	430.7	375.2	341.9
Ratio of overseas revenue to revenue (%)	48.6	52.3	42.7	43.7	39.3	35.6
Operating Profit	98.7	111.6	74.4	130.4	88.9	76.3
Ratio of operating profit to revenue (%)	9.9	10.0	8.1	13.2	9.3	7.9
Profit attributable to owners of the Company	64.0	60.9	322.1	82.3	53.5	60.3
Research and development expenses	184.4	191.2	190.7	208.7	214.3	236.0
Ratio of research and development expenses to revenue (%)	18.5	17.1	20.7	21.2	22.4	24.6
Depreciation and amortization	45.3	51.5	42.0	44.3	47.4	46.7
Capital expenditure	65.1	49.2	36.3	23.3	23.9	26.9
Financial Position						
Total assets	1,684.9	1,854.0	1,982.3	1,900.5	1,915.0	1,897.8
Total equity	938.5	1,007.5	1,307.0	1,233.5	1,171.4	1,133.0
Cash Flows						
Net increase (decrease) in cash and cash equivalents	(37.8)	(23.7)	(10.7)	45.4	24.4	115.2
Free cash flows	20.4	(124.1)	121.5	168.3	39.4	217.0
Per Share Information						
Basic earnings per share (yen)	90.96	86.57	457.56	119.37	79.63	91.31
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	1,749.33
Annual dividends per share (yen)	60	60	60	70	70	70
Main Financial Indicators						
Return on equity attributable to owners of the Company (ROE) (%)	7.4	6.5	28.2	6.5	4.4	5.2
Ratio of equity attributable to owners of the Company to total assets (%)	53.8	52.9	65.8	64.8	61.4	59.7
Ratio of dividends to equity attributable to owners of the Company (%)	4.9	4.5	3.7	3.8	3.9	4.0
Price-earnings ratio (PER)	20.0	20.1	4.2	21.0	31.5	38.6
Stock price at the end of the year	1,815	1,738	1,907	2,502	2,507	3,526
Market capitalization	12,777	12,235	13,426	17,102	16,627	22,837
Average exchange rates (USD/JPY)	83.11	100.24	109.94	120.14	108.42	110.86
(EUR/JPY)	107.15	134.38	138.78	132.57	118.84	129.70
Number of Employees	32,229	32,791	16,428	15,249	14,670	14,446
Japan	9,251	9,145	8,543	8,589	8,648	8,765
North America	3,331	3,402	3,322	2,321	2,464	2,191
Europe	2,556	2,226	2,094	1,997	1,578	1,582
Others	17,091	18,018	2,469	2,342	1,980	1,908

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

Financial Results and Financial Analysis

Consolidated Financial Results for Fiscal 2017

Consolidated Financial Results

(Billions of yen)

	FY2016 Results	FY2017 Results	YoY	
Revenue	955.1	960.2	+5.1	(+0.5%)
Cost of Sales	349.4	346.0	–3.4	
SG&A Expenses	302.5	301.8	-0.6	
R&D Expenses	214.3	236.0	+21.7	
Operating Profit	88.9	76.3	-12.6	(–14.2%)
Profit before Tax	87.8	81.0	-6.8	(–7.7%)
Profit Attributable to Owners of the Company	53.5	60.3	+6.8	(+12.7%)

Yen Exchange Rates for Major Currencies (Annual Average Rate)

	FY2016 Results	FY2017 Results	YoY
USD/JPY	108.42	110.86	+2.44
EUR/JPY	118.84	129.70	+10.86

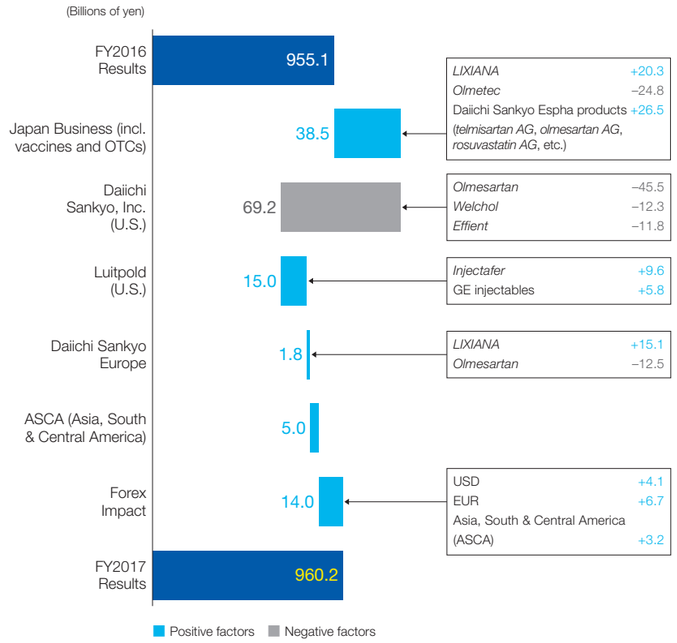
1. Revenue

Consolidated revenue in fiscal 2017 increased ¥5.1 billion, or 0.5% year on year, to ¥960.2 billion.

The impacts of yen depreciation raised revenue to the extent of ¥14.0 billion. When the impacts of foreign exchange influences are excluded, revenue was down ¥8.9 billion year on year.

Revenue

Increased by ¥5.1 billion (decreased by ¥8.9 billion excl. forex impact)



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

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

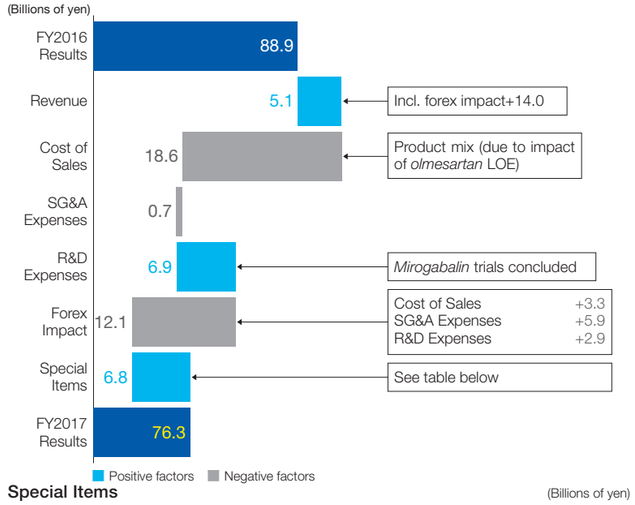
2. Operating Profit

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

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

Operating Profit

Decreased by ¥12.6 billion (Decreased by ¥21.3 billion excl. forex impact and special items)



Consolidated revenue in fiscal 2017 increased ¥5.1 billion, including impact from foreign exchange to the extent of ¥14.0 billion.

Cost of sales was up ¥18.6 billion year on year as the ratio of cost of sales to revenue increased due to the impact of LOE of *olmesartan*. SG&A expenses were up ¥0.7 billion year on year. R&D expenses dropped ¥6.9 billion year on year as *mirogabalin* clinical studies were concluded.

Foreign exchange influences caused a total increase of ¥12.1 billion in expenses.

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

Special Items (Billions of yen)

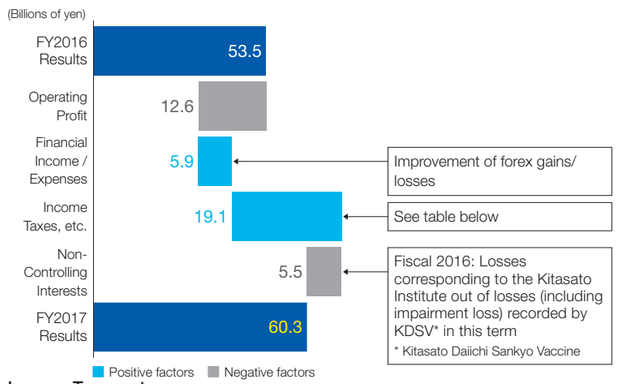
		FY2016 Results		FY2017 Results	YoY	
Cost of Sales	Impairment loss, etc. (Vaccine)	24.2	Gain on Sales of fixed assets	–1.0	–25.2
SG&A Expenses	Restructuring costs in EU	11.6	Restructuring costs in the U.S.	4.5	–7.2
R&D Expenses	Cost of reorganizations of R&D structures, etc.	4.5	Impairment loss (Intangible assets)	30.2	+25.7
Total		40.4		33.6	–6.8

3. Profit Attributable to Owners of the Company

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

Profit Attributable to Owners of the Company

Increased by ¥6.8 billion



Operating profit decreased ¥12.6 billion year on year including foreign exchange influences and special items.

Financial income and expenses decreased ¥5.9 billion year on year due to a reduction in foreign exchange losses among other factors. Income taxes decreased ¥19.1 billion year on year as a result of a reduction in the income tax rate following lowered tax rates in the U.S. in fiscal 2017, despite a higher tax rate as a result of large losses which were not applicable to tax effect accounting, such as impairment loss related to vaccines in fiscal 2016.

Regarding non-controlling interests, KDSV recorded a large loss in fiscal 2016 and therefore non-controlling interests considered to be attributable to the Kitasato Institute made a large positive impact in fiscal 2016, while improvements being seen in loss recorded by KDSV in fiscal 2017 led to an overall negative effect on profits to the extent of ¥5.5 billion year on year.

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

Income Taxes, etc. (Billions of yen)

	FY2016 Results	FY2017 Results	YoY
Profit before Tax	87.8	81.0	–6.8
Income Taxes, etc.	40.3	21.2	–19.1
Tax Rate	45.9%	26.2%	–19.7%

Fiscal 2016: Higher tax rate due to losses which were not applicable to tax effect accounting, such as impairment loss (vaccines), etc.
Fiscal 2017: Impact from reduced tax rates in the U.S.

Financial Results and Financial Analysis

Financial Position

1. Assets, Liabilities, and Equity

Assets

Total assets at the end of fiscal 2017 amounted to ¥1,897.8 billion. Other financial assets (non-current assets) increased (¥38.3 billion), while intangible assets decreased (¥43.5 billion) among other factors, ultimately leading to a decrease of ¥17.2 billion compared to the end of fiscal 2016.

Liabilities

Total liabilities at the end of fiscal 2017 amounted to ¥764.7 billion. Deferred tax liabilities decreased (¥13.6 billion), while provisions (non-current liabilities) increased (¥32.4 billion) among other factors, ultimately leading to an increase of ¥21.2 billion compared to the end of fiscal 2016.

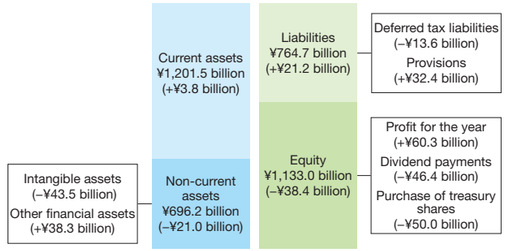
Equity

Total equity at the end of fiscal 2017 amounted to ¥1,133.0 billion. Profits (¥60.3 billion) were recorded for the current fiscal year, while dividend payments (¥46.4 billion), purchase of treasury shares (15,729 thousand shares, ¥50.0 billion), and other factors ultimately led to a decrease of ¥38.4 billion compared to the end of fiscal 2016.

Summary of Consolidated Statement of Financial Position

As of March 31, 2018: parentheses ( ) indicate comparison to March 31, 2017

Consolidated total assets ¥1,897.8 billion (–¥17.2 billion)



Ratio of equity attributable to owners of the Company to total assets (equity ratio) was 59.7% (¥1,133.0 billion ÷ ¥1,897.8 billion), which was a decrease of 1.7% compared to the end of fiscal 2016.

2. Cash Flows

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

Cash flows from operating activities

Cash inflow from operating activities were ¥108.4 billion (¥136.2 billion in the previous fiscal year) due to increase in cash added by profit before tax and non-cash item, such as depreciation, amortization and impairment loss, despite decrease in cash caused by income tax payments and other factors.

Cash flows from investing activities

Cash inflow from investing activities were ¥108.6 billion (–¥96.8 billion in the previous fiscal year) due to proceeds from refund of time deposits and other factors, despite capital expenditure and acquisitions of intangible assets.

Cash flows from financing activities

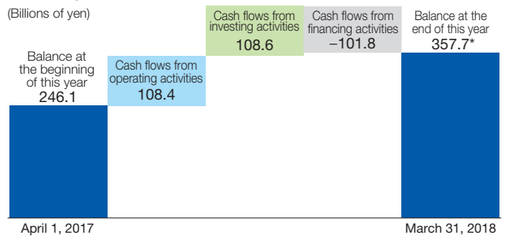
Cash outflow due to financing activities were ¥101.8 billion (¥15.0 billion in the previous fiscal year) due to purchase of treasury shares, dividend payments, and other factors.

(Billions of yen)

	FY2016 Results	FY2017 Results	YoY
Cash flows from operating activities	136.2	108.4	–27.8
Cash flows from investing activities	–96.8	108.6	205.4
Cash flows from financing activities	–15.0	–101.8	–86.7
Net increase (decrease) in cash and cash equivalents	24.4	115.2	90.8
Effect of exchange rate changes on cash and cash equivalents	–0.5	–3.6	–3.1
Cash and cash equivalents at the end of the year	246.1	357.7	111.7
Free cash flows*	39.4	217.0	177.6

* Free cash flows = Cash flows from operating activities + Cash flows from investing activities

Summary of Consolidated Statement of Cash Flows



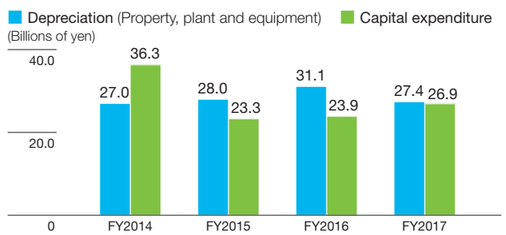
* incl. effect of exchange rate (–¥3.6 billion)

3. Capital expenditure

In fiscal 2017, we focused capital expenditure on research facilities for the Shinagawa R&D Center as well as production facilities for Daiichi Sankyo Propharma and Daiichi Sankyo Chemical Pharma. Especially, investments focusing on ADC increased, and the total capital expenditure amounted to ¥26.9 billion.

(Billions of yen)

	FY2016 Results	FY2017 Results	YoY
Capital expenditure	23.9	26.9	3.0
Depreciation (Property, plant and equipment)	31.1	27.4	–3.7



Financial Results Forecasts for Fiscal 2018

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

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

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

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

Consolidated Financial Results Forecasts for Fiscal 2018

(Billions of yen)

	FY2017 Results	FY2018 Forecasts	YoY	
Revenue	960.2	910.0	–50.2	(–5.2%)
Operating Profit	76.3	78.0	+1.7	(+2.3%)
Profit before Tax	81.0	78.0	–3.0	
Profit attributable to owners of the Company	60.3	55.0	–5.3	(–8.8%)

Yen Exchange Rates for Major Currencies (Annual average rate)

	FY2017 Results	FY2018 Forecasts
USD/JPY	110.86	110.00
EUR/JPY	129.70	130.00

Shareholder Returns

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

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

Under this basic policy, Daiichi Sankyo achieved ordinary dividend payments of ¥70 per share and acquired its own stock for approximately ¥50.0 billion in fiscal 2017.

As a result, the total return ratio was 159.1% for one year and 169.2% cumulatively over two years.

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

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

Shareholder Returns Policy during 5YBP (Target)

Annual ordinary dividend: More than **¥70** + **Flexible** purchase of treasury shares = Total return ratio: **100%** or more

	FY2016 Results	FY2017 Results	FY2018 Plan	(5-Year Business Plan Target)
Annual dividend	¥70	¥70	¥70	More than ¥70
Purchase of treasury shares	¥50.0 billion	¥50.0 billion	Flexible	Flexible
Total return ratio	180.7%	159.1%	—	100% or more
	169.2%			

Consolidated Financial Statements

Consolidated Statement of Profit or Loss

(Millions of yen)

	FY2016 (For the year ended March 31, 2017)	FY2017 (For the year ended March 31, 2018)
Revenue	955,124	960,195
Cost of sales	349,373	346,021
Gross profit	605,751	614,173
Selling, general and administrative expenses	302,475	301,845
Research and development expenses	214,347	236,046
Operating profit	88,929	76,282
Financial income	6,406	8,642
Financial expenses	7,710	4,223
Share of profit of investments accounted for using the equity method	162	320
Profit before tax	87,788	81,021
Income taxes	40,309	21,210
Profit for the year	47,479	59,811
Profit attributable to:		
Owners of the Company	53,466	60,282
Non-controlling interests	(5,987)	(471)
Profit for the year	47,479	59,811
Earnings per share		
Basic earnings per share (yen)	79.63	91.31
Diluted earnings per share (yen)	79.44	91.10

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY2016 (For the year ended March 31, 2017)	FY2017 (For the year ended March 31, 2018)
Profit for the year	47,479	59,811
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(9,366)	10,688
Remeasurements of defined benefit plans	1,840	1,616
Items that are or may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(7,626)	(10,229)
Share of other comprehensive income of investments accounted for using the equity method	6	3
Other comprehensive income (loss) for the year	(15,146)	2,078
Total comprehensive income for the year	32,332	61,890
Total comprehensive income attributable to:		
Owners of the Company	38,309	62,361
Non-controlling interests	(5,976)	(471)
Total comprehensive income for the year	32,332	61,890

Consolidated Statement of Financial Position

(Millions of yen)

	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
ASSETS		
Current assets		
Cash and cash equivalents	246,050	357,702
Trade and other receivables	231,867	231,529
Other financial assets	552,896	429,380
Inventories	153,138	172,586
Other current assets	10,461	10,347
Subtotal	1,194,414	1,201,545
Assets held for sale	3,374	—
Total current assets	1,197,788	1,201,545
Non-current assets		
Property, plant and equipment	217,772	217,946
Goodwill	78,446	75,479
Intangible assets	217,044	173,537
Investments accounted for using the equity method	1,424	1,693
Other financial assets	140,856	179,177
Deferred tax assets	53,502	40,339
Other non-current assets	8,143	8,035
Total non-current assets	717,190	696,209
Total assets	1,914,979	1,897,754

(Millions of yen)

	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	219,759	226,164
Bonds and borrowings	—	20,000
Other financial liabilities	535	516
Income taxes payable	57,955	64,609
Provisions	41,223	34,015
Other current liabilities	6,285	7,800
Subtotal	325,758	353,105
Liabilities directly associated with assets held for sale	1,058	—
Total current liabilities	326,817	353,105
Non-current liabilities		
Bonds and borrowings	280,543	260,564
Other financial liabilities	9,069	8,155
Post-employment benefit liabilities	11,381	10,547
Provisions	16,350	48,752
Deferred tax liabilities	32,294	18,676
Other non-current liabilities	67,093	64,911
Total non-current liabilities	416,733	411,608
Total liabilities	743,550	764,713
Equity		
Equity attributable to owners of the Company		
Share capital	50,000	50,000
Capital surplus	103,750	94,633
Treasury shares	(113,952)	(163,531)
Other components of equity	124,489	120,504
Retained earnings	1,011,610	1,031,376
Total equity attributable to owners of the Company	1,175,897	1,132,982
Non-controlling interests		
Non-controlling interests	(4,469)	58
Total equity	1,171,428	1,133,041
Total liabilities and equity	1,914,979	1,897,754

Consolidated Financial Statements

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	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2016	50,000	103,927	(64,155)	1,935	75,195	69,586
Profit for the year	—	—	—	—	—	—
Other comprehensive income (loss) for the year	—	—	—	—	(7,626)	(9,366)
Total comprehensive income (loss) 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
Profit for the year	—	—	—	—	—	—
Other comprehensive income (loss) for the year	—	—	—	—	(10,229)	10,688
Total comprehensive income (loss) for the year	—	—	—	—	(10,229)	10,688
Purchase of treasury shares	—	(51)	(50,033)	—	—	—
Cancellation of treasury shares	—	—	453	(74)	—	—
Dividends	—	—	—	—	—	—
Acquisition of non-controlling interests	—	(9,064)	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	(4,369)
Others	—	—	—	—	—	—
Total transactions with owners of the Company	—	(9,116)	(49,579)	(74)	—	(4,369)
Balance as of March 31, 2018	50,000	94,633	(163,531)	1,993	57,339	61,171

(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, 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 (loss) for the year	1,835	(15,157)	—	(15,157)	10	(15,146)
Total comprehensive income (loss) 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
Profit for the year	—	—	60,282	60,282	(471)	59,811
Other comprehensive income (loss) for the year	1,620	2,078	—	2,078	—	2,078
Total comprehensive income (loss) for the year	1,620	2,078	60,282	62,361	(471)	61,890
Purchase of treasury shares	—	—	—	(50,085)	—	(50,085)
Cancellation of treasury shares	—	(74)	(75)	304	—	304
Dividends	—	—	(46,430)	(46,430)	—	(46,430)
Acquisition of non-controlling interests	—	—	—	(9,064)	5,007	(4,057)
Transfer from other components of equity to retained earnings	(1,620)	(5,989)	5,989	—	—	—
Others	—	—	—	—	(8)	(8)
Total transactions with owners of the Company	(1,620)	(6,063)	(40,516)	(105,276)	4,998	(100,277)
Balance as of March 31, 2018	—	120,504	1,031,376	1,132,982	58	1,133,041

Consolidated Statement of Cash Flows

(Millions of yen)

	FY2016 (For the year ended March 31, 2017)	FY2017 (For the year ended March 31, 2018)
Cash flows from operating activities		
Profit before tax	87,788	81,021
Depreciation and amortization	47,373	46,680
Impairment loss	26,459	36,672
Financial income	(6,406)	(8,642)
Financial expenses	7,710	4,223
Share of (profit) loss of investments accounted for using the equity method	(162)	(320)
(Gain) loss on sale and disposal of non-current assets	449	(5,125)
(Increase) decrease in trade and other receivables	15,148	2,535
(Increase) decrease in inventories	(10,951)	(19,394)
Increase (decrease) in trade and other payables	(16,979)	238
Others, net	13,398	(9,755)
Subtotal	163,828	128,134
Interest and dividends received	4,289	4,516
Interest paid	(1,511)	(2,038)
Income taxes paid	(30,371)	(22,173)
Net cash flows from (used in) operating activities	136,234	108,439
Cash flows from investing activities		
Payments into time deposits	(492,441)	(388,376)
Proceeds from maturities of time deposits	404,416	488,576
Acquisition of securities	(180,376)	(128,492)
Proceeds from sale of securities	219,049	165,458
Acquisitions of property, plant and equipment	(24,766)	(23,399)
Proceeds from sale of property, plant and equipment	2,403	139
Acquisition of intangible assets	(28,196)	(14,609)
Payments for loans receivable	(71)	(982)
Proceeds from collection of loans receivable	1,472	753
Others, net	1,719	9,501
Net cash flows from (used in) investing activities	(96,792)	108,568
Cash flows from financing activities		
Proceeds from bonds and borrowings	100,000	—
Repayments of bonds and borrowings	(20,000)	—
Purchase of treasury shares	(50,095)	(50,085)
Proceeds from sale of treasury shares	1	1
Dividends paid	(43,889)	(46,420)
Others, net	(1,038)	(5,262)
Net cash flows from (used in) financing activitiest	(15,022)	(101,766)
Net increase (decrease) in cash and cash equivalents	24,419	115,241
Cash and cash equivalents at the beginning of the year	222,159	246,050
Effect of exchange rate changes on cash and cash equivalents	(527)	(3,590)
Cash and cash equivalents at the end of the year	246,050	357,702

Data Section

ESG (Environmental, Social, and Governance) Data

Environmental

Promoting Environmental Management

Aspect	Classification	Item	Scope	Unit	FY2015	FY2016	FY2017
CO_2	CO_2 emissions		In Japan	t-CO_2	☑ 176,157	☑ 176,732	☑ 165,933
			Global	t-CO_2	243,402	236,162	224,826
	CO_2 emissions by Greenhouse Gas Protocol	Scope 1	In Japan	t-CO_2	☑ 85,045	☑ 91,662	☑ 80,552
			Global	t-CO_2	115,243	115,474	104,375
		Scope 2	In Japan	t-CO_2	☑ 91,112	☑ 90,182	☑ 85,382
			Global	t-CO_2	128,159	125,799	120,451
Water resources	Water used		In Japan	1,000m^3	11,868	☑ 10,986	☑ 10,311
			Global	1,000m^3	12,531	11,534	10,828
	Wastewater		In Japan	1,000m^3	10,834	☑ 9,934	☑ 9,856
			Global	1,000m^3	11,288	10,370	10,283
	Effective water usage volume*1		Global	1,000m^3	1,243	1,164	544
Waste	Waste generated		In Japan	t	19,676	☑ 20,588	☑ 14,682
			Global	t	21,764	22,756	16,651
	Final disposal rate		In Japan	%	0.46	0.69	0.43
	Amount of office paper consumed		In Japan	Million sheets	5,469	5,355	5,360

☑ Information with this mark is verified by SGS Japan Inc.

Social

Promoting Compliance Management

Aspect	Classification	Item	Scope	Unit	FY2015	FY2016	FY2017
Compliance	Rank-specific compliance training*2		In Japan	Persons	354	436	520
	Theme-focused compliance training*3	Ratio of employees participating in e-learning and group training	In Japan	%	100	100	100
			Outside Japan	%	100	100	100
	Compliance violations discovered through DS-hotline and reporting venues for sexual and power harassment		In Japan	Cases	7	0	6
	Compliance training based on Corporate Integrity Agreement*4 in the United States		In Japan	Persons	37	125	147
			Outside Japan	Persons	772	2,001	2,074
	GVP*5 Compliance 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	%	98.6	99.8	99.9
	Development-related training (including GCP)	Aggregate number of e-learning programs and group training sessions	Non-consolidated	Times	31	93	93

Mutual Growth of Employees and the Company

Aspect	Classification	Item	Scope	Unit	FY2015	FY2016	FY2017
Employees	Number of employees by region*6	In Japan	In Japan	Persons	8,589	8,648	☑ 8,765
		Outside Japan	Outside Japan	Persons	6,660	6,022	☑ 5,681
		Total	Consolidated	Persons	15,249	14,670	☑ 14,446
	Employee data*6	Number of male employees	In Japan	Persons	6,631	6,643	☑ 6,663
			Outside Japan	Persons	3,290	3,088	☑ 2,888
		Number of female employees	In Japan	Persons	1,958	2,005	☑ 2,102
			Outside Japan	Persons	3,370	2,934	☑ 2,793
		Average years of service	In Japan	Years	17.6	18.7	18.9
	Diversity*6	Employment rate of people with physical or mental disabilities	In Japan	%	2.45	2.44	☑ 2.45
		Percentage of female employees	In Japan	%	22.8	23.2	☑ 24.0
			Global	%	34.9	33.7	☑ 33.9
		Percentage of women in managerial positions	In Japan	%	5.0	5.4	☑ 6.0
			Global	%	20.5	22.6	☑ 21.3
	Human resource development	Number of company-wide award winners*7	In Japan	Persons	49	47	41
		Employee turnover rate*8	Global	%	—	5.3	6.0

☑ Information with this mark is assured by KPMG AZSA Sustainability Co., Ltd.

Enhancement of Communication with Stakeholders

Aspect	Classification	Item	Scope	Unit	FY2015	FY2016	FY2017
Patients and medical professionals	Evaluation of corporate stance and MR activities	MRs rated (all responding physicians)*9	In Japan	Rank	First	First	First
		MRs rated (hospital doctors)*9	In Japan	Rank	First	First	First
		MRs rated (private-practice physicians)*9	In Japan	Rank	First	First	First
	Number of inquiries received (pharmaceutical products)		In Japan	Cases	118,000	116,000	119,000
Shareholders	Dividends per share	Interim	Non-consolidated	Yen	40	35	35
		Year-end	Non-consolidated	Yen	30	35	35
		Total	Non-consolidated	Yen	70	70	70

Improving Access to Healthcare

Aspect	Classification	Item	Scope	Unit	FY2015	FY2016	FY2017
Social	Number of mobile healthcare field clinics	Number of activities (January-December)	In Tanzania	Times	408	102	521
	Number of development projects conducted through the GHIT Fund*10		In Japan		5	5	5

Social Contribution Activities

Aspect	Classification	Item	Scope	Unit	FY2015	FY2016	FY2017
Social	Amount of contributions		Non-consolidated	¥ Million	2,176	2,003	1,671
	Number of visitors to our research labs and factories		In Japan	Persons	1,200	1,200	1,100
	Number of visitors to Kusuri Museum		Non-consolidated	Persons	13,674	14,793	22,137
Employees	Acquisition of volunteer leave		In Japan	Persons	15	9	18

Governance

Aspect	Classification	Item	Scope	Unit	FY2015	FY2016	FY2017
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	5
		Number of Outside Audit & Supervisory Board members	Non-consolidated	Persons	2	2	3
		Number of Outside Audit & Supervisory Board members (female)	Non-consolidated	Persons	1	1	2
	Remuneration of Directors	Total	Non-consolidated	¥ Million	612	578	609
	Remuneration of Audit & Supervisory Board members	Total	Non-consolidated	¥ Million	105	105	117

*1 Water intake − Wastewater
*2 Total of training for new hires, newly appointed managerial employees, newly appointed executive candidates, and mid-career hires
*3 Training on Daiichi Sankyo Group Individual Conduct Principles in FY2015-FY2016 and Anti-Bribery and Anti-Corruption Policies in FY2017
*4 Corporate Integrity Agreement: An agreement regarding legal compliance
*5 Good Vigilance Practice:Standard for post-marketing safety control of pharmaceuticals
*6 Figures as of the settlement date of each Group company (figures for fiscal 2017 are as of March 31st, 2018). However, the figures exclude people dispatched from outside the Group to DS Group; figures for average years of service are as of April 1 of the following fiscal year
*7 Total number of employees who received prize from the culture-building and achievement awards
*8 Rate of employees retiring for personal reasons
*9 Conducted by ANTERIO Inc. (FY2015-FY2017)
*10 Global Health Innovative Technology Fund

For disclosing ESG data, we referred to the following guidelines.
- IIRC (International Integrated Reporting Council),"International Integrated Reporting Framework"
- ISO 26000 (Guidance on Social Responsibility)
- Japanese Ministry of the Environment,"Environmental Reporting Guidelines, 2012 Edition"
- International norms such as 10 Principles of UN Global Compact

Independent Assurance Report for Social Indicators

KPMG

Independent Assurance Report

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

We were engaged by Daiichi Sankyo Co., Ltd. (the "Company") to undertake a limited assurance engagement of the social performance indicators marked with ☑ (the "Indicators") for the period from April 1, 2017 to March 31, 2018 included in its Value Report 2018 (the "Report") for the fiscal year ended March 31, 2018.

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

Our Responsibility
Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:
- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Evaluating the overall presentation of the Indicators.

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

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

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
September 6, 2018

Major Products

Innovative Pharmaceuticals Business

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 anti-RANKL antibody. This agent controls bone resorption by specifically inhibiting RANKL, resulting in the suppressed formation of osteoclasts. The agent is indicated for the treatment of patients with osteoporosis as well as those with rheumatoid arthritis-induced progression of bone erosions. *Denosumab* as a single subcutaneous injection once every 6 months is shown to suppress the progression of bone erosions along with inhibiting fracture risks. (single subcutaneous administration every three months is permitted in patients with advanced bone erosion)
TENELIA	*(teneligliptin)*	Type 2 diabetes mellitus treatment	2012	DPP-4 inhibitor. The agent inhibits the activity of DPP-4 (dipeptidyl peptidase-4), an enzyme that inactivates incretin (GLP-1, GIP), which is a glucose-dependent insulin-releasing hormone excreted from the gastrointestinal tract, and thereby increases incretin concentration in blood and facilitates insulin release. In September 2017, *CANALIA* combination tablets that combine *TENELIA* and a SGLT2 inhibitor, *CANAGLU*, for the treatment of type-2 diabetes were launched.
RANMARK	*(denosumab)*	Treatment for bone complications caused by bone metastases from tumors	2012	Human monoclonal anti-RANKL antibody. 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.
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 Pharmaceuticals Business

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)).
Effient	*(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 Business

Brand Name (Efficacy)	
Japan [Daiichi Sankyo Espha Co., Ltd.]	
Olmesartan	(Antihypertensive agent)
Rosuvastatin	(Antihyperlipidemic agent)
Telmisartan	(Antihypertensive agent)
Levofloxacin	(Synthetic antibacterial agent)
Donepezil	(Alzheimer's disease treatment)

OTC Related Business

Brand Name	
Japan [Daiichi Sankyo Healthcare Co., Ltd.]	
Lulu	(Combination cold remedy)
Loxonin S	(Antipyretic analgesic/Topical anti-inflammatory analgesic)
Transino	(Medicine for improving melasma/ alleviating spots, freckles, pigmentation)
Minon	(Moisturizing cleanser)
Clean Dental	(Oral care product)

Vaccine Business

Brand Name (Efficacy)	
Japan [Kitasato Daiichi Sankyo Vaccine Co., Ltd., Japan Vaccine Co., Ltd.]	
Influenza HA Vaccine	(Seasonal influenza vaccine)
Rotarix Oral Liquid	(Vaccine for prevention of rotavirus gastroenteritis in infants and young children)
ActHIB	(Haemophilus influenzae type b vaccine for children)
Live Attenuated Measles-Rubella Combined Vaccine	(Measles and rubella vaccine)
Squarekids	(4-valent combination vaccine for the prevention of pertussis, diphtheria, tetanus and poliomyelitis (polio))

MOVANTIK (US)

LIXIANA (Europe)

Loxonin S (OTC Related Drugs)

Lulu (OTC Related Drugs)

Injectafer (US)

olmesartan (Generic Drugs)

Transino (OTC Related Drugs)

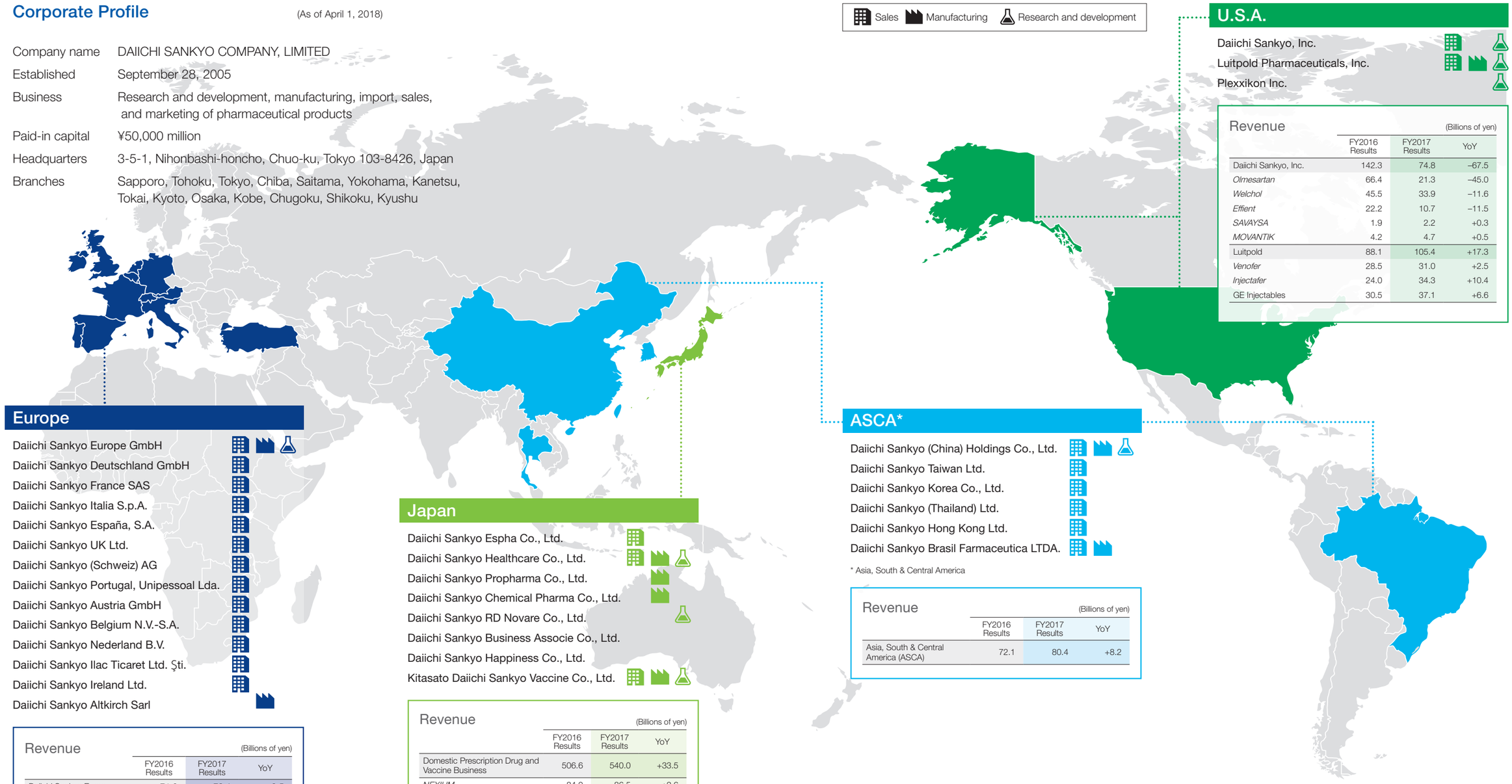
Influenza HA Vaccine (Vaccines)

Corporate Profile / Main Group Companies

Corporate Profile

(As of April 1, 2018)

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



Europe

- 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. Şti.
- Daiichi Sankyo Ireland Ltd.
- Daiichi Sankyo Altkirch Sarl

Revenue

(Billions of yen)

	FY2016 Results	FY2017 Results	YoY
Daiichi Sankyo Europe	71.0	79.4	+8.5
Olmesartan	43.2	33.5	–9.7
Efient	7.9	8.0	+0.1
LIXIANA	9.7	27.0	+17.3

Japan

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

Revenue

(Billions of yen)

	FY2016 Results	FY2017 Results	YoY
Domestic Prescription Drug and Vaccine Business	506.6	540.0	+33.5
NEXIUM	84.0	86.5	+2.6
Memary	46.9	48.6	+1.7
Olmetec	69.4	44.6	–24.8
LIXIANA	25.0	45.3	+20.3
Loxonin	37.4	36.5	–1.0
TENELIA	24.2	26.3	+2.1
PRALIA	18.0	23.2	+5.2
Rezaltas	17.5	16.8	–0.8
RANMARK	13.9	15.4	+1.5
Efient	10.4	12.8	+2.4
Inavir	19.6	25.3	+5.7
Cravit	15.1	12.7	–2.4
Urief	11.4	11.1	–0.3
Omnipaque	14.2	14.0	–0.2
Mevalotin	10.4	8.6	–1.8
Daiichi Sankyo Healthcare (OTC)	66.7	72.9	+6.2

U.S.A.

- Daiichi Sankyo, Inc.
- Luitpold Pharmaceuticals, Inc.
- Plexxikon Inc.

Revenue

(Billions of yen)

	FY2016 Results	FY2017 Results	YoY
Daiichi Sankyo, Inc.	142.3	74.8	–67.5
Olmesartan	66.4	21.3	–45.0
Welchol	45.5	33.9	–11.6
Effient	22.2	10.7	–11.5
SAVAYSA	1.9	2.2	+0.3
MOVANTIK	4.2	4.7	+0.5
Luitpold	88.1	105.4	+17.3
Venofer	28.5	31.0	+2.5
Injectafer	24.0	34.3	+10.4
GE Injectables	30.5	37.1	+6.6

ASCA*

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

* Asia, South & Central America

Revenue

(Billions of yen)

	FY2016 Results	FY2017 Results	YoY
Asia, South & Central America (ASCA)	72.1	80.4	+8.2

Data Section

Shareholders' Information

Common Stock (As of March 31, 2018)

Number of shares authorized:	2,800,000,000
Number of shares issued:	709,011,343
Number of shareholders:	82,565

Share Registrar

Mitsubishi UFJ Trust and Banking Corporation

Mailing address and telephone number:
Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division

Shin-TOKYO Post Office post office box No.29, 137-8081, Japan

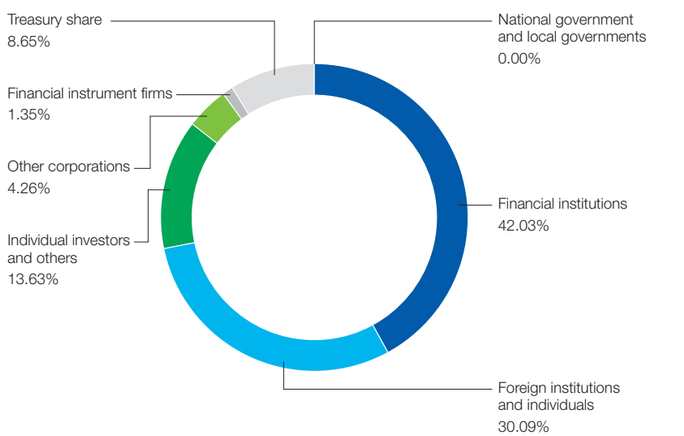
Tel: 0120-232-711(toll free within Japan)

Major Shareholders (As of March 31, 2018)

Name	Number of Shares Held (Thousands of shares)	Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	56,565	8.73
JP Morgan Chase Bank 380055	56,068	8.66
Japan Trustee Services Bank, Ltd. (trust account)	46,712	7.21
Nippon Life Insurance Company	35,776	5.52
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	2.22
STATE STREET BANK WEST CLIENT – TREATY 505234	12,614	1.95
Japan Trustee Services Bank, Ltd. (trust account 5)	10,936	1.69
Employee stock ownership of Daiichi Sankyo Group	10,278	1.59
Sumitomo Mitsui Banking Corporation	9,913	1.53
The Shizuoka Bank, Ltd.	9,390	1.45

Notes: 1. The Company holds 61,343,747 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, 2018)



External Evaluations (as of June 30,2018)

MSCI Japan Empowering Women Select Index

"Eruboshi" Certification Mark

"Kurumin" Certification Mark

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

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https://www.daiichisankyo.com/

Value Report 2018 was printed using environmental-friendly paper, inks, and manufacturing method.

Paper	MIX Paper from responsible sources FSC® C022915	This report uses FSC® certified paper, which indicates that the paper used to print this report was produced from properly managed forests.
Inks	VEGETABLE OIL INK	This report was printed using 100% biodegradable printing inks from vegetable oil.
Printing	Waterless Printing Naturally	The waterless printing method used for this report minimized the use and release of harmful liquid wastes.

Printed in Japan