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Highlights of Value Report 2017

P02–05
Messages from the CEO & the COO
Here, you will find messages from Chairman and COO George Nakayama on the management practices that take advantage of the Group’s strengths and 9th President and COO Sunao Manabe on the Group’s initiatives for accomplishing the goals of the 5-year business plan.

P08–09
Daichi Sankyo’s Strengths
This section explains the Daichi Sankyo Group’s unique strengths, namely Science & Technology, Global Organization & Talent, and Presence in Japan.

P21–47
5-Year Business Plan and its Progress
This section looks at the strategic targets set forth for accomplishing the goals of the 5-year business plan, progress toward these targets, and the initiatives that will be implemented in the future.

P56–70
Business Activities
This section provides detailed explanations of the activities of each of the Group’s business units and functional units.

P71–87
CSR Activities
This section details the various CSR activities incorporated into these business activities.

P88–95
Corporate Governance
In this section, we will explain the corporate governance structure that forms the foundations for the Daichi Sankyo Group’s ongoing improvement of corporate value. Messages from independent directors and auditors are also provided.

Description of Icons

References (related websites)
We will pursue sustainable improvement for corporate value by leveraging Daiichi Sankyo’s strengths.

George Nakayama
Representative Director, Chairman and CEO

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

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

Initiatives Leveraging Daiichi Sankyo’s Unique Strengths

Science & Technology
Daiichi Sankyo was formed through the merger of Sankyo Co., Ltd., and Daiichi Pharmaceutical Co., Ltd., two companies with histories of innovation spanning roughly a century. We also boast an impressive track record with the research capabilities that gave birth to pravastatin, levofloxacin, and olmesartan as well as the development capabilities that contributed to the success of large-scale global clinical trials for olmesartan, prasugrel, and edoxaban. This DNA of scientific and technological excellence remains alive within the Group today. We have defined our 2025 Vision as striving to become a “Global Pharma Innovator with competitive advantage in oncology.” Our strength in science & technology will be an important strength toward accomplishing this vision, particularly when it comes to research and development in the oncology field. In addition, I have high expectations for DS-8201, a top-priority project (flagship asset) that was created through this strength. DS-8201 is a proprietary Daiichi Sankyo antibody drug conjugate (ADC). The antibody portion of this drug was created by applying the antibody research capability of the former Sankyo while the drug payload and linker were born out of the research capabilities of the former Daiichi Pharmaceutical. By merging these two strengths, we were able to develop the ideal ADC. DS-8201 has been producing favorable results in phase 1 studies, raising my expectations even higher. Furthermore, this drug has substantial potential to contribute to the development of an ADC franchise as it may be possible to attach its payload and linker to other antibodies. This is just one example of how the scientific and technological prowess fostered throughout our history is paving the road toward our future.

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

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

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

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

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

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

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

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

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

Sunao Manabe
Representative Director, President and COO

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

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

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

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

Fiscal 2016 was an important year in our efforts to establish an oncology business as we saw the potential for the development of an ADC franchise using Daiichi Sankyo’s proprietary technologies. Specifically, DS-8201 achieved rather impressive results in phase 1 studies. These results made me highly anticipative of how this top-priority project (flagship asset) for our ADC franchise may come to be a powerful driver of our activities on this front going forward. Following in the steps of DS-8201, L3-1402 and other ADC franchise drugs entered the clinical phase, and fiscal 2016 was thus a year in which progress toward our 2025 Vision was seen.

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

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

Core Values

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

Management Caravan

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

In Closing

Daiichi Sankyo is currently in a difficult position as it is facing the loss of exclusivity for almesertan. Nevertheless, I am confident in our ability to continue creating innovative pharmaceuticals that can be delivered to patients. From fiscal 2017, Chairman and CEO Nakayama and I will function as a duo, devoting our full effort to advancing the 5-year business plan and achieving its goals. In closing, I would like to ask for the continued understanding and support of all of our stakeholders.
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 the Mission. Our Corporate Slogan succinctly explains the spirit of our mission and our Core Values and Commitments.

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

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

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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.

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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

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Corporate Slogan

Passion for Innovation. Compassion for Patients™
Daiichi Sankyo’s Strengths

Science & Technology

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

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

Superior pharmaceutical technologies for creating innovative pharmaceuticals

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

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

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

Global Organization & Talent

Global management system uniting intellects from around the world

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

Robust, global well of talent

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

Presence in Japan

No. 1 in terms of pharmaceutical revenue in Japan

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

MRs* ranked No. 1 in Japan

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

Four businesses responding to diverse medical needs

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

The above is an advertisement for Daiichi Sankyo in Japan. This advertisement symbolizes our desire to utilize the scientific and technological strength cultivated over our long history, one of Daiichi Sankyo’s strengths, to deliver new treatments that will give hope to patients and their families. The design employs a portion of the chemical structure of DS-8201, an anticancer drug under development using proprietary Daiichi Sankyo technologies. We stand committed to fulfilling our corporate mission: “To contribute to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs.”
Major Accomplishments in Fiscal 2016

### Performance

<table>
<thead>
<tr>
<th></th>
<th>Revenue</th>
<th>Operating Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>¥955.1 billion</td>
<td>¥88.9 billion</td>
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<table>
<thead>
<tr>
<th></th>
<th>Research and Development Expenses</th>
<th>Ratio of Research and Development Expenses to Revenue</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>¥214.3 billion</td>
<td>22.4 %</td>
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</tbody>
</table>

### Science & Technology

#### Establish Oncology Business

- **Pre-Clinical**
  - Antibody Drug Conjugate (ADC) Franchise
    - DS-7330 (BT2-H3 ADC)
    - DS-7062 (TROP2 ADC)
  - Other ADCs
    - DS-1001 (HER2 ADC)
    - DS-8201 (HER2 ADC)

- **Early Stage**
  - Acute Myeloid Leukemia (AML) Franchise
    - DS-1101 (IDH1)
    - DS-3232 (MDM2)
  - Immunooncology Drug
    - AgonDr Inc.
    - KITE-C19

- **Late Stage**
  - Bispecific antibodies
    - Zymeworks Inc.
  - Pain treatment
    - Sarepta Therapeutics Limited
  - Quaintichole (FLT3)
  - PLX-5187 (BRD4)

#### Continuously Generate Innovative Medicine Changing SOC*

- Promote Joint Research and Development and Open Innovation
  - Cell therapy for ischemic heart failure
    - HeartCell (DS-8100)
  - Oncolytic virus
    - G47Δ: DS-1647
  - Lung cancer treatment
    - Dana-Farber Cancer Institute
  - Bispecific antibodies
    - Zymeworks Inc.
  - Pain treatment
    - Sarepta Therapeutics Limited
  - Immunooncology drug
    - AgonDr Inc.
  - Capillary slam cells
    - Ashikawa Medical University

### CSR

<table>
<thead>
<tr>
<th></th>
<th>DJSI Asia Pacific**</th>
<th>Percentage of Female Employees</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>7 consecutive years of inclusion</td>
<td>33.7 %</td>
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<tr>
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<th>CO2 Emissions Volumes</th>
<th>Improvement of Access to Healthcare</th>
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<tbody>
<tr>
<td></td>
<td>Down 4.0% (versus fiscal 2015)</td>
<td>Global Health Innovative Technology Fund***: 3 projects</td>
</tr>
</tbody>
</table>

### Global Organization & Talent

<table>
<thead>
<tr>
<th></th>
<th>Employees</th>
<th>Group Companies</th>
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<tr>
<td></td>
<td>14,670</td>
<td>59 (in 22 countries)</td>
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<th></th>
<th>Pharmaceutical Revenue (Japan)</th>
<th>Overall Assessment of Medical Representatives (MRs) (Japan)</th>
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<tr>
<td></td>
<td>No. 1*</td>
<td>No. 1 for 5 consecutive years**</td>
</tr>
</tbody>
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* Standard of Care: Universally applied best treatment practice in today’s medical science

** Index compiled by S&P Dow Jones Indices LLC and RobecoSAM AG recognizing companies that exhibit sustainability

*** Public-private partnership originating in Japan seeking to combat infectious diseases in developing countries

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* Fiscal 2016

** Based on survey conducted by AMBERID Inc.

*** Nine biosimilars: CANJALIA + Authorized generics (AGs)
Daiichi Sankyo’s Value Creation Process

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

In addition, we have organized social, environmental, and other issues related to sustainability into six priority CSR areas.

Business (Creation of Economic Value)

Activities (Creation and Provision of Pharmaceuticals)

R&D

Pharmaceutical Technology

Supply Chain

Marketing & Sales

CSR (Creation of Social

Activities (and Environmental Value)

Promoting Social Management

Mutual Growth of Employees and the Company

Enhancement of Communication with Stakeholders

Promoting Environmental Management

Improving Access to Healthcare

Social Contribution Activities

Sustainable improvement of corporate value through value creation cycle

Shareholders and investors

Business Partners

Patients & their families, and healthcare professionals

Employees

Local communities

Natural environment

Input

Human capital

Financial capital

Intellectual capital

Output

Innovative Medicine Changing SOC

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

* Universally applied best treatment practice in today’s medical science
Daiichi Sankyo was born out of the merger of Sankyo Co., Ltd., and Daiichi Pharmaceutical Co., Ltd., two drug discovery-oriented companies with histories spanning roughly a century.

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

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

From the 1980s forward, both companies proceeded to expand their operations globally while developing and launching new products. Pravastatin, levofloxacin, and olmesartan became blockbuster drugs on the global market. Meanwhile, these companies maintained a strong presence in the Japanese market through their earnest and trustworthy sales activities. In 2005, these companies were merged, creating Daiichi Sankyo to carry on their pedigreed histories.

### History of Daiichi Sankyo

**1899**
Founded as Sankyo Shiten through a joint investment by businessmen Makao Yoshida (at the left), Shishido Nomura, and Gen'ya Futaba and launched digester enzyme taka-diastase (Dr. Jitsuki Takamine discovered the enzyme from a fungus in 1906.)

**1902**
Launched adrenaline (Product name: Anemal), the world’s first adrenal cortex hormone agent to be extracted successfully.

**1910**
Dr. Umeato Suzuki, who became Sankyo’s scientific adviser in 1930, made the world’s first discovery of vitamin B1 (oriparit in rice bran) and established a foundation for the theory of vitamins.

**1913**
Changed company name from Sankyo Shiten to Sankyo Co., Ltd., and appointed Dr. Jitsuki Takamine as its first president.

**1951**
Launched Lulu cold medicine.

**1986**
Launched ibuprofen (Product name: Covonair), an anti-inflammatory analgesic.

**1989**
Launched pranavastatin (Product name: Metavasin, a globally groundbreaking antihyperlipidemic agent).

**1993**
Launched levofloxacin (Product name: Leviflox, a broad-spectrum oral antibacterial agent).

**1995**
Launched ibuprofen (Product name: Panaflat), an antiinflammatory product.

**1998**
Launched global product, olmesartan (Product names: Olmesartan and Benvasin), an antihypertensive agent (Japanese launch took place in 2004).

**2002**
Launched global product, olmesartan (Product names: Olmesartan and Benvasin), an antihypertensive agent (Japanese launch took place in 2004).

### History of Daiichi Pharmaceutical

**1915**
Founded as Arunet Shika by Dr. Katsuzaburo Kitamura 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 Setsumasa Shibata as its first president.

**1921**
Launched adrenaline (Product name: Bosmin, a vasoconstriction, hemostasis, and asthma medicine that became its longest-lasting product).

**1951**
Launched Lulu cold medicine.

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

**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

Caring on the century-long strength in science & technology forged by its predecessors, Daiichi Sankyo continues its quest to create innovative pharmaceuticals. We have been successful in growing olmesartan and eidosaban, the fruits of our predecessors’ efforts and expertise in science & technology, into major global products. The antibody drug conjugate (ADC) franchise that will be key to the future of Daiichi Sankyo is also built upon these strengths, using the biotechnologies of Sankyo in the antibody portion of these drugs and the synthesis technologies of Daiichi Pharmaceutical in the linker and drug payload portions. Moreover, we are committed to maintaining a corporate governance structure that is always suited to the times as we build upon our global systems together with our robust, global well of talent. In Japan, the earnest and trustworthy activities of our medical representatives have continued to rank No. 1, and our domestic pharmaceutical revenue also claimed the No. 1 spot in fiscal 2016. Looking ahead, we will further strengthen our presence in Japan by furnishing wide-ranging responses to diverse medical needs through our innovative pharmaceuticals business as well as our generic business, vaccine business, and over-the-counter (OTC) related business.

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

Overview of initiatives under mid-term business plans

1st Mid-Term Business Plan
- Maximization of synergies and expansion of growth foundation
  - Focus on thrombosis, cancer, diabetes, and other fields
  - Maximize sales of olmesartan franchise
  - Introduced Ranbaxy into Group in 2008

2nd Mid-Term Business Plan
- Advancement of global hybrid business model
  - Focus on thrombosis, cardiovascular-metabolics, and cancer fields
  - Expand operating foundations in Japan
  - Conduct frontline and backyear collaboration with Ranbaxy

3rd Mid-Term Business Plan
- Promotion of measures toward sustainable growth beyond LOE
  - Focus on thrombosis, cardiovascular-metabolics, and cancer fields
  - Diversify and liquidate Ranbaxy over period from April 2014 to April 2015
  - Return to innovative business

4th Mid-Term 5-Year Business Plan
- Transformation toward 2025 Vision
  - Grow beyond FY2017 LOE
  - Establish a foundation of sustainable growth

Launches of new products
- Lunovin Tape
- Effert
- Sevilar

Business expansion Regional expansion
- Expansion in Turkey and Ireland
- Expansion in Puerto Rico

Bi-licensed products
- Benousumad
- Tezirbina

Acquisition
- US Pharma GmbH
- Pharmacia Inc.
- Ranbaxy Laboratories Ltd.

Restructuring
- Close of Osaka Plant
- Sale of Shizuka Plant
- Sale of Ativin Plant
- Restructuring in Japan, the United States, and Europe
- Development of Ranbaxy to Sun Pharmaceutical Industries Ltd.
- Completion of sale of Sen Pharmaceutical shares

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

2025 Vision
Global Pharma Innovator with competitive advantage in oncology

Revenue (Billions of yen)

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Operating Profit (Billions of yen)

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Notes: 1. Existing 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.
2025 Vision and 5-Year Business Plan

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

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

2025 Vision

Global Pharma Innovator with Competitive Advantage in Oncology

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

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

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

<table>
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<tr>
<th>FY2020 Targets</th>
<th>Value</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>¥1,100.0 billion</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>¥165.0 billion</td>
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<tr>
<td>ROE</td>
<td>More than 8.0%</td>
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<td>Increases to Value of Late-Stage Pipelines</td>
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</tbody>
</table>

Until FY2015

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

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

Strengths of Daiichi Sankyo

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

Operating Environment

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

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

2025 Vision

The 2025 Vision was established and announced in March 2016 to define our vision for Daiichi Sankyo based on its initiatives and success to date, its strengths, and the outlook for the operating environment. We decided to define our 2025 Vision as striving to become a “Global Pharma Innovator with competitive advantage in oncology.”

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

Global Pharma Innovator with Competitive Advantage in Oncology

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

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

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

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

Challenge 1: Grow Beyond FY2017 LOE

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

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

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

Challenge 2: Establish a Foundation of Sustainable Growth

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

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

1. Continuously Generate Innovative Medicine Changing Standard of Care (SOC)  
2. Enhance Profit Generation Capabilities

Six Strategic Targets for Accomplishing Fiscal 2020 Performance Targets

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

Key Terms:

- LOE: Loss of exclusivity
- SOC: Standard of care
- ROE: Return on equity
1. Thrombosis and Anticoagulants
Blood clots are usually formed to stop bleeding and will eventually dissolve and shrink. However, should a blood clot grow larger, rather than dissolve, and consequently come to clog a vein, it could result in a lack of blood flow to areas of the body beyond the clot, potentially even leading to the death of the tissue therein. This condition is known as thrombosis. A thrombus, where blood flow is slow, or, in areas where blood can gather, blood coagulation can result in the formation of blood clots. Anticoagulants are used to prevent such blood clots from being formed. Some of the representative diseases treated with anticoagulants are as follows.

Major Indications Treated with Anticoagulants

- **Atrial Fibrillation (AF)**: AF is a form of irregular heartbeat in which the heart cannot maintain the proper rhythm, causing blood to become stagnant in the intra-atrial courses and increasing the risk of blood clots forming. Should such a blood clot leave the intra-atrial courses and clog blood flow to the entire body, it could lead to ischemic stroke or systemic embolism.

- **Venous Thromboembolism (VTE)**
  - **Deep Vein Thrombosis (DVT)**: DVT is thrombosis in deep veins such as those of the limbs (generally the calf or thigh) or pelvis.
  - **Pulmonary Embolism (PE)**: PE is a potentially fatal condition in which part of a blood clot formed in a deep vein breaks off, drifts to the lung, and clogs a pulmonary artery.

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

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

4. 5-Year Business Plan and Its Progress
(1) 5-Year Business Plan
In Japan, we aim to grow edoxaban into the No. 1 DOAC in the domestic market by utilizing its superior capabilities and our high-quality marketing capabilities. In Europe, meanwhile, we are currently implementing a sales model that entails fixed-tuned response to the needs of individual customers. The markets of other countries are also being explored. In countries and regions in which Daiichi Sankyo lacks its own sales bases, we will advance full-fledged promotional activities through collaboration with ideal partners in each country and region.

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

(2) Progress to Date
a. Revenue Growth
Annual global revenue from edoxaban has been showing impressive growth, with figures of ¥15.0 billion for fiscal 2015 and ¥37.3 billion for fiscal 2016.

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

We are also witnessing favorable revenue growth in Germany and other regions, with LIXIANA holding a 7.2% share of the German market in March 2017 along with a 15.6% share of the South Korean market, which is particularly impressive given that it was only launched in this market in February 2016.
b. Launches in New Countries
Edoxaban has already been approved and launched in more than 20 countries, and we are in the process of applying for approval in China, Brazil, and Saudi Arabia, among other countries. In terms of sales scale, this will mean that edoxaban is approved and available in countries that make up 95% of the global DOAC market when all of these application processes have been completed. In addition, we have established marketing alliances with Merck Sharp & Dohme Corp. (MSD), a European subsidiary of Merck & Co., Inc., for sales in North and East Europe and with LES LABORATOIRES SERVIER for sales in Canada, Russia, and countries belonging to the Commonwealth of Independent States (CIS).

As of July 2017

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


![Graph showing launch strategy and sustainable growth](image)

(3) Future Initiatives
Our basic growth strategy for edoxaban will be to grow this product in conjunction with the growth of the DOAC market. Fiscal 2017 will be an important year in which we will need to steadily advance a market launch strategy while accelerating the development of new scientific evidence to ensure that edoxaban can continue to grow consistently after fiscal 2020. By accelerating growth in Japan and Europe, we will target annual global revenue from edoxaban of ¥65.0 billion in fiscal 2017. If we do not possess sales bases in a specific country or region, we will seek to advance full-fledged promotional activities through collaboration with ideal partners in each area, as we are doing with MSD and LES LABORATOIRES SERVIER.

As we launch edoxaban in new markets, we will also take steps with regard to our supply systems to ensure compatibility with the markets in which this product is available and guarantee a stable and continuous supply. Through these efforts, we will endeavor to grow edoxaban into a product with annual global revenue of more than ¥120.0 billion in fiscal 2020.

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Strategic Target Grow as No. 1 Company in Japan

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

- Generic drugs: 6 | (Generic drugs for which generic drugs have been released: Generic drugs)

Structure of Japanese Pharmaceutical Market

Pharmaceuticals

OTC and others

Prescription pharmaceuticals

- Requires prescriptions from physicians
- Has official set prices (NHIP drug prices)
- Includes vaccines

New drugs (innovative pharmaceuticals)

Brand name

Generic pharmaceuticals

Generic name

- Share of market based on monetary value

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

- Pharmaceuticals still protected by the exclusivity period granted by patents

Daichi Sankyo’s Japan Business

- Innovative pharmaceuticals business
  (Revenue in fiscal 2016: ¥447.8 billion)

- Generic business
  (Daichi Sankyo Essex Co., Ltd.)
  (Revenue in fiscal 2016: ¥20.2 billion)

- Vaccine business (Kitasato Daichi Sankyo Vaccine Co., Ltd., and Japan Vaccine Co., Ltd.)
  (Revenue in fiscal 2016: ¥98.5 billion)

- OTC related business
  (Daichi Sankyo Healthcare Co., Ltd.)
  (Revenue in fiscal 2016: ¥66.7 billion)

Contribute comprehensively to medicine in Japan

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

3. 5-Year Business Plan and Its Progress
(1) 5-Year Business Plan
Under the 5-year business plan, Daichi Sankyo is working to increase the range of indications for its six major innovative pharmaceutical products for the domestic market. As a result of these efforts, total revenue from these six products amounted to ¥197.3 billion in fiscal 2016 and is forecast to come to ¥227.0 billion in fiscal 2017. By further growing revenues, we will target revenue of more than ¥243.0 billion in fiscal 2020.

(2) Progress to Date
Revenue from the Company’s six major innovative pharmaceutical products has been steadily growing, and revenues from these products totaled ¥171.1 billion in fiscal 2015 and ¥197.3 billion in fiscal 2016. Of these, NEXIUM, Memary, PRAVIA*, and RAPARIVA have achieved the No. 1 share of their respective markets and are continuing to grow.

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

New Product Launches and Product License Acquisitions
- Launched and submitted for application for additional indication for Vorapat anticoagulant
- Received license for recombinant from Amgen
- Reinforced AG business of Daichi Sankyo Essex Co., Ltd.
- Launched Navarap Tablets and Mavus Tablets for cancer pain treatment
- Acquired manufacturing and sales approval in Japan for CANALIA (TENELIA and CANALIA combination tablet), a type 2 diabetes mellitus treatment
- Acquired additional indication related to rheumatoid arthritis for PRAVIA

Evaluation of MRs
- MRs ranked No. 1 in various external surveys
  - Ranked No. 1 for five consecutive years in survey conducted by ANPEP Inc.
  - Praised for MR visit activities and as a trustworthy manufacturer in survey conducted by Social Survey Research Information Co., Ltd.
  - Judged to have superior MRs in survey conducted by MRs Online
In the OTC related business, meanwhile, the acquisition of Im Co., Ltd.2, a direct marketing company, contributed to a 25% year-on-year increase in revenue in fiscal 2016. We also launched a series of Luxan® S brand pain-relieving products for external use during this year.

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

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

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

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

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

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

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

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2. 5-Year Business Plan and Its Progress
(1) 5-Year Business Plan
Daiichi Sankyo, Inc. (DSII), the United States, is currently in the process of transitioning from its previous product portfolio, which focused on private practices and was exemplified by products such as the antihypertensive agent Atenolol (olmesartan), to a portfolio focused on hospitals, specialist, and other specialty care areas. As one facet of this transition, DSII will seek to establish a pain franchise that can generate revenue of more than ¥100.0 billion in the United States by fiscal 2020.

In 2015, this company began co-promotions of MORICAMTik, an OIC treatment, together with AstraZeneca. We will promote this drug as well as MorphaBand and RolyBand, two new ADP opioid analogics which will be launched in fiscal 2017, to grow our pain business in the United States.

(2) Progress to Date
With revenue of ¥2.0 billion in fiscal 2015 followed by ¥4.2 billion in fiscal 2016, MORICAMTik has been steadily growing in sales. We are currently engaged in direct-to-consumer educational campaigns aimed at improving awareness regarding OIC. In addition, DSII received rights in October 2016 from Inspiration Delivery Sciences, LLC, for commercialization in the United States of two opioid analogues with abuse-deterrent properties—MorphaBand and RolyBand. In the global phase 3 ABDAY clinical trials evaluating mirogabalin for the treatment of pain associated with FROEMY, miragabalin did not meet the primary efficacy endpoint. We will continue to study miragabalin and its potential use in pain syndromes as part of our ongoing global clinical development program.

In light of the opioid analogue abuse epidemic that is becoming a major social issue in the United States, DSII has announced its Commitments in Pain Care. Detailed on the next page, these Commitments describe DSII’s stance toward helping patients manage their pain and addressing the opioid analogue abuse epidemic.
We are committed to:
- The well-being and proper treatment of patients who suffer from pain and to providing prescription medicines to treat their pain and other related conditions.
- Educating healthcare providers, patients, families and caregivers on the appropriate use of pain medicines, and recognizing and preventing their potential for diversion, misuse, abuse, addiction, and overdose.
- Being a part of the solution to prescription drug abuse.
- Monitoring prescribing and distribution patterns for signs of inappropriate prescribing or diversion of these medications.
- Ensuring that our employees are reliable, trustworthy sources of information about pain treatments, and that our communications about pain medicines will be truthful, accurate, and respect the seriousness of the condition being treated, as well as the potential risks associated with these medicines.
- Ethical and socially responsible business practices at all times, conducting our business fairly, honestly, with integrity, and in accordance with our Standards of Business Conduct.

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

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

3. Growth of Luitpold Business
(1) 5-Year Business Plan and its Progress
The revenue of Luitpold Pharmaceuticals, Inc. (LPI), has been growing smoothly, totaling US$758 million in fiscal 2015 and US$812 million in fiscal 2016. By growing and expanding its iron injection franchise and its generic injectable franchise, LPI will target annual global revenue of US$1,250 million (¥150.0 billion) in fiscal 2020.

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

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

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

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

3. Growth of Luitpold Business
(1) 5-Year Business Plan and its Progress
The revenue of Luitpold Pharmaceuticals, Inc. (LPI), has been growing smoothly, totaling US$758 million in fiscal 2015 and US$812 million in fiscal 2016. By growing and expanding its iron injection franchise and its generic injectable franchise, LPI will target annual global revenue of US$1,250 million (¥150.0 billion) in fiscal 2020.

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

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

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

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

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

Strategic Target

1. 5-Year Business Plan
We will establish an oncology business by launching several drugs currently in late-stage development. Concurrently, we will accelerate early-stage pipeline development and evaluate further enrichment of our oncology pipeline through the acquisition of external assets. Through the acceleration of oncology research and development, we aim to grow oncology business revenue to more than ¥400.0 billion in fiscal 2020 and ¥300.0 billion in fiscal 2025, when this business will function as a core business.

About the Daiichi Sankyo Cancer Enterprise
The Cancer Enterprise is a group that acts based on the following stages and principles.
- “A professional firm seeking to achieve ultimate solutions for patients with cancer”
- “A dedicated group pursuing entrepreneurial behavior together, driven by each member’s initiatives, expertise, and passion”

- Come together and work together beyond boundaries and titles
- Desire to go beyond limits, i.e., beyond boundaries, limitations, and breaking points
- Accomplish all this for a noble cause

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

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

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

(2) ADC (antibody–drug conjugates) Franchise
a. ADC Technologies
In the past, an extended period of time, cancer treatments predominantly consisted of small molecule drugs known as chemotherapy drugs that work by acting on cell proliferation to eradicate cancer cells. However, chemotherapy drugs presented troubles due to side effects, namely that they exhibited significant levels of cytotoxicity to normal cells. It was for this reason that the development of molecular targeted drugs, which only act on specific cancer cells, began in the 1990s. Development ventures that, for example, attempted to use antibodies that bind to proteins that are specifically expressed on the surface of cancer cells as anticancer drugs have been advancing since then. Today, quite a few antibody drugs have already been put on the market, where they have grown into major cancer treatments.
ADCs are made by bonding an antibody and a chemotherapy drug to discover a new therapy. Development on this drug technology is advancing in the hopes that chemotherapy drugs will only affect the cancer cells by specifically sending chemotherapy drugs into cancer cells.

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

b. Characteristics of Daiichi Sankyo’s ADC Technologies

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

Payload created by optimizing irinotecan, an inhibitor of topoisomerase I
- Decreased risk of adverse drug reactions realized by short half-life in the blood
- Bystander effect exhibited when payload becomes detached inside cancer cells and effects surrounding cells
- Ability to attach double the payload of previous generation ADCs
- High stability preventing the payload from becoming detached in the blood
- Tumor selective cleavable-linker which quickly detaches payload
- Effectively attaches to antigens on cancer cell surface

In terms of efficacy, an overall response rate1 of 40.2% and a disease control rate2 of 91.8% were achieved among 97 condition confirmed patients out of 108 enrolled patients. In 30 patients who failed SOC of breast cancer, T-DM1 (Kadcyla) and pertuzumab (Perjeta), overall response rate was 46.7% and disease control rate was 100%.

(3) DS-8201

a. Progress to Date

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

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

Later, at the Annual Meeting of the American Society of Clinical Oncology held in June 2017 (ASCO 2017), Daiichi Sankyo made an announcement on the interim results of trials on 108 patients to which DS-8201 had been administered that included data collected after the announcement to ESMO 2016. The graph below shows data on the 108 HER2 positive metastatic cancer patients that DS-8201 had been administered to. Each bar represents one patient. The lower a bar stretches down, the more cancer tumors had shrunk. Patients are arranged in order of the degree to which tumors shrunk, with those showing the greatest rate of shrinkage on the right.

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

Tumor size: best % change from baseline (5.4±6.4 mg/kg)

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

<table>
<thead>
<tr>
<th>Drug</th>
<th>ORR (%)</th>
<th>DCR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>39/97 (40.2)</td>
<td>90/97 (91.8)</td>
</tr>
<tr>
<td>Breast Cancer</td>
<td>19/44 (43.2)</td>
<td>44/44 (97.8)</td>
</tr>
<tr>
<td>BC Prior T-DM1</td>
<td>16/35 (45.7)</td>
<td>35/35 (100.0)</td>
</tr>
<tr>
<td>BC Prior T-DM1/Pertuzumab</td>
<td>14/30 (46.7)</td>
<td>30/30 (100.0)</td>
</tr>
<tr>
<td>Gastric Cancer</td>
<td>18/33 (54.5)</td>
<td>32/33 (96.9)</td>
</tr>
<tr>
<td>GC Prior T-DM1</td>
<td>8/13 (61.5)</td>
<td>17/18 (94.4)</td>
</tr>
</tbody>
</table>

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

(1) Ratio of cases in which tumors had shrunk by more than 30% or completely disappeared
(2) Ratio of cases showing an overall response in which tumors are remaining at a consistent size (less than 30% shrinkage and 20% growth)
b. Future Initiatives

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

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

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

(4) U3-1402

a. Progress to Date

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

b. Future Initiatives

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

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

<table>
<thead>
<tr>
<th>HER2 Status</th>
<th>Growth Speed</th>
<th>Hormone-Receptor Status</th>
<th>HER2 ADC U3-1402</th>
</tr>
</thead>
<tbody>
<tr>
<td>HER2 Negative</td>
<td>Low</td>
<td>Luminal A</td>
<td>HER3 ADC U3-1402</td>
</tr>
<tr>
<td>HER2 Positive</td>
<td>High</td>
<td>Luminal B (HER2 negative)</td>
<td>HER2 ADC DS-8201</td>
</tr>
</tbody>
</table>

* Estrogen receptor and/or progesterone receptor positive

(5) Future Initiatives for Other ADCs

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

a. About AML

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


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(7) Quizartinib

There exists a subtype of AML in which internal tandem duplication (ITD) mutations (genetic mutations) occur in FLT3 (a tyrosine kinase receptor that contributes to cancer cell proliferation). This subtype of AML, called FLT3-ITD-positive AML, has a particularly high degree of malignancy and extremely poor prognosis, with a rate of recurrence two years after bone marrow transplants that is three times higher than that of other forms of AML*. Quizartinib is a tyrosine kinase inhibitor that displays a strong and focused ability to inhibit FLT3-ITD.

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


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**Table: Disease Overview and Applicable Daiichi Sankyo Compounds**

<table>
<thead>
<tr>
<th>Disease</th>
<th>Overview</th>
<th>Applicable Daiichi Sankyo Compounds</th>
</tr>
</thead>
<tbody>
<tr>
<td>① Myelodysplastic syndrome</td>
<td>• Disease resulted from abnormality in hematopoietic stem cells</td>
<td>DF-3032</td>
</tr>
<tr>
<td>② Myeloid leukemia</td>
<td>• Disease in which myeloid stem cells become cancerous</td>
<td>Quizartinib, DF-3201, DF-3032, PLX51107</td>
</tr>
<tr>
<td>③ Lymphocytic leukemia</td>
<td>• Disease in which lymph stem cells become cancerous</td>
<td>DF-3021</td>
</tr>
<tr>
<td>④ Adult T-cell leukemia</td>
<td>• Disease in which T cells become infected with human T-cell leukemia virus type 1 then become cancerous adult T-cell leukemia cells and multiply out of control</td>
<td>DF-3021</td>
</tr>
<tr>
<td>⑤ Malignant lymphoma</td>
<td>• Disease in which lymphocytes become cancerous</td>
<td>DF-3032, DF-3021</td>
</tr>
<tr>
<td>⑥ Multiple myeloma</td>
<td>• Disease in which plasma cells in bone marrow become cancerous</td>
<td>DF-3032, DF-3021</td>
</tr>
</tbody>
</table>
(8) AML Pipelines Other than Quindoptin

Aside from FLT3-ITD, there are several other target candidates to be focused on in developing AML treatments. DS-3032 is an MDI2 inhibitor targeting transcriptional deregulation. Currently, a phase 1 study is under way in the United States to test DS-3032 for treatment of relapsed and refractory AML patients and of patients with high-risk myelodysplastic syndromes. The results of this trial were announced to the American Society of Hematology in December 2016. Efficacy was confirmed in a preliminary evaluation of effectiveness, and we are currently planning the next phase of clinical trials.

In addition, phase 1 studies were started for PLX51107, a BRD4 inhibitor targeting epigenetic regulation (regulation of the transcription or expression of genes), in February 2016; DS-3201, an inhibitor of EZH1 and EZH2, in March 2016; and DS-1007, a mutated IDH1 inhibitor, in January 2017.

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

(9) Progress of Other Late-Stage Pipelines

a. Pexidartinib

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

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

The standard of care (SOC) is the universally applied best treatment practice in today’s medical science. Our target therapeutic areas for research and development include oncology, which will be positioned as a primary focused area, as well as pain, central nervous system diseases, heart and kidney disease, and rare diseases, which we define as new horizon areas. Research and development of treatments in these areas will be accelerated going forward. We will strive to continuously generate innovative medicine changing SOC by taking advantage of partnering, open innovation1, and translational research2.

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

1. Oncology

(1) Comprehensive Collaboration with the National Cancer Center

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

a. DS-3201 (EZH1/2 Inhibitor)

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

b. DS-1007 (IDH1 Inhibitor)

Mutations are seen in mutated isocitrate dehydrogenase IDH1 with relatively high frequency in malignant brain tumors, AML, cholangiocarcinoma, chondrosarcoma, and other malignant tumors. In March 2017, Daichi Sankyo commenced a phase 1 clinical study to evaluate DS-1007, a drug that selectively inhibits mutated IDH1, as a treatment for malignant brain tumors (gliomas). When gliomas are accompanied by IDH1 mutations, they tend to reoccur frequently, elongating treatment periods. DS-1007 is anticipated to become a treatment that is capable of addressing unmet medical needs related to this condition.

c. Potential for Treatment of AML

EZH2 and IDH2 and IDH1 are promising targets for the treatment of AML. DS-3201 is therefore a pipeline that is anticipated to play a central role in Daichi Sankyo’s AML franchise. A phase 1 study started in April 2017 to evaluate the ability of DS-3201 to treat AML. We are also examining the potential for DS-1007 to be used as an AML treatment.
(2) Joint Research with the Institute of Medical Science of the University of Tokyo (JS-1647; G47a Oncolytic Virus) Developed together with Professor Tomoki Todo of the Institute of Medical Science of the University of Tokyo, G47a is a third-generation strand of oncolytic herpes simplex virus 1 (HSV1) created by using genetic modification technologies to modify HSV1 so that it only multiplies in cancer cells. This second-generation oncolytic virus was made by deleting or rendering inactive two genes (x34.5 and ICP6) necessary for multiplication inside normal cells, making it only possible for the virus to multiply inside of cancer cells. In addition to these two genes, x47 was deleted from the third-generation virus to ensure that it only multiplies in cancer cells while also enhancing its antitumor immunity. An investigator initiated clinical phase 2 study targeting malignant gliomas was commenced in 2015. Furthermore, this drug received designation under the SAKIGAKE Designation System for medical equipment, in vitro diagnostic, and regenerative medicine products in February 2016. G47a was also designated as an orphan drug under the Orphan Drug/Medical Device Designation System by the Ministry of Health, Labour and Welfare in July 2017. Together with Professor Todo, Daichi Sankyo is developing treatment methods using G47a for malignant gliomas and various other forms of cancer tumors.

* Proteins coded with the x47 gene (on the surface of host cells, restrict possession of virus proteins, and evade the immunity surveillance of host cells. Accordingly, by deleting x47 from the HSV1 virus, expression of MHC Class I on host cells can be maintained, giving the potential for strong stimulation of antitumor immunity.

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

<table>
<thead>
<tr>
<th>Cell Therapy Category</th>
<th>Definition</th>
<th>Applicable Daichi Sankyo Compounds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autologous</td>
<td>Made by cultivating and modifying cells taken from the patient</td>
<td>KTE-C19</td>
</tr>
<tr>
<td>Allogeneic</td>
<td>Made by cultivating and modifying cells taken from a person other than the patient</td>
<td>DS-8100 (Heartcell®) and IPS cell-derived cardiomyocyte sheet</td>
</tr>
</tbody>
</table>

KTE-C19 is a form of chimeric antigen receptor T (CAR-T), which is a cell therapy directed against CD19, an antigen expressed on the surface of B-cell malignant lymphoma cells. Applied via intravenous injection, this therapy is anticipated to demonstrate efficacy against recurrent and refractory malignant lymphoma. KTE-C19 has been granted Breakthrough Therapy Designation by the U.S. FDA, and started rolling submission in the United States in December 2016 and was completed in March 2017. In Europe, KTE-C19 has received Priority Medicines (PRIME) Designation from the European Medicines Agency and aim to file application for approval during fiscal 2017. In Japan, we are engaging in discussions with the relevant authorities as part of preparations for commencing clinical trials. The diagram below details the steps leading up to the administration of genetically modified T cells to patients. White blood cells extracted from patients are sent to a cell processing facility, where a viral vector is used to introduce the chimeric antigen receptor gene into the T cells taken from the patient to make KTE-C19. The engineered cells are then administered to the patient intravenously for treatment.

Process of Administering KTE-C19 to Patients

(4) Other Cancer-Related Research Alliances The following table shows cancer-related research alliances with research institutions that took place in fiscal 2016.

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

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

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

4. Heart and Kidney Disease
(1) In-Licensing Agreement with Celvir (DS-8100; Heartcell@Cell Therapy) In May 2016, we concluded an in-licensing agreement with U.K.-based Cell Therapy Ltd. (Celvir at present), where Nobel laureate Professor Martin Evans work as chief science officer, for Heartcel, an allogeneic cell (cell from a person other than the patient) therapeutic agent for ischemic heart failure currently in development. Under this agreement, Daichi Sankyo will be responsible for development and sales of Heartcel in Japan. Preparations for development are currently being made.

<table>
<thead>
<tr>
<th>Compound</th>
<th>Production Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>DS-8100</td>
<td>Derived from somatic stem cells (which possess pluripotency) isolated from healthy individuals that, based on cultivation under certain conditions, have been modified to show a treatment effect on cardiac disorders; unlike IPS cells, gene transfers do not take place</td>
</tr>
<tr>
<td>IPS cell- derived cardiomyocyte sheet</td>
<td>Heart muscle cells (IPS cardiomyocyte) made using human IPS cells; by introducing specific genes into somatic cells (which do not possess pluripotency), cells are reset to a state in which they had pluripotency (pluripotent stem cells); made through gene transfers</td>
</tr>
</tbody>
</table>
5-Year Business Plan and its Progress

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

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

5. Rare Diseases
(1) Joint Development with Orphan Disease Treatment Institute (DS-574: Nucleic Acid Drug)
DS-574 is a treatment drug for DuChenne muscular dystrophy (DMD) that is being developed together with Orphan Disease Treatment Institute Co., Ltd.1 and that went into phase 1/2 studies in Japan in February 2016. This is the first for the drug which has been submitted to clinical trials. DMD is a disease that has the same rate of occurrence in people from all ethnic backgrounds and is known to occur in roughly one out of every 3,500 boys. Many of the people affected by this incredibly serious and rare X-linked recessive condition—a genetic condition that expresses difference in sex—do not survive past their 20s or 30s. DMD prevents the production of dystrophin proteins in muscle cells, and can therefore lead to a decline in motor functions, respiratory failure, or cardiomyopathy. DS-574 is a nucleic acid drug that helps combat this condition by stimulating the production of imperfect but still functional dystrophin proteins. Moreover, the drug utilizes its ENA nucleic acid modification technology and has demonstrated exceptionally high efficacy in animal experiments.

ENA is an ethylene-bridged nucleic acid in which ethylene is bridged at the furanose sugar ring at 2'-O and 4'-C ends. ENA and other ENA oligonucleotides, which are short-chain nucleic acids, demonstrate high binding force with complementary DNA and RNA as well as superior thermal stability and nuclease resistance. DS-574 was granted SAKIGAKE Designation by the Ministry of Health, Labour and Welfare in April 2017. We are advancing development of DS-574b in close coordination with specialists with the hopes of quickly delivering this drug to patients awaiting an effective treatment.

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

(2) Progress to Date
Various initiatives are being advanced with the aim of optimizing all business. In fiscal 2016, one such initiative was the reorganization of our European marketing system, which was conducted centered on France. In addition, we resolved to close the Hiratsuka Plant of Daichi Sankyo Propharma Co., Ltd. in Japan and sold the Bethlehem Plant of DSI in the United States in order to further optimize our global production systems. Measures for optimizing our R&D system included finalizing the closures of U3 Pharma GmbH in Germany, Daichi Sankyo India Pharma Private Ltd. in India, and Asubio Pharma Co., Ltd. in Japan. In this manner, we pursued selection and concentration across the Daichi Sankyo Group. With regard to raw materials and other direct materials, we advanced price negotiations based on global procurement volumes, examined low-cost production processes from a technical standpoint, and implemented other activities for reducing manufacturing costs in all areas. These initiatives led to manufacturing cost reductions of more than ¥10.0 billion in fiscal 2016.

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

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

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

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

5-Year Business Plan

Strategic Target

Enhance Profit Generation Capabilities

1. 5-Year Business Plan and its Progress
(1) 5-Year Business Plan
The Daichi Sankyo Group is transforming on various fronts to realize its 2025 Vision of striving to become a “Global Pharma Innovator with competitive advantage in oncology.” A specific goal toward realizing this vision is to enhance profit generation capabilities, which will be accomplished by optimizing operating structures, repositioning bases, and taking other steps to revise processes and costs. Through these efforts, we aim to achieve what we call “process excellence.” Various initiatives are being accelerated to this end.

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

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

Realize “Process Excellence”: Further Cost Reductions and Streamlining

<table>
<thead>
<tr>
<th>&lt;5-Year Business Plan</th>
<th>Major measures conducted in FY2016</th>
</tr>
</thead>
</table>

| Enhancement of procurement: Target during STBP – ¥50.0 billion in cost reductions for indirect materials |
|-----------------------------|-----------------------------|
| FY2016 Actual: ¥13.2 billion in cost reductions |

- Optimization in SC
  - Decision to close Hiratsuka Plant in DSCP*
  - Sale of Bethlehem Plant in US

- Optimization in MSD & Restructuring in EU
  - Decision to close DSN*
  - Decision to close ASB*

- Optimization in RD
  - Close US in Germany
  - Decision to close DSN*
  - Decision to close ASB*

(2) Progress to Date

Various initiatives are being advanced with the aim of optimizing all business. In fiscal 2016, one such initiative was the reorganization of our European marketing system, which was conducted centered on France. In addition, we resolved to close the Hiratsuka Plant of Daichi Sankyo Propharma Co., Ltd. in Japan and sold the Bethlehem Plant of DSI in the United States in order to further optimize our global production systems. Measures for optimizing our R&D system included finalizing the closures of U3 Pharma GmbH in Germany, Daichi Sankyo India Pharma Private Ltd. in India, and Asubio Pharma Co., Ltd. in Japan. In this manner, we pursued selection and concentration across the Daichi Sankyo Group. With regard to raw materials and other direct materials, we advanced price negotiations based on global procurement volumes, examined low-cost production processes from a technical standpoint, and implemented other activities for reducing manufacturing costs in all areas. These initiatives led to manufacturing cost reductions of more than ¥10.0 billion in fiscal 2016.

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(3) Future Initiatives
Daichi Sankyo’s drive to enhance profit generation capabilities will continue, and aggressive promotion of process excellence will be a major part of this undertaking. As part of these efforts, we will pursue optimization across all businesses along with massive, groupwide cost reductions and efficiency improvements, which will primarily be accomplished through the reinforcement of procurement functions.
**Growth Investments and Shareholder Returns**

Under the 5-year business plan, our policy will be to prioritize growth investments while also enhancing shareholder returns. On March 31, 2016, cash-on-hand totaled roughly ¥700.0 billion. Our activities over the five years of the plan will be funded by this cash as well as the approximately ¥2,200.0 billion to be generated in the form of free cash flow before R&D expenses (Profit before R&D expenses, depreciation and amortization) and cash recovered through asset downsizing. As for specific allocations, we plan to conduct growth investments of ¥900.0 billion in R&D expenses and ¥500.0 billion in business development. The remainder of the funds will be used for shareholder returns, capital expenditure, and working capital.

**1. Reinforcement of Cash Production Capabilities**

(1) **Free Cash Flow before R&D Expenses**
Free cash flow before R&D expenses will be increased by achieving process excellence throughout the Daiichi Sankyo Group.

(2) **Asset Streamlining**
Proactive asset streamlining will be practiced to generate additional cash flows.

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

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

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

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

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

**Shareholder Returns Policy during SYBP**

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

**4. Progress to Date**

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

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

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

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

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>FY2015 Results</th>
<th>FY2016 Results</th>
<th>FY2017 Plan</th>
<th>Target during SYBP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total return ratio</td>
<td>118.9%</td>
<td>180.7%</td>
<td>100% or more</td>
<td></td>
</tr>
<tr>
<td>Dividend</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary dividend</td>
<td>¥60</td>
<td>¥70</td>
<td>¥70</td>
<td>more than ¥70</td>
</tr>
<tr>
<td>Anniversary dividend</td>
<td>¥10</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Acquisition of own shares</td>
<td>¥50.0 billion</td>
<td>¥50.0 billion</td>
<td>Flexible</td>
<td>Flexible</td>
</tr>
</tbody>
</table>
Summary of Financial Results in Fiscal 2016

Consolidated revenue in fiscal 2016 decreased ¥31.3 billion, or 3.2% year on year, to ¥955.1 billion. Looking at expenses, cost of sales increased ¥30.8 billion year on year, with selling, general and administrative expenses (SG&A) decreasing ¥26.3 billion and research and development expenses increasing ¥5.7 billion. As a result, operating profit decreased ¥41.5 billion, or 31.8% year on year, to ¥88.9 billion.

Profit before tax was ¥87.8 billion, and profit attributable to owners of the Company decreased ¥53.5 billion, or 35.0% year on year, to ¥88.9 billion. As for average exchange rates over fiscal 2016, the yen appreciated ¥11.72 against the U.S. dollar compared to fiscal 2015, with ¥108.22 equalling U.S.$1, and ¥13.73 against the euro, with ¥118.84 equalling €1.

Consolidated Financial Results for Fiscal 2016

1. Revenue
Consolidated revenue in fiscal 2016 decreased ¥31.3 billion, or 3.2% year on year, to ¥955.1 billion. The impacts of yen appreciation placed downward pressure on revenue to the extent of ¥41.5 billion. When the impacts of foreign exchange influences are excluded, revenue was up ¥10.3 billion year on year.

Factors behind revenue movements, when the impacts of foreign exchange influences are excluded, included the following:
- Although Japan Business, which include domestic pharmaceuticals and the vaccine and CTC businesses, were impacted by national health insurance (NHI) drug price revisions, revenues from LIXIANA, an anticoagulant, grew substantially. Large year-on-year increases in revenue were also seen centered on mainstream products such as TENEILA, a type 2 diabetes mellitus treatment; INAVF, an anti-influenza treatment; EFFENT, an antiplaque agent; PRAULIA, an osteoporosis treatment; MEMARY, an Alzheimer’s disease treatment; and NEXIUM, an ulcer treatment. However, revenues from Luxomin, an anti-inflammatory analgesic, and other long-offered products declined due to the increased prescription of generic drugs.
- Meanwhile, revenue surged at Daichi Sankyo Healthcare Co., Ltd., which acquired direct marketing company, IM Co., Ltd., in fiscal 2015. As a result, overall revenue from operations in Japan rose ¥24.9 billion year on year.
- In the United States, revenue from Daichi Sankyo, Inc. declined ¥27.4 billion year on year, despite contributions from EFFENT, an antiplaque agent, and MOVANTIK, a treatment for opioid-induced constipation, following decreases in sales of almesertan, an antihypertensive agent, from the result of exclusivity (LOE) for this drug in October 2016.
- Meanwhile, Lupinold Pharmaceuticals, Inc., the United States, saw revenue increase ¥6.6 billion year on year, following higher sales of INJECTA, a treatment for iron deficiency anemia.

Revenue

<table>
<thead>
<tr>
<th>Fiscal Year Results</th>
<th>(Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2015 Results</td>
<td>986.4</td>
</tr>
<tr>
<td>Japan Business (incl. VACCHE, OTC)</td>
<td>-27.4</td>
</tr>
<tr>
<td>Daichi Sankyo, Inc. (US)</td>
<td>6.6</td>
</tr>
<tr>
<td>Lupinold (US)</td>
<td>1.4</td>
</tr>
<tr>
<td>Daichi Sankyo Europe</td>
<td>1.4</td>
</tr>
<tr>
<td>Asia, South &amp; Central America (ASCA)</td>
<td>1.4</td>
</tr>
<tr>
<td>Global (excl. Forex Impact)</td>
<td>955.1</td>
</tr>
<tr>
<td>Forex Impact</td>
<td>-41.6</td>
</tr>
</tbody>
</table>

2. Operating Profit
Operating profit decreased ¥41.5 billion, or 31.8% year on year, to ¥88.9 billion. One reason behind this decrease in profit was the ¥31.3 billion decrease in revenue, itself as a result of downward pressure to the extent of ¥41.6 billion placed on revenue by foreign exchange influences.

In terms of expenses, foreign exchange influences caused a total decrease of ¥38.1 billion in expenses. Of this decrease, ¥11.4 billion was in cost of sales, ¥16.6 billion was in SG&A expenses, and ¥10.1 billion was in research and development expenses. Special items factors resulted in a year-on-year increase of ¥21.9 billion in expenses in fiscal 2016. Factors behind operating profit movements, when the impacts of foreign exchange influences and special items are excluded, included the following:
- Cost of sales was up ¥21.0 billion year on year due to revenue increases when the impacts of foreign exchange influences are excluded and because the ratio of cost of sales to revenue rose due to the impacts of NHI drug price revisions.
- SG&A expenses decreased ¥11.6 billion due to the benefits of cost-cutting measures in the United States, while research and development expenses increased ¥16.9 billion following progress in adaxaban life-cycle management initiatives and oncology projects.

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

Operating Profit

<table>
<thead>
<tr>
<th>Fiscal Year Results</th>
<th>(Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2015 Results</td>
<td>130.4</td>
</tr>
<tr>
<td>Japan</td>
<td>-31.3</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>-21.0</td>
</tr>
<tr>
<td>SG&amp;A Expenses</td>
<td>-11.6</td>
</tr>
<tr>
<td>R&amp;D Expenses</td>
<td>-16.9</td>
</tr>
<tr>
<td>Forex Impact</td>
<td>-38.1</td>
</tr>
<tr>
<td>Special Items</td>
<td>-21.9</td>
</tr>
<tr>
<td>FY2016 Results</td>
<td>88.9</td>
</tr>
</tbody>
</table>

*Large, one-time movements in operating profit including profit and losses related to sales of fixed assets, business reorganizations, impairment losses, and eliminations of more than ¥1.0 billion each.
(1) Special Items

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

**Special Items (Billions of yen)**

<table>
<thead>
<tr>
<th>FY2015 Results</th>
<th>FY2016 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Sales</td>
<td>7.2</td>
</tr>
<tr>
<td>Restructuring costs in Q1</td>
<td>11.9</td>
</tr>
<tr>
<td>Restructuring costs in Q4</td>
<td>2.9</td>
</tr>
<tr>
<td>Total</td>
<td>15.5</td>
</tr>
</tbody>
</table>

**Profit Attributable to Owners of the Company Decreased by ¥28.8 Billion**

(2) Impairment Loss in Vaccine Business

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

As a result of the impairment losses, KDSV has incurred excess liabilities to the extent of nearly ¥23.0 billion. Daichi Sankyo has chosen to address this situation by increasing its investment in this company by approximately ¥40.0 billion in order to fortify its financial position. Looking ahead, we will implement various measures to reduce cost of sales and other expenses at KDSV in order to quickly achieve a position of profitability. At the same time, we will seek to maintain vaccine quality and ensure a stable supply as we move ahead with the development and launch of new products with the aim of growing profits over the medium-to-long term.

3. Profit Attributable to Owners of the Company

Profit attributable to owners of the Company decreased by ¥23.8 billion, or 35.0% year on year, to ¥53.5 billion.

A contributor to this outcome was the fact that operating profit decreased ¥4.15 billion year on year when the impacts of foreign exchange influences (¥38.1 billion decrease in expenses) and special items (¥21.9 billion increase in expenses) are included.

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

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

### Financial Results Forecasts for Fiscal 2017

**1. Consolidated Financial Results**

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

- A rise in the ratio of cost of sales to revenue will be seen due to the heavy impact of the expected reduction in sales of olmesartan, which had a particularly high profit margin among Company products.
- Despite the benefit of cost reductions and efficiency improvement measures, SG&A expenses are projected to increase following the expansion of the strategic alliance with Mitsubishi Tanabe Pharma Corporation and of alliances in China.

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

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

**2. Revenue Forecasts for Major Business Units**

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

### Shareholder Returns

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

The 5-year business plan sets forth a shareholder return policy that calls for a total return ratio of 100% or more for the duration of the plan and regular dividend payments of ¥70 per share or more. On the basis of this policy, Daichi Sankyo intends to pay stable dividends while flexibly acquiring shares of its own stock.

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

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

**Financial Results Forecasts for Fiscal 2017**

<table>
<thead>
<tr>
<th>FY2017 Consolidated Forecast (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
</tr>
<tr>
<td><strong>Cost of Sales</strong></td>
</tr>
<tr>
<td><strong>SG&amp;A Expenses</strong></td>
</tr>
<tr>
<td><strong>R&amp;D Expenses</strong></td>
</tr>
<tr>
<td><strong>Operating Profit</strong></td>
</tr>
</tbody>
</table>

**Yen Exchange Rates for Major Currencies**

<table>
<thead>
<tr>
<th>Currency</th>
<th>Exchange Rate for Major Currencies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>USD</strong>/JPY</td>
<td>108.42</td>
</tr>
<tr>
<td><strong>EUR</strong>/JPY</td>
<td>118.94</td>
</tr>
</tbody>
</table>

**Major Business Units Revenue Forecast**

<table>
<thead>
<tr>
<th>Business Unit</th>
<th>FY2016 Results (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daichi Sankyo Healthcare</td>
<td>66.7</td>
</tr>
<tr>
<td>Daichi Sankyo, Inc.</td>
<td>142.3</td>
</tr>
<tr>
<td>Lupin Pharmaceuticals</td>
<td>86.1</td>
</tr>
<tr>
<td>Daichi Sankyo Europe</td>
<td>71.0</td>
</tr>
<tr>
<td>Asia, South &amp; Central America (ASCAL)</td>
<td>72.1</td>
</tr>
</tbody>
</table>

**Shareholder Returns**

<table>
<thead>
<tr>
<th>FY2016 Results (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total return ratio</strong></td>
</tr>
<tr>
<td><strong>Annual dividends per share</strong></td>
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<tr>
<td><strong>Acquisition of own shares</strong></td>
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</table>

*Return ratio = Total dividends + Total acquisition costs of own shares + Profit attributable to owners of the Company / Shareholders’ equity

**Shareholder Returns**

<table>
<thead>
<tr>
<th>FY2016 Results (Billions of yen)</th>
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<tbody>
<tr>
<td><strong>Total return ratio</strong></td>
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<tr>
<td><strong>Annual dividends per share</strong></td>
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<tr>
<td><strong>Acquisition of own shares</strong></td>
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The Daiichi Sankyo Group’s Value Chain and Organization

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

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

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

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

**Major CSR Initiatives**
- Consideration for bioethics and genetic resources
- Clinical trials conducted in accordance with ICH-GCP

---

**Quality & Safety Management**

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

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

**Major CSR Initiatives**
- Consideration for bioethics and genetic resources
- Product quality and safety assurance

---

**Marketing & Sales**

**Japan**

**Daiichi Sankyo Espha Co., Ltd.**
- Sales & Marketing Unit
  - The Sales & Marketing Unit leverages Daiichi Sankyo’s strong presence as the No. 1 pharmaceutical company in Japan to develop operations focused on innovative pharmaceuticals (new drugs) that are protected by patients during exclusivity periods.
  - 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 manufacturer after receiving approval from the manufacturer of the originator product
**
- Daiichi Sankyo Espha Co., Ltd. focuses on generics and on the production of generics using processes of the original drug to assure consistency in quality and safety. In the latter half of the decade, the company plans to market these drugs ahead of other companies by using the patient rights.

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

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

**Overseas**

**United States**

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

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

**Europe**

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

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

**Major CSR Initiatives**
- Ethical marketing practices
- Energy-saving measures
Global Management Structure (As of April 1, 2017)

Business Units
Japan
- Satoru Kimura, MD., Ph.D., Sales & Marketing Unit
- Toshiaki Tojo, Ph.D., Vaccine Business Unit
- Yoshiki Nishi, Daiichi Sankyo Healthcare Co., Ltd.

United States
- Ken Keller, Daiichi Sankyo, Inc. (DSAC)
- Ken Keller, Luitpold Pharmaceuticals, Inc.

Europe
- Jan Van Ruymbeke, MD., Daiichi Sankyo Europe GmbH

Asia, South & Central America (ASCA)
- Koji Ogawa, ASCA Company
- Yoshihiro Aoyagi, General Counsel

Corporate Units
- Kazunori Hirokawa, MD., Ph.D., Corporate Strategy & Management Unit
- Toshiaki Sai, Global Brand Strategy Unit
- Stuart Mackey, Business Development Unit
- Yoshihiro Aoyagi, Corporate Affairs Unit

Functional Units
- Glenn Gormley, MD., Ph.D., R&D Unit
- Masayuki Yabuta, Ph.D., Biologics Unit
- Takeshi Hamaura, Ph.D., Pharmaceutical Technology Unit
- Katsumi Fujimoto, Ph.D., Supply Chain Unit
- Hirosumi Izawa, Quality & Safety Management Unit

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

Business Activities

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CSR Activities

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Business Units (Japan)

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

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

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

Major Achievements in Fiscal 2016

- Achieved revenue of ¥120.2 billion (up 9.2% year on year)
- Although revenue was impacted by the NHI drug price revisions instituted in April 2016, we were able to achieve revenue growth that exceeded the market average thanks to government measures for promoting generic usage and the benefits of new products. Levofloxacin tablet, which was launched in December 2014 as the Group’s first AG in Japan, continued to earn strong praise, maintaining a share of approximately 50% of the generic market.
- Expanded product portfolio

We launched generic drugs with two new active ingredients in June 2016 and two new AGs in December, bringing our total portfolio to 163 products with 66 active ingredients. In order to strengthen our AG lineup, a central pillar of our 5-year business plan, we acquired manufacturing and marketing approval for AGs with 10 new active ingredients in February 2017, including AGs for such major drugs as olmesartan, the telmisartan family, and rosuvastatin. These products were not limited to AGs of Daiichi Sankyo products but also included AGs for which permission was acquired from other companies.

Initiatives for Fiscal 2017

- Reinforce operating foundations and prepare to launch major products

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

Examples of CSR Activities

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

Business Units (Japan)

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

- Initiatives to become a trusted medical partner to healthcare professionals and patients

Examples of CSR Activities

- Initiatives to become a trusted medical partner to healthcare professionals and patients

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

Sales & Marketing Unit 5-Year Business Plan

- Enhance our reputation as an ethical, trusted, and respected partner
- Advance field and product strategies based on information provision activities (BRIDGE)*
- Bright Days Together (BRIDGE): By providing accurate information and products with an emphasis on the importance of interprofessional connections, we aim to form a bridge to brighten up patients, their families, and healthcare professionals. In addition, we hope that our ongoing efforts in this area will enhance Daiichi Sankyo’s reputation as an ethical, trusted, and respected partner.
- Construct systems and functions compatible with operating environment changes
- Promote multichannel approach

Major Achievements in Fiscal 2016

- Achieved revenue of ¥447.8 billion (up 1.9% year on year)
- Revenue was impacted by national health insurance (NHI) drug price revisions and increased prescriptions of generic drugs. Nonetheless, overall revenue was up due to increased revenues from mainstay products, including LIVANA, an anti-coagulant; XELODA; an ulcer treatment; Memory, an Alzheimer’s disease treatment; PRALIA; an atropine treatment; RAMARK, a treatment for bone metastasis associated with cancer; Effient, an antiplatelet agent; and TELENTRA, a type 2 diabetes mellitus treatment.
- MRs ranked No. 1 for first consecutive year
- In fiscal 2016, Daiichi Sankyo was ranked No. 1 in Japan in an overall assessment of MR activities in both the entire market and the hospital and private practice market categories. In the entire market category, we have maintained the top ranking for five consecutive years beginning with fiscal 2012. In addition, we have also been ranked No. 1 in media surveys by Nikkei Medical and other publications.
- Survey conducted by ARTERO Inc.

Initiatives for Fiscal 2017

- Achieve rapid growth in sales of mainstay innovative pharmaceuticals
- We will continue to expand our business by achieving rapid growth in sales of mainstay innovative pharmaceuticals, including LIVANA as well as XELODA, Effient, type 2 diabetes mellitus treatment TELENTRA, CANALIUL, and CANALIAL: PRALIA; RAMARK; and epilepsy treatment VIPAMAT.
- Build upon MR activities based on BRIDGE

By providing accurate information and products with an emphasis on the importance of interprofessional connections, we aim to form a bridge to brighten up patients, their families, and healthcare professionals. In addition, we hope that our ongoing efforts in this area will enhance Daiichi Sankyo’s reputation as an ethical, trusted, and respected partner.
- Enhance information provision capabilities through multichannel approach

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

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

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

Daiichi Sankyo Group Value Report 2017
As vaccines become increasingly more important to Japanese society, the Vaccine Business Unit is working to contribute to public health in Japan by creating innovative vaccines that address social needs and reliably supplying high-quality vaccines.

Vaccine Business Unit 5-Year Business Plan

- Establish stable and low-cost supply systems
- Complete the establishment of a development and production system for new influenza vaccines
- Maintain reliable supplies and reduce costs to secure profits
- Advance project for establishment of a development and production system for new influenza vaccines
- Develop and encourage early adoption of new influenza vaccines bottling potential for high efficacy and new, exceptionally convenient combination vaccines
- Open application project spearheaded by the Ministry of Health, Labour and Welfare to establish development and production systems for new influenza vaccines and secure serums for swift supply in the case of influenza outbreaks or pandemics

Major Achievements in Fiscal 2016

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

Initiatives for Fiscal 2017

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

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

Examples of CSR Activities
- Provision of product information in various languages via the website

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

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

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

Major Achievements in Fiscal 2016

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

Daiichi Sankyo Healthcare Revenue (Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
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<tbody>
<tr>
<td>7.0%</td>
<td>67.3</td>
<td>53.4</td>
<td>66.7</td>
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</table>

Major Brands of Daiichi Sankyo Healthcare
- LuLui S
- MIVON
- Transina

Initiatives for Fiscal 2017

- Expand new product pipelines based on consumer perspective In April 2017, two new organizations were established, one equipped with marketing research, product planning, and learning functions and the other designed to quickly reflect customer input in business activities. Through these new organizations, we will formulate product strategies and conduct product planning based on a consumer perspective to cultivate strong brands and products that win customer favor.
- Maximize revenue of the LuLui S and LuLu brands and further expand skincare and oral care brand revenue in OTC business

Examples of CSR Activities
- Provision of product information in various languages via the website

Examples of CSR Activities
- Expand sales of Im’s mainstay RICE FORCE brand and launch new BRIGHTAGE skincare brand in direct marketing operations Leveraging Im’s infrastructure and know-how, we will seek to quickly cultivate the new BRIGHTAGE brand to further grow skincare product sales.
- Expand overseas operations in China MIVON Amino Moist will be positioned as a strategic brand in China, which we entered into with the establishment of a Group operating site in 2016, and other countries as we endeavor to expand into new areas.
Daiichi Sankyo, Inc., is branching out from the cardiovascular field, which centers on physicians in private practices, to transform into a company with product portfolios for the pain, oncology, and other specialty fields. This company is committed to contributing to the advancement of medicine in the United States by supplying new drugs that help people live longer and healthier lives and providing reliable evidence based on high-quality clinical and outcomes data.

Daiichi Sankyo, Inc., 5-Year Business Plan

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

Major Achievements in Fiscal 2016

- Achieved revenue of US$1,312 million (down 14.8% year on year)
- Effient, but total sales revenue decreased due to the impact of LOE of olmesartan.
- Grew MOVANTIK, a treatment for opioid-induced constipation (OIC)
  Co-promoting with AstraZeneca, the co-promotion revenue was US$38 million increased by US$2 million on year.
- Integrated LPI sales force into DSAC
- Launched Injectafier into new key markets for the treatment of iron deficiency anemia, with a priority on gastrointestinal conditions (GI). Follow up with women’s health, cardiovascular and other key markets where unmet medical needs exist.
- Bolstered our pain franchise
  Signed licensing agreement with Inspiration Delivery Sciences, LLC for two ADF opioids: MorphaBond ER (morphine sulfate) and RospaBond (oxycodone hydrochloride). Launched www.CommitmentsToPainCare.com, which hosts an overview of our company’s approach to responsible pain management and our dedication to being part of the solution to controlled substance abuse as we prepare to enter the opioid marketplace.
- Divested packaging plant in Bethlehem

Initiatives for Fiscal 2017

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

Examples of CSR Activities

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

Luitpold Pharmaceuticals, Inc.

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

Luitpold Pharmaceuticals 5-Year Business Plan

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

Major Achievements in Fiscal 2016

- Achieved revenue of US$112 million (up 7.2% year on year)
- Initiated business collaboration on Injectafier with DSAC
  Expanded market reach by leveraging the established market presence in Hem/Onco and marketing excellence.
- Initiated phase 3 trial to investigate Injectafier for heart failure patients with iron deficiency
- Expanded generic injectable portfolio
  Submitted 4 ANDAs and gained 1 ANDA approval.
- Accelerated new Drug Approvals
- Enhanced manufacturing capabilities
  Started capital investment to become a one of top players in the U.S. generic injectable market.

Initiatives for Fiscal 2017

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

Examples of CSR Activities

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

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**Business Units (Europe)**

**Daiichi Sankyo Europe GmbH**

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

**Daiichi Sankyo Europe 5-Year Business Plan**

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

**Major Achievements in Fiscal 2016**

- Achieved revenue of €597 million (up 1.8% year on year)
- Further launches of LIKANIA
- LICANIA launched in five European countries (Germany, the United Kingdom, the Netherlands, Switzerland and Ireland) in Fiscal 2015, launched in Belgium, Spain, Italy, Austria and Portugal in Fiscal 2016.
- Partnership with LIKANIA
- Agreement for a sales partnership with MSD for the distribution rights for LIKANIA in 14 Northern and Central Eastern European countries as well as agreed with Servier Russia in 15 Russia and CIS countries.
- LIKANIA launched in Sweden, Norway and Denmark via the partnership with MSD.

- Merck Sharp & Dohme Corp.: a European subsidiary of Merck & Co., Inc.
- Very good performance of LIKANIA in Germany
- Since its launch, LIKANIA has grown steadily and the market share reached 7.2% in March 2017.

**Initiatives for Fiscal 2017**

- Grow market share of LIKANIA in countries where DSE has a presence
- Launch LIKANIA in more European countries via partnerships
- Strengthen life-cycle management (LCM) activities
- Our longest and largest pivotal studies as well as our ongoing clinical research program help to reassure healthcare professionals of the dosing, safety and efficacy when prescribing LIKANIA to their patients.

**Examples of CSR Activities**

- Receipt of Award for Patient-Accommodating Package Design

**ASCIA Company**

**ASCIA Company 5-Year Business Plan**

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

**Major Achievements in Fiscal 2016**

- Achieved revenue of ¥721 billion (down 4.2% year on year)
- Revenue was down year on year due to the impacts of foreign exchange rate movements. Nonetheless, we witnessed steady growth in revenue in each country of operation when calculated on a local currency basis. Factors contributing to this growth included efforts to maximize sales of Cravit, Olmetec, and other mainstay products as well as the proactive utilization of external resources through alliances (joint sales and promotions) and product in-licensing. In China, specifically, we strengthened coordination with local alliance partners and thereby achieved increases in sales of products including Cravit, Amepron, a cough suppressant and expectorant; Olmetec; and Mevastat.
- Launched and expanded sales of LIKANIA
- In South Korea, where LIKANIA saw its first ASCIA region launch in February 2016, the share of sales accounted for by this product grew steadily, coming to 15.6% on March 31, 2017. In addition, we were able to release LIKANIA in Taiwan, Hong Kong, and Thailand in fiscal 2016.

**Initiatives for Fiscal 2017**

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

**Examples of CSR Activities**

- Cultivation of healthcare workers in China
- CPR training in South Korea

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**[Page 80]**
The R&D Unit is tasked with utilizing the R&D capabilities of Daiichi Sankyo to foster over the years as a drug discovery-oriented company in order to continuously create innovative pharmaceuticals. Our passion is to develop treatments and preventive methods that can improve patients’ health and become global standards of care.

R&D Unit 5-Year Business Plan

- Continuously generate innovative pharmaceuticals changing the standard of care in the primary focus area of oncology as well as the new horizon areas of pain, central nervous system diseases, heart and kidney disease, and rare diseases

- Acquiring approval of at least two major indications per year
- Proceed to phase 3 with at least four major indications per year
- Enter phase 1 with at least nine molecular entities per year

Major Achievements in Fiscal 2016

- Promoted open innovation Daiichi Sankyo commenced joint research with Asahikawa Medical University regarding capillary stem cells (Cap5C) in April 2016 and also began research on new immunology-oncology treatments with the National Institutes of Biomedical Innovation, Health and Nutrition in March 2017.
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Fiscal 2017 Major R&D Milestone Events

- Pass major milestones identified for fiscal 2017
- Entrench operation of Cancer Enterprise and activate further
- The R&D Unit will accelerate development and maximize the value of DS-8201 and other compounds belonging to either the ADC or AML Franchise
- Optimize R&D procedures for cardiovascular-metabolic and other therapeutic areas
- Improve productivity in research, translational research, biomarker and companion diagnostic, and development
- Enhance portfolio of competitive pipelines
- Increase and open innovation activities will be stepped up
- Efficiently and effectively manage financial and human resources
- Pre-examination to predict the effects and adverse drug reaction risks of specific pharmaceuticals in individual patients

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

<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Therapeutic area</strong></td>
<td><strong>Conduct trials on healthy volunteers to assess safety of drug, including side effects</strong></td>
<td><strong>Conduct trials on a small group of patient volunteers to assess safety, efficacy, dosage, and administration regimen</strong></td>
</tr>
<tr>
<td>Oncology</td>
<td>DS-8201 (anti-HER2 ADC)</td>
<td>PD-1/FDAC (anti-HER2/2 ADC)</td>
</tr>
<tr>
<td>Cardiovascular Variables</td>
<td>DS-1040 (US)</td>
<td>ISIS-3010 (DMF nephropathy/MR antagonist)</td>
</tr>
<tr>
<td>Others</td>
<td>Lanninancer (US)</td>
<td>Mitoban (US)</td>
</tr>
</tbody>
</table>

Examples of CSR Activities

- Initiatives based on R&D ethics - Good clinical practice and other development-related training
Biologics Unit 5-Year Business Plan

- Contribute to accelerating launch of DS-8201 and other ADC franchise drugs
- Develop manufacturing technologies and clinical acceleration for biologics

Initiatives for Fiscal 2017

- Prepare for accelerating commercialization of DS-8201
- Swiftly launch products under development and enhance technology platforms through promotion of development projects
- The on-schedule supply of antibody drug substances will be pursued to maximize the value of DS-8201 and other biologics through swift launches and expansion of indications. The Biologics Unit will accumulate experiences through these efforts to further enhance technology platforms.
- Deploy advanced multi-modality strategies
  The Biologics Unit will establish competitive and innovative modality technologies for next-generation ADCs, peptides, nucleic acids, and other substances and make contributions to new drug discovery projects through coordination with the R&D Unit. (See table below)

Deployment of Multi-Modality Strategies

<table>
<thead>
<tr>
<th>Modality (Molecule Type)</th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Antibodies</td>
<td>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</td>
</tr>
<tr>
<td>Antibody drug conjugates (ADCs)</td>
<td>Utilize Daichi Sankyo’s globally competitive, original T-cell-activated antibody to cultivate important platforms for conducting drug discovery in the immunology field</td>
</tr>
<tr>
<td>Bispecific antibodies</td>
<td>Antibodies with two antigen-binding sites enabling them to bind to different types of antigens</td>
</tr>
<tr>
<td>Proteins and peptides</td>
<td>Newly designed and prepared proteins and peptides that do not exist naturally in the human body</td>
</tr>
<tr>
<td>Nucleic acids (DNA oligonucleotides, etc.)</td>
<td>Natural nucleic acids, which contain DNA, RNA and other genetic information, and modified nucleic acids</td>
</tr>
<tr>
<td>Vaccines and adjuvants</td>
<td>Provide preventative medicine and treatment benefits through development of adjuvants that are administered together with vaccines to augment their effectiveness</td>
</tr>
<tr>
<td>Viruses</td>
<td>Provide innovative treatment methods for previously difficult to treat diseases, such as modifying viruses for therapeutic purposes, administering normally functioning cells to support the functioning of abnormal cells, and utilizing cells from a patient or another individual to treat diseases</td>
</tr>
<tr>
<td>Cells</td>
<td>Target development platform for oral administration modalities for peptides</td>
</tr>
</tbody>
</table>

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

Pharmaceutical Technology Unit 5-Year Business Plan

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

Initiatives for Fiscal 2017

- Advance CMC strategies and reinforce fundamental technologies for ADC development
  In addition to promoting the transfer of technologies to prepare for commercial production of DS-8201, the Pharmaceutical Technology Unit will acquire fundamental ADC technologies and apply these technologies to pipelines. In addition, CMC strategies will be formulated and implemented to facilitate applications and approvals for ADC franchise drugs.
- Medicine manufacturing and controls strategies: R&D strategies pertaining to drug substances, formulations, and quality aim to maximize the value of pharmaceuticals.
- Accelerate and improve efficiency of development projects to enhance product pipelines
  Accelerate development of anticancer drugs while also enhancing technology management to maximize product value.
- Develop and utilize advanced technologies
  New technologies will be developed and utilized in regard to the manufacture and quality assessment of drug substances and formulations.
- Swiftly and effectively launch under-development products to increase earnings
  Supply investigational drugs and transfer manufacturing technologies as required by development strategies in a timely and waste-free manner while steadily submitting applications and receiving approval.

Formulation Technologies Catering to Diverse Needs

- LIXIANA anticoagulant OD tablets (orally disintegrating tablets)
  Easy-to-use medicine Tablets that dissolve in the mouth without water
  Tablets that are easy to preserve and transport
- Naranapar Tablets ( Immediate-release tablets)
  Immediate-release tablets
- Naranapar Tablets (extended-release tablets)
  Extended-release tablets
- Oxycodeine
  Pain control as part of total cancer care

Examples of CSR Activities

- Incorporation of input from overseas healthcare professionals into formulation development
Functional Units

Supply Chain Unit

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

Supply Chain Unit 5-Year Business Plan

- Transform and rebuild supply chain structures adopted to change the product volume and the product mix in the medium-to-long term
- Advance cost reduction measures globally
- Establish new manufacturing systems and absorb new technologies based on pipeline and life-cycle management strategies

Major Achievements in Fiscal 2016

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

Initiatives for Fiscal 2017

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

Transition to Supply Chain Compatible with Shift to Oncology and Biologics

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

Drastic changes in product mix

Introduction of new technologies and equipment

Quality & Safety Management Unit

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

Quality & Safety Management Unit 5-Year Business Plan

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

Major Achievements in Fiscal 2016

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

Initiatives for Fiscal 2017

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

Examples of CSR Activities

- Good vigilance practice training related to pharmaceutical safety ———————————- Page 106

Examples of CSR Activities

- Sustainable Procurement Promotion ———————————- Page 77

Examples of CSR Activities

- Patient safety
- Quality & Safety Management
- Product quality
- Regulatory affairs
- Reliability
- Data / application material

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Examples of CSR Activities

- Patient safety
- Quality & Safety Management
- Product quality
- Regulatory affairs
- Reliability
- Data / application material
Medical Affairs Division

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

Medical Affairs Division 5-Year Business Plan

- Conduct large-scale observational studies for prasugrel and evoxaban and collect clinical evidence
- Create and distribute information on priority drugs and new products based on the Medical Strategies
- Develop more sophisticated medical affairs systems corresponding to environment changes
- Strive to improve customer loyalty
- Enhance medical information (information related to pharmaceuticals)
- Entrench practice of utilizing Voice of Customer (VOC)
- Strategies for improving product value and establishing and increasing Daiichi Sankyo's market presence that entail identifying clinical questions and creating and distributing information in response to these questions

Major Achievements in Fiscal 2016

- Quickly achieved target enrollment of large-scale observational studies for prasugrel and evoxaban
- Started new clinical research for collecting clinical evidence in relation to priority drugs
- Established Daiichi Sankyo Medical Library as a new information distribution tool
- New tool for distributing medical information to healthcare professionals through the Internet
- Established guidance for Medical Affairs Division staff when interacting with individuals from outside of the Company and conducted education programs to improve compliance
- Formulated grand design for new global systems and decided to appoint medical science liaisons inside Japan organizations
- Position responsible for collecting clinical evidence and identifying and answering clinical questions by engaging in medical and scientific discussions with healthcare professionals and researchers and by promoting clinical research and academic activities
- Ranked No. 1 in inquiry responses by pharmacists working in pharmacies utilizing health insurance plans
- Based on a survey we conducted through an outside private research company

Initiatives for Fiscal 2017

- Create and distribute information based on the enhancement of Medical Strategies for evoxaban (domestically and globally)
- Create and distribute information based on the enhancement of Medical Strategies for prasugrel and other priority drugs
- Execute measures for reinforcing domestic functions and systems and construct and institute global systems
- Enhance medical intelligence
- Meaningful (valuable) information that has been created by collecting, integrating, evaluating, and analyzing medical information
- Continue to be ranked No. 1 in inquiry responses by pharmacists working in pharmacies utilizing health insurance plans
- Examine the possibility of introducing artificial intelligence (AI) technologies to reinforce inquiry response functions

Value Linkage Based on Medical Strategies

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

Information Distribution

Hold academic events as a part of Medical Affairs

Information Collection

Referred to key opinion leaders
Consolidating academic events and thesaurus information

Information Creation

Promote company-sponsored clinical research
Support investigator-sponsored clinical research
Perform non-clinical research on marketed products
Publish theses and make academic announcements

Information Analysis and Evaluation

Identify clinical questions
Formulate medical strategies

Examples of CSR Activities

- Communication with healthcare professionals and patients
The Daiichi Sankyo Group’s CSR Activities

CSR Activities Based on the DAIICHI SANKYO Group Corporate Conduct Charter

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

CSR Activities for Addressing Diverse and Changing Sustainability Issues

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

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

2. Arrange CSR Issues into Priority Areas for CSR Activities
   The 36 CSR issues related to CSR activities were further organized and arranged into six priority areas for activities: 1. Promoting compliance management 2. Mutual growth of employees and the Company 3. Enhancement of communication with stakeholders 4. Promoting environmental management 5. Improving access to healthcare 6. Social contribution activities (See “Issues to Be Addressed as Part of Responsible Corporate Activities” on the right.)

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The Daiichi Sankyo Group’s SDGs Initiatives

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

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A list of the Daiichi Sankyo Group’s initiatives related to the SDGs can be found on its corporate website.

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Issues to Be Addressed as Part of Responsible Corporate Activities

- Promoting Compliance Management (12 Issues)
  - Observe Group-wide codes of conduct
  - Anti-corruption
  - Ensure transparency of corporate activities
  - Conduct clinical trials in accordance with ICH-GCP
  - Ensure product quality and safety
  - Ethical marketing practices
  - Consider bioethics and genetic resources
  - Sustainable procurement
  - Report on critical recalls
  - Report on breach of laws and legal cases
  - Respect human rights in business activities
  - Tax strategy

- Mutual Growth of Employees and the Company (8 Issues)
  - Develop human resources
  - Acquire and retain talented individuals
  - Promote diversity
  - Communication between labor and management
  - Respect human rights in labor practices
  - Pay equal wages to men and women
  - Promote work-life balance
  - Prevent occupational accidents

- Enhancement of Communication with Stakeholders (5 Issues)
  - I dentify, respond to, and disclose material CSR issues
  - Improve customer satisfaction
  - Respond to complaints
  - Stakeholder engagement
  - External verification for CSR reports

- Improving Access to Healthcare (4 Issues)
  - Address climate change
  - Manage chemical substances
  - Control water usage volumes
  - Manage waste
  - Preserve biodiversity
  - Receive ISO 14001 and other environmental management system certifications

- Social Contribution Activities (1 Issue)
  - Conduct social contribution activities suited to a pharmaceutical company

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

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CSR Targets (5-Year Business Plan) and Progress

<table>
<thead>
<tr>
<th>Priority Areas for CSR Activities</th>
<th>Targets</th>
<th>Initiatives and Accomplishments in Fiscal 2016</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoting Compliance Management</td>
<td>• Dissemination of global compliance policies, such as the Daiichi Sankyo Group Individual Conduct Principles</td>
<td>Established the Global Compliance Advisory Committee</td>
<td>P 76</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Formulated the Global Marketing Code of Conduct</td>
<td></td>
</tr>
<tr>
<td>Mutual Growth of Employees and the Company</td>
<td>• Human resources development to realize value creation and secure competitive advantage through our core values of innovation, integrity, accountability, and respect for diversity</td>
<td>Conducted Group talent management</td>
<td>P 78</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Advanced initiatives based on action plan for empowering women employees</td>
<td></td>
</tr>
<tr>
<td>Enhancement of Communication with Stakeholders</td>
<td>• Effective disclosure and evaluation/ improvement related to CSR and ESG</td>
<td>Maintained inclusion in ESG indices</td>
<td>P 74</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Actively communicated with stakeholders and investors</td>
<td>P 81</td>
</tr>
<tr>
<td>Promoting Environmental Management</td>
<td>• Reducing environmental impacts and risks and addressing climate change (Prist 2020 CO2 emissions target: 5.6% reduction from fiscal 2015)</td>
<td>Achieved 4.0% reduction in CO2 emissions from fiscal 2015 in fiscal 2016</td>
<td>P 84</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Received an award related to energy conservation</td>
<td>P 85</td>
</tr>
<tr>
<td>Improving Access to Healthcare</td>
<td>• Promoting R&amp;D for intractable diseases, rare diseases, and global health</td>
<td>• Participated in Access Accelerated Initiative</td>
<td>P 86</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Provided health care field clinics, healthcare professional development, and health and hygiene training for locals in regions facing a lack of medical infrastructure</td>
<td>P 87</td>
</tr>
<tr>
<td>Social Contribution Activities</td>
<td>• Advance activities based on global and regional needs</td>
<td>• Disbursed employee solutions as part of ongoing support for the Coastal Forest Restoration Project</td>
<td>P 86</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Provided support for post-Great East Japan Earthquake reconstruction</td>
<td>P 87</td>
</tr>
</tbody>
</table>
Promotion of CSR Activities

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

Corporate Ethics Committee (Secretariat: Legal Affairs Department)
The Corporate Ethics Committee promotes management that complies with domestic and international laws and regulations as well as corporate ethics and fulfills our CSR. In fiscal 2016, its committee met twice, in July 2016 and February 2017.
Chairperson: Compliance officer (Head of the Corporate Affairs Division)
Members: The committee consists of 11 members including 10 members internally appointed by the chairperson and an external attorney for ensuring the transparency and reliability of the committee.

Environmental Management Committee (Secretariat: CSR Department)
The Environmental Management Committee promotes environmental management, which elaborates to reduce environmental burden and harmonize with global environment and contributes to building sustainable society through overall corporate activities. In fiscal 2016, its committee met twice, in June 2016 and March 2017.
Chairperson: Chief executive officer of environmental management (Head of the Corporate Affairs Division)
Members: The committee consists of 12 members, including the Environmental Management Officer (vice president of the CSR Department).

Social Contributions Committee (Secretariat: CSR Department)
The Social Contributions Committee promotes social contribution activities from the perspective of fulfilling CSR as a good corporate citizen. In fiscal 2016, its committee met once each quarter.
Chairperson: Head of the Corporate Affairs Division
Members: The committee consists of 6 members appointed by the chairperson.

The chairperson and members of each committee described above are as of April 1, 2017. The CSR Department works to identify sustainability issues and, based on the global management structure (see page 54), collaborates with relevant divisions and Group companies to support and promote the Group’s CSR activities.

External CSR and ESG Evaluations and CSR Communication

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

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

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

### CSR Communication

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

<table>
<thead>
<tr>
<th>CSR Issues</th>
<th>Topics Covered in Value Report 2017</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance</td>
<td>Financial accounting and disclosure</td>
<td>75</td>
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<tr>
<td>Risk Management</td>
<td>Risk management and control systems</td>
<td>75</td>
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<tr>
<td>Environmental Management</td>
<td>Environmental management and impact</td>
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<td>Human Rights</td>
<td>Human rights management and impact</td>
<td>75</td>
</tr>
<tr>
<td>Labor Relations</td>
<td>Labor relations management and impact</td>
<td>75</td>
</tr>
<tr>
<td>Corporate Citizenship</td>
<td>Corporate citizenship management and impact</td>
<td>75</td>
</tr>
</tbody>
</table>

**CSR Issues and Initiatives**

<table>
<thead>
<tr>
<th>CSR Issues</th>
<th>Topics Covered in Value Report 2017</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoting Compliance Management</td>
<td>Controls over financial reporting and disclosure</td>
<td>75</td>
</tr>
<tr>
<td></td>
<td>Policies and procedures for preventing x and y violations</td>
<td>75</td>
</tr>
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<td></td>
<td>Compliance training and educational activities</td>
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<td></td>
<td>Reconciliation of the results of the compliance program</td>
<td>75</td>
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<td></td>
<td>Compliance incentives and惩戒 mechanisms</td>
<td>75</td>
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<td></td>
<td>Senior management involvement in compliance management</td>
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<td></td>
<td>Remediation measures for compliance violations</td>
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<td>Reporting compliance information to stakeholders</td>
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<tr>
<td>Mutual Growth of Employees and the Company</td>
<td>Employee engagement and development</td>
<td>75</td>
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<td></td>
<td>Employee development and training programs</td>
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<td></td>
<td>Employee diversity initiatives</td>
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<td></td>
<td>Employee performance management</td>
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<td></td>
<td>Employee compensation and benefits</td>
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<td></td>
<td>Employee health and safety management</td>
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<td>Employee communication with stakeholders</td>
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<td></td>
<td>Employee representation and participation</td>
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<td>Employee development and training programs</td>
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<td>Employee communication with stakeholders</td>
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<td></td>
<td>Employee representation and participation</td>
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<td>Customer engagement and development</td>
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<td>Customer satisfaction management</td>
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<td>Customer diversity initiatives</td>
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75 Daihichi Sankyo Group Value Report 2017
Promoting Compliance Management

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

Basic Policy

At the Daiichi Sankyo Group, we define integrity as one of our Core Values. We have therefore positioned compliance as the standard we use in making decisions and value judgments. In conducting our global business operations, we remain compliant with all relevant laws and regulations and conduct compliance management with a strong focus on ensuring the highest level of ethics and social consciousness, which is essential for a life science–oriented company. To guide us in these efforts, we have established the Daiichi Sankyo Group Corporate Conduct Charter and the Daiichi Sankyo Group Individual Conduct Principles (ICP), which are applied throughout our operations. Based on the essence of the Charter and the ICP, the Company and other Group companies have developed compliance conduct standards appropriate to their respective regions and social requirements. Awareness regarding these standards is being entrenched among all executive officers and employees.

Directives for Initiatives

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

Examples of Initiatives

Continued Operation of the Compliance System

The vice president of the Legal Affairs Department of the Company plays a central role in promoting compliance throughout the Daiichi Sankyo Group and the Compliance Group positioned within this department is responsible for advancing concrete activities (see “Voice” on page 77). In Japan, the head of the Corporate Affairs Division serves as the compliance officer, a position that entails managing our entire compliance program, which includes the Daiichi Sankyo Code of Conduct for Compliance and related rules and annual objectives. The compliance officer also serves as the chairperson of the Company’s Corporate Ethics Committee in Japan. This committee is a deliberation and decision-making body for compliance that meets twice per year, in principle, and is made up of 11 members, including the chairperson and nine other internal representatives as well as an appointed external attorney, who ensures that the committee operates in a transparent and reliable manner.

In addition, a compliance officer is appointed at each Group company in Japan and overseas to promote and oversee compliance programs at their respective company. In April 2016, we established the Global Compliance Advisory Committee as an advisory organ to the Corporate Ethics Committee to further evolve our global compliance system. Full-time members of the new committee include compliance officers from subsidiaries in Europe and the United States, and the committee is responsible for examining the global policies and annual targets of the Group.

Establishment of Global Marketing Code of Conduct

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

Initiatives for Anti-Corruption

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

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

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

Sustainable Procurement Promotion

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

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

R&D Ethics

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

Other Initiatives

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

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

Shunsuke Matsumoto
Senior Director, Compliance Group Legal Affairs Department, Corporate Affairs Division
Daiichi Sankyo Co., Ltd.
Mutual Growth of Employees and the Company

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

Basic Policy

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

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

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

Directives for Initiatives

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

Examples of Initiatives

Group Talent Management

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

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

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

Efforts to Secure and Retain Human Resources

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

Support for the Career Development and Work Styles of Diverse Employees

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

Initiatives Based on Action Plan for Empowering Women

In Japan, to further empower the women in our workforce, the Daiichi Sankyo Group seeks to address three main tasks: (1) supporting work-life balance, (2) encouraging the professional development of women employees, and (3) fostering a positive workplace culture. We are implementing a wide range of initiatives to address these tasks including providing various training programs and enhancing systems for supporting work-life balance. Furthermore, in February 2017 we established the Shining Women’s Advancement Network (SWAN), a network for women managers, and held a forum for discussing with senior management for members of this network. We plan to continue holding such forums in order to give management an opportunity to express its support for the contributions of women managers and to provide a venue for network members to share their concerns and contribute to each other’s growth and development in addition to their own (See “Voice” below).

Initiatives Promoting Respect for Human Rights

The Daiichi Sankyo Group is promoting the development of a workplace environment in which a diverse range of employees can readily and respectfully work with one another. In Japan, we conduct ongoing training related to human rights for all employees—from newly hired employees to management. In addition to implementing daily awareness raising activities, we have implemented training that uses case studies and is designed to improve the counseling skills of the Harassment Call Center staff.

This staff is stationed at each work location within Japan and at the labor union. Each and every alleged violation is treated seriously; we emphasize appropriate behavior and seek the opinions of external individuals, including legal counsel, and put necessary preventative measures in place to avoid a recurrence. In addition, we have made hotlines available on an individual country and global basis as venues for consultation and reports on human rights and labor issues. These hotlines can be accessed 24 hours a day and are available to individuals both inside and outside of the various member companies of the Daiichi Sankyo Group, and assistance is provided as needed. We have also created tools to help facilitate understanding with regard to the Ten Principles in four areas of the United Nations Global Compact (UNGC), and these tools are deployed at domestic and overseas Group companies.

Communication with Labor Unions

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

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

Promotion of Occupational Health and Safety

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

Other Initiatives

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

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

Creation of a Company Where All Women Can Shine

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

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

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

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

Directives for Initiatives

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

Examples of Initiatives

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

In Japan, surveys5 of physicians are conducted to encourage ongoing improvement in the MR activities of pharmaceutical companies. In fiscal 2016, Daichi Sankyo was ranked No. 1 in Japan in an overall assessment on MR activities by surveyed physicians in the entire market, hospital, and private practice market categories. Our Medical Information Center strives to serve patients and healthcare professionals respectfully and empathetically by delivering accurate information in response to inquiries regarding Daichi Sankyo pharmaceuticals. The Center puts into practice its four commitments: providing highly specialized information, making consistent and high-quality responses, addressing customers cordially, and utilizing customer feedback. In fiscal 2016, the customer’s perspective was adopted in implementing initiatives for allowing for quicker connection to an operator, ensuring explanations are easy to understand, and improving response speeds. As a result of these efforts, in fiscal 2016 Daichi Sankyo’s Medical Information Center was ranked No. 1 among several pharmaceutical companies in terms of overall customer satisfaction based on a questionnaire survey 6 of Japanese pharmacies for the second consecutive year. Moreover, the Center ranked No. 1 in all items in the fiscal 2016 survey (See “VOICE” on page 81).

5 Survey conducted by ANTERIO Inc.
6 Survey conducted through an outside private research company

- Incorporation of Input from Overseas Healthcare Professionals into Formulation Development
Daichi Sankyo seeks to develop formulations that provide value in the forms of ease of use, satisfaction, and peace of mind through attentiveness to the true needs seen in the medical field. Part of our approach to accomplishing this goal is communication with patients and healthcare professionals. As one facet of these activities, researchers involved in formulation development visit overseas pharmacies and hospitals in order to solicit direct feedback from the healthcare professionals working therein and develop an understanding of customer needs from a global as well as Japanese perspective. Through coordination with overseas Group companies, we were able to expand the scope of these visits. Continuing the tradition started by visits to the United States and Brazil in fiscal 2014, researchers visited medical institutions in South Korea and China in fiscal 2016. These activities have also had a positive side effect in the form of increased desire to contribute to society among researchers.

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

Communication with Shareholders and Investors

The Company engages in timely and proactive disclosure of information for shareholders, investors, and other market players based on the principles of transparency, impartiality, and continuity and in compliance with disclosure regulations. In fiscal 2016, our IR activities included the General Meeting of the Shareholders held in Osaka. We also conducted quarterly financial results presentations and conference calls by the president and CEO, R&D Day, and the Daichi Sankyo Seminar for Investment. In addition, we participated in conferences held by securities companies and visited and held teleconferences with institutional investors. These activities were conducted approximately 300 occasions both in and outside of Japan.

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

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

Communication with Local Communities

- Operation of the Daichi Sankyo Kusuri Museum
We opened the doors of the Daichi Sankyou Kusuri Museum in 2012. This facility is entering its sixth year of operation, and an aggregate total of 74,000 people 7 have visited over the years. Museum exhibits include those that provide easy-to-understand explanations of the activities of pharmaceutical companies and the proper usage of medicine. Located in the Nihonbashi district of Tokyo, which has historically been associated with medicine, the facility welcomes visitors of all ages, and is even used for company training, school trips, and industry research by job hunters as well as by parents aimed at fostering a sense of curiosity in their children.

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

- A venue which offers an entertaining, “experienced-based” learning opportunity to visitors, introducing medicine in an accessible, easy-to-understand way

- As of April 2017

Other Initiatives

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


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

VOICE

Contribution to Medicine through Cordial and High-Quality Responses
The Medical Information Center receives around 500 inquiries from healthcare professionals and patients every day. Inquiries can be incredibly varied as they relate to Daichi Sankyo’s approximately 200 products.

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

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

Based on the slogan of “Trust built with every word of thanks,” the entire Medical Information Center team is working toward our shared goal of providing earnest responses that leave customers with inquiries satisfied.
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 environmental risks and address climate change issues across the entirety of our business operations.

Basic Policy

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

Auditing Environmental Management

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

Examples of Initiatives

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

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

Auditing Environmental Management

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

Directive for Initiatives

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

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.

Conserving Energy

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

Adapting on Climate Change and Combating Global Warming

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

To facilitate responsible corporate activities that address climate change, we have set a CO₂ emissions target for fiscal 2020—the final year of the 5-year business plan—of pursuing a 3.6% reduction from fiscal 2015 based on our long-term CO₂ emissions target for fiscal 2030 and the approach of the Science Based Targets (SBT) initiative. This target led to Daiichi Sankyo being the second Japanese company certified by the SBT initiative, and the Company’s SBT-minded initiatives are used as an example by the Ministry of the Environment as it attempts to promote the activities of SBT.

In fiscal 2016, CO₂ emissions were 4.0% lower than in fiscal 2015.

* Science Based Targets (SBT): An international initiative that encourages companies to set CO₂ reduction targets based on scientific evidence in order to help accomplish the goal of the Paris Agreement of keeping the average increase in global temperature below 2°C.

Improving Environmental Performance Data Reliability

Aiming to improve the reliability of the information it discloses to stakeholders, Daiichi Sankyo receives third-party verification for its environmental performance data. In fiscal 2016, we expanded the scope of data for which this verification is sought to additionally include data on CO₂ emissions, water use, and wastewater emissions at two plants in China. In Japan, third-party verification is received for waste discharge as well as for biochemical oxygen demand (BOD) and chemical oxygen demand (COD), both of which are indicators of water pollution, of emissions into public water areas from production and research facilities. Through these efforts, we strive to improve the reliability of environmental performance data (See “External Voice” below).

Improving Awareness of the Need to Combat Global Warming

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

External Voice

Improvement of Information Disclosure Reliability through Third-Party Verification

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

In conjunction with this trend, companies are increasingly being expected to disclose non-financial information and to ensure the transparency and accuracy of this information. SGS Japan Inc. provides services for verifying the accuracy of information disclosed by companies from an independent, third-party perspective. For companies, these services enable them to increase the reliability and transparency of the information they disclose by receiving verification.

The Daiichi Sankyo Group has been receiving third-party verification for its CO₂ emissions data since fiscal 2015 with the aim of improving transparency and better fulfilling its responsibility to society. Beginning with fiscal 2016, the Group will be receiving verification for a greater number of items and a wider range of locations. I see this move as demonstrating the Daiichi Sankyo Group’s integrity in its quest to respond to society’s expectations by improving the reliability of the information it discloses.

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

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

Basic Policy

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

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

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

Examples of Initiatives

Participation in Access Accelerated Initiative

Daichi Sankyo participates in Access Accelerated, an initiative through which 22 pharmaceutical companies from Japan, the United States, and Europe work together with The World Bank Group and the Union for International Cancer Control to improve prevention, diagnosis, and treatment options for non-communicable diseases in low-income and lower-middle income countries. Access Accelerated is working toward achieving one of the targets under Goal 3 of the SDGs, specifically “By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.”

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

Mobile Healthcare Field Clinic Services in Tanzania

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

Cultivation of Healthcare Workers in China

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

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

Participation in the Global Health Innovative Technology Fund

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

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

Technical Cooperation for MR Vaccine Production

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

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

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

Other Initiatives

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


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

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

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

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

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

Voice

Mobile healthcare field clinic
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 Daichii Sankyo Group has established the Basic Group Social Contribution Policy, which guide various initiatives for contributing to other organizations and society as a whole. These initiatives aid in the advancement of medicine and pharmacology. We view our activities as inherently representing social contributions as our responsibility to society, and continue to identify the areas on which we should focus from among relevant social issues and challenges. In advancing initiatives, we emphasize collaboration with a wide range of stakeholders, such as NGOs, local volunteer groups, government organizations, and public-sector institutions. Furthermore, we view employees’ participation in volunteer activities as a chance for them to step away from their day-to-day work and experience a completely new perspective, with the goal of fostering concern for society. We believe that this broadening of one’s horizons helps link the healthy development of society with the sound development of the Company. We therefore are working to cultivate an environment and provide opportunities that support employees’ participation in volunteer activities.

Examples of Initiatives

Support for Cancer Patients and their Families
Daichii Sankyo has been holding the “Daichii Sankyo Presents Family Tie Theater” program in cooperation with the Shiki Theatre Company and NPO Cancer Support Community Japan every year since fiscal 2010. Through this program, we invite cancer patients and their family members to enjoy musicals by the Shiki Theatre Company out of our desire to help underscore the importance of family ties in supporting one another and to give them the strength to continue their fight against cancer. In fiscal 2016, eight employees volunteered from the Group to carry out this event. One comment received from a patient was “Please make new medicine that will allow cancer patients to have a more positive outlook.” Taking these sentiments to heart, Daichii Sankyo will continue to forge ahead with drug discovery (See “voice” on page 87).

Reconstruction Support Following the Great East Japan Earthquake
Daichii Sankyo endorses the ideals of the Coastal Forest Restoration Project, a long-term post-Great East Japan Earthquake reconstruction support program conducted by Natori City, in Miyagi Prefecture, and has been supporting this initiative since 2012. This project was commenced in 2011, with the aim of restoring the coastal forests that were lost to the tsunamis that followed the earthquake. Initiatives for accomplishing this goal include raising 500,000 seedlings of tree varieties, including Japanese black pine (Pinus thunbergii), and planting and caring for these trees and conducting other afforestation activities over an area of approximately 100 hectares by the time of the Tokyo 2020 Olympic and Paralympic Games. In September 2016, 23 employee volunteers from the Daichii Sankyo Group assisted in planting and caring for these trees. Specific tasks included clearing away wild soybean (Glycine soja), kudzu (Pueraria montana var. lobata), and other weeds around the Japanese black pine trees. Some volunteers participating in this project stated how it provided a good opportunity to reflect on the Great East Japan Earthquake with others commenting on how meaningful the project was and how important they felt ongoing support would be.

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

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

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

Other Initiatives

The Company updates its corporate website with information on the following initiatives.
- Advancement of medicine and pharmacology (scholarships, etc.)
- Environmental preservation activities (cleanup activities around operating sites, etc.)
- Developmental support for youths (community contributions through drug education for junior high school and high school students)

Directives for Initiatives

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

Activities as an Employee Volunteer

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

Tomoko Yosokasa
Administration and Quality Control Group, Clinical Development Department
Daichii Sankyo RD Nohue Co., Ltd.
Members of the Board and Members of the Audit and Supervisory Board (As of June 19, 2017)

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

In 2017, the following steps were taken to further enhance the Company’s corporate governance systems:

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

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

Characteristics of Daiichi Sankyo’s Corporate Governance

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

Overview of the Corporate Governance Structure

Corporation Governance

Response to Japan’s Corporate Governance Code

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

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

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

- 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 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 Board shall meet the requirements of being appropriate candidates with respect to term of office and age and of being suitably competent of performing timely and accurate judgment, looking at the changes in the business environment while giving importance of the continuity of management policies.
- 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.

Compensation Committee

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

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

- An introduction of the restricted stocks remuneration system serving as long-term incentive has been approved at the 12th Ordinary General Meeting of Shareholders which took place on June 19, 2017. The system was introduced in order to provide the Members of the Board (excluding Members of the Board (Outside)) with an incentive to sustainably increase the Company’s corporate value and to further promote shared value between shareholders and them, in place of the existing share remuneration-type stock option plan designed for them, as part of the revision to its remuneration package for Members of the Board.
- The level of remunerations is set aiming to provide medium to high level remunerations in the industrial sector, referring to the levels of other companies learned from the surveys of the General Meeting of Shareholders.
- In order to ensure that Members of the Board (Outside) and Members of the Audit and Supervisory Board adequately perform their role, which is supervision of management, short-term and long-term incentives are not provided and only basic remuneration is granted.

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

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

Method of Evaluation of Board of Directors

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

Results of the Evaluation of the Board of Directors

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

Based on the evaluation from fiscal 2016, the Company will strive to improve the function 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.
Corporate Governance

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

Members of the Board

George Nakayama
Career Summary, Positions, Assignments, and Material Concurrent Positions
Apr. 1978 - Jan. 2006: President of Daiso
Apr. 2006 - Feb. 2007: Director (Chairman, Executive Director)
Feb. 2007 - Jan. 2008: President and Chief Executive Officer
Jan. 2008 - Jan. 2009: Director (Chairman, Executive Director)
Jan. 2009 - Jul. 2016: President and Chief Operating Officer
Jul. 2016 - May 2018: Director (Chairman, Executive Director)
May 2018 - Jul. 2019: President and Chief Executive Officer
Jul. 2019 - Mar. 2020: President and Chief Operating Officer
Mar. 2020 - Oct. 2020: Director (Chairman, Executive Director)
Oct. 2020 - Aug. 2021: President (Chairman, Executive Director)
Aug. 2021 - Mar. 2022: President and Chief Operating Officer
Mar. 2022 - Mar. 2023: Director (Chairman, Executive Director)
Mar. 2023 - Present: President and Chief Executive Officer

Kazunori Hirokawa
Career Summary, Positions, Assignments, and Material Concurrent Positions
Apr. 1979 - Mar. 2004: Manager, IT Department of Daiso
Mar. 2004 - Mar. 2005: Manager, IT Department of Daiso
Mar. 2005 - Mar. 2006: Director, IT Department of Daiso
Mar. 2006 - Mar. 2007: Executive Vice President of Daiso
Mar. 2007 - Mar. 2009: Executive Vice President of Daiso
Mar. 2009 - Mar. 2011: Executive Vice President of Daiso
Mar. 2011 - Mar. 2013: Executive Vice President of Daiso
Mar. 2013 - Mar. 2014: Executive Vice President of Daiso
Mar. 2014 - Mar. 2015: Executive Vice President of Daiso
Mar. 2015 - Present: Director of Daiso

Sunao Manabe
Career Summary, Positions, Assignments, and Material Concurrent Positions
Apr. 1978 - Apr. 2004: General Manager of Daiso
Apr. 2004 - Apr. 2006: Managing Director of Daiso
Apr. 2006 - Apr. 2008: President and Chief Executive Officer of Daiso
Apr. 2008 - Apr. 2010: President and Chief Operating Officer of Daiso
Apr. 2010 - Apr. 2012: Director (Chairman, Executive Director)
Apr. 2012 - Apr. 2013: President (Chairman, Executive Director)
Apr. 2013 - Apr. 2015: President and Chief Operating Officer of Daiso
Apr. 2015 - Apr. 2016: Director (Chairman, Executive Director)
Apr. 2016 - Apr. 2018: President (Chairman, Executive Director)
Apr. 2018 - Apr. 2019: President and Chief Operating Officer of Daiso
Apr. 2019 - Apr. 2021: Director (Chairman, Executive Director)
Apr. 2021 - Present: President and Chief Executive Officer of Daiso

Toshiaki Sai
Career Summary, Positions, Assignments, and Material Concurrent Positions
Apr. 1980 - Mar. 2000: Manager, IT Department of Daiso
Mar. 2001 - Mar. 2003: Executive Vice President of Daiso
Mar. 2003 - Apr. 2005: Executive Vice President of Daiso
Apr. 2005 - Apr. 2006: Director (Chairman, Executive Director)
Apr. 2006 - Apr. 2008: President (Chairman, Executive Director)
Apr. 2008 - Apr. 2010: President and Chief Executive Officer of Daiso
Apr. 2010 - Apr. 2012: President and Chief Operating Officer of Daiso
Apr. 2012 - Apr. 2014: Director (Chairman, Executive Director)
Apr. 2014 - Apr. 2015: President (Chairman, Executive Director)
Apr. 2015 - Apr. 2016: President and Chief Operating Officer of Daiso
Apr. 2016 - Apr. 2017: Director (Chairman, Executive Director)
Apr. 2017 - Apr. 2018: President (Chairman, Executive Director)

Toshiaki Tojo
Career Summary, Positions, Assignments, and Material Concurrent Positions
Apr. 1980 - Apr. 2000: Manager, IT Department of Daiso
Apr. 2000 - Apr. 2001: Managing Director of Daiso
Apr. 2001 - Apr. 2003: Executive Vice President of Daiso
Apr. 2003 - Apr. 2005: Executive Vice President of Daiso
Apr. 2005 - Apr. 2006: Director (Chairman, Executive Director)
Apr. 2006 - Apr. 2008: President (Chairman, Executive Director)
Apr. 2008 - Apr. 2010: President and Chief Executive Officer of Daiso
Apr. 2010 - Apr. 2012: President and Chief Operating Officer of Daiso
Apr. 2012 - Apr. 2014: Director (Chairman, Executive Director)
Apr. 2014 - Apr. 2015: President (Chairman, Executive Director)
Apr. 2015 - Apr. 2016: President and Chief Operating Officer of Daiso
Apr. 2016 - Apr. 2017: Director (Chairman, Executive Director)
Apr. 2017 - Apr. 2018: President (Chairman, Executive Director)

Members of the Audit and Supervisory Board

Hideyuki Haruyama
Career Summary, Positions, Assignments, and Material Concurrent Positions
Apr. 2006 - Mar. 2007: Managing Director of Daiso
Mar. 2007 - Mar. 2008: Executive Vice President of Daiso
Mar. 2008 - Mar. 2009: Executive Vice President of Daiso
Mar. 2009 - Mar. 2011: Executive Vice President of Daiso
Mar. 2011 - Mar. 2013: Executive Vice President of Daiso
Mar. 2013 - Mar. 2015: Executive Vice President of Daiso
Mar. 2015 - Present: Director of Daiso

Kazuyuki Watanabe
Career Summary, Positions, Assignments, and Material Concurrent Positions
Apr. 2006 - Mar. 2007: Managing Director of Daiso
Mar. 2007 - Mar. 2008: Executive Vice President of Daiso
Mar. 2008 - Mar. 2009: Executive Vice President of Daiso
Mar. 2009 - Mar. 2011: Executive Vice President of Daiso
Mar. 2011 - Mar. 2013: Executive Vice President of Daiso
Mar. 2013 - Mar. 2015: Executive Vice President of Daiso
Mar. 2015 - Present: Director of Daiso

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

Corporate governance is a common topic of discussion today. There is a clear need for management systems capable of furnishing a quick and flexible response to changes in the operating environment and Board members’ structures that sufficiently cope with such changes. Therefore, I feel immense responsibility to rise up to expectations with this regard as a Member of the Board (Outside).

Over the medium term, Daiso Sanders will need to overcome the challenges presented by the loss of exclusivity for some of its products. This period will be an incredibly important time for transformation to build foundations for sustainable growth so that the Company can continue growing.

This topic was discussed when formulating the 5-year business plan. Steadily implementing this plan, even when faced with a difficult operating environment, will be of utmost importance. Based on this belief, I will fulfill my responsibilities with regard to the implementation of this plan while incorporating the perspective of “aggressive governance.”

I am committed to offering visible 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 foster effective corporate governance with regard to such areas as formulating visions and conducting appropriate investments for future growth and selecting members of the management team.

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

Message as Chairperson of the Nomination Committee

The Nomination Committee is positioned as an advisory committee to the Board of Directors. The primary role of this committee is 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 had discussions from the perspective of the ongoing growth of Daiso Sanders and the qualities required of its management. Based on these discussions, the Company was able to strengthen its management team through the appointment of George Nakayama as Chairman and Sunao Manabe as President and COO. Going into fiscal 2017 with this new team, Daiso Sanders is poised to accomplish the goals set for the 5-year business plan in this difficult operating environment. Looking ahead, I still continue to examine measures for realizing a more diverse and younger team of Corporate Officers and cultivating candidates for future management positions in order to support the ongoing growth of Daiso Sanders.

Hiroshi Toda
Member of the Board (Outside) (Independent Director)

Noriyuki Uji
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. At TOYAMA PRINTING CO., LTD., where I serve as chairman and representative director, I remind our officers and employees of the 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 utmost importance. However, there is no such thing as the “right” corporate governance system. Rather, companies must find the system that is best suited to maximizing their particular corporate value and the value for their shareholders. Based on this perspective, I hope to help to develop the ideal corporate governance system for Dai-ichi Sankyo.

Furthermore, I view my role as a member of the Board (Outside) that is also an independent director to be to align and encourage 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 take up opinions with other members of the Board while striving to be of assistance to Dai-ichi Sankyo’s management.

Japan’s Corporate Governance Code, which was applied to listed companies on June 1, 2015, defines corporate governance as “a structure for transparent, fact-based, and timely and decisive decision-making by companies, with due attention to the needs and expectations of shareholders and other stakeholders include employees, and local communities.” I share this view. Accordingly, I see my role as a member of the Board (Outside) to be to voice opinions at meetings of the Board of Directors from the perspectives of transparency and impartiality in order to ensure that Dai-ichi Sankyo provides good governance and pays due heed to the interests of shareholders, employees, and other stakeholders.

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

I worked as a police officer for many years. Day by day I had the opportunity to ask a famous police investigator, the one that he said that the investigation of the series of terrorism acts perpetrated by the Aum Shinrikyo religious group in the 1990’s, in fact, what he said was important to his role as a chief investigator. His reply was quite simple. He said, “To abandon within motives.” I couldn’t comprehend what he meant at the time. He continued, “Concern for fame, or reputation, or honor only get in the way of investigations. I just focus on the truth and catching the criminal.”

I think this principle goes beyond police investigations, and can be applied to business as well. The team of corporate administration and other organizational members should be vigilant about all of the managers that stay from the past due to the pursuit of fame, or reputation, or honor. Whether their pursuits in the present are beneficial or not often depends on the focus on one’s mission. In the case of pharmaceutical companies, this is to make quality pharmaceuticals in order to improve patients’ health. As an independent director, I focus on this mission. In the case of pharmaceutical companies, this is to make quality pharmaceuticals in order to improve patients’ health. As an independent director, I focus on this mission. I believe that the shareholders and other stakeholders of Dai-ichi Sankyo will be in the support of the Company to the present. In line with the principle, Shugyo Yamamoto, the President of Dai-ichi Sankyo, said, “Now that it is being looked at for being simple and honest, I fear being praised for a talent that I do not possess.”

I assumed my position as a member of the Audit and Supervisory Board (Outside) after being appointed at the 12th Ordinary General Meeting of Shareholders held on June 18, 2017. As a certified public accountant, I have been appointed in audit firms in the past, and have trusted a breadth of experience in conducting accounting and financial audits of companies of various industries and business models as well as in setting accounting standards and audit standards in Japan. I am now moved by a new sense of commitment to call upon my experience in order to contribute to stronger corporate governance systems and ongoing improvements in corporate value at the Dai-ichi Sankyo Group.

The Group has adopted the International Financial Reporting Standards (IFRS), which allow for more global and transparent financial reporting, and also discloses accurate information on the R&D investment and its development strategies that are crucial to the ongoing growth of pharmaceutical companies. However, I am fully aware of the fact that the pharmaceutical industry entails great responsibilities and risks in relation to large investments than other companies. Acting in my capacity as a member of the Audit and Supervisory Board (Outside), I am deeply, committed to corporate accounting and auditing. I will diligently ensure that the Board is instructed in the annual 2025 Vision and the overall business strategy of the Group. I will work diligently on my duties with the goal of ensuring that Dai-ichi Sankyo is viewed as reliable by all stakeholders, business partners, members of local communities, and all of other stakeholders.
Risk Management

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

Risk Management

The chief financial officer (CFO) oversees Groupwide risk management as the risk management office (RMO) and operates the risk management system in conjunction with an annual cycle for formulating and implementing business plans. In addition, the heads of each division autonomously manage risks to aid in the accomplishment of their divisions’ goals and targets. To this end, they analyze and evaluate individual risks, formulate and implement yearly risk management plans, and provide employees with information on underlying risks in the organization, education, and insight concerning risk management. Risks with the potential to significantly impact the management of the Company are identified by the Management Executive Meeting, and responses are furnished through the plan-do-check-act (PDCA) cycle.

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

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

Annual Cycle for Management of Material Risks

Plan
- Identify material risks
- Formulate risk response policies and measures

Act
- Correct or improve upon risk response measures

Do
- Enact risk response measures

Check
- Confirm progress of risk response measures

Decision of response and orders issued by the RMO

Precursors of material risk appearance

Report quickly

Business Continuity Plan

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

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

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

Crisis Management

The Daichi 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.

Risk Management

Initial Response to Crisis
Financial Data

Consolidated Statement of Profit or Loss

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

Earnings per share
- Basic earnings per share (yen) 119.37 79.63
- Diluted earnings per share (yen) 119.11 79.44

Consolidated Statement of Comprehensive Income

<table>
<thead>
<tr>
<th></th>
<th>FY2015 (For the year ended March 31, 2016)</th>
<th>FY2016 (For the year ended March 31, 2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>80,399</td>
<td>47,479</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will not be reclassified to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets measured at fair value through other comprehensive income</td>
<td>(18,942)</td>
<td>(9,366)</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td>(5,397)</td>
<td>1,840</td>
</tr>
<tr>
<td>Items that may be reclassified subsequently to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>(31,088)</td>
<td>(7,626)</td>
</tr>
<tr>
<td>Share of other comprehensive income of investments accounted for using the equity method</td>
<td>(11)</td>
<td>6</td>
</tr>
<tr>
<td>Other comprehensive income (loss) for the year</td>
<td>(55,439)</td>
<td>(15,166)</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>24,959</td>
<td>32,332</td>
</tr>
</tbody>
</table>

Total comprehensive income attributable to:
- Owners of the Company 26,961 38,309
- Non-controlling interests (2,001) (5,976)
- Total comprehensive income for the year 24,959 32,332

Data Section

- Financial Data
- ESG (Environmental, Social, and Governance) Data
- Major Products
- Corporate Profile / Main Group Companies
- Shareholders’ Information
### Consolidated Statement of Financial Position

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>FY2015 (As of March 31, 2016)</th>
<th>FY2016 (As of March 31, 2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>222,159</td>
<td>246,050</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>248,762</td>
<td>231,867</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>493,768</td>
<td>552,896</td>
</tr>
<tr>
<td>Inventories</td>
<td>144,273</td>
<td>153,138</td>
</tr>
<tr>
<td>Other current assets</td>
<td>15,233</td>
<td>10,461</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>1,124,196</td>
<td>1,194,416</td>
</tr>
<tr>
<td>Assets held for sale</td>
<td>1,071</td>
<td>3,374</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>1,125,268</td>
<td>1,197,788</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>250,168</td>
<td>217,772</td>
</tr>
<tr>
<td>Goodwill</td>
<td>78,691</td>
<td>78,446</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>210,395</td>
<td>217,044</td>
</tr>
<tr>
<td>Investments accounted for using the equity method</td>
<td>1,207</td>
<td>1,424</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>168,189</td>
<td>140,856</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>55,726</td>
<td>53,502</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>10,875</td>
<td>8,143</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>775,254</td>
<td>717,190</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>1,900,522</td>
<td>1,914,979</td>
</tr>
</tbody>
</table>

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

(Millions of year)

<table>
<thead>
<tr>
<th></th>
<th>Fiscal year ended March 31, 2017</th>
<th>Fiscal year ended March 31, 2016</th>
<th>Fiscal year ended March 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stockholders' equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Balance as of April 1, 2015</td>
<td>50,000</td>
<td>103,790</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Share capital</td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Capital surplus</td>
<td>103,790</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Treasury shares</td>
<td>(113,952)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Additional paid-in capital</td>
<td>(2,067)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Retained earnings</td>
<td>47,197</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Earnings attributable to owners of the Company</td>
<td>54,853</td>
</tr>
<tr>
<td></td>
<td>Profit for the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Purchase of treasury shares</td>
<td>(5,138)</td>
<td>(35,321)</td>
</tr>
<tr>
<td></td>
<td>Cancellation of treasury shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Share-based payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dividends</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Acquisition of non-controlling interests</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Transfer from other components of equity to retained earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Balance as of April 1, 2015</td>
<td>159,036</td>
<td>933,953</td>
</tr>
<tr>
<td></td>
<td>Profit for the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Purchase of treasury shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cancellation of treasury shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Share-based payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dividends</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Acquisition of non-controlling interests</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Transfer from other components of equity to retained earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Balance as of April 1, 2015</td>
<td>169,036</td>
<td>1,030,057</td>
</tr>
<tr>
<td></td>
<td>Profit for the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Purchase of treasury shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cancellation of treasury shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Share-based payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dividends</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Acquisition of non-controlling interests</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Transfer from other components of equity to retained earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Balance as of April 1, 2015</td>
<td>189,036</td>
<td>1,130,057</td>
</tr>
<tr>
<td></td>
<td>Profit for the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Purchase of treasury shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cancellation of treasury shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Share-based payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dividends</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Acquisition of non-controlling interests</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Transfer from other components of equity to retained earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Balance as of April 1, 2015</td>
<td>209,036</td>
<td>1,230,057</td>
</tr>
<tr>
<td></td>
<td>Profit for the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Purchase of treasury shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cancellation of treasury shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Share-based payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dividends</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Acquisition of non-controlling interests</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Transfer from other components of equity to retained earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Balance as of April 1, 2015</td>
<td>229,036</td>
<td>1,330,057</td>
</tr>
</tbody>
</table>

## Consolidated Statement of Cash Flows

(Millions of year)

<table>
<thead>
<tr>
<th></th>
<th>For the year ended March 31, 2016</th>
<th>For the year ended March 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Profit before tax</td>
<td>122,388</td>
</tr>
<tr>
<td></td>
<td>Depreciation and amortization</td>
<td>44,306</td>
</tr>
<tr>
<td></td>
<td>Impairment loss</td>
<td>4,730</td>
</tr>
<tr>
<td></td>
<td>Financial income</td>
<td>(5,292)</td>
</tr>
<tr>
<td></td>
<td>Financial expenses</td>
<td>13,028</td>
</tr>
<tr>
<td></td>
<td>Share of (profit) loss of investments accounted for using the equity method</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Gain) loss on sale and disposal of non-current assets</td>
<td></td>
</tr>
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<td>Increase (decrease) in trade and other receivables</td>
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<td>3,603</td>
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<td>Interest paid</td>
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<td>Income taxes paid</td>
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<tr>
<td>Cash flows from investing activities</td>
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<tr>
<td></td>
<td>Payments into time deposits</td>
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<tr>
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<td>Proceeds from maturities in time deposits</td>
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<td>Acquisitions of securities</td>
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<td>Acquisition of intangible assets</td>
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<td>Payments for loans receivable</td>
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<td>Net cash flows from investing activities</td>
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<td>Cash flows from financing activities</td>
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<td>Proceeds from bonds and borrowings</td>
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<td>Repayments of bonds and borrowings</td>
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<td>Purchase of treasury shares</td>
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<td></td>
<td>Dividends</td>
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<td>Others, net</td>
<td>(1,247)</td>
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<td>Net cash flows from financing activities</td>
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<td>Net increase (decrease) in cash and cash equivalents</td>
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<td>Cash and cash equivalents at the beginning of the year</td>
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<td>Effect of exchange rate change on cash and cash equivalents</td>
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<td>Cash and cash equivalents at the end of the year</td>
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Financial Data

Historical Data

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<td>Net sales</td>
<td>880.1</td>
<td>842.1</td>
<td>952.1</td>
<td>967.3</td>
<td>938.6</td>
<td>997.8</td>
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<td>Overseas sales</td>
<td>358.6</td>
<td>373.2</td>
<td>482.3</td>
<td>489.7</td>
<td>469.0</td>
<td>486.6</td>
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<td>Ratio of overseas sales to net sales (%)</td>
<td>40.7</td>
<td>44.3</td>
<td>50.7</td>
<td>50.6</td>
<td>50.0</td>
<td>48.8</td>
</tr>
<tr>
<td>Operating income</td>
<td>156.8</td>
<td>88.8</td>
<td>95.5</td>
<td>122.1</td>
<td>98.2</td>
<td>100.5</td>
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<td>Ratio of operating income to net sales (%)</td>
<td>17.8</td>
<td>10.6</td>
<td>10.0</td>
<td>12.6</td>
<td>10.5</td>
<td>10.1</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>97.6</td>
<td>(215.4)</td>
<td>41.8</td>
<td>70.1</td>
<td>10.3</td>
<td>66.6</td>
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<td>Research and development expenses</td>
<td>163.4</td>
<td>184.5</td>
<td>196.8</td>
<td>194.3</td>
<td>185.0</td>
<td>183.0</td>
</tr>
<tr>
<td>Ratio of research and development expenses to net sales (%)</td>
<td>18.6</td>
<td>21.9</td>
<td>20.7</td>
<td>20.1</td>
<td>19.7</td>
<td>18.3</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>38.7</td>
<td>40.5</td>
<td>45.9</td>
<td>43.9</td>
<td>46.3</td>
<td>41.4</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>21.1</td>
<td>19.6</td>
<td>29.7</td>
<td>37.3</td>
<td>62.9</td>
<td>65.1</td>
</tr>
</tbody>
</table>

Financial Position

| Total assets       | 1,487.8 | 1,494.5 | 1,489.5 | 1,480.2 | 1,518.4 | 1,644.0 |
| Net assets         | 1,244.5 | 888.6   | 889.5   | 887.7   | 832.7   | 915.7   |

Per Share Information

| Basic net income per share (yen) | 135.35 | (304.22) | 59.45 | 99.62 | 14.75 | 94.64 |
| Net assets per share (yen) | 1,730.09 | 1,226.04 | 1,215.62 | 1,206.12 | 1,143.52 | 1,253.86 |
| Annual dividends per share (yen) | 70 | 80 | 60 | 60 | 60 | 60 |

Main Financial Indicators

| Return on equity (ROE) (%) | 7.8 | (20.5) | 4.9 | 8.2 | 1.3 | 7.9 |
| Equity ratio (%) | 83.6 | 57.7 | 57.4 | 57.4 | 53.0 | 53.7 |
| Dividend on equity (DOE) (%) | 4.0 | 5.4 | 4.9 | 5.0 | 5.1 | 5.0 |
| Free cash flows | 17.2 | (335.4) | 172.8 | 78.1 | (32.5) | 19.9 |
| Average exchange rates | 114.28 | 100.54 | 92.86 | 85.72 | 79.07 | 83.11 |
| (USD / JPY) | (EUR / JPY) | 160.52 | 143.49 | 131.16 | 113.13 | 108.96 | 107.15 |
| Number of Employees | 15,349 | 28,895 | 29,825 | 30,488 | 31,929 | 32,229 |

Financial Results (Billions of yen)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>994.7</td>
<td>1,118.2</td>
<td>919.4</td>
<td>986.4</td>
</tr>
<tr>
<td>Overseas revenue</td>
<td>483.2</td>
<td>584.5</td>
<td>392.4</td>
<td>430.7</td>
</tr>
<tr>
<td>Ratio of overseas revenue to revenue (%)</td>
<td>48.6</td>
<td>52.3</td>
<td>42.7</td>
<td>43.7</td>
</tr>
<tr>
<td>Operating profit</td>
<td>98.7</td>
<td>111.6</td>
<td>74.4</td>
<td>130.4</td>
</tr>
<tr>
<td>Ratio of operating profit to revenue (%)</td>
<td>9.9</td>
<td>10.0</td>
<td>8.1</td>
<td>13.2</td>
</tr>
<tr>
<td>Profit attributable to owners of the Company</td>
<td>64.0</td>
<td>60.9</td>
<td>322.1</td>
<td>82.3</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>184.4</td>
<td>191.2</td>
<td>190.7</td>
<td>208.7</td>
</tr>
<tr>
<td>Ratio of research and development expenses to revenue (%)</td>
<td>18.5</td>
<td>17.1</td>
<td>20.7</td>
<td>21.2</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>45.3</td>
<td>51.5</td>
<td>42.0</td>
<td>44.3</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>65.1</td>
<td>49.2</td>
<td>36.3</td>
<td>23.3</td>
</tr>
</tbody>
</table>

Financial Position

| Total assets (Billions of yen) | 1,684.9 | 1,854.0 | 1,982.3 | 1,900.5 | 1,915.0 |
| Total equity (Billions of yen) | 938.5 | 1,007.5 | 1,307.0 | 1,223.5 | 1,171.4 |

Per Share Information

| Basic earnings per share (yen) | 90.96 | 86.57 | 457.56 | 119.37 | 79.63 |
| Equity per share attributable to owners of the Company (yen) | 1,287.94 | 1,392.03 | 1,852.28 | 1,801.90 | 1,772.99 |
| Annual dividends per share (yen) | 60 | 60 | 60 | 70 | 70 |

Main Financial Indicators

| Return on equity attributable to owners of the Company (ROE) (%) | 7.4 | 6.5 | 28.2 | 6.5 | 4.4 |
| Ratio of equity attributable to owners of the Company to total assets (%) | 53.8 | 52.9 | 65.8 | 64.8 | 61.4 |
| Ratio of dividends to equity attributable to owners of the Company (%) | 4.9 | 4.5 | 3.7 | 3.8 | 3.9 |
| Free cash flows | 20.4 | (124.1) | 121.5 | 168.3 | 39.4 |
| Average exchange rates (USD / JPY) | 83.11 | 100.24 | 109.94 | 120.14 | 108.42 |
| Average exchange rates (EUR / JPY) | 107.15 | 134.38 | 138.78 | 132.57 | 118.84 |

Number of Employees

| 32,229 | 32,791 | 16,428 | 15,249 | 14,670 |

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

Revenue

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<tr>
<th>(Billions of yen)</th>
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<tbody>
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<td>1,200</td>
</tr>
<tr>
<td>800</td>
</tr>
<tr>
<td>600</td>
</tr>
<tr>
<td>400</td>
</tr>
<tr>
<td>200</td>
</tr>
</tbody>
</table>

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

Operating Profit/Ratio of Operating Profit to Revenue

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>150</td>
</tr>
<tr>
<td>130</td>
</tr>
<tr>
<td>110</td>
</tr>
<tr>
<td>90</td>
</tr>
<tr>
<td>70</td>
</tr>
</tbody>
</table>

Data Source

Note: Figures for fiscal 2011 and prior are based on Japanese GAAP, while figures for fiscal 2012 onward are based on IFRS.
ESG (Environmental, Social, and Governance) Data

Environmental

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Classification</th>
<th>Item</th>
<th>Scope</th>
<th>Unit</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
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</thead>
<tbody>
<tr>
<td>CO2</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>global</td>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>t-CO2</td>
<td>434</td>
<td>473</td>
<td>476</td>
<td>482</td>
</tr>
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</tr>
<tr>
<td>CO2 emissions by Greenhouse Gas Protocol</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,188</td>
<td>1,200</td>
<td>1,213</td>
<td>1,217</td>
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<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Water resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water used</td>
<td></td>
<td></td>
<td>global</td>
<td></td>
<td>7,162</td>
<td>7,184</td>
<td>7,267</td>
<td>7,326</td>
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<td></td>
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<td></td>
<td>t-CO2</td>
<td>11.94%</td>
<td>11.88%</td>
<td>12.05%</td>
<td>12.15%</td>
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<tr>
<td>Water use intensity (water volume)</td>
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| Social

Promoting Compliance Management

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Mutual Growth of Employees and the Company

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<th>Unit</th>
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<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
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Enhancement of Communication with Stakeholders

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<th>FY2012</th>
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<th>FY2014</th>
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Improving Access to Healthcare

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Social Contribution Activities

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<th>FY2012</th>
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Governance

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<th>Unit</th>
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References

- UN Global Compact
- ISO 26000

Data Source
## Major Products

### Innovative Drugs

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<tr>
<th>Brand Name (generic Name)</th>
<th>Therapy</th>
<th>Description</th>
<th>Remarks</th>
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<td><strong>Japan (Daiichi Sankyo Co., Ltd.)</strong></td>
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</tr>
<tr>
<td><strong>ENGLISH</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>IRAKINT (Dalacin®)</strong></td>
<td>Dyslipidemia treatment</td>
<td>First once-daily oral product approved by the FDA for the treatment of lipid-induced cardiopathy (ASCVD) in adults with chronic non-cancer pain.</td>
<td>2016</td>
</tr>
<tr>
<td><strong>SAFIRA® (elokritina)</strong></td>
<td>Anticoagulant</td>
<td>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 (S/E) in patients with non-valvular atrial fibrillation (M/A/F) and for the treatment of venous thromboembolism (VTE: deep vein thrombosis (DVT) and pulmonary embolism (PE)).</td>
<td>2015</td>
</tr>
<tr>
<td><strong>Efient (prasugrel)</strong></td>
<td>Antiplatelet agent</td>
<td>Inhibits platelet aggregation and reduces the incidence of artery stenosis and occlusion.</td>
<td>2011</td>
</tr>
<tr>
<td><strong>LIXANG® (Europe) (Lixiana®)</strong></td>
<td>Hypercoagulation syndrome treatment / type 2 diabetes mellitus treatment</td>
<td>Orally effective factor Xa inhibitor.</td>
<td>2015</td>
</tr>
<tr>
<td><strong>Nippon Paint Pharmaceuticals Co., Ltd.</strong></td>
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<td></td>
<td></td>
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<tr>
<td><strong>Stapler (folic acid/ Aspirin) &amp;</strong></td>
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<td></td>
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<tr>
<td></td>
<td>Anxiolytic</td>
<td>Effective for patients with bipolar disorder.</td>
<td>2013</td>
</tr>
<tr>
<td><strong>Europe (Daiichi Sankyo Europe GmbH)</strong></td>
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</tr>
<tr>
<td><strong>LIXANG® (Europe)</strong></td>
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</tr>
<tr>
<td></td>
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<td>2015</td>
<td></td>
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<tr>
<td><strong>Generic Drugs</strong></td>
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<td></td>
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</tr>
<tr>
<td><strong>Japan (Daiichi Sankyo Epofo Co., Ltd.)</strong></td>
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<td></td>
</tr>
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<td><strong>Infectozone (Synthetic antibacterial agent)</strong></td>
<td>Oral treatment</td>
<td>Effective for the treatment of infections caused by bacteria sensitive to ampicillin.</td>
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Shareholders’ Information

Common Stock (As of March 31, 2017):

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

Share Registrar

Mitsubishi UFJ Trust and Banking Corporation

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

Major Shareholders (As of March 31, 2017):

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares Held (thousands of shares)</th>
<th>Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (trust account)</td>
<td>55,320</td>
<td>8.34</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (trust account)</td>
<td>45,258</td>
<td>6.82</td>
</tr>
<tr>
<td>Nippon Life Insurance Company</td>
<td>35,776</td>
<td>5.39</td>
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<tr>
<td>Trust &amp; Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd.</td>
<td>14,402</td>
<td>2.17</td>
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<tr>
<td>Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.</td>
<td>11,413</td>
<td>1.72</td>
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<tr>
<td>Sumitomo Mitsui Banking Corporation</td>
<td>11,382</td>
<td>1.71</td>
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<td>Japan Trustee Services Bank, Ltd. (trust account 5)</td>
<td>10.890</td>
<td>1.64</td>
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<tr>
<td>STATE STREET BANK WEST CLIENT-TREATY 505234</td>
<td>10,745</td>
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<td>8,673</td>
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<td>Mizuho Bank, Ltd.</td>
<td>8,591</td>
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Notes:
1. The Company holds 45,783,623 treasury shares, which are excluded from the above list.
2. Treasury shares are not included in the computing of equity stake.

Distribution of Shareholders (As of March 31, 2017):

- Financial instrument firms: 2.35%
- Other corporations: 4.68%
- Individuals and others: 15.42%
- Foreign investors: 27.15%
- Treasury stock: 6.46%
- Financial institutions: 43.34%

Editorial Policy

Communication Policy

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

Relevant Information

For investor relations (IR) and the latest information on our CSR activities, please refer to the Company’s website, which includes a variety of contents, including financial results summaries and videos of briefing sessions for investors. The PDF and e-book version of this Value Report are also available on the website.

http://www.daichisankyo.com/index.html

Cautionary Note Regarding Forward-Looking Statements

Management strategies and plans, financial forecasts, future projections and policies, and R&D information that Daichi Sankyo discloses are all classified as “Daichi Sankyo’s future prospects.” These forward-looking statements were determined by Daichi 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 Daichi Sankyo may diverge materially from Daichi Sankyo’s outlook or the content of this material.

Period Covered

April 1, 2016 – March 31, 2017 (fiscal 2016) and also information for the period from April 2017 onward
Value Report 2017 was printed using environmental-friendly paper, inks, and manufacturing method.

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