Passion for Innovation.
Compassion for Patients.™

Daiichi-Sankyo

Top Management Presentation

Financial Results for FY2016 Q3 (April 1 – December 31, 2016)

DAIICHI SANKYO CO., LTD

George Nakayama
President and CEO

January 31, 2017

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Agenda

- **FY2016 Q3 Financial Results**
- **FY2016 Revised Consolidated Forecast**
- **Management Updates**
  - **Grow Edoxaban**
  - **Maximize Sales Potential of Injectafer**
- **R&D Updates**
  - **Strategic Partnership for Cellular Therapy Pipeline with Kite Pharma**
  - **ADC Franchise Enhancement**

FY2016 Q3 Financial Results

Overview of FY2016 Q3 Results

Daiichi-Sankyo

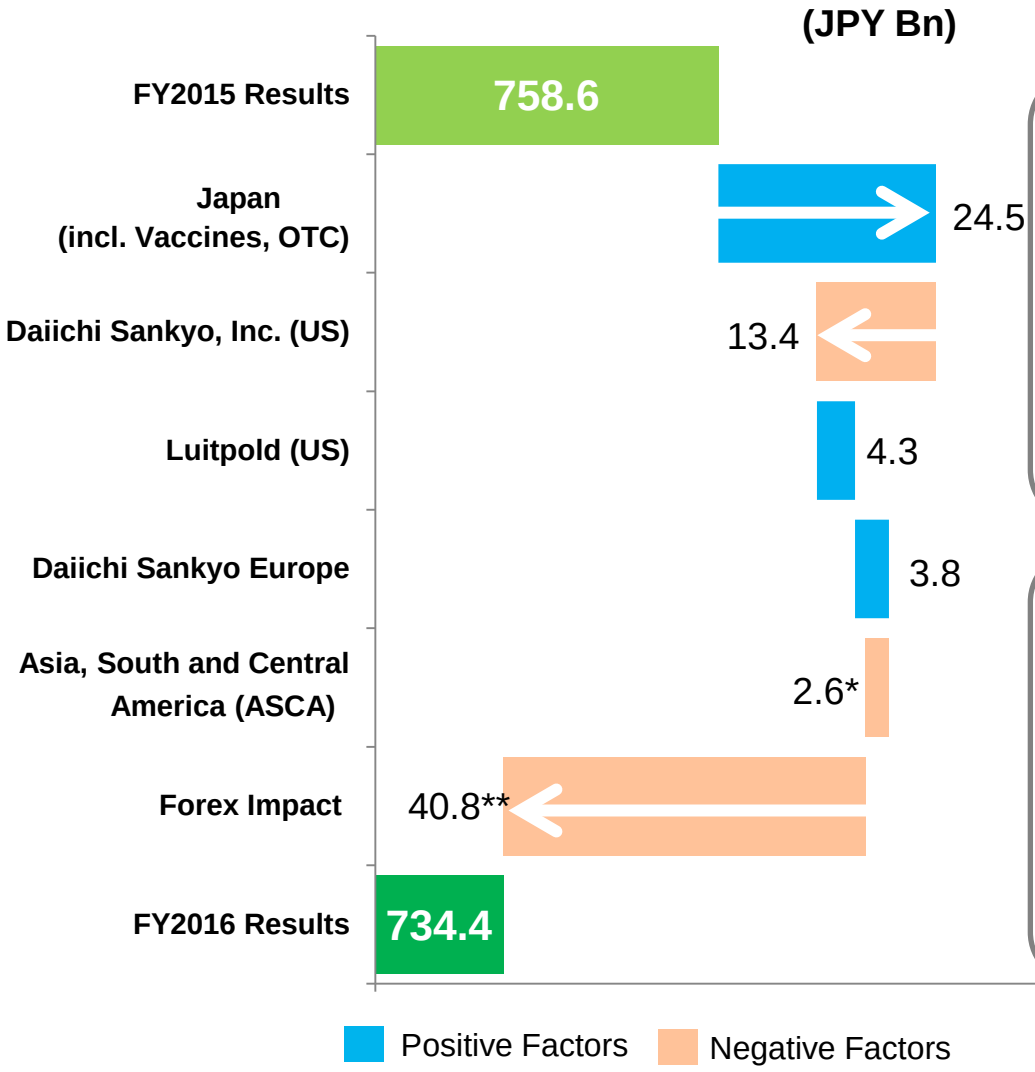
(JPY Bn)

	FY2015 Q3 YTD Results	FY2016 Q3 YTD Results	YoY
Revenue	**758.6**	**734.4**	-3.2% **-24.2**
Cost of Sales	**237.7**	**241.7**	**+4.0**
SG&A Expenses	**232.3**	**220.5**	**-11.8**
R&D Expenses	**138.1**	**143.5**	**+5.4**
Operating Profit	**150.4**	**128.7**	-14.4% **-21.7**
Profit before Tax	**145.4**	**132.4**	**-13.0**
Profit attributable to owners of the Company	**110.7**	**88.2**	-20.4% **-22.5**

Currency Rate	USD/JPY	121.70	106.68	-15.02
	EUR/JPY	134.37	118.09	-16.28

Revenue

Decreased by 24.2 Bn JPY (Increased by 16.6 Bn JPY excl. forex impact)



Japan

Positive :	Lixiana	+8.3	Tenelia	+7.8
	Nexium	+5.5	Inavir	+5.4
	Efient	+4.6	Pralia	+4.3
	Memary	+3.7		
Negative :	Loxonin	-8.9	Olmetec	-6.4
	Artist	-3.6	Cravit	-2.6

DSHC (OTC) +12.0

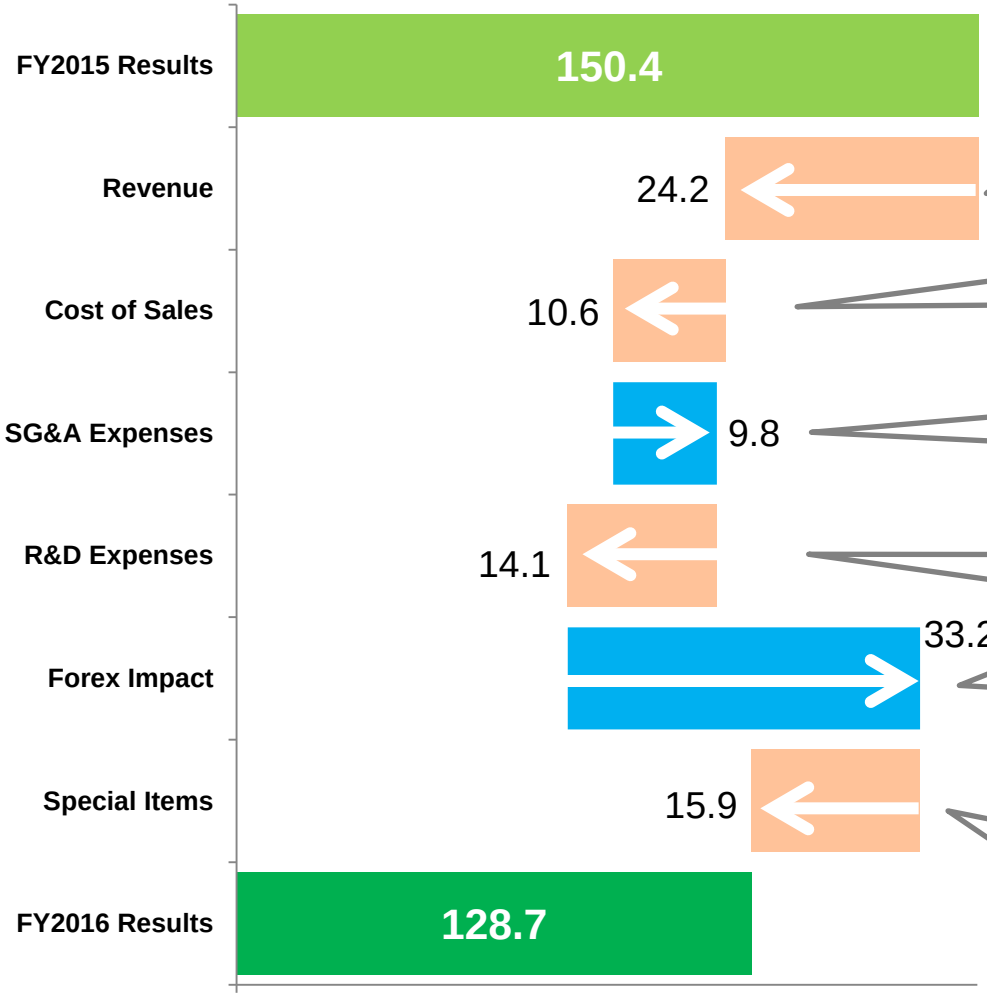
Global (excl. Forex Impact)

Daiichi Sankyo, Inc. :	Olmesartan	-18.9
	Welchol	-1.0
	Effient	+2.4
	Movantik	+2.0
Luitpold :	Injectafer	+6.8
Daiichi Sankyo Europe :	Olmesartan	-5.0
	Lixiana	+6.3
	Efient	+3.6

* Increase 4.4 Bn JPY excluding negative impact of 7.0 Bn JPY in Venezuela
**Forex impact USD: -25.8, EUR: -7.6, ASCA: -7.5

Operating Profit

Decreased by 21.7 Bn JPY
(Increased by 1.8 Bn JPY excl. forex impact and special items)



Revenue -24.2
incl. forex impact -40.8

Cost of Sales +10.6
Increased in revenue excl. forex impact
Impact of price revision in Japan

SG&A Expenses
Impact of restructuring in US in FY2015

R&D Expenses Progress of projects
(Mirogabalin, Edoxaban LCM)

Forex impact -33.2
Cost of Sales -10.1
SG&A Expenses -14.7
R&D Expenses -8.5

Special items +15.9
Cost of Sales +3.5
SG&A Expenses +12.7
R&D Expenses -0.3

Positive Factors Negative Factors

Special Items

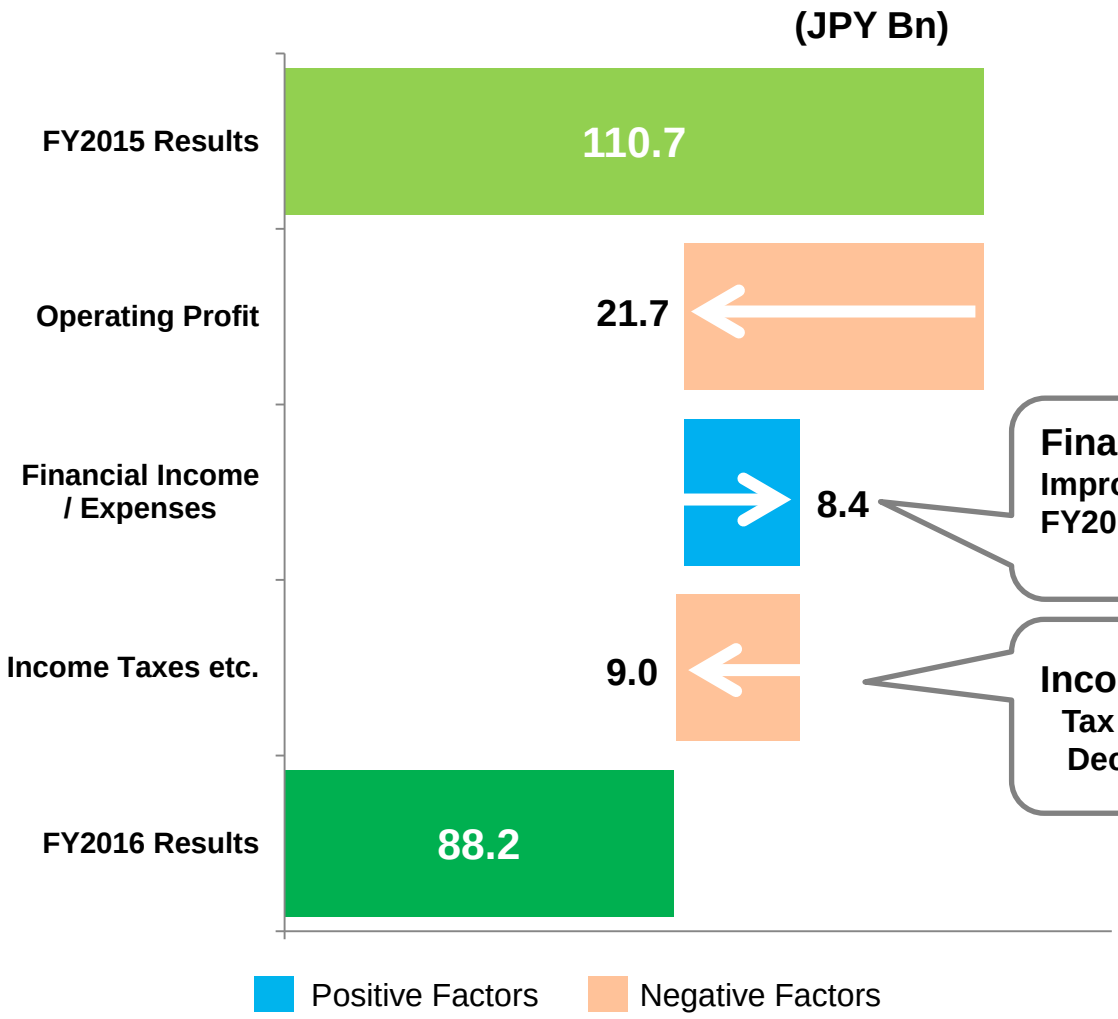
（JPY Bn）

	FY2015 Q3 YTD Results		FY2016 Q3 YTD Results		YoY
Cost of Sales	Gain on sales of subsidiary Gain on sales of fixed assets	-2.4 -1.1		-	+3.5
SG&A Expenses	Restructuring costs in US Gain on sales of fixed assets	6.1 -8.2	Restructuring costs	10.6	+12.7
R&D Expenses	Restructuring costs in R&D	0.3		-	-0.3
Total		-5.3		10.6	+15.9

- : Cost decrease items

Profit Attributable to Owners of the Company

Decreased by 22.5 Bn JPY



Financial Income / Expenses **-8.4**
Improvement of forex gains/ losses
FY2015: Expenses relating to the sales of Sun Pharma shares etc.

Income Taxes **+9.0**
Tax rate FY2015 : 24.8% FY2016 : 34.1%
Decrease in R&D tax credit

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

Major Business Units

(JPY Bn)

	FY2015 Q3 YTD Results	FY2016 Q3 YTD Results	YoY	vs. Forecast* (%)
Japan	**377.5**	**390.2**	**+12.8**	**77.3%**
Daiichi Sankyo Healthcare	**39.9**	**51.9**	**+12.0**	**78.6%**
Daiichi Sankyo Inc.	**145.5**	**115.8**	**-29.7**	**80.4%**
Olmesartan	88.4	60.9	-27.5	84.6%
Welchol	37.7	32.2	-5.5	78.5%
Effient	16.4	16.5	+0.1	-
Savaysa	0.3	1.4	+1.1	70.4%
Movantik	1.3	2.9	+1.6	-
Luitpold	**69.0**	**64.3**	**-4.8**	**73.0%**
Venofer	24.4	21.2	-3.1	75.9%
Injectafer	12.9	17.2	+4.3	71.7%
Daiichi Sankyo Europe	**58.1**	**54.4**	**-3.7**	**77.7%**
Olmesartan	44.4	34.6	-9.7	82.5%
Efient	3.3	6.1	+2.8	-
Lixiana	0.7	6.1	+5.5	68.2%
Asia, South and Central America (ASCA)	**62.6**	**52.5**	**-10.1**	**73.9%**

* Calculated based on new forecast updated in Jan.

Major Products in Japan

(JPY Bn)

		FY2015 Q3 YTD Results	FY2016 Q3 YTD Results	YoY	vs. Forecast* (%)
Nexium	ulcer treatment	**62.0**	**67.4**	**+5.5**	**81.2%**
Olmetec	antihypertensive agent	**60.5**	**54.1**	**-6.4**	**78.4%**
Memary	Alzheimer's disease treatment	**32.7**	**36.3**	**+3.7**	**74.2%**
Loxonin	anti-inflammatory analgesic	**38.2**	**29.3**	**-8.9**	**79.2%**
Tenelia	type 2 diabetes mellitus inhibitor	**11.9**	**19.7**	**+7.8**	**75.7%**
Lixiana	anticoagulant agent	**9.6**	**17.9**	**+8.3**	**71.6%**
Rezaltas	antihypertensive agent	**14.1**	**13.6**	**-0.5**	**75.6%**
Pralia	treatment for osteoporosis	**9.0**	**13.3**	**+4.3**	**78.1%**
Ranmark	treatment for bone complications caused by bone metastases from tumors	**9.4**	**10.6**	**+1.3**	**81.6%**
Inavir	anti-influenza treatment	**2.5**	**7.9**	**+5.4**	**56.5%**
Cravit	synthetic antibacterial agent	**14.6**	**12.0**	**-2.6**	**85.8%**
Omnipaque	contrast medium	**13.2**	**11.1**	**-2.1**	**85.5%**
Urief	treatment for dysuria	**9.0**	**8.9**	**-0.2**	**80.8%**
Artist	treatment for hypertension, angina pectoris and chronic heart failure	**12.1**	**8.5**	**-3.6**	**77.3%**
Mevalotin	antihyperlipidemic agent	**10.8**	**8.3**	**-2.5**	**82.8%**
Efient	antiplatelet agent	**3.3**	**7.8**	**+4.6**	**71.2%**

* Calculated based on new forecast updated in Jan.

FY2016 Revised Consolidated Forecast

FY2016 Revised Consolidated Forecast

(JPY Bn)

	FY2016 Forecast (as of Oct.)	FY2016 Forecast (as of Jan.)	vs. Forecast (as of Oct.)
Revenue	**920.0**	**950.0**	**+30.0**
Cost of Sales	**307.0**	**318.0**	**+11.0**
SG&A Expenses	**313.0**	**315.0**	**+2.0**
R&D Expenses	**200.0**	**207.0**	**+7.0**
Operating Profit	**100.0**	**110.0**	**+10.0**
Profit before Tax	**100.0**	**110.0**	**+10.0**
Profit attributable to owners of the Company	**65.0**	**70.0**	**+5.0**

Major factors
-Forex impact +13.0
-Japan +6.0
-Overseas +9.0

Major factors
-Forex impact +3.0
-Increase by increase in revenue +8.0

Major factors
-Forex impact +5.0
-Efficient execution of expenses -3.0

Major factors
-Forex impact +4.0
-Acceleration of RD +3.0

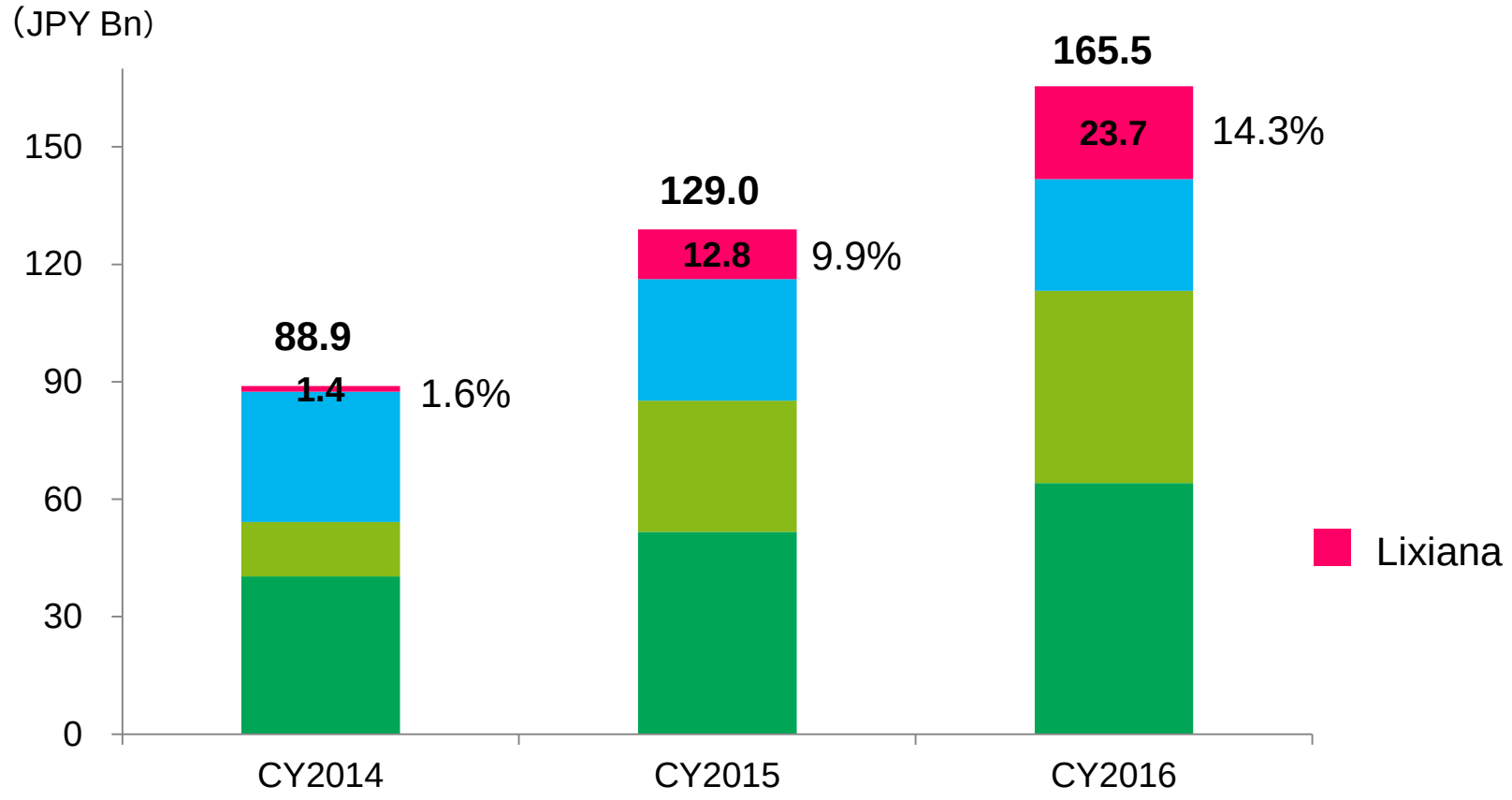
Currency Rate	**USD/JPY**	**102.67**	**107.51**
	EUR/JPY	**114.11**	**118.57**

Assumption of currency rate for Q4
USD/JPY：110, EUR/JPY：120

Grow Edoxaban

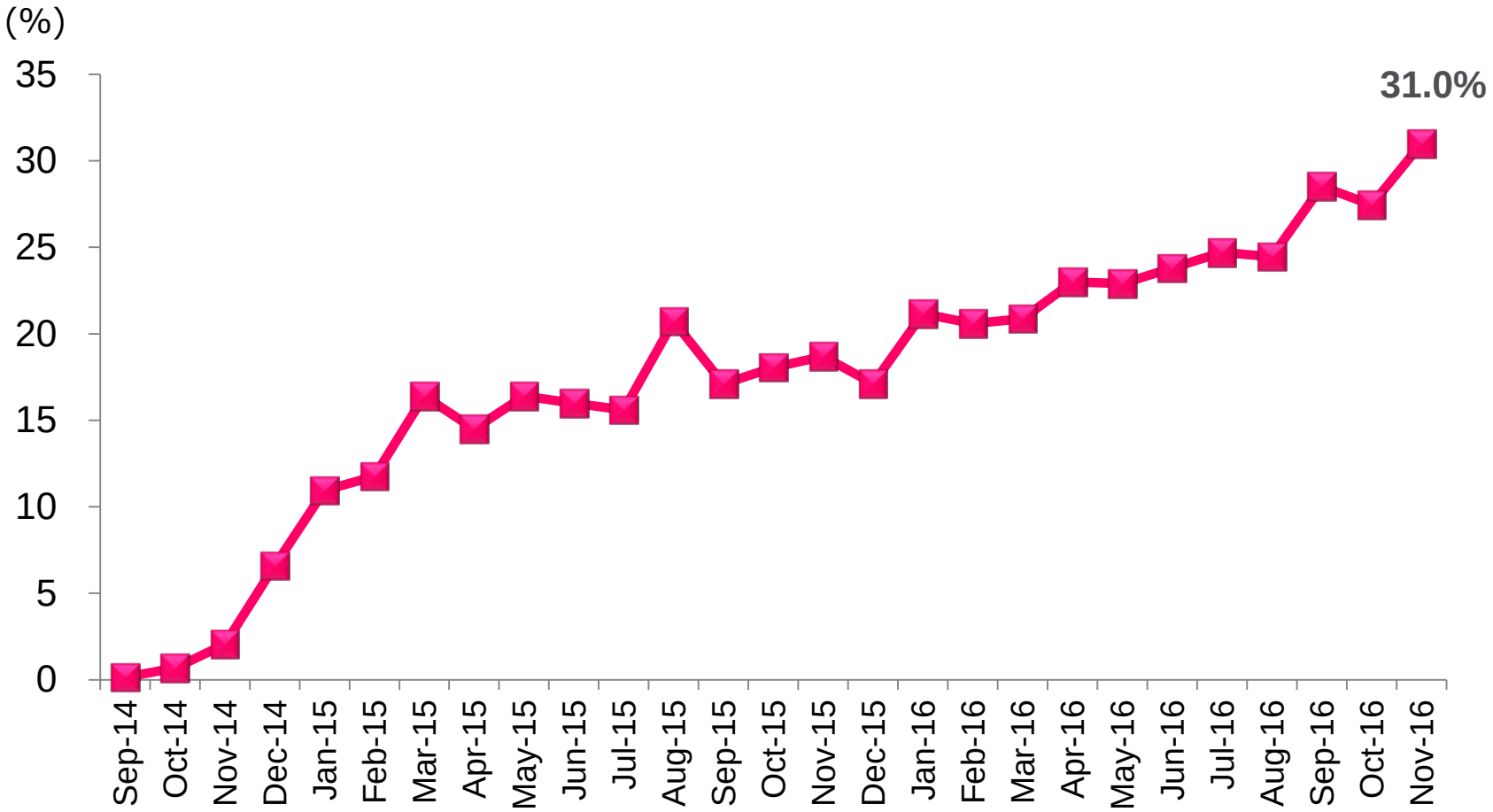
Edoxaban: Japan

The DOAC market in Japan is expanding steadily.
The sales market share of Lixiana has reached 14.3% (CY base).



Edoxaban: Japan

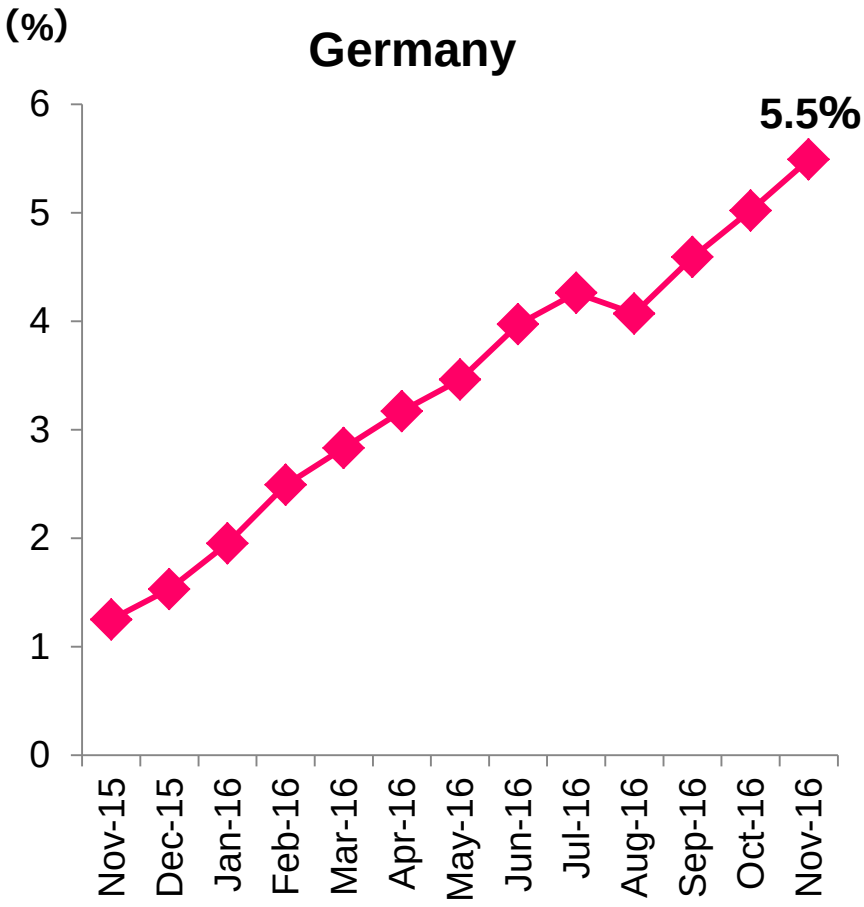
As of Nov. 2016, Lixiana gained the 2nd market share in new patients for AF+VTE.

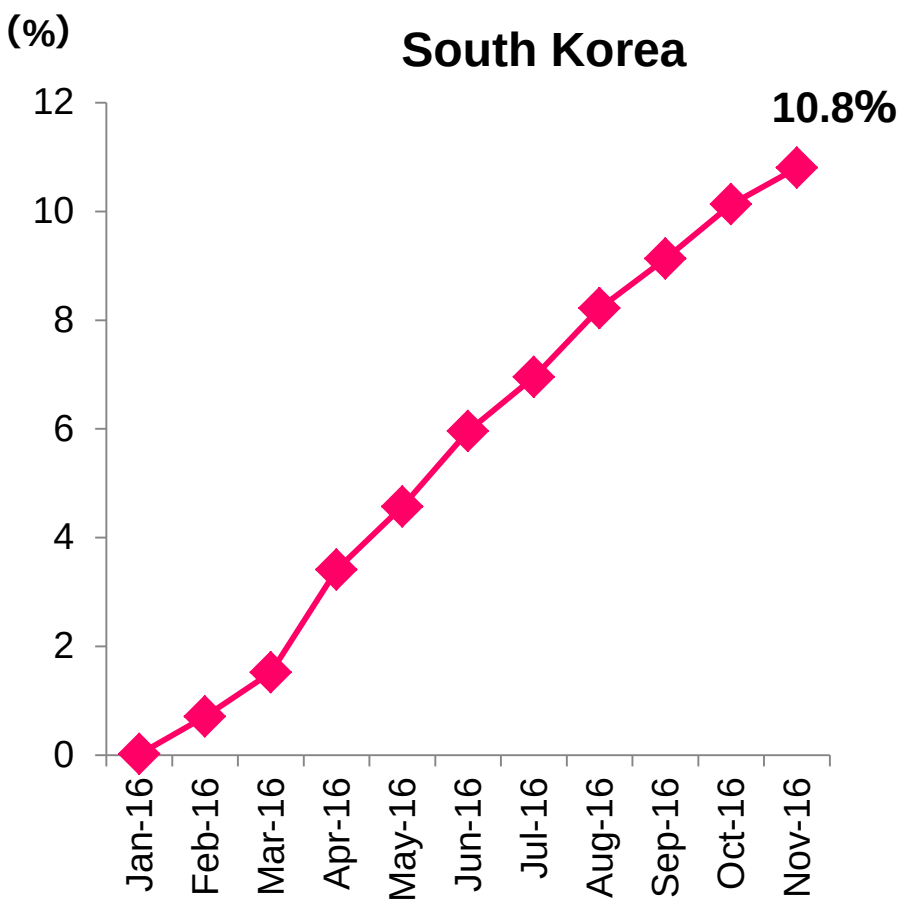


Source ：Medi-trend

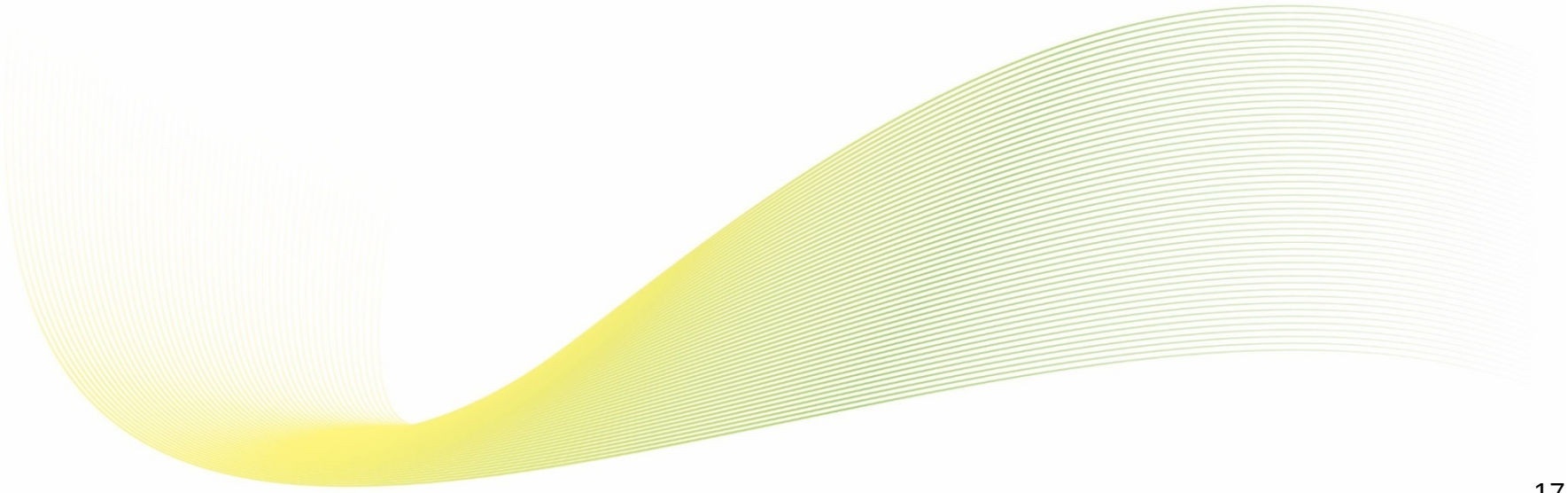
Edoxaban: Germany and South Korea

Steady uptake of sales share after launch



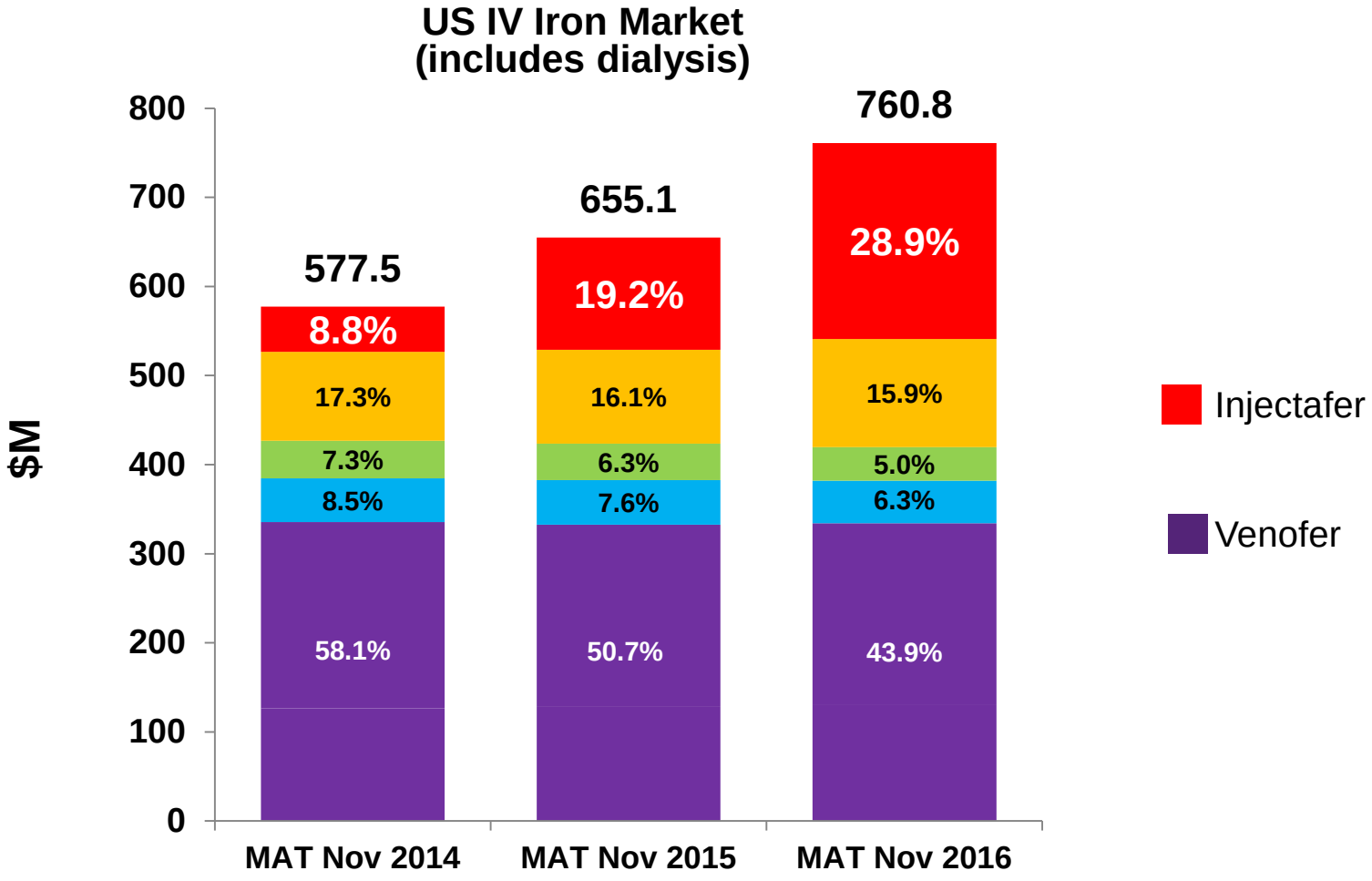


Maximize Sales Potential of Injectafer



Untapped Potential of Injectafer

Injectafer* has grown steadily in the US IV Iron market. However there is still potential for further growth.

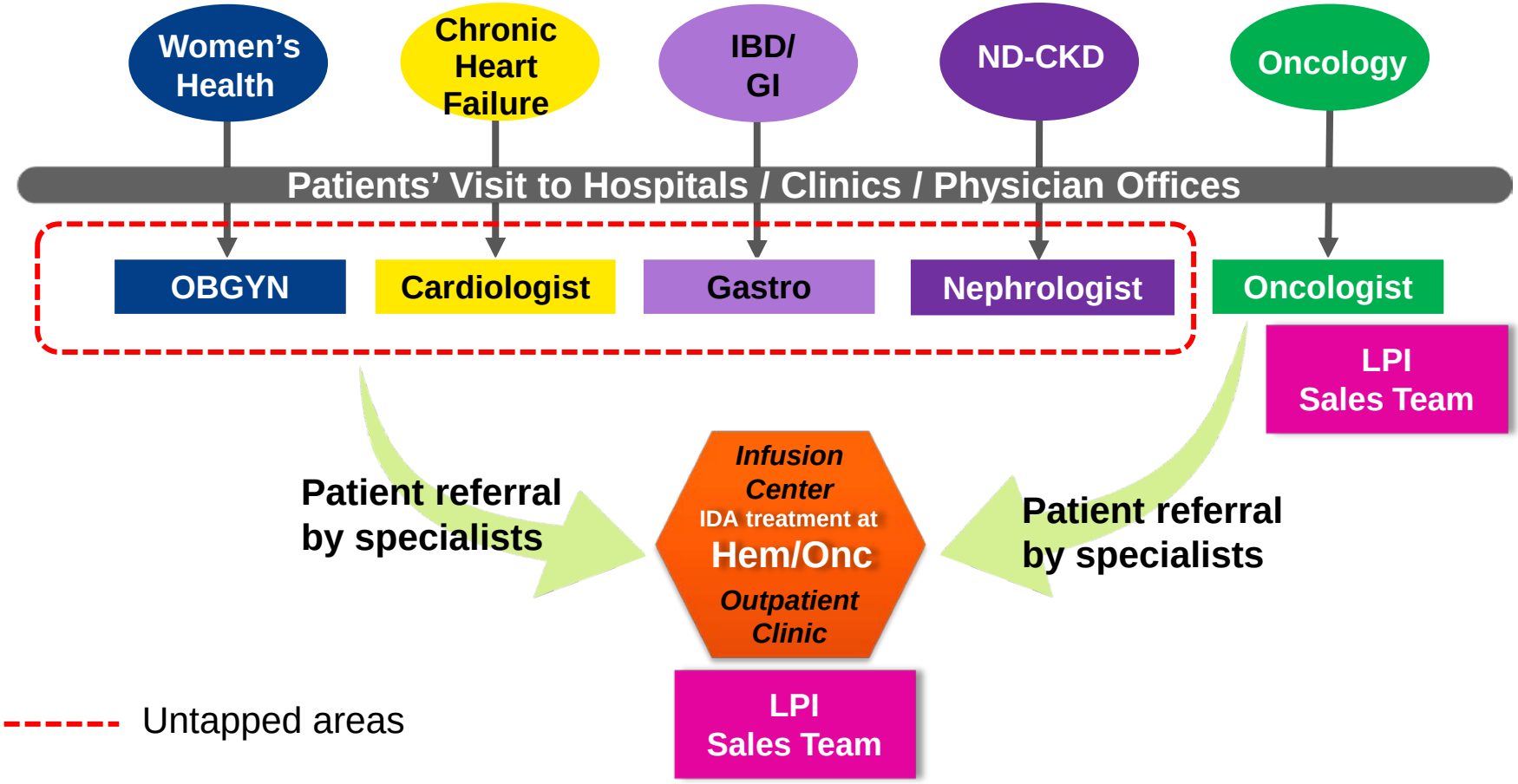


*Injectafer is not indicated for patients who are dialysis dependent . Copyright © 2017 QuintilesIMS. Reprinted with permission

Source: IMS National Sales Perspectives Nov. 2016 (includes all US IV Iron sales in all channels including dialysis chains)

Former Design

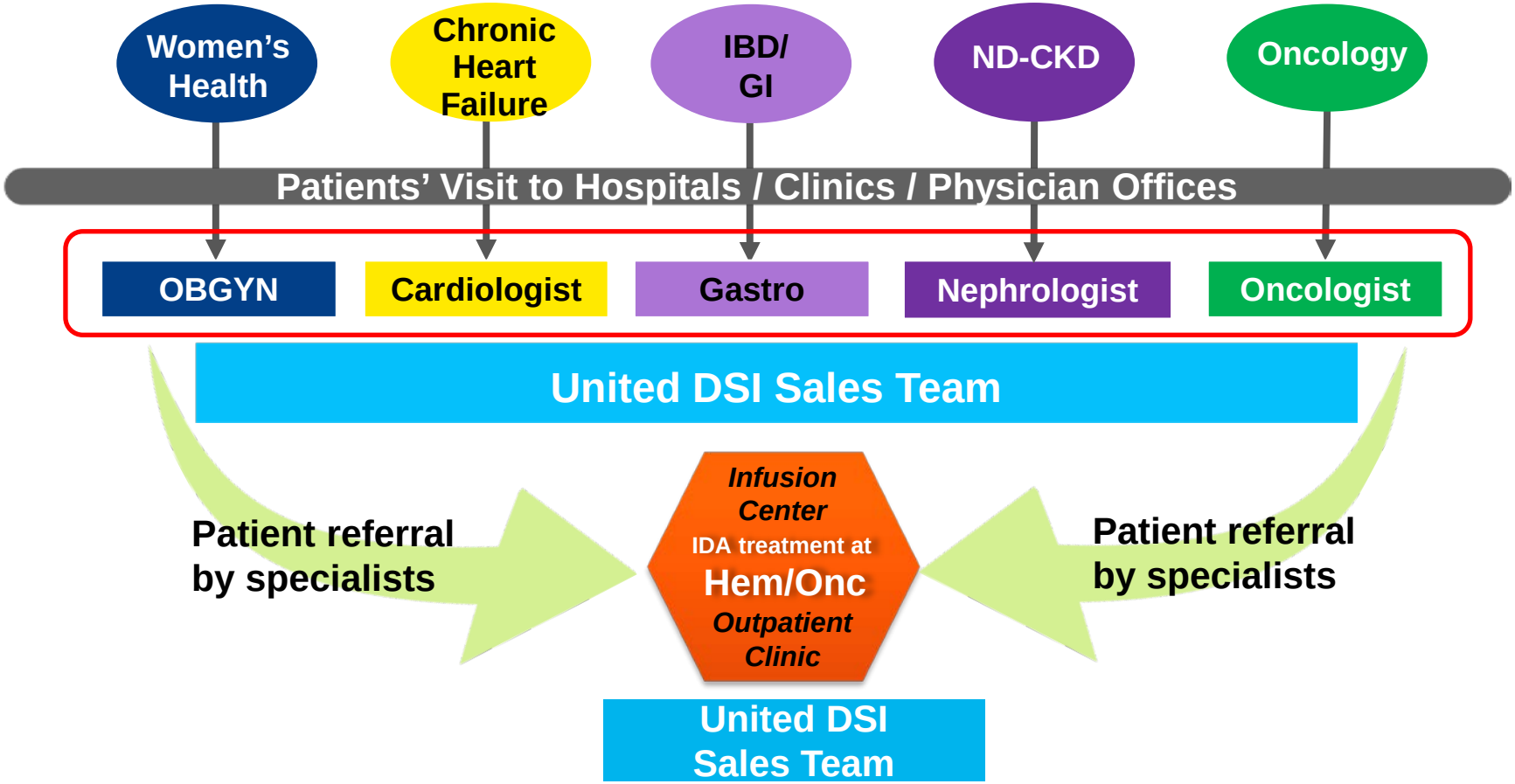
In IDA* treatment, market beyond Oncologist and Hem/Onc. has not been tapped since LPI focused its limited resources on the area of Oncologist and Hem/Onc.



*IDA: Iron deficiency anemia

New Design as of Jan. 2017

LPI sales team for Injectafer has become DSI employees.
DSI/LPI formed a united sales team for Injectafer to accelerate growth.



Additional Effect on DS Group's US Business by United Sales Team for Injectafer

United sales team for Injectafer

To accelerate growth beyond oncologist and hem/onc

- Leverage DSI's existing sales & marketing infrastructure for Injectafer
- Establish a foundation for DSI's oncology business leveraging LPI sales team's experience with oncologists and hem/onc.

Maximize Daiichi Sankyo Group's US business

Strategic Partnership for Cellular Therapy Pipeline with Kite Pharma

Strategic Partnership for Cellular Therapy Pipeline with Kite Pharma

Daiichi-Sankyo

Kite Pharma, Inc. (Kite)

- Located in California, US, Established in 2009, NASDAQ IPO in 2014
- One of the leading development companies for engineered T-cell* therapy in oncology
  * Chimera Antigen Receptor T-cell: CAR-T
    T-cell Receptor T-cell: TCR-T
- Strong relationship with key academic research organizations such as the National Cancer Institute of US and venture companies

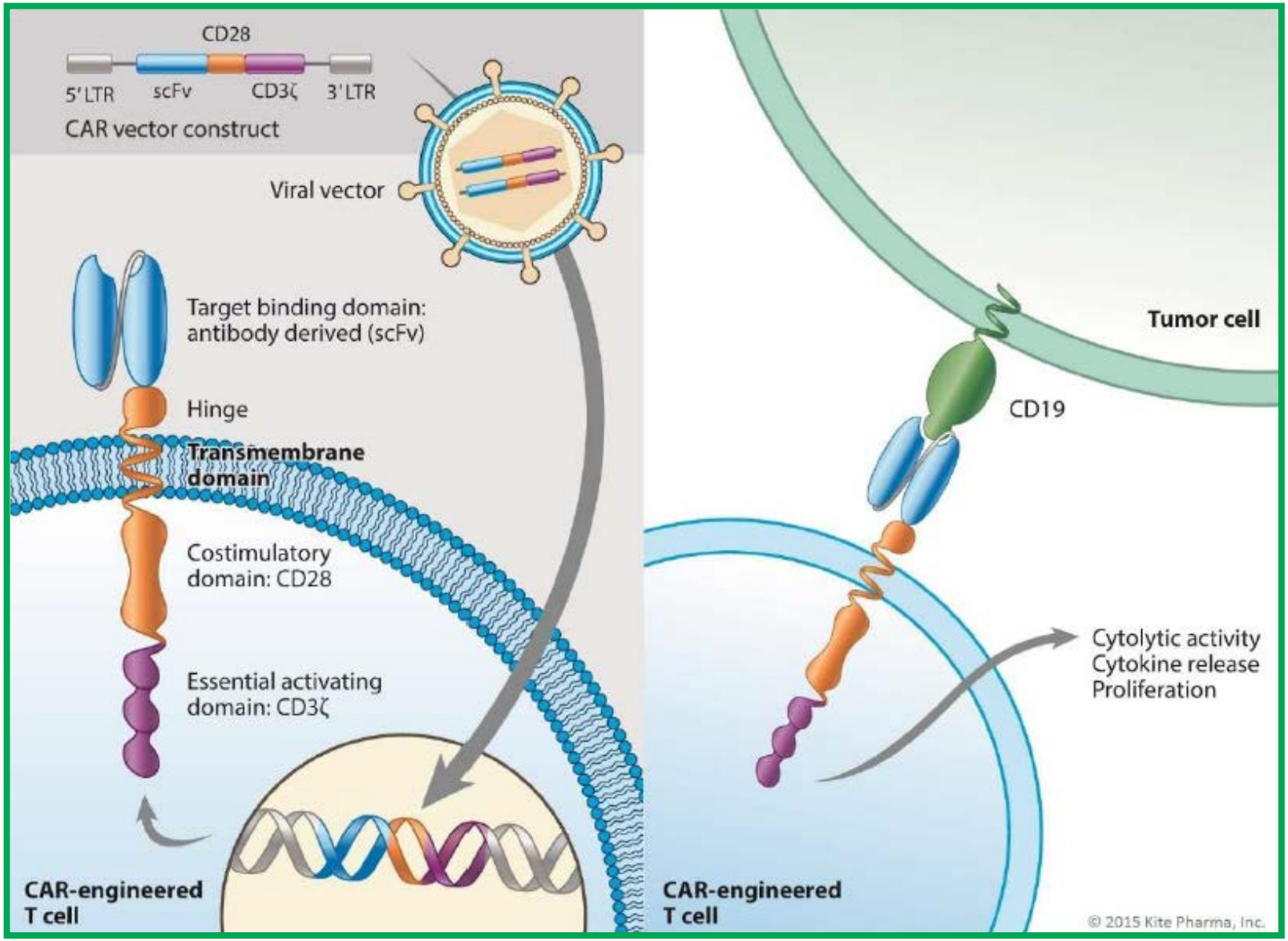
Scope of the collaboration

- **Products**
  - ✓ **KTE-C19 (CD19 Chimera Antigen Receptor T cell)**
    Exclusive license for clinical development, manufacturing and commercialization in Japan. Technology transfer to DS to take advantage of Kite's advanced T cell manufacturing technology
  - ✓ **Kite's lead product candidate will be submitted for review in the United States and is currently in clinical development for future indications**
    Optional licensing right for additional products over the next three years
- **Territory : Japan**

Advantage of collaboration

- To enrich innovative oncology pipeline
- To take opportunity to enhance research and development capabilities and build up business infrastructure for the engineered T-cell therapy

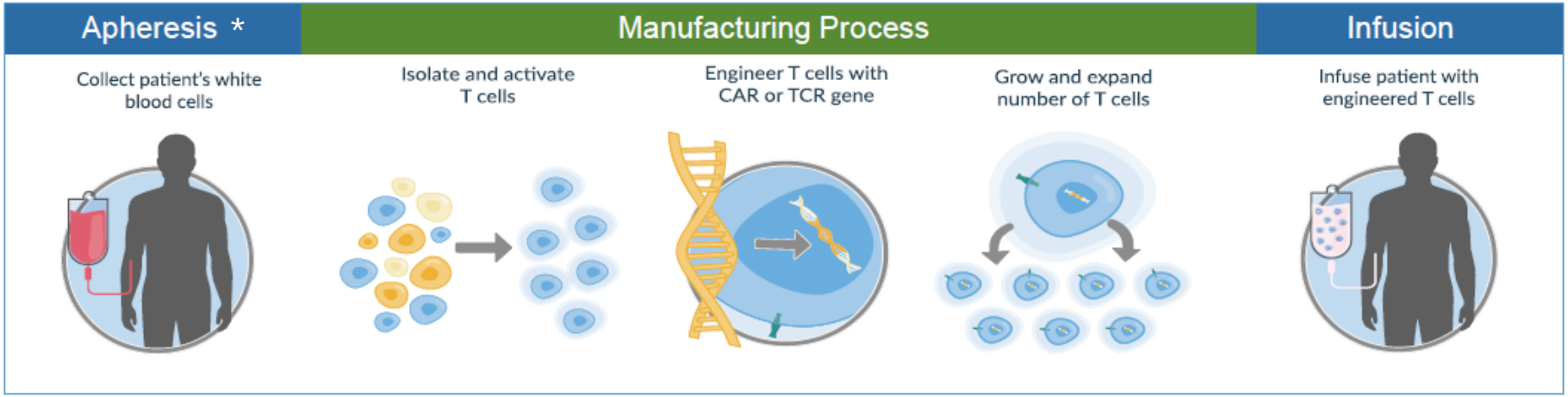
Chimera Antigen Receptor T-cell: CAR-T



From Kite IR material

Production timeline of engineered T-cell

Employing refined and optimized process, therapeutic T-cell is available within 16-18 days with high probability of production success (97%)



	~1 day	14 ~ 16 days		~1 day	
Medical center		Cell engineering facility			Medical center
Selection of patients Collection of white blood cells	Transportation	Cell engineering	Quality Control	Transportation	Preparation Infusion Observation

* A medical technology in which the blood of a person is passed through an apparatus that separates out one particular constituent and returns the remainder to the circulation.

From Kite IR material with modification

Development Status

Several clinical studies including non-Hodgkin's lymphoma are on-going

- US: Breakthrough Therapy Designation（DLBCL[1]/TFL[2]/PMBCL[3]）
  Rolling BLA submission for refractory aggressive non-Hodgkin lymophoma was initiated in Dec 2016 and will be completed in CY2017 Q1
- EU：PRIME（PRIority MEdicines) Designation（DLBCL）

1. Diffuse large B-cell lymphoma
2. Transformed follicular lymphoma
3. Primary mediastinal B-cell lymphoma

✓ Anticipate high probability of development success
✓ Potential to be a First-in-Class CAR-T product

（Reference）Major companies having CD19 CAR-T pipeline in clinic
（Source：company web site）

US/EU: Novartis phase 2
Juno/Celgene phase 2
Japan: Novartis phase 2
TAKARA-bio phase 1/2 IND submission

KTE-C19

ZUMA-1 Phase 2 Interim Analysis（ASH 2016）

- Chemorefractory patients with DLBCL, TFL, PMBCL
- 76 % of patients with DLBCL achieved objective response ($p < 0.0001$) and 47 % complete remissions (CR) at pre-specified interim analysis
- Adverse events in patients with a minimum one month follow up
  - Grade ≥3 Cytokine Release Syndrome 13%
  - Grade ≥3 Neurologic Events 29%

} Generally reversible

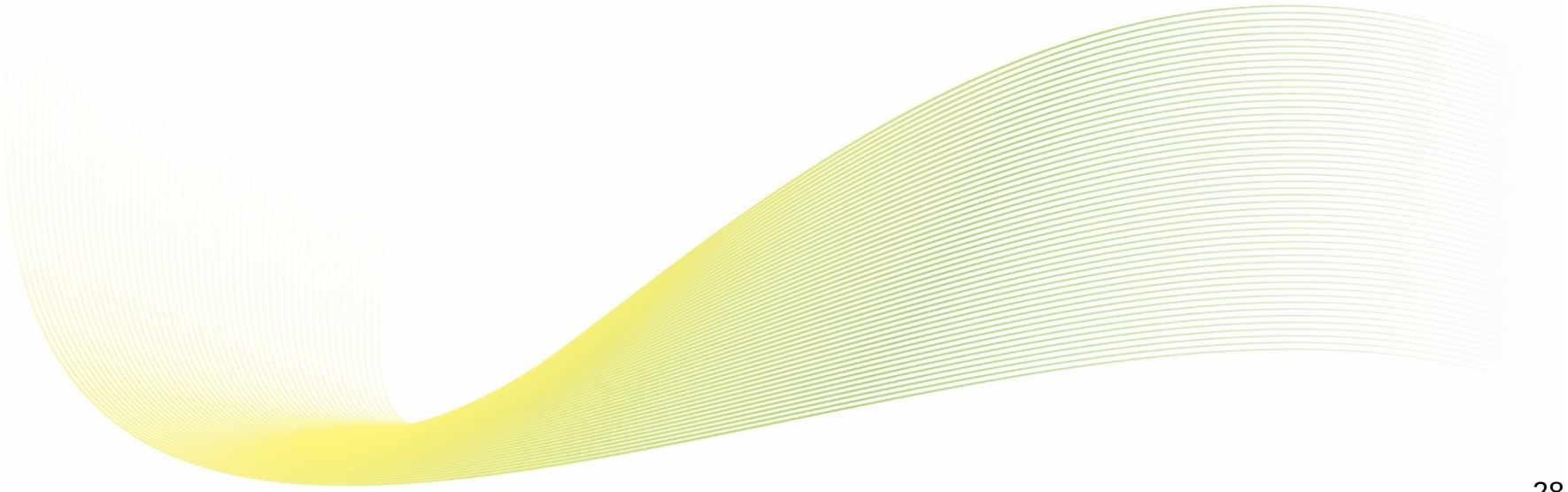
Best Overall Response in patients with ≥3 month follow-up

Subgroup	N	ORR*	CR
DLBCL	51	76%	47%
TFL/PMBCL	11	91%	73%
Total	**62**	**79%**	**52%**

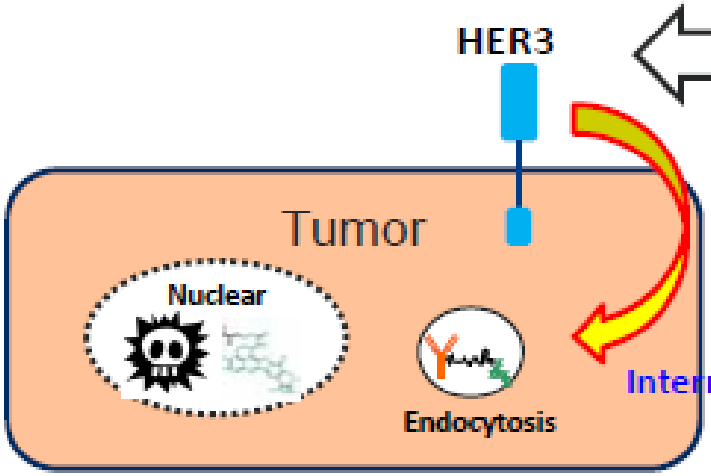
*ORR: Objective Response Rate

Neelapu, et al. LBA-6 Annual Meeting of American Society of Hematology (ASH) ,Dec 2016

ADC franchise enhancement

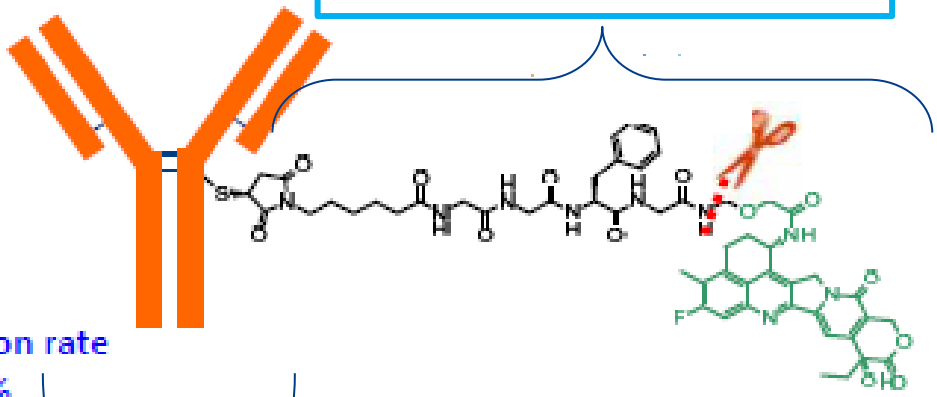


ADC franchise enhancement: U3-1402 HER3-ADC



Internalization rate
60-80%

Linker & Payload :
same as DS-8201



Drug-antibody ratio = 8

Antibody : Patritumab

Triggered by binding of patritumab, 60-80% of HER3 are internalized

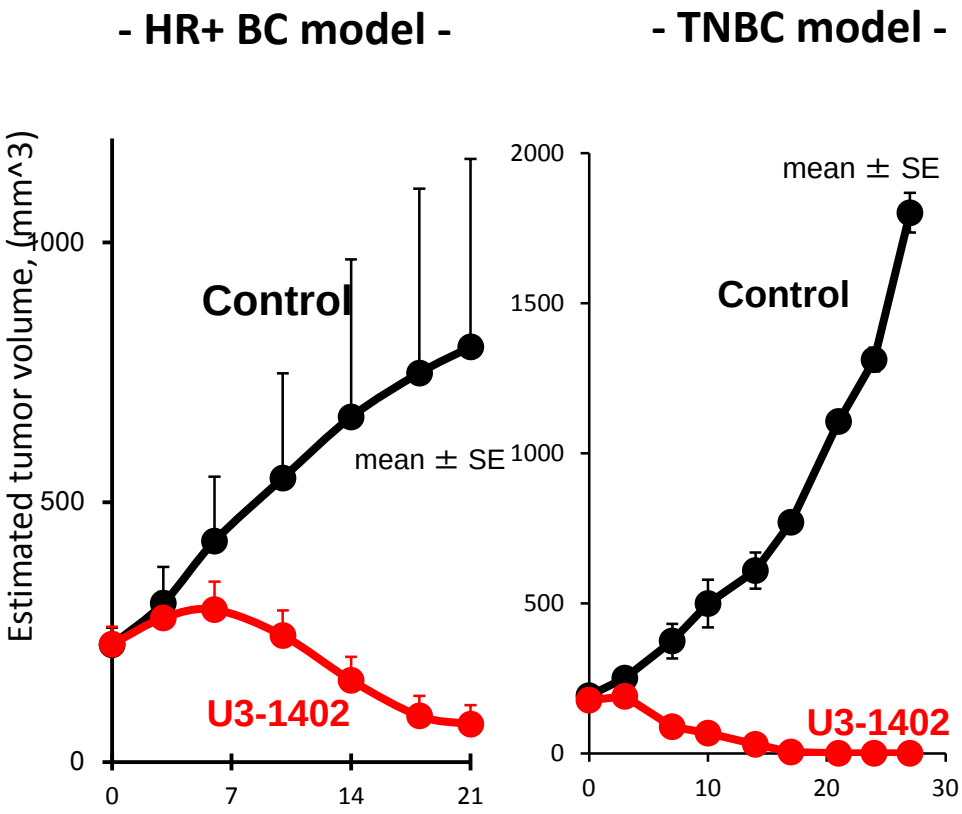
Desirable characterization for ADC

U3-1402 HER3-ADC

ADC franchise enhancement: U3-1402 HER3-ADC

1. **HER3 overexpression is reported in breast cancer (BC) and correlated with poor prognosis***
   ➔ Unmet Medical Needs for BC with HER3 overexpression
2. **Potential anti-tumor activity in non-clinical study**
   - U3-1402 showed tumor regression in BC xenograft models including hormone receptor positive and triple negative breast cancer which does not express HER2. (Right figures)

Patient-derived HER3-positive (HER2-negative) Xenograft models



* Ann Surg. 2010 Jun;251(6):1107-16).

ADC franchise enhancement: U3-1402 HER3-ADC

Initiated Phase 1/2 study in Japan

- Research participants
  - ✓ HER3-positive advanced/unresectable metastatic breast cancer, treated with standard treatment, or no standard treatment is available
- Study design（estimated enrollment: 80）
  - ✓ Dose escalation part: safety, tolerability, determination of maximum tolerated dose
  - ✓ Dose finding part: safety efficacy, determination of recommended dose for next phase
  - ✓ Phase 2 part: safety and efficacy at the recommended dose
- Location：Japan (US, in preparation)
- Top Line Results：FY2018 Q4 anticipated

NSCLC with EGFR mutation

- Clinical study for second- or third-line treatment of is in preparation possibly to start in FY2017 Q1

Major R&D milestone events

Project	Indication/Study	Event	Target
CL-108	**Pain/Opioid-induced nausea and vomiting (US)**	Approval	PDUFA date Jan. 31, 2017
Denosumab	**Rheumatoid arthritis (JP)**	Approval	FY2017
CHS-0214 （etanercept BS）	**Rheumatoid arthritis (JP)**	NDA	FY2016
Tivantinib	**METIV・HCC Hepatocellular carcinoma Phase 3 study (US/EU)**	TLR	CY2017 H1
Mirogabalin	**Fibromyalgia Phase 3 study (US/EU)**	TLR	CY2017 H1
Quizartinib	**QuANTUM-R AML 2nd line treatment Phase 3 study (US/EU/Asia)**	DMC interim analysis	CY2017 H1
Pexidartinib	Tenosynovial giant cell tumor (US/EU)	TLR	CY2017 H1
DS-8500	**Type 2 Diabetes Phase 2b study (JP) (US)**	TLR	FY2016 Q4 FY2017 H1

Red: new information

*TLR: Top Line Results

Reference

Major R&D Pipeline

As of January 2017

Daiichi-Sankyo

Therapeutic area	Phase 1	Phase 2	Phase 3	Application
Oncology	■ DS-3032 (US/JP) (MDM2 inhibitor) ■ PLX7486 (US) (FMS / TRK inhibitor) ■ PLX8394 (US) (BRAF inhibitor) ■ DS-6051 (US/JP) (NTRK/ROS1 inhibitor) ■ PLX9486 (US) (KIT inhibitor) ■ DS-3201 (JP) (EZH1/2 inhibitor) ■ PLX73086 (US) (CSF-1R inhibitor) ■ PLX51107 (US) (BRD4 inhibitor) ■ DS-8895 (JP) (Anti-EPHA2 antibody) ■ DS-8273 (US) (Anti-DR5 antibody) ■ DS-5573 (JP) (Anti-B7-H3 antibody) ■ DS-8201 (JP/US) (Anti-HER2 ADC) ■ U3-1784 (EU) (Anti-FGFR4 antibody) ■ DS-1123 (JP) (Anti-FGFR2 antibody) ■ U3-1402 (JP) (Anti-HER3 ADC)	■ Patritumab (EU) (U3-1287 / Anti-HER3 antibody) ■ Pexidartinib (US) (PLX3397 / CSF-1R/KIT/FLT3-ITD inhibitor) ■ DS-1647 (JP) (Glioblastoma / **G47Δ virus**)	■ Tivantinib (US/EU) (ARQ 197 / HCC / MET inhibitor) ■ Denosumab (JP) (AMG 162 / Breast cancer adjuvant / Anti-RANKL antibody) ■ Nimotuzumab (JP) (DE-766 / Gastric cancer / Anti-EGFR antibody) ■ Vemurafenib (US/EU) (PLX4032 / Melanoma Adjuvant / BRAF inhibitor) ■ Quizartinib (US/EU/Asia) (AC220 / AML-2nd / FLT3-ITD inhibitor) ■ Quizartinib (US/EU/Asia) (AC220 / AML-1st / FLT3-ITD inhibitor) ■ Pexidartinib (US/EU) (PLX3397 / TGCT / CSF-1R/KIT/FLT3-ITD inhibitor)	
Cardiovascular-Metabolics	■ DS-1040 (Acute ischemic stroke / TAFIa inhibitor) ■ DS-2330 (Hyperphosphatemia) ■ DS-9231/TS23 (Thrombosis / **α2**-PI inactivating antibody) ■ DS-9001 (Dyslipidemia / Anti-PCSK9 Anticalin-Albumod)	■ Esaxerenone (JP) (CS-3150 / DM nephropathy / MR antagonist) ■ DS-8500 (JP/US) (Diabetes / GPR119 agonist)	■ Edoxaban (JP) (DU-176b / AF / FXa inhibitor) ■ Prasugrel (JP) (CS-747 / Ischemic stroke / Anti-platelet agent) ■ Esaxerenone (JP) (CS-3150 / Hypertension / MR antagonist)	■ Edoxaban (ASCA etc.) (DU-176b / AF / FXa inhibitor) ■ Edoxaban (ASCA etc.) (DU-176b / VTE / FXa inhibitor)
Others	■ DS-1971 (Chronic pain) ■ DS-1501 (Osteoporosis / Anti-Siglec-15 antibody) ■ DS-7080 (US) (AMD / Angiogenesis inhibitor) ■ DS-2969 (*Clostridium difficile* infection /GyrB inhibitor) ■ DS-5141 (JP) (DMD / ENA oligonucleotide) ■ VN-0102/JVC-001 (JP) (MMR vaccine)	■ Laninamivir (US/EU) (CS-8958 / Anti-influenza / out-licensing with Biota)	■ Mirogabalin (US/EU) (DS-5565 / Fibromyalgia / **α2δ ligand**) ■ Mirogabalin (JP/Asia) (DS-5565 / DPNP/ **α2δ ligand**) ■ Mirogabalin (JP/Asia) (DS-5565 / PHN / **α2δ ligand**) ■ Hydromorphone (JP) (DS-7113 / Cancer pain / Opioid **μ**-receptor regulator) <Injection> ■ CHS-0214 (JP) (Etanercept BS / Rheumatoid arthritis / TNF**α** inhibitor) ■ VN-0105 (JP) (DPT-IPV / Hib vaccine) ■ Laninamivir (JP) (CS-8958 / Anti-influenza / nebulizer)	■ Hydromorphone (JP) (DS-7113 / Cancer pain / Opioid **μ**-receptor agonist)<Oral> ■ CL-108 (US) (Acute pain / Opioid **μ**-receptor agonist) ■ Intradermal Seasonal Influenza Vaccine (JP) (VN-100 / prefilled i.d. vaccine for seasonal flu) ■ VN-0107/MEDI3250 (JP) (Nasal spray flu vaccine) ■ Denosumab (JP) (AMG 162 / Rheumatoid arthritis / Anti-RANKL antibody)

Red: Major changes after the FY2016 Q2 financial announcement on October 31, 2016

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