Passion for Innovation.
Compassion for Patients.™

Daiichi-Sankyo

Top Management Presentation

Financial Results for FY2016 (April 1, 2016 – March 31, 2017)

DAIICHI SANKYO CO., LTD

George Nakayama
Chairman and CEO

Sunao Manabe
President and COO

May 11, 2017

Forward-Looking Statements

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Agenda

- **FY2016 Financial Results**
- **FY2017 Consolidated Forecast**
- **Progress of 5-Year Business Plan**

FY2016 Financial Results

Overview of FY2016 Results

(Bn JPY)

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

Currency Rate	USD/JPY	120.14	108.42	-11.72
	EUR/JPY	132.57	118.84	-13.73

Impairment loss
: Kitasato Daiichi Sankyo Vaccine (KDSV)

- **Impairment test was needed by the delay of the progress for some pipeline projects centered on Measles-Mumps-Rubella vaccine**

- **According to impairment test, KDSV booked an impairment loss of 21.9 Bn JPY on tangible fixed assets and intangible assets**
  Its liabilities exceed its assets by approx. 23.0 Bn JPY (net debt)

Reference: Profit before Tax of KDSV

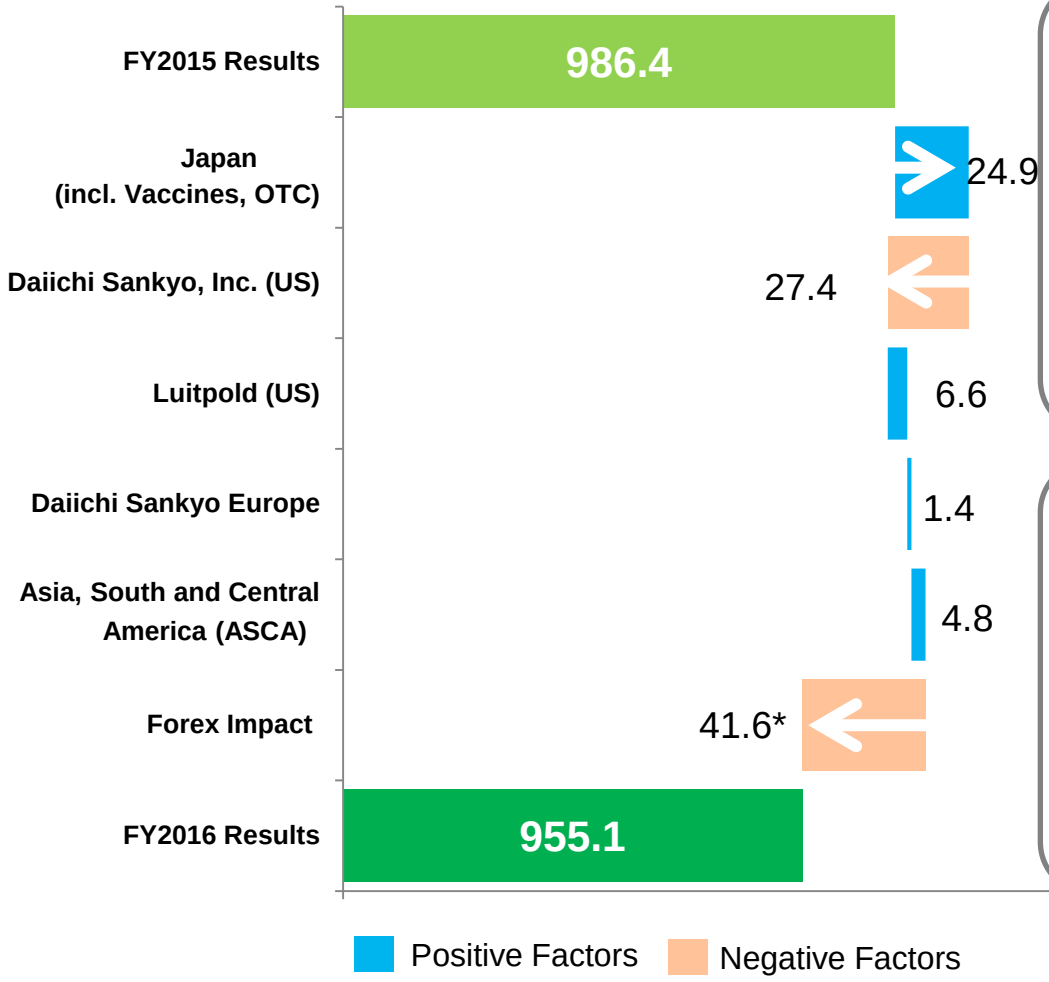
	FY2015 Results	FY2016 Results
Profit before Tax	-7.9	-29.8

- **An additional capital increase of approx. 40.0 Bn JPY will be made by DS's investment mid-June 2017**
  - To eliminate net debt and strengthen the financial basis
  - To become early profitable by cost reductions and streamlining
  - To improve its long-term profitability by developing and launching new products

Revenue

Decreased by 31.3 Bn JPY (Increased by 10.3 Bn JPY excl. forex impact)

(Bn JPY)



Japan

Positive :	Lixiana	+12.0	Tenelia	+7.6
	Inavir	+5.5	Efient	+5.5
	Pralia	+5.5	Memary	+4.4
	Nexium	+1.6		
Negative :	Loxonin	-10.7	Olmetec	-4.4
	Artist	-4.4	Cravit	-3.3

DSHC (OTC) +13.4

Global (excl. Forex Impact)

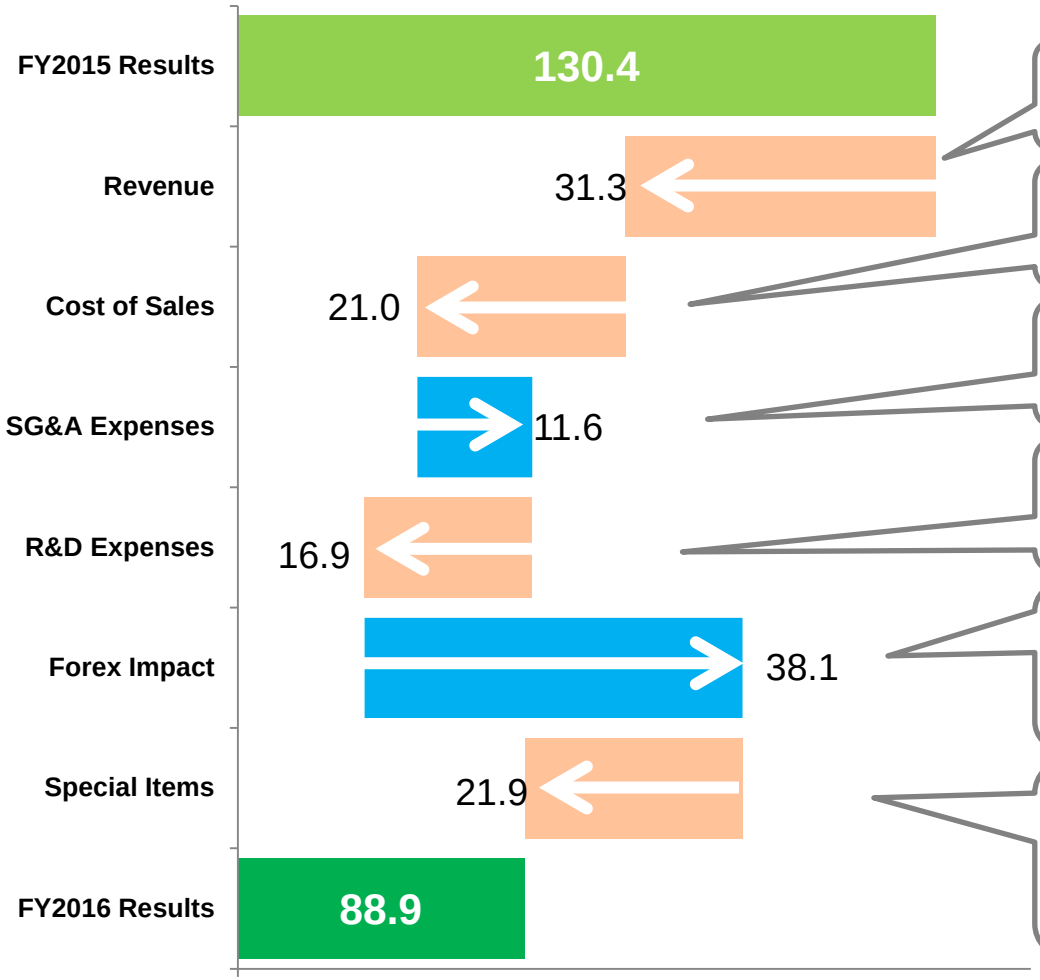
Daiichi Sankyo, Inc. :	Olmesartan	-38.1
	Effient	+3.9
	Movantik	+2.6
	Whelchol	+2.0
Luitpold :	Injectafer	+7.9
Daiichi Sankyo Europe :	Olmesartan	-10.7
	Lixiana	+9.2
	Efient	+3.5

* Forex impact USD: -25.4, EUR: -8.3, ASCA: -8.0

Operating Profit

Decreased by 41.5 Bn JPY
(Decreased by 16.1 Bn JPY excl. forex impact and special items)

(Bn JPY)



Revenue -31.3
incl. forex impact -41.6

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

SG&A Expenses
Impact of restructuring in US etc.

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

Forex impact -38.1
Cost of Sales -11.4
SG&A Expenses -16.6
R&D Expenses -10.1

Special items +21.9
Cost of Sales +21.2
SG&A Expenses +1.9
R&D Expenses -1.1

Positive Factors Negative Factors

Special Items

(Bn JPY)

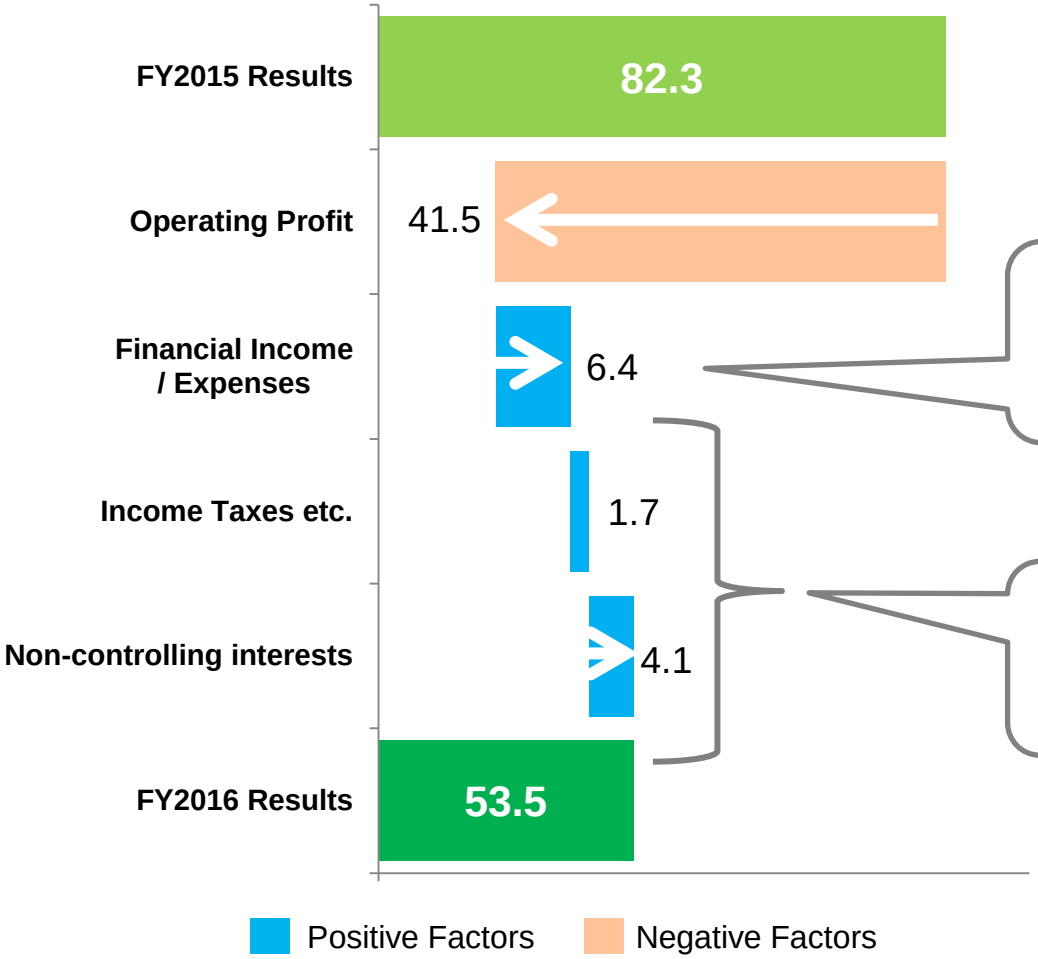
	FY2015 Results		FY2016 Results		YoY
Cost of Sales	Gain on sales of subsidiary Gain on sales of fixed assets Impairment loss (Intangible) Restructuring costs in SC	-2.4 -1.1 1.9 4.6	Restructuring costs in SC Impairment loss (Vaccine)	3.6 20.6	+21.2
SG&A Expenses	Restructuring costs in US Restructuring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

- : Cost decrease items

Profit Attributable to Owners of the Company

Decreased by 28.8 Bn JPY

(Bn JPY)



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

See next page

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

Income Taxes, Non-Controlling Interests

(Bn JPY)

	FY2015 Results	FY2016 Results	YoY
Profit before Tax	122.4	87.8	-34.6 (-28.3%)
Income taxes etc.	42.0	40.3	-1.7
(Tax rate)	(34.3%)	(45.9%)	(+11.6%)
Profit for the year	80.4	47.5	-32.9 (-40.9%)
Non-controlling interests	-1.9	-6.0	-4.1
Profit attributable to owners of the Company	82.3	53.5	-28.8 (+35.0%)

KDSV* with Net Operating Loss from the previous term has been not applicable to tax effect accounting on its loss

The loss of KDSV was increased drastically in FY2016
→With the KDSV's negative impact on DS Consolidated, tax rate in FY2016 was deteriorated

Loss attributable to Kitasato Institute (20%)

*KDSV: Kitasato Daiichi Sankyo Vaccine

Revenue: Major Business Units

(Bn JPY)

	FY2015 Results	FY2016 Results	YoY	vs. Forecast (%)
Japan	**494.7**	**506.6**	**+11.9**	**100.3%**
Daiichi Sankyo Healthcare	**53.4**	**66.7**	**+13.4**	**101.1%**
Daiichi Sankyo Inc.	**185.1**	**142.3**	**-42.8**	**98.8%**
Olmesartan	111.6	66.4	-45.3	92.2%
Welchol	48.4	45.5	-2.9	111.0%
Effient	20.7	22.2	+1.5	-
Savaysa	0.4	1.9	+1.4	93.8%
Movantik	2.0	4.2	+2.1	-
Luitpold	**91.0**	**88.1**	**-2.9**	**100.1%**
Venofer	31.2	28.5	-2.8	101.7%
Injectafer	18.6	24.0	+5.3	99.9%
Daiichi Sankyo Europe	**77.8**	**71.0**	**-6.8**	**101.4%**
Olmesartan	58.9	43.2	-15.7	102.8%
Efient	5.4	7.9	+2.6	-
Lixiana	1.5	9.7	+8.1	107.5%
Asia, South and Central America (ASCA)	**75.3**	**72.1**	**-3.2**	**101.6%**

Currency Rate	USD/JPY	120.14	108.42	-11.72
	EUR/JPY	132.57	118.84	-13.73

*Incl. Forex impact

Revenue: Major Products in Japan

(Bn JPY)

		FY2015 Results	FY2016 Results	YoY	vs. Forecast (%)
Nexium	ulcer treatment	**82.4**	**84.0**	**+1.6**	**101.2%**
Olmetec	antihypertensive agent	**73.9**	**69.4**	**-4.4**	**100.6%**
Memary	Alzheimer's disease treatment	**42.4**	**46.9**	**+4.4**	**95.6%**
Loxonin	anti-inflammatory analgesic	**48.1**	**37.4**	**-10.7**	**101.1%**
Tenelia	type 2 diabetes mellitus inhibitor	**16.5**	**24.2**	**+7.6**	**93.0%**
Lixiana	anticoagulant agent	**13.0**	**25.0**	**+12.0**	**100.0%**
Rezaltas	antihypertensive agent	**18.2**	**17.5**	**-0.6**	**97.4%**
Pralia	treatment for osteoporosis	**12.5**	**18.0**	**+5.5**	**105.6%**
Ranmark	treatment for bone complications caused by bone metastases from tumors	**12.4**	**13.9**	**+1.5**	**107.1%**
Inavir	anti-influenza treatment	**14.0**	**19.6**	**+5.5**	**139.7%**
Cravit	synthetic antibacterial agent	**18.4**	**15.1**	**-3.3**	**107.9%**
Omnipaque	contrast medium	**16.9**	**14.2**	**-2.7**	**109.2%**
Urief	treatment for dysuria	**11.8**	**11.4**	**-0.4**	**103.9%**
Artist	treatment for hypertension, angina pectoris and chronic heart failure	**15.1**	**10.6**	**-4.4**	**96.8%**
Mevalotin	antihyperlipidemic agent	**13.4**	**10.4**	**-3.0**	**104.5%**
Efient	antiplatelet agent	**4.9**	**10.4**	**+5.5**	**94.7%**

FY2017 Consolidated Forecast

FY2017 Consolidated Forecast

(Bn JPY)

	FY2016 Results	FY2017 Forecast	YoY
Revenue	**955.1**	**930.0**	-2.6% **-25.1**
Cost of Sales	**349.4**	**340.0**	**-9.4**
SG&A Expenses	**302.5**	**300.0**	**-2.5**
R&D Expenses	**214.3**	**190.0**	**-24.3**
Operating Profit	**88.9**	**100.0**	+12.4% **+11.1**
Profit before Tax	**87.8**	**100.0**	**+12.2**
Profit attributable to owners of the Company	**53.5**	**66.0**	+23.4% **+12.5**

Currency Rate	**USD/JPY**	**108.42**	**110.00**
	EUR/JPY	**118.84**	**120.00**

FY2017 Consolidated Forecast

(Bn JPY)

	FY2016 Results (excl. special items)	FY2017 Forecast	YoY
Revenue	**955.1**	**930.0**	-2.6% **-25.1**
Cost of Sales	34.0% **325.2**	36.6% **340.0**	**+14.8**
SG&A Expenses	**290.8**	**300.0**	**+9.2**
R&D Expenses	**209.8**	**190.0**	**-19.8**
Operating Profit	**129.3**	**100.0**	-22.7% **-29.3**

See next page

Product mix
(Impact of olmesartan LOE)

- Increase of co-promotion expenses (Japan・China)
- Cost reduction/ Cost efficiency

- Mirogabalin study completed
- Cost reduction/ Cost efficiency

Currency Rate	USD/JPY	108.42	110.00
	EUR/JPY	118.84	120.00

Operating Profit in FY2017 will be decreased by 29.3 Bn JPY compared to FY2016 excluding special items (40.4 Bn JPY)

Revenue: Major Business Units

(Bn JPY)

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

Revenue: Global Products

(Bn JPY)

	FY2016 Results	FY2017 Forecast	YoY
Olmesartan	**218.0**	**134.0**	**-84.0**
Olmetec, Rezaltas (JPN)	87.0	63.0	-24.0
Benicar/Benicar HCT etc. (US)	66.4	14.0	-52.4
Olmetec/Olmetec Plus etc. (EU)	43.2	26.0	-17.2
Other subsidiaries, export, etc.	21.5	31.0	+9.5
Edoxaban	**37.3**	**65.0**	**+27.7**
Lixiana (JPN)	25.0	39.0	+14.0
Savaysa (US)	1.9	2.0	+0.1
Lixiana (EU)	9.7	22.0	+12.3
Other subsidiaries	0.8	2.0	+1.2

Progress of 5-Year Business Plan

2025 Vision

Global Pharma Innovator with Competitive Advantage in Oncology

- *Build a specialty area* centered on oncology as the core business*
- *Enrich regional value aligned with market needs*
- *Create innovative products*
  – change SOC (Standard of Care)
- *Realize shareholder value through highly efficient management*

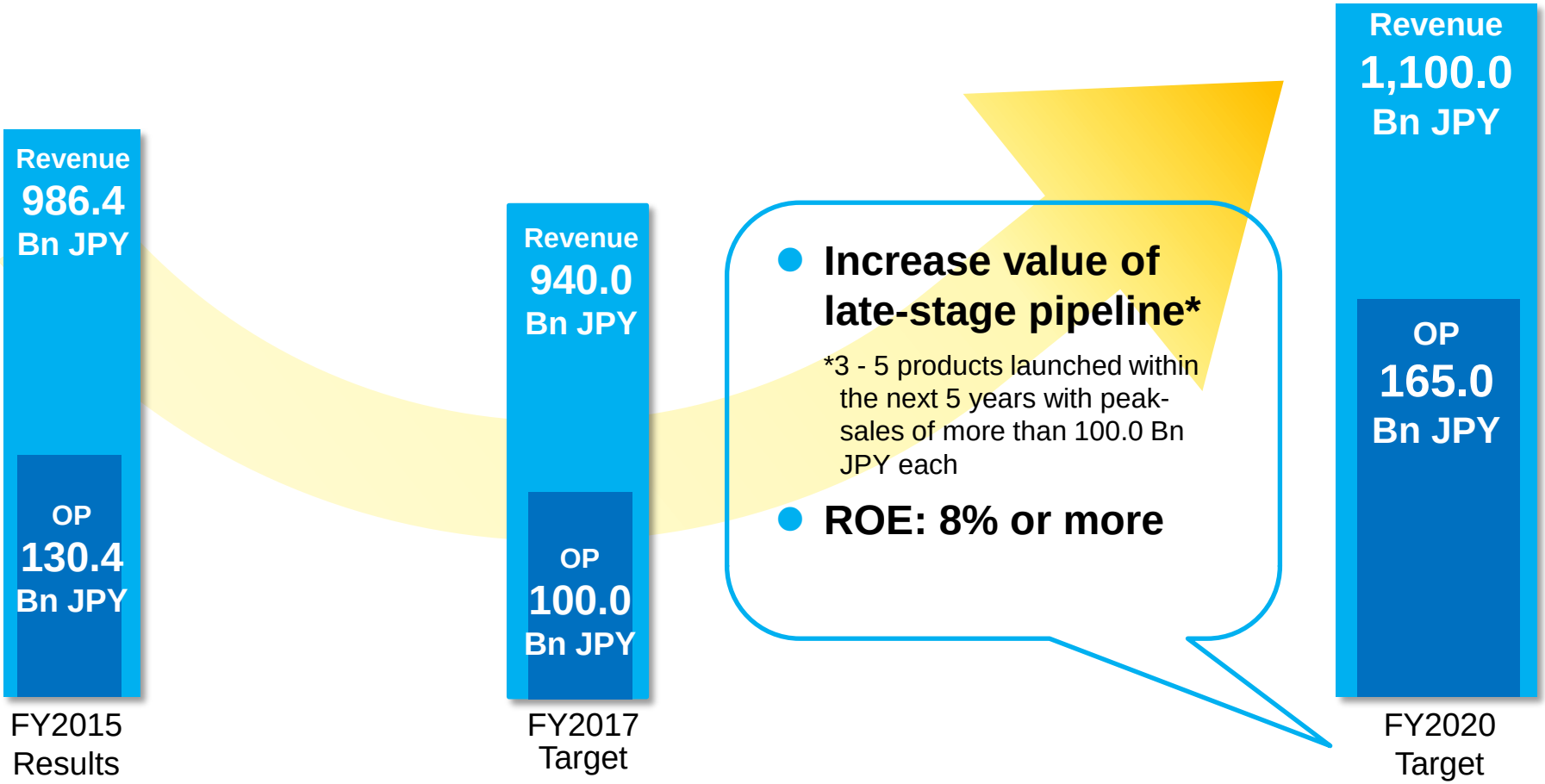
*specialty area: Drugs mainly prescribed at hospital and/or by specialty practitioners

5-Year Business Plan (FY2016 - FY2020)

Daiichi-Sankyo

Challenge 1:
Grow beyond FY2017 LOE

Challenge 2:
Establish Foundation of Sustainable Growth



Original Assumption: Exchange rate of 1USD=120JPY, 1EUR=130JPY

Strategic Targets
~For establishing foundation of sustainable growth～

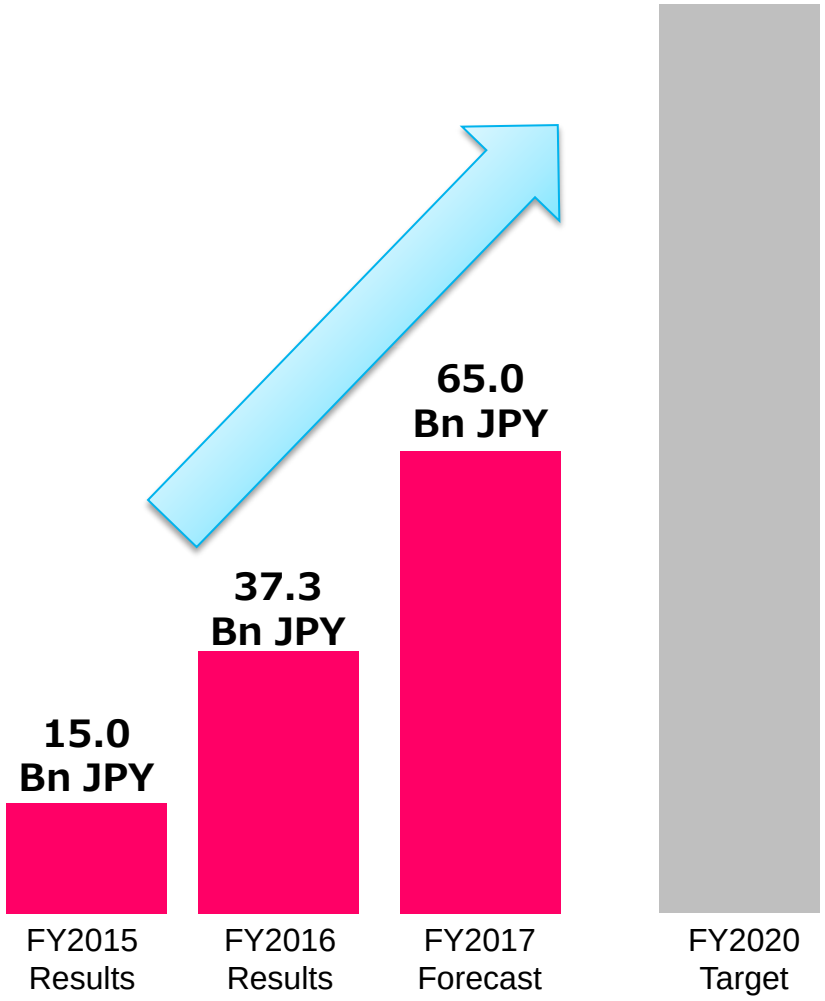
Six Strategic Targets

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

Grow Edoxaban

Edoxaban

Over 120.0 Bn JPY
(1 Bn USD) in FY2020

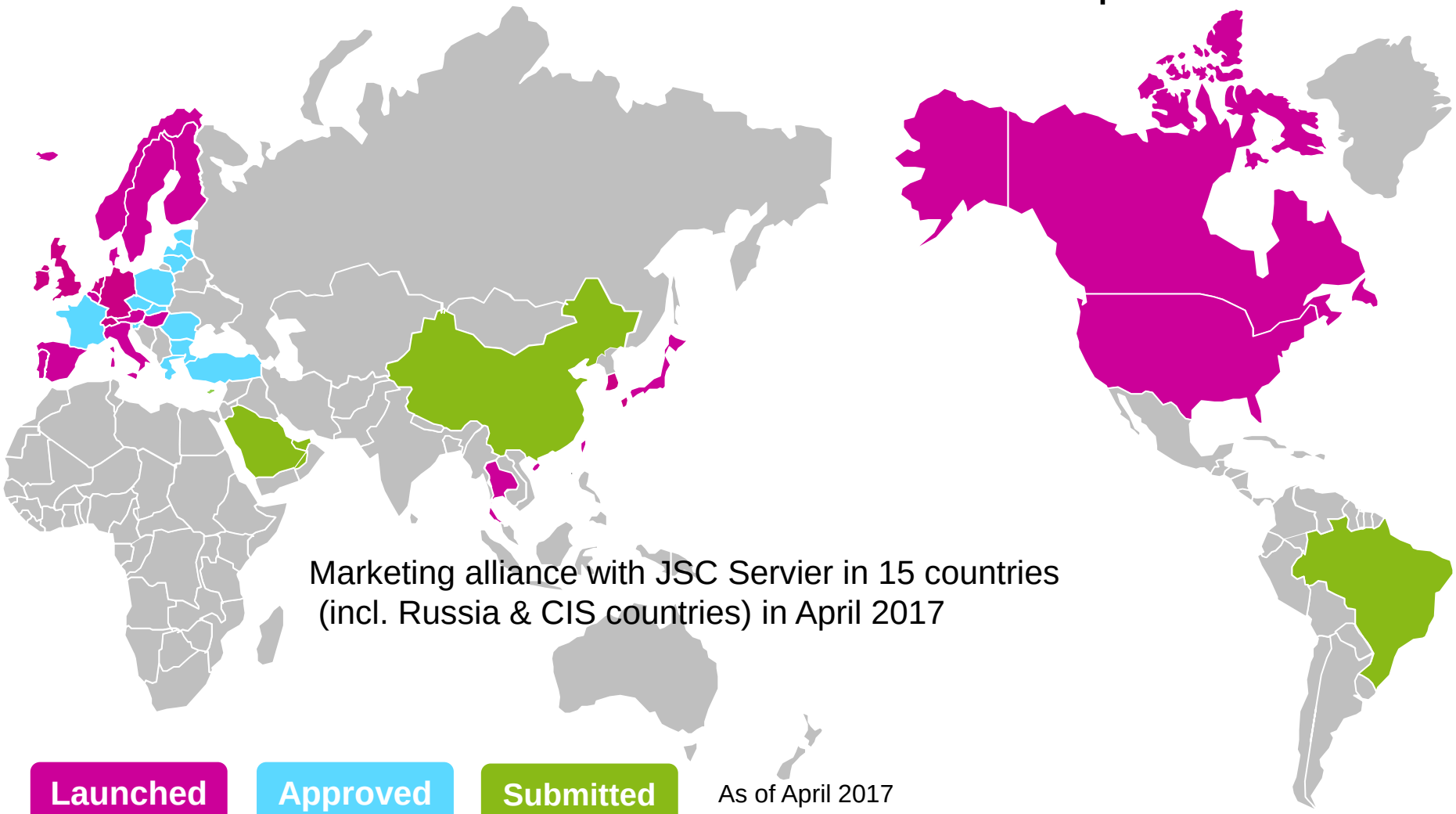


- **Expand launched and approved countries**
- **Steady revenue growth in Japan, Germany and South Korea**
- **Accelerate new evidence creation**

Conservative assumption that insurance reimbursement status in United States will remain unchanged

Expand Launched and Approved Countries

- Launched and approved in over **20** countries
- Covered about **95**% of DOAC* market potential



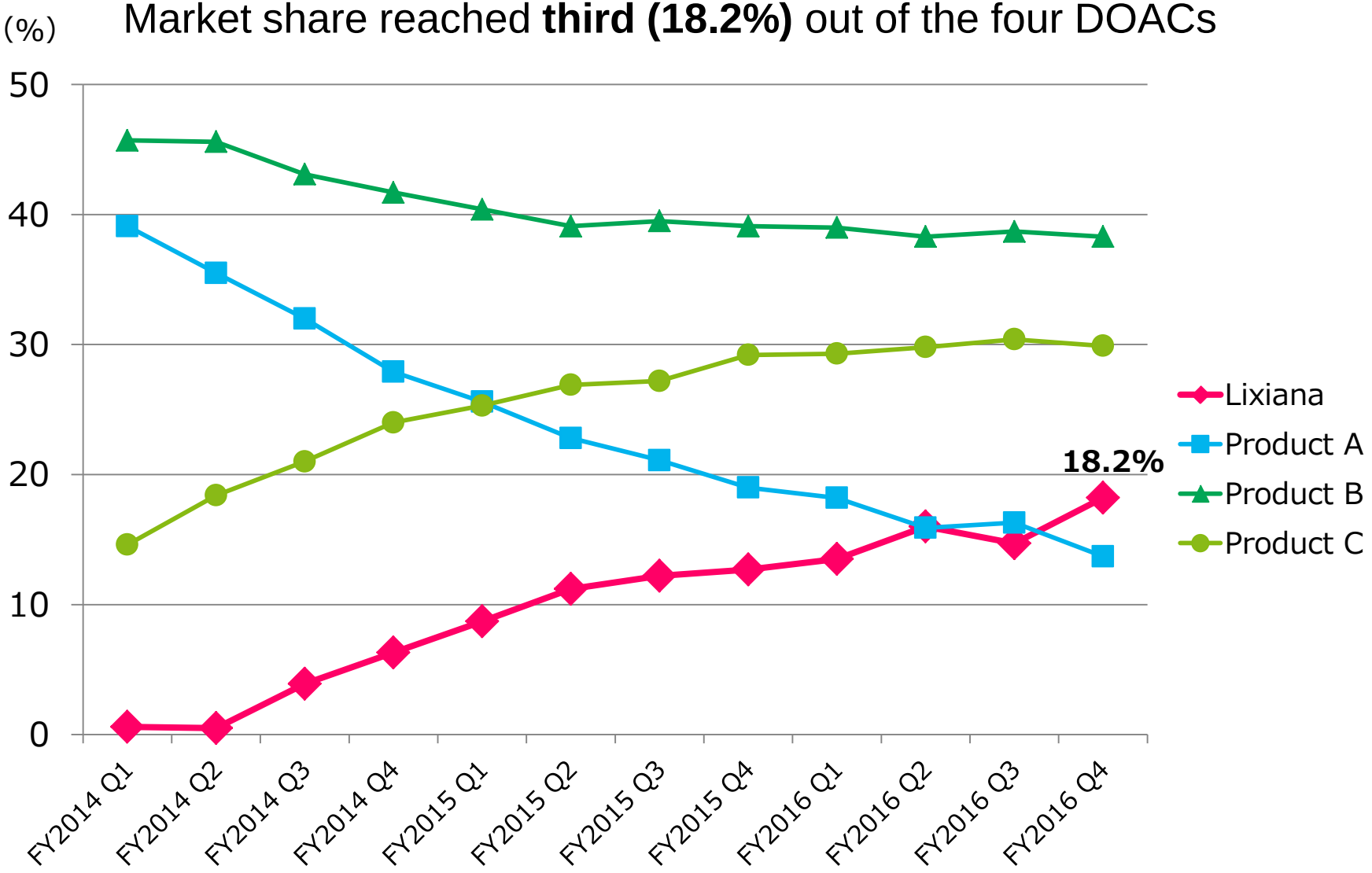
Marketing alliance with JSC Servier in 15 countries
(incl. Russia & CIS countries) in April 2017

Launched **Approved** **Submitted** As of April 2017

*DOAC : Direct Oral Anticoagulant Same meaning as NOAC (novel oral anticoagulant)

Growth in Japan

Market share reached **third (18.2%)** out of the four DOACs



Calculated based on JPM 2014 Q1-2016 Q4
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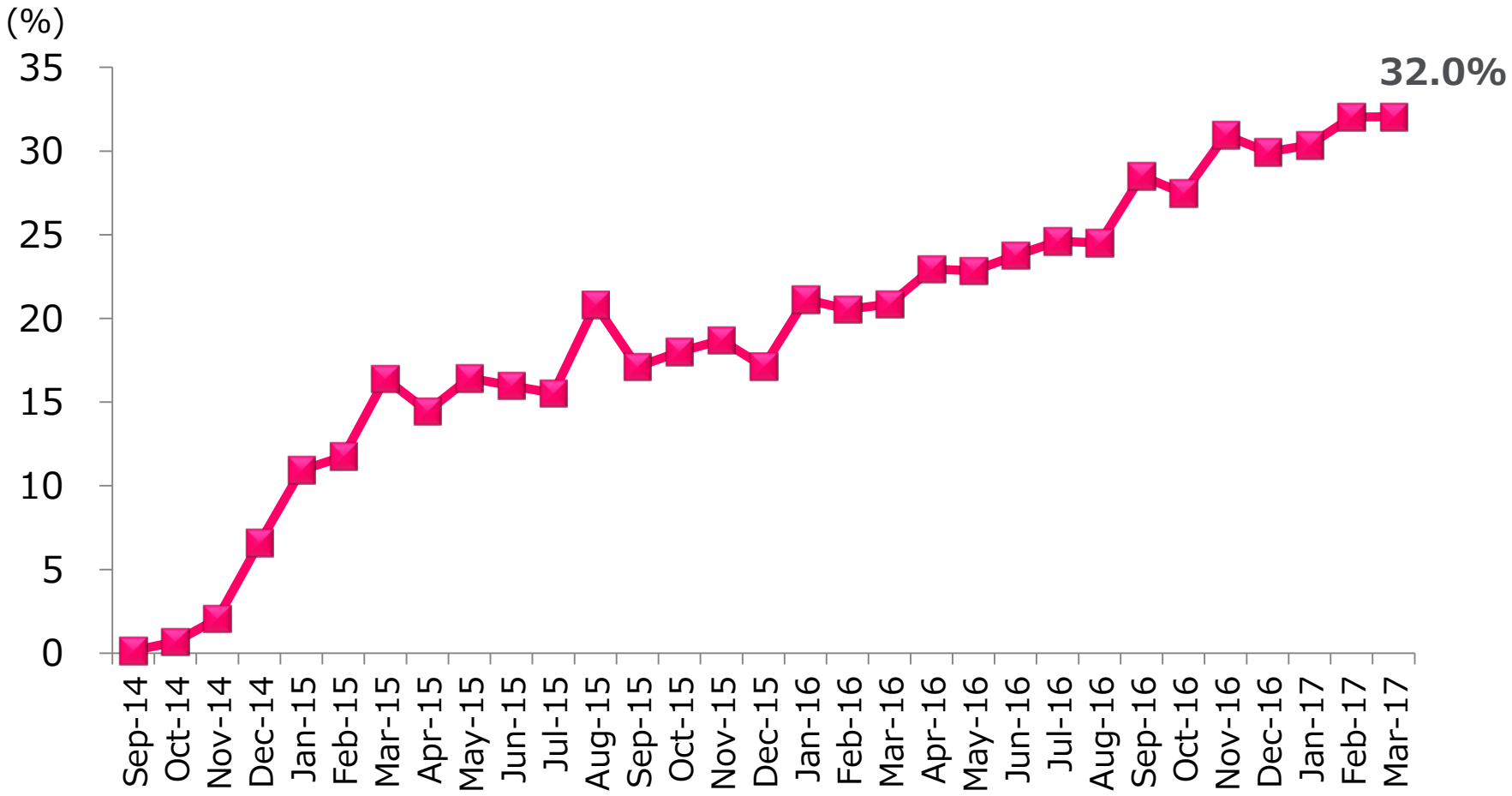
Growth in Japan

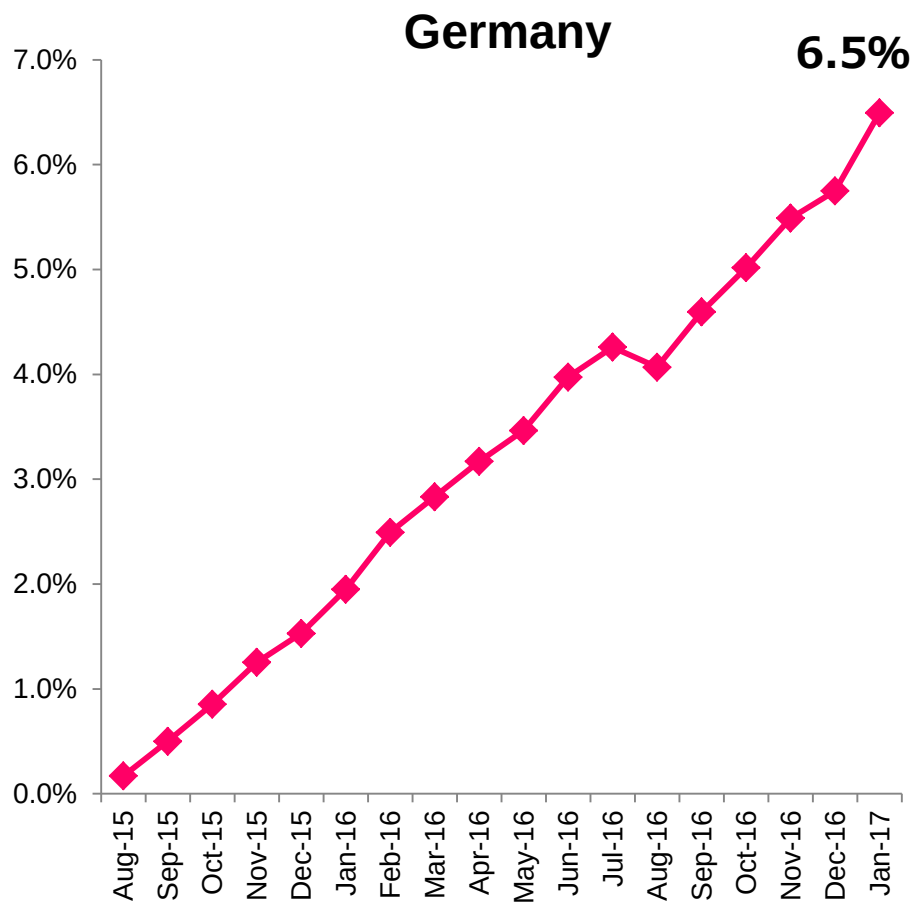
Lixiana reached **32.0%** of market share in new patients for AF+VTE

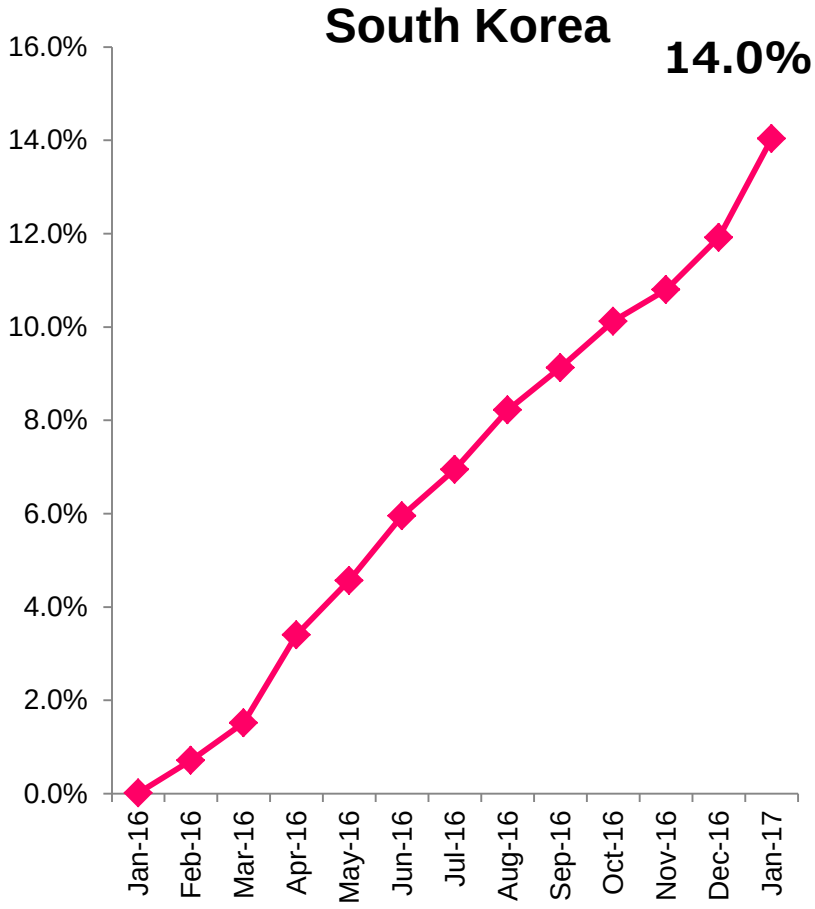


Source : Medi-trend

Growth in Germany and South Korea

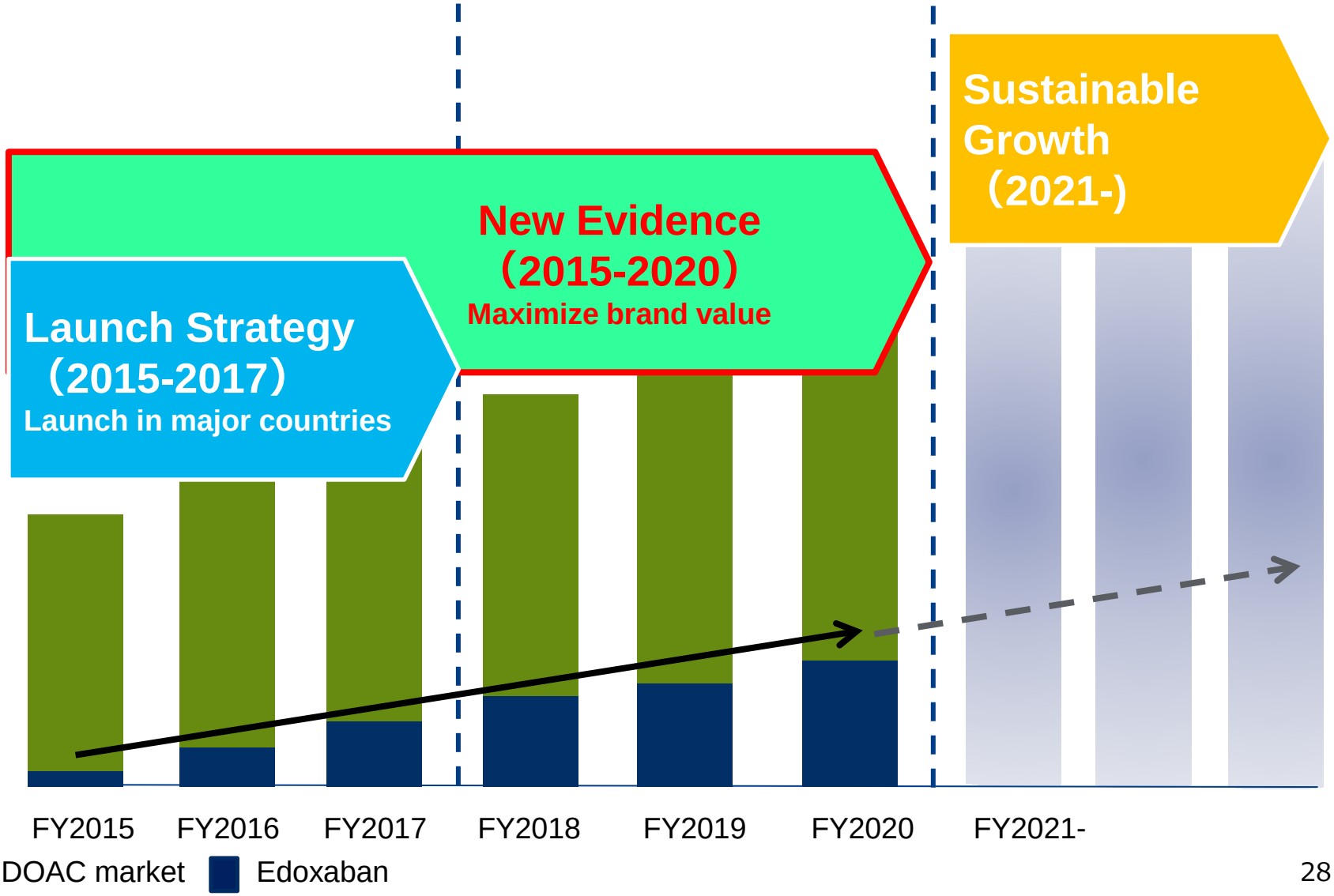
Steady uptake of sales share after launch





Maximize Product Value

Maximize product value by accelerating creation of new evidence



Accelerate New Evidence Creation

Daiichi-Sankyo

Ongoing randomized controlled trials in various clinical settings

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

Study started since FY2016

Ph3 study for new dosage and administration

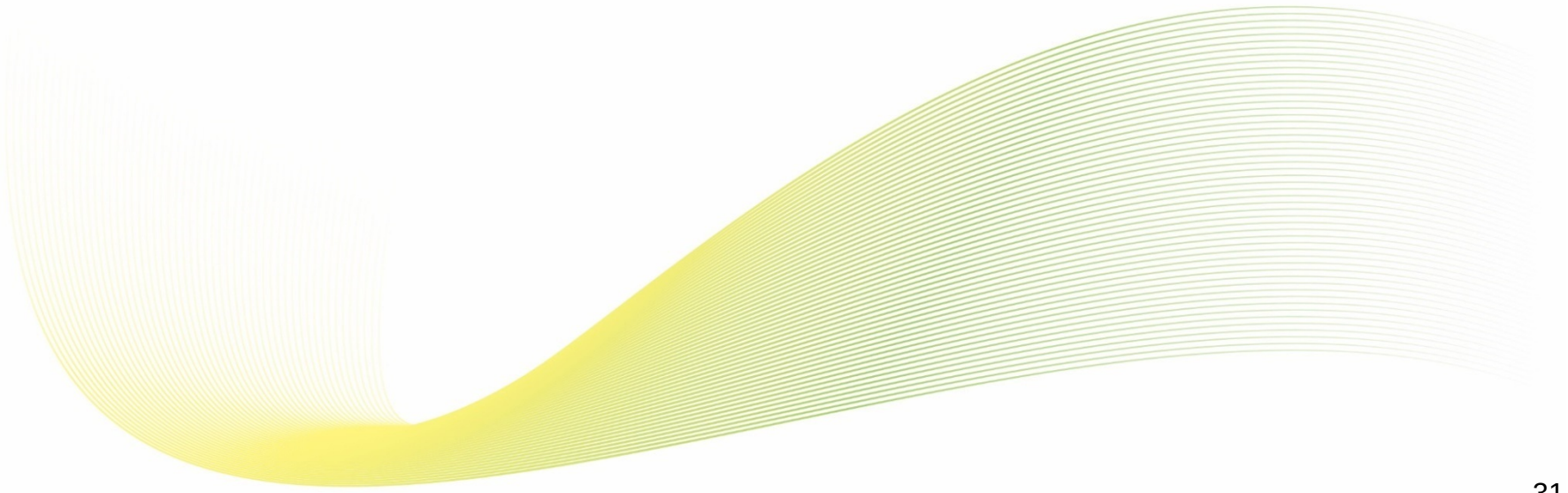
Accelerate New Evidence Creation

Non-interventional studies and registries to generate real-world data with >100,000 patients including completed, ongoing and future research

Study Name	Clinical Setting
ETNA-AF Global	Edoxaban Treatment in routine clinical practice in AF
ETNA-VTE Global	Edoxaban Treatment in routine clinical practice in VTE
EMIT-AF/VTE	Edoxaban Management In diagnostic and Therapeutic procedures–AF/VTE
PREFER in AF Prolongation	Prolongation PREFER in AF, European Registry
ANAFIE	All Nippon in AF Elderly registry in Japan
Cancer–VTE Registry Venous Thromboembolism in Cancer Patients	Multicenter Prospective Registry in Cancer patients in VTE patients in Japan

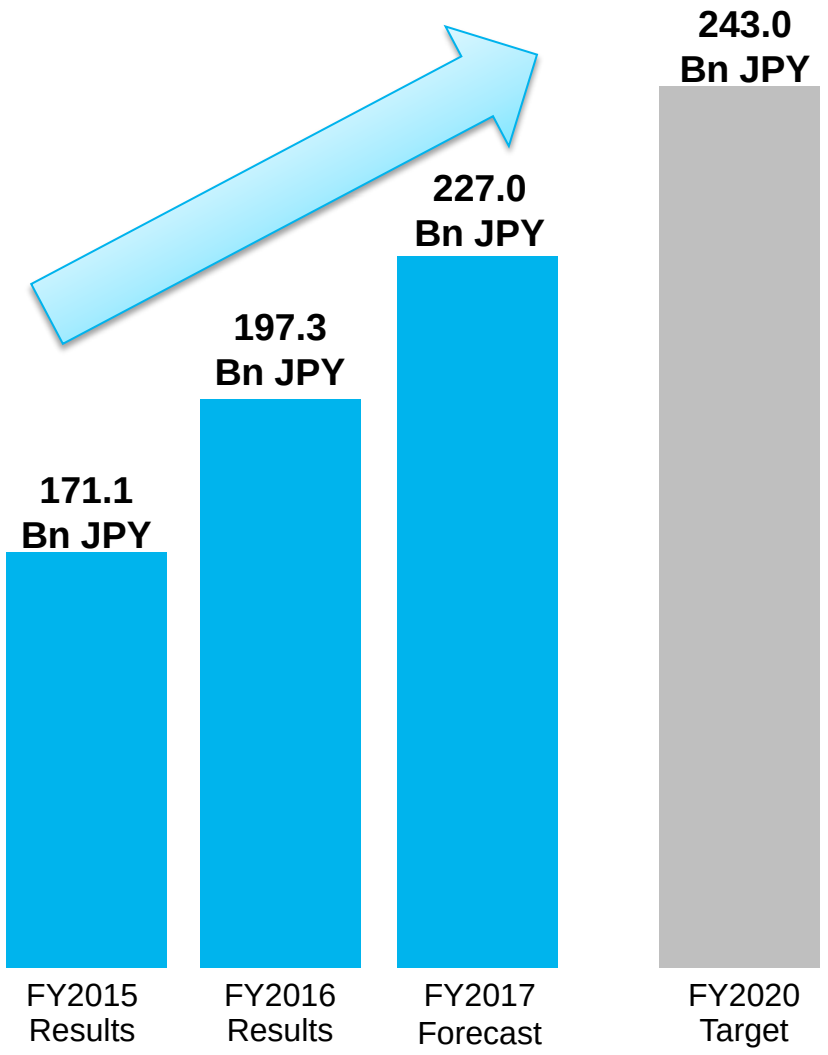
Study started since FY2016

Grow as No.1 company in Japan



Grow Major Products in Japan

Many of innovative major products reached No. 1 share and continue to expand market share

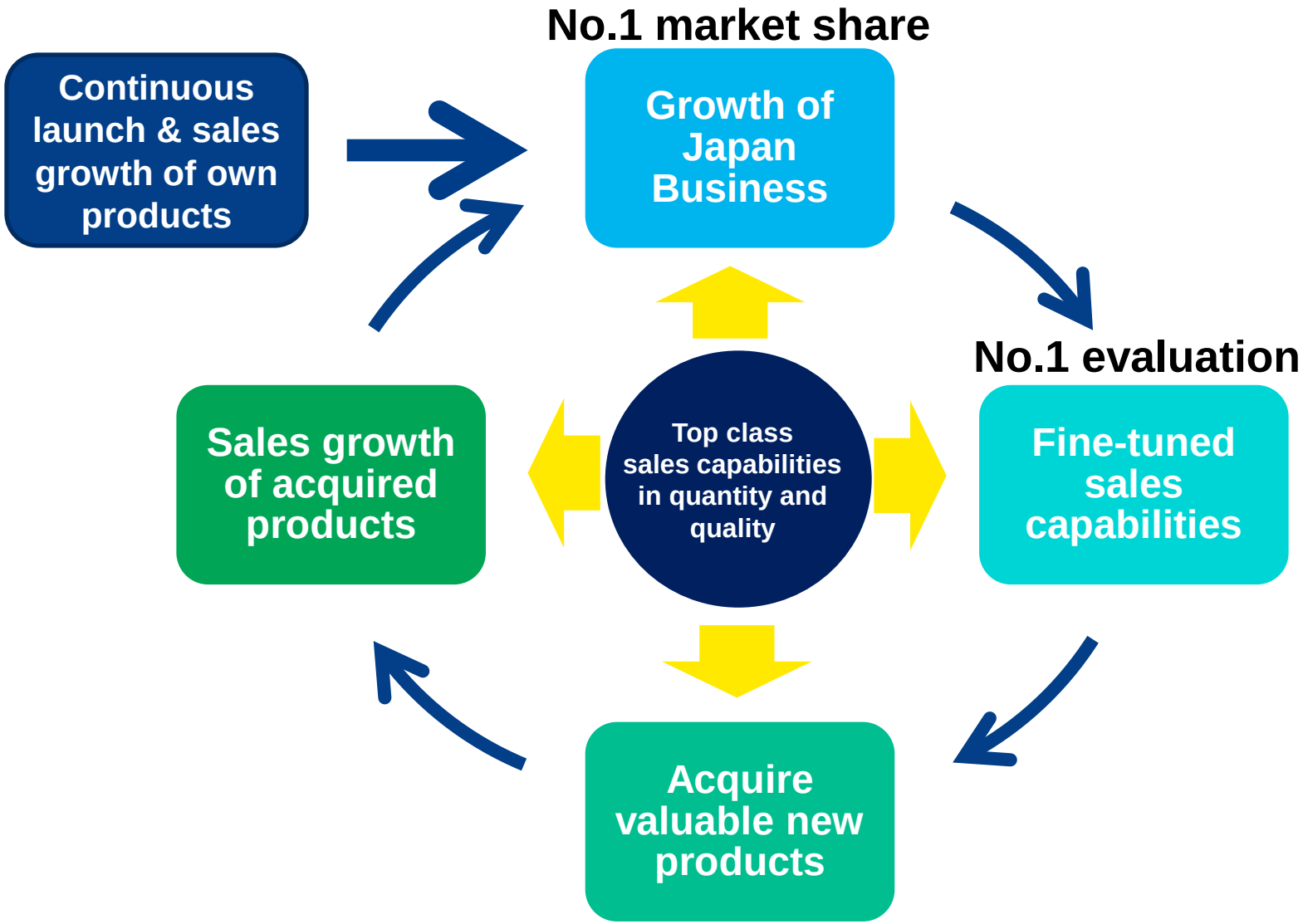


*In the market for Bone resorption inhibitors

Total of 6 products in right column (excl. Lixiana), Including the impact of mandated price revisions

Process for Sustainable Growth

Realize sustainable growth by leveraging No.1 sales capabilities of leading company in Japan



Achievements in FY2016

Acquire valuable new products

- **Launched anti epilepsy VIMPAT and filed an new indication**
- **9 biosimilars in-licensed from Amgen**
- **Expand strategic alliance in the diabetes field with Mitsubishi Tanabe Pharma**
  - Entered into a marketing alliance agreement for MT-2412, a combination drug consisting of TENELIA and CANAGLU in March 2017
- **Strengthen authorized generic (AG) business through Daiichi Sankyo Espha**
  - Obtained approval for manufacturing and marketing for multiple AG products including olmesartan (own product), telmisartan, rosuvastatin etc. in Feb. 2017

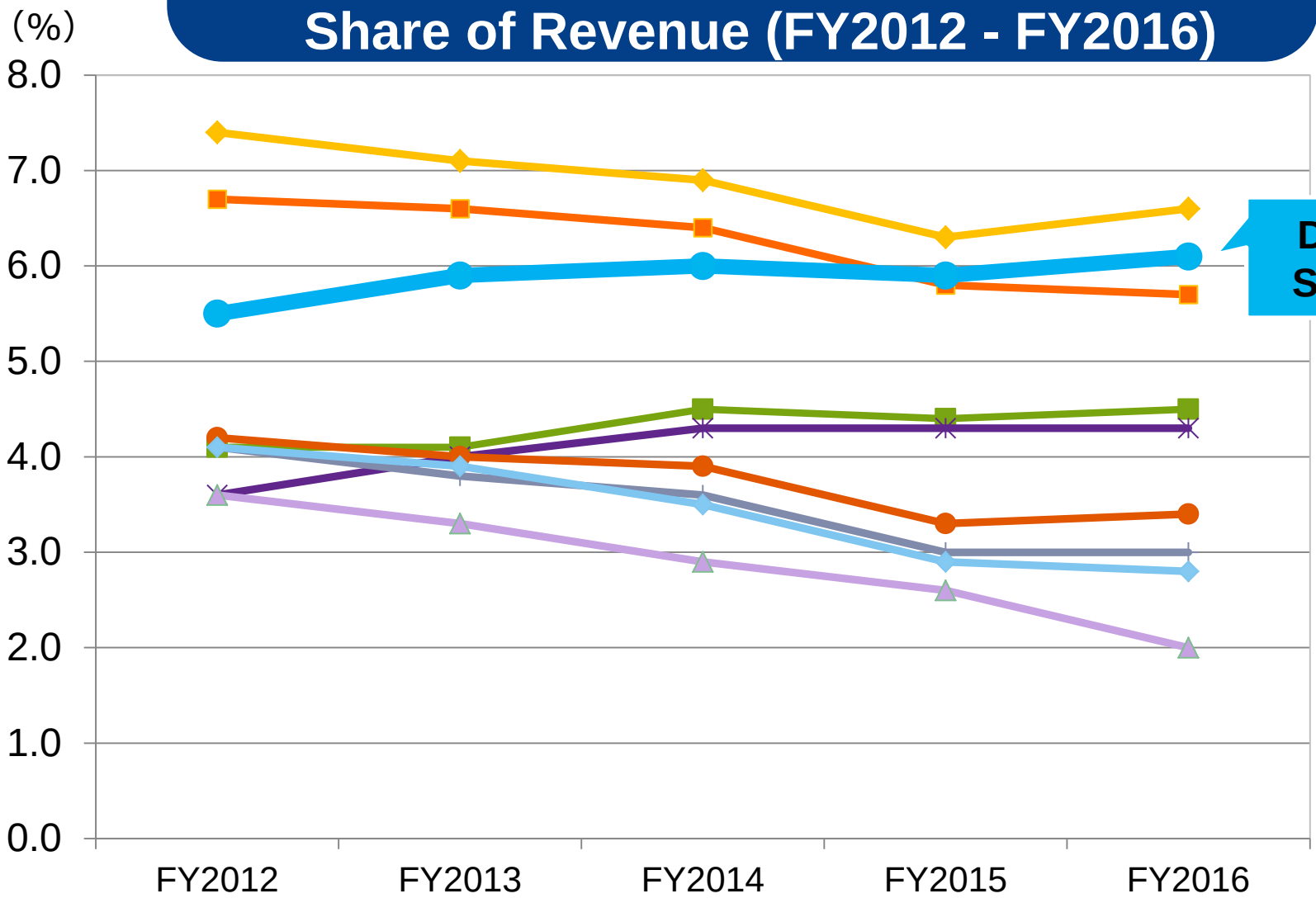
Fine-tuned sales capabilities

- **Ranked No. 1 on MR activities by external survey**
  - ANTERIO Inc. ：All physicians, HP, GP（4 consecutive years）
  - SSRI Co., Ltd. ：Visit situation by MR, Trusted manufacturer
  - Mix survey：Excellent MR

Red: Update or new

Growth of Sales Share

Japanese Pharmaceutical Companies Share of Revenue (FY2012 - FY2016)

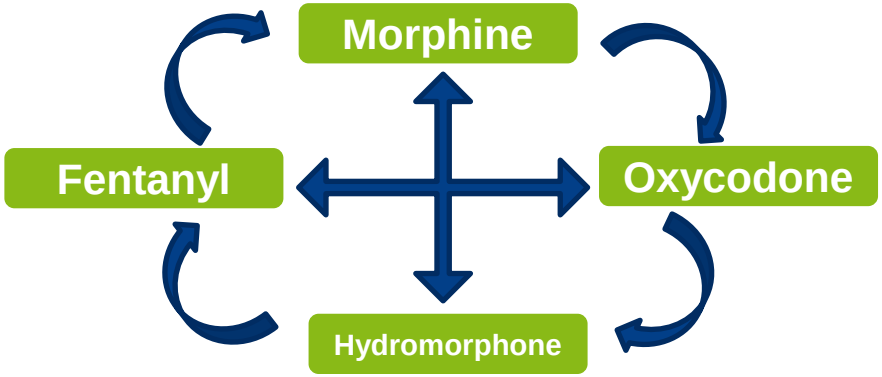


“Opioid Switching” is now Available in Japan

“Opioid switching”, a global standard way for use of opioids is now available in Japan with the approval of hydromorphone in Japan

	Hydromorphone	Oxycodone	Morphine	Fentanyl	Remifentanil
IR	**Narurapid Manufacture and Sales Approval (March 2017)**	Launch preparation	Launched	–	–
ER	**Narusus Manufacture and Sales Approval (March 2017)**	**Oxycodone Extended Release Tablets "Daiichi Sankyo" launch (March 2017)**	–	–	–
IV	NDA	Study on going	Launched	Launched	**Analgesic for General Anaesthesia Remifentanil Intravenous Injection “Daiichi Sankyo” launch (Dec. 2016)**

Drugs for cancer pain



Global standard（WHO guidelines etc.）

Opioid Switching

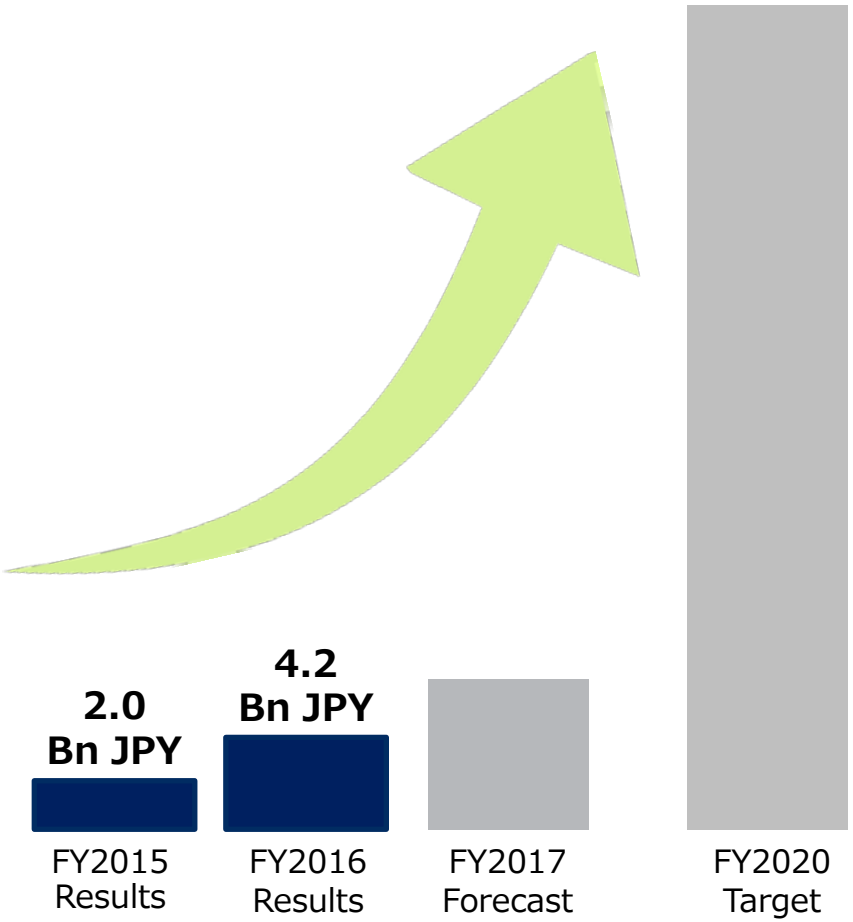
Switching to another opioids is a global standard way for use of opioids recommended by WHO guidelines etc.

Red: Update or new

Expand US Businesses

Pain Franchise

> 100 Bn JPY business in FY2020



- **Movantik (Opioid-Induced Constipation: OIC)**
  - Raise awareness of burden of OIC

movantik™

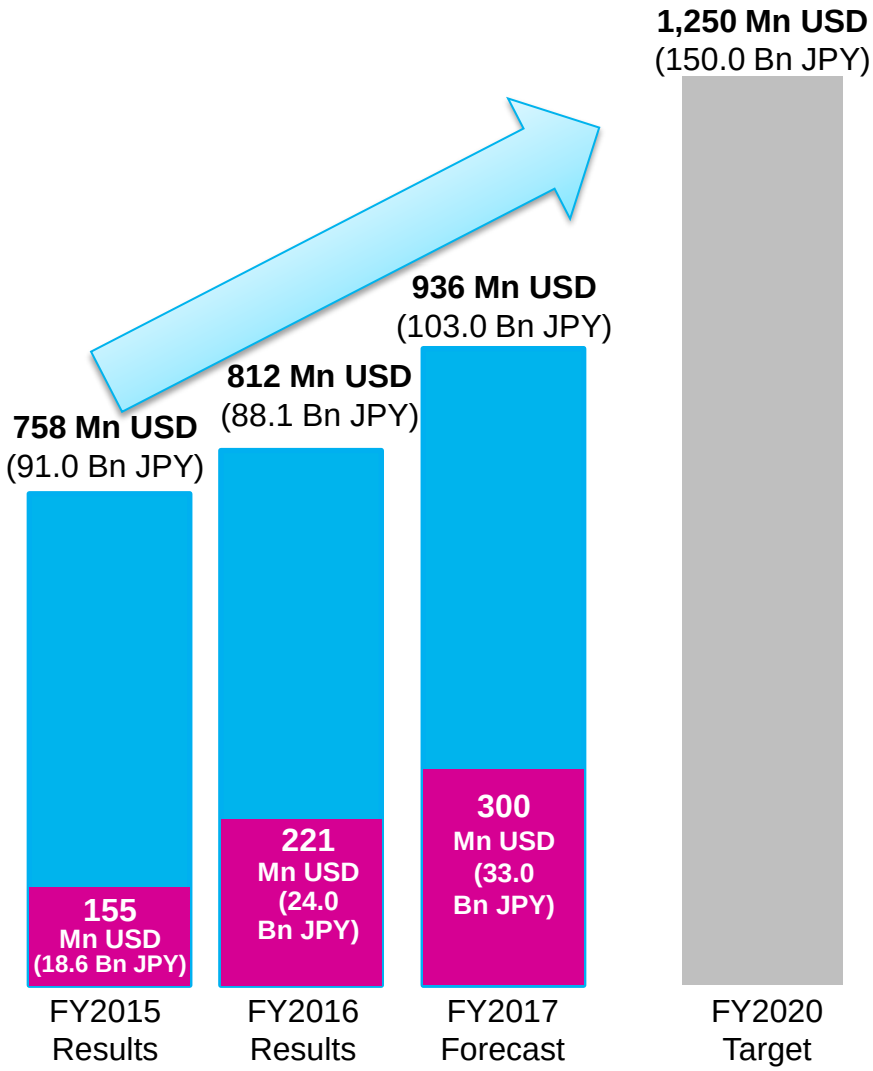
- **Licensed two abuse-deterrent opioids**
  - **Plan to launch MorphaBond ER in 2017**

MORPHABOND™ ER
(morphine sulfate) extended-release tablets C II
15 mg • 30 mg • 60 mg • 100 mg

- **CL-108 (Opioid-Induced Nausea & Vomiting: OINV)**
  - Received complete response letter from FDA
  - Intend to work closely with the FDA to address points raised in this letter
- Mirogabalin (Fibromyalgia)
  - TLR: CY2017 H1

Luitpold Business

Realize rapid and sustainable growth with
Iron Franchise and Generic injectable franchise



- **Iron Franchise**

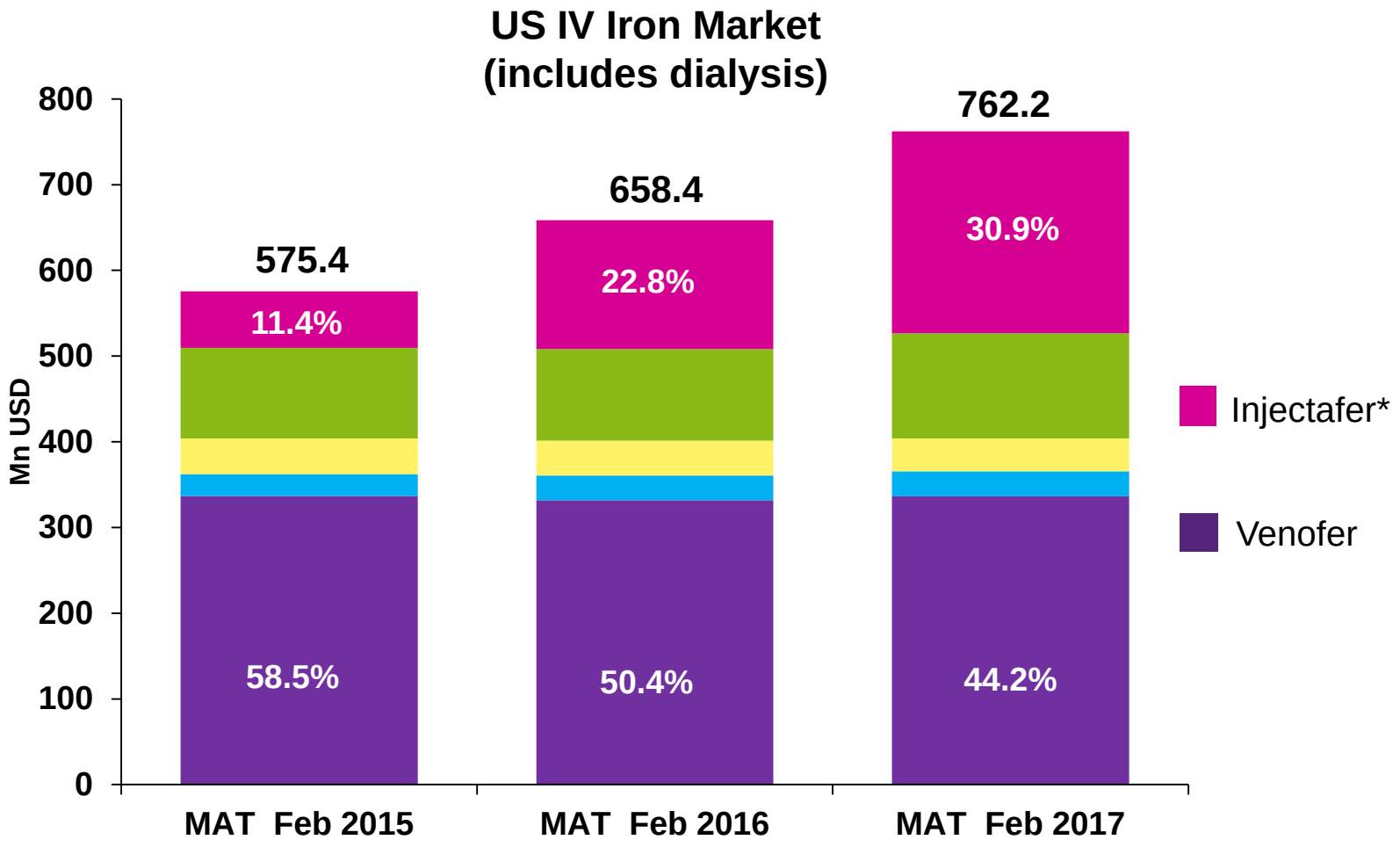
  Accelerate the growth of Injectafer by enhanced promotion by DSI

- **Generic Injectable Franchise**

  Launch new products steadily with increasing focus on expanding and prioritizing portfolio to increase revenue

The U.S. IV Iron Market

Injectafer and Venofer keep over **70% market share** in the U.S. IV iron market

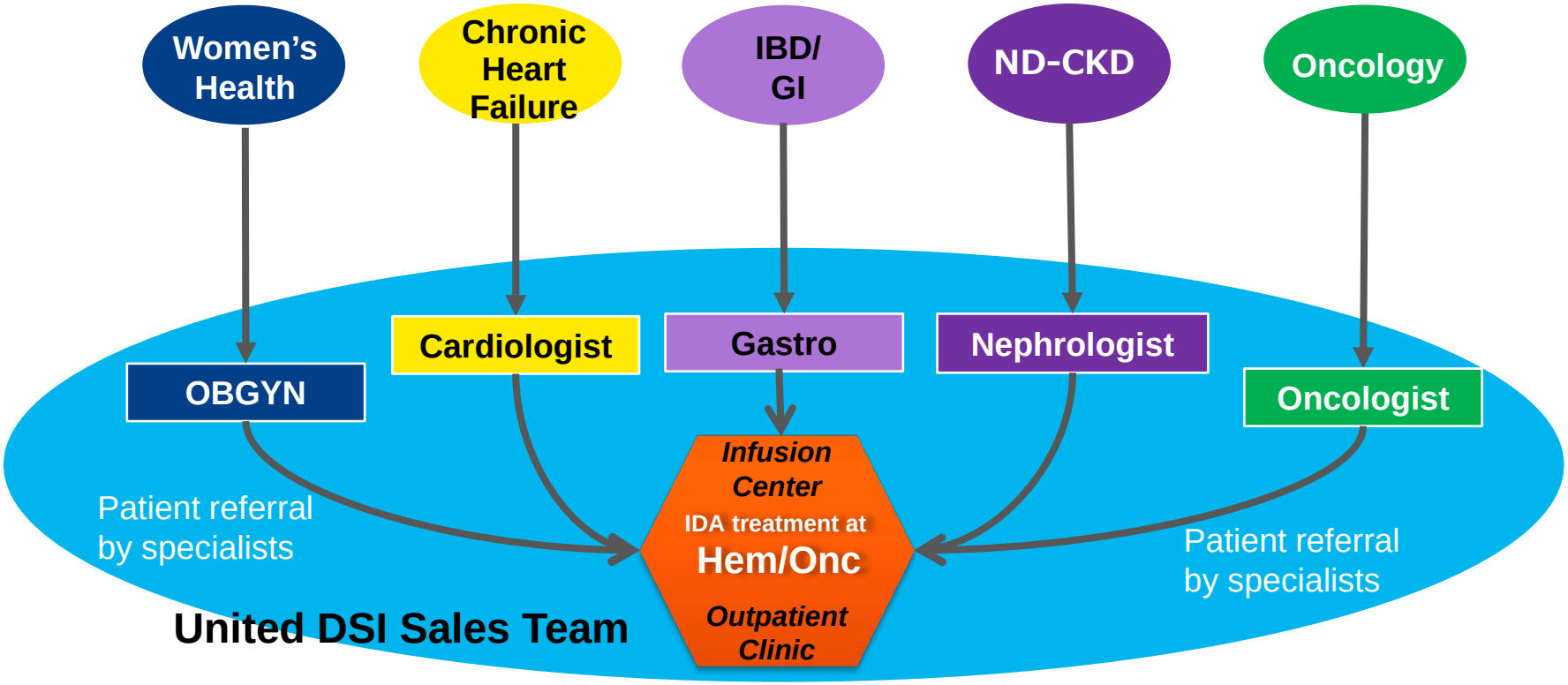


*Injectafer is not indicated for patients who are dialysis dependent

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

New Sales Team for Injectafer

From Jan. 2017, LPI sales team for Injectafer has become DSI employees.
With the LPI team, DSI formed a united sales team for Injectafer .



The sales are going well with the new sales team.
The highest monthly Net Sales (25.7 Mn USD) were recorded in March 2017.
The Net Sales forecast for FY2017 is 300 Mn USD (33.0 Bn JPY).

Injectafer: Investigating Additional Indications

Heart failure prevalence is 6.5 million in the U.S.* Iron deficiency is a common comorbidity that affects up to 50% (up to 3.25 million) of heart failure patients.**Approximately 10 million people are iron deficient in the U.S.***

Started in Mar. 2017: Phase 3 study for heart failure patients with iron deficiency

- Study name：HEART-FID
- Study design：randomized, double-blind, placebo-controlled study
- Patient：heart failure with iron deficiency
- Estimated enrollment：more than 3,000 adult patients across North America
- Primary outcome measure
  - the 12-month rate of death
  - the 12-month number of hospitalizations for worsening heart failure
  - the 6-month change in 6-minute walk test (6MWT)
- Estimated study completion date：June 2022

* Benjamin, Emelia J., et al. "Heart disease and stroke statistics—2017 update: a report from the American Heart Association." Circulation 135.10 (2017): e146-e603.

** McDonagh, Theresa, and Iain C. Macdougall. "Iron therapy for the treatment of iron deficiency in chronic heart failure: intravenous or oral?" European journal of heart failure. 2015; 17(3):248-262.

*** Miller, Jeffrey. Iron Deficiency Anemia: A Common and Curable Disease. Cold Spring Harb Perspect Med 2013;3

Generic Injectable Franchise

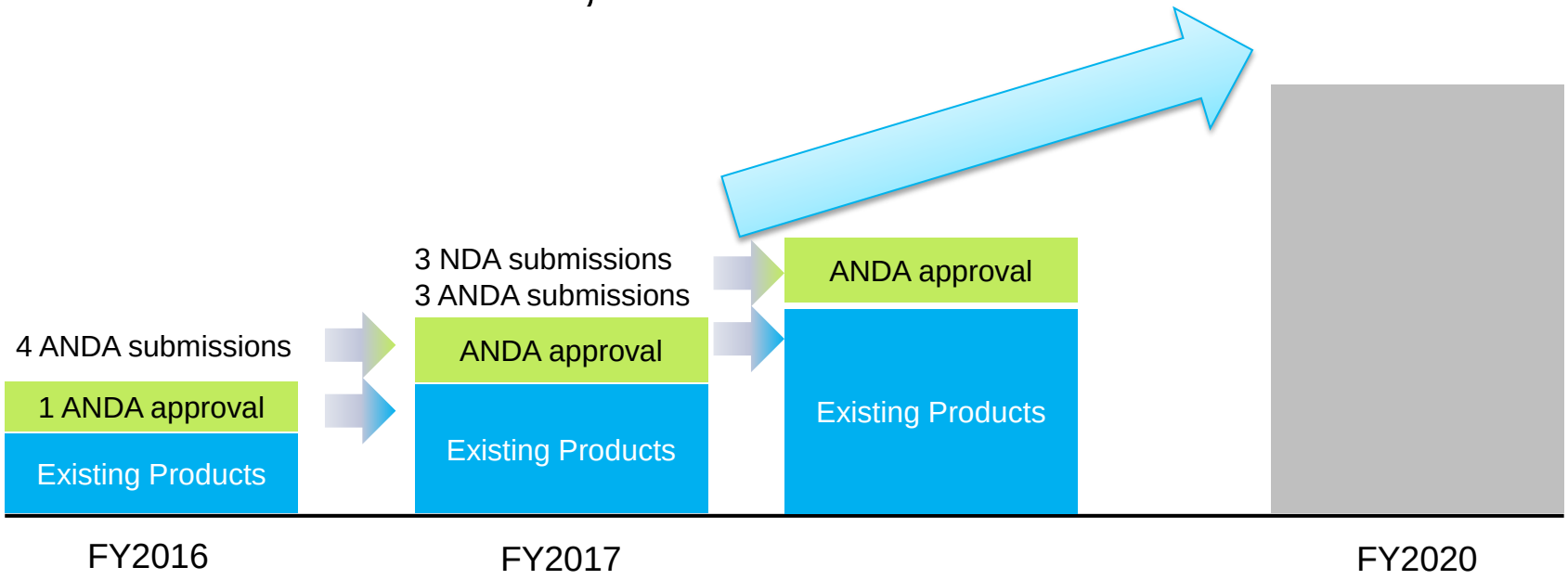
The only way to deliver sustainable consistent growth is to continuously launch new products

- **FY2016 Results**

  4 ANDA submissions,　1 ANDA approval

- **FY2017 Targets**

  3 NDA submissions,　3 ANDA submissions



Establish Oncology Business

Establish Oncology Business

Daiichi Sankyo's 2 New Cancer Franchises

Antibody-Drug Conjugate(ADC)

Develop and expand DS' proprietary technology

Acute Myeloid Leukemia (AML)

Multiple exciting assets

Daiichi-Sankyo cancerenterprise

2 Organization restructuring

Established Biologics Unit

Seamless technological transition

Established Global Oncology Marketing

Successful launch and global access

Capital investment for enhancing oncology business

15.0 Bn JPY investment to enhance ADC manufacturing capabilities

More than triple capacities by 2021

Established Biologics Unit (Apr 2017)

Daiichi-Sankyo

Develop manufacturing method of biologics

Optimize modality* | **Develop production system** | **Incubation process** | **Purification process**

Seamless collaboration

Establish seamless collaboration

Accelerate development of biologics, such as DS-8201

Biologics Unit

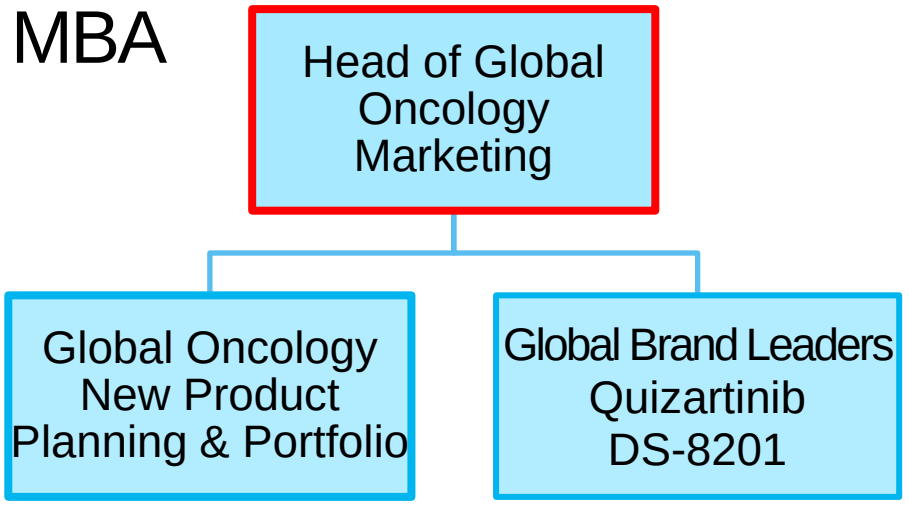
Consolidate research and development as well as Pharmaceutical technology and scale up of biologics (especially ADC).

- **Biologics Planning Department (New)**
- **Biologics Technology Research Lab (Transferred from PT Unit)**
- **Modality Research Lab (Transferred from RD Unit)**
- **Cell Therapy Research Lab (Transferred from RD Unit)**

*Fundamental technology

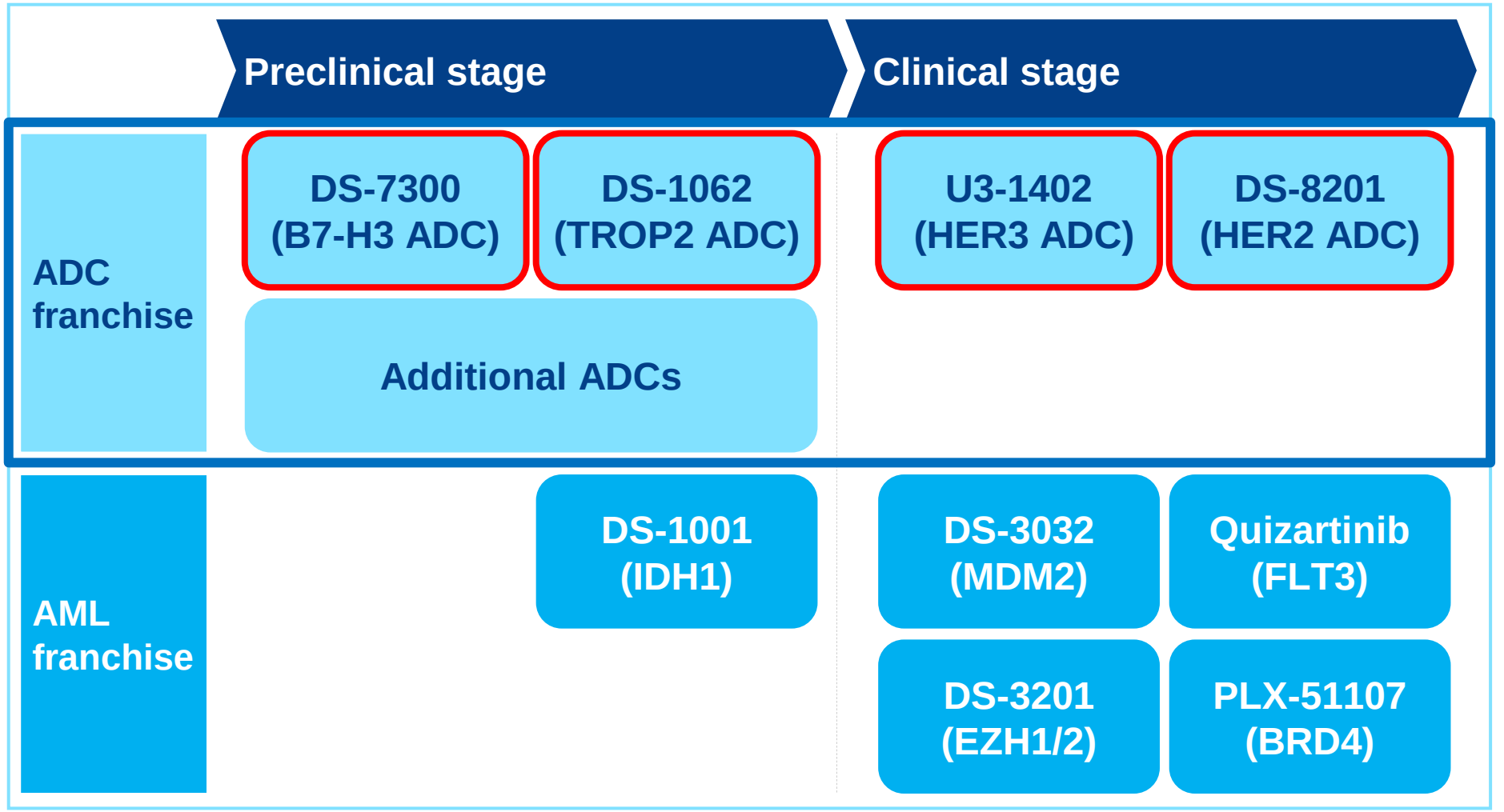
Established Global Oncology Marketing (Apr 2017)

- Hired an experienced leader as Head of Global Oncology Marketing
  ⇒ **Thierry Gruson**, DVM, MBA

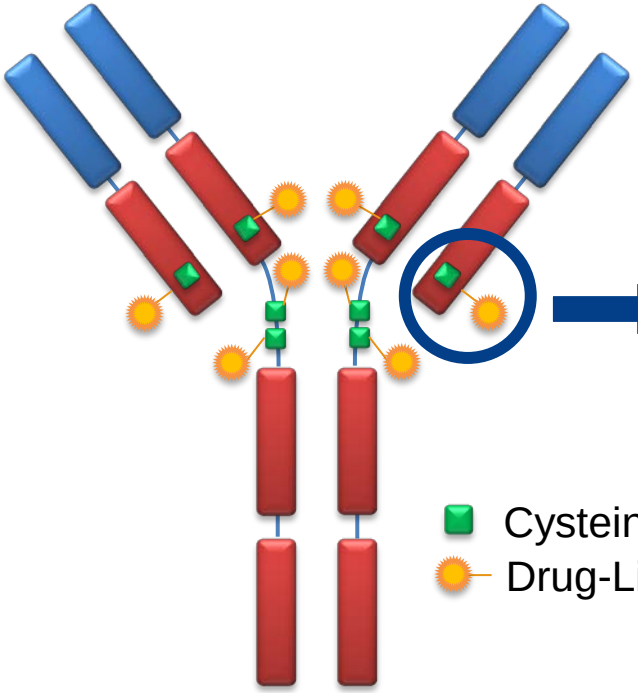


- 27 yrs of oncology commercial experience
- Former worldwide commercial lead position at BMS in immuno-oncology
- Launch experience in EU and life cycle management for EU, US and Asia.

ADC Franchise

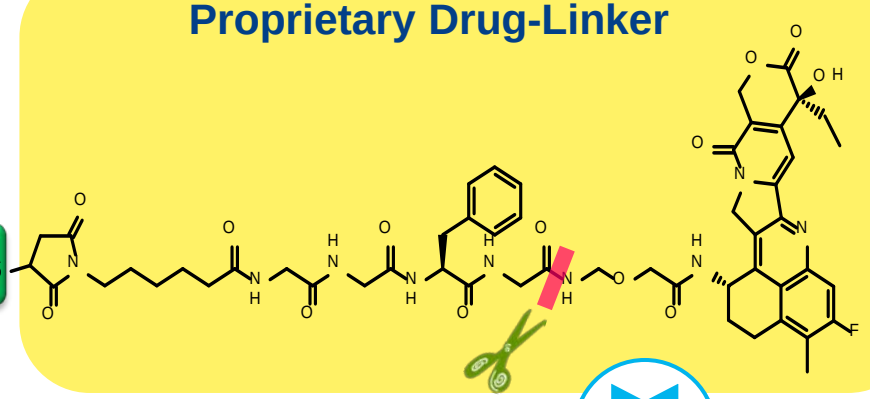


DS's Proprietary ADC technology



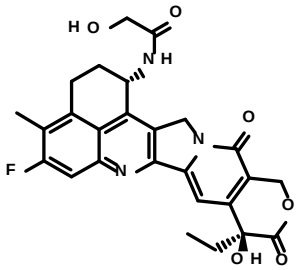
Cys

Proprietary Drug-Linker



Cysteine residue
Drug-Linker

Conjugation chemistry
Cysteine linked, at sites of interchain disulfide bonds

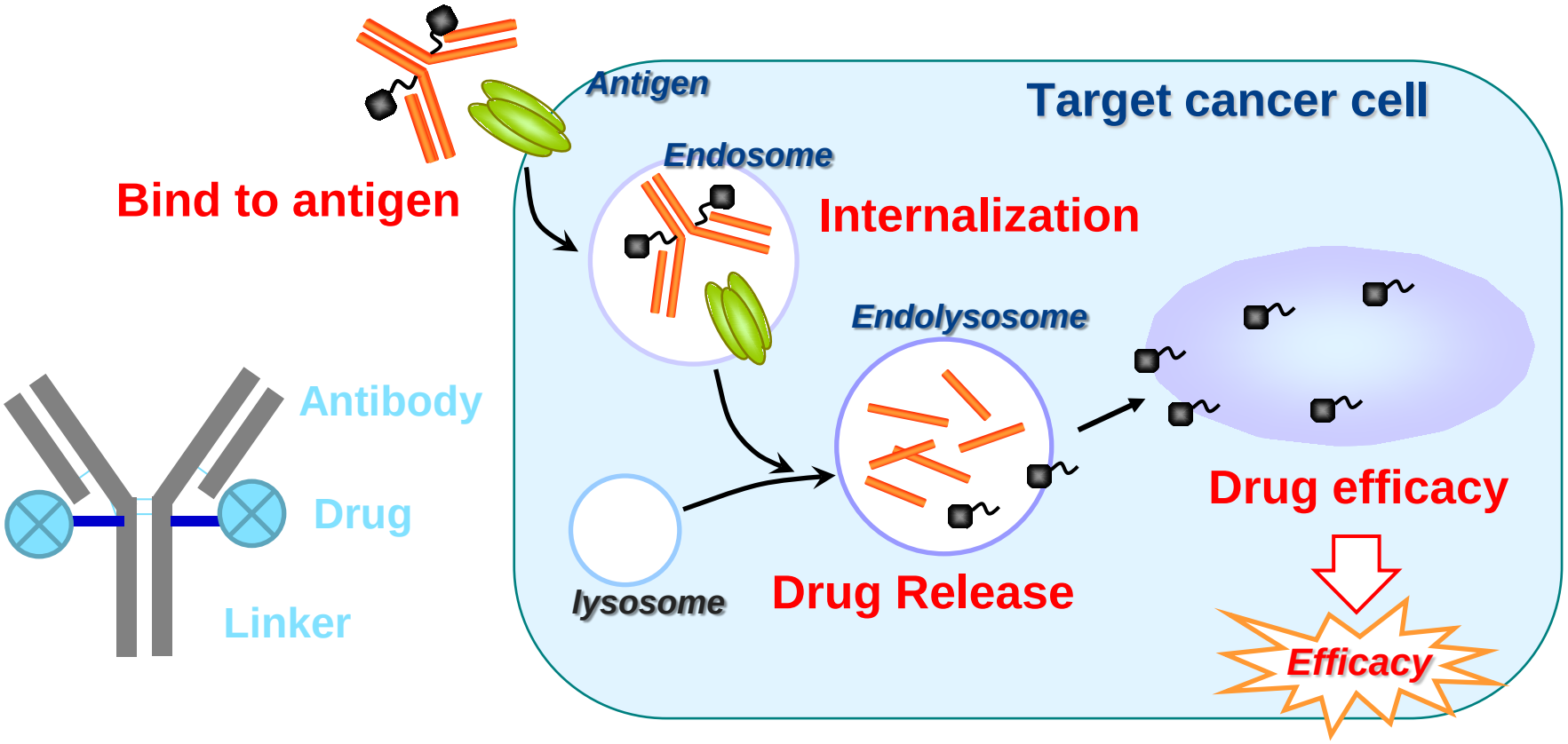


Proprietary payload (DXd)
Exatecan derivative

Broad platform potential

ADC technology: Mode of Action (MOA)

- ADC technology has broad application across multiple types of cancer
- Designed to deliver enhanced cancer cell destruction with less systemic exposure to chemotherapy

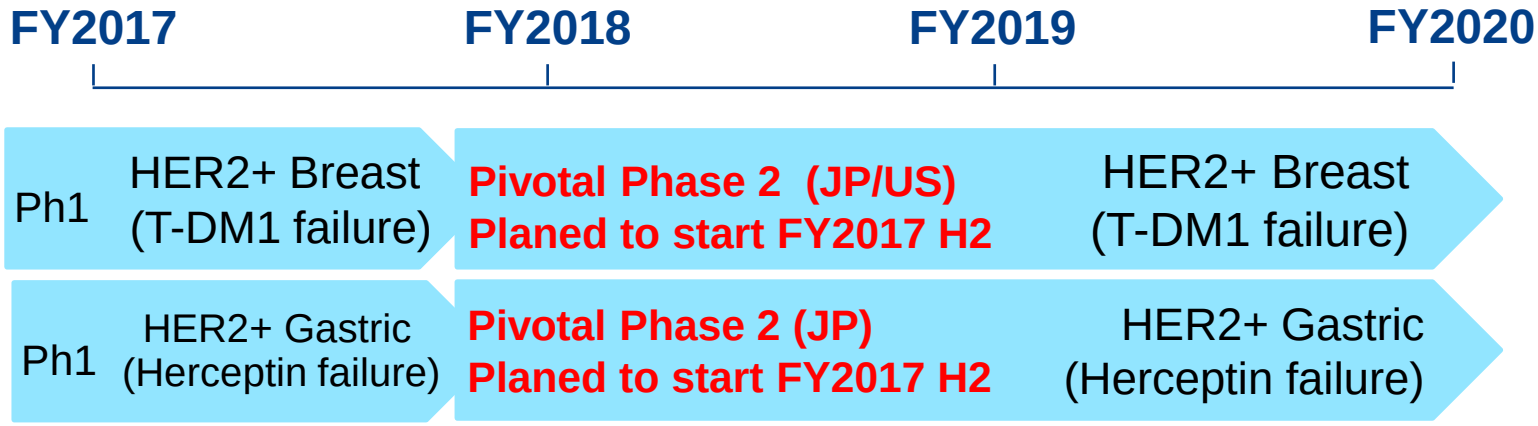


ADC Franchise: DS pipeline

Antigen & General Cancer Types		Own ADC	Major Competitors
HER2	Breast cancer Gastric cancer	**DS-8201** Phase 1	Kadcyla: Roche (launched) SYD985: Synthon（Ph1） MEDI4276: AZ（Ph1）
HER3	Breast cancer Lung cancer	**U3-1402** Phase 1	MP-HER3-ADC: Mediapharma (pre-clinical)
TROP2	Breast cancer Lung cancer Esophagus cancer Pancreatic cancer Bile duct cancer Cervical cancer	**DS-1062** Pre-clinical	IMMU-132: Immunomedics (Ph3)
B7-H3	Esophagus cancer Lung cancer Endometrium cancer Prostate cancer	**DS-7300** Pre-clinical	MGC018: MACROGENICS's ADC (pre-clinical)

Progress of ADC Franchise: DS-8201 HER2 ADC

Progress of clinical trials



Obtained regulatory support for accelerated registration trials

- FDA: HER2-positive metastatic breast cancer
  - ✓ Fast Track Designation (Nov. 2016)

Key reports at scientific conferences

- AACR (Apr. 2017), poster presentations
  - ✓ Presented estimated phase 2 dose by population pharmacokinetics and exposure-response relationship.
- ASCO (Jun. 2017), oral and poster presentations are planned

Red: Update or new

Progress of ADC Franchise: U3-1402 HER3 ADC

Progress of phase 1 study

- HER3 positive refractory/metastatic breast cancer (Dec. 2016)
  - ✓ TLR: FY2018 Q4
- EGFRm NSCLC
  - ✓ Expected to start from FY2017 Q3

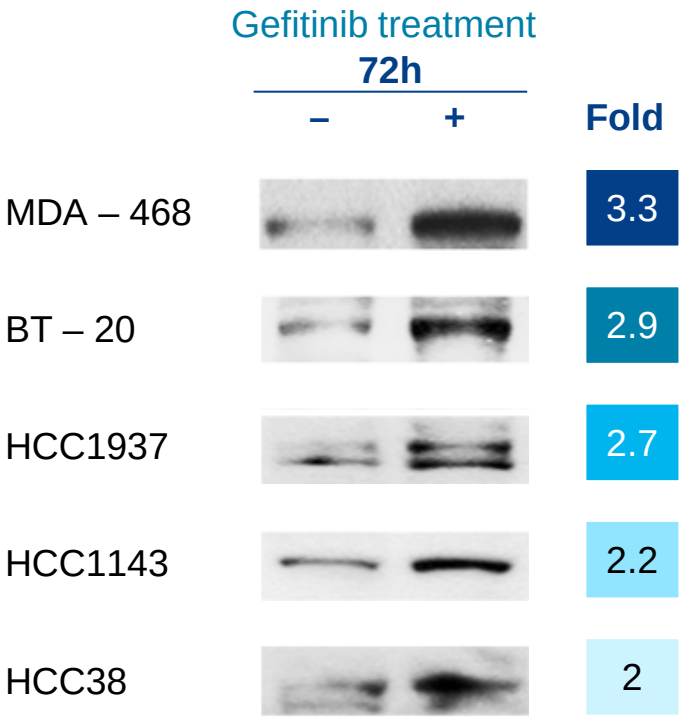
Key reports at scientific conference

- AACR (Apr. 2017), poster presentation of pre-clinical result
- ASCO (Jun. 2017), poster presentation is planned

Red: Update or new

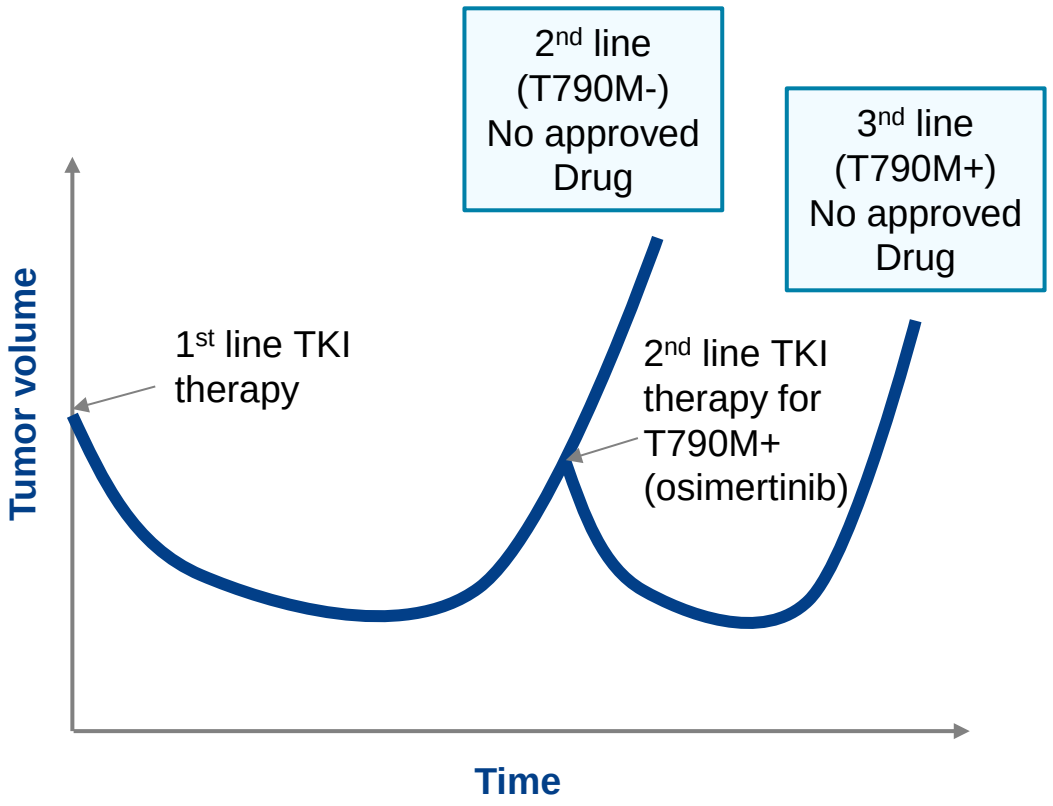
Potential in EGFRm NSCLC

HER3 expression after EGFR TKI treatment (in-vitro cell lines)



HER3 is upregulated by EGFR TKI therapy

EGFRm NSCLC patient journey



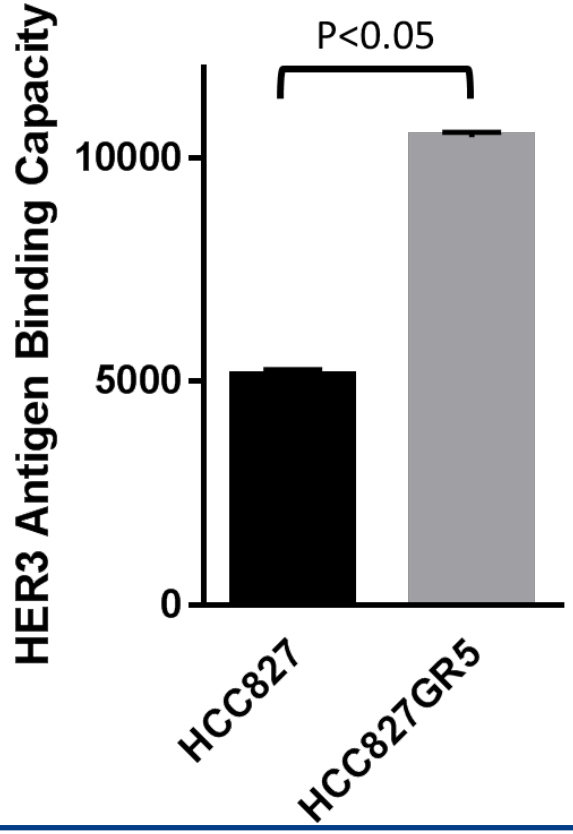
HER3-ADC has potential to address unmet need of patients who progress on current therapies

Source: Verma-N *et al.*, Cancer Res. 2016, Adapted from NCCN Guidelines

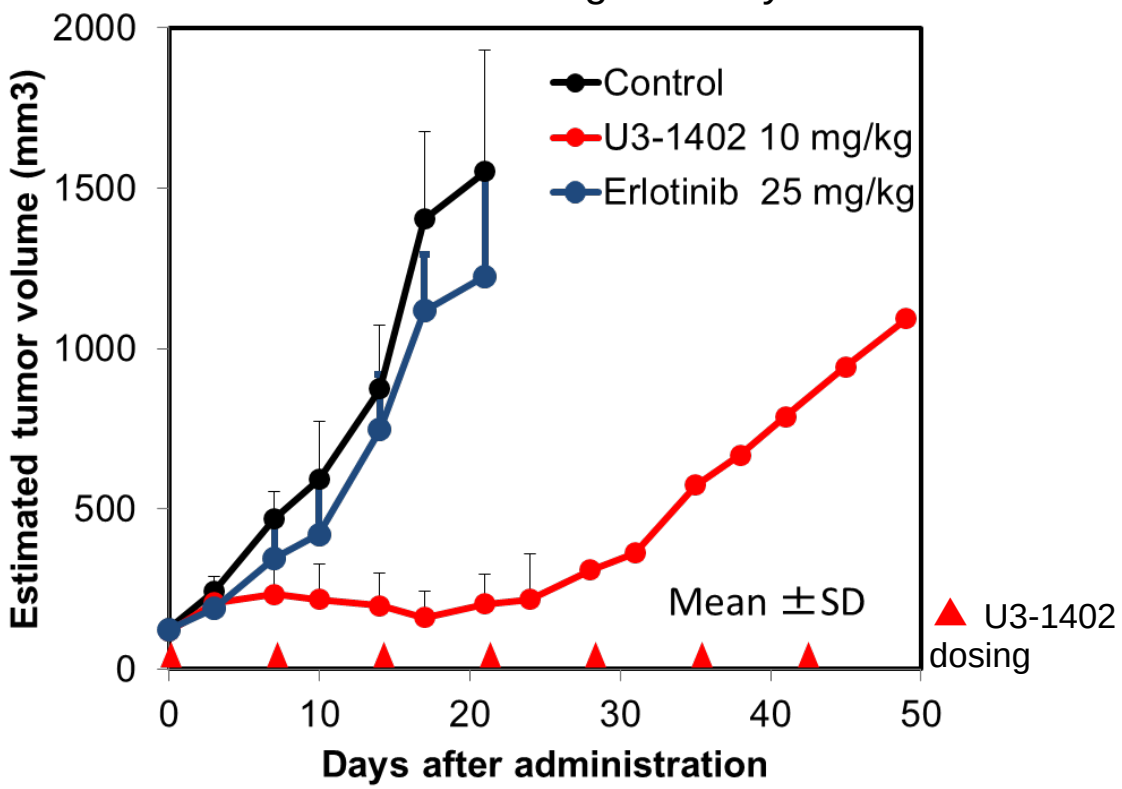
Progress of ADC Franchise: U3-1402 HER3 ADC

U3-1402 was shown to have anti tumor activity on EGFR-TKI resistant NSCLC in xenograft study

HER3 cell-surface protein level



HCC827GR5 Xenograft study

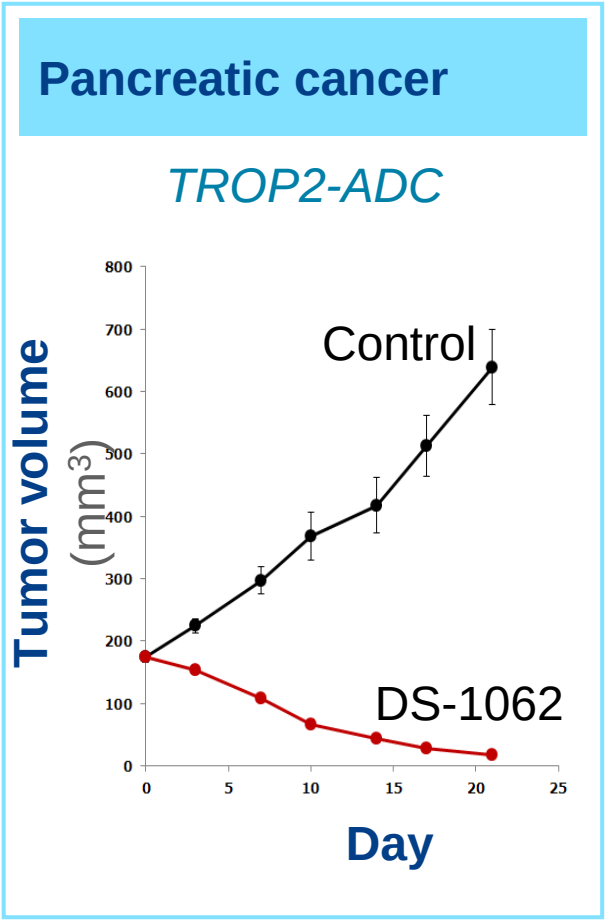


1. Upregulation of HER3 is observed in EGFR-TKI resistant NSCLC cell (HCC827GR5).
2. Anti tumor activity is observed on HCC827GR5 xenograft model.

Yonesaka K. et al, AACR 2017

Other ADC Franchise: DS-1062 TROP2 ADC

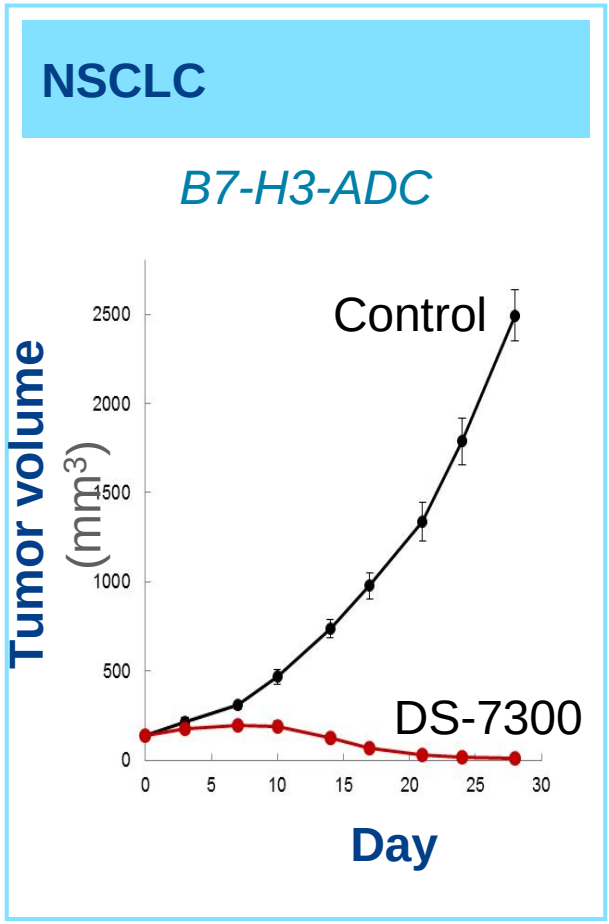
- TROP2 is highly expressing in a variety of tumors (e.g., breast cancer, lung cancer, esophagus cancer) and effectively internalizes with binding antibody.
- DS-1062 is being investigated against TROP2 expressed solid tumors.
- Possible target tumor type is TROP2 positive solid tumors with high unmet medical needs (e.g., pancreatic, bile duct and cervical cancers).



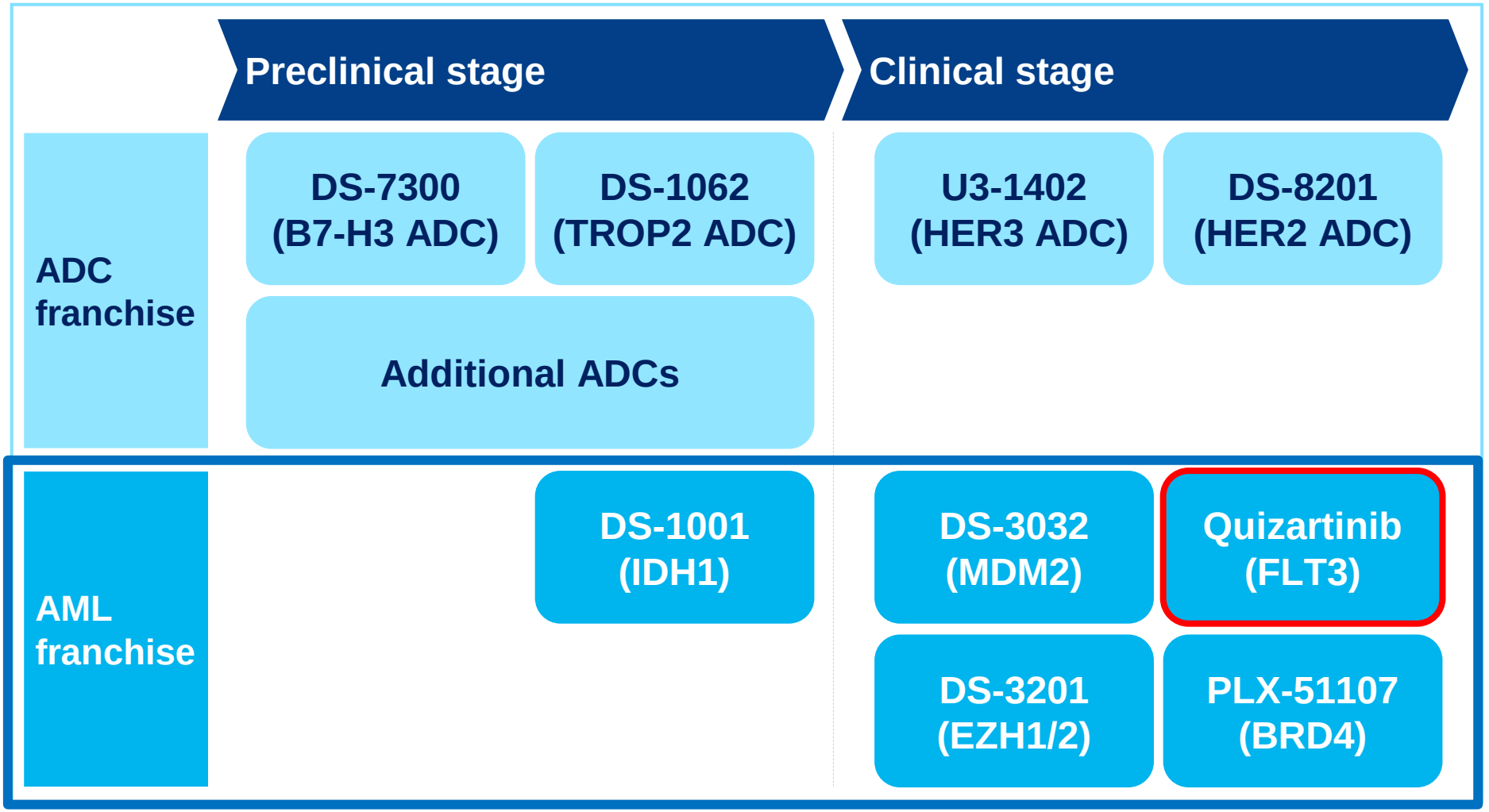
Other ADC Franchise: DS-7300 B7-H3 ADC

- B7-H3 is overexpressed at a high frequency in wide range of solid tumors, including esophageal, lung, endometrial, prostate cancer and also sarcoma, but low expression in normal tissues.

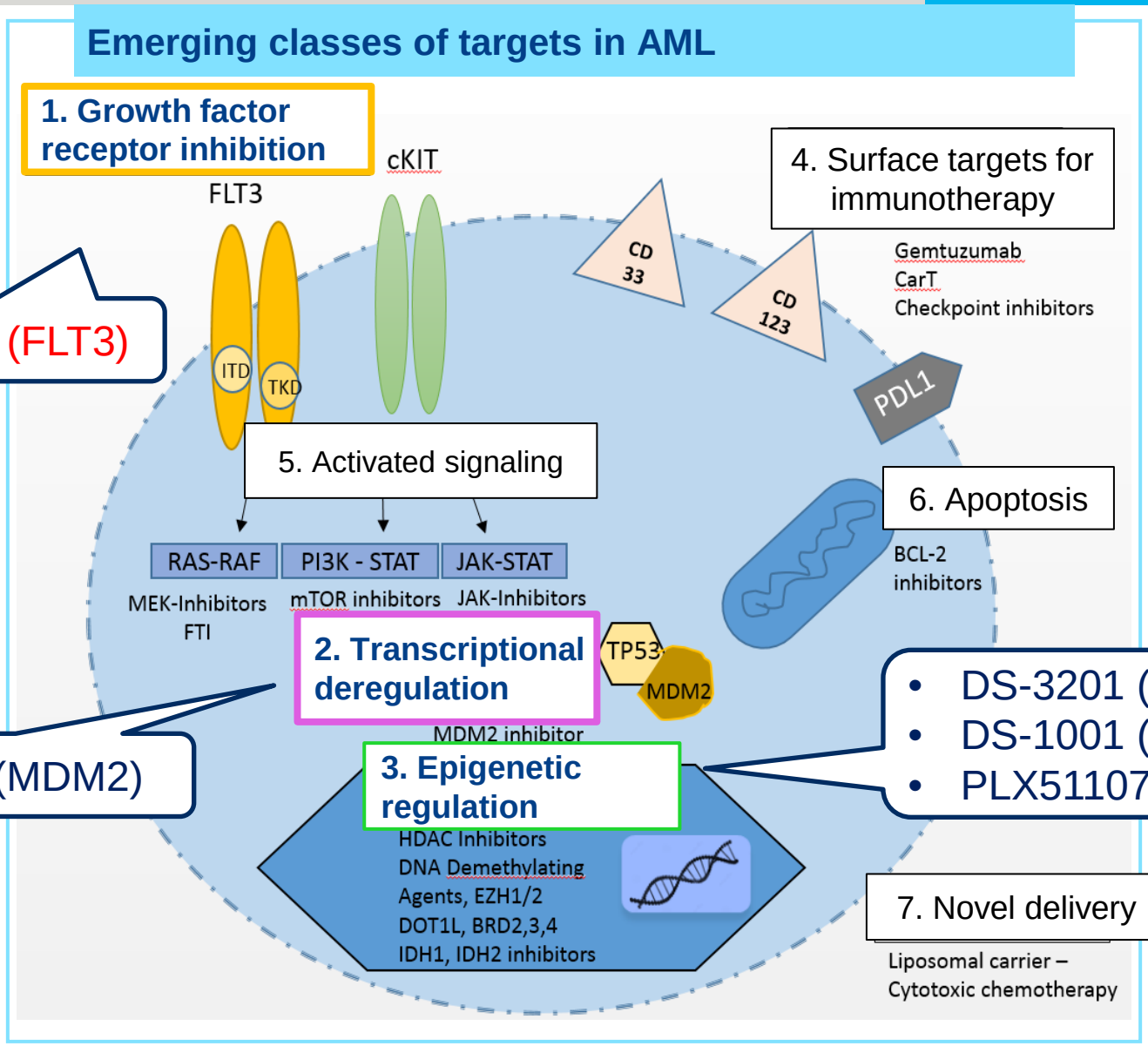
- DS-7300 shows anti-tumor activity against B7-H3-expressing tumors in xenograft models.



AML Franchise



AML Franchise: Developing 3 of 7 Emerging Classes of Targets



Source: Adapted from Dohner, et al. NEJM, 2015; Thol, et al. Blood, 2015; Khan, et al. Clin Can Res, 2012; Ramos, et al. J Clin Med 2015; Isidori, et al. Can Res Frontiers, 2016.

Progress of AML Franchise: Quizartinib FLT3 inhibitor

Daiichi-Sankyo

Induction	Consolidation	Maintenance	Relapsed / Refractory

QuANTUM-FIRST STUDY

- Phase 3 study
- Combination with SOC chemotherapy*
- First patient dosed Oct. 2016

QUANTUM-R STUDY

- Phase 3 study
- Monotherapy
- Overall Survival
- Interim analysis was conducted by independent data monitoring committee
  - Recommended to continue the study
- TLR: FY2018 H1

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

Red: Update or new

Continuously Generate Innovative Medicine Changing SOC (Standard of Care)

Continuously Generate Innovative Medicine Changing SOC

Daiichi-Sankyo

Primary Focused Area

Oncology (incl. Immuno-Oncology)

New Horizon Area

- **Pain**
- **CNS disease**
- **Heart-kidney disease**
- **Rare disease**

Continuously Generate Innovative Medicine Changing SOC (Standard of Care)

Oncology: Partnership for Changing SOC

Implementing and partnering innovative technology for accelerating research and development

Oncolytic virus

- **G47Δ: DS-1647**
  Co-development with Dr. Todo, a professor at the Institute of Medical Science, the University of Tokyo

Bi-specific antibody

- **Cross-licensing and collaboration agreement with Zymeworks**

Immuno-Oncology

- **Research Collaboration with AgonOx**
- **Open innovation research with The National Institutes of Biomedical Innovation, Health and Nutrition, and Mitsubishi UFJ Capital**

Cellular therapy

- **Strategic partnership with Kite Pharma**
  (KTE-C19: cancer CAR-T therapy)

Biomarker

- **Partnership with Astellas/Takeda and Sysmex/Astellas**

Others

- **Collaboration with Dana-Farber Cancer Institute**
- **Partnership with DarwinHealth**

Red: Update or new

New Horizon Area: Partnership for Changing SOC

Daiichi-Sankyo

Implementing and partnering innovative technology for accelerating research and development

Pain

- **Partnering with Heptares for newly low-molecule drug**

CNS disease

- **Generate drugs for neurodegenerative disease through collaborative research with UCSF**

Heart-kidney disease

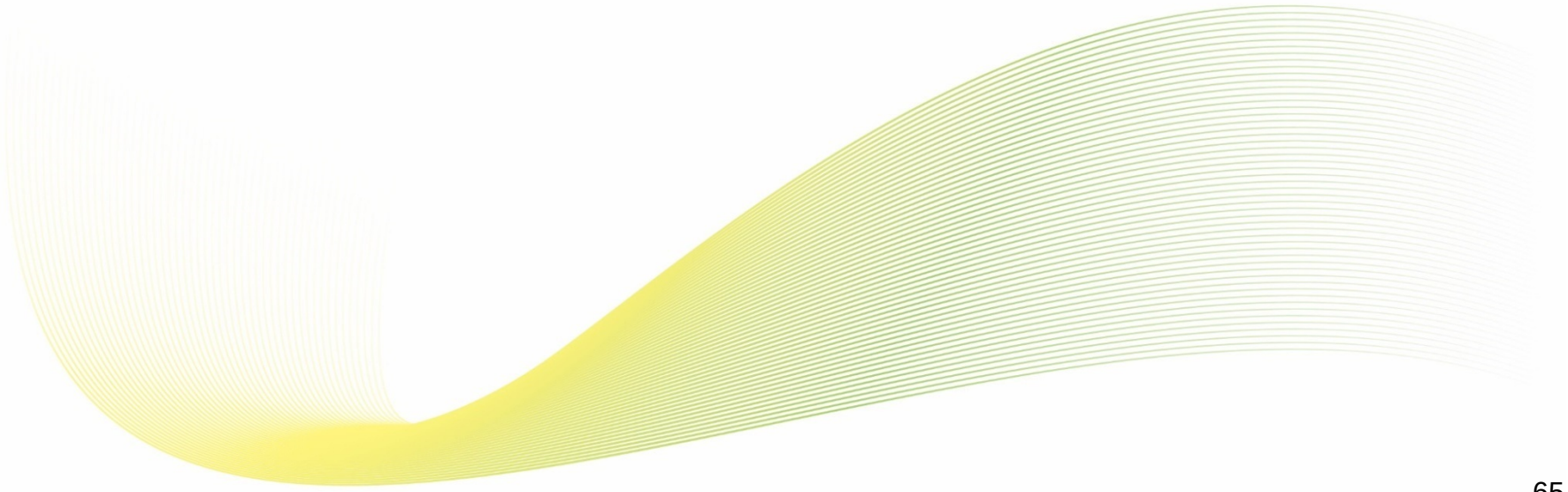
- **In-license Heartcel Tm from Celixir (former Cell Therapy) (DS-8100)**

Rare disease

- **Starting Ph1/2 study for Duchenne Muscular Dystrophy Treatment (DS-5141)**
  SAKIGAKE designation by PMDA

Red: Update or new

Enhance Profit Generation Capabilities



Enhance Profit Generation Capabilities

Realize "Process Excellence": Further cost reductions and streamlining

<5-Year Business Plan>

Major measures conducted in FY2016

<Enhancement of procurement: Target during 5YBP – 50.0 Bn JPY cost reductions for indirect materials*1>

FY2016 Actual: 13.2 Bn JPY cost reductions

<Optimization in SC>

- **Stop manufacturing at Hiratsuka Plant in DSCP*2**
- **Sale of Bethlehem Plant in US**

<Optimization in M&S>

Restructuring in EU

<Optimization in RD>

- **Close U3 in Germany**
- **Decision to close DSIN*3**
- **Decision to close ASB*4**

Profit Generation

Cost of Sales

SG&A expenses

R&D expenses

*1 indirect materials: materials excluding direct materials (raw materials, packaging materials and finished products)

*2 DSCP: Daiichi Sankyo Chemical Pharma in Japan

*3 DSIN: Daiichi Sankyo India Pharma Private Limited

*4 ASB: Asubio Pharma Co., Ltd in Japan

Enhance Cash Flow Generation Capabilities: Streamlining of Assets

- **Optimize capital expenditures**
  To make an initial 15 Bn JPY investment to optimize and enhance its manufacturing capabilities to support its growing ADC pipeline,
  and optimize totally for pursuing the efficiency

- **Reduce Cross-Shareholding shares**
  Reduce to the appropriate level from the point of view of capital efficiency

Progress in FY2016
- To sell 17.3 Bn JPY for 14 stocks

Low Cost Funding & Efficient Operation for DS Group Cash Management

Low cost funding

Issuance of unsecured straight bonds

Under the environment of continuous low interest rates, became the first Japanese healthcare sector's company to secure stable, low cost funds by issuing super-long-term bonds

- ✓ Total amount of issue: 100.0 Bn JPY
  (75.0 Bn JPY: 20 years, 25.0 Bn JPY: 30 years)
- ✓ Interest rate: 0.810% per annum (20 years, fixed rate)
  1.200% per annum (30 years, fixed rate)
- ✓ Payment date: July 25, 2016

Efficient operation for DS Group cash management

Introduction of "Global Cash Management System"

- ✓ Enhancement of efficiency of funds operations
- ✓ Enhancement of forex risk management
- ✓ Cost reductions in forex fee and remittance charge
- ✓ Simplification in operation process

Shareholder Returns

Shareholder Returns

Shareholder Returns Policy during 5YBP*

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

* 5YBP: 5-year Business Plan (FY2016 - FY2020)

		FY2015 Results	FY2016 Results	FY2017 Plan	(Target during 5YBP)
Total return ratio		**118.9%**	**180.7%**		**100% or more**
Dividend	**Ordinary dividend**	**60 JPY**	**70 JPY**	**70 JPY**	**more than 70 JPY**
	Anniversary dividend	**10 JPY**	**-**	**-**	**-**
Acquisition of own shares		**50.0 Bn JPY**	**50.0 Bn JPY**	**flexible**	**flexible**

Back-up

FY2017 Major R&D Milestone Events

Project	Indication/Study	Q1	Q2	Q3	Q4	FY18-Q1
Denosumab	Rheumatoid arthritis (JP)	Under review				
CL-108	Pain/Opioid-induced nausea and vomiting (US)			Re-submission		
CHS-0214 (etanercept BS)	Rheumatoid arthritis (JP)					submission
Mirogabalin	Fibromyalgia Phase 3 study (US/EU)	TLR				
	DPNP/PHN Phase 3 studies（JP/Asia）	TLR				
Pexidartinib	Tenosynovial giant cell tumor Phase 3 study (US/EU)		TLR			submission
Quizartinib	QuANTUM-R AML 2nd line treatment Phase 3 study (US/EU/Asia)	Interim Analysis				
Esaxerenone (CS-3150)	Hypertension Phase 3 study（JP）		TLR		Submission	
	Diabetic nephropathy Phase 3 study (JP)			Study initiation		
DS-8201	HER2-positive Breast Cancer（T-DM1 failure） Phase 2 study (pivotal) (JP/US)			Study initiation		
	HER2-positive Gastric Cancer （Herceptin failure) Phase 2 study (pivotal) (JP)			Study initiation		
U3-1402	EGFRm NSCLC Phase 1 study			Study initiation		
DS-5141	Duchenne Muscular Dystrophy Phase 1/2 study (JP)	SAKIGAKE			TLR	

Red: Update or new

*TLR: Top Line Results

Major R&D Pipeline

As of May 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/US) (EZH1/2 inhibitor) ■ PLX73086 (US) (CSF-1R inhibitor) ■ PLX51107 (US) (BRD4 inhibitor) ■ DS-8273 (US) (Anti-DR5 antibody) ■ DS-8201 (JP/US) (anti-HER2 ADC) ■ DS-1123 (JP) (Anti-FGFR2 antibody) ■ U3-1402 (JP) (Anti-HER3 ADC) ■ DS-1001 (JP) (IDH1m inhibitor)	■ Patritumab (EU) (U3-1287 / Anti-HER3 antibody) ■ Pexidartinib (US) (PLX3397 / Glioblastoma / CSF-1R/KIT/FLT3-ITD inhibitor) ■ DS-1647 (JP) (Glioblastoma / **G47Δ virus**) ■ Quizartinib (JP) (AC220 / AML-2nd / FLT3-ITD inhibitor)	■ 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)	■ Esaxerenone (JP) (CS-3150 / DM nephropathy / MR antagonist)	■ Edoxaban (JP) (DU-176b / AF / FXa inhibitor) ■ Prasugrel (JP) (CS-747 / Ischemic stroke / Anti-platelet agent) ■ Esaxerenone (JP) (CS-3150 / Hypertension / MR antagonist)	■ Edoxaban (ASCA etc.) (DU-176b / AF / FXa inhibitor) ■ Edoxaban (ASCA etc.) (DU-176b / VTE / FXa inhibitor)
Others	■ DS-1971 (Chronic pain) ■ DS-1501 (US) (Osteoporosis / Anti-Siglec-15 antibody) ■ DS-7080 (US) (AMD / Angiogenesis inhibitor) ■ DS-2969 (US) (*Clostridium difficile* infection /GyrB inhibitor) ■ DS-5141 (JP) (DMD / ENA oligonucleotide) ■ VN-0102/JVC-001 (JP) (MMR vaccine)	■ Laninamivir (US/EU) (CS-8958 / Anti-influenza / out-licensing with Biota)	■ Mirogabalin (US/EU) (DS-**5565 / Fibromyalgia / α2δ ligand**) ■ Mirogabalin (JP/Asia) (DS-**5565 / DPNP/ α2δ ligand**) ■ Mirogabalin (JP/Asia) (DS-**5565 / PHN / α2δ ligand**) ■ 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) <Injection> ■ 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 Q3 financial announcement on January 31, 2017

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