

Passion for Innovation.
Compassion for Patients.™



HER3-DXd, I-DXd (DS-7300), R-DXd (DS-6000) Strategic Collaboration with Merck & Co., Inc., Rahway, NJ, USA

DAIICHI SANKYO CO., LTD.

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Agenda

1 **Background/Significance of the Collaboration**

2 Overview of the Collaboration

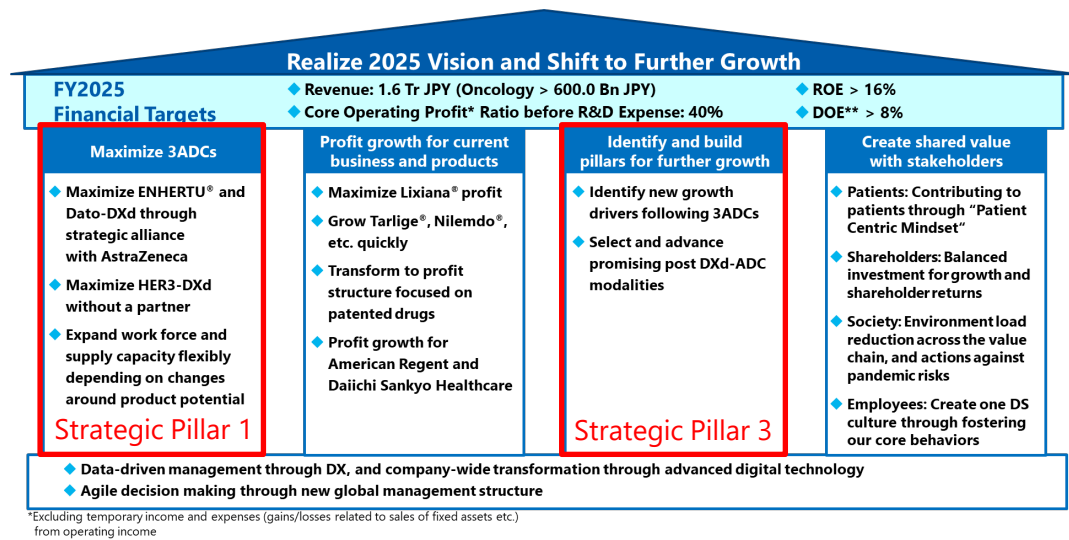
3 Q&A



Daiichi Sankyo's Oncology Business Growth Strategy

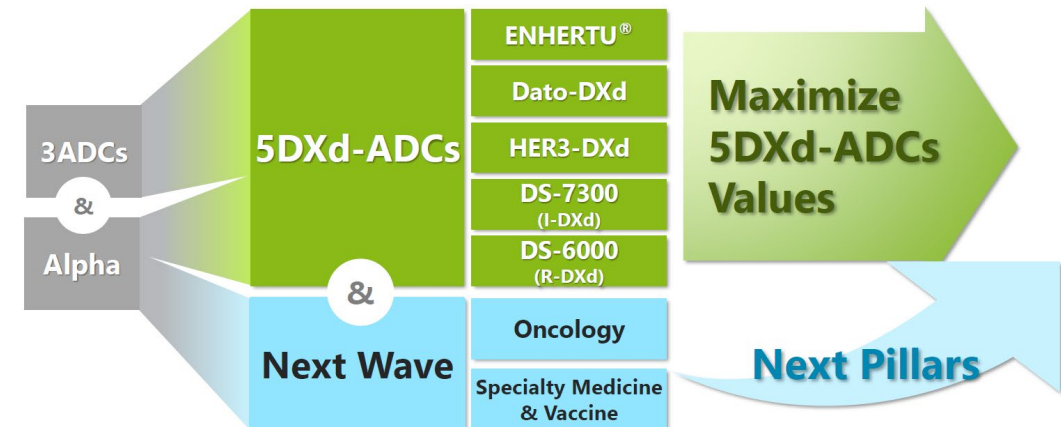
5-Year Business Plan (FY2021–FY2025) -Announced in April 2021-

- ◆ Strategic Pillar1: Maximize 3ADCs
- ◆ Strategic Pillar3: Identify and build pillars for further growth
 - Identify new growth drivers following 3ADCs
 - Select and advance promising post DXd-ADC modalities



5-Year Business Plan (FY2021–FY2025) Update -as of April 2023-

- ◆ Oncology revenue in FY2025: Expect to achieve **900.0 Bn JPY or more (150% of plan)**
- ◆ **Development of 3ADCs ahead of plan**
- ◆ **Emerging** new growth driver candidates following 3ADCs (**Rising Stars**)
- ◆ New R&D strategy "**5DXd-ADCs and Next Wave**"
- ◆ **R&D expenses** during the 5YBP: Aggressive investment of approximately **1.8 Tn JPY (120% of plan)**



Environmental Changes since April 2023

Internal environment: Further positive progress for DXd-ADC franchise

◆ HER3-DXd

➤ Success of HL-01 study

Started planning for further maximization

◆ I-DXd (DS-7300)

➤ Latest data announcement at WCLC/ESMO 2023

Started to discuss development plans further

◆ R-DXd (DS-6000)

➤ Latest data announcement at ESMO 2023

Started to discuss development plans further

◆ ENHERTU®

➤ Success of DPT-02 study

Expanding to various HER2-expressing solid tumors

◆ Dato-DXd

➤ Successes of TL-01/TB-01 studies

Started planning for further maximization

◆ DS-3939 (anti TA-MUC1 ADC)

➤ Initiated Ph1/2 trial

Another clinical stage ADC in the pipeline

External environment: Intensifying competitive pressure in ADC development

◆ Numerous oncology companies are focusing on ADC development

➤ ADC data gained significant attention at ASCO 2023 and WCLC 2023

Enhanced capacity, resources and capabilities have become necessary to maximize DXd-ADC franchise

Why a Strategic Collaboration?

Our Mission	Purpose	Contribute to the enrichment of quality of life around the world
	Mission	Create innovative pharmaceuticals addressing diverse medical needs

Internal/external environmental changes

Enhanced capacity, resources and capabilities have become necessary to maximize DXd-ADC franchise



Strategic collaboration will help us deliver on the promise of our next three DXd-ADCs by potentially enabling us to reach more patients more quickly than we could on our own

What We Aim to Achieve through Strategic Collaboration

Leverage collaborator's capacity, resources and capabilities

- ◆ Develop **more aggressive development plans** targeting **broader patient populations**
- ◆ **Accelerate development timelines** and **mitigate risk of delays**
- ◆ Gain opportunity to **contribute to patients in more countries/regions**

Further expand resources to create favorable cycle for sustainable growth

- ◆ **Optimal resource allocation** for new growth drivers following 5DXd-ADCs, post DXd-ADC modalities, etc.
 - DS-3939 (TA-MUC1 directed ADC), DS-XXXX (7th DXd-ADC)
 - DS-9606 (2nd generation ADC), New concept ADC, etc.
 - Early stage research projects



Create more corporate and product value through strategic collaboration

Why Merck & Co., Inc., Rahway, NJ, USA?

A world-leading oncology company with KEYTRUDA® as a foundation

- ◆ **Remarkable experience** in oncology, **proven expertise** in immuno-oncology
- ◆ **Strong capabilities and capacity, resources** in development
- ◆ Oncology business in **numerous countries/regions and tumor types**

KEYTRUDA[®]
(pembrolizumab) Injection 100 mg

A collaborator that is best-positioned to help us in our goal of establishing new standards of care across multiple tumor types

Extensive experience with strategic collaboration

A collaborator with **multiple successful global strategic collaborations**, gives us the highest probability **to achieve our goals**

High valuation and commitment for success

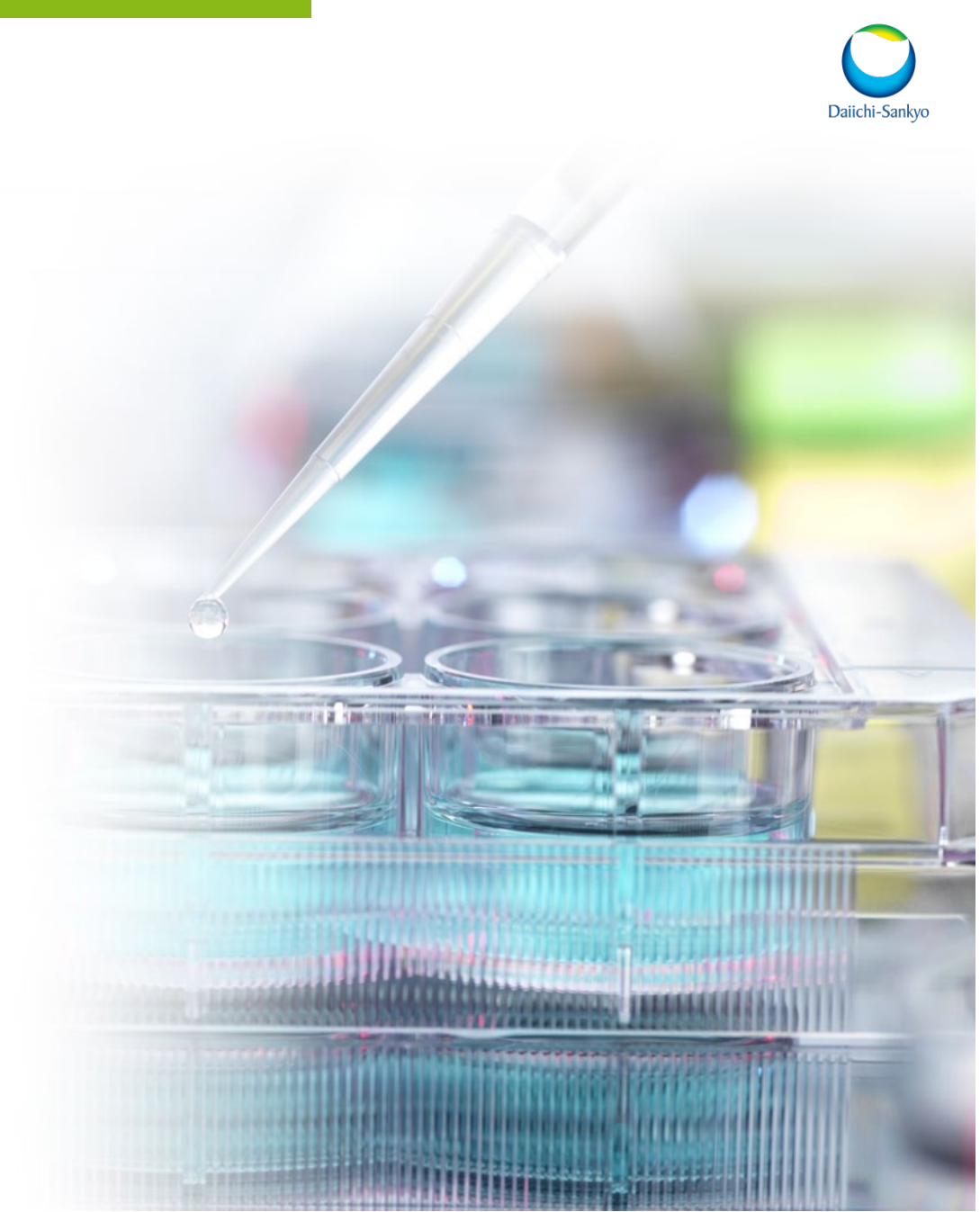
A collaborator with **highest valuation for 3 products (HER3-DXd, I-DXd and R-DXd)**, and **commitment for success** among the companies that expressed interest

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Collaboration with Merck & Co., Inc., Rahway, NJ, USA (MRK)

Overview

- ◆ **Co-development and co-commercialization of HER3-DXd, I-DXd (DS-7300), R-DXd (DS-6000)**

Territory: **Global** (excluding Japan)



Governance

- ◆ **Development and commercialization strategies** will be planned and implemented based on **mutual agreement**

Strategic Collaboration Overview

Development

- ◆ **Co-development** as monotherapy and combination therapy for **HER3-DXd**, **I-DXd (DS-7300)**, **R-DXd (DS-6000)**



- ◆ **MRK** will be responsible for **75%** of **the first 2 Bn USD** of R&D expenses for each product, and the companies will share R&D expenses **equally thereafter**

Manufacturing

- ◆ **Daiichi Sankyo** will **manufacture** and **supply** all 3 products

Commercial

- ◆ **Global (excluding Japan):**
The companies will **co-promote** and **share gross profit** and **promotional expenses etc.**
- ◆ **Japan:**
Daiichi Sankyo will **solely commercialize** and **pay royalty** to MRK
- ◆ **Sales booking**
Daiichi Sankyo will book product sales in **all countries/regions where Daiichi Sankyo has local operations (including Japan)**

Financial Terms for Strategic Collaboration

Up to 22.0 Bn USD (3,300.0 Bn JPY) in total

(1USD=150JPY)

Upfront payments **4.5 Bn USD (675.0 Bn JPY)** : 1.5 Bn USD×3 products

	HER3-DXd	I-DXd (DS-7300)	R-DXd (DS-6000)	Total
Upon contract execution	0.75 Bn USD	1.5 Bn USD	0.75 Bn USD	3.0 Bn USD
12 months after execution	0.75 Bn USD	-	-	0.75 Bn USD
24 months after execution	-	-	0.75 Bn USD	0.75 Bn USD
Total	1.5 Bn USD	1.5 Bn USD	1.5 Bn USD	4.5 Bn USD

MRK may elect not to pay the two upfront payments of 0.75 Bn USD each that are due after 12 months and after 24 months, respectively. If MRK opts out of HER3-DXd and/or R-DXd, the upfront payments already paid will be retained by DS and rights related to such products will be returned to DS

- ◆ Received upfront payments **will be deferred and booked as revenue** considering the estimated exclusivity period

R&D expenses related refundable upfront payments **1.0 Bn USD (150.0 Bn JPY)** : 0.5 Bn USD×2 products (HER3-DXd,I-DXd)

- ◆ MRK will be responsible for 75% of the first 2 Bn USD of R&D expenses for each product (MRK to bear 0.5 Bn USD more than DS compared to equal share)
 - ✓ 0.5 Bn USD for HER3-DXd and I-DXd, respectively to be paid upon contract execution as R&D expenses related refundable upfront payments (Pro-rated portion may be refundable in the event of early termination of development for both products).
As for R-DXd, 75% of R&D expenses will be paid by MRK as they are incurred
 - ✓ **Accounting treatment is not yet determined**

Sales milestones **Up to 16.5 Bn USD (2,475.0 Bn JPY)** : Up to 5.5 Bn USD×3 products

- ◆ Received sales milestones **will be booked as revenue in the year of achievement**



Daiichi Sankyo will contribute to the enrichment of quality of life around the world



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Q&A



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