



January 30, 2015

## Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2015 <under IFRS>

Listed company name: Daiichi Sankyo Company, Limited

Listed exchange: First Section of the Tokyo Stock Exchange

Stock code number: 4568

URL: <http://www.daiichisankyo.com>

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Scheduled date of Quarterly Report filing: February 12, 2015

Scheduled date of dividend payments: –

Preparing supplementary material (Reference Data) on quarterly financial results: Yes

Holding quarterly information meeting: Yes (for institutional investors, analysts and the press)

(All amounts have been rounded down to the nearest million yen.)

### 1. Consolidated Financial Results for the First Nine Months of Fiscal 2014

(from April 1, 2014 to December 31, 2014)

#### (1) Consolidated Financial Results

(Percentages indicate changes from the same period in the previous fiscal year.)

|                                  | Revenue         |     | Operating profit |     | Profit before tax |      | Profit for the period |      |
|----------------------------------|-----------------|-----|------------------|-----|-------------------|------|-----------------------|------|
|                                  | Millions of yen | %   | Millions of yen  | %   | Millions of yen   | %    | Millions of yen       | %    |
| First nine months of fiscal 2014 | 838,168         | 4.1 | 110,276          | 4.7 | 106,924           | 14.2 | 99,402                | 48.5 |
| First nine months of fiscal 2013 | 805,532         | –   | 105,286          | –   | 93,665            | –    | 66,958                | –    |

|                                  | Profit attributable to owners of the Company |      | Total comprehensive income |      | Basic earnings per share | Diluted earnings per share |
|----------------------------------|--|------|----------------------------|------|--------------------------|----------------------------|
|                                  | Millions of yen                              | %    | Millions of yen            | %    | Yen                      | Yen                        |
| First nine months of fiscal 2014 | 102,233                                      | 43.1 | 169,063                    | 33.6 | 145.22                   | 144.92                     |
| First nine months of fiscal 2013 | 71,436                                       | –    | 126,533                    | –    | 101.48                   | 101.29                     |

The financial results of only the Daiichi Sankyo Group excluding the Ranbaxy Group from the consolidated results for the first nine months of fiscal 2014 (from April 1, 2014 to December 31, 2014) were as follows: Revenue was ¥694,397 million, up 3.1% from ¥673,839 million in the same period of fiscal 2013, operating profit was ¥98,276 million, down 5.6% from ¥104,148 million, profit before tax was ¥105,767 million down 1.5% from ¥107,432 million and profit attributable to owners of the Company was ¥67,786 million, down 12.1% from ¥77,132 million.

## (2) Consolidated Financial Position

|                         | Total assets    | Total equity    | Equity attributable to owners of the Company | Ratio of equity attributable to owners of the Company to total assets | Equity per share attributable to owners of the Company |
|-------------------------|-----------------|-----------------|--|---|--|
|                         | Millions of yen | Millions of yen | Millions of yen                              | %   | Yen  |
| As of December 31, 2014 | 1,964,397       | 1,134,903       | 1,106,896                                    | 56.3  | 1,572.25   |
| As of March 31, 2014    | 1,854,037       | 1,007,527       | 979,933                                      | 52.9  | 1,392.03   |

## 2. Dividends

|                        | Annual dividends per share |                |               |                 |       |
|------------------------|----------------------------|----------------|---------------|-----------------|-------|
|                        | First quarter              | Second quarter | Third quarter | Fiscal year-end | Total |
|                        | Yen                        | Yen            | Yen           | Yen             | Yen   |
| Fiscal 2013            | –                          | 30.00          | –             | 30.00           | 60.00 |
| Fiscal 2014            | –                          | 30.00          | –             |                 |       |
| Fiscal 2014 (Forecast) |                            |                |               | 30.00           | 60.00 |

Note: Revision of the forecasts most recently announced: No

## 3. Forecasts of Consolidated Financial Results for Fiscal 2014

(from April 1, 2014 to March 31, 2015)

(Percentages indicate changes from the same period in the previous fiscal year.)

|           | Revenue         |       | Operating profit |       | Profit before tax |     | Profit attributable to owners of the Company |     | Basic earnings per share |
|-----------|-----------------|-------|------------------|-------|-------------------|-----|--|-----|--------------------------|
|           | Millions of yen | %     | Millions of yen  | %     | Millions of yen   | %   | Millions of yen                              | %   | Yen                      |
| Full year | 900,000         | –19.5 | 100,000          | –10.4 | 100,000           | 0.2 | 65,000                                       | 6.7 | 92.33                    |

Note: Revision of the forecasts most recently announced: No

Note: Forecasts for fiscal 2014 are provided for only the Daiichi Sankyo Group.

Upon the closing of the merger of Ranbaxy by Sun Pharma, the profits and losses from Ranbaxy Group operations, and any gains or losses derived from the exchange of Ranbaxy and Sun Pharma shares or other such items pertaining to Ranbaxy Group, will be recorded as profit and loss from discontinued operations. In the case of comparisons with figures from the previous fiscal year that are for the Daiichi Sankyo Group only, the changes from the results of the previous fiscal year are as follows: revenue is a year-on-year increase of 0.1% from ¥899,126 million of the previous fiscal year, operating profit is a year-on-year decrease of 11.4% from ¥112,885 million, profit before tax is a year-on-year decrease of 11.4% from ¥112,914 million and profit attributable to owners of the Company is a year-on-year decrease of 5.6% from ¥68,832 million.

**\*Notes**

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in a change in scope of consolidation): No

Newly included: None Excluded: None

(2) Changes in accounting policies and changes in accounting estimates

1) Changes in accounting policies required by IFRS: Yes

2) Changes in accounting policies due to other reasons: No

3) Changes in accounting estimates: No

Note: For details, please refer to “(2) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement of Prior Period Financial Statements after Error Corrections” of “2. Summary Information (Notes)” on page 11.

(3) Number of ordinary shares issued

1) Number of shares issued at the end of the period (including treasury share)

|                         |                    |
|-------------------------|--------------------|
| As of December 31, 2014 | 709,011,343 shares |
| As of March 31, 2014    | 709,011,343 shares |

2) Number of shares in treasury at the end of the period

|                         |                  |
|-------------------------|------------------|
| As of December 31, 2014 | 4,990,333 shares |
| As of March 31, 2014    | 5,051,576 shares |

3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

|   |                    |
|---|--------------------|
| First nine months ended December 31, 2014 | 703,976,762 shares |
| First nine months ended December 31, 2013 | 703,956,705 shares |

**\* Indication regarding execution of quarterly review procedures**

This quarterly financial results report is exempt from the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial results report, the review procedures for condensed consolidated financial statements are in progress.

**\* Disclaimer regarding forward-looking information including appropriate use of forecasted financial results**

The forecasted statements shown in these materials are based on information currently available and certain assumptions that the Company regards as reasonable. Actual performance and other results may differ from these forecasted figures due to various factors.

Please see “(3) Information about Forecasts of Consolidated Financial Results and Other Forward-Looking Statements” of “1. Qualitative Information about Consolidated Results for the First Nine Months” on page 10 for assumption that the above forecasts were based on and related matters.

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## 1. Qualitative Information about Consolidated Results for the First Nine Months

Daiichi Sankyo and its consolidated subsidiaries (“the Group”) have adopted IFRS starting in the fiscal year ended March 31, 2014.

### (1) Information about Operating Results

#### [Consolidated Financial Results]

(Millions of yen; all amounts have been rounded down to the nearest million yen.)

|   | First nine months of<br>fiscal 2013 | First nine months of<br>fiscal 2014 | YoY change      |
|---|-------------------------------------|-------------------------------------|-----------------|
| Revenue   | 805,532                             | 838,168                             | 32,635<br>4.1%  |
| Operating profit                                | 105,286                             | 110,276                             | 4,990<br>4.7%   |
| Profit before tax                               | 93,665                              | 106,924                             | 13,259<br>14.2% |
| Profit attributable to<br>owners of the Company | 71,436                              | 102,233                             | 30,796<br>43.1% |

The financial results of the Daiichi Sankyo Group are as follows.

(Millions of yen; all amounts have been rounded down to the nearest million yen.)

|   | First nine months of<br>fiscal 2013 | First nine months of<br>fiscal 2014 | YoY change       |
|---|-------------------------------------|-------------------------------------|------------------|
| Revenue   | 673,839                             | 694,397                             | 20,557<br>3.1%   |
| Operating profit                                | 104,148                             | 98,276                              | -5,871<br>-5.6%  |
| Profit before tax                               | 107,432                             | 105,767                             | -1,664<br>-1.5%  |
| Profit attributable to<br>owners of the Company | 77,132                              | 67,786                              | -9,346<br>-12.1% |

<Revenue of global mainstay products>

(Millions of yen; all amounts have been rounded down to the nearest million yen.)

| Item name                            | First nine months of fiscal 2013 | First nine months of fiscal 2014 | YoY change      |
|--------------------------------------|----------------------------------|----------------------------------|-----------------|
| Olmesartan<br>Antihypertensive agent | 227,918                          | 219,927                          | -7,990<br>-3.5% |
| Prasugrel<br>Antiplatelet agent      | 16,858                           | 18,380                           | 1,522<br>9.0%   |

<Research and development expenses>

(Millions of yen; all amounts have been rounded down to the nearest million yen.)

|   | First nine months of fiscal 2013 | First nine months of fiscal 2014 |
|---|----------------------------------|----------------------------------|
| Research and development expenses                     | 137,074                          | 142,176                          |
| Ratio of research and development expenses to revenue | 17.0%                            | 17.0%                            |

<Yen exchange rates for major currencies (average rate during the period)>

(Yen)

|         | First nine months of fiscal 2013 | First nine months of fiscal 2014 |
|---------|----------------------------------|----------------------------------|
| Yen/USD | 99.39                            | 106.88                           |
| Yen/EUR | 132.24                           | 140.31                           |
| Yen/INR | 1.69                             | 1.77                             |

#### **i. Revenue**

Group revenue in the first nine months of fiscal 2014 increased by ¥32.6 billion, or 4.1% year on year, to ¥838.2 billion.

Despite negative impacts such as NHI price revisions, the consumption tax revision and the expansion in prescriptions of generic pharmaceuticals in Japan, revenue increased thanks to growth in mainstay products, growth in the Asian, South & Central American regions and the Ranbaxy Group, as well as favorable foreign currency exchange rates.

#### **ii. Operating Profit**

Operating profit increased by ¥5.0 billion, or 4.7% year on year, to ¥110.3 billion.

Despite increases in expenses associated with business restructuring in Japan, the increase was mainly thanks to increased gross profit and contribution from the Ranbaxy Group.

#### **iii. Profit before Tax**

Profit before tax increased by ¥13.3 billion, or 14.2% year on year, to ¥106.9 billion.

Aside from the increase in operating profit, another major reason was the increase in financial income.

#### **iv. Profit Attributable to Owners of the Company**

Profit attributable to owners of the Company increased by ¥30.8 billion, or 43.1% year on year, to ¥102.2 billion.

Aside from the increase in profit before tax, another major reason for this substantial increase was the recording of tax effects relating to impairment of Ranbaxy goodwill in prior fiscal years.

## [Reports by Segment]

### i. Daiichi Sankyo Group

The Daiichi Sankyo Group reported revenue of ¥693.1 billion, a year-on-year increase of ¥20.4 billion or 3.0%.

Operating profit decreased by ¥5.9 billion, or 5.6% year on year, to ¥98.3 billion (prior to consolidated adjustments).

### a. Japan

Revenue in Japan increased 0.6% year on year to ¥419.9 billion.

Revenue in Japan from prescription drugs increased 0.6% year on year to ¥365.2 billion owing to growth from products such as *NEXIUM*<sup>®</sup>, *Memary*<sup>®</sup>, *Inavir*<sup>®</sup>, and *PRALIA*<sup>®</sup>, despite negative impacts, such as NHI price revisions, the consumption tax revision and the expansion in prescriptions of generic pharmaceuticals.

Revenue from royalty and exports increased 6.9% year on year to ¥15.6 billion.

Revenue from healthcare (OTC) products was ¥37.0 billion, about level with the same period of the previous fiscal year. Group subsidiary Daiichi Sankyo Healthcare Co., Ltd. manages this business.

*LIXIANA*<sup>®</sup>, which is an anticoagulant, has been sold with an indication for the prevention of venous thromboembolism in patients after major orthopedic surgery since 2011. On September 26, 2014, additional indications were obtained for both the prevention of ischemic stroke and systemic embolism in patients with non-valvular atrial fibrillation, and for the treatment and inhibition of recurrence of venous thromboembolism (deep vein thrombosis and pulmonary embolism). On December 8, 2014, a 60 mg tablet was launched.

#### <Revenue composition in Japan>

(Billions of yen; all amounts have been rounded off to the nearest single decimal place.)

|                           | First nine months<br>of fiscal 2013 | First nine months<br>of fiscal 2014 | YoY change    |
|---------------------------|-------------------------------------|-------------------------------------|---------------|
| Prescription drugs        | 363.1                               | 365.2                               | 2.1<br>0.6%   |
| Royalty and exports       | 14.6                                | 15.6                                | 1.0<br>6.9%   |
| Healthcare (OTC) products | 37.0                                | 37.0                                | -0.0<br>-0.0% |



<Revenue of Japan company mainstay pharmaceuticals>

(Billions of yen; all amounts have been rounded off to the nearest single decimal place.)

| Product name  | First nine months of fiscal 2013 | First nine months of fiscal 2014 | YoY change     |
|---|----------------------------------|----------------------------------|----------------|
| <i>Olmetec</i> <sup>®</sup><br>Antihypertensive agent   | 60.4                             | 58.4                             | -2.0<br>-3.4%  |
| <i>NEXIUM</i> <sup>®</sup><br>Ulcer treatment   | 40.2                             | 55.7                             | 15.5<br>38.7%  |
| <i>Loxonin</i> <sup>®</sup><br>Anti-inflammatory analgesic<br>(of which <i>Loxonin</i> <sup>®</sup> Tape) | 46.8<br>(28.0)                   | 38.7<br>(24.3)                   | -8.2<br>-17.4% |
| <i>Memory</i> <sup>®</sup><br>Alzheimer's disease treatment   | 23.9                             | 27.5                             | 3.7<br>15.3%   |
| <i>Cravii</i> <sup>®</sup><br>Synthetic antibacterial agent   | 25.9                             | 23.0                             | -2.9<br>-11.1% |
| <i>Rezaltas</i> <sup>®</sup><br>Antihypertensive agent  | 14.1                             | 14.1                             | -0.1<br>-0.6%  |
| <i>Artist</i> <sup>®</sup><br>Treatment for hypertension, angina<br>pectoris and chronic heart failure    | 17.1                             | 14.1                             | -3.0<br>-17.4% |
| <i>Omnipaque</i> <sup>®</sup><br>Contrast medium  | 15.5                             | 13.3                             | -2.2<br>-14.2% |
| <i>Mevalotin</i> <sup>®</sup><br>Antihyperlipidemic agent   | 17.0                             | 12.6                             | -4.4<br>-26.1% |
| <i>Inavir</i> <sup>®</sup><br>Anti-influenza treatment  | 2.0                              | 8.2                              | 6.1<br>302.2%  |
| <i>RANMARK</i> <sup>®</sup><br>Treatment for bone complications   | 5.8                              | 7.6                              | 1.8<br>30.5%   |
| <i>PRALIA</i> <sup>®</sup><br>Treatment for osteoporosis  | 1.7                              | 5.1                              | 3.4<br>201.9%  |

**b. North America**

Revenue in North America increased 6.0% year on year to ¥168.1 billion.

Revenue in local currency terms fell 1.5% to approximately US\$1,573 million.

Although sales of *Venofer*<sup>®</sup> and *Injectafer*<sup>®</sup> increased, sales of *Benicar*<sup>®</sup>/*Benicar HCT*<sup>®</sup> declined due to increased competition.

Also, Daiichi Sankyo, Inc. was placed under investigation by the US Department of Justice in relation to physician speaker programs conducted as part of the promotional activities for mainstay products. Daiichi Sankyo, Inc. has now have reached a settlement between it and the aforesaid department and other government agencies, and it has agreed to pay a settlement amount of approximately US\$39 million.

The Daiichi Sankyo Group is making concerted efforts to ensure even greater thoroughness with respect to compliance with the laws and regulations of the various countries throughout the world.

<Revenue of Daiichi Sankyo, Inc. mainstay products>

(Millions of US\$; all amounts have been rounded off to the nearest million US\$.)

| Product name   | First nine months of fiscal 2013 | First nine months of fiscal 2014 | YoY change     |
|--|----------------------------------|----------------------------------|----------------|
| <i>Benicar</i> <sup>®</sup> / <i>Benicar HCT</i> <sup>®</sup><br>Antihypertensive agent              | 660                              | 514                              | -145<br>-22.0% |
| <i>AZOR</i> <sup>®</sup><br>Antihypertensive agent   | 129                              | 125                              | -3<br>-2.6%    |
| <i>TRIBENZOR</i> <sup>®</sup><br>Antihypertensive agent  | 71                               | 80                               | 9<br>12.2%     |
| <i>Welchol</i> <sup>®</sup><br>Hypercholesterolemia treatment/<br>type 2 diabetes mellitus inhibitor | 329                              | 329                              | 0<br>0.0%      |
| <i>Effient</i> <sup>®</sup><br>Antiplatelet agent<br>(co-promotion revenue)                          | 115                              | 123                              | 8<br>6.6%      |

<Revenue of Luitpold Pharmaceuticals, Inc. mainstay products>

(Millions of US\$; all amounts have been rounded off to the nearest million US\$.)

| Product name                                       | First nine months of fiscal 2013 | First nine months of fiscal 2014 | YoY change   |
|--|----------------------------------|----------------------------------|--------------|
| <i>Venofer</i> <sup>®</sup><br>Anemia treatment    | 182                              | 213                              | 31<br>17.1%  |
| <i>Injectafer</i> <sup>®</sup><br>Anemia treatment | 6                                | 48                               | 42<br>749.3% |

**c. Europe**

Revenue in Europe increased 1.2% year on year to ¥60.6 billion.

Revenue in local currency terms decreased 4.7% to approximately EUR432 million.

Although sales of *Sevikar*<sup>®</sup> and *Sevikar HCT*<sup>®</sup> increased, sales of *Olmotec*<sup>®</sup> and *Olmotec Plus*<sup>®</sup> declined.

<Revenue of Daiichi Sankyo Europe GmbH mainstay products>

(Millions of euro; all amounts have been rounded off to the nearest million euro.)

| Product name   | First nine months of fiscal 2013 | First nine months of fiscal 2014 | YoY change    |
|--|----------------------------------|----------------------------------|---------------|
| <i>Olmotec</i> <sup>®</sup> / <i>Olmotec Plus</i> <sup>®</sup><br>Antihypertensive agent | 258                              | 207                              | -51<br>-19.7% |
| <i>Sevikar</i> <sup>®</sup><br>Antihypertensive agent                                    | 76                               | 96                               | 20<br>26.6%   |
| <i>Sevikar HCT</i> <sup>®</sup><br>Antihypertensive agent                                | 43                               | 55                               | 11<br>26.4%   |

**d. Other regions**

In other regions, revenue rose 20.8% year on year to ¥44.5 billion.

Sales of Olmesartan, *Cravit*<sup>®</sup> and other mainstay products showed growth in China, Brazil and other countries.

**ii. Ranbaxy Group Segment**

The Ranbaxy Group posted revenue of ¥145.1 billion, a year-on-year increase of ¥12.2 billion or 9.2%.

Operating profit was ¥14.3 billion, an increase of ¥12.9 billion, or 943.3%, compared with the same period of the previous fiscal year (prior to consolidated adjustments).

The generic version of the antihypertensive agent Valsartan contributed to the higher revenue and profits.

On April 6, 2014, Daiichi Sankyo concluded agreements for a merger of Ranbaxy with Sun Pharma via a share swap in which Daiichi Sankyo retains an equity stake in the expanded Sun Pharma.

Approval for the merger has already been given by the respective general shareholders' meetings of Ranbaxy and Sun Pharma, as well as by the relevant authorities. Now waiting for approval by the high court, Daiichi Sankyo expects the procedure to be completed before the end of fiscal 2014.

Upon the closing of the merger Daiichi Sankyo will obtain an equity stake of approximately 9% in Sun Pharma.

## **[R&D Activities]**

Daiichi Sankyo's R&D program aims to develop a competitive drug pipeline through accelerated and sustained generation of innovative medicines. The Group has designated the fields of cardiovascular-metabolic, oncology and frontier medicine as priority areas for drug development. Efforts continue to develop the R&D pipeline in these areas by creating drugs with the potential to become best-in-class or first-in-class therapies.

As part of ongoing efforts to cultivate an entrepreneurial biotech culture within the Group, Daiichi Sankyo is further utilizing the Group subsidiaries Asubio Pharma Co., Ltd., U3 Pharma GmbH, and Plexxikon Inc. Daiichi Sankyo also established Venture Science Laboratories (VSL) in April 2013 and is working to accelerate the efforts.

In addition, Daiichi Sankyo is continuing to develop R&D alliances with other companies and pursue an open innovation approach, while reinforcing R&D activities in preparation for full-scale entry into the biopharmaceutical sector.

### **i. Prasugrel**

On May 27, 2014, Daiichi Sankyo launched prasugrel (product name: *Efient*®) in Japan for the indication of ischemic heart disease in patients undergoing percutaneous coronary intervention (PCI). A Phase III clinical trial has been proceeding in Japan to evaluate the efficacy of prasugrel in patients with ischemic stroke.

A Phase III clinical trial is also currently proceeding in the US to evaluate the efficacy of prasugrel in patients with pediatric sickle-cell disease.

### **ii. Edoxaban**

In Japan, this product has been sold since 2011 under the brand name *LIXIANA*® with an indication for the prevention of venous thromboembolism in patients after major orthopedic surgery. On September 26, 2014, additional indications were obtained for both the prevention of ischemic stroke and systemic embolism in patients with non-valvular atrial fibrillation, and for the treatment and inhibition of recurrence of venous thromboembolism (deep vein thrombosis and pulmonary thromboembolism).

In the US, additional indications for this product were obtained in January 8, 2015 both for lowering the risk of stroke and systemic embolism in patients with non-valvular atrial fibrillation, and for the treatment of venous thromboembolism (deep vein thrombosis and pulmonary embolism). As indicated in this approval, the drug should not be used in patients with non-valvular atrial fibrillation whose creatinine clearance value (a kidney function indicator) exceeds 95 mL/min.

Daiichi Sankyo Inc. plans to start sales activities for edoxaban in early February 2015.

In Europe, the Daiichi Sankyo filed applications for approval in January 2014 and examinations by

the regulatory authorities are continuing.

### **iii. Denosumab**

Denosumab is an antibody drug related to bone metabolism. The Company has obtained the rights to develop and market this product in Japan from Amgen Inc. of the US. In April 2012, the drug was launched under the brand name *RANMARK*<sup>®</sup> indicated for skeletal-related events in patents with multiple myeloma or bone metastases from solid tumors. In June 2013, it was also launched under the brand name *PRALLIA*<sup>®</sup> as an agent for treatment for osteoporosis.

On May 23, 2014, approval was obtained for revised application for approval for giant cell tumor of bone.

Denosumab is also currently undergoing global phase III clinical studies for postoperative adjuvant breast cancer therapy and phase III clinical studies in Japan for treatment of rheumatoid arthritis.

### **iv. Mirogabalin**

Mirogabalin is currently undergoing phase III clinical studies in the US and Europe on patients with fibromyalgia.

Daiichi Sankyo has also started phase III clinical studies in Japan and Asia on patients with diabetic peripheral neuropathic pain and patients with post-herpetic neuralgia.

### **v. Results from Partnerships and Acquisitions**

On August 7, 2014, Daiichi Sankyo signed a license agreement with Charleston Laboratories, Inc. of the US for that company's CL-108, a fixed-dose combination hydrocodone product for pain and opioid-induced nausea and vomiting, and is now conducting phase III clinical studies.

In addition, Daiichi Sankyo completed its acquisition of Ambit Biosciences Corporation of the US in November 2014. The companies are now jointly carrying out phase III clinical studies on Ambit Biosciences Corporation's inhibitor of FMS-like tyrosine kinase-3 (FLT3) quizartinib on patients with acute myeloid leukemia.

Daiichi Sankyo also signed an agreement with UCB Biopharma SPRL (UCB) of Belgium in November 2014 to jointly commercialize lacosamide, a treatment for people with epilepsy which was developed by UCB, in Japan. Under the agreement, UCB will handle the development, application filing, and manufacturing of the drug, and Daiichi Sankyo will handle sales and distribution.

### **[Optimization of Business Operation Structure in Japan]**

Striving to enable continuous investment to support sustained growth, Daiichi Sankyo has embarked on an initiative to optimize the business operation structure in Japan. Through this initiative, Daiichi Sankyo aims to reinforce the business base by improving profitability, further reinforce autonomous business operations, and transition to a low-cost operation by simplifying organizations and making operations more efficient.

After examining the organizational structures and personnel assignment of each Group company in Japan, Daiichi Sankyo implemented special career transition assistance measure in December 2014 and 513 employees have applied for it. Personnel related costs such as supplemental retirement benefits, etc. established for these measures amounting to ¥13.7 billion have been recorded in the nine months under review.

## **(2) Information about Financial Position**

Total equity as of December 31, 2014 equaled ¥1,134.9 billion (an increase of ¥127.4 billion compared with the previous fiscal year-end), and total assets amounted to ¥1,964.4 billion (an increase of ¥110.4 billion compared with the previous fiscal year-end). Ratio of equity attributable to owners of the Company to total assets was 56.3% at this date (compared with 52.9% at the previous fiscal year-end).

Total equity increased significantly compared with the previous fiscal year-end due to the recording of profit for the period and a rise in exchange differences on translation of foreign operations.

The year-on-year increase in total assets was smaller than that for total equity, reflecting repayment of bonds and borrowings.

## **(3) Information about Forecasts of Consolidated Financial Results and Other Forward-Looking Statements**

There are no changes from the forecasts of consolidated financial results for fiscal 2014 publicly announced on October 31, 2014.

Upon the closing of the merger of Ranbaxy by Sun Pharma, the profits and losses from Ranbaxy Group operations, and any gains or losses derived from the exchange of Ranbaxy and Sun Pharma shares or other such items pertaining to Ranbaxy Group, will be recorded as profit and loss from discontinued operations. Daiichi Sankyo plans to disclose the details of these items once they are determined.

## 2. Summary Information (Notes)

### (1) Changes in Significant Subsidiaries during the Period under Review

Not applicable.

### (2) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement of Prior Period Financial Statements after Error Corrections

(Changes in accounting policies required by IFRS)

Significant accounting policies for the condensed consolidated financial statements of the Group are the same as the accounting policies for its consolidated financial statements for the previous fiscal year except for the following.

The Group has adopted the following standards and interpretations starting in the fiscal year ending March 31, 2015 in accordance with the respective transitional measures. Adoption of these standards, etc. does not materially impact the condensed consolidated financial statements.

| Standards and interpretations |  | Description of new standards/amendments   |
|-------------------------------|--|---|
| IAS 32                        | Financial Instruments: Presentation                | Clarification of conditions for presentation of offsetting and addition of guidance   |
| IFRS 10                       | Consolidated Financial Statements                  | Public announcement of definitions relating to investors, and establishment of accounting treatment for investments held by investors |
| IFRS 12                       | Disclosure of Interests in Other Entities          |   |
| IAS 27                        | Separate Financial Statements                      |   |
| IFRIC 21                      | Levies   | Clarification of accounting treatment for levies  |
| IAS 36                        | Impairment of Assets                               | Revision of provisions for disclosure of recoverable amounts of non-financial assets  |
| IAS 39                        | Financial Instruments: Recognition and Measurement | Establishment of exceptions for provisions of the discontinuance of hedge accounting  |

### 3. Condensed Consolidated Financial Statements

#### (1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

|   | Fiscal 2013<br>(as of March 31, 2014) | Fiscal 2014<br>(as of December 31, 2014) |
|---|---------------------------------------|--|
| <b>ASSETS</b>                                     |                                       |  |
| Current assets                                    |                                       |  |
| Cash and cash equivalents                         | 183,070                               | 227,036                                  |
| Trade and other receivables                       | 269,194                               | 327,067                                  |
| Other financial assets                            | 324,160                               | 187,769                                  |
| Inventories                                       | 189,408                               | 194,044                                  |
| Other current assets                              | 24,769                                | 16,952                                   |
| Total current assets                              | 990,603                               | 952,870                                  |
| Non-current assets                                |                                       |  |
| Property, plant and equipment                     | 316,304                               | 330,287                                  |
| Goodwill  | 85,518                                | 112,115                                  |
| Intangible assets                                 | 171,417                               | 236,702                                  |
| Investments accounted for using the equity method | 2,624                                 | 2,102                                    |
| Other financial assets                            | 141,553                               | 157,281                                  |
| Deferred tax assets                               | 122,550                               | 148,645                                  |
| Other non-current assets                          | 23,464                                | 24,392                                   |
| Total non-current assets                          | 863,433                               | 1,011,526                                |
| Total assets                                      | 1,854,037                             | 1,964,397                                |

(Millions of yen)

|  | Fiscal 2013<br>(as of March 31, 2014) | Fiscal 2014<br>(as of December 31, 2014) |
|--|---------------------------------------|--|
| <b>LIABILITIES AND EQUITY</b>                      |                                       |  |
| Current liabilities                                |                                       |  |
| Trade and other payables                           | 245,422                               | 266,656                                  |
| Bonds and borrowings                               | 160,326                               | 124,655                                  |
| Other financial liabilities                        | 15,115                                | 11,755                                   |
| Income taxes payable                               | 5,636                                 | 7,225                                    |
| Provisions   | 22,702                                | 28,705                                   |
| Other current liabilities                          | 11,985                                | 21,393                                   |
| Total current liabilities                          | 461,188                               | 460,392                                  |
| Non-current liabilities                            |                                       |  |
| Bonds and borrowings                               | 263,289                               | 224,624                                  |
| Other financial liabilities                        | 14,177                                | 8,658                                    |
| Post-employment benefit liabilities                | 8,947                                 | 9,213                                    |
| Provisions   | 3,747                                 | 3,771                                    |
| Deferred tax liabilities                           | 39,838                                | 60,653                                   |
| Other non-current liabilities                      | 55,320                                | 62,178                                   |
| Total non-current liabilities                      | 385,321                               | 369,101                                  |
| Total liabilities                                  | 846,509                               | 829,494                                  |
| Equity   |                                       |  |
| Equity attributable to owners of the Company       |                                       |  |
| Share capital                                      | 50,000                                | 50,000                                   |
| Capital surplus                                    | 105,267                               | 105,267                                  |
| Treasury shares                                    | (14,408)                              | (14,223)                                 |
| Other components of equity                         | 121,753                               | 188,812                                  |
| Retained earnings                                  | 717,320                               | 777,040                                  |
| Total equity attributable to owners of the Company | 979,933                               | 1,106,896                                |
| Non-controlling interests                          |                                       |  |
| Non-controlling interests                          | 27,594                                | 28,006                                   |
| Total equity                                       | 1,007,527                             | 1,134,903                                |
| Total liabilities and equity                       | 1,854,037                             | 1,964,397                                |



**(2) Condensed Consolidated Statement of Profit or Loss and Condensed Consolidated Statement of Comprehensive Income**

**Condensed Consolidated Statement of Profit or Loss**

(Millions of yen)

|   | First nine months of fiscal 2013<br>(From April 1, 2013<br>to December 31, 2013) | First nine months of fiscal 2014<br>(From April 1, 2014<br>to December 31, 2014) |
|---|--|--|
| Revenue   | 805,532  | 838,168  |
| Cost of sales   | 276,510  | 291,621  |
| Gross profit  | 529,021  | 546,546  |
| Selling, general and administrative expenses                          | 286,661  | 294,093  |
| Research and development expenses                                     | 137,074  | 142,176  |
| Operating profit  | 105,286  | 110,276  |
| Financial income  | 9,518  | 17,932   |
| Financial expenses  | 20,767   | 20,254   |
| Share of loss of investments accounted for<br>using the equity method | 371  | 1,029  |
| Profit before tax   | 93,665   | 106,924  |
| Income taxes  | 26,706   | 7,522  |
| Profit for the period   | 66,958   | 99,402   |
| Profit attributable to:   |  |  |
| Owners of the Company   | 71,436   | 102,233  |
| Non-controlling interests   | (4,477)  | (2,831)  |
| Profit for the period   | 66,958   | 99,402   |
| Earnings per share  |  |  |
| Basic earnings per share (Yen)  | 101.48   | 145.22   |
| Diluted earnings per share (Yen)                                      | 101.29   | 144.92   |

## Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

|  | First nine months of fiscal 2013<br>(From April 1, 2013<br>to December 31, 2013) | First nine months of fiscal 2014<br>(From April 1, 2014<br>to December 31, 2014) |
|--|--|--|
| Profit for the period  | 66,958   | 99,402   |
| Other comprehensive income   |  |  |
| Items that will not be reclassified to profit or loss  |  |  |
| Financial assets measured at fair value through<br>other comprehensive income                  | 10,278   | 10,999   |
| Remeasurements of defined benefit plans  | (212)  | (105)  |
| Items that may be reclassified subsequently to<br>profit or loss                               |  |  |
| Exchange differences on translation of foreign<br>operations                                   | 49,347   | 58,714   |
| Cash flow hedges   | 160  | –  |
| Share of other comprehensive income of<br>investments accounted for using the equity<br>method | 0  | 53   |
| Other comprehensive income (loss), net of<br>taxes   | 59,574   | 69,661   |
| Total comprehensive income   | 126,533  | 169,063  |
| Total comprehensive income attributable to:  |  |  |
| Owners of the Company  | 128,437  | 169,033  |
| Non-controlling interests  | (1,904)  | 30   |
| Total comprehensive income   | 126,533  | 169,063  |

### (3) Condensed Consolidated Statement of Changes in Equity

(Millions of yen)

|   | Equity attributable to owners of the Company |                 |                 |                               |   |                  |  |
|---|--|-----------------|-----------------|-------------------------------|---|------------------|--|
|   | Equity attributable to owners of the Company |                 |                 | Other components of equity    |   |                  |  |
|   | Share capital                                | Capital surplus | Treasury shares | Subscription rights to shares | Exchange differences on translation of foreign operations | Cash flow hedges | Financial assets measured at fair value through other comprehensive income |
| Balance as of April 1, 2013                                   | 50,000                                       | 105,194         | (14,460)        | 1,504                         | 40,545  | 959              | 42,057   |
| Profit for the period   | -  | -               | -               | -                             | -   | -                | -  |
| Other comprehensive income                                    | -  | -               | -               | -                             | 46,828  | 101              | 10,283   |
| Total comprehensive income                                    | -  | -               | -               | -                             | 46,828  | 101              | 10,283   |
| Acquisition of treasury shares                                | -  | -               | (24)            | -                             | -   | -                | -  |
| Disposal of treasury shares                                   | -  | -               | 69              | (46)                          | -   | -                | -  |
| Share-based payments  | -  | -               | -               | 231                           | -   | -                | -  |
| Dividends   | -  | -               | -               | -                             | -   | -                | -  |
| Transfer from other components of equity to retained earnings | -  | -               | -               | -                             | -   | -                | (10,210)   |
| Other   | -  | 73              | -               | -                             | 0   | (0)              | (0)  |
| Total transactions with the owners                            | -  | 73              | 44              | 184                           | 0   | (0)              | (10,210)   |
| Balance as of December 31, 2013                               | 50,000                                       | 105,267         | (14,415)        | 1,689                         | 87,374  | 1,060            | 42,131   |
| Balance as of April 1, 2014                                   | 50,000                                       | 105,267         | (14,408)        | 1,680                         | 80,252  | -                | 39,821   |
| Profit for the period   | -  | -               | -               | -                             | -   | -                | -  |
| Other comprehensive income                                    | -  | -               | -               | -                             | 55,915  | -                | 10,989   |
| Total comprehensive income                                    | -  | -               | -               | -                             | 55,915  | -                | 10,989   |
| Acquisition of treasury shares                                | -  | -               | (17)            | -                             | -   | -                | -  |
| Disposal of treasury shares                                   | -  | -               | 202             | (98)                          | -   | -                | -  |
| Share-based payments  | -  | -               | -               | 197                           | -   | -                | -  |
| Dividends   | -  | -               | -               | -                             | -   | -                | -  |
| Transfer from other components of equity to retained earnings | -  | -               | -               | -                             | -   | -                | 66   |
| Other   | -  | -               | -               | -                             | (12)  | -                | (0)  |
| Total transactions with the owners                            | -  | -               | 184             | 98                            | (12)  | -                | 66   |
| Balance as of December 31, 2014                               | 50,000                                       | 105,267         | (14,223)        | 1,778                         | 136,155   | -                | 50,878   |

(Millions of yen)

|   | Equity attributable to owners of the Company |                                  |                   |  |                           |              |
|---|--|----------------------------------|-------------------|--|---------------------------|--------------|
|   | Other components of equity                   |                                  | Retained earnings | Total equity attributable to owners of the Company | Non-controlling interests | Total equity |
|   | Remeasurements of defined benefit plans      | Total other components of equity |                   |  |                           |              |
| Balance as of April 1, 2013                                   | -  | 85,067                           | 680,844           | 906,645  | 31,835                    | 938,480      |
| Profit for the period   | -  | -                                | 71,436            | 71,436   | (4,477)                   | 66,958       |
| Other comprehensive income                                    | (212)  | 57,000                           | -                 | 57,000   | 2,573                     | 59,574       |
| Total comprehensive income                                    | (212)  | 57,000                           | 71,436            | 128,437  | (1,904)                   | 126,533      |
| Acquisition of treasury shares                                | -  | -                                | -                 | (24)   | -                         | (24)         |
| Disposal of treasury shares                                   | -  | (46)                             | (22)              | 0  | -                         | 0            |
| Share-based payments  | -  | 231                              | -                 | 231  | 415                       | 646          |
| Dividends   | -  | -                                | (42,237)          | (42,237)   | -                         | (42,237)     |
| Transfer from other components of equity to retained earnings | 212  | (9,997)                          | 9,997             | -  | -                         | -            |
| Other   | -  | 0                                | -                 | 73   | (346)                     | (272)        |
| Total transactions with the owners                            | 212  | (9,812)                          | (32,261)          | (41,956)   | 68                        | (41,887)     |
| Balance as of December 31, 2013                               | -  | 132,255                          | 720,019           | 993,126  | 29,999                    | 1,023,126    |
| Balance as of April 1, 2014                                   | -  | 121,753                          | 717,320           | 979,933  | 27,594                    | 1,007,527    |
| Profit for the period   | -  | -                                | 102,233           | 102,233  | (2,831)                   | 99,402       |
| Other comprehensive income                                    | (105)  | 66,800                           | -                 | 66,800   | 2,861                     | 69,661       |
| Total comprehensive income                                    | (105)  | 66,800                           | 102,233           | 169,033  | 30                        | 169,063      |
| Acquisition of treasury shares                                | -  | -                                | -                 | (17)   | -                         | (17)         |
| Disposal of treasury shares                                   | -  | (98)                             | (102)             | 0  | -                         | 0            |
| Share-based payments  | -  | 197                              | -                 | 197  | 208                       | 405          |
| Dividends   | -  | -                                | (42,238)          | (42,238)   | -                         | (42,238)     |
| Transfer from other components of equity to retained earnings | 105  | 172                              | (172)             | -  | -                         | -            |
| Other   | -  | (12)                             | -                 | (12)   | 173                       | 161          |
| Total transactions with the owners                            | 105  | 258                              | (42,513)          | (42,070)   | 382                       | (41,688)     |
| Balance as of December 31, 2014                               | -  | 188,812                          | 777,040           | 1,106,896  | 28,006                    | 1,134,903    |

#### (4) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

|  | First nine months of fiscal 2013<br>(From April 1, 2013<br>to December 31, 2013) | First nine months of fiscal 2014<br>(From April 1, 2014<br>to December 31, 2014) |
|--|--|--|
| <b>Cash flows from operating activities</b>                                    |  |  |
| Profit before tax  | 93,665   | 106,924  |
| Depreciation and amortization  | 36,040   | 39,393   |
| Impairment loss  | 3,108  | 222  |
| Financial income   | (9,518)  | (17,932)   |
| Financial expenses   | 20,767   | 20,254   |
| Share of (profit) loss of investments<br>accounted for using the equity method | 371  | 1,029  |
| (Gain) loss on sale and disposal of fixed<br>assets                            | (13,742)   | (1,712)  |
| (Increase) decrease in trade and other<br>receivables                          | (17,261)   | (36,929)   |
| (Increase) decrease in inventories   | (9,450)  | 8,998  |
| Increase (decrease) in trade and other<br>payables                             | (19,511)   | (1,768)  |
| Other, net   | 3,997  | 2,224  |
| Subtotal   | 88,465   | 120,704  |
| Interest and dividends received  | 5,269  | 3,517  |
| Interest paid  | (6,222)  | (9,587)  |
| Settlement expenses paid   | (49,764)   | —  |
| Income taxes paid  | (46,641)   | (18,206)   |
| Net cash flows from operating activities                                       | (8,894)  | 96,428   |
| <b>Cash flows from investing activities</b>                                    |  |  |
| Purchase of time deposits  | (123,083)  | (44,062)   |
| Proceeds from maturities in time deposits                                      | 82,237   | 53,628   |
| Acquisition of securities  | (293,510)  | (196,887)  |
| Proceeds from sale of securities   | 261,283  | 338,546  |
| Acquisitions of property, plant and<br>equipment                               | (34,983)   | (29,149)   |
| Proceeds from sale of property, plant and<br>equipment                         | 11,938   | 190  |
| Acquisition of intangible assets   | (5,418)  | (33,628)   |
| Acquisition of subsidiary  | —  | (33,476)   |
| Payments for loans receivable  | (1,156)  | (1,221)  |
| Proceeds from collection of loans<br>receivable                                | 511  | 1,008  |
| Other, net   | 1,795  | 2,932  |
| Net cash flows from investing activities                                       | (100,385)  | 57,879   |

(Millions of yen)

|   | First nine months of fiscal 2013<br>(From April 1, 2013<br>to December 31, 2013) | First nine months of fiscal 2014<br>(From April 1, 2014<br>to December 31, 2014) |
|---|--|--|
| Cash flows from financing activities                        |  |  |
| Proceeds from bonds and borrowings                          | 161,191  | 45,569   |
| Repayments of bonds and borrowings                          | (34,652)   | (134,859)  |
| Purchase of treasury shares                                 | (24)   | (17)   |
| Proceeds from sale of treasury shares                       | 0  | 0  |
| Dividends paid  | (42,249)   | (42,258)   |
| Other, net  | (742)  | (442)  |
| Net cash flows from financing activities                    | 83,522   | (132,007)  |
| Net increase (decrease) in cash and cash equivalents        | (25,758)   | 22,300   |
| Cash and cash equivalents at the beginning of the period    | 191,145  | 183,070  |
| Effect of exchange rate change on cash and cash equivalents | 18,318   | 21,665   |
| Cash and cash equivalents at the end of the period          | 183,705  | 227,036  |

## (5) Notes to Consolidated Financial Statements

(Note Related to Going Concern Assumption)

Not applicable.

(Segment Information)

The reportable segments used by the Group are based on the financial data available for discrete operating units, and are subject to periodic review by the Board of Directors to facilitate decisions related to the allocation of resources and the evaluation of business performance.

The Group consists of segments by management unit based on research and development, production and sale of prescription and OTC drugs, and uses two reporting segments, Daiichi Sankyo Group and Ranbaxy Group.

The Daiichi Sankyo Group consists of the Company and its subsidiaries, including Daiichi Sankyo, Inc. and Daiichi Sankyo Europe GmbH, and is engaged in prescription and OTC drug business activities.

The Ranbaxy Group consists principally of Ranbaxy Laboratories Ltd. and is engaged in prescription and OTC drug business activities.

First nine months of fiscal 2013 (from April 1, 2013 to December 31, 2013)

|                             | Daiichi Sankyo Group | Ranbaxy Group | Total   | Adjustments | (Millions of yen)<br>Condensed Consolidated Financial Statements |
|-----------------------------|----------------------|---------------|---------|-------------|--|
| External revenue            | 672,690              | 132,841       | 805,532 | -           | 805,532  |
| Intersegment revenue        | 1,149                | 1,137         | 2,286   | (2,286)     | -  |
| Total                       | 673,839              | 133,979       | 807,819 | (2,286)     | 805,532  |
| Segment profit (before tax) | 107,432              | (13,708)      | 93,723  | (58)        | 93,665   |

(Note) Adjustment to segment profit includes amortization of purchase price allocation and elimination of intersegment transactions.

First nine months of fiscal 2014 (from April 1, 2014 to December 31, 2014)

|                             | Daiichi Sankyo Group | Ranbaxy Group | Total   | Adjustments | (Millions of yen)<br>Condensed Consolidated Financial Statements |
|-----------------------------|----------------------|---------------|---------|-------------|--|
| External revenue            | 693,090              | 145,077       | 838,168 | -           | 838,168  |
| Intersegment revenue        | 1,307                | 1,495         | 2,802   | (2,802)     | -  |
| Total                       | 694,397              | 146,572       | 840,970 | (2,802)     | 838,168  |
| Segment profit (before tax) | 105,767              | 3,126         | 108,893 | (1,968)     | 106,924  |

(Note) Adjustment to segment profit includes amortization of purchase price allocation and elimination of intersegment transactions.