

Passion for Innovation.
Compassion for Patients.™



Daiichi-Sankyo

Top Management Presentation

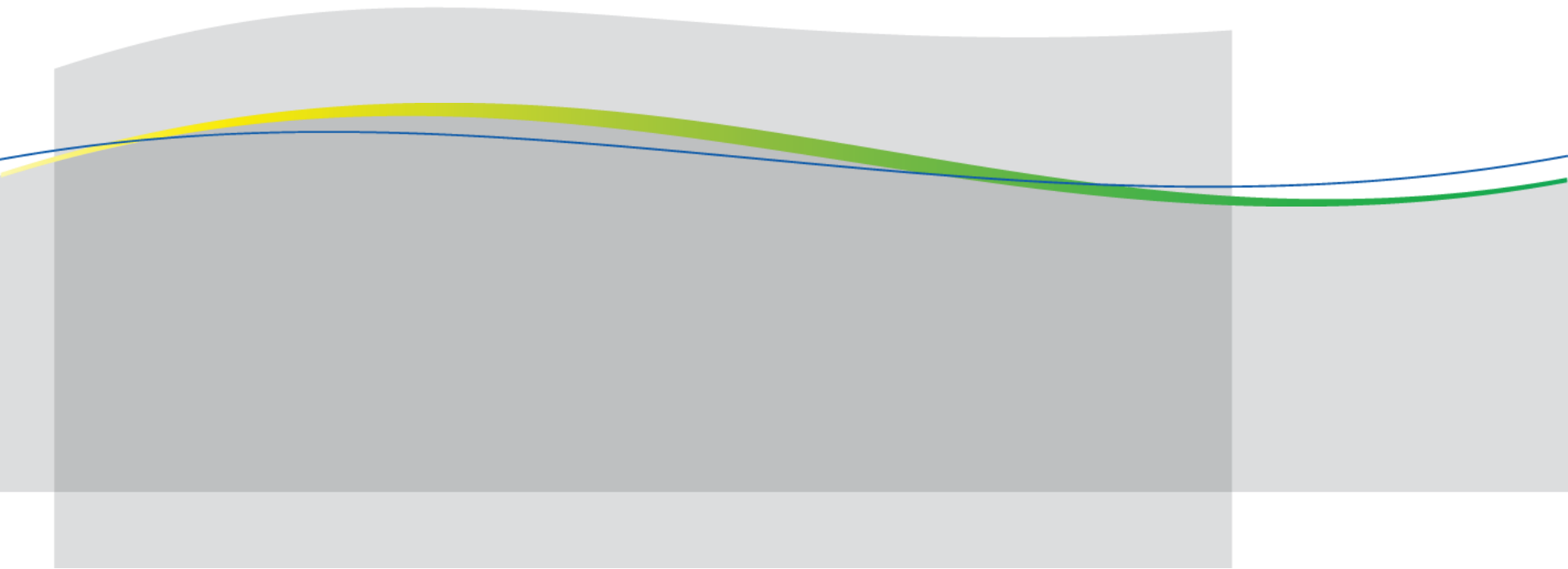
Financial Results for 2Q FY2014 (April 1 – September 30, 2014)

Joji Nakayama
President and CEO

November 4, 2014

- ◆ **FY2014 2Q Results**
- ◆ **FY2014 revised consolidated forecast**
- ◆ **Business Update**
- ◆ **Optimization of Business Operation Structure in Japan**
- ◆ **R&D Update**

FY2014 2Q Results



Overview of FY2014 2Q Results

Consolidated Statement of Profit or Loss

JPY Bn

	FY2013 2Q Result	FY2014 2Q Result	YoY
Revenue	516.8	525.4	+8.6
Cost of sales	174.1	176.1	+2.1
R&D expenses	94.8	88.8	-6.0
SG&A expenses	195.2	191.6	-3.5
(Loss on restructuring/ General expenses)	(16.5)	(6.9)	(-9.6)
Operating Profit	52.7	68.8	+16.1
Profit before tax	43.9	65.4	+21.5
Profit attributable to owners of the Company	33.5	50.3	+16.8

Daiichi Sankyo Group

JPY Bn

	FY2013 2Q Result	FY2014 2Q Result	YoY	Revised Plan*
Revenue	429.1	429.6	+0.1%	920.0
Cost of sales	129.3	130.8	+1.5	280.0
R&D expenses	90.1	84.9	-5.2	182.0
SG&A expenses	159.7	155.2	-4.5	338.0
(Loss on restructuring/ General expenses)	(13.2)	(4.7)	(-8.5)	-
Operating Profit	50.1	58.7	+17.2%	120.0
Profit before tax	50.2	60.7	+20.8%	120.0
Profit attributable to owners of the Company	35.2	35.5	+0.8%	78.0
			+0.3	65.0

Currency Rate	USD/JPY	98.86	103.05
	EUR/JPY	130.01	138.91
	INR/JPY	1.74	1.72

* Figures do not include Ranbaxy, which will not be consolidated, post its merger with Sun Pharma.

FY2014 2Q Revenue (JPY Bn)

Positive Factors

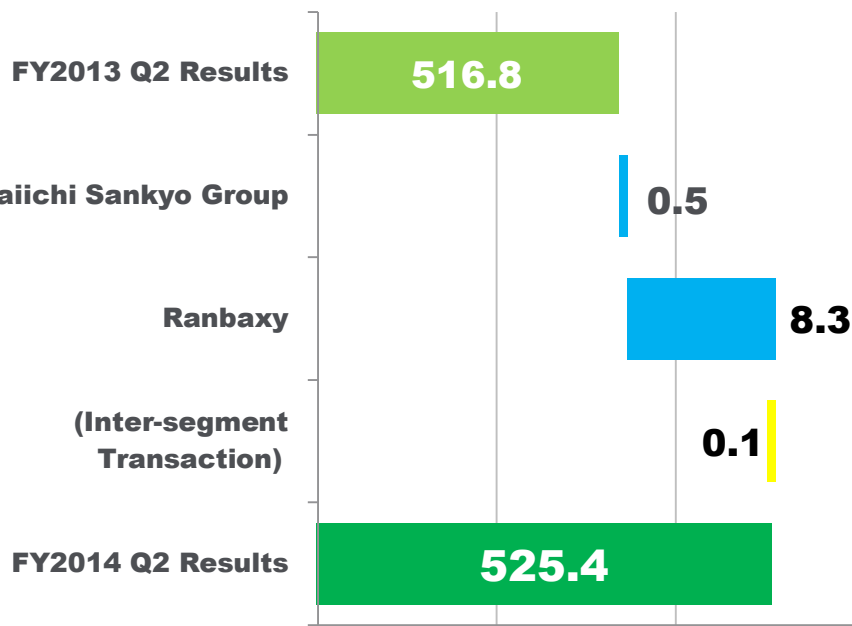
Negative Factors



Decline in Japan and Daiichi Sankyo Inc. offsetted by growth of Luitopold and ASCA

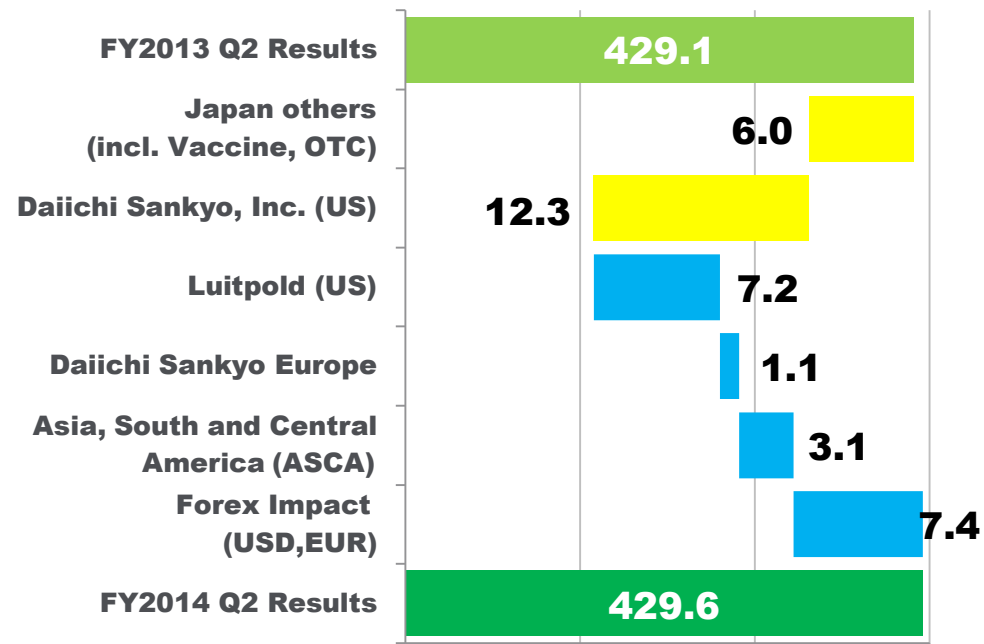
Consolidated Statement of Profit or Loss

500.0 510.0 520.0 530.0



Daiichi Sankyo Group

400.0 410.0 420.0 430.0



Japan

Positive: Nexium +8.1 Memary +2.4 Pralia +2.0 Tenelia +3.1
 Negative: Loxonin -5.3 Cravit -1.5 Mevalotin -2.8
 Vaccines Business -5.0

Global (including Forex impact)

Daiichi Sankyo Inc. : Olmesartan -9.6
 Luitpold : Venofer +2.5 Injectafer +2.7
 Daiichi Sankyo Europe : Olmesartan +4.2

FY2014 2Q Operating Profit

(JPY Bn)

Positive Factors

Negative Factors



Operating profit increase reflected decreases in SG&A expenses and R&D expenses

Consolidated Statement of Profit or Loss

Daiichi Sankyo Group

40.0 50.0 60.0 70.0

20.0 30.0 40.0 50.0 60.0

FY2013 Q2 Results

52.7

FY2013 Q2 Results

50.1

Daiichi Sankyo Group

8.6

Gross Profit

1.1

Ranbaxy

9.7

R&D Expenses

5.2

(Inter-segment Transaction)

2.2

SG&A Expenses

4.5

FY2014 Q2 Results

68.8

FY2014 Q2 Results

58.7

R&D Expenses -5.2 (Forex Impact /USD·EUR +16)

SG& A Expenses -4.5 (Forex Impact /USD·EUR +35)

•Gains from sales of fixed assets -2.2 and loss on restructuring in Daiichi Sankyo Europe GmbH +10.8 booked in FY2013 2Q

FY2013 1Q Profit attributable to owners of the Company

(JPY Bn)

Positive Factors

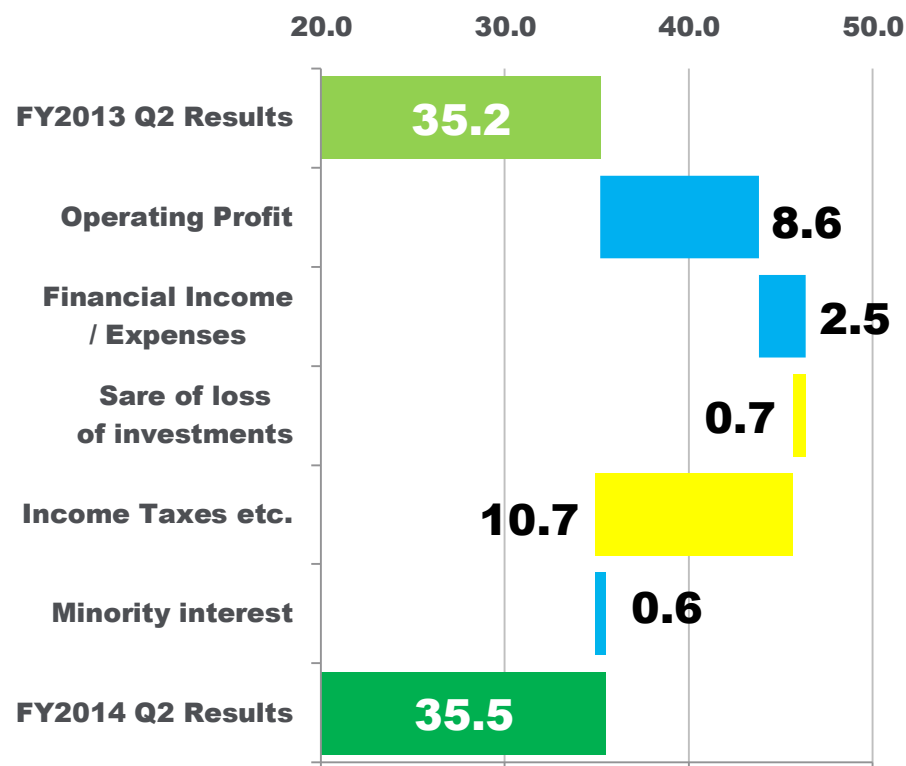
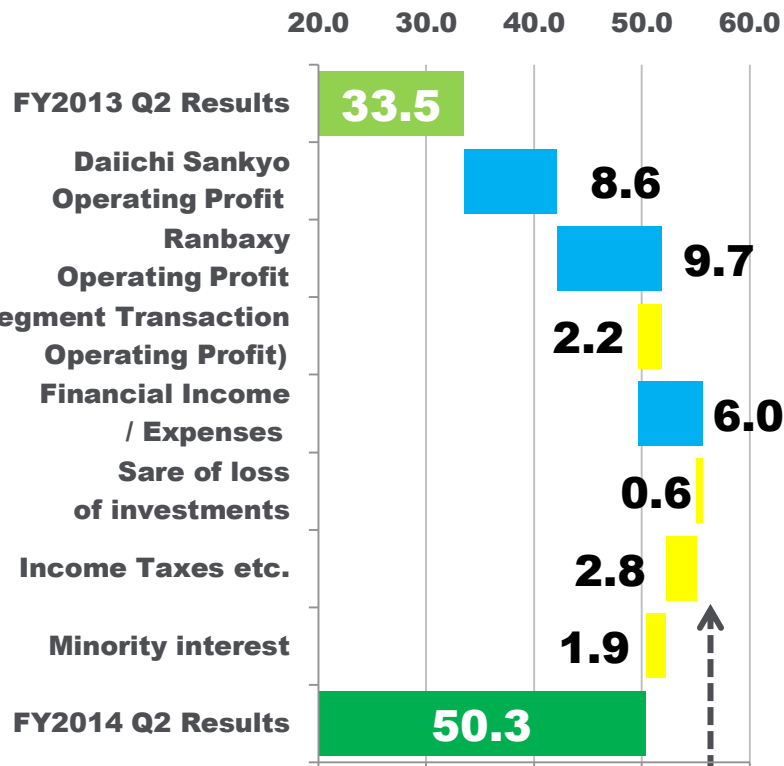
Negative Factors



Profit (attributable to owners of the Company) increase owing to the operating profit increase and an improvement in financial income/expenses

Consolidated Statement of Profit or Loss

Daichi Sankyo Group



Ranbaxy

A tax effect caused by impairment of Ranbaxy's assets in past fiscal years was recognized in FY2014 2Q

Financial income/ expenses +2.5

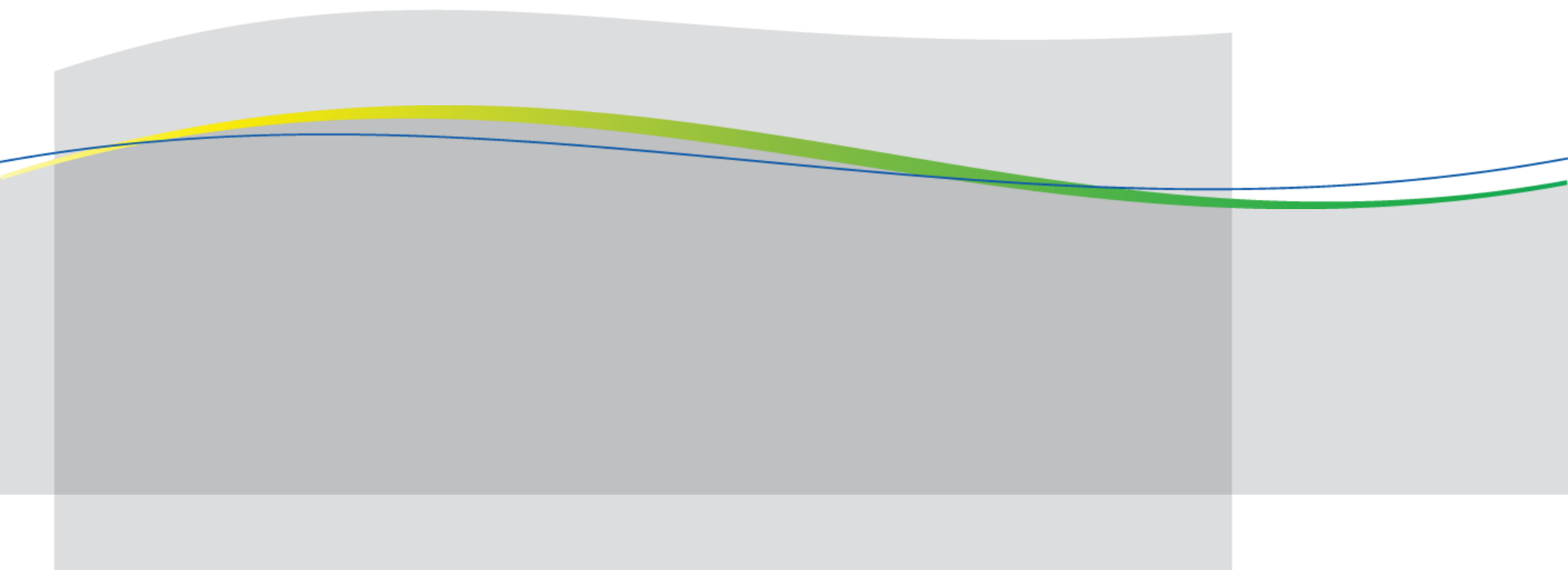
Foreign exchange gain etc.

Income Taxes etc. +10.7

• Increase of profit before tax in FY2014 2Q

• Dividend received from U3 Pharma was considered as devaluation of book value resulted in tax benefit in FY2013 2Q

FY2014 revised consolidated forecast



FY2014 revised consolidated forecast

JPY Bn

	FY 2013 Forecast (July)	FY 2013 Revised Forecast (October)	change
Revenue	920.0	900.0	-20.0
Cost of sales	285.0	280.0	-5.0
R&D expenses	182.0	182.0	0
SG&A expenses	333.0	338.0	+5.0
Operating Profit	120.0	100.0	-20.0
Profit before tax	120.0	100.0	-20.0
Profit attributable to owners of the Company	78.0	65.0	-13.0

Currency Rate	USD/JPY	100	104.02
	EUR/JPY	140	139.46

**Forecast for Q3 and Q4
USD/JPY:105 EUR/JPY:140**

Summary of the revised FY2014 forecast

Revenue

Sales growth of mainstay products in Japan at a rate below initial forecasts,
Sales decline of long listed products at a greater rate than initially forecasted as a result of expansion in prescriptions of generic products, Intensified price competition for the core product Olmesartan in the US, in light of these circumstances, the forecast for revenue has been revised downward by JPY20.0 bn. from the previous forecast to JPY900.0 bn.

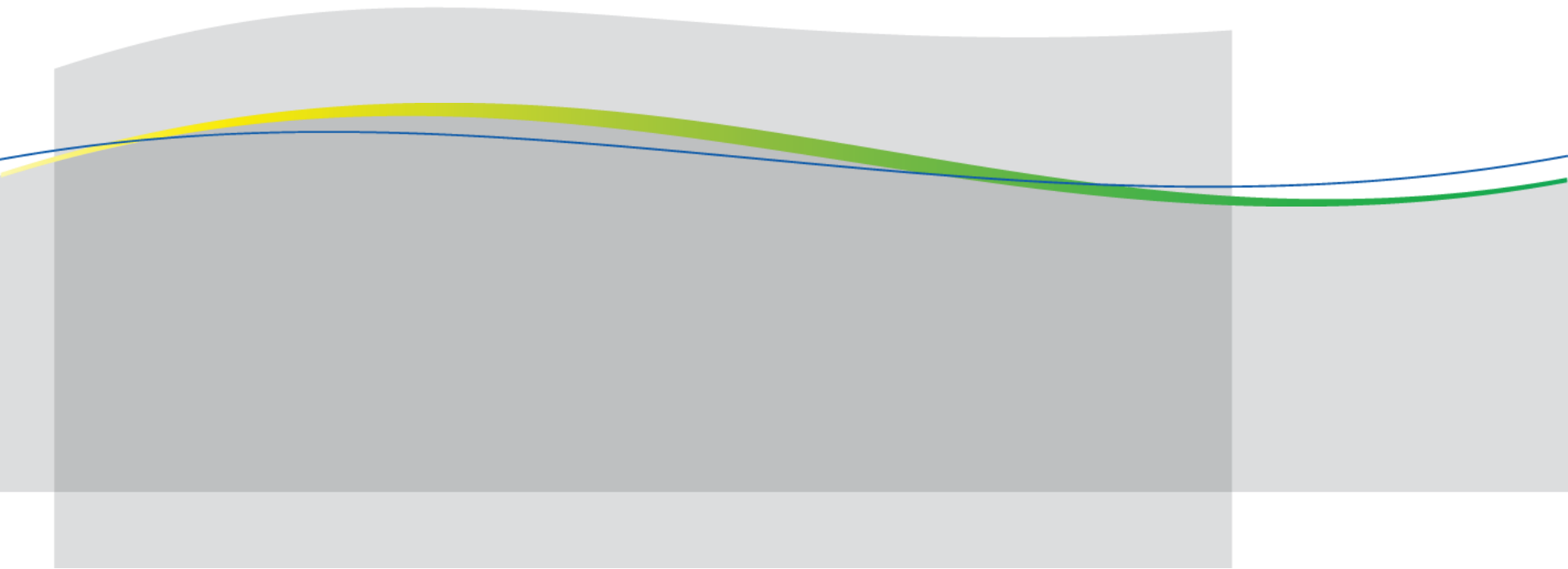
Operating Profit

A profit decrease in line with the downward revision to the revenue forecast as well as personnel-related expenses associated with the execution of work to optimize the business operation structure in Japan are projected to occur,
On the other hand, work will be carried out to make further cost reductions in order to secure operating profit of JPY100.0 bn.

Profit

In light of the above, the forecast for profit before tax has been revised downward by JPY20.0 bn. from the previous forecast to JPY100.0 bn., and the forecast for profit (attributable to owners of the Company) has been revised downward by JPY13.0 bn. to JPY65.0 bn.

Business Update



Major Products in Japan

JPY Bn

		2013Q2 Result	2014Q2 Result	YoY	Revised Forecast (Oct.)	Change	To Plan
Olmotec	anti-hypertension	37.6	37.8	+0.3	79.0		48%
Nexium	anti-ulcer (Proton Pump Inhibitor)	24.0	32.1	+8.1	67.0		48%
Loxonin	analgesic and anti-inflammatory	30.7	25.4	-5.3	48.0	-4.0	53%
Memary	treatment for Alzheimer	14.4	16.8	+2.4	39.0	-11.0	43%
Cravit	antibacterial	15.7	14.2	-1.5	27.0	-2.0	53%
Rezaltas	anti-hypertension	9.0	9.0	+0	18.0	-4.0	50%
Artist	anti-hypertension	11.1	9.4	-1.6	18.0	-3.0	52%
Mevalotin	anti-hyperlipidemia	11.1	8.3	-2.8	16.0	-1.0	52%
Omnipaque	contrast medium	10.0	8.6	-1.4	17.0	+2.0	51%
Pralia	osteoporosis	0.9	3.0	+2.0	7.0	-5.0	43%
Ranmark	treatment for bone metastasis	3.4	4.7	+1.2	10.0		47%

Initiatives for Mainstay Products in Japan

高親和性AT₁レセプターブロッカー 薬価基準収載



オルメテック[®]錠 5mg 10mg
20mg 40mg

処方せん医薬品：注意—医師等の処方せんにより使用すること
一般名／オルメサルタン メドキシミル

Olmotec

- Use home blood pressure data
- Emphasize appeal of excellent antihypertensive effect and consistency
- Keep No. 1 ARB share

プロトンポンプ・インヒビター エソメプラゾールマグネシウム水和物カプセル

ネキシウム[®]カプセル 10mg
20mg

薬価基準収載 処方せん医薬品^{※1}
注1 注意—医師等の処方せんにより使用すること

Nexium

- In 3rd year after launch, gain overwhelming market share through strong partnership with AstraZeneca
- Promote switching from other drugs (combination with low-dose aspirin, etc.)



Memary

- Emphasize appeal of advancement suppression effects from combination with Donepezil
 - Steadily spread orally disintegrating (OD) tablet
 - Secure new prescriptions and provide continuous education on disease by clarifying symptoms
- Memary® is effective for**



Pralia

- Emphasize appeal of strong efficacy in increasing bone density and reducing bone fracture risk
- Emphasize appeal of ease of twice-yearly administration
- Thoroughly ensure proper usage with data of year following market launch



Effient

- Differentiate from competitor drugs by emphasizing appeal of speed and stability
- Achieve early spread in use at PCI institutions, and expand sales to general practitioners in anticipation of rapid sales growth following lifting of restrictions on long-term prescribing

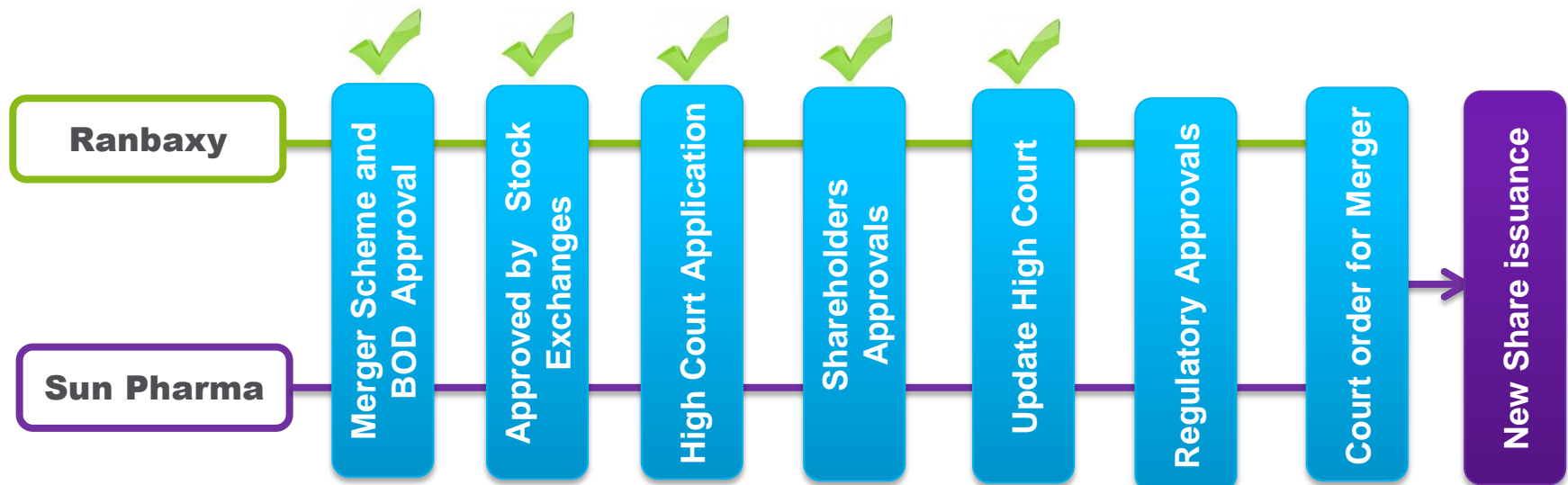
Major Business Units

JPY Bn

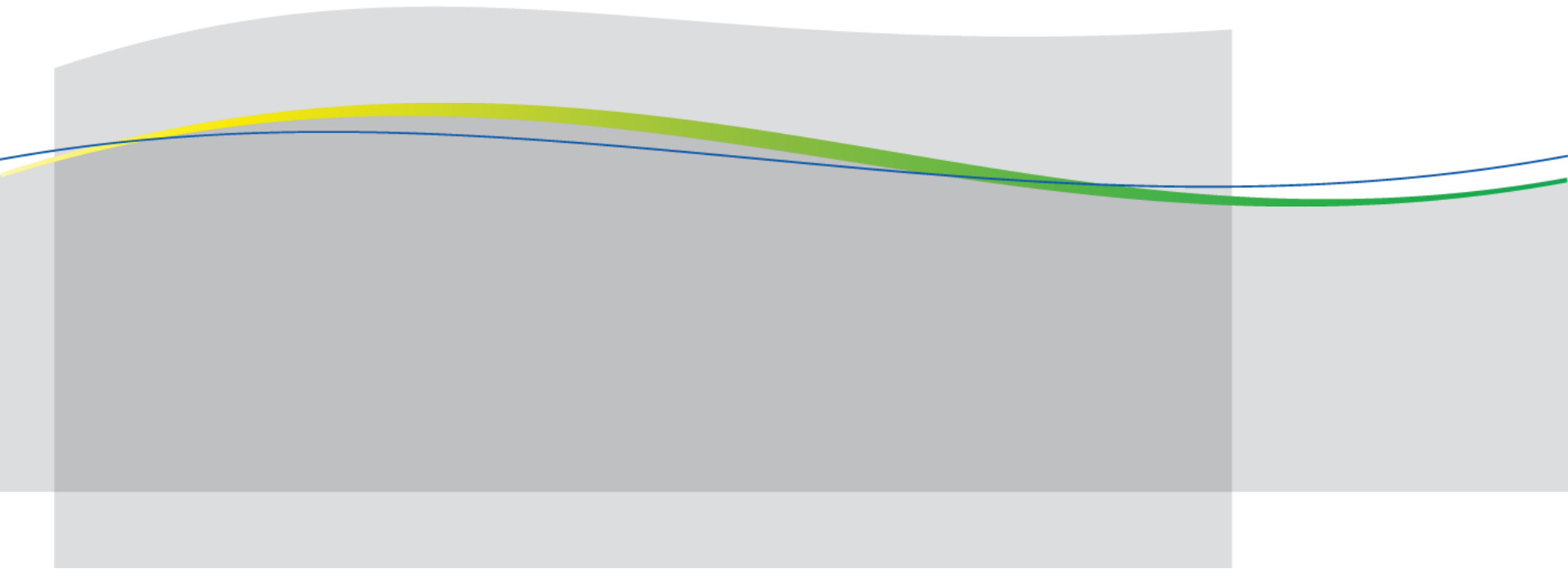
	FY2013Q2 Result	FY2014Q2 Result	YoY	Revised Forecast (Oct.)	Change	To plan
Japan Company + Vaccine business	227.6	222.6	-4.9	480.0	-28.0	46%
Daiichi Sankyo Healthcare	23.0	22.7	-0.3	48.0		47%
Daiichi Sankyo Inc.	86.5	78.1	-8.4	161.0	-3.0	49%
Olmesartan	56.8	47.2	-9.6	98.0	-7.0	48%
Welchol	21.0	21.8	+0.8	44.0	+3.0	50%
Effient (alliance revenue)	7.6	8.5	+0.8	-	-	-
Luitpold	18.3	26.8	+8.5	53.0	+3.0	51%
Venofer	11.7	14.2	+2.5	26.0	+7.0	55%
Injectafer	0.2	2.9	+2.7	7.0	-3.0	42%
Daiichi Sankyo Europe	40.4	44.5	+4.1	84.0	+3.0	53%
Olmesartan	31.2	35.4	+4.2	66.0	+3.0	54%
Effient (alliance revenue)	2.3	2.3	+0.1	-	-	-
Asia, South and Central America (ASCA)	26.9	30.0	+3.1	64.0	+5.0	47%
Ranbaxy Group	88.4	96.4	+8.0	-	-	-

Merger of Ranbaxy with Sun Pharma

- ◆ **Agreements for a merger of Ranbaxy with Sun Pharma on April 6, 2014**
- ◆ **Approved at the respective general shareholders' meetings of Ranbaxy and Sun Pharma by September 30, 2014**
 - **The final examinations by the relevant authorities are currently in progress**
 - **Daiichi Sankyo will obtain an equity stake of approximately 9% in the merged entity via a share swap**



Optimization of Business Operation Structure in Japan



Optimization of Business Operation Structure in Japan

◆ Background

- **Improve SG&A ratio that is higher than industry standard**
- **Handle Olmesartan patent period expiration***



**Optimization of
Business Operation Structure in Japan**

◆ Aims

- **Strengthen business foundation to enable investment for sustainable growth**
- **Enhance self-sustaining business operation**
- **Switch to low-cost structure (simplify and streamline)**

* **Schedule for patent period expiration**
US: Oct. 2016, Europe/Japan: Feb. 2017

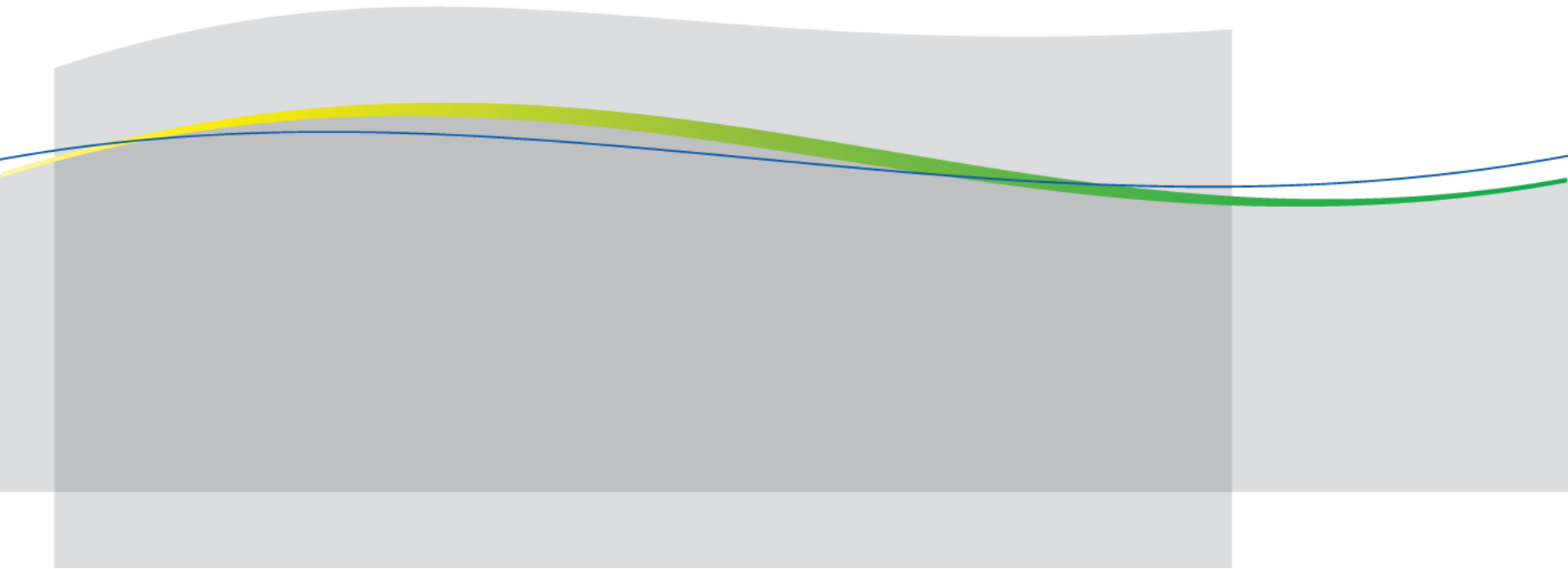
Optimization of Business Operation Structure in Japan

- ◆ **Reform business operation in each unit**
 - **Self-sustaining business operation in each Japan business**
 - **Greater efficiency through reduction of indirect operations and concentration of operations**
 - **Expediting of decision making through simplified organization**

- ◆ **Reconstruct supply chain**
 - **Reconstruct Japan operations with 2 companies:**
 - Daiichi Sankyo Chemical Pharma Co., Ltd. (API production function)**
 - Daiichi Sankyo Propharma Co., Ltd. (dosage forms production and logistics functions)**
 - **Transfer Akita plant to Alfresa Pharma Corporation**




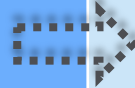

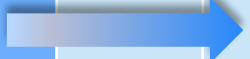



- ◆ **Personnel measures**
 - **Review distribution of all Group employees in Japan and implement workforce resizing**
 - **Carry out employee assignments and transfers inside and outside Group in line with function transfers, reorganizing, etc.**

R&D Update



Progress in R&D pipeline

Major change from 1Q FY2014 announcement

Generic Name Dev. Code	Target indication	region	Ph-1	Ph-2	Ph-3	Filed	Approved
Edoxaban	Prevention of stroke and systemic embolism in patients with NVAf	JP					
	Treatment of DVT and prevention of recurrent VTE	JP					
Mirogabalin DS-5565	Fibromyalgia	US·EU					
	Diabetic neuropathic pain Posthepetic neuralgia	JP·Asia					
CHS-0214 (etanercept biosimilar)	Rheumatoid Arthritis	JP					
CL-108	Acute Pain	US/EU					
Quizartinib* AC220	Acute Myeloid Leukemia	US/EU					
DS-6051	Solid cancer	US					

*After completion of TOB for Ambit (10 Oct, 2014 started)

● : Stage-up
★ : New pipeline

CL-108: Hydrocodone combination

- ◆ **In-license product from Charleston Laboratories Inc.***
- ◆ **Exclusive license for commercialization in US and EU**
- ◆ **Hydrocodone**·acetaminophen·promethazine (immediate release) combination**
 - **To be used for managed care for patients with from mid to severe acute pain**
 - **Decrease in Opioid Induced Nausea & Vomiting (OINV)**
 - **To address unmet medical needs on treatment with opioid**
- ◆ **NDA : scheduled for FY2015**
Launch : scheduled for FY2016

* Charleston Laboratories, Inc., privately held and located in Jupiter, Florida, is a specialty pharmaceutical company focused on the research and development of novel pain products that prevent or significantly reduce nausea and vomiting

** Hydrocodone: Opioid type pain reliever, prescription volume of which is about 130 M per year in the US. Nausea observed in 30% of patients and vomiting observed in 15% is well recognized as an unfavorable effect associated with treatment with opioid drug.

- ◆ **Acquired Ambit Bioscience by TOB**
- ◆ **MOA: FLT3 (Fms-Like Tyrosine Kinase 3)-ITD* inhibitor
(*ITD: Internal Tandem Duplication)**
- ◆ **Target indication: FLT3-ITD mutation positive acute myeloid leukemia (AML)**
 - **FLT3-ITD mutation is observed in 30 % of patients with AML, resulted in poor clinical outcome**
 - **potential therapeutics for severe diseases with high unmet medical needs**
 - **Fast track designation by FDA**
 - **Phase 3 study for 2nd line is ongoing based on the favorable Phase 2 results with low doses regimen**
 - **Approval in US/EU is expected in 2018 (2nd line) and 2020 (1st line)**

Major R&D Pipeline

As of October 2014



Therapeutic area	Phase 1	Phase 2	Phase 3	Application
Cardiovascular-Metabolics	<ul style="list-style-type: none"> ■ DS-1040 (Acute ischemic stroke / TAF1a inhibitor) 	<ul style="list-style-type: none"> ■ CS-3150 (JP) (Hypertensive / DM nephropathy / MR antagonist) ■ DS-8500 (JP) (Diabetes / GPR119 agonist) 	<ul style="list-style-type: none"> ■ Prasugrel (JP) (CS-747 / ischemic stroke / anti-platelet agent) ■ Prasugrel (US) (CS-747 / sickle Cell Disease / anti-platelet agent) 	<ul style="list-style-type: none"> ■ Edoxaban (US/EU/Others) (DU-176b / AF / oral factor Xa inhibitor) ■ Edoxaban (US/EU/Others) (DU-176b / VTE / oral factor Xa inhibitor)
Oncology	<ul style="list-style-type: none"> ■ U3-1565 (US/JP) (Anti-HB-EGF antibody) ■ DS-7423 (US/JP) (PI3K / mTOR inhibitor) ■ DS-3078 (US/EU) (mTOR inhibitor) ■ DS-3032 (US) (MDM2 inhibitor) ■ PLX7486 (US) (Fms / Trk inhibitor) ■ DS-8895 (JP) (Anti-EPHA2 antibody) ■ DS-8273 (US) (Anti-DR5 antibody) ■ PLX8394 (US) (BRAF inhibitor) ■ DS-6051 (US) (NTRK / ROS1 inhibitor) 	<ul style="list-style-type: none"> ■ Patritumab (US/EU) (U3-1287 / anti-HER3 antibody) ■ Vemurafenib (US/EU) (PLX4032 / BRAF inhibitor) ■ PLX3397 (US) (Fms / Kit/Flt3-ITD inhibitor) 	<ul style="list-style-type: none"> ■ Tivantinib (US/EU) (ARQ 197 / HCC / Met inhibitor) ■ Denosumab (JP) (AMG 162 / breast cancer adjuvant / anti-RANKL antibody) ■ Nimotuzumab (JP) (DE-766 / gastric cancer / anti-EGFR antibody) ■ Vemurafenib (US)* (PLX4032 / melanoma adjuvant / BRAF inhibitor) 	
Others	<ul style="list-style-type: none"> ■ PLX5622 (Rheumatoid arthritis / FMS kinase inhibitor) ■ DS-1093 (Anemia of chronic kidney disease / HIF-PH inhibitor) ■ DS-3801 (Chronic obstipation / GPR 38 agonist) ■ DS-1971 (Chronic pain) 	<ul style="list-style-type: none"> ■ Mirogabalin (JP) (DS-5565 / chronic pain / $\alpha 2\delta$ ligand) ■ SUN13837 (US/EU) (Spinal cord injury / modulator of bFGF signaling system) ■ Laninamivir (US/EU) (CS-8958 / anti-influenza / out-licensing with Biota) ■ loforminol (JP) (GE-145 / X-ray contrast media / angiography) 	<ul style="list-style-type: none"> ■ Mirogabalin (US/EU) (DS-5565 / Fibromyalgia / $\alpha 2\delta$ ligand) ■ Levofloxacin (JP) (DR-3355 / anti-infection / New quinolone) ■ Denosumab (JP) (AMG 162 / rheumatoid arthritis / anti-RANKL anti-body) ■ Hydromorphone (JP) (DS-7113 / narcotic analgesic / opioid μ-receptor regulator) ■ CHS-0214 (JP) (Etanercept BS / rheumatoid arthritis / TNFα inhibitor) ■ CL-108 (US) (Acute pain / opioid μ-receptor regulator) 	

Underlined: stage-up project after the 1Q financial announcement on July 31, 2014

*: newly cited in line with Roche's description

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