



October 31, 2014

## Consolidated Financial Results for the First Six 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: November 7, 2014

Scheduled date of dividend payments: December 1, 2014

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 Six Months of Fiscal 2014

(from April 1, 2014 to September 30, 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 six months of fiscal 2014	525,405	1.7	68,811	30.6	65,367	49.0	50,308	59.2
First six months of fiscal 2013	516,764	–	52,681	–	43,861	–	31,609	–

	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 six months of fiscal 2014	50,326	50.3	74,978	36.2	71.49	71.34
First six months of fiscal 2013	33,479	–	55,048	–	47.56	47.47

**(Daiichi Sankyo Group Financial Results)**

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of the Company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First six months of fiscal 2014	429,590	0.1	58,738	17.2	60,663	20.8	35,496	0.8
First six months of fiscal 2013	429,133	-	50,112	-	50,198	-	35,210	-

**(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 September 30, 2014	1,838,069	1,061,641	1,032,735	56.2	1,466.99
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: Yes

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 12.

(3) Number of ordinary shares issued

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

As of September 30, 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 September 30, 2014	5,028,366 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 six months ended September 30, 2014	703,962,156 shares
First six months ended September 30, 2013	703,953,537 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 Six Months” on page 10 for assumption that the above forecasts were based on and related matters.

# Attached Material

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## 1. Qualitative Information about Consolidated Results for the First Six 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 six months of fiscal 2013	First six months of fiscal 2014	YoY change
Revenue	516,764	525,405	8,641 1.7%
Operating profit	52,681	68,811	16,129 30.6%
Profit before tax	43,861	65,367	21,505 49.0%
Profit attributable to owners of the Company	33,479	50,326	16,846 50.3%

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 six months of fiscal 2013	First six months of fiscal 2014	YoY change
Revenue	429,133	429,590	457 0.1%
Operating profit	50,112	58,738	8,626 17.2%
Profit before tax	50,198	60,663	10,464 20.8%
Profit attributable to owners of the Company	35,210	35,496	286 0.8%

<Revenue of global mainstay products>

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

Item name	First six months of fiscal 2013	First six months of fiscal 2014	YoY change
Olmesartan Antihypertensive agent	147,536	142,229	-5,307 -3.6%
Prasugrel Antiplatelet agent	10,843	11,675	832 7.7%

<Research and development expenses>

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

	First six months of fiscal 2013	First six months of fiscal 2014
Research and development expenses	94,840	88,822
Ratio of research and development expenses to revenue	18.4%	16.9%

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

(Yen)

	First six months of fiscal 2013	First six months of fiscal 2014
Yen/USD	98.86	103.05
Yen/EUR	130.01	138.91
Yen/INR	1.74	1.72

#### **i. Revenue**

Group revenue in the first six months of fiscal 2014 increased by ¥8.6 billion, or 1.7% year on year, to ¥525.4 billion.

In Japan, despite growth in mainstay products, revenue decreased. This reflected not only the negative impact of NHI price revisions and the consumption tax revision, but also the increasing impact of the growth of generic pharmaceuticals.

On the other hand, revenue at the Group as a whole increased owing to sales growth in Europe, other regions and at the Ranbaxy Group, as well as beneficial exchange rates.

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

Operating profit increased by ¥16.1 billion, or 30.6% year on year, to ¥68.8 billion.

This operating profit increase reflected not only an increase in gross profit but also decreases in selling, general and administrative expenses and research and development expenses.

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

Profit before tax increased by ¥21.5 billion, or 49.0% year on year, to ¥65.4 billion.

This increase was more substantial than the operating profit increase owing to an increase in financial income and a decrease in financial expenses.

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

Profit attributable to owners of the Company increased by ¥16.8 billion, or 50.3% year on year, to ¥50.3 billion, reflecting the increase in profit before tax.

## [Reports by Segment]

### i. Daiichi Sankyo Group

The Daiichi Sankyo Group reported revenue of ¥429.0 billion, a year-on-year increase of ¥0.6 billion or 0.1%.

Operating profit increased by ¥8.6 billion, or 17.2% year on year, to ¥58.7 billion (prior to consolidated adjustments).

### a. Japan

Revenue in Japan decreased 2.0% year on year to ¥255.3 billion.

Revenue in Japan from prescription drugs decreased 2.6% year on year to ¥220.3 billion, despite growth from *Olmotec*<sup>®</sup>, *NEXIUM*<sup>®</sup>, and *Memary*<sup>®</sup>. This reflected not only the negative impact of NHI price revisions and the consumption tax revision, but also the increasing impact of the growth of generic pharmaceuticals.

Revenue from royalty and exports increased 12.8% year on year to ¥10.8 billion.

Revenue from healthcare (OTC) products decreased 1.4% year on year to ¥22.7 billion. Group subsidiary Daiichi Sankyo Healthcare Co., Ltd. manages this business.

*CANAGLU*<sup>®</sup>, a treatment for type 2 diabetes mellitus discovered by Mitsubishi Tanabe Pharma Corporation, was launched on September 3, 2014. By carrying out joint promotion with Mitsubishi Tanabe Pharma Corporation for this product as well as *TENELIA*<sup>®</sup>, which was launched previously, Daiichi Sankyo aims to improve its presence in the field of diabetes treatments.

#### <Revenue composition in Japan>

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

	First six months of fiscal 2013	First six months of fiscal 2014	YoY change
Prescription drugs	226.3	220.3	-6.0 -2.6%
Royalty and exports	9.5	10.8	1.2 12.8%
Healthcare (OTC) products	23.0	22.7	-0.3 -1.4%



<Revenue of Japan company mainstay pharmaceuticals>

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

Product name	First six months of fiscal 2013	First six months of fiscal 2014	YoY change
<i>Olmetec</i> <sup>®</sup> Antihypertensive agent	37.6	37.8	0.3 0.7%
<i>NEXIUM</i> <sup>®</sup> Ulcer treatment	24.0	32.1	8.1 33.7%
<i>Loxonin</i> <sup>®</sup> Anti-inflammatory analgesic (of which <i>Loxonin</i> <sup>®</sup> Tape)	30.7 (18.4)	25.4 (15.9)	-5.3 -17.2%
<i>Memory</i> <sup>®</sup> Alzheimer's disease treatment	14.4	16.8	2.4 16.4%
<i>Cravii</i> <sup>®</sup> Synthetic antibacterial agent	15.7	14.2	-1.5 -9.8%
<i>Rezaltas</i> <sup>®</sup> Antihypertensive agent	9.0	9.0	0.0 0.3%
<i>Artist</i> <sup>®</sup> Treatment for hypertension, angina pectoris and chronic heart failure	11.1	9.4	-1.6 -14.8%
<i>Mevalotin</i> <sup>®</sup> Antihyperlipidemic agent	11.1	8.3	-2.8 -25.2%
<i>Omnipaque</i> <sup>®</sup> Contrast medium	10.0	8.6	-1.4 -13.6%
<i>PRALIA</i> <sup>®</sup> Treatment for osteoporosis	0.9	3.0	2.0 220.1%
<i>RANMARK</i> <sup>®</sup> Treatment for bone complications	3.4	4.7	1.2 35.5%

**b. North America**

Revenue in North America decreased 0.3% year on year to ¥104.4 billion. Revenue in local currency terms fell 4.3% to approximately US\$1,013 million.

The slight decrease in overall business revenue in North America reflected the influence of products such as *Benicar*<sup>®</sup>/*Benicar HCT*<sup>®</sup> and *AZOR*<sup>®</sup> due to increased competition, despite positive contributions from *TRIBENZOR*<sup>®</sup>, *Effient*<sup>®</sup> and *Injectafer*<sup>®</sup>.

<Revenue of Daiichi Sankyo, Inc. mainstay products>

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

Product name	First six months of fiscal 2013	First six months of fiscal 2014	YoY change
<i>Benicar</i> <sup>®</sup> / <i>Benicar HCT</i> <sup>®</sup> Antihypertensive agent	445	330	-115 -25.8%
<i>AZOR</i> <sup>®</sup> Antihypertensive agent	85	78	-7 -8.1%
<i>TRIBENZOR</i> <sup>®</sup> Antihypertensive agent	45	50	6 12.7%
<i>Welchol</i> <sup>®</sup> Hypercholesterolemia treatment/ type 2 diabetes mellitus inhibitor	213	211	-1 -0.6%
<i>Effient</i> <sup>®</sup> Antiplatelet agent (co-promotion revenue)	77	82	5 6.5%

<Revenue of Luitpold Pharmaceuticals, Inc. mainstay products>

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

Product name	First six months of fiscal 2013	First six months of fiscal 2014	YoY change
<i>Venofer</i> <sup>®</sup> Anemia treatment	118	138	20 16.5%
<i>Injectafer</i> <sup>®</sup> Anemia treatment	2	28	26 1,058.9%

**c. Europe**

Revenue in Europe increased 6.2% year on year to ¥42.1 billion. Revenue in local currency terms decreased 0.6% to approximately EUR303 million. Although sales of *Olmotec*<sup>®</sup> / *Olmotec Plus*<sup>®</sup> declined, sales of *Sevikar*<sup>®</sup> and *Sevikar HCT*<sup>®</sup> increased.

<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 six months of fiscal 2013	First six months of fiscal 2014	YoY change
<i>Olmotec</i> <sup>®</sup> / <i>Olmotec Plus</i> <sup>®</sup> Antihypertensive agent	164	147	-18 -10.7%
<i>Sevikar</i> <sup>®</sup> Antihypertensive agent	47	69	22 47.5%
<i>Sevikar HCT</i> <sup>®</sup> Antihypertensive agent	29	39	11 37.4%

**d. Other regions**

In other regions, revenue rose 15.7% year on year to ¥27.2 billion.

Sales of Olmesartan and other mainstay products showed growth in China, Brazil and other countries.

**ii. Ranbaxy Group Segment**

The Ranbaxy Group posted revenue of ¥96.4 billion, a year-on-year increase of ¥8.0 billion or 9.1%.

Operating profit was ¥11.5 billion, an increase of ¥9.7 billion, or 551.6%, compared with the same period of the previous fiscal year (prior to consolidated adjustments).

The generic version of the antihypertensive agent Valsartan, which was launched in the period under review, 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.

This merger had been approved at the respective general shareholders' meetings of Ranbaxy and Sun Pharma by September 30, 2014, and the final examinations by the relevant authorities are currently in progress.

Upon the closing of the merger Daiichi Sankyo will obtain an equity stake of approximately 9% in the merged entity and acquire the right for one seat on Sun Pharma's Board of Directors.

Following this merger, Sun Pharma will become a leading global generics company and India's largest pharmaceutical manufacturer. For Daiichi Sankyo, the merger represents an opportunity to pursue the development of its hybrid business model based on a partnership with Sun Pharma. Full-scale discussions on this are set to commence once the merger has been completed.

## [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. In addition, enrolment of patients for phase III clinical studies targeting pediatric sickle-cell disease patients in the US was completed.

### **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. In 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). In the US and Europe, applications for approval were filed in January 2014.

### **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*® indicated for skeletal-related events in patients with multiple myeloma or bone metastases from solid tumors. In June 2013, it was also launched under the brand name *PRALIA*® 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. 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 announced its acquisition of Ambit Biosciences Corporation of the US on September 29, 2014. The companies are scheduled to jointly carry out phase III clinical studies on Ambit Biosciences Corporation's inhibitor of FMS-like tyrosine kinase-3 (FLT3) quizartinib for the indication of acute myeloid leukemia.

### **[Production and Logistics]**

With the aim of constructing a competitive production system, the Daiichi Sankyo Group will reorganize its three domestic supply chain subsidiaries (Daiichi Sankyo Propharma Co., Ltd., Daiichi Sankyo Chemical Pharma Co., Ltd. and Daiichi Sankyo Logistics Co., Ltd.) into two companies on April 1, 2015. Daiichi Sankyo Chemical Pharma Co., Ltd. will be one of the surviving companies with the API production function. Daiichi Sankyo Propharma Co., Ltd. will be the other surviving company with the dosage forms production and logistics functions.

As part of this move, on July 31, 2014, Daiichi Sankyo reached a basic agreement with Alfresa Pharma Corporation for the transfer of the Akita plant owned by Daiichi Sankyo Propharma Co., Ltd. to Alfresa Pharma Corporation on April 1, 2015. After the transfer of shares, Daiichi Sankyo will outsource production to a new company, and operations will carry on at the plant using the same production facilities, production system and quality assurance system as before.

## (2) Information about Financial Position

Total equity as of September 30, 2014 equaled ¥1,061.6 billion (an increase of ¥54.1 billion compared with the previous fiscal year-end), and total assets amounted to ¥1,838.1 billion (a decrease of ¥16.0 billion compared with the previous fiscal year-end). Ratio of equity attributable to owners of the Company to total assets was 56.2% at this date (compared with 52.9% at the previous fiscal year-end).

Total equity increased 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.

Total assets declined compared with the previous fiscal year-end due to a decrease in bonds and borrowings.

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

The differences from the forecasts of consolidated financial results for fiscal 2014, which were publicly announced on July 31, 2014, are shown below.

1. The revisions to the forecasts of consolidated financial results for fiscal 2014 (from April 1, 2014 to March 31, 2015).

	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
Previous forecasts (A)	920,000	120,000	120,000	78,000	110.80
Revised forecasts (B)	900,000	100,000	100,000	65,000	92.33
Change (B-A)	-20,000	-20,000	-20,000	-13,000	
Percentage of change (%)	-2.2%	-16.7%	-16.7%	-16.7%	
(Reference) Results of previous fiscal year (FY2013)	899,126	112,885	112,914	68,832	97.78

\*Since first nine months of fiscal 2014 of the assumed exchange rate Yen/USD=105 Yen/EUR=140

### 2. Reason for the revision

With respect to revenue, it has not been possible to fully absorb the impact from the NHI price revisions implemented in April 2014, mainly because sales of mainstay products in Japan are growing at a rate below initial forecasts, while sales of originator drug product groups with expired patents are declining at a greater rate than initially forecasted as a result of expansion in prescriptions of generic pharmaceuticals. Furthermore, in the US, price competition for the core product Olmesartan is intensifying. In light of these circumstances, the forecast for revenue has been revised downward by ¥20.0 billion from the previous forecast to ¥900.0 billion.

With respect to the forecast for 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 ¥100.0 billion (down by ¥20.0 billion from the previous forecast).

In light of the above, the forecast for profit before tax has been revised downward by ¥20.0 billion from the previous forecast to ¥100.0 billion, and the forecast for profit (attributable to owners of the Company) has been revised downward by ¥13.0 billion to ¥65.0 billion.

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.

Note: The forecasted statements shown above 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.

## 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 (as of March 31, 2014)	Fiscal 2014 (as of September 30, 2014)
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	183,070	180,274
Trade and other receivables	269,194	271,103
Other financial assets	324,160	260,682
Inventories	189,408	204,479
Other current assets	24,769	15,051
Total current assets	990,603	931,591
Non-current assets		
Property, plant and equipment	316,304	320,343
Goodwill	85,518	87,636
Intangible assets	171,417	186,734
Investments accounted for using the equity method	2,624	2,314
Other financial assets	141,553	149,312
Deferred tax assets	122,550	135,181
Other non-current assets	23,464	24,955
Total non-current assets	863,433	906,478
Total assets	1,854,037	1,838,069



(Millions of yen)

	Fiscal 2013 (as of March 31, 2014)	Fiscal 2014 (as of September 30, 2014)
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Trade and other payables	245,422	229,491
Bonds and borrowings	160,326	102,897
Other financial liabilities	15,115	12,689
Income taxes payable	5,636	11,995
Provisions	22,702	24,436
Other current liabilities	11,985	15,648
Total current liabilities	461,188	397,158
Non-current liabilities		
Bonds and borrowings	263,289	256,071
Other financial liabilities	14,177	9,244
Post-employment benefit liabilities	8,947	8,900
Provisions	3,747	3,837
Deferred tax liabilities	39,838	44,714
Other non-current liabilities	55,320	56,501
Total non-current liabilities	385,321	379,269
Total liabilities	846,509	776,428
Equity		
Equity attributable to owners of the Company		
Share capital	50,000	50,000
Capital surplus	105,267	105,267
Treasury shares	(14,408)	(14,334)
Other components of equity	121,753	145,408
Retained earnings	717,320	746,394
Total equity attributable to owners of the Company	979,933	1,032,735
Non-controlling interests		
Non-controlling interests	27,594	28,906
Total equity	1,007,527	1,061,641
Total liabilities and equity	1,854,037	1,838,069

**(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 six months of fiscal 2013 (From April 1, 2013 to September 30, 2013)	First six months of fiscal 2014 (From April 1, 2014 to September 30, 2014)
Revenue	516,764	525,405
Cost of sales	174,062	176,122
Gross profit	342,702	349,282
Selling, general and administrative expenses	195,179	191,648
Research and development expenses	94,840	88,822
Operating profit	52,681	68,811
Financial income	6,767	11,072
Financial expenses	15,245	13,555
Share of loss of investments accounted for using the equity method	341	961
Profit before tax	43,861	65,367
Income taxes	12,252	15,058
Profit for the period	31,609	50,308
Profit attributable to:		
Owners of the Company	33,479	50,326
Non-controlling interests	(1,870)	(17)
Profit for the period	31,609	50,308
Earnings per share		
Basic earnings per share (Yen)	47.56	71.49
Diluted earnings per share (Yen)	47.47	71.34

## Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	First six months of fiscal 2013 (From April 1, 2013 to September 30, 2013)	First six months of fiscal 2014 (From April 1, 2014 to September 30, 2014)
Profit for the period	31,609	50,308
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	2,877	6,308
Remeasurements of defined benefit plans	(138)	(15)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	20,679	18,353
Cash flow hedges	(4)	–
Share of other comprehensive income of investments accounted for using the equity method	25	23
Other comprehensive income (loss), net of taxes	23,439	24,669
Total comprehensive income	55,048	74,978
Total comprehensive income attributable to:		
Owners of the Company	54,887	73,736
Non-controlling interests	160	1,241
Total comprehensive income	55,048	74,978

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

(Millions of yen)

	Equity attributable to owners of the Company						
	Share capital	Capital surplus	Treasury shares	Subscription rights to shares	Other components of equity		
					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	-	-	-	-	18,668	(3)	2,881
Total comprehensive income	-	-	-	-	18,668	(3)	2,881
Acquisition of treasury shares	-	-	(13)	-	-	-	-
Disposal of treasury shares	-	-	68	(46)	-	-	-
Share-based payments	-	-	-	231	-	-	-
Dividends	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	(2,319)
Other	-	-	-	-	0	(0)	(0)
Total transactions with the owners	-	-	55	184	0	(0)	(2,319)
Balance as of September 30, 2013	50,000	105,194	(14,405)	1,689	59,214	956	42,619
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	-	-	-	-	17,133	-	6,293
Total comprehensive income	-	-	-	-	17,133	-	6,293
Acquisition of treasury shares	-	-	(13)	-	-	-	-
Disposal of treasury shares	-	-	86	(46)	-	-	-
Share-based payments	-	-	-	197	-	-	-
Dividends	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	78
Other	-	-	-	-	(1)	-	(0)
Total transactions with the owners	-	-	73	150	(1)	-	78
Balance as of September 30, 2014	50,000	105,267	(14,334)	1,831	97,384	-	46,192

(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	-	-	33,479	33,479	(1,870)	31,609
Other comprehensive income	(138)	21,408	-	21,408	2,031	23,439
Total comprehensive income	(138)	21,408	33,479	54,887	160	55,048
Acquisition of treasury shares	-	-	-	(13)	-	(13)
Disposal of treasury shares	-	(46)	(22)	0	-	0
Share-based payments	-	231	-	231	310	541
Dividends	-	-	(21,118)	(21,118)	-	(21,118)
Transfer from other components of equity to retained earnings	138	(2,181)	2,181	-	-	-
Other	-	0	-	0	(176)	(175)
Total transactions with the owners	138	(1,996)	(18,958)	(20,900)	134	(20,765)
Balance as of September 30, 2013	-	104,479	695,364	940,632	32,130	972,763
Balance as of April 1, 2014	-	121,753	717,320	979,933	27,594	1,007,527
Profit for the period	-	-	50,326	50,326	(17)	50,308
Other comprehensive income	(15)	23,410	-	23,410	1,258	24,669
Total comprehensive income	(15)	23,410	50,326	73,736	1,241	74,978
Acquisition of treasury shares	-	-	-	(13)	-	(13)
Disposal of treasury shares	-	(46)	(39)	0	-	0
Share-based payments	-	197	-	197	158	356
Dividends	-	-	(21,118)	(21,118)	-	(21,118)
Transfer from other components of equity to retained earnings	15	93	(93)	-	-	-
Other	-	(1)	-	(1)	(88)	(89)
Total transactions with the owners	15	243	(21,252)	(20,935)	70	(20,864)
Balance as of September 30, 2014	-	145,408	746,394	1,032,735	28,906	1,061,641

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

(Millions of yen)

	First six months of fiscal 2013 (From April 1, 2013 to September 30, 2013)	First six months of fiscal 2014 (From April 1, 2014 to September 30, 2014)
<b>Cash flows from operating activities</b>		
Profit before tax	43,861	65,367
Depreciation and amortization	24,304	25,588
Impairment loss	350	158
Financial income	(6,767)	(11,072)
Financial expenses	15,245	13,555
Share of (profit) loss of investments accounted for using the equity method	341	961
(Gain) loss on sale and disposal of fixed assets	(2,193)	669
(Increase) decrease in trade and other receivables	3,666	4,825
(Increase) decrease in inventories	(10,216)	(10,121)
Increase (decrease) in trade and other payables	(14,632)	(18,449)
Other, net	(7,161)	(3,470)
Subtotal	46,798	68,013
Interest and dividends received	3,775	2,051
Interest paid	(1,934)	(5,771)
Settlement expenses paid	(49,764)	—
Income taxes paid	(23,765)	(7,540)
Net cash flows from operating activities	(24,891)	56,753
<b>Cash flows from investing activities</b>		
Purchase of time deposits	(99,760)	(30,484)
Proceeds from maturities in time deposits	77,475	43,716
Acquisition of securities	(184,090)	(153,079)
Proceeds from sale of securities	139,750	207,088
Acquisitions of property, plant and equipment	(22,095)	(20,045)
Proceeds from sale of property, plant and equipment	1,887	91
Acquisition of intangible assets	(3,109)	(21,395)
Payments for loans receivable	(948)	(654)
Proceeds from collection of loans receivable	442	646
Other, net	2,345	(81)
Net cash flows from investing activities	(88,101)	25,801

(Millions of yen)

	First six months of fiscal 2013 (From April 1, 2013 to September 30, 2013)	First six months of fiscal 2014 (From April 1, 2014 to September 30, 2014)
Cash flows from financing activities		
Proceeds from bonds and borrowings	159,121	25,727
Repayments of bonds and borrowings	(27,801)	(96,020)
Purchase of treasury shares	(13)	(13)
Proceeds from sale of treasury shares	0	0
Dividends paid	(21,119)	(21,124)
Other, net	(499)	(526)
Net cash flows from financing activities	109,687	(91,957)
Net increase (decrease) in cash and cash equivalents	(3,305)	(9,401)
Cash and cash equivalents at the beginning of the period	191,145	183,070
Effect of exchange rate change on cash and cash equivalents	7,682	6,604
Cash and cash equivalents at the end of the period	195,522	180,274

## (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 six months of fiscal 2013 (from April 1, 2013 to September 30, 2013)

	Daiichi Sankyo Group	Ranbaxy Group	Total	Adjustments	(Millions of yen) Condensed Consolidated Financial Statements
External revenue	428,354	88,409	516,764	-	516,764
Intersegment revenue	778	641	1,419	(1,419)	-
Total	429,133	89,050	518,184	(1,419)	516,764
Segment profit (before tax)	50,198	(7,252)	42,946	915	43,861

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

First six months of fiscal 2014 (from April 1, 2014 to September 30, 2014)

	Daiichi Sankyo Group	Ranbaxy Group	Total	Adjustments	(Millions of yen) Condensed Consolidated Financial Statements
External revenue	428,965	96,439	525,405	-	525,405
Intersegment revenue	624	933	1,558	(1,558)	-
Total	429,590	97,373	526,963	(1,558)	525,405
Segment profit (before tax)	60,663	5,958	66,622	(1,255)	65,367

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



(Subsequent Events)

Tender offer for shares in Ambit Biosciences Corporation

On September 28, 2014, Daiichi Sankyo entered into an agreement with Ambit Biosciences Corporation (referred to hereinafter Ambit Biosciences) under which Daiichi Sankyo would acquire Ambit Biosciences through a cash tender offer for the shares in Ambit Biosciences (referred to hereinafter the Tender Offer) followed by a merger with cash as the consideration.

The Tender Offer commenced on October 10, 2014, US Eastern Time, and unless there is an extension to the offer period or similar development, the offer is due to finish on November 10, 2014, US Eastern Time.

Description of Tender Offer

(1) Purpose of acquisition

Ambit Biosciences is a biopharmaceutical company engaged in the discovery and development of kinase inhibitors and owns compounds including one for the treatment of acute myeloid leukemia that is currently at the stage of phase III clinical studies. Daiichi Sankyo has positioned the offering of revolutionary treatments in the oncology field as one of its medium- to long-term objectives and will use this acquisition to strengthen its portfolio in the oncology field.

(2) Description of target company

Company name: Ambit Biosciences Corporation

Location: San Diego, California, US

Representative: Michael A. Martino, CEO

Amount of share capital: US\$ 18 thousand

Business description: Biopharmaceutical company engaged in the discovery and development of kinase inhibitors

(3) Scheduled acquisition period

From October 10, 2014 (US Eastern Time) to November 10, 2014 (US Eastern Time)

This scheduled acquisition period may be extended.

(4) Scheduled acquisition price

US\$15 per share

(5) Funds required for acquisition

Approximately US\$315 million is scheduled to be paid.

Daiichi Sankyo plans to make an additional payment of up to US\$100 million at the time of the market launch of the lead drug candidate AC220

(6) Change in the number of shares of Ambit Sciences held by Daiichi Sankyo resulting from Tender Offer

Shareholding ratio before Tender Offer: 0%

Shareholding ratio after Tender Offer: 100%

(7) Funding source for Tender Offer cash

Internally funded