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Top Management Presentation

Financial Results of FY2014

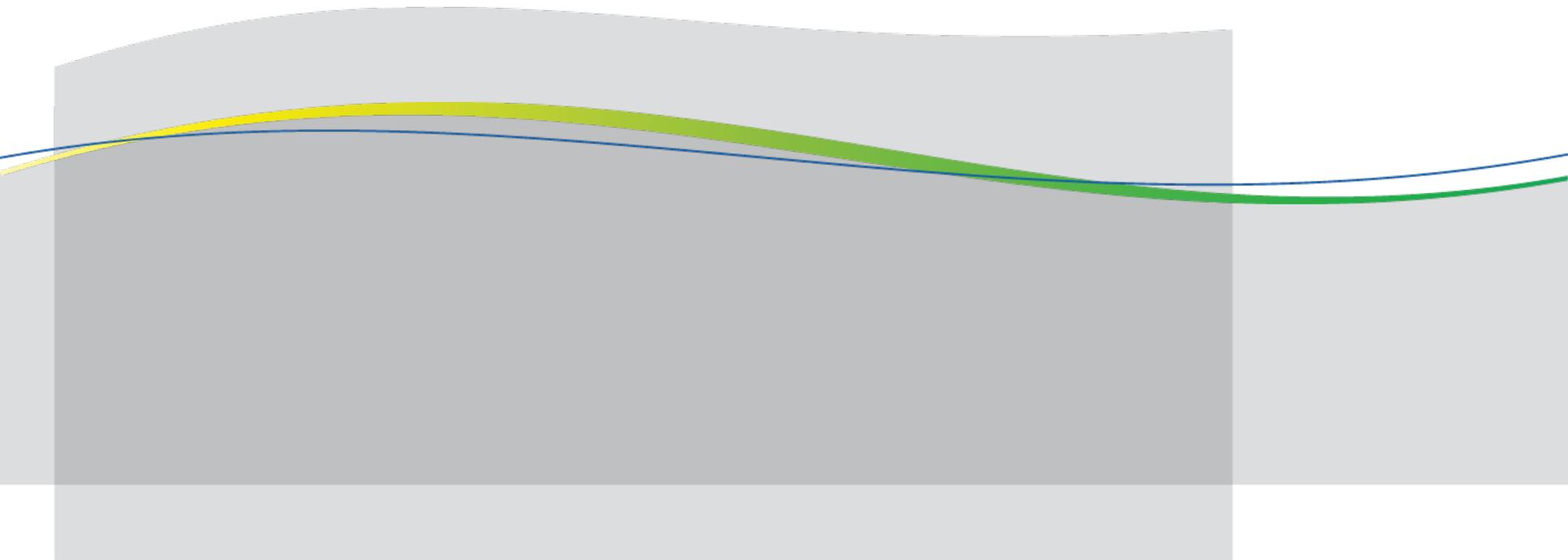
DAIICHI SANKYO CO., LTD

Joji Nakayama
President and CEO

May 15, 2015

- ◆ FY2014 Results
- ◆ FY2015 Forecast
- ◆ Mid-term management policy

FY2014 Results



Overview of FY2014 Results

(JPY Bn)



	FY2013 Results *1	FY2014 Results *1	YoY
Revenue	899.1	919.4	+2.3% +20.2
Cost of Sales	282.9	323.1	+40.2
R&D Expenses	180.7	190.7	+10.0
SG&A Expenses	322.7	331.2	+8.5
Operating Profit	112.9	74.4	-34.1% -38.5
Profit before tax	113.0	79.9	-33.0
Profit from continuing operations	65.8	43.6	-33.8% -22.2
Profit from discontinued operations	-12.4	275.4*2	+287.8
Profit attributable to owners of the Company	60.9	322.1	+428.6% +261.2

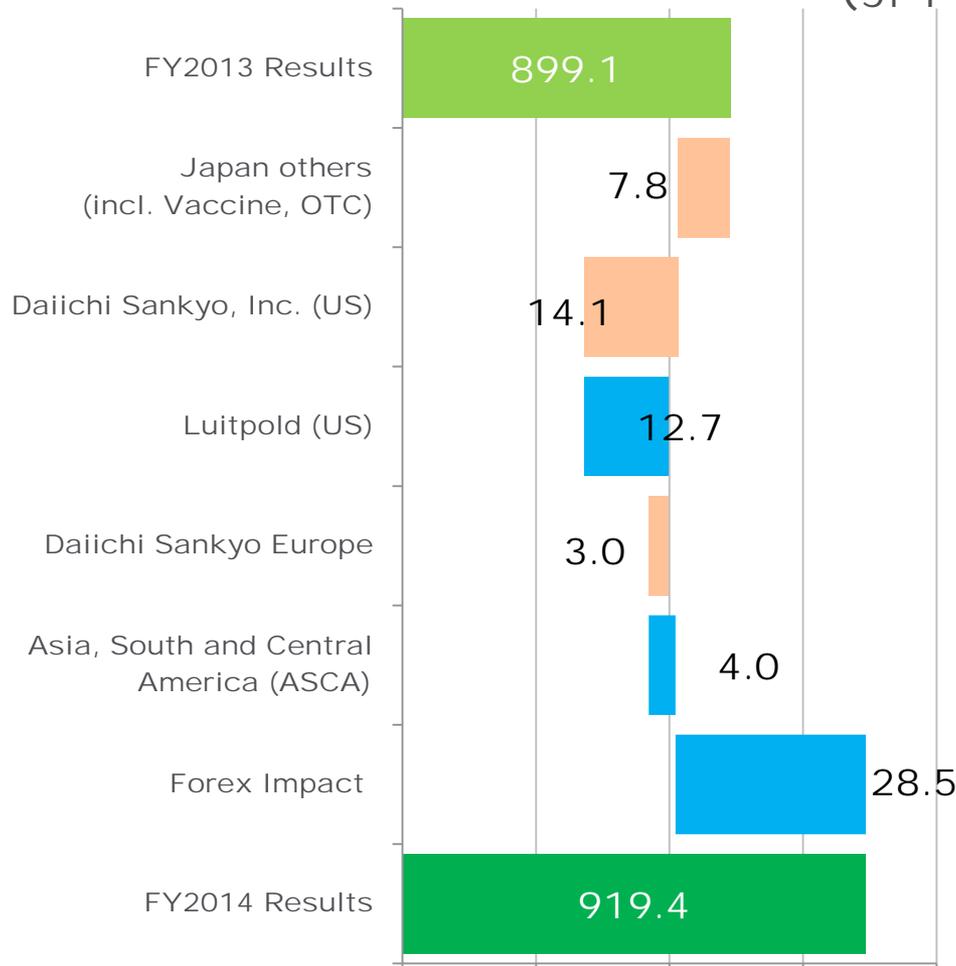
Currency Rate	USD/JPY (average)	100.24	109.94	+9.7
	EUR/JPY (average)	134.38	138.78	+4.4
	INR/JPY (average)	1.68	1.81	+0.13

*1 As Ranbaxy is shown as discontinued operations in FY2014, the figures in FY2013 is reclassified

*2 Please refer to P7 for the overview of profit from discontinued operations in FY2014

Decline in Daiichi Sankyo Inc. and Daiichi Sankyo Europe offsetted by growth of Luitopold and ASCA with Forex

(JPY Bn)



Japan (NHI price revision impact -30.2)

Positive: Nexium +15.1 Tenelia +6.0

Pralia +4.2 Memary +3.5

Lixana +3.2 Inavir +3.1

Negative: Loxonin -9.8 Cravit -5.7

Mevalotin -5.3 Vaccines Biz. -5.3

Global (including Forex impact)

Daiichi Sankyo Inc. : Olmesartan -5.7

Welchol +5.1

Luitpold : Venofer +3.7

Injectafer +6.3

Daiichi Sankyo Europe : Olmesartan -0.4

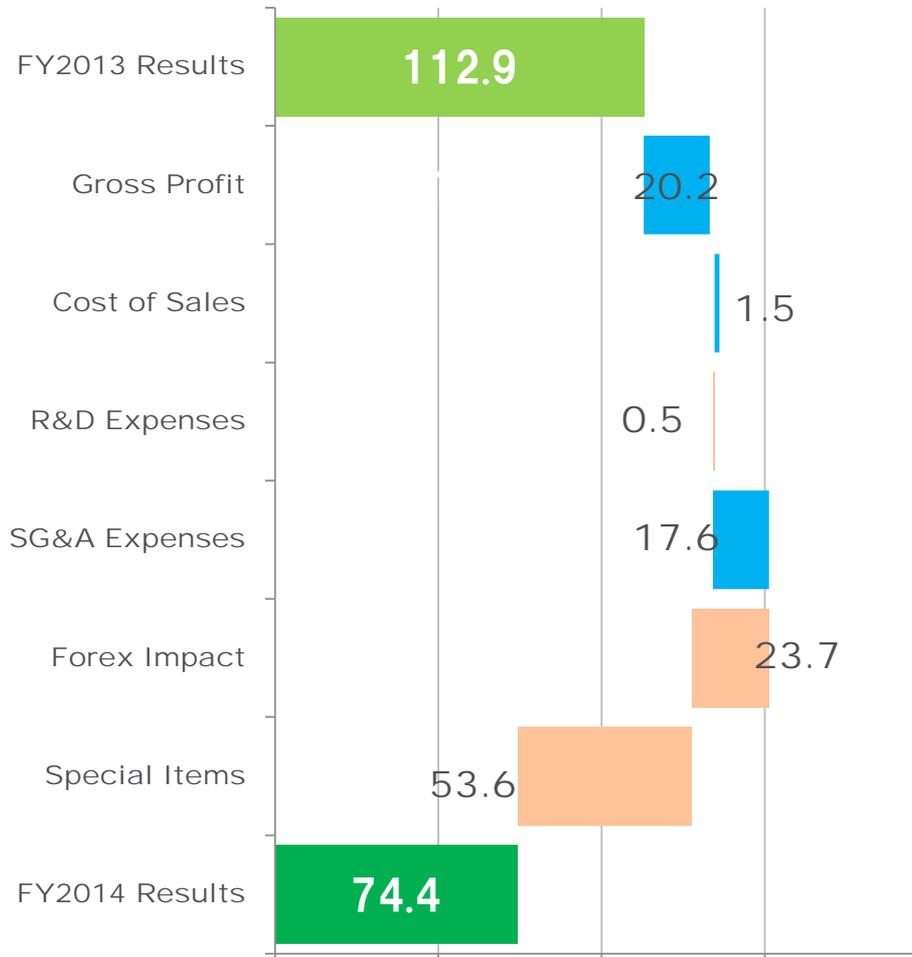
FY2014 Operating Profit

Positive
Factors

Negative
Factors



Special Items; Impairment loss of Zelboraf and Personnel related cost for the Optimization of Business Operation Structure in Japan



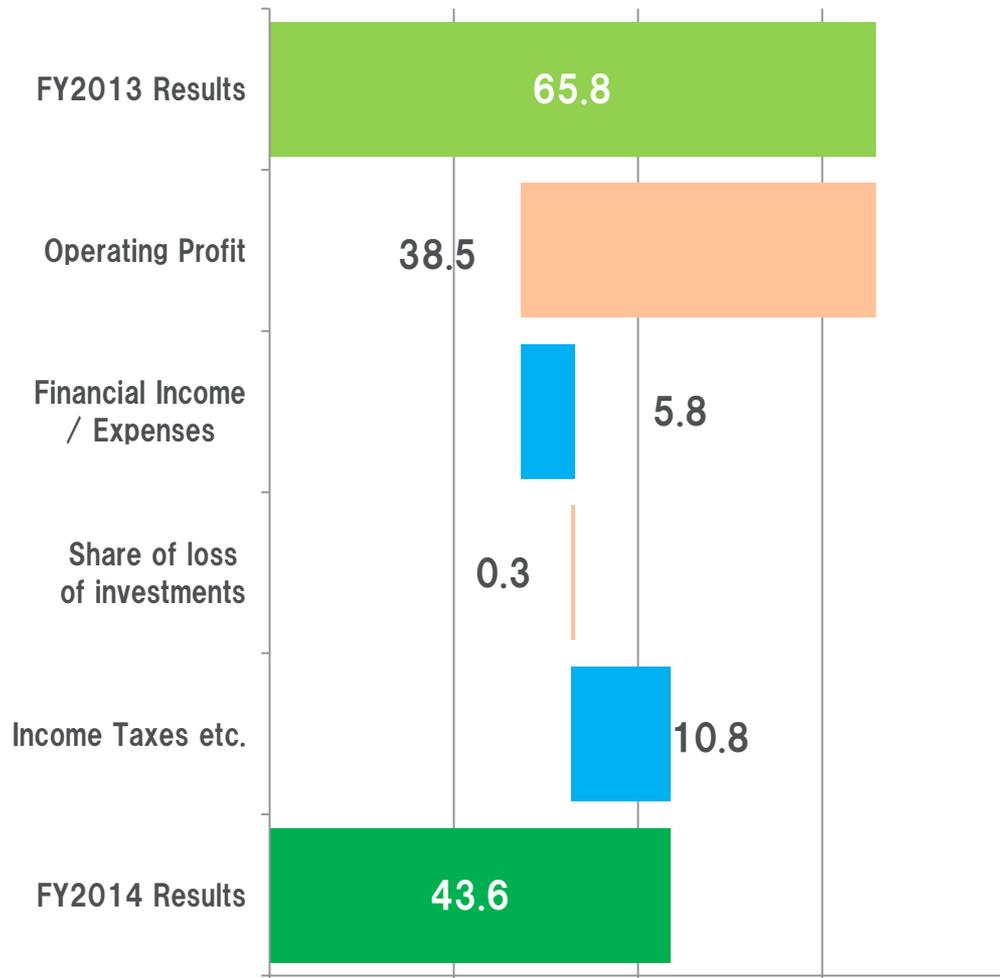
(JPY Bn)

Cost of Sales	-1.5
R&D Expenses	+0.5
SG&A Expenses	-17.6
Decrease in Co-promotion fee for Olmesartan etc.	

Forex impact	+23.7
Cost of Sales	+4.5
R&D Expenses	+5.1
SG&A Expenses	+14.1

Special Items	+53.6
Impairment loss of Zelboraf	+35.0
(->Cost of Sales)	
Personnel related cost	+13.9
(->Cost of Sales, R&D Expenses, SG&A Expenses)	
Settlement expenses with US DOJ	+4.7
(->SG&A Expenses)	

Decrease by net loss from impairment loss of Zelboraf



(JPY Bn)

Financial Income / Expenses +5.8
Foreign exchange gain etc.

Income Taxes etc. -10.8
Reversal of deferred tax asset by changing tax rate

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

* Impact: impairment loss of Zelboraf

Impairment loss	35.0
Reversal of Deferred Tax Liability	13.0
Net loss	22.0

FY2014 Profit from discontinued operations

- ◆ During FY2014, Ranbaxy was absorbed by Sun Pharma through a merger and became discontinued operations in Daiichi Sankyo Consolidated results and is shown as discontinued operations
- ◆ Profit from discontinued operations in FY2014 includes a gain on the merger, merger fees, Ranbaxy business profit/loss, consolidated adjustments and intercompany transactions

Overview of FY2014 Profit from discontinued operations

		(JPY Bn)
	Before tax	After tax
Gain on merger of subsidiary	360.2	278.7
Merger fees	5.0	3.4
Ranbaxy Business Profit	1.8	-0.05
Profit from discontinued operations		275.4

◆ March 2015

Obtained the shares (approx. 215 million shares) of Sun Pharma following the completion of Sun Pharma's merger with Ranbaxy

◆ April 2015

Sold out entire Sun Pharma shares in Indian stock market
(Sale value: 378.4 JPY Bn)

Forecast of Impact on Financial Results in FY2015

- There will be no impact on profit attributable to owners of the Company in consolidated financial results for FY2015
- The loss of 45.8 JPY Bn will be recorded under "other comprehensive income"

Downsizing approx. 1,500 people by Optimization of Business Operation Structure in Japan/US/EU



Reform Sales organization in US

- Downsize mainly sales/HQ structure by the end of FY2014 (approx. 500 people)



Renovate Sales organization in EU

- Renovate sales organization from SOV model to Access model by the end of FY2013 (approx. 500 people)



Optimize business operation structure in Japan

- Renovated the organizational structures and personnel assignment of each Group company in November 2014
- Implemented special career transition assistance measure in December 2014 (513 people)
- Reorganize three of Japanese supply chain subsidiaries into two companies (DSCP with API production function, and DSPP with dosage forms production and logistics function) in April 2015

Overview of Edoxaban (AF&VTE) filing & approval



Region	Country	Overview
Japan		December 2013: Filed September 2014: Approved (additional indication) December 2014: Launch 60mg
North America	US	January 2014: Filed January 2015: Approved February 2015: Launch
Europe	EU	January 2014: Filed April 2015: Received positive CHMP opinion June - July 2015: Looking forward to receiving approval decision by EC
	Switzerland	January 2014: Filed March 2015: Approved May 2015: Launch
ASCA - Asia	Taiwan	July 2014: Filed
	Korea	September 2014: Filed
- S&C America	Brazil	June 2014: Filed

FY2015: Plan to file in Asia countries (China etc.)

Progress in R&D pipeline

Major changes from FY2014 3Q financial announcement

Generic Name Dev. Code (MOA)	Target indication	Region	Ph-1	Ph-2	Ph-3	Filed	Approved
VN-100	intradermal vaccine for seasonal flu	JP					
PLX3397 (FMS/KIT/FLT3-ITD inhibitor)	Tenosynovial Giant Cell Tumor (TGCT)	US•EU					
DS-8312	Hypertriglyceridemia	-					
PLX9486 (KIT inhibitor)	Solid tumor	US					

 :Stage-up  :New pipeline

Other major progress

Generic Name	Target Indication	Region	Comments
PLX5622	Rheumatoid arthritis		Decided to discontinue based on results of the phase 1 study

Major R&D pipeline

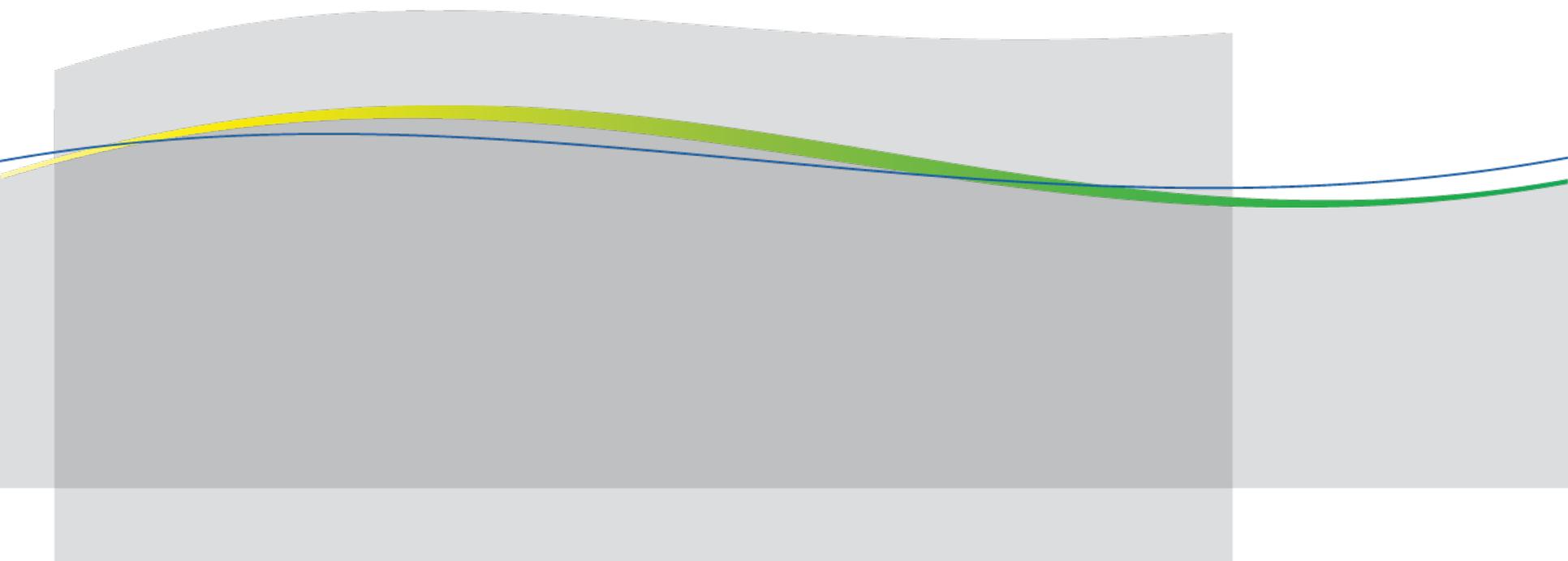
As of May 2015



Therapeutic area	Phase 1	Phase 2	Phase 3	Application
Cardiovascular- Metabolics	<ul style="list-style-type: none"> ■ DS-1040 (Acute ischemic stroke / TAFIa inhibitor) ■ DS-8312 (Hypertriglyceridemia) 	<ul style="list-style-type: none"> ■ CS-3150 (JP) (Hypertension • 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 (EU/Others) (DU-176b / AF / oral factor Xa inhibitor) ■ Edoxaban (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/JP) (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) ■ DS-5573 (JP) (Anti-B7-H3 antibody) ■ PLX9486 (US) (KIT 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/EU) (PLX4032 / melanoma adjuvant / BRAF inhibitor) ■ Quizartinib (US/EU) (AC220 / AML / FLT3-ITD inhibitor) ■ PLX3397 (US/EU) (TGCT / FMS/KIT/FLT3-ITD inhibitor) 	
Others	<ul style="list-style-type: none"> ■ DS-1093 (Anemia of chronic kidney disease / HIF-PH inhibitor) ■ DS-3801 (Chronic obstipation / GPR38 agonist) ■ DS-1971 (Chronic pain) ■ DS-1501 (Osteoporosis / Anti-Siglec-15 antibody) 	<ul style="list-style-type: none"> ■ SUN13837 (US/EU) (Spinal cord injury / modulator of bFGF signaling system) ■ Laninamivir (US/EU) (CS-8958 / anti-influenza / out-licensing with Biota) ■ Ioforninol (JP) (GE-145 / X-ray contrast media / angiography) 	<ul style="list-style-type: none"> ■ Mirogabalin (US/EU) (DS-5565 / fibromyalgia / α2δ ligand) ■ Mirogabalin (JP/Asia) (DS-5565 / DPNP/ α2δ ligand) ■ Mirogabalin (JP/Asia) (DS-5565 / PHN / α2δ ligand) ■ Denosumab (JP) (AMG 162 / rheumatoid arthritis / anti-RANKL anti-body) ■ Hydromorphone (JP) (DS-7113 / cancer pain / opioid μ-receptor regulator) ■ CHS-0214 (JP) (Etanercept BS / rheumatoid arthritis / TNFα inhibitor) ■ CL-108 (US) (Acute pain / opioid μ-receptor regulator) 	<ul style="list-style-type: none"> ■ Levofloxacin (JP) (DR-3355 / anti-infection / New quinolone)

Red: Change from FY2014 Q3 financial announcement

Forecast of FY2015



- ◆ Edoxaban: Secure flawless entry in every market and maximize its potential as flag-ship product following olmesartan with Group-wide effort
- ◆ Achieve 920.0 JPY Bn in revenue and exceed 100.0 JPY Bn in operating profit by maximizing cash flows from olmesartan, expanding growth-products at top-speed, and driving low-cost operations throughout the Group
- ◆ Establish business foundation to improve corporate value sustainably as a fresh start

Forecast of FY2015

(JPY Bn)

	FY2014 Results	FY2015 Forecast	YoY
Revenue	919.4	920.0	+0.1% +0.6
Cost of Sales	323.1	300.0	-23.1
R&D Expenses	190.7	190.0	-0.7
SG&A Expenses	331.2	330.0	-1.2
Operating Profit	74.4	100.0	+34.4% +25.6
Profit before tax	79.9	95.0	+15.1
Profit attributable to owners of the Company	322.1	60.0	-262.1
(of which continuing operations)	46.5	60.0	+29.1% +13.5

Currency Rate	USD/JPY (average)	109.94	120.00	+10.06
	EUR/JPY (average)	138.78	130.00	-8.78

◆ Commemorative dividend

- Marking the 10th anniversary since DS foundation, plan to pay a commemorative dividend of 10 yen per share in addition to an ordinary dividend of 30 yen per share at the end of second quarter
- Intend to pay annual dividends of 70 yen per share for the fiscal year ending March 31, 2016 (Yen)

	Second quarter	Fiscal year-end	Total
FY2015 Forecast	40 (ordinary dividend: 30) (commemorative dividend: 10)	30	70
FY2014 Results	30	30	60

◆ Acquisition of own shares

- Acquisition cost: 50.0 JPY Bn (maximum)
- Number of shares: 28 million shares (maximum)
- Acquisition period: From May 15, 2015, to August 31, 2015



Major Products in Japan FY2015 Revenue Forecast

(JPY Bn)

		FY2014 Results	FY2015 Forecast	YoY
Olmetec	anti-hypertension	76.3	80.0	+3.7
Nexium	anti-ulcer (Proton Pump Inhibitor)	69.3	74.0	+4.7
Memary	treatment for Alzheimer	36.8	47.0	+10.2
Loxonin	analgesic and anti-inflammatory	49.5	44.0	-5.5
Cravit	antibacterial	27.8	21.0	-6.8
Rezaltas	anti-hypertension	18.4	19.0	+0.6
Artist	anti-hypertension	18.1	17.0	-1.1
Omnipaque	contrast medium	17.2	16.0	-1.2
Mevalotin	anti-hyperlipidemia	16.2	14.0	-2.2
Ranmark	treatment for bone metastasis	10.2	13.0	+2.8
Pralia	osteoporosis	7.3	10.0	+2.7
Lixiana	Anticoagulant Direct Oral Factor Xa Inhibitor	3.6	5.0	+1.4
Efient	antiplatelet	0.7	5.0	+4.3



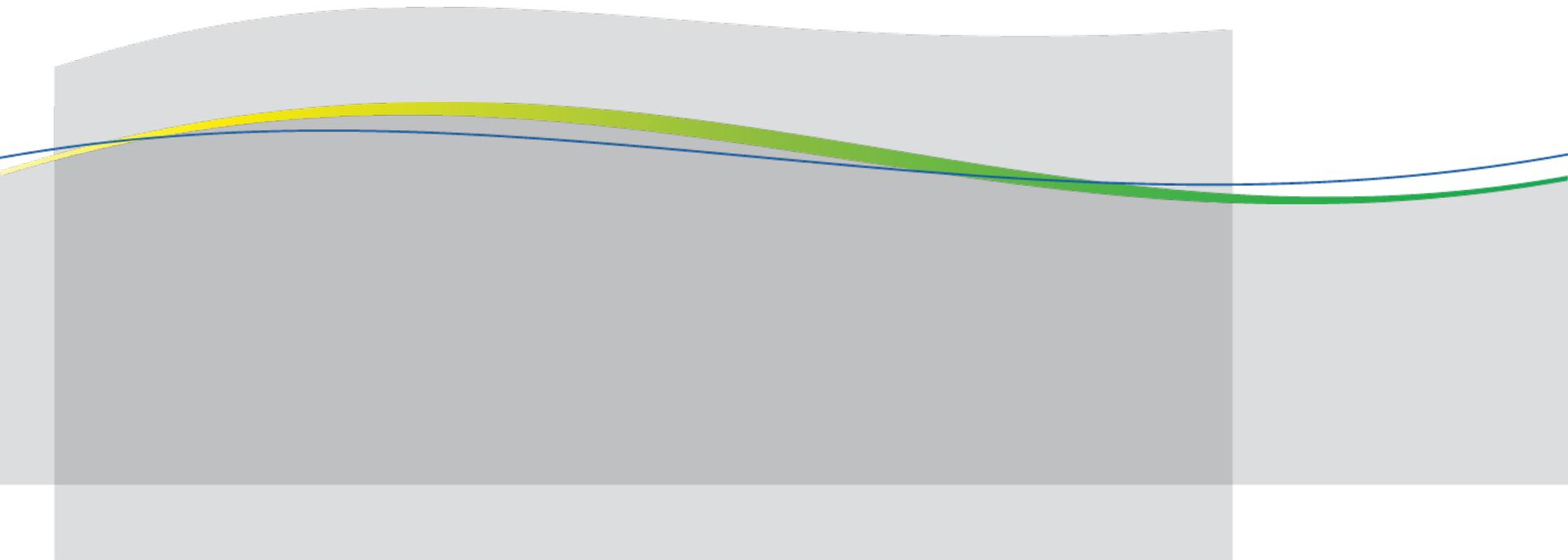
Strategies to overcome Olmesartan LOE

- ◆ **CL-108: opioid and antiemetic combination**
 - Entered into license agreement with Charleston Laboratories for development and commercialization in August 2014
 - Phase 3 trial to confirm the effects of CL-108 as a treatment for moderate to severe acute pain and the reduction of OINV
(Plan to launch in 2016)
- ◆ **Movantik: a treatment for opioid-induced constipation**
 - a first-in-class, once-daily, oral, peripherally-acting mu-opioid receptor antagonist (PAMORA) for the treatment of opioid-induced constipation (OIC) in adults with chronic non-cancer pain
 - Started co-promotion with AstraZeneca in April 2015
- ◆ **Quizartinib: FLT3-ITD inhibitor**
 - Obtained the development right of quizartinib, currently in Phase 3 for the treatment of acute myeloid leukemia by acquiring in October 2014 Ambit Biosciences , a biotechnology company focused on the discovery and development of kinase inhibitors
- ◆ **PLX3397: FMS/KIT/FLT3-ITD inhibitor**
 - Started Phase 3 study for Tenosynovial Giant Cell Tumor, TGCT, in May 2015
 - Announced a collaborative clinical trial to evaluate the combination of PLX3397 and pembrolizumab (Merck's anti-PD-1 antibody) in May 2015

Targets for Approval and Launch

	FY2015	FY2016	FY2017	FY2018	≥ FY2018
Japan	<ul style="list-style-type: none"> Levofloxacin Injection Additional indication Squarekids® (DPT-IPV) 	<ul style="list-style-type: none"> Lacosamide Epilepsy VN-100 ID vaccine for seasonal flu 	<ul style="list-style-type: none"> Denosumab BC adj. Denosumab RA Etanercept BS RA Prasugrel CVA Hydromorphone Cancer Pain 	<ul style="list-style-type: none"> Mirogabalin DPNP & PHN 	<ul style="list-style-type: none"> Oncology Nimotuzumab Patritumab PLX3397 Vemurafenib(LCM)
US	<ul style="list-style-type: none"> Movantik® OIC 	<ul style="list-style-type: none"> CL108 Acute Pain 	<ul style="list-style-type: none"> Prasugrel Sickle Cell Disease 	<ul style="list-style-type: none"> Tivantinib HCC Quizartinib AML 	<ul style="list-style-type: none"> CV-M (CVM) CS-3150 DS-8500 Prasugrel (LCM) Edoxaban (LCM)
Western Europe	<ul style="list-style-type: none"> Edoxaban AF Edoxaban VTE 			<ul style="list-style-type: none"> Tivantinib HCC Quizartinib AML 	<ul style="list-style-type: none"> Others Mirogabalin SUN13837 GE-145 Denosumab (LCM)
Other Regions	<ul style="list-style-type: none"> Edoxaban AF&VTE (China•LTAM etc.) 				

Mid-term management policy



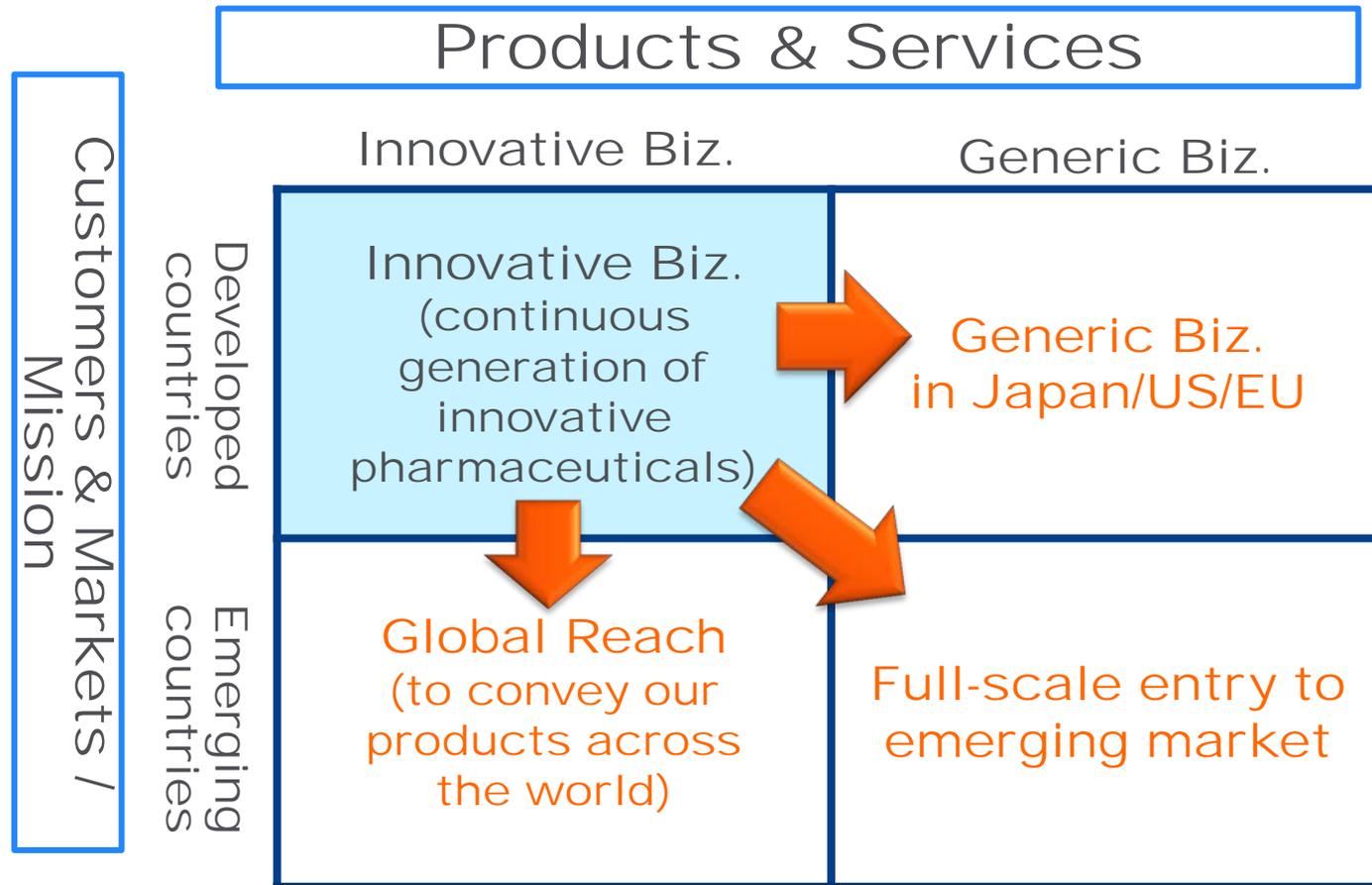
- ◆ Change of “Global Hybrid Business Model”
- ◆ New management direction
- ◆ Mid-term issues
 - Overcome Olmesartan LOE
 - Leverage the funds from the sale of Sun Pharma shares
 - Develop new 5-year business plan

Corporate vision

- To provide health/medical solutions continuously all over the world

Objectives of the current 5-year business plan (FY2013 – FY2017)

- Overcome Olmesartan LOE (loss of exclusivity)
 - Achieve sustainable revenue growth and improve profitability
 - Transform into a Hybrid Business Powerhouse



Positioned Ranbaxy as one of the main drivers for growth in the current 5-year business plan

Due to quality problem and import alert to US, concluded that it would be difficult to get the expected results during the current 5-year business plan
Divested Ranbaxy from DS Group

Decide to change management policy

- From growth by pursuing scale-up
- To growth by leveraging the strength of DS Group at the maximum

- ✓ Concentration/Returning to innovative business
- ✓ Prioritized investment in Japan/US/China
- ✓ Enhance R&D capabilities

DNA in generation of new drugs

- Our capability to invent and develop innovative drugs
 - pravastatin, levofloxacin, olmesartan, edoxaban, mirogabalin

Sales/Marketing strength competing with Mega Pharma

- Success with olmesartan in Japan/US/EU



Growth by further enhancement of our strong innovative business

Japan (DS, DSEP, DSHC, KDSV, JVC)

- Strong brand power and high presence
- Business foundation flexible to wide business areas
- Strong products portfolio with many growing products
- Deep trust from medical practitioners



No.1 Pharma company

US (DSI, LPI)

- Biggest market
- Source of global standard therapy
- Established business foundation



Growth by
establishing
core franchises

China (DSCN)

- Second biggest market, high growth rate in innovative market
- Established business foundation, geographic advantage



Enlarge
Business foundation
1B\$ Business

Enrich pipelines and realize growth driven by the current pipelines

◆ Oncology:

Enhance R&D capabilities to realize growth driven by the current pipelines rapidly

◆ Cardiovascular-metabolism:

Increase First-in-class projects

◆ Frontier:

Enhance research for unique seeds

◆ Challenge for next generation biologics

Mid-term issues

- ◆ Global: Launch of Edoxaban and maximize its potential as flag-ship product
- ◆ Japan: Achieve No. 1 market share by maximizing new drugs
 - Efient, Lixana, Memary, Nexium, Denosumab etc.
 - Lacosamide
- ◆ US: Rapid growth of new drugs
 - Establishment of core franchises
 - Movantik, CL-108
 - Injectafer
- ◆ Challenging low-cost operations continuously ; selection and concentration

◆ Invest in growing areas

- Investment to make Edoxaban a flag-ship product
- Enhance R&D capabilities in mid/long term
 - Enhance oncology area
 - Accelerate R&D
 - Acquire new pipeline projects

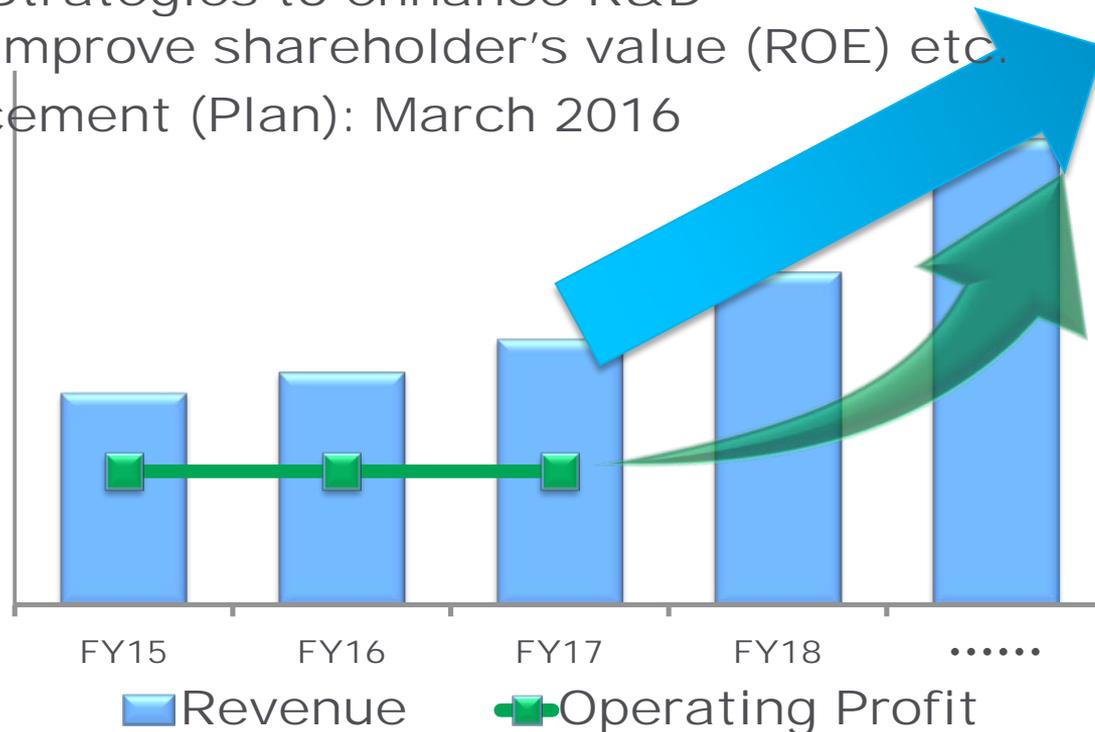
◆ Return to shareholders

- Acquisition of own shares etc.

Develop new 5-year business plan

Develop new plan based on the new management direction mentioned today

- ◆ Period: FY2016 – FY2020
- ◆ Topics: Strategies for solid growth from FY2018
Way to improve profit-generating capability
Strategies to enhance R&D
Improve shareholder's value (ROE) etc.
- ◆ Announcement (Plan): March 2016



FY2017; Revenue: 1,000 JPY Bn, Operating Profit: 100 JPY Bn

Succeeding in a Rapidly Changing Global Market

Global Pharma Innovator
Addressing Global Diverse Medical Needs
Accompanied With Sustainable Growth Capability

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