January 31, 2018

# Consolidated Financial Results for the First Nine Months of the Year Ending March 31, 2018 (Fiscal 2017) <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
Representative: Dr. Sunao Manabe, Representative Director, President and COO.
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Scheduled date of Quarterly Report filing: February 7, 2018
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 the Year Ending March 31, 2018 (from April 1, 2017 to December 31, 2017)

### (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 | % |
| Nine months ended December 31, 2017 | 741,047 | 0.9 | 93,225 | -27.6 | 97,735 | -26.2 | 72,129 | -17.4 |
| Nine months ended December 31, 2016 | 734,405 | -3.2 | 128,706 | -14.4 | 132,391 | -9.0 | 87,309 | -20.1 |

| | 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 |
| Nine months ended December 31, 2017 | 72,602 | -17.7 | 100,171 | 14.7 | 109.56 | 109.30 |
| Nine months ended December 31, 2016 | 88,181 | -20.4 | 87,305 | -0.4 | 130.81 | 130.50 |

### (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, 2017 | 1,954,187 | 1,201,350 | 1,201,293 | 61.5 | 1,831.42 |
| As of March 31, 2017 | 1,914,979 | 1,171,428 | 1,175,897 | 61.4 | 1,772.99 |

**2. Dividends**

| | Annual dividends per share | | | | |
|---|---|---|---|---|---|
| | First quarter | Second quarter | Third quarter | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Year ended March 31, 2017 | – | 35.00 | – | 35.00 | 70.00 |
| Year ending March 31, 2018 | – | 35.00 | – | | |
| Year ending March 31, 2018 (Forecast) | | | | 35.00 | 70.00 |

Note: Revision of the forecast from most recently announced figures: No

## 3. Forecast of Consolidated Financial Results for Year Ending March 31, 2018

(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 | 950,000 | -0.5 | 75,000 | -15.7 | 75,000 | -14.6 | 50,000 | -6.5 | 76.23 |

Note: Revision of the forecast from most recently announced figures: Yes

The figure for basic earnings per share reflects the purchase of treasury shares conducted from November 1 to December 31, 2017.

***Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in scope of consolidation): 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: Please see *"2. Condensed Interim Consolidated Financial Statements with Primary Notes, (5) Notes to Condensed Interim Consolidated Financial Statements, Changes in Accounting Policies"* on page 22

(3) Number of ordinary shares issued

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

| | |
|---|---|
| As of December 31, 2017 | 709,011,343 shares |
| As of March 31, 2017 | 709,011,343 shares |

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

| | |
|---|---|
| As of December 31, 2017 | 53,076,183 shares |
| As of March 31, 2017 | 45,783,623 shares |

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

| | |
|---|---|
| Nine months ended December 31, 2017 | 662,672,247 shares |
| Nine months ended December 31, 2016 | 674,119,308 shares |

* This quarterly financial results summary is not subject to quarterly review procedures

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

The forecast information included in these materials is based on information currently available and certain assumptions that the Company regards as reasonable. Actual performance and results may differ from those forecast due to various factors.

Please see *"1. Qualitative Information about Consolidated Results for the First Nine Months (3) Information about Forecasts of Consolidated Financial Results and Other Forward-Looking Statements"* on page 13 for matters related to the above forecasts.

# Attached Material

## Index

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

### (1) Information about Operating Results

#### 1) Overview

**[Consolidated Financial Results]**

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

| | Nine months ended December 31, 2016 | Nine months ended December 31, 2017 | YoY change |
|---|---|---|---|
| Revenue | 734,405 | 741,047 | 6,642<br>0.9% |
| Operating profit | 128,706 | 93,225 | –35,480<br>–27.6% |
| Profit before tax | 132,391 | 97,735 | –34,656<br>–26.2% |
| Profit attributable to owners of the Company | 88,181 | 72,602 | –15,578<br>–17.7% |
| Total comprehensive income | 87,305 | 100,171 | 12,866<br>14.7% |

<Revenue of global mainstay products>

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

| Product name | Nine months ended December 31, 2016 | Nine months ended December 31, 2017 | YoY change |
|---|---|---|---|
| *Olmesartan*<br>antihypertensive agent | 179,068 | 120,600 | –58,467<br>–32.7% |
| *Edoxaban*<br>anticoagulant | 25,983 | 56,600 | 30,617<br>117.8% |
| *Prasugrel*<br>antiplatelet agent | 31,154 | 27,003 | –4,150<br>–13.3% |

<Selling, general and administrative expenses>

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

| | Nine months ended December 31, 2016 | Nine months ended December 31, 2017 | YoY change |
|---|---|---|---|
| Selling, general and administrative expenses | 220,460 | 216,743 | –3,716<br>–1.7% |
| Ratio of selling, general and administrative expenses to revenue | 30.0% | 29.2% | –0.8% |

<Research and development expenses>

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

| | Nine months ended December 31, 2016 | Nine months ended December 31, 2017 | YoY change |
|---|---|---|---|
| Research and development expenses | 143,496 | 175,628 | 32,132<br>22.4% |
| Ratio of research and development expenses to revenue | 19.5% | 23.7% | 4.2% |

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

(Yen)

| | Nine months ended December 31, 2016 | Nine months ended December 31, 2017 |
|---|---|---|
| USD/Yen | 106.68 | 111.71 |
| EUR/Yen | 118.09 | 128.53 |

**a. Revenue**

- Revenue in the first nine months of the year ending March 31, 2018 increased by ¥6.6 billion, or 0.9% compared to the same period of the previous fiscal year (year on year), to ¥741.0 billion.
- The positive effects from growth in sales of mainstay products such as *Edoxaban* and ongoing yen depreciation (¥14.3 billion) led to an increase in revenue, despite a decrease in sales of *Olmesartan* due to the loss of exclusivity.

**b. Operating profit**

- Operating profit decreased by ¥35.5 billion, or 27.6% year on year, to ¥93.2 billion.
- Gross profit decreased by ¥7.1 billion, or 1.4% year on year, to ¥485.6 billion, mainly due to an increase in cost of sales as a result of change in the product mix, despite an increase in revenue.
- Selling, general and administrative expenses decreased by ¥3.7 billion, or 1.7% year on year, to ¥216.7 billion mainly due to the recording of business restructuring costs in Europe (¥10.6 billion) in the prior corresponding period despite the increasing effects of yen depreciation.
- Research and development expenses increased by ¥32.1 billion, or 22.4% year on year, to ¥175.6 billion mainly because an impairment loss (¥27.8 billion) on intangible assets related to *CL-108*, a combination drug for the treatment of pain and opioid-induced nauseas and vomiting (OINV), was recorded.
- The positive effects on operating profit stemming from yen depreciation were ¥1.9 billion in total.

**c. Profit before tax**

- Profit before tax decreased by ¥34.7 billion, or 26.2% year on year, to ¥97.7 billion.
- The decrease in profit before tax was modest compared to the decrease in operating profit mainly due to an improvement of loss (gain) on exchange differences relating to assets denominated in foreign currencies.

**d. Profit attributable to owners of the Company**

- Profit attributable to owners of the Company decreased by ¥15.6 billion, or 17.7% year on year, to ¥72.6 billion.
- Profit attributable to owners of the Company in the first nine months reflects the impact of a decrease in income taxes resulting from the reduction of tax rates in the U.S.

**e. Total comprehensive income**

- Total comprehensive income increased by ¥12.9 billion, or 14.7% year on year, to ¥100.2 billion.
- Total comprehensive income increased significantly in comparison with the same period of the previous fiscal year improvements in valuation difference on financial assets and foreign currency exchange differences related to overseas subsidiaries' net assets.

**[Revenue by Geographic Area]**

Primary revenue by geographic area is as follows.

**a. Japan**

- Revenue in Japan increased by ¥32.6 billion, or 7.4% year on year, to ¥474.7 billion.

[Prescription drug business]

- Revenue from prescription drug business increased by ¥27.9 billion, or 7.1% year on year, to ¥418.1 billion. The increase is attributable to growth in sales of mainstay products such as *LIXIANA*, *PRALIA*, *NEXIUM*, *Efient*, *Memary*, *Inavir*, *TENELIA* and *RANMARK*, and contributions to sales from newly launched authorized generic products, despite a decline in sales of *Olmetec* and negative effects on sales of long-listed products as a result of the growing numbers of prescriptions of generic drugs. This revenue also includes revenue generated by the generic pharmaceutical business of Daiichi Sankyo Espha Co., Ltd., and revenue generated by the vaccine business of companies that include Kitasato Daiichi Sankyo Vaccine Co., Ltd., Japan Vaccine Co., Ltd., etc.
- In June 2017, Daiichi Sankyo launched *Narurapid* tablets (immediate release formulation) and *Narusus* tablets (extended release formulation) for cancer pain treatment, whose principal ingredients are hydromorphone hydrochloride.
- In September 2017, Daiichi Sankyo launched *CANALIA* (combination drug of *TENELIA* and *CANAGLU*), a type 2 diabetes mellitus treatment agent.
- In November 2017, Daiichi Sankyo launched oral anticoagulant *Lixiana OD* tablets (orally disintegrating tablets).
- The antiepileptic drug *VIMPAT* was approved, in August 2017, for monotherapy for partial-onset seizures in patients with epilepsy. Furthermore, in September 2017, the Ministry of Health, Labour and Welfare issued a notification announcing the lifting of the restriction on the prescription period for *VIMPAT*.
- Since June 2017, Daiichi Sankyo Espha Co., Ltd. has successively launched multiple authorized generic products including *Olmesartan OD* tablets.

[Healthcare (OTC) products business]

- Revenue from the healthcare (OTC) products business increased by ¥4.7 billion, or 9.1% year on year, to ¥56.6 billion. The increase is attributable to growth in sales including those of the *MINON* series handled by Daiichi Sankyo Healthcare Co., Ltd.

<Primary revenue composition in Japan>

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

| | Nine months ended December 31, 2016 | Nine months ended December 31, 2017 | YoY change |
|---|---|---|---|
| Prescription drug business* | 390.2 | 418.1 | 27.9<br>7.1% |
| Healthcare (OTC) products business | 51.9 | 56.6 | 4.7<br>9.1% |

* Includes generic pharmaceutical business and vaccine business.

<Domestic revenue from mainstay prescription drugs>

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

| Product name | Nine months ended December 31, 2016 | Nine months ended December 31, 2017 | YoY change |
|---|---|---|---|
| *NEXIUM*<br>ulcer treatment | 67.4 | 70.0 | 2.5<br>3.8% |
| *Memary*<br>Alzheimer's disease treatment | 36.3 | 38.1 | 1.7<br>4.8% |
| *Olmetec*<br>antihypertensive agent | 54.1 | 40.5 | –13.7<br>–25.2% |
| *LIXIANA*<br>anticoagulant | 17.9 | 34.7 | 16.8<br>93.8% |
| *Loxonin*<br>anti-inflammatory analgesic | 29.3 | 29.0 | –0.3<br>–0.9% |
| *TENELIA*<br>type 2 diabetes mellitus treatment | 19.7 | 20.9 | 1.2<br>6.1% |
| *PRALIA*<br>treatment for osteoporosis/ inhibitor of the progression of bone erosion associated with rheumatoid arthritis | 13.3 | 17.3 | 4.0<br>29.9% |
| *Rezaltas*<br>antihypertensive agent | 13.6 | 13.1 | –0.5<br>–3.3% |
| *RANMARK*<br>treatment for bone complications caused by bone metastases from tumors | 10.6 | 11.7 | 1.1<br>10.5% |
| *Efient*<br>antiplatelet agent | 7.8 | 9.9 | 2.1<br>26.8% |
| *Inavir*<br>anti-influenza treatment | 7.9 | 9.3 | 1.4<br>17.3% |
| *Cravit*<br>synthetic antibacterial agent | 12.0 | 10.1 | –1.9<br>–16.1% |
| *Urief*<br>treatment for dysuria | 8.9 | 8.7 | –0.2<br>–2.3% |
| *Omnipaque*<br>contrast medium | 11.1 | 11.0 | –0.1<br>–1.3% |
| *Mevalotin*<br>antihyperlipidemic agent | 8.3 | 7.0 | –1.3<br>–15.4% |

**b. North America**

- Revenue in North America decreased by ¥36.1 billion, or 20.1% year on year, to ¥144.0 billion. Revenue in local currency terms decreased by US$399 million, or 23.7%, to US$1,289 million. This revenue includes revenue generated by Daiichi Sankyo, Inc., and Luitpold Pharmaceuticals, Inc.
- At Daiichi Sankyo, Inc., sales of *Olmesartan* and its combination drugs, *Effient* and *Welchol* declined.
- Daiichi Sankyo, Inc. signed a license agreement with Inspirion Delivery Sciences LLC, which has given Daiichi Sankyo, Inc. an exclusive license in the U.S. to commercialize two abuse-deterrent opioid analgesics in October 2016.
  Based on the contract, Daiichi Sankyo, Inc. launched *MorphaBond*, morphine extended-release tablets, in October 2017. Moreover, Daiichi Sankyo, Inc. has determined the commercialization of *RoxyBond*, FDA-approved oxycodone hydrochloride immediate-release tablets, in May 2017 and its launch preparation is underway.
- At Luitpold Pharmaceuticals, Inc., sales of *Injectafer* and *Venofer* increased.

<Revenue of Daiichi Sankyo, Inc. mainstay products>

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

| Product name | Nine months ended December 31, 2016 | Nine months ended December 31, 2017 | YoY change |
|---|---|---|---|
| *Olmesartan** antihypertensive agent | 571 | 155 | –416 –72.8% |
| *Welchol* hypercholesterolemia treatment/ type 2 diabetes mellitus treatment | 302 | 262 | –40 –13.1% |
| *Effient* antiplatelet agent | 155 | 91 | –64 –41.3% |
| *SAVAYSA* anticoagulant | 13 | 14 | 1 9.5% |
| *MOVANTIK* opioid-induced constipation treatment | 27 | 33 | 6 22.7% |

* *Benicar*/*Benicar HCT*, *AZOR*, *TRIBENZOR* and authorized generics for *Olmesartan*

<Revenue of Luitpold Pharmaceuticals, Inc. mainstay products>

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

| Product name | Nine months ended December 31, 2016 | Nine months ended December 31, 2017 | YoY change |
|---|---|---|---|
| *Venofer* treatment for iron deficiency anemia | 199 | 215 | 16 8.0% |
| *Injectafer* treatment for iron deficiency anemia | 161 | 226 | 64 39.8% |

**c. Europe**

- Revenue in Europe increased by ¥3.8 billion, or 7.0% year on year, to ¥58.2 billion. Revenue in local currency terms decreased by EUR8 million, or 1.7%, to EUR453 million.
- The decrease of revenue in local currency is mainly attributable to decrease in sales of *Olmesartan* and its combination drugs despite of increase in sales of *LIXIANA*.

<Revenue of Daiichi Sankyo Europe GmbH mainstay products>

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

| Product name | Nine months ended December 31, 2016 | Nine months ended December 31, 2017 | YoY change |
|---|---|---|---|
| *Olmesartan** antihypertensive agent | 293 | 198 | –95<br>–32.4% |
| *Efient* antiplatelet agent | 51 | 46 | –5<br>–9.7% |
| *LIXIANA* anticoagulant | 52 | 144 | 92<br>176.8% |

* *Olmetec*/*Olmetec Plus*, *Sevikar* and *Sevikar HCT*

**d. Asia, South & Central America**

- Revenue in Asia, South & Central America increased by ¥6.2 billion, or 11.9% year on year, to ¥58.7 billion. This revenue includes revenue to overseas' licensees.
- Mainstay products such as synthetic antibacterial agent *Cravit* grew in China.
- Mainstay products such as anticoagulant *LIXIANA* grew in South Korea.

**2) R&D Activities**

- Daiichi Sankyo Group (The Group) has established its 2025 Vision of being a "Global Pharma Innovator with Competitive Advantage in Oncology."
- The Group established antibody drug conjugates (ADC) and acute myeloid leukemia (AML) as two franchises for oncology which is the primary focused area, and is working on strategic research and development activities centered on these two franchises.
  In addition, the Group positioned pain, central nervous system diseases, heart and kidney diseases, and rare diseases as new horizon areas, and is accelerating research activities.
- The Group is trying to generate innovative medicine that transforms standards of care (SOC) utilizing partnering, open innovation and translational research in the research and early-stage of development.
  As for the late-stage of development, the Group is developing drugs in pain field in addition to oncology and cardiovascular-metabolics.
  The Group is continuously undertaking life cycle management activities particularly in the field of cardiovascular-metabolics.
- In April 2017, Biologics Division was newly established which has integrated functions for biologics' modality research (drug discovery technology research for all compounds excluding small molecules, such as antibodies, antibody drug conjugates, peptides, and nucleic acid etc.) and production technology research and development.
  By building a seamless and coordinated structure for biologics' discovery, investigational products supply and commercial production preparation, the Group accelerates diversified modalities' design, production technology infrastructure establishment, and the research and development of biologics, including antibody drug conjugate, *DS-8201*.
- As part of initiatives to improve R&D functions, Daiichi Sankyo made the decision to carry out an absorption-type merger with its domestic subsidiary Asubio Pharma Co., Ltd., effective April 1, 2018.
- The following section describes the Group's major development projects and progress made in each project.

**[Daiichi Sankyo Major Development Projects]**

**a. Edoxaban**

- *Edoxaban* has been on the Japanese market since 2011 under the brand name *LIXIANA* with indication for the prevention of venous thromboembolism (VTE) after major orthopedic surgery. In 2014, the product also received approval in Japan for additional indications for the prevention of ischemic stroke and systemic embolism in patients with non-valvular atrial fibrillation (AF), and for the treatment and prevention of recurrence of VTE (deep vein thrombosis (DVT) and pulmonary embolism (PE)).
- As for overseas, *Edoxaban* has received marketing approval in over 20 countries including the U.S., Europe and Asia regions, and further initiatives for the marketing area expansion are underway.
- The Group initiated randomized controlled trials (ENVISAGE-TAVI AF study) in patients with atrial fibrillation undergoing transcatheter aortic valve implantation in Europe and the U.S. in April 2017.
- The results from the Hokusai-VTE CANCER study for patients with VTE associated with cancer in Europe and the U.S. were presented during the late-breaker session at the American Society of Hematology (ASH) Annual Meeting in December 2017.

**b. Denosumab**

- *Denosumab* has been on the Japanese market under the brand name *RANMARK*, since 2012 with indications for the treatment of bone complications stemming from multiple myeloma or bone metastases from solid tumors, and since 2014 with indications for the treatment of giant cell tumors of bone (GCTB). In 2013, manufacturing and marketing approval was received for the treatment for osteoporosis in Japan, where it has been on the market under the brand name *PRALIA*.
- As for *PRALIA*, the Group obtained approval for an additional indication for inhibition of the progression of bone erosion associated with rheumatoid arthritis in July 2017.
- As for *RANMARK*, global Phase III clinical trials for postoperative adjuvant breast cancer therapy.

**c. Quizartinib**

- Phase III clinical trials are underway in Europe, the U.S. and Asia to obtain approval for indication as second-line treatment and first-line treatment in patients with FLT3-ITD+ acute myeloid leukemia (AML).

**d. Pexidartinib**

- *Pexidartinib* was granted Breakthrough Therapy designation by the U.S. Food and Drug Administration (FDA) for the treatment of tenosynovial giant cell tumor (TGCT) in October 2015.
- In October 2017, Daiichi Sankyo announced that Phase III clinical trial in TGCT patients in Europe and the U.S. met its primary endpoints.

**e. DS-8201**

- The FDA has granted Fast Track designation to *DS-8201* for the treatment of HER2-positive metastatic breast cancer in December 2016. Furthermore, the FDA has granted Breakthrough

Therapy designation to *DS-8201*, for the treatment of HER2-positive, recurrent and/or metastatic breast cancer in August 2017.

- Second part (expansion study) of Phase I clinical trial for patients with HER2-positive cancer is underway in Japan and the U.S. The preliminary results were presented at the American Society of Clinical Oncology (ASCO) in June 2017. Furthermore, the preliminary results of HER2-expressing solid tumors in patients with tumors other than breast cancer and gastric cancer were presented at the European Society for Medical Oncology (ESMO) in September 2017. Furthermore, updated safety and efficacy data from patients with HER2-positive and HER2 low-expressing metastatic breast cancer was presented at the San Antonio Breast Cancer Symposium in December 2017.
- In August 2017, the Group initiated global Phase II clinical trials for patients with HER2-positive, recurrent and/or metastatic breast cancer.
- In November 2017, the Group initiated Phase II clinical trials in Japan and South Korea for patients with HER2-positive, recurrent and/or advanced gastric cancer.

[Research and development collaboration relating DS-8201]

- Daiichi Sankyo concluded an agreement with the U.S. company, Bristol-Myers Squibb Company, in August 2017 concerning a collaborative clinical trial to evaluate the combination of *DS-8201* and *nivolumab*, the immune checkpoint inhibitor (product name: *Opdivo*) in patients with HER2-positive breast cancer and bladder cancer.
- Daiichi Sankyo concluded an agreement with the U.S. company, Puma Biotechnology, Inc. and Memorial Sloan Kettering Cancer Center, in December 2017 concerning a collaborative preclinical trial to evaluate the combination of *DS-8201* and tyrosine kinase inhibitor *neratinib* (product name in the U.S.: *NERLYNX*) in cancer patients with HER2-mutated solid tumors.

**f. DS-3201**

- Phase I clinical trials are being conducted in Japan in patients with relapsed or refractory non-Hodgkin lymphomas, and the preliminary results were presented at the ASH Annual Meeting in December 2017.
- Phase I clinical trials are being conducted in the U.S. in patients with relapsed or refractory acute myeloid leukemia (AML) and acute lymphocytic leukemia (ALL).

**g. DS-1647**

- The oncolytic virus *G47Δ* (*DS-1647*), for which the Group is jointly conducting Phase II clinical trials in Japan with Dr. Tomoki Todo, Professor at the Institute of Medical Science, the University of Tokyo, was designated for treatment of glioblastoma under the SAKIGAKE Designation System in February 2016. Furthermore, *DS-1647* was designated as an orphan drug for the treatment of glioblastoma in July 2017.

**h. Mirogabalin**

- The top-line results of two Phase III clinical trials to evaluate the efficacy of *mirogabalin* in patients with pain were announced in June 2017.
  As for clinical trial in patients with postherpetic neuralgia (PHN) in Japan and Asia, *mirogabalin* met the primary efficacy endpoint. On the other hand, with regards to clinical trial in patients with fibromyalgia (FM) in Europe and the U.S., *mirogabalin* did not meet the primary efficacy endpoint.

- The top-line results that the primary efficacy endpoint was met in Phase III clinical trials for patients with diabetic peripheral neuropathic pain (DPNP) in Japan and Asia were announced in August 2017.

**i. Esaxerenone**

- The top-line results that the primary efficacy endpoint was met in Phase III clinical trials for patients with essential hypertension in Japan were announced in September 2017.
- The Group initiated Phase III clinical trial in Japan for patients with diabetic nephropathy in September 2017.

**j. DS-5141**

- Duchenne muscular dystrophy treatment drug, *DS-5141,* whose Phase I/II clinical trial is jointly underway in Japan with Orphan Disease Treatment Institute Co., Ltd., was designated under the SAKIGAKE Designation System in April 2017.

**k. CHS-0214**

- In July 2017, the Group decided to discontinue the joint development being carried out with the U.S. company, Coherus BioSciences, Inc., in Japan of *CHS-0214,* an etanercept biosimilar for autoimmune disease treatment mainly of rheumatoid arthritis, because a manufacturing process to enable stable supply cannot be established at this time.

**[Major R&D Alliances, etc.]**

**a. Conclusion of cancer R&D collaboration agreement with Max Planck Innovation GmbH**

- In July 2017, Daiichi Sankyo, Max Planck Innovation GmbH (Max Planck) and its exploratory research center the Lead Discovery Center GmbH (LDC) signed an agreement providing Daiichi Sankyo with the option to receive the exclusive rights to a new lead compound for the treatment of cancer to be discovered and developed at the LDC.
- Under the agreement, Daiichi Sankyo, Max Planck researchers and the LDC will now closely cooperate to further optimize these novel compounds that target cancer cell transcription and proliferation.

**b. Conclusion of agreement with Cuorips Inc. regarding commercialization of iPS-derived cardiomyocyte (iPS-CM) sheet**

- In August 2017, Daiichi Sankyo signed an investment contract with Cuorips Inc. (Cuorips), an Osaka University spin-off venture to receive an option right concerning the worldwide commercialization of iPS-derived cardiomyocyte (iPS-CM) sheet developed by Cuorips.
- Under the agreement, Daiichi Sankyo and Cuorips are aiming to commercialize iPS-CM sheets as a pioneering treatment for severe heart failure.

**c. Termination of development and commercialization agreement with Charleston Laboratories Inc. regarding *CL-108***

- Daiichi Sankyo and U.S. subsidiary Daiichi Sankyo Inc. decided in August 2017 to terminate a development and commercialization agreement with the U.S. company, Charleston Laboratories Inc., regarding *CL-108,* a combination drug for the treatment of pain and opioid-induced nauseas

and vomiting (OINV) as a result of a revaluation of the U.S. pain market and the Group's portfolio.

**d. Conclusion of agreement with MD Anderson Cancer Center regarding research and development collaboration relating to therapies for acute myeloid leukemia (AML)**

- In September 2017, Daiichi Sankyo's U.S. subsidiary Daiichi Sankyo Inc., together with Plexxikon Inc., concluded an agreement with the U.S. university, the University of Texas MD Anderson Cancer Center, regarding research and development collaboration relating to therapies for acute myeloid leukemia (AML).
- Under the agreement, the collaboration will conduct translational research, including preclinical development and exploration of novel biomarkers, while assessing the concomitant effects (concomitant effects among Daiichi Sankyo's drugs and those with other companies' drugs) of the multiple compounds under development in Daiichi Sankyo's AML Franchise.

**e. Conclusion of *DS-5010* licensing agreement with Boston Pharmaceuticals Inc.**

- In August 2017, Daiichi Sankyo concluded an agreement with the U.S. company, Boston Pharmaceuticals Inc., granting that company worldwide rights for the research, development, manufacturing and commercialization of Daiichi Sankyo's *DS-5010*, a highly selective and potent RET (ret proto-oncogene) kinase inhibitor.

**f. Option agreement for antibody drug conjugate strategic collaboration and licensing with Glycotope GmbH**

- In October 2017, Daiichi Sankyo has signed an option agreement with the German company, Glycotope GmbH (Glycotope), for future strategic collaboration and licensing to develop an antibody drug conjugate (ADC) by combining Daiichi Sankyo's proprietary ADC technology with Glycotope's investigational tumor-associated TA-MUC1 antibody *PankoMab-GEX*.
- Under the agreement, once a feasibility study has been successfully completed, Daiichi Sankyo has the worldwide exclusive rights to develop and commercialize *PankoMab-GEX* ADC.

**g. Termination of *TS23* licensing agreement with Translational Sciences, Inc.**

- In October 2017, Daiichi Sankyo decided to return all rights to develop and commercialize Translational Sciences, Inc.'s thrombus dissolving agent, *TS23*, due to the re-prioritization and re-focusing of the R&D pipeline.

**(2) Information about Financial Position**

- Total assets as of December 31, 2017 are ¥1,954.2 billion, an increase of ¥39.2 billion from the previous fiscal year-end, mainly due to an increase in trade and other receivables which was partially offset by a decrease in intangible assets.
- Total liabilities as of December 31, 2017 are ¥752.8 billion, an increase of ¥9.3 billion from the previous fiscal year-end, mainly due to an increase in provisions (non-current liabilities) which was partially offset by a decrease in trade and other payables.
- Total equity as of December 31, 2017 is ¥1,201.4 billion, an increase of ¥29.9 billion from the previous fiscal year-end, mainly because of the profit for the period and an increase in the other components of equity which were partially offset by dividends paid and acquisition of treasury shares (7,434 thousand shares, ¥20.0 billion).
  The acquisition of treasury shares is based on a resolution made at the meeting of the Board of Directors held on October 31, 2017 which approved maximum acquisition of up to 28,000 thousand shares, ¥50.0 billion.
- The ratio of equity attributable to owners of the Company to total assets increased by 0.1% from the previous year-end to 61.5%.

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

- The differences from the forecasts of consolidated financial results for the year ending March 31, 2018, which were publicly announced on October 31, 2017, are shown below.

1) Revisions to the forecasts of consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

| | 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) | 930,000 | 75,000 | 75,000 | 50,000 | 76.23 |
| Revised forecasts (B) | 950,000 | 75,000 | 75,000 | 50,000 | 76.23 |
| Change (B-A) | 20,000 | – | – | – | |
| Percentage of change (%) | 2.2% | – | – | – | |
| (Reference) Year ended March 31, 2017 | 955,124 | 88,929 | 87,788 | 53,466 | 79.63 |

* Assumed exchange rate since the fourth quarter: USD/Yen = 110 EUR/Yen = 120

2) Reason for the revision

- The forecast for revenue has been revised upward from the previous forecast by ¥20.0 billion to ¥950.0 billion anticipating the strong performance in Japan, the U.S. and Europe in addition to the foreign exchange effects due to weaker yen.
- The forecasts for operating profit and profit before tax have not changed from the previous forecasts of ¥75.0 billion in light of anticipated factors including an increase in expenses due to progress made on research and development projects, despite the projection for an increase in gross profit resulting from growth in revenue.
- Basic earnings per share for both previous forecasts and revised forecasts reflect the acquisition of treasury shares conducted from November 1 to December 31, 2017.

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.

### (4) Information about Return to Shareholders

- In order to secure sustainable growth in corporate value, one of the fundamental business policies of Daiichi Sankyo is to decide profit distributions based on a comprehensive consideration of the investments essential for implementing its growth strategy and returning profits to shareholders.
- In the 5-Year Business Plan, Daiichi Sankyo introduced policy to pay a total return ratio* of 100% or more during the period, and in terms of dividend payments, to distribute ordinary dividends to ¥70 or more yearly, to pay stable dividends, and to exercise the agile purchase of treasury shares.

  * Total return ratio = (Total amount of dividends + Total acquisition costs of treasury shares) / Profit attributable to owners of the Company
- Daiichi Sankyo paid an ordinary dividend of ¥35 per share as an interim dividend on December 1, 2017. The year-end dividend for the year ending March 31, 2018 is forecast at ¥35 per share, and, accordingly, the annual dividend for the year ending March 31, 2018 is forecast at ¥70 per share in total.

## 2. Condensed Interim Consolidated Financial Statements with Primary Notes

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

(Millions of yen)

| | As of March 31, 2017 | As of December 31, 2017 |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 246,050 | 288,624 |
| Trade and other receivables | 231,867 | 284,763 |
| Other financial assets | 552,896 | 480,449 |
| Inventories | 153,138 | 169,239 |
| Other current assets | 10,461 | 7,321 |
| Subtotal | 1,194,414 | 1,230,398 |
| Assets held for sale | 3,374 | - |
| Total current assets | 1,197,788 | 1,230,398 |
| Non-current assets | | |
| Property, plant and equipment | 217,772 | 219,391 |
| Goodwill | 78,446 | 78,872 |
| Intangible assets | 217,044 | 182,708 |
| Investments accounted for using the equity method | 1,424 | 1,695 |
| Other financial assets | 140,856 | 190,014 |
| Deferred tax assets | 53,502 | 43,449 |
| Other non-current assets | 8,143 | 7,655 |
| Total non-current assets | 717,190 | 723,788 |
| Total assets | 1,914,979 | 1,954,187 |

(Millions of yen)

| | As of March 31, 2017 | As of December 31, 2017 |
|---|---|---|
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Trade and other payables | 219,759 | 203,296 |
| Bonds and borrowings | - | 20,000 |
| Other financial liabilities | 535 | 557 |
| Income taxes payable | 57,955 | 69,682 |
| Provisions | 41,223 | 33,329 |
| Other current liabilities | 6,285 | 9,522 |
| Subtotal | 325,758 | 336,387 |
| Liabilities directly associated with assets held for sale | 1,058 | - |
| Total current liabilities | 326,817 | 336,387 |
| Non-current liabilities | | |
| Bonds and borrowings | 280,543 | 260,559 |
| Other financial liabilities | 9,069 | 8,253 |
| Post-employment benefit liabilities | 11,381 | 12,262 |
| Provisions | 16,350 | 49,282 |
| Deferred tax liabilities | 32,294 | 21,856 |
| Other non-current liabilities | 67,093 | 64,234 |
| Total non-current liabilities | 416,733 | 416,449 |
| Total liabilities | 743,550 | 752,836 |
| Equity | | |
| Equity attributable to owners of the Company | | |
| Share capital | 50,000 | 50,000 |
| Capital surplus | 103,750 | 94,650 |
| Treasury shares | (113,952) | (133,599) |
| Other components of equity | 124,489 | 152,003 |
| Retained earnings | 1,011,610 | 1,038,239 |
| Total equity attributable to owners of the Company | 1,175,897 | 1,201,293 |
| Non-controlling interests | | |
| Non-controlling interests | (4,469) | 56 |
| Total equity | 1,171,428 | 1,201,350 |
| Total liabilities and equity | 1,914,979 | 1,954,187 |

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

### Condensed Interim Consolidated Statement of Profit or Loss

(Millions of yen)

| | Nine months ended December 31, 2016 | Nine months ended December 31, 2017 |
|---|---|---|
| Revenue | 734,405 | 741,047 |
| Cost of sales | 241,742 | 255,450 |
| Gross profit | 492,662 | 485,597 |
| Selling, general and administrative expenses | 220,460 | 216,743 |
| Research and development expenses | 143,496 | 175,628 |
| Operating profit | 128,706 | 93,225 |
| Financial income | 6,097 | 7,131 |
| Financial expenses | 2,608 | 3,020 |
| Share of profit (loss) of investments accounted for using the equity method | 197 | 398 |
| Profit before tax | 132,391 | 97,735 |
| Income taxes | 45,082 | 25,605 |
| Profit for the period | 87,309 | 72,129 |
| | | |
| Profit attributable to: | | |
| Owners of the Company | 88,181 | 72,602 |
| Non-controlling interests | (872) | (473) |
| Profit for the period | 87,309 | 72,129 |
| | | |
| Earnings per share | | |
| Basic earnings per share (Yen) | 130.81 | 109.56 |
| Diluted earnings per share (Yen) | 130.50 | 109.30 |

**Condensed Interim Consolidated Statement of Comprehensive Income**

(Millions of yen)

| | Nine months ended December 31, 2016 | Nine months ended December 31, 2017 |
|---|---|---|
| Profit for the period | 87,309 | 72,129 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Financial assets measured at fair value through other comprehensive income | (6,596) | 13,965 |
| Remeasurements of defined benefit plans | - | (131) |
| Items that may be reclassified subsequently to profit or loss | | |
| Exchange differences on translation of foreign operations | 6,592 | 14,208 |
| Other comprehensive income (loss) for the period | (3) | 28,042 |
| Total comprehensive income (loss) for the period | 87,305 | 100,171 |
| | | |
| Total comprehensive income attributable to: | | |
| Owners of the Company | 88,177 | 100,645 |
| Non-controlling interests | (872) | (473) |
| Total comprehensive income (loss) for the period | 87,305 | 100,171 |

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

Nine months ended December 31, 2016

(Millions of yen)

| | 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 | Financial assets measured at fair value through other comprehensive income |
| Balance as of April 1, 2016 | 50,000 | 103,927 | (64,155) | 1,935 | 75,195 | 69,586 |
| Profit for the period | – | – | – | – | – | – |
| Other comprehensive income (loss) for the period | – | – | – | – | 6,592 | (6,596) |
| Total comprehensive income (loss) for the period | – | – | – | – | 6,592 | (6,596) |
| Purchase of treasury shares | – | (69) | (50,018) | – | – | – |
| Cancellation of treasury shares | – | – | 27 | (15) | – | – |
| Share-based payments | – | – | – | 264 | – | – |
| Dividends | – | – | – | – | – | – |
| Acquisition of non-controlling interests | – | (107) | – | – | – | – |
| Transfer from other components of equity to retained earnings | – | – | – | – | – | (3,386) |
| Others | – | – | – | – | – | – |
| Total transactions with owners of the Company | – | (177) | (49,990) | 249 | – | (3,386) |
| Balance as of December 31, 2016 | 50,000 | 103,750 | (114,146) | 2,184 | 81,788 | 59,603 |

(Millions of yen)

| | Equity attributable to owners of the Company | | | | |
|---|---|---|---|---|---|
| | Other components of equity | | | | |
| | Total other components of equity | Retained earnings | Total equity attributable to owners of the Company | Non-controlling interests | Total equity |
| Balance as of April 1, 2016 | 146,717 | 994,916 | 1,231,406 | 2,115 | 1,233,521 |
| Profit for the period | – | 88,181 | 88,181 | (872) | 87,309 |
| Other comprehensive income (loss) for the period | (3) | – | (3) | – | (3) |
| Total comprehensive income (loss) for the period | (3) | 88,181 | 88,177 | (872) | 87,305 |
| Purchase of treasury shares | – | – | (50,088) | – | (50,088) |
| Cancellation of treasury shares | (15) | (10) | 1 | – | 1 |
| Share-based payments | 264 | – | 264 | – | 264 |
| Dividends | – | (43,879) | (43,879) | – | (43,879) |
| Acquisition of non-controlling interests | – | – | (107) | (600) | (708) |
| Transfer from other components of equity to retained earnings | (3,386) | 3,386 | – | – | – |
| Others | – | – | – | (7) | (7) |
| Total transactions with owners of the Company | (3,137) | (40,503) | (93,809) | (608) | (94,417) |
| Balance as of December 31, 2016 | 143,576 | 1,042,593 | 1,225,774 | 635 | 1,226,409 |

Nine months ended December 31, 2017

(Millions of yen)

| | 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 | Financial assets measured at fair value through other comprehensive income |
| Balance as of April 1, 2017 | 50,000 | 103,750 | (113,952) | 2,067 | 67,568 | 54,853 |
| Profit for the period | – | – | – | – | – | – |
| Other comprehensive income (loss) for the period | – | – | – | – | 14,208 | 13,965 |
| Total comprehensive income (loss) for the period | – | – | – | – | 14,208 | 13,965 |
| Purchase of treasury shares | – | (34) | (20,023) | – | – | – |
| Cancellation of treasury shares | – | – | 375 | (41) | – | – |
| Dividends | – | – | – | – | – | – |
| Acquisition of non-controlling interests | – | (9,064) | – | – | – | – |
| Transfer from other components of equity to retained earnings | – | – | – | – | – | (618) |
| Others | – | – | – | – | – | – |
| Total transactions with owners of the Company | – | (9,099) | (19,647) | (41) | – | (618) |
| Balance as of December 31, 2017 | 50,000 | 94,650 | (133,599) | 2,025 | 81,776 | 68,201 |

(Millions of yen)

| | Equity attributable to owners of the Company | | | | | |
|---|---|---|---|---|---|---|
| | Other components of equity | | | | | |
| | Remeasure-ments of defined benefit plans | Total other components of equity | Retained earnings | Total equity attributable to owners of the Company | Non-controlling interests | Total equity |
| Balance as of April 1, 2017 | – | 124,489 | 1,011,610 | 1,175,897 | (4,469) | 1,171,428 |
| Profit for the period | – | – | 72,602 | 72,602 | (473) | 72,129 |
| Other comprehensive income (loss) for the period | (131) | 28,042 | – | 28,042 | – | 28,042 |
| Total comprehensive income (loss) for the period | (131) | 28,042 | 72,602 | 100,645 | (473) | 100,171 |
| Purchase of treasury shares | – | – | – | (20,058) | – | (20,058) |
| Cancellation of treasury shares | – | (41) | (30) | 304 | – | 304 |
| Dividends | – | – | (46,430) | (46,430) | – | (46,430) |
| Acquisition of non-controlling interests | – | – | – | (9,064) | 5,007 | (4,057) |
| Transfer from other components of equity to retained earnings | 131 | (486) | 486 | – | – | – |
| Others | – | – | – | – | (8) | (8) |
| Total transactions with owners of the Company | 131 | (528) | (45,974) | (75,249) | 4,998 | (70,250) |
| Balance as of December 31, 2017 | – | 152,003 | 1,038,239 | 1,201,293 | 56 | 1,201,350 |

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

(Millions of yen)

| | Nine months ended December 31, 2016 | Nine months ended December 31, 2017 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before tax | 132,391 | 97,735 |
| Depreciation and amortization | 33,635 | 33,487 |
| Impairment loss | 986 | 31,423 |
| Financial income | (6,097) | (7,131) |
| Financial expenses | 2,608 | 3,020 |
| Share of (profit) loss of investments accounted for using the equity method | (197) | (398) |
| (Gain) loss on sale and disposal of non-current assets | (177) | (5,157) |
| (Increase) decrease in trade and other receivables | (32,950) | (46,048) |
| (Increase) decrease in inventories | (14,702) | (12,958) |
| Increase (decrease) in trade and other payables | (27,540) | (25,421) |
| Others, net | 11,858 | (7,220) |
| Subtotal | 99,815 | 61,331 |
| Interest and dividends received | 3,683 | 3,803 |
| Interest paid | (904) | (1,401) |
| Income taxes paid | (22,337) | (19,884) |
| Net cash flows from operating activities | 80,257 | 43,849 |
| Cash flows from investing activities | | |
| Payments into time deposits | (471,533) | (415,393) |
| Proceeds from maturities of time deposits | 357,747 | 482,788 |
| Acquisition of securities | (136,945) | (90,090) |
| Proceeds from sale of securities | 189,813 | 104,301 |
| Acquisition of property, plant and equipment | (16,833) | (16,072) |
| Proceeds from sale of property, plant and equipment | 289 | 80 |
| Acquisition of intangible assets | (20,406) | (9,584) |
| Payments for loans receivable | (57) | (546) |
| Proceeds from collection of loans receivable | 1,225 | 542 |
| Others, net | 1,776 | 8,429 |
| Net cash flows from investing activities | (94,922) | 64,454 |
| Cash flows from financing activities | | |
| Proceeds from bonds and borrowings | 100,000 | - |
| Repayments of bonds and borrowings | (20,000) | - |
| Purchase of treasury shares | (50,088) | (20,058) |
| Proceeds from sale of treasury shares | 1 | 1 |
| Dividends paid | (43,925) | (46,458) |
| Others, net | (909) | (4,657) |
| Net cash flows from financing activities | (14,921) | (71,173) |
| Net increase (decrease) in cash and cash equivalents | (29,587) | 37,129 |
| Cash and cash equivalents at the beginning of the period | 222,159 | 246,050 |
| Effect of exchange rate changes on cash and cash equivalents | 4,409 | 5,444 |
| Cash and cash equivalents at the end of the period | 196,981 | 288,624 |

## (5) Notes to Condensed Interim Consolidated Financial Statements

### Going Concern Assumption

Not applicable.

### Changes in Significant Subsidiaries during the Period

Not applicable.

### Changes in Accounting Policies

The significant accounting policies adopted in preparing the condensed interim consolidated financial statements of the Group have not changed from the prior year except for the adoption of the following amended accounting standards. In the year ending March 31, 2018, the Group adopted the following accounting standards in accordance with their effective date. These amended accounting standards did not have a material impact on the condensed interim consolidated financial statements.

| IFRS | | Overview |
|---|---|---|
| IAS 7 | Statement of Cash Flows | Amendments to disclosure requirements for changes in liabilities arising from financing activities |
| IAS 12 | Income Taxes | Amendment to clarify the recognition of deferred tax assets for unrealized losses |