October 31, 2016

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 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
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Scheduled date of Quarterly Report filing: November 8, 2016
Scheduled date of dividend payments: December 1, 2016
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 2016
(from April 1, 2016 to September 30, 2016)

(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 2016	458,012	–4.3	73,271	–24.5	71,884	–20.8	47,767	–31.2
First six months of fiscal 2015	478,777	11.4	97,006	61.0	90,801	46.1	69,426	38.0

	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 2016	48,986	–30.7	–13,011	–	72.15	71.98
First six months of fiscal 2015	70,696	40.5	34,321	–54.2	101.69	101.47

(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, 2016	1,921,488	1,161,165	1,160,877	60.4	1,737.98
As of March 31, 2016	1,900,522	1,233,521	1,231,406	64.8	1,801.90

2. Dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2015	–	40.00	–	30.00	70.00
Fiscal 2016	–	35.00			
Fiscal 2016 (Forecast)			–	35.00	70.00

Note: Revision of the forecasts most recently announced: No

Note: Breakdown of interim dividend for fiscal 2015: ordinary dividend ¥30, commemorative dividend ¥10

3. Forecasts of Consolidated Financial Results for Fiscal 2016

(from April 1, 2016 to March 31, 2017)

(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	920,000	–6.7	100,000	–23.3	100,000	–18.3	65,000	–21.0	97.31

Note: Revision of the forecasts most recently announced: No

The figure for basic earnings per share reflects the purchase of treasury shares conducted from June 21 to September 30, 2016.

***Notes**

(1) Changes in significant subsidiaries during the period under review (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: None
3) Changes in accounting estimates: None

Note: For details, please refer to "(2) Changes in Accounting Policies and Changes in Accounting Estimates" of "2. Summary Information (Notes)" on page 13.

(3) Number of ordinary shares issued

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

As of September 30, 2016	709,011,343
As of March 31, 2016	709,011,343

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

As of September 30, 2016	41,066,541
As of March 31, 2016	25,618,187

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

First six months ended September 30, 2016	678,952,703
First six months ended September 30, 2015	695,234,472

* 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 12 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 Company, Ltd. ("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

1) Overview

[Consolidated Financial Results]

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

	First six months of fiscal 2015	First six months of fiscal 2016	YoY change
Revenue	478,777	458,012	–20,764 –4.3%
Operating profit	97,006	73,271	–23,735 –24.5%
Profit before tax	90,801	71,884	–18,917 –20.8%
Profit attributable to owners of the Company	70,696	48,986	–21,709 –30.7%
Total comprehensive income	34,321	–13,011	–47,333 –

<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 2015	First six months of fiscal 2016	YoY change
Olmesartan antihypertensive agent	147,540	115,408	–32,132 –21.8%
Prasugrel antiplatelet agent	15,265	20,231	4,966 32.5%
Edoxaban anticoagulant agent	5,348	16,052	10,704 200.1%

<Selling, general and administrative expenses>

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

	First six months of fiscal 2015	First six months of fiscal 2016	YoY change
Selling, general and administrative expenses	144,474	141,689	–2,784 –1.9%
Ratio of Selling, general and administrative expenses to revenue	30.2%	30.9%	0.8%

<Research and development expenses>

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

	First six months of fiscal 2015	First six months of fiscal 2016	YoY change
Research and development expenses	88,362	95,780	7,417 8.4%
Ratio of research and development expenses to revenue	18.5%	20.9%	2.5%

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

(Yen)

	First six months of fiscal 2015	First six months of fiscal 2016
USD/Yen	121.80	105.35
EUR/Yen	135.07	118.22

i. Revenue

Group revenue in the first six months of fiscal 2016 decreased by ¥20.8 billion, or 4.3% year on year, to ¥458.0 billion.

Despite growth in sales of mainstay products in Japan, Europe, and Asia, negative effects on revenue stemming from yen appreciation (¥28.7 billion) led to a decrease in revenue.

ii. Operating profit

Operating profit decreased by ¥23.7 billion, or 24.5% year on year, to ¥73.3 billion.

Gross profit decreased because there was a decrease in revenue, and gain on sale of subsidiaries associated with the transfer of Akita Plant and gain on sale of property, plant and equipment (¥3.5 billion in total) were included in cost of sales in the same period of the previous fiscal year.

Selling, general and administrative expenses decreased by ¥2.8 billion, or 1.9% year on year, to ¥141.7 billion. The decrease is largely attributable to cost reductions achieved as a result of sales operations restructuring implemented up until the end of the previous fiscal year-end, and also due to effects of foreign exchange, even though the inclusion of sale of property, plant and equipment associated with sales of idle assets (¥8.2 billion) in the same period of the previous fiscal year and provisions for business restructuring costs (¥6.0 billion) in the second quarter of this fiscal year.

Research and development expenses increased by ¥7.4 billion, or 8.4% year on year, to ¥95.8 billion. The increase is attributable to progress made on research and development projects, despite the positive effects of foreign exchange.

Moreover, ¥7.1 billion of the total decrease in operating profit was attributable to changes in foreign exchange.

iii. Profit before tax

Profit before tax decreased by ¥18.9 billion, or 20.8% year on year, to ¥71.9 billion.

Although there was an increase in loss on exchange differences relating to foreign denominated trade receivables, the decrease in profit before tax was not as substantial as the decrease in operating profit because financial expenses related to the sale of Sun Pharma's shares was included in the same period of the previous fiscal year.

iv. Profit attributable to owners of the Company

Profit attributable to owners of the Company decreased by ¥21.7 billion, or 30.7% year on year, to ¥49.0 billion.

The profit attributable to owners of the Company decreased largely in comparison with profit before tax, due to increase in income taxes mainly derived from a decrease in tax credit for research and development expenses.

v. Total comprehensive income

Total comprehensive income decreased by ¥47.3 billion to negative ¥13.0 billion (¥34.3 billion in the same period of the previous fiscal year).

Loss on sale of Sun Pharma's shares of ¥30.8 billion (after tax effect) was included in other comprehensive income in the same period of the previous fiscal year, however total comprehensive income decreased largely in comparison with profit attributable to owners of the Company due to the fact that foreign currency exchange differences related to overseas subsidiaries' equity worsened as a result of yen appreciation.

[Revenue by Geographic Area]

a. Japan

Revenue in Japan increased by 6.1% year on year to ¥282.0 billion.

Revenue from prescription drugs in Japan increased by 4.9% year on year to ¥241.2 billion. The increase is attributable to growth in sales of mainstay products such as *TENELIA*, *LIXIANA*, *NEXIUM*, *Efient*, *PRALIA*, and *Memary*, despite adverse effects of the NHI price revision and 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. and Japan Vaccine Co., Ltd.

In August 2016, the antiepileptic drug *VIMPAT* (generic name: lacosamide) was launched for an adjunctive therapy in the treatment of partial-onset seizures in patients with epilepsy who have not obtained sufficient response to other antiepileptic drugs. Daiichi Sankyo is the exclusive seller, and promotions are running jointly with UCB Japan Co., Ltd. (hereafter referred to as "UCB Japan"). Also in August 2016, Daiichi Sankyo and UCB Japan filed an application to use *VIMPAT* in monotherapy for partial-onset seizures in patients with epilepsy.

Revenue from royalty and exports, which centered on *Olmesartan*, the antihypertensive agent and *Levofloxacin*, the synthetic antibacterial agent, decreased by 24.5% year on year to ¥7.1 billion.

Revenue from the healthcare (OTC) products business increased by 30.7% year on year to ¥32.2 billion. The increase is attributable to growth in sales including those of the *MINON* series line of skincare products handled by Daiichi Sankyo Healthcare Co., Ltd., and also due to contributions to consolidated results generated by Im Co., Ltd. upon having acquired all outstanding shares of the entity in order to build up a foundation for the mail order business in November 2015.

Also, in August 2016, the *Loxonin S* series line of external medicine products was launched.

<Primary revenue composition in Japan>

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

	First six months of fiscal 2015	First six months of fiscal 2016	YoY change
Prescription drugs	230.0	241.2	11.2 4.9%
Royalty and exports	9.5	7.1	–2.3 –24.5%
Healthcare (OTC) products	24.6	32.2	7.6 30.7%

<Domestic revenue from mainstay prescription drugs>

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

Product name	First six months of fiscal 2015	First six months of fiscal 2016	YoY change
NEXIUM ulcer treatment	38.7	42.0	3.4 8.7%
Olmetec antihypertensive agent	36.2	34.9	–1.3 –3.6%
Memary Alzheimer's disease treatment	20.5	23.4	2.9 14.3%
Loxonin anti-inflammatory analgesic (of which *Loxonin Tape*)	24.4 (16.1)	18.8 (12.5)	–5.6 –22.8%
TENELIA type 2 diabetes mellitus inhibitor	5.3	11.8	6.4 121.2%
LIXIANA anticoagulant	5.4	11.5	6.1 114.4%
Rezaltas antihypertensive agent	8.9	8.8	–0.1 –0.9%
PRALIA treatment for osteoporosis	5.4	8.3	2.9 54.8%
RANMARK treatment for bone complications caused by bone metastases from tumors	5.9	6.8	0.9 15.6%
Inavir anti-influenza treatment	0.0	0.6	0.5 –
Cravit synthetic antibacterial agent	9.0	7.3	–1.7 –18.5%
Omnipaque contrast medium	8.5	7.2	–1.3 –15.2%
Urief treatment for dysuria	5.7	5.8	0.1 1.0%
Artist treatment for hypertension, angina pectoris and chronic heart failure	7.9	5.7	–2.2 –27.7%
Mevalotin antihyperlipidemic agent	7.0	5.5	–1.5 –21.6%
Efient antiplatelet agent	1.8	4.9	3.1 177.5%

b. North America

Revenue in North America decreased by 20.3% year on year to ¥111.5 billion.

Revenue in local currency terms decreased by 7.9% to US$1,058 million.

At Daiichi Sankyo, Inc., although sales of *Effient*, *SAVAYSA* and *MOVANTIK* increased, sales of *Benicar/Benicar HCT, AZOR, TRIBENZOR* and *Welchol* declined.

At Luitpold Pharmaceuticals Inc., sales of *Injectafer* increased.

<Revenue of Daiichi Sankyo, Inc. mainstay products>

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

Product name	First six months of fiscal 2015	First six months of fiscal 2016	YoY change
Benicar/*Benicar HCT* antihypertensive agent	331	249	–82 –24.9%
AZOR antihypertensive agent	86	56	–30 –35.3%
TRIBENZOR antihypertensive agent	52	44	–9 –16.4%
Welchol hypercholesterolemia treatment/ type 2 diabetes mellitus inhibitor	199	185	–14 –7.0%
Effient antiplatelet agent (co-promotion revenue)	87	103	16 18.2%
SAVAYSA anticoagulant	–1	9	10 –
MOVANTIK opioid-induced constipation treatment (co-promotion revenue)	5	18	13 262.5%

<Revenue of Luitpold Pharmaceuticals, Inc. mainstay products>

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

Product name	First six months of fiscal 2015	First six months of fiscal 2016	YoY change
Venofer treatment for iron deficiency anemia	132	132	0 0.1%
Injectafer treatment for iron deficiency anemia	65	105	41 62.7%

c. Europe

Revenue in Europe was ¥37.0 billion, nearly flat with the same period of the previous fiscal year (0.0% year on year).

Revenue in local currency terms increased by 14.2% to EUR313 million.

Sales of *Efient* and *LIXIANA* increased, though sales of *Olmetec*/*Olmetec Plus* and *Sevikar* declined.

<Revenue of Daiichi Sankyo Europe GmbH mainstay products>

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

Product name	First six months of fiscal 2015	First six months of fiscal 2016	YoY change
Olmetec/*Olmetec Plus* antihypertensive agent	126	115	–11 –8.8%
Sevikar antihypertensive agent	63	56	–7 –11.5%
Sevikar HCT antihypertensive agent	34	38	3 9.5%
Efient antiplatelet agent	16	35	19 117.4%
LIXIANA anticoagulant agent	1	28	27 –

d. Other regions

In other regions, revenue fell by 23.5% year on year to ¥27.6 billion.

Although major products like cough suppressant *Asmeton* grew in China, revenue fell overall mainly as a result of foreign exchange's negative impact on revenues as a result of yen appreciation against across the board of other region currencies.

2) R&D Activities

Daiichi Sankyo Group has established its 2025 Vision of being a "Global Pharma Innovator with Competitive Advantage in Oncology."

In setting out to achieve our 2025 Vision, in April 2016 we established the Oncology R&D subunit which globally brings together our drug discovery and clinical development framework, in order to accelerate R&D initiatives in the field of oncology, our primary focused area.

Daiichi Sankyo has also categorized pain treatment, central nervous system diseases, heart and kidney diseases, and rare diseases under the new horizon area.

By transforming operations of our research organization to a bioventure model, and by creating small organizational units that are specific to respective therapeutic areas and that also maintain dual functions in terms of either pharmacology and medicinal chemistry, or pharmacology and biologics, Daiichi Sankyo is going to accelerate decision-making to achieve speedier drug discovery and greater productivity.

Under our new organizational structure, we are pursuing efforts geared to generating innovative medicine that transforms standards of care (SOC) by drawing on initiatives that involve partnering, open innovation and translational research in the research and the early-stage development phase.

At the late-stage of development, in addition to oncology and cardiovascular-metabolics we are developing drugs specifically tailored to our respective national markets in order to provide new treatment options with respect to pain management.

Furthermore, we have been persisting in our efforts with respect to life cycle management, particularly in the field of cardiovascular-metabolics which is an area in which we have strengths.

The following section describes the Group's major development projects and progress made in each project.

[Daiichi Sankyo Major Development Projects]

i. Prasugrel

Prasugrel has been in Japanese market since 2014 under the brand name *Efient* with indication for ischemic cardiac diseases in patients undergoing percutaneous coronary intervention (PCI). In addition, a Phase III clinical trial is proceeding in Japan to evaluate its efficacy in patients with ischemic stroke.

Separately, in the U.S., the Phase III clinical trial was conducted to evaluate its efficacy for the treatment of pediatric patients with sickle cell disease and the trial results were submitted to the U.S. Food and Drug Administration (FDA). In June 2016, Daiichi Sankyo obtained a 180-day extension of market exclusivity.

ii. 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)).
Overseas, as of September 30, 2016, Edoxaban is being successively launched in markets in the U.S., Switzerland, the U.K., Germany, Ireland, the Netherlands, South Korea, Taiwan, Italy, Spain and other countries; and it has received approval in Hong Kong. In addition, applications for approval are currently underway in Brazil, Thailand, China, Turkey and other countries.
Furthermore, as one of our efforts with life cycle management, in August 2016, we initiated a new ELDERCARE-AF study aimed at additional dosage and formulation for patients with non-valvular AF.
Additionally, the results of an ENSURE-AF study in the U.S. and Europe of patients with non-valvular AF undergoing electrical cardioversion (low-energy shocks to trigger normal heart rhythm) were presented in August 2016 at the European Society of Cardiology Congress.

iii. 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*.

Phase III clinical trials involving patients with rheumatoid arthritis (RA) has been concluded, and an application for approval of additional indication was filed in September 2016. Denosumab is also undergoing global Phase III clinical trials for postoperative adjuvant breast cancer therapy.

iv. Quizartinib

Quizartinib is in Phase III clinical trials for use as a treatment for relapsed and refractory acute myeloid leukemia (AML) patients in Europe, the U.S. and Asia, and it is in Phase III clinical trials for newly diagnosed AML patients in the U.S. It is also in Phase I clinical trials in Japan.

v. Pexidartinib

Phase III clinical trials are being conducted in Europe and the U.S. to evaluate its efficacy in patients with tenosynovial giant cell tumor (TGCT). In October 2015 the FDA designated Pexidartinib's treatment of TGCT as a "Breakthrough Therapy."

In addition, Phase I/IIa trials are being conducted to evaluate its efficacy in cancer patients with advanced solid tumors as combination therapies with other drugs, such as anti-PD-1 antibodies.

vi. Patritumab

In May 2016, the decision was made to discontinue the HER3-Lung study evaluating patritumab for use in combination with erlotinib in Europe and the U.S., in patients with locally advanced or metastatic non-small cell lung cancer (NSCLC), because the results of the study up to that point did not meet the pre-defined efficacy criteria.

Phase II study evaluating patritumab in treating patients with relapsed or metastatic head and neck cancers, in combination with cetuximab and a platinum agent remains ongoing in Europe.

vii. Tivantinib

Tivantinib is currently in Phase III clinical trials for the second-line treatment of hepatocellular carcinoma (HCC), the most common type of liver cancer, in Europe and the U.S.

viii. Esaxerenone (CS-3150)

Phase III clinical trials were initiated in September 2016 for Esaxerenone, its non-steroidal, selective novel mineralcorticoid receptor antagonist, for patients with essential hypertension in Japan.

ix. Mirogabalin

Phase III clinical trials are undergoing in Europe and the U.S. to evaluate the efficacy of mirogabalin in patients with fibromyalgia (FM). In Japan and Asia, Phase III clinical trials are undergoing to evaluate its efficacy on patients with diabetic peripheral neuropathic pain (DPNP) and patients with postherpetic neuralgia (PHN).

x. CL-108

In August 2014, Daiichi Sankyo in-licensed CL-108, a combination drug for the treatment of pain and opioid-induced nausea and vomiting (OINV), from U.S.-based Charleston Laboratories Inc., and in June 2016 the U.S. Food and Drug Administration (FDA) accepted for review the New Drug Application (NDA) for CL-108 for the indication of relief of moderate to severe pain while preventing or reducing the associated OINV, as submitted by Charleston Laboratories Inc. in March 2016. The FDA has set a target action date under the Prescription Drug User Fee Act (PDUFA) of January 31, 2017.

xi. Nasal spray live attenuated influenza vaccines

In June 2016, an application was filed in Japan for manufacturing and marketing approval for a live attenuated influenza vaccine administered as a nasal spray (U.S. trade name FluMist Quadrivalent), which was in-licensed from MedImmune LLC of the U.S. in September 2015.

[Major R&D Alliances and Open Innovations]

i. In-license of Heartcel, an immune-modulatory progenitor cell therapeutic agent for ischemic heart failure from Celixir Ltd.

In May 2016, Daiichi Sankyo signed a license agreement with UK-based Celixir Ltd. (former company name Cell Therapy Ltd.), which has granted Daiichi Sankyo an exclusive license in Japan to develop and market Heartcel, an immune-modulatory progenitor (iMP) cell therapeutic agent for ischemic heart failure currently in development. Daiichi Sankyo will develop and market Heartcel, while CTL will maintain manufacturing responsibilities for clinical trials and commercialization.

ii. In-license of biosimilars from Amgen Inc.

In July 2016, Daiichi Sankyo executed an exclusive agreement to commercialize nine biosimilars which are currently in development by U.S. Amgen Inc. (hereafter referred to as “Amgen”) in Japan. The deal includes several biosimilars in late stage development, including adalimumab, bevacizumab and trastuzumab. Amgen will remain responsible for the development and manufacturing of the biosimilars, while Daiichi Sankyo will file for marketing approval and be responsible for distribution and commercialization in Japan. Furthermore, Amgen will have a limited rights to co-promote the products.

iii. Conclusion of joint research agreement on establishing biomarker database on healthy adults

Daiichi Sankyo, Astellas Pharma Inc. and Takeda Pharmaceutical Company Limited entered into a joint research agreement to comprehensively acquire and analyze fundamental biomarker data on healthy adult volunteers in May 2016. Through this joint research, it will become possible to establish a base of comprehensive biomarker data— something that is difficult for individual pharmaceutical companies to do— as well as lead to more effective drug discovery by using a translational research approach.

iv. Immuno-oncology cross-licensing agreement and bi-specific antibody collaboration

In September 2016, Daiichi Sankyo concluded a bi-specific antibody cross-licensing and collaboration agreement with Zymeworks Inc. to accelerate the R&D of proprietary cancer immune-oncology products.

v. Initiation of open innovation research on capillary stem cells (CapSCs)

Daiichi Sankyo and National University Corporation Asahikawa Medical University (Asahikawa Medical University) initiated open innovation research to develop the new capillary stem cells (CapSCs) discovered by Jun-ichi Kawabe, a professor of the Department of Cardiovascular Regeneration and Innovation, Asahikawa Medical University in April 2016. In the research, besides the therapeutic effects of CapSCs on various diseases, their practical use as a source for cell therapy will be investigated.

To carry out the research, OiDE CapiSEA, Inc. has been established, and all funds necessary for joint research and other such initiatives are provided by OiDE Fund Investment Limited Partnership (the "OiDE Fund"), which is operated by Mitsubishi UFJ Capital Co., Ltd. (Mitsubishi UFJ Capital).

This is the first OiDE Fund investment, and Daiichi Sankyo and Mitsubishi UFJ Capital will continue to promote open innovation activities to develop a new drug discovery platform technology using the OiDE Fund.

3) 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 increase return to shareholders by increasing ordinary dividends to ¥70 or more yearly, to pay stable dividends, and to exercise the agile purchase of treasury shares.

* Total return ratio = (Dividends + Total acquisition costs of treasury shares) / Profit attributable to owners of the Company

Under this policy, the meeting of the Board of Directors held on October 31, 2016 approved a resolution to pay an ordinary dividend of ¥35 per share to shareholders as of September 30, 2016 as an interim dividend, which will be paid on December 1. The year-end dividend for the fiscal year ending March 31, 2017 is forecast at ¥35 per share, and, accordingly, the annual dividend for the fiscal year ending March 31, 2017 is forecast at ¥70 per share.

(2) Information about Financial Position

Total assets amounted to ¥1,921.5 billion. While trade receivables and other financial assets decreased, an increase in cash and cash equivalents from the issuance of bonds caused total assets to increase ¥21.0 billion from the previous fiscal year-end.
Total liabilities amounted to ¥760.3 billion. The issuance of bonds caused total liabilities to increase ¥93.3 billion from the previous fiscal year-end.
Total equity amounted to ¥1,161.2 billion. Despite the recording of profit for the period, lower exchange differences on translation of foreign operations due to yen appreciation and purchase of treasury shares (15,451 thousand shares for ¥38.3 billion) caused total equity to decrease ¥72.4 billion from the previous fiscal year-end.
Ratio of equity attributable to owners of Daiichi Sankyo to total assets was 60.4%, decreasing 4.4% from the previous fiscal year-end.
The purchases of treasury shares were conducted based on the resolution of the Board of Directors meeting held on June 20, 2016, with an upper limit of 28,000 thousand shares or ¥50.0 billion in acquisition cost.

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

There are no changes from the forecasts of consolidated financial results for fiscal 2016 publicly announced on May 12, 2016.

2. Summary Information (Notes)

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

Not applicable.

(2) Changes in Accounting Policies and Changes in Accounting Estimates

(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 standard starting in the fiscal year ending March 31, 2017. Adoption of the standards does not materially impact the condensed consolidated financial statements.

IFRS		Description
IFRS 11	Joint Arrangements	Clarification of accounting for acquisition of interests in joint operations
IFRS 14	Regulatory Deferral Accounts	Establish accounting for regulatory deferral accounts
IAS 1	Presentation of Financial Statements	Clarification of rules for presentation and disclosure based on materiality
IAS 27	Separate Financial Statements	Amendments to accounting for subsidiaries and associates in separate financial statements
IAS 16	Property, Plant and Equipment	Clarification of acceptable methods of depreciation and amortization
IAS 38	Intangible Assets	
IAS 16	Property, Plant and Equipment	Rules for accounting for biological assets
IAS 41	Agriculture	
IFRS 10	Consolidated Financial Statements	Amendment to accounting for sale of assets to associates
IFRS 12	Disclosure of Interests in Other Entities	
IAS 28	Investments in Associates and Joint Ventures	

3. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	Fiscal 2015 (as of March 31, 2016)	Fiscal 2016 (as of September 30, 2016)
ASSETS		
Current assets		
Cash and cash equivalents	222,159	300,501
Trade and other receivables	248,762	230,244
Other financial assets	493,768	476,776
Inventories	144,273	157,217
Other current assets	15,233	20,170
Subtotal	1,124,196	1,184,911
Assets held for sale	1,071	2,525
Total current assets	1,125,268	1,187,436
Non-current assets		
Property, plant and equipment	250,168	241,857
Goodwill	78,691	72,903
Intangible assets	210,395	205,604
Investments accounted for using the equity method	1,207	954
Other financial assets	168,189	140,125
Deferred tax assets	55,726	63,755
Other non-current assets	10,875	8,851
Total non-current assets	775,254	734,051
Total assets	1,900,522	1,921,488

(Millions of yen)

	Fiscal 2015 (as of March 31, 2016)	Fiscal 2016 (as of September 30, 2016)
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	241,831	228,090
Bonds and borrowings	20,000	20,000
Other financial liabilities	819	505
Income taxes payable	53,936	69,079
Provisions	28,335	30,272
Other current liabilities	34,770	33,344
Subtotal	379,694	381,293
Liabilities directly associated with assets held for sale	–	231
Total current liabilities	379,694	381,525
Non-current liabilities		
Bonds and borrowings	181,000	280,532
Other financial liabilities	9,148	8,249
Post employment benefit liabilities	14,028	14,237
Provisions	12,287	11,479
Deferred tax liabilities	33,679	29,706
Other non-current liabilities	37,161	34,592
Total non-current liabilities	287,306	378,797
Total liabilities	667,000	760,322
Equity		
Equity attributable to owners of the Company		
Share capital	50,000	50,000
Capital surplus	103,927	103,766
Treasury shares	(64,155)	(102,476)
Other components of equity	146,717	82,775
Retained earnings	994,916	1,026,811
Total equity attributable to owners of the Company	1,231,406	1,160,877
Non-controlling interests		
Non-controlling interests	2,115	288
Total equity	1,233,521	1,161,165
Total liabilities and equity	1,900,522	1,921,488

(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 2015 (From April 1, 2015 to September 30, 2015)	First six months of fiscal 2016 (From April 1, 2016 to September 30, 2016)
Revenue	478,777	458,012
Cost of sales	148,933	147,271
Gross profit	329,843	310,741
Selling, general and administrative expenses	144,474	141,689
Research and development expenses	88,362	95,780
Operating profit	97,006	73,271
Financial income	2,164	2,765
Financial expenses	8,053	3,907
Share of loss of investments accounted for using the equity method	315	244
Profit before tax	90,801	71,884
Income taxes	21,375	24,116
Profit for the period	69,426	47,767
Profit attributable to:		
Owners of the Company	70,696	48,986
Non-controlling interests	(1,270)	(1,218)
Profit for the period	69,426	47,767
Earnings per share		
Basic earnings per share (Yen)	101.69	72.15
Diluted earnings per share (Yen)	101.47	71.98

Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	First six months of fiscal 2015 (From April 1, 2015 to September 30, 2015)	First six months of fiscal 2016 (From April 1, 2016 to September 30, 2016)
Profit for the period	69,426	47,767
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(34,295)	(14,026)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(808)	(46,752)
Other comprehensive income (loss), net of taxes	(35,104)	(60,779)
Total comprehensive income	34,321	(13,011)
Total comprehensive income attributable to:		
Owners of the Company	35,659	(11,792)
Non-controlling interests	(1,337)	(1,218)
Total comprehensive income	34,321	(13,011)

(3) Condensed Consolidated Statement of Changes in Equity

(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	Cash flow hedges
Balance as of April 1, 2015	50,000	105,267	(14,198)	1,760	106,202	(4,347)
Profit for the period	–	–	–	–	–	–
Other comprehensive income	–	–	–	–	(741)	–
Total comprehensive income	–	–	–	–	(741)	–
Purchase of treasury shares	–	(201)	(50,019)	–	–	–
Cancellation of treasury shares	–	–	55	(24)	–	–
Share-based payments	–	–	–	220	–	–
Dividends	–	–	–	–	–	–
Acquisition of non-controlling interests	–	(1,138)	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	4,347
Others	–	–	–	–	–	–
Total transactions with the owners	–	(1,339)	(49,963)	195	–	4,347
Balance as of September 30, 2015	50,000	103,927	(64,162)	1,955	105,461	–
Balance as of April 1, 2016	50,000	103,927	(64,155)	1,935	75,195	–
Profit for the period	–	–	–	–	–	–
Other comprehensive income	–	–	–	–	(46,752)	–
Total comprehensive income	–	–	–	–	(46,752)	–
Purchase of treasury shares	–	(53)	(38,338)	–	–	–
Cancellation of treasury shares	–	–	18	(11)	–	–
Share-based payments	–	–	–	264	–	–
Dividends	–	–	–	–	–	–
Acquisition of non-controlling interests	–	(107)	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	–
Others	–	–	–	–	–	–
Total transactions with the owners	–	(161)	(38,320)	253	–	–
Balance as of September 30, 2016	50,000	103,766	(102,476)	2,189	28,442	–

(Millions of yen)

	Equity attributable to owners of the Company					
	Other components of equity					
	Financial assets measured at fair value through other comprehensive income	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, 2015	65,419	169,034	993,953	1,304,057	2,984	1,307,041
Profit for the period	–	–	70,696	70,696	(1,270)	69,426
Other comprehensive income	(34,295)	(35,036)	–	(35,036)	(67)	(35,104)
Total comprehensive income	(34,295)	(35,036)	70,696	35,659	(1,337)	34,321
Purchase of treasury shares	–	–	–	(50,220)	–	(50,220)
Cancellation of treasury shares	–	(24)	(29)	0	–	0
Share-based payments	–	220	–	220	–	220
Dividends	–	–	(21,120)	(21,120)	–	(21,120)
Acquisition of non-controlling interests	–	–	–	(1,138)	1,138	–
Transfer from other components of equity to retained earnings	32,962	37,310	(37,310)	–	–	–
Others	–	–	–	–	(5)	(5)
Total transactions with the owners	32,962	37,505	(58,461)	(72,258)	1,133	(71,125)
Balance as of September 30, 2015	64,086	171,503	1,006,188	1,267,458	2,779	1,270,237
Balance as of April 1, 2016	69,586	146,717	994,916	1,231,406	2,115	1,233,521
Profit for the period	–	–	48,986	48,986	(1,218)	47,767
Other comprehensive income	(14,026)	(60,779)	–	(60,779)	–	(60,779)
Total comprehensive income	(14,026)	(60,779)	48,986	(11,792)	(1,218)	(13,011)
Purchase of treasury shares	–	–	–	(38,392)	–	(38,392)
Cancellation of treasury shares	–	(11)	(6)	0	–	0
Share-based payments	–	264	–	264	–	264
Dividends	–	–	(20,501)	(20,501)	–	(20,501)
Acquisition of non-controlling interests	–	–	–	(107)	(600)	(708)
Transfer from other components of equity to retained earnings	(3,417)	(3,417)	3,417	–	–	–
Others	–	–	–	–	(7)	(7)
Total transactions with the owners	(3,417)	(3,163)	(17,090)	(58,736)	(608)	(59,344)
Balance as of September 30, 2016	52,143	82,775	1,026,811	1,160,877	288	1,161,165

(4) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of fiscal 2015 (From April 1, 2015 to September 30, 2015)	First six months of fiscal 2016 (From April 1, 2016 to September 30, 2016)
Cash flows from operating activities		
Profit before tax	90,801	71,884
Depreciation and amortization	21,848	21,933
Impairment loss	–	76
Financial income	(2,164)	(2,765)
Financial expenses	8,053	3,907
Share of (profit) loss of investments accounted for using the equity method	315	244
(Gain) loss on sale and disposal of fixed assets	(9,118)	410
(Increase) decrease in trade and other receivables	(8,248)	5,731
(Increase) decrease in inventories	(6,102)	(20,734)
Increase (decrease) in trade and other payables	(8,339)	2,217
Others, net	(7,142)	(250)
Subtotal	79,902	82,654
Interest and dividends received	1,936	2,194
Interest paid	(699)	(524)
Income taxes paid	(20,255)	(13,681)
Net cash flows from operating activities	60,884	70,642
Cash flows from investing activities		
Purchase of time deposits	(339,482)	(287,966)
Proceeds from maturities in time deposits	134,649	255,077
Acquisition of securities	(196,430)	(111,704)
Proceeds from sale of securities	493,843	150,464
Settlement of forward foreign exchange contract for sale of securities	(7,024)	–
Acquisitions of property, plant and equipment	(15,908)	(9,467)
Proceeds from sale of property, plant and equipment	2,435	262
Acquisition of intangible assets	(27,648)	(12,749)
Proceeds from sale of subsidiary	7,004	–
Payments for loans receivable	(991)	(54)
Proceeds from collection of loans receivable	1,009	1,042
Others, net	7,027	1,278
Net cash flows from investing activities	58,482	(13,815)

(Millions of yen)

	First six months of fiscal 2015 (From April 1, 2015 to September 30, 2015)	First six months of fiscal 2016 (From April 1, 2016 to September 30, 2016)
Cash flows from financing activities		
Proceeds from bonds and borrowings	0	100,000
Repayments of bonds and borrowings	(0)	–
Purchase of treasury shares	(50,220)	(38,392)
Proceeds from sale of treasury shares	0	0
Dividends paid	(21,122)	(20,506)
Others, net	(689)	(7,455)
Net cash flows from financing activities	(72,032)	33,645
Net increase (decrease) in cash and cash equivalents	47,334	90,473
Cash and cash equivalents at the beginning of the period	189,372	222,159
Effect of exchange rate change on cash and cash equivalents	(1,356)	(12,130)
Cash and cash equivalents at the end of the period	235,350	300,501

(5) Notes to Consolidated Financial Statements

(Note Related to Going Concern Assumption)

Not applicable.

(Segment Information)

As the Group consists of a single segment, the “Daiichi Sankyo Group,” information by reportable segment is omitted.