July 29, 2016

Consolidated Financial Results for the First Three 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: August 4, 2016
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 Three Months of Fiscal 2016
(from April 1, 2016 to June 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 three months of fiscal 2016	240,972	1.1	47,255	–3.8	45,202	0.0	30,085	–11.7
First three months of fiscal 2015	238,417	11.6	49,126	49.8	45,194	38.2	34,090	83.8

	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 three months of fiscal 2016	30,601	–12.4	–18,156	–	44.78	44.69
First three months of fiscal 2015	34,932	74.8	19,333	26.5	49.76	49.66

(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 June 30, 2016	1,842,447	1,186,806	1,185,815	64.4	1,742.47
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	–				
Fiscal 2016 (Forecast)		35.00	–	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	95.51

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 June 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 12.

(3) Number of ordinary shares issued

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

As of June 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 June 30, 2016	28,473,178
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 three months ended June 30, 2016	683,300,008
First three months ended June 30, 2015	702,060,522

* 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 Three Months" on page 11 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 Three 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 three months of fiscal 2015	First three months of fiscal 2016	YoY change
Revenue	238,417	240,972	2,554 1.1%
Operating profit	49,126	47,255	–1,871 –3.8%
Profit before tax	45,194	45,202	7 0.0%
Profit attributable to owners of the Company	34,932	30,601	–4,331 –12.4%
Total comprehensive income	19,333	–18,156	–37,490 –

<Revenue of global mainstay products>

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

Item name	First three months of fiscal 2015	First three months of fiscal 2016	YoY change
Olmesartan antihypertensive agent	75,647	65,689	–9,958 –13.2%
Prasugrel antiplatelet agent	7,820	10,892	3,071 39.3%
Edoxaban anticoagulant agent	1,841	7,328	5,488 298.1%

<Selling, general and administrative expenses>

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

	First three months of fiscal 2015	First three months of fiscal 2016	YoY change
Selling, general and administrative expenses	71,636	69,494	–2,141 –3.0%
Ratio of Selling, general and administrative expenses to revenue	30.0%	28.8%	–1.2%

<Research and development expenses>

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

	First three months of fiscal 2015	First three months of fiscal 2016	YoY change
Research and development expenses	43,693	46,601	2,908 6.7%
Ratio of research and development expenses to revenue	18.3%	19.3%	1.0%

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

(Yen)

	First three months of fiscal 2015	First three months of fiscal 2016
USD/Yen	121.37	108.25
EUR/Yen	134.16	122.17

i. Revenue

Group revenue in the first three months of fiscal 2016 increased by ¥2.6 billion, or 1.1% year on year, to ¥241.0 billion.

The increase in revenue is mainly attributable to growth in sales of mainstay products in Japan, the U.S., Europe, and Asia, despite dampening effects on revenue stemming from NHI price revision in Japan, growing numbers of generic drug prescriptions, and yen appreciation.

ii. Operating profit

Operating profit decreased by ¥1.9 billion, or 3.8% year on year, to ¥47.3 billion.

Despite higher revenue, gross profit decreased because gain on sale of subsidiaries associated with the transfer of Akita Plant (¥2.4 billion) was included in cost of sales in the same period of the previous fiscal year.

Selling, general and administrative expenses decreased by ¥2.1 billion, or 3.0% year on year, to ¥69.5 billion. The decrease is largely attributable to cost reductions achieved as a result of U.S. sales operations restructuring implemented up until the end of the previous fiscal year-end, and also due to effects of foreign exchange, even though gain on sale of property, plant and equipment associated with sales of idle assets (¥3.9 billion) was included in the same period of the previous fiscal year.

Research and development expenses increased by ¥2.9 billion, or 6.7% year on year, to ¥46.6 billion. The increase is attributable to progress made on research and development projects, despite the positive effects of foreign exchange.

iii. Profit before tax

Profit before tax was ¥45.2 billion, nearly flat with the same period of the previous fiscal year (0.0% year on year).

Although there was a decrease in operating profit and an increase in loss on exchange differences relating to foreign denominated trade receivables, profit before tax was nearly flat with the same period of the previous year because financial expenses related to the sale of Sun Pharma 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 ¥4.3 billion, or 12.4% year on year, to ¥30.6 billion.

The decrease is mainly resulting from a decrease in tax credit for research and development expenses in comparison with the same period of the previous fiscal year.

v. Total comprehensive income

Total comprehensive income decreased by ¥37.5 billion to negative ¥18.2 billion (¥19.3 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 9.2% year on year to ¥143.6 billion.

Revenue from prescription drugs in Japan increased by 7.8% year on year to ¥124.4 billion. The increase is attributable to growth in sales of mainstay products such as *NEXIUM*, *Memary*, *TENELIA*, *LIXIANA*, *PRALIA*, and *Efient*, 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.

Revenue from royalty and exports, which centered on Olmesartan, the antihypertensive agent and Levofloxacin, the synthetic antibacterial agent, decreased by 16.5% year on year to ¥3.7 billion.

Revenue from the healthcare (OTC) products business increased by 37.0% year on year to ¥14.8 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.

<Primary revenue composition in Japan>

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

	First three months of fiscal 2015	First three months of fiscal 2016	YoY change
Prescription drugs	115.4	124.4	9.0 7.8%
Royalty and exports	4.4	3.7	–0.7 –16.5%
Healthcare (OTC) products	10.8	14.8	4.0 37.0%

<Domestic revenue from mainstay prescription drugs>

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

Product name	First three months of fiscal 2015	First three months of fiscal 2016	YoY change
NEXIUM ulcer treatment	19.1	21.0	1.9 10.2%
Olmetec antihypertensive agent	18.5	18.3	–0.2 –1.1%
Memary Alzheimer's disease treatment	10.2	12.1	1.9 18.4%
Loxonin anti-inflammatory analgesic (of which *Loxonin Tape*)	12.6 (8.3)	10.3 (6.9)	–2.3 –18.0%
TENELIA type 2 diabetes mellitus inhibitor	2.4	6.7	4.3 181.1%
LIXIANA anticoagulant agent	2.1	5.5	3.4 160.3%
Rezaltas antihypertensive agent	4.6	4.7	0.0 1.0%
PRALIA treatment for osteoporosis	2.6	4.1	1.6 61.2%
RANMARK treatment for bone complications caused by bone metastases from tumors	2.9	3.4	0.5 16.6%
Inavir anti-influenza treatment	0.0	0.6	0.5 –
Cravit synthetic antibacterial agent	4.6	3.8	–0.9 –18.7%
Omnipaque contrast medium	4.2	3.7	–0.6 –13.3%
Urief treatment for dysuria	2.9	3.0	0.1 5.1%
Artist treatment for hypertension, angina pectoris and chronic heart failure	4.1	3.1	–1.0 –24.1%
Mevalotin antihyperlipidemic agent	3.6	2.9	–0.6 –18.0%
Efient antiplatelet agent	1.2	2.5	1.3 113.1%

b. North America

Revenue in North America decreased by 10.0% year on year to ¥62.6 billion.

Revenue in local currency terms increased by 0.9% to US$579 million.

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

Also, at Luitpold Pharmaceuticals Inc., sales of *Injectafer* increased, though sales of *Venofer* declined.

<Revenue of Daiichi Sankyo, Inc. mainstay products>

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

Product name	First three months of fiscal 2015	First three months of fiscal 2016	YoY change
Benicar/*Benicar HCT* antihypertensive agent	163	160	–4 –2.2%
AZOR antihypertensive agent	48	31	–17 –35.8%
TRIBENZOR antihypertensive agent	26	23	–2 –9.2%
Welchol hypercholesterolemia treatment/ type 2 diabetes mellitus inhibitor	112	92	–19 –17.4%
Effient antiplatelet agent (co-promotion revenue)	43	55	12 28.6%
SAVAYSA anticoagulant agent	–2	3	5 –
MOVANTIK opioid-induced constipation treatment (co-promotion revenue)	1	8	7 495.8%

<Revenue of Luitpold Pharmaceuticals, Inc. mainstay products>

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

Product name	First three months of fiscal 2015	First three months of fiscal 2016	YoY change
Venofer treatment for iron deficiency anemia	75	68	–7 –8.9%
Injectafer treatment for iron deficiency anemia	32	55	23 70.9%

c. Europe

Revenue in Europe increased by 7.3% year on year to ¥20.5 billion.

Revenue in local currency terms increased by 17.9% to EUR167 million.

There was a decrease in sales of *Olmetec*/*Olmetec Plus* and *Sevikar*, but an increase in sales of *Sevikar HCT*, *Efient*, and *LIXIANA* which was introduced to the market in May 2015.

<Revenue of Daiichi Sankyo Europe GmbH mainstay products>

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

Product name	First three months of fiscal 2015	First three months of fiscal 2016	YoY change
Olmetec/*Olmetec Plus* antihypertensive agent	66	63	–3 –4.4%
Sevikar antihypertensive agent	33	29	–4 –11.8%
Sevikar HCT antihypertensive agent	18	22	3 19.0%
Efient antiplatelet agent	8	19	10 124.5%
LIXIANA anticoagulant agent	0	12	12 –

d. Other regions

In other regions, revenue fell by 21.9% year on year to ¥14.3 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 all 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, and applied a bioventure business model to the New Horizon area as well. Daiichi Sankyo is going to accelerate decision-making to achieve speedier drug discovery and greater productivity 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.

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) in patients with total knee arthroplasty. In 2014, the product also received approval in Japan for additional indications for the prevention of 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 of June 30, 2016, Edoxaban has received approval for both the AF and VTE indications in the U.S., Switzerland, the U.K., Germany, Ireland, the Netherlands, and South Korea, and it is being successively launched in those markets; and it has received approval in Taiwan and Hong Kong. In addition, applications for approval are currently underway in Brazil, Thailand, Australia, China, Canada and Turkey.

Furthermore, since June 2015, Daiichi Sankyo has conducted the Hokusai-VTE Cancer study for patients with venous thromboembolism associated with cancer.

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*.

The Phase III clinical trials involving patients with rheumatoid arthritis (RA) has been concluded, and preparations to file an application for marketing authorization are underway. 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 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.

The 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. 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).

ix. 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.

x. 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 Cell Therapy Ltd.

In May 2016, Daiichi Sankyo signed a license agreement with UK-based Cell Therapy Ltd. (current Celixir 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. 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. The three companies will contribute to the optimization and acceleration of innovation in Japan-originated drug discovery through this collaboration.

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

Daiichi Sankyo, National University Corporation Asahikawa Medical University (Asahikawa Medical University) and Mitsubishi UFJ Capital Co., Ltd. (Mitsubishi UFJ Capital) 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.

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.

(2) Information about Financial Position

Total equity as of June 30, 2016 equaled ¥1,186.8 billion (a decrease of ¥46.7 billion compared with the previous fiscal year-end), and total assets amounted to ¥1,842.4 billion (a decrease of ¥58.1 billion compared with the previous fiscal year-end). Ratio of equity attributable to owners of Daiichi Sankyo to total assets was 64.4% at this date (compared with 64.8% at the previous fiscal year-end).

The decrease in total equity is largely attributable to lower exchange differences on translation of foreign operations due to yen appreciation, and also attributable to purchase of treasury shares (2,855,000 shares acquired for ¥7.3 billion), despite the recording of profit for the period.

The purchase of the treasury shares are conducted based on the resolution of the Board of Directors meeting held on June 20, 2016. It will be conducted with an upper limit of 28,000,000 shares or ¥50.0 billion in acquisition cost until October 28, 2016.

The decrease in total assets was larger than that in total equity, mainly reflecting a decrease in trade and other payables.

(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 June 30, 2016)
ASSETS		
Current assets		
Cash and cash equivalents	222,159	258,886
Trade and other receivables	248,762	246,269
Other financial assets	493,768	419,838
Inventories	144,273	144,092
Other current assets	15,233	16,617
Subtotal	1,124,196	1,085,704
Assets held for sale	1,071	1,022
Total current assets	1,125,268	1,086,727
Non-current assets		
Property, plant and equipment	250,168	242,872
Goodwill	78,691	73,823
Intangible assets	210,395	206,471
Investments accounted for using the equity method	1,207	960
Other financial assets	168,189	158,130
Deferred tax assets	55,726	62,747
Other non-current assets	10,875	10,713
Total non-current assets	775,254	755,720
Total assets	1,900,522	1,842,447

(Millions of yen)

	Fiscal 2015 (as of March 31, 2016)	Fiscal 2016 (as of June 30, 2016)
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	241,831	231,202
Bonds and borrowings	20,000	20,000
Other financial liabilities	819	618
Income taxes payable	53,936	64,264
Provisions	28,335	22,893
Other current liabilities	34,770	36,404
Total current liabilities	379,694	375,383
Non-current liabilities		
Bonds and borrowings	181,000	181,000
Other financial liabilities	9,148	9,030
Post employment benefit liabilities	14,028	14,092
Provisions	12,287	11,946
Deferred tax liabilities	33,679	30,665
Other non-current liabilities	37,161	33,521
Total non-current liabilities	287,306	280,257
Total liabilities	667,000	655,640
Equity		
Equity attributable to owners of the Company		
Share capital	50,000	50,000
Capital surplus	103,927	103,809
Treasury shares	(64,155)	(71,481)
Other components of equity	146,717	98,465
Retained earnings	994,916	1,005,021
Total equity attributable to owners of the Company	1,231,406	1,185,815
Non-controlling interests		
Non-controlling interests	2,115	991
Total equity	1,233,521	1,186,806
Total liabilities and equity	1,900,522	1,842,447

(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 three months of fiscal 2015 (From April 1, 2015 to June 30, 2015)	First three months of fiscal 2016 (From April 1, 2016 to June 30, 2016)
Revenue	238,417	240,972
Cost of sales	73,961	77,620
Gross profit	164,456	163,351
Selling, general and administrative expenses	71,636	69,494
Research and development expenses	43,693	46,601
Operating profit	49,126	47,255
Financial income	1,638	1,924
Financial expenses	5,378	3,774
Share of loss of investments accounted for using the equity method	191	202
Profit before tax	45,194	45,202
Income taxes	11,104	15,116
Profit for the period	34,090	30,085
Profit attributable to:		
Owners of the Company	34,932	30,601
Non-controlling interests	(842)	(515)
Profit for the period	34,090	30,085
Earnings per share		
Basic earnings per share (Yen)	49.76	44.78
Diluted earnings per share (Yen)	49.66	44.69

Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	First three months of fiscal 2015 (From April 1, 2015 to June 30, 2015)	First three months of fiscal 2016 (From April 1, 2016 to June 30, 2016)
Profit for the period	34,090	30,085
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(26,811)	(7,394)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	12,054	(40,847)
Other comprehensive income (loss), net of taxes	(14,756)	(48,241)
Total comprehensive income	19,333	(18,156)
Total comprehensive income attributable to:		
Owners of the Company	20,185	(17,640)
Non-controlling interests	(851)	(515)
Total comprehensive income	19,333	(18,156)

(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	-	-	-	-	12,063	-
Total comprehensive income	-	-	-	-	12,063	-
Purchase of treasury shares	-	(14)	(24,123)	-	-	-
Cancellation of treasury shares	-	-	42	(14)	-	-
Share-based payments	-	-	-	-	-	-
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	-	(1,153)	(24,080)	(14)	-	4,347
Balance as of June 30, 2015	50,000	104,114	(38,279)	1,745	118,266	-
Balance as of April 1, 2016	50,000	103,927	(64,155)	1,935	75,195	-
Profit for the period	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	(40,847)	-
Total comprehensive income	-	-	-	-	(40,847)	-
Purchase of treasury shares	-	(10)	(7,330)	-	-	-
Cancellation of treasury shares	-	0	5	(5)	-	-
Share-based payments	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Acquisition of non-controlling interests	-	(107)	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	-
Others	-	-	-	-	-	-
Total transactions with the owners	-	(117)	(7,325)	(5)	-	-
Balance as of June 30, 2016	50,000	103,809	(71,481)	1,930	34,347	-

(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	-	-	34,932	34,932	(842)	34,090
Other comprehensive income	(26,811)	(14,747)	-	(14,747)	(8)	(14,756)
Total comprehensive income	(26,811)	(14,747)	34,932	20,185	(851)	19,333
Purchase of treasury shares	-	-	-	(24,137)	-	(24,137)
Cancellation of treasury shares	-	(14)	(27)	0	-	0
Share-based payments	-	-	-	-	-	-
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	31,047	35,394	(35,394)	-	-	-
Others	-	-	-	-	(5)	(5)
Total transactions with the owners	31,047	35,380	(56,543)	(46,396)	1,133	(45,263)
Balance as of June 30, 2015	69,655	189,667	972,343	1,277,845	3,266	1,281,112
Balance as of April 1, 2016	69,586	146,717	994,916	1,231,406	2,115	1,233,521
Profit for the period	-	-	30,601	30,601	(515)	30,085
Other comprehensive income	(7,394)	(48,241)	-	(48,241)	-	(48,241)
Total comprehensive income	(7,394)	(48,241)	30,601	(17,640)	(515)	(18,156)
Purchase of treasury shares	-	-	-	(7,340)	-	(7,340)
Cancellation of treasury shares	-	(5)	-	0	-	0
Share-based payments	-	-	-	-	-	-
Dividends	-	-	(20,501)	(20,501)	-	(20,501)
Acquisition of non-controlling interests	-	-	-	(107)	(600)	(708)
Transfer from other components of equity to retained earnings	(5)	(5)	5	-	-	-
Others	-	-	-	-	(7)	(7)
Total transactions with the owners	(5)	(10)	(20,496)	(27,950)	(608)	(28,558)
Balance as of June 30, 2016	62,186	98,465	1,005,021	1,185,815	991	1,186,806

(4) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	First three months of fiscal 2015 (From April 1, 2015 to June 30, 2015)	First three months of fiscal 2016 (From April 1, 2016 to June 30, 2016)
Cash flows from operating activities		
Profit before tax	45,194	45,202
Depreciation and amortization	10,570	10,856
Impairment loss	–	36
Financial income	(1,638)	(1,924)
Financial expenses	5,378	3,774
Share of (profit) loss of investments accounted for using the equity method	191	202
(Gain) loss on sale and disposal of fixed assets	(3,766)	178
(Increase) decrease in trade and other receivables	(703)	(9,640)
(Increase) decrease in inventories	(5,187)	(6,716)
Increase (decrease) in trade and other payables	(16,331)	(638)
Others, net	1,458	(3,696)
Subtotal	35,167	37,633
Interest and dividends received	1,356	2,197
Interest paid	(398)	(371)
Income taxes paid	(10,404)	(6,505)
Net cash flows from operating activities	25,721	32,953
Cash flows from investing activities		
Purchase of time deposits	(219,836)	(132,675)
Proceeds from maturities in time deposits	40,549	142,952
Acquisition of securities	(141,700)	(53,612)
Proceeds from sale of securities	417,581	100,569
Settlement of forward foreign exchange contract for sale of securities	(7,024)	–
Acquisitions of property, plant and equipment	(7,419)	(4,703)
Proceeds from sale of property, plant and equipment	46	67
Acquisition of intangible assets	(19,567)	(2,259)
Proceeds from sale of subsidiary	7,004	–
Payments for loans receivable	(820)	(37)
Proceeds from collection of loans receivable	572	616
Others, net	4,025	(548)
Net cash flows from investing activities	73,412	50,367

(Millions of yen)

	First three months of fiscal 2015 (From April 1, 2015 to June 30, 2015)	First three months of fiscal 2016 (From April 1, 2016 to June 30, 2016)
Cash flows from financing activities		
Proceeds from bonds and borrowings	0	–
Repayments of bonds and borrowings	(0)	–
Purchase of treasury shares	(24,123)	(7,340)
Proceeds from sale of treasury shares	0	0
Dividends paid	(21,156)	(20,540)
Others, net	(7,924)	(6,836)
Net cash flows from financing activities	(53,203)	(34,718)
Net increase (decrease) in cash and cash equivalents	45,929	48,602
Cash and cash equivalents at the beginning of the period	189,372	222,159
Effect of exchange rate change on cash and cash equivalents	3,111	(11,875)
Cash and cash equivalents at the end of the period	238,412	258,886

(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.

(Subsequent Events)

Issuance of Unsecured Straight Bonds

On July 25, 2016, Daiichi Sankyo issued unsecured straight bonds.

(1) Type of bonds issued, issue price, total amount of issue, interest rate, redemption method, maturity

a. Type

5th Series of Unsecured Straight Bonds (with limited inter-bond pari-passu clause)
6th Series of Unsecured Straight Bonds (with limited inter-bond pari-passu clause)

b. Issue price

Both bonds, ¥100 per face value of ¥100

c. Total amount of issue

5th Series of Unsecured Straight Bonds, ¥75,000 million
6th Series of Unsecured Straight Bonds, ¥25,000 million

d. Interest rate

5th Series of Unsecured Straight Bonds, 0.810% per annum
6th Series of Unsecured Straight Bonds, 1.200% per annum

e. Redemption methods

Both bonds are redeemable in a lump sum at 100% of the principal amount on the maturity date. The issuer may purchase or cancel either of the bonds at any time on and after the date following the payment date.

f. Maturity

5th Series of Unsecured Straight Bonds, 20 years (maturity date: July 25, 2036)
6th Series of Unsecured Straight Bonds, 30 years (maturity date: July 25, 2046)

(2) Date of issue

Both bonds issued on July 25, 2016 (the same date as the payment date)

(3) Security or guarantee

Neither of the bonds is secured by any pledge, mortgage or other charge on any assets or revenues of Daiichi Sankyo or of others, nor are they guaranteed. There are no assets reserved as security for either of the bonds.

(4) Use of funds procured

Debt repayment, treasury stock acquisition, capital investment and working capital

(5) Negative pledge

Both bonds contain a negative pledge clause.