



October 30, 2015

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2016 <under IFRS>

Listed company name: Daiichi Sankyo Company, Limited
 Listed exchange: First Section of the Tokyo Stock Exchange
 Stock code number: 4568
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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 2015

(from April 1, 2015 to September 30, 2015)

(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 2015	478,777	11.4	97,006	61.0	90,801	46.1	69,426	38.0
First six months of fiscal 2014	429,590	–	60,237	–	62,163	–	50,308	59.2

	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 2015	70,696	40.5	34,321	–54.2	101.69	101.47
First six months of fiscal 2014	50,326	50.3	74,978	36.2	71.49	71.34

Note: In fiscal 2014, Ranbaxy Laboratories Ltd. (“Ranbaxy”) was excluded from the scope of consolidation due to its merger with Sun Pharmaceutical Industries Ltd. (“Sun Pharma”).

In the first six months of fiscal 2014, the Ranbaxy Group was classified as a discontinued operation. Consequently, the amounts of revenue, operating profit and profit before tax have been restated and indicated as only the values for continuing operations excluding the Ranbaxy Group.

As year-on-year changes in revenue, operating profit and profit before tax in the first six months of fiscal 2014 have not been indicated as the figures of the first six months of fiscal 2013 have not been restated.

(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, 2015	1,900,871	1,270,237	1,267,458	66.7	1,854.66
As of March 31, 2015	1,982,286	1,307,041	1,304,057	65.8	1,852.28

2. Dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2014	–	30.00	–	30.00	60.00
Fiscal 2015	–	40.00			
Fiscal 2015 (Forecast)			–	30.00	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 2015

(from April 1, 2015 to March 31, 2016)

(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	980,000	6.6	120,000	61.2	115,000	43.9	75,000	–76.7	109.75

Note: Revision of the forecasts most recently announced: Yes

The figure for basic earnings per share reflects the acquisition of treasury shares conducted from May 15 to August 25, 2015.

***Notes**

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in a change in scope of consolidation): None

Newly included: None Excluded: None

(2) Changes in accounting policies and changes in accounting estimates

1) Changes in accounting policies required by IFRS: Yes

2) Changes in accounting policies due to other reasons: 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 September 30, 2015	709,011,343
As of March 31, 2015	709,011,343

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

As of September 30, 2015	25,620,696
As of March 31, 2015	4,983,171

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

First six months ended September 30, 2015	695,234,472
First six months ended September 30, 2014	703,962,156

* 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 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 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 2014	First six months of fiscal 2015	YoY change
Revenue	429,590	478,777	49,186 11.4%
Operating profit	60,237	97,006	36,768 61.0%
Profit before tax	62,163	90,801	28,638 46.1%
Profit from continuing operations	35,229	69,426	34,196 97.1%
Profit from discontinued operations	15,079	–	–15,079 –%
Profit attributable to owners of the Company	50,326	70,696	20,370 40.5%

Note: In fiscal 2014, Ranbaxy Laboratories Ltd. was excluded from the scope of consolidation due to its merger with Sun Pharmaceutical Industries Ltd.

In the first six months of fiscal 2014, the Ranbaxy Group was classified as a discontinued operation. Consequently, the amounts of revenue, operating profit and profit before tax have been restated and indicated as only the values for continuing operations excluding the Ranbaxy Group.

<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 2014	First six months of fiscal 2015	YoY change
Olmesartan antihypertensive agent	142,229	147,540	5,311 3.7%
Prasugrel antiplatelet agent	11,675	15,265	3,589 30.7%
Edoxaban anticoagulant agent	197	5,348	5,150 2,602.9%

<Research and development expenses>

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

	First six months of fiscal 2014	First six months of fiscal 2015
Research and development expenses	84,893	88,362
Ratio of research and development expenses to revenue	19.8%	18.5%

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

(Yen)

	First six months of fiscal 2014	First six months of fiscal 2015
USD/Yen	103.05	121.80
EUR/Yen	138.91	135.07

i. Revenue

Group revenue in the first six months of fiscal 2015 increased by ¥49.2 billion, or 11.4% year on year, to ¥478.8 billion.

Increase of the revenue mainly owed to growth in sales of mainstay products in Japan, the U.S., Asia and South and Central America, and to the positive impact of currency movements (valued at about ¥23.8 billion).

ii. Operating Profit

Operating profit increased by ¥36.8 billion, or 61.0% year on year, to ¥97.0 billion.

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

iii. Profit before Tax

Profit before tax increased by ¥28.6 billion, or 46.1% year on year, to ¥90.8 billion.

This increase was not as substantial as the operating profit increase owing to an increase in financial expenses resulting from factors including the payments with regard to the sale of Sun Pharma shares.

iv. Profit Attributable to Owners of the Company

Profit attributable to owners of the Company increased by ¥20.4 billion, or 40.5% year on year, to ¥70.7 billion.

The increase in profit was less than the increase in profit before tax, despite a decrease in income taxes, because profit from discontinued operations was included in the same quarter of the previous fiscal year.

[Revenue by Geographic Area]

a. Japan

Revenue in Japan increased by 4.1% year on year to ¥265.9 billion.

Revenue from prescription drugs in Japan increased by 4.4% year on year to ¥230.0 billion owing to growth from products such as *NEXIUM*[®], *Memary*[®], *RANMARK*[®], *LIXIANA*[®], *PRALIA*[®], *TENELIA*[®] and *Efient*[®], despite the impact of increased generic prescribing.

This segment also includes revenue generated by Daiichi Sankyo Espha Co., Ltd., which engages mainly in the generic pharmaceutical business, and revenue generated from the vaccine business of Kitasato Daiichi Sankyo Vaccine Co., Ltd. and Japan Vaccine Co., Ltd.

Revenue from royalty and exports, which centered on exports of the active pharmaceutical ingredients (API) of Levofloxacin, the synthetic antibacterial agent, decreased by 12.8% year on year to ¥9.5 billion.

Revenue from the healthcare (OTC) products business of Daiichi Sankyo Healthcare Co., Ltd. increased by 8.7% year on year to ¥24.6 billion. In October 2015, Daiichi Sankyo Healthcare Co., Ltd. concluded an agreement to acquire all of the shares of Im Co., Ltd. in order to build up a foundation for the mail order business in the skin care field.

<Primary revenue composition in Japan>

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

	First six months of fiscal 2014	First six months of fiscal 2015	YoY change
Prescription drugs	220.3	230.0	9.7 4.4%
Royalty and exports	10.9	9.5	-1.4 -12.8%
Healthcare (OTC) products	22.7	24.6	2.0 8.7%

<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 2014	First six months of fiscal 2015	YoY change
<i>NEXIUM</i> [®] ulcer treatment	32.1	38.7	6.6 20.6%
<i>Olmotec</i> [®] antihypertensive agent	37.8	36.2	-1.6 -4.3%
<i>Loxonin</i> [®] anti-inflammatory analgesic (of which <i>Loxonin</i> [®] Tape)	25.4 (15.9)	24.4 (16.1)	-1.0 -3.9%
<i>Memary</i> [®] Alzheimer's disease treatment	16.8	20.5	3.7 22.2%
<i>Cravii</i> [®] synthetic antibacterial agent	14.2	9.0	-5.2 -36.5%
<i>Rezaltas</i> [®] antihypertensive agent	9.0	8.9	-0.1 -1.0%
<i>Omnipaque</i> [®] contrast medium	8.6	8.5	-0.1 -1.7%
<i>Artist</i> [®] treatment for hypertension, angina pectoris and chronic heart failure	9.4	7.9	-1.5 -16.3%
<i>Mevalotin</i> [®] antihyperlipidemic agent	8.3	7.0	-1.3 -16.1%
<i>RANMARK</i> [®] treatment for bone complications	4.7	5.9	1.2 25.8%
<i>Urief</i> [®] treatment for dysuria	5.6	5.7	0.1 2.0%
<i>LIXIANA</i> [®] anticoagulant agent	0.2	5.4	5.2 2,612.0%
<i>PRALIA</i> [®] treatment for osteoporosis	3.0	5.4	2.4 79.6%
<i>TENELIA</i> [®] type 2 diabetes mellitus inhibitor	3.3	5.3	2.0 61.8%
<i>Efient</i> [®] antiplatelet agent	0.3	1.8	1.5 461.0%

b. North America

Revenue in North America increased by 33.5% year on year to ¥139.9 billion.

Revenue in local currency terms rose by 12.9% to US\$1,148 million.

At Daiichi Sankyo, Inc., *Welchol*[®] sales declined, but overall sales increased with a contribution from higher sales of *Benicar*[®]/*Benicar HCT*[®], *AZOR*[®], *TRIBENZOR*[®], *Effient*[®], as well as *MOVANTIK*[™], which co-promotion started in April 2015.

Although US\$6 million in revenue from *SAVAYSA*[™] was recorded for fiscal 2014 after the product was launched in February 2015, during the six months ended September 30, 2015, the product yielded negative revenue due to rebate adjustments and the like.

Furthermore, at Luitpold Pharmaceuticals Inc., sales of *Venofer*[®] declined, but *Injectafer*[®] contributed to an increase in sales.

In addition, Daiichi Sankyo, Inc. decided to reorganize its commercial structure to prepare for launching new products in the U.S. market in highly specialized areas including pain, oncology, and

cardiovascular-metabolic. As part of the transition to a more efficient and flexible organization, the company plans to reduce its personnel by between 1,000 and 1,200 positions.

<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 2014	First six months of fiscal 2015	YoY change
<i>Benicar</i> [®] / <i>Benicar HCT</i> [®] antihypertensive agent	330	331	2 0.5%
<i>AZOR</i> [®] antihypertensive agent	78	86	8 10.1%
<i>TRIBENZOR</i> [®] antihypertensive agent	50	52	2 3.3%
<i>Welchol</i> [®] hypercholesterolemia treatment/ type 2 diabetes mellitus inhibitor	211	199	-13 -6.1%
<i>Effient</i> [®] antiplatelet agent (co-promotion revenue)	82	87	5 5.9%
<i>SAVAYSA</i> [™] anticoagulant agent	-	-1	-1 -%
<i>MOVANTIK</i> [™] opioid-induced constipation treatment (co-promotion revenue)	-	5	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 2014	First six months of fiscal 2015	YoY change
<i>Venofer</i> [®] anemia treatment	138	132	-6 -4.7%
<i>Injectafer</i> [®] anemia treatment	28	65	36 127.9%

c. Europe

Revenue in Europe decreased by 12.4% year on year to ¥37.0 billion.

Revenue in local currency terms fell by 9.9% to EUR274 million.

Sales of *Olmotec*[®]/*Olmotec Plus*[®], *Sevikar*[®] and *Sevikar HCT*[®] declined.

Moreover, *LIXIANA*[®] was launched in Switzerland, the U.K., Germany, and Ireland in the fiscal year under review.

<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 2014	First six months of fiscal 2015	YoY change
<i>Olmetec</i> [®] / <i>Olmetec Plus</i> [®] antihypertensive agent	147	126	-20 -13.9%
<i>Sevikar</i> [®] antihypertensive agent	69	63	-6 -8.3%
<i>Sevikar HCT</i> [®] antihypertensive agent	39	34	-5 -12.2%
<i>Efient</i> [®] antiplatelet agent (co-promotion revenue)	17	16	-0 -2.5%
<i>LIXIANA</i> [®] anticoagulant agent	-	1	1 -%

d. Other regions

In other regions, revenue rose by 32.4% year on year to ¥36.0 billion.

Olmесartan and other mainstay products showed growth in China, Brazil and other countries.

2) Sale of Sun Pharma Shares

In April 2014, Daiichi Sankyo concluded an agreement with Sun Pharma for a merger of Ranbaxy with Sun Pharma, under which it would receive 0.8 shares in Sun Pharma for each share of Ranbaxy. Daiichi Sankyo owned shares of approximately 9% in Sun Pharma due to completion of the merger procedures in March 2015, and recorded a gain on the merger of a subsidiary worth ¥278.7 billion (after the application of tax effect accounting) in profit from discontinued operations.

To further increase its corporate value, Daiichi Sankyo sold all of its shares in Sun Pharma for ¥378.5 billion in April 2015. In the consolidated financial results for the first six months of fiscal 2015, ¥30.8 billion (after the application of tax effect accounting) in loss on sale relating to this transaction was recorded in other comprehensive income.

3) R&D Activities

The Daiichi Sankyo Group's R&D program promotes accelerated and sustained generation of innovative medicines. The Group has designated the fields of cardiovascular-metabolic, oncology and frontier medicine as priority areas for its research and development. Efforts continue to develop potential first-in-class and/or best-in-class products.

Daiichi Sankyo continues its efforts to cultivate and reinforce R&D capabilities with a rich entrepreneurial culture within the Group through initiatives such as Venture Science Laboratories ("VSL") established within the company and the subsidiaries as Asubio Pharma Co., Ltd., U3 Pharma GmbH and Plexxikon Inc.,

In addition, the Group is continuing to develop R&D alliances with other companies and to pursue an open innovation approach. At the same time, the Group is reinforcing its R&D activities in preparation for full-scale entry into the biopharmaceutical business, and also promoting vaccine R&D activities.

[Daiichi Sankyo Priority 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, a Phase III clinical trial is being conducted in the U.S. to evaluate its efficacy for the treatment of pediatric patients with sickle cell disease.

ii. Edoxaban

Edoxaban was launched in Switzerland, the U.K., Germany, and Ireland from the fiscal year under review. In the U.K. especially, the National Institute for Health and Care Excellence (NICE) issued a guidance recommending its use on the U.K. National Health Service (NHS). It also obtained approval in South Korea, and applications for approval are underway in China, Hong Kong, Taiwan, Thailand, Australia, Canada, and Brazil.

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

iii. Mirogabalin

Phase III clinical trials are undergoing in the U.S. and Europe 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).

iv. Vaccines

In April 2015, an application was filed in Japan for manufacturing and sales approval of intradermal seasonal influenza vaccine which was co-developed with Terumo Corporation.

Moreover, in May 2015, Daiichi Sankyo signed a cooperative sales agreement for the influenza HA vaccine “Kaketsuken,” which is manufactured and sold by The Chemo-Sero-Therapeutic Research Institute.

Furthermore, in September 2015, Daiichi Sankyo signed a licensing agreement with U.S. company MedImmune, LLC, a subsidiary of AstraZeneca, regarding development and commercialization in Japan of a live attenuated influenza vaccine administered as a nasal spray.

[Major R&D Alliances]

i. Application for Marketing Authorization for Lacosamide in Japan for the Treatment of Epilepsy

Daiichi Sankyo and UCB signed an agreement in November 2014 for joint commercialization of lacosamide, an epilepsy treatment developed by UCB. In June 2015, UCB Japan Co., Ltd. filed an application for marketing authorization in Japan as adjunctive therapy in the treatment of partial onset seizures with or without secondary generalization in patients who have not obtained sufficient response to other antiepileptic drugs. UCB will manufacture and supply the product, while Daiichi Sankyo will perform sales and distribution. The two companies will jointly carry out promotion activities.

ii. Licensing Agreement with Translational Sciences, Inc. regarding Thrombus Dissolving Agent TS23

Daiichi Sankyo signed an exclusive licensing agreement with Translational Sciences, Inc. of the U.S. regarding Translational Sciences, Inc.’s thrombus dissolving agent, TS23, which is currently undergoing Phase I clinical trials. Under the agreement, Daiichi Sankyo holds the exclusive rights to

globally develop and commercialize TS23, and will take over the development on the drug.

In the field of thrombosis, Daiichi Sankyo has the antiplatelet agent Prasugrel and the anticoagulant agent Edoxaban for treatment of disease in its chronic phase. As acute phase drugs, Daiichi Sankyo has decided to introduce TS23 in addition to its own drug under development, DS-1040, as thrombus dissolving agents. In this way, Daiichi Sankyo has enhanced its acute thrombosis therapy development pipeline and filled out its antithrombosis agent portfolio.

4) 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.

Under this basic policy, to improve shareholder returns and enhance capital efficiency, a meeting of the Board of Directors held on May 15, 2015 approved a resolution to acquire the Company's own shares up to a limit of ¥50.0 billion. With this resolution, the Daiichi Sankyo acquired approximately 20,650 thousand of its own shares for approximately ¥50.0 billion by August 25, 2015.

Daiichi Sankyo marked its 10th founding anniversary on September 28, 2015. To commemorate this event and show appreciation for the daily support of its shareholders, a meeting of the Board of Directors held on October 30, 2015 approved a resolution to pay a commemorative dividend of ¥10 per share in addition to the ordinary dividend of ¥30 to all shareholders as of September 30, 2015, for a dividend of ¥40 per share to be paid on December 1, 2015. The year-end dividend for the fiscal year ending March 31, 2016 is forecast at ¥30 per share, for a forecast annual dividend of ¥70 per share for the fiscal year ending March 31, 2016.

(2) Information about Financial Position

Total equity as of September 30, 2015 equaled ¥1,270.2 billion (a decrease of ¥36.8 billion compared with the previous fiscal year-end), and total assets amounted to ¥1,900.9 billion (a decrease of ¥81.4 billion compared with the previous fiscal year-end). Ratio of equity attributable to owners of the Company to total assets was 66.7% at this date (compared with 65.8% at the previous fiscal year-end).

Total equity decreased due mainly to acquisition of treasury shares despite the recording of profit for the period.

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

The differences from the forecasts of consolidated financial results for fiscal 2015, which were publicly announced on July 31, 2015, are shown below.

1) Revisions to the forecasts of consolidated financial results for fiscal 2015 (from April 1, 2015 to March 31, 2016)

	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)	950,000	120,000	115,000	75,000	108.12
Revised forecasts (B)	980,000	120,000	115,000	75,000	109.75
Change (B-A)	30,000	0	0	0	
Percentage of change (%)	3.2	0.0	0.0	0.0	
(Reference) Fiscal 2014	919,372	74,422	79,936	322,119 (portion from continuing operations) 46,473	457.56 (portion from continuing operations) 66.01

*Since first nine months of fiscal 2015 of the assumed exchange rate USD/Yen=120 EUR/Yen=130

2) Reason for the revision

The forecast for revenue has been revised upward from the previous forecast by ¥30.0 billion to ¥980.0 billion, as the introduction of a generic version of *Welchol*® at the U.S. subsidiary Daiichi Sankyo, Inc. is now expected to be delayed even further than previously anticipated, besides performance in Japan and other areas has been strong.

The forecasts for operating profit, profit before tax, and profit attributable to owners of the Company are unchanged from the previous forecasts with operating profit of ¥120.0 billion, profit before tax of ¥115.0 billion, and profit attributable to owners of the Company of ¥75.0 billion. The forecasts are unchanged despite the projection for an increase in gross profit resulting from an increase in revenue due to an anticipated increase in expenses for commercial structure reorganization at Daiichi Sankyo, Inc.

The figures for basic earnings per share reflect the acquisition of treasury shares conducted from May 15 to August 25, 2015.

Note: The forecasted statements shown above are based on information currently available and certain assumptions that the Company regards as reasonable. Actual performance and other results may differ from these forecasted figures due to various factors.

2. Summary Information (Notes)

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

Not applicable.

(2) Changes in Accounting Policies 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, 2016. Adoption of the standard does not materially impact the condensed consolidated financial statements.

IFRS		Description
IAS 19	Employee Benefits	Simplification of accounting treatment related to contributions from employees or third parties not dependent on years of service

3. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	Fiscal 2014 (as of March 31, 2015)	Fiscal 2015 (as of September 30, 2015)
ASSETS		
Current assets		
Cash and cash equivalents	189,372	235,350
Trade and other receivables	241,547	250,518
Other financial assets	186,457	470,008
Inventories	150,093	153,250
Other current assets	14,697	14,812
Subtotal	782,168	1,123,941
Assets held for sale	3,165	–
Total current assets	785,334	1,123,941
Non-current assets		
Property, plant and equipment	266,491	265,406
Goodwill	71,366	71,216
Intangible assets	199,411	212,132
Investments accounted for using the equity method	1,347	1,010
Other financial assets	593,944	162,940
Deferred tax assets	45,330	45,370
Other non-current assets	19,059	18,852
Total non-current assets	1,196,951	776,930
Total assets	1,982,286	1,900,871

(Millions of yen)

	Fiscal 2014 (as of March 31, 2015)	Fiscal 2015 (as of September 30, 2015)
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	235,546	217,644
Bonds and borrowings	20,000	20,000
Other financial liabilities	7,576	969
Income taxes payable	7,767	6,877
Provisions	19,444	21,121
Other current liabilities	6,735	4,463
Subtotal	297,070	271,076
Liabilities directly associated with assets held for sale	426	–
Total current liabilities	297,496	271,076
Non-current liabilities		
Bonds and borrowings	201,000	201,000
Other financial liabilities	8,337	8,432
Post employment benefit liabilities	11,631	11,855
Provisions	2,713	2,585
Deferred tax liabilities	88,357	74,001
Other non-current liabilities	65,707	61,681
Total non-current liabilities	377,747	359,557
Total liabilities	675,244	630,633
Equity		
Equity attributable to owners of the Company		
Share capital	50,000	50,000
Capital surplus	105,267	103,927
Treasury shares	(14,198)	(64,162)
Other components of equity	169,034	171,503
Retained earnings	993,953	1,006,188
Total equity attributable to owners of the Company	1,304,057	1,267,458
Non-controlling interests		
Non-controlling interests	2,984	2,779
Total equity	1,307,041	1,270,237
Total liabilities and equity	1,982,286	1,900,871

(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 2014 (From April 1, 2014 to September 30, 2014)	First six months of fiscal 2015 (From April 1, 2015 to September 30, 2015)
Revenue	429,590	478,777
Cost of sales	130,791	148,933
Gross profit	298,799	329,843
Selling, general and administrative expenses	153,668	144,474
Research and development expenses	84,893	88,362
Operating profit	60,237	97,006
Financial income	4,935	2,164
Financial expenses	2,177	8,053
Share of loss of investments accounted for using the equity method	832	315
Profit before tax	62,163	90,801
Income taxes	26,933	21,375
Profit from continuing operations	35,229	69,426
Profit from discontinued operations	15,079	–
Profit for the period	50,308	69,426
Profit attributable to:		
Owners of the Company	50,326	70,696
Non-controlling interests	(17)	(1,270)
Profit for the period	50,308	69,426
Earnings per share		
Basic earnings per share (Yen)		
Continuing operations	71.49	101.69
Discontinued operations	52.08	101.69
Discontinued operations	19.41	–
Diluted earnings per share (Yen)		
Continuing operations	71.34	101.47
Discontinued operations	51.97	101.47
Discontinued operations	19.37	–

Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	First six months of fiscal 2014 (From April 1, 2014 to September 30, 2014)	First six months of fiscal 2015 (From April 1, 2015 to September 30, 2015)
Profit for the period	50,308	69,426
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	6,308	(34,295)
Remeasurements of defined benefit plans	(15)	–
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	18,353	(808)
Share of other comprehensive income of investments accounted for using the equity method	23	–
Other comprehensive income (loss), net of taxes	24,669	(35,104)
Total comprehensive income	74,978	34,321
Total comprehensive income attributable to:		
Owners of the Company	73,736	35,659
Non-controlling interests	1,241	(1,337)
Total comprehensive income	74,978	34,321

(3) Condensed Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the Company						
	Share capital	Capital surplus	Treasury shares	Subscription rights to shares	Other components of equity		
					Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2014	50,000	105,267	(14,408)	1,680	80,252	-	39,821
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	17,133	-	6,293
Total comprehensive income	-	-	-	-	17,133	-	6,293
Purchase of treasury shares	-	-	(13)	-	-	-	-
Cancellation of treasury shares	-	-	86	(46)	-	-	-
Share-based payments	-	-	-	197	-	-	-
Dividends	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	78
Others	-	-	-	-	(1)	-	(0)
Total transactions with the owners	-	-	73	150	(1)	-	78
Balance as of September 30, 2014	50,000	105,267	(14,334)	1,831	97,384	-	46,192
Balance as of April 1, 2015	50,000	105,267	(14,198)	1,760	106,202	(4,347)	65,419
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	(741)	-	(34,295)
Total comprehensive income	-	-	-	-	(741)	-	(34,295)
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	32,962
Others	-	-	-	-	-	-	-
Total transactions with the owners	-	(1,339)	(49,963)	195	-	4,347	32,962
Balance as of September 30, 2015	50,000	103,927	(64,162)	1,955	105,461	-	64,086

(Millions of yen)

	Equity attributable to owners of the Company					
	Other components of equity		Retained earnings	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
	Remeasurements of defined benefit plans	Total other components of equity				
Balance as of April 1, 2014	-	121,753	717,320	979,933	27,594	1,007,527
Profit for the period	-	-	50,326	50,326	(17)	50,308
Other comprehensive income	(15)	23,410	-	23,410	1,258	24,669
Total comprehensive income	(15)	23,410	50,326	73,736	1,241	74,978
Purchase of treasury shares	-	-	-	(13)	-	(13)
Cancellation of treasury shares	-	(46)	(39)	0	-	0
Share-based payments	-	197	-	197	158	356
Dividends	-	-	(21,118)	(21,118)	-	(21,118)
Transfer from other components of equity to retained earnings	15	93	(93)	-	-	-
Others	-	(1)	-	(1)	(88)	(89)
Total transactions with the owners	15	243	(21,252)	(20,935)	70	(20,864)
Balance as of September 30, 2014	-	145,408	746,394	1,032,735	28,906	1,061,641
Balance as of April 1, 2015	-	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	-	(35,036)	-	(35,036)	(67)	(35,104)
Total comprehensive income	-	(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	-	37,310	(37,310)	-	-	-
Others	-	-	-	-	(5)	(5)
Total transactions with the owners	-	37,505	(58,461)	(72,258)	1,133	(71,125)
Balance as of September 30, 2015	-	171,503	1,006,188	1,267,458	2,779	1,270,237

(4) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of fiscal 2014 (From April 1, 2014 to September 30, 2014)	First six months of fiscal 2015 (From April 1, 2015 to September 30, 2015)
Cash flows from operating activities		
Profit before tax from continuing operations	62,163	90,801
Depreciation and amortization	20,392	21,848
Impairment loss	158	–
Financial income	(4,935)	(2,164)
Financial expenses	2,177	8,053
Share of (profit) loss of investments accounted for using the equity method	832	315
(Gain) loss on sale and disposal of fixed assets	685	(9,118)
(Increase) decrease in trade and other receivables	(152)	(8,248)
(Increase) decrease in inventories	(13,477)	(6,102)
Increase (decrease) in trade and other payables	(16,213)	(8,339)
Others, net	(2,830)	(7,142)
Subtotal	48,799	79,902
Interest and dividends received	1,704	1,936
Interest paid	(1,055)	(699)
Income taxes paid	(4,223)	(20,255)
Cash flows from operating activities of discontinued operations	11,529	–
Net cash flows from operating activities	56,753	60,884
Cash flows from investing activities		
Purchase of time deposits	(28,655)	(339,482)
Proceeds from maturities in time deposits	41,095	134,649
Acquisition of securities	(153,079)	(196,430)
Proceeds from sale of securities	207,088	493,843
Settlement of forward foreign exchange contract for sale of securities	–	(7,024)
Acquisitions of property, plant and equipment	(17,063)	(15,908)
Proceeds from sale of property, plant and equipment	18	2,435
Acquisition of intangible assets	(21,400)	(27,648)
Proceeds from sale of subsidiary	–	7,004
Payments for loans receivable	(654)	(991)
Proceeds from collection of loans receivable	646	1,009
Others, net	(100)	7,027
Cash flows from investing activities of discontinued operations	(2,093)	–
Net cash flows from investing activities	25,801	58,482

(Millions of yen)

	First six months of fiscal 2014 (From April 1, 2014 to September 30, 2014)	First six months of fiscal 2015 (From April 1, 2015 to September 30, 2015)
Cash flows from financing activities		
Proceeds from bonds and borrowings	–	0
Repayments of bonds and borrowings	(70,000)	(0)
Purchase of treasury shares	(13)	(50,220)
Proceeds from sale of treasury shares	0	0
Dividends paid	(21,124)	(21,122)
Others, net	(472)	(689)
Cash flows from financing activities of discontinued operations	(347)	–
Net cash flows from financing activities	(91,957)	(72,032)
Net increase (decrease) in cash and cash equivalents	(9,401)	47,334
Cash and cash equivalents at the beginning of the period	183,070	189,372
Effect of exchange rate change on cash and cash equivalents	6,604	(1,356)
Cash and cash equivalents at the end of the period	180,274	235,350

(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.

(Important Subsequent Events)

Reorganization of Sales Structure in the U.S.

The U.S. subsidiary Daiichi Sankyo, Inc. decided in October 2015 to reorganize its commercial structure to prepare for launching new products in the U.S. market in highly specialized areas including pain, oncology, and cardiovascular-metabolic. As part of the transition to a more efficient and flexible organization, the company plans to reduce its personnel by between 1,000 and 1,200 positions

The impact on the financial results for the fiscal year ending March 31, 2016 has not yet been ascertained.