October 31, 2017

Consolidated Financial Results for the First Six Months of the Year Ending March 31, 2018 (Fiscal 2017) <under IFRS>

Listed company name: Daiichi Sankyo Company, Limited
Listed exchange: First Section of the Tokyo Stock Exchange
Stock code number: 4568
URL: http://www.daiichisankyo.com
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Scheduled date of Quarterly Report filing: November 7, 2017
Scheduled date of dividend payments: December 1, 2017
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 the Year Ending March 31, 2018(from April 1, 2017 to September 30, 2017)

(1) Consolidated Financial Results

(Percentages indicate changes from the same period in the previous fiscal year.)

	Revenue		Operating profit		Profit before tax		Profit for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2017	469,397	2.5	48,758	-33.5	51,191	-28.8	33,747	-29.4
Six months ended September 30, 2016	458,012	-4.3	73,271	-24.5	71,884	-20.8	47,767	-31.2

	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
Six months ended September 30, 2017	34,278	-30.0	51,386	-	51.68	51.56
Six months ended September 30, 2016	48,986	-30.7	-13,011	-	72.15	71.98

(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, 2017	1,946,180	1,199,881	1,198,820	61.6	1,807.21
As of March 31, 2017	1,914,979	1,171,428	1,175,897	61.4	1,772.99

2. Dividends

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

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

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

(Percentages indicate changes from the same period in the previous fiscal year.)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of the Company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	930,000	-2.6	75,000	-15.7	75,000	-14.6	50,000	-6.5	75.37

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

***Notes**

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

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

1) Changes in accounting policies required by IFRS: Yes
2) Changes in accounting policies due to other reasons: No
3) Changes in accounting estimates: No

Note: Please see *"2. Condensed Interim Consolidated Financial Statements with Primary Notes, (5) Notes to Condensed Interim Consolidated Financial Statements, Changes in Accounting Policies"* on page 21

(3) Number of ordinary shares issued

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

As of September 30, 2017	709,011,343 shares
As of March 31, 2017	709,011,343 shares

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

As of September 30, 2017	45,656,591 shares
As of March 31, 2017	45,783,623 shares

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

Six months ended September 30, 2017	663,280,095 shares
Six months ended September 30, 2016	678,952,703 shares

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

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

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

Please see *"1. Qualitative Information about Consolidated Results for the Three Months (3) Information about Forecasts of Consolidated financial Results and Other Forward-Looking Statements"* on page 12 for matters related to the above forecasts.

Attached Material

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1. Qualitative Information about Consolidated Results for the First Six Months

(1) Information about Operating Results

1) Overview

[Consolidated Financial Results]

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

	Six months ended September 30, 2016	Six months ended September 30, 2017	YoY change
Revenue	458,012	469,397	11,384 2.5%
Operating profit	73,271	48,758	–24,512 –33.5%
Profit before tax	71,884	51,191	–20,692 –28.8%
Profit attributable to owners of the Company	48,986	34,278	–14,708 –30.0%
Total comprehensive income	–13,011	51,386	64,397 –

<Revenue of global mainstay products>

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

Product name	Six months ended September 30, 2016	Six months ended September 30, 2017	YoY change
Olmesartan antihypertensive agent	115,408	82,799	–32,608 –28.3%
Edoxaban anticoagulant	16,052	32,881	16,828 104.8%
Prasugrel antiplatelet agent	20,231	18,789	–1,441 –7.1%

<Selling, general and administrative expenses>

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

	Six months ended September 30, 2016	Six months ended September 30, 2017	YoY change
Selling, general and administrative expenses	141,689	139,995	–1,694 –1.2%
Ratio of selling, general and administrative expenses to revenue	30.9%	29.8%	–1.1%

<Research and development expenses>

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

	Six months ended September 30, 2016	Six months ended September 30, 2017	YoY change
Research and development expenses	95,780	123,586	27,805 29.0%
Ratio of research and development expenses to revenue	20.9%	26.3%	5.4%

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

(Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
USD/Yen	105.35	111.07
EUR/Yen	118.22	126.29

a. Revenue

- Revenue in the first six months of the year ending March 31, 2018 increased by ¥11.4 billion, or 2.5% year on year, to ¥469.4 billion.
- The positive effects from growth in sales of mainstay products such as *Edoxaban* and ongoing yen depreciation (¥9.2 billion) led to an increase in revenue, despite a decrease in sales of *Olmesartan* due to the loss of exclusivity in the U.S. and EU.

b. Operating profit

- Operating profit decreased by ¥24.5 billion, or 33.5% year on year, to ¥48.8 billion.
- Gross profit was ¥312.3 billion, approximately the same level as the same period of the previous fiscal year (increased year on year by 0.5%), mainly due to an increase in cost of sales as a result of change in the product mix, despite an increase in revenue.
- Selling, general and administrative expenses were ¥140.0 billion, approximately the same level as the same period of the previous fiscal year (decreased year on year by 1.2%).
- Research and development expenses increased by ¥27.8 billion, or 29.0% year on year, to ¥123.6 billion mainly because an impairment loss (¥27.8 billion) on intangible assets related to *CL-108*, a combination drug for the treatment of pain and opioid-induced nauseas and vomiting (OINV), was recorded.
- The positive effects on operating profit stemming from yen depreciation were ¥1.0 billion in total.

c. Profit before tax

- Profit before tax decreased by ¥20.7 billion, or 28.8% year on year, to ¥51.2 billion.
- The decrease in profit before tax was not as substantial as the decrease in operating profit mainly due to an improvement of loss (gain) on exchange differences relating to assets denominated in foreign currencies.

d. Profit attributable to owners of the Company

- Profit attributable to owners of the Company decreased by ¥14.7 billion, or 30.0% year on year, to ¥34.3 billion.

e. Total comprehensive income

- Total comprehensive income increased by ¥64.4 billion to ¥51.4 billion (negative ¥13.0 billion in the same period of the previous fiscal year).
- Total comprehensive income increased significantly in comparison with the same period of the previous fiscal year mainly due to an improvement in foreign currency exchange differences related to overseas subsidiaries' net assets.

[Revenue by Geographic Area]

Primary revenue by geographic area is as follows.

a. Japan

- Revenue in Japan increased by 8.2% year on year to ¥293.4 billion.

[Prescription drug business]

- Revenue from prescription drug business increased by 7.8% year on year to ¥257.6 billion. The increase is attributable to growth in sales of mainstay products such as *LIXIANA*, *NEXIUM*, *PRALIA*, *Efient*, *TENELIA* and *Memary*, and contributions to sales from newly launched authorized generic products, despite a decline in sales of *Olmetec* and negative effects on sales of long-listed products as a result of the growing numbers of prescriptions of generic drugs. This revenue also includes revenue generated by the generic pharmaceutical business of Daiichi Sankyo Espha Co., Ltd., and revenue generated by the vaccine business of companies that include Kitasato Daiichi Sankyo Vaccine Co., Ltd., Japan Vaccine Co., Ltd., etc.
- In June 2017, Daiichi Sankyo launched *Narurapid* tablets (immediate release formulation) and *Narusus* tablets (extended release formulation) for cancer pain treatment, whose principal ingredients are hydromorphone hydrochloride.
- In September 2017, Daiichi Sankyo launched *CANALIA* (combination drug of *TENELIA* and *CANAGLU*), a type 2 diabetes mellitus treatment agent.
- The antiepileptic drug *VIMPAT* was approved, in August 2017, for monotherapy for partial-onset seizures in patients with epilepsy. Furthermore, in September 2017, the Ministry of Health, Labour and Welfare issued a notification announcing the lifting of the restriction on the prescription period for *VIMPAT*.
- Since June 2017, Daiichi Sankyo Espha Co., Ltd. has successively launched multiple authorized generic products including *Olmesartan OD* tablets.

[Healthcare (OTC) products business]

- Revenue from the healthcare (OTC) products business increased by 11.2% year on year to ¥35.8 billion. The increase is attributable to growth in sales including those of the *MINON* series handled by Daiichi Sankyo Healthcare Co., Ltd.

<Primary revenue composition in Japan>

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

	Six months ended September 30, 2016	Six months ended September 30, 2017	YoY change
Prescription drug business*	239.0	257.6	18.6 7.8%
Healthcare (OTC) products business	32.2	35.8	3.6 11.2%

* Includes generic pharmaceutical business and vaccine business.

<Domestic revenue from mainstay prescription drugs>

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

Product name	Six months ended September 30, 2016	Six months ended September 30, 2017	YoY change
NEXIUM ulcer treatment	42.0	44.7	2.6 6.3%
Memary Alzheimer's disease treatment	23.4	24.5	1.1 4.7%
Olmetec antihypertensive agent	34.9	31.9	–3.0 –8.7%
LIXIANA anticoagulant	11.5	19.7	8.2 70.9%
Loxonin anti-inflammatory analgesic	18.8	18.9	0.1 0.3%
TENELIA type 2 diabetes mellitus treatment	11.8	13.2	1.5 12.4%
PRALIA treatment for osteoporosis/ inhibitor of the progression of bone erosion associated with rheumatoid arthritis	8.3	10.9	2.6 31.0%
Rezaltas antihypertensive agent	8.8	8.5	–0.3 –3.4%
RANMARK treatment for bone complications caused by bone metastases from tumors	6.8	7.6	0.8 11.2%
Efient antiplatelet agent	4.9	6.4	1.5 30.2%
Inavir anti-influenza treatment	0.6	1.1	0.5 93.5%
Cravit synthetic antibacterial agent	7.3	6.4	–1.0 –13.1%
Urief treatment for dysuria	5.8	5.6	–0.1 –2.3%
Omnipaque contrast medium	7.2	7.1	–0.0 –0.7%
Mevalotin antihyperlipidemic agent	5.5	4.6	–0.8 –15.3%

b. North America

- Revenue in North America decreased by 15.7% year on year to ¥94.4 billion. Revenue in local currency terms decreased by 20.1% to US$850 million. This revenue includes revenue generated by Daiichi Sankyo, Inc., and Luitpold Pharmaceuticals, Inc.
- At Daiichi Sankyo, Inc., sales of *Olmesartan* and its combination drugs, and *Effient* declined.
- In May 2017, Daiichi Sankyo, Inc. has determined that it will lead the U.S. commercialization of *RoxyBond*, FDA-approved oxycodone hydrochloride immediate-release tablets which is an abuse-deterrent opioid analgesic owned by Inspirion Delivery Sciences, LLC (Inspirion). Daiichi Sankyo, Inc. will lead the commercialization and will co-promote with Inspirion.
- 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	Six months ended September 30, 2016	Six months ended September 30, 2017	YoY change
*Olmesartan** antihypertensive agent	348	93	–255 –73.3%
Welchol hypercholesterolemia treatment/ type 2 diabetes mellitus treatment	185	177	–7 –4.0%
Effient antiplatelet agent	103	72	–31 –30.0%
SAVAYSA anticoagulant	9	9	0 5.4%
MOVANTIK opioid-induced constipation treatment	18	23	5 28.6%

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

<Revenue of Luitpold Pharmaceuticals, Inc. mainstay products>

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

Product name	Six months ended September 30, 2016	Six months ended September 30, 2017	YoY change
Venofer treatment for iron deficiency anemia	132	133	1 0.8%
Injectafer treatment for iron deficiency anemia	105	145	40 38.0%

c. Europe

- Revenue in Europe increased by 3.5% year on year to ¥38.2 billion. Revenue in local currency terms decreased by 3.2% to EUR303 million.
- Sales of *LIXIANA* increased, though sales of *Olmesartan* and its combination drugs declined.

<Revenue of Daiichi Sankyo Europe GmbH mainstay products>

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

Product name	Six months ended September 30, 2016	Six months ended September 30, 2017	YoY change
*Olmesartan** antihypertensive agent	209	142	–67 –31.9%
Efient antiplatelet agent	35	31	–5 –13.5%
LIXIANA anticoagulant	28	87	59 212.7%

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

d. Asia, South & Central America

- Revenue in Asia, South & Central America increased by 13.4% year on year to ¥38.6 billion. This revenue includes revenue to overseas' licensees.
- Mainstay products such as synthetic antibacterial agent *Cravit* grew in China.
- Mainstay products such as anticoagulant *LIXIANA* grew in South Korea.

2) R&D Activities

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

[Daiichi Sankyo Major Development Projects]

a. Edoxaban

- *Edoxaban* has been on the Japanese market since 2011 under the brand name *LIXIANA* with indication for the prevention of venous thromboembolism (VTE) after major orthopedic surgery. In 2014, the product also received approval in Japan for additional indications for the prevention of ischemic stroke and systemic embolism in patients with non-valvular atrial fibrillation (AF), and for the treatment and prevention of recurrence of VTE (deep vein thrombosis (DVT) and pulmonary embolism (PE)).
- As for overseas, *Edoxaban* has received marketing approval in over 20 countries including the U.S., Europe and Asia regions, and further initiatives for the marketing area expansion are underway.
- In terms of life cycle management, the Group initiated randomized controlled trials (ENVISAGE-TAVI AF study) in patients with atrial fibrillation undergoing transcatheter aortic valve implantation in Europe and the U.S. in April 2017.

b. Denosumab

- *Denosumab* has been on the Japanese market under the brand name *RANMARK*, since 2012 with indications for the treatment of bone complications stemming from multiple myeloma or bone metastases from solid tumors, and since 2014 with indications for the treatment of giant cell tumors of bone (GCTB). In 2013, manufacturing and marketing approval was received for the treatment for osteoporosis in Japan, where it has been on the market under the brand name *PRALIA.*

- As for *PRALIA*, the Group obtained approval for an additional indication for inhibition of the progression of bone erosion associated with rheumatoid arthritis in July 2017.
- As for *RANMARK*, global Phase III clinical trials for postoperative adjuvant breast cancer therapy.

c. Quizartinib

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

d. Pexidartinib

- *Pexidartinib* was granted Breakthrough Therapy designation by the U.S. Food and Drug Administration (FDA) for the treatment of tenosynovial giant cell tumor (TGCT) in October 2015. A Phase III clinical trial is underway in Europe and the U.S. in TGCT patients.
- 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.

e. DS-8201

- The FDA has granted Fast Track designation to *DS-8201* for the treatment of HER2-positive metastatic breast cancer in December 2016. Furthermore, the FDA has granted Breakthrough Therapy designation to *DS-8201*, for the treatment of HER2-positive, recurrent and/or metastatic breast cancer in August 2017.
- Second part (expansion study) of Phase I clinical trial to evaluate the safety and efficacy for patients with HER2-positive cancer is underway in Japan and the U.S.. The preliminary results were presented at the American Society of Clinical Oncology (ASCO) in June 2017. Furthermore, the preliminary results of HER2-expressing solid tumors other than breast cancer and gastric cancer were presented at the European Society for Medical Oncology (ESMO) in September 2017.
- In August 2017, the Group initiated global Phase II clinical trials for patients with HER2-positive, recurrent and/or metastatic breast cancer.
- The Group concluded an agreement with the U.S. company, Bristol-Myers Squibb Company, in August 2017 concerning a collaborative clinical trial to evaluate the combination of *DS-8201* and *nivolumab*, the immune checkpoint inhibitor (product name: *Opdivo*) in patients with HER2-positive breast cancer and bladder cancer.

f. DS-1647

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

g. Mirogabalin

- The top-line results of two Phase III clinical trials to evaluate the efficacy of *mirogabalin* in patients with pain were announced in June 2017.
  As for clinical trial in patients with postherpetic neuralgia (PHN) in Japan and Asia, *mirogabalin* met the primary efficacy endpoint. On the other hand, with regards to clinical trial in patients

with fibromyalgia (FM) in Europe and the U.S., *mirogabalin* did not meet the primary efficacy endpoint.

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

h. Esaxerenone

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

i. DS-5141

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

j. CHS-0214

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

[Major R&D Alliances, etc.]

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

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

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

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

c. Termination of development and commercialization agreement with Charleston Laboratories Inc. regarding *CL-108*, a combination drug for the treatment of pain and opioid-induced nauseas and vomiting (OINV)

- Daiichi Sankyo and U.S. subsidiary Daiichi Sankyo Inc. decided in August 2017 to terminate a development and commercialization agreement with the U.S. company, Charleston Laboratories Inc., regarding *CL-108*, a combination drug for the treatment of pain and opioid-induced nauseas and vomiting (OINV) as a result of a revaluation of the U.S. pain market and the Group's portfolio.

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

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

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

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

(2) Information about Financial Position

- Total assets as of September 30, 2017 are ¥1,946.2 billion, an increase of ¥31.2 billion from the previous fiscal year-end, mainly due to an increase in other financial assets (non-current assets) which was partially offset by a decrease in intangible assets.
- Total liabilities as of September 30, 2017 are ¥746.3 billion, an increase of ¥2.7 billion from the previous fiscal year-end, mainly due to an increase in provisions (non-current liabilities) which was partially offset by a decrease in trade and other payables.
- Total equity as of September 30, 2017 is ¥1,199.9 billion, an increase of ¥28.5 billion from the previous fiscal year-end, mainly because of the profit for the period and an increase in the other components of equity which was partially offset by dividends paid.
- The ratio of equity attributable to owners of the Company to total assets increased by 0.2% from the previous year-end to 61.6%.

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

- The differences from the forecasts of consolidated financial results for the year ending March 31, 2018, which were publicly announced on April 28, 2017, are shown below.

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

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of the Company	Basic earnings per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecasts (A)	930,000	100,000	100,000	66,000	99.51
Revised forecasts (B)	930,000	75,000	75,000	50,000	75.37
Change (B-A)	–	–25,000	–25,000	–16,000	
Percentage of change (%)	–	–25.0%	–25.0%	–24.2%	
(Reference) Year ended March 31, 2017	955,124	88,929	87,788	53,466	79.63

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

2) Reason for the revision

- The forecasts for operating profit and profit before tax have been revised downward from the previous forecasts by ¥25.0 billion to ¥75.0 billion. This is due to the fact that the Company recorded impairment losses on intangible assets of ¥27.8 billion as research and development expenses in the first six months following the decision, which was made on August 31, 2017, to return U.S. commercialization rights for *CL-108*, a combination drug for the treatment of pain and opioid-induced nauseas and vomiting (OINV), to the U.S. company, Charleston Laboratories Inc.

- Profit attributable to owners of the Company has been revised downward by ¥16.0 billion from the previous forecast to ¥50.0 billion due to a decrease in profit before tax.

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

(4) Information about Return to Shareholders

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

  * Total return ratio = (Total amount of dividends + Total acquisition costs of treasury shares) / Profit attributable to owners of the Company
- The meeting of the Board of Directors held on October 31, 2017 approved a resolution to pay an ordinary dividend of ¥35 per share as an interim dividend, which will be paid on December 1 to shareholders as of September 30, 2017. The year-end dividend for the year ending March 31, 2018 is forecast at ¥35 per share, and, accordingly, the annual dividend for the year ending March 31, 2018 is forecast at ¥70 per share in total.
- The meeting of the Board of Directors held on October 31, 2017 approved a resolution to implement a purchase of treasury shares set at a maximum aggregate amount of acquisition cost of ¥50.0 billion or a maximum total number of shares to be acquired of 28,000,000 shares from November 1.

2. Condensed Interim Consolidated Financial Statements with Primary Notes

(1) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
ASSETS		
Current assets		
Cash and cash equivalents	246,050	324,054
Trade and other receivables	231,867	232,128
Other financial assets	552,896	472,465
Inventories	153,138	173,427
Other current assets	10,461	9,752
Subtotal	1,194,414	1,211,828
Assets held for sale	3,374	1
Total current assets	1,197,788	1,211,829
Non-current assets		
Property, plant and equipment	217,772	216,963
Goodwill	78,446	78,716
Intangible assets	217,044	189,168
Investments accounted for using the equity method	1,424	1,201
Other financial assets	140,856	183,507
Deferred tax assets	53,502	57,076
Other non-current assets	8,143	7,717
Total non-current assets	717,190	734,351
Total assets	1,914,979	1,946,180

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	219,759	194,607
Bonds and borrowings	-	20,000
Other financial liabilities	535	534
Income taxes payable	57,955	63,502
Provisions	41,223	32,953
Other current liabilities	6,285	6,078
Subtotal	325,758	317,676
Liabilities directly associated with assets held for sale	1,058	-
Total current liabilities	326,817	317,676
Non-current liabilities		
Bonds and borrowings	280,543	260,553
Other financial liabilities	9,069	8,816
Post-employment benefit liabilities	11,381	11,996
Provisions	16,350	49,308
Deferred tax liabilities	32,294	32,227
Other non-current liabilities	67,093	65,719
Total non-current liabilities	416,733	428,622
Total liabilities	743,550	746,298
Equity		
Equity attributable to owners of the Company		
Share capital	50,000	50,000
Capital surplus	103,750	97,680
Treasury shares	(113,952)	(113,635)
Other components of equity	124,489	141,422
Retained earnings	1,011,610	1,023,352
Total equity attributable to owners of the Company	1,175,897	1,198,820
Non-controlling interests		
Non-controlling interests	(4,469)	1,061
Total equity	1,171,428	1,199,881
Total liabilities and equity	1,914,979	1,946,180

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

Condensed Interim Consolidated Statement of Profit or Loss

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Revenue	458,012	469,397
Cost of sales	147,271	157,057
Gross profit	310,741	312,340
Selling, general and administrative expenses	141,689	139,995
Research and development expenses	95,780	123,586
Operating profit	73,271	48,758
Financial income	2,765	4,669
Financial expenses	3,907	2,039
Share of profit (loss) of investments accounted for using the equity method	(244)	(196)
Profit before tax	71,884	51,191
Income taxes	24,116	17,443
Profit for the period	47,767	33,747
Profit attributable to:		
Owners of the Company	48,986	34,278
Non-controlling interests	(1,218)	(530)
Profit for the period	47,767	33,747
Earnings per share		
Basic earnings per share (Yen)	72.15	51.68
Diluted earnings per share (Yen)	71.98	51.56

Condensed Interim Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit for the period	47,767	33,747
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(14,026)	6,505
Remeasurements of defined benefit plans	-	(86)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(46,752)	11,218
Other comprehensive income (loss) for the period	(60,779)	17,638
Total comprehensive income (loss) for the period	(13,011)	51,386
Total comprehensive income attributable to:		
Owners of the Company	(11,792)	51,916
Non-controlling interests	(1,218)	(530)
Total comprehensive income (loss) for the period	(13,011)	51,386

(3) Condensed Interim Consolidated Statement of Changes in Equity

Six months ended September 30, 2017

(Millions of yen)

	Equity attributable to owners of the Company					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Subscription rights to shares	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2016	50,000	103,927	(64,155)	1,935	75,195	69,586
Profit for the period	–	–	–	–	–	–
Other comprehensive income (loss) for the period	–	–	–	–	(46,752)	(14,026)
Total comprehensive income (loss) for the period	–	–	–	–	(46,752)	(14,026)
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	–	–	–	–	–	(3,417)
Others	–	–	–	–	–	–
Total transactions with owners of the Company	–	(161)	(38,320)	253	–	(3,417)
Balance as of September 30, 2016	50,000	103,766	(102,476)	2,189	28,442	52,143

(Millions of yen)

	Equity attributable to owners of the Company				
	Other components of equity				
	Total other components of equity	Retained earnings	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance as of April 1, 2016	146,717	994,916	1,231,406	2,115	1,233,521
Profit for the period	–	48,986	48,986	(1,218)	47,767
Other comprehensive income (loss) for the period	(60,779)	–	(60,779)	–	(60,779)
Total comprehensive income (loss) for the period	(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	–	–	–
Others	–	–	–	(7)	(7)
Total transactions with owners of the Company	(3,163)	(17,090)	(58,736)	(608)	(59,344)
Balance as of September 30, 2016	82,775	1,026,811	1,160,877	288	1,161,165

Six months ended September 30, 2017

(Millions of yen)

	Equity attributable to owners of the Company					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Subscription rights to shares	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2017	50,000	103,750	(113,952)	2,067	67,568	54,853
Profit for the period	–	–	–	–	–	–
Other comprehensive income (loss) for the period	–	–	–	–	11,218	6,505
Total comprehensive income (loss) for the period	–	–	–	–	11,218	6,505
Purchase of treasury shares	–	–	(15)	–	–	–
Cancellation of treasury shares	–	–	331	(11)	–	–
Dividends	–	–	–	–	–	–
Acquisition of non-controlling interests	–	(6,069)	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(779)
Others	–	–	–	–	–	–
Total transactions with owners of the Company	–	(6,069)	316	(11)	–	(779)
Balance as of September 30, 2017	50,000	97,680	(113,635)	2,055	78,787	60,579

(Millions of yen)

	Equity attributable to owners of the Company					
	Other components of equity					
	Remeasure-ments of defined benefit plans	Total other components of equity	Retained earnings	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance as of April 1, 2017	–	124,489	1,011,610	1,175,897	(4,469)	1,171,428
Profit for the period	–	–	34,278	34,278	(530)	33,747
Other comprehensive income (loss) for the period	(86)	17,638	–	17,638	–	17,638
Total comprehensive income (loss) for the period	(86)	17,638	34,278	51,916	(530)	51,386
Purchase of treasury shares	–	–	–	(15)	–	(15)
Cancellation of treasury shares	–	(11)	(15)	303	–	303
Dividends	–	–	(23,212)	(23,212)	–	(23,212)
Acquisition of non-controlling interests	–	–	–	(6,069)	6,069	–
Transfer from other components of equity to retained earnings	86	(693)	693	–	–	–
Others	–	–	–	–	(8)	(8)
Total transactions with owners of the Company	86	(705)	(22,535)	(28,993)	6,060	(22,932)
Balance as of September 30, 2017	–	141,422	1,023,352	1,198,820	1,061	1,199,881

(4) Condensed Interim Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Profit before tax	71,884	51,191
Depreciation and amortization	21,933	21,817
Impairment loss	76	31,413
Financial income	(2,765)	(4,669)
Financial expenses	3,907	2,039
Share of (profit) loss of investments accounted for using the equity method	244	196
(Gain) loss on sale and disposal of non-current assets	410	(6,440)
(Increase) decrease in trade and other receivables	5,731	2,003
(Increase) decrease in inventories	(20,734)	(17,971)
Increase (decrease) in trade and other payables	2,217	(34,385)
Others, net	(250)	(11,909)
Subtotal	82,654	33,287
Interest and dividends received	2,194	2,274
Interest paid	(524)	(992)
Income taxes paid	(13,681)	(16,553)
Net cash flows from operating activities	70,642	18,016
Cash flows from investing activities		
Payments into time deposits	(287,966)	(393,912)
Proceeds from maturities of time deposits	255,077	458,926
Acquisition of securities	(111,704)	(51,223)
Proceeds from sale of securities	150,464	71,101
Acquisition of property, plant and equipment	(9,467)	(11,143)
Proceeds from sale of property, plant and equipment	262	76
Acquisition of intangible assets	(12,749)	(3,945)
Payments for loans receivable	(54)	(369)
Proceeds from collection of loans receivable	1,042	392
Others, net	1,278	8,520
Net cash flows from investing activities	(13,815)	78,423
Cash flows from financing activities		
Proceeds from bonds and borrowings	100,000	-
Purchase of treasury shares	(38,392)	(15)
Proceeds from sale of treasury shares	0	1
Dividends paid	(20,506)	(23,206)
Others, net	(7,455)	(424)
Net cash flows from financing activities	33,645	(23,644)
Net increase (decrease) in cash and cash equivalents	90,473	72,795
Cash and cash equivalents at the beginning of the period	222,159	246,050
Effect of exchange rate changes on cash and cash equivalents	(12,130)	5,208
Cash and cash equivalents at the end of the period	300,501	324,054

(5) Notes to Condensed Interim Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Significant Subsidiaries during the Period

Not applicable.

Changes in Accounting Policies

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

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

Subsequent Events

Purchase of Treasury Shares

The Company's Board of Directors resolved at the board meeting on October 31, 2017, to purchase the Company's own shares based on the provisions of Article 156 of the Companies Act as applied by replacing the relevant terms pursuant to the provisions of Article 165, Paragraph 3 of the same act.

(1) Reason for Purchasing Treasury Shares

To enhance shareholder returns and capital efficiency.

(2) Class of Shares to be Purchased

Ordinary shares of the Company

(3) Total Number of Shares to be Purchased

28,000,000 shares (maximum);

4.2 % of issued shares (excluding existing treasury shares)

(4) Total Amount of Purchasing Costs

¥50,000 million (maximum)

(5) Purchasing Period

From November 1, 2017 to March 23, 2018

(6) Purchasing Method

Open-market purchase on the Tokyo Stock Exchange