January 31, 2017

Consolidated Financial Results for the First Nine 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: February 7, 2017
Scheduled date of dividend payments: –
Preparing supplementary material (Reference Data) on quarterly financial results: Yes
Holding quarterly information meeting: Yes (for institutional investors, analysts and the press)

(All amounts have been rounded down to the nearest million yen.)

1. Consolidated Financial Results for the First Nine Months of Fiscal 2016
(from April 1, 2016 to December 31, 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 nine months of fiscal 2016	734,405	–3.2	128,706	–14.4	132,391	–9.0	87,309	–20.1
First nine months of fiscal 2015	758,555	9.2	150,412	50.4	145,433	35.3	109,326	10.0

	Profit attributable to owners of the Company		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
First nine months of fiscal 2016	88,181	–20.4	87,305	–0.4	130.81	130.50
First nine months of fiscal 2015	110,727	8.3	87,658	–48.2	160.18	159.83

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets	Equity per share attributable to owners of the Company
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of December 31, 2016	1,986,926	1,226,409	1,225,774	61.7	1,848.41
As of March 31, 2016	1,900,522	1,233,521	1,231,406	64.8	1,801.90

2. Dividends

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

Note: Revision of the forecasts most recently announced: No

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

3. Forecasts of Consolidated Financial Results for Fiscal 2016

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

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

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of the Company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	950,000	–3.7	110,000	–15.7	110,000	–10.1	70,000	–14.9	105.56

Note: Revision of the forecasts most recently announced: Yes

The figure for basic earnings per share reflects the purchase of treasury shares conducted from June 21 to October 24, 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 15.

(3) Number of ordinary shares issued

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

As of December 31, 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 December 31, 2016	45,861,893
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 nine months ended December 31, 2016	674,119,308
First nine months ended December 31, 2015	691,272,077

* 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 Nine Months" on page 13 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 Nine 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 nine months of fiscal 2015	First nine months of fiscal 2016	YoY change
Revenue	758,555	734,405	–24,150 –3.2%
Operating profit	150,412	128,706	–21,705 –14.4%
Profit before tax	145,433	132,391	–13,041 –9.0%
Profit attributable to owners of the Company	110,727	88,181	–22,545 –20.4%
Total comprehensive income	87,658	87,305	–353 –0.4%

<Revenue of global mainstay products>

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

Item name	First nine months of fiscal 2015	First nine months of fiscal 2016	YoY change
Olmesartan antihypertensive agent	228,453	179,068	–49,384 –21.6%
Prasugrel antiplatelet agent	23,970	31,154	7,184 30.0%
Edoxaban anticoagulant	10,537	25,983	15,445 146.6%

<Selling, general and administrative expenses>

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

	First nine months of fiscal 2015	First nine months of fiscal 2016	YoY change
Selling, general and administrative expenses	232,297	220,460	–11,837 –5.1%
Ratio of Selling, general and administrative expenses to revenue	30.6%	30.0%	–0.6%

<Research and development expenses>

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

	First nine months of fiscal 2015	First nine months of fiscal 2016	YoY change
Research and development expenses	138,125	143,496	5,371 3.9%
Ratio of research and development expenses to revenue	18.2%	19.5%	1.3%

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

(Yen)

	First nine months of fiscal 2015	First nine months of fiscal 2016
USD/Yen	121.70	106.68
EUR/Yen	134.37	118.09

i. Revenue

Group revenue in the first nine months of fiscal 2016 decreased by ¥24.2 billion, or 3.2% year on year, to ¥734.4 billion.

Despite growth in sales of mainstay products in Japan, Europe, and Asia, negative effects on revenue stemming from yen appreciation (¥40.8 billion) led to a decrease in revenue.

ii. Operating profit

Operating profit decreased by ¥21.7 billion, or 14.4% year on year, to ¥128.7 billion.

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

Selling, general and administrative expenses decreased by ¥11.8 billion, or 5.1% year on year, to ¥220.5 billion. The decrease is largely attributable to cost reductions achieved as a result of sales operations restructuring implemented up until the end of the previous fiscal year-end, and also due to effects of foreign exchange, even though the inclusion of sale of property, plant and equipment associated with sales of idle assets (¥8.2 billion) in the same period of the previous fiscal year and an increase in business restructuring costs (¥4.5 billion) in comparison with the same period of the previous fiscal year.

Research and development expenses increased by ¥5.4 billion, or 3.9% year on year, to ¥143.5 billion. The increase is attributable to progress made on research and development projects, despite the positive effects of foreign exchange.

By the way, the negative effects on operating profit stemming from yen appreciation were ¥ 7.6 billion in total.

iii. Profit before tax

Profit before tax decreased by ¥13.0 billion, or 9.0% year on year, to ¥132.4 billion.

The decrease in profit before tax was not as substantial as the decrease in operating profit because financial expenses related to the sale of Sun Pharma's shares was included in the same period of the previous fiscal year in addition to the improvement of loss (gain) on exchange differences relating to foreign denominated trade receivables in light of weaker yen as of December 2016 compared to March 2016.

iv. Profit attributable to owners of the Company

Profit attributable to owners of the Company decreased by ¥22.5 billion, or 20.4% year on year, to ¥88.2 billion.

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

v. Total comprehensive income

Total comprehensive income was ¥87.3 billion, nearly flat with the same period of the previous fiscal year (decrease by 0.4% year on year).

The decrease in total comprehensive income was not as substantial as the decrease in profit attributable to owners of the Company mainly due to the fact that 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.

[Revenue by Geographic Area]

a. Japan

Revenue in Japan increased by 5.1% year on year to ¥458.7 billion.

[Prescription drugs]

Revenue from prescription drugs in Japan increased by 3.5% year on year to ¥393.4 billion. The increase is attributable to growth in sales of mainstay products such as *LIXIANA*, *TENELIA*, *NEXIUM*, *Inavir*, *Efient*, *PRALIA*, *Memary*, and *RANMARK*, despite adverse effects of the NHI price revision and the growing numbers of prescriptions of generic drugs. This revenue also includes revenue generated by the generic pharmaceutical business of Daiichi Sankyo Espha Co., Ltd., and revenue generated by the vaccine business of companies that include Kitasato Daiichi Sankyo Vaccine Co., Ltd. and Japan Vaccine Co., Ltd.

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

[Royalty and exports]

Revenue from royalty and exports, which centered on Olmesartan, the antihypertensive agent and Levofloxacin, the synthetic antibacterial agent, decreased by 17.6% year on year to ¥11.4 billion.

[Healthcare (OTC) products]

Revenue from the healthcare (OTC) products business increased by 30.1% year on year to ¥51.9 billion. The increase is attributable to growth in sales including those of the *MINON* series line of skincare products handled by Daiichi Sankyo Healthcare Co., Ltd., and also due to contributions to consolidated results generated by Im Co., Ltd. upon having acquired all outstanding shares of the entity in order to build up a foundation for the mail order business in November 2015.

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

<Primary revenue composition in Japan>

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

	First nine months of fiscal 2015	First nine months of fiscal 2016	YoY change
Prescription drugs	380.0	393.4	13.3 3.5%
Royalty and exports	13.9	11.4	–2.4 –17.6%
Healthcare (OTC) products	39.9	51.9	12.0 30.1%

<Domestic revenue from mainstay prescription drugs>

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

Product name	First nine months of fiscal 2015	First nine months of fiscal 2016	YoY change
NEXIUM ulcer treatment	62.0	67.4	5.5 8.8%
Olmetec antihypertensive agent	60.5	54.1	–6.4 –10.5%
Memary Alzheimer's disease treatment	32.7	36.3	3.7 11.2%
Loxonin anti-inflammatory analgesic (of which *Loxonin Tape*)	38.2 (25.2)	29.3 (19.5)	–8.9 –23.4%
TENELIA type 2 diabetes mellitus treatment	11.9	19.7	7.8 65.5%
LIXIANA anticoagulant	9.6	17.9	8.3 86.5%
Rezaltas antihypertensive agent	14.1	13.6	–0.5 –3.5%
PRALIA treatment for osteoporosis	9.0	13.3	4.3 47.1%
RANMARK treatment for bone complications caused by bone metastases from tumors	9.4	10.6	1.3 13.4%
Inavir anti-influenza treatment	2.5	7.9	5.4 211.8%
Cravit synthetic antibacterial agent	14.6	12.0	–2.6 –17.7%
Omnipaque contrast medium	13.2	11.1	–2.1 –16.0%
Urief treatment for dysuria	9.0	8.9	–0.2 –1.7%
Artist treatment for hypertension, angina pectoris and chronic heart failure	12.1	8.5	–3.6 –29.7%
Mevalotin antihyperlipidemic agent	10.8	8.3	–2.5 –23.2%
Efient antiplatelet agent	3.3	7.8	4.6 138.8%

b. North America

Revenue in North America decreased by 16.7% year on year to ¥178.4 billion.

Revenue in local currency terms decreased by 5.0% to US$1,672 million.

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

Moreover, in October 2016, Daiichi Sankyo, Inc. signed a license agreement with Inspirion Delivery Sciences LLC (Inspirion), which has given Daiichi Sankyo, Inc. an exclusive license in the U.S. to commercialize MorphaBond (morphine extended-release tablets), a FDA-approved abuse-deterrent opioid analgestic, and the other abuse-deterrent opioid analgestic, if approved by FDA. Daiichi Sankyo, Inc. will lead the commercialization of the co-promotion 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	First nine months of fiscal 2015	First nine months of fiscal 2016	YoY change
Benicar/*Benicar HCT** antihypertensive agent	519	421	–98 –18.9%
AZOR antihypertensive agent	129	84	–45 –34.8%
TRIBENZOR antihypertensive agent	79	66	–13 –16.2%
Welchol hypercholesterolemia treatment/ type 2 diabetes mellitus inhibitor	310	302	–8 –2.6%
Effient antiplatelet agent (co-promotion revenue)	135	155	20 14.7%
SAVAYSA anticoagulant	2	13	11 452.3%
MOVANTIK opioid-induced constipation treatment (co-promotion revenue)	10	27	17 160.0%

*Includes 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	First nine months of fiscal 2015	First nine months of fiscal 2016	YoY change
Venofer treatment for iron deficiency anemia	200	199	–1 –0.6%
Injectafer treatment for iron deficiency anemia	106	161	56 52.6%

c. Europe

Revenue in Europe decreased by 0.9% year on year to ¥54.5 billion.

Revenue in local currency terms increased by 12.8% to EUR461 million.

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

<Revenue of Daiichi Sankyo Europe GmbH mainstay products>

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

Product name	First nine months of fiscal 2015	First nine months of fiscal 2016	YoY change
Olmetec/*Olmetec Plus* antihypertensive agent	185	156	–29 –15.6%
Sevikar antihypertensive agent	90	81	–9 –9.7%
Sevikar HCT antihypertensive agent	55	56	1 1.0%
Efient antiplatelet agent	24	51	27 109.7%
LIXIANA anticoagulant	5	52	47 967.0%

d. Other regions

In other regions, revenue decreased by 19.2% year on year to ¥42.8 billion.

Although mainstay products like anticoagulant *LIXIANA* grew in South Korea, revenue decreased overall mainly as a result of foreign exchange's negative impact on revenues as a result of yen appreciation against across the board of other region currencies.

2) R&D Activities

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

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

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

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

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

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

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

As an initiative to improve the productivity of our R&D, we are implementing a review of our global R&D system to reduce the operating expences at R&D organizations and redistribute those to our development projects. As part of that initiative, in October 2016, we closed our European subsidiary, U3 Pharma GmbH.

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).

The Phase III clinical trials (PRASTRO-I study, and PRASTRO-II study) in Japan involving patients with ischemic cerebrovascular disease were completed in October 2016. In the PRASTRO-I study conducted in patients with ischemic cerebrovascular disease aged less than 75 years old and weighing more than 50 kg, the primary endpoint was not achieved. However, in the PRASTRO-II study conducted in patients with ischemic cerebrovascular disease aged 75 years and older and/or weighing 50 kg or less, the intended purpose of the study was achieved.

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

ii. Edoxaban

Edoxaban has been on the Japanese market since 2011 under the brand name *LIXIANA* with indication for the prevention of venous thromboembolism (VTE) after major orthopedic surgery. In 2014, the product also received approval in Japan for additional indications for the prevention of ischemic stroke and systemic embolism in patients with non-valvular atrial fibrillation (AF), and for the treatment and prevention of recurrence of VTE (deep vein thrombosis (DVT) and pulmonary embolism (PE)).

Overseas, as of December 31, 2016, Edoxaban is being successively launched in markets in the U.S., Switzerland, the U.K., Germany, Ireland, the Netherlands, South Korea, Taiwan, Italy, Spain, Belgium, Hong Kong and other countries; and it has received approval in Turkey and Thailand. In addition, applications for approval are currently underway in Brazil, China and other countries.

Also, as initiatives in lifecycle management in Japan, we commenced an ELDERCARE-AF study aimed at adding new treatment regimens and doses in patients with non-valvular atrial fibrillation (AF) in August 2016, and a company-initiated, large-scale registry, called ANAFIE (All Nippon AF in Elderly) Registry of patients aged 75 years and older with non-valvular atrial fibrillation (AF) in October 2016.

Additionally, the results of an ENSURE-AF study in the U.S. and Europe of patients with non-valvular AF undergoing electrical cardioversion (low-energy shocks to trigger normal heart rhythm) were presented in August 2016 at the European Society of Cardiology Congress.

iii. Denosumab

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

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

iv. Quizartinib

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

In October 2016, a phase III clinical trial in Europe, the U.S. and Asia was also initiated to obtain approval for indication as a first-line treatment in patients with the same disease.

v. Pexidartinib

A Phase III clinical trial is underway in Europe and the U.S. in TGCT patients. Pexidartinib was granted Breakthrough Therapy designation by the FDA for the treatment of tenosynovial giant cell tumor (TGCT) in October 2015. In October 2016, following the recommendation of the ENLIVEN data monitoring committee (DMC) based on the review of two reported cases of non-fatal, serious liver toxicity, further enrollment into the study was suspended. After putting the safety measures recommended by the DMC, the study is being continued with total of 121 patients out of 126 patients originally planned.

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.

A Phase II clinical trial 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 a Phase III clinical trial for the second-line treatment of hepatocellular carcinoma (HCC), the most common type of liver cancer, in Europe and the U.S.

viii. DS-8201

In October 2016, the results of the first part (dose escalation study) of the Phase I clinical trial of DS-8201 for the treatment of HER2-positive metastatic breast cancer for patients who progress after prior HER2-targeting therapies including T-DM1 were presented during a late-breaking poster discussion session at the European Society for Medical Oncology (ESMO) Congress.

Based on these results, in December 2016 Fast Track designation was granted by the FDA for the treatment of HER2-positive metastatic breast cancer.

The second part (does expansion study) of the ongoing Phase I clinical trial is underway in Japan and the U.S. to further evaluate the safety and efficacy of DS-8201 in four different cohorts of HER2-positive cancers.

ix. DS-3032

Preliminary results from the dose escalation part of a Phase I clinical trial of DS-3032 monotherapy in the U.S. in patients with relapsed/refractory acute myeloid leukemia (AML) and high-risk myelodysplastic syndrome (MDS) were presented in December 2016 at the Meeting of the American Society of Hematology (ASH).

x. Esaxerenone (CS-3150)

A phase III clinical trial was initiated in September 2016 for Esaxerenone, its non-steroidal, selective novel mineralcorticoid receptor antagonist, for patients with essential hypertension in Japan.

xi. 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).

xii. CL-108

In August 2014, Daiichi Sankyo in-licensed CL-108, a combination drug for the treatment of pain and opioid-induced nauseas 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.

xiii. Nasal spray live attenuated influenza vaccines

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

[Major R&D Alliances and Open Innovations]

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

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

ii. In-license of biosimilars from Amgen Inc.

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

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

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

iv. Conclusion of immuno-oncology cross-licensing agreement and bi-specific antibody collaboration with Zymeworks Inc.

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

v. Conclusion of strategic immuno-oncology research collaboration and option agreement with AgonOx, Inc.

In October 2016, Daiichi Sankyo concluded a strategic immuno-oncology research collaboration and option agreement with AgonOx, Inc (AgonOx). Daiichi Sankyo and AgonOx will collaborate on preclinical development of specified immuno-oncology program. Following preclinical assessment, Daiichi Sankyo has an exclusive option to research, develop, manufacture and commercialize the programworldwide.

vi. Conclusion of lung cancer research collaboration agreement with Dana-Farber Cancer Institute, Inc.

In October 2016, Daiichi Sankyo concluded a preclinical lung cancer research collaboration agreement with Dana-Farber Cancer Institute, Inc (Dana-Farber Cancer Institute). Daiichi Sankyo will partner with Dana-Farber Cancer Institute on the development of a translational pharmacology package by using Daiichi Sankyo's assets of lung cancer drug candidates and unique animal testing models that were established at Dana-Farber Cancer Institute.

vii. Conclusion of cancer R&D collaboration agreement with DarwinHealth, Inc.

In December 2016, Daiichi Sankyo concluded a R&D collaboration agreement in oncology with DarwinHealth, Inc (DarwinHealth). DarwinHealth's new technology for predicting biomarkers and effective types of cancer for various drugs will be used to help prioritize investigational compounds in the Daiichi Sankyo Cancer Enterprise pipeline for clinical development.

viii. Conclusion of memorandum of understanding on the creation of a method for analyzing circulating tumor cells

In December 2016, Daiichi Sankyo, Sysmex Corporation, and Astellas Pharma Inc. signed a memorandum of understanding to create a method for analyzing circulating tumor cells (CTC). Based on this memorandum, the parties will collaborate on creating a novel CTC analysis method, which will be used not only for R&D on liquid-biopsy-based diagnostics and drugs, but also for driving the establishment of standardized CTC analysis in a clinical setting.

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

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

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

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

3) Return to Shareholders

In order to secure sustainable growth in corporate value, one of the fundamental business policies of Daiichi Sankyo is to decide profit distributions based on a comprehensive consideration of the investments essential for implementing its growth strategy and returning profits to shareholders.

In the 5-Year Business Plan, Daiichi Sankyo introduced policy to pay a total return ratio* of 100% or more during the period, and in terms of dividend payments, to increase return to shareholders by increasing ordinary dividends to ¥70 or more yearly, to pay stable dividends, and to exercise the agile purchase of treasury shares.

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

Under this policy, to increase shareholder returns and enhance capital efficiency, Daiichi Sankyo acquired approximately 20,250 thousand of its own shares for approximately ¥50.0 billion from June 21 to October 24, 2016.

Daiichi Sankyo paid an ordinary dividend of ¥35 per share to shareholders as of September 30, 2016 as an interim dividend on December 1. The year-end dividend for the fiscal year ending March 31, 2017 is forecast at ¥35 per share, and, accordingly, the annual dividend for the fiscal year ending March 31, 2017 is forecast at ¥70 per share.

(2) Information about Financial Position

Total assets amounted to ¥1,986.9 billion. Increases in trade receivables and other financial assets caused total assets to increase ¥86.4 billion from the previous fiscal year-end.

Total liabilities amounted to ¥760.5 billion. The issuance of bonds caused total liabilities to increase ¥93.5 billion from the previous fiscal year-end.

Total equity amounted to ¥1,226.4 billion. Despite the recording of profit for the period, the purchase of treasury shares caused total equity to decrease ¥7.1 billion from the previous fiscal year-end.

Ratio of equity attributable to owners of Daiichi Sankyo to total assets was 61.7%, decreasing 3.1% from the previous fiscal year-end.

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

The differences from the forecasts of consolidated financial results for fiscal 2016, which were publicly announced on October 31, 2016, are shown below.

1) Revisions to the forecasts of consolidated financial results for fiscal 2016
(from April 1, 2016 to March 31, 2017)

	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)	920,000	100,000	100,000	65,000	98.02
Revised forecasts (B)	950,000	110,000	110,000	70,000	105.56
Change (B-A)	30,000	10,000	10,000	5,000	
Percentage of change (%)	3.3	10.0	10.0	7.7	
(Reference) Fiscal 2015	986,446	130,412	122,388	82,282	119.37

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

2) Reason for the revision

The forecast for revenue has been revised upward from the previous forecast by ¥30.0 billion to ¥950.0 billion anticipating the foreign exchange effects due to weaker yen in addition to the strong performance in Japan, U.S. and other regions.

The forecasts for operating profit and profit before tax have been revised upward from the previous forecasts by ¥10.0 billion to ¥110.0 billion in light of anticipated increase in expenses due to progress made on research and development projects and foreign exchange effects despite the projection for an increase in gross profit resulting from growth in revenue.

Profit attributable to owners of the Company has been revised upward by ¥5.0 billion from the previous forecast to ¥70.0 billion due to an increase in profit before tax.

Basic earnings per share for both previous forecasts and revised forecasts reflect the acquisition of treasury shares conducted from June 21 to October 24, 2016.

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, 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 December 31, 2016)
ASSETS		
Current assets		
Cash and cash equivalents	222,159	196,981
Trade and other receivables	248,762	280,819
Other financial assets	493,768	562,368
Inventories	144,273	159,425
Other current assets	15,233	14,797
Subtotal	1,124,196	1,214,392
Assets held for sale	1,071	2,714
Total current assets	1,125,268	1,217,107
Non-current assets		
Property, plant and equipment	250,168	244,583
Goodwill	78,691	80,613
Intangible assets	210,395	221,998
Investments accounted for using the equity method	1,207	1,386
Other financial assets	168,189	152,779
Deferred tax assets	55,726	59,155
Other non-current assets	10,875	9,303
Total non-current assets	775,254	769,818
Total assets	1,900,522	1,986,926

(Millions of yen)

	Fiscal 2015 (as of March 31, 2016)	Fiscal 2016 (as of December 31, 2016)
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	241,831	210,909
Bonds and borrowings	20,000	–
Other financial liabilities	819	537
Income taxes payable	53,936	80,424
Provisions	28,335	45,244
Other current liabilities	34,770	22,154
Subtotal	379,694	359,269
Liabilities directly associated with assets held for sale	–	231
Total current liabilities	379,694	359,501
Non-current liabilities		
Bonds and borrowings	181,000	280,538
Other financial liabilities	9,148	7,653
Post employment benefit liabilities	14,028	15,010
Provisions	12,287	12,419
Deferred tax liabilities	33,679	33,868
Other non-current liabilities	37,161	51,525
Total non-current liabilities	287,306	401,015
Total liabilities	667,000	760,517
Equity		
Equity attributable to owners of the Company		
Share capital	50,000	50,000
Capital surplus	103,927	103,750
Treasury shares	(64,155)	(114,146)
Other components of equity	146,717	143,576
Retained earnings	994,916	1,042,593
Total equity attributable to owners of the Company	1,231,406	1,225,774
Non-controlling interests		
Non-controlling interests	2,115	635
Total equity	1,233,521	1,226,409
Total liabilities and equity	1,900,522	1,986,926

(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 nine months of fiscal 2015 (From April 1, 2015 to December 31, 2015)	First nine months of fiscal 2016 (From April 1, 2016 to December 31, 2016)
Revenue	758,555	734,405
Cost of sales	237,721	241,742
Gross profit	520,834	492,662
Selling, general and administrative expenses	232,297	220,460
Research and development expenses	138,125	143,496
Operating profit	150,412	128,706
Financial income	4,102	6,097
Financial expenses	8,966	2,608
Share of (profit) loss of investments accounted for using the equity method	(114)	197
Profit before tax	145,433	132,391
Income taxes	36,107	45,082
Profit for the period	109,326	87,309
Profit attributable to:		
Owners of the Company	110,727	88,181
Non-controlling interests	(1,400)	(872)
Profit for the period	109,326	87,309
Earnings per share		
Basic earnings per share (Yen)	160.18	130.81
Diluted earnings per share (Yen)	159.83	130.50

Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	First nine months of fiscal 2015 (From April 1, 2015 to December 31, 2015)	First nine months of fiscal 2016 (From April 1, 2016 to December 31, 2016)
Profit for the period	109,326	87,309
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(19,113)	(6,596)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(2,553)	6,592
Other comprehensive income (loss), net of taxes	(21,667)	(3)
Total comprehensive income	87,658	87,305
Total comprehensive income attributable to:		
Owners of the Company	89,118	88,177
Non-controlling interests	(1,460)	(872)
Total comprehensive income	87,658	87,305

(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	–	–	–	–	(2,494)	–
Total comprehensive income	–	–	–	–	(2,494)	–
Purchase of treasury shares	–	(201)	(50,031)	–	–	–
Cancellation of treasury shares	–	–	60	(30)	–	–
Share-based payments	–	–	–	220	–	–
Dividends	–	–	–	–	–	–
Acquisition of non-controlling interests	–	(1,138)	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	(6)	4,347
Others	–	–	–	–	–	–
Total transactions with the owners	–	(1,339)	(49,971)	190	(6)	4,347
Balance as of December 31, 2015	50,000	103,927	(64,169)	1,950	103,702	–
Balance as of April 1, 2016	50,000	103,927	(64,155)	1,935	75,195	–
Profit for the period	–	–	–	–	–	–
Other comprehensive income	–	–	–	–	6,592	–
Total comprehensive income	–	–	–	–	6,592	–
Purchase of treasury shares	–	(69)	(50,018)	–	–	–
Cancellation of treasury shares	–	–	27	(15)	–	–
Share-based payments	–	–	–	264	–	–
Dividends	–	–	–	–	–	–
Acquisition of non-controlling interests	–	(107)	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	–
Others	–	–	–	–	–	–
Total transactions with the owners	–	(177)	(49,990)	249	–	–
Balance as of December 31, 2016	50,000	103,750	(114,146)	2,184	81,788	–

(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	–	–	110,727	110,727	(1,400)	109,326
Other comprehensive income	(19,113)	(21,608)	–	(21,608)	(59)	(21,667)
Total comprehensive income	(19,113)	(21,608)	110,727	89,118	(1,460)	87,658
Purchase of treasury shares	–	–	–	(50,232)	–	(50,232)
Cancellation of treasury shares	–	(30)	(29)	0	–	0
Share-based payments	–	220	–	220	–	220
Dividends	–	–	(48,456)	(48,456)	–	(48,456)
Acquisition of non-controlling interests	–	–	–	(1,138)	1,138	–
Transfer from other components of equity to retained earnings	32,962	37,303	(37,303)	–	–	–
Others	–	–	–	–	(5)	(5)
Total transactions with the owners	32,962	37,494	(85,790)	(99,607)	1,133	(98,473)
Balance as of December 31, 2015	79,267	184,920	1,018,890	1,293,569	2,657	1,296,226
Balance as of April 1, 2016	69,586	146,717	994,916	1,231,406	2,115	1,233,521
Profit for the period	–	–	88,181	88,181	(872)	87,309
Other comprehensive income	(6,596)	(3)	–	(3)	–	(3)
Total comprehensive income	(6,596)	(3)	88,181	88,177	(872)	87,305
Purchase of treasury shares	–	–	–	(50,088)	–	(50,088)
Cancellation of treasury shares	–	(15)	(10)	1	–	1
Share-based payments	–	264	–	264	–	264
Dividends	–	–	(43,879)	(43,879)	–	(43,879)
Acquisition of non-controlling interests	–	–	–	(107)	(600)	(708)
Transfer from other components of equity to retained earnings	(3,386)	(3,386)	3,386	–	–	–
Others	–	–	–	–	(7)	(7)
Total transactions with the owners	(3,386)	(3,137)	(40,503)	(93,809)	(608)	(94,417)
Balance as of December 31, 2016	59,603	143,576	1,042,593	1,225,774	635	1,226,409

(4) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	First nine months of fiscal 2015 (From April 1, 2015 to December 31, 2015)	First nine months of fiscal 2016 (From April 1, 2016 to December 31, 2016)
Cash flows from operating activities		
Profit before tax	145,433	132,391
Depreciation and amortization	33,037	33,635
Impairment loss	6	986
Financial income	(4,102)	(6,097)
Financial expenses	8,966	2,608
Share of (profit) loss of investments accounted for using the equity method	114	(197)
(Gain) loss on sale and disposal of fixed assets	(8,500)	(177)
(Increase) decrease in trade and other receivables	(58,602)	(32,950)
(Increase) decrease in inventories	(5,797)	(14,702)
Increase (decrease) in trade and other payables	6,637	(27,540)
Others, net	3,098	11,858
Subtotal	120,292	99,815
Interest and dividends received	3,119	3,683
Interest paid	(1,109)	(904)
Income taxes paid	(29,303)	(22,337)
Net cash flows from operating activities	92,998	80,257
Cash flows from investing activities		
Purchase of time deposits	(448,869)	(471,533)
Proceeds from maturities in time deposits	260,631	357,747
Acquisition of securities	(257,711)	(136,945)
Proceeds from sale of securities	577,445	189,813
Settlement of forward foreign exchange contract for sale of securities	(7,024)	–
Acquisitions of property, plant and equipment	(23,525)	(16,833)
Proceeds from sale of property, plant and equipment	2,547	289
Acquisition of intangible assets	(28,316)	(20,406)
Acquisition of subsidiary	(11,771)	–
Proceeds from sale of subsidiary	7,004	–
Payments for loans receivable	(1,367)	(57)
Proceeds from collection of loans receivable	1,410	1,225
Others, net	8,375	1,776
Net cash flows from investing activities	78,827	(94,922)

(Millions of yen)

	First nine months of fiscal 2015 (From April 1, 2015 to December 31, 2015)	First nine months of fiscal 2016 (From April 1, 2016 to December 31, 2016)
Cash flows from financing activities		
Proceeds from bonds and borrowings	0	100,000
Repayments of bonds and borrowings	(20,000)	(20,000)
Purchase of treasury shares	(50,232)	(50,088)
Proceeds from sale of treasury shares	0	1
Dividends paid	(48,514)	(43,925)
Others, net	(1,030)	(909)
Net cash flows from financing activities	(119,777)	(14,921)
Net increase (decrease) in cash and cash equivalents	52,048	(29,587)
Cash and cash equivalents at the beginning of the period	189,372	222,159
Effect of exchange rate change on cash and cash equivalents	(1,320)	4,409
Cash and cash equivalents at the end of the period	240,099	196,981

(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.