July 31, 2007

Consolidated Financial Results for the First Three Months of Fiscal 2007 (Three-Month Period Ended June 30, 2007)

Listed company name: DAIICHI SANKYO COMPANY, LIMITED
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Listed exchanges: Tokyo, Osaka, and Nagoya
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(All amounts have been rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Three Months of Fiscal 2007 (from April 1, 2007 to June 30, 2007)

(1) Consolidated Financial Results

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	Percent change	Millions of yen	Percent change	Millions of yen	Percent change
First three months of fiscal 2007	235,542	(12.9)	67,831	11.6	71,650	5.6
First three months of fiscal 2006	270,549	–	60,792	–	67,842	–
Fiscal 2006	929,506	–	136,313	–	152,086	–

	Net income		Basic net income per share	Diluted net income per share
	Millions of yen	Percent change	Yen	Yen
First three months of fiscal 2007	41,411	(13.7)	56.88	–
First three months of fiscal 2006	48,001	–	65.84	–
Fiscal 2006	78,549	–	107.75	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
First three months of fiscal 2007	1,559,891	1,289,374	82.4	1,776.26
First three months of fiscal 2006	1,602,426	1,260,783	78.5	1,724.53
Fiscal 2006	1,636,835	1,272,148	77.5	1,740.26

2. Forecast of Consolidated Results for Fiscal Year 2007 (from April 1, 2007 to March 31, 2008)

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

	Net sales		Operating income		Ordinary income		Net income		Basic net income per share
	Millions of yen	Percent change	Millions of yen	Percent change	Millions of yen	Percent change	Millions of yen	Percent change	Yen
Interim 6-month period	416,000	(14.4)	75,000	(4.3)	80,000	(9.3)	44,000	(34.2)	60.36
Full year	837,000	(10.0)	157,000	15.2	165,000	8.5	92,000	17.1	126.20

3. Others

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

(2) Adoption of simplified accounting methods: Yes

(3) Changes in accounting methods from the previous consolidated fiscal year: Yes

Note: Please see *4. Other Matters, Qualitative Information / Financial Statements, etc.* on page 4 for further details.

<u>*Disclaimer regarding forward-looking information including appropriate use of forecasted financial results</u>

The forecast figures shown above are based on information that was available at the time of preparation and are subject to certain risks and uncertainties. Actual performance and other factors may differ from these forecasts due to changes in circumstances and other developments. For more information related to above forecasts, please refer to page 5.

Qualitative Information / Financial Statements, etc.

1. Qualitative information about consolidated operating results

DAIICHI SANKYO COMPANY, LIMITED was established in September 2005 as the joint holding company for the DAIICHI SANKYO Group by means of a stock transfer. Business integration has proceeded steadily since then, and has involved the reorganizing of various Group companies. The integration process was completed in April 2007 with the merger of Sankyo Company, Limited and Daiichi Pharmaceutical Co., Ltd. into DAIICHI SANKYO COMPANY, LIMITED.

Consolidated net sales for the first quarter of the fiscal year under review amounted to ¥235.5 billion (down 12.9% year-on-year).

Net sales in the pharmaceutical business amounted to ¥225.8 billion (down ¥21.7 billion year-on-year) while net sales in other business segments dropped to ¥9.6 billion (down ¥13.2 billion year-on-year). Sales declined overall due to the influences of factors such as changes in the accounting periods of overseas subsidiaries (U.S. subsidiaries changed their accounting periods from January-December to April-March during the previous fiscal year and European subsidiaries changed their accounting periods from January-December to April-March during the fiscal year under review, as a result of which three months' performances from January to March are added to the performances for the first quarter of the previous fiscal year and the first quarter of the fiscal year under review, respectively). During the corresponding quarter of the previous year, other factors include receipt of the lump-sum payment relating to the release of the antiplatelet agent *Plavix*®, for which the marketing rights were transferred to Sanofi-Aventis S.A., and a downsizing in other business by concentrating management resources on the pharmaceutical segment. Sales figures excluding those affected by the above-mentioned special factors were increased in real terms accompanying a continued boost in domestic and global sales of the antihypertensive agent *olmesartan* and robust sales of other core products in general.

Operating income was ¥67.8 billion (up 11.6% year-on-year) and ordinary income was ¥71.6 billion (up 5.6% year-on-year), due to the improved cost-to-sales ratio from the Company's focusing on the pharmaceutical business, synergistic effects from business integration such as personnel downsizing, and reduced costs from rigid management of expenditures. The Company's management efforts are on track to enhance profitability, and operating and ordinary income margins have improved significantly.

Net income decreased to ¥41.4 billion (down 13.7% year-on-year) because extraordinary income for the quarter fell significantly from the previous fiscal year. This was because the Company booked gains on sales of non-pharmaceutical subsidiaries in the same period last year.

The net effect of the changes in the fiscal year-end of overseas subsidiaries on the consolidated statement of income for the first quarter of fiscal year ended March 31, 2007 for the U.S. subsidiaries was an increase in net sales, operating income, ordinary income, and net income of ¥31.5 billion, ¥9 billion, ¥10.5 billion and ¥5.8 billion, respectively. In addition, the net effect of the change in fiscal year-end for the European subsidiaries for the first quarter of the fiscal year under review was an increase in net sales, operating income, ordinary income and net income of ¥14.1 billion, ¥1.8 billion, ¥2.1 billion and ¥2.0 billion, respectively.

Information by Geographic Segment

Net sales in Japan amounted to ¥151.8 billion (down ¥27.3 billion year-on-year). Sales were lower than the previous fiscal year since there were effects of making the non-pharmaceutical business independent from the Group, which had further proceeded in the second half of the previous year, and the Company had booked a temporary income from *Plavix*® a year earlier.

In the prescription drug business (which generated sales of ¥112.5 billion), sales of the antihypertensive agent *Olmetec*® increased. Sales remained strong for *Cravit*®, a broad-spectrum oral antibacterial agent; *Loxonin*®, an analgesic, anti-inflammatory and anti-febrile preparation; and *Artist*®, a treatment for high blood pressure, angina, and CHF. However, there were lower sales of *Mevalotin*®, an antihyperlipidemic agent, and other products.

Looking at the Group's sales from exports to overseas licensees and royalty income (which generated sales of ¥21.0 billion), there were lower exports of the raw materials for pravastatin, an antihyperlipidemic agent (the patent of which was expired in June 2006 in the U.S.), while sales of the mainstay product levofloxacin, a broad-spectrum oral antibacterial agent, increased because of steady local sales.

The health care product business (which generated sales of ¥9.9 billion) was affected by the termination of the sales agreement regarding *Lamisil AT*® at the end of last year, while sales of *Patecs Felbinac*®, which was launched this quarter, were favorable.

DAIICHI SANKYO Group has been in the process of making non-pharmaceutical operations independent from the Group in order to focus management resources on the pharmaceutical business. During the first quarter of fiscal year ending March 2008, the Company completed transfers to other firms of shares in Daiichi Fine Chemical Co., Ltd. and Saitama Daiichi Pharmaceutical Co., Ltd.

Net sales in the U.S. were ¥45.0 billion (down ¥26.0 billion year-on-year). Although sales for the first quarter of the fiscal year ending March 2008 decreased compared with the previous corresponding period due to the net effect from the change in accounting period of the U.S. subsidiaries of ¥31.5 billion, sales of antihypertensive agent *Benicar*® and antihyperlipidemic agent *WelChol*® continued to grow.

Net sales in other areas amounted to ¥38.6 billion (up ¥18.3 billion year-on-year). In addition to the effect of changes in the fiscal year-end of European subsidiaries amounting to ¥14.1 million, sales of *Olmetec*® in Europe remain strong and there were also gains on foreign exchange brought by weakening of the yen.

2. Qualitative Information about Consolidated Financial Position

At the end of the period under review, total assets stood at ¥1,559.8 billion (down ¥76.9 billion compared with the previous year-end), net assets were ¥1,289.3 billion (up ¥17.2 billion) and equity ratio was 82.4% (up 4.9% compared with the previous year-end).

The decrease of total assets was due to the payment of retirement benefits that should have been paid last year and others, following the Company's personnel downsizing and transfer of personnel to our functional subsidiaries; the reductions in the balance of prepaid pension expenses and allowance for retirement benefits following the review of retirement benefit and pension systems; and payments for acquisition of treasury stocks and year-end dividends.

3. Qualitative Information about Forecast of Consolidated Results for FY2007

There has been no change from the forecast of consolidated results for FY2007 publicly released at the announcement of financial results for FY2006 on May 15, 2007.

4. Other Matters

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in scope of consolidation)

There are no relevant matters to report.

(2) Adoption of simplified accounting methods

Tax expense is accounted by simplified accounting methods.

(3) Changes in accounting methods from the latest consolidated fiscal year

The Company and some of the Group companies integrated their retirement benefit and pension systems on April 1, 2007 following the corporate reorganization, and reviewed them to introduce a similar cash balance plan-type retirement and pension system in accordance with the Defined-Benefit Pension Plan Law, and to shift 20% of the retirement benefit amounts to a defined contribution pension plan.

Though significant past service liabilities arose following the review of the said systems stemming from the merger of Sankyo Company, Limited and Daiichi Pharmaceutical Co., Ltd. to form Daiichi Sankyo, the Company does not expect such significant expenses to appear for a while, and it does expect the effects of corporate reorganization to appear soon. The Company set the amortization period of unrecognized past service liabilities of the projected retirement benefits obligation at five years for Sankyo Company, Limited and ten years for Daiichi Pharmaceutical Co., Ltd. and Daiichi Asubio Pharmaceutical, Inc, which are the main operating companies before corporate realignment. Aiming to appropriately reflect the status of the retirement benefit systems in the consolidated financial statements, effective from the consolidated fiscal year under review, Daiichi Sankyo and Asubio Pharma, after corporate realignment, changed their accounting methods to amortize the unrecognized past service liabilities of projected retirement benefit obligations in one year since they occurred.

As for actuarial differences, concerning the main operating companies before corporate realignment, Sankyo Company, Limited applied a lump-sum expense deduction in the year when actuarial difference occurred and Daiichi Pharmaceutical Co., Ltd. amortized such difference over 10 years. After the corporate reorganization, the Company integrated the retirement benefit and pension systems, which has increased pension assets. Although the current environment for pension assets is improving because of the recently raised official discount rate and solid stock markets, due to the greater vulnerability to fluctuations in the markets that the increase in pension assets has brought, actuarial differences could have a significant effect on annual profit and loss. Thus the Company intends to ensure that its profit calculations are appropriate and, effective from the consolidated fiscal year under review, actuarial differences are changed to be calculated on a straight-line method over a certain period (ten years) within the average remaining service period of employees (17 years).

In this connection, the company booked its unamortized balance of unrecognized past service liabilities occurred by the previous consolidated fiscal year, in the amount of ¥231 million, as extraordinary income. The net effect of these changes in accounting methods was an increase in operating income, ordinary income and net income before taxes of ¥1,988 million, ¥1,988 million, and ¥2,220 million, respectively.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	First three months of fiscal 2006 (as of June 30, 2006)		First three months of fiscal 2007 (as of June 30, 2007)		Fiscal 2006 (as of March 31, 2007)	
	Amount	%	Amount	%	Amount	%
ASSETS						
I Current assets:						
1. Cash and time deposits	210,488		98,576		232,614	
2. Trade notes and accounts receivable	244,732		212,315		197,158	
3. Marketable securities	284,163		437,790		373,896	
4. Mortgage-backed securities	15,000		15,000		15,000	
5. Inventories	118,144		107,692		107,758	
6. Deferred tax assets	48,288		61,342		63,364	
7. Other current assets	38,834		33,760		26,773	
Allowance for doubtful accounts	(580)		(950)		(724)	
Total current assets	959,070	59.9	965,527	61.9	1,015,840	62.1
II Non-current assets:						
1. Property, plant and equipment:						
(1) Buildings and structures	157,243		139,111		142,534	
(2) Machinery, equipment and vehicles	45,586		35,646		40,010	
(3) Land	46,812		36,673		38,011	
(4) Construction in progress	10,502		13,137		12,013	
(5) Other	18,925		15,923		16,288	
Total property, plant and equipment, net	279,069	17.4	240,492	15.4	248,857	15.2
2. Intangible assets:						
(1) Goodwill, net	23,453		17,667		18,569	
(2) Other intangible assets, net	35,481		39,641		41,584	
Total intangible assets	58,935	3.7	57,309	3.7	60,153	3.7
3. Investments and other assets:						
(1) Investment securities	253,781		269,815		262,240	
(2) Long-term loans	5,670		1,352		1,615	
(3) Prepaid pension costs	17,086		1,444		18,021	
(4) Deferred tax assets	7,292		6,416		8,890	
(5) Other assets	22,014		17,825		21,636	
Allowance for doubtful accounts	(494)		(294)		(421)	
Total investments and other assets	305,350	19.0	296,561	19.0	311,983	19.0
Total non-current assets	643,356	40.1	594,363	38.1	620,994	37.9
Total assets	1,602,426	100.0	1,559,891	100.0	1,636,835	100.0

(Millions of yen)

	First three months of fiscal 2006 (as of June 30, 2006)		First three months of fiscal 2007 (as of June 30, 2007)		Fiscal 2006 (as of March 31, 2007)	
	Amount	%	Amount	%	Amount	%
LIABILITIES						
I Current liabilities:						
1. Trade notes and accounts payable	57,615		51,948		56,435	
2. Short-term bank loans	7,262		3,279		8,560	
3. Income taxes payable	32,388		29,929		27,573	
4. Deferred tax liabilities	373		–		–	
5. Allowance for sales returns	1,016		1,166		1,315	
6. Allowance for sales rebates	2,650		2,729		2,471	
7. Allowance for contingent losses	3,332		1,493		3,498	
8. Other current liabilities	130,749		118,169		181,653	
Total current liabilities	235,389	14.7	208,717	13.4	281,510	17.2
II Non-current liabilities:						
1. Long-term debt	1,824		1,489		1,533	
2. Deferred tax liabilities	25,897		36,405		36,145	
3. Accrued retirement and severance benefits	65,946		10,688		35,062	
4. Accrued directors' retirement and severance benefits	2,680		427		1,037	
5. Accrued soil remediation costs	2,850		3,755		3,956	
6. Other non-current liabilities	7,054		9,031		5,441	
Total non-current liabilities	106,254	6.6	61,799	3.9	83,176	5.1
Total liabilities	341,643	21.3	270,516	17.3	364,687	22.3
NET ASSETS						
I Shareholders' equity						
1. Common stock	50,000	3.1	50,000	3.2	50,000	3.1
2. Additional paid-in-capital	179,858	11.2	179,861	11.6	179,860	11.0
3. Retained earnings	962,938	60.1	994,059	63.7	971,483	59.3
4. Treasury stock	(9,858)	(0.6)	(26,658)	(1.7)	(9,997)	(0.6)
Total shareholders' equity	1,182,938	73.8	1,197,262	76.8	1,191,346	72.8
II Valuation and translation adjustments, etc.						
1. Net unrealized gain on investment securities	75,209	4.7	75,028	4.8	72,358	4.4
2. Foreign currency translation adjustments	(890)	(0.0)	13,714	0.9	4,951	0.3
Total valuation and translation adjustments, etc.	74,319	4.7	88,742	5.7	77,310	4.7
III Minority interests	3,525	0.2	3,369	0.2	3,491	0.2
Total net assets	1,260,783	78.7	1,289,374	82.7	1,271,248	77.7
Total liabilities and net assets	1,602,426	100.0	1,559,891	100.0	1,636,835	100.0

(2) Consolidated Statement of Income

(Millions of yen)

	First three months of fiscal 2006 (from April 1, 2006 to June 30, 2006)		First three months of fiscal 2007 (from April 1, 2007 to June 30, 2007)		Change	Fiscal 2006 (from April 1, 2006 to March 31, 2007)	
	Amount	%	Amount	%	Amount	Amount	%
I Net sales	270,549	100.0	235,542	100.0	(35,006)	929,506	100.0
II Cost of sales	73,589	27.2	57,855	24.6	(15,734)	265,200	28.5
Gross profit	196,960	72.8	177,687	75.4	(19,272)	664,306	71.5
III Selling, general and administrative expenses	136,167	50.3	109,856	46.6	(26,311)	527,992	56.8
Operating income	60,792	22.5	67,831	28.8	7,039	136,313	14.7
IV Non-operating income	8,326	3.1	5,888	2.5	(2,437)	20,001	2.2
V Non-operating expenses	1,275	0.5	2,068	0.9	793	4,228	0.5
Ordinary income	67,842	25.1	71,650	30.4	3,808	152,086	16.4
VI Extraordinary gains	21,394	7.9	3,885	1.7	(17,509)	73,492	7.9
VII Extraordinary losses	5,482	2.0	4,035	1.7	(1,447)	98,666	10.6
Net income before income taxes	83,755	31.0	71,501	30.4	(12,253)	126,912	13.7
Income tax expenses	35,833	13.3	30,119	12.8	(5,713)	48,078	5.2
Minority interests	(79)	(0.0)	(29)	(0.0)	50	283	0.0
Net income	48,001	17.7	41,411	17.6	(6,590)	78,549	8.5

(3) Segment Information

[Operating Segment Information]

Information by operating segment has been omitted from the period under review as the ratios of pharmaceutical business in total sales and operating income of all business segments and in total assets of all business segments both exceeded 90%.

[Geographic Segment Information]

(Millions of yen)

First three months of fiscal 2006 (from April 1, 2006 to June 30, 2006)	Japan	North America	Other	Total	Eliminations & corporate	Consolidated
Net sales						
(1) External sales	179,214	71,068	20,266	270,549	-	270,549
(2) Inter-segment sales and transfers	24,082	6,157	2,021	32,261	(32,261)	-
Total	203,297	77,225	22,288	302,811	(32,261)	270,549
Operating expenses	152,240	53,743	17,338	223,322	(13,565)	209,757
Operating income	51,057	23,481	4,949	79,488	(18,696)	60,792

(Millions of yen)

First three months of fiscal 2007 (from April 1, 2007 to June 30, 2007)	Japan	North America	Other	Total	Eliminations & corporate	Consolidated
Net sales						
(1) External sales	151,859	45,054	38,628	235,542	-	235,542
(2) Inter-segment sales and transfers	18,021	10,270	4,836	33,128	(33,128)	-
Total	169,881	55,324	43,465	268,671	(33,128)	235,542
Operating expenses	122,419	42,077	38,185	202,682	(34,970)	167,711
Operating income	47,461	13,247	5,280	65,989	1,842	67,831

(Millions of yen)

Fiscal 2006 (from April 1, 2006 to March 31, 2007)	Japan	North America	Other	Total	Eliminations & corporate	Consolidated
Net sales						
(1) External sales	667,851	191,466	70,188	929,506	-	929,506
(2) Inter-segment sales and transfers	81,943	41,239	17,044	140,227	(140,227)	-
Total	749,795	232,706	87,232	1,069,734	(140,227)	929,506
Operating expenses	637,080	195,421	79,602	912,104	(118,910)	793,193
Operating income	112,714	37,285	7,630	157,630	(21,316)	136,313

Notes:

1. Method of classifying geographical segments:
   Geographic segments are classified on the basis of geographic proximity.
2. Countries and regions included in each segment other than Japan
   North America: the United States
   Other: Germany, the United Kingdom, France, Spain, Italy, China, Taiwan and others

[Overseas Net Sales]

(Millions of yen)

First three months of fiscal 2006 (from April 1, 2006 to June 30, 2006)	North America	Europe	Other areas	Total
I Overseas net sales	80,155	27,554	7,369	115,079
II Consolidated net sales				270,549
III Percentage of overseas net sales to consolidated net sales (%)	29.6	10.2	2.7	42.5

First three months of fiscal 2007 (from April 1, 2007 to June 30, 2007)	North America	Europe	Other areas	Total
I Overseas net sales	56,114	39,080	10,621	105,455
II Consolidated net sales				235,542
III Percentage of overseas net sales to consolidated net sales (%)	23.8	16.6	4.4	44.8

Fiscal 2006 (from April 1, 2006 to March 31, 2007)	North America	Europe	Other areas	Total
I Overseas net sales	241,850	84,327	30,523	356,700
II Consolidated net sales				929,506
III Percentage of overseas net sales to consolidated net sales (%)	26.0	9.1	3.3	38.4

Notes:

1. Method of classifying countries and regions
   Countries and regions are classified on the basis of geographic proximity.
2. Countries and regions included in each area
   North America: the United States and Canada
   Europe: Germany, the United Kingdom, Spain, Italy, Ireland, France, Switzerland, and others
   Other areas: Asia, the Middle East, Latin America, and others
3. Overseas net sales are sales of the Company and its consolidated subsidiaries which are transacted in countries or regions outside of Japan.