FASF

November 6, 2007

Consolidated Financial Results
for the Interim Period of Fiscal 2007
(Six-Month Period Ended September 30, 2007)

Listed company name: **DAIICHI SANKYO COMPANY, LIMITED**
Stock code number: 4568
Listed exchanges: Tokyo, Osaka, and Nagoya
URL: http://www.daiichisankyo.com
Representative: Mr. Takashi Shoda, President and Representative Director
Contact: Mr. Toshio Takahashi, Corporate Officer, General Manager of Corporate Communications
Telephone: +81-3-6225-1126
Scheduled submission date for half-year financial report: December 13, 2007
Scheduled date of dividend payments: From December 3, 2007

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

1. Consolidated Financial Results for the Interim Period of Fiscal 2007
(from April 1, 2007 to September 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
Interim period of fiscal 2007	443,708	(8.7)	93,911	19.9	100,696	14.2
Interim period of fiscal 2006	485,842	7.5	78,353	(2.5)	88,208	6.7
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
Interim period of fiscal 2007	60,243	(9.9)	83.19	–
Interim period of fiscal 2006	66,886	35.3	91.75	–
Fiscal 2006	78,549	–	107.75	–

Reference: Equity in earnings (losses) of subsidiaries and affiliates accounted for by the equity method:
Interim period of fiscal 2007: ¥36 million
Interim period of fiscal 2006: ¥18 million
Fiscal 2006: (¥17 million)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Interim period of fiscal 2007	1,515,811	1,270,273	83.6	1,761.96
Interim period of fiscal 2006	1,634,483	1,284,040	78.3	1,756.36
Fiscal 2006	1,636,835	1,272,148	77.5	1,740.26

Reference: Shareholders’ capital:
Interim period of fiscal 2007: ¥1,266,817 million
Interim period of fiscal 2006: ¥1,280,432 million
Fiscal 2006: ¥1,268,656 million

(3) Consolidated Cash Flows

	Net cash flows from operating activities	Net cash flows from investing activities	Net cash flows from financing activities	Cash and cash equivalents at the end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Interim period of fiscal 2007	(6,834)	5,610	(59,491)	453,936
Interim period of fiscal 2006	69,708	(32,726)	(23,150)	415,838
Fiscal 2006	106,429	45,305	(40,768)	513,211

2. Dividends

	Dividend per share		
	Interim	Year-end	Annual
(Record date)	Yen	Yen	Yen
Fiscal 2006	30.00	30.00	60.00
Fiscal 2007	35.00	–	
Fiscal 2007 (Forecast)	–	35.00	70.00

3. Forecasts of Consolidated Fiscal Results for Fiscal Year 2007

(from April 1, 2007 to March 31, 2008)

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

	Net sales		Operating income		Ordinary income		Net income		Basic net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full fiscal year	876,000	(5.8)	160,000	17.4	171,000	12.4	100,000	27.3	138.59

4. Others

(1) Changes in significant subsidiaries during the interim period ended September 30, 2007 (resulting in a change in scope of consolidation): None

(2) Changes in accounting principles, procedures or presentation related to the preparation of consolidated financial statements (changes in significant accounting principles and policies for the basis of preparation of consolidated financial statements)

1) Changes due to adoption of new accounting standards: Yes

2) Changes other than those included in 1) above: Yes

Note: Please refer to p.27 (“Basis of Presentation and Summary of Significant Accounting Policies for the Preparation of Consolidated Financial Statements”) for further details.

(3) Total number of common shares issued and outstanding

1) Total number of common shares issued at the end of the period (including treasury stock):

Interim period of fiscal 2007: 735,011,343 shares
Interim period of fiscal 2006: 735,011,343 shares
Fiscal 2006: 735,011,343 shares

2) Total number of shares in treasury at the end of the period:

Interim period of fiscal 2007:	16,028,230 shares
Interim period of fiscal 2006:	5,984,052 shares
Fiscal 2006:	6,008,421 shares

Note: Please refer to p.44 (“Per Share Information”) regarding the number of shares used as the basis for the calculation of net income per share (consolidated).

(Reference) Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Interim Period of Fiscal 2007

(from April 1, 2007 to September 30, 2007)

(1) Non-Consolidated Financial Results

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	Percent change	Millions of yen	Percent change	Millions of yen	Percent change
Interim period of fiscal 2007	287,690	–	71,503	–	91,851	–
Interim period of fiscal 2006	2,757	237.8	127	(68.2)	124	214.5
Fiscal 2006	6,141	–	361	–	269	–

	Net income		Basic net income per share
	Millions of yen	Percent change	Yen
Interim period of fiscal 2007	54,949	–	75.88
Interim period of fiscal 2006	60	159.9	0.08
Fiscal 2006	(3,355)	–	(4.57)

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Interim period of fiscal 2007	1,306,461	1,154,149	88.3	1,605.25
Interim period of fiscal 2006	1,214,867	1,188,421	97.8	1,617.01
Fiscal 2006	1,189,969	1,162,869	97.7	1,582.30

Reference: Shareholders’ equity:

Interim period of fiscal 2007:	¥1,154,149 million
Interim period of fiscal 2006:	¥1,188,421 million
Fiscal 2006:	¥1,162,869 million

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

The forecast figures shown above are based on information that was available at the time of preparation and may contain uncertainties. Actual performance and other factors may differ from these forecasts due to changes in business circumstances and other developments. More information concerning these forecasts can be found in the information on pages 10-11.

1. Results of Operations

(1) Analysis of Results of Operations

a. Overview

The growth of the U.S. pharmaceutical market is trending downward during the first half of the fiscal year ending March 2008 by the patent expirations of major pharmaceuticals, although branded pharmaceuticals enjoyed solid growth, with the market benefiting additionally from the expansion of the bio-pharmaceutical sector alongside the launch of new products. Offsetting this, the market in Japan grew in the absence of an NHI (National Health Insurance) price revision. Emerging markets such as China and Russia provided an additional boost to growth. As a result, the global pharmaceutical market saw steady growth.

Under these business conditions, the DAIICHI SANKYO Group (the "Group") recorded consolidated net sales of ¥443.7 billion for the interim period ended September 30, 2007, a year-on-year decline of 8.7%. In particular, certain exceptional factors were behind the dip in revenue, including moves to establish non-pharmaceutical businesses on an independent footing as part of the business integration process and changes in fiscal year-end at some overseas subsidiaries. The Group continued to make steady progress in terms of maximizing the sales potential of existing mainstay products and cultivating new products. By these developments, progress was also made in terms of developing in-house sales at global four key markets leveraging our global products. After excluding exceptional factors, real revenue grew in year-on-year terms. Moreover, both operating income and ordinary income rose substantially on a year-on-year basis, reflecting a mixture of newly realized business integration-derived cost synergies, further efficient resource allocation due to greater selectivity and focus, and the shifting of certain expenses into the second half of the fiscal year. Operating income increased 19.9% to ¥93.9 billion and ordinary income rose 14.2% to ¥100.6 billion. However, net income fell 9.9% to ¥60.2 billion in year-on-year terms due to the absence of exceptional factors that arose in the first half of the fiscal year ended March 2007, when profits from the sale of non-pharmaceutical businesses created an extraordinary gain of ¥20.5 billion.

In terms of the impact of changes in fiscal year-end at overseas subsidiaries, the aggregate contributions of Group subsidiaries based in the United States to operating performance for the interim period ended September 30, 2006, were net sales of ¥31.5 billion, operating income of ¥9.0 billion, ordinary income of ¥10.5 billion and net income of ¥5.8 billion, while the aggregate contributions of Group subsidiaries based in Europe for the interim period ended September 30, 2007, were net sales of ¥14.1 billion, operating income of ¥1.8 billion, ordinary income of ¥2.1 billion and net income of ¥2.0 billion, because respective amount corresponding to extra three months were added.

b. Geographical Segment Information

1) Japan

In August 2007, the Ministry of Health, Labor and Welfare announced a new vision for the Japanese pharmaceutical industry aimed at raising international competitiveness and eliminating the so-called "drug lag" (the situation in which a substantial number of drugs have not received regulatory approval in Japan despite common adoption across markets worldwide). This vision aims at encouraging closer collaboration among industry, government, and academy, and further development of the domestic industry, in part by placing a proper value on innovation and its promotion.

The Group has pressed on with a range of measures aimed at realizing the core vision of attaining "Global Pharma Innovator" status, with pride of being a life-related industry and with a sense of tension within an ordered yet competitive market environment. While contributing to enhance medical standards through the significant improvement of international development and drug-discovery capabilities, the Group also aspires to help the pharmaceutical industry in boosting the economic growth of Japan, a country that advocates being highly committed to intellectual property and related rights.

Net sales in Japan decreased 13.6% in year-on-year terms to ¥295.3 billion.

The Group recorded sales of prescription drugs of ¥214.5 billion, a decrease of 0.3% in year-on-year terms. Although the Group achieved sales growth in excess of that of the corresponding market segment with a number of products, including the antihypertensive agents *Olmetec*®, *Artist*® and *Calblock*®, the analgesic, anti-inflammatory and anti-febrile preparation *Loxonin*®, and synthetic antibacterial agent *Cravit*®, it was offset by a decline in sales of the antihyperlipidemic agent *Mevalotin*® and the contrast medium *Omnipaque*® due to influences including fiercer competition, in addition, to the absence of a lump-sum compensation accompanied with the return of the sales right of anti-platelet agent *Plavix*® accounted for in the same period last fiscal year.

Sales in regard to exports and royalty income to/from overseas licensees amounted to ¥39.7 billion, a year-on-year decrease of 13.5%. In overseas markets, the sales of the synthetic antibacterial levofloxacin has continued to expand reflecting the robust prescription growth, but export of antihyperlipidemic agent pravastatin bulk decreased due to the expiry of its patent in major countries.

In the OTC (over-the-counter) drugs market in Japan, the framework has been fundamentally revised in line with various amendments to the Pharmaceutical Affairs Law that aim to establish a system better suited to meeting the needs of consumers with a greater attention to self-medication.

The Group posted sales of OTC drugs of ¥24.4 billion in the interim period ended September 30, 2007, a year-on-year decrease of 0.6%. Overall sales in this segment were almost flat in year-on-year terms. New products included were *Patecs Felbinac* as a new addition to the series of external anti-inflammatory analgesics introduced in April 2007 and *Transino*, a product for the amelioration of skin blemishes (chloasma) that launched in September 2007 and is expected to become a leading seller. Although new product sales contributed to growth, the December 2006 return of the sales right of *Lamisil AT*, a treatment for athlete's foot, and other factors exerted a negative effect on sales in year-on-year terms.

In addition, the Group is in the process of making non-pharmaceutical operations independent of the Group in order to focus resources on the pharmaceutical business. These various moves resulted in a significant decline in net sales in this segment in year-on-year terms, which came to ¥16.6 billion, down 70.3%.

2) North America

The growth movement of the U.S. pharmaceutical market, the world largest market, is slowing down. Furthermore, the ranks of the uninsured are expanding, and the aging society is accelerating. Those are some of factors that bring general uncertainty regarding future prospects.

Under these business conditions, our net sales in North America came to ¥89.7 billion, down 17.4% in year-on-year terms. This decline occurred due to the changes in fiscal year-end at certain U.S. subsidiaries. The Group virtually posted increased net sales thanks to the sales growth of the antihypertensive agent *Benicar*®, the antihyperlipidemic agent *WelChol*®, and the anemia treatment *Venofer*®.

3) Others

Net sales in other regions amounted to ¥58.6 billion, up 66.1% in year-on-year terms. Businesses in Europe expanded thanks to the sales growth of the antihypertensive agent *Olmetec*®. The sales growth of the antihypertensive agent olmesartan and the synthetic antibacterial levofloxacin drove the business in Asian countries. Additional factors boosting net sales by ¥17.0 billion were changes in fiscal year-end at European subsidiaries, and inclusion of two subsidiaries in Latin America within the scope of consolidation in the interim period ended September 30, 2007.

c. R&D activities

R&D investments by the Group, which was mostly incurred in the pharmaceuticals segment, were totaled to ¥78.2 billion in the interim period ended September 30, 2007 (down 7.9% in year-on-year terms). The ratio of R&D investments to sales was 17.6%.

The R&D activities of the Group are directed at realizing the core vision of being a “Global Pharma Innovator.” The Group has focused its R&D investments in four target therapeutic areas (thrombosis, diabetes, cancer, and autoimmune diseases/rheumatoid arthritis) with the aim of bringing a continuous stream of world-class innovative drugs to market while simultaneously trying to shorten product lead times.

In terms of major R&D-related activities during the interim period ended September 30, 2007, Phase III clinical trials for the antiplatelet agent CS-747 (generic name: *prasugrel*) were completed in the U.S. and Europe. In conjunction with joint development partner Eli Lilly and Company, preparations are now underway to submit applications for regulatory approval of this drug as quickly as possible. Late Phase II clinical trials for DU-176b, an oral factor-Xa inhibitor that is another top-priority R&D project for the Group, made steady progress in a number of countries worldwide; plans call for the preparation of Phase III trials by the end of the current fiscal year. DB-772b, a follow-up compound for DU-176b, also entered Phase I development. Another top-priority development project of the Group, the antihypertensive CS-8663 (U.S. brand name: AZOR™; a combination drug of olmesartan medoxomil and amlodipine besilate), gained marketing approval in September 2007 in the U.S. An application to gain regulatory approval for this product in 28 countries across Europe was submitted at about the same time. In Japan, preparations on a regulatory submission for the Group’s hepatocyte growth factor (HGF) DNA plasmid began earlier than expected in June 2007 after the Phase III clinical trials to gain an indication for peripheral arterial diseases (PAD) were stopped after the drug had demonstrated significantly greater efficacy than placebo. In other developments, in August 2007 the anesthetic sedative Fentanyl injection gained an additional pediatric indication in the first case in Japan of a prescription drug regulatory approval based on results from physician-led clinical trials. In another move aimed at further reinforcing the development pipeline through alliances, the Group secured from Amgen Inc. exclusive development and sales right in Japan for denosumab, an anti-RANKL antibody for the treatment of conditions such as osteoporosis.

During the interim period ended September 30, 2007, the Group decided to terminate clinical development of several compounds based on the lack of sufficient justification to continue work from safety and efficacy profiles, and a commercial standpoint stemming from the review of the development-related issues in conformity to the Group’s R&D portfolio strategy. The list of these compounds was as follows: CS-917, a gluconeogenesis inhibitor; CS-712, an anti-ceder-pollen-pollinosis agent; and CS-866RN, a new formulation of olmesartan to gain the additional indication of chronic glomerulonephritis.

(2) Analysis of Financial Position

- **Status of Cash Flows**

(Billions of yen)

	Interim period of fiscal 2006	Interim period of fiscal 2007	Change
Cash flows from operating activities	69.7	(6.8)	(76.5)
Cash flows from investing activities	(32.7)	5.6	38.3
Cash flows from financing activities	(23.1)	(59.4)	(36.3)
Net increase (decrease) in cash and cash equivalents	13.9	(60.8)	(74.7)
Cash and cash equivalents, end of period	415.8	453.9	38.0

Cash and cash equivalents decreased by ¥59.2 billion during the interim period ended September 30, 2007, to ¥453.9 billion. Contributing factors are summarized as follows:

Cash Flows from Operating Activities

Net cash used in operating activities amounted to ¥6.8 billion, compared with a provision of ¥69.7 billion in the same period of the previous year. The reduction in operating cash flow mainly reflected lower accounts payable and accrued expenses by ¥64.9 billion due to payment in the interim period ended September 30, 2007 of accrued severance and retirement benefits that was recorded at the previous fiscal year end for workforce resizing and their transfers to function-based subsidiaries despite almost same level of net income before income taxes and minority interests in year-on-year term.

Cash Flows from Investing Activities

Net cash provided by investing activities totaled ¥5.6 billion, compared with an outflow of ¥32.7 billion in the same period of the previous year. Although revenues generated from the transfers of shares in subsidiaries as part of the program to spin off non-pharmaceutical operations as independent businesses were significantly lower in year-on-year terms, tangible and intangible assets were newly acquired, and the amount of investments in fixed-income securities and other assets increased.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥59.4 billion, an increase of ¥36.3 billion in cash outflow in year-on-year terms. This reflected higher cash dividend payments following a year-on-year increase of ¥5 per share in the interim dividend along with treasury stock purchases.

<Principal Cash Flow Indicators>

	Fiscal 2005	Fiscal 2006	Interim period of fiscal 2007
Equity ratio (%)	77.5	77.5	83.6
Market capitalization ratio (%)	122.6	160.8	163.6
Interest-bearing debt ratio (years)	0.11	0.06	0.10
Interest coverage ratio (times)	593.9	670.1	281.0

Equity ratio: total equity/total assets

Market capitalization ratio: total market capitalization/total assets

Interest-bearing debt ratio: interest-bearing debt/operating cash flows

(For the interim period, the cash flow figures were doubled to derive an annualized amount)

Interest coverage ratio: operating cash flows/interest paid

(Notes)

1. *All indicators are calculated on a consolidated basis.*
2. *Total market capitalization = closing stock price on the balance sheet date times the number of outstanding common shares at the balance sheet date (net of treasury shares)*

3. *Interest-bearing debt includes all consolidated balance sheet liabilities which are subject to an interest payment.*
4. *Cash flows equal to the amount of cash flows from operating activities in the consolidated statements of cash flows less the amounts of "interest paid" and "income taxes paid." Interest paid equals to the "interest paid" included in the consolidated statements of cash flows.*

(3) Basic Policy on Profit Distribution and Dividends for Year Ending March 2008

DAIICHI SANKYO COMPANY, LIMITED (the "Company") has prioritized the distribution of profits generated by the Group businesses as one of key management issues. Profit distribution is determined partly with regard to the level of return deemed commensurate with underlying business performance and capital efficiency. It also reflects a comprehensive consideration of other factors such as the need to build up retained earnings to fund future business development and strategies for growth.

In the three-year period from April 2007 to March 2010, the Company plans as a rule to set the level of funds that are assigned to dividend payments and share buybacks equivalent to net income. The Company also plans to raise the level of dividends steadily going forward with the aim of achieving a dividend payout ratio of around 50% in the fiscal year ending March 2010, along with a dividend-on-equity (DOE) ratio of 5% or over. At the same time, the Company plans to adopt a flexible stance toward share buybacks. Undistributed retained earnings will be used primarily to fund investments targeting future growth, including moves to strengthen R&D, boost corporate collaboration, and reinforce its overseas business base.

In line with this policy, the Company purchased a total of 10 million shares in treasury stock in June–July 2007 for a total of ¥33.2 billion. The Company plans to pay total dividends of ¥70 per share for the fiscal year ending March 2008, which equates to a year-on-year increase of ¥10. The Company plans to pay an interim dividend of ¥35 per share for the first half of the fiscal year ending March 2008, representing a year-on-year increase of ¥5.

(4) Business Risks

The following section provides an overview of the principal risks that could affect the business results and financial condition of the Group. Any forward-looking statements or projections contained in this overview represent the best judgment of DAIICHI SANKYO Group management as of the end of the current interim period ended September 30, 2007.

a. Research and Development Risk

Research and development of new drug candidates is an extremely costly process that requires many years to complete successfully, during which time there is a continual risk that R&D activities on a particular compound may be terminated due to failure to demonstrate expected clinical efficacy. In addition, any changes in the terms of agreements with other third-parties governing R&D-related alliances, or the cancellation thereof, can also materially affect the outcomes of R&D programs.

b. Manufacturing and Procurement Risk

The Group manufactures some of its products at its own production facilities using original technology, but is also dependent on specific suppliers for the supply of some finished products, raw materials and production intermediates. Any delay, suspension or termination of such manufacturing or supply activities for any reason could have a material impact on the Group's business results and financial position.

Manufacture of pharmaceuticals in Japan is subject to strict regulation as stipulated in the Pharmaceutical Affairs Law. Any quality assurance problem that necessitated a product recall could have a material adverse impact on the Group's business results and financial position.

c. Sales-Related Risk

Any decline in sales due to the emergence of unanticipated side effects of a drug, or due to the entry of generic products into a sector following the expiration of a patent, and the introduction of competing products within the same therapeutic area, could have a material impact on the Group's business results and financial position.

Any changes in the terms of sales or technology transfer agreements, or the expiration or cancellation thereof, could have a material impact on the Group's business results and financial position.

d. Legal and Regulatory Risk

Prescription drugs in Japan are subject to a variety of laws, regulations and ordinances. Trends in regulatory measures relating to the medical treatment systems and the national health insurance, most notably the NHI price revisions that occur every two years, could have a material impact on the Company's business results and financial position. Similarly, sales of prescription drugs in overseas markets are also subject to a variety of legal and regulatory constraints.

e. Intellectual Property Risk

The business activities of the Group could be subject to restraint or dispute in an event of the infringement of the patents or other intellectual property rights of other parties. Conversely, infringement of the intellectual property rights of the Group by other parties could lead to a legal action by the Group to protect such rights. In either case, the resulting outcome could have a material impact on the Group's business results and financial position.

f. Environmental Risk

Certain of the chemicals used in pharmaceutical research and manufacturing processes include substances with the potential to exert a negative impact on human health and natural ecosystems. All the Group facilities operate on a self-regulated basis according to the internal standards designed to prevent the occurrence of any air or water pollution caused by plant emissions. The Group also takes a proactive stance on environmental protection, for instance by employing substitute chemicals wherever possible to reduce a potential environmental impact of chemical substances used. Notwithstanding those efforts, there could be a material impact on the Group's business results and financial position, were the emissions of the Group facility determined to have resulted in a serious environmental problem.

g. Litigation-Related Risk

Besides potential antitrust issues, the Group could also face litigation of various forms concerning its business activities, such as lawsuits related to drug side effects, product liability or labor disputes. Such developments could have a material impact on the Group's business results and financial position.

h. Currency Fluctuation Risk

Fluctuations in foreign currency exchange rates could be a financially adverse effect on the Group. The Group conducts business, including production, sales, import and export activities, on a global basis, and foreign exchange movements could therefore have a material impact on the Group's business results and financial position.

i. Other Risks

Other risks besides those noted above that could have a material impact on the Group's business results and financial position include the suspension of its business activities due to an earthquake or other large-scale natural disaster; the interruption of the Group's computer systems due to a network-mediated virus or other causes; changes in stock prices and interest rates; and collection issues on accounts and loans receivable due to default by a customer or a country specific problem at the customer.

(5) Forecasts of Consolidated Financial Results for Fiscal Year 2007

(From April 1, 2007 to March 31, 2008)

(Billions of yen)

	New forecast		Previous forecast (July)		Amount change	Percentage Change	Fiscal 2006 Actual
	(A)	Percentage change (%)	(B)	Percentage change (%)	(A) – (B)	(%)	
Net sales	876.0	(5.8)	837.0	(10.0)	39.0	4.7	929.5
Operating income	160.0	17.4	157.0	15.2	3.0	1.9	136.3
Ordinary income	171.0	12.4	165.0	8.5	6.0	3.6	152.0
Net income	100.0	27.3	92.0	17.1	8.0	8.7	78.5

The DAIICHI SANKYO Group established DAIICHI SANKYO COMPANY, LIMITED as the joint holding company in September 2005. Preparations ensued for the full integration of the two businesses. This process was completed in April 2007 with the merger of Sankyo Company, Limited and Daiichi Pharmaceutical Co., Ltd. into the Company. Since the start of the fiscal year ending March 2008, the Group has focused on accelerating business activities with the aim of realizing the goal of attaining "Global Pharma Innovator" status as soon as possible.

Based on the results achieved in the first half, the Group raised both its full-term sales and profit forecasts for the fiscal year ending March 2008.

In terms of sales forecasts, the Group revised slightly downward the projected full-year sales figure for the Japanese prescription drugs business centered around the antihypertensive agent *Olmetec*®, which achieved steady revenue growth during the first half but fell a little short of the target. On the other hand, in the overseas operations, the movement of sales of the antihypertensive agent *olmesartan* has been increasing outperforming the initial plan; sales of the anemia treatment *Venofer*® had been expected to decrease, but is now expected to maintain the sales level in the same period of the previous year; and the yen exchange rate has remained at a low level. Against a backdrop of all this, the sales forecast for the entire Group was raised by ¥39.0 billion to ¥876.0 billion by upward revision.

On the cost side, the Group plans to continue pursuing further efficiency, particularly in terms of sales promotional expenses and other general and administrative expenses. Meanwhile, the Group has raised projected R&D spending by ¥10.0 billion to ¥171.5 billion. The upwardly revised figure reflects the new development expense concerning newly introduced denosumab, an anti-RANKL antibody. Another key factor in the revision was an increase of R&D spending on the oral factor-Xa inhibitor DU-176b and the antiplatelet agent CS-747 (generic name: *prasugrel*). Furthermore, an increase in joint-sales promotion expense is expected concerning the antihypertensive agent *AZOR*® that went on sale in collaboration with Forest Laboratories, Inc. in October 2007 in the United States. Based on these revised figures, the Group projects slight increases in forecast operating income, ordinary income and net income for the fiscal year ending March 2008. The revised forecasts are ¥160.0 billion (up ¥3.0 billion), ¥171.0 billion (up ¥6.0 billion) and ¥100.0 billion (up ¥8.0 billion), respectively.

The Group is also in the process of making non-pharmaceutical operations independent of the Group in order to focus resources on the pharmaceutical business. Nevertheless, these revised forecasts partly include the operating results of non-pharmaceutical businesses. The impact on net sales is ¥16.3 billion, and that on profits is immaterial.

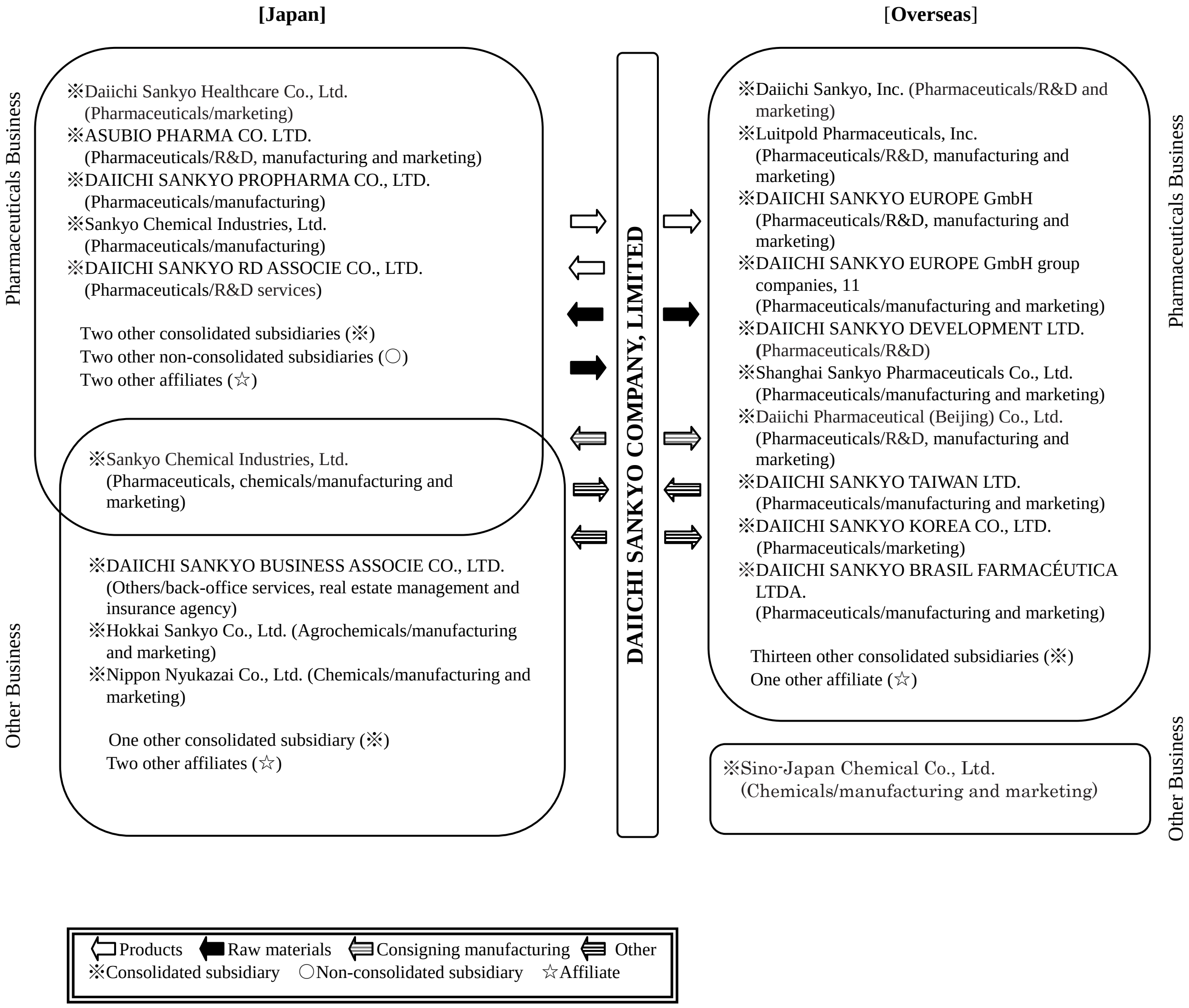
The virtual forecasts after factoring the effects by a series of business restructuring and changes in fiscal year-end at U.S. and European subsidiaries into computing come to higher revenue and profit: net sales, up 6.5%; operating income, up 32.3%; and ordinary income, up 26.1%, in year-on-year terms.

The second-half financial results forecasts assume that average exchange rates will be ¥115 against the U.S. dollar and ¥155 against the euro.

2. State of the Group

The DAIICHI SANKYO Group consists of DAIICHI SANKYO COMPANY, LIMITED, its 48 subsidiaries and 5 affiliates, for a total of 54 companies. The Group's principal business is the manufacture and sale of pharmaceuticals etc.

The following chart illustrates the organization of the DAIICHI SANKYO Group as of September 30, 2007.



Consolidated Subsidiaries

("Company" in the table refers to DAIICHI SANKYO COMPANY, LIMITED.)

Name	Location	Capital (Millions of yen, except as noted)	Principal business operations	% of voting rights held (indirect holdings)	Relationship
Consolidated subsidiaries					
ASUBIO PHARMA CO., LTD.	Minato-ku, Tokyo	11,000	Pharmaceuticals	100.0	Concurrent directors Products supplied to Company Facility capital borrowed from Company
Daiichi Sankyo Healthcare Co., Ltd.	Chuo-ku, Tokyo	100	Pharmaceuticals	100.0	Products supplied by Company Office space etc. leased from Company
DAIICHI SANKYO PROPHARMA CO., LTD.	Chuo-ku, Tokyo	100	Pharmaceuticals	100.0	Concurrent directors Products supplied to Company Facility capital borrowed from Company Office space and factory land leased from Company
DAIICHI SANKYO RD ASSOCIE CO., LTD.	Shinagawa-ku, Tokyo	50	Pharmaceuticals	100.0	Concurrent directors R&D subcontract work received from Company Office space leased from Company
DAIICHI SANKYO BUSINESS ASSOCIE CO., LTD.	Chuo-ku, Tokyo	50	Other	100.0	Concurrent directors Back-office operations subcontracted by Company Office space and rental property leased from Company Office space rented out to Company
Sankyo Organic Chemicals Co., Ltd.	Takatsu-ku, Kawasaki-shi, Kanagawa	300	Pharmaceuticals Other	93.4	
Sankyo Chemical Industries, Ltd.	Chuo-ku, Tokyo	65	Pharmaceuticals	100.0	Facility and operating capital borrowed from Company
Hokkai Sankyo Co., Ltd.	Kitahiroshima-shi, Hokkaido	331	Other	80.0	
Nippon Nyukazai Co., Ltd.	Chuo-ku, Tokyo	300	Other	100.0	Factory land leased from Company Loan guarantee by Company
DAIICHI SANKYO INC.	New Jersey, U.S.	24.9 million U.S. dollars	Pharmaceuticals	100.0	Concurrent directors Products supplied by Company Promotional and R&D functions subcontracted by Company Guarantee of payables by Company in line with the joint promotional agreement
Luitpold Pharmaceuticals, Inc.	New York, U.S.	200 thousand U.S. dollars	Pharmaceuticals	100.0 [100.0]	Concurrent directors
DAIICHI SANKYO EUROPE GmbH	Munich, Germany	16 million euros	Pharmaceuticals	100.0	Concurrent directors Products supplied by Company Manufacturing subcontract work received from Company Promotional and R&D functions subcontracted by Company Facility capital borrowed from Company
DAIICHI SANKYO UK LTD.	Buckinghamshire, UK	19.5 million pounds	Pharmaceuticals	100.0 [100.0]	
DAIICHI SANKYO EAPAÑA S.A.	Madrid, Spain	120 thousand euros	Pharmaceuticals	100.0 [100.0]	
DAIICHI SANKYO ITALIA S.p.A.	Rome, Italy	120 thousand euros	Pharmaceuticals	100.0 [100.0]	
DAIICHI SANKYO PORTUGAL LDA.	Porto Salvo, Portugal	349 thousand euros	Pharmaceuticals	100.0 [100.0]	
DAIICHI SANKYO AUSTRIA GmbH	Vienna, Austria	18 thousand euros	Pharmaceuticals	100.0 [100.0]	
DAIICHI SANKYO SCHWEIZ AG	Thalwil, Switzerland	3 million Swiss Francs	Pharmaceuticals	100.0 [100.0]	

Name	Location	Capital (Millions of yen, except as noted)	Principal business operations	% of voting rights held (indirect holdings)	Relationship
DAIICHI SANKYO NEDERLAND B.V.	Zwanenburg, the Netherlands	18 thousand euros	Pharmaceuticals	100.0 [100.0]	
DAIICHI SANKYO BELGIUM N.V. S.A.	Louvain-La-Nueve, Belgium	62 thousand euros	Pharmaceuticals	100.0 [100.0]	
DAIICHI SANKYO ALTKIRCH S.A.R.L	Altkirch, France	457 thousand euros	Pharmaceuticals	100.0 [100.0]	
DAIICHI SANKYO DEUTSCHLAND GmbH	Munich, Germany	51 thousand euros	Pharmaceuticals	100.0 [100.0]	
DAIICHI SANKYO FRANCE S.A.S.	Rueil Malmaison, France	2,182 thousand euros	Pharmaceuticals	100.0 [100.0]	
DAIICHI SANKYO DEVELOPMENT, Ltd.	Buckinghamshire, UK	400 thousand pounds	Pharmaceuticals	100.0	Concurrent directors
Daiichi Pharmaceutical (Beijing) Co., Ltd.	Beijing, China	63,800 thousand U.S. dollars	Pharmaceuticals	100.0	Concurrent directors Products supplied by Company R&D subcontract work received from Company Facility capital borrowed from Company
Shanghai Sankyo Pharmaceutical Co., Ltd.	Shanghai, China	53,000 thousand U.S. dollars	Pharmaceuticals	100.0	Concurrent directors Products supplied by Company Manufacturing subcontract work received from Company
DAIICHI SANKYO TAIWAN LTD.	Taipei, Taiwan	345 million NT dollars	Pharmaceuticals	100.0	Concurrent directors Products supplied by Company Products supplied to Company
DAIICHI SANKYO KOREA CO., LTD.	Seoul, Korea	3,000 million W	Pharmaceuticals	100.0	Concurrent directors
DAIICHI SANKYO BRASIL FARMACÉUTICA LTDA.	Sao Paulo, Brazil	21 million Real	Pharmaceuticals	100.0	Concurrent directors Products supplied by Company
Sino-Japan Chemical Co., Ltd.	Taipei, Taiwan	144 million NT dollars	Other	52.0 [3.4]	Concurrent directors
Other 16 companies					
Affiliated companies accounted for by the equity method					
Sanofi-Pasteur-Daiichi Sankyo Vaccines Co., Ltd.	Edogawa-ku, Tokyo	310	Pharmaceuticals	50.0	Concurrent directors Operating capital borrowed from Company Office space etc. leased from Company
Hitachi Pharma Evolutions, Ltd.	Chiyoda-ku, Tokyo	250	Other	49.0	Concurrent directors Office space leased from Company
Other one company					

3. Management Policy

(1) Principal Management Policy

The vision of the Group is to become a “Global Pharma Innovator” that meets the medical needs of people worldwide by continuously developing innovative pharmaceuticals and related services. As a leading company in Japan’s pharmaceutical industry, the Group aims to develop a continuous stream of innovative drugs, and to expand its operations, built upon a global business bases, in the world’s major countries, and thereby to become a global player with its strong competitiveness in certain therapeutic areas.

In pursuit of this vision, the Group is determined to create three corporate values: economic value for shareholders through strong growth generated by innovative products; social value for the society by fulfilling a contributory role as a good corporate citizen; and human value by enhancing human development of the employees through proactive support for skill improvement.

(2) Business Performance Targets

The Group aims to greatly enhance its earning power through the synergies created by the business integration, and a steady sales growth from its existing mainstay products and contribution by new products, while maintaining R&D spending at a level required to pursue the “Global Pharma Innovator” status. The performance goals for the fiscal year ending March 31, 2010 have been set at net sales of ¥960.0 billion and operating income of ¥240.0 billion.

(3) Medium- to Long-Term Management Strategies and Challenges

For the Group, the ongoing integration process is an opportunity to make it prepared to take its first step as a Japan-based “Global Pharma Innovator.” The Group is actively tackling the issues discussed below as part of this process.

a. Early Realization of Fruits of Complete Integration

In line with the business integration schedule, the first step in the creation of the DAIICHI SANKYO Group was the establishment of DAIICHI SANKYO COMPANY, LIMITED as a joint holding company in September 2005 via a stock transfer. Operational integration then progressed in several areas, involving the restructuring of Group companies. The business integration process was finally completed in April 2007 with the merger of Sankyo Company, Limited and Daiichi Pharmaceutical Co., Ltd. into the holding company, DAIICHI SANKYO COMPANY, LIMITED.

Going forward, the Group aims to attain world-class levels of operational efficiency through steady realization of integration synergies. At the same time, the Group plans to strengthen operational management and business development functions and to boost HR development.

b. Concentration on the Pharmaceutical Business

To promote superior earnings and consistent growth, the Group plans to concentrate on the pharmaceutical business consisting of prescription drug and healthcare product operations. The ongoing aim is to establish all non-pharmaceutical businesses as fully independent operations outside the Group.

As of the end of March 2007, major non-pharmaceutical Group companies had been established successfully as independent businesses. Going forward, the Group plans to examine moves to reorganize Group subsidiaries as part of efforts to attain “Global Pharma Innovator” status.

c. Enhancement of Innovative Drug Discovery

In order to achieve its goal of developing innovative new drugs to fulfill unsatisfied medical needs, the Company is working to build an R&D operation with specific management objectives. The principal objectives include (1) a global R&D organization of an appropriate scale; (2) sufficient scale to support innovative research in key therapeutic areas; (3) retention and development of researchers for in-house discovery of key drug candidates; and (4) effective and efficient control of development projects coupled with timely decision-making. As part of this process, the Company established the Global Executive Meeting of Research and Development (GEMRAD) as a deliberative body to facilitate global R&D-related decision-making and to help prioritize the construction of a global development framework under unified R&D management. GEMRAD has designated the four target therapeutic areas for R&D as cardiovascular, glucose metabolism, cancer, and autoimmune conditions/rheumatoid arthritis. The top-priority development projects have been selected on this basis, and separate project teams are focusing on the development of each candidate drug.

d. Enhancement of Earnings Bases in Japan and Overseas

Integration of the domestic prescription drug businesses has resulted in a combined sales force of about 2,300 medical representatives (MRs), affording DAIICHI SANKYO superior marketing power in terms of quality and quantity. We will implement a distribution strategy that can extract maximum value from economies of scale, by further strengthening relationships with medical wholesalers operating on a national scale. Beginning in April 2007, the Group plans to concentrate its marketing power on promoting sales of the leading products, thereby increasing sales and creating a stronger base of sales operations within the domestic market.

In overseas markets, the Group plans to take full advantage of larger economies of scale created by the integration and thereby achieve substantial increases in product value by conducting both development and marketing in-house for certain high-priority projects, particularly in the United States. To this end, management recognizes a critical need in the expansion of overseas development and marketing bases in the United States and other markets. The Group plans to focus on such expansion through various means, including selective acquisition of external resources based on an alliance- and M&A-centered strategy.

In the healthcare product business, Daiichi Sankyo Healthcare Co., Ltd. recommenced operations in April 2007 following the absorption of Zepharma, Inc. Through organic integration, this move will serve to focus capabilities in R&D, sales and marketing to facilitate the expansion of sales of existing brands as well as new products. Going forward, the Company plans to focus on reinforcing the earnings base by upgrading brand assets and constructing a low-cost operational structure.

e. Basic Policy Regarding Moves Toward Large-Scale Acquisition of Company Stock

DAIICHI SANKYO believes that it is the sole prerogative of shareholders to decide whether or not to respond to any moves toward large-scale acquisition of Company stock. The Company does not deny the potentially significant impact that transfers of control of the Company may have in terms of stimulating business enterprise. In line with this thinking, the Company has not prepared any specific takeover defenses.

Nonetheless, the Company would consider it a self-evident duty of the Company management to oppose any takeover plans whose aims were generally considered inappropriate (such as schemes to ramp up the share price) or that would otherwise be deemed detrimental to the value of the Company or the mutual interests of shareholders. Accordingly, the Company will continue monitoring closely share transactions and changes in shareholders. In the event any moves toward large-scale acquisition of Company stock are noticed, the Company would assemble a panel of outside experts to evaluate any takeover proposal and to determine carefully the impact of such on the value of the Company and the mutual interests of shareholders. If any proposal were deemed detrimental to such interests, the Company would institute appropriate anti-takeover measures in response to individual cases.

(4) Other significant management-related matters

a. In the United States, numerous lawsuits seeking damages and other compensation were brought against Warner-Lambert Company and other pharmaceutical companies by certain patients who took the diabetes drug *Rezulin*, which had been sold until March 2000 using a compound whose generic name is troglitazone supplied by the Sankyo Company, Limited, a wholly-owned subsidiary of the Company. A U.S. subsidiary of the Company, Sankyo Pharma Inc. (currently, DAIICHI SANKYO, INC.), is named as a defendant in a small portion of these cases, and it is defending these cases in cooperation with Warner-Lambert. In these cases, the compensation demanded from all defendants includes claims for both compensatory and punitive damages.

   Costs incurred by the Sankyo Company, Limited and its subsidiaries relating to litigation concerning this drug (including any damages) are covered by an indemnity provision in the license agreement with Warner-Lambert. DAIICHI SANKYO has inherited these indemnification rights.

b. With its local U.S. licensees as co-plaintiffs, Daiichi Pharmaceutical Co., Ltd., a subsidiary of the Company, filed a patent infringement lawsuit in a U.S. district court against the Mylan Group, which had filed an application for a generic version of the synthetic antibacterial levofloxacin. The U.S. Court of Appeals for the Federal Circuit ruled in favor of Daiichi in December 2005, and the Mylan Group subsequently did not appeal its cases to the Supreme Court. Teva Pharmaceuticals and three other remaining co-defendants also did not appeal their cases to the Court of Appeals for the Federal Circuit following a ruling issued in May 2006 by the U.S. District Court for the District of New Jersey in favor of Daiichi. Separately, in October 2006 Daiichi filed a patent infringement lawsuit against Lupin Pharmaceuticals in the U.S. District Court for the District of New Jersey after the latter firm filed an application for a generic version of the same drug.

c. Sankyo Company, Limited., a wholly owned subsidiary of DAIICHI SANKYO COMPANY, LIMITED, and its U.S. subsidiary, DAIICHI SANKYO, INC., commenced litigation against Mylan Pharmaceuticals, Inc. which has filed in the United States District Court for the District of New Jersey for infringement of Sankyo (currently DAIICHI SANKYO)'s U.S. patent covering olmesartan medoxomil, the active ingredient in Sankyo's antihypertensive drug, *Benicar®*. Mylan has filed an Abbreviated New Drug Application with the Food and Drug Administration seeking to market a generic version of *Benicar®*.

d. In June 2007, the Company and its U.S. subsidiary, DAIICHI SANKYO INC., filed a patent infringement lawsuit in the U.S. District Court for the District of New Jersey against Mylan Inc. after the latter filed an application for a generic version of the antihypertensive *Benicar HCT®* (a combination drug containing olmesartan medoxomil and hydrochlorothiazide), which is marketed by DAIICHI SANKYO INC. in the United States. The lawsuit is based on the U.S. substance patent for olmesartan medoxomil owned by Sankyo Co., Ltd. (now DAIICHI SANKYO INC.).

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

		As of September 30, 2006			As of September 30, 2007			As of March 31, 2007		
	See Note	Amount		%	Amount		%	Amount		%
ASSETS										
I Current assets:										
1. Cash and time deposits			208,480			63,850			232,614	
2. Trade notes and accounts receivable			231,543			190,753			197,158	
3. Marketable securities			318,548			490,527			373,896	
4. Mortgage-backed securities			15,000			–			15,000	
5. Inventories			117,692			105,107			107,758	
6. Deferred tax assets			57,606			59,953			63,364	
7. Other current assets			26,729			35,485			26,773	
Allowance for doubtful accounts			(682)			(818)			(724)	
Total current assets			974,918	59.6		944,859	62.3		1,015,840	62.1
II Non-current assets:										
1. Property, plant and equipment:										
(1) Buildings and structures		156,568			140,840			142,534		
(2) Machinery, equipment and vehicles		48,504			35,798			40,010		
(3) Land		44,459			36,595			38,011		
(4) Construction in progress		6,722			11,200			12,013		
(5) Other		19,164	275,419	16.9	15,961	240,397	15.9	16,288	248,857	15.2
Total property, plant and equipment, net										
2. Intangible assets:										
(1) Goodwill, net		20,209			16,766			18,569		
(2) Other intangible assets, net		48,149	68,358	4.2	37,039	53,806	3.5	41,584	60,153	3.7
3. Investments and other assets:										
(1) Investment securities		261,787			245,873			262,240		
(2) Long-term loans		5,748			1,455			1,615		
(3) Prepaid pension costs		16,917			3,694			18,021		
(4) Deferred tax assets		9,428			5,987			8,890		
(5) Other assets		22,730			20,085			21,636		
Allowance for doubtful accounts		(825)	315,787	19.3	(349)	276,747	18.3	(421)	311,983	19.0
Total non-current assets			659,565	40.4		570,951	37.7		620,994	37.9
Total assets			1,634,483	100.0		1,515,811	100.0		1,636,835	100.0

(Millions of yen)

	See Note	As of September 30, 2006		As of September 30, 2007		As of March 31, 2007	
		Amount	%	Amount	%	Amount	%
LIABILITIES							
I Current liabilities:							
1. Trade notes and accounts payable		56,408		49,508		56,435	
2. Short-term bank loans		5,616		4,554		8,560	
3. Income taxes payable		32,789		19,093		27,573	
4. Deferred tax liabilities		59		–		–	
5. Allowance for sales returns		1,580		1,078		1,315	
6. Allowance for sales rebates		2,322		3,329		2,471	
7. Allowance for contingent losses		3,345		2,232		3,498	
8. Other current liabilities		141,078		108,779		181,654	
Total current liabilities		243,201	14.9	188,576	12.4	281,510	17.2
II Non-current liabilities:							
1. Long-term debt		1,701		1,354		1,533	
2. Deferred tax liabilities		26,570		33,859		36,145	
3. Accrued employees’ severance and retirement benefits		65,468		10,468		35,062	
4. Accrued directors' severance and retirement benefits		2,800		408		1,037	
5. Accrued soil remediation costs		4,532		2,545		3,956	
6. Other non-current liabilities		6,168		8,324		5,441	
Total non-current liabilities		107,241	6.6	56,961	3.8	83,176	5.1
Total liabilities		350,443	21.5	245,537	16.2	364,687	22.3
NET ASSETS							
I Shareholders' capital							
1. Common stock		50,000	3.1	50,000	3.3	50,000	3.1
2. Capital surplus		179,859	11.0	179,862	11.9	179,860	11.0
3. Retained earnings		981,690	60.0	1,012,891	66.8	971,483	59.3
4. Treasury stock at cost		(9,909)	(0.6)	(43.354)	(2.9)	(9,997)	(0.6)
Total shareholders' capital		1,201,640	73.5	1,199,399	79.1	1,191,346	72.8
II Valuation translation and other adjustments							
1. Net unrealized gain on investment securities		76,455	4.7	62,470	4.1	72,358	4.4
2. Foreign currency translation adjustments		2,337	0.1	4,947	0.4	4,951	0.3
Total valuation translation and other adjustments		78,792	4.8	67,418	4.5	77,310	4.7
III Minority interests		3,607	0.2	3,455	0.2	3,491	0.2
Total net assets		1,284,040	78.5	1,270,273	83.8	1,272,148	77.7
Total liabilities and net assets		1,634,483	100.0	1,515,811	100.0	1,636,835	100.0

(2) Consolidated Statements of Income

(Millions of yen)

		Interim period of fiscal 2006 (For the six-month period ended September 30, 2006)			Interim period of fiscal 2007 (For the six-month period ended September 30, 2007)			Change	Fiscal 2006 (For the year ended March 31, 2007)		
	See Note	Amount		%	Amount		%	Amount	Amount		%
I Net sales			485,842	100.0		443,708	100.0	(42,133)		929,506	100.0
II Cost of sales			138,022	28.4		113,204	25.5	(24,817)		265,200	28.5
Gross profit			347,820	71.6		330,504	74.5	(17,315)		664,306	71.5
III Selling, general and administrative expenses:											
1. Advertising and promotional expenses		51.840			50,648				100,672		
2. Salaries and bonuses		54,233			46,764				104,123		
3. Severance and retirement costs		3,704			–				7,553		
4. Research and development expenses		84,939			78,258				170,662		
5. Other		74,748	269,466	55.5	60,921	236,593	53.3	(32,873)	144,980	527,992	56.8
Operating income			78,353	16.1		93,911	21.2	15,557		136,313	14.7
IV Non-operating income:											
1. Interest income		3,967			4,361				7,725		
2. Dividend income		2,631			1,969				3,547		
3. Derivative income		2,309			–				2,639		
4. Other income		2,618	11,526	2.4	2,358	8,688	1.9	(2,837)	6,088	20,001	2.2
V Non-operating expenses:											
1. Interest expense		118			107				251		
2. Depreciation of inactive facilities		–			402				–		
3. Depreciation of real estate for rent and other		–			352				–		
4. Charitable contributions		406			–				592		
5. Loss on disposal and write-down of inventories		200			–				1,485		
6. Provision for doubtful accounts		197			–				–		
7. Other expenses		747	1,671	0.3	1,041	1,903	0.4	232	1,899	4,228	0.5
Ordinary income			88,208	18.2		100,696	22.7	12,487		152,086	16.4
VI Extraordinary gains:											
1. Gain on sales of property, plant and equipment	※1	1,619			1,347				4,314		
2. Gain on sale of investments in affiliates		20,550			2,293				59,347		
3. Gain on sale of investment securities		713			255				8,221		
4. Gain on transition of retirement benefit plan		–			61				–		
5. Gain on adjustment of prior-year R&D expenses		1,608	24,492	5.0	–	3,957	0.9	(20,534)	1,608	73,492	7.9

(Millions of yen)

		Interim period of fiscal 2006 (For the six-month period ended September 30, 2006)			Interim period of fiscal 2007 (For the six-month period ended September 30, 2007)			Change	Fiscal 2006 (For the year ended March 31, 2007)		
	See Note	Amount		%	Amount		%	Amount	Amount		%
VII Extraordinary losses:											
1. Loss on disposal of property, plant and equipment	※2	1,605			763				3,622		
2. Loss on business integration	※3	7,812			4,009				82,479		
3. Provision for contingent losses	※4	13			808				166		
4. Loss on business restructuring	※5	1,870			575				3,609		
5. Provision for soil remediation costs		1,685			513				2,875		
6. Loss on impairment of property, plant and equipment	※6	735			–				4,916		
7. Loss on valuation of investment securities		318			–				686		
8. Supplemental retirement benefit costs		287			–				287		
9. Loss on sale of investment securities		–	14,327	3.0	–	6,670	1.5	(7,657)	22	98,666	10.6
Income before income taxes and minority interests			98,373	20.2		97,983	22.1	(390)		126,912	13.7
Income tax expense — current	※7	52,312			28,726				64,710		
Income tax expense — deferred	※7	(20,883)	31,428	6.4	9,023	37,749	8.5	6,320	(16,631)	48,078	5.2
Minority interests in net income (losses) of Subsidiaries			58	0.0		(9)	(0.0)	(67)		283	0.0
Net income			66,886	13.8		60,243	13.6	(6,642)		78,549	8.5

(3) Consolidated Statement of Changes in Net Assets

Interim period of fiscal 2006 (for the six-month period ended September 30, 2006) (Millions of yen)

	Shareholders' capital				
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' capital
Balance as of March 31, 2006	50,000	179,858	936,513	(9,832)	1,156,539
Changes during the interim period					
Dividends (Note)			(18,226)		(18,226)
Bonuses to directors (Note)			(343)		(343)
Net income			66,886		66,886
Gain on reissuance of treasury stock		1			1
Acquisition of treasury stock				(81)	(81)
Reissuance of treasury stock				4	4
Decrease due to changes in scope of consolidation			(3,007)		(3,007)
Decrease due to changes in number of equity-method affiliates			(131)		(131)
Changes other than shareholders' capital, net					
Total changes during the interim period	–	1	45,177	(77)	45,100
Balance as of September 30, 2006	50,000	179,859	981,690	(9,909)	1,201,640

	Valuation translation and other adjustments			Minority interests	Total net assets
	Net unrealized gain on investment securities	Foreign currency translation adjustments	Total valuation translation and other adjustments		
Balance as of March 31, 2006	80,254	735	80,989	11,609	1,249,138
Changes during the interim period					
Dividends (Note)					(18,226)
Bonuses to directors (Note)					(343)
Net income					66,886
Gain on reissuance of treasury stock					1
Acquisition of treasury stock					(81)
Reissuance of treasury stock					4
Decrease due to changes in scope of consolidation					(3,007)
Decrease due to changes in number of equity-method affiliates					(131)
Changes other than shareholders' capital, net	(3,799)	1,601	(2,197)	(8,001)	(10,199)
Total changes during the interim period	(3,799)	1,601	(2,197)	(8,001)	34,901
Balance as of September 30, 2006	76,455	2,337	78,792	3,607	1,284,040

(Note) These items are the appropriation of retained earnings resolved at the annual meeting of shareholders held in June 2006.

Interim period of fiscal 2007 (for the six-month period ended September 30, 2007) (Millions of yen)

	Shareholders' capital				
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' capital
Balance as of March 31, 2007	50,000	179,860	971,483	(9,997)	1,191,346
Changes during the interim period					
Dividends			(21,870)		(21,870)
Net income			60,243		60,243
Acquisition of treasury stock				(33,362)	(33,362)
Gain on sale of treasury stock		1		4	6
Increase due to changes in scope of consolidation			141		141
Increase due to merger with unconsolidated subsidiaries			2,893		2,893
Changes other than shareholders’ capital, net					
Total changes during the interim period	–	1	41,408	(33,357)	8,052
Balance as of September 30, 2007	50,000	179,862	1,012,891	(43,354)	1,199,399

	Valuation translation and other adjustments			Minority interests	Total net assets
	Net unrealized gain on investment securities	Foreign currency translation adjustments	Total valuation translation and other adjustments		
Balance as of March 31, 2007	72,358	4,951	77,310	3,491	1,272,148
Changes during the interim period					
Dividends					(21,870)
Net income					60,243
Acquisition of treasury stock					(33,362)
Gain on sale of treasury stock					6
Increase due to changes in scope of consolidation					141
Increase due to merger with unconsolidated subsidiaries					2,893
Changes other than shareholders’ capital, net	(9,888)	(3)	(9,891)	(35)	(9,927)
Total changes during the interim period	(9,888)	(3)	(9,891)	(35)	(1,874)
Balance as of September 30, 2007	62,470	4,947	67,418	3,455	1,270,273

Fiscal 2006 (for the year ended March 31, 2007) (Millions of yen)

	Shareholders' capital				
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' capital
Balance as of March 31, 2006	50,000	179,858	936,513	(9,832)	1,156,539
Changes during the fiscal year					
Dividends (Note)			(18,226)		(18,226)
Dividends			(21,870)		(21,870)
Bonuses to directors (Note)			(343)		(343)
Net income			78,549		78,549
Acquisition of treasury stock				(172)	(172)
Gain on sale of treasury stock		2		7	10
Decrease due to changes in scope of consolidation			(3,007)		(3,007)
Decrease due to changes in number of equity-method affiliates			(131)		(131)
Changes other than shareholders' capital, net					
Total changes during the fiscal year	–	2	34,970	(164)	34,807
Balance as of March 31, 2007	50,000	179,860	971,483	(9,997)	1,191,346

	Valuation translation and other adjustments			Minority interests	Total net assets
	Net unrealized gain on investment securities	Foreign currency translation adjustments	Total valuation translation and other adjustments		
Balance as of March 31, 2006	80,254	735	80,989	11,609	1,249,138
Changes during the fiscal year					
Dividends (Note)					(18,226)
Dividends					(21,870)
Bonuses to directors (Note)					(343)
Net income					78,549
Acquisition of treasury stock					(172)
Gain on sale of treasury stock					10
Decrease due to changes in scope of consolidation					(3,007)
Decrease due to changes in number of equity-method affiliates					(131)
Changes other than shareholders' capital, net	(7,895)	4,216	(3,679)	(8,118)	(11,797)
Total changes during the fiscal year	(7,895)	4,216	(3,679)	(8,118)	23,009
Balance as of March 31, 2007	72,358	4,951	77,310	3,491	1,272,148

(Note) These items are the appropriation of retained earnings resolved at the annual meeting of shareholders held in June 2006.

(4) Consolidated Statements of Cash Flows

(Millions of yen)

		Interim period of fiscal 2006 (For the six-month period ended September 30, 2006)	Interim period of fiscal 2007 (For the six-month period ended September 30, 2007)	Change	Fiscal 2006 (For the year ended March 31, 2007)
	See Note	Amount	Amount	Amount	Amount
I Cash flows from operating activities:					
Income before income taxes and minority interests		98,373	97,983		126,912
Depreciation		19,732	18,803		39,986
Loss on impairment of property, plant and equipment		735	–		4,916
Amortization of goodwill		1,788	1,802		3,595
Increase in allowance for doubtful accounts		287	71		5
Decrease in accrued severance and retirement benefits		(535)	(24,576)		(28,547)
(Increase) decrease in prepaid pension costs		390	14,275		(714)
Interest and dividend income		(6,598)	(6,330)		(11,273)
Interest expense		118	107		251
Loss on sales of property, plant and equipment		(13)	(583)		(692)
Equity in net (income) loss of affiliated companies		(18)	(36)		17
Decrease in trade notes and accounts receivable		5,500	4,580		16,794
(Increase) decrease in inventories		4,635	(665)		1,684
Increase (decrease) in trade notes and accounts payable		(5,171)	(8,147)		3,294
Increase (decrease) in accounts payable and accrued expense		–	(64,990)		56,551
Other, net		(10,754)	(9,008)		(55,247)
Subtotal		108,469	23,286	(85,183)	157,537
Interest and dividends received		6,488	6,824		11,099
Interest paid		(118)	(107)		(251)
Income taxes paid		(45,131)	(36,838)		(61,954)
Net cash provided by (used in) operating activities		69,708	(6,834)	(76,543)	106,429

(Millions of yen)

	See Note	Interim period of fiscal 2006 (For the six-month period ended September 30, 2006) Amount	Interim period of fiscal 2007 (For the six-month period ended September 30, 2007) Amount	Change Amount	Fiscal 2006 (For the year ended March 31, 2007) Amount
II Cash flows from investing activities:					
Purchases of time deposits		(5,704)	(2,453)		(6,620)
Proceeds from maturities in time deposits		2,653	704		5,403
Purchases of marketable securities		(83,249)	(58,645)		(148,217)
Proceeds from sale of marketable securities		80,180	69,309		165,048
Acquisitions of property, plant and equipment		(11,224)	(13,765)		(28,066)
Proceeds from sale of property, plant and equipment		3,572	1,464		11,449
Acquisitions of intangible assets		(2,963)	(388)		(14,886)
Acquisitions of investment securities		(19,623)	(15,888)		(37,482)
Proceeds from sale of investment securities		4,787	12,929		14,157
Acquisitions of investments in newly consolidated subsidiaries		(27,210)	–		(27,210)
Proceeds from sale of investments in consolidated subsidiaries resulting in changes in scope of consolidation		24,865	8,796		91,019
Net decrease in short-term loans		–	8,000		16,136
Payment for loans receivable		(327)	(150)		(1,365)
Proceeds from collection of loans receivable		593	836		5,893
Other, net		924	(5,137)		(45)
Net cash provided by (used in) investing activities		(32,726)	5,610	38,337	45,305
III Cash flows from financing activities:					
Net increase (decrease) in short-term bank loans		(4,011)	(4,050)		1,312
Repayments of long-term debt		(180)	(134)		(297)
Purchases of treasury stock		(81)	(33,362)		(172)
Dividends paid		(18,195)	(21,862)		(40,049)
Other, net		(681)	(81)		(1,561)
Net cash used in financing activities		(23,150)	(59,491)	(36,341)	(40,768)
IV Effect of exchange rate changes on cash and cash equivalents		160	(89)	(249)	399
V Net increase (decrease) in cash and cash equivalents		13,992	(60,804)	(74,797)	111,365
VI Cash and cash equivalents, beginning of period		400,967	513,211	112,243	400,967
VII Increase (decrease) in cash and cash equivalents due to changes in scope of consolidation		877	501	(376)	877
VIII Increase in cash and cash equivalents due to merger with unconsolidated subsidiaries		–	1,028	1,028	–
IX Cash and cash equivalents, end of period		415,838	453,936	38,098	513,211

Basis of Presentation and Summary of Significant Accounting Policies for the Preparation of Consolidated Financial Statements

Item	Interim period of fiscal 2006 (For the six-month period ended September 30, 2006)	Interim period of fiscal 2007 (For the six-month period ended September 30, 2007)	Fiscal 2006 (For the year ended March 31, 2007)
1. Scope of Consolidation	(1) Consolidated subsidiaries: 54 Principal consolidated subsidiaries: In Japan Sankyo Co., Ltd. Daiichi Pharmaceutical Co., Ltd. Daiichi Asubio Pharma. Co., Ltd. Daiichi Fine Chemical Co., Ltd. Daiichi Radioisotope Laboratories, Ltd. Daiichi Pure Chemicals Co., Ltd. Zepharma Inc. Daiichi Pharmatech Co., Ltd. Daiichi Sankyo Healthcare Co., Ltd. Sankyo Agro Co., Ltd. Nippon Nyukazai Co., Ltd. Sankyo Lifetech Co., Ltd. Overseas DAIICHI SANKYO, INC. Luitpold Pharmaceuticals, Inc. DAIICHI SANKYO EUROPE GmbH Wakodo Co., Ltd., Wako Food Industry Co., Ltd., Wako Logistics Co., Ltd., Nihon Shoni Iji Shuppansha Co., Ltd., Fuji Flour Milling Co., Ltd. and Oy Sankyo Pharma Finland Ab, which were consolidated subsidiaries of Sankyo Company, Limited were excluded from the scope of consolidation because of the sale of their shares and other reasons. Shanghai Sankyo Pharmaceuticals Co., Ltd. and Taiwan Sankyo Pharmaceutical Co., Ltd., both previously non-consolidated subsidiaries of Sankyo Company, Limited, were included in the scope of consolidation because of their increased significance. Zepharma Inc., which was acquired at the beginning of the interim period ended September 30, 2006, was also included in the scope of consolidation. Sankyo Pharma GmbH, which is a Sankyo Company, Ltd.'s consolidated subsidiary, changed its name to DAIICHI SANKYO EUROPE GmbH. (2) Non-consolidated subsidiaries (including Sankyo Insurance Agency Co., Ltd. and Godo Real Estate Co. Ltd.) are small and are not material when measured by the amounts of assets, sales, net income (based on the Company's ownership percentage), retained earnings (based on the Company's ownership percentage), and other indicators. They have therefore been excluded from the scope of consolidation.	(1) Consolidated subsidiaries: 46 Principal consolidated subsidiaries: In Japan ASUBIO PHARMA. CO., LTD. Daiichi Sankyo Healthcare Co., Ltd. DAIICHI SANKYO PLOPHARMA CO., LTD. Nippon Nyukazai Co., Ltd. Overseas DAIICHI SANKYO, INC. Luitpold Pharmaceuticals, Inc. DAIICHI SANKYO EUROPE GmbH The Company merged with Sankyo Co., Ltd. and Daiichi Pharmaceutical Co., Ltd. during the interim period ended September 30, 2007. The number of consolidated subsidiaries decreased by six as the result of the corporate realignments, which included the mergers of Daiichi Sankyo Healthcare Co., Ltd. with Zepharma Inc. and of Daiichi Sankyo Propharma Co., Ltd. with Daiichi Pharmatech Co., Ltd. Following the sale of shares and other actions, Daiichi Fine Chemical Co., Ltd. and two other subsidiaries were excluded from the scope of consolidation from the beginning of the interim period ended September 30, 2007, but were included in the scope of consolidation from the beginning of the interim period ended September 30, 2007. Due to gains in materiality, DAIICHI SANKYO BRASIL FARMACÉUTICA LTDA. and DAIICHI SANKYO VENEZUELA S.A. were newly included in the scope of consolidation from the interim period ended September 30, 2007. DAIICHI SANKYO INDIA PHARMA, Ltd. was included in the scope of consolidation following its establishment in the interim period ended September 30, 2007. (2) Non-consolidated subsidiaries (including Kyushu Juhi Kogyosho) are small and are not material when measured by the amounts of assets, sales, net income (based on the Company's ownership percentage), retained earnings (based on the Company's ownership percentage), and other indicators. They have therefore been excluded from the scope of consolidation.	(1) Consolidated subsidiaries: 54 Principal consolidated subsidiaries: In Japan Sankyo Co., Ltd. Daiichi Pharmaceutical Co., Ltd. Daiichi Asubio Pharma. Co., Ltd. Daiichi Fine Chemical Co., Ltd. Zepharma Inc. Daiichi Pharmatech Co., Ltd. Daiichi Sankyo Healthcare Co., Ltd. Nippon Nyukazai Co., Ltd. Overseas DAIICHI SANKYO, INC. Luitpold Pharmaceuticals, Inc. DAIICHI SANKYO EUROPE GmbH Due to the sale of shares in Wakodo Co., Ltd., Fuji Flour Milling Co., Ltd. and four other companies, these subsidiaries were excluded from the scope of consolidation from the beginning of this fiscal year, yet they were included as part of retained earnings as of the beginning of the year. Sankyo Agro Co., Ltd., Daiichi Radioisotope Laboratories, Ltd., Daiichi Pure Chemicals Co., Ltd. and four other subsidiaries were excluded from the scope of consolidation during this fiscal year due to the sale of their shares. Formerly non-consolidated subsidiaries, Shanghai Sankyo Pharmaceuticals Co., Ltd. and Taiwan Sankyo Pharmaceutical Co., Ltd., were newly included in the scope of consolidation from the beginning of this fiscal year due to their increased materiality. Zepharma Inc., which was acquired in this fiscal year, was newly included in the scope of consolidation from the beginning of the fiscal year. Daiichi Sankyo Propharma Co., Ltd. and six other companies, which were all established during this fiscal year, were also newly included in the scope of consolidation. (2) Non-consolidated subsidiaries (including Sankyo Insurance Agency Co., Ltd. and Godo Real Estate Co. Ltd.) are small and are not material to the consolidated financial statements when measured by the amounts of assets, sales, net income (based on the Company's ownership percentage), retained earnings (based on the Company's ownership percentage), and other indicators. They have therefore been excluded from the scope of consolidation.

<table>
<tr><th>Item</th><th>Interim period of fiscal 2006
(For the six-month period ended September 30, 2006)</th><th>Interim period of fiscal 2007
(For the six-month period ended September 30, 2007)</th><th>Fiscal 2006
(For the year ended March 31, 2007)</th></tr>
<tr><td>2. Application of the Equity Method</td><td>(1) Non-consolidated subsidiaries accounted for under the equity method: 0
Affiliated companies accounted for under the equity method: 3
Names of principal company:
Sanofi Pasteur - Daiichi Vaccine Co., Ltd.

(2) Net income (based on the Company's equity percentage), retained earnings (based on the Company's equity percentage), and other indicators of those non-consolidated subsidiaries (including Sankyo Insurance Agency Co., Ltd. and Godo Real Estate Co. Ltd.) and affiliated companies (including Tokyo Yakugyo Kaikan Co., Ltd.) that have not been accounted for under the equity method are not material or significant to the Company as a whole. Therefore, these companies have not been accounted for under the equity method, but are rather reported in the Company's investment account under the cost method.</td><td>(1) Non-consolidated subsidiaries accounted for under the equity method: 0
Affiliated companies accounted for under the equity method: 3
Names of principal company:
Sanofi Pasteur - Daiichi Sankyo Vaccine Co., Ltd.

(2) Net income (based on the Company's equity percentage), retained earnings (based on the Company's equity percentage), and other indicators of those non-consolidated subsidiaries (including Kyushu Juhi Kogyosho) and affiliated companies (including Tokyo Yakugyo Kaikan Co., Ltd.) that have not been accounted for under the equity method are not material or significant to the Company as a whole. Therefore, these companies have not been accounted for under the equity method, but are rather reported in the Company's investment account under the cost method.</td><td>(1) Non-consolidated subsidiaries accounted for under the equity method: 0
Affiliated companies accounted for under the equity method: 3
Name of principal company:
Sanofi Pasteur - Daiichi Vaccine Co., Ltd.

Two affiliated companies were excluded from the scope of application of the equity method because of decreases of investment equity resulting from the sale of their shares.

(2) Net income (based on the Company's equity percentage), retained earnings (based on the Company's equity percentage), and other indicators of those non-consolidated subsidiaries (including Sankyo Insurance Agency Co., Ltd. and Godo Real Estate Co. Ltd.) and affiliated companies (including Tokyo Yakugyo Kaikan Co., Ltd.) that have not been accounted for under the equity method are not material or significant to the Company as a whole. Therefore, these companies have not been accounted for under the equity method, but are rather reported in the Company's investment account under the cost method.</td></tr>
<tr><td>3. Period-End of Consolidated Subsidiaries</td><td>The interim period-end of certain consolidated subsidiaries is June 30. In preparing the interim financial statements, the Company uses the financial statements of these companies as of their interim period-end. For major intervening transactions that occurred between the interim period-end of those companies and September 30, appropriate adjustments have been made in the consolidated interim financial statements.
Name of subsidiaries that have interim period-end on June 30:
Daiichi Asubio Pharmaceutical, Inc., Daiichi Sankyo Europe GmbH, and its 11 subsidiaries as well as Daiichi Pharmaceutical (Beijing) Co., Ltd. and 7 other subsidiaries.

(Supplemental Information)
DAIICHI SANKYO INC. and Luitpold Pharmaceuticals Inc. changed their fiscal year-end from December 31 to March 31 effective the current fiscal year.

The financial statements as of December 31, 2005 of those companies were used in preparing the consolidated financial statements for the fiscal year ended March 31, 2006 for these companies. As a result of this change, the consolidated results for the interim period ended September 30, 2006 included the nine months’ results of these companies covering the period from January 1 to September 30, 2006.

The net effect of these changes in fiscal year-end on the consolidated statements of income for the interim period ended September 30, 2006 was an increase in net sales, operating income, ordinary income, income before income taxes and minority interests, and net income of ¥31,514 million, ¥9,030 million, ¥10,575 million, ¥9,587 million and ¥5,830 million, respectively.</td><td>The interim period-end of certain consolidated subsidiaries is June 30. In preparing the interim financial statements, the Company uses the financial statements of these companies as of their interim period-end. For major intervening transactions that occurred between the interim period-end of those companies and September 30, appropriate adjustments have been made in the consolidated interim financial statements.
Name of subsidiaries that have interim period-end on June 30:
Daiichi Pharmaceutical (Beijing) Co., Ltd. as well as Shanghai Sankyo Pharmaceuticals Co., Ltd., DAIICHI SANKYO BRASIL FARMACÉUTICA LTDA. and 5 other subsidiaries.

(Supplemental Information)
DAIICHI SANKYO EUROPE GmbH and 11 Group subsidiaries, along with two other companies, changed their fiscal year-end from December 31 to March 31 effective the current fiscal year.

The financial statements as of December 31, 2006 of those companies were used in preparing the consolidated financial statements for the fiscal year ended March 31, 2007 for these companies. As a result of this change, the consolidated results for the interim period ended September 30, 2007 included the nine months’ results of these companies covering the period from January 1 to September 30, 2007.

The net effect of these changes in fiscal year-end on the consolidated statements of income for the interim period ended September 30, 2007 was an increase in net sales, operating income, ordinary income, income before income taxes and minority interests, and net income of ¥14,129 million, ¥1,886million, ¥2,169million, ¥2,161million and ¥2,027 million, respectively.</td><td>The fiscal year-end of certain consolidated subsidiaries is December 31. In preparing the consolidated financial statements, the Company uses the financial statements of these companies as of their fiscal year-end. For major intervening transactions that occurred between the fiscal year-end of those companies and March 31, appropriate adjustments have been made in the consolidated financial statements.
Name of subsidiaries that have fiscal year-end on December 31:
Daiichi Asubio Pharmaceutical, INC. DAIICHI SANKYO EUROPE GmbH, and its 11 subsidiaries as well as Daiichi Pharmaceutical (Beijing) Co., Ltd., Shanghai Sankyo Pharmaceuticals Co., Ltd. and 5 other subsidiaries.

(Supplemental Information)
DAIICHI SANKYO INC. and Luitpold Pharmaceuticals Inc. changed their fiscal year-end from December 31 to March 31 effective this fiscal year.

As a result, while the financial statements of these subsidiaries as of December 31, 2005 were used in the preparation of the Consolidated Financial Statements for the fiscal year ended March 2006, due to this change in fiscal year-end, the consolidated financial statements for the fiscal year ended March 2007 include 15-month results of the two subsidiaries (for the period from January 1, 2006 to March 31, 2007).

The net effect of this change in fiscal year-end on the consolidated statement of income for the fiscal year ended March 31, 2006 was an increase in net sales, operating income, ordinary income, income before income taxes and minority interests, and net income of ¥31,514 million, ¥9,030 million, ¥10,575 million, ¥9,587 million and ¥5,830 million, respectively.</td></tr>
</table>

Item	Interim period of fiscal 2006 (For the six-month period ended September 30, 2006)	Interim period of fiscal 2007 (For the six-month period ended September 30, 2007)	Fiscal 2006 (For the year ended March 31, 2007)
4. Summary of Significant Accounting Policies (a) Methods of Valuation of Significant Assets	(1) Marketable and Investment Securities Held-to-maturity securities Mainly the amortized cost method (straight-line amortization) Available-for-sale securities Securities with determinable market value: Mainly stated at market value method based on the quoted market prices at the end of the interim period. Unrealized holding gains and losses are reported in a component of shareholders' equity, with the cost of securities sold being calculated by the moving-average method. Securities without determinable market value: Mainly stated at cost based on the moving-average method (2) Derivatives Market value method (3) Inventories Mainly stated at the lower of cost or market, by the weighted average cost method ———————	(1) Marketable and Investment Securities Held-to-maturity securities Same as September 30, 2006 Available-for-sale securities Securities with determinable market value: Same as September 30, 2006 Securities without determinable market value: Same as September 30, 2006 (2) Derivatives Same as September 30, 2006 (3) Inventories Inventories for ordinary sales - Stated at cost , by the weighted average cost method (Inventories in the balance sheet are measured by write-down based on a decrease in profitability of the assets) (Changes in accounting method) In line with the extension of adoption of the Accounting Standard for Measurement of Inventories (ASBJ [Accounting Standards Board of Japan] Statement No. 9, July 5, 2006) to consolidated financial statements for the consolidated fiscal year starting on or before March 31, 2008, that accounting standard was adopted from the interim period ended September 30, 2007. The effects of this change on operating income, ordinary income, and net income before income taxes and minority interests are decreases of ¥1,705 million, ¥1,462 million, and ¥1,462 million, respectively. The effects on segment information are described in the relevant notes.	(1) Marketable and Investment Securities Held-to-maturity securities Same as September 30, 2006 Available-for-sale securities: Securities with determinable market value; Mainly stated at market value method based on the quoted market prices at the end of the fiscal year. Unrealized holding gains and losses are reported in a component of shareholders' equity, with the cost of securities sold being calculated by the moving-average method. Securities without determinable market value; Same as September 30, 2006 (2) Derivatives Same as September 30, 2006 (3) Inventories Same as September 30, 2006 ———————

Item	Interim period of fiscal 2006 (For the six-month period ended September 30, 2006)	Interim period of fiscal 2007 (For the six-month period ended September 30, 2007)	Fiscal 2006 (For the year ended March 31, 2007)
(b) Depreciation and Amortization of Significant Depreciable Assets	(1) Property, Plant and Equipment The Company and its domestic consolidated subsidiaries account for depreciation of property, plant and equipment by the declining-balance method, except for buildings (excluding fixtures) acquired on or after April 1, 1998, which are accounted for by the straight-line method. Overseas consolidated subsidiaries account for depreciation of property, plant and equipment mainly by the straight-line method. The principal useful lives are as follows: Buildings and structures: 15~50 years Machinery, equipment and vehicles: 4~7 years	(1) Property, Plant and Equipment Same as September 30, 2006	(1) Property, Plant and Equipment Same as September 30, 2006
	―――	(Changes in accounting method) In accordance with the amendment of the Corporate Tax Law in Japan, with effect from the interim period ended September 30, 2007, the Company and its domestic consolidated subsidiaries changed the method of depreciation applied to all tangible fixed assets acquired on or after April 1, 2007 to that based on the revised law. The effects of this change on operating income, ordinary income, and net income before income taxes and minority interests are decreases of each ¥244 million. The effects on segment information are described in the relevant notes.	―――
	―――	(Supplemental Information) In accordance with the amendment of the Corporate Tax Law in Japan, with respect to any tangible assets acquired on or before March 31, 2007, the Company and its domestic consolidated subsidiaries have included the depreciation expenses of such tangible assets amounts representing the difference between the amounts of carrying costs for accounting purposes and 5% of the acquisition costs as derived from application of the depreciation method used prior to the legal revisions. Such amounts are being depreciated in equal amounts over five years, starting in year after the fiscal year in which accumulated depreciation based on the pre-revision method reached 95% of the acquisition costs. The effects of the change on operating income are decreases of ¥811 million, and ordinary income and net income before income taxes and minority interests are each decreases of ¥818 million. The effects on segment information are described in the relevant notes.	―――

Item	Interim period of fiscal 2006 (For the six-month period ended September 30, 2006)	Interim period of fiscal 2007 (For the six-month period ended September 30, 2007)	Fiscal 2006 (For the year ended March 31, 2007)
	(2) Intangible Assets Intangible assets are being amortized by the straight-line method. Software for in-house use is amortized over the estimated useful lives of a five-year period.	(2) Intangible Assets Same as September 30, 2006	(2) Intangible Assets Same as September 30, 2006
(c) Method of Accounting for Significant Allowances	(1) Allowance for Doubtful Accounts The Company covers the risk of credit losses from potential customer defaults by providing for this allowance. For normal accounts, the allowance is computed on the basis of the historical default rates. For specific over-due accounts, the allowance is based on individual account-by-account estimates of the amounts that may not be recoverable.	(1) Allowance for Doubtful Accounts Same as September 30, 2006	(1) Allowance for Doubtful Accounts Same as September 30, 2006
	(2) Allowance for Sales Returns To prepare for losses on potential returns of products after the end of the interim period, the Company’s certain subsidiaries provide for an amount equal to the sum of gross profits and inventory losses on such returned products, based on its estimate of possible sales returns. For the interim period, the provision for this allowance of ¥611 million was included in cost of sales.	(2) Allowance for Sales Returns To prepare for losses on potential returns of products after the end of the interim period, the Company and its certain subsidiaries provide for an amount equal to the sum of gross profits and inventory losses on such returned products, based on its estimate of possible sales returns. For the interim period, the reversal for this allowance of ¥236 million was included in cost of sales.	(2) Allowance for Sales Returns To prepare for losses on potential returns of products after the end of the fiscal year, the Company's certain subsidiaries provide for an amount equal to the sum of gross profits and inventory losses on such returned products, based on its estimate of possible sales returns. For the current fiscal year, the provision of this allowance of ¥380 million was included in cost of sales.
	(3) Allowance for Sales Rebates To prepare for future sales rebates, the Company’s certain subsidiaries provide for this allowance calculated by multiplying an estimated sales rebate percentage for the interim period by the amounts of accounts receivable from and inventories held by wholesalers at the end of the interim period.	(3) Allowance for Sales Rebates To prepare for future sales rebates, the Company and its certain subsidiaries provide for this allowance calculated by multiplying an estimated sales rebate percentage for the interim period by the amounts of accounts receivable from and inventories held by wholesalers at the end of the interim period.	(3) Allowance for Sales Rebates To prepare for future sales rebates, the Company's certain subsidiaries provide for this allowance calculated by multiplying an estimated sales rebate percentage for the fiscal year by the amounts of accounts receivable from and inventories held by wholesalers at the end of the fiscal year

Item	Interim period of fiscal 2006 (For the six-month period ended September 30, 2006)	Interim period of fiscal 2007 (For the six-month period ended September 30, 2007)	Fiscal 2006 (For the year ended March 31, 2007)
	(4) Accrued Severance and Retirement Benefits To prepare for future payments of employee severance and retirement benefit, the Company's domestic consolidated subsidiaries provide for an amount incurred by the interim period-end based on estimated projected benefit obligations and plan assets at the end of the current fiscal year. Certain overseas consolidated subsidiaries provide for such accruals in accordance with accounting principles generally accepted in the countries of their domicile. Prior service costs are amortized under the straight-line method over a period of 5 to 10 years, which is equal to or less than the estimated average remaining years of service of the eligible employees when the prior year service cost was incurred. Actuarial gains and losses are amortized under the straight-line method, beginning in the fiscal year following the year in which such gain or loss was initially measured, over a period of 5 to 10 years, which is equal to or less than the average remaining years of service of eligible employees when the actuarial gain or loss occurred, except for Sankyo which recognizes actuarial gains or losses immediately as they occur. —	(4) Accrued Severance and Retirement Benefits To prepare for future payments of employee severance and retirement benefit, the Company and its domestic consolidated subsidiaries provide for an amount incurred by the interim period-end based on estimated projected benefit obligations and plan assets at the end of the current fiscal year. Certain overseas consolidated subsidiaries provide for such accruals in accordance with accounting principles generally accepted in the countries of their domicile. Prior service costs are amortized over a period of 1 year (12 months) since they occurred. Actuarial gains and losses are amortized under the straight-line method, beginning in the fiscal year following the year in which such gain or loss was initially measured, over a period of 10 years, which is equal to or less than the average remaining years of service of eligible employees when the actuarial gain or loss occurred. (Changes in accounting method) The Company and some of its domestic consolidated subsidiaries 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. Although significant prior service costs arose following the revision of the retirement benefit plans stemming from the merger of Sankyo Company, Limited and Daiichi Pharmaceutical Co., Ltd. to form Daiichi Sankyo Company, Limited, 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 prior service costs over five years for Sankyo Company, Limited and ten years for Daiichi Pharmaceutical Co., Ltd. and Daiichi Asubio Pharmaceutical, Inc, which are the main companies before corporate realignment. Aiming to appropriately reflect the status of the retirement benefit plans in the consolidated financial statements, effective from the interim period ended September 30,2007, Daiichi Sankyo and Asubio Pharma, after the corporate realignments, changed their accounting methods to amortize the prior service costs in one year (twelve months) since they occurred.	(4) Accrued Severance and Retirement Benefits To prepare for future payments of employee severance and retirement benefit, the Company's domestic consolidated subsidiaries provide for an amount incurred by the fiscal year-end based on estimated projected benefit obligations and plan assets at the end of the fiscal year. Certain overseas consolidated subsidiaries provide for such accruals in accordance with accounting principles generally accepted in the countries of their domicile. Prior service costs are amortized under the straight-line method over a period of 5 to 10 years, which is equal to or less than the estimated average remaining years of service of the eligible employees when the prior year service cost was incurred. Actuarial gains and losses are amortized under the straight-line method, beginning in the fiscal year following the year in which the gain or loss was initially measured, over a period of 5 to 10 years, which is equal to or less than the average remaining years of service of the eligible employees at the time such actuarial gain or loss occurred, except for Sankyo which recognizes actuarial gains or losses immediately as they occur. —

Item	Interim period of fiscal 2006 (For the six-month period ended September 30, 2006)	Interim period of fiscal 2007 (For the six-month period ended September 30, 2007)	Fiscal 2006 (For the year ended March 31, 2007)
		As for actuarial gains and losses, concerning the main companies before corporate realignment, Sankyo Company, Limited applied a lump-sum expense deduction in the year when actuarial gains and losses occurred and Daiichi Pharmaceutical Co., Ltd. amortized such gains and losses over 10 years. After the corporate reorganization, the Company integrated the retirement benefit and pension plans, which has increased pension assets. Although the current environment for pension assets is improving because of the recently raised the official discount rate and steady stock markets, due to the greater vulnerability to fluctuations in the markets that the increase in pension assets has brought, actuarial gains and losses could have a significant effect on annual income. Thus the Company intends to ensure that its profit calculations are appropriate and, effective from the interim period ended September 30, 2007, actuarial gains and losses were changed to be amortized on a straight-line method over a certain period (10 years) within the average remaining service years of eligible employees. In this connection, the Company booked its unamortized balance of prior service costs occurred by the previous consolidated fiscal year, in the amount of ¥231 million, as extraordinary gains. The net effects of these changes in accounting methods on operating income, ordinary income, and net income before income taxes and minority interests are increases of ¥3,976 million, ¥3,976 million, and ¥4,208 million, respectively. The effects on segment information are described in the relevant notes.	

Please note that the disclosure of information about the basis of presentation and summary of significant accounting policies for the preparation of the consolidated financial statements other than described above has been omitted herein because there were no significant changes subsequently to the most recent Interim Securities Report (*hanki-hokokusho*) filed with the Financial Services Agency on December 13, 2006.

Changes in Presentation

Interim period of fiscal 2006 (For the six-month period ended September 30, 2006)	Interim period of fiscal 2007 (For the six-month period ended September 30, 2007)
(Consolidated Balance Sheet) ―――――	**(Consolidated Balance Sheet)** "Negotiable certificates of deposit," which was included in "Cash and time deposits," and "Mortgage bonds," which was presented as a separate line item, in the interim period ended September 30, 2006 were included in "Marketable securities" from the interim period ended September 30, 2007, because the Practical Guidance on Accounting for Financial Instruments (the Committee on Accounting System Report No. 14) states negotiable certificates of deposit and mortgage bonds must be treated as securities. "Negotiable certificates of deposit" amounted to ¥87,500 million as of September 30, 2006 and ¥35,000 million as of September 30, 2007. "Mortgage bonds" amounted to ¥15,000 million as of September 30, 2007.
(Consolidated Statement of Income) "Provision for doubtful accounts" in non-operating expenses, which was included in "Other expenses" in the interim period ended September 30, 2005, has been presented as a separate line item as the amount exceeded 10/100 of total amount of the non-operating expenses. "Provision for doubtful accounts" which was included in "Other expenses" in the interim period ended September 30, 2005, amounted to ¥8 million. "Equity in net losses of affiliated companies" which was itemized in non-operating expenses in the interim period ended September 30, 2005 included in "Other income" in the interim period ended September 30, 2006 because the amounts included represented less than 10% of total non-operating income for the interim period. Equity in earnings of affiliated companies amounted to ¥18 million in the interim period ended September 30, 2006.	**(Consolidated Statement of Income)** "Severance and Retirement costs," which was presented as a separate line item in selling, general and administrative expenses in the interim period ended September 30, 2006 was now included in "Other" in "Selling, general and administrative expenses" because its materiality decreased. "Severance and Retirement costs" amounted to ¥52 million in the interim period ended September 30, 2007. "Derivative income," which was presented as a separate line item in "Non-operating income" in the interim period ended September 30, 2006 turned to "Derivative loss" in the interim period ended September 30, 2007. This item was included in "Other expenses" in non-operating expenses because the amounts included represented less than 10% of total non-operating expenses for the interim period. "Derivative loss" amounted to ¥18 million in the fiscal half-year ended September 30, 2007. "Depreciation of real estate for rent and other" in non-operating expenses, which was included in "Other expenses" in the interim period ended September 30, 2006, was now presented as a separate line item as the amount exceeded 10% of total non-operating expenses for the interim period. "Depreciation of inactive facilities" in non-operating expenses, which was included in "Other expenses" in the interim period ended September 30, 2006, was presented as a separate line item for the interim period ended September 30, 2007 as the amount exceeded 10% of total non-operating expenses for the interim period. "Depreciation of inactive facilities," which was included in "Other expenses" of non-operating expenses in the interim period ended September 30, 2006, amounted to ¥19 million. "Depreciation of real estate for rent and other," which was included in "Other expenses" of non-operating expenses in the interim period ended September 30, 2006, was presented as a separate line item for the interim period ended September 30, 2007 due to increased materiality of the item. "Depreciation of real estate for rent and other," which was included in "Other expenses" of non-operating expenses in the interim period ended September 30, 2006, amounted to ¥185 million.

Interim period of fiscal 2006 (For the six-month period ended September 30, 2006)	Interim period of fiscal 2007 (For the six-month period ended September 30, 2007)
(Consolidated Statement of Cash Flows) ―――――	**(Consolidated Statement of Cash Flows)** "Increase in account payable and accrued expense," which was included in "Other, net" of "Cash flows from operating activities" in the interim period ended September 30, 2006, was presented as a separate line item for the interim period ended September 30, 2007 due to increased materiality of the item. "Increase in account payable and accrued expense," which was included in "Other, net" of "Cash flows from operating activities" in the interim period ended September 30, 2006, amounted to ¥781 million.

Notes to Consolidated Financial Statements

(Notes to Consolidated Statements of Income)

Interim period of fiscal 2006 (For the six-month period ended September 30, 2006)

*1. Breakdown of gain on sale of property, plant and equipment

	(Millions of yen)
Buildings and structures	5
Machinery, equipment and vehicles	6
Land	1,604
Other tangible assets	2

*2. Breakdown of loss on disposal of property, plant and equipment

	(Millions of yen)
Buildings and structures	259
Machinery, equipment and vehicles	318
Land	825
Other	47

In addition, expenses for disposal of property, plant and equipment totaled ¥153 million.

*3. Loss on business integration

The loss represents one-time costs associated with integration of the pharmaceutical operations of the Sankyo Group and the Daiichi Group. The amount consisted of the following:

	(Millions of yen)
Expenses associated with the integration of overseas operations	2,946
Expenses associated with the integration of healthcare business	646
IT-related expenses	2,808
Other research and consulting expenses	1,410

*4. Provision for contingent losses

The amount represents an estimated amount of penalty arising out of the product purchase commitments that contain a minimum purchase lot provision.

Interim period of fiscal 2007 (For the six-month period ended September 30, 2007)

*1. Breakdown of gain on sale of property, plant and equipment

	(Millions of yen)
Machinery, equipment and vehicles	6
Land	1,329
Other tangible assets	11

*2. Breakdown of loss on disposal of property, plant and equipment

	(Millions of yen)
Buildings and structures	399
Machinery, equipment and vehicles	181
Other tangible assets	55
Other intangible assets	6

In addition, expenses for disposal of property, plant and equipment totaled ¥120 million.

*3. Loss on business integration

The loss represents one-time costs associated with integration of the pharmaceutical operations of the former Sankyo Group and the former Daiichi Group. The amount consisted of the following:

	(Millions of yen)
Supplemental retirement benefits etc.	466
IT system related expenses	1,776
Expenses associated with the consolidation and closure of operating locations	743
Expenses associated with the integration of healthcare business	156
Other	867

*4. Provision for contingent losses

The amount represents an estimated amount of penalty arising out of the commitments that contain a minimum purchase lot or minimum sale lot provision.

Fiscal 2006 (For the year ended March 31, 2007)

*1. Breakdown of gain on sale of property, plant and equipment

	(Millions of yen)
Buildings and structures	11
Machinery, equipment and vehicles	13
Land	4,286
Other tangible assets	2

*2. Breakdown of loss on disposal of property, plant and equipment

	(Millions of yen)
Buildings and structures	1,075
Machinery, equipment and vehicles	798
Land	899
Other tangible assets	327
Other intangible assets	25

In addition, expenses for disposal of property, plant and equipment totaled ¥497 million.

*3. Loss on business integration

The loss represents one-time costs associated with integration of the pharmaceutical operations of the Sankyo Group and the Daiichi Group. The amount consisted of the following:

	(Millions of yen)
Supplemental retirement benefits etc.	54,211
IT system related expenses	11,096
Expenses associated with the consolidation and closure of operating locations	3,255
Expenses associated with the integration of overseas operations	3,225
Expenses associated with the integration of healthcare business	3,353
Other research and consulting expenses	7,336

*4. Provision for contingent losses

Same as September 30, 2006

Interim period of fiscal 2006
(For the six-month period ended September 30, 2006)

*5. Restructuring charge

To concentrate on the pharmaceutical business, the Company has been carrying out a reorganization of its peripheral businesses. As part of this reorganization, the Company sold certain investments in affiliated companies. Restructuring charge includes a loss on such sales of investments and expenses paid to external advisers.

*6. Loss on impairment of property, plant and equipment

The Daiichi Sankyo Group (the Company and consolidated subsidiaries) classifies its assets held and used for its business operations into asset groups on the basis of operating segments in the management reporting in consideration of similarities of products or operating activities, consistency within the Group, and future maintenance sustainability. On the other hand, leased assets and idle assets that are not directly used for its business operations are grouped on a properly by properly basis.

For the interim period, the Daiichi Sankyo Group recorded an impairment loss on the following asset groups:

Location	Function	Asset Type	Status
Shimotsuke, Tochigi	Former Tochigi Research Center facility	Buildings, etc.	Idle
Tosu, Saga	Former Kyuhsu Distribution Center facility	Buildings, land, etc.	Idle

Because the above asset groups are idle and have uncertain prospects for future utilization, their book values have been written down to a recoverable amount, and such reductions in the mount of ¥735 million were recorded as a loss on impairment in the extraordinary losses.

The impairment loss consisted of ¥482 million associated with buildings and structures, ¥32 million associated with machinery, equipment and vehicles, ¥215 million associated with land and ¥4 million associated with other assets.

The recoverable amount of an assets group is an estimated net realizable value, which was obtained based on third-party appraisal or the valuation amount for real estate tax purpose, with reasonable adjustments.

*7. Consolidated income tax for the interim period were calculated based on the assumption that the planned reversals of the reserve for special depreciation and the reversal of retained earnings reserve for reduction in basis of fixed assets will be authorized for the current fiscal year.

Interim period of fiscal 2007
(For the six-month period ended September 30, 2007)

*5. Restructuring charge

To concentrate on the pharmaceutical business, the Company has been carrying out a reorganization of its peripheral businesses. As part of this reorganization, the Company sold certain investments in affiliated companies. Restructuring charge includes expenses paid to external advisers.

*6. ―――――

*7. Same as September 30, 2006

Fiscal 2006
(For the year ended March 31, 2007)

*5. Restructuring charge

To concentrate on the pharmaceutical business, the Company has been carrying out a reorganization of its peripheral businesses. As part of this reorganization, the Company sold certain investments in affiliated companies. Restructuring charge includes a loss on such sales of investments and expenses paid to external advisers.

*6. Loss on impairment of property, plant and equipment

The Daiichi Sankyo Group (the Company and consolidated subsidiaries) classifies its assets held and used for its business operations into asset groups on the basis of operating segments in the management reporting in consideration of similarities of products or operating activities, consistency within the Group, and future maintenance sustainability. On the other hand, leased assets and idle assets that are not directly used for its business operations are grouped on a properly by properly basis.

For the current fiscal year, the Daiichi Sankyo Group recorded an impairment loss on the following asset groups:

Location	Function	Asset Type	Status
Shimotsuke, Tochigi	Former Tochigi Research Center facility	Buildings, etc.	Idle
Tosu, Saga	Former Kyuhsu Distribution Center facility	Buildings, land, etc.	Idle
Kasukabe, Saitama	Former Tokyo Distribution Center facility	Buildings	Idle
Iwaki, Fukushima, etc.	Dormitory/ recuperation facility	Buildings, land	Idle
Bunkyo-ku, Tokyo	Office	Building	Idle
Shinagawa-ku, Tokyo, etc.	ERP packages	Software	Idle

Because the above asset groups are idle and have uncertain prospects for future utilization, their book values have been written down to a recoverable amount, and such reductions in the amount of ¥4,916 million were recorded as a loss on impairment in the extraordinary losses.

The impairment loss consisted of ¥2,103 million associated with buildings and structures, ¥32 million associated with machinery, equipment and vehicles, ¥407 million associated with land, ¥4 million associated with other assets and ¥2,368 million associated with software.

The recoverable amount of an assets group is an estimated net realizable value, which was obtained based on third-party appraisal or the valuation amount for real estate tax purpose, with reasonable adjustments.

*7. ―――――

(Note to Consolidated Statement of Changes in Net Assets)

Interim period of fiscal 2006 (for the six-month period ended September 30, 2006)

1. Class and numbers of total shares issued and treasury stock held

In 1,000 shares	Number of shares outstanding at end of previous fiscal year	Increase in number of shares outstanding during interim period	Decrease in number of shares outstanding during interim period	Number of shares outstanding at end of interim period
Shares issued				
Common stock	735,011	–	–	735,011
Total	735,011	–	–	735,011
Treasury stock				
Common stock	5,959	26	1	5,984
Total	5,959	26	1	5,984

(Notes)

1. The increase in treasury stock of 26,000 common shares was due to the Company's purchase of amounts of shares in less than a share-trading unit.
2. The decrease in treasury stock of 1,000 common shares was due to top-off sales for shares in less than a share-trading unit.

2. Stock options

Not applicable

3. Dividends

(1) Amount of dividends paid

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (yen)	Date of record	Effective date
Regular general meeting of shareholders on June 29, 2006	Common stock	18,226	25.0	March 31, 2006	June 29, 2006

(2) The dividends with a record date within the current interim period that becomes effective after the end of the interim period

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividend per share (yen)	Date of record	Effective date
Regular meeting of the board of directors on November 6, 2006	Common stock	21,870	Retained earnings	30.0	September 30, 2006	December 1, 2006

Interim period of fiscal 2007 (for the six-month period ended September 30, 2007)

1. Class and numbers of total shares issued and treasury stock held

In 1,000 shares	Number of shares outstanding at end of previous fiscal year	Increase in number of shares outstanding during interim period	Decrease in number of shares outstanding during interim period	Number of shares outstanding at end of interim period
Shares issued				
Common stock	735,011	–	–	735,011
Total	735,011	–	–	735,011
Treasury stock				
Common stock	6,008	10,021	2	16,028
Total	6,008	10,021	2	16,028

(Notes)

1. The gain in treasury stock of 10,021,000 common shares was due to the acquisition of 10,000,000 shares based on one of the Company's articles of association, as stipulated in Article 165.2 of the Company Law, together with the Company's purchase of 21,000 shares representing amounts of stock less than the minimum trading unit.
2. The decrease in treasury stock of 2,000 common shares was due to top-off sales for shares in less than a share-trading unit.

2. Stock options

Not applicable

3. Dividends

(1) Amount of dividends paid

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (yen)	Date of record	Effective date
Regular general meeting of shareholders on June 28, 2007	Common stock	21,870	30.0	March 31, 2007	June 29, 2007

(2) The dividends with a record date within the current interim period that becomes effective after the end of the interim period

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividend per share (yen)	Date of record	Effective date
Regular meeting of the board of directors on November 6, 2006	Common stock	25,164	Retained earnings	35.0	September 30, 2007	December 3, 2007

Fiscal 2006 (for the year ended March 31, 2007)

1. Class and numbers of total shares issued and treasury stock held

In 1,000 shares	Number of shares outstanding at end of previous fiscal year	Increase in number of shares outstanding during interim period	Decrease in number of shares outstanding during interim period	Number of shares outstanding at end of interim period
Shares issued				
Common stock	735,011	–	–	735,011
Total	735,011	–	–	735,011
Treasury stock				
Common stock	5,959	52	3	6,008
Total	5,959	52	3	6,008

(Notes)

1. The increase in treasury stock of 52,000 common shares was due to the Company’s purchase of amounts of shares in less than a share-trading unit.
2. The decrease in treasury stock of 3,000 common shares was due to top-off sales for shares in less than a share-trading unit.

2. Dividends

(1) Amount of dividends paid

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (yen)	Date of record	Effective date
Regular general meeting of shareholders on June 29, 2006	Common stock	18,226	25.0	March 31, 2006	June 29, 2006
Regular meeting of the board of directors on November 6, 2006	Common stock	21,870	30.0	September 30, 2006	December 1, 2006

(2) The dividends with a record date within the current fiscal year that becomes effective after the end of the fiscal year

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividend per share (yen)	Date of record	Effective date
Regular general meeting of shareholders on June 28, 2007	Common stock	21,870	Retained earnings	30.0	March 31, 2007	June 29, 2007

(Segment Information)

a. Information by Operating Segment (Millions of yen)

Interim period of fiscal 2006 (For the six-month period ended September 30, 2006)	Pharmaceuticals	Other	Total	Eliminations & corporate	Consolidated
Net sales					
(1) Outside customers	441,381	44,460	485,842	–	485,842
(2) Inter-segment sales and transfers	192	2,163	2,355	(2,355)	–
Total	441,574	46,623	488,198	(2,355)	485,842
Operating expenses	365,680	44,372	410,052	(2,564)	407,488
Operating income	75,894	2,251	78,145	208	78,353

Information by operating segment for the interim period of fiscal 2007 (the six-month period ended September 30, 2007) is omitted because both ratio of net sales and operating income of pharmaceuticals to the total net sales and operating income exceeded 90%.

Fiscal 2006 (For the year ended March 31, 2007)	Pharmaceuticals	Other	Total	Eliminations & corporate	Consolidated
Net sales					
(1) Outside customers	837,115	92,391	929,506	–	929,506
(2) Inter-segment sales and transfers	352	3,297	3,650	(3,650)	–
Total	837,467	95,689	933,157	(3,650)	929,506
Operating expenses	706,098	91,312	797,411	(4,218)	793,193
Operating income	131,369	4,376	135,745	567	136,313

(Notes)

1. Method of classifying operating segments: Classification into 'Pharmaceuticals' and 'Other' is based on consideration of product type, market characteristics and other factors.
2. Principal products in each operating segment

   Pharmaceuticals: Prescription drugs and medicine, and healthcare products
   Other: Agrochemicals, chemicals, and other

3. Changes in accounting policies:

   Interim period of fiscal 2006

   Effective from the consolidated interim period ended September 30, 2006 the Company adopted the Accounting Standard for Directors' Bonus (ASBJ Statement No. 4; November 29, 2005). Compared with the previous accounting method, the effect of adopting this standard was to increase operating expenses in the "Pharmaceuticals" segment by ¥126 million and in the "Other" segment by ¥34 million, and to decrease operating income in the respective operating segments by the same amounts.

   Fiscal 2006

   Effective from the fiscal year ended March 31, 2007 the Company adopted the Accounting Standard for Directors' Bonus (ASBJ Statement No. 4; November 29, 2005). Compared with the previous accounting method, the effect of adopting this standard was to increase operating expenses in the "Pharmaceuticals" segment by ¥231 million and in the "Other" segment by ¥74 million, and to decrease operating income in the respective operating segments by the same amounts.

b. Information by Geographic Segment (Millions of yen)

Interim period of fiscal 2006 (For the six-month period ended September 30, 2006)	Japan	North America	Other	Total	Eliminations & corporate	Consolidated
Net sales						
(1) Outside customers	341,976	108,566	35,299	485,842	–	485,842
(2) Inter-segment sales and transfers	48,163	15,034	6,495	69,693	(69,693)	–
	390,140	123,601	41,794	555,535	(69,693)	485,842
Operating expenses	318,497	89,720	36,016	444,235	(36,746)	407,488
Operating income	71,642	33,880	5,777	111,300	(32,946)	78,353

Interim period of fiscal 2007 (For the six-month period ended September 30, 2007)	Japan	North America	Other	Total	Eliminations & corporate	Consolidated
Net sales						
(1) Outside customers	295,374	89,703	58,630	443,708	–	443,708
(2) Inter-segment sales and transfers	36,746	21,594	10,098	68,439	(68,439)	–
	332,120	111,298	68,729	512,148	(68,439)	443,708
Operating expenses	262,729	88,806	63,998	415,534	(65,737)	349,797
Operating income	69,391	22,491	4,730	96,613	(2,702)	93,911

Fiscal 2006 (For the year ended March 31, 2007)	Japan	North America	Other	Total	Eliminations & corporate	Consolidated
Net sales						
(1) Outside customers	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)	–
	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 geographic 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
3. Changes in accounting policies:

Interim period of fiscal 2006

As disclosed in the Changes in Significant Accounting Principles and Policies for the Preparation of Consolidated Financial Statements section, effective from the consolidated interim period ended September 30, 2006 the Company adopted the Accounting Standard for Directors' Bonus (ASBJ Statement No. 4; November 29, 2005). The effect of this change was to increase operating expenses in the "Japan" segment by ¥161 million and to decrease operating income by the same amount compared with the case in which those amounts are recorded by the previous method.

Interim period of fiscal 2007

a. As disclosed in the Basis of Presentation of Significant Accounting Policies for the Preparation of Consolidated Financial Statements section, the Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 5, 2006) was adopted from the interim period ended September 30, 2007. The effect of this change was to increase operating expenses in the "Japan" segment by ¥1,705 million and to decrease operating income by the same amount compared with the case in which those amounts are recorded by the previous method.

b. As also disclosed in the Basis of Presentation of Significant Accounting Policies for the Preparation of Consolidated Financial Statements section, the Company and its domestic consolidated subsidiaries changed the method of depreciation applied to all tangible fixed assets acquired on or after April 1, 2007 in accordance with the amendment of the Corporate Tax Law in Japan from the interim period ended September 30,2007. The effect of this change was to increase operating expenses in the "Japan" segment by ¥244 million and to decrease operating income by the same amount compared with the case in which those amounts are recorded by the previous method.

With respect to any tangible assets acquired on or before March 31, 2007, such tangible assets amounts representing the difference between the amounts of carrying costs for accounting purposes and 5% of the acquisition costs as derived from application of the depreciation method used prior to the legal revisions are being depreciated in equal amounts over five years, starting in year after the fiscal year in which accumulated depreciation based on the pre-revision method reached 95% of the acquisition costs, and included in the depreciation expenses. The effect of this change was to increase operating expenses in the "Japan" segment by ¥811 million and to decrease operating income by the same amount compared with the case in which those amounts are recorded by the previous method.

c. As also disclosed in the Basis of Presentation of Significant Accounting Policies for the Preparation of Consolidated Financial Statements section, the Company and its domestic consolidated subsidiaries revised the retirement benefit and pension plans, and changed the amortization period of unrecognized past service liabilities to 1 year (12 months) after the year when such prior service cost was incurred from the interim period ended September 30, 2007. Actuarial gains and losses were also changed to be calculated on a straight-line method over a certain period (10 years) within the average remaining service years of the eligible employees. The effect of this change was to decrease operating expenses in the “Japan” segment by ¥3,976 million and to increase operating income by the same amount compared with the case in which those amounts are recorded by the previous method.

Fiscal 2006

Effective from the fiscal year ended March 31, 2007 the Company adopted the Accounting Standard for Directors’ Bonus (ASBJ Statement No. 4; November 29, 2005). The effect of this change was to increase operating expenses in the “Japan” segment by ¥305 million and to decrease operating income by the same amount compared with the case in which those amounts are recorded by the previous method.

c. Overseas Sales

(Millions of yen)

Interim period of fiscal 2006 (For the six-month period ended September 30, 2006)	North America	Europe	Other Areas	Total
Overseas net sales	134,959	44,581	15,096	194,636
Consolidated net sales				485,842
Percentage of overseas net sales to consolidated net sales (%)	27.8	9.2	3.1	40.1

Interim period of fiscal 2007 (For the six-month period ended September 30, 2007)	North America	Europe	Other Areas	Total
Overseas net sales	111,208	56,739	20,550	188,498
Consolidated net sales				443,708
Percentage of overseas net sales to consolidated net sales (%)	25.1	12.8	4.6	42.5

Fiscal 2006 (For the year ended March 31, 2007)	North America	Europe	Other Areas	Total
Overseas net sales	241,850	84,327	30,523	356,700
Consolidated net sales				929,506
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 were transacted in countries or regions outside of Japan.

(Per Share Information)

Interim period of fiscal 2006 (For the six-month period ended September 30, 2006)		Interim period of fiscal 2007 (For the six-month period ended September 30, 2007)		Fiscal 2006 (For the year ended March 31, 2007)	
Net assets per share	¥1,756.36	Net assets per share	¥1,761.96	Net assets per share	¥1,740.26
Net income per share (basic)	¥91.75	Net income per share (basic)	¥83.19	Net income per share (basic)	¥107.75
Diluted net income per share is not presented, because the Company does not have any dilutive securities.		Diluted net income per share is not presented, because the Company does not have any dilutive securities.		Diluted net income per share is not presented, because the Company does not have any dilutive securities.	

Note: Calculations of basic and diluted net income per share were based on the following numerators and denominators:

	Interim period of fiscal 2006 (For the six-month period ended September 30, 2006)	Interim period of fiscal 2007 (For the six-month period ended September 30, 2007)	Fiscal 2006 (For the year ended March 31, 2007)
Net income per share (basic):			
Net income (millions of yen)	66,886	60,243	78,549
Amount not available for common shareholders (millions of yen)	–	–	–
(Including bonuses to directors paid from net income of) (millions of yen)	–	–	–
Net income available for dividends on common shares (millions of yen)	66,886	60,243	78,549
Weighted-average number of common shares outstanding during the period (1,000 shares)	729,042	724,154	729,029
Net income per share (diluted):			
Adjustments to net income (millions of yen)	–	–	–
Additional dilutive common shares (1,000 shares)	–	–	–
(Including dilutive effect of stock options of) (1,000 shares)	–	–	–
Descriptions of potentially dilutive common shares that were not included in the computation of diluted net income per share because of their anti-dilutive effect	――――	――――	――――

Please note that information relating to lease transactions, marketable securities, derivative transactions, and stock options has been omitted herein as such additional disclosure is not considered necessary for fair presentation of this report of consolidated financial results.

5. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

(Millions of yen)

		As of September 30, 2006			As of September 30, 2007			As of March 31, 2007		
	See Note	Amount		%	Amount		%	Amount		%
ASSETS										
I Current assets:										
1. Cash and time deposits		27.860			18,538			5,320		
2. Trade notes receivable		–			487			–		
3. Accounts receivable		–			142,531			–		
4. Marketable securities		–			417,884			–		
5. Inventories		–			32,125			–		
6. Other current assets		179			65,084			1,212		
Allowance for doubtful accounts		–			(539)			–		
Total current assets			28,039	2.3		676,111	51.8		6,532	0.5
II Non-current assets										
1. Property, plant and equipment					–			–		
(1) Buildings and structures		23			74,505			18		
(2) Other		9			47,812			8		
Total property, plant and equipment, net		32			122,318			27		
2. Intangible assets, net		288			6,264			278		
3. Investments and other assets:										
(1) Investment securities		–			228,520			–		
(2) Investments of affiliated companies		1,186,407			–			1,183,019		
(3) Investments of affiliated companies and investment securities, other than stock		–			287,055			–		
(4) Other assets		99			31,073			111		
Allowance for doubtful accounts		–			(1,690)			–		
Allowance for investment losses		–			(43,190)			–		
Total investments and other assets		1,186,506			501,767			1,183,131		
Total non-current assets			1,186,827	97.7		630,350	48.2		1,183,436	99.5
Total assets			1,214,867	100.0		1,306,461	100.0		1,189,969	100.0

(Millions of yen)

	See Note	As of September 30, 2006			As of September 30, 2007			As of March 31, 2007		
		Amount		%	Amount		%	Amount		%
LIABILITIES										
I Current liabilities:										
1. Accounts payable - trade		–			24,846			–		
2. Short-term borrowings		25,000			–			25,000		
3. Accounts payable		1,041			24,285			1,387		
4. Income taxes payable		72			13,834			290		
5. Allowance for sales returns		–			122			–		
6. Allowance for sales rebates		–			2,723			–		
7. Allowance for contingent losses		–			2,232			–		
8. Other current liabilities		332			52,018			422		
Total current liabilities			26,446	2.2		120,063	9.2		27,100	2.3
II Non-current liabilities:										
1.Accrued employee’s severance and retirement benefits		–			159			–		
2. Accrued soil remediation costs		–			2,545			–		
3. Other non-current liabilities		–			29,543			–		
Total non-current liabilities			–	–		32,248	2.5		–	–
Total liabilities			26,446	2.2		152,311	11.7		27,100	2.3
NET ASSETS										
I Shareholders' capital:										
1. Common stock			50,000	4.1		50,000	3.8		50,000	4.2
2.Capital surplus:										
(1) Legal capital surplus		179,858			179,858			179,858		
(2) Other capital surplus		903,493			842,571			903,494		
Total Capital surplus			1,083,351	89.2		1,022,429	78.3		1,083,352	91.0
3. Retained earnings:										
(1) Other retained earnings:										
Retained earnings carried forward		55,231			62,846			29,766		
Total retained earnings			55,231	4.5		62,846	4.8		29,766	2.5
4. Treasury stock at cost:			(162)	(0.0)		(43,354)	(3.3)		(249)	(0.0)
Total shareholders' capital			1,188,421	97.8		1,091,921	83.6		1,162,869	97.7
II Valuation and translation adjustments and other adjustments										
1. Net unrealized gain on investment securities			–	–		62,228	4.7		–	–
Total valuation and translation adjustments and other adjustments			–	–		62,228	4.7		–	–
Total net assets			1,188,421	97.8		1,154,149	88.3		1,162,869	97.7
Total liabilities and net assets			1,214,867	100.0		1,306,461	100.0		1,189,969	100.0

(2) Non-Consolidated Statements of Income

(Millions of yen)

		Interim period of fiscal 2006 (For the six-month period ended September 30, 2006)			Interim period of fiscal 2007 (For the six-month period ended September 30, 2007)			Change	Fiscal 2006 (For the year ended March 31, 2007)		
	See Note	Amount		%	Amount		%	Amount	Amount		%
I Net sales			2,757	100.0		287,690	100.0	284,932		6,141	100.0
II Cost of sales			—	—		70,134	24.4	70,134		—	—
Gross profit			2,757	100.0		217,556	75.6	214,798		6,141	100.0
III Selling, general and administrative expenses:			2,630	95.4		146,052	50.7	143,422		5,780	94.1
Operating income			127	4.6		71,503	24.9	71,376		361	5.9
IV Non-operating income			57	2.1		21,877	7.5	21,820		77	1.3
V Non-operating expenses			59	2.2		1,529	0.5	1,469		168	2.8
Ordinary income			124	4.5		91,851	31.9	91,727		269	4.4
VI Extraordinary gains			—	—		2,046	0.7	2,046		—	—
VII Extraordinary losses			—	—		11,673	4.0	11,673		3,488	56.8
Net income (loss) before income taxes			124	4.5		82,224	28.6	82,100		(3,218)	(52.4)
Income tax expense — current		29			16,880				311		
Income tax expense — deferred		33	63	2.3	10,395	27,275	9.5	27,212	(173)	137	2.2
Net income (loss)			60	2.2		54,949	19.1	54,888		(3,355)	(54.6)

(3) Non-Consolidated Statement of Changes in Net Assets

Interim period of fiscal 2006 (for the six-month period ended September 30, 2006) (Millions of yen)

	Shareholders' capital								Total net assets
	Common stock	Capital surplus			Retained earnings		Treasury stock at cost	Total Shareholders' capital	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings: Retained earnings carried forward	Total retained earnings			
Balance as of March 31, 2006	50,000	1,083,349	0	1,083,350	73,545	73,545	(84)	1,206,810	1,206,810
Changes during the period									
Dividends (Note)					(18,374)	(18,374)		(18,374)	(18,374)
Net income					60	60		60	60
Transfer from capital surplus		(903,491)	903,491	–				–	–
Acquisition of treasury stock							(81)	(81)	(81)
Gain on sale of treasury stock			1	1			4	5	5
Total changes during the period	–	(903,491)	903,492	1	(18,313)	(18,313)	(77)	(18,389)	(18,389)
Balance as of September 30, 2006	50,000	179,858	903,493	1,083,351	55,231	55,231	(162)	1,188,421	1,188,421

(Note) These items are the appropriation of retained earnings resolved at the annual meeting of shareholders held in June 2006.

Interim period of fiscal 2007 (for the six-month period ended September 30, 2007) (Millions of yen)

	Shareholders' capital							
	Common stock	Capital surplus			Retained earnings		Treasury stock at cost	Total Shareholders' capital
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings: Retained earnings carried forward	Total retained earnings		
Balance as of March 31, 2007	50,000	179,858	903,494	1,083,352	29,766	29,766	(249)	1,162,869
Changes during the period								
Decrease by corporate division			(60,924)	(60,924)				(60,924)
Dividends					(21,870)	(21,870)		(21,870)
Net income					54,949	54,949		54,949
Increase in treasury stock by merger							(9,747)	(9,747)
Acquisition of treasury stock							(33,362)	(33,362)
Gain on sale of treasury stock			1	1			4	6
Changes other than shareholders’ capital, net								
Total changes during the period	–	–	(60,922)	(60,922)	33,079	33,079	(43,104)	(70,947)
Balance as of September 30, 2007	50,000	179,858	842,571	1,022,429	62,846	62,846	(43,354)	1,091,921

	Valuation translation and other adjustments		Total net assets
	Net unrealized gain on investment securities	Total valuation translation and other adjustments	
Balance as of March 31, 2007	–	–	1,162,869
Changes during the period			
Decrease by corporate division			(60,924)
Dividends			(21,870)
Net income			54,949
Increase in treasury stock by merger			(9,747)
Acquisition of treasury stock			(33,362)
Gain on sale of treasury stock			6
Changes other than shareholders’ capital, net	62,228	62,228	62,228
Total changes during the period	62,228	62,228	(8,719)
Balance as of September 30, 2007	62,228	62,228	1,154,149

Fiscal 2006 (for the year ended March 31, 2007) (Millions of yen)

	Shareholders' capital								Total net assets
	Common stock	Capital surplus			Retained earnings		Treasury stock at cost	Total Shareholders' capital	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings: Retained earnings carried forward	Total retained earnings			
Balance as of March 31, 2006	50,000	1,083,349	0	1,083,350	73,545	73,545	(84)	1,206,810	1,206,810
Changes during the fiscal year									
Transfer from capital surplus		(903,491)	903,491	–				–	–
Dividends(Note)					(18,374)	(18,374)		(18,374)	(18,374)
Dividends					(22,048)	(22,048)		(22,048)	(22,048)
Net loss					(3,355)	(3,355)		(3,355)	(3,355)
Acquisition of treasury stock							(172)	(172)	(172)
Gain on sale of treasury stock			2	2			7	10	10
Changes other than shareholders' capital, net									–
Total changes during the fiscal year	–	(903,491)	903,493	2	(43,778)	(43,778)	(164)	(43,941)	(43,941)
Balance as of March 31, 2007	50,000	179,858	903,494	1,083,352	29,766	29,766	(249)	1,162,869	1,162,869

(Note) These items are the appropriation of retained earnings resolved at the annual meeting of shareholders held in June 2006.

(Notes Concerning Business Integration)

<table>
<tr><th>Interim period of fiscal 2006
(For the six-month period ended September 30, 2006)</th><th>Interim period of fiscal 2007
(For the six-month period ended September 30, 2007)</th><th>Fiscal 2006
(For the year ended March 31, 2007)</th></tr>
<tr><td>—</td><td>
(Acquisition by merger of Sankyo Company, Limited and Daiichi Pharmaceutical Co., Ltd. by the Company)
Pursuant to a merger agreement entered into on November 30, 2006, Sankyo Company, Limited (“Sankyo”) and Daiichi Pharmaceutical Co., Ltd. (“Daiichi”), wholly-owned subsidiaries, were merged into the Company on April 1, 2007.
(1) Names of parties to the business combination, legal form of the business combination, the name of the combined entity, and a summary of the transaction including its purpose
a. Names of parties to the business combination
• Combining entity:
<table>
<tr><th>Name</th><th>Nature of business</th></tr>
<tr><td>Daiichi Sankyo Company, Limited (the “Company”)</td><td>Management and supervision of subsidiaries</td></tr>
</table>
• Combined entities:
<table>
<tr><th>Name</th><th>Nature of business</th></tr>
<tr><td>Sankyo Company, Limited</td><td>Manufacture, sales, export and import of pharmaceuticals and other products</td></tr>
<tr><td>Daiichi Pharmaceutical Co., Ltd.</td><td>Manufacture, sales, export and import of pharmaceuticals and other products</td></tr>
</table>
b. Legal form of the business combination and the name of the combined entity
This business combination took place in the form of an acquisition by merger between entities under common control, in which the Company was the surviving entity and both Sankyo and Daiichi were the dissolved entities. The name of the combined entity is Daiichi Sankyo Company, Limited.
c. Summary of the transaction including its purpose
In accordance with the original plan of integration, the purpose of the merger is, by merging the two subsidiaries into the Parent holding company, to create a foundation on which the Company strives to transform itself into a Japan-based “Global Pharma Innovator.” The merger did not involve any issuance of new shares or other increase in capital.
</td><td>—</td></tr>
</table>

Interim period of fiscal 2006 (For the six-month period ended September 30, 2006)	Interim period of fiscal 2007 (For the six-month period ended September 30, 2007)	Fiscal 2006 (For the year ended March 31, 2007)
――――	(2) Summary of accounting treatment Under the provisions of the Accounting Standard for Business Combination, the transaction was accounted for as a business combination among entities under common control. At March 31, 2007, the Company recorded a ¥3,488 million "Loss on elimination upon merger of investments in affiliated companies" for the difference between the amount of shareholder's capital received by the Company as part of the net assets of the dissolved subsidiaries and the book value of its investments in these subsidiaries immediately prior to the merger. There are no effects of this recording on the profit and loss of the interim period under review. (Spin-off of the pharmaceutical manufacturing operation of former Sankyo Company, Limited into Daiichi Sankyo Propharma Co., Ltd.) Pursuant to a spin-off agreement between Daiichi Sankyo Propharma Co., Ltd. ("Daiichi Sankyo Propharma") and Sankyo Company, Limited ("Sankyo"), wholly owned subsidiaries, entered into on November 30, 2006, the Company spun off the manufacturing operation of former Sankyo related to pharmaceuticals and other products on April 1, 2007, and the operation was then contributed to Daiichi Sankyo Propharma Co. In addition, Daiichi Sankyo Propharma acquired by merger Daiichi Pharmatech Co., Ltd., a manufacturing subsidiary of former Daiichi Pharmaceutical Co., Ltd. on April 1, 2007. (1) Names of parties to the business combination, legal form of the business combination, the name of the combined entity, and a summary of the transaction including its purpose a. Names of parties to the business combination • Combining entity: Name: Daiichi Sankyo Propharma Co., Ltd. — Nature of business: Manufacture, consigned manufacture, sales, export and import of pharmaceuticals and other products • Combined entities: Name: Daiichi Sankyo Company, Limited — Nature of business: Manufacture of (former Sankyo's) pharmaceuticals and other products	――――

Interim period of fiscal 2006 (For the six-month period ended September 30, 2006)	Interim period of fiscal 2007 (For the six-month period ended September 30, 2007)	Fiscal 2006 (For the year ended March 31, 2007)
	b. Legal form of the business combination and the name of the combined entity This business combination took place in the form of a spin-off and contribution between entities under common control, in which Daiichi Sankyo Propharma Co., Ltd. was the successor entity and the Company was the entity that spun off the operation. The name of the combined entity is Daiichi Sankyo Propharma Co., Ltd. c. Summary of the transaction including its purpose The purpose of the transaction is, by integrating manufacturing operations for pharmaceuticals and other products, to efficiently achieve a steady supply of products and high-quality and low-cost manufacturing. The merger did not involve any issuance of new shares or other increase in capital. (2) Summary of accounting treatment Under the provisions of the ASBJ's Accounting Standard for Business Combination, the aforementioned transaction was accounted for as a business combination among entities under common control. The Company's shareholders' capital (Other capital surplus) was reduced by ¥60,924 million on April 1, 2007, which is the amount of net assets relating to operation transferred from the Company to the subsidiary, less deferred tax assets and liabilities relating to the operation transfer.	