

**Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending March 31, 2010**

Listed company name: **DAIICHI SANKYO COMPANY, LIMITED**

Listed exchanges: Tokyo, Osaka, and Nagoya

Stock code number: 4568

URL: <http://www.daiichisankyo.com>

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

1. Consolidated Financial Results for the Second Quarter of Fiscal Year 2009

(from April 1, 2009 to September 30, 2009)

(1) Consolidated Financial Results (cumulative)

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
First six months of fiscal 2009	470,568	15.8	50,850	(17.5)	52,259	(12.4)
First six months of fiscal 2008	406,320	-	61,611	-	59,636	-

	Net income		Basic net income per share	Diluted net income per share
	Millions of yen	%	Yen	Yen
First six months of fiscal 2009	18,691	(45.0)	26.55	26.54
First six months of fiscal 2008	33,971	-	47.66	47.66

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2009	1,460,320	880,226	58.5	1,213.76
As of March 31, 2009	1,494,599	888,617	57.7	1,226.04

Reference: Equity As of September 30, 2009: 854,407 million yen As of March 31, 2009: 863,050 million yen

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2008	-	40.00	-	40.00	80.00
Fiscal 2009	-	30.00	-	-	-
Fiscal 2009 (Forecast)	-	-	-	30.00	60.00

Note: Revision of the forecast in the second quarter of fiscal 2009: No

3. Forecasts of Consolidated Results for Fiscal Year 2009 (from April 1, 2009 to March 31, 2010)

(Percent changes indicate changes from 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 year	960,000	14.0	96,000	8.0	69,000	25.1	40,000	-	56.82

Note: Revision of the forecasts in the second quarter of fiscal 2009: No

4. Others

- (1) Significant changes in subsidiaries during the period (changes in specified subsidiaries resulting in a change in scope of consolidation): No
- (2) Application of simplified accounting methods as well as specific accounting methods for preparing the quarterly consolidated financial statements: Yes

Note: Please see 4. *Other Matters, Qualitative Information / Financial Statements, etc.* on page 6 for further details.

- (3) Changes in accounting principles, procedures, or methods of presentation related to the preparation of the quarterly consolidated financial statements
 - a. Changes due to revisions to accounting standards: No
 - b. Changes due to other reasons: No
- (4) Number of common shares issued

- a. Total number of shares issued at the end of the period (including treasury stock)

As of September 30, 2009: 709,011,343 shares

As of March 31, 2009: 709,011,343 shares

- b. Number of shares in treasury at the end of the period

As of September 30, 2009: 5,079,186 shares

As of March 31, 2009: 5,074,868 shares

- c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2009: 703,934,794 shares

Six months ended September 30, 2008: 712,754,218 shares

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

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

Please see 3. *Qualitative Information about Forecasts of Consolidated Results for Fiscal 2009, Qualitative Information / Financial Statements, etc.* on page 4 for assumption that the above forecasts were based on and related matters.

Qualitative Information / Financial Statements, etc.

1. Qualitative Information about Consolidated Operating Results

For the six months ended September 30, 2009, consolidated net sales of Daiichi Sankyo amounted to ¥470.5 billion (up 15.8% year on year).

Despite the appreciated Japanese yen compared with the same period last year, the Group's revenue increased by a contribution of ¥66.1 billion from the net sales of Ranbaxy Laboratories Limited ("Ranbaxy"), which was consolidated as a subsidiary in October 2008.

In terms of profitability, operating income was ¥50.8 billion (down 17.5% year on year) as the Company proactively invested in research and development. Ordinary income was ¥52.2 billion (down 12.4% year on year). Net income was ¥18.6 billion (down 45.0% year on year) which reflected cases including non-application for R&D tax credit and income tax amendments related to the previous year.

Key highlights of the period under review include the launch of a high dosage preparation in Japan for the synthetic antibacterial agent *Cravit*[®] in July, and the U.S. launch of *Effient*[®], a novel antiplatelet agent, in August. *Effient*'s launch follows those from other countries such as the U.K. and Germany, and its sales are performing steadily.

Information by Geographic Segment

a. Japan

Net sales in Japan amounted to ¥263.8 billion (down 0.7% year on year).

Net sales in the prescription drug business amounted to ¥213.2 billion (up 4.0% year on year). Despite the decrease in sales of *Mevalotin*[®], an antihyperlipidemic agent, the growth in sales of the antihypertensive *Olmetec*[®], *Cravit*[®] and the anti-inflammatory analgesic *Loxonin*[®] brand contributed to the overall growth of the business.

Royalty income and exports to overseas licensees generated net sales of ¥25.4 billion (down 24.8% year on year), due in part to the effect of Japanese yen appreciation and the decrease in exports of levofloxacin, a synthetic antibacterial agent, among others.

Net sales of healthcare (OTC) products amounted to ¥23.0 billion (down 4.1% year on year). Despite new products such as the general cold remedy *Lulu Attack*[®] EX performing well, this drop reflected the decrease in sales of *Gaster 10*[®] and other Category 1 OTC drugs following the enforcement of the revised Pharmaceutical Affairs Law.

b. North America

Net sales in North America were ¥108.7 billion (up 13.3% year on year).

Although the shift toward a stronger yen negatively affected the net sales in the region, continued expansion in local currency terms of key products including the antihypertensive agents *Benicar*[®] and *AZOR*[®], and the antihyperlipidemic / type 2 diabetes treatment *Welchol*[®], along with the sales contribution of Ranbaxy led to double digit growth in North America.

c. Europe

Net sales in European regions amounted to ¥46.9 billion (up 39.5% year on year) due in part to the contribution of the net sales of Ranbaxy, and the growth in sales of antihypertensive agents *Olmetec*[®] and *Sevikar*[®].

d. India

Net sales in India amounted to ¥27.9 billion due in part to the net sales of Ranbaxy.

e. Other regions

Net sales in other regions amounted to ¥23.0 billion (up 108.4% year on year) due in part to the increase in net sales of the Asian region.

2. Qualitative Information about Consolidated Financial Position

At the end of the period under review, net assets were ¥880.2 billion (down ¥8.3 billion compared with the previous year-end), total assets stood at ¥1,460.3 billion (down ¥34.2 billion compared with the previous year-end), and the equity ratio was 58.5% (57.7% for the previous year-end).

The decrease in net assets was as a result of the payments of previous year-end dividends and the inclusion of the Group's net income in retained earnings.

With respect to total assets, in addition to the decrease in net assets, efforts were made to reduce overall interest-bearing debt and at the same time bonds were issued to repay short-term loans payable. Also, in the recording of income taxes there was a withdrawal of deferred tax assets.

3. Qualitative Information about Forecasts of Consolidated Results for Fiscal 2009

There are no changes from the forecasts of consolidated results for fiscal 2009 publicly announced on July 31, 2009.

4. Other Matters

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

There are no relevant matters to report.

- (2) Application of simplified accounting methods as well as specific accounting methods for preparing the quarterly consolidated financial statements

(Simplified accounting methods)

- a. Method for calculating depreciation of non-current assets

Depreciation expenses for assets that are depreciated using the declining-balance method are calculated by proportionally dividing the annual depreciation expenses.

- b. Method for calculating income taxes, deferred tax assets and deferred tax liabilities

Concerning judgments on the possibility of collection of deferred tax assets, when it is recognized that there are no remarkable changes either to the management environment or similar since the end of the previous fiscal year or to circumstances such as temporary differences or other, the method uses forecasts of future earnings results or tax planning based on the previous fiscal year.

However if it is recognized that there are remarkable changes either to the management environment or similar since the end of the previous fiscal year or to circumstances such as temporary differences or other, then the method uses forecasts of future earnings results or tax planning based on the previous fiscal year but adjusted to reflect this remarkable change.

(Specific accounting methods for preparing the quarterly consolidated financial statements)

Taxes are computed first by reasonably estimating the effective tax rate after applying tax effect accounting against income before income taxes and minority interests for the fiscal year including the second quarter under review, and next by multiplying the quarterly net income before income taxes and minority interests by such estimated effective tax rate.

Note that income taxes—deferred is included in income taxes.

- (3) Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements

There are no relevant matters to report.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2009	As of March 31, 2009 (Summary)
ASSETS		
Current assets		
Cash and time deposits	98,691	76,551
Trade notes and accounts receivable	216,916	195,512
Marketable securities	209,341	235,475
Merchandise and finished goods	91,264	93,502
Work in process	17,956	14,496
Raw materials and supplies	34,318	31,477
Deferred tax assets	62,064	76,747
Other current assets	42,019	60,761
Allowance for doubtful accounts	(1,115)	(1,018)
Total current assets	771,458	783,506
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	129,709	132,732
Machinery, equipment and vehicles, net	46,889	46,038
Land	42,855	42,358
Construction in progress	16,321	13,315
Other, net	15,036	15,669
Total property, plant and equipment	250,812	250,113
Intangible assets		
Goodwill	74,111	77,380
Other intangible assets	111,072	115,180
Total intangible assets	185,183	192,560
Investments and other assets		
Investment securities	151,694	153,727
Long-term loans	478	614
Prepaid pension costs	5,383	6,920
Deferred tax assets	79,326	91,600
Other assets	16,292	15,864
Allowance for doubtful accounts	(309)	(309)
Total investments and other assets	252,866	268,418
Total non-current assets	688,862	711,093
Total assets	1,460,320	1,494,599

(Millions of yen)

	As of September 30, 2009	As of March 31, 2009 (Summary)
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	57,780	59,419
Short-term bank loans	142,578	264,345
Income taxes payable	4,081	8,243
Allowance for sales returns	857	589
Allowance for sales rebates	2,189	2,666
Other current liabilities	162,600	173,271
Total current liabilities	370,088	508,535
Non-current liabilities		
Bonds payable	100,000	–
Convertible bond-type bonds with subscription rights to shares	50,430	47,082
Long-term debt	25,488	15,852
Deferred tax liabilities	5,610	5,427
Accrued employees' severance and retirement benefits	11,611	10,589
Accrued directors' severance and retirement benefits	152	177
Provision for environmental measures	2	92
Other non-current liabilities	16,709	18,224
Total non-current liabilities	210,006	97,447
Total liabilities	580,094	605,982
NET ASSETS		
Shareholders' equity		
Common stock	50,000	50,000
Capital surplus	105,194	105,194
Retained earnings	744,351	753,820
Treasury stock at cost	(14,557)	(14,555)
Total shareholders' equity	884,987	894,459
Valuation and translation adjustments		
Net unrealized gain on investment securities	27,228	19,882
Deferred gains or losses on hedges	782	76
Foreign currency translation adjustments	(58,590)	(51,367)
Total valuation and translation adjustments	(30,579)	(31,408)
Subscription rights to shares	3,081	2,390
Minority interests	22,736	23,175
Total net assets	880,226	888,617
Total liabilities and net assets	1,460,320	1,494,599

(2) Consolidated Statements of Income

(Millions of yen)

	First six months of fiscal 2008 (From April 1, 2008 to September 30, 2008)	First six months of fiscal 2009 (From April 1, 2009 to September 30, 2009)
Net sales	406,320	470,568
Cost of sales	97,643	137,247
Gross profit	308,677	333,320
Selling, general and administrative expenses		
Advertising and promotional expenses	53,137	52,205
Salaries and bonuses	45,097	56,979
Severance and retirement costs	3,710	5,639
Research and development expenses	82,325	94,119
Other	62,795	73,526
Total selling, general and administrative expenses	247,065	282,470
Operating income	61,611	50,850
Non-operating income		
Interest income	3,153	2,613
Dividend income	1,889	1,332
Gain on valuation of derivatives	–	8,698
Other income	1,067	2,161
Total non-operating income	6,110	14,805
Non-operating expenses		
Interest expense	7	3,081
Foreign exchange losses	3,089	7,976
Equity in net losses of affiliated companies	148	118
Loss on valuation of derivatives	2,292	–
Other expenses	2,548	2,219
Total non-operating expenses	8,085	13,396
Ordinary income	59,636	52,259
Extraordinary income		
Gain on sales of non-current assets	836	531
Gain on sales of investment securities	0	1,844
Reversal of allowance for doubtful accounts	6	–
Total extraordinary income	842	2,375
Extraordinary losses		
Loss on disposal of non-current assets	1,725	491
Environmental expenses	–	482
Loss on impairment of long-lived assets	1,642	–
Loss on valuation of investment securities	318	–
Provision for environmental measures	196	–
Loss on sales of investments in affiliates	15	–
Total extraordinary losses	3,897	974
Income before income taxes and minority interests	56,581	53,660
Income taxes	22,610	36,743
Minority interests in loss	–	(1,774)
Net income	33,971	18,691

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	First six months of fiscal 2008 (From April 1, 2008 to September 30, 2008)	First six months of fiscal 2009 (From April 1, 2009 to September 30, 2009)
Cash flows from operating activities		
Income before income taxes and minority interests	56,581	53,660
Depreciation	19,281	22,027
Loss on impairment of long-lived assets	1,642	–
Amortization of goodwill	2,949	4,399
(Gain) loss on valuation of derivatives	–	(8,698)
Increase (decrease) in allowance for doubtful accounts	(83)	42
Increase (decrease) in accrued severance and retirement benefits	227	238
(Increase) decrease in prepaid pension costs	662	1,537
Interest and dividend income	(5,042)	(3,945)
Interest expense	7	3,081
(Gain) loss on sales of investment securities	–	(1,844)
(Gain) loss on sales and disposal of property, plant and equipment	888	(39)
Equity in net (income) losses of affiliated companies	148	118
(Increase) decrease in trade notes and accounts receivable	(13,934)	(20,677)
(Increase) decrease in inventories	(2,016)	(3,471)
Increase (decrease) in trade notes and accounts payable	(1,114)	(2,138)
Increase (decrease) in accounts payable and accrued expenses	(11,311)	(7,425)
Other, net	(3,525)	14,564
Subtotal	45,360	51,430
Interest and dividends received	5,107	4,377
Interest paid	(7)	(2,261)
Income taxes paid	(31,694)	(13,976)
Net cash provided by operating activities	18,766	39,570

(Millions of yen)

	First six months of fiscal 2008 (From April 1, 2008 to September 30, 2008)	First six months of fiscal 2009 (From April 1, 2009 to September 30, 2009)
Cash flows from investing activities		
Purchases of time deposits	(3,010)	(9,022)
Proceeds from maturities in time deposits	1,511	20,953
Purchases of marketable securities	(71,308)	(21,905)
Proceeds from sales of marketable securities	102,178	78,336
Acquisitions of property, plant and equipment	(8,822)	(12,303)
Proceeds from sales of property, plant and equipment	1,156	827
Acquisitions of intangible assets	(20,049)	(899)
Acquisitions of investment securities	(188,429)	(6,160)
Proceeds from sales of investment securities	6	6,389
Acquisition of investments in subsidiaries	–	(1,498)
Purchases of investments in subsidiaries resulting in change in scope of consolidation	(24,266)	–
Payments for loans receivable	(97)	(323)
Proceeds from collection of loans receivable	721	172
Other, net	12,362	376
Net cash provided by (used in) in investing activities	(198,047)	54,942
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	(58)	(124,204)
Proceeds from long-term debt	–	11,172
Repayments of long-term debt	–	(412)
Proceeds from issuance of bonds	–	99,688
Purchases of treasury stock	(45,809)	(17)
Proceeds from sale of treasury stock	13	3
Dividends paid	(25,153)	(28,129)
Other, net	(19)	(132)
Net cash used in financing activities	(71,029)	(42,031)
Effect of exchange rate changes on cash and cash equivalents	(1,918)	(2,643)
Net increase (decrease) in cash and cash equivalents	(252,228)	49,838
Cash and cash equivalents, beginning of period	444,334	177,769
Cash and cash equivalents, end of period	192,106	227,608

(4) Note Related to Assumption of Going-Concern

Not applicable.

(5) Segment Information

[Information by Operating Segment]

First six months of fiscal 2008 (from April 1, 2008 to September 30, 2008)

Information by operating segment has been omitted because the “Pharmaceuticals” segment accounts for over 90% of the total net sales and operating income.

First six months of fiscal 2009 (from April 1, 2009 to September 30, 2009)

Information by operating segment has been omitted because the “Pharmaceuticals” segment accounts for over 90% of the total net sales and operating income.

[Information by Geographic Segment]

First six months of fiscal 2008 (from April 1, 2008 to September 30, 2008)

(Millions of yen)

	Japan	North America	Europe	Other	Total	Eliminations & corporate	Consolidated
Net sales							
(1) Outside customers	265,668	95,924	33,644	11,082	406,320	–	406,320
(2) Inter-segment sales and transfers	27,023	25,577	11,689	362	64,653	(64,653)	–
Total	292,692	121,502	45,334	11,444	470,973	(64,653)	406,320
Operating income	26,736	27,817	1,274	1,103	56,931	4,679	61,611

First six months of fiscal 2009 (from April 1, 2009 to September 30, 2009)

(Millions of yen)

	Japan	North America	Europe	India	Other	Total	Eliminations & corporate	Consolidated
Net sales								
(1) Outside customers	263,891	108,710	46,923	27,995	23,047	470,568	–	470,568
(2) Inter-segment sales and transfers	30,333	21,559	17,565	10,872	622	80,954	(80,954)	–
Total	294,225	130,270	64,488	38,868	23,670	551,522	(80,954)	470,568
Operating income (loss)	27,427	26,980	3,109	(4,896)	1,359	53,980	(3,130)	50,850

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, Canada

Europe: Germany, the United Kingdom, France, Spain, Italy, Romania and others

India: India

Other: China, Taiwan, Brazil and others

3. Changes in segmentation of countries and regions

Previously, countries and regions were segmented into “Japan,” “North America,” “Europe” and “Other,” forming four segments. However, as our business scale in “India,” which was previously included in “Other,” increased in materiality, “India” has been separately listed from the first quarter period of fiscal 2009 in order to represent operations more properly.

As a result of this change, net sales in the “Other” segment decreased by ¥38,724 million (of which, net sales for outside customers decreased by ¥27,995 million) and operating income therein increased by ¥5,039 million as compared with the previous method.

This change has no effects on the “Japan,” “North America” and “Europe” segments.

[Overseas Sales]

First six months of fiscal 2008 (from April 1, 2008 to September 30, 2008)

(Millions of yen)

	North America	Europe	Other	Total
I Overseas net sales	111,900	45,695	17,136	174,733
II Consolidated net sales				406,320
III Percentage of overseas net sales to consolidated net sales (%)	27.5	11.3	4.2	43.0

First six months of fiscal 2009 (from April 1, 2009 to September 30, 2009)

(Millions of yen)

	North America	Europe	Other	Total
I Overseas net sales	121,448	56,889	54,224	232,562
II Consolidated net sales				470,568
III Percentage of overseas net sales to consolidated net sales (%)	25.8	12.1	11.5	49.4

Notes:

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

(6) Notes on Substantial Changes in the Amount of Shareholders' Equity

Not applicable.