



October 31, 2011

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2012 <under Japanese GAAP>

Listed company name: Daiichi Sankyo Company, Limited

Listed exchanges: First Section of the Tokyo, Osaka, and Nagoya stock exchanges

Stock code number: 4568

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

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Scheduled date of dividend payments: December 1, 2011

Preparing supplementary material (Reference Data) on quarterly financial results: Yes

Holding quarterly information meeting: Yes (for institutional investors, analysts and the press)

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

1. Consolidated Financial Results for the First Six Months of Fiscal 2011

(from April 1, 2011 to September 30, 2011)

(1) Consolidated Financial Results

(Percentages indicate changes from 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 2011	456,042	(8.6)	62,192	(31.0)	66,345	(28.4)
First six months of fiscal 2010	498,886	6.0	90,107	77.2	92,647	77.3

Note: Comprehensive income: First six months of fiscal 2011: 16,642 million yen [(28.7%)]

First six months of fiscal 2010: 23,337 million yen [-%]

	Net income		Basic net income per share	Diluted net income per share
	Millions of yen	%	Yen	Yen
First six months of fiscal 2011	37,045	(29.0)	52.63	52.56
First six months of fiscal 2010	52,154	179.0	74.09	74.03

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2011	1,472,155	894,352	57.2
As of March 31, 2011	1,480,240	887,702	57.4

Reference: Equity: As of September 30, 2011: 841,962 million yen As of March 31, 2011: 849,004 million yen

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2010	–	30.00	–	30.00	60.00
Fiscal 2011	–	30.00	–	–	–
Fiscal 2011 (Forecast)	–	–	–	30.00	60.00

Note: Revision of the forecast most recently announced: No

3. Forecasts of Consolidated Financial Results for Fiscal 2011

(from April 1, 2011 to March 31, 2012)

(Percentages indicate changes from the same period in the previous 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	930,000	(3.9)	100,000	(18.1)	90,000	(31.7)	50,000	(28.7)	71.03

Note: Revision of the forecasts most recently announced: Yes

4. Others

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in a change in scope of consolidation): No

Newly included: None Excluded: None

(2) Application of specific accounting methods for preparing the quarterly consolidated financial statements: Yes

Note: For details, please refer to “2. Other Information” on page 8.

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

1) Changes in accounting policies due to revisions to accounting standards: No

2) Changes in accounting policies due to other reasons: No

3) Changes in accounting estimates: No

4) Restatement of prior period financial statements after error corrections: No

(4) Number of common shares issued

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

As of September 30, 2011	709,011,343 shares
As of March 31, 2011	709,011,343 shares

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

As of September 30, 2011	5,100,989 shares
As of March 31, 2011	5,097,302 shares

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

First six months ended September 30, 2011	703,912,697 shares
First six months ended September 30, 2010	703,926,308 shares

* Indication regarding execution of quarterly review procedures

This quarterly financial results report is exempt from the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial results report, the review procedures for quarterly financial statements in accordance with the Financial Instruments and Exchange Act are incomplete.

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

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

Please see (3) *Qualitative Information about Forecasts of Consolidated Results for Fiscal 2011* of 1. *Qualitative Information about Consolidated Results for the First Six Months* on page 7 for assumption that the above forecasts were based on and related matters.

Attached Material

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

(1) Qualitative Information about Consolidated Operating Results

Consolidated Financial Results

(Millions of yen; rounded down to the nearest million yen)

	First six months of fiscal 2010	First six months of fiscal 2011	Difference from the same period in the previous fiscal year (%)
Net sales	498,886	456,042	-42,844 (-8.6%)
Operating income	90,107	62,192	-27,915 (-31.0%)
Ordinary income	92,647	66,345	-26,302 (-28.4%)
Net income	52,154	37,045	-15,108 (-29.0%)

Exchange rates in the first six months of fiscal 2011: ¥79.81/USD, ¥113.78/EUR, ¥1.83/INR

Exchange rates in the first six months of fiscal 2010: ¥88.95/USD, ¥113.84/EUR, ¥2.01/INR

In the six months from April 1 to September 30, 2011, Daiichi Sankyo and its consolidated subsidiaries (“the Group”) posted net sales of ¥456.0 billion, a year-on-year decrease of 8.6%. In addition to the steady growth in products including the antihypertensive agent olmesartan, other factors making a contribution towards sales were two newly launched products: *Memary*®, an N-methyl-D-aspartate (NMDA) receptor antagonist for the treatment of Alzheimer’s Disease, and *NEXIUM*®, a proton pump inhibitor for the treatment for gastric ulcer, duodenal ulcer, reflux esophagitis, etc. However, net sales fell by ¥42.8 billion, due to factors including a ¥19.0 billion negative effect of foreign exchange owing to the strong yen, a sales decline following the return of domestic marketing rights in certain products, and a decrease in net sales of Ranbaxy Laboratories Ltd. (“Ranbaxy¹”).

Operating income decreased 31.0% to ¥62.2 billion. Although cost cutting was achieved as a result of group-wide revision of profit structures and SG&A and R&D expenses overseas decreased due to the stronger yen, the decrease in gross profit due to the drop in sales had a big impact, with operating income declining ¥27.9 billion.

Ordinary income decreased 28.4% to ¥66.3 billion. In non-operating income, although there was a decline in gains on valuation of derivatives at Ranbaxy, there was a contribution from foreign exchange gain. This resulted in an ordinary income decline of ¥26.3 billion, which was a narrower decline compared with operating income.

Net income declined by ¥15.1 billion (29.0% year on year) to ¥37.0 billion.

In the six months ended September 30, 2011, in addition to the previously mentioned *Memary*® and *NEXIUM*®, the Group also launched in Japan the direct oral factor Xa inhibitor *Lixiana*® for the prevention of venous thromboembolism in patients undergoing major orthopedic surgery. In the U.S., the Group commenced co-promotion of *Zelboraf*™, a personalized treatment for metastatic melanoma, which was launched in the U.S. by the Roche Group. In addition, the Group obtained approval in China for silodosin, a treatment of dysuria (brand name in Japan *Urief*®).

Furthermore, concerning the factories of Daiichi Sankyo Propharma Co., Ltd. that were damaged by the March 11 Great East Japan Earthquake, Hiratsuka factory restarted its manufacturing operations in April, and so did Onahama factory in late August.

¹ Due to the difference in fiscal year-end, Ranbaxy’s results included the Group’s FY2011 Q2 YTD are those of Jan.–Jun. 2011.

[Reporting Segments]

i. Daiichi Sankyo Group

The Daiichi Sankyo Group posted net sales of ¥377.8 billion, a year-on-year decline of 5.6%.

a. Japan

Net sales in Japan decreased 7.4% year on year to ¥240.7 billion.

Sales of prescription drugs declined 5.0% to ¥206.3 billion. While the Group achieved the growth of key products including anti-inflammatory analgesic *Loxonin® Tape* and antihypertensive agent *Rezaltas®*, as well as the launch of *Memary®* and *NEXIUM®* among other factors, overall sales were influenced by the return of domestic marketing rights of certain products to their licensors.

Sales from royalty income and exports to overseas fell 48.7% year on year to ¥10.3 billion due to the decline in sales from exports of levofloxacin, a synthetic antibacterial agent, following the expiration of marketing exclusivities in various countries, and the stronger yen.

Net sales of healthcare (OTC) products totaled ¥22.4 billion, gaining 6.7% year on year. This was due to higher sales of anti-inflammatory analgesic *Loxonin S*, a prescription-to-OTC switch formulation.

b. North America

Net sales in North America declined 5.1% year on year to ¥91.0 billion. In addition to the growth from the antiplatelet agent *Effient®* and others, *ZelborafTM* related income in Plexxikon Inc., which was acquired during the current period, also benefited sales. However, net sales fell due to the impact of the strong yen, the decline in sales of anemia treatment *Venofer®*, and other factors.

c. Europe

Net sales in Europe increased 3.6% year on year to ¥32.5 billion due to the expansion of sales of antihypertensive agents *Olmotec®*, *Sevikar®*, *Sevikar HCT®* and others.

d. Other regions

In other regions, net sales rose 4.8% year on year to ¥13.6 billion, thanks mainly to net sales increases in South Korea, Venezuela and Brazil.

ii. Ranbaxy Group

Net sales of the Ranbaxy Group fell 20.6% year on year to ¥78.2 billion, primarily due to impact of the strong yen and significantly lower U.S. sales of the antiviral drug valacyclovir, which significantly contributed to the results in the first six months of FY2010, despite the contribution from donepezil, a treatment for Alzheimer's Disease, in the U.S.

(2) Qualitative Information about Consolidated Financial Position

As of September 30, 2011, net assets were ¥894.4 billion (up ¥6.6 billion from the previous year-end), total assets stood at ¥1,472.2 billion (down ¥8.1 billion from the previous year-end), and the equity ratio was 57.2% (57.4% for the previous year-end).

Net assets increased as a result of net income and recording minority interests related to the establishment of Kitasato Daiichi Sankyo Vaccine Co., Ltd, offsetting the payment of year-end dividends and a decline in accumulated other comprehensive income due to a decline in assets of overseas subsidiaries because of the strong yen.

Total assets, despite the increase in net assets, decreased from the previous year-end on account of the redemption of corporate bonds of Ranbaxy.

(3) Qualitative Information about Forecasts of Consolidated Results for Fiscal 2011

The differences from the forecasts of consolidated results for FY2011 publicly announced on July 29, 2011 are shown below.

Full 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
Previous forecasts (A)	970,000	90,000	90,000	50,000	71.03
Revised forecasts (B)	930,000	100,000	90,000	50,000	71.03
Change (B-A)	(40,000)	10,000	0	0	
Percentage of change (%)	(4.1)	11.1	0.0	0.0	
(Reference) Results of previous fiscal year (FY2010)	967,365	122,143	131,762	70,121	99.62

(Reason for the revision)

The net sales forecast has been downwardly revised by ¥40.0 billion to ¥930.0 billion for the following reasons. Holding the view that the trend of yen appreciation will be prolonged, we have changed the assumed exchange rates for the third quarter onwards to ¥75 against the U.S. dollar and ¥105 against the euro. Also we are factoring in a revenue decline in Luitpold Pharmaceuticals, Inc.

The operating income forecast has been upwardly revised by ¥10.0 billion to ¥100.0 billion as a result of cost cutting efforts and other factors.

However, the ordinary income and net income forecasts have not been changed from the previously announced figures because we expect Ranbaxy to incur foreign exchange loss following a recent depreciation of the Indian rupee against the U.S. dollar.

2. Other Information

(1) Changes in Significant Subsidiaries during the Period under Review

Not applicable.

(2) Application of 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 six months 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 adjustment is included in income taxes.

(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement of Prior Period Financial Statements after Error Corrections

Not applicable.

(4) Additional Information

For accounting changes and corrections of prior period errors made on or after the beginning of the first quarter, the Company adopted the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24, issued on December 4, 2009) and the “Implementation Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24, issued on December 4, 2009).

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2011	As of September 30, 2011
ASSETS		
Current assets		
Cash and time deposits	262,037	84,858
Trade notes and accounts receivable	205,590	207,045
Marketable securities	157,653	203,098
Merchandise and finished goods	89,143	102,176
Work in process	21,598	22,353
Raw materials and supplies	32,050	34,366
Deferred tax assets	90,245	95,688
Other current assets	38,075	40,991
Allowance for doubtful accounts	(2,319)	(2,566)
Total current assets	894,075	788,011
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	119,962	125,023
Machinery, equipment and vehicles, net	46,706	48,019
Land	38,407	38,334
Construction in progress	20,599	25,946
Other, net	12,034	12,151
Total property, plant and equipment	237,710	249,475
Intangible assets		
Goodwill, net	67,316	87,049
Other intangible assets, net	89,606	158,422
Total intangible assets	156,923	245,471
Investments and other assets		
Investment securities	102,416	108,295
Deferred tax assets	73,245	66,855
Other	16,149	14,339
Allowance for doubtful accounts	(281)	(292)
Total investments and other assets	191,531	189,196
Total non-current assets	586,164	684,143
Total assets	1,480,240	1,472,155

(Millions of yen)

	As of March 31, 2011	As of September 30, 2011
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	58,407	59,171
Current portion of convertible bond-type bonds with subscription rights to shares	46,020	–
Short-term bank loans	29,342	33,189
Income taxes payable	7,545	8,162
Allowance for sales returns	1,244	780
Allowance for sales rebates	1,623	2,001
Provision for loss on disaster	4,570	3,997
Asset retirement obligations	178	196
Other current liabilities	158,019	147,934
Total current liabilities	306,952	255,433
Long-term liabilities		
Bonds payable	100,000	100,000
Long-term debt	124,036	127,527
Deferred tax liabilities	28,463	57,675
Accrued employees' severance and retirement benefits	11,541	13,279
Accrued directors' severance and retirement benefits	155	150
Other long-term liabilities	21,388	23,735
Total long-term liabilities	285,585	322,368
Total liabilities	592,537	577,802
NET ASSETS		
Shareholders' equity		
Common stock	50,000	50,000
Capital surplus	105,194	105,194
Retained earnings	774,274	790,202
Treasury stock, at cost	(14,581)	(14,585)
Total shareholders' equity	914,888	930,810
Accumulated other comprehensive income		
Net unrealized gain or loss on investment securities	16,559	16,344
Deferred gains or losses on hedges	1,193	1,318
Foreign currency translation adjustments	(83,636)	(106,511)
Total accumulated other comprehensive income	(65,883)	(88,848)
Subscription rights to shares	3,544	3,849
Minority interests	35,153	48,540
Total net assets	887,702	894,352
Total liabilities and net assets	1,480,240	1,472,155

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income (cumulative)

(Millions of yen)

	First six months of fiscal 2010 (From April 1, 2010 to September 30, 2010)	First six months of fiscal 2011 (From April 1, 2011 to September 30, 2011)
Net sales	498,886	456,042
Cost of sales	138,492	128,864
Gross profit	360,393	327,177
Selling, general and administrative expenses		
Advertising and promotional expenses	47,665	44,396
Salaries and bonuses	56,311	57,646
Severance and retirement costs	5,618	4,376
Research and development expenses	89,304	84,061
Other	71,385	74,503
Total selling, general and administrative expenses	270,285	264,984
Operating income	90,107	62,192
Non-operating income		
Interest income	1,618	1,562
Dividend income	1,487	1,414
Gain on valuation of derivatives	4,690	2,371
Foreign exchange gains	–	1,272
Other income	2,306	2,652
Total non-operating income	10,102	9,273
Non-operating expenses		
Interest expense	2,992	2,971
Foreign exchange losses	2,439	–
Equity in net losses of affiliated companies	214	41
Other expenses	1,915	2,107
Total non-operating expenses	7,562	5,121
Ordinary income	92,647	66,345
Extraordinary income		
Gain on sales of non-current assets	4,531	1,695
Gain on change in equity	69	73
Gain on sales of investment securities	2,862	–
Gain on sales of subsidiaries and affiliates' stocks	33	–
Other income	96	200
Total extraordinary income	7,594	1,969

(Millions of yen)

	First six months of fiscal 2010 (From April 1, 2010 to September 30, 2010)	First six months of fiscal 2011 (From April 1, 2011 to September 30, 2011)
Extraordinary losses		
Loss on disposal of non-current assets	696	983
Loss on disaster	–	1,860
Loss on abandonment of inventories	–	1,564
Loss on business restructuring	479	1,279
Loss on impairment of long-lived assets	682	311
Environmental expenses	490	244
Loss on valuation of investment securities	3,114	22
Provision for contingent losses	200	–
Loss on adjustment for changes of accounting standard for asset retirement obligations	139	–
Other losses	310	–
Total extraordinary losses	6,112	6,266
Income before income taxes and minority interests	94,129	62,049
Income taxes	34,713	22,684
Income before minority interests	59,415	39,364
Minority interests in net income of consolidated subsidiaries	7,260	2,318
Net income	52,154	37,045

Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	First six months of fiscal 2010 (From April 1, 2010 to September 30, 2010)	First six months of fiscal 2011 (From April 1, 2011 to September 30, 2011)
Income before minority interests	59,415	39,364
Other comprehensive income		
Net unrealized gain or loss on investment securities	(10,865)	(218)
Deferred gains or losses on hedges	(108)	197
Foreign currency translation adjustments	(24,935)	(22,591)
Share of other comprehensive income of associates accounted for using equity method	(168)	(109)
Total other comprehensive income	(36,077)	(22,722)
Comprehensive income	23,337	16,642
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	19,019	14,066
Comprehensive income attributable to minority interests	4,317	2,576

(3) Notes related to Assumption of Going-Concern

Not applicable.

(4) Segment Information

I. First six months of fiscal 2010 (from April 1, 2010 to September 30, 2010)

1. Information concerning net sales and profit or loss by reporting segment

(Millions of yen)

	Daiichi Sankyo Group	Ranbaxy Group	Total
Net sales			
Outside customers	400,369	98,516	498,886
Inter-segment sales and transfers	33	141	174
Total	400,402	98,657	499,060
Segment profit	65,843	33,652	99,495

2. Differences between the total amount of profit or loss amounts of reporting segments and the amount stated in consolidated statements of income, and major breakdown of such differences (Reconciliation)

(Millions of yen)

Profit	Amount
Reporting segment total	99,495
Amortization of allocated acquired cost	(1,830)
Amortization of goodwill	(1,208)
Adjustment for sales of investment securities	(1,607)
Elimination of intersegment transactions	(484)
Other adjustments	(235)
Income before income taxes and minority interests stated in consolidated statements of income	94,129

II. First six months of fiscal 2011 (from April 1, 2011 to September 30, 2011)

1. Information concerning net sales and profit or loss by reporting segment

(Millions of yen)

	Daiichi Sankyo Group	Ranbaxy Group	Total
Net sales			
Outside customers	377,848	78,193	456,042
Inter-segment sales and transfers	127	433	561
Total	377,976	78,626	456,603
Segment profit	56,253	9,895	66,149

2. Differences between the total amount of profit or loss amounts of reporting segments and the amount stated in consolidated statements of income, and major breakdown of such differences (Reconciliation)

(Millions of yen)

Profit	Amount
Reporting segment total	66,149
Amortization of allocated acquired cost	(1,666)
Amortization of goodwill	(1,206)
Elimination of intersegment transactions	(967)
Other adjustments	(259)
Income before income taxes and minority interests stated in consolidated statements of income	62,049

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

Not applicable.