FASF

January 31, 2008

Consolidated Financial Results for the First Nine Months of Fiscal 2007 (Nine-Month Period Ended December 31, 2007)

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Listed exchanges: Tokyo, Osaka, and Nagoya
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(All amounts have been rounded down to the nearest million yen.)

1. Consolidated Financial Results for the First Nine Months of Fiscal 2007
(from April 1, 2007 to December 31, 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	%	Millions of yen	%	Millions of yen	%
First nine months of fiscal 2007	695,849	(4.8)	156,775	18.8	166,048	13.6
First nine months of fiscal 2006	730,647	3.8	131,997	(1.7)	146,121	5.2
Fiscal 2006	929,506	–	136,313	–	152,086	–

	Net income		Basic net income per share	Diluted net income per share
	Millions of yen	%	Yen	Yen
First nine months of fiscal 2007	96,419	24.1	133.47	–
First nine months of fiscal 2006	77,693	(4.1)	106.57	–
Fiscal 2006	78,549	–	107.75	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
First nine months of fiscal 2007	1,549,017	1,275,171	82.1	1,769.36
First nine months of fiscal 2006	1,669,585	1,275,895	76.2	1,745.70
Fiscal 2006	1,636,835	1,272,148	77.5	1,740.26

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

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

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

3. Others

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

(2) Adoption of simplified accounting methods: Yes

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

Note: Please see *4. Other Matters, Qualitative Information / Financial Statements, etc.* on page 5 for further details.

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

The forecasted 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 forecasted figures due to changes in circumstances and other developments. More information concerning these forecasts can be found in the information on page 5.

Qualitative Information / Financial Statements, etc.

1. Qualitative information about consolidated operating results

Consolidated net sales for the first nine months of fiscal 2007 amounted to ¥695.8 billion (down 4.8% year on year).

Net sales in the pharmaceutical business amounted to ¥665.2 billion (down 0.2% year on year), and those in other business segments dropped to ¥30.6 billion (down 52.0% year on year). Sales declined because of active efforts to make the non-pharmaceutical business independent of the Group. However, the core pharmaceutical business secured approximately the same level of sales compared with the same period in the previous year after absorbing a decline of ¥17.3 billion in sales resulting from changes in fiscal year-end at some overseas subsidiaries as a result of the Company's efforts to expand mainstay products. In mainstay products, sales of pravastatin, an antihyperlipidemic agent, decreased as its patent expired; sales of the antihypertensive agent olmesartan significantly expanded; and levofloxacin, a synthetic antibiotic, showed robust sales.

In terms of profitability, the cost-to-sales ratio improved by 2.4 percentage points year on year to 26.1% due to factors such as changes in business structure and the composition of sales products. Selling, general and administrative expenses declined ¥32.9 billion from a year earlier to ¥357.3 billion (of which, research and development cost accounted for ¥117.0 billion). The Group invested intensively in activities aimed at the Group's further development, including enhancing the overseas business base and proactively promoting issues in research and development. At the same time, the Company focused on synergistic cost reduction effects from personnel downsizing and business integration such as consolidation of bases of operations, and on the improvement in efficiency of expenditures. As a result, operating income was ¥156.7 billion (up 18.8% year on year) and ordinary income was ¥166.0 billion (up 13.6% year on year).

In the first nine months of fiscal 2006, the Group posted extraordinary losses of ¥72.8 billion, primarily losses related to business integration concerning the implementation of a voluntary retirement system, with extraordinary income amounting to ¥52.4 billion, gains on sales of non-pharmaceutical subsidiaries and other gains. This year, in the same period of fiscal 2007, the Group booked extraordinary income of ¥4.1 billion, mainly gains on sales of subsidiaries and land, and extraordinary losses of ¥8.9 billion, primarily losses related to business integration. As a result, net income significantly increased to ¥96.4 billion (up 24.1% year on year).

In terms of the impact of changes in fiscal year-end at overseas subsidiaries, the aggregate contributions of subsidiaries based in the U.S. to operating performance for the first nine months of fiscal 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 subsidiaries based in Europe for the first nine months of fiscal 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.

Information by Geographic Segment

Net sales in Japan amounted to ¥475.1 billion (down 10.3% year on year), in which net sales in the prescription drug business amounted to ¥350.2 billion (up 0.7% year on year). Sales increased for the antihypertensive agents *Olmetic*®, *Artist*®, and *Calblock*®; *Loxonin*®, an anti-inflammatory, analgesic, and anti-febrile preparation; and *Urief*®, a treatment for urination disorder. The increase in sales of these drugs covered lower sales of *Mevalotin*®, an antihyperlipidemic agent.

Royalty income and exports to overseas licensees generated sales of ¥58.4 billion (down 12.6% year on year). Although royalty income and exports of levofloxacin, a synthetic antibiotic, continue to grow, reflecting the brisk expansion of prescription in local markets, lower exports of the bulk of pravastatin, an antihyperlipidemic agent (the patent of which expired in major countries), adversely affected overall sales in this segment.

Sales of the OTC (over-the-counter) drug business amounted to ¥39.5 billion (down 0.4% year on year), almost the same level as the same period in the previous year. This is partly due to robust sales of *Patecs Felbinac*®, a new addition to the series of external anti-inflammatory analgesics introduced at the beginning of the current fiscal year, and *Transino*®, a product for the amelioration of skin blemishes (chloasma), which hit the market in September 2007, in spite of the return of *Lamisil AT*®, a treatment for athlete’s foot to its provider in December 2006, and other factors.

Net sales in North America were ¥140.8 billion (down 5.8% year-on-year). Although posted sales for the first nine months of the fiscal year under review decreased compared with the previous corresponding period due to the net effect from the change in fiscal year-end at U.S. subsidiaries, performance in real terms is expanding smoothly on continued expansion of sales of antihypertensive agent *Benicar*® / *Benicar HCT*® and antihyperlipidemic agent *Welchol*®. Sales promotion campaigns for *AZOR*® (containing olmelsartan and amlodipine), a new type of antihypertensive agent, were launched in October 2007, and sales of the new drug made almost as smooth a start as had been planned.

Net sales in other regions amounted to ¥79.9 billion (up 54.7% year-on-year). Sales of antihypertensive agent *Olmetec*® grew favorably in Europe, while olmesartan, an antihypertensive agent, and levofloxacin, a synthetic antibiotic, served as the driving force of performance in Asian countries. Among other factors that helped boost sales in this segment are: the change in fiscal year-end of European subsidiaries; currency translation difference resulting from the strong Euro; and the addition of Latin American subsidiaries in the scope of consolidation from the beginning of the fiscal year under review.

2. Qualitative Information about Consolidated Financial Position

At the end of the period under review, total assets stood at ¥1,549 billion (down ¥87.8 billion compared with the previous year-end), net assets were ¥1,275.1 billion (up ¥3.0 billion) and equity ratio was 82.1% (77.5% for the previous year-end).

The decrease of total assets was due to the payment of accrued severance and retirement benefits that was recorded at the previous fiscal year end for workforce resizing and transfers to function-baesed subsidiaries; the reductions in the balance of prepaid pension costs and accrued severance and retirement benefits following the review of retirement benefit and pension systems; decrease in net unrealized gain of investment securities reflecting the sluggish stock market; and payments for acquisition of treasury stocks and dividends.

3. Qualitative Information about Forecasts of Consolidated Results for FY2007

There has been no change from the forecasts of consolidated results for FY2007 publicly released at the announcement of financial results for the interim period of FY2007 on November 6, 2007.

4. Other Matters

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

There are no relevant matters to report.

(2) Adoption of simplified accounting methods

Tax expense is accounted by simplified accounting methods.

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

The Company and some of 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 and pension 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 fiscal year ending March 31, 2008, 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.

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 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 fiscal year ending March 31, 2008, 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, although there were no effects of actuarial gains and losses on the current consolidated fiscal year, the Company booked its amortized amount of the current consolidated fiscal year out of prior service costs occurred at the beginning of the current consolidated fiscal year, in the amount of ¥7,104 million, as decrease in service expenses, and 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 ¥5,969 million, ¥5,969 million, and ¥6,201 million, respectively.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	First nine months of fiscal 2006 (as of December 31, 2006)		First nine months of fiscal 2007 (as of December 31, 2007)		Fiscal 2006 (as of March 31, 2007)	
	Amount	%	Amount	%	Amount	%
ASSETS						
I Current assets:						
1. Cash and time deposits	184,954		60,783		232,614	
2. Trade notes and accounts receivable	261,098		232,204		197,158	
3. Marketable securities	367,210		499,712		373,896	
4. Mortgage-backed securities	15,000		–		15,000	
5. Inventories	114,456		109,651		107,758	
6. Deferred tax assets	53,090		62,301		63,364	
7. Other current assets	27,583		33,782		26,773	
Allowance for doubtful accounts	(793)		(775)		(724)	
Total current assets	1,022,600	61.2	997,661	64.4	1,015,840	62.1
II Non-current assets:						
1. Property, plant and equipment:						
(1) Buildings and structures	147,384		142,098		142,534	
(2) Machinery, equipment and vehicles	43,190		36,489		40,010	
(3) Land	41,965		36,303		38,011	
(4) Construction in progress	8,101		5,774		12,013	
(5) Other	16,958		15,947		16,288	
Total property, plant and equipment, net	257,601	15.5	236,612	15.3	248,857	15.2
2. Intangible assets:						
(1) Goodwill, net	19,470		16,276		18,569	
(2) Other intangible assets, net	46,102		36,617		41,584	
Total intangible assets	65,573	3.9	52,893	3.4	60,153	3.7
3. Investments and other assets:						
(1) Investment securities	272,098		229,167		262,240	
(2) Long-term loans	4,710		1,394		1,615	
(3) Prepaid pension costs	16,692		5,951		18,021	
(4) Deferred tax assets	8,244		5,598		8,890	
(5) Other assets	22,630		20,056		21,636	
Allowance for doubtful accounts	(564)		(318)		(421)	
Total investments and other assets	323,810	19.4	261,850	16.9	311,983	19.0
Total non-current assets	646,985	38.8	551,356	35.6	620,994	37.9
Total assets	1,669,585	100.0	1,549,017	100.0	1,636,835	100.0

(Millions of yen)

	First nine months of fiscal 2006 (as of December 31, 2006)		First nine months of fiscal 2007 (as of December 31, 2007)		Fiscal 2006 (as of March 31, 2007)	
	Amount	%	Amount	%	Amount	%
LIABILITIES						
I Current liabilities:						
1. Trade notes and accounts payable	67,343		65,410		56,435	
2. Short-term bank loans	6,116		4,629		8,560	
3. Income taxes payable	31,192		38,788		27,573	
4. Deferred tax liabilities	2		–		-	
5. Allowance for sales returns	1,613		1,075		1,315	
6. Allowance for sales rebates	4,115		3,697		2,471	
7. Allowance for contingent losses	3,345		2,225		3,498	
8. Other current liabilities	175,794		109,639		181,654	
Total current liabilities	289,525	17.4	225,467	14.6	281,510	17.2
II Non-current liabilities:						
1. Long-term debt	1,682		824		1,533	
2. Deferred tax liabilities	27,219		24,362		36,145	
3. Accrued employees’ severance and retirement benefits	62,306		10,576		35,062	
4. Accrued directors' severance and retirement benefits	2,699		441		1,037	
5. Accrued soil remediation costs	4,234		2,004		3,956	
6. Other non-current liabilities	6,022		10,169		5,441	
Total non-current liabilities	104,165	6.2	48,378	3.1	83,176	5.1
Total liabilities	393,690	23.6	273,846	17.7	364,687	22.3
NET ASSETS						
I Shareholders' equity						
1. Common stock	50,000	3.0	50,000	3.2	50,000	3.1
2. Capital surplus	179,859	10.8	179,862	11.6	179,860	11.0
3. Retained earnings	970,626	58.1	1,023,904	66.1	971,483	59.3
4. Treasury stock at cost	(9,961)	(0.6)	(43,390)	(2.8)	(9,997)	(0.6)
Total shareholders' equity	1,190,524	71.3	1,210,376	78.1	1,191,346	72.8
II Valuation and other adjustments						
1. Net unrealized gain on investment securities	77,573	4.6	58,126	3.8	72,358	4.4
2. Foreign currency translation adjustments	4,535	0.3	3,616	0.2	4,951	0.3
Total valuation and other adjustments	82,109	4.9	61,742	4.0	77,310	4.7
III Minority interests	3,261	0.2	3,052	0.2	3,491	0.2
Total net assets	1,275,895	76.4	1,275,171	82.3	1,272,148	77.7
Total liabilities and net assets	1,669,585	100.0	1,549,017	100.0	1,636,835	100.0

(2) Consolidated Statement of Income

(Millions of yen)

	First nine months of fiscal 2006 (from April 1, 2006 to December 31, 2006)		First nine months of fiscal 2007 (from April 1, 2007 to December 31, 2007)		Change	Fiscal 2006 (from April 1, 2006 to March 31, 2007)	
	Amount	%	Amount	%	Amount	Amount	%
I Net sales	730,647	100.0	695,849	100.0	(34,797)	929,506	100.0
II Cost of sales	208,361	28.5	181,740	26.1	(26,621)	265,200	28.5
Gross profit	522,285	71.5	514,109	73.9	(8,176)	664,306	71.5
III Selling, general and administrative expenses	390,288	53.4	357,333	51.4	(32,954)	527,992	56.8
Operating income	131,997	18.1	156,775	22.5	24,778	136,313	14.7
IV Non-operating income	16,060	2.2	12,167	1.8	(3,892)	20,001	2.2
V Non-operating expenses	1,936	0.3	2,894	0.4	958	4,228	0.5
Ordinary income	146,121	20.0	166,048	23.9	19,927	152,086	16.4
VI Extraordinary gains	52,408	7.2	4,105	0.6	(48,302)	73,492	7.9
VII Extraordinary losses	72,816	10.0	8,956	1.3	(63,859)	98,666	10.6
Net income before income taxes	125,712	17.2	161,197	23.2	35,484	126,912	13.7
Income tax expenses	47,924	6.6	64,770	9.3	16,846	48,078	5.2
Minority interests in net income of subsidiaries	95	0.0	6	0.0	(88)	283	0.0
Net income	77,693	10.6	96,419	13.9	18,726	78,549	8.5

(3) Segment Information

[Operating Segment Information]

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

[Geographic Segment Information]

(Millions of yen)

First nine months of fiscal 2006 (from April 1, 2006 to December 31, 2006)	Japan	North America	Other	Total	Eliminations & corporate	Consolidated
Net sales						
(1) External sales	529,432	149,549	51,666	730,647	–	730,647
(2) Inter-segment sales and transfers	64,524	28,437	9,527	102,489	(102,489)	–
Total	593,956	177,986	61,193	833,136	(102,489)	730,647
Operating expenses	478,686	143,618	53,429	675,735	(77,084)	598,650
Operating income	115,270	34,367	7,763	157,401	(25,404)	131,997

(Millions of yen)

First nine months of fiscal 2007 (from April 1, 2007 to December 31, 2007)	Japan	North America	Other	Total	Eliminations & corporate	Consolidated
Net sales						
(1) External sales	475,118	140,804	79,926	695,849	–	695,849
(2) Inter-segment sales and transfers	53,756	35,121	16,003	104,881	(104,881)	–
Total	528,875	175,925	95,929	800,730	(104,881)	695,849
Operating expenses	412,191	140,901	89,097	642,191	(103,116)	539,074
Operating income	116,684	35,023	6,831	158,539	(1,764)	156,775

(Millions of yen)

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

Notes:

1. Method of classifying 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

[Overseas Net Sales]

(Millions of yen)

First nine months of fiscal 2006 (from April 1, 2006 to December 31, 2006)	North America	Europe	Other	Total
I Overseas net sales	189,047	63,644	22,839	275,530
II Consolidated net sales				730,647
III Percentage of overseas net sales to consolidated net sales (%)	25.9	8.7	3.1	37.7

First nine months of fiscal 2007 (from April 1, 2007 to December 31, 2007)	North America	Europe	Other	Total
I Overseas net sales	173,422	76,180	31,257	280,861
II Consolidated net sales				695,849
III Percentage of overseas net sales to consolidated net sales (%)	24.9	11.0	4.5	40.4

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

Notes:

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