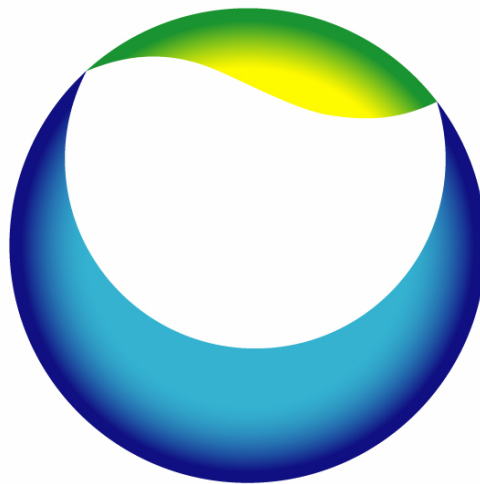


Stock code  
number 4568

# Reference Data

(Consolidated Financial Results for  
1<sup>st</sup> half of FY2007)



## Daiichi-Sankyo

November 6, 2007

Corporate Communications Department  
[http:// www.daiichisankyo.com](http://www.daiichisankyo.com)

# Contents

[1] Summary of Financial Statement	P1
[2] Currency rate	P1
[3] Consolidated sales of Global Product	P2
[4] Overseas Sales	P2
[5] Consolidated Segment Information-Business	P3
[6] Consolidated Segment Information-Area	P3
[7] Financial Indicators	P4
[8] Capital expenditure and Depreciation expenses	P4
[9] Number of shares held and shareholders by category	P4
[10] Domestic Sales	P5,6
[11] Sales of Overseas Subsidiaries	P7,8
[12] Consolidated Financial statements	P9~12
[13] R&D Pipeline	P13~18

# 1.Summary of Financial Statement

(Billions of yen)

	FY2006 Results						FY2007									
	1st half		2nd half		Full year		1st half (Results)			2nd half (Forecast)		Full year (Forecast)				
		Pharma business * Influence of change in the accounting period (U.S.) Excluded		Pharma business * Influence of change in the accounting period (U.S.) Excluded		Pharma business * Influence of change in the accounting period (U.S.) Excluded	From July forecast	Pharma business *	Influence of change in the accounting period (EU) Excluded	From July forecast	From July forecast	Pharma business *	Influence of change in the accounting period (EU) Excluded			
Change	<7.5>		<6.4>		<0.4>	<4.8>	<-8.7>		<4.4>	<-2.6>		<-5.8>		<4.2>	<-6.5>	
Net sales	485.8	395.8	443.7	397.9	929.5	793.7	443.7	27.7	427.3	413.2	432.3	11.3	876.0	39.0	859.6	845.5
Cost of sales	138.0	96.4	127.2	93.9	265.2	190.2	113.2	13.2	98.9	95.0	107.8	7.3	221.0	20.5	206.4	202.8
Cost of sales ratio	28.4%	24.3%	28.7%	23.6%	28.5%	24.0%	25.5%		23.1%	23.0%	24.9%		25.2%		24.0%	24.0%
Selling, general and administrative	269.5	234.5	258.5	248.9	528.0	483.4	236.6	-4.4	234.1	225.5	258.4	19.9	495.0	15.5	492.5	483.9
SG&A ratio	55.5%	59.2%	58.3%	62.6%	56.8%	60.9%	53.3%		54.8%	54.6%	59.8%		56.5%		57.3%	57.2%
Research and development	84.9	79.9	85.7	83.4	170.7	163.3	78.3	-3.7	77.8	77.5	93.2	13.7	171.5	10.0	171.0	170.7
R&D ratio	17.5%	20.2%	19.3%	21.0%	18.4%	20.6%	17.6%		18.2%	18.7%	21.6%		19.6%		19.9%	20.2%
Change	<-2.5>		<-22.1>		<-11.9>	<-14.9>	<-19.9>		<-27.8>	<-42.7>	<-14.0>		<-17.4>		<-24.5>	<-32.3>
Operating income	78.4	65.0	58.0	55.1	136.3	120.1	93.9	18.9	94.6	92.7	66.1	-15.9	160.0	3.0	160.7	158.8
/ Net sales	16.1%	16.4%	13.1%	13.8%	14.7%	15.1%	21.2%		22.1%	22.4%	15.3%		18.3%		18.7%	18.8%
Change	<6.7>		<-17.1>		<-4.8>	<-8.0>	<-14.2>		<-20.9>	<-35.4>	<-10.1>		<-12.4>		<-18.4>	<-26.1>
Ordinary income	88.2	73.3	63.9	61.2	152.1	134.5	100.7	20.7	101.4	99.2	70.3	-14.7	171.0	6.0	171.7	169.5
/ Net sales	18.2%	18.5%	14.4%	15.4%	16.4%	16.9%	22.7%		23.7%	24.0%	16.3%		19.5%		20.0%	20.1%
Change	<-35.3>		<-69.5>		<-10.4>	<-53.8>	<-9.9>		<-14.9>	<-25.2>	<-240.9>		<-27.3>		<-140.8>	<-174.8>
Net income	66.9	45.8	11.7	-10.5	78.5	35.3	60.2	16.2	59.3	57.3	39.8	-8.2	100.0	8.0	99.1	97.0
/ Net sales	13.8%	11.6%	2.6%	-2.6%	8.5%	4.4%	13.6%		13.9%	13.9%	9.2%		11.4%		11.5%	11.5%

\*In order to make comparison with the existing businesses in FY2007 easier, "Pharma business" does not include certain figures from the non-pharmaceuticals operations. Thus, it does not meet the figures in the "Consolidated Segment information - Business" section.

## 【Notes】

### 1st half of FY2007 (vs. previous year)

· The accounting period of Daiichi Sankyo Europe GmbH (DSE), which is an European subsidiary of the DAIICHI SANKYO Group, for the first half in FY2007 was 9 months from January 2007 to September 2007, following a change in its fiscal year-end from December to March. The net sales, operating income, ordinary income, and net income of DSE for the period from January to March 2007 was ¥14.1 billion, ¥1.8 billion, ¥2.1 billion, and ¥2.0 billion, respectively.

· The accounting period of Daiichi Sankyo INC. (DSI) and Luitpold Pharmaceuticals Inc. (LPI), both of which are U.S. subsidiaries of the DAIICHI SANKYO Group, for the first half in FY2006 was 9 months from January 2006 to September 2006, following a change in these companies' fiscal year-end from December to March. The aggregate net sales, operating income, ordinary income, and net income of these subsidiaries for the period from January to March 2006 were ¥31.5 billion, ¥9.0 billion, ¥10.5 billion, and ¥5.8 billion, respectively.

· DAIICHI SANKYO Group has been in the process of making non-pharmaceutical operations independent of the Group in order to focus resources on the pharmaceutical business. In FY2006, the Company completed various movements which made subsidiaries such as Wakodo Co., Ltd., Fuji Flour Milling Co., Ltd., Daiichi Pure Chemicals Co., Ltd., Daiichi Radioisotope Laboratories, Ltd., Sankyo Agro Co., Ltd., Meguro Chemical Industry Co., Ltd., Sankyo Yell Yakuhin Co., Ltd., and Daiichi Medical Co., Ltd. independent of the Group. The Company also made Daiichi Fine Chemical Co., Ltd. and Saitama Daiichi Pharmaceuticals Ltd. independent of the group in the 1st half of FY2007.

### FY2007 Forecast

Although 1st half results include figures of non-pharmaceutical subsidiaries, they are not included in the forecast of 2nd half, since they are to be spun off.

## 2.Currency rate

	FY2006		FY2007		
	1st half	Full year	1st half	2nd half (Forecast)	
					From July forecast
Yen/USD (Average)	115.9	117.0	119.3	115	115
Yen/EUR (Average)	142.2	146.1	160.4	155	140

### 【Estimated impact of currency rate fluctuation for FY2007】

#### 1st half Results

Yen was approximately 5 yen and 20 yen weaker than originally estimated against USD and EUR, respectively. The effect of gains on currency exchange brought by weakening of the yen was net sales of ¥11.4 billion and operating income of ¥1.2 billion.

#### Full Year Forecast

A one yen per USD change in currency rate has an impact of approximately ¥1.8 billion and ¥0.3 billion on annual net sales and operating income, respectively. A one yen per EUR change in currency rate has an impact of approximately ¥0.5 billion on annual net sales.

### 3. Consolidated sales of Global Products

(Billions of yen)

	FY2006 Results				FY2007										
	1st half	2nd half	Full Year	Change %	1st half (Results)			2nd half (Forecast)			Full Year (Forecast)				
					From July forecast	Change %	Influence of change in the accounting period Excluded	From July forecast	Change %	Influence of change in the accounting period Excluded	From July forecast	Change %	Influence of change in the accounting period Excluded		
<b>Olmesartan*</b> [antihypertensive]	<b>84.0</b>	<b>76.3</b>	<b>160.3</b>	<b>73.5%</b>	<b>96.6</b>	<b>1.1</b>	<b>15.1%</b>	<b>32.1%</b>	<b>105.4</b>	<b>5.9</b>	<b>38.0%</b>	<b>202.0</b>	<b>7.0</b>	<b>26.0%</b>	<b>35.2%</b>
Japan: Olmetec	19.4	22.8	42.2	64.9%	26.4	-2.1	36.0%	-	34.6	0.1	51.7%	61.0	-2.0	44.5%	-
U.S.: Benicar/Benicar HCT*	53.3	39.5	92.8	84.4%	44.5	0.5	-16.5%	18.1%	44.3	1.3	12.3%	88.8	1.8	-4.3%	15.1%
U.S.: AZOR	-	-	-	-	-	-	-	-	3.2	0.5	-	3.2	0.5	-	-
Europe: Olmetec/Olmetec Plus**	10.1	12.4	22.5	53.2%	22.3	1.8	121.6%	58.0%	19.7	3.2	58.1%	42.0	5.0	86.4%	58.1%
Others	1.2	1.6	2.8	56.2%	3.4	0.9	189.6%	-	3.6	0.8	118.3%	7.0	1.7	148.9%	-
<b>Levofloxacin</b> [antibacterial agent]	<b>48.8</b>	<b>55.3</b>	<b>104.1</b>	<b>2.6%</b>	<b>52.9</b>	<b>1.9</b>	<b>8.4%</b>	<b>-</b>	<b>57.1</b>	<b>0.1</b>	<b>3.2%</b>	<b>110.0</b>	<b>2.0</b>	<b>5.6%</b>	<b>-</b>
Japan: Cravit	21.0	25.7	46.7	-6.9%	22.1	-0.9	5.1%	-	28.9	-0.1	12.4%	51.0	-1.0	9.1%	-
Exports	19.3	19.1	38.4	10.6%	21.6	2.1	11.9%	-	17.9	-0.1	-6.3%	39.5	2.0	2.8%	-
Royalty	8.5	10.4	19.0	14.4%	9.2	0.7	8.6%	-	10.3	0.3	-2.0%	19.5	1.0	2.8%	-
<b>Pravastatin</b> [antihyperlipidemic agent]	<b>52.0</b>	<b>41.5</b>	<b>93.5</b>	<b>-34.7%</b>	<b>40.3</b>	<b>-0.2</b>	<b>-22.4%</b>	<b>-25.5%</b>	<b>38.7</b>	<b>1.2</b>	<b>-6.9%</b>	<b>79.0</b>	<b>1.0</b>	<b>-15.5%</b>	<b>-17.3%</b>
Japan: Mevalotin	34.8	33.0	67.8	-9.9%	31.7	-1.3	-9.0%	-	32.3	0.3	-2.0%	64.0	-1.0	-5.6%	-
Europe**	3.3	2.7	6.0	9.1%	4.1	0.4	26.4%	-22.7%	2.1	-0.2	-24.2%	6.2	0.2	3.4%	-23.4%
Exports	13.9	5.9	19.8	-68.4%	4.5	0.7	-67.7%	-	4.3	1.1	-26.8%	8.8	1.8	-55.5%	-

\* FY2006 results for Benicar / Benicar HCT are fifteen-months totals. (January 2006 - March 2007)

Three-months results (January 2006 - March 2006) is ¥15.6 billion (\$135mil).

\*\* 1st half results for Olmetec / Olmetec Plus and Mevalotin are nine-months totals. (January 2007 - September 2007)

Three-months results (January 2007 - March 2007) are ¥6.4 billion (€40mil) and ¥1.6 billion (€10mil), respectively.

### 4. Overseas sales

(Billions of yen)

	FY2006 Results				FY2007									
	1st half	2nd half	Full Year	Change %	1st half (Results)			2nd half (Forecast)			Full year (Forecast)			
					From July forecast	Change %	Influence of change in the accounting period Excluded	From July forecast	Change %	Influence of change in the accounting period Excluded	Forecast	From July forecast	Change %	
North America*	135.0	106.9	241.9	32.4%	111.2	12.2	-17.6%	-	108.8	3.8	1.8%	220.0	16.0	-9.0%
Europe**	44.6	39.7	84.3	-14.3%	56.7	3.7	27.3%	-	41.3	4.3	3.8%	98.0	8.0	16.2%
Others	15.1	15.4	30.5	16.5%	20.6	7.6	36.1%	-	13.4	0.4	-12.8%	34.0	8.0	11.4%
<b>Overseas sales</b>	<b>194.6</b>	<b>162.1</b>	<b>356.7</b>	<b>16.1%</b>	<b>188.5</b>	<b>23.5</b>	<b>-3.2%</b>	<b>-</b>	<b>163.5</b>	<b>8.5</b>	<b>0.9%</b>	<b>352.0</b>	<b>32.0</b>	<b>-1.3%</b>
/ Net sales	40.1%	36.5%	38.4%		42.5%				37.8%			40.2%		

Others: China, Korea, Thailand, Taiwan, Brazil, Venezuela etc.

\*FY2006

The accounting period of Daiichi Sankyo INC. (DSI) and Luitpold Pharmaceuticals Inc. (LPI), both of which are U.S. subsidiaries of the DAIICHI SANKYO Group, was 15 months from January 2006 to March 2007, following a change in these companies' fiscal year-end from December to March. The aggregate net sales of these subsidiaries for the period from January to March 2006 were ¥31.5 billion.

\*\*FY2007

The accounting period of Daiichi Sankyo Europe GmbH (DSE) is 15 months from January 2007 to March 2008, following a change in its fiscal year-end from December to March. The net sales of DSE for the period from January to March 2007 was ¥14.1 billion.

## 5.Consolidated Segment information - Business

(Billions of yen)

		FY2006 Results			FY2007 Results	
		1st half	2nd half	Full Year	1st half	YoY %
	Domestic	215.2	218.2	433.4	214.5	-0.3%
	Overseas*	185.2	152.9	338.1	184.7	-0.3%
	OTC drugs	24.6	23.3	47.9	24.4	-0.6%
	Pharmaceuticals	441.4	395.7	837.1	424.0	-3.9%
	Other	44.4	47.9	92.4	19.7	-55.7%
	<b>Consolidated Sales</b>	<b>485.8</b>	<b>443.7</b>	<b>929.5</b>	<b>443.7</b>	<b>-8.7%</b>
	Pharmaceuticals	75.9	55.5	131.4	94.2	24.1%
	Other	2.3	2.1	4.4	-0.4	-
	<b>Consolidated Operating income</b>	<b>78.4</b>	<b>58.0</b>	<b>136.3</b>	<b>93.8</b>	<b>20.0%</b>

### \*FY2006

The accounting period of Daiichi Sankyo INC. (DSI) and Luitpold Pharmaceuticals Inc. (LPI), both of which are U.S. subsidiaries of the DAICHI SANKYO Group, was 15 months from January 2006 to March 2007, following a change in these companies' fiscal year-end from December to March. The aggregate operating results of these subsidiaries for the period from January to March 2006 were net sales of ¥31.5 billion and operating income of ¥9.0 billion.

### \*FY2007

The accounting period of Daiichi Sankyo Europe GmbH (DSE) is 15 months from January 2007 to March 2008, following a change in its fiscal year-end from December to March. The operating results of DSE for the period from January to March 2007 was net sales of ¥14.1 billion and operating income of ¥1.8 billion.

## 6.Consolidated Segment information - Area

(Billions of yen)

		FY2006 Results						FY2007 Results		
		1st half		2nd half		Full year		1st half		YoY %
			%		%		%		%	
	Japan	342.0	70.4%	325.9	73.5%	667.8	71.9%	295.4	66.6%	-13.6%
	North America*	108.5	22.3%	82.9	18.7%	191.5	20.6%	89.7	20.2%	-17.4%
	Europe**	27.3	5.6%	26.1	5.9%	53.4	5.7%	45.3	10.2%	66.0%
	Other	8.0	1.6%	8.8	2.0%	16.8	1.8%	13.3	3.0%	66.5%
	<b>Consolidated Sales</b>	<b>485.8</b>	<b>100.0%</b>	<b>443.7</b>	<b>100.0%</b>	<b>929.5</b>	<b>100.0%</b>	<b>443.7</b>	<b>100.0%</b>	<b>-8.7%</b>
	Japan	71.6		41.1		112.7		69.4		
	North America	33.9		3.4		37.3		22.5		
	Europe	5.4		1.4		6.8		3.4		
	Other	0.3		0.5		0.8		1.3		
	<b>Consolidated Operating income</b>	<b>78.4</b>		<b>58.0</b>		<b>136.3</b>		<b>96.6</b>		

### \*FY2006

The accounting period of Daiichi Sankyo INC. (DSI) and Luitpold Pharmaceuticals Inc. (LPI), both of which are U.S. subsidiaries of the DAICHI SANKYO Group, was 15 months from January 2006 to March 2007, following a change in these companies' fiscal year-end from December to March. The aggregate operating results of these subsidiaries for the period from January to March 2006 were net sales of ¥31.5 billion and operating income of ¥9.0 billion.

### \*\*FY2007

The accounting period of Daiichi Sankyo Europe GmbH (DSE) is 15 months from January 2007 to March 2008, following a change in its fiscal year-end from December to March. The operating results of DSE for the period from January to March 2007 was net sales of ¥14.1 billion and operating income of ¥1.8 billion.

## 7. Financial Indicators

	FY2006 Results		FY2007	
	1st half	Full year	1st half (Results)	Full year (Forecast)
Dividend payout ratio	32.7 %	55.7 %	42.1 %	50.5 %
Earnings per share (EPS)	91.7 yen	107.7 yen	83.1 yen	139.1 yen
Dividend per share	30.0 yen	60.0 yen	35.0 yen	70.0 yen
Dividend on equity (DOE)	1.7 %	3.5 %	4.0 %	
Return on equity (ROE)	5.3 %	6.3 %	4.8 %	
Book value per share (BPS)	1,756.3 yen	1,740.2 yen	1,761.9 yen	
Shareholder's equity ratio	78.3 %	77.5 %	83.6 %	
Total number of common shares	729 million shares	729 million shares	718 million shares	
Share price at end of period	3,350 yen	3,610 yen	3,450 yen	
Number of consolidated subsidiaries	54 companies	54 companies	46 companies	
Number of employees	18,604	15,358	15,655	
(Domestic)	13,678	10,379	9,635	
(Overseas)	4,926	4,979	6,020	

## 8. Capital expenditure and Depreciation expense

	FY2006 Results		FY2007	
	1st half	Full year	1st half (Results)	Full year (Forecast)
Capital expenditure	19.0 billion yen	39.9 billion yen	18.8 billion yen	38.0 billion yen
Depreciation expense	13.5 billion yen	31.5 billion yen	13.0 billion yen	

## 9. Number of shares held and shareholders by category

	As of September 30, 2006			As of March 31, 2007			As of September 30, 2007		
	Number of Shareholders	Number of shares		Number of Shareholders	Number of shares		Number of Shareholders	Number of shares	
		(million)	%		(million)	%		(million)	%
Government and Public	1	0	0.0%	1	0	0.0%	1	0	0.0%
Financial institutions	178	341	46.5%	186	347	47.4%	192	343	46.7%
Securities Companies	40	10	1.4%	58	12	1.8%	65	17	2.4%
Corporate investors	593	48	6.6%	647	49	6.7%	653	44	6.0%
Foreign investors	600	241	33.0%	638	234	31.9%	614	221	30.2%
Individuals	49,077	91	12.5%	52,290	89	12.2%	58,079	91	12.5%
Treasury stock	1	0	0.0%	1	0	0.0%	1	16	2.2%
<b>Total</b>	<b>50,490</b>	<b>733</b>	<b>100.0%</b>	<b>53,821</b>	<b>733</b>	<b>100.0%</b>	<b>59,605</b>	<b>733</b>	<b>100.0%</b>

## 10. Domestic Sales

### Sales of main ethical pharmaceuticals

(Billions of yen)

	FY2006 Results				FY2007							
	1st half	2nd half	Full Year	YoY %	1st half Results			2nd half Forecast		Full Year Forecast		
					From Jul forecast	YoY %		From Jul forecast		From Jul forecast	YoY %	
Total net sales of ethical pharmaceuticals	206.1	214.3	420.4	1.8%	211.0	-7.0	2.4%	232.0	-2.0	443.0	-9.0	5.4%
Cardiovascular disease-related field												
Olmotec (antihypertensive)	19.4	22.8	42.2	65.4%	26.4	-2.1	36.0%	34.6	0.1	61.0	-2.0	44.5%
Calblock (antihypertensive)	4.1	4.7	8.8	38.0%	4.8	-1.2	17.2%	6.7	-0.8	11.5	-2.0	31.0%
Artist (long-acting beta-blocker)	9.6	9.7	19.3	5.9%	10.6	-0.9	10.2%	11.4	-0.1	22.0	-1.0	14.0%
Mevalotin (antihyperlipidemic agent)	34.8	33.0	67.8	-9.9%	31.7	-1.3	-9.0%	32.3	0.3	64.0	-1.0	-5.6%
Kremezin (treatment for chronic renal failure)	6.1	6.1	12.2	-6.4%	6.2	-0.3	1.6%	6.8	0.3	13.0	0.0	6.7%
Hanp (agent for the treatment of acute cardiac failure)	4.2	5.0	9.2	5.8%	4.5	-0.1	7.8%	5.5	0.1	10.0	0.0	8.9%
Livalo (antihyperlipidemic agent)	2.5	2.6	5.1	23.9%	2.6	-0.7	6.7%	3.4	-0.3	6.0	-1.0	16.9%
Sunrhythm (antiarrhythmic agent)	5.9	5.8	11.7	-1.3%	6.2	0.2	4.5%	5.8	-0.2	12.0	0.0	2.3%
Bepricor (antiarrhythmic and antianginal agent)	1.1	1.2	2.3	25.8%	1.3	0.1	18.8%	1.4	0.0	2.7	0.1	17.3%
Fastic (antidiabetic agent)	2.7	2.7	5.4	0.6%	2.6	-0.1	-3.0%	2.4	-0.4	5.0	-0.5	-7.3%
Infectious diseases / bone and joint diseases / immunological allergic diseases / urology												
Cravit (antibacterial agent)	21.0	25.7	46.7	-6.9%	22.1	-0.9	5.1%	28.9	-0.1	51.0	-1.0	9.1%
Loxonin (non-steroidal analgesic and anti-inflammatory agent)	14.9	16.0	30.9	8.0%	16.4	-0.6	9.7%	18.6	0.6	35.0	0.0	13.2%
Mobic (non-steroidal anti-inflammatory agent)	5.4	5.3	10.7	0.7%	5.4	-1.1	-0.5%	6.1	0.1	11.5	-1.0	7.8%
Urief (treatment for dysuria)	1.1	1.2	2.3	-	2.3	-0.6	120.9%	5.2	0.1	7.5	-0.5	231.4%
Zyrtec (allergy drug)	5.1	6.9	12.0	-4.8%	4.5	0.0	-11.0%	5.5	0.5	10.0	0.5	-16.4%
Contrast agents / cancer / Gastric diseases												
Omnipaque (non-ionic contrast agent)	16.4	15.1	31.5	-9.1%	15.9	-2.1	-2.7%	16.1	0.1	32.0	-2.0	1.5%
Omniscan (contrast medium for MRI)	2.7	2.5	5.2	-2.6%	2.5	-0.2	-8.5%	2.3	-0.5	4.8	-0.7	-8.5%
Topotecin (anticancer agent)	2.6	2.8	5.4	12.1%	3.1	0.2	17.8%	2.9	-0.2	6.0	0.0	10.5%
Krestin (anticancer agent)	2.0	1.8	3.8	-18.2%	1.6	-0.3	-16.9%	1.6	-0.2	3.2	-0.5	-15.8%
Feron (interferon beta)	1.9	2.1	4.0	9.6%	1.9	-0.5	-1.2%	2.8	-0.3	4.7	-0.8	17.3%

### Sales of main OTC drugs

(Billions of yen)

	FY2006 Results				FY2007							
	1st half	2nd half	Full Year	YoY %	1st half Results			2nd half Forecast		Full Year Forecast		
					From Jul forecast	YoY %		From Jul forecast		From Jul forecast	YoY %	
Total net sales of OTC drugs	24.6	23.3	47.9	-	24.4	-1.6	-0.6%	27.6	1.6	52.0	0.0	8.4%
LuLu series	5.3	4.7	10.0	7.7%	4.8	-0.7	-9.5%	5.9	0.4	10.7	-0.3	6.7%
Gaster 10	1.7	1.9	3.6	-	1.7	0.0	0.2%	2.0	-0.2	3.7	-0.2	3.1%
Shin-Sankyo Ichoyaku series	1.4	1.6	3.0	2.2%	1.3	-0.1	-7.6%	2.0	0.0	3.3	-0.1	11.7%
Patecs series	1.1	0.8	1.9	-3.5%	1.8	0.0	61.4%	1.4	0.2	3.2	0.2	66.7%
Transino	-	-	-	-	1.4	-	-	2.0	-	3.4	-	-

	FY2006	FY2007	Remarks (changes from FY2006 to FY2007)	
	1st half	1st half		
	Results	Results		
<b>Total net sales of ethical pharmaceuticals</b>	<b>206.1</b>	<b>211.0</b>	<b>4.9</b>	
<b>Cardiovascular disease-related field</b>				
Olmotec (antihypertensive)	19.4	26.4	7.0	Sales grew faster than the market growth thanks to the strong antihypertensive effect realized by the strong bond with drug receptor and recognition of vascular protection focusing on cardiovascular diseases in the medical scene.
Calblock (antihypertensive)	4.1	4.8	0.7	Appealing the long-lasting antihypertensive benefits and superior effect on the heart/renal protection worked well to achieve steady results.
Arist (long-acting beta-blocker)	9.6	10.6	1.0	As the only beta-blocker to have indication in the treatment of chronic heart failure, prescriptions in cardiac area grows steadily, and those for hypertension also grows steadily through provision of information along with Olmetec and Calblock.
Mevalotin (antihyperlipidemic agent)	34.8	31.7	-3.1	Continuing the promotion of appropriate usage based on the revised guideline and the evidence published by "MEGA Study", a large-scale clinical test for Japanese. Although prescriptions for patients to whom standard statin is suitable grew, sales decreased due to the offensive by generic products and competitive products.
Kremezin (treatment for chronic renal failure)	6.1	6.2	0.1	In the efforts to appeal effect to improve uremia and delay the introduction of dialysis, new prescriptions are growing with the following wind thanks to the medical care guide on chronic kidney diseases (CKD) that recommends prescribing an oral adsorbent agent (Kremezin) for a severe case.
Hanp (agent for the treatment of acute cardiac failure)	4.2	4.5	0.3	New prescriptions are growing thanks to the high effectiveness as the first choice for the treatment of acute heart failure.
Livalo (antihyperlipidemic agent)	2.5	2.6	0.1	Prescriptions are growing through appropriate proposal of drug treatment for lipid abnormality along with Mevalotin, as the pioneer maker of statin.
Sunrythm (antiarrhythmic agent)	5.9	6.2	0.3	Based on evidence and guideline, Sunrythm has been growing continuously as the first choice for the rhythm control (maintenance of sinus rate) of atrial fibrillation.
Bepriacor (antiarrhythmic and antianginal agent)	1.1	1.3	0.2	Enjoys strong needs for treatment of cases where other agents are ineffective and intractable cases. At the same time, we are promoting the provision of information for security of safety and for appropriate usage.
Fastic (antidiabetic agent)	2.7	2.6	-0.1	In the grind agent market made up of four brands of two grind agents, kept the market leader position with a slightly lower sales than the previous fiscal year.
<b>Infectious diseases / bone and joint diseases / immunological allergic diseases / urology</b>				
Cravit (antibacterial agent)	21.0	22.1	1.1	Although the target market decreased a little from the previous fiscal year, sales of Cravit are continuously growing as a quinolone with high level of safety and antibacterial effect, and a wide range of applicable bacterial strains.
Loxonin (non-steroidal analgesic and anti-inflammatory agent)	14.9	16.4	1.5	Prescriptions are still growing even over 20 years after the introduction, with the help of excellent brand awareness and well-balanced product characteristic between strength, promptness, and safety. Poultice formulation also growing steadily after the dismantling of prescribing limitation.
Mobic (non-steroidal anti-inflammatory agent)	5.4	5.4	0.0	Although COX-2 inhibitory agent was introduced as a competitive product, Mobic maintained the same level of sales as in the previous fiscal with the help of synergy with Loxonin.
Urief (treatment for dysuria)	1.1	2.3	1.2	Appealing the excellent effect to improve subjective and objective symptoms to the market, sales are growing steadily after the dismantling of prescribing limitation.
Zytec (allergy drug)	5.1	4.5	-0.6	Maintained prescriptions for allergic rhinitis and hives, but revenue decreased due to the launch of numerous generic products.
<b>Contrast agents / cancer / Gastric diseases</b>				
Omnipaque (non-ionic contrast agent)	16.4	15.9	-0.5	Sales decreased due to increased prescriptions of generic products in comprehensive medicine.
Omniscan (contrast medium for MRI)	2.7	2.5	-0.2	Strengthening the provision of information on appropriate usage by revising the package insert from the viewpoint of strengthening safety on gadolinium imaging agent for MRI.
Topotecin (anticancer agent)	2.6	3.1	0.5	Incorporation of the drug for various drug treatments grew thanks to successful appealing of efficacy based on evidence.
Krestin (anticancer agent)	2.0	1.6	-0.4	Revenue decreased due to shrinkage in immunotherapy including generic products.
Feron (interferon beta)	1.9	1.9	0.0	In the shrinking market of interferon agents, as the only product to have indication in the treatment of type-C compensatory cirrhosis, Feron maintained the same level of prescription as in the previous fiscal. Application for combination therapy with antiviral Ribavirin for chronic hepatitis C was filed in September.

	FY2006	FY2007	Remarks (changes from FY2006 to FY2007)	
	1st half	1st half		
	Results	Results		
<b>Total net sales of OTC drugs</b>	<b>24.6</b>	<b>24.4</b>	<b>-0.2</b>	
LuLu series	5.3	4.8	-0.5	Although store sales remained favorable, sales decreased due to the stagnation in the combination cold remedy market and the retroaction made by "LuLu Attack IB" that was put on the market last August.
Gaster 10	1.7	1.7	0.0	Maintained the same level of sales as in the previous year due to the steady sales of mouth-melting "Gastor 10S tablet".
Shin-Sankyo Ichoyaku series	1.4	1.3	-0.1	Although store sales remained favorable, sales decreased slightly in the stagnant gastrointestinal drug market.
Patecs series	1.1	1.8	0.7	Launch of three "Patecs Felbinac" products (5, 35, and polutice) in the rapidly growing Felbinac market contributed to the great increase in revenue.
Transino	-	1.4	1.4	Launched in September with expectation to be a big hit as a drug with new efficacy, Transino created a new market through enlightenment of melasma.



## Export sales of main products

(Billions of yen)

	FY2006 Results				FY2007							
	1st half	2nd half	Full Year	YoY %	1st half Results			2nd half Forecast		Full Year Forecast		
					From Jul forecast	YoY %		From Jul forecast		From Jul forecast	YoY %	
Levofloxacin (antibacterial agent)	16.3	16.1	32.4	9.6%	17.1	1.6	5.0%	14.9	-0.6	32.0	1.0	-1.1%
Pravastatin (antihyperlipidemic agent)	14.8	6.8	21.6	-66.6%	3.3	0.2	-77.7%	2.7	1.0	6.0	1.2	-72.2%

## 11. Sales of Overseas Subsidiaries

### U.S. subsidiaries—net sales of main products

(Billions of yen)

	FY2006 Results				FY2007							YoY % excluding the impact of change in the accounting period		
	1st half	2nd half	Full Year	YoY %	1st half Results			2nd half Forecast		Full Year Forecast			1st half	Full Year
					From Jul forecast	YoY %		From Jul forecast		From Jul forecast	YoY %			
DAIICHI SANKYO INC. (DSI)	73.6	56.8	130.4	70.3%	65.1	3.1	-11.6%	65.9	1.9	131.0	5.0	0.4%	20.4%	18.1%
Benicar / Benicar HCT (antihypertensive) (\$ million)	53.3	39.5	92.8	84.4%	44.5	0.5	-16.5%	44.3	1.3	88.8	1.8	-4.3%	18.1%	15.1%
	(460)	(333)	(793)	73.9%	(373)	(-8)	-18.9%	(383)	(5)	(756)	(-3)	-4.6%	14.8%	15.0%
Azor (antihypertensive) (\$ million)	-	-	-	-	-	-	-	3.2	0.5	3.2	0.5	-	-	-
	-	-	-	-	-	-	-	(28)	(5)	(28)	(5)	-	-	-
WelChol (antihyperlipidemic agent) (\$ million)	13.1	10.1	23.2	56.8%	11.4	1.4	-13.1%	12.6	0.1	24.0	1.5	3.4%	23.8%	24.3%
	(113)	(85)	(198)	48.1%	(96)	(7)	-15.6%	(109)	(2)	(205)	(9)	3.5%	20.3%	24.8%
Floxin Otic (antibiotic eardrops) (\$ million)	4.5	3.7	8.2	33.8%	5.4	-0.1	21.2%	1.1	-2.4	6.5	-2.5	-21.2%	-	-
	(39)	(32)	(71)	29.7%	(45)	(-3)	17.7%	(9)	(-21)	(54)	(-24)	-24.1%	-	-
Evoxac (agent for treatment of dry-mouth) (\$ million)	1.3	1.6	2.9	22.5%	2.1	0.6	60.8%	1.7	0.0	3.8	0.6	29.1%	-	-
	(11)	(14)	(25)	18.7%	(18)	(5)	56.2%	(14)	(-1)	(32)	(4)	28.6%	-	-
Luitpold Pharmaceuticals, Inc. (LPI)	35.0	26.0	61.0	54.5%	24.6	4.6	-29.6%	22.4	2.4	47.0	7.0	-23.0%	7.1%	-4.2%
Venofor (treatment for iron deficiency anemia) (\$ million)	20.6	17.1	37.7	66.7%	14.8	4.8	-28.4%	13.7	2.7	28.5	7.5	-24.4%	7.6%	-7.5%
	(178)	(144)	(322)	57.1%	(124)	(35)	-30.4%	(121)	(26)	(245)	(61)	-23.9%	4.6%	-6.7%

FY2006 results for Benicar / Benicar HCT, WelChol, and Venofor are fifteen-months totals. (January 2006 - March 2007)

Three-months results (January 2006 - March 2006) are ¥15.6 billion (\$135mil), ¥3.9 billion (\$33mil), and ¥6.8 billion (\$59mil), respectively.

### European subsidiaries—net sales of main products

(Billions of yen)

	FY2006 Results				FY2007							YoY % excluding the impact of change in the accounting period		
	1st half	2nd half	Full Year	YoY %	1st half Results			2nd half Forecast		Full Year Forecast			1st half	Full Year
					From Jul forecast	YoY %		From Jul forecast		From Jul forecast	YoY %			
DAIICHI SANKYO EUROPE GmbH (DSE)	26.7	24.9	51.6	17.8%	45.3	5.3	71.1%	31.7	2.7	77.0	8.0	49.1%	17.7%	21.7%
Olmotec / Olmetec Plus (antihypertensive) (€ million)	10.1	12.4	22.5	53.2%	22.3	1.8	121.6%	19.7	3.2	42.0	5.0	86.5%	58.0%	58.1%
	(71)	(83)	(154)	44.1%	(139)	(-8)	96.5%	(127)	(9)	(266)	(1)	72.7%	39.9%	46.7%
Mevalotin (antihyperlipidemic agent) (€ million)	3.3	2.7	6.0	9.1%	4.1	0.4	26.4%	2.1	-0.2	6.2	0.2	3.4%	-22.7%	-23.4%
	(23)	(18)	(41)	2.6%	(26)	(-1)	12.1%	(13)	(-2)	(39)	(-3)	-4.5%	-31.6%	-29.0%

1st half results of FY2007 for Olmetec / Olmetec Plus and Mevalotin are nine-months totals. (January 2007 - September 2007)

Three-months results (January 2007 - March 2007) are ¥6.4 billion (€40mil) and ¥1.6 billion (€10mil), respectively.

	FY2006	FY2007		Remarks (changes from FY2006 to FY2007)
	1st half	1st half		
	Results	Results	YoY changes	
Levofloxacin (antibacterial agent)	16.3	17.1	0.8	Local sales in the U.S./Europe remained steady.
Pravastatin (antihyperlipidemic agent)	14.8	3.3	-11.5	Sales decreased due to the patent expiration in major U.S./European countries.

	FY2006	FY2007		Remarks (changes from FY2006 to FY2007)
	1st half	1st half		
	Results	Results	YoY changes	
<b>DAIICHI SANKYO INC. (DSI)</b>	<b>73.6</b>	<b>65.1</b>	<b>-8.5</b>	
Benicar / Benicar HCT (antihypertensive) (\$ million)	53.3 (460)	44.5 (373)	-8.8 (-87)	Excluding the impact of change in fiscal year-end, sales increased by ¥6.9 billion (US\$48 million) in the real comparison. Benicar / Benicar HCT keeps growing thanks to the expansion of the market, active promotion, and growing awareness of product characteristics.
Azor (antihypertensive) (\$ million)	- -	- -	- -	Promotional activities started in October with strengthened sales force. (Co-promotion with Forest Laboratories)
WelChol (antihyperlipidemic agent) (\$ million)	13.1 (113)	11.4 (96)	-1.7 (-17)	Excluding the impact of change in fiscal year-end, sales increased by ¥2.2 billion (US\$16 million) in the real comparison. WelChol maintains the trend of revenue growth thanks to the increasing number of promotional activities.
Floxin Otic (antibiotic eardrops) (\$ million)	4.5 (39)	5.4 (45)	0.9 (6)	Sales trend needs to be carefully watched due to the launch of generic products in October.
Evoxac (agent for treatment of dry-mouth) (\$ million)	1.3 (11)	2.1 (18)	0.8 (7)	Prescriptions by the general practitioners grew with the increasing awareness of Sjogren's syndrome.
<b>Luitpold Pharmaceuticals, Inc. (LPI)</b>	<b>35.0</b>	<b>24.6</b>	<b>-10.4</b>	
Venofer (treatment for iron deficiency anemia) (\$ million)	20.6 (178)	14.8 (124)	-5.8 (-54)	Excluding the impact of change in fiscal year-end, sales increased by ¥1.0 billion (US\$5 million) in the real comparison. Maintained the same sales as the same period of the previous year with no launch of generic products.

FY2006 results for Benicar / Benicar HCT, WelChol, and Venofer are fifteen-months totals. (January 2006 - March 2007)

Three-months results (January 2006 - March 2006) are ¥15.6 billion (\$135mil), ¥3.9 billion (\$33mil), and ¥6.8 billion (\$59mil), respectively.

	FY2006	FY2007		Remarks (changes from FY2006 to FY2007)
	1st half	1st half		
	Results	Results	YoY changes	
<b>DAIICHI SANKYO EUROPE GmbH (DSE)</b>	<b>26.7</b>	<b>45.3</b>	<b>18.6</b>	
Olmotec / Olmetec Plus (antihypertensive) (€ million)	10.1 (71)	22.3 (139)	12.2 (68)	Excluding the impact of change in fiscal year-end, sales increased by ¥5.8 billion (28 million Euro) in the real comparison. Besides steady sales of Olmetec, the launch of Olmetec Plus in major countries contributed to continuous growth.
Mevalotin (antihyperlipidemic agent) (€ million)	3.3 (23)	4.1 (26)	0.8 (3)	Excluding the impact of change in fiscal year-end, sales decreased by ¥0.8 billion (7 million Euro) in the real comparison. Both sales by the company and sales to generic drug manufacturer decreased.

1st half results of FY2007 for Olmetec / Olmetec Plus and Mevalotin are nine-months totals. (January 2007 - September 2007)

Three-months results (January 2007 - March 2007) are ¥6.4 billion (€40mil) and ¥1.6 billion (€10mil), respectively.

## 12.Consolidated Financial Statements

Consolidated Balance Sheets<Asset>

(Billions of yen)

	2007.3.31		2007.9.30		Change	Details
		%		%		
<b>Current assets</b>	<b>1,015.8</b>	<b>62.1</b>	<b>944.9</b>	<b>62.3</b>	<b>-70.9</b>	
Cash and time deposits	172.6		63.9		-108.7	----- Liquidity on hand (current deposits + marketable securities + investment securities)  Total ¥652.6 billion (¥-55.1billion from the end of fiscal 2006) 【Breakdown】 ¥+60.2 billion in net income ¥-21.9 billion from dividends paid ¥-33.2 billion from share buybacks ¥-67.0 billion due to payment of accounts payable
Trade notes and accounts receivable	197.2		190.8		-6.4	
Marketable securities	448.9		490.5		41.6	
Inventories	107.8		105.1		-2.7	
Deferred tax assets	63.4		60.0		-3.4	
Other current assets	26.8		35.5		8.7	
Allowance for doubtful accounts	-0.7		-0.8		-0.1	
<b>Non-current assets</b>	<b>621.0</b>	<b>37.9</b>	<b>571.0</b>	<b>37.7</b>	<b>-50.0</b>	
Property, plant and equipment	248.9	15.2	240.4	15.9	-8.5	----- Decrease due to exclusion* of subsidiaries from consolidation
Buildings and structures	142.5		140.8		-1.7	
Machinery, equipment and vehicles	40.0		35.8		-4.2	
Land	38.0		36.6		-1.4	
Construction in progress	12.0		11.2		-0.8	
Other	16.3		16.0		-0.3	
Intangible assets	60.2	3.7	53.8	3.5	-6.4	
Goodwill, net	18.6		16.8		-1.8	
Other intangible assets, net	41.6		37.0		-4.6	
Investments and other assets	312.0	19.0	276.7	18.3	-35.3	
Investment securities	262.2		245.9		-16.3	----- Decrease of market value
Long-term loans	1.6		1.5		-0.1	
Prepaid pension costs	18.0		3.7		-14.3	----- Decrease due to modification of severance and retirement plan (Setoff against accrued severance and retirement benefits)
Deferred tax assets	8.9		6.0		-2.9	
Other assets	21.6		20.1		-1.5	
Allowance for doubtful accounts	-0.4		-0.3		0.1	
<b>Total assets</b>	<b>1,636.8</b>	<b>100.0</b>	<b>1,515.8</b>	<b>100.0</b>	<b>-121.0</b>	

\* DAIICHI SANKYO Group has been in the process of making non-pharmaceutical operations independent of the Group in order to focus resources on the pharmaceutical business. In FY2006, the Company completed various movements which made subsidiaries such as Wakodo Co., Ltd., Fuji Flour Milling Co., Ltd., Daiichi Pure Chemicals Co., Ltd., Daiichi Radioisotope Laboratories, Ltd., Sankyo Agro Co., Ltd., Meguro Chemical Industry Co., Ltd., Sankyo Yell Yakuhin Co., Ltd., and Daiichi Medical Co., Ltd. independent of the Group. The Company also made Daiichi Fine Chemical Co., Ltd. and Saitama Daiichi Pharmaceuticals Ltd. independent of the group in the 1st half of FY2007.

## Consolidated Balance Sheets&lt;Liabilities&gt;

(Billions of yen)

	2007.3.31		2007.9.30		Change	Details
		%		%		
<b>Liabilities</b>	<b>364.7</b>	<b>22.3</b>	<b>245.5</b>	<b>16.2</b>	<b>-119.2</b>	
Current liabilities	281.6	17.2	188.6	12.4	-92.9	
Trade notes and accounts payable	56.4		49.5		-6.9	----- Decrease due to exclusion* of subsidiaries from consolidation
Short-term bank loans	8.6		4.6		-4.0	
Income taxes payable	27.6		19.1		-8.5	
Allowance for sales returns	1.3		1.1		-0.2	
Allowance for sales rebates	2.5		3.3		0.8	
Allowance for contingent losses	3.5		2.2		-1.3	
Other current liabilities	181.7		108.8		-72.9	----- Decrease due to payment of accrued severance and retirement benefits that was recorded at the end of fiscal 2006
Non-current liabilities	83.2	5.1	57.0	3.8	-26.2	
Long-term debt	1.5		1.4		-0.1	
Deferred tax liabilities	36.1		33.9		-2.2	
Accrued employees' severance and retirement benefits	35.1		10.5		-24.6	----- Decrease due to modification of severance and retirement plan (Setoff against prepaid pension costs)
Accrued directors' severance and retirement benefits	1.0		0.4		-0.6	
Accrued soil remediation costs	4.0		2.5		-1.5	
Other non-current liabilities	5.4		8.3		2.9	
<b>Net assets</b>	<b>1,272.1</b>	<b>77.7</b>	<b>1,270.3</b>	<b>83.8</b>	<b>-1.8</b>	
Shareholders' capital	1,191.3	72.8	1,199.4	79.1	8.1	
Common stock	50.0		50.0		0.0	
Capital surplus	179.9		179.9		0.0	
Retained earnings	971.5		1,012.9		41.4	----- Retained earnings increase ¥+41.4 billion Variation factors: Net income ¥+60.2 billion, Dividend ¥-21.9 billion
Treasury stock at cost	-10.0		-43.4		-33.4	----- Share buyback: 10 million shares, ¥33.2 billion
Valuation translation and other adjustments	77.3	4.7	67.4	4.5	-9.9	
Net unrealized gain on investment securities	72.4		62.5		-9.9	
Foreign currency translation adjustments	5.0		5.0		0.0	
Minority interests	3.5	0.2	3.5	0.2	0.0	
<b>Total liabilities and net assets</b>	<b>1,636.8</b>	<b>100.0</b>	<b>1,515.8</b>	<b>100.0</b>	<b>-121.0</b>	

## Consolidated Statements of Income

(Billions of yen)

	Interim period of fiscal 2006		Interim period of fiscal 2007		Change	Details
		%		%		
Net sales	485.8	100.0	443.7	100.0	-42.1	----- Impact of change in fiscal year-end of the U.S./EU subsidiaries : <u>¥-17.4billion</u> (U.S.: fiscal 2006, Europe: fiscal 2007) Decrease due to downsizing of the non-pharmaceutical operations <u>¥-42.1billion</u> Increase of main products including Olmesartan: <u>¥+17.4 billion</u>
Cost of sales	138.0	28.4	113.2	25.5	-24.8	----- Cost to sales ratio: -2.9 points Exclusion* of non-pharmaceutical subsidiaries with high cost ratios, and increase in the ratio of low cost rate products including Olmesartan
Gross profit	347.8	71.6	330.5	74.5	-17.3	
Selling, general and administrative expenses	269.5	55.5	236.6	53.3	-32.9	----- Decrease due to spin-off of non-pharmaceutical business: <u>¥-15.1billion</u>
Advertising and promotional expenses	51.8		50.6		-1.2	----- Impact of change in fiscal year-end of the U.S./EU subsidiaries: <u>¥-8.8 billion</u>
Salaries and bonuses	54.2		46.8		-7.4	----- Decrease due to domestic workforce downsizing etc.
Retirement and severance costs	3.7		-		-3.7	
Research and development expenses	84.9		78.3		-6.6	----- Decrease due to domestic workforce downsizing etc.
Other	74.7		60.9		-13.8	----- Decrease of depreciation cost and rent, etc.
Operating income	78.4	16.1	93.9	21.2	15.5	
Non-operating income	11.5	2.4	8.7	1.9	-2.8	
Interest income	4.0		4.4		0.4	
Dividend income	2.6		2.0		-0.6	
Derivative income	2.3		0.0		-2.3	
Non-operating expenses	1.7	0.3	1.9	0.4	0.2	
Ordinary income	88.2	18.2	100.7	22.7	12.5	
Extraordinary gains	24.5	5.0	4.0	0.9	-20.5	
Gain on sales of property, plant and equipment	1.6		1.3		-0.3	
Gain on sale of investments in affiliates	20.6		2.3		-18.3	----- Decrease in subsidiary sales profits associated with spin-off of non-pharmaceutical operations (FY2007: Daiichi Fine Chemical Co., Ltd. and Saitama Daiichi Pharmaceuticals Ltd.)
Gain on sale of investment securities	0.7		0.3		-0.4	
Gain on adjustment of prior-year R&D expenses	1.6		-		-1.6	
Extraordinary losses	14.3	3.0	6.7	1.5	-7.6	
Loss on disposal of property, plant and equipment	1.6		0.8		-0.8	
Loss on business integration	7.8		4.0		-3.8	----- Decrease of expenses associated with the integration of overseas operations (FY2007: IT-related expenses <u>¥1.8 billion</u> , Expenses associated with the consolidation and closure of operating locations <u>¥0.7 billion</u> )
Loss on business restructuring	1.9		0.6		-1.3	
Provision for contingent losses	0.0		0.8		0.8	
Income before income taxes and minority interests	98.4	20.2	98.0	22.1	-0.4	
Income tax expense	31.4	6.4	37.7	8.5	6.3	----- Corporate tax rate: 31.9%→38.5%
Minority interests in net income (losses) of Subsidiaries	0.1	0.0	0.0	0.0	-0.1	(FY2006: Tax effect realization associated with forecast of stable revenue in the U.S. subsidiary)
Net income	66.9	13.8	60.2	13.6	-6.7	

\* DAIICHI SANKYO Group has been in the process of making non-pharmaceutical operations independent of the Group in order to focus resources on the pharmaceutical business. In FY2006, the Company completed various movements which made subsidiaries such as Wakodo Co., Ltd., Fuji Flour Milling Co., Ltd., Daiichi Pure Chemicals Co., Ltd., Daiichi Radioisotope Laboratories, Ltd., Sankyo Agro Co., Ltd., Meguro Chemical Industry Co., Ltd., Sankyo Yell Yakuhin Co., Ltd., and Daiichi Medical Co., Ltd. independent of the Group.

The Company also made Daiichi Fine Chemical Co., Ltd. and Saitama Daiichi Pharmaceuticals Ltd. independent of the group in the 1st half of FY2007.


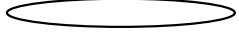
## Consolidated Statements of Cash Flows

(Billions of yen)

	Interim period of fiscal 2006	Interim period of fiscal 2007	Change	Details
Income before income taxes and minority interests	98.4	98.0	-0.4	
Depreciation	19.7	18.8	-0.9	
Decrease in accrued retirement and severance benefits	-0.5	-24.6	-24.0	} Setting off prepaid pension due to modification of the plan and transfer to accrued expense due to transference to the defined contribution plans system
Decrease in prepaid pension costs	0.4	14.3	13.9	
Decrease in trade notes and accounts receivable	5.5	4.6	-0.9	
(Increase) decrease in inventories	4.6	-0.7	-5.3	
Decrease in trade notes and accounts payable	-5.2	-8.1	-3.0	
Increase (decrease) in accounts payable and accrued expense	0.8	-65.0	-65.8	} Payment of accrued severance and retirement benefits due to workforce resizing and employment transfer to function-based subsidiaries
Other, net	-8.9	-7.3	1.6	
Income taxes paid	-45.1	-36.8	8.3	
<b>I Cash flows from operating activities</b>	<b>69.7</b>	<b>-6.8</b>	<b>-76.5</b>	
Net (increase) decrease in short-term operating assets	-6.1	8.9	15.0	
Acquisition/sales of fixed assets	-10.6	-12.7	-2.1	
Acquisition/sales of investment securities	-14.8	-3.0	11.9	
Net decrease in loans receivable	0.3	0.7	0.4	
Acquisition of investments in newly consolidated subsidiaries	-27.2	-	27.2	--- Acquired shares of Zepharmia Inc. in fiscal 2006
Proceeds from sales of investments in consolidated subsidiaries resulting in changes in scope of consolidation	24.9	8.8	-16.1	} Fiscal 2006 : Wakodo Fiscal 2007 : Daiichi Fine Chemical and Saitama Daiichi Pharmaceutical
Other, net	0.9	2.9	1.9	
<b>II Cash flows from investing activities</b>	<b>-32.7</b>	<b>5.6</b>	<b>38.3</b>	
Net decrease in short-term borrowings and long-term debt	-4.2	-4.2	0.0	
Purchases of treasury stock	-0.1	-33.4	-33.3	--- Acquired 10 million shares for ¥33.2 billion
Dividends paid	-18.2	-21.9	-3.7	--- Dividend increase of ¥5 per share
Other, net	-0.7	-0.1	0.6	
<b>III Cash flows from financing activities</b>	<b>-23.2</b>	<b>-59.5</b>	<b>-36.3</b>	
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>	<b>0.2</b>	<b>-0.1</b>	<b>-0.2</b>	
<b>V Net increase in cash and cash equivalents</b>	<b>14.0</b>	<b>-60.8</b>	<b>-74.8</b>	
<b>VI Cash and cash equivalents, beginning of year</b>	<b>401.0</b>	<b>513.2</b>	<b>112.2</b>	
<b>VII Increase (decrease) in cash and cash equivalents due to changes in scope of consolidation</b>	<b>0.9</b>	<b>0.5</b>	<b>-0.4</b>	
<b>VIII Increase in cash and cash equivalents due to merger with unconsolidated subsidiaries</b>	<b>-</b>	<b>1.0</b>	<b>1.0</b>	
<b>IX Cash and cash equivalents, end of year</b>	<b>415.8</b>	<b>453.9</b>	<b>38.1</b>	

# R&D Pipeline

## Daiichi Sankyo Group Research & Development Pipeline (Development Stage)

Therapeutic Area	Main Existing Product	Phase1	Phase2
Cardiovascular diseases	Mevalotin Benicar / Olmetec Azor WelChol  Olmetec Calblock Artist Mevalotin Kremezin Hanp Livalo Sunrythm BepriCOR	DZ-697b(US/EU/JP) (anti-platelet agent)  HGF DNA therapy(US/EU) (coronary arterial diseases)  <u>DB-772d(US/EU)</u> (oral factor Xa inhibitor)	DU-176b(US/EU/JP) (oral factor Xa inhibitor)  HGF DNA therapy(US/EU) (peripheral arterial diseases)  SUN 4936h(US/EU) (acute heart failure/ during license activity) <del>★CS-866RN(JP)</del> <del>(chronic glomerulonephritis)</del>  ★CS-866CMB(JP) (Olmesartan/Hydrochlorothiazide combination)  CS-747(JP) (anti-platelet agent)
Glucose metabolic disorders	Fastic	SUN E7001(JP) (type2 diabetes/ during license activity)  AJD101(US/EU) (activation of the insulin signaling pathway)	<del>CS-917(US/EU)</del> <del>(gluconogenesis inhibitor)</del>  CS-011(JP) (antidiabetic/glitazone type)  <u>AJD101(JP)</u> (activation of the insulin signaling pathway)
Infectious diseases	Levaquin / Tavanic Banan  Cravit	DC-159a(US/EU) (new quinolone)  DX-619(US/EU/JP) (new quinolone)  CS-758(US/EU) (azole antifungal)   →  CS-8958(US/EU) (anti-influenza/co-development with Biota)	DU-6859a inj(US) (new quinolone)  CS-023(US/EU/JP) (carbapenem-type antibiotic)  ★levofloxacin inj(JP) (new quinolone)  CS-8958(JP) (anti-influenza)
Cancer	Camptosar  Topotecin Krestin	CS-7017(US/EU) (PPARγ activator)   →  DE-766(JP) (nimotuzumab/anti-EGFR antibody)	CS-1008(US/EU) (anti-DR5 antibody)
Immunological allergic diseases	Zyrtec	CS-0777(US/EU) (immunomodulator)	<del>CS-712(JP)</del> <del>(cedar pollen pollinosis)</del>
Bone/Joint diseases	Loxonin Mobic		<del>CS-706(US/EU)</del> <del>(COX-2 inhibitor)</del>  SUN E3001(JP) (osteoporosis/during license activity)
Others	Venofor Evoxac  Omnipaque Omniscan Feron Urief	SUN N8075(US/EU) (neuroprotectant/licensed-out to Cecoura )	SUN N4057(US/EU) (acute ischemic stroke)  CS-088(US/EU/JP) (antiglaucoma/co-development with Santen)  SUN11031(JP) (anorexia nervosa)  SUN11031(US/EU) (cachexia)

★additional indications, new formulations etc.

Change from the announcement of July 2007 with the first quarter results

- # New(underline) : DB-772(US/EU), AJD101(JP), SUN 0588r(JP)
- # Change of Stage etc. : CS-8663(US), CS-8663(EU), CS-8958(JP), CS-1008(US/EU), CS-1401E(JP), SUN 0588r(US),
- # Withdrawal of Development etc. : CS-866RN(JP)[ Daiichi Sankyo Group withdrew from this project based on portfolio of
- : CS-917(US/EU)[ Daiichi Sankyo Group withdrew from this project based on portfolio of
- : CS-712(JP)[ Daiichi Sankyo Group withdrew from this project based on portfolio of
- : CS-706(US/EU)[ Completion of licensed-out ]

Phase3	Application/Approval
<p>CS-747(US/EU) (anti-platelet agent)</p> <p>HGF DNA therapy(JP) (peripheral arterial diseases)</p>  <p>★CS-866DM(JP) (diabetic nephropathy)</p> <p>★CS-866AZ(JP) (Olmesartan/Azelnidipine combination)</p>	<p>★CS-8663(US) (Olmesartan/Amlodipine combination/approval, launch)</p> <p>★CS-8663(EU) (Olmesartan/Amlodipine combination/application)</p>
<p>CS-011(US/EU) (antidiabetic/glitazone type)</p>	<p>★WeiChol DM(US) (antidiabetic/application)</p>
<p>SUN A0026(North America) (penem-type antibiotic/licensed-out to Replidyne)</p> <p>★levofloxacin high-dose(JP) (new quinolone)</p>	<p>DF-098(JP) (Hib vaccine/approval)</p> <p>DU-6859a oral(JP) (new quinolone/application)</p>
<p>AMG162(JP) (denosumab/ anti-RANKL antibody/ P3; bone metastases of cancer, P2; osteoporosis)</p> <p>★CS-600G(JP) (loxoprofen gel)</p>	<p>★LX-P(JP) (loxoprofen tape/application/ co-development with Lead Chemical)</p>
<p>SUN Y7017(JP) (mild to moderate and severe dementia of Alzheimer type)</p>   <p>KMD-3213(China) (treatment of dysuria associated with benign prostatic hyperplasia)</p>	<p>★CS-1401E(JP) (pain relief during anesthesia/approval, launch)</p> <p>SUN 0588r(US/JP) (US:hyperphenylalaninemia/ licensed-out to BioMarin/application, <u>JP:BH4 responsive hyperphenylalaninemia/application</u>)</p> <p>★DL-8234(JP) (Feron add indic./hepatitis C/with Ribavirin/application)</p>

DL-8234(JP), SUN N8075(US/EU)  
research and development although efficacy and safety was confirmed in Phase2 trial. ]  
research and development. ]  
research and development. ]



## Daiichi-Sankyo Group R&D Pipeline (1)

Therapeutic Area	Development Code Number	Generic Name	Dosage Form/Route	Indication/Class	Origin
Cardiovascular diseases	CS-747	Prasugrel	Oral	Acute coronary syndrome / Anti-platelet agent	DAIICHI SANKYO, Ube Industries
	—	Hepatocyte growth factor DNA plasmid	Injection	Peripheral arterial diseases, Coronary arterial diseases / Vascular regeneration therapy by HGF-DNA	AnGes MG (Sales agreement)
	DU-176b	—	Oral	Atrial fibrillation, Venous thromboembolism / Oral factor Xa inhibitor	DAIICHI SANKYO
	☆CS-8663	Olmesartan medoxomil, Amlodipine besilate	Oral	Hypertension / Angiotensin II receptor antagonist, Calcium blocker	DAIICHI SANKYO
	☆CS-866DM	Olmesartan medoxomil	Oral	Diabetic nephropathy / Angiotensin II receptor antagonist	DAIICHI SANKYO
	☆CS-866AZ	Olmesartan medoxomil, Azelnidipine	Oral	Hypertension / Angiotensin II receptor antagonist, Calcium blocker	DAIICHI SANKYO
	☆CS-866CMB	Olmesartan medoxomil, Hydrochlorothiazide	Oral	Hypertension / Angiotensin II receptor antagonist, Diuretic	DAIICHI SANKYO
	SUN 4936h	Carperitide (Recombinant)	Injection	Acute heart failure / $\alpha$ -human atrial natriuretic peptide	Asubio Pharma
Glucose metabolic disorders	CS-011	Rivoglitazone	Oral	Diabetes / Glitazone agent that improves insulin resistance	DAIICHI SANKYO
	AJD101	—	Oral	Diabetes / activation of the insulin signaling pathway	Ajinomoto
	☆WeiChol DM	Colesevelam hydrochloride	Oral	Diabetes	Genzyme

☆additional indications, new formulations etc.

Region	Developer (In-house/Co-development)	Stage	Comments
US/EU	Co-development (Eli Lilly)	P3	<ul style="list-style-type: none"> <li>In nonclinical trials, this antithrombotic drug exhibited stronger activity in inhibiting platelet aggregation and faster manifestation of activity compared to other drugs.</li> <li>In clinical trials, it was confirmed that there were few differences among individuals in the inhibition of platelet aggregation.</li> <li>Co-development with Eli Lilly in the US and Europe</li> </ul>
Japan	In-house	P2	
US/EU	AnGes MG	P2 (PAD)	<p>Intramuscular injection of HGF-DNA in the diseased area generates hepatocyte growth hormone, which induces regeneration of blood vessels in patients with peripheral arterial diseases (PAD), e.g. arteriosclerotic obliteration, Buerger's disease, or coronary arterial diseases (CAD), e.g. cardiac infarction and angina pectoris. Daiichi obtained exclusive marketing rights in Japan, the US and Europe, and will fully support development by AnGes MG and will contribute to the international development of regenerative medicine.</p>
		P1 (CAD)	
Japan		P3 (PAD)	
US/EU	In-house	P2	<ul style="list-style-type: none"> <li>An anticoagulant possessing anti-Xa activity, with confirmed high oral absorption within human trials.</li> </ul>
Japan	In-house	P2	
US	In-house	Approval (07.09)	<ul style="list-style-type: none"> <li>Olmesartan/Ca channel blocker (Amlodipine) combination</li> <li>Brand name in US : Azor</li> </ul>
EU	In-house	Application (07.09)	
Japan	In-house	P3	<ul style="list-style-type: none"> <li>ORIENT trials are underway</li> <li>Additional indication</li> </ul>
Japan	In-house	P3	Olmesartan/Ca channel blocker (Azelnidipine) combination
Japan	In-house	P2	<ul style="list-style-type: none"> <li>Launch : USA 03/09, EU 05/06</li> <li>Olmesartan/diuretic (Hydrochlorothiazide) combination</li> </ul>
US/EU	In-house	P2 (license-out activity)	<ul style="list-style-type: none"> <li>Carperitide is an <math>\alpha</math>-human atrial natriuretic peptide which has both vasodilating and diuretic activity. Since approval of HANP(Brand Name) in 1995 in Japan, its sales have been steadily growing and is now playing a central role in the treatment of acute heart failure.</li> </ul>
US/EU	In-house	P3	<ul style="list-style-type: none"> <li>A new glitazone type antidiabetic drug which exhibits strong PPAR <math>\gamma</math> activity.</li> <li>In clinical trial, dose-dependent efficacy on plasma glucose and lipid parameters superior to other agents were demonstrated.</li> </ul>
Japan	In-house	P2	
Japan	Co-development (Ajinomoto)	P2	<ul style="list-style-type: none"> <li>ADJ101 is an anti-diabetic drug possessing a completely new mechanism of action.</li> <li>Findings from non-clinical studies suggest that AJD101 stimulates insulin independent glucose uptake by directly activating the insulin signaling pathway.</li> <li>AJD101 has shown glucose-lowering action after oral administration in various models of diabetes.</li> </ul>
US/EU	In-house	P1	
US	In-house	Application (06.12)	<ul style="list-style-type: none"> <li>Additional indication</li> <li>This drug is anticipated to be a supplement to diet and exercise therapy for type-2 diabetes patients where ordinary treatment is found to be ineffective.</li> <li>In clinical trial, HbA1c level decrease was confirmed in diabetic patients on insulin.</li> </ul>

【project after Phase II】

## Daiichi-Sankyo Group R&D Pipeline (2)

Therapeutic Area	Development Code Number	Generic Name	Dosage Form/Route	Indication/Class	Origin
Infectious diseases	DF-098	<i>Haemophilus influenzae</i> type b conjugate vaccine	Injection	Prevention of <i>Haemophilus influenzae</i> type b invasive infections	Sanofi Pasteur (Sales agreement with joint venture)
	DU-6859a	Sitafloxacin hydrate	Injection	New quinolone	DAIICHI SANKYO
			Oral		
	CS-023	—	Injection	Antibiotic (Carbapenem type)	DAIICHI SANKYO
	CS-8958	—	Inhalant	Influenza	DAIICHI SANKYO
	levofloxacin high-dose	Levofloxacin	Oral	New quinolone	DAIICHI SANKYO
	levofloxacin inj	Levofloxacin	Injection	New quinolone	DAIICHI SANKYO
SUN A0026	Faropenem medoxomil	Oral	Antibiotic (Penem type)	Asubio Pharma	
Cancer	CS-1008	—	Injection	Anti-DR5 antibody	DAIICHI SANKYO
Bone/Joint diseases	AMG162	Denosumab	Injection	Osteoporosis/anti-RANKL antibody Bone metastases of cancer/ anti-RANKL antibody	Amgen
	☆LP-X	Loxoprofen sodium	Tape	Anti-inflammatory and analgesic	DAIICHI SANKYO
	☆CS-600G	Loxoprofen sodium	Gel	Anti-inflammatory and analgesic	DAIICHI SANKYO
	SUN E3001	(Trivial Name) Human parathyroid hormone [hPTH]	Nasal Spray (Liquid type)	Osteoporosis	Asubio Pharma
Others	SUN Y7017	Memantine hydrochloride	Oral	Dementia of Alzheimer type / NMDA receptor antagonist	Merz
	SUN N4057	—	Injection	Acute Ischemic Stroke / Serotonin (5-HT) 1A receptor agonist	Asubio Pharma
	KMD-3213	Silodosin	Oral	Treatment of dysuria associated with benign prostatic hyperplasia / Selective alpha 1A blocker	Kissei
	SUN11031	(Trivial Name) Human ghrelin	Injection	Cachexia Anorexia Nervosa	Asubio Pharma
	CS-088	Oltmesartan	Eyedrops	Glaucoma / Angiotensin II receptor antagonist	DAIICHI SANKYO
	☆DL-8234	Interferon-β	Injection	Hepatitis C (with Ribavirin)	Toray
	☆CS-1401E	Fentanyl citrate	Injection	Pain relief during anesthesia	Janssen
	SUN 0588r	Sapropterin hydrochloride	Oral	Hyperphenylalaninemia BH4 responsive hyperphenylalaninemia	Asubio Pharma

★additional indications, new formulations etc.

Region	Developer (In-house/ Co-development)	Stage	Comments
Japan	Sanofi Pasteur –Daichi Sankyo Vaccines	Approval (07.01)	<ul style="list-style-type: none"> <li>•<i>Haemophilus influenzae</i> type b conjugate vaccine useful for the prevention of bacterial meningitis in children. Introduced from Sanofi Pasteur and developed and filed for approval by joint venture Sanofi Pasteur–Daichi Vaccines.</li> <li>•Approval: January 26, 2007</li> <li>•Plan for launch; March or April, 2008</li> </ul>
US	In-house	P2	<ul style="list-style-type: none"> <li>•A next-generation new quinolone agent with broad-spectrum and potent antibacterial activity, expected to be also effective for severe infections.</li> <li>•In Japan, clinical trials are underway for the development of an oral formulation to treat respiratory tract infection and urinary tract infection.</li> <li>•In the US, clinical trials are underway for the development of an injectable formulation to treat severe infectious diseases.</li> </ul>
Japan	In-house	Application (06.09)	<ul style="list-style-type: none"> <li>•A carbapenem antibiotic possessing strong activity and a broad antibacterial spectrum targeting various pathogenic bacteria including drug resistant bacterium.</li> </ul>
US/EU/JP	In-house	P2	<ul style="list-style-type: none"> <li>•CS-8958 is a long-acting neuraminidase inhibitor that is expected to be used as single administration for treatment and once a week for prophylaxis.</li> <li>•CS-8958 is under development as an inhalant that will act directly on the pulmonary and tracheal sites of infection.</li> </ul>
JP	In-house	P2	<ul style="list-style-type: none"> <li>•CS-8958 is a long-acting neuraminidase inhibitor that is expected to be used as single administration for treatment and once a week for prophylaxis.</li> </ul>
US/EU	Co-development (Biota)	P1	<ul style="list-style-type: none"> <li>•CS-8958 is under development as an inhalant that will act directly on the pulmonary and tracheal sites of infection.</li> </ul>
Japan	In-house	P3	Change of the directions and dosage( 100mg, b.d. or t.d. → 500mg, o.d.)
Japan	In-house	P2	<ul style="list-style-type: none"> <li>•Injection of levofloxacin</li> <li>•new formulation</li> </ul>
North America	Replidyne	P3	<ul style="list-style-type: none"> <li>•Faropenem medoxomil is a prodrug of Faropenem sodium, the first oral penem-type antibiotic launched in 1997 in Japan. It is orally active and well absorbed through the gastro-intestinal tract, and rapidly converted to Faropenem. It is effective against various pathogenic bacteria, including the problematic antibiotic-resistant bacteria, PRSP (penicillin-resistant <i>Streptococcus pneumoniae</i>).</li> <li>•Licensed-out to Replidyne in North America. Replidyne submitted the NDA to the FDA in December 2005 for four adult indications. Replidyne received a non-approvable letter in October 2006 and is discussing with FDA the further development plan.</li> <li>•Forest terminated collaboration with Replidyne for the commercialization in February 2007.</li> </ul>
US/EU	In-house	P2	<ul style="list-style-type: none"> <li>•CS-1008 induces apoptosis of tumor cells expressing DR5 (death receptor 5) on the cell surface.</li> <li>•As a DR5 is rarely expressed in normal tissues, CS-1008 is expected to show selective activity against tumor cells.</li> </ul>
Japan	In-house	P2	<ul style="list-style-type: none"> <li>•AMG162 is a fully human monoclonal antibody that targets RANK Ligand (an essential mediator of cells that break down bone).</li> </ul>
Japan	In-house	P3	<ul style="list-style-type: none"> <li>•AMG162 is expected as a drug to treat and prevent a broad range of bone loss conditions including osteoporosis and bone metastases.</li> </ul>
Japan	Co-development (Lead Chemical)	Application (07.02)	<ul style="list-style-type: none"> <li>•Loxoprofen tape</li> <li>•Co-development with Lead Chemical in Japan</li> </ul>
Japan	In-house	P3	<ul style="list-style-type: none"> <li>•Loxoprofen gel</li> <li>•Formulation by TOKO YAKUHIN KOGYO</li> </ul>
Japan	In-house	P2 (license-out activity)	PTH is a novel anti-osteoporosis drug that stimulates bone formation, in contrast to major current drugs on the market which possess anti-bone resorption activity. The self-injection type of hPTH(1-34) is marketed in the US.
Japan	In-house	(Mild to moderate) P3 (Moderately severe to severe) P3	Memantine, categorized as an antagonist of the NMDA receptor which is one of the Glutamate receptor subtypes in the central nervous system in mammals, possesses therapeutic action for dementia of Alzheimer type. The drug is expected to demonstrate effectivity in slowing down the progression of the disease by its neuroprotective action, which is distinct from cholinesterase inhibitors. The phase3 trial for moderately severe to severe dementia of Alzheimer type and for mild to moderate dementia of Alzheimer type is on-going.
US/EU	In-house	P2	SUN N4057 is a neuroprotective agent that increases cerebral inhibitory neurotransmission via activation of serotonin (5-HT) 1A receptors.
China	In-house	P3	<ul style="list-style-type: none"> <li>•An alpha1A blocker which effectively reduces urinary tract resistance and improves dysuria associated with benign prostatic hyperplasia.</li> <li>•Reduces cardiovascular side effects due to its alpha1A selectivity.</li> </ul>
US/EU	In-house	P2	Ghrelin is an endogenous peptide known as one-and-only peripheral appetite stimulator among all hormones discovered the relationship with feeding behavior up to now. In addition to it, ghrelin is a potent stimulator of growth hormone release. Asubio Pharma has been conducting the research and development of ghrelin as a therapeutic agent for cachexia in various diseases and for anorexia nervosa.
Japan		P2	
US/EU	Co-development (Santen)	P2	Co-development with Santen in Japan, the US and Europe
Japan		P2	
Japan	Co-development (Toray)	Application (07.09)	A natural interferon-beta preparation with reduced adverse reactions, such as depression and alopecia, in comparison with interferon-alpha.
Japan	-	Approval (07.08)	<ul style="list-style-type: none"> <li>•Doctor-initiated investigation.</li> <li>•Expanded adaptation of the opioid analgesic fentanyl citrate toward infants (directions for use and dosage).</li> </ul>
US/EU	BioMarin	Application (US:07.05)	<ul style="list-style-type: none"> <li>•Biopten was approved in Japan as an etiologic therapeutic agent to treat atypical hyperphenylalaninemia (an inherited metabolic disease caused by BH4 deficiency) in 1992. Recent clinical investigations indicated that a subgroup of hyperphenylalaninemia, caused by phenylalaninehydroxylase(PAH) deficiency, responded to BH4.</li> <li>•US: licensed out to BioMarin.</li> <li>•EU: BioMarin sub-licensed out to Merck Serono.</li> <li>•Japan: Application for label extension. Biopten has received orphan drug designation.</li> </ul>
Japan	In-house	Application (07.03)	

【project after Phase II】



Numerical values for future projections in this material are derived from our judgments and assumptions based on the currently available information and they include risks and uncertainty. For this reason, the actual results may differ from the projected numerical values.