FASF

May 13, 2008

Consolidated Financial Results for Fiscal 2007 (Year Ended March 31, 2008)

Listed company name: DAIICHI SANKYO COMPANY, LIMITED
Stock code number: 4568
Listed exchanges: Tokyo, Osaka, and Nagoya
URL: http://www.daiichisankyo.com
Representative: Mr. Takashi Shoda, President and Representative Director
Contact: Mr. Toshiaki Sai, General Manager, Corporate Communications
Telephone: +81-3-6225-1126
Scheduled date of Ordinary General Meeting of Shareholders: June 27, 2008
Scheduled date of dividend payments: From June 30, 2008
Scheduled date of Securities Report filing: June 27, 2008

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

1. Consolidated Financial Results for Fiscal 2007 (from April 1, 2007 to March 31, 2008)

(1) Consolidated Financial Results

(Percent changes indicate changes from in the prior fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	Percent change	Millions of yen	Percent change	Millions of yen	Percent change	Millions of yen	Percent change
Fiscal 2007	880,120	(5.3)	156,827	15.0	169,058	11.2	97,660	24.3
Fiscal 2006	929,506	0.4	136,313	(11.9)	152,086	(4.8)	78,549	(10.4)

	Basic net income per share	Diluted net income per share	Return on equity	Ordinary income as a percentage of total assets	Operating income as a percentage of net sales
	Yen	Yen	%	%	%
Fiscal 2007	135.35	135.34	7.8	10.8	17.8
Fiscal 2006	107.75	–	6.3	9.4	14.7

Reference: Equity in earnings (losses) of subsidiaries and affiliates accounted for by the equity method:

Fiscal 2007:	(¥106 million)
Fiscal 2006:	(¥17 million)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2007	1,487,888	1,244,512	83.6	1,730.09
Fiscal 2006	1,636,835	1,272,148	77.5	1,740.26

Reference: Equity:

Fiscal 2007:	¥1,243,876 million
Fiscal 2006:	¥1,268,656 million

(3) Consolidated Cash Flows

	Net cash flows from operating activities	Net cash flows from investing activities	Net cash flows from financing activities	Cash and cash equivalents at the end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2007	66,667	(49,437)	(82,898)	444,334
Fiscal 2006	106,429	45,305	(40,768)	513,211

2. Dividends

	Dividend per share			Total dividend payments (Annual)	Dividend payout ratio (Consolidated)	Dividends as a percentage of net assets (Consolidated)
	Interim (Six-month period)	Year-end	Annual			
(Record date)	Yen	Yen	Yen	Millions of yen	%	%
Fiscal 2007	35.00	35.00	70.00	50,328	51.7	4.0
Fiscal 2006	30.00	30.00	60.00	43,740	55.7	3.5
Fiscal 2008 (Forecast)	40.00	40.00	80.00	–	71.9	–

3. Forecast of Consolidated Results for Fiscal Year 2008 (from April 1, 2008 to March 31, 2009)

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

	Net sales		Operating income		Ordinary income		Basic net income per share		Diluted net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six-month period	400,000	(9.9)	50,000	(46.8)	54,000	(46.4)	30,000	(50.2)	41.73
Full fiscal year	840,000	(4.6)	130,000	(17.1)	138,000	(18.4)	80,000	(18.1)	111.27

4. Others

(1) Changes in significant subsidiaries during the fiscal year (resulting in a change in scope of consolidation): None

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

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

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

Note: Please refer to p. 24 (“Basis of Presentation and Summary of Significant Accounting Policies for the Preparation of Consolidated Financial Statements”) for further details.

(3) Total number of common shares issued

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

Fiscal 2007:	735,011,343 shares
Fiscal 2006:	735,011,343 shares

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

Fiscal 2007:	16,043,319 shares
Fiscal 2006:	6,008,421 shares

Note: Please refer to p. 41 ("Per Share Information") regarding the number of shares used as the basis for the calculation of net income per share (consolidated).

(Reference) Non-Consolidated Financial Results

Non-Consolidated Financial Results for Fiscal 2007 (from April 1, 2007 to March 31, 2008)

(1) Non-Consolidated Financial Results

(Percent changes indicate changes from in the prior fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	Percent change	Millions of yen	Percent change	Millions of yen	Percent change	Millions of yen	Percent change
Fiscal 2007	571,057	–	109,719	–	133,660	–	82,882	–
Fiscal 2006	6,141	(92.0)	361	(99.5)	269	(99.6)	(3,355)	–

	Basic net income per share	Diluted net income per share
	Yen	Yen
Fiscal 2007	114.86	114.86
Fiscal 2006	(4.57)	–

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2007	1,301,903	1,143,723	87.8	1,590.43
Fiscal 2006	1,189,969	1,162,869	97.7	1,582.30

Reference: Equity:

Fiscal 2007:	¥1,143,466 million
Fiscal 2006:	¥1,162,869 million

*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 9.

1. Results of Operations

(1) Analysis of Results of Operations

a. Overview

Challenging conditions prevailed in the global pharmaceutical market during the fiscal year ended March 2008 (FY2007), despite expansion in emerging markets and the growth of the bio-pharmaceutical sector. Growth stagnated in the U.S. market, while off-patent blockbuster drugs experienced sales erosion from generic products. Regulatory approval standards were generally stricter.

Under such business conditions, the DAIICHI SANKYO Group (“the Group”) recorded consolidated net sales of ¥880.1 billion for the period under review, a year-on-year decline of 5.3%. Following the completion of business integration, the Group focused efforts on reinforcing its sales capabilities in the domestic market based on a new integrated set-up while also expanding and upgrading overseas operating bases. The dip in revenue was in part due to various exceptional factors, including efforts to make non-pharmaceutical businesses independent of the Group as part of the business integration process and changes in fiscal year-end at certain overseas subsidiaries. The Group continued to make progress in terms of developing in-house sales capabilities to boost sales across four key regional markets by leveraging global products. After excluding exceptional factors, sales generated by the pharmaceutical business grew in real year-on-year terms.

Business integration-derived cost synergies helped to offset the costs of aggressive investment in the form of higher R&D expenditures and ongoing development of overseas operating bases. Operating income increased 15.0% to ¥156.8 billion, while ordinary income rose 11.2% to ¥169.0 billion. Net income for the fiscal year ended March 2008 significantly increased by 24.3% to ¥97.6 billion (in the previous year, the Group had recorded extraordinary losses of ¥98.6 billion, mainly due to costs related to business integration and reorganization, along with offsetting extraordinary gains of ¥73.4 billion, mainly due to profits from the sale of non-pharmaceutical businesses).

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 year ended March 2007 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 fiscal year ended March 2008 were net sales of ¥14.1 billion, operating income of ¥1.8 billion, ordinary income of ¥2.1 billion and net income of ¥2.0 billion, because respective amount corresponding to extra three months were added.

b. Geographical Segment Information

1) Japan

Net sales in Japan declined 10.4% in year-on-year terms to ¥598.1 billion.

The Group posted sales of prescription drugs of ¥437.3 billion, an increase of 0.9% in year-on-year terms. Although the Group recorded sales growth in excess of that of the corresponding market segment with a number of drugs, including the antihypertensive agents *Olmetec*®, *Artist*® and *Calblock*®, the synthetic antibacterial agent *Cravit*®, *Urief*® (an agent for treatment of dysuria) and the anti-inflammatory analgesic *Loxonin*® brand, this was offset by declines in sales of the antihypercholesterolemic agent *Mevalotin*® and the contrast agent *Omnipaque*® as a result of increased competition, among other factors.

Royalty income and exports to overseas licensees generated sales of ¥75.5 billion (down 10.4% year on year). Although royalty income and exports of levofloxacin, a synthetic antibacterial agent, continued to grow, reflecting a brisk expansion in numbers of prescriptions in local markets, lower exports of bulk pravastatin, an antihypercholesterolemic agent (now off-patent in major markets), adversely affected overall sales in this segment.

In healthcare (OTC) products, the introduction in September 2007 of *Transino*, the first OTC drug with proven clinical efficacy in the amelioration of skin blemishes (specifically, chloasma), made a steady contribution to sales growth. The Group launched the *Felbinac* series to augment the *Patecs* brand of external anti-inflammatory analgesics. Net sales of healthcare products in the year ended March 2008 totaled ¥50.3 billion, an increase of 4.9% in year-on-year terms.

The Group was in the process of making non-pharmaceutical businesses independent of the Group in order to focus resources on the pharmaceutical business. As a result, net sales from these operations declined significantly in year-on-year terms, falling 65.8% to ¥34.9 billion.

2) North America

Net sales in North America fell 7.1% in year-on-year terms to ¥177.9 billion. This mainly reflected the change in fiscal year-end at certain U.S. subsidiaries that occurred in the prior year. In real terms, the Group posted positive sales growth of ¥18.0 billion due to various products, including antihypertensive agents *Benicar*® and the recently launched *AZOR*®, the antihypercholesterolemic agent *Welchol*® (which obtained an additional indication for the treatment of type 2 diabetes), and the anemia treatment *Venofer*®.

3) Others

Net sales in other regions amounted to ¥104.0 billion, an increase of 48.2% in year-on-year terms.

Higher sales of *Olmetec*® drove growth at Group subsidiaries in Europe, with regional sales increasing 46.1% in year-on-year terms to ¥77.9 billion. Sales in Europe also rose due to a change in fiscal year-end (from December to March) at certain subsidiaries.

Sales growth generated by olmesartan and levofloxacin also drove the business in markets across Asia and Latin America. Aggregate sales in these regions increased 55.0% to ¥26.0 billion. Two subsidiaries in Latin America were newly included within the scope of consolidation during the year under review.

c. R&D Activities

Consolidated R&D spending, mostly incurred in the pharmaceuticals segment, amounted to ¥163.4 billion in the fiscal year ended March 2008 (down 4.2% in year-on-year terms). The ratio of R&D spending to sales was 18.6%.

The Group has focused its R&D investments in four designated therapeutic areas (thrombotic disorders, malignant neoplasm, diabetes mellitus, and autoimmune disorders/rheumatoid arthritis) where medical demand is higher. R&D activities aim to generate a continuous stream of new drugs that combine innovative clinical efficacy with outstanding safety profiles. The Group is investing selectively in these areas with the aim of constructing a world-class development pipeline. The Group is also working to extend product lifecycles by developing combination drugs or additional formulations in the three fields of hypertension, bacterial infections and hypercholesterolemia, where the Group has already established a solid franchise.

Having submitted applications for regulatory approval, the Group continues to make preparations for the early introduction of the antiplatelet agent prasugrel in Europe and the United States (where the application has been accorded priority review status). Late Phase II clinical trials for DU-176b, an oral factor-Xa inhibitor that is another top-priority R&D project, are making steady progress worldwide; Phase III trials are expected to begin during fiscal 2008. Elsewhere, the Group has secured from US-based Amgen Inc. exclusive development and sales rights in Japan for denosumab, an anti-RANKL antibody. Preparations are underway for Phase III clinical trials for osteoporosis, and a multinational Phase III clinical trials including in Japan is also in progress to study the drug's effects on bone metastasis of cancer.

The Group decided to terminate clinical development of the antiplatelet agent DZ-697b, and in-house development of DC-159a, a new quinolone antibacterial, and CS-023, a carbapenem-type antibacterial agent during the year under review based on the Group's R&D portfolio management considerations.

(2) Analysis of Financial Position

- **Status of Cash Flows**

Cash and cash equivalents decreased by ¥68.8 billion during the fiscal year ended March 31, 2008, to ¥444.3 billion. Contributing factors are summarized as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥66.6 billion, a decline of ¥39.7 billion compared with the previous year despite a year-on-year rise in income before income taxes and minority interests. Reduced operating cash flow reflected a decline of ¥54.0 billion (increase of 56.5 billion in the prior year) in accounts payable and accrued expenses following the payment in the year ended March 2008 of accrued severance and retirement benefits that had been booked at the previous fiscal year-end in relation to workforce resizing and personnel transfers to functional subsidiaries.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥49.4 billion, compared with an inflow of ¥45.3 billion in the previous year. In addition to a significant decline in year-on-year terms in the revenues generated from transfers of shares in subsidiaries to spin off non-pharmaceutical businesses, the result also reflected acquisitions of finished products sales rights along with an increase in investments in fixed-income securities and other assets.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥82.8 billion, an increase of ¥42.1 billion in cash outflow in year-on-year terms. This reflected higher cash dividend payments (a year-on-year increase of ¥10 per share) along with treasury stock purchases.

Principal Cash Flow Indicators

	Fiscal 2005	Fiscal 2006	Fiscal 2007
Equity ratio (%)	77.5	77.5	83.6
Market capitalization ratio (%)	122.6	160.8	142.3
Interest-bearing debt ratio (years)	0.11	0.06	0.00
Interest coverage ratio (times)	593.9	670.1	994.1

Equity ratio: total equity/total assets

Market capitalization ratio: total market capitalization/total assets

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

Interest coverage ratio: cash flows/interest paid

(Notes)

1. *All indicators are calculated on a consolidated basis.*
2. *Total market capitalization = closing stock price on the balance sheet date times the number of outstanding common shares at the balance sheet date (net of treasury shares)*
3. *Interest-bearing debt includes all consolidated balance sheet liabilities which are subject to an interest payment.*
4. *Cash flows equal to the amount of net cash provided by operating activities in the consolidated statements of cash flows less the amounts of "interest paid" and "income taxes paid." Interest paid equals to the "interest paid" included in the*

consolidated statements of cash flows.

(3) Basic Policy on Profit Distribution and Dividends for Years Ended March 2008 and Ending March 2009

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

The Company’s policy is to allocate a sum equivalent to net income entirely to dividend payments and share buybacks during the three-year period covering fiscal 2007–9. While steadily raising the level of dividends, at the same time the Company plans to adopt a flexible stance toward share buybacks. Undistributed retained earnings will be used primarily to fund investments targeting future growth, including moves to strengthen R&D, boost corporate collaboration, and reinforce its overseas business base.

In line with this policy, the Company purchased 10 million shares in treasury stock for a total of ¥33.2 billion during the year under review. The Company plans to pay total dividends of ¥70 per share for the fiscal year ended March 2008, which equates to a year-on-year increase of ¥10. This amount includes an interim dividend of ¥35 per share that has already been paid.

(4) Business Risks

The following section provides an overview of the principal risks that could affect the business results and financial condition of the Group. Any forward-looking statements or projections contained in this overview represent the best judgment of the Group management as of the end of the fiscal year ended March 31, 2008.

a. Research and Development Risk

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

b. Manufacturing and Procurement Risk

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

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

c. Sales-Related Risk

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

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

d. Legal and Regulatory Risk

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

e. Intellectual Property Risk

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

f. Environmental Risk

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

g. Litigation-Related Risk

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

h. Currency Fluctuation Risk

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

i. Other Risks

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

(5) Forecasts of Consolidated Financial Results for Fiscal Year 2008 (From April 1, 2008 to March 31, 2009)

(Billions of yen)

	Fiscal 2007	Fiscal 2008	Amount change	Percentage change
Net sales	880.1	840.0	(40.1)	(4.6)
Operating income	156.8	130.0	(26.8)	(17.1)
Ordinary income	169.0	138.0	(31.0)	(18.4)
Net income	97.6	80.0	(17.6)	(18.1)

The Group expects government measures to restrict medical spending in all major world markets to have a significant impact on sales in the fiscal year ending March 2009. In Japan, the Group faces the NHI (National Health Insurance) drug price revision, along with measures to promote the greater use of generics.

Under these conditions, the Group plans to develop further the MR Crosswise structure to manage its sales force in Japan, which coordinates the functions of MRs (medical representatives) specializing in particular therapeutic areas with those of MRs assigned to specific medical institutions. Using this structure, the Group aims to expand prescriptions for *Olmetec*® and other leading products while boosting sales via contributions from new products such as *Loxonin*® tape, a percutaneous absorption-type anti-inflammatory analgesic, and *Gracevit*®, a synthetic antibacterial agent.

In overseas markets, the Group plans to generate increased sales of leading products by expanding its sales force, among other actions. Major planned launches include the introduction of prasugrel in the United States under the brand name *Effient* (tentative), if approved.

On the other hand, sales generated by non-pharmaceutical businesses are forecast to decline by ¥32.0 billion, following the efforts in the year ended March 2008, to make them independent of the Group. The change in fiscal year-end at certain European subsidiaries during fiscal 2007, will also reduce sales growth in year-on-year terms by ¥14.1 billion. Factoring in the combined effect of ¥46.1 billion decreases in sales, consolidated net sales are projected to reach ¥840 billion in fiscal 2008, a year-on-year fall of 4.6%.

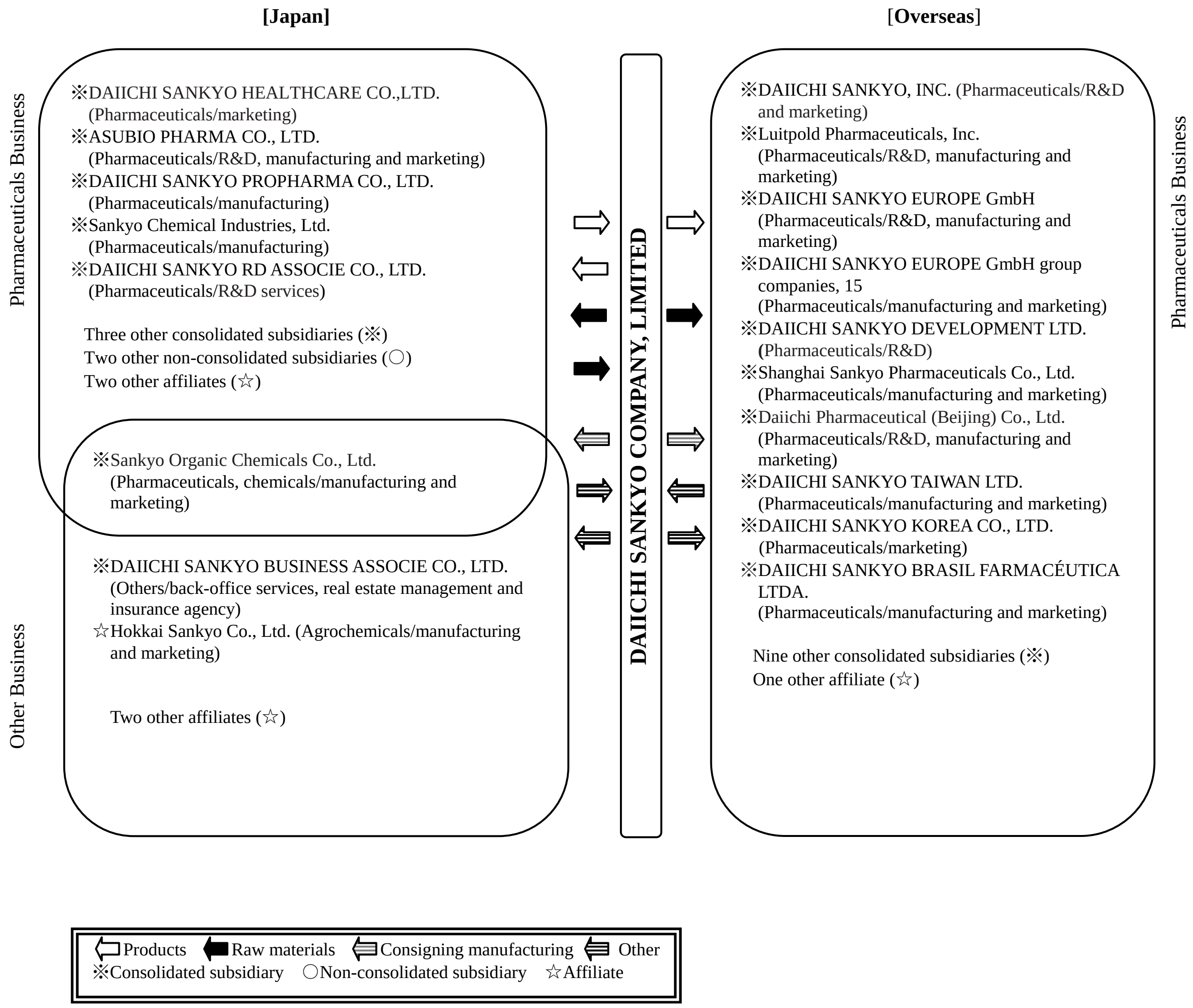
Excluding the aforementioned impact of operational restructuring, sales from the pharmaceutical business are expected to grow by ¥6.0 billion, or 0.7%, on a year-on-year basis. In addition, the forecasts assume average exchange rates of ¥100 against the U.S. dollar and ¥155 against the euro, which would have depressed sales by approximately ¥34.0 billion compared with the actual rates that prevailed during the year ended March 2008.

Besides the decline in sales, the Group expects profits in fiscal 2008 to be depressed by the impact of marketing and promotional costs related to the launch of prasugrel in the United States, along with other upfront investment costs such as sales force expansion. Other projected factors include higher development expenditures as key projects such as DU-176b move into late-phase clinical development. The Group forecasts operating income of ¥130.0 billion (down 17.1% in year-on-year terms), ordinary income of ¥138.0 billion (down 18.4%) and net income of ¥80.0 billion (down 18.1%).

The Group considers its aggressive investments in R&D and stronger global sales infrastructure essential to the achievement of significant growth in fiscal 2009 and beyond. In fiscal 2008, the Group plans to address these various challenges, picking up the tempo compared with fiscal 2007.

2. State of the Group

The DAIICHI SANKYO Group consists of DAIICHI SANKYO COMPANY, LIMITED, its 45 subsidiaries and 6 affiliates, for a total of 52 companies. The Group’s principal business is the manufacture and sale of pharmaceuticals etc. The following chart illustrates the organization of the Group as of March 31, 2008.



[Japan]

Pharmaceuticals Business

※DAIICHI SANKYO HEALTHCARE CO.,LTD.
(Pharmaceuticals/marketing)
※ASUBIO PHARMA CO., LTD.
(Pharmaceuticals/R&D, manufacturing and marketing)
※DAIICHI SANKYO PROPHARMA CO., LTD.
(Pharmaceuticals/manufacturing)
※Sankyo Chemical Industries, Ltd.
(Pharmaceuticals/manufacturing)
※DAIICHI SANKYO RD ASSOCIE CO., LTD.
(Pharmaceuticals/R&D services)

Three other consolidated subsidiaries (※)
Two other non-consolidated subsidiaries (○)
Two other affiliates (☆)

※Sankyo Organic Chemicals Co., Ltd.
(Pharmaceuticals, chemicals/manufacturing and marketing)

Other Business

※DAIICHI SANKYO BUSINESS ASSOCIE CO., LTD.
(Others/back-office services, real estate management and insurance agency)
☆Hokkai Sankyo Co., Ltd. (Agrochemicals/manufacturing and marketing)

Two other affiliates (☆)

DAIICHI SANKYO COMPANY, LIMITED

[**Overseas**]

Pharmaceuticals Business

※DAIICHI SANKYO, INC. (Pharmaceuticals/R&D and marketing)
※Luitpold Pharmaceuticals, Inc.
(Pharmaceuticals/R&D, manufacturing and marketing)
※DAIICHI SANKYO EUROPE GmbH
(Pharmaceuticals/R&D, manufacturing and marketing)
※DAIICHI SANKYO EUROPE GmbH group companies, 15
(Pharmaceuticals/manufacturing and marketing)
※DAIICHI SANKYO DEVELOPMENT LTD.
(Pharmaceuticals/R&D)
※Shanghai Sankyo Pharmaceuticals Co., Ltd.
(Pharmaceuticals/manufacturing and marketing)
※Daiichi Pharmaceutical (Beijing) Co., Ltd.
(Pharmaceuticals/R&D, manufacturing and marketing)
※DAIICHI SANKYO TAIWAN LTD.
(Pharmaceuticals/manufacturing and marketing)
※DAIICHI SANKYO KOREA CO., LTD.
(Pharmaceuticals/marketing)
※DAIICHI SANKYO BRASIL FARMACÉUTICA LTDA.
(Pharmaceuticals/manufacturing and marketing)

Nine other consolidated subsidiaries (※)
One other affiliate (☆)

⇦Products ⬅Raw materials ⇚Consigning manufacturing ⇚ Other
※Consolidated subsidiary ○Non-consolidated subsidiary ☆Affiliate

Consolidated Subsidiaries (“Company” in the table refers to DAIICHI SANKYO COMPANY, LIMITED.)

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

Name	Location	Capital (Millions of yen, except as noted)	Principal business operations	% of voting rights held (indirect holdings)	Relationship
DAIICHI SANKYO NEDERLAND B.V.	Zwanenburg, the Netherlands	18 thousand euros	Pharmaceuticals	100.0 [100.0]	
DAIICHI SANKYO BELGIUM N.V.-S.A.	Louvain-La-Nueve, Belgium	62 thousand euros	Pharmaceuticals	100.0 [100.0]	
DAIICHI SANKYO ALTKIRCH SARL	Altkirch, France	457 thousand euros	Pharmaceuticals	100.0 [100.0]	
DAIICHI SANKYO DEUTSCHLAND GmbH	Munich, Germany	51 thousand euros	Pharmaceuticals	100.0 [100.0]	
DAIICHI SANKYO FRANCE SAS	Rueil Malmaison, France	7,182 thousand euros	Pharmaceuticals	100.0 [100.0]	
DAIICHI SANKYO DEVELOPMENT, LTD.	Buckinghamshire, UK	400 thousand GB pounds	Pharmaceuticals	100.0	Concurrent directors
Daiichi Pharmaceutical (Beijing) Co., Ltd.	Beijing, China	63,800 thousand US dollars	Pharmaceuticals	100.0	Concurrent directors Products supplied by Company R&D subcontract work received from Company Facility capital borrowed from Company
Shanghai Sankyo Pharmaceuticals Co., Ltd.	Shanghai, China	53,000 thousand US dollars	Pharmaceuticals	100.0	Concurrent directors Products supplied by Company Manufacturing subcontract work received from Company
DAIICHI SANKYO TAIWAN LTD.	Taipei, Taiwan	345 million NT dollars	Pharmaceuticals	100.0	Concurrent directors Products supplied by Company Products supplied to Company
DAIICHI SANKYO KOREA CO., LTD.	Seoul, Korea	3,000 million won	Pharmaceuticals	100.0	Concurrent directors
DAIICHI SANKYO BRASIL FARMACÉUTICA LTDA.	Sao Paulo, Brazil	21 million Real	Pharmaceuticals	100.0	Concurrent directors Products supplied by Company
Other 16 companies					
Affiliated companies accounted for by the equity method					
Sanofi-Pasteur-Daiichi Sankyo Vaccines Co., Ltd.	Edogawa-ku, Tokyo	310	Pharmaceuticals	50.0	Concurrent directors Operating capital borrowed from Company Office space, etc. leased from Company
Hokkai Sankyo Co., Ltd.	Kitahiroshima-shi, Hokkaido	331	Other	20.6	
Hitachi Pharma Evolutions, Ltd.	Chiyoda-ku, Tokyo	250	Other	49.0	Concurrent directors Office space leased from Company
Other one company					

(Notes)

1. The information under the principal business operations column indicates the name of operating segment used in the segments information, to which the respective entity belong.
2. Figures in parentheses under the percentage of voting rights held column refer to the percentage of ownership held indirectly through other subsidiaries.

3. Management Policy

(1) Principal Management Policy

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

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

(2) Business Performance Targets

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

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

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

a. Early Realization of Fruits of Complete Integration

Following the completion of the business integration process in April 2007, the Group aims to attain world-class levels of operational efficiency through the continued steady realization of integration synergies. At the same time, the Group plans to reinforce operational management and business development functions and to boost HR development.

b. Concentration on the Pharmaceutical Business

To promote superior earnings and consistent growth, the Group is concentrating on the pharmaceutical business, which consists of prescription drug and healthcare (OTC) product operations. The process of establishing non-pharmaceutical businesses as fully independent operations outside the Group is now largely complete.

c. Enhancement of Innovative Drug Discovery

In order to achieve its goal of developing innovative new drugs to fulfill unsatisfied medical needs, the Company is working to build an R&D operation with specific management objectives. The principal objectives include (1) a global R&D organization of an appropriate scale; (2) sufficient scale to support innovative research in key therapeutic areas; (3) retention and development of researchers for in-house discovery of key drug candidates; and (4) effective and efficient control of development projects coupled with timely decision-making.

As part of the R&D management process, the Group has established the Global Executive Meeting of Research and Development (GEMRAD) as a deliberative body to facilitate global R&D-related decision-making and to oversee the progress made in R&D projects. GEMRAD also manages the selection of top-priority development projects and the prioritized allocation of resources to ongoing projects.

d. Enhancement of Earnings Bases in Japan and Overseas

The completion of the integration process for the domestic prescription drug businesses has resulted in one of the largest sales force in Japan. This has given the Group superior marketing power in both qualitative and quantitative terms. The Group is pursuing a distribution strategy aimed at extracting maximum value from economies of scale by further strengthening relationships with medical wholesalers operating on a national scale. Since April 2007, the Group has focused its marketing power on promoting leading products in order to generate sales growth and to create a stronger base of operations within the domestic market.

In overseas markets, the Group aims to take full advantage of the greater economies of scale created by integration and thus achieve substantial gains in product value by conducting both development and marketing in-house for high-priority projects, notably in the United States. Management recognizes a critical need to expand and upgrade overseas development and marketing bases. The Group continues to focus on such expansion through various means, including the selective acquisition of external resources based on an alliance- and M&A-centered strategy.

In the OTC business, Daiichi Sankyo Healthcare Co., Ltd. started operations in April 2007 following the absorption of Zepharma, Inc. This move has helped to focus capabilities in R&D, sales and marketing to facilitate the expansion of sales of existing brands as well as new products. Going forward, the Group plans to focus on reinforcing the earnings base by upgrading brand assets and constructing a low-cost operational structure.

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

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

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

(4) Other Significant Management-Related Matters

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

b. The former Sankyo Company, Limited (now DAIICHI SANKYO, but at that time a subsidiary of the Company) and its U.S. subsidiary, DAIICHI SANKYO, INC., filed a patent infringement lawsuit in July 2006 in the U.S. District

Court for the District of New Jersey against the Mylan Group, which had filed an Abbreviated New Drug Application with the Food and Drug Administration seeking to market a generic version of *Benicar*® (generic name: olmesartan medoxomil). The lawsuit is based on the U.S. substance patent for olmesartan medoxomil owned by the former Sankyo (now DAIICHI SANKYO).

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

These lawsuits have been merged into a single ongoing case.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

		As of March 31, 2007			As of March 31, 2008			Change
	See Note	Amount		%	Amount		%	Amount
ASSETS								
I Current assets:								
1. Cash and time deposits			232,614			47,335		
2. Trade notes and accounts receivable			197,158			166,980		
3. Marketable securities			373,896			526,805		
4. Mortgage-backed securities			15,000			–		
5. Inventories			107,758			98,158		
6. Deferred tax assets			63,364			52,677		
7. Other current assets			26,773			34,860		
Allowance for doubtful accounts			(724)			(293)		
Total current assets			1,015,840	62.1		926,524	62.3	(89,316)
II Non-current assets:								
1. Property, plant and equipment:								
(1) Buildings and structures		142,534			136,821			
(2) Machinery, equipment and vehicles		40,010			33,150			
(3) Land		38,011			33,116			
(4) Construction in progress		12,013			2,937			
(5) Other		16,288	248,857	15.2	15,239	221,266	14.9	(27,591)
2. Intangible assets:								
(1) Goodwill, net		18,569			15,403			
(2) Other intangible assets, net		41,584	60,153	3.7	75,667	91,070	6.1	30,916
3. Investments and other assets:								
(1) Investment securities		262,240			216,038			
(2) Long-term loans		1,615			1,304			
(3) Prepaid pension costs		18,021			8,023			
(4) Deferred tax assets		8,890			5,995			
(5) Other assets		21,636			18,018			
Allowance for doubtful accounts		(421)	311,983	19.0	(352)	249,028	16.7	(62,955)
Total non-current assets			620,994	37.9		561,364	37.7	(59,629)
Total assets			1,636,835	100.0		1,487,888	100.0	(148,946)

(Millions of yen)

		As of March 31, 2007		As of March 31, 2008		Change
	See Note	Amount	%	Amount	%	Amount
LIABILITIES						
I Current liabilities:						
1. Trade notes and accounts payable		56,435		46,405		
2. Short-term bank loans		8,560		68		
3. Accounts payable		89,591		–		
4. Income taxes payable		27,573		18,682		
5. Allowance for sales returns		1,315		754		
6. Allowance for sales rebates		2,471		776		
7. Allowance for contingent losses		3,498		226		
8. Other current liabilities		92,062		127,599		
Total current liabilities		281,510	17.2	194,514	13.1	(86,996)
II Non-current liabilities:						
1. Long-term debt		1,533		18		
2. Deferred tax liabilities		36,145		26,724		
3. Accrued employees' severance and retirement benefits		35,062		6,781		
4. Accrued directors' and corporate auditors' severance and retirement benefits		1,037		115		
5. Accrued soil remediation costs		3,956		1,057		
6. Other non-current liabilities		5,441		14,165		
Total non-current liabilities		83,176	5.1	48,862	3.3	(34,314)
Total liabilities		364,687	22.3	243,376	16.4	(121,310)
NET ASSETS						
I Shareholders' equity:						
1. Common stock		50,000	3.1	50,000	3.3	–
2. Capital surplus		179,860	11.0	179,863	12.1	2
3. Retained earnings		971,483	59.3	1,025,144	68.9	53,661
4. Treasury stock at cost		(9,997)	(0.6)	(43,407)	(2.9)	(33,410)
Total shareholders' equity		1,191,346	72.8	1,211,600	81.4	20,254
II Valuation and translation adjustments:						
1. Net unrealized gain on investment securities		72,358	4.4	48,539	3.3	(23,818)
2. Foreign currency translation adjustments		4,951	0.3	(16,263)	(1.1)	(21,215)
Total valuation and translation adjustments		77,310	4.7	32,276	2.2	(45,033)
III Subscription rights to shares		–	–	257	0.0	257
IV Minority interests		3,491	0.2	377	0.0	(3,113)
Total net assets		1,272,148	77.7	1,244,512	83.6	(27,635)
Total liabilities and net assets		1,636,835	100.0	1,487,888	100.0	(148,946)

(2) Consolidated Statements of Income

(Millions of yen)

		Fiscal 2006 (For the year ended March 31, 2007)			Fiscal 2007 (For the year ended March 31, 2008)			Change
	See Note	Amount		%	Amount		%	Amount
I Net sales			929,506	100.0		880,120	100.0	(49,386)
II Cost of sales	*1		265,200	28.5		234,570	26.7	(30,630)
Gross profit			664,306	71.5		645,549	73.3	(18,756)
III Selling, general and administrative expenses:								
1. Advertising and promotional expenses		100,672			109,057			
2. Salaries and bonuses		104,123			91,248			
3. Severance and retirement costs		7,553			228			
4. Research and development expenses	*1	170,662			163,472			
5. Other		144,980	527,992	56.8	124,715	488,722	55.5	(39,270)
Operating income			136,313	14.7		156,827	17.8	20,513
IV Non-operating income:								
1. Interest income		7,725			8,577			
2. Dividend income		3,547			3,285			
3. Derivative income		2,639			–			
4. Other income		6,088	20,001	2.2	5,120	16,983	1.9	(3,018)
V Non-operating expenses:								
1. Interest expense		251			128			
2. Depreciation of inactive non-current assets		–			768			
3. Loss on valuation of derivatives		–			748			
4. Cost of lease revenue		–			654			
5. Equity in net losses of affiliated companies		17			106			
6. Loss on disposal and write-down of inventories		1,485			–			
7. Charitable contributions		592			–			
8. Other expenses		1,881	4,228	0.5	2,345	4,752	0.5	524
Ordinary income			152,086	16.4		169,058	19.2	16,971
VI Extraordinary income:								
1. Gain on sale of non-current assets	*2	4,314			6,622			
2. Gain on sale of investments in affiliates		59,347			8,719			
3. Reversal of allowance for doubtful accounts		–			481			
4. Gain on sale of investment securities		8,221			256			
5. Gain on transition of retirement benefit plan		–			61			
6. Gain on adjustment of prior-year R&D expenses		1,608	73,492	7.9	–	16,140	1.9	(57,351)

(Millions of yen)

		Fiscal 2006 (For the year ended March 31, 2007)			Fiscal 2007 (For the year ended March 31, 2008)			Change
	See Note	Amount		%	Amount		%	Amount
VII Extraordinary losses:								
1. Loss on disposal of non-current assets	*3	3,622			2,161			
2. Loss on business integration	*4	82,479			9,998			
3. Loss on business restructuring	*5	3,609			2,247			
4. Loss on litigation	*6	–			1,646			
5. Loss on valuation of investment securities		686			682			
6. Provision for soil remediation costs		2,875			201			
7. Provision for contingent losses	*7	166			157			
8. Loss on impairment of property, plant and equipment	*8	4,916			–			
9. Supplemental retirement benefit costs		287			–			
10. Loss on sale of investment securities		22			–			
11. Other losses		–	98,666	10.6	1,247	18,342	2.1	(80,323)
Income before income taxes and minority interests			126,912	13.7		166,856	19.0	39,943
Income tax expense — current		64,710			52,355			
Income tax expense — deferred		(16,631)	48,078	5.2	16,740	69,095	7.9	21,017
Minority interests in net income of subsidiaries			283	0.0		99	0.0	(184)
Net income			78,549	8.5		97,660	11.1	19,110

(3) Consolidated Statements of Changes in Net Assets

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

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

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

(Note) These items are the appropriation of profit resolved at the Ordinary General Meeting of Shareholders held in June 2006.

Fiscal 2007 (for the year ended March 31, 2008) (Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' equity
Balance as of March 31, 2007	50,000	179,860	971,483	(9,997)	1,191,346
Changes during the fiscal year					
Dividends			(47,034)		(47,034)
Net income			97,660		97,660
Acquisition of treasury stock				(33,419)	(33,419)
Disposal of treasury stock		2		9	12
Increase due to addition of new subsidiaries to scope of consolidation			141		141
Increase due to merger with unconsolidated subsidiaries			2,893		2,893
Changes other than shareholders' equity, net					
Total changes during the fiscal year	–	2	53,661	(33,410)	20,254
Balance as of March 31, 2008	50,000	179,863	1,025,144	(43,407)	1,211,600

	Valuation and translation adjustments			Subscription rights to shares	Minority interests	Total net assets
	Net unrealized gain on investment securities	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance as of March 31, 2007	72,358	4,951	77,310	–	3,491	1,272,148
Changes during the fiscal year						
Dividends						(47,034)
Net income						97,660
Acquisition of treasury stock						(33,419)
Disposal of treasury stock						12
Increase due to addition of new subsidiaries to scope of consolidation						141
Increase due to merger with unconsolidated subsidiaries						2,893
Changes other than shareholders' equity, net	(23,818)	(21,215)	(45,033)	257	(3,113)	(47,889)
Total changes during the fiscal year	(23,818)	(21,215)	(45,033)	257	(3,113)	(27,635)
Balance as of March 31, 2008	48,539	(16,263)	32,276	257	377	1,244,512

(4) Consolidated Statements of Cash Flows

(Millions of yen)

		Fiscal 2006 (For the year ended March 31, 2007)	Fiscal 2007 (For the year ended March 31, 2008)	Change
	See Note	Amount	Amount	Amount
I Cash flows from operating activities:				
Income before income taxes and minority interests		126,912	166,856	
Depreciation		39,986	38,733	
Loss on impairment of property, plant and equipment		4,916	–	
Amortization of goodwill		3,595	3,598	
Increase (decrease) in allowance for doubtful accounts		5	(394)	
Decrease in accrued severance and retirement benefits		(28,547)	(26,833)	
(Increase) decrease in prepaid pension costs		(714)	9,946	
Interest and dividend income		(11,273)	(11,863)	
Interest expense		251	128	
(Gain) loss on sales of investment securities		(8,199)	(256)	
(Gain) loss on sales of investments in affiliates		(59,347)	(8,719)	
(Gain) loss on sales of property, plant and equipment		(692)	(4,460)	
Equity in net (income) losses of affiliated companies		17	106	
Decrease in trade notes and accounts receivable		16,794	7,602	
(Increase) decrease in inventories		1,684	(4,538)	
Increase (decrease) in trade notes and accounts payable		3,294	(259)	
Increase (decrease) in accounts payable and accrued expense		56,551	(54,056)	
Other, net		12,298	80	
Subtotal		157,537	115,669	(41,867)
Interest and dividends received		11,099	11,646	
Interest paid		(251)	(128)	
Income taxes paid		(61,954)	(60,520)	
Net cash provided by operating activities		106,429	66,667	(39,762)

(Millions of yen)

		Fiscal 2006 (For the year ended March 31, 2007)	Fiscal 2007 (For the year ended March 31, 2008)	Change
	See Note	Amount	Amount	Amount
II Cash flows from investing activities:				
Purchases of time deposits		(6,620)	(2,052)	
Proceeds from maturities in time deposits		5,403	992	
Purchases of marketable securities		(148,217)	(166,334)	
Proceeds from sales of marketable securities		165,048	142,973	
Acquisitions of property, plant and equipment		(28,066)	(25,317)	
Proceeds from sales of property, plant and equipment		11,449	8,363	
Acquisitions of intangible assets		(14,886)	(26,269)	
Acquisitions of investment securities		(37,482)	(28,392)	
Proceeds from sales of investment securities		14,157	26,761	
Acquisition of investments in subsidiaries from minority interests		(570)	(753)	
Proceeds from sales of investments in consolidated subsidiaries resulting in changes in scope of consolidation	*2	91,019	22,259	
Acquisition of investments in newly consolidated subsidiaries	*3	(27,210)	–	
Net decrease in short-term loans receivable		16,136	8,000	
Payment for loans receivable		(1,365)	(150)	
Proceeds from collection of loans receivable		5,893	858	
Other, net		616	(10,376)	
Net cash provided by (used in) investing activities		45,305	(49,437)	(94,742)
III Cash flows from financing activities:				
Net increase (decrease) in short-term bank loans		1,312	(1,569)	
Repayments of long-term debt		(297)	(809)	
Purchases of treasury stock		(172)	(33,419)	
Proceeds from sale of treasury stock		10	12	
Dividends paid		(40,049)	(47,016)	
Other, net		(1,571)	(95)	
Net cash used in financing activities		(40,768)	(82,898)	(42,129)
IV Effect of exchange rate changes on cash and cash equivalents		399	(4,738)	(5,138)
V Net increase (decrease) in cash and cash equivalents		111,365	(70,406)	(181,772)
VI Cash and cash equivalents, beginning of year		400,967	513,211	112,243
VII Increase in cash and cash equivalents due to changes in scope of consolidation		877	501	(376)
VIII Increase in cash and cash equivalents due to merger with unconsolidated subsidiaries		–	1,028	1,028
IX Cash and cash equivalents, end of year	*1	513,211	444,334	(68,876)

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

Item	Fiscal 2006 (For the year ended March 31, 2007)	Fiscal 2007 (For the year ended March 31, 2008)
1. Scope of Consolidation	(1) Consolidated subsidiaries: 54 Principal consolidated subsidiaries: In Japan Sankyo Co., Ltd. Daiichi Pharmaceutical Co., Ltd. Daiichi Asubio Pharma. Co., Ltd. Daiichi Fine Chemical Co., Ltd. Zepharma Inc. Daiichi Pharmatech Co., Ltd. DAIICHI SANKYO HEALTHCARE Co., Ltd. Nippon Nyukazai Co., Ltd. Overseas DAIICHI SANKYO, INC. Luitpold Pharmaceuticals, Inc. DAIICHI SANKYO EUROPE GmbH Due to the sale of shares in Wakodo Co., Ltd., Fuji Flour Milling Co., Ltd. and four other companies, these subsidiaries were excluded from the scope of consolidation from the beginning of this fiscal year, yet they were included as part of retained earnings as of the beginning of the year. Sankyo Agro Co., Ltd., Daiichi Radioisotope Laboratories, Ltd., Daiichi Pure Chemicals Co., Ltd. and one other subsidiary were excluded from the scope of consolidation during this fiscal year due to the sale of their shares. Formerly non-consolidated subsidiaries, Shanghai Sankyo Pharmaceuticals Co., Ltd. and Taiwan Sankyo Pharmaceutical Co., Ltd., were newly included in the scope of consolidation from the beginning of this fiscal year due to their increased materiality. Zepharma Inc., which was acquired in this fiscal year, was newly included in the scope of consolidation from the beginning of the fiscal year. Daiichi Sankyo Propharma Co., Ltd. and five other companies, which were all established during this fiscal year, were also newly included in the scope of consolidation.	(1) Consolidated subsidiaries: 43 Principal consolidated subsidiaries: In Japan ASUBIO PHARMA CO., LTD. DAIICHI SANKYO HEALTHCARE Co., Ltd. DAIICHI SANKYO PROPHARMA CO., LTD. Overseas DAIICHI SANKYO, INC. Luitpold Pharmaceuticals, Inc. DAIICHI SANKYO EUROPE GmbH The Company merged with Sankyo Co., Ltd. and Daiichi Pharmaceutical Co., Ltd. during the fiscal year ended March 31, 2008. The number of consolidated subsidiaries decreased by six as the result of the corporate realignments, which included the mergers of Daiichi Sankyo Healthcare Co., Ltd. with Zepharma Inc. and of Daiichi Sankyo Propharma Co., Ltd. with Daiichi Pharmatech Co., Ltd. Following the sale of shares and other actions, Daiichi Fine Chemical Co., Ltd. and one other subsidiary were excluded from the scope of consolidation from the beginning of the fiscal year ended March 31, 2008, but were included in the balance of retained earnings at the beginning of the fiscal year ended March 31, 2008. Following the sale or liquidation of shares, Nippon Nyukazai Co., Ltd. and four other firms were excluded from the scope of consolidation during the year. Due to their increased materiality, DAIICHI SANKYO BRASIL FARMACÉUTICA LTDA. and DAIICHI SANKYO VENEZUELA S.A. were newly included in the scope of consolidation from the fiscal year ended March 31, 2008. DAIICHI SANKYO CHEMICAL PHARMA CO.,LTD., DAIICHI SANKYO INDIA PHARMA, Ltd. and one other company were included in the scope of consolidation following its establishment in the fiscal year ended March 31, 2008
	(2) Non-consolidated subsidiaries (including Sankyo Insurance Agency Co., Ltd. and Godo Real Estate Co. Ltd.) are small and are not material to the consolidated financial statements when measured by the amounts of assets, sales, net income (based on the Company's ownership percentage), retained earnings (based on the Company's ownership percentage), and other indicators. They have therefore been excluded from the scope of consolidation.	(2) Non-consolidated subsidiaries (including Kyushu Juhi Kogyosho) are small and are not material when measured by the amounts of assets, sales, net income (based on the Company's ownership percentage), retained earnings (based on the Company's ownership percentage), and other indicators. They have therefore been excluded from the scope of consolidation.

Item	Fiscal 2006 (For the year ended March 31, 2007)	Fiscal 2007 (For the year ended March 31, 2008)
2. Application of the Equity Method	(1) Non-consolidated subsidiaries accounted for under the equity method: 0 Affiliated companies accounted for under the equity method: 3 Names of principal company: Sanofi Pasteur Daiichi Vaccine Co., Ltd Two affiliated companies were excluded from the scope of application of the equity method because of decreases of investment equity resulting from the sale of their shares. (2) Net income (based on the Company's equity percentage), retained earnings (based on the Company's equity percentage), and other indicators of those non-consolidated subsidiaries (including Sankyo Insurance Agency Co., Ltd. and Godo Real Estate Co. Ltd.) and affiliated companies (including Tokyo Yakugyo Kaikan Co., Ltd.) that have not been accounted for under the equity method are not material or significant to the Company as a whole. Therefore, these companies have not been accounted for under the equity method, but are rather reported in the Company's investment account under the cost method.	(1) Non-consolidated subsidiaries accounted for under the equity method: 0 Affiliated companies accounted for under the equity method: 4 Names of principal company: Sanofi Pasteur Daiichi Vaccine Co., Ltd (2) Net income (based on the Company's equity percentage), retained earnings (based on the Company's equity percentage), and other indicators of those non-consolidated subsidiaries (including Kyushu Juhi Kogyosho) and affiliated companies (including Tokyo Yakugyo Kaikan Co., Ltd.) that have not been accounted for under the equity method are not material or significant to the Company as a whole. Therefore, these companies have not been accounted for under the equity method, but are rather reported in the Company's investment account under the cost method.
3. Fiscal Year-End of Consolidated Subsidiaries	The fiscal year-end of certain consolidated subsidiaries is December 31. In preparing the consolidated financial statements, the Company uses the financial statements of these companies as of their fiscal year-end. For major intervening transactions that occurred between the fiscal year-end of those companies and March 31, appropriate adjustments have been made in the consolidated financial statements. Name of subsidiaries that have fiscal year-end on December 31: Daiichi Asbio Pharmaceutical, INC. DAIICHI SANKYO EUROPE GmbH, and its 11 subsidiaries as well as Daiichi Pharmaceutical (Beijing) Co., Ltd., shanghai Sankyo Pharmaceuticals Co., Ltd. and 5 other subsidiaries. (Supplemental Information) Daiichi Sankyo INC. and Luitpold Pharmaceuticals Inc. changed their fiscal year-end from December 31 to March 31 effective this fiscal year. As a result, while the financial statements of these subsidiaries as of December 31, 2005 were used in the preparation of the Consolidated Financial Statements for the fiscal year ended March 2006, due to this change in fiscal year-end, the consolidated financial statements for the fiscal year ended March 2007 include 15-month results of the two subsidiaries (for the period from January 1, 2006 to March 31, 2007). The net effect of this change in fiscal year-end on the consolidated statement of income for the fiscal year ended March 31, 2007 was an increase in net sales, operating income, ordinary income, income before income taxes and minority interests, and net income of ¥31,514 million, ¥9,030 million, ¥10,575 million, ¥9,587 million and ¥5,830 million, respectively.	Same as Fiscal 2006 Name of subsidiaries that have fiscal year-end on December 31: Daiichi Pharmaceutical (Beijing) Co., Ltd. , Shanghai Sankyo Pharmaceuticals Co., Ltd., DAIICHI SANKYO BRASIL FARMACÉUTICA Ltda. and 2 other subsidiaries. (Supplemental Information) DAIICHI SANKYO EUROPE GmbH and 11 Group subsidiaries , along with two other companies, changed their fiscal year-end from December 31 to March 31 effective this fiscal year. As a result, while the financial statements of these subsidiaries as of December 31, 2006 were used in the preparation of the Consolidated Financial Statements for the fiscal year ended March 2007, due to this change in fiscal year-end, the consolidated financial statements for the fiscal year ended March 2008 include 15-month results of these subsidiaries (for the period from January 1, 2007 to March 31, 2008). The net effect of this change in fiscal year-end on the consolidated statement of income for the fiscal year ended March 31, 2008 was an increase in net sales, operating income, ordinary income, income before income taxes and minority interests, and net income of ¥14,129 million, ¥1,886 million, ¥2,169 million, ¥2,161 million and ¥2,027 million, respectively.

Item	Fiscal 2006 (For the year ended March 31, 2007)	Fiscal 2007 (For the year ended March 31, 2008)
4. Summary of Significant Accounting Policies		
(a) Methods of Valuation of Significant Assets	(1) Marketable and Investment Securities	(1) Marketable and Investment Securities
	Held-to-maturity securities Mainly the amortized cost method (straight-line amortization)	Same as Fiscal 2006
	Available-for-sale securities	Available-for-sale securities
	Securities with determinable market value: Mainly stated at market value method based on the quoted market prices at the end of the fiscal year. Unrealized holding gains and losses are reported in a component of shareholders' equity, with the cost of securities sold being calculated by the moving-average method.	Securities with determinable market value: Same as Fiscal 2006
	Securities without determinable market value: Mainly stated at cost based on the moving-average method	Securities without determinable market value: Same as Fiscal 2006
	(2) Derivatives	(2) Derivatives
	Market value method	Same as Fiscal 2006
	(3) Inventories	(3) Inventories
	Mainly stated at the lower of cost or market, by the weighted average cost method	Inventories for ordinary sales - Stated at cost , by the weighted average cost method (Inventories in the balance sheet are measured by write-down based on a decrease in profitability of the assets) (Changes in Accounting Policy) In line with the extension of adoption of the Accounting Standard for Measurement of Inventories (ASBJ [Accounting Standards Board of Japan] Statement No. 9, July 5, 2006) to consolidated financial statements for the consolidated fiscal year starting on or before March 31, 2008, that accounting standard was adopted from the fiscal year ended March 31, 2008. The effects of this change on operating income, ordinary income, and net income before income taxes and minority interests are decreases of ¥2,992 million, ¥2,310 million, and ¥2,310 million, respectively. The effects on segment information are described in the relevant notes.
(b) Depreciation and Amortization of Significant Depreciable Assets	(1) Property, Plant and Equipment	(1) Property, Plant and Equipment
	The Company and its domestic consolidated subsidiaries account for depreciation of property, plant and equipment by the declining-balance method, except for buildings (excluding fixtures) acquired on or after April 1, 1998, which are accounted for by the straight-line method. Overseas consolidated subsidiaries account for depreciation of property, plant and equipment mainly by the straight-line method. The principal useful lives are as follows: Buildings and structures: 15~50 years Machinery, equipment and vehicles: 4~7 years	Same as Fiscal 2006

Item	Fiscal 2006 (For the year ended March 31, 2007)	Fiscal 2007 (For the year ended March 31, 2008)
		(Changes in Accounting Policy) In accordance with the amendment of the Corporate Tax Law in Japan, with effect from the fiscal year ended March 31, 2008, the Company and its domestic consolidated subsidiaries changed the method of depreciation applied to all tangible fixed assets acquired on or after April 1, 2007 to that based on the revised law. The effects of this change on operating income are decrease of ¥1,351 million, and ordinary income and net income before income taxes and minority interests are decreases of ¥1,359 million, respectively. The effects on segment information are described in the relevant notes. (Supplemental Information) In accordance with the amendment of the Corporate Tax Law in Japan, with respect to any tangible assets acquired on or before March 31, 2007, the Company and its domestic consolidated subsidiaries have included the depreciation expenses of such tangible assets amounts representing the difference between the amounts of carrying costs for accounting purposes and 5% of the acquisition costs as derived from application of the depreciation method used prior to the legal revisions. Such amounts are being depreciated in equal amounts over five years, starting in year after the fiscal year in which accumulated depreciation based on the pre-revision method reached 95% of the acquisition costs. The effects of the change on operating income are decreases of ¥1,588 million, and ordinary income and net income before income taxes and minority interests are decreases of ¥1,609 million, respectively. The effects on segment information are described in the relevant notes.
	(2) Intangible Assets Intangible assets are being amortized by the straight-line method. Software for in-house use is amortized over the estimated useful lives of a five-year period.	(2) Intangible Assets Same as Fiscal 2006
(c) Method of Accounting for Significant Allowances	(1) Allowance for Doubtful Accounts The Company covers the risk of credit losses from potential customer defaults by providing for this allowance. For normal accounts, the allowance is computed on the basis of the historical default rates. For specific over-due accounts, the allowance is based on individual account-by-account estimates of the amounts that may not be recoverable.	(1) Allowance for Doubtful Accounts Same as Fiscal 2006
	(2) Allowance for Sales Returns To prepare for losses on potential returns of products after the end of the fiscal year, the Company's certain consolidated subsidiaries provide for an amount equal to the sum of gross profits and inventory losses on such returned products, based on its estimate of possible sales returns. For the current fiscal year, the provision of this allowance of ¥380 million was included in cost of sales.	(2) Allowance for Sales Returns To prepare for losses on potential returns of products after the end of the fiscal year, the Company and its certain consolidated subsidiaries provide for an amount equal to the sum of gross profits and inventory losses on such returned products, based on its estimate of possible sales returns. For the current fiscal year, the reversal for this allowance of ¥560 million was included in cost of sales.

Item	Fiscal 2006 (For the year ended March 31, 2007)	Fiscal 2007 (For the year ended March 31, 2008)
	(3) Allowance for Sales Rebates To prepare for future sales rebates, the Company's certain subsidiaries provide for this allowance calculated by multiplying an estimated sales rebate percentage for the fiscal year by the amounts of accounts receivable from and inventories held by wholesalers at the end of the fiscal year (4) Accrued Severance and Retirement Benefits To prepare for future payments of employee severance and retirement benefit, the Company's domestic consolidated subsidiaries provide for an amount incurred by the fiscal year-end based on estimated projected benefit obligations and plan assets at the end of the fiscal year. Certain overseas consolidated subsidiaries provide for such accruals in accordance with accounting principles generally accepted in the countries of their domicile. Prior service costs are amortized under the straight-line method over a period of 5 to 10 years, which is equal to or less than the estimated average remaining years of service of the eligible employees when the prior year service cost was incurred. Actuarial gains and losses are amortized under the straight-line method, beginning in the fiscal year following the year in which the gain or loss was initially measured, over a period of 5 to 10 years, which is equal to or less than the average remaining years of service of eligible employees when the actuarial gain or loss occurred, except for Sankyo which recognizes actuarial gains or losses immediately as they occur.	(3) Allowance for Sales Rebates To prepare for future sales rebates, the Company and its certain consolidated subsidiaries provide for this allowance calculated by multiplying an estimated sales rebate percentage for the fiscal year by the amounts of accounts receivable from and inventories held by wholesalers at the end of the fiscal year. (4) Accrued Severance and Retirement Benefits To prepare for future payments of employee severance and retirement benefit, the Company and its domestic consolidated subsidiaries provide for an amount incurred by the fiscal year-end based on estimated projected benefit obligations and plan assets at the end of the current fiscal year. Certain overseas consolidated subsidiaries provide for such accruals in accordance with accounting principles generally accepted in the countries of their domicile. Prior service costs are amortized over a period of 1 year (12 months) since they occurred. Actuarial gains and losses are amortized under the straight-line method, beginning in the fiscal year following the year in which such gain or loss was initially measured, over a period of 10 years, which is equal to or less than the average remaining years of service of eligible employees when the actuarial gain or loss occurred. (Changes in Accounting Policy) The Company and some of its domestic consolidated subsidiaries integrated their retirement benefit and pension systems on April 1, 2007 following the corporate reorganization, and reviewed them to introduce a similar cash balance plan-type retirement and pension system in accordance with the Defined-Benefit Pension Plan Law, and to shift 20% of the retirement benefit amounts to a defined contribution pension plan. Although significant prior service costs arose following the revision of the retirement benefit plans stemming from the merger of Sankyo Company, Limited and Daiichi Pharmaceutical Co., Ltd. to form Daiichi Sankyo Company, Limited, the Company does not expect such significant expenses to appear for a while, and it does expect the effects of corporate reorganization to appear soon. The Company set the amortization period of prior service costs over five years for Sankyo Company, Limited and ten years for Daiichi Pharmaceutical Co., Ltd. and Daiichi Asubio Pharmaceutical, Inc, which are the main companies before corporate realignment. Aiming to appropriately reflect the status of the retirement benefit plans in the consolidated financial statements, effective from the fiscal year ended 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.

Item	Fiscal 2006 (For the year ended March 31, 2007)	Fiscal 2007 (For the year ended March 31, 2008)
		In relation to this change, the Company amortized prior service costs arising at the beginning of the fiscal year by ¥9,469 million and booked the balance of unamortized prior service costs that had arisen by the prior fiscal year-end as extraordinary income totaling ¥231 million. The net effect of these changes was to increase operating income and ordinary income by ¥7,957 million and to increase net income before income taxes and minority interests by ¥8,188 million, compared with amounts based on the previous accounting methods. As for actuarial gains and losses, concerning the main companies before corporate realignment, Sankyo Company, Limited applied a lump-sum expense deduction in the year when actuarial gains and losses occurred and Daiichi Pharmaceutical Co., Ltd. amortized such gains and losses over 10 years. After the corporate reorganization, the Company integrated the retirement benefit and pension plans, which has increased pension assets. Although the current environment for pension assets is improving because of the recently raised the official discount rate, etc., 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 ended 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. The net effect of this change was to increase operating income, ordinary income and net income before income taxes and minority interests by ¥4,711 million, compared with amounts based on the previous accounting methods. The effects on segment information are described in the relevant notes.

Please note that information other than the Scope of Consolidation, the Application of the Equity Method, and the Fiscal Year-End of Consolidated Subsidiaries has been omitted herein because there were no significant changes to the Company’s most recent Securities Report (*yuka-shoken-hokokusho*) filed with the Financial Services Agency on June 28, 2007. For such information, please refer to the relevant section of the Securities Report.

Changes in Presentation

Fiscal 2006 (For the year ended March 31, 2007)	Fiscal 2007 (For the year ended March 31, 2008)
Consolidated Balance Sheets Accounts payable (¥39,491 million in the previous year) which was included in “Other current liabilities” in the previous year, has been presented as a separate line item in this fiscal year because the balance became more than 5 percent of total liabilities and net assets.	**Consolidated Balance Sheets** Following a change in accounting standards caused by the promulgation of the Financial Instruments and Exchange Law, the presentation of “Negotiable certificates of deposit” (which had been included in “Cash and time deposits” in the fiscal year ended March 2007) and “Mortgage-backed securities” (which had been listed as a separate line item) was altered. Effective from the fiscal year ended March 2008, both items were included in “Marketable securities.” “Negotiable certificates of deposit” amounted to ¥60,000 million as of March 31, 2007 and ¥45,000 million as of March 31, 2008. “Mortgage-backed securities” amounted to ¥15,000 million as of March 31, 2008. In the prior year, the Company identified “Accounts payable” as a separate category of current liabilities. However, because these assets declined to less than 5 percent of total liabilities and net assets, they have been included in the “others” category of current liabilities effective from the fiscal year ended March 2008. “Accounts payable” amounted to ¥56,728 million as of March 31, 2008.
Consolidated Statements of Income Rent income, which was presented as a separate line item under non-operating income for the fiscal year ended March 2006, was included in “Other income” for the fiscal year ended March 2007 because the amount involved (¥1,062 million for this fiscal year) represented less than 10% of total non-operating income for the fiscal year.	**Consolidated Statements of Income** “Cost of lease revenue” which was included in “Other expenses” of non-operating expenses in the fiscal year ended March 31, 2007, was presented as a separate line item for the fiscal year ended March 31, 2008 due to increased materiality of the item. “Cost of lease revenue” which was included in “Other expenses” of non-operating expenses in the fiscal year ended March 31, 2007, amounted to ¥355 million. “Depreciation of inactive non-current assets” in non-operating expenses, which was included in “Other expenses” in the fiscal year ended March 31, 2007, was presented as a separate line item for the fiscal year ended March 31, 2008 as the amount exceeded 10% of total non-operating expenses for the fiscal year. “Depreciation of inactive noncurrent assets,” which was included in “Other expenses” of non-operating expenses in the fiscal year ended March 31, 2007, amounted to ¥23 million.
Consolidated Statements of Cash Flows “Gain on sale of investment securities” (¥(649) million for the fiscal year ended March 2006), “Gain on sale of investments in affiliates” (¥(1,179) million for the fiscal year ended March 2006), and “Decrease in accounts payable and accrued expense” (¥(3,361) million for the fiscal year ended March 2006) that were included in “Other, net” under cash flows from operating activities in the prior fiscal year, have been presented as separate line items in this fiscal year because of their increased materiality.	―――

Notes to Consolidated Financial Statements

(Notes to Consolidated Statements of Income)

Fiscal 2006
(Year ended March 31, 2007)

*1. Breakdown of research and development expenses included in selling, general and administrative expenses and manufacturing overhead expenses

	(Millions of yen)
Selling, general and administrative expenses	170,662
Manufacturing overhead expenses	−

*2. Breakdown of gain on sale of non-current assets

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

*3. Breakdown of loss on disposal of non-current assets

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

In addition, expenses for retirement of non-current assets totaled ¥497 million.

*4. Loss on business integration

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

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

Fiscal 2007
(Year ended March 31, 2008)

*1. Breakdown of research and development expenses included in selling, general and administrative expenses and manufacturing overhead expenses

	(Millions of yen)
Selling, general and administrative expenses	163,472
Manufacturing overhead expenses	−

*2. Breakdown of gain on sale of non-current assets

	(Millions of yen)
Buildings and structures	157
Machinery, equipment and vehicles	20
Land	6,430
Other property, plant and equipment	13

*3. Breakdown of loss on disposal of non-current assets

	(Millions of yen)
Buildings and structures	711
Machinery, equipment and vehicles	483
Land	78
Construction in progress	60
Other property, plant and equipment	236
Other intangible assets	19

In addition, expenses for retirement of non-current assets totaled ¥572 million.

*4. Loss on business integration

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

	(Millions of yen)
Supplemental retirement benefits, etc.	3,912
Expenses associated with the consolidation and closure of operating locations	2,358
IT system related expenses	2,218
Expenses associated with the integration of healthcare business	169
Other	1,338

<table>
<tr><th>Fiscal 2006
(Year ended March 31, 2007)</th><th>Fiscal 2007
(Year ended March 31, 2008)</th></tr>
<tr><td>*5. Loss on business restructuring
To concentrate on the pharmaceutical business, the Company has been carrying out a reorganization of its peripheral businesses. As part of this reorganization, the Company sold certain investments in affiliated companies. Restructuring charge includes a loss on such sales of investments and expenses paid to external advisers.</td><td>*5. Loss on business restructuring
To concentrate on the pharmaceutical business, the Company has been carrying out a reorganization of its peripheral businesses. As part of this reorganization, the Company sold certain investments in affiliated companies. Restructuring charge includes expenses paid to external advisers for sales of investments.</td></tr>
<tr><td>*6.</td><td>*6. Loss on litigation
Losses comprise litigation expenses related to injunctions to stop the sale of generics in the United States as well as inventory writedowns and indemnity payments to suppliers arising from related patent invalidation rulings.</td></tr>
<tr><td>*7. Provision for contingent losses
The amount represents an estimated amount of penalty arising out of the product purchase commitments that contain a minimum purchase provision.</td><td>*7. Provision for contingent losses
The amount represents an estimated amount of penalty arising out of the commitments that contain a minimum purchase lot or minimum sale lot provision.</td></tr>
<tr><td>*8. Loss on impairment of property, plant and equipment
The Daiichi Sankyo Group (the Company and consolidated subsidiaries) classifies its assets held and used for its business operations into asset groups on the basis of operating segments in the management reporting in consideration of similarities of products or operating activities, consistency within the Group, and future maintenance sustainability. On the other hand, leased assets and idle assets that are not directly used for its business operations are grouped on a properly by properly basis.
For the current fiscal year, the Daiichi Sankyo Group recorded an impairment loss on the following asset groups:
<table>
<tr><th>Location</th><th>Function</th><th>Asset type</th><th>Status</th></tr>
<tr><td>Shimotsuke, Tochigi</td><td>Former Tochigi Research Center facility</td><td>Buildings, land, etc.</td><td>Idle</td></tr>
<tr><td>Tosu, Saga</td><td>Former Kyuhsu Distribution Center facility</td><td>Buildings, land, etc.</td><td>Idle</td></tr>
<tr><td>Kasukabe, Saitama</td><td>Former Tokyo Distribution Center facility</td><td>Buildings</td><td>Idle</td></tr>
<tr><td>Iwaki, Fukushima, etc.</td><td>Dormitory/ recuperation facility</td><td>Buildings, land</td><td>Idle</td></tr>
<tr><td>Bunkyo-ku, Tokyo</td><td>Office</td><td>Building</td><td>Idle</td></tr>
<tr><td>Shinagawa-ku, Tokyo, etc.</td><td>ERP packages</td><td>Software</td><td>Idle</td></tr>
</table>
Because the above asset groups are idle and have uncertain prospects for future utilization, their book values have been written down to a recoverable amount, and such reductions in the amount of ¥4,916 million were recorded as a loss on impairment in the extraordinary losses.
The impairment loss consisted of ¥2,103 million associated with buildings and structures, ¥32 million associated with machinery, equipment and vehicles, ¥407 million associated with land, ¥4 million associated with other assets and ¥2,368 million associated with software.
The recoverable amount of an assets group is an estimated net realizable value, which was obtained based on third-party appraisal or the valuation amount for real estate tax purpose, with reasonable adjustments.</td><td>*8.</td></tr>
</table>

(Notes to Consolidated Statements of Changes in Net Assets)

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

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

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

(Notes)

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

2. Dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Date of record	Effective date
Ordinary General Meeting of Shareholders on June 29, 2006	Common stock	18,226	25.0	March 31, 2006	June 29, 2006
Regular meeting of the Board of Directors on November 6, 2006	Common stock	21,870	30.0	September 30, 2006	December 1, 2006

(2) Dividends with a record date within the current fiscal year that become effective after the end of the fiscal year

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Date of record	Effective date
Ordinary General Meeting of Shareholders on June 28, 2007	Common stock	21,870	Retained earnings	30.0	March 31, 2007	June 29, 2007

Fiscal 2007 (for the year ended March 31, 2008)

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

In 1,000 shares	Number of shares at end of previous fiscal year	Increase in number of shares during fiscal year	Decrease in number of shares during fiscal year	Number of shares at end of fiscal year
Shares issued				
Common stock	735,011	–	–	735,011
Total	735,011	–	–	735,011
Treasury stock				
Common stock	6,008	*1 10,038	*2 3	16,043
Total	6,008	*1 10,038	*2 3	16,043

(Notes)

1. The increase in treasury stock of 10,038,000 common shares was due to the acquisition of 10,000,000 shares based on provisions of the Company's Articles of Incorporation, as stipulated in Article 165 (2) of the Company Law, together with the Company's purchase of 38,000 shares representing amounts of shares less than one unit.
2. The decrease in treasury stock of 3,000 common shares was due to top-off sales for shares less than one unit.

2. Subscription rights to shares

Classification	Detail	Class of stock to be converted	Number of shares to be converted (Shares)				Balance at end of fiscal year (Millions of yen)
			Number of shares at end of prior fiscal year	Increase during fiscal year	Decrease during fiscal year	Number of shares at end of fiscal year	
Submitting company (parent company)	Stock acquisition rights as stock options	–	–	–	–	–	257
Total		–	–	–	–	–	257

3. Dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Date of record	Effective date
Ordinary General Meeting of Shareholders on June 28, 2007	Common stock	21,870	30.0	March 31, 2007	June 29, 2007
Regular meeting of the Board of Directors on November 6, 2007	Common stock	25,164	35.0	September 30, 2007	December 3, 2007

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

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Date of record	Effective date
Ordinary General Meeting of Shareholders on June 27, 2008	Common stock	25,163	Retained earnings	35.0	March 31, 2008	June 30, 2008

(Notes to Consolidated Statements of Cash Flows)

Fiscal 2006
(Year ended March 31, 2007)

*1. Reconciliation of cash and cash equivalents at the end of the fiscal year with the balance sheet accounts

	(Millions of yen)
Cash and time deposits	232,614
Less time deposits with maturities extending over three months	(2,145)
Add short-term investments with maturities within three months	282,742
Cash and cash equivalents	513,211

*2. Breakdown of assets and liabilities of consolidated subsidiaries that are no longer consolidated due to sale of stock

The following table presents are the breakdown of the assets and liabilities of Wakodo Co., Ltd., Sankyo Agro Co., Ltd., Daiichi Radioisotope Laboratories, Ltd., Daiichi Pure Chemicals Co., Ltd., and eight other companies which are no longer consolidated due to sale of their stock, and a reconciliation of the sale price of the stock and the proceeds from the sale:

	(Millions of yen)
Current assets	82,292
Non-current assets	39,422
Current liabilities	(59,247)
Non-current liabilities	(9,840)
Net unrealized gain on investment securities	1
Minority interests	(6,059)
Gain on sale of investments in affiliate	59,169
Loss on sale of investments in affiliate	(726)
Sales prices of shares	105,011
Cash and cash equivalents owned by the subsidiaries	(13,991)
Proceeds from sales of investment in subsidiaries	91,019

*3. Breakdown of assets and liabilities of a company added as a subsidiary as a result of the acquisition of stock

The following table presents the breakdown of the assets and liabilities of Zepharma Inc., which is newly consolidated due to acquisition of their stock, and net expenditure for acquisition of investments in newly consolidated subsidiary:

	(Millions of yen)
Current assets	19,638
Non-current assets	17,265
Goodwill, net	12,207
Current liabilities	(7,168)
Non-current liabilities	(6,189)
Purchase price of the subsidiary	35,753
Cash and cash equivalents owned by the subsidiary	(8,542)
Net expenditure for acquisition of investments in newly consolidated subsidiary	27,210

Fiscal 2007
(Year ended March 31, 2008)

*1. Reconciliation of cash and cash equivalents at the end of the fiscal year with the balance sheet accounts

	(Millions of yen)
Cash and time deposits	47,335
Less time deposits with maturities extending over three months	(2,418)
Add short-term investments with maturities within three months	399,418
Cash and cash equivalents	444,334

*2. Breakdown of assets and liabilities of consolidated subsidiaries that are no longer consolidated due to sale of stock

The following table presents are the breakdown of the assets and liabilities of Daiichi Fine Chemical Co., Ltd., Nippon Nyukazai Co., Ltd., and three other companies which are no longer consolidated due to sale of their stocks, and a reconciliation of the sale price of the stocks and the proceeds from the sale:

	(Millions of yen)
Current assets	53,885
Non-current assets	22,478
Current liabilities	(36,829)
Non-current liabilities	(4,280)
Net unrealized gain on investment securities	(321)
Foreign currency translation adjustments	268
Minority interests	(3,010)
Gain on sale of investments in affiliate	8,006
Loss on sale of investments in affiliate	(1,439)
The Company's interest in the companies after sale of their stocks	(1,203)
Sales prices of shares	37,823
Cash and cash equivalents owned by subsidiaries	(15,563)
Proceeds from sales of investment in subsidiaries	22,259

*3

(Segment Information)

a. Information by Operating Segment

(Millions of yen)

Fiscal 2006 (Year ended March 31, 2007)	Pharmaceuticals	Other	Total	Eliminations & corporate	Consolidated
I Net sales and operating income					
Net sales					
(1) Outside customers	837,115	92,391	929,506	–	929,506
(2) Inter-segment sales and transfers	352	3,297	3,650	(3,650)	–
Total	837,467	95,689	933,157	(3,650)	929,506
Operating expenses	706,098	91,312	797,411	(4,218)	793,193
Operating income	131,369	4,376	135,745	567	136,313
II Assets, depreciation and capital expenditures					
Assets	1,559,252	78,964	1,638,216	(1,381)	1,636,835
Depreciation	36,569	3,417	39,986	–	39,986
Impairment loss	4,916	–	4,916	–	4,916
Capital expenditures	42,397	3,886	46,283	–	46,283

Information by operating segment for the fiscal year ended March 31, 2008, has been omitted because the “Pharmaceuticals” segment accounts for over 90% of the total net sales, operating income, and assets generated by all segments.

(Notes)

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

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

3. Change in accounting policies

Fiscal 2006

Effective from the fiscal year ended March 31, 2007, the Company adopted the “Accounting Standard for Directors’ Bonus” (“ASBJ Statement No. 4” issued by the Accounting Standards Board of Japan on November 29, 2005). As compared with the previous accounting method, the effects of adopting this standard were to increase operating expenses in the “Pharmaceuticals” segment by ¥231 million and in the “Other” segment by ¥74 million, and to decrease operating income in the respective operating segments by the same amount.

b. Information by Geographic Segment

(Millions of yen)

Fiscal 2006 (Year ended March 31, 2007)	Japan	North America	Other	Total	Eliminations & corporate	Consolidated
I Net sales and operating income						
Net sales						
(1) Outside customers	667,851	191,466	70,188	929,506	–	929,506
(2) Inter-segment sales and transfers	81,943	41,239	17,044	140,227	(140,227)	–
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
II Assets	1,454,251	183,523	94,756	1,732,531	(95,696)	1,636,835

(Millions of yen)

Fiscal 2007 (Year ended March 31, 2008)	Japan	North America	Other	Total	Eliminations & corporate	Consolidated
I Net sales and operating income						
Net sales						
(1) Outside customers	598,148	177,953	104,018	880,120	–	880,120
(2) Inter-segment sales and transfers	66,676	49,832	21,862	138,371	(138,371)	–
Total	664,825	227,785	125,881	1,018,492	(138,371)	880,120
Operating expenses	557,688	190,164	112,668	860,521	(137,228)	723,292
Operating income	107,137	37,621	13,212	157,971	(1,143)	156,827
II Assets	1,226,415	186,384	140,441	1,553,241	(65,352)	1,487,888

(Notes)

1. Method of classifying geographic segments

   Geographic segments are classified on the basis of geographic proximity.

2. Countries and regions included in each segment other than Japan

   North America: the United States

   Other: Germany, the United Kingdom, France, Spain, Italy, China, Taiwan and others

3. Changes in accounting policies

Fiscal 2007

a. As disclosed in the Basis of Presentation of Significant Accounting Policies for the Preparation of Consolidated Financial Statements section, the Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 5, 2006) was adopted from the fiscal year ended March 31, 2008. The effects of this change were to increase operating expenses in the “Japan” segment by ¥2,992 million and to decrease operating income by the same amount compared with the case in which those amounts are recorded by the previous method.

b. As also disclosed in the Basis of Presentation of Significant Accounting Policies for the Preparation of Consolidated Financial Statements section, the Company and its domestic consolidated subsidiaries changed the method of depreciation applied to all tangible fixed assets acquired on or after April 1, 2007 in accordance with the amendment of the Corporate Tax Law in Japan from the fiscal year ended March 31, 2008. The effects of this changes were to increase operating expenses in the “Japan” segment by ¥1,351 million and to decrease operating income by the same amount compared with the case in which those amounts are recorded by the previous method.

With respect to any tangible assets acquired on or before March 31, 2007, such tangible assets amounts representing the difference between the amounts of carrying costs for accounting purposes and 5% of the acquisition costs as derived from application of the depreciation method used prior to the legal revisions are being depreciated in equal amounts over five years, starting in year after the fiscal year in which accumulated depreciation based on the pre-revision method reached 95% of the acquisition costs, and included in the depreciation expenses. The effects of this changes were to increase operating expenses in the “Japan” segment by ¥1,588 million and to decrease operating income by the same amount compared with the case in which those amounts are recorded by the previous method.

c. As also disclosed in the Basis of Presentation of Significant Accounting Policies for the Preparation of Consolidated Financial Statements section, the Company and its domestic consolidated subsidiaries revised the retirement benefit and pension plans, and changed the amortization period of prior service cost to 1 year (12 months)since they occurred. Actuarial gains and losses were also changed to be calculated on a straight-line method over a certain period (10 years) within the average remaining service years of the eligible employees. The effects of this change were to decrease operating expenses in the “Japan” segment by ¥12,668 million and to increase operating income by the same amount compared with the case in which those amounts are recorded by the previous method.

Fiscal 2006

Effective from the fiscal year ended March 31, 2007 “the Company adopted the Accounting Standards for Directors’ Bonuses” (”Statement No.4”issued by the Accounting Standards Board of Japan on November 29, 2005). As compared with the previous accounting method, the effects of adopting this standard were to increase operating expenses in the “Japan” segment by ¥305 million and to decrease operating income by the same amount.

c. Overseas Sales

(Millions of yen)

Fiscal 2006 (For the year ended March 31, 2007)	North America	Europe	Other areas	Total
Overseas net sales	241,850	84,327	30,523	356,700
Consolidated net sales				929,506
Percentage of overseas net sales to consolidated net sales (%)	26.0	9.1	3.3	38.4

(Millions of yen)

Fiscal 2007 (For the year ended March 31, 2008)	North America	Europe	Other areas	Total
Overseas net sales	219,938	98,454	40,245	358,639
Consolidated net sales				880,120
Percentage of overseas net sales to consolidated net sales (%)	25.0	11.2	4.6	40.8

(Notes)

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

(Notes Concerning Business Combination)

<table>
<tr><th>Fiscal 2006
(For the year ended March 31, 2007)</th><th>Fiscal 2007
(For the year ended March 31, 2008)</th></tr>
<tr><td>—</td><td>

(Acquisition by merger of Sankyo Company, Limited and Daiichi Pharmaceutical Co., Ltd. by the Company)

Pursuant to a merger agreement entered into on November 30, 2006, Sankyo Company, Limited (“Sankyo”) and Daiichi Pharmaceutical Co., Ltd. (“Daiichi”), wholly-owned subsidiaries, were merged into the Company on April 1, 2007.

(1) Names of parties to the business combination, legal form of the business combination, the name of the combined entity, and a summary of the transaction including its purpose

a. Names of parties to the business combination

- Combining entity:

<table>
<tr><th>Name</th><th>Nature of business</th></tr>
<tr><td>Daiichi Sankyo Company, Limited (the “Company”)</td><td>Management and supervision of subsidiaries</td></tr>
</table>

- Combined entities:

<table>
<tr><th>Name</th><th>Nature of business</th></tr>
<tr><td>Sankyo Company, Limited</td><td>Manufacture, sales, export and import of pharmaceuticals and other products</td></tr>
<tr><td>Daiichi Pharmaceutical Co., Ltd.</td><td>Manufacture, sales, export and import of pharmaceuticals and other products</td></tr>
</table>

b. Legal form of the business combination and the name of the combined entity

This business combination took place in the form of an acquisition by merger between entities under common control, in which the Company was the surviving entity and both Sankyo and Daiichi were the dissolved entities. The name of the combined entity is Daiichi Sankyo Company, Limited.

c. Summary of the transaction including its purpose

In accordance with the original plan of integration, the purpose of the merger is, by merging the two subsidiaries into the Parent holding company, to create a foundation on which the Company strives to transform itself into a Japan-based “Global Pharma Innovator.” The merger did not involve any issuance of new shares or other increase in capital.

(2) Summary of accounting treatment

Under the provisions of the Accounting Standard for Business Combination, the transaction was accounted for as a business combination among entities under common control.

There are no effects of this recording on the profit and loss of the fiscal year ended March 31, 2008.

</td></tr>
</table>

<table>
<tr>
<th>Fiscal 2006
(For the year ended March 31, 2007)</th>
<th>Fiscal 2007
(For the year ended March 31, 2008)</th>
</tr>
<tr>
<td>—</td>
<td>
<p>(Spin-off of the pharmaceutical manufacturing operation of former Sankyo Company, Limited into Daiichi Sankyo Propharma Co., Ltd.)</p>
<p>Pursuant to a spin-off agreement between Daiichi Sankyo Propharma Co., Ltd. (“Daiichi Sankyo Propharma”) and Sankyo Company, Limited (“Sankyo”), wholly owned subsidiaries, entered into on November 30, 2006, the Company spun off the manufacturing operation of former Sankyo related to pharmaceuticals and other products on April 1, 2007, and the operation was then contributed to Daiichi Sankyo Propharma Co. In addition, Daiichi Sankyo Propharma acquired by merger Daiichi Pharmatech Co., Ltd., a manufacturing subsidiary of former Daiichi Pharmaceutical Co., Ltd. on April 1, 2007.</p>
<p>(1) Names of parties to the business combination, legal form of the business combination, the name of the combined entity, and a summary of the transaction including its purpose</p>
<p>a. Names of parties to the business combination</p>
<p>• Combining entity:</p>
<table>
<tr><th>Name</th><th>Nature of business</th></tr>
<tr><td>Daiichi Sankyo Propharma Co., Ltd.</td><td>Manufacture, consigned manufacture, sales, export and import of pharmaceuticals and other products</td></tr>
</table>
<p>• Combined entities:</p>
<table>
<tr><th>Name</th><th>Nature of business</th></tr>
<tr><td>Daiichi Sankyo Company, Limited</td><td>Manufacture of (former Sankyo’s) pharmaceuticals and other products</td></tr>
</table>
<p>b. Legal form of the business combination and the name of the combined entity</p>
<p>This business combination took place in the form of a spin-off and contribution between entities under common control, in which Daiichi Sankyo Propharma Co., Ltd. was the successor entity and the Company was the entity that spun off the operation. The name of the combined entity is Daiichi Sankyo Propharma Co., Ltd.</p>
<p>c. Summary of the transaction including its purpose</p>
<p>The purpose of the transaction is, by integrating manufacturing operations for pharmaceuticals and other products, to efficiently achieve a steady supply of products and high-quality and low-cost manufacturing. The transaction did not involve any issuance of new shares or other increase in capital.</p>
<p>(2) Summary of accounting treatment</p>
<p>Under the provisions of the Accounting Standard for Business Combination, the transaction was accounted for as a business combination among entities under common control.</p>
<p>There are no effects of this recording on the profit and loss of the fiscal year ended March 31, 2008.</p>
</td>
</tr>
</table>

(Per Share Information)

Fiscal 2006 (Year ended March 31, 2007)		Fiscal 2007 (Year ended March 31, 2008)	
Net assets per share	¥1,740.26	Net assets per share	¥1,730.09
Net income per share (basic)	¥107.75	Net income per share (basic)	¥135.35
Diluted net income per share is not presented, because the Company does not have any dilutive shares.		Net income per share (diluted)	¥135.34

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

	Fiscal 2006 (Year ended March 31, 2007)	Fiscal 2007 (Year ended March 31, 2008)
Net income per share (basic):		
Net income (millions of yen)	78,549	97,660
Amount not available for common shareholders (millions of yen)	–	–
Net income available for dividends on common shares (millions of yen)	78,549	97,660
Weighted-average number of common shares outstanding during the year (1,000 shares)	729,029	721,564
Net income per share (diluted):		
Adjustments to net income (millions of yen)	–	–
Additional dilutive common shares (1,000 shares)	–	12
Including dilutive effect of stock options of (1,000 shares)	–	(12)
Descriptions of potentially dilutive common shares that were not included in the computation of diluted net income per share because of their anti-dilutive effect	――――――	――――――

Please note that information related to lease transactions, related-party transactions, income taxes, marketable securities, derivative transactions, retirement benefits, and stock options has been omitted herein as such additional disclosure is not considered material for fair presentation of this report of consolidated financial results.

5. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

(Millions of yen)

		As of March 31, 2007			As of March 31, 2008			Change
	See Note	Amount		%	Amount		%	
ASSETS								
I Current assets:								
1. Cash and time deposits			5,320			21,001		15,681
2. Trade notes receivable			–			425		425
3. Accounts receivable			–			130,097		130,097
4. Marketable securities			–			443,935		443,935
5. Merchandise			–			28,474		28,474
6. Finished goods			–			1,404		1,404
7. Raw materials			–			2,647		2,647
8. Prepaid expenses			286			603		317
9. Deferred tax assets			349			33,150		32,800
10. Short-term loans to affiliates			–			5,449		5,449
11. Other receivables			574			9,728		9,154
12. Other current assets			2			11,515		11,513
Allowance for doubtful accounts			–			(0)		(0)
Total current assets			6,532	0.5		688,434	52.9	681,901
II Non-current assets:								
1. Property, plant and equipment								
(1) Buildings		32			166,307			
Less accumulated depreciation		14	18		92,263	74,044		74,025
(2) Structures		–			9,984			
Less accumulated depreciation		–	–		7,154	2,829		2,829
(3) Machinery and equipment		–			30,842			
Less accumulated depreciation		–	–		26,096	4,745		4,745
(4) Vehicles		–			130			
Less accumulated depreciation		–	–		115	14		14
(5) Furniture, tools and fixtures		13			58,809			
Less accumulated depreciation		4	8		49,646	9,163		9,154
(6) Land			–			24,191		24,191
(7) Construction in progress			–			805		805
Total property, plant and equipment, net			27	0.0		115,793	8.9	115,766
2. Intangible assets:								
(1) Patent right			–			1,280		1,280
(2) Leasehold right			–			18		18
(3) Trade marks			278			324		46
(4) Software			–			705		705
(5) Other			0			2,987		2,987
Total intangible assets, net			278	0.0		5,316	0.4	5,038

(Millions of yen)

		As of March 31, 2007			As of March 31, 2008			Change
	See Note	Amount		%	Amount		%	
3. Investments and other assets:								
(1) Investment securities			–			207,071		207,071
(2) Investments in affiliated companies			1,183,019			223,367		(959,651)
(3) Investment securities, other than stock			3			3		–
(4) Investments in capital of subsidiaries and affiliates			–			77,183		77,183
(5) Long-term loans to employees			–			4		4
(6) Long-term loans receivable from subsidiaries and affiliates			–			16,052		16,052
(7) Long-term prepaid expenses			–			167		167
(8) Prepaid pension costs			–			7,935		7,935
(9) Deferred tax assets			13			–		(13)
(10) Other assets			95			8,835		8,740
Allowance for doubtful accounts			–			(1,821)		(1,821)
Allowance for investment losses			–			(46,441)		(46,441)
Total investments and other assets			1,183,131	99.5		492,358	37.8	(690,772)
Total non-current assets			1,183,436	99.5		613,468	47.1	(569,967)
Total assets			1,189,969	100.0		1,301,903	100.0	111,934

(Millions of yen)

		As of March 31, 2007			As of March 31, 2008			Change
	See Note	Amount		%	Amount		%	
LIABILITIES								
I Current liabilities:								
1. Accounts payable - trade			–			28,714		28,714
2. Short-term borrowings			25,000			–		(25,000)
3. Accounts payable			1,387			28,032		26,644
4. Accrued expenses			383			35,479		35,095
5. Income taxes payable			290			11,665		11,375
6. Consumption taxes payable			27			2,175		2,147
7. Advance receipts			11			556		545
8. Deposits from affiliates			–			24,325		24,325
9. Allowance for sales returns			–			217		217
10. Allowance for sales rebates			–			313		313
11. Allowance for contingent losses			–			226		226
12. Other current liabilities			–			1		1
Total current liabilities			27,100	2.3		131,708	10.1	104,608
II Non-current liabilities:								
1. Long-term accounts payable			–			2,688		2,688
2. Deferred tax liabilities			–			20,231		20,231
3. Accrued employees’ severance and retirement benefits			–			161		161
4. Accrued soil remediation costs			–			519		519
5. Other non-current liabilities			–			2,870		2,870
Total non-current liabilities			–	–		26,471	2.0	26,471
Total liabilities			27,100	2.3		158,179	12.1	131,079
NET ASSETS								
I Shareholders' equity:								
1. Common stock			50,000	4.2		50,000	3.8	–
2. Capital surplus:								
(1) Legal capital surplus		179,858			179,858			
(2) Other capital surplus		903,494			842,572			
Total capital surplus			1,083,352	91.0		1,022,430	78.5	(60,921)
3. Retained earnings:								
Other retained earnings:								
Reserve for reduction entries for non-current assets		–			4,023			
Retained earnings carried forward		29,766			61,590			
Total retained earnings			29,766	2.5		65,614	5.1	35,847
4. Treasury stock at cost:			(249)	(0.0)		(43,407)	(3.3)	(43,157)
Total shareholders' equity			1,162,869	97.7		1,094,637	84.1	(68,231)
II Valuation and translation adjustments:								
Net unrealized gain on investment securities			–	–		48,828	3.8	48,828
Total valuation and translation adjustments			–	–		48,828	3.8	48,828
III Subscription rights to shares			–	–		257	0.0	257
Total net assets			1,162,869	97.7		1,143,723	87.9	(19,145)
Total liabilities and net assets			1,189,969	100.0		1,301,903	100.0	111,934

(2) Non-Consolidated Statements of Income

(Millions of yen)

		Fiscal 2006 (Year Ended March 31, 2007)			Fiscal 2007 (Year Ended March 31, 2008)			Change
	See Note	Amount		%	Amount		%	
I Operating revenue:								
1. Management fee income		6,141	6,141	100.0	—	—	—	(6,141)
II Operating expenses:								
1. Directors' and corporate auditors' compensation, salaries and bonuses		1,233			—			
2. Retirement and severance costs		75			—			
3. Welfare benefit expenses		130			—			
4. Depreciation expense		45			—			
5. Outsourcing service fees		1,482			—			
6. Corporate advertising expenses		1,714			—			
7. Other		1,099	5,780	94.1	—	—	—	(5,780)
III Net sales:								
1. Net sales– finished goods		—			32,019			
2. Net sales– merchandise		—			507,522			
3. Royalty revenues		—	—	—	31,515	571,057	100.0	571,057
IV Cost of sales:								
1. Increase by merger		—			30,910			
2. Cost of purchased merchandise		—			143,914			
3. Cost of products manufactured		—			8,243			
Total		—			183,068			
4. Transfers to other accounts		—			3,792			
5. Ending finished goods and merchandise		—			29,879			
Total		—	—	—	33,671	149,397	26.2	149,397
Gross profit			—	—		421,659	73.8	421,659
Provision for sales returns			—	—		89	0.0	89
Gross profit-net			—	—		421,570	73.8	421,570
V Selling, general and administrative expenses:								
1. Promotion expenses		—			70,810			
2. Advertising expenses		—			2,270			
3. Salaries, bonuses and allowance		—			41,204			
4. Retirement benefit expenses		—			(3,517)			
5. Welfare expenses		—			5,527			
6. Depreciation		—			4,017			
7. Rent income		—			8,900			
8. Transportation expenses		—			6,766			
9. Business consignment expenses		—			7,301			
10. Research and development expenses		—			141,953			
11. Other		—	—	—	26,617	311,850	54.6	311,850
Operating income			361	5.9		109,719	19.2	109,358

(Millions of yen)

		Fiscal 2006 (Year Ended March 31, 2007)			Fiscal 2007 (Year Ended March 31, 2008)			Change
	See Note	Amount		%	Amount		%	
VI Non-operating income:								
1. Interest income		34			924			
2. Dividend income		—			19,598			
3. Rent income		—			4,365			
4. Additional income tax refunds		42			—			
5. Other income		0	77	1.3	4,153	29,042	5.1	28,965
VII Non-operating expenses:								
1. Interest expense		168			—			
2. Cost of lease revenue		—			1,474			
3. Depreciation of inactive non-current assets		—			556			
4. Foreign exchange losses		–			1,610			
5. Provision of allowance for doubtful accounts		–			172			
6. Other expenses		—	168	2.8	1,286	5,101	0.9	4,932
Ordinary income			269	4.4		133,660	23.4	133,391
VIII Extraordinary income								
1. Gain on sale of non-current assets		—			8,609			
2. Gain on sales of subsidiaries and affiliates' stocks		—			12,574			
3. Gain on sale of investment securities		—			216			
4. Gain on transition of retirement benefit plan		—			489			
5. Reversal of allowance for doubtful accounts		—	—	—	481	22,370	3.9	22,370
IX Extraordinary losses:								
1. Loss on disposal of non-current assets		—			838			
2.Loss on sales of stocks of subsidiaries and affiliates		—			2,058			
3. Loss on valuation of investment securities		—			682			
4. Provision of allowance for investment loss		—			7,243			
5. Loss on business integration		—			5,491			
6. Loss on business restructuring		—			673			
7. Provision for contingent losses		—			157			
8. Provision for soil remediation costs		—			201			
9. Prior-year transfer pricing taxation adjustment		—			5,497			
10. Loss on elimination upon merger of investments in affiliated companies		3,488			–			
11. Other losses		–	3,488	56.8	1,810	24,654	4.3	21,166
Income (loss) before income taxes			(3,218)	(52.4)		131,377	23.0	134,595
Income tax expense－current		311			29,040			
Income tax expense－deferred		(173)	137	2.2	19,455	48,495	8.5	48,357
Net income (loss)			(3,355)	(54.6)		82,882	14.5	86,237

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

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

(Millions of yen)

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

(Note) These items are the appropriation of profit resolved at the Ordinary General Meeting of Shareholders held in June 2006.

Fiscal 2007 (for the year ended March 31, 2008)

(Millions of yen)

	Shareholders' equity								Total shareholders' equity
	Common stock	Capital surplus			Retained earnings			Treasury stock at cost	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings		
					Reserve for reduction entries for fixed assets	Retained earnings carried forward			
Balance as of March 31, 2007	50,000	179,858	903,494	1,083,352	–	29,766	29,766	(249)	1,162,869
Changes during the fiscal year									
Decrease by corporate spin-off			(60,924)	(60,924)					(60,924)
Provision of reserve for reduction entry for non-current assets					4,023	(4,023)	–		–
Dividends						(47,034)	(47,034)		(47,034)
Net income						82,882	82,882		82,882
Increase in treasury stock due to absorption-type merger								(9,747)	(9,747)
Acquisition of treasury stock								(33,419)	(33,419)
Disposal of treasury stock			2	2				9	12
Changes other than shareholders' equity, net									–
Total changes during the fiscal year	–	–	(60,921)	(60,921)	4,023	31,823	35,847	(43,157)	(68,231)
Balance as of March 31, 2008	50,000	179,858	842,572	1,022,430	4,023	61,590	65,614	(43,407)	1,094,637

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Net unrealized gain on investment securities	Total valuation and translation adjustments		
Balance as of March 31, 2007	–	–	–	1,162,869
Changes during the fiscal year				
Decrease by corporate spin-off				(60,924)
Provision of reserve for reduction entry for non-current assets				–
Dividends				(47,034)
Net income				82,882
Increase in treasury stock due to absorption-type merger				(9,747)
Acquisition of treasury stock				(33,419)
Gain on sale of treasury stock				12
Changes other than shareholders' equity, net	48,828	48,828	257	49,085
Total changes during the fiscal year	48,828	48,828	257	(19,145)
Balance as of March 31, 2008	48,828	48,828	257	1,143,723

Subsequent Events

<table>
<tr><th>Fiscal 2006
(April 1, 2006 to March 31, 2007)</th><th>Fiscal 2007
(April 1, 2007 to March 31, 2008)</th></tr>
<tr><td>1. Acquisition by merger of Sankyo Company, Limited and Daiichi Pharmaceutical Co., Ltd. by the Company
Pursuant to a merger agreement entered into on November 30, 2006, Sankyo Company, Limited (“Sankyo”) and Daiichi Pharmaceutical Co., Ltd. (“Daiichi”), wholly-owned subsidiaries, were merged into the Company on April 1, 2007.
(1) Names of parties to the business combination, legal form of the business combination, the name of the combined entity, and a summary of the transaction including its purpose
a. Names of parties to the business combination
• Combining entity:
<table>
<tr><th>Name</th><th>Nature of business</th></tr>
<tr><td>Daiichi Sankyo Company, Limited (the “Company”)</td><td>Management and supervision of subsidiaries</td></tr>
</table>
• Combined entities:
<table>
<tr><th>Name</th><th>Nature of business</th></tr>
<tr><td>Sankyo Company, Limited</td><td>Manufacture, sales, export and import of pharmaceuticals and other products</td></tr>
<tr><td>Daiichi Pharmaceutical Co., Ltd.</td><td>Manufacture, sales, export and import of pharmaceuticals and other products</td></tr>
</table>
b. Legal form of the business combination and the name of the combined entity
This business combination took place in the form of an acquisition by merger between entities under common control, in which the Company was the surviving entity and both Sankyo and Daiichi were the dissolved entities. The name of the combined entity is Daiichi Sankyo Company, Limited.
c. Summary of the transaction including its purpose
In accordance with the original plan of integration, the purpose of the merger is, by merging the two subsidiaries into the Parent holding company, to create a foundation on which the Company strives to transform itself into a Japan-based “Global Pharma Innovator.” The merger did not involve any issuance of new shares or other increase in capital.
(2) Summary of accounting treatment
Under the provisions of “Accounting Standard for Business Combination,” the transaction was accounted for as a business combination among entities under common control. At March 31, 2007, the Company recorded a ¥3,488 million “Loss on elimination upon merger of investments in affiliated companies” for the difference between the amount of shareholder’s capital received by the Company as part of the net assets of the dissolved subsidiaries and the book value of its investments in these subsidiaries immediately prior to the merger.</td><td>—</td></tr>
</table>

<table>
<tr><th>Fiscal 2006
(April 1, 2006 to March 31, 2007)</th><th>Fiscal 2007
(April 1, 2007 to March 31, 2008)</th></tr>
<tr><td>
<p>2. Spin-off of the pharmaceutical manufacturing operation of former Sankyo Company, Limited into Daiichi Sankyo Propharma Co., Ltd.</p>
<p>Pursuant to a spin-off agreement between Daiichi Sankyo Propharma Co., Ltd. (“Daiichi Sankyo Propharma”) and Sankyo Company, Limited (“Sankyo”), wholly owned subsidiaries, entered into on November 30, 2006, the Company spun off the manufacturing operation of former Sankyo related to pharmaceuticals and other products on April 1, 2007, and the operation was then contributed to Daiichi Sankyo Propharma Co. In addition, Daiichi Sankyo Propharma acquired by merger Daiichi Pharmatech Co., Ltd., a manufacturing subsidiary of former Daiichi Pharmaceutical Co., Ltd. on April 1, 2007.</p>
<p>(1) Names of parties to the business combination, legal form of the business combination, the name of the combined entity, and a summary of the transaction including its purpose</p>
<p>a. Names of parties to the business combination</p>
<p>• Combining entity:</p>
<table>
<tr><th>Name</th><th>Nature of business</th></tr>
<tr><td>Daiichi Sankyo Propharma Co., Ltd.</td><td>Manufacture, consigned manufacture, sales, export and import of pharmaceuticals and other products</td></tr>
</table>
<p>• Combined entities:</p>
<table>
<tr><th>Name</th><th>Nature of business</th></tr>
<tr><td>Daiichi Sankyo Company, Limited</td><td>Manufacture of (former Sankyo’s) pharmaceuticals and other products</td></tr>
</table>
<p>b. Legal form of the business combination and the name of the combined entity</p>
<p>This business combination took place in the form of a spin-off and contribution between entities under common control, in which Daiichi Sankyo Propharma Co., Ltd. was the successor entity and the Company was the entity that span-off the operation. The name of the combined entity is Daiichi Sankyo Propharma Co., Ltd.</p>
<p>c. Summary of the transaction including its purpose</p>
<p>The purpose of the transaction is, by integrating manufacturing operations for pharmaceuticals and other products, to efficiently achieve a steady supply of products, and high-quality and low-cost manufacturing. The merger did not involve any issuance of new shares or other increase in capital.</p>
<p>(2) Summary of accounting treatment</p>
<p>Under the provisions of the “Accounting Standard for Business Combination” by Accounting Standards Board of Japan, the aforementioned transaction was accounted for as a business combination among entities under common control. The Company’s shareholders’ capital (Other capital surplus) was reduced by ¥60,924 million on April 1, 2007, which is the amount of net assets related to the operation transferred from the Company to the subsidiary, less deferred tax assets and liabilities related to the operation transfer.</p>
</td><td>—</td></tr>
</table>