

Financial Results Q3 FY2009

(April 1, 2009 - December 31, 2009)

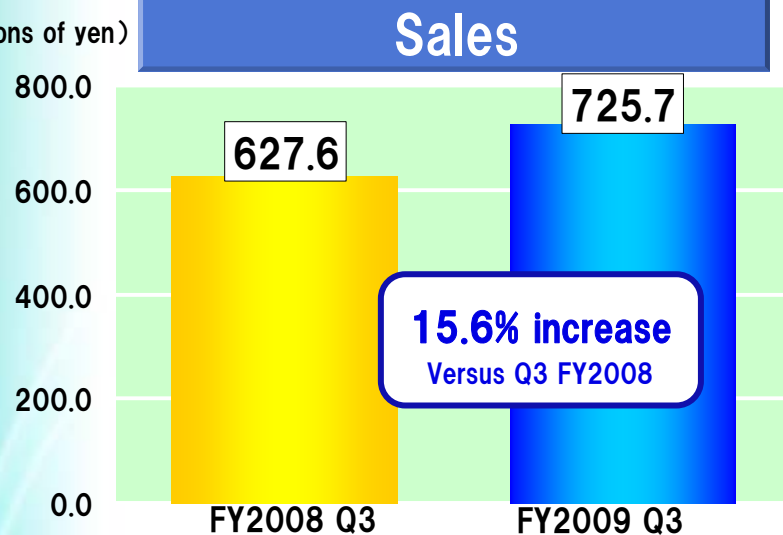
January 29, 2010



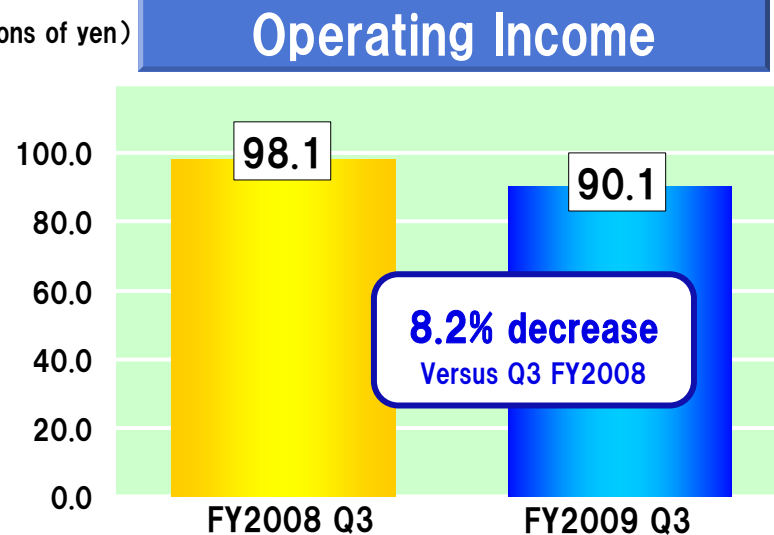
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Overview of FY2009 Q3 Results

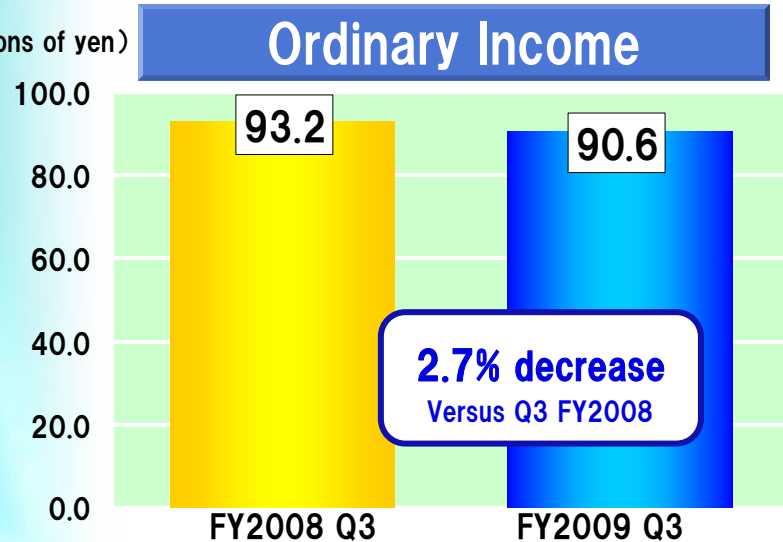
(Billions of yen)



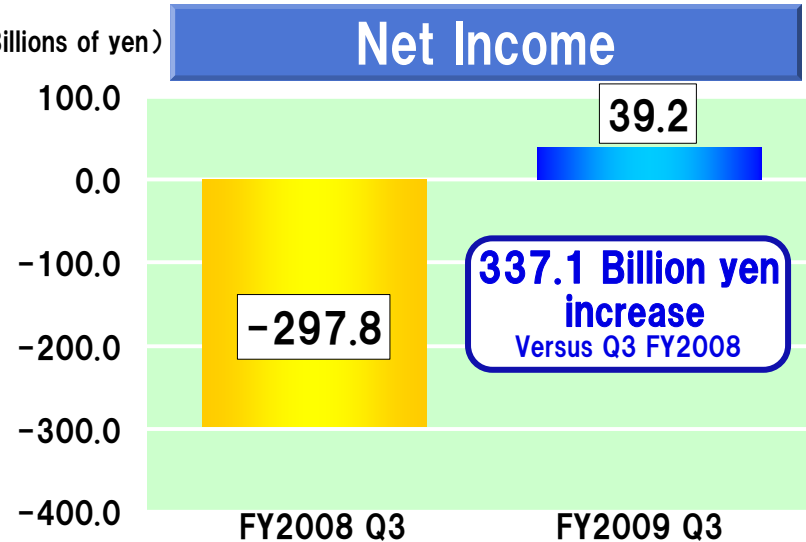
(Billions of yen)



(Billions of yen)



(Billions of yen)



Overview of FY2009 Q3 Results

- compared with FY2008 Q3 results -

(Billions of yen, ratio to sales)

	FY2008 Q3 YTD Results			FY2009 Q3 YTD Results (Apr-Dec)					
	(Apr-Dec) (1)	Goodwill amortization etc. on Ranbaxy	exc.Ranbaxy (2)	(3)	Simple Comparison (3)-(1)	Ranbaxy Jan-Sep Results	Goodwill amortization etc. on Ranbaxy	exc.Ranbaxy (4)	Real term Comparison (4)-(2)
Net Sales	100.0% 627.6		100.0% 627.6	100.0% 725.7	98.0	100.0% 102.2		100.0% 623.5	-4.1
Cost of Sales	24.0% 150.8		24.0% 150.8	29.3% 212.7	61.9	56.2% 57.4		24.9% 155.3	4.5
SG&A expenses	39.8% 249.6	5.5	38.9% 244.1	38.8% 281.2	31.6	38.0% 38.8	4.5	38.2% 237.9	-6.2
R&D expenses	20.6% 129.2		20.6% 129.2	19.5% 141.7	12.5	6.7% 6.8		21.6% 134.9	5.7
Total Expense	60.4% 378.8	5.5	59.5% 373.3	58.3% 422.9	44.2	44.6% 45.6	4.5	59.8% 372.8	-0.5
Operating Income	15.6% 98.1	-5.5	16.5% 103.5	12.4% 90.1	-8.0	-0.8% -0.8	-4.5	15.3% 95.4	-8.2
Ordinary Income	14.8% 93.2	-5.5	15.7% 98.7	12.5% 90.6	-2.5	-2.1% -2.1	-4.5	15.6% 97.3	-1.4
Net Income	-47.5% -297.8	-359.5	9.8% 61.7	5.4% 39.2	337.1	-2.9% -2.9	-1.0	6.9% 43.1	-18.5

Consolidated Year-on-Year Comparisons

1. Net Sales ¥725.7 billion (+¥98.0 billion, +15.6%)

- Sales from continuing operations (-¥4.1 billion) –forex impact -¥24.0 billion~
 - Olmesartan (+¥17.9 billion) ● Loxonin (+¥6.7 billion) ● Effient/Efient (+¥1.2 billion)
 - Levofloxacin (-¥9.7 billion) ● Pravastatin (-¥4.0 billion) ● Panaldine (-¥2.8 billion)
 - Azor (one-time payment received in 2008 (-¥4.7 billion))
- Ranbaxy (+¥102.2 billion)
 - Ranbaxy sales by geographic segment:
North America (21%), India (21%), Europe (18%), Other regions (40%)

2. Operating Income ¥90.1 billion (-¥8.0 billion, -8.2%)

- Operating income from continuing operations (-¥8.2 billion)
 - Gross profit decline (-¥8.6 billion)
 - Mainly because of higher cost of sales ratio, reflecting greater unit sales and yen appreciation
 - SG&A expenses (-¥6.2 billion)
 - Mainly lower expenses at Daiichi Sankyo, Inc
 - R&D expenses (+¥5.7 billion)
 - Higher spend for big projects such as Edoxaban
- Operating income related to Ranbaxy (+¥200 million)
 - Ranbaxy operating loss (-¥800 million)
 - Goodwill and intangible assets amortization (-¥1.0 billion)

Consolidated Year-on-Year Comparisons

3. Ordinary Income ¥90.6 billion (-¥2.5 billion, -2.7%)

■ Non-operating income (¥19.1 billion)

- Ranbaxy-related (¥12.4 billion) • Gain on valuation of derivatives, etc.
- Unrelated to Ranbaxy (¥6.7 billion)

■ Non-operating expenses (¥18.5 billion)

- Ranbaxy-related (¥13.8 billion) • Realized losses from derivatives
- Unrelated to Ranbaxy (¥4.7 billion)

4. Net Income ¥39.2 billion (+¥337.1 billion*)

■ Extraordinary income (¥3.8 billion)

- Gain on sales of fixed assets (¥1.9 billion)

■ Extraordinary losses (¥3.5 billion)

- Gain on sales of investment securities (¥1.8 billion)
- Restructuring losses (¥1.8 billion)
- Loss on sale of fixed assets (¥700 million)

■ Income Taxes (¥52.8 billion)

- Amendment of income taxes for the previous fiscal year (¥7.5 billion)
- Non-application of R&D tax credits on parent, etc.

■ Minority interests in loss (-¥1.0 billion): 64% stake in Ranbaxy

*In FY2008 we posted a net loss of ¥297.8 billion because of a ¥354.0 billion impairment loss related to the purchase of Ranbaxy shares

Overview of FY2009 Forecast

(Billions of yen, ratio to sales)

	FY2009 Forecast (as of Oct) (1)	FY2009 Latest Forecast		
		(2)	(2)-(1)	note
Net Sales	100.0% 960.0	100.0% 960.0	0.0	<ul style="list-style-type: none"> Positive: Overseas subsidiaries Negative: Domestic prescription drugs
Cost of Sales	29.5% 283.0	29.7% 285.0	2.0	<ul style="list-style-type: none"> Deteriorating cost ratio from business mix change
SG&A expenses	40.3% 387.0	40.1% 385.0	-2.0	<ul style="list-style-type: none"> Ongoing structural improvements
R&D expenses	20.2% 194.0	20.2% 194.0	0.0	
Total Expense	60.5% 581.0	60.3% 579.0	-2.0	
Operating Income	10.0% 96.0	10.0% 96.0	0.0	
Ordinary Income	7.2% 69.0	10.4% 100.0	31.0	<ul style="list-style-type: none"> Improvements in Ranbaxy's valuation gain/loss on derivatives due to rupee appreciation against US dollar October forecast based on forex rate at end-Mar 09 updated forecast based on forex rate at end-Dec 09
Net Income	4.2% 40.0	4.7% 45.0	5.0	<ul style="list-style-type: none"> Modest net income increment largely due to more income tax adjustment, reflecting amended tax calculation for previous fiscal year and non-application of R&D tax credits

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Sales of Major Products (Calculated in Yen)

(Billions of yen)

		FY2008 Q3 YTD Results	FY2009 Forecast			FY2009 Q3 YTD Results		YoY
			Forecast (as of Oct)	Latest Forecast		Apr-Dec Results	progress	
				(as of Jan)	from Oct forecast			
GLOBAL	Olmesartan antihypertensive	162.2	240.0	238.0	-2.0	180.1	75.7%	17.9
	Levofloxacin synthetic antibacterial agent	75.1	88.5	84.5	-4.0	65.4	77.4%	-9.7
	Pravastatin antihyperlipidemic agent	48.5	56.0	56.0		44.5	79.5%	-4.0
	Prasugrel antiplatelet * alliance revenue	-	-	-	-	1.2	-	1.2
Japan	Calblock antihypertensive	9.4	15.0	14.0	-1.0	10.8	77.1%	1.4
	Artist antihypertensive	17.0	24.0	24.0		18.3	76.4%	1.3
	Kremezin treatment for chronic renal failure	9.9	14.0	14.0		10.5	75.3%	0.6
	Loxonin anti-inflammatory analgesic	30.4	52.5	50.0	-2.5	37.0	74.1%	6.7
	Omnipaque contrast agent	22.6	28.0	28.0		21.8	77.9%	-0.8
	Urief treatment for dysuria	5.7	10.0	9.5	-0.5	7.0	74.0%	1.3
U.S.	Venofer treatment for iron deficiency anemia	25.2	31.0	31.0		24.1	77.8%	-1.1
	Welchol antihyperlipidemic agent / treatment for type 2 diabetes	19.2	27.0	27.0		20.7	76.7%	1.5

Sales of Major Products (Local Currency Basis)

		FY2008 Q3 YTD Results	FY2009 Forecast			FY2009 Q3 YTD Results		YoY
			Forecast (as of Oct)	Latest Forecast		Apr-Dec Results	progress	
				(as of Jan)	from Oct forecast			
Daiichi Sankyo, Inc. <US> (Mil \$)	Benicar/Benicar HCT	659	927	950	22	716	77.2%	57
	Azor	62	140	140		105	75.1%	43
	Welchol	186	291	291		221	76.0%	35
Daiichi Sankyo Europe GmbH (Mil euro)	Olmotec/Olmotec Plus	184	312	310	-2	214	68.7%	30
	Sevikar	9	42	42		32	77.1%	23
Luitpold Pharmaceuticals, Inc. <US> (Mil \$)	Venofer	245	334	334		258	77.1%	13

R&D Pipeline Update

■ Progress on Development Phases

■ CS-8635 (EU)

Olmesartan, Amlodipine, Hydrochlorothiazide combination
(P3→Application)

■ CS-866AZ (JP) Brand name : Rezaltas

Olmesartan, Azelnidipine combination (Application → Approved)

Development Pipeline

	Phase 1	Phase 2	Phase 3	Application
Cardiovascular diseases	- DB-772d	- Olmetec/diuretic Combo (#)	- <u>Edoxaban</u> - <u>Prasugrel (ACS-MM)</u>	- Olmetec/Calblock Combo (#) → - <u>CS-8635</u>
Glucose metabolic disorders	- CS-1036 (#)			
Infectious diseases			- Laninamivir (CS-8958)	- Levofloxacin inj (#)
Malignant neoplasm	- U3-1287	- Tigatuzumab - Nimotuzumab (#) - ARQ 197 - CS-7017		
Immunological allergic diseases	- CS-0777	- SUN13834		
Bone / joint diseases			- <u>Denosumab (#)</u>	- Loxonin gel (#)
Others		- Sonazoid additional indication (#) <Contrast for prostatic lesion/ Contrast for mam mary lesion>	- Human ghrelin - Memantine (#)	- Silodosin
Total	4	7	6	4

- Only the most advanced stages are described for the projects under global development
- Prioritized projects are underlined (blue)
- # : Developed only in JPN

FY2009 Daiichi Sankyo Briefings

	Date (JST)
2nd mid-term business management plan (2010-2012)	Friday March 12, PM 4:00
FY2009 Financial Results	Wednesday May 12 - Disclose Thursday May 13 - Briefing session

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