



January 31, 2012

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

Listed company name: Daiichi Sankyo Company, Limited  
 Listed exchanges: First Section of the Tokyo, Osaka, and Nagoya stock exchanges  
 Stock code number: 4568  
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Scheduled date of Quarterly Report filing: February 10, 2012

Scheduled date of dividend payments: –

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

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

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

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

(from April 1, 2011 to December 31, 2011)

#### (1) Consolidated Financial Results

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
First nine months of fiscal 2011	696,403	(6.9)	91,872	(23.8)	86,418	(33.8)
First nine months of fiscal 2010	748,056	3.1	120,631	33.9	130,607	44.1

Note: Comprehensive income: First nine months of fiscal 2011: (32,331) million yen [–%]  
 First nine months of fiscal 2010: 45,388 million yen [–%]

	Net income		Basic net income per share	Diluted net income per share
	Millions of yen	%	Yen	Yen
First nine months of fiscal 2011	17,542	(78.0)	24.92	24.89
First nine months of fiscal 2010	79,663	103.0	113.17	113.07

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2011	1,445,552	824,079	54.9
As of March 31, 2011	1,480,240	887,702	57.4

Reference: Equity: As of December 31, 2011: 793,239 million yen As of March 31, 2011: 849,004 million yen

## 2. Dividends

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

Note: Revision of the forecast most recently announced: No

## 3. Forecasts of Consolidated Financial Results for Fiscal 2011

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

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

	Net sales		Operating income		Ordinary income		Net income		Basic net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	940,000	(2.8)	100,000	(18.1)	77,000	(41.6)	15,000	(78.6)	21.31

Note: Revision of the forecasts most recently announced: Yes

## 4. Others

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

Newly included: None Excluded: None

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

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

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

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

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

3) Changes in accounting estimates: No

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

(4) Number of common shares issued

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

As of December 31, 2011	709,011,343 shares
As of March 31, 2011	709,011,343 shares

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

As of December 31, 2011	5,095,223 shares
As of March 31, 2011	5,097,302 shares

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

First nine months ended December 31, 2011	703,912,858 shares
First nine months ended December 31, 2010	703,925,181 shares

\* Indication regarding execution of quarterly review procedures

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

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

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

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

## Attached Material

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## 1. Qualitative Information about Consolidated Results for the First Nine Months

### (1) Qualitative Information about Consolidated Operating Results

#### Consolidated Financial Results

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

	First nine months of fiscal 2010	First nine months of fiscal 2011	Difference from the same period in the previous fiscal year (%)
Net sales	748,056	696,403	-51,652 (-6.9%)
Operating income	120,631	91,872	-28,758 (-23.8%)
Ordinary income	130,607	86,418	-44,188 (-33.8%)
Net income	79,663	17,542	-62,120 (-78.0%)

Exchange rates in the first nine months of fiscal 2011: ¥79.00/USD, ¥110.62/EUR, ¥1.79/INR

Exchange rates in the first nine months of fiscal 2010: ¥86.53/USD, ¥113.31/EUR, ¥1.96/INR

In the nine months from April 1 to December 31, 2011, Daiichi Sankyo and its consolidated subsidiaries (“the Group”) posted net sales of ¥696.4 billion, a year-on-year decrease of 6.9%. There was steady growth in products such as the antihypertensive agent olmesartan, the anti-inflammatory analgesic *Loxonin*<sup>®</sup>, the pediatric vaccine for the prevention of infection *ActHIB*<sup>®</sup>, and the antiplatelet agent *Effient*<sup>®</sup>. Also making a contribution towards sales were two products newly launched in Japan during the current period: *Memary*<sup>®</sup>, an N-methyl-D-aspartate (NMDA) receptor antagonist for the treatment of Alzheimer’s Disease, and *NEXIUM*<sup>®</sup>, a proton pump inhibitor for the treatment for gastric ulcer, duodenal ulcer, reflux esophagitis, etc. However, net sales fell by ¥51.7 billion, due to factors including a ¥26.0 billion negative effect from foreign exchange owing to the stronger yen, a sales decline following the return of domestic marketing rights in certain products, and a decrease in net sales of Ranbaxy Laboratories Ltd. (“Ranbaxy<sup>1</sup>”).

Operating income decreased 23.8% to ¥91.9 billion. Although cost cutting was achieved as a result of group-wide revision of profit structures, and SG&A and R&D expenses overseas decreased due to the stronger yen, the drop in net sales had a big impact on gross profit, causing operating income to decline ¥28.8 billion.

Ordinary income decreased 33.8% to ¥86.4 billion. The decrease of ¥44.2 billion was the result of the recording of foreign exchange losses and loss on valuation of derivatives at Ranbaxy under non-operating expenses.

Net income declined 78.0% to ¥17.5 billion. There was a decrease of ¥62.1 billion, mainly due to the recording of ¥40.3 billion in extraordinary losses in the third quarter, following Ranbaxy’s announcement made on December 21, 2011, that it has made a provision of US\$500 million in connection with the issues Ranbaxy has with the U.S. Department of Justice (DOJ).

In the nine months ended December 31, 2011, in addition to the previously mentioned *Memary*<sup>®</sup> and *NEXIUM*<sup>®</sup>, the Group also launched the direct oral factor Xa inhibitor *Lixiana*<sup>®</sup> for the prevention of venous thromboembolism in patients undergoing major orthopedic surgery. The Group also commenced co-promotion in Japan of *Rotarix*<sup>®</sup> oral liquid formulation, a vaccine for the prevention of rotavirus gastroenteritis launched by GlaxoSmithKline K.K., while in the U.S., it commenced co-promotion of *Zelboraf*<sup>®</sup>, a personalized treatment for metastatic melanoma launched by the Roche Group.

Furthermore, concerning the factories of Daiichi Sankyo Propharma Co., Ltd. that were damaged by

<sup>1</sup> Due to the difference in fiscal year-end, Ranbaxy’s results included in the Group’s FY2011 Q3 YTD are those of Jan.–Sep. 2011.

the March 11, 2011 Great East Japan Earthquake, Hiratsuka factory restarted its manufacturing operations in April of the same year, while the Onahama factory restarted operations in late August. Following the recent disaster, the Group has taken this opportunity to promote a thorough review of its Business Continuity Plan (BCP).

## [Reporting Segments]

### i. Daiichi Sankyo Group

The Daiichi Sankyo Group posted net sales of ¥582.6 billion, a year-on-year decline of 5.1%.

#### a. Japan

Net sales in Japan decreased 6.4% year on year to ¥376.8 billion.

Sales of prescription drugs declined 3.7% to ¥323.8 billion. While the Group achieved the growth of key products including anti-inflammatory analgesic *Loxonin<sup>®</sup> Tape* and antihypertensive agent *Rezaltas<sup>®</sup>*, as well as the launch of *Memary<sup>®</sup>* and *NEXIUM<sup>®</sup>*, among other factors, overall sales were influenced by the return of domestic marketing rights of certain products to their licensors.

Sales from royalty income and exports to overseas fell 51.0% year on year to ¥14.5 billion due to the decline in sales from exports of levofloxacin, a synthetic antibacterial agent, following the expiration of marketing exclusivities in various countries, and the stronger yen.

Net sales of healthcare (OTC) products totaled ¥36.1 billion, gaining 5.7% year on year. This was due to higher sales of anti-inflammatory analgesic *Loxonin S*, a prescription-to-OTC switch formulation.

#### b. North America

Net sales in North America declined 4.1% year on year to ¥136.2 billion. In addition to the growth from *Effient<sup>®</sup>* and others, *Zelboraf<sup>®</sup>* related income in Plexxikon Inc., which was acquired during the current period, also benefited sales. However, net sales fell due to the impact of the strong yen, the decline in sales of the antihypertensive agent *Benicar<sup>®</sup>*, and other factors.

#### c. Europe

Net sales in Europe decreased 0.8% year on year to ¥49.1 billion. The decline reflected the effect of a stronger yen, despite expansion in sales of antihypertensive agents *Sevikar<sup>®</sup>*, *Sevikar HCT<sup>®</sup>* and others.

#### d. Other regions

In other regions, net sales rose 3.1% year on year to ¥20.4 billion. The increase was due to net sales increases mainly in South Korea, Venezuela and Brazil, in addition to the contribution from the start of sales through the Group's own sales network in Mexico.

### ii. Ranbaxy Group

Net sales of the Ranbaxy Group fell 15.0% year on year to ¥113.9 billion, primarily due to the impact of the strong yen and significantly lower U.S. sales of the antiviral drug valacyclovir, which had a large contribution to the results in the first nine months of FY2010, despite the contribution from donepezil, a treatment for Alzheimer's Disease, in the U.S.

## (2) Qualitative Information about Consolidated Financial Position

As of December 31, 2011, net assets were ¥824.1 billion (down ¥63.6 billion from the previous year-end), total assets stood at ¥1,445.6 billion (down ¥34.7 billion from the previous year-end), and the equity ratio was 54.9% (57.4% for the previous year-end).

Net assets decreased as a result of factors including the payment of dividends and a decline in assets of overseas subsidiaries because of the strong yen.

Total assets decreased from the previous year-end, mainly due to the decline in net assets and the redemption of corporate bonds of Ranbaxy.

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

The differences from the forecasts of consolidated results for FY2011 publicly announced on December 21, 2011 are shown below.

Full year

	Net sales	Operating income	Ordinary income	Net income	Basic net income per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecasts (A)	930,000	100,000	90,000	26,000	36.94
Revised forecasts (B)	940,000	100,000	77,000	15,000	21.31
Change (B-A)	10,000	0	(13,000)	(11,000)	
Percentage of change (%)	1.1	0.0	(14.4)	(42.3)	
(Reference) Results of previous fiscal year (FY2010)	967,365	122,143	131,762	70,121	99.62

(Reason for the revision)

With respect to net sales, we expect further intensification of competition and cooling in the Japanese prescription drugs market ahead of the NHI price revision in April as factors decreasing sales, while on the other hand, Ranbaxy's launch in the U.S. of the antihyperlipidemic agent atorvastatin is expected to contribute to an increase in sales. As a result, the net sales forecast has been upwardly revised by ¥10.0 billion to ¥940.0 billion.

The operating income forecast has not been changed from the previously announced figure of ¥100.0 billion because we are factoring in the effect of the expected decline in sales in Japan, despite our expectations of a sales contribution from atorvastatin.

On the other hand, the ordinary income forecast has been revised to ¥77.0 billion, down ¥13.0 billion from the previously announced figure, because we expect to continue recording foreign exchange losses and loss on valuation of derivatives in the fourth quarter due to the depreciation of the Indian rupee against the U.S. dollar.

The net income forecast has been revised to ¥15.0 billion, down ¥11.0 billion from the previously announced figure. The revision reflects the decrease in ordinary income, as well as an expected increase in accounting tax costs due to the reversal of previously recorded deferred tax assets, triggered by the government's decision to cut the corporate tax rate in Japan.

There is no change in the year-end dividend forecast of ¥30 per share.

## **2. Other Information**

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

Not applicable.

### **(2) Application of Specific Accounting Methods for Preparing the Quarterly Consolidated Financial Statements**

Taxes are computed first by reasonably estimating the effective tax rate after applying tax effect accounting against income before income taxes and minority interests for the fiscal year including the nine months under review, and next by multiplying the quarterly net income before income taxes and minority interests by such estimated effective tax rate.

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

Not applicable.

### **(4) Additional Information**

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



### 3. Quarterly Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2011	As of December 31, 2011
<b>ASSETS</b>		
Current assets		
Cash and time deposits	262,037	87,986
Trade notes and accounts receivable	205,590	222,005
Marketable securities	157,653	185,121
Inventories	142,792	155,894
Deferred tax assets	90,245	82,151
Other current assets	38,075	40,000
Allowance for doubtful accounts	(2,319)	(2,175)
Total current assets	894,075	770,984
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	119,962	126,889
Machinery, equipment and vehicles, net	46,706	44,764
Land	38,407	37,021
Construction in progress	20,599	31,314
Other, net	12,034	12,389
Total property, plant and equipment	237,710	252,379
Intangible assets		
Goodwill, net	67,316	83,556
Other intangible assets, net	89,606	152,034
Total intangible assets	156,923	235,591
Investments and other assets		
Investment securities	102,416	105,726
Deferred tax assets	73,245	67,070
Other	16,149	14,110
Allowance for doubtful accounts	(281)	(311)
Total investments and other assets	191,531	186,597
Total non-current assets	586,164	674,568
Total assets	1,480,240	1,445,552

(Millions of yen)

	As of March 31, 2011	As of December 31, 2011
<b>LIABILITIES</b>		
Current liabilities		
Trade notes and accounts payable	58,407	59,242
Current portion of convertible bond-type bonds with subscription rights to shares	46,020	–
Short-term bank loans	29,342	54,293
Income taxes payable	7,545	8,819
Allowance for sales returns	1,244	1,709
Allowance for sales rebates	1,623	1,984
Provision for loss on disaster	4,570	3,540
Provision for settlement expenses	–	38,315
Asset retirement obligations	178	212
Other current liabilities	158,019	163,975
Total current liabilities	306,952	332,092
Long-term liabilities		
Bonds payable	100,000	100,000
Long-term debt	124,036	103,735
Deferred tax liabilities	28,463	53,534
Accrued employees' severance and retirement benefits	11,541	9,555
Accrued directors' severance and retirement benefits	155	170
Other long-term liabilities	21,388	22,385
Total long-term liabilities	285,585	289,381
Total liabilities	592,537	621,473
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	50,000	50,000
Capital surplus	105,194	105,194
Retained earnings	774,274	749,575
Treasury stock, at cost	(14,581)	(14,566)
Total shareholders' equity	914,888	890,202
Accumulated other comprehensive income		
Net unrealized gain or loss on investment securities	16,559	16,457
Deferred gains or losses on hedges	1,193	667
Foreign currency translation adjustments	(83,636)	(114,088)
Total accumulated other comprehensive income	(65,883)	(96,962)
Subscription rights to shares	3,544	3,575
Minority interests	35,153	27,263
Total net assets	887,702	824,079
Total liabilities and net assets	1,480,240	1,445,552

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

(Millions of yen)

	First nine months of fiscal 2010 (From April 1, 2010 to December 31, 2010)	First nine months of fiscal 2011 (From April 1, 2011 to December 31, 2011)
Net sales	748,056	696,403
Cost of sales	213,063	200,540
Gross profit	534,992	495,862
Selling, general and administrative expenses	414,361	403,990
Operating income	120,631	91,872
Non-operating income		
Interest income	2,801	2,059
Dividend income	2,758	2,642
Gain on valuation of derivatives	8,822	–
Other income	3,171	3,556
Total non-operating income	17,554	8,257
Non-operating expenses		
Interest expense	4,266	3,053
Loss on valuation of derivatives	–	4,155
Foreign exchange losses	213	3,772
Equity in net losses of affiliated companies	194	163
Other expenses	2,904	2,565
Total non-operating expenses	7,578	13,711
Ordinary income	130,607	86,418
Extraordinary income		
Gain on sales of non-current assets	4,551	1,814
Gain on change in equity	76	116
Gain on sales of investment securities	3,002	–
Gain on sales of subsidiaries and affiliates' stocks	814	–
Other income	96	200
Total extraordinary income	8,541	2,131

(Millions of yen)

	First nine months of fiscal 2010 (From April 1, 2010 to December 31, 2010)	First nine months of fiscal 2011 (From April 1, 2011 to December 31, 2011)
Extraordinary losses		
Loss on disposal of non-current assets	984	1,812
Provision for settlement expenses	–	40,330
Loss on disaster	–	2,237
Loss on abandonment of inventories	–	1,677
Loss on business restructuring	482	1,279
Environmental expenses	581	319
Loss on impairment of long-lived assets	1,034	308
Loss on valuation of investment securities	3,114	175
Loss on valuation of investments in affiliates	1,176	–
Provision for contingent losses	202	–
Loss on adjustment for changes of accounting standard for asset retirement obligations	139	–
Other losses	581	–
Total extraordinary losses	8,297	48,139
Income before income taxes and minority interests	130,850	40,410
Income taxes	42,709	37,921
Income before minority interests	88,141	2,489
Minority interests in net income (loss) of consolidated subsidiaries	8,477	(15,053)
Net income	79,663	17,542

## Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	First nine months of fiscal 2010 (From April 1, 2010 to December 31, 2010)	First nine months of fiscal 2011 (From April 1, 2011 to December 31, 2011)
Income before minority interests	88,141	2,489
Other comprehensive income		
Net unrealized gain or loss on investment securities	(9,150)	(104)
Deferred gains or losses on hedges	204	(822)
Foreign currency translation adjustments	(33,486)	(33,523)
Share of other comprehensive income of associates accounted for using equity method	(321)	(370)
Total other comprehensive income	(42,752)	(34,820)
Comprehensive income	45,388	(32,331)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	40,004	(13,558)
Comprehensive income attributable to minority interests	5,383	(18,773)

### (3) Notes related to Assumption of Going-Concern

Not applicable.

### (4) Segment Information

#### I. First nine months of fiscal 2010 (from April 1, 2010 to December 31, 2010)

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

(Millions of yen)

	Daiichi Sankyo Group	Ranbaxy Group	Total
Net sales			
Outside customers	614,093	133,962	748,056
Inter-segment sales and transfers	46	203	249
Total	614,140	134,165	748,305
Segment profit	100,275	37,672	137,947

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

(Millions of yen)

Profit	Amount
Reporting segment total	137,947
Amortization of allocated acquired cost	(2,677)
Amortization of goodwill	(1,812)
Adjustment for sales of investment securities	(2,101)
Elimination of intersegment transactions	(235)
Other adjustments	(270)
Income before income taxes and minority interests stated in consolidated statements of income	130,850

#### II. First nine months of fiscal 2011 (from April 1, 2011 to December 31, 2011)

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

(Millions of yen)

	Daiichi Sankyo Group	Ranbaxy Group	Total
Net sales			
Outside customers	582,550	113,853	696,403
Inter-segment sales and transfers	464	672	1,137
Total	583,014	114,526	697,540
Segment profit	85,796	1,185	86,982

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

(Millions of yen)

Profit	Amount
Reporting segment total	86,982
Amortization of allocated acquired cost	(2,445)
Amortization of goodwill	(1,809)
Provision for settlement expenses	(40,330)
Elimination of intersegment transactions	(1,702)
Other adjustments	(285)
Income before income taxes and minority interests stated in consolidated statements of income	40,410

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

Not applicable.