Daiichi-Sankyo

ANNUAL REPORT 2011

DAIICHI SANKYO CO., LTD.

Contents

Information in this Annual Report is as of July 2011.

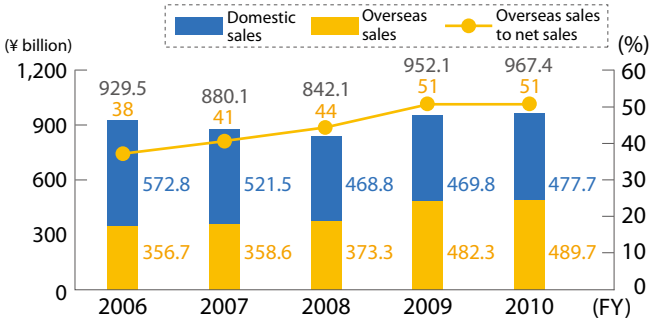
Consolidated Financial Highlights

DAIICHI SANKYO COMPANY, LIMITED and Consolidated Subsidiaries

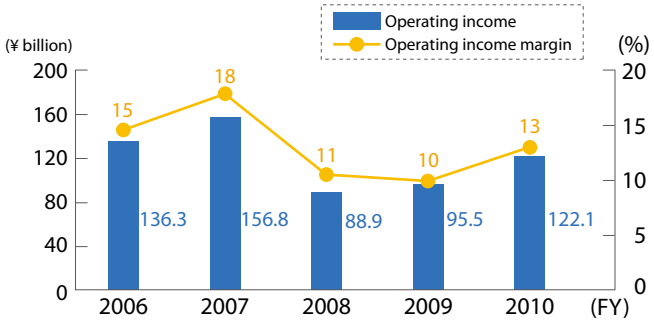
	Millions of yen					Millions of U.S. dollars*
	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006	**FY 2010**
Net sales	**¥967,365**	¥952,106	¥842,147	¥ 880,120	¥929,507	**$11,655**
Operating income	**122,144**	95,509	88,871	156,827	136,314	**1,472**
Net income (loss)	**70,121**	41,852	(215,499)	97,660	78,550	**845**
Overseas sales	**489,734**	482,337	373,254	358,639	356,701	**5,900**
Overseas sales to net sales (%)	**51**	51	44	41	38	**51**
R&D expenses	**194,330**	196,803	184,539	163,472	170,662	**2,341**
R&D expenses to net sales (%)	**20**	21	22	19	18	**20**
Depreciation and amortization expense	**43,946**	45,942	40,582	38,733	39,987	**529**
Total assets	**1,480,240**	1,489,510	1,494,600	1,487,889	1,636,835	**17,834**
Total net assets	**887,703**	889,508	888,617	1,244,513	1,272,148	**10,695**
Return on shareholders' equity (%)	**8.2**	4.9	(20.5)	7.8	6.3	**8.2**
Net income (loss) per share of common stock (yen and U.S. dollars)	**¥99.62**	¥59.45	¥(304.22)	¥135.35	¥107.75	**$1.20**
Cash dividends per share (yen and U.S. dollars)	**60.0**	60.0	80.0	70.0	60.0	**0.72**

* The U.S. dollar amounts represent translations of Japanese yen, solely for convenience, at the rate of ¥83=US$1.00, the approximate exchange rate prevailing on March 31, 2011.

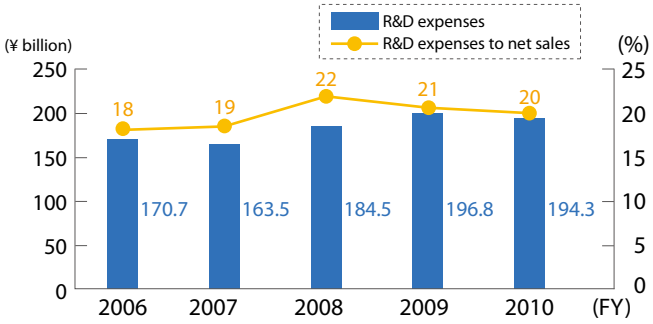
■ **Net Sales / Overseas Sales to Net Sales**



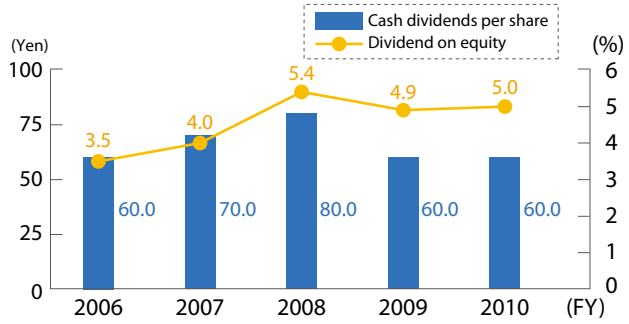
■ **Operating Income / Operating Income Margin**



■ **R&D Expenses / R&D Expenses to Net Sales**



■ **Cash Dividends per Share / Dividend on Equity**



Interview with the President

Daiichi Sankyo's Management and Priority Initiatives in Fiscal Year 2011

Joji Nakayama
Representative Director,
President and CEO

Q1

Please tell us about Daiichi Sankyo's results in fiscal year 2010.

Our business continued to grow both inside and outside of Japan in fiscal year 2010. While our sales increased 1.6% over the previous year to 967.4 billion yen, we recorded major improvements in profitability, with operating income up 27.9% to 122.1 billion yen and net income up 67.5% to 70.1 billion yen.

We faced a difficult business environment in fiscal year 2010 due to a number of factors. Downward revisions in drug prices in Japan and the exceptionally strong yen negatively impacted earnings by 30 billion yen and 29 billion yen, respectively. Other challenging factors included the launch of generic versions of losartan, a competitor to our olmesartan, in the U.S. ARB* market , the return of sales rights on certain products** in Japan, and the decline in export sales of levofloxacin, where our marketing exclusivity was about to expire. I consider the growth, which more than compensated for these factors, to be a tremendous achievement.

In the Japanese business, we launched new products in fiscal year 2010 such as the antihypertensive agent, *Rezaltas*, and the anti-influenza *Inavir*. We also saw stronger sales of the antihypertensive agent, *Olmetec*, and the anti-inflammatory analgesic, *Loxonin*. These successes drove the 33.7 billion yen increase in sales over the previous fiscal year.

In businesses outside of Japan, sales increased 18.1 billion yen over the previous year. Daiichi Sankyo, Inc. (DSI), one of our U.S. subsidiaries, achieved a slight increase in sales in the antihypertensive olmesartan franchise, which includes products such as *Benicar* and *Benicar HCT*. Sales of the antihyperlipidemic agent and treatment for type 2 diabetes *Welchol* in powder form also grew, and we saw strong alliance revenue from the antiplatelet agent, *Effient*. As a result, DSI delivered a total increase in sales of 8.3 billion yen. Another U.S. subsidiary, Luitpold Pharmaceuticals, Inc. (LPI), recorded a slight increase in sales of its mainstay anemia treatment, *Venofer*, and we saw a contribution from sales of the products of PharmaForce, Inc., which LPI had acquired in December 2009. As a result, LPI's sales increased by a total of 6.3 billion yen over the previous fiscal year.

At our Indian subsidiary, Ranbaxy Laboratories, Ltd. (Ranbaxy), sales grew by 25.4 billion yen over the previous fiscal year due to a significant contribution from the antiviral drug valaciclovir during its exclusivity period in the U.S. and the launch of another first-to-file (FTF) product, the Alzheimer's treatment, donepezil. These products gave a major boost to the Group's growth.

* Angiotensin II receptor blocker

** Return of Japanese sales rights on the anti-platelet agent, *Panaldine*, and the non-steroidal anti-inflammatory analgesic, *Mobic*

Q2

What is your assessment of fiscal year 2010, as the first year of the Second Mid-Term Business Plan? What are your business policies for fiscal year 2011?

It is crucial to manage a company with a view to 10 or even 20 years out. This idea is particularly important for us at Daiichi Sankyo since R&D in pharmaceuticals represents a major time investment, and also because we are building a new business model. In that sense, I have been focused on taking the first steps needed to prepare for longer term growth in fiscal year 2010 and fiscal year 2011.

As you know, in developed countries, populations are aging, economic growth is slowing down, and medical costs and drug prices are being held down as generic drugs penetrate the market. At the same time, standards for determining the safety and efficacy of drugs are growing stricter around the world, which is making it more challenging than ever to create high-potential innovative pharmaceuticals.

Given these sweeping changes and to address diversifying medical needs, we have designated innovative pharmaceuticals, established pharmaceuticals (generic drugs and off-patent, long-listed drugs),

vaccines, and OTC drugs (over-the-counter drugs) as our core businesses. In fiscal year 2010, I believe that we reinforced the foundations for the medium- to long-term growth of these businesses.

In the innovative pharmaceuticals business, we launched new products such as *Rezaltas* and *Inavir* in Japan, the antihypertensive agent, *Tribenzor*, in the U.S., and the antihypertensive agent, *Sevikar HCT*, in Europe. All of these are performing well. Moreover, thanks to steady progress with our late-stage pipeline and the in-licensing of products, we expect to obtain approval for and launch four innovative products in fiscal year 2011 in Japan. On the R&D side, we laid the groundwork for future growth while expanding our pipeline in the oncology field and reinforcing our research organization by acquiring Plexxikon Inc (Plexxikon).

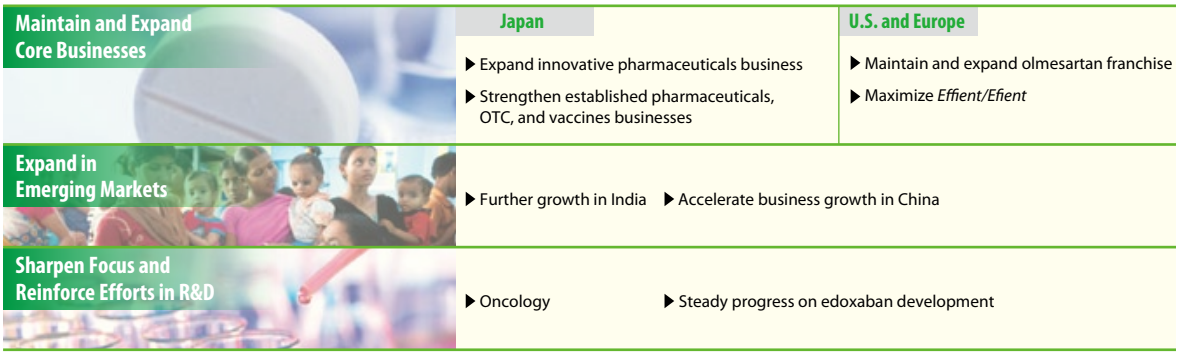
We are also steadily developing our platform in the established pharmaceuticals business in Japan, where Daiichi Sankyo Espha Co., Ltd., began operations in October 2010, as well as in the vaccine business, with the start of operations for Kitasato Daiichi Sankyo Vaccine Co., Ltd., in April 2011 (see right).

In fiscal year 2011, one of our critical tasks will be expanding the innovative pharmaceuticals business in Japan by keeping up the steady launch of new products. We will also continue to focus on increasing sales and enhancing profitability by optimizing the value of existing products. We will start new initiatives in high-potential emerging markets, particularly India and China, and we will expand the pipeline by sharpening focus and reinforcing our efforts in R&D (see below).

● Achievements in Fiscal Year 2010

- **Launch of new products**
  - ◇ Japan: *Rezaltas*, *Inavir*, anti-inflammatory analgesic agent *Loxonin* Gel, synthetic antibacterial agent *Cravit* intravenous injections
  - ◇ U.S.: *Tribenzor*
  - ◇ Europe: *Sevikar HCT*
- **Strengthening sales promotion measures for the antiplatelet agent *Effient* in the U.S.**
- **Steady progress with products in late stage of development**
  - ◇ *Memary*, an NMDA receptor antagonist used to treat Alzheimer's disease ⇒ Launched in June 2011
  - ◇ Direct oral Factor Xa inhibitor *Lixiana* ⇒ Launched in July 2011
  - ◇ Anti-RANKL antibody denosumab (Filed in August 2010)
- **In-licensing of proton pump inhibitor *Nexium*** ⇒ Approved in July 2011
- **Oncology pipeline expanded and research capability reinforced with the acquisition of Plexxikon**
- **Launch of Daiichi Sankyo products in emerging markets through collaboration with Ranbaxy**
- **Start of operations of Daiichi Sankyo Espha Co., Ltd.**
- **Agreement on the establishment of a joint venture company between Daiichi Sankyo and the Kitasato Institute**
  ⇒ Kitasato Daiichi Vaccine Co., Ltd., began operations in April 2011

● Key Initiatives in Fiscal Year 2011



Q3

What specific measures will you take to strengthen Daiichi Sankyo's presence in Japan?

I constantly talk about the importance of gaining the No. 1 presence in the Japanese market.

Japan is Daiichi Sankyo's home market, and the population here is rapidly aging. We need to deliver innovative pharmaceuticals that can help patients who are still waiting for treatment. We also intend to make it easier for people to take good care of themselves by offering high-quality OTC drugs. Another priority is to provide affordable, high-quality generic drugs, and vaccines that will ensure the health of children. These are just a few areas where I think we can really make a difference for the people of Japan.

I am confident that we can grow to meet social needs in these areas, and that is precisely what will make us the kind of pharmaceutical company that Japan and the rest of the world truly needs.

In fiscal year 2011, we will take a big step in this direction in our innovative pharmaceuticals business. *Memary*, launched in June 2011, was already a standard treatment in the U.S. and Europe, and had been eagerly awaited by patients and medical institutions in Japan. Unlike other Alzheimer's treatments, *Memary* is an NMDA receptor antagonist that increases the therapeutic options for the treatment of Alzheimer's disease. Edoxaban, a direct oral Factor Xa inhibitor (brand name *Lixiana* in Japan), is an innovative pharmaceutical that we believe will become "best-in-class" for its balance between efficacy and safety in a very competitive field. The market size is not that big for the current indication for post-operative venous thromboembolism that was approved for *Lixiana*, but we believe that the initial launch of this innovative product in Japan is very significant.

Nexium, a proton pump inhibitor in-licensed from AstraZeneca, has already been approved. We expect denosumab, the antibody in-licensed from Amgen Inc., to be approved for an indication for the treatment of bone disorders stemming from bone metastases of cancer in fiscal year 2011. As you can see, we are looking forward to bringing many effective and innovative pharmaceuticals seamlessly to the market.

Marketing of new products requires a great deal of effort, but I think we currently have the best staff in the industry in terms of both quality and quantity. Morale has really been increasing in the workplace in anticipation of all these new products. As we optimize our mainstay olmesartan franchise and expand our lineup of innovative new products, we will focus on the provision of well-targeted information and will accelerate our efforts to capture the top share of the Japanese market.

I am proud to say that our innovative pharmaceuticals business will enhance our market presence and brand strength. We will continue to develop our unique business model in Japan by making the most of the strength of our brand in the OTC drugs, established pharmaceuticals, and vaccine businesses.

Q4

What will support Daiichi Sankyo's short- to medium-term growth?

The olmesartan franchise, which includes fixed-dose combination drugs, will determine our growth in the markets of developed countries

In the short term as well as the medium term, the olmesartan franchise will be the major driver of our growth. It is certainly true that the competitive environment for antihypertensives is becoming more and more challenging, but there are more than 30 million patients, including potential patients, with hypertension in Japan and 75 million in the U.S. Moreover, the market will continue to grow further as the populations age. To make the most of this growth opportunity, we are working to realize the full potential of our olmesartan franchise, including fixed-dosed combination drugs.

In fiscal year 2010, we commenced sales of *Tribenzor*, a three-in-one combination of olmesartan, amlodipine and a diuretic, in the U.S., and we saw sales grow alongside the two-drug combination* *AZOR*. In January 2011, we launched the triple combination drug *Sevikar HCT* in Germany, and we plan to obtain approval for this drug in other European countries going forward.

In Japan, we launched *Rezaltas*, a fixed-dose combination of olmesartan and the calcium channel blocker *Calblock*, in April 2010, introducing another strong driver of the olmesartan franchise. In fiscal year 2011, we would like to see *Olmetec* and *Rezaltas* together grow more than 26% over the previous year to become a blockbuster presence in Japan. We will keep working to grow these mainstay products using our solid marketing structure in Japan.

* Fixed-dose combination drug of olmesartan and amlodipine

Olmesartan holds the key to breaking into emerging markets

Currently, emerging economies are experiencing economic growth, higher income levels, and increasingly urban lifestyles, as well as the beginnings of population aging. Along with these trends comes a much higher risk of chronic diseases. Given these changes, olmesartan is the key to breaking into emerging markets, not just developed countries.

Group companies in the ASCA* region already market olmesartan, and in collaboration with Ranbaxy, we launched the product in India in fiscal year 2009. Going forward, we have further plans to begin selling olmesartan in other countries, including Mexico and various African countries.

In 2011, we will reinforce our marketing efforts in China, which is estimated to have 200 million hypertension patients. We launched olmesartan in China back in 2006, and by 2010 it had been listed in the regional medical insurance lists in 11 provinces, including Shanghai, Beijing and Guangdong. This prompted Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd. to begin a co-promotion with Pfizer Investment Co., Ltd. in January 2011 with the aim of boosting sales in the ARB** market, which is expected to have rapid annual growth of more than 25%.

* Acronym for Asia, South and Central America and in-house term for markets outside Japan, the U.S. and Europe

** Angiotensin II receptor blocker

Q5
What kinds of initiatives are underway in emerging markets?

Vital to think in terms of growth opportunities

I have been responsible for managing subsidiaries outside of Japan since the business integration which created the Daiichi Sankyo Group in 2007. I have overseen subsidiaries in a wide range of regions, from the U.S. and Europe to Central and South America, Southeast Asia and India. These experiences have taught me that there are three key strategies for growth in emerging markets. First, we must understand the unique features and diverse characteristics of each market. Second, we have to cooperate with strong partners. Third, we must allocate resources appropriately as we execute our strategies, including our own resources and those of others, based on growth opportunities.

As I just mentioned, collaborating with strong partners is essential in emerging markets, and we recently welcomed a company that typifies this approach into our Group: Ranbaxy. Daiichi Sankyo and Ranbaxy are building a close partnership to prepare to break into new growth areas around the world together, looking 10 or 20 years ahead. Through this partnership, we have already launched global products of Daiichi Sankyo origin in countries with solid prospects for rapid growth, such as India, Romania, and Singapore, where Daiichi Sankyo has not traditionally had a strong presence. We have also begun working together with Ranbaxy to lay the foundations for long-term growth in South Africa and other African countries, leveraging Ranbaxy's strong sales network.

But let me also say this. Ranbaxy and Daiichi Sankyo are not merely relying on the relationship to generate synergies. Our basic policy in emerging

countries is to capitalize on our respective individual strengths to enhance our presence in these markets, based on a careful assessment of what works best in each one.

Aiming to capture major growth in China

China's pharmaceutical market has achieved stupendous annual growth of some 20% over the past few years. Daiichi Sankyo currently has subsidiaries in Beijing and Shanghai, and our business in China had total sales of about 800 million yuan (10.8 billion yen) in fiscal year 2010.

In fiscal year 2011, we will prioritize marketing efforts for olmesartan in the rapidly growing Chinese market. We plan to leverage the advantages of our local offices and reinforce their marketing skills, as well as devise new measures to strengthen our portfolio using external resources such as introductions, alliances, and M&A. We anticipate that such initiatives will quadruple sales from their current level to 3 billion yuan (approximately 40 billion yen) in fiscal year 2015, thus increasing our stature in China.

Maximizing strengths to achieve Ranbaxy's true potential as a leader in India's market

India is an extremely promising market in terms of both growth potential and scale, especially if one considers the latent market. I believe that capitalizing on Ranbaxy's strengths is the key to growth in this market. Ranbaxy in India and Daiichi Sankyo in Japan both have powerful brands. When Ranbaxy joined the Daiichi Sankyo Group, we understood that Ranbaxy was already a much-admired company in India. It is only natural that we now aspire to see Ranbaxy realize its true potential as a leader in India, in order to meet the public's expectations.

Ranbaxy has been carrying out its Project "Viraat," a series of strategic marketing initiatives to strengthen the company's leadership position in India. It has increased its sales force by 1,000 people, bringing the total to 4,200, and also expanded its product lineup. In order to further strengthen its foundation, Ranbaxy is expanding its business in areas where the company already has a lead, such as urban areas, and in the acute therapy segment. Moreover, to harness its growth potential, Ranbaxy is working to reach outlying regions, as well as the hospital market, and making strides into the chronic therapy segment.

Thanks to these strategies, Ranbaxy's growth in India has already surpassed the market's growth rate. Clearly, Project Viraat is beginning to achieve solid results, the near-term goal of these efforts being to secure Ranbaxy's leadership position in the Indian pharmaceutical market.




Q6
What progress has there been in the collaboration with Ranbaxy?

Our collaboration with Ranbaxy is not limited to the marketing side. In fiscal year 2010, Ranbaxy's drug discovery and research capabilities were integrated with our research function to create an efficient global R&D setup with fully integrated control structures and policy implementation capabilities. We are also pursuing a number of collaborative policies aimed at reinforcing the consolidated business platform over the longer term. These include the manufacture of bulk materials by Ranbaxy under clinical good manufacturing practices (GMP) standards; purchasing of high-quality intermediates at low cost using Ranbaxy's wide procurement network; other cost-reduction programs based on joint procurement of raw materials and other inputs; and initiatives to raise Ranbaxy's manufacturing productivity based on our drug production technology.

Even while anticipating the positive impact of these efforts, we recognize that Ranbaxy's most important challenge is finding a resolution to regulatory issues with the U.S. authorities. Ranbaxy has great growth potential. To achieve this potential, these issues must be resolved as soon as possible, so that we can accelerate the medium- and long-term growth of the Daiichi Sankyo Group.

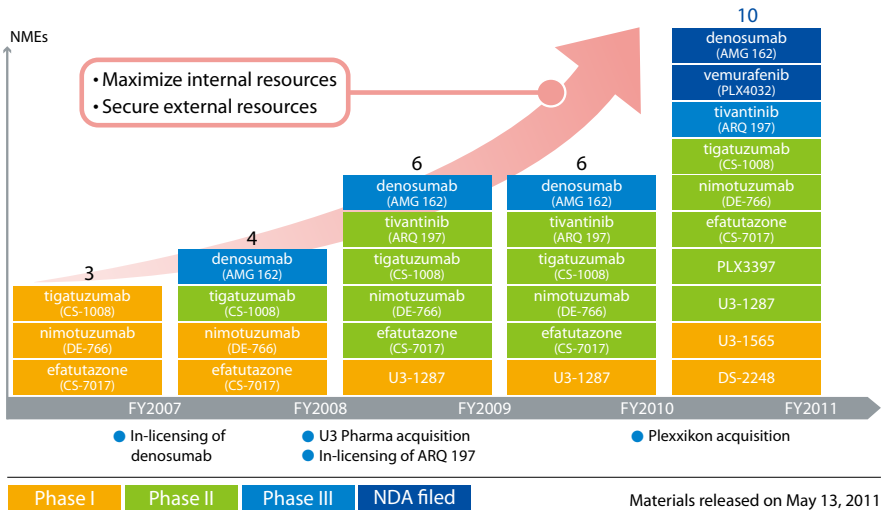
Q7
What progress has been made in R&D?

Oncology pipeline continues to expand

We have always designated oncology as a priority research area for focused efforts to expand our portfolio. We consider this vital to ensuring future growth and competitiveness, as well as to fulfilling unmet medical needs around the world.

We have expanded our oncology pipeline by acquiring U3 Pharma GmbH (U3 Pharma) and in-licensing ARQ 197 from ArQule, Inc. Furthermore, with the addition of Plexxikon to the Group in April 2011, we added very promising new drug candidates, including some in the late stages of development. For instance, we have already filed for approval of the mestatic melanoma investigational drug PLX4032 (generic name: vemurafenib) in an extremely short period in the U.S. and Europe. If this investigational drug is approved as planned, DSI's entry into the oncology market will be accelerated by several years.

● **Steady Progress in the Oncology Pipeline**



Materials released on May 13, 2011

Research capacity stronger than ever

The acquisition of Plexxikon will not only expand the pipeline in the oncology and rheumatism fields, but also help to secure an impressive research foundation built on its drug creation platform, *Scaffold-Based Drug Discovery*, as well as the basic technology needed to work with personalized medicine. The move also gives us access to cutting-edge academic institutions with bases in the San Francisco bay area on the west coast of the U.S.

Daiichi Sankyo's research laboratories will collaborate with Asubio Pharma Co., Ltd., which conducts unique research, India's RCI,* Germany's U3 Pharma in the oncology field, and the U.S.-based Plexxikon. As these companies compete and complement each other, we are steadily strengthening our foundations for drug creation.

* RCI: Daiichi Sankyo Life Science Research Centre in India

Late-stage development making impressive progress

The indications for which edoxaban (brand name *Lixiana* in Japan) and prasugrel (brand name: *Effient/Efient* in the U.S. and Europe) have been approved so far represent only part of the market. We are currently developing edoxaban simultaneously worldwide for the prevention of stroke and systemic embolic events with atrial fibrillation patients, and for the treatment and prevention of recurrent venous thromboembolism in patients with deep vein thrombosis or pulmonary embolisms. We are conducting multinational clinical trials on edoxaban for the former indication in 46 countries and in about 40 countries for the latter indication. We expect the trials to be complete in 2012.

We are also carrying out the TRILOGY ACS trial on patients with acute coronary syndrome to gain an additional indication for prasugrel and bring this product to a wider segment of the market for antiplatelet agents. We also expect this trial to be completed in 2012.

Q8

What are your strategies for the OTC, vaccine, and established pharmaceuticals business, and what progress has been made?

Again, the key is thinking in terms of growth opportunities

I believe it is also important to think in terms of growth opportunities in the OTC, vaccine, and established pharmaceuticals businesses, which each have different characteristics and conditions for success. We should not simply introduce ideas that work for the innovative pharmaceuticals business, but should always assess the critical factors in each business based on strategies tailored to growth opportunities. Our basic approach is to be aware of the differences between the businesses and share our strengths, while building capacity as we practice continuous improvement.

Anti-inflammatory analgesic *Loxonin S* launched as a switch OTC product

One example of how the businesses have shared their strengths is products which have moved from requiring a prescription to become OTC drugs, like the anti-inflammatory analgesic *Loxonin S*, which reached the market in fiscal year 2010. *Loxonin* is a brand that has gained the Japanese public's trust as an innovative pharmaceutical, and is known as a particularly safe and effective anti-inflammatory analgesic. We are very happy that, with the move to OTC, it has been well received by people suffering from pain, as shown by growing sales. We believe that the approval of this high-quality drug as an OTC drug is a sign of the Daiichi Sankyo Group's strength and uniqueness.

The key to growth of established pharmaceuticals is quality; the key to the vaccine business's growth is quality and development strengths

Compared to other countries—particularly developed countries—the percentage of generic drugs prescribed in Japan is still low. Many other companies in our industry also expect generic drugs to spread at a faster rate, but our key belief is that generics must maintain very high quality in Japan. This will be the key to their popularization.

To meet the market need for quality, we will leverage the Daiichi Sankyo Group's quality standards, accurate information provision, and established supply chain to offer superior quality generic drugs that patients can feel confident about using. Going forward, we will also make the most of Ranbaxy's ability to produce low-cost, high-quality products to achieve this goal. We will leverage Group resources to ensure the quality of all of our products and services, with Daiichi Sankyo Espha leading the charge to develop Japan's generic pharmaceuticals market. In June 2011, Daiichi Sankyo Espha launched the first generic drug for which it had obtained manufacturing and marketing approval, and it is steadily building a strong business foundation.

In the vaccine business, Kitasato Daiichi Sankyo Vaccine has started operations. Its mission is to make continuous efforts to develop high quality vaccines that meet the needs of patients, and contribute to improvements in world health and to building a better society for tomorrow. This company is also getting off to a strong and steady start.

Q9
What are your earnings estimates for fiscal year 2011?

In fiscal year 2011, we expect harsh conditions to continue to prevail in markets due to ongoing efforts worldwide to restrain growth in healthcare costs. Among other challenges, we face intensifying competition for our mainstay olmesartan franchise in the U.S.; a decline in export sales of levofloxacin whose marketing exclusivity has expired in the U.S.; the return of Japanese sales rights on certain products; and a decline in Ranbaxy sales. Nevertheless, we expect continuous growth of olmesartan in Japan and Europe, and we have high expectations on the launch of new products such as *Memary* and *Nexium* in Japan. We will move quickly to build up their market presence and maximize sales.

In addition to maintaining the olmesartan franchise and boosting the growth of *Effient*, our U.S. subsidiary, DSI, will prepare for the launch of edoxaban and develop an oncology business platform for the launch of new products in order to achieve medium- to long-term growth. Similarly, our U.S. subsidiary, LPI, has already launched *Sprix*, a non-steroidal anti-inflammatory nasal

spray, in May 2011. This product is expected to become one of LPI's mainstay products.

As a result of all these efforts in and outside of Japan, we are forecasting consolidated net sales to grow 0.3% in fiscal year 2011 to 970 billion yen.

In terms of profitability, we believe operating income will decline by 26.3%, compared with fiscal year 2010, to 90 billion yen. Negative factors projected to impact earnings include higher expenses for the marketing of new products and continued high levels of R&D expenses, notably for the clinical development of edoxaban.

Moreover, we will not have any of the one-off reductions in income taxes that we had in fiscal year 2010, so we expect net income to drop 35.8% over the previous year to 45 billion yen.

Our policy is to pay a stable dividend, taking into consideration the funding needed to invest for growth, redeem maturing corporate bonds and return profits to shareholders. We plan to pay a dividend of 60 yen per share for fiscal year 2011 based on this policy (dividend payout ratio of 93.9%).

Message to Our Stakeholders

The Daiichi Sankyo Group originated as a company committed to addressing diverse medical needs with innovative pharmaceuticals, OTC drugs, vaccines, and generic drugs so that we can contribute to the enrichment of quality of life of as many people as possible. We strive to increase our market presence as a pharmaceutical company and take up the challenge of new business models so that we can gain recognition around the world as a company that contributes to society with its innovative ideas. We sincerely appreciate our stakeholders' support of the Group's medium- to long-term growth.

Feature 1

New Products

Multiple Groundbreaking Product Launches in the Japanese Innovative Pharmaceuticals Business

Interview with Head of Sales & Marketing Division, Japan Company

Ryoichi Kibushi

Executive Officer, Head of Sales & Marketing Division, Japan Company

Q1
How are you positioning fiscal year 2011?

In Japan, Daiichi Sankyo's innovative pharmaceuticals business is making a big step forward with a wave of new product launches.

In fiscal year 2010, Daiichi Sankyo launched several new products including the antihypertensive agent *Rezaltas* and the anti-influenza *Inavir*, and in fiscal year 2011 it followed up with *Memary* for the treatment of Alzheimer's Disease (AD) in June and the direct oral Factor Xa inhibitor *Lixiana* in July. The Company also plans to launch the proton pump inhibitor, *Nexium*, and expects to obtain approval for the anti-RANKL antibody denosumab. This series of new drug launches, the largest since the business integration of Sankyo and Daiichi, will start to make a big impact this year.

As a pharmaceutical company, we are delighted to deliver new products that address unmet medical needs and further improve patient satisfaction with treatment. The launch of new products is increasing the volume of detailed information on drugs that we can provide to doctors, boosting our morale. The comments we receive from medical institutions also reveal the high expectations they have for us.

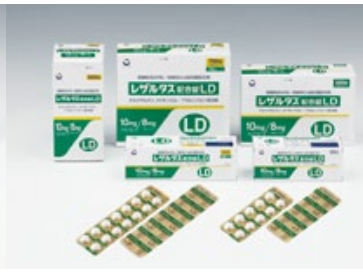
Our mission in the Japan Sales & Marketing Division is to reliably meet the expectations of patients, their families, and medical professionals, as well as increase new product sales, improve our market share and reinforce Daiichi Sankyo's presence. We also aim to generate the resources for the R&D investments that form the basis for the Company's future growth. I believe that fiscal year 2011 will be a good opportunity to make a great stride forward in realizing these ambitions.

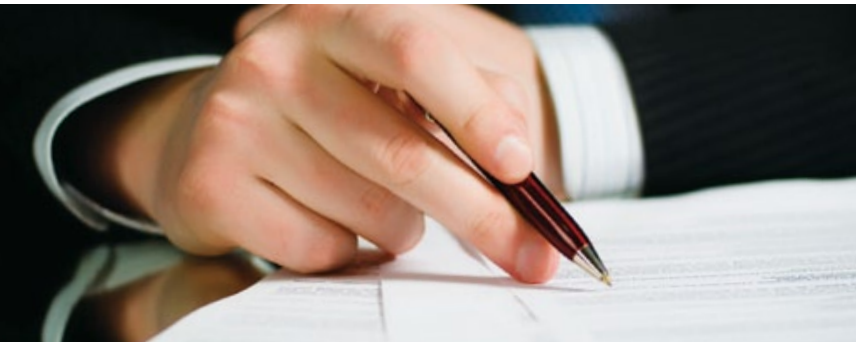
Q2
How did the new drugs launched in fiscal year 2010 perform?

Both *Rezaltas* and *Inavir* earned high praise from patients and medical institutions, and delivered strong sales.

Rezaltas provides another treatment option for patients with high blood pressure who were not getting enough reduction in blood pressure from a single medication. While our competitors also launched antihypertensives combining angiotensin II receptor blockers (ARBs) with calcium channel blockers (CCBs), only *Rezaltas* combines two original products of a company. The launch of *Rezaltas*, the unique combination of the ARB *Olmetec* and the long-acting CCB *Calblock*, led to a synergistic sales increase of *Calblock*, which was jointly developed by Daiichi Sankyo with Ube Industries, Ltd. In December 2010, limitations on the number of days the drug could be prescribed were lifted so that it could be administered for longer periods, leading to a steady increase in sales.

Inavir is a new type of anti-flu agent that completes treatment with a single inhalation. This significantly improved patient compliance to treatment compared with the conventional drugs, which required dosing of twice a day for five days. Moreover, *Inavir* is effective in treating children as well, and there are no age restrictions as long as they can inhale, so *Inavir* can even be used by children age 10 and older. We hear that medical professionals are delighted to have another option for influenza treatment, and that they are seeing its efficacy for themselves.





Q3
What new products do you expect to be approved and launched in fiscal year 2011? What is their significance?

Going one step beyond our achievements in fiscal year 2010, we will continue to launch groundbreaking new products in fiscal year 2011, including global standard treatments and first-in-class products in Japan. We expect that these new products will become future mainstays for the Company.

Memary is an innovative drug with a mechanism of action unlike conventional treatments for AD, and we are proud to bring this long-awaited global standard treatment to Japan. We are also looking forward to the launch of another global standard pharmaceutical with *Nexium*, a proton pump inhibitor in-licensed from AstraZeneca, which had the third highest sales in the global pharmaceutical market in 2009. (Refer to pages 16-17 for more information on *Memary* and *Nexium*.)

Edoxaban (brand name *Lixiana* in Japan) is a first-in-class direct oral Factor Xa inhibitor in Japan. Discovered by Daiichi Sankyo, the drug is currently approved for the prevention of venous thromboembolism after major orthopedic surgery.* We have high expectations, hearing that medical specialists will prescribe this drug as essential for this indication. The anti-RANKL antibody denosumab, currently under regulatory review for the indication for bone metastases of cancer, is another significant product for the Company. It will be not only Daiichi Sankyo's first antibody pharmaceutical, but also a new product in the Company's oncology portfolio.

We are conducting clinical trials** for additional indications on both products. The additional indications will open up huge markets and will assist in maximizing their value going forward. We are strengthening coordination with the development division through the Global Executive Meeting of Research and Development (GEMRAD), which is the supreme decision-making board for research and development, regular inter-divisional meetings with the R&D Division, and product launch projects. As new indications are added, we will contribute to maximizing product value from a sales and marketing point of view.

* In April 2011, Daiichi Sankyo obtained manufacturing and marketing approval of *Lixiana* indicated for the prevention of venous thromboembolism (VTE) in patients who have undergone orthopedic surgery such as total knee arthroplasty, total hip arthroplasty and hip fracture surgery. The Company launched *Lixiana* in July 2011.

** Edoxaban is currently being assessed in the multinational Phase III ENGAGE AF-TIMI 48 study for the prevention of stroke and systemic embolic events in patients with atrial fibrillation. In addition, Daiichi Sankyo is currently enrolling patients in its multinational Phase III HOKUSAI VTE study for the treatment and prevention of recurrent VTE.

Daiichi Sankyo is currently conducting phase III trials for denosumab in Japan to treat osteoporosis. In addition, the Company is participating in multinational phase III clinical studies for adjunct therapy for breast cancer, and is conducting Phase II clinical trials in Japan for rheumatoid arthritis.

Q4
Will there be any changes in the sales organization in preparation for all of these new products?

No, there won't be any major changes in the sales organization. Since the business integration, we have provided information through our MR Crosswise Structure, which combines medical representatives (MRs) responsible for meeting the overall needs in medical facilities with highly specialized MRs assigned to specific therapeutic areas. We promote new products via this structure, which has been well-received by medical professionals.

We have, however, made minor changes to MR assignments in order to ensure that our resources are appropriately allocated to fit our overall strategy. Starting with the launch of *Memary*, we changed roles so that the MRs in charge of the cardiovascular area were put in charge of cardiovascular and AD treatments.

When launching a new product, the most important factor is ensuring that medical professionals understand its profile, including its indications, efficacy and safety. We assign field coaches (FC) to all marketing branches to train MRs with the aim of raising product knowledge and presentation skills. In fiscal year 2011, we will provide solid information on new products by reinforcing the FCs' capacity and carefully coaching our MRs in their daily activities.

Q5
What are the goals of the innovative pharmaceutical business in Japan?

We want to become Japan's number-one company in terms of both quality and volume. Specifically, our innovative pharmaceuticals business in Japan is aspiring to gain top share of the market by fiscal year 2015.

In fiscal year 2011, we are targeting a more than 26% increase in sales, to 110 billion yen, of our mainstay products *Olmetec* and *Rezaltas* over the previous year. In addition to expanding sales of existing products, we intend to steadily boost sales of high-potential new products and increase our market presence. We will keep developing these new products so that they become new core products for Daiichi Sankyo.

In addition, Japan Company is strengthening and expanding its vaccine and established pharmaceuticals businesses, while making the innovative pharmaceuticals business the foundation of our revenue, in order to maximize the Group's results. We will facilitate inter-business collaboration and embrace every challenge on the road to achieving these goals.

Aiming for the top market share in Japan by fiscal year 2015

New Product in Fiscal Year 2011

Memary

N-methyl-D-aspartate (NMDA) receptor antagonist used in the treatment of Alzheimer's Disease (AD)
Generic name: Memantine hydrochloride

Working to overcome the "drug lag" challenge

Product Overview

Discovered by Merz Pharmaceuticals GmbH (Merz), *Memary* is the world's only anti-AD drug that acts as an NMDA receptor antagonist. Approved in 2002 by the European Medicines Agency (EMA) and in 2003 by the U.S. Food and Drug Administration (FDA), it is currently being used in 70 countries around the world as a standard treatment for moderate to severe AD. In Japan, *Memary* was originally in-licensed from Merz by Suntory Holdings Ltd. (Suntory) in 1997, and then co-commercialized by Suntory and the former Daiichi Pharmaceutical Co., Ltd. (now Daiichi Sankyo) based on their agreement in 2002. After taking over Suntory's pharmaceutical business, the Daiichi Sankyo Group became responsible for the development of *Memary*, and the drug first went on the Japanese market in June 2011.

Market Environment

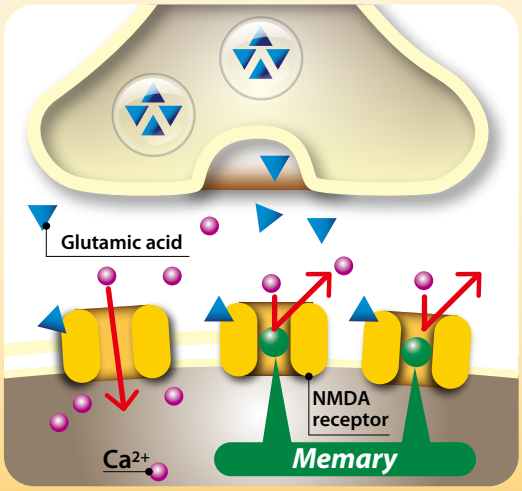
According to *Nursing Care for Elderly People in 2015*, published by Japan's Ministry of Health, Labour and Welfare in 2003, the number of patients in Japan suffering from dementia* was expected to increase to 2.08 million by 2010, and to 2.50 million by 2015. According to the 2010 *Guideline for the Treatment of Dementia in Japan*, between 3.8% and 11.0% of Japanese people aged 65 and over suffer from AD. In recent years there has been an increase in the number of relatively young patients in their forties and fifties who show symptoms of the disease.

One of the factors which makes AD progress is thought to be an overexcitation of glutamatergic neurotransmission. The excitotoxicity produced by abnormal levels of glutamate is thought to be responsible for the impaired transmission of neural pathways, neuronal cell dysfunction, and eventual cell death. It is also thought that an excess of calcium ions in the nerve cells causes them to die. By acting as an antagonist to the NMDA receptors—one of the glutamate receptors—and preferentially binding to the NMDA receptor-operated cation channels, *Memary* protects the nerve cells by preventing the excess entry of calcium ions, and thereby inhibits the progress of the symptomatology of Alzheimer's disease.

While AD is considered to be a disease facing a high degree of unmet needs, with a complete cure yet to be found, Japanese patients have had to depend upon a single drug for a number of years. Therefore, the launch of *Memary*, a new treatment option with a mechanism of action that differs from existing AD medications, is an important advancement toward meeting a significant unmet medical need as well as toward bringing better quality of life to AD patients and their families.

* Dementia includes syndromes such as AD, vascular dementia, dementia with Lewy bodies (DLB), and frontotemporal dementia (FTD).

***Memary* mechanism of action**



***Memary* protects the nerve cells by binding to the NMDA receptor-operated ion channels and preventing the excess entry of calcium ions**

- Glutamic acid activates NMDA receptors.
- Excessive entry of Ca^{2+} damages nerve cells.

New Product in Fiscal Year 2011

Nexium

Proton pump inhibitor (PPI)
Generic name: Esomeprazole magnesium

Expectations for a new flagship product

Product Overview

Nexium was originally discovered by AstraZeneca. Its active ingredient, esomeprazole, is an enantiomer of omeprazole (PPI, brand name *Omepral* in Japan). By specifically acting on the proton pump, the final step in acid production, *Nexium* is highly efficacious in the treatment of acid-related conditions. It is a trusted medication available in more than 120 countries and is the world's leading PPI.

Approved in July 2011, *Nexium* is expected to be available in the Japanese market in the second half of 2011. Daiichi Sankyo is responsible for the distribution of *Nexium*, and will co-promote the product with AstraZeneca. The strong partnership between the two companies will ensure that *Nexium* provides relief for many patients suffering from acid-related symptoms and diseases including reflux esophagitis.

Market Environment

In addition to *Omepral*'s current indications, including reflux esophagitis and non-erosive reflux disease (NERD), *Nexium* also received regulatory approval for prevention of recurrence of gastric and duodenal ulcers in patients treated with non-steroidal anti-inflammatory drugs (NSAIDs).

By specifically acting on the proton pump, where gastric acid is secreted in the gastric parietal cells, PPIs inhibit the production of gastric acid and lower the level of gastric acidity.

With their high effectiveness, PPIs are steadily gaining market share from their peers, which include Histamine H2 receptor antagonists (H2 blockers) that have commonly been used for the treatment of acid-related conditions.

The PPI market in Japan was worth more than 200 billion yen in fiscal year 2009. The market is expected to expand by around 20% annually due to Japan's aging society and increasingly westernized lifestyle. Because two out of three patients prescribed with PPIs continue to suffer from symptoms after taking the medication and one out of five patients take herbal medicines or over-the-counter medicines in addition to their prescribed medicine, we strongly believe that *Nexium*, the most powerful PPI, will make a significant contribution to improved quality of life for patients.

Judging from the large number of patients suffering from acid-related diseases, *Nexium* will likely be prescribed in a wide variety of hospitals and clinics. Since there is overlap between the PPI market and the markets where the Company's mainstay products including *Olmetec* are prescribed, we will promptly provide detailed information on *Nexium* to all these markets throughout Japan.

Feature 2

Research and Development

Daiichi Sankyo R&D: Continuous Evolution

Increasingly diverse medical needs, heightened demand for safety of pharmaceuticals, and the shift to personalized medicine have all meant that it is becoming more and more difficult to develop a worldwide "blockbuster" drug.

In this shifting environment, the Daiichi Sankyo Group has set oncology and cardiovascular-metabolics, fields where there are still significant unmet medical needs, as therapeutic areas of primary focus, especially in the discovery to early development stage, and it is working aggressively on research and development to steadily and more rapidly introduce revolutionary, first-in-class pharmaceuticals to the market.

Promising Products in the Field of Oncology

In its Second Mid-Term Business Management Plan, Daiichi Sankyo has made it a priority to build a world-class pipeline in the field of oncology. The Company is increasingly focused on the quality and number of products in its pipeline in this field.

The Company has been engaged in securing external resources and fostering the development of new compounds by, for example, acquiring U3 Pharma GmbH, a German biotech company with promising antibodies, and through its research alliance with the U.S. firm ArQule, Inc. and the in-licensing of its compound, ARQ 197. Furthermore, in April 2011 the Company completed a merger with Plexxikon, Inc., a U.S. biotech company based in Berkeley, California.

The addition of Plexxikon further enriched the number of compounds in the Daiichi Sankyo Group's oncology pipeline, bringing the total number of compounds under development into the double digits, including PLX4032 (generic name: vemurafenib). Discovered by Plexxikon, vemurafenib is co-developed with the Roche Group, and is the first personalized investigational medicine to have shown a significant overall survival benefit in metastatic melanoma, the most serious type of skin cancer, which has had limited treatment options to date. New drug applications for vemurafenib were submitted to U.S. and European authorities in early fiscal year 2011.

The Company's goal is to create a world-class drug discovery capability and an even more promising pipeline in the field of oncology by 2015 by further securing external resources and making steady progress in projects, including those at the pre-clinical stage.

Plexxikon Inc.

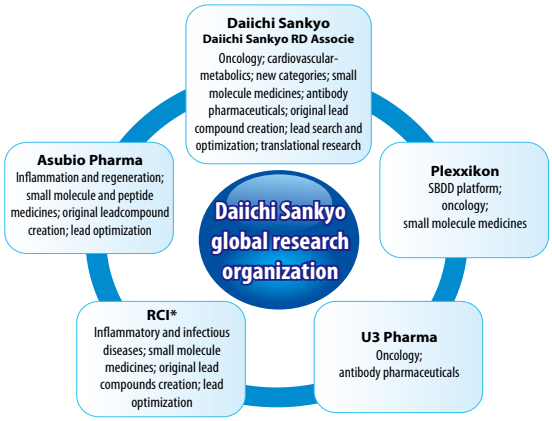
Plexxikon

Founded in 2001, Plexxikon is a leading biotech company with a portfolio of competitively differentiated programs in a number of therapeutic areas, including cardio-renal disease, CNS, inflammation and oncology. With its proprietary *Scaffold-Based Drug Discovery Platform*, Plexxikon's team of approximately 45 researchers uses compound and target structural data to guide chemistry early in the drug lead generation process, in conjunction with a highly specialized screening library, to design new drug candidates within various families of drug targets. Peter Hirth, Ph.D., the CEO of Plexxikon, is a leading researcher in the field of molecular targeted drugs.

Enhancing the Global Research Organization

Plexxikon's greatest strength is its superior drug discovery expertise. The addition of Plexxikon, with its unique discovery approach, combined with an experienced management and scientific team, and a broad network of scientific and clinical experts, has led to the further diversification of the Group's global research organization. Positioning Plexxikon as the Group's research base on the U.S. west coast, Daiichi Sankyo is further strengthening its global research activities and ability to create first-in-class drugs.

● **Global Research Organization**



*Daiichi Sankyo Life Science Research Centre in India

Creating Promising New Research Channels Through Open Innovation

In order to more quickly and confidently bring first-in-class pharmaceuticals to the market, Daiichi Sankyo has not only optimized its existing research process, but has also been actively working with academia and other external organizations to secure new lines of research through open innovation. By linking the activities of its operations in the U.S., Europe, and Japan, the Company has built a global system that facilitates opportunities for coordination with universities, public research institutions, venture businesses, and biotech firms.

Collaborative Drug Discovery Project: TaNeDS

In fiscal year 2011, Daiichi Sankyo launched "Take a new challenge for drug discovery" (TaNeDS), a collaborative drug discovery project. TaNeDS is a new initiative that takes full advantage of Daiichi Sankyo's advantageous positioning in the industry and long-established reputation to select research partners from entries submitted by universities and public research institutions in Japan. The TaNeDS project accepts entries on the following five themes: (1) oncology; (2) cardiovascular-metabolics; (3) cutting-edge pharmaceuticals; (4) antibodies, nucleic acid therapeutics; and (5) pharmaceutical technology platforms. Entries were organized under the following three categories.

Individual base
Exploratory research themes—including themes at the initial idea stage—that will lead to the identification and improvement of early-stage drug discovery and related technologies are accepted in this category. Daiichi Sankyo researchers participate in preliminary collaborative research, and those themes that show promise are shifted to full-scale, joint research.

Project base
Large-scale research themes that are expected to lead to drug discovery and development of technologies are accepted in this category. Research teams with innovative ideas are eligible to apply in this category. Daiichi Sankyo researchers participate in the planning of research projects, which are jointly conducted.

Theme development
Research themes that make practical use of intellectual properties and proprietary know-how are accepted in this category. Researchers who own intellectual property are eligible to apply in this category. Research into accepted themes is jointly conducted, and the potential for a new venture business is assessed.

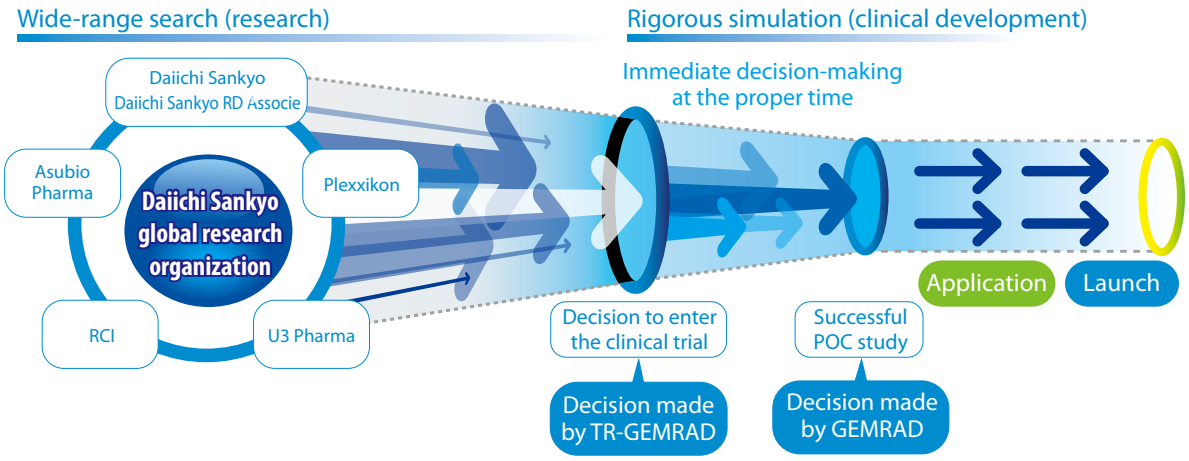
Promptly Developing Proof of Concept (POC)

In order to speed the creation of new first-in-class drugs, it is vital to focus on the most promising ideas in the early stages of R&D. Daiichi Sankyo uses the following two initiatives to achieve this.

The first is the newly-established TR-GEMRAD. GEMRAD (Global Executive Meeting of Research and Development) is Daiichi Sankyo's top decision-making body for global R&D, and it prioritizes late-stage development projects and handles issues such as portfolio management. The new TR-GEMRAD is a decision-making body focused on potential development projects in the early stage of development. This new body will propel science-based discussion of early-stage projects from a perspective distinct from late-stage development.

The second initiative focuses on POC confirmation in the early stage of development. It is critical to find the most suitable biomarkers as quickly as possible, so that POC can be confirmed early in the development cycle and the overall development can be accelerated. In April 2009, Daiichi Sankyo launched the Translational Medicine & Clinical Pharmacology Department to explore effective biomarkers at the pre-clinical and early stages of development.

● **Approach to R&D**



Progress on Late-Stage Development

Edoxaban (DU-176b)

The situation when the danger of blood clot formation is so great that death or severe injury may result from a stroke, heart attack, or pulmonary embolism has become widely known due to the phenomena referred to as "travelers' thrombosis" or "economy class syndrome." The direct oral Factor Xa inhibitor edoxaban specifically, reversibly, and directly inhibits Factor Xa, an important factor in the blood coagulation process. The antiplatelet agent prasugrel (brand name: *Effient/Efient*) is also effective against disorders caused by blood clots. However, whereas prasugrel is an antiplatelet agent effective against myocardial infarction and other types of arterial thrombosis, edoxaban shows promise as an inhibitor of venous thromboses such as pulmonary and deep vein thrombosis.

Until recently the treatment choices available to patients suffering from thrombosis were extremely limited, with warfarin and other vitamin K antagonists being the most common. However, because vitamin K antagonists may trigger drug-food interactions and patients must undergo routine blood tests, they are not a satisfying option.

Edoxaban can be administered once daily and there is little to no drug-food interaction. Clinical trials have suggested that edoxaban entails less risk of hemorrhaging than warfarin, has a wide therapeutic range, and carries little risk of hepatic dysfunction. In July 2011, edoxaban was put on the market in Japan under the brand name *Lixiana*, as the first direct oral Factor Xa inhibitor in Japan. It is indicated for the prevention of venous thromboembolism (VTE) in patients undergoing major orthopedic surgery.

Edoxaban is currently also being assessed in two global phase III studies, the ENGAGE AF-TIMI 48 study on preventing stroke and systemic embolic events in patients with atrial fibrillation, and the HOKUSAI VTE study on the treatment and prevention of recurrent VTE in deep vein thrombosis and pulmonary embolism patients. These studies are both scheduled to be completed in 2012.

Daiichi Sankyo has been engaged in stiff competition with its competitors to develop a direct oral Factor Xa inhibitor. The Company has 25 years of experience in the area, and continues to develop edoxaban aiming to make it a best-in-class drug.

Prasugrel (Product Name: *Effient/Efient*)

The antiplatelet agent *Effient/Efient* is less susceptible to the effects of metabolic enzyme polymorphism than other drugs, and was found in studies conducted outside Japan to have a significantly positive effect in patients with acute coronary syndromes (ACS) undergoing percutaneous coronary intervention (PCI). In the revised edition of the ACCF/AHA non-ST segment elevation myocardial infarction/unstable angina guidelines, published in March 2011, *Effient/Efient* is indicated as a Class I recommended treatment for ACS-PCI patients. The TRILOGY ACS study is currently underway to determine if the drug can be further indicated for ACS-medical management. This study is scheduled to be completed in 2012.

A phase III clinical trial on treating ACS-PCI is currently under way in Japan, and a phase III clinical trial on ischemic stroke and elective PCI patients are planned to initiate in 2011.

Tivantinib (ARQ 197)

MARQUEE, the global phase III clinical trial of the oral selective c-Met inhibitor Tivantinib (discovered by ArQule, Inc. and co-developed with Daiichi Sankyo) on inoperable or recurrent non-small cell lung cancer patients, excluding those with squamous cell carcinoma (this study is not being conducted in Japan, China, Korea, and Taiwan), began in January 2011. This study has already indicated that Tivantinib has the potential to be a first-in-class c-Met inhibitor.

Abnormalities in tyrosine kinase, a c-Met receptor, are known to result in the proliferation and survival of cancer cells, angiogenesis, cancer cell infiltration, metastasis and other problems involving intracellular signal transmission. Non-clinical trials have indicated that Tivantinib inhibits the activity of c-Met in human cancer cell lines and has antitumor activity against multiple tumor types in human xenograft models. Clinical studies have indicated that Tivantinib is well-tolerated, has an antitumor effect against multiple tumor types, and lengthens the amount of time tumor growth is suppressed.

Development Pipeline

Development Code	Generic Name	Dosage Form	Class	Indication
Cardiovascular-Metabolics				
DU–176b	Edoxaban	Oral	Factor Xa inhibitor	Atrial fibrillation (AF)
				Venous thromboembolism (VTE)
				Post-surgical VTE
CS–747	Prasugrel	Oral	Anti-platelet agent	Control of cardiac events after percutaneous coronary intervention (PCI)
				Acute coronary syndrome medical management (ACS-MM)
				Ischemic stroke
CS–3150	—	—	Antihypertensive drug	—
DS–7309	—	—	Anti-diabetic drug	—
Oncology				
AMG 162	Denosumab	Injection	Anti-RANKL antibody	Bone metastases of cancer
				Breast cancer adjuvant
PLX4032	Vemurafenib	Oral	BRAF inhibitor	—
ARQ 197	Ttivantinib	Oral	c-Met inhibitor	—
U3–1287	—	Injection	Anti-HER3 antibody	—
CS–1008	Tigatuzumab	Injection	Anti-DR5 antibody	—
CS–7017	Efatutazone	Oral	PPARγ agonist	—
DE–766	Nimotuzumab	Injection	Anti-EGFR antibody	—
PLX3397	—	Oral	Fms/Kit/Flt3-ITD inhibitor	—
U3–1565	—	Injection	Anti-HB-EGF antibody	—
DS–2248	—	Oral	Hsp90 inhibitor	—
DS–7423	—	Oral	PI3K/mTOR inhibitor	—
Infectious Diseases				
CS–8958	Laninamivir	Inhalant	Neuraminidase inhibitor	Anti-influenza
				Anti-influenza, prophylactic
CS–4771	—	—	Anti-sepsis	—
DS–8587	—	—	Broad spectrum antibacterial agent	—
Bone/Joint Diseases				
AMG 162	Denosumab	Injection	Anti-RANKL antibody	Osteoporosis
				Rheumatoid arthritis
PLX5622	—	Oral	Rheumatoid arthritis	—
Immunological Allergic Diseases				
SUN13834	—	Oral	Chymase inhibitor	Atopic dermatitis
CS–0777	—	—	Immunomodulator	—
Others				
KMD–3213	Silodosin	Oral	Selective alpha 1A blocker	Treatment of dysuria associated with benign prostatic hyperplasia
SUN11031	Human ghrelin	Injection	Appetite stimulation	COPD Cachexia
			Increase gastric motility	Anorexia nervosa
DD–723–B	Perflubutane	Injection	Ultrasound contrast agent	Contrast for prostatic tumor, contrast for mammary tumor
DS–5565	—	—	Chronic pain	—
SUN13837	—	—	Spinal cord injury	—

(As of July 2011)

	Origin	Region	Stage			
			Phase I	Phase II	Phase III	Application
	Daiichi Sankyo	U.S./EU/Japan/Asia				
		U.S./EU/Japan/Asia				
		U.S./EU				
	Daiichi Sankyo Ube Industries	Japan				
		U.S./EU/Asia				
		Japan				
	Daiichi Sankyo	—				
	Daiichi Sankyo	—				
	Amgen	Japan				Aug. 2010
		Japan				
	Daiichi Sankyo (Plexxikon)	U.S./EU				Early fiscal 2011
	ArQule	U.S./EU				
	Daiichi Sankyo (U3 Pharma)	U.S./EU				
		Japan				
	Daiichi Sankyo	U.S./EU/Japan/Asia				
	Daiichi Sankyo	U.S./EU				
		Japan/Asia				
	CIMYM BioSciences	Japan				
	Daiichi Sankyo (Plexxikon)	U.S.				
	Daiichi Sankyo (U3 Pharma)	U.S./Japan				
	Daiichi Sankyo	U.S.				
	Daiichi Sankyo	U.S.				
	Daiichi Sankyo	U.S./EU				
		Japan				
	Daiichi Sankyo	—				
	Daiichi Sankyo	—				
	Amgen	Japan				
		Japan				
	Daiichi Sankyo (Plexxikon)	—				
	Daiichi Sankyo (Asubio Pharma)	U.S.				
	Daiichi Sankyo	—				
	Kissei	China				Dec. 2008
	Daiichi Sankyo (Asubio Pharma)	U.S./EU				
		Japan				
	GE Healthcare	Japan				
	Daiichi Sankyo	—				
	Daiichi Sankyo (Asubio Pharma)	—				

Global Management Structure

Strategic decision-making and strategy implementation encompassing the Daiichi Sankyo Group

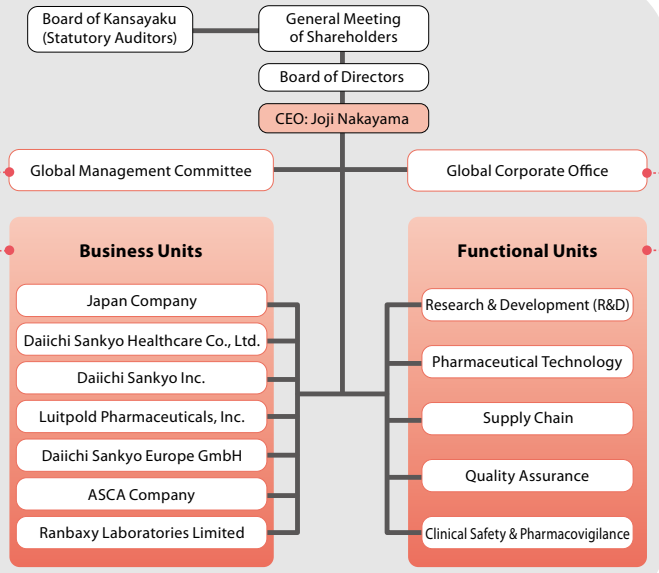
Coinciding with the start of the Second Mid-term Business Management Plan in April 2010, the Daiichi Sankyo Group developed a new global management structure.

The Group is seeking to reinforce its strategic decision-making and to raise the effectiveness of strategy implementation in order to respond promptly to changes and grow in this rapidly changing business environment.

The Group's global management structure has seven business units and five functional units reporting to the CEO that are managed with a matrix balanced globally in its regional focus and functional focus. By pursuing this approach, the Group guarantees timely decision-making and effective strategy.

Global Management Committee

This committee is made up of the top executives of the Group, including heads of business units and global heads of functional units. They meet to draft Group strategy that promptly and accurately responds to market and environmental trends, and to discuss important issues to facilitate the CEO's decision-making.



Global Corporate Office

Daiichi Sankyo has clearly demarcated the global corporate office by splitting off the global functions and the Japanese local functions, which were previously both handled by the headquarters of Daiichi Sankyo Co., Ltd. The newly established office supports the CEO with the development and management of the Group's global strategy.

Functional Units

Daiichi Sankyo has set five functional units, whose functions are indispensable to the formulation and execution of global strategies. A global head of each functional unit determines areas that should be expanded globally, directs the planning and execution of strategy related to these areas, and improves the efficiency of business operations. In the R&D Unit, a Chief Scientific Officer serves alongside the global head to guide global R&D activities.

Business Units

In addition to the corporate entities in the regions around the world where the Group operates, the Group has set up two business organizations, Japan Company and ASCA Company.

Japan Company consolidates Daiichi Sankyo's functions focusing on its Japanese businesses, encompassing its innovative pharmaceuticals, established pharmaceuticals, and vaccines businesses. Lead by its president, Japan Company is committed to maximizing the Group's business performance in Japan. The Japan Management Committee discusses important issues related to the operation of Japan Company.

ASCA Company was established to efficiently develop strategy for regions other than Japan, the United States and Europe, and to spur medium- and long-term growth in these rapidly growing markets.

Corporate Governance

Basic Policy

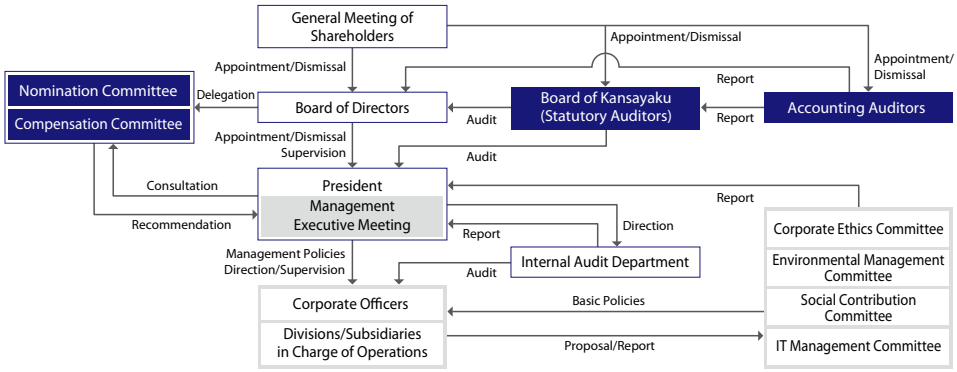
In addition to creating a management structure that can speedily and flexibly respond to changes in the business environment, the Daiichi Sankyo Group is working to secure legal compliance and management transparency and to strengthen oversight of management and the conduct of operations. The Group places great importance on building a corporate governance structure that is responsive to the trust of shareholders and all other stakeholders.

Operational Execution Structure

For Quick, Flexible Decision-Making

Daiichi Sankyo has adopted a Kansayaku (Statutory Auditor) system and a corporate officer system to facilitate rapid management processes. The board of directors meets, in principle, once a month to resolve key operational execution matters, and supervises management. Within the framework of management policy and board resolutions on operational execution, the president of the Company clarifies execution plans through the deliberations of Management Executive Meetings, which are convened at least once a month, and instructs the appropriate corporate officers or division/subsidiary heads in charge of specific operations.

Corporate Governance Structure



Safeguarding Sound Decision-Making and Ensuring Management Transparency

● Term of Office for Directors and Corporate Officer System

The term of office for directors is set at one year to clarify management responsibility and create an optimal system for swiftly responding to changes in the business environment.

Daiichi Sankyo has adopted a corporate officer system under which personnel with a high level of expertise in their related operational fields are appointed to take responsibility for specific operational execution under the control and supervision of the president. The board of directors appoints corporate officers for one-year terms of office.

● Outside Directors

Daiichi Sankyo currently has ten directors, of which four are appointed from outside the Group to strengthen oversight of all aspects of operational execution and ensure sound decision-making and management transparency. The four outside directors maintain a neutral and impartial position as independent directors.

For further details, please see the Corporate Governance Report available on the Company's website:
http://www.daiichisankyo.com/corporate/governance/index.html

These outside directors exercise supervision by expressing their opinions objectively, neutrally and fairly in board of directors meetings, drawing upon their own experience in compliance, financial affairs and corporate management.

● Nomination Committee and Compensation Committee

The president consults with the Nomination Committee, a voluntarily established organization, when selecting candidates for directors and corporate officers. Outside directors constitute the majority of the Committee to ensure complete propriety. The president also consults with the Compensation Committee, the majority of which are also outside directors, on compensation for directors and corporate officers.

● Compensation System for Executives

Compensation for directors and corporate officers is designed to provide remuneration that contributes to the maximization of shareholder value. Specifically, in addition to a basic monthly fixed compensation, the Company offers performance-based bonuses that serve as short-term incentives, and has also adopted a share remuneration-type stock option program to serve as a long-term incentive. Daiichi Sankyo does not have a retirement benefit system for directors and corporate officers, since such a system does not necessarily improve shareholder value.

Compensation levels are decided based on benchmarks in industrial circles and the pharmaceutical industry.

Outside Directors (From June 27, 2011)

Name	Principal Concurrent Employment Positions	Reason for Selection
Takashi Okimoto	Chairman of Seiwa Sogo Tatemono Co., Ltd.	The Company has appointed Mr. Okimoto as an outside director to bring his knowledge and insight, based on extensive banking experience, into its management.
Hiroshi Hirabayashi	President, the non-profit incorporated foundation Japan-India Association; Vice President of the non-profit incorporated foundation Japan Forum on International Relations, Inc.	Although Mr. Hirabayashi does not have experience in contributing to corporate management other than as an outside director or outside statutory auditor, the Company has appointed Mr. Hirabayashi as an outside director to bring his knowledge and insight, based on international diplomatic experience, into the Company's management.
Kunio Ishihara	Chairman of the Board, Tokio Marine & Nichido Fire Insurance Co., Ltd.; Chairman of the Board, Tokio Marine Holdings, Inc.	The Company has appointed Mr. Ishihara as an outside director to bring his knowledge and insight, based on experience in non-life insurance companies and other enterprises, into the Company's management.
Yuichiro Anzai	Professor, Faculty of Science and Technology, Keio University; Professor, School of Science for Open and Environmental Systems, Graduate School of Science and Technology, Keio University; Executive Advisor for Academic Affairs at Keio Gijuku	Although Dr. Anzai does not have experience in contributing to corporate management other than as an outside director or outside statutory auditor, the Company has appointed Dr. Anzai as an outside director to bring his knowledge and insight, as a university professor, into the Company's management.

Auditing Structure

Auditing

Daiichi Sankyo has adopted a statutory auditor system, and the Company's board of Kansayaku (Statutory Auditors)—comprising four statutory auditors, including two outside statutory auditors—audits the legal compliance and soundness of management. The two outside statutory auditors maintain a neutral and impartial position as independent statutory auditors.

In fiscal year 2010, this board met 13 times, and the attendance rate for outside statutory auditors was 100%. Each statutory auditor attends important meetings, including the board of directors and Management Executive Meetings, and expresses their opinions in accordance with Auditor Audit Standards. In addition, each statutory auditor verifies the details of reports received from directors, employees, and others and investigates the state of corporate operations and property.

Outside Kansayaku (Statutory Auditors) (From June 27, 2011)

Name	Principal Concurrent Employment Positions	Reason for Selection
Akio Yamada	Visiting Professor, Faculty of Law, Doshisha University; Senior Advisor for Jones Day	The Company has appointed Mr. Yamada as an outside statutory auditor to bring his knowledge and insight, based on administrative agency experience, into the Company's audit process.
Shigeaki Ishikawa	Lawyer of HOMMA & PARTNERS	The Company has appointed Mr. Ishikawa as an outside statutory auditor to bring his knowledge and insight, based on administrative agency experience, into the Company's audit process.

The Internal Audit Department implements internal audits of the internal control systems and other matters in accordance with the audit plan.

Compensation of Directors and Statutory Auditors

The total value of compensation of directors and statutory auditors applicable to fiscal year 2010 was 787 million yen; the portion for outside directors and outside statutory auditors was 95 million yen. The accompanying table summarizes the breakdown of payments.

Compensation of Directors and Statutory Auditors (Millions of yen)

	Directors		Statutory Auditors		Total	
	No. of beneficiaries	Payment amount	No. of beneficiaries	Payment amount	No. of beneficiaries	Payment amount
Compensation (annual) (portion for outside directors and outside statutory auditors)	15 (7)	419 (63)	6 (4)	107 (32)	21 (11)	525 (95)
Director bonuses	6	143	—	—	6	143
Share-remuneration type stock option program	6	120	—	—	6	120
Total (portion for outside directors and outside statutory auditors)	15 (7)	681 (63)	6 (4)	107 (32)	21 (11)	787 (95)

Notes:
1. The amount paid to directors does not include the employee's salary portion for directors who concurrently serve as employees.
2. The "No. of beneficiaries," the "Payment amount" and the "Total" of each "Compensation (annual)" for directors includes those of the five directors (including three outside directors) who retired upon expiration of their terms at the conclusion of the Ordinary General Meeting of Shareholders on June 28, 2010.
3. The "No. of beneficiaries," the "Payment amount" and the "Total" of each "Compensation (annual)" for statutory auditors includes those of the two outside statutory auditors who retired upon expiration of their terms at the conclusion of the Ordinary General Meeting of Shareholders on June 28, 2010.

Internal Control System

Basic Policies for the Internal Control System

Daiichi Sankyo has developed its internal control system according to the following 11 basic policies:

1. Systems for ensuring compliance with laws and regulations and the Company's articles of incorporation in the execution of duties by directors
2. Systems regarding the retention and management of information relating to the execution of duties by directors
3. Rules and other systems for risk management
4. Systems for ensuring the efficient execution of duties by directors
5. Systems for ensuring compliance with laws and regulations and the Company's articles of incorporation in the execution of duties by employees

6. Systems for ensuring the proper operation of the Group, consisting of the Company and its subsidiaries
7. Systems regarding employee assistance duties of statutory auditors when statutory auditors ask to appoint such employees
8. Matters regarding the independence of the employees specified in the preceding policy (7) from directors
9. Systems of reporting to statutory auditors by directors and employees and other systems regarding reporting to statutory auditors
10. Other systems for ensuring effective audits by statutory auditors
11. Basic concepts and systems for avoiding all contact with organized criminal elements

Internal Controls Related to Financial Reporting

With respect to internal controls related to financial reporting obligations under the Financial Instruments and Exchange Law (so-called J-SOX) since fiscal year 2008, Daiichi Sankyo has established Rules on Internal Control over Financial Reporting. The Corporate Finance & Accounting Department set up a system based on these rules under the leadership of the president, who is responsible for evaluating the operational effectiveness of internal controls, which are also reviewed by the Internal Audit Department.

Based on standards generally accepted as being fair and reasonable, assessments are conducted as of the final day of the fiscal year. The scope of the assessment is determined by the relative impact on the reliability of financial reporting with respect to the Company, its consolidated subsidiaries and equity-method affiliates.

Compliance

Basic Policy

The Daiichi Sankyo Group complies with laws and rules in its global corporate activities, and places the highest priority on compliance in corporate management. The Group also promotes compliance management to ensure business is conducted with the highest ethical standards and sound social judgment befitting an enterprise whose activities directly impact people's lives. The Group established the Daiichi Sankyo Group Corporate Conduct Charter to fulfill its corporate social responsibilities (CSR), while Group companies establish codes of conduct corresponding to the region and societal demands and ensure that all executives and employees follow them.

System for Promoting Compliance

The president appointed the Senior Executive Officer in charge of Group CSR, who oversees global CSR functions, to the position of Compliance Officer responsible for Group-wide compliance.

The Compliance Officer oversees compliance programs such as the code of conduct and related rules and implementation plans, and chairs the Corporate Ethics Committee, which is the decision-making organization for compliance.

Risk Management

Based on its Risk Management Rules, Daiichi Sankyo promotes autonomous risk management activities by each corporate department and Group unit. Risk management operations focus on maintaining the continuity of daily operations by each department and unit to prevent risks before they emerge and affect business. To address the actual emergence of risks or the occurrence of accidents or problematic situations, Daiichi Sankyo has created emergency response systems based on its Crisis Management Rules and undertakes crisis management to minimize damage.

Board of Directors

Kunio Ishihara
Outside Director

Takashi Okimoto
Outside Director

Kazunori Hirokawa
Director

Yuki Sato
Director

Hiroshi Hirabayashi
Outside Director

Yuichiro Anzai
Outside Director

Tsutomu Une
Director

Takashi Shoda
Representative Director
Chairman

Joji Nakayama
Representative Director
President and CEO

Takeshi Ogita
Director

Corporate Officers

Chairman	Takashi Shoda	
President and CEO	Joji Nakayama	
Senior Executive Officer	Tsutomu Une	Global Corporate Strategy Officer (Hybrid Business, Intellectual Property)
Senior Executive Officer	Takeshi Ogita	Global Corporate Strategy Officer (HR, IT, Business Development, Global Marketing)
Senior Executive Officer	Kazunori Hirokawa	Head of R&D Division
Senior Executive Officer	Yuki Sato	Head of Supply Chain Division
Senior Executive Officer	Akira Nagano	Head of Business Intelligence Division of Japan Company and in charge of External Affairs
Senior Executive Officer	Yoshikazu Takano	Head of Administration Division of Japan Company
Executive Officer	Kazuhiko Tanzawa	External Innovation
Executive Officer	Kyohei Nonose	Vice President of Human Resources Department, Administration Division of Japan Company
Executive Officer	Manabu Sakai	Global Corporate Finance Officer
Executive Officer	Ryoichi Kibushi	Head of Sales & Marketing Division of Japan Company
Executive Officer	Shuji Handa	President of ASCA Company
Executive Officer	Haruhisa Kubota	Head of Quality and Safety Management Division
Corporate Officer	Tomoo Yokoi	Head of Group Finance & Accounting
Corporate Officer	Sunao Manabe	Head of Group HR Strategy and Head of Group CSR
Corporate Officer	Noriaki Ishida	Vice President of Licensing Department
Corporate Officer	Katsuaki Miyoshi	Vice President of Tokyo Branch, Sales & Marketing Division of Japan Company
Corporate Officer	Satoshi Kunitada	In charge of Japan Development of R&D Division
Corporate Officer	Shinichi Terano	Vice President of Promotion Management Department, Sales & Marketing Division of Japan Company
Corporate Officer	Toshiaki Sai	Vice President of Corporate Communications Department
Corporate Officer	Katsumi Fujimoto	Head of Pharmaceutical Technology Division
Corporate Officer	Ryoji Nagasaka	Vice President of Japanese Business Management Department, Administration Division of Japan Company
Corporate Officer	Toshiaki Tojo	Vice President of Supply Chain Planning Department, Supply Chain Division

Kansayaku (Statutory Auditors)

Kansayaku (Statutory Auditor)	Kazuo Koike
Kansayaku (Statutory Auditor)	Takashi Chiba
Outside Kansayaku (Statutory Auditor)	Akio Yamada
Outside Kansayaku (Statutory Auditor)	Shigeaki Ishikawa

(As of June 27, 2011)

Daiichi Sankyo Group's CSR Initiatives

The Daiichi Sankyo Group has established the Mid-Term CSR Policy as part of its Second Mid-Term Business Management Plan (MTP) for fiscal years 2010–2012. This plan reflects the Group's corporate philosophy "to contribute to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs." The Group is pursuing initiatives to achieve the five goals specified in the Mid-Term CSR Policy.

Overview of Fiscal Year 2010 and Goals for Fiscal Year 2011

Overview of Fiscal Year 2010

In fiscal year 2010, the first fiscal year of the Second MTP, the Group appointed CSR managers at overseas Group companies in order to promote management of CSR globally. The Group also deepened understanding and shared awareness of the reasons and process behind the selection of the five goals, and set up an autonomous management system in each region. The Group is also building a framework and key performance indicators (KPI) for management based on the culture and customs in each region, while also pursuing internal alignment of CSR strategy.

Goals for Fiscal Year 2011

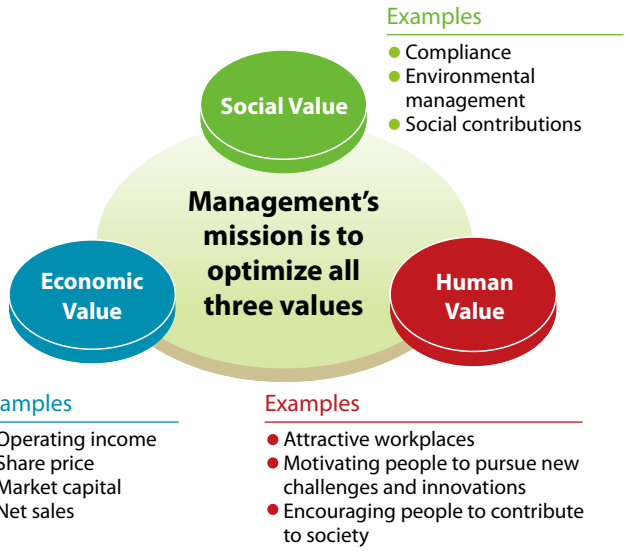
In fiscal year 2011, the Group will revise the Daiichi Sankyo Group Corporate Conduct Charter and deploy it globally as the core guide to its CSR.

ISO 26000, the international CSR guidance issued in November 2010 has raised the bar on CSR. The Group's global business expansion makes it essential to integrate CSR with business development so that the Group can acknowledge and respond to the demands of society.

The Group will also share information on the direction and initiatives for global and local CSR and will develop a management foundation to identify and discuss shared issues and accelerate the establishment of the next policies and strategies. To achieve this, the Group will strengthen relationships among CSR managers, build IT infrastructure under a new global management structure, and will set up a system that always takes into account the overall mission while dividing up responsibilities at a sophisticated level.

Moreover, the Group will proactively address key issues at a global level. The Group will use global management to improve the transparency of the relationship between corporate activities and medical institutions, and contributions to international agreements on climate change and biodiversity. The Group also believes that global companies should take the initiative in helping to meet the Millennium Development Goals, and thus will give back to society in a way that reflects Daiichi Sankyo's unique spirit.

Corporate Values



Five Domains and Goals for CSR in the Second Mid-term Business Management Plan

For further details, please see the *Daiichi Sankyo Group CSR Report* on the web:
http://www.daiichisankyo.com/corporate/report/index.html

Mid-Term CSR Policy	Harmonizing with society and the global environment by enhancing employee diversity and valuing consideration to others, as a company that supports humanity and health

		Rationale for goals	Direction of initiatives
Goal 1	Promote management of compliance globally	It is increasingly important that pharmaceutical companies comply with drug safety and efficacy criteria, which are becoming increasingly stringent around the world, and ensure that relationships with medical institutions are transparent.	• Promote independent compliance management in each workplace, company and region • Establish a system for sharing compliance information around the world • Respond to global compliance risks
Goal 2	Realize a working environment which respects employee diversity	The Group has approximately 30,000 employees in over 50 countries, of which about 70% work in countries other than Japan. This means that the culture, customs and values of Group employees are quite diverse.	• Foster an environment in which each employee's human rights and individuality are respected, going beyond differences in background such as race, gender and nationality • Create an inspiring working environment that generates innovation by working hard together while acknowledging differences
Goal 3	Reinforce communication with stakeholders	Good communication with stakeholders from all walks of life is essential precisely because a company's very existence depends on its relationship with society.	• Hold dialogues and collaborate with stakeholders in all business activities • Pursue interactive communication so that CSR activities can be put into practice together with individual employees • Practice CSR procurement through partnerships with suppliers
Goal 4	Reduce the environmental burden in every business operation	The Group carries out business activities on a global scale, and as such it is imperative that it identifies the environmental impact of business activities overall and proactively pursues programs to reduce the impact globally.	• Reduce carbon dioxide emissions in all business operations to help prevent global warming • Promote the 3Rs (Reduce, Reuse, Recycle) to contribute to a recycling-based society • Reduce environmental risks through stringent efforts to prevent pollution and properly manage chemical substances • Pursue green purchasing to balance quality and supply stability • Pursue business activities that take into account biodiversity and ecosystem services and promote sustainable use • Encourage environmental communication and collaboration with stakeholders
Goal 5	Broaden the opportunities of access to medical services, including medicine, globally	As a pharmaceutical company expanding its business on a global scale, the Group must not only respond to the diverse medical services meeting the various needs of patients, but must also help to alleviate global medical problems.	• Make responsible social contributions befitting a pharmaceutical company that is expanding globally • Assist developing countries in the health and medical field, a key international issue, using a global system

Daiichi Sankyo Joins the Effort to Support the UN Millennium Development Goals (MDGs)

One of the Daiichi Sankyo Group's key CSR goals is to broaden the opportunities of access to medical services, including medicine, globally. The Group believes that utilizing subsidiary Ranbaxy's expertise and resources in realizing this goal and expanding mobile healthcare field clinics is a social contribution activity suiting the Group. The Group began such initiatives this fiscal year.

Global Social Contributions Undertaken by Daiichi Sankyo

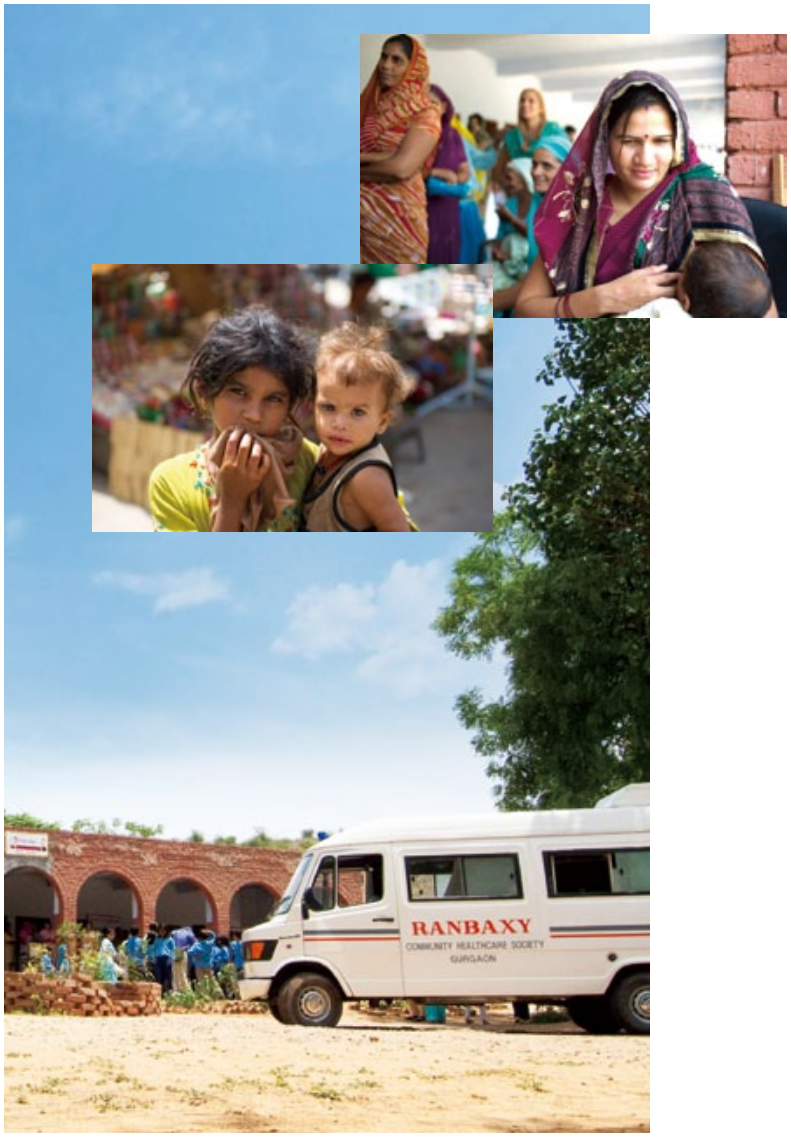
MDGs and Daiichi Sankyo's Areas for Support

The MDGs are a common framework created by integrating the UN Millennium Declaration adopted at the UN Millennium Summit held in September 2000 and international development goals adopted at major international conferences and summit meetings held during the 1990s. The eight goals, to be achieved by 2015, are shown below.

Of the eight goals, reducing child mortality, improving maternal health and combating HIV/AIDS, malaria and other diseases are medical-related issues, and the Group accordingly views these issues as areas in which it should play a role.

● UN Millennium Development Goals

Goal 1: Eradicate extreme poverty and hunger
Goal 2: Achieve universal primary education
Goal 3: Promote gender equality and empower women
Goal 4: Reduce child mortality
Goal 5: Improve maternal health
Goal 6: Combat HIV/AIDS, malaria and other diseases
Goal 7: Ensure environmental sustainability
Goal 8: Develop a global partnership for development



Focus on Regional Activities

For Goals 4 and 5, it will be difficult to achieve the goals in sub-Saharan Africa and South Asia, including India, by 2015. This prompted the Daiichi Sankyo Group to focus its social contribution initiatives in the developing world on Africa and India.

AFRICA

Overview of Projects in Africa

In Africa, the Daiichi Sankyo Group examined the situations of specific countries in Africa to identify those where progress on the MDGs is lagging behind, and decided to focus its efforts on Cameroon and Tanzania, where its Group company Ranbaxy does business. The Group will work in cooperation with non-governmental organizations to implement its initiatives there. Daiichi Sankyo's five-year plan, launched in fiscal year 2011, sets targets for providing total vaccinations to about 230,000 people and pre-natal checkups to 144,000 people in the two countries, primarily through mobile healthcare field clinics. This will be done in a partnership with the global NGO Plan Japan.

Photo: Plan Japan

INDIA

Overview of Projects in India

With cooperation from the Ranbaxy Community Healthcare Society (RCHS), Daiichi Sankyo added two new mobile healthcare vans for the Madhya Pradesh state to strengthen medical services provided there. This region, located in central India, faces severe problems with its infant mortality rate and the health of pregnant women. Ranbaxy has a manufacturing plant in the district, and local residents have expressed a strong desire for assistance, which led to the start of this project. The five-year plan, launched in fiscal year 2011, has the goal of reducing the infant mortality rate and the maternal mortality ratio in this region, which has a population of about 100,000. The Group aspires to help improve health in this region in this way.

Social Contribution Activities Enhancing Daiichi Sankyo's Presence

Contributing to society by manufacturing pharmaceutical products is the basis of CSR for pharmaceutical companies. However, since the Daiichi Sankyo Group is a global company employing about 30,000 people and has a significant impact on society, the Group believes that it is important to ensure that its social contribution activities are truly befitting of a global company. The Group therefore makes the most of its own expertise and resources and addresses global issues in the field of medicine, going far beyond merely making financial donations, in order to give back to society in a unique way that only Daiichi Sankyo can.

It is also important to ensure accountability by using indicators and evaluating performance to ensure that initiatives are sustainable and effective. In this project, the Group tracks indicators such as the number of vaccinations given and the maternal mortality ratio to clarify the extent to which the Group's efforts have contributed to the achievement of MDGs. Verifying these indicators and providing feedback helps guide next steps.

I hope to enhance the Daiichi Sankyo Group's presence in the realm of social contribution through this project.

Sunao Manabe Corporate Officer, Head of Group HR Strategy and CSR

Consolidated Financial Summary

DAIICHI SANKYO COMPANY, LIMITED and Consolidated Subsidiaries
Years ended March 31, 2011, 2010 and 2009 (Fiscal years 2010, 2009 and 2008)

	Millions of yen			Thousands of U.S. dollars*
	2011	2010	2009	2011
Operating Results:				
Net sales	¥ 967,365	¥ 952,106	¥ 842,147	$11,655,000
Cost of sales	281,678	278,031	214,397	3,393,711
Selling, general and administrative expenses (excluding R&D expenses)	369,213	381,763	354,340	4,448,350
Research and development expenses	194,330	196,803	184,539	2,341,325
Research and development expenses to net sales (%)	20.1	20.7	21.9	20.1
Operating income	122,144	95,509	88,871	1,471,614
Interest expense	5,519	5,720	1,917	66,494
Income (loss) before income taxes and minority interests	120,419	97,372	(308,263)	1,450,831
Net income (loss)	70,121	41,852	(215,499)	844,831
Financial Position:				
Total current assets	894,075	819,758	783,507	10,771,988
Net property, plant and equipment	237,710	249,546	250,114	2,863,976
Total assets	1,480,240	1,489,510	1,494,600	17,834,217
Total current liabilities	306,952	268,812	508,536	3,698,217
Total long-term liabilities	285,585	331,190	97,447	3,440,783
Total net assets	887,703	889,508	888,617	10,695,217
Financial Indicators:				
Pre-tax profit margin (Ratio of net income before income taxes and minority interests to net sales) (%)	12.4	10.2	—	12.4
Net profit margin (Ratio of net income to net sales) (%)	7.2	4.4	—	7.2
Net income (loss) per share of common stock (yen and U.S. dollars)	99.62	59.45	(304.22)	1.2
Dividends paid per share (yen and U.S. dollars)	60.00	60.00	80.00	0.72
Return on shareholders' equity (%)	8.2	4.9	(20.5)	8.2
Equity ratio (%)	57.4	57.4	57.7	57.4
Dividends to net assets (%)	5.0	4.9	5.4	5.0
Capital expenditures	37,328	29,729	19,644	449,738
Number of employees	30,488	29,825	28,895	30,488

* The U.S. dollar amounts represent translations of Japanese yen, solely for convenience, at the rate of ¥83=US$1.00, the approximate exchange rate prevailing on March 31, 2011.

Operating Results and Financial Analysis

The State of the Daiichi Sankyo Group

The Daiichi Sankyo Group ("the Group") consists of 110 companies, including Daiichi Sankyo Co., Ltd. ("the Company"), and its 106 subsidiaries and three affiliates. The Group's principal activity is the manufacture and sales of pharmaceuticals and related products. In addition to overall results, the Group reports results for two reporting segments: one called the "Daiichi Sankyo Group" segment and one called the "Ranbaxy Group" segment. Although the Group itself on a consolidated basis includes Ranbaxy Laboratories, Ltd. ("Ranbaxy") and its group companies, reporting of the Daiichi Sankyo Group segment excludes results from the Ranbaxy Group segment.

Overview of Business Results

The Group recorded consolidated net sales of ¥967.4 billion in fiscal 2010, up 1.6% from fiscal 2009. While the yen was even stronger than in the previous year, the negative exchange rate impact was offset by the contribution of ¥171.9 billion in net sales from Ranbaxy, stronger sales of the antihypertensive olmesartan and *Loxonin* brand anti-inflammatory analgesics, and the launch of new products.

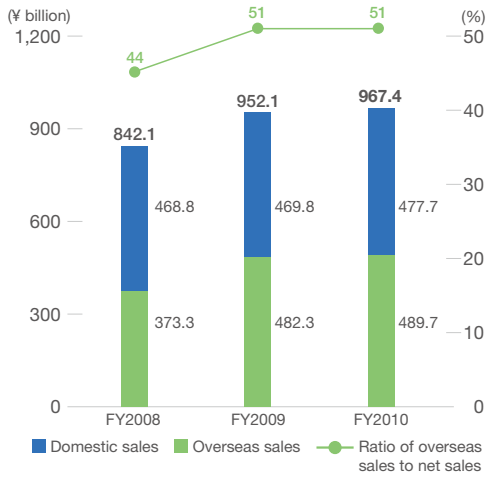
Regarding fiscal 2010 profitability, operating income rose a substantial 27.9% over fiscal 2009, to ¥122.1 billion, with SG&A expenses declining for overseas subsidiaries as a result of the strong yen. Net income was ¥70.1 billion, up an impressive 67.5% over the previous year, as foreign exchange losses decreased over the previous fiscal year and income taxes were higher in fiscal 2009 compared to fiscal 2010 as a result of prior-period income tax adjustments. The Group posted a ¥5.6 billion loss on disaster to account for the repair costs for facilities damaged in the Great East Japan Earthquake.

In fiscal 2010, the Group launched the triple combination antihypertensive agents, *Tribenzor* in the U.S. and the *Sevikar HCT* in Europe. In Japan, the Group released the two-drug combination antihypertensive agent *Rezaltas*, the percutaneous anti-inflammatory analgesic agent *Loxonin* Gel, and the anti-influenza treatment *Inavir*, among others.

Sales

Fiscal 2010 net sales reached ¥967.4 billion, up ¥15.3 billion, or 1.6%, from fiscal 2009. The negative impact of the appreciating yen and declining sales of the synthetic antibacterial agent levofloxacin were more than offset by growing sales driven by the antihypertensive agent olmesartan, *Loxonin* brand anti-inflammatory analgesics, and the launch of new products, along with the contribution of net sales from Ranbaxy.

Consolidated Net Sales and Overseas Sales



Sales of Key Products (¥ billion)

	FY2008	FY2009	FY2010
Global			
Olmesartan (antihypertensive)	211.1	238.3	**241.5**
Levofloxacin (synthetic antibacterial agent)	97.7	87.2	**69.1**
Pravastatin (antihyperlipidemic agent)	60.8	55.0	**44.9**
Japan			
Loxonin (anti-inflammatory analgesic)	38.7	47.0	**54.2**
Omnipaque (contrast agent)	28.3	27.3	**25.0**
Artist (antihypertensive)	21.9	23.3	**23.7**
U.S.			
Venofer (anemia treatment)	32.0	32.2	**30.7**
Welchol (antihyperlipidemic agent/ treatment for type 2 diabetes)	24.5	27.5	**28.5**

Sales by Reporting Segment

Sales by segment, which include only sales to external customers, are described below.

Daiichi Sankyo Group Segment

The Daiichi Sankyo Group segment reported net sales of ¥795.4 billion, down 1.3% year on year.

Japan

Fiscal 2010 net sales in Japan amounted to ¥517.1 billion, down ¥2.3 billion, or 0.5%, from fiscal 2009.

Sales of prescription drugs totaled ¥429.1 billion, up 1.9%, due to the expanded sales of the antihypertensive agents *Olmetec* and *Loxonin* brand anti-inflammatory analgesics, as well as contributions from the launch of *Rezaltas* and *Inavir* in fiscal 2010.

Sales associated with royalty income and exports to overseas licensees declined 20.7%, to ¥39.9 billion, reflecting the impact of decreased exports of the synthetic antibacterial agent levofloxacin and the stronger yen.

In the healthcare (OTC) business, net sales increased 2.6%, to ¥44.8 billion, attributable to stronger sales of the *LuLu* series of general cold remedies and a sales contribution from the anti-inflammatory analgesic *Loxonin S*, which was moved from prescription to over the counter switch formulation in fiscal 2010.

North America

Net sales in North America fell ¥700 million, or 0.4%, from fiscal 2009 to ¥184.4 billion, reflecting the effect of the stronger yen. In local currency terms, sales grew again in fiscal 2010. Major contributors to growth included the antihypertensive agent *AZOR*, the antihyperlipidemic agent and treatment for type 2 diabetes *Welchol*, and the anemia treatment *Venofer*. Other products contributing to growth included the newly launched antihypertensive agent *Tribenzor*. PharmaForce, Inc., which was acquired by Luitpold Pharmaceuticals, Inc. in December 2009, also contributed to higher sales.

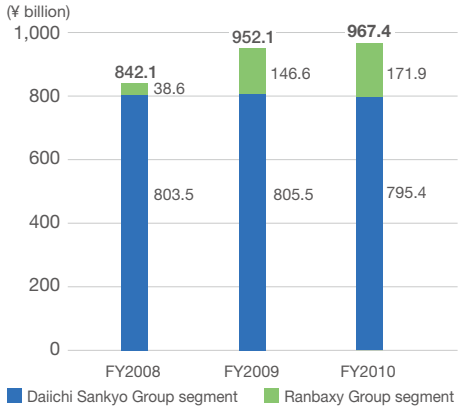
Europe

Net sales in Europe fell ¥8.7 billion, or 11.6% year on year, to ¥66.5 billion, despite local-currency growth in sales of the antihypertensive agents *Olmetec*, *Olmetec Plus*, and *Sevikar*. The decline mainly reflected the effect of the stronger yen.

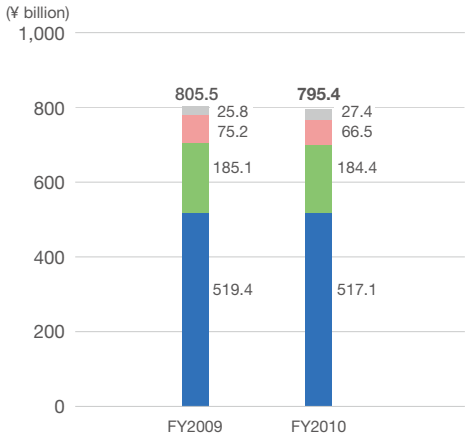
Other Regions
In other regions, net sales rose ¥1.7 billion, or 6.4% year on year, to ¥27.4 billion, thanks mainly to growing sales in China, South Korea and Brazil.

Ranbaxy Group Segment
Net sales for the Ranbaxy Group segment rose ¥25.4 billion, or 17.3% year on year, to ¥171.9 billion. The antiviral drug valacyclovir helped drive growth in the U.S.

Net Sales by Reporting Segment



Daiichi Sankyo Group Segment Net Sales by Region



Note: Fiscal 2008 data is not available.

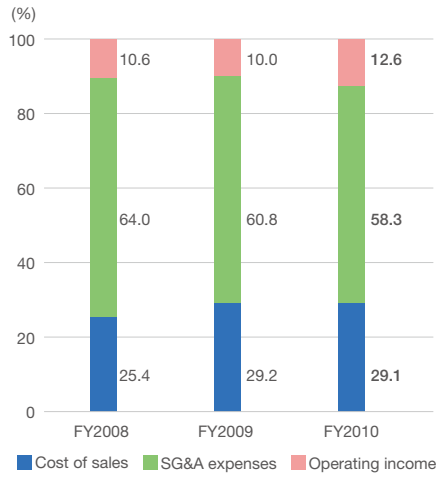
Gross Profit on Net Sales
Gross profit on net sales increased by ¥11.6 billion, or 1.7%, to ¥685.7 billion. The ratio of gross profit to sales improved by 0.1 percentage points to 70.9%.

Cost of Sales
Cost of sales rose ¥3.6 billion, or 1.3%, to ¥281.7 billion, owing primarily to the additional costs associated with Ranbaxy sales. The Group continued to implement measures to reduce cost of sales during fiscal 2010.

Operating Income
Operating income increased ¥26.6 billion, or 27.9%, to ¥122.1 billion, and the operating income ratio was 12.6%.

Selling, General and Administrative Expenses
Selling, general and administrative (SG&A) expenses fell ¥15.0 billion, or 2.6%, to ¥563.5 billion. Despite the one-off cost of the introduction of esomeprazole, a proton pump inhibitor, in Japan, the strong yen reduced operating expenses overseas, while joint development costs decreased for the anti-RANKL antibody demosumab.

Ratio of Costs, Expenses, and Operating Income to Net Sales

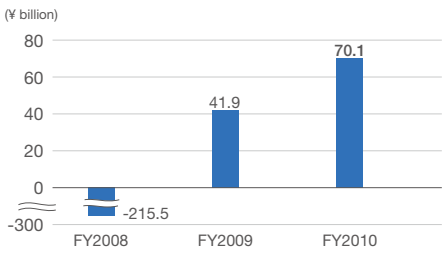


Other Income (Expenses)
Other income (expenses) decreased by ¥3.6 billion. Derivative gain fell by ¥6.0 billion, but foreign exchange losses improved by ¥9.6 billion over fiscal 2009. Moreover, the Group posted a ¥5.6 billion loss on disaster to account for the repair costs for facilities damaged in the Great East Japan Earthquake.

Income Before Income Taxes and Minority Interests
Income before income taxes and minority interests amounted to ¥120.4 billion, a ¥23.0 billion increase over the previous year.

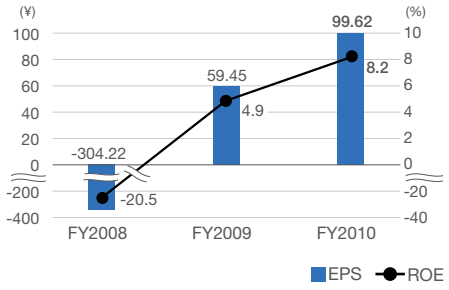
Net Income
Net income for fiscal 2010 amounted to ¥70.1 billion, a ¥28.3 billion increase over the previous year.

Net Income (Loss)



Consequently, earnings per share (EPS) was ¥99.62, compared with ¥59.45 in fiscal 2009. Return on equity (ROE) rose 3.3 percentage points, to 8.2%.

EPS and ROE



Income Taxes

The net value of current and deferred income taxes amounted to ¥41.8 billion.

Dividends

The Company considers the distribution of profits generated by Group businesses to be a top management priority. Profit distribution decisions are made with an emphasis on keeping returns commensurate with performance and increasing capital efficiency, and are based on a comprehensive assessment of those factors together with other factors such as the need to retain earnings to fund strategic business development measures going forward.

The Company has a basic policy objective of paying dividends from retained earnings twice each year in the form of interim and year-end dividends.

Based on this policy, the Company paid a year-end dividend of ¥60 per share (including an interim dividend of ¥30 per share) for fiscal 2010.

The interim dividend is decided by resolution of the board of directors with September 30 as the basic payment date, while the year-end dividend is decided at the General Shareholders' Meeting.

R&D Activities

R&D costs in fiscal 2010 totaled ¥194.3 billion, down 1.3% from fiscal 2009. The ratio of R&D expenses to net sales was 20.1%.

The progress of R&D activities in the segments is described below.

Daiichi Sankyo Group Segment

The Daiichi Sankyo Group segment has designated oncology and cardiovascular metabolics as its key research areas, and is working to enhance the R&D pipeline in these areas.

As part of the segment's strategy to reinforce its oncology business, the acquisition of Plexxikon Inc., which boasts impressive research technology and promising products in development, was completed in April 2011.

In addition, the segment began Phase III trials globally (excluding Japan, China, South Korea and Taiwan) of the c-Met inhibitor ARQ 197 being developed jointly with ArQule, Inc., for the treatment of non-squamous, non-small cell lung cancer.

The segment acquired the rights to develop and market the anti-RANKL antibody denosumab from U.S.-based Amgen, Inc., and in August 2010 the segment filed for approval in Japan to manufacture and market this drug for the treatment of bone lesions caused by bone metastases. The segment is proactively moving ahead with Phase III clinical trials for denosumab for use in the treatment of osteoporosis and as an adjunct therapy for breast cancer, and is also proceeding with Phase II trials for its use with rheumatoid arthritis.

In April 2011, the direct oral Factor Xa inhibitor edoxaban was approved for manufacture and sale in Japan under the product name *Lixiana* for use in preventing venous thromboembolism (VTE) in patients who have undergone orthopedic surgery on the lower extremities. The segment is moving forward with a global clinical development program for an indication of edoxaban for preventing strokes in atrial fibrillation (AF) patients and global phase III trials for its use in preventing VTE, such as deep vein thrombosis (DVT) and pulmonary embolisms (PE).

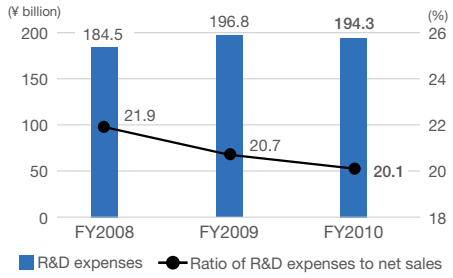
Ranbaxy's drug discovery and research capabilities have been integrated with the research functions of the Company, to create an efficient global R&D setup with fully integrated control structures and policy implementation capabilities.

R&D costs for the Daiichi Sankyo Group segment in fiscal 2010 totaled ¥182.3 billion, down 2.2% from fiscal 2009.

Ranbaxy Group Segment

The Ranbaxy Group segment carries out R&D activities mainly in generic products. R&D costs for the segment in fiscal 2010 totaled ¥12.0 billion, up 16.7% from fiscal 2009.

R&D Expenses and Ratio of R&D Expenses to Net Sales



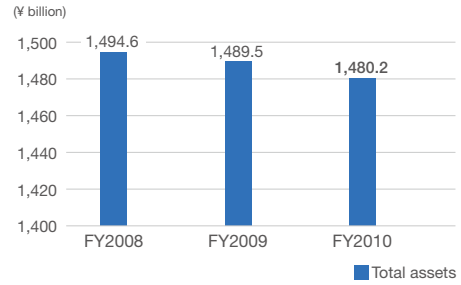
Financial Position

As of March 31, 2011, total assets amounted to ¥1,480.2 billion, down ¥9.3 billion from the previous fiscal year-end. Within total assets, current assets were up ¥74.3 billion, or 9.1%, to ¥894.1 billion, while fixed assets were down ¥83.6 billion, or 12.5%, to ¥586.2 billion. Total assets declined slightly from the previous fiscal year-end as a result of a decline in net unrealized gains on investment securities due to the lagging financial markets.

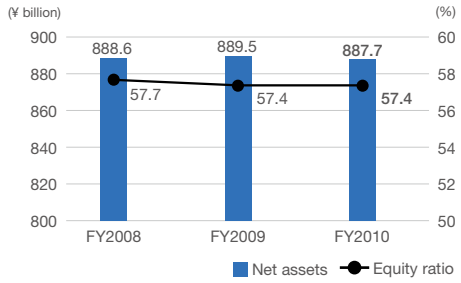
Current liabilities rose ¥38.1 billion, or 14.2%, to ¥307.0 billion, while long-term liabilities fell ¥45.6 billion, or 13.8%, to ¥285.6 billion.

Net assets at March 31, 2011 amounted to ¥887.7 billion, down ¥1.8 billion, or 0.2%, from the previous fiscal year-end. Net assets per share were ¥1,206.1, down ¥9.5. While the Group did post net income in fiscal 2010, it was down slightly as a result of the payment of dividends per its policy of returning profits to shareholders and a decline in accumulated other comprehensive income. As a result, return on equity (ROE) was 8.2%.

Total Assets



Net Assets and Equity Ratio



Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥141.1 billion, an increase of ¥10.9 billion compared with fiscal 2009. The ¥120.4 billion in income before income taxes and minority interests represented an increase of ¥23.0 billion compared with the previous year, while the payment of income taxes increased ¥4.3 billion from the previous year, to ¥34.7 billion.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥63.0 billion, compared with a net inflow of ¥42.6 billion in fiscal 2009. The outflow amounted to ¥40.1 billion, compared with a net inflow of ¥82.7 billion in fiscal 2009, due to net changes in time deposits and marketable securities resulting from the reorganization of short-term invested assets.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥26.0 billion, down by ¥63.1 billion compared to the previous fiscal year. In fiscal 2009, there was a ¥39.7 billion net decrease in short-term borrowings, long-term debt and bonds for the repayment and refinancing of short-term borrowings for the acquisition of Ranbaxy. However, the Group had a ¥16.2 billion net increase in short-term borrowings and long-term debt as the result of loans taken out in fiscal 2010 for the redemption of Ranbaxy's convertible bond-type bonds with subscription rights to shares.

Consequently, cash and cash equivalents at March 31, 2011 amounted to ¥302.4 billion, up ¥43.2 billion from the previous fiscal year-end.

Cash Flow Highlight (¥ billion)

	FY2008	FY2009	FY2010
Net cash provided by operating activities	78.4	130.2	**141.1**
Net cash provided by (used in) investing activities	(413.9)	42.6	**(63.0)**
Net cash provided by (used in) financing activities	98.1	(89.1)	**(26.0)**
Effect of exchange rate changes on cash and cash equivalents	(29.1)	(2.3)	**(9.0)**
Net increase (decrease) in cash and cash equivalents	(266.5)	81.4	**43.2**
Cash and cash equivalents, at end of year	177.8	259.2	**302.4**

Outlook for Fiscal 2011*

The Group expects the market environment to remain challenging in fiscal 2011 due to steps being taken around the world to curb health-care costs.

In this environment, the Group will strive to increase revenue with the sustained growth of its flagship product olmesartan in Japan and Europe, despite harsher competition in the U.S., and the launch of new products in Japan, such as *Memary*, an NMDA receptor antagonist used to treat Alzheimer's disease, and *Nexium*, a proton pump inhibitor. However, as a result of a decline in the export of levofloxacin with the expiration of the exclusive period to sell it in the U.S., the return of sales rights in Japan, and lower sales at Ranbaxy, the Group projects its net sales will rise only slightly to ¥970.0 billion, up 0.3% from fiscal 2010.

This forecast is based on the assumption of average exchange rates of ¥83 against the U.S. dollar and ¥115 against the euro.

The Group anticipates that fiscal 2011 profitability will be negatively affected by such factors as higher promotional expenses for the launch of new products, high R&D expenses, particularly for the direct oral Factor Xa inhibitor edoxaban, and higher costs resulting from the acquisition of Plexxikon Inc. Consequently, the Group forecasts operating income of ¥90.0 billion, down 26.3%.

The Group projects a 35.8% decline in net income compared to fiscal 2010, to ¥45.0 billion. While fluctuations in the rupee's exchange rate against the U.S. dollar led to a foreign exchange gain at Ranbaxy in fiscal 2010, the Group does not anticipate such income in fiscal 2011. In addition, although extraordinary losses resulting from the loss on disaster (estimated to drop to about ¥2.0 billion in fiscal 2011) will decline, tax expenses temporarily decreased in fiscal 2010 as a result of a business reorganization.

* As of June 27, 2011

Factors That Could Have a Major Impact on Business Performance

Forward-looking statements express the Company's judgement as of June 27, 2011.

1. Trends in Sales of Important Products

The Group has positioned the antihypertensive olmesartan franchise as a global strategic product and is pursuing further expansion by quickly developing the sales of *Rezaltas* (a combination drug integrating the ARB olmesartan with the calcium channel blocker azelnidipine) in the Japanese market, and the triple combination *Tribenzor* and *Sevikar HCT*, primarily in the U.S. and Europe, while also encouraging collaboration and synergies between Daiichi Sankyo and Ranbaxy. The goal is to increase global sales of olmesartan to ¥300 billion within the period covered by the Second Mid-Term Business Management Plan. Sales trends for this product are believed to have a major impact on the business performance of the Group.

2. Trends in R&D Activities and Licensing Activities

The Group is moving forward with global R&D and licensing activities aimed at achieving a steady stream of successful new products and growing sales, with high expectations for products under global development such as the antiplatelet agent *Effient/Efient* and the direct oral Factor Xa inhibitor edoxaban. Of these, sales of *Effient/Efient* have already begun in Europe and the U.S. for the treatment of patients with acute coronary syndromes (ACS) undergoing percutaneous coronary intervention (PCI). Phase III clinical trials to obtain approval for the additional indication of ACS in patients not undergoing PCI have been underway since June 2008. In April 2011, edoxaban was approved for manufacture and sale in Japan under the product name *Lixiana* for use in preventing venous thromboembolism (VTE) in patients who have undergone orthopedic surgery on the lower extremities. The Group is moving forward with a global clinical development program for an indication of edoxaban for preventing strokes in atrial fibrillation (AF) patients and global phase III trials for its use in preventing VTE, such as deep vein thrombosis (DVT) and pulmonary embolisms (PE).

Decisions by regulatory authorities concerning these products under development may have an impact on future business performance. These products will also require the investment of considerable funds before they are marketed. Meanwhile, the Group is striving to efficiently invest in R&D with due consideration for revenue trends and other factors.

Nevertheless, if the investment required exceeds projections, it could have an impact on business performance. In addition, if drug candidates do not demonstrate expected results in the course of clinical trials or if any doubts remain concerning the drug candidates' safety, then the development periods may be extended or development itself may be interrupted or canceled, and there is a possibility that such eventualities could have a major effect on business performance.

3. Trends in the Drug Pricing Systems in Japan and Other Countries

Japan, the U.S., the EU and other countries and markets have in some cases established pricing standards or official prices for drug products, and governments can regulate and protect these prices and standards. Accordingly, there is a possibility that changes in these regulatory or protection systems could have an effect on the Group's business performance.

4. Trends in Ranbaxy's Business Operations

The inclusion of Ranbaxy in the Group represents a step forward in the Group's effort to leverage its hybrid business model to become a "**Global Pharma Innovator**." Ranbaxy is expected to play an important role in the Group's business strategy.

However, the synergies anticipated by the Company by the acquisition of shares in Ranbaxy could fail to be realized if obstacles arise preventing the full implementation of Ranbaxy's original business plans due to changes in the operating environment or the competitive status of Ranbaxy, its relations with drug approval regulatory authorities worldwide, or its legal and regulatory compliance status in these countries. Under any of these circumstances, there is a possibility that the situation could have an impact on the Group's business plans and performance.

In September 2008, the Food and Drug Administration (FDA) in the U.S. issued a warning letter stating that Ranbaxy's production facilities in India at Paonta Sahib and Dewas were in violation of U.S. current good manufacturing practices and placed a ban on the importation of any products for the U.S. market from these two facilities. In February 2009, the FDA invoked its Application Integrity Policy (AIP) against the Paonta Sahib facility. An AIP is invoked when questions arise concerning the integrity and reliability of data in drug applications, requiring the facility where the relevant data was obtained to re-apply for approval or to withdraw the application. The U.S. Department of Justice (DOJ) has also indicated some problems with Ranbaxy.

These regulatory actions could exert a significantly adverse impact on the Group. Under the direction of top management, the Company has established a joint task force comprising management of Ranbaxy and outside experts to take all steps necessary to resolve these issues.

Currently, the task force is cooperating fully with the FDA and the DOJ to resolve these issues with the assistance of Company representatives. Every effort is being made to take the appropriate corrective measures.

■ Business Risks

The following section provides an overview of the principal risks that could negatively affect the business results and financial position of the Group.

Any forward-looking statements or projections contained in this overview represent the best judgment of management of the Group (Daiichi Sankyo Co., Ltd. and its consolidated subsidiaries) as of the end of the fiscal year ended March 31, 2011, and there is a possibility that they may differ from actual results due to known or unknown risks, uncertainties, and other factors.

1) Risks to Business Activities as a Result of Disasters

The Group's business results and financial position could be negatively affected in the event of damage to its plants, research facilities, offices and other facilities, cessation or interruption of business activities, accidents at a nuclear power plant, damage to social infrastructure such as a prolonged power interruption, and other related damage resulting from natural disasters such as earthquakes, floods and torrential rains or from man-made calamities such as accidents, wars, terrorism and fires.

2) Manufacturing and Procurement Risk

While the Group manufactures some of its products at its own production facilities using proprietary technologies, it also depends on specific suppliers for some finished products, raw materials, and production intermediates. Delay, suspension or termination of their 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 regulations as stipulated in the Pharmaceuticals Affairs Law and other relevant laws and regulations. Any quality assurance problem that necessitated a product recall could have an adverse effect on the Group's business results and financial position.

3) Risks Related to Operations of Ranbaxy

The entry of Ranbaxy into the Group represents a hybrid business model as part of ongoing efforts to become a "**Global Pharma Innovator**." The investment in Ranbaxy is expected to play an important role in the Group's business strategy.

However, the synergies the Company anticipates realizing from the acquisition of shares in Ranbaxy could fail to materialize if obstacles arise that prevent the full implementation of Ranbaxy's original business plans due to changes in the operating environment or the competitive status of Ranbaxy, its relations with drug approval regulatory authorities worldwide, or its legal and regulatory compliance status in these countries. Under these circumstances, there is a potential adverse effect on the Group's business plans, results and financial position.

In September 2008, the FDA in the U.S. issued a warning letter stating that Ranbaxy's production facilities in India at Paonta Sahib and Dewas were in violation of U.S. current good manufacturing practices and placed a ban on the importation of any products for the U.S. market from these two facilities. In February 2009, the FDA invoked an AIP against the Paonta Sahib facility. An AIP is invoked when questions arise concerning the integrity and reliability of data in drug applications, requiring the facility where the relevant data was obtained to re-apply for approval or to withdraw the application. The DOJ has also indicated some problems with Ranbaxy. If the resolution of this issue becomes protracted or the FDA imposes any additional restrictions on Ranbaxy, this could have an adverse impact on the firm's medium-to-long-term business prospects. In turn, this could have a negative impact on the Group's business results and financial position.

4) Financial Markets and Currency Fluctuation Risks

Declining share prices could lead to write-downs or losses on sale of stock owned by the Group. The Group's retirement benefit expenses could increase depending on trends in interest rates. In addition, fluctuations in foreign currency exchange rates could have an adverse financial impact 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.

In particular, Ranbaxy is significantly exposed to exchange rate movements between the Indian rupee and the U.S. dollar, which could exert a negative effect on the value of earnings derived from Ranbaxy's business and fund management operations.

5) Research and Development, Corporate Alliance Risks

Research and development of new drug candidates is a costly process that requires many years to complete successfully, during which time there is an ever-present risk that R&D activities on a particular compound may be terminated due to failure to demonstrate the expected clinical efficacy. Even if clinical trials obtain good results, changes to the regulatory approval criteria during development may result in failure to gain drug approval. In addition, any changes in the terms of an agreement related to R&D-related alliances with third parties, or the cancellation thereof, can also adversely affect the outcome of R&D programs.

6) Product Sales-Related Risks Such as Side Effects and Competing Products

The emergence of unanticipated side effects of a drug, the entry of generic products into a sector following the expiration of a patent, or the introduction of competing products within the same therapeutic field could reduce sales and negatively affect 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 also have a material impact on the Group's business results and financial position. In addition, due to the ongoing growth in the use of generic products in developed country markets, the launch of any new product may not generate sales and profits commensurate with the investment in its research and development.

7) Legal and Regulatory Risks Such as Limits on Medical Expenditures

Prescription drugs in Japan are subject to a variety of laws, regulations, and ordinances. Trends in regulatory measures related to the medical treatment system and national health insurance, most notably NHI price revisions, could have a negative impact on the Group's business results and financial position. Similarly, sales of prescription drugs in overseas markets are also subject to various legal and regulatory constraints; the Group's performance in these markets could be adversely affected by legal and regulatory trends.

8) Intellectual Property Risk

Business activities of the Group could be subject to the risk of termination or dispute in the event of an infringement of the patents or other intellectual property rights of other parties. Conversely, infringement of the intellectual property rights of the Group by third parties could lead to litigation and other 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. In particular, due to the increasing use of generic products in developed countries, lawsuits and other challenges to Group-owned intellectual property could become more prevalent.

9) Environmental Risk

Certain chemicals used in research and manufacturing include substances that have a potentially harmful impact on human health and natural ecosystems. Any judgment that Group operations pose a risk of serious environmental impact in terms of soil contamination, air pollution or water pollution could adversely affect the Group's business results and financial position.

10) Litigation-Related Risk

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

11) Other Risks

In addition to the risks noted above, interruption of the Group's computer systems due to a network-transmitted virus or other causes, unauthorized disclosure of confidential information, illegal or improper actions by officers and employees, changes in stock prices and interest rates, funding procurement risk, and various other factors of a similar nature, could adversely affect the Group's business results and financial position.

Consolidated Balance Sheets

DAIICHI SANKYO COMPANY, LIMITED and Consolidated Subsidiaries
March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2011**	2010	**2011**
Current Assets:			
Cash and deposits (Note 3)	**¥ 262,038**	¥ 100,997	**$ 3,157,084**
Marketable securities (Notes 3, 4 and 5)	**157,654**	236,541	**1,899,446**
Trade notes and accounts receivable, net of allowance of ¥2,320 million ($27,952 thousand) and ¥1,668 million in 2011 and 2010, respectively	**203,270**	210,221	**2,449,036**
Inventories (Note 6)	**142,792**	143,226	**1,720,386**
Deferred tax assets (Note 10)	**90,245**	86,971	**1,087,289**
Other current assets	**38,076**	41,802	**458,747**
Total current assets	**894,075**	819,758	**10,771,988**
Property, Plant and Equipment (Notes 7 and 11)**:**			
Land	**38,407**	42,619	**462,735**
Buildings and structures	**304,370**	322,700	**3,667,108**
Machinery, equipment and vehicles	**367,484**	372,712	**4,427,518**
Other	**1,510**	1,540	**18,193**
Construction in progress	**20,599**	22,295	**248,181**
	732,370	761,866	**8,823,735**
Accumulated depreciation	**(494,660)**	(512,320)	**(5,959,759)**
Net property, plant and equipment	**237,710**	249,546	**2,863,976**
Investments and Other Assets (Notes 7 and 15)**:**			
Investment securities (Notes 4 and 5)	**102,417**	137,043	**1,233,940**
Deferred tax assets (Note 10)	**73,246**	81,759	**882,482**
Other	**172,792**	201,404	**2,081,831**
Total investments and other assets	**348,455**	420,206	**4,198,253**
Total assets	**¥1,480,240**	¥1,489,510	**$17,834,217**

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2011	2010	Thousands of U.S. dollars (Note 1) 2011
Current Liabilities:			
Short-term bank loans (Note 8)	**¥ 25,833**	¥ 15,019	**$ 311,241**
Long-term debt due within one year (Notes 4 and 8)	**3,509**	4,969	**42,277**
Current portion of convertible bond-type bonds with subscription rights to shares (Note 4)	**46,020**	—	**554,458**
Trade notes and accounts payable	**87,790**	103,377	**1,057,711**
Income taxes payable (Note 10)	**7,545**	10,643	**90,904**
Accrued expenses	**86,009**	74,141	**1,036,253**
Other current liabilities (Notes 10)	**50,246**	60,663	**605,373**
Total current liabilities	**306,952**	268,812	**3,698,217**
Long-Term Liabilities:			
Bonds payable (Note 4)	**100,000**	100,000	**1,204,819**
Convertible bond-type bonds with subscription rights to shares (Notes 4 and 9)	**—**	49,535	**—**
Long-term debt (Notes 4 and 8)	**124,036**	121,390	**1,494,410**
Accrued employees' severance and retirement benefits (Note 12)	**11,541**	12,320	**139,048**
Accrued directors' severance and retirement benefits	**155**	132	**1,867**
Deferred tax liabilities (Note 10)	**28,463**	29,238	**342,928**
Other long-term liabilities	**21,390**	18,575	**257,711**
Total long-term liabilities	**285,585**	331,190	**3,440,783**
Total liabilities	**592,537**	600,002	**7,139,000**
Commitments and Contingencies (Note 14)			
Net Assets (Note 13)**:**			
Common stock:			
Authorized—2,800,000,000 shares in 2011 and 2010			
Issued—709,011,343 shares in 2011 and 2010	**50,000**	50,000	**602,410**
Capital surplus	**105,194**	105,194	**1,267,398**
Retained earnings	**774,275**	746,393	**9,328,614**
Treasury stock, at cost	**(14,581)**	(14,566)	**(175,675)**
Shareholders' equity	**914,888**	887,021	**11,022,747**
Accumulated other comprehensive income			
Net unrealized gain on investment securities	**16,560**	27,462	**199,518**
Deferred gains or losses on hedges	**1,194**	1,003	**14,386**
Foreign currency translation adjustment	**(83,637)**	(59,779)	**(1,007,675)**
Total accumulated other comprehensive income	**(65,883)**	(31,314)	**(793,771)**
Subscription rights to shares (Note 18)	**3,544**	3,295	**42,699**
Minority interests	**35,154**	30,506	**423,542**
Total net assets	**887,703**	889,508	**10,695,217**
Total liabilities and net assets	**¥1,480,240**	¥1,489,510	**$17,834,217**

See accompanying notes.

Consolidated Statements of Operations

DAIICHI SANKYO COMPANY, LIMITED and Consolidated Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	**2011**
Net Sales (Note 16)	**¥ 967,365**	¥952,106	¥ 842,147	**$11,655,000**
Costs and Expenses (Note 16)**:**				
Cost of sales	**281,678**	278,031	214,397	**3,393,711**
Selling, general and administrative expenses	**369,213**	381,763	354,340	**4,448,350**
Research and development expenses	**194,330**	196,803	184,539	**2,341,325**
	845,221	856,597	753,276	**10,183,386**
Operating Income (Note 16)	**122,144**	95,509	88,871	**1,471,614**
Other Income (Expenses):				
Interest and dividend income	**6,775**	6,191	9,475	**81,627**
Interest expense	**(5,519)**	(5,720)	(1,917)	**(66,494)**
Derivative gain (loss)	**11,161**	17,155	(20,501)	**134,470**
Foreign exchange losses	**(1,081)**	(10,690)	(17,466)	**(13,024)**
Gain on sale of property, plant and equipment	**8,811**	2,948	2,239	**106,157**
Gain on sales of investment securities	**2,932**	1,874	124	**35,325**
Loss on disposal of property, plant and equipment	**(2,744)**	(1,656)	(3,305)	**(33,060)**
Loss on impairment of long-lived assets (Note 11)	**(6,452)**	(2,103)	(3,062)	**(77,735)**
Loss on valuation of investment securities	**(3,334)**	(82)	(1,488)	**(40,169)**
Loss on disaster (Note 11)	**(5,640)**	—	—	**(67,952)**
Amortization of goodwill (one-time amortization) (Note 11)	**—**	—	(354,390)	**—**
Non-recurring depreciation on non-current assets (Note 11)	**(2,121)**	(261)	(3,233)	**(25,554)**
Restructuring loss (Note 11)	**(489)**	(2,578)	—	**(5,892)**
Loss on penalty	**(203)**	(2,544)	(393)	**(2,446)**
Other, net	**(3,821)**	(671)	(3,217)	**(46,036)**
	(1,725)	1,863	(397,134)	**(20,783)**
Income (Loss) before Income Taxes and Minority Interests	**120,419**	97,372	(308,263)	**1,450,831**
Income Taxes (Note 10)**:**				
Income taxes–current	**27,483**	31,422	29,241	**331,120**
Income taxes–deferred	**14,323**	18,594	(108,414)	**172,566**
Income (Loss) before Minority Interests	**78,613**	47,356	(229,090)	**947,145**
Minority Interests in Net Loss (Income) of Consolidated Subsidiaries	**(8,492)**	(5,504)	13,591	**(102,314)**
Net Income (Loss)	**¥ 70,121**	¥ 41,852	¥(215,499)	**$ 844,831**

	Yen			U.S. dollars (Note 1)
Amounts per Share of Common Stock (Note 2)**:**				
Net income (loss)	**¥ 99.62**	¥ 59.45	¥ (304.22)	**$ 1.20**
Diluted net income	**99.52**	59.42	—	**1.20**
Cash dividends applicable to the year	**60.00**	60.00	80.00	**0.72**

See accompanying notes.

Consolidated Statements of Comprehensive Income

DAIICHI SANKYO COMPANY, LIMITED and Consolidated Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	2011
Income before Minority Interest	**¥ 78,613**	¥ —	¥ —	**$ 947,145**
Other Comprehensive income (Note 19)				
Valuation difference on available-for-sale securities	**(11,557)**	—	—	**(139,241)**
Deferred gains or losses on hedges	**302**	—	—	**3,638**
Foreign currency translation adjustment	**(27,141)**	—	—	**(327,000)**
Share of other comprehensive income of associates accounted for using equity method	**(342)**	—	—	**(4,120)**
Total other comprehensive income	**(38,738)**	—	—	**(466,723)**
Comprehensive Income (Note 19)	**¥ 39,875**	¥ —	¥ —	**$ 480,422**
Comprehensive income attributable to:				
Comprehensive income attributable to owners of the parent	**35,528**	—	—	**428,048**
Comprehensive income attributable to minority interests	**4,347**	—	—	**52,374**

See accompanying notes.

Consolidated Statements of Changes in Net Assets

DAIICHI SANKYO COMPANY, LIMITED and Consolidated Subsidiaries
Years ended March 31, 2011, 2010 and 2009

		Millions of yen									
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized gain on investment securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Subscription rights to shares	Minority interests	Total net assets
Balance at March 31, 2008	735,011	¥ 50,000	¥ 179,863	¥1,025,145	¥ (43,407)	¥ 48,540	¥ —	¥ (16,264)	¥ 258	¥ 378	¥1,244,513
Effect of changes in accounting policies applied to foreign subsidiaries		—	—	(1,365)	—	—	—	—	—	—	(1,365)
Loss on sale of treasury stock		—	(7)	—	—	—	—	—	—	—	(7)
Retirement of treasury stock		—	(74,662)	—	—	—	—	—	—	—	(74,662)
Net loss		—	—	(215,499)	—	—	—	—	—	—	(215,499)
Cash dividends (¥75.00 per share)		—	—	(53,322)	—	—	—	—	—	—	(53,322)
Change in scope of equity method		—	—	(1,138)	—	—	—	—	—	—	(1,138)
Changes in net unrealized holding gain on securities		—	—	—	—	(28,657)	—	—	—	—	(28,657)
Deferred gains or losses on hedges		—	—	—	—	—	77	—	—	—	77
Change in translation adjustments of foreign currency financial statements		—	—	—	—	—	—	(35,104)	—	—	(35,104)
Changes in treasury stock		—	—	—	28,851	—	—	—	—	—	28,851
Issuance of subscription rights to shares		—	—	—	—	—	—	—	2,132	—	2,132
Changes in minority interests		—	—	—	—	—	—	—	—	22,798	22,798
Balance at March 31, 2009	709,011	¥ 50,000	¥ 105,194	¥ 753,821	¥ (14,556)	¥ 19,883	¥ 77	¥ (51,368)	¥ 2,390	¥ 23,176	¥ 888,617
Loss on sale of treasury stock		—	(5)	—	—	—	—	—	—	—	(5)
Transfer of loss on sale of treasury stock		—	5	(5)	—	—	—	—	—	—	—
Net income		—	—	41,852	—	—	—	—	—	—	41,852
Cash dividends (¥70.00 per share)		—	—	(49,275)	—	—	—	—	—	—	(49,275)
Changes in net unrealized holding gain on securities		—	—	—	—	7,579	—	—	—	—	7,579
Deferred gains or losses on hedges		—	—	—	—	—	926	—	—	—	926
Change in translation adjustments of foreign currency financial statements		—	—	—	—	—	—	(8,411)	—	—	(8,411)
Changes in treasury stock		—	—	—	(10)	—	—	—	—	—	(10)
Issuance of subscription rights to shares		—	—	—	—	—	—	—	905	—	905
Changes in minority interests		—	—	—	—	—	—	—	—	7,330	7,330
Balance at March 31, 2010	709,011	¥ 50,000	¥ 105,194	¥ 746,393	¥ (14,566)	¥ 27,462	¥ 1,003	¥ (59,779)	¥ 3,295	¥ 30,506	¥ 889,508
Loss on sale of treasury stock		—	—	**(4)**	—	—	—	—	—	—	**(4)**
Net income		—	—	**70,121**	—	—	—	—	—	—	**70,121**
Cash dividends (¥60.00 per share)		—	—	**(42,235)**	—	—	—	—	—	—	**(42,235)**
Changes in net unrealized holding gain on securities		—	—	—	—	**(10,902)**	—	—	—	—	**(10,902)**
Deferred gains or losses on hedges		—	—	—	—	—	**191**	—	—	—	**191**
Change in translation adjustments of foreign currency financial statements		—	—	—	—	—	—	**(23,858)**	—	—	**(23,858)**
Changes in treasury stock		—	—	—	**(15)**	—	—	—	—	—	**(15)**
Issuance of subscription rights to shares		—	—	—	—	—	—	—	**249**	—	**249**
Changes in minority interests		—	—	—	—	—	—	—	—	**4,648**	**4,648**
Balance at March 31, 2011	**709,011**	**¥ 50,000**	**¥ 105,194**	**¥ 774,275**	**¥ (14,581)**	**¥ 16,560**	**¥ 1,194**	**¥ (83,637)**	**¥ 3,544**	**¥ 35,154**	**¥ 887,703**

		Thousands of U.S. dollars (Note 1)									
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized gain on investment securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Subscription rights to shares	Minority interests	Total net assets
Balance at March 31, 2010	709,011	$602,410	$1,267,398	$8,992,687	$(175,494)	$330,867	$12,084	$(720,229)	$39,699	$367,542	$10,716,964
Loss on sale of treasury stock		—	—	**(48)**	—	—	—	—	—	—	**(48)**
Net income		—	—	**844,831**	—	—	—	—	—	—	**844,831**
Cash dividends ($0.72 per share)		—	—	**(508,856)**	—	—	—	—	—	—	**(508,856)**
Changes in net unrealized holding gain on securities		—	—	—	—	**(131,349)**	—	—	—	—	**(131,349)**
Deferred gains or losses on hedges		—	—	—	—	—	**2,302**	—	—	—	**2,302**
Change in translation adjustments of foreign currency financial statements		—	—	—	—	—	—	**(287,446)**	—	—	**(287,446)**
Changes in treasury stock		—	—	—	**(181)**	—	—	—	—	—	**(181)**
Issuance of subscription rights to shares		—	—	—	—	—	—	—	**3,000**	—	**3,000**
Changes in minority interests		—	—	—	—	—	—	—	—	**56,000**	**56,000**
Balance at March 31, 2011	**709,011**	**$602,410**	**$1,267,398**	**$9,328,614**	**$(175,675)**	**$199,518**	**$14,386**	**$(1,007,675)**	**$42,699**	**$423,542**	**$10,695,217**

See accompanying notes.

Consolidated Statements of Cash Flows

DAIICHI SANKYO COMPANY, LIMITED and Consolidated Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	2011
Cash Flows from Operating Activities:				
Income (loss) before income taxes and minority interests	**¥ 120,419**	¥ 97,372	¥(308,263)	**$ 1,450,831**
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:				
Depreciation	**43,946**	45,943	40,582	**529,470**
Loss on impairment of long–lived assets	**6,452**	2,103	3,062	**77,735**
Non–recurring depreciation on non–current assets	**2,121**	261	3,233	**25,554**
Amortization of goodwill	**9,149**	8,883	371,760	**110,229**
Derivative (gain) loss	**(11,161)**	(17,155)	20,501	**(134,470)**
Increase (decrease) in allowance for doubtful accounts	**837**	601	(208)	**10,084**
Increase in accrued retirement and severance benefits	**558**	1,436	888	**6,723**
Decrease in prepaid pension costs	**2,298**	3,031	1,103	**27,687**
Interest and dividend income	**(6,775)**	(6,191)	(9,447)	**(81,627)**
Interest expense	**5,519**	5,720	1,922	**66,494**
Foreign exchange (gains) losses	**(36)**	(2,637)	10,411	**(434)**
Loss on valuation of investment securities	**3,550**	342	1,808	**42,771**
Gain on sales of investment securities	**(2,932)**	(1,874)	(124)	**(35,325)**
(Gain) loss on sales of investments in affiliates	**(815)**	(1,061)	16	**(9,819)**
(Gain) loss on sales and disposal of property, plant and equipment	**(6,067)**	(1,292)	1,066	**(73,096)**
Equity in net losses of affiliated companies	**2,645**	176	213	**31,867**
(Increase) decrease in trade notes and accounts receivable	**(1,436)**	(15,356)	4,650	**(17,301)**
Increase in inventories	**(7,145)**	(2,806)	(2,072)	**(86,084)**
Increase (decrease) in trade notes and accounts payable	**(5,045)**	6,437	(308)	**(60,783)**
Increase in accounts payable and accrued expenses	**8,921**	6,236	3,507	**107,482**
Other, net	**8,304**	26,863	(16,367)	**100,048**
Subtotal	**173,307**	157,032	127,933	**2,088,036**
Interest and dividends received	**5,465**	7,261	9,707	**65,843**
Interest paid	**(2,894)**	(3,644)	(649)	**(34,867)**
Income taxes paid	**(34,739)**	(30,413)	(58,608)	**(418,542)**
Net cash provided by operating activities	**141,139**	130,236	78,383	**1,700,470**
Cash Flows from Investing Activities:				
Purchases of time deposits	**(78,456)**	(31,358)	(25,000)	**(945,253)**
Proceeds from maturities in time deposits	**48,474**	36,190	2,991	**584,024**
Purchases of marketable securities	**(134,753)**	(51,007)	(120,672)	**(1,623,530)**
Proceeds from sales of marketable securities	**124,588**	128,826	169,181	**1,501,060**
Acquisitions of property, plant and equipment	**(32,250)**	(28,871)	(19,807)	**(388,554)**
Proceeds from sales of property, plant and equipment	**10,083**	4,563	2,946	**121,482**
Acquisitions of intangible assets	**(3,883)**	(2,287)	(24,796)	**(46,783)**
Acquisitions of investment securities	**(1,025)**	(6,747)	(12,742)	**(12,349)**
Proceeds from sales of investment securities	**8,791**	6,607	2,279	**105,916**
Acquisitions of investments in subsidiaries	**(1,919)**	(1,499)	—	**(23,120)**
Acquisition of investments in newly consolidated subsidiaries (Note 3)	**(8,255)**	(14,446)	(411,252)	**(99,458)**
Proceeds from sales of investments in consolidated subsidiaries resulting in changes in scope of consolidation	**5,642**	2,975	31	**67,976**
Net (increase) decrease in short-term loans receivable	**1,859**	(99)	8,084	**22,398**
Payment for loans receivable	**(28)**	(428)	(506)	**(337)**
Proceeds from collection of loans receivable	**1**	39	1,232	**12**
Other, net	**(1,834)**	170	14,179	**(22,098)**
Net cash provided by (used in) investing activities	**(62,965)**	42,628	(413,852)	**(758,614)**
Cash Flows from Financing Activities:				
Net increase (decrease) in short–term bank loans	**13,756**	(246,772)	196,241	**165,735**
Proceeds from long–term debt	**7,205**	111,832	1,268	**86,807**
Repayments of long–term debt	**(4,806)**	(4,412)	(191)	**(57,904)**
Proceeds from issuance of bonds	**—**	99,688	—	**—**
Purchases of treasury stock	**(35)**	(29)	(45,847)	**(422)**
Proceeds from sale of treasury stock	**2**	6	29	**24**
Dividends paid	**(42,247)**	(49,257)	(53,292)	**(509,000)**
Other, net	**145**	(177)	(152)	**1,748**
Net cash provided by (used in) financing activities	**(25,980)**	(89,121)	98,056	**(313,012)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(9,007)**	(2,297)	(29,129)	**(108,518)**
Net Increase (Decrease) in Cash and Cash Equivalents	**43,187**	81,446	(266,542)	**520,326**
Cash and Cash Equivalents, Beginning of Year	**259,216**	177,770	444,335	**3,123,084**
Decrease in Cash and Cash Equivalents due to Changes in Scope of Consolidation	**—**	—	(23)	**—**
Cash and Cash Equivalents, at End of Year (Note 3)	**¥ 302,403**	¥ 259,216	¥ 177,770	**$ 3,643,410**

See accompanying notes.

Notes to Consolidated Financial Statements

DAIICHI SANKYO COMPANY, LIMITED and Consolidated Subsidiaries
Years ended March 31, 2011, 2010 and 2009

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of DAIICHI SANKYO COMPANY, LIMITED ("the Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in Japan's Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

As discussed in Note 2, the accounts of overseas consolidated subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified six items as applicable.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of Japan's Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese-language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2011, which was ¥83 to U.S. $1. These translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

Consolidation and investments in affiliated companies

The consolidated financial statements include the accounts of the Company and its subsidiaries, excluding insignificant subsidiaries ("the Companies"). All significant intercompany balances, transactions and profits have been eliminated.

The equity method is applied, with minor exception, to the 20 to 50% owned affiliated companies whereby the Company has the ability to exercise significant influence over the operational and financial policies of a company and to certain immaterial subsidiaries not consolidated.

The goodwill, which is the difference between the investment and the net assets of the subsidiary, is amortized equally over the estimated effective period not exceeding 20 years.

Cash and cash equivalents and statements of cash flows

For the purpose of the consolidated statements of cash flows, the Companies classify cash on hand, readily available bank deposits, and short-term, highly liquid investments that bear insignificant risk of changes in value and have maturities that are within three months from the date of acquisition as cash and cash equivalents.

Marketable securities and investment securities

The Companies examine the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies that are not consolidated or accounted for by the equity method are stated at the moving-average cost. Available-for-sale securities with available fair market value are stated at fair market value. Unrealized gains and unrealized losses on these securities, net of applicable income taxes, are reported as a separate component of net assets. Realized gains or losses on the sale of such securities are computed using the moving-average cost method. The Companies have no trading securities.

Derivative transactions

Derivatives are, in principle, stated at market value. The Company and certain consolidated subsidiaries enter into derivative agreements, such as forward foreign exchange contracts, currency options, interest-rate swaps, currency swaps, and call options on specific stocks, in order to manage the risk arising from fluctuation in foreign currency exchange rates, stock prices, and interest rates. Forward foreign exchange contracts and currency options are utilized to hedge risks arising from changes in foreign currency exchange rates in relation to imports and exports. Interest-rate swaps and currency swaps are utilized to manage interest-rate risk and risks arising from fluctuation in foreign currency exchange rates on debts. Call options on specific stocks are utilized to avoid the risk of fluctuation in stock prices related to stock appreciation rights. The Company and its consolidated subsidiaries do not enter into derivative transactions for speculative trading purposes.

Deferred hedge accounting is basically adopted.

Forward foreign exchange contracts that meet hedging criteria are accounted for by the allocation method. The allocation method requires that recognized foreign currency receivables or payables be translated at the underlying exchange rates in the corresponding forward foreign exchange contracts. The Company and those of its consolidated subsidiaries that have derivatives positions have also developed hedging policies to control various aspects of these transactions, including establishing authorization levels and limits of transaction volumes.

The effectiveness of hedges is generally measured by comparing the cumulative change in the fair value of the hedge item with the cumulative change in the fair value of the hedged subject. However, the effectiveness of the forward foreign exchange contracts of the Company as hedges has not been assessed, as the conditions of these transactions are principally the same.

Inventories

Inventories held for sales in the ordinary course of business are accounted for at the lower of weighted-average cost or net realizable value. Replacement cost may be used in lieu of the net realizable value, if appropriate.

Property, plant and equipment

Depreciation of property, plant and equipment (except for certain buildings) is computed principally by the declining-balance method based on the estimated useful lives of the respective assets as to the Company and its domestic consolidated subsidiaries.

Depreciation of buildings (other than structures attached to the buildings) acquired on and after April 1, 1998 by the Company and its domestic consolidated subsidiaries is computed by the straight-line method.

For overseas consolidated subsidiaries, depreciation of property, plant and equipment is computed principally by the straight-line method.

The range of useful lives was from 15 to 50 years for buildings and structures, and from 4 to 8 years for machinery, equipment and vehicles.

The Company and its domestic consolidated subsidiaries depreciate the amounts of the differences between 5% of the acquisition costs and memorandum prices for all tangible fixed assets acquired on or before March 31, 2007 in equal amounts over five years, starting in the year after the fiscal year in which accumulated depreciation based on the pre-revision method reached 95% of the acquisition costs.

Directors' and corporate auditors' bonuses

Directors' and Corporate Auditors' bonuses are expensed as incurred on an accrual basis.

Accrued severance and retirement benefits

The accrued employees' severance and retirement benefits at year-end is provided based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the balance sheet date.

Retirement benefits covering all employees of the Company and domestic consolidated subsidiaries are basically provided by the Group-wide retirement benefit arrangement comprised of a defined benefit pension plan and a defined contribution pension fund.

Prior service costs are principally amortized over 12 months, and actuarial gains and losses are principally amortized by a straight-line method over 10 years.

Certain domestic consolidated subsidiaries have retirement benefits programs for directors and corporate statutory auditors. Such benefits are calculated based on the established guidelines. Payment of such benefits is subject to approval at the shareholders' meeting.

Research and development

Research and development expenses are charged to income when incurred.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date with the resulting gain or loss included in the current statements of operations.

Assets and liabilities of overseas subsidiaries are translated into Japanese yen at the exchange rates at the balance sheet date of the overseas subsidiaries, net assets accounts at historical rates, and expenses and income at average rates of exchange during the year. The resulting foreign currency translation adjustment is reported as a separate component of net assets.

Accounting for certain lease transactions
Effective from the fiscal year ended March 31, 2009, the Company has adopted the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13: originally published by the First Subcommittee of the Business Accounting Council on June 17, 1993 and later revised on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16: published by the Accounting Systems Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994 and later revised on March 30, 2007). Finance leases not transferring ownership are capitalized and depreciated over the estimated useful lives or lease terms, as applicable. However, such leases being effective prior to March 31, 2008 continue to be accounted for as operating leases.

Amounts per share
In computing net income (loss) per share of common stock, the average number of shares issued during each fiscal year is used. For diluted net income per share, both net income and shares outstanding are adjusted to assume the exercise of stock warrants.

Cash dividends per share are presented on an accrual basis and include dividends to be approved after the balance sheet date, but applicable to the year then ended.

Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries
Effective from the fiscal year ended March 31, 2009, the Company has adopted PITF No. 18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements," published by the Accounting Standards Board of Japan (ASBJ) on May 17, 2006.

PITF No. 18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following six items are required in the consolidation process so that their impact on net income is accounted for in accordance with Japanese GAAP unless the impact is not material.

(a) Goodwill not subject to amortization
(b) Actuarial gains and losses of defined-benefit retirement plans recognized outside profit or loss
(c) Capitalized expenditures for research and development activities
(d) Fair value measurement of investment properties, and revaluation of property, plant and equipment, and intangible assets
(e) Retrospective treatment of a change in accounting policies
(f) Accounting for net income attributable to minority interests

Implementation Guidance on Determining a Subsidiary and an Affiliate
Effective from the fiscal year ended March 31, 2010, the Company has adopted the provisions of "Implementation Guidance on Determining a Subsidiary and an Affiliate" (Implementation Guidance No. 22), published by the ASBJ on May 13, 2008.

This adoption has no effect on operating income or income before income taxes and minority interests.

Revised Accounting Standard for Financial Instruments and its implementation Guidance on Disclosures about Fair Value of Financial Instruments
Effective from the fiscal year ended March 31, 2010, the Company and its domestic consolidated subsidiaries have adopted the revised Accounting Standard "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, revised on March 10, 2008).

The effect of this adoption on income before income taxes and minority interests was immaterial.

Information on financial instruments for the year ended March 31, 2010 required pursuant to the revised accounting standards is described in Note 4.

Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)
Effective from the fiscal year ended March 31, 2010, the Company and its domestic consolidated subsidiaries have adopted the provisions of "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19), published by the ASBJ on July 31, 2008.

This adoption has no effect on operating income or income before income taxes and minority interests.

Accounting Standard for Asset Retirement Obligation

Effective from the fiscal year ended March 31, 2011, the Company and its domestic consolidated subsidiaries have adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18 on March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 on March 31, 2008).

The effect of this adoption on operating income or income before income taxes and minority interests was immaterial.

Accounting Standard for Business Combinations and related matters

Effective from the fiscal year ended March 31, 2011, the Company has adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 on December 26, 2008), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 on December 26, 2008), the provisions of "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23 on December 26, 2008), the "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 (Revised 2008) on December 26, 2008), the "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16 (Revised 2008) on December 26, 2008) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10 (Revised 2008) on December 26, 2008).

Accounting Standard for Presentation of Comprehensive Income

Effective from the fiscal year ended March 31, 2011, the Company has adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25 on June 30, 2010).

As a result of the adoption of this standard, the Company has presented the consolidated statement of comprehensive income in the consolidated financial statements for fiscal year ended March 31, 2011.

Information on comprehensive income for the fiscal year ended March 31, 2010 is described in Note 19.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year's presentation.

These reclassifications have no impact on previously reported results of operations or retained earnings.

3. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2011, 2010 and 2009 for the consolidated statements of cash flows consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Cash and deposits	**¥262,038**	¥100,997	¥ 76,551	**$3,157,084**
Less time deposits with maturities extending over three months	**(49,438)**	(22,831)	(25,809)	**(595,638)**
Add short-term investments with maturities within three months	**89,803**	181,050	127,028	**1,081,964**
Cash and cash equivalents	**¥302,403**	¥259,216	¥177,770	**$3,643,410**

In the year ended March 31, 2009, the Company newly consolidated U3 Pharma AG (now U3 Pharma GmbH) and Ranbaxy Laboratories Limited ("Ranbaxy").

The relationship between the amounts of assets and liabilities of these companies at the beginning of the consolidation period used for consolidation purposes and the acquisition of investments in newly consolidated subsidiaries were as follows:

	Millions of yen
Current assets	¥244,491
Non-current assets	151,949
Goodwill	433,737
Current liabilities	(170,195)
Long-term liabilities	(98,882)
Subscription rights to shares	(6,387)
Minority interests	(46,489)
In-process research and development	6,910
Purchase price of the subsidiaries	515,134
Cash and cash equivalents owned by the subsidiaries	103,882
Acquisition of investments in newly consolidated subsidiaries in 2009	¥411,252

4. Financial Instruments

(1) Qualitative information on financial instruments

(a) Policies for using financial instruments

The Companies have obtained short-term bank loans for financing short-term working capital, and have financed acquisition of companies, mainly with bank loans and issuance of unsecured straight bonds. The Companies have been investing temporary surplus funds in highly-secure financial assets. The Company and certain consolidated subsidiaries enter into derivative agreements in order to manage the risks described in the following section (b). The Companies have a policy not to enter into derivative transactions for speculative trading purposes.

(b) Details of financial instruments used and the related risks

The Companies are exposed to customers' credit risk on trade notes and accounts receivable. Foreign currency receivables incurred by the global business are exposed to currency rate fluctuation risk. In principle, forward foreign exchange contracts and currency options are utilized to hedge the currency rate fluctuation risk in relation to the net position of foreign currency receivables and payables.

Marketable securities and investment securities are principally held-to-maturity debt securities and shares issued by business partners, and are exposed to market price fluctuation risk.

Trade notes and accounts payable are due within one year. A part of the payables includes foreign currency payable in relation to imports of raw materials.

Long-term debt and unsecured straight bonds were utilized for financing acquisition of companies, and the maximum period of their maturities is within ten years. They include foreign currency convertible bond-type bonds with subscription rights to shares issued and long-term bank loans in foreign currency obtained by the Company's subsidiary, Ranbaxy. Such foreign currency debts are exposed to currency rate and interest-rate fluctuation risk and are hedged using currency swaps and interest-rate swaps.

Derivatives consist of forward foreign exchange contracts, currency options (zero cost option to offset option premium on sell option and on buy option), currency swaps, interest-rate swaps, and call options on specific stocks. Forward foreign exchange contracts, currency options, and currency swaps are utilized to hedge risks arising from changes in foreign currency exchange rates applied to foreign currency receivables, payables, and debts. Interest-rate swaps are utilized to manage interest-rate risk. Call options on specific stocks are utilized to avoid the risk of fluctuation in stock prices relating to stock appreciation rights. Among them, currency options and call options on specific stocks include options whose maturities are more than one year and foreign exchange and share price fluctuations could have an impact on the results of operations. Hedge accounting policy is described in Note 2.

(c) Policies and processes for risk management

1) Management of credit risk (risk associated with nonfulfillment of contracts by counterparties)

In terms of receivables, the Company manages credit risk according to its internal credit policy. Its sales management department monitors business and financial conditions of major customers regularly and controls their payment dates and credit balances by customer so that the Company can recognize risks of incurrence of uncollectible accounts promptly. Through these processes, the Company manages the mitigation of credit risk. The consolidated subsidiaries also manage their credit risks through similar management systems according to their own policies on protection of receivables in line with the Company's policy.

In terms of held-to-maturity securities, the Company invests only in high-grade bonds according to its fund management policy. Therefore, the related credit risk is immaterial.

In terms of derivative transactions, the Company deals with selected financial institutions with a high credit rating in order to mitigate the counterparty risk.

The book values of financial assets exposed to credit-related losses represent the maximum amounts of credit risk exposure as of March 31, 2011.

2) Management of market risk (risks associated with changes in foreign currency exchange rate, interest rates, etc.)

The Company and certain consolidated subsidiaries principally utilize forward foreign exchange contracts and currency options to hedge the currency rate fluctuation risks arising from changes in each foreign currency exchange rate in relation to foreign currency receivables and payables. In particular, the Companies enter into forward foreign exchange contracts to hedge the currency fluctuation risks in relation to foreign currency receivables and payables that are certainly scheduled to be incurred through import/export transactions within one year.

In terms of marketable securities and investment securities, the Companies regularly assess fair value and issuers' financial conditions. In addition, the Company continuously reviews its stock portfolio.

Also, certain subsidiaries utilize currency swaps and interest-rate swaps to reduce the risk of change in currency exchange rate and interest rate in relation to loans.

In terms of derivatives, the Company has established a Derivatives Management Policy, which stipulates transaction rules such as trading limit and authority. Derivative transactions are executed and controlled according to the policy, and reported to its board of directors. The subsidiaries other than Ranbaxy control derivative transactions based on their own policies, which are in line with the Company's policy.

The Company continues to conduct the risk-exposure controls of Ranbaxy's currency options and currency swaps.

3) Management of liquidity risk associated with funding (risk of inability to make payments on due date)

The Company manages liquidity risk through processes where its Finance & Accounting Department formulates and updates cash-flow plans based on the reports from operational departments on a timely basis and through a policy to maintain liquidity in hand at an equivalent amount of three months' sales.

(d) Supplemental information on fair values

Fair value of financial instruments is measured through quoted market prices when available. When quoted market prices are not available, fair values are estimated by using reasonable valuation methods. The assumptions of such estimation include variable factors and, accordingly, if different assumptions are adopted, estimated fair values could be changed. The notional amounts described in Note 17 should not be construed as representations that such amounts show the market risk exposure in relation to derivative transactions.

(2) Fair values of financial instruments

Carrying values and fair values of financial assets and liabilities at March 31, 2011 and 2010 are as follows.

	Millions of yen		
	2011		
	Carrying amount	Fair value	Differences
Cash and deposits	**¥262,038**	**¥262,038**	**¥ —**
Trade notes and accounts receivable	**205,590**	**205,590**	**—**
Marketable securities and Investment securities	**252,292**	**251,967**	**(325)**
Assets total	**¥719,920**	**¥ 719,595**	**¥ (325)**
Trade notes and accounts payable	**¥ 58,408**	**¥ 58,408**	**¥ —**
Current portion of convertible bond-type bonds with subscription rights to shares	**46,020**	**45,020**	**(1,000)**
Short-term bank loans	**29,342**	**29,342**	**—**
Bonds payable	**100,000**	**102,892**	**2,892**
Long-term debt	**124,036**	**124,137**	**101**
Liabilities total	**¥357,806**	**¥359,799**	**¥1,993**
Derivatives	**¥ [17,582]**	**¥ [17,582]**	**¥ —**

	Millions of yen		
	2010		
	Carrying amount	Fair value	Differences
Cash and deposits	¥100,997	¥100,997	¥ —
Trade notes and accounts receivable	211,889	211,889	—
Marketable securities and Investment securities	358,347	361,046	2,699
Assets total	¥671,233	¥673,932	¥2,699
Trade notes and accounts payable	¥ 66,540	¥ 66,540	¥ —
Short-term bank loans	19,988	19,988	—
Bonds payable	100,000	101,680	1,680
Convertible bond-type bonds with subscription rights to shares	49,535	47,600	(1,935)
Long-term debt	121,390	121,478	88
Liabilities total	¥357,453	¥357,286	¥ (167)
Derivatives	¥ [30,829]	¥ [30,829]	¥ —

	Thousands of U.S. dollars		
	2011		
	Carrying amount	Fair value	Differences
Cash and deposits	$3,157,084	$3,157,084	$ —
Trade notes and accounts receivable	2,476,988	2,476,988	—
Marketable securities and Investment securities	3,039,663	3,035,747	(3,916)
Assets total	$8,673,735	$8,669,819	$ (3,916)
Trade notes and accounts payable	$ 703,711	$ 703,711	$ —
Current portion of convertible bond-type bonds with subscription rights to shares	554,458	542,410	(12,048)
Short-term bank loans	353,518	353,518	—
Bonds payable	1,204,819	1,239,662	34,843
Long-term debt	1,494,410	1,495,627	1,217
Liabilities total	$4,310,916	$4,334,928	$ 24,012
Derivatives	$ [211,831]	$ [211,831]	$ —

Net receivables and payables incurred through derivative transactions are presented on a net basis, and net payables are presented in "[ ]."

(a) Valuation methodology of fair value of financial instruments, and information on marketable securities and derivatives

Assets

1) Cash and deposits, and 2) Trade notes receivables and accounts receivable
Cash and deposits, trade notes receivables and accounts receivable are presented at the carrying values because they are settled in short-term and their fair value reasonably approximates the carrying amounts. Certain foreign currency accounts receivables are subject to the allocation method, which requires that recognized foreign currency receivables or payables be translated at the underlying exchange rates in the corresponding forward foreign exchange contracts.

3) Marketable securities and Investment securities
Fair values of listed stocks are based on the quoted market price, and fair values of bonds are based on the quoted market price or the price that the counterparty financial institutes estimated. Fair values of investment funds are based on published market price. In terms of fair values of investments in partnership, the Company's share of the entity's net assets revaluated at fair value is regarded as fair value of such investments, where its assets can be valued at fair value. Fair value information for securities, classified by intent of holding, is described in Note 5.

Liabilities

1) Trade notes and accounts payable
Trade notes and accounts payables are presented at the carrying value because they are settled in short-term and their fair value reasonably approximates the carrying amounts.

2) Current portion of convertible bond-type bonds with subscription rights to shares
Fair value of current portion of convertible bond-type bonds with subscription rights to shares is based on the quoted price in the over-the-counter market.

3) Short-term loans
Short-term bank loans are presented at the carrying values because they are matured in short-term, their interest rates have reflected the short-term market interest rate, and their fair value reasonably approximates the carrying amounts.

4) Bonds payable
Fair value of bonds payable is based on the quoted market price.

5) Long-term debt
Fair value of long-term debt with variable interest rates is based on the carrying value because the applied interest rates have reflected short-term market interest rates and the fair value approximates the carrying amount. Fair value of long-term debt with fixed interest rate is based on the discounted amount of future repayments of the interest and principal by using the current interest rate assumed for similar types of debts with similar terms.

6) Derivative financial instruments
Fair value of derivatives is estimated based on the market price offered by the counterpart financial institutions.

(b) Financial instrument whose fair value estimation is extremely difficult

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Stocks of unlisted companies	**¥7,779**	¥15,236	**$93,723**

Stocks of unlisted companies are not included in the figures for Marketable securities and Investment securities in the above table because it is extremely difficult to estimate their fair value, since their market price is not available and it is not possible to estimate unlisted companies' future cash flow.

(c) Expected amount of cash-in at March 31, 2011 and 2010

	Millions of yen				
	2011				
	Within one year	Between one and five years	Between five and ten years	Over ten years	Total
Cash and deposits	**¥262,038**	**¥ —**	**¥ —**	**¥ —**	**¥262,038**
Trade notes and accounts receivable	**205,590**	**—**	**—**	**—**	**205,590**
Held-to-maturity securities:					
Government bonds	**46,141**	**—**	**—**	**—**	**46,141**
Corporate bonds	**3,830**	**3,000**	**—**	**—**	**6,830**
Others	**105,862**	**10**	**—**	**—**	**105,872**
Available-for-sale securities:					
Corporate bonds	**—**	**22**	**—**	**—**	**22**
Others	**—**	**—**	**—**	**—**	**—**
Total	**¥623,461**	**¥3,032**	**¥ —**	**¥ —**	**¥626,493**

	Millions of yen				
	2010				
	Within one year	Between one and five years	Between five and ten years	Over ten years	Total
Cash and deposits	¥100,997	¥ —	¥ —	¥ —	¥100,997
Trade notes and accounts receivable	211,889	—	—	—	211,889
Held-to-maturity securities:					
Government bonds	54,201	2,411	—	—	56,612
Corporate bonds	19,009	5,004	1,000	—	25,013
Others	97,185	10	—	—	97,195
Available-for-sale securities:					
Corporate bonds	0	23	—	—	23
Others	—	—	—	—	—
Total	¥483,281	¥7,448	¥1,000	¥ —	¥491,729

	Thousands of U.S. dollars				
	2011				
	Within one year	Between one and five years	Between five and ten years	Over ten years	Total
Cash and deposits	$3,157,084	$ —	$ —	$ —	$3,157,084
Trade notes and accounts receivable	2,476,988	—	—	—	2,476,988
Held-to-maturity securities:					
Government bonds	555,916	—	—	—	555,916
Corporate bonds	46,144	36,145	—	—	82,289
Others	1,275,446	120	—	—	1,275,566
Available-for-sale securities:					
Corporate bonds	—	265	—	—	265
Others	—	—	—	—	—
Total	$7,511,578	$36,530	$ —	$ —	$7,548,108

(d) Expected amount of repayment and redemption at March 31, 2011 and 2010

	Millions of yen					
	2011					
	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Bonds payable	¥ —	¥ —	¥ —	¥60,000	¥ —	¥40,000
Convertible bond-type bonds with subscription rights to shares	46,020	—	—	—	—	—
Long-term debt	—	26,066	20,714	30,036	27,113	20,107
Total	¥46,020	¥26,066	¥20,714	¥90,036	¥27,113	¥60,107

	Millions of yen					
	2010					
	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Bonds payable	¥ —	¥ —	¥ —	¥ —	¥60,000	¥40,000
Convertible bond-type bonds with subscription rights to shares	—	49,534	—	—	—	—
Long-term debt	—	3,671	26,716	20,806	30,039	40,158
Total	¥ —	¥53,205	¥26,716	¥20,806	¥90,039	¥80,158

	Thousands of U.S. dollars					
	2011					
	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Bonds payable	$ —	$ —	$ —	$ 722,892	$ —	$481,928
Convertible bond-type bonds with subscription rights to shares	554,458	—	—	—	—	—
Long-term debt	—	314,048	249,566	361,880	326,663	242,253
Total	$554,458	$314,048	$249,566	$1,084,772	$326,663	$724,181

5. Fair Value Information for Securities

(1) At March 31, 2011 and 2010, the acquisition costs, carrying amounts, and fair market values of securities with available market values were as follows:

(a) Held-to-maturity securities with determinable market values

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Securities with market values greater than their carrying amounts:			
Carrying amount	**¥ 35,841**	¥ 64,323	**$ 431,819**
Market value	**35,886**	64,486	**432,361**
Difference	**¥ 45**	¥ 163	**$ 542**
Securities with fair value not exceeding book value:			
Carrying amount	**¥123,002**	¥114,497	**$1,481,952**
Market value	**122,950**	114,390	**1,481,325**
Difference	**¥ (52)**	¥ (107)	**$ (627)**

(b) Available-for-sale securities with determinable market value

	Millions of yen		
	2011		
	Acquisition cost	Carrying amount	Difference
Securities with carrying amounts greater than their acquisition costs:			
Stock	**¥36,353**	**¥72,297**	**¥35,944**
Bonds	**—**	**—**	**—**
Others	**565**	**777**	**212**
Total	**¥36,918**	**¥73,074**	**¥36,156**
Securities with carrying amounts at or less than their acquisition costs:			
Stock	**¥13,277**	**¥10,484**	**¥ (2,793)**
Bonds	**22**	**22**	**(0)**
Others	**7,967**	**7,359**	**(608)**
Total	**¥21,266**	**¥17,865**	**¥ (3,401)**

	Millions of yen		
	2010		
	Acquisition cost	Carrying amount	Difference
Securities with carrying amounts greater than their acquisition costs:			
Stock	¥38,645	¥92,041	¥53,396
Bonds	22	23	1
Others	564	760	196
Total	¥39,231	¥92,824	¥53,593
Securities with carrying amounts at or less than their acquisition costs:			
Stock	¥14,942	¥12,604	¥ (2,338)
Bonds	0	0	—
Others	73,584	73,096	(488)
Total	¥88,526	¥85,700	¥ (2,826)

	Thousands of U.S. dollars		
	2011		
	Acquisition cost	Carrying amount	Difference
Securities with carrying amounts greater than their acquisition costs:			
Stock	**$437,988**	**$871,048**	**$433,060**
Bonds	**—**	**—**	**—**
Others	**6,807**	**9,361**	**2,554**
Total	**$444,795**	**$880,409**	**$435,614**
Securities with carrying amounts at or less than their acquisition costs:			
Stock	**$159,964**	**$126,313**	**$ (33,651)**
Bonds	**265**	**265**	**—**
Others	**95,988**	**88,663**	**(7,325)**
Total	**$256,217**	**$215,241**	**$ (40,976)**

The Companies recognized ¥3,334 million ($40,169 thousand) and ¥82 million as impairment losses of available-for-sale securities with determinable market value in the years ended March 31, 2011 and 2010, respectively.

(2) Available-for-sale securities sold during the years ended March 31, 2011 and 2010 were as follows:

Millions of yen			Millions of yen			Thousands of U.S. dollars		
2011			2010			2011		
Sales amount	Total gain	Total loss	Sales amount	Total gain	Total loss	Sales amount	Total gain	Total loss
¥9,493	**¥3,313**	**¥ 381**	¥2,504	¥1,874	¥ —	**$114,373**	**$39,916**	**$ 4,590**

6. Inventories

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Merchandise and finished goods	**¥ 89,143**	¥ 91,709	**$1,074,012**
Work in process	**21,599**	16,783	**260,229**
Raw materials and supplies	**32,050**	34,734	**386,145**
	¥142,792	¥143,226	**$1,720,386**

7. Lease Information

As discussed in Note 2, finance leases commenced prior to April 1, 2008 that do not transfer ownership of leased assets to lessees are accounted for as operating leases.

The following is a summary of assumed amounts of acquisition cost, accumulated depreciation, and net book value at March 31, 2011 and 2010:

	Millions of yen		
	2011		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and vehicles, and other	**¥1,101**	**¥(830)**	**¥271**

	Millions of yen		
	2010		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and vehicles, and other	¥1,535	¥(1,071)	¥464

	Thousands of U.S. dollars		
	2011		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and vehicles, and other	**$13,265**	**$(10,000)**	**$3,265**

Future lease payments at March 31, 2011 and 2010, inclusive of interest under such leases, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Due within one year	**¥106**	¥188	**$1,277**
Due in more than one year	**165**	276	**1,988**
	¥271	¥464	**$3,265**

Total expenses for finance leases that do not transfer ownership to lessees and assumed depreciation charges for the years ended March 31, 2011, 2010 and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Total expenses	**¥144**	¥290	¥378	**$1,735**
Assumed depreciation charges	**144**	290	378	**1,735**

8. Short-Term Bank Loans and Long-Term Debt

The weighted-average interest rates on short-term bank loans outstanding were 1.85% and 7.91% at March 31, 2011 and 2010, respectively.

The weighted-average interest rates on long-term debt were 2.97% for debt due within one year and 0.58% for long-term debt other than debt due within one year. Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Secured loans principally from banks and insurance companies	**¥127,545**	¥126,359	**$1,536,687**
Less amount due within one year	**(3,509)**	(4,969)	**(42,277)**
	¥124,036	¥121,390	**$1,494,410**

The annual maturities of long-term debt at March 31, 2011 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	**¥ 26,066**	**$ 314,048**
2014	**20,714**	**249,566**
2015	**30,036**	**361,880**
2016	**27,113**	**326,663**
2017 and thereafter	**20,107**	**242,253**
	¥124,036	**$1,494,410**

The Company entered into line-of-credit agreements with various banks in order to borrow operating funds efficiently. At March 31, 2011 and 2010, unused lines of credit were ¥30,000 million ($361,446 thousand).

9. Bonds

(1) Bonds payable

The Company has issued bonds as follows:

	Issuance date	Interest rate	Security	Maturity date	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
1st series unsecured straight bond	June 24, 2009	1.1%	Unsecured	June 24, 2014	**¥60,000**	¥60,000	**$722,892**
2nd series unsecured straight bond	June 24, 2009	1.8%	Unsecured	June 24, 2019	**¥40,000**	¥40,000	**$481,928**

(2) Convertible bond-type bonds with subscription rights to shares

A consolidated subsidiary has issued the bonds as follows:

	Issuance date	Interest rate	Security	Maturity date	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Convertible bond-type bonds with subscription rights to shares	March 17, 2006	4.8%	Unsecured	March 16, 2011	**¥46,020 [¥46,020]**	¥49,534	**$554,458 [$554,458]**

The amounts to be redeemed within one year are presented in "[ ]."

10. Income Taxes

Taxes on income consist of corporation tax, inhabitants' taxes, and enterprise taxes. The aggregate statutory tax rate on income before income taxes and minority interests in net income of consolidated subsidiaries was approximately 40.5% for the years ended March 31, 2011, 2010 and 2009. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The actual effective tax rates in the consolidated statements of operations differ from the aggregate statutory tax rate principally because of the effect of expenses not deductible for tax purposes.

The following table summarizes the significant differences between the statutory tax rate and the Companies' effective tax rate for financial statement purposes for the year ended March 31, 2011 and 2010:

	2011	2010
Statutory tax rate	**40.5%**	40.5%
Expenses not deductible for income tax purposes	**4.3**	7.8
Non-taxable income	**(1.0)**	(0.6)
Decrease in valuation allowance	**(7.0)**	(7.6)
Amortization of goodwill	**3.0**	3.7
Unrealized deferred tax asset on intercompany profits	**2.5**	8.2
Differences in effective overseas tax rates	**(4.2)**	(4.6)
Other	**(3.4)**	4.0
Effective tax rate	**34.7%**	51.4%

Since the Company reported a loss before income taxes and minority interests, the disclosure for the year ended March 31, 2009 has been omitted.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Deferred tax assets:			
Prepaid consigned research and co-development expenses	**¥ 51,380**	¥ 38,214	**$ 619,036**
Net operating loss carry-forwards for income tax purposes	**41,717**	86,958	**502,614**
Depreciation	**23,819**	22,664	**286,976**
Accrued bonuses	**6,945**	6,672	**83,675**
Unrealized profit on inventories and loss on valuation of inventories	**6,404**	6,388	**77,157**
Loss on revaluation of securities	**3,381**	1,921	**40,735**
Loss on impairment	**3,039**	3,085	**36,614**
Accrued employees' severance and retirement benefits	**1,468**	1,930	**17,687**
Other	**57,489**	49,264	**692,639**
Valuation allowance	**(12,051)**	(17,886)	**(145,193)**
Total deferred tax assets	**183,591**	199,210	**2,211,940**
Deferred tax liabilities:			
Intangible assets	**(17,372)**	(18,531)	**(209,301)**
Net unrealized holding gain on investment securities	**(12,102)**	(18,730)	**(145,807)**
Reserve for reduction in bases of property, plant and equipment for income tax purposes	**(8,961)**	(9,532)	**(107,964)**
Other	**(10,573)**	(12,927)	**(127,386)**
Total deferred tax liabilities	**(49,008)**	(59,720)	**(590,458)**
Net deferred tax assets	**¥134,583**	¥139,490	**$1,621,482**

Net deferred tax assets as of March 31, 2011 and 2010 were included in the following accounts of the consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Deferred tax assets:			
Current	**¥90,245**	¥86,971	**$1,087,289**
Non-current	**73,246**	81,759	**882,482**
Deferred tax liabilities:			
Other current liabilities	**445**	2	**5,361**
Deferred tax liabilities (non-current)	**28,463**	29,238	**342,928**

11. Other Income (Expenses)

(1) Loss on impairment of long-lived assets

The Companies categorized their assets for business use into groups based on profit control unit for management purposes, taking into consideration the similarity in the type of products and business activities, the consistency as a business group, and the continuity of management in the future, and individually categorized their assets for lease and unutilized assets that are not directly used for business.

In the years ended March 31, 2011, 2010 and 2009, the Companies recognized a loss on impairment in the following asset groups:

Fiscal 2011

Location	Function	Asset Type	Status
Sunto, Shizuoka	Higashi-Fuji Training Institute	Land	Idle
India	Paonta Sahib Manufacturing facility	Buildings, machinery, equipment, etc.	Business use
Germany	Trademarks and patents	Investments and other assets - other	Business use
U.S.	Marketing right, etc.	Investments and other assets - other	Business use

Fiscal 2010

Location	Function	Asset Type	Status
Shimada, Shizuoka, etc.	Shizuoka Plant, etc. Manufacturing facility	Buildings, machinery, equipment, etc.	Idle
Bunkyo-ku, Tokyo	Office for rent	Buildings, structures, etc.	Rental

Fiscal 2009

Location	Function	Asset Type	Status
Sapporo, Hokkaido	Former sales office Commercial facility	Buildings, structures, etc.	Idle
Kasukabe, Saitama	Former Tokyo Distribution Center facility	Buildings, land, etc.	Idle
Iwaki, Fukushima, etc.	Onahama Plant, etc. Manufacturing facility	Buildings, machinery, equipment, etc.	Idle

Because the above asset groups are idle and have uncertain prospects for future utilization, the planned sales price has become lower than the book value, or the original estimate of profit has become unrealizable, etc., their book values have been written down to a recoverable amount, and such reductions in the amount of ¥6,452 million ($ 77,735 thousand), ¥2,103 million and ¥3,062 million were recorded as losses on impairment of long-lived assets for the years ended March 31, 2011, 2010 and 2009, respectively.

The amounts consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Buildings and structures	**¥152**	¥1,297	¥1,726	**$1,831**
Machinery, equipment and vehicles	**727**	608	511	**8,759**
Land	**368**	198	825	**4,434**
Investments and other assets - other	**5,205**	—	—	**62,711**

The recoverable amount of an assets group represents an estimated net realizable value, which was obtained based on third-party appraisal or the valuation amount for real estate tax purposes, after making reasonable adjustments.

(2) Loss on disaster

In the year ended March 31, 2011, the Companies recognized a loss on disaster associated with the Great East Japan Earthquake on March 11, 2011. The amounts consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2011	2011
Repair costs of buildings, etc.	¥3,285	$39,578
Loss on retirement of inventories/provisions for returns	1,413	17,024
Loss on disposal of buildings, etc.	168	2,024
Other	774	9,326

Of these costs, total provisions of ¥4,571 million ($55,072) were booked against loss on disaster. Although some of the damaged assets were insured, the cost that insurance claims would cover is not determinable.

(3) Non-recurring depreciation on non-current assets

In line with an accounting revision made to the useful lives of fixed assets following a decision to retire certain facilities of the Company and its domestic consolidated subsidiaries, the Companies wrote off the difference in the book value of these assets before and after this revision.

The breakdown of this amount is the following:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Buildings and structures	¥2,121	¥261	¥3,220	$25,554
Machinery, equipment and vehicles	—	—	13	—

(4) Restructuring loss

In the year ended March 31, 2011, the Companies recognized a non-recurring loss, which mainly consisted of the expenses associated with the removal, integration and closure of operating locations, associated with the reorganization of consolidated subsidiary Asubio Pharma Co., Ltd.

In the year ended March 31, 2010, the Companies recognized a non-recurring loss associated with the reorganization of consolidated subsidiary Asubio Pharma Co., Ltd., the sale and transfer of the Shizuoka factory of Daiichi Sankyo Propharma Co., Ltd. and others. The amounts consisted of the following:

	Millions of yen
	2010
Additional retirement benefits, etc.	¥1,867
Expenses associated with the removal, integration and closure of operating locations	60
Provision for losses of sale of shares	315
Other	336

(5) Amortization of goodwill

The Companies recognized a loss related to the write-down of shares in an affiliate in its financial statements in the year ended March 31, 2009 to reflect the fact that the market price at the fiscal year-end for the shares of consolidated subsidiary Ranbaxy had fallen below 50% of the purchase cost.

As a result, the Companies amortized goodwill at its consolidation in relation to this acquisition.

12. Retirement and Termination Benefit Plans

Retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Projected benefit obligation	**¥(109,127)**	¥(102,408)	**$(1,314,783)**
Plan assets at fair value	**85,373**	79,906	**1,028,590**
Under-funded projected benefit obligations in excess of plan assets	**(23,754)**	(22,502)	**(286,193)**
Unrecognized actuarial losses	**13,152**	14,072	**158,458**
Net pension liabilities recognized in the consolidated balance sheet	**(10,602)**	(8,430)	**(127,735)**
Prepaid pension assets	**939**	3,890	**11,313**
Accrued employees' severance and retirement benefits	**¥ (11,541)**	¥ (12,320)	**$ (139,048)**

Additional retirement benefits, which are not subject to the actuarial valuation in accordance with the accounting standards for the severance and retirement benefits, may be paid to employees upon retirement.

Periodic employees' severance and retirement benefit expenses for the years ended March 31, 2011, 2010, and 2009 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Service costs for benefits earned	**¥ 4,444**	¥ 4,199	¥ 4,627	**$ 53,542**
Interest costs	**2,975**	2,920	2,661	**35,843**
Expected return on plan assets	**(2,551)**	(2,333)	(2,479)	**(30,735)**
Amortization of actuarial loss	**2,599**	3,757	2,106	**31,313**
Amortization of prior service costs	**—**	198	—	**—**
Additional retirement benefits and other	**158**	1,883	—	**1,904**
Other	**5,939**	7,249	3,730	**71,555**
Total	**¥13,564**	¥17,873	¥10,645	**$163,422**

The discount rates for calculating the projected benefit obligation and the rates of expected return on plan assets used by the Companies were as follows:

	%		
	2011	2010	2009
Discount rates for calculating projected benefit obligation	**Principally 2.5%**	Principally 2.5%	Principally 2.5%
Rates of expected return on plan assets	**Principally 3.0%**	Principally 3.0%	Principally 3.0%

13. Net Assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of its board of directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under Japan's Companies Act ("the Act"), in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend and the excess, if any, of 25% of common stock over the total of additional paid-in capital and the legal earnings reserve must be set aside as additional paid-in-capital or a legal earnings reserve. The legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Act, the legal earnings reserve and additional paid-in capital generally could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting.

Under the Act, all additional paid-in capital and all legal earnings reserves may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Act.

At the annual shareholders' meeting held on June 27, 2011, the shareholders resolved cash dividends amounting to ¥21,117 million ($254,422 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2011 and are recognized in the period in which they are resolved.

14. Commitments and Contingencies

(1) At March 31, 2011, the Company was contingently liable as a guarantor for loans of employees in the amount of ¥2,859 million ($34,446 thousand).

(2) Contingent liabilities relating to litigation on certain products' price control by the Indian government were estimated as ¥3,554 million ($42,819 thousand).

(3) The Company's consolidated subsidiary Ranbaxy is endeavoring to resolve the issues with the U.S. Food and Drug Administration (FDA) for import alert and warning letters issued primarily relating to Good Manufacturing Practice for some of the products manufactured at certain manufacturing facilities in India and Application Integrity Policy. In addition, the U.S. Department of Justice (DOJ) has indicated problems regarding certain possible issues with data submitted by the company in support of product filings, and Ranbaxy is endeavoring to resolve this issue.

Ranbaxy is holding discussions with the DOJ to settle all outstanding matters, and the company has submitted a counter-proposal to the resolution proposed by the DOJ. This counter-proposal is conditional on the success of negotiations with the FDA.

At present, there is still uncertainty about the outcome of settlements and negotiations with the DOJ and FDA, and thus it is difficult to make a reasonable estimate of the amount involved.

15. Business Combination

(1) Acquisition of Ranbaxy

(a) Description of the acquired company

1) Name and nature of business of the acquired company
   Name of the acquired company: Ranbaxy Laboratories Limited
   Nature of the acquired business: Manufacture, sale, and research and development of generic drugs in the therapeutic areas of hyperlipidemia and infection
2) Purpose of acquisition
   The Group believes that realizing sustained business growth must involve the expansion of its prescription drug business in advanced country markets while at the same time seizing new growth opportunities in developing countries. In addition to the traditional high-risk/high-return business model employed in developed-country markets, the Group believes it is necessary to anticipate and respond to rapidly changing market needs by adopting a "hybrid business model." This approach seeks to expand the Group's global reach by growing in emerging markets while also further expanding the Group's drug portfolio in developed markets using generic drugs. The entry of Ranbaxy is thus an extremely significant step in terms of promoting the sustained long-term growth of the Group.
3) Date of acquisition
   November 7, 2008
4) Legal form of acquisition
   Share purchase by cash
5) Name of the company after acquisition
   Ranbaxy Laboratories Limited
6) Percentage of voting rights acquired
   63.92%

(b) Period of results of acquired company included in the consolidated financial statements

From October 1, 2008 to December 31, 2008 for the year ended March 31, 2009

(c) Acquisition cost of acquired company and related breakdown

Acquisition considerations:

	Millions of yen
Share purchases by an open offer	¥169,407
Share purchases from founding family	230,971
Capital increase subscribed by third party	85,002
Direct acquisition-related costs	2,974
Total acquisition cost	¥488,354

(d) Description of goodwill

1) Amount of goodwill
¥408,675 million

2) Reason for recognizing goodwill
Goodwill was recognized as the excess of the acquisition cost over the net of acquired assets and assumed liabilities at fair value.

3) Goodwill amortization method and period
Amortized in equal amounts over 20 years
The Company amortized the goodwill (one-time amortization) of Ranbaxy of ¥351,310 million for the fiscal year ended March 31, 2009.

(e) Amounts and breakdown of main components of assets acquired and liabilities assumed as of the date of acquisition

	Millions of yen
Current assets	¥241,767
Non-current assets	151,863
Goodwill, net	408,675
Current liabilities	(169,103)
Long-term liabilities	(98,882)
Subscription rights to shares	(6,387)
Minority interests	(46,489)
In-process research and development	6,910
Total	¥488,354

(f) Amounts of acquisition cost allocated to research and development expenses charged to earnings

In-process research and development expenses: ¥6,910 million

(g) Amounts of acquisition cost allocated to intangible assets other than goodwill and amortization period

	Millions of yen	Amortization period
Trademarks related	¥40,984	10 years
Leasehold right	5,918	—

(2) Acquisition of U3 Pharma

(a) Description of the business of acquired company

1) Name and nature of business of acquired company
Name of acquired company: U3 Pharma AG
Nature of business: R&D, mainly in area of therapeutic antibodies for cancer

2) Purpose of acquisition
To develop a continuous stream of promising drug candidates by reinforcing the drug discovery platform in the fields of cancer and therapeutic antibodies

3) Date of acquisition
June 19, 2008
4) Legal form of acquisition
Share purchase by cash
5) Name of the company after acquisition
U3 Pharma AG (now U3 Pharma GmbH)
6) Percentage of voting rights acquired
100%

(b) Period of results of the acquired company included in consolidated financial statements

From July 1, 2008 to March 31, 2009 for the year ended March 31, 2009

(c) Purchase cost of the acquired company and related breakdown

Acquisition considerations:

	Millions of yen
Cash	¥26,695
Direct acquisition-related expenditures	85
Total purchase cost	¥26,780

(d) Description of goodwill

1) Amounts of goodwill
¥25,062 million
2) Reason for recognizing goodwill
Goodwill was recognized as the excess value of the purchase cost over the net of acquired assets and assumed liabilities at fair value.
3) Goodwill amortization method and period
Amortized in equal amounts over 5 years

(e) Amounts and breakdown of main components of assets acquired and liabilities assumed as of the date of acquisition

	Millions of yen
Current assets	¥ 2,724
Non-current assets	86
Goodwill	25,062
Current liabilities	(1,092)
Total	¥26,780

16. Segment Information

(1) Outline of reporting segments

The reporting segments used by the Daiichi Sankyo Group ("the Group") are based on the financial data available for discrete operating units, and are subject to periodic review by the Board of Directors to facilitate decisions related to the allocation of resources and the evaluation of business performance.

The Group's operations consist of the production and sale of prescription and OTC pharmaceuticals and related R&D activities. In this business, the Company uses two reporting segments for the Daiichi Sankyo Group Segment ("Daiichi Sankyo Group") and the Ranbaxy Group Segment ("Ranbaxy Group").

The Daiichi Sankyo Group consists of the Company, Daiichi Sankyo Inc., Daiichi Sankyo Europe GmbH, and other subsidiaries engaged in prescription and OTC pharmaceutical business activities.

The Ranbaxy Group consists principally of Ranbaxy Laboratories Ltd. and is engaged in prescription and OTC pharmaceutical business activities.

(2) Calculation methodology for net sales, profits or losses, assets and liabilities, and other items for each reporting segment

The accounting treatment of each reporting segment is in line with the "Summary of significant accounting policies."

"Segment profit" as reported in this section is based on income before income taxes and minority interests. "Inter-segment sales and transfers" are calculated at prevailing market prices.

(3) Net sales, profits or losses, assets and liabilities, and other items, by reporting segment

	Millions of yen		
	2011		
	Daiichi Sankyo Group	Ranbaxy Group	Total
Net sales			
Outside customers	¥ 795,426	¥ 171,939	¥ 967,365
Inter-segment sales and transfers	61	1,120	1,181
Total	¥ 795,487	¥ 173,059	¥ 968,546
Segment profit	¥ 89,327	¥ 36,824	¥ 126,151
Segment assets	¥1,661,954	¥ 251,562	¥1,913,516
Segment liabilities	¥ 424,625	¥ 156,330	¥ 580,955
Other items			
Depreciation	¥ 29,191	¥ 12,064	¥ 41,255
Amortization of goodwill	6,674	—	6,674
Interest income	921	3,061	3,982
Interest expenses	2,082	3,437	5,519
Equity in earnings of affiliated companies	172	—	172
Equity in losses of affiliated companies	—	222	222
Other income	10,230	5,141	15,371
Other expense	20,874	8,279	29,153
(Loss on impairment of long-lived assets)	5,166	4,845	10,011
Capital investment in equity-method affiliates	617	1,851	2,468
Increase in property, plant and equipment and intangible assets	31,722	9,489	41,211

	Millions of yen		
	2010		
	Daiichi Sankyo Group	Ranbaxy Group	Total
Net sales			
Outside customers	¥ 805,527	¥ 146,579	¥ 952,106
Inter-segment sales and transfers	34	76	110
Total	¥ 805,561	¥ 146,655	¥ 952,216
Segment profit	¥ 89,127	¥ 14,237	¥ 103,364
Segment assets	¥1,674,366	¥ 242,390	¥1,916,756
Segment liabilities	¥ 426,437	¥ 158,110	¥ 584,547
Other items			
Depreciation	¥ 34,099	¥ 8,292	¥ 42,391
Amortization of goodwill	6,421	—	6,421
Interest income	1,625	2,151	3,776
Interest expenses	2,051	3,669	5,720
Equity in earnings of affiliated companies	—	83	83
Equity in losses of affiliated companies	259	—	259
Other income	4,562	1,320	5,882
Other expense	11,579	67	11,646
(Loss on impairment of long-lived assets)	2,103	—	2,103
Capital investment in equity-method affiliates	487	5,742	6,229
Increase in property, plant and equipment and intangible assets	21,470	10,259	31,729

	Thousands of U.S. dollars		
	2011		
	Daiichi Sankyo Group	Ranbaxy Group	Total
Net sales			
Outside customers	$ 9,583,446	$2,071,554	$11,655,000
Inter-segment sales and transfers	735	13,494	14,229
Total	$ 9,584,181	$2,085,048	$11,669,229
Segment profit	$ 1,076,229	$ 443,663	$ 1,519,892
Segment assets	$20,023,542	$3,030,868	$23,054,410
Segment liabilities	$ 5,115,964	$1,883,494	$ 6,999,458
Other items			
Depreciation	$ 351,699	$ 145,349	$ 497,048
Amortization of goodwill	80,410	—	80,410
Interest income	11,096	36,880	47,976
Interest expenses	25,084	41,410	66,494
Equity in earnings of affiliated companies	2,072	—	2,072
Equity in losses of affiliated companies	—	2,675	2,675
Other income	123,253	61,940	185,193
Other expense	251,494	99,747	351,241
(Loss on impairment of long-lived assets)	62,241	58,373	120,614
Capital investment in equity-method affiliates	7,434	22,301	29,735
Increase in property, plant and equipment and intangible assets	382,193	114,325	496,518

(4) Reporting segment totals and differences with amounts in Consolidated Financial Statements (CFS reconciliations)

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Net sales			
Reporting segment total	**¥ 968,546**	¥ 952,216	**$11,669,229**
Elimination of inter-segment transactions	**(1,181)**	(110)	**(14,229)**
CFS-stated consolidated net sales	**¥ 967,365**	¥ 952,106	**$11,655,000**
Segment profit			
Reporting segment total	**¥ 126,151**	¥ 103,364	**$ 1,519,892**
Amortization of allocated acquisition cost	**(3,515)**	(3,552)	**(42,349)**
Adjustments to allocated acquisition cost	**3,559**	—	**42,880**
Amortization of goodwill	**(2,416)**	(2,418)	**(29,108)**
Adjustment for sales of investment securities	**(2,102)**	—	**(25,325)**
Losses on equity interests in affiliated companies	**(1,175)**	—	**(14,157)**
Elimination of inter-segment transactions	**(201)**	—	**(2,422)**
Other consolidated adjustments	**118**	(22)	**1,420**
CFS-stated consolidated income before income taxes	**¥ 120,419**	¥ 97,372	**$ 1,450,831**
Segment assets			
Reporting segment total	**¥1,913,516**	¥1,916,756	**$23,054,410**
Elimination of investments and capital	**(488,354)**	(488,354)	**(5,883,783)**
Allocated acquisition cost	**38,538**	45,532	**464,313**
Adjustment to goodwill	**23,525**	19,902	**283,434**
Elimination of stock subscription rights on consolidation	**(4,304)**	(4,304)	**(51,855)**
Elimination of inter-segment transactions	**(1,421)**	(22)	**(17,121)**
Losses on equity interests in affiliated companies	**(1,260)**	—	**(15,181)**
CFS-stated total assets	**¥1,480,240**	¥1,489,510	**$17,834,217**
Segment liabilities			
Reporting segment total	**580,955**	584,547	**6,999,458**
Adjustment to deferred tax liabilities	**12,802**	15,477	**154,241**
Elimination of inter-segment transactions	**(1,220)**	(22)	**(14,699)**
CFS-stated total liabilities	**¥ 592,537**	¥ 600,002	**$ 7,139,000**

	Millions of yen		
	2011		
	Reporting segment total	Adjustment	Amount on the CFS
Other items			
Depreciation	**¥41,255**	**¥2,691**	**¥43,946**
Amortization of goodwill	**6,674**	**2,475**	**9,149**
Interest income	**3,982**	**—**	**3,982**
Interest expenses	**5,519**	**—**	**5,519**
Equity in earnings of affiliated companies	**172**	**(172)**	**—**
Equity in losses of affiliated companies	**222**	**2,423**	**2,645**
Other income	**15,371**	**(2,539)**	**12,832**
Other expense	**29,153**	**(4,978)**	**24,175**
(Loss on impairment of long-lived assets)	**10,011**	**(3,559)**	**6,452**
Capital invested in equity-method affiliates	**2,468**	**658**	**3,126**
Increase in property, plant and equipment and intangible assets	**41,211**	**—**	**41,211**

	Millions of yen		
	2010		
	Reporting segment total	Adjustment	Amount on the CFS
Other items			
Depreciation	¥42,391	¥3,552	¥45,943
Amortization of goodwill	6,421	2,462	8,883
Interest income	3,776	—	3,776
Interest expenses	5,720	—	5,720
Equity in earnings of affiliated companies	83	(83)	–
Equity in losses of affiliated companies	259	(83)	176
Other income	5,882	22	5,904
Other expense	11,646	—	11,646
(Loss on impairment of long-lived assets)	2,103	—	2,103
Capital invested in equity-method affiliates	6,229	—	6,229
Increase in property, plant and equipment and intangible assets	31,729	—	31,729

	Thousands of U.S. dollars		
	2011		
	Reporting segment total	Adjustment	Amount on the CFS
Other items			
Depreciation	**$497,048**	**$32,422**	**$529,470**
Amortization of goodwill	**80,410**	**29,819**	**110,229**
Interest income	**47,976**	**—**	**47,976**
Interest expenses	**66,494**	**—**	**66,494**
Equity in earnings of affiliated companies	**2,072**	**(2,072)**	**—**
Equity in losses of affiliated companies	**2,675**	**29,192**	**31,867**
Other income	**185,193**	**(30,591)**	**154,602**
Other expense	**351,241**	**(59,976)**	**291,265**
(Loss on impairment of long-lived assets)	**120,614**	**(42,879)**	**77,735**
Capital invested in equity-method affiliates	**29,735**	**7,928**	**37,663**
Increase in property, plant and equipment and intangible assets	**496,518**	**—**	**496,518**

(5) Information about products and services

	Millions of yen		
	2011		
	Olmesartan (antihypertensive)	Other	Total
Net sales for outside customers	**¥241,369**	**¥725,996**	**¥967,365**

	Thousands of U.S. dollars		
	2011		
	Olmesartan (antihypertensive)	Other	Total
Net sales for outside customers	**$2,908,060**	**$8,746,940**	**$11,655,000**

(6) Information about geographic areas

(a) Revenues

Millions of yen

2011				
Japan	North America	Europe	Other	Total
¥477,631	¥261,789	¥104,455	¥123,490	¥967,365

Thousands of U.S. dollars

2011				
Japan	North America	Europe	Other	Total
$5,754,590	$3,154,084	$1,258,494	$1,487,832	$11,655,000

(b) Tangible fixed assets

Millions of yen

2011			
Japan	India	Other	Total
¥162,012	¥35,441	¥40,257	¥237,710

Thousands of U.S. dollars

2011			
Japan	India	Other	Total
$1,951,952	$427,000	$485,024	$2,863,976

(7) Information about major customers

Millions of yen

2011		
Name of customers	Net sales	Segment
Alfresa Corporation	¥124,484	Daiichi Sankyo Group

Thousands of U.S. dollars

2011		
Name of customers	Net sales	Segment
Alfresa Corporation	$1,499,807	Daiichi Sankyo Group

(8) Information on outstanding goodwill by reporting segment

Millions of yen

	2011			
	Daiichi Sankyo Group	Ranbaxy Group	Adjustment	Amount on the balance sheet
Ending balance	¥24,042	¥19,749	¥23,526	¥67,317

Thousands of U.S. dollars

	2011			
	Daiichi Sankyo Group	Ranbaxy Group	Adjustment	Amount on the balance sheet
Ending balance	$289,663	$237,940	$283,445	$811,048

Additional information

Effective from the fiscal year ended March 31, 2011, the Company has adopted “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (Accounting Standards Board of Japan (“ASBJ”) Statement No.17 on March 27, 2009) and “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, issued on March 21, 2008).

Segment information for the years ended March 31, 2010 and 2009 were as follows:

(1) Business Segments

The Companies' primary business activities consist mainly of pharmaceuticals.

Since net sales, operating income, and total assets in the "Pharmaceutical" segment constituted more than 90% of the consolidated totals, the disclosure of business segment information for the years ended March 31, 2010 and 2009 has been omitted.

(2) Geographic Segments

Geographic segments are classified as Japan, North America, Europe, India and Other, according to the location of the Companies. "Other" includes China, Taiwan, Brazil and others.

Net sales, operating expenses, and operating income by geographic segment for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen						
	2010						
	Japan	North America	Europe	India	Other	Elimination and/or corporate	Consolidated
Sales and operating income							
Net sales:							
Outside customers	¥519,444	¥222,518	¥ 99,250	¥ 59,916	¥50,978	¥ —	¥ 952,106
Inter-segment	65,392	48,587	33,694	36,085	1,796	(185,554)	—
Total sales	584,836	271,105	132,944	96,001	52,774	(185,554)	952,106
Operating expenses	544,362	224,030	123,803	91,470	49,458	(176,526)	856,597
Operating income	¥ 40,474	¥ 47,075	¥ 9,141	¥4,531	¥ 3,316	¥ (9,028)	¥ 95,509
Assets	¥913,050	¥242,256	¥212,434	¥298,805	¥50,331	¥(227,366)	¥1,489,510

	Millions of yen						
	2009						
	Japan	North America	Europe	India	Other	Elimination and/or corporate	Consolidated
Sales and operating income (loss)							
Net sales:							
Outside customers	¥529,754	¥190,811	¥ 77,436	¥ 15,255	¥28,891	¥ —	¥ 842,147
Inter-segment	50,103	48,673	23,763	2,941	783	(126,263)	—
Total sales	579,857	239,484	101,199	18,196	29,674	(126,263)	842,147
Operating expenses	536,418	189,185	95,408	37,103	29,288	(134,126)	753,276
Operating income (loss)	¥ 43,439	¥ 50,299	¥ 5,791	¥ (18,907)	¥ 386	¥ 7,863	¥ 88,871
Assets	¥920,103	¥242,685	¥226,956	¥280,710	¥43,043	¥(218,897)	¥1,494,600

(3) Overseas Sales

Overseas net sales are the Companies' sales that were consummated in countries or regions outside of Japan.

The Companies' overseas business activities consist mainly of those in North America and Europe. "Other" includes mainly Asia. Overseas net sales by the Companies for the years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of yen			
	2010			
	North America	Europe	Other	Total
Overseas net sales	¥247,226	¥117,521	¥117,591	¥482,338
Consolidated net sales				952,106
Ratio of overseas net sales on a consolidated basis	26.0%	12.3%	12.4%	50.7%

	Millions of yen			
	2009			
	North America	Europe	Other	Total
Overseas net sales	¥221,325	¥98,170	¥53,759	¥373,254
Consolidated net sales				842,147
Ratio of overseas net sales on a consolidated basis	26.3%	11.6%	6.4%	44.3%

17. Derivatives

The notional amounts and the estimated fair value of derivatives outstanding as of March 31, 2011 and 2010 are summarized as follows:

(1) Currency-related

	Millions of yen					
	2011			2010		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts						
Buy						
U.S. dollar	**¥ 1,039**	**¥ 21**	**¥ 21**	¥ 132	¥ 1	¥ 1
Currency option						
Sell						
U.S. dollar	**170,067**	**(18,586)**	**(18,586)**	235,354	(30,078)	(30,078)
Buy						
U.S. dollar	**68,939**	**(1,779)**	**(1,779)**	95,615	(2,892)	(2,892)
Currency swaps	**8,150**	**1,835**	**1,835**	10,350	1,363	1,363
Total	**¥248,195**	**¥(18,509)**	**¥(18,509)**	¥341,451	¥(31,606)	¥(31,606)

	Thousands of U.S. dollars		
	2011		
	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts			
Buy			
U.S. dollar	**$ 12,518**	**$ 253**	**$ 253**
Currency option			
Sell			
U.S. dollar	**2,049,000**	**(223,928)**	**(223,928)**
Buy			
U.S. dollar	**830,590**	**(21,434)**	**(21,434)**
Currency swaps	**98,193**	**22,109**	**22,109**
Total	**$2,990,301**	**$(223,000)**	**$(223,000)**

(2) Interest rate-related

	Millions of yen					
	2011			2010		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Interest-rate swaps						
Floating to fixed rate	**¥7,400**	**¥(50)**	**¥(50)**	¥11,800	¥(111)	¥(111)

	Thousands of U.S. dollars		
	2011		
	Notional amount	Fair value	Unrealized gain (loss)
Interest-rate swaps			
Floating to fixed rate	**$89,157**	**$(602)**	**$(602)**

(3) Stock-related

	Millions of yen					
	2011			2010		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Call options on specific stocks						
Buy / Call	**¥12,692**			¥14,802		
	¥ [4,825]	**¥529**	**¥(4,296)**	¥ [5,806]	¥974	¥(4,832)

	Thousands of U.S. dollars		
	2011		
	Notional amount	Fair value	Unrealized gain (loss)
Call options on specific stocks			
Buy / Call	**$152,916**		
	$ [58,133]	**$6,374**	**$(51,759)**

The amounts in "[ ]" represent option premium.

(4) Currency-related

	Millions of yen			
	2011		2010	
	Notional amount	Fair value	Notional amount	Fair value
Forward foreign exchange contracts				
Sell				
U.S. dollar Account receivable-trade				
Principle method	**¥20,278**	**¥366**	¥1,842	¥ (86)
Allocation method for forward foreign exchange contract	**—**	**—**	1,089	(27)
Buy				
U.S. dollar Account payable-nontrade				
Allocation method for forward foreign exchange contract	**1,582**	**81**	—	—
Total	**¥21,860**	**¥447**	¥2,931	¥(113)

	Thousands of U.S. dollars	
	2011	
	Notional amount	Fair value
Forward foreign exchange contracts		
Sell		
U.S. dollar Account receivable-trade		
Principle method	**$244,313**	**$4,410**
Allocation method for forward foreign exchange contract	**—**	**—**
Buy		
U.S. dollar Account payable-nontrade		
Allocation method for forward foreign exchange contract	**19,060**	**976**
Total	**$263,373**	**$5,386**

18. Stock Option Plans

The Company and certain of its subsidiaries have implemented stock option plans. Stock option expense included in selling, general and administrative expenses for the years ended March 31, 2011 and 2010 amounted to ¥650 million ($7,831 thousand) and ¥836 million, respectively.

(1) Stock options by the Company

Under the Company's stock option plan, subscription rights to shares were granted to directors and corporate officers of the Company. The outline of stock options provided by the Company as of March 31, 2011 was as follows:

	2007	2008	2009	2010
	Stock option	Stock option	Stock option	Stock option
Individuals covered by the plan:				
Directors	6	6	6	6
Corporate officers	20	20	18	18
Total	26	26	24	24
Class and number of stocks (shares):				
Common stock	101,900	172,200	230,800	237,100
Date of the grant	February 15, 2008	November 17, 2008	August 17, 2009	August 19, 2010
Required service period	—	—	—	—
Exercise period	February 16, 2008 to February 15, 2038	November 18, 2008 to November 17, 2038	August 18, 2009 to August 17, 2039	August 20, 2010 to August 19, 2040

The movement of stock options was as follows:

	2007	2008	2009	2010
	Stock option	Stock option	Stock option	Stock option
Subscription rights to shares that have not been vested (shares):				
Outstanding as of March 31, 2010	—	—	—	—
Granted	—	—	—	237,100
Forfeited/expired	—	—	—	—
Vested	—	—	—	237,100
Outstanding as of March 31, 2011	—	—	—	—
Subscription rights to shares that have been vested (shares):				
Outstanding as of March 31, 2010	98,900	172,200	230,800	—
Vested	—	—	—	237,100
Exercised	5,400	200	—	—
Forfeited/expired	—	—	—	—
Outstanding as of March 31, 2011	93,500	172,200	230,800	237,100

Price information of stock options was as follows:

	2007	2008	2009	2010
	Stock option	Stock option	Stock option	Stock option
Exercise price (yen)	¥ 1	¥ 1	¥ 1	¥ 1
Average market price of the stock at the time of exercise (yen)	¥1,634	¥1,595	—	—
Fair value (date of the grant) (yen)	¥2,528	¥1,342	¥1,338	¥1,197

The fair value of options granted was estimated using the Black-Scholes model with the following assumptions:

	2010
	Stock option
Expected volatility	35.2%
Expected holding period	10 years
Expected dividend	¥60
Risk-free rate	0.9%

(2) Stock options by certain subsidiaries

Under the subsidiaries' stock option plan, subscription rights to shares were granted to directors and employees of the subsidiaries. The outline of stock options provided by the subsidiaries as of March 31, 2011 was as follows:

	2001	2001	2002
	Stock option (1)	Stock option (2)	Stock option
Individuals covered by the plan:			
Directors	3	3	3
Employees	494	679	862
Total	497	682	865
Class and number of stocks (shares)			
Common stock	434,540	664,500	940,900
Date of the grant	January 12, 2001	December 3, 2001	April 1, 2002
Vesting	The options are vested evenly over a period of 5 years from the date of the grant.	The options are vested evenly over a period of 5 years from the date of the grant.	The options are vested evenly over a period of 5 years from the date of the grant.
Exercise period	10 years from the date of the grant	10 years from the date of the grant	10 years from the date of the grant

	2003	2004	2005
	Stock option	Stock option	Stock option
Individuals covered by the plan:			
Directors	3	2	2
Employees	931	1,208	1,605
Total	934	1,210	1,607
Class and number of stocks (shares)			
Common stock	1,861,900	2,565,500	3,013,350
Date of the grant	February 7, 2003	January 22, 2004	January 17, 2005
Vesting	The options are vested evenly over a period of 5 years from the date of the grant.	The options are vested evenly over a period of 5 years from the date of the grant.	The options are vested evenly over a period of 5 years from the date of the grant.
Exercise period	10 years from the date of the grant	10 years from the date of the grant	10 years from the date of the grant

	2006	2007	2008
	Stock option	Stock option	Stock option (1)
Individuals covered by the plan:			
Directors	2	3	2
Employees	1,676	1,815	2,145
Total	1,678	1,818	2,147
Class and number of stocks (shares)			
Common stock	1,221,300	1,331,575	1,559,825
Date of the grant	January 17, 2006	January 17, 2007	January 16, 2008
Vesting	The options are vested evenly over a period of 5 years from the date of the grant.	The options are vested evenly over a period of 5 years from the date of the grant.	The options are vested evenly over a period of 5 years from the date of the grant.
Exercise period	10 years from the date of the grant	10 years from the date of the grant	10 years from the date of the grant

	2008	2009	2010
	Stock option (2)	Stock option	Stock option
Individuals covered by the plan:			
Directors	—	1	1
Employees	1	2,178	2,258
Total	1	2,179	2,259
Class and number of stocks (shares)			
Common stock	15,000	1,472,725	1,573,669
Date of the grant	June 11, 2008	January 21, 2009	February 24, 2010
Vesting	The options are vested evenly over a period of 5 years from the date of the grant.	The options are vested evenly over a period of 5 years from the date of the grant.	The options are vested evenly over a period of 5 years from the date of the grant.
Exercise period	10 years from the date of the grant	10 years from the date of the grant	10 years from the date of the grant

The movement of stock options was as follows:

	2001	2001	2002
	Stock option (1)	Stock option (2)	Stock option
Subscription rights to shares that have not been vested (shares):			
Outstanding as of March 31, 2010	—	—	—
Granted	—	—	—
Forfeited/expired	—	—	—
Vested	—	—	—
Outstanding as of March 31, 2011	—	—	—
Subscription rights to shares that have been vested (shares):			
Outstanding as of March 31, 2010	27,746	52,470	126,968
Vested	—	—	—
Exercised	9,134	11,094	35,466
Forfeited/expired	1,860	736	2,952
Outstanding as of March 31, 2011	16,752	40,640	88,550

	2003	2004	2005
	Stock option	Stock option	Stock option
Subscription rights to shares that have not been vested (shares):			
Outstanding as of March 31, 2010	—	—	293,510
Granted	—	—	—
Forfeited/expired	—	—	450
Vested	—	—	293,060
Outstanding as of March 31, 2011	—	—	—
Subscription rights to shares that have been vested (shares):			
Outstanding as of March 31, 2010	402,052	1,104,887	1,192,030
Vested	—	—	293,060
Exercised	118,240	23,785	11,570
Forfeited/expired	5,950	108,035	181,790
Outstanding as of March 31, 2011	277,898	973,067	1,291,730

	2006	2007	2008
	Stock option	Stock option	Stock option (1)
Subscription rights to shares that have not been vested (shares):			
Outstanding as of March 31, 2010	286,630	552,765	980,120
Granted	—	—	—
Forfeited/expired	19,800	56,635	116,850
Vested	146,930	192,500	264,200
Outstanding as of March 31, 2011	119,900	303,630	599,070
Subscription rights to shares that have been vested (shares):			
Outstanding as of March 31, 2010	380,783	349,300	263,705
Vested	146,930	192,500	264,200
Exercised	90,175	64,234	115,607
Forfeited/expired	35,220	45,015	33,065
Outstanding as of March 31, 2011	402,318	432,551	379,233

	2008	2009	2010
	Stock option (2)	Stock option	Stock option
Subscription rights to shares that have not been vested (shares):			
Outstanding as of March 31, 2010	12,000	1,381,900	—
Granted	—	—	1,573,669
Forfeited/expired	—	183,470	192,795
Vested	3,000	303,730	42,225
Outstanding as of March 31, 2011	9,000	894,700	1,338,649
Subscription rights to shares that have been vested (shares):			
Outstanding as of March 31, 2010	3,000	3,150	—
Vested	3,000	303,730	42,225
Exercised	—	110,670	—
Forfeited/expired	—	10,980	—
Outstanding as of March 31, 2011	6,000	185,230	42,225

Price information of stock options was as follows:

	2001 Stock option (1)	2001 Stock option (2)	2002 Stock option
Exercise price (INR)	336.50	297.50	372.50
Average market price of the stock at the time of exercise (INR)	507.80	525.04	506.25
Fair value (date of the grant) (INR)	481.50	486.00	598.50

	2003 Stock option	2004 Stock option	2005 Stock option
Exercise price (INR)	283.50	496.00	538.50
Average market price of the stock at the time of exercise (INR)	512.29	582.62	586.15
Fair value (date of the grant) (INR)	416.00	708.50	754.18

	2006 Stock option	2007 Stock option	2008 Stock option (1)
Exercise price (INR)	392.00	430.00	391.00
Average market price of the stock at the time of exercise (INR)	536.89	548.57	543.19
Fair value (date of the grant) (INR)	586.07	662.57	498.06

	2008 Stock option (2)	2009 Stock option	2010 Stock option
Exercise price (INR)	561.00	216.00	450.00
Average market price of the stock at the time of exercise (INR)	—	504.08	—
Fair value (date of the grant) (INR)	733.89	308.97	668.64

The fair value of options granted was estimated using the Black-Scholes model with the following assumptions:

	2010 Stock option
Expected volatility	40.3%
Expected holding period	6.5 years
Expected dividend	3.93 INR
Risk-free rate	7.72%

19. Consolidated Statements of Comprehensive Income

(1) Comprehensive income for the fiscal year ended March 31, 2010 was as follow:

	Millions of yen	Thousands of U.S. dollars
Comprehensive income attributable to owners of the parent	¥41,946	$505,373
Comprehensive income attributable to minority interests	7,733	93,169
Total comprehensive income	¥49,679	$598,542

(2) Other comprehensive income for the fiscal year ended March 31, 2010 was as follow:

	Millions of yen	Thousands of U.S. dollars
Valuation difference on available-for-sale securities	¥8,929	$107,578
Deferred gains or losses on hedges	1,449	17,458
Foreign currency translation adjustment	(8,291)	(99,892)
Share of other comprehensive income of associates accounted for using equity method	237	2,856
Total other comprehensive income	¥2,324	$ 28,000

20. Subsequent Events

(1) Proposal for appropriations of retained earnings

The following appropriations of retained earnings at March 31, 2011 were resolved at the annual general meeting of shareholders of the Company held on June 27, 2011.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends of ¥30.00 ($0.36) per share	¥21,117	$254,422

(2) Acquisition of shares in Plexxikon Inc.

On April 1, 2011, the Company's consolidated subsidiary Daiichi Sankyo U.S. Holdings, Inc. completed the acquisition of all shares of Plexxikon Inc.

(a) Purpose of acquisition
The Group has designated creation of innovative pharmaceuticals as a key management issue and aims to develop the drug pipeline in priority therapeutic areas. Providing truly innovative oncology therapies is one of its main goals over the medium and long-term.
The acquisition of Plexxikon Inc. also helps to bolster the Group's in-house drug discovery research capabilities across Japan, the U.S., Europe and India. Going forward, the Group aims to leverage the distinctive features of these research facilities in its global research programs, whilst reinforcing functional capabilities to promote the discovery of first-in-class molecules.

(b) Shares acquired from:
Founder(s), employees, investment funds and other shareholders

(c) Name, nature of business and size of acquired company
Name of the acquired company: Plexxikon Inc. (USA)
Nature of the acquired business: Research and development, mainly in areas of oncology, inflammation, cardio-renal disease and central nervous system
Paid-in capital: US$4,469 thousand
Sales: US$39,324 thousand (for the period from January 1, 2010 to December 31, 2010)

(d) Date of acquisition
April 1, 2011

(e) Acquisition price and percentage of voting rights acquired
Acquisition price:
Total cost on completion of acquisition was US$823 million. Additional milestone payments of up to US$130 million are payable on the launch of the most advanced program, PLX4032.
Percentage of voting rights acquired: 100%

(f) Acquisition funding method
Internally funded

KPMG

Independent Auditors' Report

To the Board of Directors of
DAIICHI SANKYO COMPANY, LIMITED:

We have audited the accompanying consolidated balance sheets of DAIICHI SANKYO COMPANY, LIMITED and consolidated subsidiaries as of March 31, 2011 and 2010, the related consolidated statements of operations and comprehensive income for the year ended March 31, 2011, statements of operations for the year ended March 31, 2010 and 2009, and statements of changes in net assets and cash flows for each of the three years in the period ended March 31,2011, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DAIICHI SANKYO COMPANY, LIMITED and subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to Note 19 to the consolidated financial statements, in which the comprehensive income for the year ended March 31, 2010 is disclosed.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC.

Tokyo, Japan
June 27, 2011

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Corporate Data

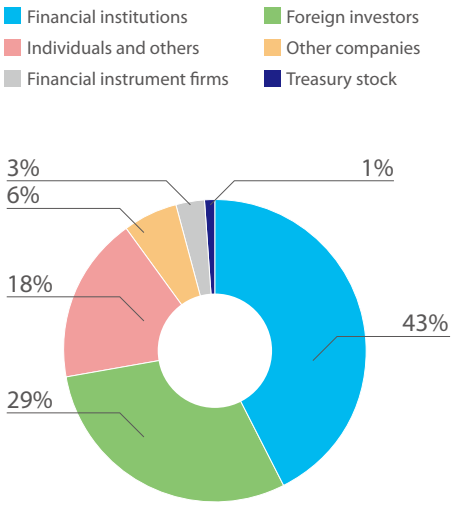
■ Corporate Profile (As of March 31, 2011)

Company Name	DAIICHI SANKYO COMPANY, LIMITED
Established	September 28, 2005
Headquarters	3-5-1, Nihonbashi-honcho, Chuo-ku, Tokyo 103-8426, Japan
URL	http://www.daiichisankyo.com
Business	Research and development, manufacturing, import, sales and marketing of pharmaceutical products
Paid-in Capital	¥50,000 million
Employees	30,488 (consolidated)

■ Stock Information

Common Stock	
Number of shares authorized	2,800,000,000
Number of shares issued	709,011,343
Number of shareholders	114,824

■ Distribution of shareholders



■ Major Shareholders

Name	Number of Shares Held (Thousands of Shares)	Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	44,703	6.31
Japan Trustee Services Bank, Ltd. (trust account)	39,473	5.57
Nippon Life Insurance Company	37,659	5.31
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	14,948	2.11
State Street Bank and Trust Company	13,645	1.92
Sumitomo Mitsui Banking Corporation	13,413	1.89
JP Morgan Chase Bank 385147	12,251	1.73
Tokio Marine & Nichido Fire Insurance Co., Ltd.	8,791	1.24
Mizuho Corporate Bank, Ltd.	8,591	1.21
Mizuho Trust & Banking Co., Ltd. (retirement benefit trust, Mizuho Corporate Bank account)	8,497	1.20
Total	**201,975**	**28.49**

Global Network

Major Group Companies (Consolidated Subsidiaries)

(As of July 2011)

Company	Country	Principal Activities
DAIICHI SANKYO ESPHA CO., LTD.	Japan	Manufacturing and sales of pharmaceuticals
DAIICHI SANKYO HEALTHCARE CO., LTD.	Japan	Manufacturing and sales of OTC drugs, cosmetics, medical equipment, food, and beverages, among others
DAIICHI SANKYO PROPHARMA CO., LTD.	Japan	Manufacturing of pharmaceuticals
DAIICHI SANKYO CHEMICAL PHARMA CO., LTD.	Japan	Manufacturing of active pharmaceutical ingredients and intermediates
DAIICHI SANKYO LOGISTICS CO., LTD.	Japan	Distribution and related affairs
ASUBIO PHARMA CO., LTD.	Japan	Research and development of pharmaceuticals
DAIICHI SANKYO RD ASSOCIE CO., LTD.*	Japan	Support of research and development of the Group
DAIICHI SANKYO BUSINESS ASSOCIE CO., LTD.	Japan	Business support of the Group
DAIICHI SANKYO HAPPINESS CO., LTD.	Japan	Business support of the Group
Kitasato Daiichi Sankyo Vaccine Co., Ltd.	Japan	Research and development, manufacturing, and sales of vaccine
DAIICHI SANKYO, INC.	U.S.A.	Research, development, and sales of pharmaceuticals
Plexxikon Inc.	U.S.A.	Research and development of pharmaceuticals
Luitpold Pharmaceuticals, Inc.	U.S.A.	Manufacturing and sales of pharmaceuticals and veterinary medicine
DAIICHI SANKYO EUROPE GmbH	Germany	Development and manufacturing of pharmaceuticals
DAIICHI SANKYO FRANCE S.A.S.	France	Sales of pharmaceuticals
DAIICHI SANKYO DEUTSCHLAND GmbH	Germany	Sales of pharmaceuticals
DAIICHI SANKYO ITALIA S.p.A.	Italy	Sales of pharmaceuticals
DAIICHI SANKYO ESPAÑA, S.A.	Spain	Sales of pharmaceuticals
DAIICHI SANKYO UK LIMITED	U.K.	Sales of pharmaceuticals
DAIICHI SANKYO (SCHWEIZ) AG	Switzerland	Sales of pharmaceuticals
DAIICHI SANKYO PORTUGAL, LDA.	Portugal	Sales of pharmaceuticals
DAIICHI SANKYO AUSTRIA GmbH	Austria	Sales of pharmaceuticals
DAIICHI SANKYO BELGIUM N.V.-S.A.	Belgium	Sales of pharmaceuticals
DAIICHI SANKYO NEDERLAND B.V.	Netherlands	Sales of pharmaceuticals
DAIICHI SANKYO İLAÇ TİCARET Ltd. Şti	Turkey	Sales of pharmaceuticals
DAIICHI SANKYO IRELAND LTD.	Ireland	Sales of pharmaceuticals
DAIICHI SANKYO ALTKIRCH SARL	France	Manufacturing of materials, etc. for pharmaceuticals
U3 Pharma GmbH	Germany	Ethical pharmaceutical research
DAIICHI SANKYO DEVELOPMENT LTD.	U.K.	Ethical pharmaceutical development
DAIICHI SANKYO PHARMACEUTICAL (BEIJING) CO., LTD.	China	Development, manufacturing, and sales of pharmaceuticals
DAIICHI SANKYO PHARMACEUTICAL (SHANGHAI) CO., LTD.	China	Research, development, manufacturing, and sales of pharmaceuticals
DAIICHI SANKYO TAIWAN LTD.	Taiwan	Sales of pharmaceuticals
DAIICHI SANKYO KOREA CO., LTD.	Korea	Sales of pharmaceuticals
DAIICHI SANKYO (THAILAND) LTD.	Thailand	Import, sales, and agency services of pharmaceuticals
DAIICHI SANKYO HONG KONG LIMITED	China	Marketing of pharmaceuticals
DAIICHI SANKYO BRASIL FARMACÊUTICA LTDA.	Brazil	Manufacturing and sales of pharmaceuticals
DAIICHI SANKYO VENEZUELA S.A.	Venezuela	Manufacturing and sales of pharmaceuticals
DAIICHI SANKYO MEXICO S.A. DE C.V.	Mexico	Sales of pharmaceuticals
DAIICHI SANKYO INDIA PHARMA PRIVATE LIMITED	India	Research and development of pharmaceuticals
Ranbaxy Laboratories Limited	India	Research, development, manufacturing, and sales of pharmaceuticals

* DAIICHI SANKYO RD ASSOCIE CO., LTD. will be renamed DAIICHI SANKYO RD NOVARE CO., LTD. on October 1, 2011.

DAIICHI SANKYO CO., LTD.

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