

Daiichi Sankyo Group Value Report 2013



Passion for Innovation.
Compassion for Patients.™

From this year onwards, the Daiichi Sankyo Group will combine its Annual Report and its CSR Report into an integrated Value Report.

The Group interacts with multiple members of society, so rather than dividing up our activities into policy, strategy, and financial information in one report, and efforts to realize a sustainable society in another, we feel that the value that we offer is best grasped in a comprehensive manner.

The need for quality healthcare and medicine are expected to become a critical and social concern globally in the next fifty years. In this rapidly changing environment, the Daiichi Sankyo Group strives to become a global solution provider that has a good understanding of society's needs.

This objective was the starting point when we formulated our Third Mid-Term Business Management Plan (FY2013-2017) in March this year. Following this plan, we target to become a Global Pharma Innovator, capable of sustainable growth, while meeting diverse medical needs throughout the world.

FY2013, being the first year of the third plan is particularly important.

We will continue taking steps towards increasing both sales and income, while realizing sales of at least one trillion yen and bolstering market competitiveness.

We expect continued understanding and support from our stakeholders.

June, 2013

Joji NAKAYAMA

Representative Director President and CEO



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Highlights of Financial and Non-Financial Data

DAIICHI SANKYO COMPANY, LIMITED and Consolidated Subsidiaries

Economic	Unit	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013 Forecast
Net sales	Millions of yen	842,147	952,106	967,365	938,677	997,852	1,080,000
Operating income	Millions of yen	88,871	95,509	122,144	98,202	100,516	110,000
Net income (loss)	Millions of yen	△215,499	41,852	70,121	10,383	66,621	68,000
Sales outside Japan	Millions of yen	373,254	482,337	489,734	469,085	486,658	
Sales outside Japan to net sales	%	44.3	50.7	50.6	50.0	48.8	
R&D expenses	Millions of yen	184,539	196,803	194,330	185,052	183,047	187,000
R&D expenses to net sales	%	21.9	20.7	20.1	19.7	18.3	17.0
Depreciation and amortization expenses	Millions of yen	40,582	45,942	43,946	46,305	41,423	42,000
Total assets	Millions of yen	1,494,600	1,489,510	1,480,240	1,518,479	1,644,071	
Total net assets	Millions of yen	888,617	889,508	887,703	832,749	915,745	
Return on shareholders' equity	%	△20.5	4.9	8.2	1.3	7.9	
Net income (loss) per share of common stock	Yen	△304.22	59.45	99.62	14.75	94.64	96.60
Cash dividends per share	Yen	80	60	60	60	60	60

Society	Unit	FY2008	FY2009	FY2010	FY2011	FY2012
Number of employees		28,895	29,825	30,488	31,929	32,229
Japan		9,148	8,892	9,002	9,308	9,251
Outside Japan		19,747	20,933	21,486	22,621	22,978
Percentage of women in managerial positions (Japan)		2.3	2.7	2.9	3.3	3.6
Frequency of industrial accidents*1 (Japan)	—	0.65	0.70	0.62	0.44	0.39

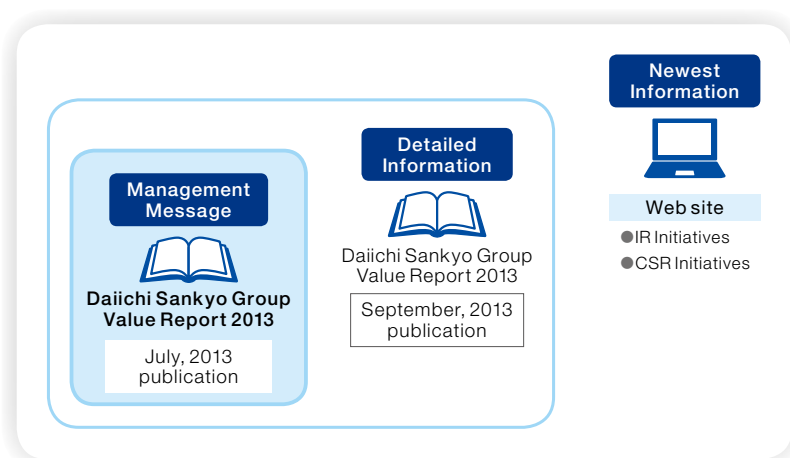
*1 $\frac{\text{Number of casualties due to industrial injuries}}{\text{Total working hours}} \times 1,000,000$

Environmental	Unit	FY2008	FY2009	FY2010	FY2011	FY2012
CO ₂ emissions	t-CO ₂	243,388	460,725	481,612	473,233	467,296
Water Use	1,000m ³	—	—	—	15,651	16,194

Communication Policy

The “Daiichi Sankyo Value Report 2013” communicates our group’s management philosophy and strategy in an easy-to-understand manner to all stakeholders, such as investment institutes, healthcare professionals, the general population and our group’s employees. It is also a useful new communication tool that enables understanding of the corporate values, growth potential and business continuity.

This report provides management messages mainly as an abridged edition of the “Daiichi Sankyo Value Report 2013”.



To shareholders/investors

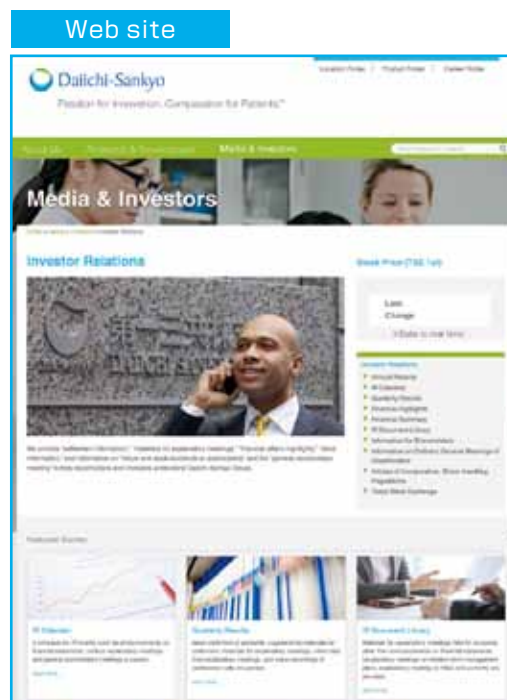
For updates and detailed information on the Company, please refer to the “Investor Relations” page of our corporate website.

- Quarterly Results
- Financial highlights
- Financial Summary
- IR Document Library



http://www.daiichisankyo.com/media_investors/investor_relations/index.html

TOP > Media & Investors > Investor Relations



Precautions for future prospects

This report contains future prospects such as the Company’s plan, strategy, and business performance. These prospects are based on our conclusions from information that is currently available. Therefore, please be advised that the actual business performance will be influenced by various risks and uncertainties and could achieve different results from these prospects. Examples of factors that could influence future prospects include but are not limited to the economic environment, competition, related laws, change to product development circumstances or fluctuation of exchange rates that surround the company’s business domain.

Period Covered

April 1, 2012 to March 31, 2013 (fiscal 2012)

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Management Discussion

April 24, 2013

Joji NAKAYAMA

Representative Director President and CEO
Daiichi Sankyo Co., Ltd.

Tetsuo KITAGAWA

Professor of Aoyama Gakuin University
Graduate School of International Management



“In the upcoming decades, we shall become a world’s leading company providing effective solutions for diverse health and medical needs on a global scale.”— While formulating our Third Mid-term Business Management Plan in March 2013, we reaffirmed this declaration to exist as a corporation that is truly needed by society when considering long-term changes to the business environment. Professor Tetsuo KITAGAWA, who has worked as a leading analyst in the pharmaceutical industry and now a prominent researcher in the field of capital markets, IR and corporate value, discussed Daiichi Sankyo’s position on “*Infrastructure for long-term sustainable growth and increased corporate value*” with CEO Joji NAKAYAMA.

With a long-term perspective, we seek value by staying ahead of the times.

Mission of a pharmaceutical company

Kitagawa: Last year's CSR report was more focused on "Further Enhancing Corporate Quality," but this time I would like to hear your opinion on the theme of "Long-term perspective for the image as a respected pharmaceutical company and infrastructure to support sustainable growth."

Nakayama: Based on current global demographics, if we consider how the world will change over the next 50 years or so, it is clear that advanced nations will have to bear the burden of an aging population with slowing growth. India, the African nations and other emerging countries will lead the growth of the global economy, and economic disparity will spread. Under such conditions, health and access to medical care will become a critical social issue posing a variety of challenges, to the extent that it will no longer be appropriate to use the word "market," a term which pharmaceutical companies are quick to use to differentiate. Actually, with increased instances of granting compulsory licenses in emerging nations and healthcare reforms, such a trend has already started, forcing pharmaceutical companies to determine further course of action including autonomous, flexible price-setting. In that respect, we have already equipped ourselves with technology for both generic medicine and new pharmaceuticals. Moreover, the Daiichi Sankyo Group has global reach and also has presence in India and Africa though Ranbaxy. With our continued efforts, we will eventually be seen as a company of Japanese origin which is able to contribute to the entire world by serving health and medical needs at the global level. This is our long-term goal and also starting objective for our Third Mid-term Business Management Plan.

Kitagawa: In the case of a pharmaceutical company, it isn't enough to have a short or mid-term focus. Instead, it is important to constantly monitor fairly long-term perspectives. Accordingly, investors should

also understand the need for bold investment and the corporation must be giving persuasive explanations patiently.

In that respect, I was very satisfied with how your company first indicated a long-term outlook while announcing its current Mid-term Business Management Plan.

Nakayama: Today, not just our company but rather the overall pharmaceutical industry is facing the serious problem of lost productivity in research and development. The larger issue is that we need to be able to serve patients with unmet medical needs. Therefore, we must look harder for ways to provide our society new innovative medicines and serve more patients. I want to focus on our efforts for more direct social contribution, an area which cannot be accomplished only through conducting ordinary business.

We have initiated several steps including alliances with academia, partnering with overseas pharmaceutical companies and utilizing public-private cooperation to fast-track new drug discovery process for unmet medical needs including Duchenne Muscular Dystrophy, a rare disease treatment. In summary, we target to become a corporation recognized by shareholders, investors and society that we can continue to be proud of.

Kitagawa: There is an extremely high level of research and development in Japan, particularly in basic research. However, there aren't many companies capable of utilizing such domestic seeds. I hope that your company will accept this challenge.

Research on rare diseases opens up the possibility of discovering many new pharmaceutical products. In the past, we have examples of new discoveries turning into large-scale opportunities and we should constantly be aware of such situations.

Investors of today are often prone to focus only on short-term results. I worry about the differences between investors who, like me, see pharmaceutical companies in the long-term, and other investors who do not.

sustainable improvement of corporate

Sincere corporate activities that support business

Kitagawa: Your company's business has now a much expanded geographic reach also covering emerging markets with expected accelerated growth in the future. Social structure across all these regions is remarkably different. Due to such factors, an extremely multifaceted approach is necessary for sustainable growth. However, there is also an inextricable link between considering methods for shared global

be the overarching conduct code on shared items based upon an assessment of how such rules are interpreted and applied within the operations of each country.

In other words, this code of conduct applies to both business activities for creating value and sincere corporate activities based on social responsibility. Both types of activities are increasingly essential for corporations.

Kitagawa: That's wonderful. Discrepancy in such situations poses great risks. In my opinion, thorough response must be taken as a kind of "self-defense." However, all corporations are struggling with these issues, including the mega-firms of Europe and America. Still, your company is extremely proactive in its response—perhaps from about the time Ranbaxy was acquired. I truly respect what you have done.



business and responding to problems such as human rights issues from a CSR perspective.

Nakayama: In terms of "shared global business," Daiichi Sankyo Group has adopted the Daiichi Sankyo Group Corporate Conduct Charter. This code requires all employees globally to conform to a standard code of conduct, in addition certain local codes of conduct are also implemented on the basis of specific local business customs including laws and regulations. Therefore, we created our global code of business conduct to

Becoming No. 1

Nakayama: It is troublesome and costly to be bogged down with fixed goals. If things are stable, then it might be smart to form a strategy in which we rise to the second position and then overtake the leader right before the goal. However, in today's world, winds of change blow from every direction. Therefore,

if you don't acquire the ability to extract truth and analyze issues by yourself, you will ultimately end up in a most disadvantageous position. At our company, I continue to emphasize the importance of becoming No. 1. This not just means to have the highest sales and income figures, but rather becoming a company that is first to take on the world's problems and provide solutions, as well as becoming a company which is imitated by others. I never want to hear any of our employees talk about following in the footsteps of some other company!

Kitagawa: When faced with unpleasant circumstances, you will definitely get better results by taking the initiative and confronting the problem. This is true for all things. Instead of taking a passive stance, it is important to thoroughly assess the meaning and positive aspects of taking action, and then move as swiftly as possible.

Major companies in Europe and America possess such perspective. Perhaps this way of thinking has been firmly instilled from past experience.



Changing diversity into ability

Kitagawa: European corporations are often open to adopt changes to actively respond to change in environment. For example, some corporations have placed an outside director in-charge of CSR and diversity, some corporations have their board of directors audited by a third party. Having said that, it is also true that the level of diversity and governance is based on tradition and principles which each company

and individual have gained through past experience.

Nakayama: From the perspective of diversity and governance, I give priority to how we can constantly maintain trusting relationships and organizational self-control. Simply having a friendly relationship will lead to loss of control and mistakes. On the other hand, a formal bureaucracy will cause our company to crumble. Perhaps our goal can be described as a two-tiered structure of passion and calmness.

This is something on which I focus constantly.

For example, I frequently have the opportunity to speak with CEOs of group companies in the US, Europe and India at one-on-one meetings. I have held many discussions to formulate the current Mid-term Management Plan.

Within such discussions, I have learned countless new ideas and made innumerable discoveries. I feel that discussion with people from various cultural backgrounds is extremely effective in significantly widening one's scope and the way of thinking.

Kitagawa: That's the true power of diversity, isn't it?

Nakayama: Exactly. If diversity proceeds smoothly, it creates a variety of positive and vibrant results. However, if a background system is not simultaneously established, then there will be only superficial diversity, and that doesn't produce results. Today, I have discussed my own past experiences. In the future, I hope to convert my experience into wisdom for Daiichi Sankyo through the form of a company and organization.

Proper behavior as a company employee

Nakayama: Of course, I view the companies in the Group as partners. I dislike the terms “parent company” and “subsidiary”. We should focus intensely and calmly on our respective abilities, how much we can contribute, and how we can work together for our common objective. We have established a close alliance with trustworthy and outstanding top executives in our offices throughout the world.

In addition to such global head executives, our board of directors includes outside directors. It is quite important to provide thorough answers to the basic questions of outside directors. It is more important personally for me to be able to provide answers. I believe that governance begins by treating such basic areas with importance.

Kitagawa: Your way of thinking is simple and the essence of governance is well grounded in it.

Nakayama: In order for an individual to be accepted as a member of society, it is necessary to duly fulfill duties to that society as a citizen and to act correctly towards other individuals. The same principle is true for corporations as well. From issues concerning the environment to human rights and compliance, society’s

demands toward corporations change over the times. What kind of value should a corporation provide to society by contributing through business activities and by contributing directly within a certain range of income? This question contains a variety of elements. However, the core of such contribution is to fulfill our responsibilities/duties and to grow together with society as an individual member of society, not as a corporate machine. This is the essence of my philosophy.

Information disclosure and communication to attract investors

Kitagawa: In so many different ways, I was very impressed by speaking with you today. I believe that pharmaceutical companies must be viewed with a long-term perspective. When business forecasts are made by investors with a long-term stance, they deeply consider the qualitative issue of what managers are thinking today. Investors are extremely interested in what action your company will take in order to achieve true globalization. In that respect, you revealed a great amount of valuable and non-financial information in our discussion today, and much of that information is of great relevance to investors.

When a managing executive describes their vision for a company and expresses wishes for sympathetic individuals to become shareholders, such a message is not viewed as arrogance but as a display of conviction. Conveying such a message will attract investors who will coexist with your company in the long-term.

Nakayama: Thank you very much. I also believe that such a perspective is important. In particular, long-term development is an essential part of pharmaceutical companies and it is important that we obtain understanding from investors. Therefore, we must



be aware of this essential aspect while conveying our message. I reaffirmed the importance of this during our discussion today.

The best scenario for all of our stakeholders is a cycle, in which we use money wisely for R&D, make a profit by providing the world with valuable products, contribute to society, and bring success to investors. Although several different theories are involved, the essence is contained in this cycle, which we will use as a basis for our business activities. Not just the management executives, but all employees in our company share this feeling. In my opinion, the majority of people working at pharmaceutical companies have an earnest, long-term hope to be of use to patients throughout the world. I feel that we can become one with many different stakeholders by clearly conveying this hope and desire in our message.

Kitagawa: In that respect, it is best to have one-on-one meetings with long-term investors. However, not all investors have such an opportunity, so it is very important to utilize an integrated report.

Through today's discussion, I have learned that your company has firm corporate principles, which must be universally protected in the long-term. I have also realized that your Mid-term Plan was formulated based on those principles. I feel that this process was logically constructed and documented. An ideal integrated report considers the reader and ensures that the reader is satisfied. I respect how your company takes the initiative in honoring this matter and responds actively.

Nakayama: The perspective of investors has become increasingly multifaceted. Therefore, we must not communicate using only certain segments of information that have been cut from the whole. When it comes to disclosure with a fellow human being, we must show our entire character and personality.



Actually, this matter of complete disclosure has always been on my mind. When discussing only a portion of information, I feel as if I no longer understand what I am trying to convey. For that reason, we have taken the challenge of integrating our annual report and CSR report. In the future, we shall continue to embrace challenges to gain the support of you, Professor Kitagawa, and investors. Thank you very much for your time today.



Third Mid-Term Business Management Plan (5 Years Business Plan)

Over the medium- and long-term, the Daiichi Sankyo Group aims to address diverse medical needs worldwide and strive to be a “Global Pharma Innovator” capable of sustainable growth.

Our first mid-term plan (FY2007-2009), after the establishment of Daiichi Sankyo, was focused on maximizing synergies from integration and accelerating global expansion. At the same time, with the acquisition of Ranbaxy and other moves, the Group laid the groundwork for long-term growth.

The second mid-term plan (FY2010-2012) sought to attain more rapid growth in developing countries like India and China, while maintaining growth in developed countries. The Group began developing a sustainable hybrid business model through its foray into vaccines and the generic business in Japan. This period also saw the conclusion of clinical trials for Edoxaban, our next-generation anti-coagulant drug, which reached the new drug application (NDA) stage, first in Japan. Although we saw success in laying the groundwork for future growth, this period

proved challenging in terms of profitability. This remains a key managerial issue going forward to achieve sustainable growth.

The next several decades will likely see increased prominence for health and medical issues throughout the world. Given these trends, aspiring to be a global solution provider that has a good understanding of society’s needs, the Daiichi Sankyo Group laid out its third mid-term business management plan (FY2013-2017) in March this year.

This plan is a cornerstone of our efforts to become a Global Pharma Innovator capable of sustainable growth while addressing diverse medical needs throughout the world. The first year of the plan is particularly important, so in FY2013 we will continue making certain steps towards increasing both sales and income while realizing sales of at least one trillion yen and bolstering market competitiveness.

● General Objectives

**Overcome Olmesartan LOE (loss of exclusivity)
Set course for further growth**

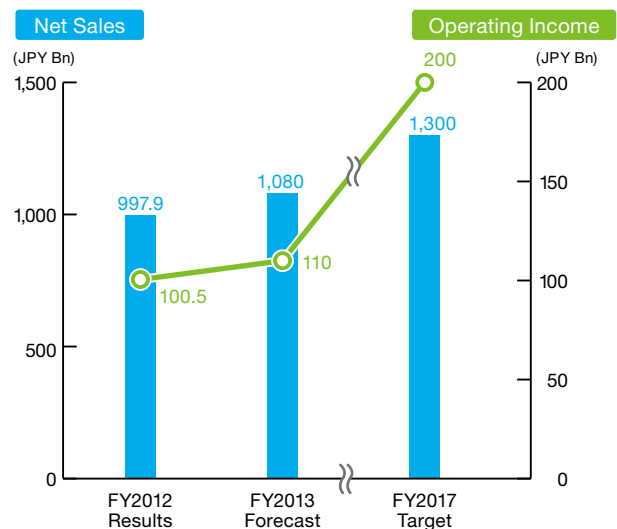
● Achieve sustainable revenue growth and improve profitability

Revenue CAGR (FY2012 to FY2017)	▶ Over 5%
FY2017 operating income margin	▶ Over 15%
ROE	▶ 10% or over
EPS	▶ 150 yen or over
Stable dividends and flexible shareholder returns	

● Transform into a hybrid business powerhouse

Strengthen business in key markets (Japan, India, and USA) and emerging markets
Flexible corporate structure to navigate through changing business environment

● Numerical Targets



Core Strategy 1:

Enhance innovative product portfolio and R&D pipeline

While the competitive environment surrounding our anchor product Olmesartan is highly volatile, we will strive to maximize sales and profitability by focusing our efforts on new combination therapies with this product.

We will continue our efforts to increase prescriptions for Prasugrel in the US and Europe for its approved indication of reducing thrombotic cardiovascular events in acute coronary syndrome (ACS) patients undergoing percutaneous coronary intervention (PCI). The drug is also scheduled for launch in Japan in FY2014, and we expect it to become a major product.

Edoxaban is scheduled for launch in many countries during FY2014 and beyond. We hope that its benefits may allow Edoxaban to become a best-in-class therapy, and we intend to transform this into a global blockbuster that can serve as a pillar of next-generation innovative drug discovery.

Of course, we are also working hard on innovating next new generation potential

blockbuster drugs by enhancing our R&D pipeline. Of particular importance are DS-5565 for diabetic peripheral neuropathic pain and cancer-related projects such as Tivantinib, U3-1287, and PLX-3397.

The third mid-term business management plan incorporates clear goals and benchmarks for R&D management. Annual benchmarks are two or more launches for major indications, four post-proof of concept late-stage clinical development projects, and nine Phase 1 trials.

The Japanese market serves as a key growth driver in the third mid-term plan.

We will strive to become the top player in the Japanese domestic pharmaceutical market by maximizing the value of Olmesartan, actively expanding sales of high potential drugs like Memary, Nexium, Ranmark, and Pralia. Launches of Prasugrel and Edoxaban in FY2014 and onwards will further bolster our product lineup. We will also be striving towards making a strong entry into biologics, with the launch of multiple biosimilar drugs.

● Projects to be approved/launched

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018~*2
Japan	Denosumab Osteoporosis	Edoxaban AF	Edoxaban VTE	Prasugrel CVA	Denosumab BC adj.	Oncology CS-1008 U3-1287 CS-7017 U3-1565 PLX3397 DS-7423 DS-2248 DS-3078 DE-766 Vemurafenib (LCM*3)
	Laninamivir Prophylactic	Prasugrel CAD	Levofloxacin Inj. Additional Indication	Etanercept BS RA	Denosumab RA	
US		Edoxaban AF			Tivantinib HCC	CV-M(CVM) CS-3150 DS-7250 DS-7309 DS-6930 DS-8500 DS-1442 Prasugrel (LCM) Edoxaban (LCM)
		Edoxaban VTE			DS-5565 DPNP*1	
Western Europe		Edoxaban AF			Tivantinib HCC	Frontier DS-5565 SUN13837 ASB17061 DS-8587 CS-4771 PLX5622 DS-7113 CS-0777 Denosumab (LCM)
		Edoxaban VTE				
Others	Prasugrel CAD (China)		Edoxaban AF & VTE (China · LTAM etc.)			

*1 Diabetic Peripheral Neuropathic Pain

*2 Includes projects to be approved/launched before FY2018

*3 To maximize product's value by ways such as adding indication.

Core Strategy 2 :

Develop competitive businesses to address diverse local needs

The US and Japan are the largest pharmaceutical markets in the world, but medical needs in these countries are becoming ever more diverse.

In the US, our group company Daiichi Sankyo, Inc. will be maximizing sales of Olmesartan and Prasugrel. Luitpold Pharmaceuticals will be launching Injectafer for anemia, while Ranbaxy will be further pursuing its first-to-file (FTF) launches and expanding business opportunities in high value-added fields such as dermatology. By leveraging the unique strengths of these three group companies, the Daiichi Sankyo Group will boost profitability and respond to a diverse array of medical needs going forward.

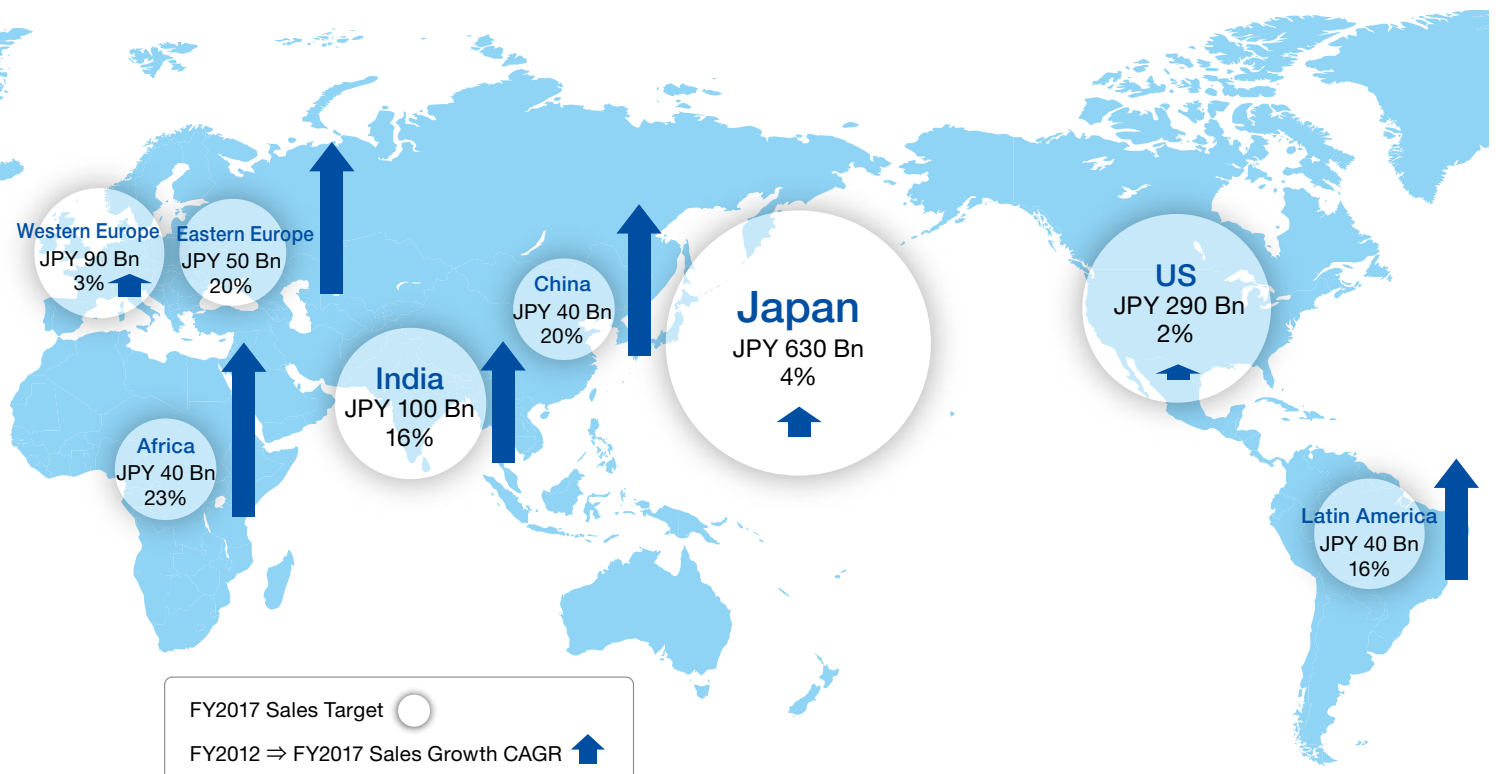
In Japan, while pursuing continued growth through innovative new drugs, we will also strengthen foundations of Daiichi Sankyo Espha to expand and boost profitability in the generic business. We will also strive to establish our position as a Japan's leading vaccine company.

In the over-the-counter (OTC) drug sector, we will expand sales and improve our income structure through product prioritization and focused approach.

In India, we will take advantage of Ranbaxy's brand status as the country's leading pharmaceutical company to continue business development and achieve growth surpassing India's overall pharmaceutical market.

Finally, in developing countries in Eastern Europe and Africa, Ranbaxy will be able to pursue growth itself and also leverage its network for Daiichi Sankyo innovative products such as Olmesartan and Edoxaban. We will also be able to utilize Daiichi Sankyo's networks in developed countries, Asia, and Latin America to sell Ranbaxy high quality and value added generic products. In this way, leveraging alliances will enable us to improve competitiveness in the global marketplace as we expand our global reach.

Steady growth in developed markets, substantial growth in emerging markets



Core Strategy 3:

Transition to a low-cost operating framework

Improving profitability is essential to reach our objective of becoming a Global Pharma Innovator, capable of sustainable growth. Going forward, we will transform our entire management structure into one capable of adapting to local environmental changes in various regions throughout the world. We will also establish an optimal global supply chain, capable of continually lowering costs, utilizing synergies with Ranbaxy for certain manufacturing processes.

We will use all methods available to streamline operations and minimize management and workflows not directly related to creating value. Our goal is to reduce selling and general administrative expenses as a proportion of total sales by at least 10 points by FY2017 (over FY2012 baseline).

These steps will allow us to improve our operating income margin, currently at about 10%, to 15% or higher by FY2017. This priority policy will receive support from the entire Daiichi Sankyo Group going forward in order to enhance competitiveness and sustainability.



CSR Initiatives

The Daiichi Sankyo Group conducts CSR activities that have been integrated with business activities, to contribute to the enrichment of quality of life around the world.

Social responsibilities that should be fulfilled by the Daiichi Sankyo Group

The need for good health and medicine is increasingly becoming a critical social issue around the world. By providing innovative and affordable solutions globally in a variety of ways, the Group hopes to contribute to society.

It is estimated that more than 1 billion poor people throughout the world suffer from AIDS, malaria, tuberculosis and neglected tropical diseases. There are also numerous patients suffering from orphan diseases, for which, despite the high need for treatment, research for medicines and medical equipment is not advancing due to the small number of patients of such intractable diseases. The Group is putting significant efforts to respond to unmet medical needs throughout the world. This includes contribution to global health as well as treatment of orphan diseases.

In developing countries, due to various factors such as inadequate social infrastructure and economic reasons, many people cannot receive medical services. As a committed member of the health and medical industry, the Daiichi Sankyo Group will continue to work in cooperation with governments, NGOs and local communities to solve these social issues.

On the other hand, with the increasing globalization of businesses, international influences of corporate activities on the environment and societies are also growing. We would like to contribute to the development of a sustainable society by fulfilling the responsibilities and obligations as a member of the society and growing with it. We believe that it is essential to carry out fair corporate activities as a reliable firm within local compliances in each region, respecting international norms, and doing business not detrimental to the environment.

● CSR activities in the Third Mid-term Business Management Plan

Further enhance global CSR activity, contribute to healthier lives across the world

 <p>Contribution to orphan disease treatment and global health</p> <ul style="list-style-type: none"> • Disseminate ITB therapy • Launch a novel Malaria drug, Synriam, in Africa • Develop treatment for Duchenne Muscular Dystrophy 	 <p>Social contribution to improve medical access</p> <ul style="list-style-type: none"> • Provide mobile healthcare services in rural areas of India, Cameroon and Tanzania 	 <p>Social responsibility for sustainable society</p> <ul style="list-style-type: none"> • Implement CSR activities according to the Group Corporate Conduct Charter • Join The UN Global Compact • Environmentally friendly corporate activities
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Contribution to orphan disease treatment and global health

Disseminate ITB*¹ therapy

ITB therapy is a treatment to improve quality-of-life*² for about 20,000 to 30,000 patients in Japan, who are currently said to be suffering from severe spasms*³. In an effort to help reduce suffering of such patients and to abridge burden on their families, our group has introduced ITB therapy to numerous areas and facilities. We are also conducting activities to have ITB therapy performed by medical professionals.

Launch a novel malaria drug, Synriam, in Africa

Malaria remains a serious problem even today. In 2011, approximately 216 million people across the globe were infected with malaria, and the disease claimed the lives of about 650 thousand people. The novel malaria drug Synriam was launched by Ranbaxy in April 2012. In order to make the drug available to as many patients as possible, we have suppressed the price of Synriam to just about one-third the level of existing drugs. We are also working to make this novel treatment available in Africa and Southeast Asia, regions with high numbers of malaria patients, and will make every effort to eliminate malaria from the world.



Synriam was the first new drug developed by an Indian corporation, and also received the Golden Peacock Award in 2012.

Develop treatment for Duchenne Muscular Dystrophy

Duchenne Muscular Dystrophy (DMD) is a rare disease that affects one in 3,500 new-born males regardless of ethnicity. Currently, there is no fundamental or effective therapy available for this disease. Through joint investment with Innovation Network Corporation of Japan, Daiichi Sankyo has founded a new company and is working with two professors involved in muscular dystrophy research to undertake development of a treatment by using our company's proprietary technology.

Toward suppressing infectious diseases in developing countries

In developing countries, it is imperative to provide the patients of the three major infectious diseases (HIV/AIDS, malaria, and tuberculosis) and neglected tropical diseases with indispensable medications including vaccines, etc. at affordable prices. We, Daiichi Sankyo Group, have been supplying new therapeutic drugs for malaria, anti-HIV agents and others. We also understand the importance of public-private partnerships for blending the advanced technologies and knowledge of pharmaceutical companies and innovative and new generation concepts of academic/research institutes, to promote the new drug discoveries for controlling the spread of these infectious diseases. For contributing to global health, we affirm the policy of the GHIT Fund*⁴. We have invested in the fund as one of the founders.

*1 Intrathecal Baclofen Therapy. Treatment method of placing a catheter in the medullary cavity and administering medicines via a pump implanted in the body.

*2 Concept for evaluating whether a person leads an appropriate, satisfactory life as a human being.

*3 Japan's international non-profit organization that promotes the development of new medicines.

*4 A condition in which the body contracts or convulses involuntarily due to excessive tension in the muscles.

*4 GHIT Fund Global Health Innovative Technology Fund. This organization promotes the collaboration among research institutes inside and outside Japan and the development of new medicines by granting subsidies, based on the partnerships with the Japanese government, Japanese pharmaceutical companies, Bill & Melinda Gates Foundation, and the United Nations Development Program.

CSR Activity
2

Social contribution to improve medical access

Mobile healthcare services

Since 2011, as part of efforts to improve medical access in emerging nations, the Daiichi Sankyo Group has been providing mobile healthcare services in rural areas of India, Cameroon and Tanzania through cooperation with NGOs, local governments and regional companies. We plan to provide mobile healthcare service to a total of about 300 thousand people during the 5-year period until 2015. In these activities, we are taking advantage of the expertise and resources gained by Ranbaxy in mobile healthcare field clinics in India. Moreover, we also emphasize projects that bring together the specialized knowledge and resources of NGOs, local government and communities. This makes our activities a social contribution unique to Daiichi Sankyo and much more than a mere donation.



Scene of an activity using a mobile healthcare van.

Contribution to reducing child mortality and improving maternal health

To date, we have provided healthcare service to a total of over 90 thousand people through our mobile healthcare field clinics in India, Cameroon and Tanzania. We have also been carrying out a variety of activities for enhancing the awareness of hygiene among mothers and encouraging their motivation for raising children, such as a healthy baby contest commending healthy children, in addition to health checkups for expectant and nursing mothers and the vaccination of infants.

In October 2012, we held a joint briefing session for such activities in India, joined the association of social workers named ASHA (Accredited Social Health Activist) which takes an important role in these activities, and expanded the cooperation among the staff of local activities. We aim to enrich these activities for the future based on the cooperation beyond countries and organizations, in order to reduce infant death rates, improve the health of expectant and nursing mothers, and prevent the spread of HIV/AIDS, malaria, and other diseases.



Joined the association of social workers in India (ASHA).



Held a healthy baby contest.

Social responsibility for sustainable society

As a reliable firm

We conduct corporate activities in good faith while following the standards of corporate behavior so that all of our business activities comply with global norms in addition to offering sincere corporate activities. We also distribute comprehensive information about our various activities and communicate with our customers so that we can form a bond of trust.

Join the UN Global Compact

Our participation in the Global Compact is a way to solidify our corporate stance on the ten principles in four areas (Human Rights, Labour, Environment and Anti-corruption) outlined within the Global Compact.

As a corporation which is expanding globally, we agree with the purposes of the

United Nations Global Compact, and conduct our corporate activities while following them, after executives diffuse them among individual employees by showing good examples.

Environmentally friendly corporate activities

The Daiichi Sankyo Group understands the burden placed on the environment with each business related activity and actively promotes global efforts to reduce these burdens. In order to promote a sustainable society, we strive to improve the efficiency of energy use, reduce CO₂ emissions, promote the 3R campaign (reduce, reuse, and recycle) to decrease the amount of natural resources consumed and decrease waste and conserve biodiversity and our ecosystems. We conduct business keeping sustainable green procurement*¹ in mind.

● The Ten Principles of the UN Global Compact

Human Rights	<ul style="list-style-type: none"> • Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and • Principle 2: make sure that they are not complicit in human rights abuses.
Labour	<ul style="list-style-type: none"> • Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; • Principle 4: the elimination of all forms of forced and compulsory labour; • Principle 5: the effective abolition of child labour; and • Principle 6: the elimination of discrimination in respect of employment and occupation.
Environment	<ul style="list-style-type: none"> • Principle 7: Businesses should support a precautionary approach to environmental challenges; • Principle 8: undertake initiatives to promote greater environmental responsibility; and • Principle 9: encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	<ul style="list-style-type: none"> • Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

*1 A procurement of goods which have the least impact on environment.

Highlights FY2012

April 17

Launched RANMARK subcutaneous injection, a treatment for bone complications stemming from multiple myeloma and bone metastases from solid tumors

Daiichi Sankyo launched RANMARK (denosumab) in Japan, the world's first human monoclonal antibody to target RANKL Ligand, which inhibits the activity of osteoclasts.



April 25

Ranbaxy launched Synriam, new age cure for malaria to the Nation

Ranbaxy Laboratories Limited launched Synriam, the treatment for uncomplicated plasmodium falciparum malaria, in India. This is the first novel drug indigenously developed and commercialized by an Indian corporation.



April 18

Participation in United Nations Global Compact

Daiichi Sankyo Co., Ltd. agreed with the Ten Principles in the areas of human rights, labour, the environment, and anti-corruption suggested by the United Nations, and participated in the Global Compact, a global framework to realize sustainable growth.



2012

April

May

June

July

August

September

May 8

Established strategic collaboration with Coherus BioSciences, Inc. to develop and commercialize biosimilar candidates

For an early entry into the biosimilars market, Daiichi Sankyo established a strategic collaboration with Coherus BioSciences to develop and commercialize biosimilar forms of Etanercept and Rituximab in Japan, South Korea and Taiwan.

July 2

Commencement of the businesses of Japan Vaccine Co., Ltd.

Japan Vaccine CO., Ltd., a joint venture between Daiichi Sankyo Co., Ltd. and GlaxoSmithKline K.K., started business activities specializing in the vaccine business with the aim of protecting a broad range of people, from infants to elderly people, from infectious diseases.



Main External Recognitions in Fiscal 2012

Daiichi Sankyo has been included in the Asia Pacific Index of the Dow Jones Sustainability Indexes for three consecutive years.



Daiichi Sankyo has been included for four consecutive years in the FTSE4Good Global Index, an index of firms that meet globally recognized corporate responsibility standards.

September 2, 9

Daiichi Sankyo Presents Family Ties Theater 2012

On September 2nd and 9th, 2012, Daiichi Sankyo held "Daiichi Sankyo Presents Family Ties Theater 2012" for cancer patients and their family members, who were motivated and inspired by this musical theater.

第一三共 Presents 家族のきずなシアター2012

劇団四季ミュージカル「オペラ座の怪人」



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September 10

Launched TENELIA tablets for curing type 2 diabetes

Based in a strategic alliance, Daiichi Sankyo partnered with Mitsubishi Tanabe Pharma Corporation to market new age treatment of type-2 diabetes in Japan. TENELIA (teneligliptin) is a DPP-4 inhibitor that is effective for 24 hours and improves blood glucose levels after and between meals with once-a-day administration.



October

November

December

January

February

March

2013

February 14

Development of a nucleic acid treatment for Duchenne muscular dystrophy utilizing proprietary technology

Through jointly investing with Innovation Network Corporation of Japan, and others, Daiichi Sankyo founded the Orphan Disease Treatment Institute. In cooperation with this new company, the Daiichi Sankyo Group intends to develop a treatment for Duchenne muscular dystrophy by utilizing its proprietary technology. The Institute's active compound is ENA oligonucleotide, which is a modified nucleic acid.

March 25

Received approval for the manufacturing and marketing of "PRALIA subcutaneous injection syringe," a new treatment for osteoporosis

Daiichi Sankyo obtained approval for the manufacturing and marketing of PRALIA subcutaneous injection 60mg syringes (denosumab), a novel treatment for osteoporosis, in Japan. The treatment is administered subcutaneously once every six months for osteoporosis by specifically inhibiting RANKL, an essential mediator for bone resorption in osteoporosis.

Corporate Governance

Basic Policy

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

Daiichi Sankyo Co., Ltd. Corporate Governance System

- To clarify directors' management responsibility and reinforce their oversight of management and the conduct of operations, their terms of office are set at one year, and four of our ten directors are brought in as outside directors.
- To ensure management transparency, the nomination of candidate for and compensation of directors and corporate officers are deliberated by a Nomination Committee and a Compensation Committee. To secure further rightfulness, outside directors are in majority in these committees.
- For audit of legal compliance and sound management, the company has adopted a Audit & Supervisory Board system and established the Audit & Supervisory Board comprising four members of the Audit & Supervisory Board, including two outside members of the Audit & Supervisory Board.
- The company employs a corporate officer system under the supervision of the board of directors, which contributes to appropriate and swift management decision-making and the conduct of operations.

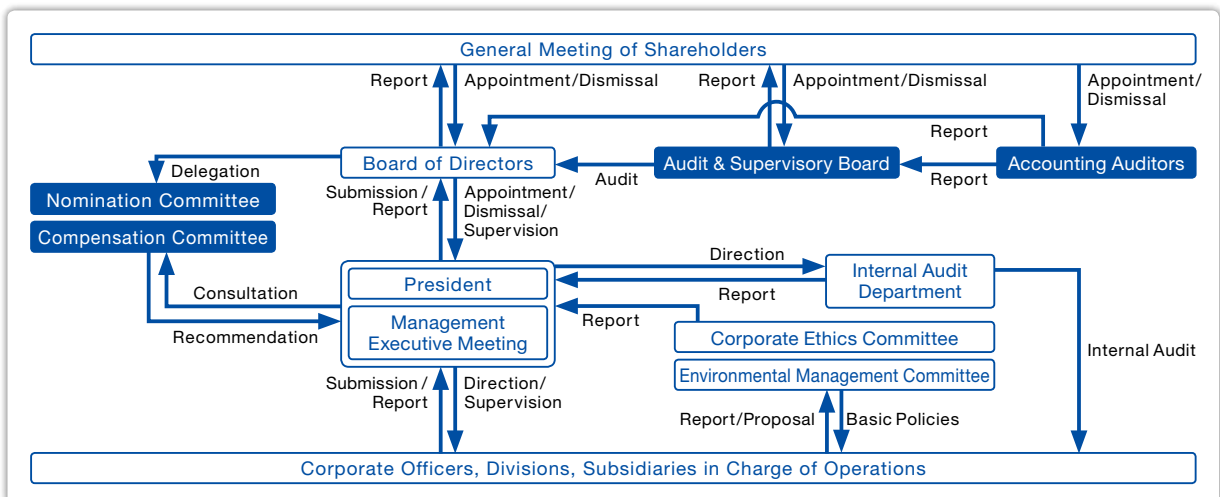
Outside Directors and Outside Members of the Audit & Supervisory Board

- Four out of ten directors are outside directors who exercise supervisory function by expressing their opinion objectively, neutrally and fairly in the Board of Directors Meeting based on their experiences in international affairs, financial affairs, corporate management and the medical field.
- Two out of four members of the Audit & Supervisory Board are outside members, whose auditing role is enhanced by experience in sectors related to risk management and compliance.
- Outside directors and outside members the Audit & Supervisory Board are designated independent board members in order to avoid possible conflicts of interest with general stockholders as enumerated by the Tokyo Stock Exchange.

Remuneration for Directors

- Remuneration to directors is set in place so as to help maximize shareholders' value. In specific terms, the company grants a performance bonus as a short-term incentive and share remuneration-type stock option remuneration as a long-term incentive in addition to the fixed remuneration of basic remuneration.
- In order to ensure that outside directors and members of the Audit & Supervisory Board have a sufficient supervisory function over the management, the company pays only basic remuneration without a short- or long-term incentive.
- The establishment of the remuneration system and criteria of remuneration for the internal directors, including revision of standard remuneration for each position, confirmation of bonuses given based on performance, and calculation and grant of share remuneration-type stock options are deliberated by the Compensation Committee.

Corporate Governance Structure



For further details, please see the Corporate Governance Report available on the Company's website:

http://www.daiichisankyo.com/about_us/company_profile/governance/index.html

Directors (As of June 21, 2013)



Representative Director,
Chairman
Takashi SHODA



Representative Director,
President and CEO
Joji NAKAYAMA



Member of the Board
Takeshi OGITA Ph.D.



Member of the Board
**Kazunori HIROKAWA
M.D., Ph.D.**



Member of the Board
Yuki SATO



Member of the Board
Manabu SAKAI



Member of the Board
(Outside)
Hiroshi HIRABAYASHI



Member of the Board
(Outside)
Kunio ISHIHARA



Member of the Board
(Outside)
**Ichiro KANAZAWA
M.D., Ph.D.**



Member of the Board
(Outside)
Seiji SUGIYAMA

Auditors (As of June 21, 2013)



Member of the Audit &
Supervisory Board
Kazuo KOIKE



Member of the Audit &
Supervisory Board
Takashi CHIBA

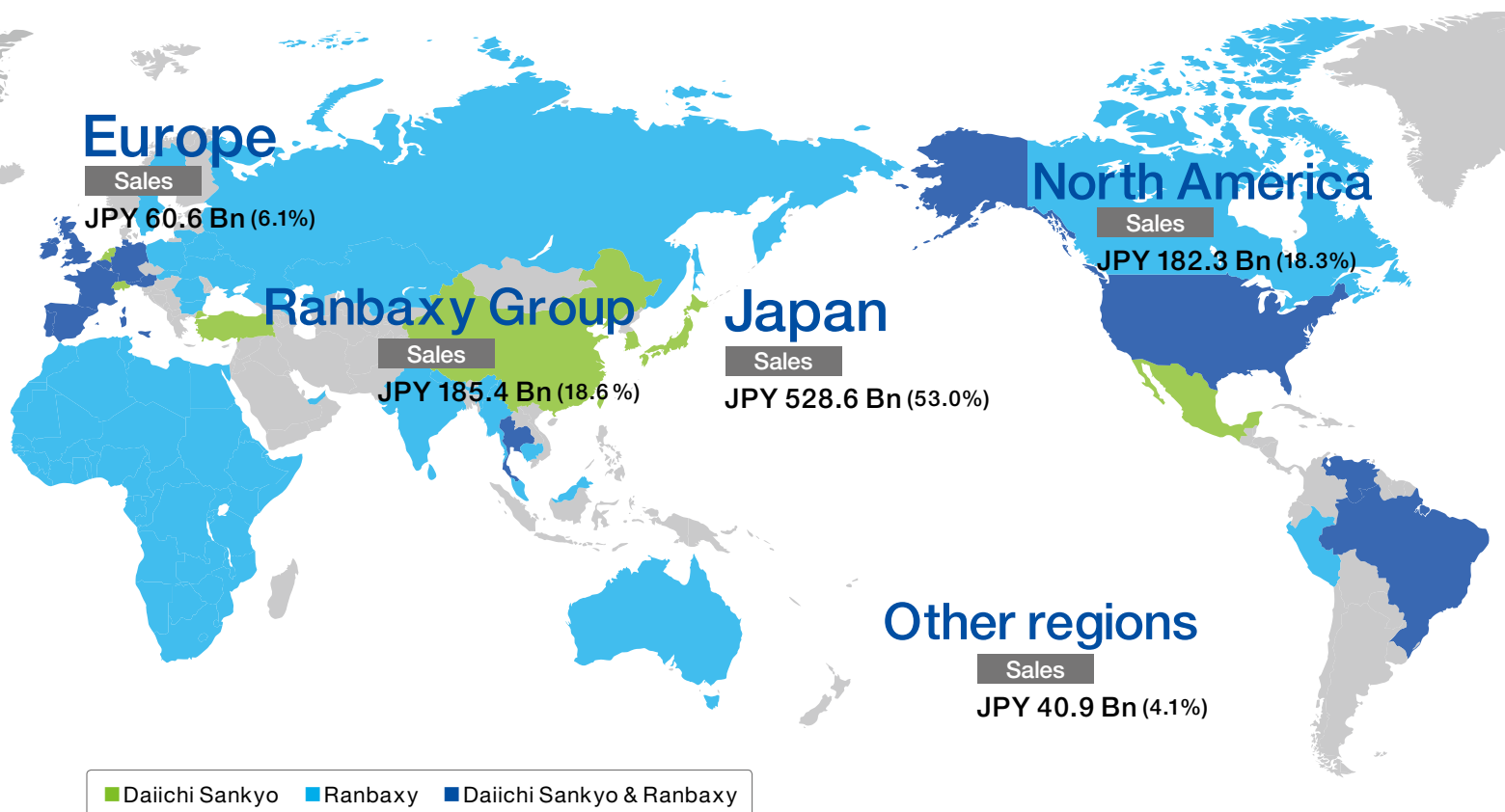


Member of the Audit &
Supervisory Board (Outside)
Akio YAMADA

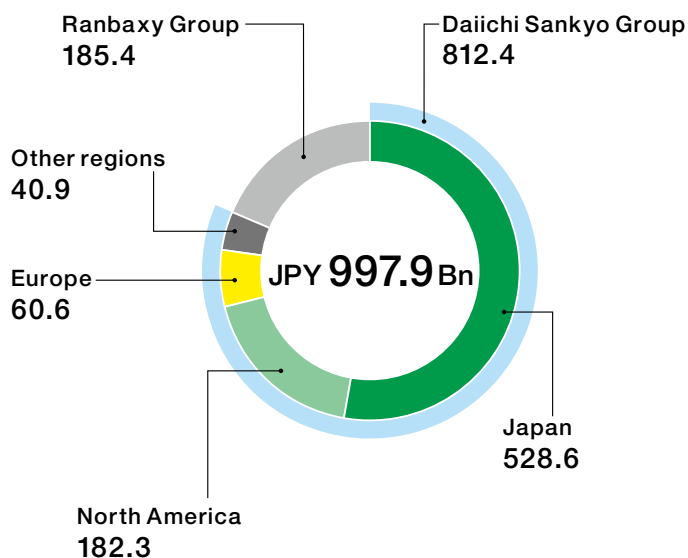


Member of the Audit &
Supervisory Board (Outside)
Shigeaki ISHIKAWA

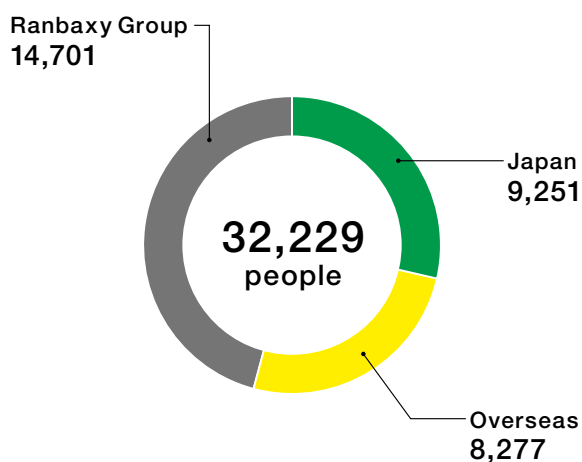
Corporate Information



Sales by Region (Fiscal 2012)



Number of Employees by Region (on consolidated basis, as of March 31, 2013)



Major products

Global products

Anti-hypertensive agent **Olmesartan**

Since olmesartan was launched in the United States in 2002, sales have been expanding owing to the potency of antihypertensive effect and high level of safety, and this drug is now available in more than 50 countries around the world up to date. In Europe and the United States, we are prioritizing our marketing efforts on combination products. In emerging countries, further market development is promoted.



Antiplatelet agent **Prasugrel**

Since prasugrel was launched as a therapeutic drug for cardiovascular disease in Europe and the United States in 2009, it has been approved in more than 70 countries around the world as a drug with prompt onset of action which reduces thrombotic cardiovascular events. Additionally, in Japan, we expect to sell prasugrel under indication for acute coronary syndrome and complete the phase III study for patients with ischemic cerebrovascular disease in the Japanese fiscal year 2014.



Innovative pharmaceuticals in Japan

Memary[®]

Treatment for Alzheimer's disease



Nexium[®]

Treatment for reflux esophagitis, etc.



Inavir[®]

Anti-influenza treatment



Generic pharmaceutical

Donepezil

Treatment for Alzheimer's disease



Vaccine

ActHIB[®]

Haemophilus b conjugate vaccine



OTC Drug

Loxonin[®] S

Analgesic and anti-inflammatory drug



(As of March 31, 2013)

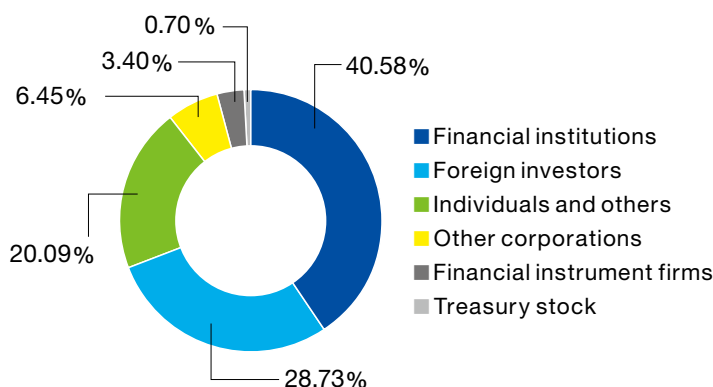
Corporate Profile

Company Name : DAIICHI SANKYO COMPANY, LIMITED
Established : September 28, 2005
Business : Research and development, manufacturing, import, sales and marketing of pharmaceutical products
Paid-in Capital : ¥50,000 million
Headquarters : 3-5-1, Nihonbashi-honcho, Chuo-ku, Tokyo, 103-8426, Japan
Branches : Sapporo, Tohoku, Tokyo, Chiba, Saitama, Yokohama, Kita-Kanto, Koshinetsu, Tokai, Kyoto, Hokuriku, Osaka, Kobe, Chugoku, Shikoku, Kyushu

Common Stock

Number of shares authorized : 2,800,000,000
Number of shares issued : 709,011,343
Number of shareholders : 126,309

Distribution of Shareholders



Major Shareholders

Name	Number of Shares Held (Thousands of Shares)	Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	45,283	6.39
Japan Trustee Services Bank, Ltd. (trust account)	38,342	5.41
Nippon Life Insurance Company	37,659	5.31
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	17,444	2.46
JP Morgan Chase Bank 385147	13,910	1.96
Sumitomo Mitsui Banking Corporation	13,413	1.89
Employee stock ownership of Daiichi Sankyo Group	10,615	1.50
Mizuho Corporate Bank, Ltd.	8,591	1.21
Trust & Custody Services Bank, Ltd., as trustee for Mizuho Corporate Bank, Ltd., Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	8,497	1.20
Tokio Marine & Nichido Fire Insurance	8,395	1.18
Total	202,154	28.51

Main Group Companies

Japan

▶ Company Name

Daiichi Sankyo Espha Co., Ltd.
 Daiichi Sankyo Healthcare Co., Ltd.
 Daiichi Sankyo Propharma Co., Ltd.
 Daiichi Sankyo Chemical Pharma Co., Ltd.
 Daiichi Sankyo Logistics Co., Ltd.
 Aubio Pharma Co., Ltd.
 Daiichi Sankyo RD Novare Co., Ltd.
 Daiichi Sankyo Business Associe Co., Ltd.
 Daiichi Sankyo Happiness Co., Ltd.
 Kitasato Daiichi Sankyo Vaccine Co., Ltd.

▶ Main Business Activities

Marketing of pharmaceuticals
 Development, manufacturing and marketing of healthcare(OTC) products
 Manufacturing of pharmaceuticals
 Manufacturing of pharmaceuticals
 Distribution and distribution-related services
 Research and development of pharmaceuticals
 Support for research and development of the Group
 Business support for the Group
 Business support for the Group
 Research and development, manufacturing, and marketing of vaccine

U.S.A.

▶ Company Name

Daiichi Sankyo, Inc.
 Luitpold Pharmaceuticals, Inc.
 Plexxikon Inc.

▶ Main Business Activities

Research, development and marketing of pharmaceuticals
 Development, manufacturing and marketing of pharmaceuticals etc.
 Research and development of pharmaceuticals

Europe

▶ Company Name

Daiichi Sankyo Europe GmbH
 Daiichi Sankyo France S.A.S
 Daiichi Sankyo Deutschland GmbH
 Daiichi Sankyo Italia S.p.A.
 Daiichi Sankyo España, S.A.
 Daiichi Sankyo UK Ltd.
 Daiichi Sankyo (Schweiz) AG
 Daiichi Sankyo Portugal, Lda.
 Daiichi Sankyo Austria GmbH
 Daiichi Sankyo Belgium N.V.-S.A.
 Daiichi Sankyo Nederland B.V.
 Daiichi Sankyo Ilac Ticaret Ltd. Sti.
 Daiichi Sankyo Ireland Ltd.
 Daiichi Sankyo Altkirch S.a.r.l.
 U3 Pharma GmbH
 Daiichi Sankyo Development Ltd.

▶ Main Business Activities

Supervision of Europe group / Development, manufacturing and marketing of pharmaceuticals
 Marketing of pharmaceuticals
 Marketing of pharmaceuticals
 Marketing of pharmaceuticals
 Marketing of pharmaceuticals
 Marketing of pharmaceuticals
 Marketing of pharmaceuticals
 Marketing of pharmaceuticals
 Marketing of pharmaceuticals
 Marketing of pharmaceuticals
 Marketing of pharmaceuticals
 Marketing of pharmaceuticals
 Marketing of pharmaceuticals
 Marketing of pharmaceuticals
 Marketing of pharmaceuticals
 Manufacturing of raw materials for pharmaceuticals
 Research of prescription drugs
 Development of prescription drugs

ASCA*1

▶ Company Name

Ranbaxy Laboratories Ltd.
 Daiichi Sankyo (China) Holdings Co., Ltd.
 Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd.
 Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd.
 Daiichi Sankyo Taiwan Ltd.
 Daiichi Sankyo Korea Co., Ltd.
 Daiichi Sankyo (Thailand) Ltd.
 Daiichi Sankyo Hong Kong Ltd.
 Daiichi Sankyo Mexico S.A. de C.V.
 Daiichi Sankyo Brasil Farmaceutica LTDA.
 Daiichi Sankyo Venezuela, S.A.
 Daiichi Sankyo India Pharma Private Ltd.

▶ Main Business Activities

Research, development, manufacturing and marketing of pharmaceuticals
 Management of Chinese subsidiary business and investment
 Research, development, manufacturing and marketing of pharmaceuticals
 Research, development, manufacturing and marketing of pharmaceuticals
 Marketing of pharmaceuticals
 Marketing of pharmaceuticals
 Marketing of pharmaceuticals
 Marketing of pharmaceuticals
 Marketing of pharmaceuticals
 Marketing of pharmaceuticals
 Marketing of pharmaceuticals
 Manufacturing and marketing of pharmaceuticals
 Marketing of pharmaceuticals
 Research, development and marketing support service

*1 Abbreviation of Asia, South and Central America. This is internal terminology indicating markets outside Japan, the United States and Europe.



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The waterless printing method used for this report minimized the use and release of harmful liquid wastes.

This report was printed on paper recycled from Daiichi Sankyo operations.