FASF

May 12, 2010

Consolidated Financial Results for Fiscal 2009 (Year Ended March 31, 2010)

Listed company name: Daiichi Sankyo Company, Limited
Stock code number: 4568
Listed exchanges: Tokyo, Osaka, and Nagoya
URL: http://www.daiichisankyo.com
Representative: Mr. Takashi Shoda, President and Representative Director
Contact: Mr. Toshiaki Sai, Corporate Officer, General Manager of Corporate Communications Department
Telephone: +81-3-6225-1125
Scheduled date of Ordinary General Meeting of Shareholders: June 28, 2010
Scheduled date of dividend payments: From June 29, 2010
Scheduled date of Annual Securities Report filing: June 28, 2010

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

1. Consolidated Financial Results for Fiscal 2009 (from April 1, 2009 to March 31, 2010)

(1) Consolidated Financial Results

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2009	952,105	13.1	95,509	7.5	103,114	86.9	41,852	–
Fiscal 2008	842,147	(4.3)	88,870	(43.3)	55,168	(67.4)	(215,499)	–

	Basic net income per share	Diluted net income per share	Return on equity	Ordinary income as a percentage of total assets	Operating income as a percentage of net sales
	Yen	Yen	%	%	%
Fiscal 2009	59.45	59.42	4.9	6.9	10.0
Fiscal 2008	(304.22)	–	(20.5)	3.7	10.6

Reference: Equity in earnings (losses) of subsidiaries and affiliates accounted for by the equity method:
Fiscal 2009: (¥175 million)
Fiscal 2008: (¥212 million)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2009	1,489,510	889,508	57.4	1,215.62
Fiscal 2008	1,494,599	888,617	57.7	1,226.04

Reference: Equity:
Fiscal 2009: ¥855,706 million
Fiscal 2008: ¥863,050 million

(3) Consolidated Cash Flows

	Net cash flows from operating activities	Net cash flows from investing activities	Net cash flows from financing activities	Cash and cash equivalents at the end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2009	130,235	42,627	(89,121)	259,215
Fiscal 2008	78,383	(413,851)	98,055	177,769

2. Dividends

	Dividend per share					Total dividend payments (Total)	Dividend payout ratio (Consolidated)	Dividends as a percentage of net assets (Consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal 2008	–	40.00	–	40.00	80.00	56,315	–	5.4
Fiscal 2009	–	30.00	–	30.00	60.00	42,235	100.9	4.9
Fiscal 2010 (Forecast)	–	30.00	–	30.00	60.00	–	93.9	–

3. Forecasts of Consolidated Financial Results for Fiscal 2010
(from April 1, 2010 to March 31, 2011)

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

	Net sales		Operating income		Ordinary income		Net income		Basic net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First six months	490,000	4.1	50,000	(1.7)	48,000	(8.2)	25,000	33.7	35.52
Full year	980,000	2.9	90,000	(5.8)	85,000	(17.6)	45,000	7.5	63.93

Note: Please see *5) Forecasts of Consolidated Financial Results for Fiscal 2010, (1) Analysis of Results of Operations, 1. Results of Operations* on page 7 for further details.

4. Others

(1) Significant changes in subsidiaries during the period (changes in specified subsidiaries resulting in a change in scope of consolidation): No

(2) Changes in accounting principles, procedures or methods of presentation related to the preparation of the consolidated financial statements

1) Changes due to revisions to accounting standards: Yes

2) Changes due to other reasons: No

Note: Please see *(7) Changes in the Basis of Presentation and Summary of Significant Accounting Policies for the Preparation of Consolidated Financial Statements, 4. Consolidated Financial Statements* on page 29 for further details.

(3) Number of common shares issued

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

As of March 31, 2010: 709,011,343 shares

As of March 31, 2009: 709,011,343 shares

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

As of March 31, 2010: 5,084,489 shares

As of March 31, 2009: 5,074,868 shares

Note: Please see *(Per Share Information), (9) Notes to Consolidated Financial Statements, 4. Consolidated Financial Statements* on page 42 for the number of shares used as the basis for the calculation of net income per share (consolidated).

(Reference)

Non-Consolidated Financial Results

Non-Consolidated Financial Results for Fiscal 2009 (from April 1, 2009 to March 31, 2010)

(1) Non-Consolidated Financial Results

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2009	529,457	2.0	34,607	(6.8)	96,804	164.0	73,486	–
Fiscal 2008	518,910	(9.1)	37,151	(66.1)	36,675	(72.6)	(264,662)	–

	Basic net income per share	Diluted net income per share
	Yen	Yen
Fiscal 2009	104.40	104.33
Fiscal 2008	(373.63)	–

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2009	1,150,855	782,413	67.9	1,110.38
Fiscal 2008	1,142,126	753,274	65.9	1,069.39

Reference: Equity:

Fiscal 2009: ¥781,623 million
Fiscal 2008: ¥752,785 million

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

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

Please see *5) Forecasts of Consolidated Financial Results for Fiscal 2010, (1) Analysis of Results of Operations, 1. Results of Operations* on page 7 for assumption that the above forecasts were based on and related matters.

1. Results of Operations

(1) Analysis of Results of Operations

1) Overview

Consolidated Financial Results

(Millions of yen; all amounts have been rounded down to the nearest million yen)

	Fiscal 2008	Fiscal 2009	Year-on-year change (%)
Net sales	842,147	952,105	109,958 (+13.1%)
Operating income	88,870	95,509	6,638 (+7.5%)
Ordinary income	55,168	103,114	47,945 (+86.9%)
Net income (loss)	(215,499)	41,852	257,351 (–)

FY2009 exchange rates: ¥92.9/USD, ¥131.2/EUR, ¥1.95/INR
FY2008 exchange rates: ¥100.5/USD, ¥143.5/EUR, ¥2.0/INR

The Daiichi Sankyo Group ("the Group") posted consolidated net sales for the fiscal year ended March 2010 (FY2009) of ¥952.1 billion, a year-on-year gain of 13.1%, despite a general trend toward a stronger yen. This was mainly due to a sales contribution of ¥146.6 billion by Ranbaxy Laboratories Limited ("Ranbaxy"), which became a subsidiary in November 2008.

In terms of profitability, operating income increased 7.5% to ¥95.5 billion and ordinary income soared 86.9% to ¥103.1 billion. This was due to the growth in net sales, which was offset by increased investment in R&D. The tax rate was higher reflecting the discontinuation of tax credit on R&D expenses as well as adjustments made to the amount of income taxes from previous year, and the Group posted net income of ¥41.9 billion (consolidated net loss of ¥215.5 billion in the previous year).

Major drug launches in FY2009 included the rollout of the antiplatelet agent *Effient*® in Western markets and the introduction of a high-dose formulation of the synthetic antibacterial agent *Cravit*® in Japan.

2) Geographical Segment Information

a. Japan

Net sales in Japan declined 1.9% year on year to ¥519.4 billion.

Sales of prescription drugs rose 1.0% to ¥421.1 billion, boosted by increased sales of leading products such as the antihypertensive agents *Olmetec*® and *Calblock*® and the anti-inflammatory analgesic *Loxonin*®.

Royalty income and exports to overseas licensees generated sales of ¥50.3 billion (down 17.5% year on year). This reflected the impact of a stronger yen and a reduction in exports of levofloxacin, a synthetic antibacterial agent.

Net sales of healthcare (OTC) products totaled ¥43.7 billion, falling 7.4% year on year. This was due to lower sales of those OTC lines classified as Category 1 medicines, which include *Gaster 10*.

b. North America

Net sales in North America increased 16.6% year on year to ¥222.5 billion.

Although the shift toward a stronger yen affected sales due to translation effects, the Group recognized further increases in sales in local currency terms. Major contributors to growth included the antihypertensive agents *Benicar*® and *AZOR*®, the antihyperlipidemic agent and treatment for type 2 diabetes *Welchol*®, and the anemia treatment *Venofer*®. Sales by Ranbaxy also made a contribution to growth.

c. Europe

Net sales in Europe increased 28.2% year on year to ¥99.3 billion. This mainly reflected growth in sales of the antihypertensive agents *Olmetec*® and *Sevikar*® and Ranbaxy's sales contribution.

d. India

Net sales in India totaled ¥59.9 billion, an increase of 292.8% compared with the previous year. This mainly reflected Ranbaxy's sales.

e. Other regions

Net sales in other regions increased 76.4% to ¥51.0 billion due to Ranbaxy's sales contribution, among other factors.

3) R&D Activities

Consolidated R&D expenses increased 6.6% year on year to ¥196.8 billion in the year under review. The ratio of R&D expenses to net sales was 20.7%.

The antiplatelet agent *Effient*® has already been launched in a number of Western markets for the treatment of patients with acute coronary syndromes (ACS) undergoing percutaneous coronary intervention (PCI). Phase III clinical trials to gain an additional indication for ACS patients not undergoing PCI also commenced in June 2008.

Phase III clinical trials for the oral factor Xa inhibitor edoxaban to gain an indication for the prevention of stroke and systemic embolic events in patients with atrial fibrillation began in November 2008 across 46 countries. Phase III clinical trials also commenced in January 2010 to gain indications for the secondary prevention of recurrent venous thromboembolism (VTE) in patients with deep vein thrombosis (DVT) and pulmonary embolism (PE), as well as for the acute treatment of VTE. In March 2010, the Company filed an NDA in Japan seeking approval of edoxaban for the prevention of VTE after major orthopedic surgery.

During the year under review, the Company filed an application for marketing approval in Europe and the United States of CS-8635, a triple combination antihypertensive agent containing the angiotensin II receptor blocker (ARB) olmesartan medoxomil with the calcium channel blocker amlodipine and the diuretic hydrochlorothiazide.

In January 2010, the Company filed an NDA in Japan to gain manufacturing and marketing approval for Laninamivir, a proprietary anti-flu drug, for the treatment of influenza in adults and children.

In addition, in February 2010 the Group filed an NDA in Japan to gain manufacturing and marketing approval for memantine hydrochloride, a treatment for Alzheimer's-type dementia.

4) Collaboration with Ranbaxy

The Group's strategic aim is to develop a hybrid business model that can cope with changing conditions in both developed and emerging markets as a way of generating sustainable growth.

As part of this strategy, Group subsidiary Ranbaxy began selling olmesartan in India in April 2009 and *Evista*®, the osteoporosis treatment marketed by Daiichi Sankyo Europe GmbH, in Romania in October 2009. In addition, preparations are underway to sell olmesartan in six countries in Africa and to commercialize the drug portfolio of Daiichi Sankyo in Mexico through a newly established marketing division within the Ranbaxy Group. These moves will accelerate the global collaboration between the Company and Ranbaxy.

5) Forecasts of Consolidated Financial Results for Fiscal 2010 (From April 1, 2010 to March 31, 2011)

(Millions of yen; all amounts have been rounded down to the nearest million yen)

	Fiscal 2009	Fiscal 2010	Amount change	Percentage change
Net sales	952,105	980,000	27,894	2.9
Operating income	95,509	90,000	(5,509)	(5.8)
Ordinary income	103,114	85,000	(18,114)	(17.6)
Net income	41,852	45,000	3,147	7.5

In the fiscal year ending March 2011, the Group expects harsh conditions to prevail in markets due to increased efforts worldwide to restrain the growth in healthcare costs, including the Japanese NHI drug price revision as well as the U.S. health care reform.

Major contributors to top-line growth will include higher sales of olmesartan in markets around the world, including the launch of the antihypertensive agent *Rezaltas*® in Japan in April 2010, and increased penetration of the antiplatelet agent *Effient*® in Western markets. A higher sales contribution from emerging markets is expected, including the growth generated by Ranbaxy, notably in India. These factors are expected to offset lower sales due to the factors described above and a decline in the export sales of levofloxacin, a synthetic antibacterial agent. Overall, consolidated net sales are expected to grow 2.9% year on year to ¥980 billion.

The forecasts assume average exchange rates of ¥90 against the U.S. dollar and ¥120 against the euro.

The Group expects profits to be affected by the NHI drug price revision, coupled with increased R&D expenses including the clinical development of the oral factor Xa inhibitor edoxaban and higher sales and promotional expenses for the marketing of new products. Operating income is projected to decline by 5.8% compared with FY2009 to ¥90 billion. Ordinary income is expected to fall 17.6% to ¥85 billion, in part reflecting the absence of a non-operating income recorded by Ranbaxy in FY2009 related to a gain on the valuation of derivatives associated with exchange rate fluctuations between the U.S. dollar and the Indian rupee. Net income is expected to rise 7.5% to ¥45 billion. The prior-year tax adjustments made in FY2009 are set to result in a reduction in income taxes in FY2010.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

As of March 31, 2010, net assets were ¥889.5 billion (up ¥0.9 billion from the previous year-end), total assets stood at ¥1,489.5 billion (down ¥5.1 billion from the previous year-end), and the equity ratio was 57.4% (57.7% for the previous year-end).

Net assets were slightly higher as the result of positive net income and an increase in the net unrealized gain on investment securities associated with a recovery in financial markets. These factors offset the payment of dividends as returns to shareholders.

Total assets were lower than at the previous year-end. Although trade receivables expanded in line with the increased scale of operations, this was more than offset by efforts to reduce interest-bearing debt.

2) Status of Cash Flows

Cash and cash equivalents increased by ¥81.4 billion during the fiscal year ended March 31, 2010, to ¥259.2 billion. Cash flow status and its contributing factors are summarized as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥130.2 billion, an increase of ¥51.9 billion compared with the previous year. Significant factors included income before income taxes and minority interests of ¥97.4 billion, depreciation of ¥45.9 billion (a non-cash item), and a decrease due to income taxes paid.

Cash Flows from Investing Activities

Net cash provided by investing activities amounted to ¥42.6 billion, compared with a cash outflow of ¥413.9 billion in the previous year. Proceeds from sales of marketable securities helped to offset cash outflows due to the acquisition of investments in subsidiaries and investments in property, plant and equipment.

Cash Flows from Financing Activities

Reflecting debt repayments and dividend payments, among other factors, net cash used in financing activities amounted to ¥89.1 billion, compared with a cash inflow of ¥98.1 billion in the previous year.

(Reference) Cash flow-related indicators

Principal Cash Flow Indicators

	Fiscal 2007	Fiscal 2008	Fiscal 2009
Equity ratio (%)	83.6	57.7	57.4
Market capitalization ratio (%)	142.3	77.6	82.8
Interest-bearing debt ratio (years)	0.00	2.26	1.78
Interest coverage ratio (times)	994.1	212.1	45.1

Equity ratio: total equity/total assets

Market capitalization ratio: total market capitalization/total assets

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

Interest coverage ratio: cash flows/interest paid

(Notes)

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

(3) Basic Policy on Profit Distribution and Dividends for Years Ended March 2010 and Ending March 2011

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

Over the three-year period of the Group's First Mid-Term Business Management Plan (FY2007–2009), the Company's policy was to allocate a sum equivalent to 100% of net income earned to dividend payments and share buybacks. In line with this policy, the Company plans to pay a dividend of ¥60 per share for the year under review.

Based on the financial strategy and shareholder returns policy the Group has set for the Second Mid-Term Business Management Plan (FY2010-2012), the Company plans to pay a dividend of ¥60 per share in fiscal 2010, taking projected performance into consideration.

(4) Business Risks

The following section provides an overview of the principal risks that could negatively affect the business results and financial condition of the Group. Any forward-looking statements or projections contained in this overview represent the best judgment of management based on information available at the end of the fiscal year ended March 31, 2010. Actual results could differ from forecast due to risks known or unknown, uncertainties or other factors.

1) Risks Related to Operations of Ranbaxy

The investment in Ranbaxy represents the pioneering "Hybrid Business Model," which plays an important role in the Group's business strategy and its ongoing efforts to become a "Global Pharma Innovator."

Currently, however, Ranbaxy faces some significant regulatory challenges. The U.S. Food and Drug Administration (FDA) has raised questions regarding Ranbaxy's manufacturing processes for products sold in the U.S., and related GMP issues. If the resolution of this issue became protracted or the FDA imposed 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.

Moreover, the synergies anticipated by the Company from 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.

2) Financial Markets and Currency Fluctuation Risk

Falls in share prices could lead to write-downs or losses on disposal related to stocks 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 a financially adverse effect on the Group. The Group conducts business, including production, sales, import and export activities, on a global basis, and foreign exchange movements could therefore have a material impact on the Group's business results and financial position.

In particular, any significant movements in the exchange rate between the Indian rupee and the U.S. dollar could exert a negative effect on the value of earnings derived from Ranbaxy's business and fund management operations, which in turn could exert a material impact on the Group's business results and financial position.

3) Risks Related to R&D and Alliances

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

4) Manufacturing and Procurement Risk

The Group manufactures some of its products at its own production facilities using original technology, but is also dependent on specific suppliers for the supply of some finished products, raw materials and production intermediates. Any delay, suspension or termination of manufacturing or supply activities for any reason could have a material impact on the Group's business results and financial position. Manufacture of pharmaceuticals in Japan is subject to strict regulation as stipulated in the Pharmaceutical Affairs Law and other rules and legislation. Any quality assurance problem necessitating a product recall could have an adverse effect on the Group's business results and financial position.

5) Risks Related to Emergence of Side Effects or Sales of Rival Products

Any decline in sales due to the emergence of unanticipated side effects of a drug, or due to the entry of generic products into a sector following the expiration of a patent or the introduction of competing products within the same therapeutic area, could 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 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.

6) Risks Related to Laws, Regulations and Regulatory Trends to Restrain Healthcare Expenditures

Prescription drugs in Japan are subject to a variety of laws, regulations and ordinances. Any legislative or other regulatory changes or associated trends 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 legislative changes and regulatory trends.

7) Intellectual Property Risk

Any infringement of the patents or other intellectual property rights of other parties could affect the viability or otherwise significantly affect the nature of the Group's business activities. Conversely, infringement of the intellectual property rights of the Group by third parties could lead to a legal action by the Group to protect such rights. In either case, the resulting outcome could have a material impact on the Group's business results and financial position. In particular, due to the increasing use of generic products in developed countries, lawsuits and other challenges to Group-owned intellectual property could increase in prevalence.

8) Environmental Risk

Certain of the chemicals used in pharmaceutical research and manufacturing processes include substances with the potential to exert a negative impact on human health and natural ecosystems. 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.

9) Litigation-Related Risk

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

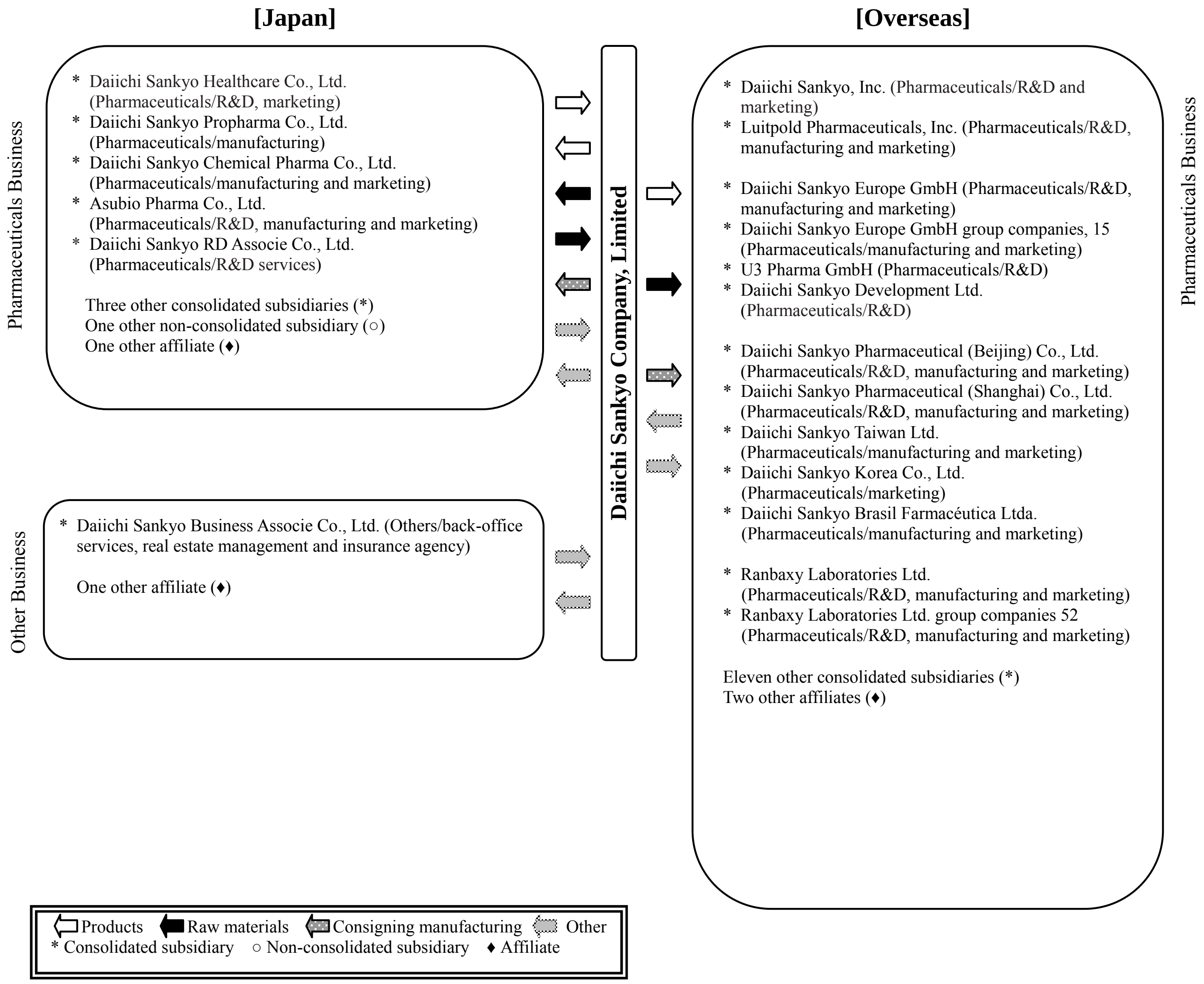
10) Other Risks

Other risks besides those noted above that could have a negative impact on the Group’s business results and financial position include the suspension of its business activities due to a major earthquake or other large-scale natural disaster, or to disruption caused by conflict or terrorism; the interruption of the Group’s computer systems due to a network-mediated virus or other causes; unauthorized disclosures of confidential information; illegal or improper action by officers or employees; and changes in share prices and interest rates, or other risks related to funding procurement.

2. State of the Group

The Daiichi Sankyo Group consists of Daiichi Sankyo Company, Limited, its 100 subsidiaries and 4 affiliates, for a total of 105 companies. The Group's principal business is the manufacture and sale of pharmaceuticals, etc.

The following chart illustrates the organization of the Group as of March 31, 2010.



Subsidiaries and Affiliates (as of March 31, 2010; “Company” in the table refers to Daiichi Sankyo Company, Limited.)

Name	Location	Capital (Millions of yen, except as noted)	Principal business operations	% of voting rights held [indirect holdings]	Relationship
Consolidated subsidiaries					
Daiichi Sankyo Healthcare Co., Ltd.	Chuo-ku, Tokyo	100	Pharmaceuticals	100.0	Products supplied by Company Office space, etc. leased from Company
Daiichi Sankyo Propharma Co., Ltd.	Chuo-ku, Tokyo	100	Pharmaceuticals	100.0	Concurrent directors Products supplied to Company Office space and factory land leased from Company
Daiichi Sankyo Chemical Pharma Co., Ltd.	Hiratsuka-shi, Kanagawa	50	Pharmaceuticals	100.0	Concurrent directors Facility and operating capital borrowed from Company
Asubio Pharma Co., Ltd.	Minato-ku, Tokyo	11,000	Pharmaceuticals	100.0	Concurrent directors Products supplied to Company Facility capital borrowed from Company
Daiichi Sankyo RD Associe Co., Ltd.	Shinagawa-ku, Tokyo	50	Pharmaceuticals	100.0	Concurrent directors R&D subcontract work received from Company Office space leased from Company
Daiichi Sankyo Business Associe Co., Ltd.	Chuo-ku, Tokyo	50	Other	100.0	Concurrent directors Back-office operations subcontracted by Company Office space and rental property leased from Company Office space rented out to Company
Daiichi Sankyo, Inc.	New Jersey, U.S.	24.9 million U.S. dollars	Pharmaceuticals	100.0	Concurrent directors Products supplied by Company Promotional and R&D functions subcontracted by Company Guarantee of payables by Company in line with the joint promotional agreement
Luitpold Pharmaceuticals, Inc.	New York, U.S.	200 thousand U.S. dollars	Pharmaceuticals	100.0 [100.0]	Concurrent directors
Daiichi Sankyo Europe GmbH	Munich, Germany	16 million euros	Pharmaceuticals	100.0	Concurrent directors Products supplied by Company Manufacturing subcontract work received from Company Promotional and R&D functions subcontracted by Company Operating capital borrowed from Company
Daiichi Sankyo France SAS	Rueil Malmaison, France	12,182 thousand euros	Pharmaceuticals	100.0 [100.0]	
Daiichi Sankyo Deutschland GmbH	Munich, Germany	51 thousand euros	Pharmaceuticals	100.0 [100.0]	
Daiichi Sankyo Italia S.p.A.	Rome, Italy	120 thousand euros	Pharmaceuticals	100.0 [100.0]	
Daiichi Sankyo España, S.A.	Madrid, Spain	120 thousand euros	Pharmaceuticals	100.0 [100.0]	
Daiichi Sankyo UK Ltd.	Buckinghamshire, UK	19.5 million GB pounds	Pharmaceuticals	100.0 [100.0]	
Daiichi Sankyo (Schweiz) AG	Thalwil, Switzerland	3 million Swiss Francs	Pharmaceuticals	100.0 [100.0]	
Daiichi Sankyo Portugal Lda.	Porto Salvo, Portugal	349 thousand euros	Pharmaceuticals	100.0 [100.0]	
Daiichi Sankyo Austria GmbH	Vienna, Austria	18 thousand euros	Pharmaceuticals	100.0 [100.0]	

Name	Location	Capital (Millions of yen, except as noted)	Principal business operations	% of voting rights held [indirect holdings]	Relationship
U3 Pharma GmbH	Munich, Germany	1,126 thousand euros	Pharmaceuticals	100.0	Concurrent directors
Daiichi Sankyo Development Ltd.	Buckinghamshire, UK	400 thousand GB pounds	Pharmaceuticals	100.0	Concurrent directors
Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd.	Beijing, China	63,800 thousand US dollars	Pharmaceuticals	100.0	Concurrent directors Products supplied by Company R&D subcontract work received from Company Facility capital borrowed from Company
Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd.	Shanghai, China	53,000 thousand US dollars	Pharmaceuticals	100.0	Concurrent directors Products supplied by Company Manufacturing subcontract work received from Company
Daiichi Sankyo Taiwan Ltd.	Taipei, Taiwan	345 million NT dollars	Pharmaceuticals	100.0	Concurrent directors Products supplied by Company Products supplied to Company
Daiichi Sankyo Korea Co., Ltd.	Seoul, Korea	3,000 million won	Pharmaceuticals	100.0	Concurrent directors
Daiichi Sankyo Brasil Farmacéutica Ltda.	Sao Paulo, Brazil	34 million Real	Pharmaceuticals	100.0	Concurrent directors Products supplied by Company
Ranbaxy Laboratories Ltd.	Gurgaon, India	2,102 million INR	Pharmaceuticals	63.9	Concurrent directors
Rexcel Pharmaceuticals Ltd.	New Delhi, India	125 million INR	Pharmaceuticals	100.0 [100.0]	
Solus Pharmaceuticals Ltd.	New Delhi, India	149 million INR	Pharmaceuticals	100.0 [100.0]	
Solrex Pharmaceuticals Co.	New Delhi, India	3,084.1 million INR	Pharmaceuticals	100.0 [100.0]	
Ranbaxy (Netherlands) B.V.	Amsterdam, Netherlands	500 million US dollars	Pharmaceuticals	100.0 [100.0]	
Terapia S.A.	Cluj-Napoca, Romania	26.4 million RON	Pharmaceuticals	96.7 [96.7]	
Ranbaxy Inc.	New Jersey, U.S.	13 million US dollars	Pharmaceuticals	100.0 [100.0]	
Other 68 companies					
Affiliated companies accounted for by the equity method					
Sanofi Pasteur-Daiichi Sankyo Vaccines Co., Ltd.	Edogawa-ku, Tokyo	310	Pharmaceuticals	50.0	Concurrent directors Operating capital borrowed from Company Office space, etc. leased from Company
Hitachi Pharma Evolutions, Ltd.	Chiyoda-ku, Tokyo	250	Other	49.0	Concurrent directors Office space leased from Company
Other two companies					

(Notes)

1. The information under the principal business operations column indicates the name of operating segment used in the segments information, to which the respective entity belongs.
2. Among the afore-mentioned subsidiaries and affiliates, Daiichi Sankyo Prophorma Co., Ltd., Asubio Pharma Co., Ltd., Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd., Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd., Solrex Pharmaceuticals Co. and Ranbaxy (Netherlands) B.V. fall under the category of specified subsidiaries.
3. Figures in parentheses under the percentage of voting rights held column refer to the percentage of ownership held indirectly through other subsidiaries.

3. Management Policy

(1) Group Vision for 2015

The corporate mission of the Group is to contribute to the enrichment of the quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs. Based on this mission, the Group is pursuing a range of business policies to realize the Group's Vision for 2015 of becoming a "Global Pharma Innovator."

This ambition incorporates the three strategic aspects of expanding operations internationally ("Global"), fulfilling unmet and diverse medical needs ("Pharma"), and creating innovative business models while promoting scientific and technological innovation ("Innovator").

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

(2) Formulation of Second Mid-Term Business Management Plan (FY2010–2012)

The Group formulated its First Mid-Term Business Management Plan in February 2007.

The aim of this plan was for the newly integrated firm to solidify its growth foundation through expanding business foundations in Western markets alongside building a solid global organization and functions, while actively boosting shareholder returns. Performance ultimately fell short of the numerical targets contained in the plan.

In March 2010, the Group formulated the Second Mid-Term Business Management Plan to address objectives that had not been fully achieved in the first plan period, alongside other new initiatives.

The core aim of the second plan is to advance its Hybrid Business Model, to achieve the Group's Vision for 2015. The plan reinforces initiatives as outlined below.

Core messages of Second Mid-Term Business Management Plan

- Reinforce innovative pharmaceuticals business capabilities
- Serve diversifying medical needs
- Generate synergies with Ranbaxy throughout value chain

Numerical targets for FY2012

- Net sales: ¥1,150 billion
- Operating income: ¥180 billion

1) Regional Business Strategies

The Group's business strategies for the four regions of Japan, United States, Europe, and ASCA (in-house term for markets outside Japan, US and Europe) are as follows.

a. Japan

By focusing expansion efforts on the operations of Innovative Pharmaceuticals, Vaccines, Established Pharmaceuticals and OTC, the Group aims to grow the business in Japan to sales of at least ¥500 billion in FY2012.

b. United States

The Group plans to maximize the olmesartan franchise and to position the antiplatelet agent *Effient*® as the first-choice treatment for patients with ACS undergoing PCI with the aim of achieving total Group sales within the region of USD3.5 billion and a 1% share of the prescription drugs market by FY2012.

c. Europe

By applying lifecycle management to the olmesartan franchise and seeking to maximize sales of *Efient*®, among other initiatives, the Group aims to achieve total sales in Europe of at least EUR1.2 billion in FY2012.

d. ASCA

Through expansion of the olmesartan franchise and full-scale development of the Hybrid Business Model based on collaboration with Ranbaxy, the Group is aiming to build the ASCA business to sales of at least ¥150 billion by FY2012, representing faster growth rates than operations in Japan, the US and Europe.

2) Issues raised by the U.S. FDA on Ranbaxy

In September 2008, the U.S. FDA issued an Import Alert on products from Ranbaxy's Dewas and Paonta Sahib plants in India.

In February 2009, the FDA also invoked its Application Integrity Policy (AIP) against the Paonta Sahib facility in relation to data used in earlier regulatory submissions. The Group is conducting an independent third-party audit of the facility in line with FDA instructions to identify the causes of any violations of current GMP.

The Ranbaxy executive leadership was reconstituted in May 2009. Tsutomu Une, a director of the Company, was appointed as the Chairman of the Board of Ranbaxy, while Atul Sobti, the existing COO took over as CEO and Managing Director to maintain continuity within senior management.

In January 2010, a senior director of quality assurance at the Group's U.S. subsidiary Daiichi Sankyo, Inc. was appointed as the Head of Global Quality at Ranbaxy. The Company and Ranbaxy are committed to working with the US authorities to reach a full resolution of the outstanding issues.

3) R&D Strategy

In addition to collaboration between the Company's Shinagawa and Kasai R&D facilities in Japan and Group subsidiaries Asubio Pharma Co., Ltd. and Germany-based U3 Pharma GmbH, the Group is constructing a global R&D setup in collaboration with the New Drug Discovery Research (NDDR) division of Ranbaxy. These moves are aimed at accelerating drug discovery research and expanding the pipeline of new drug candidates.

In the discovery stage of R&D spanning research and early development, the Group has positioned "Oncology" and "Cardiovascular-Metabolics" as priority areas. Another key focus is work in new areas where the challenge is to develop products with novel mechanism of action that address heavily unmet needs. These programs are positioned to expand and develop the Group's R&D pipeline.

In drug development, the Group is applying a lifecycle management approach within the therapeutic areas of hypertension, bacterial infections and hyperlipidemia. In late-stage clinical development, thrombotic disorders is an area with high priority for resource allocation.

4) Global Product Strategy

The aim is to maximize profits from the olmesartan franchise and *Effient*®.

To develop the olmesartan franchise, the Group is focusing on achieving early market penetration in Japan with *Rezaltas*® (a combination drug of the ARB olmesartan with the calcium channel blocker azelnidipine) and with CS-8635 in the United States and Europe, while at the same time expanding the business based on collaboration with Ranbaxy. The global sales target is ¥300 billion.

With *Effient*®, the Group is proceeding steadily with the clinical study TRILOGY ACS and developing promotional approaches including data on efficacy. The product is being launched gradually in markets worldwide and efforts to build a sales setup for emerging markets are ongoing. The Group aims to make this product the first-choice oral antiplatelet therapy.

5) Business Process Reengineering

The Group is engaged in business process reengineering on a global scale with the aim of realizing an industry-leading level of business management efficiency.

The Group is targeting an improvement of 3 percentage points in the ratio of SG&A expenses to sales in FY2012 compared with FY2009. Major initiatives include hiring restraints and reallocation of human resources within Japanese operations to boost productivity; standardization of business processes at the global level; measures to promote global procurement; and collaboration with Ranbaxy to harness value-chain synergies.

6) Financial Strategy and Shareholder Returns

The Group is targeting EPS of at least ¥140 and ROE of at least 10% in FY2012, based on efforts to reinforce financial position and preserve investment capital.

In terms of shareholder returns, the Group plans to maintain a stable dividend based on the FY2009 result (¥60 per share) while also seeking to raise the level of dividends in line with earnings levels.

(3) Litigation

1) With local U.S. licensees as co-plaintiffs, the former Daiichi Pharmaceutical Co., Ltd. (now Daiichi Sankyo, but then a subsidiary of the Company) filed a patent infringement lawsuit in October 2006 in the U.S. District Court for the District of New Jersey against Lupin Pharmaceuticals after the latter filed an ANDA for a generic version of the synthetic antibacterial levofloxacin.

   The Federal District Court ruled in favor of the Company and its licensees in May 2009. Lupin lodged an appeal against this decision in the U.S. Court of Appeals for the Federal Circuit in May 2009.

2) The former Sankyo Company, Limited (now Daiichi Sankyo, but at that time a subsidiary of the Company) and its U.S. subsidiary, Daiichi Sankyo, Inc., filed a patent infringement lawsuit in July 2006 in the U.S. District Court for the District of New Jersey against the Mylan Group, which had filed an Abbreviated New Drug Application with the Food and Drug Administration seeking to market a generic version of *Benicar*® (generic name: olmesartan medoxomil). The lawsuit is based on the U.S. substance patent for olmesartan medoxomil owned by the former Sankyo (now Daiichi Sankyo).

   In June 2007, the Company and its U.S. subsidiary Daiichi Sankyo, Inc. filed a separate patent infringement lawsuit in the U.S. District Court for the District of New Jersey against Mylan Inc., which had also filed an ANDA for a generic version of the antihypertensive *Benicar HCT*® (a combination drug containing olmesartan medoxomil and hydrochlorothiazide that is marketed by Daiichi Sankyo, Inc. in the United States). This lawsuit was also based on the U.S. substance patent for olmesartan medoxomil.

In addition, the Company and its U.S. subsidiary Daiichi Sankyo, Inc. filed a patent infringement lawsuit in June 2008 in the U.S. District Court for the District of New Jersey against Matrix Laboratories Ltd. and parent Mylan Inc. after Matrix filed an ANDA for a generic version of the antihypertensive agent *AZOR*® (a combination drug containing olmesartan medoxomil and amlodipine that is marketed by Daiichi Sankyo, Inc. in the United States) based on U.S. substance patent for olmesartan medoxomil.

In July 2009, the Federal District Court ruled in favor of the Company and Daiichi Sankyo, Inc. in all three of the above patent infringement cases. The Mylan Group lodged an appeal against this decision in the U.S. Court of Appeals for the Federal Circuit in August 2009.

3) Based on the approved extensions to the Japanese substance and usage patents for the synthetic antibacterial *Cravit*® (generic name: levofloxacin), the Company filed patent infringement lawsuits to secure injunctions against the manufacture and sale in Japan of generic versions of this drug in March 2009 (against seven companies in the Tokyo District Court and six companies in the Osaka District Court) and in April 2009 (against nine companies in the Tokyo District Court and two companies in the Osaka District Court).

   The Company later withdrew these lawsuits in November 2009 following the rejection in October 2009 by the Intellectual Property High Court of an appeal that had been lodged by the Company seeking the revocation of an earlier decision to invalidate a portion of the patent term extension for levofloxacin.

(4) Basic Policy Regarding Moves Toward Large-Scale Acquisition of Company Stock

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

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

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2009	As of March 31, 2010
ASSETS		
Current assets		
Cash and time deposits	76,551	100,996
Trade notes and accounts receivable	195,512	211,889
Marketable securities	235,475	236,541
Merchandise and finished goods	93,502	91,708
Work in process	14,496	16,783
Raw materials and supplies	31,477	34,733
Deferred tax assets	76,747	86,970
Other current assets	60,761	41,802
Allowance for doubtful accounts	(1,018)	(1,668)
Total current assets	783,506	819,757
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	132,732	126,589
Machinery, equipment and vehicles, net	46,038	44,538
Land	42,358	42,618
Construction in progress	13,315	22,294
Other, net	15,669	13,504
Net property, plant and equipment	250,113	249,546
Intangible assets		
Goodwill, net	77,380	73,769
Other intangible assets, net	115,180	107,117
Total intangible assets	192,560	180,887
Investments and other assets		
Investment securities	153,727	137,042
Long-term loans	614	—
Prepaid pension costs	6,920	3,889
Deferred tax assets	91,600	81,758
Other	15,864	16,931
Allowance for doubtful accounts	(309)	(304)
Total investments and other assets	268,418	239,318
Total non-current assets	711,093	669,752
Total assets	1,494,599	1,489,510

(Millions of yen)

	As of March 31, 2009	As of March 31, 2010
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	59,419	66,539
Short-term bank loans	264,345	19,988
Income taxes payable	8,243	10,643
Allowance for sales returns	589	583
Allowance for sales rebates	2,666	1,406
Allowance for contingent losses	–	1,600
Other current liabilities	173,271	168,050
Total current liabilities	508,535	268,812
Long-term liabilities		
Bonds payable	–	100,000
Convertible bond-type bonds with subscription rights to shares	47,082	49,534
Long-term debt	15,852	121,389
Deferred tax liabilities	5,427	29,237
Accrued employees' severance and retirement benefits	10,589	12,320
Accrued directors' severance and retirement benefits	177	132
Provision for environmental measures	92	–
Other long-term liabilities	18,224	18,574
Total long-term liabilities	97,447	331,189
Total liabilities	605,982	600,001
NET ASSETS		
Shareholders' equity		
Common stock	50,000	50,000
Capital surplus	105,194	105,194
Retained earnings	753,820	746,392
Treasury stock, at cost	(14,555)	(14,566)
Total shareholders' equity	894,459	887,020
Valuation and translation adjustments		
Net unrealized gain on investment securities	19,882	27,461
Deferred gains or losses on hedges	76	1,002
Foreign currency translation adjustments	(51,367)	(59,778)
Total valuation and translation adjustments	(31,408)	(31,314)
Subscription rights to shares	2,390	3,295
Minority interests	23,175	30,506
Total net assets	888,617	889,508
Total liabilities and net assets	1,494,599	1,489,510

(2) Consolidated Statements of Income

(Millions of yen)

		Fiscal 2008 (For the year ended March 31, 2009)		Fiscal 2009 (For the year ended March 31, 2010)
Net sales		842,147		952,105
Cost of sales	*1, *2	214,397	*1, *2	278,031
Gross profit		627,749		674,074
Selling, general and administrative expenses				
Advertising and promotional expenses		109,802		105,748
Salaries and bonuses		94,398		110,533
Severance and retirement costs		7,296		11,921
Research and development expenses	*2	184,539	*2	196,802
Other		142,841		153,557
Total selling, general and administrative expenses		538,879		578,564
Operating income		88,870		95,509
Non-operating income				
Interest income		6,326		3,776
Dividend income		3,148		2,414
Gain on valuation of derivatives		–		17,155
Other income		2,788		4,835
Total non-operating income		12,263		28,181
Non-operating expenses				
Interest expense		1,916		5,719
Foreign exchange losses		17,466		10,689
Equity in net losses of affiliated companies		212		175
Loss on valuation of derivatives		20,501		–
Other expenses		5,869		3,990
Total non-operating expenses		45,965		20,576
Ordinary income		55,168		103,114
Extraordinary income				
Gain on sales of non-current assets	*3	2,238	*3	2,947
Gain on sales of investment securities		123		1,873
Gain on sales of subsidiaries and affiliates' stocks		–		1,060
Gain on change in equity		–		21
Gain on liquidation of subsidiaries and affiliates		1,430		–
Reversal of allowance for doubtful accounts		6		–
Total extraordinary income		3,799		5,903
Extraordinary losses				
Loss on disposal of non-current assets	*4	3,305	*4	1,655
Loss on business restructuring		–	*5	2,577
Loss on penalty		–		2,544
Loss on impairment of long-lived assets	*6	3,062	*6	2,103
Provision for contingent losses		–	*7	1,600
Non-recurring depreciation on non-current assets	*8	3,233	*8	261
Loss on valuation of investment securities		1,488		82
Amortization of goodwill	*9	354,390		–
Provision for environmental measures		92		–
Loss on sales of investments in affiliates		15		–
Other		1,642		822
Total extraordinary losses		367,230		11,646

(Millions of yen)

	Fiscal 2008 (For the year ended March 31, 2009)	Fiscal 2009 (For the year ended March 31, 2010)
Income (loss) before income taxes and minority interests	(308,262)	97,371
Income tax expense — current	29,241	31,422
Income tax benefit — deferred	(108,413)	18,594
Total income taxes	(79,172)	50,016
Minority interests in net income (loss) of consolidated subsidiaries	(13,591)	5,502
Net income (loss)	(215,499)	41,852

(3) Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Fiscal 2008 (For the year ended March 31, 2009)	Fiscal 2009 (For the year ended March 31, 2010)
SHAREHOLDERS' EQUITY		
Common stock		
Balance at the end of previous period	50,000	50,000
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	50,000	50,000
Capital surplus		
Balance at the end of previous period	179,863	105,194
Changes of items during the period		
Disposal of treasury stock	(6)	(4)
Retirement of treasury stock	(74,661)	–
Transfer to retained earnings from other capital surplus due to disposal of treasury stock	–	4
Total changes of items during the period	(74,668)	–
Balance at the end of current period	105,194	105,194
Retained earnings		
Balance at the end of previous period	1,025,144	753,820
Effect of changes in accounting policies applied to foreign subsidiaries	(1,364)	–
Changes of items during the period		
Dividends from surplus	(53,321)	(49,275)
Net income (loss)	(215,499)	41,852
Transfer to retained earnings from other capital surplus due to disposal of treasury stock	–	(4)
Change in scope of equity method	(1,138)	–
Transfer to capital surplus from retained earnings	–	(4)
Total changes of items during the period	(269,959)	(7,427)
Balance at the end of current period	753,820	746,392
Treasury stock, at cost		
Balance at the end of previous period	(43,407)	(14,555)
Changes of items during the period		
Purchase of treasury stock	(45,846)	(28)
Disposal of treasury stock	35	18
Retirement of treasury stock	74,661	–
Total changes of items during the period	28,851	(10)
Balance at the end of current period	(14,555)	(14,566)
Total shareholders' equity		
Balance at the end of previous period	1,211,600	894,459
Effect of changes in accounting policies applied to foreign subsidiaries	(1,364)	–
Changes of items during the period		
Dividends from surplus	(53,321)	(49,275)
Net income (loss)	(215,499)	41,852
Purchase of treasury stock	(45,846)	(28)
Disposal of treasury stock	29	13
Retirement of treasury stock	–	–
Change in scope of equity method	(1,138)	–
Transfer to retained earnings from other capital surplus due to disposal of treasury stock	–	–
Total changes of items during the period	(315,777)	(7,438)
Balance at the end of current period	894,459	887,020

(Millions of yen)

	Fiscal 2008 (For the year ended March 31, 2009)	Fiscal 2009 (For the year ended March 31, 2010)
VALUATION AND TRANSLATION ADJUSTMENTS		
Net unrealized gain on investment securities		
Balance at the end of previous period	48,539	19,882
Changes of items during the period		
Net changes of items other than shareholders' equity	(28,656)	7,578
Total changes of items during the period	(28,656)	7,578
Balance at the end of current period	19,882	27,461
Deferred gains or losses on hedges		
Balance at the end of previous period	–	76
Changes of items during the period		
Net changes of items other than shareholders' equity	76	926
Total changes of items during the period	76	926
Balance at the end of current period	76	1,002
Foreign currency translation adjustments		
Balance at the end of previous period	(16,263)	(51,367)
Changes of items during the period		
Net changes of items other than shareholders' equity	(35,104)	(8,411)
Total changes of items during the period	(35,104)	(8,411)
Balance at the end of current period	(51,367)	(59,778)
Total valuation and translation adjustments		
Balance at the end of previous period	32,276	(31,408)
Changes of items during the period		
Net changes of items other than shareholders' equity	(63,684)	94
Total changes of items during the period	(63,684)	94
Balance at the end of current period	(31,408)	(31,314)
SUBSCRIPTION RIGHTS TO SHARES		
Balance at the end of previous period	257	2,390
Changes of items during the period		
Net changes of items other than shareholders' equity	2,132	904
Total changes of items during the period	2,132	904
Balance at the end of current period	2,390	3,295
MINORITY INTERESTS		
Balance at the end of previous period	377	23,175
Changes of items during the period		
Net changes of items other than shareholders' equity	22,798	7,330
Total changes of items during the period	22,798	7,330
Balance at the end of current period	23,175	30,506
TOTAL NET ASSETS		
Balance at the end of previous period	1,244,512	888,617
Effect of changes in accounting policies applied to foreign subsidiaries	(1,364)	–
Changes of items during the period		
Dividends from surplus	(53,321)	(49,275)
Net income (loss)	(215,499)	41,852
Purchase of treasury stock	(45,846)	(28)
Disposal of treasury stock	29	13
Change of scope of equity method	(1,138)	–
Net changes of items other than shareholders' equity	(38,753)	8,329
Total changes of items during the period	(354,530)	891
Balance at the end of current period	888,617	889,508

(4) Consolidated Statements of Cash Flows

(Millions of yen)

		Fiscal 2008 (For the year ended March 31, 2009)	Fiscal 2009 (For the year ended March 31, 2010)
Cash flows from operating activities			
Income (loss) before income taxes and minority interests		(308,262)	97,371
Depreciation		40,582	45,942
Loss on impairment of long-lived assets		3,062	2,103
Non-recurring depreciation on non-current assets		3,233	261
Amortization of goodwill		371,759	8,882
(Gain) loss on valuation of derivatives		20,501	(17,155)
Increase (decrease) in allowance for doubtful accounts		(207)	600
Increase (decrease) in accrued severance and retirement benefits		888	1,436
(Increase) decrease in prepaid pension costs		1,103	3,031
Interest and dividend income		(9,447)	(6,190)
Interest expense		1,922	5,719
Foreign exchange (gains) losses		10,411	(2,636)
(Gain) loss on sales of investment securities		(123)	(1,873)
(Gain) loss on sales of investments in affiliates		–	(1,060)
(Gain) loss on sales and disposal of property, plant and equipment		1,066	(1,292)
Equity in net (income) losses of affiliated companies		212	175
(Increase) decrease in trade notes and accounts receivable		4,650	(15,356)
(Increase) decrease in inventories		(2,072)	(2,806)
Increase (decrease) in trade notes and accounts payable		(308)	6,436
Increase (decrease) in accounts payable and accrued expenses		3,507	6,236
Other, net		(14,545)	27,204
Subtotal		127,932	157,031
Interest and dividends received		9,707	7,261
Interest paid		(648)	(3,644)
Income taxes paid		(58,607)	(30,413)
Net cash provided by operating activities		78,383	130,235
Cash flows from investing activities			
Purchases of time deposits		(25,000)	(31,357)
Proceeds from maturities in time deposits		2,990	36,189
Purchases of marketable securities		(120,671)	(51,007)
Proceeds from sales of marketable securities		169,180	128,825
Acquisitions of property, plant and equipment		(19,807)	(28,870)
Proceeds from sales of property, plant and equipment		2,946	4,562
Acquisitions of intangible assets		(24,795)	(2,287)
Acquisitions of investment securities		(12,741)	(6,747)
Proceeds from sales of investment securities		2,279	6,607
Acquisition of investments in subsidiaries		–	(1,498)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	*2	(411,251)	(14,446)
Proceeds from sales of investments in consolidated subsidiaries resulting in changes in scope of consolidation		30	2,975
Net (increase) decrease in short-term loans receivable		8,083	(99)
Payment for loans receivable		(506)	(428)
Proceeds from collection of loans receivable		1,232	39
Other, net		14,179	169
Net cash provided by (used in) investing activities		(413,851)	42,627

(Millions of yen)

	Fiscal 2008 (For the year ended March 31, 2009)	Fiscal 2009 (For the year ended March 31, 2010)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	196,241	(246,772)
Proceeds from long-term debt	1,267	111,832
Repayments of long-term debt	(191)	(4,411)
Proceeds from issuance of bonds	–	99,688
Purchases of treasury stock	(45,846)	(28)
Proceeds from sale of treasury stock	29	5
Dividends paid	(53,292)	(49,256)
Other, net	(152)	(178)
Net cash used in financing activities	98,055	(89,121)
Effect of exchange rate changes on cash and cash equivalents	(29,129)	(2,296)
Net increase (decrease) in cash and cash equivalents	(266,541)	81,445
Cash and cash equivalents, beginning of year	444,334	177,769
Increase (decrease) in cash and cash equivalents due to changes in scope of consolidation	(23)	–
Cash and cash equivalents, at end of year	*1 177,769	*1 259,215

(5) Note Related to Assumption of Going-Concern

Not applicable.

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

Item	Fiscal 2008 (For the year ended March 31, 2009)	Fiscal 2009 (For the year ended March 31, 2010)
1. Scope of Consolidation	(1) Consolidated subsidiaries: 98 Principal consolidated subsidiaries: In Japan Daiichi Sankyo Healthcare Co., Ltd. Daiichi Sankyo Prophorma Co., Ltd. ASUBIO PHARMA CO., LTD. Overseas Daiichi Sankyo, Inc. Luitpold Pharmaceuticals, Inc. Daiichi Sankyo Europe GmbH Ranbaxy Laboratories Limited Daiichi Sankyo Chemical Pharma CO., LTD. merged with Sankyo Chemical Industries, Ltd. and Sankyo Organic Chemicals Co., Ltd. during the fiscal year ended March 31, 2009. Following related acquisitions, U3 Pharma AG (now U3 Pharma GmbH) and Ranbaxy Laboratories Ltd. along with its 53 consolidated subsidiaries were newly included in the scope of consolidation from the fiscal year ended March 31, 2009. Daiichi Sankyo Ireland Ltd. and two other companies were included in the scope of consolidation following its establishment in the fiscal year ended March 31, 2009 Following its dissolution, Laboratoires Daiichi Sanofi-Aventis was excluded from the scope of consolidation, effective from the fiscal year-end. ―――――	(1) Consolidated subsidiaries: 99 Principal consolidated subsidiaries: In Japan Daiichi Sankyo Healthcare Co., Ltd. Daiichi Sankyo Prophorma Co., Ltd. ASUBIO PHARMA CO., LTD. Overseas Daiichi Sankyo, Inc. Luitpold Pharmaceuticals, Inc. Daiichi Sankyo Europe GmbH Ranbaxy Laboratories Limited Daiichi Sankyo Europe GmbH merged with its subsidiary DSE Pharma GmbH during the fiscal year ended March 31, 2010. Luitpold Pharmaceuticals, Inc. acquired PharmaForce, Inc. during the fiscal year ended March 31, 2010 and newly included the subsidiary in the scope of consolidation from the fiscal year. Four new subsidiaries were established and newly included in the scope of consolidation from the fiscal year ended March 31, 2010, including ASUBIO PHARMA CO., LTD. (which was not the same company as the existing consolidated subsidiary of the same name). Three subsidiaries of Ranbaxy Laboratories Ltd. were excluded from the scope of consolidation during the fiscal year ended March 31, 2010 as the result of liquidation or disposal. (Changes in Accounting Policy) Effective the fiscal year ended March 31, 2010, the Company adopted ASBJ Implementation Guidance No. 22 “Guidance on Determining a Subsidiary and an Affiliate,” as published by the Accounting Standards Board of Japan (ASBJ) on May 13, 2008. The effect of this change on operating income, ordinary income and income before income taxes and minority interests was immaterial.
	(2) Non-consolidated subsidiaries (including Kyushu Juhi Kogyosho) are small and are not material when measured by the amounts of assets, sales, net income (based on the Company’s ownership percentage), retained earnings (based on the Company’s ownership percentage), and other indicators. They have therefore been excluded from the scope of consolidation.	(2) Non-consolidated subsidiaries (including Kyushu Juhi Kogyosho) are small and are not material when measured by the amounts of assets, sales, net income (based on the Company’s ownership percentage), retained earnings (based on the Company’s ownership percentage), and other indicators. They have therefore been excluded from the scope of consolidation.

Item	Fiscal 2008 (For the year ended March 31, 2009)	Fiscal 2009 (For the year ended March 31, 2010)
2. Application of the Equity Method	(1) Non-consolidated subsidiaries accounted for under the equity method: 0 Affiliated companies accounted for under the equity method: 5 Names of principal company: Sanofi Pasteur Daiichi Vaccine Co., Ltd (2) Net income (based on the Company's equity percentage), retained earnings (based on the Company's equity percentage), and other indicators of those non-consolidated subsidiaries (including Kyushu Juhi Kogyosho) and affiliated companies that have not been accounted for under the equity method are not material or significant for the Company as a whole. Therefore, these companies have not been accounted for under the equity method, but are rather reported in the Company's investment account under the cost method.	(1) Non-consolidated subsidiaries accounted for under the equity method: 0 Affiliated companies accounted for under the equity method: 4 Names of principal company: Sanofi Pasteur Daiichi Vaccine Co., Ltd (2) Net income (based on the Company's equity percentage), retained earnings (based on the Company's equity percentage), and other indicators of those a non-consolidated subsidiary (Kyushu Juhi Kogyosho) and affiliated companies that have not been accounted for under the equity method are not material or significant for the Company as a whole. Therefore, these companies have not been accounted for under the equity method, but are rather reported in the Company's investment account under the cost method.
3. Fiscal Year-End of Consolidated Subsidiaries	The fiscal year-end of certain consolidated subsidiaries is December 31. In preparing the consolidated financial statements, the Company uses the financial statements of these companies as of their fiscal year-end. For major intervening transactions that occurred between the fiscal year-end of those companies and March 31, appropriate adjustments have been made in the consolidated financial statements. Name of subsidiaries that have fiscal year-end on December 31: Daiichi Pharmaceutical (Beijing) Co., Ltd. , Shanghai Sankyo Pharmaceuticals Co., Ltd., Daiichi Sankyo Brasil Farmacéutica Ltda., Ranbaxy Laboratories Ltd. and other subsidiaries.	Same as Fiscal 2008 Name of subsidiaries that have fiscal year-end on December 31: Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd., Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd., Daiichi Sankyo Brasil Farmacéutica Ltda., Ranbaxy Laboratories Ltd. and other subsidiaries.

Please note that the disclosure of information other than the "Scope of Consolidation," "Application of the Equity Method" and "Fiscal Year-End of Consolidated Subsidiaries" is omitted herein because there were no significant changes to the Company's most recent Annual Securities Report (*yuka-shoken-hokokusho*) filed with the Financial Services Agency on June 26, 2009. For such information, please refer to the relevant section of the Annual Securities Report.

(7) Changes in the Basis of Presentation and Summary of Significant Accounting Policies for the Preparation of Consolidated Financial Statements

Fiscal 2008 (For the year ended March 31, 2009)

(Accounting treatment of overseas subsidiaries in preparation of consolidated financial statements)

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

The effect of this change was to increase operating income by ¥1,809 million, increase ordinary income by ¥1,853 million, and also to decrease the loss before income taxes and minority interests by ¥1,865 million.

The effect of this change on segment information was shown in that section.

(Accounting standards applied to lease transactions)

Finance lease transactions not transferring ownership were previously treated as rental transactions for accounting purposes. Effective from the fiscal year ended March 31, 2009, the Company adopted the “Accounting Standard for Lease Transactions” (ASBJ Statement No.13: originally issued 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: issued by the Accounting Systems Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994, and later revised on March 30, 2007). Under the revised standard, such leases are treated as ordinary commercial transactions for accounting purposes.

The effect of this change on operating income, ordinary income and loss before income taxes and minority interests was immaterial.

All lease transactions entered into on/before March 31, 2008 related to finance leases that do not transfer ownership continue to be treated as operating lease transactions.

Fiscal 2009 (For the year ended March 31, 2010)

(Accounting standards applied to financial instruments)

Effective from the fiscal year ended March 31, 2010, the Company adopted the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, issued on March 10, 2008) and the “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Implementation Guidance No. 19, issued on March 10, 2008).

The effect of this change on operating income, ordinary income and income before income taxes and minority interests was immaterial.

(Accounting standards applied to retirement benefits)

Effective from the fiscal year ended March 31, 2010, the Company adopted the “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)” (ASBJ Statement No. 19, issued on July 31, 2008).

The effect of this change on operating income, ordinary income and income before income taxes and minority interests was immaterial.

(8) Changes in Presentation

Fiscal 2008 (For the year ended March 31, 2009)	Fiscal 2009 (For the year ended March 31, 2010)
Consolidated Balance Sheets As the Cabinet Office Ordinance Partially Revising Regulation for Financial Statements, etc. (Cabinet Office Ordinance No. 50 of August 7 of 2008) was adopted, “Inventories” for the fiscal year ended March 31, 2008 was separately presented as “Merchandise and finished goods,” “Work in process,” and “Raw materials and supplies,” effective from the fiscal year ended March 31, 2009. “Merchandise and finished goods,” “Work in process,” and “Raw materials and supplies,” which were presented aggregately in “Inventories” for the fiscal year ended March 31, 2008 were ¥65,947 million, ¥14,660 million and ¥17,550 million, respectively.	**Consolidated Balance Sheets** “Long-term debt,” which was a separate line item in “Investments and other assets” in the fiscal year ended March 31, 2009, was included in “Other” of “Investments and other assets” in the fiscal year ended March 31, 2010 following a decrease in materiality. “Long-term debt” amounted to ¥64 million as of March 31, 2010.
Consolidated Statements of Income “Foreign exchange losses” in non-operating expenses, while foreign exchange gains was included in “Other” of non-operating income in the fiscal year ended March 31, 2008, was presented as a separate line item for the fiscal year ended March 31, 2009 as the amount exceeded 10% of total non-operating expenses for this fiscal year. “Foreign exchange gains,” which was included in “Other” of non-operating income for the fiscal year ended March 31, 2008, amounted to ¥535 million. “Depreciation of inactive non-current assets” and “Cost of lease revenue,” which were presented as separate line items of non-operating expenses for the fiscal year ended March 31, 2008, were included in “Other expenses” for the fiscal year ended March 31, 2009 because each of these amounts was less than 10% of total non-operating expenses for this fiscal year. In the fiscal year ended March 31, 2009, “Depreciation of inactive non-current assets” and “Cost of lease revenue” totaled ¥689 million and ¥531 million, respectively.	**Consolidated Statements of Income** “Loss on penalty,” which amounted to ¥392 million and included in “Other” of extraordinary losses in the fiscal year ended March 31, 2009, was presented as a separate line item in the fiscal year ended March 31, 2010 following an increase in materiality.
Consolidated Statements of Cash Flows “Loss (gain) on valuation of derivatives” (totaling ¥748 million in the previous fiscal year) and “Foreign exchange losses (gains)” (totaling ¥42 million in the previous fiscal year), which were included in “Other, net” in “Cash flows from operating activities” in the fiscal year ended March 31, 2008, were each presented as separate line items for the fiscal year ended March 31, 2009 due to increases in materiality.	**Consolidated Statements of Cash Flows** “Gain on sales of subsidiaries and affiliates’ stocks ” (totaling ¥15 million in the previous fiscal year) , which were included in “Other, net” in “Cash flows from operating activities” in the fiscal year ended March 31, 2009, was presented as separate line items for the fiscal year ended March 31, 2010 due to increases in materiality.

(9) Notes to Consolidated Financial Statements

(Notes to Consolidated Statements of Income)

Fiscal 2008 (Year ended March 31, 2009)

*1. The book values of inventories that have been written-down to reflect the decline of profitability. The following amount of inventory write-downs was included in “Cost of sales.”

(¥2,413 million)

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

	(Millions of yen)
Selling, general and administrative expenses	184,539
Manufacturing overhead expenses	−

*3. Breakdown of gain on sales of non-current assets

	(Millions of yen)
Buildings and structures	30
Machinery, equipment and vehicles	72
Land	2,119
Other property, plant and equipment	0
Other intangible assets	15

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

	(Millions of yen)
Buildings and structures	1,067
Machinery, equipment and vehicles	423
Other property, plant and equipment	187
Other intangible assets	0

In addition, expenses for retirement of non-current assets totaled ¥1,625 million.

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Fiscal 2009 (Year ended March 31, 2010)

*1. The book values of inventories that have been written-down to reflect the decline of profitability. The following amount of inventory write-downs was included in “Cost of sales.”

(¥1,226 million)

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

	(Millions of yen)
Selling, general and administrative expenses	196,802
Manufacturing overhead expenses	−

*3. Breakdown of gain on sales of non-current assets

	(Millions of yen)
Buildings and structures	181
Machinery, equipment and vehicles	154
Land	2,159
Other property, plant and equipment	7
Other intangible assets	445

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

	(Millions of yen)
Buildings and structures	778
Machinery, equipment and vehicles	243
Land	6
Other property, plant and equipment	188
Other intangible assets	2

In addition, expenses for retirement of non-current assets totaled ¥436 million.

*5. Loss on business restructuring

The Company recognized losses in relation to the reorganization of consolidated subsidiary ASUBIO PHARMA CO., LTD., the sale and transfer of the Shizuoka factory of Daiichi Sankyo Propharma Co., Ltd. and other restructuring moves. The breakdown of the losses was as follows:

	(Millions of yen)
Supplemental retirement benefits, etc.	1,867
Expenses associated with the removal, consolidation and closure of operating locations	60
Provision for losses on sale of shares	315
Other	334

Fiscal 2008 (Year ended March 31, 2009)	Fiscal 2009 (Year ended March 31, 2010)
*6. Loss on impairment of long-lived assets The Daiichi Sankyo Group (the Company and consolidated subsidiaries) categorized their assets for their business operations into groups which are based on income/loss management for managerial accounting, taking into consideration the similarity in 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. For the current fiscal year, the Daiichi Sankyo Group recognized an impairment loss on the following asset groups:	*6. Loss on impairment of long-lived assets The Daiichi Sankyo Group (the Company and consolidated subsidiaries) categorized their assets for their business operations into groups which are based on income/loss management for managerial accounting, taking into consideration the similarity in 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. For the current fiscal year, the Daiichi Sankyo Group recognized an impairment loss on the following asset groups:

Fiscal 2008:

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

The above asset groups were written down to recoverable book value due to classification as idle and of uncertain prospects of future use.

The breakdown is as follows:

	(Millions of yen)
Buildings and structures	1,726
Machinery, equipment and vehicles	486
Land	824
Other	24

The recoverable amount of these asset groups was calculated as the net realizable value of the assets, based on reasonably adjusted third party appraisal or the valuation amount for real estate tax purposes. .

Fiscal 2009:

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

The above asset groups were written down to recoverable book value due to classification as idle and of uncertain prospects of future use.

The breakdown is as follows:

	(Millions of yen)
Buildings and structures	1,297
Machinery, equipment and vehicles	601
Land	197
Other	6

The recoverable amount of these asset groups was calculated as the net realizable value of the assets, based on reasonably adjusted third party appraisal or the valuation amount for real estate tax purposes.

Fiscal 2008	Fiscal 2009
―――――	*7. Provision for contingent losses An amount is set aside based on estimated future losses caused by breaches of merchandise supply contracts with minimum volume purchase provisions.
*8. 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 Company wrote off the difference in the book value of these assets before and after this revision. The breakdown of this amounts is as following:	*8. 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 consolidated subsidiary ASBIO PHARMA CO., LTD., the Company wrote off the difference in the book value of these assets before and after this revision. The breakdown of this amounts is as following:

Fiscal 2008:

	(Millions of yen)
Buildings and structures	3,220
Machinery, equipment and vehicles	1
Other property, plant and equipment	10

Fiscal 2009:

	(Millions of yen)
Buildings and structures	261

Fiscal 2008 (Year ended March 31, 2009)	Fiscal 2009 (Year ended March 31, 2010)
*9. Amortization of goodwill The Company recognized a loss related to the write-down of shares in an affiliate in its financial statements for the fiscal 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 Laboratories Ltd. had fallen below 50% of the purchase cost. The Company has amortized goodwill (¥351,309 million) at its consolidation in relation to this acquisition.	―――

(Notes to Consolidated Statements of Changes in Net Assets)

Fiscal 2008 (for the year ended March 31, 2009)

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

In 1,000 shares	Number of shares at end of previous fiscal year	Increase in number of shares during fiscal year	Decrease in number of shares during fiscal year	Number of shares at end of fiscal year
Shares issued				
Common stock	735,011	–	26,000	709,011
Total	735,011	–	26,000	709,011
Treasury stock				
Common stock	16,043	15,044	26,012	5,074
Total	16,043	15,044	26,012	5,074

(Notes)

1. The decrease in the total number of shares issued was due to a retirement of 26,000,000 shares based on the decision by the Board of Directors.
2. The increase in treasury stock of 15,044,000 common shares was due to the acquisition of 15,000,000 shares based on provisions of the Company's Articles of Incorporation, as stipulated in Article 165 (2) of the Company Law, together with the Company's purchase of 44,000 shares representing amounts of shares less than one unit.
3. The decrease in treasury stock of 26,012,000 common shares was due to a decision by the Board of Directors to retire 26,000,000 shares along with sales of 12,000 shares of treasury stock to meet top-up demands related to shareholdings of less than one trading unit.

2. Subscription rights to shares

Classification	Detail	Class of stock to be converted	Number of shares to be converted (Shares)				Balance at end of fiscal year (Millions of yen)
			Number of shares at end of previous fiscal year	Increase during fiscal year	Decrease during fiscal year	Number of shares at end of fiscal year	
Submitting company (parent company)	Stock acquisition rights as stock options	–	–	–	–	–	488
Consolidated subsidiaries	–	–	–	–	–	–	1,901
Total		–	–	–	–	–	2,390

3. Dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Date of record	Effective date
Ordinary General Meeting of Shareholders on June 27, 2008	Common stock	25,163	35.0	March 31, 2008	June 30, 2008
Regular meeting of the Board of Directors on October 31, 2008	Common stock	28,157	40.0	September 30, 2008	December 1, 2008

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

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Date of record	Effective date
Ordinary General Meeting of Shareholders on June 26, 2009	Common stock	28,157	Other capital surplus	40.0	March 31, 2009	June 29, 2009

Fiscal 2009 (for the year ended March 31, 2010)

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

In 1,000 shares	Number of shares at end of previous fiscal year	Increase in number of shares during fiscal year	Decrease in number of shares during fiscal year	Number of shares at end of fiscal year
Shares issued				
Common stock	709,011	–	–	709,011
Total	709,011	–	–	709,011
Treasury stock				
Common stock	5,074	15	6	5,084
Total	5,074	15	6	5,084

(Notes)

1. The increase in the number of shares of treasury stock was due to the Company's purchase of representing amounts of shares less than one unit.
2. The decrease in treasury stock of 6,000 common shares was due to sales of treasury stock to meet top-up demands for shares less than one unit and exercises of stock options.

2. Subscription rights to shares

Classification	Detail	Class of stock to be converted	Number of shares to be converted (Shares)				Balance at end of fiscal year (Millions of yen)
			Number of shares at end of previous fiscal year	Increase during fiscal year	Decrease during fiscal year	Number of shares at end of fiscal year	
Submitting company (parent company)	Stock acquisition rights as stock options	–	–	–	–	–	789
Consolidated subsidiaries	–	–	–	–	–	–	2,505
Total		–	–	–	–	–	3,295

3. Dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Date of record	Effective date
Ordinary General Meeting of Shareholders on June 26, 2009	Common stock	28,157	40.0	March 31, 2009	June 29, 2009
Regular meeting of the Board of Directors on October 30, 2009	Common stock	21,117	30.0	September 30, 2009	December 1, 2009

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

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Date of record	Effective date
Ordinary General Meeting of Shareholders on June 28, 2010	Common stock	21,117	Other capital surplus	30.0	March 31, 2010	June 29, 2010

(Notes to Consolidated Statements of Cash Flows)

Fiscal 2008 (Year ended March 31, 2009)	Fiscal 2009 (Year ended March 31, 2010)
*1. Reconciliation of cash and cash equivalents at the end of the fiscal year with the balance sheet accounts	*1. Reconciliation of cash and cash equivalents at the end of the fiscal year with the balance sheet accounts

Fiscal 2008 (Year ended March 31, 2009)

(Millions of yen)

Cash and time deposits	76,551
Less time deposits with maturities extending over three months	(25,808)
Add short-term investments with maturities within three months	127,027
Cash and cash equivalents	177,769

*2. Breakdown of assets and liabilities of companies added as subsidiaries due to the acquisition of stock

The following table presents the breakdown of the assets and liabilities of U3 Pharma AG (now U3 Pharma GmbH) and Ranbaxy Laboratories Ltd. which are newly consolidated due to acquisition of their stock, and net expenditure for purchase of investments in subsidiaries resulting in change in scope of consolidation:

(Millions of yen)

Current assets	244,491
Property, plant and equipment	151,948
Goodwill, net	433,737
Current liabilities	(170,195)
Long-term liabilities	(98,881)
Subscription rights to shares	(6,386)
Minority interests	(46,489)
In-process research and development	6,909
Purchase price of the subsidiaries	515,134
Cash and cash equivalents owned by the subsidiaries	(103,882)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	411,251

Fiscal 2009 (Year ended March 31, 2010)

(Millions of yen)

Cash and time deposits	100,996
Less time deposits with maturities extending over three months	(22,830)
Add short-term investments with maturities within three months	181,049
Cash and cash equivalents	259,215

(Segment Information)

a. Information by Operating Segment

Fiscal 2008 (for the year ended March 31, 2009)

Information by operating segment for the fiscal year ended March 31, 2009, has been omitted because the "Pharmaceuticals" segment accounts for over 90% of the total net sales, operating income, and assets generated by all segments.

Fiscal 2009 (for the year ended March 31, 2010)

Information by operating segment for the fiscal year ended March 31, 2010, has been omitted because the "Pharmaceuticals" segment accounts for over 90% of the total net sales, operating income, and assets generated by all segments.

b. Information by Geographic Segment

(Millions of yen)

Fiscal 2008 (Year ended March 31, 2009)	Japan	North America	Europe	India	Other	Total	Eliminations & corporate	Consolidated
I Net sales and operating income								
Net sales								
(1) Outside customers	529,753	190,810	77,435	15,254	28,892	842,147	–	842,147
(2) Inter-segment sales and transfers	50,103	48,673	23,762	2,940	782	126,262	(126,262)	–
Total	579,856	239,484	101,198	18,195	29,674	968,409	(126,262)	842,147
Operating expenses	536,417	189,184	95,407	37,103	29,288	887,402	(134,125)	753,276
Operating income	43,438	50,299	5,790	(18,907)	386	81,007	7,863	88,870
II Assets	920,103	242,685	226,956	280,710	43,041	1,713,496	(218,897)	1,494,599

(Millions of yen)

Fiscal 2009 (Year ended March 31, 2010)	Japan	North America	Europe	India	Other	Total	Eliminations & corporate	Consolidated
I Net sales and operating income								
Net sales								
(1) Outside customers	519,444	222,517	99,250	59,916	50,977	952,105	–	952,105
(2) Inter-segment sales and transfers	65,391	48,587	33,693	36,084	1,796	185,554	(185,554)	–
Total	584,835	271,104	132,943	96,000	52,774	1,137,659	(185,554)	952,105
Operating expenses	544,361	224,029	123,803	91,469	49,457	1,033,122	(176,525)	856,596
Operating income	40,474	47,074	9,140	4,531	3,316	104,537	(9,028)	95,509
II Assets	913,050	242,256	212,433	298,804	50,331	1,716,876	(227,366)	1,489,510

(Notes)

1. Method of classifying geographic segments

   Geographic segments are classified on the basis of geographic proximity.

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

   North America: the United States

   Europe: Germany, the United Kingdom, France, Spain, Italy and others

   India: India

   Other: China, Taiwan, Brazil and others

3. Changes in segmentation of countries and regions

   Fiscal 2008

   Previously, countries and regions were segmented into "Japan," "North America" and "Other," forming three segments. Effective from the fiscal year ended March 31, 2009, "Europe" and "India" were presented as a separated segment because net sales in the "Europe" segment, which was previously included in "Other," exceeded 10% of total net sales and also because assets in the "India" segment, which was previously included in "Other," exceeded 10% of total assets.

   Compared with the previous method, net sales in the "Other" segment decreased by ¥117,535 million (of which, net sales for outside customers decreased by ¥92,690 million), operating expenses decreased by ¥132,415 million, and operating income therein increased by ¥14,879 million.

   This change has no effects on the "Japan" and "North America" segments.

4. Changes in accounting policies

Fiscal 2008

(Accounting treatment of overseas subsidiaries in preparation of consolidated financial statements)

In line with Japanese accounting rules governing changes to significant items that form the basis for the preparation of consolidated financial statements, effective the fiscal year ended March 31, 2009, the Company adopted PITF No. 18 “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” as published by the Accounting Standards Board of Japan (ASBJ) on May 17, 2006.

Compared with the previous method of presentation, the effect of this change on figures for the “Europe” segment was to reduce net sales by ¥59 million and operating expenses by ¥1,773 million and to increase operating income by ¥1,714 million. In addition, operating expenses for the “Other” segment were reduced by ¥94 million and operating income was increased by the same amount.

c. Overseas Sales

(Millions of yen)

Fiscal 2008 (For the year ended March 31, 2009)	North America	Europe	Other areas	Total
Overseas net sales	221,325	98,170	53,758	373,254
Consolidated net sales				842,147
Percentage of overseas net sales to consolidated net sales (%)	26.3	11.6	6.4	44.3

(Millions of yen)

Fiscal 2009 (For the year ended March 31, 2010)	North America	Europe	Other areas	Total
Overseas net sales	247,226	117,520	117,591	482,337
Consolidated net sales				952,105
Percentage of overseas net sales to consolidated net sales (%)	26.0	12.3	12.4	50.7

(Notes)

1. Method of classifying countries and regions

   Countries and regions are classified on the basis of geographic proximity.

2. Countries and regions included in each area

   North America: the United States and Canada

   Europe: Germany, the United Kingdom, France, Spain, Italy, Ireland, Switzerland and others

   Other areas: Asia, the Middle East, Latin America and others

3. Overseas net sales are sales of the Company and its consolidated subsidiaries which were transacted in countries or regions outside of Japan.

(Notes Concerning Business Combination)

Fiscal 2008 (For the year ended March 31, 2009)

Application of Purchase Accounting Method

(U3 Pharma AG (now U3 Pharma GmbH))

(1) Overview of nature and purpose of transaction, including name and nature of business of acquired enterprise; main reasons for, date and legal form of business combination; name of post-combination enterprise and percentage of voting rights acquired

1) Name and nature of business of acquired enterprise

Name of acquired enterprise: U3 Pharma AG

Nature of business: R&D, mainly in area of therapeutic antibodies for cancer

2) Main reasons for business combination

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 business combination

June 19, 2008

4) Legal form of business combination

Legal form of business combination: Share purchase by cash

5) Name of post-combination enterprise

Name of post-combination enterprise: U3 Pharma AG (now U3 Pharma GmbH)

6) Percentage of voting rights acquired

100%

(2) Period of results of acquired enterprise included in consolidated financial statements for this fiscal year

From July 1, 2008 to March 31, 2009

(3) Purchase cost of acquired enterprise and related breakdown

Acquisition considerations:

Cash	¥26,695 million
Direct acquisition-related expenditures	¥84 million
Purchase cost	¥26,779 million

(4) Value, causes and amortization method/period for goodwill

1) Value of goodwill

¥25,061 million

2) Causes of goodwill

Goodwill was recognized as the excess value of the purchase cost over the net value of acquired assets and assumed liabilities.

3) Goodwill amortization method and period

Amortized in equal amounts over 5 years

(5) Amounts and breakdown of main components of assets acquired and liabilities assumed on date of business combination

Current assets	¥2,724 million
Non-current assets	¥85 million
Goodwill	¥25,061 million
Current liabilities	¥(1,092) million
Total	¥26,779 million

(6) Estimated impact on Consolidated Statements of Income for fiscal year ended March 31, 2009 on assumption business combination was completed by start of fiscal year

Net sales	— million
Operating income	¥(1,907) million
Ordinary income	¥(1,884) million

(Estimation methodology)

The impact was estimated as the difference between the net sales and related profit and loss data as stated in the Consolidated Statements of Income of the acquiring company and the same figures calculated on the assumption that the business combination was completed by the start of the same fiscal year.

The figures in this note have not been audited.

(Ranbaxy Laboratories Ltd.)

(1) Overview of nature and purpose of transaction, including name and nature of business of acquired enterprise; main reasons for, date and legal form of business combination; name of post-combination enterprise and percentage of voting rights acquired

1) Name and nature of business of acquired enterprise

Name of acquired enterprise: Ranbaxy Laboratories Ltd.

Nature of business: Manufacture, sale, research and development of generic drugs in the therapeutic areas of hyperlipidemia and infection

2) Main reasons for business combination

Based on a business philosophy of "contributing to the increased health and affluence of people worldwide by continuously developing innovative pharmaceuticals and related services," the Group is focused on realizing its vision for 2015 of becoming a "Global Pharma Innovator." In pursuing these business development goals, the Group is concentrating its pharmaceutical operations at key sites worldwide. The targets for 2015 are to achieve ¥1,500 billion in net sales with an operating margin of at least 25% and an overseas sales ratio of at least 60%.

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 Laboratories Ltd. into the Group is thus an extremely significant step in terms of promoting the sustained long-term growth of the Group.

3) Date of business combination

November 7, 2008

4) Legal form of business combination

Legal form of business combination: Share purchase by cash

5) Name of post-combination enterprise

Name of post-combination enterprise: Ranbaxy Laboratories Ltd.

6) Percentage of voting rights acquired

63.92%

(2) Period of results of acquired enterprise included in consolidated financial statements for this fiscal year

From October 1, 2008 to December 31, 2008

(3) Purchase cost of acquired enterprise and related breakdown

Acquisition considerations:

Open-market share purchases:	¥169,407 million
Share purchases from founding family:	¥230,970 million
Share purchases by issuance of new shares:	¥85,001 million
Direct acquisition-related expenditures:	¥2,974 million
Purchase cost:	¥488,354 million

(4) Value, causes and amortization method/period for goodwill

1) Value of goodwill

¥408,675 million

2) Causes of goodwill

Goodwill was recognized as the excess value of the purchase cost over the net value of acquired assets and assumed liabilities.

3) Goodwill amortization method and period

Amortized in equal amounts over 20 years

In addition, in connection with the write-down of shares in an affiliate in its accounts, the Company recognized an extraordinary loss of ¥351,309 million for the fiscal year ended March 31, 2009 to account for goodwill in Ranbaxy.

(5) Amounts and breakdown of main components of assets acquired and liabilities assumed on date of business combination

Current assets:	¥241,766 million
Non-current assets:	¥151,862 million
Goodwill, net:	¥408,675 million
Current liabilities:	¥(169,103) million
Long-term liabilities:	¥(98,881) million
Subscription rights to shares:	¥(6,386) million
Minority interests:	¥(46,489) million
In-process research and development:	¥6,909 million
Total:	¥488,354 million

(6) Amount of acquisition cost allocated to research and development expenses and the like and charged to income, and account title thereof

Research and development expenses ¥6,909 million

(7) Amount allocated to intangible assets other than goodwill and breakdown and amortization period by major type thereof

Breakdown by major type		Amortization period
Trade marks and related matters	¥40,983 million	10 years
Leasehold right	¥5,917 million	-

(8) Estimated impact on Consolidated Statements of Income for fiscal year ended March 31, 2009 on assumption business combination was completed by start of fiscal year

Net sales	¥92,015 million
Ordinary income	¥(73,218) million

(Estimation methodology)

The impact was estimated as the difference between the net sales and related profit and loss data as stated in the Consolidated Statements of Income of the acquiring company and the same figures calculated on the assumption that the business combination was completed by the start of the same fiscal year.

The figures in this note have not been audited.

(Per Share Information)

Fiscal 2008 (Year ended March 31, 2009)		Fiscal 2009 (Year ended March 31, 2010)	
Net assets per share	¥1,226.04	Net assets per share	¥1,215.62
Net loss per share (basic)	¥304.22	Net income per share (basic)	¥59.45
Diluted net income per share is not presented, because the Company has net loss for the period even though it has some dilutive shares.		Net income per share (diluted)	¥59.42

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

	Fiscal 2008 (Year ended March 31, 2009)	Fiscal 2009 (Year ended March 31, 2010)
Net income (loss) per share (basic):		
Net income (loss) (millions of yen)	(215,499)	41,852
Amount not available for common shareholders (millions of yen)	–	–
Net income (loss) available for dividends on common shares (millions of yen)	(215,499)	41,852
Weighted-average number of common shares outstanding during the year (1,000 shares)	708,361	703,932
Net income per share (diluted):		
Adjustments to net income (millions of yen)	–	–
Additional dilutive common shares (1,000 shares)	–	415
Including dilutive effect of stock options of (1,000 shares)	(–)	(415)
Descriptions of potential shares that were not included in the computation of diluted net income per share because of their anti-dilutive effect	――――	Subscription rights to shares at consolidated subsidiaries Common shares of 374 thousand shares to be delivered upon exercise Convertible-bond-type bonds with subscription rights to shares Common shares of 27,119 thousand shares to be delivered upon exercise

(Subsequent Events)

Not applicable.

(Omission of Disclosure)

Disclosures concerning lease transactions, transactions with related parties, income taxes, financial instruments, market value information for securities, derivatives, retirement benefits, stock options and real estate-related items such as property leases have been omitted because disclosure within the context of the consolidated financial results is deemed immaterial.

5. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2009	As of March 31, 2010
ASSETS		
Current assets:		
Cash and time deposits	12,459	45,650
Trade notes receivable	432	414
Accounts receivable	136,148	137,667
Marketable securities	131,524	168,984
Merchandise and finished goods	35,971	42,538
Raw materials and supplies	2,009	1,849
Prepaid expenses	652	628
Deferred tax assets	60,380	77,100
Short-term loans to affiliates	3,221	12,431
Other receivables	18,141	8,345
Other current assets	5,649	2,150
Allowance for doubtful accounts	(0)	(1,570)
Total current assets	406,592	496,191
Non-current assets:		
Property, plant and equipment		
Buildings	161,377	158,763
Accumulated depreciation	(94,796)	(97,400)
Buildings, net	66,580	61,363
Structures	9,593	9,444
Accumulated depreciation	(7,152)	(7,242)
Structures, net	2,441	2,201
Machinery and equipment	30,104	30,302
Accumulated depreciation	(26,272)	(27,183)
Machinery and equipment, net	3,831	3,118
Vehicles	117	114
Accumulated depreciation	(110)	(109)
Vehicles, net	7	4
Furniture, tools and fixtures	58,322	56,274
Accumulated depreciation	(50,891)	(50,521)
Furniture, tools and fixtures, net	7,431	5,753
Land	23,889	23,557
Lease assets	31	38
Accumulated depreciation	(2)	(9)
Lease assets, net	28	28
Construction in progress	1,084	1,976
Net property, plant and equipment	105,294	98,005
Intangible assets		
Patent right	11,045	9,398
Leasehold right	16	14
Trade marks	319	266
Software	528	363
Other	3,753	2,503
Total intangible assets, net	15,663	12,547

(Millions of yen)

	As of March 31, 2009	As of March 31, 2010
Investments and other assets		
Investment securities	132,532	118,059
Investments in affiliated companies	262,516	261,605
Investments in capital of subsidiaries and affiliates	104,527	104,170
Long-term loans receivable from subsidiaries and affiliates	17,854	3,918
Long-term prepaid expenses	88	39
Prepaid pension costs	6,871	3,886
Deferred tax assets	86,270	48,492
Other	5,660	4,544
Allowance for doubtful accounts	(1,445)	(304)
Allowance for investment losses	(300)	(300)
Total investments and other assets	614,576	544,112
Total non-current assets	735,534	654,664
Total assets	1,142,126	1,150,855
LIABILITIES		
Current liabilities:		
Accounts payable - trade	34,766	34,826
Short-term bank loans	240,000	–
Lease obligations	6	8
Accounts payable	27,397	28,288
Accrued expenses	44,953	43,774
Income taxes payable	–	892
Consumption taxes payable	1,066	3,210
Advance receipts	545	555
Deposits received from affiliates	34,184	40,467
Unearned revenue	25	373
Allowance for sales returns	107	108
Allowance for sales rebates	1,062	504
Allowance for contingent losses	–	1,600
Total current liabilities	384,116	154,609
Long-term liabilities:		
Bonds payable	–	100,000
Long-term debt	–	110,000
Lease receivables	21	20
Long-term accounts payable	1,566	384
Accrued employees’ severance and retirement benefits	152	–
Provision for environmental measures	92	–
Other long-term liabilities	2,902	3,429
Total long-term liabilities	4,735	213,833
Total liabilities	388,851	368,442

(Millions of yen)

	As of March 31, 2009	As of March 31, 2010
NET ASSETS		
Shareholders' equity:		
Common stock	50,000	50,000
Capital surplus:		
Legal capital surplus	179,858	179,858
Other capital surplus	767,903	485,508
Total capital surplus	947,761	665,367
Retained earnings:		
Other retained earnings:		
Reserve for reduction entries for non-current assets	1,862	2,446
Retained earnings carried forward	(254,232)	51,784
Total retained earnings	(252,370)	54,231
Treasury stock, at cost:	(14,555)	(14,566)
Total shareholders' equity	730,835	755,032
Valuation and translation adjustments:		
Net unrealized gain on investment securities	21,950	26,590
Total valuation and translation adjustments	21,950	26,590
Subscription rights to shares	488	789
Total net assets	753,274	782,413
Total liabilities and net assets	1,142,126	1,150,855

(2) Non-Consolidated Statements of Income

(Millions of yen)

	Fiscal 2008 (For the year ended March 31, 2009)	Fiscal 2009 (For the year ended March 31, 2010)
Net sales		
Net sales– finished goods	19,525	17,278
Net sales– merchandise	487,745	493,425
Loyalty income	11,640	18,753
Total net sales	518,910	529,457
Cost of sales:		
Beginning merchandise and finished goods	29,879	35,971
Cost of purchased merchandise	154,407	158,099
Cost of products manufactured	6,080	5,594
Total	190,367	199,666
Transfers to other accounts	1,248	1,280
Ending merchandise and finished goods	35,971	42,538
Total	37,220	43,819
Total cost of sales	153,147	155,847
Gross profit	365,763	373,610
Reversal of provision for sales returns	109	–
Provision for sales returns	–	0
Gross profit-net	365,872	373,609
Selling, general and administrative expenses		
Promotion expenses	70,480	71,488
Advertising expenses	1,909	1,986
Salaries and allowance	40,350	40,162
Retirement benefit expenses	3,816	5,083
Welfare expenses	5,986	6,027
Depreciation	4,206	4,310
Rent expenses	8,769	7,807
Traveling and transportation expenses	6,985	6,636
Business consignment expenses	6,931	7,299
Research and development expenses	157,298	165,048
Other	21,988	23,150
Total selling, general and administrative expenses	328,721	339,001
Operating income	37,151	34,607
Non-operating income		
Interest income	1,344	844
Interest on securities	1,590	506
Dividend income	4,622	59,973
Rent income	5,020	4,951
Foreign exchange gains	–	945
Other income	377	639
Total non-operating income	12,955	67,860

	Fiscal 2008 (For the year ended March 31, 2009)	Fiscal 2009 (For the year ended March 31, 2010)
		(Millions of yen)
Non-operating expenses		
Interest expense	1,157	1,030
Interest on bonds	–	1,042
Provision of allowance for doubtful accounts	333	308
Cost of lease revenue	1,456	1,419
Bond issuance cost	–	311
Depreciation of inactive non-current assets	224	202
Foreign exchange losses	9,048	–
Other expenses	1,211	1,347
Total non-operating expenses	13,432	5,663
Ordinary income	36,675	96,804
Extraordinary income		
Gain on sales of non-current assets	1,940	1,253
Gain on sales of investment securities	–	1,843
Gain on sales of subsidiaries and affiliates' stocks	3	74
Gain on liquidation of subsidiaries and affiliates	1,431	–
Total extraordinary income	3,375	3,172
Extraordinary losses		
Loss on disposal of non-current assets	2,329	867
Loss on penalty	–	2,544
Provision for contingent losses	–	1,600
Loss on extinguishment of tie-in shares	–	1,038
Loss on impairment of long-lived assets	2,466	975
Loss on business restructuring	–	258
Loss on valuation of investment securities	5,503	82
Loss on valuation of stocks of subsidiaries and affiliates	402,693	–
Non-recurring depreciation on non-current assets	1,367	–
Provision for environmental measures	92	–
Other losses	2,704	720
Total extraordinary losses	417,157	8,086
Income (loss) before income taxes	(377,106)	91,891
Income tax expense－current	2,976	494
Income tax benefit－deferred	(115,420)	17,910
Total income taxes	(112,443)	18,404
Net income (loss)	(264,662)	73,486

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

(Millions of yen)

	Fiscal 2008 (For the year ended March 31, 2009)	Fiscal 2009 (For the year ended March 31, 2010)
SHAREHOLDERS' EQUITY		
Common stock		
Balance at the end of previous period	50,000	50,000
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	50,000	50,000
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	179,858	179,858
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	179,858	179,858
Other capital surplus		
Balance at the end of previous period	842,572	767,903
Changes of items during the period		
Dividends from surplus - other capital surplus	–	(28,157)
Transfer to retained earnings from other capital surplus due to disposal of capital surplus	–	(254,232)
Disposal of treasury stock	(6)	(4)
Retirement of treasury stock	(74,661)	–
Total changes of items during the period	(74,668)	(282,394)
Balance at the end of current period	767,903	485,508
Total capital surplus		
Balance at the end of previous period	1,022,430	947,761
Changes of items during the period		
Dividends from surplus - other capital surplus	–	(28,157)
Transfer to retained earnings from other capital surplus due to disposal of capital surplus	–	(254,232)
Disposal of treasury stock	(6)	(4)
Retirement of treasury stock	(74,661)	–
Total changes of items during the period	(74,668)	(282,394)
Balance at the end of current period	947,761	665,367
Retained earnings		
Other retained earnings		
Reserve for reduction entries for non-current assets		
Balance at the end of previous period	4,023	1,862
Changes of items during the period		
Provision of reserve for advanced depreciation of non-current assets	906	584
Reversal of reserve for advanced depreciation of non-current assets	(3,067)	–
Total changes of items during the period	(2,161)	584
Balance at the end of current period	1,862	2,446

(Millions of yen)

	Fiscal 2008 (For the year ended March 31, 2009)	Fiscal 2009 (For the year ended March 31, 2010)
Retained earnings carried forward		
Balance at the end of previous period	61,590	(254,232)
Changes of items during the period		
Provision of reserve for advanced depreciation of non-current assets	(906)	(584)
Reversal of reserve for advanced depreciation of non-current assets	3,067	–
Dividends from surplus	(53,321)	(21,117)
Transfer to retained earnings from other capital surplus due to disposal of capital surplus	–	254,232
Net income (loss)	(264,662)	73,486
Total changes of items during the period	(315,822)	306,017
Balance at the end of current period	(254,232)	51,784
Total retained earnings		
Balance at the end of previous period	65,614	(252,370)
Changes of items during the period		
Provision of reserve for advanced depreciation of non-current assets	–	–
Reversal of reserve for advanced depreciation of non-current assets	–	–
Dividends from surplus	(53,321)	(21,117)
Transfer to retained earnings from other capital surplus due to disposal of capital surplus	–	254,232
Net income (loss)	(264,662)	73,486
Total changes of items during the period	(317,984)	306,601
Balance at the end of current period	(252,370)	54,231
Treasury stock, at cost		
Balance at the end of previous period	(43,407)	(14,555)
Changes of items during the period		
Purchase of treasury stock	(45,846)	(28)
Disposal of treasury stock	35	18
Retirement of treasury stock	74,661	–
Total changes of items during the period	28,851	(10)
Balance at the end of current period	(14,555)	(14,566)
Total shareholders' equity		
Balance at the end of previous period	1,094,637	730,835
Changes of items during the period		
Dividends from surplus - other capital surplus	–	(28,157)
Dividends from surplus	(53,321)	(21,117)
Transfer to retained earnings from other capital surplus due to disposal of capital surplus	–	–
Net income (loss)	(264,662)	73,486
Purchase of treasury stock	(45,846)	(28)
Disposal of treasury stock	29	13
Retirement of treasury stock	–	–
Total changes of items during the period	(363,801)	24,196
Balance at the end of current period	730,835	755,032

(Millions of yen)

	Fiscal 2008 (For the year ended March 31, 2009)	Fiscal 2009 (For the year ended March 31, 2010)
VALUATION AND TRANSLATION ADJUSTMENTS		
Net unrealized gain on investment securities		
Balance at the end of previous period	48,828	21,950
Changes of items during the period		
Net changes of items other than shareholders' equity	(26,878)	4,640
Total changes of items during the period	(26,878)	4,640
Balance at the end of current period	21,950	26,590
Total valuation and translation adjustments		
Balance at the end of previous period	48,828	21,950
Changes of items during the period		
Net changes of items other than shareholders' equity	(26,878)	4,640
Total changes of items during the period	(26,878)	4,640
Balance at the end of current period	21,950	26,590
SUBSCRIPTION RIGHTS TO SHARES		
Balance at the end of previous period	257	488
Changes of items during the period		
Net changes of items other than shareholders' equity	231	301
Total changes of items during the period	231	301
Balance at the end of current period	488	789
TOTAL NET ASSETS		
Balance at the end of previous period	1,143,723	753,274
Changes of items during the period		
Dividends from surplus - other capital surplus	–	(28,157)
Dividends from surplus	(53,321)	(21,117)
Net income (loss)	(264,662)	73,486
Purchase of treasury stock	(45,846)	(28)
Disposal of treasury stock	29	13
Net changes of items other than shareholders' equity	(26,647)	4,942
Total changes of items during the period	(390,449)	29,138
Balance at the end of current period	753,274	782,413

(4) Note Related to Assumption of Going-Concern

Not applicable.