FASF

May 12, 2011

Consolidated Financial Results for Fiscal 2010 (Year Ended March 31, 2011) <under Japanese GAAP>

Listed company name: Daiichi Sankyo Company, Limited
Stock code number: 4568
Listed exchanges: Tokyo, Osaka, and Nagoya
URL: http://www.daiichisankyo.com
Representative: Mr. Joji Nakayama, Representative Director and President & CEO
Contact: Mr. Toshiaki Sai, Corporate Officer, General Manager of Corporate Communications Department
Telephone: +81-3-6225-1126
Scheduled date of Ordinary General Meeting of Shareholders: June 27, 2011
Scheduled date of dividend payments: From June 28, 2011
Scheduled date of Annual Securities Report filing: June 27, 2011
Preparing supplementary material (Reference Data) on financial results: Yes
Holding information meeting: Yes (for institutional investors, analysts and the press)

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

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

(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 2010	967,365	1.6	122,143	27.9	131,762	27.8	70,121	67.5
Fiscal 2009	952,105	13.1	95,509	7.5	103,114	86.9	41,852	–

Note: Comprehensive income:
Fiscal 2010: ¥39,875 million [(19.7%)]
Fiscal 2009: ¥49,679 million [–%]

	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 2010	99.62	99.52	8.2	8.9	12.6
Fiscal 2009	59.45	59.42	4.9	6.9	10.0

Reference: Equity in earnings (losses) of subsidiaries and affiliates accounted for by the equity method:
Fiscal 2010: (¥2,645 million)
Fiscal 2009: (¥175 million)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2010	1,480,240	887,702	57.4	1,206.12
Fiscal 2009	1,489,510	889,508	57.4	1,215.62

Reference: Equity:

Fiscal 2010: ¥849,004 million
Fiscal 2009: ¥855,706 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 2010	141,139	(62,965)	(25,979)	302,402
Fiscal 2009	130,235	42,627	(89,121)	259,215

2. Dividends

	Annual Dividends 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 2009	–	30.00	–	30.00	60.00	42,235	100.9	4.9
Fiscal 2010	–	30.00	–	30.00	60.00	42,235	60.2	5.0
Fiscal 2011 (Forecast)	–	30.00	–	30.00	60.00	–	93.9	–

3. Forecasts of Consolidated Financial Results for Fiscal 2011
(from April 1, 2011 to March 31, 2012)

(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	470,000	(5.8)	50,000	(44.5)	50,000	(46.0)	24,000	(54.0)	34.10
Full year	970,000	0.3	90,000	(26.3)	90,000	(31.7)	45,000	(35.8)	63.93

Note: Please see *4) Forecasts of Consolidated Financial Results for Fiscal 2011, (2) Analysis of Results of Operations, 1. Results of Operations* on page 11 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

Newly included: None Excluded: None

(2) Changes in accounting principles and procedures, and methods of presentation

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 30 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, 2011	709,011,343 shares
As of March 31, 2010	709,011,343 shares

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

As of March 31, 2011	5,097,302 shares
As of March 31, 2010	5,084,489 shares

3) Average number of shares during the period

Fiscal year ended March 31, 2011	703,922,541 shares
Fiscal year ended March 31, 2010	703,932,565 shares

Note: Please see *(Per Share Information), (9) Notes to Consolidated Financial Statements, 3. Consolidated Financial Statements* on page 40 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 2010 (from April 1, 2010 to March 31, 2011)

(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 2010	560,815	5.9	49,926	44.3	58,995	(39.1)	40,227	(45.3)
Fiscal 2009	529,457	2.0	34,607	(6.8)	96,804	164.0	73,486	–

	Basic net income per share	Diluted net income per share
	Yen	Yen
Fiscal 2010	57.15	57.10
Fiscal 2009	104.40	104.33

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2010	1,143,668	769,930	67.2	1,092.28
Fiscal 2009	1,150,855	782,413	67.9	1,110.38

Reference: Equity:

Fiscal 2010: ¥768,871 million
Fiscal 2009: ¥781,623 million

*Indication regarding execution of audit procedures

This financial results report is exempt from the audit procedures for financial statements pursuant to the Financial Instruments and Exchange Act. At the time of disclosure of this financial results report, the audit procedures for financial statements are in progress.

*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 *4) Forecasts of Consolidated Financial Results for Fiscal 2011, (2) Analysis of Results of Operations, 1. Results of Operations* on page 11 for assumption that the above forecasts were based on and related matters.

Contents

1. Results of Operations

(1) Daiichi Sankyo's Management Issues and Growth Strategy

1) Daiichi Sankyo Group Corporate Mission

The corporate mission of the Daiichi Sankyo Group ("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 its vision of becoming a "Global Pharma Innovator."

2) Impact of the Great East Japan Earthquake and Related Recovery Efforts

The disaster that struck eastern Japan on March 11, 2011 had a significant impact on the Group's production, sales and other business activities in the local Tohoku region and the Kanto region.

The most seriously affected Group operations were the production facilities of Daiichi Sankyo Propharma Co., Ltd. at Onahama and Hiratsuka. The Group has taken the measures outlined below to recover from the disaster.

[Onahama Plant]

Located in the city of Iwaki, Fukushima Prefecture, this plant produces bulk drugs such as the antihypertensive agent olmesartan and antihyperlipidemic agent pravastatin. The plant suffered damage that forced the suspension of normal manufacturing operations. Recovery efforts are currently underway with the aim of restarting production in September 2011.

The Group's production facility in Odawara, located in the city of Odawara, Kanagawa Prefecture, also supplies bulk olmesartan.

[Hiratsuka Plant]

This plant, which is located in the city of Hiratsuka, Kanagawa Prefecture, suffered damage to some equipment due to the earthquake. The plant was also affected by projected power blackouts that were implemented in March. After a gradual resumption of operations, normal operations have since been restored at the plant, which makes the finished product formulations for the Group's mainstay products. The Group is rearranging manufacturing schedules and considering transferring some production to other plants and suppliers as part of preparing for projected cuts in power supplies during the summer months of 2011.

[Inventory status for major products]

The Group has been able to compensate for loss of production at the Onahama Plant in the case of olmesartan due to extra production at the Odawara Plant and the utilization of internal and distributors' stocks.

In the case of pravastatin, the Group has sufficient stocks of bulk drug and finished product to last until production restarts at the Onahama Plant in September. No supply problems are anticipated.

The launch of *Memary*®, a treatment for Alzheimer's Disease (AD), initially scheduled for March 2011 was postponed for, until such time as a stable supply of product could be ensured. The revised launch date for this product in Japan is June 8, 2011.

[Sales operations]

Group sales operations have generally returned to normal since the disaster, with the exception of some areas.

3) Daiichi Sankyo's Growth Strategy

[Medium-term prospects]

The Group is pursuing a range of business policies to realize its vision of becoming a "Global Pharma Innovator." In April 2010, the Group embarked on its Second Mid-Term Business Management Plan (MTP). The MTP performance targets for FY2012 are net sales of ¥1,150 billion and operating income of ¥180 billion. A major feature of the Second MTP is the advancement of a Hybrid Business Model for the Group.

[Strategic elements]

a. Expansion of pharmaceuticals franchise in Japan

The Group plans to grow sales of mainstay products such as *Olmetec*® and the two-drug combination *Rezaltas*®. Another expected source of growth is from the anti-inflammatory analgesic *Loxonin*®, through the expansion of its Tape formulation.

The Group also aims to maximize *Memary*® as quickly as possible.

The Group is working to increase the market share of the anti-influenza treatment *Inavir*® that was launched in 2010. Other products that the Group aims to introduce from FY2011 onward and achieve rapid market penetration include the oral factor Xa inhibitor *Lixiana*® (edoxaban), the proton pump inhibitor esomeprazole, and the anti-RANKL antibody denosumab.

The Group plans to reinforce its Vaccine business, including the smooth launch of Kitasato Daiichi Sankyo Vaccine Co., Ltd. established on April 1, 2011.

The Group also plans to reinforce further its businesses in Established Pharmaceuticals and OTC.

b. Redevelopment of U.S. business

The Group is promoting efforts to maintain sales of olmesartan in the face of increasingly fierce competition; to generate additional growth from the antiplatelet agent *Effient*®; to prepare for the launch of the oral factor Xa inhibitor edoxaban; and to develop an oncology marketing and promotion setup.

c. Reinforcement of R&D

The Group is developing faster internal processes for identifying therapeutic areas and making clear pipeline development-related decisions based on the reorganization of R&D systems to create an efficient global setup.

An important strategic priority is the development of an oncology R&D pipeline based on the Company involving Plexxikon Inc. (whose acquisition was finalized in April 2011) and U3 Pharma GmbH, and collaborating with ArQule, Inc.

d. Business expansion in emerging markets

The Group is further expanding its presence in the market of India, primarily through Ranbaxy Laboratories Ltd. ("Ranbaxy").

In China, the Group is studying ways to expand local operations further using the established bases in Beijing and Shanghai.

In collaboration with Ranbaxy, the Group is also building a platform to support long-term growth by expanding operations in Brazil, Mexico, Africa and other parts of the emerging markets.

e. Promotion of Established Pharmaceuticals business

The Group is steadily gaining share in markets outside Japan via Ranbaxy.

In Japan, the Group is striving to grow its market presence, mainly through subsidiary Daiichi Sankyo Espha Co., Ltd. that was established in April 2010.

f. Cost of sales reductions

The Group is examining ways of reducing consolidated cost of sales by promoting enhanced international collaboration with Ranbaxy in the areas of bulk drug production and procurement.

g. Resolution of Ranbaxy's regulatory issues with the U.S. Food and Drug Administration (FDA)

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

In February 2009, FDA also invoked its Application Integrity Policy (AIP) against Paonta Sahib plant in relation to data used in earlier regulatory submissions. The Group has been conducting an independent third-party audit of the plant to identify the causes of any GMP violations. The Company and Ranbaxy are working with the FDA to implement remedial measures.

(2) 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 2009	Fiscal 2010	YoY change (%)
Net sales	952,105	967,365	15,259 (+1.6%)
Operating income	95,509	122,143	26,634 (+27.9%)
Ordinary income	103,114	131,762	28,648 (+27.8%)
Net income	41,852	70,121	28,269 (+67.5)

FY2010 exchange rates: ¥85.72/USD, ¥113.13/EUR, ¥1.93/INR
FY2009 exchange rates: ¥92.86/USD, ¥131.16/EUR, ¥1.95/INR

The Group reported consolidated net sales for the fiscal year ended March 31, 2011 (FY2010) of ¥967.4 billion, a year-on-year gain of 1.6%, despite further appreciation of the yen compared with FY2009. This result reflected a sales contribution of ¥171.9 billion by our subsidiary Ranbaxy, growth in sales of antihypertensive agent olmesartan and the anti-inflammatory analgesic *Loxonin*®, and the launch of new products.

In terms of profitability, operating income increased substantially, rising 27.9% to ¥122.1 billion. This result reflected the contribution from Ranbaxy[1] and lower SG&A expenses at overseas subsidiaries due to the stronger yen. Ordinary income increased 27.8% to ¥131.8 billion, due in part to a year-on-year fall in foreign exchange losses. The Group posted net income of ¥70.1 billion, a significant gain of 67.5% compared with FY2009. This was partly a reflection of the high income taxes in FY2009 as the result of prior-year tax adjustments. The Group recognized an

[1] *Due to the difference in fiscal year-end, Ranbaxy's results included in the Group's FY2010 are those of January-December 2010.*

extraordinary loss of ¥5.6 billion as loss on disaster to account for the costs of repairing damage to facilities caused in the Great East Japan Earthquake and ensuing disaster.

Major drug launches by the Group during FY2010 included the three-in-one combination antihypertensive agents, *TRIBENZOR*™ in the U.S. and *Sevikar HCT*® in Europe. In Japan, the Group introduced the two-drug combination antihypertensive agent *Rezaltas*®, the percutaneous anti-inflammatory analgesic *Loxonin*® Gel, and the anti-influenza treatment *Inavir*®.

[Reportable Segments]

Daiichi Sankyo Group

The Daiichi Sankyo Group reported net sales of ¥795.4 billion, a year-on-year decline of 1.3%.

a. Japan

Net sales in Japan declined 0.5% year on year to ¥517.1 billion.

Sales of prescription drugs rose 1.9% to ¥429.1 billion, boosted by increased sales of leading products such as the antihypertensive agent *Olmetec*® and the anti-inflammatory analgesic *Loxonin*®. Introduced in FY2010, the antihypertensive agent *Rezaltas*® and the anti-influenza treatment *Inavir*® also made sales contributions.

Sales from royalty income and exports to overseas licensees fell 20.7% year on year to ¥39.9 billion due to the decline in sales of levofloxacin, a synthetic antibacterial agent and the stronger yen.

Net sales of healthcare (OTC) products totaled ¥44.8 billion, gaining 2.6% year on year. This was due to higher sales of the *LuLu*® series of general cold remedies and a sales contribution from *Loxonin S*, a prescription-to-OTC switch formulation of the Group's anti-inflammatory analgesic launched in FY2010.

b. North America

Net sales in North America fell 0.4% year on year to ¥184.4 billion, reflecting the effect of the stronger yen. The Group recorded further increases in sales in local currency terms. Major contributors to growth included the antihypertensive agent *AZOR*®, the antihyperlipidemic agent and treatment for type 2 diabetes *Welchol*®, and the anemia treatment *Venofer*®. Other products contributing to growth included the newly launched antihypertensive agent *TRIBENZOR*™. PharmaForce, Inc., which was acquired by Luitpold Pharmaceuticals, Inc. in December 2009, also made a contribution to growth.

c. Europe

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

d. Other regions

Net sales in other regions increased 6.4% to ¥27.4 billion, thanks mainly to the sales increases in China, South Korea and Brazil.

Ranbaxy Group

The Ranbaxy Group reported net sales of ¥171.9 billion, an increase of 17.3% compared with the previous year. Higher sales of the antiviral drug valacyclovir in the U.S. contributed to sales.

2) R&D Activities

Consolidated R&D expenses decreased 1.3% year on year to ¥194.3 billion in the year under review. The ratio of R&D expenses to net sales was 20.1%.

The Group has designated oncology and cardiovascular-metabolics as priority therapeutic areas. Efforts are ongoing to develop the R&D pipeline in these critical fields.

In April 2011, as part of strengthening the oncology franchise, the Company completed the acquisition of Plexxikon Inc., a firm with a highly promising oncology development pipeline and research expertise. In other oncology developments, the Company initiated global Phase III clinical trials (excluding Japan, China, South Korea and Taiwan) of the c-Met receptor tyrosine kinase inhibitor ARQ 197 for the treatment of non-squamous, non-small cell lung cancer (NSCLC). The Group is developing ARQ 197 jointly with ArQule, Inc.

In August 2010, the Company filed an NDA in Japan to gain manufacturing and marketing approval for the anti-RANKL antibody denosumab to treat bone disorders stemming from bone metastases of cancer. The Company acquired the rights to develop and market this antibody in Japan from U.S.-based Amgen Inc. The Company is also conducting Phase III clinical trials in Japan with denosumab for the indications of osteoporosis and as an adjuvant for breast cancer therapy, along with Phase II clinical trials in Japan for the indication of rheumatoid arthritis.

In April 2011, the Company gained manufacturing and marketing approval in Japan for oral factor Xa inhibitor edoxaban under the brand name *Lixiana*®. The drug is indicated for the prevention of venous thromboembolism (VTE) in patients undergoing major orthopedic surgery. Global Phase III clinical trials are currently underway to gain additional indications for edoxaban for the prevention of stroke and systemic embolic events with atrial fibrillation (AF) patients, together with prevention of VTE in patients with conditions such as deep vein thrombosis (DVT) or pulmonary embolism (PE).

3) Collaboration with Ranbaxy

Arun Sawhney, who has abundant experience and insight in the pharmaceutical industry, was appointed Managing Director of Ranbaxy in August 2010. While respecting Ranbaxy's listed status in India, the Company will assist generating further growth at Ranbaxy, and will oversee swifter decision-making and operational execution as the entire Group.

The Company and Ranbaxy are collaborating in national markets with solid prospects of rapid future growth such as India, Romania, South Africa and Singapore where Daiichi Sankyo has not traditionally had a strong presence. The Group promoted and implemented plans to utilize Ranbaxy's powerful sales networks in such markets to market global products of Daiichi Sankyo origin.

Ranbaxy's drug discovery and research capabilities have been integrated with the Company's research function to create an efficient global R&D setup with fully integrated control structures and policy implementation capabilities. The Group is also pursuing a number of collaborative policies aimed at reinforcing the consolidated business platform over the longer term. These include the manufacture of bulk drugs by Ranbaxy under the clinical GMP standards; purchasing of high-quality intermediates at low cost using Ranbaxy's wide procurement network; other cost-reduction programs based on joint procurement of raw materials and other inputs; and initiatives to lift Ranbaxy's manufacturing productivity based on the Company's drug production technology.

4) Forecasts of Consolidated Financial Results for Fiscal 2011 (From April 1, 2011 to March 31, 2012)

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

	Fiscal 2010	Fiscal 2011	Amount change	Percentage change
Net sales	967,365	970,000	2,635	0.3
Operating income	122,143	90,000	(32,143)	(26.3)
Ordinary income	131,762	90,000	(41,762)	(31.7)
Net income	70,121	45,000	(25,121)	(35.8)

In the fiscal year ending March 31, 2012 (FY2011), the Group expects harsh conditions to continue to prevail in markets due to ongoing efforts worldwide to restrain growth in healthcare costs.

Under such an environment, the Group expects sales of olmesartan, a mainstay product, to continue growing in Japan and Europe, partly offsetting harsh competition in the U.S. The Group also expects top-line growth contributions from new drug launches in Japan such as *Memary*® and proton pump inhibitor esomeprazole. However, the Group expects these factors to be offset by lower exports of levofloxacin (marketing exclusivity is scheduled to expire in the U.S.), contractual relinquishment of Japanese sales rights on certain products, and lower Ranbaxy sales. Overall, consolidated net sales are forecast to reach ¥970 billion, an increase of 0.3% year on year.

The forecasts assume average exchange rates of ¥83 against the U.S. dollar and ¥115 against the euro.

In terms of profitability, operating income is projected to decline by 26.3% compared with FY2010, to ¥90 billion. Factors projected to depress earnings include higher promotional expenses for the marketing of new drugs and continued high levels of R&D expenses, notably on the clinical development of the oral factor Xa inhibitor edoxaban. The Plexxikon Inc. acquisition will also be a relevant factor.

Ordinary income is expected to fall 31.7% to ¥90 billion, in part reflecting the absence of the foreign exchange gains recorded by Ranbaxy in FY2010 associated with exchange rate fluctuations between the U.S. dollar and the Indian rupee.

Net income is expected to decline 35.8% to ¥45 billion. The decrease in extraordinary losses related to the disaster, which is projected to fall to ¥2 billion, cannot count on the one-off reductions in income taxes associated with business restructuring that occurred in FY2010.

(3) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

As of March 31, 2011, net assets were ¥887.7 billion (down ¥1.8 billion from the previous year-end), total assets stood at ¥1,480.2 billion (down ¥9.2 billion from the previous year-end), and the equity ratio was 57.4% (57.4% for the previous year-end).

Net assets were slightly lower than at the previous year-end. The payment of dividends, a decrease in valuation and translation adjustments offset the positive impact of net income in FY2010.

Total assets also fell slightly compared with the previous year-end, reflecting a decline in net unrealized gain on investment securities associated with poorer conditions in financial markets.

2) Status of Cash Flows

Cash and cash equivalents increased by ¥43.2 billion during the fiscal year ended March 31, 2011, to ¥302.4 billion. Cash flow status and its contributing factors are summarized as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥141.1 billion, an increase of ¥10.9 billion compared with the previous year. Significant factors included income before income taxes and minority interests of ¥120.4 billion, depreciation of ¥43.9 billion (a non-cash item), and a decrease due to income taxes paid.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥63.0 billion, compared with a cash inflow of ¥42.6 billion in the previous year. This reflected purchases of time deposits, purchases of marketable securities, and investments in property, plant and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥26.0 billion, compared with a cash outflow of ¥89.1 billion in the previous year. This reflected an increase in borrowings and dividends paid, among other factors.

(Reference) Cash flow-related indicators

Principal Cash Flow Indicators

	Fiscal 2008	Fiscal 2009	Fiscal 2010
Equity ratio (%)	57.7	57.4	57.4
Market capitalization ratio (%)	77.6	82.8	76.4
Interest-bearing debt ratio (years)	2.26	1.78	1.68
Interest coverage ratio (times)	212.1	45.1	61.8

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.

(4) Basic Policy on Profit Distribution and Dividends for Years Ended March 2011 and Ending March 2012

The Company's policy is to pay a stable dividend, having taken into consideration the funding needed to invest for growth, redeem maturing corporate bond issues and return profits to shareholders. The Company plans to pay a dividend of ¥60 per share in FY2010 based on the said policy.

Based on earnings guidance, the Company also plans to pay a dividend of ¥60 per share for FY2011.

(5) 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 under review. Actual results could differ from forecast due to a range of factors.

1) Operational Risk Related to Occurrence of Disasters

If, as the result of earthquakes, floods, typhoons, storms or other natural disasters, or due to accidents, conflicts, acts of terrorism, fire or other manmade cause, there is the occurrence of damage to or suspension of Group production, research or other facilities, the cessation of business activities, incidents at nuclear power stations or other occurrences resulting in long-term damage to electricity supply networks or other social infrastructure. This could have a material impact on the Group's business results and financial position.

2) 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 reasons 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.

3) 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 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.

4) 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 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.

5) 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.

6) 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 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.

7) 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 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 earnings 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 regulatory trends.

8) Intellectual Property Risk

Any infringement of patents or other intellectual property rights of other parties arising from the Group's business activities could result in legal restraints being placed on such activities or prompt related commercial litigation. 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 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.

9) 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 business results and financial position.

10) 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 business results and financial position.

11) Other Risks

Other risks besides those noted above that could have a negative impact on the Group's business results and financial position include 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.

(6) 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. An appeal against this decision lodged by Lupin in the U.S. Court of Appeals for the Federal Circuit was rejected in May 2010. An objection to this decision that was subsequently lodged by Lupin with the full bench of the court was also rejected in July 2010. Lupin did not appeal this decision to the U.S. Supreme Court by the statutory deadline in October 2010, confirming the legal victory of the Company and its licensees.

2) In July 2006, the Company and its U.S. subsidiary Daiichi Sankyo, Inc. filed a patent infringement lawsuit in the U.S. District Court for the District of New Jersey against the Mylan Group, which had filed an Abbreviated New Drug Applications for generic versions of the antihypertensive agents *Benicar*® (generic name: olmesartan medoxomil), *Benicar HCT*® (a combination drug containing olmesartan medoxomil and hydrochlorothiazide) and *AZOR*® (a combination drug containing olmesartan medoxomil and amlodipine besylate), all of which are marketed by Daiichi Sankyo, Inc. in the U.S. The lawsuits were based on the U.S. substance patent for olmesartan medoxomil owned by the Company in the U.S. The Federal District Court ruled in favor of the Company and Daiichi Sankyo, Inc. in July 2009. An appeal against this decision lodged by the Mylan Group in the U.S. Court of Appeals for the Federal Circuit was rejected in September 2010. The Mylan Group appealed this decision to the U.S. Supreme Court in December 2010, but this appeal was rejected in March 2011.

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

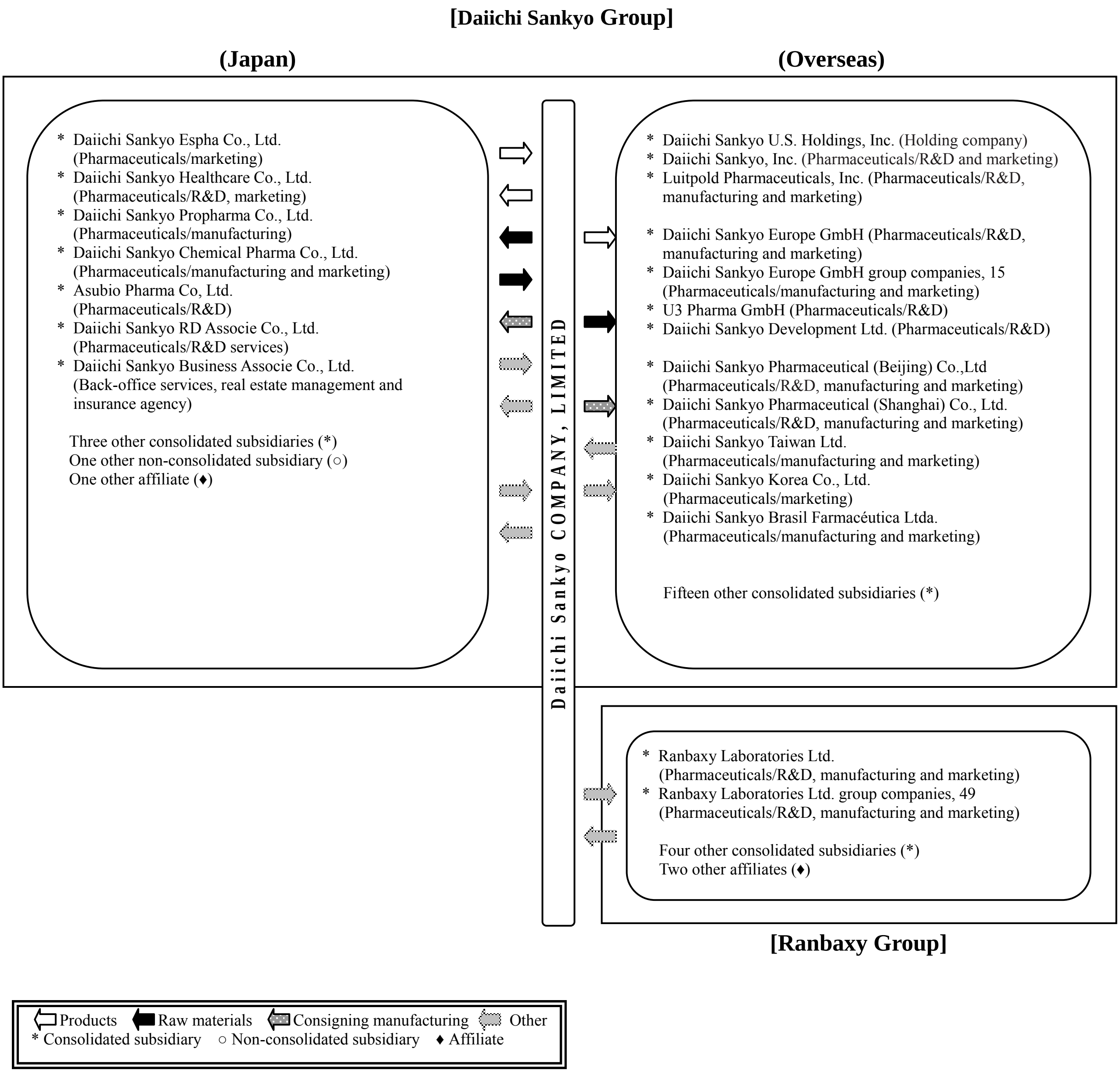
The Company believes that it is the sole prerogative of shareholders to decide whether or not to respond to any moves toward large-scale acquisition of Company stock. The Company does not deny the potentially significant impact that transfers of management control may have in terms of stimulating business 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.

2. State of the Group

Consolidated performance is reported under the two segments of the Daiichi Sankyo Group and the Ranbaxy Group. The Daiichi Sankyo Group consists of Daiichi Sankyo Company, Limited, its 106 subsidiaries and 3 affiliates, for a total of 110 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, 2011.



Subsidiaries and Affiliates (as of March 31, 2011; "Company" in the table refers to Daiichi Sankyo Company, Limited.)

Name	Location	Capital (Millions of yen, except as noted)	% of voting rights held	Relationship
Consolidated subsidiaries				
Daiichi Sankyo Espha Co., Ltd.	Edogawa-ku, Tokyo	450	100.0	Concurrent directors Products supplied to Company Office space, etc. leased from Company
Daiichi Sankyo Healthcare Co., Ltd.	Chuo-ku, Tokyo	100	100.0	Products supplied by Company Office space, etc. leased from Company
Daiichi Sankyo Propharma Co., Ltd.	Chuo-ku, Tokyo	100	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	100.0	Concurrent directors Facility and operating capital borrowed from Company
ASUBIO PHARMA CO., LTD.	Kobe-shi, Hyogo	50	100.0	R&D subcontract work received from Company
Daiichi Sankyo RD Associe Co., Ltd.	Shinagawa-ku, Tokyo	50	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	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 U.S. Holdings, Inc.	New Jersey, U.S.	3.0 U.S. dollars	100.0	Concurrent directors
Daiichi Sankyo, Inc.	New Jersey, U.S.	24.9 million U.S. dollars	100.0 [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	100.0 [100.0]	Concurrent directors
Daiichi Sankyo Europe GmbH	Munich, Germany	16 million euros	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	12,482 thousand euros	100.0 [100.0]	
Daiichi Sankyo Deutschland GmbH	Munich, Germany	51 thousand euros	100.0 [100.0]	
Daiichi Sankyo Italia S.p.A.	Rome, Italy	120 thousand euros	100.0 [100.0]	
Daiichi Sankyo España, S.A.	Madrid, Spain	120 thousand euros	100.0 [100.0]	
Daiichi Sankyo UK Ltd.	Buckinghamshire, UK	19.5 million GB pounds	100.0 [100.0]	
Daiichi Sankyo (Schweiz) AG	Thalwil, Switzerland	3 million Swiss Francs	100.0 [100.0]	
Daiichi Sankyo Portugal Lda.	Porto Salvo, Portugal	349 thousand euros	100.0 [100.0]	

Name	Location	Capital (Millions of yen, except as noted)	% of voting rights held [indirect holdings]	Relationship
Daiichi Sankyo Austria GmbH	Vienna, Austria	18 thousand euros	100.0 [100.0]	
U3 Pharma GmbH	Munich, Germany	1,126 thousand euros	100.0	Concurrent directors
Daiichi Sankyo Development Ltd.	Buckinghamshire, UK	400 thousand GB pounds	100.0	Concurrent directors
Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd.	Beijing, China	63,800 thousand US dollars	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	100.0	Concurrent directors Products supplied by Company Manufacturing subcontract work received from Company
Daiichi Sankyo Taiwan Ltd.	Taipei, Taiwan	345 million NT dollars	100.0	Concurrent directors Products supplied by Company Products supplied to Company
Daiichi Sankyo Korea Co., Ltd.	Seoul, Korea	3,000 million won	100.0	Concurrent directors
Daiichi Sankyo Brasil Farmacéutica Ltda.	Sao Paulo, Brazil	34 million Real	100.0	Concurrent directors Products supplied by Company Operating capital borrowed from Company
Ranbaxy Laboratories Ltd.	Gurgaon, India	2,105 million INR	63.9	Concurrent directors Sales/marketing support subcontract work received from Company
Rexcel Pharmaceuticals Ltd.	New Delhi, India	125 million INR	100.0 [100.0]	
Solus Pharmaceuticals Ltd.	New Delhi, India	149 million INR	100.0 [100.0]	
Solrex Pharmaceuticals Co.	New Delhi, India	3,084.1 million INR	100.0 [100.0]	
Ranbaxy (Netherlands) B.V.	Amsterdam, Netherlands	500 million US dollars	100.0 [100.0]	
Terapia S.A.	Cluj-Napoca, Romania	26.4 million RON	96.7 [96.7]	
Ranbaxy Inc.	New Jersey, U.S.	13 million US dollars	100.0 [100.0]	
Other 68 companies				
Affiliated companies accounted for by the equity method				
Hitachi Pharma Evolutions, Ltd.	Chiyoda-ku, Tokyo	250	49.0	Concurrent directors Office space leased from Company
Other one company				

(Notes)

1. Among the afore-mentioned subsidiaries and affiliates, Daiichi Sankyo Prophorma Co., Ltd., Daiichi Sankyo, Inc., Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd., Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd., and Ranbaxy (Netherlands) B.V. fall under the category of specified subsidiaries.
2. Figures in parentheses under the percentage of voting rights held column refer to the percentage of ownership held indirectly through other subsidiaries.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2010	As of March 31, 2011
ASSETS		
Current assets		
Cash and time deposits	100,996	262,037
Trade notes and accounts receivable	211,889	205,590
Marketable securities	236,541	157,653
Merchandise and finished goods	91,708	89,143
Work in process	16,783	21,598
Raw materials and supplies	34,733	32,050
Deferred tax assets	86,970	90,245
Other current assets	41,802	38,075
Allowance for doubtful accounts	(1,668)	(2,319)
Total current assets	819,757	894,075
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	126,589	119,962
Machinery, equipment and vehicles, net	44,538	46,706
Land	42,618	38,407
Construction in progress	22,294	20,599
Other, net	13,504	12,034
Net property, plant and equipment	249,546	237,710
Intangible assets		
Goodwill, net	73,769	67,316
Other intangible assets, net	107,117	89,606
Total intangible assets	180,887	156,923
Investments and other assets		
Investment securities	137,042	102,416
Prepaid pension costs	3,889	939
Deferred tax assets	81,758	73,245
Other	16,931	15,210
Allowance for doubtful accounts	(304)	(281)
Total investments and other assets	239,318	191,531
Total non-current assets	669,752	586,164
Total assets	1,489,510	1,480,240

(Millions of yen)

	As of March 31, 2010	As of March 31, 2011
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	66,539	58,407
Current portion of convertible bond-type bonds with subscription rights to shares	–	46,020
Short-term bank loans	19,988	29,342
Income taxes payable	10,643	7,545
Allowance for sales returns	583	1,244
Allowance for sales rebates	1,406	1,623
Allowance for contingent losses	1,600	–
Provision for loss on disaster	–	4,570
Asset retirement obligations	–	178
Other current liabilities	168,050	158,019
Total current liabilities	268,812	306,952
Long-term liabilities		
Bonds payable	100,000	100,000
Convertible bond-type bonds with subscription rights to shares	49,534	–
Long-term debt	121,389	124,036
Deferred tax liabilities	29,237	28,463
Accrued employees' severance and retirement benefits	12,320	11,541
Accrued directors' severance and retirement benefits	132	155
Other long-term liabilities	18,574	21,388
Total long-term liabilities	331,189	285,585
Total liabilities	600,001	592,537
NET ASSETS		
Shareholders' equity		
Common stock	50,000	50,000
Capital surplus	105,194	105,194
Retained earnings	746,392	774,274
Treasury stock, at cost	(14,566)	(14,581)
Total shareholders' equity	887,020	914,888
Accumulated other comprehensive income		
Net unrealized gain on investment securities	27,461	16,559
Deferred gains or losses on hedges	1,002	1,193
Foreign currency translation adjustments	(59,778)	(83,636)
Total accumulated other comprehensive income	(31,314)	(65,883)
Subscription rights to shares	3,295	3,544
Minority interests	30,506	35,153
Total net assets	889,508	887,702
Total liabilities and net assets	1,489,510	1,480,240

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

Consolidated Statements of Income

(Millions of yen)

		Fiscal 2009 (For the year ended March 31, 2010)		Fiscal 2010 (For the year ended March 31, 2011)
Net sales		952,105		967,365
Cost of sales	*1, *2	278,031	*1, *2	281,677
Gross profit		674,074		685,687
Selling, general and administrative expenses				
Advertising and promotional expenses		105,748		99,651
Salaries and bonuses		110,533		110,629
Severance and retirement costs		11,921		10,535
Research and development expenses	*2	196,802	*2	194,330
Other		153,557		148,397
Total selling, general and administrative expenses		578,564		563,543
Operating income		95,509		122,143
Non-operating income				
Interest income		3,776		3,981
Dividend income		2,414		2,793
Gain on valuation of derivatives		17,155		11,160
Other income		4,835		5,237
Total non-operating income		28,181		23,174
Non-operating expenses				
Interest expense		5,719		5,519
Foreign exchange losses		10,689		1,080
Equity in net losses of affiliated companies		175		2,645
Other expenses		3,990		4,309
Total non-operating expenses		20,576		13,555
Ordinary income		103,114		131,762
Extraordinary income				
Gain on sales of non-current assets	*3	2,947	*3	8,810
Gain on sales of investment securities		1,873		2,932
Gain on sales of subsidiaries and affiliates' stocks		1,060		814
Gain on change in equity		21		176
Other		–		97
Total extraordinary income		5,903		12,831
Extraordinary losses				
Loss on disposal of non-current assets	*4	1,655	*4	2,744
Loss on impairment of long-lived assets	*5	2,103	*5	6,451
Loss on disaster		–	*6	5,640
Loss on valuation of investment securities		82		3,334
Non-recurring depreciation on non-current assets	*7	261	*7	2,121
Loss on valuation of investments in affiliates		–		1,792
Environmental expenses		–		679
Loss on business restructuring	*8	2,577	*8	489
Loss on penalty		2,544		202
Loss on adjustment for changes of accounting standard for asset retirement obligations		–		139
Provision for contingent losses	*9	1,600		–
Other		822		579
Total extraordinary losses		11,646		24,174

(Millions of yen)

	Fiscal 2009 (For the year ended March 31, 2010)	Fiscal 2010 (For the year ended March 31, 2011)
Income before income taxes and minority interests	97,371	120,419
Income tax expense — current	31,422	27,482
Income tax benefit — deferred	18,594	14,323
Total income taxes	50,016	41,806
Income before minority interests	–	78,613
Minority interests in net income of consolidated subsidiaries	5,502	8,491
Net income	41,852	70,121

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2009 (For the year ended March 31, 2010)	Fiscal 2010 (For the year ended March 31, 2011)
Income before minority interests	–	78,613
Other comprehensive income		
Valuation difference on available-for-sale securities	–	(11,556)
Deferred gains or losses on hedges	–	301
Foreign currency translation adjustment	–	(27,141)
Share of other comprehensive income of associates accounted for using equity method	–	(341)
Total other comprehensive income	–	(38,738)
Comprehensive income	–	39,875
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	–	35,528
Comprehensive income attributable to minority interests	–	4,346

(3) Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Fiscal 2009 (For the year ended March 31, 2010)	Fiscal 2010 (For the year ended March 31, 2011)
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	105,194	105,194
Changes of items during the period		
Disposal of treasury stock	(4)	–
Transfer to retained earnings from other capital surplus due to disposal of treasury stock	4	–
Total changes of items during the period	–	–
Balance at the end of current period	105,194	105,194
Retained earnings		
Balance at the end of previous period	753,820	746,392
Changes of items during the period		
Dividends from surplus	(49,275)	(42,235)
Net income	41,852	70,121
Disposal of treasury stock	–	(3)
Transfer to capital surplus from retained earnings	(4)	–
Total changes of items during the period	(7,427)	27,882
Balance at the end of current period	746,392	774,274
Treasury stock, at cost		
Balance at the end of previous period	(14,555)	(14,566)
Changes of items during the period		
Purchase of treasury stock	(28)	(34)
Disposal of treasury stock	18	20
Total changes of items during the period	(10)	(14)
Balance at the end of current period	(14,566)	(14,581)
Total shareholders' equity		
Balance at the end of previous period	894,459	887,020
Changes of items during the period		
Dividends from surplus	(49,275)	(42,235)
Net income	41,852	70,121
Purchase of treasury stock	(28)	(34)
Disposal of treasury stock	13	16
Total changes of items during the period	(7,438)	27,867
Balance at the end of current period	887,020	914,888

(Millions of yen)

	Fiscal 2009 (For the year ended March 31, 2010)	Fiscal 2010 (For the year ended March 31, 2011)
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Net unrealized gain on investment securities		
Balance at the end of previous period	19,882	27,461
Changes of items during the period		
Net changes of items other than shareholders' equity	7,578	(10,901)
Total changes of items during the period	7,578	(10,901)
Balance at the end of current period	27,461	16,559
Deferred gains or losses on hedges		
Balance at the end of previous period	76	1,002
Changes of items during the period		
Net changes of items other than shareholders' equity	926	190
Total changes of items during the period	926	190
Balance at the end of current period	1,002	1,193
Foreign currency translation adjustments		
Balance at the end of previous period	(51,367)	(59,778)
Changes of items during the period		
Net changes of items other than shareholders' equity	(8,411)	(23,857)
Total changes of items during the period	(8,411)	(23,857)
Balance at the end of current period	(59,778)	(83,636)
Total accumulated other comprehensive income		
Balance at the end of previous period	(31,408)	(31,314)
Changes of items during the period		
Net changes of items other than shareholders' equity	94	(34,569)
Total changes of items during the period	94	(34,569)
Balance at the end of current period	(31,314)	(65,883)
SUBSCRIPTION RIGHTS TO SHARES		
Balance at the end of previous period	2,390	3,295
Changes of items during the period		
Net changes of items other than shareholders' equity	904	249
Total changes of items during the period	904	249
Balance at the end of current period	3,295	3,544
MINORITY INTERESTS		
Balance at the end of previous period	23,175	30,506
Changes of items during the period		
Net changes of items other than shareholders' equity	7,330	4,647
Total changes of items during the period	7,330	4,647
Balance at the end of current period	30,506	35,153
TOTAL NET ASSETS		
Balance at the end of previous period	888,617	889,508
Changes of items during the period		
Dividends from surplus	(49,275)	(42,235)
Net income	41,852	70,121
Purchase of treasury stock	(28)	(34)
Disposal of treasury stock	13	16
Net changes of items other than shareholders' equity	8,329	(29,672)
Total changes of items during the period	891	(1,805)
Balance at the end of current period	889,508	887,702

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2009 (For the year ended March 31, 2010)	Fiscal 2010 (For the year ended March 31, 2011)
Cash flows from operating activities		
Income before income taxes and minority interests	97,371	120,419
Depreciation	45,942	43,945
Loss on impairment of long-lived assets	2,103	6,451
Non-recurring depreciation on non-current assets	261	2,121
Amortization of goodwill	8,882	9,148
(Gain) loss on valuation of derivatives	(17,155)	(11,160)
Increase (decrease) in allowance for doubtful accounts	600	837
Increase (decrease) in accrued severance and retirement benefits	1,436	558
(Increase) decrease in prepaid pension costs	3,031	2,297
Interest and dividend income	(6,190)	(6,775)
Interest expense	5,719	5,519
Foreign exchange (gains) losses	(2,636)	(35)
Loss (gain) on valuation of investment securities	–	3,550
(Gain) loss on sales of investment securities	(1,873)	(2,932)
(Gain) loss on sales of investments in affiliates	(1,060)	(814)
(Gain) loss on sales and disposal of property, plant and equipment	(1,292)	(6,066)
Equity in net (income) losses of affiliated companies	175	2,645
(Increase) decrease in trade notes and accounts receivable	(15,356)	(1,436)
(Increase) decrease in inventories	(2,806)	(7,144)
Increase (decrease) in trade notes and accounts payable	6,436	(5,045)
Increase (decrease) in accounts payable and accrued expenses	6,236	8,921
Other, net	27,204	8,301
Subtotal	157,031	173,306
Interest and dividends received	7,261	5,465
Interest paid	(3,644)	(2,893)
Income taxes paid	(30,413)	(34,738)
Net cash provided by operating activities	130,235	141,139
Cash flows from investing activities		
Payments into time deposits	(31,357)	(78,456)
Proceeds from maturities in time deposits	36,189	48,473
Purchases of marketable securities	(51,007)	(134,752)
Proceeds from sales of marketable securities	128,825	124,587
Acquisitions of property, plant and equipment	(28,870)	(32,250)
Proceeds from sales of property, plant and equipment	4,562	10,082
Acquisitions of intangible assets	(2,287)	(3,882)
Acquisitions of investment securities	(6,747)	(1,024)
Proceeds from sales of investment securities	6,607	8,790
Acquisition of investments in subsidiaries	(1,498)	(1,919)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(14,446)	(8,254)
Proceeds from sales of investments in consolidated subsidiaries resulting in changes in scope of consolidation	2,975	5,641
Net (increase) decrease in short-term loans receivable	(99)	1,858
Payment for loans receivable	(428)	(27)
Proceeds from collection of loans receivable	39	0
Other, net	169	(1,832)
Net cash provided by (used in) investing activities	42,627	(62,965)

(Millions of yen)

	Fiscal 2009 (For the year ended March 31, 2010)	Fiscal 2010 (For the year ended March 31, 2011)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	(246,772)	13,755
Proceeds from long-term debt	111,832	7,204
Repayments of long-term debt	(4,411)	(4,806)
Proceeds from issuance of bonds	99,688	–
Purchases of treasury stock	(28)	(34)
Proceeds from sale of treasury stock	5	2
Dividends paid	(49,256)	(42,246)
Other, net	(178)	144
Net cash used in financing activities	(89,121)	(25,979)
Effect of exchange rate changes on cash and cash equivalents	(2,296)	(9,007)
Net increase (decrease) in cash and cash equivalents	81,445	43,187
Cash and cash equivalents, beginning of year	177,769	259,215
Cash and cash equivalents, at end of year	* 259,215	* 302,402

(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 2009 (For the year ended March 31, 2010)	Fiscal 2010 (For the year ended March 31, 2011)
1. Scope of Consolidation	(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 Ltd. 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.	(1) Consolidated subsidiaries: 101 Principal consolidated subsidiaries: In Japan Daiichi Sankyo Espha Co., Ltd. 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 Ltd. Six new subsidiaries were established and newly included in the scope of consolidation from the fiscal year ended March 31, 2011, including Daiichi Sankyo Espha Co., Ltd. Luitpold Pharmaceuticals, Inc. acquired ROXRO PHARMA, Inc. and newly included the subsidiary in the scope of consolidation from the fiscal year ended March 31, 2011. Two subsidiaries were excluded from the scope of consolidation during the fiscal year ended March 31, 2011 as the result of the transfer of all shares in CMIC CMO Co., Ltd. to CMIC Co., Ltd. and the latter's absorptive merger of Asubio Pharma Co., Ltd. (the former consolidated subsidiary that had the same trade name as the current consolidated subsidiary). Three subsidiaries of Ranbaxy Laboratories Ltd. were excluded from the scope of consolidation during the fiscal year ended March 31, 2011 as the result of liquidation. ―――――――――
	(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 and three subsidiaries of Zenotech Laboratories Ltd.) 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 2009 (For the year ended March 31, 2010)	Fiscal 2010 (For the year ended March 31, 2011)
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: 4 Name of principal company: Sanofi Pasteur-Daiichi Vaccine Co., Ltd.	(1) Non-consolidated subsidiaries accounted for under the equity method: 1 Affiliated companies accounted for under the equity method: 2 Name of principal company: Zenotech Laboratories Ltd. Zenotech Laboratories Ltd. was excluded from affiliated companies accounted for under the equity method and included in non-consolidated subsidiaries accounted for under the equity method in the fiscal year ended March 31, 2011 following the acquisition of additional shares in the firm by the Group. Zenotech Laboratories became a non-consolidated subsidiary accounted for under the equity method. Sanofi Pasteur-Daiichi Sankyo Vaccine Co., Ltd. ceased to be an affiliated company accounted for under the equity method in the fiscal year ended March 31, 2011 following the disposal of shares in this firm by the Group.
	(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.	(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 (Kyushu Juhi Kogyosho and three subsidiaries of Zenotech Laboratories Ltd.) 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 Sankyo Pharmaceutical (Beijing) Co., Ltd., Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd., Daiichi Sankyo Brasil Farmacéutica Ltda., Ranbaxy Laboratories Ltd. and other subsidiaries.	Same as Fiscal 2009 Name of subsidiaries that have fiscal year-end on December 31: Same as Fiscal 2009

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 28, 2010. 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 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.

Fiscal 2010 (For the year ended March 31, 2011)

(Accounting standard applied to asset retirement obligations)

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

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

(Accounting standard applied to business combinations)

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

(8) Changes in Presentation

Fiscal 2009 (For the year ended March 31, 2010)	Fiscal 2010 (For the year ended March 31, 2011)
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 "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 Income** Effective from the fiscal year ended March 31, 2011, in line with the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on December 26, 2008), the Company adopted the Cabinet Office Ordinance Partially Revising Regulation for Financial Statements, etc. (Cabinet Office Ordinance No. 5, issued on March 24, 2009). As a result, the Consolidated Statements of Income include the item "Income before minority interests."
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.	**Consolidated Statements of Cash Flows** "Loss (gain) on valuation of investment securities " (totaling ¥341 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, 2010, was presented as separate line items for the fiscal year ended March 31, 2011 due to increases in materiality.

(9) Notes to Consolidated Financial Statements

(Notes to Consolidated Statements of Income)

Fiscal 2009 (Year ended March 31, 2010)	Fiscal 2010 (Year ended March 31, 2011)
*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	*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." ¥1,784 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: –	*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: 194,330 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	*3. Breakdown of gain on sales of non-current assets (Millions of yen) Buildings and structures: 404 Machinery, equipment and vehicles: 49 Land: 8,354 Other property, plant and equipment: 3 Other intangible assets: 0
*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.	*4. Breakdown of loss on disposal of non-current assets (Millions of yen) Buildings and structures: 299 Machinery, equipment and vehicles: 135 Land: 7 Other property, plant and equipment: 92 Other intangible assets: 3 In addition, expenses for retirement of non-current assets totaled ¥2,206 million.

Fiscal 2009 (Year ended March 31, 2010)	Fiscal 2010 (Year ended March 31, 2011)

Fiscal 2009 (Year ended March 31, 2010)

*5. 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:

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” in “Property, plant and equipment”	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.

*6.

Fiscal 2010 (Year ended March 31, 2011)

*5. 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:

Location	Function	Asset type	Status
Sunto, Shizuoka	Higashi-Fuji training institute	Land	Idle
India	Paonta Sahib Facility, etc. Manufacturing facility	Buildings, machinery, equipment, etc.	Business use
Germany	Right of trademark and Patent right	Other intangible assets	Business use
India	Other intangible assets	Other intangible assets	Business use

The above asset groups were written down to recoverable book value due to classification as either (a) idle with uncertain prospects of future use, or (b) assets that were no longer generating income as originally projected.

The breakdown is as follows:

	(Millions of yen)
Buildings and structures	151
Machinery, equipment and vehicles	723
Land	368
Other property, plant and equipment	4
Other intangible assets	5,204

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.

*6. Loss on disaster

Losses attributable to the disaster occurring on March 11, 2011 are broken down below. Of these costs, total provisions of ¥4,570 million were booked against loss on disaster. Although some of the damaged assets were insured, the cost that insurance claims will cover is not fixed.

	(Millions of yen)
Repair costs of buildings, etc	3,285
Loss on retirement of inventories/provisions for returns	1,412
Loss on retirement of buildings, etc.	168
Other	774

<table>
<tr><th>Fiscal 2009
(Year ended March 31, 2010)</th><th>Fiscal 2010
(Year ended March 31, 2011)</th></tr>
<tr><td>*7. 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:
(Millions of yen)
Buildings and structures 261</td><td>*7. 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, 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:
(Millions of yen)
Buildings and structures 2,121</td></tr>
<tr><td>*8. 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</td><td>*8. Loss on business restructuring
The Company recognized losses in relation to the reorganization of consolidated subsidiary Asubio Pharma Co., Ltd., which resulted primarily from removal, consolidation and closure of operating locations</td></tr>
<tr><td>*9. 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.</td><td>*9.</td></tr>
</table>

(Notes to Consolidated Statements of Changes in Net Assets)

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 3,000 shares of common stock was due to sales of treasury stock to meet top-up demands for shares less than one unit and of 3,000 shares of common stock was due to exercise of stock acquisition rights (stock option).

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	Retained earnings	30.0	March 31, 2010	June 29, 2010

Fiscal 2010 (for the year ended March 31, 2011)

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	5,084	19	7	5,097
Total	5,084	19	7	5,097

(Notes)

1. The increase in the number of shares of treasury stock was due to the Company's purchase of fractional share-trading units (17,000 shares) and of shares tendered for repurchase by dissenting shareholders under provisions contained in Article 797 Section 1 of the Companies Act (2,000 shares).
2. The decrease in treasury stock of 1,000 shares of common stock was due to sales of treasury stock to meet top-up demands for shares less than one unit and of 5,000 shares of common stock was due to exercise of stock acquisition rights (stock option).

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	–	–	–	–	–	1,059
Consolidated subsidiaries	–	–	–	–	–	–	2,484
Total		–	–	–	–	–	3,544

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 28, 2010	Common stock	21,117	30.0	March 31, 2010	June 29, 2010
Regular meeting of the Board of Directors on October 29, 2010	Common stock	21,117	30.0	September 30, 2010	December 1, 2010

(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 27, 2011	Common stock	21,117	Retained earnings	30.0	March 31, 2011	June 28, 2011

(Notes to Consolidated Statements of Cash Flows)

Fiscal 2009 (Year ended March 31, 2010)	Fiscal 2010 (Year ended March 31, 2011)
* Reconciliation of cash and cash equivalents at the end of the fiscal year with the balance sheet accounts	* Reconciliation of cash and cash equivalents at the end of the fiscal year with the balance sheet accounts

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

Fiscal 2010 (Year ended March 31, 2011)

	(Millions of yen)
Cash and time deposits	262,037
Less time deposits with maturities extending over three months	(49,437)
Add short-term investments with maturities within three months	89,803
Cash and cash equivalents	302,402

(Segment Information)

a. Information by Segment

1. Outline of reporting segments

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

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

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

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

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

   The accounting treatment of each reporting segment is in line with the "Basis of Presentation and Summary of Significant Accounting Policies for the Preparation of Consolidated Financial Statements."

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

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

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

(Millions of yen)

	Daiichi Sankyo Group	Ranbaxy Group	Total
Net sales			
Outside customers	805,527	146,578	952.105
Inter-segment sales and transfers	33	76	110
Total	805,560	146,655	952,215
Segment profit	89,127	14,237	103,364
Segment assets	1,674,366	242,389	1,916,755
Segment liabilities	426,437	158,109	584,547
Other items			
Depreciation	34,099	8,291	42,390
Amortization of goodwill	6,420	–	6,420
Interest income	1,625	2,151	3,776
Interest expenses	2,051	3,668	5,719
Equity in earnings of affiliated companies	–	83	83
Equity in losses of affiliated companies	259	–	259
Extraordinary income	4,561	1,320	5,882
Extraordinary losses	11,578	67	11,646
(Loss on impairment of long-lived assets)	2,103	–	2,103
Capital invested in equity-method affiliates	486	5,741	6,228
Increase in property, plant and equipment and intangible assets	21,470	10,258	31,729

Fiscal 2010 (for the year ended March 31, 2011)

(Millions of yen)

	Daiichi Sankyo Group	Ranbaxy Group	Total
Net sales			
Outside customers	795,426	171,938	967,365
Inter-segment sales and transfers	60	1,120	1,181
Total	795,487	173,059	968,546
Segment profit	89,326	36,824	126,151
Segment assets	1,661,953	251,561	1,913,515
Segment liabilities	424,624	156,330	580,955
Other items			
Depreciation	29,190	12,064	41,255
Amortization of goodwill	6,674	–	6,674
Interest income	920	3,060	3,981
Interest expenses	2,081	3,437	5,519
Equity in earnings of affiliated companies	171	–	171
Equity in losses of affiliated companies	–	222	222
Extraordinary income	10,229	5,141	15,371
Extraordinary losses	20,874	8,279	29,153
(Loss on impairment of long-lived assets)	5,165	4,845	10,010
Capital investment in equity-method affiliates	616	1,850	2,467
Increase in property, plant and equipment and intangible assets	31,722	9,489	41,211

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

(Millions of yen)

	Fiscal 2009 (Year ended March 31, 2010)	Fiscal 2010 (Year ended March 31, 2011)
Net sales		
Reporting segment total	952,215	968,546
Elimination of inter-segment transactions	(110)	(1,181)
CFS-stated consolidated net sales	952,105	967,365
Segment profit		
Reporting segment total	103,364	126,151
Amortization of allocated acquired cost	(3,551)	(3,515)
Adjustments to allocated acquired cost	–	3,558
Amortization of goodwill	(2,417)	(2,415)
Adjustment for sales of investment securities	–	(2,102)
Losses on equity interests in affiliated companies	–	(1,174)
Elimination of inter-segment transactions	–	(201)
Other consolidated adjustments	(22)	119
CFS-stated consolidated income before income taxes	97,371	120,419
Segment assets		
Reporting segment total	1,916,755	1,913,515
Elimination of investments and capital	(488,354)	(488,354)
Allocated acquired cost	45,532	38,537
Adjustment to goodwill	19,902	23,525
Elimination of stock subscription rights on consolidation	(4,304)	(4,304)
Elimination of inter-segment transactions	(21)	(1,420)
Losses on equity interests in affiliated companies	–	(1,259)
CFS-stated total assets	1,489,510	1,480,240
Segment liabilities		
Reporting segment total	584,547	580,955
Adjustment to deferred tax liabilities	15,476	12,802
Elimination of inter-segment transactions	(21)	(1,220)
CFS-stated total liabilities	600,001	592,537

	Reporting segment total		Adjustment		Amount on the balance sheet	
	Fiscal 2009 (Year ended March 31, 2010)	Fiscal 2010 (Year ended March 31, 2011)	Fiscal 2009 (Year ended March 31, 2010)	Fiscal 2010 (Year ended March 31, 2011)	Fiscal 2009 (Year ended March 31, 2010)	Fiscal 2010 (Year ended March 31, 2011)
Other items						
Depreciation	42,390	41,255	3,551	2,690	45,942	43,945
Amortization of goodwill	6,420	6,674	2,461	2,474	8,882	9,148
Interest income	3,776	3,981	–	–	3,776	3,981
Interest expenses	5,719	5,519	–	–	5,719	5,519
Equity in earnings of affiliated companies	83	171	(83)	(171)	–	–
Equity in losses of affiliated companies	259	222	(83)	2,423	175	2,645
Extraordinary income	5,882	15,371	21	(2,539)	5,903	12,831
Extraordinary losses	11,646	29,153	–	(4,978)	11,646	24,174
(Loss on impairment of long-lived assets)	2,103	10,010	–	(3,558)	2,103	6,451
Capital invested in equity-method affiliates	6,228	2,467	–	658	6,228	3,125
Increase in property, plant and equipment and intangible assets	31,729	41,211	–	–	31,729	41,211

b. Information on unamortized goodwill by reporting segment

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

(Millions of yen)

	Daiichi Sankyo Group	Ranbaxy Group	Adjustment	Amount on the balance sheet
Ending balance	27,951	25,915	19,902	73,769

Fiscal 2010 (for the year ended March 31, 2011)

(Millions of yen)

	Daiichi Sankyo Group	Ranbaxy Group	Adjustment	Amount on the balance sheet
Ending balance	24,041	19,749	23,525	67,316

(Additional information)

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

(Per Share Information)

Fiscal 2009 (Year ended March 31, 2010)		Fiscal 2010 (Year ended March 31, 2011)	
Net assets per share	¥1,215.62	Net assets per share	¥1,206.12
Net income per share (basic)	¥59.45	Net income per share (basic)	¥99.62
Net income per share (diluted)	¥59.42	Net income per share (diluted)	¥99.52

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

	Fiscal 2009 (Year ended March 31, 2010)	Fiscal 2010 (Year ended March 31, 2011)
Net income per share (basic):		
Net income (millions of yen)	41,852	70,121
Amount not available for common shareholders (millions of yen)	–	–
Net income available for dividends on common shares (millions of yen)	41,852	70,121
Weighted-average number of common shares outstanding during the year (1,000 shares)	703,932	703,922
Net income per share (diluted):		
Adjustments to net income (millions of yen)	–	–
Additional dilutive common shares (1,000 shares)	415	644
Including dilutive effect of stock options of (1,000 shares)	(415)	(644)
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	Subscription rights to shares at consolidated subsidiaries Common shares of 1,449 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)

Fiscal 2010 (For the year ended March 31, 2011)

(Acquisition of shares in Plexxikon Inc.)

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

1) Purpose of acquisition

The Group has designated creation of innovative pharmaceuticals as a key management issue and aims to develop the drug pipeline in priority therapeutic areas. Providing truly innovative oncology therapies is one of the Group's main goals over the medium and long-term.

The acquisition of Plexxikon Inc. also helps to bolster the Group's in-house drug discovery research capabilities across Japan, the U.S., Europe and India. Going forward, the Group aims to leverage the distinctive features of these research facilities in its global research programs, whilst reinforcing functional capabilities to promote the discovery of first-in-class molecules.

2) Shares acquired from:

Founder(s), employees, investment funds and other shareholders

3) Name, nature of business and size of acquired company

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

4) Date of acquisition of shares

April 1, 2011

5) Acquisition price and percentage of voting rights acquired

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

6) Acquisition funding method

Internally funded

(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, business combinations, asset retirement obligations and real estate-related items such as rents have been omitted because disclosure within the context of the consolidated financial results is deemed immaterial.