May 11, 2012

Consolidated Financial Results for Fiscal 2011 (Year Ended March 31, 2012) <under Japanese GAAP>

Listed company name: Daiichi Sankyo Company, Limited
Stock code number: 4568
Listed exchanges: First Section of the Tokyo, Osaka, and Nagoya stock exchanges
URL: http://www.daiichisankyo.com
Representative: Mr. Joji Nakayama, President & CEO
Contact: Mr. Noriaki Ishida, Corporate Officer, Vice President, Corporate Communications Department
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Scheduled date of Ordinary General Meeting of Shareholders: June 22, 2012
Scheduled date of dividend payments: From June 25, 2012
Scheduled date of Annual Securities Report filing: June 22, 2012
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 2011 (from April 1, 2011 to March 31, 2012)

(1) Consolidated Financial Results

(Percentages indicate changes from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2011	938,677	(3.0)	98,202	(19.6)	76,217	(42.2)	10,383	(85.2)
Fiscal 2010	967,365	1.6	122,143	27.9	131,762	27.8	70,121	67.5

Note: Comprehensive income:

Fiscal 2011: (23,693) million yen [–%]
Fiscal 2010: 39,875 million yen [(19.7)%]

	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 2011	14.75	14.73	1.3	5.1	10.5
Fiscal 2010	99.62	99.52	8.2	8.9	12.6

Reference: Equity in earnings (losses) of affiliated companies:

Fiscal 2011: (207) million yen
Fiscal 2010: (2,645) million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2011	1,518,479	832,749	53.0	1,143.52
Fiscal 2010	1,480,240	887,702	57.4	1,206.12

Reference: Equity:

Fiscal 2011: 804,941 million yen
Fiscal 2010: 849,004 million yen

(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 2011	92,569	(125,095)	(50,199)	212,673
Fiscal 2010	141,139	(62,965)	(25,979)	302,402

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 2010	–	30.00	–	30.00	60.00	42,235	60.2	5.0
Fiscal 2011	–	30.00	–	30.00	60.00	42,234	406.8	5.1
Fiscal 2012 (Forecast)	–	30.00	–	30.00	60.00		84.5	

3. Forecasts of Consolidated Financial Results for Fiscal 2012

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

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

	Net sales		Operating income		Ordinary income		Net income		Basic net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First six months	480,000	5.3	55,000	(11.6)	55,000	(17.1)	27.000	(27.1)	38.36
Full year	980,000	4.4	100,000	1.8	100,000	31.2	50,000	381.6	71.03

Note: Please see *4) Forecasts of Consolidated Financial Results for Fiscal 2012, (2) Analysis of Results of Operations, 1. Results of Operations* on page 5 for further details.

*Notes

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

1) Changes in accounting policies due to revisions to accounting standards: Yes
2) Changes in accounting policies due to other reasons: No
3) Changes in accounting estimates: No
4) Restatement of prior period financial statements after error corrections: No

Note: Please see *(7) Changes in the Basis of Presentation and Summary of Significant Accounting Policies for the Preparation of Consolidated Financial Statements, 3. Consolidated Financial Statements* on page 26 or 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, 2012	709,011,343 shares
As of March 31, 2011	709,011,343 shares

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

As of March 31, 2012	5,093,137 shares
As of March 31, 2011	5,097,302 shares

3) Average number of shares during the period

Fiscal year ended March 31, 2012	703,914,434 shares
Fiscal year ended March 31, 2011	703,922,541 shares

Note: Please see *(Per Share Information), (10) Notes to Consolidated Financial Statements, 3. Consolidated Financial Statements* on page 36 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 2011 (from April 1, 2011 to March 31, 2012)

(1) Non-Consolidated Financial Results

(Percentages indicate changes from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2011	516,414	(7.9)	29,455	(41.0)	66,044	11.9	45,566	13.3
Fiscal 2010	560,815	5.9	49,926	44.3	58,995	(39.1)	40,227	(45.3)

	Basic net income per share	Diluted net income per share
	Yen	Yen
Fiscal 2011	64.73	64.65
Fiscal 2010	57.15	57.10

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2011	1,163,960	778,541	66.8	1,104.17
Fiscal 2010	1,143,668	769,930	67.2	1,092.28

Reference: Equity:

Fiscal 2011: 777,243 million yen
Fiscal 2010: 768,871 million yen

*Indication regarding execution of audit procedures

This financial results report is exempt from the audit procedures in accordance with 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 statements shown in these materials are based on information currently available and certain assumptions that the Company regards as reasonable. Actual performance and other results may differ from these forecasted figures due to various factors.

Please see *4) Forecasts of Consolidated Financial Results for Fiscal 2012, (2) Analysis of Results of Operations, 1. Results of Operations* on page 5 for assumption that the above forecasts were based on and related matters.

Contents

1. Results of Operations

(1) Analysis of Results of Operations

1) Overview

Consolidated Financial Results

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

	Fiscal 2010	Fiscal 2011	YoY change (%)
Net sales	967,365	938,677	(28,687) [-3.0%]
Operating income	122,143	98,202	(23,941) [-19.6%]
Ordinary income	131,762	76,217	(55,545) [-42.2%]
Net income	70,121	10,383	(59,738) [-85.2%]

FY2011 exchange rates: ¥79.07/USD, ¥108.96/EUR, ¥1.73/INR
FY2010 exchange rates: ¥85.72/USD, ¥113.13/EUR, ¥1.93/INR

Daiichi Sankyo and its consolidated subsidiaries ("the Group") posted consolidated net sales for the fiscal year ended March 31, 2012 (FY2011) of ¥938.7 billion, a year-on-year fall of 3.0%. This reflected the contribution from Ranbaxy Laboratories Ltd. ("Ranbaxy[1]") as well as growth from established products such as the antihypertensive agent *olmesartan*, anti-inflammatory analgesic *Loxonin*®, pediatric vaccine for the prevention of infection *ActHIB*®, and the antiplatelet agent *Effient*® (a treatment for acute coronary syndromes). Other growth contributors included *Memary*®, a treatment for Alzheimer's Disease (AD), and the proton pump inhibitor *NEXIUM*® (a treatment for gastric ulcer, duodenal ulcer, reflux esophagitis, etc.), both of which were introduced in Japan in FY2011. Factors depressing sales year on year included negative effect from foreign exchange owing to the stronger yen (¥39.0 billion), the return of domestic marketing rights to licensers, and a reduction in exports of the synthetic antibacterial agent *levofloxacin* linked to patent expirations in Europe and the US (¥28.7 billion).

In terms of profitability, operating income declined 19.6% to ¥98.2 billion. This reflected the impact on gross profit of the decline in net sales, together with an increase in SG&A expenses mainly linked to the marketing of new products. Ordinary income fell 42.2% to ¥76.2 billion, reflecting foreign exchange losses and loss on valuation of derivatives at Ranbaxy, among other factors. The Group posted net income of ¥10.4 billion, a fall of 85.2% compared with FY2010. Contributing factors included allowance of ¥39.9 billion for potential losses relating to the settlement by Ranbaxy of claims by the US Department of Justice.

In addition to the aforementioned products *Memary*® and *NEXIUM* ®, the Company also launched the direct oral factor Xa inhibitor *Lixiana*® (for the prevention of venous thromboembolism after major orthopedic surgery) during FY2011. In Japan, the Company began co-promoting *Rotarix*® oral liquid formulation, a vaccine for the prevention of rotavirus gastroenteritis, with GlaxoSmithKline K.K., the company that launched the drug in Japan. In addition, Daiichi Sankyo entered into a co-promotion agreement in the US with the Roche Group for *Zelboraf*™, a personalized treatment for metastatic melanoma.

[1] *Due to the difference in fiscal year-end, Ranbaxy's results included in the Group's FY2011 are those of Jan.-Dec. 2011.*

Furthermore, concerning the factories of Daiichi Sankyo Propharma Co., Ltd. that were damaged by the March 11, 2011 Great East Japan Earthquake, Hiratsuka factory restarted its manufacturing operations in April of the same year, while the Onahama factory restarted operations in late August. In light of the damage caused, the Group formulated a new Business Continuity Plan (BCP) to support swift restoration of operations in an emergency to ensure reliable supplies of high-quality pharmaceuticals can be maintained for the benefit of Japan's medical system.

[Reportable Segments]

Daiichi Sankyo Group

The Daiichi Sankyo Group reported net sales of ¥763.2 billion, a year-on-year decline of 4.1%.

a. Japan

Net sales in Japan declined 5.2% year on year to ¥490.0 billion.

Sales of prescription drugs declined 2.2% to ¥419.8 billion. Contributors to sales growth included the anti-inflammatory analgesic *Loxonin® Tape*, the antihypertensive agent *Rezaltas*®, and the newly launched drugs *Memary*® and *NEXIUM* ®. This was offset by falls in sales associated with the return of domestic marketing rights to licensers.

Export sales of *levofloxacin*, a synthetic antibacterial agent, declined due to the end of sales exclusivity in overseas markets. Combined with the effects of the stronger yen, this resulted in a 46.8% fall in revenues generated by royalty income and overseas exports to ¥21.2 billion.

Net sales of healthcare (OTC) products increased 2.3% to ¥45.9 billion. The prescription-to-OTC switch formulation of the Group's anti-inflammatory analgesic, *Loxonin S*®, was one of the main products contributing to growth.

b. North America

Net sales in North America fell 4.0% year on year to ¥177.0 billion.

In addition to the sales growth created by *Effient*® and *TRIBENZOR*™, a three-in-one combination antihypertensive agent, there was a fresh revenue contribution from *Zelboraf*™ after the acquisition of Plexxikon Inc. in this period. However, these factors were offset by the impact of the stronger yen reducing the value of local currency sales on translation into yen, as well as lower sales of the antihypertensive agent *Benicar*® and the anemia treatment *Venofer*®. Sales in local currency terms rose 4.1% to approximately US$2.2 billion.

c. Europe

Net sales in Europe increased 1.4% year on year to ¥67.4 billion. Growth in sales of antihypertensive agents *Sevikar*® and *Sevikar HCT*® and other products more than offset the impact of the strong yen. On a local currency basis, sales of approximately EUR620 million were up 5.4% compared with the previous year.

d. Other regions

Net sales in other regions increased 4.8% to ¥28.8 billion compared with the previous year. Countries driving the growth in sales included South Korea, Venezuela and Brazil. In-house sales operations also commenced in Mexico.

Ranbaxy Group

Net sales of the Ranbaxy Group increased 2.1% year on year to ¥175.5 billion. Although the strong yen had an impact, there was an increase in sales because of steady growth in areas including India, the US, Eastern Europe and Africa. In FY2011, Ranbaxy became the first pharmaceutical company of Indian origin to achieve annual sales in excess of US$2.0 billion. Net sales expanded 12.1% year on year to US$2,114 million.

After a significant contribution to US sales in FY2010, sales of the antiviral drug valacyclovir declined substantially in FY2011. In the US, the major contributors to sales in FY2011 were the AD treatment donepezil and the hypercholesterolemia treatment atorvastatin. In both of these cases, Ranbaxy succeeded in securing a 180-day first-to-file (FTF) sales exclusivity period in the US as the result of aggressive generic development programs.

In addition, exports of atorvastatin to the US market started in March 2012 from Ranbaxy's facility at Mohali, India. In April 2012, Ranbaxy also launched the malaria treatment *Synriam*™, the first-ever innovative drug developed completely in-house by an Indian firm.

2) R&D Activities

Consolidated R&D expenses of ¥185.1 billion for the year under review were 4.8% lower than in the previous year. The ratio of R&D expenses to net sales was 19.7%.

The Phase 3 clinical trial, which aims to secure the additional indication for oral factor Xa inhibitor edoxaban of stroke prevention in atrial fibrillation (AF) patients, is due to finish in FY2012. Within the same period, the Company plans to complete patient enrolment Phase 3 clinical trial for edoxaban, focusing on the prevention of recurrent venous thromboembolism (VTE) in patients with conditions such as deep vein thrombosis (DVT) or pulmonary embolism (PE). Due to the strong commercial potential of edoxaban, the Company is intently focused on early completion of a regulatory filing for VTE prevention in AF patients, who are believed to form a large group in clinical terms.

Another pivotal clinical trial due to be completed in FY2012 is the Phase 3 study of antiplatelet agent prasugrel to secure an additional indication in the medical management of acute coronary syndromes. The Company plans to file regulatory applications for the drug in major markets across Europe and the US. In Japan, three Phase 3 studies are underway, focusing on patients with acute coronary syndromes who have undergone percutaneous coronary intervention (PCI), elective PCI patients, and ischemic cerebrovascular disease patients.

The Group has strengthened its presence in the field of oncology in recent years with a view to building a drug pipeline to support the long-term growth of the Daiichi Sankyo Group looking ahead to the 2020s. In FY2011, the Group acquired US-based Plexxikon Inc., which discovered *Zelboraf*™.

3) Ranbaxy Consent Decree with US Food & Drug Administration (FDA)

On December 21, 2011, Ranbaxy concluded a consent decree with the US FDA in relation to the quality issues previously cited by the FDA. On January 26, 2012, the consent decree was filed with the United States District Court for the District of Maryland for court approval. The consent decree, which will remain in legal force for a period of five years, commits Ranbaxy to institute a number of corrective measures in relation to its systems for quality assurance, quality control, data integrity, cGMP compliance and production auditing. Ranbaxy is currently instituting changes to its data integrity systems in line with the requirements of the consent decree.

Negotiations are continuing in relation to the case with the US Department of Justice. Ranbaxy made a provision of US$500 million in FY2011, which it believes will be sufficient to cover any potential related legal liabilities.

4) Forecasts of Consolidated Financial Results for Fiscal 2012 (From April 1, 2012 to March 31, 2013)

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

	Fiscal 2011	Fiscal 2012	Amount change	Percentage change
Net sales	938,677	980,000	41,323	4.4
Operating income	98,202	100,000	1,798	1.8
Ordinary income	76,217	100,000	23,783	31.2
Net income	10,383	50,000	39,617	381.6

In the fiscal year ending March 31, 2013 (FY2012), the Group expects harsh conditions to continue to prevail in markets due to NHI price revisions in Japan and 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 through sales expansion for new products in Japan such as *Memary*® and *NEXIUM*®, which were launched in FY2011. In addition to the sales contribution from atorvastatin by Ranbaxy in the US, the Group also expects sales to be boosted by Japan Vaccine Co., Ltd., which is scheduled to start operations in July 2012. As a result, consolidated net sales are forecast to increase 4.4% year on year to ¥980.0 billion.

The forecasts assume average exchange rates of ¥80 against the U.S. dollar and ¥100 against the euro.

In terms of profitability, although research and development expenses are expected for investment into developing the pipeline with a focus on edoxaban, the Group will work further to reduce expenses as a whole. In light of this, operating income is forecast to increase 1.8% year on year to ¥100.0 billion.

Ordinary income is expected to increase 31.2% year on year to ¥100.0 billion. Although there were foreign exchange losses recorded by Ranbaxy in non-operating income/expenses for the previous fiscal year due to exchange rate fluctuations in the Indian rupee against the U.S. dollar, losses caused by foreign exchange fluctuations are not expected to occur in FY2012 at present.

Net income is expected to increase 381.6% year on year to ¥50.0 billion. A substantial increase is forecast for FY2012 because Ranbaxy's provision of US$500 million in connection with the issues Ranbaxy has with the U.S. Department of Justice was recorded as extraordinary losses in the previous fiscal year.

(2) Management Issues and Growth Strategy

In order to achieve sustainable growth even in a difficult operating environment, the Group has positioned the expansion of revenues and profits in the near- to-mid-term, reinforcing the consolidated business base through efficient management and the formulation of a strategy for long-term growth as issues to be tackled on a group-wide basis. The Group is working to achieve these aims by harnessing its collective resources.

1) Upgrading and strengthening global operations

In Japan, in addition to maximizing the *olmesartan* franchise, the Group aims to remain on a growth trajectory by aggressively promoting products that were launched in FY2011 – the AD treatment *Memary*® and proton pump inhibitor *NEXIUM* ® – once the usual restrictions on long-term prescribing are lifted. The Group will seek to achieve a smooth market introduction for *RANMARK*®, a treatment for bone complications stemming from multiple myeloma or bone metastases from solid tumors, which was launched in April 2012. In addition, the Group plans to expand the vaccine business principally through

Kitasato Daiichi Sankyo Vaccine Co., Ltd., which was established in April 2011, and Japan Vaccine Co., Ltd., a 50:50 joint venture with GlaxoSmithKline K.K. that is due to commence operations in July 2012.

In India, the Group aims to grow faster on average than the local market for pharmaceuticals by taking maximum advantage of the enterprise value that Ranbaxy has developed within the country. The strategic aim is to promote sales aggressively in new areas, broadening the existing franchise, which is more focused on a product portfolio for acute conditions and urban areas, to include products that target chronic disease fields as well as regional areas outside India's major cities.

In both Japan and India, the Group continues to strive to become the leading local pharmaceutical company by developing a broad range of businesses, including vaccines and OTC medicines as well as innovative prescription drugs and established pharmaceuticals.

In Europe and the US, the Group will continue to seek to maximize the value of the *olmesartan* franchise based on the efficacy and safety profile of this product, despite fiercely competitive conditions and increasingly downward pressure on prices. Based on the alliance with Eli Lilly and Company, the Group is working to establish *Effient* ® as a first-choice prescribing option for greater numbers of specialists. The Group also aims to gain additional indications for the product to enhance sales growth.

In emerging markets and other regions of the world, the Group will promote the development of the Hybrid Business Model to cater precisely to a diverse range of medical needs, based on closer sales cooperation with Ranbaxy. The strategy is to expand further the sales of Daiichi Sankyo products such as *olmesartan* and the synthetic antibacterial agent *levofloxacin* through the Ranbaxy sales network. In addition, the Company will focus on actively developing the markets of Southeast Asia and Africa for the malaria treatment *Synriam*™. The Group hopes to make a significant contribution to improving health in many countries around the world through better treatment of this disease. In China, the Company has established Daiichi Sankyo (China) Holdings, Co., Ltd., and has started the management integration of Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd. and Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd. as well as expanding operations. The Group is aiming for medium- to long-term growth, not only by improving management efficiency in terms of sales and administration, but also by working to obtain products from outside sources.

2) Reinforcing R&D

In R&D, the Group aims to reinforce the system of collaboration between its global research functions based in Japan, the US, Europe and India. The Group has designated oncology, cardiovascular-metabolics, advanced fields and others as prioritised areas for innovative drug development. Efforts are ongoing to develop the R&D portfolio from the early stages of development through the active use of outside resources (open innovation).

In late-stage clinical development, the Group is focused on accelerating the submission of regulatory filings for the oral factor Xa inhibitor edoxaban to gain additional indications in the prevention of stroke in atrial fibrillation (AF) patients, and also in prevention of recurrent venous thromboembolism (VTE) in patients with conditions such as deep vein thrombosis (DVT) or pulmonary embolism (PE). Such indications would help to maximize the product's value in a highly competitive marketplace. Regarding the antiplatelet agent prasugrel, the Group will push forward with application preparations to secure an additional indication for the drug in the medical management of acute coronary syndromes, as well as three Phase 3 studies in Japan focusing on patients with acute coronary syndromes and ischemic cerebrovascular disease patients. Furthermore, the Group is currently conducting Phase 3 clinical trials for the c-Met inhibitor tivantinib (development code: ARQ 197) licensed from ArQule, Inc. in the US for the treatment of non-small cell lung cancer. In addition, reflecting the superior efficacy demonstrated by this drug in Phase 2 clinical studies for the treatment of liver cancer, the Group plans to focus on the further development of tivantinib to treat such patients.

3) Establishing Reliable Supply Chains That Deliver Consistently High Quality

In addition to promoting the establishment of integrated supply chains for its major products across the Group, Daiichi Sankyo is also working more closely with Ranbaxy to reduce manufacturing costs, including the cost of supplying critical intermediates. The Group aims to establish reliable supply chains that deliver products of consistently high quality. Ranbaxy is steadily implementing a program of corrective quality measures to enhance cGMP compliance and ensure data integrity.

(3) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

As of March 31, 2012, net assets were ¥832.7 billion (down ¥55.0 billion from the previous year-end), total assets stood at ¥1,518.5 billion (up ¥38.2 billion from the previous year-end), and the equity ratio was 53.0% (57.4% for the previous year-end).

Net assets were lower than at the prior year-end despite positive net income due to the payment of dividends and lower other comprehensive income.

Total assets increased compared with the previous year-end. Besides higher liabilities such as allowances and provisions, this reflected increases in assets and liabilities as the result of corporate acquisitions.

2) Status of Cash Flows

Cash and cash equivalents decreased by ¥89.7 billion during the fiscal year ended March 31, 2012, to ¥212.7 billion. Cash flow status and its contributing factors are summarized as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥92.6 billion, a decrease of ¥48.6 billion compared with the previous year. Significant factors included income before income taxes and minority interests of ¥33.9 billion, depreciation of ¥46.3 billion, provision for settlement expenses of ¥39.9 billion (a non-cash item), and a decrease due to income taxes paid.

Cash Flows from Investing Activities

Net cash used in investing activities equaled ¥125.1 billion, a year-on-year increase of ¥62.1 billion. This reflected an outflow of ¥71.3 billion for the acquisition of shares in Plexxikon, Inc. and investments in property, plant and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥50.2 billion, a year-on-year increase of ¥24.2 billion. A net increase of ¥26.3 billion in borrowings was outweighed by cash outflows due to redemptions of bonds (¥45.0 billion) and the payment of dividends (¥42.2 billion).

(Reference) Cash flow-related indicators

Principal Cash Flow Indicators

	Fiscal 2009	Fiscal 2010	Fiscal 2011
Equity ratio (%)	57.4	57.4	53.0
Market capitalization ratio (%)	82.8	76.4	69.9
Interest-bearing debt ratio (years)	1.78	1.68	2.16
Interest coverage ratio (times)	45.1	61.8	39.1

Equity ratio: total equity/total assets

Market capitalization ratio: total market capitalization/total assets

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

Interest coverage ratio: cash flows/interest paid

(Notes)

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

(4) Basic Policy on Profit Distribution and Dividends for Years Ended March 2012 and Ending March 2013

The Company regards the distribution of profits to shareholders as a key management issue. The Company’s basic policy is to pay a stable dividend, having taken into consideration any funding needed to invest for growth, redeem maturing corporate bond issues and return profits to shareholders.

During FY2011, the Company paid an interim dividend of ¥30 per share on December 1, 2011. A year-end dividend of ¥30 was also declared, bringing total dividend payments in respect of FY2011 to ¥60 per share.

(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.

Following the Great East Japan Earthquake, the Group formulated a new Business Continuity Plan (BCP) to support swift restoration of operations in an emergency to ensure reliable supplies of high-quality pharmaceuticals can be maintained for the benefit of Japan’s medical system. The new BCP revises the prioritization of actions from the perspectives of ensuring the continuity of operations, especially for mainstay products, and the rapid restoration of any supplies of medicines for emergency use or where no alternatives exist, both of which categories are of high social significance. The supply chain risks

associated with the time required to restore supplies in an emergency were also evaluated, based on the recovery period needed after the Great East Japan Earthquake and the probability of further earthquakes. Preventative measures as well as contingency measures to support restoration of supply or switches to substitute products have been examined. The entire Group has revisited risk management practices based on the revised BCP, and other divisions within the Group are updating and improving their own BCPs.

2) 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."

However, 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. This could have a negative impact on the Group's business plan, business results and financial position.

The consent decree with the US Food and Drug Administration, which will remain in legal force for a period of five years from January 26, 2012, commits Ranbaxy to institute a range of corrective measures in relation to its systems for quality assurance, quality control, data integrity, cGMP compliance and production auditing. Ranbaxy CEO & Managing Director Arun Sawhney took responsibility for the establishment of a program to institute these measures. Ranbaxy has been working to improve its cGMP compliance systems since the Application Integrity Policy (AIP) was invoked in 2009. After concluding this consent decree, Ranbaxy is taking additional steps to upgrade its data integrity systems further. The implementation of the program of corrective measures specified in the consent decree by Ranbaxy is seen as a minimum requirement to ensure progress in the development of the Hybrid Business Model involving the Group's innovative and generic drug operations.

3) 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.

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.

With respect to Ranbaxy, 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 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

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, but this appeal was rejected in March 2011 and the matter was decided in favor of the Company.

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

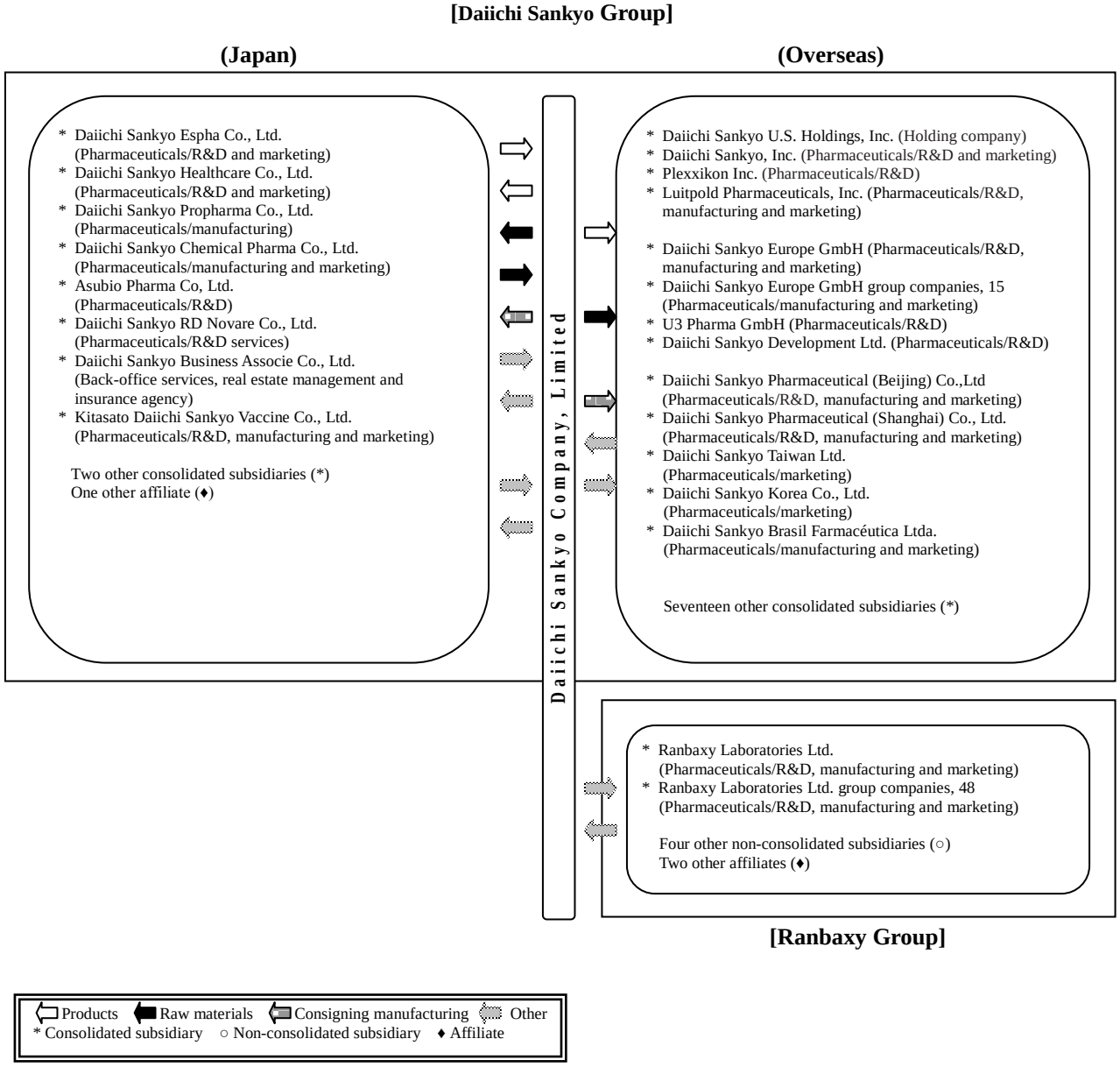
The Company believes that it is the sole prerogative of shareholders to decide whether or not to respond to any moves toward large-scale acquisition of Company stock. The Company does not deny the potentially significant impact that transfers of management control may have in terms of stimulating business 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 107 subsidiaries and 3 affiliates, for a total of 111 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, 2012.



Subsidiaries and Affiliates (as of March 31, 2012; "Company" in the table refers to Daiichi Sankyo Company, Limited.)

Name	Location	Capital (Millions of yen, except as noted)	% of voting rights held [indirect holdings]	Relationship
Consolidated subsidiaries				
Daiichi Sankyo Espha Co., Ltd.	Chuo-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 Facility capital borrowed 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	Concurrent directors R&D subcontract work received from Company
Daiichi Sankyo RD Novare Co., Ltd.	Edogawa-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
Kitasato Daiichi Sankyo Vaccine Co., Ltd.	Kitamoto-shi, Saitama	100	51.0	Concurrent directors Products supplied 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.	170 thousand 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
Plexxikon Inc.	California, U.S.	1 U.S. dollar	100.0 [100.0]	Concurrent directors
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
Daiichi Sankyo France S.A.S.	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]	

Name	Location	Capital (Millions of yen, except as noted)	% of voting rights held [indirect holdings]	Relationship
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]	
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
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	39 million Real	100.0	Concurrent directors Products supplied by Company Operating capital borrowed from Company
Ranbaxy Laboratories Ltd.	Gurgaon, India	2,110 million INR	63.7	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	770.1 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, 2011	As of March 31, 2012
ASSETS		
Current assets		
Cash and time deposits	262,037	128,926
Trade notes and accounts receivable	205,590	228,505
Marketable securities	157,653	191,336
Merchandise and finished goods	89,143	109,307
Work in process	21,598	24,523
Raw materials and supplies	32,050	35,829
Deferred tax assets	90,245	93,999
Other current assets	38,075	51,252
Allowance for doubtful accounts	(2,319)	(2,152)
Total current assets	894,075	861,530
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	119,962	129,330
Machinery, equipment and vehicles, net	46,706	48,051
Land	38,407	35,688
Construction in progress	20,599	33,660
Other, net	12,034	14,512
Total property, plant and equipment	237,710	261,242
Intangible assets		
Goodwill, net	67,316	82,742
Other intangible assets, net	89,606	150,546
Total intangible assets	156,923	233,288
Investments and other assets		
Investment securities	102,416	104,560
Prepaid pension costs	939	–
Deferred tax assets	73,245	43,186
Other	15,210	14,978
Allowance for doubtful accounts	(281)	(307)
Total investments and other assets	191,531	162,417
Total non-current assets	586,164	656,949
Total assets	1,480,240	1,518,479

(Millions of yen)

	As of March 31, 2011	As of March 31, 2012
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	58,407	61,824
Current portion of convertible bond-type bonds with subscription rights to shares	46,020	–
Short-term bank loans	29,342	71,079
Income taxes payable	7,545	5,313
Allowance for sales returns	1,244	578
Allowance for sales rebates	1,623	2,928
Provision for loss on disaster	4,570	767
Provision for settlement expenses	–	39,138
Asset retirement obligations	178	–
Other current liabilities	158,019	213,335
Total current liabilities	306,952	394,965
Long-term liabilities		
Bonds payable	100,000	100,000
Long-term debt	124,036	104,000
Deferred tax liabilities	28,463	52,081
Accrued employees' severance and retirement benefits	11,541	10,060
Accrued directors' severance and retirement benefits	155	184
Provision for environmental measures	–	1,246
Other long-term liabilities	21,388	23,191
Total long-term liabilities	285,585	290,764
Total liabilities	592,537	685,729
NET ASSETS		
Shareholders' equity		
Common stock	50,000	50,000
Capital surplus	105,194	105,194
Retained earnings	774,274	742,409
Treasury stock, at cost	(14,581)	(14,558)
Total shareholders' equity	914,888	883,045
Accumulated other comprehensive income		
Net unrealized gain or loss on investment securities	16,559	22,308
Deferred gains or losses on hedges	1,193	198
Foreign currency translation adjustments	(83,636)	(100,611)
Total accumulated other comprehensive income	(65,883)	(78,104)
Subscription rights to shares	3,544	3,495
Minority interests	35,153	24,312
Total net assets	887,702	832,749
Total liabilities and net assets	1,480,240	1,518,479

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

Consolidated Statements of Income

(Millions of yen)

	Fiscal 2010 (For the year ended March 31, 2011)		Fiscal 2011 (For the year ended March 31, 2012)	
Net sales		967,365		938,677
Cost of sales	*1, *2	281,677	*1, *2	268,609
Gross profit		685,687		670,067
Selling, general and administrative expenses				
Advertising and promotional expenses		99,651		95,694
Salaries and bonuses		110,629		111,479
Severance and retirement costs		10,535		10,129
Research and development expenses	*2	194,330	*2	185,052
Other		148,397		169,509
Total selling, general and administrative expenses		563,543		571,865
Operating income		122,143		98,202
Non-operating income				
Interest income		3,981		2,842
Dividend income		2,793		2,672
Gain on valuation of derivatives		11,160		–
Other income		5,237		4,490
Total non-operating income		23,174		10,005
Non-operating expenses				
Interest expense		5,519		3,712
Foreign exchange losses		1,080		8,046
Loss on valuation of derivatives		–		16,496
Equity in net losses of affiliated companies		2,645		207
Other expenses		4,309		3,526
Total non-operating expenses		13,555		31,990
Ordinary income		131,762		76,217
Extraordinary income				
Gain on sales of non-current assets	*3	8,810	*3	7,654
Gain on sales of investment securities		2,932		4,497
Reversal of provision for loss on disaster		–		1,707
Gain on change in equity		176		93
Gain on sales of subsidiaries and affiliates' stocks		814		–
Other income		97		840
Total extraordinary income		12,831		14,792

(Millions of yen)

	Fiscal 2010 (For the year ended March 31, 2011)		Fiscal 2011 (For the year ended March 31, 2012)	
Extraordinary losses				
Loss on disposal of non-current assets	*4	2,744	*4	2,278
Provision for settlement expenses		–		39,920
Loss on impairment of long-lived assets	*5	6,451	*5	7,717
Loss on disaster	*6	5,640	*6	2,367
Loss on abandonment of inventories		–		1,677
Loss on business restructuring	*7	489	*7	1,279
Provision for environmental measures		–		1,246
Environmental expenses		679		256
Loss on valuation of investment securities		3,334		198
Non-recurring depreciation on non-current assets	*8	2,121		–
Loss on valuation of investments in affiliates		1,792		–
Loss on penalty		202		–
Loss on adjustment for changes of accounting standard for asset retirement obligations		139		–
Other losses		579		152
Total extraordinary losses		24,174		57,094
Income before income taxes and minority interests		120,419		33,915
Income taxes — current		27,482		28,861
Income taxes — deferred		14,323		10,896
Total income taxes		41,806		39,758
Income (loss) before minority interests		78,613		(5,842)
Minority interests in net income (loss) of consolidated subsidiaries		8,491		(16,225)
Net income		70,121		10,383

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2010 (For the year ended March 31, 2011)	Fiscal 2011 (For the year ended March 31, 2012)
Income (loss) before minority interests	78,613	(5,842)
Other comprehensive income		
Net unrealized gain or loss on investment securities	(11,556)	5,748
Deferred gains or losses on hedges	301	(1,558)
Foreign currency translation adjustments	(27,141)	(21,619)
Share of other comprehensive income of associates accounted for using equity method	(341)	(421)
Total other comprehensive income	(38,738)	(17,850)
Comprehensive income	39,875	(23,693)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	35,528	(1,887)
Comprehensive income attributable to minority interests	4,346	(21,805)

(3) Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Fiscal 2010 (For the year ended March 31, 2011)	Fiscal 2011 (For the year ended March 31, 2012)
SHAREHOLDERS' EQUITY		
Common stock		
Balance at the beginning of current 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 beginning of current period	105,194	105,194
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	105,194	105,194
Retained earnings		
Balance at the beginning of current period	746,392	774,274
Changes of items during the period		
Dividends from surplus	(42,235)	(42,234)
Net income	70,121	10,383
Disposal of treasury stock	(3)	(13)
Total changes of items during the period	27,882	(31,865)
Balance at the end of current period	774,274	742,409
Treasury stock, at cost		
Balance at the beginning of current period	(14,566)	(14,581)
Changes of items during the period		
Purchase of treasury stock	(34)	(12)
Disposal of treasury stock	20	35
Total changes of items during the period	(14)	22
Balance at the end of current period	(14,581)	(14,558)
Total shareholders' equity		
Balance at the beginning of current period	887,020	914,888
Changes of items during the period		
Dividends from surplus	(42,235)	(42,234)
Net income	70,121	10,383
Purchase of treasury stock	(34)	(12)
Disposal of treasury stock	16	22
Total changes of items during the period	27,867	(31,842)
Balance at the end of current period	914,888	883,045

(Millions of yen)

	Fiscal 2010 (For the year ended March 31, 2011)	Fiscal 2011 (For the year ended March 31, 2012)
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Net unrealized gain or loss on investment securities		
Balance at the beginning of current period	27,461	16,559
Changes of items during the period		
Net changes of items other than shareholders' equity	(10,901)	5,748
Total changes of items during the period	(10,901)	5,748
Balance at the end of current period	16,559	22,308
Deferred gains or losses on hedges		
Balance at the beginning of current period	1,002	1,193
Changes of items during the period		
Net changes of items other than shareholders' equity	190	(995)
Total changes of items during the period	190	(995)
Balance at the end of current period	1,193	198
Foreign currency translation adjustments		
Balance at the beginning of current period	(59,778)	(83,636)
Changes of items during the period		
Net changes of items other than shareholders' equity	(23,857)	(16,974)
Total changes of items during the period	(23,857)	(16,974)
Balance at the end of current period	(83,636)	(100,611)
Total accumulated other comprehensive income		
Balance at the beginning of current period	(31,314)	(65,883)
Changes of items during the period		
Net changes of items other than shareholders' equity	(34,569)	(12,221)
Total changes of items during the period	(34,569)	(12,221)
Balance at the end of current period	(65,883)	(78,104)
SUBSCRIPTION RIGHTS TO SHARES		
Balance at the beginning of current period	3,295	3,544
Changes of items during the period		
Net changes of items other than shareholders' equity	249	(48)
Total changes of items during the period	249	(48)
Balance at the end of current period	3,544	3,495
MINORITY INTERESTS		
Balance at the beginning of current period	30,506	35,153
Changes of items during the period		
Net changes of items other than shareholders' equity	4,647	(10,841)
Total changes of items during the period	4,647	(10,841)
Balance at the end of current period	35,153	24,312
TOTAL NET ASSETS		
Balance at the beginning of current period	889,508	887,702
Changes of items during the period		
Dividends from surplus	(42,235)	(42,234)
Net income	70,121	10,383
Purchase of treasury stock	(34)	(12)
Disposal of treasury stock	16	22
Net changes of items other than shareholders' equity	(29,672)	(23,111)
Total changes of items during the period	(1,805)	(54,953)
Balance at the end of current period	887,702	832,749

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2010 (For the year ended March 31, 2011)	Fiscal 2011 (For the year ended March 31, 2012)
Cash flows from operating activities		
Income before income taxes and minority interests	120,419	33,915
Depreciation	43,945	46,305
Loss on impairment of long-lived assets	6,451	7,717
Non-recurring depreciation on non-current assets	2,121	–
Amortization of goodwill	9,148	11,076
(Gain) loss on valuation of derivatives	(11,160)	16,496
Increase (decrease) in allowance for doubtful accounts	837	303
Increase (decrease) in accrued severance and retirement benefits	558	(1,922)
(Increase) decrease in prepaid pension costs	2,297	939
Interest and dividend income	(6,775)	(5,514)
Interest expense	5,519	3,712
Foreign exchange (gains) losses	(35)	7,822
(Gain) loss on valuation of investment securities	3,550	382
(Gain) loss on sales of investment securities	(2,932)	(4,496)
(Gain) loss on sales of investments in affiliates	(814)	–
(Gain) loss on sales and disposal of property, plant and equipment	(6,066)	(5,375)
Equity in net (income) losses of affiliated companies	2,645	207
Provision for settlement expenses	–	39,920
(Increase) decrease in trade notes and accounts receivable	(1,436)	(31,849)
(Increase) decrease in inventories	(7,144)	(34,255)
Increase (decrease) in trade notes and accounts payable	(5,045)	7,428
Increase (decrease) in accounts payable and accrued expenses	8,921	28,829
Other, net	8,301	(821)
Subtotal	173,306	120,823
Interest and dividends received	5,465	6,913
Interest paid	(2,893)	(3,266)
Income taxes paid	(34,738)	(31,900)
Net cash provided by operating activities	141,139	92,569

(Millions of yen)

	Fiscal 2010 (For the year ended March 31, 2011)	Fiscal 2011 (For the year ended March 31, 2012)
Cash flows from investing activities		
Payments into time deposits	(78,456)	(73,864)
Proceeds from maturities in time deposits	48,473	72,566
Purchases of marketable securities	(134,752)	(142,614)
Proceeds from sales of marketable securities	124,587	153,899
Acquisitions of property, plant and equipment	(32,250)	(54,576)
Proceeds from sales of property, plant and equipment	10,082	13,209
Acquisitions of intangible assets	(3,882)	(9,124)
Acquisitions of investment securities	(1,024)	(8,741)
Proceeds from sales of investment securities	8,790	8,562
Acquisition of investments in subsidiaries	(1,919)	(32)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(8,254)	(71,291)
Proceeds from sales of investments in consolidated subsidiaries resulting in changes in scope of consolidation	5,641	–
Payments for transfer of business	–	(16,096)
Net (increase) decrease in short-term loans receivable	1,858	(325)
Payment for loans receivable	(27)	(1,078)
Proceeds from collection of loans receivable	0	0
Other, net	(1,832)	4,413
Net cash used in investing activities	(62,965)	(125,095)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	13,755	22,782
Proceeds from long-term debt	7,204	6,967
Repayments of long-term debt	(4,806)	(3,463)
Redemption of bonds	–	(45,040)
Proceeds from stock issuance to minority shareholders	392	11,270
Purchases of treasury stock	(34)	(12)
Proceeds from sale of treasury stock	2	1
Dividends paid	(42,246)	(42,240)
Other, net	(247)	(464)
Net cash used in financing activities	(25,979)	(50,199)
Effect of exchange rate changes on cash and cash equivalents	(9,007)	(7,003)
Net increase (decrease) in cash and cash equivalents	43,187	(89,728)
Cash and cash equivalents, beginning of year	259,215	302,402
Cash and cash equivalents, at end of year	302,402	212,673

(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 2011 (For the year ended March 31, 2012)
1. Scope of Consolidation	(1) Consolidated subsidiaries: 103 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 U.S. Holdings, Inc., Daiichi Sankyo, Inc., Luitpold Pharmaceuticals, Inc. Daiichi Sankyo Europe GmbH, Ranbaxy Laboratories Ltd. Daiichi Sankyo (China) Holdings, Co., Ltd. was established and newly included in the scope of consolidation from the fiscal year ended March 31, 2012. Daiichi Sankyo U.S. Holdings, Inc. acquired Plexxikon, Inc. and newly included the subsidiary in the scope of consolidation from the fiscal year ended March 31, 2012. (2) Non-consolidated subsidiaries (including 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. Kyushu Juhi Kogyosho ceased to be a non-consolidated subsidiary during the fiscal year ended March 31, 2012 as a result of liquidation.
2. Application of the Equity Method	(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. (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 (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. Kyushu Juhi Kogyosho ceased to be a non-consolidated subsidiary not accounted for under the equity method during the fiscal year ended March 31, 2012 as a result of liquidation.
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 (China) Holdings, Co., Ltd., Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd., Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd., Daiichi Sankyo Brasil Farmacéutica Ltda., Ranbaxy Laboratories Ltd. and other subsidiaries.

Please note that the disclosure of information other than the "Scope of Consolidation," "Application of the Equity Method" and "Fiscal Year-End of Consolidated Subsidiaries" is omitted herein because there were no significant changes to the Company's most recent Annual Securities Report (*yuka-shoken-hokokusho*) filed with the Financial Services Agency on June 27, 2011. 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 2011 (For the year ended March 31, 2012)
Adoption of Accounting Standard for Earnings Per Share From the current fiscal year, the Company adopted the "Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2, issued on June 30, 2010), the "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, issued on June 30, 2010), and the "Practical Solution on Accounting for Earnings Per Share" (ASBJ PITF No. 9, issued on June 30, 2010). As a change in calculating net income per share – diluted, for stock options in which the right to exercise options is vested after a specified service period, the fair value of service expected to be provided to the Group in the future, as a part of the fair value of stock options, is added to the proceeds to be received assuming payments are made upon exercise of options. This has no impact on per share information.

(8) Changes in Presentation

Fiscal 2011 (For the year ended March 31, 2012)
Consolidated Statements of Cash Flows "Proceeds from stock issuance to minority shareholders," which had been included in the "Other, net" in "Cash flows from financing activities" in the previous fiscal year, were presented as separate line items for the fiscal year ended March 31, 2012 due to increases in materiality. The Consolidated Financial Statements for the previous fiscal year have been adjusted to reflect this change in presentation. Accordingly, the positive cash flow of ¥144 million shown in the "Other, net" line under "Cash flows from financing activities" in Consolidated Statements of Cash Flows for the previous fiscal year has been divided into two items: a cash inflow of ¥392 million for "Proceeds from stock issuance to minority shareholders," and a cash outflow of ¥247 million for "Other, net."

(9) Additional Information

Fiscal 2011 (For the year ended March 31, 2012)
Adoption of Accounting Standard for Accounting Changes and Error Corrections For accounting changes and corrections of prior period errors made on or after the beginning of the current fiscal year, the Company adopted the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, issued on December 4, 2009) and the "Implementation Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009). **Revisions to Amounts of Deferred Tax Assets and Deferred Tax Liabilities Due to Change in Rate of Income Taxes** The Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures and the Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction from the Great East Japan Earthquake were promulgated on December 2, 2011. In accordance with this, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities in the current fiscal year (limited to items eliminated on or after April 1, 2012) has been changed from the previous fiscal year's rate of 40.5% to 37.8% for items expected to be collected or paid in the period from April 1, 2012 to March 31, 2015, and to 35.5% for items expected to be collected or paid on or after April 1, 2015. As a result, the amount of deferred tax assets (after deduction of deferred tax liabilities) decreased by ¥6,225 million, while the amounts of deferred income taxes and net unrealized gain on investment securities recorded in the current fiscal year increased by ¥8,053 million and ¥1,827 million, respectively. **Initiatives Regarding Ranbaxy's issues with the U.S. Food and Drug Administration and the U.S. Department of Justice** Ranbaxy Laboratories Ltd. ("Ranbaxy"), which is a subsidiary of the Company, has been working to resolve an Import Alert on products to the U.S. from certain production facilities in India and a warning issued by the U.S. Food and Drug Administration ("FDA"), in addition to the FDA's invocation of its Application Integrity Policy (a policy invoked against facilities that have obtained data suspected to be implausible and without integrity and used such data in regulatory submissions for pharmaceuticals) against Ranbaxy. The proceedings are in relation to production and quality control standards for pharmaceuticals, etc. in the U.S. In December 2011, Ranbaxy signed a consent decree filed with the FDA, under which Ranbaxy has committed to further strengthen procedures and policies to ensure data integrity and to comply with current good manufacturing policies. In addition, the U.S. Department of Justice demanded for measures to be taken to resolve the issues raised by the data for pharmaceutical regulatory submission, and Ranbaxy recorded a provision of $500 million in connection with the issues between it and the DOJ in December 2011. As a result of this, ¥39,920 million of provision for settlement expenses was recorded in the current fiscal year under extraordinary losses.

(10) Notes to Consolidated Financial Statements

(Notes to Consolidated Statements of Income)

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."

¥1,784 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	194,330
Manufacturing overhead expenses	–

*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	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 2011 (Year ended March 31, 2012)

*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."

¥3,806 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	185,052
Manufacturing overhead expenses	–

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

	(Millions of yen)
Buildings and structures	1
Machinery, equipment and vehicles	448
Land	6,640
Other property, plant and equipment	2
Other intangible assets	560

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

	(Millions of yen)
Buildings and structures	861
Machinery, equipment and vehicles	629
Land	0
Other property, plant and equipment	159
Other intangible assets	17

In addition, expenses for retirement of non-current assets totaled ¥610 million.

Fiscal 2010 (Year ended March 31, 2011)	Fiscal 2011 (Year ended March 31, 2012)

*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
U.S.A	Sales rights, etc.	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

*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
Chiyoda, Gunma	Biopharmaceutical Technology Research Laboratory Manufacturing facility	Machinery, equipment, etc.	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

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	483
Machinery, equipment and vehicles	1,302
Land	15
Other property, plant and equipment	12
Other intangible assets	5,903

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. Although some of the damaged assets were insured, the cost that insurance claims will cover is not fixed.

	(Millions of yen)
Fixed costs of operational suspension	1,572
Repair costs of buildings, etc	54
Loss on retirement of inventories	39
Other	701

Fiscal 2010 (Year ended March 31, 2011)	Fiscal 2011 (Year ended March 31, 2012)
*7. 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.	*7. Loss on business restructuring A charge was booked in relation to supplemental retirement benefits, etc. made to employees pursuant to the restructuring of consolidated subsidiary Daiichi Sankyo RD Novare Co., Ltd.
*8. Non-recurring depreciation on non-current assets In line with an accounting revision made to the useful lives of fixed assets following a decision to retire certain facilities of the Company, 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	*8.

(Notes to Consolidated Statements of Changes in Net Assets)

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 beginning of 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 thousand shares) and of shares tendered for repurchase by dissenting shareholders under provisions contained in Article 797 Section 1 of the Companies Act (2 thousand shares).
2. The decrease in treasury stock of 1 thousand 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 thousand 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 beginning of 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

Fiscal 2011 (for the year ended March 31, 2012)

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

In 1,000 shares	Number of shares at beginning of 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	5,097	8	12	5,093
Total	5,097	8	12	5,093

(Notes)

1. The increase in the number of shares of treasury stock was due to the Company's purchase of fractional share-trading units (8 thousand shares).
2. The decrease in treasury stock of 0 thousand shares of common stock was due to sales of treasury stock to meet top-up demands for shares less than one unit and of 11 thousand 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 beginning of 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	–	–	–	–	–	1,297
Consolidated subsidiaries	–	–	–	–	–	–	2,198
Total		–	–	–	–	–	3,495

3. Dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Date of record	Effective date
Ordinary General Meeting of Shareholders on June 27, 2011	Common stock	21,117	30.0	March 31, 2011	June 28, 2011
Regular meeting of the Board of Directors on October 31, 2011	Common stock	21,117	30.0	September 30, 2011	December 1, 2011

(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 22, 2012	Common stock	21,117	Retained earnings	30.0	March 31, 2012	June 25, 2012

(Notes to Consolidated Statements of Cash Flows)

<table>
<tr>
<th>Fiscal 2010
(Year ended March 31, 2011)</th>
<th>Fiscal 2011
(Year ended March 31, 2012)</th>
</tr>
<tr>
<td>
* Reconciliation of cash and cash equivalents at the end of the fiscal year with the balance sheet accounts
<table>
<tr><td></td><td>(Millions of yen)</td></tr>
<tr><td>Cash and time deposits</td><td>262,037</td></tr>
<tr><td>Less time deposits with maturities extending over three months</td><td>(49,437)</td></tr>
<tr><td>Add short-term investments with maturities within three months</td><td>89,803</td></tr>
<tr><td>Cash and cash equivalents</td><td>302,402</td></tr>
</table>
</td>
<td>
*1. Reconciliation of cash and cash equivalents at the end of the fiscal year with the balance sheet accounts
<table>
<tr><td></td><td>(Millions of yen)</td></tr>
<tr><td>Cash and time deposits</td><td>128,926</td></tr>
<tr><td>Less time deposits with maturities extending over three months</td><td>(45,703)</td></tr>
<tr><td>Add short-term investments with maturities within three months</td><td>129,450</td></tr>
<tr><td>Cash and cash equivalents</td><td>212,673</td></tr>
</table>
*2. Breakdown of principal assets and liabilities of consolidated subsidiaries acquired through purchases of shares
Assets and liabilities acquired through the purchase of shares in Plexxikon, Inc. to convert the latter into a consolidated subsidiary, and in relation to the purchase of investments in subsidiaries resulting in change in scope of consolidation, are as follows.
<table>
<tr><td></td><td>(Millions of yen)</td></tr>
<tr><td>Current assets</td><td>8,407</td></tr>
<tr><td>Non-current assets</td><td>85,980</td></tr>
<tr><td>Goodwill</td><td>26,086</td></tr>
<tr><td>Current liabilities</td><td>(8,161)</td></tr>
<tr><td>Long-term liabilities</td><td>(33,067)</td></tr>
<tr><td>Acquisition price of shares in subsidiaries</td><td>79,245</td></tr>
<tr><td>Cash and cash equivalents of subsidiaries</td><td>(1,832)</td></tr>
<tr><td>Foreign currency translation adjustments</td><td>(6,121)</td></tr>
<tr><td>Balance: purchase of investments in subsidiaries resulting in change in scope of consolidation</td><td>71,291</td></tr>
</table>
</td>
</tr>
</table>

(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 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 net 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

Fiscal 2011 (for the year ended March 31, 2012)

(Millions of yen)

	Daiichi Sankyo Group	Ranbaxy Group	Total
Net sales			
Outside customers	763,182	175,495	938,677
Inter-segment sales and transfers	459	1,070	1,530
Total	763,641	176,566	940,208
Segment profit	85,585	(43,774)	41,811
Segment assets	1,722,306	240,868	1,963,174
Segment liabilities	484,648	192,953	677,601
Other items			
Depreciation	35,911	8,049	43,960
Amortization of goodwill	8,606	–	8,606
Interest income	904	1,937	2,842
Interest expenses	1,928	1,784	3,712
Equity in earnings of affiliated companies	72	–	72
Equity in net losses of affiliated companies	–	131	131
Extraordinary income	14,313	1,064	15,377
Extraordinary losses	15,698	41,395	57,094
(Loss on impairment of long-lived assets)	6,440	1,277	7,717
Capital investment in equity-method affiliates	718	1,337	2,056
Increase in property, plant and equipment and intangible assets	63,003	8,426	71,430

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

(Millions of yen)

	Fiscal 2010 (Year ended March 31, 2011)	Fiscal 2011 (Year ended March 31, 2012)
Net sales		
Reporting segment total	968,546	940,208
Elimination of inter-segment transactions	(1,181)	(1,530)
CFS-stated consolidated net sales	967,365	938,677
Segment profit		
Reporting segment total	126,151	41,811
Amortization of allocated acquired cost	(3,515)	(3,151)
Adjustments to allocated acquired cost	3,558	–
Amortization of goodwill	(2,415)	(2,411)
Adjustment for sales of investment securities	(2,102)	–
Equity in losses of affiliated companies	(1,174)	(95)
Elimination of inter-segment transactions	(201)	(1,987)
Other consolidated adjustments	119	(249)
CFS-stated consolidated income before income taxes	120,419	33,915
Segment assets		
Reporting segment total	1,913,515	1,963,174
Elimination of investments and capital	(488,354)	(488,354)
Allocated acquired cost	38,537	28,449
Adjustment to goodwill	23,525	22,523
Elimination of stock subscription rights on consolidation	(4,304)	(4,304)
Elimination of inter-segment transactions	(1,420)	(1,569)
Equity in losses of affiliated companies	(1,259)	(1,440)
CFS-stated total assets	1,480,240	1,518,479
Segment liabilities		
Reporting segment total	580,955	677,601
Adjustment to deferred tax liabilities	12,802	9,231
Elimination of inter-segment transactions	(1,220)	(1,102)
CFS-stated total liabilities	592,537	685,729

(Millions of yen)

	Reporting segment total		Adjustment		Amount on the balance sheet	
	Fiscal 2010 (Year ended March 31, 2011)	Fiscal 2011 (Year ended March 31, 2012)	Fiscal 2010 (Year ended March 31, 2011)	Fiscal 2011 (Year ended March 31, 2012)	Fiscal 2010 (Year ended March 31, 2011)	Fiscal 2011 (Year ended March 31, 2012)
Other items						
Depreciation	41,255	43,960	2,690	2,345	43,945	46,305
Amortization of goodwill	6,674	8,606	2,474	2,470	9,148	11,076
Interest income	3,981	2,842	–	–	3,981	2,842
Interest expenses	5,519	3,712	–	–	5,519	3,712
Equity in earnings of affiliated companies	171	72	(171)	(72)	–	–
Equity in net losses of affiliated companies	222	131	2,423	76	2,645	207
Extraordinary income	15,371	15,377	(2,539)	(585)	12,831	14,792
Extraordinary losses	29,153	57,094	(4,978)	–	24,174	57,094
(Loss on impairment of long-lived assets)	10,010	7,717	(3,558)	–	6,451	7,717
Capital invested in equity-method affiliates	2,467	2,056	658	395	3,125	2,451
Increase in property, plant and equipment and intangible assets	41,211	71,430	–	–	41,211	71,430

b. Information on unamortized goodwill by reporting segment

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

Fiscal 2011 (for the year ended March 31, 2012)

(Millions of yen)

	Daiichi Sankyo Group	Ranbaxy Group	Adjustment	Amount on the balance sheet
Ending balance	42,027	18,145	22,569	82,742

(Per Share Information)

Fiscal 2010 (Year ended March 31, 2011)		Fiscal 2011 (Year ended March 31, 2012)	
Net assets per share	¥1,206.12	Net assets per share	¥1,143.52
Net income per share (basic)	¥99.62	Net income per share (basic)	¥14.75
Net income per share (diluted)	¥99.52	Net income per share (diluted)	¥14.73

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

	Fiscal 2010 (Year ended March 31, 2011)	Fiscal 2011 (Year ended March 31, 2012)
Net income per share (basic):		
Net income (millions of yen)	70,121	10,383
Amount not available for common shareholders (millions of yen)	–	–
Net income available for dividends on common shares (millions of yen)	70,121	10,383
Weighted-average number of common shares outstanding during the year (1,000 shares)	703,922	703,914
Net income per share (diluted):		
Adjustments to net income (millions of yen)	–	–
Additional dilutive common shares (1,000 shares)	644	897
Including dilutive effect of stock options of (1,000 shares)	(644)	(897)
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 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	Subscription rights to shares at consolidated subsidiaries Common shares of 909 thousand shares to be delivered upon exercise Convertible-bond-type bonds with subscription rights to shares Common shares of 5,646 thousand shares to be delivered upon exercise

(Subsequent Events)

Fiscal 2011 (Year ended March 31, 2012)
Not applicable.

(Omission of Disclosure)

Disclosures concerning notes to Consolidated Balance Sheets, 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.