

**CONVOCATION NOTICE OF THE 6TH ORDINARY
GENERAL MEETING OF SHAREHOLDERS**

For the Fiscal Period Ended March 31, 2011

Daiichi Sankyo Company, Limited

(Securities Identification Code 4568)
May 31, 2011

To Shareholders,

Daiichi Sankyo Company, Limited
Joji Nakayama, Representative Director and President & CEO
5-1, Nihonbashi Honcho 3-chome,
Chuo-ku, Tokyo, Japan

CONVOCAION NOTICE OF THE 6TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We wish to extend our deepest sympathy to all those who have suffered hardship from the Great East Japan Earthquake that occurred in March 2011.

Daiichi Sankyo Company, Limited (“the Company”) respectfully requests your attendance at the 6th Ordinary General Meeting of Shareholders (“the Meeting”), which will be held as detailed below.

If you will not be able to attend the Meeting, you may exercise your voting rights through either of the methods described below, in which case we ask that you please exercise your voting rights by 17:30 (within our business hours), Friday, June 24, 2011 (Japan Time), after examining the attached reference documents.

[Exercise of Voting Rights by Mail]

Please indicate your approval or disapproval for the proposals on the enclosed voting form and return the form to the Company. Please note that the form must be received by the Company no later than the above-mentioned deadline.

[Exercise of Voting Rights on the Internet etc.]

After examining “Information on Exercise of Voting Rights, etc.” on pages 57 and 58, please vote on the Internet at the dedicated voting website (<http://www.evotep.jp/>) no later than the above-mentioned deadline.

The Company is participating in the platform for electronic exercise of voting rights for institutional investors operated by ICJ Inc.

1. Date and Time: June 27, 2011, Monday at 10 a.m. (Japan Time)
2. Place: Royal Hall, Royal Park Hotel 3F
1-1, Nihonbashi-Kakigaracho 2-chome, Chuo-ku, Tokyo, Japan
(Please note that the meeting will be held in a different place from the previous year.)
3. Purpose of the Meeting:
Matters to be Reported:
 1. Reports on the Business Report, the Consolidated Financial Statements for the 6th Fiscal Year (from April 1, 2010 to March 31, 2011); and Audit Reports by the Accounting Auditors and the Board of Kansayaku (Statutory Auditors)
 2. Reports on the Non-consolidated Financial Statements for the 6th Fiscal Year (from April 1, 2010 to March 31, 2011)

Proposals to be Resolved:

- | | |
|------------------|--|
| First Proposal: | Appropriation of Surplus |
| Second Proposal: | Election of Ten (10) Directors |
| Third Proposal: | Election of Two (2) Kansayaku (Statutory Auditors) |
| Fourth Proposal: | Provision of Bonuses to Directors |

4. Information on Exercise of Voting Rights, etc.:
Please examine [Information on Exercise of Voting Rights, etc.] on pages 57 and 58 of this document.

If attending the Meeting in person, please hand in the enclosed voting form at the reception desk. If the Royal Hall is full, we may guide you to a different meeting place in the same hotel. In addition, in order to help save electricity, the lights and air conditioning in the meeting place will be partially turned down. We would appreciate your understanding and cooperation.

[Attachment]

Business Report
(From April 1, 2010 to March 31, 2011)

1. Status of Daiichi Sankyo Group (the Group)**(1) Progress and Results of Operations****a. Overview**

The Group reported consolidated net sales for the fiscal year ended March 31, 2011 (FY2010) of ¥967.4 billion, a year-on-year gain of 1.6%, despite further appreciation of the yen compared with FY2009. This result reflected a sales contribution of ¥171.9 billion by our subsidiary Ranbaxy Laboratories Ltd. (“Ranbaxy”)¹, growth in sales of antihypertensive agent olmesartan and the anti-inflammatory analgesic *Loxonin*®, and the launch of new products.

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

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

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

b. Reportable Segments

1) Daiichi Sankyo Group

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

i) Japan

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

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

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

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

ii) North America

Net sales in North America fell 0.4% year on year to ¥184.4 billion, reflecting the effect of the stronger yen.

The Group recorded further increases in sales in local currency terms. Major contributors to growth included the antihypertensive agent *AZOR*®, the antihyperlipidemic agent and treatment for type 2 diabetes *Welchol*®, and the anemia treatment *Venofer*®. Other products contributing to growth included the newly launched antihypertensive agent *TRIBENZOR*™. PharmaForce, Inc., which was acquired by Luitpold Pharmaceuticals, Inc. in December 2009, also made a contribution to growth.

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

iii) Europe

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

iv) Other regions

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

2) Ranbaxy Group

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

c. R&D Activities

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

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

In April 2011, as part of strengthening the oncology franchise, the Company completed the acquisition of Plexxikon Inc., a firm with a highly promising oncology development pipeline and research expertise.

In other oncology developments, the Company initiated global Phase III clinical trials (excluding Japan, China, South Korea and Taiwan) of the c-Met receptor tyrosine kinase inhibitor ARQ 197 for the treatment of non-squamous, non-small cell lung cancer (NSCLC). The Group is developing ARQ 197 jointly with ArQule, Inc.

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

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

d. Collaboration with Ranbaxy

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

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

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

technology.

(2) Issues to Be Dealt With

a. Impact of the Great East Japan Earthquake and Related Recovery Efforts

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

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

1) Onahama Plant

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

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

2) Hiratsuka Plant

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

3) Inventory status for major products

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

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

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

4) Sales operations

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

b. The Group's Growth Strategy

1) Medium-term prospects

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

2) Strategic elements

i) Expansion of pharmaceuticals franchise in Japan

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

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

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

denosumab.

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

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

ii) Redevelopment of U.S. business

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

iii) Reinforcement of R&D

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

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

iv) Business expansion in emerging markets

The Group is further expanding its presence in the market of India, primarily through Ranbaxy.

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

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

v) Promotion of Established Pharmaceuticals business

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

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

vi) Cost of sales reductions

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

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

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

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

(3) Status of Plant and Equipment Investment

The Group continuously invests in plants and equipment, aiming to enhance and streamline production facilities as well as strengthen and facilitate research and development. During the fiscal year under review, the Group spent ¥37.3 billion on plants and equipment.

(4) Status of Financing

Not applicable

(5) Basic Policy on Decision on Dividends from Surplus

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

(6) Trends in the Group's Operating Results and Assets

(Millions of yen, unless otherwise stated)

	Fiscal 2007 (3rd fiscal period)	Fiscal 2008 (4th fiscal period)	Fiscal 2009 (5th fiscal period)	Fiscal 2010 (Current fiscal year; 6th fiscal period)
Net sales	880,120	842,147	952,105	967,365
Operating income	156,827	88,870	95,509	122,143
Ordinary income	169,058	55,168	103,114	131,762
Net income (loss)	97,660	(215,499)	41,852	70,121
Net income (loss) per share (yen)	135.35	(304.22)	59.45	99.62
Total assets	1,487,888	1,494,599	1,489,510	1,480,240
Net assets	1,244,512	888,617	889,508	887,702

Notes:

1. Net income (loss) per share is calculated based on the average number of shares during the fiscal year. Treasury stock is deducted from the total number of issued shares when calculating the average number of shares during the fiscal year.
2. For the 4th fiscal period, the Group recorded a net loss of ¥215.5 billion due to extraordinary losses of ¥351.3 billion reflecting a write-down of goodwill relating to the investment in Ranbaxy.

(7) Status of Material Subsidiaries, etc.

1) Status of Material Subsidiaries:

Name of Group Company	Stated Capital (Millions of yen, unless otherwise stated)	Voting Rights Percentage (%)	Principal Business
Daiichi Sankyo Espha Co., Ltd.	450	100.00	Marketing of pharmaceuticals
Daiichi Sankyo Healthcare Co., Ltd.	100	100.00	Development, manufacture and marketing of healthcare (OTC) products
Daiichi Sankyo Propharma Co., Ltd.	100	100.00	Manufacture of pharmaceuticals
Daiichi Sankyo Chemical Pharma Co., Ltd.	50	100.00	Manufacture of pharmaceuticals
Asubio Pharma Co., Ltd.	50	100.00	Research and development of pharmaceuticals
Daiichi Sankyo RD Associe Co., Ltd.	50	100.00	Support for research and development of the Group
Daiichi Sankyo Business Associe Co., Ltd.	50	100.00	Business support for the Group
Daiichi Sankyo U.S. Holdings, Inc.	3.0 US dollars	100.00	A holding Company
Daiichi Sankyo, Inc.	24.9 million US dollars	100.00	Research and development and marketing of pharmaceuticals
Luitpold Pharmaceuticals, Inc.	0.2 million US dollars	100.00	Development, manufacture and marketing of pharmaceuticals
Daiichi Sankyo Europe GmbH	16 million euro	100.00	Supervision of the Daiichi Sankyo EUROPE Group, and development, manufacture and marketing of pharmaceuticals
Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd.	63.8 million US dollars	100.00	Development, manufacture and marketing of pharmaceuticals
Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd.	53 million US dollars	100.00	Development, manufacture and marketing of pharmaceuticals
Ranbaxy Laboratories Ltd.	2,105.0 million Indian Rupee	63.82	Research and development, manufacture and marketing of pharmaceuticals

Note: The Group established Daiichi Sankyo Espha Co., Ltd. on April 1, 2010 and Daiichi Sankyo U.S. Holdings, Inc. on March 30, 2011.

2) Status of Material Alliances, etc.

a. Licensing-in of technology

Name of Group Company	Other Party	Country	Details of Technology
Daiichi Sankyo Company, Limited	CIMYM Bio Sciences Inc.	Canada	Technology related to "nimotuzumab," an anti-EGFR antibody
Daiichi Sankyo Company, Limited	Amgen Inc.	U.S.A.	Technology related to "denosumab," an anti-RANKL antibody
Daiichi Sankyo Company, Limited	ArQule Inc.	U.S.A.	Technology related to "ARQ 197," an agent for inhibiting malignant tumors
Daiichi Sankyo, Inc.	Genzyme Corporation	U.S.A.	Technology related to <i>Welchol</i> [®] , an antihyperlipidemic agent
Luitpold Pharmaceuticals, Inc.	Vifor AG	Switzerland	Technology related to <i>Venofer</i> [®] , a drug for treating anemia

b. Licensing-out of technology

Name of Group Company	Other Party	Country	Details of Technology
Daiichi Sankyo Company, Limited	Eli Lilly and Company	U.S.A.	Technology related to antiplatelet agent "prasugrel"
Daiichi Sankyo Company, Limited	Johnson & Johnson	U.S.A.	Technology related to synthetic antibacterial agent "levofloxacin"
Daiichi Sankyo Company, Limited	Sanofi-Aventis Pharma Deutschland GmbH	Germany	Technology related to synthetic antibacterial agent "levofloxacin"
Daiichi Sankyo Company, Limited	Santen Pharmaceutical Co., Ltd.	Japan	Technology related to synthetic antibacterial agent "levofloxacin" for ophthalmologic drugs
Daiichi Sankyo Company, Limited	Daewoong Pharmaceutical Co., Ltd.	South Korea	Technology related to "olmesartan," an antihypertensive agent

c. Distribution Agreement and Others

Name of Group Company	Other Party	Country	Details of Agreement
Daiichi Sankyo Company, Limited	Merz Pharmaceuticals GmbH	Germany	Exclusive sale in Japan of <i>Memary</i> [®] for the treatment of Alzheimer's disease
Daiichi Sankyo Company, Limited	AstraZeneca AB	Sweden	Exclusive sale and co-promotion in Japan of "esomeprazole magnesium hydrate," a proton pump inhibitor
Daiichi Sankyo Company, Limited	Kowa Co., Ltd.	Japan	Joint sale in Japan of the antihyperlipidemic agent <i>Livalo</i> [®]
Daiichi Sankyo Company, Limited	Ajinomoto Co., Ltd.	Japan	Sale in Japan of the antidiabetic agent <i>Fastic</i> [®]
Daiichi Sankyo Company, Limited	Toray Industries, Inc.	Japan	Joint sale in Japan of the natural beta-interferon <i>Feron</i> [®]
Daiichi Sankyo Company, Limited	GE Healthcare	Norway	Exclusive sale in Japan of the contrast media for MRI <i>Omniscan</i> [®]
			Exclusive sale in Japan of the contrast media <i>Omnipaque</i> [®]
Daiichi Sankyo Company, Limited	F. Hoffman-La Roche	Switzerland	Exclusive sale in Japan of the antihypertensive agent <i>Artist</i> [®]
Daiichi Sankyo Company, Limited	UCB Japan Co., Ltd.	Japan	Exclusive sale in Japan of the antiallergic agent <i>Zyrtec</i> [®]
Daiichi Sankyo Company, Limited	Zeria Pharmaceutical Co., Ltd.	Japan	Exclusive sale in Japan of drug for acute cardiac failure <i>Hanp</i> [®]
Daiichi Sankyo Company, Limited	Kissei Pharmaceutical Co., Ltd.	Japan	Joint sale in Japan of the dysuria treatment drug <i>Urief</i> [®]
Daiichi Sankyo Company, Limited	Sanofi Pasteur Co., Ltd.	Japan	Sale in Japan of <i>ActHib</i> [®] , a pediatric vaccine for the prevention of infections caused by Haemophilus influenzae Type b and development of DTaP/IPV vaccine in Japan
Daiichi Sankyo Europe GmbH	Menarini Co., Ltd.	Italy	Joint sale in Europe of the antihypertensive agent <i>Olmotec</i> [®]
Luitpold Pharmaceuticals Inc.	Fresenius U.S.A. Manufacturing Inc.	U.S.A.	Exclusive sale in U.S.A. of the anemia treatment, <i>Venofer</i> [®] for the End Stage Renal Disease (Stage V) patient population

(8) The Group's Principal Business (as of March 31, 2011)

Research and Development, Manufacturing, Sales & Marketing, and Import and Export of pharmaceuticals

(9) The Group's Principal Branches, Plants and Laboratories (as of March 31, 2011)

Daiichi Sankyo Company, Limited	Headquarters	Chuo-ku, Tokyo
	Branches	Sapporo Branch, Tohoku Branch (Miyagi), Tokyo Branch, Chiba Branch, Saitama Branch, Yokohama Branch, Kitakanto Branch (Tokyo), Koushinetsu Branch (Tokyo), Tokai Branch (Aichi), Kyoto Branch, Hokuriku Branch (Ishikawa), Osaka Branch, Kobe Branch, Chugoku Branch (Hiroshima), Shikoku Branch (Kagawa), and Kyushu Branch (Fukuoka)
	Laboratories	Shinagawa-ku and Edogawa-ku, Tokyo; and Fukuroi-shi, Shizuoka
Daiichi Sankyo Espha Co., Ltd.	Headquarters	Edogawa-ku, Tokyo
Daiichi Sankyo Healthcare Co., Ltd.	Headquarters	Chuo-ku, Tokyo
	Branches	Higashi Nihon Branch (Miyagi), Tokyo Branch I, Tokyo Branch II, Nagoya Branch, Osaka Branch, Chushikoku Branch (Hiroshima) and Kyushu Branch (Fukuoka)
Daiichi Sankyo Propharma Co., Ltd.	Plants	Akita Plant, Onahama Plant (Fukushima), Tatebayashi Plant (Gunma), Hiratsuka Plant (Kanagawa), Odawara Plant (Kanagawa), Osaka Plant and Takatsuki Plant (Osaka)
Daiichi Sankyo Chemical Pharma Co., Ltd.	Plants	Hiratsuka-shi, Kanagawa and Odawara-shi, Kanagawa
Daiichi Sankyo Logistics Co., Ltd.	Logistics Centers	Yoshikawa-shi, Saitama and Takatsuki-shi, Osaka
Asubio Pharma Co., Ltd.	Headquarters	Kobe-shi, Hyogo
Daiichi Sankyo RD Associe Co., Ltd.	Headquarters	Shinagawa-ku, Tokyo
Daiichi Sankyo Business Associe Co., Ltd.	Headquarters	Chuo-ku, Tokyo
Daiichi Sankyo Happiness Co., Ltd.	Headquarters	Hiratsuka-shi, Kanagawa
Daiichi Sankyo, Inc.	Headquarters	Parsippany, NJ, U.S.A.
Luitpold Pharmaceuticals, Inc.	Headquarters	Shirley, NY, U.S.A.
Daiichi Sankyo Europe GmbH	Headquarters	Munich, Germany
Ranbaxy Laboratories Ltd.	Headquarters	Gurgaon, India

(10) The Group's Status of Employees (as of March 31, 2011)

Number of Employees	Change from Previous Fiscal Year-End
30,488	663 (increased)

Note: The number of employees is that of working employees, and does not include that of employees temporarily transferred to other groups, but does include that of employees temporarily transferred to the Group from other groups.

(11) Principal Lenders and the Amount of Loans (as of March 31, 2011)

Lender	Outstanding amount of loans (Millions of yen)
Syndicated loan	100,000
Nippon Life Insurance Company	10,000

Note: Syndicated loan is jointly financed by Mizuho Corporate Bank, Ltd. and 44 other financial institutions.

(12) Litigation

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

The Federal District Court ruled in favor of the Company and its licensees in May 2009. An appeal against this decision lodged by Lupin in the U.S. Court of Appeals for the Federal Circuit was rejected in May 2010. An objection to this decision that was subsequently lodged

by Lupin with the full bench of the court was also rejected in July 2010. Lupin did not appeal this decision to the U.S. Supreme Court by the statutory deadline in October 2010, confirming the legal victory of the Company and its licensees.

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

(13) Basic Policy Regarding Moves toward Large-Scale Acquisition of Company Stock

The Company believes that it is the 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 evaluate any takeover proposal with outside experts and 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.

(14) Other Material Matters Regarding Status of the Group (Subsequent Event)

Acquisition of shares in Plexxikon Inc.

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

- 1) Purpose of acquisition

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

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

- 2) Shares acquired from:

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

- 3) Name, nature of business and size of acquired company
 - Name: Plexxikon Inc. (USA)
 - Nature of business: Research and development, mainly in areas of oncology, inflammation, cardio-renal disease and central nervous system
 - Stated capital: US\$4,469 thousand
 - Sales: US\$39,324 thousand (for the period from January 1, 2010 to December 31, 2010)
- 4) Date of acquisition of shares
 - April 1, 2011
- 5) Acquisition price and percentage of voting rights acquired
 - Acquisition price: Total cost on completion of acquisition was US\$823 million. Additional milestone payments of up to US\$130 million are payable on the launch of the most advanced program, PLX4032.
 - Percentage of voting rights acquired: 100%
- 6) Acquisition funding method
 - Internally funded

2. Status of the Company

(1) Status of Shares (as of March 31, 2011)

- | | |
|---------------------------------------|--|
| 1) Total Number of Authorized Shares: | 2,800,000,000 shares |
| 2) Total Number of Issued Shares: | 709,011,343 shares (including 5,097,302 treasury shares) |
| 3) Number of Shareholders: | 114,824 |
| 4) Major Shareholders (Top 10): | |

Name of Shareholders	Number of Shares Held (thousand shares)	Equity Stake (%)
The Master Trust Bank of Japan, Ltd. (trust account)	44,703	6.35
Japan Trustee Services Bank, Ltd. (trust account)	39,473	5.61
Nippon Life Insurance Company	37,659	5.35
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	14,948	2.12
State Street Bank and Trust Company	13,645	1.94
Sumitomo Mitsui Banking Corporation	13,413	1.91
JP Morgan Chase Bank 385147	12,251	1.74
Tokio Marine & Nichido Fire Insurance Co., Ltd.	8,791	1.25
Mizuho Corporate Bank, Ltd.	8,591	1.22
Mizuho Trust & Banking Co., Ltd. (retirement benefit trust, Mizuho Corporate Bank account)	8,497	1.21

Note: Treasury stock (5,097,302 shares) is not included in the computing of equity stake.

(2) Status of Share Options (as of March 31, 2011)

- 1) Status of Share Options owned by Directors and Kansayaku (Statutory Auditors) of the Company Granted as Remuneration for Their Execution of Duties as of the End of the Fiscal Year

	No. 1 Share Options (Issued on February 15, 2008)	No. 2 Share Options (Issued on November 17, 2008)
Date of resolution on issuance	January 31, 2008	October 31, 2008
Grantees and number of grantees	Six Directors of the Company (excluding Outside Directors)	Six Directors of the Company (excluding Outside Directors)
Number of share options	331 units	539 units
Class and number of shares subject to share options	33,100 shares of the common stock of the Company (100 shares per share option)	53,900 shares of the common stock of the Company (100 shares per share option)
Amount to be paid in for share options	252,800 yen per share option, see Note 1	134,200 yen per share option, see Note 1
Value of property contributed upon exercise of share options	100 yen per share option	100 yen per share option
Amount of stated capital to be increased when shares are issued upon exercise of share options	1,265 yen per share	672 yen per share
Exercisable period for share options	From February 16, 2008 to February 15, 2038	From November 18, 2008 to November 17, 2038
Conditions for exercise of share options	Note 2	Note 2
Events and conditions for acquisition of share options	Note 3	Note 3

	No. 3 Share Options (Issued on August 17, 2009)	No. 4 Share Options (Issued on August 19, 2010)
Date of resolution on issuance	July 31, 2009	July 30, 2010
Grantees and number of grantees	Six Directors of the Company (excluding Outside Directors)	Six Directors of the Company (excluding Outside Directors)
Number of share options	819 units	1,001 units
Class and number of shares subject to share options	81,900 shares of the common stock of the Company (100 shares per share option)	100,100 shares of the common stock of the Company (100 shares per share option)
Amount to be paid in for share options	133,800 yen per share option, see Note 1	119,700 yen per share option, see Note 1
Value of property contributed upon exercise of share options	100 yen per share option	100 yen per share option
Amount of stated capital to be increased when shares are issued upon exercise of share options	670 yen per share	599 yen per share
Exercisable period for share options	From August 18, 2009 to August 17, 2039	From August 20, 2010 to August 19, 2040
Conditions for exercise of share options	Note 2	Note 2
Events and conditions for acquisition of share options	Note 3	Note 3

- Notes: 1. The above-mentioned share options were granted by offsetting the claims of monetary remunerations, which are provided on the condition that they are set off by payment obligations of the payment amount, against the said payment obligations.
2. Conditions for exercise of share options are as follows:
- a. Persons to whom share options are granted (hereinafter referred to as “holders of share options”) may exercise their share options until the last day of the last fiscal year that ends within 10 years from the following day of the day when they retired from their office as Director or Corporate Officer of the Company that they held when the share options were granted (if the persons granted share options concurrently serve as Director and Corporate Officer, the day when they retired from office means the day when they retired from the office of Director, regardless of whether they continued to hold the position of Corporate Officer; and if the holders of share options served as Corporate Officer when the share options were granted and if they took office as Director upon their retirement from office as Corporate Officer, the day when they retired from office means the day when they retired from office as Director, not the day when they retired from office as Corporate Officer) (hereinafter referred to as the “commencement date of the exercise of the rights”).
 - b. Holders of share options may not dispose of the share options by any means, including pledging.
 - c. When holders of share options die, their heir may inherit the share options that have not been exercised as of the day when the cause of their inheritance occurs, and may exercise the rights in accordance with the terms of the Agreement on Allotment of Share Options, to be entered between the Company and holders of share options.
 - d. When holders of share options exercise their share options, they may not partially exercise one stock acquisition right.
 - e. Other conditions are set force in the Agreement on Allotment of Share Options, to be entered between the Company and holders of share options, in accordance with the resolution of the Board of Directors.
3. Events and conditions for the acquisition of share options are as follows:
- a. When holders of share options can no longer exercise their rights pursuant to the provisions specified in the above-mentioned note 2 the Company may acquire, free of charge, the said share options held by the said holders of share options on the day separately determined by the Board of Directors.
 - b. When an absorption-type merger agreement, under which the Company is absorbed and disappears, is approved at a general meeting of shareholders of the Company (a meeting of the Board of Directors if a resolution of a general meeting of shareholders is not required), or when a proposal on approval of a share exchange agreement, under which the Company will become a

wholly-owned subsidiary company in the share exchange, or a proposal on approval for a share transfer plan, under which the Company will become a wholly-owned subsidiary company in the share transfer, is approved at a general meeting of shareholders of the Company (a meeting of the Board of Directors if a resolution of a general meeting of shareholders is not required), the Company may acquire, free of charge, the share options held by the holders of share options on the day separately determined by the Board of Directors.

- c. When holders of share options offer in writing to abandon all or part of their share options, the Company may acquire, free of charge, the said share options held by those holders of share options on a day separately determined by the Board of Directors.

2) Details of Share Options Granted to Employees, etc. of the Company as Remuneration for Their Execution of Duties during the Fiscal Year

	No. 4 Share Options (Issued on August 19, 2010)
Date of resolution on issuance	July 30, 2010
Grantees and number of grantees	18 Corporate Officers of the Company (excluding those who concurrently serve as Directors)
Number of share options	1,370 units
Class and number of shares subject to share options	137,000 shares of the common stock of the Company (100 shares per share option)
Amount to be paid in for share options	119,700 yen per share option, see Note 1
Value of property contributed upon exercise of share options	100 yen per share option
Amount of stated capital to be increased when shares are issued upon exercise of share options	599 yen per share
Exercisable period for share options	From August 20, 2010 to August 19, 2040
Conditions for exercise of share options	Note 2
Events and conditions for acquisition of share options	Note 3

- Notes: 1. Same as Note 1 to 1) above.
2. Same as Note 2 to 1) above.
3. Same as Note 3 to 1) above.

(3) Status of the Company's Directors and Kansayaku (Statutory Auditors) (As of March 31, 2011)

1) Directors and Kansayaku (Statutory Auditors)

Name	Position and Assignments	Material Concurrent Positions	Relationship of companies where they have material concurrent positions, and the Company
Takashi Shoda	Representative Director and Chairman	Non-Executive Director of Ranbaxy Laboratories Ltd.	Consolidated subsidiary
Joji Nakayama	Representative Director and President & CEO		
Hitoshi Matsuda	Director, Senior Executive Officer Head of Administration Division of Japan Company		
Tsutomu Une	Director, Senior Executive Officer Global Corporate Strategy Officer	Non-Executive Director and Director-Chairman of the Board of Ranbaxy Laboratories Ltd.	Consolidated subsidiary
Takeshi Ogita	Director, Senior Executive Officer Global Corporate Strategy Officer		
Kazunori Hirokawa	Director, Senior Executive Officer Head of R&D Division		
Takashi Okimoto	Outside Director	Representative Director, Chairman and Corporate Officer of Orient Corporation	No material relationship
Hiroshi Hirabayashi	Outside Director	President of The Japan-India Association Vice President of The Japan Forum on International Relations, Inc Outside Director of Toshiba Corporation Outside Director of Mitsui & Co., Ltd. Outside Director of NHK Promotions Inc.	No material relationship No material relationship No material relationship No material relationship No material relationship
Kunio Ishihara	Outside Director	Chairman of the Board of Tokio Marine Holdings, Inc. Chairman of the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd. Outside Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd.	No material relationship No material relationship No material relationship
Yuichiro Anzai	Outside Director	Executive Advisor for Academic Affairs of Keio University Professor of Faculty of Science and Technology, Keio University Professor of School of Science for Open and Environmental Systems, Graduate School of Science and Technology, Keio University	No material relationship
Teruo Takayanagi	Standing Kansayaku (Statutory Auditor)		
Hikaru Nagata	Standing Kansayaku (Statutory Auditor)		
Akio Yamada	Outside Kansayaku (Statutory Auditor)	Senior Advisor of Jones Day Visiting Professor of Faculty of Law, Doshisha University	No material relationship No material relationship
Shigeaki Ishikawa	Outside Kansayaku (Statutory Auditor)	Lawyer of HOMMA & PARTNERS Outside Director of Marubeni Corporation	No material relationship No material relationship

Notes:

- In the above, Outside Director means an outside director prescribed by Article 2, Item 15 of the Companies Act of Japan (“the Companies Act”) and an Outside Kansayaku (Statutory Auditor) means outside kansayaku (statutory auditor) prescribed by Article 2, Item 16 of the Companies Act.
- The Company has designated all Outside Directors (Outside Directors: Takashi Okimoto, Hiroshi Hirabayashi, Kunio Ishihara, and Yuichiro Anzai and Outside Kansayaku (Statutory Auditors): Akio Yamada and Shigeaki Ishikawa) as Independent Directors / Kansayaku (Statutory Auditors) and filed them with the Tokyo Stock Exchange accordingly.

2) Directors and Kansayaku (Statutory Auditors) Who Retired or Were Removed During the Fiscal Year

None

Directors Kiyoshi Morita, Ryuzo Takada, Kunio Nihira, Yoshifumi Nishikawa and Jotaro Yabe and Kansayaku (Statutory Auditors) Kaoru Shimada and Koukei Higuchi retired following the end of their tenure of office at the conclusion of the Ordinary General Meeting of Shareholders on June 28, 2010.

3) The Amount of Remuneration and Related Payments to Directors and Kansayaku (Statutory Auditors)

Classification	Directors		Kansayaku (Statutory Auditors)		Total	
	Payment recipients	Amount paid	Payment recipients	Amount paid	Payment recipients	Amount paid
	Number of persons	Millions of yen	Number of persons	Millions of yen	Number of persons	Millions of yen
Fees (annual amount) (Including Outside Directors and Outside Kansayaku (Statutory Auditors))	15 (7)	419 (63)	6 (4)	107 (32)	21 (11)	525 (95)
Directors' bonuses (Excluding Outside Directors and Kansayaku (Statutory Auditors))	6	143	-	-	6	143
Share remuneration-type stock option remuneration (Excluding Outside Directors and Kansayaku (Statutory Auditors))	6	120	-	-	6	120
Total (Including Outside Directors and Outside Kansayaku (Statutory Auditors))	15 (7)	681 (63)	6 (4)	107 (32)	21 (11)	787 (95)

Notes: 1. The amount paid to Directors does not include the portion of employee's salary for Directors who concurrently serve as employees.

- “Payment recipients” and “Amount paid” of “Fees (annual amount),” each “Total” of “Fees” and each “Total” of “Directors” and each “Total” of “Total” for Directors include those of the five Directors (including three Outside Directors) who retired upon expiration of their terms at the conclusion of the Ordinary General Meeting of Shareholders on June 28, 2010.
- “Payment recipients” and “Amount paid” of “Fees (annual amount),” each “Total” of “Fees” and each “Total” of “Kansayaku (Statutory Auditors)” and each “Total” of “Total” for Kansayaku (Statutory Auditors) include those of two Outside Kansayaku (Statutory Auditors) who retired upon expiration of their terms at the conclusion of the Ordinary General Meeting of Shareholders on June 28, 2010.
- The total amount of fees paid to Directors is ¥450 million or less per fiscal year, and the total amount of fees to Kansayaku (Statutory Auditors) is ¥120 million or less per fiscal year (excluding the portion of salaries for Directors concurrently working as employees), which amounts were approved at the 151st Ordinary General Meeting of Shareholders of (former) Sankyo Company, Limited and the 127th Ordinary General Meeting of Shareholders of (former) Daiichi Pharmaceutical Co., Ltd., held on June 29, 2005, concerning the establishment of a holding company through a Share Transfer.
- “Director's bonuses” are estimated amounts to be paid in addition to the amounts shown in the “Fees (annual amount)” columns if the proposed “Provisions of Bonuses to Directors” is approved at the 6th Ordinary General Meeting of Shareholders of the Company.
- The above-mentioned share remuneration-type stock option remunerations, which are separated from the

above-mentioned “Fees (annual amount),” indicate the amount equivalent to compensation for the execution of duties during the current fiscal year, included in the monetary remunerations paid to offset the payment obligations of the payment amount of the share remuneration-type stock options (Share Options), which were granted on August 19, 2010. These share remuneration-type stock options were approved subject to its maximum total amount of fees ¥140 million per fiscal year at the 2nd Ordinary General Meeting of Shareholders of the Company held on June 28, 2007, which are separated from the above resolutions regarding the total amount of fees as described in the above 4.

(4) Status of Outside Directors and Outside Kansayaku (Statutory Auditors) (As of March 31, 2011)

- 1) Relationship of companies where they have material concurrent positions, and the Company Relationship of companies where they have material concurrent positions, and the Company, is as described in (3) Status of the Company’s Directors and Kansayaku (Statutory Auditors), 1) Directors and Kansayaku (Statutory Auditors).

2) Major Activities During the Fiscal Year

Name	Position	Major activities
Takashi Okimoto	Outside Director	Attended 12 of the 13 Board of Directors Meetings held during the fiscal year under review, and spoke as needed based on knowledge and insight concerning corporate management, developed through his extensive banking experience.
Hiroshi Hirabayashi	Outside Director	Attended 9 of the 10 Board of Directors Meetings held after taking office on June 28, 2010, and spoke as needed based on his expertise and insight, developed through his global experience as a diplomat.
Kunio Ishihara	Outside Director	Attended 8 of the 10 Board of Directors Meetings held after taking office on June 28, 2010, and spoke as needed based on his expertise in risk management, developed through his extensive experience at a nonlife insurance company, and provided insight based on his management experience.
Yuichiro Anzai	Outside Director	Attended 10 of the 10 Board of Directors Meetings held after taking office on June 28, 2010, and spoke as needed based on his expertise and insight, developed through his career as a university professor.
Akio Yamada	Outside Kansayaku (Statutory Auditor)	Attended 10 of the 10 Board of Directors Meetings and 10 of the 10 meetings of the Board of Kansayaku (Statutory Auditors) held after taking office on June 28, 2010, and spoke as needed based on his expertise and insight, developed through his extensive experience at administrative agencies.
Shigeaki Ishikawa	Outside Kansayaku (Statutory Auditor)	Attended 10 of the 10 Board of Directors Meetings and 10 of the 10 meetings of the Board of Kansayaku (Statutory Auditors) held after taking office on June 28, 2010, and spoke as needed based on his expertise and insight, developed through his extensive experience at administrative agencies.

3) Outline of the Details of Liability Limitation Agreement

The Company has concluded an agreement for limitation of liability for damages (liability limitation agreement) with Outside Directors Takashi Okimoto, Hiroshi Hirabayashi, Kunio Ishihara and Yuichiro Anzai, and Outside Kansayaku (Statutory Auditors) Akio Yamada and Shigeaki Ishikawa, respectively, concerning the liability for damages under Article 423, Paragraph 1 of the Companies Act, for cases falling under the requirements specified in laws and regulations. The maximum on the amount of liability under the said agreement is the minimum liability amount as provided in laws and ordinances.

(5) Status of Accounting Auditors

1) Name of Accounting Auditors (Independent Auditors)

KPMG AZSA LLC

Note: On July 1, 2010, the former KPMG AZSA & Co. became KPMG AZSA LLC, a limited liability audit corporation.

2) Amount of Fees and Others to Accounting Auditors Concerning the Fiscal Year

	Amount of fees
Amount of fees and others to Accounting Auditors concerning the current fiscal year	¥170 million
Total amount of money and other financial benefits that the Company and its subsidiaries should pay to Accounting Auditors	¥257 million

Note: The amount of fees and others to Accounting Auditors concerning the current fiscal year is the sum of the amount of remunerations for auditing services in accordance with the Companies Act and the amount of remunerations for auditing work in accordance with the Financial Instruments and Exchange Act, since the two kinds of remunerations are not clearly divided under the audit contract entered between the Company and Accounting Auditors and they cannot be divided practically.

3) Details of Non-Auditing Services

The Company entrusts accounting auditors with services other than service as provided in Article 2, Paragraph 1 of the Certified Public Accountants Law (non-auditing services), including advisory services concerning the English-version financial results reports (*Kessan Tanshin*) and pays such fees accordingly.

4) Policy on Decision to Dismiss or not to Reappoint Accounting Auditors

When accounting auditors meet any of the items of Article 340, Paragraph 1 of the Companies Act and when it is deemed to be difficult for accounting auditors to execute auditing properly because of the occurrence of events that damage the competence and independence of accounting auditors, the Board of Directors shall submit to a general meeting of shareholders a proposal for discharging or not reappointing the accounting auditors after obtaining the consent of the Board of Kansayaku (Statutory Auditors) or at the request of the Board of Kansayaku (Statutory Auditors).

3. Systems for Ensuring Compliance with Laws and Regulations and the Company's Articles of Incorporation in the Execution of Duties by Directors and Other Systems for Securing Appropriateness of Duties

The Company has resolved the basic policies at the Board of Directors' Meeting held on March 31, 2010, as follows.

(1) Systems for Ensuring Compliance with Laws and Regulations and the Company's Articles of Incorporation in the Execution of Duties by Directors

- The Company shall establish a compliance system by stipulating the Daiichi Sankyo Group Corporate Conduct Charter, Daiichi Sankyo Code of Conduct for Compliance, etc. as the code of conduct for Directors and employees and setting up a meeting body, including outside experts.
- The Company shall appoint Outside Directors for the strengthening and enhancement of the function to supervise management.
- Kansayaku (Statutory Auditors) shall audit the execution of duties by Directors, legality and appropriateness of decision making and the status of the establishment of internal control systems.

(2) Systems Regarding the Retention and Management of Information Relating to the Execution of Duties by Directors

- The Company shall establish information security systems, and properly store and manage information relating to the execution of duties by Directors, including the minutes of the Board of Directors, in accordance with laws and internal regulations of the Company.

(3) Rules and Other Systems for Risk Management

- The Company shall stipulate various internal regulations to establish risk management systems.
 - The Internal Audit Department shall audit the status of operation of the systems mentioned above.
- (4) Systems for Ensuring the Efficient Execution of Duties by Directors
- The Company shall form a Management Executive Meeting - consisting of Directors, excluding Outside Directors, and executives appointed by the President who are responsible for main regions, corporate bodies and functions - which shall deliberate important matters for strategic decision-making by the President. The Company shall also set up an approval system as a means of decision-making.
 - The Company shall introduce a corporate officer system in consideration of speedy decision making and execution of duties.
- (5) Systems for Ensuring Compliance with Laws and Regulations and the Company's Articles of Incorporation in the Execution of Duties by Employees
- The Company shall establish a compliance system by stipulating Daiichi Sankyo Group Corporate Conduct Charter, Daiichi Sankyo Code of Conduct for Compliance, etc. as the code of conduct for Directors and employees and setting up a meeting body, including outside experts.
 - General managers and executives responsible for the main regions, corporate bodies and functions who receive orders from the President shall manage duties in their charge and supervise, manage and direct members of their business units in accordance with the "Global Management Regulations", the "Organizational Management Regulations" and other Company rules.
 - Each of the functions related to the improvement of systems concerning personnel management, risk management, etc. shall convey policies to, manage and guide each department.
 - The Internal Audit Department shall implement internal audit of the status of compliance with laws and regulations, the Articles of Incorporation and internal regulations.
- (6) Systems for Ensuring the Proper Operation of the Group, Consisting of the Company and Its Subsidiaries
- The Company shall establish "Global Management Regulations" and "Group Company Management Regulations" to clarify the management control system of the Group, and operate systems such as compliance, risk management and personnel systems.
 - The Company shall transmit management policies, etc. to Group companies and manage them.
 - The Company shall establish "Internal Control System Establishment Regulations" and ensure the reliability of financial reporting by properly implementing those regulations.
 - The Company shall establish "Internal Audit Regulations" and implement internal audit on Group companies.
- (7) Systems Regarding Employees Assisting Duties of Kansayaku (Statutory Auditors), when Kansayaku (Statutory Auditors) Ask to Appoint Such Employees
- The Company shall appoint full-time staffers who assist duties of Kansayaku (Statutory Auditors).
- (8) Matters Regarding the Independence of the Employees Specified in the Preceding Paragraph (7) from Directors
- Full-time staffers assisting Kansayaku (Statutory Auditors) shall be independent of Directors, and shall execute duties under the directions and orders from Kansayaku (Statutory Auditors).
 - Personnel changes, performance appraisal, etc. of full-time staffers assisting Kansayaku (Statutory Auditors) shall require prior consent of the Board of Kansayaku (Statutory Auditors).
- (9) Systems of Reporting to Kansayaku (Statutory Auditors) by Directors and Employees and Other Systems Regarding Reporting to Kansayaku (Statutory Auditors)
- Directors shall establish a system, under which when they find facts that could badly hurt the Company, they shall immediately report the facts to Kansayaku (Statutory Auditors).
 - When an audit is carried out by Kansayaku (Statutory Auditors) under the annual audit plan, Kansayaku (Statutory Auditors) shall receive reports on the status of execution of duties from executives such as Directors, general managers, and head of subsidiaries.

- Kansayaku (Statutory Auditors) shall attend the Management Executive Meeting and other important meetings.
 - To verify the legality and appropriateness of the details of approvals, the Company shall send approval documents to Kansayaku (Statutory Auditors) consistently.
- (10) Other Systems for Ensuring the Effective Audit by Kansayaku (Statutory Auditors)
- Kansayaku (Statutory Auditors) shall have meetings with Representative Director on a regular basis to check management policies and exchange views concerning important issues related to auditing.
 - Kansayaku (Statutory Auditors) shall exchange information with Kansayaku (Statutory Auditors) of the Group and closely cooperate with them.
 - Kansayaku (Statutory Auditors) shall coordinate and exchange views with Outside Kansayaku (Statutory Auditors) and the Internal Audit Department.
- (11) Basic ideas about and systems for eliminating antisocial forces
- The Company shall take a firm stance toward antisocial forces and organizations that threaten the order and safety of civil society. To prevent antisocial forces and organizations from being involved in the Company's management activities and to stop such forces and organizations from harming the Company, the Company shall stipulate, as its basic policy, in the Daiichi Sankyo Group Corporate Conduct Charter and the Daiichi Sankyo Code of Conduct for Compliance that it shall never comply with unfair and illegal demands from antisocial forces and organizations. In addition, the Company shall establish an organizational structure to that end, and strive to eliminate relations with antisocial forces and organizations through methods such as collecting information in cooperation with the police and other bodies, and conducting activities to train Directors and other Officers, and employees.

Consolidated Balance Sheet
(As of March 31, 2011)

(Millions of yen)

Item	Amount	Item	Amount
[ASSETS]	1,480,240	[LIABILITIES]	592,537
I. Current assets	894,075	I. Current liabilities	306,952
Cash and time deposits	262,037	Trade notes and accounts payable	58,407
Trade notes and accounts receivable	205,590	Current portion of convertible bond-type bonds with share options	46,020
Marketable securities	157,653	Short-term bank loans	29,342
Merchandise and finished goods	89,143	Income taxes payable	7,545
Work in process	21,598	Allowance for sales returns	1,244
Raw materials and supplies	32,050	Allowance for sales rebates	1,623
Deferred tax assets	90,245	Provision for loss on disaster	4,570
Other current assets	38,075	Asset retirement obligations	178
Allowance for doubtful accounts	(2,319)	Other current liabilities	158,019
II. Non-current assets	586,164	II. Non-current liabilities	285,585
Property, plant and equipment	237,710	Bonds payable	100,000
Buildings and structures	119,962	Long-term debt	124,036
Machinery, equipment and vehicles	46,706	Deferred tax liabilities	28,463
Land	38,407	Accrued employees' severance and retirement benefits	11,541
Construction in progress	20,599	Accrued directors' severance and retirement benefits	155
Other	12,034	Other non-current liabilities	21,388
Intangible assets	156,923	[NET ASSETS]	887,702
Goodwill, net	67,316	I. Shareholders' equity	914,888
Other intangible assets, net	89,606	Common stock	50,000
Investments and other assets	191,531	Capital surplus	105,194
Investment securities	102,416	Retained earnings	774,274
Prepaid pension costs	939	Treasury stock at cost	(14,581)
Deferred tax assets	73,245	II. Accumulated other comprehensive income	(65,883)
Other assets	15,210	Net unrealized gain on investment securities	16,559
Allowance for doubtful accounts	(281)	Deferred gains or losses on hedges	1,193
		Foreign currency translation adjustments	(83,636)
		III. Subscription rights to shares	3,544
		IV. Minority Interests	35,153
Total assets	1,480,240	Total liabilities and net assets	1,480,240

Note: Amounts less than one million yen have been rounded down to the nearest one million yen.

Consolidated Statement of Income
(From April 1, 2010 to March 31, 2011)

(Millions of yen)

Item	Amount	
Net sales		967,365
Cost of sales		281,677
Gross profit		685,687
Selling, general and administrative expenses		563,543
Operating income		122,143
Non-operating income		
Interest income	3,981	
Dividend income	2,793	
Gain on valuation of derivatives	11,160	
Other income	5,237	23,174
Non-operating expenses		
Interest expense	5,519	
Foreign exchange losses	1,080	
Equity in net losses of affiliated companies	2,645	
Other expenses	4,309	13,555
Ordinary income		131,762
Extraordinary income		
Gain on sale of non-current assets	8,810	
Gain on sale of investment securities	2,932	
Gain on sales of subsidiaries and affiliates' stock	814	
Gain on change in equity	176	
Other income	97	12,831
Extraordinary losses		
Loss on disposal of non-current assets	2,744	
Loss on impairment of long-lived assets	6,451	
Loss on disaster	5,640	
Loss on valuation of investment securities	3,334	
Non-recurring depreciation on non-current assets	2,121	
Loss on valuation of stocks of subsidiaries and affiliates	1,792	
Environmental expenses	679	
Loss on business restructuring	489	
Loss on penalty	202	
Loss on adjustment for changes of accounting standard for asset retirement obligations	139	
Other losses	579	24,174
Income before income taxes and minority interests		120,419
Income tax expense—current	27,482	
Income tax expense—deferred	14,323	41,806
Income before minority interests		78,613
Minority interests in net income of consolidated subsidiaries		8,491
Net income		70,121

Note: Amounts less than one million yen have been rounded down to the nearest one million yen.

Consolidated Statement of Changes in Net Assets
(From April 1, 2010 to March 31, 2011)

(Millions of yen)

Shareholders' equity	
Common stock	
Balance as of March 31, 2010	50,000
Changes of items during the fiscal year	—
Balance as of March 31, 2011	<u>50,000</u>
Capital surplus	
Balance as of March 31, 2010	105,194
Changes of items during the fiscal year	—
Balance as of March 31, 2011	<u>105,194</u>
Retained earnings	
Balance as of March 31, 2010	746,392
Changes of items during the fiscal year	
Dividends from surplus	(42,235)
Net income	70,121
Disposal of treasury stock	(3)
Total changes of items during the fiscal year	<u>27,882</u>
Balance as of March 31, 2011	<u>774,274</u>
Treasury stock, at cost	
Balance as of March 31, 2010	(14,566)
Changes of items during the fiscal year	
Purchase of treasury stock	(34)
Disposal of treasury stock	20
Total changes of items during the fiscal year	<u>(14)</u>
Balance as of March 31, 2011	<u>(14,581)</u>
Total shareholders' equity	
Balance as of March 31, 2010	887,020
Changes of items during the fiscal year	
Dividends from surplus	(42,235)
Net income	70,121
Purchase of treasury stock	(34)
Disposal of treasury stock	16
Total changes of items during the fiscal year	<u>27,867</u>
Balance as of March 31, 2011	<u>914,888</u>
Accumulated other comprehensive income	
Net unrealized gain on investment securities	
Balance as of March 31, 2010	27,461
Changes of items during the fiscal year	
Net changes of items other than shareholders' equity	<u>(10,901)</u>
Total changes of items during the fiscal year	<u>(10,901)</u>
Balance as of March 31, 2011	16,559

Deferred gains or losses on hedges	
Balance as of March 31, 2010	1,002
Changes of items during the fiscal year	
Net changes of items other than shareholders' equity	190
Total changes of items during the fiscal year	<u>190</u>
Balance as of March 31, 2011	<u>1,193</u>
Foreign currency translation adjustments	
Balance as of March 31, 2010	(59,778)
Changes of items during the fiscal year	
Net changes of items other than shareholders' equity	(23,857)
Total changes of items during the fiscal year	<u>(23,857)</u>
Balance as of March 31, 2011	<u>(83,636)</u>
Total accumulated other comprehensive income	
Balance as of March 31, 2010	(31,314)
Changes of items during the fiscal year	
Net changes of items other than shareholders' equity	(34,569)
Total changes of items during the fiscal year	<u>(34,569)</u>
Balance as of March 31, 2011	<u>(65,883)</u>
Subscription rights to shares	
Balance as of March 31, 2010	3,295
Changes of items during the fiscal year	
Net changes of items other than shareholders' equity	249
Total changes of items during the fiscal year	<u>249</u>
Balance as of March 31, 2011	<u>3,544</u>
Minority interests	
Balance as of March 31, 2010	30,506
Changes of items during the fiscal year	
Net changes of items other than shareholders' equity	4,647
Total changes of items during the fiscal year	<u>4,647</u>
Balance as of March 31, 2011	<u>35,153</u>
Total net assets	
Balance as of March 31, 2010	889,508
Changes of items during the fiscal year	
Cash dividends	(42,235)
Net income	70,121
Purchase of treasury stock	(34)
Disposal of treasury stock	16
Net changes of items other than shareholders' equity, net	(29,672)
Total changes of items during the fiscal year	<u>(1,805)</u>
Balance as of March 31, 2011	<u>887,702</u>

Note: Amounts less than one million yen have been rounded down to the nearest one million yen.

Notes to Consolidated Financial Statements

1. Basis of Presentation and Summary of Significant Accounting Policies for the Preparation of Consolidated Financial Statements

(1) Scope of Consolidation

- 1) Status of consolidated subsidiaries
 - Number of consolidated subsidiaries: 101
 - Principal consolidated subsidiaries:

In Japan

Daiichi Sankyo Espha Co., Ltd., Daiichi Sankyo Healthcare Co., Ltd., Daiichi Sankyo Propharma Co., Ltd. and Asubio Pharma Co., Ltd.

Overseas

Daiichi Sankyo Inc., Luitpold Pharmaceuticals, Inc., Daiichi Sankyo Europe GmbH and Ranbaxy Laboratories Ltd.

Six new subsidiaries were established and newly included in the scope of consolidation from the fiscal year ended March 31, 2011, including Daiichi Sankyo Espha Co., Ltd.

Luitpold Pharmaceuticals, Inc. acquired ROXRO PHARMA, Inc. and newly included the subsidiary in the scope of consolidation from the fiscal year ended March 31, 2011.

Two subsidiaries were excluded from the scope of consolidation during the fiscal year ended March 31, 2011 as the result of the transfer of all shares in CMIC CMO Co., Ltd. to CMIC Co., Ltd. and the latter's absorptive merger of Asubio Pharma Co., Ltd. (the former consolidated subsidiary that had the same trade name as the current consolidated subsidiary).

Three subsidiaries of Ranbaxy Laboratories Ltd. were excluded from the scope of consolidation during the fiscal year ended March 31, 2011 as the result of liquidation.

- 2) Status of non-consolidated subsidiaries
 - Number of non-consolidated subsidiaries: 5

Non-consolidated subsidiaries (including Kyushu Juhi Kogyosho, Zenotech Laboratories Ltd. and three subsidiaries of Zenotech Laboratories Ltd.) are small and are not material to the consolidated financial statements when measured by the amounts of total assets, sales, net income (based on the Company's ownership percentage), retained earnings (based on the Company's ownership percentage), and other indicators. They have therefore been excluded from the scope of consolidation.

(2) Application of the Equity Method

- 1) Status of non-consolidated subsidiaries or affiliates which are accounted for under the equity method
 - Number of non-consolidated subsidiaries or affiliates which are accounted for under the equity method: 3
 - Name of principal company: Zenotech Laboratories Ltd.

- 2) Status of non-consolidated subsidiaries and affiliates which are not accounted for under the equity method

Zenotech Laboratories Ltd. was excluded from affiliated companies accounted for under the equity method and included in non-consolidated subsidiaries accounted for under the equity method in the fiscal year ended March 31, 2011 following the acquisition of additional shares in the firm by the Group. Zenotech Laboratories became a non-consolidated subsidiary accounted for under the equity method.

Sanofi Pasteur-Daiichi Sankyo Vaccine Co., Ltd. ceased to be an affiliated company accounted for under the equity method in the fiscal year ended March 31, 2011 following the disposal of shares in this firm by the Group.

Net income (based on the Company's equity percentage), retained earnings (based on the Company's equity percentage), and other indicators of those non-consolidated subsidiaries (Kyushu Juhi Kogyosho and three subsidiaries of Zenotech Laboratories Ltd.) and affiliated

companies that have not been accounted for under the equity method are not material or significant for the Company as a whole. Therefore, these companies have not been accounted for under the equity method, but are rather reported in the Company's investment account under the cost method.

- 3) Matters of particular importance related to procedures for the application of the equity method
In case that the fiscal year-end of certain companies which are accounted for under the equity method is different from the date of consolidated fiscal year-end, the Company uses the financial statements of these companies as of their own fiscal year-end in preparing the consolidated financial statements.

(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. But, 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.

(Names of Subsidiaries That Have Fiscal Year-End on December 31)

Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd., Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd., Daiichi Sankyo Brasil Farmacéutica Ltda., Ranbaxy Laboratories Ltd. and other subsidiaries.

(4) Summary of Significant Accounting Policies

- 1) Methods of Valuation of Significant Assets
 - a. Marketable and Investment Securities
Held-to-maturity securities:
Mainly the amortized cost method (straight-line amortization)
Available-for-sale securities:
Securities with determinable market value:
Mainly stated at market value method based on the quoted market prices at the end of the fiscal year. Unrealized holding gains and losses are reported in a component of net assets, with the cost of securities sold being calculated by the moving-average method.
Securities without determinable market value:
Mainly stated at cost based on the moving-average method
 - b. Derivatives
Market value method
 - c. Inventories
Inventories for ordinary sales
Stated at cost by the weighted average cost basis, being written-down to reflect the decline of profitability.
- 2) Depreciation and Amortization of Significant Depreciable Assets
 - a. Property, Plant and Equipment (excluding lease assets)
The Company and its domestic consolidated subsidiaries account for depreciation of property, plant and equipment mainly by the declining-balance method, except for the buildings (excluding fixtures) acquired on or after April 1, 1998, which are accounted for by the straight-line method. Overseas consolidated subsidiaries account for depreciation of property, plant and equipment mainly by the straight-line method.
The principal useful lives are as follows:
Buildings and structures: 15-50 years
Machinery, equipment and vehicles: 4-8 years
 - b. Intangible Assets (excluding lease assets)
Intangible assets are being amortized by the straight-line method.

Software for in-house use is mainly amortized over the estimated useful lives of a five-year period.

c. Leased Assets

Leased assets in finance lease transactions that do not transfer ownership

Depreciation is calculated by the straight-line method over the lease terms based on the assumption that the residual value equals to zero.

Finance lease transactions that do not transfer ownership which was commenced on or before March 31, 2008 at the Company and its domestic consolidated subsidiaries are accounted for in a similar manner with ordinary rental transactions.

3) Method of Accounting for Significant Allowances

a. Allowance for Doubtful Accounts

The Company covers the risk of credit losses from potential customer defaults by providing for this allowance. For normal accounts, the allowance is computed on the basis of the historical default rates. For specific over-due accounts, the allowance is based on individual account-by-account estimates of the amounts that may not be recoverable.

b. Allowance for Sales Returns

To prepare for losses on potential returns of products after the end of the fiscal year, the Company and its domestic consolidated subsidiaries provide for an amount equal to the sum of gross profits and inventory losses on such returned products, based on its estimate of possible sales returns.

For the current fiscal year, allowance of ¥661 million is included in cost of sales.

c. Allowance for Sales Rebates

To prepare for future sales rebates, the Company and its certain consolidated subsidiaries provide for this allowance calculated by multiplying an estimated sales rebate percentage for the fiscal year by the amounts of accounts receivable from and inventories held by wholesalers at the end of the fiscal year.

d. Accrued Employees' Severance and Retirement Benefits

To prepare for future payments of employees' severance and retirement benefits, the amount incurred by the fiscal year-end based on estimated projected benefit obligations and plan assets at the end of the fiscal year is provided.

Prior service costs are generally amortized over a period of 1 year (12 months) since they occurred.

Actuarial gains and losses are amortized under the straight-line method, beginning in the fiscal year following the year in which such gain or loss was initially measured, over a certain period (10 years), which is equal to or less than the average remaining years of service of eligible employees when the actuarial gain or loss occurred.

e. Accrued Directors' and Kansayaku (Statutory Auditors)'s Severance and Retirement Benefits

To prepare for payments of Directors' and Kansayaku (Statutory Auditors)'s severance and retirement benefits, the Company's domestic consolidated subsidiaries provide for an amount equal to the total benefits that would have become payable at the end of the fiscal year, in accordance with the internal policies, had Directors and Kansayaku (Statutory Auditors) retired.

f. Provision for Loss on Disaster

To prepare for possible future payments for rehabilitation associated with the Great East Japan Earthquake that occurred on March 11, 2011, the estimated amount of costs for rehabilitation is provided.

4) Translation of Significant Assets and Liabilities Denominated in Foreign Currencies into Yen

Receivables and payables denominated in foreign currencies are converted into yen amounts at the rates of exchange prevailing at the balance sheet date, with resulting translation gains or losses recognized currently in earnings.

The assets and liabilities of overseas consolidated subsidiaries are converted into yen amounts at the rates of exchange in effect at their balance sheet dates, while income and expenses are converted into yen amounts at the average exchange rates in effect over the respective periods, with resulting translation gains and losses recorded in a component of net

assets under translation adjustments or in the minority interests section of the balance sheet.

5) Significant Hedge Accounting Methods

a. Hedge Accounting Methods

Deferred hedge accounting is applied in principle. Foreign exchange forward contracts which meet the criteria of the allocation method are accounted for by the method.

b. Hedging Instruments and Hedged Items

Hedging instruments: Foreign exchange forward contracts

Hedged items: Accounts payable denominated in foreign currencies

c. Hedge Policy

Certain consolidated subsidiaries hedge foreign exchange rate fluctuation risks relating to imports and exports. The Company and its consolidated subsidiaries do not enter into speculative derivative transactions.

d. Methods of Assessing Hedge Effectiveness

The hedge effectiveness of foreign exchange forward contracts as a hedge has not been assessed, as the principal terms of the hedging instruments (foreign exchange forward contracts) are the same as those of the hedged items.

6) Other Significant Basic Items for preparing Consolidated Financial Statements

Accounting method for consumption taxes:

The tax-exclusion (net of tax) method is used to account for the national and local consumption taxes.

(5) Amortization of Goodwill and Negative Goodwill

Goodwill is being amortized over a period in equal portions over the period deemed to be valuable (within 20 years). However, when an immaterial amount arises, it is written off currently in earnings.

(6) Changes in the Accounting Policies

(Accounting Standard applied to Asset Retirement Obligations)

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

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

(Accounting Standard applied to Business Combinations)

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

(7) Changes in the Basis of Presentation

(Consolidated Statements of Income)

Effective from the fiscal year ended March 31, 2011, in line with the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on December 26, 2008), the Company adopted the Ordinance Partially Revising the Ordinance for Enforcement of the Companies Act and the Ordinance for Corporate Accounting, etc. (Ordinance of the Ministry of Justice No. 7 of March 27, 2009). As a result, the Consolidated Statements of Income include the item "Income before minority interests."

2. Notes to Consolidated Balance Sheets

- (1) Accumulated depreciation on property plant and equipment totaled ¥494,659 million.
- (2) Pledged assets
Assets pledged with bank as guarantees are as follows.
Others (current assets): ¥35 million
- (3) Contingent Liabilities
- 1) The Company offered loan guarantee to employees when they borrowed money from financial institutions, etc.
Employees (housing funds, etc.) ¥2,858 million
 - 2) Other contingent liabilities
Contingent liabilities against sales amounts in the past with regard to items of which prices are demanded to be cut by Indian authorities ¥3,554 million
 - 3) Ranbaxy Laboratories Ltd., a consolidated subsidiary of the Company, continues to co-operate, for an effective resolution, with the U.S. Food and Drug Administration (FDA) for import alert and warning letters issued primarily relating to Good Manufacturing Practice for some of the products manufactured at certain manufacturing facilities in India and, Application Integrity Policy against one of its manufacturing facilities in India.

Ranbaxy also continues to co-operate, for an effective resolution, with the U.S. Department of Justice (DOJ) regarding certain charges relating to possible issues with data submitted by Ranbaxy in support of product filings.

In response to the demand received from the DOJ, Ranbaxy is negotiating on the matter and in this context has given a settlement offer towards resolution of all outstanding matters. This offer is expressly conditional on the successful negotiation of several administrative actions by the FDA also.

At present there is significant uncertainty about the outcome of the above mentioned matters, and it is difficult to make a reasonable estimate of the amount involved.

3. Notes to Consolidated Statements of Income

Research and development expenses totaled ¥194,330 million.

4. Notes to Consolidated Statements of Changes in Net Assets

(1) Matters Related to the Total Number of Issued Shares

Class of share	Number of shares at the end of the previous fiscal year	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares at the end of the current fiscal year
Common stock	709,011 thousand shares	– shares	– shares	709,011 thousand shares

(2) Matters related to number of treasury shares

Class of share	Number of shares at the end of the previous fiscal year	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares at the end of the current fiscal year
Common stock	5,084 thousand shares	19 thousand shares	7 thousand shares	5,097 thousand shares

Notes:

1. The increase in the number of shares of treasury stock was due to the Company's purchase of 17,000 shares representing shares of less than one unit and 2,000 shares following the dissenting shareholders' share purchase demands in accordance with Item 1, Article 797 of the Companies Act.
2. The decrease in the number of shares of treasury stock was due to the sale of 1,000 shares to meet top-up demands for shares of less than one unit and the decrease of 5,000 shares as a result of exercise of share options.

(3) Matters Related to Dividends from Surplus

- 1) Amount of cash dividends paid

- a. Matters related to dividends based on a resolution made at the 5th Ordinary General Meeting of Shareholders, held on June 28, 2010
- Total cash dividends: ¥21,117 million
 - Dividend per share: ¥30
 - Record date: March 31, 2010
 - Effective date: June 29, 2010
- b. Matters related to dividends based on a resolution made at the Board of Directors Meeting held on October 29, 2010
- Total cash dividends: ¥21,117 million
 - Dividend per share: ¥30
 - Record date: September 30, 2010
 - Effective date: December 1, 2010
- 2) Of dividends for which the record date belongs to the current fiscal year, those that come into effect in the following fiscal year
The following shall be referred to the 6th Ordinary General Meeting of Shareholders, which will be held on June 27, 2011.
- Total of cash dividends: ¥21,117 million
 - Resource of dividends: Retained earnings
 - Dividend per share: ¥30
 - Record date: March 31, 2011
 - Effective date: June 28, 2011

(4) Matters Related to Share Options

Category	Breakdown of share options	Class of share to be converted	Number of shares to be converted
The Company	No. 1 Share Options issued in February 2008 (Share remuneration-type stock option)	Common stock	93 thousand shares
The Company	No. 2 Share Options issued in November 2008 (Share remuneration-type stock option)	Common stock	172 thousand shares
The Company	No. 3 Share Options issued in August 2009 (Share remuneration-type stock option)	Common stock	230 thousand shares
The Company	No. 4 Share Options issued in August 2010 (Share remuneration-type stock option)	Common stock	237 thousand shares
Consolidated subsidiary	Share Options (Share remuneration-type stock option)	Common stock	4,136 thousand shares

Note: Share options that are not in the exercise period are not included.

5. Notes Concerning Deferred Tax Accounting

Significant components of deferred tax assets and liabilities

Deferred tax assets	Millions of yen
Prepaid consigned research and co-development expenses	51,380
Net operating loss carry forwards for income tax purpose	41,716
Depreciation	23,819
Accrued bonuses	6,945
Unrealized profit on inventories and loss on valuation of inventories	6,403
Loss on valuation of securities	3,380
Impairment loss	3,038
Accrued employees' severance and retirement benefits	1,468
Other	57,488

Subtotal of deferred tax assets	195,641
<u>Valuation allowance</u>	<u>(12,050)</u>
Total deferred tax assets	183,590
Deferred tax liabilities	
Intangible assets	(17,371)
Net unrealized gain on investment securities	(12,101)
Reserve for reduction entries for non-current assets	(8,961)
Other	(10,572)
<u>Total deferred tax liabilities</u>	<u>(49,007)</u>
<u>Net deferred tax assets (liabilities)</u>	<u>134,582</u>

6. Financial Instruments

(1) Funding and investment

The Group raises funds through loans from financial institutions and the issuance of bonds payable. As regards investments, the Group selects the safest and most secure financial products.

To reduce credit risks relating to trade notes and accounts receivable, the Group has established mandatory credit management guidelines. Investment securities are mostly stocks and the market values of listed shares are calculated every quarter.

Corporate Finance and Accounting Department prepares and updates funding plans based on reports submitted by each department to manage liquidity risks related to trade notes and accounts payable.

The funds acquired from loans and the issuance of bonds payable are intended to be used for business operations (short-term) and acquisition of subsidiary shares (long-term). To respond to the interest rate volatility risk of some of the long-term loans, the Group obtains fixed interests through interest swap transactions. In accordance with internal control regulations, derivative trading is limited to commercial needs.

(2) Market values

Values recorded in the consolidated balance sheet as of March 31, 2011 (consolidated financial settlement date for the year) and market values of each financial product are as follows:

(Millions of yen)

	B/S recorded amount (*1)	Market value	Difference
(1) Cash and time deposits	262,037	262,037	-
(2) Trade notes and accounts receivable	205,590	205,590	-
(3) Marketable securities and investment securities	252,291	251,966	(325)
(4) Trade notes and accounts payable	(58,407)	(58,407)	-
(5) Current portion of convertible bond-type bonds with share options	(46,020)	(45,020)	999
(6) Short-term bank loans	(29,342)	(29,342)	-
(7) Bonds payable	(100,000)	(102,892)	(2,892)
(8) Long-term debt	(124,036)	(124,136)	(100)
(9) Derivatives trading (*2)	(17,582)	(17,582)	-

(*1) Liabilities are shown in parentheses.

(*2) Net debts and credits derived from derivatives trading are shown on a net basis. Total liability is shown in parentheses.

Notes:

1. Calculation method of market values of financial products and valuable securities and derivatives trading

(1) Cash and time deposits and (2) Trade notes and accounts receivable

Book values are used because these are traded and handled within a short period and market values and book values are almost identical.

(3) Marketable securities and investment securities

Stocks are valued at prices on Stock Exchanges; bonds are valued at prices quoted on Stock Exchanges or prices published by financial institutions; and, investment trust funds are valued at publicly announced benchmark prices. Market values of investments of the union are based on union assets that can be measured at fair value.

(4) Trade notes and accounts payable

Book values are used because these are traded and handled within a short period and market values and book values are almost identical.

- (5) Current portion of convertible bond-type bonds with share options
Over-the-counter trading price is used.
 - (6) Short-term bank loans
Book values are used because market value reflects market interest rate within a short period and market values and book values are almost identical.
 - (7) Bonds payable
Market price is used.
 - (8) Long-term debt
Market value of adjustable-rate loans is based on book value because the value reflects market interest rate within a short period and market values and book values are almost identical. For fixed-rate loans, total principal is calculated using the current interest rate that would be applied to recent borrowings.
 - (9) Derivatives trading
The prices announced by the contract party financial institutions are used.
2. Non-listed stocks (7,778 million yen recorded on the consolidated balance sheet) are not included among “(3) Marketable securities and investment securities.” Such stocks do not have market prices; the market value cannot be calculated; and future cash flow cannot be estimated.

7. Notes Concerning Per Share Information

- (1) Net assets per share: ¥1,206.12
- (2) Net income per share: ¥99.62
- (3) Diluted net income per share: ¥99.52

8. Notes Concerning Subsequent Events

Acquisition of shares in Plexxikon Inc.

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

1) Purpose of acquisition

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

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

2) Shares acquired from:

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

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

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

4) Date of acquisition of shares

April 1, 2011

5) Acquisition price and percentage of voting rights acquired

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

Percentage of voting rights acquired: 100%

6) Acquisition funding method

Internally funded

Non-Consolidated Balance Sheet
(As of March 31, 2011)

(Millions of yen)

Item	Amount	Item	Amount
[ASSETS]	1,143,668	[LIABILITIES]	373,737
I. Current assets	468,451	I. Current liabilities	152,286
Cash and time deposits	86,140	Accounts payable – trade	26,139
Trade notes receivable	435	Lease obligations	17
Accounts receivable	155,416	Accounts payable	36,774
Marketable securities	101,482	Accrued expenses	33,836
Merchandise and finished goods	35,543	Income taxes payable	547
Raw materials	2,895	Consumption taxes payable	2,525
Prepaid expenses	447	Deposit received	48,820
Deferred tax assets	74,430	Unearned revenue	319
Other receivables	8,148	Allowance for sales returns	645
Short-term loans	1,179	Allowance for sales rebates	661
Other current assets	2,331	Provision for loss on disaster	1,818
		Asset retirement obligations	178
		Other current liabilities	0
II. Non-current assets	675,216	II. Non-current liabilities	221,451
Property, plant and equipment	99,230	Bonds payable	100,000
Buildings and structures	63,220	Long-term debt	110,000
Machinery and equipment	3,076	Lease obligations	27
Vehicles, tools, furniture and fixtures	5,022	Long-term accounts payable	7,922
Land	23,396	Other non-current liabilities	3,501
Lease assets	44		
Construction in progress	4,470	[NET ASSETS]	769,930
Intangible assets	10,479	I. Shareholders' equity	751,929
Patent right	8,005	Common stock	50,000
Software	483	Capital surplus	664,286
Other	1,990	Legal capital surplus	179,858
Investments and other assets	565,506	Other capital surplus	484,428
Investment securities	96,621	Retained earnings	52,223
Investments in affiliated companies	313,974	Other retained earnings	52,223
Investments in capital of subsidiaries and affiliates	104,170	Reserve for reduction entries for non-current assets	1,602
Long-term loans	2,120	Retained earnings carried forward	50,620
Long-term prepaid expenses	13	Treasury stock, at cost	(14,581)
Prepaid pension costs	939	II. Valuation and translation adjustments	16,941
Deferred tax assets	42,753	Net unrealized gain on investment securities	16,941
Other assets	5,194		
Allowance for doubtful accounts	(279)	III. Subscription rights to shares	1,059
Total assets	1,143,668	Total liabilities and net assets	1,143,668

Note: Amounts less than one million yen have been rounded down to the nearest one million yen.

Non-Consolidated Statement of Income
(From April 1, 2010 to March 31, 2011)

(Millions of yen)

Item	Amount	
Net sales		560,815
Cost of sales		155,100
Provision for sales returns		537
Gross profit		405,177
Selling, general and administrative expenses		355,251
Operating income		49,926
Non-operating income		
Interest income	166	
Interest on investment securities	308	
Dividend income	9,499	
Rent income	4,796	
Other income	697	15,468
Non-operating expenses		
Interest expense	599	
Interest on bonds	1,357	
Provision of allowance for doubtful accounts	6	
Foreign exchange losses	2,033	
Cost of lease revenue	1,330	
Depreciation of inactive non-current assets	202	
Other expenses	868	6,398
Ordinary income		58,995
Extraordinary income		
Gain on sale of non-current assets	964	
Gain on sales of subsidiaries' and affiliates' stocks	4,969	
Gain on sales of investment securities	518	
Other gains	96	6,548
Extraordinary losses		
Loss on disposal of non-current assets	635	
Loss on valuation of investment securities	3,334	
Non-recurring depreciation on noncurrent assets	2,121	
Loss on disaster	2,095	
Loss on valuation of stocks of subsidiaries and affiliates	1,342	
Loss on impairment of long-lived assets	368	
Loss on penalty	202	
Loss on adjustment for changes of accounting standard for asset retirement obligations	139	
Loss on business restructuring	16	
Other losses	824	11,080
Income before income taxes		54,463
Income taxes expense—current	156	
Income taxes expense—deferred	14,079	14,235
Net income		40,227

Note: Amounts less than one million yen have been rounded down to the nearest one million yen.

Non-Consolidated Statement of Changes in Net Assets
(From April 1, 2010 to March 31, 2011)

(Millions of yen)

Shareholders' equity	
Common stock	
Balance as of March 31, 2010	50,000
Changes of items during the fiscal year	-
Balance as of March 31, 2011	50,000
Capital surplus	
Legal capital surplus	
Balance as of March 31, 2010	179,858
Changes of items during the fiscal year	-
Balance as of March 31, 2011	179,858
Other capital surplus	
Balance as of March 31, 2010	485,508
Changes of items during the fiscal year	
Decrease by corporate division-split-off type	(1,076)
Disposal of treasury stock	(3)
Total changes of items during the fiscal year	(1,080)
Balance as of March 31, 2011	484,428
Total capital surplus	
Balance as of March 31, 2010	665,367
Changes of items during the fiscal year	
Decrease by corporate division-split-off type	(1,076)
Disposal of treasury stock	(3)
Total changes of items during the fiscal year	(1,080)
Balance as of March 31, 2011	664,286
Retained earnings	
Other retained earnings	
Reserve for reduction entries for non-current assets	
Balance as of March 31, 2010	2,446
Changes of items during the fiscal year	
Provision of reserve for reduction entries for non-current assets	1,602
Reversal of reserve for reduction entries for non-current assets	(2,446)
Total changes of items during the fiscal year	(843)
Balance as of March 31, 2011	1,602
Retained earnings carried forward	
Balance as of March 31, 2010	51,784
Changes of items during the fiscal year	
Provision of reserve for reduction entries for non-current assets	(1,602)
Reversal of reserve for reduction entries for non-current assets	2,446
Dividends from surplus	(42,235)
Net income	40,227
Total changes of items during the fiscal year	(1,163)
Balance as of March 31, 2011	50,620

Total retained earnings	
Balance as of March 31, 2010	54,231
Changes of items during the fiscal year	
Provision of reserve for reduction entries for non-current assets	-
Reversal of reserve for reduction entries for non-current assets	-
Cash dividends	(42,235)
Net income	40,227
Total changes of items during the fiscal year	(2,007)
Balance as of March 31, 2011	52,223
Treasury stock, at cost	
Balance as of March 31, 2010	(14,566)
Changes of items during the fiscal year	
Purchase of treasury stock	(34)
Disposal of treasury stock	20
Total changes of items during the fiscal year	(14)
Balance as of March 31, 2011	(14,581)
Total Shareholders' equity	
Balance as of March 31, 2010	755,032
Changes of items during the fiscal year	
Decrease by corporate division-split-off type	(1,076)
Dividends from surplus	(42,235)
Net income	40,227
Purchase of treasury stock	(34)
Gain on sales of treasury stock	16
Total changes of items during the fiscal year	(3,102)
Balance as of March 31, 2011	751,929
Valuation and translation adjustments	
Net unrealized gain on investment securities	26,590
Balance as of March 31, 2010	
Changes of items during the fiscal year	
Net changes of items other than shareholders' equity	(9,649)
Total changes of items during the fiscal year	(9,649)
Balance as of March 31, 2011	16,941
Total valuation and translation adjustments	
Balance as of March 31, 2010	26,590
Changes of items during the fiscal year	
Net changes of items other than shareholders' equity	(9,649)
Total changes of items during the fiscal year	(9,649)
Balance as of March 31, 2011	16,941
Subscription rights to shares	
Balance as of March 31, 2010	789
Changes of items during the fiscal year	
Net changes of items other than shareholders' equity	269
Total changes of items during the fiscal year	269
Balance as of March 31, 2011	1,059

Total net assets	
Balance as of March 31, 2010	782,413
Changes of items during the fiscal year	
Decrease by corporate division-split-off type	(1,076)
Cash dividends	(42,235)
Net income	40,227
Purchase of treasury stock	(34)
Disposal of treasury stock	16
Net changes of items other than shareholders' equity	(9,379)
Total changes of items during the fiscal year	(12,482)
Balance as of March 31, 2011	769,930

Note: Amounts less than one million yen have been rounded down to the nearest one million yen.

Notes to Non-Consolidated Financial Statements

1. Significant Accounting Policies

(1) Methods of Valuation of Assets

- 1) Marketable and Investment Securities
Held-to-maturity securities:
The amortized cost method (straight-line amortization)
Subsidiaries' and affiliates' stocks:
Stated at cost based on the moving-average method
Available-for-sale securities:
Securities with determinable market value:
Stated at market value based on the quoted market prices at the end of the fiscal year.
Unrealized holding gains and losses are reported in a component of net assets, with the cost of securities sold being calculated by the moving-average method.
Securities without determinable market value:
Stated at cost based on the moving-average method
- 2) Inventories
Inventories for ordinary sales
Stated at cost, by the weighted average cost method (Inventories in the balance sheet are measured by write-down based on a decrease in profitability of the assets)

(2) Methods of Depreciation and Amortization of Depreciable Assets

- 1) Property, Plant and Equipment (excluding lease assets)
The Company accounts for depreciation of property, plant and equipment by the declining-balance method, except for the buildings (excluding fixtures) acquired on or after April 1, 1998, which are accounted for by the straight-line method.
The principal useful lives are as follows:
Buildings and structures: 15-50 years
Machinery and equipment: 4-17 years
- 2) Intangible Assets (excluding lease assets)
Intangible assets are being amortized by the straight-line method.
Software for internal use, of which effects of decrease in expenses in future are assured, is amortized over the estimated useful lives of a five-year period.
- 3) Lease assets --Lease assets in finance lease transactions that do not transfer ownership
Depreciation is calculated by the straight-line method over the lease terms based on the assumption that the residual value equals to zero.
Finance lease transactions that do not transfer ownership which were commenced on or before March 31, 2008 are accounted for in a similar manner with ordinary rental transactions.

(3) Methods of Accounting for Allowances

- 1) Allowance for Doubtful Accounts
The Company covers the risk of credit losses from potential customer defaults by providing for this allowance. For normal accounts, the allowance is computed on the basis of the historical default rates. For specific over-due accounts, the allowance is based on individual account-by-account estimates of the amounts that may not be recoverable.
- 2) Allowance for Sales Returns
To prepare for losses on potential returns of products after the end of the fiscal year, the Company provides for an amount equal to the sum of gross profits and inventory losses on such returned products, based on its estimate of possible sales returns.
- 3) Allowance for Sales Rebates
To prepare for future sales rebates, the Company provides for this allowance calculated by multiplying a rebate percentage for the fiscal year by the amounts of inventories held by special agents at the end of the fiscal year.

4) **Accrued Employees' Severance and Retirement Benefits**

To prepare for future payments of employees' severance and retirement benefits, the Company provides for an amount incurred by the fiscal year-end based on estimated projected benefit obligations and plan assets at the end of the fiscal year.

Prior service costs are amortized over a period of 1 year (12 months) since they occurred.

Actuarial gains and losses are amortized under the straight-line method, beginning in the fiscal year following the year in which the gain or loss was initially measured, over a period of 10 years, which is equal to or less than the average remaining years of service of the eligible employees at the time such actuarial gain or loss occurred.

5) **Provision for Loss on Disaster**

To prepare for possible future payments for rehabilitation associated with the Great East Japan Earthquake that occurred on March 11, 2011, the estimated amount of costs for rehabilitation is provided.

(4) Translation of Assets and Liabilities Denominated in Foreign Currencies into Yen

Receivables and payables denominated in foreign currencies are converted into yen amounts at the rates of exchange prevailing at the balance sheet date, with resulting difference recognized in gains or losses.

(5) Hedge Accounting Methods

1) **Hedge Accounting Methods**

Deferred hedge accounting is applied in principle. Foreign exchange forward contracts which meet the criteria of the allocation method are accounted for by the method.

2) **Hedging Instruments and Hedged Items**

Hedging instruments: Foreign exchange forward contracts

Hedged items: Accounts payable denominated in foreign currencies

3) **Hedge Policy**

The Company hedges foreign exchange rate fluctuation risks relating to imports and exports. The Company does not enter into speculative derivative transactions.

4) **Methods of Assessing Hedge Effectiveness**

The hedge effectiveness of foreign exchange forward contracts as a hedge has not been assessed, as the principal terms of the hedging instruments (foreign exchange forward contracts) are the same as those of the hedged items.

(6) Accounting method for consumption taxes:

The tax-exclusion (net of tax) method is used to account for the national and local consumption taxes.

(7) Changes in the Accounting Policies

(Accounting Standard applied to Asset Retirement Obligations)

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

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

(Accounting Standard applied to Business Combinations)

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

2. Notes to Non-Consolidated Balance Sheet

(1) Accumulated depreciation on property plant and equipment totaled ¥187,136 million.

(2) Contingent Liabilities

The Company offered loan guarantee to two affiliates, etc. and employees when they borrowed money from financial institutions, etc. and their accounts payable incurred in association with joint sale promotion contracts.

Daiichi Sankyo, INC.	¥2,889 million
Employees (housing funds, etc.)	¥2,858 million

(3) Monetary assets from and liabilities to affiliated companies are as follows:

1) Short-term monetary assets due from affiliated companies:	¥32,788 million
2) Long-term monetary assets due from affiliated companies:	¥2,555 million
3) Short-term monetary liabilities due to affiliated companies:	¥93,105 million
4) Long-term monetary liabilities due to affiliated companies:	¥7,761 million

3. Notes to Non-Consolidated Statement of Income

(1) Transactions with Affiliated Companies

1) Net sales:	¥94,814 million
2) Purchase of goods:	¥85,363 million
3) Selling, general and administrative expenses:	¥92,815 million
4) Non-operating income:	¥10,010 million

(2) Loss on impairment of long-lived assets

For the fiscal year ended March 31, 2011, the Company recognized impairment losses of ¥368 million for the following assets:

Location	Function	Asset type	Status
Sunto, Shizuoka	Higashi-Fuji Training Institute	Land	Idle

The Company decreased the book value of the above asset to net recoverable amounts so as to recognize a decline of ¥368 million as loss on impairment of long-lived assets in extraordinary loss because the asset value declined significantly from the book value.

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

4. Notes to Non-consolidated Statement of Changes in Net Assets

Matters Related to Number of Treasury Shares

Class of shares	Number of shares at the end of the previous fiscal year	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares at the end of the current fiscal year
Common stock	5,084 thousand shares	19 thousand shares	7 thousand shares	5,097 thousand shares

Notes:

- The increase in the number of shares of treasury stock was due to the Company's purchase of 17,000 shares representing shares of less than one unit and 2,000 shares following the dissenting shareholders' share purchase demands in accordance with Item 1, Article 797 of the Companies Act.
- The decrease in the number of shares of treasury stock was due to the sale of 1,000 shares to meet top-up demands for shares of less than one unit and the decrease of 5,000 shares as a result of exercise of share options.

5. Notes Concerning Deferred Tax Accounting

Significant components of deferred tax assets and liabilities

Deferred tax assets	(Millions of yen)
Prepaid consigned research and co-development expenses	50,484
Loss on valuation of securities	40,289
Net operating loss carry forwards for income tax purpose	33,222
Depreciation	20,448
Prepaid expenses	20,207
Accrued bonuses	4,296
Loss on valuation of inventories	3,905
Allowance for doubtful accounts	113
Other	4,652
<u>Subtotal of deferred tax assets</u>	<u>177,619</u>
<u>Valuation allowance</u>	<u>(41,581)</u>
Total deferred tax assets	136,038
Deferred tax liabilities	
Net unrealized gain on investment securities	(11,536)
Reserve for reduction entries for non-current assets	(6,936)
Prepaid pension expenses	(380)
Reserve for special depreciations	(1)
<u>Total deferred tax liabilities</u>	<u>(18,854)</u>
<u>Net deferred tax assets (liabilities)</u>	<u>117,183</u>

6. Notes Concerning Lease Transactions of Non-current Assets

Millions of yen

(1) Acquisition cost equivalents at the end of this fiscal year:	637
(2) Accumulated depreciation equivalents at the end of this fiscal year:	428
(3) Future lease payments obligation at the end of this fiscal year	208
Due within one year:	67
Due after one year:	141

7. Notes Concerning Related Party Transactions Subsidiaries, etc.

Property	Name	Main business	Ownership percentage	Relationship		Transactions	Transaction amount (Millions of yen)	Accounts	Balance at the end of fiscal year (Millions of yen)
				Inter-locking directorate	Relation on business				
Subsidiary	Daiichi Sankyo Healthcare Co., Ltd.	Marketing of pharmaceuticals and other products	Directly 100.0	-	Lending and borrowing of funds	Custody of funds	21,720	Deposit received	21,720
Subsidiary	Daiichi Sankyo Propharma Co., Ltd.	Manufacture of pharmaceuticals and other products	Directly 100.0	Director: 1	Purchase of merchandise	Purchase of merchandise	74,646	Accounts payable – trade	6,079
Subsidiary	Daiichi Sankyo U.S. Holdings, Inc.	A holding Company	Directly 100.0	Director: 1	Interlocking directorate, etc.	Investment in kind (Note 3)	88,398	-	-
Subsidiary	Daiichi Sankyo, Inc.	Marketing and research and development of pharmaceuticals and other products	Indirectly 100.0	Directors: 2	Marketing of finished goods and consignment of research and marketing	Marketing of finished goods	69,742	Accounts receivable	16,696
						Consignment of research and marketing	44,244	Accounts payable and accrued expenses	30,951
Subsidiary	Daiichi Sankyo Europe GmbH	Manufacture, marketing, and research and development of pharmaceuticals and other products	Directly 100.0	Director: 1	Marketing of finished goods, consignment of research and marketing	Marketing of finished goods	19,268	Accounts receivable	9,112
						Consignment of research and marketing	21,100	Accounts payable and accrued expenses	5,348

Notes:

- Transaction terms and policies on deciding transaction terms, etc.
Transaction terms with the companies mentioned above are decided while referring to market prices, etc.
- Consumption taxes are not included in “Transaction amount” but are included in “Balance at end of fiscal year.”
- “Transaction amount” of investment in kind represents investment in kind of a subsidiary’s shares of ¥88,398 million.

8. Notes Concerning Per-Share Information

- Net assets per share: ¥1,092.28
- Net income per share: ¥57.15
- Diluted net income per share: ¥57.10

9. Notes Concerning Subsequent Events

Not applicable

Translation of a report originally issued in Japanese

INDEPENDENT AUDITORS' REPORT

May 13, 2011

The Board of Directors
Daiichi Sankyo Company, Limited

KPMG AZSA LLC
Teruo Suzuki [seal]
Designated Limited Liability and
Engagement Partner
Certified Public Accountant

Masahiro Miyahara [seal]
Designated Limited Liability and
Engagement Partner
Certified Public Accountant

Atsushi Tanaka [seal]
Designated Limited Liability and
Engagement Partner
Certified Public Accountant

We have audited the consolidated statutory report, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes to consolidated financial statements of Daiichi Sankyo Company, Limited as of March 31, 2011 and for the year from April 1, 2010 to March 31, 2011, in accordance with Article 444(4) of the Companies Act. The consolidated statutory report is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated statutory report based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the consolidated statutory report is free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the consolidated statutory report. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated statutory report referred to above presents fairly, in all material respects, the financial position and the results of operations of Daiichi Sankyo Company, Limited and its consolidated subsidiaries, for the period, for which the consolidated statutory report was prepared, in conformity with accounting principles generally accepted in Japan.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Translation of a report originally issued in Japanese

INDEPENDENT AUDITORS' REPORT

May 13, 2011

The Board of Directors
Daiichi Sankyo Company, Limited

KPMG AZSA LLC
Teruo Suzuki [seal]
Designated Limited Liability and
Engagement Partner
Certified Public Accountant

Masahiro Miyahara [seal]
Designated Limited Liability and
Engagement Partner
Certified Public Accountant

Atsushi Tanaka [seal]
Designated Limited Liability and
Engagement Partner
Certified Public Accountant

We have audited the statutory report, the non-consolidated balance sheet, the non-consolidated statement of income, the statement of changes in net assets and the related notes to non-consolidated financial statements and its supporting schedules of Daiichi Sankyo Company, Limited as of March 31, 2011 for the 6th business year from April 1, 2010 to March 31, 2011 in accordance with Article 436(2)(i) of the Companies Act. The statutory report and supporting schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the statutory report and supporting schedules based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the statutory report and supporting schedules are free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the statutory report and supporting schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statutory report and supporting schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Daiichi Sankyo Company, Limited for the period, for which the statutory report and supporting schedules were prepared, in conformity with accounting principles generally accepted in Japan.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Translation of a report originally issued in Japanese**AUDIT REPORT**

We, the Board of Kansayaku (Statutory Auditors), have prepared upon consultation this Audit Report based on reports compiled by each Kansayaku (Statutory Auditor) with respect to the Directors' performance of their duties during the 6th business year from April 1, 2010 to March 31, 2011, as follows:

1. Auditing methods used by Kansayaku (Statutory Auditors) and the Board of Kansayaku (Statutory Auditors), and details of audit

The Board of Kansayaku (Statutory Auditors) specified an audit policy and an audit plan, and received reports from each Kansayaku (Statutory Auditor) on the status of implementation and results of audit as well as received reports from Directors and accounting auditors on the status of the execution of their duties and asked them for explanations as needed.

Each Kansayaku (Statutory Auditor), according to the audit standard, the audit policy and the audit plan set up by the Board of Kansayaku (Statutory Auditors), has maintained good communications with Directors, the audit division and employees of other divisions, and strived to collect information and improve the audit environment as well as attended meetings of the Board of Directors and other meetings as deemed important, received from Directors and employees reports on the execution of their duties, asked for explanations as necessary, perused the documents whereby the important decisions were made, and examined business and financial conditions at the head office and its major business offices. In addition, we have monitored and verified the details of the resolution made by the Board of Directors concerning the establishment of systems defined in Article 100, Paragraph 1 and Paragraph 3 of the Ordinance for Enforcement of the Corporation Law as what is necessary for ensuring compliance with laws and regulations and the Company's Articles of Incorporation in the execution of duties by Directors, which are described in the Business Report, and for ensuring appropriateness of duties of a stock company. We have also monitored and verified the status of the systems established based on the said resolution (internal control systems) by periodically receiving from Directors and employees reports on the status of development and operation of such systems. Also, we have maintained good communications and exchanged information with Directors, Kansayaku (Statutory Auditors) and others of the subsidiaries of the Company, and received from the subsidiaries reports on their business conditions, as needed. Based on the methods mentioned above, we have reviewed the Business Report for the said fiscal year and their annexed schedules.

We have also monitored and verified whether the accounting auditors maintain independency and properly implement audit, received from the accounting auditors' reports on the execution of their duties and asked them for explanations as necessary. We were reported by the accounting auditors that "systems for ensuring proper execution of duties" (listed in each item of Article 131 of the Corporate Accounting Rules) have been established in accordance with the quality control standards concerning audit (Business Accounting Council, October 28, 2005), etc., and asked them for explanations as necessary. Based on the methods mentioned above, we have reviewed financial statements for the said fiscal year (balance sheet, statement of income, statement of changes in net assets and notes to non-consolidated financial statements), their annexed schedules and consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and notes to consolidated financial statements).

2. Results of Audit

- (1) Results of audit of the business report, etc.
 - 1) We consider that the business report and their supplementary schedules fairly present the situation of the Company in accordance with relevant laws and regulations and the Company's Article of Incorporation.
 - 2) With respect to the Directors' performance of their duties, we have found neither undue transactions nor material facts that violate relevant laws and regulations or the Company's Article of Incorporation.
 - 3) We consider that the details of the resolution made by the Board of Directors concerning internal control systems are proper. With respect to the details described in the Business Report and the Directors' performance of their duties regarding the said internal control systems, we have found no items to be pointed out.
- (2) Results of audit of financial statements and their supplementary schedules
We consider that the auditing methods and results of the Company's Accounting Auditors, KPMG AZSA LLC, are proper.
- (3) Results of audit of consolidated financial statements
We consider that the auditing methods and results of the Company's Accounting Auditors, KPMG AZSA LLC, are proper.

May 16, 2011

Board of Kansayaku (Statutory Auditors) of Daiichi Sankyo Company, Limited	
Kansayaku (Statutory Auditor)	Teruo Takayanagi
Kansayaku (Statutory Auditor)	Hikaru Nagata
Outside Kansayaku (Statutory Auditor)	Akio Yamada
Outside Kansayaku (Statutory Auditor)	Shigeaki Ishikawa

Reference Documents for General Meeting of Shareholders

First Proposal: Appropriation of Surplus

Year-end dividends

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

The Company plans to pay a dividend of ¥60 per share, including an interim dividend of ¥30 per share, for the year under review.

For this fiscal year, the Company proposes to pay year-end dividends as follows.

- 1) The kind of dividend property
Money
- 2) The matters regarding the assignment of the dividend property to shareholders and the total amount
¥30 per common share of the Company
Total amount: ¥21,117,421,230
- 3) The day on which such distribution of dividends from surplus takes effect
June 28, 2011

Second Proposal: Election of Ten (10) Directors

The terms of office of all ten (10) current Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders.

Accordingly, the Company requests approval for the election of ten (10) Directors. Candidates for Director are as follows:

Number of Candidates	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions	Number of Shares of the Company Held
1	Takashi Shoda (June 21, 1948)	<p>April 1972 Entered Sankyo Company, Limited (“Sankyo”)</p> <p>January 1999 General Manager of Europe Department of Sankyo</p> <p>June 1999 Senior General Manager of International Pharmaceutical Division & General Manager of Europe Department of Sankyo</p> <p>June 2001 Director of Sankyo</p> <p>June 2002 Managing Director of Sankyo</p> <p>June 2003 Representative Director and President of Sankyo</p> <p>September 2005 Representative Director and President & CEO of the Company</p> <p>June 2010 Representative Director and Chairman of the Company (to present)</p> <p>Material Concurrent Positions: Non-Executive Director of Ranbaxy Laboratories Ltd.</p>	66,900
2	Joji Nakayama (May 11, 1950)	<p>April 1979 Entered Suntory Limited (“Suntory”)</p> <p>March 2000 Director of Suntory</p> <p>December 2002 President of Daiichi Suntory Pharma Co., Ltd.</p> <p>March 2003 Resigned as Director of Suntory</p> <p>June 2003 Director of Daiichi Pharmaceutical Co., Ltd. (“Daiichi”)</p> <p>June 2006 Director, General Manager of Corporate Strategy Department of Daiichi</p> <p>April 2007 Corporate Officer and General Manager of Europe/US Business Management Department of the Company</p> <p>April 2009 Executive Officer and General Manager of Overseas Business Management Department of the Company</p> <p>April 2010 Executive Vice President, President of Japan Company of the Company</p> <p>June 2010 Representative Director and President & CEO of the Company (to present)</p>	6,549

Number of Candidates	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions	Number of Shares of the Company Held
3	Tsutomu Une (December 11, 1947)	<p>April 1970 Entered Daiichi Pharmaceutical Co., Ltd. (“Daiichi”)</p> <p>October 1997 General Manager of Corporate R&D Planning Department of Daiichi</p> <p>June 1998 General Manager of Business Development & Licensing Department of Daiichi</p> <p>June 1999 Director of Daiichi</p> <p>October 1999 Director, General Manager of Corporate R&D Coordination & Business Development Department of Daiichi</p> <p>June 2001 Director in charge of Corporate R&D Coordination & Business Development of Daiichi</p> <p>October 2002 Managing Director of Daiichi</p> <p>September 2005 Director of the Company</p> <p>June 2006 Representative and Senior Managing Director of Daiichi</p> <p>April 2007 Director, Senior Executive Officer of the Company, Corporate Strategy</p> <p>April 2010 Director, Senior Executive Officer of the Company, Global Corporate Strategy Officer (Hybrid Business and Intellectual Property) (to present)</p> <p>Material Concurrent Positions: Non-Executive Director and Chairman of the Board of Directors of Ranbaxy Laboratories Ltd.</p>	10,272
4	Takeshi Ogita (March 20, 1951)	<p>April 1980 Entered Sankyo Company, Limited (“Sankyo”)</p> <p>August 2001 General Manager, Research Project Department of Sankyo</p> <p>July 2004 General Manager, Global Project Management Department of Sankyo</p> <p>June 2005 Corporate Officer of Sankyo</p> <p>July 2005 Head of Pharmaceutical Development Division and General Manager, Global Project Management Department of Sankyo</p> <p>April 2007 Executive Officer, Head of Pharmaceutical Technology Division, and General Manager of the Global Project Management Department of the Company</p> <p>April 2009 Senior Executive Officer of the Company, Human Resources and R&D</p> <p>June 2009 Director, Senior Executive Officer of the Company, Human Resources and R&D</p> <p>April 2010 Director, Senior Executive Officer of the Company, Global Corporate Strategy Officer (Human Resources, IT, Business Development and Global Marketing) (to present)</p>	12,800

Number of Candidates	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions	Number of Shares of the Company Held
5	Kazunori Hirokawa (June 7, 1951)	<p>April 1975 Entered Daiichi Pharmaceutical Co., Ltd. (“Daiichi”)</p> <p>October 2000 General Manager of Safety Control Department of Daiichi</p> <p>October 2002 General Manager of Development & Planning Department of Daiichi</p> <p>June 2003 Director and General Manager of Development & Planning Department of Daiichi</p> <p>October 2004 Director and General Manager of Research and Development Strategy Department of Daiichi</p> <p>June 2005 Senior Corporate Officer and General Manager of Research and Development Strategy Department of Daiichi</p> <p>April 2006 Senior Corporate Officer of Daiichi, Loan Director to Daiichi-Sankyo, Inc.</p> <p>April 2007 Executive Officer, Head of R&D Division of the Company</p> <p>April 2010 Senior Executive Officer, Head of R&D Division of the Company</p> <p>June 2010 Director, Senior Executive Officer of the Company, Head of R&D Division (to present)</p>	11,758
6	Takashi Okimoto (November 14, 1950)	<p>April 1973 Entered The Dai-Ichi Kangyo Bank, Limited (“Dai-Ichi Kangin”)</p> <p>June 2001 General Manager of Investigation IV Division and Corporate Officer of Dai-Ichi Kangin</p> <p>April 2002 General Manager of Investigation III Division and Corporate Officer of Mizuho Corporate Bank, Ltd. (“Mizuho Corporate Bank”)</p> <p>October 2002 Managing Corporate Officer and Sales Officer of Mizuho Corporate Bank</p> <p>April 2005 Vice President of Mizuho Corporate Bank</p> <p>April 2007 Advisor of Orient Corporation</p> <p>June 2007 Representative Director, Chairman and Corporate Officer of Orient Corporation (to present)</p> <p>June 2008 Outside Director of the Company (to present)</p>	5,100

Number of Candidates	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions	Number of Shares of the Company Held
7	Hiroshi Hirabayashi (May 5, 1940)	<p>April 1963 Entered Ministry of Foreign Affairs of Japan (“MOFA”)</p> <p>August 1993 Director General of Economic Cooperation Bureau of MOFA</p> <p>January 1998 Ambassador extraordinary and plenipotentiary to India and Bhutan</p> <p>September 2002 Ambassador extraordinary and plenipotentiary to France and Andorra</p> <p>January 2003 Ambassador extraordinary and plenipotentiary to France and Andorra and ambassador to Djibouti</p> <p>June 2006 Ambassador in charge of inspection</p> <p>June 2007 President of the Indo-Japanese Association (Public Interest Incorporated Foundation) (to present)</p> <p>April 2008 Visiting Professor of Waseda University, Graduate School of Asia-Pacific Studies</p> <p>June 2009 Vice President of The Japan Forum on International Relations (Public Interest Incorporated Foundation) (to present)</p> <p>June 2010 Outside Director of the Company (to present)</p> <p>Material Concurrent Positions: Outside Director of Toshiba Corporation Outside Director of Mitsui & Co., Ltd. Outside Director of NHK Promotions Inc.</p>	1,400
8	Kunio Ishihara (October 17, 1943)	<p>April 1966 Entered Tokio Marine and Fire Insurance Company (“TMFI”)</p> <p>June 1995 Director and General Manager of Hokkaido Regional Headquarters of TMFI</p> <p>June 1998 Managing Director and General Manager of Hokkaido Regional Headquarters of TMFI</p> <p>June 2000 Senior Managing Director of TMFI</p> <p>June 2001 President of TMFI</p> <p>October 2004 President of Tokio Marine & Nichido Fire Insurance Co., Ltd. (“TMNFI”)</p> <p>June 2007 Chairman of the Board of TMNFI (to present)</p> <p>July 2008 Chairman of the Board of Tokio Marine Holdings, Inc. (to present)</p> <p>June 2010 Outside Director of the Company (to present)</p> <p>Material Concurrent Positions: Outside Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p>	400

Number of Candidates	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions	Number of Shares of the Company Held
9	Yuichiro Anzai (August 29, 1946)	<p>April 1988 Professor of Department of Electrical Engineering, Faculty of Science and Technology of Keio University (“Keio”) Professor, Department of Electronics and Electrical Engineering, Graduate School of Science and Technology, Keio</p> <p>July 1990 Visiting Professor of McGill University</p> <p>October 1993 Dean of Faculty of Science and Technology of Keio Chair of Graduate School of Science and Technology of Keio</p> <p>May 2001 President of Keio University</p> <p>May 2009 Professor of Keio Faculty of Science and Technology (to present) Professor of School of Open and Environmental Systems, Graduate School of Science and Technology of Keio (to present) Executive Advisor for Academic Affairs of Keio (to present)</p> <p>June 2010 Outside Director of the Company (to present)</p>	1,300
10*	Yuki Sato (October 9, 1950)	<p>April 1974 Entered Sankyo Company, Limited (“Sankyo”)</p> <p>April 2004 Manager of Osaka Plant of Sankyo</p> <p>April 2005 Manager of Hiratsuka Plant of Sankyo</p> <p>April 2006 General Manager of Supply Chain Business Department of Sankyo</p> <p>April 2007 Corporate Officer, General Manager of Supply Chain Planning Department of the Company</p> <p>April 2009 Executive Officer, Head of Pharmaceutical Technology Division of the Company</p> <p>April 2011 Senior Executive Officer, Head of Pharmaceutical Technology Division of the Company</p> <p>June 2011 Senior Executive Officer, Head of Supply Chain Division of the Company (to present)</p>	5,200

Notes:

1. The person marked with an asterisk is a candidate for a new director.
2. There are no significant conflict of interests between each candidate and the Company.
3. Ranbaxy Laboratories Ltd. (for which candidates for Director, Takashi Shoda and Tsutomu Une are concurrently serving as Directors) is a consolidated subsidiary of the Company. There are no material relationship of transaction between the other companies where the candidates for Director have material concurrent positions described above and the Company.
4. Takashi Okimoto, Hiroshi Hirabayashi, Kunio Ishihara, and Yuichiro Anzai are candidates for Outside Directors as stipulated in Article 2, Item 15 of the Companies Act.
5. The Company has designated the Outside Directors Takashi Okimoto, Hiroshi Hirabayashi, Kunio Ishihara and Yuichiro Anzai as Independent Directors, and filed them with the Tokyo Stock Exchange accordingly.
6. Matters of particular importance related to candidates for Outside Directors are as follows:
 - (1) Reasons for nomination as candidates for Outside Directors
 - 1) The Company requests election of Takashi Okimoto as Outside Director, so that his knowledge and insight concerning corporate management based on his extensive banking experience will be reflected in the management of the Company.
 - 2) The Company requests election of Hiroshi Hirabayashi as Outside Director, so that his knowledge and insight based on his global experience as diplomat will be reflected in the management of the Company, despite the fact that he has no experience in corporate management except as outside director or outside kansayaku (statutory auditor).
 - 3) The Company requests election of Kunio Ishihara as Outside Director, so that his knowledge and insight concerning corporate management based on his experience at non-life insurance company, etc. will be reflected in the management of the Company.
 - 4) The Company requests election of Yuichiro Anzai as Outside Director, so that his knowledge and insight

nurtured as professor at universities will be reflected in the management of the Company, despite the fact that he has no experience in corporate management except as outside director or outside kansayaku (statutory auditor).

- (2) In cases where candidates for Outside Directors have served as directors, corporate officers or kansayaku (statutory auditors) of other joint stock companies in the past five years, facts of unjust execution of duties while they were in office (if any)
- 1) Hiroshi Hirabayashi, a candidate for Outside Director, has been an Outside Director of Toshiba Corporation (“Toshiba”) since June 2007. In April 2009, Toshiba was ordered by the Ministry of Land, Infrastructure, Transport and Tourism to temporarily suspend business in accordance with the Construction Industry Law for violations of the Anti-Monopoly Law relating to the bidding for electrical facility work requested by City of Sapporo from April 2003 to December 2005. At a meeting of Board of Directors, he expressed his opinions and suggested that Toshiba needed to reinforce its compliance system in order to prevent recurrence of such misconduct.
He has also been acting as an Outside Director of Mitsui & Co., Ltd. (“Mitsui”) since June 2007. Mitsui’s misdeeds included facts that the Sales Section of its Kyushu branch was involved in unlawful circular transactions, included fictitious transactions relating to agricultural materials sold to local businesses between September 2000 and February 2008, and that its Functional Chemicals Sales Section was reporting fictitious transactions involving their export business for Southeast Asia, including Indonesia between April 2004 and August 2008 were exposed. After these discoveries, Hirabayashi, who had always emphasized the importance of compliance and internal control systems, continued to suggest reinforcement of internal controls in order to prevent the recurrence of such misconduct.
 - 2) Kunio Ishihara, one of the candidates for Outside Director, is currently acting as Chairman of the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd. (“TMNFI”). In November 2005, when he was President, TMNFI received an operational improvement order from the Financial Services Agency responsible for oversight of fringe insurance payments. As a result of its inappropriate nonpayment of insurance regarding third-category products, TMNFI received an order to temporarily suspend part of its business and an operational improvement order from the Financial Services Agency in March 2007.
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (“MUFG”), where he is also acting as Outside Director since January 2006, was ordered by the Financial Services Agency to take steps to improve its business administration, compliance, and internal control systems for overseas business and investment trust business in June 2007, as well as to deal with unresolved compliance issues involving UFJ Bank transactions conducted at business locations for corporate clients in February 2007. MUFG also received an operational improvement order from US authorities for its money-laundering prevention system in the US in December 2006. He was not aware of these matters until receiving reports, however, at meetings of the Board of Directors and other meetings, he had commented on the importance of legal compliance. After these discoveries, he received reports on the results of investigations at the meeting of the Board of Directors and monitored the formulation of the operational improvement plan.
- (3) The number of years since candidates for Outside Directors assumed office as Outside Directors
The candidate for Outside Director Takashi Okimoto assumed office as an Outside Director in the Company on June 27, 2008, and will have been in office for three years at the conclusion of this Ordinary General Meeting of Shareholders. The candidates for Outside Directors of Hiroshi Hirabayashi, Kunio Ishihara and Yuichiro Anzai assumed office as an Outside Director in the Company on June 28, 2010, and will have been in office for one year at the conclusion of this Ordinary General Meeting of Shareholders.
- (4) The outline of liability limitation agreement with Outside Directors
With regard to liability for damages under Article 423, Paragraph 1 of the Companies Act, the Company has entered agreements for limitation of liabilities in the event that the case falls under the requirements defined in laws and ordinances (Liability Limitation Agreements) with Outside Directors Takashi Okimoto, Hiroshi Hirabayashi, Kunio Ishihara and Yuichiro Anzai; provided, however, that the maximum amount of liabilities under such agreement is the minimum liability amount as provided by applicable laws and ordinances. When the election of each candidate for Outside Director is approved at the Meeting, we will continue the Liability Limitation Agreement on the same terms and conditions.
7. The “Career Summary, Positions, Assignments, and Material Concurrent Positions” are the status as of June 1, 2011.

Third Proposal: Election of Two (2) Kansayaku (Statutory Auditors)

The terms of office of two (2) Kansayaku (Statutory Auditors) Teruo Takayanagi and Hikaru Nagata will expire at the conclusion of this Ordinary General Meeting of Shareholders.

Accordingly, the Company requests approval for the election of two (2) Kansayaku (Statutory Auditors). Candidates for Kansayaku (Statutory Auditors) are as follows.

The Company has already obtained the approval from the Board of Kansayaku (Statutory Auditors) with respect to this proposal.

Number of Candidates	Name (Date of Birth)	Career Summary, Positions and Material Concurrent Positions	Number of Shares of the Company Held
1*	Kazuo Koike (March 17, 1952)	April 1974 Entered Sumitomo Bank Co., Ltd. (“Sumitomo Bank”) December 2003 Resigned Sumitomo Bank January 2004 Entered Daiichi Pharmaceutical Co., Ltd. (“Daiichi”) April 2005 General Manager of Internal Audit Department of Daiichi April 2007 General Manager of Internal Audit Department of the Company April 2011 Corporate Fellow, Internal Audit Department of the Company (to present)	2,915
2*	Takashi Chiba (November 19, 1952)	April 1976 Entered Sankyo Company, Limited (“Sankyo”) February 2004 General Manager of Legal Department of Sankyo April 2007 General Manager of Legal Department of the Company April 2010 General Manager of Legal Department, Administration Division of Japan Company of the Company April 2011 Corporate Fellow, Legal Department, Administration Division of Japan Company of the Company (to present)	6,772

Notes:

1. Persons marked with an asterisk are candidates for new Kansayaku (statutory auditors).
2. There are no significant conflict of interest between the candidates and the Company.
3. The “Career Summary, Positions and Material Concurrent Positions” are the status as of June 1, 2011.

Fourth Proposal: Provision of Bonuses to Directors

The Company requests approval for the payment of directors' bonuses, amounting to 143 million yen in total to the six Directors (excluding Outside Directors) who were at office at the end of this fiscal year taking into consideration the Company's performance, etc. during the business year.

The Company also requests approval for delegation of determination of the amount of the bonus to be paid to each Director to the resolution of the Board of Directors.

[Information on Exercise of Voting Rights, etc.]

- (1) Exercise of Voting Rights by Proxy
If unable to attend the Ordinary General Meeting of Shareholders, a proxy shareholder holding voting rights of the Company may be chosen to attend the meeting; provided, however, that a document proving the proxy is submitted.
- (2) Method for Informing Shareholders of the Revisions to Reference Documents for General Meeting of Shareholders, Business Report, and Non-consolidated and Consolidated Financial Statements
If any revisions in the Reference Documents for General Meeting of Shareholders, Business Report, and Non-consolidated and Consolidated Financial Statements arise, revised matters will be placed on the Company's website (<http://www.daiichisankyo.co.jp/>).
- (3) Treatment of Duplicate Votes by Mail and on the Internet etc.
If your voting rights are exercised both by mail and on the Internet etc., we will consider the exercise on the Internet to be valid.
- (4) Treatment of Duplicate Votes on the Internet etc.
If your voting rights are exercised more than once on the Internet, we will consider the latest vote to be valid.
- (5) Information on Exercise of Voting Rights on the Internet etc.
 - 1) Dedicated Voting Website
 - a. Voting rights may be exercised on the Internet only by gaining access to and using the website designated by us (<http://www.evotep.jp/>) for exercise of voting rights from a PC or a mobile phone (i-mode, EZweb or Yahoo! Keitai). (However, please note that Shareholders cannot exercise the rights between 2:00 am and 5:00 am everyday at the website) ("i-mode," "EZweb" and "Yahoo!" are trademarks or registered trademarks of NTT DoCoMo, Inc., KDDI Corporation, and the Yahoo! Inc. in the US, respectively.)
 - b. When exercising your voting rights on PC, please note that if firewalls, etc., are in place for your Internet connection, anti-virus software has been installed, or if you are using a proxy server, you might not be able to exercise your voting rights at the website for exercise of voting rights on the Internet, depending on the Internet environment of your setup.
 - c. When exercising your voting rights using a mobile phone, you need to use one of the following services: i-mode, EZweb, or Yahoo! Keitai. However, even if you use one of the listed services, for security reasons, you will only be able to vote on mobile terminals that may both process encrypted communications (SSL communications) and send such information.
 - d. Regarding the exercise of your voting rights on the Internet, voting rights can be exercised by 5:30 pm on Friday, June 24, 2011 (Japan Time), though, sooner exercise would be preferable. For further information, please contact the Help Desk of Mitsubishi UFJ Trust and Banking Corporation.
 - 2) How to Exercise Voting Rights on the Internet
 - a. Please use the "login ID" and the "temporary password" printed on the Card for Exercise of Voting Rights and input your vote in accordance with the instructions that will appear on your screen at Dedicated Voting Website (<http://www.evotep.jp/>).
 - b. Please note that, to prevent unauthorized access to the site by individuals other than shareholders (persons impersonating shareholders) or the alteration of votes, already made by authentic shareholders we may request shareholders to change their "temporary password" at Dedicated Voting Website.
 - c. Shareholders will be informed of the new "login ID" and "temporary password", every time a General Meeting of Shareholders is called.
 - 3) Costs Related to Accessing the Voting Website
All costs associated with the access to the voting website (<http://www.evotep.jp/>) (cost of dial-up connections, telephone tolls, etc.) need to be borne by the shareholder. Also, when voting by mobile phone, packet communication fees and other costs entailed by the use of mobile phones also need to be borne by the shareholder.

4) Method for Receiving the Convocation Notice

For the General Meeting of Shareholders to be held next time and in subsequent times, shareholders may elect to receive their convocation notice by e-mail upon requesting delivery in that method. Shareholders accessing the voting website on PC should complete the registration procedures on the website. (Please note that these procedures may not be completed using mobile phone and that e-mail addresses for mobile phones cannot be submitted for the registration.)

For further assistance regarding the system, please contact:

Transfer Agent Department (Help Desk)

Mitsubishi UFJ Trust and Banking Corporation

Phone: 0120-173-027 (9:00 to 21:00 (Japan Time), toll free (Japan only))