Daiichi Sankyo Group Value Report 2013

Daiichi-Sankyo

Passion for Innovation.
Compassion for Patients.™

From this year onwards, the Daiichi Sankyo Group will combine its Annual Report and its CSR Report into an integrated Value Report.
The Group interacts with multiple members of society, so rather than dividing up our activities into policy, strategy, and financial information in one report, and efforts to realize a sustainable society in another, we feel that the value that we offer is best grasped in a comprehensive manner.

The need for quality healthcare and medicine are expected to become a critical and social concern globally in the next fifty years. In this rapidly changing environment, the Daiichi Sankyo Group strives to become a global solution provider that has a good understanding of society's needs.
This objective was the starting point when we formulated our Third Mid-term Business Management Plan (FY2013-2017) in March this year. Following this plan, we target to become a Global Pharma Innovator, capable of sustainable growth, while meeting diverse medical needs throughout the world.

FY2013, being the first year of the third plan is particularly important.
We will continue taking steps towards increasing both sales and income, while realizing sales of at least one trillion yen and bolstering market competitiveness.
We expect continued understanding and support from our stakeholders.

June, 2013

Joji Nakayama
Representative Director, President and CEO

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Daiichi Sankyo's Mission

To contribute to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs.

There are still many diseases for which the level of satisfaction with treatment is insufficient or for which there is no established treatment. Pharmaceutical companies play an integral part in medical treatment and are depended upon to provide solutions to these problems.

We have established Our Values & Commitments as the criteria of the value judgment of our business activity and decision making. In addition, we have established the DAIICHI SANKYO Group Corporate Conduct Charter to comply any law and rule on global corporate activities and act with high ethical standards and social common sense worthy of a company engaged in a business that affects human lives.

Our Values & Commitments

Innovation -Our Imperative-

1. To create first-in-class and best-in-class drugs
2. To take a global perspective, and respect local values
3. To foster intellectual curiosity and strategic insight

Integrity -Our Strength-

4. To provide the highest quality medical information
5. To provide a stable supply of top-quality pharmaceutical products
6. To be an ethical, trusted, and respectful partner

Accountability -Our Culture-

7. To be accountable for achieving our goals
8. To demonstrate professionalism, respect for others and teamwork

DAIICHI SANKYO Group Corporate Conduct Charter

Article 1 We diligently address medical needs by providing beneficial, safe, and reliable pharmaceuticals and services.

Article 2 We conduct business in an ethical, fair and competitive manner, and maintain a healthy and professional relationship with our stakeholders, which include medical professionals and governments.

Article 3 We actively communicate with our stakeholders by disclosing corporate information in a timely and appropriate manner in accordance with the principles of corporate accountability. We take appropriate measures to manage and protect personal and customer information and the confidential information of our and other companies.

Article 4 The globalization of business activities requires that we operate by being compliant with the laws of each country and region, and by being respectful to all international norms including human rights, various cultures and customs. As a result, we contribute to the development of the local economy and society.

Article 5 We respect diversity in the personal values, qualities and individuality of our employees, and ensure a safe and working environment that does not tolerate inappropriate treatment such as discrimination or harassment. We provide employees the opportunity to develop their skills and abilities for the mutual development of the employee and the corporation.

Article 6 We responsibly manage the environmental impact of our operations as environmental issues are common challenges for mankind and such concerns are integral to our corporate activities and our very survival.

Article 7 We actively engage in community activities and philanthropic programs focused on social causes.

Article 8 We do not support or conduct our business with antisocial forces, prohibited entities or groups that may threaten the order or safety of civil society.

Article 9 Executives of the DAIICHI SANKYO Group actively build and maintain effective systems to implement this Charter, ensure it is understood by all Group companies and make this Charter known to our business partners.

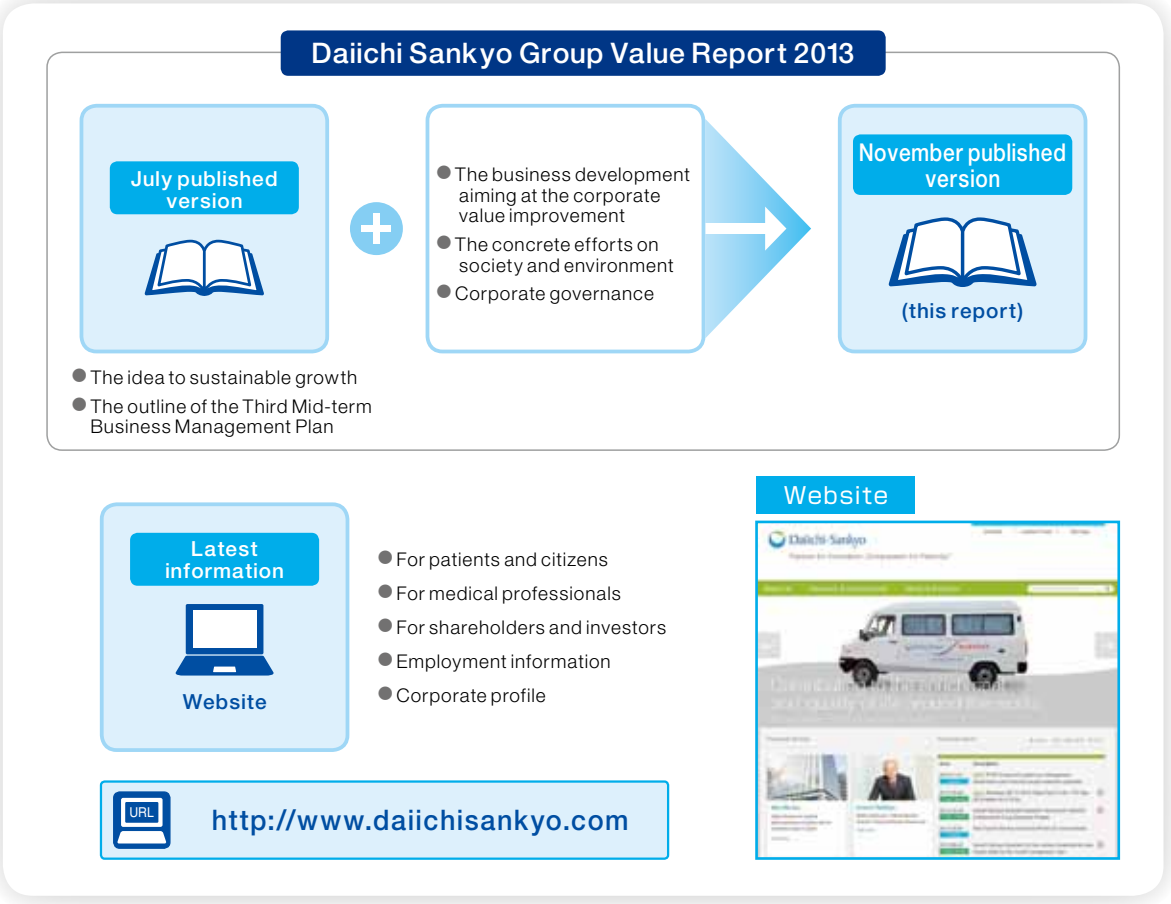
Article 10 If the Charter is violated, executives of DAIICHI SANKYO Group Companies ensure that there is a commitment to determine the cause of infringement, take corrective action as necessary and make efforts to prevent similar violations in the future. Executives are accountable for promptly making required disclosures and upon discerning responsibility regarding the infringement, impose appropriate disciplinary action, including upon Executives themselves.

Communication Policy

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

In fiscal 2013, the version published in July mainly includes the idea to sustainable growth and the outline of the Third Mid-term Business Management Plan and, in addition, the version published November (this report) reports the business development aiming at the corporate value improvement, the concrete efforts on society and environment, and the current situation about our corporate governance.

For the latest information, please refer our company’s website.



Precautions for future prospects

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

Period Covered

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

Inquiries

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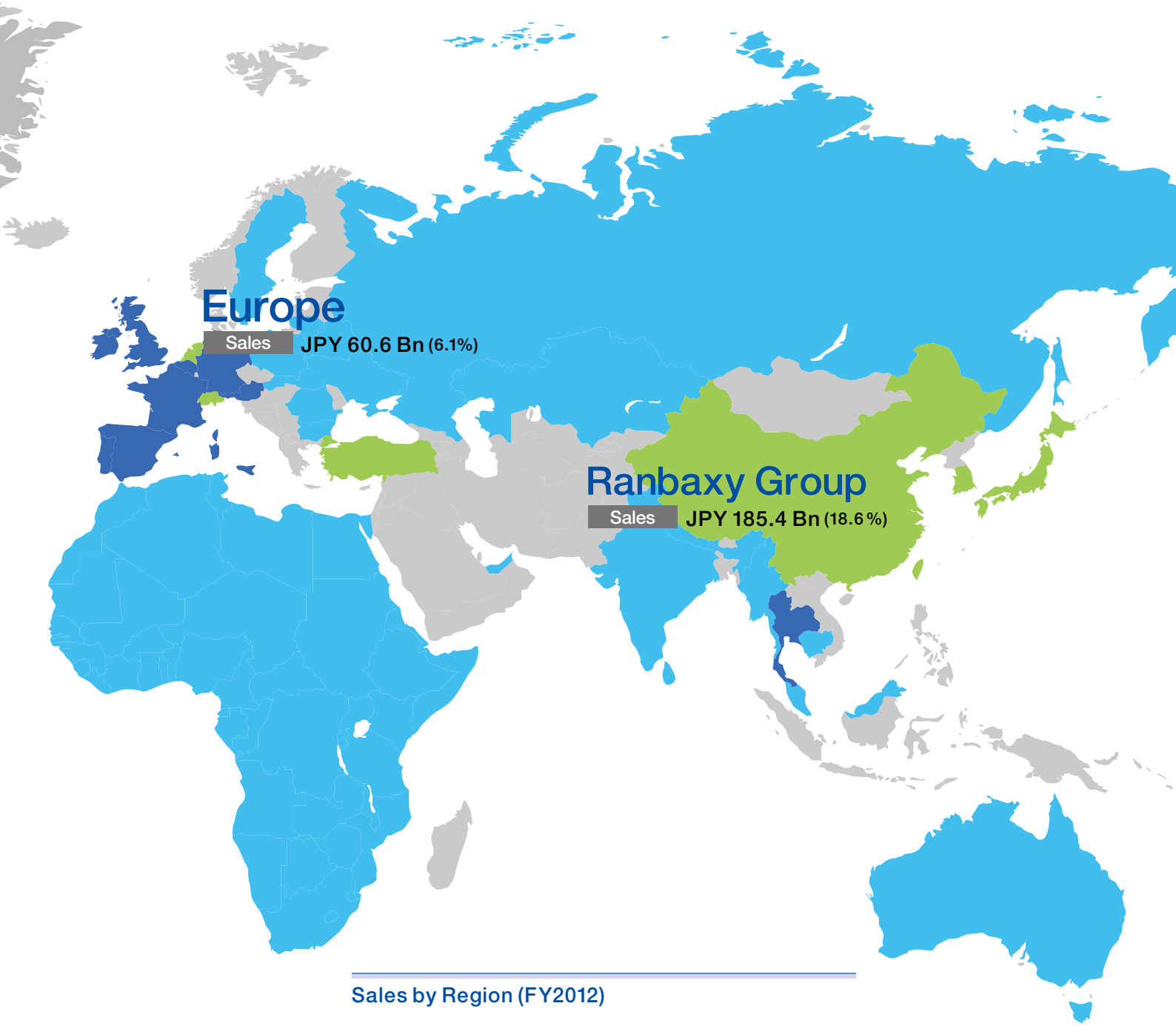
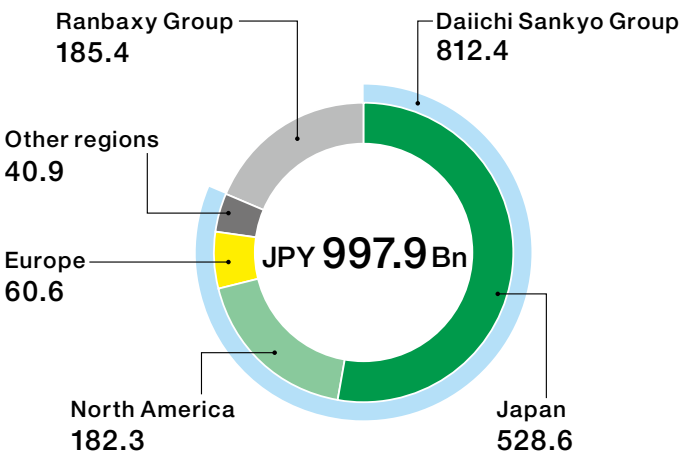
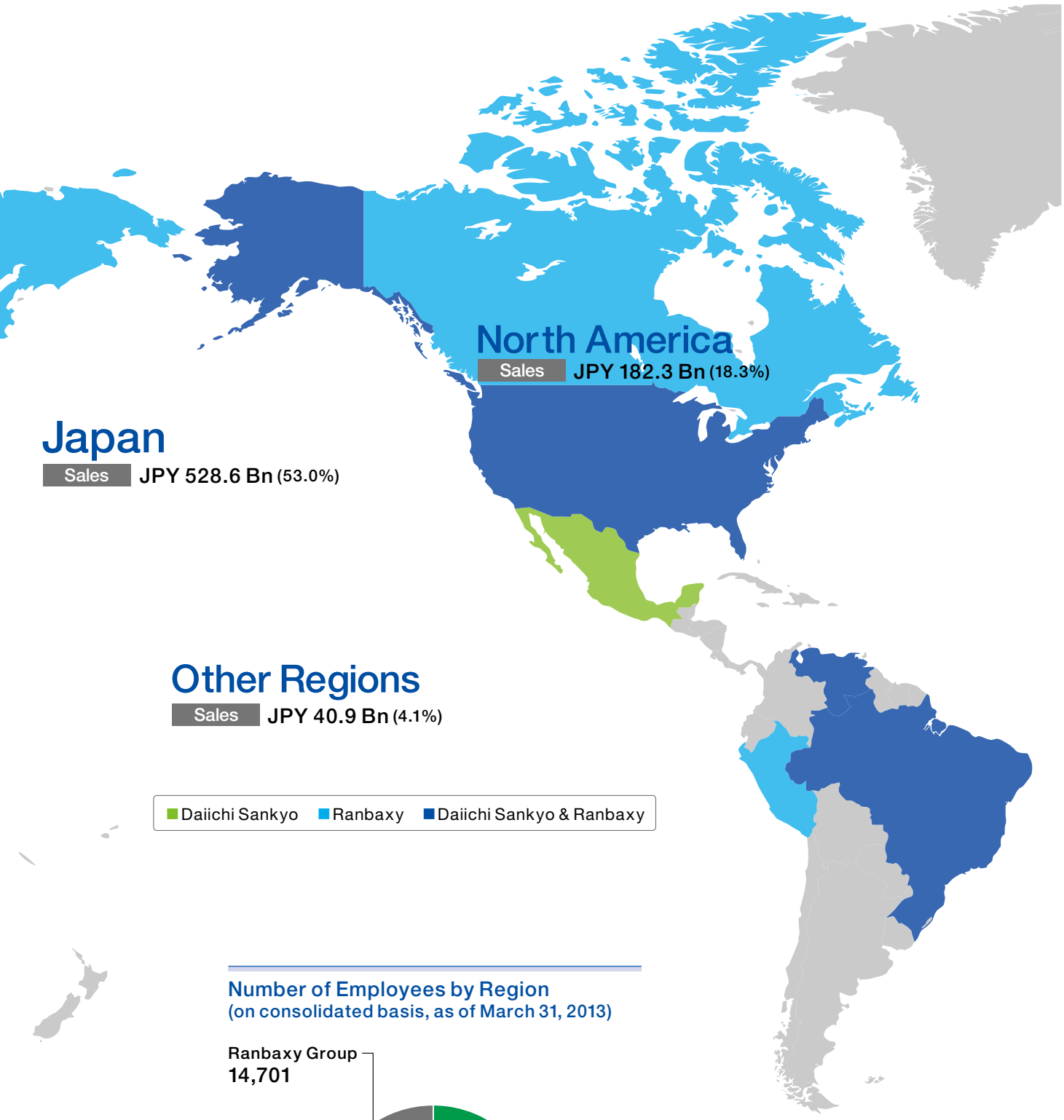
Global Business Deployment

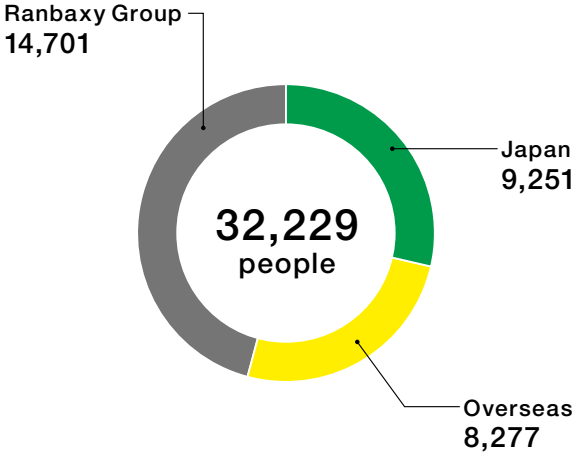


Sales by Region (FY2012)





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



Highlights of Financial and Non-Financial Data

DAIICHI SANKYO COMPANY, LIMITED and Consolidated Subsidiaries

Economic	Unit	FY2008	FY2009	FY2010	FY2011	FY2012
Net sales	Millions of yen	842,147	952,105	967,365	938,677	997,852
Operating income	Millions of yen	88,870	95,509	122,143	98,202	100,516
Net income (loss)	Millions of yen	△215,499	41,852	70,121	10,383	66,621
Sales outside Japan	Millions of yen	373,254	482,337	489,735	469,085	486,658
Sales outside Japan to net sales	%	44.3	50.7	50.6	50.0	48.8
R&D expenses	Millions of yen	184,539	196,802	194,330	185,052	183,047
R&D expenses to net sales	%	21.9	20.7	20.1	19.7	18.3
Depreciation and amortization expenses	Millions of yen	40,582	45,942	43,945	46,305	41,423
Total assets	Millions of yen	1,494,599	1,489,510	1,480,240	1,518,479	1,644,071
Total net assets	Millions of yen	888,617	889,508	887,702	832,749	915,745
Return on shareholders' equity	%	△20.5	4.9	8.2	1.3	7.9
Net income (loss) per share of common stock	Yen	△304.22	59.45	99.62	14.75	94.64
Cash dividends per share	Yen	80	60	60	60	60

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

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

URL http://www.daiichisankyo.com/media_investors/investor_relations

TOP > Media & Investors > Investor Relations

Environmental

	Scope	Unit	FY2010	FY2011	FY2012
CO_2 emissions	Global	t-CO_2	481,612	473,233	521,550
	In Japan	t-CO_2	157,016	159,563	164,914
Energy Use	Global	1,000 GJ	7,842	7,935	8,616
	In Japan	1,000 GJ	3,505	3,499	3,659
Water Use	Global	1,000m^3	—	15,651	16,199
	In Japan	1,000m^3	13,206	13,327	13,535
ISO 14001-certified sites	Global	Sites	12	13	14
Final Disposal Rate of Waste	In Japan	%	0.33	0.93	0.40
Amount of Office Paper Consumed	In Japan	Million Sheets	74.21	70.78	69.70
Amounts handled of PRTR Substances	In Japan	t	3,474.6	5,704.0	6,087.1

Society

	Scope	Unit	FY2010	FY2011	FY2012
Number of employees	Global	Persons	30,488	31,929	32,229
	In Japan	Persons	9,002	9,308	9,251
	Outside Japan	Persons	21,486	22,621	22,978
Percentage of women in managerial positions	Non-consolidated	%	2.9	3.3	3.6
Frequency of industrial accidents	In Japan	—	0.62	0.44	0.39
Labor Union Participation Rate	In Japan	%	100	100	100
Number of company-wide award winners	In Japan	Persons	44	43	36

Governance

	Scope	Unit	FY2010	FY2011	FY2012
Number of Directors	Non-consolidated	Persons	10	10	10
Number of Outside Directors	Non-consolidated	Persons	4	4	4
Number of Statutory Auditors	Non-consolidated	Persons	4	4	4
Number of Outside Statutory Auditors	Non-consolidated	Persons	2	2	2

Highlights FY2012

April 17

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

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

April 18

Participation in United Nations Global Compact

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

THE GLOBAL COMPACT
WE SUPPORT

April 25

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

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

2012

April | May | June | July | August | September

May 8

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

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

July 2

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

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

Main External Recognitions in FY2012

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

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

FTSE4Good

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

September 2, 9

Daiichi Sankyo Presents Family Ties Theater 2012

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

September 10

Launched TENELIA tablets for curing type 2 diabetes

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

October | November | December | January | February | March 2013

February 14

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

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

March 25

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

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

Management Discussion April 24, 2013

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

Tetsuo KITAGAWA
Professor of Aoyama Gakuin University
Graduate School of International Management

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

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

Mission of a pharmaceutical company

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

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

Kitagawa: In the case of a pharmaceutical company, it isn't enough to have a short or mid-term focus. Instead, it is important to constantly monitor fairly long-term perspectives. Accordingly, investors should also understand the need for bold investment and the corporation must be giving persuasive explanations patiently.
In that respect, I was very satisfied with how your company first indicated a long-term outlook while announcing its current Mid-term Business Management Plan.

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

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

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

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

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

sustainable improvement of corporate

Responsible corporate activities that support business

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

Nakayama: In terms of "shared global business," Daiichi Sankyo Group has adopted the Daiichi Sankyo Group Corporate Conduct Charter. This code requires all employees globally to conform to a standard code of conduct, in addition certain local codes of conduct are also implemented on the basis of specific local business customs including laws and regulations. Therefore, we created our global code of business conduct to be the overarching conduct code on shared items based upon an assessment of how such rules are interpreted and applied within the operations of each country.

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

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

Becoming No. 1

Nakayama: It is troublesome and costly to be bogged down with fixed goals. If things are stable, then it might be smart to form a strategy in which we rise to the second position and then overtake the leader right before the goal. However, in today's world, winds of change blow from every direction. Therefore, if you don't acquire the ability to extract truth and analyze issues by yourself, you will ultimately end up in a most disadvantageous position. At our company, I continue to emphasize the importance of becoming No. 1. This not just means to have the highest sales and income figures, but rather becoming a company that is first to take on the world's problems and provide solutions, as well as becoming a company which is imitated by others. I never want to hear any of our employees talk about following in the footsteps of some other company!

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

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

Changing diversity into ability

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

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

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

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

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

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

Proper behavior as a company employee

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

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

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

Nakayama: In order for an individual to be accepted as a member of society, it is necessary to duly fulfill duties to that society as a citizen and to act correctly towards other individuals. The same principle is true for corporations as well. From issues concerning the environment to human rights and compliance, society’s demands toward corporations change over the times. What kind of value should a corporation provide to society by contributing through business activities and by contributing directly within a certain range of income? This question contains a variety of elements. However, the core of such contribution is to fulfill our responsibilities/duties and to grow together with society as an individual member of society, not as a corporate machine. This is the essence of my philosophy.

Information disclosure and communication to attract investors

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

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

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

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

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

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

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

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

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

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

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

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

The Second Mid-term Plan (FY2010-2012) sought to attain more rapid growth in developing countries like India and China, while maintaining growth in developed countries. The Group began developing a sustainable hybrid business model through its foray into vaccines and the generic business in Japan. This period also saw the conclusion of clinical trials for Edoxaban, our next-generation anticoagulant drug, which reached the new drug application (NDA) stage, first in Japan. Although we saw success in laying the groundwork for future growth, this period proved challenging in terms of profitability. This remains a key managerial issue going forward to achieve sustainable growth.

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

This plan is a cornerstone of our efforts to become a Global Pharma Innovator capable of sustainable growth while addressing diverse medical needs throughout the world. The first year of the plan is particularly important, so in fiscal 2013 we will continue making certain steps towards increasing both sales and income while realizing sales of at least one trillion yen and bolstering market competitiveness.

● General Objectives

Overcome Olmesartan LOE (loss of exclusivity) Set Course for Further Growth

● Achieve sustainable revenue growth and improve profitability

Revenue CAGR (FY2012 to FY2017)	Over 5%
FY2017 operating income margin	Over 15%
ROE	10% or over
EPS	150 yen or over

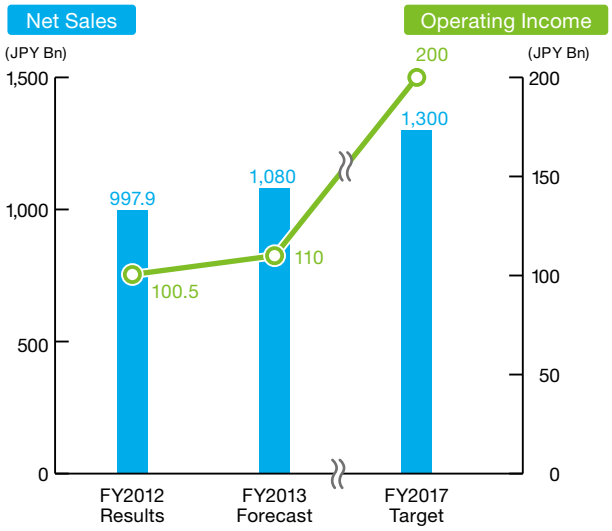
Stable dividends and flexible shareholder returns

● Transform into a hybrid business powerhouse

Strengthen business in key markets (Japan, India, and U.S.) and emerging markets

Flexible corporate structure to navigate through changing business environment

● Numerical Targets



Core Strategy 1:

Enhance innovative product portfolio and R&D pipeline

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

We will continue our efforts to increase prescriptions for Prasugrel in the U.S. and Europe for its approved indication of reducing thrombotic cardiovascular events in acute coronary syndrome (ACS) patients undergoing percutaneous coronary intervention (PCI). The drug is also scheduled for launch in Japan in fiscal 2014, and we expect it to become a major product.

Edoxaban is scheduled for launch in many countries during fiscal 2014 and beyond. We hope that its benefits may allow Edoxaban to become a best-in-class therapy, and we intend to transform this into a global blockbuster that can serve as a pillar of next-generation innovative drug discovery.

Of course, we are also working hard on innovating next new generation potential blockbuster drugs by enhancing our R&D pipeline. Of particular importance are DS-5565 for diabetic peripheral neuropathic pain and cancer-related projects such as Tivantinib, U3-1287, and PLX-3397.

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

The Japanese market serves as a key growth driver in the Third Mid-term Business Management Plan.

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

● Projects to be Approved/Launched

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

*1 Diabetic Peripheral Neuropathic Pain
*2 Includes projects to be approved/launched before FY2018
*3 To maximize product's value by ways such as adding indication.

(As of March, 2013)

Core Strategy 2 :

Develop competitive businesses to address diverse local needs

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

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

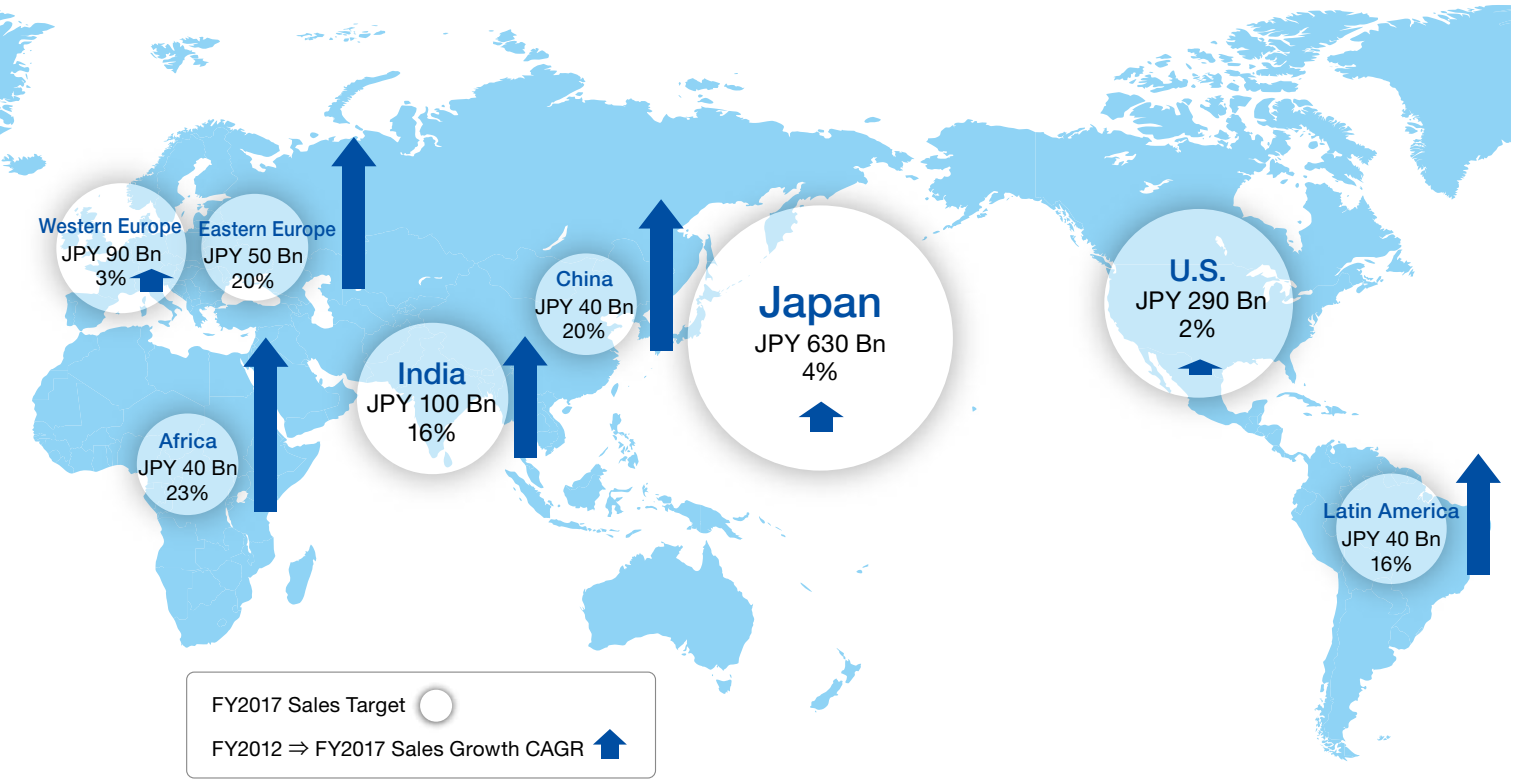
In Japan, while pursuing continued growth through innovative new drugs, we will also strengthen foundations of Daiichi Sankyo Espha to expand and boost profitability in the generic business. We will also strive to establish our position as a Japan's leading vaccine company.

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

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

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

● Steady Growth in Developed Markets, Substantial Growth in Emerging Markets



Core Strategy 3 :

Transition to a low-cost operating framework

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

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

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

Marketing & Sales

"To contribute to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs."
With this mission, Daiichi Sankyo Group operates in more than 50 countries.

Key Products Strategy

We have started its Third Mid-term Business Management Plan (FY2013-2017) aiming to establish itself as a"Global Pharma Innovator"capable of sustainable growth, while addressing diverse medical needs throughout the world. In fiscal 2007, when the Company started its combined business after merger of Daiichi Pharmaceutical Company and Sankyo Company Limited, a major challenge was to overcome patent cliff of its key products antihyperlipidemic agent pravastatin and the synthetic antibacterial agent levofloxacin, which the company successfully overcome by its blockbuster, antihypertensive agent olmesartan.

Now that olmesartan will be approaching maturity phase after growing throughout First & Second Mid-term Business Management Plans period (FY2007-2012), a major business challenge in the Third Mid-term Business Management Plan is going to be how smoothly we can offset olmesartan patent cliff by generating significant revenue from the next-generation antiplatelet agent, prasugrel, and anticoagulant drug, edoxaban , for sustainable growth.

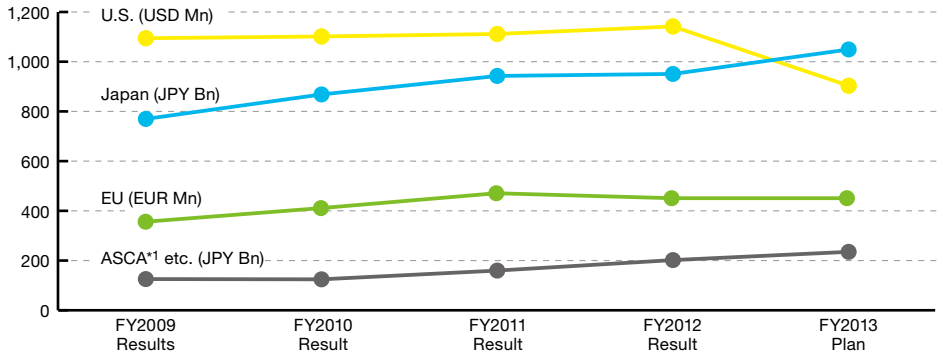
● Olmesartan

In the Western markets, we are pursuing lifecycle management strategies focusing on a shift to combination products business. Especially in Europe, we are accelerating switchover to Sevikar and Sevikar HCT which not just provide significant patient benefits but also have extended market life and revenue opportunity.

There is still considerable room for growth in emerging markets. We are making attempts to increase market share of olmesartan by continually expanding our business in China following the successful launch of Sevikar.

In Japan, we are endeavoring to attract our potential customers' attention to olmesartan's well-established efficacy in the ARB class and it's favorable safety profile. We are also going to emphasize olmesartan's wide dosage range from low content of 5 mg to high content of 40 mg.

● Sales of Olmesartan (Local Currency Basis)



	FY2009 Result	FY2010 Result	FY2011 Result	FY2012 Result	FY2013 Plan
Japan (JPY Bn)	772	870	944	952	1,050
U.S. (USD Mn)	1,095	1,102	1,112	1,142	905
EU (EUR Mn)	353	408	468	448	448
ASCA etc. (JPY Bn)	131	139	165	207	240

Breakdown for Olmesartan Japan: Olmetec, Rezaltas
U.S.: Benicar, Benicar HCT, Azor, Tribenzor
Europe: Olmetec, Olmetec Plus, Sevikar, Sevikar HCT

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

● Prasugrel

We have conducted two Phase III trials of prasugrel in Japan, for treatments of ACS-PCI*1 patients and elective-PCI patients.
Both trials in prasugrel group showed positive result in efficacy and the same level of bleeding ratio in safety, compared to the control group. We expect prasugrel to become a standard therapeutic drug for the treatment of ischemic heart disease undergoing PCI in Japan.

Based on these data, we applied for approval for an indication in the cardiac area in June 2013. Phase III trial for ischemic stroke patients is currently ongoing and expected to be completed in fiscal 2014.

In the global market, we are focusing more intensively on ACS-PCI patients with high risk of recurrence and aim to build growth in this area continuously based on the fact that we have obtained “class 1b” recommendation in the treatment guidelines of U.S. (AHA/ACCF/SCAI) and EU (ESC).

Also, we are going to actively expand our prasugrel business in emerging markets. Approval in China is expected by the end of fiscal 2013.

● Edoxaban

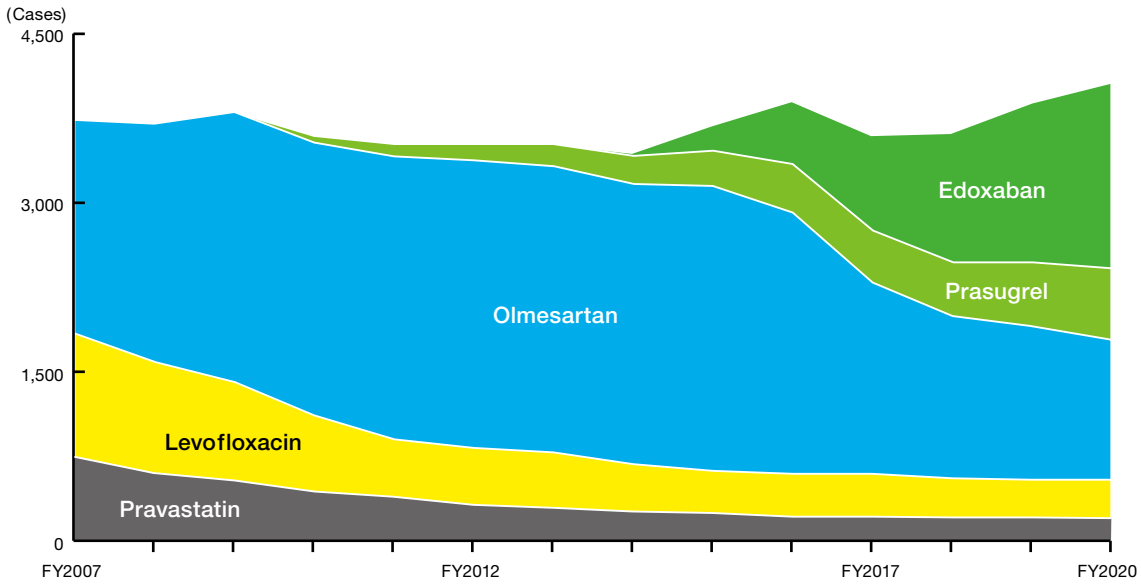
Edoxaban is an oral Factor Xa anticoagulant with excellent efficacy and a safety profile that requires only one dose a day, and is already marketed in Japan. We have conducted two global Phase III trials: Hokusai VTE trial aimed to acquire regulatory approvals for the indication of prevention of venous thrombosis (VTE), and the ENGAGE-AF TIMI 48 trial aimed to acquire approval for the prevention of stroke/systemic embolic events (SEE)among patients with (AF).

Regarding the indication for the prevention of stroke/systemic embolic events (SEE)among patients with (AF), we are aiming to get approval and launch by fiscal 2014 in Japan, U.S. and EU, and by fiscal 2015 or later in Asia and Latin America.

In addition, with regard to VTE, we are aiming to get approval and launch in Japan, U.S. and EU in fiscal 2014, and in Asia and Latin America in fiscal 2015 or later.

The group will also consider option to develop edoxaban business in emerging market through Ranbaxy.

● Sustainable Growth with Smooth Transition of Key Drivers



*1 Patients with acute coronary syndrome (ACS) undergoing percutaneous coronary intervention (PCI).

Regional Strategy

We are currently pursuing marketing activities to address diverse medical needs in each region in an effort to achieve the target of the Third Mid-term Business Management Plan, i.e., “global sales of 1.3 trillion yen in fiscal 2017”. With our steady growth in the developed markets including the U.S., EU and Japan as a foundation, we are aiming to realize the sustainable and substantial growth in the emerging markets in India, China, Eastern Europe, the CIS countries and Africa over next 5 years.

The U.S.

In the U.S., we are engaged in three lines of business operations, i.e. Daiichi Sankyo, Inc. (DSI), Luitpold Pharmaceuticals, Inc. (LPI) and Ranbaxy Laboratories Limited. To address diverse market needs, we are aiming to grow through independent and flexible operations by making the most of the strengths of each line of operations in the U.S.

Since the exclusive marketing rights of Welchol and Benicar expire in fiscal 2014 and 2016 respectively, DSI will seek to offset the effect of LOE (Loss of Exclusivity) with prasugrel and edoxaban, as well as through complementary acquisitions or partnerships to boost sales performance.

LPI is aiming to maintain its leadership in the injectable iron segment by launching Injectafer in fiscal 2013, the next generation product to succeed Venofer. With entry into the gynecological medicine market within its sight, LPI is attempting to further develop its business in the U.S. iron preparation market where it has already secured the top share. LPI is also pursuing expansion of its multisource business by utilizing the new factory of former Pharma-Force that the company has acquired.

Ranbaxy is aiming to launch DS’s authorized generics*1 in the future in addition to the successful launch of FTF*2 products. Ranbaxy is also focusing on expansion of its branded business in dermatology. Products such as Absorica, which was launched at the end of 2012, are expected to become key drivers in our operation in the U.S. in the future.

Western Europe

Daiichi Sankyo Europe plans to improve the value of branded products as well as to maintain sales and profits by further shifting the promotion of olmesartan to combination products. Regarding prasugrel, the company is promoting use of the product in patients with high-risk ACS-PCI*3.

On the other hand, being in the highly competitive market environment, the company has already started business productivity improvements including organizational restructuring, and is aiming to transform itself to a more resilient organization that is capable of sustainable growth.

Greg Barrett
Daiichi Sankyo, Inc.
Head of the Commercial Division

Mary Jane Helenek
Luitpold Pharmaceuticals, Inc.
President & CEO

Jan Van Ruymbeke
Daiichi Sankyo Europe GmbH
Managing Director & CEO

*1 The generic medicine which is entitled to use the patents and made using the completely same ingredients and manufacturing method with the original medicine.
*2 An abbreviated name for First to File. The U.S. system to ensure 180-day market exclusivity for the first company which files a patent application for generic drugs.
*3 Patients with acute coronary syndrome (ACS) undergoing percutaneous coronary intervention (PCI).

Emerging Countries

(ASCA)

In the ASCA (Asia, South and Central America) regions, due to the diversity in terms of demographics, economic growth, economic disparity, medical insurance systems, distribution systems, and use of medicines, differentiated strategies and tactics suitable for the market characteristics of each country is essential for sustainable growth.

In such an environment, we are first aiming to launch new products such as prasugrel and edoxaban, in China, while further expanding our olmesartan business.

We are also aggressively working on promotion of the hybrid business in collaboration with Ranbaxy and utilization and acquisition of external resources to achieve rapid growth during the implementation of the Third Mid-term Business Management Plan.

(Ranbaxy)

Ranbaxy is a key component of Daiichi Sankyo Group's hybrid business model. We are striving for sustainable growth by promoting its products with high quality and profitability in the global market.

We are aiming to grow further as a leading company in India by further leveraging Ranbaxy's brand.

We are focusing on development of competitive and differentiated products and market them through Ranbaxy's global sales network. Regarding the business development in the emerging countries in Eastern Europe and Africa, we are promoting acquisition of external resources while strengthening business foundation in the regions.

In addition, we will implement Consent Decree agreed by the U.S. FDA (Food and Drug Administration) in December 2011, to resolve the AIP*1 (Application Integrity Policy) and import alert on certain manufacturing facilities in India. Daiichi Sankyo is appropriately overseeing the quality of Ranbaxy's products. We will continue to strengthen the foundations to establish organizational structure to support growth strategy.

During the Third Mid-term Business Management Plan, we are further evolving the "hybrid business model", which has been promoted by Ranbaxy ever since they joined the Daiichi Sankyo Group., Daiichi Sankyo group's innovative drugs such as olmesartan and others are going to be promoted in the emerging countries by Ranbaxy.

At the same time, we will expand Ranbaxy's generic products and differentiated products through Daiichi Sankyo's network in Japan as well as global market.

Furthermore, we are aiming to develop authorized generics of Daiichi Sankyo's innovative medical drugs right after the expiration of LOE (Loss of Exclusivity).

We are exploring cost reductions by sharing part of DS's olmesartan and edoxaban production processes with Ranbaxy.

Shuji Handa
Executive Officer, President
of ASCA Company
Daiichi Sankyo Co., Ltd.

Arun Sawhney
Ranbaxy Laboratories Ltd.
CEO & Managing Director

*1 An abbreviated name for Application Integrity Policy. An AIP is invoked against a facility by the U.S. Food and Drug Administration (FDA) when questions arise concerning the integrity and reliability of data submitted in its drug applications.

Japan ● Innovative Pharmaceutical Business

We contribute to medicine in Japan by providing a reliable source of information and the pharmaceuticals that Japanese patients need on a daily basis.

Ryoichi Kibushi
Senior Executive Officer
Head of Sales & Marketing Division, Japan Company
Daiichi Sankyo Co., Ltd.

The products launched during Daiichi Sankyo's Second Mid-term Business Management Plan (FY2010-2012) period are all pharmaceutical products that will become even more important as the population of Japan continues to age. These products include Rezaltas, an antihypertensive; Memary, a treatment for Alzheimer's disease; and Nexium, a proton pump inhibitor for treating reflux esophagitis and other problems.

The product lineup will be enhanced even further as part of the Third Mid-term Business Management Plan. PRALIA, a new treatment for osteoporosis, was launched in June 2013. In fiscal 2014 new indications are planned for Lixiana (edoxaban), a direct oral factor Xa inhibitor, and in the same year we plan to launch Prasugrel, an antiplatelet agent. Both products have the potential to aim for positions in Japan as standard treatments for thrombosis and embolism. For diabetes drugs, in addition to Tenelia which is manufactured by Mitsubishi Tanabe Pharma Corporation and was launched in fiscal 2012, we also plan to jointly market Canagliflozin, which was submitted for marketing approval by MT Pharma in May 2013. The power of reflecting the strength of product lineup surely in the acquisition of prescriptions - the massive volume of details*1 gathered by 2,300 MR*2 and the high quality of information are the unique features of Daiichi Sankyo.

After going through the integration period of the First Mid-term Business Management Plan and then building a strong base for rapid progress with the Second Mid-term Business Management Plan, Daiichi Sankyo's Japanese Sales & Marketing Division has built up trust from those in the medical field. By using this business base we have built so far and carrying out the Third Mid-term Business Management Plan with speed and passion, we will contribute to both medical advancement in Japan and growth of the Daiichi Sankyo Group.

Although the growth rate of the Japanese prescription drug market has been slowing, it is

*1 Provision and collection of medical information
*2 A medical representative (MR) is primarily responsible for visiting medical professionals to compile and provide information on the safe and effective use of pharmaceutical products in order to ensure that the products are used appropriately.

still expected to reach an annual value of 10 trillion yen.

In particular, with the aging population, prescription drugs for lifestyle-related diseases such as Renin-Angiotensin type hypertension, lipids and diabetes will continue to be a major market. With cancer still the leading cause of death, anticancer drugs are seeing significant growth, and Japan's preventive health care policies have also contributed to growth for vaccines. On the other hand, the promotion for the use of generic medicines will be enhanced upon the fact that the national medical expense is increasing in excess of the growth of the national income. In addition, the introduction of Transparency Guidelines and tightening of the Promotion Code are examples of how conditions for marketing activities have become stricter.

The circumstances surrounding the medicines have been changed from moment to moment in accordance with the medical needs which have been diversified. In flexibly responding to the changes of circumstances, and in increasing the number of products on which we need to focus, we will start approaches via various channels such as promoting new products and those listed for a long time, by utilizing almost 100% (based on the amount) distribution coverage of Japan's sales channels of medical and pharmaceutical products, building the relationships with health insurance pharmacies, hosting lectures, advertising online, and enlightening diseases in order to perform efficient information services (Multi-Channel Approach). We aim for sustainable growth by being a reliable partner. We do this by continuing Daiichi Sankyo's original MR Crosswise Structure*1, which combines medical representatives (MRs) responsible for meeting the overall needs in medical facilities, with highly specialized MRs assigned to specific therapeutic areas, and collaborating with Group companies.

Sales of prescription drugs for fiscal 2012 in Japan included the increased sales of Memary and Nexium, with the aggressive promotions described as above after the removal of the limitation on dosage period, for a 9.6% increase year-over-year to ¥459.9 billion. Trends and future strategies for major products are given below.

● Olmesartan Family (Antihypertensive)

Olmetec is widely recognized for its strong efficacy in reducing blood pressure putting it in a position where it can aim for the top share of the ARB mono therapy market in Japan. In fiscal 2013 we are focusing on providing information so that Olmetec will be prescribed to a wider range of patients. We have Calblock, a long-acting calcium channel blocker with hopes for its cardioprotective and renoprotective effects, and Rezaltas, combination products of Olmetec and Calblock. The Daiichi Sankyo Japanese Sales & Marketing Division has positioned these three products as the olmesartan family, and will propose them as treatments that can meet the needs of a variety of different conditions.

● Memary (NMDA Receptor Antagonist Treatment for Alzheimer's Disease)

We are attempting to penetrate the Japanese market with Memary as a new treatment for Alzheimer's disease. We promote proper use so that dementia patients and their families can enjoy peaceful daily life, as part of a comprehensive approach including patient education with the goal of prescribing Memary and Donepezil jointly to new patients.

● Nexium (Proton Pump Inhibitor)

Achieving status as No.1 new prescription once the dosage period restriction was lifted, shares of sales have increased rapidly. With joint promotion of Nexium together with AstraZeneca K.K and recognized as being very effective at regulating gastric acid secretion, our goal is to quickly gain the top share in the proton pump inhibitor market in Japan.

*1 A structure that links MRs who call on certain medical facilities and regional areas with MRs supplying specialized data in specific medical and therapeutic fields, ensuring the provision of high-quality information.

Japan ● Generic Business

We will bring about a new standard of generic drugs utilizing the quality and innovation that are unique to Daiichi Sankyo brands.

Hiroto Yoshiwaka
Representative Director, President
Daiichi Sankyo Espha Co., Ltd.

The government has reinforced the promotion of the use of generic drugs in order to inhibit the increase of the medical costs with Japan's rapidly aging society. In April 2013, the Ministry of Health, Labor and Welfare announced a generic usage promotion plan to raise the existing target level and aim for the volume-based penetration rate of 60% or over by the end of fiscal 2017 based on the new calculation system. Under the circumstances, Daiichi Sankyo Espha steadily increased the line of generic drugs and the sales in fiscal 2012 reached 10.9 billion yen, a 20.3% increase compared to the previous year (prior to consolidated adjustment).

Based on the trust that the Daiichi Sankyo Group has established as a brand-name drug manufacturer, Daiichi Sankyo Espha has been creating and providing high value-added generic drugs with an aim to become the first choice of patients who need generic drugs. Particularly on "quality" aspects, we used techniques such as laser printing of the name of the drug/company on both sides of the tablet and printing a barcode on the back of the PTP sheet of each tablet in order to make it easy to take and to avoid misuse of our medications. We are committed to setting new standards for generic drugs and meeting unmet needs by enhancing the value of generic, which will help us meet the expectations of the society and offer more options for the Japanese healthcare system.

In fiscal 2013, one of our key strategies is to seek a larger market share of the generic drug Donepezil that was put on the market in fiscal 2011. Since January 2013, we have strengthened the sales cooperation with the Sales & Marketing Division of Daiichi Sankyo that owns the treatment of Alzheimer's disease Memary that can be taken in combination with Donepezil. We will contribute to establishing the Daiichi Sankyo brand in the area of AD (Alzheimer's disease).

In addition to this, we will strive to strengthen the relationships with health insurance pharmacies and wholesalers to ensure the top share of two items in generic ARB drugs which will become off-patent in 2014. We will also try to secure the No.1 domestic share of the product that would become the first drug developed jointly with Ranbaxy and thus create synergies for the Daiichi Sankyo Group.

Japan ● Vaccine

We make a contribution to improve public health and medical economic efficiency while preventing infectious diseases and child life-threatening diseases.

Takeshi Ogita Ph.D.
Member of the Board, Senior Executive Officer
Head of Vaccine Business Intelligence Division, Japan Company
Daiichi Sankyo Co., Ltd.

A movement to foster the increased use and access of vaccines is currently growing in terms of preventive care in Japan. As a result of the amended Preventive Vaccination Act enforced in April 2013, 3 vaccines for haemophilus influenza type b (Hib), pediatric pneumococcus and cervical cancer were added to the list of routine immunization as essentially free of charge. To combat potential pandemic threats, Daiichi Sankyo initiated operations of Japan Vaccine Co., Ltd. (Japan Vaccine) as a joint company with GlaxoSmithKline K.K. (GSK) in July 2012 and the vaccine business has been further expanded since then.

Daiichi Sankyo is engaged in research, early-phase clinical development, and distribution for vaccines. In addition, the company also pursues the creation of vaccines to serve important medical needs of patients, and ensures their stable supply through its relationship with Kitasato Daiichi Sankyo Vaccine Co., Ltd. specialized in production/CMC[*1] and Japan Vaccine specialized in distribution and late-phase clinical development. The basic strategy for the Third Mid-term Business Management Plan (FY2013-2017) is described as below.

● Establish Daiichi Sankyo as a leading vaccine company

In addition to combination vaccines, we will develop new concepts such as an intradermal administration vaccine by leveraging our device technology. For distribution, we will enhance our product line-up by adding GSK vaccines.

● Enhance the manufacturing/CMC structures and improve manufacturing efficiency

Prior to PIC/S[*2] affiliation in Japan, Kitasato Daiichi Sankyo Vaccine will proceed to secure the global standard quality and enhance production efficiency through working with PIC/S GMP[*3] at an early point.

● Join national plan for human influenza pandemic

Through "The project maintenance for new influenza vaccine development/production system" by the Ministry of Health, Labour and Welfare, we will proceed to secure a vaccine development/production system and a rapid supply system at the time of the occurrence/prevalence for a new strain of influenza.

*1 CMC stands for Chemistry, Manufacturing and Control. It means any information concerning chemistry, manufacturing and control of drug substances and drug products in application documents.
*2 PIC/S stands for Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme. It is an unofficial framework for interauthority cooperation in the field of medicinal products. EU, the U.S. FDA, and many other countries have joined it.
*3 PIC/S GMP is GMP (Good Manufacturing Practice) that PIC/S establishes.

Japan ● OTC Business

To respond to various patient needs, our OTC products help to promote beauty and health.

Yoshiki Nishii
Representative Director, President and CEO
Daiichi Sankyo Healthcare Co., Ltd.

In order to maintain and enhance the public health, OTC drugs[*1] with new functions and switch-OTC drugs with converted medical compositions have been increased in Japan. On the other hand, the competitions are becoming severe because of diversified distribution channels in the market. In 2012, the Japan OTC drug market was 97.8% (based on store sales) of the previous year.

In an intensely diverse market in 2012, Daiichi Sankyo Healthcare had a 2.8% increase in sales compared to the previous fiscal year which comes to a total of 47.1 billion yen. This growth was due to the sales expansion of antipyretic-analgesic Loxonin S and the growth of the functional skincare/oral care category.

During the Third Mid-term Business Management Plan, the Company will focus on the following fundamental strategy to meet the various needs of people.

● Increase sales by focusing on selected brand and improve P&L structure

While enhancing sales by concentrating resources on more competitive brands, optimization of direct sales expenses will be applied to other brands. We will actively expand our investment for brands such as Lulu, Loxonin S, Daiichi Sankyo gastrointestinal drug, and Transino. For Loxonin S in particular. We will maximize the brand value by encouraging the promotion for proper use as well as providing useful counseling information to pharmacists.

● Expand skin care direct marketing business

For the mail-order business, which started in 2012, we will build upon our foundation by enriching the product line-up in terms of aging care brand Derma-energy in the growing skincare market, as well as expanding to new customers.

*1 Over-the-counter (OTC) drugs are pharmaceutical products that can be purchased without a prescription from a doctor.

Major Products

Global products

Olmesartan

Anti-hypertensive agent

Prasugrel

Antiplatelet agent

Edoxaban

Anticoagulant

Innovative pharmaceuticals in Japan

Memary®

Treatment for
Alzheimer's disease

Nexium®

Treatment for reflux
esophagitis, etc.

Inavir®

Anti-influenza treatment

Generic pharmaceutical

Donepezil

Treatment for
Alzheimer's disease

Vaccine

ActHIB®

Haemophilus b conjugate
vaccine

OTC Drug

Loxonin® S

Analgesic and
anti-inflammatory drug

Innovation and Openness Leads the

Glenn Gormley, MD, PhD
Senior Executive Officer, Head of Research & Development
Daiichi Sankyo Co., Ltd.

The Environment Surrounding the Pharmaceutical Industry and the Challenge for Daiichi Sankyo Group

The pharmaceutical industry is facing dramatic challenges in our business environment. Three major challenges include: 1) a decrease in the number of approved new molecular entities, 2) a shift from small molecules to biologics, and 3) a marked increase in R&D expenditures. As an innovative organization, we must continuously address challenges to our business and be prepared to change, or redirect, how we do business. For Daiichi Sankyo R&D, this means we must improve our productivity while making efforts to reduce costs.

We continue to focus on developing first in class products to bring innovative treatments to the patients who need them. One of our key focus areas during the Second Mid-term Business Management Plan (FY2010-2012) was to globalize the R&D organization – which has allowed us to harmonize our procedures and systems. As a global organization, we are able to access expertise from around the world, allowing for quicker decision making and enhanced collaborations across the globe. We have had many successes but we still have room to improve. As an innovative organization, continuous improvement is a must. Scientists by nature are always looking to improve upon things and it is this innate quality of our R&D organization that keeps us looking for better ways to do things.

The Daiichi Sankyo R&D Culture

To have a highly efficient organization, we must be willing to change how we work and how we behave. In this regard, there are several things I want us to focus on:

- challenge respectfully;
- empower employees at every level;
- proactively engage stakeholders;
- take calculated risks.

Respectful and timely debate is a foundation of our decision-making and key for enhancing person-to-person relations, developing technical capabilities and evolving

Way to “Global Pharma Innovator”

our organization. Therefore, I encourage active debates throughout the organization, regardless of level. I also encourage risk taking, particularly in the planning and execution of our clinical programs. Of course, risk taking still requires us to be committed to quality and compliance, but it does provide opportunities to challenge the status quo, or to approach a problem in a different way. I am committed to establishing a diverse organization, where different ideas and backgrounds come together to find new solutions to familiar problems.

Establishing this organizational climate will contribute to enhancing collaboration with our outside partners and will enhance the corporate value of our group through developing productive partnerships in order to deliver truly innovative medicines quickly to our patients.

Aiming For an Organization That Will Stimulate Innovation

I am very proud of the R&D Unit in Daiichi Sankyo, and I believe that it is a very innovative organization. By continuously challenging ourselves to do more, and to do better, we will overcome many barriers to innovation. There are many patients who are counting on us to find treatments for their illness, so I push myself every day, and that is what I expect of everyone in R&D.

An example of continuous improvement is the recent formation of our internal Venture Science Laboratories, which is comprised of a small number of scientists who are empowered to make decisions quickly based on their own judgment without the need for lengthy reviews. They will aggressively establish partnerships and relationships with external organizations and drive innovation in different ways.

Never Sacrifice Quality or Compliance

Our commitment within the 5-year Business Plan (FY2013-2017) is to increase productivity, speed up timelines wherever possible, and expand our portfolio rapidly. But the most fundamental necessity of R&D lies in maintaining quality and compliance.

Our R&D division has established a close relationship with the compliance organization. Allan Welsher, who leads the Global Quality Assurance Department, and I meet regularly to discuss issues and share ideas. At every level of the organization there is a clear commitment to maintain quality and compliance. It is a very clear principle.

Contributing to Global Health and Becoming a True “Global Pharma Innovator”

The mission of Daiichi Sankyo is to bring innovative new treatments to patients who need them. That is at the heart of R&D. We are always looking for ways to bring new medicines to patients anywhere in the world.

We often develop medicines that are useful to a large number of people. But sometimes we identify products, or even technologies, that can be used to treat small groups of patients – such as orphan indications. Being able to provide a treatment to a any patient is a great accomplishment, but particularly for patients with a rare disease when many companies may not want to invest in the research and development, it is very satisfying.

We continuously monitor the activities of R&D to ensure we are focusing on priorities. By setting clear goals, we will create a competitive pipeline, deliver innovative products, and enhance our commitment for improved global health.

Realizing Innovation

Global Research System

At Daiichi Sankyo, our research facilities around the world work closely together to identify novel treatments. In Japan, Daiichi Sankyo's Research Laboratories lead innovative R&D activities of Daiichi Sankyo; Daiichi Sankyo RD Novare plays a role as the discovery platform for R&D and Asubio Pharma focuses on basic research to preclinical study activities – the core of discovery function. In Europe, U3 Pharma is actively developing new antibody drugs as potential cancer treatments while in the U.S., Plexxikon has built a promising pipeline of small molecules and technical research platform. The Daiichi Sankyo Life Science Research Centre in India (RCI) and Tissue and Cell Research Center Munich (TCRM) function as the strength to identify innovative new medicines.

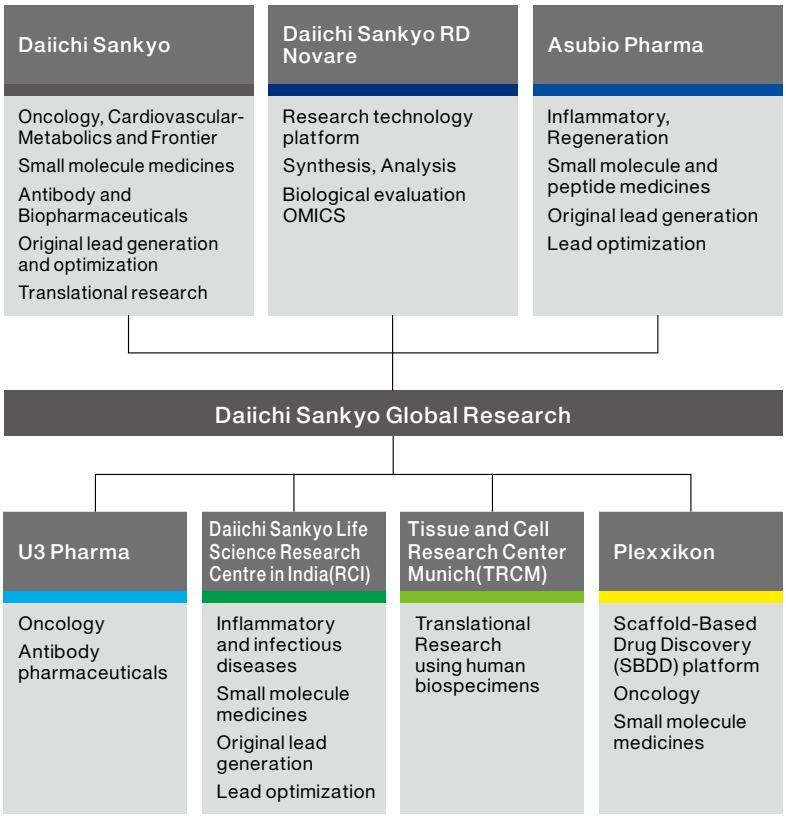
Establishment of Venture Science Laboratories

Daiichi Sankyo established Venture Science Laboratories in April 2013 to enhance an innovative organization. It is comprised of a small number of scientists who are empowered to challenge various kinds of development through new approaches freely with their special authorities and budgets. The venture spirit has already started their very innovative R&D activities.

Open Innovation

Daiichi Sankyo has supported the TaNeDS® (**Ta**ke a **Ne**w challenge for **D**rug di**S**covery) collaborative drug discovery project since FY2011. This project solicits applications for funding from researchers at universities in Japan and public research centers in Japan. In FY2013, we began to actively seek new products and/or technologies being developed outside of Japan, including in Germany, Austria and Switzerland which will contribute to future research and development activities.

● Global Research Network



TaNeDS
Take A New Challenge For Drug Discovery

The logo mark of TaNeDS

The logo mark of TaNeDS symbolizes "a hope growing up by partnership." The twin leaves, which also appear as two people holding hands, represent collaboration needed to nurture the seeds of hope.

Reinforcing the research function of biomedical drugs

To reinforce the basis of biopharmaceutical research, we have established the new Biologics Oversight Function, which integrates biopharmaceutical functions that have been traditionally dispersed throughout the research centers. Within the Biologics Oversight Function, the Biologics Pharmacology Research Laboratories was created for target-based drug discovery and pharmacological evaluation of next generation biopharmaceuticals. This group is also responsible for the development of Biosimilars in Japan to provide lower cost and highly effective biologics as they reach the end of their patent life. Additionally, the manufacturing technology development function of biopharmaceuticals was transferred from the Pharmaceutical Technology Division into the R&D Division.

In order to protect the intellectual property

It is important for Daiichi Sankyo to maintain a variety of intellectual properties such as the idea of overcoming the challenges of science and technology (patent, utility model), the easy-to-use design (design), and the brand to promote a choice for consumers (trademark). We, Daiichi Sankyo Group, strive to create excellent pharmaceutical products and contribute to the improvement of global health[*1] through properly protecting our intellectual property.

We have substance patents for protecting the active ingredients, and also a portfolio of patents protecting production methodologies and formulation technologies. We recognize that the tools and biomarkers necessary for research and development and other basic technologies necessary for production are key to our business model in order to support the expanding business strategy while protecting the intellectual property of our own as well as respecting the intellectual property rights of others even in the area of biotechnology-based pharmaceuticals, well-established pharmaceutical substance, biosimilars, vaccines, etc. We are also globally dealing with intellectual property issues to meet the global business expansion. We are expanding the countries to ensure intellectual property rights, placing the intellectual property personnel in Japan, the U.S., Europe and India, taking into account the characteristics of the area in an accurate and timely manner. We are working closely with the research and development department in order to adapt the latest science and technology to the research and development of pharmaceutical products, and establishing a cooperative relationship with outside agencies of open innovation and open development.

Voice

We will speed up on developing biopharmaceuticals, one of the future key industries of Japan.

Junichi Koga, Ph.D.
Corporate Officer, Global Head of Biologics Biologics Oversight Function, R&D Division
Daiichi Sankyo Co., Ltd.

Biopharmaceuticals constitute a market that has a potential to become one of the key industries of Japan. It is an area that will grow as a platform for drug discovery contributing to addressing unmet medical needs. In addition to our acquisition of U3 Pharma, a bio-venture based mainly on antibody drugs, we have gained the most valuable experiences concerning biopharmaceuticals through the development and distribution of Denosumab, our first major antibody drug.

First, we hope to succeed in biosimilar development, which will also benefit patients. Then, we can link the experience to third generation biopharmaceuticals development. We creatied the "Biologics Oversight Function" in order to raise the level of biopharmaceutical research, integrating biopharmaceutical functions dispersed throughout the research centers. It is important that offices work closely with each other at a global level while maintaining independence.

*1 Global health refers to the issues concerning health and health-care across borders.

For Enhancing the Productivity in R&D

Global decision making and Effective investment of resources

Our culture within Daiichi Sankyo R&D has been to ensure we can have robust discussions about science. We want the data to drive our decisions, and we expect that our internal experts challenge conventional thinking. Our highest decision making bodies are TR-GEMRAD (Translational Research–GEMRAD) for the decision in the early phase of development and GEMRAD(Global Executive Meeting of Research and Development) for the decision in the late phase of development. The discussions at the GEMRAD and TR-GEMRAD meetings include expertise from across the organization, including Quality and Safety Management, Product Portfolio Management and Business Development, so we can ensure we are investing our resources to develop the right medicines for patients.

Innovation of methods of work and action

All R&D members are expected to demonstrate strong leadership and contribute to the success of our company. Each person is empowered to play a leading role in the different areas of expertise and make a quick decisions whenever possible in order to obtain a world-class technological innovation capability.

In order to be truly innovative, our work requires brave ideas beyond a conventional way of thinking. It is an expectation of each member of R&D to engage our internal and external stakeholders to help test our thinking.

Research and development management with the clear setting of the goal

We have set clear and aggressive – yet achievable goals for the R&D organization in the Third Mid-term Business Management Plan. For example, launching of 2 new medicines for major indications, advancing 4 projects into late phase clinical trials after POC[*1] and 9 projects into phase 1 new clinical trial are set as important goals every year. By achieving these goals we can create a competitive pipeline while delivering innovative pharmaceutical products to patients quickly and continuously to meet unmet medical needs.

Collaboration with outside partners

In order to rapidly and continuously deliver new drugs, we not only develop our company's products together with partner companies having excellent expertise, but also we are actively engaged in the license alliance that incorporates the research results of other companies including bio-venture companies in our company.

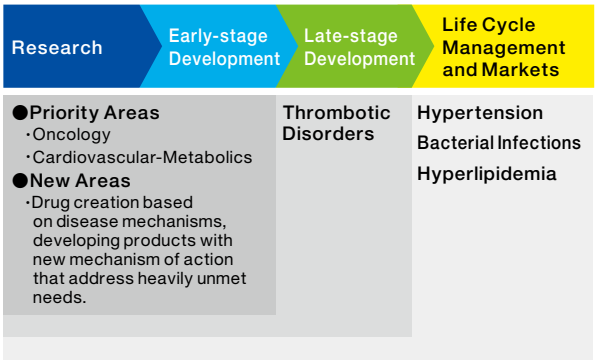
● Major License/Alliance Partnerships Related to R&D from 2010 to 2012

	License/Alliance	Business Partner
2012	AMP-110, B7-H4 fusion protein (autoimmune diseases)	Amplimmune
	Comprehensive Research Alliance	National Cancer Center
	Etanercept rPTD-protein (autoimmune diseases) Rituximab monoclonal antibody (malignancy) Biosimilar business in Japan and Asia	Coherus BioSciences
	Collaborate to Discover and Develop Innovative Therapeutics	NGM Biopharmaceuticals
	Narcotic Analgesic Hydromorphone Hydrochloride (cancer pain)	Mundipharma
	Establishment of Japan Vaccine Co., Ltd Strategic Alliance (Vaccine Business)	GlaxoSmithKline
2011	Methylthioninium chloride Solution for Injection for Methaemoglobinaemia	Provepharm
	Therapeutic Collaboration to Develop Anticalin® Therapeutics	Pieris
2010	Biological Drug Development Program	Biowa/Lonza

*1 POC, which stands for Proof Of Concept, is to confirm the predicted features concerning the effectiveness and safety of new medicines through clinical trial.

To Meet Unmet Medical Needs

We are promoting the development of Anti-thrombosis therapeutic medicines while we maintain a competitive edge in the portfolio of medicines for high-blood pressure, infectious diseases and hyperlipidemia. Our research teams also focus on the areas of oncology and cardiovascular-metabolics to increase our competitiveness in these areas with significant unmet medical needs.



“Priority” Areas

In research and early development, Daiichi Sankyo focuses on the categories of oncology and cardiovascular-metabolics, where there are significant unmet medical needs. In these categories, Daiichi Sankyo, together with subsidiary organizations such as Plexxikon (U.S.) and U3 Pharma (Germany) have been taking the initiative in research. U3-1287 is an anti HER3 antibody developed by U3 Pharma. HER3 is highly expressed in various cancer cells. PLX3397 is an oral kinase inhibitor developed by Plexxikon being investigated for applications in both solid and liquid tumors.

“New” Areas

We are also proceeding with the research beyond our traditional therapeutic areas. We are collaborating with Amplimmune, Inc. to develop “AMP-110”, the B7-H4 fusion protein for autoimmune diseases. “AMP-110” is being investigated with the potential to become a first-in-class medicine with a novel mechanism of action that works by blocking inflammatory T cell differentiation. We have started an early phase clinical trial in the first half of 2013. Daiichi Sankyo and Amplimmune will also collaborate on basic research related to AMP-110 including biomarker discovery.

Edoxaban (Anticoagulant: oral factor Xa inhibitor)

Two global, phase 3 clinical trials of Edoxaban were recently finished. The trials of ENGAGE AF-TIMI 48 have been underway for the prevention of thromboembolism caused by atrial fibrillation in collaboration with 21,000 patients. The trials of HOKUSAI-VTE have also been underway for the treatment and prevention of recurrence of deep vein thrombosis (DVT) and pulmonary embolism (PE) in collaboration with more than 8,200 patients.

Prasugrel (Antiplatelet Agent)

Since launched as a treatment for cardiac disease in Europe and the U.S. in 2009, Prasugrel has been approved in more than 70 countries in the world. In Japan, Daiichi Sankyo has been developing the drug for several indications including ischemic heart disease who need percutaneous transluminal coronary angioplasty (PCI).

Pharmaceutical Technology

In order to meet the diversifying medical needs and to provide pharmaceutical products with high customer satisfaction, we will continue to create and realize innovative pharmaceutical technology as "A Solutions Innovator."

Katsumi Fujimoto, Ph.D.
Corporate Officer, Head of the Pharmaceutical Technology Division
Daiichi Sankyo Co., Ltd.

The vision of the Pharmaceutical Technology Unit

"A Solutions Innovator" - The vision of the Pharmaceutical Technology Unit in the Daiichi Sankyo Group is to create and to realize innovative pharmaceutical technology.

The needs for pharmaceutical products are ever evolving. In order to meet these changing demands, our role is to improve our pharmaceutical technology and realize innovative "solutions," thereby providing pharmaceutical products with high customer satisfaction.

To fulfill our role, we have set numerous strategic goals in the last six years, and attempted to improve our pharmaceutical technological capabilities. Along with new technology development and high value-added pharmaceutical products using new devices, the Pharmaceutical Technology Unit was able to respond in a timely manner to the Great East Japan Earthquake in March 2011, and was able to minimize the impact of this disaster.

With several challenges found in the past six years, we will use the lessons learned from them and intend to grow further in the Third Mid-term Business Management Plan.

Three strategic objectives in the Third Mid-term Business Management Plan

There are numerous situations surrounding recent pharmaceutical technology, including the growing needs for lower cost pharmaceutical products due to the medical expenditure reduction policies taken by various nations due to the global economic downturn, and the resulting increase in the low-cost generic pharmaceutical products as well as the increase in the volume of counterfeit medicine.

In addition, upon the fact that the level of quality assurance has been tighten than ever because of the enhanced regulations for medical and pharmaceutical products, we, at the Pharmaceutical Technology Unit, have identified the following three strategic objectives which we will implement in the Third Mid-term Business Management Plan.

The first objective is differentiation through superior formulation technology and the "creation of high added value" by providing solutions to new business needs. The next objective is the "improvements to productivity" by acceleration of development speed, quicker launch to market, and efforts to lower cost. Finally, contributions to the global market including Japan, U.S., Europe and ASCA[*1], as well as effective global utilization of operating resources including the Ranbaxy Group, in other words "collaboration," can be realized.

By implementing these strategic objectives into our action plans, we can further improve our innovative pharmaceutical technology, and we will aim to become the innovator which can provide "solutions." It enables medical care which the patients and their families, as well as the medical professionals hope for.

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

The main approach

● Creation of high value-added pharmaceutical products through cutting-edge technology

We are actively developing and applying new technology which can contribute to pharmaceutical product development to meet the diverse needs for pharmaceutical products. For example, the application of oral dispersing (OD) tablets[*1] to major products, which are increasingly in demand due to its ease of consumption. Product name printing on tablets is applied to major products to avoid mix-ups in the consumption of medicine. Extended release formulation technologies[*2] are being applied to narcotics. We will make every effort to improve the health and quality of life of the patients.

We emphasize the employees' physical visit of medical fronts, such as hospitals, to thoroughly search all the needs addressed by medical professionals dealing with medicines. With the pharmaceutical platform technology of the Pharmaceutical Technology Unit, we will move forward to the realization of unique and innovative ideas ever and the provision of patient-friendly highly-value-added pharmaceutical products.

Additionally, as a precaution against counterfeit medicine, we have started investigating the introduction of identification tags that use highly advanced technology on top of existing cutting-edge technology that can identify counterfeit medicine.

● Organization structure that can match the global market strategy

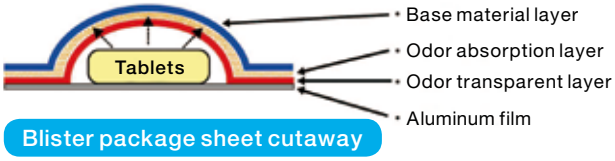
Since the environment surrounding pharmaceutical products is becoming more globalized and diverse, our Pharmaceutical Technology Unit has implemented an optimum operation structure that can match the global market strategy, and continuously improve and optimize operation processes with our global group companies, as well as conduct global technological collaboration. For example, investigational medicinal products used for global clinical studies are being manufactured locally in an attempt to lower cost and improve operation efficiency. We also will attempt to obtain and protect intellectual property in the establishment of the manufacturing methods, taking mutual advantage of the strength of our group companies.

Additionally, we have been hosting internal SC-CMC Technology Meetings with the Supply Chain Unit as part of our technology collaboration. The first of these meetings, held in fiscal 2012, was attended by a large number of employees, and was proven to be a very fruitful event. We plan to continue holding this meeting after fiscal 2013, as a place to actively exchange ideas.

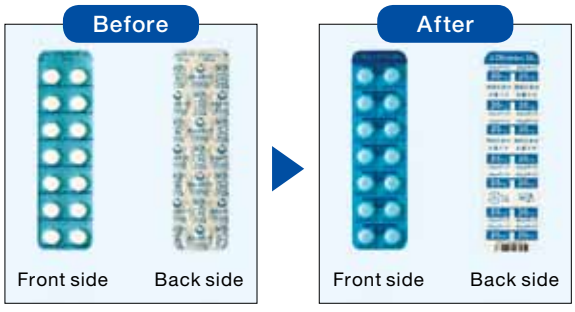
The cultivation and deployment of human resources that can work globally are important strategies, and various measures will be taken. Starting with support for professional knowledge and language development, we will also aim for solid organization that utilizes individuals' strength while mutually covering their weaknesses, and also develop an environment that will promote cooperation.

● Decrease in the odor by developing the new blister package sheet films

The odor from Olmetec Tablets is absorbed by the odor absorption material added to the package sheets. The odors dissipated when taking the tablets out of the sheets have decreased significantly compared to previous package with this improvement. Also, we are working to change our design to a more easily understandable, highly discernible one.



Blister package sheet cutaway



Example: 20mg Olmetec tablet [14 tablet package]

*1 Tablets that dissolve quickly by saliva when administered intraorally, so that neither water nor swallowing is necessary.
*2 Tablets that are manufactured to dissolve gradually, avoiding sudden increase in the blood concentration, and consequently has the advantage of reducing the number of medication.

Supply Chain

Amid the current rapidly changing environment, it is necessary to change to a quick and flexible supply chain, and we will fulfill this need.

Yuki Sato
Director, Senior Executive Officer
Head of Supply Chain Division
Daiichi Sankyo Co., Ltd.

Ensuring quality targets and achieving stable supply

Currently, the environment surrounding the pharmaceutical industry is changing rapidly. Increased globalization of markets has led to expanded sales areas and handling higher numbers of products (including the rise of generic pharmaceuticals), and with these factors supply chains have become more complex. With the need to meet the requirements of Corporate Social Responsibility in addition to the importance of stable supply and quality assurance for pharmaceuticals, it has become a critical issue for companies to deal with all aspects of their supply chain, from procurement of raw materials to production and sales.

It is because of the current rapidly changing environment that changing to a quick and flexible supply chain is necessary. We have a clear vision to ensure quality requirements, low costs, and to ensure a supply chain system that is capable of providing a stable supply of products.

Enhancements to supply chain technology

In order to ensure quality and a stable supply, it is important to control the optimal supply structure using supply chain technologies in manufacturing and management. As part of our mid-term policy and strategy over the next 5 years, first I would like to mention adopting a new mindset to reduce initial costs by having a broader perspective. We will continue activities to reduce initial cost on a global level, from decreasing costs through global procurement to optimizing transport methods and optimizing manufacturing sites. The foundations for a global supply chain structure taking full advantage of the resources of each region will be built and optimized in order to create results. By implementing these strategies, we will work towards achieving our goal of a supply chain structure that is efficient, stable, low-cost and high-quality.

Improving individual observation skills

What is the best way to achieve high quality results in a rapidly changing era? In addition to obvious assets such as personnel, funding and resources, ensuring the entire organization is thinking along the same vectors is also important. We will work on building an organization in which, based on knowledge and experience, each individual is constantly improving their skills in order to catch subtle changes and abnormalities and work towards the greatest quality possible.

The main approach

● Pursuit of Quality, Cost and Delivery (QCD) by enhancement of supply chain technologies

Supply chains consist of many steps, from procurement of raw materials to manufacturing and logistics. And for pharmaceutical products where people's lives are on the line, the key duties include ensuring the product reaches patients and that urgent requests can be met quickly. In order to make it possible for doctors to treat their patients appropriately, it is necessary to strategically manage inventory, including those products with lower demand. Therefore, it becomes necessary to improve technologies and skills throughout the supply chain, from planning and calculating initial costs to proposals of manufacturing plans and inventory management. By switching over to production methods based on advanced technologies and lowering costs by cooperating with partners to use cost competitive ingredients, we will continue to pursue quality, cost and stable supply simultaneously.

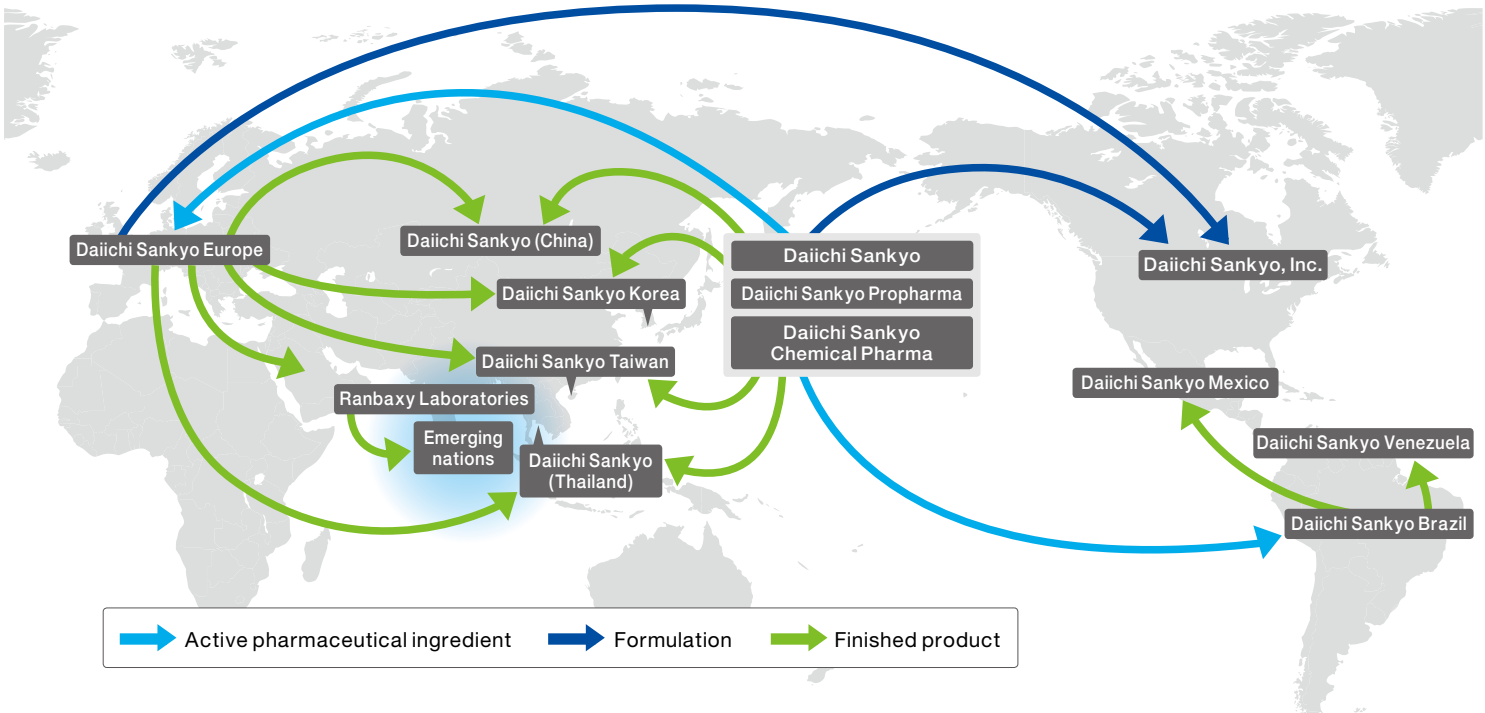
● Seamless management and personnel exchange

The supply chain unit has adopted a barrier free supply chain unit in regards to the organization, country and area when it comes to information coordination and communication. In other words, in our management, the key word is "seamless." As part of this, a variety of personnel are rotated in and out. Exchanges are carried out periodically not only for Pharmaceutical Technology Unit, Quality & Safety Management Unit, but also with domestic manufacturing and logistic affiliates. At the global level, we have exchanges ranging from 3 months to several years, which have proven very beneficial to both the employees and Daiichi Sankyo. We will continue to work towards training personnel who can seamlessly share the vision of the affiliate companies involved in the exchange.

● Maximized use of global resources to optimize supply chain

With the globalization of our business, we have been building and optimizing a global supply chain that uses the resources of each region to their maximum potential. Specifically, we are looking at optimum manufacturing sites considering the lifecycle of each product through collaboration between Japan and Ranbaxy (Please refer to the diagram below concerning global commodities). We also plan to optimize domestic manufacturing structures, looking at possible structural inefficiencies among manufacturing and logistic affiliates.

● Supply route for global products



Reliability Assurance

Since the quality and safety are the foundation of pharmaceutical products, we aim to assure optimal reliability whereever we conduct businesses, with no room for compromise.

Toshiaki Tojo, Ph.D.
Corporate Officer, Executive Vice President,
Quality & Safety Management Division
Head of Quality & Safety Management Unit
Daiichi Sankyo Co., Ltd.

Quality assurance optimized for the field

We make pharmaceuticals that are proven to have good safety and efficacy profiles, industrialize them using our superior pharmaceutical technology, reproduce consistent quality in our production process, and deliver them to customers. It is our mission and our number one priority as a life-science oriented company to create safe and high quality pharmaceuticals. We are confident that the quality and safety control structure of the Daiichi Sankyo Group meets the global standards. Increasing levels of globalism as well as stricter quality assurance and safety standards have demanded that we continuously meet even higher levels of quality and efficiency.

The policy of the Quality & Safety Management Unit is to "carry out operations to ensure high safety control, quality assurance, and reliability assurance levels, as well as improvements to the productivity for the whole Daiichi Sankyo Group." We will respect the culture and customer needs of the local region, and assure optimum quality and safety while carrying out and enforcing policies to maintain regional competitiveness, and aim for quality assurance structure that we can be globally proud of.

Future essential measures

We plan to establish reliability in the data to be used to apply for the approval of the oral factor Xa inhibitor Edoxaban, while also taking necessary safety steps to deliver safe and trustworthy products to the patients as soon as possible. We will further enhance the safety measures for PRALIA, a novel treatment for osteoporosis which became available to patients in Japan in 2013, and seek continuous improvement in our safety control structure of all of our innovative pharmaceuticals. Additionally, we will improve the coordination channels between all product related divisions including research and development, supply chain and pharmaceutical technology, whilst executing appropriate product quality assurance steps in the life cycle management (LCM) measures for our new and existing products.

We will also modify and strengthen the organizational structure of the whole Quality & Safety Management Unit at various levels, in order to maintain the foundation of the company to meet stricter regulations of each nation. We will work to improve the operational standards of quality assurance and safety control not only in Japan but also of the whole group at the global level. Accordingly, we will provide effective assistance/support for group companies such as rotation of personnel with required skills and knowledge, considering the strengths and challenges of each company.

The main approach

● Quality assurance structure for the whole product life cycle

We will operate under the global structure following the GxP[*1] and receive inspections by the regulatory agency in each country for the whole product life cycle. We will also conduct internal audits to make sure that GxP is being followed from a global standpoint, and use them to improve our operations. We will further conduct objective system audits on our group companies, ensure appropriate standards for all assurance levels, and provide active support when necessary.

We will enhance our structures to enable stable supply of high quality pharmaceutical products, and make every effort so that patients and medical professionals can reliably use our products.

● Enhancing the safety control operation

In order to enhance and increase the efficiency of our safety control operations, we are working with different departments in our group to construct systems for the successful operation of the global safety database, the IPOS (Integrated Pharmacovigilance Operations System) within fiscal 2013. The goal is to standardize and optimize the safety control operations, collect safety data from all sites, and to improve the transparency and the flexibility through increased coordination between sites, all at a global level. We plan to move this system into stable operation in the year 2014. We will unify safety evaluation operations globally, improve the quality and efficiency of such operations, and analyze the global data to take quick and solid steps against safety risks.

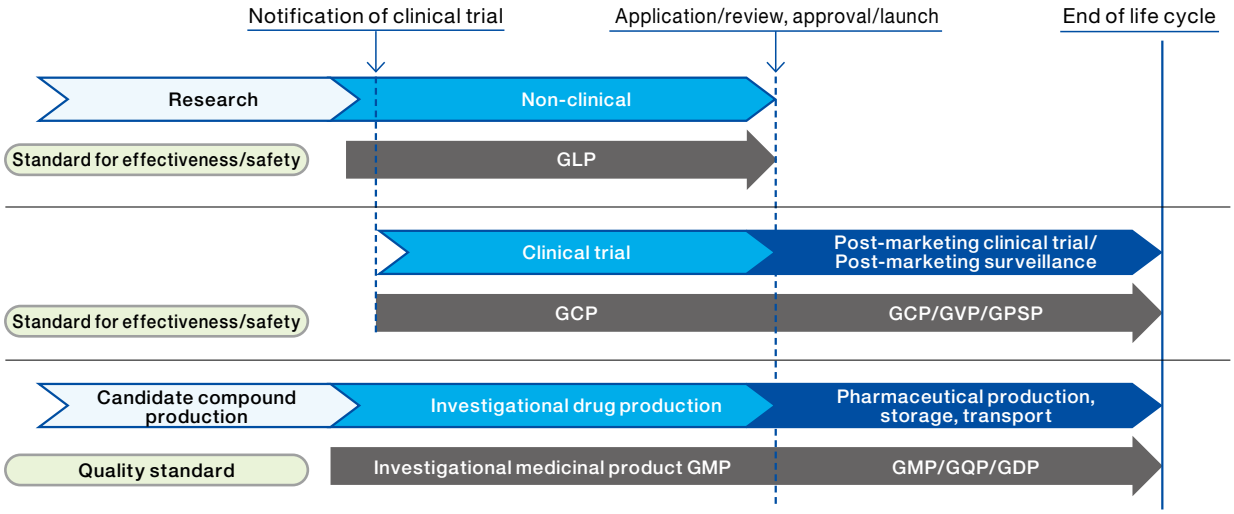
● Review of the Quality & Safety Management Unit structure

The structure has been reviewed since April 2013 due to the globalization and diversification of the business as well as stricter regulations. This has involved emphasizing the unification between quality assurance and safety control within the structure of the Quality & Safety Management Unit, so that they can now move strategically towards a common goal.

The unit will be managed so that the management cycle is always being conducted, and sound achievements are being made.

Through the process of quality assurance, we will contribute to the creation of innovative pharmaceuticals and the supply of pharmaceuticals that meet the diverse medical needs.

● Quality Assurance and Safety Management System



GLP: Good Laboratory Practice, standard for pharmaceutical safety related to non-clinical test execution
GCP: Good Clinical Practice, standard for the execution of clinical trials of pharmaceuticals
GMP: Good Manufacturing Practice, standard for production control and quality control of pharmaceuticals
GVP: Good Vigilance Practice, standard for post-marketing safety control of pharmaceuticals
GPSP: Good Post-Marketing Study Practice, standard for post-marketing surveillance and trials of pharmaceuticals
GQP: Good Quality Practice, standard for quality control of pharmaceuticals and others
GDP: Good Distribution Practice, standard for the logistics of pharmaceuticals

*1 Standards set by governments and public organizations to assure safety and reliability.

Business Supported by Responsible Corporate Activities for a Sustainable Society

"To contribute to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs." To realize the corporate philosophy of the Daiichi Sankyo Group, we will continue to expand business activities and ensure socially responsible corporate activities.

As a Reliable Company

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

Join the UN Global Compact

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

As a corporation which is expanding globally, we agree with the purposes of the United Nations Global Compact, which and are followed at all levels of the organization.

● The Ten Principles of the UN Global Compact

Human Rights	•Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and •Principle 2: make sure that they are not complicit in human rights abuses.
Labour	•Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; •Principle 4: the elimination of all forms of forced and compulsory labour; •Principle 5: the effective abolition of child labour; and •Principle 6: the elimination of discrimination in respect of employment and occupation.
Environment	•Principle 7: Businesses should support a precautionary approach to environmental challenges; •Principle 8: undertake initiatives to promote greater environmental responsibility; and •Principle 9: encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	•Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Promote Ethical Business Management in Compliance with Law

The Daiichi Sankyo Group executes all of its corporate activities by giving top priority to compliance and maintaining healthy relationships with its stakeholders through the emphasis of corporate ethics and compliance with all applicable laws and regulations.

Encouraging Corporate Ethics and Ensuring Legal Compliance

The Daiichi Sankyo Group complies with all applicable laws and regulations in its business operations worldwide to ensure that compliance is treated with the highest priority in its corporate management, and conducts compliance management with a strong focus on ethics and practical solutions that are relevant to a life-science oriented company.

The Daiichi Sankyo Group Corporate Conduct Charter fulfills the Group's corporate social responsibility (CSR). Based on the spirit of the Charter, each Group company has developed a code of conduct suited to each region and its legal, regulatory, industry and social requirements, and holds all executive officers and employees accountable to it.

System for promoting compliance in Japan

The Global Head of CSR (Head of CSR Department, Daiichi Sankyo Co., Ltd.) oversees the Group's overall compliance.

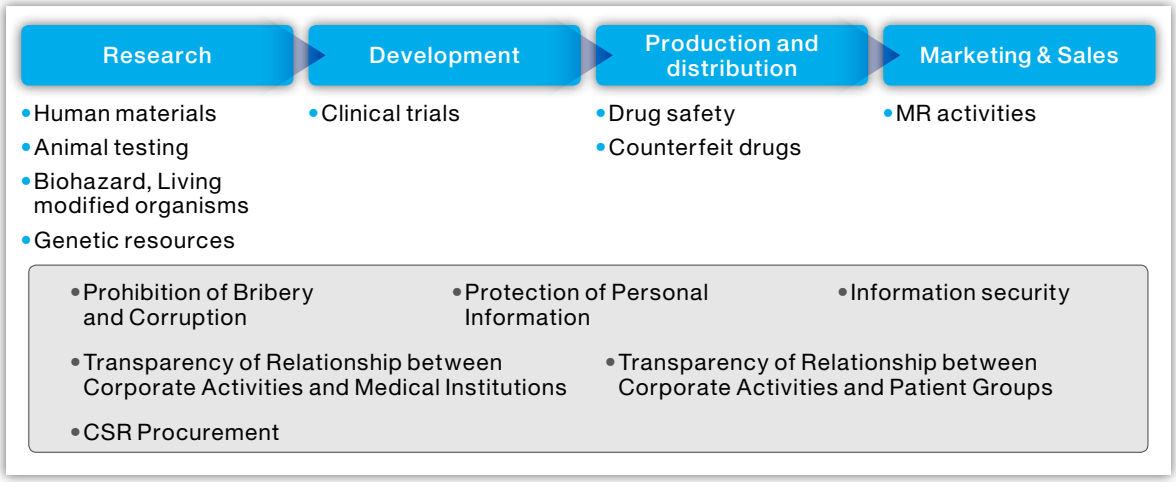
At Daiichi Sankyo, the head of the Legal Affairs & CSR Division was appointed to the position of Compliance Officer to oversee all compliance matters, including the Standards of Conduct for Compliance for Japan and related rules and implementation plans. The Compliance Officer also serves as the chairperson of the Corporate Ethics Committee in Japan. The Corporate Ethics Committee is made up of 11 internal members, including the chairperson, and an external attorney to ensure that the committee is administered in a transparent and reliable manner. In principle, the committee meets three times a year.

A compliance officer was appointed in each group company in Japan to promote and oversee compliance matters.

Revision to the Code of Conduct for Compliance

In September 2012, the International Federation of Pharmaceutical Manufacturers and Associations (IFPMA) implemented the IFPMA Code of Practice for marketing activities as well as corporate activities involving all executive officers and employees, researchers, medical professionals, patient groups and others. In line with this, the Japan Pharmaceutical Manufacturers Association (JPMA) made its Code of Practice[*1] effective in April 2013. In response, Daiichi Sankyo and the group companies in Japan revised each company's Code of Conduct for Compliance, which is a code of conduct for every one of its executives and employees in Japan, and has ensured compliance with the codes.

● Corporate activities to be considered for ensuring business ethics in the pharmaceutical industry



*1 The code was prepared as a voluntary code related generally to the various activities involving all the executive officers and full time researchers of member companies, medical professionals, patient groups and others, and was implemented on April 1, 2013 by the Japan Pharmaceutical Manufacturers Association (JPMA)

Research compliance

As the research and development organization of a life science-oriented company, R&D Division of Daiichi Sankyo Co., Ltd. is deeply involved in people's health and well-being. Recognizing this, the division complies not only with Good Laboratory Practice(GLP)*1 but also with ethical guidelines and regulations on human tissue and other human material research, recombinant DNA experiments, biosafety and animal testing. The Division also established a section that promotes R&D compliance to enhance compliance with laws and regulations.

● Ethical consideration for the use of human materials

Before conducting clinical trials, we must confirm responses by using human tissues, blood and genes, in order to predict the effects of medication. In recent years, research which uses other human materials, including embryonic stem cells and induced pluripotent stem cells, has progressed. In accordance with Japanese national guidelines such as the Ethical Guidelines for Clinical Studies (EGCS) and the Ethical Guidelines for Analytical Research on the Human Genome/Genes, we have established an Ethical Evaluation Committee on Human Tissue and Other Human Material Research composed of experts as well as members of the general public. We not only ascertain the necessity and benefits of such research but also give full consideration to obtaining prior consent of research subjects based on their free will and to protecting their personal information including their genetic information. The purpose is to prioritize the dignity and rights of research subjects over scientific and social benefits of such research. In fiscal 2012, the committee met nine times.

● Animal research guidelines

We have formulated Rules for Animal Testing in compliance with Japan's Act on Welfare and Management of Animals and Guidelines for Proper Conduct of Animal Experiments. We ensure compliance with the basic principle of replacement (applying alternative testing methods), while also striving to achieve reduction (in the number of animals used) and refinement (minimizing pain and distress). All animal experiments conducted at the animal testing facilities of the R&D Division are reviewed prior to the implementation of such experiments by the Institutional Animal Care and Use Committee. Further, our in-house inspections confirm our animal experiments are properly conducted in a humane manner. The committee met five times in fiscal 2012, and has included outside members since July 2012. We were recognized as having been properly conducting animal testing based on the basic guidelines of the Ministry of Health, Labor, and Welfare. In February 2012, we received a certification from the Japan Health Sciences Foundation's Center for Accreditation of Laboratory Animal Care and Use.

● Biohazard measures

In order to appropriately handle pathogens, we have formulated Rules for Biosafety, and hold meetings of the Biosafety Committee to solve research challenges concerning methods of preventing infectious diseases under the Act of Domestic Animal Infectious Disease Control. Regarding genetically modified organisms, we have formulated Rules for Recombinant DNA Experiments so that containment is appropriately implemented in compliance with Cartagena Act. The Recombinant DNA Safety Committee met three times in 2012 to formulate measures to promote tight control. Moreover, we are recognizing and preventing potential risks of accidents caused by researchers engaging in recombinant DNA experiments by enhancing our knowledge of appropriate handling techniques through outside training sessions on avoiding such accidents.

● Fair use of genetic resourcess

We gain access to genetic resources in compliance with the Convention on Biological Diversity, the Bonn Guidelines and the acts of respective governments, giving full consideration to developments on the Nagoya Protocol. We also ensure fair and equitable sharing of benefits arising from the utilization of genetic resources.

*1 Good Laboratory Practice, safety standards for pharmaceutical products for the implementation of non-clinical studies.

Development compliance

The development of pharmaceutical products requires clinical trials to determine effectiveness and safety. We give top priority to protecting human rights and the personal information of patients participating in clinical trials in order to ensure their safety and welfare, based on the Declaration of Helsinki. When clinical trials are conducted in Japan, we always obtain informed consent*1 from participants before starting clinical trials, and we observe various regulations, including Japan's Pharmaceutical Affairs Act and Good Clinical Practice (GCP).*2 We have also established the Ethical and Scientific Review Board to secure and monitor the ethical and scientific validity of clinical trials. In fiscal 2012, the committee met fourteen times.

Outside of Japan, we implement our clinical trials observing ICH-GCP*3 based on the Declaration of Helsinki as well as following various regulations of the respective countries and the internal quality standards of the company. To ensure transparency regarding the information on clinical trials, we disclose the information on clinical trials in accordance with IFPMA*4 Joint Guidelines and local laws, regulations and voluntary industry standards.

Compliance in production and distribution

We acknowledge it is our responsibility to care for the health of the neighboring residents of our factories. In addition, recently, counterfeit drugs that lack active ingredients or contain substances other than those indicated have become a concern in Japan. We are also aware of this as a significant social issue, and are considering various approaches to address this.

For more information regarding counterfeit drugs, please refer to page 36-37.

Compliance in MR activities

Our Japanese Medical Representatives (MRs)*5 take action by giving top priority to compliance with Japan's Pharmaceutical Affairs Act and other related laws, fair competition regulations, and the Daiichi Sankyo Promotion Code for Prescription Drugs (DSP code)*6. Moreover, we operate with a high standard of ethics to reflect the fact that the activities of pharmaceutical companies are so closely involved with matters of life itself, and also ensure that these activities are transparent to justify society's trust in the company. In the Sales & Marketing Division, each sales office manager announces DSP code, etc. to Medical Representatives (MRs) in their internal meeting monthly, and also, a person in charge of Fair Competition Regulations provides a one-hour direct training to the MRs in each sales office twice a year.

Prohibition of bribery and corruption

Offering gifts or bribes to civil and quasi-civil servants for their private gain could ruin the reputation of the company and may violate local laws and regulations. The Daiichi Sankyo Code of Conduct for Compliance in Japan prohibits acts that can be construed as bribery or corruption, in particular forbidding the provision of entertainment or goods to public hospitals or other medical professionals with which there are opportunities to do business.

Similarly, our affiliates also prohibit bribery and corruption through their locally implemented codes of conduct, local rules, policies and procedures.

*1 The prior consent of patients on a voluntary basis
*2 Good Clinical Practice, an international ethical and scientific quality standard for designing, conducting, recording, and reporting trials that involve the participation of human subjects
*3 The Guideline by International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use (ICH) which specifies the implementation of clinical studies.
*4 International Federation of Pharmaceutical Manufacturers & Associations (IFPMA)
*5 A medical representative (MR) is primarily responsible for visiting medical professionals to compile and provide information on the safety management of pharmaceutical products in order to ensure that the products are used appropriately.
*6 A promotion code that Daiichi Sankyo established in line with industry rules formulated by the Japan Pharmaceutical Manufacturers Association

Protection of personal information and information security

We protect information and handle personal information appropriately in accordance with our internal regulations. We have thorough precautionary measures in place to protect information contained on company computers and laptops. In Japan, employees also carry emergency contact cards so they can immediately contact the right official should anything happen. We have also implemented enhanced security measures to prevent information leaks on the computers loaned by us in order to manage the risk of an information leak, as well as various other steps to prevent and manage information leaks or disclosures.

Also, we have conducted employee education trainings on the measures in case of any loss or theft occurs.

Transparency of relationship between corporate activities and medical institutions

Based on the Japan Pharmaceutical Manufacturers Association (JPMA) Transparency Guideline for the Relations between Corporate Activities and Medical Institutions /Healthcare Professionals, we established the Basic Policy on Transparency in Relationships between Daiichi Sankyo and Medical Professionals in Japan in March 2012. We began collecting information about payments to Japanese medical institutions in fiscal 2012 in preparation for its disclosure in fiscal 2013.

We are also implementing various measures in accordance with local laws and regulations in overseas.

The “Sunshine Act” went into effect in the United States in 2013, and requires the collection and reporting data reflecting payments or transfer of values made to physicians and teaching hospitals to the government. The government in the United States plans to make this data available to the public for review. Our U.S. affiliates have put in place reporting systems to comply with this new law.

Transparency of relationship between corporate activities and patient groups

Based on "The Action Guideline for Cooperation with Patient Groups" and "The Guideline for Transparency of Relationship between Corporate Activities and Patient Groups" developed by the Japan Pharmaceutical Manufacturers Association, we established "The Basic Policy on Transparency in Relationships between Daiichi Sankyo and Patient Groups" in Japan in April, 2013. We have started preparing in order to disclose information in 2014.

Whistleblower system

Each Group company in Japan provides reporting channels for whistleblowers at each company, such as a hotline or e-mail system. The hotline phone number is shared internally and externally on our website. In addition, the DS-hotline has been set up as a reporting channel serving Japan. The DS-hotline comprises reporting channels that include external attorneys as well as the CSR Department, and can also be used by external parties. In addition, we have put in place rules to govern the handling of internal whistle-blowing cases in Japan, which specify that the whistleblower’s confidentiality will be protected and that they will be protected from any unfavorable treatment as a consequence of reporting.

In the United States, Daiichi Sankyo, Inc. runs a 24-hour hotline staffed by an outside service organization to receive anonymous information regarding compliance.

Ranbaxy (India) has set up a global external dedicated line that employees working at Ranbaxy Group companies can contact via e-mail and other forms of communication.

Training and educational activities

We are proactive in providing compliance training and education tailored to the unique characteristics of each workplace.

In fiscal 2012, we developed "self-directed implementation for countermeasures to key risks in the head offices and group companies" as an integral measure to be taken in Japan for all divisions including group companies in Japan. Specifically, each department, section or group as a unit has continued to identify the compliance risks presumed to be latent in its workplace, holding discussions to select the most important risks and taking into account the likelihood of each risk and its impact. In addition, each unit established and implemented measures such as training and self-inspection, which enabled each individual employee to take the initiative in managing risk.

We also conducted training specific to job categories for new employees, newly appointed managerial employees and newly appointed executive employees and other particularly suitable employees, as well as training that correlates to the business content of each division. Furthermore, we hold training sessions for all the officials and employees of domestic Group companies with e-learning to promote better understanding of the code of conducts for compliance as well as basic knowledge of the laws and regulations related to the corporate affairs.

● Training by job category conducted in fiscal 2012 (group companies in Japan)

Training	Duration (minutes)	Number of participants (persons)	Themes (handout titles)
Training for new hires	45	104	Daiichi Sankyo Group CSR and Compliance, Case studies
Training for newly appointed managerial employees	40	191	Daiichi Sankyo Group CSR and Compliance
Training for newly appointed executive candidates	30	81	Compliance required for leaders, Case studies
Training for mid-career hires	30	33	CSR and Compliance, Case studies
Total	—	409	

Conference of persons in charge of compliance in group companies in Japan

Cooperative Relationship with the Clients

Procurement management

Within Daiichi Sankyo's framework of procurement, where each department engaging in procurement independently undertakes its own respective PDCA cycle under the standard of CSR Procurement Standard established in 2011, we focus on analyzing information on business partners and clarifying the procurement process in Japan. For clarifying the procurement process, we enhance the principles of competition, review ongoing procurement transactions on a regular basis, and revise the procurement procedure manuals outlined by each division completely in light of the inclusion of new business partners. In addition, we analyze the information on business partners by examining procurement data for three years from our group companies in Japan multilaterally in terms of procurement types, organizations and suppliers. Furthermore, we take initiatives to further strengthen our procurement process, while sharing such information with the procurement manager in each division.

Promoting CSR procurement

Toward further promotion of the CSR procurement standard, we requested 185 Japanese domestic business partners to respond to a questionnaire about the procurement standard and received their responses. The collection rate was 82.9% (95% as business transaction basis). We will provide feedback to each business partner on the results we collected, and proceed with a PDCA cycle with all business partners. At the same time, we will also be engaged in a similar procedure for overseas business partners.

● List of questionnaire items:

- 1-1 Compliance with laws and social norms (Human rights/Labor)
- 1-2 Compliance with laws and social norms (Safety/Health)
- 1-3 Compliance with laws and social norms (Fair-trade/Ethics)
- 2 Promoting sound business operation
- 3 Environmental consciousness
- 4 Securing optimal quality and cost
- 5 Securing stable supply
- 6 Maintaining confidential information (Information security)

CSR procurement outline

Daiichi Sankyo encourages all of its suppliers to engage in socially responsible actions to meet the following requirements and works together with them to provide support to achieve their goals.

1. Comply with laws and enhance CSR activities

(1) Protect human rights, labor rights
(2) Ensure workplace safety and health
(3) Comply with relevant laws and international conventions
(4) Contribute to society and community

2. Promote fair trade and ethics

(1) Prohibit corruption and bribery
(2) Promote fairness, transparency, free competition and sound trade

3. Consider environment

(1) Reinforce environmental management systems
(2) Reduce waste and use resources effectively
(3) Control hazardous chemicals in products
(4) Green Procurement

4. Secure optimal quality & cost

(1) Establish and implement quality management system
(2) Secure good product quality
(3) Offer competitive prices

5. Ensure stable supply

(1) Secure steady delivery times and stable supply

6. Keep information security

(1) Secure computer networks against threats
(2) Prevent the leakage of personal and customer confidential information

Voice

Fair and reliable corporate activities toward our clients

Masanobu Kikukawa
Product Materials Group, Procurement Department, Supply Chain Division
Daiichi Sankyo Co., Ltd.

Taking charge of promoting CSR in procurement, I took and tallied a survey using the CSR check sheets and analyzed the result of the tally with the staff members from General Affairs. & Procurement Dept. Based on the result of analysis, I have drafted a 3-year plan for the promotion of CSR in procurement, and am working on it now.

To provide medicine of high quality in a stable manner, which requires society's trust in us and their support as a pharmaceutical company, I am also regularly surveying our clients. The survey is for evaluation of our quality assurance system, stable supply capability, etc. of our procurement of raw materials. In this survey regarding CSR in procurement, I have received a variety of feedback from our clients. I have also been reminded that the demand of society toward CSR is increasing in our procurement related matters. I would like to promote CSR in procurement as one of the corporate activities integrated with CSR considering quality, costs, supply and sustainability.

Mutual Growth of Employees and the Company

The Daiichi Sankyo Group places "People" as its most important "Resource." Through the implementation of our Human Resources Management Initiatives, which is based on our business strategy, we aim for the mutual growth of our employees and company.

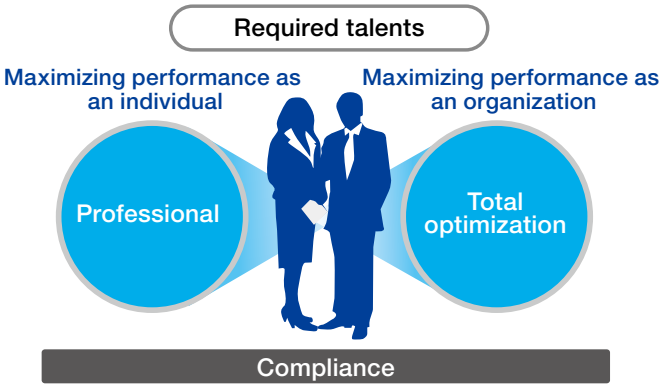
Promoting Human Resources Management Initiatives in Accordance with Business Strategies

Daiichi Sankyo Group's business activities are becoming increasingly diverse and taking place on a more global scale especially as the group has been pursuing collaboration with Ranbaxy. Approximately 30,000 Daiichi Sankyo Group employees currently work in more than 50 countries, with employees working outside of Japan accounting for about 70% of our workforce. To be successful in such diversified and globalized business operations, employees must fully respect different cultures, values and perspectives, while acting with high ethical standards and a sense of responsibility.

Globalized business requires close collaboration and cooperation between regions. The Group utilizes talent exchanges among affiliates that may last from a few months to several years, in which employees can acquire new technical skills and knowledge. Through this personnel exchange program involving different countries and regions, employees learn to work in diverse and globalized environments, respect different cultures and values, and welcome diversity, aiming to facilitate global business expansion.

The Daiichi Sankyo Human Resources Management Philosophy embodies human resource policies to implement our corporate mission and vision. The philosophy shows the employees the entire picture of human resource management promised by the company and specifies the ten items listed below, including the ideal approach to organizational management and expectations for leaders.

● Daiichi Sankyo required talents



● Daiichi Sankyo Human Resources Management Philosophy

Preface

The Daiichi Sankyo group treats our people as the most important asset. The realization of our company's mission and vision and its sustainable growth cannot be achieved without a high level of engagement and contribution of our employees. To ensure this, we will express the basic principles of HR management as the "HR Management Philosophy".

- Organizational Principles
- Expectations of Leaders
- Basic Philosophy of Human Resource Management
- Compensation
- Recruitment and Development
- Performance Management
- Employment /Work Environment
- Employee/Labor Union Communication
- Roles of HR
- Roles of Management

Reinforcement of Human Resources Management

Promoting diversity

In order to expand our business globally and innovatively, a diverse environment is crucial, with each employee living up to their maximum potential. The Daiichi Sankyo Group Corporate Conduct Charter stipulates that diversity is of the utmost importance. Our Human Resource Management Philosophy also states that diversity should be of the utmost concern in order to drive the company forward.

Our goal for diversity is not limited to the globalization of talent but also ensuring that we develop all of our employees to their fullest potential, regardless of personal characteristics such as their gender, race, age, ethnic background, religion or disability.

Career development support for women in Japan

Since fiscal 2010, we have been conducting “career encouragement training” to help women at our company clarify their career plans and find fulfilling roles as well as “career assistance training” for managerial employees who have women on their team (total number of participants in Japan: 550). We contribute career development of women by Women in Leadership (WiL) program, a selective program for women interested in leadership positions at our company, the supportive messages from our management team, and the role model introductions through our dedicated portal site. Furthermore, in addition to these measures across the Company, initiatives have been promoted to aim for career development and enhanced engagement in accordance with the working environment as in Sales, Production, and Research and Development.

Reemployment of retirees in Japan

We have started a reemployment system for all retiring employees who hope to continue working with us. We will strategically take retirees into consideration with respect to strengthening the further development of our corporate values, the basic principles for employment and the assignment policy, as well as any necessary adjustments to the working environment.

Promotion of employment of physically or mentally challenged persons

Our group companies in Japan and Daiichi Sankyo Happiness Co., Ltd., a special subsidiary company established in line with “The Act for Promotion of Employment of Persons with Disabilities"(Japan), promote the employment of physically or mentally challenged persons and encourage sensitivity and understanding by all employees. In addition, we maintain close relationships with disabled employees through communication on a regular basis, to ensure they are able to develop and perform to their fullest potential.

R&D Women’s Forum 2012

In regards to our furtherance of diversity, R&D Division in Japan is focusing on creating a rewarding workplace environment. Since 2012, many employees are actively participating in the R&D Women's Forum. In February of 2013, the First R&D Women's Forum was held. Glenn Gormley, Senior Executive Officer, the Head of R&D Division, presented with other Global Leaders on Leadership, Diversity and Work-Life Balance, and a discussion session was held afterwards. The presenters have put special emphasis on the fact that mutual understanding regardless of culture, gender, life stage, or experience is key for our success; in other words, diversity is critical to the organization, which leads to new and fresh ideas that go beyond conventional wisdom and create innovation. Also, the participants have reaffirmed with global leaders that bringing in understandings of different cultures and communication will add great value to the organization.

Over 100 employees attended the forum and actively participated in the discussion. Many employees felt that they were "able to understand concretely the thoughts about the diversity of global leaders and work-life balance overseas."

Human Resource Development

Reinforcement of business infrastructure in Japan through fostering and securing the leaders

Our basic policy is to foster professionals who have a broad perspective through on-the-job experience. We train and support talent who will take important roles at various workplaces by rotating job assignments, trainings or On-the-Job-Training, and evaluation at each level. In addition, at an early stage we screen new or mid-level managerial employees as potential candidates for executive managers who will look over each and every operational and functional unit and manage them as a whole. We provide various development opportunities such as in-house and external trainings, challenge for new areas, and human resource exchange at a global level.

Fostering junior and mid-career employees

In alignment with our Human Resource Management Philosophy, we focus on fostering our employees who can embody "Innovation" "Integrity" and "Accountability" through daily operations. Especially for mid-career employees, we offer the assignments optimizing their skills as well as training programs and opportunities to study, which help them acquire practical knowledge and strong leadership skills necessary for corporate leaders.

Reinforcement of management capability

We have provided training opportunities and self-study for personal development targeted to new managerial employees. While continuing to implement such traditional methods, through deployment of a new personnel system in Japan we will place and appoint qualified employees to manage each line of business, which strengthens organizational management capability.

Voice

I'm going to take advantage of the new sense of value to build relationships of trust.

Paras Jain
Drug Delivery Research Group, Formulation Technology Research Laboratories
Pharmaceutical Technology Division, Daiichi Sankyo Co., Ltd.

It's been an enriching year working in Japan at Daiichi Sankyo. I have come to understand the Japanese culture's way of accommodating every individual and situation. Everything in Japan is organized around this principle. There is a strong consciousness about high quality, and drug products are required to follow these philosophies. Also, I learned the Japanese value of making mutual collaboration and trust a top priority. Work culture values like Ho-Ren-So (reporting, contacting, and consultation) supports team spirit and collaboration. Teamwork is always greater than efficient individuals. During the next year, I will be focusing on learning more about superior technologies, and the Daiichi Sankyo way of product development and collaboration. When I go back to Ranbaxy, I want to make use of these experiences by extending my understanding about Japan, Daiichi Sankyo technologies and by building relationships of trust.

Because I have overcome the physical distance, I firmly understand the company policy and vision.

Gilberto Hayashi
Administration & Planning Group, Supply Chain Planning Department,
Supply Chain Division, Daiichi Sankyo Co., Ltd.

I was working in a plant in Brazil, and what I realized when I came to Japan was that I hadn't truly understood the policy and vision of headquarters in Japan. Because I have overcome the physical distance, now I have learned a lot about the differences in culture, mindset, and business processes between the two countries. Being able to have speedy communication is very important. I believe bringing excellence from both Japan and Brazil enables me to achieve more. When I go back to Brazil in the future, I'll be able to build cultural bridges by fully leveraging my experience so I can contribute to our businesses in both Japan and Brazil.

Fostering Corporate Culture

Basic principles of respecting human rights

It is recognized that corporate activities must respect human rights, and that this is critical for developing a global business.

We respect the core labor standards of International Labour Organization (ILO) as rights of working employees, and we recognize that a material approach of respect for human rights involves the management of genetic information in research and development processes as well as informed consent and observing ICH-GCP (the implementation standards of medicine at clinical tests) set up under the spirit of Declaration of Helsinki, etc. To heighten awareness of the importance of respecting human rights, a message was sent by the Global Head of CSR to all the employees of Daiichi Sankyo Group on Dec. 10, Human Rights Day. Moreover, in light of developing our business across a range of regions in the world including emerging economies, we are also working on human rights issues in collaboration with business partners concerning procurement and outsourced manufacturing.

Initiative on anti-harassment

In Japan, we provide ongoing training on respecting human rights at all job grades, from new hires to managerial employees, in our efforts to create a comfortable workplace environment for our various employees. In addition to regular educational activities about harassment, we provide training to employees working at harassment counseling desks, which are set up at the head office, other offices and the labor union. This training teaches counselors about case studies and improves their consultation skills. In dealing with violations, we emphasize social fairness and consult with lawyers and other external parties rather than keeping the issue closed within the company. Each case is dealt with strictness, and we take measures to prevent repeat of misconduct.

Communicating with the labor union

In Japan, we have concluded a labor agreement with the labor union that guarantees the right of employees to organize and engage in collective bargaining and action. The rights of employees are assured by conducting positive discussions focusing on resolving problems and disclosing information with high transparency to address many labor-management issues, in accordance with the principles of the International Labour Organization (ILO). We have established the Labor Management Committee for Japan to address work safety & health and labor time management through the PDCA cycle *1.

Creating a vibrant corporate culture

Because our surrounding environment changes greatly, and the values of our employees are diverse, we believe that the keys to creating a vibrant corporate culture are reinforcing active open-minded communication among employees and the commitment of all employees to fulfill their responsibilities under the same goal. In order for employees to continuously produce the best results, it is important to cultivate a corporate culture that promotes mutual understanding. Thus, we ran a pilot in Japan of an “Work Place Conversation Program” to improve involvement and relationships among employees at the work place. The organization where this program was implemented, not only showed an improvement in relationships and mutual understanding among employees, but also positively impacted activities of employees such as creating better solutions for operational tasks.

Promoting work-life balance in Japan

In Japan, notion of work-life balance has been developed in response to the government policies , in order of “countermeasures to the declining birthrate and gender equality”, “review of working style and reduction of working hours” and “ to realize better work and life cycles and diversity management”. Daiichi Sankyo Group has established a “Work-life Cycle” not as a simple measure to reduce working hours or provide a better benefit package, but, more importantly, as a means to enhance and support the values of the company.

*1 A management process based on the steps: Plan, Do, Check, and Act.

Diverse ways of working

As for balancing both childcare/nursing care and work, we have been promoting a diversified environment in which employees can work without unnecessary pressure. Especially for the areas in Japan where it is difficult to use public day-care centers, we have established 4 in-house day-care centers called Kids Garden: two in the R&D centers (Shinagawa, Kasai) and one each in the head office and the factory (Hiratsuka). Some of the employees using the Kids Garden mentioned that they couldn't have returned to their previous jobs without the facility. However, the circumstances for child-care and nursing care have also been diversified. Thus, one single system is not enough to meet the needs for all employees in order to continue their jobs. Therefore, we have altered the system so that the employees who need to take care of their children and/or elderly relatives can work more flexibly, as well to work on weekends/holidays and/or take night shifts as they request. In addition, we plan to create an information booklet for employees to know how they can balance working for the company and their needs to provide nursing care.

Systems and measures to support diverse ways of working

Name(s) of the Systems/Measures	Details
Flextime	It aims to enhance the independence and creativity of employees with increasing efficient use of working hours and improving productivity, as well as to maintain and improve a healthy mind and body, thereby achieve the harmony of work and personal life. For this purpose, while working hours are adjusted on a monthly basis, working hours of the day are allowed to be flexible.
Shorter working hours for childcare (fixed time system and flextime system)	Employees who raise children up to the end of the third grade in elementary school are able to shorten their working hours during the day. Under flextime system, the system can also be applied.
Shorter working hours for nursing care (fixed time system and flextime system)	Employees who have family members in need of nursing care are able to shorten their working hours during the day. Under flextime, the system can also be applied.
In-house nursery (Kids Garden)	In the area where a nursery admission is difficult, an in-house nursery (Kids Garden) is established as a support measure for children waiting for admission to a nursery. Childcare is provided either full-time or temporary. **Full-time childcare** Children of the employees on the waiting list for authorized nurseries, between the ages of 57 days after birth to pre-school, are generally admitted. **Temporary childcare** Regardless of waiting status, it can be used when local nurseries or kindergartens are on holiday and by the pre-registration along with the predetermined review.
Adjusted area and working time system (short time work system for MR*1)	MRs are allowed to adjust working hours (days) depending on the circumstances of the family and to request a consideration for work location.

Voice

I can concentrate on my job because I can feel my daughter near me all the time.

Shin Watanabe
Facility Management Group, R&D Administration & Support Department, R&D Division, Daiichi Sankyo Co., Ltd.

Thanks to the in-house Kids Garden, I can concentrate on my job without worries because I have my daughter near me all the time. It provides me a feeling of security because I can pick up my daughter any time if there's an emergency situation. Every morning I commute by train with her and take her to the Kids' Garden inside my office, and in the afternoon my wife picks her up. Sometimes I pick her up in the afternoon instead of my wife, and on such days, the limitation of time makes me work more intensely.

At other day-care centers I hear that parents have to bring their kids' blankets, sheets, baby wipes from home and bring them back in weekends to launder. Thankfully our Kids Garden provides all those services which fulfill our needs. During working hours, sometimes I happen to meet my daughter when she is out for walk. I get a little shy having my daughter see me at work, but it is also a happy moment.

Noticing the importance of time management, I can work much more efficiently now.

Anri Aki
Group I, Frontier Research Laboratories, R&D Division, Daiichi Sankyo Co., Ltd.

After becoming a mother, I realized the importance of time management more than before. Every morning before I go to work I set my priorities and check my to-do list, so I can work much more productively now. My one-year-old son spends the day at our in-house Kids Garden. I can pick him up right after I finish my job, and I am so thankful for this great environment where I can continue my full-time job.

The Kids Garden's service is very satisfying and meeting our needs and conditions. For example, the nursery's various events are held in the evening after regular hours of operation so that we can attend the events. I'm very glad that they take great care of every child. Because all the other mothers are my laboratories' colleagues, we have so much in common and can share information with each other. They are all encouraging friends.

*1 A medical representative (MR) is primarily responsible for visiting medical professionals to compile and provide information on the safety management of pharmaceutical products in order to ensure that the products are used appropriately.

Industrial Safety and Health

Fostering of Industrial Safety and Health

We consider securing the safety of the working environment and the health of our employees to be an important responsibility of the Daiichi Sankyo Group, and it is a cornerstone of all business activities. As a matter of course, priority is given to the prevention of occurrence and recurrence of industrial accidents and work-related sickness. Furthermore, we have strived to improve employee satisfaction through creating a work environment in which employees can work with ease and enhance their productivity by implementing a sense of independence and sense of ownership among employees toward their own working environment.

Initiatives regarding industrial safety and health

We are actively involved in preventing work-related accidents and ensuring the physical and mental health of our employees, particularly by promoting occupational safety and health including carefully managing working hours. We have set up a Group Central Safety and Health Committee to promote these safety management activities in Japan. Based on principles and measures established in consultation with the labor union, Safety and Health Committee meetings have been held at all domestic group companies in Japan (twice a year) and in each office (once a month). The activity results are summarized in the minutes to be shared with all employees. Industrial physicians are also actively involved in the committee meetings.

Furthermore, an industrial physician has been placed by Human Resources Department at the group headquarter as a part of a system which provides support using a unified approach throughout Japan. We have also set up a counseling system available for employees and their families both in and outside Japan in affiliation with an external employee assistance program (EAP*1). In cooperation with the Daiichi Sankyo Group Health Insurance Association, we carry out initiatives promoting safety management for healthy workplaces and initiatives designed to enhance individual awareness of health.

● Systems and Initiatives in Japan for labor safety and health

Systems	Initiatives
Measures for employees working long hours	The physician consultation rate for employees working long hours is 96%. Those requiring follow-up care work with the industrial physician and supervisors to receive individualized guidance.
Medical checkup program	In addition to statutory medical examination (100% consultation rate), a health screening vacation is granted, which is carried out in cooperation with the Health Insurance Association. With the aim to improve the consultation rate (41.3%), we cooperate with the Health Insurance Association.
Fostering mental health	A stress check carried out as a self-care measure showed that stress levels were low compared to the nationwide average. Mental health training is provided at each employee level.
Return-to-work assistance	The return-to-work assistance program was revised for greater effectiveness (time length and criteria changes for the return to work and follow-up) in order to improve the number of new employees on administrative leave who return and reduce the number of workdays spent away from work.
Health databank	The databank has also included a self- check test (stress check and fatigue assessment test) in addition to the results of medical checkups which employees can have an access.
Group long-term disability insurance system	The Group long-term disability insurance system provides employees rendered incapable of working for a medium- to long-term period due to sickness or injury with a fixed portion of their income as compensation, up to retirement age.

*1 Employee Assistance Program. An employee support program

Enhancement of Communication with Stakeholders

We will strive for establishing a favorable relationship with the stakeholders including our patients and medical professionals through communication and cooperation.

Basic policy on communication issues

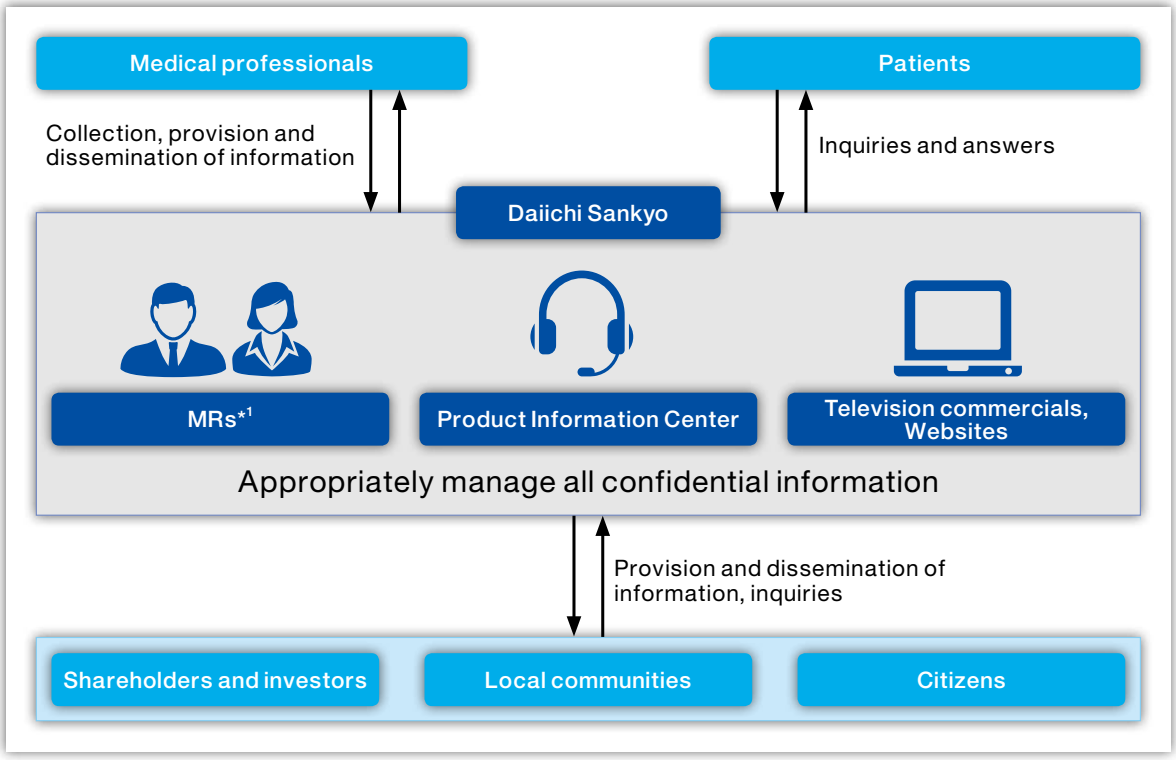
We recognize that "a company is a member of society" and is required to fulfill the responsibility of transparency and accountability to stakeholders. Therefore, Daiichi Sankyo Group Corporate Conduct Charter stipulates “We actively communicate with our stakeholders by disclosing corporate information in a timely and appropriate manner in accordance with the principles of corporate accountability. We take appropriate measures to manage and protect personal and customer information and the confidential information of our and other companies.”

Because our products are life-science related products, it is critical to properly communicate our messages to patients and medical professionals such as doctors and pharmacists.

Additionally, we work to enhance our communication activities so as to deepen the understanding of corporate management and activities of shareholders and investors and promote the understanding with the local community and consumers.

On the other hand, with IT systems advancements and information circulating in significant quantities, we recognize that diligence in information management is required by companies. We have defined the policies and procedures mandatory for each region with respect to the personal information and customer information, to protect the confidential information in all aspects of collecting, using, storing, and disposing of information.

● Communication with stakeholders



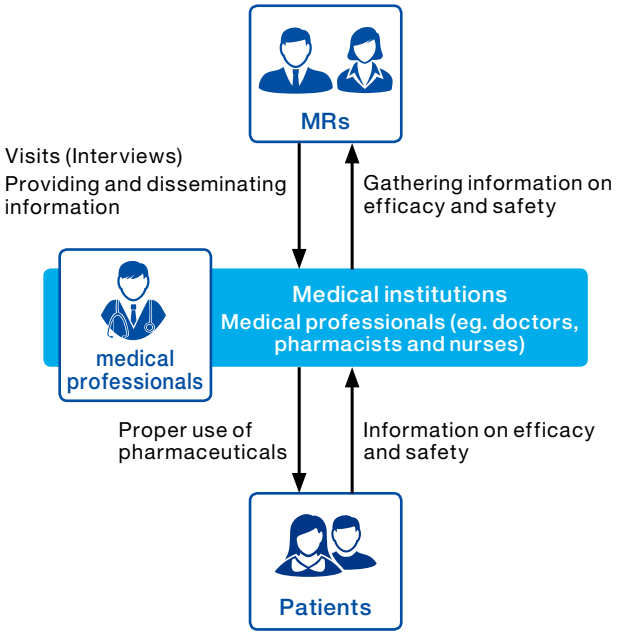
*1 A medical representative (MR) is primarily responsible for visiting medical professionals to compile and provide information on the safety management of pharmaceutical products in order to ensure that the products are used appropriately.

Communication with patients and medical professionals

Diverse ways of communication: MRs

The role of the MR is particularly vital in gathering, providing and disseminating information for medical professionals, such as doctors and pharmacists. Daiichi Sankyo's goal is to be recognized as a trusted medical partner by the entire medical profession. To achieve this goal, Daiichi Sankyo will train MRs who can appropriately convey the value of our products to medical professionals.

● Workflow of MRs



● Providing information that meets real needs

The Sales and Marketing Division's mission is for each of its MRs to take pride in the company and their own work, which is the key to bringing greater benefit to more patients. The Division seeks to foster an environment in which employees can work as a team to produce results. As part of these efforts, the Sales & Marketing Division strives to improve and enhance MR activities on an ongoing basis by periodically surveying our customers to obtain meaningful and actionable feedback. In December 2012, Daiichi Sankyo was ranked first among companies by cardiologists in the area of manufacturing activities in the cardiovascular medicine field. Daiichi Sankyo was also ranked as No.1 in an overall assessment of MR activities.

● Assessment by questionnaire

Source: Research commissioned by Daiichi Sankyo with cooperation of outside research company

	Dec. 2010	Dec. 2011	Dec. 2012
Overall assessment of MRs*1	No.2 (N=2,648)	No.2 (N=2,440)	No.1 (N=2,451)
Ranked as the leading manufacturer in the cardiovascular medicine*2 field	No.1 (N=320)	No.1 (N=300)	No.1 (N=308)

*1 Assessing MRs on a scale of one to ten
*2 Rate of selection by cardiologists as the leading manufacturer of cardiovascular medicine.

Voice

We aim to "provide customer-oriented information" and organize a high-quality training course.

Taichi Kiyosue
Sales Training Group, Training & Information Department
Sales & Marketing Division, Japan Company
Daiichi Sankyo Co., Ltd.

We have organized a training course for MRs and are involved with building its contents. It is very important to us that the training "have a customer's point of view". We aim to provide "customer-oriented information" that can specifically describe the benefits to doctors and their patients.

In creating our training materials, we listen directly to the people who are involved in the actual treatment in the medical field, and seek to address the customer's perspective and needs through the training. We organize high-quality training courses so that the MRs is recognized as a "trusted medical partner" from all the people related to medical care.

Diverse ways of communication: Product Information Center

Daiichi Sankyo's Product Information Center in Japan, under the auspices of the Product Information Management Department, strives to personally serve patients and medical professionals by delivering accurate information with innovation, integrity and accountability, which are the Group's three shared values. We particularly focus on two of our eight corporate commitments: to provide the highest quality medical information; and to be an ethical, trusted, and respectful partner. We also exercise care in the provision of high-quality, consistent information by consulting a wide range of pharmaceutical materials and information databases.

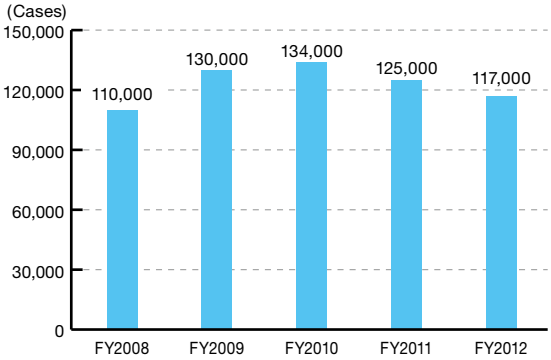
With the great variety of information available these days, it is vital for people to be able to sort out the accurate information from the inaccurate. At Daiichi Sankyo, we are committed to conveying accurate, error-free information that people can easily understand, and we do our utmost to bring peace of mind to worried patients. Daiichi Sankyo conducts on-going training for employees designed to enhance the experience of all patients calling the Product Information Center. In particular, we believe that understanding the real intentions behind inquiries from patients, their families and caregivers, and responding to them in an accurate and sincere manner is more important than ever.

We also devised and administered a system for sharing in-house the customer feedback received by the Product Information Center, which enables us to analyze as well as visualize problems. We aim to utilize this information to continually improve our business and our products, thus contributing to a better world.

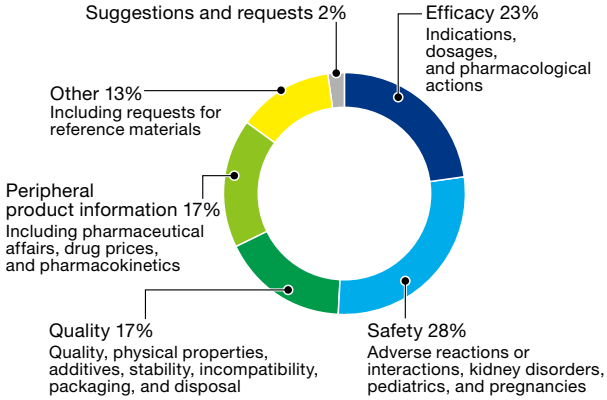
Diverse ways of communication: disseminating helpful information via television commercials and the websites

In addition to efforts to educate and inform medical professionals, we use television commercials and websites to provide patients and their families as well as the general public with information on the diseases that our medicines treat or help to prevent, such as dementia and reflux esophagitis and influenza on our websites. Our Website, "Influ News", is available in English, Chinese, Korean and Portuguese for foreigners living in Japan. Also, "isshogaiine.com" ("Together Is Better") is a Japanese website that introduces information on dementia and caretakers of people with dementia; and muneyake-donsan.jp ("Heartburn and Acid Reflux"), provides information on reflux esophagitis. Our "e Food Dictionary" application includes recipes using seasonal ingredients with calorie breakdowns. Since June, 2011, it has now been downloaded more than 1.2 million times, testifying to its wide appeal.

● Number of inquiries received (pharmaceutical products)



● Breakdown of inquiries by content (fiscal 2012)



Aiming for high quality information provisions

● Creation of Medical Affairs Department

We are increasingly expected to correctly determine benefits and risks that drugs pose to patients from the medical and scientific point of view and provide as high-quality and actionable information. We established the Medical Affairs Department in April 2013 with the aim of further strengthening and enhancing our communication of scientific and medical information. In addition to the current post-marketing surveillance and life cycle management, the department will play a role in supporting investigator-initiated studies (IIS), provide information through publications to stakeholders, and develop internal guidance and/or procedures for appropriate management of unsolicited requests for information on off-label use.

In addition, it has become increasing important that pharmaceutical companies respond to environmental changes and social demands with sincerity by creating and releasing risk management plans (RMPs), and enforcing transparency guidelines. As we continue to evaluate medical needs and provide science-based, value-added information in a timely manner, we will contribute to the health care of patients as well as enhance the brand power of our products.

● Efforts to improve quality of information

For post-marketing surveillance, we will continue to provide information based on the procedures specified by the Good Post-Marketing Study Practice (GPSP). For our new role for IIS, we will support them through increased transparency with a contract that clearly defines the relationship to ensure high-quality research. In addition, focusing on key products, we will create and implement a publication plan for each product defining when and how we will provide necessary information about the safe and effective use of the drugs in medical practice.

Voice

Three keywords helping to maximize the potentiality of products.

Yukihiro Okutani
Medical Affairs Department, Head of Business Intelligence Division, Japan Company
Daiichi Sankyo Co., Ltd.

Launch of new medicine is not our goal. We believe it is our responsibility to consistently conduct post-marketing surveillance on the position and value of our products in the field of medicine while taking account of the progress in medicine and change in medical environment and to provide most recent and best information. We also believe that this creates value to our products.

In the pharmaceutical industry, we must quickly address changes in the medical arena and maintain sufficient ability and skill to generate and provide value-added information.

The medical affairs business is still a relatively new concept in Japan. We are determining the best activities and functions for our medical affairs department to ensure we meet our mandate and serve the medical practice in Japan. Along with the three keywords of "spirit to foster our products ", "the pursuit of high-quality science," and "transparency," every member of the Medical Affairs Department will work with other relevant departments to gather information from the standpoint of each professional and to generate synergies, and thereby we will establish a new business model to meet the current business needs and contribute to promoting the proper use of a product and maximizing its potential.

Communication with Shareholders and Investors

Promptly disclosing information that is easy to understand

Daiichi Sankyo discloses timely information to stakeholders through news releases and other means. Stakeholders can access our website for details of our financial results, information materials, shareholder reports, securities report and materials related to shareholder meetings.

Interactive Investor Relations

Daiichi Sankyo emphasizes interactive communication with individual investors and shareholders. The company issues a Japanese language email magazine with the latest investor relations information twice monthly (investor relations email magazine). In addition, we are delivering semi-annual video messages across the Internet to communicate our management's message.

Furthermore, we hold briefings for individual investors and shareholders across the country. We regard these sessions not only as an opportunity to explain our corporate activities but also as an opportunity for listening directly to what investors and shareholders have to say.

Briefing for individual investors

Disclosure of Environmental, Social and Governance (ESG) Information

We emphasize the disclosure of information on our environmental, social and governance (ESG) initiatives in response to the concerns of our investors. We are focusing on management of ESG issues that may create business risk with respect to global management, and are proactively implementing activities such as ESG information disclosure through our Value Report or website and communication with ESG investors.

Basic policy on profit distribution

The Company regards the distribution of profits to all shareholders as a key management issue. Its basic policy is to pay a stable dividend while seeking to return profits to shareholders in a flexible manner.

During fiscal 2012, the Company paid an interim dividend of ¥30 per share and year-end dividend of ¥30 per share, for a total annual dividend payment for fiscal 2012 of ¥60 per share.

For fiscal 2013, the Company plans to pay an annual dividend of ¥60 per share.

Investor Relations Website

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

Individual Investor Website (In Japanese only)

http://www.daiichisankyo.co.jp/ir/individual/index.html

Communication with Employees

As well as sharing with every one of our employees the social importance of our activities and the role expected of our Group, we intend to communicate the future direction and goals of the company in terms that are easy to understand and that will continue to support a workplace where all employees are able to contribute. We will continue to enhance interactive communication between management and employees through various kinds of in-company events, an internal portal site and in-house English and Japanese newsletters.

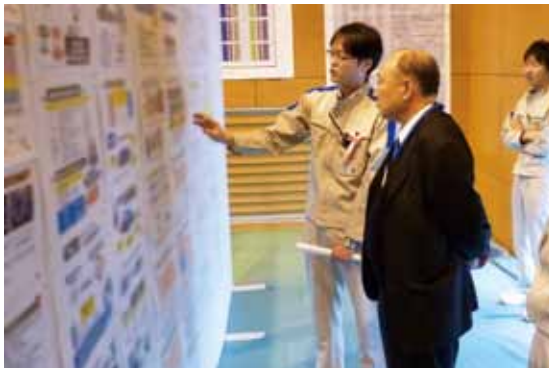
● R&D Forum

Our R&D Division holds an R&D Forum every year, which offers employees engaged in R&D at Daiichi Sankyo, Asubio Pharma, Daiichi Sankyo RD Novare, etc. an opportunity to share information/know-how and further develop business relationships. Employees at various levels are selected to plan and organize panel discussion, a poster presentation, symposium, lab tour, etc. The R&D Forum provides an opportunity for officers from the R&D Division, management of the Company, and employees at all levels to participate and get to know one another.

As a main focus for the 2012 R&D Forum, employees were encouraged to offer ideas for making R&D activities more proactive and more innovative, and the Head and employees of the R&D Division proactively discussed these ideas from various perspectives and deepened their mutual understanding.

● SC-CMC Technology Meeting

Our Pharmaceutical Technology Division and the Supply Chain Division collaborated in holding the first SC-CMC Technology Meeting in December, 2012. Information on various domestic and international approaches to technology development and cooperation were shared through poster sessions and presentations, cultivating an environment designed to generate cross-functional seamless cooperation.



● Overseas Town Hall Meeting

The president held town hall meetings with European and U.S. Group companies, at which he set forth the management strategies and challenges related to becoming a “Global Pharma Innovator,” as well as his expectations for employees.

Daiichi Sankyo hopes to further strengthen this interactive communication at various venues in fiscal 2013.

The Dialogue with CSR Experts

We organized a “Dialogue with stakeholders” event to which we invited experts from various fields and our employees from the relevant fields. The purpose of this event was to understand and respond to the ever-changing varied demands of the society.

Contribution through business while tackling social issues.

Mr. Eiichiro Adachi
Counselor, Head of ESG Research Center, The Japan Research Institute, Limited

The understanding of CSR differs depending on the country or region, as it is based on the social context of each country/region. Furthermore, the stakeholders for corporations are also becoming diversified with the rapid globalization of businesses. The corporate sector is increasingly being expected to solve social issues that cannot be solved by the government alone.

Under these circumstances, new approaches, such as changing the way of business or identifying latent customers’ needs in the context of solving social issues are becoming a new trend of CSR, in addition to an extension of conventional “contribution through main businesses”.

Also, the keys to globalization are “Diversity and Inclusion[*1]”. Of course, the corporation must take into account the areas and regions where it conducts business. In addition, for issues such as labor and human rights, it is critical to consider the positive impact of diversity and inclusion.

To establish a win-win structure by building a new business model together with developing countries in accordance with their needs.

Mr. Kenji Shibuya, MD, DrPH
Professor and Chair, Department of Global Health Policy, Graduate School of Medicine, The University of Tokyo

Globalization of medicine is rapidly progressing, and the power of international organizations such as World Health Organization (WHO) is relatively declining these days. To fill in the gap, the collaboration between public and private sectors is being facilitated. The large scale private sector and foundations are also becoming increasingly active.

In the future, the global health[*2] sector should collaboratively develop a new business model based on the needs of the developing countries, using local methods and resources, and establish a win-win structure. It is important to develop a large strategy/business model as a part of the main business including supply chain, taking into consideration who plays what role from R&D to distribution.

To get the latest information, various stakeholders need to gather together, and they need to participate directly in public health strategy discussions. In this way, they can understand the movement and lay the foundations for future business, thus, it is highly recommended.

*1 “Diversity and Inclusion” means a situation where diverse people interact and are valued and respected as equals.
*2 Global health refers to the issues concerning health and health-care across borders.

"Commitment to responsible business practice, not only within the company but also in the supply chain."

Ms. Kaori Kuroda
Executive Director, CSO Network Japan

The issues of human rights are really very broad. Also, over the last few years, human rights have been much discussed as part of mainstream CSR.

As for how to actually tackle this, we must examine the activities and decisions of our own companies, , and demonstrate due diligence with regards to human rights.

With business globalization, supply chain is also diversifying and becoming increasingly large and complex. Furthermore, the greatest impact that our companies have had on the environment, on society and on the economy, has been through the supply chain. Therefore, it is essential to implement the commitment to responsible business not only in our own companies, but also throughout the supply chain.

I strongly recommend that you decide with a policy what you should do to estimate potential risks as a preventive measure by, for instance, positively communicating with the stakeholders including NGOs.

To implement consistent, broad-minded and thoroughly thought-out environmental management that is linked to management indicators.

Mr. Takashi Fukushima
Chief Executive, CPA, Sustainability Accounting Co., Ltd.

To widen the range of totaling in the scope 3[*1]area has been required. I understand the true nature of the requirement is to show the depth of your perspective of the issue in practicing an approach. This includes; how well you recognize the probability of strategic risks and chances concerning the environment, such as impacts on your supply destinations due to climate change; how far you can reduce the anticipated environmental burden in the same target fiscal year when you set a target level of sales, etc. as a management index in the medium-term management plan, and; what kind of structure the environmental burden will be in, at the time when you declare to increase your sales in rising nations.

Furthermore, I would like you to express the actual environmental aspect of the medicine and its degradation products, as well as your view as a professional involved in pharmaceutical industry. I have a high expectation of your leadership concerning the environmental management in pharmaceutical industry.

Overview of the event (The positions, etc. are as of the time of the event date)

Date: March 25, 2013 (Mon.) 13:30 to 16:30

Venue: Daiichi Sankyo Company, Head Office, B413 conference room

Attendees (Experts):

Mr. Eiichiro Adachi
Counselor, Head of ESG Research Center, The Japan Research Institute, Limited

Mr. Kenji Shibuya, MD, DrPH
Professor and Chair, Department of Global Health Policy, Graduate School of Medicine, The University of Tokyo

Ms. Kaori Kuroda
Executive Director, CSO Network Japan

Mr. Takashi Fukushima
Chief Executive, CPA, Sustainability Accounting Co., Ltd.

Attendant Daiichi Sankyo Staffs:

Yoshikazu Takano
Head of Legal Affairs & CSR Division

Hiroyuki Okusawa
Corporate Strategy Department

Tsuyoshi Tanaka
Intellectual Property Department

Norimasa Kamura
Human Resources Department

Ryoichi Watanabe
General Affairs & Procurement Department

Hirohisa Sato
Vaccine Business Strategy Department

Koichi Akahane
R&D Planning Department

Hiroshi Honda
Supply Chain Planning Department

Chiharu Hashimoto
ASCA Company, Business Planning Department

Katsuyuki Yogosawa
Toyomasa Kaneda
Shigemochi Dobashi
Kazunari Shimizu
CSR Department

*1 The scope paragraph with respect to the indirect emissions in the entire supply chain, except for the indirect emissions associated with usage of electricity, steam and heat in the volume of greenhouse gas emission.

Promoting Environmental Management

The Daiichi Sankyo Group continues to promote environmental management to reduce the environmental burden in every business operation.

Environmental Management System

Recognizing that caring for the environment is one of its key social responsibilities, the Daiichi Sankyo Group not only complies with the law, but has also stipulated in the Daiichi Sankyo Group Corporate Conduct Charter: "We responsibly manage the environmental impact of our operations as environmental issues are common challenges for mankind and such concerns are integral to our corporate activities and our very survival." The Group has also formulated rules for conducting environmental management and established its Basic Environmental Management Policy based on these rules.

● Basic Environmental Management Policy

Safeguarding the environment is the bedrock of all Group operational management. We pursue environmental management that contributes to a sustainable society and enhances our good corporate citizenship.

We focus on major environmental issues, such as countermeasures for climate change, effective usage of natural resources, proper management of chemical substance, and biodiversity consideration. We establish and operate an environmental management system for the above issues and communicate with stakeholders.

Moreover, the Mid-term CSR Policy in the Group's Second Mid-term Business Management Plan specifies "reducing the environmental impact of all business activities" as an environmental issue to address.

Also, the Third Mid-term Business Management Plan's CSR activity starting in fiscal 2013 is defined as "Responsible Business Actions for a Sustainable Society." We have established our Third Mid-term Environmental Management Policy on the basis of this concept.

Global environmental management promotion system

Daiichi Sankyo's Global Head of CSR oversees the Group's environmental management. In this system, environmental management is implemented in a system of environmental management units established for each business unit, such as the corporations and companies that control regions and businesses, with the Global Head of CSR managing all of these environmental management units. In addition, the officials of the environmental management units oversee the bases, for instance the offices that make up the environmental management units.

For example, an environmental management unit made up of Daiichi Sankyo and the Group companies in Japan was set up, with the head of the Legal Affairs & CSR Division (current Member of the Board and Senior Executive Officer) of Daiichi Sankyo Co., Ltd. taking responsibility for this unit (serving as chief executive officer of environmental management). This head officer advances environmental management by overseeing the environmental management classification (organization and site) established on a per-office basis. In addition, office managers take responsibility for these environmental management classifications and operate environmental management systems through ISO 14001 and other programs. Further, the Environmental Management Committee has been set up to discuss important issues related to the environment, chaired by the chief executive officer of environmental management.

Daiichi Sankyo also pursues environmental management in Europe, North America, Asia, Central and South America and India with programs similar to those in Japan.

Second Mid-term Environmental Management Targets and Results (FY2010-2012)

Items	Targets for Fiscal 2012 (Group companies in Japan)	Results
Promote initiatives to prevent global warming*1	● CO_2 emissions: 20% reduction compared to fiscal 2007	● CO_2 emissions: 25.2% reduction compared to fiscal 2007 (49,601 t-CO_2 reduction compared to the actual emission of fiscal 2007). Achieved mid-term target
Effective use of resources and contribute to a recycling-based society*1	● Maintain zero emissions (Final disposal rate:*2 less than 1%) ● Amount of office paper consumed: 20% reduction compared to fiscal 2007	● Zero emissions: Final disposal rate was 0.20%, maintained less than 1% level. Achieved mid-term target. ● Amount of office paper consumed: 26.1% reduction compared to fiscal 2007 (reduced 23.94 million paper use compared to the actual usage volume of fiscal 2007). Achieved mid-term target.
Pollution prevention and reduction of environmental risks	● Maintain efforts to prevent air and water pollution ● Assess and reduce environmental liabilities and risks	● Efforts to prevent air and water pollution - SOx emissions: 93.7% reduction compared to fiscal 2007 (reduced 8.9t compared to actual emission of fiscal 2007) - NOx emissions: 83.0% reduction compared to fiscal 2007 (reduced 171.0t compared to actual emission of fiscal 2007) - BOD emissions: 7.7% increase compared to fiscal 2007 (increased 3.0t compared to actual emission of fiscal 2007) - COD emissions: 47.7% reduction compared to fiscal 2007 (reduced 21.0t compared to actual emission of fiscal 2007) ● Confirmed our compliance with law through self-assessment such as environmental audit. No significant compliance violations
Promotion of Green Procurement	● Online purchasing of environmentally friendly office supplies Percentage of designated items: over 90%; Percentage in terms of costs: over 70%	● Percentage of designated items: 53.2%; Percentage in terms of costs: 54%
Engagement in Biodiversity Conservation	● Establish system for promotion and collaboration ● Properly use ecosystem-dependent resources	● Investigate the relationship between our company group and biodiversity and carry out subject extraction based on risk and opportunity analysis ● Formulate and release basic objective and action guidelines in regards to biodiversity ● Implementing approaches based on the action guidelines ● Proceed with internal company education in regards to preservation of biodiversity
Promoting Environmental Communication	● Enhance environmental awareness among all employees and improve environmental education ● Strengthen communication and collaboration with business partners and with regional and private nonprofit organizations	● Environmental Art Contest - Photographic images: 802 entries (171 domestic & 631 from overseas) - Senryu (satirical poem): 627 entries ● Environment staff members workshop - Total number of times conducted: 8 - Total number of attendees: 270 ● Environment awareness e-learning - Average rate of attendance at lectures: 97.1 % - Total number of people attending lectures: 13,631 ● Maintaining and strengthening relationships with stakeholders through dissemination of extensive environmental information, etc.

*1 In order to retain the continuity of the medium term target evaluations, the data of Kitasato Daiichi Sankyo Vaccine has not been included in the target results.
*2 Final disposal rate = Final disposal amount (waste disposed by landfill) / Total amount of waste (all waste generated by business sites).

Third Mid-term Environmental Management Targets (Fiscal 2013-2017)

Policy	Targets for Fiscal 2017 (Group companies in Japan)
Promote the effective use of energy and reduce carbon dioxide emissions in all business operations to help prevent global warming	● CO_2 emissions: 20% reduction compared to fiscal 2007 ● CO_2 emissions per basic unit of net sales: 15% improvement from fiscal 2012 ● Promote the recognition of supply chain's CO_2 emission volume
Promote the 3Rs (reduce, reuse, recycle) to contribute to a recycling-based society through resource saving and waste reduction	● Maintenance of zero emissions (annual disposal rate: less than 1%) ● Amount of office paper consumed: 30% reduction compared to fiscal 2007 ● Office paper consumed per basic unit of net sales: 20% improvement from fiscal 2012
Contribute to reducing environmental risks through stringent efforts to abide by environmental compliance, pollution prevention and the proper management of chemical substances	● Thorough compliance with the law through self-assessment such as environmental audit, the recognition and evaluation of environmental risks and the implementation of countermeasures against such risks ● PRTR substances discharged to air and water per basic unit of net sales: 5% improvement from fiscal 2012 ● Thorough monitoring through the visualization of emission volume and basic units
Promote business activities, which take into account biodiversity and ecosystem services, and green procurement to contribute to the development of a sustainable society	● Water use per basic unit of net sales: 5% improvement from fiscal 2012 ● Promote biodiversity-conscious business activities based on the principles and action guidelines ● Promote environmentally-friendly material procurement and intensive environment conservation activities created in cooperation with our business partners ● Promote social contribution measures which contribute to biodiversity conservation
Encourage the continuous improvements of environmental communication and collaboration with stakeholders as well as the environmental management system	● Maintain and improve the number of employees who participate in environmental awareness-raising activities and environmental education courses ● Strengthen communication and collaboration with business partners, regional communities, and private nonprofit organizations

Environmental auditing

The Group's auditing system for environmental management is comprised of three complementary approaches that are implemented in accordance with the situation in each environmental management classification (organization and site). The three approaches consist of internal audits implemented by environmental management classification, evaluations by ISO audit organizations, and environmental audits performed by the environmental management department (CSR Department of Daiichi Sankyo).

Environmental audits on waste management were performed at the Group companies in Japan under a three-year plan that began in fiscal 2008. Environmental laws such as the Air Pollution Control Act, Water Pollution Prevention Act and Waste Disposal and Public Cleansing Act have all been revised in recent years, so we have been planning and carrying out environmental audits with a broader scope and a focus on compliance with environmental laws for three years beginning in fiscal 2011. In fiscal 2012, we carried out environmental audits of eight environmental management classifications: Daiichi Sankyo Propharma Akita Plant, Onahama Plant, Tatebayashi Plant, Hiratsuka Plant, Odawara Plant, Daiichi Sankyo Chemical Pharma Hiratsuka Plant, Asubio Pharma, and Kitasato Daiichi Sankyo Vaccine. It showed that the company was in compliance and there was no improvement guidance associated with major environmental risks.

ISO 14001 Certification progress

The Daiichi Sankyo Group is working proactively to acquire ISO 14001 certification in the recognition that its plants have a substantial environmental impact.

● List of ISO 1400 certified plants

(As of the end of March 2013)

Company	Site
Daiichi Sankyo Propharma Co., Ltd. *1 Includes Daiichi Sankyo Research Center *2 Includes Daiichi Sankyo Research Center and Daiichi Sankyo Happiness Co., Ltd. *3 Includes Daiichi Sankyo Logistics Co., Ltd.	Akita Plant
	Onahama Plant
	Tatebayashi Plant*1
	Hiratsuka Plant*2
	Takatsuki Plant*3
	Odawara Plant
Daiichi Sankyo Chemical Pharma Co., Ltd.	Hiratsuka Office and Plant
	Odawara Plant
Daiichi Sankyo Brasil Farmacêutica	Alphaville Plant
Ranbaxy Laboratories Limited	Toansa Plant
	Dewas Plant
	Mohali Plant
	Malanpur Plant
	Paonta Sahib Plant

Environmental Communication

The Daiichi Sankyo Group proactively promotes environmental communication with our stakeholders to prevent and resolve environmental problems by sharing information and fostering stakeholder dialogue about the environment. In the rare event of an accident, the Group will carefully consider the possible impact on the surrounding community and make every effort to share information and exchange ideas with local residents around its plants and R&D centers and conduct disaster prevention countermeasures in collaboration with them. In addition, we are continuously implementing environmental education for employees.

● Environmental Art Contest

Environmental communication measures are carried out to improve employees' environmental awareness. Every year in June, which is designated as "Environment Month" by the Group, a contest is held for artwork that gives the viewer an impression of the environment. Artwork is solicited from Group employees and their families both in and outside of Japan.

We received a total 313 artworks for the photographic image category - 80 artworks domestically and 233 artworks internationally. In addition, we also received 211 poems for the Senryu (satirical poem) category domestically. We selected the grand prize/prize winners and held the awards ceremony at each regional company or group company.

● Raising awareness of global warming

The three months from December to February are designated as a period for raising awareness of global warming. Every year, the award-winning artwork, which gives the viewer a sense of the environment, is used to produce posters. The posters are then displayed at the offices of Group companies in Japan and around the world.

Initiatives to Prevent Global Warming

The Daiichi Sankyo Group views the fight against global warming as essential to addressing the challenge of climate change. As such, as stated in the Second Mid-term Environmental Management Policy, the Daiichi Sankyo Group is striving to reduce CO_2 in all of its business activities to help curb global warming.

Additionally, we believe it is necessary for the Daiichi Sankyo Group to pay attention to the risks and opportunities brought about by the regulations and natural events induced by climate change, and how these elements will influence our business strategy. In the long term, there factors could have an impact on our business financially, which could become the potential for either cost increases or revenue growth.

Furthermore, assuming the frequent occurrence of abnormal weather by the climate change and the influence on the health of people due to the change of disease structure, the review of these is necessary for life-science oriented companies.

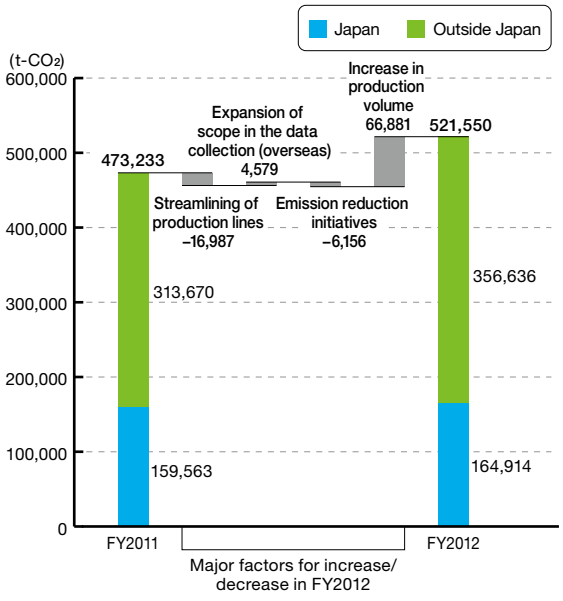
CO_2 reduction targets and achievements

We reached our CO_2 goal for fiscal 2012 (172,400 metric tons), but compared to the fiscal 2011 data, there was a 3.3% increase.

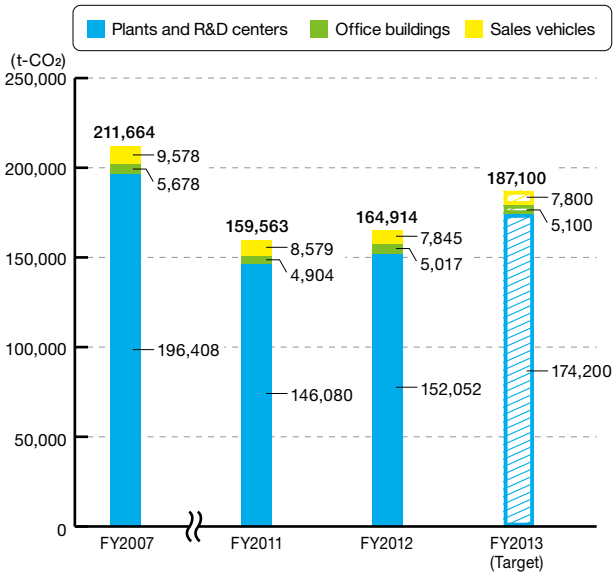
Including the overseas branches in the entire group, the results for fiscal 2012, 521,550 metric tons, was a 10.2% increase from fiscal 2011 data. This increase was expected due to our increased production, research and expansion of our operations.

For the entire group's goal, while showing a consistent improvement in the basic unit of emission amounts (amount of proceeds), we will actively plan to decrease emissions and work towards curbing any more increases in the emission amounts.

● CO_2 emissions by factors for increase/ decrease (entire group)



● Breakdown of CO_2 emissions (group in Japan)



Note: The Group calculated the emission factor for CO_2 from electrical power in Japan at 0.368 kg-CO_2/kWh.

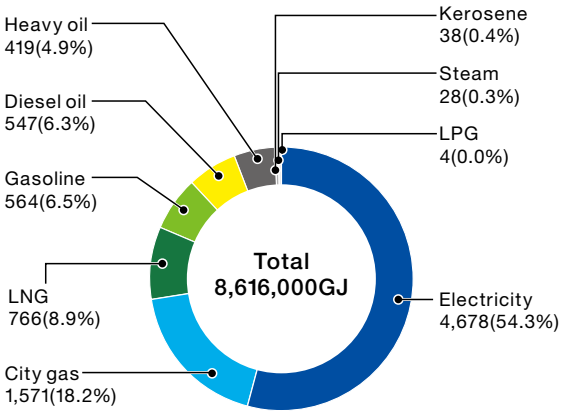
Using renewable energy

A solar energy generation facility is being installed in the Shinagawa R&D Center upon the construction of a new research building. In parallel, a solar energy generation facility and solar panels are being installed in our learning center (NEXUS HAYAMA) to promote the use of renewable energy.

The Pfaffenhofen Plant of Daiichi Sankyo Europe in Germany uses thermal heat supplied by a nearby woodfueled biomass power plant. This reduces annual CO_2 emissions by 2,000 metric tons.

In addition, every year, the Shinagawa R&D Center in Japan purchases 1,000,000 kWh of green power generated in a bagasse biomass power plant.

● Breakdown of energy use (group overall)



Global Warming Subcommittee Meeting

The Global Warming Subcommittee Meeting is held to visit companies that have cutting-edge environmental programs and share information on energy conservation and the fight against global warming.

In fiscal 2012, the presentation and discussion on global warming countermeasures of each of our operations were held, with participation by 32 members in charge of facilities and energy management. These members also attended a seminar on energy management measures and cases by Takasago Thermal Engineering Services Co., Ltd., and visited Omika Division of Hitachi Ltd. Members then toured our Omika facility, which acquired ISO50001*1 certification and smart grid related systems, to improve understanding of energy efficiency.

Voice

The Kasai R&D Center is certified as the "Certified Top-Level Facility in Measures Against Global Warming."

Katsumi Hashino
Facility Management Group, R&D Administration and Support Department, R&D Division
Daiichi Sankyo Co., Ltd.

In Tokyo, we are engaged in "Reducing obligation for total emission of greenhouse gas and Emissions Trading" for our large-scale business facilities. This policy requires emission reduction of CO_2 during the 5 years (2010-2014: the first plan period), and if the requirement cannot be accomplished, the shortfall must be purchased through Emissions Trading of CO_2. On the other hand, the reducing obligation ratio will be lowered for those business facilities with their superior facilitation level of global warming countermeasure.

In May 2011, the Kasai R&D Center was certified as the "Certified Top-Level Facility in Measures Against Global Warming," in recognition of its past activities. The number of certified business facilities is only 6% of approximately 1,300 subject business facilities and the center is the only certified pharmaceutical or research facility in Japan. However, acquiring the certification is not our goal. It is necessary to pursue a long-term engagement for the first plan period until 2014 as well as the second plan period (2015-2019). Continuously, we will actively facilitate global warming countermeasure for years to come.

*1 International Standard, issued by International Organization for Standardization (ISO) for the purpose to seek a continuous improvement of energy performance, energy efficiency, and energy saving.

Effective Use of Resources

Waste reduction targets and achievements

The Daiichi Sankyo Group defines zero emissions as final disposal representing less than 1% of total amount of waste. The Group made achieving zero emissions by fiscal 2009 one of the goals in its First Mid-term Environmental Management Targets for the Group in Japan and has maintained zero emissions since attaining the target a year ahead of schedule in fiscal 2008.

At our plants and research centers, the Group believes it is important to reduce waste and more efficiently use resources. Consequently, it is pursuing resource savings through efforts such as the streamlining of resources used in manufacturing and packaging processes, comprehensive separation of waste materials, reduction of total waste material volume, and resource recycling. Whenever possible, the Group chooses waste disposal firms that recycle thoroughly.

Although we continued to promote our resource recycling policy in fiscal 2012, the recycling rate decreased from 60.3% to 48.1%. This is attributable to the fact that there are cases where resource recycling was impossible due to the impact of the nuclear power plant disaster following the tsunami and earthquake in Japan. This increased the total amount of disposal due to the downtime of incinerator facilities of the Company.

Each office emphasizes the thorough separation of trash and promotes usage of both sides of office paper.

The total amount of incurred waste and disposed amount in fiscal 2012 decreased by 16 tons and 207 tons compared to fiscal 2011, respectively. As a result, the Group maintained the final disposal rate of 0.40% and zero emission.

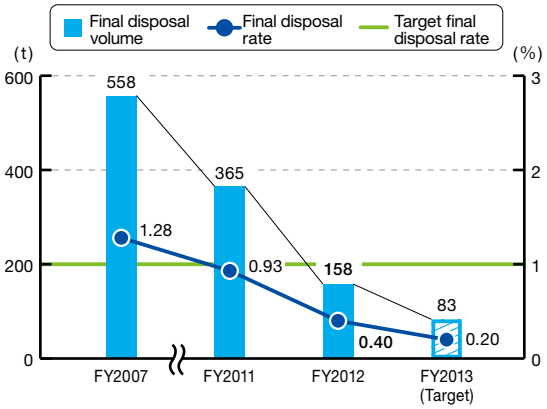
Appropriate use of water resources

Water is an important resource which is essential for the production of pharmaceuticals, and we recognize that it is an ecosystem service that should be used sustainably. In addition to understanding the risks and challenges associated with water usage and the status of water resources in countries and regions where our offices are located, we carry out countermeasures, including reasonable and efficient usage, promotion of reuse with purification equipment, and reduction in the amounts used.

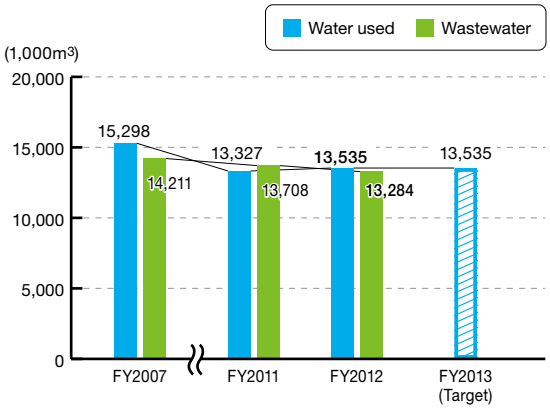
The volume of water used by the group companies in Japan fiscal 2012 totaled 13,535,000 m^3, up 1.6% compared to fiscal 2011. Also, the volume of water used by the group companies including overseas offices in fiscal 2012 totaled 16,199,000 m^3, up 3.5% compared to fiscal 2011.

We have set a target of reducing water usage at plants and research centers below the previous fiscal year's levels in fiscal 2012 as well, and will promote appropriate management of the volume of water used and wastewater.

● Final disposal volume and rate (Group in Japan)



● Volume of water used and wastewater (Group in Japan)



Reduction of Environmental Risks

Evaluation for the environmental impact of pharmaceutical products

In the U.S. and EU, authorities mandate the provision of data on environmental impact assessments (environmental risk evaluation) based on guidelines when applying for approval of new pharmaceutical products. The Daiichi Sankyo Group carries out environmental impact assessments of its drugs based on guidelines in the relevant country and addresses any issues appropriately.

The Daiichi Sankyo Group values the fact that society is starting to notice that medical products and their byproducts are being detected in rivers and other natural environments. However, scientific knowledge is not yet advanced enough to determine whether or not the levels are high enough to negatively affect the ecosystem or human health. Therefore, we will continue to communicate with the government, businesses and research organizations to collect as much information as we can to be able to discuss and develop a better method for risk evaluation and risk management.

Also, during fiscal 2012 environmental affairs administrators' study group, one of the themes was the negative effects of medical products on the environment. While explaining the background of the problems of environmental risk of medical products in connected scholarly reports and the situation of the media, we shared the information concerning such things as the direction of the rules governing the management of industrial waste and its effect on the ecosystems both home and abroad (guidelines etc.), and the reaction of organisms on water tested using the Whole Effluent Toxicity method (WET method).

Environmental impact assessment of the manufacturing process

Since the manufacturing process for pharmaceutical products is regulated by Japan's Pharmaceutical Affairs Law, changing the manufacturing process once manufacturing has started requires considerable time and effort. Accordingly, it is important to consider the manufacturing process from a wide range of perspectives from the research stage, and when evaluating and selecting the manufacturing process, the environmental impact must also be considered, not simply quality and cost.

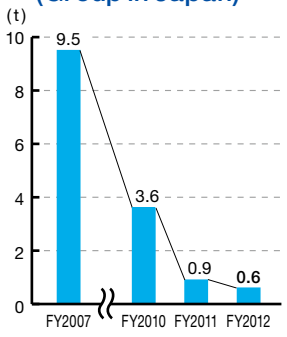
The Daiichi Sankyo Group strives to reduce environmental impact by evaluating and taking into account the environmental impact of the manufacturing process using its own evaluation indicators.*1 As a result of research into mitigating environmental impact, we succeeded in reducing the environmental impact of the final manufacturing process (industrialized manufacturing method) to about 10% of the impact when this research began.

In fiscal 2011, we developed a manufacturing process which includes a very effective method for absorbing NOx at the time of development, and in 2012, we began running the equipment introduced by this method. The result was that we were able to reduce the amount of NOx vented into the atmosphere and reach our disposal percentage goal. We were also able to realize the manufacturing of products that have a low-impact on the environment.

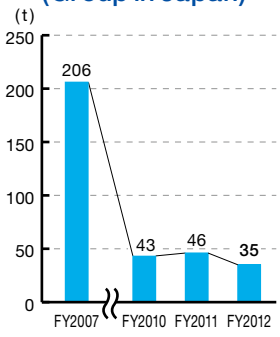
Preventing air and water pollution

To prevent air and water pollution, the Daiichi Sankyo Group has established voluntary control standards that are stricter than legal requirements and conducts proper monitoring and measurement at each facility in Japan. The Group also regularly monitors Group company plants outside Japan, including at Daiichi Sankyo Pharmaceutical (Beijing), Daiichi Sankyo Pharmaceutical (Shanghai) and Daiichi Sankyo Europe GmbH in Germany and Daiichi Sankyo Brasil Farmacêutica to ensure compliance with the laws and regulations of each country and region.

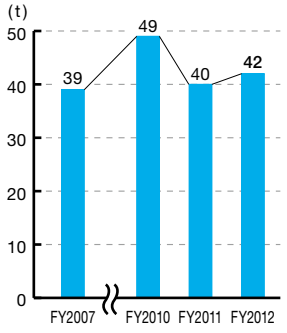
● SOx emissions (Group in Japan)



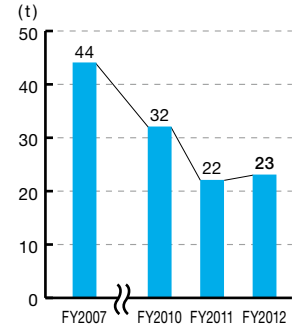
● NOx emissions (Group in Japan)



● BOD emissions (Group in Japan)



● COD emissions (Group in Japan)



*1 Solvents and reagents are assessed on the quantitative value, based on how they rate in terms of safety, toxicity, operating conditions, solvent collecting method, and liquid waste disposal method.

Initiatives for Biodiversity Conservation

The Group's Basic Environmental Management Policy and the Second Mid-term Environmental Management Policy stipulate that its business activities must take biodiversity into account. The Group established the Basic Biodiversity Principles and Action Guidelines based on these policies. Moreover, when this was established, the Group surveyed its initiatives on biodiversity, the use of natural resources, and status of efforts to comply with the Cartagena Protocol both in and outside Japan. In addition, the Group assessed the relationship between its business activities and biodiversity and identified issues through an analysis of the Group's risks and opportunities (Please refer to the diagram "Map of corporate activities and biodiversity[*1]" below).

In the Third Mid-term Environmental Management Policy, we have stated as follows: "Pursue business activities that take into account biodiversity and ecosystem services and green procurement to contribute to the development of sustainable society."

● Improvement of awareness and promotion of understanding among our employees

In fiscal 2012, we sought to improve employees' understanding of how the group considers biodiversity conservation and its approach through posting a special feature article for biodiversity conservation in the company newsletter.

Furthermore, with a theme of biodiversity conservation, we also carried out a group education and visited business facilities of environmentally-advanced company for environmental administrators who play an important role to facilitate environmental management at each business office.

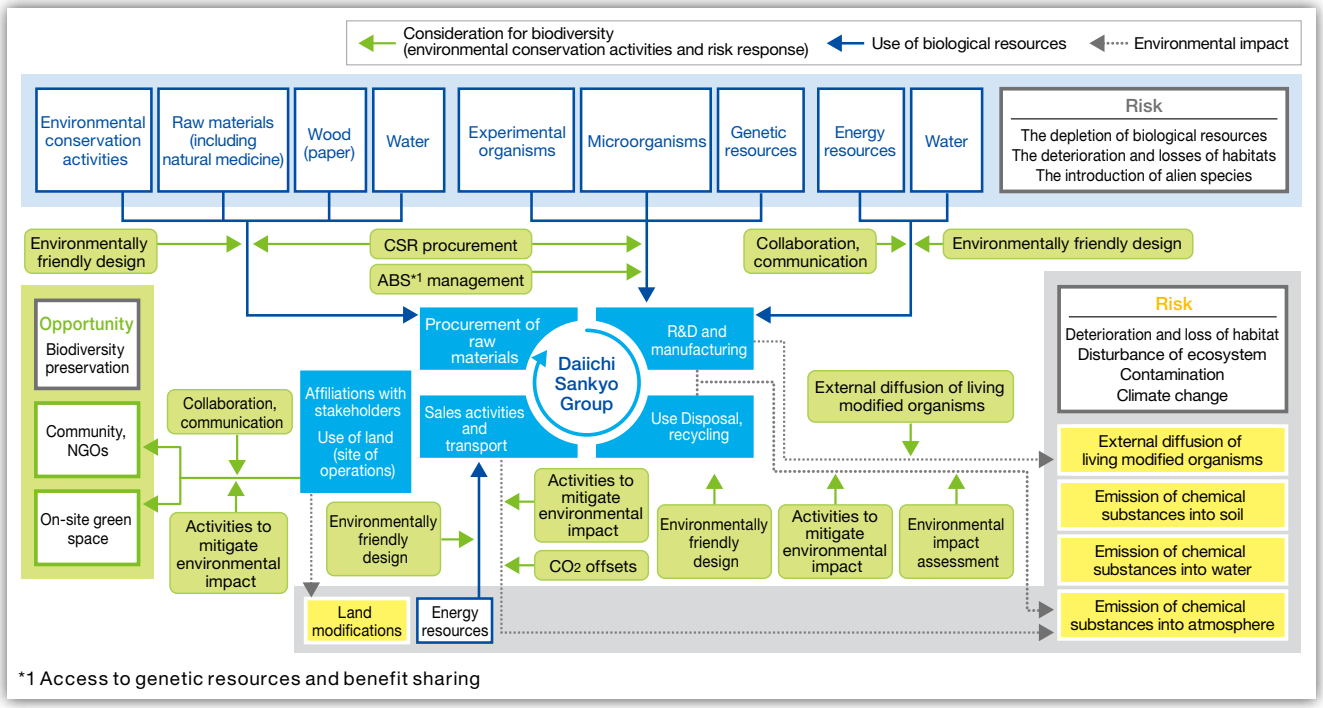
● Conservation for rare species of plants

For conserving the golden orchid (designated as critically endangered Type II in the Japanese Ministry of the Environment's Red Data Book) and the silver orchid, we have prohibited entry into a part of the property at Daiichi Sankyo Propharma Tatebayashi plant where the plant naturally grows.

● Forest for windbreak/sand prevention within the property of business facility

Daiichi Sankyo's Propharma Akita factory is located in the lush greenery environment surrounded by forest for windbreak/sand prevention and occupied by over 90% of greenery area. The forest was originally constructed by tree planting, but it now contributes significantly to the regional greening with the formation of ecological system.

● Map of corporate activities and biodiversity



*1 Access to genetic resources and benefit sharing

*1 Prepared with reference to the "Map of Corporate Activities and Biodiversity" developed by the Japan Business Initiative for Conservation and Sustainable Use of Biodiversity (JBIB).

Broaden the Opportunities of Access to Medical Services

We regard expanding access to medicine an international social responsiblity, as an important mission, and we intend to approach this task from the perspective of three points of view.

Mission as a Pharmaceutical Company and Our Devotion to World's Social Agenda

As a pharmaceutical company expanding its business on a global scale, we seek not only to offer various medical services that satisfy a range of patients' needs, but also to contribute, more generally, to addressing the world's medical issues. There exist issues related to preventive medicine and treatment of rare diseases in developed countries, and in emerging countries and developing countries in Africa and Asia, there are many medical issues that need to be solved.

Under the "Millennium Development Goals (MDGs)" advocated by the United Nations, there are eight goals which were set with a target achievement date of 2015. These include eradication of hunger and poverty, three of which are healthcare related goals such as Goal 4 (reduce child mortality), Goal 5 (improve maternal health) and Goal 6 (combat HIV/AIDS, malaria and other diseases). However, the current situation in South Asia, South America, and all areas of Africa south of Sahara Desert is that it is doubtful that Goal 4 and 5 are achieved. Also, for the Goal 8: Develop a global partnership for development, they seek to obtain necessary pharmaceutical products at low price for people in developing countries by cooperating with pharmaceutical companies.

● The United Nations Millennium Development Goals (MDGs)

GOAL 1:	Eradicate Extreme Poverty & Hunger
GOAL 2:	Achieve Universal Primary Education
GOAL 3:	Promote Gender Equality and Empower Women
GOAL 4:	**Reduce Child Mortality**
GOAL 5:	**Improve Maternal Health**
GOAL 6:	**Combat HIV/AIDS, Malaria and Other Diseases**
GOAL 7:	Ensure Environmental Sustainability
GOAL 8:	**Develop a Global Partnership for Development**

In developing countries, there are still a number of regions that they do not have adequate access to medical services including medicine; thus, under MDGs, the improvement of healthcare in such regions has been the first priority as the challenge of global health beyond borders. In Japan, Japan Pharmaceutical manufacturers Association (JPMA) sort out their priorities in contributing to Global Health in Nov, 2012 and declared contribution to improve healthcare of developing countries.

The Daiichi Sankyo Group is working on expansion of medical access from perspective of three points of view shown below.

● Perspective of three points of view on the expansion of access to medical services

Contribution to society through development of new medicines

Contribution to society through provision of low-priced medicines

Contribution to capability development in relation to the access to medical services

Efforts to Broaden the Opportunities of Access to Medical Services

Contribution to society through development of new medicines

"Contribution to society through development of new medicines" is exactly what pharmaceutical companies do. Our group has newly developed various innovative medications such as anti-infective agents and hypertension medication and provided them globally including rising nations utilizing the global reach of Ranbaxy Laboratories.

● Approaches to preventive care

Daiichi Sankyo Co., Ltd. is promoting the creation and stable supply of vaccines which meet public demand, through cooperation with Kitasato Daiichi Sankyo Vaccine Co., Ltd. and Japan Vaccine Co., Ltd. We are aiming to improve the preventive care environment in Japan, to create social circumstances in which front-line vaccines are effectively utilized, and to eradicate vaccine preventable diseases (VPD).

We are currently proceeding with the development of intradermal-administration-type seasonal influenza vaccine, cell culture-based novel influenza vaccine, and quadruple combination vaccine (DPT-IPV for Diphtheria, Pertussis, Tetanus, and acute Poliomyelitis), and so on, in cooperation with domestic and foreign manufacturers. Among which, application for manufacturing and selling in domestic market the quadruple combination vaccine and the segment novel influenza vaccine are made respectively in February and June in 2013.

Daiichi Sankyo Co., Ltd. will continue to make effective use of partnerships and to develop combination vaccines. Furthermore, we will create safe, effective, convenient and innovative vaccines through promotion of novel vaccine development and the effective use of open innovations.

● Treatment of rare diseases

In order to focus on the treatment of rare diseases, Daiichi Sankyo helped to establish the "Orphan Disease Treatment Institute" as a joint investment with several companies including Innovation Network Corporation of Japan. This organization will undertake the development of nucleic acid treatment for Duchenne muscular dystrophy by conducting clinical and non-clinical studies.

Voice

With a new business model, we aim to deliver new drugs to patients who suffer from rare diseases as quickly as possible.

Masafumi Matsuo, MD, PhD
Department of Medical Rehabilitation, Professor, Kobegakuin University

As we have been involved in the study of muscular dystrophy for many years, we have seen many patients and their family members suffer from the disease. I have always wanted to change the situation where there is no drug for it, and the only thing that the parents can do it to watch their own child gradually lose his or her ability to walk. I have been longing that someday the conversation that I have with patients, which was usually centered around how things would get worse, will be full of hope with a new drug available for them. I just couldn't wait for that day to come.

Since I discovered this treatment about 20 years ago, I had been frustrated with how little progress we had made. We knew that this treatment would work; however, we just couldn't make it happen. I sincerely hope that the new company established by Daiichi Sankyo will expedite the development of a new drug, and patients' condition will soon be improved. Our pressing issue is proceeding with the development of the new drug. Instead of applying the same drug development process we use for drugs that target large patient populations such as anti-hypertensive and diabetes drugs, it is essential for us to quickly switch gears and create a specific development process for an orphan drug with our authority. Having a chance to meet and listen directly to patients may give us some concrete ideas. Once this project is successfully completed, this business model can be used as a model of success, and I am in great hope that it will create a momentum for drug development in the rare disease space.

For that purpose, the reform to raise awareness of the importance of orphan drug development in Japan as a whole nation is required. For patients with the disease, it is not a "rare disease", but it is a disease that desperately needs a drug. I strongly feel that, in collaboration with industry, government, schools, it is time for us to tackle issues surrounding rare diseases, including research and development budget, approval and licensing system for new drugs, and drug price system in practice.

● The Expansion of the Novel Malaria Drug "Synriam" to Africa

Malaria remains as a serious problem even today. According to the estimation in 2011, approximately 216 million people across the globe were infected with malaria, and the disease claimed the lives of about 650,000 people. Ranbaxy launched India's first new drug, Synriam, for the treatment of falciparum malaria in April, 2012. This is the first novel drug indigenously developed and commercialized by an Indian corporation. In order to make the drug available to as many patients as possible, we have suppressed the price of Synriam to just about one-third the level of existing drugs. We are also working to make this novel treatment available in Africa and Southeast Asia, regions with high numbers of malaria patients, and will make every effort to eliminate malaria from the world.

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

● Toward suppressing infectious diseases in developing countries

Daiichi Sankyo has participated in the establishment of the Global Health Innovative Technology Fund (GHIT Fund*1), which aims to promote the research and development of new medicines, vaccines, and diagnostics in Japan to fight infectious diseases in the developing world. It is estimated that more than 1 billion of the world's poorest of the poor suffer from HIV/AIDS, malaria, tuberculosis, and neglected tropical diseases (NTDs). To eliminate these diseases, highly effective/low-cost medicines, vaccines, and diagnostics are needed. The GHIT Fund is the first public-private partnership of its kind in Japan to contribute to global health. The establishment of the GHIT Fund is supported by a consortium of Japanese pharmaceutical companies including Daiichi Sankyo, the Bill & Melinda Gates Foundation and the Government of Japan.

Contribution to society through provision of low-priced medicines

According to the estimation in 2008, it is said that about 20% of the world's population, 1.3 billion people to be precise, is living under $1.25/day. And 3/4 of such people, 1 billion people, are in South Asia and African regions south of Sahara Desert*2. Ranbaxy is providing more than 450,000 people from more than 90 countries, including those areas, high quality anti-HIV/AIDS agents at low-cost by collaborating with UNICEF and Doctors Without Borders.

*1 GHIT Fund Global Health Innovative Technology Fund. This organization promotes the collaboration among research institutes inside and outside Japan and the development of new medicines by granting subsidies, based on the partnerships with the Japanese government, Japanese pharmaceutical companies, Bill & Melinda Gates Foundation, and the United Nations Development Program.
*2 Data Source: WHO "World Health Statistics 2012"

Contribution to capability development in relation to the access to medical services

In developing countries, there are many factors, such as insufficient public healthcare system and medical infrastructure, insufficient numbers of people working on medical product manufacturing and quality control and poverty, preventing people from accessing healthcare services.

● Technical aid for manufacturing technology for MR vaccine

In Vietnam, there is an urgent need to establish a domestic manufacturing system for measles-rubella vaccine (MR vaccine) to stabilize the supply of vaccines since the infection rate of rubella is significantly high. Kitasato Daiichi Sankyo Vaccine has provided technical aids to "The Strengthening Capacity for Measles Vaccine Production" of POLYVAC*1 from March, 2003 to March, 2010. Following this, Kitasato Daiichi Sankyo Vaccine has also provided technical aides utilizing the manufacturing technology for rubella vaccine in order to contribute to the establishment of MR vaccine production system in Vietnam, to support a decrease in the infection rate of measles and rubella.

● Offering of the mobile healthcare field clinics service

In India, Cameroon and Tanzania, we have been operating mobile healthcare field clinics in 2011 cooperating with NGOs, the local governments, and local communities in order to contribute to the regions where medical infrastructure, doctors and transportation to hospitals are all in insufficient supply .

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

● Fiscal 2012 achievements

	India	Cameroon	Tanzania
Number of mobile healthcare field clinics (times)	490	59	194
Number of infants receiving preventative vaccinations (people)	4,814	10,367*1	2,446
Number of pre-natal checkups (people)	557	2,506	317

*1 The number of infant vaccination takers during maternal and child health week.

Voice

We have a high expectation for your contribution to global health and innovative technology development

Saeda Makimoto
Director, Health Division 3, Health Group 2, Human Development Department
Japan International Cooperation Agency

As a person in charge of the domestic vaccine production project in Vietnam, I have long been in collaboration with POLYVAC In the "measles vaccine production base technology transfer project*2" from 2006 to 2010, POLYVAC acquired the ability to domestically produce the full amount of vaccine required for routine vaccination for Vietnamese children, and enough measles vaccine for about 9 million people has already been provided to the country. It is a great result that they acquired world-class high quality technology transferred from Kitasato Daiichi Sankyo Vaccine Corporation. Since May 2013, new rubella vaccine production and a combination technology transfer project have started in order to construct a production system of combined vaccine of measles and rubella which will be domestically produced for the first time in Vietnam. In developing countries, there is a high demand for combination vaccines, so we expect that organizing a high-quality stable vaccine provision system in Vietnam will not only have an impact on Asia but also a huge global impact.

Collaboration with companies creates a great value and we can learn so much, such as new technology, know-how, and business-oriented information. We have a high expectation for your continued contribution to global health as well as innovative technology development in medical products and vaccines available for many people.

*1 Center for Research and Production of Vaccines and Biologicals in Vietnam
*2 This is a project that Japanese Government implemented with the cooperation of Research Center for Biologicals of The Kitas ato Institute, the forerunner of Kitasato Daiichi Sankyo Co., Ltd.

Social Contribution Activities

With regard to the challenges faced by local communities, as a good corporate citizen, we will promote social contribution activities in cooperation with various stakeholders.

Becoming a Better Corporate Citizen

Daiichi Sankyo social contribution activities provide people with hope through contributions to life and science. Our policies encourage employee volunteerism and engagement in collaborative programs, and foster the shift from mere funding to participating in worthwhile programs. The Group formulated Basic Policies on Group Social Contribution Activities, which guide initiatives worldwide that contribute to the development of science and research (medical and pharmaceutical), initiatives related to human life and the will to live, and initiatives related to natural life, such as conservation of the environment.

We consider the activities to promote social contribution as an investment in society, and we will continue to identify social issues and challenges on which we should focus. As for approach, we emphasize collaboration with wide range of stakeholders, such as NPO/NGO, volunteer groups of the local community, government, and public sectors. In addition, we are putting our efforts into improving the environment and creating opportunities to support our employees' participation in voluntary activities.

● Basic Group Social Contributions Policy

- We will help create a sustainable society, engaging in activities to contribute to society.
- We will particularly prioritize progress in medicine and pharmacology, social welfare and environmental conservation.
- We will assist with disaster restoration, youth education, and promote culture and the arts.
- We will foster healthy social development by participating in and supporting voluntary activities.
- We will engage with and prosper with communities.

Activities in Japan

Supporting coastal forest restoration project

We are supporting the Coastal Forest Restoration Project (Natori city, Miyagi) as a part of reconstruction support efforts following the Great East Japan Earthquake. Due to the Tsunami, the coastal forest along the coast of Tohoku area was flattened. The coastal forest had played an important role in preserving the environment as a disaster-prevention forest, with functions such as sand prevention, storm protection, protection against the tide, and reduction of the force of Tsunami.

Coastal Forest Restoration Project is aimed at the restoration of the lost coastal forest and contributes to revitalization of the area's economic activities through a program in which the affected people are assigned to take care of nursery trees. In 2012, we participated in opinion exchange meetings and executed economical support. Going forward, we are planning to implement long-term support to the project by finding employee volunteers for transplanting the nursery trees, reforestation, mowing grass around trees, and cleaning the coastal area.

Support to cancer patients and their families

In September, 2012, we held “Daiichi Sankyo Presents Family Ties Theater 2012” for cancer patients and their family memberss to enjoy the musical spectacle of “Phantom of the Opera,” the musical by Shiki Theatre Company.

This program was implemented in cooperation with the Shiki Theatre Company and a non-profit organization called “Cancer Support Community.” It has now been presented on three occasions, and across the country, a total of 232 patients and family members have enjoyed the spirit and excitement of the show. Thirty Daiichi Sankyo employees have participated as volunteers. We received positive feedback from the participants such as “Because the show creates a wonderful diversion for patients we want you to continue this in the future,” and, “We appreciate the hope and support for our family.”

Expanding the interest of youth in science

Through communication, exchange with researchers, and helping to conduct experiments, we are seeking to expose the younger generation to the fun and wonder of science. We are carrying out these types of activities to raise awareness of youth towards “science” and “medicine” in areas in which our offices are located.

At Daiichi Sankyo Kusuri Museum, we had summer-specific events. We first implemented this event in fiscal 2012, and our researchers became the lecturers on “Let’s experience the power of enzyme” for 5th and 6th graders. A total of 120 people participated.

Voice

Contribute to society by providing comprehensive information on medications

Ryoichi Watanabe
Head of General Affairs & Procurement Department, General Affairs & Human Resources Division, Daiichi Sankyo Co., Ltd.

In Feb 2012, Daiichi Sankyo Kusuri Museum was founded in Nihonbashi, which has been known as the town for medicine ever since. Since its foundation, we have had more than 20,000 visitors. We will continue promoting public understanding of the Company’s activities and contributing to our communities by providing hands-on experience aligned with the idea of medical education*1. We are striving to become the center for comprehensive information on medicine.

In our first year, we have had visitors from the Nihonbashi area, as well as from many middle schools and high schools in the greater Tokyo metropolitan area who are using the facility as part of career training. The number of students attending as a part of a school trip is increasing. As a pharmaceutical company, it is essential for us to promote public understanding. Beyond that, we plan to creating a facility that provides opportunities for younger generations to consider their future career.

*1 Understanding the effectiveness and side effects of medication and understanding how to use medication correctly.

Activities in North America

Support for cardiovascular disease patients and uninsured people in rural areas

Daiichi Sankyo, Inc. (DSI) supports activities of several organizations that place emphasis on cardiovascular disease and uninsured/ under-insured people in rural areas.

The Zufall Health Center which is supported by our company is providing high quality, low cost medical service through ordinary clinic and mobile health clinic “Highlands Health Van”, a type of eco-car, to those who are not covered by health insurance or who cannot receive coverage for certain services. Medical equipment is furnished as well. In 2012, this program was expanded to the whole State of New Jersey, and about 61,000 patients now can receive the appropriate medical care and dental treatments.

In addition, ten new schools have joined the “Students 2 Science” learning experience. This program provides opportunities for hands-on learning to approximately 1,300 students in junior high school and high school.

Hosted “Heart Walk”, an event to raise awareness of prevention of heart disease

In October 2012, Luitpold Pharmaceuticals (LPI) hosted a walking event to support the American Heart Association (AHA) at its Shirley, NY headquarters. The primary goals of the event were to raise funds for the AHA and to raise awareness of the danger of the disease.

As a result, a total of $8,001.00 was raised by the LPI employees. This figure was matched by a corporate contribution bringing the grand total to $16,002. Additionally, several thousand dollars were raised by neighboring companies in the industrial park who were asked to participate.

The most significant result was the participation and engagement of LPI’s employees including several members of the management team. This level of participation demonstrated that LPI’s employees are supportive of such activities and many brought family members to participate in the event.

Our contributions to our communities through our support programs.

Marah Oberfield
Philanthropy and Corporate Communications
Daiichi Sankyo, Inc.

Our commitment to making a meaningful difference in peoples’ lives extends beyond our medicines. We look forward to helping more patients, students and communities through programs that provide better access to medical care, inspire future scientists, and offer relief to people and communities who need assistance to recover from natural disasters or other difficult circumstances.

I am very proud of the employees of Luitpold and their families for their active participation in this fundraising event.

Debra Carlin
Manager of Benefits and HR Administration
Luitpold Pharmaceuticals, Inc.

In the past few years, LPI has built up a good relationship with the American Heart Association, but this is for the first time we held this type of event, in which all employees of the Company could participate. I am pleased that I become a member of the volunteer committee, and I look forward to enjoying future activities that promote CSR.

Activities in Europe

Supporting “OKIDS”, a research network for children’s drugs

In the European Union (EU), a large number of children and adolescents are being treated with drugs which are not explicitly approved for use and prescription in these age groups, so this remains a serious concern.

The need to catch up in regard to testing drugs for use by children is enormous, and would require setting priorities and strategic management. Daiichi Sankyo Austria is supporting the first pediatric drug research network called “OKIDS” in Austria, where it was first established.

I hope for the improvement of children's healthcare all over the world.

Ralf Göddertz
General Manager
Daiichi Sankyo Austria GmbH

If there are more trials, it will lead to new and improved treatment options for children in Austria. And what is especially important: Children and adolescents in other countries will also benefit from the improved prospects for cures because of the international involvement in this network. I hope that this activity will contribute to the improvement of children’s healthcare.

Activities in India

Conducting “Fit Heart Movement” to promote early diagnosis of CVD

Cardiovascular disease (CVD) is one of the leading causes of death in India. One of the key interventions for preventing or reducing risk of CVD is awareness and early diagnosis of patients at risk for CVD. Fit Heart Movement is an initiative from Ranbaxy to increase awareness of "primary prevention" and support patients with identified risks in receiving early medical intervention. To date, 47,420 people have received medical attention in 212 cities. These were conducted by 5,198 doctors who participated in this campaign.

It feels good to be a part of an activity which contributes to human health.

Debajit ROY
Senior Manager-
Marketing & HDL Task Force
Ranbaxy Laboratories Ltd.

It was indeed a rewarding experience to be a part of the Fit Heart Movement, and to receive direct and candid feedback from the field force who participated. I was able to gain insight into issues such as patient mobility constraints, lack of awareness, challenges faced by families, and the general health care challenges in India. We would also like to conduct various programs related to Doctor Patient Awareness covering various therapy areas in the future.

Activities in Brazil

Dealing with environmental protection through recycling of electrical and electronic waste

At Daiichi Sankyo Brazil, we offer employees discounts to dispose of personal electrical/electronic waste, as well as training sessions to learn more about how they can contribute to environmental preservation. Such activities lead to increasing the environmental awareness of the employees.

Environmental conservation is everyone’s responsibility.

Edison Tanaka
Director of Industrial Operations
Daiichi Sankyo Brasil Farmaceutica LTDA.

Our commitment to the environment ranges to the entire productive chain of our medications, including the equipment used at Daiichi Sankyo. Providing an adequate disposition for electrical/electronic product helps to avoid harmful substances from contaminating environment.

List of Daiichi Sankyo Group Social Contribution Activities (FY2012)

Daiichi Sankyo Group is engaged in various social action works all over the world, making contributions to building a sustainable society as a "Good corporate citizen."

Main Base of Activity	Japan	North America
Academic Research (medicine, pharmacology)	Activities such as research grants	Donation activities
	Support to foundations	
	Donation activities	
Social Welfare	Provision of mobile healthcare field clinics in India, Cameroon and Tanzania P. 75	Support to the Highlands Health Van P. 78
	Support to cancer patients and their families P. 77	Sponsored "Heart Walk", an event to Raise Awareness of Prevention of Heart Disease P. 78
	Support for public programs	Support for the Pharmacy Service Education Program, an information provision program on pharmaceuticals by pharmacists
	Offering of "@ Health Recipe," original cooking recipes for lifestyle-related disease prevention	An employee's volunteer commitment program
	Participate in the TABLE FOR TWO program to make a donation through food	Assistance to a support program for the cancer patients and families of the American Cancer Society
	A blood donation	Support to needy families through an operating body of childcare facilities
Environment	Cleanup activities for roads and rivers near the office	
	Participation in green developments and conservation activities at parks etc. near the office	
	Participation in clean hiking	
	Promotion of car free day	
	Promotion of reuse and resource-recycling	
	Participation in "Light Down" campaign	
	Electricity saving activity in the office	
Nurturing of Young People	Holding of science and pharmacy seminars for high school students	Offering hands-on science sessions "Students to Science (S2S)" to junior and senior high school students. P. 78
	Holding of science sessions for kids	Support for hands-on science education for kids at Da Vinci Science Center and Morris Museum
	Holding of "ASUBIO Kids Study"	Participation in internship program at St. John's university
	Holding of science experiment study for kids at Daiichi Sankyo Kusuri Museum P. 77	Support for fellowship program at St. John's university
	Support of Nikkei Education Challenge	
	Acceptance of students as interns	
	Visit to universities and provision of lectures	
	Reception of corporate visitors	
	Holding of seminars for researchers	
Promotion of Culture, Art and Sports	Contribution to the activity which encourages the understanding of Japanese culture in England	
	Support for lifesaving activity	
	Working with musical performance	
	Supporting of top athletes	
	Support of and participation in local community events and ritual festivals	
	Open facilities	
Local Communication	Operation of Daiichi Sankyo Kusuri Museum	
	Participation in Sapporo Snow Festival	
	Reception of visitors at factories, R&D center and other facilities	
	Participation in and offering of premises for the local community's disaster and fire drills	
	Participation in the local New Year's parade of fire brigades	
	Holding of environmental reporting sessions and communication events with local communities	
	Distribution of site report	
	Implementation of lecture meetings and seminars	
	Implementation of group meetings with neighborhood associations	
	Participation in traffic safety instruction activities	
	Open facilities	
Help with Disaster-relief Work	Reconstruction assistance for the Great East Japan Earthquake P. 76	Support for disaster-relief work for hurricane sandy
	Support for Disaster-relief Work	

Main Base of Activity	Europe	ASCA and India
Academic Research (medicine, pharmacology)	Donation activities (France, Italy, Spain, Switzerland, Ranbaxy Europe)	Awarding of prizes by the Ranbaxy Science Foundation intended to identify human resources in the areas of medical, pharmaceutical and sciences (India)
	Donation for making medical books (Turkey)	Scholarship and fellowships (China, Venezuela)
		Donations activities (China, Taiwan)
Social Welfare	Support for a healthcare program (Germany)	Mobile healthcare vans for infants and expectant and nursing mothers (India)
	Donation to a social welfare organization (Germany)	Conducting "Fit Heart Movement" to build awareness of prevention of Cardiovascular Disease (India) P. 79
	Various employee's volunteer activities (France)	Donation of heart surgery expense for patients through the Korea Heart Foundation (Korea)
	Donation to an acute coronary syndrome (ACS) project of Spanish Society of Cardiology(SEC) (Spain)	Donation of child cancer surgery expense for patients through the Korea Child Cancer Foundation (Korea)
	Collection of plastic bottle caps and empty sugar packages in order to gather funds for people who need orthopedic material (Portugal)	Donation of pediatric cardiology operation costs through the NPO Peoples' HOPE Japan (Thailand)
	Supporting "OKIDS", a Research Network for Children's Drugs (Austria) P. 79	Donation by participation in an event called "Dress Casual Day" (Hong Kong)
	Offering of meal packages to as many needy families as our employees (Turkey)	Participation in a charity walk event (Hong Kong)
	Donation to leukemia kids foundation (Turkey)	Donation of medicine to children and youth on the streets through non-governmental association (Mexico)
	Donation to orphaned kids foundation (Turkey)	Participation in a volunteer activity to support cardiac patients (Brazil)
		Support to cardiac patients through the Heart Friends Association based on cardiac specialty hospitals (Brazil)
		Donation to the "Coração Alerta" Campaign (the Warning Heart Campaign) of the Brazilian Society of Interventional Cardiology and Hemodynamic (Brazil)
		A Santa Claus project for kids (Brazil)
		Support for an organization that helps hepatitis patients (Venezuela)
		Support for dental care for kids as a follow-up to previous surgery (Venezuela)
		Support of the Dr.Yaso Hospital Clowns (Venezuela)
Environment	Donation to forestation (Italy)	Compliance with regulations on ozone depleting substance (ODS) (India)
	Recycle of computer equipment and use of recycled paper (UK, Portugal)	Tree-planting activity next to our factory (China)
	Introduction of lower CO_2 emission fleet cars including hybrid cars (UK, Portugal)	Participation in cleanup activities at Korean National Park (Korea)
		Donation to Korean National Park Service organization (Korea)
		Sea turtles releasing activity and financials contribution to turtle babies' shelters (Thailand)
		Participation in Eco Park education tour by all employees (Hong Kong)
		Participation in "Green Day" campaign (Hong Kong)
		Recycle of Electro-electronic waste (Brazil) P. 79
		Implementation of lecture for employees regarded to conscious consumption and environmental protection (Brazil) P. 79
		Support for producing environmental conservation calendar (Venezuela)
Nurturing of Young People	Implementation of scholarship for students from Fukushima prefecture, one of disaster-stricken prefectures of Great East Japan Earthquake (Italy)	Donation to medical school students in need of economic aid for study and living costs (China)
		Implementation of summer course for students of college of pharmacy (Taiwan)
		Donation of books about HIV/AIDS to libraries of suburban schools (Thailand)
		Donation to schools (Thailand, Hong Kong)
		Support for producing a storybook "Reviving the Family" through Venezuela Heart Association (Venezuela)
Promotion of Culture, Art and Sports		Holding of the exhibition of Japanese Painting celebrating 60 years of diplomatic relations between Japan and India (India)
		Donation to and participation of employees in "Korea Japan Festival" (Korea)
Local Communication	Support of Altkirch where our factory is located (France)	Support of the New Year party for Japan-Taiwan exchanges (Taiwan)
Help with Disaster-relief Work		

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

Corporate Governance

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

Daiichi Sankyo Co., Ltd. corporate governance system

- To clarify directors' management responsibility and reinforce their oversight of management and the conduct of operations, their terms of office are set at one year, and four of our ten directors are brought in as outside directors.
- To ensure management transparency, the nomination of candidate for and compensation of directors and corporate officers are deliberated by a Nomination Committee and a Compensation Committee. To secure further rightfulness, outside directors are in majority in these committees.
- For audit of legal compliance and sound management, the company has adopted an Audit & Supervisory Board system, and established the Audit & Supervisory Board. This Board is comprising four members of the Audit & Supervisory Board, including two outside members of the Audit & Supervisory Board.
- The company employs a corporate officer system under the supervision of the board of directors, which contributes to appropriate and swift management decision-making and the conduct of operations.
- All directors and employees must comply with social norm, applicable laws and regulations, the company's code of conduct and internal regulations as they conduct their jobs. In addition, the internal control system must be built to encourage and enforce this compliance to create a sustainable corporate value. Therefore, the basic policy of the internal control system construction must be agreed by resolution of the Board of Directors.

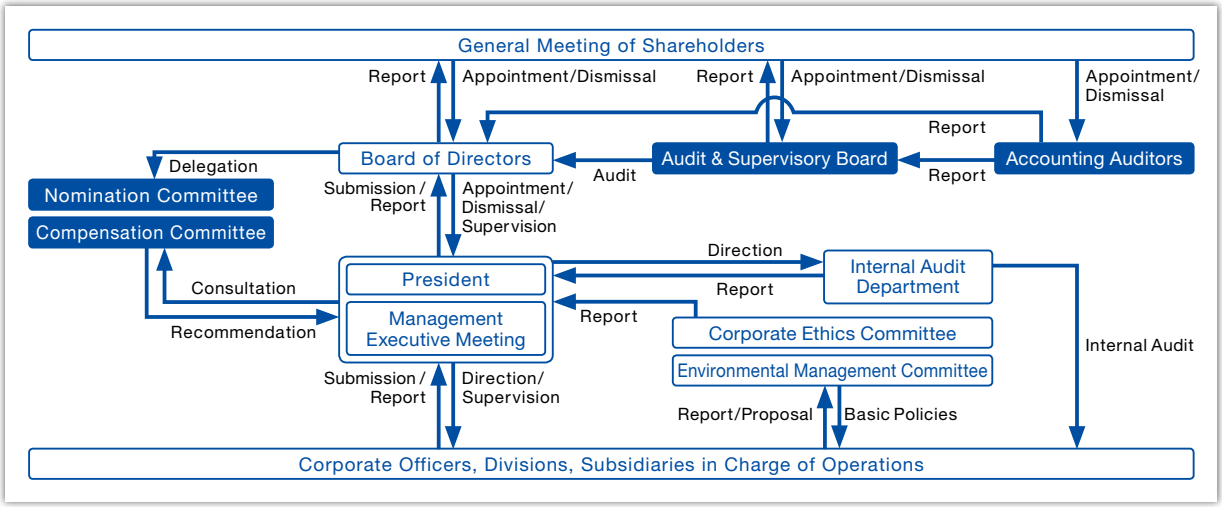
Outside Directors and outside members of the Audit & Supervisory Board

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

Remuneration for Directors

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

Corporate Governance Structure



URL For further details, please see the Corporate Governance Report available on the Company's website:
http://www.daiichisankyo.com/about_us/company_profile/governance/index.html

Risk management

The Daiichi Sankyo Group defines risks as factors that might prevent the Group from attaining its organizational goals, and most of these factors can be predicted beforehand.

The Head of the Corporate Management Unit shall serve as the executive officer in charge of risk management. The Group acknowledges that, to realize its sustainable development following its management principles, corporate management should assume major responsibility for risk management by dealing with the underlying risks of its business activities, appropriately managing the impacts of those risks, and minimizing all human, social and corporate damage while striving toward its organizational goals.

In terms of the factors that could prevent the Group from attaining its organizational goals, the Group seeks to identify, specify, analyze and assess underlying risks and respond by retaining, reducing, avoiding or eliminating them. The Group also provides Group employees with education and insight concerning risk management.

Crisis management

The Daiichi Sankyo Group defines a “Crisis” as factors that might cause an unwanted impact or secondary events arising from an initial occurrence that have a risk of having serious effects on the Group and its stakeholders. Crisis management is defined by the Group as appropriate responses to such events while promptly managing and analyzing the cause.

In the event of a crisis, the President (or Officer appointed under the responsibility of the President) would serve as the Chief Crisis Management Officer and ensure prompt and certain implementation of crisis management procedures.

In responding to any crisis, the Daiichi Sankyo Group places priority on the safety of all of its stakeholders, including patients, medical professionals, residents in our local communities, and employees.

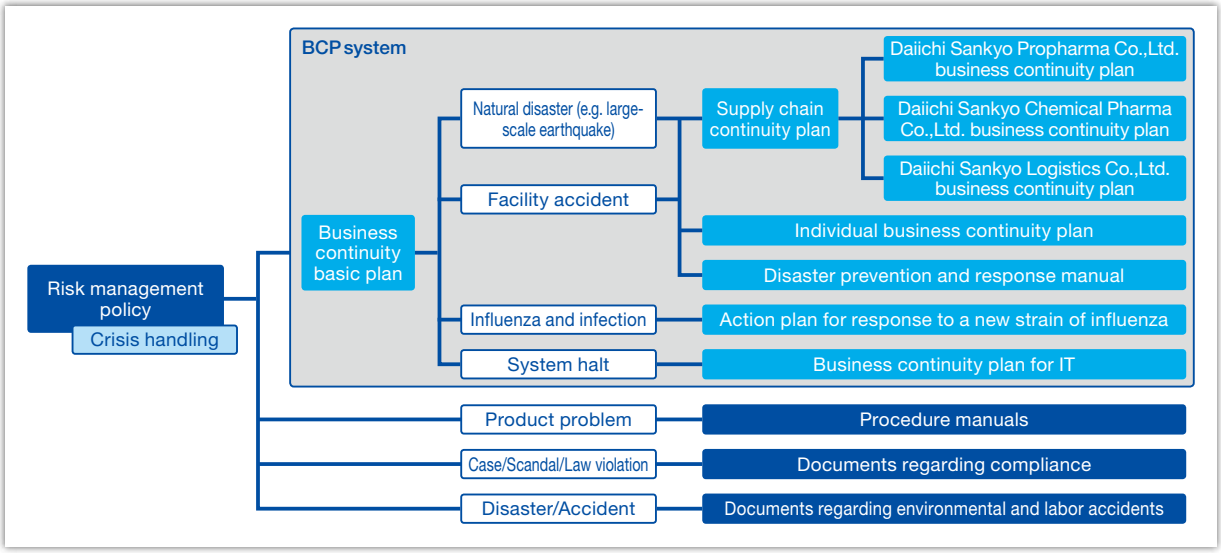
Business continuity plan

Based on its experiences with the Great East Japan Earthquake, the Group established a new Business Continuity Plan (New BCP) in 2012 that will enable it to quickly restore operations in the event of an emergency and ensure a stable supply of quality medical products to support the medical system. Taking into account social needs, the New BCP has a revised list of priority drugs to ensure a smooth supply of drugs used by a large number of patients, emergency drugs, and drugs with no substitutes.

The company is taking steps to strengthen its backup system by dispersing production and distribution hubs and maintaining multiple sources for purchases. The company also has installed private electric generators to help minimize the impact of any interruption in the supply of electricity.

We will continue to improve our business continuity planning in view of any change in the circumstances that impact our business, and will continue to carry out in-house educational programs to ensure preparedness.

● Risk management system



Directors (As of June 21, 2013)

Representative Director, Chairman
Takashi Shoda

Representative Director, President and CEO
Joji Nakayama

Member of the Board
Takeshi Ogita Ph.D.

Member of the Board
Kazunori Hirokawa M.D., Ph.D.

Member of the Board
Yuki Sato

Member of the Board
Manabu Sakai

Member of the Board (Outside)
Hiroshi Hirabayashi

Member of the Board (Outside)
Kunio Ishikawa

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

Member of the Board (Outside)
Seiji Sugiyama

Auditors (As of June 21, 2013)

Member of the Audit & Supervisory Board
Kazuo Koike

Member of the Audit & Supervisory Board
Takashi Chiba

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

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

The Management Execution System

Representative Director, Chairman	Takashi Shoda	
Representative Director, President and CEO President Corporate Officer	Joji Nakayama	President of Japan Company
Member of the Board, Senior Executive Officer	Takeshi Ogita	Head of General Affairs & Human Resources Division Head of Vaccine Business Intelligence Division, Japan Company
	Kazunori Hirokawa	Head of Corporate Strategy Division Head of Business Intelligence Division, Japan Company
	Yuki Sato	Head of Supply Chain Division Head of Legal Affairs & CSR Division
	Manabu Sakai	Head of Corporate Management Division
Member of the Board (Outside)	Hiroshi Hirabayashi Kunio Ishihara Ichiro Kanazawa Seiji Sugiyama	
Member of the Audit and Supervisory Board	Kazuo Koike Takashi Chiba	
Member of the Audit and Supervisory Board (Outside)	Akio Yamada Shigeaki Ishikawa	
Senior Executive Officer	Glenn Gormley	Head of R&D Division
	Ryoichi Kibushi	Head of Sales & Marketing Division, Japan Company
Executive Officer	Shuji Handa	President of ASCA Company
	Tomoo Yokoi	Head of Finance & Accounting Department, Corporatemanagement Division
Corporate Officer	Sunao Manabe	Head of Corporate Strategy Department, Corporate Strategy Division
	Noriaki Ishida	Head of Corporate Communication Department, Corporate Management Division
	Katsuaki Miyoshi	Head of Marketing Department, Sales & Marketing Division, Japan Company
	Satoshi Kunitada	Head of Japan Development Oversight Function, R&D Division
	Shinichi Terano	Head of Tokyo Branch, Sales & Marketing Division, Japan Company
	Toshiaki Sai	Head of Global Brand Strategy Department, Corporate Strategy Division
	Katsumi Fujimoto	Head of Pharmaceutical Technology Division
	Ryoji Nagasaka	Head of Kyushu Branch, Sales & Marketing Division, Japan Company
	Toshiaki Tojo	Head of Quality & Safety Management Division
	Junichi Koga	Head of Biologics Oversight Function, R&D Division
	Koichi Akahane	Head of R&D Planning Department, R&D Division
	Kenji Inoue	Head of Osaka Branch, Sales & Marketing Division, Japan Company
	Kazuo Sato	Head of Business Development & Licensing Department, Corporate Strategy Division
	Norimasa Kamura	Head of Human Resources Department, General Affairs & Human Resources Division

Financial Data

Principal Consolidated Financial Data

(Millions of yen)

	FY2010	FY2011	FY2012
Financial Results			
Net sales	¥ 967,365	¥ 938,677	¥ 997,852
Cost of sales	281,677	268,609	313,657
Selling, general and administrative expenses (exclude R&D expenses)	369,213	386,813	400,631
R&D expenses	194,330	185,052	183,047
R&D expenses to net sales	20.1	19.7	18.3
Operating income	122,143	98,202	100,516
Interest expense	5,519	3,712	4,220
Income before income taxes and minority interests	120,419	33,915	92,095
Net income	70,121	10,383	66,621
Financial Position			
Total current assets	894,075	861,530	943,643
Total non-current assets	586,164	656,949	700,428
Total assets	1,480,240	1,518,479	1,644,071
Total liabilities	592,537	685,729	728,326
Total net assets	887,702	832,749	915,745
Financial Indicators			
Pre-tax profit margin (Ratio of net income before income taxes and minority interests to net sales) (%)	12.4	3.6	9.2
Net profit margin (Ratio of net income to net sales) (%)	7.2	1.1	6.7
Net income per share of common stock (yen)	99.62	14.75	94.64
Dividends per share (yen)	60	60	60
Return on shareholders' equity (%)	8.2	1.3	7.9
Equity ratio (%)	57.4	53.0	53.7
Dividend to net assets (%)	5.0	5.1	5.0
Capital expenditures	37,328	62,878	65,097
Number of employees	30,488	31,929	32,229

Analysis of Results of Operations

Net Sales

During fiscal 2012, the year ended March 31, 2013, Daiichi Sankyo and its consolidated subsidiaries ("the Group") posted net sales of ¥997.9 billion, a year-on-year increase of 6.3%. Net sales grew by ¥59.2 billion, due to the significant growth in sales in Japan of Alzheimer's disease treatment Memary® and NEXIUM®, a treatment for reflux esophagitis, together with revenue contribution of Ranmark®, a treatment for multiple myeloma and bone metastases, and Rezaltas® combination tablets LD and HD for the treatment of hypertension.

As for overseas business, net sales grew by ¥7.5 billion at the currency exchange rate at the time of reporting the financial statement of fiscal 2011. Daiichi Sankyo, Inc. in the U.S. made net sales contribution of ¥8.3 billion. In Europe, the market competition has been intensified, which resulted in decrease of net sales by ¥4.7 billion. However, the sales of ASCA (Asia, South & Central America) were recorded for 15 months in this fiscal due to the change in the fiscal term for some subsidiaries in the area. Thus, the net sales of ASCA grew by ¥11.9 billion. Sales also increased at subsidiary Ranbaxy Laboratories Ltd. ("Ranbaxy") by ¥38.4 billion with the contribution of launch of Atorvastatin, a FTF[*1] product, in first half.

Operating Income

Operating income increased by ¥2.3 billion, or 2.4% year on year, to ¥100.5 billion.

Although price cost ratio increased in association with the NHI price revision in April 2012 and with the change in product configuration as a result of expansion of products rivals launched mainly in Japanese market, the group-wide cost-cutting efforts produced positive outcome.

Ordinary Income

Ordinary income increased by ¥22.9 billion, or 30.1% year on year, to ¥99.1 billion.

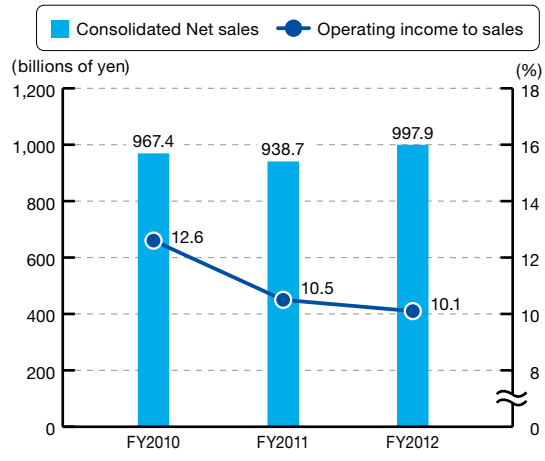
In addition to the increase in operating income totaling ¥2.3 billion, there was an improvement of profit and loss related to financial derivative products of Ranbaxy worth ¥20.9 billion which was mainly due to the smaller depreciation of Indian rupee against the US dollar although the losses recorded in the previous year brought significant negative impact.

Net Income

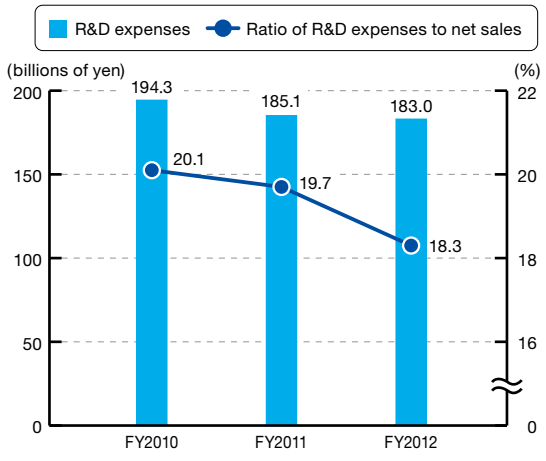
Net income grew by ¥56.2 billion, or 541.6% year on year, to ¥66.6 billion.

This largely reflected the absence of an extraordinary loss of ¥39.9 billion recorded in the previous year related to provisions made by Ranbaxy for a settlement with the U.S. Department of Justice. Also, since tax loss carried forward associated with impairment loss for goodwill was resolved during this fiscal year, the effective tax rate of corporate tax was reduced, which resulted in ¥15.9 billion decrease in corporate tax on a year-on-year basis.

● Consolidated Net Sales and Operating Income to Sales



● R&D Expenses and Ratio of R&D Expenses to Net Sales



*1 An abbreviated name for First to File. The U.S system to ensure 180-day market exclusivity for the first company which files a patent application for generic drugs.

Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2012	As of March 31, 2013
ASSETS		
Current assets		
Cash and time deposits	128,926	160,956
Trade notes and accounts receivable	228,505	238,495
Securities	191,336	211,346
Merchandise and finished goods	109,307	113,187
Work in process	24,523	21,830
Raw materials and supplies	35,829	39,413
Deferred tax assets	93,999	111,118
Other current assets	51,252	49,981
Allowance for doubtful accounts	(2,152)	(2,686)
Total current assets	**861,530**	**943,643**
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	129,330	138,274
Machinery, equipment and vehicles, net	48,051	63,483
Land	35,688	35,789
Construction in progress	33,660	47,865
Other, net	14,512	18,021
Total property, plant and equipment	**261,242**	**303,434**
Intangible assets		
Goodwill, net	82,742	73,543
Other intangible assets, net	150,546	149,912
Total intangible assets	**233,288**	**223,455**
Investments and other assets		
Investment securities	104,560	129,186
Deferred tax assets	43,186	32,547
Other	14,978	12,140
Allowance for doubtful accounts	(307)	(337)
Total investments and other assets	**162,417**	**173,537**
Total non-current assets	**656,949**	**700,428**
Total assets	**1,518,479**	**1,644,071**

(Millions of yen)

	As of March 31, 2012	As of March 31, 2013
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	61,824	59,798
Short-term loans payable	71,079	66,073
Income taxes payable	5,313	23,230
Allowance for sales returns	578	600
Allowance for sales rebates	2,928	1,979
Provision for loss on disaster	767	—
Provision for settlement expenses	39,138	43,742
Provision for environmental measures	—	1,344
Accrued expenses	74,652	88,989
Other current liabilities	138,682	150,352
Total current liabilities	**394,965**	**436,111**
Long-term liabilities		
Bonds payable	100,000	107,900
Long-term loans payable	104,000	93,017
Deferred tax liabilities	52,081	45,109
Accrued employees' severance and retirement benefits	10,060	13,877
Accrued directors' severance and retirement benefits	184	218
Provision for environmental measures	1,246	—
Other long-term liabilities	23,191	32,091
Total long-term liabilities	**290,764**	**292,214**
Total liabilities	**685,729**	**728,326**
NET ASSETS		
Shareholders' equity		
Common stock	50,000	50,000
Capital surplus	105,194	105,194
Retained earnings	742,409	766,740
Treasury stock, at cost	(14,558)	(14,460)
Total shareholders' equity	**883,045**	**907,474**
Accumulated other comprehensive income		
Net unrealized gain or loss on investment securities	22,308	34,211
Deferred gains or losses on hedges	198	937
Foreign currency translation adjustments	(100,611)	(59,974)
Total accumulated other comprehensive income	**(78,104)**	**(24,825)**
Subscription rights to shares	3,495	4,085
Minority interests	24,312	29,010
Total net assets	**832,749**	**915,745**
Total liabilities and net assets	**1,518,479**	**1,644,071**

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

(Millions of yen)

	Fiscal 2011 (For the year ended March 31, 2012)	Fiscal 2012 (For the year ended March 31, 2013)
Net sales	938,677	997,852
Cost of sales	268,609	313,657
Gross profit	670,067	684,195
Selling, general and administrative expenses		
Advertising and promotional expenses	95,694	96,770
Salaries and bonuses	111,479	114,573
Severance and retirement costs	10,129	10,307
Research and development expenses	185,052	183,047
Other	169,509	178,978
Total selling, general and administrative expenses	**571,865**	**583,678**
Operating income	98,202	100,516
Non-operating income		
Interest income	2,842	4,547
Dividend income	2,672	2,371
Gain on valuation of derivatives	—	6,411
Other income	4,490	4,252
Total non-operating income	**10,005**	**17,581**
Non-operating expenses		
Interest expense	3,712	4,220
Foreign exchange losses	8,046	11,735
Equity in net losses of affiliated companies	207	397
Loss on valuation of derivatives	16,496	—
Other expenses	3,526	2,596
Total non-operating expenses	**31,990**	**18,950**
Ordinary income	**76,217**	**99,147**
Extraordinary income		
Gain on sales of non-current assets	7,654	5,620
Gain on sales of investment securities	4,497	6,411
Gain on change in equity	93	100
Reversal of provision for loss on disaster	1,707	—
Other income	840	—
Total extraordinary income	**14,792**	**12,132**
Extraordinary losses		
Loss on disposal of non-current assets	2,278	3,540
Loss on impairment of long-lived assets	7,717	9,460
Loss on product recall	—	2,789
Loss on business restructuring	1,279	1,303
Loss on sales of investment securities	—	661
Provision for settlement expenses	39,920	461
Provision for environmental measures	1,246	398
Loss on abandonment of inventories	1,677	104
Environmental expenses	256	83
Loss on valuation of investment securities	198	35
Loss on disaster	2,367	—
Other losses	152	345
Total extraordinary losses	**57,094**	**19,184**
Income before income taxes and minority interests	**33,915**	**92,095**
Income taxes — current	**28,861**	**38,816**
Income taxes — deferred	**10,896**	**(14,916)**
Total income taxes	**39,758**	**23,900**
Income (loss) before minority interests	**(5,842)**	**68,195**
Minority interests in net income (loss) of consolidated subsidiaries	**(16,225)**	**1,573**
Net income	**10,383**	**66,621**

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal 2011 (For the year ended March 31, 2012)	Fiscal 2012 (For the year ended March 31, 2013)
Income (loss) before minority interests	(5,842)	68,195
Other comprehensive income		
Net unrealized gain or loss on investment securities	5,748	11,897
Deferred gains or losses on hedges	(1,558)	1,164
Foreign currency translation adjustments	(21,619)	42,966
Share of other comprehensive income of associates accounted for using equity method	(421)	104
Total other comprehensive income	**(17,850)**	**56,132**
Comprehensive income	(23,693)	124,327
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	(1,887)	119,838
Comprehensive income attributable to minority interests	(21,805)	4,489

Financial data

(3) Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Fiscal 2011 (For the year ended March 31, 2012)	Fiscal 2012 (For the year ended March 31, 2013)
SHAREHOLDERS' EQUITY		
Common stock		
Balance at the beginning of current period	50,000	50,000
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	**50,000**	**50,000**
Capital surplus		
Balance at the beginning of current period	105,194	105,194
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	**105,194**	**105,194**
Retained earnings		
Balance at the beginning of current period	774,274	742,409
Changes of items during the period		
Dividends from surplus	(42,234)	(42,235)
Net income	10,383	66,621
Disposal of treasury stock	(13)	(54)
Total changes of items during the period	**(31,865)**	**24,331**
Balance at the end of current period	**742,409**	**766,740**
Treasury stock, at cost		
Balance at the beginning of current period	(14,581)	(14,558)
Changes of items during the period		
Purchase of treasury stock	(12)	(12)
Disposal of treasury stock	35	109
Total changes of items during the period	**22**	**97**
Balance at the end of current period	**(14,558)**	**(14,460)**
Total shareholders' equity		
Balance at the beginning of current period	914,888	883,045
Changes of items during the period		
Dividends from surplus	(42,234)	(42,235)
Net income	10,383	66,621
Purchase of treasury stock	(12)	(12)
Disposal of treasury stock	22	55
Total changes of items during the period	**(31,842)**	**24,428**
Balance at the end of current period	**883,045**	**907,474**
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Net unrealized gain or loss on investment securities		
Balance at the beginning of current period	16,559	22,308
Changes of items during the period		
Net changes of items other than shareholders' equity	5,748	11,903
Total changes of items during the period	**5,748**	**11,903**
Balance at the end of current period	**22,308**	**34,211**
Deferred gains or losses on hedges		
Balance at the beginning of current period	1,193	198
Changes of items during the period		
Net changes of items other than shareholders' equity	(995)	739
Total changes of items during the period	**(995)**	**739**
Balance at the end of current period	**198**	**937**
Foreign currency translation adjustments		
Balance at the beginning of current period	(83,636)	(100,611)
Changes of items during the period		
Net changes of items other than shareholders' equity	(16,974)	40,637
Total changes of items during the period	**(16,974)**	**40,637**
Balance at the end of current period	**(100,611)**	**(59,974)**
Total accumulated other comprehensive income		
Balance at the beginning of current period	(65,883)	(78,104)
Changes of items during the period		
Net changes of items other than shareholders' equity	(12,221)	53,279
Total changes of items during the period	**(12,221)**	**53,279**
Balance at the end of current period	**(78,104)**	**(24,825)**
SUBSCRIPTION RIGHTS TO SHARES		
Balance at the beginning of current period	3,544	3,495
Changes of items during the period		
Net changes of items other than shareholders' equity	(48)	589
Total changes of items during the period	**(48)**	**589**
Balance at the end of current period	**3,495**	**4,085**
MINORITY INTERESTS		
Balance at the beginning of current period	35,153	24,312
Changes of items during the period		
Net changes of items other than shareholders' equity	(10,841)	4,697
Total changes of items during the period	**(10,841)**	**4,697**
Balance at the end of current period	**24,312**	**29,010**
TOTAL NET ASSETS		
Balance at the beginning of current period	887,702	832,749
Changes of items during the period		
Dividends from surplus	(42,234)	(42,235)
Net income	10,383	66,621
Purchase of treasury stock	(12)	(12)
Disposal of treasury stock	22	55
Net changes of items other than shareholders' equity	(23,111)	58,567
Total changes of items during the period	**(54,953)**	**82,995**
Balance at the end of current period	**832,749**	**915,745**

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2011 (For the year ended March 31, 2012)	Fiscal 2012 (For the year ended March 31, 2013)
Cash flows from operating activities		
Income before income taxes and minority interests	33,915	92,095
Depreciation	46,305	41,423
Loss on impairment of long-lived assets	7,717	9,460
Amortization of goodwill	11,076	11,119
(Gain) loss on valuation of derivatives	16,496	(6,411)
Increase (decrease) in allowance for doubtful accounts	303	473
Increase (decrease) in accrued severance and retirement benefits	(1,922)	3,421
(Increase) decrease in prepaid pension costs	939	—
Interest and dividend income	(5,514)	(6,918)
Interest expense	3,712	4,220
Foreign exchange (gains) losses	7,822	1,575
(Gain) loss on valuation of investment securities	382	(1,002)
(Gain) loss on sales of investment securities	(4,496)	(5,749)
(Gain) loss on sales and disposal of property, plant and equipment	(5,375)	(2,079)
Equity in net (income) losses of affiliated companies	207	397
Provision for settlement expenses	39,920	461
(Increase) decrease in trade notes and accounts receivable	(31,849)	(1,300)
(Increase) decrease in inventories	(34,255)	4,042
Increase (decrease) in trade notes and accounts payable	7,428	(6,159)
Increase (decrease) in accounts payable and accrued expenses	28,829	(5,478)
Other, net	(821)	16,434
Subtotal	**120,823**	**150,025**
Interest and dividends received	6,913	6,902
Interest paid	(3,266)	(4,122)
Income taxes paid	(31,900)	(23,557)
Net cash provided by operating activities	**92,569**	**129,247**
Cash flows from investing activities		
Payments into time deposits	(73,864)	(121,286)
Proceeds from maturities in time deposits	72,566	111,566
Purchases of securities	(142,614)	(279,192)
Proceeds from sales of securities	153,899	223,344
Acquisitions of property, plant and equipment	(54,576)	(73,173)
Proceeds from sales of property, plant and equipment	13,209	7,718
Acquisitions of intangible assets	(9,124)	(5,689)
Acquisitions of investment securities	(8,741)	(3,189)
Proceeds from sales of investment securities	8,562	11,537
Acquisition of investments in subsidiaries	(32)	(31)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(71,291)	—
Payments for transfer of business	(16,096)	—
Net (increase) decrease in short-term loans receivable	(325)	(114)
Payment for short-term loans receivable	(1,078)	(517)
Proceeds from collection of loans receivable	0	26
Other, net	4,413	19,720
Net cash used in investing activities	**(125,095)**	**(109,281)**
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	22,782	(23,864)
Proceeds from long-term loans payable	6,967	7,794
Repayments of long-term loans payable	(3,463)	(6,515)
Proceeds from issuance of bonds	—	7,500
Redemption of bonds	(45,040)	—
Proceeds from stock issuance to minority shareholders	11,270	—
Purchases of treasury stock	(12)	(12)
Proceeds from sale of treasury stock	1	0
Dividends paid	(42,240)	(42,240)
Other, net	(464)	7
Net cash used in financing activities	**(50,199)**	**(57,330)**
Effect of exchange rate changes on cash and cash equivalents	**(7,003)**	**15,610**
Net increase (decrease) in cash and cash equivalents	**(89,728)**	**(21,754)**
Cash and cash equivalents, beginning of year	**302,402**	**212,673**
Cash and cash equivalents, at end of year	**212,673**	**190,919**

ESG Data

Environment

Goal reference	Page	Classification	Items	Scope	Unit	FY2010*2	FY2011	FY2012
CO_2	67	Breakdown of CO_2 emissions	Sales vehicles*1	In Japan	t-CO_2	9,156	8,579	7,845
				Global	t-CO_2	40,098	37,369	37,908
			Offices	In Japan	t-CO_2	5,078	4,904	5,017
				Global	t-CO_2	11,332	12,972	19,691
			Plants and R&D centers	In Japan	t-CO_2	142,782	146,080	152,052
				Global	t-CO_2	430,182	422,892	463,951
			In Japan	Total	t-CO_2	157,016	159,563	164,914
			Global	Total	t-CO_2	481,612	473,233	521,550
	—	CO_2 emissions by Greenhouse Gas Protocol	Scope 1	In Japan	t-CO_2	—	85,159	94,192
				Global	t-CO_2	—	182,519	217,257
			Scope 2	In Japan	t-CO_2	—	74,404	70,722
				Global	t-CO_2	—	290,715	304,293
Energy	—	Breakdown of energy use (in Japan)	Electricity	In Japan	1,000 GJ	1,930	1,800	1,836
			City gas	In Japan	1,000 GJ	1,082	1,339	1,443
			Others (LPG, LNG, heavy oil, kerosene, diesel oil, gasoline)	In Japan	1,000 GJ	460	329	351
			Steam	In Japan	1,000 GJ	33	31	28
			In Japan	Total	1,000 GJ	3,505	3,499	3,659
	68	Breakdown of energy use (Group overall)	Electricity	Global	1,000 GJ	4,460	4,400	4,678
			City gas	Global	1,000 GJ	1,086	1,468	1,571
			Others (LPG, LNG, heavy oil, kerosene, diesel oil, gasoline)	Global	1,000 GJ	2,295	2,067	2,366
			Global	Total	1,000 GJ	7,842	7,935	8,616
Water resources	69	Water used		In Japan	1,000m³	13,206	13,327	13,535
				Global	1,000m³	—	15,651	16,199
		Wastewater		In Japan	1,000m³	13,620	13,708	13,284
				Global	1,000m³	—	14,072	14,386
Water pollution	70	BOD		In Japan	t	49	40	42
		COD		In Japan	t	32	22	23
Waste	69	Waste generated		In Japan	t	34,594	39,437	39,421
		Outsourced waste treatment		In Japan	t	19,102	18,833	26,824
		Recycled waste		In Japan	t	8,874	11,347	12,894
		Recycling rates		In Japan	%	46.5	60.3	48.1
		Final disposal volume		In Japan	t	113	365	158
		Final disposal rate		In Japan	%	0.33	0.93	0.40
		Amount of office paper consumed		In Japan	Million sheets	74.21	70.78	69.70
Air	70	SOx		In Japan	t	3.6	0.9	0.6
				Global	t	—	598	198
		NOx		In Japan	t	43	46	35
				Global	t	—	53	354
PRTR	—	Amounts handled		In Japan	t	3,474.6	5,704.0	6,087.1
		Amounts discharged (air)		In Japan	t	87.8	121.7	112.8
		Amounts discharged (water)		In Japan	t	7.3	3.6	3.3
		Amounts discharged (sewer)		In Japan	t	20.5	43.9	47.7
		Amounts discharged (waste)		In Japan	t	1,587.2	3,237.7	2,495.2
Containers	—	Containers and packaging		In Japan	t	2,061	2,321	2,410
Management	66	ISO 14001-certified sites		In Japan	Sites	8	7	8
				Global	Sites	12	13	14

*1 Carbon offset-type sales vehicles in Japan were leased so that CO_2 emissions from sales vehicles were entirely offset.
*2 Kitasato Daiichi Sankyo Vaccine is included only in Water pollution, amount of office paper consumed, and air pollution within the data of fiscal 2010.

Reference Guidelines

- UN Global Compact
- Global Reporting Initiative(GRI) Sustainability Reporting Guidelines Version 3.1
- Japanese Ministry of the Environment's Environmental Reporting Guidelines, 2012 edition
- ISO26000
- IIRC(International Integrated Reporting Council) Consultation Draft

Social

Goal reference	Page	Classification	Items	Scope	Unit	FY2010	FY2011	FY2012
Compliance	48	Training by job category	Training for new hires	In Japan	Persons	76	101	104
			Training for newly appointed managerial employees	In Japan	Persons	199	217	191
			Training for newly appointed executive candidates	In Japan	Persons	68	104	81
			Training for mid-career hires	In Japan	Persons	19	23	33
			Total	In Japan	Persons	362	445	409
	47	Number of reports to DS-hotline		In Japan	Cases	15	13	7
Research and development	—	R&D expenses	R&D expenses	Consolidated	¥billion	194.3	185.1	183.0
			R&D expenses to net sales	Consolidated	%	20.1	19.7	18.3
Patients and medical professionals	57	Evaluation of corporate stance and MR activities*1	MRs rated	In Japan	Rank	June: First December : Second	December : Second	December : First
			Evaluation in cardiovascular medicine field	In Japan	Rank	June: First December : First	December : First	December : First
	58	Number of inquiries received (pharmaceutical products)		In Japan	Cases	134,000	125,000	117,000
Business Partners	48	Questionnaires about CSR procurement	Number of companies requested to take surveys	In Japan	Companies	—	—	185
Employees	05	Number of employees by region*2	Japan*3	In Japan	Persons	9,002	9,308	9,251
			Outside Japan*3	Outside Japan	Persons	8,063	8,569	8,277
			Ranbaxy Group	Outside Japan	Persons	13,423	14,052	14,701
			Total	Consolidated	Persons	30,488	31,929	32,229
	51	Employee data	Number of men employees*4	In Japan	Persons	7,328	7,400	7,305
			Number of women employees*4	In Japan	Persons	2,140	2,176	2,183
			Average years of service*4	Non-consolidated	Years	16.2	16.8	17.0
			Average annual salary	Non-consolidated	Yen	9,747,632	10,067,599	9,981,713
			Percentage of women employees*5	Non-consolidated	%	19.0	19.3	19.0
			Percentage of women in managerial positions*5	In Japan	%	2.9	3.3	3.6
	52	Human Resource Development	Number of company-wide award winners*6	In Japan	Persons	44	43	36
	51	Disabled Workers	Employment rate of people with physical or mental challenges*7	In Japan	%	2.03	2.14	2.20
	54	Persons taking child care leave	Women taking child care leave	In Japan	Persons	156	158	147
			Men taking child care leave	In Japan	Persons	6	12	5
	55	Occupational health and safety management	Paid vacation usage rate	In Japan	%	55.5	60.0	55.5
			Total annual hours worked	In Japan	Hours	1,881	1,890	1,901
			Frequency*8	In Japan	—	0.62	0.44	0.39
			Accident severity rate*8	In Japan	—	0.01	0.01	0.01
			Percentage/rate of participation in a labor union	In Japan	%	100	100	100
Shareholders	60	Dividends per share	Interim	Non-consolidated	Yen	30	30	30
			Year-end	Non-consolidated	Yen	30	30	30
			Total	Non-consolidated	Yen	60	60	60
Social	77	Amount of Contributions		Non-consolidated	Million yen	3,434	3,300	2,966
		Number of visitors to Kusuri museum*9		Non-consolidated	Persons	—	3,761	13,951
		Number of visitors to the factory		In Japan	Persons	Approximately1,800	Approximately1,300	Approximately1,500

*1 Conducted by Daiichi Sankyo with cooperation of outside research company
*2 Figures are as of the end of the settlement period at each Group company.
*3 Excluding Ranbaxy Group
*4 The data shows the figures as of April 1 in the following fiscal year of each fiscal year. Scope of data: Same as the financial statements. As for the data on average years of service, Daiichi Sankyo Logistics is not included.
*5 The percentage of women employees and percent of managerial positions filled by women as of April 1 of each year following the fiscal year.
*6 The total number of employees received a prize from the culture-building awards and the achievement awards.
*7 Employment rate of people with physical or mental challenges as of June 1 of each year following the fiscal year.
*8 Scope of data: Daiichi Sankyo, Daiichi Sankyo Espha, Daiichi Sankyo Healthcare, Daiichi Sankyo Propharma, Daiichi Sankyo Chemical Pharma, Daiichi Sankyo Logistics, Asubio Pharma, Daiichi Sankyo RD Novare, Daiichi Sankyo Business Associe
*9 Number of visitors in fiscal 2011 is the visitors during 2 months af ter opening.

Governance

Goal reference	Page	Classification	Items	Scope	Unit	FY2010	FY2011	FY2012
Governance	82	Structure of Board of Directors	Number of directors	Non-consolidated	Persons	10	10	10
			Number of outside directors	Non-consolidated	Persons	4	4	4
			Number of woman directors	Non-consolidated	Persons	0	0	0
		Structure of Board of Kansayaku (statutory auditors)	Number of Kansayaku	Non-consolidated	Persons	4	4	4
			Number of outside statutory auditors	Non-consolidated	Persons	2	2	2
		Compensation of directors	Total	Non-consolidated	Million yen	681	652	669
		Compensation of statutory auditors	Total	Non-consolidated	Million yen	107	105	105

Corporate Information

(As of March 31, 2013)

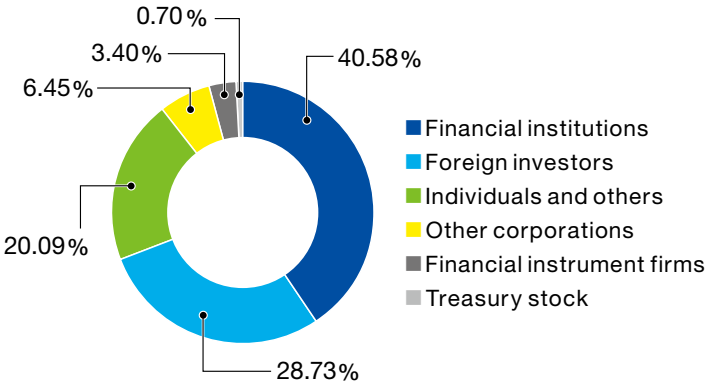
Corporate Profile

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

Common Stock

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

Distribution of Shareholders



Major Shareholders

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

Main Group Companies

Japan

Company Name	Main Business Activities
Daiichi Sankyo Espha Co., Ltd.	Marketing of pharmaceuticals
Daiichi Sankyo Healthcare Co., Ltd.	Development, manufacturing and marketing of healthcare(OTC) products
Daiichi Sankyo Propharma Co., Ltd.	Manufacturing of pharmaceuticals
Daiichi Sankyo Chemical Pharma Co., Ltd.	Manufacturing of pharmaceuticals
Daiichi Sankyo Logistics Co., Ltd.	Distribution and distribution-related services
Aubio Pharma Co., Ltd.	Research and development of pharmaceuticals
Daiichi Sankyo RD Novare Co., Ltd.	Support for research and development of the Group
Daiichi Sankyo Business Associe Co., Ltd.	Business support for the Group
Daiichi Sankyo Happiness Co., Ltd.	Business support for the Group
Kitasato Daiichi Sankyo Vaccine Co., Ltd.	Research and development, manufacturing, and marketing of vaccine

U.S.A.

Company Name	Main Business Activities
Daiichi Sankyo, Inc.	Research, development and marketing of pharmaceuticals
Luitpold Pharmaceuticals, Inc.	Development, manufacturing and marketing of pharmaceuticals etc.
Plexxikon Inc.	Research and development of pharmaceuticals

Europe

Company Name	Main Business Activities
Daiichi Sankyo Europe GmbH	Supervision of Europe group / Development, manufacturing and marketing of pharmaceuticals
Daiichi Sankyo France S.A.S	Marketing of pharmaceuticals
Daiichi Sankyo Deutschland GmbH	Marketing of pharmaceuticals
Daiichi Sankyo Italia S.p.A.	Marketing of pharmaceuticals
Daiichi Sankyo España, S.A.	Marketing of pharmaceuticals
Daiichi Sankyo UK Ltd.	Marketing of pharmaceuticals
Daiichi Sankyo (Schweiz) AG	Marketing of pharmaceuticals
Daiichi Sankyo Portugal, Lda.	Marketing of pharmaceuticals
Daiichi Sankyo Austria GmbH	Marketing of pharmaceuticals
Daiichi Sankyo Belgium N.V.-S.A.	Marketing of pharmaceuticals
Daiichi Sankyo Nederland B.V.	Marketing of pharmaceuticals
Daiichi Sankyo Ilac Ticaret Ltd. Sti.	Marketing of pharmaceuticals
Daiichi Sankyo Ireland Ltd.	Marketing of pharmaceuticals
Daiichi Sankyo Altkirch S.a.r.l.	Manufacturing of raw materials for pharmaceuticals
U3 Pharma GmbH	Research of prescription drugs
Daiichi Sankyo Development Ltd.	Development of prescription drugs

ASCA*1

Company Name	Main Business Activities
Ranbaxy Laboratories Ltd.	Research, development, manufacturing and marketing of pharmaceuticals
Daiichi Sankyo (China) Holdings Co., Ltd.	Management of Chinese subsidiary business and investment
Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd.	Research, development, manufacturing and marketing of pharmaceuticals
Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd.	Research, development, manufacturing and marketing of pharmaceuticals
Daiichi Sankyo Taiwan Ltd.	Marketing of pharmaceuticals
Daiichi Sankyo Korea Co., Ltd.	Marketing of pharmaceuticals
Daiichi Sankyo (Thailand) Ltd.	Marketing of pharmaceuticals
Daiichi Sankyo Hong Kong Ltd.	Marketing of pharmaceuticals
Daiichi Sankyo Mexico S.A. de C.V.	Marketing of pharmaceuticals
Daiichi Sankyo Brasil Farmaceutica LTDA.	Manufacturing and marketing of pharmaceuticals
Daiichi Sankyo Venezuela, S.A.	Marketing of pharmaceuticals
Daiichi Sankyo India Pharma Private Ltd.	Research, development and marketing support service

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

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