May 13, 2013

Consolidated Financial Results for Fiscal 2012 (Year Ended March 31, 2013) <under Japanese GAAP>

Listed company name: Daiichi Sankyo Company, Limited
Stock code number: 4568Listed exchanges: First Section of the Tokyo, Osaka, and Nagoya stock exchanges
URL: http://www.daiichisankyo.com
Representative: Mr. Joji Nakayama, President & CEO
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Scheduled date of Ordinary General Meeting of Shareholders: June 21, 2013
Scheduled date of dividend payments: From June 24, 2013
Scheduled date of Annual Securities Report filing: June 21, 2013
Preparing supplementary material (Reference Data) on financial results: Yes
Holding information meeting: Yes (for institutional investors, analysts and the press)

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

1. Consolidated Financial Results for Fiscal 2012 (from April 1, 2012 to March 31, 2013)

(1) Consolidated Financial Results

(Percentages indicate changes from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2012	997,852	6.3	100,516	2.4	99,147	30.1	66,621	541.6
Fiscal 2011	938,677	−3.0	98,202	−19.6	76,217	−42.2	10,383	−85.2

Note: Comprehensive income:
Fiscal 2012: 124,327 million yen [–%]
Fiscal 2011: −23,693 million yen [–%]

	Basic net income per share	Diluted net income per share	Return on equity	Ordinary income as a percentage of total assets	Operating income as a percentage of net sales
	Yen	Yen	%	%	%
Fiscal 2012	94.64	94.49	7.9	6.3	10.1
Fiscal 2011	14.75	14.73	1.3	5.1	10.5

Reference: Equity in earnings (losses) of affiliated companies:
Fiscal 2012: −397 million yen
Fiscal 2011: −207 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2013	1,644,071	915,745	53.7	1,253.86
As of March 31, 2012	1,518,479	832,749	53.0	1,143.52

Reference: Equity:

As of March 31, 2013: 882,649 million yen
As of March 31, 2012: 804,941 million yen

(3) Consolidated Cash Flows

	Net cash flows from operating activities	Net cash flows from investing activities	Net cash flows from financing activities	Cash and cash equivalents at the end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2012	129,247	–109,281	–57,330	190,919
Fiscal 2011	92,569	−125,095	−50,199	212,673

2. Dividends

	Annual dividends per share					Total dividend payments (Total)	Dividend payout ratio (Consolidated)	Dividends as a percentage of net assets (Consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal 2011	–	30.00	–	30.00	60.00	42,234	406.8	5.1
Fiscal 2012	–	30.00	–	30.00	60.00	42,236	63.4	5.0
Fiscal 2013 (Forecast)	–	30.00	–	30.00	60.00		62.1	

3. Forecasts of Consolidated Financial Results for Fiscal 2013
(from April 1, 2013 to March 31, 2014)

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

	Net sales		Operating income		Ordinary income		Net income		Basic net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First six months	520,000	7.4	50,000	-12.4	50,000	0.3	30,000	23.2	42.62
Full year	1,080,000	8.2	110,000	9.4	110,000	10.9	68,000	2.1	96.60

Note: Please see *6) Forecasts of Consolidated Financial Results for Fiscal 2013, (1) Analysis of Results of Operations, 1. Analysis of Results of Operations and Financial Position* on page 10 for further details.

*Notes

(1) Significant changes in subsidiaries during the period (changes in specified subsidiaries resulting in a change in scope of consolidation): Yes

Newly included: Japan Vaccine Distribution Co., Ltd. Excluded: None

Note: Please see *3. State of the Group* on page 17 for further details.

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

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

Note: Please see *(6) Changes in Accounting Policies, 4. Consolidated Financial Statements* on page 29 for further details.

(3) Number of common shares issued

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

As of March 31, 2013	709,011,343 shares
As of March 31, 2012	709,011,343 shares

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

As of March 31, 2013	5,063,530 shares
As of March 31, 2012	5,093,137 shares

3) Average number of shares during the period

Fiscal year ended March 31, 2013	703,929,544 shares
Fiscal year ended March 31, 2012	703,914,434 shares

Note: Please see *(Per Share Information), (9) Notes to Consolidated Financial Statements, 4. Consolidated Financial Statements* on page 31 for the number of shares used as the basis for the calculation of net income per share (consolidated).

(Reference)

Non-Consolidated Financial Results

Non-Consolidated Financial Results for Fiscal 2012 (from April 1, 2012 to March 31, 2013)

(1) Non-Consolidated Financial Results

(Percentages indicate changes from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2012	549,934	6.5	36,750	24.8	61,748	−6.5	55,841	22.5
Fiscal 2011	516,414	−7.9	29,455	−41.0	66,044	11.9	45,566	13.3

	Basic net income per share	Diluted net income per share
	Yen	Yen
Fiscal 2012	79.33	79.20
Fiscal 2011	64.73	64.65

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2013	1,174,292	803,574	68.3	1,139.39
As of March 31, 2012	1,163,960	778,541	66.8	1,104.17

Reference: Equity:

As of March 31, 2013: 802,069 million yen
As of March 31, 2012: 777,243 million yen

*Indication regarding execution of audit procedures

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

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

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

Please see *6) Forecasts of Consolidated Financial Results for Fiscal 2013, (1) Analysis of Results of Operations, 1. Analysis of Results of Operations and Financial Position* on page 10 for assumption that the above forecasts were based on and related matters.

Contents

1. Analysis of Results of Operations and Financial Position

(1) Analysis of Results of Operations

1) Overview

[Consolidated Financial Results]

(Millions of yen; all amounts have been rounded down to the nearest whole unit.)

	Fiscal 2011	Fiscal 2012	YoY change
Net sales	938,677	997,852	59,175 6.3%
Operating income	98,202	100,516	2,341 2.4%
Ordinary income	76,217	99,147	22,930 30.1%
Net income	10,383	66,621	56,238 541.6%

<Net sales of global mainstay products>

(Millions of yen; all amounts have been rounded down to the nearest whole unit.)

Item name	Fiscal 2011	Fiscal 2012	YoY change
Olmesartan Antihypertensive agent	248,401	258,842	10,441 4.2%
Prasugrel Treatment for acute coronary syndromes	12,255	16,235	3,979 32.5%

<Research and development expenses>

(Millions of yen; all amounts have been rounded down to the nearest whole unit.)

	Fiscal 2011	Fiscal 2012
Research and development expenses	185,052	183,047
Ratio of research and development expenses to net sales	19.7%	18.3%

< Yen exchange rates for major currencies (average rate for year)>

(Yen)

	Fiscal 2011	Fiscal 2012
Yen/USD	79.07	83.11
Yen/EUR	108.96	107.15
Yen/INR	1.73	1.50

a. 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 sales in Japan of the Alzheimer's disease treatment *Memary*® and *NEXIUM*®, a treatment for reflux esophagitis and other conditions, together with revenue contributions of prasugrel, a treatment for acute coronary syndrome, which is sold primarily in Europe and the US. Sales also increased at subsidiary Ranbaxy Laboratories Ltd.("Ranbaxy") .

b. Operating Income

Operating income increased by ¥2.3 billion, or 2.4% year on year, to ¥100.5 billion. This mainly reflected higher gross profit from increased net sales and the effects of group-wide cost-cutting efforts.

c. Ordinary Income

Ordinary income increased by ¥22.9 billion, or 30.1% year on year, to ¥99.1 billion. This was partly due to the absence of losses recorded in the previous year under non-operating expenses associated with the depreciation of the Indian rupee against the US dollar.

d. Net Income

Net income grew by ¥56.2 billion, or 541.6% year on year, to ¥66.6 billion. This 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 US Department of Justice.

[Reportable Segment]

a. Daiichi Sankyo Group

The Daiichi Sankyo Group reported net sales of ¥812.4 billion, a year-on-year increase of 6.5%.

Operating income increased by 0.4% year on year to ¥84.0 billion (prior to consolidated adjustments).

i. Japan

Net sales in Japan increased by 7.9% year on year to ¥528.6 billion.

Net sales of prescription drugs in Japan increased by 9.6% to ¥459.9 billion, reflecting the sales growth of *Memary*®, *NEXIUM*® and other products, which led by aggressive promotion.

Daiichi Sankyo launched *RANMARK*®, a treatment for bone complications stemming from multiple myeloma or bone metastases from solid tumors, on April 17, 2012. In addition, the launch of *TENELIA*®, an inhibitor for type 2 diabetes mellitus, on September 10, 2012 helped to strengthen the Group's diabetes franchise.

Daiichi Sankyo Espha Co., Ltd. recorded a 20.3% year-on-year increase in sales to ¥10.9 billion (prior to consolidated adjustments) as a result of steady expansion of its product line of generic pharmaceuticals.

The domestic vaccine business continued to expand as well. Group subsidiary Japan Vaccine Co., Ltd. commenced operations in July 2012.

Sales from royalty income and overseas exports fell by 12.4% year on year to ¥18.6 billion, mainly due to a decline in exports of the synthetic antibacterial agent Levofloxacin.

Net sales of healthcare (OTC) products totaled ¥47.1 billion, gaining 2.7% year on year. This was the result of sales growth in products such as the anti-inflammatory analgesic *Loxonin S*®.

<Sales composition in Japan>

(Billions of yen; all amounts have been rounded off to the nearest single decimal place.)

	Fiscal 2011	Fiscal 2012	YoY change
Prescription drugs	419.8	459.9	40.1 9.6%
Royalty income and exports to overseas	21.2	18.6	−2.6 −12.4%
Healthcare (OTC) products	45.9	47.1	1.2 2.7%

<Net sales of Japan company mainstay pharmaceuticals>

(Billions of yen; all amounts have been rounded off to the nearest single decimal place.)

Product name	Fiscal 2011	Fiscal 2012	YoY change
Olmetec® Antihypertensive agent	80.9	78.3	−2.6 −3.2%
Loxonin® Anti-inflammatory analgesic	61.0	59.6	−1.4 −2.3%
Cravit® Synthetic antibacterial agent	36.3	35.9	−0.4 −1.2%
Mevalotin® Antihyperlipidemic agent	33.1	25.8	−7.2 −21.9%
Memary® Alzheimer's Disease treatment	9.8	23.8	14.0 142.0%
Artist® Treatment for hypertension, angina pectoris and chronic heart failure	24.5	22.4	−2.1 −8.6%
NEXIUM® Treatment for reflux esophagitis, etc.	3.9	21.6	17.7 452.0%
Omnipaque® Contrast medium	23.5	20.2	−3.3 −14.0%

Note: Table lists only products with annual sales of at least ¥20 billion.

ii. North America

Net sales in North America increased by 3.0% year on year to ¥182.3 billion. Net sales in local currency terms fell by 2.0% to approximately US$2,200 million. As shown below, sales of *AZOR*®, *TRIBENZOR*™ and *Welchol*® increased, but sales of *Benicar*®*/Benicar HCT*® and *Venofer*® declined.

<Net sales of Daiichi Sankyo, Inc. mainstay products>

(Millions of US$; all amounts have been rounded off to the nearest whole unit.)

Product name	Fiscal 2011	Fiscal 2012	YoY change
Benicar®/*Benicar HCT*® Antihypertensive agent	901	881	−20 −2.7%
AZOR® Antihypertensive agent	152	179	26 17.3%
TRIBENZOR™ Antihypertensive agent	58	82	24 40.6%
Welchol® Hypercholesterolemia treatment/ type 2 diabetes mellitus inhibitor	340	399	59 17.4%
Effient® Treatment for acute coronary syndromes (co-promotion revenue)	100	127	26 26.2%

<Net sales of Luitpold Pharmaceuticals, Inc. mainstay products>

(Millions of US$; all amounts have been rounded off to the nearest whole unit.)

Product name	Fiscal 2011	Fiscal 2012	YoY change
Venofer® Anemia treatment	314	284	−30 −9.6%

iii. Europe

Net sales in Europe decreased by 10.1% year on year to ¥60.6 billion. Net sales in local currency terms fell by 8.7% to approximately EUR560 million. As shown below, sales of *Sevikar HCT*® increased, but sales of *Olmetec*® / *Olmetec plus*® and *Sevikar*® decreased.

<Net sales of Daiichi Sankyo Europe GmbH mainstay products>

(Millions of euro; all amounts have been rounded off to the nearest whole unit)

Product name	Fiscal 2011	Fiscal 2012	YoY change
Olmetec®/*Olmetec Plus*® Antihypertensive agent	336	304	−32 −9.6%
Sevikar® Antihypertensive agent	101	100	−0 −0.3%
Sevikar HCT® Antihypertensive agent	31	44	13 40.5%

iv. Other regions

In other regions, net sales rose 42.3% year on year to ¥40.9 billion.

Sales of Olmesartan and *Cravit*® increased in China. Sales of Olmesartan also grew in South Korea and Venezuela.

Following a change in the accounting year-end for Group subsidiaries operating in China, Brazil, Venezuela and Mexico, the operations in these countries made a 15-month sales contribution to the consolidated results for the fiscal year under review.

b. Ranbaxy Group Segment (January to December 2012)

The Ranbaxy Group reported net sales of ¥185.4 billion, a year-on-year increase of 5.7%.

Operating income increased by 7.0% year on year to ¥21.8 billion (prior to consolidated adjustments).

This reflected contributions from US sales of the generic hypercholesterolemia treatment Atorvastatin after its launch in December 2011 and from the generic anti-diabetic agent Pioglitazone, which Ranbaxy launched in the US in August 2012. Ranbaxy also generated sales growth in markets in various major emerging and advanced countries.

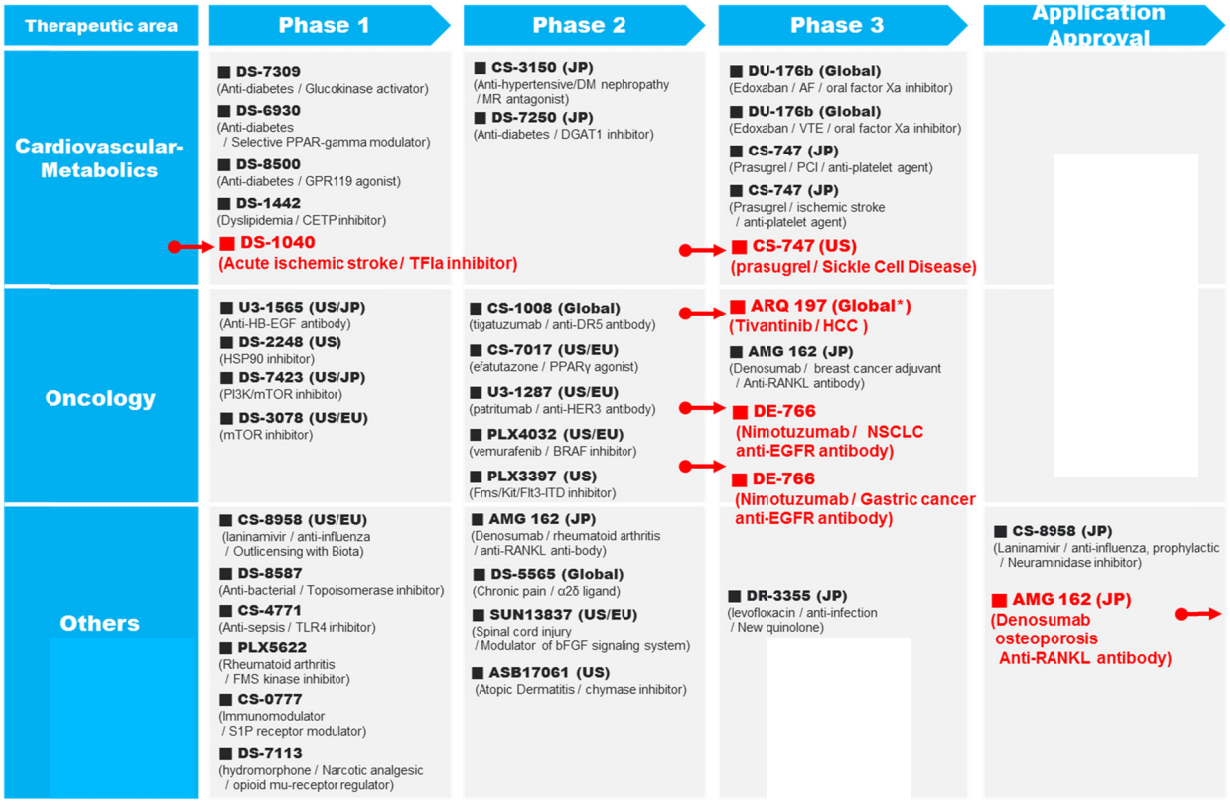
With a focus on emerging markets, the Group is promoting closer sales cooperation between Ranbaxy and Daiichi Sankyo. The Group is also working to achieve further expansion in sales of Daiichi Sankyo products such as Olmesartan and levofloxacin through the Ranbaxy sales network.

Elsewhere, Ranbaxy pursued its business development strategy of creating high value-added products for advanced countries. In November 2012, it launched *Absorica*™, a treatment for recalcitrant acne, in the US market. In addition, Ranbaxy continued to develop the proprietary malaria treatment *Synriam*™ in markets across Southeast Asia and Africa.

2) R&D Activities

In the area of R&D, the Group has designated the fields of cardiovascular-metabolic, oncology and frontier medicine as priority fields for the development of innovative drugs. Efforts continue to expand and develop the R&D pipeline in these areas.

[Major R&D Pipeline Compounds]



[Daiichi Sankyo Priority Development Projects]

a. Prasugrel

In a Phase III clinical trial conducted in Japan to evaluate the efficacy of the antiplatelet agent prasugrel in patients with acute coronary syndrome (ACS) undergoing percutaneous coronary intervention (PCI), prasugrel generated better results than the comparator drug clopidogrel with respect to the study's primary endpoint, which was the incidence of cardiovascular disease, non-fatal myocardial infarction or non-fatal ischemic stroke. No significant difference in the safety of the two drugs was demonstrated. (The results were presented at the 77th Annual Scientific Meeting of the Japanese Circulation Society held on March 16, 2013).

A separate Phase III study involving elective PCI patients also generated the expected results demonstrating the superiority of prasugrel.

Based on these trial data, work is underway to file an application as soon as possible for manufacturing and marketing approval for prasugrel in Japan.

A further Phase III clinical trial to evaluate the efficacy of prasugrel in patients with ischemic stroke is currently proceeding in Japan. This trial is scheduled to end in fiscal 2014.

b. Edoxaban

Global Phase III clinical trials aimed at gaining indications for the prevention of stroke or systemic embolism associated with atrial fibrillation (AF) and to prevent recurrent venous thromboembolism (VTE) have been completed. In fiscal 2013, the Group plans to file related applications for regulatory approval in countries worldwide.

The drug is already on sale in Japan under the brand name *LIXIANA*® and is indicated for the prevention of VTE in patients undergoing major orthopedic surgery.

c. Tivantinib

Tivantinib is an investigational compound that has demonstrated activity in restricting tumor growth by selectively inhibiting the cellular enzyme MET that is expressed at unusually high levels in some cancers. A Phase III study of tivantinib is underway in patients with hepatocellular carcinoma.

d. Denosumab

Denosumab is an antibody drug related to bone metabolism. The Company has obtained the rights to develop and market this product in Japan from Amgen Inc. of the US.

The drug is already on sale in Japan under the brand name *RANMARK*® and is currently indicated for bone complications stemming from multiple myeloma or bone metastases from solid tumors. Daiichi Sankyo also expects to begin marketing denosumab for new indications of osteoporosis in the first half of fiscal 2013 (under the brand name *PRALIA*®).

e. Laninamivir

This drug is on sale in Japan as an anti-influenza agent under the brand name *Inavir*® and is indicated for the treatment of influenza. An application for the additional indication of influenza prevention was filed in November 2012.

[Principal R&D alliances]

Besides working to expand and upgrade its in-house R&D drug pipeline, the Group is also engaged in collaborative R&D work with a range of bio-ventures and academic researchers both in Japan and overseas to reinforce its R&D base. The following section provides an overview of significant developments in the fiscal year under review.

a. Agreements with bio-ventures

Strategic Collaboration with Coherus BioSciences for biosimilars

On May 8, 2012, Daiichi Sankyo concluded an agreement with US-based Coherus BioSciences, Inc. to develop and commercialize biosimilars for rheumatoid arthritis treatment etanercept and non-Hodgkin's lymphoma treatment rituximab for the markets in Japan, South Korea and Taiwan.

Joint R&D with Amplimmune on AMP-110 for autoimmune diseases

On January 8, 2013, Daiichi Sankyo reached an agreement with Amplimmune Inc. to collaborate on R&D related to AMP-110, a B7-H4 fusion protein that is a potential treatment for autoimmune diseases. AMP-110 is expected to be a first-in-class drug with a novel action mechanism involving the suppression of inflammatory T-cell differentiation. The agreement grants Daiichi Sankyo an option to acquire the AMP-110 program.

b. Collaborations between industry, academia and the public sector

Comprehensive research alliance with the National Cancer Center

On May 22, 2012, Daiichi Sankyo signed a comprehensive research alliance with the National Cancer Center, a leading public-sector research institution in Japan. Under the agreement, both sides will seek to utilize in-house research capabilities to pursue joint research programs targeting the discovery of superior drugs to treat cancer.

Developing a nucleic acid treatment for Duchenne muscular dystrophy

On February 14, 2013, in conjunction with Innovation Network Corporation of Japan, Daiichi Sankyo established Orphan Disease Treatment Institute Co., Ltd. Based on proprietary technology, Daiichi Sankyo plans to work with the Orphan Disease Treatment Institute to develop a new treatment for Duchenne muscular dystrophy using ENA® oligonucleotide, a modified nucleic acid, as the active ingredient.

c. Collaborative drug discovery research and grant program (TaNeDS)

On March 6, 2013, continuing the open innovation approach pursued in the previous fiscal year, Daiichi Sankyo announced the TaNeDS (Take a New challenge for Drug diScovery) collaborative drug discovery program. It aims to elicit promising research ideas from researchers across Japan.

3) Production and Logistics

With the aim of constructing a competitive production system, the Group has adopted a policy of reorganizing its three domestic supply chain subsidiaries (Daiichi Sankyo Propharma Co., Ltd., Daiichi Sankyo Chemical Pharma Co., Ltd. and Daiichi Sankyo Logistics Co., Ltd.) into two companies by April 2015. One of these companies will supply drug precursors and active ingredients, and the other will provide drug formulation, packaging and related logistics functions. As part of this reorganization, the Odawara plants of Daiichi Sankyo Propharma and Daiichi Sankyo Chemical Pharma were integrated into a single facility in April 2013.

4) Corporate Governance

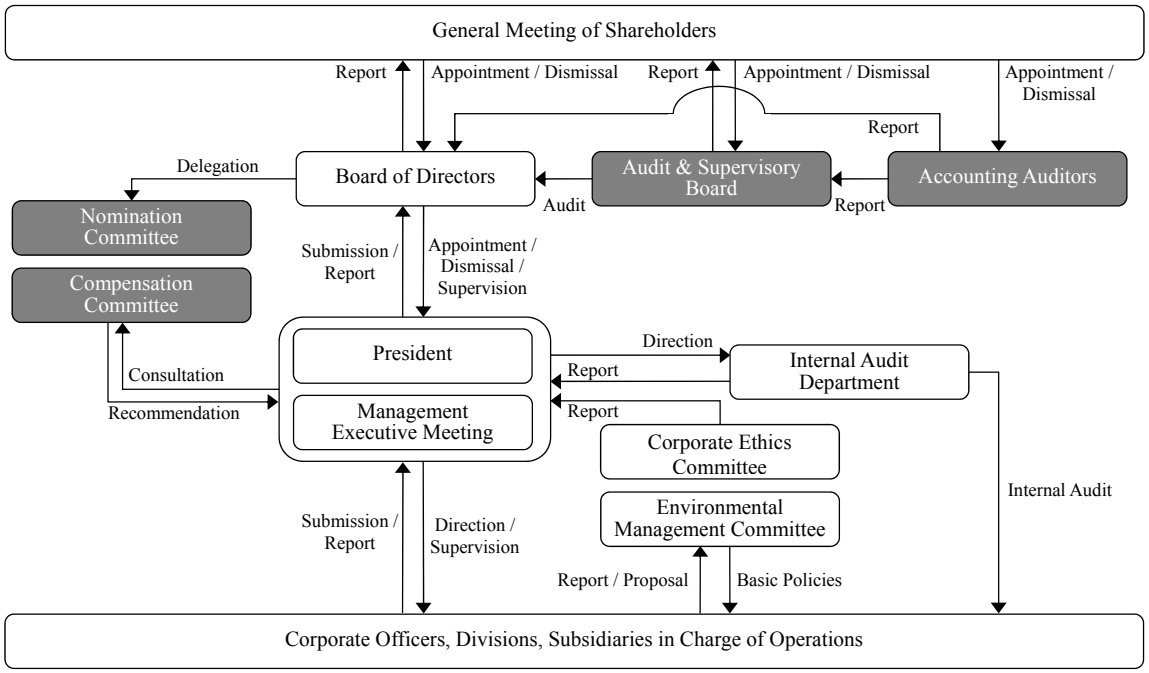
a. Management structure

In addition to creating a management structure that can respond quickly and flexibly to changes in the business environment, the Daiichi Sankyo Group seeks to ensure full legal and regulatory compliance and management transparency while functionally upgrading its oversight of management and conduct of operations. The Group places great importance on ensuring that its corporate governance structures earn the enduring trust of shareholders and other stakeholders.

Specifically, the terms of office of all directors are set at one year as a means of clarifying the management responsibilities of the Directors and functionally strengthening the oversight of management and conduct of operations. The 10-member Board of Directors also includes four Outside Directors. To ensure management transparency, the nomination 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. Furthermore, for supervision of legal compliance and sound management, the Company has adopted a Kansayaku (Statutory Auditor) System and established a Board of Statutory Auditors comprising four Statutory Auditors, including two Outside Kansayaku (Statutory Auditors). The Company also employs a Corporate Officer System under the supervision of the Board of Directors for swift and appropriate management decision-making and conduct of operations.

b. Compensation of Directors

Remuneration to Directors is designed to provide compensation that contributes to maximizing shareholder value. Specifically, in addition to basic monthly fixed remuneration, profit-sharing bonuses serving as short-term incentives and share remuneration-type stock options serving as long-term incentives are adopted. To ensure the adequate oversight of management, no short-term or long-term incentives have been established for Outside Directors or Statutory Auditors, who receive only fixed remuneration.



5) Corporate Social Responsibility (CSR) activities

Under the Daiichi Sankyo Group Corporate Conduct Charter, which forms the basis for CSR activities in the Daiichi Sankyo Group, the Group's aim is to upgrade activities across each of the five CSR domains of Compliance, Human Rights and Labor Practices, Communication, Environmental Management and Social Contribution.

In April 2012, Daiichi Sankyo joined the UN Global Compact. By seeking to communicate to the world the nature and social significance of its business and the ways in which it redistributes profits to the broader community, and by implementing its program of CSR activities, its is seeking to enhance its corporate value and achieve sustainable growth.

In the fiscal year under review, the Group sought to upgrade communication with stakeholders by improving its disclosure of information related to environment, society and governance (ESG) issues.

In September 2012, in recognition of its CSR activities, the Daiichi Sankyo Group was selected for inclusion in the Dow Jones Sustainability Index (DJSI) Asia Pacific, one of the world's leading socially responsible investment (SRI) indices, for the third consecutive year.

6) Forecasts of Consolidated Financial Results for Fiscal 2013 (April 1, 2013 to March 31, 2014)

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

	Fiscal 2012	Fiscal 2013	Amount change	Percentage change
Net sales	997,852	1,080,000	82,148	8.2
Operating income	100,516	110,000	9,484	9.4
Ordinary income	99,147	110,000	10,853	10.9
Net income	66,621	68,000	1,397	2.1

Net sales in Japan are expected to increase due to higher sales of core products, including Olmesartan, *Memary*® and *Nexium*®, the introduction of *PRALIA*® and further expansion of the vaccine business. Ranbaxy is also projected to record higher sales in emerging markets. Consolidated net sales are forecast to increase by 8.2% year on year to ¥1,080 billion.

Forecasts are based on assumed foreign exchange rates of ¥95 to the US dollar and ¥125 to the euro.

Based on higher net sales and general efforts to restrict expenses, operating income is forecast to increase by 9.4% year on year to ¥110 billion.

Ordinary income is forecast to increase by 10.9% year on year to ¥110 billion.

Net income is forecast to increase by 2.1% year on year to ¥68 billion.

7) Basic Policy on Profit Distribution and Dividends for the Years Ended March 2013 and Ending March 2014

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 FY2012, the Company paid an interim dividend of ¥30 per share on December 3, 2012. A year-end dividend of ¥30 was also declared, bringing total dividend payments for FY2012 to ¥60 per share.

For FY2013, the Company plans to pay an annual dividend of ¥60 per share.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

As of March 31, 2013, net assets were ¥915.7 billion (up ¥83.0 billion from the previous year-end), total assets stood at ¥1,644.1 billion (up ¥125.6 billion from the previous year-end), and the equity ratio was 53.7% (up from 53.0% for the previous year-end).

Among other factors, the year-on-year increase in net assets reflected the recording of net income and an increase in foreign currency translation adjustments due to the yen's depreciation.

The year-on-year increase in total assets was significantly larger than that for net assets, despite the repayment of debt, owing to an increase in liabilities and other factors.

2) Status of Cash Flows

Cash and cash equivalents decreased by ¥21.8 billion during the fiscal year ended March 31, 2013, to ¥190.9 billion. The cash flow status and its contributing factors are summarized as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥129.2 billion, an increase of ¥36.7 billion compared with the previous year. Significant factors included income before income taxes and minority interests of ¥92.1 billion, depreciation of ¥41.4 billion (a non-cash item) and a decrease due to income taxes paid.

Cash Flows from Investing Activities

Net cash used in investing activities equaled ¥109.3 billion, a year-on-year decrease of ¥15.8 billion. This reflected the acquisition of operating assets and capital spending on facilities, among other factors.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥57.3 billion, a year-on-year increase of ¥7.1 billion. This reflected a net decrease in borrowings of ¥22.6 billion and dividend payments totaling ¥42.2 billion, among other factors.

(Reference) Cash flow-related indicators

Principal Cash Flow Indicators

	Fiscal 2010	Fiscal 2011	Fiscal 2012
Equity ratio (%)	57.4	53.0	53.7
Market capitalization ratio (%)	76.4	69.9	77.7
Interest-bearing debt ratio (years)	1.68	2.16	1.71
Interest coverage ratio (times)	61.8	39.1	38.1

Equity ratio: total equity/total assets

Market capitalization ratio: total market capitalization/total assets

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

Interest coverage ratio: cash flows/interest paid

(Notes)

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

(3) Business Risks

The following section provides an overview of the principal risks that could negatively affect the business results and financial condition of the Group. Any forward-looking statements or projections contained in this overview represent the best judgment of management based on information available at the end of the fiscal year under review. Actual results may differ from the forecasts due to a range of factors.

1) Operational Risk Related to Occurrence of Disasters

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

Following the Great East Japan Earthquake, the Group formulated a new Business Continuity Plan (BCP) to support swift restoration of operations in an emergency to ensure that reliable supplies of high-quality pharmaceuticals can be maintained for the benefit of Japan's medical system. The new BCP revises the prioritization of actions from the perspectives of ensuring the continuity of operations, especially for mainstay products, and the rapid restoration of any supplies of medicines for emergency use or where no alternatives exist, both of which categories are of high social significance. The supply chain risks associated with the time required to restore supplies in the event of an emergency were also evaluated, based on the recovery period required after the Great East Japan Earthquake and the probability of further earthquakes. The Group is examining relevant preventative and contingency measures to support restoration of supply or switches to substitute products. The Group as a whole has revisited its risk management practices based on the revised BCP, and the various divisions within the Group are updating and improving their own BCPs.

2) Risks Related to Operations of Ranbaxy

The development of a "Hybrid Business Model" based on collaboration between Ranbaxy and Daiichi Sankyo plays an important role in the Group's business strategy and efforts to become a "Global Pharma Innovator." Anticipated synergies from the investment in Ranbaxy could fail to be realized, however, if obstacles arise preventing the full implementation of Ranbaxy's business plans due to changes in the operating environment or competitive status of Ranbaxy, its relations with drug approval regulatory authorities worldwide, or its legal and regulatory compliance status in these countries. This could have a negative impact on the Group's business plan, business results and financial position.

The consent decree with the US Food and Drug Administration, which will remain in legal force for a period of five years from January 26, 2012, commits Ranbaxy to instituting a range of corrective measures in relation to its systems for quality assurance, quality control, data integrity, cGMP compliance and production auditing. Ranbaxy CEO & Managing Director Arun Sawhney has taken responsibility for establishing a program to institute these measures.

3) Manufacturing and Procurement Risk

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

4) Financial Markets and Currency Fluctuation Risk

Falls in share prices could lead to write-downs or losses on disposal related to stocks owned by the Group. The Group's retirement benefit expenses could increase depending on trends in interest rates. In addition, fluctuations in foreign currency exchange rates could have a financially adverse effect on the Group. The Group conducts business, including production, sales, import and export activities, on a global basis, and

foreign exchange movements could therefore have a material impact on its business results and financial position.

With respect to Ranbaxy, any significant movements in the exchange rate between the Indian rupee and the U.S. dollar could exert a negative effect on the value of earnings derived from Ranbaxy's business and fund management operations.

5) Risks Related to R&D and Alliances

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

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

Any decline in sales due to the emergence of unanticipated side effects of a drug, or due to the entry of generic products into a sector following the expiration of a patent or the introduction of competing products within the same therapeutic area, could negatively affect the Group's business results and financial position. Any changes in the terms of sales or technology transfer agreements, or the expiration or cancellation thereof, could also have a material impact on the Group's business results and financial position. In addition, due to ongoing growth in the use of generic products in developed country markets, the launch of any new product may not generate sales and profits commensurate with the investment in its research and development.

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

Prescription drugs in Japan are subject to a variety of laws, regulations and ordinances. Any regulatory changes or associated trends related to the medical treatment system and national health insurance – most notably NHI price revisions – could have a negative impact on the Group's earnings and financial position. Similarly, sales of prescription drugs in overseas markets are also subject to various legal and regulatory constraints; the Group's performance in these markets could be adversely affected by regulatory trends.

8) Intellectual Property Risk

Any infringement of patents or other intellectual property rights of other parties arising from the Group's business activities could result in legal restraints being placed on such activities or prompt related commercial litigation. Conversely, infringement of the intellectual property rights of the Group by third parties could lead to legal action by the Group to protect such rights. In either case, the resulting outcome could have a material impact on the Group's business results and financial position. In particular, due to the increasing use of generic products in developed countries, lawsuits and other challenges to Group-owned intellectual property could increase in prevalence.

9) Environmental Risk

Certain of the chemicals used in pharmaceutical research and manufacturing processes include substances with the potential to exert a negative impact on human health and natural ecosystems. Any judgment that Group operations pose a risk of serious environmental impact in terms of soil contamination, air pollution or water pollution could adversely affect its business results and financial position.

10) Litigation-Related Risk

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

11) Other Risks

Other risks besides those noted above that could have a negative impact on the Group's business results and financial position include interruption of the Group's computer systems due to a network-mediated virus or other causes; unauthorized disclosures of confidential information; illegal or improper actions by officers or employees; and changes in share prices or interest rates and other risks related to funding procurement.

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

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

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

2. 5-Year Business Plan (Fiscal 2013–2017)

Over the medium and long term, the Daiichi Sankyo Group aims to supply a range of medical needs worldwide while also striving to be a "Global Pharma Innovator" to support sustained growth.

Following the establishment of Daiichi Sankyo, the Group aimed during its First 3-Year Plan (fiscal 2007–2009) to maximize synergies from integration and to accelerate the pace of global development. With the acquisition of Ranbaxy and other moves, the Group worked on developing its platform for growth. During the Second 3-Year Plan (fiscal 2010–2012), the Group began developing the Hybrid Business Model to enable sustained growth over the medium and long term. This model involves continuing to expand in advanced countries while also accelerating growth in India, China and other developing countries. At the same time, the Group focused on building its domestic base of operations by developing generic pharmaceutical and vaccine businesses in Japan.

The 5-Year Business Plan (fiscal 2013–2017) for the five-year period starting in April 2013 was formulated based on the qualitative and quantitative results of the earlier six-year period. It focuses on the expected loss of exclusivity for Olmesartan in major markets in 2016–2017 and factors in current valuations of equity and other financial markets.

The new plan applies to the Group's worldwide operations.

(1) Basic policies

a. Sustainable revenue growth with improved profitability

- Over 5% revenue CAGR (FY2012–17)
- At least 15% operating margin by FY2017

The core challenge is to realize sustainable growth via maximum utilization of the business foundation created to date while also improving profitability. The aim is to achieve revenue CAGR of at least 5%, in excess of projected market growth. At the same time, the Group is targeting a recovery of the operating margin to at least 15% by fiscal 2017.

b. Enhancement and growth of Group business centering on Daiichi Sanko and Ranbaxy (synergy creation)

Boosting the future corporate value of the Group will require not only that Daiichi Sankyo and Ranbaxy achieve high growth and improved profitability in their respective businesses, but also that efforts are pursue to create additional synergies between the two companies. Such collaboration needs to focus not only on increasing sales and lowering production costs, where initiatives have already begun, but also on developing synergies across the various processes of the value chain, including opening new markets and creating high added-value products.

(2) Core strategies of 5-Year Business Plan

a. Strengthen innovative pharmaceutical portfolio and R&D pipeline

In a significantly altered competitive environment for olmesartan, the Group will seek to maximize its sales revenue by focusing its sales efforts on combination formulations of the product.

With the antiplatelet agent prasugrel, the Group aims to expand prescriptions in Europe and the United States to include ACS patients undergoing PCI, while preparing for a major launch of the product in Japan in fiscal 2014.

With the oral factor Xa inhibitor edoxaban, the Group plans to file applications for regulatory approval in all major markets worldwide beginning in fiscal 2013. The characteristics of this drug make it a potential best-in-class global product.

Efforts are underway to strengthen the R&D pipeline to develop a potential blockbuster drug as a successor to edoxaban.

In Japan, the Group will focus on generating growth by maximizing sales of products such as *Memary*®, *NEXIUM*® and *RANMARK*®. This group of drugs is expected to make a significant contribution to its consolidated net sales. In addition, Daiichi Sankyo plans to make a full-scale entry

into the biologics business in Japan with the launch of a number of biosimilars.

Acquisition of external assets remains a critical issue for reinforcement of the product portfolio. The Group will maintain a proactive stance in this area.

b. Develop competitive businesses to address diverse local needs

The Group plans to develop business in emerging markets through Ranbaxy and Daiichi Sankyo operations in ASCA (Asia, South & Central America).

In fiscal 2013, the US-based group subsidiary Luitpold Pharmaceuticals, Inc. is scheduled to launch a new intravenous iron formulation, *Injectafer*®, for the treatment of anemia. By building on the *Venofer*® franchise, this product is expected to help the Group maintain its leading share of the injectable iron market in the US and to expand this business.

Over the five-year plan period, the Group aims to achieve not only increased sales in its generic and vaccine businesses in Japan, but also to realize higher profitability.

c. Transition to a low-cost operating framework

The Group plans to reform operational structures in each region of the world to optimize its organizational structures and human resources requirements in line with changing business conditions.

Elsewhere, based on cooperation between Daiichi Sankyo and Ranbaxy, the Group is working to achieve continuous reductions in the cost of goods through construction of a global supply chain and establishment of optimized production systems.

The Group also plans to strengthen its revenue management at the business unit and regional levels.

2) Numerical targets for FY2017

The targets for fiscal 2017, the final year of the 5-Year Business Plan, are net sales of ¥1,300 billion, operating income of ¥200 billion, an operating margin of at least 15%, and net income of ¥110 billion.

The cost-of-goods ratio is projected to rise by around 6 percentage points as the sales contribution of Ranbaxy increases. Under the Plan, an important management issue is to lower the selling, general and administrative (SG&A) expense ratio by at least 10 percentage points to ensure an improvement in profitability over the course of the plan.

The Plan calls for spending efficiencies and enhanced productivity in R&D.

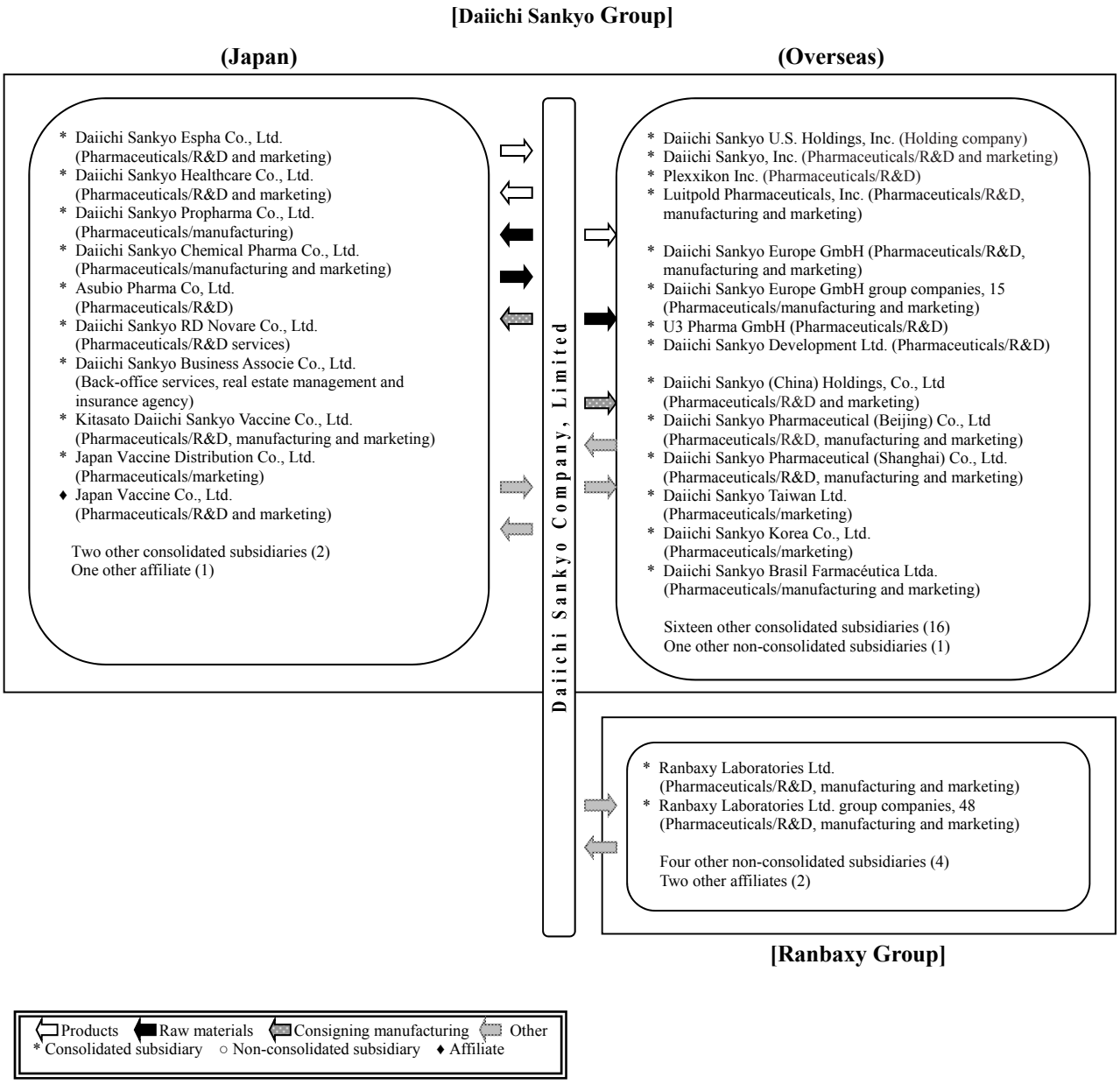
	FY 2017 (Target)	FY2012 (Latest estimate)
Net Sales	¥1,300 billion	¥997.9 billion
Cost of Goods	37%	31.4%
SG&A Expenses (R&D Expenses)	48% (14%)	58.5% (18.3%)
Operating Income (/Net Sales)	¥200 billion (15%)	¥100.5 billion (10.1%)
Net Income	¥110 billion	¥66.6 billion

(Note) Figures for FY2017 are based on assumed foreign exchange rates of ¥90 to the U.S. dollar and ¥120 to the euro.

3. State of the Group

Consolidated performance is reported under the two segments of the Daiichi Sankyo Group and the Ranbaxy Group. The Daiichi Sankyo Group consists of Daiichi Sankyo Company, Limited, its 109 subsidiaries and its 4 affiliates, a total of 114 companies. The Group's principal business is the manufacture and sale of pharmaceuticals, and related operations.

The following chart illustrates the organization of the Group as of March 31, 2013.



Subsidiaries and Affiliates (as of March 31, 2013; "Company" in the table refers to Daiichi Sankyo Company, Limited.)

Name	Location	Capital (Millions of yen, except as noted)	% of voting rights held [indirect holdings]	Relationship
Consolidated subsidiaries				
Daiichi Sankyo Espha Co., Ltd.	Chuo-ku, Tokyo	450	100.0	Concurrent directors Products supplied to Company Office space, etc. leased from Company
Daiichi Sankyo Healthcare Co., Ltd.	Chuo-ku, Tokyo	100	100.0	Products supplied by Company Office space, etc. leased from Company
Daiichi Sankyo Propharma Co., Ltd.	Chuo-ku, Tokyo	100	100.0	Concurrent directors Products supplied to Company Office space and factory land leased from Company Facility capital borrowed from Company
Daiichi Sankyo Chemical Pharma Co., Ltd.	Hiratsuka-shi, Kanagawa	50	100.0	Concurrent directors Facility and operating capital borrowed from Company
ASUBIO PHARMA CO., LTD.	Kobe-shi, Hyogo	50	100.0	Concurrent directors R&D subcontract work received from Company
Daiichi Sankyo RD Novare Co., Ltd.	Edogawa-ku, Tokyo	50	100.0	Concurrent directors R&D subcontract work received from Company Office space leased from Company
Daiichi Sankyo Business Associe Co., Ltd.	Chuo-ku, Tokyo	50	100.0	Concurrent directors Back-office operations subcontracted by Company Office space and rental property leased from Company Office space rented out to Company
Japan Vaccine Distribution Co., Ltd.	Chiyoda-ku, Tokyo	10	50.0	Concurrent directors Products supplied to Company
Kitasato Daiichi Sankyo Vaccine Co., Ltd.	Kitamoto-shi, Saitama	100	51.0	Concurrent directors Products supplied to Company
Daiichi Sankyo U.S. Holdings, Inc.	New Jersey, U.S.	3.0 U.S. dollars	100.0	Concurrent directors
Daiichi Sankyo, Inc.	New Jersey, U.S.	170 thousand U.S. dollars	100.0 [100.0]	Concurrent directors Products supplied by Company Promotional and R&D functions subcontracted by Company Guarantee of payables by Company in line with the joint promotional agreement
Plexxikon Inc.	California, U.S.	1 U.S. dollar	100.0 [100.0]	Concurrent directors
Luitpold Pharmaceuticals, Inc.	New York, U.S.	200 thousand U.S. dollars	100.0 [100.0]	Concurrent directors
Daiichi Sankyo Europe GmbH	Munich, Germany	16 million euros	100.0	Concurrent directors Products supplied by Company Manufacturing subcontract work received from Company Promotional and R&D functions subcontracted by Company
Daiichi Sankyo France S.A.S.	Rueil Malmaison, France	12,482 thousand euros	100.0 [100.0]	
Daiichi Sankyo Deutschland GmbH	Munich, Germany	51 thousand euros	100.0 [100.0]	
Daiichi Sankyo Italia S.p.A.	Rome, Italy	120 thousand euros	100.0 [100.0]	
Daiichi Sankyo España, S.A.	Madrid, Spain	120 thousand euros	100.0 [100.0]	

Name	Location	Capital (Millions of yen, except as noted)	% of voting rights held [indirect holdings]	Relationship
Daiichi Sankyo UK Ltd.	Buckinghamshire, UK	19.5 million GB pounds	100.0 [100.0]	
Daiichi Sankyo (Schweiz) AG	Thalwil, Switzerland	3 million Swiss Francs	100.0 [100.0]	
Daiichi Sankyo Portugal Lda.	Porto Salvo, Portugal	349 thousand euros	100.0 [100.0]	
Daiichi Sankyo Austria GmbH	Vienna, Austria	36 thousand euros	100.0 [100.0]	
U3 Pharma GmbH	Munich, Germany	1,126 thousand euros	100.0	Concurrent directors
Daiichi Sankyo Development Ltd.	Buckinghamshire, UK	400 thousand GB pounds	100.0	Concurrent directors
Daiichi Sankyo (China) Holdings Co., Ltd.	Shanghai, China	30,000 thousand US dollars	100.0	Concurrent directors Products supplied by Company R&D subcontract work received from Company
Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd.	Beijing, China	83,800 thousand US dollars	100.0	Concurrent directors Products supplied by Company
Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd.	Shanghai, China	53,000 thousand US dollars	100.0	Concurrent directors Products supplied by Company Manufacturing subcontract work received from Company
Daiichi Sankyo Taiwan Ltd.	Taipei, Taiwan	345 million NT dollars	100.0	Concurrent directors Products supplied by Company Products supplied to Company
Daiichi Sankyo Korea Co., Ltd.	Seoul, Korea	3,000 million won	100.0	Concurrent directors
Daiichi Sankyo Brasil Farmacéutica Ltda.	Sao Paulo, Brazil	39 million Real	100.0	Concurrent directors Products supplied by Company Operating capital borrowed from Company
Ranbaxy Laboratories Ltd.	Gurgaon, India	2,114 million INR	63.5	Concurrent directors Sales/marketing support subcontract work received from Company
Rexcel Pharmaceuticals Ltd.	New Delhi, India	125 million INR	100.0 [100.0]	
Solus Pharmaceuticals Ltd.	New Delhi, India	149 million INR	100.0 [100.0]	
Solrex Pharmaceuticals Co.	New Delhi, India	773 million INR	100.0 [100.0]	
Ranbaxy (Netherlands) B.V.	Amsterdam, Netherlands	500 million US dollars	100.0 [100.0]	
Terapia S.A.	Cluj-Napoca, Romania	26.4 million RON	96.7 [96.7]	
Ranbaxy Inc.	New Jersey, U.S.	13 million US dollars	100.0 [100.0]	
Other 67 companies				
Affiliated companies accounted for by the equity method				
Hitachi Pharma Evolutions, Ltd.	Chiyoda-ku, Tokyo	250	49.0	Concurrent directors Office space leased from Company
Japan Vaccine Co., Ltd.	Chiyoda-ku, Tokyo	100	50.0	Concurrent directors Products supplied by Company
Other one company				

(Notes)

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

4. 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	*1, *2	268,609	*1, *2	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	*2	185,052	*2	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	*3	7,654	*3	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

(Millions of yen)

	Fiscal 2011 (For the year ended March 31, 2012)		Fiscal 2012 (For the year ended March 31, 2013)	
Extraordinary losses				
Loss on disposal of non-current assets	*4	2,278	*4	3,540
Loss on impairment of long-lived assets	*5	7,717	*5	9,460
Loss on product recall		–	*6	2,789
Loss on business restructuring	*7	1,279	*7	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	*8	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

(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

(Millions of yen)

	Fiscal 2011 (For the year ended March 31, 2012)	Fiscal 2012 (For the year ended March 31, 2013)
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

(Millions of yen)

		Fiscal 2011 (For the year ended March 31, 2012)		Fiscal 2012 (For the year ended March 31, 2013)
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	*2	(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	*1	212,673	*1	190,919

(5) Note Related to Assumption of Going-Concern

Not applicable.

(6) Changes in Accounting Policies

(Change in depreciation method of property, plant and equipment)

Previously, at the Company and some of its domestic consolidated subsidiaries, the declining balance method was employed for the depreciation of property, plant and equipment. However, this has been changed to the straight-line method, effective the current fiscal year.

The change in method was made following a study into unifying the depreciation method with the method employed at overseas consolidated subsidiaries, which was implemented in response to the globalization of the Group's businesses and a rise in the ratio of overseas sales to total sales. The study found that manufacturing and research facilities and the like are no longer expected to sharply deteriorate or become obsolete economically. It also found that, since items of property, plant and equipment used by the Group are generally in operation stably within their useful lives, investment effects are likely to be realized at a constant rate over time. In light of these results, the change was made with the aim of matching costs and revenues more appropriately.

With this change, in comparison with the amounts that would have occurred under the previous method, operating income has increased by ¥4,339 million, while ordinary income and income before income taxes and minority interests have each increased by ¥4,227 million.

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

1. Scope of Consolidation

   (1) Consolidated subsidiaries: 104

   Principal consolidated subsidiaries:

   In Japan: Daiichi Sankyo Espha Co., Ltd., Daiichi Sankyo Healthcare Co., Ltd., Daiichi Sankyo Propharma Co., Ltd., ASUBIO PHARMA CO., LTD.

   Overseas: Daiichi Sankyo U.S. Holdings, Inc., Daiichi Sankyo, Inc., Luitpold Pharmaceuticals, Inc., Daiichi Sankyo Europe GmbH, Ranbaxy Laboratories Ltd.

   (2) Non-consolidated subsidiaries (including Shanghai Xinshengyuan Pharmaceutical Group Medicine & Chemical Reagents Sales Co., Ltd., Zenotech Laboratories Ltd. and three subsidiaries of Zenotech Laboratories Ltd.) are small and are not material when measured by the amounts of assets, sales, net income (based on the Company's ownership percentage), retained earnings (based on the Company's ownership percentage), and other indicators. They have therefore been excluded from the scope of consolidation.

2. Application of the Equity Method

   (1) Non-consolidated subsidiaries accounted for under the equity method: 1

   Affiliated companies accounted for under the equity method: 3

   Name of principal company:

   Japan Vaccine Co., Ltd., Zenotech Laboratories Ltd.

   During the year under review, Japan Vaccine Co., Ltd. was established as an equity-method affiliate of the Group.

   (2) Net income (based on the Company's equity percentage), retained earnings (based on the Company's equity percentage), and other indicators of those non-consolidated subsidiaries (Shanghai Xinshengyuan Pharmaceutical Group Medicine & Chemical Reagents Sales Co., Ltd., and three subsidiaries of Zenotech Laboratories Ltd.) and affiliated companies that have not been accounted for under the equity method are not material or significant for the Company as a whole. Therefore, these companies have not been accounted for under the equity method, but are, rather, reported in the Company's investment account under the cost method.

3. Fiscal Year-End of Consolidated Subsidiaries

   Among the Group's consolidated subsidiaries, 50 companies, including Ranbaxy Laboratories Ltd., have the fiscal year-end of December 31 and use the financial information as of their fiscal year-end for consolidation purposes. Eliminations are performed to adjust the consolidated accounts for significant inter-company transactions occurring between their fiscal year-end and that of the consolidated financial statements.

   Among the Group's consolidated subsidiaries, eight companies, including Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd., Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd. and Daiichi Sankyo Brasil Farmacéutica Ltda., . prepare additional financial information as of the same date as the Consolidated Financial Statements (March 31) for consolidation purposes.

   The accounting year-end of these eight companies is December 31. Whereas the Group used the financial statements of the companies as of their fiscal year-end and made necessary adjustments for major transactions between their fiscal year-end and that of the consolidated financial statements, beginning in the fiscal year under review, the Group uses additional financial information prepared for consolidation purposes as described above.

   In addition, Daiichi Sankyo Venezuela, S.A. changed its accounting year-end from December 31 to March 31.As a result, the firm reported its financial performance for the 15-month period from January 1, 2012 to March 31, 2013.

(8) Changes in Presentation

(Consolidated Balance Sheets)

"Accrued expenses," which had been included under "Other current liabilities" in "Current liabilities" in the previous fiscal year, is presented as separate line item for the fiscal year ended March 31, 2013 due to increase in materiality. The Consolidated Financial Statements for the previous fiscal year have been adjusted to reflect this change in presentation.

Accordingly, the ¥213,335 million shown in the "Other current liabilities" line under "Current liabilities" in the Consolidated Balance Sheets for the previous fiscal year has been divided into two items: ¥74,652 million in "Accrued expenses," and ¥138,682 million in "Other current liabilities."

(9) Notes to Consolidated Financial Statements

(Notes to Consolidated Statements of Income)

*1. The book values of inventories that have been written-down to reflect the decline of profitability. The following amounts of inventory write-downs were included in "Cost of sales."

	Fiscal 2011 (Year ended March 31, 2012)	Fiscal 2012 (Year ended March 31, 2013)
	¥3,806 million	¥7,862 million

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

	Fiscal 2011 (Year ended March 31, 2012)	Fiscal 2012 (Year ended March 31, 2013)
Selling, general and administrative expenses	¥185,052 million	¥183,047 million
Manufacturing overhead expenses	–	–

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

(Millions of yen)

	Fiscal 2011 (Year ended March 31, 2012)	Fiscal 2012 (Year ended March 31, 2013)
Buildings and structures	1	68
Machinery, equipment and vehicles	448	179
Land	6,640	5,366
Other property, plant and equipment	2	3
Other intangible assets	560	1

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

(Millions of yen)

	Fiscal 2011 (Year ended March 31, 2012)	Fiscal 2012 (Year ended March 31, 2013)
Buildings and structures	861	927
Machinery, equipment and vehicles	629	302
Land	0	22
Other property, plant and equipment	159	89
Other intangible assets	17	8

In addition, expenses for retirement of non-current assets totaled ¥610 million (fiscal 2011) and ¥2,190 million (fiscal 2012).

*5. Loss on impairment of long-lived assets

The Daiichi Sankyo Group (the Company and its consolidated subsidiaries) categorized their assets for their business operations into groups based on income/loss management for managerial accounting, taking into consideration similarities in the type of products and business activities, consistency as a business group and continuity of management in the future, and individually categorized their assets for lease and unutilized assets that are not directly used for business.

The Daiichi Sankyo Group recognized an impairment loss in the following asset groups:

Fiscal 2011 (Year ended March 31, 2012)

Location	Function	Asset type	Status
Chiyoda, Gunma	Biopharmaceutical Technology Research Laboratory Manufacturing facility	Machinery, equipment, etc.	Idle
India	Paonta Sahib Facility, etc. Manufacturing facility	Buildings, machinery, equipment, etc.	Business use
Germany	Trademark and patent rights	Other intangible assets	Business use

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

The breakdown is as follows:

	(Millions of yen)
Buildings and structures	483
Machinery, equipment and vehicles	1,302
Land	15
Other property, plant and equipment	12
Other intangible assets	5,903

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

Fiscal 2012 (Year ended March 31, 2013)

Location	Function	Asset type	Status
Shinagawa, Tokyo	Shinagawa No. 3 branch office	Buildings and structures, etc.	Idle
U.S.A.	Goodwill, sales rights, etc.	Goodwill and other intangible assets	Business use
Germany	Trademark and patent rights	Other intangible assets	Business use

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

The breakdown is as follows:

	(Millions of yen)
Buildings and structures	573
Machinery, equipment and vehicles	102
Land	126
Other property, plant and equipment	18
Goodwill	872
Other intangible assets	7,767

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

*6. Loss on product recall

A charge was booked in relation to costs and other expenses incurred by a voluntary recall of atorvastatin conducted by the consolidated subsidiary Ranbaxy Pharmaceuticals Inc.

*7. Loss on business restructuring

Fiscal 2011 (Year ended March 31, 2012)

A charge was booked in relation to supplemental retirement benefits, etc., allotted to employees pursuant to the restructuring of the consolidated subsidiary Daiichi Sankyo RD Novare Co., Ltd.

Fiscal 2012 (Year ended March 31, 2013)

This loss reflected severance and early retirement payments to employees in relation to the reorganization of the consolidated subsidiary Daiichi Sankyo, Inc.

*8. Loss on disaster

Losses attributable to the disaster occurring on March 11, 2011 are broken down below. Although some of the damaged assets were insured, the costs covered by insurance claims are not fixed.

Fiscal 2011 (Year ended March 31, 2012)

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

No provisions for disaster response measures were made in the previous fiscal year.

(Notes to Consolidated Statements of Changes in Net Assets)

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

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

Unit 1,000 shares	Number of shares at beginning of fiscal year	Increase in number of shares during fiscal year	Decrease in number of shares during fiscal year	Number of shares at end of fiscal year
Shares issued				
Common stock	709,011	–	–	709,011
Total	709,011	–	–	709,011
Treasury stock				
Common stock	5,097	8	12	5,093
Total	5,097	8	12	5,093

(Notes)

1. The increase in the number of shares of treasury stock was due to the Company's purchase of fractional share-trading units (8 thousand shares).
2. The decrease in treasury stock of 0 thousand shares of common stock was due to sales of treasury stock to meet top-up demands for shares less than one unit and that of 11 thousand shares of common stock was due to the exercise of stock acquisition rights (stock options).

2. Subscription rights to shares

Classification	Detail	Class of stock to be converted	Number of shares to be converted (Shares)				Balance at end of fiscal year (Millions of yen)
			Number of shares at beginning of fiscal year	Increase during fiscal year	Decrease during fiscal year	Number of shares at end of fiscal year	
Submitting company (parent company)	Stock acquisition rights as stock options	–	–	–	–	–	1,297
Consolidated subsidiaries	–	–	–	–	–	–	2,198
Total		–	–	–	–	–	3,495

3. Dividends

(1) Amount of dividends paid

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

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

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Date of record	Effective date
Ordinary General Meeting of Shareholders on June 22, 2012	Common stock	21,117	Retained earnings	30.0	March 31, 2012	June 25, 2012

Fiscal 2012 (Year ended March 31, 2013)

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

Unit 1,000 shares	Number of shares at beginning of fiscal year	Increase in number of shares during fiscal year	Decrease in number of shares during fiscal year	Number of shares at end of fiscal year
Shares issued				
Common stock	709,011	–	–	709,011
Total	709,011	–	–	709,011
Treasury stock				
Common stock	5,093	8	38	5,063
Total	5,093	8	38	5,063

(Notes)

1. The increase in the number of shares of treasury stock was due to the Company's purchase of fractional share-trading units (8 thousand shares).
2. The decrease in treasury stock of 0 thousand shares of common stock was due to sales of treasury stock to meet top-up demands for shares less than one unit and that of 38 thousand shares of common stock was due to the exercise of stock acquisition rights (stock options).

2. Subscription rights to shares

Classification	Detail	Class of stock to be converted	Number of shares to be converted (Shares)				Balance at end of fiscal year (Millions of yen)
			Number of shares at beginning of fiscal year	Increase during fiscal year	Decrease during fiscal year	Number of shares at end of fiscal year	
Submitting company (parent company)	Stock acquisition rights as stock options	–	–	–	–	–	1,504
Consolidated subsidiaries	–	–	–	–	–	–	2,581
Total		–	–	–	–	–	4,085

3. Dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Date of record	Effective date
Ordinary General Meeting of Shareholders on June 22, 2012	Common stock	21,117	30.0	March 31, 2012	June 25, 2012
Regular meeting of the Board of Directors on October 31, 2012	Common stock	21,118	30.0	September 30, 2012	December 3, 2012

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

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Date of record	Effective date
Ordinary General Meeting of Shareholders on June 21, 2013	Common stock	21,118	Retained earnings	30.0	March 31, 2013	June 24, 2013

(Notes to Consolidated Statements of Cash Flows)

*1. Reconciliation of cash and cash equivalents at the end of the fiscal year with the balance sheet accounts

(Millions of yen)

	Fiscal 2011 (Year ended March 31, 2012)	Fiscal 2012 (Year ended March 31, 2013)
Cash and time deposits	128,926	160,956
Less time deposits with maturities extending over three months	(45,703)	(59,805)
Adding short-term investments with maturities within three months	129,450	89,768
Cash and cash equivalents	212,673	190,919

*2. Breakdown of principal assets and liabilities of consolidated subsidiaries acquired through purchases of shares

Fiscal 2011 (Year ended March 31, 2012)

Assets and liabilities acquired through the purchase of shares in Plexxikon, Inc. to convert the latter into a consolidated subsidiary, and in relation to the purchase of investments in subsidiaries resulting in change in scope of consolidation, are as follows.

	(Millions of yen)
Current assets	8,407
Non-current assets	85,980
Goodwill	26,086
Current liabilities	(8,161)
Long-term liabilities	(33,067)
Acquisition price of shares in subsidiaries	79,245
Cash and cash equivalents of subsidiaries	(1,832)
Foreign currency translation adjustments	(6,121)
Balance: purchase of investments in subsidiaries resulting in change in scope of consolidation	71,291

(Segment Information)

a. Information by Segment

1. Overview of reportable segments

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

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

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

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

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

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

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

(Change in depreciation method)

As explained in the section on changes in accounting policies, the Company and certain domestic consolidated subsidiaries previously used the declining balance method to calculate depreciation of property, plant and equipment. Beginning in the fiscal year under review, the straight-line method of depreciation was adopted. Compared with the previous method, this change resulted in an increase of ¥4,277 million in the segment profit reported by the Daiichi Sankyo Group for the fiscal year under review.

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

Fiscal 2011 (Year ended March 31, 2012)

(Millions of yen)

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

Fiscal 2012 (Year ended March 31, 2013)

(Millions of yen)

	Daiichi Sankyo Group	Ranbaxy Group	Total
Net sales			
Outside customers	812,431	185,421	997,852
Inter-segment sales and transfers	1,788	1,686	3,474
Total	814,219	187,107	1,001,327
Segment profit	81,799	15,875	97,675
Segment assets	1,832,555	261,544	2,094,099
Segment liabilities	521,421	198,856	720,277
Other items			
Depreciation	31,680	7,254	38,935
Amortization of goodwill	8,632	–	8,632
Interest income	726	3,824	4,551
Interest expenses	1,955	2,269	4,225
Equity in earnings of affiliated companies	107	–	107
Equity in net losses of affiliated companies	–	291	291
Extraordinary income	11,908	123	12,031
Extraordinary losses	15,818	3,365	19,184
(Loss on impairment of long-lived assets)	9,398	62	9,460
Capital investment in equity-method affiliates	718	1,081	1,799
Increase in property, plant and equipment and intangible assets	64,119	7,263	71,382

4. Reportable segment totals and differences from amounts in Consolidated Financial Statements (CFS reconciliations)

(Millions of yen)

	Fiscal 2011 (Year ended March 31, 2012)	Fiscal 2012 (Year ended March 31, 2013)
Net sales		
Reportable segment total	940,208	1,001,327
Elimination of inter-segment transactions	(1,530)	(3,474)
CFS-stated consolidated net sales	938,677	997,852
Segment profit		
Reportable segment total	41,811	97,675
Amortization of allocated acquired cost	(3,151)	(2,732)
Adjustments to allocated acquired cost	–	–
Amortization of goodwill	(2,411)	(2,406)
Adjustment for sales of investment securities	–	–
Equity in losses of affiliated companies	(95)	(166)
Elimination of inter-segment transactions	(1,987)	(264)
Other consolidated adjustments	(249)	(9)
CFS-stated consolidated income before income taxes	33,915	92,095
Segment assets		
Reportable segment total	1,963,174	2,094,099
Elimination of investments and capital	(488,354)	(488,354)
Allocated acquired cost	28,449	27,699
Adjustment to goodwill	22,523	18,126
Elimination of stock subscription rights on consolidation	(4,304)	(4,304)
Elimination of inter-segment transactions	(1,569)	(1,605)
Equity in losses of affiliated companies	(1,440)	(1,589)
CFS-stated total assets	1,518,479	1,644,071
Segment liabilities		
Reportable segment total	677,601	720,277
Adjustment to deferred tax liabilities	9,231	8,988
Elimination of inter-segment transactions	(1,102)	(939)
CFS-stated total liabilities	685,729	728,326

(Millions of yen)

	Reportable segment total		Adjustment		Amount on balance sheet	
	Fiscal 2011 (Year ended March 31, 2012)	Fiscal 2012 (Year ended March 31, 2013)	Fiscal 2011 (Year ended March 31, 2012)	Fiscal 2012 (Year ended March 31, 2013)	Fiscal 2011 (Year ended March 31, 2012)	Fiscal 2012 (Year ended March 31, 2013)
Other items						
Depreciation	43,960	38,935	2,345	2,487	46,305	41,423
Amortization of goodwill	8,606	8,632	2,470	2,487	11,076	11,119
Interest income	2,842	4,551	–	(4)	2,842	4,547
Interest expenses	3,712	4,225	–	(4)	3,712	4,220
Equity in earnings of affiliated companies	72	107	(72)	(107)	–	–
Equity in net losses of affiliated companies	131	291	76	105	207	397
Extraordinary income	15,377	12,031	(585)	100	14,792	12,132
Extraordinary losses	57,094	19,184	–	–	57,094	19,184
(Loss on impairment of long-lived assets)	7,717	9,460	–	–	7,717	9,460
Capital invested in equity-method affiliates	2,056	1,799	395	327	2,451	2,127
Increase in property, plant and equipment and intangible assets	71,430	71,382	–	–	71,430	71,382

b. Information on unamortized goodwill by reportable segment

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

(Millions of yen)

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

Fiscal 2012 (for the year ended March 31, 2013)

(Millions of yen)

	Daiichi Sankyo Group	Ranbaxy Group	Adjustment	Amount on balance sheet
Ending balance	35,378	19,941	18,224	73,543

(Per Share Information)

Fiscal 2011 (Year ended March 31, 2012)		Fiscal 2012 (Year ended March 31, 2013)	
Net assets per share	¥1,143.52	Net assets per share	¥1,253.86
Net income per share (basic)	¥14.75	Net income per share (basic)	¥94.64
Net income per share (diluted)	¥14.73	Net income per share (diluted)	¥94.49

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

	Fiscal 2011 (Year ended March 31, 2012)	Fiscal 2012 (Year ended March 31, 2013)
Net income per share (basic):		
Net income (millions of yen)	10,383	66,621
Amount not available for common shareholders (millions of yen)	–	–
Net income available for dividends on common shares (millions of yen)	10,383	66,621
Weighted-average number of common shares outstanding during the year (1,000 shares)	703,914	703,929
Net income per share (diluted):		
Adjustments to net income (millions of yen)	–	–
Additional dilutive common shares (1,000 shares)	897	1,154
Including dilutive effect of stock options of (1,000 shares)	(897)	(1,154)
Descriptions of potential shares that were not included in the computation of diluted net income per share because of their anti-dilutive effect	Subscription rights to shares of consolidated subsidiaries Common shares of 909 thousand shares to be delivered upon exercise Convertible-bond-type bonds with subscription rights to shares Common shares of 5,646 thousand shares to be delivered upon exercise	Subscription rights to shares of consolidated subsidiaries Common shares of 1,292 thousand shares to be delivered upon exercise

(Subsequent Events)

Not applicable

(Omission of Disclosure)

Disclosures concerning notes to the Consolidated Balance Sheets, lease transactions, transactions with related parties, income taxes, financial instruments, market value information for securities, derivatives, retirement benefits, stock options, business combinations, asset retirement obligations and real estate-related items such as rents have been omitted because disclosure within the context of the consolidated financial results is deemed immaterial.