

**CONVOCATION NOTICE OF THE 8<sup>TH</sup> ORDINARY  
GENERAL MEETING OF SHAREHOLDERS**

**For the Fiscal Period Ended March 31, 2013**

**Daiichi Sankyo Company, Limited**

\*Note: This translation does not include pictures, charts etc. originally issued in the Japanese version.

## To Our Shareholders

In the fiscal year ended March 31, 2013, the stock market recovered due to the aggressive monetary policy after a change of the governing party and the real economy is finally showing some signs of recovery. On the other hand, the environment surrounding the pharmaceutical industry remains difficult, with situations including tightening requirements for drug approval and increasing competition for products such as generic pharmaceuticals, as well as an NHI drug price reduction in line with the tight health insurance finance of countries.

For the fiscal year ended March 31, 2013, the Daiichi Sankyo Group reported increases in both sales and profits compared with the previous year thanks to the contribution of prescription drugs in Japan and Ranbaxy Laboratories Ltd.

For the fiscal year ending March 31, 2014, the Group will also aim to increase both sales and profits and strive to reach net sales of ¥1,000 billion yen.

This March, the Group developed the 5-year Business Plan (fiscal 2013-2017) for the five-year period starting from fiscal 2013. The Group is committed to achieving sustainable revenue growth with significantly improved profitability while overcoming a patent cliff (negative impact on operating results caused by patent expiration) with regards to olmesartan.

We intend to make concerted efforts together as a group to achieve our goals, enhance shareholder value and respond to the expectations of our shareholders.

I would greatly appreciate your further support in future.



Joji Nakayama  
Representative Director and President & CEO

(Securities Identification Code 4568)  
May 31, 2013

To Shareholders,

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

## CONVOCATION NOTICE OF THE 8<sup>TH</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS

Daiichi Sankyo Company, Limited (“the Company”) respectfully requests your attendance at the 8<sup>th</sup> Ordinary General Meeting of Shareholders (“the Meeting”), which will be held as detailed below.

If you will not be able to attend the Meeting, you may exercise your voting rights by mail or on the Internet etc., in which case we ask that you please exercise your voting rights by 17:30 (within our business hours), Thursday, June 20, 2013 (Japan Time), after examining the attached reference documents.

[Exercise of Voting Rights by Mail or on the Internet etc.]

If you will not be able to attend the Meeting, please examine the Reference Documents for General Meeting of Shareholders, read “Information on Exercise of Voting Rights” on pages 4 of this notice and exercise your voting rights by mail or on the Internet etc. **by June 20, 2013.**

(If you will attend the Meeting, please submit the enclosed voting form at the reception desk. You do not need to carry out the procedure for exercising your voting rights by mail or on the Internet etc.)

1. Date and Time: June 21, 2013, Friday at 10 a.m. (Japan Time)
2. Place: Royal Hall, Royal Park Hotel 3F  
1-1, Nihonbashi-Kakigaracho 2-chome, Chuo-ku, Tokyo, Japan
3. Purpose of the Meeting:  
Matters to be Reported:
  1. Reports on the Business Report, the Consolidated Financial Statements for the 8<sup>th</sup> Fiscal Year (from April 1, 2012 to March 31, 2013); and Audit Reports of the Consolidated Financial Statements by the Accounting Auditors and the Audit & Supervisory Board
  2. Reports on the Non-consolidated Financial Statements for the 8<sup>th</sup> Fiscal Year (from April 1, 2012 to March 31, 2013)

Proposals to be Resolved:

First Proposal: Appropriation of Surplus

Second Proposal: Election of Ten (10) Directors

Third Proposal: Provision of Bonuses to Directors

### General Information

#### 1. Exercise of Voting Rights by Proxy

If unable to attend the Ordinary General Meeting of Shareholders, a proxy shareholder holding voting rights of the Company may be chosen to attend the meeting; provided, however, that a document proving the proxy is submitted.

#### 2. Disclosures through the Internet

■ The following items are posted on the Company's website today, in accordance with laws and regulations, and the provision in Article 16 of the Articles of Incorporation. Therefore, they are not included in this Convocation Notice of the 8th Ordinary General Meeting of Shareholders.

i) Notes to Consolidated Financial Statements

ii) Notes to Non-consolidated Financial Statements

In addition to documents stated in the reference documents attached to the Convocation Notice of the 8th Ordinary General Meeting of Shareholders, Notes to Consolidated and Non-consolidated Financial Statements posted on the Company's web-site are included in Consolidated and Non-consolidated Financial Statements audited by the Accounting Auditors and the Audit & Supervisory Board.

■ If any revisions in the Reference Documents for General Meeting of Shareholders, Business Report, and Non-consolidated and Consolidated Financial Statements arise, revised matters will be placed on the Company's website.

Company's website: <http://www.daiichisankyo.co.jp>

#### 3. Method for Receiving the Convocation Notice

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

### [Information on Exercise of Voting Rights]

If you will attend the Meeting, please submit the enclosed voting form at the reception desk.

Expiration date upon exercise of voting rights by mail or on the Internet etc.

Voting rights can be exercised by 17:30 on June 20, 2013 (Japan Time)

For exercise of voting rights by mail, please indicate your approval or disapproval for the proposals on the enclosed voting form and return the form to the Company.

For exercise of voting rights on the Internet, please access to the website (<http://www.evot.jp/>) from a PC, a smartphone or a mobile phone, use the "login ID" and the "temporary password" printed on the Card for Exercise of Voting Rights and input your vote in accordance with the instructions that will appear on your screen. (However, please note that Shareholders cannot exercise the rights between 2:00 am and 5:00 am every day at the website)

### Points to Note

■ Treatment of Duplicate Votes by Mail and on the Internet etc.

If your voting rights are exercised both by mail and on the Internet etc., we will consider the exercise on the Internet to be valid.

■ Treatment of Duplicate Votes on the Internet etc.

If your voting rights are exercised more than once on the Internet, we will consider the latest vote to be valid.

■ Password

1. Please note that, to prevent unauthorized access to the site by individuals other than shareholders (persons impersonating shareholders) or the alteration of votes, already made by authentic shareholders we may request shareholders to change their "temporary password" at Dedicated Voting Website.

2. Shareholders will be informed of the new "login ID" and "temporary password", every time a General Meeting of Shareholders is called.

■ Costs Related to Accessing the Voting Website

All costs associated with the access to the voting website (<http://www.evotep.jp/>) (cost of dial-up connections, telephone tolls, etc.) need to be borne by the shareholder. Also, when voting by mobile phone, packet communication fees and other costs entailed by the use of mobile phones also need to be borne by the shareholder.

**For further assistance regarding the system, please contact:**

Transfer Agent Department (Help Desk)

Mitsubishi UFJ Trust and Banking Corporation

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

## Reference Documents for General Meeting of Shareholders

### Proposals and References

#### First Proposal: Appropriation of Surplus

The Company regards the distribution of profits to all shareholders as a key management issue. Its basic policy is to pay a stable dividend.

During fiscal 2012, the year ended March 31, 2013, 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 fiscal 2012 to ¥60 per share.

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

- 1) The kind of dividend property  
Money
- 2) The matters regarding the assignment of the dividend property to shareholders and the total amount  
¥30 per common share of the Company  
Total amount: ¥21,118,434,390
- 3) The day on which such distribution of dividends from surplus takes effect  
June 24, 2013

**Second Proposal: Election of Ten (10) Directors**

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

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

Number of Candidates	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions	Number of Shares of the Company Held
1	Takashi Shoda (June 21, 1948)  Reelection	<p>April 1972 Entered Sankyo Company, Limited (“Sankyo”)</p> <p>January 1999 General Manager of Europe Department of Sankyo</p> <p>June 1999 Senior General Manager of International Pharmaceutical Division &amp; General Manager of Europe Department of Sankyo</p> <p>June 2001 Director of Sankyo</p> <p>June 2002 Managing Director of Sankyo</p> <p>June 2003 Representative Director and President of Sankyo</p> <p>September 2005 Representative Director and President &amp; CEO of the Company</p> <p>June 2010 Representative Director and Chairman of the Company (to present)</p> <p>(Number of years as a Director) Seven (7) years at the close of this Ordinary General Meeting of Shareholders (Material Concurrent Positions) Non-Executive Director of Ranbaxy Laboratories Ltd.</p>	72,000
2	Joji Nakayama (May 11, 1950)  Reelection	<p>April 1979 Entered Suntory Limited (“Suntory”)</p> <p>March 2000 Director of Suntory</p> <p>December 2002 President of Daiichi Suntory Pharma Co., Ltd.</p> <p>March 2003 Resigned as Director of Suntory</p> <p>June 2003 Director of Daiichi Pharmaceutical Co., Ltd. (“Daiichi”)</p> <p>June 2006 Director, General Manager of Corporate Strategy Department of Daiichi</p> <p>April 2007 Corporate Officer and General Manager of Europe/US Business Management Department of the Company</p> <p>April 2009 Executive Officer and General Manager of Overseas Business Management Department of the Company</p> <p>April 2010 Executive Vice President, President of Japan Company of the Company</p> <p>June 2010 Representative Director and President &amp; CEO of the Company (to present)</p> <p>(Number of years as a Director) Three (3) years at the close of this Ordinary General Meeting of Shareholders</p>	16,349

Number of Candidates	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions	Number of Shares of the Company Held
3	Takeshi Ogita (March 20, 1951)  Reelection	<p>April 1980 Entered Sankyo Company, Limited (“Sankyo”)</p> <p>August 2001 General Manager, Research Project Department of Sankyo</p> <p>July 2004 General Manager, Global Project Management Department of Sankyo</p> <p>June 2005 Corporate Officer of Sankyo</p> <p>July 2005 Head of Pharmaceutical Development Division and General Manager, Global Project Management Department of Sankyo</p> <p>April 2007 Executive Officer, Head of Pharmaceutical Technology Division, and General Manager of the Global Project Management Department of the Company</p> <p>April 2009 Senior Executive Officer of the Company, Human Resources and R&amp;D</p> <p>June 2009 Director, Senior Executive Officer of the Company, Human Resources and R&amp;D</p> <p>April 2010 Director, Senior Executive Officer of the Company, Global Corporate Strategy Officer (Human Resources, IT, Business Development and Global Marketing)</p> <p>April 2012 Director, Senior Executive Officer of the Company, General Affairs and Human Resources Officer, and Head of Japan Company Vaccine Business (to present)</p> <p>(Number of years as a Director) Four (4) years at the close of this Ordinary General Meeting of Shareholders</p>	18,300



Number of Candidates	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions	Number of Shares of the Company Held
4	Kazunori Hirokawa (June 7, 1951)  Reelection	<p>April 1975 Entered Daiichi Pharmaceutical Co., Ltd. (“Daiichi”)</p> <p>October 2000 General Manager of Safety Control Department of Daiichi</p> <p>October 2002 General Manager of Development &amp; Planning Department of Daiichi</p> <p>June 2003 Director and General Manager of Development &amp; Planning Department of Daiichi</p> <p>October 2004 Director and General Manager of Research and Development Strategy Department of Daiichi</p> <p>June 2005 Senior Corporate Officer and General Manager of Research and Development Strategy Department of Daiichi</p> <p>April 2006 Senior Corporate Officer of Daiichi, Loan Director to Daiichi-Sankyo, Inc.</p> <p>April 2007 Executive Officer, Head of R&amp;D Division of the Company</p> <p>April 2010 Senior Executive Officer, Head of R&amp;D Division of the Company</p> <p>June 2010 Director, Senior Executive Officer of the Company, Head of R&amp;D Division</p> <p>April 2012 Director, Senior Executive Officer of the Company, Head of Strategy Division</p> <p>April 2013 Director, Senior Executive Officer of the Company, Head of Strategy Division, and Head of Japan Company Business Intelligence Division (to present)</p> <p>(Number of years as a Director) Three (3) years at the close of this Ordinary General Meeting of Shareholders (Material Concurrent Positions) Non-Executive Director of Ranbaxy Laboratories Ltd.</p>	15,758
5	Yuki Sato (October 9, 1950)  Reelection	<p>April 1974 Entered Sankyo Company, Limited (“Sankyo”)</p> <p>April 2004 Manager of Osaka Plant of Sankyo</p> <p>April 2005 Manager of Hiratsuka Plant of Sankyo</p> <p>April 2006 General Manager of Supply Chain Business Department of Sankyo</p> <p>April 2007 Corporate Officer, General Manager of Supply Chain Planning Department of the Company</p> <p>April 2009 Executive Officer, Head of Pharmaceutical Technology Division of the Company</p> <p>April 2011 Senior Executive Officer, Head of Pharmaceutical Technology Division of the Company</p> <p>June 2011 Director, Senior Executive Officer, Head of Supply Chain Division of the Company</p> <p>April 2013 Director, Senior Executive Officer, Head of Supply Chain Division of the Company, and Head of Legal and CSR Division (to present)</p> <p>(Number of years as a Director) Two (2) years at the close of this Ordinary General Meeting of Shareholders</p>	7,900

Number of Candidates	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions	Number of Shares of the Company Held
6	Hiroshi Hirabayashi (May 5, 1940)  Candidate for outside Director  Independent Director  Reelection	<p>April 1963 Entered Ministry of Foreign Affairs of Japan (“MOFA”)</p> <p>August 1993 Director General of Economic Cooperation Bureau of MOFA</p> <p>January 1998 Ambassador extraordinary and plenipotentiary to India and Bhutan</p> <p>September 2002 Ambassador extraordinary and plenipotentiary to France and Andorra</p> <p>January 2003 Ambassador extraordinary and plenipotentiary to France and Andorra and ambassador to Djibouti</p> <p>June 2006 Ambassador in charge of inspection</p> <p>June 2007 President of the Japan-India Association (Public Interest Incorporated Foundation) (to present)</p> <p>April 2008 Visiting Professor of Waseda University, Graduate School of Asia-Pacific Studies</p> <p>June 2009 Vice President of The Japan Forum on International Relations (Public Interest Incorporated Foundation) (to present)</p> <p>June 2010 Outside Director of the Company (to present)</p> <p>(Number of years as an outside Director) Three (3) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 13/13 meetings (Material Concurrent Positions) Outside Director of Mitsui &amp; Co., Ltd. Outside Director of NHK Promotions Inc.</p>	3,100

Number of Candidates	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions	Number of Shares of the Company Held
7	Kunio Ishihara (October 17, 1943)  Candidate for outside Director  Independent Director  Reelection	<p>April 1966 Entered Tokio Marine and Fire Insurance Company ("TMFI")</p> <p>June 1995 Director and General Manager of Hokkaido Regional Headquarters of TMFI</p> <p>June 1998 Managing Director and General Manager of Hokkaido Regional Headquarters of TMFI</p> <p>June 2000 Senior Managing Director of TMFI</p> <p>June 2001 President of TMFI</p> <p>October 2004 President of Tokio Marine &amp; Nichido Fire Insurance Co., Ltd. ("TMNFI")</p> <p>June 2007 Chairman of the Board of TMNFI (to present) Chairman of the Board of Millea Holdings, Inc. (Tokio Marine Holdings, Inc.)</p> <p>July 2008 Chairman of the Board of Tokio Marine Holdings, Inc. (to present)</p> <p>June 2010 Outside Director of the Company (to present)</p> <p>(Number of years as an outside Director) Three (3) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 12/13 meetings (Material Concurrent Positions) Outside Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd. Outside Corporate Auditor of Tokyu Corporation Vice Chairman, Director of Keidanren (Japan Business Federation)</p>	4,500
8	Ichiro Kanazawa (June 20, 1941)  Candidate for outside Director  Independent Director  Reelection	<p>June 1990 Professor of Department of Neurology, Institute of Clinical Medicine, University of Tsukuba</p> <p>April 1991 Professor of Department of Neurology, Brain Research Institute, Faculty of Medicine, the University of Tokyo</p> <p>April 1997 Director of the University of Tokyo Hospital</p> <p>April 2002 Consultant Medical Doctor for Royal Families</p> <p>April 2003 President of National Center of Neurology and Psychiatry</p> <p>October 2006 President of Science Council of Japan</p> <p>January 2011 Dean of Graduate School, International University of Health and Welfare (to present)</p> <p>June 2012 Outside Director of the Company (to present)</p> <p>(Number of years as an outside Director) One (1) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 10/10 meetings after his assumption of office on June 2012</p>	100

Number of Candidates	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions	Number of Shares of the Company Held
9	Seiji Sugiyama (April 17, 1947)  Candidate for outside Director  Independent Director  Reelection	<p>July 1971 Entered the Nippon Kangyo Bank, Ltd.</p> <p>June 1999 Director, General Manager of Human Resources Office of the Dai-Ichi Kangyo Bank, Ltd (“DKB”)</p> <p>May 2000 Managing Director of DKB</p> <p>June 2001 Managing Executive Officer of Mizuho Holdings, Inc.</p> <p>April 2002 Managing Executive Officer, Chief Compliance Officer of Mizuho Corporate Bank, Ltd.</p> <p>March 2003 Deputy President - Executive Officer, Head of IT, System &amp; Operations Group of Mizuho Financial Group Inc.</p> <p>March 2004 President &amp; CEO of Mizuho Bank, Ltd.</p> <p>April 2008 Chairman of Japanese Bankers Association</p> <p>April 2009 Chairman &amp; CEO, Mizuho Bank, Ltd.</p> <p>November 2010 Vice Chairman of the Tokyo Chamber of Commerce and Industry (to present)</p> <p>Special Advisor of the Japanese Chamber of Commerce and Industry (to present)</p> <p>June 2012 Outside Director of the Company (to present)</p> <p>(Number of years as an outside Director) One (1) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 10/10 meetings after his assumption of office on June 2012 (Material Concurrent Positions) Outside Corporate Auditor of JFE Holdings, Inc. Outside Auditor of Gunze, Limited</p>	1,400
10*	Manabu Sakai (July 13, 1949)  Candidate for a new Director	<p>April 1974 Entered Daiichi Pharmaceutical Co., Ltd. (“Daiichi”)</p> <p>July 2003 General Manager of Business Promotion Department of Daiichi</p> <p>June 2005 Corporate Officer of Daiichi</p> <p>September 2005 Corporate Officer and General Manager of Business Management Department of the Company</p> <p>April 2010 Executive Officer, Global Business Management Officer of the Company</p> <p>April 2012 Senior Executive Officer, Head of Administration Division of the Company (to present)</p>	11,300

## Notes:

- The person marked with an asterisk is a candidate for a new director.
- There are no special conflict of interests between each candidate and the Company.
- Ranbaxy Laboratories Ltd. (for which candidates for Director, Takashi Shoda and Kazunori Hirokawa are concurrently serving as Directors) is a consolidated subsidiary of the Company.  
Mr. Kunio Ishihara is Chairman of the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd. that has a business relationship of non-life insurance and PL insurance with the Company. Insurance transactions between Tokio Marine & Nichido Fire and the Company are not monopolistic and are considered to be generally accepted fair and proper business transactions. Therefore, the Company recognizes that Mr. Ishihara has no special interest in the Company’s management. In addition, he has no special relationship with the Company in his other concurrent posts  
Mr. Ichiro Kanazawa is Dean of the Graduate School of the International University of Health and Welfare. The Company has paid a donation to promote research at the International University of Health and Welfare and its affiliated hospitals. The amount of the donation is small.  
Mr. Seiji Sugiyama was President & CEO of Mizuho Bank, Ltd. The Company has taken out a loan with Mizuho Corporate Bank, Ltd., a group company of Mizuho Bank. The deposit and loan transactions between Mizuho

Corporate Bank and the Company are not monopolistic and are considered to be generally accepted fair and proper business transactions. Therefore, the Company recognizes that Mr. Sugiyama has no special interest in the Company's management. In addition, he has no material relationship with the Company in his other present concurrent posts.

There are no material relationship of transaction between the other above companies where the above candidates for Director have material concurrent positions and the Company.

4. Hiroshi Hirabayashi, Kunio Ishihara, Ichiro Kanazawa, and Seiji Sugiyama are candidates for Outside Directors as stipulated in Article 2, Item 15 of Companies Act.
5. The Company has designated each candidate for Outside Director Hiroshi Hirabayashi, Kunio Ishihara, Ichiro Kanazawa, and Seiji Sugiyama as Independent Directors, and filed them with the Tokyo Stock Exchange, etc. accordingly.
6. Matters of particular importance related to candidates for Outside Directors are as follows:
  - (1) Reasons for nomination as candidates for Outside Directors:
    - 1) The Company requests election of Hiroshi Hirabayashi as Outside Director, so that his knowledge and insight based on his global experience as diplomat will be reflected in the management of the Company.
    - 2) The Company requests election of Kunio Ishihara as Outside Director, so that his expertise in risk management developed through his extensive experience at a non-life insurance company and his insight based on his management experience will be reflected in the management of the Company.
    - 3) The Company requests election of Ichiro Kanazawa as Outside Director, so that his professional knowledge and insight as a medical scientist will be reflected in the management of the Company.
    - 4) The Company requests election of Seiji Sugiyama as Outside Director, so that his knowledge and insight concerning corporate management based on his experience at banking companies, etc. will be reflected in the management of the Company.
  - (2) In cases where candidate for Outside Director has served as director, corporate officer or member of the audit & supervisory board of other joint stock companies in the past five years, facts of unjust execution of duties while he was in office (if any)
 

Hiroshi Hirabayashi had been an Outside Director of Toshiba Corporation ("Toshiba") from June 2007 to June 2012. In April 2009, Toshiba was ordered by the Ministry of Land, Infrastructure, Transport and Tourism to temporarily suspend business in accordance with the Construction Industry Law for violations of the Anti-Monopoly Law relating to the bidding for electrical facility work requested by City of Sapporo from April 2003 to December 2005. At a meeting of Board of Directors, he expressed his opinions and suggested that Toshiba need to reinforce its compliance system in order to prevent recurrence of such misconduct.

He has also been acting as an Outside Director of Mitsui & Co., Ltd. ("Mitsui") since June 2007. Mitsui's misconducts included the fact that the Sales Section of its Functional Chemicals Sales Section was reporting fictitious transactions involving their export business for Southeast Asia, including Indonesia, between April 2004 and August 2008 were exposed. After this discovery, Hirabayashi, who had always emphasized the importance of compliance and internal control systems, continued to suggest reinforcement of internal controls in order to prevent the recurrence of such misconduct.
  - (3) Outline of liability limitation agreement with Outside Directors
 

With regard to liability for damages under Article 423, Paragraph 1 of the Companies Act, the Company has entered agreements for limitation of liabilities in the event that the case falls under the requirements defined in laws and ordinances (Liability Limitation Agreements) with each candidate for Outside Director Hiroshi Hirabayashi, Kunio Ishihara, Ichiro Kanazawa and Seiji Sugiyama; provided, however, that the maximum amount of liabilities under such agreement is the minimum liability amount as provided by applicable laws and ordinances. When the election of each candidate for Outside Director is approved at the Meeting, we will continue the Liability Limitation Agreement on the same terms and conditions.
7. The "Career Summary, Positions, Assignments, and Material Concurrent Positions" are the status as of May 31, 2013.

**Third Proposal: Provision of Bonuses to Directors**

The Company requests approval for the payment of directors' bonuses, amounting to 115 million yen in total to the six Directors (excluding Outside Directors) who were at office at the end of this fiscal year taking into consideration the Company's performance, etc. during the business year.

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

[Attachment]

## Business Report for the 8<sup>th</sup> Fiscal Period

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

1. Status of Daiichi Sankyo Group
- (1) Progress and 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	2,314 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)>

	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.)

Category	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
<i>Olmetec</i> ® Antihypertensive agent	80.9	78.3	-2.6 -3.2%
<i>Loxonin</i> ® Anti-inflammatory analgesic	61.0	59.6	-1.4 -2.3%
<i>Cravit</i> ® Synthetic antibacterial agent	36.3	35.9	-0.4 -1.2%
<i>Mevalotin</i> ® Antihyperlipidemic agent	33.1	25.8	-7.2 -21.9%
<i>Memary</i> ® Alzheimer's Disease treatment	9.8	23.8	14.0 142.0%
<i>Artist</i> ® Treatment for hypertension, angina pectoris and chronic heart failure	24.5	22.4	-2.1 -8.8%
<i>NEXIUM</i> ® Treatment for reflux esophagitis, etc.	3.9	21.6	17.7 452.0%
<i>Omnipaque</i> ® Contrast medium	23.5	20.2	-3.3 -14.3%

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. Sales of *AZOR*®, *TRIBENZOR*™ and *Welchol*® increased, but sales of *Benicar*®/*Benicar HCT*® and *Venofer*® declined.

## &lt;Net sales of Daiichi Sankyo, Inc. mainstay products&gt;

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

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

## &lt;Net sales of Luitpold Pharmaceuticals, Inc. mainstay products&gt;

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

Product name	Fiscal 2011	Fiscal 2012	YoY change
<i>Venofer</i> ® 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. Sales of *Sevikar HCT*® increased, but sales of *Olmotec*® / *Olmotec plus*® and *Sevikar*® decreased.

## &lt;Net sales of Daiichi Sankyo Europe GmbH mainstay products&gt;

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

Product name	Fiscal 2011	Fiscal 2012	YoY change
<i>Olmotec</i> ®/ <i>Olmotec Plus</i> ® Antihypertensive agent	336	304	-32 -9.6%
<i>Sevikar</i> ® Antihypertensive agent	101	100	-0 -0.3%
<i>Sevikar HCT</i> ® 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 (From January 1 to December 31, 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 (As of May 2013)

Therapeutic area	Phase 1	Phase 2	Phase 3	Application
<b>Cardiovascular-Metabolics</b>	<ul style="list-style-type: none"> <li>■ <b>DS-7309</b> (Anti-diabetes / Glucokinase activator)</li> <li>■ <b>DS-6930</b> (Anti-diabetes / Selective PPAR-gamma modulator)</li> <li>■ <b>DS-8500</b> (Anti-diabetes / GPR119 agonist)</li> <li>■ <b>DS-1442</b> (Dyslipidemia / CETP inhibitor)</li> <li>■ <b>DS-1040</b> (Acute ischemic stroke / TAFIs inhibitor)</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>CS-3150 (JP)</b> (Anti-hypertensive/DM nephropathy / MR antagonist)</li> <li>■ <b>DS-7250 (JP)</b> (Anti-diabetes / DGAT1 inhibitor)</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>DU-176b (Global)</b> (Edoxaban / AF / oral factor Xa inhibitor)</li> <li>■ <b>DU-176b (Global)</b> (Edoxaban / VTE / oral factor Xa inhibitor)</li> <li>■ <b>CS-747 (JP)</b> (Prasugrel / PCI / anti-platelet agent)</li> <li>■ <b>CS-747 (JP)</b> (Prasugrel / ischemic stroke / anti-platelet agent)</li> <li>■ <b>CS-747 (US)</b> (prasugrel / Sickle Cell Disease)</li> </ul>	
<b>Oncology</b>	<ul style="list-style-type: none"> <li>■ <b>U3-1565 (US/JP)</b> (Anti-HB-EGF antibody)</li> <li>■ <b>DS-2248 (US)</b> (HSP90 inhibitor)</li> <li>■ <b>DS-7423 (US/JP)</b> (PI3K/mTOR inhibitor)</li> <li>■ <b>DS-3078 (US/EU)</b> (mTOR inhibitor)</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>CS-1008 (Global)</b> (tigatuzumab / anti-DR5 antibody)</li> <li>■ <b>CS-7017 (US/EU)</b> (efatutazone / PPAR<math>\gamma</math> agonist)</li> <li>■ <b>U3-1287 (US/EU)</b> (patritumab / anti-HER3 antibody)</li> <li>■ <b>PLX4032 (US/EU)</b> (vemurafenib / BRAF inhibitor)</li> <li>■ <b>PLX3397 (US)</b> (Fms/Kit/Flt3-ITD inhibitor)</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>ARQ 197 (Global*)</b> (Tivantinib / HCC / Met inhibitor)</li> <li>■ <b>AMG 162 (JP)</b> (Denosumab / breast cancer adjuvant / Anti-RANKL antibody)</li> <li>■ <b>DE-766</b> (Nimotuzumab / NSCLC anti-EGFR antibody)</li> <li>■ <b>DE-766</b> (Nimotuzumab / Gastric cancer anti-EGFR antibody)</li> </ul>	
<b>Others</b>	<ul style="list-style-type: none"> <li>■ <b>CS-8958 (US/EU)</b> (Ilaninamivir / anti-influenza / Outlicensing with Biota)</li> <li>■ <b>DS-8587</b> (Anti-bacterial / Topoisomerase inhibitor)</li> <li>■ <b>CS-4771</b> (Anti-sepsis / TLR4 inhibitor)</li> <li>■ <b>PLX5622</b> (Rheumatoid arthritis / FMS kinase inhibitor)</li> <li>■ <b>CS-0777</b> (Immunomodulator / S1P receptor modulator)</li> <li>■ <b>DS-7113</b> (hydromorphone / Narcotic analgesic / opioid mu-receptor regulator)</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>AMG 162 (JP)</b> (Denosumab / rheumatoid arthritis / anti-RANKL anti-body)</li> <li>■ <b>DS-5565 (Global)</b> (Chronic pain / <math>\alpha 2 \delta</math> ligand)</li> <li>■ <b>SUN13837 (US/EU)</b> (Spinal cord injury / Modulator of bFGF signaling system)</li> <li>■ <b>ASB17061 (US)</b> (Atopic Dermatitis / chymase inhibitor)</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>DR-3355 (JP)</b> (levofloxacin / anti-infection / New quinolone)</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>CS-8958 (JP)</b> (Laninamivir / anti-influenza, prophylactic / Neuraminidase inhibitor)</li> </ul>

### 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 excellent results with respect to the study's primary endpoint, which was the incidence of cardiovascular disease, non-fatal myocardial infarction or non-fatal ischemic stroke. The intended objectives for safety was also demonstrated.

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 diScovey) 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 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, it 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.

## **(2) Status of Plant and Equipment Investment**

The Group continuously invests in plants and equipment, aiming to enhance and streamline production facilities as well as strengthen and facilitate research and development. During the fiscal year under review, the Group spent ¥65.1 billion on plants and equipment.

## **(3) Status of Financing**

Not applicable

## **(4) Issues to Be Dealt With**

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 initiatives and results of the earlier six-year period and takes into consideration the expiration of exclusivity for Olmesartan in major markets in 2016–2017.

The Group will work in concert toward achieving the plan targets and raising shareholder value.

## **5-year Business Plan (Fiscal 2013 - 2017)**

### **1) Basic Policies**

#### **a. Sustainable revenue growth with improved profitability**

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.

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

#### **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 pursued 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.

### 3) 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
Net sales	1,300.0 billion yen	997.9 billion yen
Cost of goods	37%	31.4%
SG&A expenses (R&D expenses)	48% (14%)	58.5% (18.3%)
Operating income (/Net sales)	200.0 billion yen (15%)	100.5 billion yen (10.1%)
Net income	110.0 billion yen	66.6 billion yen

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



**(5) Basic Policy on Decision on Dividends from Surplus**

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 like share buy-back.

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.

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

(Millions of yen, unless otherwise stated)

	Fiscal 2009 (5th fiscal period)	Fiscal 2010 (6th fiscal period)	Fiscal 2011 (7th fiscal period)	Fiscal 2012 (Current fiscal year; 8th fiscal period)
Net sales	952,105	967,365	938,677	997,852
Operating income	95,509	122,143	98,202	100,516
Ordinary income	103,114	131,762	76,217	99,147
Net income	41,852	70,121	10,383	66,621
Net income per share (yen)	59.45	99.62	14.75	94.64
Annual dividends per share (yen)	60	60	60	60
Total assets	1,489,510	1,480,240	1,518,479	1,644,071
Net assets	889,508	887,702	832,749	915,745

Note:

Net income per share is calculated based on the average number of shares during the fiscal year.

Treasury stock is deducted from the total number of issued shares when calculating the average number of shares during the fiscal year.

**(7) The Group's Principal Business**

Research and development, manufacturing, marketing, and import and export of pharmaceuticals

**(8) Status of Material Subsidiaries, etc.**

## 1) Status of Material Subsidiaries:

Name of Group Company	Stated Capital (Millions of yen, unless otherwise stated)	Voting Rights Percentage (%)	Principal Business
Daiichi Sankyo Espha Co., Ltd.	450	100.00	Marketing of pharmaceuticals
Daiichi Sankyo Healthcare Co., Ltd.	100	100.00	Development, manufacture and marketing of healthcare (OTC) products
Daiichi Sankyo Propharma Co., Ltd.	100	100.00	Manufacture of pharmaceuticals
Daiichi Sankyo Chemical Pharma Co., Ltd.	50	100.00	Manufacture of pharmaceuticals
Asubio Pharma Co., Ltd.	50	100.00	Research and development of pharmaceuticals
Daiichi Sankyo RD Novare Co., Ltd.	50	100.00	Support for research and development of the Group
Daiichi Sankyo Business Associe Co., Ltd.	50	100.00	Business support for the Group
Kitasato Daiichi Sankyo Vaccine Co., Ltd.	100	51.0	Research and development, manufacture and marketing of vaccines
Daiichi Sankyo U.S. Holdings, Inc.	3.0 US dollars	100.00	A holding company
Daiichi Sankyo, Inc.	0.17 million US dollars	100.00	Research and development and marketing of pharmaceuticals
Plexxikon Inc.	1.0 US dollars	100.00	Research and development of pharmaceuticals
Luitpold Pharmaceuticals, Inc.	0.20 million US dollars	100.00	Development, manufacture and marketing of pharmaceuticals
Daiichi Sankyo Europe GmbH	16 million euro	100.00	Supervision of the Daiichi Sankyo EUROPE Group, and development, manufacture and marketing of pharmaceuticals
Daiichi Sankyo (China) Holdings Co., Ltd.	30 million US dollars	100.00	Development and marketing of pharmaceuticals
Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd.	83 million US dollars	100.00	Development, manufacture and marketing of pharmaceuticals
Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd.	53 million US dollars	100.00	Development, manufacture and marketing of pharmaceuticals
Ranbaxy Laboratories Ltd.	2,114 million Indian Rupee	63.54	Research and development, manufacture and marketing of pharmaceuticals

## 2) Status of Material Alliances, etc.

## a. Licensing-in of technology

Name of Group Company	Other Party	Country	Details of Technology
Daiichi Sankyo Company, Limited	NGM Biopharmaceuticals, Inc.	U.S.A.	Technology related to discovering and developing therapeutics that modulate beta-cell regeneration for the treatment of diabetes
Daiichi Sankyo Company, Limited	Innomab Pte. Ltd.	Singapore	Technology related to “nimotuzumab,” an anti-EGFR antibody
Daiichi Sankyo Company, Limited	Amgen Inc.	U.S.A.	Technology related to “denosumab,” an anti-RANKL antibody
Daiichi Sankyo Company, Limited	ArQule Inc.	U.S.A.	Technology related to “ARQ 197,” an agent for inhibiting malignant tumors
Daiichi Sankyo Company, Limited	Amplimmune, Inc.	U.S.A.	Joint research and development of “AMP-110,” a potential treatment for autoimmune diseases, and exclusive option right for global clinical development and manufacturing of “AMP-110”
Daiichi Sankyo, Inc.	Genzyme Corporation	U.S.A.	Technology related to <i>Welchol</i> <sup>®</sup> , an antihyperlipidemic agent
Luitpold Pharmaceuticals, Inc.	Vifor AG	Switzerland	Technology related to <i>Venofer</i> <sup>®</sup> , a drug for treating anemia

## b. Licensing-out of technology

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

## c. Distribution Agreement and Others

Name of Group Company	Other Party	Country	Details of Agreement
Daiichi Sankyo Company, Limited	Mitsubishi Tanabe Pharma Corporation	Japan	Joint sale in Japan of hypoglycemic agent, “TENELIA®” and “canagliflozin”
Daiichi Sankyo Company, Limited	TERUMO CORPORATION Kitasato Daiichi Sankyo Vaccine Co., Ltd.	Japan	Sale in Japan of vaccine product that is filled with vaccine produced by Kitasato Daiichi Sankyo Vaccine Co., Ltd. in TERUMO’s intradermal injection device
Daiichi Sankyo Company, Limited	AstraZeneca K.K.	Japan	Co-promotion in Japan of <i>RANMARK®</i> , a treatment for bone complications stemming from multiple myeloma and bone metastases from solid tumors
Daiichi Sankyo Company, Limited	AstraZeneca AB	Sweden	Exclusive sale and co-promotion in Japan of <i>Nexium®</i> , a proton pump inhibitor
Daiichi Sankyo Company, Limited	Merz Pharmaceuticals GmbH	Germany	Exclusive sale in Japan of <i>Memary®</i> for the treatment of Alzheimer’s disease
Daiichi Sankyo Company, Limited	Toray Industries, Inc.	Japan	Joint sale in Japan of the natural beta-interferon <i>Feron®</i>
Daiichi Sankyo Company, Limited	GE Healthcare	Norway	Exclusive sale in Japan of the contrast media for MRI <i>Omniscan®</i>
			Exclusive sale in Japan of the contrast media <i>Omnipaque®</i>
Daiichi Sankyo Company, Limited	F. Hoffman-La Roche	Switzerland	Exclusive sale in Japan of the antihypertensive agent <i>Artist®</i>
Daiichi Sankyo Company, Limited	UCB Japan Co., Ltd.	Japan	Exclusive sale in Japan of the antiallergic agent <i>Zyrtec®</i>
Daiichi Sankyo Company, Limited	Zeria Pharmaceutical Co., Ltd.	Japan	Exclusive sale in Japan of drug for acute cardiac failure <i>Hanp®</i>
Daiichi Sankyo Company, Limited	Kissei Pharmaceutical Co., Ltd.	Japan	Joint sale in Japan of the dysuria treatment drug <i>Urief®</i>
Daiichi Sankyo Company, Limited	Sanofi Pasteur Co., Ltd.	Japan	Sale in Japan of <i>ActHib®</i> , a pediatric vaccine for the prevention of infections caused by Haemophilus influenza Type b and development of DTaP/IPV vaccine in Japan
Daiichi Sankyo Europe GmbH	Menarini International Operations Luxembourg S.A.	Italy	Joint sale in Europe of the antihypertensive agent <i>Olmotec®</i>
Luitpold Pharmaceuticals Inc.	Fresenius U.S.A. Manufacturing Inc.	U.S.A.	Exclusive sale in U.S.A. of the anemia treatment, <i>Venofer®</i> for the End Stage Renal Disease (Stage V) patient population

**(9) The Group's Principal Branches, Plants and Laboratories (As of March 31, 2013)****1) In Japan**

Daiichi Sankyo Company, Limited	Headquarters	Chuo-ku, Tokyo
	Branches	Sapporo Branch, Tohoku Branch (Miyagi), Tokyo Branch, Chiba Branch, Saitama Branch, Yokohama Branch, Kitakanto Branch (Tokyo), Koushinetsu Branch (Tokyo), Tokai Branch (Aichi), Kyoto Branch, Hokuriku Branch (Ishikawa), Osaka Branch, Kobe Branch, Chugoku Branch (Hiroshima), Shikoku Branch (Kagawa), and Kyushu Branch (Fukuoka)
	Laboratories	Shinagawa-ku and Edogawa-ku, Tokyo
Daiichi Sankyo Espha Co., Ltd.	Headquarters	Chuo-ku, Tokyo
Daiichi Sankyo Healthcare Co., Ltd.	Headquarters	Chuo-ku, Tokyo
	Branches	Higashi Nihon Branch (Miyagi), Kitakanto Branch, Tokyo Branch, Nagoya Branch, Osaka Branch, Chushikoku Branch (Hiroshima) and Kyushu Branch (Fukuoka)
Daiichi Sankyo Propharma Co., Ltd.	Plants	Akita Plant, Onahama Plant (Fukushima), Tatebayashi Plant (Gunma), Hiratsuka Plant (Kanagawa), Odawara Plant (Kanagawa), and Takatsuki Plant (Osaka)
Daiichi Sankyo Chemical Pharma Co., Ltd.	Plants	Hiratsuka Plant (Kanagawa) and Odawara Plant (Kanagawa)
Daiichi Sankyo Logistics Co., Ltd.	Logistics Centers	Yoshikawa-shi, Saitama and Takatsuki-shi, Osaka
Asubio Pharma Co., Ltd.	Headquarters	Kobe-shi, Hyogo
Daiichi Sankyo RD Novare Co., Ltd.	Headquarters	Edogawa-ku, Tokyo
Daiichi Sankyo Business Associe Co., Ltd.	Headquarters	Chuo-ku, Tokyo
Daiichi Sankyo Happiness Co., Ltd.	Headquarters	Hiratsuka-shi, Kanagawa
Kitasato Daiichi Sankyo Vaccine Co., Ltd.	Headquarters	Kitamoto-shi, Saitama

**2) Overseas**

Daiichi Sankyo, Inc.	Headquarters	Parsippany, NJ, U.S.A.
Luitpold Pharmaceuticals, Inc.	Headquarters	Shirley, NY, U.S.A.
Daiichi Sankyo Europe GmbH	Headquarters	Munich, Germany
Ranbaxy Laboratories Ltd.	Headquarters	Gurgaon, India

**(10) The Group's Status of Employees (As of March 31, 2013)**

Number of Employees	Change from Previous Fiscal Year-End
32,229	300 (increased)

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

**(11) Principal Lenders and the Amount of Loans (As of March 31, 2013)**

Lender	Outstanding amount of loans (Millions of yen)
Syndicated loan	80,000
Mizuho Corporate Bank, Ltd.	12,601
Nippon Life Insurance Company	10,000

Notes: 1. Syndicated loan is jointly financed by Mizuho Corporate Bank, Ltd. and 44 other financial institutions.

2. The loan from Mizuho Corporate Bank, Ltd. is a long-term loan payable taken out by Ranbaxy, the Company's subsidiary.

## 2. Status of Shares and Share Options

### (1) Status of Shares (As of March 31, 2013)

- 1) Total Number of Authorized Shares: 2,800,000,000 shares
- 2) Total Number of Issued Shares: 709,011,343 shares (including 5,063,530 treasury shares)
- 3) Number of Shareholders: 126,309 (114,396 as of March 31, 2012)
- 4) Major Shareholders (Top 10):

Name of Shareholders	Number of Shares Held (thousand shares)	Equity Stake (%)
The Master Trust Bank of Japan, Ltd. (trust account)	45,283	6.43
Japan Trustee Services Bank, Ltd. (trust account)	38,342	5.45
Nippon Life Insurance Company	37,659	5.35
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	17,444	2.48
JP Morgan Chase Bank 385147	13,910	1.98
Sumitomo Mitsui Banking Corporation	13,413	1.91
Employee stock ownership of Daiichi Sankyo Group	10,615	1.51
Mizuho Corporate Bank, Ltd.	8,591	1.22
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Corporate Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	8,497	1.21
Tokio Marine & Nichido Fire Insurance Co., Ltd.	8,395	1.19

Note: Treasury stock (5,063,530 shares) is not included in the computing of equity stake.

### <<Composition Ratios by Shareholder Category>>

Attribute of shareholders	Equity Stake	
	As of March 31, 2013	As of March 31, 2012
National government and local governments	0.00%	0.00%
Financial institution	40.58%	43.00%
Financial instrument firms	3.43%	4.29%
Other corporations	6.45%	6.44%
Foreign institutions and individuals	28.73%	27.52%
Individual investors and others	20.09%	18.03%
Treasury stock	0.71%	0.72%

**(2) Status of Share Options**

- 1) Status of Share Options owned by Directors and Members of the Audit & Supervisory Board of the Company Granted as Remuneration for Their Execution of Duties as of the End of the Fiscal Year

	No. 1 Share Options (Issued on February 15, 2008)	No. 2 Share Options (Issued on November 17, 2008)
Date of resolution on issuance	January 31, 2008	October 31, 2008
Grantees and number of grantees	Six Directors of the Company (excluding Outside Directors)	Six Directors of the Company (excluding Outside Directors)
Number of share options	301 units	491 units
Class and number of shares subject to share options	30,100 shares of the common stock of the Company (100 shares per share option)	49,100 shares of the common stock of the Company (100 shares per share option)
Amount to be paid in for share options	252,800 yen per share option, see Note 1	134,200 yen per share option, see Note 1
Value of property contributed upon exercise of share options	100 yen per share option	100 yen per share option
Amount of stated capital to be increased when shares are issued upon exercise of share options	1,265 yen per share	672 yen per share
Exercisable period for share options	From February 16, 2008 to February 15, 2038	From November 18, 2008 to November 17, 2038
Conditions for exercise of share options	Note 2	Note 2
Events and conditions for acquisition of share options	Note 3	Note 3
	No. 3 Share Options (Issued on August 17, 2009)	No. 4 Share Options (Issued on August 19, 2010)
Date of resolution on issuance	July 31, 2009	July 30, 2010
Grantees and number of grantees	Six Directors of the Company (excluding Outside Directors)	Six Directors of the Company (excluding Outside Directors)
Number of share options	782 units	973 units
Class and number of shares subject to share options	78,200 shares of the common stock of the Company (100 shares per share option)	97,300 shares of the common stock of the Company (100 shares per share option)
Amount to be paid in for share options	133,800 yen per share option, see Note 1	119,700 yen per share option, see Note 1
Value of property contributed upon exercise of share options	100 yen per share option	100 yen per share option
Amount of stated capital to be increased when shares are issued upon exercise of share options	670 yen per share	599 yen per share
Exercisable period for share options	From August 18, 2009 to August 17, 2039	From August 20, 2010 to August 19, 2040
Conditions for exercise of share options	Note 2	Note 2
Events and conditions for acquisition of share options	Note 3	Note 3

	No.5 Share Options (Issued on July 12, 2011)	No.6 Share Options (Issued on July 9, 2012)
Date of resolution on issuance	June 27, 2011	June 22, 2012
Grantees and number of grantees	Six Directors of the Company (excluding Outside Directors)	Six Directors of the Company (excluding Outside Directors)
Number of share options	1,102 units	1,456 units
Class and number of shares subject to share options	110,200 shares of the common stock of the Company (100 shares per share option)	145,600 shares of the common stock of the Company (100 shares per share option)
Amount to be paid in for share options	111,200 yen per share option, see Note 1	88,400 yen per share option, see Note 1
Value of property contributed upon exercise of share options	100 yen per share option	100 yen per share option
Amount of stated capital to be increased when shares are issued upon exercise of share options	557 yen per share	443 yen per share
Exercisable period for share options	From July 13, 2011 to July 12, 2041	From July 10, 2012 to July 9, 2042
Conditions for exercise of share options	Note 2	Note 2
Events and conditions for acquisition of share options	Note 3	Note 3

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



- b. When an absorption-type merger agreement, under which the Company is absorbed and disappears, is approved at a general meeting of shareholders of the Company (a meeting of the Board of Directors if a resolution of a general meeting of shareholders is not required), or when a proposal on approval of a share exchange agreement, under which the Company will become a wholly-owned subsidiary company in the share exchange, or a proposal on approval for a share transfer plan, under which the Company will become a wholly-owned subsidiary company in the share transfer, is approved at a general meeting of shareholders of the Company (a meeting of the Board of Directors if a resolution of a general meeting of shareholders is not required), the Company may acquire, free of charge, the share options held by the holders of share options on the day separately determined by the Board of Directors.
- c. When holders of share options offer in writing to abandon all or part of their share options, the Company may acquire, free of charge, the said share options held by those holders of share options on the day separately determined by the Board of Directors.

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

	No. 6 Share Options (Issued on July 9, 2012)
Date of resolution on issuance	June 22, 2012
Grantees and number of grantees	19 Corporate Officers of the Company (excluding those who concurrently serve as Directors)
Number of share options	1,498 units
Class and number of shares subject to share options	149,800 shares of the common stock of the Company (100 shares per share option)
Amount to be paid in for share options	88,400 yen per share option, see Note 1
Value of property contributed upon exercise of share options	100 yen per share option
Amount of stated capital to be increased when shares are issued upon exercise of share options	443 yen per share
Exercisable period for share options	From July 10, 2012 to July 9, 2042
Conditions for exercise of share options	Note 2
Events and conditions for acquisition of share options	Note 3

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

### 3. Matters related to the Company's Directors and Members of the Audit & Supervisory Board

#### (1) Status of the Company's Directors and Members of the Audit & Supervisory Board

##### 1) Directors and Members of the Audit & Supervisory Board (As of March 31, 2013)

Name	Position and Assignments, etc.	Material Concurrent Positions	Relationship of companies where they have material concurrent positions, and the Company
Takashi Shoda	Representative Director and Chairman	Non-Executive Director of Ranbaxy Laboratories Ltd.	Consolidated subsidiary
Joji Nakayama	Representative Director and President & CEO		
Tsutomu Une	Director	Non-Executive Director and Director-Chairman of the Board of Ranbaxy Laboratories Ltd.	Consolidated subsidiary
Takeshi Ogita	Director, Senior Executive Officer General Affairs and Human Resources Officer and Head of Vaccine Business Intelligence Division of Japan Company		
Kazunori Hirokawa	Director, Senior Executive Officer Head of Strategy Division	Non-Executive Director of Ranbaxy Laboratories Ltd.	Consolidated subsidiary
Yuki Sato	Director, Senior Executive Officer Head of Supply Chain Division		
Hiroshi Hirabayashi	Outside Director	President of The Japan-India Association	No material relationship
		Vice President of The Japan Forum on International Relations, Inc.	
		Outside Director of Mitsui & Co., Ltd.	
		Outside Director of NHK Promotions Inc.	
Kunio Ishihara	Outside Director	Chairman of the Board of Tokio Marine Holdings, Inc. Chairman of the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd. Outside Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd. Outside Auditor of Tokyu Corporation Vice Chairman & Director of Keidanren (Japan Business Federation)	Mr. Kunio Ishihara is Chairman of the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd. that has a business relationship of non-life insurance and PL insurance with the Company. Insurance transactions between Tokio Marine & Nichido Fire and the Company are not monopolistic and are considered to be generally accepted fair and proper business transactions. Therefore, the Company recognizes that Mr. Ishihara has no special interest in the Company's management. In addition, he has no material relationship with the Company in his other concurrent posts.

Name	Position and Assignments, etc.	Material Concurrent Positions	Relationship of companies where they have material concurrent positions, and the Company
Ichiro Kanazawa	Outside Director	Dean of Graduate School of International University of Health and Welfare	Mr. Ichiro Kanazawa is Director of the Graduate School of the International University of Health and Welfare. The Company has paid a donation to promote research at the International University of Health and Welfare and its affiliated hospitals. The amount of the donation is small.
Seiji Sugiyama	Outside Director	Vice Chairman of The Tokyo Chamber of Commerce and Industry Special Advisor of The Japan Chamber of Commerce and Industry Outside Member of the Audit & Supervisory Board of JFE Holdings, Inc. Outside Member of the Audit & Supervisory Board of Gunze Limited	Mr. Seiji Sugiyama was President & CEO of Mizuho Bank, Ltd. The Company has taken out a loan with Mizuho Corporate Bank, Ltd., a group company of Mizuho Bank. The deposit and loan transactions between Mizuho Corporate Bank and the Company are not monopolistic and are considered to be generally accepted fair and proper business transactions. Therefore, the Company recognizes that Mr. Sugiyama has no special interest in the Company's management. In addition, he has no material relationship with the Company in his other present concurrent posts.
Kazuo Koike	Standing Member of the Audit & Supervisory Board		
Takashi Chiba	Standing Member of the Audit & Supervisory Board		
Akio Yamada	Outside Member of the Audit & Supervisory Board	Senior Advisor of Jones Day	No material relationship
		Advisor of YANASE & Co., Ltd.	
Shigeaki Ishikawa	Outside Member of the Audit & Supervisory Board	Lawyer of HOMMA & PARTNERS	No material relationship
		Outside Director of Marubeni Corporation	

## Notes:

- In the above, Outside Director means an outside director prescribed by Article 2, Item 15 of the Companies Act of Japan ("the Companies Act") and Outside Member of the Audit & Supervisory Board means outside member of the audit & supervisory board prescribed by Article 2, Item 16 of the Companies Act.
- The Company has designated all Outside Directors (Outside Directors: Hiroshi Hirabayashi, Kunio Ishihara, Ichiro Kanazawa and Seiji Sugiyama) and Outside Members of the Audit & Supervisory Board (Akio Yamada and Shigeaki Ishikawa) as Independent Directors and filed them with the Tokyo Stock Exchange, etc. accordingly.

2) Directors and Members of the Audit & Supervisory Board Who Retired or Were Removed During the Fiscal Year

None

Outside Director Takashi Okimoto and Yuichiro Anzai retired following the end of their tenure of office at the conclusion of the Ordinary General Meeting of Shareholders on June 22, 2012.

3) The Amount of Remuneration and Related Payments to Directors and Members of the Audit & Supervisory Board

- Remuneration to Directors is set in place so as to help maximize shareholders' value. In specific terms, the Company grants a performance bonus as a short-term incentive and share remuneration-type stock option remuneration as a long-term incentive in addition to the fixed remuneration of basic remuneration.
- In order to ensure that Outside Directors and Members of the Audit & Supervisory Board have a sufficient supervisory function over the management, the Company pays only basic remuneration without a short- or long-term incentive.
- The following is the amount of remuneration and related payments to Directors and Members of the Audit & Supervisory Board for the fiscal year ended March 31, 2013.

Classification	Directors		Members of the Audit & Supervisory Board		Total	
	Payment recipients	Amount paid	Payment recipients	Amount paid	Payment recipients	Amount paid
	Number of persons	Millions of yen	Number of persons	Millions of yen	Number of persons	Millions of yen
Fees (annual amount) (Of which Outside Directors and Outside Members of the Audit & Supervisory Board)	12 (6)	426 (60)	4 (2)	105 (30)	16 (8)	531 (90)
Directors' bonuses (Excluding Outside Directors and Members of the Audit & Supervisory Board)	6	115	-	-	6	115
Share remuneration-type stock option remuneration (Excluding Outside Directors and Members of the Audit & Supervisory Board)	6	129	-	-	6	129
Total (Of which Outside Directors and Outside Members of the Audit & Supervisory Board)	12 (6)	669 (60)	4 (2)	105 (30)	16 (8)	774 (90)

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

2. "Payment recipients" and "Amount paid" of "Remuneration (annual amount)," each "Total" of "Remuneration" and each "Total" of "Directors" and each "Total" of "Total" for Directors include those of the two Directors who retired upon expiration of their term at the conclusion of the 7th Ordinary General Meeting of Shareholders held on June 22, 2012.

3. The total amount of remuneration paid to Directors is ¥450 million or less per fiscal year, and the total amount of remuneration to Members of the Audit & Supervisory Board is ¥120 million or less per fiscal year (excluding the portion of salaries for Directors concurrently working as employees), which were approved at the 151st Ordinary General Meeting of Shareholders of (former) Sankyo Company, Limited and the 127th Ordinary General Meeting of Shareholders of (former) Daiichi Pharmaceutical Co., Ltd., held on June 29, 2005, concerning the establishment of a holding company through a Share Transfer.

4. "Director's bonuses" are estimated amounts to be paid in addition to the amounts shown in the "Remuneration (annual amount)" columns if the proposed "Provisions of Bonuses to Directors" is approved at the 8th Ordinary General Meeting of Shareholders of the Company.

5. The above-mentioned share remuneration-type stock option remunerations, which are separated from the above-mentioned "Remuneration (annual amount)," indicate the amount equivalent to compensation for the execution of duties during the current fiscal year, included in the monetary remunerations paid to offset the payment obligations of the payment amount of the share remuneration-type stock options

(Share Options), which were granted on July 9, 2012. These share remuneration-type stock options were approved subject to its maximum total amount of fees ¥140 million per fiscal year at the 2nd Ordinary General Meeting of Shareholders of the Company held on June 28, 2007, which are separated from the above resolutions regarding the total amount of fees as described in the above 3.

**(2) Status of Outside Directors and Outside Members of the Audit & Supervisory Board**

1) Relationship of Companies Where They Have Material Concurrent Positions, and the Company (As of March 31, 2013)

Relationship of companies where they have material concurrent positions, and the Company, is as described in (1) Status of the Company's Directors and Members of the Audit & Supervisory Board, 1) Directors and Members of the Audit & Supervisory Board.

2) Major Activities During the Fiscal Year

Name	Position	Major activities
Hiroshi Hirabayashi	Outside Director	Attended 13 of the 13 Board of Directors Meetings held during the fiscal year under review, and spoke as needed based on his expertise and insight, developed through his global experience as a diplomat.
Kunio Ishihara	Outside Director	Attended 12 of the 13 Board of Directors Meetings held during the fiscal year under review, and spoke as needed based on his expertise in risk management, developed through his extensive experience at a nonlife insurance company, and provided insight based on his management experience.
Ichiro Kanazawa	Outside Director	Attended 10 of the 10 Board of Directors Meetings that were held after his assumption of office on June 22, 2012, and spoke as needed based on his expertise and insight as a doctor.
Seiji Sugiyama	Outside Director	Attended 10 of the 10 Board of Directors Meetings that were held after his assumption of office on June 22, 2012, and spoke as needed based on knowledge and insight concerning corporate management, developed through his extensive banking experience.
Akio Yamada	Outside Member of the Audit & Supervisory Board	Attended 13 of the 13 Board of Directors Meetings and 14 of the 14 meetings of the Audit & Supervisory Board held during the fiscal year under review, and spoke as needed based on his expertise and insight, developed through his extensive experience at administrative agencies.
Shigeaki Ishikawa	Outside Member of the Audit & Supervisory Board	Attended 12 of the 13 Board of Directors Meetings and 14 of the 14 meetings of the Audit & Supervisory Board held during the fiscal year under review, and spoke as needed based on his expertise and insight, developed through his extensive experience at administrative agencies.

3) Outline of the Terms of Liability Limitation Agreement

The Company has concluded an agreement for limitation of liability for damages (liability limitation agreement) with Outside Directors Hiroshi Hirabayashi, Kunio Ishihara, Ichiro Kanazawa and Seiji Sugiyama and Outside Members of the Audit & Supervisory Board Akio Yamada and Shigeaki Ishikawa, respectively, concerning the liability for damages under Article 423, Paragraph 1 of the Companies Act, for cases falling under the requirements specified in laws and regulations. The maximum on the amount of liability under the said agreement is the minimum liability amount as provided in laws and ordinances.

**4. Status of Accounting Auditors**

(1) Name of Accounting Auditors (Independent Auditors)

KPMG AZSA LLC

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

	Amount of fees
Amount of fees and others to Accounting Auditors concerning the current fiscal year	¥192 million
Total amount of money and other financial benefits that the Company and its subsidiaries should pay to Accounting Auditors	¥320 million

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

(3) Details of Non-Auditing Services

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

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

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

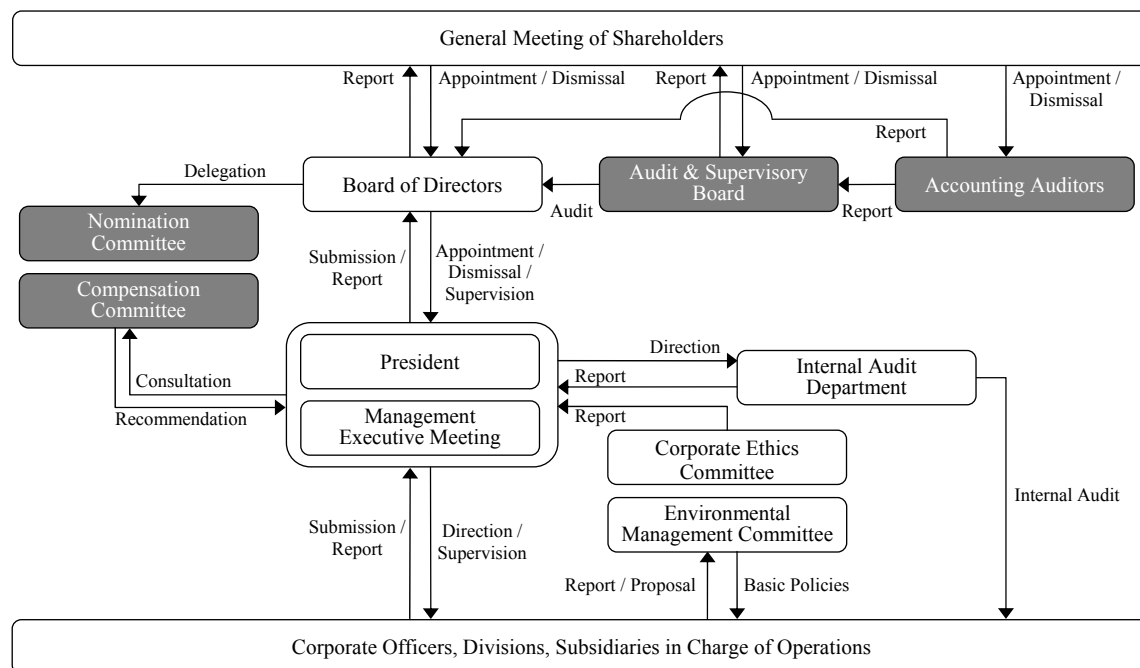
**5. Systems and policies**

**(1) Systems and Policies on Corporate Governance**

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

The corporate governance structure is as follows:

<Overview of the corporate governance structure>



#### 1) Corporate Governance System

- a. To clarify Directors' management responsibility and reinforce their oversight of management and the conduct of operations, their terms of office are set at one year, and four of our ten Directors are brought in as Outside Directors.
- b. To ensure management transparency, the nomination of candidate for and compensation of Directors and Corporate Officers are deliberated by a Nomination Committee and a Compensation Committee. To secure further rightfulness, Outside Directors are in majority in these committees.
- c. For audit of legal compliance and sound management, the Company has adopted a Audit & Supervisory Board system and established the Audit & Supervisory Board comprising four Members of the Audit & Supervisory Board, including two Outside Members of the Audit & Supervisory Board.
- d. The Company employs a Corporate Officer System under the supervision of the Board of Directors, which contributes to appropriate and swift management decision-making and the conduct of operations.

2) Basic Policy on Establishing Internal Control Structure

Concerning systems for ensuring compliance with laws and regulations and the Company's articles of incorporation in the execution of duties by Directors and other systems for securing appropriateness of duties, the Company has resolved the basic policies at the Board of Directors' Meeting held on April 26, 2013, as follows.

- a. Systems for Ensuring Compliance with Laws and Regulations and the Company's Articles of Incorporation in the Execution of Duties by Directors
  - The Company shall establish a compliance system by stipulating the Daiichi Sankyo Group Corporate Conduct Charter, Daiichi Sankyo Code of Conduct for Compliance, etc. as the code of conduct for Directors and employees and setting up a meeting body, including outside experts.
  - The Company shall appoint Outside Directors for the strengthening and enhancement of the function to supervise management.
  - Members of the Audit & Supervisory Board shall audit the execution of duties by Directors, legality and appropriateness of decision making and the status of the establishment of internal control systems.
- b. Systems Regarding the Retention and Management of Information Relating to the Execution of Duties by Directors
  - The Company shall establish information security systems, and properly store and manage information relating to the execution of duties by Directors, including the minutes of the Board of Directors, in accordance with laws and internal regulations of the Company.
- c. Rules and Other Systems for Risk Management
  - The Company shall stipulate various internal regulations to establish risk management systems.
  - The Internal Audit Department shall audit the status of operation of the systems mentioned above.
- d. Systems for Ensuring the Efficient Execution of Duties by Directors
  - The Company shall form a Management Executive Meeting - consisting of Directors, excluding Outside Directors, and executives appointed by the President who are responsible for main regions, corporate bodies and functions - which shall deliberate important matters for strategic decision-making by the President. The Company shall also set up an approval system as a means of decision-making.
  - The Company shall introduce a corporate officer system in consideration of speedy decision making and execution of duties.



- e. Systems for Ensuring Compliance with Laws and Regulations and the Company's Articles of Incorporation in the Execution of Duties by Employees
  - The Company shall establish a compliance system by stipulating Daiichi Sankyo Group Corporate Conduct Charter, Daiichi Sankyo Code of Conduct for Compliance , etc. as the code of conduct for Directors and employees and setting up a meeting body, including outside experts.
  - General managers and executives responsible for the main regions, corporate bodies and functions who receive orders from the President shall manage duties in their charge and supervise, manage and direct members of their business units in accordance with the "Global Management Regulations", the "Organizational Management Regulations" and other Company rules.
  - Each of the functions related to the improvement of systems concerning personnel management, risk management, etc. shall convey policies to, manage and guide each department.
  - The Internal Audit Department shall implement internal audit of the status of compliance with laws and regulations, the Articles of Incorporation and internal regulations.
- f. Systems for Ensuring the Proper Operation of the Group, Consisting of the Company and Its Subsidiaries
  - The Company shall establish "Global Management Regulations" and "Group Company Management Regulations" to clarify the management control system of the Group, and operate systems such as compliance, risk management and personnel systems.
  - The Company shall transmit management policies, etc. to Group companies and manage them.
  - The Company shall establish "Internal Control System Establishment Regulations" and ensure the reliability of financial reporting by properly implementing those regulations.
  - The Company shall establish "Internal Audit Regulations" and implement internal audit on Group companies.
- g. Systems Regarding Employees Assisting Duties of Members of the Audit & Supervisory Board, when Members of the Audit & Supervisory Board Ask to Appoint Such Employees
  - The Company shall appoint full-time staffers who assist duties of Members of the Audit & Supervisory Board.
- h. Matters Regarding the Independence of the Employees Specified in the Preceding Paragraph (g) from Directors
  - Full-time staffers assisting Members of the Audit & Supervisory Board shall be independent of Directors, and shall execute duties under the directions and orders from Members of the Audit & Supervisory Board.
  - Personnel changes, performance appraisal, etc. of full-time staffers assisting Members of the Audit & Supervisory Board shall require prior consent of the Audit & Supervisory Board.
- i. Systems of Reporting to Members of the Audit & Supervisory Board by Directors and Employees and Other Systems Regarding Reporting to Members of the Audit & Supervisory Board
  - Directors shall establish a system, under which when they find facts that could badly hurt the Company, they shall immediately report the facts to Members of the Audit & Supervisory Board.
  - When an audit is carried out by Members of the Audit & Supervisory Board under the annual audit plan, Members of the Audit & Supervisory Board shall receive reports on the status of execution of duties from executives such as Directors, general managers, and head of subsidiaries.
  - Members of the Audit & Supervisory Board shall attend the Management Executive Meeting and other important meetings.
  - To verify the legality and appropriateness of the details of approvals, the Company shall

send approval documents to Members of the Audit & Supervisory Board consistently.

- j. Other Systems for Ensuring the Effective Audit by Members of the Audit & Supervisory Board
  - Members of the Audit & Supervisory Board shall have meetings with Representative Director on a regular basis to check management policies and exchange views concerning important issues related to auditing.
  - Members of the Audit & Supervisory Board shall exchange information with Members of the Audit & Supervisory Board of the Group and closely cooperate with them.
  - Members of the Audit & Supervisory Board shall coordinate and exchange views with external auditors and the Internal Audit Department.
- k. Basic Ideas About and Systems for Eliminating Antisocial Forces
  - The Company shall take a firm stance toward antisocial forces and organizations that threaten the order and safety of civil society. To prevent antisocial forces and organizations from being involved in the Company's management activities and to stop such forces and organizations from harming the Company, the Company shall stipulate, as its basic policy, in the Daiichi Sankyo Group Corporate Conduct Charter and the Daiichi Sankyo Code of Conduct for Compliance that it shall thoroughly forbid relations with antisocial forces and organizations. In addition, the Company shall establish an organizational structure to that end, and strive to eliminate relations with antisocial forces and organizations through methods such as collecting information in cooperation with the police and other bodies, and conducting activities to train Directors and other Officers, and employees.

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

The Company believes that it is the shareholders to decide whether or not to respond to any moves toward large-scale acquisition of Company stock. The Company does not deny the potentially significant impact that transfers of management control may have in terms of stimulating business enterprise. In line with this belief, 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 inflate the share price and sell the share for the inflated price) or that would otherwise be deemed detrimental to the value of the Company or the common interests of shareholders. Accordingly, the Company will continue monitoring closely share transactions and changes in shareholders. In the event any moves toward large-scale acquisition of Company stock are noticed, the Company would evaluate any takeover proposal with outside experts and determine carefully the impact of such on the value of the Company and the common interests of shareholders. If any proposal were deemed detrimental to such value or interests, the Company would institute appropriate anti-takeover measures depending on individual cases.

**Consolidated Balance Sheet**  
(As of March 31, 2013)

(Millions of yen)

Item	7th Fiscal Period (for reference)	8th Fiscal Period
<b>[ASSETS]</b>	<b>1,518,479</b>	<b>1,644,071</b>
<b>I. Current assets</b>	<b>861,530</b>	<b>943,643</b>
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)
<b>II. Non-current assets</b>	<b>656,949</b>	<b>700,428</b>
<b>Property, plant and equipment</b>	<b>261,242</b>	<b>303,434</b>
Buildings and structures	129,330	138,274
Machinery, equipment and vehicles	48,051	63,483
Land	35,688	35,789
Construction in progress	33,660	47,865
Other	14,512	18,021
<b>Intangible assets</b>	<b>233,288</b>	<b>223,455</b>
Goodwill, net	82,742	73,543
Other intangible assets, net	150,546	149,912
<b>Investments and other assets</b>	<b>162,417</b>	<b>173,537</b>
Investment securities	104,560	129,186
Deferred tax assets	43,186	32,547
Other assets	14,978	12,140
Allowance for doubtful accounts	(307)	(337)
<b>Total assets</b>	<b>1,518,479</b>	<b>1,644,071</b>

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

(Millions of yen)

Item	7th Fiscal Period (for reference)	8th Fiscal Period
<b>[LIABILITIES]</b>	<b>685,729</b>	<b>728,326</b>
<b>I. Current liabilities</b>	<b>394,965</b>	<b>436,111</b>
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
<b>II. Non-current liabilities</b>	<b>290,764</b>	<b>292,214</b>
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 non-current liabilities	23,191	32,091
<b>[NET ASSETS]</b>	<b>832,749</b>	<b>915,745</b>
<b>I. Shareholders' equity</b>	<b>883,045</b>	<b>907,474</b>
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)
<b>II. Accumulated other comprehensive income</b>	<b>(78,104)</b>	<b>(24,825)</b>
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)
<b>III. Subscription rights to shares</b>	<b>3,495</b>	<b>4,085</b>
<b>IV. Minority Interests</b>	<b>24,312</b>	<b>29,010</b>
<b>Total liabilities and net assets</b>	<b>1,518,479</b>	<b>1,644,071</b>

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

**Consolidated Statement of Income**  
(From April 1, 2012 to March 31, 2013)

(Millions of yen)

Item	7th Fiscal Period (for reference)	8th Fiscal Period
<b>Net sales</b>	<b>938,677</b>	<b>997,852</b>
<b>Cost of sales</b>	<b>268,609</b>	<b>313,657</b>
<b>Gross profit</b>	<b>670,067</b>	<b>684,195</b>
<b>Selling, general and administrative expenses</b>	<b>571,865</b>	<b>583,678</b>
<b>Operating income</b>	<b>98,202</b>	<b>100,516</b>
<b>Non-operating income</b>	<b>10,005</b>	<b>17,581</b>
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
<b>Non-operating expenses</b>	<b>31,990</b>	<b>18,950</b>
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
<b>Ordinary income</b>	<b>76,217</b>	<b>99,147</b>
<b>Extraordinary income</b>	<b>14,792</b>	<b>12,132</b>
Gain on sales of non-current assets	7,654	5,620
Gain on sales of investment securities	4,497	6,411
Gain on change in equity	93	100
Reversal of provision for loss on disaster	1,707	–
Other income	840	–
<b>Extraordinary losses</b>	<b>57,094</b>	<b>19,184</b>
Loss on disposal of non-current assets	2,278	3,540
Loss on impairment of long-lived assets	7,717	9,460
Loss on product recall	–	2,789
Loss on business restructuring	1,279	1,303
Loss on sales of investment securities	–	661
Provision for settlement expenses	39,920	461
Provision for environmental measures	1,246	398
Loss on abandonment of inventories	1,677	104
Environmental expenses	256	83
Loss on valuation of investment securities	198	35
Loss on disaster	2,367	–
Other losses	152	345
<b>Income before income taxes and minority interests</b>	<b>33,915</b>	<b>92,095</b>
Income tax – current	28,861	38,816
Income tax – deferred	10,896	(14,916)
<b>Income (loss) before minority interests</b>	<b>(5,842)</b>	<b>68,195</b>
Minority interests in net income (loss) of consolidated subsidiaries	(16,225)	1,573
<b>Net income</b>	<b>10,383</b>	<b>66,621</b>

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

**Consolidated Statement of Changes in Net Assets**  
**(From April 1, 2012 to March 31, 2013)**

(Millions of yen)

Item	Amount
Shareholders' equity	
Common stock	
Balance at the beginning of current period	50,000
Changes of items during the period	—
Balance at the end of current period	50,000
Capital surplus	
Balance at the beginning of current period	105,194
Changes of items during the period	—
Balance at the end of current period	105,194
Retained earnings	
Balance at the beginning of current period	742,409
Changes of items during the period	
Dividends from surplus	(42,235)
Net income	66,621
Disposal of treasury stock	(54)
Total changes of items during the period	24,331
Balance at the end of current period	766,740
Treasury stock, at cost	
Balance at the beginning of current period	(14,558)
Changes of items during the period	
Purchase of treasury stock	(12)
Disposal of treasury stock	109
Total changes of items during the period	97
Balance at the end of current period	(14,460)
Total shareholders' equity	
Balance at the beginning of current period	883,045
Changes of items during the period	
Dividends from surplus	(42,235)
Net income	66,621
Purchase of treasury stock	(12)
Disposal of treasury stock	55
Total changes of items during the period	24,428
Balance at the end of current period	907,474
Accumulated other comprehensive income	
Net unrealized gain or loss on investment securities	
Balance at the beginning of current period	22,308
Changes of items during the period	
Net changes of items other than shareholders' equity	11,903
Total changes of items during the period	11,903
Balance at the end of current period	34,211

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

(Millions of yen)

Item	Amount
Deferred gains or losses on hedges	
Balance at the beginning of current period	198
Changes of items during the period	
Net changes of items other than shareholders' equity	739
Total changes of items during the period	739
Balance at the end of current period	937
Foreign currency translation adjustments	
Balance at the beginning of current period	(100,611)
Changes of items during the period	
Net changes of items other than shareholders' equity	40,637
Total changes of items during the period	40,637
Balance at the end of current period	(59,974)
Total accumulated other comprehensive income	
Balance at the beginning of current period	(78,104)
Changes of items during the period	
Net changes of items other than shareholders' equity	53,279
Total changes of items during the period	53,279
Balance at the end of current period	(24,825)
Subscription rights to shares	
Balance at the beginning of current period	3,495
Changes of items during the period	
Net changes of items other than shareholders' equity	589
Total changes of items during the period	589
Balance at the end of current period	4,085
Minority interests	
Balance at the beginning of current period	24,312
Changes of items during the period	
Net changes of items other than shareholders' equity	4,697
Total changes of items during the period	4,697
Balance at the end of current period	29,010
Total net assets	
Balance at the beginning of current period	832,749
Changes of items during the period	
Dividends from surplus	(42,235)
Net income	66,621
Purchase of treasury stock	(12)
Disposal of treasury stock	55
Net changes of items other than shareholders' equity	58,567
Total changes of items during the period	82,995
Balance at the end of current period	915,745

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



**Non-Consolidated Balance Sheet**  
(As of March 31, 2013)

(Millions of yen)

Item	7th Fiscal Period (for reference)	8th Fiscal Period
<b>[ASSETS]</b>	<b>1,163,960</b>	<b>1,174,292</b>
<b>I. Current assets</b>	<b>493,821</b>	<b>485,925</b>
Cash and time deposits	11,694	11,624
Trade notes receivable	291	388
Accounts receivable	159,867	175,954
Securities	147,541	132,976
Merchandise and finished goods	46,912	46,156
Raw materials	12,080	11,807
Prepaid expenses	771	1,675
Deferred tax assets	78,933	85,950
Other receivables	31,677	9,210
Short-term loans	1,080	5,775
Other current assets	2,972	4,407
<b>II. Non-current assets</b>	<b>670,139</b>	<b>688,366</b>
<b>Property, plant and equipment</b>	<b>103,212</b>	<b>106,641</b>
Buildings and structures	66,516	71,868
Machinery and equipment	1,973	1,920
Vehicles, tools, furniture and fixtures	6,639	8,393
Land	22,322	21,565
Lease assets	40	48
Construction in progress	5,720	2,843
<b>Intangible assets</b>	<b>13,093</b>	<b>14,923</b>
Patent right	6,610	5,217
Software	248	528
Other	6,234	9,177
<b>Investments and other assets</b>	<b>553,832</b>	<b>566,801</b>
Investment securities	98,936	114,971
Stocks of subsidiaries and affiliates	326,786	329,753
Investments in capital of subsidiaries and affiliates	106,479	106,479
Long-term loans	6,710	7,952
Deferred tax assets	10,246	2,843
Other assets	4,972	4,987
Allowance for doubtful accounts	(299)	(186)
<b>Total assets</b>	<b>1,163,960</b>	<b>1,174,292</b>

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

(Millions of yen)

Item	7th Fiscal Period (for reference)	8th Fiscal Period
<b>[LIABILITIES]</b>	<b>385,419</b>	<b>370,717</b>
<b>I. Current liabilities</b>	<b>180,000</b>	<b>184,130</b>
Accounts payable – trade	27,637	32,883
Short-term loans payable	20,000	20,000
Lease obligations	21	31
Accounts payable	44,281	43,274
Accrued expenses	35,528	27,650
Income taxes payable	419	17,364
Consumption taxes payable	568	2,952
Deposit received	50,312	37,098
Unearned revenue	772	1,060
Allowance for sales returns	119	137
Allowance for sales rebates	323	330
Provision for loss on disaster	12	–
Provision for environmental measures	–	1,344
Other current liabilities	4	2
<b>II. Non-current liabilities</b>	<b>205,418</b>	<b>186,587</b>
Bonds payable	100,000	100,000
Long-term loans payable	90,000	70,000
Lease obligations	20	19
Long-term accounts payable	7,427	8,168
Accrued employees' severance and retirement benefits	1,270	3,353
Provision for environmental measures	1,246	–
Other non-current liabilities	5,454	5,045
<b>[NET ASSETS]</b>	<b>778,541</b>	<b>803,574</b>
<b>I. Shareholders' equity</b>	<b>755,011</b>	<b>768,659</b>
<b>Common stock</b>	<b>50,000</b>	<b>50,000</b>
<b>Capital surplus</b>	<b>664,013</b>	<b>663,959</b>
Legal capital surplus	179,858	179,858
Other capital surplus	484,155	484,100
<b>Retained earnings</b>	<b>55,555</b>	<b>69,161</b>
Other retained earnings	55,555	69,161
Reserve for reduction entries for non-current assets	4,083	4,908
Retained earnings carried forward	51,472	64,253
<b>Treasury stock, at cost</b>	<b>(14,558)</b>	<b>(14,460)</b>
<b>II. Valuation and translation adjustments</b>	<b>22,231</b>	<b>33,410</b>
Net unrealized gain or loss on investment securities	22,231	33,410
<b>III. Subscription rights to shares</b>	<b>1,297</b>	<b>1,504</b>
<b>Total liabilities and net assets</b>	<b>1,163,960</b>	<b>1,174,292</b>

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

**Non-Consolidated Statement of Income**  
(From April 1, 2012 to March 31, 2013)

(Millions of yen)

Item	7th Fiscal Period (for reference)	8th Fiscal Period
<b>Net sales</b>	<b>516,414</b>	<b>549,934</b>
<b>Cost of sales</b>	<b>143,393</b>	<b>171,796</b>
<b>Reversal of allowance for sales returns</b>	<b>168</b>	<b>–</b>
<b>Provision for allowance for sales returns</b>	<b>–</b>	<b>17</b>
<b>Gross profit</b>	<b>373,188</b>	<b>378,119</b>
<b>Selling, general and administrative expenses</b>	<b>343,732</b>	<b>341,369</b>
<b>Operating income</b>	<b>29,455</b>	<b>36,750</b>
<b>Non-operating income</b>	<b>41,390</b>	<b>30,344</b>
Interest income	50	104
Interest on investment securities	191	160
Dividend income	35,126	23,954
Rent income	4,536	4,609
Foreign exchange gains	1,074	–
Other income	412	1,515
<b>Non-operating expenses</b>	<b>4,801</b>	<b>5,345</b>
Interest expense	573	511
Interest on bonds	1,357	1,357
Provision of allowance for doubtful accounts	22	1
Foreign exchange losses	–	932
Cost of lease revenue	1,397	1,592
Depreciation of inactive non-current assets	392	315
Other expenses	1,058	635
<b>Ordinary income</b>	<b>66,044</b>	<b>61,748</b>
<b>Extraordinary income</b>	<b>11,908</b>	<b>10,208</b>
Gain on sales of non-current assets	6,047	3,867
Gain on sales of investment securities	4,391	6,340
Reversal of provision for loss on disaster	1,170	–
Other income	299	–
<b>Extraordinary losses</b>	<b>4,856</b>	<b>3,792</b>
Loss on disposal of non-current assets	1,116	2,114
Loss on sales of investment securities	–	661
Loss on impairment of long-lived assets	433	419
Provision for environmental measures	1,246	383
Loss on valuation of investment securities	196	35
Loss on business restructuring	1,279	–
Loss on disaster	328	–
Other losses	256	178
<b>Income before income taxes</b>	<b>73,096</b>	<b>68,164</b>
Income taxes – current	213	18,280
Income taxes – deferred	27,316	(5,956)
<b>Net income</b>	<b>45,566</b>	<b>55,841</b>

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

**Non-Consolidated Statement of Changes in Net Assets**  
**(From April 1, 2012 to March 31, 2013)**

(Millions of yen)

Item	Amount
Shareholders' equity	
Common stock	
Balance at the beginning of current period	50,000
Changes of items during the period	—
Balance at the end of current period	50,000
Capital surplus	
Legal capital surplus	
Balance at the beginning of current period	179,858
Changes of items during the period	—
Balance at the end of current period	179,858
Other capital surplus	
Balance at the beginning of current period	484,155
Changes of items during the period	
Disposal of treasury stock	(54)
Total changes of items during the period	(54)
Balance at the end of current period	484,100
Total capital surplus	
Balance at the beginning of current period	664,013
Changes of items during the period	
Disposal of treasury stock	(54)
Total changes of items during the period	(54)
Balance at the end of current period	663,959
Retained earnings	
Other retained earnings	
Reserve for reduction entries for non-current assets	
Balance at the beginning of current period	4,083
Changes of items during the period	
Provision of reserve for reduction entries for non-current assets	3,247
Reversal of reserve for reduction entries for non-current assets	(2,423)
Total changes of items during the period	824
Balance at the end of current period	4,908
Retained earnings carried forward	
Balance at the beginning of current period	51,472
Changes of items during the period	
Provision of reserve for reduction entries for non-current assets	(3,247)
Reversal of reserve for reduction entries for non-current assets	2,423
Dividends from surplus	(42,235)
Net income	55,841
Total changes of items during the period	12,780
Balance at the end of current period	64,253

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

(Millions of yen)

Item	Amount
Total retained earnings	
Balance at the beginning of current period	55,555
Changes of items during the period	
Provision of reserve for reduction entries for non-current assets	—
Reversal of reserve for reduction entries for non-current assets	—
Dividends from surplus	(42,235)
Net income	55,841
Total changes of items during the period	13,605
Balance at the end of current period	69,161
Treasury stock, at cost	
Balance at the beginning of current period	(14,558)
Changes of items during the period	
Purchase of treasury stock	(12)
Disposal of treasury stock	109
Total changes of items during the period	97
Balance at the end of current period	(14,460)
Total shareholders' equity	
Balance at the beginning of current period	755,011
Changes of items during the period	
Dividends from surplus	(42,235)
Net income	55,841
Purchase of treasury stock	(12)
Disposal of treasury stock	55
Total changes of items during the period	13,648
Balance at the end of current period	768,659
Valuation and translation adjustments	
Net unrealized gain or loss on investment securities	
Balance at the beginning of current period	22,231
Changes of items during the period	
Net changes of items other than shareholders' equity	11,178
Total changes of items during the period	11,178
Balance at the end of current period	33,410
Total valuation and translation adjustments	
Balance at the beginning of current period	22,231
Changes of items during the period	
Net changes of items other than shareholders' equity	11,178
Total changes of items during the period	11,178
Balance at the end of current period	33,410
Subscription rights to shares	
Balance at the beginning of current period	1,297
Changes of items during the period	
Net changes of items other than shareholders' equity	206
Total changes of items during the period	206
Balance at the end of current period	1,504

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

(Millions of yen)

Item	Amount
Total net assets	
Balance at the beginning of current period	778,541
Changes of items during the period	
Dividends from surplus	(42,235)
Net income	55,841
Purchase of treasury stock	(12)
Disposal of treasury stock	55
Net changes of items other than shareholders' equity	11,384
Total changes of items during the period	25,033
Balance at the end of current period	803,574

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

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

**Independent Auditor's Report**

May 10, 2013

The Board of Directors  
Daiichi Sankyo Company, Limited

KPMG AZSA LLC

Takuji Kanai (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Masahiro Miyahara (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Atsushi Tanaka (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Daiichi Sankyo Company, Limited as at March 31, 2013 and for the year from April 1, 2012 to March 31, 2013 in accordance with Article 444-4 of the Companies Act.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we

consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

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

**Other Matter**

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

**Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.



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

**Independent Auditor's Report**

May 10, 2013

The Board of Directors  
Daiichi Sankyo Company, Limited

KPMG AZSA LLC

Takuji Kanai (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Masahiro Miyahara (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Atsushi Tanaka (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of Daiichi Sankyo Company, Limited as at March 31, 2013 and for the year from April 1, 2012 to March 31, 2013 in accordance with Article 436-2-1 of the Companies Act.

**Management's Responsibility for the Financial Statements and Others**

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the supplementary schedules that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair

presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

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

**Other Matter**

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

**Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

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

We, the Audit & Supervisory Board, have prepared upon consultation this Audit Report based on reports compiled by each Member of the Audit & Supervisory Board with respect to the Directors' performance of their duties during the 8th business year from April 1, 2012 to March 31, 2013, as follows:

**1. Auditing methods used by Members of the Audit & Supervisory Board and the Audit & Supervisory Board, and details of audit**

The Audit & Supervisory Board specified an audit policy and an audit plan, and received reports from each Member of the Audit & Supervisory Board on the status of implementation and results of audit as well as received reports from Directors and accounting auditors on the status of the execution of their duties and asked them for explanations as needed.

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

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

**2. Results of Audit****(1) Results of audit of the business report, etc.**

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

**(2) Results of audit of financial statements and their supplementary schedules**

We consider that the auditing methods and results of the Company's Accounting Auditors, KPMG AZSA LLC, are proper.

**(3) Results of audit of consolidated financial statements**

We consider that the auditing methods and results of the Company's Accounting Auditors, KPMG AZSA LLC, are proper.

May 15, 2013

Audit & Supervisory Board of Daiichi Sankyo Company, Limited

Member of the Audit & Supervisory Board Kazuo Koike

Member of the Audit & Supervisory Board Takashi Chiba

Outside Member of the Audit & Supervisory Board Akio Yamada

Outside Member of the Audit & Supervisory Board Shigeaki Ishikawa