

**CONVOCATION NOTICE OF THE 9<sup>TH</sup> ORDINARY  
GENERAL MEETING OF SHAREHOLDERS**

**For the Fiscal Year Ended March 31, 2014**

**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, 2014, the domestic economy showed signs of a moderate recovery; however, the pharmaceutical industry experienced an ongoing severe operating environment affected by enhanced regulations on safety and quality as well as the government's containment efforts regarding medical spending.

Under such circumstances, the Daiichi Sankyo Group enjoyed growth in both revenue and profits for fiscal 2013, driven by strong domestic sales of pharmaceutical products. From the beginning of fiscal 2013, the Group adopted International Financial Reporting Standards, seeking more active global business expansion.

For fiscal 2014, the Group plans to launch edoxaban into the global market, further increase domestic pharmaceutical products and enhance R&D pipelines as well as work on business expansion in emerging markets through a new alliance with Sun Pharma, which will merge with Ranbaxy, to achieve sustainable growth.

We are committed to making a concerted effort as a Group to achieve our goals and enhance shareholder value and respond to the expectations of our shareholders.

I would greatly appreciate your further support in future.

May 30, 2014



Joji Nakayama  
Representative Director and President & CEO

## CONVOCAATION NOTICE OF THE 9<sup>TH</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS

1. Date and Time: June 23, 2014, Monday at 10 a.m. (Japan Time) (Reception starts at 9 a.m.)
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 9<sup>th</sup> Fiscal Year (from April 1, 2013 to March 31, 2014); 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 9<sup>th</sup> Fiscal Year (from April 1, 2013 to March 31, 2014)  
Proposals to be Resolved:  
First Proposal: Appropriation of Surplus  
Second Proposal: Election of Ten (10) Members of the Board  
Third Proposal: Election of Two (2) Members of the Audit & Supervisory Board  
Forth Proposal: Election of One (1) Substitute Member of the Audit & Supervisory Board  
Fifth Proposal: Provision of Bonuses to Members of the Board

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), Friday, June 20, 2014 (Japan Time), after examining the attached reference documents.

### 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 9th 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 9th 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.com>

#### 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, 2014 (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.evot.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 2013, the year ended March 31, 2014, the Company paid an interim dividend of ¥30 per share on December 2, 2013. A year-end dividend of ¥30 was also declared, bringing total dividend payments for fiscal 2013 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: ¥21,118,793,010
- 3) The day on which such distribution of dividends from surplus takes effect  
Tuesday, June 24, 2014.

**Second Proposal: Election of Ten (10) Members of the Board**

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

Accordingly, the Company requests approval for the election of ten (10) Members of the Board. Candidates for Member of the Board 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	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 Member of the Board of Daiichi Pharmaceutical Co., Ltd. (“Daiichi”)</p> <p>June 2006 Member of the Board, Vice President of Corporate Strategy Department of Daiichi</p> <p>April 2007 Corporate Officer, Vice President of Europe/US Business Management Department of the Company</p> <p>April 2009 Executive Officer, Vice President 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 Member of the Board) Four (4) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 13/13 meetings (100%)</p>	22,049

Number of Candidates	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions	Number of Shares of the Company Held
2	Yuki Sato (October 9, 1950)  Reelection	<p>April 1974 Entered Sankyo Company, Limited (“Sankyo”)</p> <p>April 2004 Vice President of Osaka Plant of Sankyo</p> <p>April 2005 Vice President of Hiratsuka Plant of Sankyo</p> <p>April 2006 Vice President of Supply Chain Business Department of Sankyo</p> <p>April 2007 Corporate Officer, Vice President 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 Member of the Board, Senior Executive Officer, Head of Supply Chain Division of the Company</p> <p>April 2013 Member of the Board, Senior Executive Officer, Head of Legal &amp; CSR Division, and Head of Supply Chain Division of the Company</p> <p>April 2014 Member of the Board, Executive Vice President, Head of General Affairs &amp; Human Resources Division, Legal Affairs &amp; CSR Division, and Supply Chain Division of the Company (to present)</p> <p>(Number of years as a Member of the Board) 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 (100%)</p>	9,600
3	Manabu Sakai (July 13, 1949)  Reelection	<p>April 1974 Entered Daiichi Pharmaceutical Co., Ltd. (“Daiichi”)</p> <p>July 2003 Vice President of Business Promotion Department of Daiichi</p> <p>June 2005 Corporate Officer, Vice President of Business Promotion Department of Daiichi</p> <p>September 2005 Corporate Officer, Vice President of Business Management Department of the Company</p> <p>April 2010 Executive Officer, Global Corporate Finance Officer of the Company</p> <p>April 2012 Senior Executive Officer, Head of Corporate Management Division of the Company</p> <p>June 2013 Member of the Board, Senior Executive Officer, Head of Corporate Management Division</p> <p>April 2014 Member of the Board, Executive Vice President, Head of Corporate Management Division (to present)</p> <p>(Number of years as a Member of the Board) 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 (100%) after his assumption of office on June 2013</p>	12,300



Number of Candidates	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions	Number of Shares of the Company Held
4	Takeshi Ogita (March 20, 1951)  Reelection	<p>April 1980 Entered Sankyo Company, Limited (“Sankyo”)</p> <p>August 2001 Vice President, Research Project Department of Sankyo</p> <p>July 2004 Vice President, Global Project Management Department of Sankyo</p> <p>June 2005 Corporate Officer, Vice President of the Global Project Management Department of Sankyo</p> <p>July 2005 Corporate Officer, Head of Pharmaceutical Development Division and Vice President of Global Project Management Department of Sankyo</p> <p>April 2007 Executive Officer, Head of Pharmaceutical Technology Division, and Vice President of the Global Project Management Department of the Company</p> <p>April 2009 Senior Executive Officer, Human Resources and R&amp;D of the Company</p> <p>June 2009 Member of the Board, Senior Executive Officer, Human Resources and R&amp;D of the Company</p> <p>April 2010 Member of the Board, Senior Executive Officer, Global Corporate Strategy Officer of the Company</p> <p>April 2012 Member of the Board, Senior Executive Officer, Head of General Affairs &amp; Human Resources Division, and Head of Vaccine Business Intelligence Division, Japan Company of the Company</p> <p>April 2014 Member of the Board, Senior Executive Officer, Head of Vaccine Business Intelligence Division (to present)</p> <p>(Number of years as a Member of the Board) five (5) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 13/13 meetings (100%) (Material Concurrent Positions) Representative Director and President of Kitasato Daiichi Sankyo Vaccine Co., Ltd.</p>	20,600

Number of Candidates	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions	Number of Shares of the Company Held
5	Kazunori Hirokawa (June 7, 1951)  Reelection	<p>April 1975 Entered Daiichi Pharmaceutical Co., Ltd. (“Daiichi”)</p> <p>October 2000 Vice President, Drug Safety Administration Department of Daiichi</p> <p>October 2002 Vice President, Medical Planning &amp; Coordination Department of Daiichi</p> <p>June 2003 Member of the Board, Vice President of Medical Planning &amp; Coordination Department of Daiichi</p> <p>October 2004 Member of the Board, Vice President of R&amp;D Strategy Department of Daiichi</p> <p>June 2005 Senior Corporate Officer, Vice President of R&amp;D Strategy Department of Daiichi</p> <p>April 2006 Executive Vice President, Daiichi Sankyo Inc. in U.S.</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 Member of the Board, Senior Executive Officer, Head of R&amp;D Division of the Company</p> <p>April 2012 Member of the Board, Senior Executive Officer, Head of Corporate Strategy Division of the Company</p> <p>April 2013 Member of the Board, Senior Executive Officer, Head of Corporate Strategy Division, and Head of Business Intelligence Division, Japan Company of the Company</p> <p>April 2014 Member of the Board, Senior Executive Officer of the Company, Head of Corporate Strategy Division (to present)</p> <p>(Number of years as a Member of the Board) Four (4) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 13/13 meetings (100%) (Material Concurrent Positions) Non-Executive and Non-Independent Director of Ranbaxy Laboratories Ltd.</p>	17,858

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 Member of the Board (Outside)  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 Member of the Board (Outside) of the Company (to present)</p> <p>(Number of years as a Member of the Board (Outside)) Four (4) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 12/13 meetings (92%) (Material Concurrent Positions) President of The Japan-India Association Vice President of The Japan Forum on International Relations, Inc. External Director of Mitsui &amp; Co., Ltd. Outside Director of NHK Promotions Inc. Outside Director of Toyoko Inn Co., Ltd.</p>	3,800

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 Member of the Board (Outside)  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>April 2002 President of Millea Holdings, Inc. (Tokio Marine Holdings, Inc.)</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</p> <p>June 2007 Chairman of the Board of Millea Holdings, Inc.</p> <p>July 2008 Chairman of the Board of Tokio Marine Holdings, Inc.</p> <p>June 2010 Member of the Board (Outside) of the Company (to present)</p> <p>June 2013 Counselor of TMNFI (to present)</p> <p>(Number of years as a Member of the Board (Outside)) Four (4) years at the close of this Ordinary General Meeting of Shareholders (Rate of attendance in meeting of the Board of Directors) 12/13 meetings (92%) (Material Concurrent Positions) Counselor of Tokio Marine &amp; Nichido Fire Insurance Co., Ltd. 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>	6,500
8*	Sunao Manabe (August 5, 1954)  New	<p>April 1978 Entered Sankyo Company, Limited (“Sankyo”)</p> <p>July 2005 Vice President, Medicinal Safety Research Laboratories of Sankyo</p> <p>April 2007 Vice President, Medicinal Safety Research Laboratories of the Company</p> <p>April 2009 Corporate Officer, Vice President, Global Project Management Department of the Company</p> <p>April 2011 Corporate Officer, Head of Group HR &amp; CSR of the Company</p> <p>April 2012 Corporate Officer, Vice President, Corporate Strategy Department of the Company</p> <p>April 2014 Executive Officer, President of Japan Company and Head of Business Intelligence Division of the Company (to present)</p>	4,700

Number of Candidates	Name (Date of Birth)	Career Summary, Positions, Assignments, and Material Concurrent Positions	Number of Shares of the Company Held
9*	Noritaka Uji (March 27, 1949)  Candidate for Member of the Board (Outside)  Independent Director  New	<p>April 1973 Entered Nippon Telegraph and Telephone Public Corporation</p> <p>June 1999 Director, Senior Vice President, Advanced Information Network Services Sector of NTT DATA Corporation (“NTT DATA”)</p> <p>September 2000 Director, Senior Vice President, Corporate Strategy Planning Department of NTT DATA</p> <p>June 2001 Director, Senior Vice President, Industrial System Sector of NTT DATA</p> <p>April 2002 Director, Senior Vice President, Enterprise Business Sector of NTT DATA</p> <p>June 2003 Managing Director, Executive Vice President, Enterprise Systems Sector and Enterprise Business Sector of NTT DATA</p> <p>June 2005 Representative Director, Executive Officer of NTT DATA</p> <p>June 2007 Representative Director, Senior Executive Vice President, Nippon Telegraph and Telephone Corporation (“NTT”)</p> <p>June 2012 Adviser of NTT (to present)</p> <p>(Material Concurrent Positions) Adviser of Nippon Telegraph and Telephone Corporation Vice Chairman of Japan Institute of Information Technology President of Japan Telework Association</p>	300
10*	Hiroshi Toda (September 12, 1951)  Candidate for Member of the Board (Outside)  Independent Director  New	<p>April 1975 Entered Nomura Securities Co., Ltd.</p> <p>June 1991 President of Nomura Bank (Switzerland) Limited</p> <p>June 1997 Director, Head of Financial Market of Nomura Securities Co., Ltd.</p> <p>June 2000 Senior Managing Director, Head of Investment Banking of Nomura Securities Co., Ltd.</p> <p>October 2001 Director of Nomura Holdings, Inc. and Senior Managing Director, Head of Global Wholesale of Nomura Securities Co., Ltd.</p> <p>June 2003 Deputy President and Chief Operating Officer of Nomura Holdings, Inc. and Deputy President and Chief Operating Officer of Nomura Securities Co., Ltd.</p> <p>April 2008 Vice Chairman of Nomura Securities Co., Ltd.</p> <p>July 2010 Ambassador extraordinary and plenipotentiary to Greece</p>	0

## Notes:

1. The person marked with an asterisk is a candidate for a new Member of the Board.
2. There are no special conflict of interests between each candidate and the Company.
3. Ranbaxy Laboratories Ltd. (for which a candidate for Member of the Board, Kazunori Hirokawa, is concurrently serving as Non-Executive and Non-Independent Director) and Kitasato Daiichi Sankyo Vaccine Co., Ltd. (for which a candidate for Member of the Board, Takeshi Ogita, is concurrently serving as Representative Director and President) are consolidated subsidiaries of the Company.  
Kunio Ishihara is Counselor 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 Insurance 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.

Nomura Securities Co., Ltd. for which Hiroshi Toda served as Director until March 2009 is the Company's lead managing underwriter but there is no other material relationship between Nomura and the Company.

4. The Company has designated each candidate for Member of the Board (Outside) Hiroshi Hirabayashi and Kunio Ishihara as Independent Directors, and filed them with the Tokyo Stock Exchange, accordingly.  
Noritaka Uji and Hiroshi Toda will also be designated as Independent Directors after their election as Members of the Board.  
They satisfy criteria for independence as Members of the Board (Outside) provided by the Company (see page 18).
5. Outline of liability limitation agreement with Members of the Board (Outside)  
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 Member of the Board (Outside) Hiroshi Hirabayashi and Kunio Ishihara; 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 Member of the Board (Outside) is approved at the Meeting, we will continue the Liability Limitation Agreement on the same terms and conditions.  
In the event that Noritaka Uji and Hiroshi Toda are elected, the same agreement will be entered.
6. The "Career Summary, Positions, Assignments, and Material Concurrent Positions" are the status as of May 30, 2014.
7. Matters of particular importance related to candidates for Members of the Board (Outside) are as follows:
  - (1) Reasons for nomination as candidates for Members of the Board (Outside):
    - 1) The Company requests election of Hiroshi Hirabayashi as Member of the Board (Outside), 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 the election of Kunio Ishihara as Member of the Board (Outside), so that his expertise in risk management and his insight based on his management experience will be reflected in the management of the Company.
    - 3) The Company requests the election of Noritaka Uji as Member of the Board (Outside), so that his expertise on the information communication business and his insight on overall corporate management based on his management experience will be reflected in the management of the Company.
    - 4) The Company requests the election of Hiroshi Toda as Member of the Board (Outside), so that his expertise on securities and finance and his insight based on his management and diplomatic experience will be reflected in the management of the Company.

**Third Proposal: Election of Two (2) Members of the Audit & Supervisory Board**

The terms of office of two (2) Members of the Audit & Supervisory Board Akio Yamada and Shigeaki Ishikawa will expire at the close of this Ordinary General Meeting of Shareholders.

Accordingly, the Company requests approval for the election of two (2) Members of the Audit & Supervisory Board. Candidates for Members of the Audit & Supervisory Board are as follows.

The Company has already obtained the approval from the Audit & Supervisory Board with respect to this agenda item.

Number of Candidates	Name (Date of Birth)	Career Summary, Positions, and Material Concurrent Positions	Number of Shares of the Company Held
1*	Akiko Kimura (April 17, 1947)  Candidate for Member of the Audit & Supervisory Board (Outside)  Independent Auditor  New	<p>April 1973 Entered Nishimura, Komatsu &amp; Tomotsune (currently, Anderson Mōri &amp; Tomotsune), Attorney-at-law</p> <p>January 1977 Partner of Nishimura, Komatsu &amp; Tomotsune</p> <p>October 1997 Member of the Council Committee on Foreign Exchange and Other Transactions of the Ministry of Finance of Japan</p> <p>January 2001 Member of the Council on Customs Duties, Foreign Exchange and Other Transactions of the Ministry of Finance of Japan</p> <p>January 2011 Of Counsel, Anderson Mōri &amp; Tomotsune (to present)</p> <p>(Material Concurrent Positions) Of Counsel, Anderson Mōri &amp; Tomotsune Outside Auditor of Fuji Electric Co., Ltd.</p>	0
2*	Yutaka Katagiri (April 23, 1951)  Candidate for Member of the Audit & Supervisory Board (Outside)  Independent Auditor  New	<p>April 1975 Entered National Police Agency</p> <p>February 2001 Chief of Community Safety Bureau of Tokyo Metropolitan Police Department</p> <p>January 2002 Director General of Kyoto Prefectural Police</p> <p>August 2003 Chief Inspector General of National Police Agency</p> <p>August 2004 Director General for Secretariat's Policy Matters, Commissioner General's Secretariat of National Policy Agency</p> <p>January 2007 Chief of Community Safety Bureau of National Policy Agency</p> <p>August 2008 Chief of Commissioner General's Secretariat of National Policy Agency</p> <p>June 2009 Deputy Commissioner General of National Police Agency</p> <p>October 2011 Commissioner General of National Police Agency</p> <p>June 2013 President of Council for Public Policy (to present)</p> <p>(Material Concurrent Positions) President of Council for Public Policy Consultant of Sompo Japan Insurance Inc. Special Advisor of The Japan Chamber of Commerce and Industry and The Tokyo Chamber of Commerce and Industry</p>	0

Notes:

1. The person marked with an asterisk is a candidate for a new Member of the Audit & Supervisory Board.
2. There are no significant conflict of interest between the candidates and the Company.
3. There are no significant relationship of transaction between the companies where the candidates for Member of the Audit & Supervisory Board have significant concurrent positions described above and the Company.
4. Akiko Kimura and Yutaka Katagiri will also be designated as Independent Auditors after their election as Members of the Audit & Supervisory Board (Outside).  
They satisfy criteria for independence as Member of the Audit & Supervisory Board (Outside) provided by the Company (see page182).
5. The outline of liability limitation agreement with Member of the Audit & Supervisory Board (Outside)  
With regard to liability for damages under Article 423, Paragraph 1 of the Corporation Law, the Company plans to enter agreements for limitation of liabilities in the event that the case falls under the requirements defined in laws and ordinances (Liability Limitation Agreements) with candidates for Member of the Audit & Supervisory Board (Outside) Akiko Kimura and Yutaka Katagiri, when their election is approved at the Meeting.  
The maximum amount of liabilities under such agreement is expected to be the minimum liability amount as provided by applicable laws and ordinances.
6. The “Career Summary, Positions and Material Concurrent Positions” are the status as of May 30, 2014.
7. Matters of particular importance related to candidates for Member of the Audit & Supervisory Board (Outside) are as follows:  
Reason for nomination as candidates for Member of the Audit & Supervisory Board (Outside)
  - 1) The Company requests the election of Akiko Kimura as Member of the Audit & Supervisory Board (Outside) so that her knowledge and insight based on her experience as a lawyer will be reflected in the audit of the Company.
  - 2) The Company requests the election of Yutaka Katagiri as Member of the Audit & Supervisory Board (Outside), so that his knowledge and insight based on his experience at administrative agencies, etc. will be reflected in the audit of the Company.



#### **Fourth Proposal: Election of One (1) Substitute Member of the Audit & Supervisory Board**

At the Fifth Ordinary General Meeting of Shareholders held on June 28, 2010, the Company elected Sumio Moriwaki as a substitute Member of the Audit & Supervisory Board. The term of office of substitute Member of the Audit & Supervisory Board Sumio Moriwaki will expire at the close of this Ordinary General Meeting of Shareholders.

Accordingly, for the purpose of preparing for the case where there is a shortfall in the number of Member of the Audit & Supervisory Board as required by laws and ordinances, the Company requests approval for the election of one (1) substitute Member of the Audit & Supervisory Board. The candidate for substitute Member of the Audit & Supervisory Board is as follows.

Sumio Moriwaki is a candidate for substitute Member of the Audit & Supervisory Board (Outside).

The Company has already obtained the approval from the Audit & Supervisory Board with respect to this proposal.

Name (Date of Birth)	Career Summary, Positions, and Material Concurrent Positions	Number of Shares of the Company Held
Sumio Moriwaki (March 3, 1957)	<p>April 1981 Entered Ishii Law Office, Attorney</p> <p>April 1991 Partner of Ishii Law Office (to present)</p> <p>June 2006 Substitute Member of the Audit &amp; Supervisory Board of the Company (to present)</p> <p>April 2007 Visiting Professor of the University of Tokyo Graduate School for Law and Politics, School of Law</p> <p>(Material Concurrent Positions)</p> <p>Partner of Ishii Law Office</p> <p>Outside Auditor of Lincrea Corporation</p>	0

Notes:

1. There are no significant conflicts of interest between the candidate and the Company.
2. There are no significant relationship of transaction between the companies where the candidate for substitute Member of the Audit & Supervisory Board have significant concurrent positions described above and the Company.
3. If Sumio Moriwaki, a substitute candidate for Member of the Audit & Supervisory Board (Outside), is elected as Member of the Audit & Supervisory Board (Outside), the Company will designate him as an Independent Auditor.  
He satisfies criteria for independence as Member of the Audit & Supervisory Board (Outside) provided by the Company (see page 18).
4. The outline of liability limitation agreement with substitute Member of the Audit & Supervisory Board (Outside)  
With regard to liability for damages under Article 423, Paragraph 1 of the Corporation Law, the Company plans to enter agreements for limitation of liabilities in the event that the case falls under the requirements defined in laws and ordinances (Liability Limitation Agreements) with candidate for substitute Member of the Audit & Supervisory Board (Outside) Sumio Moriwaki, when his election is approved at the Meeting  
The maximum amount of liabilities under such agreement is expected to be the minimum liability amount as provided by applicable laws and ordinances.
5. The “Career Summary, Positions and Material Concurrent Positions” are the status as of May 30, 2014.
6. Matters of particular importance related to candidate for substitute Member of the Audit & Supervisory Board are as follows:  
Reason for nomination as candidates for substitute Member of the Audit & Supervisory Board  
The Company requests the election of Sumio Moriwaki as substitute Member of the Audit & Supervisory Board (Outside), so that his knowledge and insight based on his experience as a lawyer will be reflected in the audit of the Company.

(Reference) Criteria for Independence as Member of the Board (Outside) / Member of the Audit & Supervisory Board (Outside)

In nominating candidates for Members of the Board, the Company shall include a person who satisfies the definition of Member of the Board (Outside), aiming at reinforcing decision-making functions from various perspectives and enhancing the supervising function for execution of operation. Outside Directors/ Auditors (Member of the Board (Outside) and Member of the Audit & Supervisory Board (Outside)) are required to ensure their independence from the Company.

On March 31, 2014, the Board of Directors and the Audit & Supervisory Board resolved “Criteria for independence” as follows:

1. A Member of the Board or a Member of the Audit & Supervisory Board shall be determined to be independent from the Company and may not have a conflict of interest with general shareholders of the Company unless he or she falls into any of the following categories:
  - (1) A candidate or his or her immediate family member\* who:
    - i) is or has been an Executive Officer, of the Company or brother company or subsidiary (referring to a director other than outside director, corporate officer, executive officer or other employee; provided, however, limited to those who are important persons in terms of relationship with immediate family members. The same shall apply hereafter.); or
    - ii) has received during any of the last three fiscal years more than ¥10 million in direct compensation for his or her services as a consultant, a specialist in law, accounting or tax, or a healthcare professional, etc. from the Company, other than director or member of audit & supervisory board compensation.
  - \* An “immediate family member” includes a person's spouse, parents, children, siblings, grandparents, grandchildren, mothers and fathers-in-law, sons and daughters-in-law, spouses of siblings, grandchildren-in-law, and brothers and sisters-in-law. The same shall apply hereafter.
  - (2) A candidate or his or her immediate family member who is or has been within the last ten years, an Executive Officer, of a corporation or other association falling into:
    - i) Business relationship
      - a) a company that has made payments to, or received payments from, the Group for products or services in an amount which, in any of the last three fiscal years, exceeds 2% of any of the companies' consolidated gross revenues;
      - b) a consulting firm, law firm, auditing firm, tax accounting firm or school corporation that receives remuneration from the Group exceeding 10% of its gross revenue in any of the last three fiscal years; or
      - c) a lender from whom the Group obtained a loan of more than 10% of its consolidated total assets at the end of the fiscal year immediately before nomination.
    - ii) Major shareholder
 

A corporation or other legal entity that is a major shareholder of the Company or a corporation that the Company is a major shareholder at the time of determining the independence. A major shareholder means a shareholder holding at least 10% of total shares outstanding of the Company.
    - iii) Recipient of charitable contributions
 

An organization to which the Company's discretionary charitable contributions in any of the last three fiscal years are more than ¥10 million and 2% of annual gross revenues of that organization or other associations.
    - iv) Accounting auditor
 

An audit firm that is or has been for the last three years an accounting auditor of the Company Group.
    - v) Cross-directorship arrangement
 

When an Executive Officer of the Company is a current Member of the Board (Outside) or Member of the Audit & Supervisory Board (Outside) in a cross-directorship arrangement with the listed company.
2. Even though a candidate for an outside director/ auditor falls into any of the above, when the Board of Directors or the Audit & Supervisory Board judge him or her to be ensured of independence after a comprehensive review, he or she may be determined to have no problem with criteria for independence as an outside director/ auditor.

**Fifth Proposal: Provision of Bonuses to Members of the Board**

The Company requests approval for the payment of directors' bonuses, amounting to 105 million yen in total to the six Members of the Board (excluding Members of the Board (Outside)) 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 Member of the Board to the resolution of the Board of Directors.

[Attachment]

**Business Report for the 9<sup>th</sup> Fiscal Period**  
(From April 1, 2013 to March 31, 2014)

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

**Adoption of International Financial Reporting Standards (IFRS)**

Daiichi Sankyo and its consolidated subsidiaries (“the Group”) have adopted IFRS starting in the fiscal year ended March 31, 2014. Having considered what accounting and financial reporting standards would be best to contribute to growth in corporate value through a concerted global business development program, Daiichi Sankyo has made this move (1) to improve the international comparability of the Group’s financial statements with global capital markets, (2) to unify account processing applied across the Group, and (3) to help diversify the Group’s methods of fund procurement in global markets.

**Main differences between Japanese GAAP and IFRS (presentation of accounts)**

- “Revenue” under IFRS corresponds to “net sales” under Japanese GAAP.
- Profits generated in relation to operating activities are presented as “operating profit”. The composition of this item under IFRS differs from “operating income” under Japanese GAAP. Under IFRS, operating profit includes non-financial items that would be presented under Japanese GAAP as “non-operating income,” “non-operating expenses,” “extraordinary income,” or “extraordinary losses.”
- IFRS does not apply the concept of “ordinary income.”
- “Profit attributable to owners of the Company” under IFRS corresponds to “net income” under Japanese GAAP.

**Main differences between Japanese GAAP and IFRS (detailed standards)**

- Under Japanese GAAP, goodwill is amortized equally over the estimated effective period. Under IFRS, goodwill is not amortized. Instead, the value of goodwill is tested for impairment annually, and any reduction in goodwill is booked as an impairment loss.
- Under Japanese GAAP, gains or losses from the sale or write-down of marketable securities or other investments in financial instruments are recognized in profit or loss. Under IFRS, any change in the fair value of such financial instruments is recognized in “other comprehensive income” rather than in profit or loss.
- A one-off payment related to license agreements, etc. are expensed as incurred under Japanese GAAP but accounted for as intangible assets under IFRS.

**1) Overview**  
**Consolidated Financial Results**  
**IFRS basis**

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

	Fiscal 2012	Fiscal 2013	YoY change
Revenue	994,659	1,118,241	123,582 12.4%
Operating profit	98,743	111,552	12,809 13.0%
Profit before tax	95,861	99,775	3,913 4.1%
Profit attributable to owners of the Company	64,027	60,943	-3,084 -4.8%

Following a change of fiscal year-end, the accounting period for fiscal 2013 of Ranbaxy Laboratories Ltd. and its subsidiaries and associates ("the Ranbaxy Group") is the 15-month period from January 1, 2013 to March 31, 2014.

**(Reference) J-GAAP basis**

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

	Fiscal 2012	Fiscal 2013	YoY change
Net sales	997,852	1,118,764	120,912 12.1%
Operating income	100,516	115,904	15,388 15.3%
Ordinary income	99,147	105,016	5,868 5.9%
Net income	66,621	65,650	-970 -1.5%

**<Revenue of global mainstay products>**

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

Item name	Fiscal 2012	Fiscal 2013	YoY change
Olmesartan Antihypertensive agent	258,842	300,173	41,331 16.0%
Prasugrel Antiplatelet agent	16,235	22,267	6,032 37.2%

**<Research and development expenses>**

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

	Fiscal 2012	Fiscal 2013
Research and development expenses	184,393	191,212
Ratio of research and development expenses to revenue	18.5%	17.1%

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

	Fiscal 2012	Fiscal 2013
Yen/USD	83.11	100.24
Yen/EUR	107.15	134.38
Yen/INR	1.50	1.68

a. Revenue

Group revenue in the fiscal year ended March 31, 2014 increased by ¥123.6 billion, or 12.4% year on year, to ¥1,118.2 billion.

At the Daiichi Sankyo Group, major products generating growth in revenue in the year under review included the antihypertensive agent olmesartan, the antiplatelet agent prasugrel, the ulcer treatment *NEXIUM*®, and the Alzheimer's disease treatment *Memary*®. Depreciation of the yen against the U.S. dollar and the euro also made a positive contribution to higher consolidated revenue (of approximately ¥53.7 billion) at the Group as a whole.

b. Operating Profit

Operating profit increased by ¥12.8 billion, or 13.0% year on year, to ¥111.6 billion. Operating profit at the Daiichi Sankyo Group increased, although operating profit at the Ranbaxy Group decreased, resulting in an increase for the Group as a whole.

c. Profit before Tax

Profit before tax increased by ¥3.9 billion, or 4.1% year on year, to ¥99.8 billion. Higher profits by the Daiichi Sankyo Group more than offset a decline in profits by the Ranbaxy Group associated with the depreciation of the Indian rupee against the US dollar, which led to higher financing expenses.

d. Profit Attributable to Owners of the Company

Profit attributable to owners of the Company declined by ¥3.1 billion, or 4.8% year on year, to ¥60.9 billion. Higher income taxes partly reflected a reversal of deferred tax assets related to a change in the tax rate following the expiration of the special corporation tax for reconstruction.

Note: It is assumed that the operating results of the Ranbaxy Group will be categorized as a discontinued operation upon the closing of the merger of Ranbaxy Laboratories Ltd. with Sun Pharmaceutical Industries Ltd. scheduled at the end of December 2014. Accordingly, with regard to forecasts of consolidated financial results for Fiscal 2014, the Group announced forecasts of the "Daiichi Sankyo Group segment" as a continuing operation in the Consolidated Financial Results for Fiscal 2013 (*Kessan Tanshin*) released on May 15, 2014.

## Reports by Segment

### a. Daiichi Sankyo Group

The Daiichi Sankyo Group reported revenue of ¥897.7 billion, a year-on-year increase of 10.7%.

Operating profit increased by 38.0% year on year to ¥112.9 billion (prior to consolidated adjustments).

### i) Japan

Revenue in Japan increased 4.9% year on year to ¥554.5 billion.

Revenue in Japan from prescription drugs increased 4.7% year on year to ¥481.4 billion. This reflected a solid sales performance by *Olmotec*® as well as substantial growth in sales of *NEXIUM*® and *Memary*®. Additional contributions came from *RANMARK*®, a treatment for bone complications stemming from multiple myeloma or bone metastases from solid tumors launched in April 2012, and from *PRALIA*®, a treatment for osteoporosis launched in June 2013.

Revenue from royalty and exports increased 17.4% year on year to ¥21.8 billion.

Growth in sales of the analgesic antipyretic *Loxonin S*® helped boost revenue from healthcare (OTC) products by 1.5% year on year to ¥48.1 billion. Group subsidiary Daiichi Sankyo Healthcare Co., Ltd. manages this business. In December 2013, the company discontinued sales of the skincare series *Derma Energy*, a dedicated mail-order product, as it was confirmed that some customers had been experiencing skin trouble.

### <Revenue composition in Japan>

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

Category	Fiscal 2012	Fiscal 2013	YoY change
Prescription drugs	459.9	481.4	21.5 4.7%
Royalty and exports	18.6	21.8	3.2 17.4%
Healthcare (OTC) products	47.4	48.1	0.7 1.5%

### <Revenue of Japan company mainstay pharmaceuticals>

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

Product name	Fiscal 2012	Fiscal 2013	YoY change
<i>Olmotec</i> ® Antihypertensive agent	78.3	79.1	0.8 1.0%
<i>Loxonin</i> ® Anti-inflammatory analgesic (of which <i>Loxonin</i> ® Tape)	59.6 (33.5)	59.3 (35.2)	-0.3 -0.6%
<i>NEXIUM</i> ® Ulcer treatment	21.6	54.2	32.7 151.5%
<i>Cravit</i> ® Synthetic antibacterial agent	35.9	33.5	-2.4 -6.7%
<i>Memary</i> ® Alzheimer's disease treatment	23.8	33.3	9.5 40.0%
<i>Artist</i> ® Treatment for hypertension, angina pectoris and chronic heart failure	22.4	22.4	0.0 0.0%
<i>Mevalotin</i> ® Antihyperlipidemic agent	25.8	21.5	-4.3 -16.8%

Note: Table lists only products with annual revenue of at least ¥20.0 billion.



## ii) North America

Revenue in North America increased 15.9% year on year to ¥211.3 billion. Revenue in local currency terms fell 3.9% to approximately US\$2,100 million.

At Daiichi Sankyo, Inc. in the United States, although sales of TRIBENZOR®, Welchol®, Effient® and others increased, sales of other products including Benicar®/Benicar HCT® and AZOR® declined. Consequently, this company's revenue was roughly level with the same period of the previous fiscal year at US\$1,700 million.

With regard to Luitpold Pharmaceuticals Inc., decrease of sales of Venofer®, despite the sales contribution of Injectafer®, a novel treatment for iron deficiency anemia launched in August 2013, resulted in revenue of US\$400 million, a decline of 14.9% year on year.

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

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

Product name	Fiscal 2012	Fiscal 2013	YoY change
<i>Benicar®/Benicar HCT®</i> Antihypertensive agent	881	857	-25 -2.8%
<i>AZOR®</i> Antihypertensive agent	179	174	-5 -2.7%
<i>TRIBENZOR®</i> Antihypertensive agent	82	90	8 9.7%
<i>Welchol®</i> Hypercholesterolemia treatment/ type 2 diabetes mellitus inhibitor	399	422	23 5.8%
<i>Effient®</i> Antiplatelet agent (co-promotion revenue)	127	154	27 21.6%

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

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

Product name	Fiscal 2012	Fiscal 2013	YoY change
<i>Venofer®</i> Anemia treatment	284	248	-36 -12.6%

## iii) Europe

Revenue in Europe increased by 30.4% year on year to ¥79.0 billion. Revenue in local currency terms increased 4.0% to approximately EUR590 million. *Olmotec*® / *Olmotec Plus*® and *Sevikar HCT*® contributed to the revenue growth.

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

(Millions of euro; all amounts have been rounded off to the nearest million euro.)

Product name	Fiscal 2012	Fiscal 2013	YoY change
<i>Olmotec</i> ®/ <i>Olmotec Plus</i> ® Antihypertensive agent	304	331	27 9.0%
<i>Sevikar</i> ® Antihypertensive agent	100	100	-0 -0.1%
<i>Sevikar HCT</i> ® Antihypertensive agent	44	57	13 29.9%

## iv) Other regions

In other regions, revenue rose 33.8% year on year to ¥52.9 billion.

The Group generated higher sales in countries including China, South Korea, and Brazil.

In China, key products contributing to sales growth included *Olmotec*®, *Mevalotin*®, and *Asmeton*®, a cough suppressant and expectorant. In April 2013, the Group also launched *Urief*®, a treatment for dysuria.

Sales of Olmesartan and other mainstay products showed growth in South Korea and Brazil.

## b. Ranbaxy Group segment (15-month period from January 1, 2013 to March 31, 2014)

The accounting period was the 15-month period from January 1, 2013 to March 31, 2014 as the Ranbaxy Group changed its accounting period as the period from April 1 to March 31 of the following year.

Segment revenue was ¥220.6 billion (an increase of ¥37.1 billion from the previous fiscal period). The Ranbaxy Group recorded an operating loss of ¥1.0 billion for fiscal 2013 (a decrease of ¥20.9 billion compared with the previous fiscal period before consolidated adjustments).

Revenue in North America declined substantially because the previous fiscal year had included a sales contribution from the introduction of generic atorvastatin in the United States. Ranbaxy Group revenue increased year on year because of the offsetting effects of the 15-month accounting period together with higher sales in emerging markets.

## &lt;Revenue of Ranbaxy Group by major country and region&gt;

(Millions of Indian rupee)

	Fiscal 2012 (12 months)	Fiscal 2013 (15 months)	YoY change
North America	53,336	42,003	-11,333
India	21,346	27,930	6,584
Eastern Europe and CIS	13,160	19,980	6,820
Western Europe	9,720	10,798	1,078
Africa and Middle East	10,188	12,966	2,778

## **2) Merger of Ranbaxy with Sun Pharmaceutical Industries**

Having considered options for guiding its consolidated subsidiary Ranbaxy onto a trajectory of recovery, Daiichi Sankyo has concluded that Sun Pharmaceutical Industries Ltd. (“Sun Pharma”) will merge Ranbaxy through an absorption merge in which Daiichi Sankyo will receive shares in Sun Pharma offers the best option. The three companies concluded the necessary agreements on April 6, 2014.

The merger is scheduled for completion by the end of December 2014, subject to the approval of Ranbaxy and Sun Pharma shareholders and of the regulatory authorities, as well as the completion of other requisite procedures.

Following this merger, Sun Pharma will become a leading global generics company and one of the India’s largest pharmaceutical manufacturers. Upon completion of the merger Daiichi Sankyo will obtain shares of approximately 9% in Sun Pharma and acquire the right for one seat on Sun Pharma’s Board of Directors. For Daiichi Sankyo, the merger represents an opportunity to pursue the development of its hybrid business model based on a new partnership with larger and stronger Indian pharmaceutical company.

## **3) R&D Activities**

Daiichi Sankyo’s R&D program aims to develop a competitive drug pipeline through accelerated and sustained generation of innovative medicines. The Group has designated the fields of cardiovascular-metabolic, oncology and frontier medicine as priority areas for drug development. Efforts continue to develop the R&D pipeline in these areas by creating drugs with the potential to become best-in-class or first-in-class therapies.

In April 2013, Daiichi Sankyo established Venture Science Laboratories (VSL) as part of ongoing efforts to cultivate an entrepreneurial biotech culture within the Group. VSL’s activities will complement the R&D being undertaken by the Group subsidiaries Asubio Pharma Co., Ltd., U3 Pharma GmbH, and Plexxikon Inc.

In addition, Daiichi Sankyo is continuing to develop R&D alliances with other companies and pursue an open innovation approach, while reinforcing R&D activities in preparation for full-scale entry into the biopharmaceutical sector.

### **Daiichi Sankyo Priority Development Projects**

#### **a. Prasugrel**

In March 2014, Daiichi Sankyo received manufacturing and marketing approval in Japan for prasugrel for the indication of ischemic heart disease in patients undergoing percutaneous coronary intervention (PCI). A Phase III clinical trial is also currently proceeding in Japan to evaluate the efficacy of prasugrel in patients with ischemic stroke.

#### **b. Edoxaban**

The Group announced the results of the Hokusai-VTE clinical study for the treatment and inhibition of recurrence of venous thromboembolism (VTE) in patients who have had deep vein thrombosis (DVT) or pulmonary embolism (PE) at the European Society of Cardiology in September 2013. Following this, in November 2013, the Group announced the results of the ENGAGE AF-TIMI 48 study for the prevention of stroke and systemic embolism in non-valvular atrial fibrillation (AF) at the annual American Heart Association (AHA) Scientific Sessions. Both trials reached their primary endpoint, while demonstrating equivalence for efficacy and a superior safety profile for edoxaban relative to the comparator drug warfarin.

Based on these results, the Group filed applications for approval for indications of VTE and AF in Japan in December 2013 and in the United States and Europe in January 2014.

### **c. 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. In April 2012, the drug was launched under the brand name *RANMARK*® for indication for bone complications stemming from multiple myeloma or bone metastases from solid tumors. In June 2013, it was also launched under the brand name *PRALIA*® as a treatment for osteoporosis.

In August 2013, an application for additional indications for giant cell bone tumors was submitted.

Denosumab is also currently undergoing global phase III clinical studies for postoperative adjuvant breast cancer therapy and phase III clinical studies in Japan for rheumatoid arthritis.

## **Major R&D Alliances**

### **a. Collaboration with Other Companies**

#### **i) Partnership for research in drug target discovery**

Daiichi Sankyo entered into a research partnership in November 2013 with U.S.-based ventures Virtici, LLC and Celdara Medical, LLC to investigate novel targets for drugs. Three companies will jointly perform discovery researches on novel first-in-class research seeds identified through the close links established by Virtici and Celdara Medical with academia in the United States.

#### **ii) Collaborative research agreement for norovirus vaccine**

In February 2014, Daiichi Sankyo signed a collaborative research agreement on a norovirus vaccine with UMN Pharma Inc. Under this agreement, UMN Pharma will supply Daiichi Sankyo with the recombinant norovirus Virus-Like Particle (VLP) antigen produced by a unique cell-culture manufacturing platform and Daiichi Sankyo will conduct feasibility research on development of a norovirus vaccine using a novel inoculation device.

#### **iii) Compound library sharing partnership**

In March 2014, Daiichi Sankyo entered an agreement with Astellas Pharma Inc. that enables the companies to share compound libraries containing approximately 400,000 selected compounds. Through this partnership, both companies will gain mutual access to a qualitatively different compound library that has been created based on the specific disease-targeting strategies of the other partner. This will support both companies in their efforts to develop innovative medicines.

### **b. Open Innovation Approach**

#### **i) Collaborative drug discovery research and grant program (TaNeDS)**

Since fiscal 2011, pursuing an open innovation approach, Daiichi Sankyo has conducted the TaNeDS (Take a New challenge for Drug diScovery) collaborative research program for researches in academia in Japan and is now carrying out the collaborative researches with elected academic institutions. In July 2013, Daiichi Sankyo initiated the TaNeDS Global Program to expand this drug discovery initiative to include researchers working in universities or other research institutions in Germany, Switzerland and Austria.

#### **ii) Investment fund-driven open innovation approach**

Daiichi Sankyo has agreed with Mitsubishi UFJ Capital Co., Ltd. to develop an open innovation business through the OiDE Fund Investment Limited Partnership, which was established by Mitsubishi UFJ Capital in September 2013. Under this agreement, both partners will work together to identify promising research originating from Japanese academic institutions with the potential for development into innovative drug discovery platform technologies. The fund will establish fully-financed ventures to develop these “seeds,” providing comprehensive support for related business development.

### iii) Collaborative neurodegenerative drug discovery research with UCSF

In March 2014, Daiichi Sankyo concluded a joint research agreement with the Institute for Neurodegenerative Diseases (IND) at the University of California, San Francisco (UCSF). The collaboration will focus on the development of novel therapeutics and diagnostics for multiple neurodegenerative diseases. A research team from Venture Science Laboratories established in Daiichi Sankyo in April 2013 will be assigned to perform the drug discovery programs, exploring new therapeutics and diagnostics targeting neurodegenerative disorders such as Alzheimer's diseases.

Therapeutic area	Phase 1	Phase 2	Phase 3	Application
<b>Cardiovascular-Metabolics</b>	<ul style="list-style-type: none"> <li>■ <b>DS-7309</b> (Diabetes / Glucokinase activator)</li> <li>■ <b>DS-8500</b> (Diabetes / GPR119 agonist)</li> <li>■ <b>DS-1442</b> (Dyslipidemia / CETP inhibitor)</li> <li>■ <b>DS-1040</b> (Acute ischemic stroke / TAFIa inhibitor)</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>CS-3150 (JP)</b> (Hypertensive / DM nephropathy / MR antagonist)</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Prasugrel(JP)</b> (CS-747 / Ischemic stroke / anti-platelet agent)</li> <li>■ <b>Prasugrel (US)</b> (CS-747 / Sickle Cell Disease / anti-platelet agent)</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Prasugrel (JP)</b> (CS-747 / PCI / anti-platelet agent)</li> <li>■ <b>Edoxaban (US/EU / JP)</b> (DU-176b / AF / oral factor Xa inhibitor)</li> <li>■ <b>Edoxaban (US/EU / JP)</b> (DU-176b / VTE / oral factor Xa inhibitor)</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> <li>■ <b>DS-3032 (US)</b> (MDM2 inhibitor)</li> <li>■ <b>PLX7486(US)</b> (Fms / Trk inhibitor)</li> <li>■ <b>DS-8895(JP)</b> (Anti-EPHA2 antibody)</li> <li>■ <b>DS-8273(US)</b> (Anti DRS antibody)</li> <li>■ <b>PLX8394(US)</b> (BRAF inhibitor)</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Patritumab (US/EU)</b> (U3-1287 / anti-HER3 antibody)</li> <li>■ <b>Vemurafenib (US/EU)</b> (PLX4032 / BRAF inhibitor)</li> <li>■ <b>PLX3397 (US)</b> (Fms / Kit/Flt3-ITD inhibitor)</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Tivantinib (US/EU)</b> (ARQ 197 / HCC / Met inhibitor)</li> <li>■ <b>Denosumab (JP)</b> (AMG 162 / breast cancer adjuvant / anti-RANKL antibody)</li> <li>■ <b>Nimotuzumab (JP)</b> (DE-788 / Gastric cancer / anti-EGFR antibody)</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Denosumab (JP)</b> (AMG 162 / Giant Cell tumor / anti-RANKL antibody)</li> </ul>
<b>Others</b>	<ul style="list-style-type: none"> <li>■ <b>PLX5622</b> (Rheumatoid arthritis / FMS kinase inhibitor)</li> <li>■ <b>DS-1093</b> (Anemia of chronic kidney disease / HIF-PH inhibitor)</li> <li>■ <b>DS-3801</b> (Chronic constipation / GPR 38 agonist)</li> <li>■ <b>DS-1971</b> (Chronic pain)</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Mirogabalin (Global)</b> (DS-5565 / 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>Laninamivir (US/EU)</b> (CS-8958 / anti-influenza / Out-licensing with Biota)</li> <li>■ <b>Ioforminol (JP)</b> (GG-145 / X-ray contrast media/Angiography)</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Levofloxacin (JP)</b> (DR-3355 / anti-infection / new quinolone)</li> <li>■ <b>Denosumab (JP)</b> (AMG 162 / rheumatoid arthritis / anti-RANKL anti-body)</li> <li>■ <b>Hydromorphone</b> (DS-7113 / Narcotic analgesic / opioid mu-receptor regulator)</li> </ul>	

## 4) 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.

In April 2014, in a step toward optimizing the Group's domestic logistics organization, the distribution center operations of Daiichi Sankyo Logistics were outsourced to Yasuda Warehouse Co., Ltd.

For overseas, the Group's production facilities continued preparing for the launch of edoxaban in Western markets. The Group also focused on upgrading the production capacity and capabilities of Daiichi Sankyo's local manufacturing subsidiary in China. Meanwhile, the Group sought to optimize its global supply chain while working to reduce production and distribution costs.

**5) Corporate Social Responsibility (CSR) Activities**

Under the Daiichi Sankyo Group Corporate Conduct Charter, Daiichi Sankyo aims to conduct all the Group's business operations with integrity to fulfill its corporate social responsibility (CSR) by providing safe and reliable medicines and related services that are of significant value to society.

Daiichi Sankyo has defined its six core CSR domains as Compliance, Human Rights and Labor Practices, Communication, Environmental Management, Social Contribution, and Healthcare Access. The Group aims to enhance its activities in each of these domains on an ongoing basis.

As part of its commitment to integrity, Daiichi Sankyo also seeks to upgrade its stakeholder communications by improving disclosure of information related to environmental, social and governance (ESG) issues.

**(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 ¥49.2 billion on plants and equipment.

**(3) Status of Financing**

During the fiscal year under review, the Company issued unsecured straight bonds of ¥40.0 billion in total and obtained long-term borrowings of ¥101.0 billion from financial institutions for repayment of bonds and refinancing of the existing long-term borrowings.

**(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 remain a "Global Pharma Innovator" to support sustained growth. To this end, the Group has formulated its 5-Year Business Plan for fiscal 2013–2017, and is harnessing its collective resources to achieve the targets set under this plan.

Recognizing that business development in emerging markets is an essential to promoting the Group's medium-to-long-term growth, Daiichi Sankyo converted Ranbaxy into a consolidated subsidiary in 2008. On April 6, 2014, Daiichi Sankyo reached agreement with Sun Pharma on plans for the latter to merge Ranbaxy, in which Daiichi Sankyo will receive shares in Sun Pharma. Going forward, Daiichi Sankyo plans to pursue the further development of its business interests in emerging markets in partnership with Sun Pharma.

Daiichi Sankyo is reviewing its 5-Year Business Plan in light of this decision, based on a review of the Group's business strategy. An updated plan will be released in due course.

The major business issues facing Daiichi Sankyo are outlined below.

**1) Maintaining Growth in Sales of Olmesartan**

Amid fierce product-based competition, the Group plans to continue building the olmesartan franchise in Europe and the United States by seeking to maximize the efficiency of promotional efforts while expanding the drug's potential.

In other regions, the Group aims to expand sales further by developing combination formulations.

**2) Development of Edoxaban and Prasugrel as Blockbuster Drugs**

Daiichi Sankyo sees anticoagulant edoxaban as a next-generation mainstay product for the Group. Various regulatory applications have been filed in the United States, Japan and Europe to acquire indications for prevention of stroke or systemic embolism associated with atrial fibrillation (AF), as well as the treatment and inhibition of recurrent venous thromboembolism (VTE) in patients diagnosed with deep vein thrombosis or pulmonary embolism. The Group is preparing to launch edoxaban in all major markets based on the expectation that regulatory approval will be granted in fiscal 2014. Work is also underway to manage the product's life cycle and enhance its value by expanding indications for the drug with a view to supporting its long-term growth.

Daiichi Sankyo received manufacturing and marketing approval in Japan for the antiplatelet agent prasugrel (brand name: *Eflient*®) in March 2014. Going forward, the Group aims to achieve blockbuster status as quickly as possible through the wide spread promotion of the drug as a novel therapeutic option.

### 3) Sustaining Growth in the Japanese Market

Supported by a strong prescription drug portfolio, Daiichi Sankyo is focusing on expanding sales of its core products in the Japanese market as a means of improving the overall profitability of the Group.

With the core *Olmotec*® franchise, which spans a full line-up of variants to accommodate varying dosages, Daiichi Sankyo is working to secure new prescriptions by promoting the product's powerful and sustained efficacy in lowering blood pressure. At the same time, the Group is trying to reinforce the drug's competitive position by promoting switching to the combination drug *Rezaltas*® in cases where *Olmotec*® alone is not sufficiently efficacious. With *NEXIUM*®, the aim is to make the product the leader in its market segment by promoting its powerful efficacy in acid suppression. With *Memary*®, Daiichi Sankyo is working to secure new prescriptions by cultivating in the medical community of the benefits of treatment with *Memary*®, while also promoting its use in combination with established products such as donepezil.

Alongside the prescription drug business, the Group is focused on achieving market leadership in Japan by continuing to expand its vaccine operations in collaboration with Group subsidiaries Kitasato Daiichi Sankyo Vaccine Co., Ltd. and Japan Vaccine Co., Ltd., and its generic pharmaceutical business with Group subsidiary Daiichi Sankyo Espha Co., Ltd., while also seeking to improve the profitability of its OTC medicines business with subsidiary Daiichi Sankyo Healthcare Co., Ltd. By focusing in this way on increasing sales of core products, Daiichi Sankyo aims to improve the overall profitability of the Group.

### 4) Business Expansion into Emerging Markets

Based on the partnership with Sun Pharma, the Group strives to expand its business development in emerging markets, which are expected to generate strong growth in future years.

In addition, the Group plans to develop its business in China, Brazil and other emerging markets by launching new products through its local operations and upgrading its promotional capabilities in these markets.

### 5) Reinforcement of R&D

Daiichi Sankyo is continually seeking to reinforce its R&D capabilities, since these are the source of the innovative products that will support the Group's sustained growth as a Global Pharma Innovator.

In the 5-Year Business Plan (Fiscal 2013 to 2017), the Group established numerical targets throughout the process, from the initial phase of a clinical trial to obtaining drug approval and release of a new product, aiming at promoting effective and highly productive research and development activities.

The Group has focused on life cycle management for the anticoagulant edoxaban with the aim of securing regulatory approval for the drug in major markets by the end of March 2015. This approach includes developing additional indications to support the product's future sales growth.

The Group's R&D resources are focused on developing potential blockbuster candidates to succeed edoxaban. Clinical development plans for fiscal 2014 also include initiating of a Phase III clinical study of the pain medication Mirogabalin(DS-5565) and achieving further progress in various projects in the oncology field.

Separately, to ensure the creation of a competitive pipeline for new drugs, the Group is seeking to accelerate progress through its open innovation approach based on R&D collaboration with bio-ventures and academic researchers.

## **6) Achieving Higher Levels of Quality Assurance**

Ranbaxy Laboratories Ltd., which became a consolidated subsidiary in October 2008, signed a Consent Decree with the U.S. Food and Drug Administration (“FDA”) in January 2012 with regard to the quality control issue in its two plants in India and has been instituting measures to improve quality assurance with full support of the Company. In September 2013, the FDA issued a US export ban for Ranbaxy’s Mohali Facility, and in January 2014 placed a similar export ban on the Toansa Facility, which manufactures bulk drugs.

The FDA has raised QA issues related to Luitpold Pharmaceutical’s Shirley production facility since September 2011. During the year under review, Daiichi Sankyo conducted capital investments to resolve the issues and prepared the facilities for further inspections by the FDA. The Group is also planning to boost production capacity at the plant in due course.

Addressing this situation earnestly, Daiichi Sankyo continuously strives to regain the trust of drug approval regulatory authorities such as FDA with concerted efforts of the Group.

## **7) Vaccine Business**

In August 2011, subsidiary Kitasato Daiichi Sankyo Vaccine Co., Ltd. was selected to receive a grant from the Ministry of Health, Labour and Welfare in Japan for a cell culture vaccine production facility and vaccine development, which a part of the Ministry’s second initiative for H5N1 vaccine development and production capacity building. Kitasato Daiichi Sankyo has been working to build up production capacity to enable supply of sufficient vaccine for 40 million people within six months by the end of March 2014, but it has been unable to achieve this level of capacity due to insufficiently high production yields obtained in the vaccine antigen purification processes.

Going forward, in recognition of its social obligations and the vital contribution that such a vaccine could make to the health of the nation, the Group plans to focus its collective resources on modifying the production processes to achieve the required improvement in yields so that the targeted capacity for vaccine production can be realized as quickly as possible.

## **8) Improving Profitability**

The Group is working to improve profitability further through optimization of its organizational structures across every business division and region, while at the same time seeking to generate cost savings based on more efficient budgeting and stronger procurement functions.

Parallel efforts are continuing across the Group to reduce production costs, ensure optimal inventory levels and construct a global supply chain.



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

(Millions of yen, unless otherwise stated)

Account title	<b>Japanese GAAP</b>			
	Fiscal 2010 (6th fiscal period)	Fiscal 2011 (7th fiscal period)	Fiscal 2012 (8th fiscal period)	(Reference) Fiscal 2013 (9th fiscal period)
Net sales	967,365	938,677	997,852	1,118,764
Operating income	122,143	98,202	100,516	115,904
Ordinary income	131,762	76,217	99,147	105,016
Net income	70,121	10,383	66,621	65,650
Net income per share (yen)	99.62	14.75	94.64	93.26
Annual dividends per share (yen)	60	60	60	60
Total assets	1,480,240	1,518,479	1,644,071	1,813,954
Net assets	887,702	832,749	915,745	967,605

Account title	<b>IFRS</b>	
	(Reference) Fiscal 2012 (8th fiscal period)	Fiscal 2013 (Current fiscal year; 9th fiscal period)
Revenue	994,659	1,118,241
Operating profit	98,743	111,552
Profit before tax	95,861	99,775
Profit attributable to owners of the Company	64,027	60,943
Basic earnings per share (yen)	90.96	86.57
Annual dividends per share (yen)	60	60
Total assets	1,684,949	1,854,037
Total equity	938,480	1,007,527

Notes: 1. The Group prepared its consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRS") from the current fiscal year ended March 31, 2014, pursuant to provisions of Article 120, Paragraph 1 of the Corporate Accounting Rules.

Figures for Fiscal 2013 in accordance with Japanese GAAP and figures for Fiscal 2012 under IFRS are presented as comparative information for reference.

2. Basic earnings per share is calculated based on the average number of shares outstanding during the year, exclusive of the number of treasury shares.

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

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

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

## 1) Status of Material Subsidiaries:

Name of Group Company	Stated Capital (Millions of yen, unless otherwise stated)	Voting Rights Percentage (%)	Principal Business
Daiichi Sankyo Espha Co., Ltd.	450	100.00	Marketing of pharmaceuticals
Daiichi Sankyo Healthcare Co., Ltd.	100	100.00	Development, manufacture and marketing of healthcare (OTC) products
Daiichi Sankyo Propharma Co., Ltd.	100	100.00	Manufacture of pharmaceuticals
Daiichi Sankyo Chemical Pharma Co., Ltd.	50	100.00	Manufacture of pharmaceuticals
Asubio Pharma Co., Ltd.	50	100.00	Research and development of pharmaceuticals
Daiichi Sankyo RD 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	51.00	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.	2,118 million Indian Rupee	63.41	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 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 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>Artisi</i> ®
Daiichi Sankyo Company, Limited	UCB Japan Co., Ltd.	Japan	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 the treatment of 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 K.K.	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>Olmetec</i> ®
Luitpold Pharmaceuticals Inc.	Fresenius U.S.A. Manufacturing Inc.	U.S.A.	Exclusive sale in U.S.A. of the anemia treatment, <i>Venofer</i> ® for the End Stage Renal Disease (Stage V) patient population

**(8) The Group's Principal Branches, Plants and Laboratories (As of March 31, 2014)****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, Hiratsuka-shi, Kanagawa, and Tatebayashi-shi, Gunma
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), and Takatsuki Plant (Osaka)
Daiichi Sankyo Chemical Pharma Co., Ltd.	Plants	Hiratsuka Plant (Kanagawa) and Odawara Plant (Kanagawa)
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

**(9) The Group's Status of Employees (As of March 31, 2014)**

Number of Employees	Change from Previous Fiscal Year-End
32,791	562 (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.

**(10) Principal Lenders and the Amount of Loans (As of March 31, 2014)**

Lender	Outstanding amount of loans (Millions of yen)
Syndicated loan	160,000
Mizuho Bank, Ltd.	24,672
Nippon Life Insurance Company	11,000

Notes: 1. Syndicated loan is jointly financed by Mizuho Bank, Ltd. and 64 other financial institutions.

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

## 2. Status of Shares and Subscription rights to shares

### (1) Status of Shares (As of March 31, 2014)

- 1) Total Number of Authorized Shares: 2,800,000,000 shares
- 2) Total Number of Issued Shares: 709,011,343 shares (including 5,051,576 treasury shares)
- 3) Number of Shareholders: 118,816 (126,309 as of March 31, 2013)
- 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)	45,201	6.42
Japan Trustee Services Bank, Ltd. (trust account)	39,667	5.63
Nippon Life Insurance Company	36,717	5.22
JP Morgan Chase Bank 385147	17,335	2.46
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	14,402	2.05
Sumitomo Mitsui Banking Corporation	11,413	1.62
Employee stock ownership of Daiichi Sankyo Group	11,180	1.59
State Street Bank and Trust Company 505225	9,156	1.30
THE BANK OF NEW YORK 133522	8,890	1.26
Mizuho Bank, Ltd.	8,591	1.22

Note: Treasury shares (5,051,576 shares) are not included in the computing of equity stake.

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

Attribute of shareholders	Equity Stake	
	As of March 31, 2014	As of March 31, 2013
National government and local governments	0.00%	0.00%
Financial institution	39.77%	40.58%
Financial instrument firms	2.96%	3.43%
Other corporations	6.20%	6.45%
Foreign institutions and individuals	31.41%	28.73%
Individual investors and others	18.95%	20.09%
Treasury share	0.71%	0.71%

**(2) Status of Subscription rights to shares**

- 1) Status of Subscription rights to shares owned by Members of the Board 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 Subscription rights to shares (Issued on February 15, 2008)	No. 2 Subscription rights to shares (Issued on November 17, 2008)
Date of resolution on issuance	January 31, 2008	October 31, 2008
Grantees and number of grantees	Six Members of the Board of the Company (excluding Members of the Board (Outside))	Six Members of the Board of the Company (excluding Members of the Board (Outside))
Number of share options	271 units	443 units
Class and number of shares subject to Subscription rights to shares	27,100 shares of the ordinary share of the Company (100 shares per Subscription rights to shares)	44,300 shares of the ordinary share of the Company (100 shares per Subscription rights to shares)
Amount to be paid in for Subscription rights to shares	252,800 yen per Subscription rights to shares, see Note 1	134,200 yen per Subscription rights to shares, see Note 1
Value of property contributed upon exercise of Subscription rights to shares	100 yen per Subscription rights to shares	100 yen per Subscription rights to shares
Amount of stated capital to be increased when shares are issued upon exercise of Subscription rights to shares	1,265 yen per share	672 yen per share
Exercisable period for Subscription rights to shares	From February 16, 2008 to February 15, 2038	From November 18, 2008 to November 17, 2038
Conditions for exercise of Subscription rights to shares	Note 2	Note 2
Events and conditions for acquisition of Subscription rights to shares	Note 3	Note 3
	No. 3 Subscription rights to shares (Issued on August 17, 2009)	No. 4 Subscription rights to shares (Issued on August 19, 2010)
Date of resolution on issuance	July 31, 2009	July 30, 2010
Grantees and number of grantees	Six Members of the Board of the Company (excluding Members of the Board (Outside))	Six Members of the Board of the Company (excluding Members of the Board (Outside))
Number of Subscription rights to shares	714 units	958 units
Class and number of shares subject to Subscription rights to shares	71,400 shares of the ordinary share of the Company (100 shares per Subscription rights to shares)	95,800 shares of the ordinary share of the Company (100 shares per Subscription rights to shares)
Amount to be paid in for Subscription rights to shares	133,800 yen per Subscription rights to shares, see Note 1	119,700 yen per Subscription rights to shares, see Note 1
Value of property contributed upon exercise of Subscription rights to shares	100 yen per Subscription rights to shares	100 yen per Subscription rights to shares
Amount of stated capital to be increased when shares are issued upon exercise of Subscription rights to shares	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 Subscription rights to shares	Note 2	Note 2
Events and conditions for acquisition of Subscription rights to shares	Note 3	Note 3

	No.5 Subscription rights to shares (Issued on July 12, 2011)	No.6 Subscription rights to shares (Issued on July 9, 2012)
Date of resolution on issuance	June 27, 2011	June 22, 2012
Grantees and number of grantees	Six Members of the Board of the Company (excluding Members of the Board (Outside))	Six Members of the Board of the Company (excluding Members of the Board (Outside))
Number of Subscription rights to shares	1,074 units	1,456 units
Class and number of shares subject to Subscription rights to shares	107,400 shares of the ordinary share of the Company (100 shares per Subscription rights to shares)	145,600 shares of the ordinary share of the Company (100 shares per Subscription rights to shares)
Amount to be paid in for Subscription rights to shares	111,200 yen per Subscription rights to shares, see Note 1	88,400 yen per Subscription rights to shares, see Note 1
Value of property contributed upon exercise of Subscription rights to shares	100 yen per Subscription rights to shares	100 yen per Subscription rights to shares
Amount of stated capital to be increased when shares are issued upon exercise of Subscription rights to shares	557 yen per share	443 yen per share
Exercisable period for Subscription rights to shares	From July 13, 2011 to July 12, 2041	From July 10, 2012 to July 9, 2042
Conditions for exercise of Subscription rights to shares	Note 2	Note 2
Events and conditions for acquisition of Subscription rights to shares	Note 3	Note 3
	No.7 Subscription rights to shares (Issued on July 8, 2013)	
Date of resolution on issuance	June 21, 2013	
Grantees and number of grantees	Six Members of the Board of the Company (excluding Members of the Board (Outside))	
Number of Subscription rights to shares	1,044 units	
Class and number of shares subject to Subscription rights to shares	104,400 shares of the ordinary share of the Company (100 shares per Subscription rights to shares)	
Amount to be paid in for Subscription rights to shares	119,900 yen per Subscription rights to shares, see Note 1	
Value of property contributed upon exercise of Subscription rights to shares	100 yen per Subscription rights to shares	
Amount of stated capital to be increased when shares are issued upon exercise of Subscription rights to shares	600 yen per share	
Exercisable period for Subscription rights to shares	From July 9, 2013 to July 8, 2043	
Conditions for exercise of Subscription rights to shares	Note 2	
Events and conditions for acquisition of Subscription rights to shares	Note 3	

- Notes: 1. The above-mentioned Subscription rights to shares 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 Subscription rights to shares are as follows:
- Persons to whom share options are granted (hereinafter referred to as “holders of Subscription rights to shares”) may exercise their Subscription rights to shares 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 Member of the Board or Corporate Officer of the Company that they held when the Subscription rights to shares were granted (if the holders of Subscription rights to shares concurrently serve as Member of the Board and Corporate Officer, the day when they retired from office means the day when they retired from the office of Member of the Board, regardless of whether they continued to



hold the position of Corporate Officer; and if the holders of Subscription rights to shares served as Corporate Officer when the Subscription rights to shares were granted and if they took office as Member of the Board upon their retirement from office as Corporate Officer, the day when they retired from office means the day when they retired from office as Member of the Board, not the day when they retired from office as Corporate Officer).

- b. Holders of Subscription rights to shares may not dispose of the Subscription rights to shares by any means, including pledging.
  - c. When holders of Subscription rights to shares die, their heir may inherit the Subscription rights to shares 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 Subscription rights to shares, to be entered between the Company and holders of Subscription rights to shares.
  - d. When holders of Subscription rights to shares exercise their Subscription rights to shares, they may not partially exercise one Subscription rights to shares.
  - e. Other conditions are set force in the Agreement on Allotment of Subscription rights to shares, to be entered between the Company and holders of Subscription rights to shares, in accordance with the resolution of the Board of Directors.
3. Events and conditions for the acquisition of Subscription rights to shares are as follows:
- a. When holders of Subscription rights to shares 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 Subscription rights to shares held by the said holders of Subscription rights to shares 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 Subscription rights to shares held by the holders of Subscription rights to shares on the day separately determined by the Board of Directors.
  - c. When holders of Subscription rights to shares offer in writing to abandon all or part of their Subscription rights to shares, the Company may acquire, free of charge, the said Subscription rights to shares held by those holders of Subscription rights to shares on the day separately determined by the Board of Directors.

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

	No. 7 Subscription rights to shares (Issued on July 8, 2013)
Date of resolution on issuance	June 21, 2013
Grantees and number of grantees	17 Corporate Officers of the Company (excluding those who concurrently serve as Members of the Board)
Number of Subscription rights to shares	884 units
Class and number of shares subject to Subscription rights to shares	88,400 shares of the ordinary share of the Company (100 shares per Subscription rights to shares)
Amount to be paid in for Subscription rights to shares	119,900 yen per Subscription rights to shares, see Note 1
Value of property contributed upon exercise of Subscription rights to shares	100 yen per Subscription rights to shares
Amount of stated capital to be increased when shares are issued upon exercise of Subscription rights to shares	600 yen per share
Exercisable period for Subscription rights to shares	From July 9, 2013 to July 8, 2043
Conditions for exercise of Subscription rights to shares	Note 2
Events and conditions for acquisition of Subscription rights to shares	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 Members of the Board and Members of the Audit & Supervisory Board

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

1) Members of the Board and Members of the Audit & Supervisory Board (As of March 31, 2014)

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 and Non-Independent Director of Ranbaxy Laboratories Ltd.	Consolidated subsidiary
Joji Nakayama	Representative Director and President & CEO		
Takeshi Ogita	Member of the Board, Senior Executive Officer, Head of General Affairs & Human Resources Division and Head of Vaccine Business Intelligence Division of Japan Company		
Kazunori Hirokawa	Member of the Board, Senior Executive Officer, Head of Corporate Strategy Division, and Head of Business Intelligence Division, Japan Company	Non-Executive and Non-Independent Director of Ranbaxy Laboratories Ltd.	Consolidated subsidiary
Yuki Sato	Member of the Board, Senior Executive Officer, Head of Legal & CSR Division, and Head of Supply Chain Division		
Manabu Sakai	Member of the Board, Senior Executive Officer, Head of Corporate Management Division		
Hiroshi Hirabayashi	Member of the Board (Outside)	President of The Japan-India Association	No material relationship
		Vice President of The Japan Forum on International Relations, Inc.	
		External Director of Mitsui & Co., Ltd.	
		Outside Director of NHK Promotions Inc.	
		Outside Director of Toyoko Inn Co., Ltd.	

Name	Position and Assignments, etc.	Material Concurrent Positions	Relationship of companies where they have material concurrent positions, and the Company
Kunio Ishihara	Member of the Board (Outside)	Counselor of Tokio Marine & Nichido Fire Insurance Co., Ltd.	Kunio Ishihara is Counselor 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 Insurance 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.
		Outside Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd.	
		Outside Corporate Auditor of Tokyu Corporation	
		Vice Chairman, Director of Keidanren (Japan Business Federation)	
Ichiro Kanazawa	Member of the Board (Outside)	Dean of International University of Health and Welfare Graduate School	Ichiro Kanazawa is Dean of the International University of Health and Welfare Graduate School. The Company made a donation of approximately 12 million yen in fiscal 2013 to promote research at the International University of Health and Welfare and its affiliated hospitals.
Seiji Sugiyama	Member of the Board (Outside)	Vice Chairman of The Tokyo Chamber of Commerce and Industry	Seiji Sugiyama was President & CEO of Mizuho Bank, Ltd. The Company has taken out a loan with the Bank. The deposit and loan transactions between Mizuho 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.
		Special Advisor of The Japan Chamber of Commerce and Industry	
		Outside Audit & Supervisory Board Member of JFE Holdings, Inc.	
Kazuo Koike	Member of the Audit & Supervisory Board		
Takashi Chiba	Member of the Audit & Supervisory Board		
Akio Yamada	Member of the Audit & Supervisory Board (Outside)	Senior Advisor of Jones Day	No material relationship
		Outside Corporate Auditor of The Yokohama Rubber Co., Ltd	

Name	Position and Assignments, etc.	Material Concurrent Positions	Relationship of companies where they have material concurrent positions, and the Company
Shigeaki Ishikawa	Member of the Audit & Supervisory Board (Outside)	Lawyer of HOMMA & PARTNERS	No material relationship

## Notes:

1. In the above, Members of the Board (Outside) means a member of the board (outside) prescribed by Article 2, Item 15 of the Companies Act of Japan (“the Companies Act”) and Member of the Audit & Supervisory Board (Outside) means member of the audit & supervisory board (outside) prescribed by Article 2, Item 16 of the Companies Act.
2. The Company has designated all Members of the Board (Outside) (: Hiroshi Hirabayashi, Kunio Ishihara, Ichiro Kanazawa and Seiji Sugiyama) and Members of the Audit & Supervisory Board (Outside) (Akio Yamada and Shigeaki Ishikawa) as Independent Directors/ Auditors and filed them with the Tokyo Stock Exchange accordingly.
3. No Members of the Board or Members of the Audit & Supervisory Board retired or were removed during the fiscal year.

Member of the Board Tsutomu Une retired following the end of their tenure of office at the conclusion of the Ordinary General Meeting of Shareholders on June 21, 2013.

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

- Remuneration to Members of the Board is set in place so as to help maximize the value of the Company. 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 Members of the Board (Outside) 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 Members of the Board and Members of the Audit & Supervisory Board for the fiscal year ended March 31, 2014.

Classification	Members of the Board		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 Members of the Board (Outside) and Members of the Audit & Supervisory Board (Outside))	11 (4)	440 (60)	4 (2)	105 (30)	15 (6)	545 (90)
Members' of the Board bonuses (Excluding Members of the Board (Outside) and Members of the Audit & Supervisory Board)	6	105	-	-	6	105
Share remuneration-type stock option remuneration (Excluding Members of the Board (Outside) and Members of the Audit & Supervisory Board)	6	126	-	-	6	126
Total (Of which Members of the Board (Outside) and Members of the Audit & Supervisory Board (Outside))	11 (4)	669 (60)	4 (2)	105 (30)	15 (4)	774 (90)

- Notes: 1. The amount paid to Members of the Board does not include the portion of employee's salary for Members of the Board who concurrently serve as employees.
2. "Payment recipients" and "Amount paid" of "Remuneration (annual amount)," each "Total" of "Remuneration" and each "Total" of "Members of the Board" and each "Total" of "Total" for Members of the Board include those of the one Member of the Board who retired upon expiration of his term at the conclusion of the 8th Ordinary General Meeting of Shareholders held on June 21, 2013.
3. The total amount of remuneration paid to Members of the Board 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 Members of the Board 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. "Members' of the Board 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 Members of the Board" is approved at the 9th 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 (Subscription rights to shares), which were granted on July 8, 2013. 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 Members of the Board (Outside) and Members of the Audit & Supervisory Board (Outside)**

1) Relationship of Companies Where They Have Material Concurrent Positions, and the Company (As of March 31, 2014)

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

2) Major Activities During the Fiscal Year

Name	Position	No. of attendance	Major activities
Hiroshi Hirabayashi	Member of the Board (Outside)	Board of Directors Meeting 12/13 times (92%)	He spoke as needed based on his expertise and insight, developed through his global experience as a diplomat.
Kunio Ishihara	Member of the Board (Outside)	Board of Directors Meeting 12/13 times (92%)	He spoke as needed based on his expertise in risk management and insight developed through his management experience.
Ichiro Kanazawa	Member of the Board (Outside)	Board of Directors Meeting 10/13 times (77%)	He spoke as needed based on his expertise and insight as a doctor.
Seiji Sugiyama	Member of the Board (Outside)	Board of Directors Meeting 9/13 times (69%)	He spoke as needed based on his financial expertise and insight developed through his management experience.
Akio Yamada	Member of the Audit & Supervisory Board (Outside)	Board of Directors Meeting 13/13 times (100%) Meetings of the Audit & Supervisory Board 15/15 times (100%)	He spoke as needed based on his expertise and insight, developed through his extensive experience at administrative agencies.
Shigeaki Ishikawa	Member of the Audit & Supervisory Board (Outside)	Board of Directors Meeting 13/13 times (100%) Meetings of the Audit & Supervisory Board 15/15 times (100%)	He 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 Members of the Board (Outside) Hiroshi Hirabayashi, Kunio Ishihara, Ichiro Kanazawa and Seiji Sugiyama and Members of the Audit & Supervisory Board (Outside) 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	¥220 million
Total amount of money and other financial benefits that the Company and its subsidiaries should pay to Accounting Auditors	¥340 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

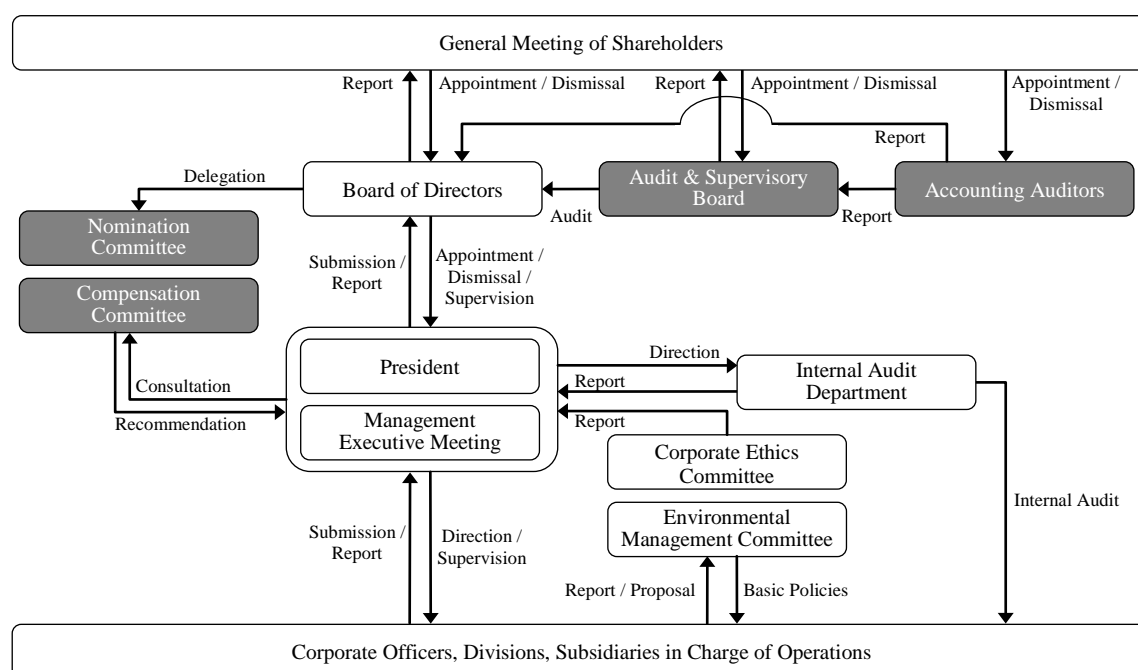
### (1) Systems and Policies on Corporate Governance

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.

#### 1) Corporate Governance System

- a. To clarify Members' of the Board 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 Members of the Board are brought in as Members of the Board (Outside).
- b. To ensure management transparency, the nomination of candidates for Member of the Board and Corporate Officer and compensation thereof are deliberated on by a Nomination Committee and a Compensation Committee, respectively, which are established as voluntary organizations. These Committees consist of at least three Members of the Board, of whom Members of the Board (Outside) form a majority, and are chaired by a Member of the Board (Outside).
- c. For audit of legal compliance and sound management, the Company has adopted an Audit & Supervisory Board system and established the Audit & Supervisory Board comprising four Members of the Audit & Supervisory Board, including two Members of the Audit & Supervisory Board (Outside).
- d. Aiming at further clarification of these efforts, the Board of Directors Meeting and the Meeting of the Audit & Supervisory Board held on March 31, 2014 resolved specific criteria on the judgment of independence of Members of the Board (Outside) and Members of the Audit & Supervisory Board (Outside) and basic matters regarding execution of duties by Members of the Board for contributing to the reinforcement of future corporate governance.
- e. 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.

#### <Overview of the corporate governance structure>





[Nomination Committee]

It is established to deliberate matters required for the nomination of Members of the Board and Corporate Officers at the request of the Board of Directors and contribute to the enhancement of management transparency.

[Compensation Committee]

It is established to deliberate matters required for a policy on compensation of Members of the Board and Corporate Officers at the request of the Board of Directors and contribute to the enhancement of management transparency.

[Corporate Ethics Committee]

It is established to promote management that complies with domestic and international laws and regulations as well as corporate ethics and fulfills corporate social responsibility.

[Environmental Management Committee]

It is established to promote environment-friendly and balanced management which contributes to sustainable society through its overall corporate activities.

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 Members of the Board 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 Members of the Board
  - 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 Members of the Board and employees and setting up a meeting body, including outside experts.
  - The Company shall appoint Members of the Board (Outside) for the strengthening and enhancement of the function to supervise management.
  - Members of the Audit & Supervisory Board shall audit the execution of duties by Members of the Board, 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 Members of the Board
  - The Company shall establish information security systems, and properly store and manage information relating to the execution of duties by Members of the Board, 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 Members of the Board
  - The Company shall form a Management Executive Meeting - consisting of Members of the Board, excluding Members of the Board (Outside), 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 Members of the Board and Member of the Audit & Supervisory Board and employees and setting up a meeting body, including outside experts.
  - Vice Presidents 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 Members of the Board
  - Full-time staffers assisting Members of the Audit & Supervisory Board shall be independent of Members of the Board, 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 Members of the Board and Employees and Other Systems Regarding Reporting to Members of the Audit & Supervisory Board
  - Members of the Board 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 Members of the Board, Vice Presidents, 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 Member of the Board 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 Members of the Board 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 Statement of Financial Position**  
(As of March 31, 2014)

(Millions of yen)

Item	8th Fiscal Period (for reference)	9th Fiscal Period
<b>[ASSETS]</b>		
<b>Current assets</b>		
Cash and cash equivalents	191,145	183,070
Trade and other receivables	262,851	269,194
Other financial assets	182,367	324,160
Inventories	173,828	189,408
Other current assets	19,593	24,769
Total current assets	829,786	990,603
<b>Non-current assets</b>		
Property, plant and equipment	290,648	316,304
Goodwill	84,738	85,518
Intangible assets	171,137	171,417
Investments accounted for using the equity method	4,775	2,624
Other financial assets	145,127	141,553
Deferred tax assets	141,950	122,550
Other non-current assets	16,785	23,464
Total non-current assets	855,162	863,433
<b>Total assets</b>	<b>1,684,949</b>	<b>1,854,037</b>

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

(Millions of yen)

Item	8th Fiscal Period (for reference)	9th Fiscal Period
<b>[LIABILITIES AND EQUITY]</b>		
<b>Current liabilities</b>		
Trade and other payables	225,873	245,422
Bonds and borrowings	66,073	160,326
Other financial liabilities	9,531	15,115
Income taxes payable	22,998	5,636
Provisions	59,872	22,702
Other current liabilities	40,207	11,985
Total current liabilities	424,556	461,188
<b>Non-current liabilities</b>		
Bonds and borrowings	200,742	263,289
Other financial liabilities	23,625	14,177
Post employment benefit liabilities	31,258	8,947
Provisions	1,385	3,747
Deferred tax liabilities	38,732	39,838
Other non-current liabilities	26,169	55,320
Total non-current liabilities	321,912	385,321
<b>Total liabilities</b>	<b>746,468</b>	<b>846,509</b>
<b>[EQUITY]</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	50,000	50,000
Capital surplus	105,194	105,267
Treasury shares	(14,460)	(14,408)
Other components of equity	85,067	121,753
Retained earnings	680,844	717,320
Total equity attributable to owners of the Company	906,645	979,933
<b>Non-controlling interests</b>		
Non-controlling interests	31,835	27,594
<b>Total equity</b>	<b>938,480</b>	<b>1,007,527</b>
<b>Total liabilities and equity</b>	<b>1,684,949</b>	<b>1,854,037</b>

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

**Consolidated Statement of Profit or Loss**  
**(From April 1, 2013 to March 31, 2014)**

(Millions of yen)

Item	8th Fiscal Period (for reference)	9th Fiscal Period
Revenue	994,659	1,118,241
Cost of sales	338,485	402,289
<b>Gross profit</b>	656,173	715,952
Selling, general and administrative expenses	373,037	413,187
Research and development expenses	184,393	191,212
<b>Operating profit</b>	98,743	111,552
Financial income	14,726	16,577
Financial expenses	17,220	26,928
Share of loss of investments accounted for using the equity method	387	1,426
<b>Profit before tax</b>	95,861	99,775
Income taxes	29,955	46,417
<b>Profit for the year</b>	65,906	53,357
<b>Profit attributable to:</b>		
Owners of the Company	64,027	60,943
Non-controlling interests	1,878	(7,585)

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

**Consolidated Statement of Changes in Equity**  
(From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Equity attributable to owners of the Company						
	Share capital	Capital surplus	Treasury shares	Other components of equity			
				Subscription rights to shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
<b>Balance as of April 1, 2013</b>	50,000	105,194	(14,460)	1,504	40,545	959	42,057
Profit for the year	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	39,708	(957)	7,969
<b>Total comprehensive income</b>	—	—	—	—	39,708	(957)	7,969
Acquisition of treasury shares	—	—	(31)	—	—	—	—
Disposal of treasury shares	—	—	83	(55)	—	—	—
Share-based payments	—	—	—	231	—	—	—
Dividends	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	(10,205)
Other	—	73	—	—	(1)	(2)	(0)
<b>Total transactions with the owners</b>	—	73	52	175	(1)	(2)	(10,205)
<b>Balance as of March 31, 2014</b>	50,000	105,267	(14,408)	1,680	80,252	—	39,821

	Equity attributable to owners of the Company				Non-controlling interests	Total equity
	Other components of equity		Retained earnings	Total equity attributable to owners of the Company		
	Remeasurements of defined benefit plans	Total other components of equity				
Balance as of April 1, 2013	—	85,067	680,844	906,645	31,835	938,480
Profit for the year	—	—	60,943	60,943	(7,585)	53,357
Other comprehensive income	7,592	54,312	—	54,312	2,962	57,275
Total comprehensive income	7,592	54,312	60,943	115,255	(4,623)	110,632
Acquisition of treasury shares	—	—	—	(31)	—	(31)
Disposal of treasury shares	—	(55)	(27)	0	—	0
Share-based payments	—	231	—	231	594	825
Dividends	—	—	(42,237)	(42,237)	—	(42,237)
Transfer from other components of equity to retained earnings	(7,592)	(17,798)	17,798	—	—	—
Other	—	(3)	—	70	(212)	(142)
Total transactions with the owners	(7,592)	(17,625)	(24,466)	(41,966)	381	(41,584)
Balance as of March 31, 2014	—	121,753	717,320	979,933	27,594	1,007,527

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

**Non-Consolidated Balance Sheet**  
(As of March 31, 2014)

(Millions of yen)

Item	8th Fiscal Period (for reference)	9th Fiscal Period
<b>[ASSETS]</b>	<b>1,174,292</b>	<b>1,296,974</b>
I. Current assets	485,925	613,412
Cash and time deposits	11,624	41,125
Trade notes receivable	388	203
Accounts receivable	175,954	184,735
Securities	132,976	238,944
Merchandise and finished goods	46,156	46,343
Raw materials	11,807	8,882
Prepaid expenses	1,675	1,422
Deferred tax assets	85,950	54,230
Short-term loans	5,775	11,287
Other receivables	9,210	20,152
Other current assets	4,407	6,083
II. Non-current assets	688,366	683,562
Property, plant and equipment	106,641	115,207
Buildings and structures	71,868	75,312
Machinery and equipment	1,920	2,286
Vehicles, tools, furniture and fixtures	8,393	10,266
Land	21,565	21,424
Lease assets	48	21
Construction in progress	2,843	5,896
Intangible assets	14,923	17,385
Patent right	5,217	3,839
Software	528	5,105
Other	9,177	8,440
Investments and other assets	566,801	550,969
Investment securities	114,971	104,616
Stocks of subsidiaries and affiliates	329,753	320,612
Investments in capital of subsidiaries and affiliates	106,479	105,826
Long-term loans	7,952	6,304
Prepaid pension costs	—	8,942
Deferred tax assets	2,843	—
Other assets	4,987	4,856
Allowance for doubtful accounts	(186)	(189)
<b>Total assets</b>	<b>1,174,292</b>	<b>1,296,974</b>

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



(Millions of yen)

Item	8th Fiscal Period (for reference)	9th Fiscal Period
<b>[LIABILITIES]</b>	370,717	473,110
I. Current liabilities	184,130	244,804
Accounts payable – trade	32,883	32,272
Short-term bonds payable	–	60,000
Short-term loans payable	20,000	30,000
Lease obligations	31	17
Accounts payable	43,274	41,181
Accrued expenses	27,650	45,262
Income taxes payable	17,364	62
Consumption taxes payable	2,952	2,164
Deposit received	37,098	32,848
Unearned revenue	1,060	161
Allowance for sales returns	137	133
Allowance for sales rebates	330	337
Provision for environmental measures	1,344	359
Other current liabilities	2	2
II. Non-current liabilities	186,587	228,306
Bonds payable	100,000	80,000
Long-term loans payable	70,000	141,000
Lease obligations	19	4
Long-term accounts payable	8,168	1,293
Accrued employees' severance and retirement benefits	3,353	–
Deferred tax liabilities	–	2,825
Other non-current liabilities	5,045	3,182
<b>[NET ASSETS]</b>	803,574	823,864
I. Shareholders' equity	768,659	790,899
Common stock	50,000	50,000
Capital surplus	663,959	663,931
Legal capital surplus	179,858	179,858
Other capital surplus	484,100	484,073
Retained earnings	69,161	91,376
Other retained earnings	69,161	91,376
Reserve for reduction entries for non-current assets	4,908	11,423
Retained earnings carried forward	64,253	79,952
Treasury stock, at cost	(14,460)	(14,408)
II. Valuation and translation adjustments	33,410	31,284
Net unrealized gain or loss on investment securities	33,410	31,284
III. Subscription rights to shares	1,504	1,680
<b>Total liabilities and net assets</b>	<b>1,174,292</b>	<b>1,296,974</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, 2013 to March 31, 2014)**

(Millions of yen)

Item	8th Fiscal Period (for reference)	9th Fiscal Period
Net sales	549,934	618,179
Cost of sales	171,796	192,950
Reversal of allowance for sales returns	–	3
Provision for allowance for sales returns	17	–
Gross profit	378,119	425,232
Selling, general and administrative expenses	341,369	359,703
Operating income	36,750	65,528
Non-operating income	30,344	39,451
Interest income	104	144
Interest on investment securities	160	249
Dividend income	23,954	31,080
Rent income	4,609	4,632
Foreign exchange gains	–	2,539
Other income	1,515	804
Non-operating expenses	5,345	5,425
Interest expense	511	641
Interest on bonds	1,357	1,506
Provision of allowance for doubtful accounts	1	5
Foreign exchange losses	932	–
Cost of lease revenue	1,592	1,844
Depreciation of inactive non-current assets	315	197
Other expenses	635	1,229
Ordinary income	61,748	99,554
Extraordinary income	10,208	30,952
Gain on sales of non-current assets	3,867	14,696
Gain on sales of investment securities	6,340	8,017
Gain on contribution of securities to retirement benefit trust	–	8,198
Other income	–	39
Extraordinary losses	3,792	26,314
Loss on disposal of non-current assets	2,114	1,079
Adjustments for intra-group transfer pricing	–	12,305
Loss on valuation of investments in affiliates	–	10,684
Loss on business restructuring	–	1,477
Provision for environmental measures	383	292
Loss on valuation of investment securities	35	185
Loss on sales of investment securities	661	–
Loss on impairment of long-lived assets	419	–
Other losses	178	291
Income before income taxes	68,164	104,192
Income taxes – current	18,280	979
Income taxes – deferred	(5,956)	38,760
Net income	55,841	64,452

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

**Non-Consolidated Statement of Changes in Net Assets**  
**(From April 1, 2013 to March 31, 2014)**

(Millions of yen)

	Shareholders' equity						
	Common stock	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings	
					Reserve for reduction entries for non-current assets	Retained earnings carried forward	
Balance at the beginning of current period	50,000	179,858	484,100	663,959	4,908	64,253	69,161
Changes of items during the period							
Provision of reserve for reduction entries for non-current assets	—	—	—	—	6,742	(6,742)	—
Reversal of reserve for reduction entries for non-current assets	—	—	—	—	(227)	227	—
Dividends from surplus	—	—	—	—	—	(42,237)	(42,237)
Net income	—	—	—	—	—	64,452	64,452
Purchase of treasury stock	—	—	—	—	—	—	—
Disposal of treasury stock	—	—	(27)	(27)	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—
Total changes of items during the period	—	—	(27)	(27)	6,515	15,699	22,215
Balance at the end of current period	50,000	179,858	484,073	663,931	11,423	79,952	91,376

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury stock, at cost	Total shareholders' equity	Net unrealized gain or loss on investment securities	Total valuation and translation adjustments		
Balance at the beginning of current period	(14,460)	768,659	33,410	33,410	1,504	803,574
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	—	(42,237)	—	—	—	(42,237)
Net income	—	64,452	—	—	—	64,452
Purchase of treasury stock	(31)	(31)	—	—	—	(31)
Disposal of treasury stock	83	55	—	—	—	55
Net changes of items other than shareholders' equity	—	—	(2,126)	(2,126)	175	(1,950)
Total changes of items during the period	52	22,240	(2,126)	(2,126)	175	20,289
Balance at the end of current period	(14,408)	790,899	31,284	31,284	1,680	823,864

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 12, 2014

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 statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the related notes of Daiichi Sankyo Company, Limited as at March 31, 2014 and for the year from April 1, 2013 to March 31, 2014 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 these consolidated financial statements in accordance with the latter part of Article 120-1 of the Ordinance of Companies Accounting that prescribes some omissions of disclosure items requires by International Financial Reporting Standards, 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 the latter part of Article 120-1 of the Ordinance of Companies Accounting that prescribes some omissions of disclosure items requires by International Financial Reporting Standards.

#### **Emphasis of Matter**

As discussed in "7. Notes Concerning Subsequent Events" in Notes to Consolidated Financial Statements, Ranbaxy Laboratories Limited, a consolidated subsidiary of the Company resolved at the Board of Directors meeting held on April 6, 2014 to merge with Sun Pharmaceutical Industries Ltd. The Company resolved to approve this merger in the Board of Directors meeting held on the same day.

This matter did not have any impact on our opinion.

#### **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.

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

**Independent Auditor's Report**

May 12, 2014

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 non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the related notes, and the supplementary schedules of Daiichi Sankyo Company, Limited as at March 31, 2014 and for the year from April 1, 2013 to March 31, 2014 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.

#### **Emphasis of Matter**

As discussed in "9. notes concerning subsequent events" in notes to non-consolidated financial statements, Ranbaxy Laboratories Limited, a consolidated subsidiary of the Company resolved at the Board of Directors meeting held on April 6, 2014 to merge with Sun Pharmaceutical Industries Ltd. The Company resolved to approve this merger in the Board of Directors meeting held on the same day.

This matter did not have any impact on our opinion.

#### **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.

## 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 Members of the Board performance of their duties during the 9th business year from April 1, 2013 to March 31, 2014, 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 Members of the Board 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 Members of the Board, 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 Members of the Board 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 Members of the Board, 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 Members of the Board and employees reports on the status of development and operation of such systems. Also, we have maintained good communications and exchanged information with Members of the Board, 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 (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and notes to non-consolidated financial statements), their annexed schedules and consolidated financial statements (consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity 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 Members of the Board 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 Members of the Board 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, 2014

Audit & Supervisory Board of Daiichi Sankyo Company, Limited

Member of the Audit & Supervisory Board	Kazuo Koike
Member of the Audit & Supervisory Board	Takashi Chiba
Member of the Audit & Supervisory Board (Outside)	Akio Yamada
Member of the Audit & Supervisory Board (Outside)	Shigeaki Ishikawa