

For Immediate Release

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Representative: Takashi Shoda, President and Representative Director  
(Code Number: 4568, First Section, Tokyo, Osaka, Nagoya Stock Exchanges)  
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## **Partial Correction to Consolidated Financial Results for the Fiscal Year Ended March 31, 2009 (Correction of Figures)**

**Tokyo, May 28, 2009** – Daiichi Sankyo Company, Limited (hereinafter “the Company”) today announces it has made partial corrections to the content of “Consolidated Financial Results for the Fiscal Year Ended March 31, 2009,” announced on May 12, 2009. Due to the numerous corrections, the parts that have been corrected are shown by underlined text in the appended “Consolidated Financial Results for the Fiscal Year Ended March 31, 2009,” which is the corrected version.

No changes have been made to the forecasts of the consolidated financial results for the first half and the full-year of fiscal year ending March 31, 2010, as well as dividend per share forecast for the same periods.

**Reason for correction** – The Company originally found it difficult for a ¥402,420 million component recorded in loss on valuation of stocks of subsidiaries and affiliates under extraordinary losses in the non-consolidated financial statements of the Company to be treated as a loss for tax purposes and as a result, this amount was treated as not deductible for tax purposes. However, following the “Q&A concerning loss on valuation of listed securities” issued by the National Tax Agency on April 3 this year, which clarified concrete criteria etc. for judgment periods concerning the recoverability of stock prices, the Company began re-examination to determine the appropriate accounting. Because this accounting treatment had a big impact on profit, the Company undertook a rigorous examination of the accounting treatment, including confirmation from external experts.

As a result of this examination, it was deemed appropriate for the said amount to be treated as a loss for tax purposes and corrections were made to figures in the consolidated financial statements, non-consolidated financial statements and related performance indices in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2009.”

## Overview of corrections

### Consolidated statement of income

	Consolidated fiscal year from April 1, 2008 to March 31, 2009		Change (B – A)
	Before (A)	After (B)	
Total selling, general and administrative expenses	539,426	538,879	(547)
Operating income	88,323	88,870	547
Ordinary income	54,621	55,168	547
Income (loss) before income taxes and minority interests	(308,810)	(308,262)	547
Total income taxes	40,581	(79,172)	(119,753)
Net income (loss)	(335,800)	(215,499)	120,301
Basic net income per share	(474.05)	(304.22)	169.83

### Consolidated balance sheet

	Consolidated fiscal year from April 1, 2008 to March 31, 2009		Change (B – A)
	Before (A)	After (B)	
Total current assets	756,481	783,506	27,025
Total non-current assets	628,443	711,093	82,650
Total assets	1,384,924	1,494,599	109,675
Total current liabilities	519,161	508,535	(10,626)
Total liabilities	616,609	605,982	(10,626)
Total shareholders' equity	774,157	894,459	120,301
Total net assets	768,315	888,617	120,301
Total liabilities and net assets	1,384,924	1,494,599	109,675
Net assets per share	1,055.14	1,226.04	170.90

The corrected version of “Consolidated Financial Results for the Fiscal Year Ended March 31, 2009,” can be downloaded from the following address:

<http://www.daiichisankyo.com/ir/archive/ser/index.html>

**FASF**

May 12, 2009

## Consolidated Financial Results for Fiscal 2008 (Year Ended March 31, 2009)

Listed company name: DAIICHI SANKYO COMPANY, LIMITED

Stock code number: 4568

Listed exchanges: Tokyo, Osaka, and Nagoya

URL: <http://www.daiichisankyo.com>

Representative: Mr. Takashi Shoda, President and Representative Director

Contact: Mr. Toshiaki Sai, General Manager, Corporate Communications

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Scheduled date of Ordinary General Meeting of Shareholders: June 26, 2009

Scheduled date of dividend payments: From June 29, 2009

Scheduled date of Securities Report filing: June 26, 2009

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

### 1. Consolidated Financial Results for Fiscal 2008 (from April 1, 2008 to March 31, 2009)

#### (1) Consolidated Financial Results

(Percent changes indicate changes from in the prior fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	Percent change	Millions of yen	Percent change	Millions of yen	Percent change	Millions of yen	Percent change
Fiscal 2008	842,147	(4.3)	<u>88,870</u>	<u>(43.3)</u>	<u>55,168</u>	<u>(67.4)</u>	<u>(215,499)</u>	—
Fiscal 2007	880,120	(5.3)	156,827	15.0	169,058	11.2	97,660	24.3

	Basic net income per share	Diluted net income per share	Return on equity	Ordinary income as a percentage of total assets	Operating income as a percentage of net sales
	Yen	Yen	%	%	%
Fiscal 2008	<u>(304.22)</u>	—	<u>(20.5)</u>	<u>3.7</u>	<u>10.6</u>
Fiscal 2007	135.35	135.34	7.8	10.8	17.8

Reference: Equity in earnings (losses) of subsidiaries and affiliates accounted for by the equity method:

Fiscal 2008: (¥212 million)

Fiscal 2007: (¥106 million)

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2008	<u>1,494,599</u>	<u>888,617</u>	<u>57.7</u>	<u>1,226.04</u>
Fiscal 2007	1,487,888	1,244,512	83.6	1,730.09

Reference: Equity:

Fiscal 2008: ¥863,050 million

Fiscal 2007: ¥1,243,876 million

### (3) Consolidated Cash Flows

	Net cash flows from operating activities	Net cash flows from investing activities	Net cash flows from financing activities	Cash and cash equivalents at the end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2008	78,383	(413,851)	98,055	177,769
Fiscal 2007	66,667	(49,437)	(82,898)	444,334

## 2. Dividends

	Dividend per share					Total dividend payments (Annual)	Dividend payout ratio (Consolidated)	Dividends as a percentage of net assets (Consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual			
(Record date)	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal 2007	—	35.00	—	35.00	70.00	50,328	51.7	4.0
Fiscal 2008	—	40.00	—	40.00	80.00	56,315	—	<u>5.4</u>
Fiscal 2009 (Forecast)	—	30.00	—	30.00	60.00		105.6	

Note: The capital surplus was used to fund part of the dividends paid for the fiscal year ended March 2009. Please refer to the details provided on page 5 under “Breakdown of Dividends Paid Out of Capital Surplus.”

## 3. Forecasts of Consolidated Financial Results for Fiscal 2009

(from April 1, 2009 to March 31, 2010)

(Percentages indicate changes over the same period in the prior fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Basic net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	465,000	14.4	41,000	(33.5)	17,000	(71.5)	8,000	(76.5)	11.36
Full year	960,000	14.0	96,000	<u>8.0</u>	69,000	<u>25.1</u>	40,000	—	56.82

Note: Please refer to the details provided on page 12 under “(5) Forecasts of Consolidated Financial Results for Fiscal 2009, 1. Results of Operations.”

## 4. Others

(1) Changes in significant subsidiaries during the fiscal year (resulting in a change in scope of consolidation):  
Yes

New: 2 companies: (Company names: Solrex Pharmaceuticals Co., Ranbaxy (Netherlands) B.V.)

Excluded: 0 companies: (Company name: -)

Note: Please refer to the details provided on page 13 under “2. State of the Group”

- (2) Changes in accounting principles, procedures or presentation related to the preparation of consolidated financial statements (i.e., items in the section of “Changes in the Basis for the Preparation of Consolidated Financial Statements”)

1) Changes due to adoption of new accounting standards: Yes

2) Changes other than those included in 1) above: No

Note: Please refer to the details provided on page 30 under “(7) Changes in the Basis of Presentation and Summary of Significant Accounting Policies for the Preparation of Consolidated Financial Statements, 4. Consolidated Financial Statements.”

- (3) Total number of common shares issued

- 1) Total number of common shares issued at the end of the fiscal year (including treasury stock):

Fiscal 2008: 709,011,343 shares

Fiscal 2007: 735,011,343 shares

- 2) Total number of shares in treasury at the end of the fiscal year:

Fiscal 2008: 5,074,868 shares

Fiscal 2007: 16,043,319 shares

Note: Please refer to page 42 under “(Per Share Information), (9) Notes to Consolidated Financial Statements, 4. Consolidated Financial Statements” regarding the number of shares used as the basis for the calculation of net income per share (consolidated).

## (Reference)

### Non-Consolidated Financial Results

#### Non-Consolidated Financial Results for Fiscal 2008 (from April 1, 2008 to March 31, 2009)

##### (1) Non-Consolidated Financial Results

(Percent changes indicate changes from in the prior fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	Percent change	Millions of yen	Percent change	Millions of yen	Percent change	Millions of yen	Percent change
Fiscal 2008	518,910	(9.1)	<u>37.151</u>	<u>(66.1)</u>	<u>36.675</u>	<u>(72.6)</u>	<u>(264.662)</u>	—
Fiscal 2007	571,057	—	109,719	—	133,660	—	82,882	—

	Basic net income per share	Diluted net income per share
	Yen	Yen
Fiscal 2008	<u>(373.63)</u>	—
Fiscal 2007	114.86	114.86

##### (2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2008	<u>1,142,126</u>	<u>753,274</u>	<u>65.9</u>	<u>1,069.39</u>
Fiscal 2007	1,301,903	1,143,723	87.8	1,590.43

Reference: Equity:

Fiscal 2008: ¥752,785 million

Fiscal 2007: ¥1,143,466 million

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

The forecasts of financial results and other forward-looking statements in this document reflect the rational judgments of management based on the information available at the time of publication. Actual business performance may differ substantially from forecast due to a variety of factors.

Please refer to page 12 for the forecast assumptions and related information under “(5) Forecasts of Consolidated Financial Results for Fiscal 2009, 1. Results of Operations.”

### Breakdown of Dividends Paid Out of Capital Surplus

The following provides a breakdown of the part of the dividends for the fiscal year ended March 2009 that was paid out of the capital surplus.

(Record date)	Fiscal year-end	Annual
	Yen	Yen
Dividend per share	40.00	40.00
	Millions of yen	Millions of yen
Total dividend payments	28,157	28,157

(Note) Proportional reduction in net assets: 3.1%

# 1. Results of Operations

## (1) Analysis of Results of Operations

### 1) Overview

Challenging conditions continued to prevail in the global pharmaceutical market during the fiscal year ended March 2009 (FY2008). A significant global economic downturn was augmented by the effects of governmental efforts to restrict medical expenditures and stricter regulatory approval standards, both of which dented growth in the market segment for new pharmaceuticals. The market share of generic products expanded further in developed nations.

Under such business conditions, the DAIICHI SANKYO Group (“the Group”) recorded consolidated net sales of ¥842.1 billion for the period under review, a year-on-year decline of 4.3%. Besides currency translation effects due to foreign exchange movements, the decrease in the Group’s net sales mainly reflected the change in fiscal year-end at European subsidiaries, which had boosted the previous year’s sales by ¥14.1 billion (sales originally generated in the period January–March 2007). These effects outweighed a contribution due to the consolidation of Ranbaxy Laboratories Limited (“Ranbaxy”) as a subsidiary during the year under review.

In terms of profitability, operating income declined 43.3% to ¥88.8 billion and ordinary income fell 67.4% to ¥55.1 billion. In addition to lower sales, the main factors included moves to expand overseas sales and marketing bases and sales and marketing expenses ahead of new product launches in the United States and Europe, as well as further proactive investment in research and development. In addition, as explained above, the previous year’s results had been boosted by extra three months’ profits from European subsidiaries, which had increased operating income, ordinary income and net income by ¥1.8 billion, ¥2.1 billion and ¥2.0 billion, respectively.

The Group posted a net loss of ¥215.4 billion (compared with net income of ¥97.6 billion in the previous year) as the result of recording ¥351.3 billion in extraordinary losses due to a one-time write-down of goodwill pertaining to the investment in Ranbaxy.

### 2) Geographical Segment Information

#### a. Japan

Net sales in Japan declined 11.4% in year-on-year terms to ¥529.7 billion.

The Group posted sales of prescription drugs of ¥416.7 billion, a decline of 4.7% in year-on-year terms. Although the Group recorded sales growth in excess of that of the corresponding market segment with a number of drugs, including the antihypertensive agents *Olmetec*® and *Calblock*®, *Urief*® (an agent for treatment of dysuria) and the anti-inflammatory analgesic *Loxonin*® brand, this was offset by declines in sales of the antihyperlipidemia agent *Mevalotin*® and the synthetic antibacterial agent *Cravit*®. Transfers of sales of certain in-licensed products and the NHI price revision also had an adverse effect.

Royalty income and exports to overseas licensees generated sales of ¥60.9 billion (down 19.3% year on year). This reflected the impact of a stronger yen and a reduction in exports of levofloxacin, a synthetic antibacterial agent.

In healthcare (OTC) products, sales were negatively affected by the sluggish pace of consumer spending and stalled growth in sales of Transino, a product for the amelioration of skin blemishes (specifically, melasma). Net sales of healthcare products totaled ¥47.2 billion, falling 6.2% in year-on-year terms.



## **b. North America**

Net sales in North America increased 7.2% year on year to ¥190.8 billion.

Although the shift toward a stronger yen affected sales due to translation effects, the Group recorded a further increase in sales in local currency terms. Contributors to growth included the antihypertensive agents *Benicar*® and *AZOR*®, the antihyperlipidemia agent *Welchol*® (after gaining an additional indication for the treatment of type 2 diabetes), and the anemia treatment *Venofer*®.

## **c. Europe**

Net sales in Europe of ¥77.4 billion were 0.7% lower than in the previous year, primarily due to the impact of the change in fiscal year-end at European subsidiaries. Net sales in real terms rose 21.3% year on year due to contributions from antihypertensive agents *Olmetec*® and *Sevikar*® and the osteoporosis treatment *Evista*®.

## **d. India and other regions**

Net sales in India and other regions totaled ¥44.1 billion, an increase of 69.4% compared with the previous year.

Sales of newly consolidated subsidiary Ranbaxy contributed ¥21.1 billion in the year under review. Excluding this figure and exceptional factors related to efforts to make non-pharmaceutical businesses independent of the Group, net sales in real terms grew 9.5% on a year-on-year basis. The principal drivers of sales growth were the antihypertensive agent olmesartan and levofloxacin.

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

Consolidated R&D expenses increased 12.9% year on year to ¥184.5 billion in the year under review. The ratio of R&D expenses to net sales was 21.9%.

The Group has focused investment in its four R&D core disease areas of thrombotic disorders, malignant neoplasm, diabetes mellitus, and autoimmune disorders/rheumatoid arthritis. The Group has established solid franchise areas of hypertension, bacterial infections and hypercholesterolemia/atherosclerosis, which constitute the present earnings base. In these areas, the Group is actively working to manage product lifecycles to maintain and expand revenues generated by mainstay products.

The antiplatelet agent *Efient*® was granted marketing authorization by the European Commission for the treatment of patients with acute coronary syndromes (ACS) undergoing percutaneous coronary intervention (PCI), and has already been launched in the U.K. and Germany. The drug also received a recommendation of approval from the U.S. FDA advisory committee meeting in February 2009. Phase III clinical trials to gain an additional indication for ACS patients not undergoing PCI also commenced in June 2008.

Phase III clinical trials for the oral factor-Xa inhibitor edoxaban (DU-176b) to gain an indication for the prevention of thromboembolic events in patients with atrial fibrillation began in November 2008 across 46 countries.

Phase III clinical trials for the anti-RANKL antibody inhibitor denosumab are underway in Japan for the indication of osteoporosis. A multinational Phase III clinical trial program is also in progress to study the drug's effects on bone metastasis of cancer.

In June 2008, as part of efforts to strengthen its presence in novel therapeutics in the oncology arena, the Group acquired all the shares of German biotech venture U3 Pharma AG (now U3 Pharma GmbH, "U3 Pharma"). U3 Pharma's anti-HER3 antibody U3-1287 is currently in Phase I development. Separately, in December 2008, the Group concluded an R&D alliance with U.S.-based ArQule, Inc. The latter firm's lead compound ARQ197, an agent for inhibiting malignant tumors, is currently in Phase II clinical trials.

Phase III clinical trials were completed in Japan for the anti-influenza drug CS-8958. The Company plans to submit

an application for regulatory approval during fiscal 2009.

#### **4) Collaboration with Ranbaxy and Invocation of AIP by FDA against Ranbaxy's Paonta Sahib Facility**

In September 2008, the U.S. FDA issued a warning letter that Ranbaxy's production facilities in India at Paonta Sahib and Dewas were in violation of U.S. current Good Manufacturing Practice and placed a ban on the importation of any products for the U.S. market from these two facilities. In February 2009, the FDA invoked its Application Integrity Policy (AIP) against the Paonta Sahib facility. An AIP is invoked when questions arise concerning the integrity and reliability of data in drug applications, and it requires the facility where the relevant data were obtained to re-apply for approval or to withdraw the application.

These regulatory actions could exert a significantly adverse impact on the Group. Under the direction of top management, the Company has established a joint taskforce comprising management of Ranbaxy and outside experts to take all steps necessary to resolve these issues.

Currently, the team is cooperating fully with the FDA to resolve these issues with the assistance of Company representatives. Every effort is being made to take the appropriate corrective measures.

Elsewhere, the Company has started working together with Ranbaxy on a number of projects. Olmesartan, a novel drug developed by the Company, went on sale in India by Ranbaxy in April 2009.

The Group's strategic aim remains to develop a hybrid business model that can cope with changing markets in both developed and emerging countries in order to generate sustainable growth.

## **(2) Analysis of Financial Position**

### **1) Assets, Liabilities and Net Assets**

As of March 31, 2009, net assets were ¥888.6 billion (down ¥355.8 billion from the previous year-end), total assets stood at ¥1,494.5 billion (up ¥6.7 billion from the previous year-end), and the equity ratio was 57.7% (83.6% for the previous year-end).

The decrease in net assets was due to the Company policy to return profits to shareholders, including share buybacks and dividend payment, as well as the decrease in the amount of valuation and translation adjustments, following the Japanese yen appreciation trend and the weakening stock market, negatively affected by the financial anxiety worldwide, as well as the write-down of goodwill related to Ranbaxy.

As the effects on total assets, while net assets decreased, borrowings were carried out to allocate for a part of funds to acquire Ranbaxy's shares, and assets owned by Ranbaxy and goodwill of Ranbaxy and U3 Pharma were included in total assets.

### **2) Status of Cash Flows**

Cash and cash equivalents decreased by ¥266.5 billion during the fiscal year ended March 31, 2009, to ¥177.7 billion. Cash flow status and its contributing factors are summarized as follows:

#### ***Cash Flows from Operating Activities***

Net cash provided by operating activities amounted to ¥78.3 billion, an increase of ¥11.7 billion compared with the previous year. Income before income taxes and minority interests turned negative, and this was only partly offset on a cash basis by the write-down of goodwill of ¥371.7 billion, a non-cash item. Consequently, operating cash inflow was down in year-on-year terms, but this was offset by the absence of retirement benefit expenses in relation to workforce resizing and personnel transfers to functional subsidiaries.

### ***Cash Flows from Investing Activities***

Net cash used in investing activities totaled ¥413.8 billion, an increase of ¥364.4 billion compared with the previous year. This reflected the cash acquisitions of shares in U3 Pharma and Ranbaxy. Another factor was a fall in year-on-year terms in revenues generated from transfers of shares in subsidiaries to spin off non-pharmaceutical businesses.

### ***Cash Flows from Financing Activities***

Net cash provided by financing activities amounted to ¥98.0 billion, compared with an outflow of ¥82.8 billion in the previous year. This was mainly due to the proceeds from loans to acquire shares in Ranbaxy, which offset the effects of higher dividend payments (up ¥10 per share in year-on-year terms) as well as share buybacks.

### ***Principal Cash Flow Indicators***

	Fiscal 2006	Fiscal 2007	Fiscal 2008
Equity ratio (%)	77.5	83.6	<u>57.7</u>
Market capitalization ratio (%)	160.8	142.3	<u>77.6</u>
Interest-bearing debt ratio (years)	0.06	0.00	2.26
Interest coverage ratio (times)	670.1	994.1	212.1

Equity ratio: total equity/total assets

Market capitalization ratio: total market capitalization/total assets

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

Interest coverage ratio: cash flows/interest paid

(Notes)

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

## **(3) Basic Policy on Profit Distribution and Dividends for Years Ended March 2009 and Ending March 2010**

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

The Company’s policy is to allocate a sum equivalent to 100% of net income earned in the three-year period of Fiscal 2007–9 to dividend payments and share buybacks.

In the year under review, although the Company posted a net loss of ¥215.4 billion after booking extraordinary losses due to a one-time write-down of goodwill related to Ranbaxy, the Company plans to pay a dividend of ¥80 per share, an increase of ¥10 in year-on-year terms.

The Company also purchased 15 million shares in treasury stock for a total of ¥45.7 billion during the year under review.

For fiscal 2009, the Company plans to pay a dividend of ¥60 per share, comprehensively considering the forecast for the period, investment s for strategic business development, and financial plan including repayment of the debt.

#### **(4) Business Risks**

The following section provides an overview of the principal risks that could negatively affect the business results and financial condition of the Group. Any forward-looking statements or projections contained in this overview represent the best judgment of management as of the end of the fiscal year ended March 31, 2009.

##### **1) Research and Development Risk**

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

##### **2) Manufacturing and Procurement Risk**

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

##### **3) Sales-Related Risk**

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

##### **4) Legal and Regulatory Risk**

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

##### **5) Intellectual Property Risk**

The business activities of the Group could be subject to restraint or dispute in an event of the infringement of the patents or other intellectual property rights of other parties. Conversely, infringement of the intellectual property rights of the Group by third parties could lead to a legal action by the Group to protect such rights. In either case, the resulting outcome could have a material impact on the Group's business results and financial position. In particular, due to the increasing use of generic products in developed countries, lawsuits and other challenges to Group-owned intellectual property could increase in prevalence.

##### **6) Environmental Risk**

Certain of the chemicals used in pharmaceutical research and manufacturing processes include substances with the

potential to exert a negative impact on human health and natural ecosystems. Any judgment that Group operations pose a risk of serious environmental impact in terms of soil contamination, air pollution or water pollution could adversely affect the Group's business results and financial position.

#### **7) Litigation-Related Risk**

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

#### **8) Financial Markets and Currency Fluctuation Risk**

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

In particular, Ranbaxy is significantly exposed to exchange rate movements between the Indian rupee and the U.S. dollar, which could exert a negative effect on the value of earnings derived from Ranbaxy's business and fund management operations.

#### **9) Risks Related to Operations of Ranbaxy**

The entry of Ranbaxy into the Group represents the hybrid business model as part of ongoing efforts to become a "Global Pharma Innovator." The investment in Ranbaxy is expected to play an important role in the Group's business strategy.

At the moment, however, Ranbaxy faces restrictions imposed by the U.S. FDA on two of its plants in India, not complying with FDA standards related to manufacturing management and quality management systems. If the resolution of this issue were to become protracted or the FDA imposed additional restrictions on Ranbaxy, this could have a severe impact on Ranbaxy's business prospects in the U.S. market over the medium and long term. In turn, this could have a negative impact on the Group's business results and financial position.

Moreover, the synergies anticipated by the Company from the acquisition of shares in Ranbaxy could fail to be realized if obstacles arise preventing the full implementation of Ranbaxy's original business plans due to changes in the operating environment or the competitive status of Ranbaxy, its relations with drug approval regulatory authorities worldwide, or its legal and regulatory compliance status in these countries.

#### **10) Other Risks**

Other risks besides those noted above that could have a negative impact on the Group's business results and financial position include the suspension of its business activities due to a major earthquake or other large-scale natural disaster, or to disruption caused by conflict or terrorism; the interruption of the Group's computer systems due to a network-mediated virus or other causes; unauthorized disclosures of confidential information; illegal or improper action by officers and employees; changes in stock prices and interest rates, or other risks related to funding procurement.

**(5) Forecasts of Consolidated Financial Results for Fiscal 2009** (From April 1, 2009 to March 31, 2010)

(Billions of yen)

	Fiscal 2008	Fiscal 2009	Amount change	Percentage change
Net sales	842.1	960.0	117.9	14.0
Operating income	<u>88.8</u>	96.0	<u>7.2</u>	<u>8.0</u>
Ordinary income	<u>55.1</u>	69.0	<u>13.9</u>	<u>25.1</u>
Net income (loss)	<u>(215.4)</u>	40.0	<u>255.4</u>	—

The Group expects that the global harsh market environment will last in the fiscal year ending March 2010, due to the slow growth of new drug market against the backdrop of the world-wide government measures to restrict medical spending and economic crisis these days although the NHI (National Health Insurance) drug price revision is not anticipated for the year.

Under these conditions, our consolidated net sales are projected to reach ¥960 billion in fiscal 2009, a year-on-year rise of 14.0%. This reflects the Group's expectation of (1) further growth of existing mainstay products centering on the consistent growth of *olmesartan*, (2) contribution of the new product *Effient*, and (3) full-term contribution of sales at Ranbaxy, which was consolidated from the fourth quarter of fiscal 2008.

In addition, the forecasts assume average exchange rates of ¥95 against the U.S. dollar and ¥120 against the euro, which would have depressed sales by approximately ¥32.0 billion compared with the actual rates that prevailed during the year ended March 2009.

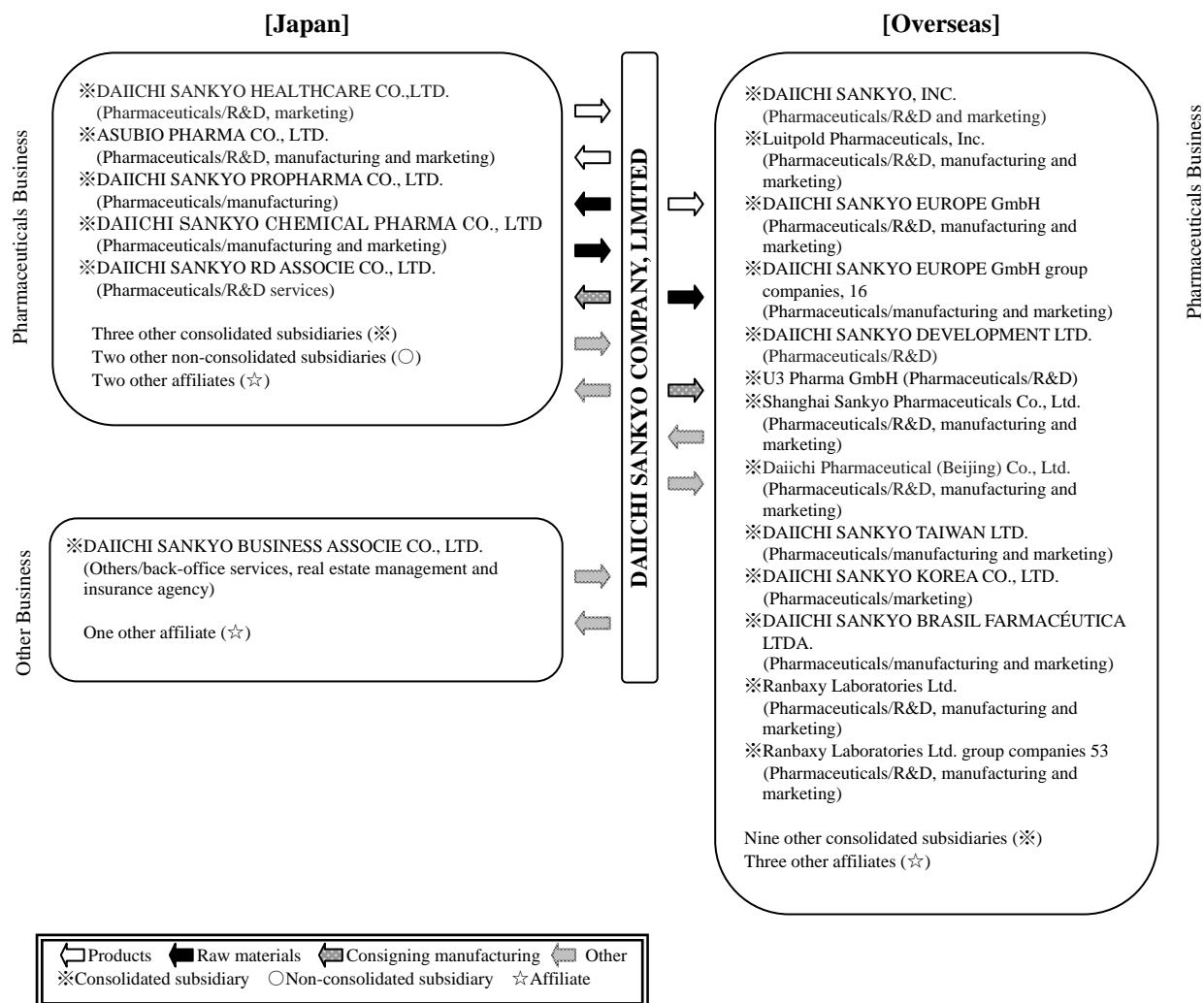
In spite of an increase in marketing and promotional costs related to the launch of *Effient* as well as a rise in research and development expenses in line with the progress of major development projects, the Group expects profits in fiscal 2009 to be higher by increased sales, strengthened initiatives to improve profit structures and other efforts. The Group forecasts operating income of ¥96.0 billion (up 8.0% in year-on-year terms) and ordinary income of ¥69.0 billion (up 25.1%).

For fiscal 2008, a net loss of ¥215.4 billion was recorded reflecting the write-down of goodwill related to Ranbaxy, charged to extraordinary losses. For fiscal 2009, the Group forecasts net income of ¥40.0 billion.

## 2. State of the Group

The DAIICHI SANKYO Group consists of DAIICHI SANKYO COMPANY, LIMITED, its 100 subsidiaries and 6 affiliates, for a total of 107 companies. The Group's principal business is the manufacture and sale of pharmaceuticals, etc.

The following chart illustrates the organization of the Group as of March 31, 2009.



**Subsidiaries and Affiliates** (“Company” in the table refers to DAIICHI SANKYO COMPANY, LIMITED.)

Name	Location	Capital (Millions of yen, except as noted)	Principal business operations	% of voting rights held [indirect holdings]	Relationship
<b>Consolidated subsidiaries</b>					
ASUBIO PHARMA CO., LTD.	Minato-ku, Tokyo	11,000	Pharmaceuticals	100.0	Concurrent directors Products supplied to Company Facility capital borrowed from Company
DAIICHI SANKYO HEALTHCARE CO., LTD.	Chuo-ku, Tokyo	100	Pharmaceuticals	100.0	Products supplied by Company Office space, etc. leased from Company
DAIICHI SANKYO PROPHARMA CO., LTD.	Chuo-ku, Tokyo	100	Pharmaceuticals	100.0	Concurrent directors Products supplied to Company Office space and factory land leased from Company
DAIICHI SANKYO CHEMICAL PHARMA CO., LTD	Hiratsuka-shi, Kanagawa	50	Pharmaceuticals	100.0	Concurrent directors Facility and operating capital borrowed from Company
DAIICHI SANKYO RD ASSOCIE CO., LTD.	Shinagawa-ku, Tokyo	50	Pharmaceuticals	100.0	Concurrent directors R&D subcontract work received from Company Office space leased from Company
DAIICHI SANKYO BUSINESS ASSOCIE CO., LTD.	Chuo-ku, Tokyo	50	Other	100.0	Concurrent directors Back-office operations subcontracted by Company Office space and rental property leased from Company Office space rented out to Company
DAIICHI SANKYO INC.	New Jersey, U.S.	24.9 million U.S. dollars	Pharmaceuticals	100.0	Concurrent directors Products supplied by Company Promotional and R&D functions subcontracted by Company Guarantee of payables by Company in line with the joint promotional agreement
Luitpold Pharmaceuticals, Inc.	New York, U.S.	200 thousand U.S. dollars	Pharmaceuticals	100.0 [100.0]	Concurrent directors
DAIICHI SANKYO EUROPE GmbH	Munich, Germany	16 million euros	Pharmaceuticals	100.0	Concurrent directors Products supplied by Company Manufacturing subcontract work received from Company Promotional and R&D functions subcontracted by Company Facility capital borrowed from Company
DAIICHI SANKYO UK LTD.	Buckinghamshire, UK	19.5 million GB pounds	Pharmaceuticals	100.0 [100.0]	
DAIICHI SANKYO EAPANA,S.A.	Madrid, Spain	120 thousand euros	Pharmaceuticals	100.0 [100.0]	
DAIICHI SANKYO ITALIA S.p.A.	Rome, Italy	120 thousand euros	Pharmaceuticals	100.0 [100.0]	
DAIICHI SANKYO PORTUGAL LDA.	Porto Salvo, Portugal	349 thousand euros	Pharmaceuticals	100.0 [100.0]	
DAIICHI SANKYO AUSTRIA GmbH	Vienna, Austria	18 thousand euros	Pharmaceuticals	100.0 [100.0]	
DAIICHI SANKYO (SCHWEIZ) AG	Thalwil, Switzerland	3 million Swiss Francs	Pharmaceuticals	100.0 [100.0]	
DAIICHI SANKYO BELGIUM N.V.-S.A.	Louvain-La- Neuve, Belgium	62 thousand euros	Pharmaceuticals	100.0 [100.0]	



Name	Location	Capital (Millions of yen, except as noted)	Principal business operations	% of voting rights held [indirect holdings]	Relationship
DAIICHI SANKYO DEUTSCHLAND GmbH	Munich, Germany	51 thousand euros	Pharmaceuticals	100.0 [100.0]	
DAIICHI SANKYO FRANCE SAS	Rueil Malmaison, France	7,182 thousand euros	Pharmaceuticals	100.0 [100.0]	
DAIICHI SANKYO DEVELOPMENT, LTD.	Buckinghamshire, U.K.	400 thousand GB pounds	Pharmaceuticals	100.0	Concurrent directors
Daiichi Pharmaceutical (Beijing) Co., Ltd.	Beijing, China	63,800 thousand US dollars	Pharmaceuticals	100.0	Concurrent directors Products supplied by Company R&D subcontract work received from Company Facility capital borrowed from Company
Shanghai Sankyo Pharmaceuticals Co., Ltd.	Shanghai, China	53,000 thousand US dollars	Pharmaceuticals	100.0	Concurrent directors Products supplied by Company Manufacturing subcontract work received from Company
DAIICHI SANKYO TAIWAN LTD.	Taipei, Taiwan	345 million NT dollars	Pharmaceuticals	100.0	Concurrent directors Products supplied by Company Products supplied to Company
DAIICHI SANKYO KOREA CO., LTD.	Seoul, Korea	3,000 million won	Pharmaceuticals	100.0	Concurrent directors
DAIICHI SANKYO BRASIL FARMACÉUTICA LTDA.	Sao Paulo, Brazil	34 million Real	Pharmaceuticals	100.0	Concurrent directors Products supplied by Company
Ranbaxy Laboratories Ltd.	Gurgaon, India	2,101.8 million INR	Pharmaceuticals	63.9	Concurrent directors
Rexcel Pharmaceuticals Ltd.	New Delhi, India	125 million INR	Pharmaceuticals	100.0 [100.0]	
Solus Pharmaceuticals Ltd.	New Delhi, India	149 million INR	Pharmaceuticals	100.0 [100.0]	
Solrex Pharmaceuticals Co.	New Delhi, India	3,414.1 million INR	Pharmaceuticals	100.0 [100.0]	
Ranbaxy (Netherlands) B.V.	Amsterdam, Netherlands	500 million US dollars	Pharmaceuticals	100.0 [100.0]	
Terapia S.A.	Cluj-Napoca, Romania	25 million RON	Pharmaceuticals	96.7 [96.7]	
Ranbaxy Inc.	New Jersey, U.S.	13 million US dollars	Pharmaceuticals	100.0 [100.0]	
Other 67 companies					
<b>Affiliated companies accounted for by the equity method</b>					
Sanofi Pasteur-Daiichi Sankyo Vaccines Co., Ltd.	Edogawa-ku, Tokyo	310	Pharmaceuticals	50.0	Concurrent directors Operating capital borrowed from Company Office space, etc. leased from Company
Hitachi Pharma Evolutions, Ltd.	Chiyoda-ku, Tokyo	250	Other	49.0	Concurrent directors Office space leased from Company
Other three companies					

(Notes)

1. The information under the principal business operations column indicates the name of operating segment used in the segments information, to which the respective entity belongs.
2. Among the afore-mentioned subsidiaries and affiliates, ASUBIO PHARMA CO., LTD., DAIICHI SANKYO PROPHARMA CO., LTD., Daiichi Pharmaceutical (Beijing) Co., Ltd., Shanghai Sankyo Pharmaceuticals Co., Ltd., Solrex Pharmaceuticals Co. and Ranbaxy (Netherlands) B.V. fall under the category of specified subsidiaries.
3. Figures in parentheses under the percentage of voting rights held column refer to the percentage of ownership held indirectly through other subsidiaries.

### 3. Management Policy

#### (1) Principal Management Policy

The corporate mission of the Group is to contribute to the enrichment of quality of life around the world through the creation and provision of innovative pharmaceuticals. Based on this mission, the Group is pursuing a range of business policies to realize the Group's vision for 2015 of becoming a "Global Pharma Innovator." This ambition incorporates the three strategic aspects of expanding operations internationally ("Global"), fulfilling unmet medical needs ("Pharma"), and not only promoting scientific and technological innovations, but also creating innovative business models ("Innovator").

In pursuit of this vision, the Group is determined to create three corporate values: economic value for shareholders through added value generated by strong growth; social value for the society by fulfilling a contributory role as a good corporate citizen; and human value by enhancing human development of the employees through proactive support for skill improvement.

#### (2) Business Performance Targets

In February 2007, the Group formulated the Vision for 2015 and published a related medium-term business management plan.

##### **Vision for 2015**

- Core vision  
To become a Global Pharma Innovator
- Performance targets
  - Net sales: ¥1,500 billion
  - Operating margin: 25% or more
  - Overseas sales ratio: 60% or more
- R&D core disease areas  
Established a global top-class pipeline in thrombotic disorders, malignant neoplasm diabetes mellitus, and autoimmune disorders/rheumatoid arthritis

##### **Core messages of medium-term business plan (FY2007–2009)**

- Expand and reinforce growth platform to achieve Vision for 2015
- Maximize synergies from business integration
- Significantly expand sales and marketing capabilities in the United States
- FY2009 goals: ¥960 billion in net sales, 25% operating margin, overseas sales ratio of 40% or more
- Proactively pursue shareholder returns
- Expand business through strategic investments

#### (3) Management Challenges

The Group is actively addressing the issues outlined below with the aim of becoming a Global Pharma Innovator.

##### **1) Boosting earnings power and improving profit structures to generate reliable and consistent growth**

The Group aims to raise sales and marketing productivity both in Japan and overseas and to realize further improvements in profit structures through a fundamental review of business processes alongside cost-reduction efforts.

## **2) Upgrading management to support global business development**

The Group plans to move toward a more highly evolved system of global management based along regional and functional lines.

## **3) Making steady progress with priority development projects and expanding drug discovery output in key therapeutic areas**

Key priorities are to pursue the global joint development of edoxaban, secure additional indications for *Efient*® and to keep the clinical development of denosumab on schedule. In the field of anti-cancer antibodies, the Group aims to generate drug discovery output in line with investment while further expanding and upgrading the R&D pipeline.

## **4) Building a cooperative set-up with Ranbaxy to realize a successful hybrid business model**

Establishing manufacturing and quality management systems at Ranbaxy is a top priority.

In addition, the Group plans to develop a cooperative set-up with Ranbaxy as early as possible covering value chain functions such as R&D and production.

Other plans include making effective use of Ranbaxy's global reach in sales and marketing activities.

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

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

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

## **(5) Litigation**

- 1) With local U.S. licensees as co-plaintiffs, the former Daiichi Pharmaceutical Co., Ltd. (now DAIICHI SANKYO, but then a subsidiary of the Company) filed a patent infringement lawsuit in a U.S. district court against a group of firms including the Mylan Group, which had filed an ANDA for a generic version of the synthetic antibacterial levofloxacin. Daiichi Pharmaceutical subsequently won this case in June 2006, securing judgments against the Mylan Group, Teva Pharmaceuticals and three other co-defendants. With regard to a patent infringement lawsuit filed separately against Lupin Pharmaceuticals in October 2006 in the U.S. District Court for the District of New Jersey, the Court ruled in favor of Daiichi Pharmaceutical in May 2009.
- 2) The former Sankyo Company, Limited (now DAIICHI SANKYO, but at that time a subsidiary of the Company) and its U.S. subsidiary, DAIICHI SANKYO, INC., filed a patent infringement lawsuit in July 2006 in the U.S. District Court for the District of New Jersey against the Mylan Group, which had filed an Abbreviated New Drug Application with the Food and Drug Administration seeking to market a generic version of *Benicar*® (generic name: olmesartan medoxomil). The lawsuit is based on the U.S. substance patent for olmesartan medoxomil owned by the former Sankyo (now DAIICHI SANKYO).

In June 2007, the Company and its U.S. subsidiary, DAIICHI SANKYO INC., filed a patent infringement lawsuit in the U.S. District Court for the District of New Jersey against Mylan Inc. which also had filed an application for a generic version of the antihypertensive *Benicar HCT*® (a combination drug containing olmesartan medoxomil and hydrochlorothiazide), which is marketed by DAIICHI SANKYO INC. in the United States. The lawsuit is based on the U.S. substance patent for olmesartan medoxomil owned by former Sankyo (now DAIICHI SANKYO).

- 3) The Company and its U.S. subsidiary, DAIICHI SANKYO INC., filed a patent infringement lawsuit in June 2008 in the U.S. District Court for the District of New Jersey against Matrix Laboratories Ltd. and its parent Mylan Inc. after Matrix had filed an ANDA for a generic version of the antihypertensive agent *Azor*® (a combination drug containing olmesartan medoxomil and amlodipine), which is marketed by DAIICHI SANKYO INC. in the United States. The lawsuit is based on the U.S. substance patent for olmesartan medoxomil owned by the former Sankyo (now DAIICHI SANKYO).
- 4) Based on the approved extensions to the Japanese substance and usage patents for the synthetic antibacterial *Cravit*® (generic name: levofloxacin), the Company filed patent infringement lawsuits to secure injunctions against the manufacture and sale in Japan of generic versions of this drug in March 2009 (against seven companies in the Tokyo District Court and six companies in the Osaka District Court) and in April 2009 (against nine companies in the Tokyo District Court and two companies in the Osaka District Court).

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2008	As of March 31, 2009
<b>ASSETS</b>		
Current assets		
Cash and time deposits	47,335	76,551
Trade notes and accounts receivable	166,980	195,512
Marketable securities	526,805	235,475
Inventories	98,158	—
Merchandise and finished goods	—	93,502
Work in process	—	14,496
Raw materials and supplies	—	31,477
Deferred tax assets	52,677	<u>76,747</u>
Other current assets	34,860	<u>60,761</u>
Allowance for doubtful accounts	(293)	(1,018)
Total current assets	<u>926,524</u>	<u>783,506</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	136,821	132,732
Machinery, equipment and vehicles, net	33,150	46,038
Land	33,116	42,358
Construction in progress	2,937	13,315
Other, net	15,239	15,669
Net property, plant and equipment	<u>221,266</u>	<u>250,113</u>
Intangible assets		
Goodwill, net	15,403	77,380
Other intangible assets, net	75,667	115,180
Total intangible assets	<u>91,070</u>	<u>192,560</u>
Investments and other assets		
Investment securities	216,038	153,727
Long-term loans	1,304	614
Prepaid pension costs	8,023	6,920
Deferred tax assets	5,995	<u>91,600</u>
Other	18,018	15,864
Allowance for doubtful accounts	(352)	(309)
Total investments and other assets	<u>249,028</u>	<u>268,418</u>
Total non-current assets	<u>561,364</u>	<u>711,093</u>
Total assets	<u>1,487,888</u>	<u>1,494,599</u>

(Millions of yen)

	As of March 31, 2008	As of March 31, 2009
<b>LIABILITIES</b>		
Current liabilities		
Trade notes and accounts payable	46,405	59,419
Short-term bank loans	68	264,345
Income taxes payable	18,682	<u>8,243</u>
Allowance for sales returns	754	589
Allowance for sales rebates	776	2,666
Allowance for contingent losses	226	–
Other current liabilities	127,599	173,271
Total current liabilities	<u>194,514</u>	<u>508,535</u>
Long-term liabilities		
Convertible bond-type bonds with subscription rights to shares	–	47,082
Long-term debt	18	15,852
Deferred tax liabilities	26,724	5,427
Accrued employees' severance and retirement benefits	6,781	10,589
Accrued directors' severance and retirement benefits	115	177
Provision for environmental measures	1,057	92
Other long-term liabilities	14,165	18,224
Total long-term liabilities	<u>48,862</u>	<u>97,447</u>
Total liabilities	<u>243,376</u>	<u>605,982</u>
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	50,000	50,000
Capital surplus	179,863	105,194
Retained earnings	1,025,144	<u>753,820</u>
Treasury stock at cost	(43,407)	(14,555)
Total shareholders' equity	<u>1,211,600</u>	<u>894,459</u>
Valuation and translation adjustments		
Net unrealized gain on investment securities	48,539	19,882
Deferred gains or losses on hedges	–	76
Foreign currency translation adjustments	(16,263)	(51,367)
Total valuation and translation adjustments	<u>32,276</u>	<u>(31,408)</u>
Subscription rights to shares	257	2,390
Minority interests	377	23,175
Total net assets	<u>1,244,512</u>	<u>888,617</u>
Total liabilities and net assets	<u>1,487,888</u>	<u>1,494,599</u>

## (2) Consolidated Statements of Income

	(Millions of yen)			
	Fiscal 2007 (For the year ended March 31, 2008)		Fiscal 2008 (For the year ended March 31, 2009)	
Net sales		880,120		842,147
Cost of sales	*1, *2	234,570	*1, *2	214,397
Gross profit		645,549		627,749
Selling, general and administrative expenses				
Advertising and promotional expenses		109,057		109,802
Salaries and bonuses		91,248		94,398
Severance and retirement costs		228		7,296
Research and development expenses	*2	163,472	*2	184,539
Other		124,715		<u>142,841</u>
Total selling, general and administrative expenses		488,722		<u>538,879</u>
Operating income		156,827		<u>88,870</u>
Non-operating income				
Interest income		8,577		6,326
Dividend income		3,285		3,148
Other income		5,120		2,788
Total non-operating income		16,983		12,263
Non-operating expenses				
Interest expense		128		1,916
Loss on valuation of derivatives		748		20,501
Foreign exchange losses		—		17,466
Equity in net losses of affiliated companies		106		212
Depreciation of inactive non-current assets		768		—
Cost of lease revenue		654		—
Other expenses		2,345		5,869
Total non-operating expenses		4,752		45,965
Ordinary income		169,058		<u>55,168</u>
Extraordinary income				
Gain on sales of non-current assets	*3	6,622	*3	2,238
Gain on liquidation of subsidiaries and affiliates		—		1,430
Gain on sales of investment securities		256		123
Reversal of allowance for doubtful accounts		481		6
Gain on sales of investments in affiliates		8,719		—
Gain on transition of retirement benefit plan		61		—
Total extraordinary income		16,140		3,799

	(Millions of yen)			
	Fiscal 2007 (For the year ended March 31, 2008)		Fiscal 2008 (For the year ended March 31, 2009)	
Extraordinary losses				
Loss on disposal of non-current assets	*4	2,161	*4	3,305
Amortization of goodwill		—	*5	354,390
Non-recurring depreciation on non-current assets		—	*6	3,233
Loss on impairment of long-lived assets		—	*7	3,062
Loss on valuation of investment securities		682		1,488
Provision for environmental measures		201		92
Loss on sales of investments in affiliates		—		15
Loss on business integration	*8	9,998		—
Loss on business restructuring	*9	2,247		—
Loss on litigation	*10	1,646		—
Provision for contingent losses	*11	157		—
Other		1,247		1,642
Total extraordinary losses		18,342		367,230
Income (loss) before income taxes and minority interests		166,856		<u>(308,262)</u>
Income tax expense — current		52,355		<u>29,241</u>
Income tax benefit — deferred		16,740		<u>(108,413)</u>
Total income taxes		69,095		<u>(79,172)</u>
Minority interests in net income (loss) of consolidated subsidiaries		99		(13,591)
Net income (loss)		97,660		<u>(215,499)</u>



### (3) Consolidated Statements of Changes in Net Assets

	(Millions of yen)	
	Fiscal 2007 (For the year ended March 31, 2008)	Fiscal 2008 (For the year ended March 31, 2009)
<b>SHAREHOLDERS' EQUITY</b>		
Common stock		
Balance at the end of previous period	50,000	50,000
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	50,000	50,000
Capital surplus		
Balance at the end of previous period	179,860	179,863
Changes of items during the period		
Gain on sale of treasury stock	2	(6)
Retirement of treasury stock	—	(74,661)
Total changes of items during the period	2	(74,668)
Balance at the end of current period	179,863	105,194
Retained earnings		
Balance at the end of previous period	971,483	1,025,144
Effect of changes in accounting policies applied to foreign subsidiaries	—	(1,364)
Changes of items during the period		
Cash dividends	(47,034)	(53,321)
Net income (loss)	97,660	<u>(215,499)</u>
Change of scope of consolidation	141	—
Change of scope of equity method	—	(1,138)
Increase by merger	2,893	—
Total changes of items during the period	53,661	<u>(269,959)</u>
Balance at the end of current period	1,025,144	<u>753,820</u>
Treasury stock, at cost		
Balance at the end of previous period	(9,997)	(43,407)
Changes of items during the period		
Purchase of treasury stock	(33,419)	(45,846)
Gain on sale of treasury stock	9	35
Retirement of treasury stock	—	74,661
Total changes of items during the period	(33,410)	28,851
Balance at the end of current period	(43,407)	(14,555)
Total shareholders' equity		
Balance at the end of previous period	1,191,346	1,211,600
Effect of changes in accounting policies applied to foreign subsidiaries	—	(1,364)
Changes of items during the period		
Cash dividends	(47,034)	(53,321)
Net income (loss)	97,660	<u>(215,499)</u>
Purchase of treasury stock	(33,419)	(45,846)
Gain on sale of treasury stock	12	29
Retirement of treasury stock	—	—
Change of scope of consolidation	141	—
Change of scope of equity method	—	(1,138)
Increase by merger	2,893	—
Total changes of items during the period	20,254	<u>(315,777)</u>
Balance at the end of current period	1,211,600	<u>894,459</u>

	(Millions of yen)	
	Fiscal 2007 (For the year ended March 31, 2008)	Fiscal 2008 (For the year ended March 31, 2009)
<b>VALUATION AND TRANSLATION ADJUSTMENTS</b>		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	72,358	48,539
Changes of items during the period		
Net changes of items other than shareholders' equity	(23,818)	(28,656)
Total changes of items during the period	(23,818)	(28,656)
Balance at the end of current period	48,539	19,882
Deferred gains or losses on hedges		
Balance at the end of previous period	—	—
Changes of items during the period		
Net changes of items other than shareholders' equity	—	76
Total changes of items during the period	—	76
Balance at the end of current period	—	76
Foreign currency translation adjustments		
Balance at the end of previous period	4,951	(16,263)
Changes of items during the period		
Net changes of items other than shareholders' equity	(21,215)	(35,104)
Total changes of items during the period	(21,215)	(35,104)
Balance at the end of current period	(16,263)	(51,367)
Total valuation and translation adjustments		
Balance at the end of previous period	77,310	32,276
Changes of items during the period		
Net changes of items other than shareholders' equity	(45,033)	(63,684)
Total changes of items during the period	(45,033)	(63,684)
Balance at the end of current period	32,276	(31,408)
<b>SUBSCRIPTION RIGHTS TO SHARES</b>		
Balance at the end of previous period	—	257
Changes of items during the period		
Net changes of items other than shareholders' equity	257	2,132
Total changes of items during the period	257	2,132
Balance at the end of current period	257	2,390
<b>MINORITY INTERESTS</b>		
Balance at the end of previous period	3,491	377
Changes of items during the period		
Net changes of items other than shareholders' equity	(3,113)	22,798
Total changes of items during the period	(3,113)	22,798
Balance at the end of current period	377	23,175

	(Millions of yen)	
	Fiscal 2007 (For the year ended March 31, 2008)	Fiscal 2008 (For the year ended March 31, 2009)
<b>TOTAL NET ASSETS</b>		
Balance at the end of previous period	1,272,148	1,244,512
Effect of changes in accounting policies applied to foreign subsidiaries	—	(1,364)
Changes of items during the period		
Cash dividends	(47,034)	(53,321)
Net income (loss)	97,660	<u>(215,499)</u>
Acquisition of treasury stock	(33,419)	(45,846)
Sale of treasury stock	12	29
Change of scope of consolidation	141	—
Change of scope of equity method	—	(1,138)
Increase by merger	2,893	—
Changes other than shareholders' equity, net	(47,889)	(38,753)
Total changes of items during the period	<u>(27,635)</u>	<u>(354,530)</u>
Balance at the end of current period	<u>1,244,512</u>	<u>888,617</u>

#### (4) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Fiscal 2007 (For the year ended March 31, 2008)	Fiscal 2008 (For the year ended March 31, 2009)
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	166,856	<u>(308,262)</u>
Depreciation	38,733	40,582
Loss on impairment of long-lived assets	–	3,062
Non-recurring depreciation on non-current assets	–	3,233
Amortization of goodwill	3,598	371,759
Loss on valuation of derivatives	–	20,501
Decrease in allowance for doubtful accounts	(394)	(207)
Increase (decrease) in accrued severance and retirement benefits	(26,833)	888
Decrease in prepaid pension costs	9,946	1,103
Interest and dividend income	(11,863)	(9,447)
Interest expense	128	1,922
Foreign exchange losses	–	10,411
Gain on sales of investment securities	(256)	(123)
Gain on sales of investments in affiliates	(8,719)	–
(Gain) loss on sales and disposal of property, plant and equipment	(4,460)	1,066
Equity in net losses of affiliated companies	106	212
Decrease in trade notes and accounts receivable	7,602	4,650
Increase in inventories	(4,538)	(2,072)
Decrease in trade notes and accounts payable	(259)	(308)
Increase (decrease) in accounts payable and accrued expenses	(54,056)	3,507
Other, net	80	<u>(14,545)</u>
Subtotal	115,669	127,932
Interest and dividends received	11,646	9,707
Interest paid	(128)	(648)
Income taxes paid	(60,520)	(58,607)
Net cash provided by operating activities	66,667	78,383

(Millions of yen)

	Fiscal 2007 (For the year ended March 31, 2008)	Fiscal 2008 (For the year ended March 31, 2009)
Cash flows from investing activities		
Purchases of time deposits	(2,052)	(25,000)
Proceeds from maturities in time deposits	992	2,990
Purchases of marketable securities	(166,334)	(120,671)
Proceeds from sales of marketable securities	142,973	169,180
Acquisitions of property, plant and equipment	(25,317)	(19,807)
Proceeds from sales of property, plant and equipment	8,363	2,946
Acquisitions of intangible assets	(26,269)	(24,795)
Acquisitions of investment securities	(28,392)	(12,741)
Proceeds from sales of investment securities	26,761	2,279
Acquisition of investments in subsidiaries	(753)	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	*2 (411,251)
Proceeds from sales of investments in consolidated subsidiaries resulting in changes in scope of consolidation	*3 22,259	30
Net decrease in short-term loans receivable	8,000	8,083
Payment for loans receivable	(150)	(506)
Proceeds from collection of loans receivable	858	1,232
Other, net	(10,376)	14,179
Net cash provided by (used in) investing activities	(49,437)	(413,851)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	(1,569)	196,241
Proceeds from long-term debt	—	1,267
Repayments of long-term debt	(809)	(191)
Purchases of treasury stock	(33,419)	(45,846)
Proceeds from sale of treasury stock	12	29
Dividends paid	(47,016)	(53,292)
Other, net	(95)	(152)
Net cash used in financing activities	(82,898)	98,055
Effect of exchange rate changes on cash and cash equivalents	(4,738)	(29,129)
Net increase (decrease) in cash and cash equivalents	(70,406)	(266,541)
Cash and cash equivalents, beginning of year	513,211	444,334
Increase (decrease) in cash and cash equivalents due to changes in scope of consolidation	501	(23)
Increase in cash and cash equivalents due to merger with unconsolidated subsidiaries	1,028	—
Cash and cash equivalents, at end of year	*1 444,334	*1 177,769

## (5) Note Related to Assumption of Going-Concern

Not applicable.

## (6) Basis of Presentation and Summary Accounting Policies for the Preparation of Consolidated Financial Statements

Item	Fiscal 2007 (For the year ended March 31, 2008)	Fiscal 2008 (For the year ended March 31, 2009)
1. Scope of Consolidation	<p>(1) Consolidated subsidiaries: 43</p> <p>Principal consolidated subsidiaries:</p> <p>In Japan</p> <p>ASUBIO PHARMA CO., LTD. DAIICHI SANKYO HEALTHCARE Co., Ltd. DAIICHI SANKYO PROPHARMA CO., LTD.</p> <p>Overseas</p> <p>DAIICHI SANKYO, INC. Luitpold Pharmaceuticals, Inc. DAIICHI SANKYO EUROPE GmbH</p> <p>The Company merged with Sankyo Co., Ltd. and Daiichi Pharmaceutical Co., Ltd. during the fiscal year ended March 31, 2008.</p> <p>The number of consolidated subsidiaries decreased by six as the result of the corporate realignments, which included the mergers of Daiichi Sankyo Healthcare Co., Ltd. with Zepharm Inc. and of Daiichi Sankyo Propharma Co., Ltd. with Daiichi Pharmatech Co., Ltd.</p> <p>Following the sale of shares and other actions, Daiichi Fine Chemical Co., Ltd. and one other subsidiary were excluded from the scope of consolidation from the beginning of the fiscal year ended March 31, 2008, but were included in the balance of retained earnings at the beginning of the fiscal year ended March 31, 2008. Following the sale or liquidation of shares, Nippon Nyukazai Co., Ltd. and four other firms were excluded from the scope of consolidation during the year.</p> <p>Due to their increased materiality, DAIICHI SANKYO BRASIL FARMACÉUTICA LTDA. and DAIICHI SANKYO VENEZUELA S.A. were newly included in the scope of consolidation from the fiscal year ended March 31, 2008.</p> <p>DAIICHI SANKYO CHEMICAL PHARMA CO., LTD., DAIICHI SANKYO INDIA PHARMA, Ltd. and two other companies were included in the scope of consolidation following its establishment in the fiscal year ended March 31, 2008</p> <p>(2) Non-consolidated subsidiaries (including Kyushu Juhi Kogyosho) are small and are not material when measured by the amounts of assets, sales, net income (based on the Company's ownership percentage), retained earnings (based on the Company's ownership percentage), and other indicators. They have therefore been excluded from the scope of consolidation.</p>	<p>(1) Consolidated subsidiaries: 98</p> <p>Principal consolidated subsidiaries:</p> <p>In Japan</p> <p>ASUBIO PHARMA CO., LTD. DAIICHI SANKYO HEALTHCARE Co., Ltd. DAIICHI SANKYO PROPHARMA CO., LTD.</p> <p>Overseas</p> <p>DAIICHI SANKYO, INC. Luitpold Pharmaceuticals, Inc. DAIICHI SANKYO EUROPE GmbH Ranbaxy Laboratories Limited</p> <p>DAIICHI SANKYO CHEMICAL PHARMA CO., LTD. merged with Sankyo Chemical Industries, Ltd. and Sankyo Organic Chemicals Co., Ltd. during the fiscal year ended March 31, 2009.</p> <p>Following related acquisitions, U3 Pharma AG (now U3 Pharma GmbH) and Ranbaxy Laboratories Ltd. along with its 53 consolidated subsidiaries were newly included in the scope of consolidation from the fiscal year ended March 31, 2009.</p> <p>DAIICHI SANKYO IRELAND LTD. and two other companies were included in the scope of consolidation following its establishment in the fiscal year ended March 31, 2009</p> <p>Following its dissolution, Laboratoires Daiichi Sanofi-Aventis was excluded from the scope of consolidation, effective from the fiscal year-end.</p> <p>(2) Same as Fiscal 2007</p>

Item	Fiscal 2007 (For the year ended March 31, 2008)	Fiscal 2008 (For the year ended March 31, 2009)
2. Application of the Equity Method	<p>(1) Non-consolidated subsidiaries accounted for under the equity method: 0</p> <p>Affiliated companies accounted for under the equity method: 4</p> <p>Names of principal company: Sanofi Pasteur Daiichi Vaccine Co., Ltd</p> <p>(2) Net income (based on the Company's equity percentage), retained earnings (based on the Company's equity percentage), and other indicators of those non-consolidated subsidiaries (including Kyushu Juhi Kogyosho) and affiliated companies (including Tokyo Yakugyo Kaikan Co., Ltd.) that have not been accounted for under the equity method are not material or significant for the Company as a whole. Therefore, these companies have not been accounted for under the equity method, but are rather reported in the Company's investment account under the cost method.</p>	<p>(1) Non-consolidated subsidiaries accounted for under the equity method: 0</p> <p>Affiliated companies accounted for under the equity method: 5</p> <p>Names of principal company: Sanofi Pasteur Daiichi Vaccine Co., Ltd</p> <p>(2) Net income (based on the Company's equity percentage), retained earnings (based on the Company's equity percentage), and other indicators of those non-consolidated subsidiaries (including Kyushu Juhi Kogyosho) and affiliated companies that have not been accounted for under the equity method are not material or significant for the Company as a whole. Therefore, these companies have not been accounted for under the equity method, but are rather reported in the Company's investment account under the cost method.</p>
3. Fiscal Year-End of Consolidated Subsidiaries	<p>The fiscal year-end of certain consolidated subsidiaries is December 31. In preparing the consolidated financial statements, the Company uses the financial statements of these companies as of their fiscal year-end. For major intervening transactions that occurred between the fiscal year-end of those companies and March 31, appropriate adjustments have been made in the consolidated financial statements.</p> <p>Name of subsidiaries that have fiscal year-end on December 31: Daiichi Pharmaceutical (Beijing) Co., Ltd., Shanghai Sankyo Pharmaceuticals Co., Ltd., DAIICHI SANKYO BRASIL FARMACÉUTICA Ltda. and 2 other subsidiaries.</p> <p>(Supplemental Information) DAIICHI SANKYO EUROPE GmbH and 11 Group subsidiaries, along with two other companies, changed their fiscal year-end from December 31 to March 31 effective this fiscal year.</p> <p>As a result, while the financial statements of these subsidiaries as of December 31, 2006 were used in the preparation of the Consolidated Financial Statements for the fiscal year ended March 2007, due to this change in fiscal year-end, the consolidated financial statements for the fiscal year ended March 2008 include 15-month results of these subsidiaries (for the period from January 1, 2007 to March 31, 2008).</p> <p>The net effect of this change in fiscal year-end on the consolidated statement of income for the fiscal year ended March 31, 2008 was an increase in net sales, operating income, ordinary income, income before income taxes and minority interests, and net income of ¥14,129 million, ¥1,886 million, ¥2,169 million, ¥2,161 million and ¥2,027 million, respectively.</p>	<p>Same as Fiscal 2007</p> <p>Name of subsidiaries that have fiscal year-end on December 31: Daiichi Pharmaceutical (Beijing) Co., Ltd. , Shanghai Sankyo Pharmaceuticals Co., Ltd., DAIICHI SANKYO BRASIL FARMACÉUTICA Ltda., Ranbaxy Laboratories Ltd. and other subsidiaries.</p>

Item	Fiscal 2007 (For the year ended March 31, 2008)	Fiscal 2008 (For the year ended March 31, 2009)
4. Amortization of Goodwill and Negative Goodwill	Goodwill is amortized in equal portions over periods of 5 or 10 years, but may be written off completely in the fiscal year when it arises if immaterial.	Goodwill is amortized in equal portions over the period deemed to be valuable (within 20 years), but may be written off completely in the fiscal year when it arises if immaterial.

Please note that the disclosure of information other than the “Scope of Consolidation,” “Application of the Equity Method,” “Fiscal Year-End of Consolidated Subsidiaries” and “Amortization of Goodwill and Negative Goodwill” is omitted herein because there were no significant changes to the Company’s most recent Securities Report (*yuka-shoken-hokokusho*) filed with the Financial Services Agency on June 27, 2008. For such information, please refer to the relevant section of the Securities Report.

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

##### **Fiscal 2007** (For the year ended March 31, 2008)

Not applicable.

##### **Fiscal 2008** (For the year ended March 31, 2009)

(Accounting treatment of overseas subsidiaries in preparation of consolidated financial statements)

Effective from the fiscal year ended March 31, 2009, the Company adopted PITF No. 18 “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” as published by the Accounting Standards Board of Japan (ASBJ) on May 17, 2006.

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

(Accounting standards applied to lease transactions)

Finance lease transactions not transferring ownership were previously treated as rental transactions for accounting purposes. Effective from the fiscal year ended March 31, 2009, the Company adopted the “Accounting Standard for Lease Transactions” (ASBJ Statement No.13: originally published by the First Subcommittee of the Business Accounting Council on June 17, 1993 and later revised on March 30, 2007) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No.16: published by the Accounting Systems Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994, and later revised on March 30, 2007). Under the revised standard, such leases are treated as ordinary commercial transactions for accounting purposes.

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



## (8) Changes in Presentation

Fiscal 2007 (For the year ended March 31, 2008)	Fiscal 2008 (For the year ended March 31, 2009)
<p><b>Consolidated Balance Sheets</b></p> <p>Following a change in accounting standards caused by the promulgation of the Financial Instruments and Exchange Law, the presentation of “Negotiable certificates of deposit” (which had been included in “Cash and time deposits” in the fiscal year ended March 31, 2007) and “Mortgage-backed securities” (which had been listed as a separate line item) was altered. Effective from the fiscal year ended March 31, 2008, both items were included in “Marketable securities.”</p> <p>“Negotiable certificates of deposit” amounted to ¥60,000 million as of March 31, 2007 and ¥45,000 million as of March 31, 2008.</p> <p>“Mortgage-backed securities” amounted to ¥15,000 million as of March 31, 2008.</p> <p>In the prior year, the Company identified “Accounts payable” as a separate category of current liabilities. However, because these assets declined to less than 5 percent of total liabilities and net assets, they have been included in the “others” category of current liabilities effective from the fiscal year ended March 31, 2008.</p> <p>“Accounts payable” amounted to ¥56,728 million as of March 31, 2008.</p>	<p><b>Consolidated Balance Sheets</b></p> <p>As the Cabinet Office Ordinance Partially Revising Regulation for Financial Statements, etc. (Cabinet Office Ordinance No. 50 of August 7 of 2008) was adopted, “Inventories” for the fiscal year ended March 31, 2008 was separately presented as “Merchandise and finished goods,” “Work in process,” and “Raw materials and supplies,” effective from the fiscal year ended March 31, 2009.</p> <p>“Merchandise and finished goods,” “Work in process,” and “Raw materials and supplies,” which were presented aggregately in “Inventories” for the fiscal year ended March 31, 2008 were ¥65,947 million, ¥14,660 million and ¥17,550 million, respectively.</p>
<p><b>Consolidated Statements of Income</b></p> <p>“Cost of lease revenue” which was included in “Other expenses” of non-operating expenses in the fiscal year ended March 31, 2007, was presented as a separate line item for the fiscal year ended March 31, 2008 due to increased materiality of the item.</p> <p>“Cost of lease revenue,” which was included in “Other expenses” of non-operating expenses in the fiscal year ended March 31, 2007, amounted to ¥355 million.</p> <p>“Depreciation of inactive non-current assets” in non-operating expenses, which was included in “Other expenses” in the fiscal year ended March 31, 2007, was presented as a separate line item for the fiscal year ended March 31, 2008 as the amount exceeded 10% of total non-operating expenses for the fiscal year.</p> <p>“Depreciation of inactive non-current assets,” which was included in “Other expenses” of non-operating expenses in the fiscal year ended March 31, 2007, amounted to ¥23 million.</p>	<p><b>Consolidated Statements of Income</b></p> <p>“Foreign exchange losses” in non-operating expenses, while foreign exchange gains was included in “Other income” of non-operating income in the fiscal year ended March 31, 2008, was presented as a separate line item for the fiscal year ended March 31, 2009 as the amount exceeded 10% of total non-operating expenses for this fiscal year.</p> <p>“Foreign exchange gains,” which was included in “Other income” of non-operating income for the fiscal year ended March 31, 2008, amounted to ¥535 million.</p> <p>“Depreciation of inactive non-current assets” and “Cost of lease revenue,” which were presented as separate line items of non-operating expenses for the fiscal year ended March 31, 2008, were included in “Other expenses” for the fiscal year ended March 31, 2009 because each of these amounts was less than 10% of total non-operating expenses for this fiscal year.</p> <p>In the fiscal year ended March 31, 2009, “Depreciation of inactive non-current assets” and “Cost of lease revenue” totaled ¥689 million and ¥531 million, respectively.</p>
<p>_____</p>	<p><b>Consolidated Statements of Cash Flows</b></p> <p>“Loss (gain) on valuation of derivatives” (totaling ¥748 million in the previous fiscal year) and “Foreign exchange losses (gains)” (totaling ¥42 million in the previous fiscal year), which were included in “Other, net” in “Cash flows from operating activities” in the fiscal year ended March 31, 2008, were each presented as separate line items for the fiscal year ended March 31, 2009 due to increases in materiality.</p>

## (9) Notes to Consolidated Financial Statements

### (Notes to Consolidated Statements of Income)

Fiscal 2007 (Year ended March 31, 2008)	Fiscal 2008 (Year ended March 31, 2009)																				
<p>*1. The book values of inventories that have been written-down to reflect the decline of profitability. The following amount of inventory write-downs was included in "Cost of sales." ¥2,992 million</p>	<p>*1. The book values of inventories that have been written-down to reflect the decline of profitability. The following amount of inventory write-downs was included in "Cost of sales." (¥2,413 million)</p>																				
<p>*2. Breakdown of research and development expenses included in selling, general and administrative expenses and manufacturing overhead expenses (Millions of yen)</p> <table> <tr> <td>Selling, general and administrative expenses</td><td>163,472</td></tr> <tr> <td>Manufacturing overhead expenses</td><td>—</td></tr> </table>	Selling, general and administrative expenses	163,472	Manufacturing overhead expenses	—	<p>*2. Breakdown of research and development expenses included in selling, general and administrative expenses and manufacturing overhead expenses (Millions of yen)</p> <table> <tr> <td>Selling, general and administrative expenses</td><td>184,539</td></tr> <tr> <td>Manufacturing overhead expenses</td><td>—</td></tr> </table>	Selling, general and administrative expenses	184,539	Manufacturing overhead expenses	—												
Selling, general and administrative expenses	163,472																				
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Selling, general and administrative expenses	184,539																				
Manufacturing overhead expenses	—																				
<p>*3. Breakdown of gain on sales of non-current assets (Millions of yen)</p> <table> <tr> <td>Buildings and structures</td><td>157</td></tr> <tr> <td>Machinery, equipment and vehicles</td><td>20</td></tr> <tr> <td>Land</td><td>6,430</td></tr> <tr> <td>Other property, plant and equipment</td><td>13</td></tr> </table>	Buildings and structures	157	Machinery, equipment and vehicles	20	Land	6,430	Other property, plant and equipment	13	<p>*3. Breakdown of gain on sales of non-current assets (Millions of yen)</p> <table> <tr> <td>Buildings and structures</td><td>30</td></tr> <tr> <td>Machinery, equipment and vehicles</td><td>72</td></tr> <tr> <td>Land</td><td>2,119</td></tr> <tr> <td>Other property, plant and equipment</td><td>0</td></tr> <tr> <td>Other intangible assets</td><td>15</td></tr> </table>	Buildings and structures	30	Machinery, equipment and vehicles	72	Land	2,119	Other property, plant and equipment	0	Other intangible assets	15		
Buildings and structures	157																				
Machinery, equipment and vehicles	20																				
Land	6,430																				
Other property, plant and equipment	13																				
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Machinery, equipment and vehicles	72																				
Land	2,119																				
Other property, plant and equipment	0																				
Other intangible assets	15																				
<p>*4. Breakdown of loss on disposal of non-current assets (Millions of yen)</p> <table> <tr> <td>Buildings and structures</td><td>711</td></tr> <tr> <td>Machinery, equipment and vehicles</td><td>483</td></tr> <tr> <td>Land</td><td>78</td></tr> <tr> <td>Construction in progress</td><td>60</td></tr> <tr> <td>Other property, plant and equipment</td><td>236</td></tr> <tr> <td>Other intangible assets</td><td>19</td></tr> </table>	Buildings and structures	711	Machinery, equipment and vehicles	483	Land	78	Construction in progress	60	Other property, plant and equipment	236	Other intangible assets	19	<p>*4. Breakdown of loss on disposal of non-current assets (Millions of yen)</p> <table> <tr> <td>Buildings and structures</td><td>1,067</td></tr> <tr> <td>Machinery, equipment and vehicles</td><td>423</td></tr> <tr> <td>Other property, plant and equipment</td><td>187</td></tr> <tr> <td>Other intangible assets</td><td>0</td></tr> </table>	Buildings and structures	1,067	Machinery, equipment and vehicles	423	Other property, plant and equipment	187	Other intangible assets	0
Buildings and structures	711																				
Machinery, equipment and vehicles	483																				
Land	78																				
Construction in progress	60																				
Other property, plant and equipment	236																				
Other intangible assets	19																				
Buildings and structures	1,067																				
Machinery, equipment and vehicles	423																				
Other property, plant and equipment	187																				
Other intangible assets	0																				
<p>In addition, expenses for retirement of non-current assets totaled ¥572 million.</p>	<p>In addition, expenses for retirement of non-current assets totaled ¥1,625 million.</p>																				
<p>*5. _____</p>	<p>*5. Amortization of goodwill The Company recognized a loss related to the write-down of shares in an affiliate in its financial statements for the fiscal year ended March 31, 2009 to reflect the fact that the market price at the fiscal year-end for the shares of consolidated subsidiary Ranbaxy Laboratories Ltd. had fallen below 50% of the purchase cost. The Company has amortized goodwill at its consolidation in relation to this acquisition.</p>																				
<p>*6. _____</p>	<p>*6. Non-recurring depreciation on non-current assets In line with an accounting revision made to the useful lives of fixed assets following a decision to retire certain facilities of the Company and its domestic consolidated subsidiaries, the Company wrote off the difference in the book value of these assets before and after this revision. The breakdown of this amounts is as following: (Millions of yen)</p> <table> <tr> <td>Buildings and structures</td><td>3,220</td></tr> <tr> <td>Machinery, equipment and vehicles</td><td>1</td></tr> <tr> <td>Other property, plant and equipment</td><td>10</td></tr> </table>	Buildings and structures	3,220	Machinery, equipment and vehicles	1	Other property, plant and equipment	10														
Buildings and structures	3,220																				
Machinery, equipment and vehicles	1																				
Other property, plant and equipment	10																				

Fiscal 2007 (Year ended March 31, 2008)	Fiscal 2008 (Year ended March 31, 2009)																
<div>*7.</div> <div></div>	<div>*7. Loss on impairment of long-lived assets</div> <div>The Daiichi Sankyo Group (the Company and consolidated subsidiaries) categorized their assets for their business operations into groups which are based on income/loss management for managerial accounting, taking into consideration the similarity in type of products and business activities, the consistency as a business group and the continuity of management in the future, and individually categorized their assets for lease and unutilized assets that are not directly used for business.</div> <div>For the current fiscal year, the Daiichi Sankyo Group recognized an impairment loss on the following asset groups:</div> <table><tr><th>Location</th><th>Function</th><th>Asset type</th><th>Status</th></tr><tr><td>Sapporo, Hokkaido</td><td>Former sales office Commercial facility</td><td>Buildings, structures, etc.</td><td>Idle</td></tr><tr><td>Kasukabe, Saitama</td><td>Former Tokyo Distribution Center facility</td><td>Buildings, land, etc.</td><td>Idle</td></tr><tr><td>Iwaki, Fukushima, etc.</td><td>Onahama Plant, etc. Manufacturing facility</td><td>Buildings, machinery, equipment, etc.</td><td>Idle</td></tr></table>	Location	Function	Asset type	Status	Sapporo, Hokkaido	Former sales office Commercial facility	Buildings, structures, etc.	Idle	Kasukabe, Saitama	Former Tokyo Distribution Center facility	Buildings, land, etc.	Idle	Iwaki, Fukushima, etc.	Onahama Plant, etc. Manufacturing facility	Buildings, machinery, equipment, etc.	Idle
Location	Function	Asset type	Status														
Sapporo, Hokkaido	Former sales office Commercial facility	Buildings, structures, etc.	Idle														
Kasukabe, Saitama	Former Tokyo Distribution Center facility	Buildings, land, etc.	Idle														
Iwaki, Fukushima, etc.	Onahama Plant, etc. Manufacturing facility	Buildings, machinery, equipment, etc.	Idle														
<div>*8. Loss on business integration</div> <div>The loss represents one-time costs associated with integration of the pharmaceutical operations of the former Sankyo Group and the former Daiichi Group. The amount consisted of the following:</div> <div>(Millions of yen)</div> <table><tr><td>Supplemental retirement benefits, etc.</td><td>3,912</td></tr><tr><td>Expenses associated with the consolidation and closure of operating locations</td><td>2,358</td></tr><tr><td>IT system related expenses</td><td>2,218</td></tr><tr><td>Expenses associated with the integration of healthcare business</td><td>169</td></tr><tr><td>Other</td><td>1,338</td></tr></table>	Supplemental retirement benefits, etc.	3,912	Expenses associated with the consolidation and closure of operating locations	2,358	IT system related expenses	2,218	Expenses associated with the integration of healthcare business	169	Other	1,338	<div></div>						
Supplemental retirement benefits, etc.	3,912																
Expenses associated with the consolidation and closure of operating locations	2,358																
IT system related expenses	2,218																
Expenses associated with the integration of healthcare business	169																
Other	1,338																
<div>*9. Loss on business restructuring</div> <div>To concentrate on the pharmaceutical business, the Company has been carrying out a reorganization of its peripheral businesses. As part of this reorganization, the Company sold certain investments in affiliated companies. Restructuring charge includes expenses paid to external advisers for sales of investments.</div>	<div></div>																
<div>*10. Loss on litigation</div> <div>Losses comprise litigation expenses related to injunctions to stop the sale of generics in the United States as well as inventory writedowns and indemnity payments to suppliers arising from related patent invalidation rulings.</div>	<div></div>																
<div>*11. Provision for contingent losses</div> <div>The amount represents an estimated amount of penalty arising out of the commitments that contain a minimum purchase lot or minimum sale lot provision.</div>	<div></div>																

**(Notes to Consolidated Statements of Changes in Net Assets)****Fiscal 2007** (for the year ended March 31, 2008)**1. Class and numbers of total shares issued and treasury stock held**

In 1,000 shares	Number of shares at end of previous fiscal year	Increase in number of shares during fiscal year	Decrease in number of shares during fiscal year	Number of shares at end of fiscal year
Shares issued				
Common stock	735,011	—	—	735,011
Total	735,011	—	—	735,011
Treasury stock				
Common stock	6,008	*1 10,038	*2 3	16,043
Total	6,008	*1 10,038	*2 3	16,043

(Notes)

1. The increase in treasury stock of 10,038,000 common shares was due to the acquisition of 10,000,000 shares based on provisions of the Company's Articles of Incorporation, as stipulated in Article 165 (2) of the Company Law, together with the Company's purchase of 38,000 shares representing amounts of shares less than one unit.
2. The decrease in treasury stock of 3,000 common shares was due to top-off sales for shares less than one unit.

**2. Subscription rights to shares**

Classification	Detail	Class of stock to be converted	Number of shares to be converted (Shares)				Balance at end of fiscal year (Millions of yen)
			Number of shares at end of prior fiscal year	Increase during fiscal year	Decrease during fiscal year	Number of shares at end of fiscal year	
Submitting company (parent company)	Stock acquisition rights as stock options	—	—	—	—	—	257
Total		—	—	—	—	—	257

**3. Dividends****(1) Amount of dividends paid**

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Date of record	Effective date
Ordinary General Meeting of Shareholders on June 28, 2007	Common stock	21,870	30.0	March 31, 2007	June 29, 2007
Regular meeting of the Board of Directors on November 6, 2007	Common stock	25,164	35.0	September 30, 2007	December 3, 2007

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

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Date of record	Effective date
Ordinary General Meeting of Shareholders on June 27, 2008	Common stock	25,163	Retained earnings	35.0	March 31, 2008	June 30, 2008

**Fiscal 2008** (for the year ended March 31, 2009)

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

In 1,000 shares	Number of shares at end of previous fiscal year	Increase in number of shares during fiscal year	Decrease in number of shares during fiscal year	Number of shares at end of fiscal year
Shares issued				
Common stock	735,011	–	*1 26,000	709,011
Total	735,011	–	*1 26,000	709,011
Treasury stock				
Common stock	16,043	*2 15,044	*3 26,012	5,074
Total	16,043	*2 15,044	*3 26,012	5,074

(Notes)

1. The decrease in the total number of shares issued was due to a retirement of 26,000,000 shares based on the decision by the Board of Directors.
2. The increase in treasury stock of 15,044,000 common shares was due to the acquisition of 15,000,000 shares based on provisions of the Company's Articles of Incorporation, as stipulated in Article 165 (2) of the Company Law, together with the Company's purchase of 44,000 shares representing amounts of shares less than one unit.
3. The decrease in treasury stock of 26,012,000 common shares was due to a decision by the Board of Directors to retire 26,000,000 shares along with sales of 12,000 shares of treasury stock to meet top-up demands related to shareholdings of less than one trading unit.

2. Subscription rights to shares

Classification	Detail	Class of stock to be converted	Number of shares to be converted (Shares)				Balance at end of fiscal year (Millions of yen)
			Number of shares at end of prior fiscal year	Increase during fiscal year	Decrease during fiscal year	Number of shares at end of fiscal year	
Submitting company (parent company)	Stock acquisition rights as stock options	–	–	–	–	–	488
Consolidated subsidiaries	–	–	–	–	–	–	1,901
Total		–	–	–	–	–	2,390

3. Dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Date of record	Effective date
Ordinary General Meeting of Shareholders on June 27, 2008	Common stock	25,163	35.0	March 31, 2008	June 30, 2008
Regular meeting of the Board of Directors on October 31, 2008	Common stock	28,157	40.0	September 30, 2008	December 1, 2008

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

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Date of record	Effective date
Ordinary General Meeting of Shareholders on June 26, 2009	Common stock	28,157	Other capital surplus	40.0	March 31, 2009	June 29, 2009

(Notes to Consolidated Statements of Cash Flows)

Fiscal 2007 (Year ended March 31, 2008)	Fiscal 2008 (Year ended March 31, 2009)																																												
<p>*1. Reconciliation of cash and cash equivalents at the end of the fiscal year with the balance sheet accounts</p> <table> <tr> <th></th><th>(Millions of yen)</th></tr> <tr> <td>Cash and time deposits</td><td>47,335</td></tr> <tr> <td>Less time deposits with maturities extending over three months</td><td>(2,418)</td></tr> <tr> <td>Add short-term investments with maturities within three months</td><td>399,418</td></tr> <tr> <td>Cash and cash equivalents</td><td>444,334</td></tr> </table>		(Millions of yen)	Cash and time deposits	47,335	Less time deposits with maturities extending over three months	(2,418)	Add short-term investments with maturities within three months	399,418	Cash and cash equivalents	444,334	<p>*1. Reconciliation of cash and cash equivalents at the end of the fiscal year with the balance sheet accounts</p> <table> <tr> <th></th><th>(Millions of yen)</th></tr> <tr> <td>Cash and time deposits</td><td>76,551</td></tr> <tr> <td>Less time deposits with maturities extending over three months</td><td>(25,808)</td></tr> <tr> <td>Add short-term investments with maturities within three months</td><td>127,027</td></tr> <tr> <td>Cash and cash equivalents</td><td>177,769</td></tr> </table> <p>*2. Breakdown of assets and liabilities of companies added as subsidiaries due to the acquisition of stock</p> <p>The following table presents the breakdown of the assets and liabilities of U3 Pharma AG (now U3 Pharma GmbH) and Ranbaxy Laboratories Ltd. which are newly consolidated due to acquisition of their stock, and net expenditure for purchase of investments in subsidiaries resulting in change in scope of consolidation:</p> <table> <tr> <th></th><th>(Millions of yen)</th></tr> <tr> <td>Current assets</td><td>244,491</td></tr> <tr> <td>Property, plant and equipment</td><td>151,948</td></tr> <tr> <td>Goodwill, net</td><td>433,737</td></tr> <tr> <td>Current liabilities</td><td>(170,195)</td></tr> <tr> <td>Long-term liabilities</td><td>(98,881)</td></tr> <tr> <td>Subscription rights to shares</td><td>(6,386)</td></tr> <tr> <td>Minority interests</td><td>(46,489)</td></tr> <tr> <td>In-process research and development</td><td>6,909</td></tr> <tr> <td>Purchase price of the subsidiaries</td><td>515,134</td></tr> <tr> <td>Cash and cash equivalents owned by the subsidiaries</td><td>(103,882)</td></tr> <tr> <td>Purchase of inventories ins subsidiaries resulting in change in scope of consolidation</td><td>411,251</td></tr> </table>		(Millions of yen)	Cash and time deposits	76,551	Less time deposits with maturities extending over three months	(25,808)	Add short-term investments with maturities within three months	127,027	Cash and cash equivalents	177,769		(Millions of yen)	Current assets	244,491	Property, plant and equipment	151,948	Goodwill, net	433,737	Current liabilities	(170,195)	Long-term liabilities	(98,881)	Subscription rights to shares	(6,386)	Minority interests	(46,489)	In-process research and development	6,909	Purchase price of the subsidiaries	515,134	Cash and cash equivalents owned by the subsidiaries	(103,882)	Purchase of inventories ins subsidiaries resulting in change in scope of consolidation	411,251
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<p>*3. Breakdown of assets and liabilities of consolidated subsidiaries that are no longer consolidated due to sale of stock</p> <p>The following table presents are the breakdown of the assets and liabilities of Daiichi Fine Chemical Co., Ltd., Nippon Nyukazai Co., Ltd., and three other companies which are no longer consolidated due to sale of their stocks, and a reconciliation of the sale price of the stocks and the proceeds from the sale:</p> <table> <tr> <th></th><th>(Millions of yen)</th></tr> <tr> <td>Current assets</td><td>53,885</td></tr> <tr> <td>Non-current assets</td><td>22,748</td></tr> <tr> <td>Current liabilities</td><td>(36,829)</td></tr> <tr> <td>Non-current liabilities</td><td>(4,280)</td></tr> <tr> <td>Net unrealized gain on investment securities</td><td>(321)</td></tr> <tr> <td>Foreign currency translation adjustments</td><td>268</td></tr> <tr> <td>Minority interests</td><td>(3,010)</td></tr> <tr> <td>Gain on sales of investments in affiliate</td><td>8,006</td></tr> <tr> <td>Loss on sales of investments in affiliate</td><td>(1,439)</td></tr> <tr> <td>The Company's interest in the companies after sale of their stocks</td><td>(1,203)</td></tr> <tr> <td>Sales prices of shares</td><td>37,823</td></tr> <tr> <td>Cash and cash equivalents owned by subsidiaries</td><td>(15,563)</td></tr> <tr> <td>Proceeds from sales of investment in subsidiaries</td><td>22,259</td></tr> </table>		(Millions of yen)	Current assets	53,885	Non-current assets	22,748	Current liabilities	(36,829)	Non-current liabilities	(4,280)	Net unrealized gain on investment securities	(321)	Foreign currency translation adjustments	268	Minority interests	(3,010)	Gain on sales of investments in affiliate	8,006	Loss on sales of investments in affiliate	(1,439)	The Company's interest in the companies after sale of their stocks	(1,203)	Sales prices of shares	37,823	Cash and cash equivalents owned by subsidiaries	(15,563)	Proceeds from sales of investment in subsidiaries	22,259																	
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## (Segment Information)

### a. Information by Operating Segment

#### Fiscal 2007 (for the year ended March 31, 2008)

Information by operating segment for the fiscal year ended March 31, 2008, has been omitted because the “Pharmaceuticals” segment accounts for over 90% of the total net sales, operating income, and assets generated by all segments.

#### Fiscal 2008 (for the year ended March 31, 2009)

Information by operating segment for the fiscal year ended March 31, 2009, has been omitted because the “Pharmaceuticals” segment accounts for over 90% of the total net sales, operating income, and assets generated by all segments.

### b. Information by Geographic Segment

(Millions of yen)

Fiscal 2007 (Year ended March 31, 2008)	Japan	North America	Other	Total	Eliminations & corporate	Consolidated
I Net sales and operating income						
Net sales						
(1) Outside customers	598,148	177,953	104,018	880,120	—	880,120
(2) Inter-segment sales and transfers	66,676	49,832	21,862	138,371	(138,371)	—
Total	664,825	227,785	125,881	1,018,492	(138,371)	880,120
Operating expenses	557,688	190,164	112,668	860,521	(137,228)	723,292
Operating income	107,137	37,621	13,212	157,971	(1,143)	156,827
II Assets	1,226,415	186,384	140,441	1,553,241	(65,352)	1,487,888

(Millions of yen)

Fiscal 2008 (Year ended March 31, 2009)	Japan	North America	Europe	India	Other	Total	Eliminations & corporate	Consolidated
I Net sales and operating income								
Net sales								
(1) Outside customers	529,753	190,810	77,435	15,254	28,892	842,147	—	842,147
(2) Inter-segment sales and transfers	50,103	48,673	23,762	2,940	782	126,262	(126,262)	—
Total	579,856	239,484	101,198	18,195	29,674	968,409	(126,262)	842,147
Operating expenses	<u>536,417</u>	189,184	95,407	37,103	29,288	<u>887,402</u>	(134,125)	<u>753,276</u>
Operating income	<u>43,438</u>	50,299	5,790	(18,907)	386	<u>81,007</u>	7,863	<u>88,870</u>
II Assets	<u>920,103</u>	242,685	226,956	280,710	43,041	<u>1,713,496</u>	(218,897)	<u>1,494,599</u>

#### (Notes)

##### 1. Method of classifying geographic segments

Geographic segments are classified on the basis of geographic proximity.

##### 2. Countries and regions included in each segment other than Japan

North America: the United States

Europe: Germany, the United Kingdom, France, Spain, Italy and others

India: India

Other: China, Taiwan, Brazil and others

##### 3. Changes in segmentation of countries and regions

Previously, countries and regions were segmented into “Japan,” “North America” and “Other,” forming three segments. Effective from the fiscal year ended March 31, 2009, “Europe” and “India” were presented as a separated segment because net sales in the “Europe” segment, which was previously included in “Other,” exceeded 10% of total net sales and also because assets in the “India” segment, which was previously included in “Other,” exceeded 10% of total assets.

Compared with the previous method, net sales in the “Other” segment decreased by ¥117,535 million (of which, net sales for outside customers decreased by ¥92,690 million), operating expenses decreased by ¥132,415 million, and operating income therein increased by ¥14,879 million.

This change has no effects on the “Japan” and “North America” segments.

#### 4. Changes in accounting policies

##### Fiscal 2007

- 1) As disclosed in the “Basis of Presentation of Significant Accounting Policies for the Preparation of Consolidated Financial Statements” section, the Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 5, 2006) was adopted from the fiscal year ended March 31, 2008. The effects of this change were to increase operating expenses in the “Japan” segment by ¥2,992 million and to decrease operating income by the same amount compared with the case in which those amounts are recorded by the previous method.
- 2) As also disclosed in the “Basis of Presentation of Significant Accounting Policies for the Preparation of Consolidated Financial Statements” section, the Company and its domestic consolidated subsidiaries changed the method of depreciation applied to all property, plant and equipment acquired on or after April 1, 2007 in accordance with the amendment of the Corporate Tax Law in Japan from the fiscal year ended March 31, 2008. The effects of this change were to increase operating expenses in the “Japan” segment by ¥1,351 million and to decrease operating income by the same amount compared with the case in which those amounts are recorded by the previous method.

With respect to any property, plant and equipment acquired on or before March 31, 2007, such tangible assets amounts representing the difference between the amounts of carrying costs for accounting purposes and 5% of the acquisition costs as derived from application of the depreciation method used prior to the legal revisions are being depreciated in equal amounts over five years, starting in year after the fiscal year in which accumulated depreciation based on the pre-revision method reached 95% of the acquisition costs, and included in the depreciation expenses. The effects of this change were to increase operating expenses in the “Japan” segment by ¥1,588 million and to decrease operating income by the same amount compared with the case in which those amounts are recorded by the previous method.

- 3) As also disclosed in the “Basis of Presentation of Significant Accounting Policies for the Preparation of Consolidated Financial Statements” section, the Company and its domestic consolidated subsidiaries revised the retirement benefit and pension plans, and changed the amortization period of prior service cost to 1 year (12 months) since they occurred. Actuarial gains and losses were also changed to be calculated on a straight-line method over a certain period (10 years) within the average remaining service years of the eligible employees. The effects of this change were to decrease operating expenses in the “Japan” segment by ¥12,668 million and to increase operating income by the same amount compared with the case in which those amounts are recorded by the previous method.

#### c. Overseas Sales

(Millions of yen)

<b>Fiscal 2007</b> (For the year ended March 31, 2008)	North America	Europe	Other areas	Total
Overseas net sales	219,938	98,454	40,245	358,639
Consolidated net sales				880,120
Percentage of overseas net sales to consolidated net sales (%)	25.0	11.2	4.6	40.8

(Millions of yen)

<b>Fiscal 2008</b> (For the year ended March 31, 2009)	North America	Europe	Other areas	Total
Overseas net sales	221,325	98,170	53,758	373,254
Consolidated net sales				842,147
Percentage of overseas net sales to consolidated net sales (%)	26.3	11.6	6.4	44.3

##### (Notes)

1. Method of classifying countries and regions  
Countries and regions are classified on the basis of geographic proximity.
2. Countries and regions included in each area  
North America: the United States and Canada  
Europe: Germany, the United Kingdom, France, Spain, Italy, Ireland, Switzerland and others  
Other areas: Asia, the Middle East, Latin America and others
3. Overseas net sales are sales of the Company and its consolidated subsidiaries which were transacted in countries or regions outside of Japan.



**(Notes Concerning Business Combination)**

Fiscal 2007 (For the year ended March 31, 2008)	Fiscal 2008 (For the year ended March 31, 2009)																										
<p>(Acquisition by merger of Sankyo Company, Limited and Daiichi Pharmaceutical Co., Ltd. by the Company)</p> <p>Pursuant to a merger agreement entered into on November 30, 2006, Sankyo Company, Limited (“Sankyo”) and Daiichi Pharmaceutical Co., Ltd. (“Daiichi”), wholly-owned subsidiaries, were merged into the Company on April 1, 2007.</p> <p>(1) Names of parties to the business combination, legal form of the business combination, the name of the combined entity, and a summary of the transaction including its purpose</p> <p>a. Names of parties to the business combination</p> <ul style="list-style-type: none"> <li>Combining entity:</li> </ul> <table border="1" data-bbox="161 689 722 804"> <tr> <th>Name</th><th>Nature of business</th></tr> <tr> <td>Daiichi Sankyo Company, Limited (the “Company”)</td><td>Management and supervision of subsidiaries</td></tr> </table> <ul style="list-style-type: none"> <li>Combined entities:</li> </ul> <table border="1" data-bbox="161 853 722 1048"> <tr> <th>Name</th><th>Nature of business</th></tr> <tr> <td>Sankyo Company, Limited</td><td>Manufacture, sales, export and import of pharmaceuticals and other products</td></tr> <tr> <td>Daiichi Pharmaceutical Co., Ltd.</td><td>Manufacture, sales, export and import of pharmaceuticals and other products</td></tr> </table> <p>b. Legal form of the business combination and the name of the combined entity</p> <p>This business combination took place in the form of an acquisition by merger between entities under common control, in which the Company was the surviving entity and both Sankyo and Daiichi were the dissolved entities. The name of the combined entity is Daiichi Sankyo Company, Limited.</p> <p>c. Summary of the transaction including its purpose</p> <p>In accordance with the original plan of integration, the purpose of the merger is, by merging the two subsidiaries into the Parent holding company, to create a foundation on which the Company strives to transform itself into a Japan-based “Global Pharma Innovator.” The merger did not involve any issuance of new shares or other increase in capital.</p> <p>(2) Summary of accounting treatment</p> <p>Under the provisions of the Accounting Standard for Business Combination, the transaction was accounted for as a business combination among entities under common control.</p> <p>There are no effects of this recording on the profit and loss of the fiscal year ended March 31, 2008.</p>	Name	Nature of business	Daiichi Sankyo Company, Limited (the “Company”)	Management and supervision of subsidiaries	Name	Nature of business	Sankyo Company, Limited	Manufacture, sales, export and import of pharmaceuticals and other products	Daiichi Pharmaceutical Co., Ltd.	Manufacture, sales, export and import of pharmaceuticals and other products	<p>Application of Purchase Accounting Method (U3 Pharma AG (now U3 Pharma GmbH))</p> <p>(1) Overview of nature and purpose of transaction, including name and nature of business of acquired enterprise; main reasons for, date and legal form of business combination; name of post-combination enterprise and percentage of voting rights acquired</p> <p>1) Name and nature of business of acquired enterprise</p> <p>Name of acquired enterprise: U3 Pharma AG</p> <p>Nature of business: R&amp;D, mainly in area of therapeutic antibodies for cancer</p> <p>2) Main reasons for business combination</p> <p>To develop a continuous stream of promising drug candidates by reinforcing the drug discovery platform in the fields of cancer and therapeutic antibodies</p> <p>3) Date of business combination</p> <p>June 19, 2008</p> <p>4) Legal form of business combination</p> <p>Legal form of business combination: Share purchase by cash</p> <p>5) Name of post-combination enterprise</p> <p>Name of post-combination enterprise: U3 Pharma AG (now U3 Pharma GmbH)</p> <p>6) Percentage of voting rights acquired</p> <p>100%</p> <p>(2) Period of results of acquired enterprise included in consolidated financial statements for this fiscal year</p> <p>From July 1, 2008 to March 31, 2009</p> <p>(3) Purchase cost of acquired enterprise and related breakdown</p> <p>Acquisition considerations:</p> <table> <tr> <td>Cash</td><td>¥26,695 million</td></tr> <tr> <td><u>Direct acquisition-related expenditures</u></td><td><u>¥84 million</u></td></tr> <tr> <td>Purchase cost</td><td>¥26,779 million</td></tr> </table> <p>(4) Value, causes and amortization method/period for goodwill</p> <p>1) Value of goodwill</p> <p>¥25,061 million</p> <p>2) Causes of goodwill</p> <p>Goodwill was recognized as the excess value of the purchase cost over the net value of acquired assets and assumed liabilities.</p> <p>3) Goodwill amortization method and period</p> <p>Amortized in equal amounts over 5 years</p> <p>(5) Amounts and breakdown of main components of assets acquired and liabilities assumed on date of business combination</p> <table> <tr> <td>Current assets</td><td>¥2,724 million</td></tr> <tr> <td>Non-current assets</td><td>¥85 million</td></tr> <tr> <td>Goodwill</td><td>¥25,061 million</td></tr> <tr> <td><u>Current liabilities</u></td><td><u>(¥1,092 million)</u></td></tr> <tr> <td>Total</td><td>¥26,779 million</td></tr> </table>	Cash	¥26,695 million	<u>Direct acquisition-related expenditures</u>	<u>¥84 million</u>	Purchase cost	¥26,779 million	Current assets	¥2,724 million	Non-current assets	¥85 million	Goodwill	¥25,061 million	<u>Current liabilities</u>	<u>(¥1,092 million)</u>	Total	¥26,779 million
Name	Nature of business																										
Daiichi Sankyo Company, Limited (the “Company”)	Management and supervision of subsidiaries																										
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Fiscal 2007 (For the year ended March 31, 2008)	Fiscal 2008 (For the year ended March 31, 2009)								
<p>(Spin-off of the pharmaceutical manufacturing operation of former Sankyo Company, Limited into Daiichi Sankyo Propharma Co., Ltd.)</p> <p>Pursuant to a spin-off agreement between Daiichi Sankyo Propharma Co., Ltd. ("Daiichi Sankyo Propharma") and Sankyo Company, Limited ("Sankyo"), wholly owned subsidiaries, entered into on November 30, 2006, the Company spun off the manufacturing operation of former Sankyo related to pharmaceuticals and other products on April 1, 2007, and the operation was then contributed to Daiichi Sankyo Propharma Co. In addition, Daiichi Sankyo Propharma acquired by merger Daiichi Pharmatech Co., Ltd., a manufacturing subsidiary of former Daiichi Pharmaceutical Co., Ltd. on April 1, 2007.</p> <p>(1) Names of parties to the business combination, legal form of the business combination, the name of the combined entity, and a summary of the transaction including its purpose</p> <p>a. Names of parties to the business combination</p> <ul style="list-style-type: none"> <li>Combining entity:</li> </ul> <table border="1" data-bbox="159 819 722 934"> <tr> <th>Name</th><th>Nature of business</th></tr> <tr> <td>Daiichi Sankyo Propharma Co., Ltd.</td><td>Manufacture, consigned manufacture, sales, export and import of pharmaceuticals and other products</td></tr> </table> <ul style="list-style-type: none"> <li>Combined entities:</li> </ul> <table border="1" data-bbox="159 981 722 1070"> <tr> <th>Name</th><th>Nature of business</th></tr> <tr> <td>Daiichi Sankyo Company, Limited</td><td>Manufacture of (former Sankyo's) pharmaceuticals and other products</td></tr> </table> <p>b. Legal form of the business combination and the name of the combined entity</p> <p>This business combination took place in the form of a spin-off and contribution between entities under common control, in which Daiichi Sankyo Propharma Co., Ltd. was the successor entity and the Company was the entity that spun off the operation. The name of the combined entity is Daiichi Sankyo Propharma Co., Ltd.</p> <p>c. Summary of the transaction including its purpose</p> <p>The purpose of the transaction is, by integrating manufacturing operations for pharmaceuticals and other products, to efficiently achieve a steady supply of products and high-quality and low-cost manufacturing. The transaction did not involve any issuance of new shares or other increase in capital.</p> <p>(2) Summary of accounting treatment</p> <p>Under the provisions of the Accounting Standard for Business Combination, the transaction was accounted for as a business combination among entities under common control.</p> <p>There are no effects of this recording on the profit and loss of the fiscal year ended March 31, 2008.</p>	Name	Nature of business	Daiichi Sankyo Propharma Co., Ltd.	Manufacture, consigned manufacture, sales, export and import of pharmaceuticals and other products	Name	Nature of business	Daiichi Sankyo Company, Limited	Manufacture of (former Sankyo's) pharmaceuticals and other products	<p>(Ranbaxy Laboratories Ltd.)</p> <p>(1) Overview of nature and purpose of transaction, including name and nature of business of acquired enterprise; main reasons for, date and legal form of business combination; name of post-combination enterprise and percentage of voting rights acquired</p> <p>1) Name and nature of business of acquired enterprise</p> <p>Name of acquired enterprise: Ranbaxy Laboratories Ltd.</p> <p>Nature of business: Manufacture, sale, research and development of generic drugs in the therapeutic areas of hyperlipidemia and infection</p> <p>2) Main reasons for business combination</p> <p>Based on a business philosophy of "contributing to the increased health and affluence of people worldwide by continuously developing innovative pharmaceuticals and related services," the Group is focused on realizing its vision for 2015 of becoming a "Global Pharma Innovator." In pursuing these business development goals, the Group is concentrating its pharmaceutical operations at key sites worldwide. The targets for 2015 are to achieve ¥1,500 billion in net sales with an operating margin of at least 25% and an overseas sales ratio of at least 60%.</p> <p>The Group believes that realizing sustained business growth must involve the expansion of its prescription drug business in advanced country markets while at the same time seizing new growth opportunities in developing countries. In addition to the traditional high-risk/high-return business model employed in developed country markets, the Group believes it is necessary to anticipate and respond to rapidly changing market needs by adopting a "hybrid business model." This approach seeks to expand the Group's global reach by growing in emerging markets while also further expanding the Group's drug portfolio in developed markets using generic drugs. The entry of Ranbaxy Laboratories Ltd. into the Group is thus an extremely significant step in terms of promoting the sustained long-term growth of the Group.</p> <p>3) Date of business combination</p> <p>November 7, 2008</p> <p>4) Legal form of business combination</p> <p>Legal form of business combination: Share purchase by cash</p> <p>5) Name of post-combination enterprise</p> <p>Name of post-combination enterprise: Ranbaxy Laboratories Ltd.</p> <p>6) Percentage of voting rights acquired</p> <p>63.92%</p> <p>(2) Period of results of acquired enterprise included in consolidated financial statements for this fiscal year</p> <p>From October 1, 2008 to December 31, 2008</p> <p>(3) Purchase cost of acquired enterprise and related breakdown</p> <p>Acquisition considerations:</p> <p>Open-market share purchases: ¥169,407 million</p> <p>Share purchases from founding family: ¥230,970 million</p> <p>Share purchases by issuance of new shares: ¥85,001 million</p> <p>Direct acquisition-related expenditures: ¥2,974 million</p> <p>Purchase cost: ¥488,354 million</p>
Name	Nature of business								
Daiichi Sankyo Propharma Co., Ltd.	Manufacture, consigned manufacture, sales, export and import of pharmaceuticals and other products								
Name	Nature of business								
Daiichi Sankyo Company, Limited	Manufacture of (former Sankyo's) pharmaceuticals and other products								

Fiscal 2007 (For the year ended March 31, 2008)	Fiscal 2008 (For the year ended March 31, 2009)																															
	<p>(4) Value, causes and amortization method/period for goodwill</p> <p>1) Value of goodwill ¥408,675 million</p> <p>2) Causes of goodwill Goodwill was recognized as the excess value of the purchase cost over the net value of acquired assets and assumed liabilities.</p> <p>3) Goodwill amortization method and period Amortized in equal amounts over 20 years In addition, in connection with the write-down of shares in an affiliate in its accounts, the Company recognized an extraordinary loss of ¥351,309 million for the fiscal year ended March 31, 2009 to account for goodwill in Ranbaxy.</p> <p>(5) Amounts and breakdown of main components of assets acquired and liabilities assumed on date of business combination</p> <table><tr><td colspan="2">(Millions of yen)</td></tr><tr><td>Current assets</td><td>241,766</td></tr><tr><td>Non-current assets</td><td>151,862</td></tr><tr><td>Goodwill, net</td><td>408,675</td></tr><tr><td>Current liabilities</td><td>(169,103)</td></tr><tr><td>Long-term liabilities</td><td>(98,881)</td></tr><tr><td>Subscription rights to shares</td><td>(6,386)</td></tr><tr><td>Minority interests</td><td>(46,489)</td></tr><tr><td>In-process research and development</td><td>6,909</td></tr><tr><td>Total</td><td>488,354</td></tr></table> <p>(6) Amount of acquisition cost allocated to research and development expenses and the like and charged to income, and account title thereof</p> <table><tr><td>Research and development expenses</td><td>¥6,909 million</td></tr></table> <p>(7) Amount allocated to intangible assets other than goodwill and breakdown and amortization period by major type thereof</p> <table><tr><td colspan="2">Breakdown by major type</td><td>Amortization period</td></tr><tr><td>Trade marks and related matters</td><td>¥40,983 million</td><td>10 years</td></tr><tr><td>Leasehold right</td><td>¥5,917 million</td><td>-</td></tr></table>	(Millions of yen)		Current assets	241,766	Non-current assets	151,862	Goodwill, net	408,675	Current liabilities	(169,103)	Long-term liabilities	(98,881)	Subscription rights to shares	(6,386)	Minority interests	(46,489)	In-process research and development	6,909	Total	488,354	Research and development expenses	¥6,909 million	Breakdown by major type		Amortization period	Trade marks and related matters	¥40,983 million	10 years	Leasehold right	¥5,917 million	-
(Millions of yen)																																
Current assets	241,766																															
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Breakdown by major type		Amortization period																														
Trade marks and related matters	¥40,983 million	10 years																														
Leasehold right	¥5,917 million	-																														

**(Per Share Information)**

Fiscal 2007 (Year ended March 31, 2008)		Fiscal 2008 (Year ended March 31, 2009)	
Net assets per share	¥1,730.09	Net assets per share	<u>¥1,226.04</u>
Net income per share (basic)	¥135.35	Net loss per share (basic)	<u>¥304.22</u>
Net income per share (diluted)	¥135.34	Diluted net income per share is not presented, because the Company has net loss for the period even though it has some dilutive shares.	

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

	Fiscal 2007 (Year ended March 31, 2008)	Fiscal 2008 (Year ended March 31, 2009)
Net income per share (basic):		
Net income (millions of yen)	97,660	<u>(215,499)</u>
Amount not available for common shareholders (millions of yen)	—	—
Net income available for dividends on common shares (millions of yen)	97,660	<u>(215,499)</u>
Weighted-average number of common shares outstanding during the year (1,000 shares)	721,564	708,361
Net income per share (diluted):		
Adjustments to net income (millions of yen)	—	—
Additional dilutive common shares (1,000 shares)	12	—
Including dilutive effect of stock options of (1,000 shares)	(12)	(—)
Descriptions of potentially dilutive common shares that were not included in the computation of diluted net income per share because of their anti-dilutive effect	_____	_____

**(Subsequent Events)**

Not applicable.

**(Omission of Disclosure)**

Disclosures of notes on lease transactions, transactions with related parties, tax effect accounting, marketable securities, derivatives, retirement benefits and pension, stock options, etc. are omitted because their disclosures in this consolidated financial results deemed to be immaterial.

## 5. Non-Consolidated Financial Statements

### (1) Non-Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2008	As of March 31, 2009
<b>ASSETS</b>		
Current assets:		
Cash and time deposits	21,001	12,459
Trade notes receivable	425	432
Accounts receivable	130,097	136,148
Marketable securities	443,935	131,524
Merchandise	28,474	–
Finished goods	1,404	–
Merchandise and finished goods	–	35,971
Raw materials	2,647	–
Raw materials and supplies	–	2,009
Prepaid expenses	603	652
Deferred tax assets	33,150	<u>60,380</u>
Short-term loans to affiliates	5,449	3,221
Other receivables	9,728	<u>18,141</u>
Other current assets	11,515	5,649
Allowance for doubtful accounts	(0)	(0)
Total current assets	<u>688,434</u>	<u>406,592</u>
Non-current assets:		
Property, plant and equipment		
Buildings	166,307	161,377
Accumulated depreciation	(92,263)	(94,796)
Buildings, net	<u>74,044</u>	<u>66,580</u>
Structures	9,984	9,593
Accumulated depreciation	(7,154)	(7,152)
Structures, net	<u>2,829</u>	<u>2,441</u>
Machinery and equipment	30,842	30,104
Accumulated depreciation	(26,096)	(26,272)
Machinery and equipment, net	<u>4,745</u>	<u>3,831</u>
Vehicles	130	117
Accumulated depreciation	(115)	(110)
Vehicles, net	<u>14</u>	<u>7</u>
Furniture, tools and fixtures	58,809	58,322
Accumulated depreciation	(49,646)	(50,891)
Furniture, tools and fixtures, net	<u>9,163</u>	<u>7,431</u>
Land	24,191	23,889
Lease assets	–	31
Accumulated depreciation	–	(2)
Lease assets, net	<u>–</u>	<u>28</u>
Construction in progress	805	1,084
Net property, plant and equipment	<u>115,793</u>	<u>105,294</u>

(Millions of yen)

	As of March 31, 2008	As of March 31, 2009
Intangible assets		
Patent right	1,280	11,045
Leasehold right	18	16
Trade marks	324	319
Software	705	528
Other	2,987	3,753
Total intangible assets, net	5,316	15,663
Investments and other assets		
Investment securities	207,071	132,532
Investments in affiliated companies	223,367	262,516
Investments in capital of subsidiaries and affiliates	77,183	104,527
Long-term loans to employees	4	—
Long-term loans receivable from subsidiaries and affiliates	16,052	17,854
Long-term prepaid expenses	167	88
Prepaid pension costs	7,935	6,871
Deferred tax assets	—	<u>86,270</u>
Other	8,838	5,660
Allowance for doubtful accounts	(1,821)	(1,445)
Allowance for investment losses	(46,441)	(300)
Total investments and other assets	492,358	<u>614,576</u>
Total non-current assets	613,468	<u>735,534</u>
Total assets	1,301,903	<u>1,142,126</u>

(Millions of yen)

	As of March 31, 2008	As of March 31, 2009
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable - trade	28,714	34,766
Short-term bank loans	—	240,000
Lease obligations	—	6
Accounts payable	28,032	27,397
Accrued expenses	35,479	44,953
Income taxes payable	11,665	—
Consumption taxes payable	2,175	1,066
Advance receipts	556	545
Deposits received from affiliates	24,325	34,184
Unearned revenue	—	25
Allowance for sales returns	217	107
Allowance for sales rebates	313	1,062
Allowance for contingent losses	226	—
Other current liabilities	1	—
Total current liabilities	131,708	<u>384,116</u>
Long-term liabilities:		
Lease receivables	—	21
Long-term accounts payable	2,688	1,566
Deferred tax liabilities	20,231	—
Accrued employees' severance and retirement benefits	161	152
Provision for environmental measures	519	92
Other long-term liabilities	2,870	2,902
Total long-term liabilities	26,471	4,735
Total liabilities	158,179	<u>388,851</u>
<b>NET ASSETS</b>		
Shareholders' equity:		
Common stock	50,000	50,000
Capital surplus:		
Legal capital surplus	179,858	179,858
Other capital surplus	842,572	767,903
Total capital surplus	1,022,430	388,851
Retained earnings:		
Other retained earnings:		
Reserve for reduction entries for non-current assets	4,023	1,862
Retained earnings carried forward	61,590	<u>(254,232)</u>
Total retained earnings	65,614	<u>(252,370)</u>
Treasury stock, at cost:	(43,407)	(14,555)
Total shareholders' equity	1,094,637	<u>730,835</u>
Valuation and translation adjustments:		
Net unrealized gain on investment securities	48,828	21,950
Total valuation and translation adjustments	48,828	21,950
Subscription rights to shares	257	488
Total net assets	1,143,723	<u>753,274</u>
Total liabilities and net assets	1,301,903	<u>1,142,126</u>

## (2) Non-Consolidated Statements of Income

(Millions of yen)

	Fiscal 2007 (Year Ended March 31, 2008)	Fiscal 2008 (Year Ended March 31, 2009)
Net sales		
Net sales— finished goods	32,019	19,525
Net sales— merchandise	507,522	487,745
Loyalty income	31,515	11,640
Total net sales	571,057	518,910
Cost of sales:		
Beginning merchandise and finished goods	—	29,879
Increase by merger	30,910	—
Cost of purchased merchandise	143,914	154,407
Cost of products manufactured	8,243	6,080
Total	183,068	190,367
Transfers to other accounts	3,792	1,248
Ending merchandise and finished goods	29,879	35,971
Total	33,671	37,220
Total cost of sales	149,397	153,147
Gross profit	421,659	365,763
Reversal of provision for sales returns	—	109
Provision for sales returns	89	—
Gross profit-net	421,570	365,872
Selling, general and administrative expenses		
Promotion expenses	70,810	70,480
Advertising expenses	2,270	1,909
Salaries, bonuses and allowance	41,204	40,350
Retirement benefit expenses	(3,517)	3,816
Welfare expenses	5,527	5,986
Depreciation	4,017	4,206
Rent expenses	8,900	8,769
Traveling and transportation expenses	6,766	6,985
Business consignment expenses	7,301	6,931
Research and development expenses	141,953	157,298
Other	26,617	21,988
Total selling, general and administrative expenses	311,850	328,721
Operating income	109,719	37,151



(Millions of yen)

	Fiscal 2007 (Year Ended March 31, 2008)	Fiscal 2008 (Year Ended March 31, 2009)
Non-operating income		
Interest income	924	1,344
Interest on securities	—	1,590
Dividend income	19,598	4,622
Rent income	4,365	5,020
Other income	4,153	377
Total non-operating income	29,042	12,955
Non-operating expenses		
Interest expense	91	1,157
Cost of lease revenue	1,474	1,456
Depreciation of inactive non-current assets	556	224
Foreign exchange losses	1,610	9,048
Provision of allowance for doubtful accounts	172	333
Other expenses	1,195	1,211
Total non-operating expenses	5,101	13,432
Ordinary income	133,660	<u>36,675</u>
Extraordinary income		
Gain on sales of non-current assets	8,609	1,940
Gain on liquidation of subsidiaries and affiliates	—	1,431
Gain on sales of subsidiaries and affiliates' stocks	12,574	3
Gain on revision of retirement benefit plan	489	—
Reversal of allowance for doubtful accounts	481	—
Gain on sales of investment securities	216	—
Total extraordinary income	22,370	3,375
Extraordinary losses		
Loss on disposal of non-current assets	838	2,329
Loss on valuation of stocks of subsidiaries and affiliates	—	402,693
Loss on valuation of investment securities	682	5,503
Loss on impairment of long-lived assets	—	2,466
Non-recurring depreciation on non-current assets	—	1,367
Provision for environmental measures	201	92
Provision of allowance for investment loss	7,243	—
Prior-year transfer pricing taxation adjustment	5,497	—
Loss on business integration	5,491	—
Loss on sales of stocks of subsidiaries and affiliates	2,058	—
Loss on business restructuring	673	—
Provision for contingent losses	157	—
Other losses	1,810	2,704
Total extraordinary losses	24,654	417,157
Income (loss) before income taxes	131,377	<u>(377,106)</u>
Income tax expense—current	29,040	<u>2,976</u>
Income tax benefit—deferred	19,455	<u>(115,420)</u>
Total income taxes	48,495	<u>(112,443)</u>
Net income (loss)	82,882	<u>(264,662)</u>

### (3) Non-Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Fiscal 2007 (Year Ended March 31, 2008)	Fiscal 2008 (Year Ended March 31, 2009)
<b>SHAREHOLDERS' EQUITY</b>		
Common stock		
Balance at the end of previous period	50,000	50,000
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	50,000	50,000
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	179,858	179,858
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	179,858	179,858
Other capital surplus		
Balance at the end of previous period	903,494	842,572
Changes of items during the period		
Decrease by corporate division-split-off type	(60,924)	—
Gain on sale of treasury stock	2	(6)
Retirement of treasury stock	—	(74,661)
Total changes of items during the period	(60,921)	(74,668)
Balance at the end of current period	842,572	767,903
Total capital surplus		
Balance at the end of previous period	1,083,352	1,022,430
Changes of items during the period		
Decrease by corporate division-split-off type	(60,924)	—
Gain on sale of treasury stock	2	(6)
Retirement of treasury stock	—	(74,661)
Total changes of items during the period	(60,921)	(74,668)
Balance at the end of current period	1,022,430	947,761
Retained earnings		
Other retained earnings		
Reserve for reduction entries for non-current assets		
Balance at the end of previous period	—	4,023
Changes of items during the period		
Provision of reserve for advanced depreciation of non-current assets	4,023	906
Reversal of reserve for advanced depreciation of non-current assets	—	(3,067)
Total changes of items during the period	4,023	(2,161)
Balance at the end of current period	4,023	1,862
Retained earnings carried forward		
Balance at the end of previous period	29,766	61,590
Changes of items during the period		
Provision of reserve for advanced depreciation of non-current assets	(4,023)	(906)
Reversal of reserve for advanced depreciation of non-current assets	—	3,067
Cash dividends	(47,034)	(53,321)
Net income (loss)	82,882	<u>(264,662)</u>
Total changes of items during the period	31,823	<u>(315,822)</u>
Balance at the end of current period	61,590	<u>(254,232)</u>

(Millions of yen)

	Fiscal 2007 (Year Ended March 31, 2008)	Fiscal 2008 (Year Ended March 31, 2009)
Total retained earnings		
Balance at the end of previous period	29,766	65,614
Changes of items during the period		
Provision of reserve for advanced depreciation of non-current assets	—	—
Reversal of reserve for advanced depreciation of non-current assets	—	—
Cash dividends	(47,034)	(53,321)
Net income (loss)	82,882	<u>(264,662)</u>
Total changes of items during the period	35,847	<u>(317,984)</u>
Balance at the end of current period	65,614	<u>(252,370)</u>
Treasury stock at cost		
Balance at the end of previous period	(249)	(43,407)
Changes of items during the period		
Increase in treasury stock due to absorption-type merger	(9,747)	—
Purchase of treasury stock	(33,419)	(45,846)
Gain on sale of treasury stock	9	35
Retirement of treasury stock	—	74,661
Total changes of items during the period	(43,157)	28,851
Balance at the end of current period	(43,407)	(14,555)
Total shareholders' equity		
Balance at the end of previous period	1,162,869	1,094,637
Changes of items during the period		
Decrease by corporate division-split-off type	(60,924)	—
Cash dividends	(47,034)	(53,321)
Net income (loss)	82,882	<u>(264,662)</u>
Increase in treasury stock due to absorption-type merger	(9,747)	—
Purchase of treasury stock	(33,419)	(45,846)
Gain on sale of treasury stock	12	29
Retirement of treasury stock	—	—
Total changes of items during the period	(68,231)	<u>(363,801)</u>
Balance at the end of current period	1,094,637	<u>730,835</u>
VALUATION AND TRANSLATION ADJUSTMENTS		
Net unrealized gain on investment securities		
Balance at the end of previous period	—	48,828
Changes of items during the period		
Net changes of items other than shareholders' equity	48,828	(26,878)
Total changes of items during the period	48,828	(26,878)
Balance at the end of current period	48,828	21,950
Total valuation and translation adjustments		
Balance at the end of previous period	—	48,828
Changes of items during the period		
Net changes of items other than shareholders' equity	48,828	(26,878)
Total changes of items during the period	48,828	(26,878)
Balance at the end of current period	48,828	21,950

(Millions of yen)

	Fiscal 2007 (Year Ended March 31, 2008)	Fiscal 2008 (Year Ended March 31, 2009)
<b>SUBSCRIPTION RIGHTS TO SHARES</b>		
Balance at the end of previous period	—	257
Changes of items during the period		
Net changes of items other than shareholders' equity	257	231
Total changes of items during the period	257	231
Balance at the end of current period	257	488
<b>TOTAL NET ASSETS</b>		
Balance at the end of previous period	1,162,869	1,143,723
Changes of items during the period		
Decrease by corporate division-split-off type	(60,924)	—
Cash dividends	(47,034)	(53,321)
Net income (loss)	82,882	<u>(264,662)</u>
Increase in treasury stock due to absorption-type merger	(9,747)	—
Purchase of treasury stock	(33,419)	(45,846)
Gain on sale of treasury stock	12	29
Net changes of items other than shareholders' equity	49,085	(26,647)
Total changes of items during the period	(19,145)	<u>(390,449)</u>
Balance at the end of current period	1,143,723	<u>753,274</u>

**(4) Significant Matters Pertaining to Accounting Assumption of the Enterprise as a Going Concern**

Not applicable.