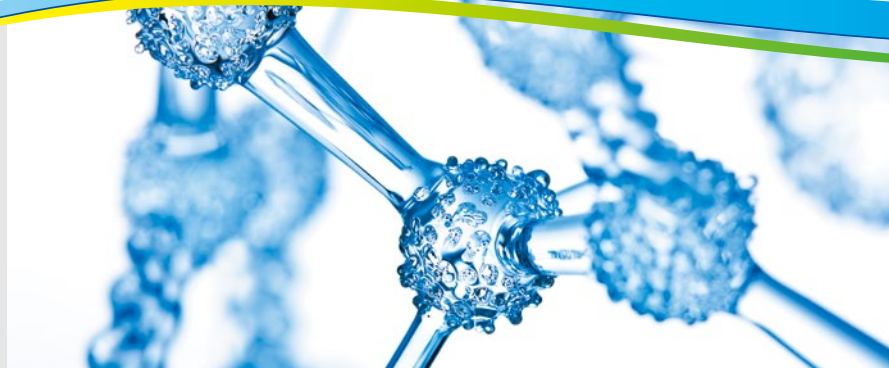


# Corporate Social Responsibility Report 2012

Daiichi Sankyo Co., Ltd.



Daiichi-Sankyo



Passion for Innovation.  
Compassion for Patients.™

## Daiichi Sankyo's Mission

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

### Vision for 2015 Becoming a Global Pharma Innovator



## Centennial National Cherry Blossom Festival in Washington, D.C.

Feature

In 1912, about 3,000 cherry trees were given to be planted along the Potomac River in Washington, D.C. The year 2012 marks the hundredth year since this gift. Dr. Jokichi Takamine, the first president of Sankyo Co., Ltd., Daiichi Sankyo's predecessor, was involved from the very beginning in planning the gift of these cherry tree saplings.

Dr. Takamine left behind a significant legacy as a scientist and businessman at the end of the Edo era and into the Meiji and Taisho periods by promoting international friendship and exchange, forging a bridge between Japan and America. The company's tradition of collaboration and innovation has been sustained from its founding through today, 100 years later.

As a scientist, Dr. Takamine aspired to save as many lives as possible, and this vision lives on in the very foundation of the Group's corporate philosophy today.



This report is the English version of the Japanese report, which was published in August 2012.  
In the case of any discrepancy between the two versions, the content of the Japanese version takes precedence.

## Main Products

### Pharmaceutical Product

#### Olmetec®

Generic name: olmesartan medoxomil. An antihypertensive drug currently sold in more than 70 countries worldwide.



### Pharmaceutical Product

#### Rezaltas®

Generic name: olmesartan medoxomil, azelnidipine. A combination drug of olmesartan and the calcium channel blocker azelnidipine (*Calblock*®). Launched in Japan in April 2010.



### Pharmaceutical Product

#### Memory®

Generic name: memantine hydrochloride. Treatment for Alzheimer's disease launched in Japan in June 2011.



### Pharmaceutical Product

#### LIXIANA®

Generic name: edoxaban tosylate hydrate. A direct oral factor Xa inhibitor used after lower limb surgery\*<sup>1</sup> to prevent venous thromboembolism. Launched in Japan in July 2011.



### Pharmaceutical Product

#### NEXIUM®

Generic name: esomeprazole magnesium. Proton pump inhibitor adapted for use with digestive disorders such as acid reflux disease. Launched in Japan in September 2011.



### Pharmaceutical Product

#### RANMARK®

Generic name: denosumab. A drug effective in treating bone complications stemming from multiple myeloma and bone metastases from solid tumors. Launched in Japan in April 2012.



### OTC Drugs\*<sup>2</sup>

#### Shin LuLu A Gold DX

Shin LuLu A Gold DX is a comprehensive cold medicine that is very effective in alleviating major symptoms of sore throat, stuffy nose and cough and can be taken by the whole family (children from the age of 7).



### OTC Drugs

#### Loxonin® S

Loxonin S is an over-the counter anti-inflammatory analgesic that is very effective in rapidly treating headaches and menstrual pain.



\*<sup>1</sup> Total knee arthroplasty, total hip arthroplasty, and hip fracture surgery

\*<sup>2</sup> Over-the-counter (OTC) drugs are pharmaceutical products that can be purchased without a prescription from a doctor.

### Companies Covered

Principal Group companies in and outside Japan, which are listed on page 80 of this report.

### Period Covered

April 1, 2011 to March 31, 2012 (fiscal 2011)  
Some sections of the report also discuss initiatives since April 2012.

### Reference Guidelines

Global Reporting Initiative (GRI)\* Sustainability Reporting Guidelines Version 3.1  
Japanese Ministry of the Environment's Environmental Reporting Guidelines, 2012 edition

\* Global Reporting Initiative (GRI) is an organization established to prepare and promote the use of international guidelines for sustainability reports.

### Publication Date

August 2012


(Next publication scheduled for August 2013, previous publication date: August 2011)

## Response to the Third-Party Opinions

### Major issues pointed out in the past that the Group has now addressed

- |           |  |   |   |
|-----------|--|---|---|
| <b>01</b> | <b>The company should increase the transparency and the detail of the information it discloses on compliance in the R&amp;D process and provision of medical information.</b>                              | In addition to information on priority initiatives, we exhaustively reported negative information.  |  See pages 34-36             |
| <b>02</b> | <b>The company needs to take steps to include external participation in the various compliance committees.</b>   | We reported that we had begun to consider adding external members to the Institutional Animal Care and Use Committee.                                   |  See page 35                 |
| <b>03</b> | <b>The company should disclose more information on safety evaluation for side effects.</b>   | We included the views of the person in charge in a "Voice" column.  |  See page 50                 |
| <b>04</b> | <b>The Group should promptly make clear its views on the detection of medicinal compounds found in rivers and tap water in Japan.</b>  | We reported that we are aware of the impact that pharmaceutical products have on the environment.   |  See page 63                 |
| <b>05</b> | <b>The Group should consolidate its human resources program on a global basis and achieve true diversity and inclusion.</b>  | We established a Human Resource Management Philosophy and are working on a new R&D organization and HR exchanges.                                       |  See pages 19-26 and page 39 |
| <b>06</b> | <b>The Group needs to clearly describe its basic policies on information dissemination, gathering and feedback; all policies should be laid out from the perspective of responsibility to the patient.</b> | We devised a new global slogan, Passion for Innovation. Compassion for Patients.™<br>We also augmented our information for communicating with patients. |  See pages 46-47           |

### Major issues pointed out in the past that the Group has not yet addressed

- |           |  |   |   |
|-----------|--|---|---|
| <b>01</b> | <b>The Group should introduce key performance indicators and use them to report the progress of its initiatives.</b> | We have developed a framework and will continue to consider disclosing specific key performance indicators. |  See pages 19-20 |
|-----------|--|---|---|

## Editorial Policy

In this report, we mainly provide information on initiatives and activities related to corporate social responsibility (CSR) undertaken by the Daiichi Sankyo Group in fiscal 2011.

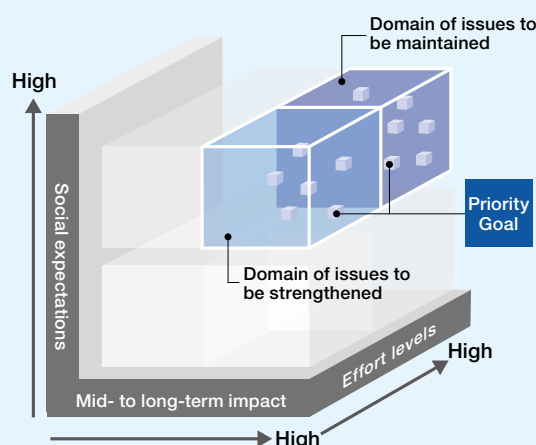
We see this report as an important tool for communicating with our stakeholders, and we gave special attention to the following points in editing its contents.

- We aspired to augment our integrated reporting of financial and non-financial information with a focus on business, CSR and the process whereby the respective processes are being integrated. We also structured the report so that it communicates in terms of the environment, society and governance (ESG).
- We presented our CSR initiatives, which form the foundation of our business expansion, and our commitment to these efforts throughout the report.
- We provided information on the highlights of our business activities and both financial and non-financial information to give readers an overview of our business activities in fiscal 2011.
- We described the global issues affecting our business to make it easy to understand their relationship to our business activities.
- Based on checking progress on the five CSR goals laid out in the Mid-Term CSR Policy, we sought to clearly describe initiatives that should be addressed in fiscal 2012 based on results in fiscal 2011.
- To demonstrate our respect for diversity, we invited Group employees from various countries and departments to write about their own work and their understanding of CSR and featured their comments in the "Voice" columns.
- We reported on the results of our support of the international health field, and described our communication with stakeholders.
- We summarized our response to issues pointed out in last year's Third-Party Opinions.



## About the Five Goals

In fiscal 2010, Daiichi Sankyo established its Mid-Term CSR Policy and also set its five CSR goals, which stipulate actions to be taken in each priority area. In selecting these issues, we conducted surveys, interviewed experts and spoke with people internally to identify 74 CSR issues. We assessed their importance and ultimately summarized them into five priority areas to be addressed. This report is structured with a focus on these five goals.



## Related Information

### CSR at Daiichi Sankyo



CSR Report



CSR website

<http://www.daiichisankyo.com/csr/index.html>

### Social contribution activities



Social Contribution Activities Report



Global social contribution website

<http://www.daiichisankyo.com/csr/medicalaccess/index.html>

### Financial information



Annual report



IR website

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

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# Further Enhancing Corporate Quality

**Management  
Discussion**

**June 29, 2012**

**Joji Nakayama**

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

**Richard Manley**

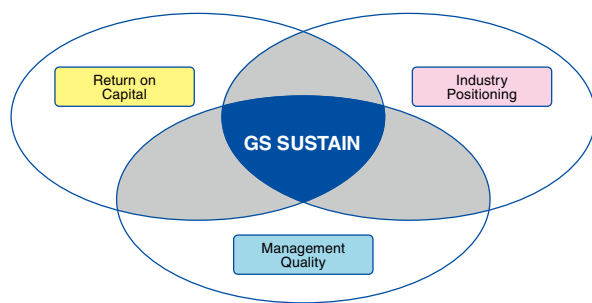
Managing Director  
Head of GS SUSTAIN Asia & Chief Investment Officer of Asia Equity Research  
Goldman Sachs

GS SUSTAIN is a long-term investment strategy designed to identify companies well placed for long-term outperformance, a key element of which is based on their engagement with and management of ESG (environmental, social, governance) factors and their impacts on shareholder returns and competitive positioning. We sat down with Richard Manley of GS SUSTAIN to talk about our approach to ESG, the importance of total management quality for enhancing corporate value, and quickly detecting social changes and actively meeting society's expectations.

## Sustainable Corporate Performance

**Manley:** GS SUSTAIN was inspired in 2003 by a request from the United Nations to appraise whether corporate performance on environmental, social, and governance (ESG) factors impacted shareholder returns. Increased access to information and a shift in society's expectations of corporate performance mean that business risk in the 21st century has moved beyond conventional financial and operational risk to include ESG factors. Put another way, the companies best placed to preserve and create shareholder value in the 21st Century must be able to identify and actively respond to stakeholder expectations, making this a key consideration in appraising management quality.

### ► GS SUSTAIN Framework for Corporate Evaluation: Three Key Points



**GS SUSTAIN:** A long-term investment strategy put forward by the Goldman Sachs Global Investment Research Division, which analyzes investment based on environment, social, and governance (ESG) management quality, as well as return on capital and industry positioning. This framework identifies industry leaders in superior positions that are able to outperform competitors over the long term by maintaining industry leadership and profitability.

**Nakayama:** I agree. We always take very seriously the needs of people in every different position in society, from patients to government officials, and we are working to reflect this commitment in our corporate management. There is a strong focus on growth in the pharmaceuticals industry, but I think we must also conduct ourselves in a manner that befits a pharmaceutical company which enjoys a strong public mandate and is committed to bettering human life.

## Balancing Social Contribution and Business Performance

**Manley:** In general, the pharmaceutical industry faces a constant tension between the provision of healthcare and the generation of profits and shareholder returns. How do you strike the right balance these two objectives?



**Nakayama:** Looking at the industry, the innovative pharmaceutical business—which is our name for the new drug business—is not as highly profitable and stable as it once was, and it involves significant risks and costly R&D investment. The generics business also involves establishing production methods and fierce cost competitiveness, and profits are no longer guaranteed in this sector either. In this business environment, our products have to be innovative, and at the same time, we have to be good at pharmaceutical business management itself if we are to strike an appropriate balance between the provision of healthcare and the generation of profits and shareholder returns. Meanwhile, we need to understand generic business management well. We believe that we can increase our success by combining our full spectrum of technologies and know-how in both the generics business and the innovative drug business in ways that suit each regional market.

Let me illustrate by using the example of an orphan drug\* for treating a rare illness. This was a drug we were initially working on for a relatively large market, but we ultimately discovered that it was most effective for patients with Phenylketonuria (PKU). This small segment of patients alone was not enough to support business operations, but with subsidies from the government, we were able to deliver this drug to the patients who needed it. After this, we were contacted by a venture company in the U.S. that was seeking this drug, which led to sales in the U.S. and Europe, and this is now a business that generates profits. If you begin with the goal of somehow contributing to society and then modify your business model while maintaining a certain level of profit, you will be able to generate greater benefit for society and shareholders alike.

\* Orphan drugs: Drugs that are vital to the medical field but are used to treat illnesses that affect only a small number of patients.



One of our Group companies, Ranbaxy, recently began marketing *Synriam*<sup>™</sup>, an anti-malaria drug, its first new drug for India. *Synriam*<sup>™</sup> does not yet generate large profits, but it does contribute to preventing the spread of malaria, and this is helping to solve an important international issue. This drug symbolizes our ability to strike an appropriate balance between the provision of healthcare and the generation of profit and shareholder returns.

## Risks to Consider When Entering Emerging Markets

**Manley:** As a result of rising incomes, India and other emerging markets represent a significant business opportunity for the pharmaceutical industry, but aren't there also added business risks when entering markets with often quite different business customs?

**Nakayama:** Yes, there are. By acquiring Ranbaxy,

we gained massive opportunities to access areas that we could not reach before. At the same time, we have also learned how to operate efficiently and how to develop business in emerging markets. For example, the Daiichi Sankyo Group recognizes that knowing how to supply products at an appropriate price as requested by different countries is key to operating in countries with varying levels of income.

**Manley:** What are your thoughts on fair business practices? As business becomes increasingly international and diverse, how can companies maintain business practices that prevent misconduct?

**Nakayama:** I believe that the quality of our people, performance and governance is as important as the quality of our products. For this reason, we revised the Daiichi Sankyo Group Corporate Conduct Charter in October last year. This Charter is used as the basis for the practices of all Group companies, while we respect the differences in local business customs. My view is that the Daiichi Sankyo Group should begin by strictly following local rules, regulations, and requirements in each area, and then steadily raise our standards of conduct as a Group. We are also working to incorporate the principles of the United Nations Global Compact, which we joined in April this year, into our Corporate Conduct Charter and to ensure that each of our employees conduct themselves in accordance with these principles.

**Manley:** What about the supply chain? Outsourcing aspects of the supply chain is an effective method to boost efficiency, but it can also create other, less conventional business risks. Can you tell us about the measures you take to manage and control these risks?

**Nakayama:** Any company that looks for efficiency alone will face issues related to product quality. I myself experienced two product recalls that occurred just after I joined the pharmaceutical industry. These recalls not only afflicted patients, but also caused severe losses for the company. It took a considerable amount of time and money to fix those situations.

I am always aware that product quality is the foundation of business. At Daiichi Sankyo, we never compromise when it comes to quality. Whenever we outsource a product, our minimum conditions are that products meet all standards set out by the authorities and that they can be made available at a reasonable cost.





## Two Key Points in Governance

**Manley:** With regard to corporate governance risk, the need to reform the governance framework became a topic of discussion last year in Japan. Do you think that Daiichi Sankyo's current governance framework functions adequately?

**Nakayama:** I think our current governance framework functions well. There are two aspects to governance—the “hardware” and the “software.”

The hardware of the governance framework is the auditor structure that we have in place, with ten directors, four of whom come from outside of the company, and four auditors, two of whom are from outside. In terms of software, our entire board has ample experience in business management, each with exceptional expertise and considerable insight, and are happy to give us their honest opinions. We focus on sharing information pertaining to the specialized nature of the pharmaceutical industry as needed and as it becomes available.

**Manley:** So, you view the “hardware” as the structure, whereas “software” is the corporate culture or spirit. While International investors may look at your governance structure and say, “That’s so Japanese,” you are suggesting the software is focused on creating shareholder value, is that right?

**Nakayama:** It is my belief that if the people conducting governance do not have the right character and insight, misconduct will never be eliminated completely, no matter how evolved the hardware is. The organizational culture is another kind of vital software. Bringing together diverse individuals in an environment that values the free exchange of ideas leads to the development of excellent ideas for the organization. The more excellent ideas you have, the higher your corporate value becomes.

Last year we established a Global Strategy Meeting made up of Daiichi Sankyo leaders from around the world to ensure that our management benefits from a diverse range of opinion. Incidentally, an American, Glenn Gormley, joined us as senior executive officer at Daiichi Sankyo in April of this year. He is the Global Head of Research and Development, which includes Japan, as well.



## Sparkling Innovation by Encouraging Employees

**Manley:** Pharmaceuticals is an innovation business. Innovation requires creative thinking and scientific research, and the entire world is in a war for talent. What are you doing to hire and retain the greatest minds?

**Nakayama:** This is extremely important. Our researchers are outstanding people, and they have high aspirations for creating drugs that help patients. This ambition is one wellspring of innovation. I try to directly encourage these employees in their work and encourage communication that allows for an exchange of ideas. I think it is also important that we find and retain unique individuals with a venture-like spirit, who are not afraid of failure, in order to spark innovation.

For example, the head of Plexxikon, which became a Group company in April 2011 and is a company that creates innovative anticancer drugs, is an extremely interesting person who says, “We are successful because we are small.” This is similar to a phrase that I myself use often with our employees—“small at heart” (by which I mean organic collaboration that arises from one’s immediate community). We are



also conducting innovative research at Asubio Pharma in Kobe, U3 Pharma in Germany, and under our venture framework at Daiichi Sankyo.

**Manley:** R&D costs for new drugs have more than doubled over the past 20 years, while the rate of success has declined over that same time period. This represents a major risk associated with frontier innovation. How do you manage this risk?

**Nakayama:** We employ our rapid decision making system under GEMRAD\* and evaluate our portfolio, as well as regularly assess our pipeline priorities. We have traditionally focused on both first-in-class and best-in-class drugs. With risk management becoming increasingly difficult, we will be shifting to the first-in-class drugs that the market demands.

## Responsible Corporate Citizenship

**Manley:** The cost of electricity, water, dealing with industrial waste and other environmental costs, of course, impact the financial side of business performance, but these costs are also dynamic and differ across regions. How does Daiichi Sankyo control these environmental factors and drive environmental and resource efficiency?

**Nakayama:** I want to distinguish between environmental factors that can be calculated as financial costs and those that cannot. Not all environmental factors can be calculated into our financial costs. There are social issues, such as CO<sub>2</sub> emissions, that we have to set targets for the Group to meet.

In order to increase our environmental and resource efficiency, we have formulated a mid-term environment management policy and a fiscal year environment management policy, and we work as a Group to meet qualitative and quantitative targets that are appropriate for each area.

**Manley:** I'd like to ask you about social contribution activities. Very few Japanese companies report quantitative data regarding the extent of their social contribution activities or their collaboration with local communities. What are your thoughts on quantifying the results of your activities and the positive relationships your employees forge with the community?

**Nakayama:** We need to do more to communicate this to everyone interested, including the broader society. For example, we regularly invite cancer patients and their families to the theater to support and encourage them, with the cooperation of our various partners. Our employees participate in these activities as volunteers to experience the spirit and the value of these activities firsthand, but it is difficult to quantify this. Also, in Japan, most people do not understand the issue of adverse side effects, which makes it difficult to market vaccines and drugs. Daiichi Sankyo responded to this problem by opening the Kusuri Museum as a venue for communicating with visitors to the museum and explaining drugs and their adverse effects. Lectures on “the proper use of drugs” have also been introduced in junior high schools in Japan, and although we believe these activities are meeting society’s needs, it is difficult to quantify the results.

\*GEMRAD (Global Executive Meeting of Research and Development): Daiichi Sankyo's top decision-making body in global research and development, which transcends functional and regional frameworks. This body is not limited to making Go/No-Go decisions on development projects. It also reviews the progress made on individual projects, prioritizes projects for the development pipeline, and deliberates the portfolio management of development items to ensure the effective allocation of resources.

**Manley:** Educating students about the impact of drugs and the science and history behind them may inspire them and boost the number of young people who want to work in the pharmaceutical industry. What about the mobile healthcare vans you operate in India, Cameroon, and Tanzania?

**Nakayama:** In terms of reporting on these activities, we released quantitative data on the degree of Daiichi Sankyo's contribution to activities to help achieve the United Nations Millennium Development Goals (MDGs) as part of our commitment (indices, financial contribution, timeframe of activities) to the program. These activities are expected to help improve local access to medical care and provide meaningful communication with the local community. We are not looking for a big return on this contribution, but I see a return in terms of providing greater motivation for our employees.

## Enduring as a Sustainable Company That Society Relies on

**Manley:** I appreciate hearing your thoughts and perspective today on your approach towards CSR, ESG factors, and global markets. The healthcare industry is one that has the capacity to transform our lives, but at the same time, it has a great responsibility

to do so responsibly. Disclosing information and communicating your commitment to proper business practices will be an important element in differentiating your company from competitors in the future. We are very much looking forward to seeing the approach that Daiichi Sankyo will take on these matters.

**Nakayama:** Thank you very much. I have learned a great deal here today. The fact that analysts in many countries around the world are emphasizing the environment and codes of conduct is important information that our employees need to know. This information will give us a clear understanding of what society, including investors, is asking of us and how we should behave.

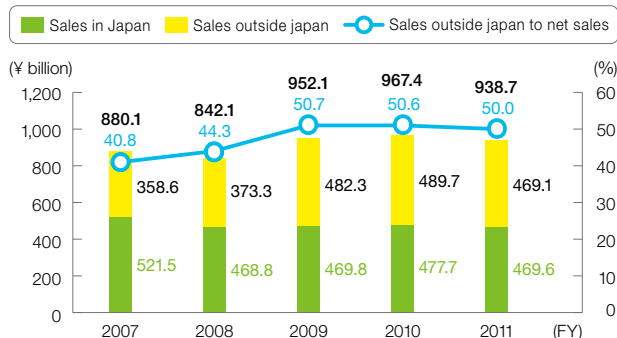
We are a part of society, and as a good corporate citizen, we should conduct ourselves responsibly and with a strong awareness that we have this responsibility. In today's rapidly changing world, sustainable companies will be the ones that pursue business activities based on what the future needs, and at the same time, proactively manage potential risks before they occur. To ensure that Daiichi Sankyo remains a sustainable company, I want to increase corporate quality and continue to be a company that society relies on by maintaining communication with investors, patients, medical staff, our employees, local communities, and people from every walk of life.



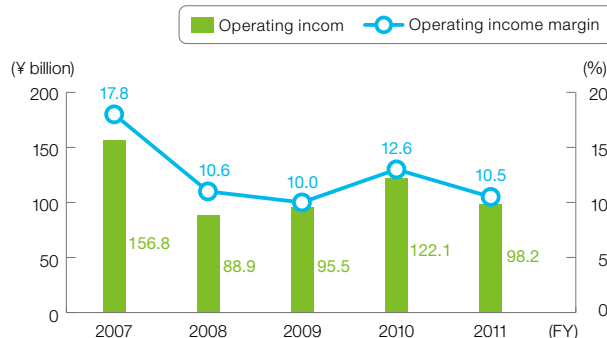


## Highlights of Financial Data

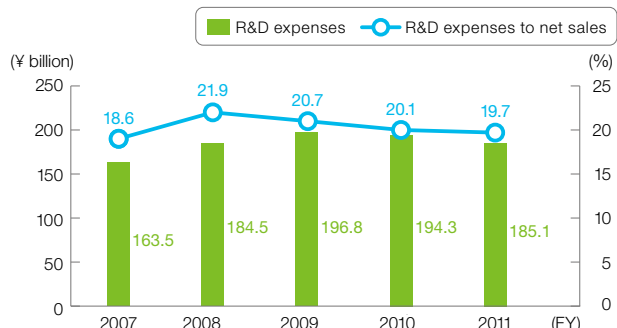
### Net Sales / Sales outside japan to Net Sales



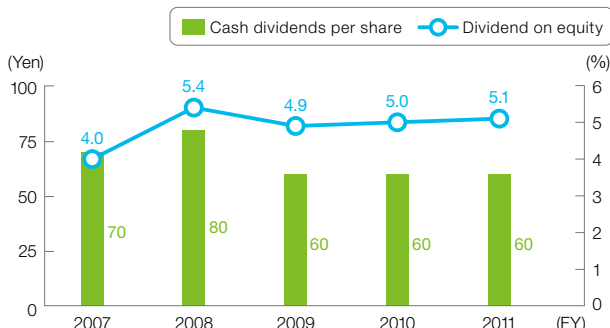
### Operating Income / Operating Income Margin



### R&D Expenses / R&D Expenses to Net Sales

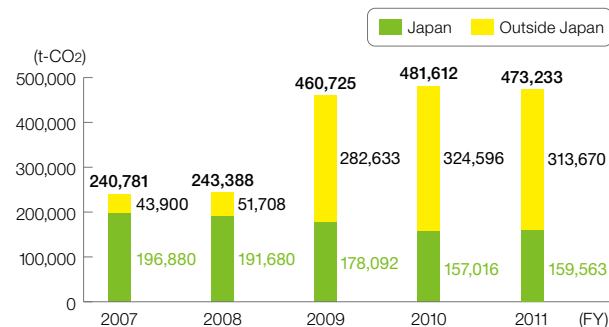


### Cash Dividends per Share / Dividend on Equity

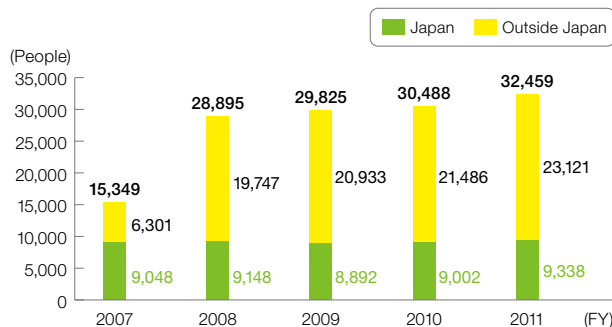


## Highlights of Non-Financial Data

### CO<sub>2</sub> emissions (Group overall)

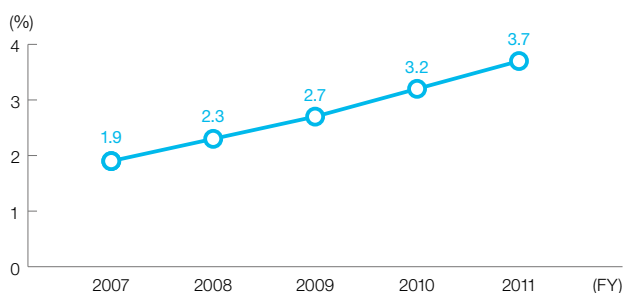


### Number of employees (consolidated)\*1

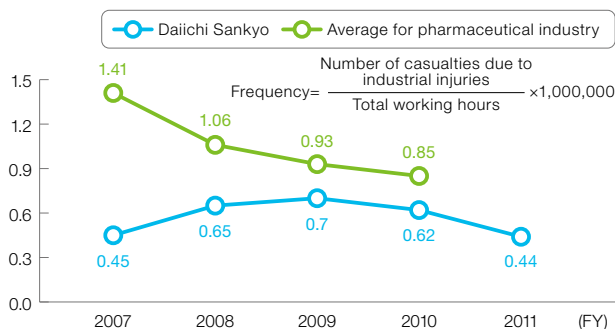


\*1 Figures are as of the end of the settlement period at each Group company for fiscal 2007-2010.

### Percentage of women in managerial positions (non-consolidated)



### Frequency of industrial accidents (for Group companies in Japan)\*2



\*2 Scope of FY 2011: Daiichi Sankyo, Daiichi Sankyo Espha, Daiichi Sankyo Healthcare, Daiichi Sankyo Propharma, Daiichi Sankyo Chemical Pharma, Daiichi Sankyo Logistics, Asubio Pharma, Daiichi Sankyo RD Novare, Daiichi Sankyo Business Associe



## Main Initiatives in Fiscal 2011

### April 1 Kitasato Daiichi Sankyo Vaccine Joint Venture Company to Begin Operations

Kitasato Daiichi Sankyo Vaccine Co., Ltd. began its operations with the corporate philosophy "To make continuous efforts to develop high-quality vaccines that meet the needs of patients, and contribute to improvements in world health and to building a better society for tomorrow."

### April 18 Total Amount of Charitable Contributions Reaches ¥180 Million for Victims of the Great East Japan Earthquake

The Daiichi Sankyo Group has donated the total amount of charitable contributions of ¥182,328,860 to the Japanese Red Cross and other national Red Cross societies, incorporating its Matching Gifts program and direct donations of ¥100 million. In addition, ethical drugs and over-the-counter medical products\*<sup>1</sup> were donated.

### June 8 Launched *Memary* 5mg, 10mg, and 20mg Tablets, an N-methyl-D-aspartate (NMDA) Receptor Antagonist for the Treatment of Alzheimer's Disease

### July 19 Launched *LIXIANA* (edoxaban) in Japan, Prior to the Global Launch

Launched *LIXIANA* 15mg and 30mg, a direct oral factor Xa inhibitor for the prevention of venous thromboembolism after major orthopedic surgery,\*<sup>2</sup> which is expected to contribute to medical science as a potential new treatment.

### August 18 Received FDA Approval for *Zelboraf* (vemurafenib), a First-in-Class Personalized Treatment Discovered by Plexxikon and Co-developed with Roche for Patients with Unresectable (Inoperable) or Metastatic Melanoma in the U.S.

Approval granted in Europe in 2012.

### August 22 Kitasato Daiichi Sankyo Vaccine Selected for Japanese Government's Second Initiative to Build Development and Production Capacity for H1N1 Influenza Vaccines

Kitasato Daiichi Sankyo Vaccine has been approved for the Japanese Ministry of Health, Labour and Welfare's cell culture vaccine production facility capacity-building grant, which is part of the Ministry's second H1N1 vaccine development and production capacity-building initiative, receiving a grant from the Japanese government of ¥29,959 million.

### September 15 Launched *NEXIUM* 10mg and 20mg Capsules, a Proton Pump Inhibitor, in Japan

Approval granted in Europe in February 2012.

### October 17 Opened KIDS GARDEN Nihonbashi, a Daycare Center in the Company's Office Building, as Part of Support for Employees with Children

KIDS GARDEN Shinagawa was also opened in April 2012.



### November 11 Started the Group's Global Social Contribution Activity (Mobile Rural Healthcare Service) in India

Started in Cameroon in October 2011 and Tanzania in February 2012.

### December 1

Ranbaxy Laboratories Limited ("Ranbaxy") Launched *Atorvastatin*, a Cholesterol-reducing Medicine, in the U.S.



### February 3 Opened the Daiichi Sankyo Kusuri Museum

This museum provides an interactive experience that gives a broad general audience an opportunity to learn about medicine in a fun way. This facility's cultural functions and public programs also represent a contribution to the larger Nihonbashi community.



## Main External Recognitions in Fiscal 2011

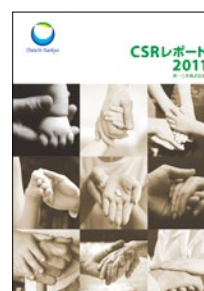
Daiichi Sankyo has been included in the Asia Pacific Index of the Dow Jones Sustainability Indexes for two consecutive years.



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



Daiichi Sankyo's *Corporate Social Responsibility Report 2011* won the Third Prize in the Sustainability Reporting category of Toyo Keizai Inc.'s 15th Green Reporting Award and Sustainability Reporting Award.



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

\*2 Total knee arthroplasty, total hip arthroplasty, and hip fracture surgery

# Our Mission and Responsibilities

## Integrating Business with Social Responsibility

Article 3 of the Universal Declaration of Human Rights states that “everyone has the right to life, liberty and security of person.” Ensuring that people receive appropriate medical care is clearly an important aspect of protecting these human rights. Unfortunately, however, today’s world faces disparities in medical care for people living in different regions and economic situations. There are far too many people all over the world suffering from illnesses for which effective medical treatment and drugs are yet to be discovered. Finding solutions for this problem is one of the great inspirations for our business.

### Understanding Social Issues Surrounding the Pharmaceutical Business

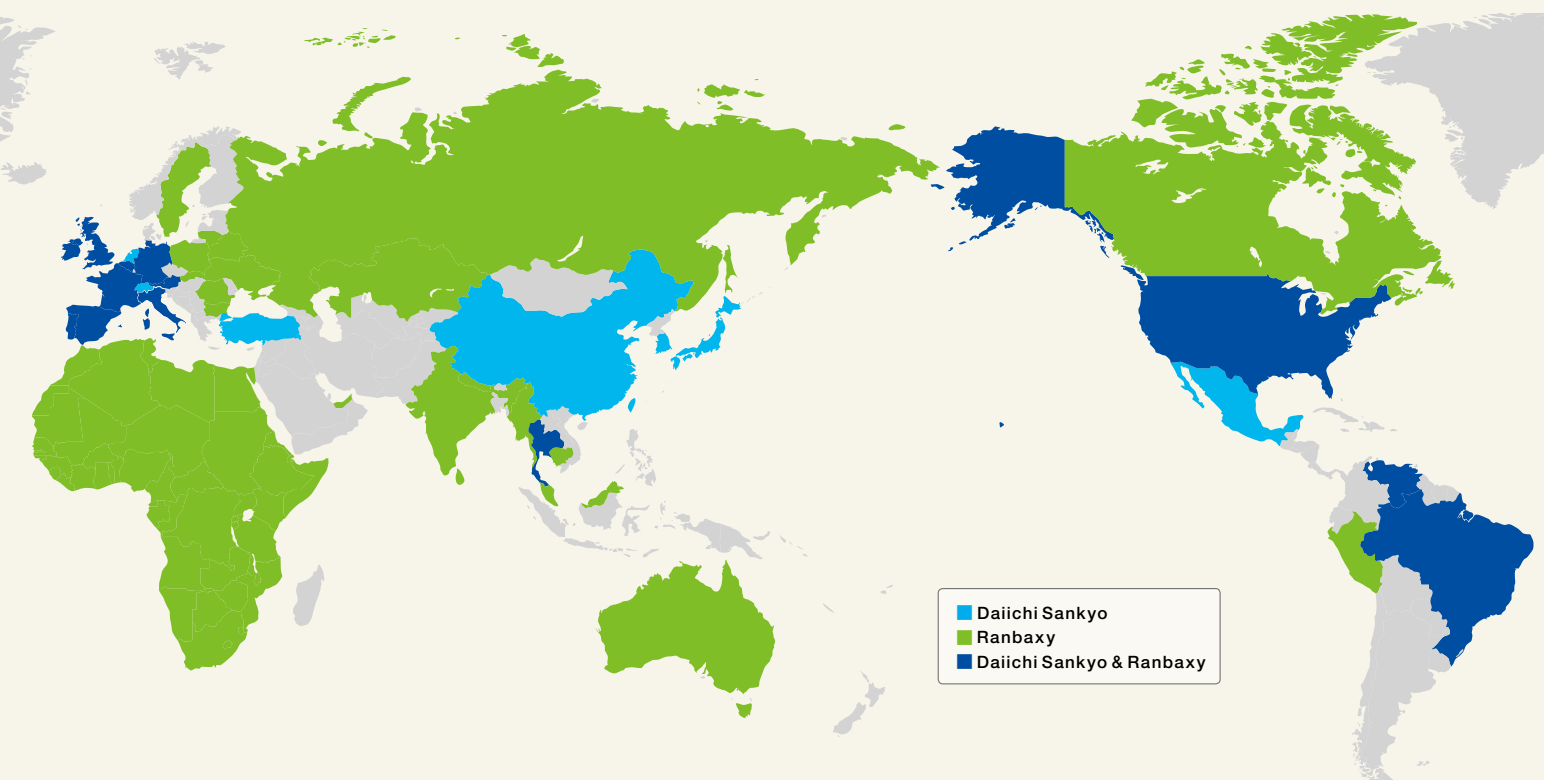
Developed nations are beset with aging populations and slower economic growth at the same time. These issues are putting pressure on funding for medical care and leading to intense efforts to curb medical and drug costs. Meanwhile, chronic disease is becoming a major social problem as the elderly make up more and more of the total demographic.

In less-developed regions, many countries are struggling to meet the targets under the UN Millennium Development Goals, such as the infant mortality rate, maternal mortality ratio, and HIV/AIDS and malaria prevalence rates. In certain other

countries, economic growth and improvement in income levels are accompanied by an older population and urbanizing lifestyles, and just as in developed nations, the risk of lifestyle disease is beginning to rise.

The Daiichi Sankyo Group has a social responsibility to do all that it can to respond to the increasing diversity of markets and meet medical needs in both developed countries and emerging economies. Fulfilling this mission also represents a significant growth opportunity.

#### ● Global Expansion of Hybrid Business



## Taking on the Challenge of Becoming a “Global Pharma Innovator”— The Second Mid-term Business Management Plan

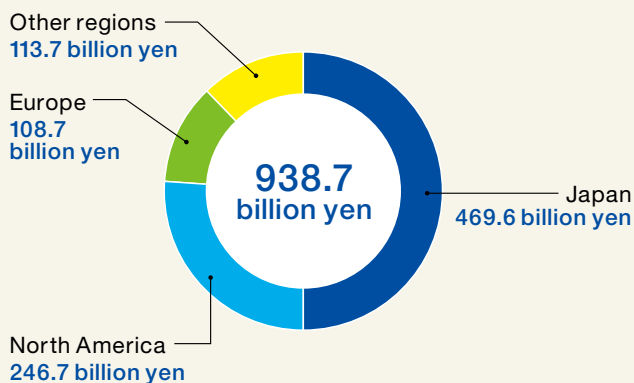
In its mission to become a “Global Pharma Innovator,” Daiichi Sankyo will continue to embrace the challenges of expanding its activities to both developed countries and emerging economies (“global”), fulfilling unmet medical needs (“pharma”) and developing drugs and building a business model that generates added value (“innovator”).

In our Second Mid-term Business Management Plan (fiscal 2010-2012), we have strengthened and built upon our business foundation with a view to medium- and long-term growth. From a business operations standpoint, we have reinforced and enriched the Group’s innovative pharmaceutical products (new drugs), vaccines, established pharmaceuticals (generics and long-listed, off-patent drugs) as well as over-the-counter drugs.\*<sup>1</sup> Regionally, the plan focuses on expanding into

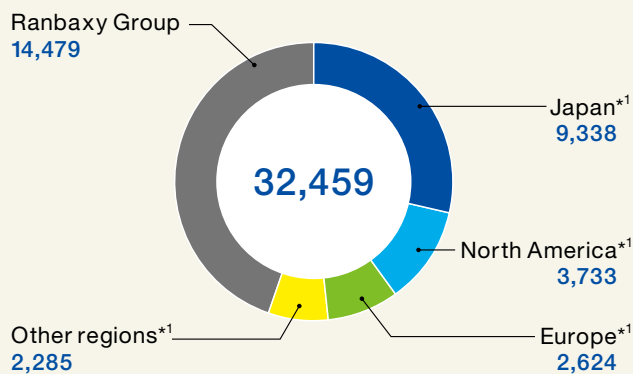
new areas utilizing Ranbaxy’s sales network. We will continue with these efforts to implement our multi-faceted hybrid business model in Japan, the U.S., Europe and emerging markets, which have extraordinary growth potential.



### ● Daiichi Sankyo Group’s Fiscal 2011 Sales



### ● Number of Employees by Region (Consolidated, as of March 31, 2012)



\*<sup>1</sup> Excluding the Ranbaxy Group

## Feature

### Fighting Lifestyle Diseases

#### Heart Disease (Anginas and Myocardial Infarctions)

Currently, the number of people suffering lifestyle diseases is increasing rapidly around the world. The World Health Organization (WHO) predicts that the number of yearly deaths due to lifestyle diseases will reach 55 million by 2030, with death by heart disease accounting for the highest percentage, at 25 million deaths every year.\*<sup>2</sup>

We launched *Effient*/*Efient*, a treatment that reduces thrombotic cardiovascular events, in 2009 in Europe and the U.S. *Effient*/*Efient* prevents blood platelets from aggregation, which can block an artery, and thus lowers the risk of heart and vascular conditions such as anginas and myocardial infarctions.

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

\*<sup>2</sup> Reference: *World Health Statistics 2012*, WHO

## Future Business Strategy

In fiscal 2012, the final year of the Second Mid-term Business Management Plan, we are working on defining the management issues that we must address in the medium to long term.

First, we are focusing on strengthening the innovative pharmaceuticals business, the mainstay of our business. In addition to maintaining and growing our current core products, we are looking to develop compounds that will become mainstay products in the future by reinvigorating and enhancing the efficiency of our R&D efforts.

Similarly important, we are determined to return Ranbaxy to a growth trajectory. Ranbaxy drives another major business; established pharmaceuticals. Strengthening both innovative pharmaceuticals and established pharmaceuticals, our two core businesses, will be essential as we pursue Daiichi Sankyo's hybrid business.

We will not only strengthen these two core businesses, but also combine the two businesses so that they are better adapted to the market characteristics in each area of the world.

We are determined to bring the Group's business activities to a whole new level to meet medical needs

as they become increasingly diverse in a changing world, and strive to help people around the world lead healthier, more fulfilling lives.



## Feature

### Being of Service to Aging Societies

### Alzheimer's Disease

The main objectives in the treatment of Alzheimer's disease are delaying its progression and enabling the person with it to live a life that is true to themselves for as long as possible, as well as alleviating the burden on the family members providing care. Daiichi Sankyo launched *Memary*, a treatment for Alzheimer's Disease, in 2011 in Japan. As the first new treatment for Alzheimer's disease offered in Japan in 12 years, the launch of

*Memary* has expanded the options available for Alzheimer's treatment.

Demographic aging is a global issue. WHO projects that this trend will bring the number of people with dementia to 115.4 million worldwide by 2050, or more than one person out of every 100. Moreover, dementia treatment costs are expected to become a political issue requiring a large national budget in countries with aging populations.

\*1 Reference: *Dementia: a public health priority*, WHO



## Integrating CSR with the Mid-term Business Management Plan

At Daiichi Sankyo, we see CSR as critical to the implementation of our Mid-Term Business Management Plan and achieving our larger vision. In fiscal 2010, the year in which the Second Mid-term Business Management Plan (fiscal 2010-2012) started, we established five domains and goals for CSR and ensured that these challenges were embraced by the entire Group.

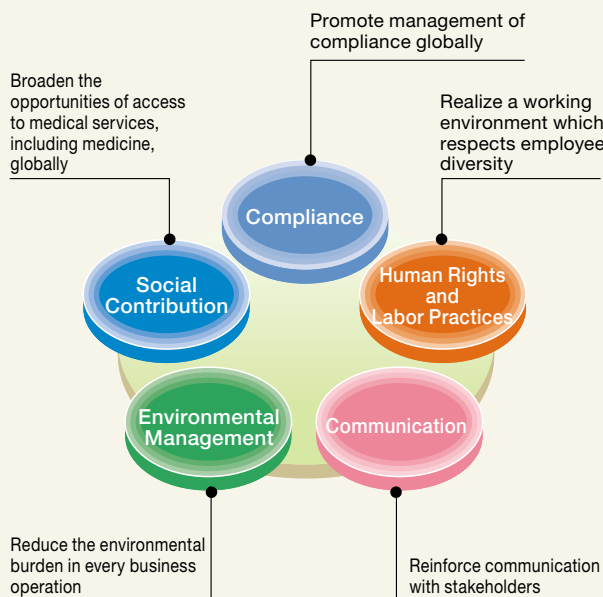
In fiscal 2011, we revised the Daiichi Sankyo Group Corporate Conduct Charter in order to put the corporate mission into practice and address the five goals as global initiatives. By acting in line with the Corporate Conduct Charter—"with the highest ethical standards and a good social conscience appropriate for a company engaged in a business that affects human lives"—the Group seeks to fulfill society's expectations and create value that contributes to sustainable social development, which in turn will increase the Group's own corporate value.

In April 2012, Daiichi Sankyo joined the United Nation's Global Compact.

We devised both financial and non-financial indicators for each of the five goals so that we could monitor our progress on the five domains and goals.

This ensures that our business activities and our social responsibilities stay closely aligned.

### Five Domains and Goals for CSR in the Second Mid-term Business Management Plan



Please refer to page 19 for information on the revisions to the Corporate Conduct Charter.



Please refer to page 27 for information on Daiichi Sankyo's participation in the UN Global Compact.

### Addressing Region-Specific Issues

#### Malaria

Malaria has been almost completely eradicated in developed nations, but it remains a life-threatening public health challenge in emerging economies. The number of people suffering from malaria globally totaled approximately 216 million in 2010, and about 650,000\*<sup>1</sup> of these people lost their lives.

Fighting back against this deadly disease, Ranbaxy launched the malaria treatment *Synriam*<sup>TM</sup> in India in April 2012. This was the first originally developed drug introduced by an Indian pharmaceutical company. The price has been kept to about one-third the cost of existing drugs to

reduce disparities in access attributable to economic situations and ensure that as many people as possible can benefit from the drug's healing effects. Our hope is to see *Synriam*<sup>TM</sup> spread throughout Southeast

Asia and Africa, where malaria infection rates are high, and we aim at nothing less than eradicating malaria from the world.



\*1 Reference: *World Malaria Report 2011*, WHO

## Daiichi Sankyo Group's Stakeholders

Relationships with a wide range of stakeholders are an indispensable part of the Daiichi Sankyo Group's corporate activities. The Group clearly lays out standards for its actions in the Daiichi Sankyo Group Corporate Conduct Charter as well as in the individual Code of Conduct for Compliance established at each group company. "Reinforcing communication with stakeholders" is one of the Group's five goals. We strive to fulfill our responsibilities to stakeholders not only in everyday operations but also by constantly

striving to improve communication.

We use the PDCA\*<sup>1</sup> cycle to manage our efforts to fulfill our corporate social responsibilities. This involves communicating with stakeholders about the expectations they have for the Group, and especially talking with customers about their needs, and then reflecting what we learn in our business activities to make improvements. This cycle enables the Group to strengthen its relationship of trust with stakeholders and fulfill its social responsibilities.



### ● Distribution of Economic Value Among Stakeholders

Stakeholders	Allocated amount for fiscal 2010 (¥ million)	Allocated amount for fiscal 2011 (¥ million)	Calculation method
Business partners	442,378	450,257	Selling, general and administrative expenses (excluding personnel costs)
Employees	121,164	121,608	Personnel costs included in selling, general and administrative expenses
Shareholders	42,235	42,234	Dividends paid from retained earnings
Creditors	5,519	3,712	Interest expenses included in non-operating expenses
Governments	41,806	39,758	Income taxes paid
Environment	2,392	2,584	Independently calculated expenditure on the environment Expenditure on environmental preservation calculated by environmental accounting
Daiichi Sankyo	27,882	-31,865	Total change in retained earnings during fiscal year under review

\*1 The PDCA (Plan, Do, Check, Act) cycle is a management process used to ensure that managerial operations proceed smoothly according to plan.

Stakeholders		Daiichi Sankyo Group's main responsibilities	Key opportunities for communication
Patients and medical professionals	The Daiichi Sankyo Group delivers pharmaceutical products for treating cardiovascular diseases, communicable diseases, and diseases of the nervous system.	The Group strives to maintain and improve people's health and improve quality of life through its pharmaceutical products.	<ul style="list-style-type: none"> <li>• Provision of information via MRs*<sup>1</sup></li> <li>• Assessment questionnaires</li> <li>• Advertising, commercials and other mass media</li> <li>• Appropriate use of medical equipment</li> <li>• Information compilation and feedback</li> <li>• Provision of information through product notes, packaging and labeling</li> <li>• Responses to inquiries via the Product Information Center</li> <li>• Dissemination of information via websites and events</li> </ul>
Employees	The Group has approximately 32,000 employees, 71% of whom work outside of Japan (as of end-March 2012).	The Group strives to train personnel who respect values diversity by offering employees as many opportunities for skill development and professional growth as possible.	<ul style="list-style-type: none"> <li>• Employee questionnaires</li> <li>• Educational activities on human rights and other issues</li> <li>• Consultation desks</li> <li>• Dialogue with labor unions</li> <li>• Human resource evaluations</li> <li>• Education and training</li> <li>• Support through employee assistance program (EAP)</li> <li>• Program supporting female employees</li> <li>• President visits, town meetings</li> <li>• Dissemination of information via company magazine and company Intranet</li> </ul>
Shareholders	Daiichi Sankyo has approximately 110,000 shareholders. Of the total of approximately 700 million outstanding shares, financial institutions hold 43%, foreign corporations hold 28% and retail investors and others hold 18% (as of end-March 2012).	The Group endeavors to earn trust as a highly transparent and open company by disclosing information in a timely and fair manner.	<ul style="list-style-type: none"> <li>• News releases and other announcements via mass media</li> <li>• General shareholders' meetings</li> <li>• Earnings briefings</li> <li>• Issuance of annual reports and shareholder reports</li> <li>• Dissemination of information via websites</li> </ul>
Business partners	The Group has over 5,000 business partners in Japan with which it works on an ongoing basis (as of end-March 2012).	The Group maintains equitable and sound relationships with its business partners based on contracts that comply with laws and appropriate customs, with respect to their positions, rights and profits.	<ul style="list-style-type: none"> <li>• Dialogue during transactions (interviews, feedback)</li> <li>• Implementation of responsible procurement under CSR</li> <li>• Procurement Standards</li> <li>• Procurement briefings</li> <li>• Questionnaires</li> <li>• Visits after start of transactions</li> </ul>
Local communities	The Group has major bases in more than 50 countries around the world.	The Group voluntarily and proactively acts to contribute to sustainable social development.	<ul style="list-style-type: none"> <li>• Academic and research support</li> <li>• Support for local medical care</li> <li>• Social welfare activities related to medical care</li> <li>• Support for youth education</li> <li>• Support for culture, arts and sports promotion</li> <li>• Participation in local events</li> <li>• Local cleanup activities</li> </ul>
Global environment	The Group assesses the environmental impact of its business activities overall and makes global efforts to reduce this impact.	The Group believes that considering the global environment is a company's social responsibility, and, going beyond complying with the law, voluntarily and proactively strives to protect and improve the environment.	<ul style="list-style-type: none"> <li>• Environmental e-learning</li> <li>• Environmental art contest</li> <li>• Environmental posters</li> <li>• Environmental communication groups</li> </ul>

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

## Revisions to Daiichi Sankyo Group Corporate Conduct Charter

The Daiichi Sankyo Group Corporate Conduct Charter lays out the ten articles representing the most important principles of action related to corporate quality. All Group companies both in and outside Japan must observe these principles, which form the basis for the Group's CSR.

After Ranbaxy joined the Group in 2008, the Mid-term CSR Policy was established to reflect the Group's rapid globalization and diversification, as part of the Second Mid-term Business Management Plan, which was launched in fiscal 2010. This process involved communication with top management in each region in order to ensure responsiveness to local conditions.

In fiscal 2011, the Daiichi Sankyo Group Corporate Conduct Charter, the basis for our CSR, was revised for greater relevance globally by a team made up of members chosen from Japan, the U.S., Europe, ASCA\*<sup>1</sup> and India.

In global management, we are determined not only to protect our business from risks, but also to identify social changes quickly and proactively meet social expectations.



### ● Main Points of the Revision

#### POINT 1

- ▶ Revised the foreword to indicate clearly that activities based on the Charter, the core of CSR, are connected to improvements in corporate value.

#### POINT 2

- ▶ Included the examples of “medical professionals,” with whom Daiichi Sankyo must have transparent relationships as a pharmaceutical company, and “governments,” with whom healthy relationships must be maintained to prevent corruption, in Article 2.

#### POINT 3

- ▶ Specified “being respectful to all international norms including human rights” to clarify the importance of respect for human rights in Article 4.

#### POINT 4

- ▶ In addition to ensuring a good working environment, raising employee value as part of the corporate stance was included in Article 5.

#### POINT 5

- ▶ Article 6 was revised to identify addressing environmental issues as integral to the company's survival and an area in which the company will act responsibly.

#### POINT 6

- ▶ Article 9 was revised to identify executives broadly as personnel responsible for actively implementing the Charter and making it known to business partners as well.

#### POINT 7

- ▶ Article 10 was revised to clarify the stance of managers when problems occur.

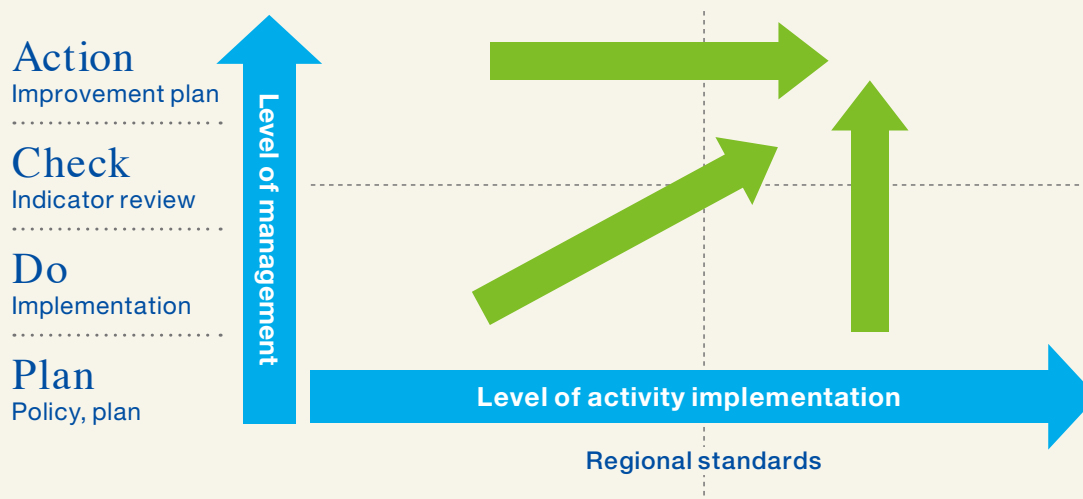
\*1 Abbreviation of Asia, South and Central America. This is internal terminology indicating markets outside Japan, the United States and Europe.



## Assessing Status of Implementation and Making Improvements

In fiscal 2012, we will deploy the Charter together with a guide to deepen understanding and ensure implementation so that the Charter becomes fully rooted in Group companies' corporate activities, and we will develop systems and rules

in parallel. Moreover, we will assess the Charter's implementation at the level of activity implementation and the level of management, and identify issues by sharing this information. All of these efforts are intended to improve corporate quality.



### DAIICHI SANKYO Group Corporate Conduct Charter

The DAIICHI SANKYO Group fulfills its mission to "To contribute to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs." We comply with laws, regulations and rules regarding global corporate activities, and act with the highest ethical standards and a good social conscience appropriate for a company engaged in a business that affects human lives based on the following principles. We fulfill our corporate social responsibility (CSR) by actively responding to an ever-changing society and enacting improvements for corporate value.

- Article 1** We diligently address medical needs by providing beneficial, safe, and reliable pharmaceuticals and services.
- Article 2** We conduct business in an ethical, fair and competitive manner, and maintain a healthy and professional relationship with our stakeholders, which include medical professionals and governments.
- Article 3** We actively communicate with our stakeholders by disclosing corporate information in a timely and appropriate manner in accordance with the principles of corporate accountability. We take appropriate measures to manage and protect personal and customer information and the confidential information of our and other companies.
- Article 4** The globalization of business activities requires that we operate by being compliant with the laws of each country and region, and by being respectful to all international norms including human rights, various cultures and customs. As a result, we contribute to the development of the local economy and society.
- Article 5** We respect diversity in the personal values, qualities and individuality of our employees, and ensure a safe and working environment that does not tolerate inappropriate treatment such as discrimination or harassment. We provide employees the opportunity to develop their skills and abilities for the mutual development of the employee and the corporation.
- Article 6** We responsibly manage the environmental impact of our operations as environmental issues are common challenges for mankind and such concerns are integral to our corporate activities and our very survival.
- Article 7** We actively engage in community activities and philanthropic programs focused on social causes.
- Article 8** We do not support or conduct our business with antisocial forces, prohibited entities or groups that may threaten the order or safety of civil society.
- Article 9** Executives of the DAIICHI SANKYO Group actively build and maintain effective systems to implement this Charter, ensure it is understood by all Group companies and make this Charter known to our business partners.
- Article 10** If the Charter is violated, executives of DAIICHI SANKYO Group Companies ensure that there is a commitment to determine the cause of infringement, take corrective action as necessary and make efforts to prevent similar violations in the future. Executives are accountable for promptly making required disclosures and upon discerning responsibility regarding the infringement, impose appropriate disciplinary action, including upon Executives themselves.

Revised date: October 1st, 2011

## ► Message

# Challenges and Opportunities for

Glenn Gormley assumed the position of Senior Executive Officer, Head of Research & Development at Daiichi Sankyo in April 2012. Dr. Gormley speaks about the values and priorities that global research and development should share.

## Decision Making in R&D and Enhancing Corporate Quality

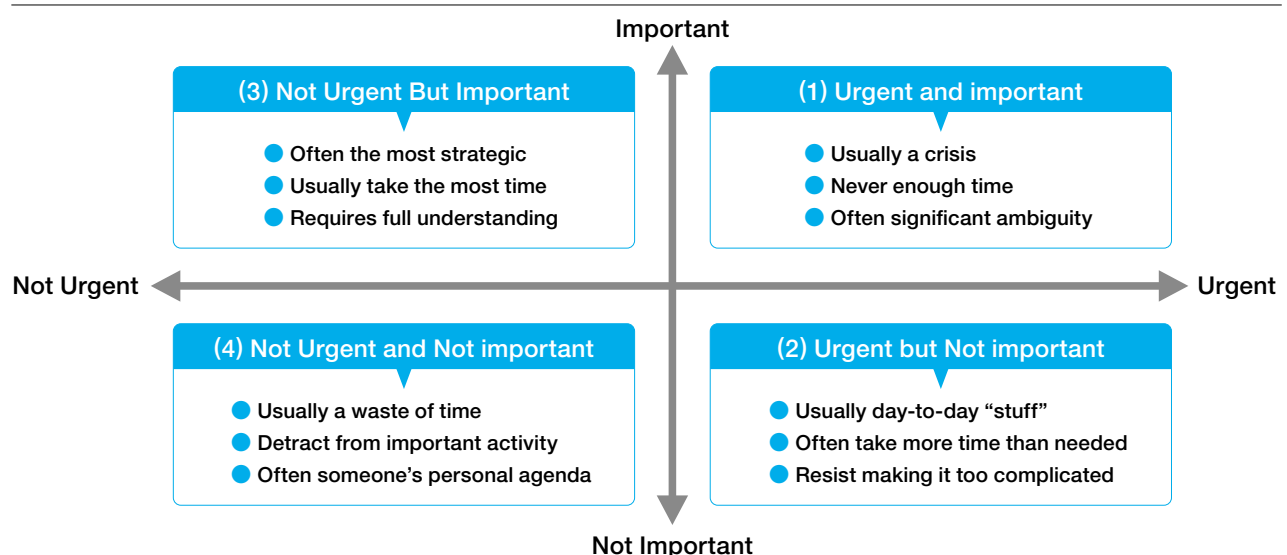
Business issues involving decision making can be divided into four categories: (1) urgent and important (2) urgent but not important; (3) not urgent but important; and (4) not urgent and not important. Of these, the issues that have the greatest impact and are most closely related to medium- and long-term strategies are those that fall into the third category, “not urgent but important.” Managers often spend a lot of time focused on issues that are urgent and important, but in the context of research and development, it is essential to take a medium- to long-term perspective and address issues “not urgent but important,” without being distracted by the urgent ones that are not so important. Likewise, our strategies for R&D address issues that are not urgent, but are important. “Enhancing corporate quality” by putting into practice the Corporate Conduct Charter, revised in April 2012, is an example of this. The Charter, along with “Our Values” (Innovation, Integrity, and Accountability), forms the fundamentals of Daiichi Sankyo Group businesses and CSR activities. Senior leaders must model this kind of conduct in practice, behave in

a consistent way and talk with team members to facilitate shared values. It is important that we foster a corporate culture that allows members of our team to challenge the conduct of the senior leadership if it is not consistent with our Corporate Conduct Charter.

## Priority Issues in Global R&D

The first of my priorities is fostering strong leadership in R&D. Next is to develop an empowered organization, where people can make decisions more quickly, without being afraid to take risks. The third is to continue the evolution of Daiichi Sankyo to become a true Global Pharma Innovator, which will require strong leadership and quick decision making. Specifically, we are working to establish a portfolio of innovative, first-in-class drugs that deliver value to patients, healthcare providers, and shareholders; to position ourselves as a leader in the field of personalized medicine so we can deliver the right drug, to the right patient, at the right time; and to develop a globally integrated R&D organization by enhancing communication in and among R&D in Japan, the U.S., Europe, and Asia. Developing a “short feedback loop” between research and

## ► All Decisions are not the same



# New Global R&D

Senior Executive Officer  
Head of Research & Development

Glenn Gormley, MD PhD

development so that the two areas are on the same page is particularly important to fostering stronger communication.

I hope all members of the R&D team will share the same Daiichi Sankyo Group strategies and priorities globally and work together to achieve the same goals.

Over the medium to long term, issues such as R&D contributions to addressing the unmet medical needs of neglected diseases or rare diseases that affect fewer patients and collaboration with non-governmental organizations and other groups could also become priorities, if good synergies can be identified in terms of our corporate strategies.

## Expectations of R&D in Japan

We are focused on improving our strengths in Japanese pharmaceutical development in order to expand Japan's contribution to the global development of pharmaceuticals by, for instance, conducting more phase I trials in Japan ahead of the rest of the world. It is essential that these Japanese strengths—high standards of quality, keen focus on patient safety, and efficient recruitment of patients for clinical trials—are not lost as we evolve into a global organization. It is also important to understand and support, where we can, the activities of major industry associations, such as the Japan Pharmaceutical Manufacturers Association (JPMA), the Drug Information Association (DIA),<sup>\*1</sup> and the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use (ICH). We must take the initiative and take on a leadership role in order to resolve the issues directly confronting the pharmaceuticals industry. After all, the best way to get a solution we are comfortable with is to help set the agenda.

Finally, the extraordinary respect Daiichi Sankyo has for the cultural differences between East and West is without a doubt one of our strengths. This is an asset that will make us



extremely competitive. I myself hope to learn more about the Japanese culture.

I would like to see our organizational culture continue to evolve to include more diversity in gender, culture and nationality.

<sup>\*1</sup> The Drug Information Association (DIA) is a neutral, global, nonprofit association that provides knowledge resources across the full spectrum of medical product development.



## Coordinating in an Open, Communicative Organization

I expect every member of the R&D team, at every level, to recognize himself or herself as a leader in his or her specific position, who can make a real difference in our success. Members should debate matters of opinion, and at the same time learn from each other and respect one another. This facilitates better decision making and fosters ties between members of our team.

In meetings, someone who may be my junior professionally will often challenge me with a different view. I very much welcome constructive and honest opinions that differ from mine, and I am pleased to be challenged in this way. At these times, I make a point of saying, "Thank you for raising that point with me. That was a worthwhile discussion."

## Having an "Internal Compass"

There is one thought that I always share with my colleagues at every R&D leadership forum. This is the idea of the "internal compass," which I think is extremely important. I hope everyone will hold true to his or her own internal compass. What I mean by an internal compass is a set of ethics and principles that a person believes in and uses to guide his or her own conduct. It is not dependent on the expectations of others or on pressures from the outside.

My highest priority within my compass is to medicine and ethics. My obligation to patient safety and to medical ethics will never be compromised by my personal interests. The commitment I make is to ensure that no decision that I make will violate the fundamentals of medical ethics in the interest of science or business.

My second priority within my compass is to science. Scientific integrity is critical to the ethical pursuit of medical research. We can never compromise those scientific standards for personal or commercial gain.

My third compass priority is to achieving success in our business. Being commercially successful is how we can make sure we deliver our medicines consistently to the patients who need them. Commercial success also provides the resource to discover and develop more important medicines.

Having these internal compass values is also important in the sense of fulfilling our social responsibility. It means that we understand that the results we deliver do not justify the process we use or the way we treat people. The ends never justify the means. I believe that Daiichi Sankyo will achieve our greatest success only when our corporate management goals are aligned with our social responsibility and we earn full credibility with the broader society.



### Vision and Strategy



As a Global Pharma Innovator, the mission of Daiichi Sankyo R&D is to discover and develop value-added first-in-class and best-in-class therapies, expanding on our legacy of quality and innovation to improve patient health and raise global standards for disease treatment and prevention.

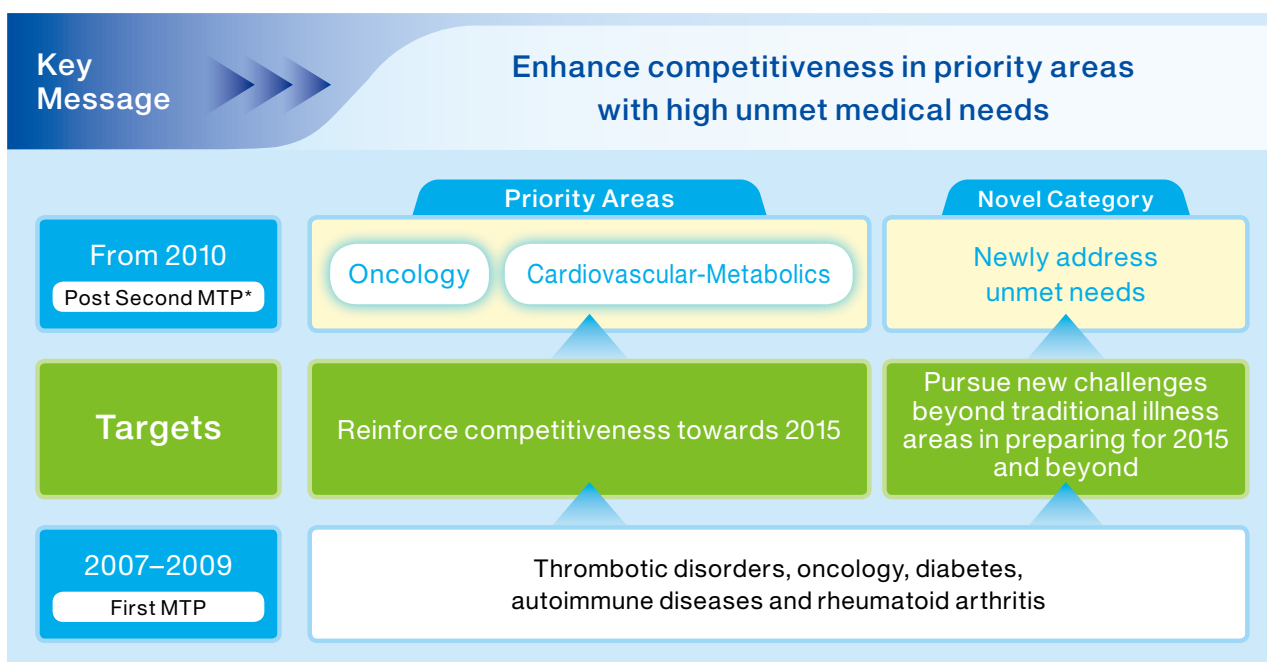
To achieve this mission, Daiichi Sankyo focuses on high-priority target therapeutic areas and also looks ahead to long-term growth by investing resources in innovative new areas with significant unmet needs.

### Priority Areas



Daiichi Sankyo conducts research with priority given to oncology and cardiovascular-metabolics in the discovery stage. This strategy makes the most of the strong foundation built over years of discovery to strengthen research competitiveness in fields with a high degree of unmet medical needs. We also have just established a “Novel Category” in which we will try a new approach employing medium- and long-term initiatives. The Novel Category will not be limited to conventional therapeutic areas; instead, we will designate focus points for drug discovery research based on cutting-edge knowledge of pathology. This will enable Daiichi Sankyo to create first-in-class medicines for remaining unmet medical needs.

### ● Priority Areas for Discovery



\*Mid-Term Business Management Plan

## Global Research Structure

Starting with the acquisition of the Germany-based U3 Pharma GmbH, which joined the Group in 2008, Daiichi Sankyo has continued to expand its R&D function around the world. Next, the Group brought Ranbaxy's drug discovery research functions into its global research function in 2010, establishing Daiichi Sankyo Life Science Research Centre in India (RCI<sup>\*1</sup>) as part of Daiichi Sankyo India Pharma Pvt. Ltd. In addition, the U.S.-based Plexxikon Inc. joined the Group in 2011 to give the Group a "tetrapolar" research structure spanning Japan, the U.S., Europe and India. The Group's research functions have now attained a geographical and technological diversity that goes beyond its previous reach.

Daiichi Sankyo encourages a culture of proactive communication to ensure that the best practices in these four regions of the world are constructively incorporated and change is embraced and actively pursued.

### ● R&D Expenses, and R&D Expenses as a Percent of Net Sales

	FY2009	FY2010	FY2011
Net sales (billion yen)	952.1	967.4	938.7
R&D expenses (billion yen)	196.8	194.3	185.1
R&D expenses as a percent of net sales	20.7%	20.1%	19.7%

## R&D Examples

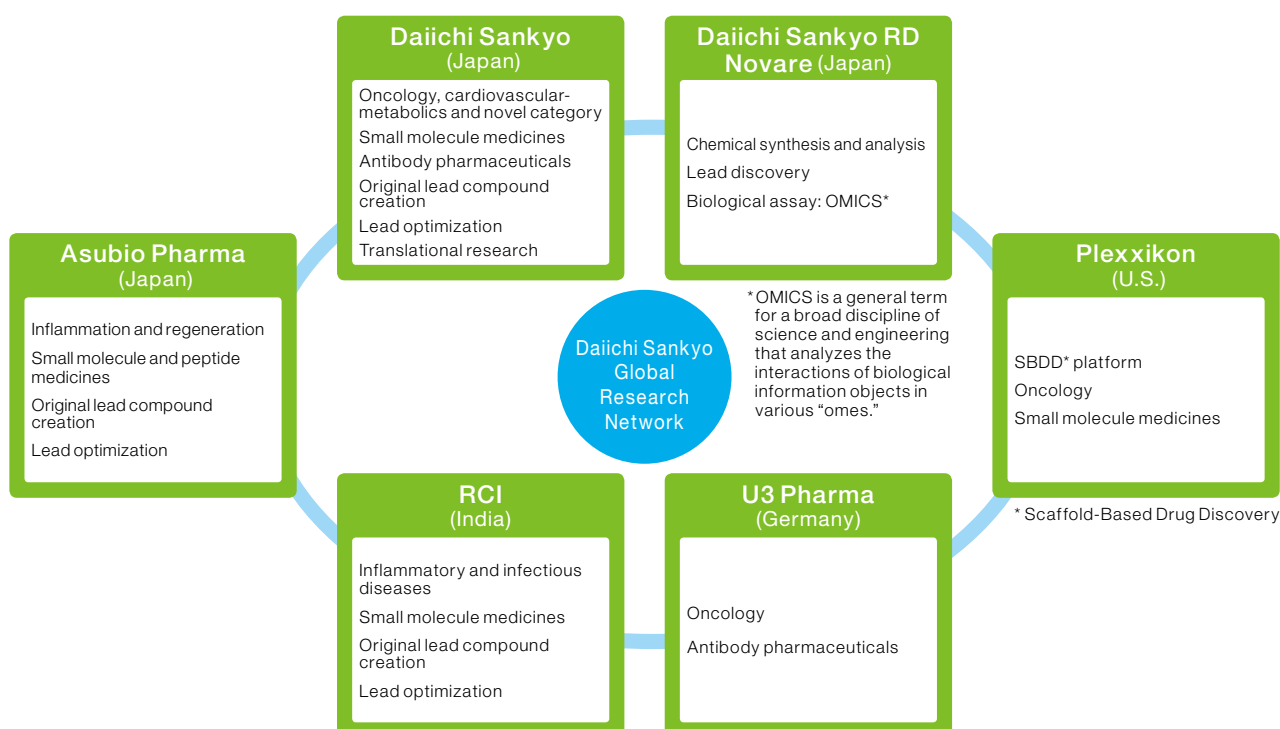
Denosumab (generic name) is a human monoclonal antibody licensed from Amgen Inc. that is the world's first antibody drug to target RANK Ligand, an essential mediator of osteoclast formation. This drug can be used for a wide range of disorders whose treatment targets RANKL.

In April 2012, Daiichi Sankyo launched *RANMARK Subcutaneous Injection 120 mg*, a treatment for bone complications stemming from multiple myeloma and bone metastases from solid tumors. Based on the results of global clinical trials, we filed a global data package for *RANMARK* and obtained approval. The importance of bone metastasis management is increasing because the progress of oncology treatment has prolonged survival, and *RANMARK* is expected to contribute to treatment.

In March 2012, Daiichi Sankyo filed for approval to market denosumab as a treatment for osteoporosis. In addition, we are participating in a global clinical trial of an adjuvant treatment after breast cancer surgery, and are also developing a treatment in Japan for rheumatoid arthritis and giant cell tumor of the bone, a rare disorder.

Denosumab, Daiichi Sankyo's first antibody drug, not only treats cancer, which is one of our priority areas, but also covers a wide range of other disorders such as lifestyle diseases and rare disorders. We expect this drug to become a growth driver for the pharmaceutical business, as well as contribute to society by providing patients with more treatment options.

### ● Global Research Network



\*1 Daiichi Sankyo Life Science Research Centre in India

## Addressing Unapproved Drugs in Japan

Hydromorphone hydrochloride is an opiate, narcotic analgesic that has yet to be marketed in Japan. It has been used for over 80 years outside Japan, and its analgesic potency is five to eight times greater than that of morphine.

Based on a request from an academic society on pain management during cancer treatment, Daiichi Sankyo was consigned to develop this analgesic agent at the decision of the Ministry of Health, Labour and Welfare's Study Group on Unapproved and Off-label Drugs of High Medical Need.

Daiichi Sankyo has obtained a license as a narcotics manufacturer and can effectively utilize its manufacturing technology for developing this drug. We are considering developing drug formulations to treat a range of pain symptoms associated with cancer, and planning to start clinical trials in FY 2012 in line with an effective development plan utilizing our clinical experiences outside Japan.

Hydromorphone hydrochloride is the standard for pain management according to WHO guidelines on cancer pain. The launch of this medicine would reinforce treatment strategies for cancer-related pain in Japan and would relieve more patients from pain. In conjunction with the cancer treatments, our priority area, we expect this to improve patients' total care.

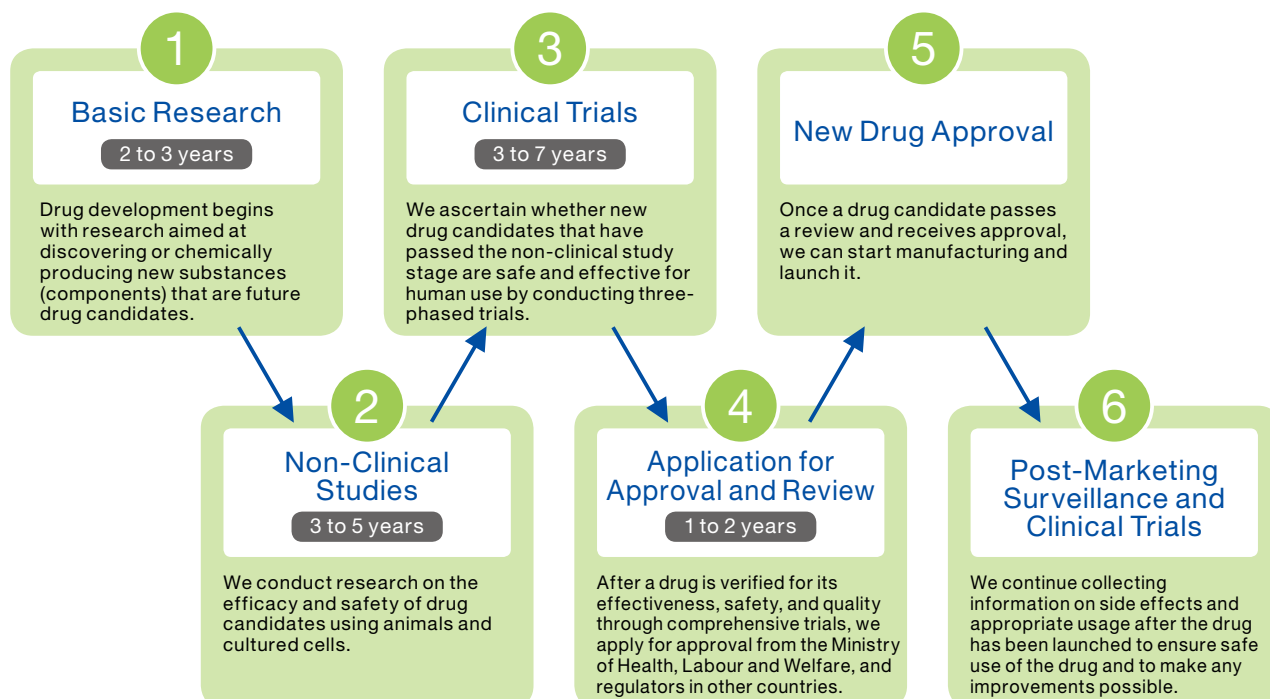
## Collaborative Research Project

Daiichi Sankyo initiated its TaNeDS® (Take a **N**ew challenge for **D**rug di**S**covery) collaborative drug discovery project in fiscal 2011. With the slogan "the knowledge needed to address incurable diseases is certain to be developed," this project solicits applications for funding from researchers at universities and public research centers in Japan.

The project aims to discover the seeds of new drug research that match our wish list. Some of the themes relate to treatments for rare diseases, maladies which previous approaches have been unable to address. After these research themes are selected and developed, they will help to blaze the trail to the discovery of innovative drugs that contribute to society.



### ● Steps in Development of New Drugs



Reference: Japan Pharmaceutical Manufacturers Association website, etc.

# Participation in the UN Global Compact

## Daiichi Sankyo Signed on to the United Nations Global Compact in April 2012.



### Daiichi Sankyo's Policy

Our participation in the Global Compact is a way to clarify our corporate stance on the ten principles in four areas (human rights, labor standards, the environment and anti-corruption) outlined within the Global Compact.

Daiichi Sankyo believes that CSR is more important than ever, in light of the growing impact that its corporate activities has on the environment and society, as well as the globalization of its corporate activities. We believe that, while the quality of products and services is of course important, it is crucial to enhance the quality of our workforce, management and governance to fulfill

our management responsibilities and respond to environmental and social needs. In order to ensure highly ethical and socially responsible corporate conduct befitting a healthcare company, we have announced the Daiichi Sankyo Group Corporate Conduct Charter, consisting of ten vitally important articles intended to ensure "corporate quality." The Corporate Conduct Charter is closely related to the ten principles of the UN Global Compact, and by implementing it as the core of our approach to CSR, we are ensuring that these principles become established in the practices of our entire organization.

#### Overview



The UN Global Compact is a voluntary initiative in which businesses demonstrate creative leadership and act as upstanding members of society by participating in this global framework aimed at realizing sustainable growth.

### ▶ The Ten Principles of the UN Global Compact

#### Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

#### Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

#### Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

#### Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



## Enhancing Quality of Work and Raising Corporate Value in a Virtuous Cycle

**Kunio Ishihara**, Outside Director, Daiichi Sankyo Co., Ltd.

Apr.	1966	Entered Tokio Marine and Fire Insurance Company ("TMFI")
June	1995	Director and General Manager of Hokkaido Regional Headquarters of TMFI
June	1998	Managing Director and General Manager of Hokkaido Regional Headquarters of TMFI
June	2000	Senior Managing Director of TMFI
June	2001	President of TMFI
Oct.	2004	President of Tokio Marine & Nichido Fire Insurance Co., Ltd. ("TMNFI")
June	2007	Chairman of the Board of TMNFI (to present)
July	2008	Chairman of the Board of Tokio Marine Holdings, Inc. (to present)
June	2010	Outside Director of the Company (to present)



### Implications of Participation in UN Global Compact

Daiichi Sankyo's decision to participate in the UN Global Compact is essentially a declaration that it will earnestly address a wide range of global problems. The company will have to disclose its thinking and action pertaining to its social activities, and share the benefits of outcomes with the public. How well the company carries out the goals it has announced will be important. The engagement of every employee will be essential, and top management will be responsible for ensuring that the Compact's principles are fully instilled throughout the Group. As an outside director, I am aware that I am also responsible for this, and must express this in my own actions.

Daiichi Sankyo has developed into a global company with many employees outside of Japan. This makes it extremely important that we address global social issues such as human rights, labour standards, the environment, and anti-corruption. Daiichi Sankyo is already looking to branch out in emerging economies such as India and Africa, and has announced that it will take steps to help achieve the UN Millennium Development Goals. To this end, the company is providing medical support in cooperation with local governments and NGOs. I think it is a very positive development that Daiichi Sankyo is looking out into the world to gather together people with a wide range of perspectives in order to propose solutions to these problems.

### Enhance Corporate Value and Create a Virtuous Cycle

Previously "CSR" was generally interpreted as philanthropic activities and donations separate from a company's main operations. Today, companies are expected to demonstrate integrity in their business operations through their CSR

activities. Daiichi Sankyo meets its responsibilities to a wide range of stakeholders by clarifying its own significance to society, the kind of business activities it carries out and the kind of benefits it can provide to the world through the concrete results it achieves. This is also the way to enhance corporate value. Fulfilling responsibilities to shareholders, employees and society should not be mutually exclusive. Reaffirming our initiatives and improving on them through our participation in the UN Global Compact will raise corporate value and provide customers with added value, as well as generate revenue. Sustained revenue growth, in turn, benefits employees and their families and shareholders. This is a truly virtuous cycle.

### Participation in UN Global Compact Is Only a Starting Point

The starting point for this virtuous cycle is our mission as a company. When we act on our mission, it gives employees and their families a sense that they can meet their social responsibilities by working for Daiichi Sankyo. This enhances the quality of their work, too. Employees are motivated to improve their job performance and at the same time, the people benefiting from Daiichi Sankyo's pharmaceutical products and other services recognize that, thanks to the company, they are able to lead healthier lives. This is what we—as the company and as managers—truly want to see happen.

I think that participation in the UN Global Compact will play an important role in ensuring that Daiichi Sankyo continues to meet its social responsibilities, but this is only the starting point. We must ensure that Daiichi Sankyo's role in society becomes an integral part of every employee's actions. This is an extremely challenging process, but as a person who wants to make the world a better place, I want to do my part to help them do their best.

# Corporate Governance

## Basic Policy

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

## Corporate Governance Structure

To clarify the board members' management responsibility and reinforce their oversight of management and the conduct of operations, their terms of office are set at one year, and four of the ten directors are appointed from outside the Group. To ensure management transparency, in addition to the appointment of outside directors, the nomination and compensation of directors and corporate officers are deliberated by the Nomination Committee and the Compensation Committee. To secure further propriety, outside directors are in the majority on these committees. Furthermore, Daiichi Sankyo has adopted a Kansayaku (Statutory Auditor) system, and the Company's Board of Kansayaku (Statutory Auditors)—comprising four statutory auditors, including two outside statutory auditors—audits the legal compliance and soundness of management. The two outside statutory auditors maintain a neutral and impartial position as independent statutory auditors.

The company also employs a corporate officer system under the supervision of the Board of Directors for swift and appropriate management decision-making and the conduct of operations.

The Board of Directors and Board of Kansayaku do not currently have any female members.

## System for Safeguarding Efficient, Accountable Decision-Making

The term of office for directors and corporate officers is set at one year to respond swiftly to changes in the business environment and to clarify management responsibility. Nomination of directors and corporate officers is discussed at the voluntarily established Nomination Committee. Outside directors constitute the majority of the committee to ensure complete propriety.

## The Role of Statutory Auditors

To contribute to sound and sustainable management, each statutory auditor attends important meetings such as Board of Directors meetings, Management Executive Meetings, Corporate Ethics Committee, and expresses their opinions in accordance with the Statutory Auditor Audit Standards. In addition, each statutory auditor verifies the details of reports received from directors, employees, and others and investigates the state of corporate operations and property.

### Compensation of Directors

#### Compensation (annual):

¥412 million (including ¥60 million for outside directors)

#### Directors' bonuses:

¥118 million (not extended to outside directors)

#### Share-remuneration type stock option program:

¥123 million (not extended to outside directors)

#### Total:

¥652 million (including ¥60 million for outside directors)

### Compensation of Statutory Auditors

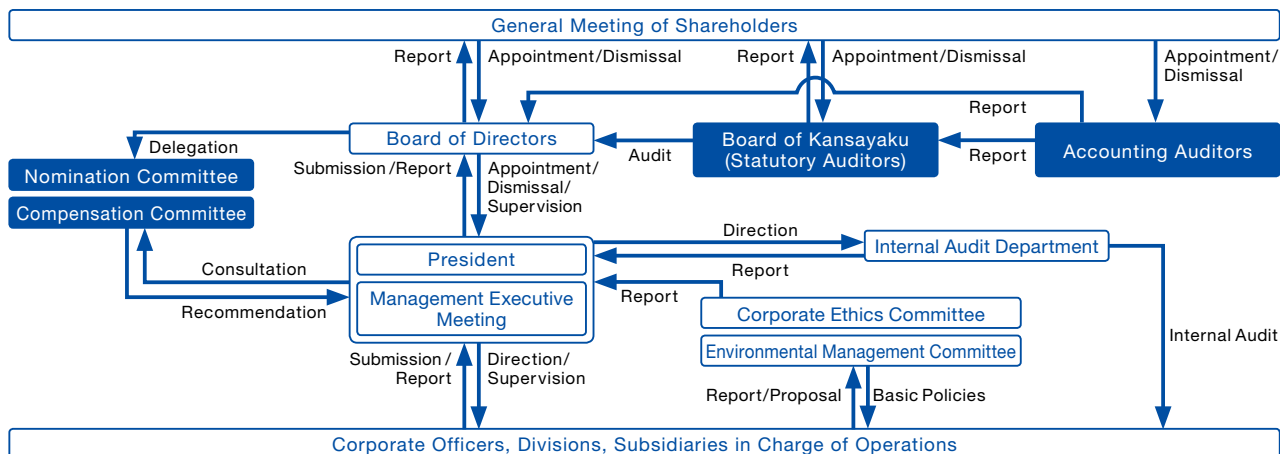
**Compensation (annual):** ¥105 million (including ¥30 million for outside statutory auditors)

**Total:** ¥105 million (including ¥30 million for outside statutory auditors)

· Fiscal year ended March 31, 2012.

· The names of those receiving bonuses and compensation exceeding ¥100 million are individually disclosed in the Securities Report.

## Corporate Governance Structure



# Risk Management

## Risk Management

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

In order to manage such risks appropriately, the Daiichi Sankyo Group has developed a system, overseen by the Head of the Corporate Management Unit who is the executive officer in charge, to effectively address the underlying risks of its business activities, appropriately manage the impacts of those risks, and minimize human, social and corporate damages while striving toward its organizational goals.

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

## Reinforcing the Protection of Personal Information and Information Security

Daiichi Sankyo protects information and handles personal information appropriately in accordance with its internal regulations. We have thorough precautionary measures in place for when employees need to take a computer outside of the company, aimed at preventing loss or theft. Employees also carry emergency contact cards so they can immediately contact the right official in the unlikely event of a mishap. The company has implemented enhanced security measures to prevent information leaks on the computers loaned by the company in order to manage the risk of information leak, and takes various other steps to prevent and manage information leaks.

## Crisis Management

In the event that a crisis were to occur, the president, or person appointed by the president, would serve as the Chief Crisis Management Officer and respond to the situation by following a crisis management procedure and establishing an adequate system based on standards such as the degree of human, social and corporate impact and the extent to which public notification is required.

The Daiichi Sankyo Group responds to crises by placing priority on the safety of all of its stakeholders, including patients, medical professionals, local residents and employees.

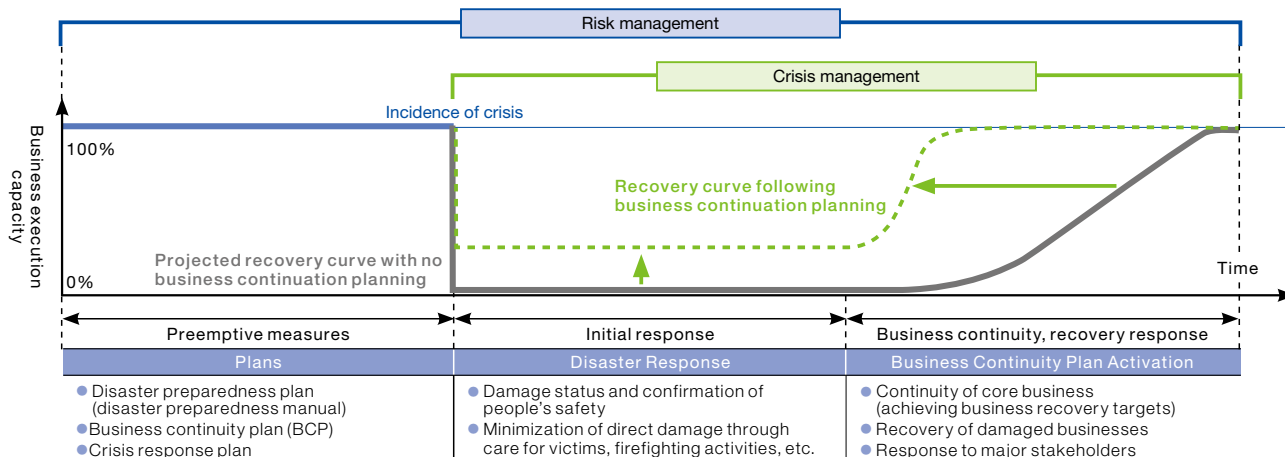
## Revisions to Business Continuity Plan

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

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

We will continue to improve our business continuity planning and carry out in-house educational programs to ensure preparedness.

### ● Conceptual Diagram of Risk Management



# Fiscal 2011 Goals and Achievements, and Fiscal 2012 Goals

Goals		Items	Fiscal 2011 Goals
Goal 1	Promote Management of Compliance Globally	Compliance	<ul style="list-style-type: none"> <li>Take adequate measures in response to the JPMA transparency guideline on the relation between corporate activities and medical institutions (information disclosure)</li> <li>Establish a system for sharing compliance information on a global basis</li> <li>Respond to compliance risks globally</li> </ul>
	Realize a Working Environment Which Respects Employee Diversity	Human Rights and Employment Issues	<ul style="list-style-type: none"> <li>Carry out further education for all employees to raise awareness on human rights and prevention of harassment</li> <li>Expand various work styles</li> <li>Continue to appropriately hire temporary staff</li> </ul>
Goal 2		Human Resource Development	<ul style="list-style-type: none"> <li>Promote human resource management enabling employees to grow and perform together with the company</li> </ul>
		Creating An Attractive Workplace	<ul style="list-style-type: none"> <li>Promote dialogue in the workplace</li> <li>Continue to reinforce measures to prevent mental illness</li> <li>Improve hiring and working environments for physically or mentally challenged employees</li> <li>Increase number of female managerial employees and expand their scope of working fields by further the strengthening measures for career promotion of female employees</li> <li>Conduct a work system that encourages more diverse employment</li> </ul>
Goal 3	Reinforce Communication with Stakeholders	Patients and Medical Professionals	<ul style="list-style-type: none"> <li>Take initiatives aimed at becoming a trusted medical partner                             <ul style="list-style-type: none"> <li>Strengthen ability to propose treatments in line with doctors' needs</li> <li>Contribute to medical treatment by providing new medicines</li> </ul> </li> </ul>
		Shareholders	<ul style="list-style-type: none"> <li>Hold briefings for individual investors in Tokyo, Osaka, Nagoya and other places</li> <li>Be worthy of inclusion in the DJSI and FTSE4Good again</li> </ul>
		Business Partners	<ul style="list-style-type: none"> <li>Formulate basic guidelines on CSR procurement</li> <li>Provide CSR procurement training</li> <li>Expand CSR procurement to business partners</li> </ul>
		Engaging with Employees	<ul style="list-style-type: none"> <li>Have president visit branches, subsidiaries, and other businesses in Japan and hold town hall meetings outside Japan</li> <li>Further enhance information sharing via internal portal site and in-house English and Japanese newsletters</li> </ul>
Goal 4	Reduce the Environmental Burden in Every Business Operation	Initiatives to Prevent Global Warming	<ul style="list-style-type: none"> <li>Implement CO<sub>2</sub> reduction measures on an ongoing basis to achieve medium-term goal (fiscal 2012)</li> <li>Take measures to reduce electricity usage in the wake of Great East Japan Earthquake</li> </ul>
		Effective Use of Resources	<ul style="list-style-type: none"> <li>Maintain zero emissions (final disposal rate target: less than 1%)</li> <li>Further reduce office paper consumption, to 72.20 million sheets (0.4% below fiscal 2010)</li> </ul>
		Addressing Environmental Risks	<ul style="list-style-type: none"> <li>Continue to identify environmental risks in environmental audits of Group companies outside Japan</li> <li>Continue to implement measures to prevent soil contamination</li> <li>Strengthen biodiversity initiatives</li> </ul>
		Chemical Substance Management	<ul style="list-style-type: none"> <li>Reduce amount of chemical substances used and manage amount discharged and transferred</li> </ul>
		Environmental Communication	<ul style="list-style-type: none"> <li>Reinforce internal environmental communication on a global basis</li> <li>Continue environmental education</li> </ul>
Goal 5	Broaden the Opportunity of Access to Medical Services, Including Medicine, Globally	Promoting Hybrid Businesses	Innovative pharmaceuticals (new drugs)
			<ul style="list-style-type: none"> <li>Begin manufacture and sales of <i>Memary</i>, a treatment for Alzheimer's disease, and <i>LIXIANA</i>, a direct oral factor Xa inhibitor in Japan; begin distribution and sales of the proton pump inhibitor <i>NEXIUM</i> in Japan</li> </ul>
			Established pharmaceuticals (generics and long-listed, off-patent drugs)
			<ul style="list-style-type: none"> <li>Expand business foundation</li> </ul>
			Vaccines
			<ul style="list-style-type: none"> <li>Develop vaccines for new strains of influenza and establish a new plant</li> <li>Expand R&amp;D, production and sales systems</li> </ul>
		Social Contribution Activities	OTC Drugs
			<ul style="list-style-type: none"> <li>Expand business foundation through growth of Category 1 OTC drugs such as <i>Loxonin S</i> and mainstay cough and cold preparations</li> </ul>
			Creating synergies with Ranbaxy
			<ul style="list-style-type: none"> <li>Expand business through initiatives such as building up the product lineup</li> </ul>
			<ul style="list-style-type: none"> <li>Implement social contribution activities in line with the Basic Policies on Group Social Contribution Activities</li> <li>Implement the global social contribution system</li> </ul>



Fiscal 2011 Achievements	Fiscal 2012 Goals	Page
<ul style="list-style-type: none"> <li>Revised the Daiichi Sankyo Group Corporate Conduct Charter</li> <li>Revised Group companies' compliance conduct standards</li> <li>Took self-sustaining measures to minimize compliance risks in the workplace</li> <li>Implemented a compliance awareness survey</li> </ul>	<ul style="list-style-type: none"> <li>Develop a global compliance implementation system</li> <li>Self-sustaining implementation of important risk countermeasures in headquarters and Group companies</li> <li>Provide and utilize feedback on results of compliance awareness survey</li> </ul>	P34
<ul style="list-style-type: none"> <li>Continued to provide human rights training and harassment prevention training for new hires and managerial employees, etc</li> <li>In the pursuit of a diverse employee base, start working to establish a principle to proactively hire and utilize elderly people in a number of positions</li> </ul>	<ul style="list-style-type: none"> <li>Provide comprehensive training and educational activities to fulfill CSR in the area of labor</li> <li>Increase diversity by introducing and expanding employment measures designed to further promote diverse hiring</li> </ul>	P40
<ul style="list-style-type: none"> <li>Improved performance appraisals</li> <li>Promoted greater diversity of recruiting measures</li> <li>Promoted development measures to prepare employees to work on the global stage</li> </ul>	<ul style="list-style-type: none"> <li>Promote human resource management that enables employees to grow and succeed together with the company</li> </ul>	P41
<ul style="list-style-type: none"> <li>Continued to implement stress checks and mental health measures with a focus on awareness</li> <li>Achieved 2.20% employment rate of people with physical or mental challenges, as of June 1, 2012</li> <li>Provided training to women and their managers to promote greater success among female employees, launched a website dedicated to this purpose, and increased the percentage of women in managerial positions</li> </ul>	<ul style="list-style-type: none"> <li>Continue to build a work environment that promotes diverse work styles and includes disabled people</li> <li>Continue to reinforce measures to prevent mental illness</li> <li>Initiatives to foster a lively corporate culture</li> </ul>	P42
<ul style="list-style-type: none"> <li>Evaluation conducted of corporate stance and MR activities (Conducted by Daiichi Sankyo with cooperation of outside research company) <ul style="list-style-type: none"> <li>Company rated first in the area of cardiovascular medicine</li> <li>MRs rated second overall</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Take initiatives aimed at becoming a trusted medical partner <ul style="list-style-type: none"> <li>Strengthen ability to propose treatments in line with doctors' needs</li> <li>Contribute to medical treatment by providing new medicines</li> </ul> </li> </ul>	P47
<ul style="list-style-type: none"> <li>Held briefings for individual investors in Osaka, Nagoya and elsewhere</li> <li>Selected for the Dow Jones Sustainability Index (DJSI) Asia Pacific for two years in a row, beginning in 2010</li> <li>Selected for the FTSE4Good for three years in a row, beginning in 2009</li> </ul>	<ul style="list-style-type: none"> <li>Hold briefings for individual investors in Tokyo, Osaka, Nagoya, and elsewhere</li> <li>Expand website for individual investors (include new content)</li> <li>Make progress in disclosing information utilizing social media</li> <li>Be worthy of inclusion in the DJSI and FTSE4Good again</li> </ul>	P52
<ul style="list-style-type: none"> <li>Established CSR procurement standards</li> <li>Provided CSR procurement training</li> <li>Shared procurement examples in-house</li> </ul>	<ul style="list-style-type: none"> <li>Ensure compliance with CSR procurement standards</li> <li>Raise awareness of CSR procurement through training</li> <li>Expand CSR procurement to business partners</li> </ul>	P53
<ul style="list-style-type: none"> <li>President visited all offices affected by the Great East Japan Earthquake (branches, sales offices, plants)</li> <li>Town hall meetings were held in Europe, the U.S. and Asia</li> </ul>	<ul style="list-style-type: none"> <li>President visits business units in Japan and hold town hall meetings outside Japan</li> <li>Further enhance information sharing via internal portal site and in-house English and Japanese newsletters, etc.</li> </ul>	P54
<ul style="list-style-type: none"> <li>Group CO<sub>2</sub> emissions were 456,233 metric tons, down 5.3% from the previous fiscal year</li> <li>CO<sub>2</sub> emissions totaled 142,563 metric tons for Group companies in Japan, 9.2% down from the previous fiscal year</li> <li>Established an electricity use reduction plan and reduced maximum electric power consumption in the summer by more than 30% over the previous year at Group companies in Japan</li> </ul>	<ul style="list-style-type: none"> <li>Reduce CO<sub>2</sub> emissions to less than 155,400 metric tons (down 21.1% from fiscal 2007). (This is one of the targets under the Second Mid-Term Environmental Management Targets for Group companies in Japan.)</li> </ul>	P59
<ul style="list-style-type: none"> <li>Maintained zero emissions (final disposal rate: 0.15%)</li> <li>Reduced office paper consumption to 71.69 million sheets (1.1% below fiscal 2010)</li> </ul>	<ul style="list-style-type: none"> <li>Maintain zero emissions (final disposal rate target: less than 1%)</li> <li>Further reduce office paper consumption, to 71.00 million sheets (1.0% below fiscal 2011)</li> </ul>	P61
<ul style="list-style-type: none"> <li>Conducted a soil survey on the former site of Daiichi Sankyo Propharma's Osaka Plant and took countermeasures</li> <li>Established the Daiichi Sankyo Group's Basic Biodiversity Principles and Action Guidelines</li> </ul>	<ul style="list-style-type: none"> <li>Prevent soil and groundwater contamination and continue to implement monitoring and countermeasures</li> <li>Strengthen biodiversity initiatives</li> </ul>	P63
<ul style="list-style-type: none"> <li>Amount of PRTR substances used was up 2,188 metric tons over the previous year</li> <li>Amount of PRTR substances discharged and transferred was up 1,663 metric tons over the previous year</li> </ul>	<ul style="list-style-type: none"> <li>Reduce amount of chemical substances used and manage amount discharged and transferred</li> </ul>	P65
<ul style="list-style-type: none"> <li>Rolled out "Environment Month" art contest events globally <ul style="list-style-type: none"> <li>Pictures: 53 in Japan, 230 outside Japan</li> <li>Comic haiku: 238 in Japan</li> </ul> </li> <li>Education programs focused on the environment: 45 participants</li> </ul>	<ul style="list-style-type: none"> <li>Reinforce internal environmental communication on a global basis</li> <li>Continue environmental education</li> </ul>	P66
<b>Innovative pharmaceuticals (new drugs)</b> <ul style="list-style-type: none"> <li>Launched <i>Memary</i>, a treatment for Alzheimer's disease, <i>LIXIANA</i>, a direct oral factor Xa inhibitor, and <i>NEXIUM</i>, a proton pump inhibitor</li> <li>European and US regulators approve <i>Zelboraf</i><sup>®</sup>, a treatment for BRAF<sup>V600</sup> mutation-positive unresectable or metastatic melanoma</li> </ul>	<b>Innovative pharmaceuticals (new drugs)</b> <ul style="list-style-type: none"> <li>Launch <i>RANMARK</i>, an anti-RANKL human monoclonal antibody, and <i>Tenelia</i><sup>®</sup>, a selective DPP-4 inhibitor for treatment of type 2 diabetes mellitus</li> <li>Launch malaria treatment <i>Synriam</i><sup>™</sup> in India</li> </ul>	P68
<b>Established pharmaceuticals (generics and long-listed, off-patent drugs)</b> <ul style="list-style-type: none"> <li>Expanded business base and product line-up</li> <li>Launched first-to-file product <i>Atorvastatin</i>, a cholesterol-reducing medicine, in the U.S. market</li> </ul>	<b>Established pharmaceuticals (generics and long-listed, off-patent drugs)</b> <ul style="list-style-type: none"> <li>Further expand business base to give customers peace of mind and earn their trust</li> <li>Strengthen product portfolio, primarily with generic drugs that have been newly included in the NHI drug price list</li> <li>Reinforce ties with Ranbaxy with joint development of products for the Japanese market</li> </ul>	P68
<b>Vaccines</b> <ul style="list-style-type: none"> <li>Launched the measles and rubella vaccine <i>Kitasato Daiichi Sankyo</i></li> <li>Began joint sales promotion of <i>Rotarix</i><sup>®</sup>, a rotavirus vaccine manufactured by GlaxoSmithKline</li> <li>Selected for the Ministry of Health, Labour and Welfare's pandemic vaccine development and production capacity building initiative; construction started on a cell culture vaccine production facility</li> <li>Agreement reached to establish joint venture company Japan Vaccine Co., Ltd. with GlaxoSmithKline</li> </ul>	<b>Vaccines</b> <ul style="list-style-type: none"> <li>Begin consistent marketing activities and build brand for Japan Vaccine</li> <li>Strengthen production and supply system and quality management at Kitasato Daiichi Sankyo Vaccine Co., Ltd.</li> <li>Establish evaluation system and pursue research on seed formulations for vaccines based on in-house vaccine research center</li> </ul>	P68
<b>OTC Drugs</b> <ul style="list-style-type: none"> <li>Launched <i>Shin LuLu A Gold DX</i>, a comprehensive cold medicine</li> <li>Launched <i>Transino Tablet</i><sup>®</sup> in South Korea</li> </ul>	<b>OTC Drugs</b> <ul style="list-style-type: none"> <li>Expand business foundation through growth of mainstay cough and cold preparations and Category 1 OTC drugs such as <i>Loxonin S</i></li> <li>Enhance information provision <ul style="list-style-type: none"> <li>Enrich both quantity and quality of information on products such as Category 1 OTC drugs</li> <li>Develop website to keep pace with rapid changes in web environment</li> </ul> </li> <li>Launch <i>Transino Whitening Essence</i> in Taiwan</li> </ul>	P68
<b>Creating synergies with Ranbaxy</b> <ul style="list-style-type: none"> <li>Developed full-scale hybrid business in Mexico</li> <li>Initiated business tie-ups in Malaysia</li> <li>Started operating mobile healthcare field clinics in India, Cameroon and Tanzania</li> </ul>	<b>Creating synergies with Ranbaxy</b> <ul style="list-style-type: none"> <li>Form business affiliations in Rumania</li> <li>Launch hybrid business in Venezuela</li> </ul>	P68
<ul style="list-style-type: none"> <li>Engaged in activities at each office that contributed to communities in accordance with local needs</li> <li>Conducted 79 plant tours for approximately 1,300 people and opened facilities to the public 179 times</li> <li>Started operating mobile healthcare field clinics in India, Cameroon and Tanzania</li> </ul>	<ul style="list-style-type: none"> <li>Pursue Group-wide activities in fields that will help to expand access to medical services</li> <li>Carry out social contribution activities and assess results</li> </ul>	P73

# Promote Management of Compliance Globally

It is increasingly important that pharmaceutical companies comply with drug safety and efficacy criteria, which are becoming increasingly stringent around the world, and ensure that relationships with medical institutions are transparent.

## Direction of Initiatives

- Promote independent compliance management in each workplace, company and region
- Establish a system for sharing compliance information around the world
- Respond to global compliance risks

# Compliance

## Fiscal 2011 Achievements

- Revised the Daiichi Sankyo Group Corporate Conduct Charter
- Revised Group companies' compliance conduct standards
- Took self-sustaining measures to minimize compliance risks in the workplace
- Implemented a compliance awareness survey



## Fiscal 2012 Goals

- Develop a global compliance implementation system
- Self-sustaining implementation of important risk countermeasures in headquarters and Group companies
- Provide and utilize feedback on results of compliance awareness survey

## Basic Approach to Compliance

The Daiichi Sankyo Group complies with laws and regulations in its business operations worldwide to ensure that compliance is treated with the highest priority in its corporate management, and conducts compliance management with the strong ethical view and common sense relevant to a life-science oriented company.

The Daiichi Sankyo Group Corporate Conduct Charter was established in order to fulfill the Group's corporate social responsibility (CSR). Based on the spirit of the Charter, each Group company has developed a code of conduct suited to each region and its social requirements, and is holding all executive officers and employees accountable to it.

## System for Promoting Compliance

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

The Global Head of CSR oversees the Group's overall compliance.

In pursuing compliance Group-wide, we hold talks by the Compliance Promotion Liaison Group in Japan and outside lecturers, and also organize regular mutual visits with compliance officers at Group companies outside Japan, in addition to videoconferences to share information.

## Measures Related to Important Business Activities

The Daiichi Sankyo Group ensures thorough compliance in all divisions throughout its business operations. The following measures receive special focus in the process of R&D and provision of medical information.

### R&D Compliance

As the research and development organization of a life science-oriented company, the R&D Division is deeply involved in people's health and well-being. Recognizing this, the division upholds stringent ethical standards in R&D activities and stipulates ethical guidelines and regulations on animal testing, genetically modified living organisms and human tissue or other human material research as well as Good Laboratory Practice (GLP)<sup>\*1</sup> and Good Clinical Practice (GCP).<sup>\*2</sup> The Division also established a section that promotes R&D compliance to enhance compliance with laws and regulations.

### ● Ethical Consideration for the Use of Human Materials

Before conducting clinical trials, we must confirm how a drug will react to human materials, such as tissue and blood, in order to predict its effects and side effects when administered to humans. In accordance with national guidelines, we have established an Ethical Evaluation Committee composed of experts as well as members of the general public to ascertain the necessity and benefits of any research and ensure that research subjects are accorded full ethical consideration. In fiscal 2011, we held six times the committee.

### ● Ethical Considerations in Clinical Trials

The development of pharmaceutical products requires clinical trials to determine effectiveness and safety. We give top priority to protecting human rights and the personal information of patients participating in clinical trials in order to ensure their safety and welfare, based on the Declaration of Helsinki.<sup>\*3</sup> We always obtain informed consent from participants before starting clinical trials, and we observe various regulations, including Japan's

<sup>\*1</sup> Good Laboratory Practice, safety standards for pharmaceutical products for the implementation of non-clinical studies

<sup>\*2</sup> Good Clinical Practice, an international ethical and scientific quality standard for designing, conducting, recording, and reporting trials that involve the participation of human subjects

<sup>\*3</sup> World Medical Association Declaration of Helsinki — Ethical Principles for Medical Research Involving Human Subjects

## Compliance

Pharmaceutical Affairs Act and Good Clinical Practice (GCP).<sup>\*1</sup> We have also established the Ethical and Scientific Review Board to secure and monitor the ethical and scientific validity of clinical trials.

### ● Animal Research Guidelines

We have formulated Rules for Animal Testing in compliance with Japan's Act on Welfare and Management of Animals and Guidelines for Proper Conduct of Animal Experiments. We ensure compliance with the basic principle of refinement (minimizing pain and distress), while also striving to achieve replacement (applying alternative testing methods) and reduction (in the number of animals used). All animal experiments conducted by the R&D Division are reviewed by the Institutional Animal Care and Use Committee, and we ensure that experiments have been properly conducted with in-house inspections twice a year. The Committee has begun to consider involving external members in its reviews. In February 2012, we received certification from the Japan Health Sciences Foundation's Center for Accreditation of Laboratory Animal Care and Use.

### ● Biohazard Measures

In order to appropriately handle genetically modified organisms, pathogens and materials containing pathogens, the Recombinant DNA Safety Committee met four times and the Biosafety Committee three times in fiscal 2011 to discuss and resolve issues. We also endeavored to enhance our knowledge of appropriate handling techniques by participating in outside training sessions. We maintain an established system for in-house reporting and for promptly notifying authorities in the event of an accident related to these experiments.

## Compliance in MR<sup>\*2</sup> Activities

Our Medical Representatives (MR) take action by giving top priority to compliance with Japan's Pharmaceutical Affairs Act and other related laws, fair competition regulations, and the Daiichi Sankyo Promotion Code for Prescription Drugs.<sup>\*3</sup> Moreover, we guarantee a high standard of ethics to reflect the fact that the activities of pharmaceutical companies are so closely involved with matters of life itself, and also ensure that these activities are transparent to justify society's trust in the company.

## Transparency of Relationship between Corporate Activities and Medical Institutions

Based on the Japan Pharmaceutical Manufacturers Association (JPMA) Transparency Guideline for the Relations between Corporate Activities and Medical Institutions / Healthcare Professionals, we established the Basic Policy on Transparency in Relationships between Daiichi Sankyo and Medical Professionals in March 2012. We began preparing to disclose information on payments to medical professionals in April. With the establishment of the U.S.'s Sunshine Act, we began working with Daiichi Sankyo Inc. in the U.S. to consider a reporting system to be put in place from 2013.

## Prohibition of Bribery and Corruption

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

## Voice

### Striving to Minimize Compliance Risk

**Kozo Oda, Ph.D.**

Senior Director, Compliance Group, R&D Administration & Support Department, R&D Division, Daiichi Sankyo Co., Ltd.

We provide information and education on the regulations and ethics that should be observed in R&D. Compliance risk management for the R&D field had been carried out by several departments, but was consolidated in April 2012 to raise the speed of decision and action. Augmenting knowledge of regulations and raising awareness is important in preventing misses, such as unknowingly violating a law. To achieve our goal, we introduced a database enabling researchers to search for laws regulating chemical compounds and also set up an inquiry desk. We are pursuing the right balance between minimizing compliance risk and an environment where researchers can focus on their work, by building a simple and precise process that ensure their research activities always stay compliant with legal regulations. Taking the same perspective as our neighbors in every local community, we are striving to make our good company a good neighbor to everyone.



<sup>\*1</sup> Good Clinical Practice, an international ethical and scientific quality standard for designing, conducting, recording, and reporting trials that involve the participation of human subjects

<sup>\*2</sup> Medical representatives (MR) are primarily responsible for visiting medical professionals to compile and provide information on the safety management of pharmaceutical products in order to ensure that the products are used appropriately.

<sup>\*3</sup> A promotion code that Daiichi Sankyo established in line with industry rules formulated by the Japan Pharmaceutical Manufacturers Association



## ■ Improper Disposal of Genetically Modified Organisms

Some waste containing genetically modified organisms was improperly disposed of, according to Japanese law, in the period from June 2009 to July 2011. However, Daiichi Sankyo has confirmed that all such waste was sealed and transported in special containers for incineration and that it did not escape into the general environment. We had endeavored to conduct experiments properly in accordance with Japan's Act on the Conservation and Sustainable Use of Biological Diversity through Regulations on the Use of Living Modified Organisms, but these cases of improper disposal were due to inadequacies in the system for educating employees on inactivation treatments of waste from experiments. Researchers and others have been given additional training to prevent this problem from happening again. In addition, a disposal manual has been posted in every laboratory, and we are working to improve understanding of related laws, ensure thorough familiarity with disposal methods and share information on points requiring particular care.

### News release

<http://www.daiichisankyo.com/news/detail/004184.html>

## ■ Whistleblower System

Each Group company provides reporting channels for whistleblowers, such as a hotline or e-mail. The hotline phone number is shared internally and externally on our website.

The DS-hotline has been set up as a reporting channel serving the entire Group in Japan. The DS-hotline comprises reporting channels that include external attorneys as well as the CSR Department, and can also be used by external parties. In addition, we have put in place regulations to govern the handling of internal whistle-blowing cases, which specify that the whistleblower's confidentiality will be protected and that they will be protected from any unfavorable treatment as a consequence of reporting. In fiscal 2011, the DS-hotline addressed 13 reports concerning problems in the workplace environment and other issues.

In the United States, Daiichi Sankyo, Inc. runs a 24-hour hotline staffed by an outside service organization to receive anonymous information regarding compliance. Ranbaxy (India) has set up a global external dedicated reporting line that employees working at Ranbaxy Group companies can contact via e-mail and other forms of communication.

## ■ Training and Educational Activities

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

In fiscal 2011, we developed measures for autonomous minimization of compliance risks in the workplace as an integral measure covering all divisions in Group companies in Japan. Since fiscal 2010, each department, section or group as a unit has continued to identify the compliance risks presumed to be latent in its workplace, holding discussions to select the most important risks and taking into account the likelihood of each risk and its impact. In addition, each unit established and implemented measures such as training and self-inspection, which led each individual employee to take the initiative in managing risk. We also conducted training specific to job categories for new employees, newly appointed managerial employees and newly appointed executive candidates and other particularly suitable candidates, as well as training that correlates to the business content of each division. We also strive to communicate information to reinforce compliance, such as through the Compliance Newsletter intranet portal, which introduces our compliance activities and describes difficult cases.

### ● Training by Job Category Conducted in Fiscal 2011

Training	Duration (minutes)	Number of participants (persons)	Themes
Training for new hires	70	101	Case studies on CSR
Training for newly appointed managerial employees	—*1	217	CSR and compliance
Training for newly appointed executive candidates	30	104	CSR and compliance
Training for mid-career hires	30	23	Compliance, case studies
<b>Total</b>		<b>445</b>	

\*1 All of the trainees studied the materials used in the compliance training on their own, since it was difficult to hold a group training session in the aftermath of the Great East Japan Earthquake.

## ■ Compliance Awareness Survey

We carry out a compliance awareness survey every other year at all Group companies in Japan. The fiscal 2011 survey covered the period from December 2011 to January 2012. The results were shared with all of the divisions and Group companies, and were used to identify compliance risks and issues for fiscal 2012 and take measures addressing important risks.

### ● Overview of Compliance Awareness Survey

**Survey Method:** Voluntary survey carried out using intranet

**Targets:** Full-time, contract and temporary Group employees

**Number of targets:** 10,089

**Questions:** Conduct standards, current conditions in organizational culture, and compliance measures

**Example result:** Percentage responding that they had an adequate understanding of work-related laws and internal rules

85.3% (previous survey) → 92.6% (current survey)

# Realize a Working Environment Which Respects Employee Diversity

The Daiichi Sankyo Group has approximately 30,000 employees in over 50 countries, of which about 70% work in countries other than Japan. This means that the culture, customs and values of Group employees are quite diverse.

## Direction of Initiatives

- Foster an environment in which each employee's human rights and individuality are respected, going beyond differences in background such as race, gender and nationality
- Create an inspiring working environment that generates innovation by working hard together while acknowledging differences

# Human Resource Vision and Principles

## Daiichi Sankyo Human Resources Management Philosophy

The Daiichi Sankyo Group implements a hybrid business model as a business strategy, and its activities are increasingly diverse and take place on a global scale. Testifying to the diversity in the nationalities and races of our employees, approximately 30,000 employees currently work in more than 50 countries, with employees working outside of Japan accounting for about 70% of our workforce. We are looking at a workforce that can succeed in this kind of diverse and globalized working environment by respecting different cultures and values, and welcoming diversity with a powerful sense of ethical standards and mission.

The Daiichi Sankyo Human Resources Management Philosophy governs the human resource management practices of all Group companies. Putting this philosophy into practice in a range of areas leads to the personal development of employees and enables them to exercise their full potential. This in turn optimizes the Group's organizational strength.

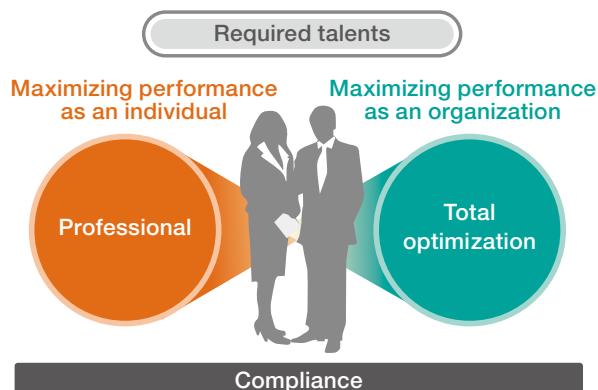
### Human Resource Management Principle

In order to optimize the organization performance of the Group, we develop and reward professionals who achieve excellence in individual performance.

### Approach to Human Resource Development

The Group is responsible for all human resources initiatives that improve the work-life balance and foster personal growth within the company. We are committed to supporting those individuals who identify and meet new challenges of their own accord.

## Daiichi Sankyo Group's required talents



## Daiichi Sankyo Human Resources Management Philosophy

### Preface

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

### 1. Organizational Principles

Daiichi Sankyo should be a flexible organization responding effectively to changes in the business environment, and fostering a sense of unity within the group of companies in order to enable its employees to realize the mission and vision of their company.

### 2. Expectations of Leaders

DS leaders are expected to lead the team members of his/her organization to realize our vision while fully understanding our mission.

### 3. Basic Philosophy of Human Resource Management

Daiichi Sankyo will realize sustainable growth through innovation, integrity and accountability. These values are generated through the effective management of our people.

### 4. Compensation

We wish to develop a high performance culture where high level of commitment, engagement and contribution are aligned and compensate on the basis of such factors.

### 5. Recruitment and Development

We establish robust processes for recruitment, selection and talent development and thereby attract, develop and retain the talents needed to respond to run the business and also adapt to changing business needs and requirements.

### 6. Performance Management

Our goal is to maximize the potential of our people through effective performance management. Performance management is primarily used as a guideline to determine the level of compensation and reward, as well as used to promote talent development. Various achievements and contributions generated from diverse activities are recognized and evaluated appropriately.

### 7. Employment/Work Environment

We believe it is important for employees, who are aligned to the company's values and contribute to the achievement of its mission and vision, grow with Daiichi Sankyo in the long term. We provide a work environment where our employees among the group companies can maintain high motivation and engagement and promote an environment free from harassment and which promotes diversity.

### 8. Employee/Labor Union Communication

We value two-way communication with our employees and their opinions. In those countries where labor unions represent employees, the group values those communications as well.

### 9. Roles of HR

Our ultimate aim is to recruit and develop talents and creating organizational health and strength to make each member of Daiichi Sankyo group of companies "a great place to work".

### 10. Roles of Management

The management of the Daiichi Sankyo group of companies commits to the vision of the HR Management Philosophy and fostering an understanding of the Philosophy to all leaders of the company.

### Global Talent Exchanges

As the Group's business activities increasingly take place on a global stage, we strive to manage human resources in a way that capitalizes on the diversity of our employees and is also consistent with our business and functional organization strategies. One example of these efforts is the talent exchanges we carry out between regions.

Globalization has made close affiliation and cooperation between regions essential in research and development, pharmaceutical technology, supply chain management, quality assurance, marketing and administrative organizations. This requires employees who are well-prepared to perform on a global stage.

In addition to talent exchanges in which

employees are transferred for several years to contribute to business development, the Group is also pursuing a system in which employees can acquire experience in other countries in a relatively short period of time, such as several months, to acquire skills and knowledge. In the past, employees have primarily been assigned from Japan to other regions. However, recently our exchange program has expanded to other regions. Now, employees are being sent to Japan as well as between other regions.

These two kinds of talent exchanges facilitate global business expansion and also give employees from different regions experience with different cultures and values. We believe that this will help to create an environment that fully embraces diversity.

### Voice

#### Reaffirming the Importance of Diversity and Our Transnational Mission

**Hiroyuki Fukuhara**

Brand Strategy Group II, Global Brand Strategy Department, Daiichi Sankyo Co., Ltd.

I worked in product marketing in the U.S. for three and a half years.

In the U.S., many people have had experience in a range of companies and gained expertise, which made it easy to share knowledge. Opinions were freely exchanged in all kinds of situations, leading me to make many new discoveries. As a result, I was able to look at Japan from the outside, and I saw Japan somewhat differently when I returned. Things that I had assumed were normal turned out to be culturally based. At the same time, I realized again that the desire for good health and family have no cultural or national boundaries. We all have the same goals and sense of mission in our work.

I want to work together with my colleagues from around the world, with all their different cultures and values, to build a single team characterized by mutual respect and collaborate in pursuing our shared goals.



#### Keeping "Speed and Competitiveness" in Mind

**Michaela Paudler-Debus, Ph.D.**

Corporate Communications Department, Daiichi Sankyo Co., Ltd.

I took my current position in October 2011, when a global product PR function that involves the coordination of scientific product PR activities with a global perspective was newly created in Daiichi Sankyo.

I believe that our function has contributed to the strengthening of the Daiichi Sankyo Group's competitiveness, as we were able to get the new function recognized in every region, enabling the company to communicate globally consistent messages in a swift manner.

I worked for 20 years in European cultures and had not known how things transpire in Japan. But I have recently come to understand Japanese culture, the ways of thinking here, the decision-making process, and the ways in which Japanese people work together, as I have built close, trusting relationships with my Japanese colleagues.

I hope our Global Talent Exchange Program will be expanded to provide even more opportunities in the future and make further progress in the globalization of the Daiichi Sankyo Group.





## Efforts in Japan Human Rights and Employment Issues

### Fiscal 2011 Achievements

- Continued to provide human rights training and harassment prevention training for new hires and managerial employees, etc
- In the pursuit of a diverse employee base, start working to establish a principle to proactively hire and utilize elderly people in a number of positions



### Fiscal 2012 Goals

- Provide comprehensive training and educational activities to fulfill CSR in the area of labor
- Increase diversity by introducing and expanding employment measures designed to further promote diverse hiring

### Basic Principles of Human Rights

Respecting the intrinsic rights, personalities and individuality of each employee is important in fulfilling our responsibilities to employees and achieving our social responsibilities in the area of labor. Our working policy and guidelines prohibit discrimination of any kind, child and forced labor, and sexual and power harassment, in line with our corporate code of conduct and our participation in the United Nations Global Compact. We are also proactive in carrying out educational activities on these matters. In dealing with violations, we emphasize social fairness and consult with lawyers and other external parties rather than keeping the issue closed within the company. Each case is dealt with separately and we take measures to prevent its reoccurrence.

### Safeguarding Human Rights

Daiichi Sankyo clearly lays out its basic stance on human rights in its educational activities, and communicates this stance to employees via its intranet. We provide ongoing training on protecting human rights at all job grades, from new hires to managerial employees, in our efforts to create a comfortable workplace environment for our diverse employees. In addition to regular educational activities on harassment, we provided training to employees working on harassment counseling desks, which are set up at the head office, every workplace and the labor union. This training teaches counselors about case studies and improves their consultation skills.

### Employment without Discrimination

We prohibit employment discrimination on the basis of nationality, race, gender or disability at any stage, whether it be hiring, job assignment, compensation, training or retirement. We strive to create a rewarding workplace where diverse employees can perform to their capacity and feel a sense of pride. Our post-

retirement rehire system rehires all employees who seek reemployment after the mandatory retirement age of 60. And our retiree registration system allows employees who have to stop working temporarily for childcare or other personal reasons to be able to return to work. Daiichi Sankyo also has implemented a program that allows sales employees, who are frequently transferred and work long hours outside of the office, to select work locations and work shorter hours, and is taking steps to encourage them to take advantage of this program. These efforts are part of the Group's efforts to upgrade its employment system on an ongoing basis. We also continually optimize work performed by temporary employees in line with laws, and are considering the ways in which we can adapt to legal trends related to employment in Japan.

### Communicating with the Labor Union

We have concluded a labor agreement with the labor union that guarantees the right of employees to organize and engage in collective bargaining and action. The rights of employees are assured by quickly discussing and addressing many labor-management issues, in keeping with the principles of the International Labour Organization (ILO). In addition, the Daiichi Sankyo Human Resources Management Philosophy clearly emphasizes the importance of communication with the labor union. We have established the Labor Management Committee to address work safety and health and labor time management. The committee ensures that labor and management together address these issues appropriately through the PDCA cycle.\*<sup>1</sup> Prioritizing mutual collaboration in addressing concerns, the Daiichi Sankyo Group does not in principle use the method "labor-management negotiations" internally, but rather pursues "discussion," on the premise of conducting positive discussions to resolve problems and disclose information with high transparency. Union membership is 100% in Group companies in Japan due to the union shop system.

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

# Efforts in Japan Human Resource Development

## Fiscal 2011 Achievements

- Improved performance appraisals
- Promoted greater diversity of recruiting measures
- Promoted development measures to prepare employees to work on the global stage



## Fiscal 2012 Goals

- Promote human resource management that enables employees to grow and succeed together with the company

### ■ Improve Administration of Management By Objectives (MBO)

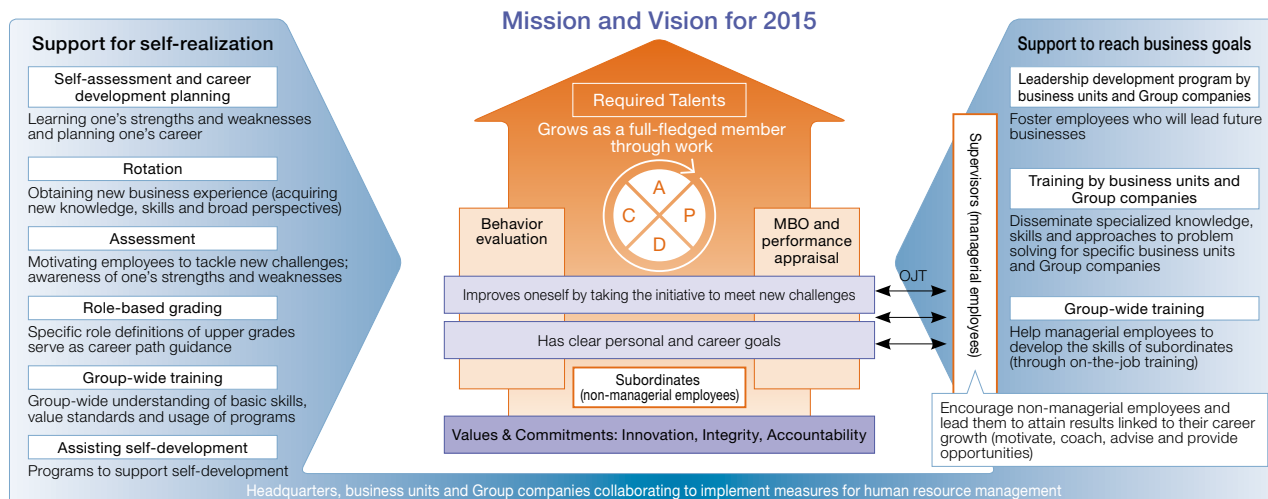
Daiichi Sankyo assesses the performance required by the respective roles of employees in terms of both performance and behavior, aiming to encourage personal growth and foster professional employees who combine individual expertise with an organizational mindset. We have also adopted the Management By Objectives (MBO) method in our performance appraisals. A human resource system that over-emphasizes results is said to encourage employees to value only personal achievements and benefits, so in fiscal 2011 we revised our goal-setting method and appraisal method to motivate employees to contribute to the organization and focus primarily on enhancing the organization's results. This initiative will promote the growth of both the individual and the organization.

### ■ Strengthening Human Resource Development Infrastructure and Promoting Personal Self-Development

We provide Group-wide training for Group companies in Japan with the aim of enhancing understanding of individual roles and strengthening interest in self-development, which have helped to form a foundation for growth. In fiscal 2011, a total of 755 new hires, managerial employees and employees promoted to higher positions participated in the training. In addition, training was given by the respective divisions and Group companies in Japan to help people acquire and improve expertise as needed for each function. We believe that these synergized training sessions lead to the effective growth of human resources.

We will continue to provide this training in fiscal 2012.

### ● Required Talents and Human Resource Development Programs



# Efforts in Japan Creating an Attractive Workplace

## Fiscal 2011 Achievements

- Continued to implement stress checks and mental health measures with a focus on awareness
- Achieved 2.20% employment rate of people with physical or mental challenges, as of June 1, 2012
- Provided training to women and their managers to promote greater success among female employees, launched a website dedicated to this purpose, and increased the percentage of women in managerial positions



## Fiscal 2012 Goals

- Continue to build a work environment that promotes diverse work styles and includes disabled people
- Continue to reinforce measures to prevent mental illness
- Initiatives to foster a lively corporate culture

## Developing a Livelier Corporate Culture

We believe that the keys to creating a comfortable workplace are active communication among employees, caring that brings about mutual acceptance and understanding between employees, and the commitment of all employees to fulfill their responsibilities. These “three C’s” are the foundation of our efforts, because these are the factors that make for a truly comfortable workplace. In particular, we focus on engagement and involvement among employees, and thus have designed a workplace dialogue program to improve these factors. This program has already started in some parts of the organization.

## Industrial Safety and Health

We are actively involved in preventing work-related injury and ensuring the physical and mental health of our employees, particularly by promoting workplace safety and preventing long working hours.

We have set up a Group Central Safety and Health Committee to promote these safety management activities. Based on principles and measures established in consultation with the labor union, safety and health committee meetings are held at all Group companies in Japan (twice a year) and in each workplace (once a month). The activity results are summarized in the minutes to be shared with all employees. Industrial physicians are also actively involved in the committee meetings.

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

## System and Initiatives for Labor Safety and Health

System	Initiatives
Measures for people working long hours	The physician consultation rate for people working long hours is 97%. Those requiring follow-up care work with the industrial physician and supervisors to receive individualized guidance.
Medical checkup program	About 28% of employees received checkups. We are working together with the Health Insurance Association to raise this rate.
Fostering mental health	A stress check carried out as a self-care measure showed that stress levels were low compared to the nationwide average. Mental health training is provided at each employee level.
Return-to-work assistance	The return-to-work assistance program was revised for greater effectiveness (time length and criteria changes for the return to work and follow-up) in order to improve the number of new employees on administrative leave who return and reduce the number of workdays spent away from work.
Health databank	Functions were expanded with the addition of the ability to see the results of medical checkups and for employees to take a self-check test (stress check and fatigue assessment test).
Group long-term disability insurance system	The Group long-term disability insurance system provides employees rendered incapable of working for a medium- to long-term period due to sickness or injury with a fixed portion of their income as compensation, up to retirement age.

## Promoting Employment of Physically or Mentally Challenged Persons

Group companies in Japan and Daiichi Sankyo Happiness Co., Ltd., a special subsidiary that the Group created in line with Japan’s Act on Employment Promotion of Persons with Disabilities, promote employment of physically or mentally challenged persons and encourage a commitment to normalization<sup>\*1</sup> among all employees in order to create a working environment where everyone can perform well.

### Percentage of Employees Who Are Physically or Mentally Challenged<sup>\*1</sup>

(As of June 1 each year)

2010	2011	2012
2.01%	2.03%	2.20%

(Statutory employment rate: 1.8%)

<sup>\*1</sup> Figures have been modified for the previous fiscal years because of a change in the month of calculation.

<sup>\*1</sup> “Normalization” refers to a society where people of every ability live together as a matter of course without any particular distinction being made based on the physical or mental challenges they face, and this is deemed to be the ideal practice.

## Career Promotion for Female Employees

As part of our efforts to promote diversity, we provide support for female employees to encourage them to take on greater roles in the company.

In addition to steps taken so far to actively support women's work-life balance, including career and motherhood, in fiscal 2011 we developed new systems and programs with a greater focus on supporting female employees' job performance.

Continuing to improve the maternity and childcare leave programs, we have added new programs such as providing information in consultations and a special intranet system that helps female employees smoothly return to work after maternity and childcare leave. We also opened the daycare center, Kids Garden, at our headquarters and at the Shinagawa Research & Development Center so that employees can continue working with peace of mind.

We support the work performance of our female employees by conducting "career encouragement training" to help them find fulfilling careers and "career assistance training" for managerial employees who have female subordinates. The training programs have had around 200 and 180 participants, respectively. We also carried out Women in Leadership (WiL), a selective program for women interested in becoming executive managers in the future that is aimed at increasing the number of female managerial employees and ensuring that they maximize their abilities. In addition, a special intranet site dedicated exclusively to women's activities includes messages of encouragement from executive managers and profiles of role models, aiming to improve the morale of female employees.

We are also focusing on developing the careers of

female MRs, where we have seen a relatively high turnover rate. The MR Forum for Women has been held every year since fiscal 2007, and there are also activities at branches designed to create a lively atmosphere and help women develop fulfilling long-term careers.

## Creating Comfortable Workplaces

We respect the lifestyle of all employees and strive to create a work environment where employees can manifest their diverse values and skills. We have established and implemented various systems\*<sup>1</sup> so that employees can choose from a variety of work styles that best suit their work situation and living conditions, in order to maintain a healthy work-life balance.

We focus particularly on providing support for employees who are balancing work and childcare, with the goal of creating a workplace environment that makes it easier for employees to work while also keeping them motivated. In fiscal 2011, we relaxed the administration of the flextime system for employees caring for children so that they could work overtime within a certain scope if they so desired. We also signed a corporate contract with a childcare company so that employees could use babysitting services at a reduced cost.

We are also endeavoring to balance work and nursing care needs and have established programs that exceed legal standards.

We earned Kurumin\*<sup>2</sup> certification for the second time in June 2011 for the completion of our next-generation training action plan. In October, we won the Tokyo Labor Bureau's First Prize in the Family Friendly Company category.\*<sup>3</sup>

## Voice

### Aspiring to Create an Organization That Gives Employees a Sense of Self-efficacy

**Mika Yoshida**

Employee Relations Group, Human Resources Department, Daiichi Sankyo Co., Ltd. (at right in the photo)

I work together with Ms. Tsunekane (at left in the photo) on company-wide projects, with greater success for female employees as our goal.

When we carried out a company-wide questionnaire to clarify the issues facing the company, we received comments from many male and female employees such as "I've been waiting for this!" and "This is the kind of initiative that every global company should undertake as a matter of course, so do your best." This was really encouraging for me.

At first, some employees were a bit hesitant, but recently the number of employees wanting to participate has increased due to word of mouth from employees who have participated in the career encouragement training. Supervisors who participated in the career assistance

training have encouraged female subordinates who may have been holding back, so I really sense that a positive cycle is being created. I hope that this effect will also appear in specific indicators in the future.

I think that a company that utilizes the individual talents of each employee and maximizes their performance to give them a sense of self-efficacy is a vital and strong company. I hope to keep working to build just such an organization.



Erina Tsunekane (left) and Mika Yoshida (right), both from Employee Relations Group, Human Resources Department, Daiichi Sankyo Co., Ltd.

\*1 Includes discretionary labor system, flextime system, holidays for life events, encouragement to take paid holidays, a post-retirement rehiring system, options to select work location and work shorter hours

\*2 The Ministry of Health, Labour and Welfare established this program to foster employee childcare. Companies or corporations that meet a certain set of criteria are permitted to use the Kurumin mark on their advertisements and products.

\*3 This award is given to companies pursuing initiatives that could become models for other companies in the category of "support in balancing work with childcare and nursing" as part of the Prize in Equal Employment/Work-Life Balance sponsored by the Ministry of Health, Labour and Welfare.



## Efforts outside Japan

### Voice

#### Improving Employee Capacities Is the Foundation for Medium- and Long-term Growth

**Sung-Hyun Moon**

Manager of Human Resource Team, Strategic Planning Department, Daiichi Sankyo Korea Co., Ltd.

Daiichi Sankyo Korea is working to develop a more robust organization administered by a small but talented group of employees to ensure the company's sustained growth. We believe that this will enhance our marketing skills.

Improving employee capacities is essential in creating a "Small and Proud" group of talented individuals, and employees should improve their professionalism in all tasks. In line with this, we have asked SMEs (Subject Matter Expert) working in different areas for their input and devised a technical competency model for each task. Based on this, we began technical competency education from the second half of fiscal 2011.

The technical competency model is an approach introduced to train professionals in all functions. It defines the knowledge and skills needed for each job or specific area that everyone working in that function should be able to acquire.

Moreover, the minimum level of knowledge and skills needed are defined for each level of experience in the job. To reach this level, every year employees select the top three priorities from a technical competency

list and devise and carry out an action plan. To encourage employees to more effectively and actively put this plan into practice, these technical competencies have been added to the human

resource evaluation, complementing competence evaluation such as job performance, general employee capacities, and leadership. This not only gives employees the confidence that they can acquire the specialized skills needed in their jobs, but also facilitates communication with other divisions and improves operational efficiency.

Using this system, we are striving to be a professional organization that can boast the industry's highest productivity. We want to be a company everyone would want to join.



#### Mentor Program Provides Growth Opportunities for Both Mentor and Mentee

**Danesha Dixon Smith**

Vice President, Human Resources, Daiichi Sankyo, INC. (U.S.A)

Employee development through mentoring is one of the many important programs offered in the U.S. Our mentoring program, Mentoring for Success, is offered through the organization's Women's Leadership Forum firstly and provides opportunities for learning and career development and support for achieving professional goals, as well as broadening organizational knowledge.

The nine-month Program combines best practices from industry corporate mentoring programs with the company's unique cultural philosophies to create high-quality and effective development opportunities for mentees and mentors alike.

Both mentors and mentees send a profile of themselves which is published before a kick-off meeting in a "look-book," which is e-based and like a participant catalogue. In the kick-off meeting, all participants introduce themselves to the group in a fairly structured way by responding to questions such as, "What do you hope to get out of this program?" Two groups of both mentors and mentees rotate through brief one-on-one discussions to get to know each other better.

Finally, all participants confidentially submit their top choice for partnering. A small support team works on aligning the selections appropriately. In 2011, there were 25 sets of employees participating and nearly everyone was matched with one of their top choices.

We believe mentoring benefits the entire organization not only by increasing employee motivation, satisfaction and loyalty, but also knowledge sharing, expertise, and new ways of thinking. We continue to encourage mentoring as a form of continuous learning and are constantly seeking ways to ensure that mentoring is a critical part of the DSI culture, both formally and informally.



# Reinforce Communication with Stakeholders

Good communication with stakeholders from all walks of life is essential precisely because a company's very existence depends on its relationship with society.

## Direction of Initiatives

- Hold dialogues and collaborate with stakeholders in all business activities
- Pursue interactive communication so that CSR activities can be put into practice together with individual employees
- Practice CSR procurement through partnerships with suppliers

# Declaration to Stakeholders

**New Global Corporate Slogan** Passion for Innovation. Compassion for Patients.™

## History of Establishment

The Daiichi Sankyo Group is already an innovative, global enterprise, but it currently lacks some of the corporate brand recognition and reputation that many of its competitors enjoy. This is especially true in situations where Daiichi Sankyo has either entered the market for the first time, or fields in which its products are competing with large, well-known international companies. For the first time, Daiichi Sankyo is working to build a global corporate brand to bridge this gap. Our global brand is a cornerstone for our company's sustained success and a pledge to our stakeholders of what our company is capable of delivering—or will be capable of delivering in the future.

The new Daiichi Sankyo Global Corporate Slogan is the concise, emotive verbal expression of our brand and encapsulates the many facets of our brand attributes into a short, memorable phrase: Passion for Innovation. Compassion for Patients.™

## Process of Formulation

A comprehensive process was used to formulate the new slogan to make sure that it would be grounded in the company's identity, express its unique characteristics, and also reflect stakeholders' expectations. The contributions of more than 35,000 stakeholders in more than 30 countries were analyzed in the process of shaping the new global corporate brand. The various activities for developing the Daiichi Sankyo Global Corporate Slogan have been coordinated by an international project team comprising the corporate communications heads of Daiichi Sankyo in Japan, the U.S., Europe and Ranbaxy. Thus, the new global corporate slogan and the corporate brand, officially approved by the group's Global Management Committee and the CEO, are built on a wide-ranging collaborative effort between Daiichi Sankyo management and stakeholders around the world.

## Voice

### Corporate Branding Strategy

#### Dr. Thomas Portz

Vice President, Corporate Communications and Public Affairs  
Leader of the Global Branding Team  
Daiichi Sankyo Europe GmbH

Until recently, the Daiichi Sankyo Group had conducted different branding activities in various regions. The visual identity of our communication also sometimes lacked consistency, including logo usage, design, and even sometimes the basic messages. We used to have a corporate brand for Daiichi Sankyo Europe, a corporate brand for Daiichi Sankyo Inc. in the U.S., and another totally different corporate brand in Japan. In the current times of the Internet and in the context of increased integration between international stakeholders, this situation can lead to confusion. For example, when a given stakeholder visited the Daiichi Sankyo exhibit at various international events, he would be confronted with different designs and different messages every time. We were missing opportunities to increase Daiichi Sankyo brand recognition among our stakeholders.

In drafting the global corporate slogan, we performed extensive research. Our research proved that stakeholders' requirements for a trustworthy



pharmaceutical company are very similar if not almost identical across almost all countries. The determination to innovate, ethical behaviour, and integrity, as well as high-quality products and services, are the most important attributes for a trustworthy pharmaceutical manufacturer to have—throughout Europe, the U.S., Japan, and India. This is why all of these form the central promises of our global corporate brand to our stakeholders, together with providing better access to medicines for patients and our employees' passionate work approach.

# Patients and Medical Professionals

## Fiscal 2011 Achievements

- Evaluation conducted of corporate stance and MR\*<sup>1</sup> activities (Conducted by Daiichi Sankyo with cooperation of outside research company)
  - Company rated first in the area of cardiovascular medicine
  - MRs rated second overall



## Fiscal 2012 Goals

- Take initiatives aimed at becoming a trusted medical partner
  - Strengthen ability to propose treatments in line with doctors' needs
  - Contribute to medical treatment by providing new medicines

## Basic Approach to Medical Professionals

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

## Providing Information That Meets Real Needs

The Sales and Marketing Division's mission is for each of its MRs to take pride in the company and their own work, which is the key to bringing greater happiness to more patients. The Division seeks to provide an organization that fosters an environment in which employees can work as a team to produce results. As part of these efforts, the Sales and Marketing Division strives to improve and enhance MR activities on an ongoing basis by conducting periodic surveys via questionnaires sent to medical professionals with the cooperation of an external research company. In fiscal 2011, cardiologists ranked Daiichi Sankyo first among companies in their responses to a question on evaluation of its activities in the cardiovascular medicine field. Daiichi Sankyo was also ranked second in an overall assessment of MR activities, including new products to be launched in other diagnostic and treatment departments.

## Assessment by Questionnaire

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

	Jan. 2009	June 2009	Jan. 2010	June 2010	Dec. 2010	Dec. 2011
Overall assessment of MRs* <sup>1</sup>	No. 1 (N=2,407)	No. 2 (N=2,375)	No. 2 (N=2,418)	No. 1 (N=2,407)	No. 2 (N=2,648)	No. 2 (N=2,440)
Ranked as the leading manufacturer in the cardiovascular medicine* <sup>2</sup> field	No. 1 (N=433)	No. 1 (N=379)	No. 1 (N=391)	No. 1 (N=290)	No. 1 (N=320)	No. 1 (N=300)

\*<sup>1</sup> Assessing MRs on a scale of one to ten

\*<sup>2</sup> Rate of selection by cardiologists as the leading manufacturer of cardiovascular medicine.

## Disseminating Helpful Information via Television Commercials and the Web

In addition to efforts to provide information to medical professionals, we use television commercials and websites to provide patients and their families as well as the general public with information on diseases. Our television commercials educate about diseases such as dementia and reflux esophagitis. We provide information on influenza on our websites, for instance: "Influ News," available in English, Chinese, Korean and Portuguese; [isshogaiine.com](http://isshogaiine.com) ("Together Is Better"), a Japanese website that introduces information on dementia and caring for people with that condition; and [muneyake-donsan.jp](http://muneyake-donsan.jp) ("heartburn and acid reflux"), which provides information on reflux esophagitis. Our "e Food Dictionary" application includes recipes for seasonal food with calorie breakdowns. It has now been downloaded more than 780,000 times, testifying to its appeal for many people.

### Influ News

<http://www.influ-news.info/lang/en/usage.html>

### isshogaiine.com

<http://www.isshogaiine.com/>

### muneyake-donsan.jp

<http://www.muneyake-donsan.jp/>

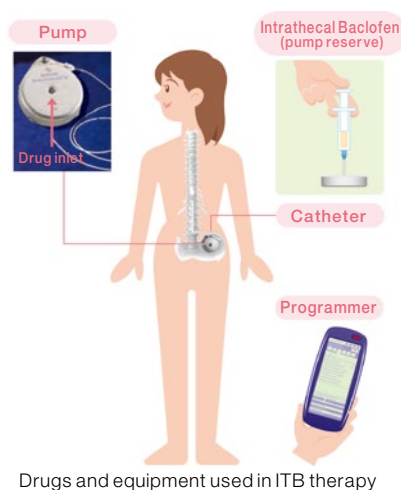
\*<sup>1</sup> Medical representatives (MRs) are primarily responsible for visiting medical professionals to compile and provide information on the safety management of pharmaceutical products in order to ensure that the products are used appropriately.



## Working with Doctors on Treatments for Rare Disorders

### Helping Patients Struggling with Spasms

Spasms are a condition in which the body contracts or convulses and the hands and feet are contorted due to excessive tension in the muscles as a result of damage to the spinal cord, stroke or cerebral palsy. Severe spasms can not only prevent a person from moving his or her body at will, but can also result in such pain that sleep is impossible. With Intrathecal Baclofen (ITB) therapy, a catheter is inserted in the bone marrow cavity and a pump implanted through which drugs are continually administered. Currently, MRs specializing in ITB support doctors providing this treatment and provide knowledge about this treatment to the doctors in order to help ensure the treatment's safety.



Drugs and equipment used in ITB therapy

One of these activities consists of observations,<sup>\*1</sup> in which MRs specializing in ITB accompany patients to operations and drug replenishments. During these observations of drug replenishment in outpatient clinics, the doctor attends the patient, while the MR explains correct use of medical equipment and meets with the patient and family. These efforts to support doctors help to build trusting relationships, while the words of appreciation from the families of patients benefitting from the treatment give the ITB-specialist MRs a sense of the significant medical contribution that they are making.

ITB therapy is an advanced treatment, which means that close communication between doctors and MRs is essential in ensuring that patients receive proper treatment. Currently, Daiichi Sankyo is working hard to make ITB more widely available, aiming to bring happiness to patients suffering from severe spasms and their families and to share the joy of success with medical professionals.



An ITB-specialist MR observing treatment

## Voice

### ITB Therapy Changed Our Daughter's Life

**Motoko Kobayashi**

Eight years of experience with ITB therapy

My daughter Motoko is now 21 years old. She was an extremely low-birthweight infant, at only 793 grams, so she suffered from hypoxic ischemic encephalopathy, retinopathy of prematurity, and hydrocephalus. She has had to go through operations repeatedly from the time she was a baby. Her lower limbs were stiff due to spasms caused by cerebral palsy, and her hands and feet were covered with injuries from when her limbs struck doors and furniture as we carried her. Her lungs do not function well either, so she gets colds and has to be hospitalized frequently. We want to ease the suffering caused by her spasticity as much as possible and give her a life that is as close to normal as possible. We have to prepare for the future by making it easier for other people to care for her. My wife and I really struggled over what we would do if the operation did not go well. We talked to the doctors until we thoroughly understood the medical merits and demerits, and

decided to undertake ITB therapy when my daughter was 13 years old.

Once she began receiving the ITB therapy, her weight increased and she gradually gained physical strength. After graduating high school, she attended a city day service program every day, giving her a part in the daily life of the community. She was not given any special treatment at the day service and spent time with the other participants, sometimes even fighting, crying and kicking, which is really amazing. The biggest change was that her quality of life improved. As a parent, we are thrilled when there is improvement in even the smallest aspects of her life.

(Ryuji, father, and Takaho, mother)



<sup>\*1</sup> MRs are present in the operating room, outpatient clinic or other medical facility when the doctor provides treatment to provide information on the correct use of medical equipment.

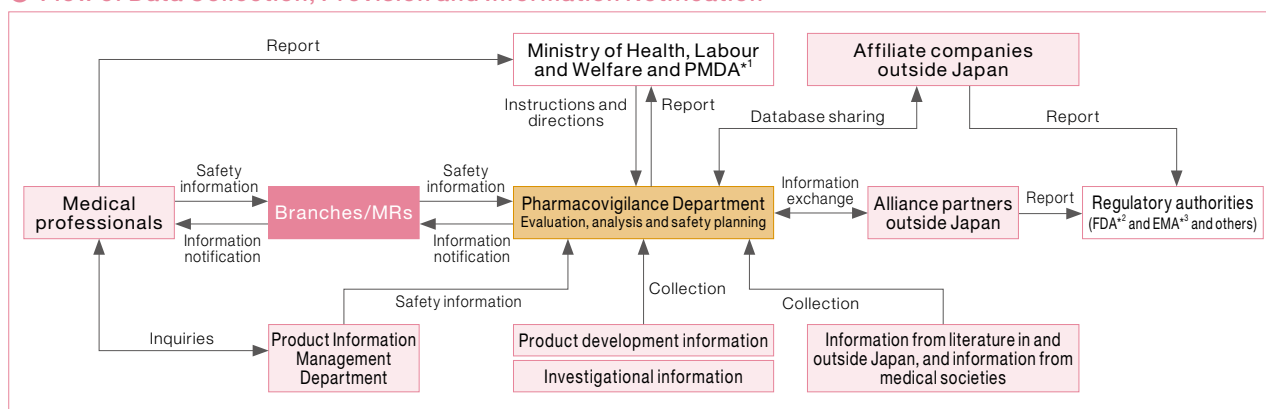
## Patients and Medical Professionals

### Collecting Information and Feedback

MRs\*<sup>1</sup> gather information on around 15,000 cases relating to pharmaceutical safety each year. Including safety information on drugs under development, and literature and information from affiliates both in and outside of Japan, the annual volume of data has risen

to over one million cases. The Pharmacovigilance Department enters safety information into a database for expedited submission for authorization, and for safety profile analysis. The information on proper use that this generates is shared with medical professionals through MRs.

### Flow of Data Collection, Provision and Information Notification



\*1 Pharmaceuticals and Medical Devices Agency, the Japanese regulatory agency that assesses and reviews pharmaceuticals and medical devices, and provides assistance to those suffering from health damage.

\*2 Food and Drug Administration, the U.S. government institution that oversees food, drugs and cosmetics.

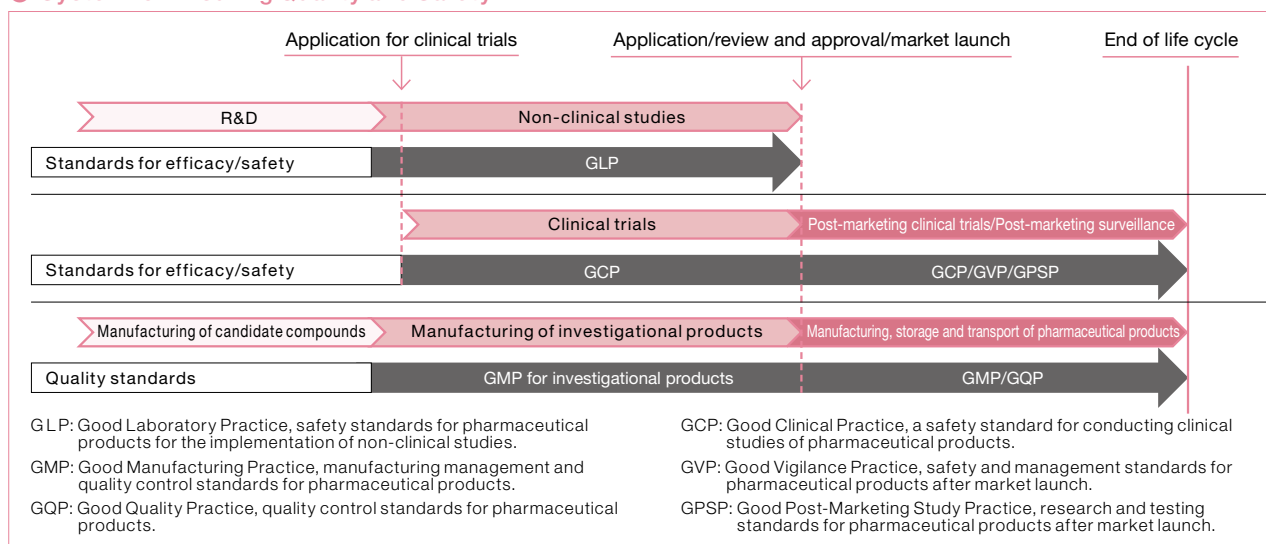
\*3 European Medicines Agency, the European institution that promotes and protects the health of humans and animals by assessing and monitoring pharmaceuticals.

### Efforts on Quality and Safety Management

Daiichi Sankyo shoulders a significant responsibility as an enterprise whose activities directly impact people's lives and is required to comply with various regulations. Sets of good-practice standards collectively referred to as "GxP"\*<sup>2</sup> have been established for legal items of particular importance. The Daiichi Sankyo Group carries out its operations in accordance with GxP under its global system. Not

only does the Group undergo inspections in every country in which it operates, but it also monitors itself from a global perspective to ensure that GxP are respected and that they lead to improvements in operations. The company has established a structure in its manufacturing operations to ensure a stable supply of high-quality pharmaceutical products and maintain standards of high quality and safety upon which the patients and healthcare professionals who use Daiichi Sankyo products can rely.

### System for Ensuring Quality and Safety



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

\*2 GxP are standards set by governments and other public organizations to ensure safety and reliability.

## ■ Maintaining Product Safety

In addition to safety measures for products under development and existing products, the Pharmacovigilance Department takes post-marketing safety measures for both existing products and new and newly standardized products. The department evaluates safety information on both commercialized and investigational products in and outside Japan, and instigates safety measures such as revising enclosed product information. This department endeavors, on a daily basis, to ensure that the medical profession is well-versed in appropriate product use by establishing a solid safety profile based on science and providing information to medical professionals in a timely manner.

## ■ Efforts on Quality and Safety Management

A pharmaceutical product, including packaging, is designed to communicate efficacy for its indications in an effective and safe manner. Daiichi Sankyo strives to provide pharmaceutical products that demonstrate its commitment to quality in all aspects. As such, it has established its own policy on product package and label design, reflecting its efforts to guarantee product quality, ensure medical safety and usability, and reduce environmental impact. The company produces commercial products designed for quality from the development stage, which meet or exceed the latest global standards, and has set up a worldwide supply structure for delivering highly reliable pharmaceutical products.

## ■ Anti-counterfeiting drugs

Recently, counterfeit drugs that lack active ingredients or that contain substances other than those indicated have become a major health hazard. Daiichi Sankyo carefully manages the distribution of its pharmaceutical products, and also takes steps to counter fraudulent drugs by using radio-frequency identification (RFID)<sup>\*1</sup> and special printing technology such as holograms<sup>\*2</sup> and micro-letters on its labels and boxes. Daiichi Sankyo is also considering adopting cutting-edge technology such as small letter printing and identification tags directly on tablets.



## Voice

### Thinking Hard about Diverse Cultures and Values

#### Itaru Niimoto

Safety Evaluation & Planning Group I, Pharmacovigilance Department, Quality & Safety Management Division, Daiichi Sankyo Co., Ltd.

Daiichi Sankyo collects and assesses safety information, such as the side effects observed in the multi-national clinical trials that we carry out in countries all over the world, reports to regulatory authorities, and provides feedback to medical professionals around the world. We carry out these operations based on the daily exchange of safety information among affiliates worldwide. An understanding of the differences between Japan and other countries in terms of cultures and customs is important. In addition, a respect for diverse values is indispensable in devising optimal solutions that meet regulatory conditions that differ in every country. These are challenges that I face every day.

Daiichi Sankyo aspires to accurately assess every single piece of safety information, accumulate data for evaluation and provide timely and effective information globally for the sake of all patients, including those taking investigational new drugs and patients waiting for new drugs.



<sup>\*1</sup> Radio frequency identification (RFID) is a means of identification and management using a wireless microchip.

<sup>\*2</sup> Holograms are a special printing method that uses optical technology.

## Patients and Medical Professionals

### Basic Approach to Inquiries from Patients and Medical Professionals

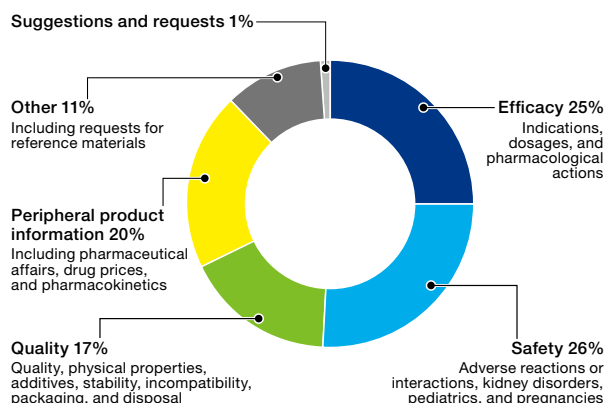
Daiichi Sankyo's Product Information Center, under the auspices of the Product Information Management Department, strives to personally serve patients and medical professionals by delivering accurate information with innovation, integrity and accountability, which are the Group's three shared values.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

### Providing Information to Patients and Medical Professionals

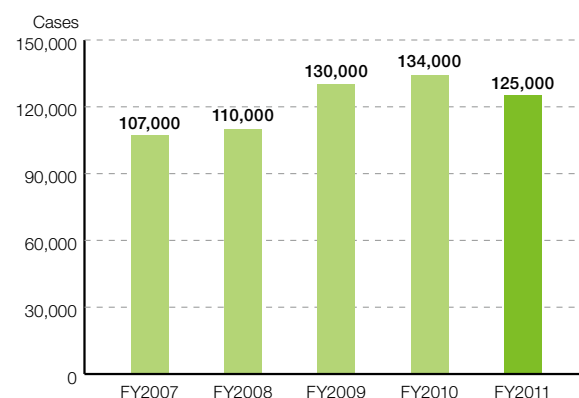
With the great variety of information available these days, it is vital for people to be able to sort out the accurate information from the inaccurate. In particular, erroneous information on pharmaceutical products that directly affect life can lead to enormous risks. At Daiichi Sankyo, we are determined to convey accurate, error-free information that people can easily understand, and we do our utmost to bring peace of mind to worried patients. Daiichi Sankyo is continuing with training designed to further raise skills so that all patients calling the Product Information Center feel satisfied with the experience. In particular, we believe that understanding the concerns and real intentions behind patient caregivers' inquiries is more important than ever when it comes to the Alzheimer's disease treatment drug launched in fiscal 2011.

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

#### Breakdown of Inquiries by Content (Fiscal 2011)



#### Number of Inquiries Received (Pharmaceutical Products)



## Voice

### Refining Techniques to Effectively Utilize Individual Opinions

#### Kentaro Kamei

Product Information Management Group, Product Information Management Department, Business Intelligence Division, Daiichi Sankyo Co., Ltd.

I am engaged in running the voice-of-the-customer (VOC) portal, which shares and makes in-house into practical use the opinions of patients and medical professionals that are given to the Product Information Center, and the Drug Information (DI) Q&A for MR<sup>\*1</sup> in particular. We play an important role in making proposals at in-house meetings on the basis of the opinions we have received and take the lead in starting projects for product and other improvements. I also analyze how the VOC portal is used in-house, and devise suggestions on how to expand the scope of its practical use. I hope to continue supporting the Center's efforts so that even more patients and medical professionals are content after they call the Center.



<sup>\*1</sup> Medical representatives (MR) are primarily responsible for visiting medical professionals to compile and provide information on the safety management of pharmaceutical products in order to ensure that the products are used appropriately.



# Shareholders

## Fiscal 2011 Achievements

- Held briefings for individual investors in Tokyo, Osaka, Nagoya and elsewhere
- Selected for the Dow Jones Sustainability Index (DJSI)\*<sup>1</sup> Asia Pacific for two years in a row, beginning in 2010
- Selected for the FTSE4Good\*<sup>2</sup> for three years in a row, beginning in 2009



## Fiscal 2012 Goals

- Hold briefings for individual investors in Tokyo, Osaka, Nagoya, and elsewhere
- Expand website for individual investors (include new content)
- Make progress in disclosing information utilizing social media
- Be worthy of inclusion in the DJSI and FTSE4Good again

## Promptly Disclosing Information That Is Easy to Understand

Daiichi Sankyo discloses timely information to stakeholders through news releases and other means. Stakeholders can access our website for details of our financial results, information materials and webcasts, shareholder reports, annual reports, development pipeline,<sup>3</sup> news releases, and materials related to shareholder meetings. The company also distributes an investor relations email magazine and maintains a site for individual investors, both of which are available only in Japanese.

### Investor Relations Website

<http://www.daiichisankyo.co.jp/ir/index.html>

### Individual Investor Website (In Japanese only)

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

## Interactive Investor Relations

Daiichi Sankyo emphasizes interactive communication with individual investors and shareholders. The company issues a Japanese-language email magazine with the latest investor relations information twice monthly (investor relations email magazine). Since 2007, a questionnaire has been included in this magazine. We plan to continue holding briefings for individual investors and shareholders across Japan in fiscal 2012. The company will expand these sessions beyond their role as a forum for explaining its corporate activities to provide an opportunity for listening directly to what investors and shareholders have to say.

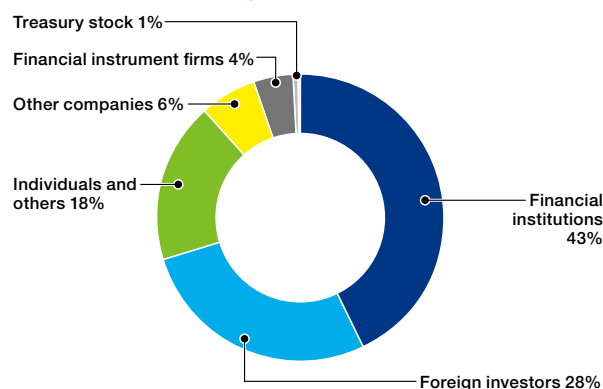
## Policy Regarding Shareholder Returns

It is Daiichi Sankyo's policy to provide stable shareholder returns by maintaining annual cash dividends per share at 60 yen, while considering the importance of investing for future growth, preparing for the redemption of corporate bonds and returning profits to investors. We will continue our managerial efforts to maintain dividends at 60 yen from fiscal 2013 onward.

### Cash Dividends per Share

	Interim	Year-end	Total
FY2010	30 yen	60 yen	60 yen
FY2011	30 yen	60 yen	60 yen
FY2012	(Forecast) ¥30	(Forecast) ¥30	(Forecast) ¥60

### Shareholder Composition as of March 31, 2012



## SRI Assessment

Investors are increasingly requesting the disclosure of information on our environmental, social and governance (ESG) initiatives. We believe that responding to such requests will be a key factor in our future success.

Daiichi Sankyo intends to reinforce its stakeholder communication and improve relationships with investors by enhancing its ESG management, responsibly addressing new business risks in global management, and more proactively disclosing information.

\*1 The Dow Jones Sustainability Index (DJSI) is the world's first socially responsible investment (SRI) index, established by Dow Jones in the U.S.

\*2 FTSE4Good is an SRI index developed by the FTSE Group in the UK.

\*3 "Pipeline" refers to the process from the initial development of a compound to its launch as a drug product by a pharmaceutical company.

# Business Partners

## Fiscal 2011 Achievements

- Established CSR procurement standards
- Provided CSR procurement training
- Shared procurement examples in-house



## Fiscal 2012 Goals

- Ensure compliance with CSR procurement standards
- Raise awareness of CSR procurement through training
- Expand CSR procurement to business partners

## Procurement Management System

Within Daiichi Sankyo's framework of procurement, where each department engaging in procurement independently undertakes its own respective PDCA\*<sup>1</sup> cycle, in fiscal 2011 the company focused on analyzing information on business partners and clarifying the procurement process. With respect to clarifying the procurement process, the company enhanced the principle of competition, regularly reviewed ongoing procurement transactions, and completely revised the procurement procedure manuals established by each office in order to ensure the inclusion of new business partners. In addition, the company analyzed information on business partners by analyzing procurement data from Group companies in Japan over three years in terms of procurement type, organization and supplier. In addition, it established initiatives for further strengthening procurement, while sharing this information with the procurement manager in each office.

## Initiatives to Put CSR Procurement into Practice

In fiscal 2011, Daiichi Sankyo established new CSR procurement standards. In pursuing CSR procurement, we will encourage our suppliers to act in compliance with the new standards, and will also work with suppliers to make continuous improvements. Specifically, we will encourage greater understanding of the standards by providing Group companies in Japan with training on CSR procurement and holding conferences for Group companies outside Japan.

The company selects suppliers of raw materials after confirming that the candidates meet its standards with regard to quality, cost, delivery, and cooperativeness, and also that they have solid financial and compliance records. In addition, after transactions with a business partner begin, the company conducts regular audits in such areas as quality and the environment.

Daiichi Sankyo plans to submit a questionnaire

on CSR procurement to its raw materials suppliers and to work with business partners to promote CSR procurement once current conditions have been assessed.

### CSR Procurement Outline

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

#### 1. Comply with laws and enhance CSR activities

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

#### 2. Promote fair trade and ethics

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

#### 3. Consider environment

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

#### 4. Secure optimal quality & cost

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

#### 5. Ensure stable supply

- (1) Secure steady delivery times and stable supply

#### 6. Keep information security

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

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

# Engaging with Employees

## Fiscal 2011 Achievements

- President visited all offices affected by the Great East Japan Earthquake (branches, sales offices, plants)
- Town hall meetings were held in Europe, the U.S. and Asia



## Fiscal 2012 Goals

- President to visit business units in Japan and hold town hall meetings outside Japan
- Further enhance information sharing via internal portal site and in-house English and Japanese newsletters, etc

## Communicating with Employees

Fiscal 2011 was a year marked by the cumulative efforts of all employees working together on recovery efforts after the Great East Japan Earthquake. This experience made us think again of the Group's social significance and the role that we all play as individuals. Daiichi Sankyo will stand with its employees as the times continue to change, and intends to communicate the future direction and goals of the company in terms that are easy to understand and to support the creation of a workplace where all employees will be able to reflect on how they can contribute. In fiscal 2012, management will continue to engage more deeply with employees, notably through visits by the president to business units in Japan and town hall meetings outside Japan.

## President Visits Offices

In fiscal 2011, the president visited every branch, office, and plant affected by the Great East Japan Earthquake to provide encouragement. In addition, to mark the launch of a series of promising new products, the president went on a tour of sales branches throughout the country with the theme of "Aim for No. 1" so that he could exchange views with sales personnel in Japan. These were both good opportunities to improve mutual understanding and raise morale and motivation.

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

Daiichi Sankyo hopes to further strengthen this interactive communication at various venues in fiscal 2012.

## CSR Report Reading Sessions

In March 2012, we held a CSR Report 2011 Reading Session for employees at the Shinagawa R&D Center in Japan. These CSR Report Reading Sessions are held on an ongoing basis to identify stakeholder requests and make qualitative improvements in communication. The participants broke into three groups to consider the issues of "CSR suited to the Daiichi Sankyo Group" and "CSR needed for R&D in the future." The resulting suggestions on the kind of information that should be included in future CSR reports and valuable opinions on ways to improve the report were compiled. One participant expressed the desire for a way to communicate his own initiatives directly to patients, while another said, "This is an important report that conveys the activities and vision of the R&D Division, which plays a part in the Daiichi Sankyo Group's future, so I want the Company to create a report that will be read by more stakeholders." These views serve as guidelines for further strengthening CSR communication.



# Reduce the Environmental Burden in Every Business Operation

The Daiichi Sankyo Group carries out business activities on a global scale, and as such it is imperative that it identifies the environmental impact of business activities overall and proactively pursues programs to reduce the impact globally.

## Direction of Initiatives

- Reduce carbon dioxide emissions in all business operations to help prevent global warming
- Promote the 3Rs (reduce, reuse, recycle) to contribute to a recycling-based society
- Reduce environmental risks through stringent efforts to prevent pollution and properly manage chemical substances
- Pursue green purchasing to balance quality and supply stability
- Pursue business activities that take into account biodiversity and ecosystem services and promote sustainable use
- Encourage environmental communication and collaboration with stakeholders

Kitasato Daiichi Sankyo Vaccine (established in April 2011) is not included in the scope of the data compiled under Goal 4 because this data is reported in terms of the comparison to the targets under the Second Mid-Term Environmental Management Targets.



# Environmental Management

## ■ Basic Approach to Environmental Management

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

### Basic Environmental Management Policy

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

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

## ■ Global Environmental Management Promotion System

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

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

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

## ● Second Mid-Term Environmental Management Targets

	Second Mid-Term Environmental Management Policy	Second Mid-Term Environmental Management Targets for Fiscal 2012 (Group companies in Japan)
1	Reduce carbon dioxide emissions in all business operations to help prevent global warming	<ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions: 20% less than in fiscal 2007</li> </ul>
2	Promote the 3Rs (reduce, reuse, recycle) to contribute to a recycling-based society	<ul style="list-style-type: none"> <li>Maintain zero emissions (Final disposal rate:<sup>*1</sup> less than 1%)</li> <li>Amount of office paper consumed: 20% less than in fiscal 2007</li> </ul>
3	Reduce environmental risks through stringent efforts to prevent pollution and properly manage chemical substances	<ul style="list-style-type: none"> <li>Reduce atmospheric releases of Pollutant Release and Transfer Register (PRTR) substances</li> <li>Maintain efforts to prevent air and water pollution</li> <li>Assess and reduce environmental liabilities and risks</li> </ul>
4	Pursue Green Purchasing to balance quality and supply stability	<ul style="list-style-type: none"> <li>Online purchasing of environmentally friendly office supplies</li> <li>Percentage of designated items: over 90%; Percentage in terms of costs: over 70%</li> </ul>
5	Pursue business activities that take into account biodiversity and ecosystem services and promote sustainable use	<ul style="list-style-type: none"> <li>Establish system for promotion and collaboration</li> <li>Properly use ecosystem-dependent resources</li> </ul>
6	Encourage environmental communication and collaboration with stakeholders	<ul style="list-style-type: none"> <li>Enhance environmental awareness among all employees and improve environmental education</li> <li>Strengthen communication and collaboration with business partners and with regional and private nonprofit organizations</li> </ul>

<sup>\*1</sup> Final disposal rate = Final disposal amount (waste disposed by landfill) / Total amount of waste (all waste generated by business sites).

### ISO 14001 Certification Progress

The Daiichi Sankyo Group is working proactively to acquire ISO 14001 certification in the recognition that its plants have a substantial environmental impact. Ranbaxy's Paonta Sahib Plant, Daiichi Sankyo Brasil's Alphaville Plant and Daiichi Sankyo Propharma's Tatebayashi Plant (including Daiichi Sankyo Biopharmaceutical Technology Research Laboratories, Pharmaceutical Technology Division) all obtained ISO 14001 certification in fiscal 2011. In fiscal 2011, there was no major improvement guidance in audits of plants that had already received certification.

#### ISO 14001-Certified Sites

(As of August 31, 2012)

Company	Site
DAIICHI SANKYO PROPHARMA CO., LTD. *1 Includes Daiichi Sankyo Research Center *2 Includes Daiichi Sankyo Research Center and Daiichi Sankyo Happiness Co., Ltd. *3 Includes Daiichi Sankyo Logistics Co., Ltd.	Akita Plant
	Onahama Plant
	Tatebayashi Plant*1
	Hiratsuka Plant*2
	Odawara Plant
DAIICHI SANKYO CHEMICAL PHARMA CO., LTD.	Takatsuki Plant*3
	Hiratsuka Office and Plant
Odawara Plant	
Daiichi Sankyo Brasil Farmacêutica	Alphaville Plant
Ranbaxy Laboratories Limited	Toansa Plant
	Dewas Plant
	Mahali Plant
	Malanpur Plant
	Paonta Sahib Plant

### Environmental Auditing

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

Environmental audits on waste management were performed in Japan under a three-year plan that began in fiscal 2008. Environmental laws such as the Air Pollution Control Act, Water Pollution Prevention Act and Waste Disposal and Public Cleansing Act have all been revised in recent years, so we have been carrying out environmental audits with a broader scope and a focus on compliance with environmental laws for three years beginning in fiscal 2011.

In fiscal 2011, we carried out environmental audits of five environmental management classifications: Shinagawa R&D Center, Kasai R&D Center, Fukuroi Research Center, Daiichi Sankyo Propharma Takatsuki Plant, and the Daiichi Sankyo Chemical Pharma Odawara Plant. In addition, we carried out an environmental audit on legal compliance of Daiichi Sankyo Altkirch SARL in France. It showed that the company was in compliance and there was no improvement guidance associated with major environmental risks.

### Voice

#### Working Together with All Participants to Achieve Environmentally Responsible Management

##### Leandro Fernandes

Environmental, Health and Safety Coordinator, Daiichi Sankyo Brasil Farmacêutica Ltda.



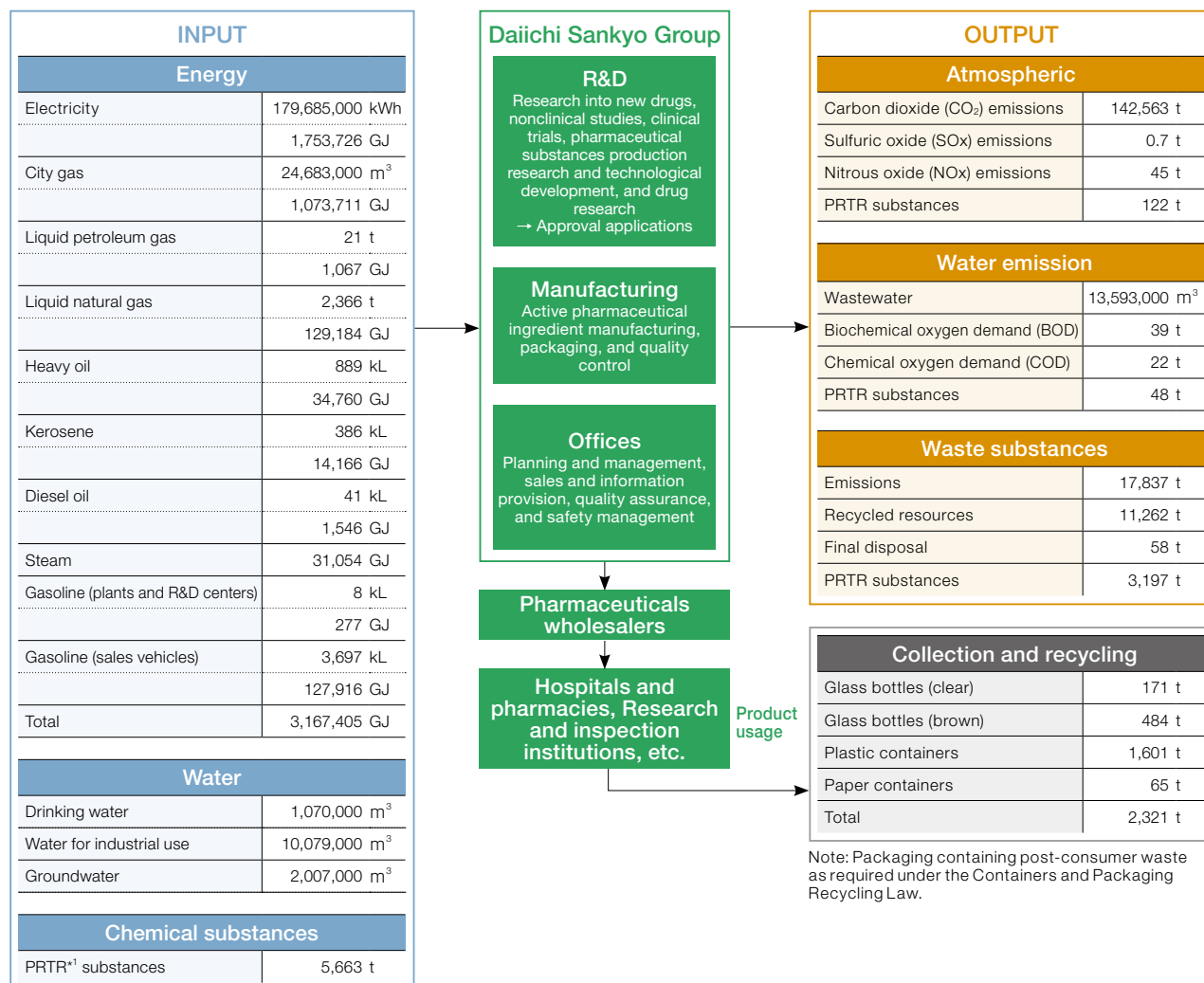
Daiichi Sankyo Brasil Farmacêutica Ltda. obtained ISO 14001 certification in March 2012.

The major challenge during the process of obtaining ISO 14001 certification was the change in attitude among employees, service providers and other partners, to awaken them individually to the importance of environmental responsibility, involving them in every phase of the Environmental Management System. My great appreciation and satisfaction with working in the environmental, health and safety (EHS) field is to be able to engage people in environmental issues, help them realize the importance of doing good and doing right and take part in the process to achieve environmentally responsible management. I do what I like and I like what I do.

I believe people are the source of power and inspiration for our company, and by having them engaged in the process, we will be able to change the old conventions and break down barriers. The future goal for Daiichi Sankyo Brasil is to build up a base and a strong culture to help further enhance people's awareness of EHS.

# Business Activities and Environmental Performance (Group in Japan)

## Business Activity, and Input and Output



\*1 Pollutant Release and Transfer Register

## Environmental Accounting

### ● Conservation Costs (millions of yen)

Environmental items	Investments	Expenses
Pollution prevention	186	386
Global warming prevention	993	231
Resource recycling	50	908
Upstream and downstream	0	48
Management activity	23	733
R&D	0	20
Social activity	0	2
Environmental remediation	0	256
<b>Total</b>	<b>1,252</b>	<b>2,584</b>

Note: Depreciation costs are not within the scope of this calculation.

### ● Economic Benefits (millions of yen)

Sales of waste with commercial value	20
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### ● Environmental Conservation Benefits

	Units	Fiscal 2011	Change	Percentage change
Energy	GJ	3,167,405	-337,866	-9.6%
Water	1,000m <sup>3</sup>	13,156	-50	-0.4%
PRTR substances	t	5,663	2,188	63.0%
Carbon dioxide emissions	t-CO <sub>2</sub>	142,563	-14,453	-9.2%
Waste substances generated	t	38,220	3,626	10.5%
Waste substances discharged (amount outsourced)	t	17,837	-1,265	-6.6%
Waste recycling	t	11,262	2,388	26.9%
Final waste disposal	t	58	-55	-48.7%
Recycling ratio	%	63.1	—	35.7%
Containers and packaging	t	2,321	261	12.7%
BOD emissions	t	39	-10	-20.4%
SO <sub>x</sub> emissions	t	0.7	-2.1	-75.0%
NO <sub>x</sub> emissions	t	45	4	9.8%

# Initiatives to Prevent Global Warming

## Fiscal 2011 Achievements

- Group CO<sub>2</sub> emissions were 456,233 metric tons, down 5.3% from the previous fiscal year
- CO<sub>2</sub> emissions totaled 142,563 metric tons for Group companies in Japan, 9.2% down from the previous fiscal year
- Established an electricity use reduction plan and reduced maximum electric power consumption in the summer by more than 30% over the previous year at Group companies in Japan

## Fiscal 2012 Goals

- Reduce CO<sub>2</sub> emissions to less than 155,400 metric tons (down 21.1% from fiscal 2007). (This is one of the targets under the Second Mid-Term Environmental Management Targets for Group companies in Japan.)



## Basic Approach to Preventing Global Warming

The Daiichi Sankyo Group views the fight against global warming as essential to addressing the challenge of climate change. As such, as stated in the Mid-Term Environmental Management Policy, the Daiichi Sankyo Group is striving to reduce CO<sub>2</sub> in all of its business activities to help curb global warming.

We also view the impact that more frequent unusual weather patterns and changes in disease structure have on human health as another risk posed by climate change, and believe that considering ways to address this risk is a key issue for companies like ours which are involved in protecting human life.

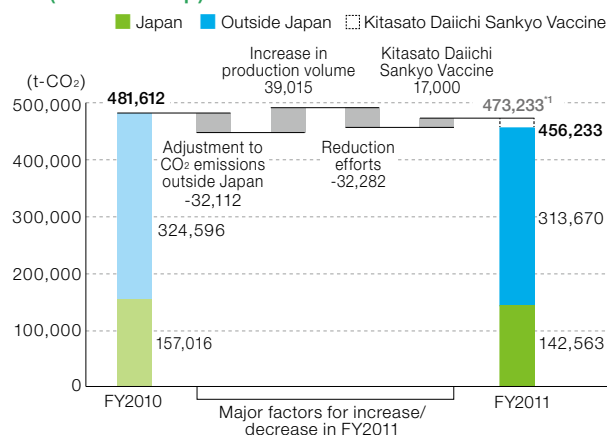
## CO<sub>2</sub> Reduction Targets and Achievements

As part of the Second Mid-Term Environmental Management Targets for Group companies in Japan, CO<sub>2</sub> emissions targets for fiscal 2012 were set for each category, aiming to achieve reductions of 20% or more across the entire Group in Japan. In fiscal 2011, CO<sub>2</sub> emissions totaled 142,563 metric tons, a reduction of 9.2% compared to fiscal 2010 levels and a 27.6% reduction compared to fiscal 2007.

In addition to the steps taken to fight global warming taken thus far, all Group sites in Japan launched new initiatives to reduce electricity use to cope with the power shortages following the Great East Japan Earthquake. As a result, we achieved the mid-term target ahead of schedule.

At sites outside Japan, we reduced CO<sub>2</sub> emissions by improving the efficiency of boilers and introducing movement sensors. CO<sub>2</sub> emissions totaled 456,233 metric tons worldwide for the Group as a whole, a 5.3% reduction over fiscal 2010.

## CO<sub>2</sub> Emissions by Factors for Increase/Decrease (Entire Group)

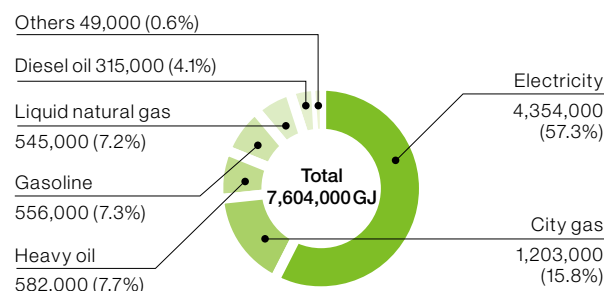


\*1 Value for entire Group, including Kitasato Daiichi Sankyo Vaccine

## CO<sub>2</sub> Emissions by Activity

Environmental items	Entire Group	Group in Japan	Group outside Japan
Direct emissions due to fuel consumption	134,567	65,997	68,570
Indirect emissions due to purchases of electricity, etc.	284,297	67,987	216,310
Emissions from other activities (sales, etc.)	37,369	8,579	28,790
<b>Total</b>	<b>456,233</b>	<b>142,563</b>	<b>313,670</b>

## Breakdown of Energy Use (Group overall)





## Plants and R&D Centers

The Daiichi Sankyo Group endeavored to reduce CO<sub>2</sub> emissions by adopting highly efficient refrigerating systems with impressive energy-saving performance, insulating steam piping and improving the efficiency of air conditioning operations. In addition to these efforts, adjustments to operation schedules based on our energy use reduction plan in the summer season from July to September reduced energy consumption by 9.6% compared to fiscal 2010 and reduced CO<sub>2</sub> emissions by 13,702 metric tons.

In addition, the Kasai R&D Center took a wide range of steps to tackle global warming, becoming recognized as a Certified Top-Level Facility in preventing global warming by the Tokyo Metropolitan Government for its efforts under Tokyo's mandatory CO<sub>2</sub> emission reductions program. Only 4% of the approximately 1,300 large-scale facilities that are targeted by this ordinance have been certified, and the Kasai R&D Center is the only pharmaceutical company premises and the only research facility to achieve this recognition.

## Offices

Headquarter Building A and the Nihonbashi Building, which began to be used in fiscal 2011, were built to conserve energy with the adoption of LED lighting with movement sensors throughout.

In addition, the Group continued its previous initiatives to reduce energy use by encouraging employees to dress in casual business attire, ensuring that lights and air conditioning are turned off in unused conference rooms, and designating a regular Work-Life Balance Day.

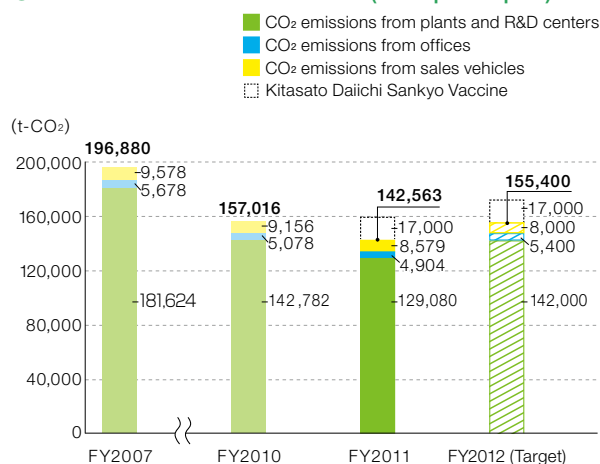
## Initiatives Related to Employee Travel

In its sales activities, the Group promotes environmentally friendly driving and is gradually switching to low-emission vehicles that consume less gas and fuel (including hybrid vehicles). We are also taking steps to improve fuel consumption by optimizing air pressure in tires and removing unnecessary loads in the sales vehicles. We also encouraged the use of public transportation in urban areas such as Tokyo.

As a result, CO<sub>2</sub> emissions from sales vehicles used by Group companies in Japan amounted to 8,579 metric tons, down 6.3% compared to fiscal 2010. Carbon offset-type sales vehicles were leased so that CO<sub>2</sub> emissions from sales vehicles were entirely offset and real CO<sub>2</sub> emissions were zero.

The Group also reduced the number of business trips both in and outside Japan by improving and utilizing video conferencing for meetings.

## Breakdown of CO<sub>2</sub> Emissions (Group in Japan)



Note: The Group calculated the emission factor for CO<sub>2</sub> from electrical power in Japan at 0.368 kg-CO<sub>2</sub>/kWh.

## Using Renewable Energy

The Shinagawa R&D Center installed solar panels when building its new research building. Solar panels and solar energy absorber panels were also utilized in Nexus Hayama, the new research center that began operating in fiscal 2011, to promote the use of renewable energy.

The Pfaffenhofen Plant of Daiichi Sankyo Europe in Germany uses thermal heat supplied by a nearby wood-fueled biomass power plant. This reduces annual CO<sub>2</sub> emissions by 2,000 metric tons.

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

## Global Warming Subcommittee Meeting

The Global Warming Subcommittee Meeting is held to visit companies that have cutting-edge environmental programs and share information on energy conservation and the fight against global warming. In fiscal 2011, the meeting was held at Asubio Pharma Co., Ltd., with participation from 33 persons in charge of facility and energy management. Presentations were given on exemplary programs to slow the progress of global warming, followed by discussions.

The committee also visited the Kanaoka Factory at the Sakai Plant of Daikin Industries Ltd. for a tour of the facilities, after which the committee was given information on the factory's environmental management system, its energy conservation measures and the company's energy-saving products.

# Effective Use of Resources

## Fiscal 2011 Achievements

- Maintained zero emissions (final disposal rate\*1: 0.15%)
- Reduced office paper consumption to 71.69 million sheets (1.1% below fiscal 2010)



## Fiscal 2012 Goals

- Maintain zero emissions (final disposal rate target: less than 1%)
- Further reduce office paper consumption, to 71.00 million sheets (1.0% below fiscal 2011)

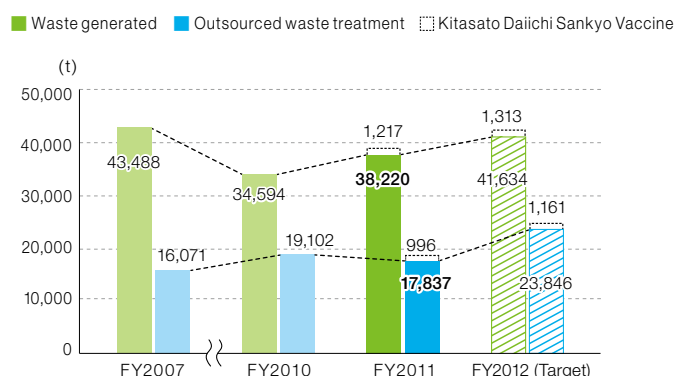
## Waste Reduction Targets and Achievements

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

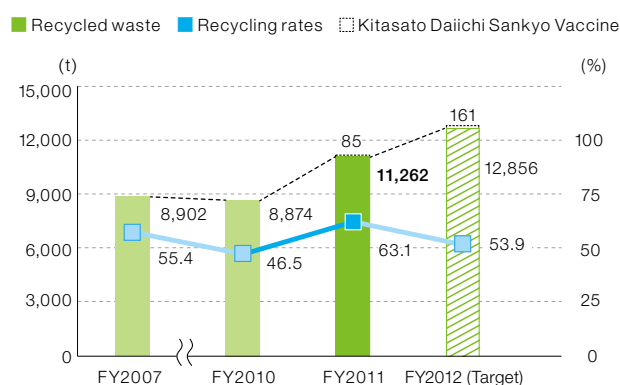
At plants, the Group believes it is important to reduce waste and more efficiently use resources. Consequently, it is pursuing resource savings through efforts such as the streamlining of resources used in manufacturing and packaging processes, comprehensive separation of waste materials, reduction of total waste material volume, and resource recycling. Whenever possible, the Group chooses waste disposal firms that recycle thoroughly. In fiscal 2011, we pursued recycling measures, leading to a vast improvement in the recycling rate from 46.5% to 63.1%. In research centers and offices, the Group encourages comprehensive separation of waste materials and printing on both sides of office paper.

In fiscal 2011, the Group generated 3,626 metric tons more waste compared to fiscal 2010, but final disposal volume amounted to 58 metric tons, down 55 metric tons from fiscal 2010. As a result, the Group continued to achieve its zero emissions goal with a final disposal rate of 0.15%.

## Waste Generation and Disposal (Group in Japan)

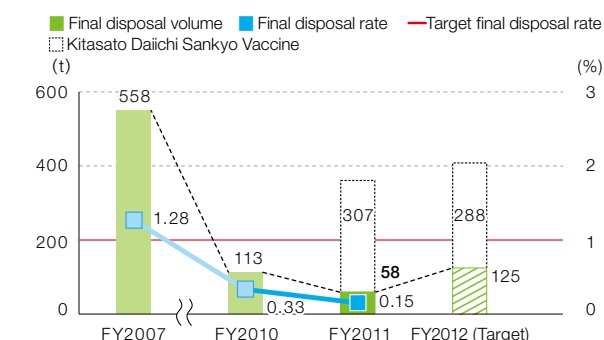


## Recycled Waste and Recycling Rates (Group in Japan)



Note: Recycling rate = amount of recycled waste/amount of outsourced waste.

## Final Disposal Volume and Rate (Group in Japan)



\*1 Final disposal rate = Final disposal amount (waste disposed by landfill) / Total amount of waste (all waste generated by business sites).

## Waste Processing Facility Inspection

Inspectors regularly visit waste processing sites of waste disposal firms to confirm compliance with laws and regulations, the execution of contracts, approvals and licensing, and other points.

Revisions to the Waste Disposal and Public Cleansing Act raised the importance of confirming correct waste processing at these sites, so inspectors continued this monitoring of waste processing facilities in accordance with plans in fiscal 2011.

## Reducing Office Paper Use

In fiscal 2011, the Daiichi Sankyo Group's paper use was down 21.8% compared to fiscal 2007, at 71.69 million sheets, thanks to double-sided copying, use of computers and projectors, and preventing misprints with IC card authorization.

## Pursuit of the 3Rs (reduce, reuse and recycle)

### Reducing Waste by Improving Effluent Treatment Methods

The Daiichi Sankyo Propharma Tatebayashi Plant reduced effluent previously consigned for waste treatment by 25 metric tons by improving treatment methods at the effluent treatment facility.

### Promoting Reuse in Offices

The Kasai R&D Center collected reusable devices and implements, as well as stationery, and shared information on this with other sections in the center. In fiscal 2011, the center set up a Reuse Room in which the collected stationery, devices and implements are displayed for the convenience of users. This is intended to encourage reuse.



## Thermal Recycling of Liquid Waste

The Kasai R&D Center changed its liquid waste processing consignment method from incineration to thermal recycling. This resulted in the recycling of 136 metric tons of this waste, helping to improve the center's recycling rate.

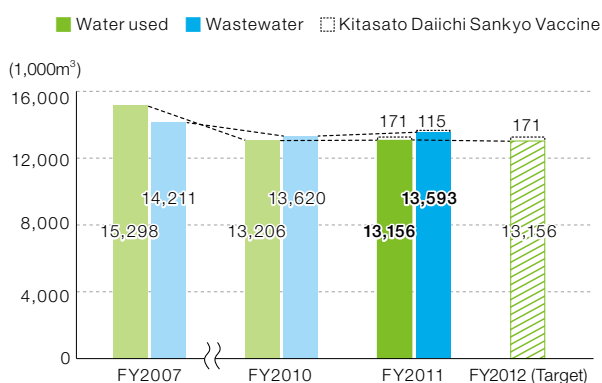
## Recycling of Sludge and Incineration Residue

The Akita Plant of Daiichi Sankyo Propharma changed its method of handling sludge generated in the manufacturing process and residue generated by incinerators from landfill disposal to recycling as synthetic aggregate (crushed stone). This improved the plant's recycling rate from 72.1% to 89.8% and the final disposal rate from 1.28% to 0.43%.

## Appropriate Use of Water Resources

The Group encourages the appropriate use of water resources, in consideration of ecosystem services. The volume of water used in fiscal 2011 totaled 13,156,000 m<sup>3</sup>, down 0.4% compared to fiscal 2010 and meeting the target. We have set a target of reducing water usage at plants and research centers below the previous fiscal year's levels in fiscal 2012 as well, and will manage the volume of water used and wastewater.

### Volume of Water Used and Wastewater (Group in Japan)



# Addressing Environmental Risks

## Fiscal 2011 Achievements

- Conducted a soil survey on the former site of Daiichi Sankyo Propharma's Osaka Plant and took countermeasures
- Established the Daiichi Sankyo Group's Basic Biodiversity Principles and Action Guidelines



## Fiscal 2012 Goals

- Prevent soil and groundwater contamination and continue to implement monitoring and countermeasures
- Strengthen biodiversity initiatives

## Preventing Soil and Groundwater Pollution

The Daiichi Sankyo Group takes steps to prevent contamination of soil and groundwater at its plants and R&D centers. In the event the Group is required to carry out a survey in accordance with Japan's Soil Contamination Countermeasures Act and ordinances, the Group discusses the issue with the relevant authorities and conducts the survey in line with regulations.

The Group voluntarily conducts surveys in accordance with the laws, even when not subject to legal mandates, such as closing or modifying the use of facilities.

In the event contamination is discovered, Daiichi Sankyo quickly informs the relevant authorities and residents while taking the appropriate remedial actions.

The Group will continue to monitor the situation at sites that have already completed appropriate remediation, and report the analysis results on a regular basis to the relevant authorities and residents.

### Progress Report on Countermeasures for Soil Remediation

Business Site	Overview
Daiichi Sankyo Propharma Takatsuki Plant (Takatsuki, Osaka Prefecture)	The company is continuing to monitor groundwater after completing remediation work in 2004 for soil contaminated with volatile organic compounds and arsenic.
Daiichi Sankyo Propharma Co., Ltd. Former Osaka Plant (Osaka City, Osaka Prefecture)	When the Osaka Plant was closed in March 2011, Daiichi Sankyo Propharma conducted soil surveys in accordance with laws after consulting with the relevant authorities. The survey confirmed some areas of contamination in the soil and groundwater, so the company explained the survey results and planned countermeasures to the local community. These measures will be taken as planned.
Daiichi Sankyo Chemical Pharma Odawara Plant (Odawara, Kanagawa Prefecture)	After carrying out work to clean up the soil in 2009, the company has continued to monitor groundwater. A soil survey conducted when a new building was being constructed confirmed contamination. This was reported to the authorities and the contaminated soil was disposed of off premises appropriately.
Shinagawa R&D Center (Shinagawa-ku, Tokyo) Kasai R&D Center (Edogawa-ku, Tokyo)	The centers carried out a soil contamination survey in accordance with regulations when it built its new research facilities and childcare facilities. The survey showed that the soil was contaminated as a result of the construction work or by naturally occurring substances. This was appropriately treated off of the premises after reporting it to authorities.

## Preventing Air and Water Pollution

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

### Emissions into the Atmosphere and Water (Group in Japan)

(Unit: t)

Fiscal year	Emissions into the atmosphere		Emissions into water	
	SOx	NOx	BOD	COD
2007	8.9	205	39	44
2008	3.1	53	53	47
2009	3.9	44	51	43
2010	2.8	41	49	32
2011	0.7	45	39	22

## Environmental Impact of Pharmaceutical Products

In the U.S. and EU, authorities mandate the provision of data on environmental impact assessments (environmental risk evaluation) based on guidelines when applying for approval of new pharmaceutical products. The Daiichi Sankyo Group carries out environmental impact assessments of its drugs based on guidelines in the relevant country and addresses any issues appropriately. The Group prioritizes the need to address heightened public concern about the impact of pharmaceutical products and their degradants in the environment. The Group intends to work with pharmaceutical associations, research institutes and others to collect and review information on better risk assessment and approaches to risk management.

## Preventing Noise, Vibration and Odors

The Daiichi Sankyo Group takes steps to ensure compliance with laws and ordinances on preventing noise, vibration and odors, and constantly monitors conditions.



## Initiatives for Biodiversity

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

The Group will develop its action plan based on the Basic Principles and Action Guidelines, and carry out ongoing programs by incorporating biodiversity preservation in its environmental management system.

## Protection of Rare Plant Species

The golden orchid (designated as critically endangered Type II in the Japanese Ministry of the Environment's Red Data Book) and the silver orchid grow wild in part of Daiichi Sankyo Propharma's Tatebayashi Plant. These rare plants are protected by prohibiting entry into the wild flower beds.



Golden orchid  
(*Cephalanthera falcata*)



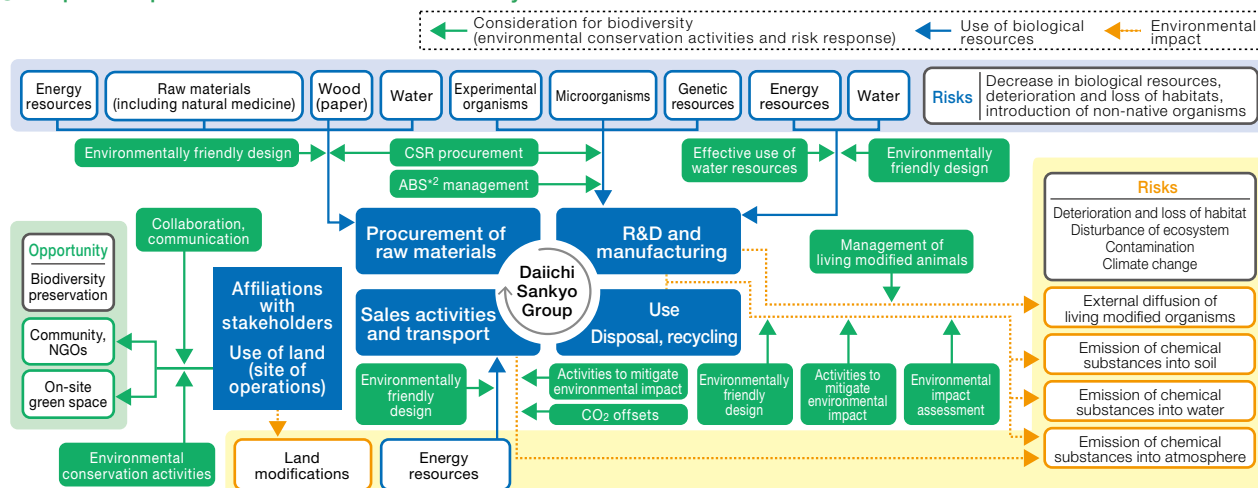
Silver orchid  
(*Cephalanthera erecta*)



## The Daiichi Sankyo Group's Basic Biodiversity Principles and Action Guidelines

Basic Principle	
<ul style="list-style-type: none"> <li>Our Basic Environmental Management Policy states that, "Safeguarding the environment is the bedrock of all Group operational management." We have therefore acted to prevent pollution and global warming and contribute to recycling. Through our initiatives, we have used biological resources properly to minimize the impacts of our operations on biodiversity and have sustainably reduced chemical and other discharges.</li> <li>We will continue striving to preserve biodiversity and respect the principles of the Convention on Biological Diversity by adhering to the following Biodiversity Action Guidelines, thereby enhancing social sustainability.</li> </ul>	
Action Guidelines	
1. Preserve biodiversity in all business activities	· Undertake ongoing endeavors to avoid or reduce operational impacts on biodiversity, devoting particular attention to lowering the environmental burdens of air and water emissions and wastes.
2. Identify the biodiversity impacts of ecosystem services, using those services sustainably	· Recognize the operational importance of ecosystem services while understanding and minimizing their impacts on biodiversity, using those services sustainably.
3. Use genetically modified organisms responsibly	· Maintain biosafety by continuing to responsibly use genetically modified organisms in drug discovery and production in keeping with the Cartagena Protocol on Biosafety and national laws and ordinances.
4. Equitably obtain and use profits arising from the utilization of genetic resources and share their benefits fairly	· In line with the Convention on Biological Diversity, the Bonn Guidelines and other related national laws and ordinances, equitably obtain, use and share profits from the utilization of genetic resources. Additionally, take into account the Nagoya Protocol.
5. Communicate with stakeholders and improve in-house awareness	· Foster biodiversity preservation by communicating and liaising better with public and private entities. · Educate employees to better understand how operations affect biodiversity and encourage internal and external efforts to safeguard biodiversity.

## Map of Corporate Activities and Biodiversity\*1



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

\*2 Access to genetic resources and benefit sharing

# Chemical Substance Management

## Fiscal 2011 Achievements

- Amount of PRTR substances used was up 2,188 metric tons over the previous year
- Amount of PRTR substances discharged and transferred was up 1,663 metric tons over the previous year



## Fiscal 2012 Goals

- Reduce amount of chemical substances used and manage amount discharged and transferred

## Reduction in Amount of Chemical Substances Used and Management of Amount Discharged and Transferred

Chemical substances that may be hazardous to human health or the ecosystem are being properly managed under the PRTR system in accordance with Japan's Act on Promoting Confirmation and Management of Chemical Substance Emissions. The amount of PRTR substances used totaled 5,663 metric tons in fiscal 2011, an increase of 2,188 metric tons over fiscal 2010. In addition, the amount of PRTR substances discharged and transferred was 3,366 metric tons, a 1,663 metric tons increase compared to fiscal 2010.

These increases can be attributed to an increase in the amount of existing pharmaceutical products manufactured and the start of production of new pharmaceutical products. We will continue to strive to reduce the amount of chemical substances used and curb the amount discharged and transferred through ongoing chemical substance management.

## Environmental Impact Assessment of the Manufacturing Process

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

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

In fiscal 2011, we developed a manufacturing process incorporating an efficient method for absorbing the NOx discharged during manufacturing. This is expected to reduce the amount of NOx discharged into the air during manufacturing.

## Discharge and Transfers of PRTR Substances (Group in Japan)

(Metric tons, or mg-TEQ for dioxins)

Substances (for which the amount handled exceeds 1 metric ton per year)	Amounts handled	Amounts discharged and transferred (there were no discharges to soil)			
		Atmosphere	Public waters	Sewer	Waste
Sodium azide	55.3	0.0	0.0	0.0	0.0
Acetonitrile	1,440.2	21.1	0.1	43.8	945.7
Ethylenediamine	31.5	0.0	0.0	0.0	0.0
Xylene	6.9	0.0	0.0	0.0	2.9
Chloroform	31.6	1.8	0.0	0.0	7.1
Chloromethane	108.1	5.9	0.0	0.0	0.0
Dichloromethane	23.3	7.1	0.0	0.0	16.2
N, N-Dimethylacetamide	424.7	19.0	0.0	0.0	323.3
N, N-Dimethylformamide	568.4	0.0	0.0	0.0	531.9
1,2,4-Trimethylbenzene	4.6	0.0	0.0	0.0	0.0
Toluene	2,920.7	61.9	0.0	0.1	1,351.2
n-hexane	23.3	4.9	0.0	0.0	18.4
Boron compound	3.9	0.0	3.5	0.0	0.0
Formaldehyde	20.3	0.0	0.0	0.0	0.0
<b>Total</b>	<b>5,663.0</b>	<b>121.7</b>	<b>3.6</b>	<b>43.9</b>	<b>3,196.7</b>
Dioxins	—	0.070	0.682	0.013	0.069

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

# Environmental Communication

## Fiscal 2011 Achievements

- Rolled out “Environment Month” art contest events globally  
Pictures: 53 in Japan, 230 outside Japan  
Comic haiku: 238 in Japan
- Education programs focused on the environment: 45 participants



## Fiscal 2012 Goals

- Reinforce internal environmental communication on a global basis
- Continue environmental education

## Basic Policy

The Daiichi Sankyo Group proactively promotes environmental communication to prevent and resolve environmental problems by sharing information and fostering stakeholder dialogue about the environment.

In the rare event of an accident, the Group will carefully consider the possible impact on the surrounding community and make every effort to share information and exchange ideas with local residents around its plants and R&D centers and conduct disaster prevention countermeasures in collaboration with them.

## Environmental Communication Initiatives

### Environmental Art Contest

Environmental communication measures are carried out to improve employees' environmental awareness. Every year in June, which is designated as “Environment Month” by the Group, a contest is held for artwork that gives the viewer an impression of the environment. Artwork is solicited from Group employees and their families both in and outside of Japan. In fiscal 2011, many artworks with a theme of power-saving and energy-saving were received.



Grand prize  
Naofumi Kiuchi, Japan  
We will move forward together with nature.



Grand prize  
Rachna Anand, India  
The thing that burns never returns.  
Let's Heal the World!  
Start Today. Save Tomorrow

## Raising Awareness of Global Warming

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



## Environmental Education

The Group provides specialized training for environmental administrators at Group companies in Japan. The fiscal 2011 training was aimed at improving skills in confirming compliance at waste disposal firm sites since the Waste Disposal and Public Cleansing Act had been revised. The participants actually practiced these skills on site. The training session was attended by 45 environmental administrators from plants, laboratories and other offices.

# Broaden the Opportunities of Access to Medical Services, Including Medicine, Globally

As a pharmaceutical company expanding its business on a global scale, the Group must not only respond to diverse medical services meeting the various needs of patients, but must also help to alleviate global medical problems.

## Direction of Initiatives

- Make responsible social contributions befitting a pharmaceutical company that is expanding globally
- Assist developing countries in the health and medical field, a key international issue, using a global system



# Promoting Hybrid Businesses

## Fiscal 2011 Achievements

### Innovative pharmaceuticals (new drugs)

- Launched *Memary*, a treatment for Alzheimer's disease, *LIXIANA*, a direct oral factor Xa inhibitor, and *NEXIUM*, a proton pump inhibitor
- European and U.S. regulators approve *Zelboraf*, a treatment for BRAF<sup>V600</sup> mutation-positive unresectable or metastatic melanoma



### Established pharmaceuticals (generics and long-listed, off-patent drugs)

- Expanded business base and product line-up
- Launched first-to-file product *Atorvastatin*, a cholesterol-reducing medicine, in the U.S. market



### Vaccines

- Launched the measles and rubella vaccine *Kitasato Daiichi Sankyo*
- Began joint sales promotion of *Rotarix*, a rotavirus vaccine manufactured by GlaxoSmithKline
- Selected for the Ministry of Health, Labour and Welfare's pandemic vaccine development and production capacity building initiative; construction started on a cell culture vaccine production facility
- Agreement reached to establish joint venture company Japan Vaccine Co., Ltd. with GlaxoSmithKline



### OTC Drugs<sup>\*1</sup>

- Launched *Shin LuLu A Gold DX*, a comprehensive cold medicine
- Launched *Transino Tablet* in South Korea



### Creating synergies with Ranbaxy

- Developed full-scale hybrid business in Mexico
- Initiated business tie-ups in Malaysia
- Started operating mobile healthcare field clinics in India, Cameroon and Tanzania



## Fiscal 2012 Goals

### Innovative pharmaceuticals (new drugs)

- Launch *RANMARK*, an anti-RANKL human monoclonal antibody, and *Tenelia*, a selective DPP-4 inhibitor for treatment of type 2 diabetes mellitus
- Launch malaria treatment *Synriam*™ in India

### Established pharmaceuticals (generics and long-listed, off-patent drugs)

- Further expand business base to give customers peace of mind and earn their trust
- Strengthen product portfolio, primarily with generic drugs that have been newly included in the NHI drug price list
- Reinforce ties with Ranbaxy with joint development of products for the Japanese market

### Vaccines

- Begin consistent marketing activities and build brand for Japan Vaccine
- Strengthen production and supply system and quality management at Kitasato Daiichi Sankyo Vaccine Co., Ltd.
- Establish evaluation system and pursue research on seed formulations for vaccines based on in-house vaccine research center

### OTC Drugs

- Expand business foundation through growth of mainstay cough and cold preparations and category 1 OTC drugs such as *Loxonin S*
- Enhance information provision
  - Enrich both quantity and quality of information on products such as Category 1 OTC drugs
  - Develop website to keep pace with rapid changes in web environment
- Launch *Transino Whitening Essence* in Taiwan

### Creating synergies with Ranbaxy

- Form business affiliations in Romania
- Launch hybrid business in Venezuela

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

## Promoting Hybrid Businesses

### ■ Basic Policy

Medical needs are diversifying as a result of the growing importance of emerging economies in the global market, with consumers demanding new drugs to satisfy unmet medical needs as well as high-quality, low-cost drugs.

Addressing this situation, the Daiichi Sankyo Group is working to reinforce and expand its operations to provide drugs that meet patients' unique needs. The company categorizes its efforts into four businesses: innovative pharmaceuticals (new drugs), established pharmaceuticals (generics and long-listed, off-patent drugs), vaccines and OTC<sup>\*1</sup> drugs. At the same time, the company is creating synergies with Ranbaxy throughout its value chain and expanding its hybrid businesses.

### ■ Innovative Pharmaceuticals

#### Basic Policy

As a company engaged in the healthcare industry, Daiichi Sankyo is responsible for contributing to the economy by enhancing its business performance and supporting its fair share of the medical service system. The company intends to maintain the highest possible standards in fulfilling these dual responsibilities. There are many diseases in the world for which treatment is unsatisfactory or for which a cure has yet to be discovered. The mission of a pharmaceutical company lies in creating effective drugs and delivering them to patients as quickly as possible to serve the universal desire for longlife and good health.

#### Initiatives in Japan

In fiscal 2011, Daiichi Sankyo launched new drugs offering the treatment options that patients suffering from illnesses and their families have been waiting for. These included *Memary*, a treatment for Alzheimer's disease, *LIXIANA*, a direct oral factor Xa inhibitor, and *NEXIUM*, a proton pump inhibitor. The company will continue to make further contributions to better health with new drugs. In the field of orphan drugs,<sup>\*2</sup> Daiichi Sankyo offers products such as *Biopten*<sup>®</sup> and ITB therapy,<sup>\*3</sup> capitalizing on its knowledge and technology.

### New Malaria Drug Launched, a First for an Indian Pharmaceutical Company

Ranbaxy launched India's first new drug, *Synriam*<sup>™</sup>, for the treatment of falciparum malaria in adults, on April 25, 2012, World Malaria Day.

The new drug has been approved by the Drug Controller General of India (DCGI) for marketing in India and conforms to the recommendations of the World Health Organization (WHO) for using combination therapy in malaria. *Synriam*<sup>™</sup> provides quick relief from most malaria-related symptoms, including fever, and contributes to a high recovery rate of over 95%.

The dosage regimen is simple, as the patient is required to take just one tablet per day, for three days, compared to other medicines where two to four tablets must be taken, twice daily, for three or more days. This makes *Synriam*<sup>™</sup> a convenient option, leading to better compliance. The drug is also independent of dietary restrictions for fatty foods or milk, as is the case with older anti-malarial therapies.

Since *Synriam*<sup>™</sup> has a synthetic source, unlike artemisinin-based drugs, production can be easily scaled up whenever required and a consistent supply can be maintained at a low cost.

Ranbaxy is also working to make this new treatment available in African, Asian, and South American markets, where malaria is rampant. *Synriam*<sup>™</sup> trials are ongoing for vivax malaria and a paediatric formulation.



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

<sup>\*2</sup> Orphan drugs are pharmaceutical products developed to treat a rare medical condition suffered by relatively few patients.

<sup>\*3</sup> Therapy for alleviating spasticity by directly injecting baclofen (product name: gabalon intrathecal injection) around the spinal cord, where the drug takes effect.

## Voice

## The Privilege of Helping with a Malaria Treatment That Can Save Many Lives

## Dr. Nilanjan Saha

Vice President, Clinical Pharmacology & Development,  
Ranbaxy Laboratories Limited

## Q Please describe your work.

**A** I am in charge of the Clinical Pharmacology & Development Division at Ranbaxy, located in India's Gurgaon district.

## Q What are your views on the social significance of the effort to develop drugs for malaria?

**A** Malaria occurs in sub-Saharan Africa, India and other Asian countries and is spread by mosquito bites. I have lived several years in a malaria endemic area and am familiar with the associated human suffering. More than 200 million cases of clinical malaria occur annually. Multi-prong strategies of disease control are required as the disease transmission is complex and the parasite is able to develop resistance to drugs. Thus multiple, options of effective treatment should be available, and attempts to develop affordable medicines must continue. Present treatments depend heavily on plant-derived artemisinins, which can lead to supply and demand problems.

## Q What do you think Daiichi Sankyo should focus on to meet its social responsibilities?

**A** *Synriam*<sup>TM</sup>, a synthetic combination for the treatment of falciparum malaria, will improve the lives of a large number of people living with limited resources. Presently, *Synriam*<sup>TM</sup> has been launched in



India and is cheaper than existing therapies. It will be important to make it available in endemic areas so that patients have access to this affordable medicine.

## Q Please tell us about what you value about your current work and your plans for the future.

**A** My job requires me to understand the effects of drugs and to demonstrate these effects. I could position *Synriam*<sup>TM</sup> to treat malaria, expanding the therapeutic armamentarium for a neglected but important disease like malaria. I feel proud to work for the Daiichi Sankyo Group, with its strong commitment to enriching people's lives and providing affordable medications. The journey of *Synriam*<sup>TM</sup> has just begun.

## Arun Sawhney

CEO and Managing Director, Ranbaxy Laboratories Limited

It is indeed gratifying to see that Ranbaxy's scientists have been able to gift our great nation its first new drug, to treat malaria, a disease endemic to our part of the world. *Synriam*<sup>TM</sup> will certainly become the preferred option in the hands of doctors to fight malaria, which every year claims more than half a million lives globally. The launch of *Synriam*<sup>TM</sup> marked a historic day for science and technology in India as well as for the pharmaceutical industry in the country. India joined the elite and exclusive club of nations of the world that have demonstrated the capability of developing a new drug.



## Message

## Promoting Hybrid Businesses

### ■ Established Pharmaceuticals (Generics and Long-listed, Off-patent Drugs)

#### Basic Policy

In developed countries, the trend toward constraining medical expenses and drug-related expenditures is becoming stronger by the day due to the steady graying of populations and low economic growth. Emerging countries, on the other hand, need to deliver high-quality pharmaceutical products at reasonable prices to as many patients as possible.

To respond to these social needs, we intend to contribute to the healthcare of the general public by providing products sought by customers in the domains of generic drugs and established pharmaceuticals, which include off-patent long-sellers with proven marketplace presence.

#### Daiichi Sankyo Espha's Initiatives

In the second year after beginning its business, Daiichi Sankyo Espha worked to continue expanding the sales of products launched in fiscal 2012. The company also augmented and strengthened its product line-up with the addition of *Donepezil Hydrochloride Tablets*, *LOSARTAN K (LOSARTAN POTASSIUM) TABLETS* and *Atorvastatin* tablets, for which packaging and labeling were redesigned to prevent potential mix-ups and other medical errors. As a result, the sales line-up includes 40 compounds and 94 products (as of June 2012).

In addition to assuring quality, information, and reliable supply—all requirements that are so important for medical products—Daiichi Sankyo Espha is focused on providing products that customers can also depend on for their affordability and outstanding health benefits.

#### Ranbaxy launches *Atorvastatin* in U.S.

In November 2011, Ranbaxy received approval from the U.S. Food and Drug Administration to sell *Atorvastatin* and launched the product in the U.S. market. Utilizing its solid sales force, Ranbaxy is providing Americans with this safe, effective, affordable medicine.

Going forward, Ranbaxy will expand sales of *Atorvastatin* and other existing drugs in the U.S., which has the world's largest pharmaceutical market. The company will also reinforce its business activities to facilitate the launch of important new products, as well as accelerate the growth of the Daiichi Sankyo Group's global business.

### ■ Vaccines

#### Basic Policy

The global H1N1 influenza outbreak of 2009 heightened awareness of the need to prepare for a pandemic as well as the importance of preventative medicine. This led to a growing need for vaccines. At Daiichi Sankyo, we are well aware of our social responsibility as a Japanese pharmaceutical company to develop a vaccine business. We realize that we play a role in contributing to public health, which is one aspect of national security. In this vital field, we strive to operate a stable system integrating research, development, manufacturing and sales, and we aspire to provide a consistent vaccine supply to the public.

#### Expanding Vaccine Business

In fiscal 2011, the company launched the measles and rubella vaccine *Kitasato Daiichi Sankyo* and began joint promotion of *Rotarix*, a rotavirus gastroenteritis vaccine manufactured by GlaxoSmithKline.

The company also established an internal vaccine research unit and focused on reinforcing its research system.

Moreover, Kitasato Daiichi Sankyo Vaccine Co., Ltd. was selected for a grant as part of the Ministry of Health, Labour and Welfare's pandemic vaccine development and production capacity building initiative in the amount of 29,959 million yen, and has begun construction on a state-of-the-art cell culture vaccine production facility. To meet this great responsibility, the company will strive to rapidly and reliably manufacture the vaccine needed for pandemic influenza outbreaks and epidemics in adequate quantities, thus contributing to public health in Japan. In addition, Daiichi Sankyo and Terumo Corporation have reached an agreement to co-develop an intradermal vaccine for the prevention of infectious diseases.

Daiichi Sankyo reached an agreement with GlaxoSmithKline to establish Japan Vaccine Co., Ltd. to oversee marketing and the late stages of development. This company will use its expertise in the vaccine business to develop vaccines and help ensure they are widely available in Japan in a stable supply, and to provide highly reliable information.

To give back to the community, Daiichi Sankyo runs the free Mobile Maternal Handbook, a convenient preventive vaccine website for mothers of infants. The company also hosts the Vaccine and Preventive Care Forum on an ongoing basis to provide an opportunity for experts to provide the mass media with information on vaccines. This effort



to ensure the dissemination of accurate information has earned high praise from all sectors.

The company is working to improve the atmosphere surrounding preventative medicine in Japan and to build a society where people have ready access to the most advanced vaccines, thereby eradicating illnesses that can be prevented with vaccines.



### Influenza Vaccine Shipments

In fiscal 2011, the supply of the influenza HA vaccine manufactured by Kitasato Daiichi Sankyo Vaccine decreased significantly, causing great inconvenience to the public and medical professionals. A virus originating in chickens that had contaminated the raw material was not completely inactivated in the manufacturing process that is currently widely used in Japan, and as a result some batches of the vaccine did not meet criteria in quality specification tests. The company will strive to do its utmost to ensure the stable manufacture and supply of high-quality vaccines.

Press release

<http://www.daiichisankyo.co.jp/news/detail/004169.html>

## OTC Drugs\*1

### Basic Policy

Daiichi Sankyo strives to help people with self-medication\*2 through provision of over-the-counter medicines via Daiichi Sankyo Healthcare Co., Ltd. Daiichi Sankyo Healthcare capitalizes on the R&D strengths at the foundation of Daiichi Sankyo, as

well as its marketing strengths to continuously create products and services that satisfy consumers and raise the quality of life for people aspiring to greater health and beauty. In addition, Daiichi Sankyo Healthcare endeavors to build trusting relationships with the public as a business that is so integral to daily life.

### Promoting Appropriate Use and Expanding Product Line-up

Daiichi Sankyo Healthcare worked to bring *Shin LuLu A Gold DX*, a comprehensive cold remedy launched in August 2011, to more store shelves. The company continued its efforts to ensure appropriate use of its Category 1 OTC drugs,\*3 including *Loxonin S*, an anti-inflammatory analgesic launched in January 2011. These efforts included providing information to pharmacies and drug stores carrying these products, as well as offering pamphlets providing written instructions on drug administration and directions for use. Consumer seminars on *Loxonin S* and *Transino* were also held in major cities. In addition, the product lineup was expanded in the functional skincare field, a priority area, with the launch of *Transino Whitening Clear Lotion* and *Transino Whitening Day Protector*, new products containing tranexamic acid.



## Voice

### Aspiring to Become Japan's Preeminent Vaccine Manufacturer in the Spirit of Social Contribution

**Kazuaki Sato**

Vaccine Business Intelligence Division, Vaccine Business Strategy Department  
Daiichi Sankyo Co., Ltd.

I work on medium- and long-term strategic business plans for the vaccine business. Vaccines range from preventative vaccines that protect children from illnesses they do not need to suffer, to the potential cancer vaccines that are attracting more attention recently. They represent the culmination of the progress made in immunology. My personal goal is to help the company become a vaccine manufacturer that develops and supplies highly effective, high-quality, safe vaccines and is known for both its technology and social contributions. It is extremely difficult to make business projections in this field since it is so significantly impacted by the external environment. We must accumulate data and present it in the form of objective and persuasive information, and I want to pursue my work in the spirit of social contribution and achieve results for both the organization and myself.



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

\*2 Attending to health management, mild illnesses and injuries on one's own, using available information and knowledge related to health and medications.

\*3 Category 1 OTC drugs are OTC drugs that have not been used as such for a long time yet, and whose side effects, instructions for taking with food or other medicines, and other safety issues require particular caution.

# Social Contribution Activities

## Fiscal 2011 Achievements

- Engaged in activities at each office that contributed to communities in accordance with local needs
- Conducted 79 plant tours for approximately 1,300 people and opened facilities to the public 179 times
- Started operating mobile healthcare field clinics in India, Cameroon and Tanzania



## Fiscal 2012 Goals

- Pursue Group-wide activities in fields that will help to expand access to medical services
- Carry out social contribution activities and assess results

## Basic Policy

Social contribution activities are a key corporate social responsibility that Daiichi Sankyo has enshrined in its Group Corporate Conduct Charter. Based on the catchphrases, “Uniquely Daiichi Sankyo social contribution activities—providing people with hope through contributions to life and science,” and “Policies that encourage employee volunteerism and engagement in collaborative programs and foster the shift from mere funding to participating in worthwhile programs,” the Group formulated Basic Policies on Group Social Contribution Activities, which guide initiatives worldwide that contribute to the development of science and research (medical and pharmaceutical), initiatives related to human life and the will to live, and initiatives related to natural life, such as conservation of the environment.

### Basic Group Social Contributions Policy

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

## Relief Support Following the Great East Japan Earthquake

Daiichi Sankyo has provided support for relief efforts following the earthquake and tsunami by donating money, supporting volunteer relief activities by employees in areas that suffered major damage, and distributing a health information booklet to people in temporary housing. In March 2012, the company invited 903 people affected by the earthquake to “Daiichi Sankyo Presents Family Ties Theater 2012” (Shiki Theatre Company musical “Yuta and the Enchanted Friends”) in Sendai, Miyagi Prefecture. This represented an effort to support reconstruction by encouraging people affected by the earthquake through musical theater. The guests described their feelings, with one saying, “It was a great day and gave me energy to keep on going.” Another shared, “It is thanks to all of you that we can go as a family to the theater only a year after the earthquake. It made me realize once again that it is the care and support we have received from so many people that have helped us make it to today.”



## Global Social Contribution Activities

As a company with a global presence, Daiichi Sankyo is focusing on contributing to the achievement of the UN Millennium Development Goals (MDGs), issues for which the UN advocates a global response.

The MDGs include eight goals, including eradicating extreme poverty and hunger. We focus on Goal 4 (reduce child mortality), Goal 5 (improve maternal health) and Goal 6 (combat HIV/AIDS, malaria and other diseases) as medical issues in which pharmaceutical companies should play a role.

In implementing these activities, we emphasize the following three strategies: (1) participating proactively in activities, with the company taking a central role; (2) utilizing the company's expertise and demonstrating originality; and (3) describing results with quantifiable data.

In these activities around the world, we are making the most of the expertise and resources gained thus far by Ranbaxy's mobile healthcare field clinics in India, which are being implemented through the Ranbaxy Community Health Care Society (RCHS).<sup>\*1</sup> We also emphasize partnerships that bring together NPO/NGOs, with their specialized knowledge, and the resources of local governments and communities, making this a social contribution unique to Daiichi Sankyo and much more than a mere donation.

We monitor results to examine the extent to which our initiatives improve the infant mortality rate and maternal health, and use the data as feedback

for subsequent activities. Daiichi Sankyo will take the lead in moving forward with these activities, constantly striving to enhance their quality.

### Fiscal 2011 Achievements (Nov. 2011– Mar. 2012)

	India	Cameroon	Tanzania
Number of mobile healthcare field clinics	176	— <sup>*1</sup>	35
Number of infants receiving preventative vaccinations	815	6,055	734
Number of pre-natal checkups	238	4,680	119

<sup>\*1</sup> Counted only beginning fiscal 2012.



At a field clinic in India

The *Social Contributions Activities Report*, which focuses on the Daiichi Sankyo Group's social contribution activities, is available at our website. Please visit us online for more details:

 [http://www.daiichisankyo.co.jp/csr/activities\\_report/index.html](http://www.daiichisankyo.co.jp/csr/activities_report/index.html)

## Voice

### Expecting Daiichi Sankyo to Help Achieve the MDGs

#### Hiroshi Matsuura

Director, Global Issues Cooperation Division, International Cooperation Bureau, Ministry of Foreign Affairs, Japan

The MDGs are targets agreed on by the United Nations, which is endeavoring to reduce poverty in developing countries by setting specific goals to be achieved by 2015, such as school attendance for children all over the world and drastically reducing the infant mortality rate. There are only three more years until the target year for the goals, so it is very important that we accelerate progress by forming partnerships among a wide range of stakeholders with the same ambitions. The mobile healthcare field clinics provided by Daiichi Sankyo represent a leading example of this because of the cooperation with developing countries (Cameroon and Tanzania) and with private citizens (NGO Plan Japan) to improve medical services. The company is also on the right track by accurately monitoring the results of its support. I believe that earning the market's trust by providing development aid like this will be increasingly important for companies active in global markets. Daiichi Sankyo's effort to build on Ranbaxy's expertise to bring these activities to Africa as well, in order to contribute further to the achievement of the UN's development goals, represents an approach to social contributions suited to today's global situation. Japan's Ministry of Foreign Affairs welcomes the company's initiatives.



<sup>\*1</sup> The Ranbaxy Community Health Care Society is a non-profit organization established by Ranbaxy that carries out social contribution activities in the areas of maternal child health, family planning, and adolescent health and health education, including HIV/AIDS awareness.

# ESG Data

	Goal reference	Page	Classification	Items	Scope	Unit	FY2009	FY2010	FY2011
Social	Compliance	36	Training by job category	Training for new hires	Non-consolidated	Persons	132	76	101
						Min./person	90	50	70
				Training for newly appointed managerial employees	Non-consolidated	Persons	176	199	217
						Min./person	40	40	Self-study <sup>1</sup>
				Training for newly appointed executive candidates	Non-consolidated	Persons	88	68	104
						Min./person	50	30	30
				Training for mid-career hires	Non-consolidated	Persons	23	19	23
		Min./person	30-50			30-50	30		
		Total	Non-consolidated	Persons	419	362	445		
		36	Number of reports to DS-hotline	In Japan	Cases	12	15	13	
Research and development	25	R&D expenses	R&D expenses	Non-consolidated	¥billion	1,968	1,943	1,851	
			R&D expenses to net sales	Non-consolidated	%	20.7	20.1	19.7	
Patients and medical professionals	47	Evaluation of corporate stance and MR activities <sup>2</sup>	MRs rated	In Japan	Rank	June: Second January: Second	June: First December: Second	December: Second	
			Evaluation in cardiovascular medicine field	In Japan	Rank	June: First January: First	June: First December: First	December: First	
	51	Number of inquiries received (pharmaceutical products)	In Japan	Cases	130,000	134,000	125,000		
Employees	14	Number of employees by region <sup>3</sup>	Japan <sup>4</sup>	In Japan	Persons	8,892	9,002	9,338	
			North America <sup>4</sup>	Outside Japan	Persons	3,580	3,410	3,733	
			Europe <sup>4</sup>	Outside Japan	Persons	2,516	2,576	2,624	
			Other regions <sup>4</sup>	Outside Japan	Persons	1,842	2,077	2,285	
			Ranbaxy Group	Outside Japan	Persons	12,995	13,423	14,479	
			Total	Consolidated	Persons	29,825	30,488	32,459	
		—	Employee data <sup>5</sup>	Number of male employees	In Japan	Persons	7,179	7,328	7,400
				Number of female employees	In Japan	Persons	1,947	2,140	2,176
				Number of new male graduates	In Japan	Persons	52	69	74
				Number of new female graduates	In Japan	Persons	24	33	41
				Average age (male)	Non-consolidated	Age	40.0	40.9	41.5
				Average age (female)	Non-consolidated	Age	36.6	37.5	38.1
				Total	Non-consolidated	Age	39.4	40.2	40.9
				Average years of service (male)	Non-consolidated	Years	15.8	16.6	17.2
	Average years of service (female)			Non-consolidated	Years	14.0	14.8	15.3	
	Total			Non-consolidated	Years	15.5	16.2	16.8	
	Average annual salary	Non-consolidated	Yen	9,761,816	9,747,632	10,067,599			
	42	Diversity <sup>6</sup>	Employment rate of people with physical or mental challenges	In Japan	%	2.01	2.03	2.20	
			Percentage of female employees	Non-consolidated	%	18.8	19.0	19.3	
			Percentage of women in managerial positions	Non-consolidated	%	2.7	3.2	3.7	
	—	Persons taking child/nursing care leave	Women taking child care leave	In Japan	Persons	137	156	158	
			Men taking child care leave	In Japan	Persons	6	6	12	
			Women taking nursing care leave	In Japan	Persons	293	270	290	
			Men taking nursing care leave	In Japan	Persons	147	156	195	
			—	Occupational health and safety management	Paid vacation usage rate	In Japan	%	56.5	55.5
	Total annual hours worked	In Japan			Hour	1,891	1,881	1,890	
	Frequency	In Japan <sup>7</sup>			—	0.70	0.62	0.44	
	Accident severity rate	In Japan <sup>7</sup>			—	0.01	0.01	0.01	
	Shareholders	52			Cash dividends per share	Interim	Non-consolidated	Yen	30
			Year-end	Non-consolidated		Yen	30	30	30
Total			Non-consolidated	Yen		60	60	60	
11		Dividend on equity	Non-consolidated	%	4.9	5.0	5.1		
Distribution of economic value	17	Distribution of economic value among stakeholders	Business partners	Non-consolidated	Yen	456,110	442,378	450,257	
			Employees	Non-consolidated	Yen	122,454	121,164	121,608	
			Shareholders	Non-consolidated	Yen	49,275	42,235	42,234	
			Creditors	Non-consolidated	Yen	5,719	5,519	3,712	
			Governments	Non-consolidated	Yen	50,016	41,806	39,758	
			Environment	Non-consolidated	Yen	2,666	2,392	2,584	
			Daiichi Sankyo	Non-consolidated	Yen	△ 7,427	27,882	△ 31,865	

Goal reference	Page	Classification	Items	Scope	Unit	FY2009	FY2010	FY2011
Governance	29	Structure of Board of Directors	Number of directors	Non-consolidated	Persons	10	10	10
			Number of outside directors	Non-consolidated	Persons	4	4	4
			Number of statutory auditors	Non-consolidated	Persons	4	4	4
		Structure of Board of Kansayaku (statutory auditors)	Number of outside statutory auditors	Non-consolidated	Persons	2	2	2
			Rate of outside statutory auditors	Non-consolidated	%	50	50	50
		Compensation of directors	Total	Non-consolidated	Million yen	715	681	652
		Compensation of statutory auditors	Total	Non-consolidated	Million yen	111	107	105

\*1: All of the trainees studied the materials used in the compliance training on their own, since it was difficult to hold a group training session in the aftermath of the Great East Japan Earthquake.  
\*2: Conducted by Daiichi Sankyo with cooperation of outside research company  
\*3: Figures are as of the end of the settlement period at each Group company for fiscal 2009-2010.  
\*4: Excluding Ranbaxy Group  
\*5: Other than the average annual salary as of April 1 of each year following the fiscal year  
\*6: Employment rate of people with physical or mental challenges as of June 1 of each year following the fiscal year. The percentage of female employees and the percentage of women in managerial positions as of April 1 of each year following the fiscal year  
\*7: Scope of FY 2011 data: Daiichi Sankyo, Daiichi Sankyo Espha, Daiichi Sankyo Healthcare, Daiichi Sankyo Propharma, Daiichi Sankyo Chemical Pharma, Daiichi Sankyo Logistics, Asubio Pharma, Daiichi Sankyo RD Novare, Daiichi Sankyo Business Associe



Goal reference	Page	Classification	Items	Scope	Unit	FY2009	FY2010	FY2011	
Environment	59 60	Breakdown of CO <sub>2</sub> emissions	Sales vehicles <sup>*1</sup>	Outside Japan	t-CO <sub>2</sub>	—	30,942	28,790	
				In Japan	t-CO <sub>2</sub>	9,666	9,156	8,579	
			Offices	Outside Japan	t-CO <sub>2</sub>	—	6,254	8,068	
				In Japan	t-CO <sub>2</sub>	4,686	5,078	4,904	
			Plants and R&D centers	Outside Japan	t-CO <sub>2</sub>	—	287,400	276,812	
				In Japan	t-CO <sub>2</sub>	163,740	142,782	146,080	
			Outside Japan	Total	t-CO <sub>2</sub>	282,633	324,596	313,670	
			In Japan	Total	t-CO <sub>2</sub>	178,092	157,016	159,563	
		Global	Total	t-CO <sub>2</sub>	460,725	481,612	473,233		
		59	CO <sub>2</sub> emissions by activity	Direct emissions due to fuel consumption	Outside Japan	t-CO <sub>2</sub>	—	84,197	68,570
					In Japan	t-CO <sub>2</sub>	—	75,095	81,247
				Indirect emissions due to purchases of electricity, etc.	Outside Japan	t-CO <sub>2</sub>	—	208,507	216,310
					In Japan	t-CO <sub>2</sub>	—	72,765	69,737
				Emissions from other activities (sales, etc.)	Outside Japan	t-CO <sub>2</sub>	—	31,892	28,790
	In Japan				t-CO <sub>2</sub>	—	9,156	8,579	
	Global			Total	t-CO <sub>2</sub>	460,725	481,612	473,233	
	—			Site data <sup>*2</sup>	Shinagawa	In Japan	t-CO <sub>2</sub>	17,251	17,265
		Kasai	In Japan		t-CO <sub>2</sub>	18,281	18,651	15,153	
		Fukuroi	In Japan		t-CO <sub>2</sub>	4,477	4,485	4,492	
		Shizuoka	In Japan		t-CO <sub>2</sub>	22,039	1,615	1,353	
		Daiichi Sankyo Propharma (Akita)	In Japan		t-CO <sub>2</sub>	7,782	5,132	5,075	
		Daiichi Sankyo Propharma (Onahama)	In Japan		t-CO <sub>2</sub>	13,022	16,447	11,283	
		Daiichi Sankyo Propharma (Tatebayashi) <sup>*3</sup>	In Japan		t-CO <sub>2</sub>	8,027	6,521	5,686	
		Daiichi Sankyo Propharma (Hiratsuka) <sup>*4</sup>	In Japan		t-CO <sub>2</sub>	35,182	35,915	38,982	
		Daiichi Sankyo Propharma (Odawara)	In Japan		t-CO <sub>2</sub>	6,568	6,199	8,605	
		Daiichi Sankyo Propharma (Takatsuki) <sup>*5</sup>	In Japan		t-CO <sub>2</sub>	11,957	13,420	13,102	
		Asubio Pharma (Kobe)	In Japan		t-CO <sub>2</sub>	—	3,706	5,405	
		Daiichi Sankyo Chemical Pharma (Hiratsuka)	In Japan		t-CO <sub>2</sub>	6,124	3,570	4,072	
		Daiichi Sankyo Chemical Pharma (Odawara)	In Japan		t-CO <sub>2</sub>	6,858	6,198	2,820	
		Kitasato Daiichi Sankyo Vaccine	In Japan		t-CO <sub>2</sub>	—	—	17,000	
		Energy	58		Breakdown of energy use (in Japan)	Electricity	In Japan	1,000 GJ	2,102
	City gas			In Japan		1,000 GJ	1,048	1,082	1,339
	Others (LPG, LNG, heavy oil, kerosene, diesel oil, gasoline)			In Japan		1,000 GJ	691	460	329
	Steam			In Japan		1,000 GJ	39	33	31
	In Japan			Total		1,000 GJ	3,880	3,505	3,499
	59		Breakdown of energy use (Group overall)	Electricity	Global	1,000 GJ	—	4,460	4,400
				City gas	Global	1,000 GJ	—	1,086	1,468
				LNG	Global	1,000 GJ	—	719	545
				Gasoline	Global	1,000 GJ	—	614	556
				Heavy oil	Global	1,000 GJ	—	609	582
				Diesel oil	Global	1,000 GJ	—	292	315
				Others	Global	1,000 GJ	—	61	69
				Global	Total	1,000 GJ	—	7,842	7,935
Water resources	62	Water used	In Japan	1,000 m <sup>3</sup>	15,101	13,206	13,327		
		Wastewater	Outside Japan	1,000 m <sup>3</sup>	—	—	2,324		
Water pollution	63	BOD	In Japan	1,000 m <sup>3</sup>	15,156	13,620	13,708		
		COD	Outside Japan	1,000 m <sup>3</sup>	—	—	364		
Waste	61	Waste generated	In Japan	t	40,603	34,594	39,437		
		Outsourced waste treatment	In Japan	t	15,983	19,102	18,833		
		Recycled waste	In Japan	t	9,463	8,874	11,347		
		Recycling rates	In Japan	%	59.2	46.5	60.3		
		Final disposal volume	In Japan	t	313	113	365		
		Final disposal rate	In Japan	%	0.77	0.33	0.93		
	—	Amount of office paper consumed	In Japan	Million sheets	7,950	7,246	7,373		
Air pollution	63	SOx	In Japan	t	3.9	2.8	0.9		
			Outside Japan	t	—	—	597		
		NOx	In Japan	t	44	41	46		
			Outside Japan	t	—	—	7		
PRTR	65	Amounts handled	In Japan	t	4,484.9	3,474.6	5,704.0		
		Amounts discharged and transferred (air)	In Japan	t	180.0	87.8	121.7		
		Amounts discharged and transferred (water)	In Japan	t	7.4	7.3	3.6		
		Amounts discharged and transferred (sewer)	In Japan	t	23.2	20.5	43.9		
		Amounts discharged and transferred (waste)	In Japan	t	2,431.7	1,587.2	3,237.7		
			In Japan	t	2,250	2,061	2,321		
Containers	58	Containers and packaging	Outside Japan	Sites	3	4	6		
Management	57	ISO 14001-certified sites	In Japan	Sites	8	8	8		
			Total	Sites	11	12	14		

\*1: Carbon offset-type sales vehicles were leased so that CO<sub>2</sub> emissions from sales vehicles were entirely offset.

\*2: Breakdown of site data as of FY2011

\*3: Includes Daiichi Sankyo Research Center

\*4: Includes Daiichi Sankyo Research Center and Daiichi Sankyo Happiness Co., Ltd.

\*5: Includes Daiichi Sankyo Logistics Co., Ltd.



# UN Global Compact Index<sup>\*1</sup>

The Ten Principles of the UN Global Compact		Page	Content
Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	13-20	Our Mission and Responsibilities
	Principle 2: make sure that they are not complicit in human rights abuses.	34-36	Compliance
		40	Efforts in Japan: Human Rights and Employment Issues
Labour	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	38-39	Human Resource Vision and Principles
	Principle 4: the elimination of all forms of forced and compulsory labour;	40	Efforts in Japan: Human Rights and Employment Issues
	Principle 5: the effective abolition of child labour; and	41	Efforts in Japan: Human Rights and Employment Issues
	Principle 6: the elimination of discrimination in respect of employment and occupation.	42-43	Efforts in Japan: Creating An Attractive Workplace
		53	Business Partners
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges;	34-36	Compliance
	Principle 8: undertake initiatives to promote greater environmental responsibility; and	56-57	Environmental Management
	Principle 9: encourage the development and diffusion of environmentally friendly technologies.	59-60	Initiatives to Prevent Global Warming
		61-62	Effective Use of Resources
		63-64	Addressing Environmental Risks
		65	Chemical Substance Management
		66	Environmental Communication
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	34-36	Compliance
		53	Business Partners

\*1: See page 27 for participation in the UN Global Compact

## GRI Guidelines Index (version 3.1)

Item	Indicator	Report page/content
<b>1. Strategy and Analysis</b>		
1.1	Statement from the most senior decision-maker of the organization (e.g., CEO, Chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	5-10
1.2	Description of key impacts, risks, and opportunities.	5-10, 13-20, 31-32
<b>2. Organizational Profile</b>		
2.1	Name of the organization.	80
2.2	Primary brands, products, and/or services.	2
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	80
2.4	Location of organization's headquarters.	80
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	13-20, 80
2.6	Nature of ownership and legal form.	52, 80
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	13-20
2.8	Scale of the reporting organization.	11, 13-20, 52, 80
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	No change
2.10	Awards received in the reporting period.	12, 43, 60
<b>3. Report Parameters</b>		
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	2
3.2	Date of most recent previous report (if any).	2
3.3	Reporting cycle (annual, biennial, etc.).	2
3.4	Contact point for questions regarding the report or its contents.	Back cover
3.5	Process for defining report content.	3-4, 13-20
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	2
3.7	State any specific limitations on the scope or boundary of the report.	2
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	N/A
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	Compliant with GRI Technical Protocols
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such restatement (e.g., mergers/ acquisitions, change of base years/periods, nature of business, measurement methods).	N/A
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	55
3.12	GRI Content Index Table	Table identifying the location of the Standard Disclosures in the report.
3.13	Assurance	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).
<b>4. Governance, Commitments, and Engagement</b>		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	29
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	In order to ensure speedy operation of management functions, the chairperson of the highest governance body is also an executive officer.
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	29, 75
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	29, 40, 52, 54
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	29
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	29
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	29
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	1, 20, 27-28, 46
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	13-20, 27-28
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	13-20
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	30
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	27-28, 74
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization.	22, Japan Pharmaceutical Manufacturers Association/ International Federation of Pharmaceutical Manufacturers & Associations (IFPMA)

4.14	Stakeholder Engagement	List of stakeholder groups engaged by the organization.	17-18
4.15		Basis for identification and selection of stakeholders with whom to engage.	17-18
4.16		Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	17-18
4.17		Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	4, 5-10,13-20, 31-32, 54
Economic			
Management Approach			11, 13-20
EC1	Economic Performance	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	17, 75
EC2		Financial implications and other risks and opportunities for the organization's activities due to climate change.	59
EC3		Coverage of the organization's defined benefit plan obligations.	Securities Report
EC4		Significant financial assistance received from government.	71
EC6	Market Presence	Policy, practices, and proportion of spending on locally based suppliers at significant locations of operation.	53
EC8	Indirect Economic Impacts	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	13-20, 73-74
Environmental			
Management Approach			55, 56, 57, 66
EN3	Energy	Direct energy consumption by primary energy source.	58, 59, 76
EN4		Indirect energy consumption by primary source.	58, 59, 76
EN5		Energy saved due to conservation and efficiency improvements.	59-60
EN6		Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	60
EN7		Initiatives to reduce indirect energy consumption and reductions achieved.	60
EN8	Water	Total water withdrawal by source.	58, 62, 76
EN13	Biodiversity	Habitats protected or restored.	64
EN14		Strategies, current actions, and future plans for managing impacts on biodiversity.	64
EN15		Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	64
EN16	Emissions, Effluents, and Waste	Total direct and indirect greenhouse gas emissions by weight.	58, 59-60, 76
EN17		Other relevant indirect greenhouse gas emissions by weight.	59-60, 76
EN18		Initiatives to reduce greenhouse gas emissions and reductions achieved.	59-60
EN20		NOx, SOx, and other significant air emissions by type and weight.	58, 63, 76
EN21		Total water discharge by quality and destination.	58, 62, 76
EN22		Total weight of waste by type and disposal method.	58, 61, 76
EN23		Total number and volume of significant spills.	63
EN24		Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	N/A
EN26	Products and Services	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	63, 65
EN27		Percentage of products sold and their packaging materials that are reclaimed by category.	58, 76
EN28	Compliance	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	N/A
EN29	Transport	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	59-60, 76
EN30	Overall	Total environmental protection expenditures and investments by type.	58
Labor Practices and Decent Work			
Management Approach			37- 43
LA1	Employment	Total workforce by employment type, employment contract, and region, broken down by gender.	14, 75
LA2		Total number and rate of new employee hires and employee turnover by age group, gender, and region.	75
LA3		Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	42
LA4	Labor/Management Relations	Percentage of employees covered by collective-bargaining agreements.	40
LA6	Occupational Health and Safety	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	42
LA7		Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	75
LA8		Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	42
LA9		Health and safety topics covered in formal agreements with trade unions.	40
LA11	Training and Education	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	40
LA12		Percentage of employees receiving regular performance and career development reviews, by gender.	100%
LA13	Diversity and Equal Opportunity	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	75
LA14		Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	75
Human Rights			
Management Approach			37- 43
HR5	Freedom of Association and Collective Bargaining	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	40
HR6	Child Labor	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	40, 53
HR7	Forced and Compulsory Labor	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	40, 53
Society			
Management Approach			37- 43
SO1	Local Communities	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	13-20, 73-74
SO3	Corruption	Percentage of employees trained in organization's anti-corruption policies and procedures.	36, 75
SO8	Compliance	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	N/A
Product Responsibility			
Management Approach			37- 43
PR1	Customer Health and Safety	Life-cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	34-35, 47-51
PR3	Product and Service Labeling	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	47-51
PR5		Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	47-51, 75
PR6	Marketing Communications	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	35, 46, 50

## Third-party Opinion

### Eiichiro Adachi

Counselor, Head of ESG Research Center  
The Japan Research Institute, Limited



Mr. Adachi's work is focused on industry research and corporate evaluation from the perspective of corporate social responsibility, with a focus on environmental initiatives. He provides corporate information to financial institutions to help promote socially responsible investment and environmentally friendly lending. Mr. Adachi represented Japan as an expert in the ISO 26000 Working Group from March 2005 to May 2009.

Up until this point, I have felt that there is something lacking in Japanese pharmaceutical companies' stance on corporate social responsibility. Although I could not exactly disagree when pharmaceutical companies explain that they are meeting their social responsibilities simply by providing products that save lives, I was skeptical that the companies were really watching out for the negative impact of their business activities and wondered how they were addressing the dilemma between the need for certain pharmaceutical products and their economic viability.

When I read this report, I was particularly struck by the example of the orphan drug for rare diseases introduced by President Nakayama in his dialogue with Mr. Manley from Goldman Sachs. I found very persuasive his succinct statement: "If you begin with the goal of somehow contributing to society and then modify your business model while maintaining a certain level of profit, you will be able to generate greater benefit for society and shareholders alike." I felt a similar accord with Daiichi Sankyo's expectations for the future of the new malaria drug launched by Ranbaxy.

I took note that the report also included descriptions of the potential negatives of the company's business activities, descriptions which can also apply to pharmaceutical companies in general. These include consideration of human rights in conducting clinical trials, animal experiments, side-effects, the impact of pharmaceutical products on the environment, and compliance in MR activities. I was

particularly pleased by the company's intention to consider a risk management approach for the impact of pharmaceutical products and the substances they can leave behind in the environment. I would like Daiichi Sankyo to report on its progress on this issue. I also hope that the company will consider disclosing information on its payment to medical institutions in future reports.

The Daiichi Sankyo Group has taken up the challenges of expanding its activity to both developed countries and emerging economies. The Group currently operates in over 50 countries around the world and employs about 30,000 people. Employees working outside of Japan account for about 70% of the Group's total workforce. I believe these facts give a positive diversity and dynamism to the Group's CSR activities. Daiichi Sankyo's participation in the UN Global Compact is also very significant. I look forward to seeing the Group take a leadership role in these activities and reporting on the results.

Finally, the report states that it aims to provide integrated reporting of financial and non-financial information. Although just a first step, I felt that the report succeeded in moving toward this aspiration, while expressing the Group's own unique identity. I anticipate that Daiichi Sankyo will continue its efforts to lead the world in integrated reporting with an emphasis on creating innovative dynamics by social expectations with business, watching closely for negative impacts and maintaining a global perspective.

## Response to the Third-party Opinion



**Katsuyuki Yogosawa**  
Global Head of CSR  
Vice President  
CSR Department

Eiichiro Adachi of the Japan Research Institute provided a third-party opinion for the CSR Report 2012. We truly appreciate his generosity in taking time from his busy schedule to read the report and provide opinions and recommendations. We recognize that the three perspectives pointed out by Mr. Adachi—balancing social expectations with business, watching for negative impacts and maintaining a global perspective—are extremely important. We take all of his views very seriously and will earnestly respond to each one in order to continue to enhance our corporate quality. We are currently taking steps to augment the report's format based on the framework being developed by the International Integrated Reporting Council (IIRC). We will continue to create value in our business activities to help resolve social issues based on our hybrid business model. We strive to meet our social responsibilities and put our corporate ethics into practice to contribute to the enrichment of quality of life for people around the world. We ask for your continued support and guidance.

# Corporate Information

## Company Profile

Company Name	: DAIICHI SANKYO COMPANY, LIMITED
Established	: September 28, 2005
Headquarters	: 3-5-1, Nihonbashi-honcho, Chuo-ku, Tokyo, 103-8426, Japan
URL	: <a href="http://www.daiichisankyo.com">http://www.daiichisankyo.com</a>
Branches	: Sapporo, Tohoku (Miyagi Prefecture), Tokyo, Chiba, Saitama, Yokohama, Kita-Kanto (Tokyo), Koshinetsu (Tokyo), Tokai (Aichi Prefecture), Kyoto, Hokuriku (Ishikawa Prefecture), Osaka, Kobe, Chugoku (Hiroshima Prefecture), Shikoku (Kagawa Prefecture), Kyushu (Fukuoka Prefecture)
	Note: The Company has sales offices in all major Japanese cities.
Business	: Research and development, manufacturing, import, sales and marketing of pharmaceutical products
Paid-in Capital	: ¥50,000 million
Research Laboratories	: Shinagawa (Tokyo), Kasai (Tokyo), Fukuroi (Shizuoka Prefecture)

## Main Group Companies

### Japan

Company Name	Main Business Activities
DAIICHI SANKYO ESPHA CO., LTD.	Manufacturing and sales of pharmaceuticals
DAIICHI SANKYO HEALTHCARE CO., LTD.	Manufacturing and sales of OTC drugs, cosmetics, medical equipment, food, and beverages, among others
DAIICHI SANKYO PROPHARMA CO., LTD.	Manufacturing of pharmaceuticals
DAIICHI SANKYO CHEMICAL PHARMA CO., LTD.	Manufacturing of active pharmaceutical ingredients and intermediates
DAIICHI SANKYO LOGISTICS CO., LTD.	Distribution and related affairs
ASUBIO PHARMA CO., LTD.	Research and development of pharmaceuticals
DAIICHI SANKYO RD NOVARE CO., LTD.	Research and development of pharmaceuticals
DAIICHI SANKYO BUSINESS ASSOCIE CO., LTD.	Business support of the Group
DAIICHI SANKYO HAPPINESS CO., LTD.	Business support of the Group
Kitasato Daiichi Sankyo Vaccine Co., Ltd.	Research and development, manufacturing, and sales of vaccine

### Europe

Company Name	Main Business Activities
DAIICHI SANKYO EUROPE GmbH	Control of group / development and manufacturing of pharmaceuticals
DAIICHI SANKYO FRANCE S.A.S.	Sales of pharmaceuticals
DAIICHI SANKYO DEUTSCHLAND GmbH	Sales of pharmaceuticals
DAIICHI SANKYO ITALIA S.p.A.	Sales of pharmaceuticals
DAIICHI SANKYO ESPAÑA, S.A.	Sales of pharmaceuticals
DAIICHI SANKYO UK LIMITED	Sales of pharmaceuticals
DAIICHI SANKYO (SCHWEIZ) AG	Sales of pharmaceuticals
DAIICHI SANKYO PORTUGAL, LDA.	Sales of pharmaceuticals
DAIICHI SANKYO AUSTRIA GmbH	Sales of pharmaceuticals
DAIICHI SANKYO BELGIUM N.V.-S.A.	Sales of pharmaceuticals
DAIICHI SANKYO NEDERLAND B.V.	Sales of pharmaceuticals
DAIICHI SANKYO ILAÇ TICARET Ltd. Şti	Sales of pharmaceuticals
DAIICHI SANKYO IRELAND LTD.	Sales of pharmaceuticals
DAIICHI SANKYO ALTKIRCH SARL	Manufacturing of materials, etc. for pharmaceuticals
U3 Pharma GmbH	Ethical pharmaceutical research
DAIICHI SANKYO DEVELOPMENT LTD.	Ethical pharmaceutical development

### U.S.A.

Company Name	Main Business Activities
DAIICHI SANKYO, INC.	Research, development, and sales of pharmaceuticals
Plexxikon Inc.	Research and development of pharmaceuticals
Luitpold Pharmaceuticals, Inc.	Manufacturing and sales of pharmaceuticals and veterinary medicine

### ASCA<sup>\*1</sup>

Company Name	Main Business Activities
DAIICHI SANKYO (CHINA) HOLDINGS CO., LTD.	Control of group
DAIICHI SANKYO PHARMACEUTICAL (BEIJING) CO., LTD.	Development, manufacturing, and sales of pharmaceuticals
DAIICHI SANKYO PHARMACEUTICAL (SHANGHAI) CO., LTD.	Research, development, manufacturing, and sales of pharmaceuticals
DAIICHI SANKYO TAIWAN LTD.	Sales of pharmaceuticals
DAIICHI SANKYO KOREA CO., LTD.	Sales of pharmaceuticals
DAIICHI SANKYO (THAILAND) LTD.	Import, sales, and agency services of pharmaceuticals
DAIICHI SANKYO HONG KONG LIMITED	Marketing of pharmaceuticals
DAIICHI SANKYO MEXICO S.A. DE C.V.	Sales of pharmaceuticals
DAIICHI SANKYO BRASIL FARMACÊUTICA LTDA.	Manufacturing and sales of pharmaceuticals
DAIICHI SANKYO VENEZUELA S.A.	Sales of pharmaceuticals
DAIICHI SANKYO INDIA PHARMA PRIVATE LIMITED	Research and development of pharmaceuticals
Ranbaxy Laboratories Limited	Research, development, manufacturing, and sales of pharmaceuticals

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

<sup>\*1</sup> Group companies of Ranbaxy Laboratories Limited are not included in this list.



# DAIICHI SANKYO CO., LTD.

3-5-1, Nihonbashi-honcho, Chuo-ku, Tokyo 103-8426, Japan

## Inquiries:

CSR Department

DAIICHI SANKYO CO., LTD.

Tel: +81-3-6225-1067

Fax: +81-3-6225-1194

<http://www.daiichisankyo.com>



Daiichi Sankyo has been included in the Asia Pacific Index of the Dow Jones Sustainability Indexes for three consecutive years (as of September 2012).



Daiichi Sankyo has been included for four consecutive years in the FTSE4Good Global Index, an index of firms that meet globally recognized corporate responsibility standards (as of September 2012).



Daiichi Sankyo is included in the Morningstar Social Responsible Investment Index, which is composed of Japanese companies.



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