# LETTER OF OFFER

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

The Letter of Offer dated July 9, 2009 was sent to equity shareholder(s) of Zenotech Laboratories Limited. If you require any clarifications about the action to be taken, you may consult your stock broker or investment consultant or the Manager to the Offer or the Registrar to the Offer. In case you have recently sold your shares in Zenotech Laboratories Limited, please hand over this Letter of Offer and the accompanying Form of Acceptance-cum-Acknowledgement, Form of Withdrawal and Transfer Deed to the purchaser of the shares or the member of stock exchange through whom the sale was effected.

## CASH OFFER

Pursuant to Regulations 10 and 12 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ('SEBI (SAST) Regulations' or 'Regulations') and subsequent amendments thereto

**BY**

**Daiichi Sankyo Company, Limited** ("**Acquirer**" or " **Daiichi Sankyo**")

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

Tel. No.: +81 3 6225 1126 Fax. No. +81 3 6225 1900

**for**

the acquisition of 68,86,000 fully paid-up equity shares representing 20% of the Emerging Voting Capital

**of**

**Zenotech Laboratories Limited ("Target Company"** or "**ZLL**")

Registered Office: 8-2-120/112/88-89/P/2, 4th Floor,

Park View Estate, Road No.2, Banjara Hills,

Hyderabad, Andhra Pradesh 500 034 INDIA

Tel: +91 40 2354 0994; Fax: +91 40 2355 5465

**at**

**Rs. 113.62 (One Hundred Thirteen Rupees and Sixty-Two Paise only) per fully paid-up equity share of face value of Rs. 10 each (the "Offer Price") payable in cash**

**ATTENTION:**

a) Details of statutory approvals are given in para 10.6 of this Letter of Offer

b) RBI in term of its A.P. (Dir Series) Circular No. 62, dated May 24, 2007 has approved opening of Escrow and Special Account

c) In case of delay in the receipt of the statutory approvals, SEBI has the power to grant an extension of time to the Acquirer for payment of consideration to shareholders who have validly tendered their Shares, subject to the Acquirer agreeing to pay interest for the delayed period as directed by SEBI in terms of Regulation 22(12) of the SEBI (SAST) Regulations. Further, if the delay occurs on account of willful default by the Acquirer in obtaining the requisite approval, Regulation 22(13) of the SEBI (SAST) Regulations will also become applicable.

d) Specific approval of the RBI needs to be obtained by the OCB/ NRI shareholders in the event that any OCB shareholder tenders its shares in the Open Offer.

e) Shareholders who have accepted the Offer by tendering the requisite documents, in terms of the Public Announcement / Letter of Offer, shall have the option to withdraw their acceptance on or before Tuesday, August 17, 2010, i.e., 3 (three) working days prior to the date of closure of the Offer i.e. Monday, August 23, 2010.

f) If there is any upward revision in the Offer Price by the Acquirer prior to or on the last date for revising the Offer Price viz., Wednesday, August 11, 2010, you will be informed by way of another Public Announcement in the same newspapers in which the first Public Announcement was published. The Acquirer shall pay such revised price for all shares validly tendered any time during the Offer and accepted under the Offer or, if the Offer is withdrawn pursuant to Regulation 27 of the Regulations, the same would be communicated by a Public Announcement in the same newspapers in which the Public Announcement appeared.

g) The Offer is not conditional on any minimum level of acceptance by the shareholders.

h) If there is competitive bid(s):

1. The public offers under all the subsisting bids shall close on the same date.
2. As the offer price cannot be revised during 7 working days prior to the closing date of the Offer, it would, therefore, be in the interest of shareholders to wait till the commencement of that period to know the final Offer Price of each bid and tender their acceptance accordingly.

i) No competitive bid has been announced till the date of this Letter of Offer.

j) Form of Acceptance-cum-Acknowledgement and Form of Withdrawal are enclosed with this Letter of Offer.

k) A copy of the Public Announcement, this Letter of Offer including Form of Acceptance-cum-Acknowledgement and Form of Withdrawal will also be available on SEBI's website (www.sebi.gov.in) from the Offer opening date viz., Wednesday, August 4, 2010. A copy of the Form of Acceptance may also be obtained from the Registrar to the Offer commencing on the date of uploading of this Letter of Offer. All future correspondence, if any, should be addressed to the Registrar to the Offer at the address mentioned below:

| Manager to the Offer | Registrar to the Offer |
|---|---|
| **ICICI Securities Limited**<br>ICICI Centre, H.T. Parekh Marg, Churchgate,<br>Mumbai 400 020, INDIA<br>Tel: +91 22 2288 2460, Fax: +91 22 2282 6580<br>Contact Person: Neha Arora<br>E-mail: Projectzorro@icicisecurities.com | **Karvy Computershare Pvt Limited**<br>Unit:Zenotech Laboratories Limited - Open Offer<br>Plot no 17-24, Vithalrao Nagar Madhapur, Hyderabad 500 081 , India<br><br>Tel: +91 040 23420815-823<br>Fax: +91 040-23431551<br>Contact Person: Mr. Murali Krishna<br>Email id : zenotech@karvy.com |
| **OFFER OPENS: Wednesday, August 4, 2010** | **OFFER CLOSES: Monday, August 23, 2010** |

**SCHEDULE OF MAJOR ACTIVITIES OF THE OFFER**

| | Activity | Original Schedule | Revised Schedule |
|---|---|---|---|
| 1 | Public Announcement Date | Monday, January 19, 2009 | Monday, January 19, 2009 |
| 2 | Specified Date* | Friday, February 13, 2009 | Friday, February 13, 2009 |
| 3 | Last date for announcement of a competitive bid | Sunday, February 8, 2009 | Sunday, February 8, 2009 |
| 4 | Date of first Corrigendum to the Public Announcement | Monday, March 2, 2009 | Monday, March 2, 2009 |
| 5 | Date of second Corrigendum to the Public Announcement | Friday , July 10, 2009 | Friday , July 10, 2009 |
| 6 | Date of third Corrigendum to the Public Announcement | N/A | Wednesday, August 5, 2009 |
| 7 | Date of fourth Corrigendum to the Public Announcement | N/A | Saturday, August 8, 2009 |
| 8 | Date of fifth Corrigendum to the Public Announcement | N/A | Wednesday, November 11, 2009 |
| 9 | Date of sixth Corrigendum to the Public Announcement | N/A | Tuesday, July 27, 2010 |
| 10 | Date by which Letter of Offer dated July 9, 2009 was dispatched to shareholders | Friday, July 10, 2009 | Friday, July 10, 2009 |
| 11 | Offer Opening Date | Wednesday, July 15, 2009 | Wednesday, August 4, 2010 |
| 12 | Last date for revising the Offer Price / number of Shares | Wednesday, July 22, 2009 | Wednesday, August 11, 2010 |
| 13 | Last date for withdrawing acceptance from the Offer | Tuesday, July 28, 2009 | Tuesday, August 17, 2010 |
| 14 | Date of Closure of the Offer | Monday, August 3, 2009 | Monday, August 23, 2010 |
| 15 | Date by which acceptance / rejection under the Offer would be intimated and the corresponding payment for the acquired shares and / or the unaccepted shares / share certificates will be credited / dispatched. | Monday, August 17, 2009 | Monday, September 6, 2010 |

** Specified Date is only for the purpose of determining the names of the shareholders as on such date to whom the Letter of Offer dated July 9, 2009 was sent and all owners (registered or unregistered) of the shares of the Target Company (except the parties to the SPSSA as defined in para 2.1.2 below) are eligible to participate in the Offer at any time before the closure of the Offer.*

***Note:*** *Duly Signed Application and Transfer Deed should be dispatched to the Registrar to the offer at the above address to reach not later than 5.00 p.m on Monday, August 23, 2010.*

## RISK FACTORS

### RISK RELATED TO THE OFFER

The risk factors set forth below pertain to the Offer and are not in relation to the present or future business operations of the Target Company or other related matters, and are neither exhaustive nor intended to constitute a complete analysis of the risks involved in participation or otherwise by a shareholder in the Offer. Shareholders of the Target Company are advised to consult their stockbroker or investment consultant, if any, for analysing all the risks with respect to their participation in the Offer.

1. The Offer involves an offer to acquire up to 20% of the Emerging Voting Capital of ZLL from the Eligible Persons for the Offer. In the case of oversubscription in the Offer, as per the SEBI (SAST) Regulations, acceptance would be determined on a proportionate basis and hence there is no certainty that all the shares tendered by the shareholders in the Offer will be accepted.
2. In the event that (a) there is any litigation leading to a "stay" of the Offer or (b) SEBI instructs the Acquirer not to proceed with the Offer or (c) a statutory approval is not received in a timely manner, then in each such case, the Offer process may be delayed beyond the schedule of activities indicated in this Letter of Offer. Consequently, the payment of consideration to shareholders of ZLL whose Shares have been accepted in the Offer as well as the return of Shares not accepted by the Acquirer may be delayed. In case of the delay, due to non-receipt of statutory approval, as per Regulation 22(12) of the SEBI (SAST) Regulations, SEBI may, if satisfied that the non-receipt of approvals was not due to willful default or negligence or failure to diligently pursue such approvals on the part of the Acquirer, grant an extension for the purpose of completion of the Offer subject to the Acquirer paying interest to the shareholders, as may be specified by SEBI.
3. Shareholders should note that after the last date of withdrawal, i.e., Tuesday, August 17, 2010 the shareholders who have lodged the Shares would not be able to withdraw them even if the acceptance of Shares under the Offer and dispatch of consideration gets delayed. The tendered shares and documents would be held by the Registrar to the Offer, till such time as the process of acceptance of tenders and the payment of consideration is completed.
4. The acquisition of Shares under the Offer is subject to the receipt of statutory approvals by the Acquirer as detailed in para 10.6. The Acquirer may not to be able to acquire Shares under the Offer in the event the approvals are not received in terms of Regulation 27 of the SEBI (SAST) Regulations. Delay, if any, in the receipt of these approvals may delay completion of the Offer. Any approval as may be required for acquiring shares from an NRI that has tendered shares in the Offer shall not be covered under the provisions of Regulation 27 of the SEBI (SAST) Regulations.

5. The Shares tendered in the Offer will be held in trust by the Registrar to the Offer until the completion of the Offer formalities. During such period, there may be fluctuations in the market price of the equity shares (equity) of ZLL. Accordingly, the Acquirer makes no assurance with respect to the market price of the shares both during the Offer Period and upon the completion of the Offer, and disclaims any responsibility or liability with respect to any decision by any shareholder of ZLL on whether to participate or not to participate in the Offer.
6. The information in respect of the Target Company contained in this Letter of Offer, except where it is expressly mentioned as being provided by the Target Company, is based on information generally available from public sources and, as a result, may not be accurate or complete or reflect the current status of the matters in the Target Company. Shareholders of the Target Company, therefore, need to exercise caution and seek professional advice when relying on such information. The Acquirer makes no representation as to the correctness of such information and shall not be liable for any reason whatsoever for any loss or damage suffered by any person in connection with the inclusion of such information in this Letter of Offer or any inaccuracy or any reliance placed by any person on such information in making its decision to accept or reject this Offer. The Acquirer has made efforts in good faith to obtain information from the Target Company in connection with this Letter of Offer and to the extent information was received by the Acquirer the same has been included in this Letter of Offer

**RISKS ASSOCIATED WITH THE ACQUIRER**

7. The Acquirer makes no assurance with respect to the future financial performance of the Target Company.

**CURRENCY OF PRESENTATION AND NUMERICAL CONVERSION**

In this Letter of Offer, certain financial details contained herein are denominated in Japanese Yen ('Yen', the legal currency of Japan). The Rupee equivalent quoted for Yen is calculated in accordance with the RBI Reference rates as of July 23, 2010 namely 100 Yen = Rs. 53.97 (*Source: www.rbi.org.in*).

NUMERICAL CONVERSION: One million (1,000,000) = Ten lakhs (10,00,000)

In this Letter of Offer, any discrepancy in any table between the total and sums of the amount listed are due to rounding.

**TABLE OF CONTENTS**

**DEFINITIONS**

| | |
|---|---|
| Acquirer / Daiichi Sankyo | Daiichi Sankyo Company, Limited |
| BSE | Bombay Stock Exchange Limited, Mumbai, India |
| CDSL | Central Depository Services (India) Limited |
| CSE | Calcutta Stock Exchange Association of India Limited |
| DP | Depository Participant |
| Eligible Persons | All owners of equity shares, registered or unregistered of Zenotech Laboratories Limited (other than the parties to the SPSSA), who own equity shares at any time prior to the closure of the Offer |
| Equity shares or shares | Fully paid-up equity shares of Rs. 10 each of Zenotech Laboratories Limited |
| FEMA | Foreign Exchange Management Act, 1999 |
| FI | Financial Institution |
| FII | Foreign Institutional Investor |
| FIPB | Foreign Investment Promotion Board |
| Form of Acceptance | Form of Acceptance-cum-Acknowledgement |
| Income-tax Act | Income Tax Act, 1961 of India |
| Indian GAAP | Generally Accepted Accounting Principles in India |
| Manager / Manager to the Offer / ICICI Securities | ICICI Securities Limited |
| NSDL | National Securities Depositories Limited |
| NRI | Non-resident Indian |
| OCB | Overseas Corporate Body |
| Offer | Cash offer being made by the Acquirer to the shareholders of the Target Company for acquisition of 68,86,000 fully paid-up equity shares of the Target Company |
| Offer Price | Rs. 113.62 per equity share of Zenotech Laboratories Limited |
| Public Announcement | Announcement of the Offer made by the Acquirer on Monday, January 19, 2009 |
| RBI | Reserve Bank of India |
| Registrar/ Registrar to the Offer | Karvy Computershare Private Limited |
| Regulations/ SEBI (SAST) Regulations | Securities And Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997, as amended |
| RLL | Ranbaxy Laboratories Limited |
| Rs. | Indian Rupees, the legal currency of India |
| SAT | Securities Appellate Tribunal |

| | |
|---|---|
| SEBI | Securities and Exchange Board of India |
| Shareholders | Shareholders of Zenotech Laboratories Limited |
| Specified Date | Friday, February 13, 2009 |
| SPSSA | Share Purchase and Share Subscription Agreement |
| Yen | Japanese Yen, the legal currency of Japan |
| ZLL / the Company/ Target Company | Zenotech Laboratories Limited |

**Note:** All terms beginning with a capital letter used in this Letter of Offer, but not otherwise defined herein, shall have the meaning ascribed thereto in the Regulations unless specified.

## 1 DISCLAIMER CLAUSE

IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE FILING OF THE DRAFT LETTER OF OFFER WITH THE SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED, VETTED OR APPROVED BY THE SEBI. THE DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO THE SEBI FOR THE LIMITED PURPOSE OF OVERSEEING WHETHER THE DISCLOSURES CONTAINED THEREIN ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE REGULATIONS. THIS REQUIREMENT IS TO FACILITATE THE SHAREHOLDERS OF ZENOTECH LABORATORIES LIMITED TO TAKE AN INFORMED DECISION WITH REGARD TO THE OFFER. THE SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR FINANCIAL SOUNDNESS OF THE ACQUIRER OR THE COMPANY WHOSE SHARES/CONTROL IS PROPOSED TO BE ACQUIRED OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE LETTER OF OFFER. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ACQUIRER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS LETTER OF OFFER, THE MERCHANT BANKER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ACQUIRER DULY DISCHARGES ITS RESPONSIBILITY ADEQUATELY. IN THIS BEHALF, AND TOWARDS THIS PURPOSE, ICICI SECURITIES LIMITED, THE MANAGER TO THE OFFER, HAS SUBMITTED A DUE DILIGENCE CERTIFICATE DATED JANUARY 30, 2009 TO THE SEBI IN ACCORDANCE WITH THE SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVER) REGULATIONS, 1997 AND SUBSEQUENT AMENDMENT(S) THEREOF. THE FILING OF THE LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE ACQUIRER FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY CLEARANCES AS MAYBE REQUIRED FOR THE PURPOSES OF THE OFFER.

The Acquirer and the Manager to the Offer accept no responsibility for statements made otherwise than in the Letter of Offer or in the Public Announcement(s) or in any advertisement or other announcement issued by, or at the instance of, the Acquirer or the Manager to the Offer, and any person placing reliance on any other source of information for purposes of this Offer or in relation thereto would be doing so entirely at his own risk.

## 2 DETAILS OF THE OFFER

### 2.1 Background of the Offer

**2.1.1** This open offer (the 'Offer' or 'Open Offer') is being made by Daiichi Sankyo Company, Limited, a company incorporated under the laws of Japan, with registered office at 3-5-1, Nihonbashi-honcho, Chuo-ku, Tokyo - 103-8426, Japan, Tel No.: +81 3 6225 1126 Fax. No. +81 3 6225 1900 ('Daiichi Sankyo' or 'Acquirer') to the equity shareholders (other than the parties to the SPSSA, as defined below) of Zenotech Laboratories Limited ('ZLL' or the 'Target Company') in compliance with Regulations 10 and 12 of the SEBI (SAST) Regulations, and a result for the purpose of an indirect substantial acquisition of shares accompanied with change in control of ZLL. The Offer is a mandatory open offer under Regulations 10 and 12 of the SEBI (SAST) Regulations because of an indirect substantial acquisition of shares and change in control.

It must be noted that the Acquirer has received the approval of the Foreign Investment Promotion Board, Government of India and the Reserve Bank of India ('RBI') to acquire 68,85,000 equity shares of the Target Company pursuant to the Offer.

However, in view of the increase in the offer size to 68,86,000 fully paid-up equity shares (i.e., by one thousand shares) of ZLL, following the date of the PA, the Acquirer had made applications with both the FIPB and the RBI seeking their confirmation to acquire the additional shares pursuant to the Offer. In this regard, the Acquirer had made a filing with the FIPB on June 9, 2009 and the RBI on June 30, 2009. Pursuant to this, the FIPB by its amendment letter dated July 9, 2009, granted the approval to acquire the additional shares. The RBI approval is currently awaited.

It must further be noted that by its order dated November 13, 2009, the CLB has restrained ZLL from allotting shares against the exercise of stock options granted under the ZLL Employees Stock Option Scheme, 2005, without the leave of the CLB until further orders. The next date of hearing for this matter is scheduled for September 15, 2010.

2.1.2 On June 11, 2008, the Acquirer entered into a Share Purchase and Share Subscription Agreement (the 'SPSSA') with (a) Mr. Malvinder Mohan Singh; (b) Mr. Shivinder Mohan Singh; and (c) Others (collectively referred to as the 'Sellers') and Ranbaxy Laboratories Limited ('RLL') to acquire 129,934,134 fully paid up equity shares of RLL (the 'Sale Shares') representing 30.91% of the current issued, subscribed and fully paid up equity share capital of RLL and to subscribe to 46,258,063 fully paid-up equity shares having a face value of Rs 5/-, each representing in the aggregate 11.00% of the current issued, subscribed and fully paid up equity share capital of RLL and 23,834,333 warrants of RLL, each warrant exercisable for one equity share of RLL, in each case, at a price of Rs. 737/- per equity share. Pursuant to the signing of the SPSSA, the Acquirer had made an offer to the remaining shareholders (other than the Sellers) of RLL to acquire up to 92,519,126 fully paid-up equity shares of face value Rs. 5/-, each representing in the aggregate 22.01% of the current issued, subscribed and fully paid up equity share capital of RLL ("RLL Offer").

2.1.3 On October 20, 2008, the Acquirer: (i) acquired 81,913,234 equity shares of RLL from the Sellers; (ii) was issued and allotted 46,258,063 equity shares along with 23,834,333 warrants by RLL; and (iii) together with the shares acquired pursuant to the RLL Offer, held 220,690,423 equity shares in RLL, representing in the aggregate, 52.5% of the issued, subscribed and fully paid up equity share capital of RLL as on October 20, 2008. As a result of the above, on October 20, 2008, RLL became a subsidiary of the Acquirer. The remaining 48,020,900 equity shares held by the Sellers were acquired by the Acquirer on November 7, 2008. As of the date of the PA, the Acquirer held 63.92% of the equity share capital in RLL.

2.1.4 As of October 20, 2008, RLL held 46.85% of the equity share capital of the Target Company and, as a result of the Acquirer's acquisition/subscription in RLL, on October 20, 2008, the Acquirer indirectly acquired 46.85% of the issued and outstanding equity share capital of the Target Company on October 20, 2008, which in turn, resulted in an indirect substantial acquisition of shares and voting rights in the Target Company for the purposes of the Regulations. Accordingly, this offer is being made under Regulations 10 and 12 of the Regulations. It must also be noted that the consideration paid by the Acquirer for the acquisition of the stake in RLL under the SPSSA was a composite consideration and no specific consideration was allocated for the 46.85% stake held by RLL in the Target Company, since: (a) at all times the primary target for the Acquirer was RLL and any interest acquired by the Acquirer indirectly in the Target Company, as a result of its primary acquisition in RLL, has been incidental and ancillary to the primary acquisition of the shares RLL; and (b) the size and nature of RLL's investment in the Target Company when compared to the size of the investment made by the Acquirer in RLL and consequently the valuation of RLL was not material; and therefore, the Acquirer did not engage in any purchase price allocation and did not assign any independent value to the equity interest held by RLL in the Company.

2.1.5 Pursuant to the above, the Acquirer proposes to acquire from the shareholders of the Target Company (other than the parties to the SPSSA) 68,86,000 fully paid-up equity shares of the Target Company having a face value of Rs. 10/- each (the 'Offer Size'), representing 20% of the Emerging Voting Capital (refer Para(s) 7.7.1and 7.7.2 for details) of ZLL at a price of Rs. 113.62 (Rupees One Hundred Thirteen and Sixty-Two Paise only) (the 'Offer Price') for each fully paid up equity share of ZLL, payable in cash and in accordance with the Regulations, subject to the terms and conditions mentioned in the Offer. This Offer is neither conditional nor subject to any minimum level of acceptance. The Acquirer will acquire all the shares that are validly tendered in accordance with the terms of the Offer, not exceeding 68,86,000 equity shares, at the Offer Price. It must be noted that consistent with the provisions of Regulation 21 (5) and because certain options had become eligible for conversion, following the date of the PA, the offer size was increased by One Thousand (1,000) shares. In this regard, shareholders are also advised to see Para 10.6.

2.1.6 As stated in Para(s) 2.1.3 and 2.1.4 above, the Acquirer has indirectly acquired 46.85% of the fully paid up equity share capital of the Target Company held by RLL, which in turn has resulted in an indirect substantial acquisition of shares and voting rights in the Target Company by the Acquirer for the purposes of Regulation 10 and 12 of the SEBI (SAST) Regulations. Accordingly, this Offer is being made pursuant to Regulations 10 and 12 of the SEBI (SAST) Regulations.

2.1.7 The Acquirer has not been prohibited by SEBI from dealing in securities, in terms of directions issued under Section 11B of the Securities Exchange Board of India Act, 1992 ('**SEBI Act**') or any of the regulations made under the SEBI Act. Based on the information presently available publicly, the Target Company has not been prohibited by SEBI from dealing in securities, in terms of direction issued under section 11B or any other Regulations made under the SEBI Act, 1992

2.1.8 As of the date of this Letter of Offer, neither the Acquirer nor RLL have any nominees acting as directors on the board of directors of the Target Company. During the Offer period, the Acquirer will not have any representation on the board of directors of the Target Company. In addition, the RLL nominees who have deemed to have vacated office as of December 31, 2008, had not participated in any meetings of the board of directors of the Target Company in connection with the Offer. However, subject to the provisions of the applicable law, following the completion of the Offer, the Acquirer may nominate certain persons to the board of directors of the Target Company

2.1.9 The Public Announcement for the Open Offer was made in all editions of the following newspapers in accordance with Regulation 15(1) of the SEBI (SAST) Regulations:

| Newspaper | Language | Edition | Date of publication |
|---|---|---|---|
| Jansatta | Hindi | All India | January 19, 2009 |
| Financial Express | English | All India | January 19, 2009 |
| Vaartha | Telugu | Hyderabad | January 19, 2009 |

2.1.10 A copy of the Public Announcement for the Open Offer is also available on the SEBI website (www.sebi.gov.in)

2.1.11 The Acquirer is making an Open Offer to acquire up to 68,86,000 Equity Shares of the face value of Rs. 10/- each, representing in aggregate 20% of the Emerging Voting Capital of the Target Company in terms of Regulation 21(1) of the SEBI (SAST) Regulations, at a price of Rs. 113.62 per share payable in cash subject to the terms and conditions mentioned hereinafter.

2.1.12 There are no partly paid up shares in the Target Company.

2.1.13 This is not a competitive bid and there has been no competitive bid as of the date of this Letter of Offer.

2.1.14 The Offer is not conditional upon any minimum level of acceptance.

2.1.15 The Acquirer will acquire all the Equity Shares of the Target Company that are validly tendered as per terms of the Offer upto 68,86,000 fully paid-up equity shares of face value of Rs. 10/- each, at the Offer Price.

2.1.16 In the event the equity shares tendered in the Offer by the shareholders of ZLL are more than the equity shares to be acquired under the Offer, the acquisition of equity shares from each shareholder will be as per provisions of Regulation 21(6) of the SEBI (SAST) Regulations on a proportionate basis, irrespective of whether the equity shares are held in physical or dematerialised form.

2.1.17 There are no ‘Persons Acting in Concert’ in relation to this Offer.

2.1.18 The Acquirer has not acquired any Equity Shares of the Target Company after the date of Public Announcement and up to the date of this Letter of Offer through open market purchases or otherwise.

**3 OBJECTS OF THE OFFER/ACQUISITION**

3.1 As stated in Para(s) 2.1.3 and 2.1.4 above, as a result of the acquisition of its stake in RLL, together with the acquisition of control in RLL, the Acquirer has indirectly acquired 46.85% of the fully paid up equity share capital of the Target Company held by RLL, which in turn has resulted in an indirect substantial acquisition of shares and voting rights in the Target Company by the Acquirer for the purposes of Regulation 10 and 12 of the Regulations. Accordingly, this Offer is being made pursuant to Regulations 10 and 12 of the Regulations.

3.2 Other than the above and in order to comply with the provisions of the Regulations, the Acquirer does not have any specific reasons for the Offer.

3.3 As on the date of this Offer, the Acquirer does not intend to dispose of or otherwise encumber any assets of the Target Company, except to the extent required: (i) in the ordinary course of business of the Target Company; (ii) for the purposes of restructuring, rationalizing or streamlining various operations, assets, liabilities, investments, businesses or otherwise of the Target Company; and/or (iii) to comply with the provisions of applicable law or any directions/orders issued by the stock exchange, any regulator, tribunal or a court of competent jurisdiction. Further, the Acquirer undertakes that: (i) it will not sell, dispose off or otherwise encumber any substantial asset of the Target Company, except in accordance with the provisions of applicable law; and (ii) it will not, for a period of Two (2) years from the date of the completion of the Offer sell, dispose or otherwise encumber any substantial assets of the Target Company, without the consent of the shareholders of the Target Company

3.4 The Acquirer is in a similar line of business / operations as the Target Company. Based on the information available with the Acquirer, the Acquirer does not anticipate any material impact on it's business and operations arising solely as a result of: (i) the indirect acquisition of 46.85% of the equity share capital of ZLL; or (ii) any shares acquired in ZLL pursuant to the Offer because: (i) when compared to the size of the business and operations of the Acquirer, the business and operations of the Target Company are comparably smaller; (ii) when compared to the Acquirer's investment in RLL and consequently the overall valuation of RLL, the Acquirer's acquisition of an indirect stake in ZLL and any shares that it may acquire pursuant to the Offer does not represent a material asset.

## 4 BACKGROUND OF THE ACQUIRER

4.1 Daiichi Sankyo is a Japanese pharmaceutical stock company with head / registered office at 3-5-1, Nihonbashi-honcho, Chuo-ku, Tokyo – 103 8426, Japan, Tel. No.: +81 3 6225 1126, Fax. No. +81 3 6225 1900. On September 28, 2005, Daiichi Pharmaceutical Co., Ltd, Japan ('**Daiichi**'), and Sankyo Company, Limited, Japan ('**Sankyo**') formed a joint holding company, Daiichi Sankyo by way of share transfer. Thereafter, in April 2007, Daiichi and Sankyo merged into Daiichi Sankyo.

4.2 Daiichi Sankyo is engaged in the business of research & development, manufacturing, import, and sales & marketing of pharmaceutical products globally.

4.3 Daiichi Sankyo Company, Limited was established in 2005 by way of share transfer by two leading century-old Japanese pharmaceutical companies, Daiichi and Sankyo. Sankyo was established in 1899 while Daiichi was established in 1915. Currently, Daiichi Sankyo has directly marketed its products among major markets as well as emerging markets through its subsidiaries located in 56 countries worldwide.

Daiichi Sankyo's vision is to establish a strong presence in the international arena as a Global Pharma Innovator, by consistently developing new world-class drugs, and manufacturing and marketing them through its own hands. Daiichi Sankyo uses its cumulative knowledge and expertise in the fields of cardiovascular disease, cancer, metabolic disorders, and infection as a foundation for developing an abundant product line-up and R&D pipeline.

Daiichi Sankyo's products are used not only in Japan but also in many parts of the world including Asia, Europe and the United States. In recent history, Daiichi Sankyo has successfully launched three major products widely used globally, an antihypertensive Olmesartan (Benicar®, Olmetec®), a synthetic antibacterial agent Levofloxacin (Levaquin®, Tavanic®, Cravit®), and an antihyperlipidemic agent Pravastatin (Pravachol®, Mevalotin®). To pick up on global needs all over the world and have these reflected in global pharmaceutical operations, Daiichi Sankyo is active in promoting information exchange in a number of areas including research and development, supply chain management and marketing.

In recent years, concern for health has grown more and more. People naturally take constant care of their health to prevent illness in advance, but it is also noticeable that people are now engaging in self-medication, from using over-the-counter drugs at their own discretion to alleviate the symptoms of a mild cold or fever, to taking supplements to compensate for nutritional deficiencies. In addition to over-the-counter medicines, Daiichi Sankyo has set up consumer health operations, including functional foods and skin care, as one of its core operations, and through one of its group companies, Daiichi Sankyo Healthcare Co., Ltd., it is making further efforts to develop self-medication.

Daiichi Sankyo contributes to the health of people everywhere by creating new medicines in popular use throughout the world, and delivering them to places where medical treatment is required, transcending national borders.

4.4 The equity shares of Daiichi Sankyo are currently listed on the Tokyo, Osaka and Nagoya Stock Exchanges in Japan. The total paid-up capital of Daiichi Sankyo as on March 31, 2010 was 5,00,000 lakh Yen (equivalent to Rs 2,69,850 lakh). Under the Japanese corporate law, the face value system for equity shares was abolished in the Year 2001. Hence, outstanding equity shares of all Japanese corporates, including Daiichi Sankyo, are expressed as total paid-up capital without any indication for face value. The closing price of Daiichi Sankyo on the Tokyo Exchange on July 23, 2010 was Japanese Yen 1,555 (equivalent to Rs 839.23). (Source: Bloomberg). As on July 23, 2010 Daiichi Sankyo has a market capitalisation of Yen 1,20,67,367 lakh (equivalent to Rs 60,98,847 lakh).

4.5 Daiichi Sankyo is a professionally managed company. The shares of Daiichi Sankyo are widely held by institutional and individual shareholders. Hence, there are no promoters or controlling shareholders over Daiichi Sankyo. The shareholding pattern of Daiichi Sankyo as on March 31, 2010 was:

| **S. No.** | **Shareholder's Category** | **Number of Shares Held (in Lakhs)** | **% of shares held** |
|---|---|---|---|
| 1. | Promoters | 0 | 0 |
| 2. | Foreign Institutional Investors/Mutual Funds/Financial Institutions/Banks | 5,406.07 | 76.2 |
| 3. | Public (including country and local government, business corporation, individual, and treasury stocks) | 1,684.04 | 23.8 |
| | **Total number of shares (A)** | **7,090.11** | **100.00** |

4.6 The details of all the companies promoted by Daiichi Sankyo (i.e., where they have been initial subscribers) for the last three years based on the audited financials are as follows:

| Name of Company | Date of Incorporation | Nature of Business | Equity Capital (INR lakh) | Total Reserves (excluding revaluation reserves) (INR lakh) | Total income (INR lakh) | Profit after tax (INR lakh) | Earnings per share (INR) | Net Asset Value (INR lakh) | Whether any company is a sick industrial company / loss making co – only Indian subsidiaries / JV, if any, to be considered |
|---|---|---|---|---|---|---|---|---|---|
| | | | (Rs Lakh) | Rs Lakh) | (Rs Lakh) | (Rs Lakh) | (Rs) | (Rs Lakh) | |
| **DAIICHI SANKYO HEALTHCARE CO., LTD.** | **Dec-2005** | **Pharmaceuticals** | | | | | | | |
| Year ended Mar-31, 2008 | | | 540 | 10,683 | 271,865 | 11,855 | 888,020 | 140,765 | |
| Year ended Mar-31, 2009 | | | 540 | 13,436 | 254,823 | 8,661 | 648,782 | 141,054 | |
| Year ended Mar-31, 2010 | | | 540 | 13,891 | 235,941 | 5,085 | 380,903 | 144,002 | |
| **DAIICHI SANKYO BUSINESS ASSOCIE CO., LTD.** | **Oct-2006** | **Business support** | | | | | | | |
| Year ended Mar-31, 2008 | | | 270 | 40,998 | 20,830 | 2,810 | 1,404,823 | 56,700 | |
| Year ended Mar-31, 2009 | | | 270 | 43,014 | 20,375 | 3,419 | 1,709,549 | 58,248 | |
| Year ended Mar-31, 2010 | | | 270 | 44,173 | 19,582 | 2,871 | 1,435,332 | 59,641 | |
| **DAIICHI SANKYO RD ASSOCIE CO., LTD.** | **Oct-2006** | **Support of research and development** | | | | | | | |
| Year ended Mar-31, 2008 | | | 270 | 3,575 | 13,809 | 2,412 | 1,206,210 | 3,899 | |
| Year ended Mar-31, 2009 | | | 270 | 4,712 | 14,752 | 1,137 | 568,242 | 5,036 | |
| Year ended Mar-31, 2010 | | | 270 | 4,966 | 16,310 | 254 | 126,830 | 5,290 | |
| **DAIICHI SANKYO HAPPINESS CO., LTD.** | **Mar-2007** | **Business support** | | | | | | | |
| Year ended Mar-31, 2008 | | | 270 | 329 | 2,621 | 332 | 16,636 | 869 | |
| Year ended Mar-31, 2009 | | | 270 | 466 | 1,969 | 137 | 6,871 | 1,006 | |
| Year ended Mar-31, 2010 | | | 270 | 698 | 2,095 | 232 | 11,604 | 1,238 | |
| **DAIICHI SANKYO PROPHARMA CO., LTD.** | **Oct-2006** | **Pharmaceuticals** | | | | | | | |
| Year ended Mar-31, 2008 | | | 540 | (46) | 459,117 | (10,242) | (5,121,241) | 494,670 | |
| Year ended Mar-31, 2009 | | | 540 | 12,840 | 470,122 | 13,243 | 6,621,422 | 507,556 | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Year ended Mar-31, 2010 | | | 540 | 18,116 | 480,479 | 5,276 | 2,637,784 | 512,832 | |
| **DAIICHI SANKYO LOGISTICS CO., LTD.** | **Nov-1965** | **Distribution and related affairs** | | | | | | | |
| Year ended Mar-31, 2008 | | | 270 | 5,462 | 11,949 | 454 | 454 | 5,732 | |
| Year ended Mar-31, 2009 | | | 270 | 5,641 | 11,673 | 406 | 406 | 5,911 | |
| Year ended Mar-31, 2010 | | | 270 | 5,891 | 12,020 | 456 | 456 | 6,161 | |
| **DAIICHI SANKYO CHEMICAL PHARMA CO., LTD.** | **Oct-2007** | **Chemicals** | | | | | | | |
| Year ended Mar-31, 2008 | | | 54 | (9) | 0 | (9) | (4,637) | 45 | |
| Year ended Mar-31, 2009 | | | 270 | 55,277 | 77,996 | 2,765 | 1,382,625 | 57,408 | |
| Year ended Mar-31, 2010 | | | 270 | 60,043 | 78,995 | 4,561 | 2,280,502 | 62,247 | |
| **Cmic CMO Co.,Ltd.** | **Oct-2009** | **Pharmaceuticals** | | | | | | | |
| Year ended Mar-31, 2008 | | | NA | NA | NA | NA | NA | NA | |
| Year ended Mar-31, 2009 | | | NA | NA | NA | NA | NA | NA | |
| Year ended Mar-31, 2010 | | | 540 | (147) | 0 | 147 | 7,367 | 392 | |
| **Asubio Pharma Co.,Ltd.** | **Oct-2009** | **Pharmaceuticals** | | | | | | | |
| Year ended Mar-31, 2008 | | | NA | NA | NA | NA | NA | NA | |
| Year ended Mar-31, 2009 | | | NA | NA | NA | NA | NA | NA | |
| Year ended Mar-31, 2010 | | | 270 | (4) | 0 | (4) | (432) | 266 | |
| **DAIICHI SANKYO, INC.** | **Oct-1996** | **Pharmaceuticals** | | | | | | | |
| Year ended Mar-31, 2008 | | | 15,530 | (60,885) | 953,373 | 76,193 | 307,850,032 | 336,193 | |
| Year ended Mar-31, 2009 | | | 15,530 | (12,997) | 938,216 | 47,888 | 193,484,155 | 376,656 | |
| Year ended Mar-31, 2010 | | | 15,530 | 50,813 | 964,127 | 367,371 | 1,484,325,462 | 426,661 | |
| **DAIICHI SANKYO DE PUERTO RICO,INC.** | **Jul-2008** | **Pharmaceuticals** | | | | | | | |
| Year ended Mar-31, 2008 | | | NA | NA | NA | NA | NA | NA | |
| Year ended Mar-31, 2009 | | | 98 | 49 | 555 | 50 | 27 | 147 | |
| Year ended Mar-31, 2010 | | | 98 | 46 | 1,136 | 98 | 53 | 138 | |
| **Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd.** | **May-1988** | **Pharmaceuticals** | | | | | | | |
| Year ended Mar-31, 2008 | | | 43,377 | (17,766) | 22,667 | 1,685 | 3 | 25,400 | |
| Year ended Mar-31, 2009 | | | 43,377 | (16,162) | 25,806 | 1,604 | 3 | 23,078 | |
| Year ended Mar-31, 2010 | | | 43,377 | (13,246) | 27,103 | 2,917 | 4 | 26,242 | |
| **Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd.** | **Nov-1999** | **Pharmaceuticals** | | | | | | | |
| Year ended Mar-31, 2008 | | | 32,272 | (16,216) | 14,258 | 118 | 0 | 18,265 | |
| Year ended Mar-31, | | | 32,973 | (15,635) | 21,833 | 582 | 1 | 17,275 | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 2009 | | | | | | | | | |
| Year ended Mar-31, 2010 | | | 32,973 | (15,586) | 31,749 | 49 | 0 | 17,543 | |
| **DAIICHI SANKYO TAIWAN LTD.** | **Apr-2007** | **Pharmaceuticals** | | | | | | | |
| Year ended Mar-31, 2008 | | | 8,332 | 7,965 | 20,264 | 2,544 | 737 | 13,226 | |
| Year ended Mar-31, 2009 | | | 8,332 | 9,676 | 19,361 | 2,219 | 643 | 13,158 | |
| Year ended Mar-31, 2010 | | | 8,332 | 9,976 | 17,512 | 1,361 | 395 | 13,706 | |
| **DAIICHI SANKYO KOREA CO., LTD.** | **Jul-1990** | **Pharmaceuticals** | | | | | | | |
| Year ended Mar-31, 2008 | | | 3,122 | 5,573 | 18,406 | 1,123 | 375 | 6,758 | |
| Year ended Mar-31, 2009 | | | 3,122 | 6,352 | 16,252 | 970 | 323 | 5,382 | |
| Year ended Mar-31, 2010 | | | 3,122 | 8,393 | 18,496 | 2,041 | 681 | 8,466 | |
| **DAIICHI SANKYO THAILAND LTD.** | **Apr-1994** | **Pharmaceuticals** | | | | | | | |
| Year ended Mar-31, 2008 | | | 137 | 1,857 | 4,535 | 647 | 647 | 2,078 | |
| Year ended Mar-31, 2009 | | | 137 | 2,562 | 4,489 | 706 | 706 | 2,456 | |
| Year ended Mar-31, 2010 | | | 137 | 3,296 | 4,864 | 733 | 733 | 3,331 | |
| **DAIICHI SANKYO HONG KONG LTD.** | **Aug-1988** | **Pharmaceuticals** | | | | | | | |
| Year ended Mar-31, 2008 | | | 280 | 1,335 | 675 | 92 | 3 | 1,388 | |
| Year ended Mar-31, 2009 | | | 280 | 1,375 | 628 | 82 | 3 | 1,409 | |
| Year ended Mar-31, 2010 | | | 280 | 1,364 | 528 | 29 | 1 | 1,322 | |
| **DAIICHI SANKYO INDIA PHARMA PRIVATE LTD.** | **Mar-2007** | **Pharmaceuticals** | | | | | | | |
| Year ended Mar-31, 2008 | | | 2 | (171) | 0 | (171) | (1) | 3,262 | |
| Year ended Mar-31, 2009 | | | 4,070 | (407) | 302 | (237) | (1) | 2,282 | |
| Year ended Mar-31, 2010 | | | 4,070 | (290) | 1,660 | 118 | 1 | 2,572 | |
| **DSE PHARMA GmbH** | **Feb-2008** | **Pharmaceuticals** | | | | | | | Liquidation of a company :Apr-3,2009 |
| Year ended Mar-31, 2008 | | | 17 | 6,318 | 1,913 | 1,282 | 128,226,449 | 113,926 | |
| Year ended Mar-31, 2009 | | | 17 | 6,318 | 30,180 | 5,557 | 555,655,385 | 97,426 | |
| Year ended Mar-31, 2010 | | | NA | NA | 168 | 83 | 8,296,313 | NA | |
| **DAIICHI SANKYO DEVELOPMENT, LTD.** | **Apr-1993** | **Pharmaceuticals** | | | | | | | |
| Year ended Mar-31, 2008 | | | 376 | 2,500 | 9,574 | 1,024 | 256 | 2,981 | |
| Year ended Mar-31, 2009 | | | 376 | 3,189 | 8,578 | 730 | 182 | 2,655 | |
| Year ended Mar-31, 2010 | | | 376 | 3,631 | 7,528 | 766 | 192 | 3,084 | |
| **LABORATOIRES DAIICHI SANOFI – AVENTIS** | **Dec-1989** | **Pharmaceuticals** | | | | | | | DS's share: 51%; Liquidati |

| | | | | | | | | | on of a company :Mar-30,2009 |
|---|---|---|---|---|---|---|---|---|---|
| Year ended Mar-31, 2008 | | | 131 | 24 | 24 | 0 | 1 | 165 | |
| Year ended Mar-31, 2009 | | | 0 | 0 | 0 | (1) | 27 | 0 | |
| Year ended Mar-31, 2010 | | | NA | NA | NA | NA | NA | NA | |

4.7 Details such as names, residential addresses, experience and date of appointment of the Board of Directors of Daiichi Sankyo are as follows:

| **Name of Director** | **Designation** | **Address** | **Date of appointment** |
|---|---|---|---|
| Takashi Shoda | Representative Director and Chairman | 475-27, Totsuka-cho, Totsuka-ku, Yokohama, Kanagawa, Japan | June 28, 2010 |
| Joji Nakayama | Representative Director, President and CEO | 2-17-43, Kamikotoen, Nishinomiya, Hyogo, Japan | June 28, 2010 |
| Hitoshi Matsuda | Director | 2-29-6, Denenchofu, Ota-ku, Tokyo, Japan | June 28, 2010 |
| Tsutomu Une | Director | 1-50-17-603, Chuo, Nakano-ku, Tokyo, Japan | June 28, 2010 |
| Takeshi Ogita | Director | 4-4-1, Koyodai, Inagi, Tokyo, Japan | June 28, 2010 |
| Kazunori Hirokawa | Director | 4-2, Koyodai, Inagi, Tokyo, Japan | June 28, 2010 |
| Takashi Okimoto | Outside Director | 1-12-2, Hayamiya, Nerima-ku, Tokyo, Japan | June 28, 2010 |
| Hiroshi Hirabayashi | Outside Director | 3-28-8-1004, Yaguchi, Ota-ku, Tokyo, Japan | June 28, 2010 |
| Hiroshi Hirabayashi | Outside Director | 3-28-8, Yaguchi, Ota-ku, Tokyo, Japan | June 28, 2010 |
| Kunio Ishihara | Outside Director | 1-10-7, Sakurashinmachi, Setagaya-ku, Tokyo, Japan | June 28, 2010 |
| Yuichiro Anzai | Outside Director | 2-15-22, Azamino, Aoba-ku, Yokohama, Kanagawa, Japan | June 28, 2010 |

Details about the career summary, positions held and assignments handled by members of the Board of Directors of Daiichi Sankyo are given below:

| | | |
|---|---|---|
| Takashi Shoda | April 1972 | Entered Sankyo |
| | January1999 | General Manager of Europe Department of Sankyo |
| | June 1999 | Senior General Manager of International Pharmaceutical Division & General Manager of Europe Department of Sankyo |
| | June 2001 | Director of Sankyo |
| | June 2002 | Managing Director of Sankyo |

| | | |
|---|---|---|
| | June 2003 | Representative Director and President of Sankyo |
| | September 2005 | Representative Director and President of the Acquirer |
| | April 2007 | Representative Director, President and Corporate Officer of the Acquirer (to present) |
| | June 2010 | Representative Director, Chairman and Corporate Officer of the Acquirer |
| Joji Nakayama | April 1979 | Entered Suntory Limited ("Suntory") |
| | March2000 | Director of Suntory<br>President of Suntory Biomedical Research Center |
| | December 2002 | President of Daiichi Suntory Pharma Co., Ltd. |
| | March2003 | Resigned as Director of Suntory |
| | June 2003 | Director of Daiichi |
| | June 2006 | Director of Corporate Development of Daiichi |
| | April 2007 | Corporate Officer and General Manager of Europe & US Business Department of Daiichi |
| | April 2009 | Managing Corporate Officer and General Manager of Overseas Business Management Department of Daiichi |
| | April 2010 | Executive Vice President and Corporate Officer, President of Japan Company of the Acquirer |
| | June 2010 | Representative Director, President and Corporate Officer of the Acquirer |
| Hitoshi Matsuda | April 1969 | Entered Sankyo |
| | July 2000 | General Manager of Corporate Planning Department of Sankyo |
| | June 2003 | Corporate Officer of Sankyo |
| | April 2004 | General Manager of Environment & Compliance Promotion Department of Sankyo |
| | June 2005 | Managing Corporate Officer of Sankyo |
| | April 2007 | Senior Corporate Officer of the Acquirer |
| | June 2007 | Director and Senior Corporate Officer of the Acquirer, Corporate Business Management |
| | April 2010 | Director and Senior Executive Officer, Head of Administration Division of Japan Company of the Acquirer |
| Tsutomu Une | April 1970 | Entered Daiichi |
| | October1997 | General Manager of Corporate R&D Planning Department of Daiichi |
| | June 1998 | General Manager of Corporate Development & Licensing Department of Daiichi |
| | June 1999 | Director of Daiichi |
| | October1999 | Director & General Manager of Corporate R&D Coordination & Business Development Department of Daiichi |

| | | |
|---|---|---|
| | June 2001 | Director in charge of Corporate R&D Coordination & Business Development of Daiichi |
| | October2002 | Managing Director of Daiichi |
| | September 2005 | Director of the Acquirer |
| | June 2006 | Representative and Senior Managing Director of Daiichi |
| | April 2007 | Director and Senior Corporate Officer of the Acquirer, Corporate Strategy |
| | April 2010 | Director and Senior Executive Officer of the Company, Global Corporate Strategy Officer (Hybrid Business and Intellectual Property) |
| Takeshi Ogita | April 1980 | Entered Sankyo |
| | August2001 | General Manager, Research Project Department of Sankyo |
| | July 2004 | General Manager, Global Project Management Department of Sankyo |
| | June 2005 | Corporate Officer of Sankyo |
| | July 2005 | Head of Pharmaceutical Development Division and General Manager, Global Project Management Department of Sankyo |
| | April 2007 | Managing Corporate Officer of theAcquirer , Head of Pharmaceutical Technology Division, and General Manager of the Global Project Management Department |
| | April 2009 | Senior Corporate Officer of the Acquirer , supervising Human Resources and R&D |
| | June 2009 | Director and Senior Corporate Officer of the Acquirer, supervising Human Resources and R&D |
| | April 2010 | Director and Senior Executive Officer of the Acquirer, Global Corporate Strategy Officer (Human Resources, IT, Business Development and Global Marketing) |
| Kazunori Hirokawa | April 1975 | Entered Daiichi |
| | October2000 | General Manager of Safety Control Department of Daiichi |
| | October2002 | General Manager of Development & Planning Department of Daiichi |
| | June 2003 | Director and General Manager of Development & Planning Department of Daiichi |
| | October2004 | Director and General Manager of Research and Development Strategy Department of Daiichi |
| | June 2005 | Senior Corporate Officer and General Manager of Research and Development Strategy Department of Daiichi |
| | April 2006 | Senior Corporate Officer of Daiichi, Loan Director to Daiichi-Sankyo, Inc. |
| | April 2007 | Managing Corporate Officer and General Manager of Research and Development Division of the Acquirer |

| | | |
|---|---|---|
| | April 2010 | Senior Executive Officer and Head of R&D Division |
| | June 2010 | Director, Senior Executive Officer and Head of R&D DIvision |
| Takashi Okimoto | April 1973 | Entered The Dai-Ichi Kangyo Bank, Limited ("Dai-Ichi Kangin") |
| | June 2001 | General Manager of Investigation IV Division and Corporate Officer of Dai-Ichi Kangin |
| | April 2002 | General Manager of Investigation III Division and Corporate Officer of Mizuho Corporate Bank, Ltd. ("Mizuho Corporate Bank") |
| | October2002 | Managing Corporate Officer and Sales Officer of Mizuho Corporate Bank |
| | April 2005 | Vice President of Mizuho Corporate Bank |
| | April 2007 | Advisor of Orient Corporation |
| | June 2007 | Representative Director, Chairman and Corporate Officer of Orient Corporation |
| | June 2008 | Director of the Acquirer |
| Hiroshi Hirabayashi | April 1963 | Entered Ministry of Foreign Affairs of Japan ("MOFA") |
| | August1993 | Director General of Economic Cooperation Bureau of MOFA |
| | January1998 | Ambassador extraordinary and plenipotentiary to India and Bhutan |
| | September 2002 | Ambassador extraordinary and plenipotentiary to France and Andorra |
| | January2003 | Ambassador extraordinary and plenipotentiary to France and Andorra and ambassador to Djibouti |
| | June 2006 | Ambassador in charge of inspection |
| | June 2007 | President of the Indo-Japanese Association |
| | April 2008 | Visiting Professor of Waseda University, Graduate School of Asia-Pacific Studies |
| | June 2009 | Vice President of The Japan Forum on International Relations |
| | June 2010 | Director of the Acquirer |
| Kunio Ishihara | April 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 |
| | October2004 | President of Tokio Marine & Nichido Fire Insurance Co., Ltd. ("TMNFI") |
| | June 2007 | Chairman of the Board of TMNFI |

| | | |
|---|---|---|
| | July 2008 | Chairman of the Board of Tokio Marine Holdings, Inc. |
| | June 2010 | Director of the Acquirer |
| Yuichiro Anzai | April 1988 | Professor of Department of Electrical Engineering, Faculty of Science and Technology of Keio University ("Keio")<br>Professor, Department of Electronics and Electrical Engineering, Graduate School of Science and Technology, Keio |
| | July 1990 | Visiting Professor of McGill University |
| | October1993 | Dean of Faculty of Science and Technology of Keio<br>Chair of Graduate School of Science and Technology of Keio |
| | May 2001 | President of Keio University |
| | May 2009 | Professor of Keio Faculty of Science and Technology<br>Professor of School of Open and Environmental Systems, Graduate School of Science and Technology of Keio<br>Executive Advisor for Academic Affairs of Keio |
| | June 2010 | Director of the Acquirer |

4.8 As on the date of this Letter of Offer, none of the above directors of Daiichi Sankyo are on the board of directors of the Target Company.

4.9 None of the directors of Daiichi Sankyo have acquired any Equity Shares of the Target Company in the twelve month period prior to the Public Announcement. Further, none of the directors of Daiichi Sankyo have acquired any Equity Shares of the Target Company since the date of the Public Announcement and upto the date of this Letter of Offer.

4.10 Selected audited financial data from Daiichi Sankyo's consolidated financial statements is provided below:

| Profit & Loss Sheet | Yen Lakhs | | | Rs. Lakhs | | |
|---|---|---|---|---|---|---|
| | 31-Mar-08 | 31-Mar-09 | 31-Mar-10 | 31-Mar-08 | 31-Mar-09 | 31-Mar-10 |
| Net Sales/Income from Operations | 8,801,204 | 8,421,471 | 9,521,056 | 4,750,010 | 4,545,068 | 5,138,514 |
| Other income* | 118,633 | 94,748 | 233,460 | 64,026 | 51,135 | 125,998 |
| Extraordinary Income ** | 155,977 | 23,625 | 58,825 | 84,181 | 12,751 | 31,748 |
| **Total Income** | **9,075,815** | **8,539,844** | **9,813,341** | **4,898,217** | **4,608,954** | **5,296,260** |
| **Expenditure** | | | | | | |
| Operating expenses | | | | | | |
| Cost of Sales | 2,345,706 | 2,143,972 | 2,780,315 | 1,265,978 | 1,157,102 | 1,500,536 |
| Selling,general and admin expenses | 3,252,499 | 3,543,396 | 3,817,618 | 1,755,374 | 1,912,371 | 2,060,368 |
| R&D expenses | 1,634,724 | 1,845,394 | 1,968,030 | 882,261 | 995,959 | 1,062,146 |
| Extraordinary loss/expense *** | 165,559 | 3,690,870 | 109,563 | 89,352 | 1,991,963 | 59,131 |
| Non-operating expense @ | 7,485 | 379,672 | 106,899 | 4,039 | 204,909 | 57,693 |
| **Total Expenditure** | **7,405,973** | **11,603,305** | **8,782,424** | **3,997,004** | **6,262,304** | **4,739,874** |
| **Profit before interest and Tax** | **1,669,842** | **-3,063,460** | **1,030,917** | **901,214** | **-1,653,350** | **556,386** |
| Depreciation and amortization # | 423,321 | 4,155,753 | 550,866 | 228,466 | 2,242,860 | 297,302 |
| Profit before depreciation, amortization, interest and tax | 2,057,173 | 1,092,292 | 1,581,783 | 1,110,256 | 589,510 | 853,688 |
| Depreciation and amortization | 423,321 | 4,155,753 | 550,866 | 228,466 | 2,242,860 | 297,302 |
| Interest expense | 1,281 | 19,165 | 57,198 | 691 | 10,343 | 30,870 |
| Profit before tax and minority interest | 1,668,562 | -3,082,626 | 973,719 | 900,523 | -1,663,693 | 525,516 |
| Less: Provision for Tax (current + deferred) | 690,958 | -791,720 | 500,170 | 372,910 | -427,292 | 269,942 |
| **Profit After Tax** | **977,603** | **-2,290,905** | **473,549** | **527,612** | **-1,236,402** | **255,574** |
| Less: Minority interest | 997 | -135,914 | 55,027 | 538 | -73,353 | 29,698 |
| **Profit After Tax and Minority Interest** | **976,606** | **(2,154,991)** | **418,522** | **527,074** | **-1,163,049** | **225,876** |

*Note: 1)*Other income = Interest income + dividend income for the financial years ended Mar 2009 and Mar 2008; Interest and dividend income + derivative gains for financial year ended Mar 2010.*

*2) **Extraordinary Income = Gain on sale of investment securities + gain on sale of property, plant and equipment for financial year ended Mar 2009; Gain on sale of investment in affiliates + gain on sale of investment securities + gain on sale of property, plant and equipment for financial year ended Mar 2008 and Mar 2010.*

*3)***Extraordinary Losses= Loss on disposal of property, plant and equipment + loss on impairment of long lived assets + non-recurring depreciation on non-current assets + loss on business restructuring + loss on penalty and other net where negative for financial year Mar 2010; Loss on disposal of property, plant and equipment + provision for soil remediation costs + amortization of goodwill (one-time amortization) + loss on impairment of long lived assets + non-recurring depreciation on non-current assets and other net (where negative) for financial year ended Mar 2009; loss on disposal of property, plant and equipment + loss on business integration + provisions for contingent losses and soil remediation + loss on litigation + loss on business restructuring + other net where negative for financial year ended Mar 2008.*

*4) @Non-operating expense= Foreign Exchange Loss for financial year Mar 2010; Derivative loss + foreign exchange loss for financial year ended Mar 2009; Derivative loss for financial year ended Mar 2008;*

*5) # Under Japanese GAAP, depreciation and amortization are not required to be separately disclosed as a line item. Hence, depreciation and amortization are clubbed into "Cost of sales", "Selling, general and administrative expenses", "R&D expenses", and "Extraordinary loss/expense". However, depreciation is being shown as a separate line item for the purpose of current offer document only.*

| **Balance Sheet** | **Yen lakh** | | | **Rs. Lakhs** | | |
|---|---|---|---|---|---|---|
| | **31-Mar-08** | **31-Mar-09** | **31-Mar-10** | **31-Mar-08** | **31-Mar-09** | **31-Mar-10** |
| **Sources of Funds** | | | | | | |
| Paid up equity share capital | 500,000 | 500,000 | 500,000 | 269,850 | 269,850 | 269,850 |
| Retained earning | 10,251,448 | 7,538,207 | 7,463,928 | 5,532,707 | 4,068,370 | 4,028,282 |
| Treasury stock | (434,073) | (145,559) | (145,664) | (234,269) | (78,558) | (78,615) |
| Capital Surplus | 1,798,632 | 1,051,943 | 1,051,943 | 970,722 | 567,734 | 567,734 |
| **Net worth** | **12,116,008** | **8,944,591** | **8,870,207** | **6,539,009** | **4,827,396** | **4,787,251** |
| Revaluation Reserves if any | 0 | 0 | - | 0 | 0 | 0 |
| **Net Worth after reducing Revaluation reserves** | **12,116,008** | **8,944,591** | **8,870,207** | **6,539,009** | **4,827,396** | **4,787,251** |
| Foreign currency translation adjustments | (162,635) | (513,678) | (597,789) | (87,774) | (277,232) | (322,627) |
| Deferred gains or losses on hedges | 0 | 766 | 10,028 | 0 | 413 | 5,412 |
| Net unrealized gain investment securities | 485,397 | 198,830 | 274,620 | 261,969 | 107,308 | 148,212 |
| Non-current/Long term liabilities | 488,623 | 974,471 | 3,311,893 | 263,710 | 525,922 | 1,787,429 |
| Current liabilities | 1,945,140 | 5,085,354 | 2,688,123 | 1,049,792 | 2,744,566 | 1,450,780 |
| Minority interest | 3,780 | 231,760 | 305,068 | 2,040 | 125,081 | 164,645 |
| Subscription rights to shares | 2,576 | 23,905 | 32,951 | 1,390 | 12,902 | 17,784 |
| **Total** | **14,878,888** | **14,945,999** | **14,895,101** | **8,030,136** | **8,066,356** | **8,038,886** |
| **Uses of Funds** | | | | 0 | 0 | 0 |
| Property Plant & Equipment | 2,212,663 | 2,501,139 | 2,495,464 | 1,194,174 | 1,349,865 | 1,346,802 |
| Revaluation Reserves, if any | 0 | 0 | 0 | 0 | 0 | 0 |
| Property Plant & Equipment after revaluation reserves | 2,212,663 | 2,501,139 | 2,495,464 | 1,194,174 | 1,349,865 | 1,346,802 |
| Intangible assets | 910,704 | 1,925,606 | 1,808,872 | 491,507 | 1,039,250 | 976,248 |
| Investments | 2,160,390 | 1,537,276 | 1,370,426 | 1,165,962 | 829,668 | 739,619 |
| Other Assets | 329,891 | 1,146,911 | 1,022,759 | 178,042 | 618,988 | 551,983 |
| Current assets | 9,265,240 | 7,835,068 | 8,197,579 | 5,000,450 | 4,228,586 | 4,424,233 |
| **Total** | **14,878,888** | **14,945,999** | **14,895,101** | **8,030,136** | **8,066,356** | **8,038,886** |

| Other Financial Data | Yen lakh | | | Rs. Lakhs | | |
|---|---|---|---|---|---|---|
| | 31-Mar-08 | 31-Mar-09 | 31-Mar-10 | 31-Mar-08 | 31-Mar-09 | 31-Mar-10 |
| Dividend/share | 70 | 80 | 60 | 37.8 | 43.2 | 32.4 |
| Net Income per share | 135.35 | -304.22 | 59.45 | 73.0 | -164.2 | 32.1 |
| Diluted net Income per share | 135.34 | - | 59.42 | 73.0 | - | 32.07 |
| Return on Net worth* | 8.06% | -24.09% | 4.72% | 8.06% | -24.09% | 4.72% |
| Book Value Per Share** | 1,648.41 | 1,261.56 | 1251.07 | 889.65 | 680.86 | 675.20 |

*Profit after tax after minority interest/Net Worth before revaluation reserves;*
***Net Worth before revaluation reserves/No. of shares outstanding as at the end of the period*

***{Source: Annual Reports, financial statements & Daiichi Sankyo; Currency exchange rate: 100 Yen = Rs 53.97 (source:* www.rbi.org.in*, rate as on July 23, 2010)}***

## 4.11 Basis of presentation and summary of significant accounting policies for the preparation of consolidated financial statements

4.11.1 Scope of consolidation

The consolidated financial statements of Daiichi Sankyo and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instrument and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (‘Japanese GAAP’), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards. The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of Daiichi Sankyo prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instrument and Exchange Act. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Changes in accounting treatment of overseas subsidiaries in preparation of consolidated financial statements

Effective from the fiscal year commencing April 1, 2008, Daiichi Sankyo adopted PITF No. 18 “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” as published by the Accounting Standards Board of Japan (ASBJ) on May 17, 2006. The effect of this change was to increase operating income by ¥18,092 lakh (equivalent to Rs 9,764 lakh), increase ordinary income by ¥18,537 lakh (equivalent to Rs 10,004 lakh), and also to decrease the loss before income taxes and minority interests by ¥18,652 lakh (equivalent to Rs 10,066 lakh).

- Consolidated subsidiaries: 99

Principal consolidated subsidiaries:

- In Japan: Asubio Pharma Co., Ltd., Daiichi Sankyo Healthcare Co., Ltd., and Daiichi Sankyo Propharma Co., Ltd.

- Overseas: Daiichi Sankyo, Inc., Luitpold Pharmaceuticals, Inc., Daiichi Sanko Europe GMBH, Ranbaxy Laboratories Limited

Daiichi Sankyo Europe GmbH merged with its subsidiary DSE Pharma GmbH during the fiscal year ended March 31, 2010. Luitpold Pharmaceuticals, Inc. acquired PharmaForce, Inc. during the fiscal year ended March 31, 2010 and newly included the subsidiary in the scope of consolidation from the fiscal year.

Four new subsidiaries were established and newly included in the scope of consolidation from the fiscal year ended March 31, 2010, including ASUBIO PHARMA CO., LTD. (which was not the same company as the existing consolidated subsidiary of the same name).

Three subsidiaries of Ranbaxy Laboratories Ltd. were excluded from the scope of consolidation during the fiscal year ended March 31, 2010 as the result of liquidation or disposal.

Effective the fiscal year ended March 31, 2010, the Company adopted ASBJ Implementation Guidance No. 22 “Guidance on Determining a Subsidiary and an Affiliate,” as published by the Accounting Standards Board of Japan (ASBJ) on May 13, 2008.

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

- Non-consolidated subsidiaries

Non-consolidated subsidiaries (including Kyushu Juhi Kogyosho) are small and are not material to the consolidated financial statements when measured by the amounts of total assets, sales, net income (based on Daiichi Sankyo's ownership percentage), retained earnings (based on Daiichi Sankyo's percentage), and other indicators. It has therefore been excluded from the scope of consolidation.

4.11.2 Application of the Equity Method

1. Status of non-consolidated subsidiaries or affiliates which are accounted for under the equity method

    - Number of non-consolidated subsidiaries or affiliated companies which are accounted for under the equity method: 4

    - Name of principal company: Sanofi Pasteur Daiichi Vaccine Co., Ltd.

2. Status of non-consolidated subsidiaries and affiliates which are not accounted for under the equity method

    Net income (based on Daiichi Sankyo's equity percentage), retained earnings (based on the Daiichi Sankyo's equity percentage), and other indicators of those non-consolidated subsidiary (Kyushu Juhi Kogyosho) and affiliated companies that have not been accounted for under the equity method are not material or significant to the Daiichi Sankyo as a whole. Therefore, these companies have not been accounted for under the equity method, but are rather reported in the Daiichi Sankyo's investment account under the cost method.

4.11.3 Fiscal year end consolidated subsidiaries

The fiscal year-end of certain consolidated subsidiaries is December 31. In preparing the consolidated financial statements, Daiichi Sankyo uses the financial statements of these companies as of their fiscal year-end. For major intervening transactions that occurred between the fiscal year-end of those companies and March 31, appropriate adjustments have been made in the consolidated financial statements.

Name of subsidiaries that have fiscal year-end on December 31: Daiichi Pharmaceutical (Beijing) Co., Ltd., Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd., Daiichi Sankyo Brasil Farmacéutica Ltda., Ranbaxy Laboratories Limited and other subsidiaries.

4.11.4 Summary of Significant Accounting Policies

**1) Methods of Valuation of Significant Assets**

**a. Marketable and Investment Securities**

Held-to-maturity securities: Mainly the amortised cost method (straight-line amortization)

Available-for-sale securities:

Securities with determinable market value: Mainly stated at market value method based on the quoted market prices at the end of the fiscal year. Unrealized holding gains and losses are reported in a component of net assets, with the cost of securities sold being calculated by the moving-average method.

Securities without determinable market value: Mainly stated at cost based on the moving-average method.

Effective from the fiscal year commencing April 01, 2009, the Company adopted the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, issued on March 10, 2008) and the “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Implementation Guidance No. 19, issued on March 10, 2008). The effect of this change on operating income, ordinary income and income before income taxes and minority interests was immaterial.

**b. Derivatives**

Market value method

**c. Inventories**

Inventories for ordinary sales

Stated at cost by the weighted average cost basis, being written-down to reflect the decline of profitability.

**2) Depreciation and Amortization of Significant Depreciable Assets**

**a. Property, Plant and Equipment**

Daiichi Sankyo and its domestic consolidated subsidiaries account for depreciation of property, plant and equipment by the declining-balance method, except for the buildings (excluding fixtures) acquired on or after April 1, 1998, which are accounted for by the straight line method. Overseas consolidated subsidiaries account for depreciation of property, plant and equipment mainly by the straight-line method.

The principal useful lives are as follows:

Buildings and structures: 15-50 years

Machinery, equipment and vehicles: 4-8 years

**b. Intangible Assets**

Intangible assets are being amortised by the straight-line method. Software for in-house use is amortised over the estimated useful lives of a five-year period.

c. **Finance Lease Assets**

Depreciation of finance lease assets not involving the transfer of ownership is calculated on the straight-line method over the lease period as the useful period and assuming no residual value.

**3) Method of Accounting for Significant Allowances**

**a. Allowance for Doubtful Accounts**

Daiichi Sankyo covers the risk of credit losses from potential customer defaults by providing for this allowance. For normal accounts, the allowance is computed on the basis of the historical default rates. For specific over-due accounts, the allowance is based on individual account-by-account estimates of the amounts that may not be recoverable.

**b. Allowance for Sales Returns**

To prepare for losses on potential returns of products after the end of the fiscal year, Daiichi Sankyo and its domestic consolidated subsidiaries provide for an amount equal to the sum of gross profits and inventory losses on such returned products, based on its estimate of possible sales returns.

### c. Allowance for Sales Rebates

To prepare for future sales rebates, Daiichi Sankyo and its certain consolidated subsidiaries provide for this allowance calculated by multiplying an estimated sales rebate percentage for the fiscal year by the amounts of accounts receivable from and inventories held by wholesalers at the end of the fiscal year.

### d. Accrued Employees' Severance and Retirement Benefits

To prepare for future payments of employees' severance and retirement benefits, the amount incurred by the fiscal year-end based on estimated projected benefit obligations and plan assets at the end of the fiscal year is provided.

Prior service costs are amortised over a period of 1 year (12 months) since they occurred.

Actuarial gains and losses are amortised under the straight-line method, beginning in the fiscal year following the year in which such gain or loss was initially measured, over a period of 10 years, which is equal to or less than the average remaining years of service of eligible employees when the actuarial gain or loss occurred.

Effective from the fiscal year commencing April 01, 2009, the Company adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, issued on July 31, 2008). The effect of this change on operating income, ordinary income and income before income taxes and minority interests was immaterial.

### e. Accrued Directors' and Statutory Auditors' Severance and Retirement Benefits

To prepare for payments of Directors' and Statutory Auditors' severance and retirement benefits, Daiichi Sankyo's domestic consolidated subsidiaries provide for an amount equal to the total benefits that would have become payable at the end of the fiscal year, in accordance with the internal policies, had Directors and Statutory Auditors retired.

**f. Allowance for Contingent Losses**

To prepare for possible future contingent losses, Daiichi Sankyo provides an allowance for an amount of reasonably possible losses, by examining individual risks on a case by case basis.

**4) Translation of Assets and Liabilities Denominated in Foreign Currencies into Yen**

Receivables and payables denominated in foreign currencies are converted into yen amounts at the rates of exchange prevailing at the balance sheet date, with resulting translation gains or losses recognized currently in earnings.

The assets and liabilities of overseas consolidated subsidiaries are converted into yen amounts at the rates of exchange in effect at their balance sheet dates, shareholder's equity accounts at historical rates, while income and expenses are converted into yen amounts at the average exchange rates in effect over the respective periods, with resulting translation gains and losses recorded in a separate component of net assets.

**5) Accounting for Significant Lease Transactions**

Financing leases are accounted for using the similar accounting method applied to ordinary operating leases, with the exception of those financing leases in which the legal title of the underlying property is transferred from the lesser to the lessee.

<u>Changes in Accounting Policies</u>

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

### 6) Significant Hedge Accounting Methods

#### a. Hedge Accounting Methods

Deferred hedge accounting is adopted. Foreign exchange forward contracts and currency options which meet the hedging criteria are accounted for by the allocation method.

#### b. Hedging Instruments and Hedged Items

Hedging instruments: Foreign exchange forward contracts, currency options, call options on specific stocks and interest rate swaps

Hedged items: Accounts receivable and accounts payable denominated in foreign currencies

#### c. Hedge Policy

Forward foreign exchange contracts and currency options are utilized to meet hedge risks from foreign exchange rate fluctuation risks relating to imports and exports. Call options on specific stocks are utilized to avoid the risk of fluctuation in stock prices relating to stock appreciation rights. Daiichi Sankyo and its consolidated subsidiaries do not enter into speculative derivative transactions.

#### d. Methods of Assessing Hedge Effectiveness

The effectiveness of foreign exchange forward contracts and the currency options as hedges has not been assessed, as the conditions of the hedging instruments (foreign exchange forward contracts and the currency options) are the same as those of the hedged items.

### 7) Other Significant Basic Items for preparing Consolidated Financial Statements Accounting method for consumption taxes:

The tax-exclusion (net of tax) method is used to account for the national and local consumption taxes.

4.11.5 Valuation Method for Assets and Liabilities of Consolidated Subsidiaries, etc.

Assets and liabilities of subsidiaries are valued on a full fair value basis.

4.11.6 Amortization of Goodwill and Negative Goodwill

Goodwill is amortized in equal portions over the period deemed to be valuable (within 20 years), but may be written off completely in the fiscal year when it arises if immaterial.

Change in accounting policy

Upto fiscal year ended March 31, 2008, goodwill was amortized in equal portions over periods of 5 or 10 years, but may have been written off completely in the fiscal year when it arises if immaterial.

4.11.7 Changes in Presentation

Consolidated Balance Sheets

As the Cabinet Office Ordinance Partially Revising Regulation for Financial Statements, etc. (Cabinet Office Ordinance No. 50 of August 7 of 2008) was adopted, “Inventories” for the fiscal year ended March 31, 2008 was separately presented as “Merchandise and finished goods,” “Work in process,” and “Raw materials and supplies,” effective from the fiscal year ended March 31, 2009. “Merchandise and finished goods,” “Work in process,” and “Raw materials and supplies,” which were presented aggregately in “Inventories” for the fiscal year ended March 31, 2008 were ¥6,59,470 lakh (equivalent to Rs 3,55,916 lakh), ¥1,46,600 lakh (equivalent to Rs 79,120 lakh) and ¥1,75,500 lakh (equivalent to Rs 94,717 lakh), respectively.

“Long-term loans,” which was separately presented as “Investments and other assets” in the fiscal year ended March 31, 2009 were ¥6141 lakh (equivalent to Rs 3,314 lakh), was included in “Other” of “Investments and other assets” in the fiscal year ended March 31, 2010 following a decrease in materiality. “Long-term loans” amounted to ¥642 lakh (equivalent to Rs 346 lakh) as of March 31, 2010.

Consolidated Income Statements

“Foreign exchange losses” in non-operating expenses, while foreign exchange gains was included in “Other income” of non-operating income in the fiscal year ended March 31, 2008, was presented as a separate line item for the fiscal year ended March 31, 2009 as the amount exceeded 10% of total non-operating expenses for this fiscal year. “Foreign exchange gains,” which was included in “Other income” of non-operating income for the fiscal year ended March 31, 2008, amounted to ¥5,358 lakh (equivalent to Rs 2,892 lakh).

"Depreciation of inactive non-current assets" and "Cost of lease revenue," which were presented as separate line items of non-operating expenses for the fiscal year ended March 31, 2008, were included in "Other expenses" for the fiscal year ended March 31, 2009 because each of these amounts was less than 10% of total non-operating expenses for this fiscal year. In the fiscal year ended March 31, 2009, "Depreciation of inactive non-current assets" and "Cost of lease revenue" totaled ¥6,896 lakh (equivalent to Rs 3,722 lakh) and ¥5,312 lakh (equivalent to Rs 2,867 lakh), respectively.

"Loss on penalty," which amounted to ¥3,928 lakh (equivalent to Rs 2,120 lakh) and included in "Other" of extraordinary losses in the fiscal year ended March 31, 2009, was presented as a separate line item in the fiscal year ended March 31, 2010 following an increase in materiality.

**4.12 Reasons for fall / rise in total income and PAT of Daiichi Sankyo:**

4.12.1 Comparison of results of fiscal year ending 2010 vis-à-vis year ending 2009

Consolidated net sales were ¥95,21,056 lakh (equivalent to Rs 51,38,514 lakh) for the period under review, a year-on-year gain of 13.1%, despite a general trend towards a stronger yen. This was mainly due to a sales contribution of ¥14,66,551 lakh (equivalent to Rs 7,91,498 lakh) by Ranbaxy Laboratories Limited ("Ranbaxy"), which became a subsidiary in November 2008.

In terms of profitability, operating income increased 7.5% to ¥9,55,094 lakh (equivalent to Rs 5,15,464 lakh) and ordinary income soared 86.9% to ¥10,31,142 lakh (equivalent to Rs 5,56,507 lakh). This was because of the growth in net sales, which was offset by increased investment in R&D. The tax rate was higher reflecting the discontinuation of tax credit on R&D expenses as well as adjustments made to the amount of income taxes from previous year, and the Group posted net income of ¥4,18,522 lakh (equivalent to Rs 2,25,876 lakh) improved significantly from the consolidated net loss of ¥21,54,911 lakh (equivalent to Rs 11,63,005 lakh) in the previous year).

For the period under review, major drug launches represented the rollout of the antiplatelet agent *Effient®* in Western markets and the introduction of a high-dose formulation of the synthetic antibacterial agent *Cravit®* in Japan.

4.12.2 Comparison of results of fiscal year ending 2009 vis-à-vis fiscal year ending 2008

Consolidated net sales were ¥84,21,471 lakh (equivalent to Rs 45,45,068 lakh) for the period under review, a year-on-year decline of 4.3%. Besides currency translation effects due to foreign exchange movements, the decrease in the Group's net sales mainly reflected the change in fiscal year-end at European subsidiaries, which had boosted the previous year's sales by ¥1,41,290 lakh (equivalent to Rs 76,254 lakh) (sales originally generated in the period January – March 2007). These effects outweighed a contribution due to the consolidation of Ranbaxy Laboratories Limited as a subsidiary during the year under review.

In terms of profitability, operating income declined 43.3% to ¥8,88,709 lakh (equivalent to Rs 4,79,636 lakh) and ordinary income fell 67.4% to ¥5,51,687 lakh (equivalent to Rs 2,97,745 lakh). In addition to lower sales, the main factors included moves to expand overseas sales and marketing bases and sales and marketing expenses ahead of new product launches in the United States and Europe, as well as further proactive investment in research and development. In addition, the previous year's results had been boosted by extra three months' profits from European subsidiaries, which had increased operating income, ordinary income and net income by ¥18,860 lakh (equivalent to Rs 10,179 lakh), ¥21,690 lakh (equivalent to Rs 11,706 lakh) and ¥20,270 lakh, (equivalent to Rs 10,940 lakh ) respectively.

Net loss was ¥21,54,991 lakh (equivalent to Rs 11,63,049 lakh) in fiscal year ending March 31, 2009 (compared with net income of ¥9,76,606 lakh (equivalent to Rs 5,27,074 lakh) in the previous year) as the result of recording ¥35,13,099 (equivalent to Rs 18,96,020 lakh) in extraordinary losses due to a one-time write-down of goodwill pertaining to the investment in Ranbaxy.

4.12.2 Comparison of results of fiscal year ending 2008 vis-à-vis fiscal year ending 2007

Consolidated net sales was ¥88,01,204 lakh (equivalent to Rs 47,50,010 lakh), a year-on-year decline of 5.3%. Following the completion of business integration, Daiichi Sankyo focused efforts on reinforcing its sales capabilities in the domestic market based on a new integrated set-up while also expanding and upgrading overseas operating bases. The dip in revenue was in part due to various exceptional factors, including efforts to make non-pharmaceutical businesses independent of Daiichi Sankyo as part of the business integration process and changes in fiscal year-end at certain overseas subsidiaries. Daiichi Sankyo continued to make progress in terms of developing in-house sales capabilities to boost sales across four key regional markets by leveraging global products. After excluding exceptional factors, sales generated by the pharmaceutical business grew in real year-on-year terms.

Business integration-derived cost synergies helped to offset the costs of aggressive investment in the form of higher R&D expenditures and ongoing development of overseas operating bases. Operating income increased 15.0% to ¥15,68,275 lakh (equivalent to Rs 8,46,398 lakh), while ordinary income rose 11.2% to ¥16,90,587 lakh (equivalent to Rs 9,12,410 lakh). Net income for the fiscal year ended March 2008 significantly increased by 24.3% to ¥9,76,606 lakh (equivalent to Rs 5,27,074 lakh) (in the previous year, the Group had recorded extraordinary losses of ¥9,86,665 lakh (equivalent to Rs 5,32,503 lakh), mainly due to costs related to business integration and reorganization, along with offsetting extraordinary gains of ¥7,34,921 lakh (equivalent to Rs 3,96,637 lakh), mainly due to profits from the sale of non-pharmaceutical businesses).

**4.13 Adjustments in the audited financial statements, wherever quantification is possible:**

**a. Adjustments / rectification for all incorrect accounting policies or failures to make provisions or other adjustments which resulted in audit qualifications**

Not applicable

**b. Material amounts relating to adjustments for the last three years to be identified and adjusted in arriving at the profits of the years to which they relate**

Not applicable

**c. Where there was a change in the accounting policy during the last three years, the profit or loss re-computed to reflect what the profits or losses of those years would have been if a uniform accounting policy was followed in each of these years:**

<u>March 31, 2010</u>

i) Accounting standards applied to financial instruments

Effective from the fiscal year commencing April 01, 2009, the Company adopted the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, issued on March 10, 2008) and the “Guidance on Disclosures about Fair Value of Financial

Instruments" (ASBJ Implementation Guidance No. 19, issued on March 10, 2008). The effect of this change on operating income, ordinary income and income before income taxes and minority interests was immaterial.

ii) Accounting standards applied to retirement benefits

Effective from the fiscal year commencing April 01, 2009, the Company adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, issued on July 31, 2008). The effect of this change on operating income, ordinary income and income before income taxes and minority interests was immaterial.

March 31, 2009

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

Effective from the fiscal year ended March 31, 2009, Daiichi Sankyo adopted PITF No. 18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" as published by the Accounting Standards Board of Japan (ASBJ) on May 17, 2006. The effect of this change on operating income, ordinary income and loss before income taxes and minority interests was immaterial.

ii) Accounting standards applied to lease transactions

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

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

iii) Amortization of Goodwill and Negative Goodwill

Goodwill is amortized in equal portions over the period deemed to be valuable (within 20 years), but may be written off completely in the fiscal year when it arises if immaterial. Upto fiscal year ended March 31, 2008, goodwill was amortized in equal portions over periods of 5 or 10 years, but may have been written off completely in the fiscal year when it arises if immaterial. The effect of this change on operating income, ordinary income and loss before income taxes and minority interest was immaterial.

<u>March 31, 2008</u>

i) Inventories

In line with the extension of adoption of the Accounting Standard for Measurement of Inventories (ASBJ [Accounting Standards Board of Japan] Statement No. 9, July 5, 2006) to consolidate financial statements for the fiscal year starting on or before March 31, 2008, the accounting standard was adopted from the fiscal year ended March 31, 2008. The effects of this change on operating income, ordinary income, and net income before income taxes and minority interests is decrease of ¥29,928 lakh (equivalent to Rs 16,152 lakh), ¥23,105 lakh (equivalent to Rs 12,470 lakh), and ¥23,105 lakh (equivalent to Rs 12,470 lakh), respectively.

ii) Property, Plant and Equipment

In accordance with the amendment of the Corporate Tax Law in Japan, with effect from the fiscal year ended March 31, 2008, Daiichi Sankyo and its domestic consolidated subsidiaries changed the method of depreciation applied to all tangible fixed assets acquired on or after April 1, 2007 to that based on the revised law. The effect of this change on operating income is a decrease of ¥13,511 lakh (equivalent to Rs 7,292 lakh) and decrease of ¥13,599 lakh (equivalent to Rs 7,339 lakh) and ¥13,599 lakh (equivalent to Rs 7,339 lakh) respectively on ordinary income and net income before income taxes and minority interests.

With respect to any tangible assets acquired on or before March 31, 2007, Daiichi Sankyo and its domestic consolidated subsidiaries have included the depreciation expenses of such tangible assets representing the difference between the amount of carrying cost for accounting purpose and 5% of the acquisition cost as derived from application of the depreciation method used prior to the legal revision. Such amounts are being depreciated in equal amounts over five years, starting in year after the fiscal year in which accumulated depreciation based on the pre-revision method reached 95% of the acquisition costs. The effects of this change on operating income is a decrease of ¥15,889 lakh (equivalent to Rs 8,575 lakh), and decrease of ¥16,092 lakh (equivalent to Rs 8,685 lakh) and ¥16,092 lakh (equivalent to Rs 8,685 lakh) respectively on ordinary income and net income before income taxes and minority interests.

iii) Accrued Severance and Retirement Benefits

Daiichi Sankyo and some of its domestic consolidated subsidiaries integrated their retirement benefit and pension systems on April 1, 2007 following the corporate reorganization, and reviewed them to introduce a similar cash balance plan-type retirement and pension system in accordance with the Defined-Benefit Pension Plan Law, and shifted 20% of the retirement benefit amounts to a defined contribution pension plan.

Although significant prior service costs arose following the revision of the retirement benefit plans stemming from the merger of Sankyo Company Limited and Daiichi Pharmaceutical Co., Ltd. to form Daiichi Sankyo Company, Limited, Daiichi Sankyo does not expect such significant expenses to appear for a while, and it does expect the effects of corporate reorganization to appear soon. Daiichi Sankyo set the amortization period of prior service costs over five years for Sankyo Company Limited and ten years for Daiichi Pharmaceutical Co., Ltd. and Daiichi Asubio Pharmaceutical Inc, which were the main companies before the corporate realignment. Aiming to appropriately reflect the status of the retirement benefit plans in the consolidated financial statements, effective from the fiscal year ended March 31, 2008, Daiichi Sankyo and Asubio Pharma after the corporate re-alignment, changed their accounting methods to amortize the prior service costs in one year (twelve months) since they occurred.

In relation to this change, Daiichi Sankyo amortized prior service costs arising at the beginning of the fiscal year by ¥ 94,695 lakh (equivalent to Rs 51,107 lakh) and booked the balance of unamortized prior service costs that had arisen by the prior fiscal year-end as extraordinary income totaling ¥2,319 lakh (equivalent to Rs 1,252 lakh). The net effect of these changes was to increase operating income and ordinary income by ¥79,570 lakh (equivalent to Rs 42,944 lakh) and to increase net income before income taxes and minority interests by ¥81,889 lakh (equivalent to Rs 44,195 lakh), compared with amounts based on the previous accounting methods.

As for actuarial gains and losses, concerning the main companies before corporate realignment, Sankyo Company, Limited applied a lump-sum expense deduction in the year when actuarial gains and losses occurred and Daiichi Pharmaceutical Co., Ltd. amortized such gains and losses over 10 years. After the corporate reorganization, Daiichi Sankyo integrated the retirement benefit and pension plans, which has increased pension assets. Although the current environment for pension assets is improving because of the recently raised official discount rate, etc., due to the greater vulnerability to fluctuations in the markets that the increase in pension assets has brought, actuarial gains and losses could have a significant effect on annual income. Thus, Daiichi Sankyo intends to ensure that its profit calculations are appropriate and, effective from the fiscal year ended March 31, 2008, actuarial gains and losses were changed to be amortized on a straight-line method over a certain period (10 years) within the average remaining service years of eligible employees.

The net effect of this change was to increase operating income, ordinary income and net income before income taxes and minority interests by ¥47,118 lakh (equivalent to Rs 25,430 lakh), compared with amounts based on the previous accounting methods.

**d. Profit and loss statement, disclosing the profit or loss arrived at before extraordinary items and after considering the profit or loss from extraordinary items.**

| Profit & Loss Statement | Yen lakh | | | Rs. lakh | | |
|---|---|---|---|---|---|---|
| | 31-Mar-08 | 31-Mar-09 | 31-Mar-10 | 31-Mar-08 | 31-Mar-09 | 31-Mar-10 |
| Total Income | 90,75,815 | 85,39,844 | 98,13,341 | 4,898,217 | 4,608,954 | 5,296,260 |
| Total Expenditure | 74,05,973 | 1,16,03,305 | 87,82,424 | 3,997,004 | 6,262,304 | 4,739,874 |
| Profit before Depreciation, Amortization, Interest and Tax | 20,57,173 | 10,92,292 | 15,81,783 | 1,110,256 | 589,510 | 853,688 |
| Profit before tax and extraordinary items | 16,78,143 | 5,84,619 | 10,24,457 | 905,694 | 315,519 | 552,899 |
| Profit After Tax, before extraordinary items | 9,87,185 | 13,76,340 | 5,24,287 | 532,784 | 742,811 | 282,958 |
| **Profit After Tax and Minority Interest, before extraordinary items** | **9,86,188** | **15,12,254** | **4,69,260** | **532,246** | **816,163** | **253,260** |
| Extraordinary Income* | 1,55,977 | 23,625 | 58,825 | 84,181 | 12,750 | 31,748 |
| Extraordinary loss / expense** | 1,6e5,559 | 36,90,870 | 1,09,563 | 89,352 | 1,991,963 | 59,131 |
| Net Extraordinary Income/(Loss) | (9,582) | (36,67,245) | (50,738) | (5,171) | (1,979,212) | (27,383) |
| **Profit After Tax, Minority Interest, and extraordinary items** | 9,76,606 | (21,54,991) | 4,18,522 | 527,074 | (1,163,049) | 225,876 |

*1) Extraordinary Income = Gain on sale of investment securities + gain on sale of property, plant and equipment for financial year ended Mar 2009; Gain on sale of investment in affiliates + gain on sale of investment securities + gain on sale of property, plant and equipment for financial year ended Mar 2008 and Mar 2010.*

*2) Extraordinary Losses= Loss on disposal of property, plant and equipment + loss on impairment of long lived assets + non-recurring depreciation on non-current assets + loss on business restructuring + loss on penalty and other net where negative for financial year Mar 2010; Loss on disposal of property, plant and equipment + provision for soil remediation costs + amortization of goodwill (one-time amortization) + loss on impairment of long lived assets + non-recurring depreciation on non-current assets and other net (where negative) for financial year ended Mar 2009; loss on disposal of property, plant and equipment + loss on business integration + provisions for contingent losses and soil remediation + loss on litigation + loss on business restructuring + other net where negative for financial year ended Mar 2008.*

**e. Statement of assets and liabilities after deducting the balance outstanding on revaluation reserves account from both fixed assets and reserves and net worth arrived at after such deductions.**

| Balance Sheet Statement | Yen lakh | | | Rs. lakh | | |
|---|---|---|---|---|---|---|
| | 31-Mar-08 | 31-Mar-09 | 31-Mar-10 | 31-Mar-08 | 31-Mar-09 | 31-Mar-10 |
| **Sources of funds** | | | | | | |
| Paid up equity share capital | 5,00,000 | 5,00,000 | 5,00,000 | 269,850 | 269,850 | 269,850 |
| Retained earning | 1,02,51,448 | 75,38,207 | 74,63,928 | 5,532,706 | 4,068,370 | 4,028,282 |
| Treasury stock | (4,34,073) | (1,45,559) | (1,45,664) | (234,269) | (78,558) | (78,615) |
| Capital Surplus | 17,98,632 | 10,51,943 | 10,51,943 | 970,722 | 567,734 | 567,734 |
| **Net worth** | **1,21,16,008** | **89,44,591** | **88,70,207** | 6,539,010 | 4,827,396 | 4,787,251 |
| Revaluation Reserves, if any | 0 | 0 | 0 | - | - | - |
| **Net Worth after Revaluation reserves** | 1,21,16,008 | 89,44,591 | 88,70,207 | 6,539,010 | 4,827,396 | 4,787,251 |
| Foreign currency translation adjustments | -1,62,635 | -5,13,678 | -5,97,789 | (87,774) | (277,232) | (322,627) |
| Net unrealized gain on investment securities | 4,85,397 | 1,98,830 | 2,74,620 | 261,969 | 107,309 | 148,212 |
| Deferred gains or losses on hedges | 0 | 766 | 10,028 | - | 413 | 5,412 |

## 4.14 Major Contingent Liabilities

| Contingent liabilities | Yen lakh | | | Rs. lakh | | |
|---|---|---|---|---|---|---|
| | 31-Mar-08 | 31-Mar-09 | 31-Mar-10 | 31-Mar-08 | 31-Mar-09 | 31-Mar-10 |
| Allowance for contingent losses (*1) | - | - | - | - | - | - |
| Allowance for contingent losses (*2) | 2,260 | - | 16,000 | 1,220 | - | 8,635 |
| TOTAL | 2,260 | - | 16,000 | 1,220 | - | 8,635 |

*Source: Summary of consolidated financial results*

*Exchange Rate used 100 Yen = INR 53.97(Source: www.rbi.org.in), as of July 23, 2010*

**1 the amount represents an estimated amount of penalty arising out of the product purchase commitments that contain a minimum purchase provision.*

**2 The amount represents an estimated amount of penalty arising out of the commitments that contain a minimum purchase lot or minimum sale lot provision.*

4.15 As a result of the substantial acquisition of stake in RLL, together with the acquisition of control in RLL by the Acquirer, the Acquirer has indirectly acquired 46.85% of the fully paid up equity share capital of the Target Company on October 20, 2008 .Other than the above, the Acquirer has not made any acquisitions in ZLL prior to the date of this letter, including acquisitions made through open offers and hence there was no requirement for compliance within the applicable provision of the SEBI (SAST) Regulations / other applicable Regulations under the SEBI Act, 1992 and other statutory requirements, as applicable.

4.16 There has been no change in the name of Acquirer since incorporating / listing as the merged entity.

4.17 During the Offer period, the Acquirer will not have any representation on the board of directors of the Target Company. As on the date of the Letter of Offer, there is no person representing or having interest in Daiichi Sankyo, who is already a director on the board of ZLL or is entitled to be appointed on the Board of Directors during the Offer period. Hence, the Acquirer will comply with provisions of Regulation 22(7) and Regulation 22(9) of SEBI (SAST) Regulations.

4.18 **Status of Corporate Governance**

**A. Internal organizational structure**

The structure of the governance organization consists of directors and auditors. The directors carry out tasks stipulated in laws, regulations and the company articles, and make decisions on important matters relating to management and business operations, while mutually supervising the performance of their duties. There are also established internal rules, including a Corporate Conduct Charter and a code of conduct to ensure sound, flexible management based on regulatory compliance and observance of these corporate rules.

The auditors are independent and operate under the mandate of the shareholders. They audit the performance of directors' duties for soundness of decisions and compliance with the law. There is also a corporate officer system where Corporate Officers are appointed by the Board of Directors to perform specific duties under the direction and supervision of the President as representative director. The President is advised by the Management Committee, which meets regularly to discuss basic management policies and plans and receive reports on important aspects of business operations.

Internal audits play an important role in the effective achievement of management goals. They are conducted according to plans drawn up by the Internal Audit Department. Audit perspectives include the effectiveness and efficiency of business operations, the reliability of financial reports, regulatory compliance in business operations, and asset protection. Internal audits cover all the divisions and departments, and affiliates. Where necessary, business partners are also audited.

**B. Board of Directors**

The Board comprises of ten members including four external directors. As a first step, candidates of board members, with recommendation from Nomination Committee, are selected by the Board of Directors. Once selected by the Board, their names are then proposed to the shareholders and approved by the shareholders in an ordinary shareholder meeting.

Under Daiichi Sankyo's articles of incorporation, term of office of Board members is one year, and Board members are decided at the shareholder's meeting annually.

The details of the Board of Directors are as given below:

| Name | Position | Age* | Elected | Term Expires | Executive / Non-Executive |
|---|---|---|---|---|---|
| Takashi Shoda | Representative Director and Chairman | 62 | June 28, 2010 | Until conclusion of ordinary shareholders meeting for year ending March 31, 2011 | Executive |
| Joji Nakayama | Representative Director, President and CEO | 60 | June 28, 2010 | Until conclusion of ordinary shareholders meeting for year ending March 31, 2011 | Executive |
| Hitoshi Matsuda | Director | 63 | June 28, 2010 | Until conclusion of ordinary shareholders meeting for year ending March 31, 2011 | Executive |
| Tsutomu Une | Director | 62 | June 28, 2010 | Until conclusion of ordinary shareholders meeting for year ending March 31, 2011 | Executive |

| | | | | | |
|---|---|---|---|---|---|
| Takeshi Ogita | Director | 59 | June 28, 2010 | Until conclusion of ordinary shareholders meeting for year ending March 31, 2011 | Executive |
| Kazunori Hirokawa | Director | 59 | June 28, 2010 | Until conclusion of ordinary shareholders meeting for year ending March 31, 2011 | Executive |
| Takashi Okimoto | Outside Director | 59 | June 28, 2010 | Until conclusion of ordinary shareholders meeting for year ending March 31, 2011 | Non-Executive |
| Hiroshi Hirabayashi | Outside Director | 70 | June 28, 2010 | Until conclusion of ordinary shareholders meeting for year ending March 31, 2011 | Non-Executive |
| Kunio Ishihara | Outside Director | 66 | June 28, 2010 | Until conclusion of ordinary shareholders meeting for year ending March 31, 2011 | Non-Executive |
| Yuichiro Anzai | Outside Director | 63 | June 28, 2010 | Until conclusion of ordinary shareholders meeting for year ending March 31, 2011 | Non-Executive |

***[*Note: Age of directors has been calculated as on June 28, 2010]***

## C. Committees of the Board of Directors

There are two committees to assist the Board of Directors: (i) nomination committee and (ii) compensation committee. Each committee, in response to CEO's proposal on the nomination or compensation of directors, as the case may be, advises and recommends the same to the CEO.

## D. Details of Auditors and / or Audit Committee

The composition of the auditors/ auditors committees is as follows:

| Name of members | Committee |
|---|---|
| Teruo Takayanagi | Full-Time Corporate Auditor |
| Hikaru Nagata | Full-Time Corporate Auditor |
| Akio Yamada | Outside Corporate Auditor |
| Shigeaki Ishikawa | Outside Corporate Auditor |

Qualification & Function of Corporate Auditor System:

Daiichi Sankyo maintains a corporate auditor system in accordance with Japanese Corporation Law. Board of corporate auditors is comprised of four corporate auditors, two of whom are “outside corporate auditors”, as defined under the Corporation Law. Each corporate auditor has been appointed at shareholders’ meetings and has certain statutory powers. Corporate auditor is responsible for establishing a good corporate governance system that will ensure the sound and continuous growth of Daiichi Sankyo and accommodate society’s trust by auditing the directors’ performance of their duties as an independent organization entrusted by the shareholders.

In order to fulfill the responsibilities mentioned above, corporate auditor attends the Board of Directors’ meeting and other important meetings, verifies the contents of reports received from directors, employees and other people in Daiichi Sankyo, conduct investigations with respect to the status of the operations and financial status of Daiichi Sankyo, and take any necessary measures in a timely manner, including without limitation expressing suggestions, recommendations or opinions to Directors.

Given that board of corporate auditors is the only deliberative or decision-making organization for the purpose of formulating opinions regarding audits, each corporate auditors shall report the status of performance of his duties to board of corporate auditors and endeavor to ensure the effectiveness of audits through the utilization of the board of corporate auditors; provided, however, that the board of corporate auditors resolution may not preclude any corporate auditor from exercising his own powers.

## E. Areas of responsibility of Directors

| Name | Position | Responsibility |
|---|---|---|
| Takashi Shoda | Representative Director and Chairman | Chairman of the Board |
| Joji Nakayama | Representative Director, President and CEO | Chief Executive Officer and the President of Japan Company |
| Hitoshi Matsuda | Director | Head of Administration Division of Japan Company |

| | | |
|---|---|---|
| Tsutomu Une | Director | Global Corporate Strategy Officer, Hybrid Business, Intellectual Property |
| Takeshi Ogita | Director | Global Corporate strategy Officer, HR, IT, Business Development, Global Marketing |
| Kazunori Hirokawa | Director | Head of R&D Division |
| Takashi Okimoto | Outside Director | Provide to the Board his expertise and insight on corporate management based on his extensive banking experience |
| Hiroshi Hirabayashi | Outside Director | Provide to the Board his knowledge and insight on global experience as diplomat |
| Kunio Ishihara | Outside Director | Provide to the Board his expertise and insight concerning corporate management based on his experience at non-life insurance company, etc. |
| Yuichiro Anzai | Outside Director | Provide to the Board his knowledge and insight nurtured as professor at universities |

**F. Compensation of directors**

Proposal on compensation of directors is decided by Board of Directors (on recommendation of the compensation committee) and is thereafter approved by the shareholders in ordinary shareholder meeting under the Japanese law. Compensation of directors is a mix of fixed and performance based one and stock option

The Amount of Remuneration and Related Payments to Directors and Corporate Auditors for the fiscal year ended March 31, 2009 was as follows:

| Classification | Directors | | Kansayaku (Statutory Auditors) | | Total | |
|---|---|---|---|---|---|---|
| | Payment recipients | Amount paid | Payment recipients | Amount paid | Payment recipients | Amount paid |
| | Number of persons | Millions of yen | Number of persons | Millions of yen | Number of persons | Millions of yen |
| Fees (annual amount) (Including Outside Directors and Outside Kansayaku (Statutory Auditors)) | 11 (4) | 427 (72) | 4 (2) | 111 (36) | 15 (6) | 538 (108) |
| Directors' bonuses (Excluding Outside Directors and Kansayaku (Statutory Auditors)) | 6 | 154 | - | - | 6 | 154 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Share remuneration-type stock option remuneration (Excluding Outside Directors and Kansayaku (Statutory Auditors)) | 6 | 134 | - | - | 6 | 134 |
| Total (Including Outside Directors and Outside Kansayaku (Statutory Auditors)) | 11 (4) | 715 (72) | 4 (2) | 111 (36) | 15 (6) | 826 (108) |

*Notes:*

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

*2."Payment recipients" and "Amount paid" of "Fees (annual amount)," each "Total" of "Fees" and each "Total" of "Directors" and each "Total" of "Total" for Directors include those of the Director (not an Outside Director) who retired upon expiration of his term at the conclusion of this Ordinary General Meeting of Shareholders on June 26, 2009.*

*3.The total amount of fees paid to Directors is Yen 450 million or less per fiscal year, and the total amount of fees to Kansayaku (Statutory Auditors) is Yen 120 million or less per fiscal year (excluding the portion of salaries for Directors concurrently working as employees), which amounts were approved at the 151st Ordinary General Meeting of Shareholders of (former) Sankyo Company, Limited and the 127th Ordinary General Meeting of Shareholders of (former) Daiichi Pharmaceutical Co., Ltd., held on June 29, 2005, concerning the establishment of a holding company through a stock transfer.*

*4. "Director's bonuses" are estimated amounts to be paid in addition to the amounts shown in the "Fees (annual amount)" columns if the proposed "Provisions of Bonuses to Directors" is approved at the 5th Ordinary General Meeting of Shareholders.*

*5. The above-mentioned share remuneration-type stock option remunerations, which are separated from the above-mentioned "Fees (annual amount)," indicate the amount equivalent to compensation for the execution of duties during the current fiscal year, included in the monetary remunerations paid to offset the payment obligations of the payment amount of the share remuneration-type stock options (subscription rights to shares), which were granted on August 17, 2009.*

Status of subscription rights to shares owned by Directors and Corporate Auditors of Daiichi Sankyo granted as remuneration for their execution of duties as of the end of the financial year ended March 31, 2009 are as follows:

| | No. 1 Subscription Rights to Shares (Issued on February 15, 2008) | No. 2 Subscription Rights to Shares (Issued on November 17, 2008) | No. 3 Subscription Rights to Shares (Issued on August 17, 2009) |
|---|---|---|---|
| Date of resolution on issuance | January 31, 2008 | October 31, 2008 | July 31, 2009 |
| Grantees and number of grantees | Six Directors of the Company (excluding Outside Directors) | Six Directors of the Company (excluding Outside Directors) | Six Directors of the Company (excluding Outside Directors) |
| Number of stock subscription rights | 442 units | 718 units | 1,002 units |
| Class and number of shares subject to subscription rights to shares | 44,200 shares of the common stock of the Company (100 shares per subscription right to shares ) | 71,800 shares of the common stock of the Company (100 shares per subscription right to shares ) | 100,200 shares of the common stock of the Company (100 shares per subscription right to shares ) |
| Amount to be paid in for subscription rights to shares | 252,800 yen (equivalent to Rs 136,436) per subscription right to shares, see Note 1 | 134,200 yen (equivalent to Rs 72,428) per subscription right to shares, see Note 1 | 133,800 yen (equivalent to Rs 72,212) per subscription right to shares, see Note 1 |
| Value of property contributed upon exercise of subscription rights to shares | 100 yen (equivalent to Rs 54) per subscription right to shares | 100 yen (equivalent to Rs 54) per subscription right to shares | 100 yen (equivalent to Rs 54) per subscription right to shares |
| Amount of capital to be increased when shares are issued upon exercise of subscription rights to shares | 1,265 yen (equivalent to Rs 683)per share | 672 yen (equivalent to Rs 363) per share | 670 yen (equivalent to Rs 362)per share |
| Exercisable period for subscription rights to shares | From February 16, 2008 to February 15, 2038 | From November 18, 2008 to November 17, 2038 | From August 18, 2009 to August 17, 2039 |
| Conditions for exercise of subscription rights to shares | Note 2 | Note 2 | Note 2 |
| Events and conditions for acquisition of subscription rights to shares | Note 3 | Note 3 | Note 3 |

*Notes: 1. The above-mentioned subscription rights to shares were granted by offsetting the claims of monetary remunerations, which are provided on the condition that they are counterbalanced by payment obligations of the payment amount, against the said payment obligations.*

*2. Conditions for exercise of subscription rights to shares are as follows:*

*a. Persons to whom subscription rights to shares are allocated (hereinafter referred to as "persons granted subscription rights to shares") may exercise their subscription rights to shares until the last day of the last fiscal year that ends within 10 years from the following day of the day when they retired from their office as Director or Corporate Officer of Daiichi Sankyo that they held when the subscription rights to shares were granted (if the persons granted subscription rights to shares concurrently serve as Director and Corporate Officer, the day when they retired from office means the day when they retired from the office of Director, regardless of whether they continued to hold the position of Corporate Officer; and if the persons granted subscription rights to shares served as Corporate Officer when the subscription rights to shares were granted and if they took office as Director upon their retirement from office as Corporate Officer, the day when they retired from office means the day when they retired from office as Director, not the day when they retired from office as Corporate Officer) (hereinafter referred to as the "day when exercise of the rights starts").*

*b. Persons granted subscription rights to shares may not dispose of the subscription rights to shares by any means, including pledging.*

*c. When persons granted subscription rights to shares die, their heir may inherit the subscription rights to shares that have not been inherited as of the day when the death occurs, and may exercise the rights in accordance with the terms of the Agreement on Allocation of Subscription Rights to Shares, to be concluded between Daiichi Sankyo and persons granted subscription rights to shares.*

*d. When persons granted subscription rights to shares exercise their subscription rights to shares, they may not partially exercise one stock acquisition right.*

*e. Other conditions are set force in the Agreement on Allocation of Subscription Rights to Shares, to be concluded between Daiichi Sankyo and persons granted subscription rights to shares, in accordance with the resolution of the Board of Directors.*

*3. Events and conditions for the acquisition of subscription rights to shares are as follows:*

*a. When persons granted subscription rights to shares can no longer exercise their rights pursuant to the provisions specified in the above-mentioned 2., Daiichi Sankyo may acquire, free of charge, the said subscription rights to shares held by the said persons granted subscription rights to shares on the day separately determined by the Board of Directors.*

*b. When an absorption merger agreement, under which Daiichi Sankyo is absorbed and disappears, is approved at a general meeting of shareholders of Daiichi Sankyo (a meeting of the Board of Directors if a resolution of a general meeting of shareholders is not necessary), or when a agenda item on approval of a stock exchange agreement, under which Daiichi Sankyo will become a stock exchange wholly-owned subsidiary, or a agenda item on approval for a stock transfer plan, under which Daiichi Sankyo will become a stock transfer wholly-owned subsidiary, is approved at a general meeting of shareholders of Daiichi Sankyo (a meeting of the Board of Directors if a resolution of a general meeting of shareholders is not necessary), Daiichi Sankyo may acquire, free of charge, the subscription rights to shares held by the persons granted subscription rights to shares on the day separately determined by the Board of Directors.*

*c. When persons granted subscription rights to shares offer in writing to abandon all or part of their subscription rights to shares, Daiichi Sankyo may acquire, free of charge, the said subscription rights to shares held by those persons granted subscription rights to shares on a day separately determined by the Board of Directors.*

### G. General Meeting of Shareholders

The general meetings of shareholders of the last three years were held as follows:

| Annual General Meeting | Date | Venue |
|---|---|---|
| 3rd Ordinary General Meeting of Shareholders | June 27, 2008 | Tokyo, Japan |
| 4th Ordinary General Meeting of Shareholders | June 26, 2009 | Tokyo, Japan |
| 5th Ordinary General Meeting of Shareholders | June 28, 2010 | Tokyo, Japan |

## 4.19 Pending Litigation matters

a. With its local U.S. licensees as co-plaintiffs, the former Daiichi Pharmaceutical Co., Ltd (now Daiichi Sankyo) filed a patent infringement lawsuit in October 2006 in the U.S. District Court for the District of New Jersey against Lupin Pharmaceuticals after the latter filed an ANDA for a generic version of the synthetic antibacterial levofloxacin. The Federal District Court ruled in favor of Daiichi Sankyo and its licensees in May 2009. Lupin lodged an appeal against this decision in the U.S. Court of Appeals for the Federal Circuit ("CAFC"). CAFC made a favorable decision to deny Lupin's appeal in May 2010 and then rejected Lupin's reconsideration petition in July 2010.

b. The former Sankyo Company, Limited (now Daiichi Sankyo, but at that time a subsidiary of Daiichi Sankyo) and its U.S. subsidiary, Daiichi Sankyo, Inc., filed a patent infringement lawsuit in July 2006 in the U.S. District Court for the District of New Jersey against the Mylan Group, which had filed an Abbreviated New Drug Application with the Food and Drug Administration seeking to market a generic version of Benicar® (generic name: olmesartan medoxomil). The lawsuit is based on the U.S. substance patent for olmesartan medoxomil owned by the former Sankyo Company, Limited (now Daiichi Sankyo).

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

c. Daiichi Sankyo and Daiichi Sankyo INC. filed a patent infringement lawsuit in June 2008 in the U.S. District Court for the District of New Jersey against Matrix Laboratories Ltd. and its parent Mylan Inc. after Matrix filed an ANDA for a generic version of the antihypertensive agent Azor® (a combination drug containing olmesartan medoxomil and amlodipine that is marketed by Daiichi Sankyo, Inc. in the United States)based on the U.S. substance patent for olmesartan medoxomil.

   In the above cases, Daiichi Sankyo is the plaintiff, and hence monetary damages which might be imposed on Daiichi Sankyo if it loses the cases are not applicable.

d. Patent Infringement Actions against certain generics companies in Japan

   Based on the approved extensions to the Japanese substance and usage patents for the synthetic anti-bacterial Crabit® (generic name: levofloxacin), Daiichi Sankyo filed patent infringement lawsuits to secure injunctions against the manufacture and sale in Japan of generic versions of this drug in March 2009 (against seven companies in the Tokyo District Court and six companies in the Osaka District Court) and in April

2009 (against nine companies in the Tokyo District Court and two companies in the Osaka District Court).

Daiichi Sankyo later withdrew these lawsuits in November 2009 following the rejection in October 2009 by the Intellectual Property High Court of an appeal that had been lodged by Daiichi Sankyo seeking the revocation of an earlier decision to invalidate a portion of the patent term extension for levofloxacin.

e. Madras High Court - Writ Petition

On January 29, 2009, a writ petition, under Article 226 of the Constitution of India had been filed by Mr. R. Guruswamy, a shareholder of ZLL, before the Hon'ble Madras High Court. Under the petition, SEBI, ZLL, RLL and Daiichi Sankyo were the respondents. The petitioner had approached the High Court requesting that appropriate writ(s), direction(s) and/ or order(s), be issued to SEBI in considering certain representations made by the petitioner before SEBI in connection with Daiichi Sankyo's open offer to the shareholders of ZLL.

In his petition, the petitioner had prayed to the court for appropriate writ, order or direction in the nature of a writ directing SEBI to cause investigation and to see that Daiichi Sankyo purchases the shares under the offer at a price of Rs. 160/- per share. In addition, the petitioner had submitted that Daiichi Sankyo should not be permitted to proceed at the price offered in the public announcement until SEBI has completed its investigation into his complaint/ representation.

On January 29, 2009 the petitioner filed an additional affidavit establishing the cause of action and jurisdiction of the High Court to try the matter. Further, on March 30, 2009, the petitioner filed another additional affidavit making certain additional submissions in respect of the open offer price for ZLL shares, as also the timing of the open offer. The writ petition was dismissed by the High Court by its order dated July 15, 2009.

f. Andhra Pradesh High Court - Writ Petition

On March 2, 2009, a writ petition, under Article 226 of the Constitution of India had been filed by Mr. Krishna G.T., a shareholder of ZLL before the Hon'ble Andhra Pradesh High Court. Under the petition, Union of India, SEBI, Daiichi Sankyo, RLL and ZLL were the respondents. The petitioner approached the High Court requesting that appropriate writ(s), direction(s) and/ or order(s) be issued to SEBI in considering certain representations made by the petitioner before SEBI in connection with Daiichi Sankyo's open offer to the shareholders of ZLL.

On March 6, 2009 the High Court while disposing of the writ petition directed SEBI to consider and dispose of the representations, if any, pending, and pass appropriate orders thereon expeditiously and to take action in case Daiichi Sankyo, RLL or ZLL make any statutory violations.

g. Madurai Bench of the Madras High Court - Writ Petition

On July 14, 2009, a writ petition, under Article 226 of the Constitution of India had been filed by Mr. Narayanan, a shareholder of ZLL before the Madurai Bench of the Madras High Court. Under the petition Union of India, SEBI, Daiichi Sankyo, RLL and ZLL were the respondents. The petitioner approached the High Court requesting that appropriate writ(s), direction and/ or order(s) be issued to SEBI in considering certain representations made by the petitioner before SEBI in connection with Daiichi Sankyo's open offer to the shareholders of ZLL.

A petition was thereafter filed before the Hon'ble Supreme Court of India (the "Supreme Court") by Daiichi Sankyo, based on which the Supreme Court had granted a stay on the proceedings. Subsequently by an order dated July 24, 2009, the Madurai Bench of the Madras High Court dismissed the petition before it, which was followed by a withdrawal by Daiichi Sankyo of its petition before the Supreme Court.

h. Petitions before the Company Law Board

We understand that a petition had been filed before the Company Law Board, Chennai ("CLB"), by Mr. Jayaram Chigurupati and others ("Promoters") under Sections 397 and 398 read with sections 402, 403 and other applicable provisions of the Companies Act, 1956. RLL, ZLL, Daiichi Sankyo and certain other persons had been made respondents in the petition. The petition was in connection with the alleged mismanagement and oppression in ZLL owing to the acts of the respondents named therein.

The Promoters sought certain relief from the Hon'ble CLB including, without limitation, the removal of certain directors in ZLL, termination of certain subsisting agreements and a declaration that certain respondents named therein were oppressors. Interim reliefs, including an order allowing the Promoters to appoint three (3) independent directors and conduct a Board Meeting had also been prayed for.

We further understand that since then, another petition has been filed before the CLB, by RLL under sections 397 and 398 read with sections 402, 403 and other applicable provisions of the Companies Act, 1956. This petition before the CLB is in connection with the alleged oppression and mismanagement in ZLL, and RLL has requested the CLB to: (i) restrain Dr. Jayaram Chigurupati from acting as the Managing Director of ZLL.; and (ii) declare that the acts and omissions of Dr. Jayaram Chigurupati are oppressive to RLL.

To the best of our knowledge, the CLB has passed the following orders in connection with the aforementioned proceedings:

(i) The CLB, by its order dated May 21, 2010 has restrained ZLL from acting on a certain termination notice that it had served RLL with in respect of a development and license agreement between the parties and to maintain status quo.

(ii) By its order dated November 13, 2009, the CLB has restrained ZLL from allotting shares against the exercise of stock options granted under the ZLL Employees Stock Option Scheme, 2005, without the leave of the board until further orders.

(iii) By its order dated March 22, 2010, the CLB has directed that any appointment of directors on the Board of Directors of ZLL will be subject to the prior approval of the CLB.

In addition to the above, RLL had filed an appeal against certain orders of the CLB before the Hon'ble Andhra Pradesh High Court, Pursuant to this appeal, the Hon'ble High Court had appointed certain independent directors to the Board of Directors of ZLL and further directed ZLL to convene its annual general meeting. Following the date of the AGM and in light of the appointment of the independent directors, the appeal had become infructuous and has been disposed by the Hon'ble High Court.

i. Appeal before the Supreme Court of India

Mr. Narayanan and Dr. Jayaram Chigurupati ("Shareholders") had filed certain representations before SEBI in connection with the price offered by Daiichi Sankyo for its offer for shares of ZLL. SEBI by its communication dated June 18, 2009 and June 22, 2009, had rejected these representations. Following SEBI's decision, the Shareholders had filed certain appeals before the Securities Appellate Tribunal ("SAT"). SAT, by its orders dated October 7, 2009 ("SAT Orders") allowed the appeals filed by the Shareholders and directed Daiichi Sankyo to make the open offer to the shareholders of ZLL at an offer price of Rs. 160/- per share. Following SAT's decision, Daiichi Sankyo had filed certain appeals against the SAT Orders before the Supreme Court. By its judgment dated July 8, 2010, the Supreme Court allowed Daiichi Sankyo's appeals, set aside the SAT Orders and held that offer price of Rs. 113.62/- per share, as computed by Daiichi Sankyo is correct and permitted Daiichi Sankyo to proceed with its open offer for the shares of ZLL.

**4.20 Compliance Officer**

Yoshikazu Takano, Corporate Officer, 3-5-1, Nihonbashi, Chuo-ku, Tokyo, Japan; Tel: +81-3-6225-1111; Fax: N/A

**4.21 Details of any merger/de-merger, spin off during last 3 years involving Daiichi Sankyo:**

4.21.1 Zepharma Co., Ltd., the whole shares of which Daiichi Sankyo purchased from Astellas Pharma Inc. as of April 13, 2006, merged into Daiichi Sankyo Healthcare Co., Ltd. as of April 1st, 2007.

4.21.2 As of April 1st, 2007, Daiichi Pharmatech Co., Ltd. merged into Daiichi Sankyo Propharma Co., Ltd., and Sankyo Company, Limited demerged ("kaishabunkatsu") its drug-manufacturing business into Daiichi Sankyo Propharma Co., Ltd.

4.21.3 Science Technology Institute Co., Limited and Kanto Daiichi Service Co., Ltd. merged into Daiichi Sankyo RD Associe Co., Ltd. as of April 1st, 2007.

4.21.4 Daiichi Jisho Co., Ltd. merged into Daiichi Sankyo Business Associe Co., Ltd. as of April 1st, 2007.

4.21.5 As of April 1st, 2010, a part of business of Asubio Pharma Co., Ltd. (“Old Asubio”) split out to new company ([new] Asubio Pharma Co., Ltd.) and Old Asubio merged into Daiichi Sankyo.

4.22 As Daiichi Sankyo does not hold any shares in the Target Company, provisions of Chapter II of the SEBI (SAST) Regulations are not applicable.

**5 BACKGROUND OF PERSON ACTING IN CONCERT**

5.1 There are no ‘Person Acting in Concert’ in relation to this Offer.

**6 DISCLOSURE IN TERMS OF REGULATION 21(3)**

6.1.1 As per the listing agreement (“Listing Agreement”) with the Bombay Stock Exchange Limited (“BSE”), the Target Company is required to maintain at least 25% Public shareholding on a continuous basis. Based on the statement of shareholding filed by ZLL with BSE as of March 31, 2009, the Public shareholding has been shown as 74.24% of the equity share capital of the Target Company, and includes 1,61,27,293 equity shares of the Target Company held by RLL. In addition, in a note to the shareholding pattern filed by ZLL with BSE, ZLL has stated that an opinion regarding the status of RLL as a shareholder is awaited and that once the opinion is received, the status may change. Following the completion of the Offer, and as a consequence of the shares acquired pursuant to the Offer, the Acquirer, together with RLL, may be regarded as persons belonging to the promoter group for purposes of the Regulations. Further, if the acquisition made in pursuance of the Offer results in the Public shareholding in the Target Company being reduced below the minimum level required under the Listing Agreement, then the Acquirer undertakes to use its best efforts to take necessary steps in consultation with the Target Company and BSE to facilitate compliance of the Target Company with the requirements of the Listing Agreement, by adopting one of the methods specified therein within the time period mentioned therein to ensure continuous listing of the Target Company.

**7 BACKGROUND OF THE TARGET COMPANY**

7.1 Zenotech Laboratories Limited is a public limited company with its registered and corporate office located at 8-2-120/112/88-89, Park View Estate, 4th Floor, Road No. 2, Banjara Hills, Hyderabad – 500034; Tel: +91-40-23540994; Fax: +91-40-23555465.

7.2 As per information received from the Target Company, ZLL was incorporated on June 15, 1989 as a private limited company by the name of MAA Shakti Mills Private Limited under the Companies Act, 1956. On April 1, 1992, its name was changed to Sunline Tubes Private Limited and on August 25, 1993 it was converted into a public limited company. Subsequently, on December 6, 2000 its name was changed to Sunline Technologies Limited. In 2004, the Target Company entered into a scheme of amalgamation with Zenotech Laboratories Private Limited (‘ZLPL’). The Hon’ble High Court of Andhra Pradesh sanctioned the scheme by its order dated July 1, 2004 with effect from November 1, 2003. Under this scheme of amalgamation, the Target Company’s name was changed to its present form, Zenotech Laboratories Limited on August 10, 2004. Further, 91,82,500 equity shares of the Target Company were allotted to shareholders of ZLPL, which included 86,90,000 shares allotted to Dr. Jayaram Chigurupati, Mrs. Padmasree Chigurupati and Zenotech Inc. (comprising 58.92% of the total paid up capital as on the date of allotment). Zenotech Inc., subsequently transferred the shares held by it to Zenotech LLC. Pursuant to these transactions, Dr. Jayaram Chigurupati, Mrs. Padmasree Chigurupati and Zenotech LLC became the promoters of the Target Company.

7.3 The Target Company had, pursuant to the provisions of Section 391 to 394 of the Companies Act, 1956 and with the approvals of the shareholders and secured creditors, entered into a Scheme of Amalgamation with M/s. Credence Pharmaceuticals Limited and M/s. Hemarus Healthcare Private Limited. The Hon’ble High Court of Andhra Pradesh at Hyderabad had sanctioned the Scheme of Amalgamation with effect from October 1, 2005 through its order dated May 2, 2006 and the same has been taken on record by the office of the Registrar of Companies, Andhra Pradesh, Hyderabad vide its letter dated December 29, 2006.

7.4 The Target Company commenced pharmaceutical operations in 2003. It is a specialty generic injectables company with expertise in the area of bio-technology. ZLL’s injectables product portfolio primarily serves niche therapy areas like oncology and anesthesiology.

7.5 As per the information provided in the Letter of Offer for the open offer made by Ranbaxy Laboratories Limited to the shareholders of the Target Company, the Target Company has R&D facilities in India and the U.S., and it has manufacturing facilities located near Hyderabad as follows:

**Nature of facility Address**

**1. Manufacturing facility Zenotech Laboratories Limited**

Survey No. 250-252 and 253,

Turkapally Village,

Shameerpet Mandal,

R. R. District - 500 078,

Andhra Pradesh, India

**2. R&D facility Zenotech Laboratories Limited**

Survey No. 250-252 and 253,

Turkapally Village,

Shameerpet Mandal,

R. R. District - 500 078,

Andhra Pradesh, India

**3. R&D facility Zenotech Inc. (a subsidiary of ZLL)**

1, Deer Park Drive, Suite H-6,

Monmouth Junction, NJ 08852, U.S.A

7.6 As per the information provided by the Target company, the Target Company has three subsidiaries, as follows:

**1. Zenotech Farmaceutica Do Brasil Limitada, Brazil**

**2. Zenotech Laboratories Nigeria Limited, Nigeria**

**3. Zenotech Inc., USA**

Currently, none of the above subsidiaries are operational.

7.7 Details of the capital structure of the Target Company, as on the date of Public Announcement, is as follows:

7.7.1 Share capital structure as on date of date of Public Announcement

The share capital structure of ZLL, as on the date of Public Announcement, is as under:

| Paid-up equity Shares of ZLL | No. of Shares/ voting rights | % of Shares/ voting rights |
|---|---|---|
| Fully paid-up equity shares | 34,425,000 | 100% |
| Partly paid-up equity shares | Nil | N/A |
| Total paid-up equity shares | 34,425,000 | 100% |
| Total voting rights in Target Company | 34,425,000 | 100% |

*Note: This does not include the outstanding employee stock options. Based on the information provided by the Target Company on July 24, 2010, we understand that there are 49,500 outstanding employee stock options as of date.*

*Source: Shareholding pattern as of March 31, 2010 filed with the BSE*

Fully diluted voting rights ('Emerging Voting Capital') of the Target Company, as on date of Public Announcement, is calculated as below:

| Particulars | No. of equity shares |
|---|---|
| Total fully paid-up equity shares outstanding as on date of Public Announcement | 34,425,000 |
| Total outstanding stock options as per the information available on date of Public Announcement which were eligible for conversion within 15 days of the close of the Offer | 5,000 |
| Emerging Voting Capital | 34,430,000 |

*It must be noted that based on the information available to us as of the date of the Public Announcement, 5,000 employee stock options had become eligible for conversion on July 17, 2009, and have been taken into account for calculation of Emerging Voting Capital (as above).*

*Furthermore, based on the information made available by the Target Company on July 24,2010, as on date, a total of 10,200 employee stock options are otherwise eligible for conversion within 15 days from the close of the Offer, however, the increase in the employee stock options otherwise eligible for conversion has not been taken into consideration to calculate the offer size, since the Board of Directors of ZLL has been restrained by the CLB to allot any shares against stock options granted under the ZLL Employees Stock Option Scheme, 2005, without the leave of the CLB until further orders. The next date of hearing for this matter is scheduled for September 15, 2010.*

7.7.2 As per the latest shareholding pattern filed by the Target Company with the BSE, as of March 31, 2010, the total equity share capital of the Target Company is Rs.34,42,50,000 (Rupees Thirty Four Crores Forty Two Lacs Fifty Thousand Only) consisting of 3,44,25,000 shares of Rs 10/- each.

7.7.3 There are no partly paid up shares in the Target Company.

7.8 Based on the information provided by the Target Company, there are no outstanding convertible instruments (warrants/FCDs/PCDs) etc. of ZLL as on date. Further, based on the information provided by the Target Company on July 24, 2010, a total of 49,500 employee stock options are outstanding as of date, of which 39,300 outstanding stock options are not eligible for conversion within 15 days from the close of the Offer. It must be noted that based on the information available to us as of the date of the Public Announcement, 5,000 employee stock options had become eligible for conversion on July 17, 2009, and have been taken into account for calculation of Emerging Voting Capital (as above). Further, based on the information made available by the Target Company on July 24, 2010, we understand that a total of 10,200 employee stock options are otherwise eligible for conversion within 15 days from the close of the Offer, however, the increase in the stock options otherwise eligible for conversion has not been taken into consideration to calculate the offer size, since the Board of Directors of ZLL has been restrained by the CLB from allotting any shares against stock options granted under the ZLL Employees Stock Option Scheme, 2005, without the leave of the CLB until further orders. The next date of hearing for this matter is scheduled for September 15, 2010

7.9 As per the information provided in the Letter of Offer for the open offer made by RLL to the shareholders of the Target Company, the build up of current share capital of ZLL is as follows:

| Date of Allotment | No.of shares issued | % of shares issued | Cumulative paid-up capital (Rs.) (Refer Note 4) | Mode of Allotment | Identity of Allotees (1) | Status of Compliance |
|---|---|---|---|---|---|---|
| 15-Jun-1989 | 400 | 0.001% | 4,000 | Subscribers to Memorandum | Ex-Promoters | Complied |
| 5-Jul-1989 | 5,645 | 0.02% | 60,450 | Preferential Allotment | Ex-Promoters | Complied |
| 5-Oct-1989 | 2,300 | 0.008% | 83,450 | Preferential Allotment | Ex-Promoters | Complied |
| 23-Dec-1989 | 49,000 | 0.17% | 573,450 | Preferential Allotment | Ex-Promoters | Complied |

| | | | | | | |
|---|---|---|---|---|---|---|
| 15-Mar-1990 | 21,000 | 0.07% | 783,450 | Preferential Allotment | Ex-Promoters | Complied |
| 15-Jun-1990 | 12,700 | 0.04% | 910,450 | Preferential Allotment | Ex-Promoters | Complied |
| 15-Sep-1990 | 1,500 | 0.005% | 925,450 | Preferential Allotment | Ex-Promoters | Complied |
| 14-Dec-1990 | 33,600 | 0.12% | 1,261,450 | Preferential Allotment | Ex-Promoters | Complied |
| 8-Mar-1991 | 23,000 | 0.08% | 1,491,450 | Preferential Allotment | Ex-Promoters | Complied |
| 14-Jun-1991 | 7,500 | 0.03% | 1,566,450 | Preferential Allotment | Ex-Promoters | Complied |
| 16-Sep-1991 | 3,355 | 0.01% | 1,600,000 | Preferential Allotment | Ex-Promoters | Complied |
| 19-Nov-1991 | 20 | 0% | 1,600,200 | Preferential Allotment | Ex-Promoters | Complied |
| 19-Feb-1992 | 30 | 0% | 1,600,500 | Preferential Allotment | Ex-Promoters | Complied |
| 10-Aug-1992 | 30,000 | 0.10% | 1,900,500 | Preferential Allotment | Ex-Promoters | Complied |
| 30-Dec-1992 | 83,000 | 0.29% | 2,730,500 | Preferential Allotment | Ex-Promoters | Complied |
| 26-Feb-1993 | 32,000 | 0.11% | 3,050,500 | Preferential Allotment | Ex-Promoters | Complied |
| 31-Mar-1993 | 20,500 | 0.07% | 3,255,500 | Preferential Allotment | Ex-Promoters | Complied |
| 31-Mar-1993 | 37,500 | 0.13% | 3,630,500 | Preferential Allotment | Ex-Promoters | Complied |
| 10-Aug-1993 | 450 | 0.002% | 3,635,000 | Preferential Allotment | Ex-Promoters | Complied |
| 6-Dec-1993 | 30,500 | 0.11% | 3,940,000 | Preferential Allotment | Ex-Promoters | Complied |
| 2-Mar-1994 | 27,000 | 0.09% | 4,210,000 | Preferential Allotment | Ex-Promoters | Complied |
| 26-May-1994 | 39,500 | 0.14% | 4,605,000 | Preferential Allotment | Ex-Promoters | Complied |
| 15-Sep-1994 | 19,000 | 0.07% | 4,795,000 | Preferential Allotment | Ex-Promoters | Complied |
| 9-Dec-1994 | 49,000 | 0.17% | 5,285,000 | Preferential Allotment | Ex-Promoters | Complied |
| 20-Feb-1995 | 27,500 | 0.10% | 5,560,000 | Preferential Allotment | Ex-Promoters | Complied |
| 29-Mar-1995 | 32,000 | 0.11% | 5,880,000 | Preferential Allotment | Ex-Promoters | Complied |
| 4-Jul-1995 | 30,500 | 0.11% | 6,185,000 | Preferential Allotment | Ex-Promoters | Complied |
| 7-Jul-1995 | 40,000 | 0.14% | 6,585,000 | Preferential Allotment | Ex-Promoters | Complied |
| 12-Aug-1995 | 15,500 | 0.05% | 6,740,000 | Preferential Allotment | Ex-Promoters | Complied |

| | | | | | | |
|---|---|---|---|---|---|---|
| 20-Sep-1995 | 41,500 | 0.14% | 7,155,000 | Preferential Allotment | Ex-Promoters | Complied |
| 9-Nov-1995 | 85,500 | 0.30% | 8,010,000 | Preferential Allotment | Ex-Promoters | Complied |
| 28-Dec-1995 | 66,000 | 0.23% | 8,670,000 | Preferential Allotment | Ex-Promoters | Complied |
| 7-Aug-1996 | 1,383,000 | 4.80% | 22,500,000 | Initial Public Issue | Ex-Promoters | Complied |
| 7-Aug-1996 | 3,500,300 | 12.15% | 57,503,000 | Initial Public Issue | Others | Complied |
| 20-Mar-2000 | 3,430,400 | -11.91% | 23,199,000 | Forfeited due to non-payment of allotement monies | Others | Complied |
| 23-Dec-2003 | 3,122,500 | 10.84% | 54,424,000 | Re-issue of forfeited shares | Others | Complied |
| 19-Aug-2004 | 125,000 | 0.43% | 55,674,000 | Re-issue of forfeited shares | Others | Complied |
| 25-Aug-2004 | 6,886,800 | 23.90% | 124,542,000 | Under Scheme of Amalgamation | Promoters & Others (Refer Note 2) | Complied |
| 25-Aug-2004 | 2,295,700 | 7.97% | 147,499,000 | Under Scheme of Amalgamation | Promoters & Others (Refer Note 2) | Complied |
| 26-Jan-2005 | 113,900 | 0.40% | 148,638,000 | Re-issue of forfeited shares | Others | Complied |
| 26-Jan-2005 | 69,000 | 0.24% | 149,328,000 | Re-issue of forfeited shares | Others | Complied |
| 4-Apr-2005 | 200,000 | 0.69% | 151,328,000 | Allotment against Warrrants | Promoters | Complied |
| 23-May-2005 | 300,000 | 1.04% | 154,328,000 | Allotment against Warrrants | Promoters | Complied |
| 31-Aug-2005 | 250,000 | 0.87% | 156,828,000 | Allotment against Warrrants | Promoters | Complied |
| 17-Jul-2006 | 11,127,664 | 38.62% | 268,104,640 | Under Scheme of Amalgamation | Promoters & Others (Refer Note 3) | Complied |
| 25-Aug-2006 | 2,000,000 | 6.94% | 288,104,640 | Preferential Allotment | RLL | Complied |
| 23-Nov-2007 | 5,489,536 | 15.93% | 343,000,000 | Preferential Allotment | RLL | Complied |

*Notes:*

*[1] Ex-Promoters mean and include promoters of the Target Company, who held majority shareholding prior to the Scheme of Amalgamation sanctioned by the Hon'ble Andhra Pradesh High Court by its order dated July 1, 2004 between the Target Company and Zenotech Laboratories Private Limited; Promoters mean and include the existing promoters i.e. Dr. Jayaram Chigurupati, Mrs. Padmashree Chigurupati and Zenotech LLC*

*[2] Pursuant to the scheme of amalgamation approved by Hon'ble High Court, Andhra Pradesh by its order dated July 1, 2004, between the Target Company and ZLPL, 91,82,500 Shares were issued to the erstwhile shareholders of Zenotech Laboratories Private Limited, which included 86,90,000 Shares issued to the Promoters and the remaining erstwhile shareholders are classified as Others*

*[3] Pursuant to the scheme of amalgamation approved by Hon'ble High Court, Andhra Pradesh by its order dated May 2, 2006, between the Target Company, M/s. Credence Pharmaceuticals Limited and M/s.Hemarus Healthcare Private Limited, the erstwhile shareholders of M/s. Credence Pharmaceuticals and M/s. Hemarus Healthcare Private Limited were allotted 1,11,27,664 Shares, which included 94,39,474 shares issued to the Promoters and the remaining erstwhile shareholders are classified as Others*

*[4] This column does not include the value of stock options outstanding. If all the stock options outstanding as at the date of the PA were exercised, the number of shares outstanding of the Target Company would have been 2,89,75,464 and the equity capital would have been Rs. 28,97,54,640.*

Further, based on the information available on the website of the BSE:

On January 30, 2008, 50,000 equity shares of the Target Company were allotted against 50,000 stock options, which were granted under Zenotech Employee Stock Option Scheme, 2005. As a result of above issue, the issued and paid-up share capital of the Company stood increased to Rs 3,435.00 lakhs from Rs 3,430.00 lakhs.

On June 30, 2008, 25,000 equity shares of the Target Company were allotted against the 25,000 options, which were granted under Zenotech Employee Stock Option Scheme, 2005. As a result of above issue, the issued and paid-up share capital of the Company stood increased to Rs 3,442.50 lacs from Rs 3,440.00 lakhs.

7.10 The shares of the Target Company are presently listed on the BSE. Based on the information available on the website of the BSE, the equity shares of the Target Company are frequently traded on BSE within the meaning of Regulation 20(5) of the Regulations. Further, the shareholders of the Target Company had, in their general meeting held on September 29, 2005, approved the de-listing of the shares of the Target Company from the Calcutta Stock Exchange Association of India Limited ('CSE'). As per information received from the Target Company, pursuant to a letter dated July 18, 2008, received from CSE, the shares of the Target Company have been de-listed from the said stock exchange.

7.11 As per the information available in the public domain and as confirmed by the Target Company, the shares of the Target Company have not been suspended from trading on BSE. Further, as per the information provided in the Letter of Offer for the open offer made by RLL to the shareholders of the Target Company and as confirmed by the Target

Company, trading of the shares of the Target Company has never been suspended from BSE or CSE and no penal/ punitive actions have been taken against the Target Company by BSE or CSE.

7.12 As per the information provided in the Letter of Offer for the open offer made by RLL to the shareholders of the Target Company and the information provided by the Target Company, the Promoters and the Target Company have complied with the applicable provisions of Chapter II of SEBI Takeover Code except that there were four delays, as detailed below:

| **Sl. No.** | **Regulation / Sub-regulation** | **Due date for compliance as mentioned in the regulation** | **Actual date of compliance** | **Delay, if any (in no. of days) Col. 4 – Col. 3** | **Remarks** |
|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** |
| 1 | 8(3) | 30.04.2001 | 18.10.2002 | 536 | See Note |
| 2 | 8(3) | 30.04.2002 | 18.10.2002 | 171 | See Note |
| 3 | 8(3) | 30.04.2003 | 16.05.2003 | 16 | See Note |
| 4 | 8(3) | 30.04.2008 | 27.12.2008 | 241 | |

*Note: The Promoters took over the management of the Company on August 25, 2004 by virtue of shares allotted pursuant to the amalgamation scheme between ZLPL and the Target Company. All information on statutory compliances prior to this period is based on information available with the Target Company through statutory records and documents submitted to various regulatory authorities. At the time of the above non-compliances, the promoters of the Target Company were Mrs. K.Rajeswari and Mrs. P.Varalakshmi*

7.13 Based on the information provided by the Target Company, the details of the Directors of ZLL and their addresses are as listed below:

| **Name and Designation** | **Appointment Date** | **Residential Address** |
|---|---|---|
| Dr. Jayaram Chigurupati<br>Managing Director | 31-Oct-03 | Plot No. 770E,<br>Road No. 44, Jubilee Hills,<br>Hyderabad – 500033 |
| Justice A. Gopal Rao<br>Independent Director | 26-Feb-10 | Flat No.207, JB Apartments,<br>H.No.1-2-282, Street No.7,<br>Gaganmahal,<br>Hyderabad – 500029 |
| Mr. A. Raghu Vasu<br>Independent Director | 26-Feb-10 | Flat No.101, Jhansi Residency,<br>6-3-347/22/B, Plot No. 181,<br>Dwarakapuri Colony, Punjagutta,<br>Hyderabad- 500082 |

A brief profile of each of the directors of the Target Company is given below:

**Dr. Jayaram Chigurupati**

Dr. Jayaram Chigurupati in an MBA from Cornell University (1994) and a PhD in bio chemical genetics(1988). Dr. Chigurupati has had a distinguished career in both science and industry and has been associated with recombinant proteins and bio-generics for the past eight years. Earlier, Dr. Chigurupati was an Associate Consultant with The Wilkerson Group, New York and a Technology Transfer Consultant at the Center of Advanced Technology, Cornell University, Ithaca, New York. He was also a founder and Vice President of Viral Therapeutics Inc, New York, where his responsibilities included development and marketing of recombinant proteins for therapeutic and diagnostic use. Dr. Chigurupati was also the Executive Vice President of Emerging Businesses (Biotechnology, Oncology and Diagnostics) and International Branded Formulations Marketing at Dr Reddy's Laboratories Limited. He was instrumental in establishing Dr Reddy's presence in many emerging markets of the world. He was also the Managing Director of Zenovus Biotech (a wholly owned subsidiary of Dr. Reddy's). In addition to Zenotech Laboratories, Dr. Chigurupati is also a Director in Hemarus Therapeutics Limited, Credence Infrastructure Limited, Credence Power Projects Limited, Hemarus Technologies Limited, Greenland Power Projects Limited, Credence Energy Systems Private Limited, Costal Local Area Bank Limited and Hemarus Biologicals Limited.

**Justice A. Gopal Rao**

Hon'ble Sri Justice A. Gopal Rao was born on 15/07/1934 at Chennai, passed B.Sc., L.L.B. Science graduate from the Presidency College, Chennai. Law degree from the Osmania University in the year 1958. Enrolled as an Advocate of High Court of Andhra Pradesh in the year 1959. Practiced with his father up to 1972 after that independently practiced. Appointed as permanent Judge of High Court of Andhra Pradesh on 25/11/1991 and retired on 15/07/1996.

Worked as Chairman of AP Administrative Tribunal, Hyderabad from Aught 1996 to August, 1999. Worked as Chairman of the Special Court under AP Land Grabbing (Prohibition) Act from February, 2006 to February, 2008. Now acting as Arbitrator in matters arising under Arbitration and Conciliation Act.

**Mr. A. Raghu Vasu**

Academic qualifications in Business management with special emphasis on Finance & Systems, and a bachelor's degree in law.

More than 10 years of work experience in middle and senior management levels and directly responsible for managing multi-center operations and supervision over a few hundred employees.

7.14 As per the information provided by the Target Company, the details of mergers / de-mergers / spin-offs during the last three years of the Target Company are as follows:

There were no mergers / de-mergers / spin-offs during the last three years.

7.15 The key stand-alone financials for the Target Company are as under:

| **Profit & Loss Statement** | ***Rs. Lakhs*** | ***Rs. Lakhs*** | ***Rs. Lakhs*** | ***Rs. Lakhs*** |
|---|---|---|---|---|
| | **31-Mar-07** | **31-Mar-08** | **31-Mar-09** | **9 months ended Dec 2009** |
| Net sales | 1,302 | 824 | 602 | 434 |
| License Fee | 900 | - | - | - |
| Other income | 29 | 217 | 515 | 187 |
| Total income | 2,231 | 1,040 | 1,118 | 621 |
| Total expenditure | 1,658 | 1,581 | 2,199 | 1,004 |
| Profit before depreciation and amortization, | 573 | (540) | (1,082) | (383) |
| interest and tax | | | | |
| Depreciation | 182 | 290 | 294 | 241 |
| Amortization | 91 | 133 | 119 | 90 |
| Depreciation and Amortization | 273 | 424 | 413 | 331 |
| Interest | 211 | 271 | 202 | 156 |
| Exceptional Items | - | - | 465 | - |
| Profit before tax | 89 | (1,235) | (2,162) | (870) |
| Less: Provision for Tax | (274) | 235 | 5 | - |
| Profit After Tax | 362 | (1,470) | (2,167) | (870) |

| **Balance Sheet Statement** | *Rs. Lakhs* | *Rs. Lakhs* | *Rs. Lakhs* | *Rs. Lakhs* |
|---|---|---|---|---|
| | **31-Mar-07** | **31-Mar-08** | **31-Mar-09** | **9 months ended Dec 2009** |
| **Sources of funds** | | | | |
| Paid up share capital | 2,881 | 3,435 | 3,443 | 3,443 |
| Reserves excl revaluation reserve | 3,333 | 11,597 | 11,642 | 11,642 |

| | | | | |
|---|---|---|---|---|
| Profit & Loss Account | (226) | (1,701) | (3,868) | (4,738) |
| Net worth | 5,988 | 13,331 | 11,216 | 10,346 |
| Secured loans | 3,043 | 1,735 | 1,637 | |
| Unsecured loans | 248 | 125 | 23 | |
| Deferred Tax Liability/ (Asset) | (229) | - | - | |
| **Total** | 9,051 | 15,191 | 12,877 | |
| **Uses of funds** | | | | |
| Net fixed assets | 6,767 | 7,147 | 8,434 | |
| Investments | 226 | 226 | 106 | |
| Net current assets | 1,533 | 7,426 | 4,065 | |
| Total miscellaneous expenditure not written off | 525 | 391 | 272 | 182 |
| **Total** | **9,051** | **15,191** | **12,877** | |

| **Other Financial Data** | *Rs. Lakhs* | *Rs. Lakhs* | *Rs. Lakhs* | *Rs. Lakhs* |
|---|---|---|---|---|
| | **31-Mar-07** | **31-Mar-08** | **31-Mar-09** | **9 months ended Dec 2009** |
| Dividend (%) | Nil | Nil | Nil | |
| Earning Per Share (basic/ diluted) | 1.29 | (4.78) | (6.30) | (1.78) |
| Return on Net worth (1) | 6.63% | -11.36% | -19.80% | -8.56% |
| Book Value Per Share (2) | 18.96 | 37.67 | 31.79 | 29.53 |

*(Source: BSE and Annual Reports of ZLL for financial years ended March 31, 2007, March 31, 2008 and March 31, 2009)*

*As per information provided by the Company, the Un-audited results for 9 months ended December 31, 2009 have only been approved by the Board of Directors.*

Notes:

(1) Return on net worth has been calculated by dividing the profit after tax of the period by the closing net worth of the period less the miscellaneous expenditure to the extent not written off pertaining to the period.

(2) Book value per share has been calculated by dividing the closing net worth of the period less miscellaneous expenditure to the extent not written off pertaining to the period by the total number of shares outstanding at end of the period

Significant Accounting policies of the Target Company, as mentioned in the audited financial statements for the year ended March 31, 2009 are reproduced below:

Basis of Accounting:

The financial statements have been prepared under historical cost convention, in accordance with the generally accepted accounting principles in India and in accordance with Accounting Standards as notified by Companies (Accounting Standards) Rules 2006.

Fixed assets:

Fixed Assets are carried at cost of acquisition or construction less accumulated depreciation. The actual cost capitalized comprises of cost of acquisition of the asset, clearing charges in case of imported assets, duties, taxes, and other incidental expenditure incurred for acquiring the assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized.

Depreciation:

Depreciation on fixed assets is provided on the straight-line method and at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956, except in respect of improvements to leasehold premises, where depreciation is charged over the lease period.

Product development expenditure:

Expenses on personnel, consultancy, material, overhead costs and depreciation on assets procured for Product development activities are treated as deferred revenue expenditure and amortized over five years form the date revenue is generated from the respective products. All other revenue expenditure is expensed as incurred and capital expenditure incurred on Product development is capitalized as fixed assets and depreciated in accordance with depreciation policy of the Company.

Foreign Currency Translations:

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of transaction. Monetary assets and liabilities related to foreign currency transactions remaining unsettle at the end of the year are translated at year end rates. The difference in translation of monetary assets and liabilities and realized gains and losses to foreign exchange transactions are recognized in Profit and Loss account.

Investments:

Long term investments are stated at cost of acquisition. Provision for dimunition in the value of long term investments other than temporary is made in the accounts.

Inventories:

Inventories are valued at the lower of cost and net realizable value. Cost of inventories comprises all cost of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition. The method of determining cost of various categories is as below:

(i) Raw material, packing materials, Stores and spares – First – in – First Out method.

(ii) Finished goods, and Work-in-process – Weighted Average method, which comprises direct material costs and appropriate overheads.

Retirement benefits:

Liability for employee benefits, both short and long term, for present and past services which are due as per terms of employment are recorded in accordance with Accounting Standard (AS) 15 " Employee Benefits" as notified by the Companies (Accounting Standards) Rules, 2006.

i) Gratuity

In accordance with the Payment of Gratuity Act, 1972 the Company provides for Gratuity covering its eligible employees. The liability is unfunded.

Liability on account of Gratuity is -

- determined and charged to Profit and Loss account on the basis of valuation by an independent Actuary.

ii) Provident Fund

Contribution to Provident Fund (a defined contribution plan) is recognized and expensed on accrual basis.

iii) Compensated Absences

Leave liability is determined and charged to Profit and Loss account on the basis of valuation by an independent Actuary.

Revenue Recognition:

Sale of goods is recognized at the point of dispatch of finished goods to customers. Sales include amount recovered towards excise duty but excludes sales tax and is net of sales returns.

Service income is recognized as per the terms of the contract with customers when the related services are performed.

Income from interest on deposits is recognized on time proportionate basis.

Taxes on income:

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Leases:

The Company's significant leasing arrangements are in respect of operating leases for office premises. The leasing arrangements which are not cancelable range between 11 months to 5 years are generally and usually renewable by mutual consent on agreed terms. The aggregate lease rents payable are charged as rent in the profit and loss account.

Miscellaneous expenditure:

Written off over a period of five years or the period over which the benefit of the expenditure is expected to be derived.

7.16 As per the information provided in the Letter of Offer for the open offer made by RLL to the shareholders of the Target Company, the analysis of the financial performance of the Target Company during the financial year ended March 31, 2007 is given below. The analysis for the financial years ended March 31, 2008 and March 31, 2009 is based on the Annual reports for the corresponding years:

**FY2006-07:**

Total income increased during the year from Rs. 1,246 lakhs for the financial year ended March 31, 2006 to Rs. 2,231 lakhs for the financial year ended March 31, 2007 largely due to license fees earned from RLL amounting to Rs. 900 lacs. In addition to this revenue growth, recognition of deferred tax asset during the year contributed to the profit after tax of Rs. 363 lakhs as compared to a loss of Rs. 74 lakhs in financial year ended March 31, 2006.

**FY2007-08:**

Revenues for the year were Rs. 1073.93 lakhs as against the previous year revenues of 2,294.13 lakhs. The Company had an operating loss of Rs. 1,929.97 lakhs for the year as against a operating profit (PBDIT) of Rs.573.32 lacs of previous year and the net loss after tax is Rs.1,474.76 lakhs as against a net profit of Rs. 362.47 lakhs of previous year. During the current year under review, the Company has reversed the deferred Tax Assets, worth of Rs.893.03 lakhs, which was recognized in the previous year on carried forward business losses and unabsorbed depreciation, basing on the assumption that, it would make adequate profits in future and would realize the same. As a result, apart from the decrease in turnover, the aforementioned fact has also increased the loss of the Company for the year as was reported.

**FY2008-09:**

Revenues for the year were Rs. 1170.41 lakhs as against the previous year revenues of 1073.93 lakhs. The Company had an operating loss of Rs. 1,081.69 lakhs for the year as against operating loss of Rs.1930.12 lakhs of previous year and the net loss after tax is Rs.2167.07 lakhs as against a net loss of Rs. 1474.76 lakhs of previous year. The Company's ability to generate funds from operating activities, including product sales, equity funds and debt financing from its financial institutions and others are expected to provide sufficient liquidity to meet its expansion/modernization and Research and Development programs and working capital needs of the Company.

We do not have any audited financial information for analyzing the financial performance for FY2009-10

7.17 Based on the shareholding pattern as of March 31, 2010 provided by the Target Company, the equity shareholding in the Target Company before the Offer and after the Offer (assuming full acceptances in the Offer) is given in the table below:

Equity shareholding in the Target Company before the Offer and after the Offer:

*As on the date of the Offer*

| Shareholders' category | Shareholding & voting rights prior to the Offer | | Shares /voting rights agreed to be acquired which triggered off the Regulations | | Shares/voting rights to be acquired in Open Offer (Assuming full acceptances) | | Share holding / voting rights after the Offer. i.e. | |
|---|---|---|---|---|---|---|---|---|
| | (A) | | (B) | | (C) | | (A)+(B)+(C)=(D) | |
| | No. | % | No. | % | No. | % | No. | % |
| (1) Promoter Group | | | | | | | | |
| a. Parties to agreement, if any | - | - | - | - | - | - | - | - |
| b. Promoters other than (a) above** | 88,18,238 | 25.62% | - | - | * | * | * | * |
| Total 1(a+b) | 88,18,238 | 25.62% | - | - | * | * | * | * |
| (2) Acquirers | | | | | | | | |
| a. Acquirer + RLL # | 1,61,27,293 | 46.85% | | - | 68,86,000 | 20% | 2,30,13,293 | 66.85% |
| b. PAC | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Total 2(a+b) | | | | | | | | |
| (3) Parties to agreement other than(1) (a) & (2) | | | - | - | - | - | | |
| (4) Public (other than the Acquirer & PAC) | 94,79,469 | 27.54% | - | - | * | * | * | * |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (a) (1) Financial Institutions/ Banks: | 150 | 0.00% | - | - | * | * | * | * |
| (a) (2) Central Government / State Government(s) | 1,11,000 | 0.32% | - | - | * | * | * | * |
| (a)(3) Foreign Institutional Investors: | 38,200 | 0.11% | - | - | * | * | * | * |
| (b) Others | 93,30,119 | 27.10% | - | - | * | * | * | * |
| <u>Total (4)(a+b)</u> | 94,79,469 | 27.54% | - | - | * | * | * | * |
| GRAND TOTAL (1+2+3+4) | 3,44,25,000 | 100% | - | - | 68,86,000 | 20% | 3,44,25,000 | 100% |

Notes

* The entire 20% shares of the Target Company envisaged to be acquired by the Acquirer would be from the categories of the shareholders mentioned in 1(b) and 4(a) and 4(b) above and therefore the post offer holding of these shareholders are not ascertainable at this stage and would depend on the quantum of acceptance received from them.

# The aforementioned disclosure is based on the statement of shareholding filed by ZLL as of March 31, 2010 with the BSE. The Public shareholding has been shown as 74.38% of the equity share capital of the Target Company, and includes 1,61,27,293 equity shares of the Target Company held by RLL. However, for purposes of the above, since RLL has become a subsidiary of the Acquirer with effect from October 20, 2008 and the Offer is being made as a result of an indirect acquisition of shares and voting rights by the Acquirer, shares held by RLL in the Target Company have been set out together with the shares that may be directly acquired pursuant to the Offer by the Acquirer.

** As per the information received from the target company, for the quarter ending June 30, 2010, the Promoters holding as per 1(b) above is 87,43,038 shares or 25.4% of the equity share capital of the Target Company. Please refer para 7.18 for greater details.

7.18 As per the information provided in the Letter of Offer for the open offer made by Ranbaxy Laboratories Limited to the shareholders of the Target Company, the details of change in shareholding of the **promoters** in the Target Company as well as the status of compliance is as follows:

**Name of the Promoter: Dr. Jayaram Chigurupati**

| Date of Transaction | Particulars | Shares purchased | Shares sold | Total holding of promoter | % to Total Shares of Company | Status of compliance |
|---|---|---|---|---|---|---|
| Dec 20, 2003 | Purchased in Open Market | 62,600 | - | 62,600 | 2.70% | Complied |
| During 2004 | Sold in Open Market | - | 17,500 | 45,100 | 0.31% | Complied |
| Aug 25, 2004 | Allotted pursuant to Amalgamation | 6,277,000 | - | 6,322,100 | 42.86% | Complied |
| 04 Apr, 2005 | Allotted pursuant to exercise of options | 200,000 | - | 6,522,100 | 43.10% | Complied |
| 23 May, 2005 | Allotted pursuant to Exercise of options | 300,000 | - | 6,822,100 | 44.21% | Complied |
| 31 Aug, 2005 | Allotted pursuant to exercise of options | 250,000 | - | 7,072,100 | 45.09% | Complied |
| During 2005 | Sold in Open Market | - | 2,114,448 | 4,957,652 | 31.61% | Complied |
| Jul 17, 2006 | Allotted pursuant to amalgamation of CPL and HHPL with ZLL | 6,379,474 | - | 11,337,126 | 42.29% | Complied |
| During 2006 | Sold in Open Market | - | 356,220 | 10,980,906 | 37.90% | Complied |

**Name of the Promoter: Mrs. Padmashree Chigurupati**

| Date of Transaction | Particulars | Shares purchased | Shares sold | Total holding of promoter | % to Total Shares of Company | Status of compliance |
|---|---|---|---|---|---|---|
| Aug 25, 04 | Allotted pursuant to Amalgamation | 500 | - | 500 | 0.00% | Complied |
| Jul 17, 06 | Allotted pursuant to Amalgamation | 3,060,000 | - | 3,060,500 | 10.56% | Complied |

**Name of the Promoter: Zenotech LLC**

| Date of Transaction | Particulars | Shares purchased | Shares sold | Total holding of promoter | % to Total Shares of Company | Status of compliance |
|---|---|---|---|---|---|---|
| Oct 03, 05 | Transferred from Zenotech Inc. | 2,412,500 | 0 | 2,412,500 | 8.33% | Complied |

Further, as per the information provided by the Target Company, the shareholding of each of the Promoters as on June 30, 2010 is given below:

| Name of the Promoter | Total holding of the promoter | % to Total Shares of Company (as on June 30, 2010) |
|---|---|---|
| Dr. Jayaram Chigurupati | 3,270,038 | 9.50 |
| Mrs. Padmasree Chigurupati | 3,060,500 | 8.89 |
| Zenotech LLC | 2,412,500 | 7.01 |

## 7.19 Corporate Governance

The following are the relevant details with regards to ZLL's compliance with the provisions of Corporate Governance.

As per the information provided in the Letter of Offer for the open offer made by Ranbaxy Laboratories Limited to the shareholders of the Target Company, the Target Company had confirmed vide its letter dated October 17, 2007 that it is in compliance with regard to corporate governance under Clause 49 of the Listing Agreement with Stock Exchanges. Further, Mr G. Mahesh, Partner, G.P. Associates, Company Secretaries, have certified that in their opinion and to the best of the information and according to the explanations given to them, and the representations by the directors and the management, Zenotech Laboratories Limited has complied with the conditions of Corporate Governance as stipulated in the Listing Agreement. The Corporate Governance Report and the certificate forms a part of the Annual Report of ZLL for the year ended March 31, 2007.

Further for the year ended March 31, 2008, Mr. K. Ramesh Babu, Practicing Company Secretary, have certified that in their opinion and to the best of the information and according to the explanations given to them, and the representations by the directors and the management, Zenotech Laboratories Limited has complied with the conditions of Corporate Governance as stipulated in the Listing Agreement. The Corporate

Governance Report and the certificate forms a part of the Annual Report of ZLL for the year ended March 31, 2008.

Further for the year ended March 31, 2009, Mr. K. Ramesh Babu, Practicing Company Secretary, have certified that in their opinion and to the best of the information and according to the explanations given to them, and the representations by the directors and the management, Zenotech Laboratories Limited has not complied with the conditions of Corporate Governance as stipulated in the Listing Agreement. The Corporate Governance Report and the certificate forms a part of the Annual Report of ZLL for the year ended March 31, 2009.

7.20 As per the information provided in the Letter of Offer for the open offer made by RLL to the shareholders of the Target Company, there is no pending material litigation by or against the Target Company as on the date of Public Announcement by RLL to the shareholders of the Target Company i.e. October 5, 2007. However, as stated in para 4.19 (e) to (i), the Target Company is a party to the petitions filed before Company Law Board, Chennai.

7.21 As per the information provided by the Company, currently there is no compliance officer in the Company. Other details are as below: Dr. Jayaram Chigurupati, Managing Director, Zenotech Laboratories Limited, 8-2-120/112/88-89, Park View Estate, 4th Floor, Road No.2, Banjara Hills, Hyderabad-500034; Phone: +91-40-23540994; Fax: +91-40-23555465; e-mail: investorrelations@zenotechlabs.com

## 8 OFFER PRICE

8.1 Justification of Offer Price

8.1.1 The shares of the Target Company are currently listed on the BSE Stock Code: 532039. It is traded under permitted category. The shares of the Target Company have been de-listed from the CSE as detailed in para 7.10 above.

8.1.2 Based on the information available on the website of BSE, the shares of the Target Company are frequently traded on BSE within the meaning of explanation (i) to Regulation 20(5) of the Regulations.

| Date | Name of Stock Exchange | Total no. of shares traded during the 6 calendar months prior to the month in which PA was made (taken | Total no. of listed shares during the 6 calendar months prior to the month in which PA was | Annualized Trading Turnover (in terms of % of total listed | Trading Status in terms of SEBI (SAST) Regulations |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| | | annualized) | made [weighted average number of shares] | shares) | |
| July 1 , 2008 to December 31, 2008 | BSE | 97,72,034 | 3,44,25,000 | 28.39% | Frequently Traded |

8.1.3 The Offer Price of Rs. 113.62 per equity share is justified in terms of Regulation 20(4) the SEBI (SAST) Regulations as it is the higher of the following*:

| | | |
|---|---|---|
| i. | The negotiated price under the SPSSA#. | N.A. |
| ii. | Highest Price paid by Acquirer for any acquisition (including by way of allotment in a public or rights or preferential issue) during the 26-weeks prior to the date of the public announcement to shareholders of RLL. | N.A. |
| iii. | The average of the weekly high and low of the closing prices of shares of the Target Company on BSE during the 26 weeks period preceding the date of public announcement to shareholders of RLL. | Rs.113.62 |
| iv. | The average of the daily high and low prices of the shares of the Target Company on BSE during the 2 weeks period preceding the date of public announcement to shareholders of RLL. | Rs.103.51 |
| v. | Highest Price paid by Acquirer for any acquisition (including by way of allotment in a public or rights or preferential issue) during the 26-weeks prior to the date of the Public Announcement. | N.A. |
| vi. | The average of the weekly high and low of the closing prices of shares of the Target Company on BSE during the 26 weeks period preceding the date of the Public Announcement. | Rs 106.03 |
| vii. | The average of the daily high and low prices of the shares of the Target Company on BSE during the 2 weeks period preceding the date of the Public Announcement. | Rs 109.52 |

**Regulation 20(12) of the Regulations states that the offer price for indirect acquisition or control shall be determined with reference to the offer price computed, in accordance with Regulation 20(4) or 20(5) based on the date of the public announcement for the parent company and the date of public announcement for acquisition of shares of the target company, whichever is higher.*

*# The Acquirer has not paid any negotiated price to acquire any shares of the Target Company (whether directly or indirectly), including, without limitation, under the SPSSA.*

8.1.4 The Offer being made pursuant to an indirect substantial acquisition of shares and voting rights in the Target Company, the Offer Price has been determined in accordance with Regulations 14(4), 20(4), 20(12) and 20 (5) of the Regulations. Based on the information available in the public domain and in terms of Regulation 20(5) of the Regulations, the shares of the Target Company are frequently traded on the BSE and therefore, for purposes of computing the Offer Price, only the provisions of Regulation 20(4) read with Regulation (12) and Regulation 14(4) were considered. In connection with the determination of the Offer Price, the following facts were considered:

8.1.5 On June 11, 2008, the Acquirer entered into a SPSSA with (i) Mr. Malvinder Mohan Singh; (ii) Mr. Shivinder Mohan Singh; and (iii) Others (collectively referred to as the "Sellers") and RLL to acquire 129,934,134 fully paid up equity shares of RLL (the "Sale Shares") representing 30.91% of the current issued, subscribed and fully paid up equity share capital of RLL and to subscribe to 46,258,063 fully paid-up equity shares having a face value of Rs 5/- each representing in the aggregate 11.00% of the current issued, subscribed and fully paid up equity share capital of RLL and 23,834,333 warrants of RLL, each warrant exercisable for one equity share of RLL, in each case, at a price of Rs. 737/- per equity share. Pursuant to the signing of the SPSSA, the Acquirer had made an offer to the remaining shareholders (other than the Sellers) of RLL to acquire up to 92,519,126 fully paid-up equity shares of face value Rs. 5/- each representing in the aggregate 22.01% of the current issued, subscribed and fully paid up equity share capital of RLL ("RLL Offer");

8.1.6 As on June 11, 2008, the Acquirer was not acting in concert with any persons for purposes of the Regulations

8.1.7 On October 20, 2008, the Acquirer: (i) acquired 81,913,234 equity shares of RLL from the Sellers; (ii) was issued and allotted 46,258,063 equity shares along with 23,834,333 warrants by RLL; and (iii) together with the shares acquired pursuant to the RLL Offer and the transactions mentioned in clauses (i) and (ii) above of this paragraph, held 220,690,423 equity shares in RLL, representing in the aggregate 52.5% of the issued, subscribed and fully paid up equity share capital of RLL as on October 20, 2008. As a result of the above, on October 20, 2008, the Acquired control in RLL and it became a subsidiary of the Acquirer

8.1.8 As stated in Para 2.1.4 above, as of October 20, 2008, RLL held 46.85% of the equity share capital of ZLL and, as a result of the Acquirer's acquisition/subscription in RLL, on October 20, 2008, the Acquirer indirectly acquired 46.85% of the then issued and outstanding equity share capital of ZLL, resulting in an indirect substantial acquisition of shares and voting rights in the Target Company for purposes of the Regulations

8.1.9 The acquisition being indirect, in terms of Regulations 10 and 12, read together with Regulation 14(4), the Acquirer, through the Manager to the Offer, made a public announcement to the shareholders of the Target Company within three months from the date of change in control in RLL, which occurred on October 20, 2008

8.1.10 In view of the above and in accordance with Regulation 14 (4), Regulation 20 (12) read with Regulation 20 (4), the Offer Price has been determined based on two reference dates (i.e., June 16, 2008 (date of public announcement to shareholders of RLL, the company which directly holds substantial number of shares (46.85% equity stake) in the Target Company) and January 19, 2009 the date of Public Announcement by the Acquirer to the shareholders of the Target Company as mandated by Regulation 20 (12).

8.1.11 As on June 16, 2008 (being the date of the public announcement for RLL), there was no negotiated price paid by the Acquirer for the shares of ZLL and neither the Acquirer nor any 'person acting concert' with the Acquirer had acquired any shares of ZLL in the twenty-six week period prior to June 16, 2008. As a result, only the average of the weekly high and low of the closing prices of shares of ZLL on BSE during the 26 weeks period preceding the date of public announcement to shareholders of RLL and the average of the daily high and low prices of the shares of ZLL on BSE during the 2 weeks period preceding the date of public announcement of shareholders to RLL, being Rs. 113.62 and Rs. 103.51, respectively, were considered for computations in terms of Regulation 20 (4).

8.1.12 Similarly, as on January 19, 2009 (being the date of the public announcement by the Acquirer for ZLL) there was no negotiated price paid by the Acquirer for the shares of ZLL and neither the Acquirer nor any 'person acting in concert' with the Acquirer had acquired any shares of ZLL in the twenty-six week period prior to January 19, 2009. As a result, only the average of the weekly high and low of the closing prices of shares of ZLL on BSE during the 26 weeks period preceding the date of public announcement to shareholders of ZLL and the average of the daily high and low prices of the shares of ZLL on BSE during the 2 weeks period preceding the date of public announcement to shareholders of ZLL, being Rs. 106.03 and Rs. 109.52, respectively, were considered for computations in terms of Regulation 20 (4).

8.1.13 The price and volume data of the Target Company on BSE preceding the date of the Public Announcement is as under:

**26 weeks weekly high/ low**

| Week No | Week ending | High (Rs) | Low (Rs) | Average (Rs) | Volume for the week |
|---|---|---|---|---|---|
| 1 | Friday, July 25, 2008 | 102.70 | 100.75 | 101.73 | 54,463 |
| 2 | Friday, August 01, 2008 | 115.30 | 102.30 | 108.80 | 1,71,670 |
| 3 | Friday, August 08, 2008 | 114.50 | 109.05 | 111.78 | 2,94,847 |
| 4 | Friday, August 15, 2008 | 109.75 | 107.40 | 108.58 | 84,977 |
| 5 | Friday, August 22, 2008 | 113.65 | 110.20 | 111.93 | 98,535 |
| 6 | Friday, August 29, 2008 | 112.05 | 110.75 | 111.40 | 95,711 |
| 7 | Friday, September 05, 2008 | 128.05 | 113.00 | 120.53 | 4,73,102 |
| 8 | Friday, September 12, 2008 | 126.25 | 118.45 | 122.35 | 2,01,335 |
| 9 | Friday, September 19, 2008 | 123.85 | 119.75 | 121.80 | 2,37,554 |
| 10 | Friday, September 26, 2008 | 124.15 | 120.85 | 122.50 | 1,76,710 |
| 11 | Friday, October 03, 2008 | 131.75 | 116.55 | 124.15 | 7,02,095 |
| 12 | Friday, October 10, 2008 | 120.70 | 107.25 | 113.98 | 5,24,612 |
| 13 | Friday, October 17, 2008 | 112.50 | 101.40 | 106.95 | 95,306 |
| 14 | Friday, October 24, 2008 | 106.50 | 99.75 | 103.13 | 1,17,221 |
| 15 | Friday, October 31, 2008 | 97.30 | 90.75 | 94.03 | 1,55,573 |
| 16 | Friday, November 07, 2008 | 100.20 | 93.80 | 97.00 | 71,466 |
| 17 | Friday, November 14, 2008 | 100.00 | 97.00 | 98.50 | 54,093 |
| 18 | Friday, November 21, 2008 | 97.50 | 94.55 | 96.03 | 45,457 |
| 19 | Friday, November 28, 2008 | 95.05 | 90.05 | 92.55 | 63,447 |
| 20 | Friday, December 05, 2008 | 89.30 | 85.20 | 87.25 | 79,642 |
| 21 | Friday, December 12, 2008 | 90.80 | 89.85 | 90.33 | 1,40,029 |
| 22 | Friday, December 19, 2008 | 88.85 | 87.40 | 88.13 | 84,267 |
| 23 | Friday, December 26, 2008 | 101.70 | 90.05 | 95.88 | 3,79,651 |
| 24 | Friday, January 02, 2009 | 109.20 | 105.15 | 107.18 | 2,37,595 |
| 25 | Friday, January 09, 2009 | 110.10 | 104.90 | 107.50 | 1,97,692 |
| 26 | Friday, January 16, 2009 | 121.30 | 104.50 | 112.90 | 6,79,315 |
| | 26 weeks average | | | **106.03** | |

**2 weeks daily high/ low**

| Day no | Date | High Price (Rs) | Low Price (Rs) | Average (Rs) | Daily Trade Volume |
|---|---|---|---|---|---|
| 1 | Monday, January 05, 2009 | 113.00 | 107.15 | 110.08 | 65,945 |
| 2 | Tuesday, January 06, 2009 | 109.25 | 108.00 | 108.63 | 32,952 |
| 3 | Wednesday, January 07, 2009 | 111.00 | 103.00 | 107.00 | 55,818 |
| 4 | Friday, January 09, 2009 | 115.40 | 102.20 | 108.80 | 42,977 |
| 5 | Monday, January 12, 2009 | 109.50 | 106.00 | 107.75 | 58,290 |
| 6 | Tuesday, January 13, 2009 | 110.00 | 104.00 | 107.00 | 75,470 |
| 7 | Wednesday, January 14, 2009 | 110.00 | 104.75 | 107.38 | 56,507 |
| 8 | Thursday, January 15, 2009 | 123.60 | 105.50 | 114.55 | 2,00,263 |
| 9 | Friday, January 16, 2009 | 121.00 | 108.00 | 114.50 | 2,88,785 |
| | **2 weeks average** | | | **109.52** | |

8.1.14 The price and volume data of the Target Company on BSE preceding the date of the Public Announcement to the shareholders of RLL is as under:

**26 weeks weekly high/ low**

| Week No | Week ending | High (Rs) | Low (Rs) | Average (Rs) | Volume for the week |
|---|---|---|---|---|---|
| 1 | Friday, December 21, 2007 | 158.05 | 156.05 | 157.05 | 3,61,849 |
| 2 | Friday, December 28, 2007 | 158.35 | 156.05 | 157.20 | 2,03,577 |
| 3 | Friday, January 04, 2008 | 159.50 | 157.40 | 158.45 | 4,73,534 |
| 4 | Friday, January 11, 2008 | 157.85 | 151.60 | 154.73 | 3,42,645 |
| 5 | Friday, January 18, 2008 | 155.00 | 140.20 | 147.60 | 1,17,228 |
| 6 | Friday, January 25, 2008 | 127.00 | 101.65 | 114.33 | 2,11,759 |
| 7 | Friday, February 01, 2008 | 119.20 | 109.60 | 114.40 | 74,511 |
| 8 | Friday, February 08, 2008 | 119.55 | 107.05 | 113.30 | 1,79,326 |
| 9 | Friday, February 15, 2008 | 105.95 | 99.45 | 102.70 | 74,416 |
| 10 | Friday, February 22, 2008 | 115.60 | 107.15 | 111.38 | 1,10,973 |
| 11 | Friday, February 29, 2008 | 112.45 | 105.75 | 109.10 | 1,56,937 |
| 12 | Friday, March 07, 2008 | 107.15 | 97.95 | 102.55 | 96,049 |
| 13 | Friday, March 14, 2008 | 101.65 | 98.75 | 100.20 | 1,03,084 |

| | | | | | |
|---|---|---|---|---|---|
| 14 | Friday, March 21, 2008 | 96.40 | 84.95 | 90.68 | 78,577 |
| 15 | Friday, March 28, 2008 | 91.50 | 87.65 | 89.58 | 2,24,592 |
| 16 | Friday, April 04, 2008 | 97.30 | 93.35 | 95.33 | 83,496 |
| 17 | Friday, April 11, 2008 | 102.15 | 90.00 | 96.08 | 1,38,527 |
| 18 | Friday, April 18, 2008 | 105.50 | 102.80 | 104.15 | 44,349 |
| 19 | Friday, April 25, 2008 | 112.45 | 102.05 | 107.25 | 86,818 |
| 20 | Friday, May 02, 2008 | 103.25 | 100.05 | 101.65 | 43,006 |
| 21 | Friday, May 09, 2008 | 108.80 | 102.75 | 105.78 | 2,85,672 |
| 22 | Friday, May 16, 2008 | 105.25 | 103.95 | 104.60 | 72,396 |
| 23 | Friday, May 23, 2008 | 107.00 | 104.05 | 105.53 | 61,318 |
| 24 | Friday, May 30, 2008 | 106.15 | 103.50 | 104.83 | 95,752 |
| 25 | Friday, June 06, 2008 | 104.05 | 97.85 | 100.95 | 54,107 |
| 26 | Friday, June 13, 2008 | 115.20 | 94.15 | 104.68 | 15,25,796 |
| | **26 weeks average** | | | **113.62** | |

**2 weeks daily high/ low**

| Day no | Date | High Price (Rs) | Low Price (Rs) | Average (Rs) | Volume |
|---|---|---|---|---|---|
| 1 | Monday, June 02, 2008 | 108.00 | 104.00 | 106.00 | 13,293 |
| 2 | Tuesday, June 03, 2008 | 103.10 | 98.00 | 100.55 | 11,976 |
| 3 | Wednesday, June 04, 2008 | 104.00 | 98.05 | 101.03 | 8,102 |
| 4 | Thursday, June 05, 2008 | 102.50 | 98.25 | 100.38 | 10,636 |
| 5 | Friday, June 06, 2008 | 101.00 | 96.10 | 98.55 | 10,100 |
| 6 | Monday, June 09, 2008 | 98.50 | 93.55 | 96.03 | 26,196 |
| 7 | Tuesday, June 10, 2008 | 98.50 | 93.25 | 95.88 | 36,332 |
| 8 | Wednesday, June 11, 2008 | 112.95 | 96.00 | 104.48 | 2,55,059 |
| 9 | Thursday, June 12, 2008 | 127.40 | 110.50 | 118.95 | 9,10,721 |
| 10 | Friday, June 13, 2008 | 119.45 | 107.15 | 113.30 | 2,97,488 |
| | **2 weeks average** | | | **103.51** | |

8.1.15 In the opinion of the Manager to the Offer and the Acquirer, the Offer Price of Rs. 113.62 per fully paid-up equity share is justified in terms of Regulations 20(4) and 20(12) of SEBI (SAST) Regulations.

8.1.16 If the Acquirer or any advisor, broker, or other financial institution acting as their agent acquires equity shares in the open market or through negotiation or otherwise, after the date of Public Announcement and until the closure of the Offer at a price higher than the Offer Price, then the highest price paid for such acquisition shall be payable for all acceptances received under the Offer. However, no acquisition will be made by the Acquirer or any advisor, broker, or other financial institution acting as their agent in the open market during the last seven working days prior to the Offer Closing Date.

8.1.17 Acquirer and any advisor, broker, or other financial institution acting as their agent shall not acquire, during the Offer Period, any equity shares in ZLL except in compliance with the SEBI (SAST) Regulations and the details of such acquisitions, including numbers, percentage, price, broker (if any), mode of acquisition and time of execution, shall be disclosed to the Stock Exchanges and to the Manager within 24 hours thereof, in terms of the Regulation 22(17). As per Regulation 22(17), the Stock Exchanges shall forthwith disseminate such information to the public.

## 9 FINANCIAL ARRANGEMENT

9.1 The maximum purchase consideration payable by the Acquirer in case of full acceptance of this Offer would be Rs. 78,23,87,320 (Rupees Seventy Eight Crores Twenty Three Lacs Eighty Seven Thousand Three Hundred and Twenty Only (**'Maximum Consideration'**). The source of funds is foreign and the required funds shall be provided by Daiichi Sankyo.

9.2 The Acquirer has made firm financial arrangements for the Offer by means of internally generated funds and/or corporate borrowings. S.R. Batliboi & Co. (Partner: Mr. Raj Agrawal, membership no.82028), has confirmed vide its letter dated July 22, 2010 that the Acquirer has adequate financial resources available for meeting its financial obligations relating to the Offer.

9.3 In addition, Daiichi Sankyo, ICICI Securities and Hong Kong and Shanghai Banking Corporation Limited, a company incorporated under the Companies Ordinance of the Hong Kong Special Administrative Region ('**HKSAR**'), having its India corporate office at 52/60 Mahatma Gandhi Road, Fort, Mumbai 400 001, India and acting through its branch at Shiv Building, Plot No.139 Western Express Highway Sahar Road Junction, Vile Parle (East), Mumbai 400 057, India ('Escrow Agent'), have entered into an open offer escrow agreement, dated June 11, 2008 (the 'Escrow Agreement') in accordance with Regulation 28 of the SEBI (SAST) Regulations. By way of security for performance of its obligations under the Regulations, the Acquirer has made an escrow arrangement for the Offer comprising a cash deposit of Rs. 26,10,00,000 (Rupees Twenty Six Crores Ten Lacs only) in an escrow account with the Zenotech Laboratories Limited Open Offer Escrow

Account Number: 002-307478-002, with the Escrow Agent. The cash deposit complies with the stipulation under Regulation 28 (2) of the SEBI (SAST) Regulations. The Manager to the Offer is duly authorised by the Acquirer to realise the value of the aforesaid escrow account in terms of the SEBI (SAST) Regulations.

9.4 The Manager to the Offer is satisfied that firm arrangements for financial resources required to implement the Offer i.e. funds for payment through verifiable means are in place to fulfill the obligations of the Acquirer under the Offer and is satisfied that the Acquirer has adequate resources to meet the financial requirements of the Offer and ability to implement the Offer in accordance with the SEBI (SAST) Regulations.

## 10 TERMS AND CONDITIONS OF THE OFFER

10.1 A letter of offer dated July 9, 2009 (the '**Letter of Offer**'), specifying the detailed terms and conditions of the Offer, together with the Form of Acceptance cum Acknowledgement (the '**Form of Acceptance**') and Form of Withdrawal was mailed to the public shareholders of ZLL (other than the Acquirer and the Sellers), whose names appeared on the register of members of ZLL and to the beneficial owners of the shares of ZLL, whose names appeared as beneficiaries on the records of the respective Depositories, at the close of business hours on Friday, February 13, 2009 ('**Specified Date**').

Since the date of dispatch of the Letter of Offer dated July 9, 2009 certain financial and material factual information stated therein has changed and a revised letter of offer containing the updated information has been prepared ("Updated Letter of Offer"). The updated Letter of Offer (along with the Form of Acceptance and Form of Withdrawal) will be available on the SEBI website and on special request to us, as Manager to the Offer. All owners (registered or unregistered) of ZLL's shares (except the parties to the SPSSA) are eligible to participate in the Offer at any time before the closure of the Offer. Unregistered owners can also send their application in writing to the Registrar to the Offer in the mode mentioned below.

10.2 Shares that are subject to any charge, lien or encumbrance are liable to be rejected. Locked in shares, if any, can be tendered in the Open Offer subject to applicable laws including the continuation of the lock-in in the hands of the Acquirer. The Manager to the Offer will ensure that there is no discrimination in the acceptance between locked in and non-locked in shares. Shares that are subject to any other charge, lien or encumbrance are liable to be rejected.

10.3 Accidental omission to dispatch this Letter of Offer or any further communication to any person to whom this Letter of Offer is or should be made or the non-receipt of this Letter of Offer by any such person shall not invalidate the Offer in any way.

10.4 The instructions, authorisations and provisions contained in the Form of Acceptance and Form of Withdrawal constitute an integral part of the terms of this Offer.

10.5 The acceptance of the Offer made by the Acquirer is entirely at the discretion of the shareholders of the Target Company. The Acquirer will not be responsible in any manner for any loss of equity share certificate(s) and offer acceptance documents during transit and the shareholders of the Target Company are advised to adequately safeguard their interest in this regard.

10.6 The Acquirer has received the approval of the Foreign Investment Promotion Board, Government of India and the Reserve Bank of India ('RBI') to acquire 68,85,000 equity shares of the Target Company pursuant to the Offer.

However, in view of the increase in the offer size to 68,86,000 fully paid-up equity shares of ZLL, the Acquirer had made applications with both the FIPB and the RBI seeking their confirmation to acquire the additional shares pursuant to the Offer. In this regard, the Acquirer had made a filing with the FIPB on June 9, 2009 and the RBI on June 30, 2009. Pursuant to this, the FIPB by its amendment letter dated July 9, 2009, granted the approval to acquire the additional shares. The RBI approval is currently awaited.

It must further be noted that by its order dated November 13, 2009, the CLB has restrained ZLL from allotting shares against the exercise of stock options granted under the ZLL Employees Stock Option Scheme, 2005, without the leave of the CLB until further orders. The next date of hearing for this matter is scheduled for September 15, 2010.

10.7 To the best of the knowledge and belief of the Acquirer, as of the date of this Offer, other than the above, no statutory approvals are required to acquire the shares tendered pursuant to the Offer

10.8 To the best of its knowledge, as of the date of this Offer, the Acquirer does not require any approvals from financial institutions or banks for the Offer.

10.9 Notwithstanding the foregoing in clause 10.6 above, if any additional approvals are required in respect of the Offer, the Acquirer will apply for such approvals at the appropriate time.

10.10 In case of delay in receipt of any statutory approval(s), SEBI has the power to grant an extension of time to the Acquirer for payment of consideration to the tendering shareholders, subject to the Acquirer agreeing to pay interest for the delayed period as directed by SEBI in terms of Regulation 22(12) of the Regulations. Further, if the delay occurs on account of willful default by the Acquirer in obtaining the requisite approvals, Regulation 22(13) of the SEBI (SAST) Regulations will become applicable.

10.11 The Acquirer has not been prohibited by SEBI from dealing in securities, in terms of direction issued under section 11B or any other regulations made under the SEBI Act, 1992. Based on the information presently available publicly, the Target Company have not been prohibited by SEBI from dealing in securities, in terms of direction issued under section 11B or any other Regulations made under the SEBI Act, 1992.

## 11 PROCEDURE FOR ACCEPTANCE AND SETTLEMENT

11.1 A letter of offer dated July 9, 2009 (the '**Letter of Offer**'), specifying the detailed terms and conditions of the Offer, together with the Form of Acceptance cum Acknowledgement (the '**Form of Acceptance**') and Form of Withdrawal was mailed to the public shareholders of ZLL (other than the Acquirer and the Sellers), whose names appeared on the register of members of ZLL and to the beneficial owners of the shares of ZLL, whose names appeared as beneficiaries on the records of the respective Depositories, at the close of business hours on Friday, February 13, 2009 ('**Specified Date**').

Since the date of the dispatch of the Letter of Offer dated July 9, 2009, certain financial and material factual information contained therein has changed and a revised letter of offer containing updated information has been prepared ("Updated Letter of Offer"). The Updated Letter of Offer (along with the Form of Acceptance and Form of Withdrawal) will be available on the SEBI website and on special request to us, as Manager to the Offer. Shareholders can also use the Form of Acceptance and Form of Withdrawal attached with the Letter of Offer dated July 9, 2009.

11.2 All equity shares validly tendered and accepted under the Offer, will be acquired by Daiichi Sankyo, subject to the terms and conditions set out in this Letter of Offer. All necessary requirements for the valid transfer of the equity shares to Daiichi Sankyo will be pre-conditions for acceptance of the tendered equity shares.

11.3 All shareholders of ZLL (except the parties to the SPSSA), whose names appear in the register of members of ZLL as of the Specified Date, i.e., Friday, February 13, 2009 and also persons who acquire any equity shares of ZLL at any time prior to the closing of the Offer, whether or not they are registered shareholders, are eligible to participate in the Offer anytime before the closing of the Offer.

11.4 Shareholders who hold shares in physical form and wish to tender the shares pursuant to the Offer will be required to send the duly filled Form of Acceptance, original share certificate(s) and transfer deed(s) duly signed to Karvy Computershare Private Limited, acting as the Registrar to the Offer (the "Registrar to the Offer"), either by hand delivery on weekdays during business hours (Mondays to Saturdays between 10.00 a.m. to 5.00 p.m.) or by registered post so that the same are received on or before the closing date of the Offer, i.e. by Monday, August 23, 2010 in accordance with the instructions specified in this Letter of Offer and in this Form of Acceptance. The transfer deed should be left blank, excepting the signatures as mentioned above.

11.5 The Registrar to the Offer has opened a special depository account with HSBC Limited as the Depository Participant in National Securities Depository Limited ("NSDL"), styled Karvy ZLL - Escrow Demat Account". The Depository Participant ("DP") ID is IN 300142 and Beneficiary Account Number is 1064 2126. Shareholders holding their beneficiary account in Central Depository Services India Limited ('CDSL') will have to use an inter-depository delivery instruction slip for the purpose of crediting their shares in favour of the special depository account with NSDL.

11.6 Beneficial owners (holders of shares in dematerialised form) who wish to tender their shares will be required to send their Form of Acceptance along with a photocopy of the delivery instructions in 'off-market' mode or counterfoil of the delivery instructions in 'off-market' mode, duly acknowledged by the DP, in favour of the above mentioned special depository account, to the Registrar to the Offer –Karvy Computershare Private Limited, either by hand delivery on weekdays during business hours (Mondays to Saturdays between 10.00 a.m. to 5.00 p.m.) or by registered post so as to reach on or before the close of the Offer, i.e. by Monday, August 23, 2010, in accordance with the instructions specified in this Letter of Offer and in the Form of Acceptance. The application should state the name, address, number of shares held, number of shares offered, Depository

Participant ('DP') name, DP ID number, beneficiary account number alongwith a photocopy of the delivery instruction in 'off-market' mode, duly acknowledged by the DP in favour of Karvy ZLL - Escrow Demat Account, filled in as per the following instructions:

| | |
|---|---|
| Depository Name | NSDL |
| DP Name | HSBC Limited |
| DP ID Number | IN 300142 |
| Beneficiary Account Number | 1064 2126 |

Beneficial owners should ensure that they credit their shares in favour of the aforementioned special depository account on or before the close of the Offer i.e. Monday, August 23, 2010. Shareholders holding their beneficiary account in CDSL will have to use an inter-depository delivery instruction slip for the purpose of crediting their shares in favour of the special depository account with NSDL. ZLL's shares are in the compulsory demat segment.

11.7 Persons who have acquired shares of the Target Company (irrespective of the date of purchase) but whose names do not appear on the register of members of the Target Company on the Specified Date may also participate in this Offer. Unregistered owners of shares of the Target Company can send their applications in writing to the Registrar to the Offer, on a plain paper stating the name, address, number of shares held, number of shares offered, distinctive numbers, folio numbers, together with the original share certificate(s), transfer deeds and the original contract notes issued by the broker through whom they acquired their shares. No indemnity is required from the unregistered owners. Please ensure that all the requisite attachments, as will be specified in this Letter of Offer, are attached to such application.

11.8 Owners of shares who have sent their shares for transfer should enclose Form of Acceptance duly completed and signed, copy of the letter sent to the Target Company for transfer of shares and valid share transfer form(s). Shareholders who have sent their physical shares for dematerialisation need to ensure that the process of getting shares dematerialised is completed well in time so that the credit in the aforesaid special depository account is received on or before the date of close of the Offer, i.e. by Monday, August 23, 2010 else the application will be rejected.

11.9 The shares and other relevant documents should not be sent to the Acquirer or the Target Company.

11.10 Eligible persons may (i) download the LOF from the SEBI website (http://www.sebi.gov.in), (ii) obtain a copy of the same by writing to the Registrar to the

Offer, or (iii) Manager to the Offer or (iv) make an application to the Registrar to the Offer, on a plain paper stating the name, address, number of shares held, number of shares offered, along with the documents as mentioned above, so as to reach the Registrar to the Offer on or before the close of the Offer, i.e. by Monday, August 23, 2010, or in the case of beneficial owners, they may send the application in writing to the Registrar to the Offer, on a plain paper stating the name, address, number of Shares held, number of Shares offered, DP name, DP ID, beneficiary account number and a photocopy of the delivery instruction in "off- market" mode or counterfoil of the delivery instruction in the "off-market" mode, duly acknowledged by the DP, in favour of the aforesaid special depository account, so as to reach the Registrar to the Offer, on or before the closing date of the Offer, i.e., by Monday, August 23, 2010.

11.11 The shareholders should also provide all relevant documents which are necessary to ensure transferability of the equity shares in respect of which the application is being sent. Such documents may include, but are not limited to:

- duly attested death certificate and succession certificate/ probate/ letter of administration (in case of single shareholder) if the original shareholder is deceased;
- duly attested Power of Attorney if any person apart from the shareholder has signed the application form and/or transfer deed(s);
- no objection certificates from the chargeholder/ lender, if the shares in respect of which the application is sent, are under any charge, lien or encumbrance;
- in case of companies, the necessary corporate authorisation (including Board Resolutions);
- any other relevant documentation

11.12 In addition to the above mentioned address, all owners of shares of the Target Company, registered or unregistered, who wish to avail of and accept the Offer can also hand deliver the Form of Acceptance along with all the relevant documents at any of the collection centres below in accordance with the procedure as set out in this Letter of Offer. All centres mentioned herein below would be open on all working days as follows:

Business hours: Mondays to Saturdays 10.00 a.m. to 5.00 p.m. The centres will be closed on Sundays and any other public holidays.

| S. No. | Collection Centre | Address of Collection Centres | Contact Person | Phone No. | Fax | Mode of delivery |
|---|---|---|---|---|---|---|
| 1 | Ahmedabad | Karvy Computershare. Pvt Ltd<br><br>201- 203, Shail, Opp: Madhusudhan House Behind Girish Cold Drinks Off C G Road Ahmedabad ~ 380 006 | Mr.Aditya Gupta/ Robert Joeboy<br><br>ahmedabad@karvy.com; robert.joeboy@karvy.com | 079-26400527/6 6614772 | 079-26565551 | Hand Delivery |
| 2 | Bengalore | Karvy Computershare. Pvt Ltd.<br><br>No.59, Skanda, Putana Road, Basavanagudi Bengaluru 560 004 | Mr. Kumaraswamy/ Mr. V Sudha<br><br>ircbangalore@karvy.com | 080 - 26621192 | 080-26621169 | Hand Delivery |
| 3 | Chennai | Karvy Computershare. Pvt Ltd.<br><br>No. 33/1, Venkatraman Street, T.Nagar, Chennai - 600017. | Mr. Gunashekhar<br><br>chennaiirc@karvy.com | 044 – 28151793/ 28151794 | 044-28153181 | Hand Delivery |
| 4 | Hyderabad | Karvy Computershare. Pvt Ltd.<br><br>Plot No 17-24, Vithalrao Nagar, Madhapur, Hyderabad 500 081 | Ms. Rinki Sareen<br><br>ircmadhapur@karvy.com<br><br>rinky.sareen@karvy.com | 040-44655000/23420818-23 | 040-23431551 | Hand Delivery/ Regd Post |
| 5 | Kolkata | Karvy Computershare. Pvt Ltd.<br><br>49, Jatin Das Road, Nr.Deshpriya Park, Kolkatta 700 029 | Mr. Sujit Kundu/ Mr. Debnath<br><br>sujitkundu@karvy.com/ nilkanta@karvy.com | 033-24644891 | 033-24644866 | Hand Delivery |
| 6 | Mumbai(Fort) | Karvy Computershare. Pvt Ltd.<br><br>23, Maharashtra Chamber. of Commerce. Lane, Opp. MSC Bank, Fort Mumbai – 400 023 | Ms.Nutan Shirke<br><br>nutan.shirke@karvy.com. ircfort@karvy.com | 022-66381747/2284/2666 | 022-66331135 | Hand Delivery |
| 7 | Mumbai(Andheri) | Karvy Computershare. Pvt Ltd.<br><br>7, Andheri Industrial Estate, Off. Veera Desai Road,Andheri West, Mumbai- 400 053 | Ms.Neelambar I Mokal<br><br>neelam@karvy.com | 91 22 2673 0799/ 2673 0843 | 91 22 2673 0152 | Hand Delivery |
| 8 | New Delhi | Karvy Computershare. Pvt Ltd.<br><br>105-108, Arunachal Bldg., 19, Barakhamba Road, connaught place, New Delhi -110 001 | Mr. Rakesh Kr Jamwal / Vinod Singh Negi<br><br>rakeshj@karvy.com/ jmathew@karvy.com | 011-43509200 | 011-41036370 | Hand Delivery |

11.13 The Registrar to the Offer will hold in trust the shares / share certificates, shares lying in the credit of the special depository account, Form of Acceptance, if any, and the transfer form on behalf of the Shareholders of the Target Company until the Acquirer completes its obligations in accordance with the SEBI (SAST) Regulations.

11.14 Wednesday, August 4, 2010 shall be the date of opening of the Offer and Monday, August 23, 2010, shall be the closing date of the Offer.

11.15 The decision regarding the acquisition (in full or part), or rejection of, the shares offered for sale by the Shareholders of the Target Company pursuant to the Offer will be communicated to the shareholders by Speed Post/ Registered Post as the case may be, at the shareholders' sole risk.

11.16 The payment of consideration will be made by the Acquirer in cash through crossed account payee cheque, demand draft /pay order sent by Speed Post/ Registered Post or through electronic mode as detailed below to those shareholders / unregistered owners whose shares / share certificates and other documents are found in order and accepted by the Acquirer. Despatches involving payments will be made at shareholder's own risk. In case of joint registered holders, cheques / demand drafts / pay orders will be drawn in the name of the sole / first named holder / unregistered owner and will be sent to him / her. It is desirable that shareholders provide bank details in the Form of Acceptance, so that the same can be incorporated in the cheque / demand draft / pay order.

Payment of Consideration through Electronic Mode

In case of the electronic mode of payment of consideration to the shareholders, whose shares are accepted in the Offer, would be done through various modes as given hereunder:

1. NECS (National Electronic Clearing Services) – Payment of consideration would be done through NECS for shareholders having an account at any of the centres where such facility has been made available. This mode of payment of consideration would be subject to availability of complete bank account details in the Form of Acceptance for the shareholders. The payment of consideration through NECS is mandatory for shareholders having a bank account at any of the centres where such facility has been made available, except where the shareholder, being eligible, opts to receive refund through other modes as specified in the Form of Acceptance.

2. Direct Credit - Shareholders having bank accounts with the same bank through which payment consideration shall be made shall also be eligible to receive consideration

through direct credit in their respective bank accounts as mentioned in the Form of Acceptance.

3. RTGS (Real Time Gross Settlement) - Shareholders having a bank account at any of the centres where such facility has been made available and whose payment consideration exceeds Rs. 1,00,000, have the option to receive payment of consideration through RTGS. Such eligible Shareholders who indicate their preference to receive consideration through RTGS are required to provide the IFSC code in the Form of Acceptance. In the event the same is not provided, payment consideration shall be made through other electronic modes or by cheques, pay orders or demand drafts payable.

4. NEFT (National Electronic Funds Transfer)- Payment of consideration shall be undertaken through NEFT wherever the shareholders bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of consideration, duly mapped with MICR numbers. Wherever the shareholder has registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of consideration will be made to the shareholders through this method. The process flow in respect of consideration by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency.

For all other shareholders, including those shareholders whose payment consideration is not credited by NECS/Direct credit due to technical errors or incomplete/incorrect bank account details, payment consideration will be dispatched through Speed Post/ Registered Post. Such payment consideration will be made by cheques, pay orders or demand drafts payable at par at places where the address of the shareholder is registered.

In case of payment consideration is rejected through the NECS/Direct credit facility, the Registrar would endeavour to dispatch the payment consideration within 3 working days of such rejection.

The bank account details for NECS/ Direct Credit/ RTGS / NEFT will be directly taken from the details as mentioned by the shareholders in the Form of Acceptance or depositories’ database.

11.17 Pursuant to Regulation 22(5A) of the Regulations, shareholders desirous of withdrawing their acceptances tendered by them in the Offer, may do so up to three working days prior to the date of the closure of the Offer. The withdrawal option can be exercised by submitting the document as per the instructions below, so as to reach the Registrar to the Offer at any of the collection centers mentioned above as per the mode of delivery indicated therein on or before Tuesday, August 17, 2010.

- The withdrawal option can be exercised by submitting the Form of Withdrawal, as enclosed herewith.
- The shareholders are advised to ensure that the Form of Withdrawal should reach the Registrar to the Offer at any of the collection centres mentioned in this Letter of Offer as per the mode of delivery indicated therein on or before the last date of withdrawal, i.e Tuesday**,** August 17, 2010.
- Shareholders should enclose the following:

  ***For equity shares held in demat form:***

  Beneficial owners should enclose:

  - Duly signed and completed Form of Withdrawal.
  - Copy of the Form of Acceptance/ Plain paper application submitted and the Acknowledgement slip.
  - Photocopy of the delivery instruction slip in "Off-market" mode or counterfoil of the delivery instruction slip in "Offmarket" mode, duly acknowledged by the DP.

  ***For equity shares held in physical form***

  (i) Registered shareholders should enclose:

  - Duly signed and completed Form of Withdrawal.
  - Copy of the Form of Acceptance/ Plain paper application submitted and the Acknowledgement slip.
  - In case of partial withdrawal, Valid Share Transfer form(s) duly signed as transferors by all registered shareholders (in case of joint holdings) in the same order and as per specimen signatures registered with RSIL and duly witnessed at the appropriate place.

  (ii) Unregistered owners should enclose:

  - Duly signed and completed Form of Withdrawal.
  - Copy of the Form of Acceptance/ Plain paper application submitted and the Acknowledgement slip.
- The withdrawal of equity shares will be available only for the Share certificates/ Shares that have been received by the Registrar to the Offer or credited to the Depository Escrow Account.

- The intimation of returned equity shares to the shareholders will be sent at the address as per the records of ZLL/ depository as the case may be.
- The Form of Withdrawal alongwith enclosure should be sent to the Registrar to the Offer only.
- In case of partial withdrawal of equity shares tendered in physical form, if the original share certificates are required to be split, the same will be returned on receipt of share certificates from ZLL. The facility of partial withdrawal is available only to Registered shareholders.
- Shareholders holding equity shares in dematerialised form are requested to issue the necessary standing instruction for receipt of the credit in their DP account.

11.18 The withdrawal option can be exercised by submitting the document as per the instructions mentioned above, so as to reach the Registrar to the Offer on or before three working days prior to the date of closure of the Offer. In case of non-receipt of the Form of Withdrawal, the withdrawal option can be exercised by making an application on plain paper along with the following details:

a. In case of physical shares: Name, address, distinctive numbers, folio nos. number of shares tendered/withdrawn

b. In case of dematerialized shares: Name, address, number of shares tendered/withdrawn, DP name, DP ID, Beneficiary account no. and a photocopy of delivery instruction in "off market" mode or counterfoil of the delivery instruction in "off market" mode, duly acknowledged by the DP in favour of the Depository Escrow Account.

11.19 Any shares that are the subject matter of litigation or are held in abeyance due to pending court cases, such that the shareholder(s) of the Target Company may be precluded from transferring the Shares during pendency of the said litigation are liable to be rejected unless directions / orders regarding the free transferability of such shares are received together with the shares tendered under the Offer prior to the date of closure of the Offer.

11.20 While tendering the shares under the Offer, NRIs/ OCBs/ foreign shareholders shall be required to submit the previous RBI approvals (specific or general), if any, that they would have obtained for acquiring the shares of the Target Company and a No Objection Certificate/ Tax Clearance Certificate ('Certificate from the Income Tax authorities'), indicating the amount of tax to be deducted by the Acquirer under the Income Tax Act, 1961 (The IT Act) before remitting the consideration**.** In case previous RBI approvals are not submitted, the Acquirer reserves the right to reject such shares tendered.

11.21 In case the Shares offered in the Offer are more than the Shares to be acquired under the Offer, the acquisition of Shares from each Shareholder will be on a proportionate basis in accordance with Regulation 21(6) of the SEBI (SAST) Regulations.

**11.22** Unaccepted share certificates, shares withdrawn, transfer deeds and other documents, if any, will be returned by Speed Post/ Registered Post at the shareholders' sole risk to the sole/ first shareholder. Unaccepted shares held in dematerialized form will be credited back to the beneficial owners' DP account with the respective depository participant as per the details furnished by the beneficial owner in the Form of Acceptance**. It will be the responsibility of the shareholders to ensure that the unaccepted shares are accepted by their respective depository participants when transferred by the Registrar to the Offer.**

11.23 A schedule of the some of the major activities in respect of the Offer is given below:

| | **Activity** | **Original Schedule** | **Revised Schedule** |
|---|---|---|---|
| 1 | Public Announcement Date | Monday, January 19, 2009 | Monday, January 19, 2009 |
| 2 | Specified Date* | Friday, February 13, 2009 | Friday, February 13, 2009 |
| 3 | Last date for announcement of a competitive bid | Sunday, February 8, 2009 | Sunday, February 8, 2009 |
| 4 | Date of first Corrigendum to the Public Announcement | Monday, March 2, 2009 | Monday, March 2, 2009 |
| 5 | Date of second Corrigendum to the Public Announcement | Friday , July 10, 2009 | Friday , July 10, 2009 |
| | Date of third Corrigendum to the Public Announcement | N/A | Wednesday, August 5, 2009 |
| | Date of fourth Corrigendum to the Public Announcement | N/A | Saturday, August 8, 2009 |
| | Date of fifth Corrigendum to the Public Announcement | N/A | Wednesday, November 11, 2009 |
| | Date of sixth Corrigendum to the Public Announcement | N/A | Tuesday, July 27, 2010 |
| 6 | Date by which Letter of Offer dated July 9, 2009 was dispatched to shareholders | Friday, July 10, 2009 | Friday, July 10, 2009 |

| | | | |
|---|---|---|---|
| 7 | Offer Opening Date | Wednesday, July 15, 2009 | Wednesday, August 4, 2010 |
| 8 | Last date for revising the Offer Price / number of Shares | Wednesday, July 22, 2009 | Wednesday, August 11, 2010 |
| 9 | Last date for withdrawing acceptance from the Offer | Tuesday, July 28, 2009 | Tuesday, August 17, 2010 |
| 10 | Date of Closure of the Offer | Monday, August 3, 2009 | Monday, August 23, 2010 |
| 11 | Date by which acceptance / rejection under the Offer would be intimated and the corresponding payment for the acquired shares and / or the unaccepted shares / share certificates will be credited / dispatched. | Monday, August 17, 2009 | Monday, September 6, 2010 |

** Specified Date is only for the purpose of determining the names of the shareholders as on such date to whom the Letter of Offer dated July 9, 2009 was sent and all owners (registered or unregistered) of the shares of the Target Company (except the parties to the SPSSA as defined in para 2.1.2) are eligible to participate in the Offer at any time before the closure of the Offer.*

***Note:*** *Duly Signed Application and Transfer Deed should be dispatched to the Registrar to the offer at the above address to reach not later than 5.00 p.m on Monday, August 23, 2010.*

## 12 TAX TO BE DEDUCTED AT SOURCE

12.1 Tax to be deducted in case of non resident Shareholders

12.1.1 Non-resident shareholders (including Foreign Institutional Investors) are required to submit their Permanent Account Number ("PAN') for income tax purposes. In case PAN is not submitted, Acquirer will arrange to deduct tax at the rate of 20% (twenty percent) or at the rate in force or at the rate specified in the relevant provision under the Income-tax Act, 1961, whichever is higher.

12.1.2 While tendering Shares under the Offer, NRIs, OCBs and other non-resident Shareholders will be required to submit a No Objection Certificate ('NOC') or Tax Clearance Certificate ('TCC') from the Income Tax authorities, indicating the amount of tax to be deducted by the Acquirer under the Income Tax Act, 1961, (the "Income Tax Act") before remitting the consideration. In case the aforesaid NOC or the TCC is not submitted, the Acquirer will arrange to deduct tax at the maximum rate as may be applicable to the relevant category to which the Shareholder belongs under the Income Tax Act, on the entire consideration and interest if any, payable to such Shareholder.

12.2 Withholding tax implications for Foreign Institutional Investor ('FII')

12.2.1 As per the provisions of Section 196D(2) of the Income Tax Act, no deduction of tax at source will be made from any income by way of capital gains arising from the transfer of securities referred to in Section 115AD of the Income Tax Act to a FII as defined in Section 115AD of the Income Tax Act.

12.2.2 FIIs should certify ("FII Certificate") the nature of its income arising from the sale of shares in the Target Company as per the Income Tax Act (whether capital gains or otherwise). In the absence of FII Certificate to the effect that their income from sale of shares is in the nature of capital gains, the Acquirer will deduct tax at the maximum rate under the Income Tax Act, on the entire consideration payable to such FIIs. Should FIIs submit a NOC or TCC from the Income Tax authorities while tendering the Shares, indicating the amount of tax to be deducted by the Acquirer under the Income Tax Act, the Acquirer will deduct tax in accordance with the same.

12.2.3 In respect of interest income, should FIIs submit a NOC or TCC from the Income Tax authorities indicating the amount of tax to be deducted by the Acquirer under the Income Tax Act; the Acquirer will deduct tax in accordance with the same. In absence of such certificate, the Acquirer will arrange to deduct tax at the maximum rate for the category to which such FII belongs.

12.3 Tax to be deducted in case of resident Shareholders

12.3.1 In absence of any specific provision under the Income Tax Act, Acquirer will not deduct tax on the consideration payable to resident Shareholders for acquisition of Shares.

12.3.2 Acquirer will deduct the tax at the prescribed rates (including applicable surcharge and education cess) on interest, if any, payable to resident Shareholder, if amount of interest payable is in excess of Rs. 5,000/-. (Rupees Five Thousand only). In case PAN is not submitted, Acquirer will arrange to deduct tax at the rate of 20% (twenty percent) or at the rate in force or at the rate specified in the relevant provision under the Income-tax Act, 1961, whichever is higher.

12.3.3 The resident Shareholder (not being a company or firm) claiming no tax is to be deducted or tax to be deducted at a lower rate on interest amount, should submit along with the Form of Acceptance a NOC or TCC from the Income Tax authorities indicating the amount of tax to be deducted by the Acquirer or a self declaration in Form 15G or Form 15H as may be applicable. The self declaration in Form 15G or Form 15H would not be valid unless the shareholder furnishes PAN in such declaration.

12.3.4 In case the aforesaid NOC or TCC or Form 15G or 15H, if applicable, is not submitted, the Acquirer will arrange to deduct tax at the maximum rate as may be applicable to the category of the Shareholder under the Income Tax Act.

12.4 Where PAN is invalid or does not belong to the shareholder, Acquirer will arrange to deduct tax at the rate of 20% (twenty percent) or at the rate in force or at the rate specified in the relevant provision under the Income-tax Act, 1961, whichever is higher.

12.5 Issue of withholding tax certificate

12.5.1 The Acquirer will issue a certificate in the prescribed form to the Shareholders (resident and non resident) who have been paid the consideration and interest, if any, after deduction of tax on the same certifying the amount of tax deducted and other prescribed particulars.

12.6 Securities transaction tax will not be applicable to the Shares accepted in this Offer.

12.7 Shareholders who wish to tender their Shares must submit the following information along with the Form of Acceptance:

**Information requirement from non resident Shareholder**

1. Self attested copy of PAN card
2. NOC or TCC from the Income Tax authorities
3. Banker certificate certifying inward remittance
4. Self attested declaration in respect of status of Shareholders (e.g. Individual, Firm, Company, Trust, or any other - please specify)
5. In case of FIIs, FII Certificate (i.e. self attested declaration certifying the nature of income arising from the sale of Shares, whether capital gains or otherwise).
6. SEBI registration certificate for FIIs
7. RBI Approval(s)

**Information requirement in case of resident Shareholder**

1. Self attested copy of PAN card
2. Self attested declaration in respect of residential status, status of Shareholders (e.g. Individual, Firm, Company, Trust, or any other - please specify)
3. If applicable, self declaration form in Form 15G or Form 15H (in duplicate), as the case may be

4. NOC or TCC from the Income Tax authorities (applicable only for the interest payment, if any)

5. For Mutual fund/Banks/Notified Institution under Section 194A(3)(iii)(f) of the Income Tax Act – Copy of relevant registration or notification (applicable only for the interest payment, if any)

***The tax deducted under this Offer is not the final liability of the Shareholders or in no way discharges the obligation of Shareholders to disclose the amount received pursuant to this Offer.***

***Shareholders are advised to consult their tax advisors for the treatment that may be given by their respective Assessing Officers in their case, and the appropriate course of action that they should take. The Acquirer and the Manager to the Offer do not accept any responsibility for the accuracy or otherwise of such advice.***

***The tax rates and other provisions may undergo changes.***

## 13 DOCUMENTS FOR INSPECTION

13.1 The following documents will be available for inspection to the shareholders at ICICI Securities Limited, ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai 400 020, INDIA. Tel: +91 22 2288 2460, Fax: +91 22 2282 6580, between 10:00 a.m. and 4:00 p.m. on all working days except Saturdays until the Offer Closing Date i.e. Monday, August 23, 2010.

1. Copy of Extract from the Register of Commerce (equivalent to a Certificate of Incorporation), and Articles of Incorporation of Daiichi Sankyo.

2. Copy of Certificate of Incorporation, Memorandum and Articles of Association of Daiichi Sankyo.

3. Copy of Certificate of Incorporation of ZLL

4. Copy of Annual Reports of Daiichi Sankyo for the financial years ended March 31, 2010, 2009, and 2008.

5. Copy of the audited financials for Daiichi Sankyo for the financial year ended March 31, 2010, 2009 and 2008

6. Copy of Annual Reports of ZLL for the financial years ended March 31, 2007, March 31, 2008 and March 31, 2009.

7. Copy of Escrow Agreement dated June 11, 2008 among Acquirer, The Hong Kong and Shanghai Banking Corporation Limited, and ICICI Securities and confirmation of cash deposit in Zenotech Laboratories Limited Open Offer Escrow Account Number: 002-307478-002 and the amendment agreement thereto.

8. Copy of Board Resolution of Daiichi Sankyo relating to the Offer.

9. Certificate dated July 22, 2010 from S.R. Batliboi & Co. (Partner: Raj Agrawal, membership no. 82028), Address: Golf View Corporate Tower B, Sector-42, Sector Road, Gurgaon 122 002, Haryana, India, Tel: 91 124 464 4000, Fax: 91 124 464 4050, stating that that the Acquirer have adequate resources to meet the financial obligations under this Offer.

10. Copy of Public Announcement made on Monday, January 19, 2009, by the Acquirer for acquisition of 68,85,000 paid-up equity shares of ZLL

11. SEBI Observation Letter dated June 30, 2009

12. Copy of the agreement with Depository participant for opening a special depository Escrow account.

13. Copy of letter from The Hong Kong and Shanghai Banking Corporation Limited confirming the amount kept in the escrow account in favour of ICICI Securities.

14. Copy of the Transaction Agreement (SPSSA) dated June 11, 2008 between Daiichi Sankyo, RLL and the Sellers

## 14 DECLARATION BY ACQUIRER

The Acquirer and its Directors accept full responsibility for the information contained in this Letter of Offer, Form of Acceptance and Form of Withdrawal (except that which pertains to the Target Company). The Acquirer shall be responsible for ensuring compliance with the SEBI (SAST) Regulations and for its obligations laid down in the SEBI (SAST) Regulations. All information contained in this document is as of the date of the Public Announcement, unless stated otherwise.

Mr. Takashi Shoda is authorized by the Acquirer to sign the Letter of Offer.

**On behalf of Daiichi Sankyo Company, Limited**

Sd/-
**Mr. Takashi Shoda**
**Authorised Signatory**

**Date: July 26, 2010**

***Attached:***

*1. Form of Acceptance – cum - Acknowledgement*
*2. Form of Withdrawal*
*3. Transfer deed for shareholders holding shares in physical form*