



Daiichi-Sankyo

**DAIICHI SANKYO CO.,LTD.
Results presentation
reference material
(earnings overview and
management policy)**

**Results for first half of FY05
April 1–September 30, 2005**

November 8, 2005

**Takashi Shoda,
president and representative director
DAIICHI SANKYO CO.,LTD.**



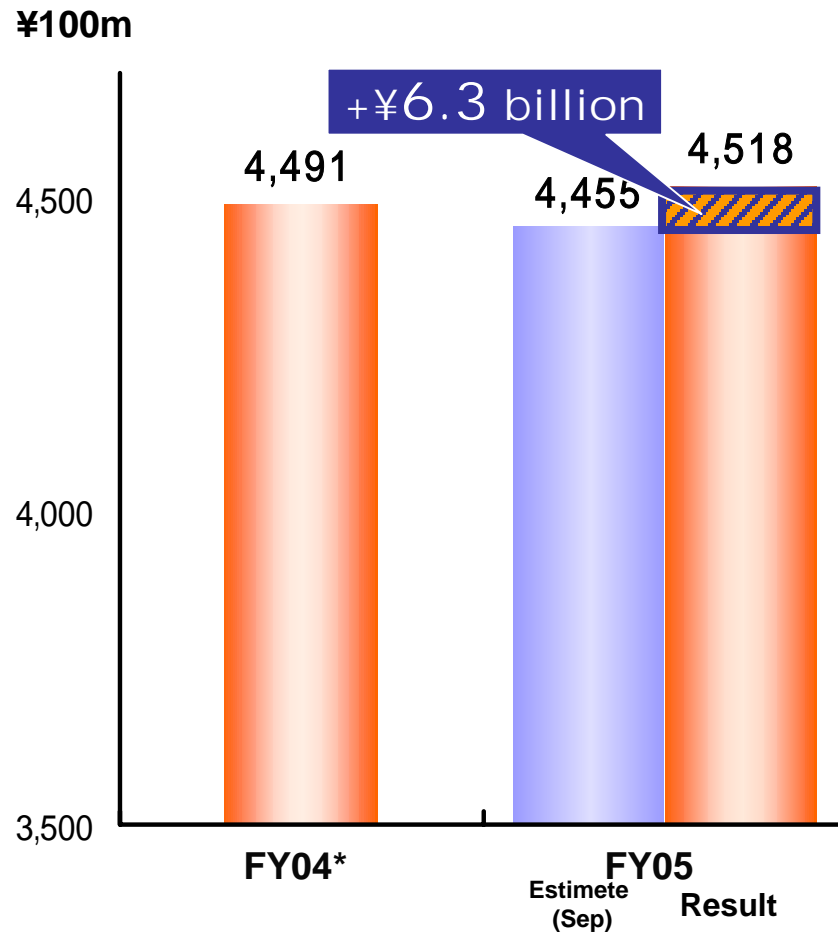
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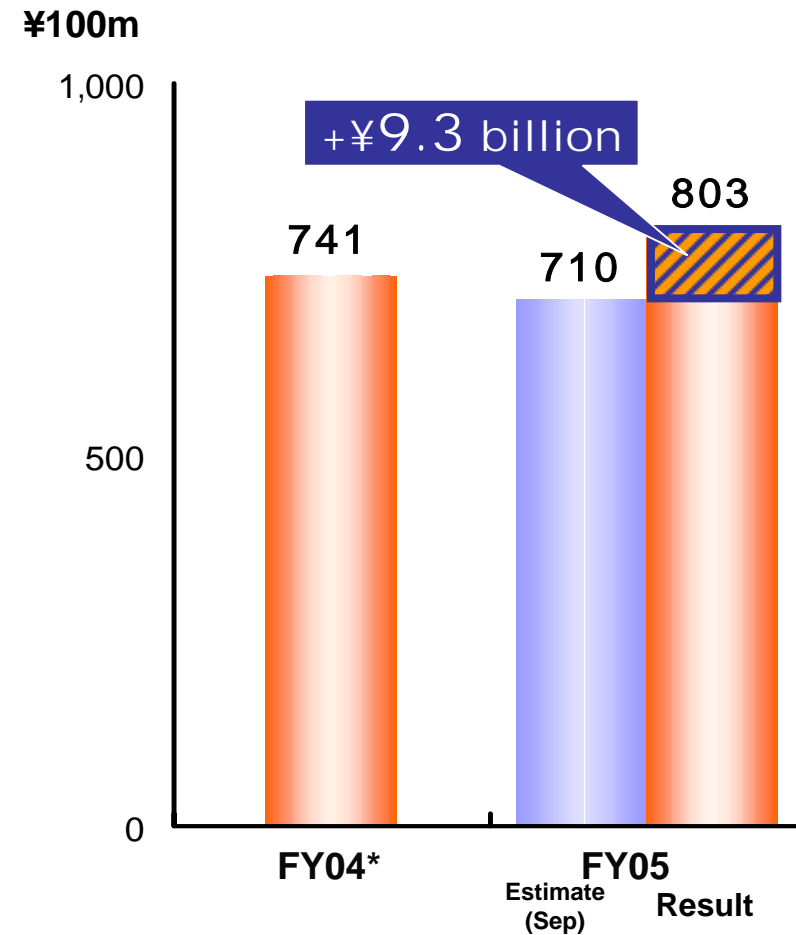
Results overview First half results

DAIICHI SANKYO 1H results overview

Sales



Operating income

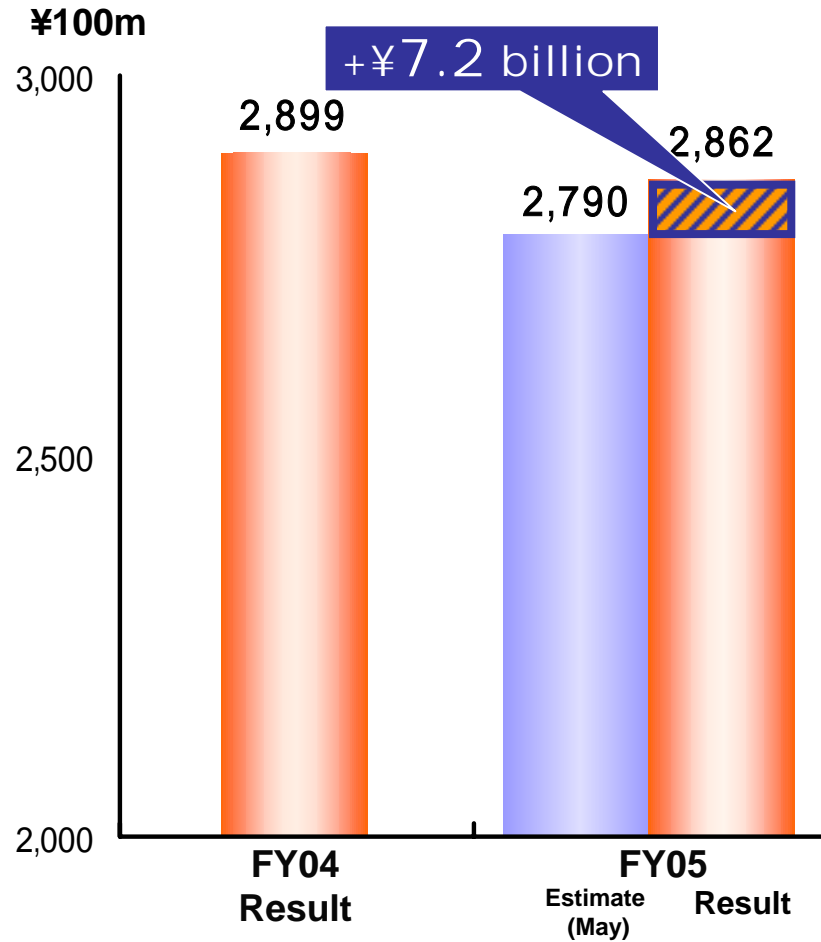


*Simple totals of both companies' figures

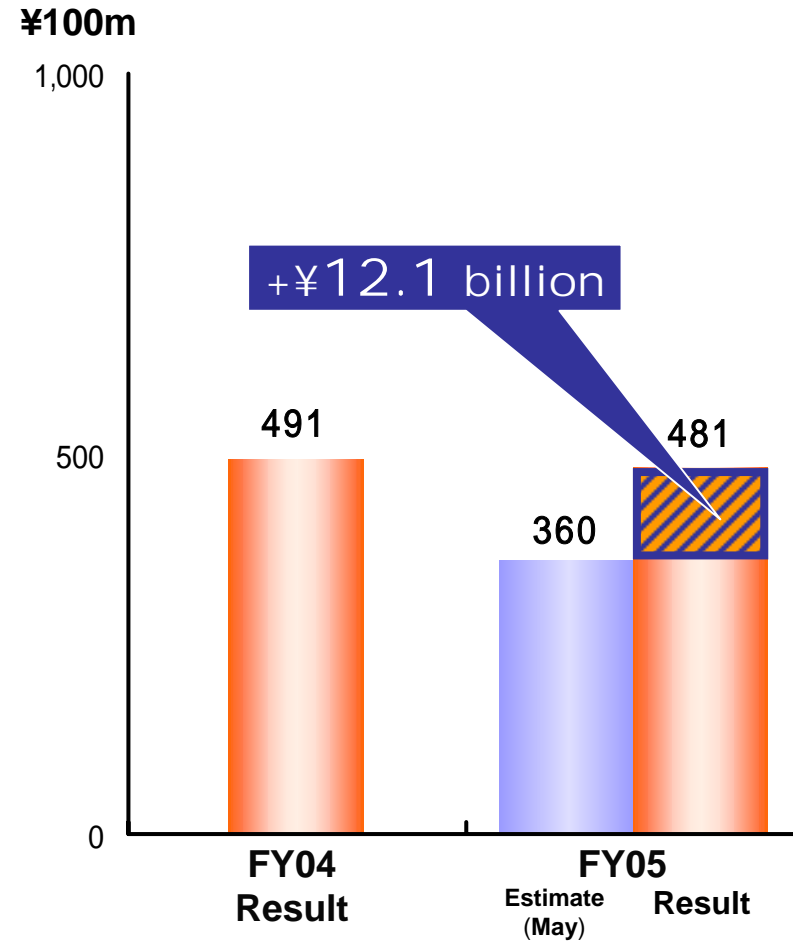


Overview of consolidated 1H results

Sales



Operating income





Factors contributing to sales growth

- Japan: Olmetec (sales growth after long-term prescription was permitted in May)
- Overseas: Benicar (takes no. 3 spot in share of new prescriptions in US ARB market); Venofer (increase in volume and market share; effectiveness of measures to counteract price declines)

Factors contributing to operating income growth

- Cost reduction effect
Cost ratio improves (interim result 33.1% vs. original estimate of 35.1%; Sankyo products' sales share increases)



Main Product Sales Trends in Japan

(1H of FY05; NHI reimbursement price basis, ¥m)

Product name	Cumulative sales	YoY change (volume, %)		Share	Ranking in therapeutic class
	Apr-Sep	Our product	Total market	(%)	
Mevalotin	44,353	-5.0	5.0	31.9	
Loxonin	16,152	5.0	1.3	34.0	
Olmetec	10,809	242.8	25.6	5.8	
Kremezin	7,400	-4.3	7.5	38.8	
Calbloc	3,307	202.8	5.7	1.9	
Fastic	3,059	3.0	19.5	40.0	

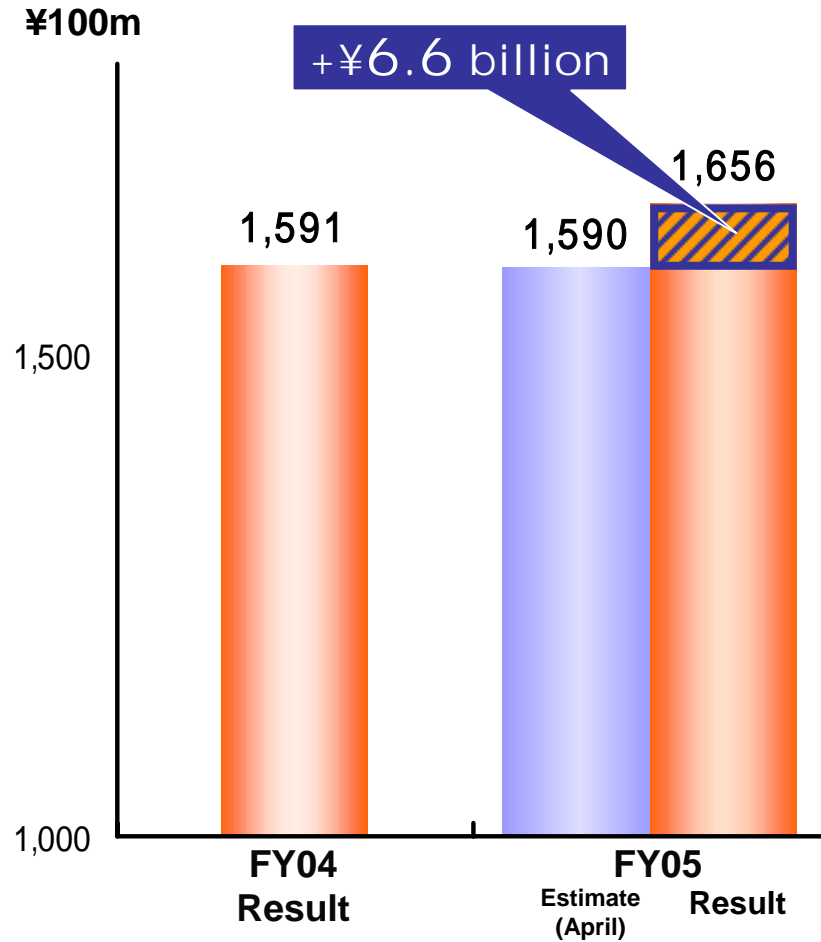
Note: Share denotes share of ATC category

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Period: April – September 2005; data must not be copied without permission

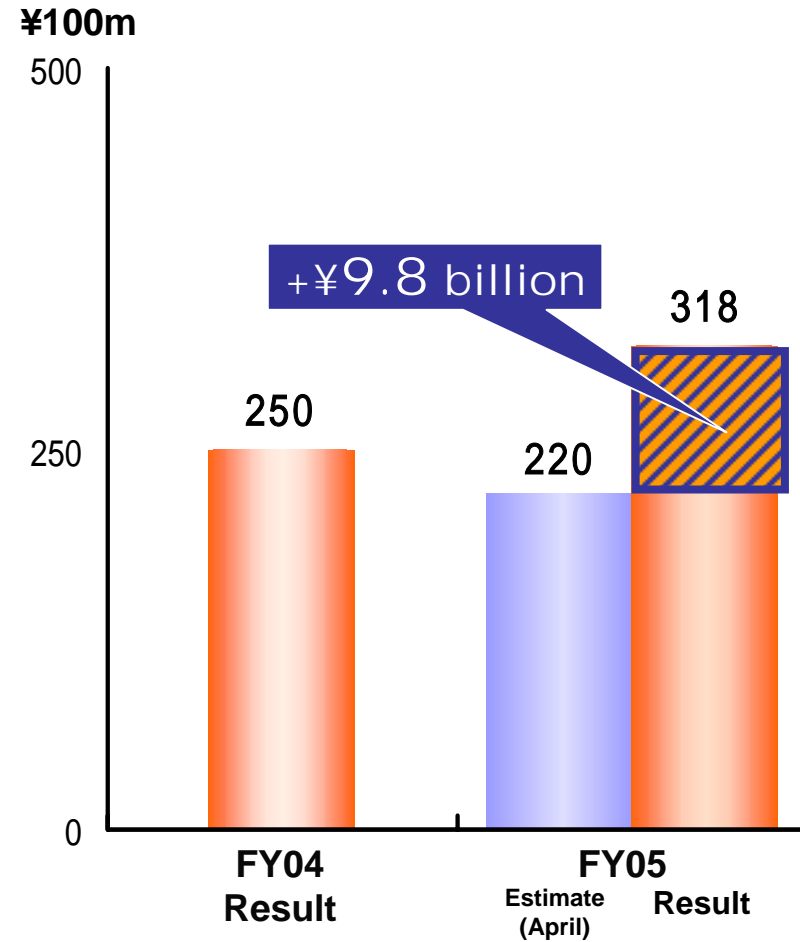


Overview of Consolidated 1H results

Sales



Operating income





Factors contributing to sales growth

- Japan: Growth of Cravit, Artist, Zyrtec, Mobic, HANP, and Topotecin
- Overseas: Growth of Floxin Otic
- Exports: Increased shipments of Levofloxacin bulk chemical

Factors contributing to operating income growth

- Increased sales of high-margin products
- Cost reduction effect

Cost reduction resulting from Daiichi Pharmatech becoming fully operational. Cost ratio improves (interim result 28.1% vs. original estimate of 29.8%)



Main Product Sales Trends in Japan

(1H of FY05; NHI reimbursement price basis, ¥m)

Product name	Cumulative sales	YoY change (volume, %)		Share	Ranking in therapeutic class
	Apr-Sep	Our product	Total market	(%)	
Cravit*	25,675	11.3	2.1	20.6	
Omnipaque *	19,705	-0.6	-0.8	36.8	
Panaldine*	15,888	-2.4	8.8	14.1	
Artist	9,732	16.9	2.2	24.7	
Sunrythm	6,476	6.5	1.7	23.4	
Coversyl	4,827	-2.4	-9.4	11.2	
HANP*	4,119	27.6	5.7	27.2	

Note: Shares of drugs marked with an asterisk (*) are based on company's own efficacy definition; for all other drugs, shares are of ATC category.

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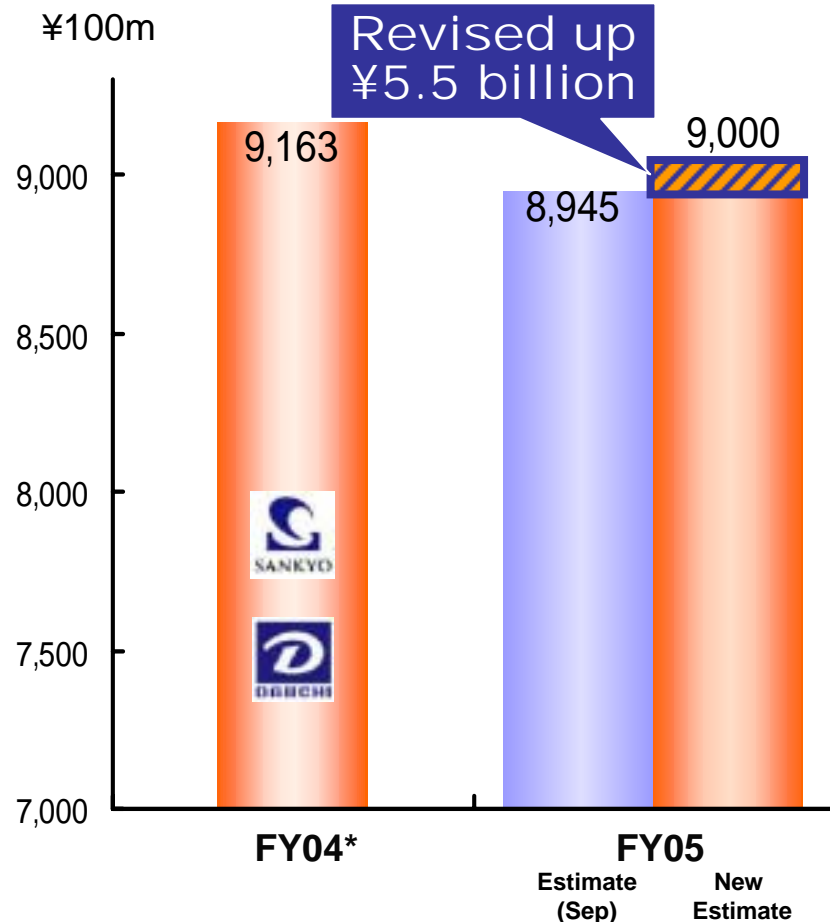
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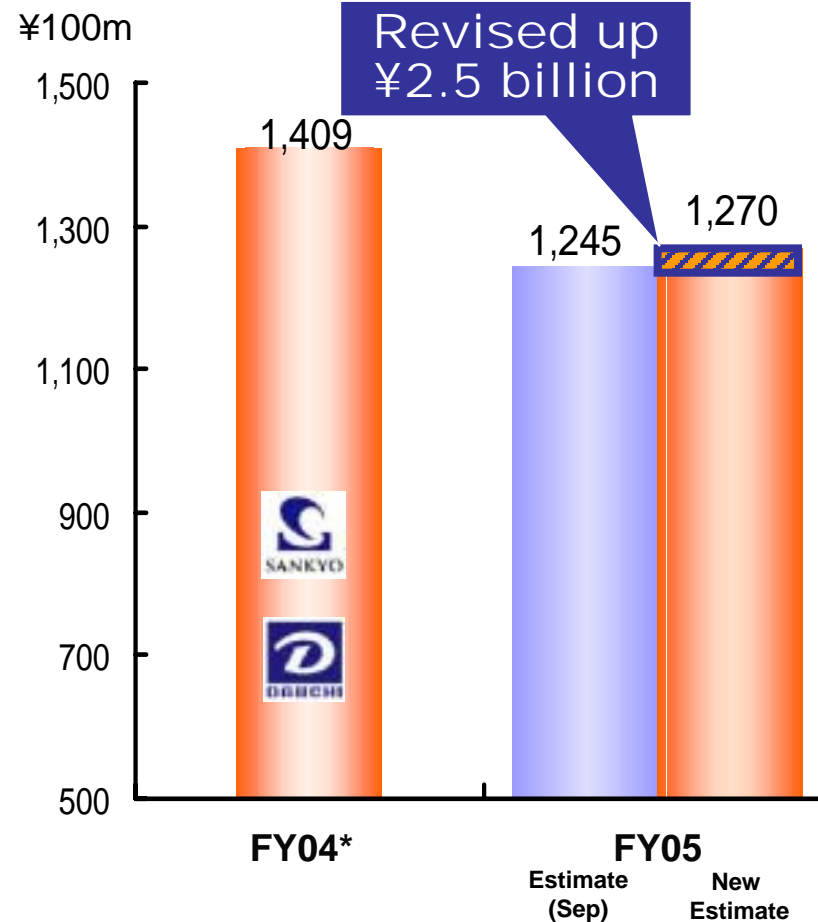
Results
overview
FY05
full year
forecast

Overview of DAIICHI SANKYO FY05 consolidated earnings estimate

Sales



Operating income



*Simple totals of both companies' figures

Focus of DAIICHI SANKYO FY05 consolidated earnings forecast

Sales and profit growth effect due to Olmetec collaboration

Steady business of domestic marketing and bulk shipments for Levofloxacin

Brisk results at US subsidiaries SPI and LPI

Effects of business process reengineering and structural reforms



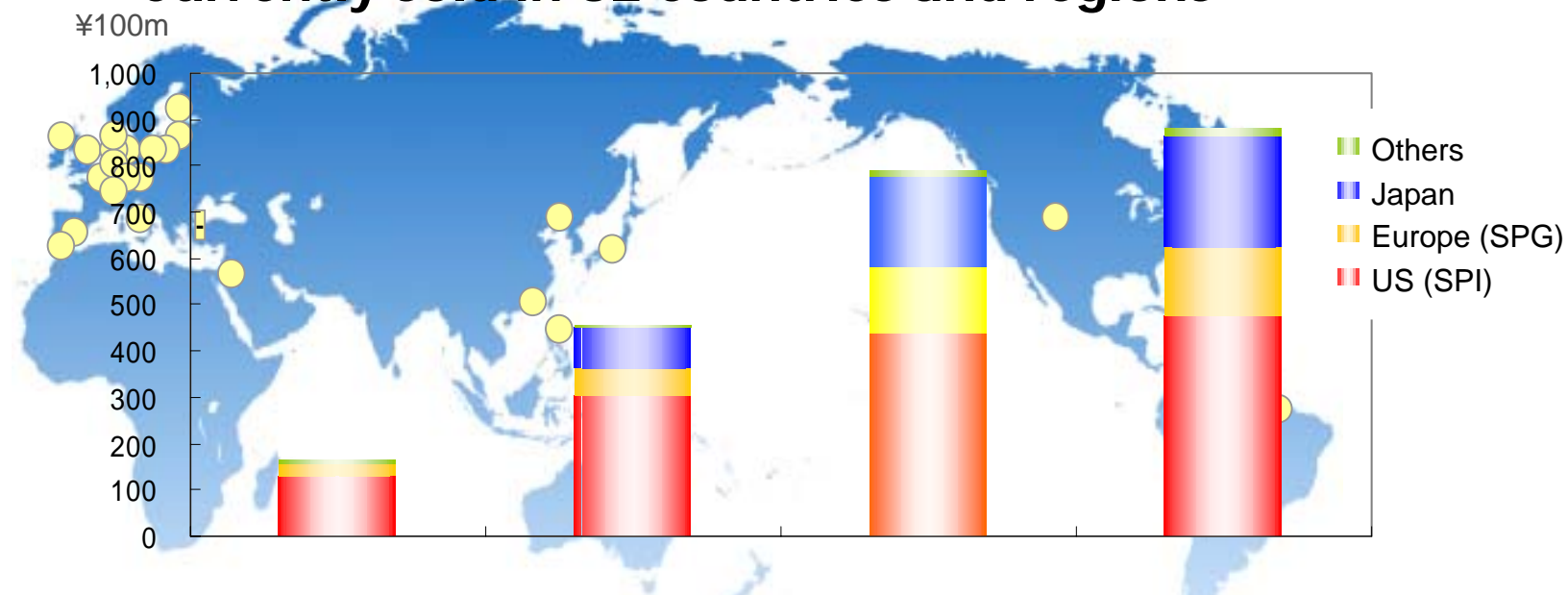
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Trends in major products

Olmesartan sales trends: Close to attaining ¥100 billion target

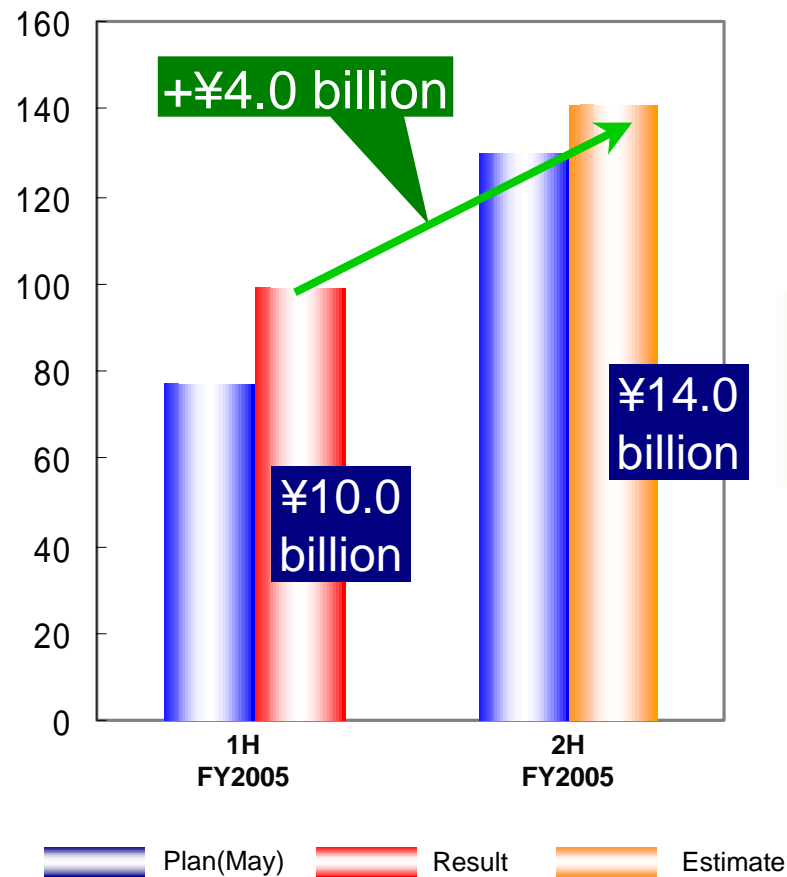
Currently sold in 32 countries and regions



	FY03	FY04	FY05		¥100m
			Estimate (May)	New Estimate	
Total	165	456	788	883	
Japan	0	90	193	240	
US (SPI)	132	303	439	477	
Europe (SPG)	24	58	144	149	
Others	9	4	12	17	

Collaboration begins in Japan

Olmetec sales in Japan



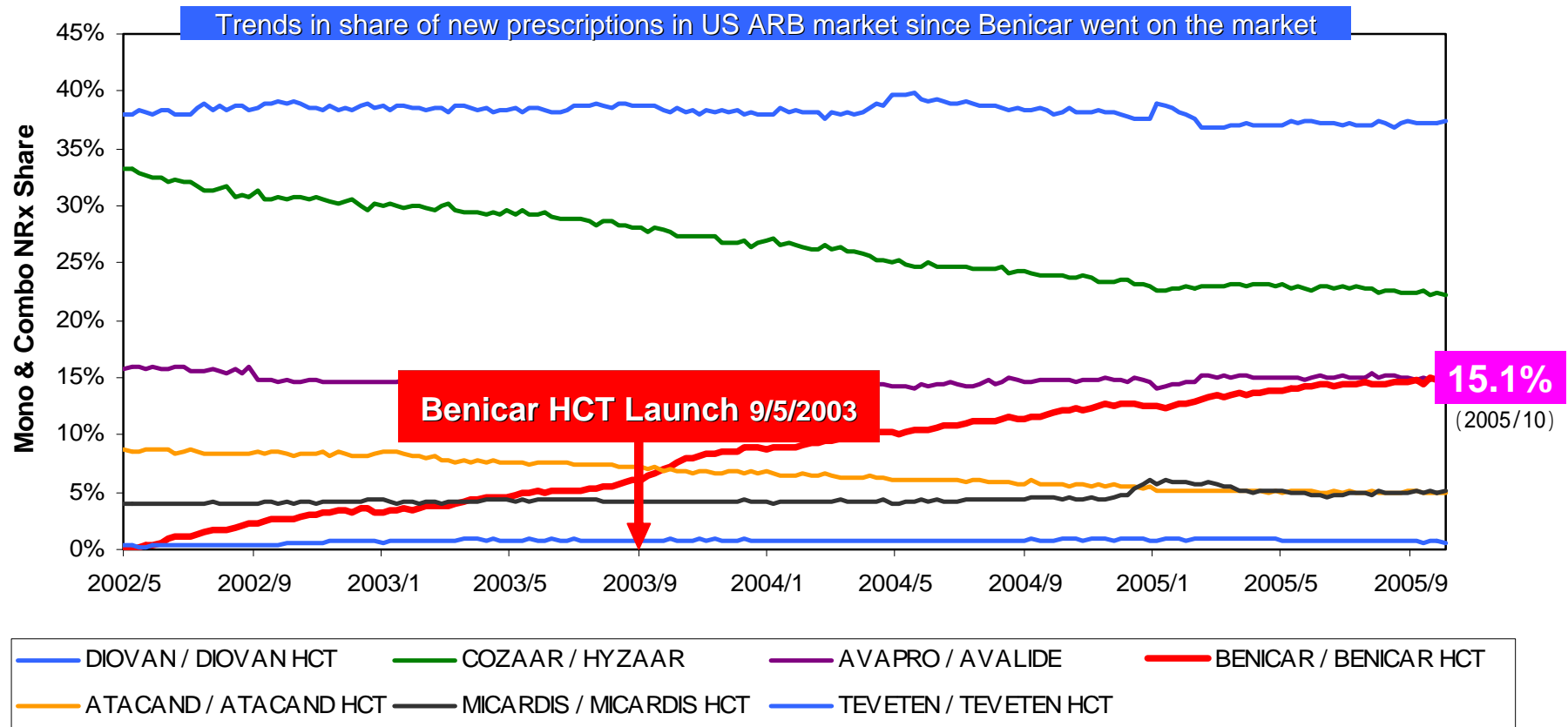
Sankyo/Daiichi collaboration begins in October

Both companies begin providing information in November



Grows to third-largest seller in US ARB market - Benicar/Benicar HCT

Accounts for approx. 15% of new prescriptions to join the top 3; aiming for no. 2 spot



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Source: IMS Health, IMS National Prescription Audit™, Sept. 2005

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Strategy for attaining target global sales for Olmesartan of ¥200 billion

US

- Strengthen sales capability by integrating sales organization
- Lifecycle management: Start development of CS-8663 and commenced phase 3 trials.

Japan

- Daiichi-Sankyo team of 2,500 MRs begins providing information
- Lifecycle management: CS-866AZ and CS-866CMB under development
- ORIENT study (additional indications, chronic glomerulonephritis)

Europe

- Begin selling Olmetec Plus (formulation with diuretic) at earliest opportunity
- ROADMAP trials (prevention of urine albumin)

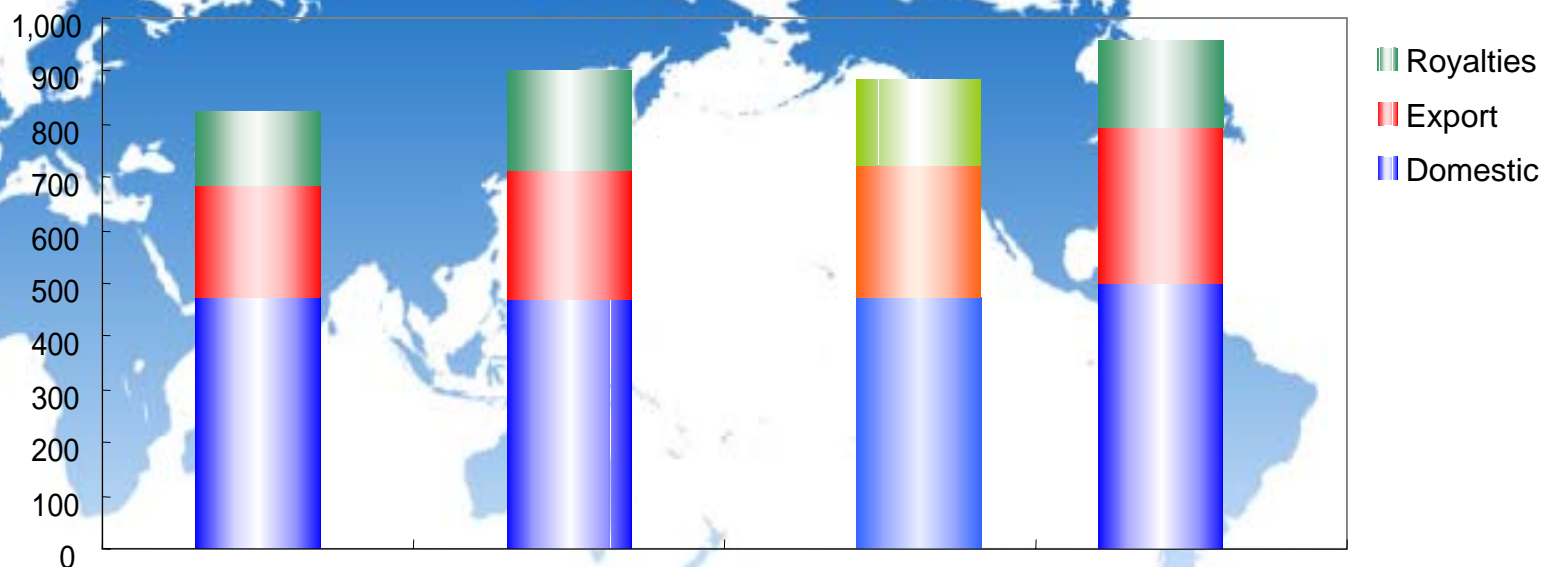
Other

- Expand alliance partnerships (including with Pfizer, Schering-Plough, Daewoong Pharmaceutical)

Levofloxacin (Cravit) sales trends

Strengthen lifecycle management going forward

¥100m



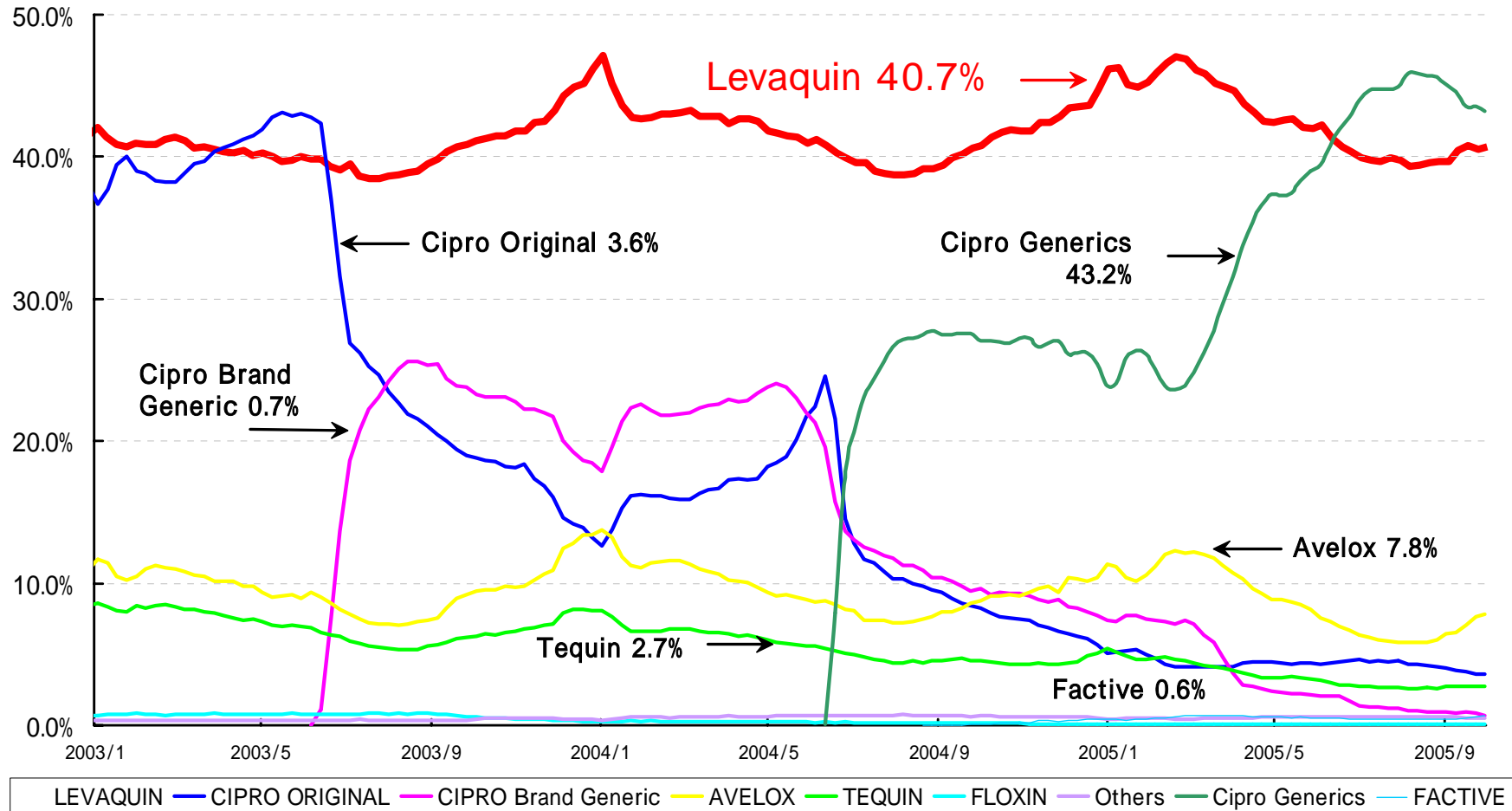
	FY03	FY04	FY05	
			Estimate (April)	New Estimate
Total	824	903	888	958
Export	208	242	250	292
Domestic	474	471	474	502
Royalties	142	190*	160	164

¥100m

*As accounting term of royalty from US market in FY 2004 had been changed, it was included for 15 months

Established market share of original quinolone

US antibiotic market share trends



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Measures to maximize global Levofloxacin sales

US

- Acute sinusitis indication added in August 2005
- Short-term, high dosage therapy with 750mg formulation established for treating moderate pulmonary infections
- Promote use in treatment of urological disorders

Japan

- To establish position as treatment of choice for pulmonary disorders by communicating combination of safety and efficacy
- Promote proper prescription based on evidence for high-risk and elderly patients

Europe

- Established market evaluation for 500mg formulation as pulmonary infection treatment (double-digit YoY growth in Germany, France, Spain, etc.)
- Considering promotion of short-term, high dosage therapy based on 750mg formulation data in US

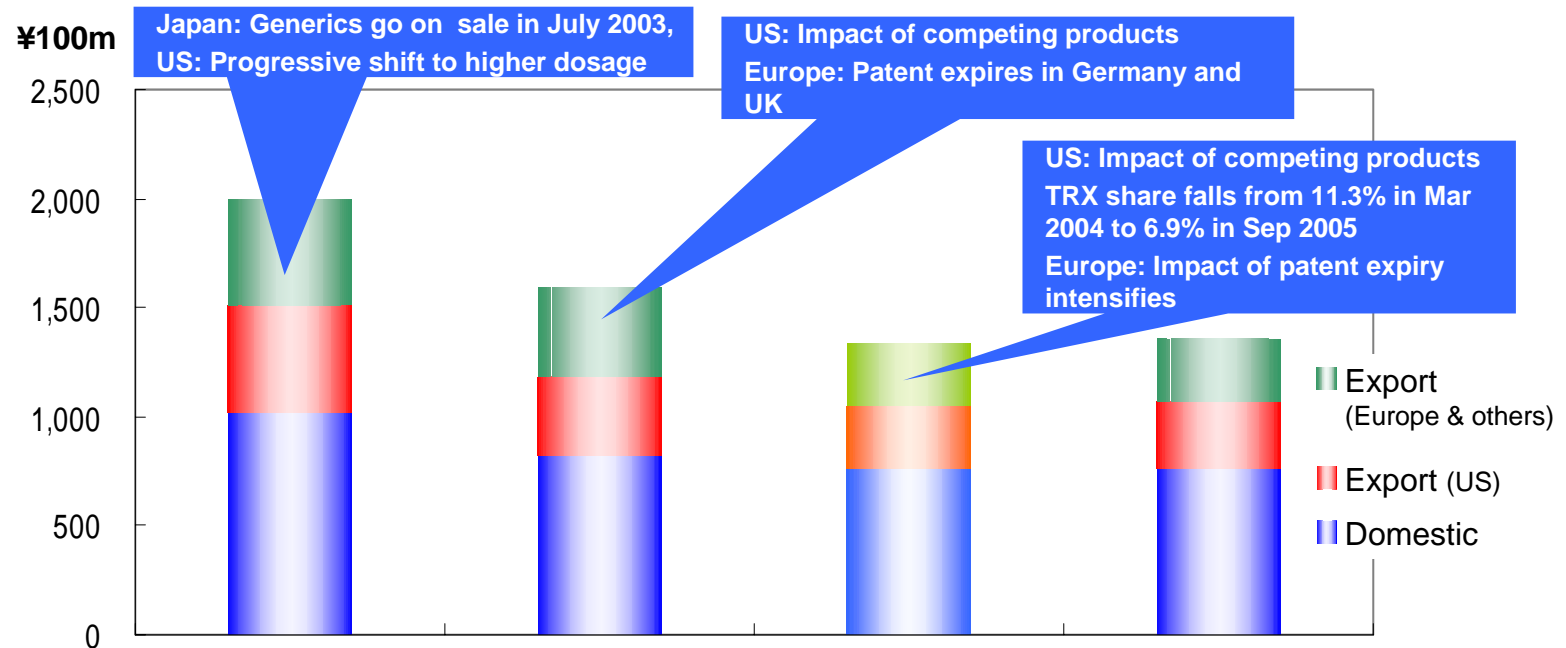
Other

- Promote lifecycle management projects

Pravastatin (Mevalotin) sales trends

FY06: Decrease of bulk exports by patent expiration in the U.S.

Plan to sustain sales in Japan by utilizing MEGA study, and combining domestic marketing force of DAIICHI SANKYO



	FY03	FY04	FY05		¥100m
			Estimate (May)	New Estimate	
Total	2,001	1,595	1,336	1,356	
Export	983	770	570	597	
Domestic	1,018	825	766	759	

Note: Excl. N. America: chiefly Europe; includes exports to SPG, etc.

MEGA Study: Late-breaking Clinical Trial Announcement

- **Date of announcement: November 16, 2005 (November 17, Japan time)**
- **Venue: Late-breaking clinical trial announcement at AHA meeting in Dallas, Texas**
- **Trial design:**
 - **Approximately 8,000 hyperlipemic patients in Japan aged 37–74 (68% female) were studied.**
 - **Primary evaluation items: Fatal and non-fatal myocardial infarction, sudden death, angina, and coronary artery reconstruction**
 - **Secondary evaluation items: Cerebral infarction, cerebral hemorrhage, transient ischemic attack, all cardiovascular events, total death, other**
 - **Trial period: Average five years plus**



Daiichi-Sankyo

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Development pipeline trends

Progress with development pipeline since 1Q announcement in July

■ Approvals

- CS-866CMB Olmesartan + hydrochlorothiazide formulation (European mutual certification completed)

■ Phase 3 trials (new entry)

- CS-8663 Olmesartan + Amlodipine formulation (Europe and US)

■ Proceeded to phase 1 trials

- DZ-697b New antiplatelet agent

■ Suspended or terminated

- CS-505 Treatment for arteriosclerosis-related coronary heart disease (phase 2/3 in Europe and US). Clinical trials halted because efficacy could not be proved.
- DX-9065a Selective anti-Xa inhibitor (injection phase 2 in Japan and US). Development suspended to concentrate resources on other products.
- CS-003 Neurokinine receptor antagonist (phase 2 in Europe and US). Development halted because efficacy could not be proved.

Development pipeline topics

■ CS-747 (antiplatelet agent)

- In phase 3 trials

Covering 13,000 cases at 800 facilities in 25 countries

■ DU-176b (Oral anti-Xa inhibitor)

- International Society on Thrombosis and Haemostasis meeting (Sydney, August 2005)

- Efficacy and safety confirmed in a certain range of dose

Preparing for phase 2b trials to determine optimum dose, etc.

■ DJ-927 (Taxane oral chemotherapy drug)

- Efficacy confirmed for colon, breast, and stomach cancers

Preparing for phase 2b trials



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Progress with
management
challenges

The goals of integration

Before integration

Daiichi
Pharmaceutical



Sankyo



Present

Integrate pipeline
Olemetec collaboration
Integrate overseas bases
Integrate healthcare business

Step1

Discuss where the company wants to be in 2007 (Design and planning)

Step2

Discuss how to get there from here (Prepare for transition, and transition)

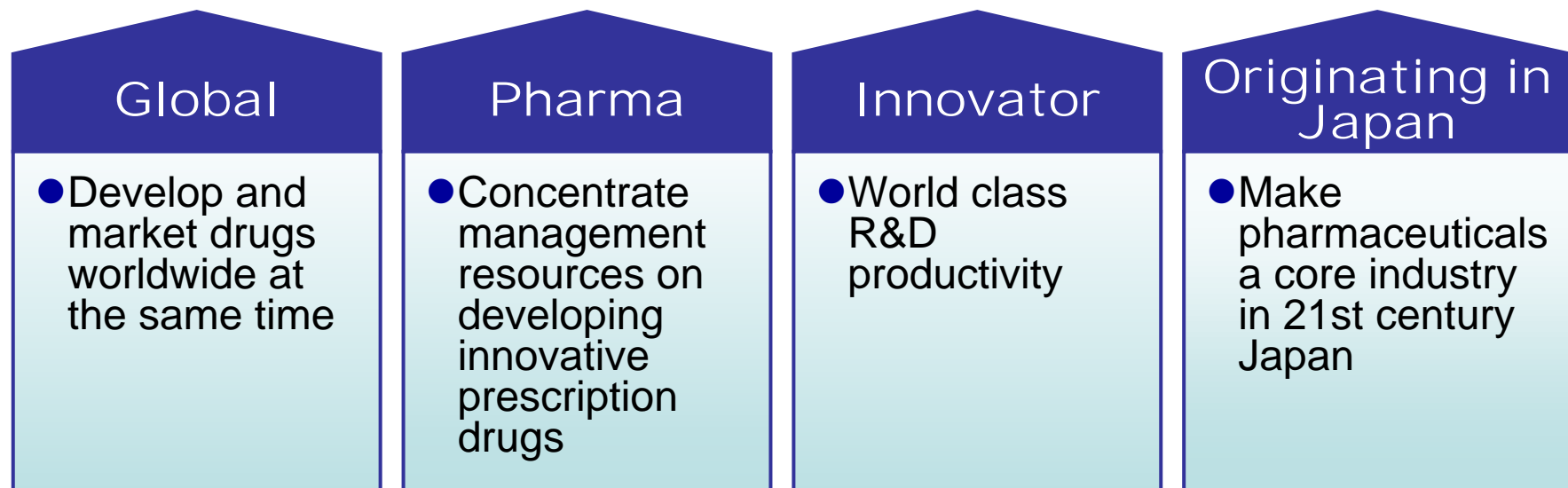
Business integration completed (April 2007)



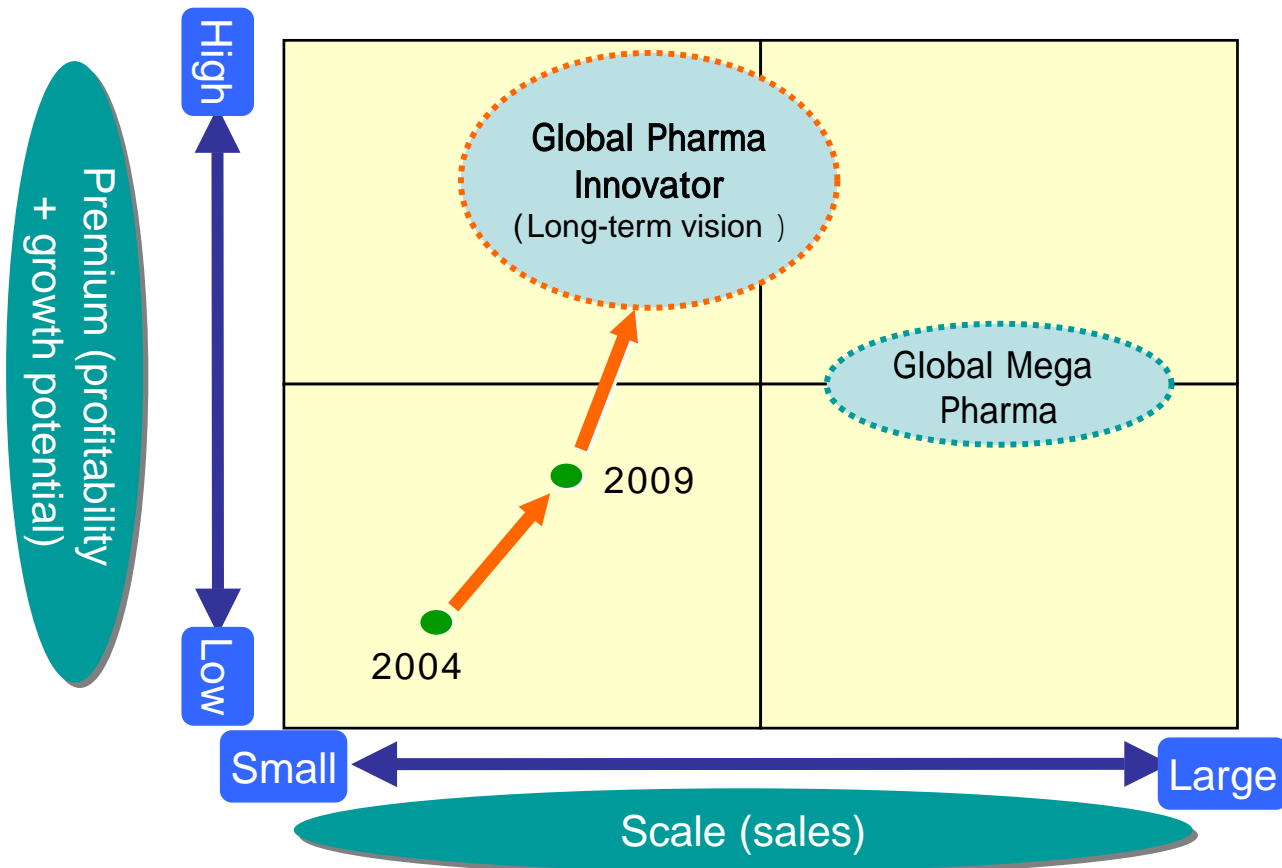
**Global Pharma
Innovator**

Global Pharma Innovator originating in Japan

- Originate innovative new prescription drugs
- Become profitable company with No.1 presence in key markets
- Dramatic improvement in corporate value driven by strong profitability and growth potential



Working to become a Global Pharma Innovator



- Aggressively deploy management resources to acquire pipelines and technology

Current integration strategies 1

Integration of overseas bases

- US
 - Integrate two companies' sales and development bases (SPI, DPC, DMR) scheduled in April 2006 with sales base in Parsippany, NJ, and development base in Edison, NJ.
- Europe
 - Integration scheduled for April 2006, with the development base in London and sales base in Munich:
 - UK, Spain, Italy, Portugal, Austria, Switzerland, the Netherlands, Belgium, Finland, and France.

Current integration strategies 2

Integration of healthcare business

- Direction of business integration in April 2006 under discussion

Spinning off non-pharmaceutical business

- Plans to spin off businesses unlikely to produce synergies with pharmaceutical business by end of March 2007. For example, Fuji Flour Milling, a consolidated subsidiary of Sankyo, is going to be integrated with Nitto Flour Milling in April 2006, which will be a non-consolidated subsidiary.

Development pipeline

As of November 2005

	Candidates for development	Phase 1	Phase 2	Phase 3	Filed for approval	Total
Cardiovascular	CS-3030	DZ-697b CS-866AZ*	DU-176b CS-866RN* SUN 4936h †	CS-747 HGF CS-8663 CS-866DM*	CS-866CMB (Europe)	11
Glucose metabolism		SUN E7001*	CS-011 CS-917	WelChol DB SNK-860		5
Infection	CS-3955 DC-159a	DX-619 CS-758 CS-8958	CS-023†	DU-6859a SUN A0026†	DF-098*	9
Cancer	CS-1008 CS-7017		DJ-927		CPT-11*	4
Immunity and allergies	CS-0777	DW-908e	CS-712*	Xolair*		4
Bone and joints	OCIF		CS-706 SUN E3001*†	CS-600G*	LX-A*	5
Other	CS-011 * (Dry eyes)	SUN N8075 SUN11031	SUN N4057 CS-088	SUN Y7017* CS-801* CS-1401E* SUN0588r†	DD-723* KMD-3213 DL-8234*	12
Total	8	9	12	14	7	50

* Developed in Japan only

† Most advanced stage recorded for global development drugs

* Licensed out

† Projects under review at GEMRAD

* Simple totals of both companies' figures



Centralizing pipeline

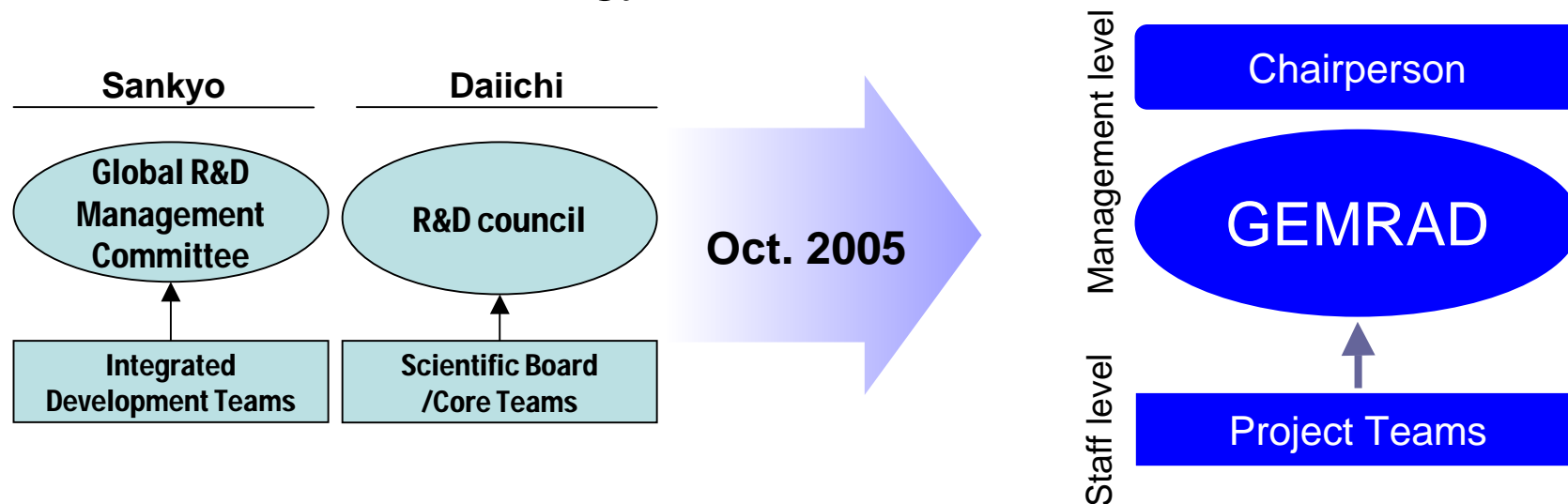
GEMRAD (New R&D decision-making body)

Global Executive Meeting of Research And Development

Decision-making for global and local development projects

- Review development projects and determine order of priority
- Make go/no-go decision

Decide on R&D strategy



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