

Financial Results Briefing

Performance Overview & Management Policy

Interim Financial Results (Second Stage)

(April 1st, 2006 - September 30th, 2006)

November 7, 2006

Takashi Shoda, President & CEO

Semiannual Settlement Overview



DAIICHI SANKYO CO., LTD.

Daiichi-Sankyo

Daiichi Sankyo, Overview of consolidated (results) semiannual statement

Sales

(1 billion yen)

500

+15.8 billion yen

450

400

FY2005

470.0

FY2006

Planning (May) Results

485.8

451.8

Operating Profit

(1 billion yen)

100

+23.3 billion yen

50

0

FY2005

55.0

FY2006

Planning (May) Results

80.3

78.3

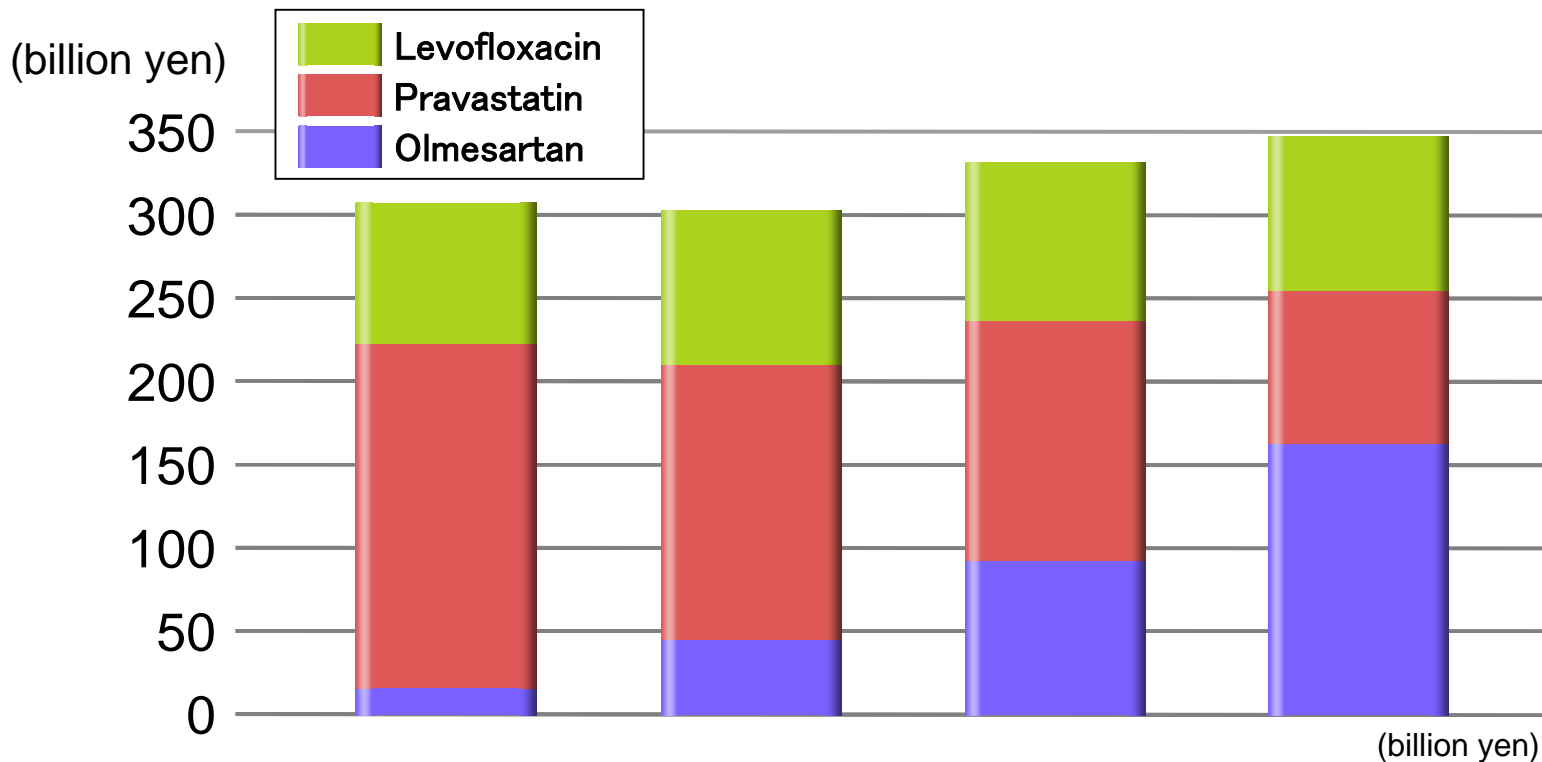
Trend of Major products

● Sales from Major Products (Consolidated)

(Unit: 1 million yen)

Product name	FY 2005		FY 2006					
	First Half	FY	Announced in May ①	First Half Results ②	Compared with the announced value ②-①	Announced in May ①	FY Estimates ②	Compared with the announced value ②-①
Olmesaltan [antihypertension agent]	41,100	92,400	77,900	84,000	6,100	145,300	157,700	12,400
Levofloxacin [extensive oral antibacterial agent]	46,600	97,600	45,800	46,200	400	95,900	96,800	900
Pravastatin [antihyperlipemic agent]	79,200	143,200	47,000	52,000	5,000	92,000	93,800	1,800
Venofer [anemia curing drug]	10,300	22,600	19,000	20,600	1,600	27,200	33,700	6,500
Omnipaque [nonionic contrast medium]	18,000	34,700	15,500	16,400	900	29,600	30,600	1,000
Loxonin [analgesia・anti-inflammatory・antipyretic agents]	14,300	29,000	14,100	15,100	1,000	28,500	30,600	2,100
Welchol [antihyperlipemic agent]	7,400	14,800	12,300	13,100	800	20,700	21,700	1,000

Trends of Daiichi Sankyo Group 3 Major Products



	FY2003	FY2004	FY2005	FY2006 estimate
Total	304.3	302.6	333.2	348.3
Levofloxacin	82.4	90.3	97.6	96.8
Pravastatin	205.4	166.7	143.2	93.8
Olmesartan	16.5	45.6	92.4	157.7*

*15 months' sales (Jan. 2006-Mar. 2007) in the US accounted

Reasons for variation in performance (compared with the plan announced in May)

1. Consolidated Sales 485.8 billion yen (+15.8 billion yen)

- Sales volume of the major domestic products
Panaldine (+2.6 billion yen) Olmetec (+2.6 billion yen) Loxonin (+1.0 billion yen)
- Sales volume of the major U.S. products
Benicar (+2.9 billion yen) Venofer (+1.6 billion yen)

2. Consolidated Operating Profits 78.3 billion yen (+23.3 billion yen)

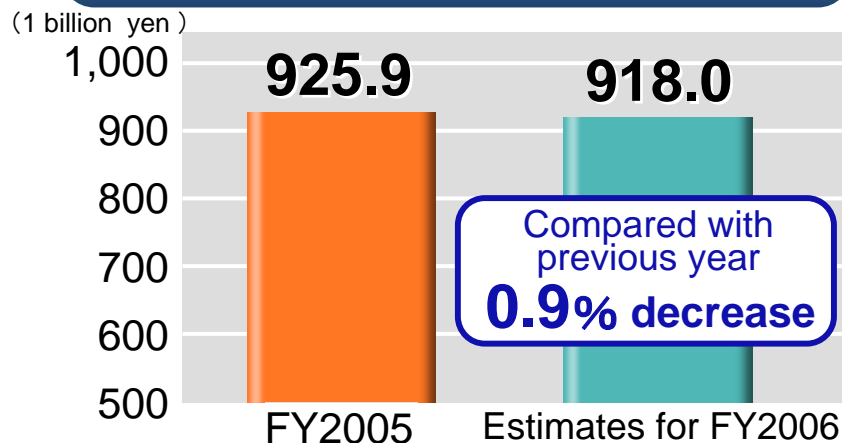
- Effect of increased profit due to upward revision of the sales volume of the major products
- Reduction of the sales and general administrative expenses (-12.2 billion yen)
 - Review of the expenditure plan in healthcare businesses and the European subsidiary (DSE)
 - Review of the expenditure plan in Sankyo and Daiichi Pharmaceutical Co., Ltd.

3. Net Profits for current term 66.8 billion yen (+28.8 billion yen)

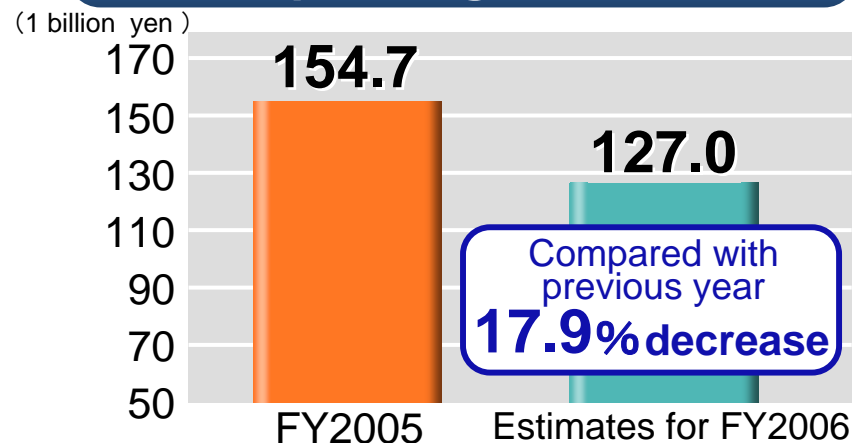
- Effect of the increased profit including the ordinary profit
- Reduction of the corporate income tax rate (planning 45%→actual 32%)
 - Expansion of the tax-related effect due to the elimination of the accumulated red figure in the U.S. subsidiary (DSI)
 - Effect of the tax reduction in R& D in the Sankyo Group

Estimated figures for consolidated full FY 2006 (revised in November)

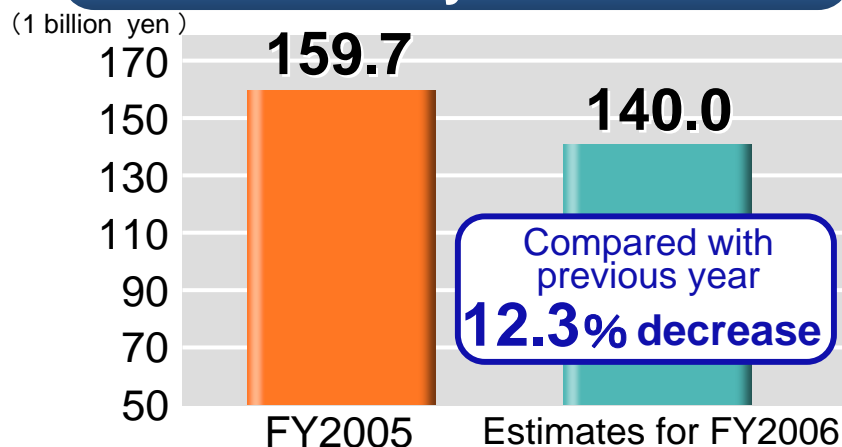
Sales



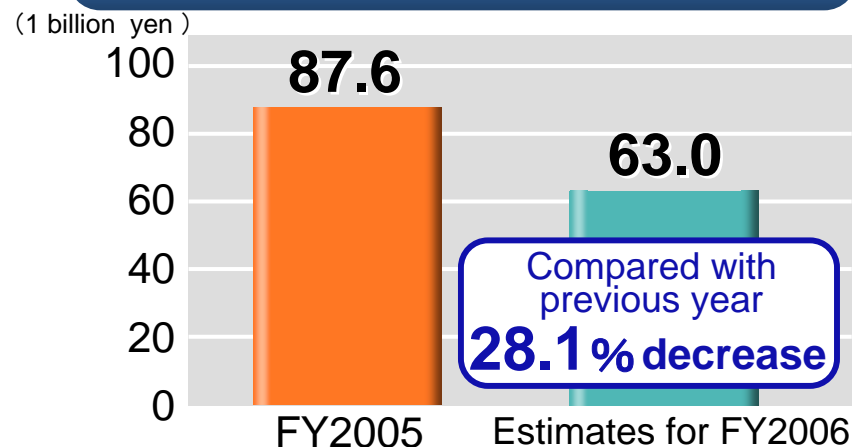
Operating Profits



Ordinary Profits



Net Profits for current term



Assumption: As for the two U.S. companies (DSI&LPI), due to the changes in the accounting period, 15 months (from January 2006 to March 2007) were reported.

Points to be revised regarding the estimates for the consolidated full fiscal term (compared to the announced value in May)

1. Consolidated Sales 918.0 billion yen (+53.0 billion yen)

- Upward revision of the sales volume plan for the major domestic products
Olmotec (+8.2 billion yen) Panaldine (+3.6 billion yen) Loxonin (+2.1 billion yen)
- Upward revision of the sales volume planning for major overseas products
Venofer (+6.5 billion yen) Benicar (+2.4 billion yen)
- Transfer from the sales volume booked for the second half of the respective non-pharmaceutical companies (+36.0 billion yen)

2. Consolidated Operating Profits 127.0 billion yen (+19.0 billion yen)

- Accompanied with upward revision of the sales volume of the major products
- Transfer from the sales booked for the second half of the non-pharmaceutical companies (+2.4 billion yen)

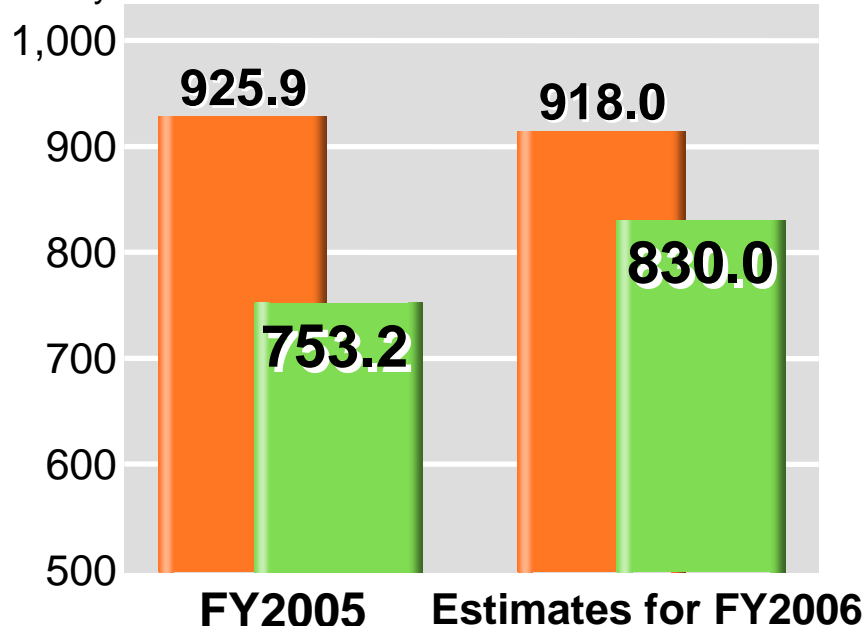
3. Net profits of the current term 63.0 billion yen (+16.0 billion yen)

- Accompanied with upward revision of profits including the ordinary profit
- Favorable effect of the reduced corporate income tax rate

Trends in the Consolidated Results

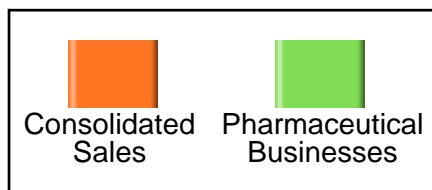
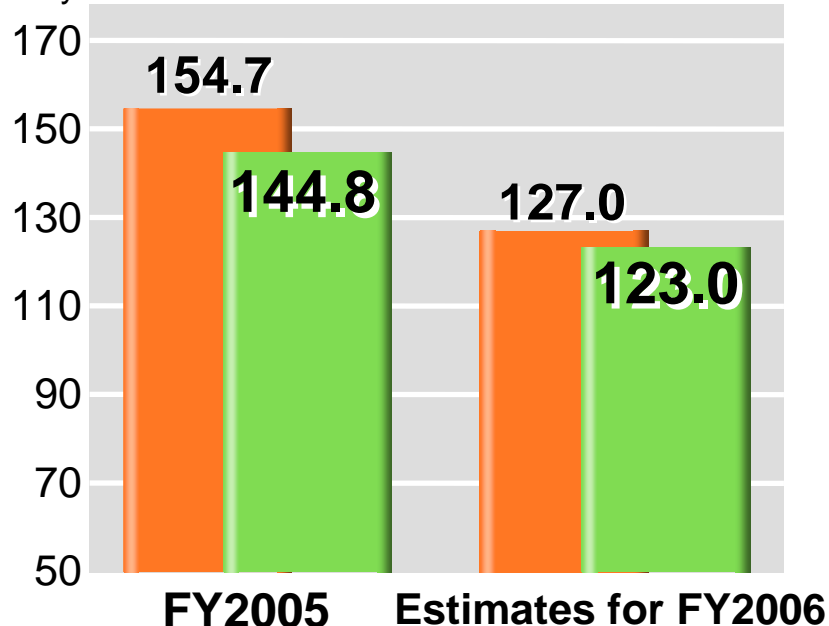
Sales

(1 billion yen)



Operating Profits

(1 billion yen)



(Unit: 1 billion yen)

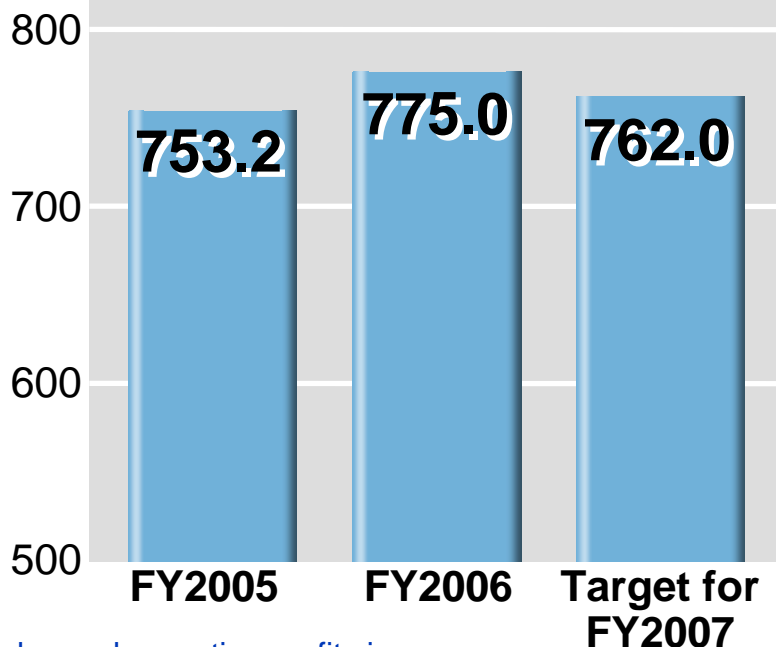
	FY2005	Estimates for FY2006
Sales	753.2	830.0
Operating Profits	144.8	123.0

※In FY 2006, as for DSI and LPI based in the U.S., 15 months' accounting was reported, including that of Zepharmia.

Trends in the performance of Pharmaceutical Businesses

Sales

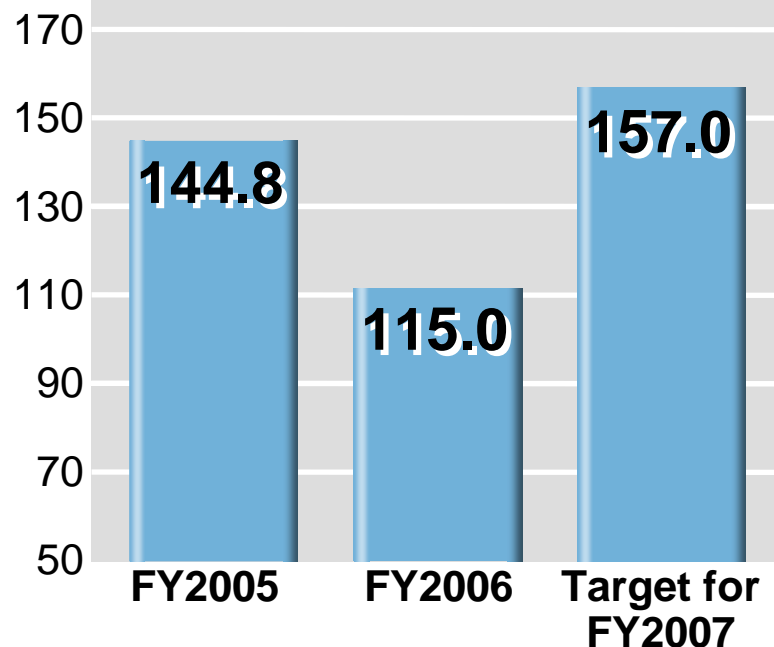
(1 billion yen)



(Announced in May 2005)

Operating Profits

(1 billion yen)



(Announced in May 2005)

(Unit: 1 billion yen)

*For sales and operating profits in FY 2006, those of DSI and LPI in the U.S for the period between January and March were deducted. In the same way, those of Zepharma were also deducted. However, the equivalent amount of the Zepharma's goodwill amortization was reinserted into the operating profits.

	FY2005	Estimates for FY2006	Targets for FY2007
Sales	753.2	775.0	762.0
Operating Profits	144.8	115.0	157.0

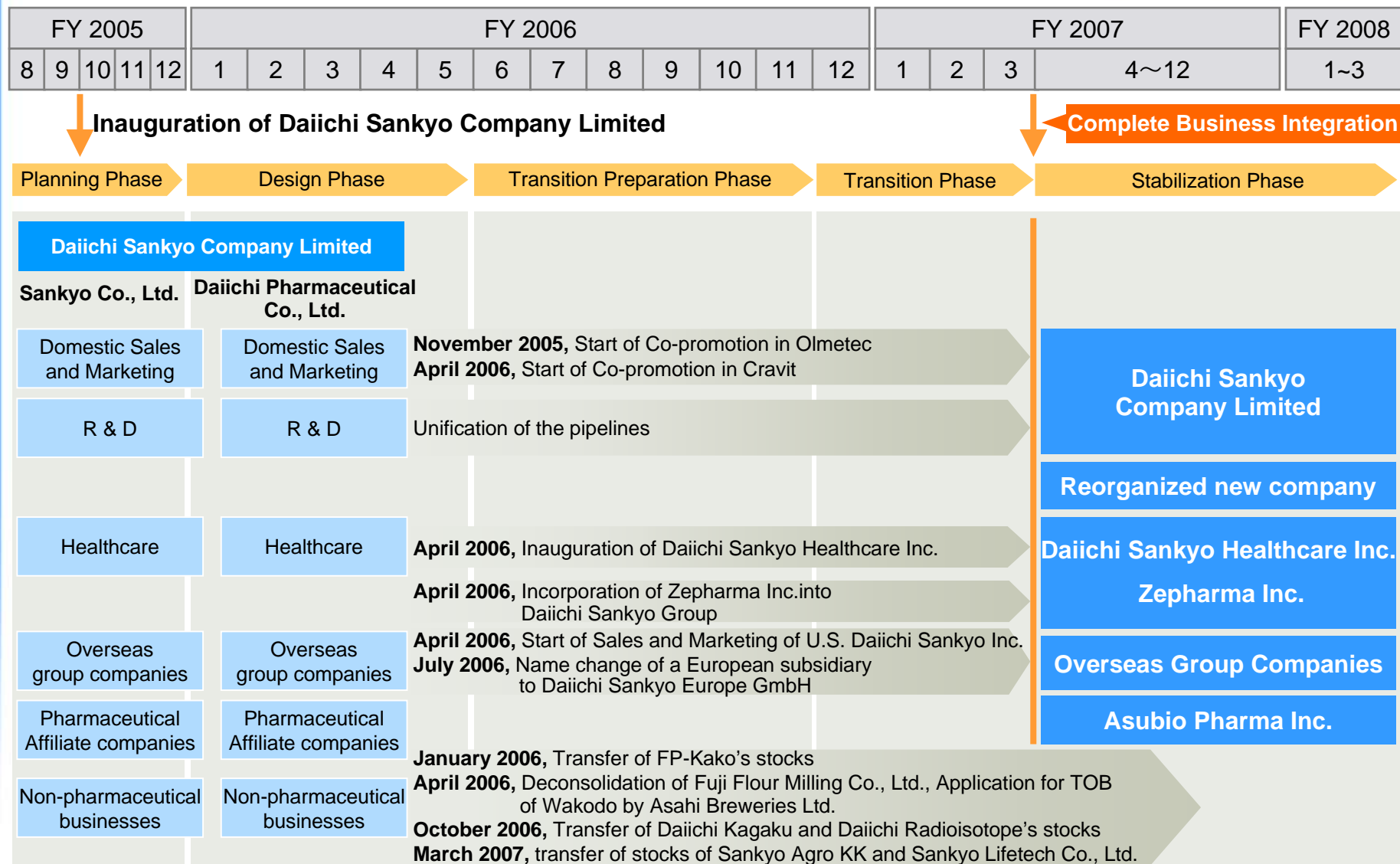
Progress of the Management Integration



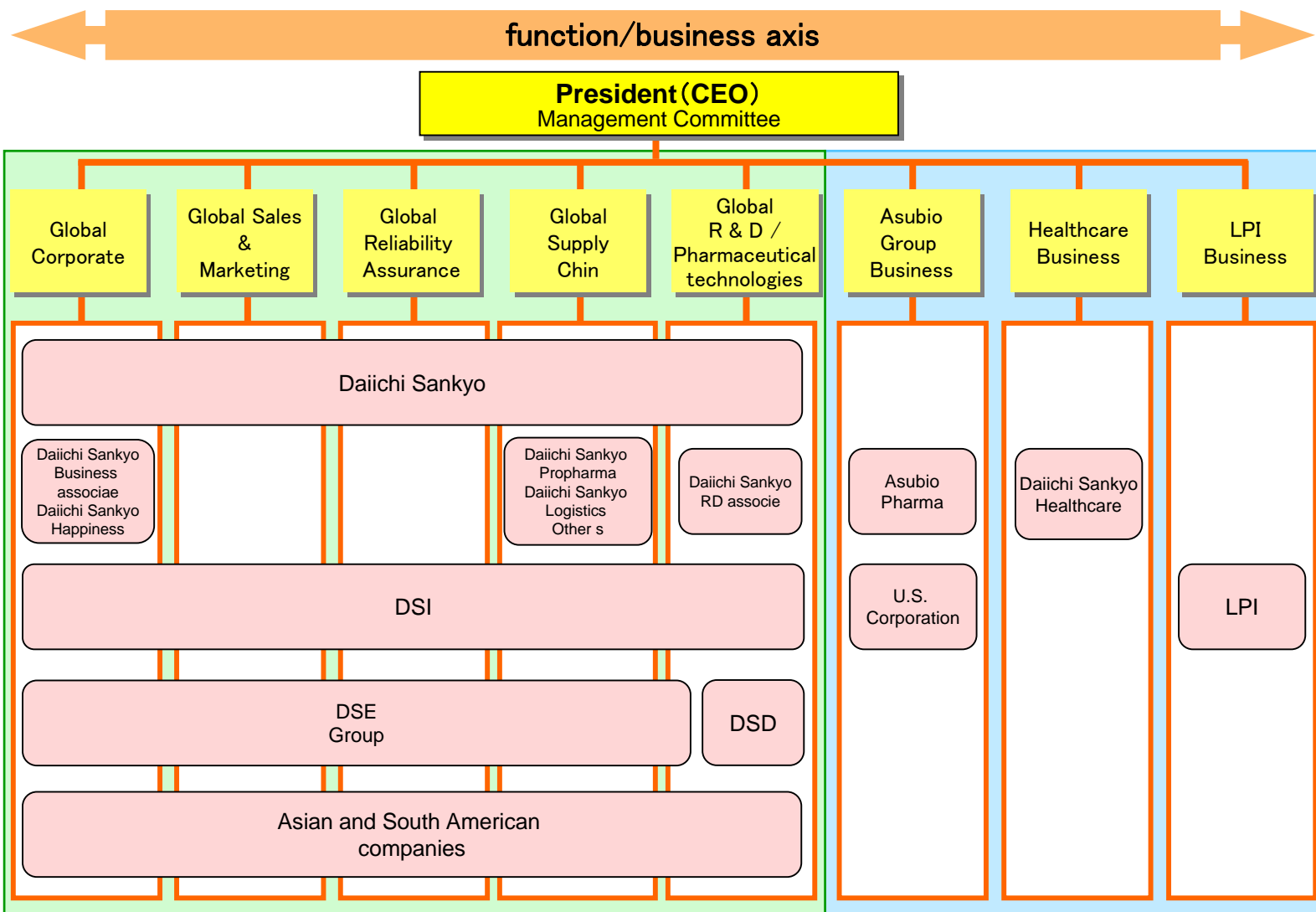
Daichi-Sankyo

DAIICHI SANKYO CO., LTD.

Progress of the Management Integration



Management based on the global functional axis in April 2007



Achievement in Collaboration in Olmetec

■ From November in 2005, the co-promotion of Sankyo and Daiichi in Olmetec will start with an aim to increase sales.

■ Market share in the domestic ARB market*

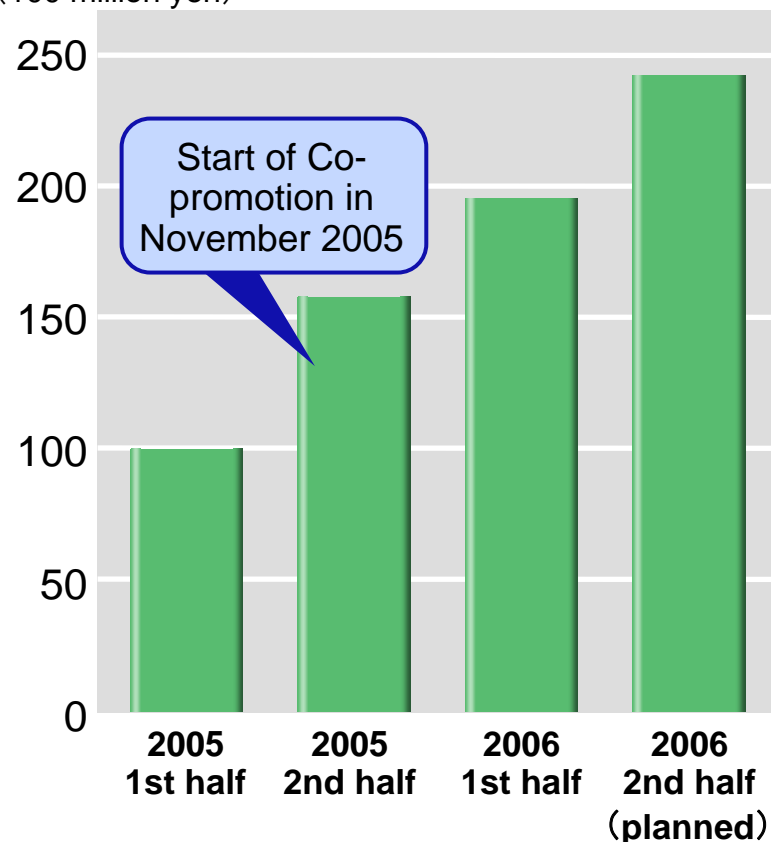
First Half of FY 2005	5.9%
Second Half of FY2005	9.5%
First Half of FY 2006	11.2%

* Drug price base including the sales figures from Kowa

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Trend in the sales of Olmetec

(100 million yen)



Demonstrating our “Domestic Sales Power of Excellence” from April 2007

■ Fresh start as newly-integrated Daiichi Sankyo

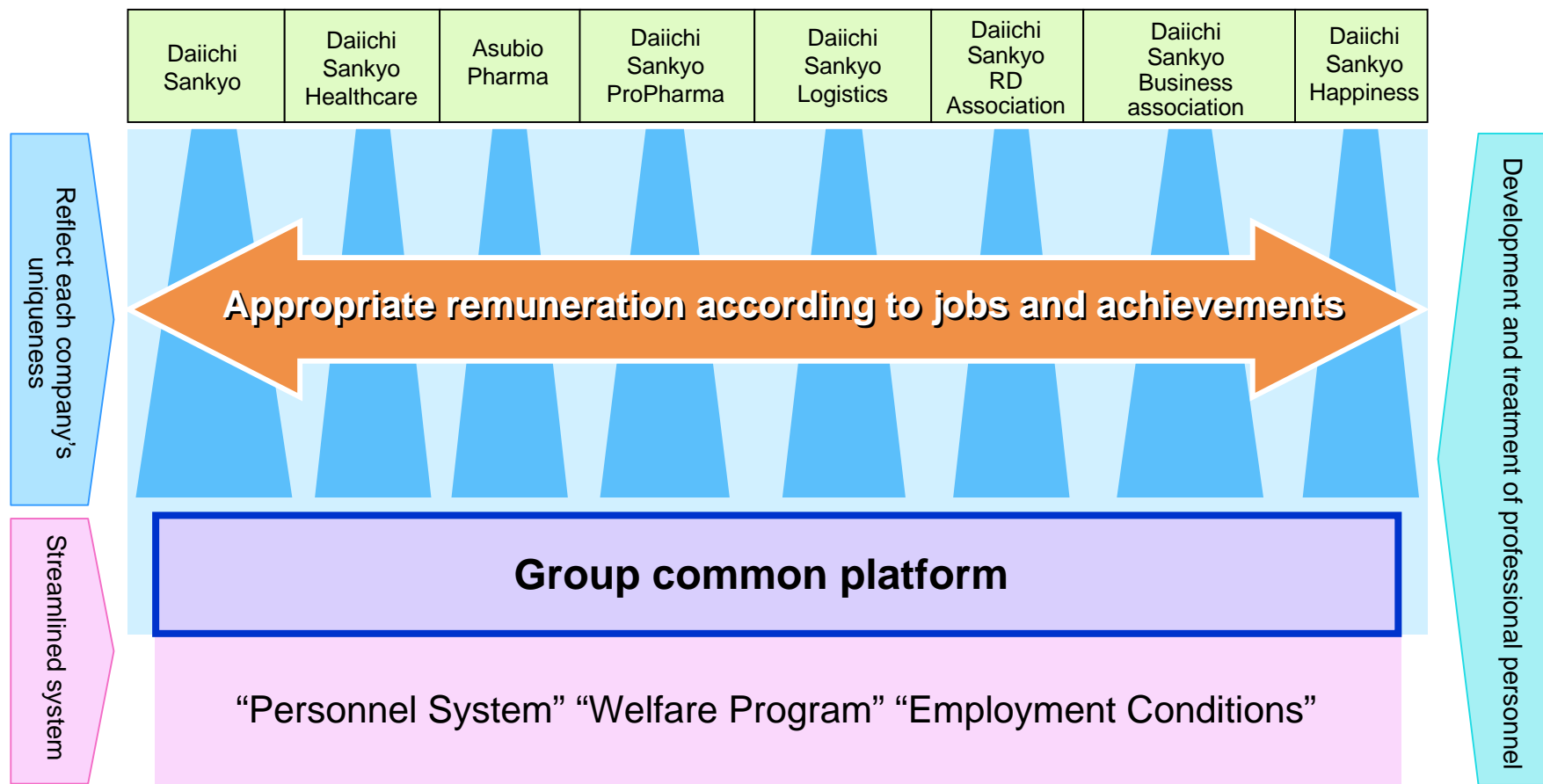
- Strengthening of customer handling by strategically allocating 2,500 MRs
- Securing of top-level detail in quantity and quality in Japan

■ Departure at full speed

- Early integration by promoting collaboration in Olmetec and Cravit
- Implementation of sufficient training for prioritized products and areas in advance

New Personnel System of Daiichi Sankyo Group (condensed)

- 1 Development and handling of professional personnel aimed at maximizing organizational achievements.
- 2 Early realization of powerful cost competitiveness



Systems Integration supporting to realize business operation efficiency with the highest industrial standards

■ Systems integration fit to the ideal situation in 2007

Systems based on the unified business process, system and group-shared services are scheduled to be implemented under the framework of group reorganization

<Major systems>

- Order receiving, sales and distribution system, accounting system, personnel system
- Domestic sales and marketing support system
- Systems infrastructure (network, mailing systems), etc.

■ Along with the systems integration, there will be a 40% reduction in IT operation costs.

Names of the new companies under the reorganized Daiichi Sankyo Group (corporate name)	
New Integral Healthcare Company	Daiichi Sankyo Healthcare, Co., Ltd.
New Production Company	Daiichi Sankyo Propharma Co., Ltd.
New Logistics Company	Daiichi Sankyo Logistics Co., Ltd.
New R&D Support Company	Daiichi Sankyo RD Associe Co., Ltd.
New Business Support Company	Daiichi Sankyo Business Associe Co., Ltd.
New Special Company	Daiichi Sankyo Happiness Co., Ltd.
Daiichi Asubio Pharma Co., Ltd.	Asubio Pharma Co., Ltd.

Policy for Capital Efficiency

■ Dividend Policy

FY 2009 DOE 5% or more

- ROE 10% or more, Payout Ratio around 50%
- Prospect for FY 2006 is 3.5%

■ Strategic investment to expand overseas business

■ Flexible response to Share Buy Back

Current State of R & D Pipelines



Current State of Major Development Projects ①

Progress of major projects

■ **Prasugrel** (CS-747 anti platelet agents)

- Currently in the final stage of recruiting subjects for the Phase III trial (TRITON TIMI 38 trial). Scheduled to apply for approval in Europe and the U.S. during 2007
- Clinical data were released suggesting that the anti platelet-aggregating action of Prasugrel was better than that of Clopidogrel in high doses at Transcatheter Cardiovascular Therapeutics 2006 in October.

■ **CS-8663** (agent for hypertension treatment, compounding agent of olmesartan and Amlodipine)

- Scheduled to apply for approval in the U.S. during 2006 (scheduled to apply for during 2007 in Europe)

■ **DU-176b** (oral factor Xa inhibitor)

- Phase 2b trials were launched in the US, Euro and Japan during 1H of FY2006

Current State of Major Development Projects ②

Progress of major projects

■ **DZ-697b** (anti platelet agents)

- Phase 1 trials ongoing in the US, Euro and Japan
- Phase 2 trials are scheduled to start in 1H of FY 2007

■ **WelChol DM** (Expansion of the scope of application to diabetes)

- Scheduled to apply for approval in the U.S during 2006

Current State of Major Development Projects ③

Items whose development has been discontinued

- **DJ-927 (oral Taxane Derivative, Phase 2 in the US and EU)**
 - Judged to be difficult to show clearer utility than existing chemotherapeutic agents

- **CS-3030 (oral factor Xa inhibitor, Phase 1 in the US and EU)**
 - Withdrawal based on strategy of portfolio

- **DW-908e (VLA-4 inhibitor, Phase 1 in the US and EU)**
 - Trials were suspended with cancellation of clinical hold was undecided in the US

List of major developed items

	Candidate for development	Phase 1	Phase 2	Phase 3	Under application
Cardiovascular disease		<u>DZ-697b</u>	<u>DU-176b</u> CS-9803 CS-866RN(#) CS-866CMB(#) [SUN 4936h]	<u>CS-747</u> <u>CS-8663</u> HGF CS-866DM (#) CS-866AZ (#)	
Glucose metabolism		SUN E7001 (#) AJD101	CS-011 CS-917	WelChol DM	
Infectious diseases		DX-619 CS-758 CS-8958 DC-159a	[CS-023]		DU-6859a DF-098 (#) [SUN A0026]
Cancer	DE-766(#)	CS-7017 CS-1008			
Immunity · allergy		CS-0777	CS-712 (#)		
Bone · joints	OCIF		CS-706 SUN E3001 (#)	CS-600G (#)	
Other	CS-011 (#) (dry eyes)	SUN N8075	SUN N4057 CS-088 KMD-3213 SUN11031	SUN Y7017 (#) DL-8234(#) [SUN0588r]	DD-723 (#) CS-1401E (#) DL-404 (#)

- #: Developed only in Japan
- []: Derivation

- For items that are being developed on a global basis (outside of Japan), the most advanced stage is described.
- The underlined items are the current projects with the highest priority.

Contact information for inquires regarding this material

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