

# Results Briefing

## Performance Overview

### Financial Results for the 1<sup>st</sup> Half of FY2007

(April 1, 2007 - September 30, 2007)

**November 7, 2007**

**President & CEO Takashi Shoda**

---



DAIICHI SANKYO CO., LTD.



# Results Overview

**1<sup>st</sup> Half Results and  
Full Year Revised Forecast**

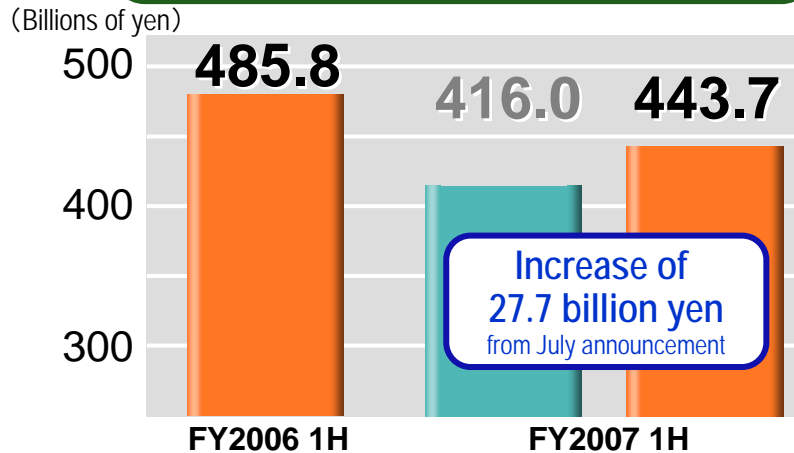


DAIICHI SANKYO CO., LTD.

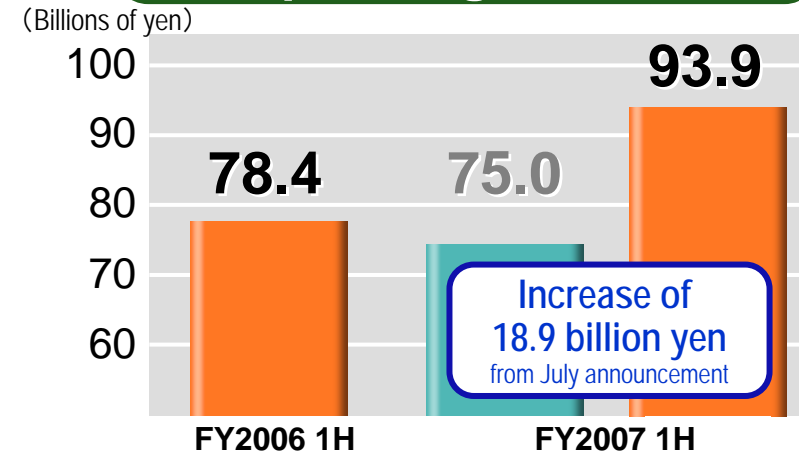


# Overview of Consolidated Financial Results for 1<sup>st</sup> Half of FY2007

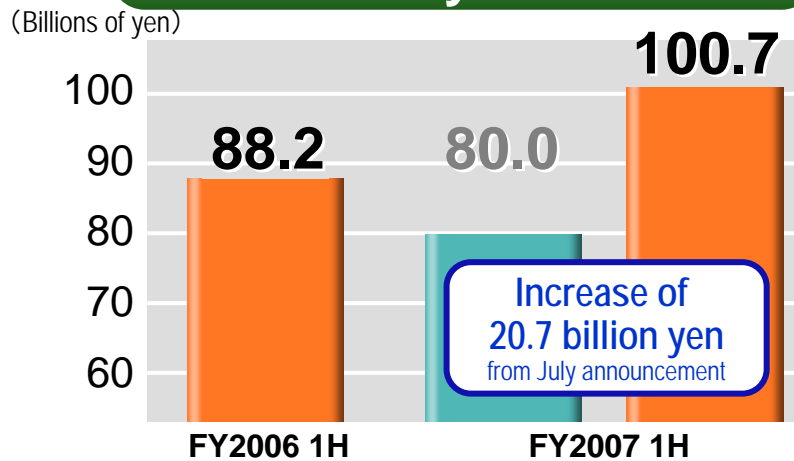
## Sales



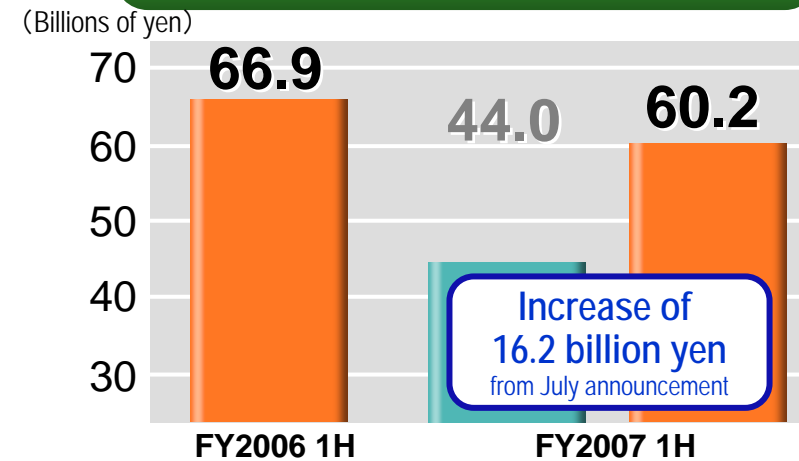
## Operating Income



## Ordinary Income



## Net Income



Due to change in the accounting periods, figures include extra 3 months for the U.S. subsidiaries and EU subsidiaries in FY2006 and FY 2007, respectively.





# Reasons for Variation in Performance (compared with July announcement)

## 1. Consolidated Sales 443.7 billion yen (+27.7 billion yen)

### ■ Increase in sales of the major products +11.4 billion yen

|              |      |                               |      |           |      |
|--------------|------|-------------------------------|------|-----------|------|
| ● Olmesartan | +1.1 | ● Levofloxacin                | +1.9 | ● Venofer | +4.8 |
| ● WelChol    | +1.4 | ● Decrease in sales deduction |      |           |      |
| ● Omnipaque  | -2.1 | ● Calblock                    | -1.2 | ● Mobic   | -1.1 |

### ■ Non-pharmaceutical business +16.3 billion yen

## 2. Operating Income 93.9 billion yen (+18.9 billion yen)

### ■ Ordinary income from pharmaceutical business +19.6 billion yen

|                            |       |   |
|----------------------------|-------|---|
| ● Increase in Gross Profit | +12.7 | ▪ Increased cost free sales such as gain from currency fluctuation                        |
| ● SG&A expenses            | -2.7  | ▪ Decrease in domestic sales and marketing expenses, etc                                  |
| ● R&D expenses             | -4.2  | ▪ Increase from Denosumab, decrease from partial carryovers to 2 <sup>nd</sup> half , etc |

## 3. Net Income 60.2 billion yen (+16.2 billion yen)

|                                  |      |   |
|----------------------------------|------|---|
| ● Non-operating balance          | +1.8 | ▪ Income +2.7 (increase in dividend income, etc), expenses +0.9 |
| ● Extraordinary gains and losses | -1.2 | ▪ Gains +0.5, losses +1.7 (Loss on business integration, etc)   |
| ● Corporate tax                  | +3.2 |   |



# Reasons for Difference between FY2006 and FY2007 (Results of FY2006 1H ⇒ Results of FY2007 1H)

## 1. Consolidated Sales 443.7 billion yen (-42.1 billion yen, -8.7%)

- Increase in sales of the major products +17.4 billion yen (+4.4%)
  - Olmesartan +21.9
  - Loxionin +1.8
  - Consolidation of L.A. subsidiaries +2.9
  - Levofloxacin +4.1
  - Urief +1.3
  - Pravastatin -13.3
  - WelChol +2.2
  - Venofer +1.0
  - Decrease in lump-sum payment, etc
- Change in the accounting period for U.S. / EU subsidiaries -17.4 billion yen
- Non-pharmaceutical business -42.1 billion yen

## 2. Operating Income 93.9 billion yen (+15.6 billion yen, +19.9%)

- Ordinary income excluding special factors \* +27.8 billion yen (+42.7%)
  - \* restructuring of non-pharmaceutical business and change in accounting period for U.S. / EU subsidiaries*
  - Increase in Gross Profit +18.8
  - SG&A expenses -6.6
  - R&D expenses -2.4
  - Improvement in product portfolio, exchange rate gain
  - Cost synergy > Preceding investment for overseas business

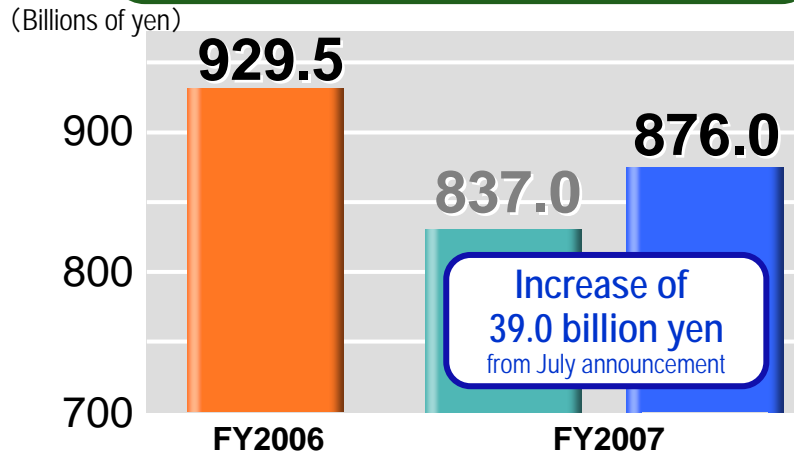
## 3. Net Income 60.2 billion yen (-6.6 billion yen, -9.9%)

- Non-operating balance -3.1
- Extraordinary gains and losses -12.9
- Corporate tax +6.3
- Income -2.9 (Decrease in gains from synthetic stock options, etc), expenses +0.2
- Gains -20.6 (Decrease in sales of investments in affiliates, etc)
- Losses -7.7 (Decrease in loss on business integration, etc)

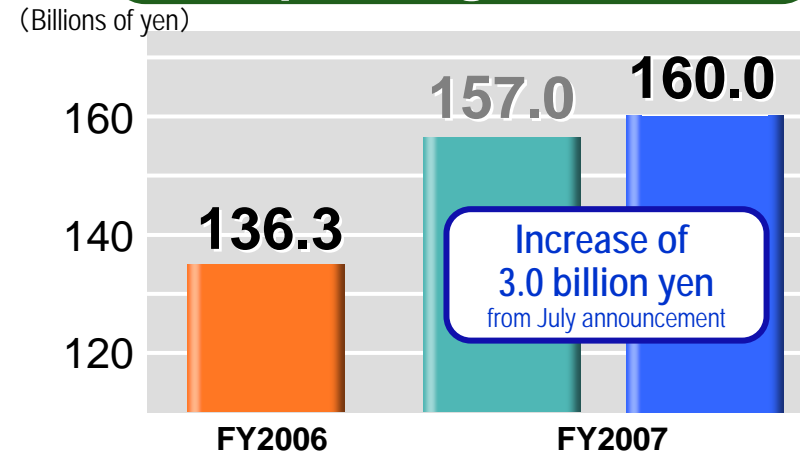


# Overview of Consolidated Forecasts (Revised) for FY2007

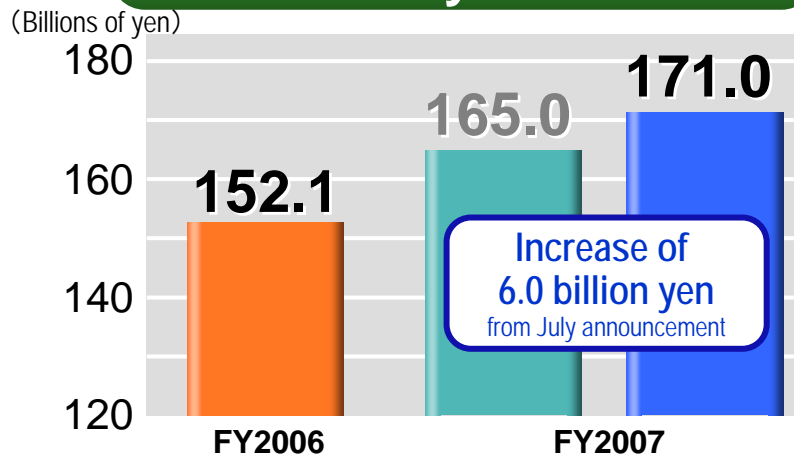
## Sales



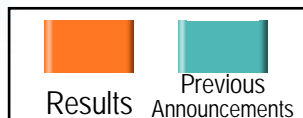
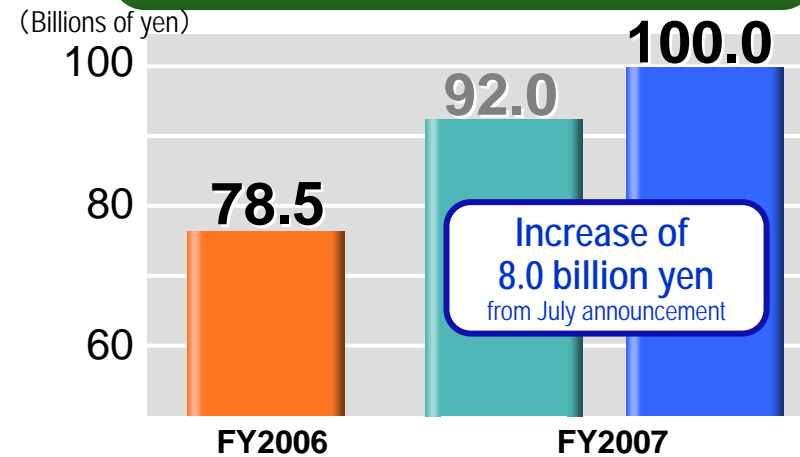
## Operating Income



## Ordinary Income



## Net Income



Due to change in the accounting periods, figures include extra 3 months for the U.S. subsidiaries and EU subsidiaries in FY2006 and FY 2007, respectively.





# Sales of Major Products

(Billions of yen)

|               | Product name  | FY2007<br>Forecast<br>(Jul) | FY2007 Revised Forecast (Nov) |                                |           |                                |                           |       |
|---------------|---|-----------------------------|-------------------------------|--------------------------------|-----------|--------------------------------|---------------------------|-------|
|               |   |                             | 1st Half                      |                                | Full Year |                                | Over the<br>previous year |       |
|               |   |                             |                               | Compared with<br>July Forecast |           | Compared with<br>July Forecast |                           | Ref   |
| <b>GLOBAL</b> | <b>Olmesartan</b> <antihypertensive>                                    | 195.0                       | 96.6                          | 1.1                            | 202.0     | 7.0                            | 41.7                      | 50.9  |
|               | <b>Levofloxacin</b> <broad-spectrum<br>antibacterial agent>             | 108.0                       | 52.9                          | 1.9                            | 110.0     | 2.0                            | 5.9                       |       |
|               | <b>Pravastatin</b> <antihyperlipidemic agent>                           | 78.0                        | 40.3                          | -0.2                           | 79.0      | 1.0                            | -14.5                     | -16.1 |
| <b>Japan</b>  | <b>Calblock</b> <antihypertensive>                                      | 13.5                        | 4.8                           | -1.2                           | 11.5      | -2.0                           | 2.7                       |       |
|               | <b>Artist</b> <antihypertensive>  | 23.0                        | 10.6                          | -0.9                           | 22.0      | -1.0                           | 2.7                       |       |
|               | <b>Kremezin</b> <treatment for chronic<br>renal failure>                | 13.0                        | 6.2                           | -0.3                           | 13.0      | 0.0                            | 0.8                       |       |
|               | <b>Loxonin</b> <non-steroidal analgesic and<br>anti-inflammatory agent> | 35.0                        | 16.4                          | -0.6                           | 35.0      | 0.0                            | 4.1                       |       |
|               | <b>Omnipaque</b> <non-ionic contrast agent>                             | 34.0                        | 15.9                          | -2.1                           | 32.0      | -2.0                           | 0.5                       |       |
|               | <b>Urief</b> <treatment for dysuria>                                    | 8.0                         | 2.3                           | -0.6                           | 7.5       | -0.5                           | 5.2                       |       |
| <b>U.S.</b>   | <b>Venofer</b> <treatment for iron<br>deficiency anemia>                | 21.0                        | 14.8                          | 4.8                            | 28.5      | 7.5                            | -9.2                      | -2.3  |
|               | <b>Welchol</b> <antihyperlipidemic agent<br>/ anti-diabetes>            | 22.5                        | 11.4                          | 1.4                            | 24.0      | 1.5                            | 0.8                       | 4.7   |

Due to change in the accounting periods, figures include extra 3 months for the U.S. subsidiaries and EU subsidiaries in FY2006 and FY 2007, respectively. Reference shows figures excluding the extra 3 months.



# Synergy in Domestic Pharmaceutical Business

## Growth of Major Products for 2007 1H

(Changes over the same period in the previous fiscal year)

(Unit: %)

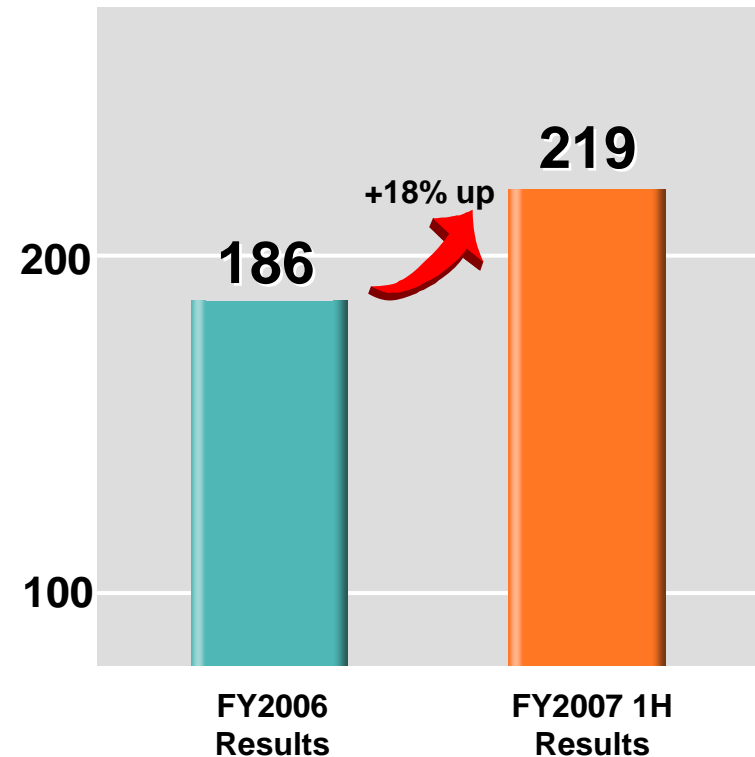
| Product Name            |   | Market Growth | Product Growth |
|-------------------------|---|---------------|----------------|
| <b>Olmetec</b>          | <antihypertensive>                                    | +15.7         | +36.9          |
| <b>Cravit</b>           | <broad-spectrum antibacterial agent>                  | -4.3          | +3.4           |
| <b>Mevalotin</b>        | <antihyperlipidemic agent>                            | +6.3          | -8.5           |
| <b>Calblock</b>         | <antihypertensive>                                    | +3.8          | +16.5          |
| <b>Artist</b>           | <antihypertensive>                                    | +1.9          | +8.8           |
| <b>Kremezin</b>         | <treatment for chronic renal failure>                 | +2.9          | +0.8           |
| <b>Loxonin</b>          | <non-steroidal analgesic and anti-inflammatory agent> | +7.6          | +9.9           |
| <b>Omnipaque</b>        | <non-ionic contrast agent>                            | -0.9          | -4.2           |
| <b>Urief</b>            | <treatment for dysuria>                               | +4.7          | +151.8         |
| <b>Total 9 products</b> |   | <b>+6.1</b>   | <b>+6.5</b>    |

Source: IMS  
All rights reserved

## MR Productivity

(converted to annual basis)

(Millions of yen)



Source: DAIICHI SANKYO





# Difference in 2<sup>nd</sup> Half Revised Forecasts from July Forecast

(Billions of yen, ratio to sales)

|                      | 2nd Half Forecast (Jul)<br>① | 2nd Half Revised Forecast<br>(Full Year Revised Forecast less 1st Half Results) |       |  |
|----------------------|------------------------------|---|-------|--|
|                      |                              | ②   | ②-①   | Remarks  |
| <b>Net Sales</b>     | 100.0%<br>421.0              | 100.0%<br>432.3   | 11.3  | •Olmesartan +59 •Venofer 27<br>•AZOR upfront payment +23 •OTC +16                          |
| Cost of Sales        | 23.9%<br>100.5               | 24.9%<br>107.8  | 7.3   |  |
| SG&A expenses        | 37.8%<br>159.0               | 38.2%<br>165.2  | 6.2   | •Reinforcement of domestic promotion<br>•AZOR Co-promotion payment, etc                    |
| R&D expenses         | 18.9%<br>79.5                | 21.6%<br>93.2   | 13.7  | •Development cost for newly in-licensed product [Denosumab]<br>•Progress in major projects |
| <b>Total Expense</b> | 56.7%<br>238.5               | 59.8%<br>258.4  | 19.9  |  |
| Operating Income     | 19.5%<br>82.0                | 15.3%<br>66.1   | -15.9 |  |
| Ordinary Income      | 20.2%<br>85.0                | 16.3%<br>70.3   | -14.7 |  |
| <b>Net Income</b>    | 11.4%<br>48.0                | 9.2%<br>39.8  | -8.2  |  |



## Management Indexes

|   | Unit               | FY2006 Results |          |           | FY2007 Revised Forecast |                   |               |
|---|--------------------|----------------|----------|-----------|-------------------------|-------------------|---------------|
|   |                    | 1st Half       | 2nd Half | Full Year | 1st Half Results        | 2nd Half Forecast | Full Year     |
| Net income per share  | Yen                | 91.75          | 16.00    | 107.75    | 83.19                   | 55.40             | 138.59        |
| Dividends per share   | Yen                | 30             | 30       | 60        | 35                      | 35                | 70            |
| Payout ratio  | %                  | —              | —        | 55.7      | —                       | —                 | 50.5          |
| Number of shares issued<br>at the end of period<br>(treasury stock) | million<br>shares  | 735<br>6       | —        | 735<br>6  | 735<br>16               | —                 | (735)<br>(16) |
| Total asset   | billions<br>of yen | 1,634.5        | —        | 1,636.8   | 1,515.8                 |                   |               |
| Net asset   | billions<br>of yen | 1,284.0        | —        | 1,272.1   | 1,270.3                 |                   |               |
| Equity Ratio  | %                  | 78.3           | —        | 77.5      | 83.6                    |                   |               |
| Dividend on Equity (DOE)  | %                  | —              | —        | 3.5       | —                       |                   |               |
| Return on Equity (ROE)  | %                  | —              | —        | 6.3       | —                       |                   |               |
| Cash balance at the end of year                                     | billions<br>of yen | 415.8          | —        | 513.2     | 453.9                   |                   |               |



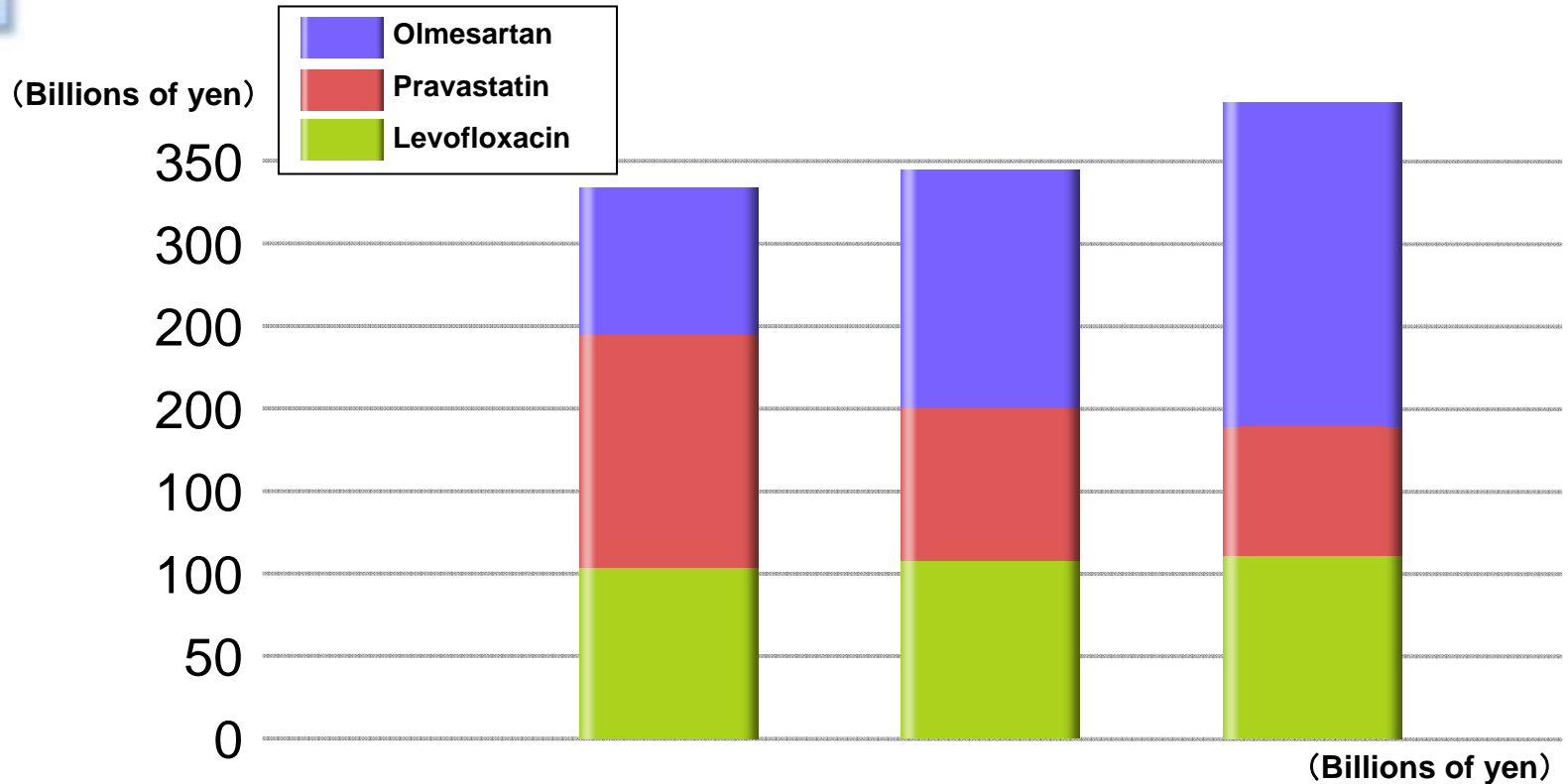
As for page 9 to page 11, for easier comparison of trends in our performance, effects of changes in accounting period of the three U.S./European subsidiaries are excluded.

Performance are shown in 12-months basis.





## Trend of 3 Global Products of DAIICHI SANKYO



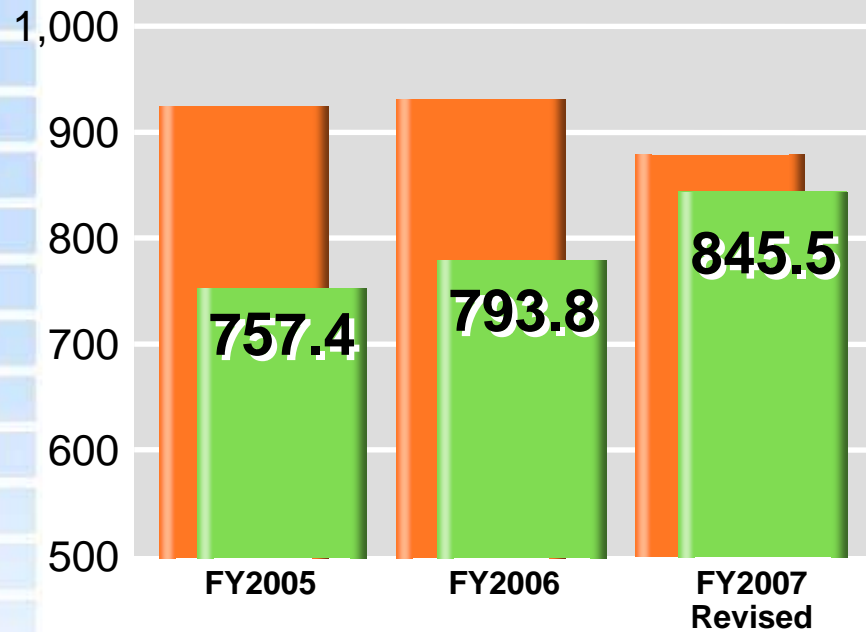
|              | FY2005       | FY2006       | FY2007 Revised |
|--------------|--------------|--------------|----------------|
| <b>Total</b> | <b>337.1</b> | <b>342.3</b> | <b>383.0</b>   |
| Olmesartan   | 92.4         | 144.7        | 195.5          |
| Pravastatin  | 143.2        | 93.5         | 77.5           |
| Levofloxacin | 101.5        | 104.1        | 110.0          |



# Trend in Consolidated Performance (Pharmaceutical Business)

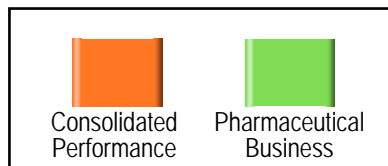
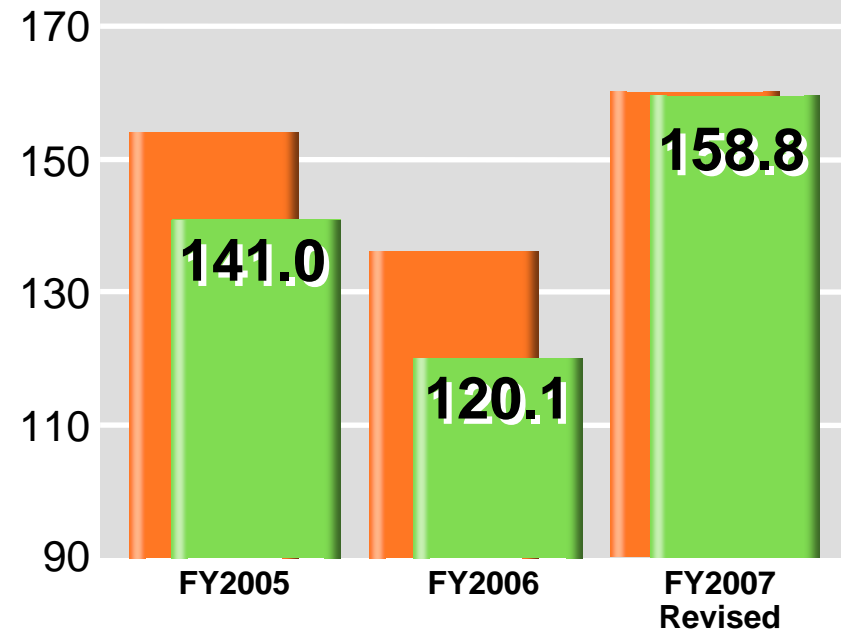
## Sales

(Billions of yen)



## Operating Income

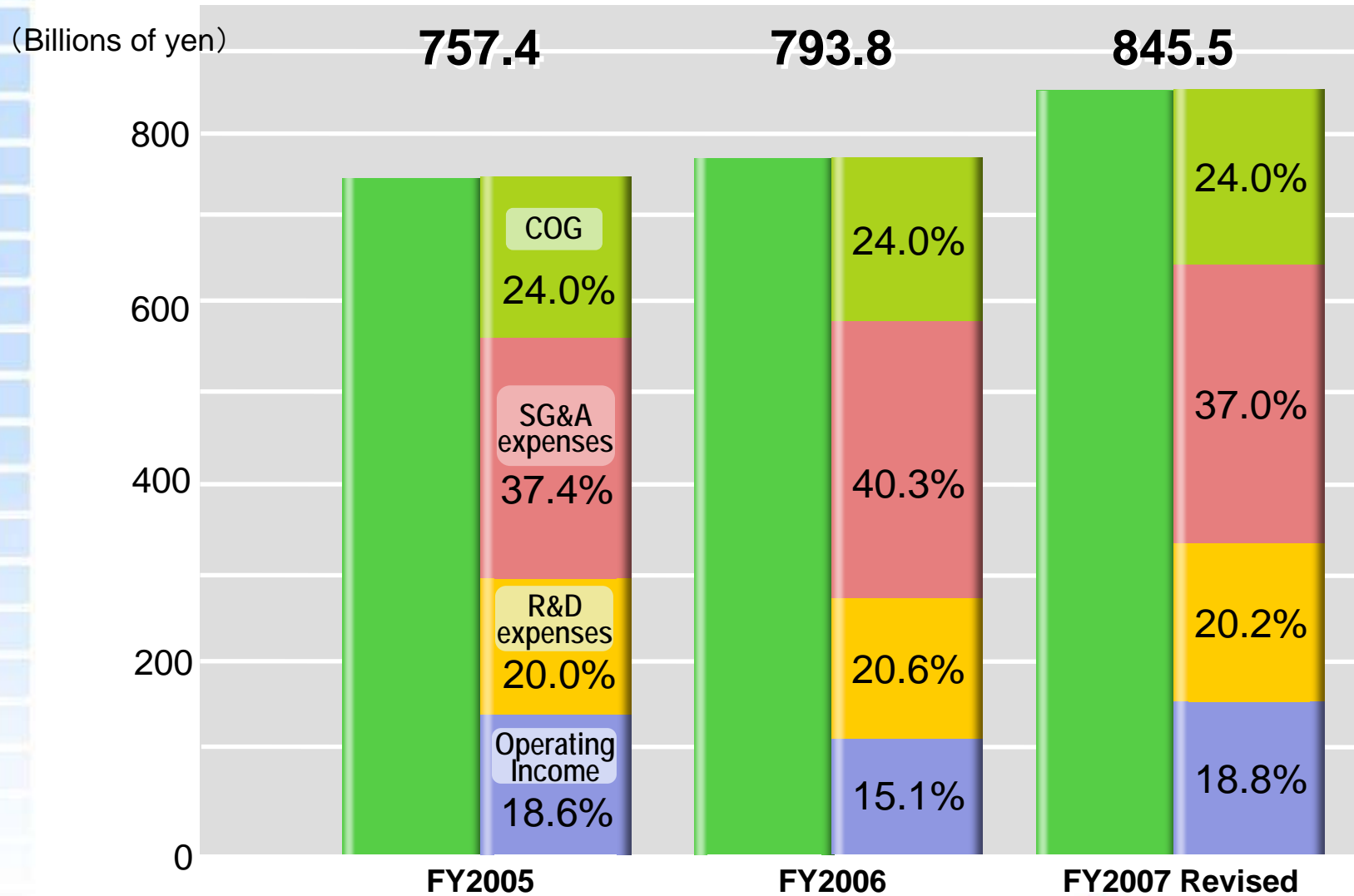
(Billions of yen)



| (Ref)          | FY2005       | FY2006       | FY2007 Revised |
|----------------|--------------|--------------|----------------|
| Overseas sales | <b>38.4%</b> | <b>38.7%</b> | <b>39.5%</b>   |



## Trend in Profit and Loss Structure of Pharmaceutical Business





# Results Overview

## Status of R&D Pipelines



DAIICHI SANKYO CO., LTD.



## Status of Major Development Projects (1)

### ■ Prasugrel (CS-747 anti-platelet agent)

- Nov-07 AHA, Proved superiority over current benchmark treatments
- Dec-07 FDA filing scheduled for 1<sup>st</sup> indication (ACS-PCI)
- 2Q-08 Trials to be started for 2<sup>nd</sup> indication (general ACS)
- Dec-08 - early 09 Approval expected for the 1<sup>st</sup> indication

### ■ CS-8663

(anti-hypertensive Amlodipine / Olmesartan combination)

- Sep-07 NDA approved in the U.S. Brand Name: AZOR ⇒ Launched in October  
NDA filed in EU (28 countries)  
⇒ Approvals gradually expected from autumn 2008





## Status of Major Development Projects (2)

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

- U.S./EU
  - Phase 2b focused on DVT (Deep Vain Thrombosis) following THR (Total Hip Replacement) underway
  - Phase 2b focused on AF (Atrial Fibrillation) underway
- Japan
  - Phase 2b focused on DVT following TKR (Total Knee Replacement) underway
  - Phase 2b focused on AF underway

### ■ DZ-697b (anti-platelet agent)

- Phase 1 trials underway in both U.S./EU and Japan
- Start of Phase 2 trials under consideration



## Status of Major Development Projects (3)

### ■ NDA Approved

- AZOR (U.S., anti-hypertensive)
- Fentanyl Injection (JPN, additional pediatric indication for pain relief during anesthesia)

### ■ NDA

- CS-8663 (EU, anti-hypertensive)
- SUN 0588r (U.S., hyperphenylalaninemia)  
(JPN, BH4 responsive hyperphenylalaninemia)
- Feron (JPN, hepatitis C with Ribavirin)

### ■ Phase 3

- Denosumab (JPN, bone metastases of cancer) [Phase 2: JPN, osteoporosis]

### ■ Phase 2

- AJD101 (JPN, activation of the insulin signaling pathway)
- CS-1008 (anti-DR5 antibody)
- CS-8958 (anti-influenza)

### ■ Phase 1

- DB-772d (U.S./EU oral factor Xa inhibitor)



# DAIICHI SANKYO R&D Pipeline

|  | Phase 1                     | Phase 2  | Phase 3  | Application/ Approval                             |
|--|-----------------------------|--|--|---|
| <b>Cardiovascular diseases</b>         | <u>DZ-697b</u><br>DB-772d   | <u>DU-176b</u><br>CS-866CMB(#)<br>SUN 4936h    | <u>CS-747</u><br>HGF<br>CS-866DM(#)<br>CS-866AZ(#) | <u>CS-8663</u><br><b>(U.S. Approved)</b>          |
| <b>Glucose metabolic disorders</b>     | SUN E7001 (#)               | AJD101   | CS-011   | WelChol DM  |
| <b>Infectious diseases</b>             | DC-159a<br>DX-619<br>CS-758 | CS-023<br>Levofloxacin injection(#)<br>CS-8958 | Levofloxacin high-dose(#)<br>[SUN A0026]           | DU-6859a<br>DF-098(#) (Approved)                  |
| <b>Cancer</b>                          | CS-7017<br>DE-766(#)        | CS-1008  |  |   |
| <b>Immunological allergic diseases</b> | CS-0777                     |  |  |   |
| <b>Bone / joint diseases</b>           |                             | SUN E3001(#)                                   | AMG162(#)<br>CS-600G(#)                            | LX-P(#)   |
| <b>Others</b>                          | SUN N8075                   | SUN N4057<br>CS-088<br>SUN11031                | SUN Y7017(#)<br>KMD-3213                           | CS-1401E(#) (Approved)<br>SUN 0588r<br>DL-8234(#) |

- #: Developed only in JPN
- [ ]: Out-licensed
- Regarding the items developed globally, only the most advanced stages are described.
- The underlined items are the projects with highest priority.

Contact address regarding this material

**DAIICHI SANKYO CO., LTD.**  
**Corporate Communications Department**

**TEL: +81-3-6225-1126**

**FAX: +81-3-6225-1132**

Each numerical value regarding the future prospect in this material is derived from our judgment and assumptions based on the currently available information and may include risk and uncertainty. For this reason, the actual performance data, etc. may differ from the prospective value.