

# Financial Results for the 1Q of FY2009

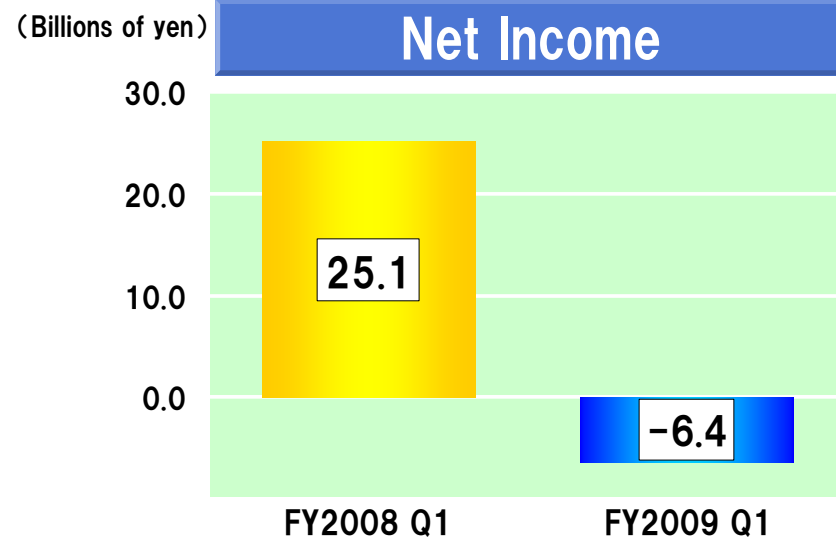
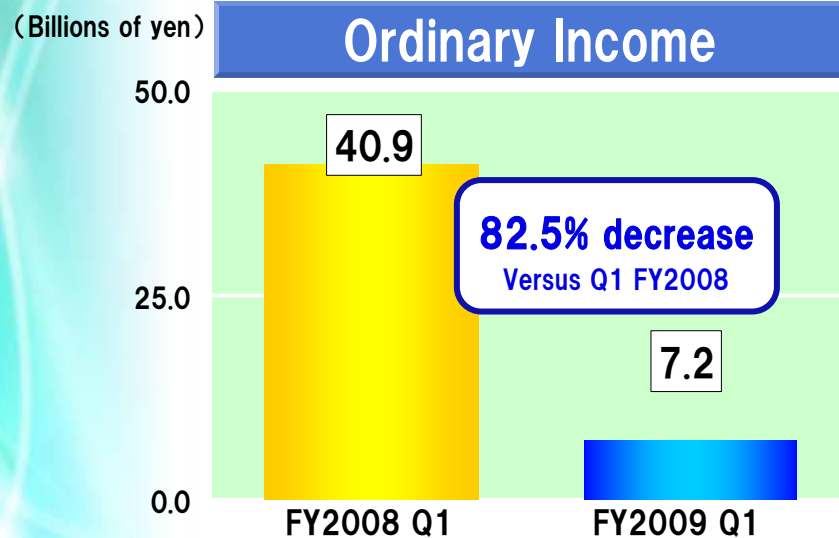
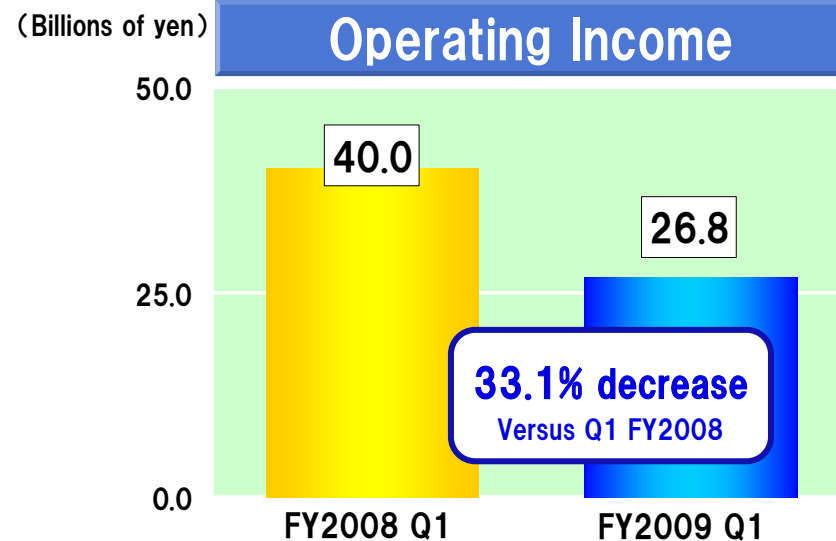
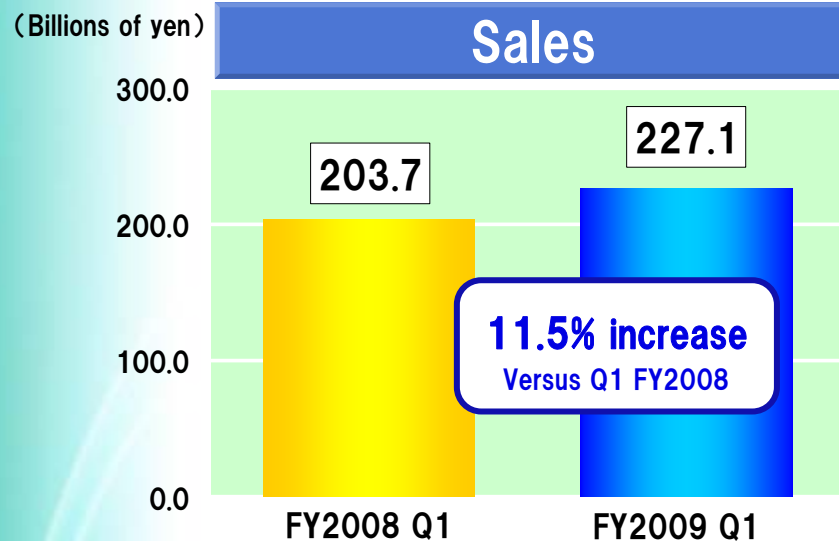
(April 1, 2009 - June 30, 2009)

July 31, 2009



# MEMO

# Overview of FY2009 Q1 Results



# Overview of FY2009 Q1 Results

- compared with FY2008 Q1 results -

(Billions of yen, ratio to sales)

	FY2008 Q1 Results (1)	(2)	FY2009 Q1 Results				
			Simple Comparison (2)-(1)	Ranbaxy Jan-Mar Results (US GAAP)	Goodwill amortization etc. on Ranbaxy	exc. Ranbaxy (3)	Real term Comparison (3)-(1)
<b>Net Sales</b>	100.0% 203.7	100.0% 227.1	23.4	100.0% 29.7		100.0% 197.4	-6.3
<b>Cost of Sales</b>	23.9% 48.6	27.5% 62.5	13.9	57.7% 17.1		23.0% 45.4	-3.3
<b>SG&amp;A expenses</b>	38.4% 78.2	40.8% 92.7	14.6	41.3% 12.3	1.5	40.0% 79.0	0.8
<b>R&amp;D expenses</b>	18.1% 36.9	19.9% 45.1	8.2	7.1% 2.1		21.8% 43.0	6.1
<b>Total Expense</b>	56.5% 115.1	60.7% 137.8	22.8	48.4% 14.4	1.5	61.8% 122.0	6.9
<b>Operating Income</b>	19.6% 40.0	11.8% 26.8	-13.2	-6.1% -1.8	-1.5	15.2% 30.0	-10.0
<b>Ordinary Income</b>	20.1% 40.9	3.2% 7.2	-33.7	-79.2% -23.5	-1.5	16.3% 32.2	-8.7
<b>Net Income</b>	12.3% 25.1	-2.8% -6.4	-31.5	-57.0% -16.9	0.5	5.1% 10.0	-15.1

# Consolidated Year-on-Year Comparisons

## 1. Net Sales ¥227.1 billion (+¥23.4 billion, +11.5%)

- Sales from continuing operations (–¥6.3 billion)
  - Olmesartan (+ ¥5.3 billion) ● Loxonin (+¥2.8 billion)
  - Levofloxacin (–¥6.0 billion) ● Azor (one-time inclusion in 2008 –¥4.7 billion)
  - Impact of yen appreciation
- Ranbaxy (+¥29.7 billion)
  - Ranbaxy sales by geographic segment:  
North America (26%), India (21%), Europe (18%), other regions (35%)

## 2. Operating Income ¥26.8 billion (–¥13.2 billion, –33.1%)

- Operating income from continuing operations (–¥10.0 billion)
  - Gross profit decline owing to lower sales (–¥3.0 billion)
  - SG&A expenses (+¥800 million)
    - Expenses higher at Daiichi Sankyo Europe and Luitpold Pharmaceuticals
    - U3 Pharma goodwill amortization (+¥1.3 billion) • Expenses lower at parent and Daiichi Sankyo, Inc
  - R&D expenses (+¥6.1 billion)
    - Higher spend for projects such as Edoxaban, Denosumab, and Prasugrel • Rivoglitazone expenses down
- Operating income related to Ranbaxy (–¥3.2 billion)
  - Ranbaxy operating loss (–¥1.8 billion)
  - Goodwill and intangible assets amortization (–¥1.5 billion)

# Consolidated Year-on-Year Comparisons

## 3. Ordinary Income      ¥7.2 billion (–¥33.7 billion, –82.5%)

- Non-operating income (+¥200 million)
- Non-operating expenses (+¥20.7 billion)
  - Ranbaxy-related (+¥22.7 billion)
    - Loss on valuation of derivatives (+¥12.9 billion)
    - Forex loss on loans (+¥8.7 billion)
  - Unrelated to Ranbaxy (–¥2.0 billion)
    - Forex losses (–¥1.6 billion)
    - Valuation loss on synthetic stock options (–¥700 million)

## 4. Net Loss      –¥6.4 billion (–¥31.5 billion)

- Extraordinary income (+¥2.1 billion) ● Gain on sales of investment securities (+¥1.8 billion)
- Extraordinary losses (–¥700 million)
- Income Taxes (+¥9.5 billion)
  - Consolidation adjustment for Ranbaxy  
(non-application of tax-effect accounting) (+¥7.0 billion)
  - Revision of income taxes for the previous fiscal year (+¥7.5 billion)
  - Non-application of R&D tax credits on parent, etc.
- Minority interests in loss (–¥8.9 billion): 63.92% stake in Ranbaxy

# Overview of FY2009 Forecast

(Billions of yen, ratio to sales)

	FY2009 Original Forecast (as of May)		FY2009 Latest Forecast					
	1st half (1)	Full year (2)	1st half Forecast				Full year Forecast	
			Q1 Results (3)	Progress (3)/(1)	(4)	(4)-(1)	(5)	(5)-(2)
<b>Net Sales</b>	100.0% 465.0	100.0% 960.0	100.0% 227.1	48.8%	100.0% 465.0	0.0	100.0% 960.0	0.0
<b>Cost of Sales</b>	29.0% 135.0	29.0% 278.0	27.5% 62.5	46.3%	29.0% 135.0	0.0	29.0% 278.0	0.0
<b>SG&amp;A expenses</b>	42.2% 196.0	40.8% 392.0	40.8% 92.7	47.3%	42.2% 196.0	0.0	40.8% 392.0	0.0
<b>R&amp;D expenses</b>	20.0% 93.0	20.2% 194.0	19.9% 45.1	48.5%	20.0% 93.0	0.0	20.2% 194.0	0.0
<b>Total Expense</b>	62.2% 289.0	61.0% 586.0	60.7% 137.8	47.7%	62.2% 289.0	0.0	61.0% 586.0	0.0
<b>Operating Income</b>	8.8% 41.0	10.0% 96.0	11.8% 26.8	65.3%	8.8% 41.0	0.0	10.0% 96.0	0.0
<b>Ordinary Income</b>	3.7% 17.0	7.2% 69.0	3.2% 7.2	42.2%	8.0% 37.0	20.0	7.2% 69.0	0.0
<b>Net Income</b>	1.7% 8.0	4.2% 40.0	-2.8% -6.4	-80.5%	2.4% 11.0	3.0	4.2% 40.0	0.0

# Partial Revision of Forecasts

## 1. No revisions through operating income level

## 2. Partial revision of H1 forecasts

ordinary income (+¥20.0 billion) net income (+¥3.0 billion)

### ■ Main drivers for H1 revisions

- Ranbaxy has already posted its H1 results (January through June). Based on these results, Daiichi Sankyo has revised its Group H1 forecasts to reflect material items from that subsidiary.

Ranbaxy's non-operating expenses

- ¥22.7 billion in Q1 → Reduced by approx. ¥19.0 billion in Q2
- Related consolidation adjustments
- Revision of income taxes for the previous fiscal year

## 3. Maintain full-year forecasts

### ■ Basis for maintaining full-year forecasts unchanged

- The major driver for the revisions to H1 forecasts – the reduction of Ranbaxy's non-operating expenses – may be subject to change to the volatility of the dollar/rupee exchange rates
- Currently, Daiichi Sankyo does not see any changes to major items large enough to require revisions to our full-year Group forecasts



# Sales of Major Products (Calculated in Yen)

(Billions of yen)

			FY2009 Latest Forecast (no-change from original forecast)						
			1st half Forecast				Full year Forecast		
			Q1 Results (1)	Progress (2)/(1)	Comparison with FY08 Q1	(2)	Comparison with FY08 1H	Comparison with FY08	
GLOBAL	<b>Olmesartan</b>	antihypertensive	56.0	49.9%	5.3	112.2	7.6	235.5	24.4
	<b>Levofloxacin</b>	synthetic antibacterial agent	19.8	46.4%	-6.0	42.7	-6.6	92.0	-5.7
	<b>Pravastatin</b>	antihyperlipidemic agent	14.7	50.7%	-1.4	29.0	-2.9	55.0	-5.8
	<b>Prasugrel</b>	antiplatelet * alliance revenue	0.0	-	-	-	-	-	-
Japan	<b>Calblock</b>	antihypertensive	3.5	49.3%	0.4	7.0	1.0	15.0	2.9
	<b>Artist</b>	antihypertensive	6.0	50.3%	0.4	12.0	1.0	24.0	2.1
	<b>Kremezin</b>	treatment for chronic renal failure	3.4	47.9%	0.2	7.0	0.6	14.0	1.2
	<b>Loxonin</b>	anti-inflammatory analgesic	11.2	46.8%	2.8	24.0	5.1	51.0	12.3
	<b>Omnipaque</b>	contrast agent	7.1	49.3%	-0.1	14.5	-0.1	28.0	-0.3
	<b>Urief</b>	treatment for dysuria	2.2	49.5%	0.5	4.5	1.0	10.0	2.1
U.S.	<b>Venofer</b>	treatment for iron deficiency anemia	8.0	59.3%	-0.3	13.5	-3.3	27.5	-4.5
	<b>Welchol</b>	antihyperlipidemic agent / treatment for type 2 diabetes	6.9	51.0%	0.5	13.5	1.0	28.5	4.0

\* Sales forecast for Prasugrel not disclosed

# Sales of Major Products (Local Currency Basis)

		FY2009 Latest Forecast (no-change from original forecast)						
		1st half Forecast					Full year Forecast	
		Q1 Results (1)	Progress (3)/(1)	Comparison with FY08 Q1	(2)	Comparison with FY08 1H	Comparison with FY08	
Daiichi Sankyo, Inc. <US> (Mil \$)	Benicar/Benicar HCT	227	50.7%	3	447	19	905	36
	Azor	31	45.6%	18	68	33	158	72
	Welchol	71	49.8%	9	142	24	300	56
Daiichi Sankyo Europe GmbH (Mil euro)	Olmetec/Olmetec Plus	63	44.2%	12	142	27	304	43
	Sevikar	7	37.2%	7	18	18	38	22
Luitpold Pharmaceuticals, Inc. <US> (Mil \$)	Venofer	82	57.9%	3	142	-17	289	-29

# For Reference: Consolidated Results of Ranbaxy (I GAAP Basis)

(Rs. Millions, ratio to sales)

Indian GAAP	2009 Results (un-audited)			Q2 vs Q1
	Jan-Mar Q1	Apr-Jun Q2	Jan-Jun H1	
Sales	100.0% 15,584	100.0% 17,953	100.0% 33,537	2,369
Less:Excise Duty	36	34	70	-2
Net Sales	15,548	17,919	33,467	2,371
Other Operating Income	223	873	1,096	650
Cost of Sales	9,115	11,178	20,293	2,063
SG&A	5,554	5,987	11,541	433
R&D Expense	1,079	1,058	2,137	-21
Forex (Gain)/Loss	845	-716	129	-1,561
Operating Profit before Interest, Depreciation and Amortization	-5.3% -822	7.2% 1,285	1.4% 463	2,107
Interest	246	197	443	-49
Depreciation & Amortization	639	644	1,283	5
Forex (Gain)/Loss on Loans	1,273	-1,908	-635	-3,181
Operating Profit before Tax	-19.1% -2,980	13.1% 2,352	-1.9% -628	5,332
Interest and Other Income	457	400	857	-57
Exceptional Items	-9,188	8,067	-1,121	17,255
Profit before Tax	-75.1% -11,711	60.3% 10,819	-2.7% -892	22,530
Tax	-4,101	3,888	-213	7,989
Profit after Tax	-48.8% -7,610	38.6% 6,931	-2.0% -679	14,541

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# R&D Pipeline Update

## ■ Progress on Development Phases

### ■ Effient™ (US)

Anti-platelet agent ACS-PCI\* (Application→Approved)

\* Acute Coronary Syndrome-Percutaneous Coronary Intervention

### ■ Loxoprofen sodium hydrate/Gel (JP)

Anti-inflammatory and analgesic (P3→Application)

## ■ Discontinued Projects

### ■ Rivoglitazone (CS-011)

Glitazone agent that improves insulin resistance  
(difficult to sufficiently differentiate from existing product)

### ■ CS-866DM (JP)

Olmesartan/Diabetic nephropathy in patients with type 2 DM  
(did not satisfy the primary endpoint criteria)

# Effient™ – Approved in the U.S. on July 10th

## ■ Indications

Effient is indicated for the reduction of thrombotic cardiovascular events (including stent thrombosis) in patients with acute coronary syndrome (ACS) who are to be managed with PCI (ACS-PCI).

- Before the approval of Effient, there were few options for treating patients with ACS-PCI.
- Some of the ACS patients are non-responders against the current standard of care.

## ■ Boxed warning

- Highlights certain patient populations that are at high risk for serious bleeding.

## ■ TRITON-TIMI38

- Treatment with Effient produced a highly significant 19 percent reduction in relative risk for the combined endpoint of cardiovascular death, non-fatal heart attacks or non-fatal stroke compared with Plavix.
- These benefits were accompanied by significantly higher serious bleeding in patients treated with Effient compared with patients treated with Plavix.
- When the efficacy benefits were compared with the risk of bleeding events in the entire patient population, for every 1,000 people treated with Effient compared with Plavix, there were 23 fewer heart attacks and six more major bleeding events.

■ ACS in the US -> approx. 1.5 mil./year

■ Launch in early August

# Development Pipeline

	Phase 1	Phase 2	Phase 3	Application
Cardiovascular diseases	- DB-772d	- Olmetec/diuretic Combo (#)	- <a href="#">Edoxaban</a> - <a href="#">Prasugrel (ACS-MM)</a> - <a href="#">CS-8635</a>	- Olmetec/Calblock Combo (#)
Glucose metabolic disorders	- CS-1036 (#)			
Infectious diseases			- Levofloxacin inj (#) - Laninamivir (CS-8958)	
Malignant neoplasm	- U3-1287	- Tigatuzumab - Nimotuzumab (#) - ARQ 197 - CS-7017		
Immunological allergic diseases	- CS-0777	- SUN 13834		
Bone / joint diseases			- <a href="#">Denosumab (#)</a>	- Loxonin gel (#)
Others		- Sonazoid additional indication (#) <Contrast for prostatic lesion/ Contrast for mammary lesion>	- Human ghrelin - Memantine (#)	- Feron/Ribavirin combination therapy (#) - Silodosin
<b>Total</b>	<b>4</b>	<b>7</b>	<b>8</b>	<b>4</b>

- Only the most advanced stages are described for the projects under global development
- Prioritized projects are [underlined \(blue\)](#)
- # : Developed only in JPN



# FY2009 Daiichi Sankyo Briefings

	Date (JST)
FY2009 Q1 Financial Results	July 31, 2009
FY2009 Q2 Financial Results	October 30, 2009
R&D Meeting	November or December, 2009
FY2009 Q3 Financial Results	January 29, 2010
2nd mid-term business management plan (2010-2012)	March, 2010

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Daiichi-Sankyo