

# Financial Results Q2 FY2009

(April 1, 2009 - September 30, 2009)

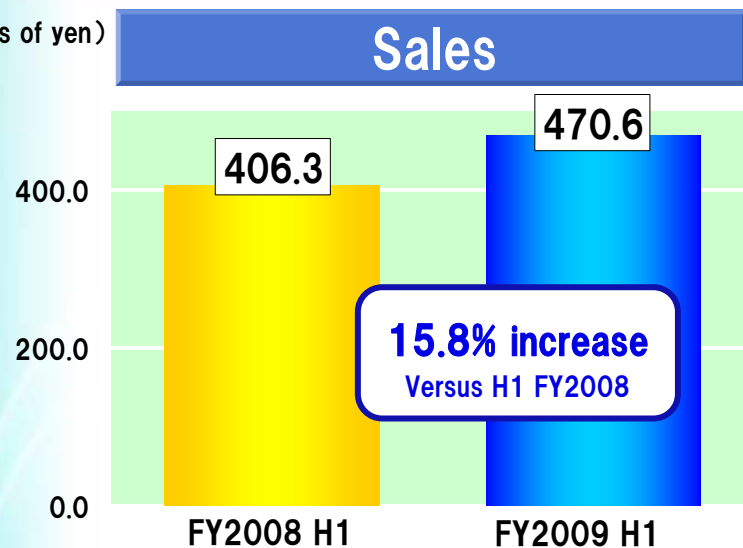
October 30, 2009



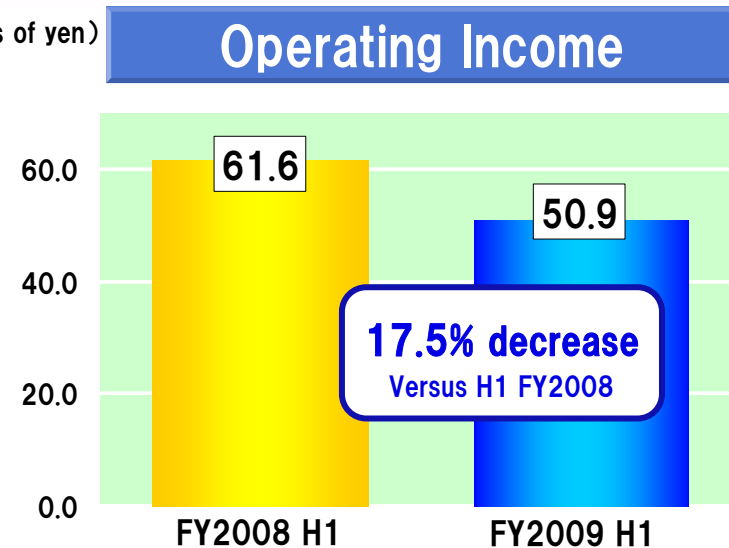
# MEMO

# Overview of FY2009 H1 Results

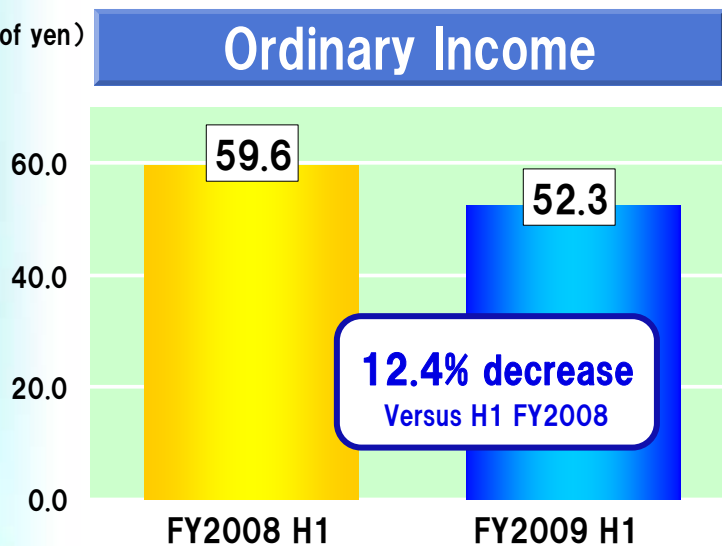
(Billions of yen)



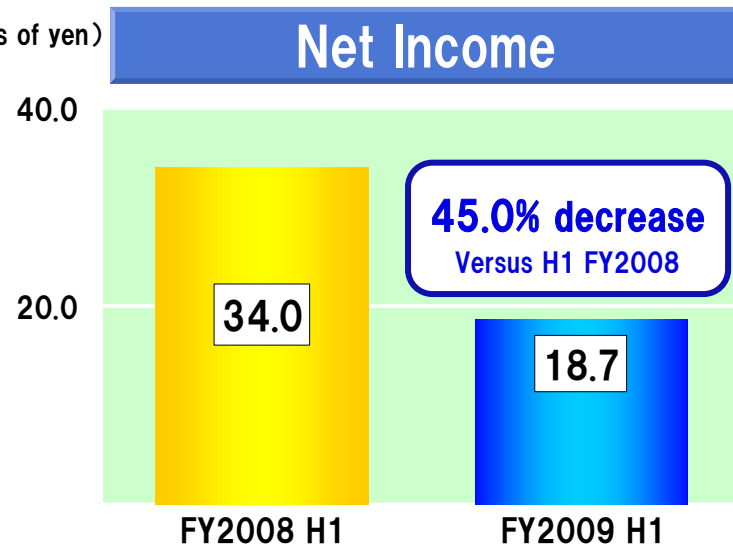
(Billions of yen)



(Billions of yen)



(Billions of yen)



# Overview of FY2009 H1 Results

- compared with FY2008 H1 results -

(Billions of yen, ratio to sales)

	FY2008 H1 Results (1)	(2)	FY2009 H1 Results				
			Simple Comparison (2)-(1)	Ranbaxy Jan-Jun Results	Goodwill amortization etc. on Ranbaxy	exc.Ranbaxy (3)	Real term Comparison (3)-(1)
<b>Net Sales</b>	100.0% 406.3	100.0% 470.6	64.2	100.0% 66.1		100.0% 404.4	-1.9
<b>Cost of Sales</b>	24.0% 97.6	29.2% 137.2	39.6	56.8% 37.5		24.7% 99.7	2.1
<b>SG&amp;A expenses</b>	40.5% 164.7	40.0% 188.4	23.6	40.2% 26.6	3.0	39.3% 158.8	-6.0
<b>R&amp;D expenses</b>	20.3% 82.3	20.0% 94.1	11.8	6.7% 4.4		22.2% 89.7	7.4
<b>Total Expense</b>	60.8% 247.1	60.0% 282.5	35.4	46.9% 31.0	3.0	61.4% 248.5	1.4
<b>Operating Income</b>	15.2% 61.6	10.8% 50.9	-10.8	-3.6% -2.4	-3.0	13.9% 56.2	-5.4
<b>Ordinary Income</b>	14.7% 59.6	11.1% 52.3	-7.4	-5.0% -3.3	-3.0	14.5% 58.6	-1.1
<b>Net Income</b>	8.4% 34.0	4.0% 18.7	-15.3	-4.1% -2.7	-1.8	5.7% 23.2	-10.8

# Consolidated Year-on-Year Comparisons

## 1. Net Sales ¥470.6 billion (+¥64.2 billion, +15.8%)

- Sales from continuing operations (-¥1.9 billion) -forex impact -¥20.0 billion~
  - Olmesartan (+ ¥10.8 billion)
  - Loxonin (+¥4.8 billion)
  - Effient/Efient (+¥1.0 billion)
  - Levofloxacin (-¥6.0 billion)
  - Azor (one-time payment received in 2008 -¥4.7 billion)
- Ranbaxy (+¥66.1 billion)
  - Ranbaxy sales by geographic segment:  
North America (24%), India (22%), Europe (18%), other regions (36%)

## 2. Operating Income ¥50.9 billion (-¥10.8 billion, -17.5%)

- Operating income from continuing operations (-¥5.4 billion)
  - Gross profit decline (-¥4.0 billion)
  - SG&A expenses (+¥6.0 billion)
    - Mainly lower Expenses at Daiichi Sankyo, Inc
  - R&D expenses (+¥7.4 billion)
    - Higher spend for projects such as Edoxaban, Laninamivir (CS-8958)
- Operating income related to Ranbaxy (-¥5.4 billion)
  - Ranbaxy operating loss (-¥2.4 billion)
  - Goodwill and intangible assets amortization (-¥3.0 billion)

# Consolidated Year-on-Year Comparisons

## 3. Ordinary Income      ¥52.3 billion (−¥7.4 billion, −12.4%)

- Non-operating income (+¥8.7 billion)
  - Ranbaxy-related (+¥9.9 billion) • Gain on valuation of derivatives, etc.
- Non-operating expenses (+¥5.3 billion)
  - Ranbaxy-related (+¥10.8 billion) • Realized losses from derivatives
  - Unrelated to Ranbaxy (−¥5.5 billion)
    - Forex losses (−¥3.9 billion)      • Valuation loss on synthetic stock options (−¥2.3 billion)

## 4. Net Income      ¥18.7 billion (−¥15.3 billion, −45.0%)

- Extraordinary income (+¥1.5 billion)      ● Gain on sales of investment securities (+¥1.8 billion)
- Extraordinary losses (−¥2.9 billion)      ● Loss on sale of fixed-assets (−¥1.2 billion)
  - Absence of impairment losses incurred in year-ago period
- Income Taxes (+¥14.1 billion)
  - Amendment 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 (−¥1.8 billion): 64% stake in Ranbaxy

# Overview of FY2009 H1 Results & FY2009 Forecast

(Billions of yen, ratio to sales)

	FY2009 Forecast (as of July)		FY2009 Latest Forecast				
	1st half (1)	Full year (2)	1st half Results			Full year Forecast	
			(3)	(3)-(1)	note	(4)	(4)-(2)
<b>Net Sales</b>	100.0% 465.0	100.0% 960.0	100.0% 470.6	5.6	Led by Venofer, sales at LPI exceeded expectations, supporting overall gain	100.0% 960.0	0.0
<b>Cost of Sales</b>	29.0% 135.0	29.0% 278.0	29.2% 137.2	2.2	Cost-to-sales ratio worsened due to change in product mix, etc.	29.5% 283.0	5.0
<b>SG&amp;A expenses</b>	42.2% 196.0	40.8% 392.0	40.0% 188.4	-7.6	Decrease in SG&A mainly attributable to later payment of a portion of expenses to 2-H	40.3% 387.0	-5.0
<b>R&amp;D expenses</b>	20.0% 93.0	20.2% 194.0	20.0% 94.1	1.1		20.2% 194.0	0.0
<b>Total Expense</b>	62.2% 289.0	61.0% 586.0	60.0% 282.5	-6.5		60.5% 581.0	-5.0
<b>Operating Income</b>	8.8% 41.0	10.0% 96.0	10.8% 50.9	9.9		10.0% 96.0	0.0
<b>Ordinary Income</b>	8.0% 37.0	7.2% 69.0	11.1% 52.3	15.3	Gain in non-operating income : +5.4 - Forex gains - Decrease in interest expense	7.2% 69.0	0.0
<b>Net Income</b>	2.4% 11.0	4.2% 40.0	4.0% 18.7	7.7	Gain from one-time P&L items : +1.4 Corporate tax : +8.8 Minority interests : +0.2	4.2% 40.0	0.0

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# Sales of Major Products (Calculated in Yen)

(Billions of yen)

			FY2009 Latest Forecast					
			1st half Results			Full year Forecast		
				from Jul forecast	YoY		from Jul forecast	YoY
GLOBAL	<b>Olmesartan</b>	antihypertensive	115.4	3.2	10.8	240.0	4.5	28.9
	<b>Levofloxacin</b>	synthetic antibacterial agent	43.3	0.6	-6.0	88.5	-3.5	-9.2
	<b>Pravastatin</b>	antihyperlipidemic agent	29.7	0.7	-2.2	56.0	1.0	-4.8
	<b>Prasugrel</b>	antiplatelet * alliance revenue	1.0	-	-	-	-	-
Japan	<b>Calblock</b>	antihypertensive	7.0	0.0	1.0	15.0	0.0	2.9
	<b>Artist</b>	antihypertensive	11.9	-0.1	1.0	24.0	0.0	2.1
	<b>Kremezin</b>	treatment for chronic renal failure	6.9	-0.1	0.5	14.0	0.0	1.2
	<b>Loxonin</b>	anti-inflammatory analgesic	23.7	-0.3	4.8	52.5	1.5	13.8
	<b>Omnipaque</b>	contrast agent	14.7	0.2	0.1	28.0	0.0	-0.3
	<b>Urief</b>	treatment for dysuria	4.5	0.0	0.9	10.0	0.0	2.1
U.S.	<b>Venofer</b>	treatment for iron deficiency anemia	16.1	2.6	-0.7	31.0	3.5	-1.0
	<b>Welchol</b>	antihyperlipidemic agent / treatment for type 2 diabetes	13.4	-0.1	0.9	27.0	-1.5	2.5

\* Sales forecast for Prasugrel not disclosed

# Sales of Major Products (Local Currency Basis)

		FY2009 Latest Forecast					
		1st half Results			Full year Forecast		
			from Jul forecast	YoY		from Jul forecast	YoY
Daiichi Sankyo, Inc. <US> (Mil \$)	Benicar/Benicar HCT	464	16	35	927	22	58
	Azor	65	-4	29	140	-18	54
	Welchol	140	-2	22	291	-9	47
Daiichi Sankyo Europe GmbH (Mil euro)	Olmotec/Olmotec Plus	137	-5	22	312	7	50
	Sevikar	16	-3	16	42	4	27
Luitpold Pharmaceuticals, Inc. <US> (Mil \$)	Venofer	169	27	10	334	45	16

# R&D Pipeline Update

## ■ Progress on Development Phases

### ■ Feron<sup>®</sup> (JP)

Additional indication for “chronic hepatitis C on concomitant use with ribavirin” (Application→Approved)

### ■ CS-8635 (US)

Olmesartan, Amlodipine, Hydrochlorothiazide combination  
(P3→Application)

### ■ Levofloxacin inj (JP)

new quinolone (P3→Application)

# Development Pipeline

	Phase 1	Phase 2	Phase 3	Application
Cardiovascular diseases	- DB-772d	- Olmetec/diuretic Combo (#)	- <u>Edoxaban</u> - <u>Prasugrel (ACS-MM)</u>	- Olmetec/Calblock Combo (#) - <u>CS-8635</u>
Glucose metabolic disorders	- CS-1036 (#)			
Infectious diseases			- Laninamivir (CS-8958)	- Levofloxacin inj (#)
Malignant neoplasm	- U3-1287	- Tigatuzumab - Nimotuzumab (#) - ARQ 197 - CS-7017		
Immunological allergic diseases	- CS-0777	- SUN13834		
Bone / joint diseases			- <u>Denosumab (#)</u>	- 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>6</b>	<b>5</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)
R&D Meeting	December 11, 2009
FY2009 Q3 Financial Results	January 29, 2010
2nd mid-term business management plan (2010-2012)	March, 2010

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Daiichi-Sankyo