

# Top Management Presentation

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Financial Results for Fiscal 2010  
(April 1, 2010 to March 31, 2011)

Friday, May 13, 2011  
Joji Nakayama, President and CEO



# Key Topics in FY2011

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## Maintain/Expand Core Business

### Japan

- Expand Innovative Pharmaceuticals Business
- Strengthen Established Pharmaceuticals, OTC, and Vaccine Businesses

### US/Europe

- Maintain and expand Olmesartan franchise
- Maximize Effient<sup>®</sup>/Efient<sup>®</sup>

## Expansion in Emerging Markets

- Further Growth in India
- Accelerate business growth in China

## Sharp Focus/ Reinforcement in R&D

- Oncology
- Steady progress on Edoxaban development

## Company (Alliance)

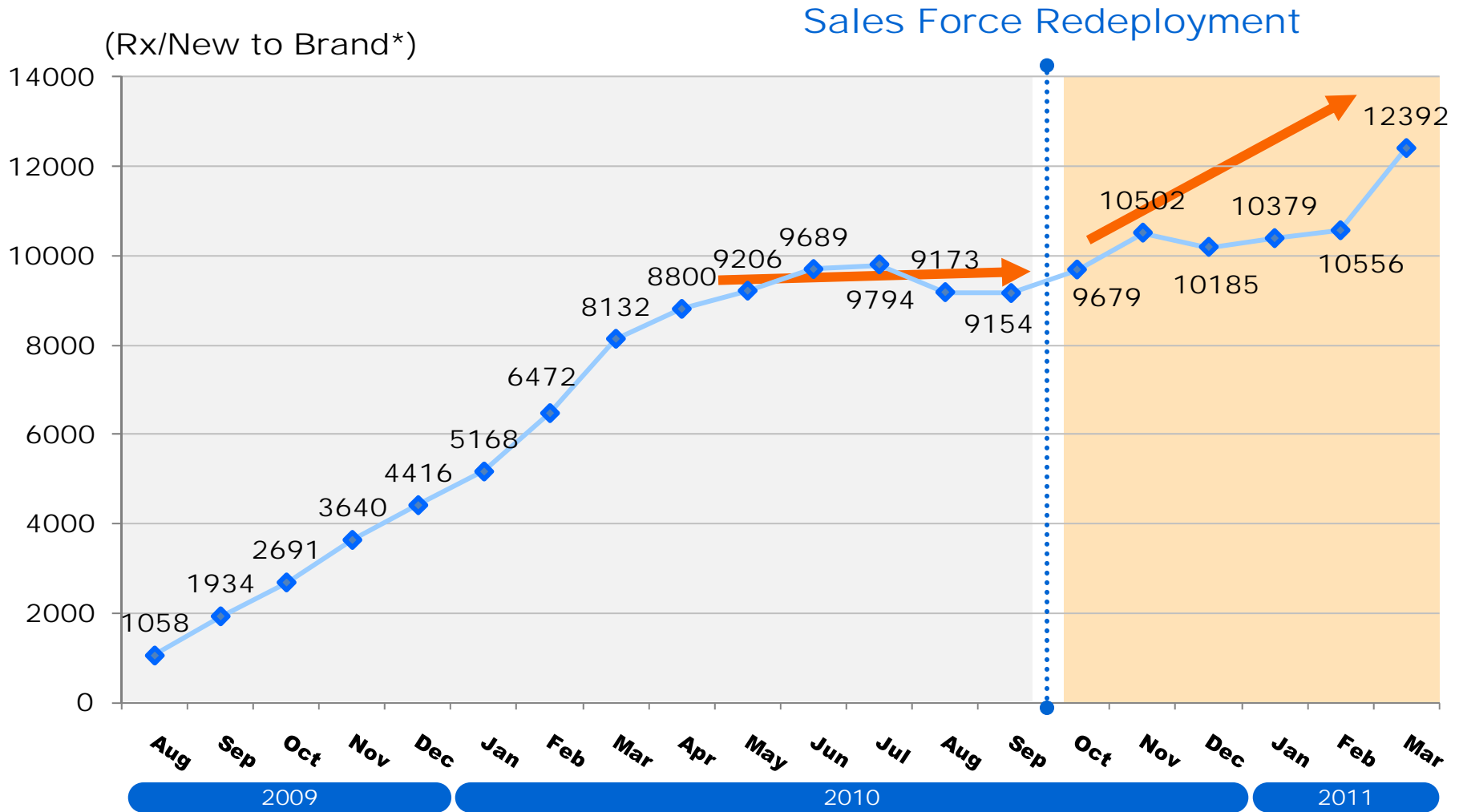
- Successful execution of customer centric sales model
  - Focused sales efforts in high volume PCI centers and key OAP prescribers**
  - Effient<sup>®</sup> uptake for formulary and protocol inclusion is improved significantly**
- Effective promotional messages in high risk ACS-PCI patients

## Customer (Market)

- Strong recommendations in ACC/AHA STEMI\* and UA\*\*/NSTEMI\*\*\* guidelines
  - \*STEMI = ST elevation myocardial infarction**
  - \*\* UA = unstable angina**
  - \*\*\* NSTEMI = non-ST elevation myocardial infarction**

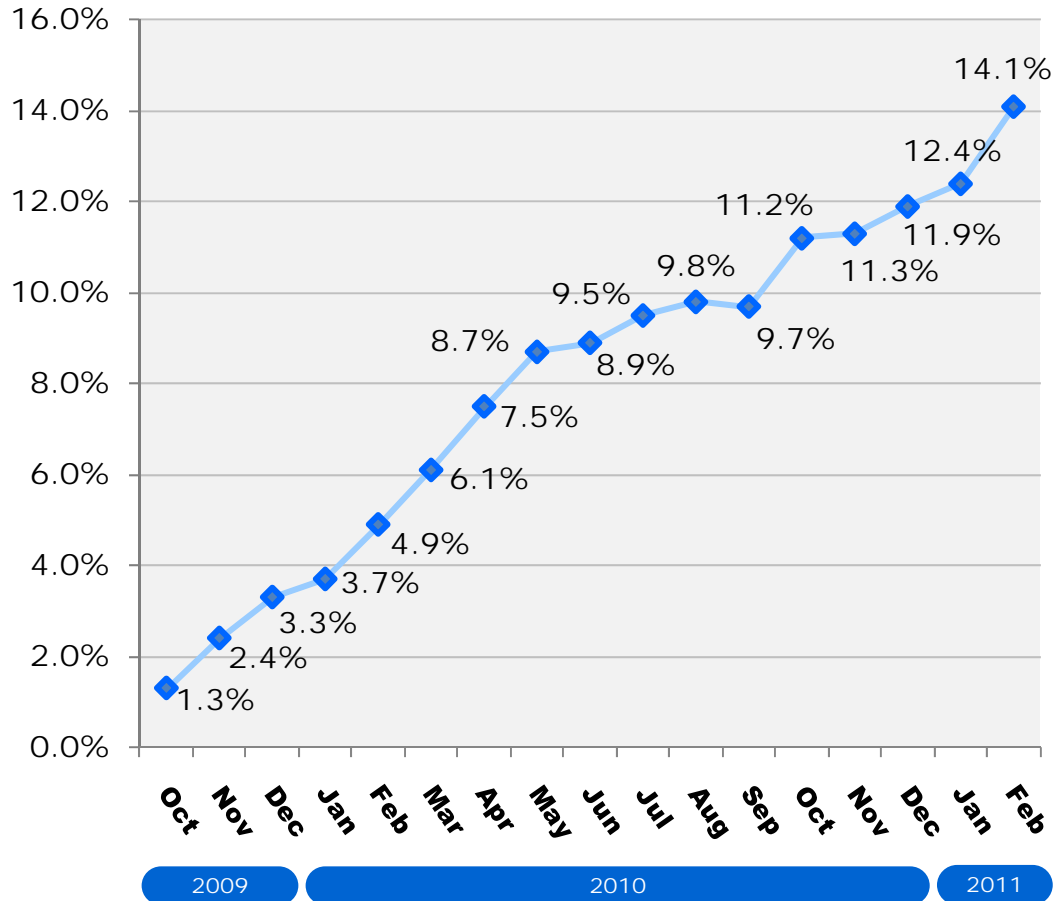
## Competitor

- Increased awareness of limitations of the current OAP\* therapy
  - \* OAP = Oral Anti Platelet**



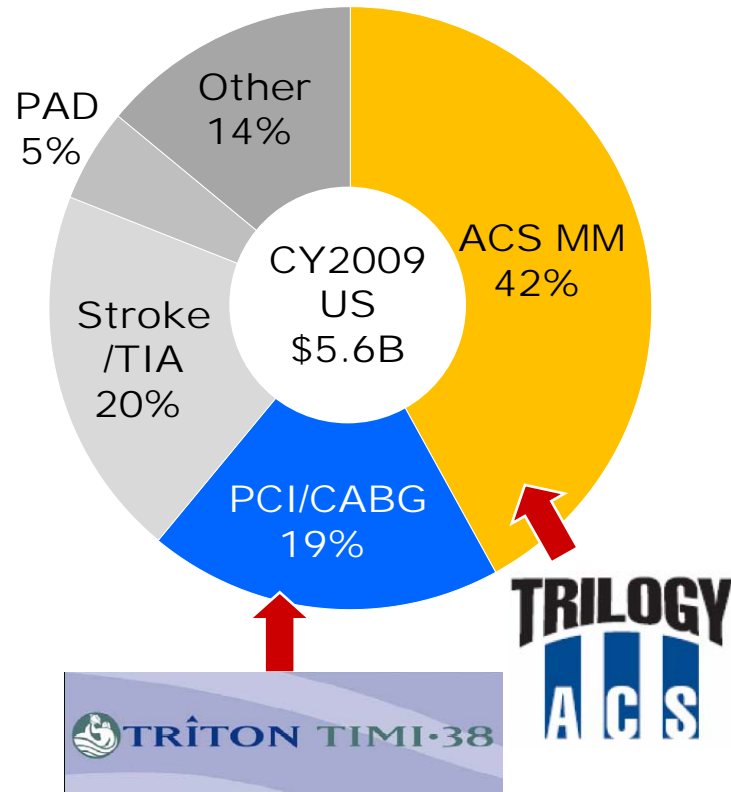
\* New to Brand is an early indicator for future growth of the brand, which consists of thienopyridine naive patients and switching patients from other brand

Source: IMS NPA



Source: SDI Data

Clopidogrel's Source of Business  
CY2009 (company analysis)

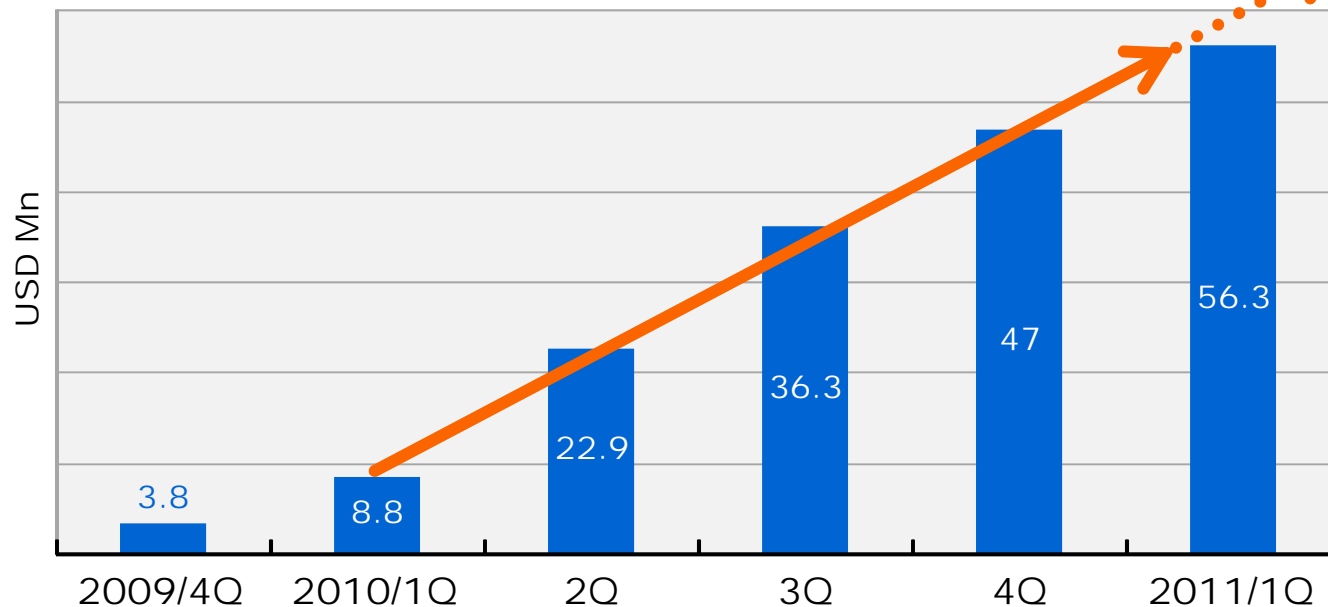


Source: IMS NDTI December 2009, IMS NSP Retail and Non-Retail Sales

## Effient<sup>®</sup>/Efient<sup>®</sup> Sales Expansion

- ➔ **Launch: Europe (March '09), US ( August '09)**
- ➔ **October 2010: Re-execute Marketing approach for enhancing sales growth**
- ➔ **Boost by additional indication, TRILOGY ACS (Planned conclusion: Apr-2012)**

## Effient<sup>®</sup>/Efient<sup>®</sup> Global Sales



\*Source: financial announcements of Lilly

## Optimally harness marketing capability

**Optimally allocate dominant Japanese network of 2,400 MRs to maximize sales clout**

## Maximize Olmesartan revenues

**Boost combined domestic sales of Olmetec and Rezaltas by 26%, to ¥110 billion in fiscal 2011**

## Seamless launch of new products

**Fiscal 2010 : Four products (Rezaltas, Loxonin Gel, Inavir, and Cravit IV)**

**Fiscal 2011 : Memaury (to launch on June 8)  
Lixiana (approved on April 22)  
Esomeprazole  
Denosumab**



## Active pharmaceutical ingredients (API)

### Pravastatin

- Manufactured at Onahama (Japan)
- **Production to restart in September**, shipping from November 2011
- **Sufficient inventory held** for domestic and overseas markets

### Olmesartan

- Manufactured at Odawara and Onahama (Japan)
- **Capacity increased at Odawara**
  - ✓ Secure sufficient inventory by partly operating during holidays in May and June
  - ✓ Further enhancement of capacity under consideration

## Drug Formulations

### Main products including Olmesartan

- Made mainly at Hiratsuka (Japan)
- Secure **sufficient inventory** by partly operating on holidays
- **Backup production** at Takatsuki (Japan) and Phaffenhofen (Germany)

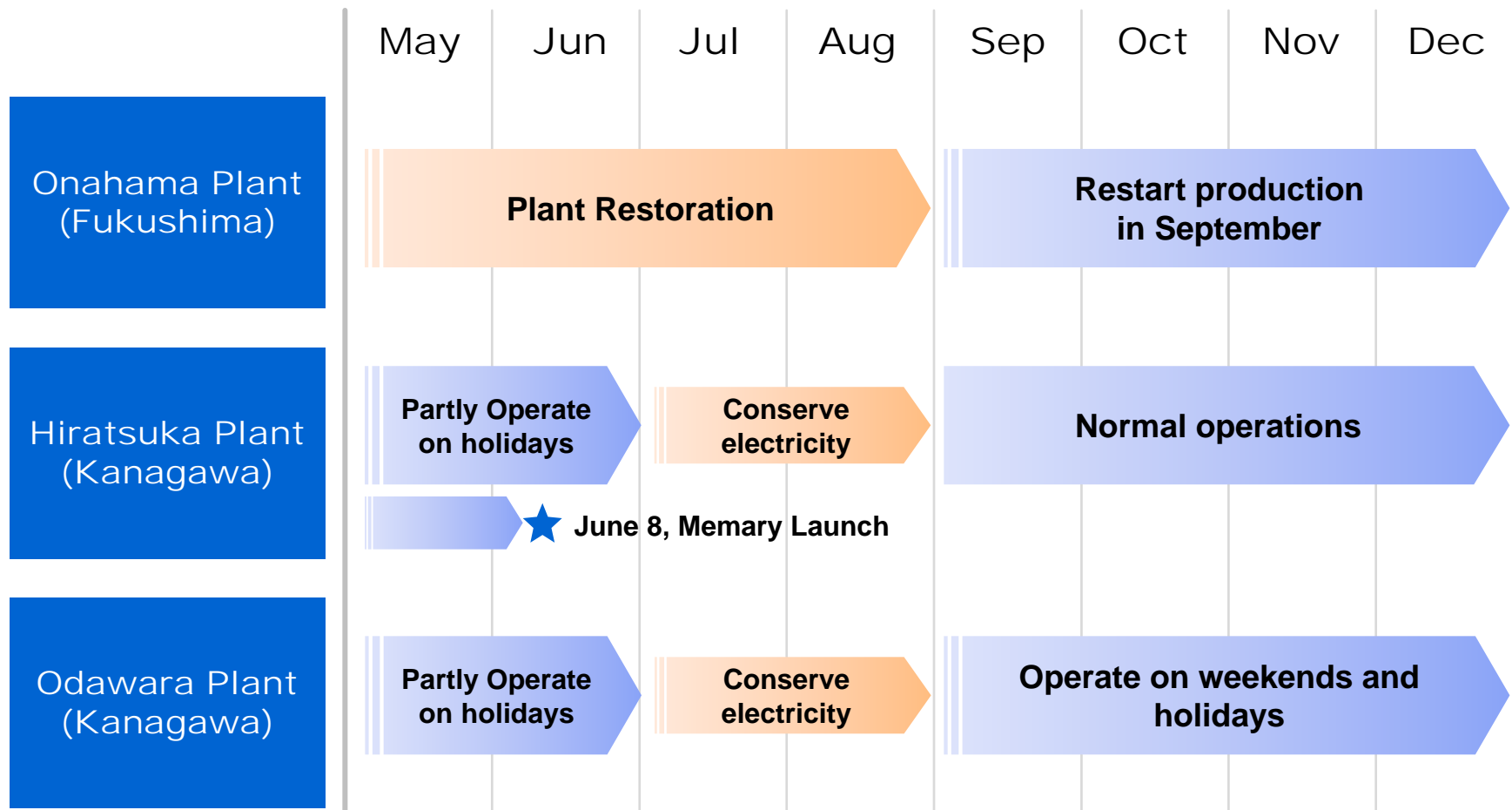
### Memary

- API from Merz Pharma (Germany), formulation and packaging at Hiratsuka (Japan)
- Currently **securing stable supplies**, planning to launch on June 8

### Other products

- **Boosting capacity at Hiratsuka**, by partly operating on holidays
- Outsource some production to other plants and companies as needed

Secure stable supply of Main Products



## Strategic Intent

**Achieve true potential as a leader in the country, to capitalize on strong growth in the Indian Pharmaceuticals Market (IPM), and to grow faster than the IPM**

Estimated market growth:  
US\$12.6 Bn (2009) to US\$35~70 Bn (2020) CAGR 10~17%

## Project by Ranbaxy

- **Field force expansion from 3,200 (2009) to 4,200 (2011)**
- **More number of product launches**
- **Further strengthen areas where Ranbaxy has a lead**
  - Urban market, Acute therapy segment
- **Focus on areas where Ranbaxy have room for strong growth**
  - Rural market, Hospital segment, Chronic therapy segment

Rank		Company	MAT Mar 2011			Jan - Mar 2011		
MAT	YTD		Sales	MS	YoY growth	Sales	MS	YoY growth
			INR Bn	%	%	INR Bn	%	%
1	1	CIPLA	250.7	5.20	13.3	63.9	5.39	12.1
2	2	RANBAXY	227.0	4.71	12.1	56.6	4.78	17.3
3	3	GLAXOSMITHKLINE	201.5	4.18	11.9	47.7	4.03	7.9
4	5	PIRAMAL HEALTHCARE	189.7	3.93	6.4	46.4	3.92	0.8
5	6	ZYDUS CADILA	180.0	3.73	15.7	44.6	3.77	12.9
		Total IPM	482.4	100.00	15.3	118.5	100.00	13.6

Source: IMS SSA Audit. MAT Mar'11

## Strategic Intent

**Increase presence in a fast-growing, highly attractive Chinese market  
(Fifth largest drug market in the world)**



**Invest aggressively to lift sales from 800 million RMB  
in fiscal 2010, to 3 billion RMB in fiscal 2015**

- **Streamline two operations in Beijing and Shanghai and strengthen marketing capabilities, increasing number of MRs from 450 to 700 in 2015**
- **Expand regionally by adding more MRs and forming alliances, increasing adoption in hospital to further increase sales of Cravit and Olmetec**
- **Strengthen portfolio, largely by securing external resources through in-licensing, partnerships, and acquisitions**

## Profile

- **Established in Berkeley, California, in 2001 (unlisted)**
- **CEO: K. Peter Hirth, Ph.D.**
- **Approximately 45 employees**



## Secure late-stage compounds

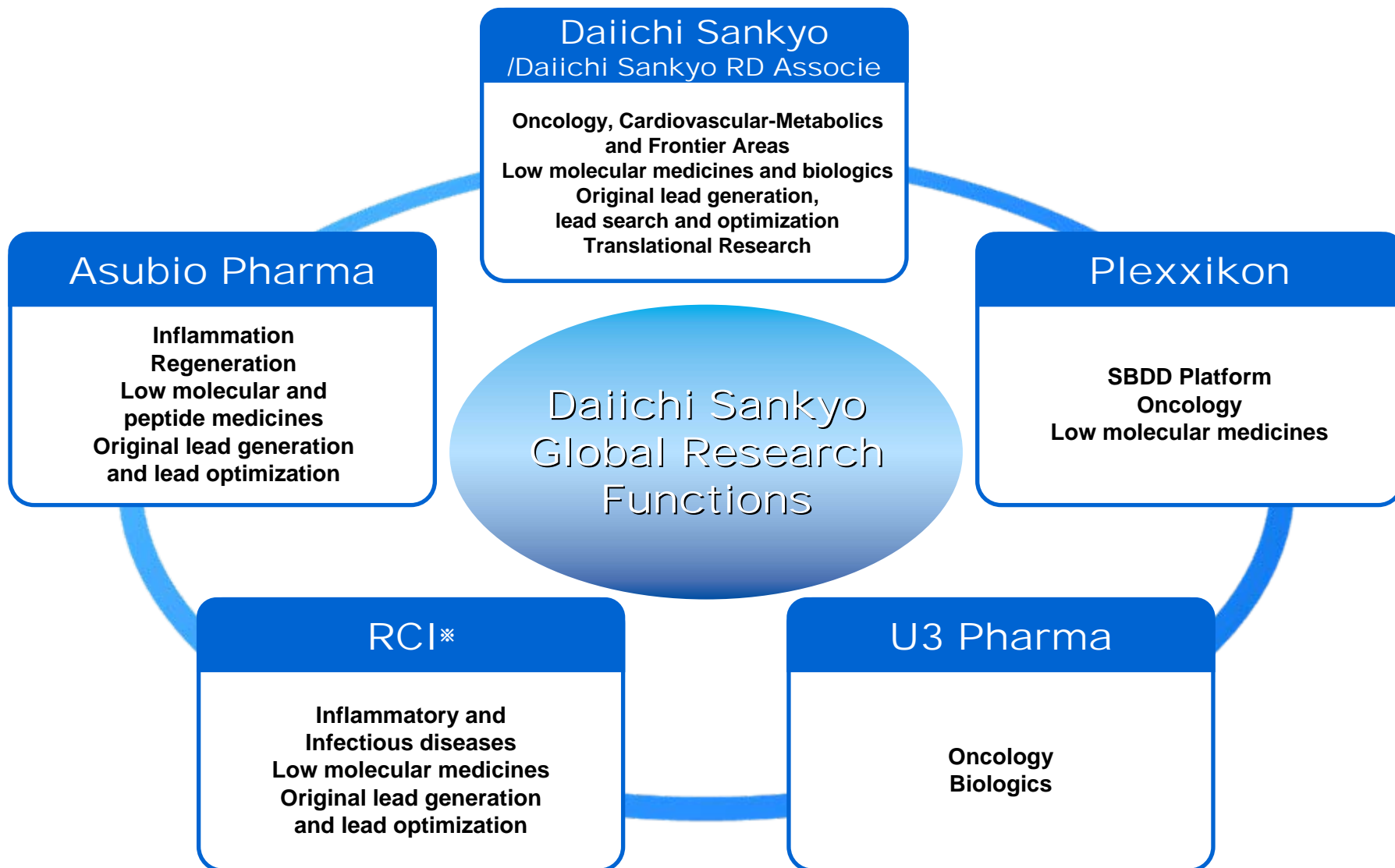
- ➔ **Reinforce oncology capabilities and accelerate market entry**

## Build technological foundation

- ➔ **Scaffold-Based Drug Discovery™ Platform**
- ➔ **Platform for personalized medicine**
- ➔ **Research presence in San Francisco bay area**

## Pipeline

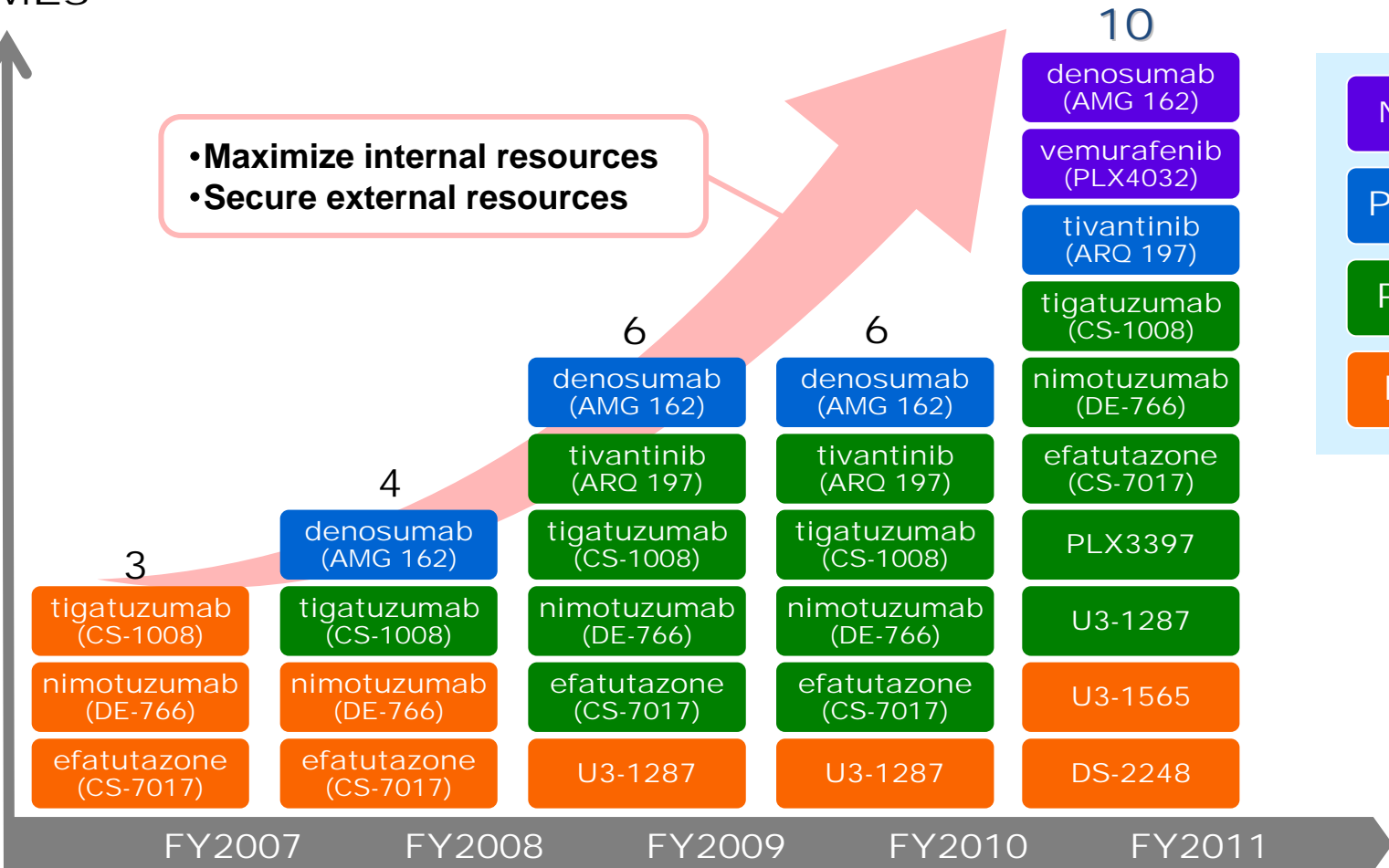
- ➔ **PLX4032 (for Metastatic Melanoma): partnering with Roche, NDA filed in US/EU**
- ➔ **PLX3397 (for Hodgkin lymphoma: In Phase II trials)**
- ➔ **PLX5622 (for rheumatoid arthritis): In Phase I trials**
- ➔ **followed by multiple preclinical compounds**



※Daiichi Sankyo Life Science Research Centre in India

NMEs

• **Maximize internal resources**  
• **Secure external resources**



★ In-licensing of Denosumab      ★ U3 Pharma acquisition      ★ Plexxikon acquisition  
 ★ In-licensing of ARQ 197





# Financial Overview

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## Overview of Income Statement

	FY2009 Results	FY2010 Results	FY2011	
			Forecast	YoY
Net Sales	952.1	967.4	970.0	2.6
Cost of Sales	278.0	281.7	290.0	8.3
SG&A Expenses	578.6	563.5	590.0	26.5
R&D Expenses	196.8	194.3	200.0	5.7
Other Expenses	381.8	369.2	390.0	20.8
Operating Income	95.5	122.1	90.0	- 32.1
Ordinary Income	103.1	131.8	90.0	- 41.8
Net Income	41.9	70.1	45.0	- 25.1

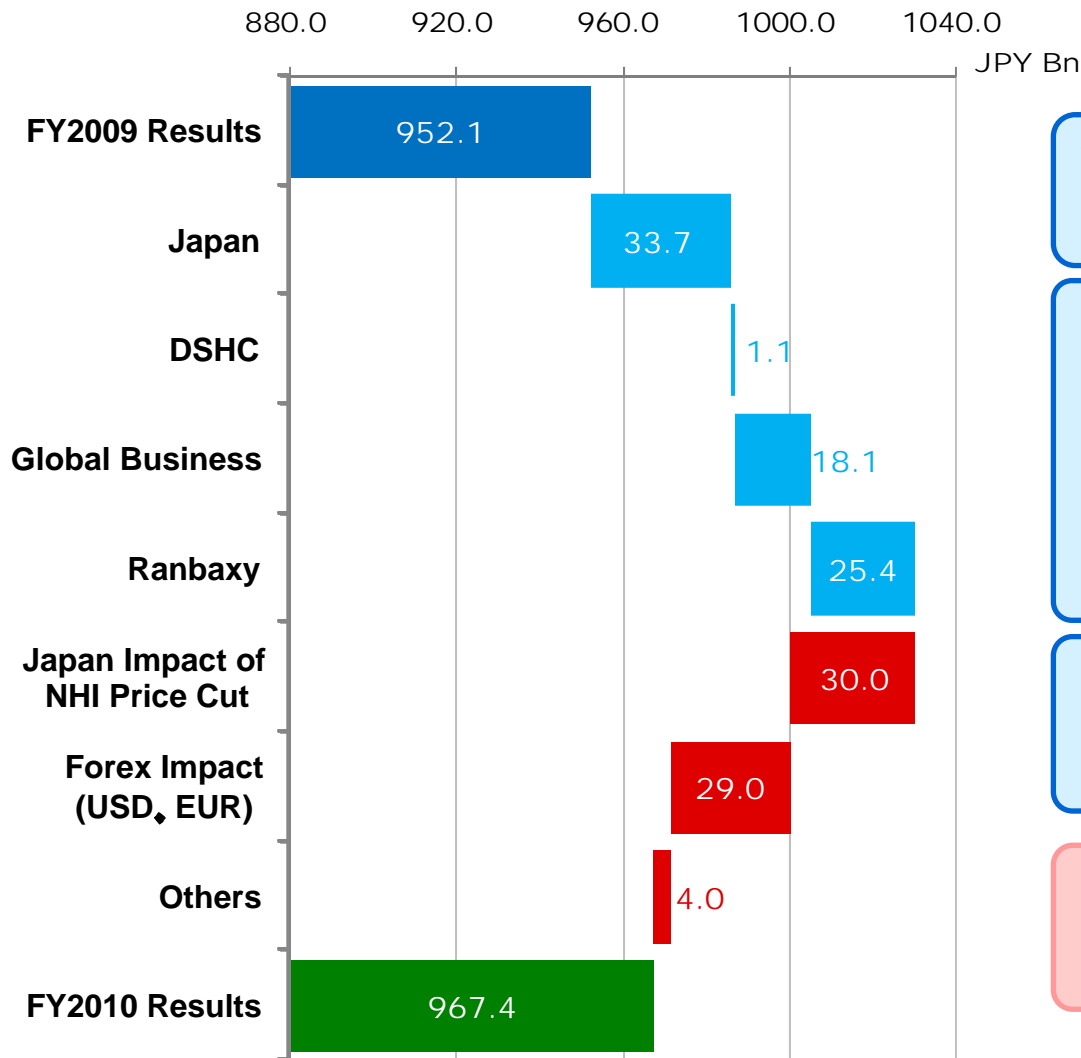
## Ranbaxy Group

Note : Figures of Ranbaxy are pre-adjusted before consolidation

2009 (Jan-Dec) Results	2010 (Jan-Dec) Results	2011(Jan-Dec)	
		Forecast	YoY
146.7	173.1	162.0	-11.1
75.4	79.8		
64.9	65.6		
10.3	12.0		
54.6	53.5		
6.3	27.7		
13.0	40.0		
4.2	23.3		

JPY Bn

Net Sales factors



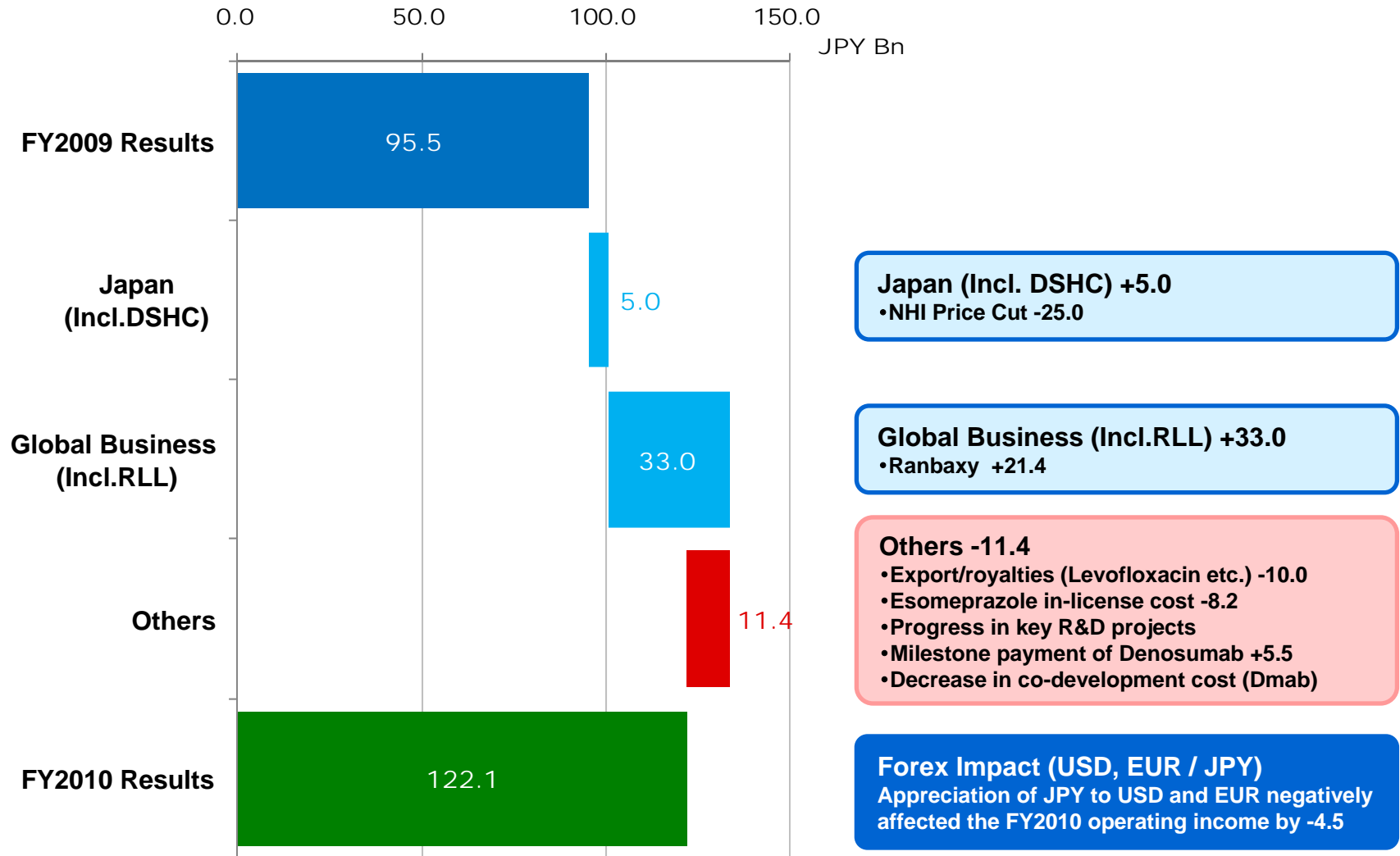
**Japan +33.7**  
 •Olmotec, Loxonin etc.  
 •Rezaltas +4.7, Inavir +6.6 etc.  
 •Return of sales rights -8.0

**Global Business +18.1**  
 •Daiichi Sankyo Inc.(DSI) +8.3  
     Olmesartan +0.6, Welchol +3.4  
     Effient (alliance revenue) +3.7  
 •Luitpold Pharmaceuticals, Inc. (LPI) +6.3  
     Venofer +1.1, PharmaForce +3.9  
 •Daiichi Sankyo Europe GmbH (DSE) +1.8  
 •Asia, South and Central America (ASCA) +1.7

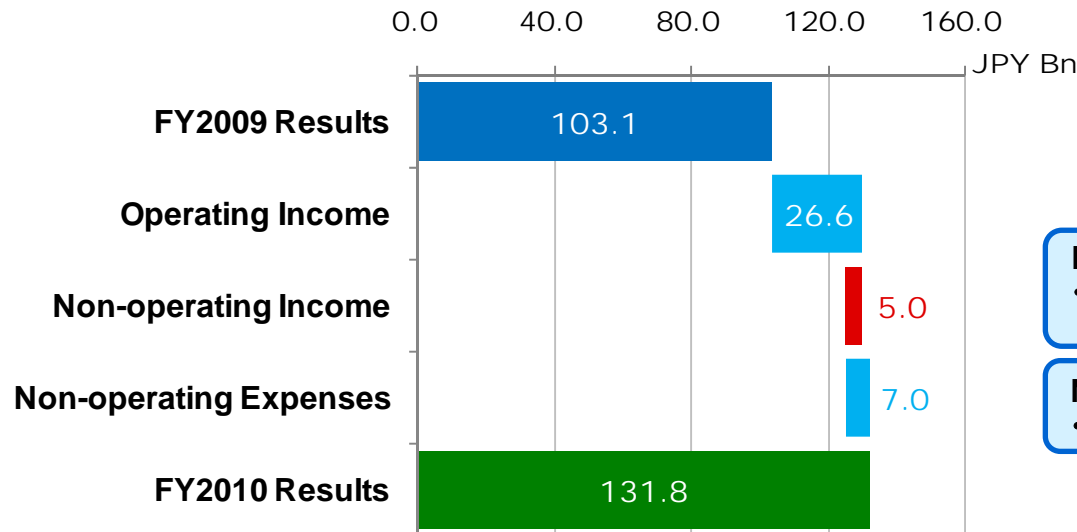
**Ranbaxy (RLL) +25.4**  
 •Contribution from Valacyclovir, Donepezil  
 •Other operating income

**Others -4.0**  
 Decrease in export/royalty of Levofloxacin  
 milestone payment of Denosumab

Operating Income factors



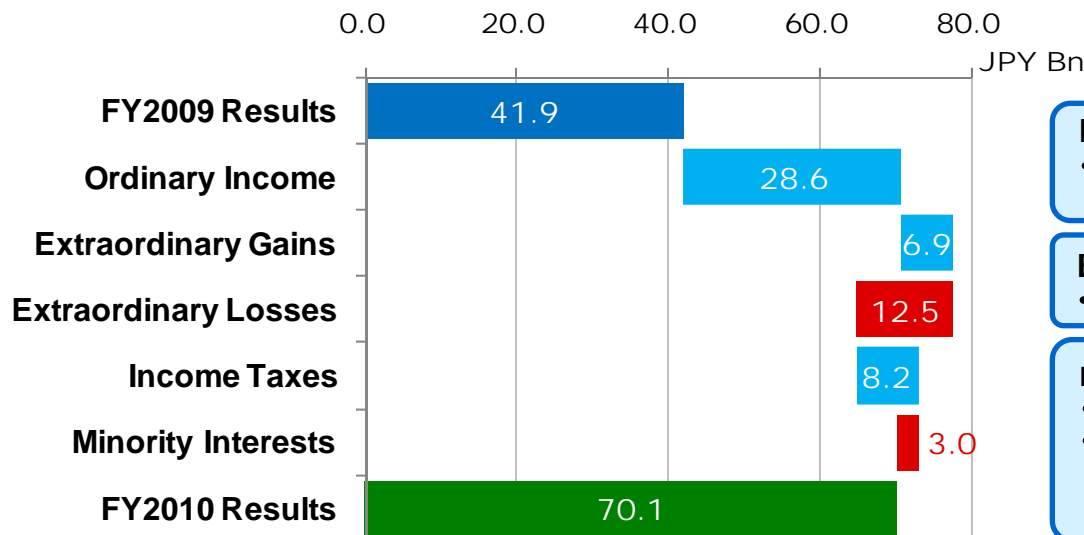
Ordinary Income factors



**Non-operating Income:**  
 • Decrease in forex derivative valuation gain of Ranbaxy

**Non-operating Expenses:**  
 • Decrease in forex losses of Ranbaxy

Net Income factors



**Extraordinary Gains:**  
 • Increase in gain on sales of non-current assets / investment securities

**Extraordinary Losses:**  
 • Increase in impairment loss / loss on disaster

**Improvement in effective tax rate:**  
 • FY2009: Amendment of income taxes for FY08  
 • FY2010: Deferred tax accounting applied to loss carried forward taken over through Asubio reorganization

	Forecast as of Jan	FY2010 Results (Apr-Mar)	Difference
Net Sales	965.0	967.4	2.4
Cost of Sales	280.0	281.7	1.7
SG&A Expenses	565.0	563.5	-1.5
R&D Expenses	194.0	194.3	0.3
Other Expenses	371.0	369.2	-1.8
Operating Income	120.0	122.1	2.1
Ordinary Income	125.0	131.8	6.8
Net Income	70.0	70.1	0.1

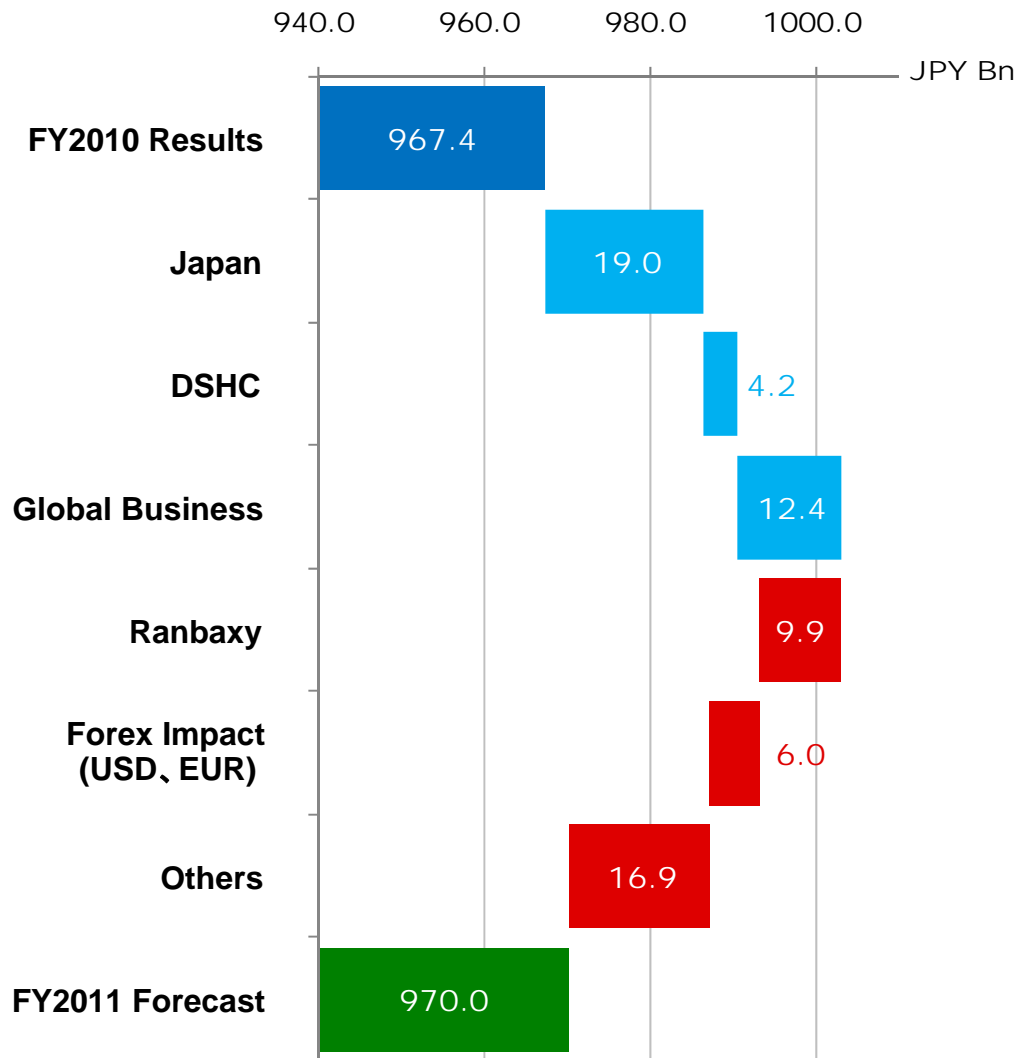
**Decrease in promotional  
expenses due to disaster**

**Non-operating gain/loss: +4.6**  
•Ranbaxy related forex gain (Q4)

**Extraordinary income/losses: -8.3**  
•Loss on disaster -5.6

JPY Bn

Net Sales factors



**Japan +19.0**

- Olmesartan (Olmotec + Rezaltas) +23.0
- Return of sales rights -24.0
- New products etc.

**Global Business +12.4**

- Daiichi Sankyo Inc. (DSI) +3.8
- Luitpold Pharmaceuticals, Inc. (LPI) -3.3
- Daiichi Sankyo Europe GmbH (DSE) +9.3
- Asia, South and Central America (ASCA) +2.6

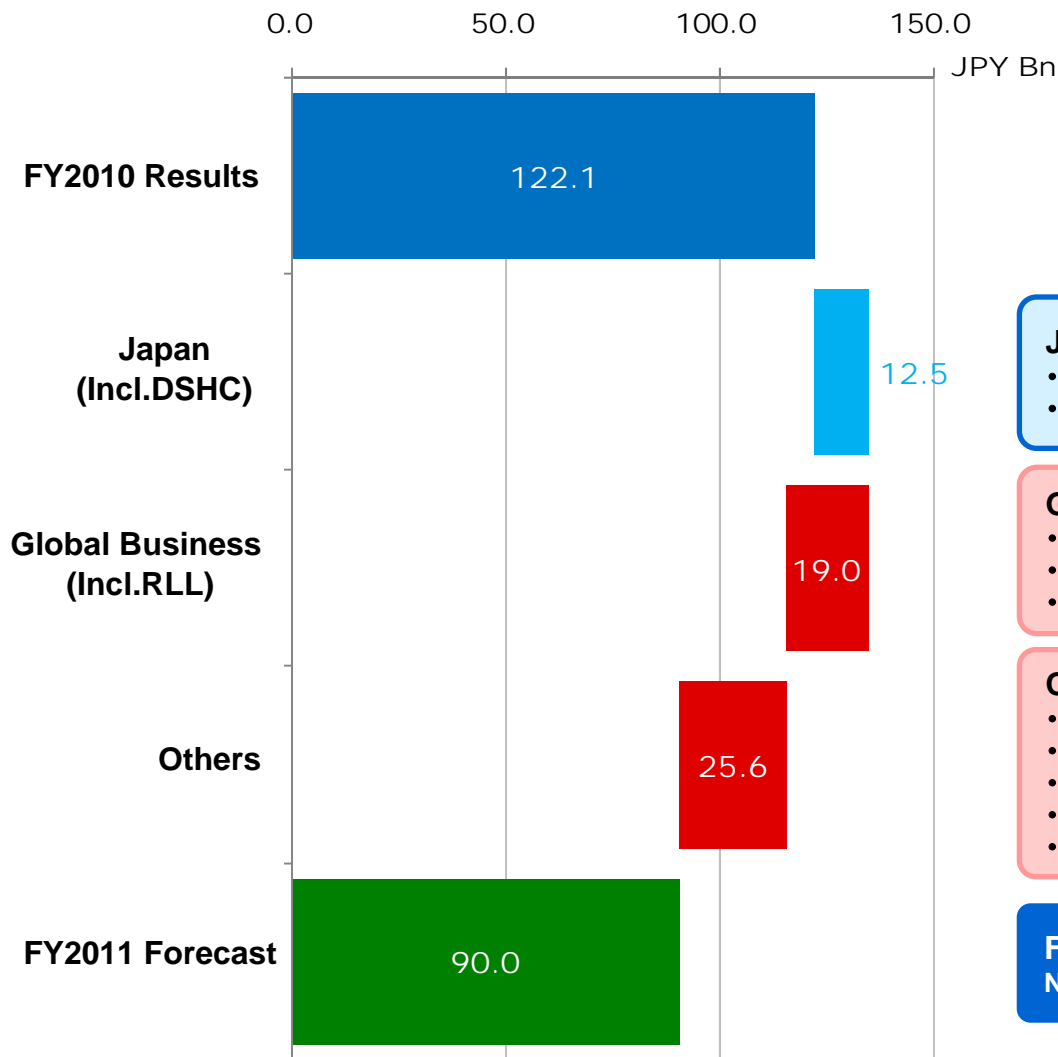
**Ranbaxy (RLL) -9.9**

- Decrease in other operating income
- Appreciation of JPY to INR -3.0

**Others -16.9**

- Decrease in export/royalty of Levofloxacin
- Decrease in milestone payment of Denosumab

Operating Income factors



**Japan (Incl. DSHC) +12.5**  
 •Sales Increase +23.2  
 •Intense promotion of new products

**Global Business (Incl.RLL) -19.0**  
 •RLL: Contribution of Valacyclovir etc, in 2010  
 •DSI: Marketing efficiency optimization in US  
 •LPI: new product "Sprix" launch

**Others -25.6**  
 •Export/royalties (Levofloxacin etc.) -19.0  
 •Milestone payment of Denosumab -5.5  
 •Plexxikon (tentative) -4.0  
 •Progress in key R&D projects  
 •Esomeprazole in-license cost +8.2

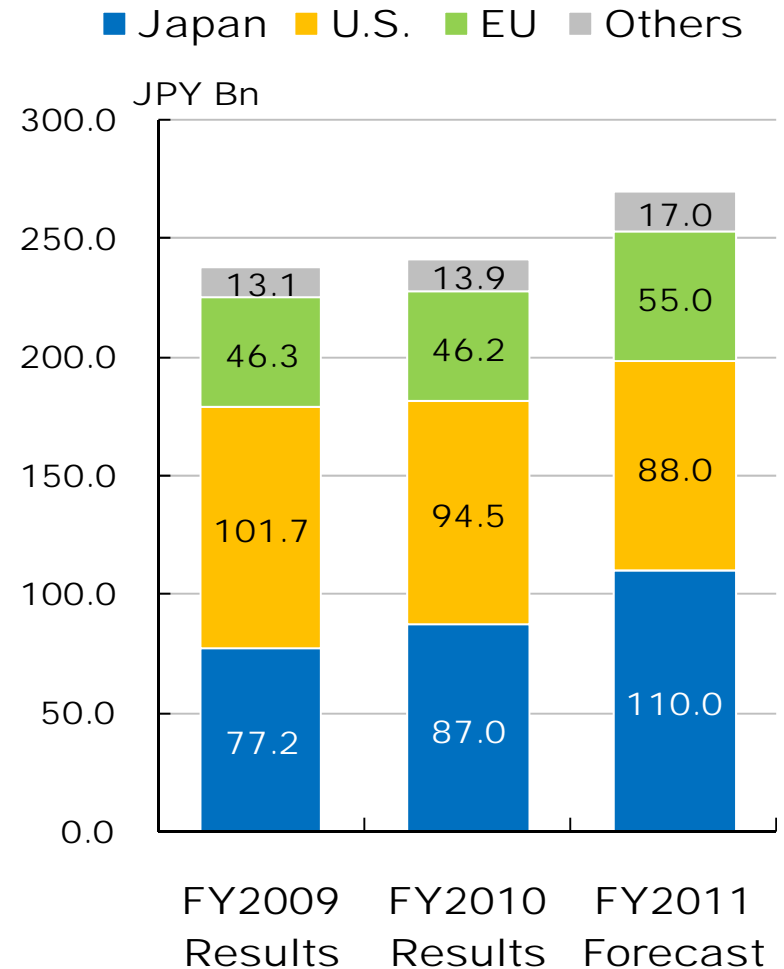
**Forex Impact (USD, EUR / JPY)**  
 No significant impact on operating income



JPY Bn

		FY2009 Results	FY2010 Results	FY2011 Forecast	
Global	Olmesartan	238.3	241.5	270.0	11.8%
	Levofloxacin	87.2	69.1	53.0	-23.3%
	Pravastatin	55.0	44.9	38.0	-15.3%
	Prasugrel (alliance revenue)	0.5	5.2	-	
Japan	Loxonin	47.0	54.2	58.0	7.1%
	Artist	23.3	23.7	23.0	-3.0%
	Omnipaque	27.3	25.0	23.0	-8.0%
	Calblock	13.7	14.0	15.0	7.5%
	Urief	9.0	10.1	11.0	9.4%
U.S.	Welchol	27.5	28.5	32.0	12.2%
	Venofer	32.2	30.7	25.0	-18.5%
Currency Rate	USD/JPY (average)	92.86	85.72	83.00	
	EUR/JPY (average)	131.16	113.13	115.00	

## Regional sales of Olmesartan



Therapeutic Area	Phase 1	Phase 2	Phase 3	Application
Cardiovascular- Metabolics	<ul style="list-style-type: none"> <li>■ CS-3150 (Antihypertensive)</li> <li>■ <u>DS-7309</u> (Anti-diabetes)</li> </ul>	<ul style="list-style-type: none"> <li>■ DU-176b (US/EU) (Edoxaban / post surgical VTE / oral factor Xa inhibitor)</li> <li>■ CS-747 (JP) (Prasugrel / ischemic stroke / anti-platelet agent)</li> <li>■ <u>CS-1036 (JP/Asia)</u> (Glucose-absorption-inhibitor)</li> </ul>	<ul style="list-style-type: none"> <li>■ DU-176b (US/EU/JP/Asia) (Edoxaban / AF / oral factor Xa inhibitor)</li> <li>■ DU-176b (US/EU/JP/Asia) (Edoxaban / VTE / oral factor Xa inhibitor)</li> <li>■ ☆CS-747 (US/EU/Asia) (Prasugrel / ACS-MM / anti-platelet agent)</li> <li>■ CS-747 (JP) (Prasugrel / ACS-PCI / anti-platelet agent)</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>DU-176b (JP)</b> (Edoxaban / post surgical VTE / oral factor Xa inhibitor)</li> </ul>
Oncology	<ul style="list-style-type: none"> <li>■ CS-7017(JP/Asia) (Efatutazone / PPAR <math>\gamma</math> agonist)</li> <li>■ U3-1565 (US) (Anti-HB-EGF antibody)</li> <li>■ U3-1287(JP) (Anti-HER3 antibody)</li> <li>■ <u>DS-2248(US)</u> (Hsp90 inhibitor)</li> </ul>	<ul style="list-style-type: none"> <li>■ U3-1287 (US/EU) (Anti-HER3 antibody)</li> <li>■ CS-1008 (US/EU/JP/Asia) (Tigatuzumab / anti-DR5 antibody)</li> <li>■ CS-7017 (US/EU) (Efatutazone / PPAR <math>\gamma</math> agonist)</li> <li>■ DE-766 (JP) (Nimotuzumab / anti-EGFR antibody)</li> <li>■ <u>PLX3397 (US)</u> (Fms/Kit/Flt3-ITD inhibitor)</li> </ul>	<ul style="list-style-type: none"> <li>■ ARQ 197 (US/EU) (Tivantinib / NSCLC / c-Met inhibitor)</li> </ul>	<ul style="list-style-type: none"> <li>■ <u>PLX4032 (US/EU)</u> (Vemurafenib / Melanoma / BRAF inhibitor)</li> </ul>
Infectious diseases	<ul style="list-style-type: none"> <li>■ CS-8958(US/EU) (Laninamivir / anti-influenza / co-development with Biota)</li> <li>■ CS-4771 (Anti-Sepsis)</li> <li>■ DS-8587 (Broad spectrum antibacterial agent)</li> </ul>		<ul style="list-style-type: none"> <li>■ ☆CS-8958 (JP) (Laninamivir / anti-influenza, prophylactic / Neuraminidase inhibitor)</li> </ul>	
Bone/Joint diseases	<ul style="list-style-type: none"> <li>■ <u>PLX5622</u> (Rheumatoid arthritis)</li> </ul>	<ul style="list-style-type: none"> <li>■ AMG 162 (JP) (Denosumab / rheumatoid arthritis / anti-RANKL antibody)</li> </ul>	<ul style="list-style-type: none"> <li>■ AMG 162 (JP) (Denosumab / osteoporosis, breast cancer adjuvant / anti-RANKL antibody)</li> </ul>	<ul style="list-style-type: none"> <li>■ AMG 162 (JP) (Denosumab / bone metastases of cancer / anti-RANKL antibody)</li> </ul>
Immunological allergic diseases	<ul style="list-style-type: none"> <li>■ CS-0777 (Immunomodulator)</li> </ul>	<ul style="list-style-type: none"> <li>■ SUN13834 (US) (Chymase inhibitor)</li> </ul>		
Others	<ul style="list-style-type: none"> <li>■ DS-5565 (Chronic pain)</li> <li>■ <u>SUN13837</u> (Spinal cord injury)</li> </ul>	<ul style="list-style-type: none"> <li>■ SUN11031 (US/EU) (Human ghrelin / COPD cachexia)</li> </ul>	<ul style="list-style-type: none"> <li>■ SUN11031 (JP) (Human ghrelin / anorexia nervosa)</li> <li>■ ☆DD-723-B (JP) (Perflubutane / Contrast agents in ultrasound for prostate cancer and breast tumor/ ultrasound contrast agent)</li> </ul>	<ul style="list-style-type: none"> <li>■ KMD-3213 (China) (Silodosin / treatment of dysuria associated with benign prostatic hyperplasia/ Selective alpha 1A blocker)</li> </ul>

◆ Change from the announcement in January 2011

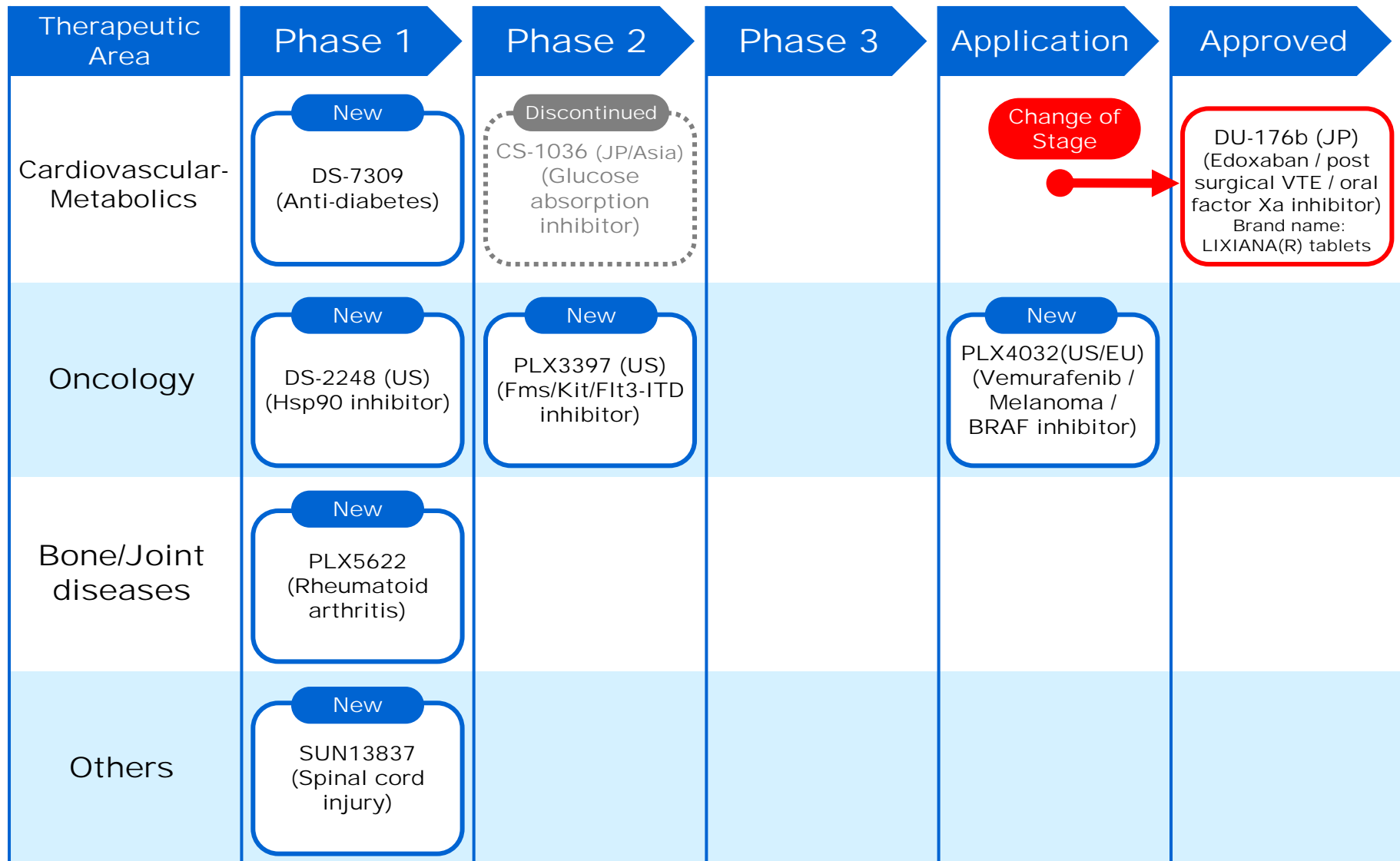
□ New (underline)

□ Change of Stage

□ Discontinued etc.

PLX4032(Melanoma/BRAF inhibitor/US/EU/Application), PLX3397 (Fms/Kit/Flt3-ITD inhibitor/US/P2), PLX5622 (Rheumatoid arthritis/P1), DS-7309(Anti-diabetes/P1), DS-2248 (Hsp90 inhibitor/P1), SUN13837(Spinal cord injury/P1) DU-176b(Post surgical VTE/oral factor Xa inhibitor/JP/Approved) CS-1036(Glucose absorption inhibitor/JP/Asia/P2)

☆ Additional indications, new formulations etc.



## Contact address regarding this material

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For this reason, the actual performance data, etc. may differ from the prospective value.