

Daiichi Sankyo Group
Second Mid-term Business
Management Plan
(Fiscal 2010–2012)

March 12, 2010

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President and CEO

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1. Our Vision for 2015



Our Vision for 2015

Mission

To Contribute to the Enrichment of Quality of Life Around the World
Through the Creation of Innovative Pharmaceuticals, and
Through the Provision of Pharmaceuticals Addressing Diverse Medical Needs

Our Vision for 2015 Realization of Global Pharma Innovator

Expanding our
business reach

Global

Establish operations in key
areas and strengthen
worldwide presence

Fulfilling unmet
medical needs

Pharma

Concentrate resources to
consistently produce and supply
innovative pharmaceutical
products that address diverse
medical needs

Building new
business model

Innovator

Extend innovation beyond
science and technology to
encompass our business
model

2. Review of First Mid-Term Business Management Plan



Goals: First Mid-Term Business Management Plan

2007

2008

2009

Solidify growth foundation

Key Messages

- Maximize integration synergies of Daiichi and Sankyo.
- Accelerate business globalization

Launch new products and expand sales

Invest in strategic business development

Expand US and European business foundations

Build integration synergies of the two companies

Key goals

1. Strengthen our foundation for earnings growth
2. Build solid global organization and functions
3. Ensure consistent shareholder returns
4. Create a new corporate culture and enhance our human and social values

Operating climate changes

- Tighter global medical spending and deteriorating economic climate
- Stricter drug approval assessments
- Japanese drug price revision (additional price cut in response to market expansion)
- Higher yen (assumed yen valuations for the First MTP* was \$1 = ¥115 and 1€ = ¥140)

* MTP: Mid-term Plan

First MTP: Overall Review



Assessment: We solidified our growth foundation, although numerical challenges remain for the new business management plan and beyond

■ Qualitative evaluation	Achievements	Challenges	Evaluation
1. Strengthen our foundation for earnings growth <div style="border: 1px solid black; padding: 2px; width: fit-content;">Deploying Hybrid Business Model</div>	<ul style="list-style-type: none"> • Strengthened US and European business foundations • Launched Effient/Efient • Undertook solo worldwide development of Edoxaban • Steadily expanded Olmesartan sales • Bolstered oncology pipeline • Integrated Ranbaxy 	<ul style="list-style-type: none"> • Further reinforce Japan business foundations • Increase Effient/Efient prescriptions • Commercialize oncology business • Resolve Ranbaxy-related U.S. import alert and AIP issues • Further create and develop synergies with Ranbaxy 	Partly attained /Attained
2. Build solid global organization and functions	<ul style="list-style-type: none"> • Established global R&D structure and pursued functional collaboration 	<ul style="list-style-type: none"> • Formulate global management system (from fiscal 2010) 	Attained
3. Ensure consistent shareholder returns	<ul style="list-style-type: none"> • Delivered 100% total payout ratio over three years of plan 	<ul style="list-style-type: none"> • Provide consistent dividends 	Partly attained
4. Create a new corporate culture and enhance our human and social values	<ul style="list-style-type: none"> • Formulated and implemented new performance assessment system 	<ul style="list-style-type: none"> • Develop global CSR initiatives 	Partly attained
■ Quantitative evaluation	<ul style="list-style-type: none"> • Did not meet initial numerical targets (See next page) 		Unattained

First MTP: Quantitative Evaluation



(Units: billion yen, top of amount is composition ratio to sales)

	Fiscal 2009 Target under the 1st MTP (1)	Latest Forecast for Fiscal 2009		
		(2)	Difference (2) - (1)	Main Factors
Net Sales	100.0% 960	100.0% 960	0	<ul style="list-style-type: none"> • Japan (-64 billion) • Overseas (-84 billion) (including forex impact of around 63 billion) • Contribution of Ranbaxy (148 billion)
COG + SG&A	75.0% 720	90.0% 864	144	<ul style="list-style-type: none"> • Higher cost ratio stemming from product mix changes • Increase reflecting inclusion of Ranbaxy SG&A expenses
R&D expenses	17.2% 165	20.2% 194	29	<ul style="list-style-type: none"> • Expanded development for Edoxaban • Securing external resources to reinforce pipeline (acquisition of U3 Pharma and in-licensing of Denosumab)
Operating Income	25.0% 240	10.0% 96	-144	

3. Second Mid-Term Business Management Policy



Group Operating Climate

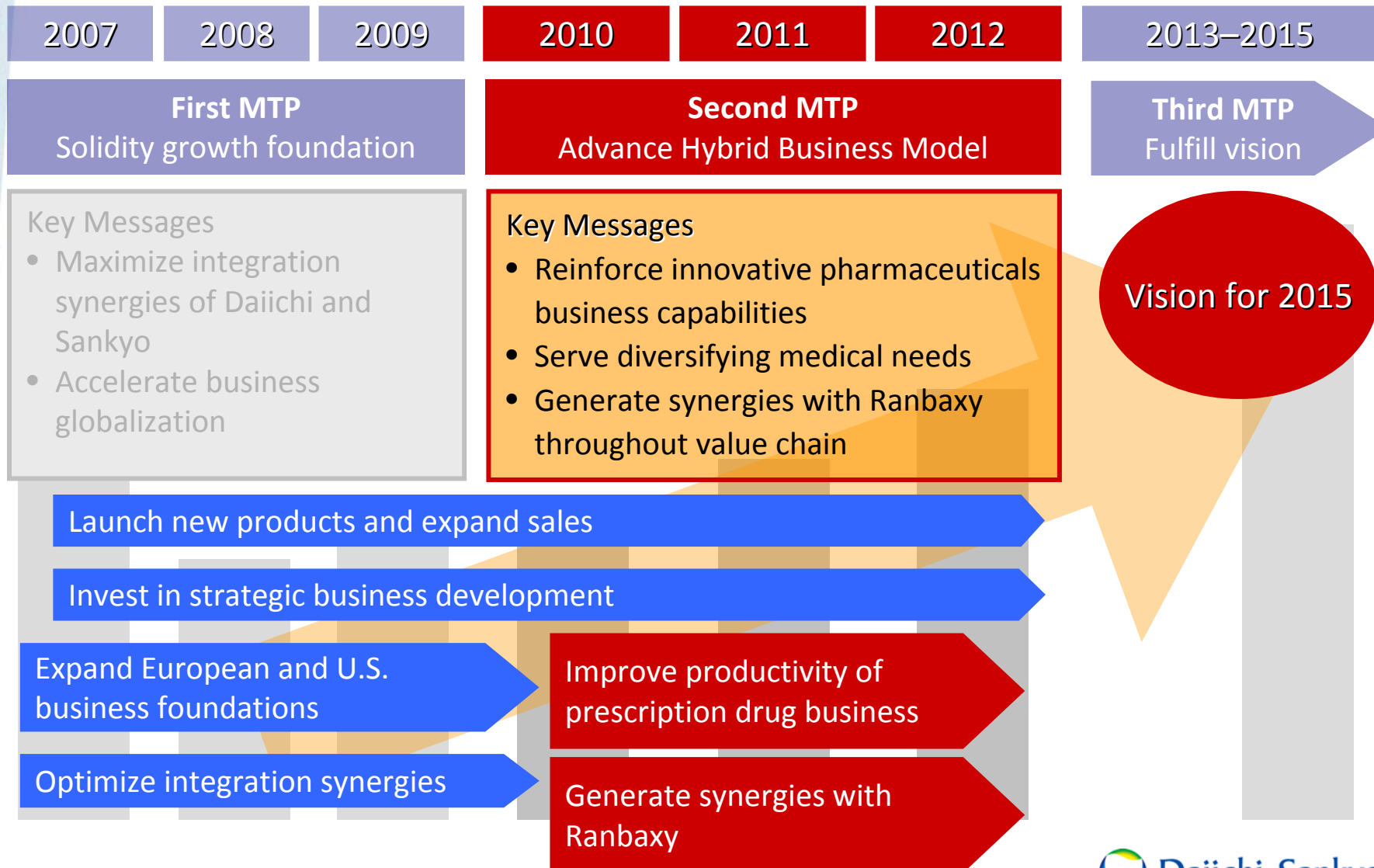


- **Diverse medical needs**
 - High-quality, affordable drugs
 - Unmet medical needs

- **Matching patient needs**
 - New drugs
 - Generic drugs
 - Vaccines
 - OTC drugs



Positioning of Second Mid Term-Business Management Plan



Hybrid Business Model

Market and Customer Diversity

Hybrid Business Model

[Operations]

Innovative pharmaceuticals

Established pharmaceuticals *

Vaccines

OTC products

[Value chain]

Build synergies by taking advantage of the strengths of Daiichi Sankyo and Ranbaxy

R&D

Pharmaceutical
Technologies
(CMC)

Supply Chain

Quality and
Safety
Management

Sales and
Marketing

* Encompassing generics and off-patent, long-sellers with proven marketplace presence

Numerical Targets

Fiscal 2012 Targets

- Fully deploy Hybrid Business Model
- Stabilize operational foundations and expand earnings

	Fiscal 2009 Forecast (as of January)		Fiscal 2012 Target	
	billion yen	%	billion yen	%
Net Sales	960	100.0	1,150	100.0
Contribution from Ranbaxy	148	—	270	—
COG + SG&A	864	90.0	970	84.3
R&D expenses	194	20.2	200	17.4
Operating Income	96	10.0	180	15.7
Overseas Sales	488	50.8	650	56.5
Forex Assumption	USD/JPY	92.6	90.0	
	EUR/JPY	132.2	130.0	

3-(1) Regional Business Strategies



Regional Business Strategies

Japan

- Reinforce and expand innovative and established pharmaceuticals and vaccine businesses
- Promote OTC operations by focusing on consumers

United States

- Target sales of \$3.5 billion
- Secure 1% of prescription drugs market

Hybrid Business Model

Europe

- Target sales of 1.2 billion euros

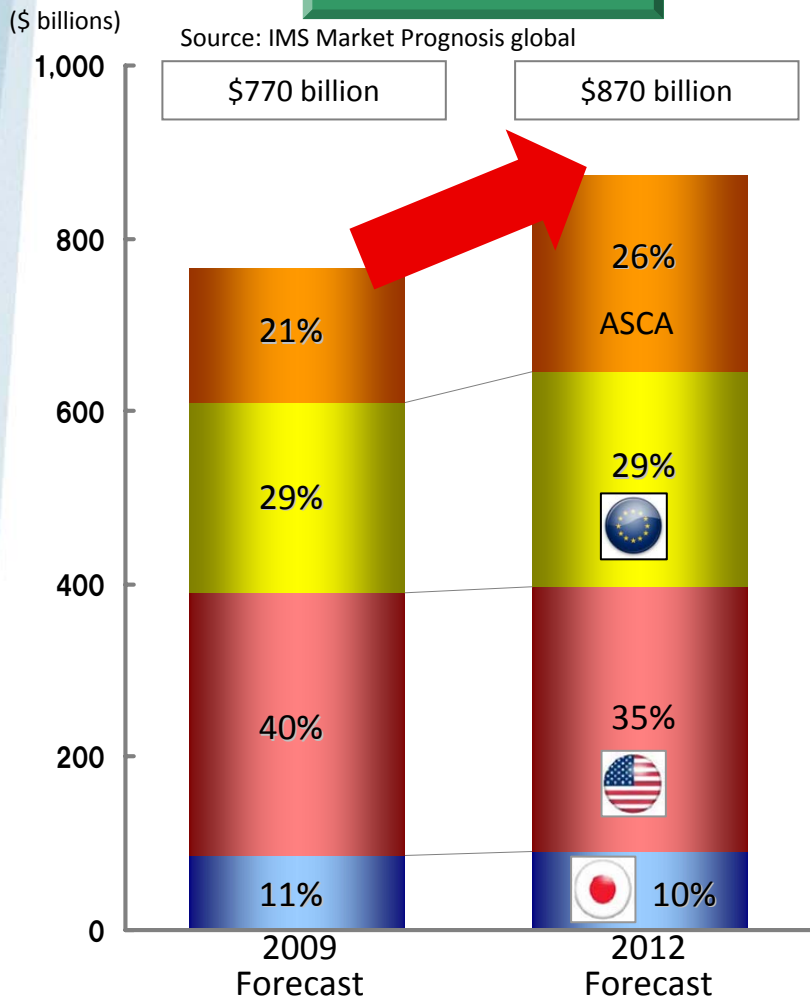
ASCA *

- Target sales of at least ¥150 billion (grow faster than in Japan, Europe, and US)

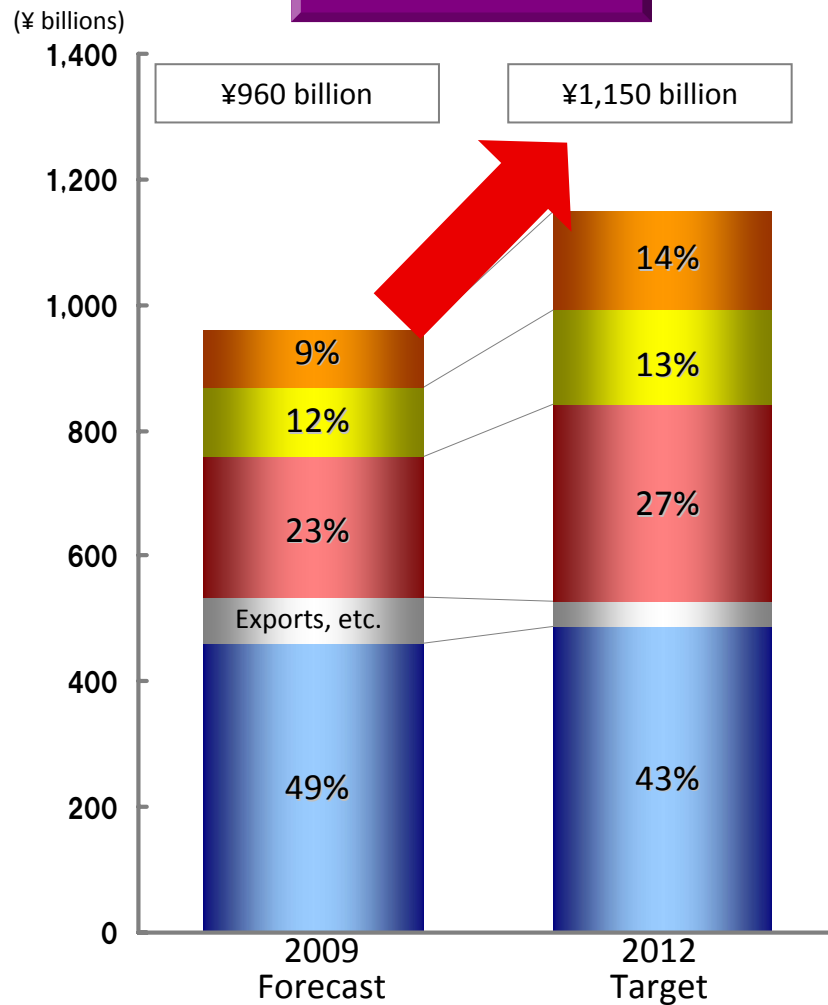
* In-house term for markets outside Japan, US and Europe

Regional Sales Targets for 2012

Global Market
4.5% CAGR*



Daiichi Sankyo
6.2% CAGR



* CAGR = Compound annual growth rate

Japan Company: Innovative Pharmaceuticals Business

Key Message

Generate earnings and sustainable growth
as a core Group business

Become supplier
of choice

Improve quality
and quantity of
information to satisfy
doctors and strengthen
customer relations

Maximize earnings
foundations

Optimize sales of
growth offerings,
particularly in Olmesartan
franchise and Rezaltas

Pursue further
growth

Maximize sales of:

- Laninamivir
- Memantine
- Edoxaban
- Denosumab

Japan Company: Vaccine Business



Key Message

Reinforce and expand prophylactic vaccine business,
for which medical needs are strong



Reinforce R&D,
production, and sales functions

Pursue joint research

Strengthen collaboration with Kitasato Research Institute to
bolster production of influenza vaccines



Expand sales of
new and existing drugs

Launch measles and rubella vaccine in fiscal 2010

Swiftly establish structure for consistently supplying
4 million doses annually of ActHib



Promote development projects

Quad combination vaccine, etc.
(for inactivated poliomyelitis and diphtheria-tetanus-pertussis)

Japan Company: Established Pharmaceuticals Business

Key Message

Harness the Hybrid Business Model to address diverse market needs



DAIICHI SANKYO ESPHA CO., LTD.

- To be established in April 2010, beginning operations in October 2010

Brand	Leveraging Daiichi Sankyo's brand strengths
Customer Needs	Providing high-quality, affordable drugs from collaboration with Ranbaxy
Distribution	Leveraging Daiichi Sankyo's channels
Information	Provided through collaboration with Daiichi Sankyo

Key Message

Promote OTC operations by focusing on consumers

Reinforce development pipeline capabilities (including in-licensed products)

Bolster capabilities in first-class drugs (including switch OTC from prescription drugs)

Loxonin, etc.

Create functional skincare business

Fiscal 2012 targets:
¥55 billion in sales and 10% operating income ratio

United States (1)



Key Message

Target sales of \$3.5 billion
Secure 1% of prescription drugs market

Reinforce dissemination
of scientific information
of Edoxaban

- Maximize Olmesartan franchise
- Position Effient as the treatment of first-choice for treating acute coronary syndrome patients with percutaneous coronary interventions

Resolve import alert
and AIP issues
relating to Ranbaxy

- Daiichi Sankyo, Inc.: Improve productivity by harnessing benefits from bolstered business infrastructure
- Luitpold Pharmaceuticals: Maintain high-profit structure while harnessing generic injection products to drive growth



➤ Olmesartan

- Swiftly cultivate the update of CS-8635 (triple combination of olmesartan, amlodipine, and hydrochlorothiazide)
- Tackle the emergence of rival generic drugs

➤ Effient

- Promote heavily, highlighting product benefits of strength, rapid onset, and less interpatient variability
- Continue to address approaches to managed care

➤ Edoxaban

- Proactively produce information to optimally position Edoxaban
- Reinforce dissemination of scientific information



Key Message

Target sales of 1.2 billion euros

Increase sales productivity by bolstering in-house marketing capabilities

Focus on cardiovascular field

- Promote life-cycle management of Olmesartan franchise
- Maximize Efiert sales
- Reinforce dissemination of scientific information of Edoxaban

Reengineer business processes

- Cut costs by enhancing supply chain efficiency
- Increase sales and cut costs by collaborating with Ranbaxy

- Expand sales an average 10% annually in tough market climate
- Enhance earnings structure to build robust business



Key Message

Target sales of at least ¥150 billion
(faster growth rate than in Japan, the United States, and Europe)

➤ Daiichi Sankyo ASCA Operation

- Expand Olmesartan franchise
- Steadily launch and swiftly build sales of Prasugrel

➤ Ranbaxy (in ASCA markets)

- Establish its presence as No.1 player in Indian prescription drug pharmaceuticals market
- Expand presence in African and Latin American markets

Daiichi Sankyo and Ranbaxy will collaborate in fast-growing, emerging markets and fully deploy the Hybrid Business Model

3-(2) R&D Strategies





Daiichi Sankyo

Oncology, Cardiovascular-Metabolics,
and new categories
Small molecule medicines and antibody pharmaceuticals
Original lead compound creation
Lead optimization
Translational research

NDDR*

Inflammatory and infectious
diseases
Small molecule medicines
Original lead compound creation
Lead optimization

*New Drug Discovery Research (India)

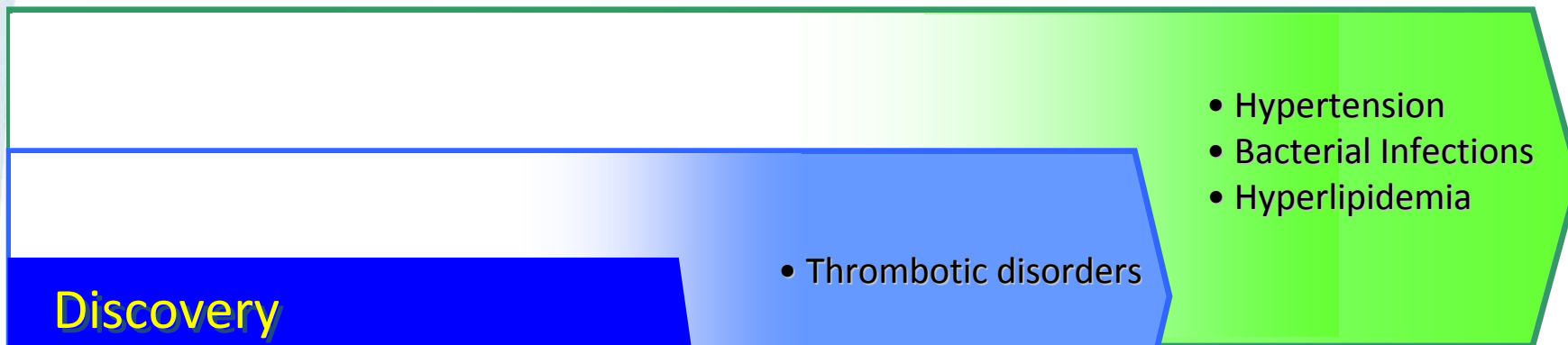
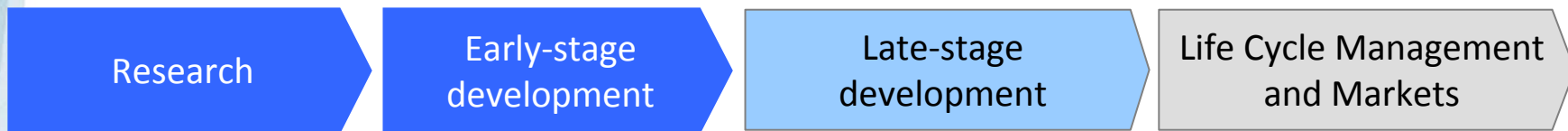
U3 Pharma

Oncology
Antibody pharmaceuticals

Asubio Pharma

Inflammation • Regeneration
Small molecule and peptide medicines
Original lead compound creation
Lead optimization

Priority Areas in Terms of R&D Stages



- Hypertension
- Bacterial Infections
- Hyperlipidemia

- Thrombotic disorders

Discovery

Priority Areas

- Oncology
- Cardiovascular-Metabolics

New Areas

- Drug creation based on disease mechanisms, developing products with new mechanism of action that address heavily unmet needs

Priority Areas for Discovery



Key Message

Enhance competitiveness in priority areas with high unmet medical needs

From 2010
(post Second
MTP)

Priority Areas

Oncology

Cardiovascular-
Metabolics

New Areas

Newly address unmet needs

Targets

Reinforce competitiveness towards 2015

Pursue new challenges beyond traditional illness areas in preparing for 2015 and beyond

2007–2009
(First MTP)

Thrombotic disorders, oncology, diabetes, autoimmune diseases and rheumatoid arthritis

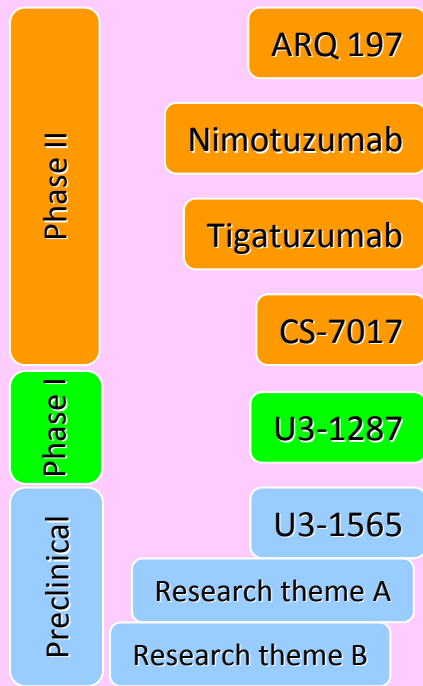
Priority Area Efforts: Oncology



Key Message

Build world-class pipeline by 2015

Research and early-stage development pipeline as of March 12, 2010



Targets through 2015

- Secure market presence
- Accelerate proof-of-concept trial launches
- Accelerate market launches for new products and indications
- Reinforce pipelines with multiple new chemical entities (NCE)
- Enhance world class drug discovery capabilities and organization

Undertake internal projects

Secure external resources through in-licensing and M&As
Establish R&D capabilities and technological foundations to underpin sustainable growth

Priority Area Efforts: Cardiovascular-Metabolics

Key Message

Further control cardiovascular events

2010

Approach for reducing single risk factors

Focus on type 2 diabetes and new mechanisms
Draw on track record and research foundations in thrombosis, hypertension, and hyperlipidemia

2015

New approach for managing multiple risk factors and protecting organs

Identify new mechanisms based on pathological analysis

Control cardiovascular events by reducing single and multiple risk factors while protecting organs

Development Projects (as of March 12, 2010)

Phase III

Effient/Efient (US and Europe)
ACS MM

Edoxaban (global)
AF

Edoxaban (global)
VTE

Denosumab (Japan)
Osteoporosis

Human ghrelin (Japan)
Anorexia nervosa

Edoxaban (Japan)
DVT

Laninamivir (Japan)
Influenza prevention

Denosumab (Japan)
Bone metastasis of cancer

Applications submitted

Triple combination of olmesartan,
amlodipine, and
hydrochlorothiazide
(US and Europe)

Prasugrel (Asia)
ACS-PCI

Cravit iv (Japan)
Infectious diseases

Laninamivir (Japan)
Influenza treatment


Sitafloxacin (Thailand)
Infectious diseases

Loxonin Gel (Japan)
Analgesic

Memantine (Japan)
Alzheimer's disease

Silodosin (China)
Urination treatment

Launch candidates for Second MTP

 Simultaneous project in four regions

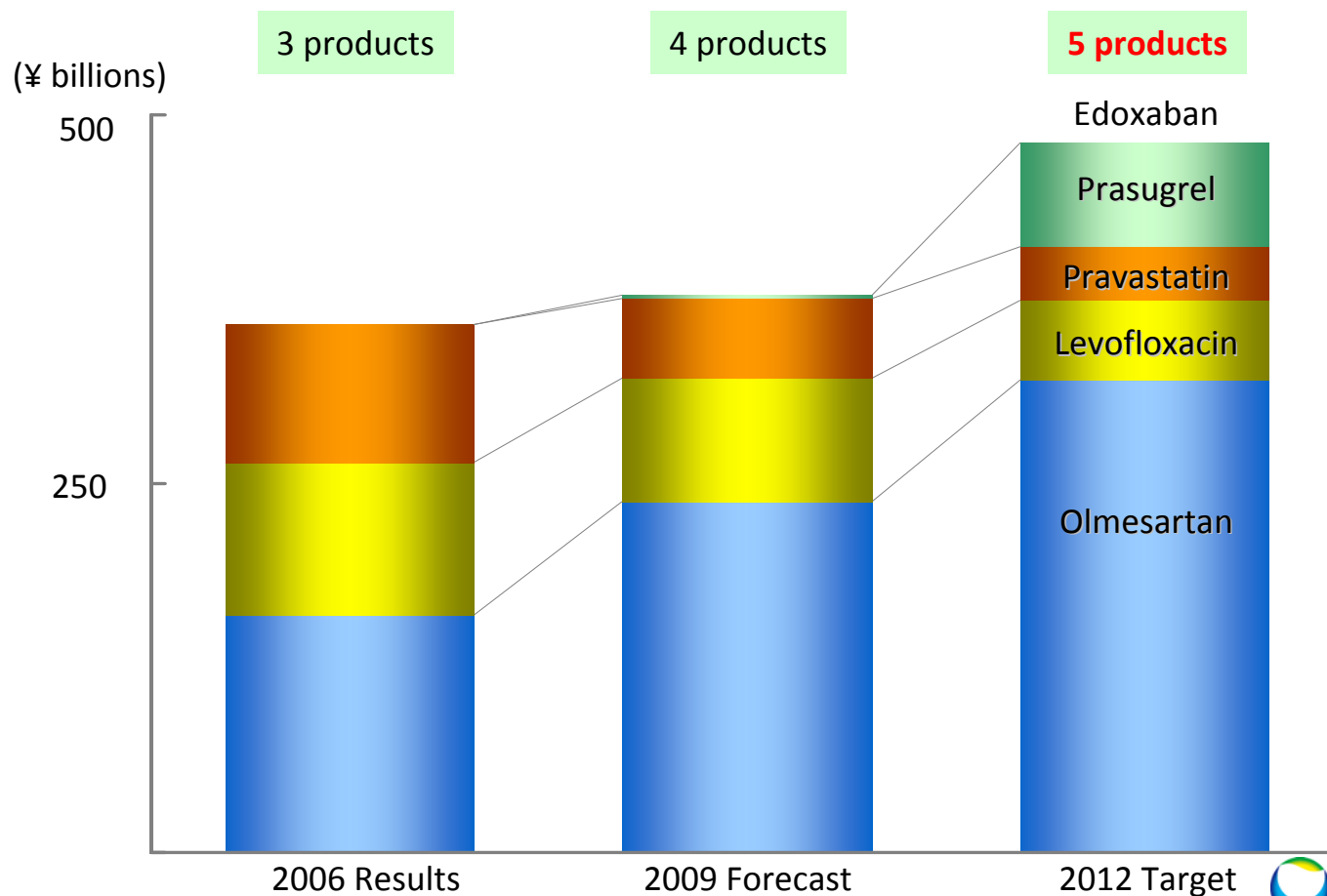
3-(3) Global Product Strategies



Global Product Strategies

Key Message

Maximize profits of Olmesartan franchise and Prasugrel, and launch Edoxaban



Global Product Strategies: Olmesartan Franchise

Key Message

Reach ¥300 billion in global sales

Swiftly expand Rezaltas in Japanese market

Swiftly expand CS-8635, particularly in US and Europe

Generate further growth by collaborating with Ranbaxy

- Optimize product value through life cycle management and marketing initiatives worldwide

Global Product Strategies: Effient/Efient



Key Message

Position Effient/Efient as first choice among oral antiplatelet agents by highlighting its strength, rapid onset, and less interpatient variability

Proactively promote efficacy in addition to safety

Conduct Trilogy ACS study

Launch in each country and build sales structures in emerging markets

- Highlight efficacy in suppressing cardiovascular events for acute coronary syndrome patients with percutaneous coronary interventions
- Swiftly expand applications for relevant indications

Global Product Strategies: Edoxaban



Key Message

Aim for Best-in-Class among oral factor Xa inhibitors

Pursue sole implementation of global development and quick NDA submissions

Enter DVT field in Japan as First-in-class product

Disseminate scientific information to maximize product potential



3-(4) Business Process Reengineering



Business Process Reengineering



Key Message

Realize an industry-leading level of business management efficiency

Constrain Japanese Group staffing level

Promote standardization of worldwide business processes and global procurement

Harness value chain synergies with Ranbaxy

- Reduce selling, general and administrative expense ratio by 3 percentage points from fiscal 2009
- Reinforce front-end operations notably through Daiichi Sankyo Business Associe, Daiichi Sankyo RD Associe, and Daiichi Sankyo Happiness

3-(5) Financial Strategy and Shareholder Returns



Financial Strategy and Shareholder Returns



Key Messages

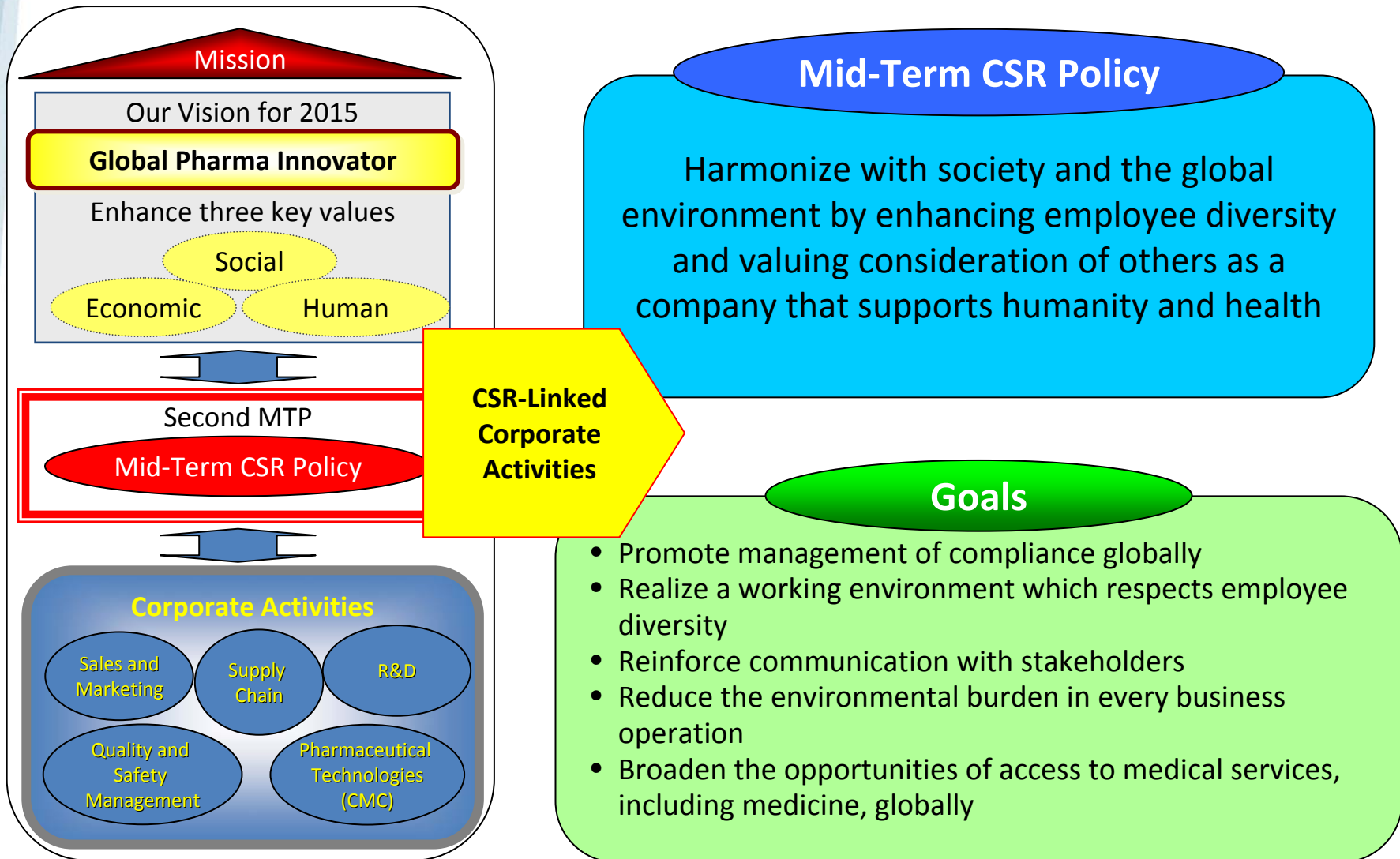
- Strengthen financial position
- Secure funds for investment
- Provide stable shareholder returns

	Fiscal 2009 Forecast	Second MTP Target
EPS	¥63.9	Fiscal 2012: At least ¥140
ROE	5.2%	Fiscal 2012: At least 10%
Annual dividends	¥60 per share	Maintain stable dividends, raise dividends based on earnings levels

4. CSR Initiatives



CSR Initiatives Commensurate with Our Global Operations



5. Human Resources Cultivation and Corporate Culture Development



Human Resources Cultivation and Corporate Culture Development



Key Message

Continue to build a corporate culture in which all our employees are professional, responsible and accountable, and where they feel both satisfaction and challenge from their work and are able to demonstrate their abilities and talents

Cultivate employees with a global mindset who are self motivated and are able to demonstrate initiative

Re-energize communication and improve awareness of Our Values & Commitments

Increase mutual respect and caring within our workplaces and improve teamwork

- Three key concepts for creating a dynamic corporate culture:
- **Communication:** Conveying thoughts, sharing, and empathizing with each other
 - **Commitment:** Taking responsibility and keeping promises
 - **Caring:** Always taking interest and care in others and their work

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Strategic Move

Harnessing diversity
as an engine of growth

Daiichi Sankyo Group

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