

# Results Briefing

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## Performance Overview & Management Policy

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### Results of FY2006

(April 1, 2006 - March 31, 2007)

May 16, 2007

**Takashi Shoda,  
President & CEO**



DAIICHI SANKYO CO., LTD.

A large, stylized green globe with a grid of latitude and longitude lines, partially visible on the left side of the slide. The globe is set against a background of soft green and yellow light rays.

# Results Overview

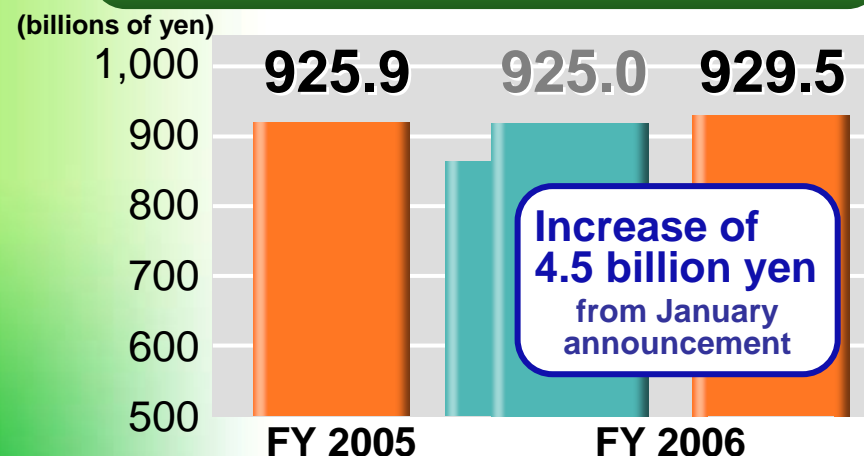
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## FY2006 Results

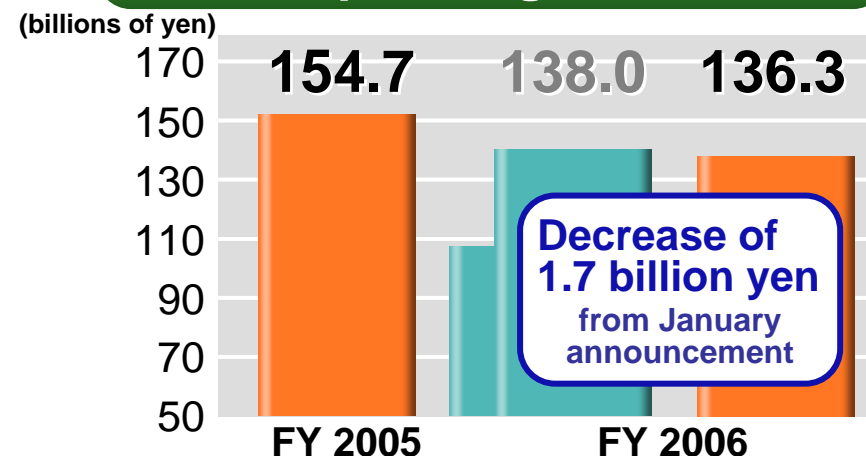
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# Overview of Consolidated Financial Results for FY 2006

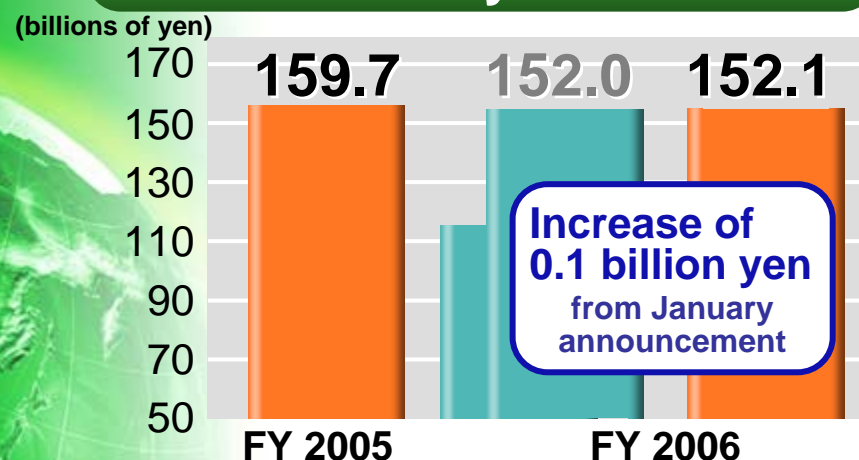
## Sales



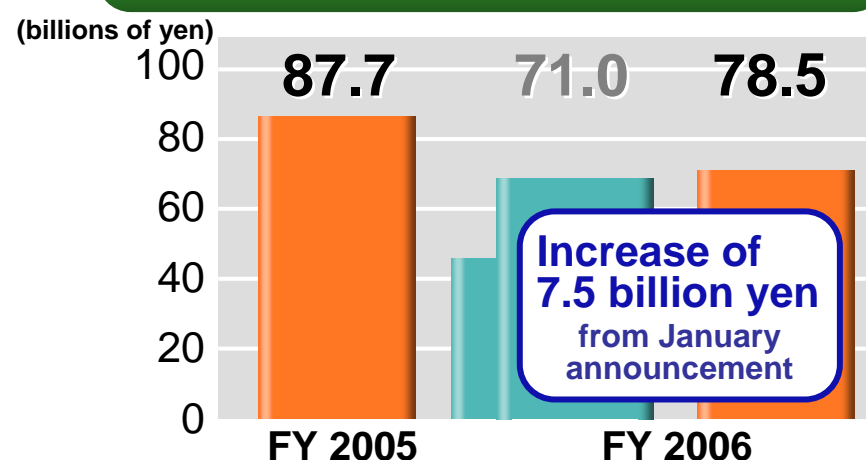
## Operating Profit



## Ordinary Profit



## Current Net Profit



Results

Previous Announcements

The accounting period of DSI and LPI in FY2006 was 15 months from January 2006 to March 2007 following a change in fiscal year-end.



DAIICHI SANKYO CO., LTD.

# Trend of Major Products

## ● Sales of major products

(Unit: billions of yen)

Product name		FY 2005	Projected sales for FY 2006	Results for FY 2006			
		Results	Published Values of January	(3)	Compared with published values	Over the previous year	
		(1)	(2)		(3)-(2)	(3)-(1)	Ref.*
GLOBAL	Olmesartan <antihypertensive>	92.4	161.3	160.3	-1.0	67.9	52.3
	Levofloxacin** <broad-spectrum antibacterial agent>	101.5	103.7	104.1	0.4	2.6	
	Pravastatin <antihyperlipidemic agent>	143.2	92.5	93.5	1.0	-49.7	
Japan	Calblock <antihypertensive>	6.4	9.1	8.8	-0.3	2.4	
	Artist <antihypertensive>	18.2	19.5	19.3	-0.2	1.1	
	Kremezin <treatment for chronic renal failure>	13.0	12.4	12.2	-0.2	-0.8	
	Loxonin <non-steroidal analgesic and anti-inflammatory agent>	29.0	31.1	30.9	-0.2	1.9	
	Omnipaque <non-ionic contrast agent>	34.7	31.6	31.5	-0.1	-3.2	
	Urief <treatment for dysuria>	-	-	2.3	-	-	
U.S.	Venofer <treatment for iron deficiency anemia>	22.6	34.7	37.7	3.0	15.1	8.2
	WelChol <antihyperlipidemic agent>	14.8	22.9	23.2	0.3	8.4	4.5

\* The accounting period of DSI and LPI in FY2006 was 15 months from January 2006 to March 2007 following a change in fiscal year-end. Amount excluding the extra 3 months sales are shown for reference.

\*\* Changed to consolidated sales adding sales of Asian subsidiaries.



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

## 1. Consolidated sales 929.5 billion yen (+4.5 billion yen)

### ■ Sales of the major products

- Pravastatin (+1.0 billion yen)
- Olmesartan (-1.0 billion yen)
- Venofer (+3.0 billion yen)
- Levofloxacin (+0.4 billion yen)

## 2. Consolidated operating profit 136.3 billion yen (-1.7 billion yen)

### ■ COG increase coupled with the sales increase (+2.7billion yen)

### ■ Increase of SG&A expenses (+3.5billion yen)

- Exchange rate changes due to exchange fluctuations
- Increase of R&D expenses

## 3. Current net profit 78.5 billion yen (+7.5 billion yen)

### ■ Extraordinary gains from sales of investment securities and sales of investments in affiliates

# Reasons for Difference between FY2005 and FY2006

## (Results of FY2005 ⇒ Results of FY 2006)

### 1. Consolidated sales

929.5 billion yen (+3.6 billion yen)

#### ■ Special factors (-10.3 billion yen)

- Restructuring of non-pharmaceutical business (-64.3 billion yen)
- Consolidation of Zepharmia (+22.5 billion yen)
- Change in the settlement period for U.S. subsidiaries (+31.5 billion yen)

#### ■ Sales increase of major products (+13.9 billion yen)

- Olmesartan (+52.3 billion yen)
- Pravastatin (-49.7 billion yen)
- Venofer (+8.2 billion yen)
- WelChol (+4.5 billion yen)

### 2. Consolidated operating profit

136.3 billion yen (-18.4 billion yen)

#### ■ Increase of gross profit (+29.1 billion yen) due to improvement of COG ratio (31.4%⇒28.5%)

#### ■ Increase of SGA expenses (+47.5 billion yen)

- Increase of R&D expenses (+11.9 billion yen)
- Consolidation of Zepharmia (+12.3 billion yen)
- Increase of promotional expense of DSI (+20.9 billion yen): Benicar profit shares, etc.

### 3. Current net profit

78.5 billion yen (-9.1 billion yen)

#### ■ Improvement of non operating balance centered on DSI (+10.8 billion yen)

#### ■ Extraordinary gains (+66.6 billion yen)

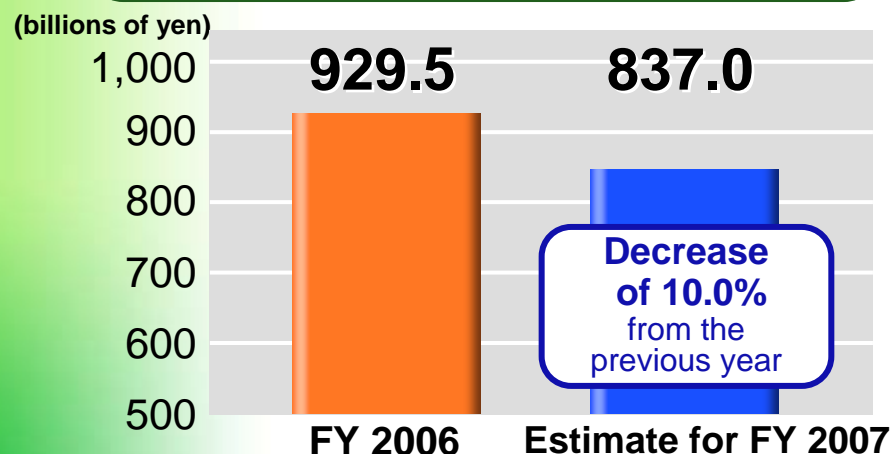
- Gain on sales of investments in subsidiaries
- Gain on sales of investment securities, etc.

#### ■ Extraordinary losses (+69.0 billion yen)

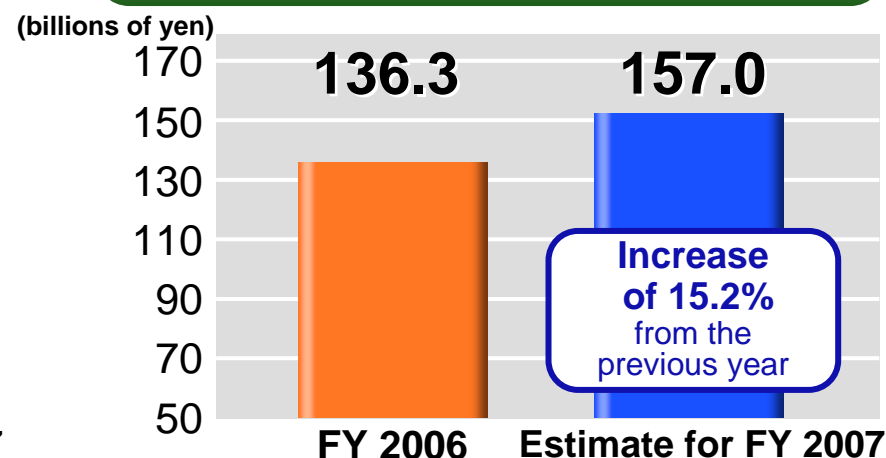
- Loss on business integration, etc.

# Overview of Consolidated Estimates for FY 2007

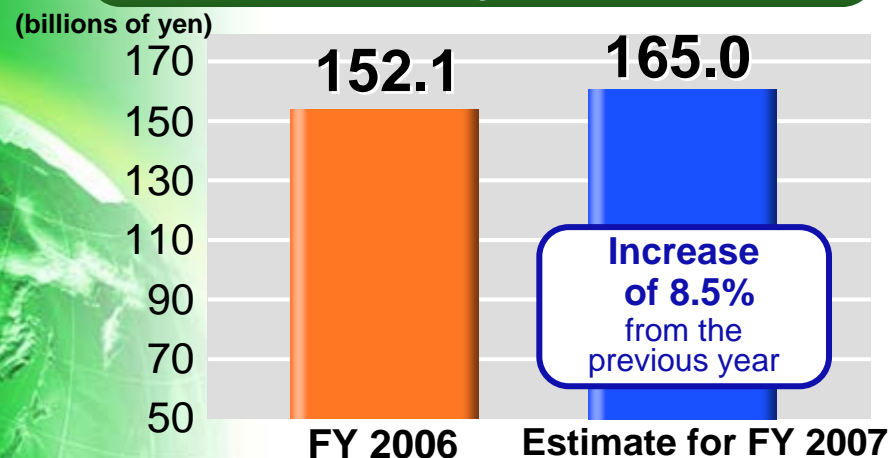
## Sales



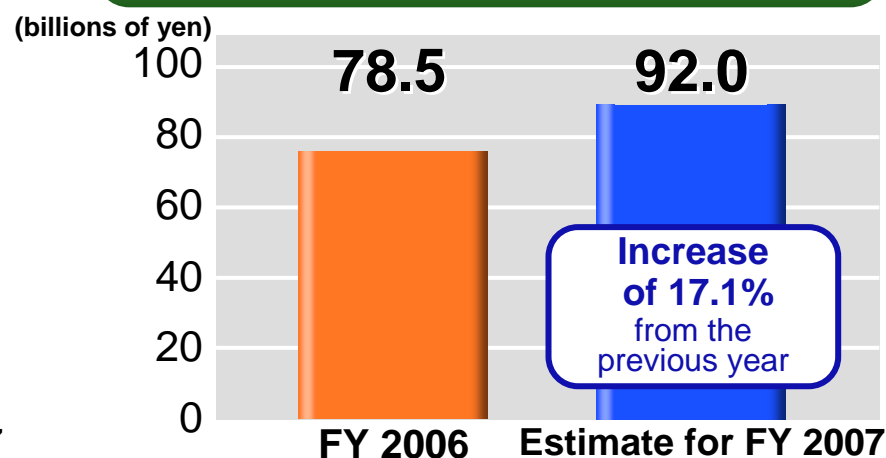
## Operating Profit



## Ordinary Profit



## Current Net Profit



Results Estimates

The accounting period of DSI and LPI in FY2006 was 15 months from January 2006 to March 2007 following a change in fiscal year-end.

The accounting period of DSE will be 15 months in FY2007.



DAIICHI SANKYO CO., LTD.

# Sales Targets of Major Products

## ● Sales of major products

(Unit: billions of yen)

Product Name		Results for FY 2006	Targets for FY 2007		
		(1)	(2)	From the previous year	
				(2)-(1)	Ref.*
GLOBAL	<b>Olmesartan</b> <antihypertensive>	160.3	195.0	34.7	44.3
	<b>Levofloxacin</b> <broad-spectrum antibacterial agent>	104.1	108.0	3.9	
	<b>Pravastatin</b> <antihyperlipidemic agent>	93.5	78.0	-15.5	-17.0
Japan	<b>Calblock</b> <antihypertensive>	8.8	13.5	4.7	
	<b>Artist</b> <antihypertensive>	19.3	23.0	3.7	
	<b>Kremezin</b> <treatment for chronic renal failure>	12.2	13.0	0.8	
	<b>Loxonin</b> <non-steroidal analgesic and anti-inflammatory agent>	31.3	35.0	4.1	
	<b>Omnipaque</b> <non-ionic contrast agent>	31.5	34.0	2.5	
	<b>Urief</b> <treatment for dysuria>	2.3	8.0	5.7	
U.S.	<b>Venofer</b> <treatment for iron deficiency anemia>	37.7	21.0	-16.7	-9.8
	<b>WelChol</b> <antihyperlipidemic agent • Type-2 diabetes>	23.2	22.5	-0.7	3.2

\* The accounting period of DSI and LPI in FY2006 was 15 months from January 2006 to March 2007 following a change in fiscal year-end. The accounting period of DSE will be 15 months in FY2007. Amount excluding the extra 3 months sales are shown for reference.



# Reasons for Difference between FY2006 and FY2007

## (Results of FY2006 ⇒ Estimates for FY 2007)

### 1. Consolidated sales

837.0 billion yen (-92.5 billion yen)

#### ■ Special factors (-123.7 billion yen)

- Restructuring of non-pharmaceutical business (-104.2 billion yen)
- Change in the settlement period for U.S. subsidiaries in FY2006 (-31.5 billion yen)
- Change in the settlement period for European subsidiaries in FY2007 (+12.0 billion yen)

#### ■ Sales increase of major products (+31.2 billion yen)

- Olmesartan (+44.3 billion yen)
- Calblock (+4.7 billion yen)
- Artist (+3.7 billion yen)
- Pravastatin (-17.0 billion yen)
- Venofer (-9.8 billion yen)
- Urief (+5.7 billion yen)

### 2. Consolidated operating profit 157.0 billion yen (+20.7 billion yen)

#### ■ Decrease of COG and SG&A expenses (-113.2 billion yen)

- Related to the above special factors (-107.5 billion yen)
- Others (-5.7 billion yen)
  - └ Cost synergy centered around personnel downsizing . . . factor for decrease
  - └ Preceding investment for overseas business infrastructure . . . factor for increase

### 3. Current net profit


92.0 billion yen (+13.5 billion yen)

- Non-operating balance (-7.8 billion yen)
- Extraordinary gains and losses (+20.2 billion yen)
- Raise of corporate tax rate (37.9% ⇒ 42.5%)

# Major Management Indexes

	Unit	Results of FY 2005	Results of FY 2006	Estimates for FY 2007
Current net profit per share	Yen	<b>119.49</b>	<b>107.75</b>	<b>126.20</b>
Dividends per share	Yen	<b>50<sup>*</sup></b>	<b>60</b>	<b>70</b>
Dividend ratio	%	<b>40.5<sup>*</sup>%</b>	<b>55.7%</b>	<b>55.5%</b>
Ending number of shares issued	1 million shares	<b>729</b>	<b>729</b>	<b>(729)</b>
Total asset	billions of yen	<b>1,596.1</b>	<b>1,636.8</b>	
Net asset	billions of yen	<b>1,237.5</b>	<b>1,272.1</b>	
Capital adequacy ratio	%	<b>77.5%</b>	<b>77.5%</b>	
Dividend on Equity (DOE)	%	<b>2.9<sup>*</sup>%</b>	<b>3.5%</b>	
Return on Equity (ROE)	%	<b>7.3%</b>	<b>6.3%</b>	
Cash balance at the end of year	billions of yen	<b>400.9</b>	<b>513.2</b>	

\* Interim dividends are paid as share transfer payments



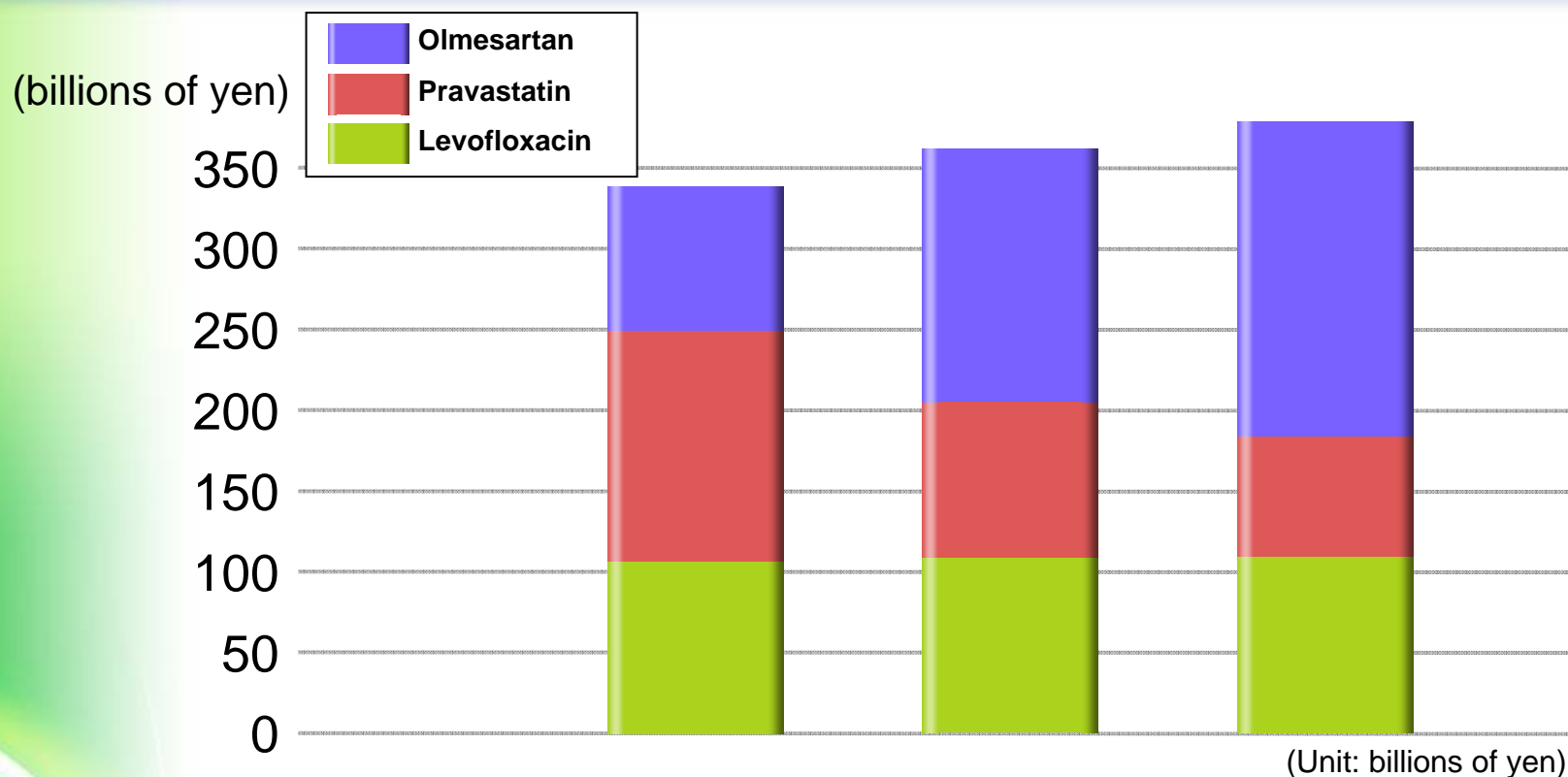
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As for page 9 to page 11, for easier comparison of trends in our performance, effects of changes in settlement period of the three U.S./European subsidiaries are excluded.

Performance are shown in 12-months basis.

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# Trend of 3 Global Products of Daiichi Sankyo

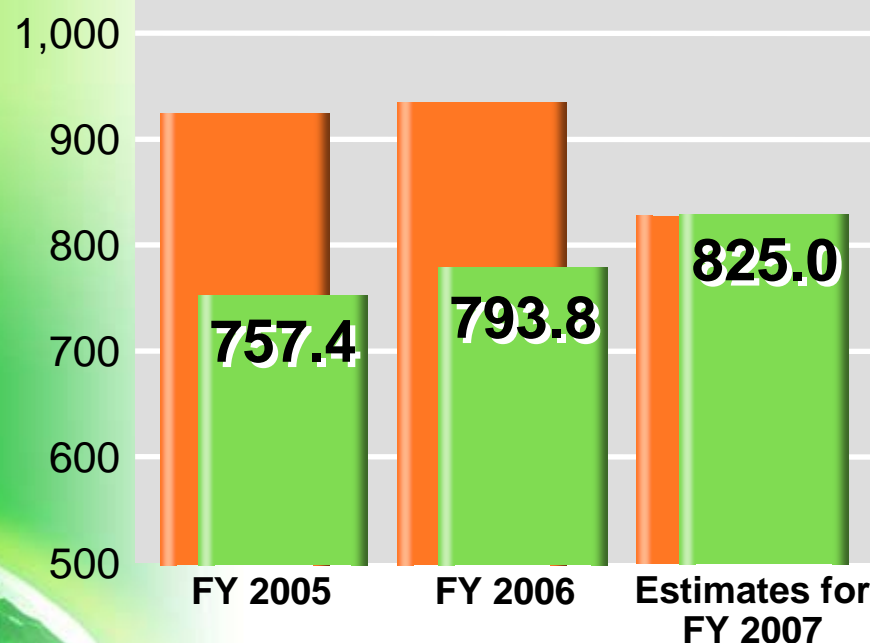


\* Changed to consolidated sales adding sales of Asian subsidiaries.

# Trend in Consolidated Performance (Pharmaceutical Business)

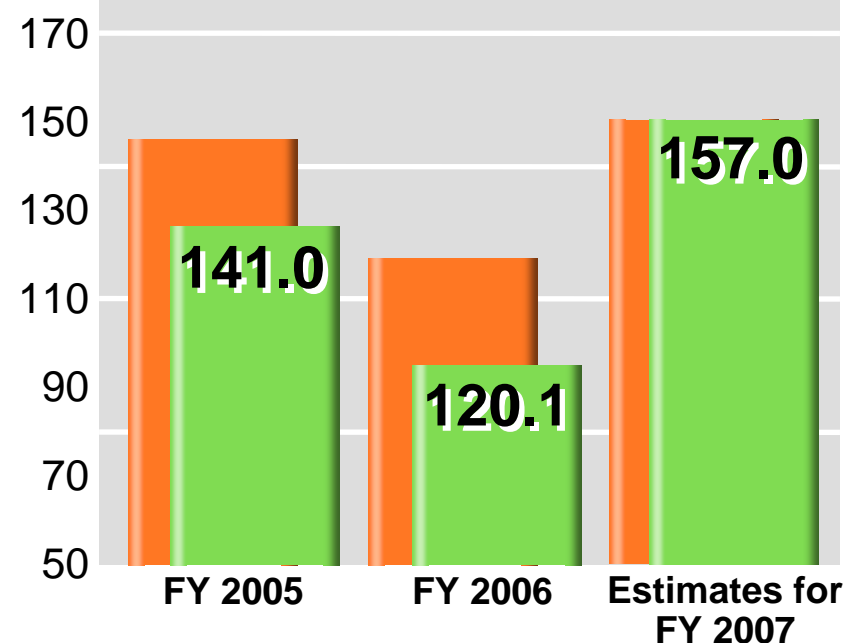
## Sales

(billions of yen)

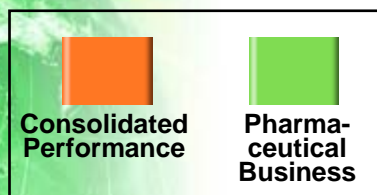


## Operating Profit

(billions of yen)



(Unit: billions of yen)

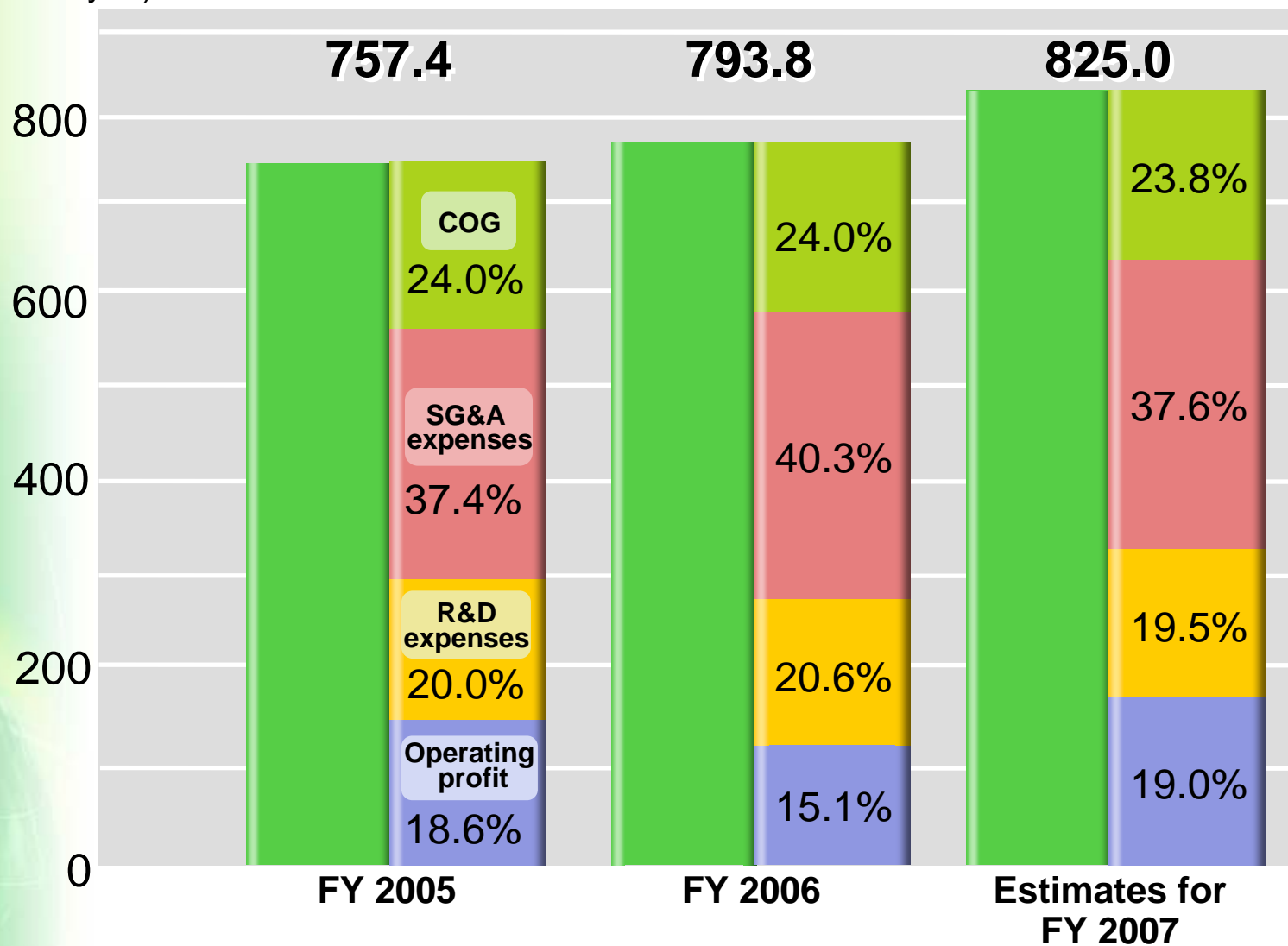


(Ref.)	FY 2005	FY 2006	Estimates for FY 2007
Sales	757.4	793.8	825.0
Operating Profits	141.0	120.1	157.0
Overseas sales (%)	38.4%	38.7%	37.3%



# Trend in the Profit and Loss Structure of Pharmaceutical Business

(billions of yen)



A green-tinted image of a globe showing the Americas, overlaid with a white grid of latitude and longitude lines. The globe is positioned on the left side of the slide, with a bright green light flare emanating from behind it.

# Management Issues for FY 2007

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# Management issues for FY 2007 (1)

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## ■ Domestic Sales

- Synergy effect from the first year of the complete integration
- Achievement of sales targets by selection and concentration of resource input
- Maximization of sales force by the crosswise use of MRs and strengthening of functional cooperation

## ■ U.S. Businesses

- Continuous expansion of Benicar/Benicar HCT
- Accelerating growth by launch of CS-8663 and additional indication of WelChol
- Gradual increase of MRs toward launch of new products and their future growth

# Management issues for FY 2007 (2)

## ■ Research and Development

- Achievement of development milestones for major projects  
Prasugrel (application in U.S./Europe), CS-8663 (application in Europe), DU-176b (Phase 2 interim analysis), etc.
- Clear decision making of Go or No-Go at any decision point
- Strategic investment toward acquisition of drug discovery seeds

## ■ Healthcare Business

- Driving force for growth by large-scale new products
- Maximization of sales by deploying category strategy for the existing brands

## ■ Management as a Whole

- Promotion of CSR management
- Creation of early and continuous cost synergy
- Promotion of the Management System by global functional axis



# Current Status of the R&D Pipelines

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# Current Status of Major Development Projects (1)

## Progress of the Highest Priority R&D Projects

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

- Completion of registration of patients in January 2007
- Clinical trials scheduled to be completed in summer 2007
- Application for approval scheduled by the end of 2007

### ■ **CS-8663**

**(Olmesartan / Amlodipine combination)**

- U.S.: Application for approval in November 2006
- Europe: Application for approval scheduled in autumn 2007

# Current Status of Major Development Projects (2)

## Progress of the Highest Priority R&D Projects

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

- U.S./Europe: Phase 2b trials focused on DVT (Deep Vain Thrombosis) following THR (Total Hip Replacement) are underway.
- Japan: Phase 2b trials focused on DVT (Deep Vain Thrombosis) following TKR (Total Knee Althroprasty) are underway.  
Phase 2b trials focused on AF (Atrial Fibrillation) have been started.

### ■ DZ-697b (anti-platelet agent)

- Phase 1 trials are underway in both U.S./Europe and Japan
- Phase 2 trials are scheduled to be started in 2007

# Current Status of Major Development Projects (3)

## Issues on Phase Shift (after February)

### ■ Shift to Phase 3

- CS-011 (U.S./Europe, glitazone type anti-diabetic)
- KMD-3213 (China, treatment for dysuria)

### ■ Shift to Phase 2

- Levofloxacin injection (Japan, new quinolone)

### ■ Shift to Phase 1

- CS-8958 (Japan, anti-influenza)
- DE-766 (Japan, anti-EGFR antibody)

# Daiichi Sankyo R&D Pipeline

	Phase 1	Phase 2	Phase 3	application/ approval
<b>Cardiovascular diseases</b>	<u>DZ-697b</u>	<u>DU-176b</u> CS-866RN (#) CS-866CMB (#) SUN 4936h	<u>CS-747</u> HGF CS-866DM (#) CS-866AZ (#)	<u>CS-8663 (U.S.)</u>
<b>Glucose metabolic disorders</b>	SUN E7001 (#) AJD101	CS-917	CS-011	WelChol DM
<b>Infectious diseases</b>	DX-619 CS-758 CS-8958 DC-159a	CS-023 Levofloxacin inj (#)	Levofloxacin high-dose (#) [SUN A0026]	DU-6859a DF-098 (#) (approved)
<b>Cancer</b>	CS-7017 CS-1008 DE-766 (#)			
<b>Immunological allergic diseases</b>	CS-0777	CS-712 (#)		
<b>Bone/Joint diseases</b>		CS-706 SUN E3001 (#)	CS-600G (#)	LX-P(#)
<b>Others</b>	SUN N8075	SUN N4057 CS-088 SUN11031	SUN Y7017 (#) DL-8234 (#) KMD-3213 [SUN0588r]	CS-1401E (#)

- #: Only developed in Japan
- [ ]: derivation

- Regarding the items developed globally (other than Japan), only the most advanced stages are described.
- The underlined (in blue) items are the current projects with highest priority.

Contact address regarding this material

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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.



## Creating hope in patients' lives

Protecting precious human life

in all its various daily activities.

Leading the way with treatments for diseases that  
strike without warning. Daiichi Sankyo. Making more  
than pharmaceuticals – Creating hope in patients' lives.

This is both the corporate slogan and the ideal of Daiichi Sankyo,  
a new company born from the merger of Sankyo  
and Daiichi Pharmaceutical.



**Daiichi-Sankyo**

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