

# Merrill Lynch

## Japan Conference 2007

September 13, 2007

# Safe Harbor Statement

- Materials and information provided during this presentation may contain so-called “forward-looking statements.” These statements are based on current expectations, forecasts and assumptions that are subject to risks and uncertainties which could cause actual outcomes and results to differ materially from these statements.
- Risks and uncertainties include general industry and market conditions, and general domestic and international economic conditions such as interest rate and currency exchange fluctuations. Risks and uncertainties particularly apply with respect to product-related forward-looking statements. Product risks and uncertainties include, but are not limited to, technological advances and patents attained by competitors; challenges inherent in new product development, including completion of clinical trials; claims and concerns about product safety and efficacy; obtaining regulatory approvals; domestic and foreign healthcare reforms; trends toward managed care and healthcare cost containment; and governmental laws and regulations affecting domestic and foreign operations.
- Also, for products that are approved, there are manufacturing and marketing risks and uncertainties, which include, but are not limited to, inability to build production capacity to meet demand, unavailability of raw materials, and failure to gain market acceptance.
- The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

# Confidence for the Achievement of Dramatic Leap Plan Increasing (DLP: FY 2006-2011)

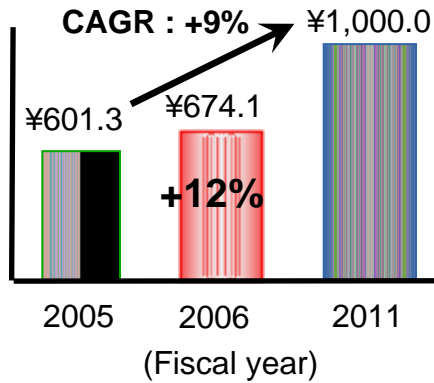
Net Sales	¥1,000 Billion
R&D Expenses	¥ 200 Billion
Operating Income	¥ 200 Billion
Net Income	¥ 120 Billion
EPS	¥ 420
ROE	16% (approx.)
DPR	50% (approx.)
DOE	8% (approx.)



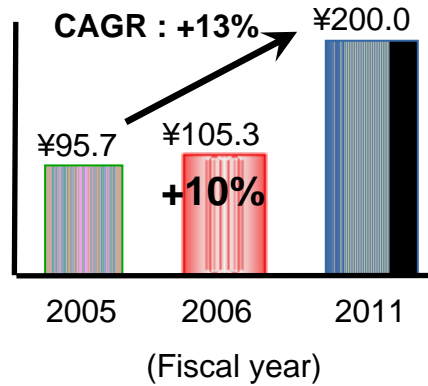
# Dramatic Leap Plan

## Steady and On-track Progress

### Net Sales

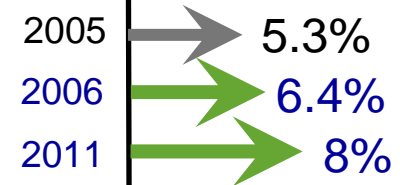


### Operating Income

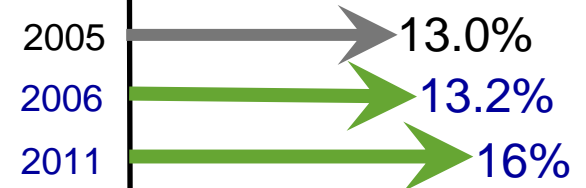


(Fiscal year)

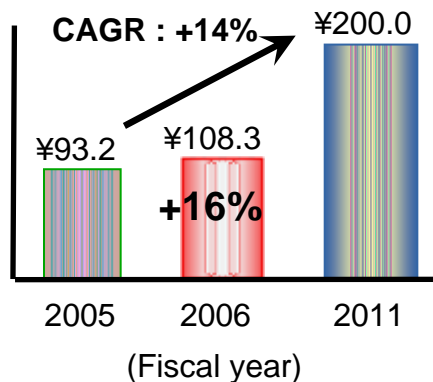
### DOE



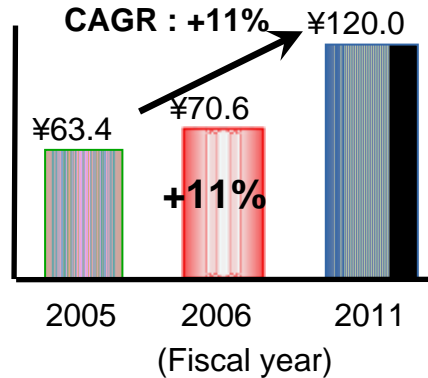
### ROE



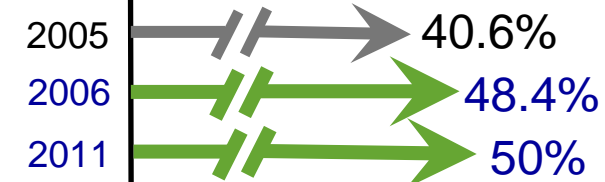
### R&D Expenses



### Net Income



### DPR









# Consecutive Successful Years Ensure a Brilliant Future

**We forecast enduring success for the years after FY2011. This growth will be assured by proactive R&D and strategic investments funded by the current robust sales of *Aricept*<sup>®</sup> and *AcipHex*<sup>®</sup>/*Pariet*<sup>®</sup>, as well as regional sales that exceed the Dramatic Leap Plan in Japan, the U.S. and Asia.**

# Solid Performance Continues

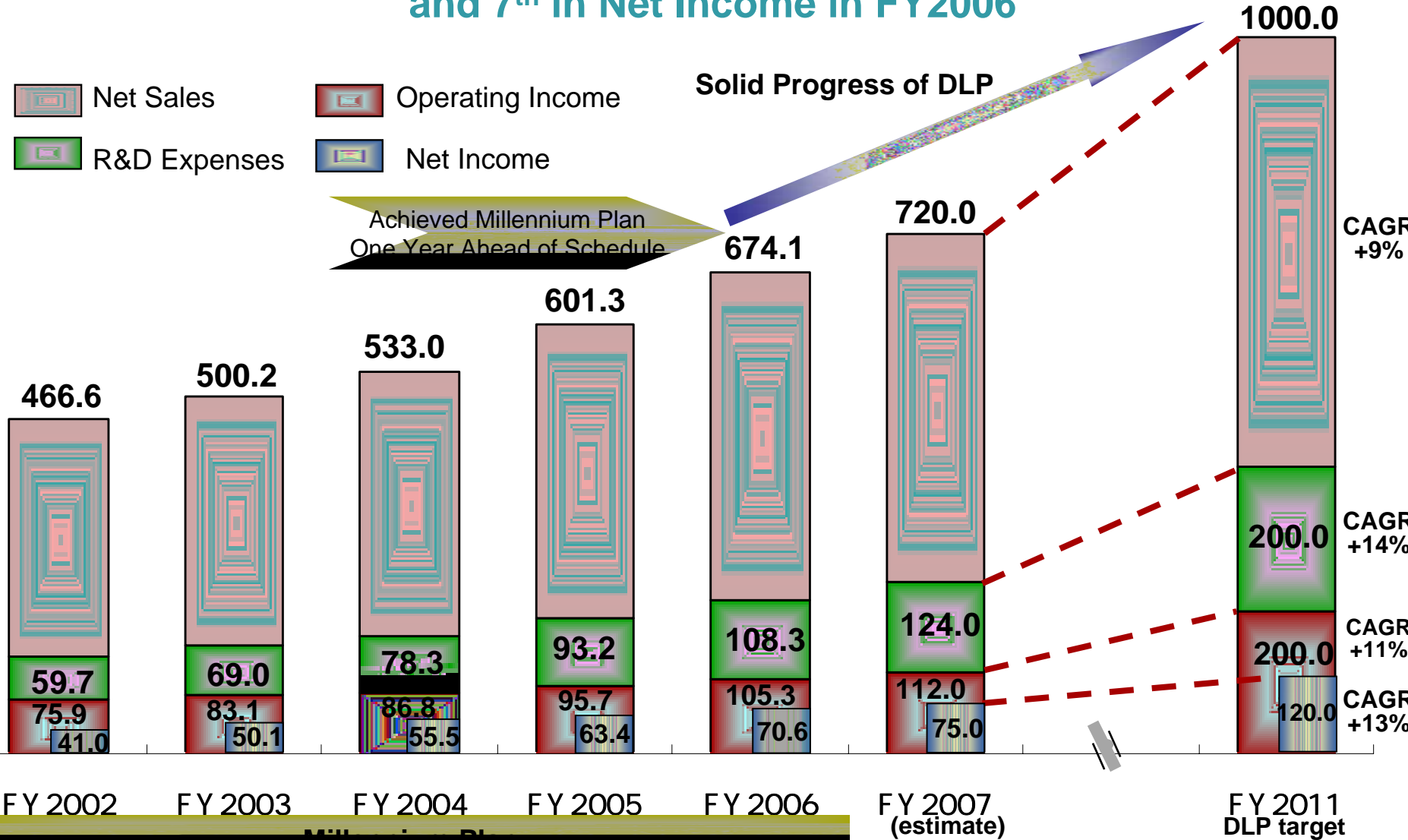
Achieved 8<sup>th</sup> Consecutive Increase in Sales  
and 7<sup>th</sup> in Net Income in FY2006

(billions of yen)

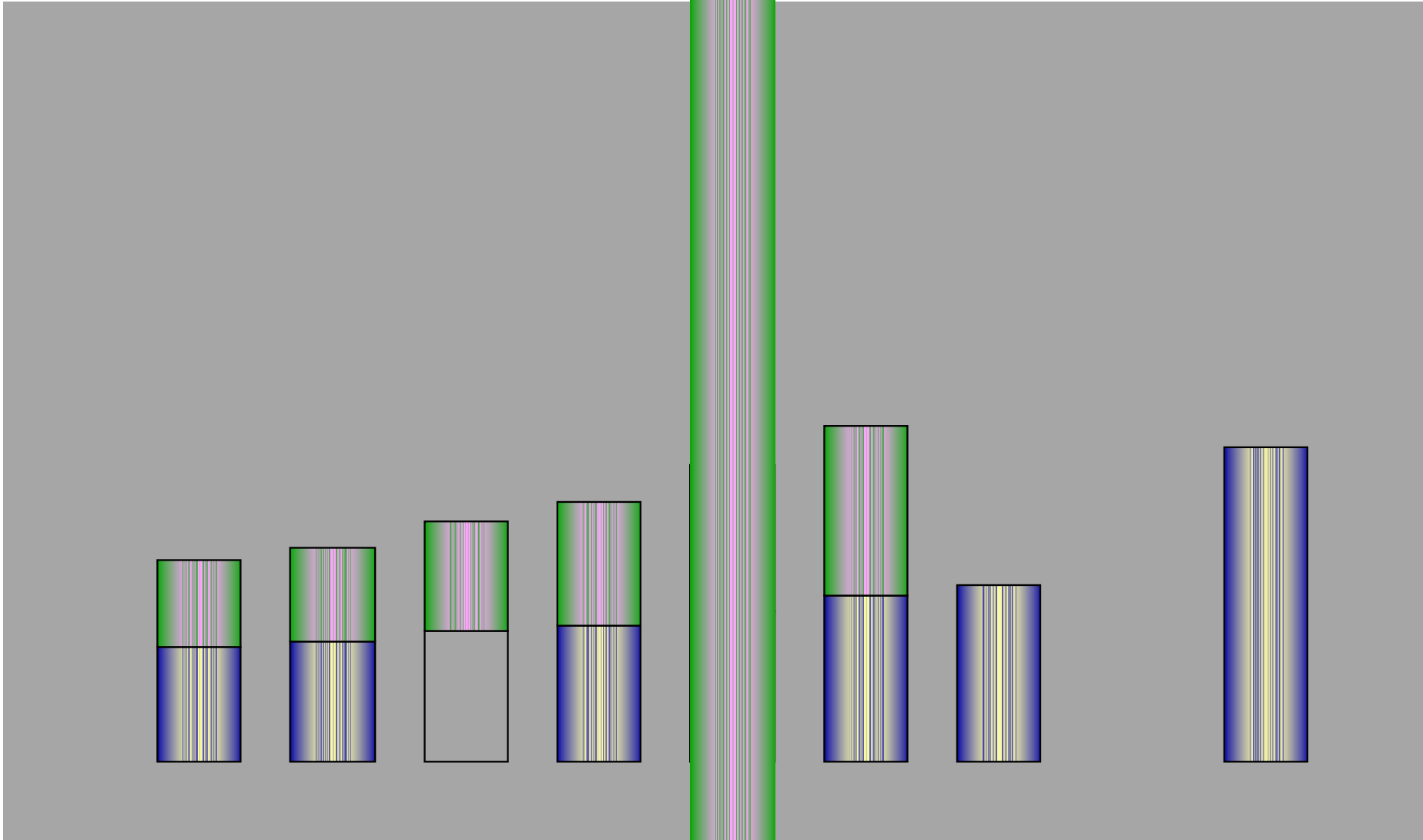
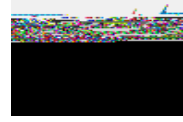
-  Net Sales
-  Operating Income
-  R&D Expenses
-  Net Income

Achieved Millennium Plan  
One Year Ahead of Schedule

Solid Progress of DLP



**Dramatic Leap Plan (DLP)**



# Proactive Investments & Efficient Cash Management

(billions of yen)

	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007 1Q
Net Income	36.5	41.0	50.1	55.5	63.4	70.6	19.3
Capital Expenditures	27.2	21.9	28.7	49.0	37.0	52.0	46.2
Depreciation	15.3	18.0	18.5	22.4	25.0	26.8	7.3
Cash & Cash Equivalent	121.8	127.3	146.1	142.4	183.3	171.1	119.6

## Zonegran product acquisition ¥23.6 billion

- Enforce Neuro-franchise
- First step to epilepsy market
- EU: 10-year exclusivity

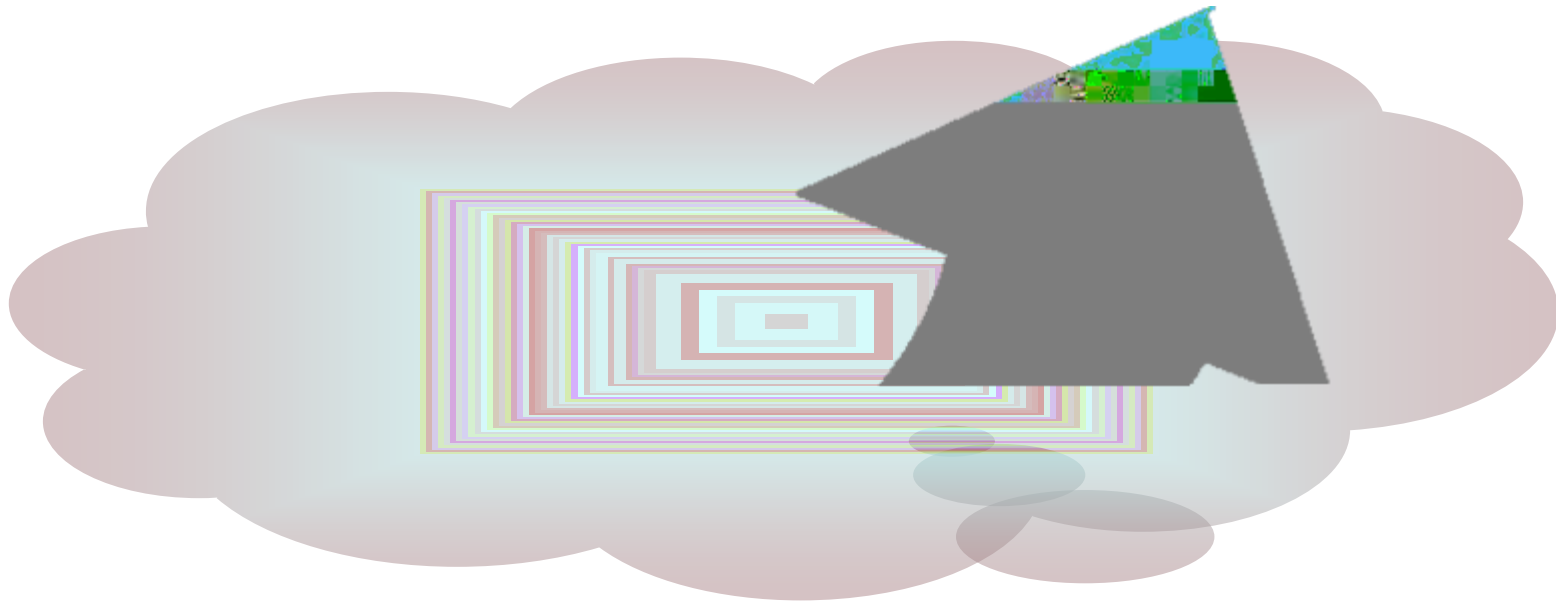
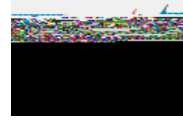
## Ligand product acquisition ¥22.9 billion

- Initiated oncology business with 4 oncology products
- Oncology specialists moved to Eisai Inc.

## Morphotek acquisition ¥37.3 billion

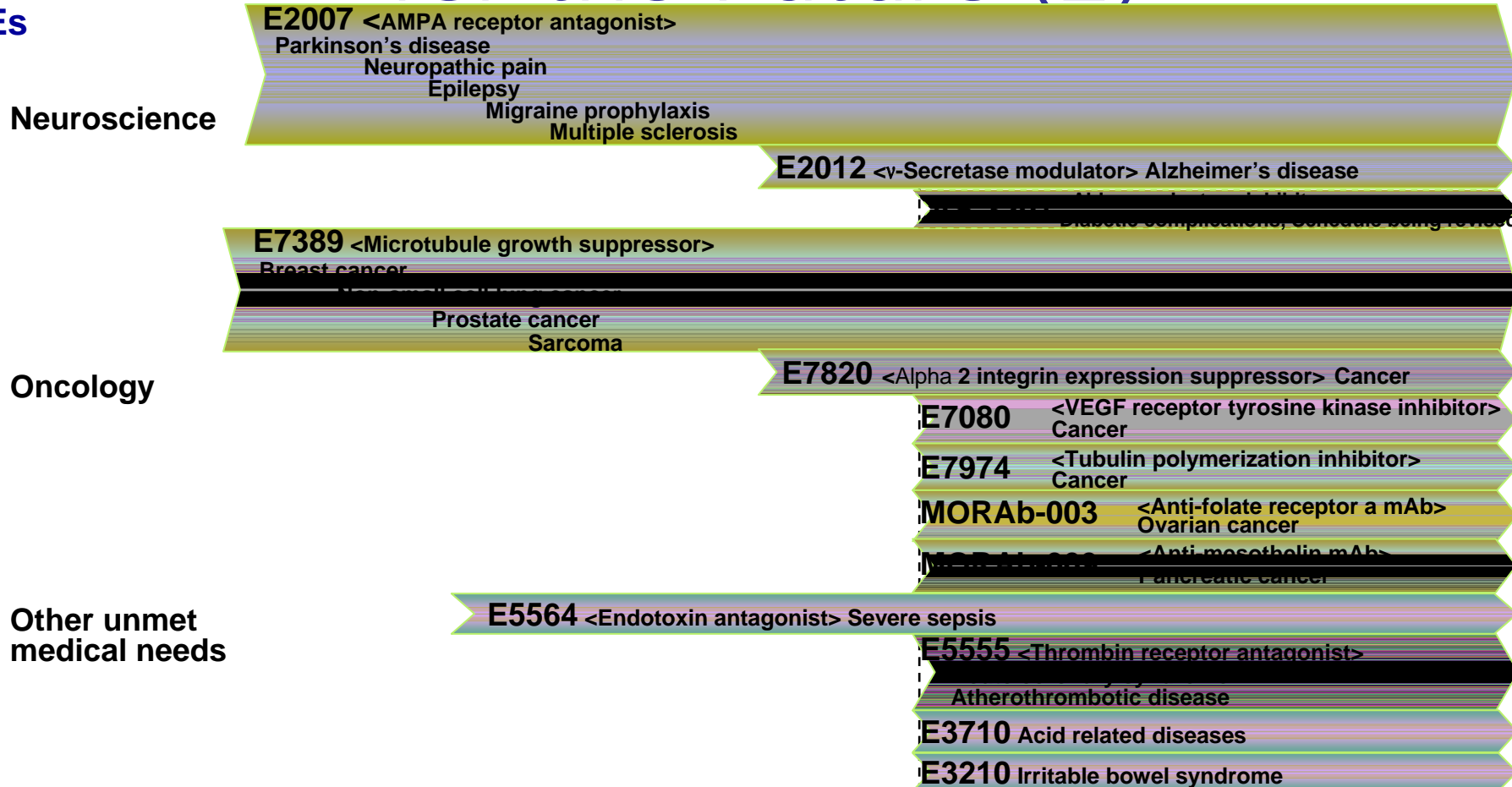
- Acquired antibody technology & pipeline in oncology area
- R&D activities in biologics in addition to small molecules





# Aggressive Investments for the Future (2)

## NMEs



## Business Development

Zonegran<sup>®</sup>, Prialt<sup>®</sup>, Fragmin<sup>®</sup>, Inovelon<sup>®</sup>, Eri<sup>®</sup>, Glufast<sup>®</sup>, Neurobloc<sup>®</sup>, Lunesta<sup>®</sup>

## M&A

Morphotek: Antibody Technologies and Pipeline

Ligand: Oncology Products (ONTAK<sup>®</sup>, Targretin<sup>®</sup> capsule, Targretin<sup>®</sup> gel, Panretin<sup>®</sup> gel) and Expertise



# New Products Update (1)

Project	Mode of Action	Target Indication	Development Status	Target Submission
E2007 Perampanel	AMPA receptor antagonist	Parkinson's disease	3 Phase III studies ongoing Study 301 completed clinical phase, Study 302 completed enrollment	FY2007
		Neuropathic pain	Phase II POC study initiated	
		Epilepsy	Phase II POC achieved Phase III study including higher dose in preparation	
		Migraine prophylaxis	Phase II study with 2mg completed Higher doses to be evaluated	
E7389 eribulin mesylate	Microtubule growth suppressor	Breast cancer	Phase IIb Studies for 3 <sup>rd</sup> line, Subpart H ongoing	3QFY2007 (Subpart H)
			Phase III studies ongoing for 2 <sup>nd</sup> and 3 <sup>rd</sup> line treatment (full development)	FY2009 (EU 3 <sup>rd</sup> line) FY2010 (2 <sup>nd</sup> line)
		Prostate cancer	Phase II POC study enrollment completed	
		NSCLC	Phase Ib study in combination with carboplatin ongoing	
		Sarcoma	Phase II POC study ongoing	
		Cancer	Phase I study ongoing in Japan	
E5564 eritoran tetra sodium	Endotoxin antagonist	Severe sepsis	Phase III study ongoing Enrollment on track (Target: 250 sites, 2000 patients, 1500 patients at interim analysis) Fast track designation (FDA)	FY2009
E5555	Thrombin receptor (PAR-1) antagonist	Acute coronary syndrome Atherothrombotic disease	Safety issue in monkey study was cleared Phase II study resumed	FY2012



# New Products Update (2)

Project	Mode of Action	Target Indication	Development Status	Target Submission
E2012	Gamma secretase modulator	Alzheimer's disease	Phase I study on hold due to lenticular opacity in rats at highest dose Preclinical investigation ongoing for safety dose finding and mechanism of toxicity Plan to restart Phase I study within FY2007 Utilize bio-marker and adaptive design in Phase II & III to expedite clinical phase	FY2011
AS-3201	Aldose reductase inhibitor	Diabetic complications	Phase II/III in US and Phase II in Japan completed Good safety profile New clinical study plan in development	
D2E7	Anti TNF-alpha monoclonal antibody	Rheumatoid arthritis	J-NDA filed in Dec 2005 for RA	
		Psoriasis	Phase II/III completed, J-NDA in preparation	Sep 2007
		Crohn's disease	Phase II/III ongoing	FY2009

Project	Formulation	Target Indication	Development Status	Target Submission
Aricept	Sustained release	Alzheimer's disease	Phase III initiated with 23 mg sustained release tablet for maximization of AUC without high peak	FY2009
	Transdermal patch	Alzheimer's disease	Phase I in preparation Evaluate higher compliance and convenience Target: once a week patch	FY2009
AcipHex/ Pariet	Extended release	Acid related diseases	Phase III in preparation	FY2009

