



# **‘Value Creation; Eisai Way’**

Ken Fujiyoshi  
Director, Investor Relations  
Eisai Co., Ltd.

September 14, 2005





# 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.
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# Value Creation

**Patient Value**

**Shareholder Value**

**Employee Value**





# Patient Value

**Fulfillment of unmet medical needs**

**Stable supply of quality products**

**Provision of pharmaceutical product safety and efficacy information**





# Pipeline Policy

## 1. Area Focus

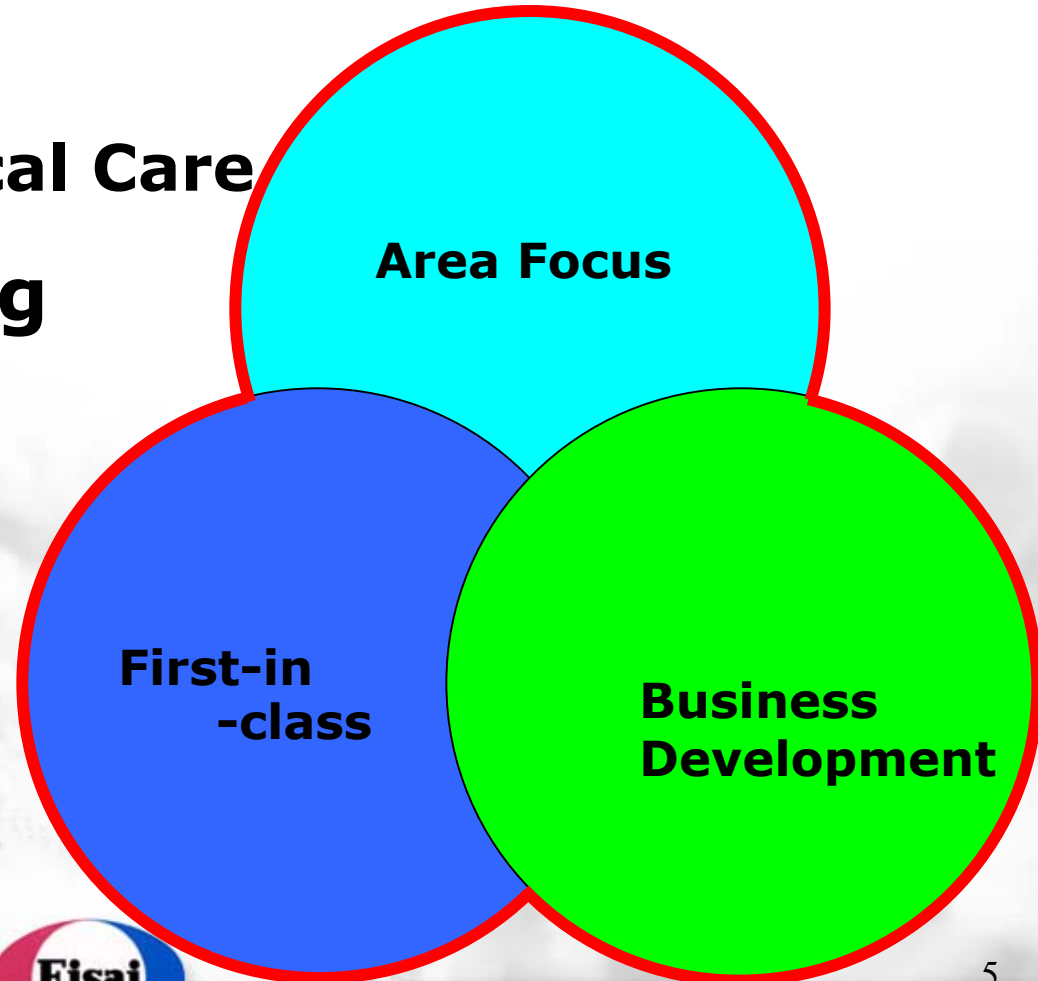
Neurology

GI

Oncology and Critical Care

## 2. First-in-class drug

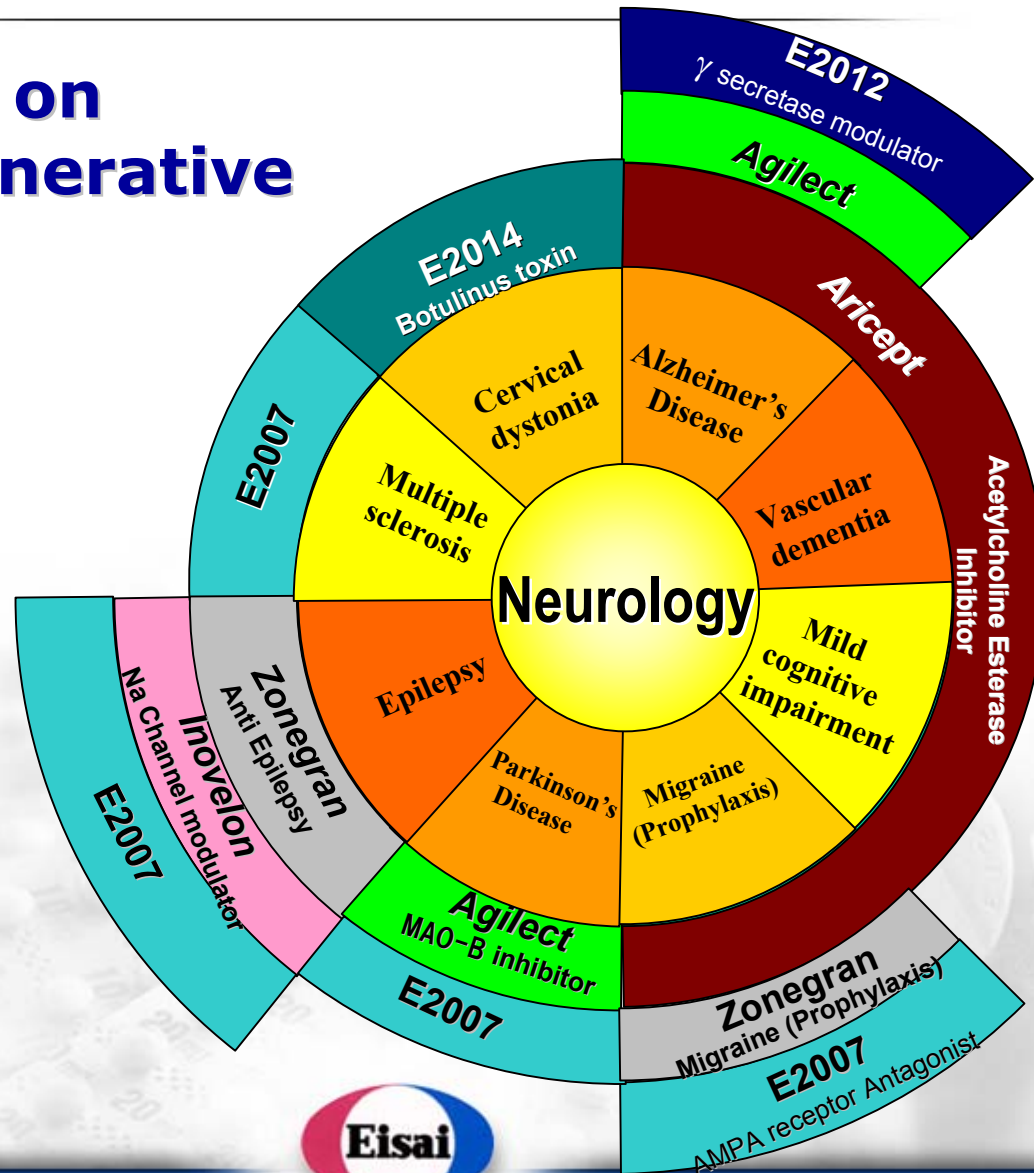
## 3. Active business development





# Filling Pipeline in Neurology Area

with Focus on Neurodegenerative Disease







# Enrichment of Oncology Compounds

Meet Needs for Cancer Treatment  
by Various Approaches

**Tumor Regression**

Novel  
Mechanism

**E7070**  
Cell Cycle G1 Phase  
Targeting Agent  
US, EU and JP  
Phase II

**E7107**  
Novel Anti-tumor Agent  
Derived From  
Fermentation  
Pre-clinical

Novel  
Anti-mitotic

**E7389**  
Microtubule Growth  
Suppressor  
US  
Phase II

**E7974**  
Hemiasterlin Type  
Tubulin Polymerization  
Inhibitor  
US  
Phase I

**Tumor  
Suppression**

Anti-  
Angiogenesis

**E7820**  
Integrin Alpha-2  
Expression Inhibitor  
US  
Phase I

**E7080**  
VEGF Receptor  
Tyrosine Kinase Inhibitor  
US, EU and JP  
Phase I

**Life-span  
Prolongation**

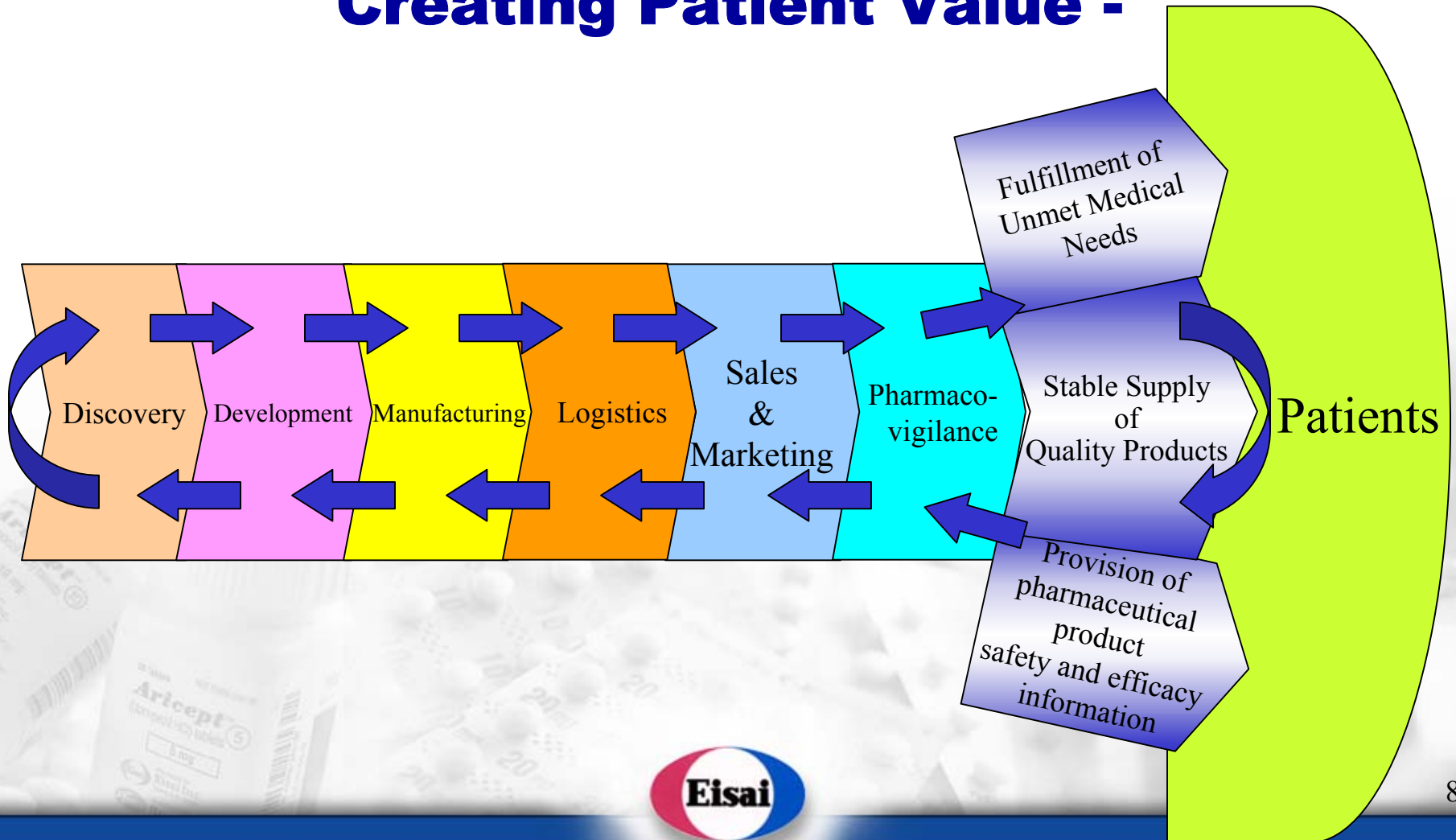
Prevention  
of  
Recurrence

**E0167**  
Prevention of Hepatocellular  
Carcinoma Recurrence  
by Vitamin K2  
JP, Phase II/III



# Seamless Value Chain

- Efficiency and Productivity in terms of Creating Patient Value -







# Shareholder Value

**Growth**

**Return to shareholders**

**Investor Relations**





# Future Growth Drivers

## 1. Pipeline - **All first-in-class type of drugs**

E2007 : AMPA Receptor Antagonist	POC Success
E7389 : Microtubule Growth Suppressor	POC Success
E5564 : Endotoxin Antagonist	POC Success
E5555 : PAR-1 Receptor Antagonist	Phase I
E2012 : $\gamma$ Secretase Modulator	Pre-Clinical

## 2. Global Opportunities (FY2000 - FY2004)

**49.7% of Net Sales, 59.0% of Operating Income Attributed to Overseas**

Net Sales	CAGR 21.7%
Overseas Operating Income*	CAGR 37.9%
Consolidated Net Sales	CAGR 10.2%
Consolidated Operating Income	CAGR 10.2% <sup>d</sup>

## 3. Strong Current Products (FY2000 - FY2004)

Aricept	CAGR 23.0%
Aciphex/Pariet	CAGR 24.7%

**'Active New Indications**

**Formulations Research'**



\* Operating income before Royalty deduction



# Proof of Concept Success

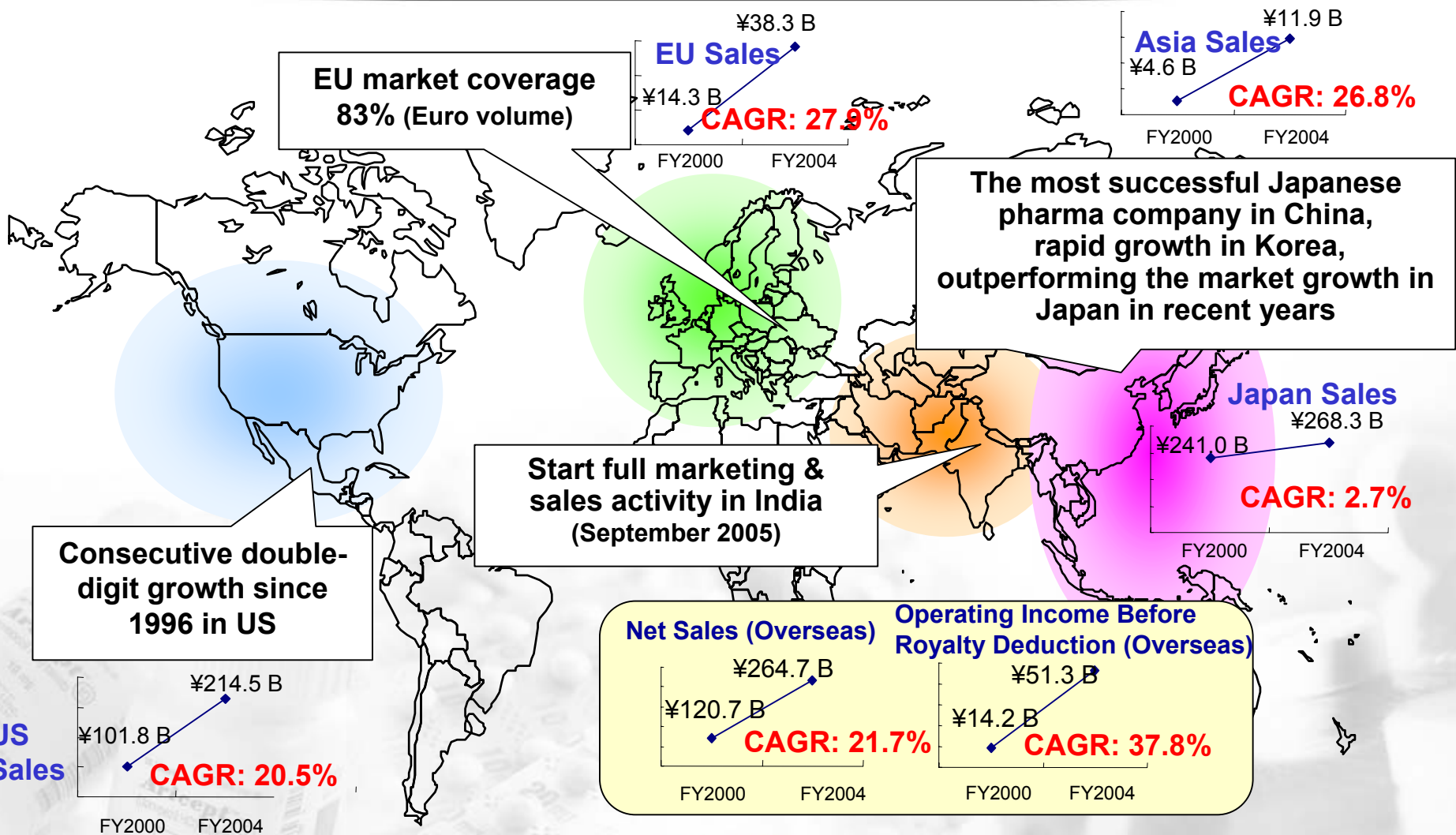
## -Three First-in-class compounds-

- **E2007: Oral AMPA receptor antagonist**
  - Ph IIb study in Parkinson's disease demonstrated clinically meaningful efficacy (OFF time reduction) and good safety
  - Target NDA/MAA in 2Q FY2007
  - Ph IIb studies ongoing in migraine prophylaxis and epilepsy, in preparation for multiple sclerosis
- **E7389: Microtubule growth suppressor**
  - Considerable objective tumor responses were observed in Breast and Non-small cell lung cancers. – those patients had been treated with chemotherapies including taxanes
  - No severe neurotoxicities have been observed
  - Aiming Subpart-H submission in FY2006
- **E5564 (eritoran): Endotoxin antagonist**
  - A placebo-controlled Ph IIb study in patients with severe sepsis showed more than 5% decrease in mortality in high-dose E5564-treated group, with clear dose response
  - Good tolerability was demonstrated
  - Global Ph III study to be initiated in FY2005
  - Target NDA/MAA in FY2008





# Opportunities in Key Areas/Countries





# Financial Performance & Forecast

(billions of yen, %)

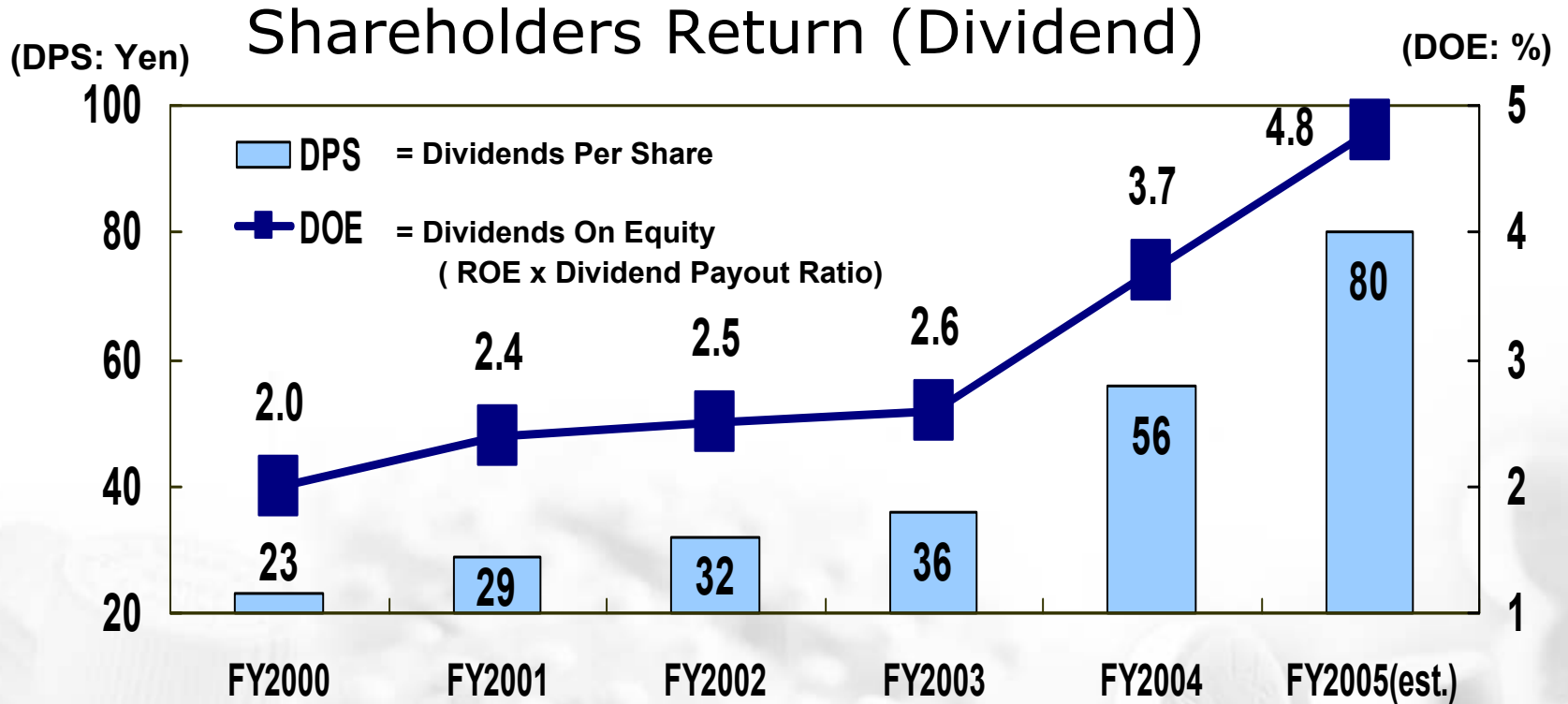
	FY2005 1Q			FY2005		
	Results	%	YOY	Forecast	%	YOY
Net Sales	135.8	100.0	111	575.0	100.0	108
Cost of Sales	24.1	17.7	100	103.0	17.9	105
Gross Margin	111.7	82.3	113	472.0	82.1	109
R&D Expenses	19.9	14.7	110	89.0	15.5	114
SG&A Expenses	69.3	51.1	112	292.0	50.8	108
Operating Income	22.5	16.5	120	91.0	15.8	105
Ordinary Income	23.4	17.2	120	180.0	31.3	109
Net Income	14.9	11.0	120	58.0	10.1	104
EPS (Yen)	52.2		121	203.0		105







# Raising the Dividend on Equity [DOE] ratio



ROE (%)	6.9	10.3	10.9	12.4	12.6	12.2
Dividend Payout (%)	29.2	23.3	22.7	20.9	29.0	39.4
DOE (%)	2.0	2.4	2.5	2.6	3.7	4.8





# **‘Corporate Value Enhancement through Communication with Shareholders’**





# U.S. Operation Update

Hajime Shimizu  
Chairman and CEO

Eisai, Inc.

September 14, 2005





# Performance of Eisai Inc.

(millions of dollars, %)

	FY2003		FY2004			
	Results	%	Results	%	YOY	Increase
Total Revenue	1,734	100.0	2,001	100.0	115	267
<i>Aricept</i> <sup>®</sup>	777	44.8	907	45.3	117	130
<i>Aciphex</i> <sup>®</sup>	933	53.8	968	48.4	104	35
<i>Zonegran</i> <sup>®</sup>	-	-	104	5.2	-	104
Operating Income	88	5.1	96	4.8	109	8
Net Income	53	3.1	62	3.1	115	8

Operating Income (Pre-royalty deduction)	301	17.4	402	20.1	133	101
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# Performance of Eisai Inc.

(millions of dollars, %)

	FY2004 1Q			FY2005 1Q			
	Results	%	YOY	Results	%	YOY	Increase
Total Revenue	418	100.0	117	491	100.0	118	73
<i>Aricept</i>	165	39.5	102	219	44.5	132	54
<i>Aciphex</i>	226	54.1	119	235	47.8	104	8
<i>Zonegran</i>	23	5.4	—	33	6.7	145	10
Operating Income	14	3.4	172	28	5.7	196	14
Net Income	9	2.2	164	18	3.8	205	9

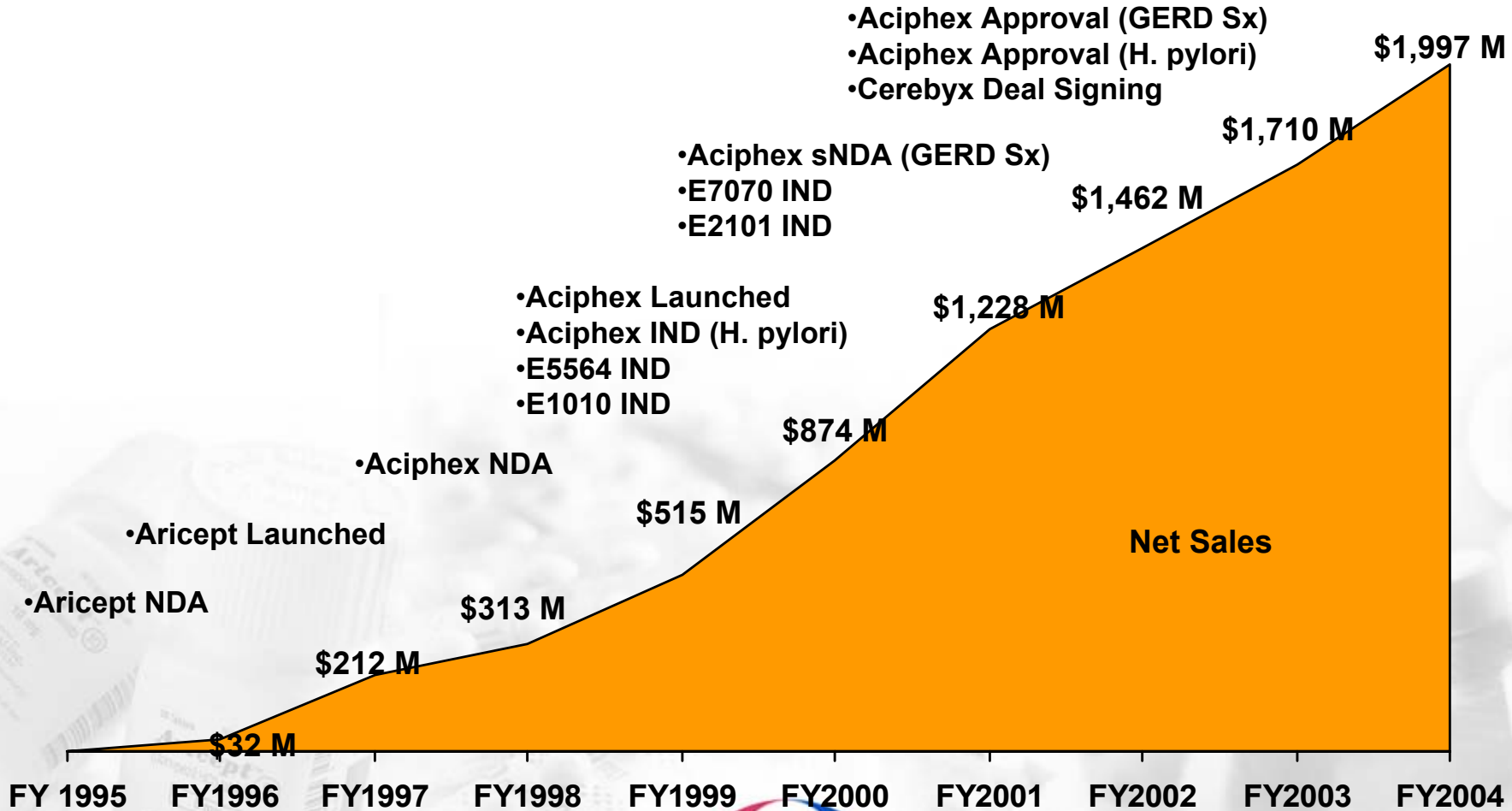
Operating Income (Pre-royalty deduction)	69	16.6	132	95	19.4	138	26
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# Eisai Inc.'s Continuing Growth

- Rasagiline Deal Signing
- Rufinamide Deal Signing
- Zonegran Acquisition





# Sales of Major Products

(billions of yen, %)

Product Name	Area	FY2003	FY2004		
		Results	Results	YOY (%)	Inc./Dec.
<i>Aricept</i> <sup>®</sup> Alzheimer's Disease Treatment	Total	141.6	162.9	115	21.3
	Japan	28.4	35.1	123	6.7
	<b>US</b>	<b>87.9</b>	<b>97.6</b>	<b>111</b>	<b>9.7</b>
	\$ million	777	907	117	130
	Europe	22.8	27.2	120	4.5
	Asia	2.5	2.9	118	0.4
<i>Aciphex</i> <sup>®</sup> / <i>Pariet</i> <sup>®</sup> Proton Pump Inhibitor	Total	129.0	132.3	103	3.3
	Japan	14.6	19.4	133	4.8
	<b>US</b>	<b>105.5</b>	<b>104.1</b>	<b>99</b>	<b>(1.4)</b>
	\$ million	933	968	104	35
	Europe	7.3	6.8	92	(0.6)
	Asia	1.6	2.1	133	0.5







# Sales of Major Products

(billions of yen, %)

Product Name	Area	FY2004 1Q	FY2005 1Q	YOY	Increase (Decrease)
<i>Aricept</i> Alzheimer's Treatment	Total	34.4	41.7	121	7.3
	Japan	8.9	9.9	111	1.0
	<b>US</b>	<b>18.1</b>	<b>23.5</b>	<b>130</b>	<b>5.4</b>
	\$ million	165	219	132	54
	Europe	6.7	7.3	110	0.6
	Asia	0.7	0.9	136	0.2
<i>Aciphex/ Pariet</i> Proton Pump Inhibitor	Total	30.3	34.1	113	3.8
	Japan	3.2	6.3	195	3.1
	<b>US</b>	<b>24.8</b>	<b>25.3</b>	<b>102</b>	<b>0.4</b>
	\$ million	226	235	104	8
	Europe	1.8	1.8	99	(0.0)
	Asia	0.5	0.7	163	3





# Aricept and Aciphex/Pariet Lifecycle Management

Products	Indications • Formulations	Status
<b>Aricept</b> Alzheimer's Treatment	Vascular dementia	Plan to submit additional data to FDA and resubmit in EU (FY2005)
	Severe Alzheimer's disease	Filed in August 2005 (US) Plan to file in 3Q FY2005 (EU, JP)
	Mild cognitive impairment (MCI)	Phase III (US)
	Sustained release formulation	Phase I (US)
<b>Aciphex/                      Pariet</b> Proton Pump Inhibitor	H. Pylori eradication	Filed in March 2005 (Japan)
	Non-erosive GERD	Phase III (Japan)
	Extended release formulation	Phase I (US)





# Entry Strategy

- Eisai chose a strategy of a partnering to enter the US market and commercialize its key products.
- Co-promote agreements with Pfizer and Janssen enabled the company to target key customer segments while avoiding excessive up-front expenditure in infrastructure and allowing growth of the business in a sensible fashion.
- Some of our peer Japanese companies adopted different strategies however.





# Learning from Experience

- Co-promote structures were pursued that allowed Eisai to leverage the capabilities and draw upon the expertise of market leading companies.
- Specific franchises have been targeted that build upon organizational scientific and market expertise.

ALLIANCES

<b>Co-promotes</b>	<b>Pfizer</b> for Aricept <i>1994</i>	<b>Janssen</b> for Aciphex <i>1997</i>	<b>Teva</b> for Rasagiline <i>2003</i>
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FRANCHISE

<b>Neurology</b>	<b>Aricept</b> <i>1997</i>	<b>Zonegran</b> <i>2004</i>	<b>Rasagiline</b>	<b>E2007</b>
<b>GI</b>	<b>Aciphex</b> <i>1999</i>			
<b>Oncology &amp; Critical Care</b>	<b>Cerebyx</b> <i>2002</i>	<b>E7389</b>	<b>E5564</b>	





# Continuing US Investment

## 1987 - 1996: Pre-launch

- Build research, clinical development, and production infrastructure
- Establish sales/marketing capabilities

1987-1989:	<i>Eisai Res. Inst. - Basic Research (MA)</i>	\$18M
1988:	<i>Eisai America Inc - Clinical Development (NJ)</i>	\$1M
1992 – 1993:	<i>Eisai Corp. NA - US Holding Co. (NJ)</i>	\$1M
1994 – 1996:	<i>Eisai Merrimack Valley - Process Research (MA)</i>	\$20M
1995 – 1996:	<i>Eisai Inc– Sales &amp; marketing (NJ)</i>	\$20M
1995 – 1996:	<i>Eisai Inc ( RTP) - Production (NC)</i>	\$21M





# Continuing US Investment

## 1997-2001: Launch Stage

- Major investment in promotional spend
- Co-promotions leverage partner expertise and resources

1997:	<i>Eisai Inc– Sales &amp; Marketing (NJ)</i>	\$26M
1997:	<i>Eisai Inc ( RTP) - Production (NC)</i>	\$16M
1997 – 1998:	<i>Eisai Res. Inst.- Basic Research (MA)</i>	\$27M







# Continuing US Investment

## 2002...: Operational and Infrastructure Enhancement

- Focus on Growth
- Improved efficiencies and organizational structures
- Continuing expansion

<i>Basic Research:</i>	Growth toward 250 employees; \$65M+ capital investment
<i>Clinical Development:</i>	New subsidiary formation (329 employees - US/UK)
<i>Sales &amp; Marketing:</i>	250 Medical Reps (FY2002); 634 Medical Reps (FY2004)
<i>Production:</i>	Increased capacity (70%); packaging capability added; possible addition of cytotoxics facility
<i>Distribution:</i>	Aricept (FY2002); Aciphex (FY2003); Zonegran (FY2004)





# Eisai tripling size of Andover research center



ARCHITECT'S RENDERING

Eisai's existing building at far right will soon be joined by others

Alzheimer's, epilepsy patients benefit from company's existing drugs

By Judy Wakefield

A West Andover-based pharmaceutical company is more than tripling its space with construction of a new \$65 million research facility that will be built next to its existing building.

The ground-breaking ceremony for Eisai Research Institute's new facility is set for Monday

morning, Aug. 23 at its 1 Corporate Drive address in West Andover, off River Road. The new facility is scheduled to open in the summer of 2006.

The building plan has been in the works for the past four years, said Town Planner Steve Coyer, adding it is good news for Andover as that high-tech corner

of town continues to attract big-name corporate residents. The area was zoned for business by town leaders decades ago as Interstates 93 and 495 were being planned.

"I'm really not surprised about this... That's why they are there with the others like Philips and Putnam," Coyer said. "That's

what the area zoned for — hit the highway."

He said this nation of at least 10 million people is in the planning.

"It's been a good news to

## Jobs coming to Andover with expansion at Eisai

IN EISAI  
Continued from page 1

fruitful." "It's fabulous news for Andover," added Board of Selectmen Chairman Brian Major, who works at Philips. "When the best and brightest expand like this, it makes us stand out as a community."

Ken Piro, director of engineering and purchasing at Eisai, sent a detailed e-mail to the townsmen outlining the plans for the new building. He is currently out of the office and not available until tomorrow, Friday, Aug. 20.

The e-mail said the new building will be 150,000-square feet and there are no plans to close its current 45,000-square-foot facility. Rather, the new building will be a left-side addition to the current building.

"We will be building a one-story building with a lower level to make sure that the new facility is low-rise and of modest scale so that it fits in with other buildings in the area. We will maintain a significant amount of green space," Piro wrote.

The addition will let the company, which currently sells four drugs and more than 50 health-care products in North America, consolidate its research operations. Currently, its research teams are split between Andover and a research facility in Wilmington.

"This means when researchers want to exchange ideas or meet and discuss projects they have to drive back and forth between the two sites. Additionally, lab operations must be conducted at two locations and is not optimal from a scientific perspective," according to Piro.

Coyer said Eisai will close its Wilmington facility and move those employees to Andover. Combining

researchers under one roof means they will focus more effectively on the drugs they develop, which will help patients and families, Piro wrote. The company's four drugs help patients with Alzheimer's, gastrointestinal disorders and epilepsy.

"By consolidating our operations we will be more efficient and productive towards achievement of our mission to discover new treatments and cures for diseases and provide benefit to patients and their families," Piro wrote.

The company expects to hire about 30 to 40 new employees for the new facility. Most jobs will be scientific and/or technical related and there will also be some administrative jobs. The Andover address is appealing to Eisai, and to other companies, as many suburban workers prefer not to drive to Boston.

Eisai came to Andover about 15 years ago and Coyer said the company started out on Shattuck Road, moved to Federal Street and then moved to the west side of I-93 on Corporate Drive.

The company was recognized by the Merrimack Valley Chamber of Commerce last year for its participation in community service and Coyer said Eisai was one of the "best corporate residents" in town. The company is involved with Lazarus House, the Merrimack Valley Hospice, Andover High School's mentoring program and several other community groups.

The Eisai work force in Andover has grown from about 15 employees to about 180 workers today. The company, which is headquartered in Tokyo and is one of Japan's top five pharmaceutical companies, focuses on cancer and immunology research at its Andover facility and plans to continue its research in those fields.

**Eisai Research Institute** has begun construction of a 150,000 sq. ft. research building in Andover, Mass. This building expansion will include a new laboratory facility consisting of chemistry, biology, drug safety disposition and pharmacology research facility, with conference areas, offices and library. Special support spaces include highly automated laboratories and a large conference room. Project is scheduled for completion in Summer 2006.

Source: Andover Townsmen, Andover, MA





# Steady Expansion of Sales Capabilities

- Eisai has continually expanded its sales capabilities in order to effectively engage key customer segments, compete in managed markets, and fulfill our goal of becoming independently capable.

FY1996	FY1998	FY2002	FY2004	FY2005...
<ul style="list-style-type: none"> <li>Medical Reps (80)</li> </ul>	<ul style="list-style-type: none"> <li>Medical Reps (180)</li> <li>Managed Care</li> </ul>	<ul style="list-style-type: none"> <li>Medical Reps (250)</li> <li>Hospital Team (16)</li> <li>Managed Care</li> </ul>	<ul style="list-style-type: none"> <li>Primary Care Team (400)</li> <li>Neurology Team (100)</li> <li>CNS Team (100)</li> <li>Hospital Team (18: Reps + DMs)</li> <li>Enhanced Managed Care Capabilities (16)</li> <li><b>Total (634)</b></li> </ul>	<ul style="list-style-type: none"> <li>Hospital</li> <li>LTC</li> <li>Oncology</li> </ul>

