



Outline of Accounting for
Business Combination
Associated with MGI PHARMA Acquisition
and
Revision of Earnings Forecasts for FY2007

April 21, 2008





Forward Looking 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, entry of competitive products (both branded and generic) 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.



Definition of Today's Key Words

[GAAP]

Financial reporting based on GAAP

[Adjusted]

Financial reporting based on GAAP excluding non-cash accounting items from business combination to clarify the actual corporate business operations

[Cash Income]

Total amount of cash available for investments for growth, business development, dividend payment, and debt repayment, etc; cash generating capability.

Cash Income = Net Income + Amortization of Tangible/Intangible Assets
+ IPR&D Expenses + Amortization of Goodwill + Depletion



FY2006

FY2007

Results



| | | |
|-------------------------------|-----------------------------------|---------------------------------|
| Acquisition Cost 3,944 | Fair Value of Assets 2,200 | Intangible Assets 1,378 |
| | Goodwill 1,744 | Deferred Tax Liability (551) |
| | | In-Process R&D Expenses 840 |
| | | Other Assets 533 |



Accounting for Business Combination Associated with MGI PHARMA Acquisition

Impact on Consolidated P/L (Non-Cash Items)

(Million Dollars)

| Major Assets | Present (As of April 21, 2008) | | | |
|---|--------------------------------|------------------------|------------------------|---------------|
| | Fair Value | To be Booked in FY2007 | To be Booked in FY2008 | Items |
| Intangible Assets (Sales Right) \$1,378 million (Technology Assets) | 1,220 | 29 | 172 | Cost of Sales |
| | 158 | 1 | 8 | R&D Expenses |
| In-Process R&D Expenses | 840 | 840 | - | R&D Expenses |
| Inventory Assets (Gross-Up) | 37 | 24 | 13 | Cost of Sales |
| Goodwill | 1,744 | - | 87 | SG&A Expenses |

- MGI PHARMA's intangible assets and in-process R&D expenses, assessed by the third party, were higher than the company originally anticipated. The auditing firm confirmed the assessment.

- Increase of in-process R&D expenses from the basis for consolidated financial impact presented at the Press Conference and Information Meeting in March 2008 has resulted in reduction of goodwill. This has increased the soundness of assets and decreased the goodwill impairment risk in the future.



Financial Performance Forecast (Adjusted)

(Billion Yen, %)

| | FY2006 | FY2007 | | | |
|------------------|--------------|---------------------|--|-------------------------|--------|
| | Results | Forecasts (GAAP) | Accounting Transaction for Business Combination | Forecasts (Adjusted) | YOY(%) |
| Net Sales | 674.1 | 735.2 | - | 735.2 | 109 |
| Cost of Sales | 109.3 | 118.8 | 5.5 | 113.4 | 104 |
| Gross Profit | 564.8 | 616.3 | | 621.8 | 110 |
| R&D Expenses | 108.3 | 225.6 | 87.6 | 138.0 | 127 |
| SG&A Expenses | 351.2 | 372.9 | - | 372.9 | 106 |
| Operating Income | 105.3 | 17.7 | | 110.8 | 105 |
| Tax and Others | 39.7 | 35.1 | (4.5) | 39.6 | 100 |
| Net Income | 70.6 | (17.5) | | 71.1 | 101 |

* Exchange Rate for Accounting Transaction for Business Combination (Average rate during February and March, 2008): \$1=104.09 yen

Consolidated Cash Income

Increase by 8%



Cash Income = Net Income + Amortization of Tangible/Intangible Assets
 + IPR&D Expenses + Amortization of Goodwill + Depletion

(Billion Yen, %)

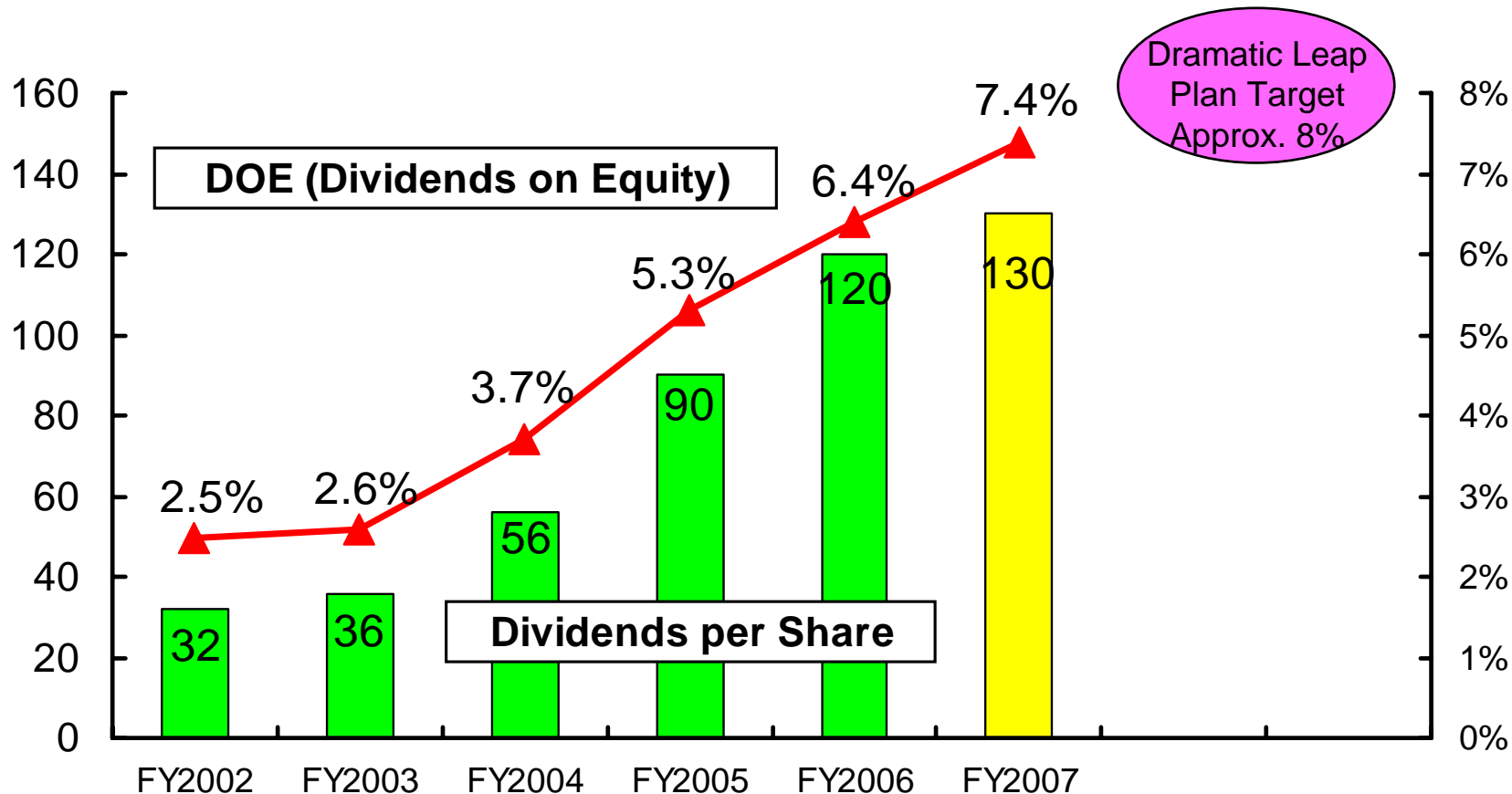
| | FY2006 | FY2007 | | |
|---|-------------|---------------|-----|------------------------|
| | Results | Forecasts | YOY | Increase (Decrease) |
| a. Net Income | 70.6 | (17.5) | - | (88.1) |
| b. Amortization of Tangible and Intangible Assets | 26.8 | 28.7 | 107 | 1.9 |
| c. Amortization of Intangible Assets due to MGI Acquisition | - | 6.0 | - | 6.0 |
| d. In-Process R&D Expenses | - | 88.0 | - | 88.0 |
| e. Amortization of Goodwill | - | *(0.2) | - | (0.2) |
| f. Depletion | 0.2 | 0.1 | 30 | (0.1) |
| g. Cash Income (a+b+c+d+e+f) | 97.6 | 105.2 | 108 | 7.5 |
| h. Cash EPS (yen) | 343 | 370 | 108 | 27 |

* Amortization of negative goodwill associated with complete subsidiarization of Sanko Junyaku Co., Ltd.



Dividends for FY2007

- Cash income has increased steadily by 8% YOY
- Maintain the dividend policy to pursue stable increase in DOE (Dividend On Equity)
- Forecast **dividend payment of 65 yen per share** in the end of FY2007, **130 yen per share annually (up 8% YOY)** as planned





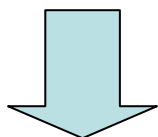
Policy on Shareholder Return

1. Maintain the dividend policy with a focus on DOE
2. Maintain target dividend for FY2011
3. Plan to include cash based concept into DOE

[Current]

DOE =

(Target Approx. 8.0%)



DOE =

(Target Approx. 9.0%)
<Proforma for FY2011>

Dividends

Net Income

(Target Approx. 50.0%)

Dividends

Cash Income

(Target Approx. 35.0%)

Net Income

Equity

(Target Approx. 16.0%)

Cash Income

Equity

(Target 25.0 - 30.0%)

*

*



Significance of Cash Income

1. **True corporate value** is indicated by **cash income**, the capability of **generating cash**
2. **Cash income** is:
 - a global standard in that it does not fluctuate easily with differences in accounting standards among countries
 - the source of capital for investments for growth and business development
 - the foundations for dividend payment, and debt repayment
 - a managerial index to evaluate the corporate strategy and its growth potential



Financial Leverage Strategy

- Promoted management sourced from free cash flow and secured flexibility and soundness of financials
- Successfully sustained high credit rating due to the growth potential for the future



Based on these, we apply

Strategic Use of Financial Leverage

- Enhance cash generation capability efficiently through debt financing at low cost
- Do not plan to dilute share value by equity financing
- Lower capital cost while increasing ROE and DOE with high growth potential
- Pursue optimal capital structure appropriate for a pharmaceutical company and prepare for the future leverage financing opportunities



Financial Forecasts for FY2008 (Adjusted)

(Billion Yen, %)

| | FY2007 | FY2008 | | | |
|------------------|-------------------------|---------------------|--|-------------------------|--------|
| | Forecasts (Adjusted) | Forecasts (GAAP) | Accounting Transaction for Business Combination | Forecasts (Adjusted) | YOY(%) |
| Net Sales | 735.2 | 806.0 | - | 806.0 | 110 |
| Cost of Sales | 113.4 | 150.0 | 19.5 | 130.5 | 115 |
| Gross Profit | 621.8 | 656.0 | | 675.5 | 109 |
| R&D Expenses | 138.0 | 154.0 | 0.9 | 153.1 | 111 |
| SG&A Expenses | 372.9 | 409.0 | 9.2 | 399.8 | 107 |
| Operating Income | 110.8 | 93.0 | | 122.5 | 111 |
| Tax and Others | 39.6 | 31.0 | (7.6) | 38.6 | 97 |
| Net Income | 71.1 | 56.0 | | 77.9 | 110 |

* Consolidated financial forecasts for FY2008 will be announced officially in detail at the disclosure of FY2007 financial results in May.



Aim for Consolidated Cash Income Increase of 11% in FY2008

(Billion Yen, %)

| | FY2007 | FY2008 | | |
|---------------|---------------|-------------|-----|---------------------|
| | Forecasts | Forecasts | YOY | Increase (Decrease) |
| a. Net Income | (17.5) | 56.0 | - | 73.5 |

| | | | | |
|---|--------------|-------------|-----|--------|
| b. Amortization of Tangible and Intangible Assets | 28.7 | 30.0 | 105 | 1.3 |
| c. Amortization of Intangible Assets due to MGI Acquisition | 6.0 | 21.5 | 359 | 15.5 |
| d. In-Process R&D Expenses | 88.0 | - | - | (88.0) |
| e. Amortization of Goodwill* | (0.2) | 9.0 | - | 9.2 |
| f. Depletion | 0.1 | - | - | (0.1) |

| | | | | |
|------------------------------|--------------|--------------|-----|------|
| g. Cash Income (a+b+c+d+e+f) | 105.2 | 116.5 | 111 | 11.3 |
| h. Cash EPS (yen) | 370 | 409 | 111 | 39 |

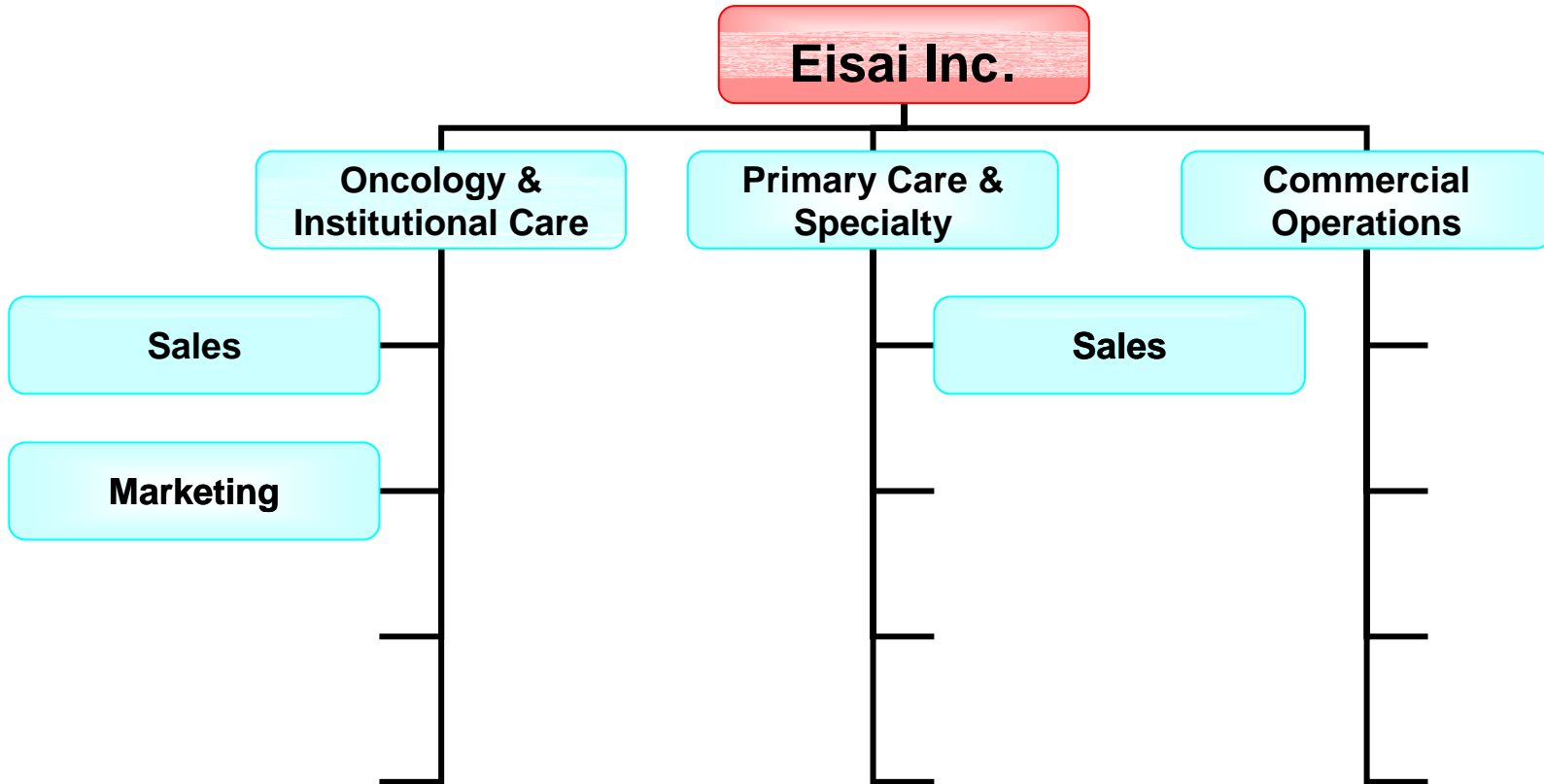
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Integration of MGI PHARMA

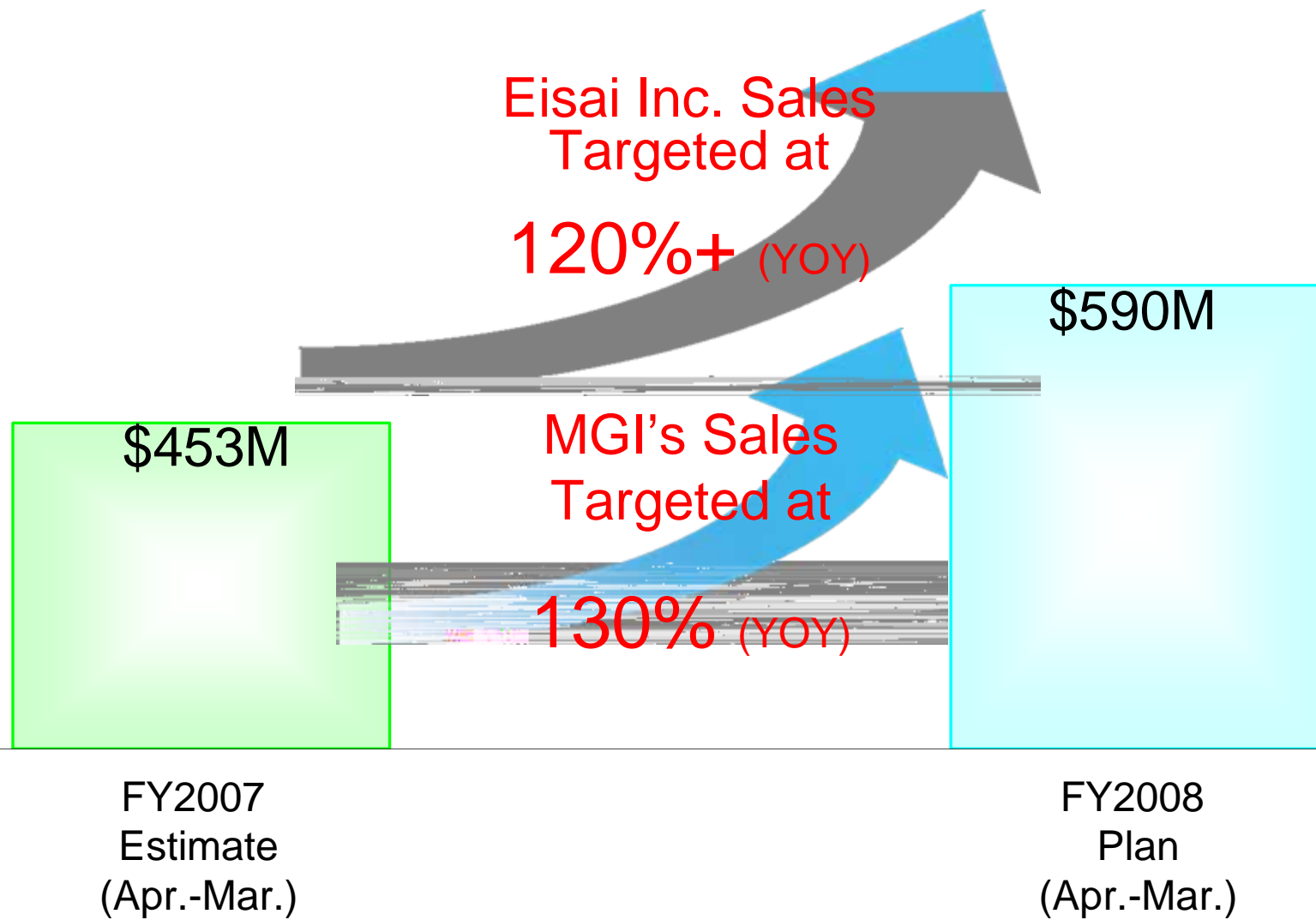
Strengthen All the Business Foundations in the U.S.
from R&D to Commercial Infrastructure

- MGI PHARMA's integration into Eisai is ongoing swiftly mainly in six areas and fully integrated business operations will begin on June 1, 2008 as planned
 - R&D, Manufacturing and Distribution, Commercial (Sales and Marketing), Human Resources, Legal, Finance and Administration
 - Headquarters Commercial and Sales functions will begin integrated operations ahead of schedule
- Prioritization of progress of R&D projects and synergies from integration of each function are already in place
- Plan to complete transferring the functions within MGI's Bloomington headquarters by the end of 4Q FY2008





Secure Further Growth in the U.S. by Integration of MGI PHARMA



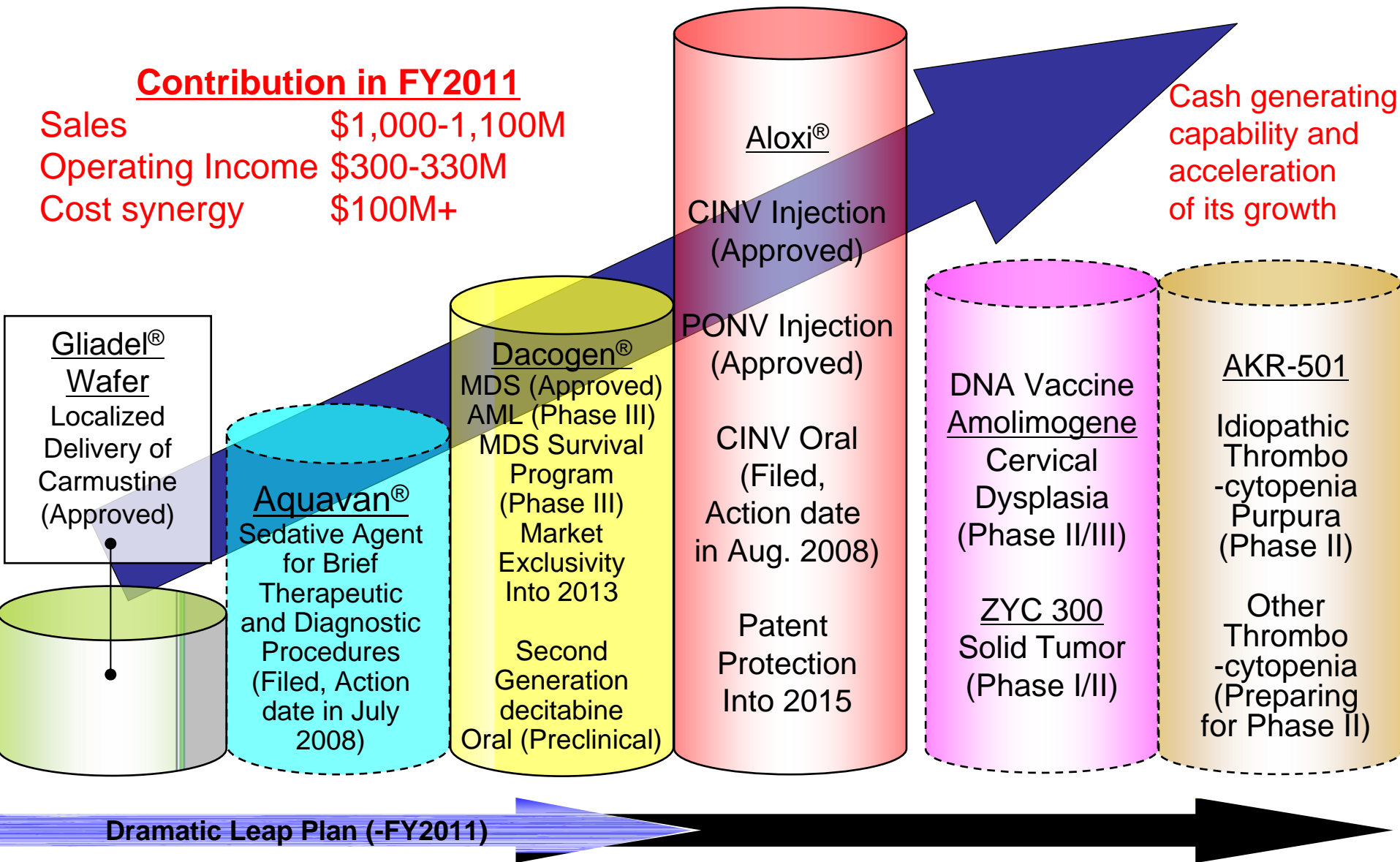
Continuous Contribution of MGI Products to Growth



Contribution in FY2011

Sales \$1,000-1,100M
 Operating Income \$300-330M
 Cost synergy \$100M+

Cash generating capability and acceleration of its growth



Dramatic Leap Plan (-FY2011)



We have revised the consolidated financial forecasts for FY2007 due to the accounting transaction for business combination associated with MGI PHARMA acquisition.

However, cash income (cash generating capability) is already accretive and we forecast that it will grow continuously.