

FY '07-'09 Mid-term Business Plan

Strengthen our business foundation for the first step to become
a global corporation

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Agenda

- ◆ **Introduction**
- ◆ **Mid to Long term Vision**
- ◆ **Basic Strategies**
- ◆ **FY 2009 Business Goals**
- ◆ **Achieving Mid-term Business Plan**
- ◆ **Return to Shareholders**

Introduction



October 2005

FY 2006

FY 2007

Inauguration of Dainippon Sumitomo Pharma

Pursuing merger synergies

Business synergies
Cost synergies
Culture synergies

Steadily materialized

Maximize synergy effects

Establish Mid to Long term Vision

Initiate Mid-term Business Plan

Mid to Long term Vision



Envisioned our corporate status within the next ten years

- ◆ **Establish a solid foundation of our domestic business**
- ◆ **Expand our international business operation**
- ◆ **Enrich our R&D product pipeline to realize future vision**

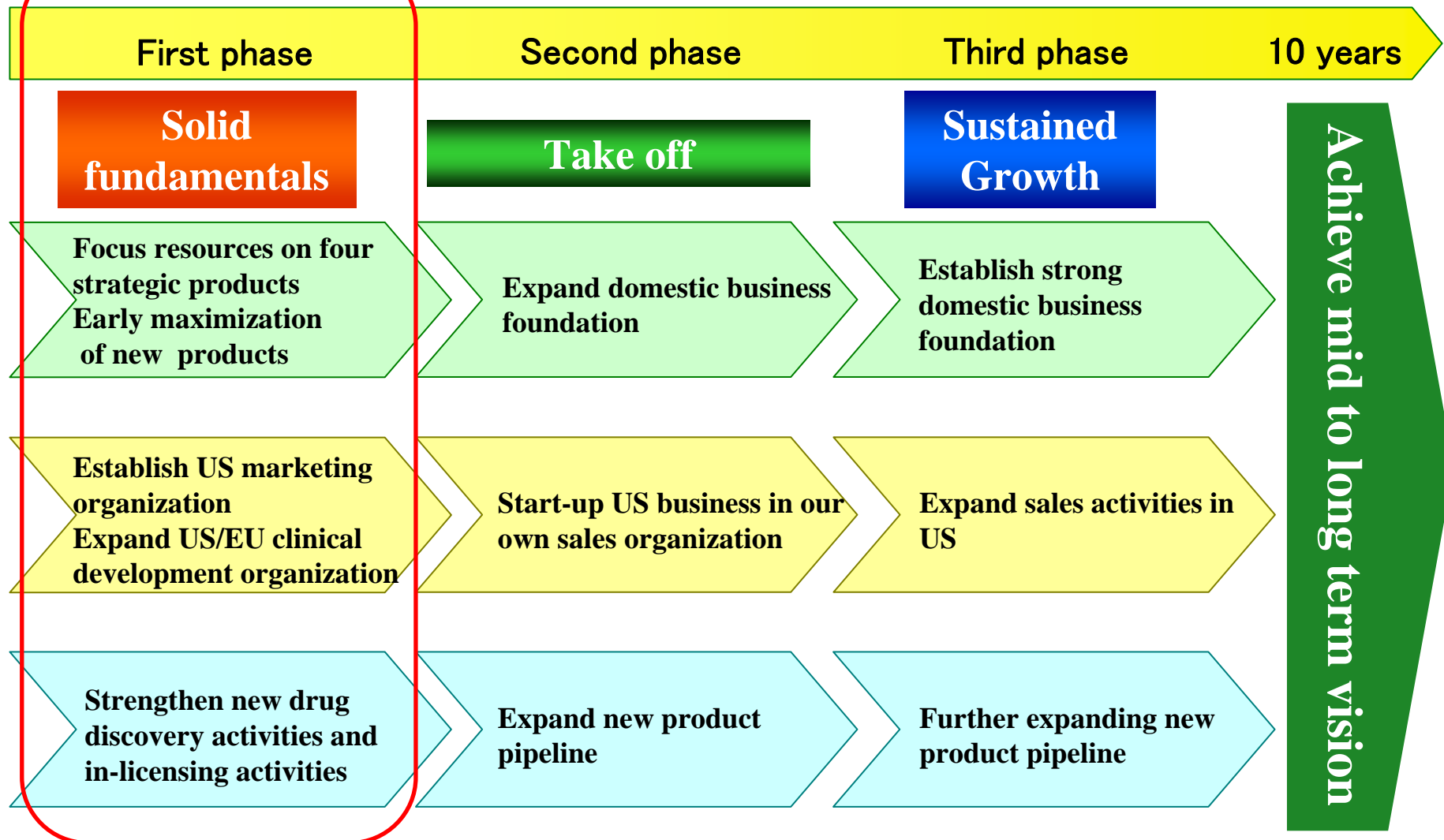


Future vision within 15 years

- **Becoming an internationally competitive R&D oriented pharmaceutical company**
- **Two solid mainstreams of our revenue, from domestic operation and from international operation**

Process to Achieve Mid to Long term Vision

Mid-term Business Plan



Basic Strategies

Strengthen our business foundation for the first step to become a global corporation

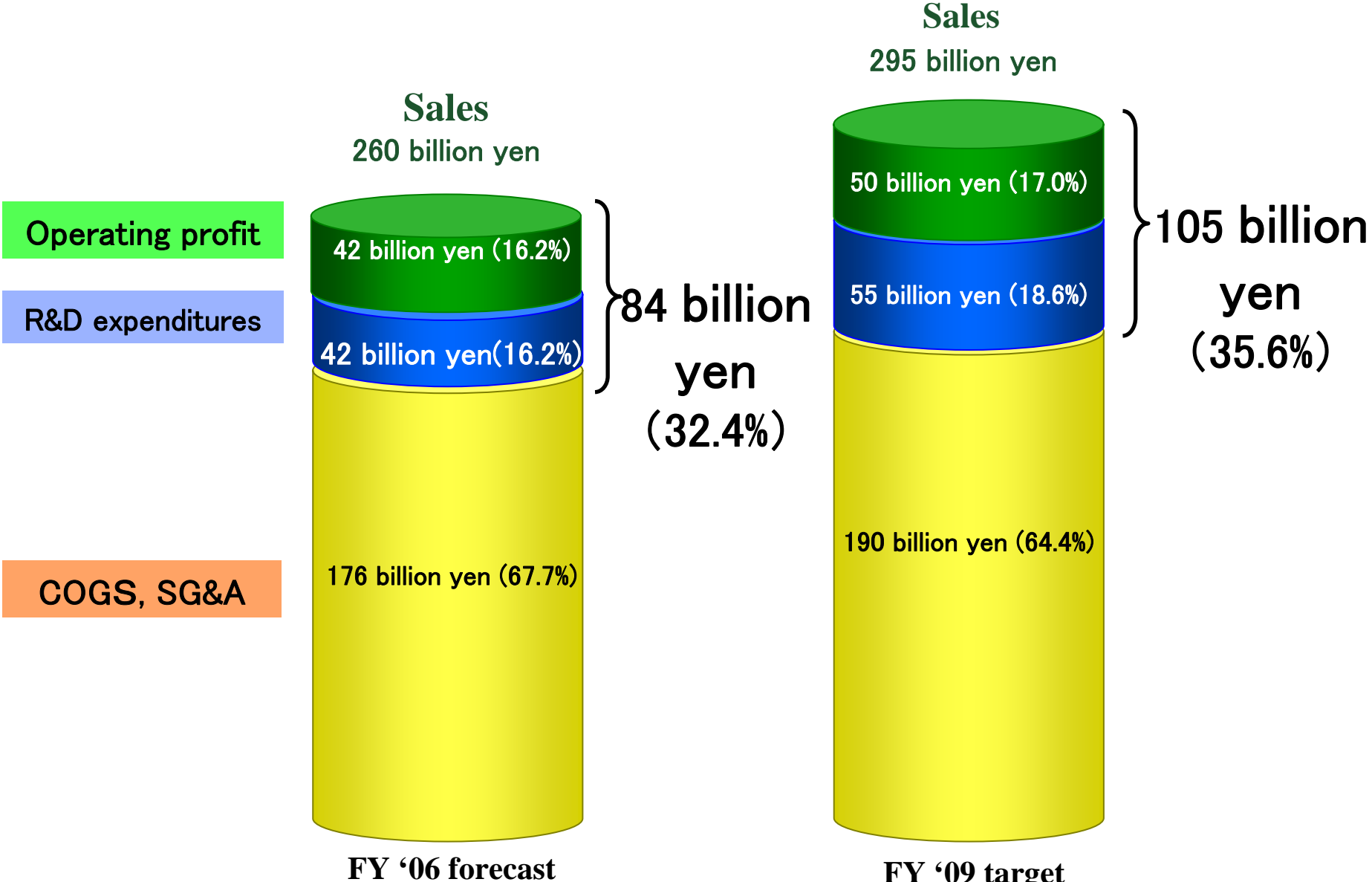
1. Strengthening our domestic business foundation
2. Strengthening our R&D organization for strong flow of the pipeline products
3. Preparing international operation structure
4. Strengthening strategic partnership
5. Striving for efficient management and for efficient and profitable corporate structure
6. Establishment of “DSP Management”

FY 2009 Business Goals



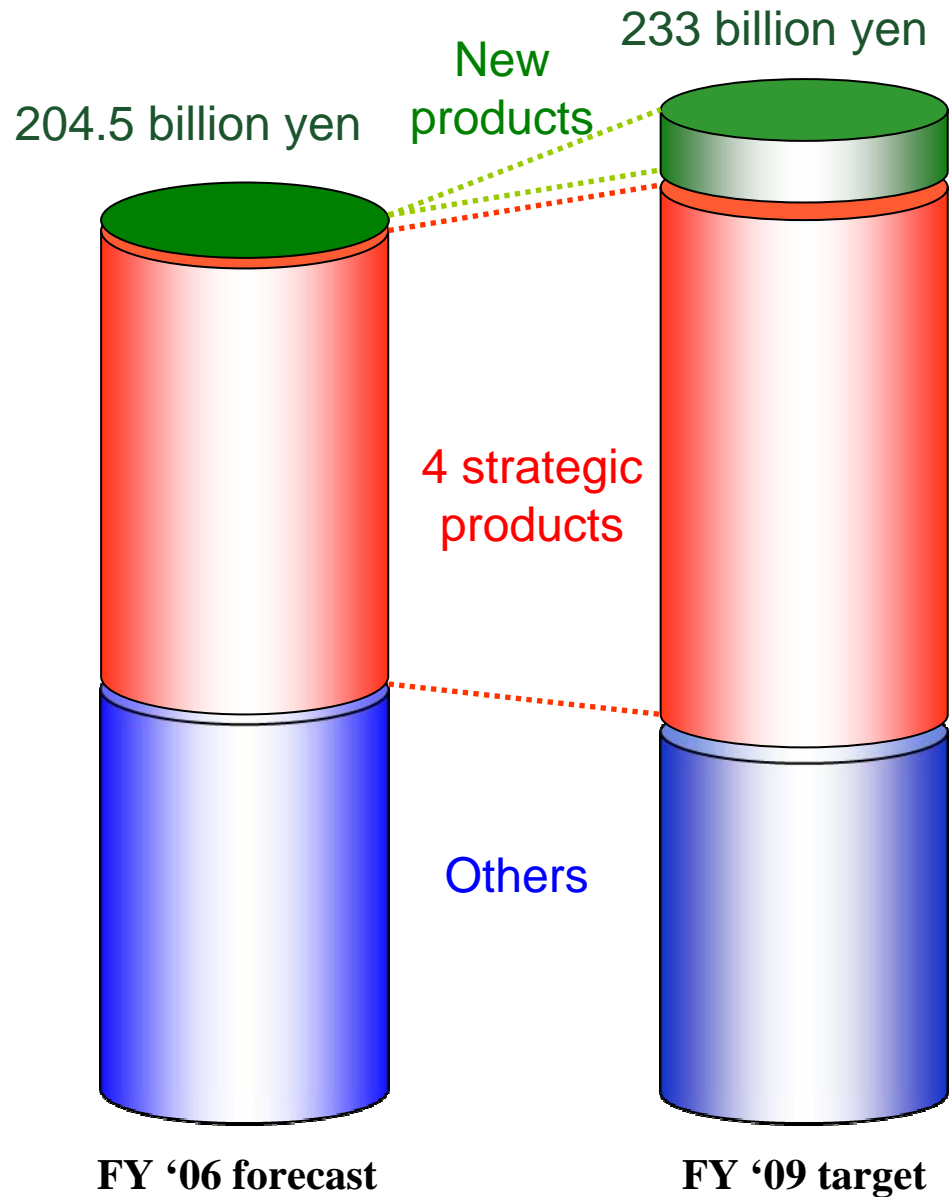
	FY '06 forecast	FY '09 goals
Net Sales	260 billion yen	295 billion yen
(pharmaceuticals)	(204.5 billion yen)	(233 billion yen)
Operating income	42 billion yen	50 billion yen
Net income	22 billion yen	30 billion yen
R&D expenditures	42 billion yen	55 billion yen

Profit and Cost Structure



Figures in parentheses are percentage of sales

Sales Targets in Pharmaceutical Business



New products

irbesartan
AmBisome®
etc.

Sales target
25 billion yen

4 strategic products

AMLODIN®
GASMOTIN®
PRORENAL®
MEROPEN®

Sales target
120 billion yen

Note: Sales targets by category are before rebate deduction base

Strategic Investments for Future Growth



Achieving Mid-term Business Plan

1. Strengthening Our Domestic Business Foundation

- Focus on the cardiovascular, the gastrointestinal disease and the infectious disease.
- Concentrate our resources to 4 strategic products
- Early maximization of newly launched products
 - ▶ irbesartan, AmBisome[®], blonanserin, SEIBULE[®]
- Actively engage PLCM to maximize product value
- Utilize IT for expanding capability of information providing tools
- Increase corporate brand recognition

PLCM: Product Life Cycle Management

1-1. Concentrate Our Resources to 4 Strategic Products

AMLODIN®

- Promote switch to OD formulations
- Actively use domestic clinical evidences
- Maximize FY '07 sales

FY '09 target: 58 billion yen

GASMOTIN®

- Encourage positioning as main drug for functional gastrointestinal disorders
- Strengthen promotion for recognition of FD

FY '09 target: 28 billion yen

PRORENAL®

- Use DTC to increase awareness of lumbar spinal canal stenosis
- Increase brand recognition in primary care

FY '09 target: 18 billion yen

MEROPEN®

- Establish local presence as treatment for severe infectious diseases
- Synergy with AmBisome®

FY '09 target: 16 billion yen



FY '09 sales target: 120 billion yen

1–2. Actively Engage PLCM to Maximize Product Value

- Obtain approvals of new indications for SUMIFERON[®], and MEROPEN[®]
- Promote activities to obtain new indications for PRORENAL[®]
- Product life cycle management plan
 - ▶ Strengthen project management system to integrate and boost new product start-up activities by integrating functions of marketing, development and research
 - ▶ Actively work on new indications, new formulations , combined drugs, etc.
 - ▶ Actively use EBM

1-3. Utilize IT for Expanding Capability of Information Providing Tools

Improve customer satisfaction

Achieve 5.5 million details

Promote e-communications

- Expand e-promotions based on the portal sites of major medical information
- Two-way information provision via healthcare professional website membership
- Strengthen information providing activities to healthcare professionals through call center

Strengthen MR backup system

- Actively use in-house SFA
- Promote MR self-study through e-learning
- Unify database to improve and support MR' medical/ pharmaceutical information providing activities

2. Strengthening Our R&D Organization for Strong Flow of the Pipeline Products

- Strengthen new drug discovery capability
- Achieve clinical development time schedule and targets as planned
- Aggressive in-licensing activities to strengthen pipeline

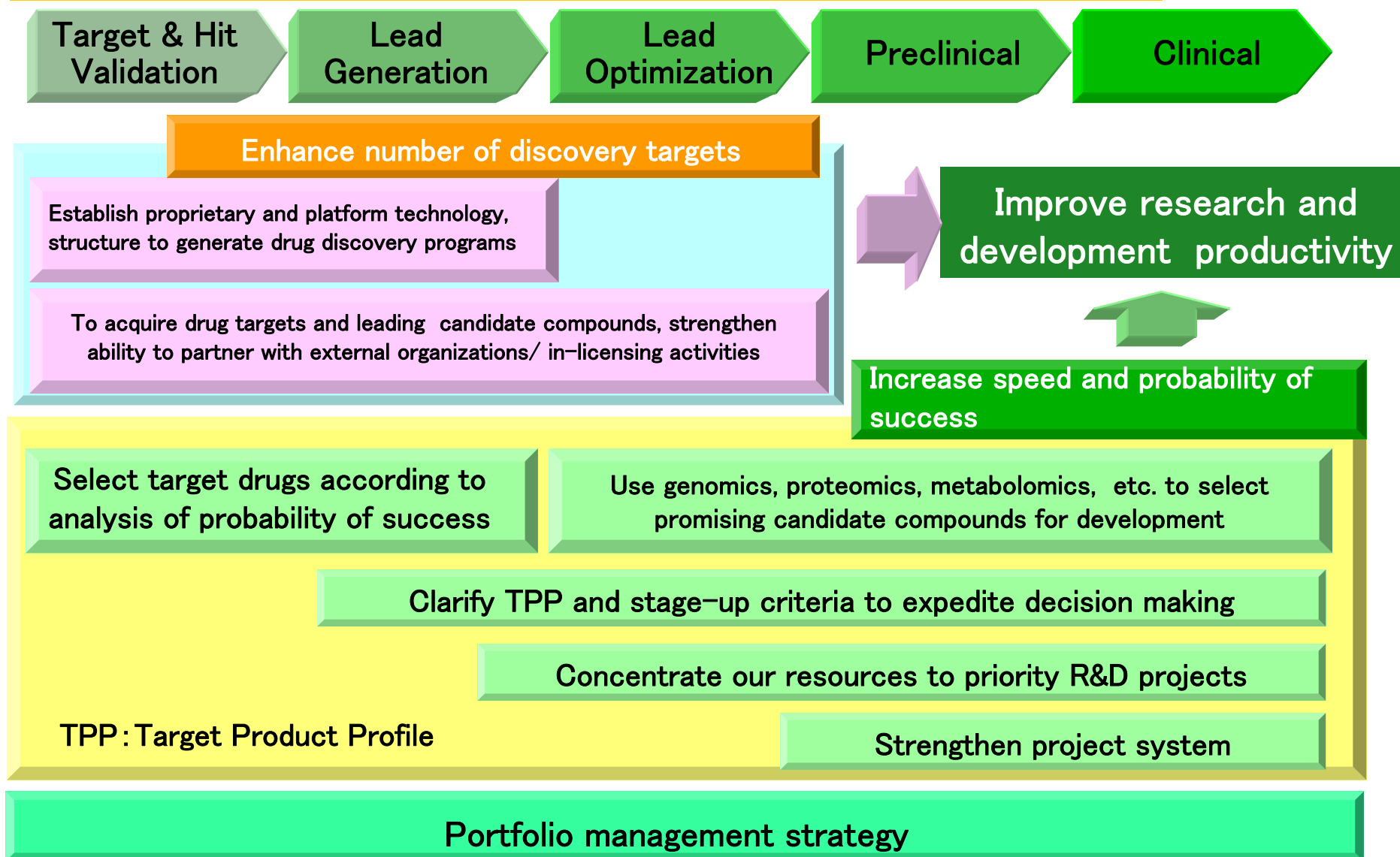


Launch one major product every two years

2-1. Strengthen Our R&D Capability to Create New Compounds (1)

- Focus our new drug discovery activities on diabetes, cardiovascular, CNS, inflammatory, and allergy areas
- Shorten time period from new drug discovery to marketing by enhancing number of discovery targets, and make appropriate selection and focusing on the targets at late discovery to clinical development phase
- Improve efficacy of application of our proprietary advanced technology to research and development in genomics, proteomics, metabolomics, etc.
- Integrate and enhance utilization of our platform technologies

2-2. Strengthen Our R&D Capability to Create New Compounds (2)



2-3. Development pipeline



	NDA Filed	Phase III	Phase II
Domestic	<p>AD-5423 (Schizophrenia)</p> <p>irbesartan (Hypertension)</p> <p>AD-810N (Parkinson's disease)</p> <p>SUMIFERON® (Compensated cirrhosis)</p> <p>EPHEDRINE "NAGAI" (i.v. administration)</p>	<p>MEROPEN® (Febrile neutropenia)</p>	<p>AS-3201 (Diabetic neuropathy)</p> <p>SMP-508 (Diabetes)</p> <p>SM-11355 (Hepatocellular carcinoma)</p> <p>SMP-862 (Diabetes)</p> <p>SM-13496 (Schizophrenia)</p> <p>AC-3933 (Dementia)</p> <p>SMP-114 (Rheumatoid arthritis)</p> <p>PRORENAL® (Cervical spondylosis)</p>
Overseas		<p>AS-3201 (Diabetic neuropathy) US & Canada</p>	<p>SM-13496 (Schizophrenia) U.S</p> <p>AD-5423 (Schizophrenia) EU & US</p> <p>AC-3933 (Dementia) U.S</p> <p>SMP-986 (Overactive bladder) EU & US</p> <p>SMP-114 (Rheumatoid arthritis) EU</p>

 New chemical entity  New indication, etc.

2-4. New Product Launch Schedule in Japan



First Phase

irbesartan
(Hypertension)

AD-5423
(blonanserin)
(Schizophrenia)

SM-11355
(miriplatin)
(Hepatocellular carcinoma)

AD-810N
(zonisamide)
(Parkinson's disease;
new indication)

SUMIFERON®
(Compensated cirrhosis;
new indication)

MEROPEN®
(Febrile neutropenia;
new indication)

Second Phase

SMP-862
(Diabetes)

SMP-508
(Diabetes)

PRORENAL®
(Cervical spondylosis)

AS-3201
(ranirestat)
(Diabetic neuropathy)

SM-13496
(lurasidone)
(Schizophrenia)

Selecting priority projects,
concentrating our resources to them,
and then expedite clinical trials



Stronger revenue base after 2010

2-5. Aggressive In-licensing Activities to Expand Our Product Pipeline



- In-license large scale compound in order to make early contribution to our performance
- Aggressively in-license research seeds which fit to our focused research areas, and compounds in early clinical development stage
- Further strengthening information gathering and product evaluation procedures throughout company-wide functions

3. Preparing International Operation Structure

- Prepare our US marketing organization starting with lurasidone
 - ▶ Build organization for own sales after 2010
- Prepare and strengthen US/EU clinical development infrastructure
 - ▶ Obtain US/EU marketing approval
- Fully implement China operation

3-1. Prepare and Strengthen US/EU Clinical Development Infrastructure

■ Obtain marketing approval

- ▶ Conduct clinical trials of lurasidone in US/EU
- ▶ Obtain early Proof of Concept for SMP-114, AC-3933 , SMP-986, and SMP-028

■ Strengthen US/EU clinical development infrastructure

- ▶ Expand facilities and personnel of US/EU subsidiaries
- ▶ Reinforce tripartite ties between Japan, U.S., and E.U.
- ▶ Start building development infrastructure towards international joint clinical trials in Asia

4. Strengthening Strategic Partnership



- **Aggressively promote global and local strategic partnerships for the areas of R&D, domestic operation, international operation, production and so on**
 - ▶ **Strengthen research and development by building comprehensive partnerships**
 - ▶ **Improve operational efficiency through active use of external resources**
 - ▶ **Partnership for effective international business expansion**

5. Striving for Efficient Management and for Efficient and Profitable Corporate Structure

- Further improve our management and organizational efficiency
 - ▶ Further reduction of manufacturing and procurement costs
 - ▶ Reduce distribution cost by integrating distribution centers
 - Integrating 4 major centers to 2
 - ▶ Reduce number of products
 - ▶ Down-size personnel : Target to 5,200 employees by the end of FY '07
- Select and focus on non-pharmaceutical business in order to improve the profitability

6. Establish “DSP Management”

- Further refined selection and focus
- Appropriate and broad improvement of our inherited systems and structures
- Promote CSR management
- Cultivate and activate diverse human resources by inspiring individual potential
- Establish corporate culture that actively encourages challenge and speedy response

Return to Shareholders

■ Targeting 30% earnings to dividends ratio

Ongoing active capital investment towards future growth, achieve operating income of 50 billion yen in FY 2009.

FY 2006 (forecast)

Earnings to dividends
ratio: 25.3%

EPS: JPY 55

FY 2009 (target)

Earnings to
dividends ratio: 30%

EPS: JPY 75

Conclusion

Strengthen our business foundation for the first step to become a global corporation

Strengthen domestic revenue base

Active investment towards future growth

Strengthen development pipeline

Strengthen human resource inventory

Promote and develop int'l operation

Further refined selection and focus

Wide range restructure of our systems and procedures

Strengthen strategic partnerships

Establish DSP management

Pursue business efficiency

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Actual financial results may differ materially from those presented in this document, being dependent on a number of factors.

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