

# Acquisition of Sepracor Inc.

September 3, 2009

Masayo Tada  
President and CEO

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- **Objectives of Acquisition**
- **Overview of Sepracor**
- **Advantages of Acquisition**
- **Acquisition Overview and Financial Impact**

# Mid to Long Term Vision for U.S. Commercial Infrastructure

- Developing an international sales and marketing platform is key to achieve mid to long term objectives

## Mid to Long Term Vision

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

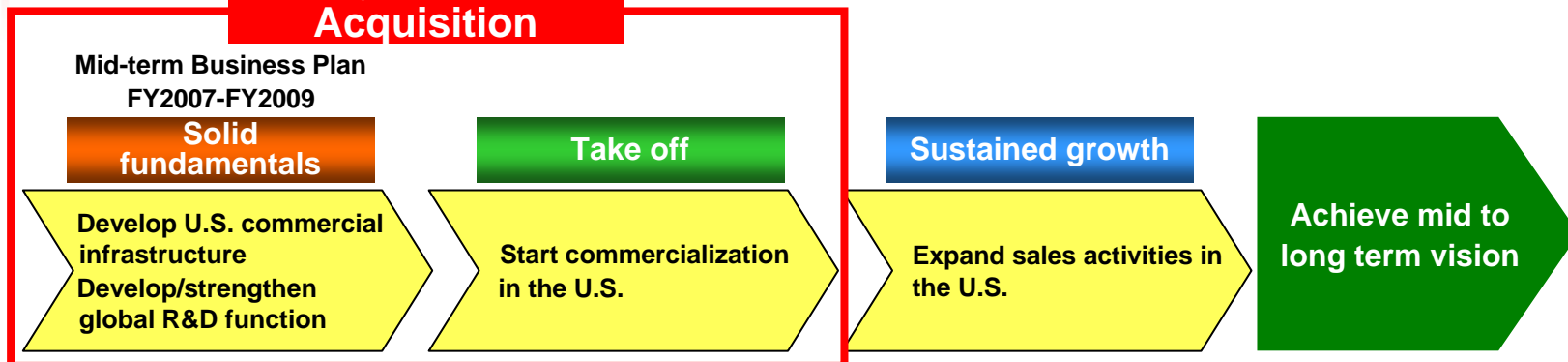


### Future vision within 15 years<sup>(1)</sup>

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

International business operation :  
Steps to achieve mid to long term vision

### Objective of Acquisition



1. As of 2007 when the mid to long term vision was announced.

# Transaction Rationale

- Potential to accelerate penetration and maximize sales of Lurasidone in the U.S.
- Establish international platform
- Expand scale of pharmaceutical business
- Reinforcement of product pipeline

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# Overview of Sepracor

- Established in 1984, listed on NASDAQ in 1991
- Based in Marlborough, MA (U.S.) with business operations throughout the U.S. and Canada
- Expanded business as a pioneer in development of isomers and metabolites
- Fully integrated specialty pharmaceutical company with functional capacity in R&D, regulatory, manufacturing, sales and marketing for treatment of CNS and respiratory disorders
  - Currently commercializes 6 products including LUNESTA<sup>®</sup> (insomnia) and XOPENEX<sup>®</sup> (bronchospasm)
  - Promising pipeline in CNS and respiratory areas
  - Royalty income from out-licensed ALLEGRA<sup>®</sup>, CLARINEX<sup>®</sup> and XYZAL<sup>®</sup>
- Sales of \$1,292 million<sup>(1)</sup>, Net Income of \$480 million<sup>(1)</sup>
- Number of Employees: Approx. 2,100 (As of June 30, 2009)
  - Sales professionals: Approx. 1,200    R&D: 256
- Cash and equivalents: \$503 million<sup>(2)</sup> (As of June 30, 2009)

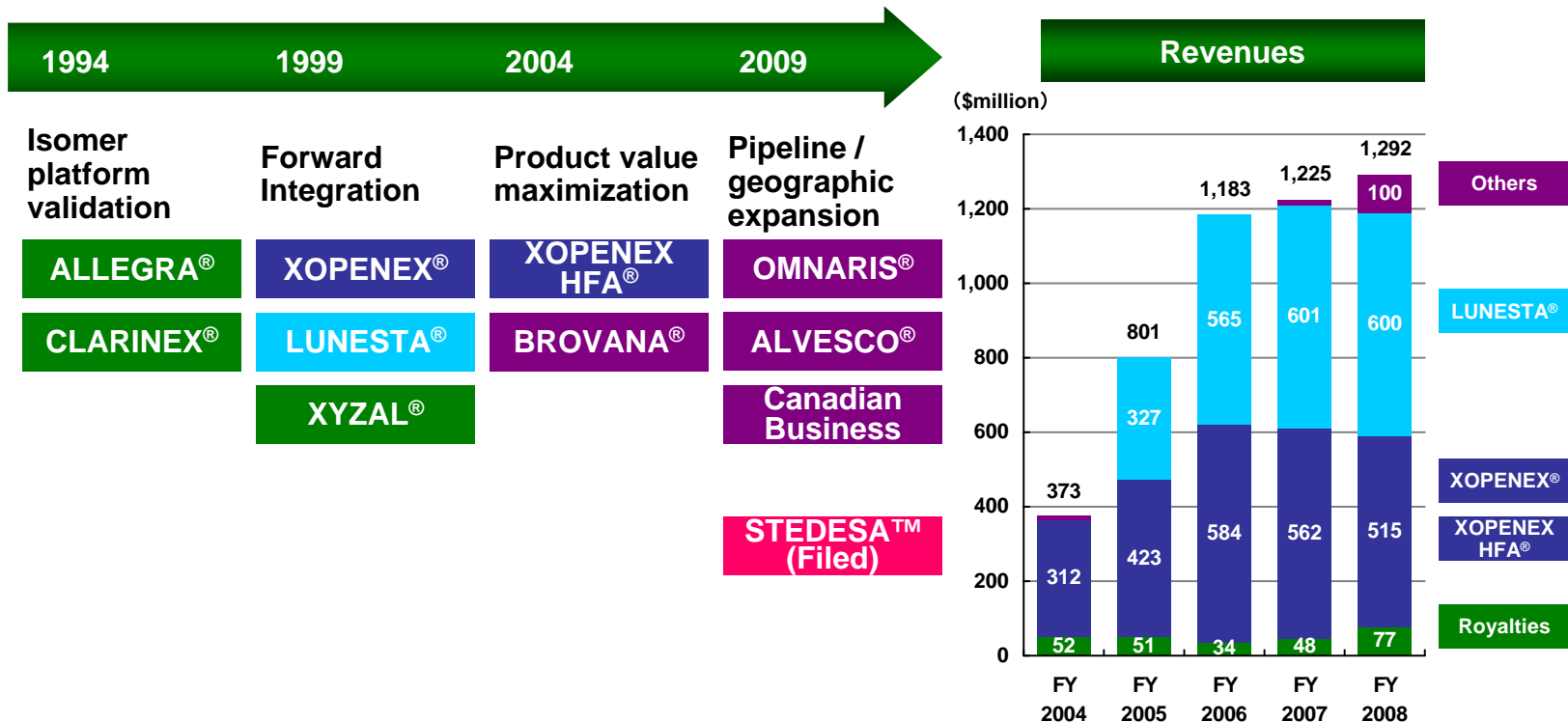
1. Fiscal year ended December 2008.

2. Includes short-term investments.

Source: Company disclosures, SEC filings, company web site

# Continuous Growth Through Business Development

- Proven track record of products successfully introduced to the market
- Establishment of a strong sales and marketing infrastructure
- Pipeline and geographic expansion through corporate development and licensing
- Revenues in 2008: \$1,292 million









Source: Company disclosures, company web site

# Total Functional Capacity

Function	Comments
<b>Sales &amp; Marketing</b>	<ul style="list-style-type: none"> <li>■ Strong sales network throughout the U.S. and Canada covering primary care physicians and specialists</li> <li>■ Efficient and effective detailing efforts by responsible sales professionals</li> <li>■ Track record of launching XOPENEX® and LUNESTA®</li> </ul>
<b>Research &amp; Development</b>	<ul style="list-style-type: none"> <li>■ Multiple successes in development of single isomers and active metabolites</li> <li>■ Track record of 6 INDs since 2003</li> <li>■ Wide knowledge and experience in clinical development and FDA approval process</li> <li>■ Proven franchise development capabilities to meet the market's needs</li> </ul>
<b>Business Development</b>	<ul style="list-style-type: none"> <li>■ Business development team has an industry-wide network and the ability to obtain strong pipeline candidates</li> <li>■ Expansion of product lines such as OMNARIS®, ALVESCO® and STEDESA™</li> </ul>
<b>Manufacturing</b>	<ul style="list-style-type: none"> <li>■ Sepracor Canada manufactures API of XOPENEX® and LUNESTA®</li> </ul>
<b>Management</b>	<ul style="list-style-type: none"> <li>■ Experienced management with deep industry knowledge both in the U.S. and internationally</li> <li>■ Execution capability for innovation of business models</li> </ul>



# Major Products and Sales Force

No. of sales professionals <sup>(1)</sup> (Total: 1,200)	Products	Overview
<b>LUNESTA<sup>®</sup></b> <b>OMNARIS<sup>®</sup></b> <b>(755)</b>	 	<ul style="list-style-type: none"> <li>■ Sedative hypnotic/gamma-aminobutyric acid (GABA<sub>A</sub>)</li> <li>■ Long-term subscriptions (6 months), widely recognized brand name</li> <li>■ Allergic rhinitis/ciclesonide</li> <li>■ Licensed from Nycomed in January 2008</li> <li>■ Commercially introduced in April 2008</li> </ul>
<b>BROVANA<sup>®</sup></b> <b>(150)</b>		<ul style="list-style-type: none"> <li>■ COPD/long-acting beta2-agonist by nebulizer</li> <li>■ 150 specialty representatives focused on Brovana</li> </ul>
<b>XOPENEX<sup>®</sup></b> <b>ALVESCO<sup>®</sup></b> <b>(295)</b>	  	<ul style="list-style-type: none"> <li>■ Asthma and COPD/fast-acting inhaled beta-agonist by nebulizer</li> <li>■ Better tolerability than racemic albuterol</li> <li>■ Inhalation aerosol</li> <li>■ Asthma/ciclesonide</li> <li>■ Licensed from Nycomed in January 2008, taken twice per day</li> </ul>

Source: Company disclosures, company web site

1. As of June 30, 2009.

# Major Pipeline Products

PRODUCT DEVELOPMENT PIPELINE						
PRODUCT/CANDIDATE	INDICATION/TARGET	Preclinical	Phase I	Phase II	Phase III	Under FDA Review
STEDESA™*	Epilepsy	[Progress bar spanning Preclinical, Phase I, and Phase II]				
OMNARIS® HFA MDI	Allergic Rhinitis	[Progress bar spanning Preclinical and Phase I]				
XOPENEX® I.S.** + ipratropium	COPD	[Progress bar spanning Preclinical and Phase I]				
SEP-225289†	Depression	[Progress bar spanning Preclinical and Phase I]				
SEP-0227018 (new LUNESTA® formulation)	Insomnia	[Progress bar spanning Preclinical and Phase I]				
SEP-227162 / SEP-227164	Depression	[Progress bar spanning Preclinical and Phase I]				
SEP-228432	Depression/ADHD	[Progress bar spanning Preclinical and Phase I]				
SEP-227900	Neuropathic Pain	[Progress bar spanning Preclinical and Phase I]				
Ciclesonide I.S.**	Asthma	[Progress bar in Preclinical phase]				
BROVANA® + ciclesonide I.S.**	COPD	[Progress bar in Preclinical phase]				

\* Eslicarbazepine acetate under license from BIAL

\*\* Inhalation Solution

† Preliminary results announced on July 1, 2009

Source: Sepracor's webcast results materials dated July 24, 2009, for the quarterly and first-half period ended June 30, 2009

# Experienced Management

Name	Experiences
<b>Adrian Adams</b>	<ul style="list-style-type: none"> <li>■ President and Chief Executive Officer</li> <li>■ Prior experience: Kos Pharmaceuticals (CEO); Novartis-UK (CEO); SmithKline Beecham-UK, international and Canada (CEO); ICI/Zeneca-UK, U.S. and international</li> </ul>
<b>Mark H.N. Corrigan M.D.</b>	<ul style="list-style-type: none"> <li>■ Executive Vice President Research and Development</li> <li>■ Prior experience: Over 20 years of experience in treating psychiatric and central nervous system disorders, Group Vice President of Pharmacia prior to joining Sepracor</li> </ul>
<b>Mark Iwicki</b>	<ul style="list-style-type: none"> <li>■ Executive Vice President and Chief Commercial Officer</li> <li>■ Prior experience: Novartis, Merck, Astra Merck (Key roles in Marketing)</li> </ul>
<b>Andrew I. Koven</b>	<ul style="list-style-type: none"> <li>■ Executive Vice President, General Counsel and Corporate Secretary</li> <li>■ Prior experience: Kos (EVP General Counsel), Warner-Lambert (Legal)</li> </ul>
<b>Richard Ranieri</b>	<ul style="list-style-type: none"> <li>■ Executive Vice President, Human Resources and Administration</li> <li>■ Prior experience: Neurocrine Biosciences, Genencor International, GlaxoSmithKline (Human Resource)</li> </ul>
<b>Robert F. Scumaci</b>	<ul style="list-style-type: none"> <li>■ Executive Vice President and Chief Financial Officer</li> <li>■ Prior experience: Vice President in Finance Department in Ares-Serono Group prior to joining Sepracor in 1995</li> </ul>

Source: Company disclosures, company web site

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# Expected Effects of Acquisition

- Potential to accelerate penetration and maximize sales of Lurasidone in the U.S.
  - Leverage Sepracor's strong sales and marketing network
  - Synergies with existing products in the CNS area
  - Minimize time and cost required to build an extensive sales network
- Establish international platform
  - Increase overseas revenue contribution to approx. 40%
  - In addition to the existing product development capability in the U.S., this transaction will enable DSP to establish a sales platform in this critically important market
  - Accumulated know-how and experience at Sepracor will minimize business development risk for DSP
    - E.g. quality assurance, compliance with pharmaceutical law, intellectual property strategy, etc.
  - Enhanced opportunity for corporate development and licensing by acquisition of U.S. and Canadian sales and marketing infrastructure

# Expected Effects of Acquisition

- Expand scale of pharmaceutical business
  - Consolidate strong cash-generating capability of Sepracor
  - Increased revenues and profits
  - Greater R&D investment and improved productivity
- Reinforcement of product pipeline
  - Pipeline products in all phases
  - Synergies in research intensive areas (CNS, respiratory, inflammation/allergies)

# Maximizing the Value of Lurasidone

## Sales Synergies

- Potential to accelerate penetration and maximize product value by leveraging Sepracor's franchise, experience and success in the CNS area

## Cost Synergies

- Minimize cost for additional sales professionals
  - Utilize Sepracor's existing sales professionals for primary care and medical specialists
- Avoid investments to build new infrastructure

# Progress of Lurasidone

## Schizophrenia

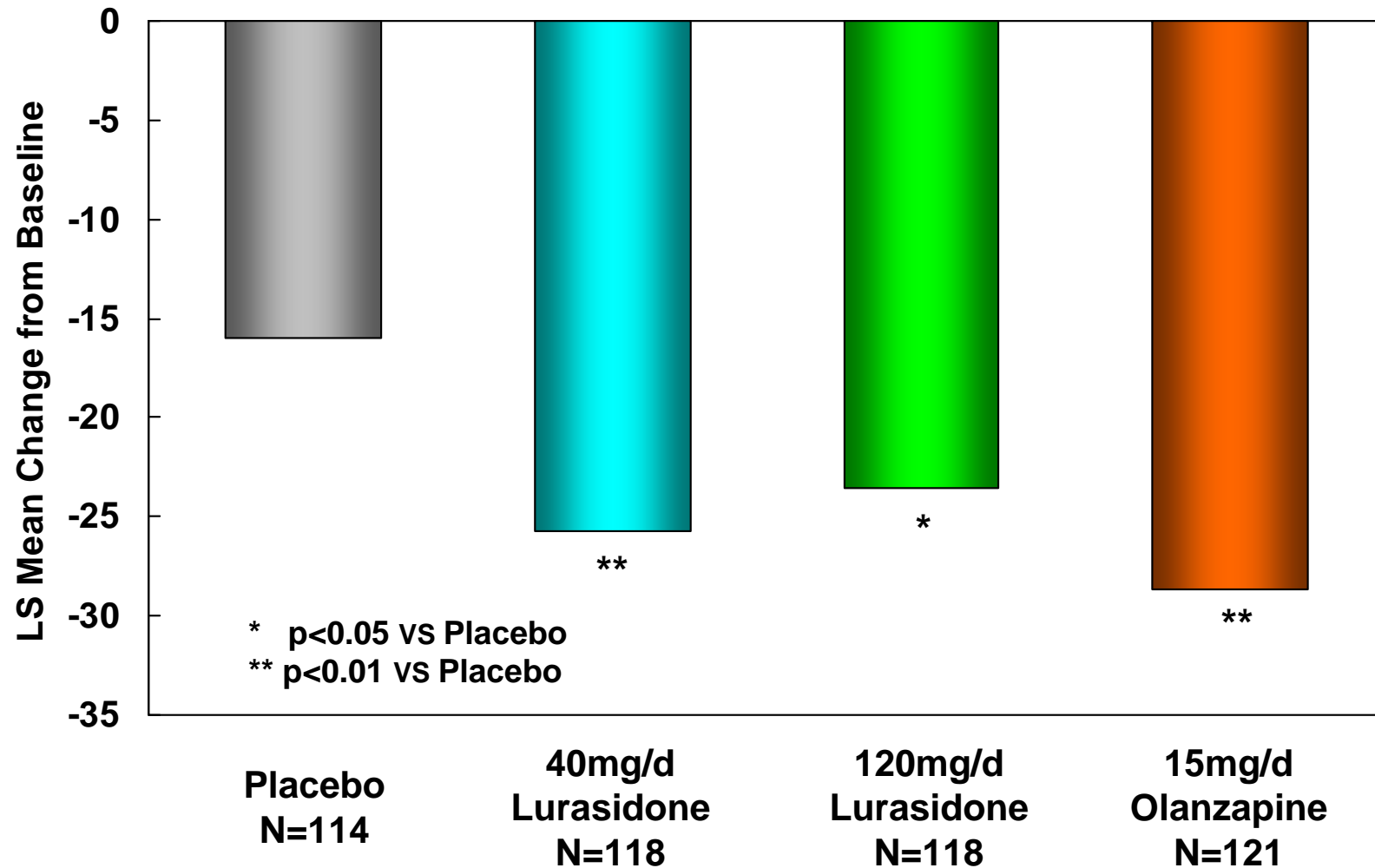
- Placebo-controlled Phase III Study (PEARL 1)
  - Positive result: announced in APA (May 20) and press release (May 21)
- Successful pre-NDA meeting with FDA in May 2009
- Placebo-controlled Phase III Study (PEARL 2)
  - Press release on August 26
  - Efficacy exceeds Placebo in 40mg and 120mg
  - Favorable safety profile: discontinuation rate, weight and metabolic profile similar to placebo
- Placebo-controlled Phase III Study (PEARL 3)
  - Screening began on October 27, 2008 and the study is underway
- Planned NDA in early 2010

## Bipolar (Depression)

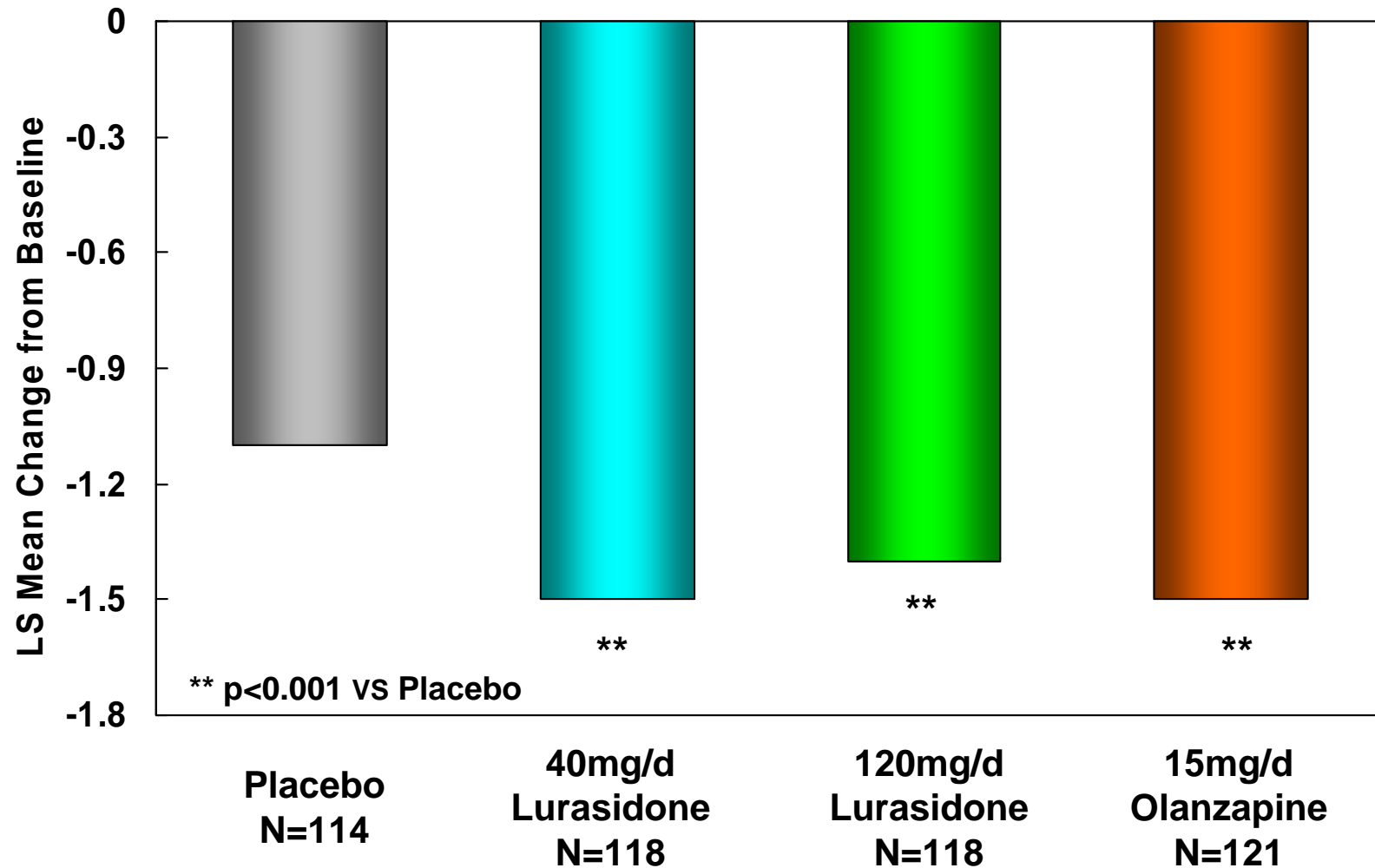
- Phase III Study (PREVAIL)
  - Screening began in April 2009 and the study is underway



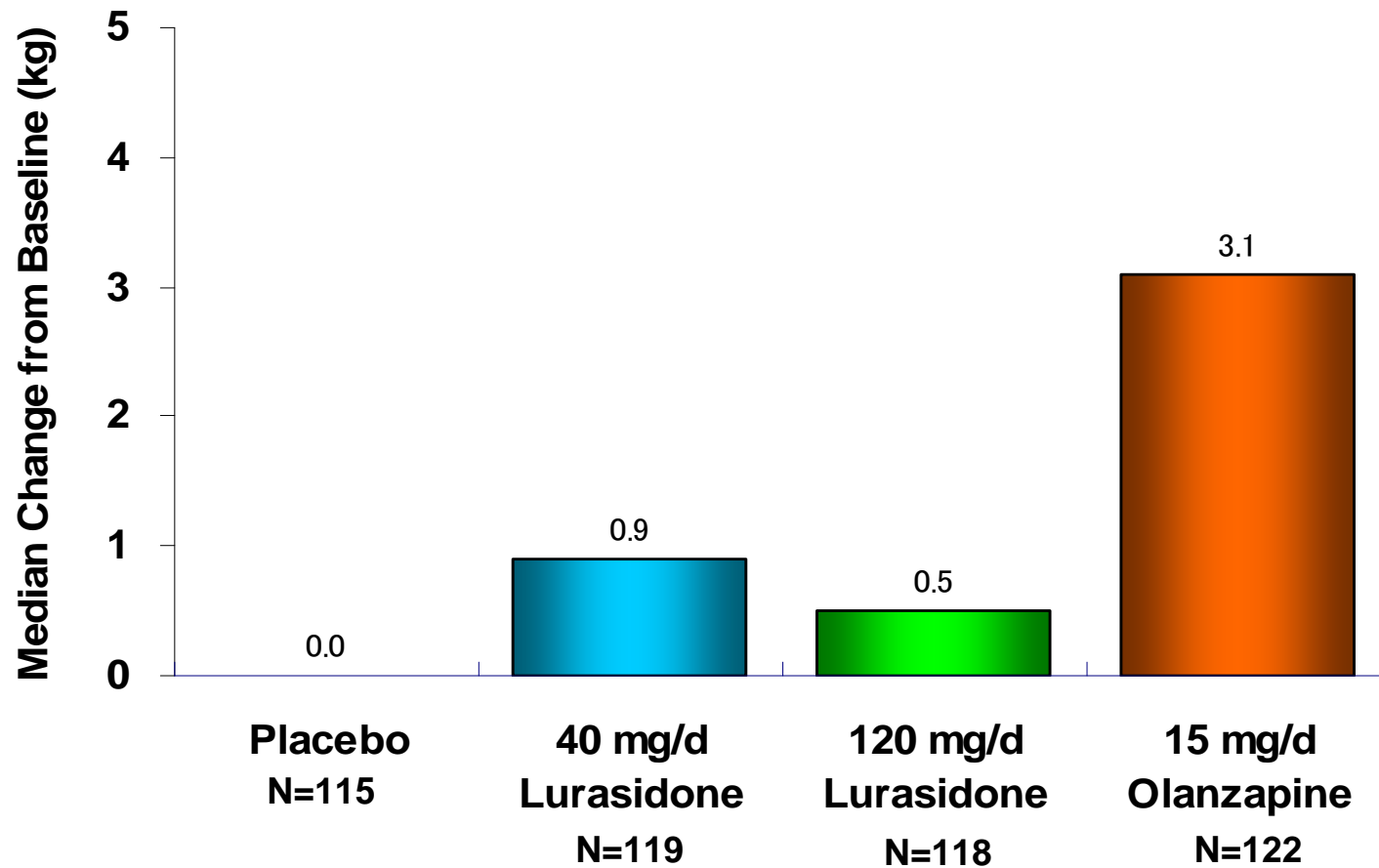
# PEARL 2 data: Efficacy PANSS Total (MMRM)



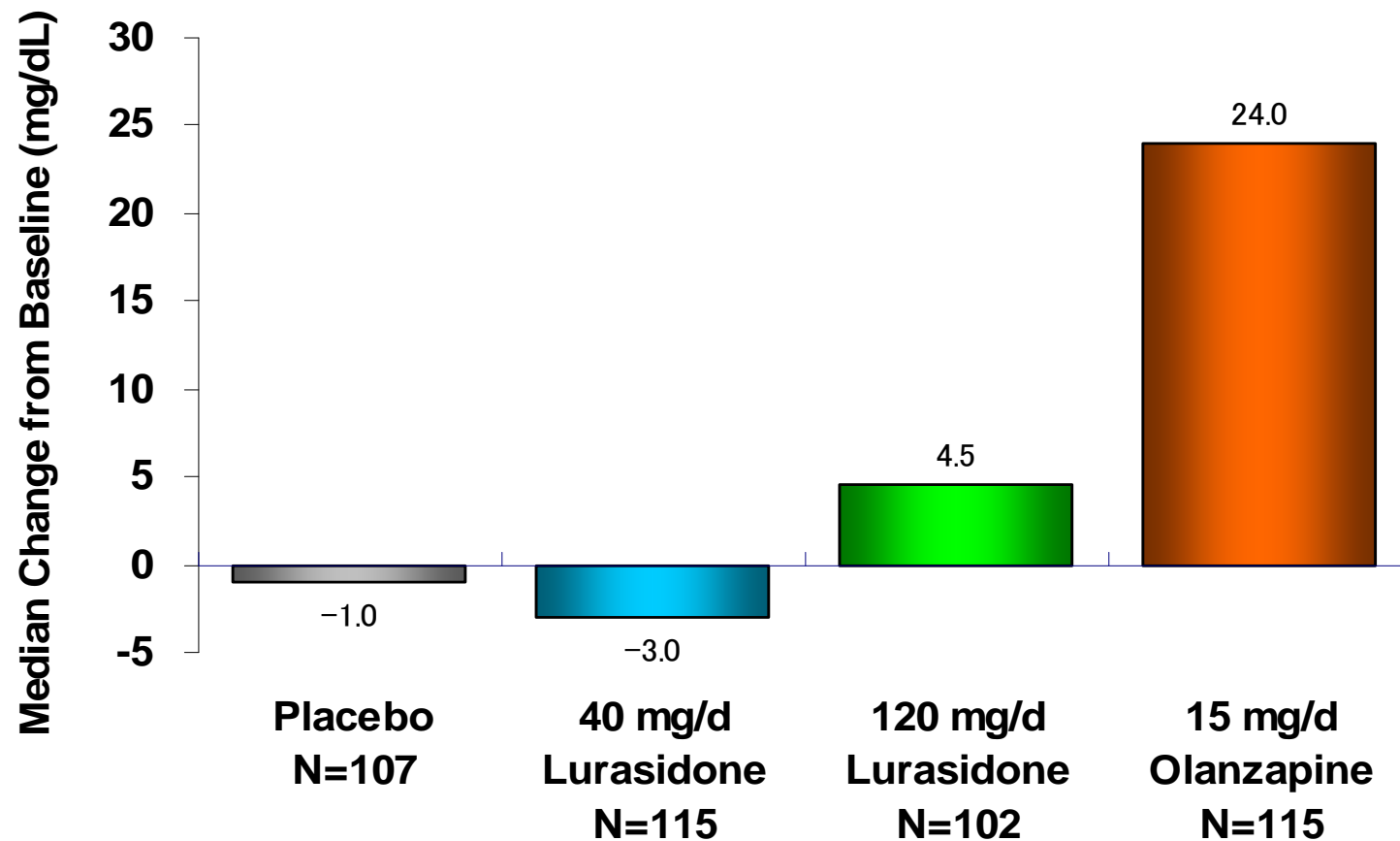
# PEARL 2 data: Efficacy CGI-S (MMRM)



# PEARL 2 data: Safety Weight Change (LOCF)



# PEARL 2 data: Safety Triglycerides (LOCF)



# Expansion of Pipeline in the U.S. and Europe

	3→6	1→4	1→2	0→1	0→6
	Phase I	Phase II	Phase III	Under FDA Review	Marketed (U.S.)
CNS	SEP-'162 / SEP-'164 U.S.	SEP-'289 U.S.	Lurasidone U.S./EU/Others	STEDESA™ U.S.	LUNESTA®
	SEP-'432 U.S.	SEP-'018 U.S.			
	SEP-'900 U.S.				
Respiratory	SMP-028 U.S.	XOPENEX®/Ipra U.S.	OMNARIS HFA® U.S.		XOPENEX® XOPENEX HFA® BROVANA® OMNARIS® ALVESCO®
Diabetes	DSP-7238 EU				
	DSP-8658 U.S.				
Others		SMP-986 U.S./EU			

● Dainippon Sumitomo Pharma
 ● Sepracor

\*Table above is the representation of existing and developing products of DSP and Sky at the moment and is not a representation of the future product plan 20

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# Acquisition Overview

## Acquisition Price

- \$23.00 per share
- Approx. 27.6% premium to the closing price of Sepracor's common stock on September 1, 2009
- Total acquisition value is approx. \$2.6 billion

## Acquisition Structure

- Tender offer in the U.S.
- Tender offer will be launched in the beginning of September
- Sepracor will become a wholly owned subsidiary after completion of Tender Offer followed by a back-end merger process
- Sepracor's board approved the acquisition unanimously

## Source of Funds

- Cash on hands: Approx. JPY50 billion
- Bridge Loans: Approx. JPY200 billion
- Consideration for permanent financing will be given from a wide range of alternatives

# Financial Impact

## Impact on Earnings

- Details of the impact from goodwill and intangible assets related to in-process R&D expense will be announced once determined

## Impact on EPS

- Accretive to EPS by FY ending March 2012
- Accretive to EPS before amortization of goodwill by FY ending March 2011

## Shareholder Returns

- Stable dividend levels in the near term
- Plan to use increased cash flow generated from acquisition to maximize shareholder returns



# Disclaimer

## Forward-Looking Statements

This presentation contains forward-looking statements that involve significant risks and uncertainties. All statements that are not historical facts are forward-looking statements, including: statements that are preceded by, followed by, or that include the words “believes,” “anticipates,” “plans,” “expects,” “could”, “should” or similar expressions; statements regarding the anticipated timing of filings and approvals relating to the transaction; statements regarding the expected timing of the completion of the transaction; statements regarding the ability to complete the transaction considering the various closing conditions; and any statements of assumptions underlying any of the foregoing. All estimated or anticipated future results, product performance or other non-historical facts are forward-looking and reflect current perspective on existing trends and information of Dainippon Sumitomo Pharma Co., Ltd. (“DSP”). Investors and security holders are cautioned not to place undue reliance on these forward-looking statements. Actual results could differ materially from those currently anticipated due to a number of risks and uncertainties that are subject to change based on factors that are, in many instances, beyond DSP’s control. Risks and uncertainties that could cause results to differ from expectations include: uncertainties as to the timing of the tender offer and merger; uncertainties as to how many Sepracor Inc. (“Sepracor”) stockholders will tender their shares in the offer; the risk that competing offers will be made; the possibility that various closing conditions for the transaction may not be satisfied or waived, including that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of the transaction; the effects of disruption from the transaction making it more difficult to maintain relationships with employees, licensees, other business partners or governmental entities, other business effects, including the effects of industry, economic or political conditions outside of DSP’s control; transaction costs; actual or contingent liabilities; or other risks and uncertainties discussed in documents filed with the U.S. Securities and Exchange Commission by Sepracor, as well as the tender offer documents to be filed by Aptiom, Inc. (“Aptiom”; a wholly-owned indirect subsidiary of DSP) and the Solicitation/Recommendation Statement to be filed by Sepracor. Accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will occur or, if any of them do, what impact they will have on DSP’s results of operations or financial condition. DSP does not undertake any obligation to update or revise any forward-looking statements as a result of new information, future developments or otherwise.

## Additional Information

The tender offer for the outstanding common stock of Sepracor referred to in this presentation has not yet commenced. This presentation is neither an offer to purchase nor a solicitation of an offer to sell any securities. The solicitation and the offer to buy shares of Sepracor common stock will be made pursuant to an offer to purchase and related materials that Aptiom, a wholly-owned indirect subsidiary of DSP, intends to file with the U.S. Securities and Exchange Commission. At the time the tender offer is commenced, Aptiom is required to file a Tender Offer Statement on Schedule TO with the U.S. Securities and Exchange Commission, and thereafter Sepracor is required to file a Solicitation/Recommendation Statement on Schedule 14D-9 with respect to the tender offer. THE TENDER OFFER STATEMENT (INCLUDING AN OFFER TO PURCHASE, A RELATED LETTER OF TRANSMITTAL AND OTHER OFFER DOCUMENTS), AND THE SOLICITATION/RECOMMENDATION STATEMENT WILL CONTAIN IMPORTANT INFORMATION THAT SHOULD BE READ CAREFULLY AND CONSIDERED BEFORE ANY DECISION IS MADE WITH RESPECT TO THE TENDER OFFER. These materials will be sent free of charge to all stockholders of Sepracor. In addition, all of these materials (and other materials filed by Sepracor with the U.S. Securities and Exchange Commission) will be available at no charge from the U.S. Securities and Exchange Commission through its web site at <http://www.sec.gov>. Investors and security holders may also obtain free copies of these documents that are filed with the U.S. Securities and Exchange Commission by Sepracor from <http://www.sepracor.com>.