



## Summary of Consolidated Financial Results for the Second Quarter of the Year Ending March 31, 2009 (Unaudited)

October 31, 2008

Company Name: DAINIPPON SUMITOMO PHARMA CO., LTD.  
 Head Office: 6-8, Doshomachi, 2-chome, Chuo-ku, Osaka, 541-0045  
 Stock Exchange Listings: Tokyo, Osaka, Nagoya  
 Security Code number: 4506 (URL: <http://www.ds-pharma.co.jp>)  
 Filing date of Quarterly Financial Report: November 12, 2008  
 Starting date of dividend payments: December 1, 2008

The accompanying consolidated financial statements are prepared in accordance with Japanese GAAP. Certain accounting principles and practices generally accepted in Japan are different from International Financial Reporting Standards. The translation of consolidated financial statements into English from Japanese is solely for the convenience of readers outside Japan.

(Note : All amounts are rounded down to the nearest million yen.)

### 1. Consolidated Financial Results for the Second Quarter of the Year Ending March 31, 2009 (April 1, 2008 to September 30, 2008)

#### (1) Results of Operations

(% represent changes from the corresponding period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income	
	Yen million	%	Yen million	%	Yen million	%	Yen million	%
Six months ended September 30, 2008	134,358	—	18,177	—	18,208	—	10,870	—
Six months ended September 30, 2007	128,741	1.4	22,316	9.0	22,172	13.3	13,797	45.5

	Earnings per share	Earnings per share (diluted)
Six months ended September 30, 2008	¥27.35	—
Six months ended September 30, 2007	¥34.71	—

#### (2) Financial Position

(millions of yen)

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share (yen)
As of September 30, 2008	385,509	323,603	83.9%	¥814.16
As of March 31, 2008	399,790	318,277	79.6%	¥800.63

Reference: Shareholders' Equity (millions of yen)

As of September 30, 2008 : 323,514  
 As of March 31, 2008 : 318,194

## 2. Dividends

	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-End	Annual
Year ended March 31, 2008	—	¥9.00	—	¥9.00	¥18.00
Year ending March 31, 2009	—	¥9.00			
Year ending March 31, 2009 (Forecast)			—	¥9.00	¥18.00

Note: Revision of dividend forecast during this period: None

## 3. Consolidated Financial Forecast for the Year Ending March 31, 2009 (April 1, 2008 to March 31, 2009)

(% represent changes from the previous year.)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Yen million	%	Yen million	%	Yen million	%	Yen million	%	
Year ending March 31, 2009	266,000	0.8	30,500	(23.4)	30,500	(19.0)	18,500	(27.7)	¥46.56

Note: Revision of consolidated financial forecast during this period: None

## 4. Basis of Preparing the Consolidated Financial Statements

- (1) Shift of significant subsidiaries during the period (shift of specified subsidiaries accompanied by changes in scope of consolidation) : None
- (2) Application of simplified accounting methods and specific accounting methods for preparing quarterly financial statements: Yes
- (3) Changes in accounting principles, procedures, disclosure methods for preparing quarterly financial statements
  - ① Changes due to adoption of new accounting standards: Yes
  - ② Other changes: Yes
- (4) Number of shares outstanding (Common stock) at end of period
  - ① Number of shares outstanding (Including treasury stock)
    - Six months ended September 30, 2008 : 397,900,154
    - Year ended March 31, 2008 : 397,900,154
  - ② Number of treasury stock
    - Six months ended September 30, 2008 : 541,628
    - Year ended March 31, 2008 : 472,642
  - ③ Average number of shares during the period
    - Six months ended September 30, 2008 : 397,391,757
    - Six months ended September 30, 2007 : 397,470,862

- Notes: 1. This document contains forward-looking statements based on management's assumptions and beliefs in light of the information currently available, and involve risks and uncertainties. Actual financial results may differ materially depending on a number of factors, including economic conditions.*
- 2. Effective from the year ending March 31, 2009, the Company applies "Accounting Standard for Quarterly Financial Statements" (ASBJ Statement No.12) and "Guidance on Accounting Standard for Quarterly Financial Statements" (ASBJ Guidance No.14). In addition, the Company prepares its quarterly financial statements in accordance with "Quarterly Financial Reporting Rules".*

## Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	(Millions of yen)	
	As of September 30, 2008	As of March 31, 2008
Assets		
Current assets:		
Cash and time deposits	22,556	28,168
Notes and accounts receivable	84,678	86,363
Marketable securities	26,896	30,086
Merchandise and finished goods	35,013	36,544
Work-in-process	2,284	2,259
Raw materials and supplies	9,695	9,719
Short-term loans	40,000	40,000
Others	18,507	18,220
Allowance for doubtful receivables	(371)	(301)
Total current assets	239,261	251,063
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	83,320	83,139
Accumulated depreciation	(43,713)	(43,363)
Buildings and structures, net	39,606	39,776
Machinery, equipment and carriers	68,325	67,929
Accumulated depreciation	(58,891)	(57,876)
Machinery, equipment and carriers, net	9,433	10,052
Land	9,975	9,975
Construction in progress	7,635	6,170
Others	23,926	23,018
Accumulated depreciation	(19,255)	(18,713)
Others, net	4,670	4,304
Total property, plant and equipment	71,322	70,279
Intangible assets	6,302	5,849
Investments and other assets:		
Investment securities	43,937	44,340
Others	24,800	28,567
Allowance for doubtful receivables	(115)	(309)
Total investments and other assets	68,623	72,598
Fixed assets	146,247	148,727
Total assets	385,509	399,790

(Millions of yen)

	As of September 30, 2008	As of March 31, 2008
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable	13,519	16,499
Current portion of long-term debt	—	4,600
Income taxes payable	7,517	10,862
Reserve for bonuses	6,975	8,214
Reserve for sales returns	134	120
Reserve for sales rebates	397	458
Reserve for loss on litigation	1,076	1,054
Others	19,093	26,105
Total current liabilities	48,714	67,914
Long-term liabilities:		
Liability for retirement benefits	8,999	8,797
Liability for directors' retirement benefits	37	34
Others	4,154	4,766
Total long-term liabilities	13,191	13,598
Total liabilities	61,906	81,513
<b>Net assets</b>		
Shareholders' equity:		
Common stock	22,400	22,400
Capital surplus	15,860	15,860
Retained earnings	276,092	268,800
Treasury stock	(617)	(557)
Total shareholders' equity	313,735	306,503
Valuation, translation adjustments and others:		
Unrealized gains on available-for-sale securities, net of tax	9,779	11,690
Total valuation, translation adjustments and others	9,779	11,690
Minority interests	88	83
Total net assets	323,603	318,277
Total liabilities and net assets	385,509	399,790

(2) Consolidated Statements of Income

	(Millions of yen)
	Six months ended September 30, 2008
Net sales	134,358
Cost of sales	52,834
Gross profit	81,523
Provision for reserve for sales returns	14
Gross profit-net	81,509
Selling, general and administrative expenses	
Provision for allowance for doubtful receivables	66
Salaries	8,231
Provision for reserve for bonuses	4,370
Provision for liability for directors' retirement benefits	6
Research and development costs	24,784
Others	25,872
Total selling, general and administrative expenses	63,331
Operating income	18,177
Non-operating income	
Interest income	498
Dividend income	380
Insurance income	248
Others	319
Total non-operating income	1,447
Non-operating expenses	
Interest expense	58
Contribution	927
Others	429
Total non-operating expenses	1,416
Ordinary income	18,208
Income before income taxes and minority interests	18,208
Income taxes	7,332
Minority interests in net income	6
Net income	10,870

### (3) Consolidated Statements of Cash Flows

	(Millions of yen)
	Six months ended September 30, 2008
<hr/>	
Net cash provided by operating activities:	
Income before income taxes and minority interests	18,208
Depreciation and amortization	5,499
Provision for liability for retirement benefits, less payments	133
Provision for other liabilities	(1,384)
Interest and dividend income	(878)
Interest expense	58
Decrease (increase) in notes and accounts receivable	1,684
Decrease (increase) in inventories	1,530
Increase (decrease) in notes and accounts payable	(2,980)
Other—net	(2,289)
Subtotal	<hr/> 19,582
Interest and dividend received	893
Interest paid	(33)
Income taxes paid	(10,063)
Net cash provided by operating activities	<hr/> 10,378
Net cash used in investing activities:	
Increase in time deposits	(1,000)
Decrease in time deposits	3,000
Proceeds from sales of marketable securities	1,000
Purchases of property, plant and equipment	(10,278)
Purchases of intangible assets	(1,967)
Purchases of investment securities	(3,822)
Other—net	74
Net cash used in investing activities	<hr/> (12,993)
Net cash used in financing activities:	
Repayment of long-term debt	(4,600)
Decrease (increase) in treasury stock	(61)
Dividends paid	(3,574)
Dividends paid to minority shareholders	(0)
Net cash used in financing activities	<hr/> (8,236)
Effect of exchange rate changes on cash and cash equivalents	47
Net increase (decrease) in cash and cash equivalents	<hr/> (10,804)
Cash and cash equivalents at beginning of period	56,259
Cash and cash equivalents at end of period	<hr/> 45,455

(4) Notes on premise of going concern

Not applicable.

(5) Segment Information

**Business segment information**

Six months ended September 30, 2008

(Millions of yen)

	Pharmaceuticals	Other products	Total	Eliminations / Corporate	Consolidated
Sales to customers	106,109	28,249	134,358	—	134,358
Intersegment sales and transfers	—	—	—	—	—
Total	106,109	28,249	134,358	—	134,358
Operating income	17,519	658	18,177	—	18,177

(Notes)

1. Business segments are divided into "Pharmaceuticals" and "Other products" based on natures of products and businesses.
2. The major products in each of the business segment are as follows:

Business segment	Major products
Pharmaceuticals	Cardiovascular system drugs Antibacterial and antibiotic agents Central nervous system and antiallergic drugs Gastrointestinal drugs
Other products	Animal health products Feeds and feed additives Food additives Diagnostics Other products

**Geographical segment information**

Six months ended September 30, 2008

Geographical segment information are not disclosed because none of consolidated subsidiaries are located outside Japan.

**Overseas sales**

Six months ended September 30, 2008

(Millions of yen)

Overseas sales	12,647
Consolidated net sales	134,358
Overseas sales as a percentage of consolidated net sales	9.4%

(6) Notes on significant changes in shareholders' equity

Not applicable.



**[Reference]****Consolidated Financial Statements for the Second Quarter Ended September 30, 2007****(1) Consolidated Statements of Income**

	(Millions of yen)
	Six months ended September 30, 2007
Net sales	128,741
Cost of sales	48,160
Gross profit	80,580
Provision for reserve for sales returns	6
Gross profit-net	80,573
Selling, general and administrative expenses	58,256
Operating income	22,316
Non-operating income	
Interest income	391
Dividend income	426
Insurance income	301
Others	411
Total non-operating income	1,531
Non-operating expenses	
Interest expense	62
Loss on disposal of inventories	177
Loss on valuation of inventories	277
Contribution	868
Others	289
Total non-operating expenses	1,675
Ordinary income	22,172
Income before income taxes and minority interests	22,172
Income taxes-current	8,246
Income taxes-deferred	58
Minority interests in net income	70
Net income	13,797

(2) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2007
Net cash provided by operating activities:	
Income before income taxes and minority interests	22,172
Depreciation and amortization	5,745
Provision for liability for retirement benefits, less payments	(618)
Provision for other liabilities	(967)
Interest and dividend income	(818)
Interest expense	62
Decrease (increase) in notes and accounts receivable	3,588
Decrease (increase) in inventories	(414)
Increase (decrease) in notes and accounts payable	(2,095)
Other—net	(1,007)
Subtotal	25,646
Interest and dividend received	721
Interest paid	(29)
Income taxes paid	(8,594)
Net cash provided by operating activities	17,744
Net cash used in investing activities:	
Increase in time deposits	(3,000)
Purchases of property, plant and equipment	(2,470)
Purchases of intangible assets	(1,820)
Purchases of investment securities	(3,236)
Net decrease (increase) in short-term loans	(40,000)
Other—net	830
Net cash used in investing activities	(49,696)
Net cash used in financing activities:	
Net increase (decrease) in short-term bank loans	(400)
Decrease (increase) in treasury stock	(65)
Dividends paid	(2,782)
Dividends paid to minority shareholders	(7)
Net cash used in financing activities	(3,255)
Net increase (decrease) in cash and cash equivalents	(35,208)
Cash and cash equivalents at beginning of period	81,722
Increase in cash and cash equivalents due to changes in scope of consolidation	70
Cash and cash equivalents at end of period	46,585

### (3) Segment Information

#### **Business segment information**

Six months ended September 30, 2007

(Millions of yen)

	Pharmaceuticals	Other products	Total	Eliminations / Corporate	Consolidated
Sales and operating income					
Sales to customers	101,974	26,766	128,741	—	128,741
Intersegment sales and transfers	—	—	—	—	—
Total	101,974	26,766	128,741	—	128,741
Operating expenses	80,220	26,203	106,424	—	106,424
Operating income	21,753	563	22,316	—	22,316

#### **Geographical segment information**

Six months ended September 30, 2007

Geographical segment information are not disclosed because none of consolidated subsidiaries are located outside Japan.

#### **Overseas sales**

Six months ended September 30, 2007

(Millions of yen)

Overseas sales	11,939
Consolidated net sales	128,741
Overseas sales as a percentage of consolidated net sales	9.3%

**Supplementary Financial Data**  
for the Second Quarter of the Year Ending March 31, 2009

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October 31, 2008

**Dainippon Sumitomo Pharma Co., Ltd.**

- All values are rounded. Therefore totals may not be consistent with aggregated figures.

## I. Consolidated Financial Highlights

### 1. Highlights of the Statements of Income

(Billions of Yen)

	Six months ended 9/30/07	Six months ended 9/30/08		Year ended 3/31/08	Year ending 3/31/09 (Forecast)	
			Change (%)			Change (%)
Net sales	128.7	134.4	4.4	264.0	266.0	0.8
Cost of sales	48.2	52.8	9.7	99.4	103.5	4.1
SG&A expenses	58.3	63.3	8.7	124.8	132.0	5.8
[R&D costs]	[19.7]	[24.8]	[26.0]	[47.3]	[55.0]	[16.4]
Operating income	22.3	18.2	(18.5)	39.8	30.5	(23.4)
Ordinary income	22.2	18.2	(17.9)	37.7	30.5	(19.0)
Net income	13.8	10.9	(21.2)	25.6	18.5	(27.7)

Notes: Cost of Sales includes provision for (reversal of) reserve for sales returns.

"Change(%)" represent ratio of changes from the corresponding period of the previous year.

Earnings per share (yen)	34.71	27.35	64.39	46.56
Return on equity (ROE)	4.5%	3.4%	8.2%	5.7%
Payout ratio	25.9%	32.9%	28.0%	38.7%

### 2. Highlights of the Balance Sheets

(Billions of Yen)

	As of 3/31/08 (A)	As of 9/30/08 (B)	(B) - (A)
Total assets	399.8	385.5	(14.3)
Net assets	318.3	323.6	5.3
Shareholders' equity	318.2	323.5	5.3

Shareholders' equity ratio      79.6%      83.9%

### 3. Capital Expenditures and Depreciation

(Billions of Yen)

	Six months ended 9/30/07	Six months ended 9/30/08	Change	Year ended 3/31/08	Year ending 3/31/09 (Forecast)	Change
Capital expenditures (including intangible assets)	4.8	6.9	2.2	15.5	13.0	(2.5)
Depreciation and amortization	5.4	5.1	(0.2)	11.1	11.5	0.4

- Major capital expenditure projects for the year ending March 31, 2009

Renovation of Experimental animal facility in Central Research Laboratories:

¥0.5 billion (total budget: ¥0.55 billion, to be completed in December 2008)

Renewal of PTP packaging machine in Ibaraki Plant:

¥0.57 billion (total budget: ¥0.57 billion, to be completed in January 2009)

4. Highlights of the Statements of Cash Flows (Billions of Yen)

	Six months ended 9/30/07 (A)	Six months ended 9/30/08 (B)	(B)-(A)
Net cash provided by operating activities	17.7	10.4	(7.4)
Net cash used in investing activities	(49.7)	(13.0)	36.7
Net cash used in financing activities	(3.3)	(8.2)	(5.0)
Cash and cash equivalents at end of period	46.6	45.5	(1.1)

· (A): Short-term loan to the parent company  
 · (B): Purchase of property, plant and equipment (new solid dosage form building at Suzuka Plant)

· (B): Repayment of long-term debt

## II. Consolidated Statements of Income

### 1. Statements of Income

(Billions of Yen)

	Six months ended 9/30/07 (A)	Six months ended 9/30/08 (B)		
			(B)-(A)	Change (%)
Net sales	128.7	134.4	5.6	4.4
Overseas sales	11.9	12.6	0.7	5.9
Cost of Sales	48.2	52.8	4.7	9.7
Gross profit	80.6	81.5	0.9	1.2
SG&A expenses	58.3	63.3	5.1	8.7
Labor costs	16.1	15.9	(0.2)	(1.0)
Advertising and promotion costs	3.0	2.8	(0.2)	(6.2)
Sales promotion costs	4.5	5.5	1.0	22.2
Other costs	15.0	14.3	(0.7)	(4.7)
SG&A expenses less R&D costs	38.6	38.5	(0.0)	(0.1)
R&D costs	19.7	24.8	5.1	26.0
Operating income	22.3	18.2	(4.1)	(18.5)
Non-operating income	1.5	1.4	(0.1)	
Non-operating expenses	1.7	1.4	(0.3)	
Ordinary income	22.2	18.2	(4.0)	(17.9)
Income before income taxes and minority interests	22.2	18.2	(4.0)	(17.9)
Income taxes	8.3	7.3	(1.0)	
Minority interests in net income	0.1	0.0	(0.1)	
Net income	13.8	10.9	(2.9)	(21.2)

(Positives)  
 • Launch of new products (LONASEN®/AVAPRO®)  
 • Start of new contract manufacturing  
 • Increase of exports  
 (Negatives)  
 • NHI price revision  
 • Decreased sales of AMLODIN®

• Rise in cost of sales ratio (37.4%→39.3%) due to NHI price revision and the application of "Accounting Standard for Measurement of Inventories"

• Increase due to launch of new products (LONASEN®/AVAPRO®)

• Overseas clinical trials of lurasidone in progress

Note: Cost of Sales includes provision for (reversal of) reserve for sales returns.

### 2. Segment Information

(Billions of Yen)

	Six months ended 9/30/07			Six months ended 9/30/08			Year ended 3/31/08			Year ending 3/31/09 (Forecast)		
	Pharma ceuticals	Other Products	Total	Pharma ceuticals	Other Products	Total	Pharma ceuticals	Other Products	Total	Pharma ceuticals	Other Products	Total
Net sales	102.0	26.8	128.7	106.1	28.2	134.4	208.7	55.3	264.0	209.0	57.0	266.0
Operating income	21.8	0.6	22.3	17.5	0.7	18.2	38.7	1.1	39.8			

#### 4. Sales of Major Products

##### Domestic Sales

(Billions of Yen)

Brand name (Generic name) Therapeutic indication	Six months ended 9/30/07	Six months ended 9/30/08	Year ended 3/31/08	Year ending 3/31/09 (Forecast)
AMLODIN <sup>®</sup> (amlodipine) Therapeutic agent for hypertension and angina pectoris	32.1	<b>30.5</b>	63.6	57.0
GASMOTIN <sup>®</sup> (mosapride citrate) Gastroprokinetic	9.4	<b>9.9</b>	19.5	20.0
PRORENAL <sup>®</sup> (limaprost alfadex) Vasodilator	7.1	<b>7.3</b>	14.5	15.0
MEROPEN <sup>®</sup> (meropenem) Carbapenem antibiotic	7.1	<b>7.3</b>	14.8	14.5
EBASTEL <sup>®</sup> (ebastine) Antiallergic	3.9	<b>3.9</b>	11.1	10.5
SUMIFERON <sup>®</sup> (interferon- $\alpha$ NAMALWA)) Natural alpha interferon	3.0	<b>3.0</b>	6.0	6.5
GROWJECT <sup>®</sup> (somatropin) Growth hormone	2.1	<b>2.2</b>	4.3	4.5
DOPS <sup>®</sup> (droxidopa) Norepinephrine-activating neural function ameliorant	2.1	<b>1.9</b>	4.1	3.6
GLIMICRON <sup>®</sup> (gliclazide) Oral hypoglycemic	2.0	<b>1.8</b>	3.9	3.5
EXCEGRAN <sup>®</sup> (zonisamide) Antiepileptic	1.8	<b>1.8</b>	3.5	3.5
QVAR <sup>™</sup> (beclomethasone dipropionate) Bronchial asthma	2.0	<b>1.8</b>	4.3	3.8
ALMARL <sup>®</sup> (arotinolol) Therapeutic agent for hypertension, angina pectoris and arrhythmia	1.6	<b>1.5</b>	3.2	3.0
LULLAN <sup>®</sup> (perospirone) Antipsychotic	1.5	<b>1.5</b>	3.0	2.9
SEDIEL <sup>®</sup> (tandospirone) Serotonin-agonist antianxiety drug	1.5	<b>1.4</b>	3.0	2.9
TAGAMET <sup>®</sup> (cimetidine) H <sub>2</sub> -receptor antagonist	1.7	<b>1.4</b>	3.3	2.8
AmBisome <sup>®</sup> (amphotericin B) Therapeutic agent for systemic fungal infection	1.2	<b>1.4</b>	2.5	3.5

##### New Products

LONASEN <sup>®</sup> (blonanserin) Antipsychotic	—	<b>1.3</b>	—	2.0
AVAPRO <sup>®</sup> (irbesartan) Therapeutic agent for hypertension	—	<b>1.3</b>	—	3.0



## Exports

(Billions of Yen)

Generic name Therapeutic indication	Six months ended 9/30/07	Six months ended 9/30/08	Year ended 3/31/08	Year ending 3/31/09 (Forecast)
meropenem trihydrate Carbapenem antibiotic	9.0	<b>9.4</b>	18.1	14.5
zonisamide Antiepileptic	0.1	<b>0.7</b>	0.3	1.1
mosapride citrate Gastroprokinetic	0.8	<b>0.6</b>	1.7	1.1

## Industrial Property Revenues

(Billions of Yen)

	Six months ended 9/30/07	Six months ended 9/30/08	Year ended 3/31/08	Year ending 3/31/09 (Forecast)
Industrial property revenues	1.6	<b>1.6</b>	3.5	3.3

## Overseas Sales

(Billions of Yen)

	Six months ended 9/30/07	Six months ended 9/30/08	Year ended 3/31/08	Year ending 3/31/09 (Forecast)
Exports	10.4	<b>11.0</b>	21.1	17.5
Industrial property revenues	1.6	<b>1.6</b>	3.5	3.3
Overseas Sales Total (% of net sales)	11.9 (9.3)	<b>12.6</b> <b>(9.4)</b>	24.5 (9.3)	20.8 (7.8)

### III. Consolidated Balance Sheets

#### ASSETS

(Billions of Yen)

	As of 3/31/08 (A)	As of 9/30/08 (B)	(B) - (A)
[Assets]	399.8	385.5	(14.3)
Current assets:	251.1	239.3	(11.8)
Cash and time deposits	28.2	22.6	(5.6)
Notes and accounts receivable	86.4	84.7	(1.7)
Marketable securities	30.1	26.9	(3.2)
Inventories	48.5	47.0	(1.5)
Short-term loans	40.0	40.0	—
Others	18.2	18.5	0.3
Allowance for doubtful receivables	(0.3)	(0.4)	(0.1)
Fixed assets:	148.7	146.2	(2.5)
Property, plant and equipment:	70.3	71.3	1.0
Buildings and structures	39.8	39.6	(0.2)
Machinery, equipment and carriers	10.1	9.4	(0.6)
Land	10.0	10.0	—
Construction in progress	6.2	7.6	1.5
Others	4.3	4.7	0.4
Intangible assets	5.8	6.3	0.5
Investments and other assets:	72.6	68.6	(4.0)
Investment securities	44.3	43.9	(0.4)
Others	28.6	24.8	(3.8)
Allowance for doubtful receivables	(0.3)	(0.1)	0.2
<b>Total assets</b>	<b>399.8</b>	<b>385.5</b>	<b>(14.3)</b>

• Payments for construction of new solid dosage form building at Suzuka Plant, income taxes and dividends  
• Repayment of long-term debt

• Decrease of long-term time deposits

	Year ended 3/31/08	Six months ended 9/30/08
Accounts receivable turnover period (in months)	3.93	3.78

## LIABILITIES AND NET ASSETS

(Billions of Yen)

	As of 3/31/08 (A)	As of 9/30/08 (B)	(B) - (A)	
[Liabilities]	81.5	61.9	(19.6)	
Current liabilities:	67.9	48.7	(19.2)	
Notes and accounts payable	16.5	13.5	(3.0)	
Current portion of long-term debt	4.6	—	(4.6)	• Decrease by repayment
Income taxes payable	10.9	7.5	(3.3)	• Decrease by payment
Reserve for bonuses	8.2	7.0	(1.2)	
Reserve for sales returns	0.1	0.1	0.0	
Reserve for sales rebates	0.5	0.4	(0.1)	
Reserve for loss on litigation	1.1	1.1	0.0	
Others	26.1	19.1	(7.0)	• Payments for construction of new solid dosage form building at Suzuka Plant
Long-term liabilities:	13.6	13.2	(0.4)	
Liability for retirement benefits	8.8	9.0	0.2	
Liability for directors' retirement benefits	0.0	0.0	0.0	
Others	4.8	4.2	(0.6)	
[Net assets]	318.3	323.6	5.3	
Shareholders' equity:	306.5	313.7	7.2	
Common stock	22.4	22.4	—	
Capital surplus	15.9	15.9	—	
Retained earnings	268.8	276.1	7.3	• Increase by net income Decrease by dividends payment
Treasury stock	(0.6)	(0.6)	(0.1)	
Valuation, translation adjustments and others	11.7	9.8	(1.9)	
Unrealized gains on available-for-sale securities, net of tax	11.7	9.8	(1.9)	• Decrease by valuation of marketable securities
Minority interests	0.1	0.1	0.0	
Total liabilities and net assets	399.8	385.5	(14.3)	

#### IV. Group-to-Parent Ratios, Consolidated Subsidiaries, Numbers of Employees and MRs

##### 1. Group-to-parent ratios for the Six months ended 9/30/08

(Billions of Yen)

	Consolidated	Non-consolidated	Variance	Group-to-parent ratio
Net sales	134.4	126.2	8.2	1.06
Operating income	18.2	18.1	0.1	1.01
Ordinary income	18.2	18.1	0.1	1.00
Net income	10.9	10.9	(0.1)	0.99

##### 2. Consolidated subsidiaries (as of 9/30/08)

	Establishment	Paid-in capital	Ownership
Gokyo Trading Co., Ltd.	October 1947	¥100 million	96.12%
DS Pharma Biomedical Co., Ltd.	April 2001	¥480 million	100%

3. Number of employees (as of 9/30/08): 4,832 (consolidated); 4,695 (non-consolidated)

4. Number of MRs (as of 9/30/08): 1,460 (excluding managers); 1,660 (including managers)

#### V. Quarterly Business Results

(Billions of Yen)

	Year ended 3/31/08				Year ending 3/31/09	
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter
Net sales	65.3	63.4	70.5	64.8	70.1	64.2
Cost of Sales	25.4	22.8	25.9	25.3	27.8	25.0
SG&A expenses	27.8	30.5	33.7	32.8	32.1	31.2
SG&A expenses less R&D costs	18.5	20.1	19.6	19.3	19.5	19.1
R&D costs	9.3	10.4	14.1	13.5	12.7	12.1
Operating income	12.1	10.2	10.9	6.6	10.2	8.0
Non-operating income	1.1	0.4	1.0	0.6	1.0	0.4
Non-operating expenses	0.4	1.3	0.8	2.8	0.4	1.0
Ordinary income	12.8	9.4	11.1	4.4	10.8	7.4
Extraordinary income	-	-	-	3.8	-	-
Income before income taxes and minority interests	12.8	9.4	11.1	8.2	10.8	7.4
Net income	7.8	6.0	6.9	4.9	6.4	4.4

Note: Cost of Sales includes provision for (reversal of) reserve for sales returns.

## VI. Shareholder Positioning (As of September 30, 2008)

1. Total number of authorized shares: 1,500,000,000
2. Total number of shares outstanding: 397,900,154 (Number of treasury stock 541,628)
3. Number of shareholders: 16,565

### 4. Major shareholders:

Shareholders	Status of ownership	
	Number of shares held (Thousand shares)	Percentage of issued shares (%)
Sumitomo Chemical Co., Ltd.	199,434	50.12
Inabata & Co., Ltd.	33,282	8.36
The Master Trust Bank of Japan, Ltd. (Trust account)	12,604	3.17
Nippon Life Insurance Company	10,530	2.65
Japan Trustee Services Bank, Ltd. (Trust account)	8,246	2.07
Japan Trustee Services Bank, Ltd. (Trust account for Sumitomo Mitsui Banking Corporation's retirement benefits)	7,000	1.76
Sumitomo Life Insurance Company	5,776	1.45
Nissay Dowa General Insurance Co., Ltd.	4,928	1.24
Morgan Whitefriars Equity Derivatives	4,548	1.14
Japan Trustee Services Bank, Ltd. (Trust account 4G)	4,504	1.13

## VII. Development Pipeline

### Major Products under Development in Japan by DSP

Stage in JPN	Brand name/ Product code Formulation	Generic name	Therapeutic indications	Origin	Remarks
NDA filed	SM-11355 Injection	miriplatin hydrate	Hepatocellular carcinoma	In-house	
	SMP-862 Oral	metformin hydrochloride	Diabetes	Merck Santé	Improvement of insulin resistance and reduction in hepatic glyconeogenesis
NDA filed New Indication	AD-810N Oral	zonisamide	Parkinson's disease	In-house	Approved indication: epilepsy (Brand name: EXCEGRAN®)
	GASMOTIN Oral	mosapride citrate	Improvement in bowel cleansing by orally gastrointestinal lavage solution prior to barium enema X-ray examination	In-house	Co-developed with Ajinomoto Approved indications: gastrointestinal symptoms associated with chronic gastritis (heartburn, nausea/vomiting).
	AmBisome Injection	amphotericin B	Addition of fungal species	Gilead Sciences	Approved indications: deep-seated mycosis, febrile neutropenia with possible mycotic infection
	MEROPEN Injection	meropenem hydrate	Febrile neutropenia	In-house	Approved indications: moderate to severe bacterial infections

Stage in JPN	Brand name/ Product code Formulation	Generic name	Therapeutic indications	Origin	Remarks
Phase III	SMP-508 Oral	repaglinide	Diabetes	Novo Nordisk	Rapid insulin secretagogue
	SM-13496 Oral	lurasidone	Schizophrenia	In-house	Pan-asia study (Japan, Korea and Taiwan)

Stage in JPN	Brand name/ Product code Formulation	Generic name	Therapeutic indications	Origin	Remarks
Phase II	AS-3201 Oral	ranirestat	Diabetic neuropathy	In-house	Co-developed with Kyorin Pharmaceutical
	SMP-114 Oral	rimacalib	Rheumatoid arthritis	In-house	
	AC-3933 Oral	radequinil	Dementia	In-house	

Stage in JPN	Brand name/ Product code Formulation	Generic name	Therapeutic indications	Origin	Remarks
Phase I	SMP-986 Oral	TBD	Overactive bladder	In-house	
	DSP-3235 Oral	TBD	Diabetes	Kissei Pharmaceutical	SGLT1 inhibitor
	DSP-3025	TBD	Bronchial asthma, allergic rhinitis	In-house	Preparing for Phase 1

[Main revisions since the announcement of July 2008]

SUMIFERON (interferon-alfa)

Deleted because approved

MEROPEN (meropenem hydrate)

Changed from “Phase III” to “NDA filed”

**Major Products under Development in Foreign Markets by DSP**

<b>Stage</b>	<b>Brand name/ Product code Formulation</b>	<b>Generic name</b>	<b>Therapeutic indications</b>	<b>Origin</b>	<b>Country/Area</b>	<b>Remarks</b>
Phase III	SM-13496 Oral	lurasidone	Schizophrenia	In-house	U.S. and Europe, etc.	

<b>Stage</b>	<b>Brand name/ Product code Formulation</b>	<b>Generic name</b>	<b>Therapeutic indications</b>	<b>Origin</b>	<b>Country/Area</b>	<b>Remarks</b>
Phase II	SMP-114 Oral	rimacalib	Rheumatoid arthritis	In-house	Europe	
	AC-3933 Oral	radequinil	Dementia	In-house	U.S. and Europe	
	SMP-986 Oral	TBD	Overactive bladder	In-house	U.S. and Europe	

<b>Stage</b>	<b>Brand name/ Product code Formulation</b>	<b>Generic name</b>	<b>Therapeutic indications</b>	<b>Origin</b>	<b>Country/Area</b>	<b>Remarks</b>
Phase I	SMP-028 Oral	TBD	Bronchial asthma	In-house	U.S.	
	DSP-7238 Oral	TBD	Diabetes	In-house	Europe	DPPIV inhibitor
	DSP-8658 Oral	TBD	Diabetes	In-house	U.S.	PPAR $\alpha$ / $\gamma$ modulator

[Main revisions since the announcement of July 2008]

DSP-8658  
AD-5423(bronanserin)

Changed from “Preparing for Phase I” to “Phase I”  
Deleted because of IND inactivation



### Major Products under Development in Foreign Markets by Licensees

Generic / Product code (Brand name in JPN)	Therapeutic indications	Status of development
AG-7352	Cancer	Out-licensed to Sunesis Pharmaceuticals Inc. for the worldwide territory in October 2003 Phase II trials ongoing by Sunesis (Sunesis' product code: SNS-595)
SMP-601	Life-threatening infection	Out-licensed to Protez Pharmaceuticals for the U.S. and European territories in May 2005 Phase II ongoing in the U.S. by Protez Pharmaceuticals (Protez's product code: PZ-601)
amrubicin hydrochloride (CALSED)	Small cell lung cancer	Out-licensed to Celgene (former Pharmion) for the U.S. and European territories in June 2005 Phase III ongoing in the U.S. and Europe by Celgene
ranirestat AS-3201	Diabetic neuropathy	Out-licensed to Eisai for the worldwide territory, excluding Japan, in September 2005. Under preparation for Phase III in the U.S. and Europe by Eisai
droxidopa (DOPS)	Intradialytic hypotension, neurogenic orthostatic hypotension	Out-licensed to Chelsea for the worldwide territory, excluding Japan, China, Korea and Taiwan in May 2006. Phase II study of intradialytic hypotension ongoing in the U.S. by Chelsea. Phase III study of neurogenic orthostatic hypotension ongoing in the U.S. and Europe by Chelsea.
DSP-3025	Bronchial asthma, allergic rhinitis	Entered into a development and marketing agreement concluded in March 2005. AstraZeneca has the right for the worldwide territory, excluding Japan, China, Korea and Taiwan. Phase I ongoing in Europe by AstraZeneca

[Main revisions since the announcement of July 2008]

None

## VIII. Profile of Major Products under Development

### **SM-11355 (miriplatin hydrate)      Hepatocellular carcinoma**

- Developed in-house
- This drug is a lipid-soluble platinum complex that is suspended in ethyl esters of iodized fatty acids of poppy seed oil (EEIFA) and the suspension is injected via a hepatic artery into the liver. By having it suspended in EEIFA, the active substance of this drug is localized around the tumor and gradually released for a long time from EEIFA. This mechanism of action was confirmed in clinical studies on this drug, resulting in a high anti-tumor effect with reduced systemic and hepatic adverse reactions.
- Development stage: NDA filed in Japan

### **SMP-862 (metformin hydrochloride)      Diabetes**

- In-licensed from Merck Santé
- SMP-862 (metformin hydrochloride) is an anti-diabetic agent that lowers blood glucose levels by reducing hepatic glycogenesis and improving peripheral glucose uptake, without enhancing insulin secretion. An oral formulation of metformin hydrochloride was first developed and launched as Melbin<sup>®</sup> in Japan by our company in 1961. However, the indication and dosage for Japanese patients are different from those for overseas. Following the accumulated findings from the large-scale clinical trials on this drug conducted in the U.S. and Europe, we have conducted clinical studies to obtain approval for metformin hydrochloride with appropriate indication and dosage regimen for Japanese patients.
- Development stage: NDA filed in Japan

### **AD-810N (zonisamide)      Parkinson's disease (New indication)**

- Developed in-house
- Launched in June 1989 as an anti-epileptic drug (EXCEGRAN<sup>®</sup>), this drug has since been found to be useful in alleviating the symptoms of Parkinson's disease. This drug is believed to have a unique mechanism of action that is different from the mechanism of conventional anti-Parkinson's disease agents, most of which are dopamine receptor agonists.
- Development stage: NDA filed in Japan

### **SMP-508 (repaglinide)      Diabetes**

- In-licensed from Novo Nordisk
- A rapid insulin secretagogue. This drug is expected to suppress the postprandial elevation of blood glucose levels, resulting in lower HbA1c and fasting blood glucose levels.
- Development stage: Phase III in Japan

### **SM-13496 (lurasidone)      Schizophrenia**

- Developed in-house
- SM-13496 is a potent antagonist against dopamine-2, serotonin-2 and serotonin-7 receptors with a high affinity for serotonin-1A receptor. This drug is expected to have high antipsychotic efficacy with superior safety profile due to a reduced incidence of extrapyramidal reactions, cardiac reactions and weight gain.
- Development stage: Phase III as Global study and Pan-Asia study (Japan, Korea and Taiwan)

### **AS-3201 (ranirestat)      Diabetic neuropathy**

- Developed in-house
- AS-3201 alleviates diabetic neuropathy, a complication of diabetes, by inhibiting aldose reductase and

thereby inhibiting the accumulation of intracellular sorbitol that causes diabetic neuropathy. This drug has a stronger inhibitory effect and is longer acting compared to other drugs in this therapeutic area. AS-3201 showed good penetration into the nerve tissue, resulting in dose-dependent inhibition of intraneural accumulation of sorbitol and fructose in a clinical study. Based on the results of clinical studies, this drug is expected to show improvement of neuronal function and symptoms related to diabetic neuropathy.

- AS-3201 was out-licensed to Eisai for the overseas territory in September 2005. Eisai is planning Phase III study.
- Development stage: Phase IIb in Japan (co-developed with Kyorin Pharmaceutical)

**SMP-114 (rimacalib) Rheumatoid arthritis**

- Developed in-house
- A new type of disease-modifying anti-rheumatic drug (DMARD) for oral administration, SMP-114 is expected to inhibit progression of rheumatoid arthritis, such as chronic inflammation and the destruction or deformation of joints.
- Development stage: Phase IIb in Europe. Phase II in Japan

**AC-3933 (radequinil) Dementia**

- Developed in-house
- AC-3933 is a partial inverse agonist at benzodiazepine receptors, a mechanism of action markedly different from that of acetylcholinesterase inhibitors. This drug not only activates cholinergic neurons by enhancing the release of acetylcholine, but it also stimulates glutamatergic neurons. This drug is expected to improve memory impairment, a core symptom of dementia.
- Development stage: Phase IIa in the U.S. and Europe. Phase IIa in Japan

**SMP-986 Overactive bladder**

- Developed in-house
- SMP-986 possesses the dual pharmacological actions of muscarinic receptor antagonism (non-selective) and inhibition of the bladder afferent pathway through Na<sup>+</sup>-channel blockade. The drug is expected to ease urinary urgency and reduce the frequency of both urination and incontinence. This drug is expected to have lower incidence of side effects related to muscarinic receptor antagonism, such as dry mouth.
- Development stage: Phase II in the U.S. and Europe. Phase I in Japan

**SMP-028 Bronchial asthma**

- Developed in-house
- SMP-028 shows a variety of effects to wide range of inflammatory cells involved in the pathology of bronchial asthma. It suppresses inflammatory mediator release/production and *in vivo* studies have shown effectiveness of SMP-028 in animal models of asthma. It is expected to become a new treatment for asthma as a potent anti-inflammatory agent with a novel mechanism of action.
- Development stage: Phase I in the U.S.

**DSP-7238 Diabetes**

- Developed in-house
- DSP-7238 is a dipeptidyl peptidase IV (DPP IV) inhibitor and improves hyperglycemia through the GLP-1- induced acceleration of insulin secretion. Since DSP-7238 has a selective and strong inhibitory activity for the GLP-1-degrading enzyme DPP IV, it may be a promising DPP IV inhibitor that achieves better glycemic control.
- Development stage: Phase I in Europe

**DSP-3235            Diabetes**

- In-licensed from Kissei Pharmaceutical
- DSP-3235 is a selective inhibitor for an isoform of sodium-dependent glucose cotransporters (SGLT1). It is expected to improve postprandial hyperglycemia by suppressing glucose absorption from the intestine with a novel mechanism of action different from that of conventional alpha-glucosidase inhibitors.
- Development stage: Phase I in Japan

**DSP-8658            Diabetes**

- Developed in-house
- DSP-8658 is a novel PPAR $\alpha$ / $\gamma$  modulator that exhibits potent antihyperglycemic and lipid lowering activity in several animal models.
- Non-clinical studies suggest that DSP-8658 may offer advantages over marketed PPAR $\gamma$  agonists, particularly with respect to improvements in lipid metabolism and incidence of fluid retention or body weight gain.
- Development stage: Phase I in the U.S.

**DSP-3025            Bronchial asthma, allergic rhinitis**

- Developed in-house
- An immune response modifier with agonistic activity against Toll-like receptor 7 (TLR7). It is expected to become a therapeutic agent providing long-term disease remission in bronchial asthma and allergic rhinitis.
- A series of promising compounds were identified from the drug discovery research for a therapeutic agent with a novel mechanism of action targeting for allergic disorders. With this as a turning point, we started research collaboration with AstraZeneca in 2004, and discovered a drug candidate as an outcome from the research collaboration.
- Entered into a development and marketing agreement with AstraZeneca in March 2005. Under the agreement, we will retain development and commercialization rights in Japan, China, Korea and Taiwan, and AstraZeneca will retain development and commercialization rights worldwide excluding the four countries. Phase I studies ongoing in Europe by AstraZeneca.
- Development stage: Preparing for Phase I in Japan