



**Summary of Consolidated Financial Results for the First
Quarter of the Year Ending March 31, 2011 [Japanese GAAP]
(Unaudited)**

July 30, 2010

Company Name: DAINIPPON SUMITOMO PHARMA CO., LTD.

Head Office: 6-8, Doshomachi, 2-chome, Chuo-ku, Osaka, 541-0045

Stock Exchange Listings: Tokyo, Osaka

Security Code Number: 4506 (URL: <http://www.ds-pharma.co.jp>)

Representative: Masayo Tada, Representative Director, President and Chief Executive Officer

Contact: Atsuko Higuchi, Director, Corporate Communications Department

Telephone: 06-6203-1407

Filing Date of Quarterly Financial Report: August 11, 2010

Starting Date of Dividend Payments: —

Preparation of Supplementary Financial Data for Quarterly Financial Results: Yes

Information Meeting for Quarterly Financial Results to be held: Yes

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 First Quarter of the Year Ending
March 31, 2011 (April 1, 2010 to June 30, 2010)**

(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	%
Three months ended June 30, 2010	101,799	54.1	14,790	31.6	14,838	25.4	9,277	18.7
Three months ended June 30, 2009	66,048	(5.8)	11,237	10.1	11,835	9.6	7,817	21.3

	Earnings per share	Earnings per share (diluted)
Three months ended June 30, 2010	¥23.35	—
Three months ended June 30, 2009	¥19.68	—

(2) Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share (yen)
As of June 30, 2010	624,765	349,041	55.9%	¥878.50
As of March 31, 2010	626,743	343,483	54.8%	¥864.51

Reference: Shareholders' Equity (Millions of yen)

As of June 30, 2010: 349,041

As of March 31, 2010: 343,483

2. Dividends

	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-End	Annual
Year ended March 31, 2010	—	¥9.00	—	¥9.00	¥18.00
Year ending March 31, 2011	—				
Year ending March 31, 2011 (Forecast)		¥9.00	—	¥9.00	¥18.00

Note: Revision of dividend forecast during this period: None

3. Consolidated Financial Forecasts for the Year Ending March 31, 2011 (April 1, 2010 to March 31, 2011)

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

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Yen million	%	Yen million	%	Yen million	%	Yen million	%	
Six months ending September 30, 2010	186,000	40.7	14,500	(23.4)	13,500	(29.1)	8,100	(36.0)	¥20.39
Year ending March 31, 2011	359,000	21.2	8,500	(76.1)	6,000	(82.3)	3,000	(85.7)	¥ 7.55

Note: Revision of consolidated financial forecasts during this period: Yes

4. Other

- (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 consolidated financial statements: Yes

① Simplified accounting methods

• Valuation of inventories

The amount of inventories at the end of this first quarter is calculated by using a reasonable method based on the actual balance of inventories at the end of the previous fiscal year. In addition, write-down of the book value of inventories is done only for those inventories whose profitability has clearly declined, by estimating the net sale value.

• Calculation of deferred tax assets and deferred tax liabilities

In regard to judgments of the recoverability of deferred tax assets, since it is recognized that there has been no marked changes in both the business environment and the occurrence of temporary differences from the end of the previous fiscal year, the future performance forecasts or tax planning of the previous fiscal year is used.

② Specific accounting methods for preparing quarterly consolidated financial statements

• Calculation of income taxes

The effective tax rate, after applying tax effect accounting, expected to be imposed on income before income taxes and minority interests for the fiscal year in which this first quarter is included is estimated based on reasonable assumptions. Then, tax expenses are calculated by multiplying the income before income taxes and minority interests for the quarter by the estimated effective tax rate.

Note that income taxes-deferred is included in "Income taxes."

(3) Changes in accounting principles, procedures, disclosure methods for preparing quarterly consolidated financial statements

① Changes due to adoption of new accounting standards: Yes

- Application of “Accounting Standard for Asset Retirement Obligations”

From the first quarter of the fiscal year ending March 31, 2011, the Group applies the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18 of March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21 of March 31, 2008).

As a result of the adoption, operating income, ordinary income and income before income taxes and minority interests for the period decreased by 28 million yen respectively.

② Other changes: None

(4) Number of shares outstanding (Common stock) at the end of period

① Number of shares outstanding (Including treasury stock)

June 30, 2010 : 397,900,154 shares

March 31, 2010 : 397,900,154 shares

② Number of treasury stock

June 30, 2010 : 585,025 shares

March 31, 2010 : 584,644 shares

③ Average number of shares during the period

Three months ended June 30, 2010 : 397,315,315 shares

Three months ended June 30, 2009 : 397,318,598 shares

Notes: This document contains forward-looking statements based on management’s assumptions and beliefs in light of the information currently available, and involves risks and uncertainties. Actual financial results may differ materially depending on a number of factors, including economic conditions.

[Attachment Documents]

1. Qualitative Information for the Three Months Ended June 30, 2010

(1) Qualitative Information on Consolidated Business Results

The Japanese economy, during the first quarter of the present consolidated fiscal year, continued to progress under uncertainty over the future, with an increase of anxiety about financial system primarily in Europe, a severe employment situation and a deflationary situation still going on, although signs of recovery were seen in connection with the improvement in corporate profits.

The situation surrounding the Japanese pharmaceutical industry is becoming increasingly severe because various measures, such as the drug price revisions in April this year, have been implemented domestically in order to control medical costs against the backdrop of a global move toward drastic healthcare system reform.

Under such circumstances, the Group announced in February of this year the second Mid-term Business Plan, which begins with fiscal year 2010 under the theme "Creation and transformation toward a new stage of globalization." The Group considers this fiscal year to be extremely important as the starting year for the Plan and has been conducting business, aggressively working on the tasks to achieve our mid- to long-term vision.

In sales activities, the Company has continued its intensive infusions of operating resources into its strategic products, such as AVAPRO[®], a therapeutic agent for hypertension, LONASEN[®], an antipsychotic, and PRORENAL[®], a vasodilator, as well as its new products, such as TRERIEF[®], a Parkinson's disease drug, MIRIPLA[®], a therapeutic agent for hepatocellular carcinoma, and METGLUCO[®], an oral hypoglycemic, thereby working to maximize earnings. Furthermore, the Company has continued to strive positively for efficient management, such as the low-cost management.

As a result of the foregoing, net sales by the Group for the first quarter of this consolidated fiscal year amounted to 101,799 million yen (a 54.1% increase from the first quarter of the previous fiscal year), partly due to the contribution of the results of the U.S. subsidiaries consolidated from fourth quarter of previous year. Operating income amounted to 14,790 million yen (a 31.6% increase from the first quarter of the previous fiscal year) and ordinary income amounted to 14,838 million yen (a 25.4% increase from the first quarter of the previous fiscal year). Net income amounted to 9,277 million yen (a 18.7% increase from the first quarter of the previous fiscal year).

The results by business segment are as follows:

① Japan (Pharmaceuticals)

The decrease in sales due to drug price revisions has been offset by increased sales of AVAPRO[®], LONASEN[®], TRERIEF[®], MIRIPLA[®], etc., and net sales amounted to 52,596 million yen and operating income amounted to 12,367 million yen.

② U.S.

This represents the business results of U.S. subsidiaries, including Sepracor Inc., net sales amounted to 32,889 million yen, with main contributing factors being LUNESTA[®], a sedative hypnotic, and XOPENEX[®], a short-acting beta-agonist. Operating income amounted to 1,249 million yen as a result of implementing accounting procedures for the business combination associated with mergers, such as the amortization of patent rights and goodwill.

③ China

This represents the business results of Sumitomo Pharmaceuticals (Suzhou) Co., Ltd., which sells MEROPEN[®] (sold in China as MEPEN[®]), a carbapenem antibiotic, etc., and net sales amounted to 1,349 million yen and operating income amounted to 559 million yen.

In addition to the above-listed reportable segments, the Group has been marketing animal health products, feeds and feed additives, food additives, and diagnostics. These businesses are included in "Other Business." Net sales for "Other Business" amounted to 14,964 million yen and operating income amounted to 650 million yen.

(2) Qualitative Information on Consolidated Financial Condition

Total assets decreased 1,978 million yen from the previous consolidated fiscal year-end, to 624,765 million yen, primarily due to the fact that although notes and accounts receivable, and marketable securities increased, intangible fixed assets, such as goodwill and patent rights, and investment securities decreased.

Total liabilities decreased 7,536 million yen from the previous consolidated fiscal year-end, to 275,723 million yen, largely due to the decrease in income taxes payable and accounts payable-other.

Net assets increased 5,557 million yen from the previous consolidated fiscal year-end, to 349,041 million yen, mainly because the increase in retained earnings due to recording of the quarterly net income exceeded the decrease due to payment of dividends.

In addition, shareholders' equity ratio as of the end of the first quarter of the present consolidated fiscal year amounted to 55.9%.

(3) Qualitative Information on Consolidated Financial Forecasts

Consolidated financial forecasts were revised, reflecting changes in the business performance since the previous forecasts announced on May 10, 2010.

1. Revision of cumulative consolidated financial forecasts for the six months ending September 30, 2010 (April 1, 2010 – September 30, 2010)

	Net sales	Operating income	Ordinary income	Net income	Earnings per share
	Yen million	Yen million	Yen million	Yen million	
Previous forecasts (A)	181,500	3,500	2,000	700	¥1.76
New forecasts (B)	186,000	14,500	13,500	8,100	¥20.39
(B–A)	4,500	11,000	11,500	7,400	
Change (%)	2.5	314.3	575.0	—	
(Reference) Results for the six months ended Sep. 30, 2009	132,210	18,919	19,053	12,654	¥31.85

2. Revision of consolidated financial forecasts for the fiscal year ending March 31, 2011 (April 1, 2010 – March 31, 2011)

	Net sales	Operating income	Ordinary income	Net income	Earnings per share
	Yen million	Yen million	Yen million	Yen million	
Previous forecasts (A)	354,000	3,500	1,000	0	¥0.00
New forecasts (B)	359,000	8,500	6,000	3,000	¥7.55
(B–A)	5,000	5,000	5,000	3,000	
Change (%)	1.4	142.9	500.0	—	
(Reference) Results for the year ended March 31, 2010	296,261	35,624	33,837	20,958	¥52.75

< Six months ending September 30, 2010 >

Owing to brisk demand for our products in Europe and sales increase of major products of our U.S. subsidiaries, sales are expected to surpass the estimate announced previously. Ratio of gross profit to sales is also expected to increase as a result of sales increase and improvement in cost to sales ratio, while general administrative and selling expenses are estimated to be lower than previously announced because some of the selling expenses and R&D expenses are anticipated to be carried forward to the third quarter, resulting in a lower level than previously announced.

Consequently, in the revised cumulative consolidated financial forecasts for the six months of the fiscal year ending March 31, 2011, the Company anticipates that sales increase 4.5 billion yen to 186.0 billion yen, operating income increases 11.0 billion yen to 14.5 billion yen, ordinary income increases 11.5 billion yen to 13.5 billion yen, and net income increases 7.4 billion yen to 8.1 billion yen, compared with the previous forecasts dated May 10, 2010.

< Year ending March 31, 2011 >

Sales after the third quarter inclusive are expected to proceed nearly in line with the previous forecasts, and the increments up to the second quarter are expected to contribute to the increase in sales on a full year basis compared with the previous forecasts. Yearly general administrative and selling expenses are estimated to be unchanged from the previous forecast though there is some variance in timing, a shift from the first half.

Accordingly, the Company anticipates in the revised forecast for the fiscal year ending March 31, 2011 that sales increase 5.0 billion yen to 359.0 billion yen, operating income increases 5.0 billion yen to 8.5 billion yen, ordinary income increases 5.0 billion yen to 6.0 billion yen, and net income increases 3.0 billion yen to 3.0 billion yen, compared with the previous forecasts dated May 10, 2010.

Note: Forecasts shown above are based on management's assumptions and beliefs in light of the information currently available, and involve risks and uncertainties. Actual results may differ materially depending on a number of factors, including economic conditions.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of June 30, 2010	As of March 31, 2010
Assets		
Current assets:		
Cash and time deposits	12,919	13,823
Notes and accounts receivable	101,348	93,961
Marketable securities	64,188	51,184
Merchandise and finished goods	44,246	46,707
Work-in-process	2,195	3,348
Raw materials and supplies	14,293	15,174
Deferred tax assets	31,745	32,447
Short-term loans	25,000	25,000
Others	7,312	6,079
Allowance for doubtful receivables	(113)	(172)
Total current assets	303,137	287,555
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	90,098	89,108
Accumulated depreciation and impairment loss	(46,673)	(46,125)
Buildings and structures, net	43,425	42,983
Machinery, equipment and carriers	75,059	74,327
Accumulated depreciation and impairment loss	(62,281)	(61,566)
Machinery, equipment and carriers, net	12,778	12,761
Land	10,336	10,332
Construction in progress	1,510	2,691
Others	27,086	26,865
Accumulated depreciation and impairment loss	(21,972)	(21,549)
Others, net	5,113	5,315
Total property, plant and equipment	73,164	74,083
Intangible assets:		
Goodwill	80,179	83,564
Patent rights	99,213	104,018
Others	11,616	11,899
Total intangible assets	191,009	199,482
Investments and other assets:		
Investment securities	45,348	53,171
Deferred tax assets	2,408	2,389
Others	9,796	10,158
Allowance for doubtful receivables	(99)	(97)
Total investments and other assets	57,453	65,621
Total fixed assets	321,627	339,188
Total assets	624,765	626,743

(Millions of yen)

	As of June 30, 2010	As of March 31, 2010
Liabilities		
Current liabilities:		
Notes and accounts payable	15,278	16,878
Short-term loans payable	166,400	165,800
Income taxes payable	5,359	8,571
Reserve for bonuses	3,605	7,408
Reserve for sales returns	2,649	2,700
Reserve for sales rebates	15,266	15,709
Accounts payable-other	28,779	33,395
Others	21,036	14,536
Total current liabilities	258,374	264,999
Long-term liabilities:		
Liability for retirement benefits	9,794	9,797
Liability for directors' retirement benefits	4	50
Others	7,550	8,412
Total long-term liabilities	17,349	18,260
Total liabilities	275,723	283,259
Net assets		
Shareholders' equity:		
Common stock	22,400	22,400
Capital surplus	15,860	15,860
Retained earnings	300,403	294,701
Treasury stock	(646)	(646)
Total shareholders' equity	338,016	332,315
Valuation, translation adjustments and others:		
Unrealized gains on available-for-sale securities, net of tax	6,760	7,945
Deferred gains or losses on hedges	(32)	—
Foreign currency translation adjustment	4,296	3,222
Total valuation, translation adjustments and others	11,024	11,167
Total net assets	349,041	343,483
Total liabilities and net assets	624,765	626,743

(2) Consolidated Statements of Income

	(Millions of yen)	
	Three months ended June 30, 2009	Three months ended June 30, 2010
Net sales	66,048	101,799
Cost of sales	25,422	32,632
Gross profit	40,626	69,167
Reversal of reserve for sales returns	25	13
Gross profit-net	40,652	69,180
Selling, general and administrative expenses		
Provision for allowance for doubtful receivables	15	4
Salaries	4,296	8,572
Provision for reserve for bonuses	2,314	2,385
Provision for liability for directors' retirement benefits	3	0
Research and development costs	11,872	14,500
Others	10,912	28,927
Total selling, general and administrative expenses	29,414	54,390
Operating income	11,237	14,790
Non-operating income		
Interest income	213	110
Dividend income	334	459
Reversal of allowance for doubtful receivables	220	—
Others	332	531
Total non-operating income	1,100	1,101
Non-operating expenses		
Interest expense	18	451
Contribution	269	273
Loss on disposal of fixed assets	173	—
Others	41	329
Total non-operating expenses	502	1,053
Ordinary income	11,835	14,838
Income before income taxes and minority interests	11,835	14,838
Income taxes	4,015	5,560
Income before minority interests	—	9,277
Minority interests in net income	2	—
Net income	7,817	9,277

(3) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Three months ended June 30, 2009	Three months ended June 30, 2010
Net cash provided by operating activities:		
Income before income taxes and minority interests	11,835	14,838
Depreciation and amortization	2,662	10,214
Amortization of goodwill	—	1,002
Provision for liability for retirement benefits, less payments	368	164
Interest and dividend income	(547)	(569)
Interest expense	18	451
Decrease (increase) in notes and accounts receivable	618	(7,126)
Decrease (increase) in inventories	827	4,546
Increase (decrease) in notes and accounts payable	(2,757)	(1,602)
Increase (decrease) in accounts payable-other	—	(4,466)
Other-net	(363)	656
Subtotal	12,662	18,108
Interest and dividend received	670	658
Interest paid	(6)	(447)
Income taxes paid	(5,922)	(7,448)
Net cash provided by operating activities	7,402	10,871
Net cash used in investing activities:		
Decrease in time deposits	3,000	—
Purchases of marketable securities	—	(2,275)
Proceeds from redemption of marketable securities	1,000	2,420
Purchases of property, plant and equipment	(1,663)	(1,489)
Purchases of intangible assets	(346)	(237)
Purchases of investment securities	(185)	(2,331)
Proceeds from sales of investment securities	—	1,859
Proceeds from redemption of investment securities	—	1,481
Other-net	479	(56)
Net cash used in investing activities	2,283	(627)
Net cash used in financing activities:		
Net decrease (increase) in treasury stock	(0)	(0)
Dividends paid	(3,460)	(3,469)
Dividends paid to minority shareholders	(0)	—
Other-net	—	(20)
Net cash used in financing activities	(3,462)	(3,490)
Effect of exchange rate changes on cash and cash equivalents	65	319
Net increase (decrease) in cash and cash equivalents	6,290	7,074
Cash and cash equivalents at the beginning of period	49,481	58,139
Increase in cash and cash equivalents related to change in scope of consolidation	482	—
Cash and cash equivalents at the end of period	56,253	65,213

(4) Notes on Assumption of Going Concern

Not applicable.

(5) Segment Information

Business segment information

Three months ended June 30, 2009

(Millions of yen)

	Pharmaceuticals	Other products	Total	Eliminations / Corporate	Consolidated
Sales and operating income					
Sales to customers	52,004	14,044	66,048	—	66,048
Intersegment sales and transfers	—	—	—	—	—
Total	52,004	14,044	66,048	—	66,048
Operating income	10,636	601	11,237	—	11,237

(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

Three months ended June 30, 2009

As net sales outside Japan constituted less than 10% of consolidated total sales of all segments, the disclosure of geographical segment information has been omitted.

Overseas sales

Three months ended June 30, 2009

(Millions of yen)

Overseas sales	6,149
Consolidated net sales	66,048
Overseas sales as a percentage of consolidated net sales	9.3%

Segment information

— Additional Information —

From the three months ended June 30, 2010, the Group applies the “Accounting Standard for Disclosures about Segments of an Enterprise and Related information” (ASBJ Statement No. 17 of March 27, 2009) and “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20 of March 21, 2008).

1. Outline of reportable segments

The Company’s reportable segments are the components of the Group whose operating results are regularly reviewed by the board of directors to make decisions about resources to be allocated to the segment and assess their performance, and for which discrete financial information is available.

The Group purchases, manufactures, and sells mainly ethical pharmaceuticals. In Japan, the Company, and outside Japan, primarily in the U.S., a consolidated subsidiary, Sepracor Inc., and in China, a consolidated subsidiary, Sumitomo Pharmaceuticals (Suzhou) Co., Ltd., are conducting business activities, respectively. These local subsidiaries are financially independent business units.

Therefore, the pharmaceutical business consists of geographical segments that are based on the business units, and the three segments, i.e., “Japan(Pharmaceuticals)”, “U.S.” and “China” are designated as reportable segments.

In addition, the businesses conducted by the Company and its subsidiaries, such as animal health products, feeds and feed additives, food additives, diagnostics, and other products, are included in “Other Business.”

2. Information on sales and income (loss) by reportable segment

Three months ended June 30, 2010

(Millions of yen)

	Reportable Segments				Other Business	Consolidated
	Japan (Pharmaceuticals)	U.S.	China	Total		
Net sales						
Sales to customers	52,596	32,889	1,349	86,834	14,964	101,799
Intersegment sales and transfers	814	1,089	128	2,032	—	2,032
Total	53,411	33,978	1,477	88,867	14,964	103,832
Income of segment	12,367	1,249	559	14,176	650	14,827

Note: The “Other Business” category incorporates operations not included in reportable segments, including animal health products, feeds and feed additives, food additives, diagnostics and other products.

3. Difference between total of the income (loss) of the reportable segments and the amount on consolidated statements of income, and main contents of the difference (adjustment of difference)

(Millions of yen)

Income	Amount
Reportable segments total	14,176
Income of “Other Business” category	650
Elimination of intersegment transaction	(37)
Operating income on consolidated statements of income	14,790

(6) Notes on Significant Changes in Shareholders' Equity

Not applicable.