



## Summary of Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2010 (Unaudited)

July 31, 2009

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>)  
 Filing Date of Quarterly Financial Report: August 12, 2009  
 Starting Date of Dividend Payments: —

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, 2010 (April 1, 2009 to June 30, 2009)

#### (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, 2009	66,048	(5.8)	11,237	10.1	11,835	9.6	7,817	21.3
Three months ended June 30, 2008	70,129	—	10,208	—	10,802	—	6,446	—

	Earnings per share	Earnings per share (diluted)
Three months ended June 30, 2009	¥19.68	—
Three months ended June 30, 2008	¥16.22	—

#### (2) Financial Position

(millions of yen)

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share (yen)
As of June 30, 2009	392,743	329,519	83.9%	¥829.13
As of March 31, 2009	391,294	324,495	82.9%	¥816.49

Reference: Shareholders' Equity (millions of yen)

As of June 30, 2009 : 329,429

As of March 31, 2009 : 324,408

## 2. Dividends

	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-End	Annual
Year ended March 31, 2009	—	¥9.00	—	¥9.00	¥18.00
Year ending March 31, 2010	—				
Year ending March 31, 2010 (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, 2010 (April 1, 2009 to March 31, 2010)

(% 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, 2009	130,600	(2.8)	12,800	(29.6)	12,400	(31.9)	7,800	(28.2)	¥19.63
Year ending March 31, 2010	264,000	(0.0)	25,000	(19.8)	24,000	(23.6)	15,000	(25.0)	¥37.75

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

## 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 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: None

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, 2009 : 397,900,154 shares

March 31, 2009 : 397,900,154 shares

② Number of treasury stock

June 30, 2009 : 582,063 shares

March 31, 2009 : 580,814 shares

③ Average number of shares during the period

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

Three months ended June 30, 2008 : 397,414,655 shares

Notes: 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.

# Consolidated Financial Statements

## (1) Consolidated Balance Sheets

	(Millions of yen)	
	As of June 30, 2009	As of March 31, 2009
<b>Assets</b>		
Current assets:		
Cash and time deposits	20,956	21,990
Notes and accounts receivable	79,234	79,759
Marketable securities	41,803	34,500
Merchandise and finished goods	40,342	39,674
Work-in-process	2,527	2,934
Raw materials and supplies	11,281	11,901
Short-term loans	50,000	50,000
Others	23,266	23,174
Allowance for doubtful receivables	(177)	(394)
Total current assets	269,234	263,539
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	83,967	83,820
Accumulated depreciation and impairment loss	(44,854)	(44,329)
Buildings and structures, net	39,112	39,490
Machinery, equipment and carriers	72,015	70,438
Accumulated depreciation and impairment loss	(59,888)	(59,390)
Machinery, equipment and carriers, net	12,126	11,048
Land	9,975	9,975
Construction in progress	2,906	4,024
Others	24,690	24,586
Accumulated depreciation and impairment loss	(20,374)	(20,021)
Others, net	4,315	4,565
Total property, plant and equipment	68,437	69,104
Intangible assets	6,155	6,407
Investments and other assets:		
Investment securities	36,585	33,982
Others	12,445	18,362
Allowance for doubtful receivables	(114)	(102)
Total investments and other assets	48,916	52,242
Fixed assets	123,509	127,754
Total assets	392,743	391,294

(Millions of yen)

	As of June 30, 2009	As of March 31, 2009
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable	15,528	18,523
Income taxes payable	4,364	6,298
Reserve for bonuses	3,724	8,120
Reserve for sales returns	70	96
Reserve for sales rebates	383	412
Others	25,190	19,897
Total current liabilities	49,262	53,349
Long-term liabilities:		
Long-term debt	900	—
Liability for retirement benefits	9,375	9,253
Liability for directors' retirement benefits	41	42
Others	3,645	4,153
Total long-term liabilities	13,962	13,449
Total liabilities	63,224	66,799
<b>Net assets</b>		
Shareholders' equity:		
Common stock	22,400	22,400
Capital surplus	15,860	15,860
Retained earnings	284,856	281,628
Treasury stock	(644)	(643)
Total shareholders' equity	322,472	319,245
Valuation, translation adjustments and others:		
Unrealized gains on available-for-sale securities, net of tax	6,990	5,162
Deferred gains or losses on hedges	(2)	—
Foreign currency translation adjustment	(30)	—
Total valuation, translation adjustments and others	6,956	5,162
Minority interests	90	87
Total net assets	329,519	324,495
Total liabilities and net assets	392,743	391,294

(2) Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2008	Three months ended June 30, 2009
Net sales	70,129	66,048
Cost of sales	27,826	25,422
Gross profit	42,303	40,626
Reversal of reserve for sales returns	25	25
Gross profit-net	42,329	40,652
Selling, general and administrative expenses		
Provision for allowance for doubtful receivables	73	15
Salaries	4,021	4,296
Provision for reserve for bonuses	2,233	2,314
Provision for liability for directors' retirement benefits	2	3
Research and development costs	12,654	11,872
Others	13,135	10,912
Total selling, general and administrative expenses	32,120	29,414
Operating income	10,208	11,237
Non-operating income		
Interest income	258	213
Dividend income	368	334
Insurance income	234	198
Reversal of allowance for doubtful receivables	—	220
Others	147	133
Total non-operating income	1,008	1,100
Non-operating expenses		
Interest expense	31	18
Contribution	299	269
Loss on disposal of fixed assets	—	173
Others	83	41
Total non-operating expenses	414	502
Ordinary income	10,802	11,835
Income before income taxes and minority interests	10,802	11,835
Income taxes	4,353	4,015
Minority interests in net income	3	2
Net income	6,446	7,817

### (3) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Three months ended June 30, 2008	Three months ended June 30, 2009
Net cash provided by operating activities:		
Income before income taxes and minority interests	10,802	11,835
Depreciation and amortization	2,668	2,662
Provision for liability for retirement benefits, less payments	15	368
Interest and dividend income	(626)	(547)
Interest expense	31	18
Decrease (increase) in notes and accounts receivable	(407)	618
Decrease (increase) in inventories	1,750	827
Increase (decrease) in notes and accounts payable	(1,024)	(2,757)
Other—net	1,070	(363)
Subtotal	14,281	12,662
Interest and dividend received	689	670
Interest paid	(4)	(6)
Income taxes paid	(10,032)	(5,922)
Net cash provided by operating activities	4,933	7,402
Net cash used in investing activities:		
Decrease in time deposits	—	3,000
Proceeds from sales of marketable securities	—	1,000
Purchases of property, plant and equipment	(7,735)	(1,663)
Purchases of intangible assets	(1,152)	(346)
Purchases of investment securities	(1,171)	(185)
Other—net	140	479
Net cash used in investing activities	(9,918)	2,283
Net cash used in financing activities:		
Net decrease (increase) in treasury stock	(19)	(0)
Dividends paid	(3,439)	(3,460)
Dividends paid to minority shareholders	(0)	(0)
Net cash used in financing activities	(3,459)	(3,462)
Effect of exchange rate changes on cash and cash equivalents	26	65
Net increase (decrease) in cash and cash equivalents	(8,417)	6,290
Cash and cash equivalents at the beginning of period	56,259	49,481
Increase in cash and cash equivalents related to change in scope of consolidation	—	482
Cash and cash equivalents at the end of period	47,841	56,253

(4) Notes on premise of going concern

Not applicable.

(5) Segment Information

**Business segment information**

Three months ended June 30, 2008

(Millions of yen)

	Pharmaceuticals	Other products	Total	Eliminations / Corporate	Consolidated
Sales and operating income					
Sales to customers	55,641	14,488	70,129	—	70,129
Intersegment sales and transfers	—	—	—	—	—
Total	55,641	14,488	70,129	—	70,129
Operating income	9,776	432	10,208	—	10,208

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, 2008

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

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, 2008

(Millions of yen)

Overseas sales	6,905
Consolidated net sales	70,129
Overseas sales as a percentage of consolidated net sales	9.8%

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%

**(6) Notes on significant changes in shareholders' equity**

Not applicable.



**Supplementary Financial Data**  
**for the First Quarter of the Year Ending March 31, 2010**

I. Consolidated Financial Highlights .....	1
II. Consolidated Statements of Income .....	3
III. Consolidated Balance Sheets .....	6
IV. Consolidated Statements of Cash Flows .....	8
V. Quarterly Business Results .....	9
VI. Development Pipeline .....	10
VII. Profile of Major Products under Development .....	13

July 31, 2009

**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)

	Three Months ended 6/30/08	Three Months ended 6/30/09		Six months ending 9/30/09 (Forecasts)		Year ending 3/31/10 (Forecasts)	
				Change (%)		Change (%)	
Net sales	70.1	66.0	(5.8)	130.6	(2.8)	264.0	—
Cost of sales	27.8	25.4	(8.6)	52.2	(1.2)	106.5	2.7
SG&A expenses	32.1	29.4	(8.4)	65.6	3.6	132.5	2.6
SG&A expenses less R&D costs	19.5	17.5	(9.9)	38.9	0.9	78.0	2.2
R&D costs	12.7	11.9	(6.2)	26.7	7.7	54.5	3.2
Operating income	10.2	11.2	10.1	12.8	(29.6)	25.0	(19.8)
Ordinary income	10.8	11.8	9.6	12.4	(31.9)	24.0	(23.6)
Net income	6.4	7.8	21.3	7.8	(28.2)	15.0	(25.0)

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.

Forecasts are unchanged from those announced in May, 2009.

Sumitomo Pharmaceuticals (Suzhou) Co.,Ltd. is newly added as a consolidated subsidiary from this fiscal year.

Earnings per share (yen)	16.22	19.68	19.63	37.75
Return on equity (ROE)	2.0%	2.4%	2.4%	4.6%

### 2. Highlights of the Balance Sheets

(Billions of Yen)

	As of 3/31/09 (A)	As of 6/30/09 (B)	(B) - (A)
Total assets	391.3	392.7	1.4
Net assets	324.5	329.5	5.0
Shareholders' equity	324.4	329.4	5.0

Shareholders' equity ratio 82.9% 83.9%

### 3. Capital Expenditures and Depreciation

(Billions of Yen)

	Three months ended 6/30/08 (A)	Three months ended 6/30/09 (B)	(B) - (A)	Year ended 3/31/09	Year ending 3/31/10 (Forecasts)	Change
Capital expenditures (including intangible assets)	3.4	1.2	(2.2)	10.6	13.0	2.4
Depreciation and amortization	2.5	2.5	(0.0)	10.7	12.0	1.3

- Major capital expenditure projects for the year ending March 31, 2010

Integration of product formulations development functions in Technology Research & Development Division :

¥0.90 billion (total budget: ¥0.90 billion, to be completed in January 2010)

## 4. Highlights of the Statements of Cash Flows

(Billions of Yen)

	Three months ended 6/30/08 (A)	Three months ended 6/30/09 (B)	(B)-(A)
Net cash provided by operating activities	4.9	7.4	2.5
Net cash used in investing activities	(9.9)	2.3	12.2
Net cash used in financing activities	(3.5)	(3.5)	(0.0)
Increase related to change in scope of consolidation	—	0.5	0.5
Cash and cash equivalents at the end of period	47.8	56.3	8.4

## II. Consolidated Statements of Income

### 1. Statements of Income

(Billions of Yen)

	Three months ended 6/30/08 (A)	Three months ended 6/30/09 (B)	(B)-(A)	Change (%)
Net sales	70.1	66.0	(4.1)	(5.8)
Overseas sales	6.9	6.1	(0.8)	(11.0)
Cost of sales	27.8	25.4	(2.4)	(8.6)
Gross profit	42.3	40.7	(1.7)	(4.0)
SG&A expenses	32.1	29.4	(2.7)	(8.4)
Labor costs	8.2	8.3	0.1	1.4
Advertising and promotion costs	1.3	0.8	(0.5)	(36.7)
Sales promotion costs	2.7	2.3	(0.3)	(12.6)
Other costs	7.3	6.1	(1.2)	(16.5)
SG&A expenses less R&D costs	19.5	17.5	(1.9)	(9.9)
R&D costs	12.7	11.9	(0.8)	(6.2)
Operating income	10.2	11.2	1.0	10.1
Non-operating income	1.0	1.1	0.1	
Non-operating expenses	0.4	0.5	0.1	
Ordinary income	10.8	11.8	1.0	9.6
Income before income taxes and minority interests	10.8	11.8	1.0	9.6
Income taxes	4.4	4.0	(0.3)	
Minority interests in net income	0.0	0.0	(0.0)	
Net income	6.4	7.8	1.4	21.3

(Positives)  
 • Increased sales of strategic products other than AMLODIN®  
 • Increased sales of new products (LONASEN®/TRERIEF®)  
 (Negatives)  
 • Decreased sales of AMLODIN® due to the influence of generics

• Decline in cost of sales ratio (39.6%→38.5%) due to decrease in the influence of the application of "Accounting Standard for Measurement of Inventories"

• Decrease in costs related to new products (AVAPRO®/LONASEN®)

• Decrease in overseas development cost of lurasidone

• Decrease by expansion of R&D tax reduction

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

### 2. Segment Information

(Billions of Yen)

	Three months ended 6/30/08			Three months ended 6/30/09			Six months ending 9/30/09 (Forecasts)			Year ending 3/31/10 (Forecasts)		
	Pharma ceuticals	Other products	Total	Pharma ceuticals	Other products	Total	Pharma ceuticals	Other products	Total	Pharma ceuticals	Other products	Total
Net sales	55.6	14.5	70.1	52.0	14.0	66.0	101.6	29.0	130.6	204.2	59.8	264.0
Operating income	9.8	0.4	10.2	10.6	0.6	11.2						

### 3. Sales of Major Products

#### Pharmaceuticals (Domestic)

(Billions of Yen)

Brand name (Generic name) Therapeutic indication	Three months ended 6/30/08 (A)	<b>Three months ended 6/30 /09 (B)</b>	Change (%)	(B)/(C) (%)	Six months ending 9/30/09 (Forecasts) (C)	Year ending 3/31/10 (Forecasts)
AMLODIN <sup>®</sup> (amlodipine) Therapeutic agent for hypertension and angina pectoris	16.4	<b>13.6</b>	(16.9)	53.9	25.3	48.0
GASMOTIN <sup>®</sup> (mosapride citrate) Gastroprokinetic	5.0	<b>5.2</b>	3.7	49.7	10.4	21.0
PRORENAL <sup>®</sup> (limaprost alfadex) Vasodilator	3.7	<b>3.9</b>	6.8	50.7	7.7	15.5
MEROPEN <sup>®</sup> (meropenem) Carbapenem antibiotic	3.6	<b>3.7</b>	3.3	56.7	6.6	12.9
EBASTEL <sup>®</sup> (ebastine) Long-acting Antiallergic	2.2	<b>2.0</b>	(9.9)	61.4	3.3	8.6
SUMIFERON <sup>®</sup> (interferon-α NAMALWA)) Natural alpha interferon	1.6	<b>1.5</b>	(2.5)	51.3	3.0	6.0
LONASEN <sup>®</sup> (blonanserin) Antipsychotic agent	0.5	<b>1.4</b>	155.3	50.1	2.8	6.5
GROWJECT <sup>®</sup> (somatropin) Growth hormone	1.1	<b>1.2</b>	6.9	52.9	2.3	4.6
MELBIN <sup>®</sup> (metformin) Oral hypoglycemic	0.8	<b>1.0</b>	16.9	50.1	1.9	3.9
DOPS <sup>®</sup> (droxidopa) Noradrenaline-activating neural function ameliorant	1.0	<b>0.9</b>	(5.7)	52.7	1.8	3.6
EXCEGRAN <sup>®</sup> (zonisamide) Antiepileptic	0.9	<b>0.9</b>	(1.0)	49.4	1.9	3.8
GLMICRON <sup>®</sup> (gliclazide) Oral hypoglycemic	1.0	<b>0.9</b>	(9.6)	51.5	1.7	3.4
AmBisome <sup>®</sup> (amphotericin B) Therapeutic agent for systemic fungal infection	0.6	<b>0.8</b>	30.9	44.5	1.9	4.3
QVAR <sup>™</sup> (beclomethasone dipropionate) Inhaled steroid antiasthmatic	1.0	<b>0.8</b>	(13.4)	59.0	1.4	3.0
ALMARL <sup>®</sup> (arotinolol) Therapeutic agent for hypertension, angina pectoris and arrhythmia	0.8	<b>0.8</b>	(7.2)	50.8	1.5	2.9
LULLAN <sup>®</sup> (perospirone) Antipsychotic	0.8	<b>0.7</b>	(9.3)	49.6	1.4	2.7
SEDIEL <sup>®</sup> (tandospirone) Serotonin-agonist antianxiety drug	0.7	<b>0.7</b>	(8.5)	52.5	1.3	2.6
TAGAMET <sup>®</sup> (cimetidine) H <sub>2</sub> -receptor antagonist	0.7	<b>0.6</b>	(14.0)	53.7	1.2	2.4
AVAPRO <sup>®</sup> (irbesartan) Therapeutic agent for hypertension	1.1	<b>0.2</b>	(77.8)	11.2	2.1	6.0
TRERIEF <sup>®</sup> (zonisamide) Therapeutic agent for Parkinson's disease	-	<b>0.2</b>	-	43.6	0.4	1.1

## Pharmaceuticals (Overseas)

(Billions of Yen)

Generic name Therapeutic indication	Three months ended 6/30/08 (A)	<b>Three months ended 6/30/09 (B)</b>	Change (%)	(B)/(C) (%)	Six months ending 9/30/09 (Forecasts) (C)	Year ending 3/31/10 (Forecasts)
meropenem trihydrate Carbapenem antibiotic	6.1	<b>5.5</b>	(9.6)	59.5	9.2	15.8
mosapride citrate Gastroprokinetic	0.2	<b>0.3</b>	14.6	45.5	0.6	1.2
Zonisamide Antiepileptic	0.4	<b>0.1</b>	(72.2)	55.8	0.2	0.4

## Industrial Property Revenues

(Billions of Yen)

	Three months ended 6/30/08 (A)	<b>Three months ended 6/30/09 (B)</b>	Change (%)	(B)/(C) (%)	Six months ending 9/30/09 (Forecasts) (C)	Year ending 3/31/10 (Forecasts)
Industrial property revenues	0.0	<b>0.1</b>	-	8.0	1.8	3.1

## (Overseas Sales)

(Billions of Yen)

	Three months ended 6/30/08 (A)	<b>Three months ended 6/30/09 (B)</b>	Change (%)	(B)/(C) (%)	Six months ending 9/30/09 (Forecasts) (C)	Year ending 3/31/10 (Forecasts)
Overseas sales	6.9	<b>6.1</b>	(11.0)	48.8	12.6	21.7
Industrial property revenues	0.0	<b>0.1</b>	-	8.0	1.8	3.1
[% of net sales]	[9.8%]	<b>[9.3%]</b>			[9.6%]	[8.2%]

### III. Consolidated Balance Sheets

#### ASSETS

(Billions of Yen)

	As of 3/31/09 (A)	As of 6/30/09 (B)	(B) - (A)	
[Assets]	391.3	392.7	1.4	
Current assets:	263.5	269.2	5.7	
Cash and time deposits	22.0	21.0	(1.0)	
Notes and accounts receivable	79.8	79.2	(0.5)	
Marketable securities	34.5	41.8	7.3	• Increase in negotiable certificates of deposit
Inventories	54.5	54.2	(0.4)	
Short-term loans	50.0	50.0	—	
Deferred tax assets	17.1	17.2	0.1	
Others	6.0	6.1	0.0	
Allowance for doubtful receivables	(0.4)	(0.2)	0.2	
Fixed assets:	127.8	123.5	(4.2)	
Property, plant and equipment:	69.1	68.4	(0.7)	
Buildings and structures	39.5	39.1	(0.4)	
Machinery, equipment and carriers	11.0	12.1	1.1	
Land	10.0	10.0	—	
Construction in progress	4.0	2.9	(1.1)	• Transfer due to facilities of new solid dosage form building at Suzuka Plant in operation
Others	4.6	4.3	(0.2)	
Intangible assets	6.4	6.2	(0.3)	
Investments and other assets:	52.2	48.9	(3.3)	
Investment securities	34.0	36.6	2.6	• Increase by revaluation of investment securities
Deferred tax assets	3.7	2.6	(1.1)	
Others	14.6	9.8	(4.8)	• Withdrawal of long-term time deposits
Allowance for doubtful receivables	(0.1)	(0.1)	(0.0)	• Elimination of investments in Sumitomo Pharmaceuticals (Suzhou)
<b>Total assets</b>	<b>391.3</b>	<b>392.7</b>	<b>1.4</b>	

## LIABILITIES AND NET ASSETS

(Billions of Yen)

	As of 3/31/09 (A)	As of 6/30/09 (B)	(B) - (A)
[Liabilities]	66.8	63.2	(3.6)
Current liabilities:	53.3	49.3	(4.1)
Notes and accounts payable	18.5	15.5	(3.0)
Income taxes payable	6.3	4.4	(1.9)
Reserve for bonuses	8.1	3.7	(4.4)
Reserve for sales returns	0.1	0.1	(0.0)
Reserve for sales rebates	0.4	0.4	(0.0)
Others	19.9	25.2	5.3
Long-term liabilities:	13.4	14.0	0.5
Long-term debt	—	0.9	0.9
Liability for retirement benefits	9.3	9.4	0.1
Liability for directors' retirement benefits	0.0	0.0	(0.0)
Others	4.2	3.6	(0.5)
[Net assets]	324.5	329.5	5.0
Shareholders' equity:	319.2	322.5	3.2
Common stock	22.4	22.4	—
Capital surplus	15.9	15.9	—
Retained earnings	281.6	284.9	3.2
Treasury stock	(0.6)	(0.6)	(0.0)
Valuation, translation adjustments and others	5.2	7.0	1.8
Unrealized gains on available-for-sale securities, net of tax	5.2	7.0	1.8
Deferred gains or losses on hedges	—	(0.0)	(0.0)
Foreign currency translation adjustment	—	(0.0)	(0.0)
Minority interests	0.1	0.1	0.0
Total liabilities and net assets	391.3	392.7	1.4

• Transfer from reserve to others due to settlement of bonus amounts paid in July.

• Loans payable of Sumitomo Pharmaceuticals (Suzhou)

• Increase by net income  
• Decrease by dividends payment



#### IV. Consolidated Statements of Cash Flows

(Billions of Yen)

	Three months ended 6/30/08 (A)	Three months ended 6/30/09 (B)	
Income before income taxes and minority interests	10.8	11.8	
Depreciation and amortization	2.7	2.7	
Interest and dividend income	(0.6)	(0.5)	
Decrease (increase) in notes and accounts receivable	(0.4)	0.6	
Decrease (increase) in inventories	1.8	0.8	
Increase (decrease) in notes and accounts payable	(1.0)	(2.8)	
Other—net	1.1	0.0	
<b>Subtotal</b>	<b>14.3</b>	<b>12.7</b>	
Interest and dividend received	0.7	0.7	
Income taxes paid	(10.0)	(5.9)	
<b>Net cash provided by operating activities</b>	<b>4.9</b>	<b>7.4</b>	
Decrease in time deposits	—	3.0	← •Withdrawal of long-term time deposits
Proceeds from sales of marketable securities	—	1.0	
Purchases of marketable / investment securities	(1.2)	(0.2)	
Purchases of property, plant and equipment / intangible assets	(8.9)	(2.0)	← (A) Purchase of property, plant and equipment (new solid dosage form building at Suzuka Plant, etc.)
Other—net	0.1	0.5	
<b>Net cash used in investing activities</b>	<b>(9.9)</b>	<b>2.3</b>	
Dividends paid	(3.4)	(3.5)	
Other—net	(0.0)	(0.0)	
<b>Net cash used in financing activities</b>	<b>(3.5)</b>	<b>(3.5)</b>	
Effect of exchange rate changes on cash and cash equivalents	0.0	0.1	
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(8.4)</b>	<b>6.3</b>	
Cash and cash equivalents at the beginning of period	56.3	49.5	
Increase in cash and cash equivalents related to change in scope of consolidation	—	0.5	← •Increase by adding Sumitomo Pharmaceuticals (Suzhou) as a consolidated subsidiary
<b>Cash and cash equivalents at the end of period</b>	<b>47.8</b>	<b>56.3</b>	

## V. Quarterly Business Results

(Billions of Yen)

	Year ended 3/31/09				Year ending 3/31/10
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter
Net sales	70.1	64.2	67.6	62.1	66.0
Cost of sales	27.8	25.0	26.0	24.9	25.4
SG&A expenses	32.1	31.2	32.2	33.6	29.4
SG&A expenses less R&D costs	19.5	19.1	18.6	19.1	17.5
R&D costs	12.7	12.1	13.5	14.5	11.9
Operating income	10.2	8.0	9.4	3.6	11.2
Non-operating income	1.0	0.4	1.2	0.4	1.1
Non-operating expenses	0.4	1.0	0.3	1.0	0.5
Ordinary income	10.8	7.4	10.2	2.9	11.8
Extraordinary income	—	—	—	1.1	—
Extraordinary loss	—	—	—	0.3	—
Income before income taxes and minority interests	10.8	7.4	10.2	3.7	11.8
Net income	6.4	4.4	6.2	2.9	7.8

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

## VI. Development Pipeline (as of July 31, 2009)

### 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	Suspend in vehicle before use
	SMP-862 Oral	metformin hydrochloride	Diabetes	Merck Santé	Improvement of insulin resistance and reduction in hepatic glyconeogenesis
	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
	DSP-8153 Oral	amlodipine besilate / irbesartan	Hypertension	In-house	Combination product

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	TLR7 agonist

[Main revisions since the announcement of May 2009]

AmBisome® for new indication

Deleted because of “Approved”

**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 Bipolar disorder	In-house	U.S. and Europe, etc.	
	amrubicin hydrochloride Injection	amrubicin hydrochloride	Small cell lung cancer	In-house	China	Brand name in Japan: CALSED®

<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-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 May 2009]

None

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

<b>Generic / Product code (Brand name in JPN)</b>	<b>Therapeutic indications</b>	<b>Status of development</b>
AG-7352	Cancer	Out-licensed to Sunesis Pharmaceuticals Inc. for the worldwide territory in October 2003 Phase II study ongoing in North America 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 study completed in the U.S. by Protez (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 study 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. Phase II / III study ongoing in the U.S., Canada and Europe by Eisai
droxidopa (DOPS®)	Intradialytic hypotension, neurogenic orthostatic hypotension	Out-licensed to Chelsea Therapeutics 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 study ongoing in Europe by AstraZeneca

[Main revisions since the announcement of May 2009]

ranirestat (AS-3201)

Eisai has started Phase II / III study in the U.S., Canada and Europe

## VII. Profile of Major Products under Development (as of July 31, 2009)

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

- Developed in-house
- SM-11355 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 suspension will localize around the tumor and the active substance of this compound will be gradually released from EEIFA over a long period. This mechanism of action, which has been confirmed in clinical studies, results in 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 glyconeogenesis 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 patients. Following accumulated findings from the large-scale clinical studies conducted in the U.S. and Europe, we have conducted clinical studies to obtain approval for metformin hydrochloride with appropriate indication and dose regimens for Japanese patients.
- Development stage: NDA filed in Japan

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

- In-licensed from Novo Nordisk
- A rapid insulin secretagogue. SMP-508 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, Bipolar disorder**

- Developed in-house
- SM-13496 has a unique receptor-binding profile with a high affinity for dopamine-2, serotonin-2A, serotonin-7, serotonin-1A and noradrenalin- $\alpha$ 2c receptors. It exhibits little or no affinity for histamine-1 or acetylcholine-M1 receptors. SM-13496 is expected to have high antipsychotic efficacy with superior safety profile due to a reduced incidence of extrapyramidal reactions, cardiac reactions and weight gain. Furthermore, SM-13496 is also expected to have potential for treating Bipolar disorders.
- 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 compound has a stronger inhibitory effect and is longer acting compared to other drugs in this therapeutic area. Clinical studies have shown AS-3201 to have good penetration into nerve tissues, resulting in dose-dependent inhibition of intraneural accumulation of sorbitol and fructose. Based on the results of clinical studies, AS-3201 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 conducting Phase II / III study in the U.S., Canada and Europe.
- Development stage: Phase IIb in Japan (co-developed with Kyorin Pharmaceutical)

#### **DSP-8153            Hypertension**

- Developed in-house
- Combination product of amlodipine besilate (AMLODIN®; calcium channel blocker) and irbesartan (AVAPRO®; angiotensin II receptor blocker). DSP-8153 is expected to have an antihypertensive activity for the patients with essential hypertension who do not have sufficient antihypertensive effect by irbesartan or amlodipine treatment. In addition, the product is expected to have cerebroprotective, cardioprotective and renoprotective effect for patients with essential hypertension, because irbesartan has renoprotective effect and amlodipine has cerebroprotective and cardioprotective effects.
- Development stage: Phase II 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. This compound is expected to ease urinary urgency and reduce the frequency of both urination and incontinence. The compound is also 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

#### **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-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 drug discovery research for a therapeutic agent with a novel mechanism of action against allergic disorders. With this as a turning point, we started a research collaboration with AstraZeneca in 2004, and discovered a drug candidate as an outcome based on this research collaboration.
- We 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: Phase I in Japan

**SMP-028                      Bronchial asthma**

- Developed in-house
- SMP-028 shows a variety of effects on a 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-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.