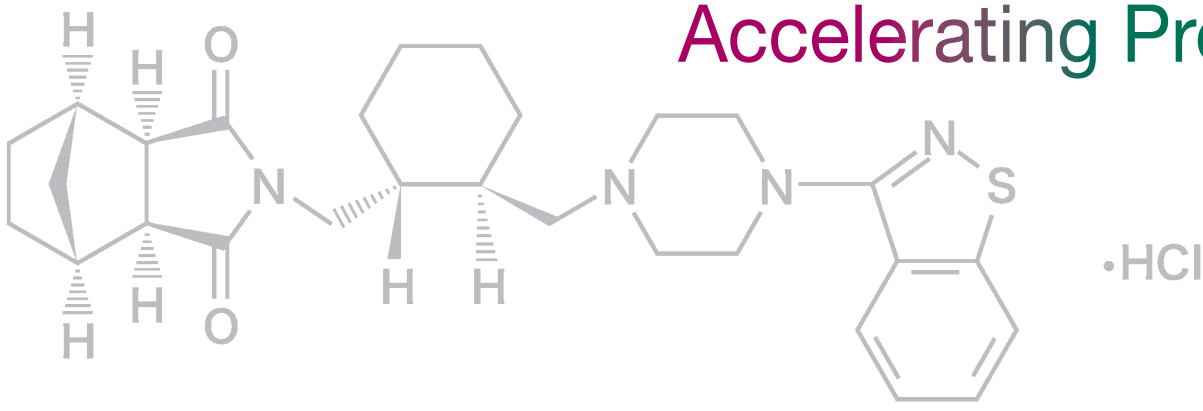
DAINIPPON SUMITOMO PHARMA



Accelerating Progress

Dainippon Sumitomo Pharma Co., Ltd.

Annual Report **2008**

For the year ended March 31, 2008

Contents

Profile 1

Financial Highlights 1

Message from the Chairman and the President 2

Mid to Long term Vision and Mid-term Business Plan 4

An Interview with the President 6
Now is the time to establish a strong business foundation toward becoming a global corporation.

Reorganizing for Steady Execution of the Mid-term Business Plan 10

Development Status of SM-13496 (lurasidone), Which Is Expected to Become the Core of Our Global Operations 11

Research and Development 12
We aim to discover a continual stream of drugs with global potential.

Production Facilities & Distribution Centers 16
We supply high-quality products stably and efficiently.

Marketing and Sales 18
We are strengthening our earnings base in the Japanese market by focusing management resources and raising customer satisfaction.

Other Products 20
We are leveraging our technology and expertise cultivated in the pharmaceuticals business to advance products in fields where we have the potential to be a market leader.

Corporate Social Responsibility (CSR) 21
We strive to fulfill our social responsibility in a way unique to DSP.

Corporate Governance 22

Board of Directors and Executive Officers 24

Financial Section 25

Corporate Data 54

Profile

Dainippon Sumitomo Pharma started on October 1, 2005, as a corporation committed to serving the social good through research and development programs designed to empower people to lead fuller, healthier lives.

To achieve this goal, the Company advances its business activities under the following management mission.

- *To contribute to healthcare and peoples' well-being based upon the principles of patient-oriented management and innovative research*
- *To continuously strive to maximize corporate value through constant business development and to fulfill shareholder expectations*
- *To create an environment in which employees can fulfill their potential and increase their creativity*
- *To maintain the trust of society and to contribute to the realization of a better global environment*

As a result, we aim to increase our presence as the most trusted medical partner in Japan and become an advanced R&D-driven pharmaceuticals company equipped for global business development.

Financial Highlights

	Millions of Yen		Percent Change	Thousands of U.S. Dollars (Note 1)
	2008	2007	2008/2007	**2008**
For the Year:				
Net sales	**¥263,993**	¥261,213	1.1%	**$2,639,930**
Operating income	**39,814**	45,555	(12.6)	**398,140**
Net income	**25,592**	22,605	13.2	**255,920**
R&D costs	**47,266**	40,870	15.7	**472,660**
Capital expenditures	**15,491**	9,543	62.3	**154,910**
Depreciation and amortization	**11,870**	12,008	(1.2)	**118,700**
At Year-End:				
Total assets	**399,791**	382,535		**3,997,910**
Net assets	**318,278**	306,012		**3,182,780**

	Yen		U.S. Dollars (Note 1)
Per Share of Common Stock:			
Net income	**¥ 64.39**	¥ 56.86	**$ 0.64**
Cash dividends	**18.00**	14.00	**0.18**

Note 1: Japanese yen amounts have been translated into U.S. dollars solely for the convenience of readers outside Japan, at ¥100 to U.S. $1, the approximate exchange rate on March 31, 2008.

We would first like to thank our shareholders and all our stakeholders for your daily support.

Dainippon Sumitomo Pharma was formed through a merger in October 2005. The merger process was completed a year and a half later, in March 2007, and in February 2007 DSP created its Mid to Long term Vision and announced its three-year Mid-term Business Plan for fiscal 2008 to 2010. Starting in June 2008, we have embarked on a daring plan for further growth under a new management and organizational framework.

Overview of the Fiscal Period under Review

In the fiscal year ended March 31, 2008, due to the promotion of governmental policies controlling medical costs as well as the continuing intensification of competition in the market among domestic and foreign pharmaceutical companies, the Japanese pharmaceutical industry suffered under a severe business environment.

Under such circumstances, and being the first business year of the Mid-term Business Plan established in February 2007, the Group introduced aggressive business activities across all sectors, including but not limited to the sectors of sales & marketing, research and development, as well as production, according to the scenario depicted in the plan, i.e., “aiming for the enhancement of the domestic revenue base, as well as making aggressive investments for future growth (including, but not limited to, promotion of the development of overseas business, enhancement of development pipelines (development of new drug seeds/compounds) and development and enhancement of human resources).” The Group exerted major efforts in the fiscal year ended March 31, 2008, such as continuing intensive infusion of marketing resources into four strategic products (AMLODIN®, GASMOTIN®, PRORENAL® and MEROPEN®); commencement and stable progression of

overseas clinical trial phase III for SM-13496 (lurasidone)—an antipsychotic drug, which is expected to be the core product for the future overseas expansion; and investing in a bio-venture fund to acquire relevant information on research seeds and new technologies.

As a result of the foregoing, the consolidated net sales for the fiscal year ended March 31, 2008, amounted to ¥263,993 million, a 1.1% increase from the previous fiscal year. With regard to the income of the Group for the fiscal year, although the gross profit increased due to the growth in sales of strategic products with higher contribution to profit and other factors, the operating income only amounted to ¥39,814 million, a 12.6% decrease from the previous fiscal year; because of the major increase in the research and development expenditures, including in the expenditures for the substantial implementation of overseas clinical trials for SM-13496 (lurasidone). Additionally, as a result of recording the gains on the sales of investment securities as extraordinary income, net income for the fiscal year amounted to ¥25,592 million, a 13.2 % increase from the previous fiscal year.

A New Structure for Additional Growth

The Mid-term Business Plan designates the three-year period from fiscal 2008 to fiscal 2010 as a period for "strengthening our business foundation for the first step to become a global corporation." To achieve our Mid to Long term Vision and grow dynamically into an internationally competitive R&D-oriented pharmaceutical company that is able to compete at the global level, we strive to build an efficient, robust corporate organization with a stable earnings structure by further focusing resources on strategically selected areas and broadly reforming our business operation systems.

On June 27, 2008, Kenjiro Miyatake became Chairman, and Masayo Tada became President. We will continue in this orientation without straying, under the new management structure.

To Our Shareholders

Dainippon Sumitomo Pharma considers the appropriate profit distribution to shareholders as one of its most important business policies. In addition to emphasizing appropriate distribution of business profits based on performance, the Company intends to decide specific distribution from a comprehensive standpoint, while actively investing in future growth, ensuring a solid management base and enhancing its financial condition to further heighten its corporate value.

We paid a year-end cash dividend for the fiscal year ended March 31, 2008, of ¥9 per share—the same amount as the interim cash dividend—for a total dividend of ¥18 per share for the fiscal year. To continue to provide stable dividends for our shareholders, we plan to pay cash dividends for the fiscal year ending March 31, 2009, of ¥18 per share—the same amount as for the fiscal year ended March 31, 2008.

Finally, we ask for the continued support and patronage of our shareholders and all our stakeholders.

June 27, 2008

Kenjiro Miyatake,
Representative Director, Chairman

Masayo Tada,
Representative Director, President
and Chief Executive Officer (CEO)

We are accelerating the strengthening of our business foundation for the first step to become a global corporation.

To maintain stable growth while making a contribution to society, the Group, has established as its corporate model by the end of the next decade the Mid to Long term Vision focusing on the "establishment of a solid foundation for our domestic business," "expanding our international business operation," and "enriching our R&D product pipeline to realize future vision," as well as fulfilling the three-year Mid-term Business Plan commencing the fiscal year ended March 31, 2008 to achieve the goals stipulated in that vision. The Group announced such mid-term business plan in February 2007.

In this Mid-term Business Plan, the upcoming three-year term is the period for the "strengthening of our business foundation for the first step to become a global corporation." In order for the Company to achieve the goals stipulated in the Mid to Long term Vision and become firmly established as an R&D-oriented company capable of competing in the global market, the Group endeavors to proceed with the selection and concentration process, and also aims to build a stable profit structure and efficient and robust management system by the broad reformation of its structure.

As a basic policy of the Mid-term Business Plan, six goals are set as follows:

1. *Strengthen our domestic business foundation*
2. *Strengthen our R&D organization for strong flow of the pipeline products*
3. *Prepare international operation structure*
4. *Strengthen strategic partnership*
5. *Strive for efficient management and for efficient and profitable corporate structure*
6. *Establish "DSP Management."*

During this Mid-term Business Plan, the Group will strengthen its domestic business foundation, as well as make the strategic investments for future growth to strengthen its ability to create new drugs, strengthen in-licensing activities, obtain NDA approval of own products, establish a U.S. marketing organization, enhance human capability and so on.

Strengthen Our Domestic Business Foundation

The Group will focus on cardiovascular, gastrointestinal and infectious diseases, and concentrate its resources on four strategic products, namely, Amlodin®, Gasmotin®, Prorenal® and Meropen®. Also, along with engaging proactively in the early maximization of newly launched products and product life cycle management to maximize product value, the Group will utilize IT to expand capacity of information providing tools.

Strengthen Our R&D Organization for Strong Flow of the Pipeline Products

The Group will focus its new drug discovery activities on diabetes, cardiovascular, CNS, inflammatory and allergy areas so as to strengthen new drug discovery capabilities. Also, the Group will endeavor to achieve its clinical development time schedule and targets as planned as well as to carry out aggressive in-licensing activities to strengthen the pipeline, and aims to establish a system to launch one major product every two years.

Prepare International Operation Structure

The Group will prepare its U.S. marketing organization with an antipsychotic drug, SM-13496 (lurasidone), which was discovered and has been developed in-house, as the core product. Also, the Group will prepare and strengthen U.S./E.U. clinical development infrastructure for the purpose of obtaining U.S./E.U. marketing approval.

Strengthen Strategic Partnership

The Group will aggressively promote global and local strategic partnerships for the areas of R&D, production, marketing, international operation and so on.

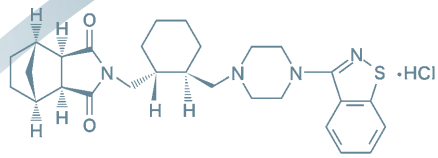
Strive for Efficient Management and for Efficient and Profitable Corporate Structure

The Group will further improve its management and organizational efficiency. Also, the Group will endeavor to select and focus on non-pharmaceutical businesses in order to improve profitability.

Establish "DSP Management"

The Group will further refine selection and focus, endeavor appropriate and broad improvement of our inherited systems and structures, as well as promoting the CSR management. Also, the Group will cultivate and activate diverse human resources by inspiring individual potential, and establish a corporate culture that actively encourages challenge and speedy response.

SM-13496



2008

Corporate Mission

To broadly contribute to society through value creation based on innovative research and development activities for the betterment of healthcare and fuller lives of people worldwide

2022

Mid to Long term Vision

Future vision within 15 years

- Become an internationally competitive R&D oriented pharmaceutical company
- Generate two solid mainstreams of revenue, domestic operations and international operations

2017

Mid to Long term Vision

Envision our corporate status within the next 10 years

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

Now is the time to establish a strong business foundation toward becoming a global corporation.

It is undeniable that the environment surrounding DSP's businesses is getting harsher. In the pharmaceutical business in Japan, rapid technological advancements, a stagnant domestic market and mounting foreign investment due to globalization have intensified competition, and pharmaceutical companies lacking new products are having difficulties in developing their businesses. In the non-pharmaceutical sector, high materials costs due to surging oil and grain prices are depressing performance for related businesses. It is under such conditions that I have taken up the helm at DSP. To tackle the issues confronting the Company, I am filled with the desire to take the lead in blazing a new path in Dainippon Sumitomo Pharma's history, hand in hand with our employees.

Q1. Please start by telling us your aspirations as the new President.

A. My aspiration for management is to lead DSP to become a "company that fulfills missions"—that is, a "company that is accepted by society, trusted by shareholders and partners, appreciated by patients and customers, and makes its employees feel happy." Such a "company that fulfills missions" must be created by all officers and employees, rather than being conferred by someone else. I believe that fundamentally we can approach this ideal if we maintain enthusiasm for doing good work for society and our customers and doing useful work for Company and its associates, while sparing no effort.

However, I think motivation will wane and the rewards will be few unless our efforts are aligned to a future corporate vision that all of us can share and will therefore voluntarily strive to materialize, and also to a route or basic blueprint that leads to that vision. I find the vision formulated in February 2007, to be materialized in 15 years, and the basic policy of the Mid-term Business Plan, set as guidepost toward the vision, to be excellent goals to lead DSP to become a "company that fulfills missions," so I aim to adhere to them. Provided all of us sustain our efforts with one mind, I believe our numerical targets will be achievable, global business development will progress and we will move toward being a "company that fulfills missions." As President, I would like to lead our employees in stepping up these efforts.

Q2. Please tell us about the initiatives for this fiscal year ending March 31, 2009—the first year of your presidency.

A. The fiscal year ending March 31, 2009, is packed with groundbreaking events for the Company's businesses. The Sales & Marketing Division aims to accomplish the difficult but worthwhile goals of strengthening detailing performance, deepening penetration of AMLODIN® OD tablets and launching two new products: Avapro® and LONASEN®. The Drug Development Division is carrying out large-scale Phase III clinical trials of SM-13496 (lurasidone) in the United States and international joint clinical trials of the compound in Asia. The Drug Research Division is endeavoring to advance the clinical development stage of several compounds with potential for global marketing, and the Manufacturing Division is to achieve the successful validation of its new formulation facility constructed at the Suzuka Plant. The Technology Research and Development Division is prepared to produce formulated samples of SM-13496 (lurasidone) and other compounds for large-scale clinical trials, and is promoting product life cycle management (PCLM) projects for key commercial products. In the Non-Pharmaceutical Operations Division, full-scale sales will begin for new sweeteners and the business revenue structure may improve accordingly.

In this way, the fiscal year ending March 31, 2009, will be an important year that will determine DSP's future direction. After we clear these hurdles, in the following fiscal year and beyond, sales of Avapro® and LONASEN® will expand, SUMIFERON® will be approved for new indications, additional new products will reach the market and domestic marketing will get a boost. At the same time, our expertise in overseas development will build and our internal structures will be refined, enhancing the efficiency of global development. Accordingly, by the time SM-13496 (lurasidone) is launched in the U.S. market, I expect we will be able to leap forward with confidence in our international expansion.

Q3. Please tell us the background and goals for the major reorganization carried out for the fiscal year ending March 31, 2009.

A. In June 2008, the organization of the Company was substantially reformed, and the officers in charge and department heads were broadly reshuffled. The former organization had been arranged for post-merger integration, but as the integration was over, I decided to change it into one that would enable more effective and efficient implementation of the Mid-term Business Plan as well as

the detailed plans for this fiscal year. In conjunction with this reorganization, I decided to change the people in charge and have them take on new challenges from new perspectives. It was truly a structural overhaul. Specifically, two new divisions were established. The role of the Strategic Planning & Business Development Division is to "blaze a new path" for the Company. The division will seek out all manner of new opportunities to contribute to the growth of DSP's pharmaceuticals business and make them practical for business application. The Corporate Regulatory Compliance & Quality Assurance Division was established to strengthen relevant functions on pharmaceutical affairs and reliability assurance. This division will further heighten the trust placed in our pharmaceuticals business by society and the Company's customer satisfaction. We have also consolidated the supporting functions of the Sales & Marketing Division in Tokyo for more efficient marketing.

Q4. Please tell us how you feel the leadership as President should be demonstrated.

A. My management style—in other words, what values and management methods I aim to lead with—could be summarized in the following four catchphrases: "team management," "field-oriented management," "transparent management" and "prioritization management."

First of all, "team management" is to carry out assignments systematically as a team rather than by depending only on individual capabilities. In order to solve management issues, we should mobilize all the wisdom and assets we have inside the company. I would like to emphasize that every layer of business operation should implement problem solving actions by way of such team approach. I sincerely hope that closer communication and cooperation will be put into daily practice among staff members, groups, departments and divisions, not only among peer members but among different sectors as well.

"Field-oriented management" is also imperative because it is impossible to manage an organization without knowing the reality of each field. Understanding real facts and acting accordingly in each field are crucial for management. Responsibility to the front line is, therefore, heavy. Management never fails to take into account feedback from each front line.

Going on, "transparent management" is heavily weighed. Not only corporate directors but also ordinary employees should recognize that all the actions inside the company are conducted in the arena of transparency. If they realize this, their sense of morality and sense of fairness will be refined and they will become disciplined by themselves. Under such circumstances, every staff is motivated to communicate without hesitation to higher level of people anything he or she believes correct at any time.

Finally, "prioritization management" refers to constantly seek after priority. Executives as well as employees are required to acquire practice to think reasonably and prioritize every aspect of business operation, taking into due consideration of importance and urgency with economic and strategic effects as assessment criteria. By so doing, speedy management will be materialized.

Q5. Please give us your thoughts on human resource cultivation, which is one of the basic policies of the Mid-term Business Plan.

A. A "company that fulfills missions" possesses "lofty spirit and strong willingness." As we advance business management according to the management style I touched on above, I believe all officers and employees who follow my lead voluntarily and sincerely will be able to foster that "lofty spirit," that is to say, ethics, integrity, dignity, insight and loyalty, as well as a "strong willingness" to get things done—in other words, courage, endurance, leverage, skill and knowledge.

We cannot achieve our objectives without a group of competent and loyal people who share our corporate values. I would like to raise up with my own hands people who dare to get difficult things done. The newly established Personnel Development Office aids in career development to bring out the full potential of DSP's employees. I intend to never spare time and expenses on human resource development. As declared in the Mid-term Business Plan, human resource development is one of the Company's top management priorities. I truly believe that a company is defined by its people.

Q6. What message would you like to give to shareholders and other stakeholders in closing?

A. Since its formation in October 2005, Dainippon Sumitomo Pharma has steadily made it past its first hurdle—the launch of the post-merger company—without significant turmoil and realized the anticipated synergies nearly as planned. In February 2007, the Company established its vision to be materialized in 15 years and simultaneously formulated the Mid-term Business Plan to act as a guidepost for the first three years on the way to the achievement of that vision. The underlying theme of the plan is the formation of a base for global business foundation. In the first year of the plan—the fiscal year ended March 31, 2008—the Sales & Marketing Division set and daringly strived to achieve lofty goals, and other divisions also eagerly executed the tasks set forth in the Mid-term Business Plan.

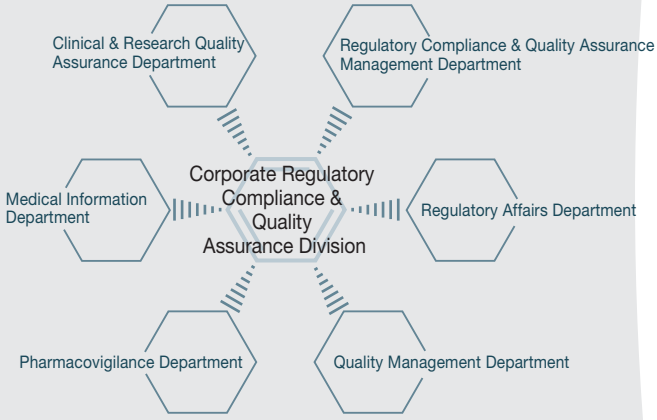
DSP employees continue to give their utmost on a united front to reach the Company's vision of becoming an internationally competitive R&D-oriented pharmaceutical company even one day sooner. I would like to ask our shareholders and all our stakeholders to continue giving your frank opinions toward our achievement of this vision. In addition to disclosing necessary management information in a timely and appropriate manner, we will channel resources into investor relations activities, including the duty of top management to offer adequate explanation to stakeholders. I would appreciate your continued support in these endeavors.

Reorganizing for Steady Execution of the Mid-term Business Plan

DSP's organizational structure has been geared toward smooth commencement of operations after the merger. However, two years after the merger we believe we have now largely achieved that objective, and in June 2008 we reorganized toward the steady execution of the basic policy of the Mid-term Business Plan and more efficient management.

Point 1

The first focal point of the reorganization was to form the Strategic Planning & Business Development Division, a new division for further enhancement of strategic planning and promotion functions in the pharmaceuticals business. We placed three departments under the division: the Strategic Planning & Management Department, which is in charge of therapeutic strategies, portfolio strategies and advancement of all projects; the Business Development Department, which promotes technology licensing and strategic alliances based on these strategies; and the Lurasidone Business Development & Management Office, which consistently and expediently promotes the deployment of antipsychotic drug SM-13496 (lurasidone) from a Companywide perspective. The Strategic Planning & Business Development Division agilely and cooperatively orchestrates the activities of these three departments to clarify the orientation of the Company's pharmaceuticals business and optimize the allocation of management resources through selection and focus.



Point 2

The second focal point was setting up the Corporate Regulatory Compliance & Quality Assurance Division, which works to enhance the reliability assurance functions of the Company as a whole and respond flexibly to the regulations of the Pharmaceutical Affairs Law, to ensure transparent and consistent reliability assurance from the R&D to post-marketing stages. The Corporate Regulatory Compliance & Quality Assurance Division also integrates and consolidates functions related to reliability assurance, which had previously been decentralized among the Drug Research Division, the Drug Development Division and other divisions.

Point 3

The third focus of the reorganization was to transfer the headquarters functions of the Sales & Marketing Division to Tokyo. Previously, marketing and scholarly activities were carried out primarily in Tokyo, while planning and general affairs were handled mainly in Osaka. Consolidating these functions in Tokyo has made the headquarters staff structure more efficient and dynamic, enabling consistent support for staff on the front lines in medical settings and invigorating scholarly activities in the Tokyo metropolitan area.

Development Status of SM-13496 (lurasidone), Which is Expected to Become the Core of Our Global Operations

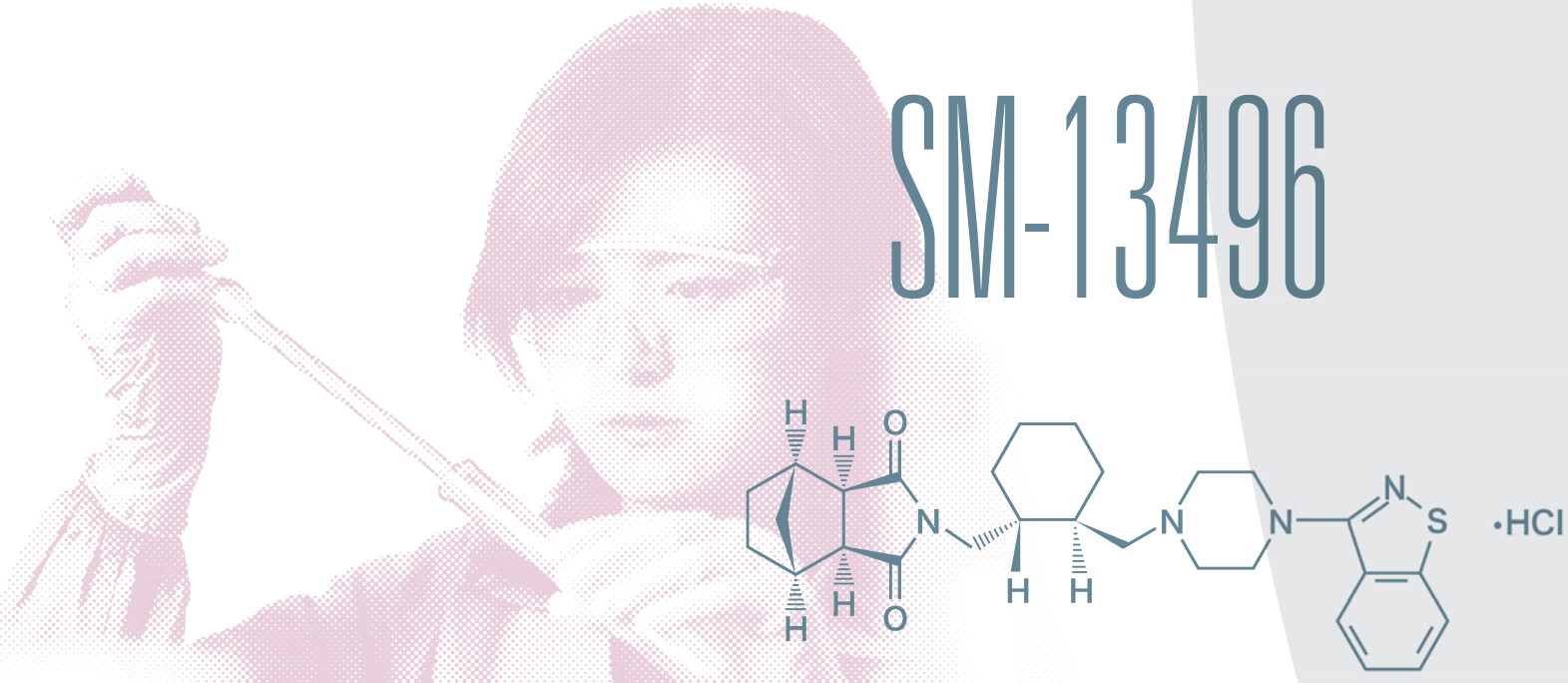
DSP considers the development of the antipsychotic drug SM-13496 (lurasidone)—which is expected to become the core of the Company's global operations—the top priority Companywide, and is actively funneling management resources into the project.

Schizophrenia is caused by a complex interplay of brain dysfunction and psychological and social stress. Major symptoms of the disease include positive symptoms such as hallucinations, delusions and excitement, as well as negative symptoms such as lack of spontaneity, emotional withdrawal and reduction of motor activity. It is presumed that the positive symptoms are caused by overactive mesolimbic dopamine pathways in dopamine neurons and that the negative symptoms are brought about by a complex combination of the hypofunction of the dopamine neurons with serotonin and other nervous systems.

SM-13496 (lurasidone) is a new compound developed by DSP. It is a potent antagonist to 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 a superior safety profile due to a reduced incidence of extrapyramidal symptoms, cardiac reactions and weight gain. The compound is therefore expected to grow into a major product in the global market including the United States and Europe. Potential schizophrenia patients are estimated to comprise approximately 0.8% of the population. Data from 2007 indicate that actual patients number 2.2 million, meaning that the market is on the scale of $12.5 billion in the United States.

In overseas development, PEARL1 Phase III clinical studies commenced in October 2007. This double-blind placebo-controlled study is being carried out with 480 patients in seven countries, including the United States and Europe. Also, a PEARL2 double-blind, placebo and active-controlled study—commenced in January 2008 in the Unites States and six other countries. As of June 2008, both PEARL1 and PEARL2 are going well and a long-term administration study is being carried out with patients who completed the double-blind phase of the PEARL study. We also separately conducted a long-term safety administration study (PEARL Safety) in March 2008. In the fiscal year ending March 31, 2009, we plan to carry out the third Phase III double-blind clinical study (PEARL3) for schizophrenia and Phase III studies for patients with bipolar disorder.

We also commenced a Phase III study for schizophrenia, as a joint investigation among Japan, South Korea and Taiwan.



We aim to discover a continual stream of drugs with global potential.

Strengthening Our Research and Development Structure

Enhancing core technologies toward new research proposals, accelerating R&D and improving success rates are essential factors in bringing a continuous stream of new drugs onto the global market. DSP is strengthening structures in each of the areas of drug discovery research, clinical development research and product development research, as well as introducing a project system Companywide that covers research, development and marketing structures, boosting cooperation among departments and optimizing the Company's business portfolio.

DSP's drug discovery research is conducted at the five research facilities within the Drug Research Division: Chemistry Research Laboratories, Pharmacology Research Laboratories, Safety Research Laboratories, Pharmacokinetics Research Laboratories, and Genomic Science Laboratories. Researchers engaged in each area communicate with each other in detail to promote more efficient research.

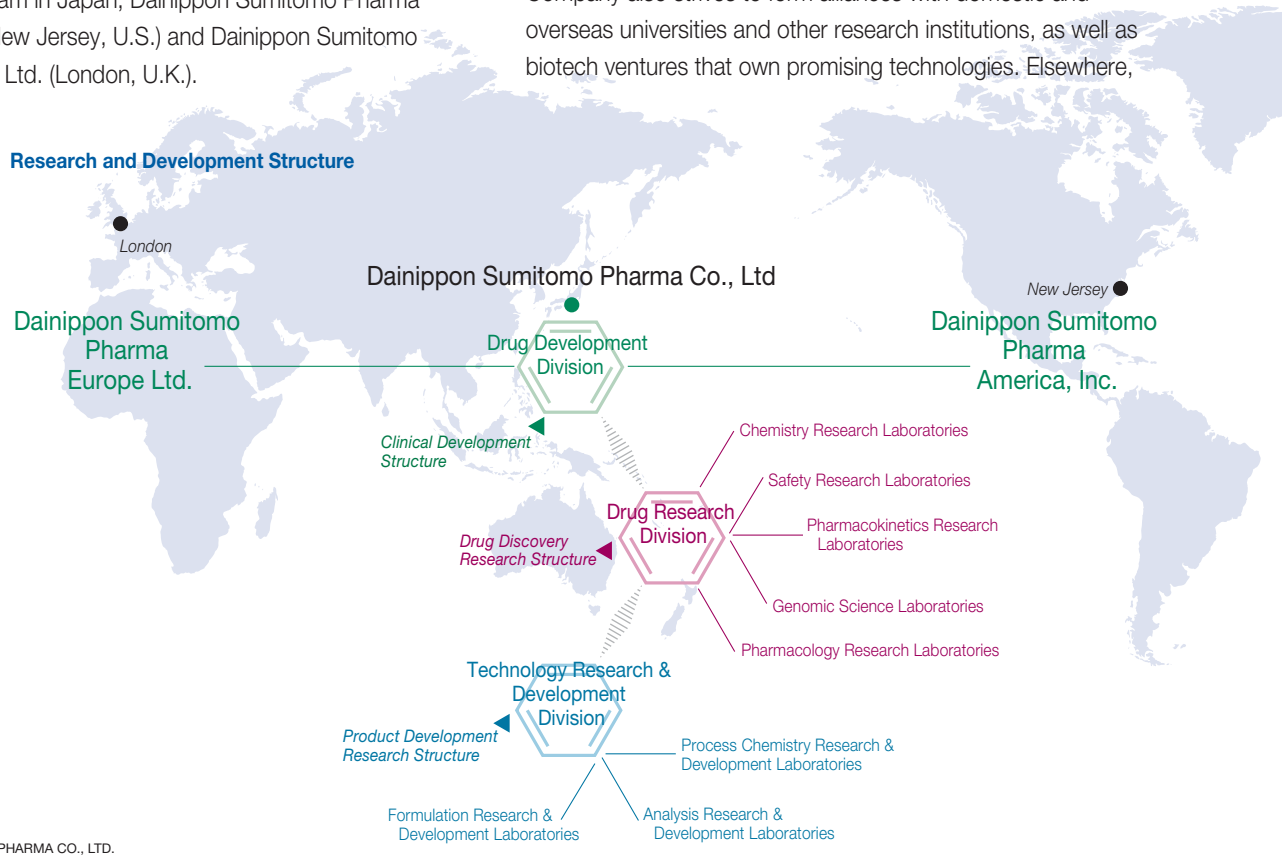
Clinical development activities are carried out through close Japan–U.S.–Europe trilateral collaboration among our development team in Japan, Dainippon Sumitomo Pharma America, Inc. (New Jersey, U.S.) and Dainippon Sumitomo Pharma Europe Ltd. (London, U.K.).

Product development research is headed up by three research facilities within the Technology Research and Development Division: Process Chemistry Research and Development Laboratories, Formulation Research and Development Laboratories and Analysis Research and Development Laboratories. These facilities work together to advance research on production methods and quality for active pharmaceutical ingredients (API), and product formulations in the development and application for approval of pharmaceuticals. The Technology Research and Development Division also maintains a system to enable global supply of investigational drugs including quality assurance.

Building a Research Structure to Advance Candidate Compounds in Development to the Clinical Development Stage Efficiently

To promote efficient drug discovery research and advance new drugs quickly to the clinical development stage, DSP is focusing its research resources on the diabetes/cardiovascular, central nervous system (CNS) and inflammation/allergy therapeutic areas.

To increase the number of early-stage research projects, DSP has created systems to encourage uptake of ideas from researchers as a way of actively fostering high-quality project proposals and promoting early-stage research. The Company also strives to form alliances with domestic and overseas universities and other research institutions, as well as biotech ventures that own promising technologies. Elsewhere,



DSP is participating in government-led national healthcare-related projects. In Alzheimer's disease-related research, the Karolinska Institutet and Sumitomo Pharmaceuticals Alzheimer Center (KASPAC), which is DSP's research laboratory within the Karolinska Institutet of Sweden, are seeing promising results from drug discovery research programs and exploratory research in diagnostic biomarkers for Alzheimer's disease. At the same time, we are applying an extensive range of genomics technologies to elucidate the modes of action of compounds in development and to conduct exploratory research in new biomarkers and drug discovery targets. These research efforts are generating promising results.

To step up the pace of research, we have selected priority themes by considering profitability, success rates, competitiveness, side effects and other factors. Focused allocation of resources to these areas, including several times the previous number of research staff, has produced favorable results. In addition, by systematically incorporating drug candidate evaluation technologies such as initial pharmacokinetics and toxicity studies into the drug discovery research process, DSP believes it can achieve further reduction of research time. For higher success rates, members of each specialist field share information from the early research stages to gain an understanding of the risks each research theme entails.

As part of our human resource development strategy, we give researchers the opportunity to exchange views with opinion leaders and sending research staff to top-level universities and research institutions overseas for study and work experiences. To foster a broad perspective, we also encourage researchers to interact with other researchers outside their field of specialization, and we have introduced systematic personnel rotation to allow researchers to experience other kinds of work.

Boosting Success Rates for Clinical Development and Establishing a Global Development Structure

Following our release of the antipsychotic drug LONASEN® in April 2008, for which clinical development was conducted in Japan, we also released the anti-hypertension drug Avapro® in July 2008. We will continue to improve success rates for development projects with the goal of building our business in Japan into a solid earnings base.

DSP is giving top priority to the global development of the antipsychotic drug SM-13496 (lurasidone), toward the rollout of the Company's own sales and marketing network overseas, as indicated in the Mid to Long term Vision. Specifically, we are reinforcing development teams at Dainippon Sumitomo Pharma America, Inc., and Dainippon Sumitomo Pharma

Central Nervous System (CNS)

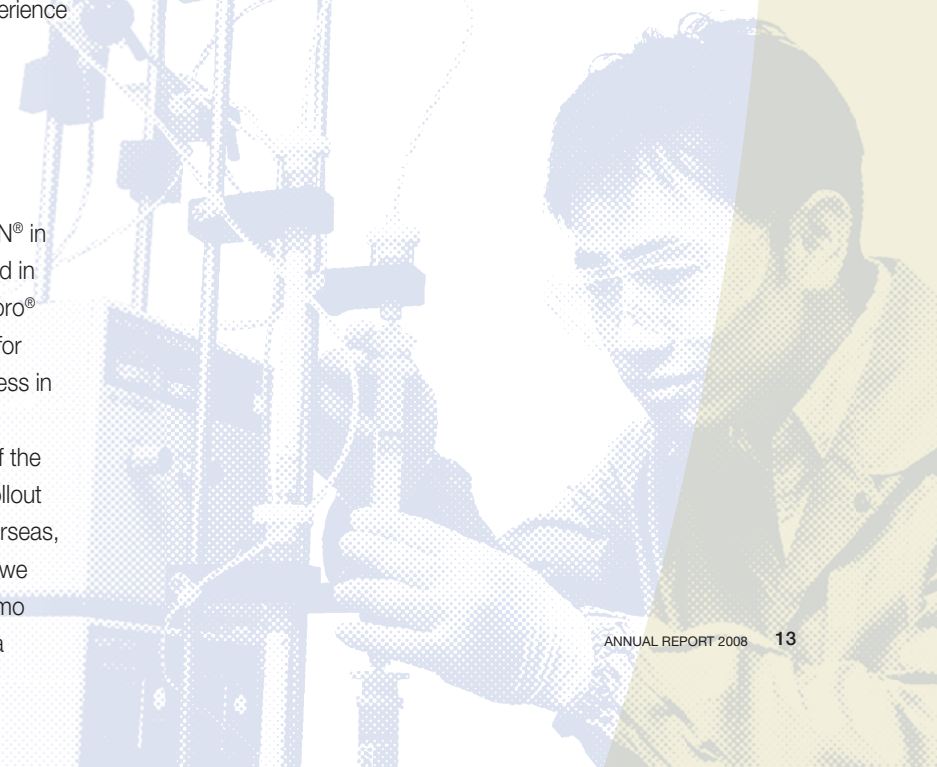
DSP has adopted a multifaceted research approach to target better treatments for functional and organic psychiatric conditions, including schizophrenia, depression, anxiety and cognitive disorders. Demand for drugs to treat such diseases is expected to rise in the future due to prevalent features of modern society such as aging and stress.

Diabetes/Cardiovascular

DSP's drug discovery research program continues to develop candidate compounds with various mechanisms of action, including insulin secretagogues, agents to improve insulin resistance, glucose absorption inhibitors and therapies for complications of diabetes. The Company aims to forge a comprehensive and rich product pipeline by continually feeding new compounds with demonstrated potential into the development stage. In the cardiovascular field, drug discovery research activities are directed at finding new antihypertensive agents, together with compounds for conditions with a metabolic syndrome such as obesity.

Inflammation/Allergy

In this field, DSP can fully exploit its technical experience and expertise to leverage original concepts developed in-house. The main therapeutic targets in this field include rheumatoid arthritis—a disease where satisfaction with existing treatments remains low—as well as respiratory diseases such as asthma and other inflammatory conditions.



Europe Ltd., and constructing an efficient global development network that unifies operations at our three bases in Japan, the United States and Europe. Furthermore, we are organizing our business structure to enable global studies in several regions of Asia, centered on Japan.

At the same time, with more products under development due to a fuller development pipeline, we are selecting and focusing on projects by assigning them clear priority levels. We are also improving work efficiency by building an electronic data capture (EDC) system for clinical investigations and a standard database (SDB) to integrate clinical trial and post-marketing data, as well as by standardizing various documents and tasks.

Status of Products under Development

Products currently under review for approval include SM-11355 (miriplatin hydrate) an anticancer platinum complex for hepatocellular carcinoma treatment; SMP-862 (metformin hydrochloride), a diabetes remedy; AD-810N (zonisamide) with a new indication for treatment of Parkinson's disease; SUMIFERON®, a natural interferon-alpha product, with a new indication for the treatment of compensated cirrhosis associated with chronic hepatitis C; and GASMOTIN® with a new indication for improvement of imaging following pretreatment of the colon examined by barium enema X-ray radiography via orally-administered bowel cleanser.

Promising development compounds in the core therapeutic areas of diabetes and cardiovascular diseases include AS-3201 (ranirestat), a treatment for diabetic neuropathy with strong market potential. We are conducting Phase IIb trials for this drug in Japan jointly with Kyorin Pharmaceutical Co., Ltd., and we have granted Eisai Co., Ltd., overseas development and sales rights. We are aiming for an early launch of this product on the global market through close coordination with these business partners. Additionally, SMP-508 (repaglinide), a diabetes remedy, which is licensed from Novo Nordisk A/S and is intended to improve postprandial hyperglycemia, is currently in Phase III trials in Japan. DSP has also commenced Phase I trials in Europe on its own diabetes remedy DSP-7238 and in Japan on diabetes remedy DSP-3235—licensed from Kissei Pharmaceutical Co., Ltd.

In the CNS field, we are currently conducting Phase III trials in Japan (joint investigation among Japan, South Korea and Taiwan) and in the United States, Europe and other countries on SM-13496 (lurasidone), a treatment for schizophrenia, which we consider the core of our overseas business development going forward. In addition, AC-3933, a treatment for dementia, is in Phase II trials in Japan and in the United States/Europe.

Promising drugs in the inflammation/allergy field include SMP-114, a treatment for rheumatoid arthritis in Phase II clinical trials in Japan and Europe, and SMP-028, a treatment for bronchial asthma in Phase I clinical trials in the United States. Other promising compounds under clinical study include SMP-986, a treatment for overactive bladder syndrome in Phase II clinical trials in the United States and Europe, and MEROPEN®, a carbapenem antibiotic, which is in Phase III clinical trials in Japan for the new indication of febrile neutropenia.

Building a Global Product Development Structure

DSP's aim in product research and development is not only to bring candidate compounds to commercial production in a smooth manner, but to develop products that are patient oriented.

The major tasks involved cover a broad range, including establishing commercial production methods for API and formulations through enhancements to manufacturing design and industrialization processes, providing investigational drugs with good quality to clinical trial in a timely manner, designing optimal formulations, preparing chemistry, manufacturing and controls (CMC) documents for applications for product approval, and conducting product life-cycle management (PLCM) through creation of different dosage forms and expansion of therapeutic effects.

DSP currently focuses on establishing a system for in-house development in the United States and Europe. To accommodate clinical development in each region, we work in cooperation with Dainippon Sumitomo Pharma America, Inc., and Dainippon Sumitomo Pharma Europe Ltd. to organize information for formulation design and supply investigational drugs complied with the Good Manufacturing Practice (GMP) standards of each country and other regulations that address manufacturing and quality control, as well as maintaining the structures to ensure such supply. We further strive to handle applications by taking into account overseas regulatory trends, under a global CMC document preparation system.

New Drugs in the R&D Pipeline

Product/ Code Name	Generic Name	Formulation	Therapeutic indications	Development Location	Development Stage: Phase I	Phase II	Phase III	NDA Filed	Remarks
Diabetes/Cardiovascular									
SMP-862	metformin hydrochloride	Oral	Diabetes/Improvement of insulin resistance and reduction in hepatic glyconeogenesis	Japan	■	■	■	■	In-licensed from Merck Santé SAS
SMP-508	repaglinide	Oral	Diabetes/Rapid insulin secretagogue	Japan	■	■	■		In-licensed from Novo Nordisk A/S
AS-3201	ranirestat	Oral	Diabetic neuropathy	Japan	■	■			Developed in-house; Co-developed with Kyorin Pharmaceutical Co., Ltd.
				U.S.	■	■	■		Out-licensed to Eisai Co., Ltd.
DSP-3235	TBD	Oral	Diabetes/ SGLT1 inhibitor	Japan	■				In-licensed from Kissei Pharmaceutical Co., Ltd.
DSP-7238	TBD	Oral	Diabetes/ DPP IV inhibitor	Europe	■				Developed in-house
DSP-8658	TBD	Oral	Diabetes/ PPARα/γ modulator	U.S.	Preparing for Phase I				Developed in-house
CNS									
AD-810N	zonisamide	Oral	Parkinson's disease (new indication)	Japan	■	■	■	■	Developed in-house
SM-13496	lurasidone	Oral	Schizophrenia	Pan-asia study (Japan, Korea and Taiwan)	■	■	■		Developed in-house
				U.S. and Europe, etc.	■	■	■		
AD-5423	blonanserin	Oral	Schizophrenia	U.S. and Europe	■	■			Developed in-house
AC-3933	radequinil	Oral	Dementia	Japan	■	■			Developed in-house
				U.S. and Europe	■	■			
Inflammation/Allergy									
SMP-114	rimacalib	Oral	Rheumatoid arthritis	Japan	■	■			Developed in-house
				Europe	■	■			
SMP-028	TBD	Oral	Bronchial asthma	U.S.	■				Developed in-house
DSP-3025	TBD		Bronchial asthma, allergic rhinitis	Japan	Preparating for Phase I				Developed in-house
				Europe	■				Out-licensed to AstraZeneca PLC
Others									
SM-11355	miriplatin hydrate	Injection	Hepatocellular carcinoma	Japan	■	■	■	■	Developed in-house
SUMIFERON®	interferon-alfa (NAMALWA)	Injection	Compensated cirrhosis associated with chronic hepatitis C (new indication)	Japan	■	■	■	■	In-licensed from GlaxoSmithKline plc
GASMOTIN®	mosapride citrate	Oral	Improvement in bowel cleansing by orally gastrointestinal lavage solution prior to barium enema X-ray examination (new indication)	Japan	■	■	■	■	Co-developed with Ajinomoto Co., Inc.
AmBisome®	amphotericin B	Injection	Addition of fungal species (new indication)	Japan	■	■	■	■	In-licensed from Gilead Sciences, Inc.
MEROPEN®	meropenem hydrate	Injection	Febrile neutropenia (new indication)	Japan	■	■	■		Developed in-house
CALSED®	amrubicin hydrochloride	Injection	Small-cell lung cancer	U.S. and Europe	■	■	■		Out-licensed to Celgene Corporation (former Pharmion Corporation)
DOPS®	droxidopa	Oral	Intradialytic hypotension, neurogenic orthostatic hypotention	U.S./Europe	■	■	■		Out-licensed to Chelsea Therapeutics, International, Ltd.
SMP-986	TBD	Oral	Overactive bladder	Japan	■				Developed in-house
				U.S. and Europe	■	■			
AG-7352	TBD	Injection	Cancer	U.S.	■	■			Out-licensed to Sunesis Pharmaceuticals Inc.
SMP-601	TBD	Injection	Life-threatening infection	U.S.	■	■			Out-licensed to Protez Pharmaceuticals Inc.

(As of July 31, 2008)

We supply high-quality products stably and efficiently.

Product Supply Structure

The Manufacturing Division is composed of the manufacturing sector; the logistics sector; the Manufacturing Management Department, which devises manufacturing strategies and manufacturing plans; and the Engineering Department, which provides designs and plans for manufacturing facilities. These departments work together under an integrated manufacturing strategy covering all steps from manufacturing through logistics to flexibly handle increased sales volumes and new product launches, and to achieve a stable supply of high-quality products. The efficient manufacturing and distribution systems we have built up have benefited from our aggressive introduction of state-of-the-art facilities capable of responding to the needs of global standards. While encouraging close coordination between R&D and Sales & Marketing Divisions, we ensure smooth production of newly-launched products and supply of customer-oriented products by attaining a full range of quality improvements to meet requirements of both patients and medical institutions. We also save on production costs through labor savings in production processes, such as streamlining work processes and automating facilities, and by thoroughly eliminating waste in work processes.

High-Level Quality Assurance System

Recognizing that our pharmaceuticals play a vital role in maintaining human health, we are dedicated to assuring the required level of quality in all our pharmaceutical productions.

Pharmaceutical production and quality control in Japan are carried out strictly in accordance with Good Manufacturing Practice (GMP) standards that address manufacturing and quality control stipulated in the Pharmaceutical Affairs Law.

DSP's production group undertakes contract manufacturing of other companies' products and manufacturing of exported pharmaceuticals, paying due attention to quality. Our facility design and quality assurance system have passed overseas vendor inspections as well as the strict standards of regulatory authorities in Europe, the United States and Japan. In other words, DSP's standards are those of global GMP. GMP standards are likely to become increasingly strict in the future. We therefore intend to aggressively invest in our manufacturing facilities—including our new solid dosage form facility—to meet future standards. Our production sector, quality assurance sector, and other related sectors will continue to work in concert to provide pharmaceuticals of the highest quality.

Ongoing Quality That Meets User Needs, and Quick and Accurate Storage and Delivery Systems

Since April 2007, our nationwide distribution network has been based at the Kobe Distribution Center and the Tokyo Distribution Center, which serve as our hubs in western and eastern Japan, respectively. Recognizing the social mission of pharmaceuticals, this network enables us to focus on storage and delivery of products received from our Suzuka Plant, our Ibaraki Plant and our suppliers, while working to maintain product quality. Through our comprehensive information systems, we operate an efficient storage and delivery network that accurately meets the requirements of users.

Caring for the Environment and Contributing to the Community

In regard to the environment, all of the Company's four plants have already acquired ISO 14001 certification, the international standard for environmental management systems. Waste reduction, cogeneration systems* and other facilities are installed to reduce environmental impact. DSP also actively contributes to local communities through volunteer work and cleanup activities in areas surrounding business sites. We would like to continue such activities to live up to the trust and reliance placed upon us by the public as a member of society and as a pharmaceutical producer.

*Cogeneration system: A system utilizing a single energy source to generate multiple forms of energy such as heat and electricity.

Suzuka Plant

As a production site focusing on efficiency, our Suzuka Plant maintains integrated pharmaceutical manufacturing facilities at which a full range of operations are conducted, from production of API and finished products to packaging. The main products at Suzuka are GASMOTIN®, a gastroprokinetic agent, and EBASTEL®, a long-acting antiallergic agent. In December 2007, a new solid dosage form plant was completed. In January 2009, the plant will commence production with a capacity of 3 billion tablets and 70 metric tons of powder per annum. This facility is equipped with stricter quality control systems than conventional ones.

Ibaraki Plant

In its role as an R&D-driven pharmaceuticals plant able to flexibly accommodate new products and technologies, this facility produces drugs in a broad range of dosage forms, including solid dosages, powders, tablets, capsules, injections and ointments. The plant also manufactures products for other companies on consignment. As a dynamic plant that can coordinate with R&D facilities within its premises (Technology Research and Development Division), the plant's basic policy is to maintain a high level of production technology and quality assurance, and to contribute to rapid maximization of product value.

Ehime Plant

This plant, which manufactures biopharmaceutical products, boasts industry's largest-scale cell culture facilities in terms of both the number and size of cell-culture vessels. Since 1987, the plant has been stably producing crude intermediate solution of SUMIFERON®, a natural interferon-alpha product. It also assembles and packages finished SUMIFERON® products. In addition, the plant applies the sterile technology gained through interferon manufacturing to the production of the anti-malignant tumor antibiotic CALSED®.

Oita Plant

The Oita Plant manufactures active ingredients for products such as AMLODIN®, a therapeutic agent for hypertension and angina pectoris; DOPS®, a noradrenaline-activating neural function ameliorant; and CALSED®. One of the plant's main products is MEROPEN®, a carbapenem antibiotic, which is manufactured from its active ingredient to the product in an integrated way. Products made here are used in more than 100 countries worldwide, and the plant's manufacturing facilities and quality control systems fully meet the stringent requirements of the European and U.S. markets.

We are strengthening our earnings base in the Japanese market by focusing sales resources and raising customer satisfaction.

Devoting Sales Resources to Four Strategic Products and Two Newly Launched Products

DSP's business is focused on the therapeutic areas of cardiovascular, gastrointestinal and infectious diseases. The Company devotes sales and marketing resources to four strategic products: AMLODIN®, a treatment for hypertension and angina pectoris; GASMOTIN®, a gastroprokinetic agent; PRORENAL®, a vasodilator; and MEROPEN®, a carbapenem antibiotic. We are also working to ensure early market penetration of LONASEN®, an antipsychotic drug, and Avapro®, a therapeutic agent for hypertension—both new products—and the switchover of AMLODIN® to orally disintegrating (OD) tablet form.

Raising Customer Satisfaction through Activities Intimately Connected with Communities

DSP has established a domestic business framework that divides Japan into seven business regions, with 28 branches and 191 marketing groups within these regions. This system enables each divisional bloc to reflect the characteristics of the various regional markets more precisely. The new system also increases customer satisfaction by enabling speedier responses to customer requests and more dynamic sales activities based on faster decision-making. This involves delegating more authority from the Executive Director of Sales & Marketing down to the Senior Directors of the seven regions. Among the 191 marketing groups nationwide, DSP has 47 hospital-focused marketing groups, with approximately 450 MRs assigned to such groups, to funnel marketing resources into focused therapeutic areas. DSP is also continuing to strengthen its presence in the CNS field with the aim of becoming one of the leading companies in Japan in this sector. The number of specialist MRs assigned to the CNS field is set to rise to around 80.

Moreover, we aim to enhance information activities by transforming the actions and consciousness of MRs and conducting detailed area marketing analysis using market data to further raise the efficiency of MRs' professional calls.

Expansion of Detailing Functions Using IT

Efforts to enrich information provision functions include IT-based detailing (e-detailing) which is offered in parallel with real detailing to diversify and boost the efficiency of marketing activities. DSP promotes a variety of "e-communication" methods to enable efficient and effective communication with the medical community. Such methods include e-detailing and related promotional activities, and interactive online communications available to medical professionals that have registered for such services on DSP's website.

In order to increase the degree of customer satisfaction (CS), which is an indicator of trust and value placed in a company by its customers, it is essential to educate and train MRs so that they can provide a higher standard of information and detailing services to customers. DSP is therefore working to reinforce backup for the sales activities of MRs through active utilization of an in-house sales force automation (SFA) system, promotion of MRs' self-learning with e-learning and enhancement of scholarly support to MRs with integration of database.

In addition, DSP opened a Product Information Center in April 2008 as another element of the Company's information provision functions. The center strives to raise the bar for speed and quality of information provision in response to inquiries concerning DSP's prescription pharmaceuticals from medical professionals, patients and others inside and outside the Company.

Cultivating a High-Quality Specialist MR Force

DSP aims to boost its presence in the marketplace by cultivating a sales force where each and every person is kept highly motivated and is capable of thinking strategically creating vibrant, satisfying jobs and a challenging workplace environment. In addition, the Company also aims to develop MRs capable of providing high-quality professional services to enhance customer satisfaction. Furthermore, the Company is focused on fostering a corporate culture that helps salespeople to grow through self-education alongside training in a team.

DSP regards the cultivation of the industry's top-level specialist MRs as a matter of pressing importance. Efforts are focused on enhancing the specialist knowledge of MRs in the field of cardiovascular disease—one of the Company's targeted therapeutic areas. The overall aim is to enhance the reputation of DSP as a company that is strong in scholarly activities

Marketing Initiatives by Product

Four Strategic Products

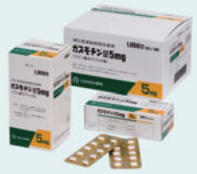
AMLODIN®

AMLODIN®, a therapeutic agent for hypertension and angina pectoris, is widely prescribed as a first-choice medication for its strong, sustained lowering of blood pressure, and as a proven, long-acting calcium antagonist backed by extensive clinical evidence. In addition, AMLODIN® OD tablets—an orally disintegrating tablet product—are now widely prescribed for their effectiveness in helping to improve medication compliance on the part of patients. Going forward, we aim to build the best possible trust relationships with our customers by continuing to provide useful information based on extensive clinical evidence, and to further expand the use of orally disintegrating tablets.

AMLODIN®

GASMOTIN®

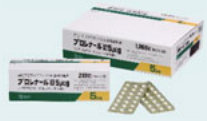
GASMOTIN®, the world's first selective serotonin 5-HT4 receptor agonist, is an entirely novel gastroprokinetic agent that promotes gastrointestinal motility without blocking dopamine D2 receptors, which can cause side effects affecting the central nervous or endocrine systems. GASMOTIN® was shown to be an effective treatment for functional dyspepsia in the JMMS (Japan Mosapride Mega-Study), a large-scale clinical study involving some 1,000 patients. By using this clinical evidence and making efficient use of e-detailing methods to actively raise recognition and awareness of functional dyspepsia, DSP aims to make GASMOTIN® one of the first-line treatments for those patients suffering from functional gastrointestinal disorders.



GASMOTIN®

PRORENAL®

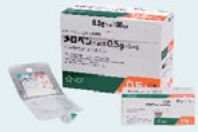
PRORENAL® is a vasodilator. In 2001, PRORENAL® was approved as a treatment for lumbar spinal canal stenosis. Commonly associated with aging, lumbar spinal canal stenosis is the target of an ongoing national government project in response to the aging of Japanese society. PRORENAL® is an orally administered drug that can help to enhance patients' quality of life. Through activities aimed at increasing public recognition of this condition and improving brand recognition, the Company aims to drive further expansion in the market and increase sales.



PRORENAL®

MEROPEN®

MEROPEN® is a carbapenem antibiotic that has outstanding antibiotic activities against infections caused by Gram-positive, Gram-negative and anaerobic bacteria, especially Gram-negative bacteria such as Haemophilus influenza and Pseudomonas aeruginosa. MEROPEN® is a prescription of first choice for severe infections around the world as a medication with very little nephrotoxicity, enabling it to be used as a single agent. Moving forward, by continuing to provide information on the efficacy and safety of MEROPEN®, the Company intends to step up activities in the hospital market with the aim of maximizing this drug's standing as the standard treatment for severe infections.



MEROPEN®

New Products

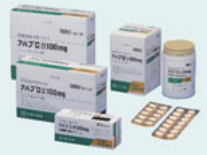
LONASEN®

LONASEN®, an antipsychotic released in April 2008, is a medication with a new structure discovered by DSP. LONASEN® has a strong blocking effect and high selectivity for dopamine-2 and serotonin-2 receptors, and features a stronger blocking effect for domamine-2 receptors than serotonin-2 receptors. Clinical trials have demonstrated the drug's ameliorative effect on not only hallucinations, delusions and other positive symptoms of schizophrenia, but also on flattening of emotions, loss of motivation and other negative symptoms of the disease. The trials have also indicated that LONASEN® has a low incidence of extrapyramidal symptoms and produces few side effects, such as weight gain, hyperprolactinemia and orthostatic hypotension. We will leverage these characteristics in promotional activities for LONASEN® in its role in strengthening DSP's capabilities in the CNS field.

LONASEN®

Avapro®

Avapro®, a therapeutic agent for hypertension, released in July 2008, has a long half-life in the blood and is a long-acting angiotensin II receptor blocker (ARB) that maintains lower blood pressure for 24 hours, making it a superior treatment for both mild and severe hypertension. Overseas, the drug co-developed by sanofi-aventis and Bristol Myers Squibb, and is currently sold in 86 countries under the brand name of Avapro® and Aprovel®. The compound is known as ARB and the clinical evidence shows its liver protective action in a broad range of cases, from early to overt nephropathy. Avapro® is earning plaudits as one of the top ARB brands. We aim to achieve early market penetration by focusing on Avapro's position as a long-acting ARB that has both superior ability to reduce blood pressure and clinical evidence for its liver protective action.



Avapro®

We are leveraging our technology and expertise cultivated in the pharmaceuticals business to advance products in fields where we have the potential to be a market leader.

Animal Health Products

Under the business theme of a scientific approach to animal health, the Company sells veterinary medicines for companion animals—mainly dogs and cats—farm animals such as cattle and swine, and horses and cultured fish. It deals in pet food, too. The Company focuses particularly on the companion animal market where it has a broad line of products, including therapeutic drugs, such as VICTAS®, an antibacterial preparation containing orbifloxacin as its active ingredient, which were discovered and developed in-house, and canine heartworm preventive drugs. The lineup includes canine and feline therapeutic nutritional formulas under the PRESCRIPTION DIET® brand and wellness formulas under the SCIENCE DIET® (PRO) brand, both of which are the products of Hill's Pet Nutrition, Inc. Another product is LifeChip identification IC microchips for companion animals and horses. In addition, the Company's subsidiary, Marupi Lifetech Co., Ltd., supports veterinary medical care for smaller animals by providing clinical lab tests and diagnostic services specializing in companion animals.

The Company sells URSO® for farm animals and inactivated iridovirus vaccine for aquaculture. We expect our emphasis on these and other products aimed at disease prevention through immunostimulation to contribute to food safety and reliability.

Food and Speciality Products

Food and Food Additives

DSP supplies food ingredients based on natural materials that are used for production of high-quality and safe food products.

In the polysaccharide business, we provide a diverse array of polysaccharide products tailored to customer needs, such as GLYLOID® (tamarind gum), the first product of this kind successfully produced on an industrial scale, and ECHO GUM® (xanthan gum), which the Company introduced for the first time into the Japanese market.

In the seasoning business, we leverage our extraction and processing technologies to create an authentic and tasty bouillon soup from livestock ingredients.

In April 2008, DSP released MIRASEE®, which is a preparation of neotame. With about 10,000 times the sweetness of sugar, neotame is a high-intensity sweetener with a clean taste. We are promoting sales of MIRASEE® as a sweetener able to contribute to the creation of a rich variety of foods satisfying the needs for both good taste and health.

Speciality Products

DSP has been committed to the business of speciality products for more than 90 years. The business domain mainly consists of the following four operations: chemicals for personal care such as natural polysaccharides and their derivatives; pharmaceutical additives; chemicals for electronic materials; and tannic acid derivatives. Leveraging its advantage as a pharmaceutical company, the Company is working to develop business as a chemical supplier.

Efforts are under way to develop products that satisfy users' needs through strategic alliances with partner companies.

We strive to fulfill our social responsibility in a way unique to DSP.

Formulating the Mid-term CSR Policy for CSR Advancement

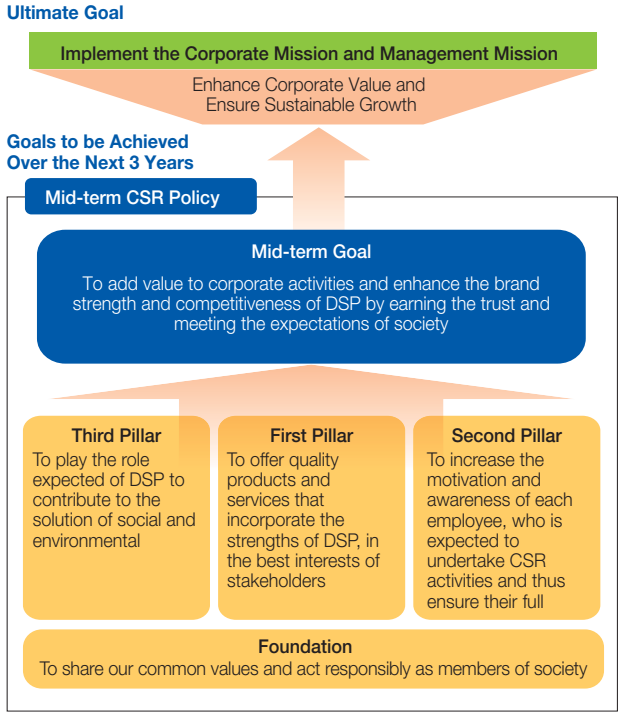
DSP's corporate activities as a pharmaceuticals company could themselves be considered CSR activities. We believe we can earn the trust and reliance of society by continuing to fulfill our responsibility to the public in a sincere manner. These responsibilities include creating better products, providing appropriate information and surveying product safety and effectiveness after sales. Furthermore, the Company's goal of engaging in "activities for the betterment of healthcare and fuller lives of people worldwide" does not stop at providing pharmaceuticals. Rather, we believe it extends to fulfilling our corporate social responsibilities by contributing to society through all manner of business activities, including community development as a corporate citizen and efforts toward global environmental issues.

Based in this thinking, we formulated the Mid-term CSR Policy to act as the basic framework for the promotion of CSR-based management as stated in the Mid-term Business Plan. We are committed to achieving our missions in a way unique to DSP, by building upon our CSR activities according to this policy.

Social Contribution

DSP members are encouraged to recognize that they are community members and to consider how they can give back to communities. We want to contribute broadly to society as a company relevant to life, in coexistence with society. To give form to these desires, we are engaging in a variety of activities related to our corporate slogan, "Healthy Bodies, Healthy Lives." A particular example is research support for prevention and treatment of epilepsy through the Japan Epilepsy Research Foundation. We also carry out voluntary clean-up programs in communities near operational sites and sometimes invite community people from local communities to tours at our operational sites.

Clean-up activities in Kanzakigawa, Osaka



Environmental Protection Measures

DSP, a company dedicated to protecting health and life, recognizes the serious environmental problems the Earth now faces and vows to contribute to the betterment of the environment and a recycling-oriented society through all its corporate activities. The Company has laid down the Basic Environmental Policy, which states that we will put forth our utmost efforts to realize an abundant and comfortable world to live in. We have established the Environmental Safety Committee to comprehensively advance environmental protection measures throughout the Company, as well as organizing environment committees in individual workplaces to accurately handle local matters. The committee has formulated the Mid-term Environmental Plan to ensure achievement and continual improvement in focus areas of the Company's environmental activities. Some examples of measures advanced include improving the environmental protection promotion system, reducing chemical discharge, saving energy, cutting greenhouse gas emissions, minimizing waste, communicating with local communities and other concrete activities.

CSR Report

DSP publishes a CSR Report detailing its CSR efforts up to now and its future ideals in this area. The report is distributed to stakeholders and posted on the Company's website to promote a greater awareness of its initiatives.
http://www.ds-pharma.co.jp/english/profile/social/index.html

Corporate Governance

Basic Approach to Corporate Governance

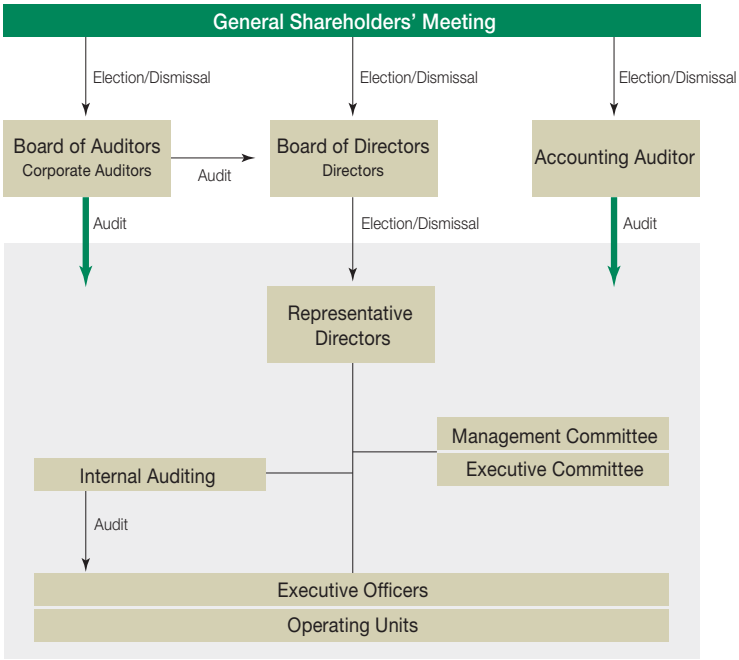
DSP recognizes that strengthening corporate governance is a key managerial issue to ensure sustained augmentation of corporate value, which is one of the missions entrusted to management by shareholders and other stakeholders.

DSP has a corporate auditors system. With the introduction of an executive officer system, the Company separates management oversight from operational execution in a way that promotes delegation of authority while clarifying operational responsibility, thereby realizing a faster and more transparent decision-making process.

Factors that Could Significantly Influence Corporate Governance

Holding a 50.46% share of voting rights, Sumitomo Chemical Co., Ltd. is the parent company of DSP. However, DSP is not subject to any restraints in its business operations. The management of DSP is independent from the parent company since no directors of Sumitomo Chemical sit on the Board of Directors. DSP retains some personnel seconded from the parent company based on DSP's own judgment, but believes it has no influence on the Company's business operations. Respect for autonomy is affirmed by the parent company and DSP's independence is maintained.

Corporate Governance Structure



Matters Related to Business Execution and Auditing and Supervisory Functions

The Board of Directors meets at least once a month. The Chairman of DSP presides over the board meetings, which are attended by all the directors and all the auditors.

DSP has a Management Committee, which is a consultative body to assist the President of DSP in his decision-making and is composed of several executive officers. As a rule, it convenes at least twice a month to deliberate on important business matters, guided by the basic policies made by the Board of Directors. As an additional measure to ensure that top managers are fully aware of the operational status of the business and related important matters, DSP has instituted the Executive Committee, which consists of all the executive officers and convenes at least once a month.

A meeting of the Board of Auditors is held at least once a month as a rule. All the corporate auditors attend to discuss and decide important audit-related matters, and review the agenda for board meetings. In line with the audit policy and task allocation determined by the Board of Auditors, each corporate auditor communicates with directors, people in internal auditing and other employees, as well as auditors of the parent company and others, in efforts to gather information and improve the auditing environment. Corporate auditors attend key business meetings including those of the Board of Directors and the Management Committee. At these meetings they receive reports from directors and employees on the status of task execution, requesting explanation as necessary and viewing significant approval forms and other documents. This enables the Corporate Auditors to take a proactive internal auditing stance, focusing in particular on the legal compliance and efficiency aspects of business operations.

Establishment of the System Assuring the Appropriateness of the Business Operation

During the meeting of the Board of Directors held on May 11, 2006, the Company passed the resolution on the basic policy for the establishment of a system assuring the appropriateness of the business operation, and has developed such system accordingly. Taking into account subsequent occurrences, the Company has made revisions thereto on March 28, 2008 as shown below, and continues its efforts to enhance the system.

I. System Concerning the Assurance of the Compliances of the Directors and Employees with the Applicable Laws and Regulations, and the Articles of Incorporation of the Company in Respect of Performing Their Respective Duties

1. The Company ensures the legal compliance to be the basis in carrying out any and all of the Company's business activities by establishing the "Declaration of Conduct of Dainippon Sumitomo Pharma Co., Ltd." (the application policy) and repeatedly communicating the spirit of such application policy to the employees and directors under the initiative of the Representative Directors.
2. In order to apply the aforementioned policy, the directors and employees comply with and reinforce the corporate ethics in accordance with the corporate philosophies, management principals, values and code of conduct provided by the Company.
3. The Company endeavors to reinforce the audits by the Board of Corporate Auditors including the neutral and independent outside corporate auditors.
4. The Company establishes a department promoting the compliance and a department in charge of the internal audits, for the purposes of providing a training for the directors and employees, conducting the audits of the compliance status and the like.
5. The Company establishes and operates the compliance hot line to which any employee can directly report or notify any doubtful activity under the laws and regulations and/or the Articles of Incorporation.
6. The Company establishes a department in charge of internal control related to the financial reporting under the Financial Instruments and Exchange Act, and conducts its formation, evaluation, maintenance, improvement and the like.

II. System Concerning the Maintenance and Management of the Information in Relation to the Directors' Performance of Duties

With regard to the information in relation to the performance of their duties, the Directors properly maintain and manage such information pursuant to the internal rules set out by the Company, SHA-SOKU, ("the Company Policy").

III. System Concerning the Rules in Relation to the Management of the Risk of Loss

The Company develops the Company Policy, and strengthens its ability to respond to factors that could potentially threaten its management in conducting business activities. The Company establishes a committee that overseas company-wide risk management, formulates the basic policy regarding risk management, and optimizes risk management in each division.

IV. System Ensuring the Efficiency in the Performance of the Duties by the Directors

Pursuant to the Company Policy, by clarifying the rules for the allocation of duties, authorities and decision-making, the Company establishes the system to enable each director to properly and efficiently perform his/her duties. Along with the endeavor to expedite the decision making through the adoption of the electronic approval system and the like, efforts will be made to develop the efficiency in the business operation through the establishment of each division headquarters and the proper delegation of authorities from the Representative Directors.

V. System Securing the Appropriateness of the Operations of the Company and the Group (including its Parent Company and Subsidiary)

Based on the Company Policy on the operation management of the group companies, the Company establishes each department that manages each of such group companies for the purpose of the appropriate comprehension of the business conditions of such group companies, and the proper support will be extended to assist such group companies in their business operations.

VI. Matters Concerning Employees Assisting the Corporate Auditors in case the Corporate Auditors Decide to Use Such Employees, and Matters Concerning the Independence of Such Employees from the Directors

The Company has established the Corporate Auditors' office to assist the Corporate Auditors in performing their duties therein. No less than one (1) employee, who is not under the direction or supervision of the division in charge of the business operation, is placed in such office.

VII. System for the Directors and Employees to Report to the Corporate Auditors, and System Concerning Other Reports to the Corporate Auditors

The directors and employees will develop the rules setting forth the matters to be reported to the corporate auditors and the Board of Corporate Auditors and providing the reporting procedures.

VIII. System Securing the Effective Implementation of the Audits by the Corporate Auditors

By holding regular meetings with the corporate auditors and the Board of Corporate Auditors or otherwise, the Representative Directors will endeavor to develop an environment where efficient audits by the corporate auditors are secured.

Board of Directors and Executive Officers

Representative Director, Chairman
Kenjiro Miyatake

Representative Director, President and Chief Executive Officer (CEO)
Masayo Tada

Members, Board of Directors, Senior Executive Officers
Keiichi Ono

Tetsuya Oida

Yuichi Yokoyama

Kazumi Okamura

Members, Board of Directors, Executive Officers
Junichi Mizuno

Hiroshi Noguchi

Full-Time Corporate Auditors
Tadayoshi Nishimura

Ikuo Hino

Corporate Auditors
Michihiro Ishii

Takayuki Usui

Toshiyuki Aoki

Executive Officers
Yutaka Takeuchi

Nobuo Takeda

Yasuji Furutani

Satoshi Ijuin

Yukio Kitahara

Yosuke Fukuhara

Masaharu Kanaoka

Masaru Ishidahara

Yoshihiro Okada

Yukio Takene

Hiroshi Nomura

(As of June 27, 2008)

Representative Director, Chairman
Kenjiro Miyatake

Representative Director, President and Chief Executive Officer (CEO)
Masayo Tada

Member, Board of Directors, Senior Executive Officer
Keiichi Ono

Member, Board of Directors, Senior Executive Officer
Tetsuya Oida

Member, Board of Directors, Senior Executive Officer
Yuichi Yokoyama

Member, Board of Directors, Senior Executive Officer
Kazumi Okamura

Member, Board of Directors, Executive Officer
Junichi Mizuno

Member, Board of Directors, Executive Officer
Hiroshi Noguchi

Financial Section

Contents

Six-Year Summary	26
Management's Discussion and Analysis	27
Consolidated Balance Sheets	34
Consolidated Statements of Income	36
Consolidated Statements of Changes in Net Assets	37
Consolidated Statements of Cash Flows	38
Notes to Consolidated Financial Statements	39
Independent Auditors' Report	53

Six-Year Summary

Dainippon Sumitomo Pharma Co., Ltd. and Consolidated Subsidiaries

	Millions of yen						Thousands of U.S. dollars
	2008	2007	2006	2005	2004	2003	**2008**
RESULTS OF OPERATIONS:							
Net sales	**¥263,993**	¥261,213	¥245,784	¥175,088	¥171,672	¥172,554	**$2,639,930**
Cost of sales	**99,385**	99,346	130,437	111,099	110,013	108,046	**993,850**
Selling, general and administrative expenses	**124,794**	116,312	86,461	52,404	51,546	51,240	**1,247,940**
Operating income	**39,814**	45,555	28,886	11,585	10,113	13,268	**398,140**
Income before income taxes and minority interests	**41,457**	38,415	25,687	11,686	13,836	12,718	**414,570**
Net income	**25,592**	22,605	15,377	6,924	7,968	6,364	**255,920**
FINANCIAL POSITION:							
Current assets	**251,063**	234,313	249,733	131,176	118,562	116,241	**2,510,630**
Net property, plant and equipment	**70,280**	65,241	68,336	32,611	34,473	35,374	**702,800**
Total assets	**399,791**	382,535	392,966	201,431	193,238	187,416	**3,997,910**
Current liabilities	**67,915**	56,039	80,071	49,196	45,927	60,727	**679,150**
Long-term debt		4,600	5,276	7,000	7,000		
Net assets	**318,278**	306,012	288,633	135,433	130,268	116,661	**3,182,780**
OTHER STATISTICS:							
R&D costs	**47,266**	40,870	29,636	17,444	15,929	15,218	**472,660**
Capital expenditures	**15,491**	9,543	6,616	3,064	4,294	6,532	**154,910**
Depreciation and amortization	**11,870**	12,008	8,901	5,233	5,821	5,316	**118,700**

	Yen						U.S. dollars
PER SHARE OF COMMON STOCK:							
Basic net income	**¥64.39**	¥56.86	¥54.57	¥41.76	¥48.05	¥38.02	**$0.64**
Diluted net income						36.36	
Cash dividends applicable to the year	**18.00**	14.00	12.00	10.00	10.00	10.00	**0.18**

Notes 1: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been translated at the rate of ¥100 to U.S.$1.00, the approximate rate of exchange at March 31, 2008.

2: Dainippon Pharmaceutical Co., Ltd. merged with Sumitomo Pharmaceuticals Co., Ltd. on October 1, 2005 and changed its name to Dainippon Sumitomo Pharma Co., Ltd.

3: Dainippon Sumitomo Pharma Co., Ltd. (formerly Dainippon Pharmaceutical Co., Ltd.) and its consolidated subsidiaries adopted the new accounting standard for the presentation of net assets in the balance sheet from 2007. In accordance with the adoption of the new accounting standard, net assets in the financial position from 2003 to 2006 have been reclassified.

Business Results

◆Overview

In the fiscal year ended March 31, 2008, the Japanese economy experienced a recovery phase, supported by robust corporate earnings. In the second half, however, the economic outlook became less transparent, owing to U.S. economic deceleration in the wake of the subprime loan crises, tumultuous financial markets and sharply higher prices for crude oil and other raw materials.

The environment in which the Japanese pharmaceutical industry operates remained harsh, as pressure to restrict medical expenditures continued and competition intensified among domestic and overseas pharmaceutical companies.

Under these conditions, the Company entered the first year of its Mid-term Business Plan, which was announced in February 2007. The plan calls for Dainippon Sumitomo Pharma (DSP) to strengthen its domestic business foundations and implement strategic investment plans toward future growth, with efforts that include fostering overseas business development, strengthening the development pipeline and enhancing personnel training. Based on this scenario, we aggressively worked to develop all the areas of the Group's operations, from marketing, research and development through to production. Major initiatives during the year under review involved the ongoing focused investment of sales resources in our four strategic products. Overseas, we commenced Phase III clinical trials of SM-13496 (lurasidone), an antipsychotic drug that we expect to become a core component of our overseas business development. We also invested in a bio venture fund to accumulate information on new technologies and the seeds of future development.

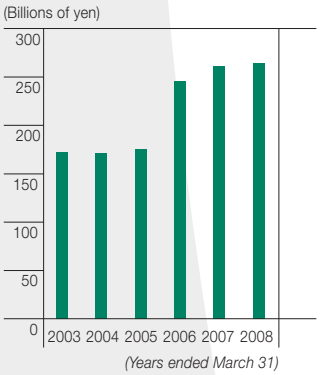
Net Sales

During the fiscal year ended March 31, 2008, net sales came to ¥264.0 billion, up 1.1% from the preceding fiscal year.

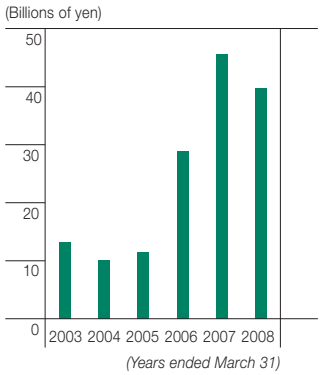
In Japan, sales of our four strategic products (AMLODIN®, a therapeutic agent for hypertension and angina pectoris; GASMOTIN®, a gastroprokinetic agent; PRORENAL®, a vasodilator; and MEROPEN®, a carbapenem antibiotic) added ¥6.6 billion to net sales, as we prioritized our investment of sales resources in these products. Sales of AmBisome®, a therapeutic agent for systemic fungal infection that we launched in the fiscal year ended March 31, 2007, and the co-promotion with Sanwa Kagaku Kenkyusho Co., Ltd. (SKK) of SEIBULE®, an ameliorating agent for postprandial hyperglycemia due to diabetes, also contributed to net sales. Sales of other products, however, decreased.

Export sales increased ¥1.9 billion, owing to sales of MEROPEN® to AstraZeneca PLC and in Southeast Asia.

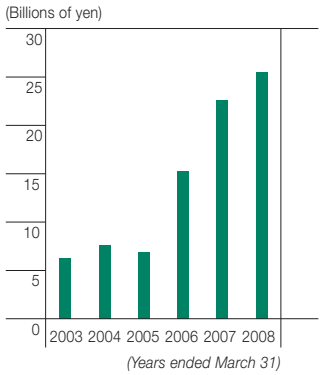
Net Sales



Operating Income



Net Income



Sales Composition by Business Segment

Cost of Sales

Because of the contribution of highly profitable strategic products in the fiscal year ended March 31, 2008, net sales increased ¥2.8 billion. During the same period, cost of sales remained essentially flat at ¥99.4 billion. As a result, the cost of sales ratio improved 0.4 percentage points to 37.6%, and gross profit improved ¥2.7 billion from the preceding year to ¥164.6 billion.

Selling, General and Administrative Expenses

Selling, general and administrative expenses rose ¥8.5 billion year on year to ¥124.8 billion. R&D costs increased ¥6.4 billion to ¥47.3 billion, owing to the cost of full-fledged overseas clinical trials for SM-13496 (lurasidone). As a percentage of net sales, R&D costs came to 17.9%. In addition to R&D costs, sales promotion and advertising expenses rose as we implemented campaigns, such as those using television commercials, to enhance corporate recognition.

Operating Income

As a result of the above factors, operating income decreased 12.6%, or ¥5.8 billion, to ¥39.8 billion from the previous fiscal year. Although an improved cost of sales ratio pushed up gross profits, the decline in operating income was attributable to higher SG&A expenses, particularly R&D costs.

Other Income (Expenses)

Other income significantly exceeded other expenses in the fiscal year ended March 31, 2008. One major factor was high market interest rates that pushed up interest income. Another major factor was the initial public offering of MGI Pharma, Inc., in the United States, which generated a ¥3.8 billion gain on sales of investment securities for the Company.

Net Income

Owing to the above, net income after income taxes came to ¥25.6 billion in the fiscal year ended March 31, 2008, up ¥3.0 billion from the preceding term.

(Billions of yen)

	2008	2007	Change	Percent Change (%)
Net sales	**¥264.0**	¥261.2	¥2.8	1.1
Cost of sales	**99.4**	99.3	0.1	0.0
Selling, general and administrative expenses	**124.8**	116.3	8.5	7.3
Operating income	**39.8**	45.6	(5.8)	(12.6)
Other income (expenses)	**1.6**	(7.1)	8.7	—
Net income	**25.6**	22.6	3.0	13.2
R&D costs	**47.3**	40.9	6.4	15.7

◆Results by Business Segment

Pharmaceuticals

Our core marketing strategies target increases in customer satisfaction and take a community based approach to communicating closely with our customers. To this end, in June 2007, we established a domestic sales framework that divided Japan into seven regions. To enhance our provision of information, we implemented IT-based detailing (e-detailing) for our four strategic products—AMLODIN®, GASMOTIN®, PRORENAL® and MEROPEN®—thereby concentrating our sales resources. Other segment highlights included sales of AmBisome® and the co-promotion of SEIBULE® with SKK. Consequently, sales of pharmaceuticals rose 1.2% year on year to ¥208.7 billion, although operating income fell 12.8% to ¥38.7 billion.

Other Products

Other products include animal health products, feeds and feed additives, food additives, industrial chemicals, diagnostics, research reagents and materials and other products. During the year, sales of these products amounted to ¥55.3 billion, up 0.7%, although operating income decreased 6.2%, to ¥1.1 billion.

◆Sales of Major Pharmaceutical Products

In the fiscal year ended March 31, 2008, sales in Japan of our four strategic products (AMLODIN®, GASMOTIN®, PRORENAL® and MEROPEN®) totaled ¥112.4 billion, up 6.3% from the preceding term. Sales of AMLODIN® rose 7.6% during the year to ¥63.6 billion. Since our introduction of AMLODIN® OD Tablet (an orally disintegrating tablet version) a year ago we have striven to raise medication compliance on the part of patients. As a result, in March 2008 orally disintegrating tablets accounted for 45% of AMLODIN® sales. GASMOTIN® sales expanded 5.5% during the year to ¥19.5 billion, owing to efforts to raise awareness about functional dyspepsia. Sales of PRORENAL® also grew 5.5% year on year to ¥14.5 billion, and MEROPEN® sales increased 3.2% to ¥14.8 billion.

The chart below outlines the sales of our major pharmaceutical products, including the four strategic products mentioned above.

Domestic Sales of Major Pharmaceutical Products (Billions of yen)

Brand name	Therapeutic indication	2008	2007
AMLODIN®	Therapeutic agent for hypertension and angina pectoris	**¥63.6**	¥59.2
GASMOTIN®	Gastroprokinetic	**19.5**	18.5
MEROPEN®	Carbapenem antibiotic	**14.8**	14.3
PRORENAL®	Vasodilator	**14.5**	13.8
EBASTEL®	Antiallergic	**11.1**	11.4
SUMIFERON®	Natural alpha interferon	**6.0**	6.4
QVAR™	Bronchial asthma	**4.3**	4.8
GROWJECT®	Growth hormone	**4.3**	4.8
DOPS®	Norepinephrine - activating neural function ameliorant	**4.1**	4.5
GLIMICRON®	Oral hypoglycemic	**3.9**	4.4
EXCEGRAN®	Antiepileptic	**3.5**	3.6
TAGAMET®	H_2-receptor antagonist	**3.3**	3.9
ALMARL®	Therapeutic agent for hypertension, angina pectoris and arrhythmia	**3.2**	3.5
LULLAN®	Antipsychotic	**3.0**	3.1
SEDIEL®	Serotonin - agonist antianxiety drug	**3.0**	3.0
AmBisome®	Therapeutic agent for systemic fungal infection	**2.5**	1.3

Major Exported Pharmaceuticals (Billions of yen)

Generic name	Therapeutic indication	2008	2007
Meropenem	Carbapenem antibiotic	**¥18.1**	¥16.1
Mosapride	Gastroprokinetic	**1.7**	1.4
Zonisamide	Antiepileptic	**0.3**	0.8

Financial Position

(Billions of yen)

	2008 (March 31, 2008)	2007 (March 31, 2007)	Change
Total assets	**¥399.8**	¥382.5	¥17.3
Total liabilities	**81.5**	76.5	5.0
Net assets	**318.3**	306.0	12.3
Equity ratio	**79.6%**	79.8%	

Total Assets

Total assets were ¥399.8 billion as of March 31, 2008, up ¥17.3 billion from one year earlier.

Owing to increasing loans receivable, current assets grew ¥16.8 billion to ¥251.1 billion at the fiscal year-end. Cash and time deposits decreased, as we loaned funds to our parent company. Receivables due from the parent company increased accordingly.

Property, plant and equipment at the end of the term was ¥70.3 billion, up ¥5.0 billion from one year earlier. The construction of a new solid-dosage pharmaceutical manufacturing wing at the Suzuka Plant was one factor behind this increase.

Investments and other assets decreased ¥4.5 billion to ¥78.4 billion as of March 31, 2008. With regard to our investment in a bio venture fund, lackluster stock markets caused a decline in unrealized gains, reducing the value of investment securities.

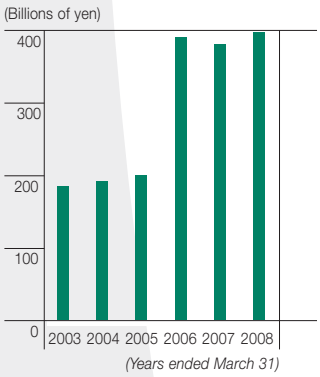
Total Liabilities

Of current liabilities, costs associated with the construction of a new solid-dosage pharmaceutical manufacturing wing at the Suzuka Plant were largely payable after April 2008, causing accrued expenses to increase and total liabilities to rise ¥5.0 billion to ¥81.5 billion as of March 31, 2008. As long-term debt became due within one year, this balance shifted from the long-term liabilities section to current liabilities.

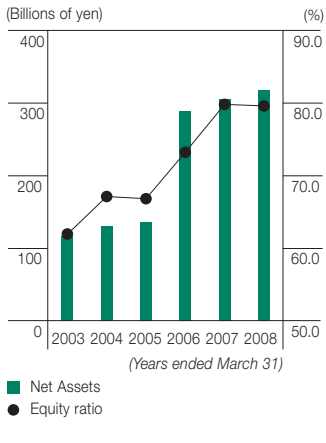
Net Assets

During the year, unrealized gains on available-for-sale securities decreased significantly, but retained earnings increased. As a result, net assets as of March 31, 2008 totaled ¥318.3 billion, up ¥12.3 billion from one year previously.

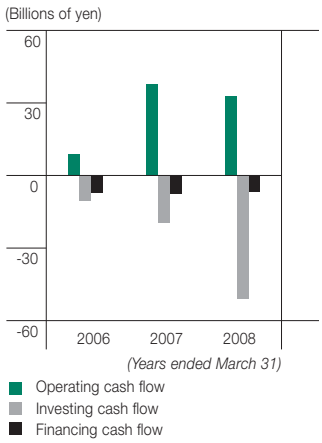
Total Assets



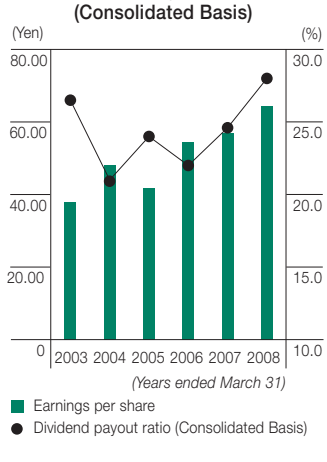
Net Assets/Equity Ratio



Cash Flows



Earnings Per Share/ Dividend Payout Ratio (Consolidated Basis)



Cash Flows

Cash Flows from Operating Activities

Income before income taxes and minority interests increased, and the provision of cash through the decrease in receivables exceeded the use of cash through the decrease in income taxes paid. As a result, net cash provided by operating activities was ¥32.5 billion.

Cash Flows from Investing Activities

Net cash used in investing activities came to ¥51.0 billion. The amount principally consisted of purchases of property, plant and equipment and a net increase in short-term loans receivable.

Cash Flows from Financing Activities

Net cash used in financing activities came to ¥6.9 billion, representing dividends paid.

Owing to the above factors, cash and cash equivalents at the end of the year amounted to ¥56.3 billion, down ¥25.4 billion from one year earlier.

◆Major Cash Flow Indicators

	2003	2004	2005	2006	2007	**2008**
Equity ratio	61.9%	67.1%	66.8%	73.2%	79.8%	**79.6%**
Equity ratio on fair value basis	76.4%	75.4%	85.1%	132.1%	130.8%	**90.6%**
Ratio of interest-bearing debt to cash flows	84.2%	44.2%	42.1%	52.4%	18.1%	**17.5%**
Interest coverage ratio	74.8	152.5	331.4	328.8	960.4	**748.5**

Dividend Policy

The ongoing and appropriate return of profits to shareholders is one of DSP's most important management policies. The Company's basic policy is to pay dividends from retained earnings twice a year, first as interim dividends and second as year-end dividends. The Board of Directors and the general meeting of shareholders determine the interim and year-end dividends, respectively.

We believe that it is important to allocate profits to our shareholders in a way that appropriately reflects our business performance. When determining amount of dividends to be distributed, we take a comprehensive viewpoint that includes consideration for the importance of raising corporate value through aggressive investment in future growth, solidifying our operating base and enhancing our financial position. Our target for the fiscal year ending March 31, 2010, the final year of our Mid-term Business Plan, is a consolidated dividend payout ratio of 30%.

Based on the aforementioned policy, the Company paid cash dividends per share applicable to the fiscal year ended March 31, 2008, of ¥18.00 per share, consisting of a interim dividend and a year-end dividend of ¥9.00 per share, respectively. The dividend payout ratio was 28.0% on a consolidated basis.

Internal reserves are primarily used for investments in R&D and for capital investments aimed at improving the efficiency of management activities in Japan and overseas.

Number of Employees

The Group had 4,795 employees as of March 31, 2008, down 118 from one year earlier. In the Pharmaceuticals business, the number of employees as of March 31, 2008, was 4,277, down 119 from March 31, 2007. In the Other Products business and in corporate divisions, including administration department staff, the number of employees was 312, up 32, and down 31, respectively.

Outlook for the Fiscal Year Ending March 31, 2009

In the fiscal year ending March 31, 2009, the second year of the Mid-term Business Plan set to conclude in the year ending March 31, 2010, we will actively press ahead with initiatives to strengthen our earnings base and make strategic investments for future growth to achieve the plan's goals.

On a sales front, we will continue to prioritize our four strategic products, which are the highly profitable AMLODIN®, GASMOTIN®, PRORENAL® and MEROPEN. We will also work to expand the sales of our new products LONASEN® and AVAPRO® to overcome the impact of NHI sales price revisions and the introduction of AMLODIN® generics. Through these efforts, we expect to ensure higher sales than during the fiscal year ended March 31, 2008.

We expect R&D costs to increase on account of our aggressive investment plans for the overseas development of SM-13496 (lurasidone), which we believe will lead to future growth. We will endeavor to constrain other costs by thoroughly applying a policy of selection and concentration, thereby raising the efficiency of operations management.

For the fiscal year ending March 31, 2009, we forecast net sales of ¥266.0 billion, up 0.8% from the preceding fiscal year, and operating income of ¥30.5 billion, down 23.4%. At the same time, we expect net income to decrease 27.7% to ¥18.5 billion. As key financial indicators, we anticipate an operating margin of 11.5%, a return on equity of 5.7% and a net income per share of ¥46.55.

These forecasts are based on management's judgments, according to currently available information. Actual results may differ from these forecasts due to various risks and uncertainties.

Business Risks

Below is a discussion of the most significant risks that could negatively impact the operating results and financial position of the Dainippon Sumitomo Pharma Group. Forward-looking statements in the discussion of risks discussed below reflect the judgment of the Dainippon Sumitomo Pharma Group as of March 31, 2008.

Research and Development of New Products

The Dainippon Sumitomo Pharma Group works to research and develop highly original and globally viable products. The Group strives to maintain an extensive product pipeline and to bring products to market as early as possible. Nevertheless, the Group can envision scenarios in which not all products under development will progress smoothly to eventual sale, as well as instances in which the development of certain products must be halted. Depending on the nature of the product under development, such cases could have a significant and negative impact on the Group's operating results and financial position.

Problems Concerning Adverse Events

The Dainippon Sumitomo Pharma Group conducts rigorous safety testing of its pharmaceutical products at different stages of development, with products receiving approval only after rigorous screening by Japan's Ministry of Health, Labour and Welfare and other regulatory authorities. These efforts notwithstanding, previously unreported adverse events are sometimes discovered only after a drug has already been marketed. The appearance of such unexpected adverse events once a product has been sold could have a significant and negative impact on the Group's operating results and financial position.

Healthcare System Reforms in Japan

The precipitous decline in Japan's birthrate and the rapid rise in the country's elderly population are the prime factors causing the financial state of Japan's healthcare insurance system to deteriorate. In this climate, measures continue to emerge aimed at curbing healthcare costs, and how to best reform the country's healthcare system continues to be debated. The direction that any healthcare system reforms might take, including mandated NHI price revisions, could ultimately have a significant and negative impact on the Group's operating results and financial position.

Intellectual Property

The Dainippon Sumitomo Pharma Group utilizes a wide range of intellectual property during the course of its R&D activities, including both property owned by the Group and property that the Group lawfully uses with the authorization of the property's owner. Nevertheless, the Group recognizes the possibility, no matter how slight, that some use might be deemed an infringement of a third party's intellectual property rights. Consequently, legal disputes pertaining to intellectual property rights could arise and have a significant and negative impact on the Group's operating results and financial position.

Termination of Partnerships

The Dainippon Sumitomo Pharma Group enters into a variety of partnerships with other companies for the sale of purchased goods, the establishment of joint ventures, co-promotion, and the licensing in and out of products under development, as well as for collaborative research and other purposes. The termination, for whatever reason, of such partnerships could have a significant and negative impact on the Group's operating results and financial position.

Prerequisites for Primary Business Activities

The Dainippon Sumitomo Pharma Group's core business is the ethical pharmaceutical products business. Accordingly, the Group requires licenses and other certifications to engage in R&D and the manufacture and sale of drugs pursuant to Japan's Pharmaceutical Affairs Law and other laws and regulations related to pharmaceuticals. The Company has obtained licenses and other certifications, including Type 1 and Type 2 Pharmaceuticals Manufacturing and Sales Business licenses (both valid for five years). These licenses and other certifications will cease to be valid unless renewed periodically as stipulated by the applicable laws and regulations. These laws and regulations also stipulate that these licenses and certifications may be revoked and/or that the Company may be ordered to suspend part of or all of its operations for a fixed period of time or be subject to other measures in the event that the Company violates these laws and regulations. The Group currently has no knowledge of any facts that would warrant the revocation of its licenses or other certifications. However, an order to revoke the Company's licenses or other certifications could have a significant and negative impact on the Group's operating results and financial position.

Transactions With the Parent Company

The Company and its parent company, Sumitomo Chemical Co., Ltd., have concluded agreements for the leasing of land for the Osaka Research Laboratories, Ehime Plant and Oita Plant, as well as for the purchase of raw materials used in the production of active pharmaceutical ingredients at these sites and other locations. These agreements involve prices that are determined based on discussions between the two parties with reference to general market prices. These agreements are customary renewed every year. The Company also accepts employees on loan from the parent company. The number of such employees, particularly those involved in research and development, decreased substantially during the year under review, because of the transfer to the Company of permanent employees and other factors. During the year, we also made short-term loans to our parent company to raise capital efficiency.

The Company's policy is to continue these transactions and other ties with the parent company. However, changes in these agreements, including changes in the transaction terms specified therein, could have a significant and negative impact on the Group's operating results and financial position.

The Dainippon Sumitomo Pharma Group also faces risks other than those discussed above.

Consolidated Balance Sheets

Dainippon Sumitomo Pharma Co., Ltd. and Consolidated Subsidiaries
March 31, 2008 and 2007

ASSETS	Millions of yen 2008	2007	Thousands of U.S. dollars (Note 1) 2008
CURRENT ASSETS:			
Cash and time deposits (Note 3)	**¥ 28,169**	¥ 9,666	**$ 281,690**
Marketable securities (Notes 3 and 5)	**30,087**	74,063	**300,870**
Receivables:			
Trade notes	**3,132**	5,196	**31,320**
Trade accounts	**82,823**	84,528	**828,230**
Due from parent company, unconsolidated subsidiaries and affiliates (Note 11)	**41,377**	179	**413,770**
Allowance for doubtful receivables	**(302)**	(226)	**(3,020)**
Total	**127,030**	89,677	**1,270,300**
Inventories (Note 4)	**48,524**	44,954	**485,240**
Deferred tax assets (Note 7)	**13,357**	10,443	**133,570**
Other current assets (Note 11)	**3,896**	5,510	**38,960**
Total current assets	**251,063**	234,313	**2,510,630**
PROPERTY, PLANT AND EQUIPMENT:			
Land	**9,976**	9,976	**99,760**
Buildings and structures	**83,139**	78,687	**831,390**
Machinery and equipment	**90,948**	88,441	**909,480**
Construction in progress	**6,170**	1,945	**61,700**
Total	**190,233**	179,049	**1,902,330**
Accumulated depreciation	**(119,953)**	(113,808)	**(1,199,530)**
Net property, plant and equipment	**70,280**	65,241	**702,800**
INVESTMENTS AND OTHER ASSETS:			
Investment in unconsolidated subsidiaries and affiliates	**2,240**	2,741	**22,400**
Investment securities (Note 5)	**43,478**	50,605	**434,780**
Intangible assets	**5,849**	6,703	**58,490**
Deferred tax assets (Note 7)	**1,624**	4	**16,240**
Other assets	**25,257**	22,928	**252,570**
Total investments and other assets	**78,448**	82,981	**784,480**
TOTAL	**¥399,791**	¥382,535	**$3,997,910**

See Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of yen 2008	2007	Thousands of U.S. dollars (Note 1) 2008
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	**¥ 600**	¥ 1,100	**$ 6,000**
Current portion of long-term debt (Note 6)	**4,600**		**46,000**
Payables:			
Trade notes	**101**	188	**1,010**
Trade accounts	**27,890**	27,973	**278,900**
Due to parent company, unconsolidated subsidiaries and affiliates (Note 11)	**2,881**	2,982	**28,810**
Total	**30,872**	31,143	**308,720**
Income taxes payable	**10,862**	8,221	**108,620**
Accrued expenses	**9,436**	9,296	**94,360**
Reserve for expenses related to litigation (Note 15)	**1,054**	1,010	**10,540**
Other current liabilities (Note 8)	**10,491**	5,269	**104,910**
Total current liabilities	**67,915**	56,039	**679,150**
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)		4,600	
Liability for retirement benefits (Note 8)	**8,832**	8,221	**88,320**
Deferred tax liabilities (Note 7)		2,093	
Other liabilities (Notes 6 and 8)	**4,766**	5,570	**47,660**
Total long-term liabilities	**13,598**	20,484	**135,980**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12 and 14):			
NET ASSETS (Note 9):			
Shareholders' equity			
Common stock: authorized — 1,500,000,000 shares in 2008 and 2007; issued — 397,900,154 shares in 2008 and 2007	**22,400**	22,400	**224,000**
Capital surplus	**15,860**	15,861	**158,600**
Retained earnings	**268,800**	249,482	**2,688,000**
Treasury stock, at cost 472,642 shares in 2008 and 398,980 shares in 2007	**(557)**	(480)	**(5,570)**
Total	**306,503**	287,263	**3,065,030**
Valuation, translation adjustments and others			
Unrealized gains on available-for-sale securities, net of tax	**11,691**	17,828	**116,910**
Total	**11,691**	17,828	**116,910**
Minority interests	**84**	921	**840**
Total net assets	**318,278**	306,012	**3,182,780**
TOTAL	**¥399,791**	¥382,535	**$3,997,910**

Consolidated Statements of Income

Dainippon Sumitomo Pharma Co., Ltd. and Consolidated Subsidiaries

Years Ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
NET SALES (Notes 10 and 11)	**¥263,993**	¥261,213	**$2,639,930**
COST OF SALES (Notes 10 and 11)	**99,385**	99,346	**993,850**
Gross profit	**164,608**	161,867	**1,646,080**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	**124,794**	116,312	**1,247,940**
Operating income	**39,814**	45,555	**398,140**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**1,529**	987	**15,290**
Interest expense	**(128)**	(108)	**(1,280)**
Gain on sales of investment securities (Note 5)	**3,800**		**38,000**
Additional retirement expense (Note 8)		(2,939)	
Expense related to litigation (Note 15)		(1,010)	
Loss on revision of the retirement benefit plans (Note 8)		(611)	
Loss on impairment of property, plant and equipment (Note 2.g)		(206)	
Other — net	**(3,558)**	(3,253)	**(35,580)**
Other income (expenses) — net	**1,643**	(7,140)	**16,430**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**41,457**	38,415	**414,570**
INCOME TAXES (Note 7):			
Current	**18,244**	12,046	**182,440**
Deferred	**(2,454)**	3,706	**(24,540)**
Total income taxes	**15,790**	15,752	**157,900**
MINORITY INTERESTS IN NET INCOME	**75**	58	**750**
NET INCOME	**¥ 25,592**	¥22,605	**$ 255,920**

	Yen		U.S. dollars
PER SHARE OF COMMON STOCK:			
Basic net income	**¥64.39**	¥56.86	**$0.64**
Cash dividends applicable to the year	**18.00**	14.00	**0.18**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

Dainippon Sumitomo Pharma Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

	Thousands of shares		Millions of yen								
			Shareholders' equity					Valuation, translation adjustments and others			
	Issued number of shares of common stock	Number of treasury stocks	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains on available-for-sale securities	Total valuation, translation adjustments and others	Minority interests	Total net assets
BALANCE, MARCH 31, 2006	397,900	(291)	¥22,400	¥15,860	¥232,486	¥ (330)	¥270,416	¥17,348	¥17,348	¥ 869	¥288,633
Cash dividends, ¥14.00 per share					(5,566)		(5,566)				(5,566)
Bonuses to directors					(43)		(43)				(43)
Net income					22,605		22,605				22,605
Purchases of treasury stock		(112)				(154)	(154)				(154)
Sales of treasury stock		4		1		4	5				5
Net changes during the year								480	480	52	532
BALANCE, MARCH 31, 2007	397,900	(399)	22,400	15,861	249,482	(480)	287,263	17,828	17,828	921	306,012
Cash dividends, ¥ 18.00 per share					**(6,360)**		**(6,360)**				**(6,360)**
Net income					**25,592**		**25,592**				**25,592**
Purchases of treasury stock		**(95)**				**(103)**	**(103)**				**(103)**
Sales of treasury stock		**21**		**(1)**	**(5)**	**26**	**20**				**20**
Increase due to changes in scope of consolidation					**91**		**91**				**91**
Net changes during the year								**(6,137)**	**(6,137)**	**(837)**	**(6,974)**
BALANCE, MARCH 31, 2008	**397,900**	**(473)**	**¥22,400**	**¥15,860**	**¥268,800**	**¥(557)**	**¥306,503**	**¥11,691**	**¥11,691**	**¥ 84**	**¥318,278**

	Thousands of U.S. dollars (Note 1)								
	Shareholders' equity					Valuation, translation adjustments and others			
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains on available-for-sale securities	Total valuation, translation adjustments and others	Minority interests	Total net assets
BALANCE, MARCH 31, 2007	$224,000	$158,610	$2,494,820	$(4,800)	$2,872,630	$178,280	$178,280	$ 9,210	$3,060,120
Cash dividends, U.S.$0.18 per share			**(63,600)**		**(63,600)**				**(63,600)**
Net income			**255,920**		**255,920**				**255,920**
Purchases of treasury stock				**(1,030)**	**(1,030)**				**(1,030)**
Sales of treasury stock		**(10)**	**(50)**	**260**	**200**				**200**
Increase due to changes in scope of consolidation			**910**		**910**				**910**
Net changes during the year						**(61,370)**	**(61,370)**	**(8,370)**	**(69,740)**
BALANCE, MARCH 31, 2008	**$224,000**	**$158,600**	**$2,688,000**	**$(5,570)**	**$3,065,030**	**$116,910**	**$116,910**	**$ 840**	**$3,182,780**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Dainippon Sumitomo Pharma Co., Ltd. and Consolidated Subsidiaries

Years Ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 41,457**	¥ 38,415	**$ 414,570**
Adjustments for:			
Depreciation and amortization	**11,870**	12,008	**118,700**
Provision for liability for retirement benefits, less payments	**(1,209)**	(3,909)	**(12,090)**
Interest and dividend income	**(1,529)**	(987)	**(15,290)**
Interest expense	**128**	108	**1,280**
Loss on revision of retirement benefit plans (Note 8)		611	
Loss on impairment of property, plant and equipment (Note 2.g)		206	
Gain on sales of investment securities	**(3,800)**		**(38,000)**
Changes in assets and liabilities:			
Decrease in receivables	**2,572**	25,098	**25,720**
Increase in inventories	**(2,103)**	(838)	**(21,030)**
Decrease in payables	**(272)**	(24,567)	**(2,720)**
Other—net	**(257)**	3,047	**(2,570)**
Subtotal	**46,857**	49,192	**468,570**
Interest and dividend received	**1,359**	968	**13,590**
Interest paid	**(64)**	(52)	**(640)**
Income taxes paid	**(15,642)**	(12,236)	**(156,420)**
Net cash provided by operating activities	**32,510**	37,872	**325,100**
INVESTING ACTIVITIES:			
Net increase in time deposits	**(1,000)**	(5,000)	**(10,000)**
Purchases of property, plant and equipment	**(7,113)**	(7,411)	**(71,130)**
Purchases of intangible assets	**(2,532)**	(2,347)	**(25,320)**
Net decrease (increase) in marketable securities	**2,000**	(16)	**20,000**
Proceeds from sales of investment securities	**4,954**	1,000	**49,540**
Purchases of investment securities	**(6,509)**	(5,259)	**(65,090)**
Payment for acquisition of shares of a subsidiary	**(840)**		**(8,400)**
Net increase in short-term loans receivable	**(40,000)**	(500)	**(400,000)**
Other — net	**84**	(154)	**840**
Net cash used in investing activities	**(50,956)**	(19,687)	**(509,560)**
FINANCING ACTIVITIES:			
Net decrease in short-term bank loans	**(500)**	(1,370)	**(5,000)**
Repayment of long-term debt		(689)	
Increase in treasury stock	**(83)**	(149)	**(830)**
Dividends paid	**(6,358)**	(5,566)	**(63,580)**
Dividends paid to minority shareholders	**(7)**	(7)	**(70)**
Net cash used in financing activities	**(6,948)**	(7,781)	**(69,480)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(140)**		**(1,400)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(25,534)**	10,404	**(255,340)**
INCREASE IN CASH AND CASH EQUIVALENTS RELATED TO CHANGE IN SCOPE OF CONSOLIDATION	**71**		**710**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**81,723**	71,319	**817,230**
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3)	**¥ 56,260**	¥ 81,723	**$ 562,600**

See Notes to Consolidated Financial Statements.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Dainippon Sumitomo Pharma Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been translated at the rate of ¥100 to U.S.$1.00, the approximate rate of exchange at March 31, 2008. These translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

The Company and its consolidated subsidiaries (together, the "Group") have made certain reclassifications in the 2007 consolidated financial statements to conform to the classifications applied in 2008. These reclassifications have had no effect on the previously reported net income or retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements include the accounts of the Company and its two significant subsidiaries.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in the unconsolidated subsidiaries and all affiliates are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not have been material.

The difference between the cost of the Company's investment in a consolidated subsidiary and the equity in the net assets at the date of acquisition, is generally amortized over 5 years. However, if the difference is insignificant, the difference is expensed at once.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and have no significant risk of change in value. Cash equivalents include time deposits, certificate of deposits, commercial paper and bond funds, all of which mature within three months of the date of acquisition.

c. Marketable and Investment Securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost, and ii) available-for-sale securities, which are

not classified as either trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses net of applicable taxes reported in a separate component of net assets. Non marketable available-for-sale securities are stated at cost, determined by the moving average method. If the fair value of investment securities declines to below cost and the decline is material and other than temporary, the carrying value of the investment securities is reduced to net realizable value by a charge to income.

d. Inventories

Inventories are stated at cost, determined by the average method.

e. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of buildings is computed by the straight-line method over the estimated useful life of the asset. Depreciation of machinery and equipment is computed by the declining balance method over the estimated useful life of the asset. Ranges of useful lives used in the computation of depreciation are as follows:

Buildings and structures	3–60 years
Machinery and equipment	2–17 years

f. Intangible Assets

Intangible assets are stated at cost less accumulated amortization, which is computed by the straight-line method.

g. Long-Lived Assets

Long-lived assets presented as property, plant and equipment and intangible assets on the consolidated balance sheets are carried at cost less depreciation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss is measured as the result from the continued use and eventual disposition of the asset or the net selling price at disposition. The impairment loss on property, plant and equipment that the Group recognized and charged to income for the year ended March 31, 2007 was ¥206 million.

h. Retirement and Severance Benefits

Upon retirement or termination of employment, employees are normally entitled to lump-sum and/or annuity payments based on their rate of payment at the time of retirement or termination and length of service.

The Group has a lump-sum plan, a defined benefit pension plan and a defined contribution plan for employees. The liability for retirement benefit is provided based on projected benefit obligations and the fair value of plan assets at the balance sheet date.

The liability for retirement benefits for directors and corporate auditors in the consolidated subsidiaries are recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at the balance sheet date. The liability for retirement benefits includes retirement benefits for directors and corporate auditors in the consolidated subsidiaries.

Otherwise, the Company terminated its retirement benefit plan for directors and corporate auditors on June 29, 2005. The benefits granted prior to the termination date are included in current liabilities.

i. Research and Development Costs

Research and development costs are charged to income as incurred. Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2008 and 2007 were ¥47,266 million ($472,660 thousand) and ¥40,870 million, respectively.

j. Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

k. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred tax assets and liabilities are measured by using currently enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

l. Foreign Currency Items

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement.

m. Derivative Financial Instruments

Foreign exchange contracts are utilized to hedge the exposure risk arising from fluctuation in foreign exchange rates. Foreign exchange contracts that meet certain hedging criteria are accounted for under the allocation method. The allocation method requires recognized foreign currency receivables or payables to be translated using the corresponding foreign exchange contract rates. The Group has established a hedging policy which includes policies and procedures for risk assessment and for the approval, reporting and monitoring of derivatives transactions. The Group does not hold or issue derivative financial instruments for speculative trading purposes.

The Group is exposed to certain market risk arising from its forward foreign exchange contracts. The Company is also exposed to the risk of credit loss in the event of nonperformance by the counterparties to the currency contracts. However, the Group does not anticipate nonperformance by any of these counterparties as all are financial institutions with high credit ratings.

n. Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. The number of shares used in the calculation of net income per share was 397,453 thousand and 397,555 thousand for the year ended March 31, 2008 and 2007, respectively.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

o. Use of estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in Japan requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

p. Accounting Changes

Effective from the year ended March 31, 2008, the Group has changed its method of depreciation for all property, plant and equipment acquired on or after April 1, 2007 to reflect the revisions to the Corporate Tax Law revised in 2007.

As a result, for the year ended March 31, 2008, operating income and income before income taxes and minority interests were decreased by ¥299 million ($2,990 thousand) respectively, compared to amounts calculated by the previous method.

In Addition, previously, the Group depreciated all property, plant and equipment acquired on and before March 31, 2007 up to 5% of the acquisition cost, based on the prior Corporate Tax Law.

Pursuant to an amendment to the Corporate Tax Law, the Company and its domestic subsidiaries depreciated the difference between 5% of the acquisition cost and the memorandum price using the straight line method over 5 years. The straight line depreciation starts from the following year, when the book value of tangible assets acquired on and before March 31, 2007 reaches 5% of the acquisition cost. As a result, for the year ended March 31, 2008, operating income and income before income taxes and minority interests were decreased by ¥215 million ($2,150 thousand) respectively, compared to amounts calculated by the previous method.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31, 2008 and 2007 for purposes of the consolidated statements of cash flows consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Cash and time deposits	**¥28,169**	¥ 9,666	**$281,690**
Marketable securities with a maturity of three months or less when purchased	**28,091**	72,057	**280,910**
Cash and cash equivalents	**¥56,260**	¥81,723	**$562,600**

4. INVENTORIES

Inventories at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Finished goods	**¥18,332**	¥15,978	**$183,320**
Semi-finished goods and work-in-process	**20,472**	20,254	**204,720**
Raw materials and supplies	**9,720**	8,722	**97,200**
Total	**¥48,524**	¥44,954	**$485,240**

5. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Current:			
Corporate bonds	**¥ 1,996**	¥ 2,006	**$ 19,960**
Commercial paper	**6,991**	25,957	**69,910**
Negotiable certificates of deposit	**21,100**	46,100	**211,000**
Total	**¥30,087**	¥74,063	**$300,870**
Noncurrent:			
Equity securities	**¥35,268**	¥45,538	**$352,680**
Government and corporate bonds	**6,989**	3,994	**69,890**
Other	**1,221**	1,073	**12,210**
Total	**¥43,478**	¥50,605	**$434,780**

The carrying amount and aggregate fair value of marketable and investment securities at March 31, 2008 and 2007 were as follows:

	Millions of yen			
	2008			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥15,309**	**¥19,790**	**¥(662)**	**¥34,437**
Held-to-maturity	**8,985**	**13**	**(47)**	**8,951**

	Millions of yen			
	2007			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥15,422	¥29,374	¥(121)	¥44,675
Held-to-maturity	6,000		(20)	5,980

	Thousands of U.S. dollars			
	2008			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	**$153,090**	**$197,900**	**$(6,620)**	**$344,370**
Held-to-maturity	**89,850**	**130**	**(470)**	**89,510**

Available-for-sale securities and held-to-maturity securities with no available fair value as of March 31, 2008 and 2007 were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Available-for-sale:			
Equity securities	**¥ 831**	¥ 1,863	**$ 8,310**
Negotiable certificates of deposit	**21,100**	46,100	**211,000**
Other	**1,221**	73	**12,210**
Held-to-maturity:			
Commercial paper	**6,991**	25,957	**69,910**
Total	**¥30,143**	¥73,993	**$301,430**

Proceeds from sales of available-for-sale securities were ¥3,954 million ($39,540 thousand) and ¥14 million for the years ended March 31, 2008 and 2007, respectively. On those sales, gross realized gains and losses computed on a moving average cost basis were ¥3,800 million ($38,000 thousand) and ¥2 million ($20 thousand), respectively, for the year ended March 31, 2008, and ¥9 million and ¥1 million, respectively, for the year ended March 31, 2007.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Due in one year or less	**¥30,087**	¥ 74,063	**$300,870**
Due after one year through five years	**6,989**	3,994	**69,890**
Total	**¥37,076**	¥ 78,057	**$370,760**

At March 31, 2008, investment securities of ¥9 million ($90 thousand) were pledged as collateral for accounts payable of ¥37 million ($370 thousand). At March 31, 2007, investment securities of ¥14 million were pledged as collateral for accounts payable of ¥34 million.

6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans consisted of unsecured loans from banks bearing interest at a rate of 1.02% to 1.49% at March 31, 2008 and 2007. Other liabilities include deposits received from customers in the amount of ¥3,241 million ($32,410 thousand) as of March 31, 2008 and ¥3,397 million as of March 31, 2007, bearing interest at a rate of 0.03% and 2.38%, respectively.

Long-term debt at March 31, 2008 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Unsecured loans from banks and financial institutions, due year ended March 31, 2009	**¥4,600**	¥4,600	**$46,000**
Total	**4,600**	4,600	**46,000**
Less current portion	**¥4,600**		**$46,000**
Long-term debt, less current portion		¥4,600	

The aggregate annual maturities of long-term debt were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2009	¥4,600	$46,000
2010		
2011		
2012		
2013 and thereafter		
Total	¥4,600	$46,000

7. INCOME TAXES

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.6% for the years ended March 31, 2008 and 2007.

Significant components of deferred tax assets and liabilities as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Deferred tax assets:			
Liability for retirement benefits	**¥2,712**	¥ 3,776	**$27,120**
Accrued enterprise taxes	**915**	743	**9,150**
Accrued bonuses to employees	**3,340**	3,267	**33,400**
Accrued other expenses	**187**	199	**1,870**
Loss on devaluation of investment securities	**1,528**	1,173	**15,280**
Research and development costs	**5,019**	2,473	**50,190**
Inventories	**2,307**	1,869	**23,070**
Other	**8,690**	8,281	**86,900**
Gross deferred tax assets	**24,698**	21,781	**246,980**
Valuation allowance	**(1,762)**	(1,230)	**(17,620)**
Total deferred tax assets	**22,936**	20,551	**229,360**
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	**(7,190)**	(11,364)	**(71,900)**
Deferred gain on sales of fixed assets	**(725)**	(756)	**(7,250)**
Other	**(40)**	(77)	**(400)**
Total deferred tax liabilities	**(7,955)**	(12,197)	**(79,550)**
Net deferred tax assets	**¥14,981**	¥ 8,354	**$149,810**

A reconciliation between the normal statutory tax rates and the effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2008 and 2007 was as follows:

	2008	2007
Normal statutory tax rate	**40.6%**	40.6%
Increase (decrease) in taxes due to:		
Expenses not deductible for tax purposes	**4.3**	5.0
Nontaxable dividend income	**(0.4)**	(0.3)
Tax credits for research and development costs	**(6.7)**	(5.5)
Other	**0.3**	1.2
Effective tax rate	**38.1%**	41.0%

8. RETIREMENT AND SEVERANCE BENEFITS

The liability (asset) for employees' retirement benefits at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Projected benefit obligation	**¥ 81,495**	¥ 78,593	**$ 814,950**
Fair value of plan assets	**(76,254)**	(85,039)	**(762,540)**
Unrecognized prior service benefit	**1,896**	2,130	**18,960**
Unrecognized actuarial gain/loss	**(1,949)**	10,901	**(19,490)**
Prepaid pension cost	**3,609**	1,584	**36,090**
Liability for employees' retirement benefit	**¥ 8,797**	¥ 8,169	**$ 87,970**

The consolidated subsidiaries have adopted a simplified calculation method for projected benefit obligation allowed for small business entities in Japan. The components of net periodic retirement benefit costs were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Service cost	**¥ 3,531**	¥ 3,317	**$ 35,310**
Interest cost	**1,563**	1,587	**15,630**
Expected return on plan assets	**(1,463)**	(1,431)	**(14,630)**
Amortization of prior service cost	**(234)**	(262)	**(2,340)**
Recognized actuarial gain	**(833)**	(2,061)	**(8,330)**
Net periodic benefit costs	**¥ 2,564**	¥ 1,150	**$ 25,640**
Loss on transfer to a defined contribution pension plan and other		611	
Gains on acceptance of employees from the parent company	**(191)**		**(1,910)**
Contribution payment to a defined contribution pension	**480**	332	**4,800**
Total	**¥ 2,853**	¥ 2,093	**$ 28,530**

In addition to the above costs, additional retirement expenses related to the application of a re-employment assistance plan, in the amount of ¥2,939 million was charged to income for the year ended March 31, 2007.

The Company has a lump-sum payment plan and two types of pension plans for employees: a noncontributory defined benefit pension plan and a defined contribution pension plan.

According to the enactment of the Defined Contribution Pension Plan Law in October 2001, the Company implemented a defined contribution pension plan on April 2, 2004 by which a portion of the lump-sum payment plan was terminated. The plan assets of ¥1,782 million will be transferred over a period of 8 years beginning in 2004.

In addition, the Company integrated a lump-sum payment plan and a defined benefit pension plan assumed from Sumitomo Pharmaceuticals Co., Ltd. related to the merger. The Company terminated the employees' payment parts of the defined benefit pension plan mentioned above and returned the funds to the employees on September 29, 2006. Also, the Company implemented a defined contribution pension plan on October 2, 2006 in which a portion of the lump-sum payment plan mentioned above was terminated.

The Company applied the accounting treatment specified in the guidance issued by the Accounting Standards Board of Japan (ASBJ). As a result, plan assets of ¥2,182 million will be transferred over a period of 6 years beginning in 2006. At March 31, 2008, plan assets not yet transferred totaling ¥2,047 million ($20,470 thousand) were presented as other current liabilities and other liabilities.

Furthermore, the Company accepted the transfer of 121 employees from the parent company, Sumitomo Chemical Co., Ltd. from January 1, 2008. Accordingly, the Company received both the projected benefit obligation and plan assets related to transferred employees and recognized a gain of \191 million ($1,910 thousand) on the difference between the amount of the projected benefit obligation and plan assets for the year ended March 31, 2008.

The liability for retirement benefits for directors and corporate auditors in the consolidated subsidiaries as of March 31, 2008 and 2007 were ¥34 million ($340 thousand) and ¥52 million, respectively.

Assumptions used for the years ended March 31, 2008 and 2007 were set forth as follows:

	2008	2007
Method of attributing benefits to periods of service	straight-line basis	straight-line basis
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**2.0%**	2.0%
Amortization period for prior service cost	**15 years**	15 years
Recognition period for actuarial gain/loss	**15 years**	15 years

9. SHAREHOLDERS' EQUITY

Under The Japanese Corporate Law ("the Law") and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal reserve must be set aside as additional paid-in capital or legal reserve. Legal reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Japanese Commercial Code, legal reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal reserve may not be distributed as dividends, but may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the annual shareholders' meeting held on June 27, 2008, the shareholders approved cash dividends amounting to ¥3,577 million ($35,770 thousand). These appropriations have not been accrued in the consolidated financial statements as of March 31, 2008. Such appropriations are recognized in the period in which they are approved by the shareholders.

10. TRANSACTIONS WITH PARENT COMPANY, UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Transactions of the Group with the parent company, Sumitomo Chemical Co., Ltd., unconsolidated subsidiaries and affiliates for the years ended March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Sales	**¥ 3,594**	¥ 1,792	**$ 35,940**
Purchases	**7,614**	8,890	**76,140**

11. RELATED PARTY TRANSACTIONS

Major transactions of the Group with the parent company, Sumitomo Chemical Co., Ltd., for the years ended March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Sales of products	**¥ 17**	¥ 13	**$ 170**
Purchases of products	**5,021**	4,040	**50,210**
Payment of other expenses	**1,317**	1,432	**13,170**
Sales of other assets	**29**	94	**290**
Loan	**40,000**		**400,000**
Interest income	**268**		**2,680**

The balances due to or from the parent company, Sumitomo Chemical Co., Ltd., at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Trade receivable accounts	**¥ 27**	¥ 84	**$ 270**
Other current assets	**40,145**	1	**401,450**
Trade payable accounts	**1,979**	1,144	**19,790**

12. LEASES

The Group leases certain machinery, computer equipment, office space and other assets. Total rental expenses for the years ended March 31, 2008 and 2007 were ¥7,092 million ($70,920 thousand) and ¥7,106 million, respectively, including ¥1,157 million ($11,570 thousand) and ¥1,388 million of lease payments under finance leases.

Pro forma information for leased property including acquisition cost, accumulated depreciation, obligations under finance leases and depreciation expense for finance leases that do not transfer ownership of the leased property to the lessee on an “as if capitalized” basis for the years ended March 31, 2008 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Machinery and equipment:			
Acquisition cost	**¥ 4,281**	¥ 4,842	**$ 42,810**
Accumulated depreciation	**(2,525)**	(2,388)	**(25,250)**
Net leased property	**¥ 1,756**	¥ 2,454	**$ 17,560**

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Obligations under finance leases:			
Due within one year	¥ 867	¥1,003	$ 8,670
Due after one year	889	1,451	8,890
Total	¥1,756	¥2,454	$17,560

13. SEGMENT INFORMATION

The Group operates in two business segments: "Pharmaceuticals" and "Other products". Business segment information for the Group for the years ended March 31, 2008 and 2007 ware as follows:

	Millions of yen				
	2008				
	Pharma-ceuticals	Other products	Total	Eliminations/ corporate	Consolidated
I. Sales and operating income					
Sales to customers	¥208,666	¥55,327	¥263,993		¥263,993
Intersegment sales and transfers					
Total	208,666	55,327	263,993		263,993
Operating expenses	169,932	54,247	224,179		224,179
Operating income	¥ 38,734	¥ 1,080	¥ 39,814		¥ 39,814
II. Identifiable assets, depreciation and capital expenditures					
Identifiable assets	¥223,166	¥21,208	¥244,374	¥155,417	¥399,791
Depreciation	10,860	264	11,124		11,124
Capital expenditures	15,115	376	15,491		15,491

	Thousands of U.S. dollars				
	2008				
	Pharma-ceuticals	Other products	Total	Eliminations/ corporate	Consolidated
I. Sales and operating income					
Sales to customers	$2,086,660	$553,270	$2,639,930		$2,639,930
Intersegment sales and transfers					
Total	2,086,660	553,270	2,639,930		2,639,930
Operating expenses	1,699,320	542,470	2,241,790		2,241,790
Operating income	$ 387,340	$ 10,800	$ 398,140		$ 398,140
II. Identifiable assets, depreciation and capital expenditures					
Identifiable assets	$2,231,660	$212,080	$2,443,740	$1,554,170	$3,997,910
Depreciation	108,600	2,640	111,240		111,240
Capital expenditures	151,150	3,760	154,910		154,910

	Millions of yen				
	2007				
	Pharma-ceuticals	Other products	Total	Eliminations/ corporate	Consolidated
I. Sales and operating income					
Sales to customers	¥206,260	¥54,953	¥261,213		¥261,213
Intersegment sales and transfers					
Total	206,260	54,953	261,213		261,213
Operating expenses	161,857	53,801	215,658		215,658
Operating income	¥ 44,403	¥ 1,152	¥ 45,555		¥ 45,555
II. Identifiable assets, depreciation and capital expenditures					
Identifiable assets	¥218,792	¥24,629	¥243,421	¥139,114	¥382,535
Depreciation	10,965	359	11,324		11,324
Impairment loss	206		206		206
Capital expenditures	9,237	306	9,543		9,543

Business segments comprise the following:

Business Segment	Major Product
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 (industrial chemicals, research reagents and instruments, etc.)

Overseas sales information for the Group for the years ended March 31, 2008 and 2007 was as follows:

	Overseas sales		
	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Europe	**¥17,605**	¥16,994	**$176,050**
Asia	**6,433**	4,493	**64,330**
Other	**483**	545	**4,830**
Total	**¥24,521**	¥22,032	**$245,210**

	Percentage of consolidated net sales	
	2008	2007
Europe	**6.7%**	6.5%
Asia	**2.4**	1.7
Other	**0.2**	0.2
Total	**9.3**	8.4

Geographical segment information is not disclosed because none of the Company's consolidated subsidiaries ware located outside Japan for the years ended March 31, 2008 and 2007.

14. CONTINGENT LIABILITIES

Contingent liabilities for guarantees of indebtedness of an affiliate, and employees' housing loans guaranteed at March 31, 2008 were as follows:

	Millions of yen	Thousands of U.S. dollars
Guarantees of indebtedness	¥1,889	$18,890
Loans guaranteed	232	2,320

15. LITIGATION

The Company is currently involved in litigation with Wakunaga Pharmaceutical Co., Ltd. ("Wakunaga") with respect to the termination of license agreement on a new quinolone compound.

In June 1998, the Company concluded an exclusive license agreement with Wakunaga under which the Company acquired an exclusive license for the development, manufacture and sale of the new quinolone compound. Based on this agreement, the Company began developing the new quinolone compound into an antibiotic. In May 2002, the Company decided to discontinue the development of this compound and, thereafter, terminated the exclusive license agreement.

In response, Wakunaga filed a lawsuit against the Company with the Osaka District Court on July 22, 2004 to claim damages of ¥5,000 million, alleging that the Company wrongfully terminated the said license agreement. On March 16, 2007, the Osaka District Court held that some of Wakunaga's claims were meritorious and it ordered the Company to pay ¥890 million in damages.

Both the Company and Wakunaga filed an appeal with the Osaka High Court against the judgement of the Osaka District Court.

Despite the appeal however, the Company recognized estimated liability related to this litigation in the amount of ¥1,054 million ($10,540 thousand) and ¥1,010 million as a loss contingency and charge to income for the amount of ¥44 million ($ 440 thousand) and ¥1,010 million for the year ended March 31, 2008 and 2007, respectively. The accrual for the contingent loss was presented as reserve for expenses related to litigation in the consolidated balance sheets as of March 31, 2008 and 2007, respectively.

16. SUBSEQUENT EVENTS

On June 27, 2008, the shareholders of the Company approved payment of a year-end cash dividend to shareholders of record at March 31, 2008 of ¥ 9.00 ($ 0.09) per share or a total of ¥ 3,577 million ($ 35,770 thousand).

Independent Auditors' Report

To the Shareholders and the Board of Directors of
Dainippon Sumitomo Pharma Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Dainippon Sumitomo Pharma Co., Ltd. and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dainippon Sumitomo Pharma Co., Ltd. and subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note1 to the consolidated financial statements.

KPMG AZSA & Co.

Osaka, Japan
June 27, 2008

Corporate Data

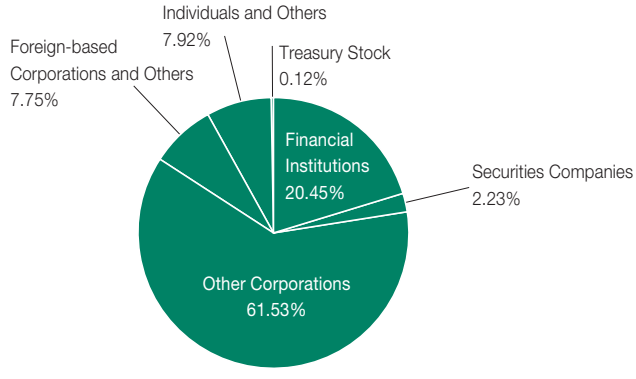
(As of March 31, 2008)

Name:	Dainippon Sumitomo Pharma Co., Ltd.
Establishment:	May 14, 1897
Date of Merger:	October 1, 2005
Headquarters:	6-8 Doshomachi 2-chome, Chuo-ku, Osaka 541-0045, Japan TEL: +81-6-6203-5321 FAX: +81-6-6202-6028
Capital:	¥22.4 billion
Employees:	4,795 (consolidated), 4,646 (non-consolidated)
Total Number of Shares Issued:	397,900,154
Total Number of Shareholders:	17,181
Stock Exchange Listings:	First Sections of Tokyo, Osaka and Nagoya
Securities Code:	4506
Independent Public Accountants:	KPMG AZSA & Co.
Fiscal Year-end:	March 31
Ordinary General Meeting of Shareholders:	June
Administrator of Shareholders' Register:	The Sumitomo Trust & Banking Co., Ltd.
Lead Managers:	(Main) Daiwa Securities SMBC Co., Ltd.; (Sub) Nikko Cordial Securities Inc.
Main Banks:	Sumitomo Mitsui Banking Corporation; The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Newspaper of Public Notice:	Nihon Keizai Shimbun
Key Facilities:	Headquarters (Osaka), Tokyo Office (Tokyo), Osaka Center (Osaka), 28 Branches, 4 Plants (Mie, Osaka, Ehime, Oita), 2 Research Laboratories (Osaka), 2 Distribution Centers (Saitama, Hyogo)
Consolidated Subsidiaries:	Gokyo Trading Co., Ltd., DS Pharma Biomedical Co., Ltd.

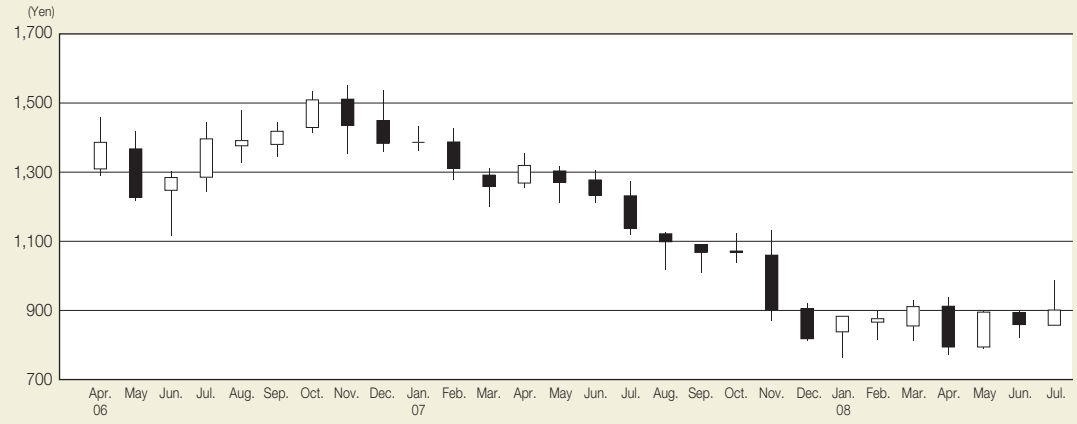
Principal Shareholders

Name	No. of Shares Held (Thousands of 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)	14,378	3.61%
Nippon Life Insurance Company	10,530	2.65%
Japan Trustee Services Bank, Ltd. (Trust Account)	9,535	2.40%
Japan Trustee Services Bank, Ltd. (Sumiomo Mitsui Banking Corp. Retirement Benefit Trust Account)	7,000	1.76%
Sumitomo Life Insurance Company	5,776	1.45%
Deutsche Securities Inc.	5,411	1.36%
Nissay Dowa General Insurance Co., Ltd.	4,928	1.24%
The Dai-Ichi Mutual Life Insurance Company	3,248	0.82%

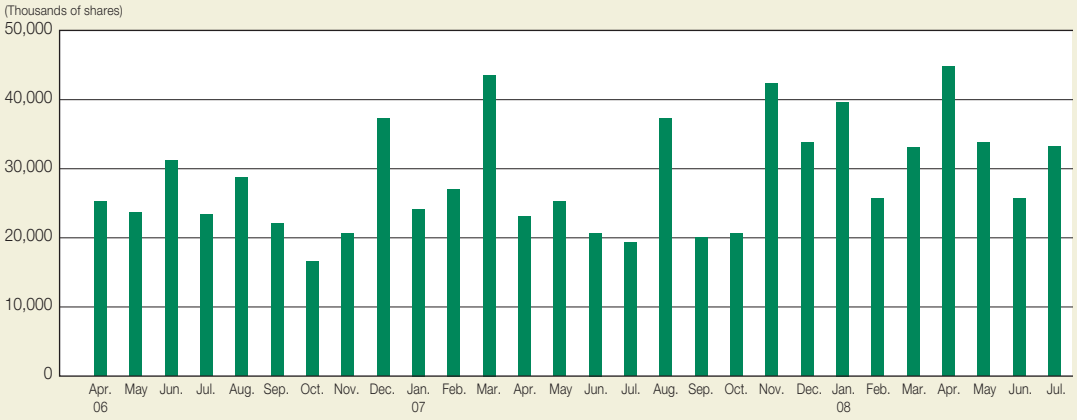
Composition of Shareholders



Stock Price



Turnover



● Contacts

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Please visit our website for corporate information, news releases, investor relations content, information for medical professionals, information for patients and more.

DAINIPPON SUMITOMO PHARMA

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