DAINIPPON
SUMITOMO
PHARMA

Achieving Our Global Vision

Dainippon Sumitomo Pharma Co., Ltd.

Annual Report, for the Year Ended March 31, 2009

Contents

Dainippon Sumitomo Pharma Co., Ltd., defines its corporate mission as "to broadly contribute to society through value creation based on innovative research and development activities for the betterment of healthcare and fuller lives for people worldwide." To fulfill this mission, we have formulated our Mid to Long term Vision focused on "establishing a solid foundation for our domestic business," "expanding our international business operation" and "enriching our R&D product pipeline to realize our future vision." Accompanying this vision, the Company established a three-year mid-term business plan that commenced in the fiscal year ended March 31, 2008.

The three years covered by the mid-term business plan constitute the period for the "strengthening of our business foundation for the first step to become a global corporation." 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 aims to build a stable profit structure and efficient and robust management system by broadly reforming its structure. The mid-term business plan defines six basic policies:

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

The Group will make strategic investments for future growth to strengthen its ability to create new drugs, strengthen in-licensing activities, obtain NDA approval of its own products, establish a U.S. marketing organization and enhance human capability.

Financial Highlights

	Millions of Yen		Percent Change	Thousands of U.S. Dollars (Note 1)
	2009	2008	2009/2008	**2009**
For the Year:				
Net sales	**¥264,037**	¥263,993	0.0%	**$2,694,255**
Operating income	**31,166**	39,814	(21.7)	**318,020**
Net income	**19,988**	25,592	(21.9)	**203,959**
R&D costs	**52,819**	47,266	11.7	**538,969**
Capital expenditures	**10,569**	15,491	(31.8)	**107,847**
Depreciation and amortization	**11,455**	11,870	(3.5)	**116,888**
At Year-End:				
Total assets	**391,295**	399,791		**3,992,806**
Net assets	**324,496**	318,278		**3,311,184**

	Yen		U.S. Dollars (Note 1)
Per Share of Common Stock:			
Net income	**¥ 50.30**	¥ 64.39	**$ 0.51**
Cash dividends	**18.00**	18.00	**0.18**

Note 1: Japanese yen amounts have been translated into U.S. dollars solely for the convenience of readers outside Japan, at ¥98 to U.S. $1, the approximate exchange rate on March 31, 2009.

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

The fiscal year ending March 31, 2010, should represent a major milestone for Dainippon Sumitomo Pharma, as the Company steps forward to realize the objectives of its Mid to Long term Vision.

We aim to strengthen our domestic business foundation by accelerating the market penetration of our new products and reinforcing our marketing ability for existing strategic products. In addition, while studiously promoting the global clinical development of our schizophrenia treatment candidate SM-13496 (lurasidone), we are building a U.S. marketing infrastructure as part of our multifaceted efforts toward being qualified as a global company.

Overview of the Fiscal Period Under Review

Remaining firmly in line with the tenets of our Mid-term Business Plan, we are "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 and development and enhancement of human resources)." At the same time, in this changing business environment, we are vigorously promoting the "selection and concentration" campaign in every business operation to increase management efficiency.

In the fiscal year ended March 31, 2009, NHI drug prices were revised downward, and many generics emerged against our mainstay product AMLODIN®, a therapeutic agent for hypertension and angina pectoris. In this severe business environment, we focused our detailing on four strategic products: AMLODIN®; GASMOTIN®, a gastroprokinetic; PRORENAL®, a vasodilator; and MEROPEN®, a carbapenem antibiotic; as well as on new products such as LONASEN®, an antipsychotic agent, and AVAPRO®, a therapeutic agent for hypertension. As a result, net sales remained approximately the same as in the previous year, at ¥264,037 million.

However, compared with the preceding year, the cost of sales ratio went up and gross profit dropped. In addition, R&D costs increased as we moved ahead with overseas clinical studies for lurasidone, the key to our future overseas development. Accordingly, operating income declined 21.7%, to ¥31,166 million, and net income fell 21.9%, to ¥19,988 million.

Outlook for the Fiscal Year Ending March 31, 2010

Although we have to assume further penetration of generics will adversely affect our sales in the fiscal year ending March 31, 2010, we will strive to increase sales of three new products: LONASEN®, AVAPRO® and TRERIEF®, a therapeutic agent for Parkinson's disease, and also to boost sales of the existing drugs, such as GASMOTIN® and PRORENAL®. As a result, we expect net sales to remain on a par with the fiscal year ended March 31, 2009.

In terms of profits, the anticipated change of our product mix and business operation should cause the cost of sales ratio to further rise. In addition, although we will endeavor to

select and focus our development activities on strategic projects, R&D costs are likely to rise as we invest aggressively in the overseas development of lurasidone to achieve our vision. Consequently, we must expect profit to decrease. At the same time, we will endeavor to curtail other costs through extensive efforts to enhance management efficiency.

Return to Our Shareholders

Dainippon Sumitomo Pharma considers an appropriate profit distribution to shareholders as one of its most important business policies. While emphasizing appropriate distribution of the profits derived from business operations, the Company intends to decide specific distribution from a comprehensive standpoint, with a view to ensuring a solid management base and enhancing its financial condition to further heighten its corporate value, not hampering active investment in future growth.

We paid a year-end cash dividend for the fiscal year ended March 31, 2009, of ¥9 per share—the same amount as the interim cash dividend—resulting in 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, 2010, of ¥18 per share—the same amount as for the fiscal year ended March 31, 2009.

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

June 26, 2009

Kenjiro Miyatake,
Representative Director, Chairman of the Board of Directors

Masayo Tada,
Representative Director, President and Chief Executive Officer

We are making steady progress in “Strengthening of our business foundation as the first step to becoming a global corporation.”

Dainippon Sumitomo Pharma was launched through a business merger in 2005. The fifth year of its operations represents a major turning point for the Company. This has involved taking a great step toward becoming an internationally competitive R&D-oriented pharmaceutical company. By overcoming the various issues that we face, I hope to guide Dainippon Sumitomo Pharma into a new phase in its history.

Achieving Our Global

Q1.

Please start by outlining the measures you have taken during the first year of your presidency.

A. The Company aspires to be an internationally competitive R&D-oriented pharmaceutical company that is able to compete at the global level. To realize this vision, we are in the process of implementing the three-year Mid-term Business Plan starting from the fiscal year ended March 31, 2008.

Principal activities for the fiscal year ended March 31, 2009 included reforms to our organizational structure geared to promoting the steady ongoing implementation of this plan and more efficient management. The thrust of the reorganization was to establish a new Strategic Planning & Business Development Division, which consists of the Strategic Planning & Management Department, the Business Development Department and the Lurasidone Business Development & Management Office. These three departments are assigned to act efficiently and cooperatively to clarify the strategic direction of the Company’s pharmaceuticals business and optimize the allocation of management resources. Among other things, the Lurasidone Business Development & Management Office was set up as an independent body to pursue consistent and speedy promotion of the global development of our schizophrenia treatment candidate SM-13496 (lurasidone) from a companywide

Vision

perspective. Furthermore, we have founded a new Corporate Regulatory Compliance & Quality Assurance Division, which is responsible for enhancing the reliability assurance functions of the Company and timely and efficient response to the regulations of the Pharmaceutical Affairs Law. I also centralized the staff offices of the Sales & Marketing Division in Tokyo to make the division's staff structure more efficient and dynamic.

In the field of research and development, we successfully commenced clinical studies for four new compounds during the initial two years of the Mid-term Business Plan through to the end of March 2009. In addition, we established a central nervous system (CNS) drug discovery consortium in conjunction with five departments of the Graduate School of Medicine and Graduate School of Pharmaceutical Sciences of Osaka University and have commenced joint research.

In sales and marketing, we continued to focus our detailing on four strategic products: AMLODIN®, a therapeutic agent for hypertension and angina pectoris; GASMOTIN®, a gastroprokinetic; PRORENAL®, a vasodilator; and MEROPEN®, a carbapenem antibiotic, while striving to accelerate market penetration of two new products: an antipsychotic agent LONASEN®, which was launched in April 2008; and AVAPRO®, a therapeutic agent for hypertension, launched in July 2008. Other milestones include the launch of a therapeutic agent for Parkinson's disease, TRERIEF®, in March 2009.

In promoting our global business development, we centered management resources on advancing overseas Phase III clinical studies for lurasidone, which is expected to be the core product for future overseas expansion. In China, we acquired Kyowa Hakko Pharmaceuticals (Suzhou) Co., Ltd., from Kyowa Hakko Kirin Co., Ltd., to bolster production capacity in the country.

Q2.

Please tell us about initiatives for the fiscal year ending in March 2010.

A. The fiscal year ending March 31, 2010, is the final year of our Mid-term Business Plan. Its numerical objectives for this term include net sales of ¥295.0 billion, operating income of ¥50.0 billion and net income of ¥30.0 billion. Through the last two years, we have aggressively carried out strategic investment, particularly in R&D to ensure future growth. At the same time, however, the change in the sales environment has intensified competition in the domestic market for the Company's core products. As a result, we now have to forecast that net sales, operating income and net income will all fall short of the target values in our consolidated business results for the fiscal year ending March 31, 2010.

In light of these circumstances, during the final year of our Mid-term Business Plan, focal issues will be to "Strengthen our domestic business foundation," "Prepare an international

operation structure toward global business development," and "Strive for an efficient management, and an efficient and profitable corporate structure." This will ensure that the ultimate year of the plan is one in which we are successful in "Strengthening our business foundation for the first step to become a global corporation."

Q3.

What steps are you taking in your endeavors to strengthen your domestic business foundation?

A. Our drive to "Strengthen our domestic business foundation" comprises two components: bolstering sales capacity and fortifying our product lineup.

In terms of the former, on June 26, 2009, we reformed the organizational system of our Sales & Marketing Division. The former domestic business framework that divided Japan into seven business regions has been, with a view to strategic expansion, regrouped into four regional divisions: East Japan, the Tokyo Metropolitan, Kinki and Tokai, and West Japan. Among other benefits, this move serves to promote a more community-based sales system, devolved management of profit and loss to regional headquarters and promote the transfer of the Sales & Marketing Division's strategies and management functions to regional headquarters. Accordingly, we will achieve efficient sales operations by region from a management perspective while aiming to raise profitability. In addition, our detailing capabilities will be upgraded by full use of the latest information technologies.

Fortification of our product lineup involves maximization of product value through additional dosage forms and indications for our strategic products and acceleration of market penetration of new products by infusing more sales resources. Moreover, we will endeavor to launch additional new products as early as possible and to enrich our product development pipeline by licensing in promising compounds at the late development stage.

Q4.

In what ways are you striving for an efficient management, and an efficient and profitable corporate structure?

A. The Company will continue striving to bolster efficiency and rationalize operations. This includes reviewing the level of and need for every single SG&A cost and ensuring effective use of R&D costs via a prioritization approach. In addition, we are simplifying our organization, primarily targeting indirect departments, and pursuing more efficient management practice by streamlining operations.

Q5.

How does the Company aim to prepare an international operation structure toward global business development?

A. To "prepare an international operation structure toward global business operation" is one of the core elements of the Mid-term Business Plan and an indispensable step toward accomplishing our future vision. Lurasidone, our schizophrenia treatment candidate, has gained favorable results in PEARL (Program to Evaluate Antipsychotic Response to Lurasidone)1 Phase III clinical study. NDA filing is now expected to take place earlier than originally forecasted. Accordingly, we are conducting various investigations at maximum pace into constructing an optimal sales framework for launching lurasidone in the United States. In addition, in view of the ongoing rapid growth of the Chinese pharmaceuticals market, we have decided

to financially consolidate our subsidiary, Sumitomo Pharma (Suzhou) Co., Ltd., in order to facilitate its stable growth in the country.

Q6.

What is the background of your measures to promote changes to the Company's corporate culture and climate?

A. If I had to express my aspirations for management in a single phrase, I would say that I want DSP to become a "company that fulfills missions." The meaning of this slogan is to be a "company that is accepted by society, trusted by shareholders and partners, appreciated by patients and customers, and makes its employees feel happy." To continue to truly be a company that fulfills missions amid a severe business environment requires changes to the Company's corporate culture and climate. That is, every employee who serves as a constituent member of our corporate organization shares the common values of a lofty spirit and a strong willingness. The basic stance of sustaining our efforts in order to accomplish new feats that have not hitherto arisen is extremely important.

To spread this rationale throughout the Company, I have instigated the C&S Campaign—a crusade to raise awareness.

The C and S stand for "Change For Challenge!" and "Seek Something New!" and the underlying meaning is that "To stand up against our difficulties, we must transform ourselves to accomplish new feats that have not hitherto arisen." Under this motto, we will continue to cultivate a corporate climate conducive to boldly challenging new issues and further promote initiatives to realize our vision for the future.

Q7.

What is the intention of the new personnel "Specialist System" introduced in the Drug Research Division from June 2009?

A. This was introduced as a measure to effectively and efficiently advance our research strategy. By establishing specialist and senior specialist positions, the system aims to create an environment more amenable to enabling researchers to raise their levels of scientific expertise.

Performing in these respective posts should raise the Company's overall research efficiency and is linked to producing more substantial results.

Q8.

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

A. DSP employees continue to give their utmost on a united front to attain the Company's vision. Specific examples will be early acquisition of FDA approval for lurasidone, our schizophrenia treatment candidate, and establishment of a proprietary sales system in the United States. In addition to lurasidone, we will continue to develop new drugs to fuel our international expansion and step up the throughput in our R&D pipeline. In our domestic operations, we will concentrate management resources on our four strategic products and also on new products to consolidate our earnings base.

I would like to ask our shareholders and other stakeholders to continue to provide us with their candid opinions. In addition to disclosing necessary management information in a timely and appropriate manner, we will channel resources into investor relations activities, fulfilling the duty of top management to offer adequate explanation to stakeholders. I would appreciate continued support from our stakeholders in these endeavors.

We are accelerating our overseas business expansion with SM-13496 (lurasidone) as a core.

DSP believes that SM-13496 (lurasidone) will offer patients and medical professionals a new treatment option, addressing unmet medical needs in the treatment of schizophrenia. Positioned as the core of our overseas expansion, we are investing business resources in lurasidone as our highest priority project.

About Schizophrenia

Schizophrenia is a serious disease and a chronic obstacle to daily life. It is said that schizophrenia is prevalent in approximately 0.8% of the global population, and it affects 2 to 3 million adults in the United States. Schizophrenia is considered to be irrespective of gender or race, and is believed to be caused by a combination of environmental and hereditary factors. Positive and negative symptoms include hallucinations, delusions, dyslogia and loss of motivation and emotion, as well as cognitive impairments, including deficits of memory, attention, coordination and judgment. According to IMS, the market for antipsychotic drugs became the largest constituent of the overall pharmaceutical market in 2008, at US$14.6 billion surpassing the market for hyperlipidemia drugs, at US$14.5 billion, the previous market leader.

SM-13496 (lurasidone) Characteristics

Lurasidone is a novel compound discovered and developed by DSP that has a unique receptor-binding profile with a high affinity for dopamine-2, serotonin-2A, serotonin-7, serotonin-1A and noradrenaline-α2c receptors. Lurasidone has little or no affinity for histamine-1 and acetylcholine-M1 receptors. This compound is expected to show efficacy in positive and negative symptoms and may lead to improvements in cognitive impairment in schizophrenia. At the same time, the compound has a good safety profile for extrapyramidal symptoms, cardiac effect, weight gain and other symptoms. The compound is therefore expected to become a major product in the global market, particularly in the United States and Europe.

Development Status

Within the clinical studies of lurasidone, we are investigating efficacy not only in the core positive and negative symptoms of schizophrenia, but also for cognitive impairments associated with the disease that current remedies do not sufficiently mitigate.

In the Phase II clinical studies for schizophrenia carried out in the United States, at doses of between 40mg and 120 mg per day lurasidone indicated superior efficacy compared with the placebo group and indicated good tolerance and safety.

Among the Phase III clinical studies (PEARL*1) for schizophrenia, PEARL1, was a double-blind placebo controlled study that commenced in October 2007 and was conducted on approximately 500 patients at 51 sites (22 in the United States, 21 in Europe and eight in Asia). As a result, 80mg of lurasidone per day indicated superior efficacy compared to the placebo group on the Positive and Negative Syndrome Scale (PANSS). Compared to the placebo group, lurasidone showed lower discontinuation rates and was well-tolerated.

PEARL2 double-blind, placebo- and active comparator-controlled study commenced in January 2008, and results

In April 2009, an investigator's meeting for lurasidone (PEARL3) was held in Lisbon, Portugal. Project status and study plans were explained to more than 100 participants, including principal investigators and study coordinators. Rater training was conducted as well.

In May 2009, we presented efficacy and safety results of the first Phase III clinical study (PEARL1) at the 162nd Annual Meeting of the American Psychiatric Association in San Francisco.

are expected in 2009. We also started a separate long-term safety study (PEARL Safety) in March 2008. In October 2008, we began the third Phase III clinical study (PEARL3) in order to accumulate abundant efficacy and safety data. We began two Phase III clinical studies (PREVAIL*2 studies) in patients with bipolar disorder in April 2009, to obtain a wide range of indications. In April 2008, we started another clinical study in Japan, South Korea and Taiwan (Pan-Asian study), aiming for the early development and launch in Japan.

In accordance with these global studies and in preparation for filing a New Drug Application in the United States, we are cooperating with our overseas operations regarding quality assurance and safety management, and promoting establishment of a global organization and functions. DSP is aggressively pursuing the construction of an electronic clinical information system, integrated databases for clinical study and post-marketing data and improving efficiency by standardizing documentation and operations.

Regarding the next major global product after lurasidone, we are promoting the development of DSP-originated compounds overseas and seeking in-licensing of CNS products from other companies.

*1 PEARL: Program to Evaluate the Antipsychotic Response to Lurasidone
*2 PREVAIL: PRogram to EValuate the Antidepressant Impact of Lurasidone

Building a Sales Structure

DSP aims to submit an NDA for lurasidone in the United States in the first half of 2010, and to launch the compound in 2011. We hired marketing staff to prepare for creating a sales structure. We are now discussing marketing strategies for lurasidone in Europe and other regions and pursuing business expansion to become a global pharmaceutical company.

As of August 2009, Dainippon Sumitomo Pharma America, Inc., has approximately 120 employees. For globalization, we are strengthening our development staff lineup and promoting a global document management system. In July 2009, we established a holding company in the United Sates and placed Dainippon Sumitomo Pharma America, Inc., a wholly-owned subsidiary, under this holding company. In the future, we plan to establish a sales company under the holding company to construct a dynamic organization.

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

Strengthening Our Research and Development Structure

Accelerating R&D activities and improving R&D success rates are essential for continually creating global products with large market potential. DSP is enhancing structures in each of the areas of discovery research, clinical development and product development research; introducing a project system that covers all aspects of our activities, i.e., research, development and marketing, to boost cooperation among departments; and optimizing the Company's business portfolio.

Focusing on Drug Target Discovery Research to Create Global Drugs with Large Market Potential

To promote drug discovery research efficiently and to advance new drug candidates quickly to the clinical development stage, DSP is focusing its research resources on the therapeutic areas of diabetes/cardiovascular diseases, central nervous system (CNS) area and inflammation/allergy. DSP will focus particular effort on CNS area, which is ranked as the most important area for research.

DSP enhanced its development pipeline with four new products that were advanced to the clinical study stage during the two-year period from the year ended March 31, 2008, when the Mid-term Business Plan was launched, through the year ended March 31, 2009.

Our criteria for establishing research programs in the aim of discovering global blockbuster drugs include: areas in which we expect to have an advantage, drugs that meet unmet medical needs and have either an appropriately large number of potential patients or a certain number of patients who are currently receiving drug therapy. DSP focuses on drug discovery target search and early stage partnerships through investment in venture capital firm Apposite Capital LLP and active participation in a variety of academic and business conferences attended by bio ventures and investors to aggressively promote external alliances.

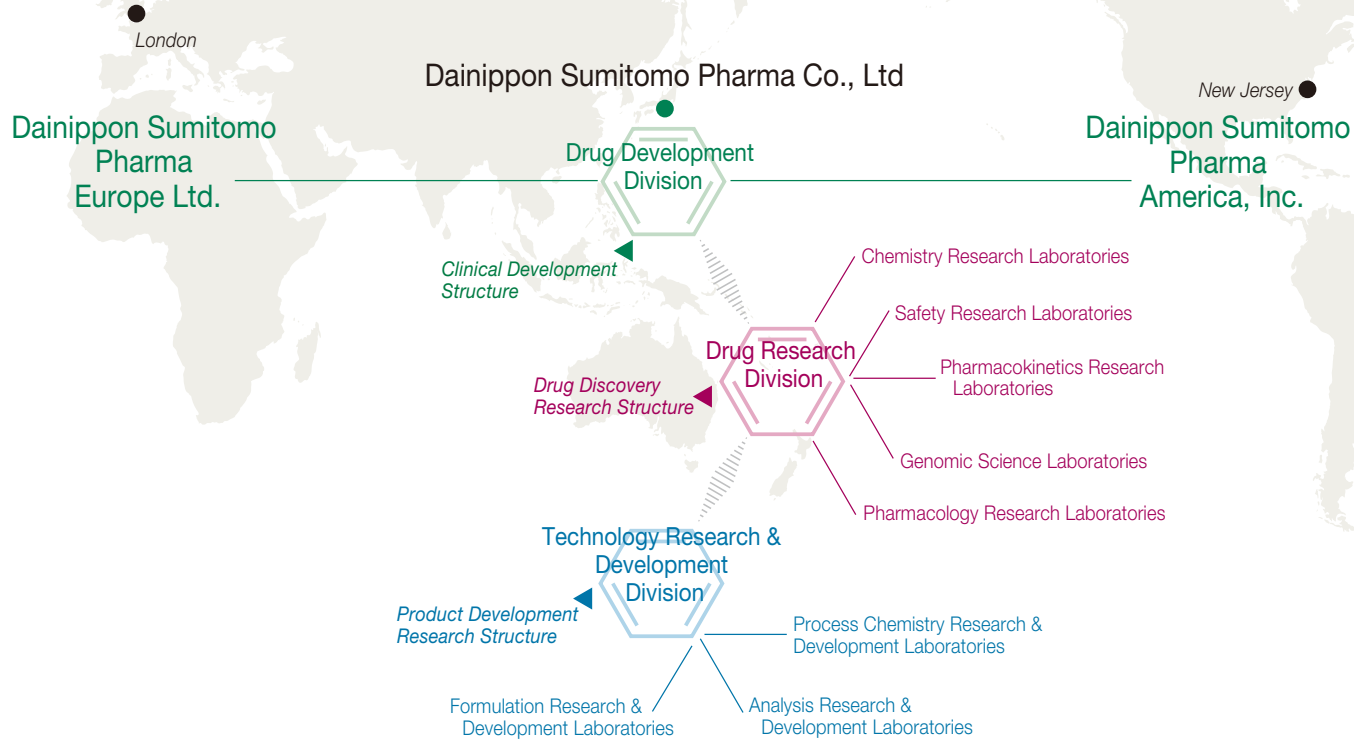
We also aggressively promote alliances in Japan and overseas with research institutions (including universities) and venture companies that possess innovative technologies. In November 2008, DSP established the Neuropsychiatry Drug Discovery Consortium (NDDC) jointly with five departments of the Graduate School of Medicine and Pharmaceutical Sciences of Osaka University. In CNS area, with its large number of patients, DSP is engaged in the creation of innovative therapies with different characteristics from existing therapies based on the pathogenic mechanisms of psychiatric diseases at the genetic and molecular level. We are also constructing a research structure with several universities that possess proprietary research techniques.

At the same time, since reporting progress in the genetic diagnosis of Alzheimer's disease in cooperation with Sumitomo Pharmaceuticals Alzheimer Center (KASPAC), DSP's research laboratory within the Karolinska Institutet of Sweden, through a DNA chip technique developed by DSP, we have increased the number of samples and are moving forward with research validation. We have already begun internal drug discovery research on the targets identified through the collaboration.

We promote strengthened alliances with industry, government and academia in terms of large clinical studies related to the brain imaging of Alzheimer cognitive disorders (Japanese Alzheimer's Disease Neuroimaging Initiative (J-ADNI) and special zones for leading medical development (special zones) related to semaphorin inhibitors. DSP is aggressively involved in new technologies including biologics (nucleic acid medicines and biological drugs) and regenerative medicine.

Central Nervous System (CNS)	Following lurasidone, our most important targets from the perspective of expanding into the U.S. market are schizophrenia, depression and Alzheimer's disease. In addition, we are expanding the base of our research by making use of external research institutions such as KASPAC and NDDC.
Diabetes/ Cardiovascular	In the area of diabetes, DSP's drug discovery research program develops candidate compounds with various mechanisms of action. In cardiovascular area, drug discovery research activities are directed at finding new antihypertensive agents, together with compounds for metabolic syndromes, such as obesity.
Inflammation/ Allergy	In autoimmune disease, respiratory and oncology areas, DSP can fully exploit its technical experience and expertise to leverage original concepts developed in-house.

Research and Development Structure



Our Research Division is transforming the drug discovery process to speed up research and to improve the success rate. In the fiscal year ended March 31, 2009, we changed to an early-stage research process where the pharmacology concept is given serious consideration, the evaluation steps and screening cascade of new drug candidates are established and a target product profile is formulated. We have launched several new initiatives for lead generation (LG) and lead optimization (LO) research processes, as follows.

- Shared screening cascade with researchers engaged in the research program
- Involvement of chemical researchers at the LG stage
- Intensive allocation of chemical researchers at the LG stage
- Building a research team for each LG/LO program, comprising several research laboratories
- Launched several new initiatives, including the establishment of a new formal meeting procedure to promote the achievement of targets and propose optimal research plan for each subject

As part of our human resource strategy, we dispatch each year 10 or more researchers overseas to work at leading universities and research laboratories, setting up opportunities for them to exchange ideas with opinion leaders. Furthermore, we encourage interaction with researchers having different areas of expertise, and implement annual training programs with the objective of cultivating researchers with broad perspectives.

Status of Products Under Development

During the fiscal year ended March 2009, DSP launched LONASEN®, an antipsychotic agent, in April 2008; AVAPRO®, a therapeutic agent for hypertension, in July 2008; and TREIEF®, a therapeutic agent for Parkinson's disease, in March 2009. In October 2008, we obtained approval of additional indication, compensated cirrhosis associated with chronic hepatitis C (excluding serogroup 1 patients with high serum levels of HCV RNA) for SUMIFERON®, a natural interferon-alpha product. In April 2009, we acquired approval for an additional indication of GASMOTIN®, adjunctive treatment to the pretreatment with orally gastrointestinal lavage solution for barium

enema X-ray examination. We obtained approval of additional indication for AmBisome® to treat infections caused by new fungal species in June 2009. DSP will continue to strengthen clinical development performance to establish a solid foundation for its domestic business.

Products under review for approval in Japan include SM-11355 (miriplatin hydrate) for hepatocellular carcinoma, SMP-862 (metformin hydrochloride) for diabetes and MEROPEN® for febrile neutropenia.

In diabetes and cardiovascular area, AS-3201 (ranirestat) is one of our promising compounds under development. AS-3201 is a drug candidate for diabetic neuropathy with strong market potential. We are conducting a Phase IIb clinical study for this compound in Japan jointly with Kyorin Pharmaceutical Co., Ltd., and we have granted Eisai Co., Ltd., the development and sales rights to this compound outside Japan. We are aiming for an early launch of this product on the global market through close coordination with these business partners. Additionally, DSP is conducting clinical studies of four anti-diabetic compounds, SMP-508 (repaglinide), licensed from Novo Nordisk A/S (Phase III in Japan). DSP-7238 (Phase I in Europe) and DSP-3235, licensed from Kissei Pharmaceutical Co., Ltd. (Phase I in Japan), and DSP-8658 (Phase I in the United States). Furthermore, DSP has started Phase II clinical studies in Japan for DSP-8153 for hypertension, a combination product of amlodipine besilate (AMLODIN® calcium channel blocker) and irbesartan (AVAPRO® angiotensin II receptor blocker).

In CNS area, we are currently conducting a Pan-Asian Phase III clinical study in Japan, South Korea and Taiwan, and global Phase III clinical studies in the United States, Europe and other countries on SM-13496 (lurasidone) for schizophrenia. This is our strategic compound for strengthening our global business foundation.

In inflammation/allergy area, DSP has started Phase I clinical studies of DSP-3025 in Japan for bronchial asthma and allergic rhinitis, and SMP-028 is under Phase I clinical studies for bronchial asthma in the United States. In other areas, SMP-986 is under Phase II clinical studies in the United States and Europe for overactive bladder syndrome.

In China, we began a Phase III clinical study of amrubicin hydrochloride, for small-cell lung cancer (Japanese brand name: CALSED®).

Product Enhancement for Global Development

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

The major tasks involved cover a broad range, including establishing commercial production methods for active pharmaceutical ingredients and formulations through enhancements to manufacturing design and industrialization processes, providing investigational drugs with high quality to clinical studies in a timely manner, designing optimal formulations, preparing chemistry, manufacturing and control (CMC) documents for applications for regulatory approval, and conducting product life-cycle management (PLCM) through creation of orally disintegrating (OD) tablets, granules and other dosage forms and additional indications.

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 in compliance with 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 regulatory applications by taking into account trends in global regulations, 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-8153	amlodipine besilate/ irbesartan	Oral	Hypertension/ Combination product	Japan					Developed in-house
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.					Developed in-house
CNS									
SM-13496	lurasidone	Oral	Schizophrenia	Pan-Asia study (Japan, Korea and Taiwan)					Developed in-house
			Schizophrenia, bipolar disorder	U.S. and Europe, etc.					
Inflammation/Allergy									
SMP-028	TBD	Oral	Bronchial asthma	U.S.					Developed in-house
DSP-3025	TBD		Bronchial asthma, allergic rhinitis	Japan					Developed in-house
				Europe					Developed by AstraZeneca PLC
Others									
SM-11355	miriplatin hydrate	Injection	Hepatocellular carcinoma	Japan					Developed in-house
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)
				China					Developed in-house
DOPS®*	droxidopa	Oral	Intradialytic hypotension	U.S.					Out-licensed to Chelsea Therapeutics, International, Ltd.
			Neurogenic orthostatic hypotention	U.S. and Europe					
SMP-986	TBD	Oral	Overactive bladder	Japan					Developed in-house
				U.S. and Europe					
AG-7352	TBD	Injection	Cancer	North America					Out-licensed to Sunesis Pharmaceuticals Inc.
SMP-601	TBD	Injection	Life-threatening infection	U.S.					Out-licensed to Protez Pharmaceuticals Inc.

* Product name in Japanese market. Product name for overseas markets is to be decided.

(As of May 11, 2009)

DSP is promoting business expansion in Asia.

DSP views the Asian region as an important growth market, and is therefore aggressively developing business in this region, focusing on China, Korea and Taiwan. Despite the severe situation caused by the sluggish global economy, China in particular continues to demonstrate high economic growth, with a 20% increase in its pharmaceutical market. Currently ranked 8th largest in the world, the Chinese pharmaceutical market is expected to expand even further. In Asia, we will globalize our earnings base through accelerated business development in the region.

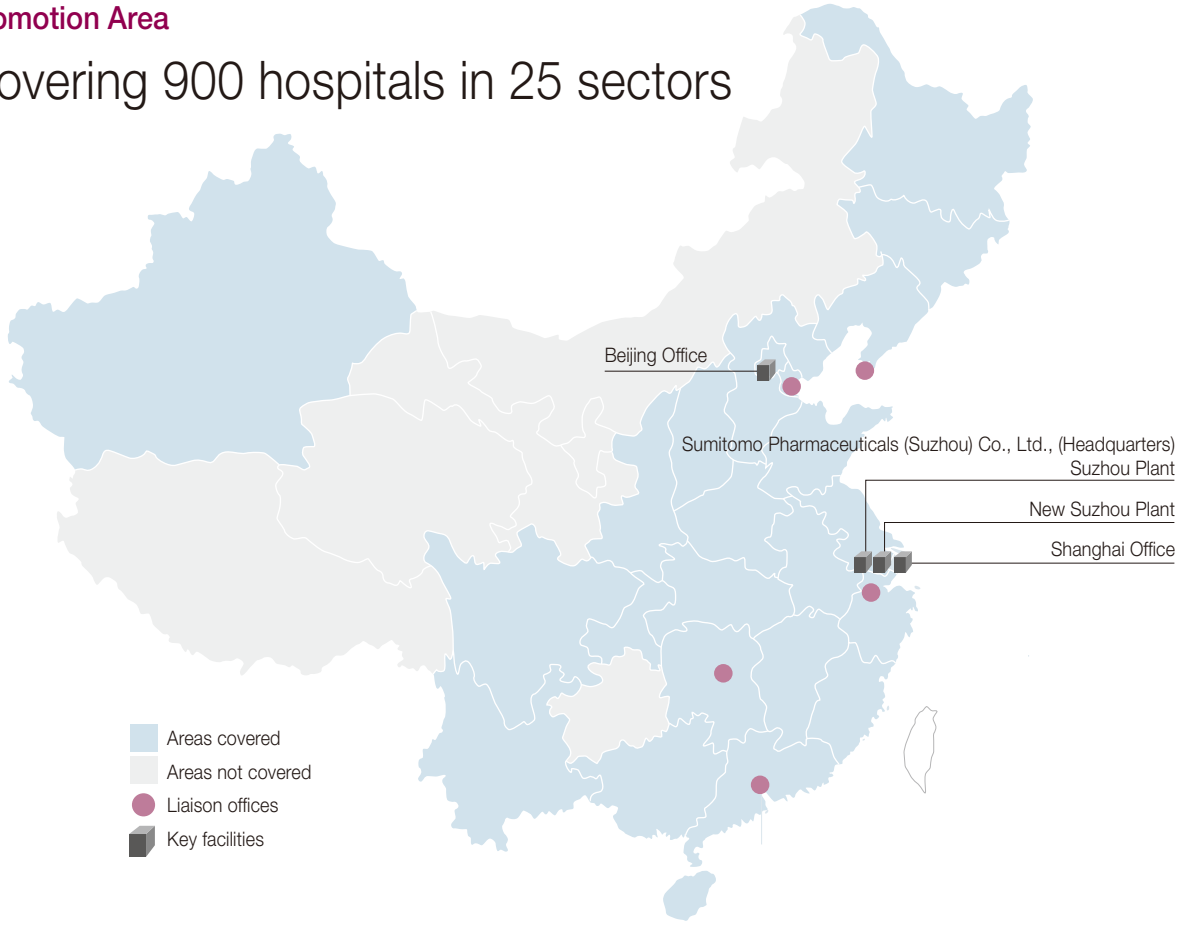
Business Development in China

DSP's sales in the Chinese market have been focused on MEPEM® (sold in Japan as MEROPEN®), a carbapenem antibiotic; ALMARL®, a hypertension, angina pectoris and arrhythmia therapeutic agent; SEDIEL®, a serotonin agonist antianxiety drug; and GASMOTIN®, a gastroprokinetic, through local subsidiary Sumiyaku China Co., Ltd.

In May 2008, we unified our business in China with the start of production at Sumitomo Pharmaceuticals (Suzhou) Co., Ltd., creating a structure that, since October 2007, spans activities from manufacturing to marketing. In addition to reinforcing this business structure, we expanded the promotion areas, and as of March 31, 2009, there were approximately 170 MRs covering hospitals in 25 sectors (major urban, administrative and self-governed areas). In line with this expanded business scale, there were approximately 330 employees as of March 31, 2009.

Promotion Area

Covering 900 hospitals in 25 sectors



Future Business Developments

Local subsidiary net sales were approximately ¥3 billion for the fiscal year ended December 31, 2008, and we have created a business plan targeting the fast track achievement of ¥10 billion in net sales.

To achieve this goal, in addition to starting a clinical study of CALSED®, a small-cell lung cancer treatment; we are considering the aggressive introduction of our products, including LONASEN®, an antipsychotic agent; into the Chinese market.

In terms of production, we are working to increase our production capacity in expectation of increased demand for our products. DSP acquired Kyowa Hakko Kirin's entire equity in Kyowa Hakko Pharmaceuticals (Suzhou) Co., Ltd., Kyowa Hakko Kirin's manufacturing subsidiary in China. After receiving approval and licenses from the Chinese authorities, we are aiming to start from the packaging process in 2010 or 2011.

The importance of Sumitomo Pharmaceuticals (Suzhou) Co., Ltd., has increased, and from the fiscal year ending March 31, 2010, it will become a consolidated subsidiary of DSP. Sumitomo Pharmaceuticals (Suzhou) Co., Ltd., net sales are forecast to be ¥5 billion for the fiscal year ending December 31, 2009. However, as a result of the new consolidation, our forecast is for consolidated net sales of ¥3 billion, gross profit of ¥2.5 billion and operating income of ¥500 million.

Overview of Suzhou Plant

Name: Sumitomo Pharmaceuticals (Suzhou) Co., Ltd., Suzhou Plant
Location: Suzhou Industrial Park
Floor area: 2,800m^2
Lot area: 2,233m^2
Production capacity: Injection packaging facility (5.6 million vials per year), tablet packaging facility (50 million tablets per year)

Overview of New Suzhou Plant

Name: Kyowa Hakko Pharmaceuticals (Suzhou) Co., Ltd., Suzhou Plant
Location: Suzhou Industrial Park
Floor area: 5,700m^2
Lot area: 30,000m^2
Production capacity: Tablet packaging facility (50 million tablets per year), agent production facility (100 million tablets per year)

We provide a stable supply of high-quality products.

Product Supply Structure

DSP's supply chain management is rooted in the Manufacturing Division, which combines the manufacturing and logistics functions. In addition to our manufacturing and logistics sections, the Manufacturing Management Department devises manufacturing strategies and manufacturing plans, and the Engineering Department 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. Our efficient manufacturing and distribution systems 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 with R&D divisions and Marketing and Sales division, we ensure smooth production of newly-launched products, contribution to the development of easy-to-dose products and improvement of packaging design to prevent medical errors by attaining a full range of quality improvements including package design for preventing medical errors to meet requirements of both patients and medical institutions, as our primary mission is to supply customer-oriented products. 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.

Having acquired ISO 14001 certification at our plants, we have introduced waste reduction and cogeneration systems, implementing eco-friendly production activities. By providing superior pharmaceuticals, we contribute to medicine and healthy lifestyles while earning the trust and confidence of society as a good corporate citizen.

High-Level Quality Assurance System

Recognizing that pharmaceuticals play a vital role in maintaining human health, we are dedicated to assuring the required level of quality in all our pharmaceutical productions. Manufacturing and quality control of pharmaceuticals are required to be carried out strictly in accordance with Good Manufacturing Practice (GMP) standards.

Pharmaceutical products manufacturing at DSP are exported to all over the world after obtaining regulatory approvals by the government agencies of the importing nations such as the EMEA and the FDA. Our operation standard are consistent with the level of GMP standards of U.S./Europe. Furthermore we are setting a high standard for facility design and quality assurance system to meet strict quality standards at the global level including ICH guidelines and for audits by overseas partner companies. GMP standards are likely to become increasingly strict in the future. We therefore are aggressively investing 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. Aware of the social mission of pharmaceuticals, this network enables us to focus on storage and delivery of products received from Suzuka Plant and Ibaraki Plant, while working with maximum possible consideration for the maintenance of high product quality. Through our comprehensive information systems, we operate an efficient storage and delivery network that accurately meets the requirements of users.

Suzuka Plant As a production site focusing on efficiency, Suzuka Plant maintains integrated pharmaceutical manufacturing facilities at which a full range of operations are conducted, from production of active pharmaceutical ingredients and finished products to packaging. The main products at Suzuka are GASMOTIN®, a gastroprokinetic, and EBASTEL®, a long-acting antiallergic agent.

The New Solid Dosage Form Facility, completed in December 2007, began production in January 2009 in response to expanded pharmaceutical sales. The plant complies with the new and stricter GMP by separating the corridor where operators enter and leave from the pathway for delivering raw materials and products, thoroughly eliminating foreign substance and cross contamination. To enhance our cost competitiveness, we are creating an automated system for conveying containers with raw materials and products, and automating our manufacturing facilities. These facilities are equipped to handle increased production, as well as introduction of new products in the future. Taking environmental issues into consideration, we are introducing organic solvent recycling equipment and cogeneration facilities.

Ibaraki Plant Since Technology Research and Development Division's Formulation Technology Research Department is located in the Ibaraki Plant, from manufacturing technology research to manufacturing and quality control practice, as an R&D-driven pharmaceuticals plant able to flexibly accommodate new products and technologies, this plant produces drugs in a broad range of dosage forms, including solid dosages, powders, tablets, capsules, injections and ointments.

Ehime Plant Ehime Plant manufactures biopharmaceutical products, and boasts the industry's largest cell culture facilities in terms of the number and size of cell-culture vessels. Under strict quality control system, the plant produces crude intermediate solution of SUMIFERON®, a natural interferon-alpha product and the anti-malignant tumor antibiotic CALSED®, a sterile freeze-dried formulation.

Oita Plant Oita Plant is our core facility for active pharmaceutical ingredients, and its equipment meets current U.S. GMP. Operating 24 hours a day, 365 days a year, the 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®. MEROPEN®, a carbapenem antibiotic, is manufactured from its active ingredient to the final product in an integrated way for use in Japan and overseas.

Suzuka Plant

Overview of the New Solid Dosage Form Facility at Suzuka Plant

Location	Suzuka City, Mie Prefecture (inside the Suzuka Plant)
Building	Steel frame, 1 sublevel, 7 floors (earthquake-absorbing design)
Building area	3,506m^2
Floor area	14,086m^2
Building height	30.8m
Production capacity	Approximately 3 billion tablets per year (maximum production capacity: 3.5 billion tablets per year)

Ibaraki Plant

Ehime Plant

Oita Plant

We aim for a solid domestic earnings base.

Strategic Allocation of Sales Resources

DSP's marketing activities are focused on the therapeutic areas of cardiovascular diseases, centering on hypertension, as well as gastrointestinal and infectious diseases. In addition to its strategic products, AMLODIN®, a therapeutic agent for hypertension and angina pectoris; GASMOTIN®, a gastroprokinetic; PRORENAL®, a vasodilator; and MEROPEN®, a carbapenem antibiotic, DSP strategically allocates sales and marketing resources to three new products launched in the fiscal year ended March 31, 2009, LONASEN®, an antipsychotic agent, and AVAPRO®, a therapeutic agent for hypertension and TRERIEF®, a therapeutic agent for Parkinson's disease.

Cardiovascular (Hypertension) Initiatives

Within our business focus, particularly hypertension in the cardiovascular area, as an extensive pharmaceutical manufacturer of products including ARB, ACE inhibitor, ß blocker, Ca-antagonist and diuretics, DSP aims to become a partner company in hypertension treatment.

In cardiovascular area, we are concentrating our sales and marketing resources on AMLODIN® and AVAPRO®, and working to switch to AMLODIN® orally disintegrating (OD) tablet while targeting the early market penetration of AVAPRO®.

DSP makes an effort to maximize customer satisfaction (CS) through human resource cultivation focused on activities to provide highly specialized information. To become a partner in choosing a drug, our medical representative (MR) training incorporates highly specialized knowledge, including the introduction of a cardiovascular specialist MR certification system. We expect all MRs to complete a basic knowledge course during the fiscal year ending March 31, 2010.

Initiatives in the Central Nervous System Area

As a manufacturer of therapeutics for schizophrenia, anxiety, Parkinson's disease and epilepsy, we have launched enhancements in the CNS area, including strengthening our partnership with Yoshitomiyakuhin Corporation and the creation of a platform for promotional activities covering major domestic psychiatric facilities through increased numbers of specialist MRs.

Advancement and Enhancement of Community-Based Business Framework through the Establishment of Regional Headquarters

In June 2006, DSP did away with its divisional system and established four regional headquarters within the Sales & Marketing Division. We promote community-based business with consideration for the market characteristics of each region. We will further promote the transfer of authority from the Sales and Marketing Division to the regional headquarters, responding to changes in the market with prompt decision making, putting into practice speedy customer response and maneuverable sales activities. While applying incentives to improve earnings by conducting P&L management at each of the regional headquarters, we will clarify regional profit responsibility and conduct regional sales from a management perspective.

Maximizing Customer Satisfaction

Based on the idea that expansion of the detailing function is directly related to improving customer satisfaction, DSP promotes diverse and efficient activities through MR detailing and e-promotion via our medical information site and through a medical portal site. At the same time, 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 ethical pharmaceuticals from inside and outside the Company including medical professionals, patients and others.

Cultivating a High-Quality Specialist MR Force

DSP regards the cultivation of the industry's top-level specialist MRs as a matter of pressing importance going forward. Specifically, we conduct training courses on the subjects of hospital infection countermeasures, cancer pain treatment and healthcare administration. Furthermore, DSP is working to reinforce backup for the marketing 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 the integration of a database to obtain recognition as a company that is strong in scholarly activities.

DSP introduced a rotation/transfer consideration measure as a way for female sales employees to exercise their abilities over the long term. This system offers a flexible response to changes in work location resulting from marriage. If requested, the system will not reassign employees to a new worksite requiring residential relocation after a child is born. DSP also introduced a non-gender-specific re-entry system.

Cardiovascular (Hypertension) 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 patients' drug compliance. DSP is promoting the adoption of new orally disintegrating (OD) tablets created with new formulation technology SUITAB-NEX® to realize stability, improved hardness and reduced bitterness. With a daily dose of up to 10mg, DSP further contributes to domestic hypertension and angina pectoris treatment through its achievement of a strict antihypertensive objective and improved prognosis.

AMLODIN®

AVAPRO® AVAPRO®, a therapeutic agent for hypertension, launched in July 2008, is a long-acting ARB (angiotensin II receptor antagonist) with a long half-life in blood and a 24-hour-lasting blood pressure lowering effect, with a high anti-hypertensive effect in patients with mild to severe hypertension. Overseas, the drug was co-developed by sanofi-aventis and Bristol-Myers Squibb. This drug is also recognized as the only one ARB with evidence for its renoprotective effect in patients covering both early-stage and overt nephropathy, and is highly regarded as one of the top ARB brands. In response to medical needs, we continue to provide information about this long-acting ARB with a superior ability to reduce blood pressure and its renoprotective effect.

AVAPRO®

Central Nervous System Products

LONASEN® LONASEN® is an antipsychotic agent with a novel structure, invented by Dainippon Sumitomo Pharma, characterized by its strong blocking action and high selectivity against dopamine-2 receptors and serotonin-2 receptors. The drug has stronger blocking action against dopamim-2 receptors than against serotonin-2 receptors. This drug showed not only efficacy on positive symptoms of schizophrenia (such as hallucinations and delusions), but also a lessening of the metabolic and endocrine side effects that are problematic with existing second-generation antipsychotic drugs. DSP aims to meet medical needs by making use of its distinguishing clinical profile.

LONASEN®

TRERIEF® TRERIEF®, a therapeutic agent for Parkinson's disease that went on sale in March 2009, is believed to have a unique mechanism of action that is different from the mechanism of conventional anti-Parkinson's disease agents. Such beneficial effects as improved movement ability and betterment in activities of daily living have been shown when administered in patients with advanced Parkinson's disease who are not sufficiently cured by other anti-Parkinson's disease drugs. DSP aims to cultivate this adjunctive agent into a first-choice medication for Parkinson's disease drug therapy by making thorough use of these characteristics.

TRERIEF®

Other Therapeutic Areas

GASMOTIN® GASMOTIN®, the world's first selective serotonin-4 agonist, is a gastroprokinetic that promotes gastrointestinal motility without blocking domamine-2 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. In April 2009, we acquired approval for additional indication of GASMOTIN®, adjunctive treatment to the pretreatment with orally gastrointestinal lavage solution for barium enema X-ray examination. DSP aims to make GASMOTIN® a pretreatment agent for upper to lower treatment of the total gastrointestinal tract.

GASMOTIN®

PRORENAL® Vasodilator PRORENAL® is a treatment for lumbar spinal canal stenosis that can contribute to the improvements of patient's quality of life. 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. By recommending lumbar spinal canal stenosis diagnosis and distinction from non-steroidal anti-inflammatory agents, as well as the favorable effect of PRORENAL® on post-operative numbness, DSP aims to raise brand recognition, driving further market expansion and higher 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®, DSP will strive for the acceptance of this drug as the standard treatment for severe infections.

MEROPEN®

We are leveraging our technology and expertise cultivated in the pharmaceuticals business to expand our business.

Animal Health Products

DSP sells veterinary medicines for companion animals—mainly dogs and cats—farm animals such as cattle, swine and horses, and cultured fish. It deals in pet food, too.

Taking a scientific approach to animal health, DSP incorporates human pharmaceutical research and development data into animal pharmaceuticals, using the technology and materials cultivated through pharmaceutical operations to develop business. Focused particularly on the companion animal market, we have a broad line of therapeutics including VICTAS®, an antibacterial preparation containing orbifloxacin as its active ingredient, and APINAC®, for treating canine chronic heart failure. DSP launched PRONAMID®, Japan's first gastroprokinetic agent for dogs focusing on the improvement of gastrointestinal motility, a cross-over development for use as a veterinary medicine from pharmaceutical product GASMOTIN®. We are aggressively developing new products and, in November 2008, launched CARTROPHEN VET®, for the alleviation of pain and lameness caused by osteoarthritis in dogs. This product was licensed from an overseas partner and developed in-house.

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 dogs and cats. 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.

LifeChip In the fiscal year ended March 31, 2008, approximately 130,000 dogs were held in shelters. The LifeChip not only identifies individual dogs and cats, helping to return lost pets to their owners, it also serves a variety of purposes, including encouraging responsibility on the part of breeders and serving as an animal passport for trips overseas and disembarkation inspections. The veterinarian community has responded favorably to the LifeChip Bio Thermo, which measures body temperature and incorporates the latest individual identification functionality.

MIRASEE® Based on neotame, which has 10,000 times the sweetness of sugar and enhanced ultrametricity and dispersibility, MIRASEE® sweetener was created with the brand image of "providing better taste to a wider variety of foods." We propose the three values of "maintaining natural sweetness," "being delicious with a non-sugar product" and "improving the existing taste." We expect MIRASEE® to be used in a variety of food products.

Food and Specialty Products

• Food and Food Additives

DSP supplies food ingredients that incorporate natural material extraction and processing technologies cultivated by pharmaceutical business 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. Efforts are under way to develop products for peripheral pharmaceutical areas through strategic alliances with partner companies.

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

In the sweetener business, since April 2008 DSP has provided MIRASEE®, a preparation of neotame. Neotame is a high-intensity sweetener with about 10,000 times the sweetness of sugar and 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.

• Specialty Products

DSP has been committed to the business of specialty 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. Particularly in the pharmaceutical additives business, we have strengthened cooperation with the pharmaceutical company's business divisions and propose the supply of pharmaceutical additive products such as coating and disintegrant demanded by the Japanese market.

We strive to fulfill our social responsibility in the DSP way.

Activities Aimed at Becoming a "Company That Fulfills Missions"

Given the severe business environment, DSP believes that we must reform our corporate culture and climate to continue being a "company that fulfills missions." To verbalize this objective, we created the management motto "Change For Challenge!" And "Seek Something New!" (C&S).

To ensure that each employee has made this message his or her own, we launched C&S activities and implemented reforms in various areas. We provided our employees with the opportunity to achieve this by running a companywide C&S Pervading and Establishing Campaign conducted under the keywords self-reform and action from October 2008 to March 2009.

DSP promotes initiatives aimed at becoming an internationally competitive R&D-oriented pharmaceutical company through continued C&S activities. DSP fulfills its corporate social responsibility by continuing to be a "company that is accepted by society, trusted by shareholders and partners, appreciated by patients and customers, and makes its employees feel happy."

Social Contribution Activities Policy Formulation

The Dainippon Sumitomo Pharma Group Social Contribution Activities Policy was created to embody the idea that each DSP member should nurture his or her thoughts on social contributions and address various societal issues on his or her own initiative. Under this policy, DSP donated to the activity funds of social welfare organization Japan Hearing Dogs for Deaf People, The non-profit organization *Asobi no* Volunteer undertakes activities including playful direct interaction with sick children, and has a clubhouse certified by the International Center for Clubhouse Development. We are also involved in volunteer work and clean-up activities surrounding our regional facilities as well as facilities tours and other regional activities.

DSP supports a social welfare organization that provides hearing dogs to assist the hearing impaired.

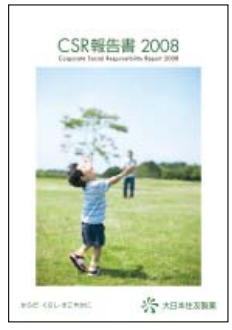
Environmental Protection Measures

Our Basic Environmental Policy declares our aggressive involvement in environmental preservation activities. Our activities focus on introducing the environmental management system at all business locations, reducing greenhouse gas emissions and the promotion of zero emissions through waste reduction. In 2008, the Ibaraki Plant received the Ministry of Health, Labour and Welfare Award for its efforts to promote Reduce, Reuse and Recycle, particularly for the continuous decrease in the amount of waste produced and zero emissions achievements.

At the same time, business vehicles are being converted to models with lower emissions and higher fuel efficiency (meeting fuel consumption standards for the fiscal year ending March 31, 2011). As a first step, DSP decided to introduce 900 hybrid vehicles into its business vehicle fleet. Beginning with global warming prevention countermeasures, we will continue to contribute to regional communities and environmental conservation.

CSR Report

DSP publishes its *CSR Report* detailing its efforts on social and environmental issues and its future ideals in this area. The report is distributed to stakeholders and is posted on the Company's website to promote a greater awareness of its initiatives.



http://www.ds-pharma.co.jp/english/csr/social/2008/index.html

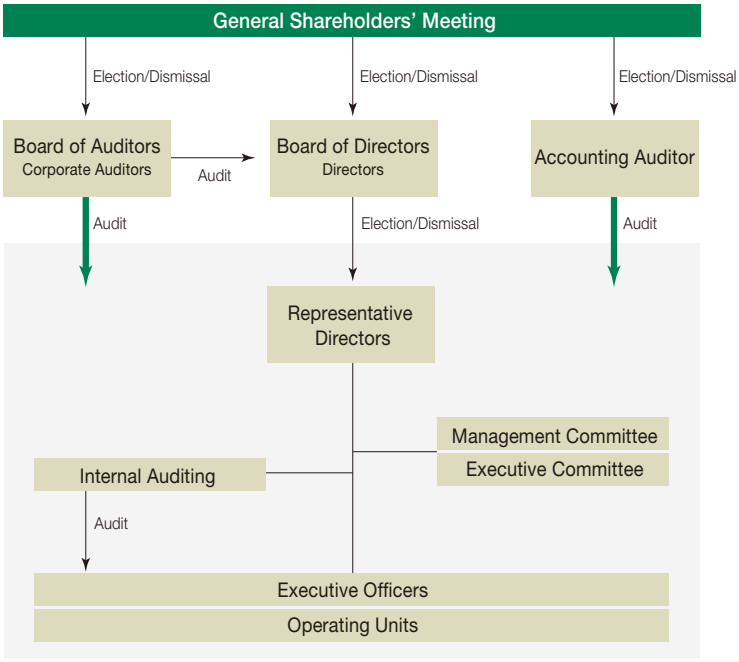
Basic Approach to Corporate Governance

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 50.22% 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.



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 a System Assuring the Appropriateness of Business Operations

The Company passed a resolution on the following basic policies for the establishment of a system to ensure the appropriateness of the business operations, and continues its efforts to enhance such 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

(As of June 26, 2009)

Representative Director, Chairman of the Board of Directors
Kenjiro Miyatake

Representative Director, President and Chief Executive Officer
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, Senior Executive Officer
Hiroshi Noguchi

Member, Board of Directors, Executive Officer
Yutaka Takeuchi

Representative Director, Chairman of the Board of Directors	Kenjiro Miyatake
Representative Director, President and Chief Executive Officer	Masayo Tada
Members, Board of Directors, Senior Executive Officers	Keiichi Ono Tetsuya Oida Yuichi Yokoyama Kazumi Okamura Hiroshi Noguchi
Members, Board of Directors, Executive Officer	Yutaka Takeuchi
Full-Time Corporate Auditors	Tadayoshi Nishimura Ikuo Hino
Corporate Auditors	Michihiro Ishii Takayuki Usui Toshiyuki Aoki
Senior Executive Officer	Yukio Kitahara
Executive Officers	Nobuo Takeda Yasuji Furutani Satoshi Ijuin Yosuke Fukuhara Masaharu Kanaoka Masaru Ishidahara Yoshihiro Okada Yukio Takene Hiroshi Nomura Susumu Nakajima

Financial Section

Contents

Six-Year Summary

Dainippon Sumitomo Pharma Co., Ltd. and Consolidated Subsidiaries

	Millions of yen						Thousands of U.S. dollars
	2009	2008	2007	2006	2005	2004	**2009**
RESULTS OF OPERATIONS:							
Net sales	**¥264,037**	¥263,993	¥261,213	¥245,784	¥175,088	¥171,672	**$2,694,255**
Cost of sales	**103,741**	99,385	99,346	130,437	111,099	110,013	**1,058,582**
Selling, general and administrative expenses	**129,130**	124,794	116,312	86,461	52,404	51,546	**1,317,653**
Operating income	**31,166**	39,814	45,555	28,886	11,585	10,113	**318,020**
Income before income taxes and minority interests	**32,168**	41,457	38,415	25,687	11,686	13,836	**328,245**
Net income	**19,988**	25,592	22,605	15,377	6,924	7,968	**203,959**
FINANCIAL POSITION:							
Current assets	**263,540**	251,063	234,313	249,733	131,176	118,562	**2,689,184**
Net property, plant and equipment	**69,105**	70,280	65,241	68,336	32,611	34,473	**705,153**
Total assets	**391,295**	399,791	382,535	392,966	201,431	193,238	**3,992,806**
Current liabilities	**53,350**	67,915	56,039	80,071	49,196	45,927	**544,388**
Long-term debt			4,600	5,276	7,000	7,000	
Net assets	**324,496**	318,278	306,012	288,633	135,433	130,268	**3,311,184**
OTHER STATISTICS:							
R&D costs	**52,819**	47,266	40,870	29,636	17,444	15,929	**538,969**
Capital expenditures	**10,569**	15,491	9,543	6,616	3,064	4,294	**107,847**
Depreciation and amortization	**11,455**	11,870	12,008	8,901	5,233	5,821	**116,888**

	Yen						U.S. dollars
PER SHARE OF COMMON STOCK:							
Basic net income	**¥50.30**	¥64.39	¥56.86	¥54.57	¥41.76	¥48.05	**$0.51**
Cash dividends applicable to the year	**18.00**	18.00	14.00	12.00	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 ¥98 to U.S.$1.00, the approximate rate of exchange at March 31, 2009.

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 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 2004 to 2006 have been reclassified.

Business Results

◆Overview

During the fiscal year ended March 31, 2009, the Japanese economy has experienced a worsening economic slowdown as seen in the sharp decline in corporate earnings, triggered by a gross decline in exports due to the global recession accompanied by the financial crisis that originated in the United States and a steep appreciation of the Japanese yen, along with the continued slowdown in consumer spending due to the increasing uncertainty in employment and individual income.

The situation surrounding the Japanese pharmaceutical industry is becoming increasingly severe as a result of the promotion of policies controlling medical costs such as the drug price revision implemented in April 2008.

Under these conditions, the Group has been committed to the policies declared in the Mid-term Business Plan established in February 2007, "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 and development and enhancement of human resources)," and endeavored to realize a more efficient business by thoroughly implementing the "selection and concentration" strategy giving due consideration to changes in the business environment.

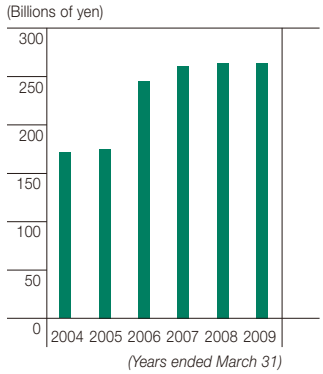
Major initiatives during the fiscal year involved the ongoing focused investment of sales resources in our four strategic products and three newly launched products. In global operations development, we progressed with Phase III clinical trials of antipsychotic drug lurasidone, and in China we acquired Kyowa Hakko Pharmaceuticals (Suzhou) Co., Ltd., from Kyowa Hakko Kirin Co., Ltd.

Net Sales

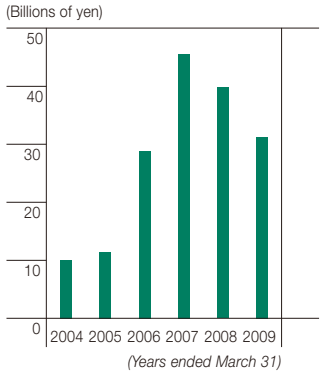
During the fiscal year ended March 31, 2009, net sales amounted to ¥264.0 billion, approximately the same as the previous fiscal year.

Sales of our four strategic products—AMLODIN®, GASMOTIN®, PRORENAL® and MEROPEN®—were down ¥4.8 billion. The decline was attributable to the drug price revisions and a sales decrease due to the expiration of patent for AMLODIN®. However, this was offset by the contribution of new products LONASEN® and AVAPRO® and increased sales by the commencement of new commissioned manufacturing projects.

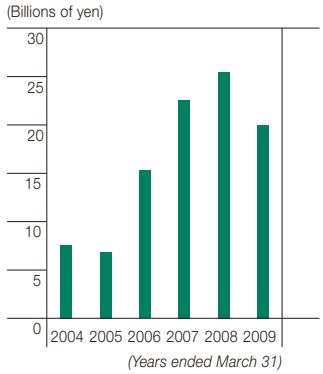
Net Sales



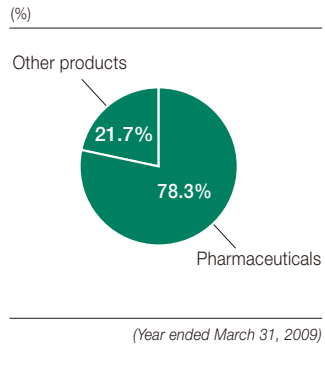
Operating Income



Net Income



Sales Composition by Business Segment



Cost of Sales

Although net sales remained largely unchanged from the previous fiscal year, reductions in selling prices arising from the drug price revisions and the application of accounting standard regarding valuation of inventories resulted in a 1.7-percentage-point rise in the cost of sales ratio, to 39.3%. Accordingly, cost of sales increased ¥4.4 billion during the fiscal year, to ¥103.7 billion. This led to gross profit of ¥160.3 billion, down ¥4.3 billion year on year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses rose ¥4.3 billion during the fiscal year, to ¥129.1 billion. A primary reason for this increase was growth in R&D costs to progress overseas clinical trials of lurasidone, boosting total R&D costs ¥5.6 billion, to ¥52.8 billion. This represented 20.0% of net sales.

Excluding R&D costs, selling, general and administrative expenses were actually down ¥1.2 billion, at ¥76.3 billion.

Operating Income

As a result of the above factors, operating income decreased 21.7%, or ¥8.6 billion, to ¥31.2 billion. The falloff in gross profit arising from the increase in the cost of sales ratio and the substantial hike in R&D costs were the major causes of the operating income decline.

Other Income (Expenses)

During the fiscal year, other income exceeded other expenses by ¥1.0 billion. This was attributable to ¥1.1 billion reversal of reserve for loss on litigation as a result of a successful appeal court outcome.

Net Income

Owing to the above, net income after income taxes came to ¥20.0 billion in the fiscal year ended March 31, 2009, down ¥5.6 billion from the preceding year.

(Billions of yen)

	2009	2008	Change	Percent Change (%)
Net sales	**¥264.0**	¥264.0	¥ 0.0	0.0
Cost of sales	**103.7**	99.4	4.4	4.4
Selling, general and administrative expenses	**129.1**	124.8	4.3	3.5
Operating income	**31.2**	39.8	(8.6)	(21.7)
Other income (expenses)	**1.0**	1.6	(0.6)	—
Net income	**20.0**	25.6	(5.6)	(21.9)
R&D costs	**52.8**	47.3	5.6	11.7

◆Results by Business Segment

Pharmaceuticals

In order to minimize the impact of the drug price revisions and the expiration of patent for our most important core product AMLODIN®, we continued to concentrate our management resources on our four strategic products, AMLODIN®, GASMOTIN®, PRORENAL® and MEROPEN®. In addition, we launched two new drugs, the antipsychotic drug LONASEN® in April 2008 and AVAPRO®, an anti-hypertension drug, in July 2008, and focused on their early deployment and cultivation. Further, in March 2009 we introduced a new drug for Parkinson's disease, TRERIEF®.

As a result, sales of pharmaceuticals eased 0.9% during the fiscal year, to ¥206.8 billion, while operating income fell 23.0%, to ¥29.8 billion.

Other Products

Other products include animal health products, feeds and feed additives, food additives, industrial chemicals, diagnostics, and research reagents and materials. Although these operations were impacted by the economic slowdown during the fiscal year, sales of pet-related products were up from the previous fiscal year, contributing to a gain in sales of 3.4%, to ¥57.2 billion, and a jump in operating income of 23.2%, to ¥1.3 billion.

◆Sales of Major Pharmaceutical Products

During the fiscal year, sales of our four strategic products—AMLODIN®, GASMOTIN®, PRORENAL® and MEROPEN®—totaled ¥107.7 billion, a decrease of 4.2% from the previous fiscal year.

AMLODIN® sales declined 9.0% during the fiscal year, to ¥57.9 billion, primarily due to drug price revisions and the introduction of generics capitalizing on expiration of patent.

Total sales of GASMOTIN®, PRORENAL® and MEROPEN® nudged up 2.0%, to ¥49.8 billion in spite of facing drug price revisions.

Sales of our new products LONASEN® and AVAPRO® chalked up ¥3.4 billion and ¥1.5 billion, respectively.

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

Domestic Sales of Major Pharmaceutical Products (Billions of yen)

Brand name	Therapeutic indication	**2009**	2008
AMLODIN®	Therapeutic agent for hypertension and angina pectoris	**¥57.9**	¥63.6
GASMOTIN®	Gastroprokinetic	**20.2**	19.5
PRORENAL®	Vasodilator	**14.8**	14.5
MEROPEN®	Carbapenem antibiotic	**14.8**	14.8
EBASTEL®	Antiallergic	**10.6**	11.1
SUMIFERON®	Natural alpha interferon	**6.0**	6.0
GROWJECT®	Growth hormone	**4.3**	4.3
DOPS®	Noradrenaline - activating neural function ameliorant	**3.8**	4.1
EXCEGRAN®	Antiepileptic	**3.6**	3.5
QVAR™	Bronchial asthma	**3.6**	4.3
GLIMICRON®	Oral hypoglycemic	**3.6**	3.9
LONASEN®	Antipsychotic	**3.4**	—
MELBIN®	Oral hypoglycemic	**3.4**	2.8
AmBisome®	Therapeutic agent for systemic fungal infection	**3.1**	2.5
ALMARL®	Therapeutic agent for hypertension, angina pectoris and arrhythmia	**3.0**	3.2
LULLAN®	Antipsychotic	**2.8**	3.0
TAGAMET®	H_2-receptor antagonist	**2.7**	3.3
SEDIEL®	Serotonin - agonist antianxiety drug	**2.7**	3.0
AVAPRO®	Therapeutic agent for hypertension	**1.5**	—

Major Exported Pharmaceuticals

(Billions of yen)

Generic name	Therapeutic indication	2009	2008
Meropenem	Carbapenem antibiotic	**¥16.2**	¥18.1
Zonisamide	Antiepileptic	**1.0**	0.3
Mosapride	Gastroprokinetic	**1.0**	1.7

Financial Position

(Billions of yen)

	2009 (March 31, 2009)	2008 (March 31, 2008)	Change
Total assets	**¥391.3**	¥399.8	¥ (8.5)
Total liabilities	**66.8**	81.5	(14.7)
Net assets	**324.5**	318.3	6.2
Equity ratio	**82.9%**	79.6%	

Total Assets

Current assets grew ¥12.5 billion from the previous year-end, to ¥263.5 billion, largely due to an increase in short-term loans. Fixed assets declined ¥21.0 billion, to ¥127.8 billion, primarily as a result of a decrease in investment securities caused by the fall in aggregate fair value of marketable securities held and a decline in investments and other assets arising from repayment of long-term deposits. As a result, total assets diminished ¥8.5 billion, to ¥391.3 billion.

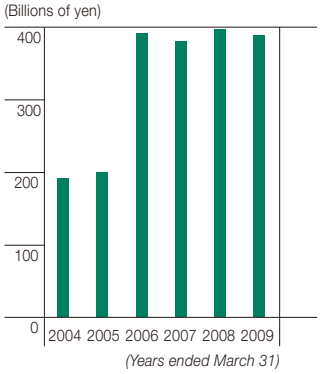
Total Liabilities

Total liabilities at year-end stood at ¥66.8 billion, down ¥14.7 billion from a year earlier. The main causes were a decrease in the current portion of long-term debt, reduced other accounts payable because of payment of costs associated with the construction of a new solid dosage form wing at the Suzuka Plant, and lower income taxes payable.

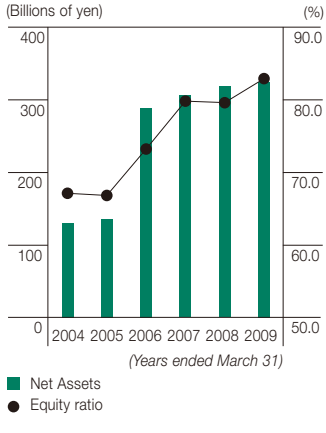
Net Assets

During the fiscal year, the increase in retained earnings exceeded the decrease in unrealized gains on available-for-sale securities. Accordingly, net assets grew ¥6.2 billion, to ¥324.5 billion.

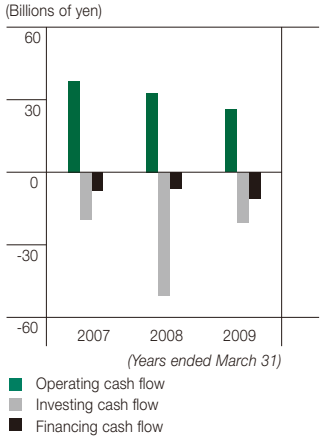
Total Assets



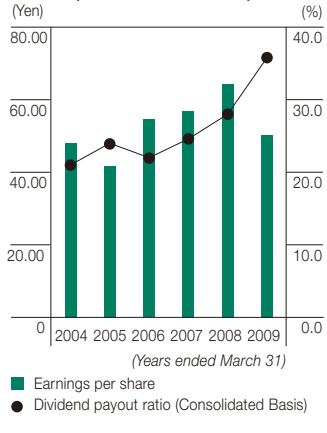
Net Assets/Equity Ratio



Cash Flows



Earnings Per Share/ Dividend Payout Ratio (Consolidated Basis)



Cash Flows

Net Cash provided by Operating Activities

Increase in cash flows from income before income taxes and minority interests and depreciation and amortization more than offset income taxes paid. As a result, net cash provided by operating activities was ¥26.3 billion.

Net Cash used in Investing Activities

Net cash used in investing activities amounted to ¥21.3 billion. This was primarily due to purchases of property, plant and equipment and a net increase in short-term loans receivable.

Net Cash used in Financing Activities

Net cash used in financing activities was ¥11.8 billion. The main factors were dividends paid and repayment of long-term debt.

Owing to the above factors, cash and cash equivalents at the end of the fiscal year amounted to ¥49.5 billion, down ¥6.8 billion from one year earlier.

◆Major Cash Flow Indicators

	2004	2005	2006	2007	2008	**2009**
Equity ratio	67.1%	66.8%	73.2%	79.8%	79.6%	**82.9%**
Equity ratio on fair value basis	75.4%	85.1%	132.1%	130.8%	90.6%	**83.1%**
Ratio of interest-bearing debt to cash flows	44.2%	42.1%	52.4%	18.1%	17.5%	**8.5%**
Interest coverage ratio	152.5	331.4	328.8	960.4	748.5	**648.1**

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.

Based on the aforementioned policy, the Company paid cash dividends per share applicable to the fiscal year ended March 31, 2009, of ¥18.00 per share, consisting of an interim dividend and a year-end dividend of ¥9.00 per share each.

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 4,787 employees as of March 31, 2009, down 8 from one year earlier. In the Pharmaceuticals business, the number of employees as of March 31, 2009, was 4,271, down 6 from March 31, 2008. The numbers of employees in the Other Products business and in corporate divisions, including administration department staff, were 306 and 210, down 6 and up 4, respectively.

Outlook for the Fiscal Year Ending March 31, 2010

In the fiscal year ending March 31, 2010, the final year of the Mid-term Business Plan, we shall focus on three priority issues: "strengthening of the domestic business foundation," "preparing an international operation structure," and "striving for an efficient management and profitable corporate structure."

On the sales front, although performance by AMLODIN® and MEROPEN® has been impacted by the launch of generics, we shall focus on expanding sales for such new products as LONASEN®, AVAPRO® and TRERIEF®, and existing products with high contribution to profits, namely GASMOTIN® and PRORENAL®. Through these endeavors, we aim to maintain the same sales levels as for the fiscal year ended March 31, 2009.

In terms of expenses, R&D costs should be increasingly focused by our policy of selection and concentration. However, our prioritized overseas independent development of lurasidone will necessarily incur cost increases. We will endeavor to constrain other costs by raising the efficiency of operations management. Nevertheless, we anticipate that other costs will exceed the previous year because of an increase in retirement benefit costs arising from the slump in stock prices and the planned new consolidation of a subsidiary, Sumitomo Pharmaceuticals (Suzhou) Co., Ltd.

For the fiscal year ending March 31, 2010, we forecast net sales of ¥264.0 billion, roughly level with the preceding fiscal year, and operating income of ¥25.0 billion, a decline of 19.8%. Net income is expected to fall 25.0%, to ¥15.0 billion. As key financial indicators, we anticipate an operating margin of 9.5%, a return on equity of 4.6% and a net income per share of ¥37.75.

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, 2009.

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 customarily renewed every year. The Company also accepts employees on loan from the parent company. Furthermore, 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, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2009**	2008	**2009**
CURRENT ASSETS:			
Cash and time deposits (Note 3)	**¥ 21,990**	¥ 28,169	**$ 224,388**
Marketable securities (Notes 3 and 5)	**34,501**	30,087	**352,051**
Receivables:			
Trade notes	**2,844**	3,132	**29,020**
Trade accounts	**77,585**	82,823	**791,684**
Due from parent company, unconsolidated subsidiaries and affiliates (Note 11)	**50,415**	41,377	**514,439**
Allowance for doubtful receivables	**(395)**	(302)	**(4,031)**
Total	**130,449**	127,030	**1,331,112**
Inventories (Note 4)	**54,510**	48,524	**556,225**
Deferred tax assets (Note 7)	**17,130**	13,357	**174,796**
Other current assets (Note 11)	**4,960**	3,896	**50,612**
Total current assets	**263,540**	251,063	**2,689,184**
PROPERTY, PLANT AND EQUIPMENT:			
Land	**9,976**	9,976	**101,796**
Buildings and structures	**83,820**	83,139	**855,306**
Machinery and equipment	**95,025**	90,948	**969,643**
Construction in progress	**4,025**	6,170	**41,071**
Total	**192,846**	190,233	**1,967,816**
Accumulated depreciation	**(123,741)**	(119,953)	**(1,262,663)**
Net property, plant and equipment	**69,105**	70,280	**705,153**
INVESTMENTS AND OTHER ASSETS:			
Investment in unconsolidated subsidiaries and affiliates	**4,190**	2,240	**42,755**
Investment securities (Note 5)	**33,141**	43,478	**338,173**
Intangible assets	**6,408**	5,849	**65,388**
Deferred tax assets (Note 7)	**3,744**	1,624	**38,204**
Other assets (Note 8)	**11,167**	25,257	**113,949**
Total investments and other assets	**58,650**	78,448	**598,469**
TOTAL	**¥391,295**	¥ 399,791	**$3,992,806**

See Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of yen 2009	2008	Thousands of U.S. dollars (Note 1) 2009
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	**¥ 600**	¥ 600	**$ 6,122**
Current portion of long-term debt (Note 6)		4,600	
Payables:			
Trade notes	**122**	101	**1,245**
Trade accounts	**27,076**	27,890	**276,286**
Due to parent company, unconsolidated subsidiaries and affiliates (Note 11)	**5,930**	2,881	**60,510**
Total	**33,128**	30,872	**338,041**
Income taxes payable	**6,299**	10,862	**64,276**
Accrued expenses	**9,310**	9,436	**95,000**
Reserve for loss on litigation (Note 15)		1,054	
Other current liabilities (Note 8)	**4,013**	10,491	**40,949**
Total current liabilities	**53,350**	67,915	**544,388**
LONG-TERM LIABILITIES:			
Liability for retirement benefits (Note 8)	**9,296**	8,832	**94,857**
Other liabilities (Note 6)	**4,153**	4,766	**42,377**
Total long-term liabilities	**13,449**	13,598	**137,234**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12 and 14)**:**			
NET ASSETS (Note 9)**:**			
Shareholders' equity			
Common stock: authorized—1,500,000,000 shares in 2009 and 2008; issued—397,900,154 shares in 2009 and 2008	**22,400**	22,400	**228,571**
Capital surplus	**15,860**	15,860	**161,837**
Retained earnings	**281,629**	268,800	**2,873,765**
Treasury stock, at cost, 580,814 shares in 2009 and 472,642 shares in 2008	**(643)**	(557)	**(6,561)**
Total	**319,246**	306,503	**3,257,612**
Valuation, translation adjustments and others			
Unrealized gains on available-for-sale securities, net of tax	**5,162**	11,691	**52,674**
Total	**5,162**	11,691	**52,674**
Minority interests	**88**	84	**898**
Total net assets	**324,496**	318,278	**3,311,184**
TOTAL	**¥391,295**	¥ 399,791	**$3,992,806**

Consolidated Statements of Income

Dainippon Sumitomo Pharma Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	**2009**
NET SALES (Notes 10 and 11)	**¥264,037**	¥263,993	**$2,694,255**
COST OF SALES (Notes 10 and 11)	**103,741**	99,385	**1,058,582**
Gross profit	**160,296**	164,608	**1,635,673**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	**129,130**	124,794	**1,317,653**
Operating income	**31,166**	39,814	**318,020**
OTHER INCOME (EXPENSES):			
Interest and dividend income (Note 11)	**1,711**	1,529	**17,459**
Interest expense	**(94)**	(128)	**(959)**
Reversal of reserve for loss on litigation (Note 15)	**1,054**		**10,755**
Loss on valuation of investment securities	**(281)**		**(2,867)**
Gain on sales of investment securities (Note 5)		3,800	
Other — net	**(1,388)**	(3,558)	**(14,163)**
Other income (expenses) — net	**1,002**	1,643	**10,225**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**32,168**	41,457	**328,245**
INCOME TAXES (Note 7):			
Current	**14,091**	18,244	**143,786**
Deferred	**(1,922)**	(2,454)	**(19,612)**
Total income taxes	**12,169**	15,790	**124,174**
MINORITY INTERESTS IN NET INCOME	**11**	75	**112**
NET INCOME	**¥ 19,988**	¥ 25,592	**$ 203,959**

	Yen		U.S. dollars
PER SHARE OF COMMON STOCK:			
Basic net income	**¥50.30**	¥64.39	**$0.51**
Cash dividends applicable to the year	**18.00**	18.00	**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, 2009 and 2008

	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, 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
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
Cash dividends, ¥18.00 per share					**(7,153)**		**(7,153)**				**(7,153)**
Net income					**19,988**		**19,988**				**19,988**
Purchases of treasury stock		**(128)**				**(109)**	**(109)**				**(109)**
Sales of treasury stock		**20**			**(6)**	**23**	**17**				**17**
Net changes during the year								**(6,529)**	**(6,529)**	**4**	**(6,525)**
BALANCE, MARCH 31, 2009	**397,900**	**(581)**	**¥22,400**	**¥15,860**	**¥281,629**	**¥(643)**	**¥319,246**	**¥ 5,162**	**¥ 5,162**	**¥ 88**	**¥324,496**

	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, 2008	$228,571	$161,837	$2,742,857	$(5,684)	$3,127,581	$119,296	$119,296	$857	$3,247,734
Cash dividends, U.S.$0.18 per share			**(72,990)**		**(72,990)**				**(72,990)**
Net income			**203,959**		**203,959**				**203,959**
Purchases of treasury stock				**(1,112)**	**(1,112)**				**(1,112)**
Sales of treasury stock			**(61)**	**235**	**174**				**174**
Net changes during the year						**(66,622)**	**(66,622)**	**41**	**(66,581)**
BALANCE, MARCH 31, 2009	**$228,571**	**$161,837**	**$2,873,765**	**$(6,561)**	**$3,257,612**	**$52,674**	**$52,674**	**$898**	**$3,311,184**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Dainippon Sumitomo Pharma Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	**2009**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 32,168**	¥ 41,457	**$328,245**
Adjustments for:			
Depreciation and amortization	**11,455**	11,870	**116,888**
Provision for liability for retirement benefits, less payments	**323**	(1,209)	**3,296**
Interest and dividend income	**(1,711)**	(1,529)	**(17,459)**
Interest expense	**94**	128	**959**
Reversal of reserve for loss on litigation (Note 15)	**(1,054)**		**(10,755)**
Loss on valuation of investment securities	**281**		**2,867**
Gain on sales of investment securities		(3,800)	
Changes in assets and liabilities:			
Decrease in receivables	**6,488**	2,572	**66,204**
Increase in inventories	**(5,987)**	(2,103)	**(61,092)**
Increase (decrease) in payables	**2,257**	(272)	**23,031**
Other—net	**(972)**	(257)	**(9,919)**
Subtotal	**43,342**	46,857	**442,265**
Interest and dividend received	**1,617**	1,359	**16,500**
Interest paid	**(69)**	(64)	**(704)**
Income taxes paid	**(18,595)**	(15,642)	**(189,745)**
Net cash provided by operating activities	**26,295**	32,510	**268,316**
INVESTING ACTIVITIES:			
Net decrease (increase) in time deposits	**11,000**	(1,000)	**112,245**
Purchases of property, plant and equipment	**(13,626)**	(7,113)	**(139,041)**
Purchases of intangible assets	**(3,211)**	(2,532)	**(32,765)**
Net decrease in marketable securities	**498**	2,000	**5,082**
Proceeds from sales of investment securities	**33**	4,954	**337**
Purchases of investment securities	**(3,956)**	(6,509)	**(40,367)**
Purchase of investments in subsidiaries	**(3)**	(840)	**(31)**
Payments for investments in capital of subsidiaries	**(2,009)**		**(20,500)**
Net increase in short-term loans receivable	**(10,000)**	(40,000)	**(102,041)**
Other—net	**7**	84	**71**
Net cash used in investing activities	**(21,267)**	(50,956)	**(217,010)**
FINANCING ACTIVITIES:			
Net decrease in short-term bank loans		(500)	
Repayment of long-term debt	**(4,600)**		**(46,939)**
Increase in treasury stock	**(92)**	(83)	**(939)**
Dividends paid	**(7,151)**	(6,358)	**(72,969)**
Dividends paid to minority shareholders	**(1)**	(7)	**(10)**
Net cash used in financing activities	**(11,844)**	(6,948)	**(120,857)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**38**	(140)	**388**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(6,778)**	(25,534)	**(69,163)**
INCREASE IN CASH AND CASH EQUIVALENTS RELATED TO CHANGE IN SCOPE OF CONSOLIDATION		71	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**56,260**	81,723	**574,081**
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3)	**¥49,482**	¥ 56,260	**$ 504,918**

See Notes to Consolidated Financial Statements.

Dainippon Sumitomo Pharma Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2008

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 ¥98 to U.S.$1.00, the approximate rate of exchange at March 31, 2009. 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 2008 consolidated financial statements to conform to the classifications applied in 2009. 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 2 significant subsidiaries.

Under the control or influence concept, those companies in which the Company is able to exercise control over operations, directly or indirectly, 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. Nonmarketable 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

Prior to April 1, 2008, inventories of the Group are stated at cost determined by the weighted-average method. As discussed in Note 2 (p), effective April 1, 2008, the Group adopted a new accounting standard for measurement of inventories and stated the inventories at the lower of weighted-average cost or net realizable value at March 31, 2009.

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.

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 pay 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.

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, 2009 and 2008 were ¥52,819 million ($538,969 thousand) and ¥47,266 million, respectively.

j. Leases

The Group accounts for finance leases commencing prior to April 1, 2008 which do not transfer the ownership of the leased property to the lessee as operating leases with disclosures of certain “as if capitalized” information. As discussed in Note 2 (p), the Group adopted a new accounting standard and capitalized finance leases which commenced after March 31, 2008, except for certain immaterial or short-term finance leases, which are accounted for as operating leases.

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 the 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 fluctuations 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 397,363 thousand and 397,453 thousand for the years ended March 31, 2009 and 2008, 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 the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

p. Accounting Changes

Valuation of inventories

On July 5, 2006, the Accounting Standards Board of Japan issued ASBJ Statement No. 9, “Accounting Standard for Measurement of Inventories”. As permitted under the superseded accounting standard, the Group previously stated inventories at cost. The new accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value. Replacement cost may be used in lieu of the net realizable value, if appropriate.

As a result of the adoption of ASBJ Statement No. 9, gross profit and operating income decreased by ¥1,393 million ($14,214 thousand), and income before income taxes and minority interests decreased by ¥649 million ($6,622 thousand) for the year ended March 31, 2009. The effects on segment information are described in Note 13.

Application of accounting standard for lease transactions

Prior to April 1, 2008, the Group accounted for finance leases which do not transfer ownership of the leased property to the lessee as operating leases with disclosure of certain “as if capitalized” information in the notes to the consolidated financial statements.

On March 30, 2007, the Accounting Standards Board of Japan issued Statement No. 13, “Accounting Standard for Lease

Transactions" and Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions". The new accounting standards require that all finance lease transactions be treated as capital leases.

Effective April 1, 2008, the Group adopted the new accounting standards for finance leases commencing after March 31, 2008 and capitalized assets used under such leases, except for certain immaterial or short-term finance leases, which are accounted for as operating leases. As permitted, finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of certain "as if capitalized" information.

This change had no impact on the consolidated balance sheet as of March 31, 2009 and income for the year ended March 31, 2009.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31, 2009 and 2008 for purposes of the consolidated statements of cash flows consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Cash and time deposits	**¥21,990**	¥28,169	**$224,388**
Time deposits with maturities over three months	**(2,000)**		**(20,409)**
Marketable securities with maturities of three months or less when purchased	**29,492**	28,091	**300,939**
Cash and cash equivalents	**¥49,482**	¥56,260	**$504,918**

4. INVENTORIES

Inventories at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Finished goods and semi-finished goods	**¥39,674**	¥36,544	**$404,837**
Work–in-process	**2,934**	2,260	**29,939**
Raw materials and supplies	**11,902**	9,720	**121,449**
Total	**¥54,510**	¥48,524	**$556,225**

5. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Current:			
Government/local government bonds	**¥ 1,011**		**$ 10,316**
Corporate bonds	**5,000**	¥ 1,996	**51,021**
Commercial paper	**2,990**	6,991	**30,510**
Negotiable certificates of deposit	**25,500**	21,100	**260,204**
Total	**¥34,501**	¥30,087	**$352,051**
Noncurrent:			
Equity securities	**¥24,930**	¥35,268	**$254,388**
Government and corporate bonds	**6,992**	6,989	**71,347**
Trust fund investments and other	**1,219**	1,221	**12,438**
Total	**¥33,141**	¥43,478	**$338,173**

The carrying amount and aggregate fair value of marketable and investment securities at March 31, 2009 and 2008 were as follows:

	Millions of yen			
	2009			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥15,044**	**¥9,853**	**¥(821)**	**¥24,076**
Held-to-maturity	**13,003**	**24**	**(239)**	**12,788**

	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

	Thousands of U.S. dollars			
	2009			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	**$153,510**	**$100,541**	**$(8,378)**	**$245,673**
Held-to-maturity	**132,684**	**245**	**(2,439)**	**130,490**

Available-for-sale securities and held-to-maturity securities with no available fair value as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Available-for-sale:			
Equity securities	**¥ 854**	¥ 831	**$ 8,714**
Negotiable certificates of deposit	**25,500**	21,100	**260,204**
Other	**1,219**	1,221	**12,439**
Held-to-maturity:			
Commercial paper	**2,990**	6,991	**30,510**
Total	**¥30,563**	¥30,143	**$311,867**

Proceeds from sales of available-for-sale securities were ¥1 million ($10 thousand) and ¥3,954 million for the years ended March 31, 2009 and 2008, respectively. On those sales, gross realized gains and losses computed on a moving average cost basis were ¥0 million ($0 thousand) and ¥0 million ($0 thousand), respectively, for the year ended March 31, 2009, and ¥3,800 million and ¥2 million, respectively, for the year ended March 31, 2008.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Due in one year or less	**¥34,501**	¥30,087	**$352,051**
Due after one year through five years	**6,992**	6,989	**71,347**
Total	**¥41,493**	¥37,076	**$423,398**

At March 31, 2009, investment securities of ¥34 million ($347 thousand) were pledged as collateral for accounts payable of ¥218 million ($2,224 thousand). At March 31, 2008, investment securities of ¥9 million were pledged as collateral for accounts payable of ¥37 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 1.29% to 1.49% at March 31, 2009 and 2008. Other liabilities included deposits received from customers in the amount of ¥3,224 million ($32,898 thousand) as of March 31, 2009 and ¥3,241 million as of March 31, 2008, bearing interest at a rate of 0.35% and 2.38%, respectively.

Long-term debt at March 31, 2009 and 2008 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Unsecured loans from banks and financial institutions, due year ended March 31, 2009		¥4,600	
Less current portion		4,600	

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, 2009 and 2008.

Significant components of deferred tax assets and liabilities as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deferred tax assets:			
Liability for retirement benefits	**¥ 2,605**	¥ 2,712	**$ 26,583**
Accrued enterprise taxes	**588**	915	**6,000**
Accrued bonuses to employees	**3,302**	3,340	**33,694**
Accrued other expenses	**168**	187	**1,714**
Loss on devaluation of investment securities	**949**	1,528	**9,684**
Research and development costs	**9,822**	5,019	**100,224**
Inventories	**2,320**	2,307	**23,673**
Other	**6,833**	8,690	**69,724**
Gross deferred tax assets	**26,587**	24,698	**271,296**
Valuation allowance	**(1,785)**	(1,762)	**(18,214)**
Total deferred tax assets	**24,802**	22,936	**253,082**
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	**(3,219)**	(7,190)	**(32,847)**
Deferred gain on sales of fixed assets	**(694)**	(725)	**(7,082)**
Other	**(15)**	(40)	**(153)**
Total deferred tax liabilities	**(3,928)**	(7,955)	**(40,082)**
Net deferred tax assets	**¥20,874**	¥14,981	**$213,000**

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, 2009 and 2008 was as follows:

	2009	2008
Normal statutory tax rate	**40.6%**	40.6%
Increase (decrease) in taxes due to:		
Expenses not deductible for tax purposes	**5.4**	4.3
Nontaxable dividend income	**(0.6)**	(0.4)
Tax credits for research and development costs	**(7.1)**	(6.7)
Other	**(0.5)**	0.3
Effective tax rate	**37.8%**	38.1%

8. RETIREMENT AND SEVERANCE BENEFITS

Liability for employees' retirement benefits at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Projected benefit obligation	**¥ 81,589**	¥ 81,495	**$ 832,541**
Fair value of plan assets	**(62,348)**	(76,254)	**(636,204)**
Unrecognized prior service benefit	**1,662**	1,896	**16,959**
Unrecognized actuarial gain/loss	**(15,391)**	(1,949)	**(157,051)**
Prepaid pension cost	**3,742**	3,609	**38,184**
Liability for employees' retirement benefit	**¥ 9,254**	¥ 8,797	**$ 94,429**

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
	2009	2008	2009
Service cost	**¥ 3,286**	¥ 3,531	**$ 33,531**
Interest cost	**1,621**	1,563	**16,541**
Expected return on plan assets	**(1,372)**	(1,463)	**(14,000)**
Amortization of prior service cost	**(234)**	(234)	**(2,388)**
Recognized actuarial gain	**301**	(833)	**3,071**
Net periodic benefit costs	**¥ 3,602**	¥ 2,564	**$ 36,755**
Gain on acceptance of employees from parent company		(191)	
Contribution payment to defined contribution pension	**495**	480	**5,051**
Total	**¥ 4,097**	¥ 2,853	**$ 41,806**

The Company has a lump-sum payment plan, a noncontributory defined benefit pension plan and a defined contribution pension plan.

The liability for retirement benefits for directors and corporate auditors in the consolidated subsidiaries as of March 31, 2009 and 2008 was ¥42 million ($429 thousand) and ¥34 million, respectively.

Assumptions used for the years ended March 31, 2009 and 2008 are set forth as follows:

	2009	2008
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 26, 2009, the shareholders approved cash dividends amounting to ¥3,576 million ($36,489 thousand). These appropriations have not been accrued in the consolidated financial statements as of March 31, 2009. 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, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Sales	**¥1,560**	¥3,594	**$15,918**
Purchases	**9,105**	7,614	**92,908**

11. RELATED PARTY TRANSACTIONS

Major transactions of the Group with the parent company, Sumitomo Chemical Co., Ltd., for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Sales of products	**¥ 26**	¥ 17	**$ 265**
Purchases of products	**5,737**	5,021	**58,541**
Payment of other expenses	**1,579**	1,317	**16,112**
Sales of other assets	**58**	29	**592**
Loan	**10,000**	40,000	**102,041**
Interest income	**398**	268	**4,061**

The balances due to or from the parent company, Sumitomo Chemical Co., Ltd., at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Trade receivable accounts	**¥ 61**	¥ 27	**$ 622**
Other current assets	**50,223**	40,145	**512,480**
Trade payable accounts	**3,435**	1,979	**35,051**

12. LEASES

The Group leases certain vehicles, computer equipment, office space and other assets. Total rental expenses for the years ended March 31, 2009 and 2008 were ¥7,147 million ($72,929 thousand) and ¥7,092 million, respectively, including ¥867 million ($8,847 thousand) and ¥1,157 million of lease payments under finance leases.

As permitted, finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of certain “as if capitalized” information.

“As if capitalized” information for leased property including acquisition cost, accumulated depreciation, obligations under finance leases and depreciation expense for the years ended March 31, 2009 and 2008 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Machinery and equipment:			
Acquisition cost	**¥ 3,227**	¥ 4,281	**$ 32,928**
Accumulated depreciation	**(2,338)**	(2,525)	**(23,857)**
Net leased property	**¥ 889**	¥ 1,756	**$ 9,071**

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Obligations under finance leases:			
Due within one year	**¥516**	¥ 867	**$5,265**
Due after one year	**373**	889	**3,806**
Total	**¥889**	¥1,756	**$9,071**

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, 2009 and 2008 was as follows:

	Millions of yen				
	2009				
	Pharmaceuticals	Other products	Total	Eliminations/ corporate	Consolidated
I. Sales and operating income					
Sales to customers	**¥206,816**	**¥57,221**	**¥264,037**		**¥264,037**
Intersegment sales and transfers					
Total	**206,816**	**57,221**	**264,037**		**264,037**
Operating expenses	**176,981**	**55,890**	**232,871**		**232,871**
Operating income	**¥ 29,835**	**¥ 1,331**	**¥ 31,166**		**¥ 31,166**
II. Identifiable assets, depreciation and capital expenditures					
Identifiable assets	**¥217,660**	**¥21,026**	**¥238,686**	**¥152,609**	**¥391,295**
Depreciation	**10,542**	**182**	**10,724**		**10,724**
Capital expenditures	**10,387**	**182**	**10,569**		**10,569**

	Thousands of U.S. dollars				
	2009				
	Pharmaceuticals	Other products	Total	Eliminations/ corporate	Consolidated
I. Sales and operating income					
Sales to customers	**$2,110,367**	**$583,888**	**$2,694,255**		**$2,694,255**
Intersegment sales and transfers					
Total	**2,110,367**	**583,888**	**2,694,255**		**2,694,255**
Operating expenses	**1,805,929**	**570,306**	**2,376,235**		**2,376,235**
Operating income	**$ 304,438**	**$ 13,582**	**$ 318,020**		**$ 318,020**
II. Identifiable assets, depreciation and capital expenditures					
Identifiable assets	**$2,221,020**	**$214,551**	**$2,435,571**	**$1,557,235**	**$3,992,806**
Depreciation	**107,571**	**1,857**	**109,428**		**109,428**
Capital expenditures	**105,990**	**1,857**	**107,847**		**107,847**

	Millions of yen				
	2008				
	Pharmaceuticals	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
Impairment loss	15,115	376	15,491		15,491
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.)

As described in Note 2(p), effective April 1, 2008, the Group adopted "Accounting Standard for Measurement of Inventories." As compared with the previous accounting method, the effects of the adoption were to increase operating expenses in the "Pharmaceuticals" segment by ¥1,225 million ($12,500 thousand) and in the "Other Products" segment by ¥168 million ($1,714 thousand), and to decrease operating income in the respective business segments by the same amount for the year ended March 31, 2009.

Overseas sales information for the Group for the years ended March 31, 2009 and 2008 was as follows:

	Overseas sales		
	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Europe	**¥17,681**	¥17,605	**$180,418**
Asia	**4,086**	6,433	**41,694**
Other	**284**	483	**2,898**
Total	**¥22,051**	¥24,521	**$225,010**

	Percentage of consolidated net sales	
	2009	2008
Europe	**6.7%**	6.7%
Asia	**1.6**	2.4
Other	**0.1**	0.2
Total	**8.4**	9.3

Geographical segment information is not disclosed because none of the Company's consolidated subsidiaries were located outside Japan for the years ended March 31, 2009 and 2008.

14. CONTINGENT LIABILITIES

Contingent liabilities for guarantees of indebtedness of an affiliate, and employees' housing loan guarantees at March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
Guarantees of indebtedness	**¥1,631**	**$16,643**
Loans guaranteed	**230**	**2,347**

15. LITIGATION

The Company is currently involved in litigation with Wakunaga Pharmaceutical Co., Ltd. ("Wakunaga") with respect to the termination of a 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, alleging that the Company wrongfully terminated the said license agreement, filed a lawsuit against the Company with the Osaka District Court on July 22, 2004, claiming damages of ¥5,000 million, which is part of the sum of ¥8,983 million that Wakunaga allegedly suffered. 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, and in such second instance, Wakunaga increased the claimed amount to ¥8,983 million. On March 24, 2009, the Osaka High Court ruled to revoke the judgment of the Osaka District Court by dismissing the claim by Wakunaga filed before it with prejudice on the merits.

On April 6, 2009, Wakunaga filed a final appeal before the Supreme Court against the decision of the Osaka High Court.

Although the Company had recorded estimated loss resulting from this litigation at ¥1,054 million as reserve for loss on litigation as of March 31, 2008, the Company released the reserve in full and charged income as of March 31, 2009 based on the judgment of the Osaka High Court.

16. SUBSEQUENT EVENTS

On June 26, 2009, the shareholders of the Company approved payment of a year-end cash dividend to shareholders of record at March 31, 2009 of ¥ 9.00 ($0.09) per share or a total of ¥3,576 million ($36,490 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. (the "Company") and its consolidated subsidiaries as of March 31, 2009 and 2008, 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 its consolidated subsidiaries as of March 31, 2009 and 2008, 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.

Without qualifying our opinion, we draw attention to Note 2 (p) in the Notes to Consolidated Financial Statements in which it is explained that effective for the year ended March 31, 2009, Dainippon Sumitomo Pharma Co., Ltd. and its domestic consolidated subsidiaries have applied a new "Accounting Standard for Measurement of Inventories".

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 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 Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Osaka,Japan
June 26, 2009

Corporate Data

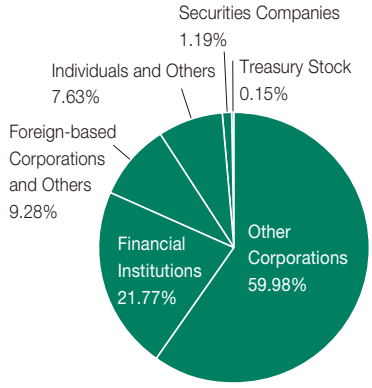
(As of March 31, 2009)

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:	4,787 (consolidated), 4,646 (non-consolidated)
Total Number of Shares Issued:	397,900,154
Total Number of Shareholders:	16,912
Stock Exchange Listings:	First Sections of Tokyo and Osaka
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*1:	Nihon Keizai Shimbun
Key Facilities*2:	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

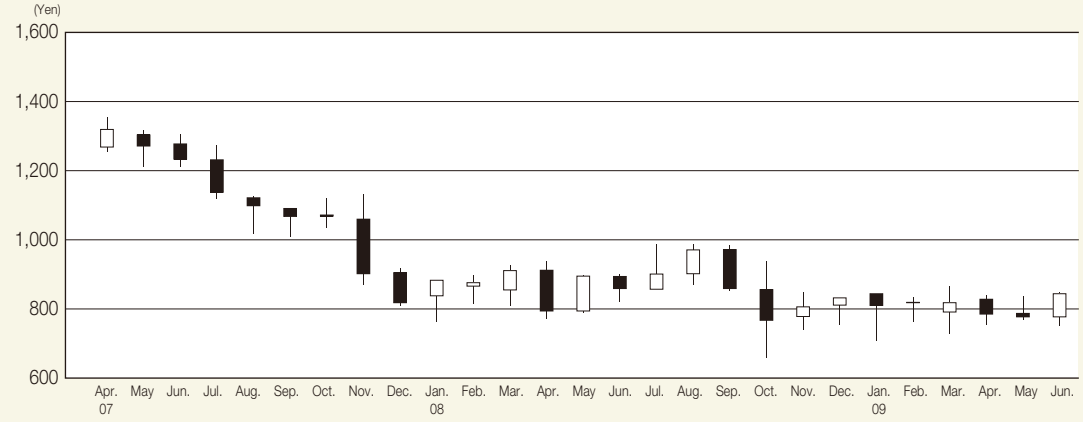
Name	No. of Shares Held (Thousands of Shares)	Percentage of Issued Shares
Sumitomo Chemical Co., Ltd.	199,434	50.12%
Inabata & Co., Ltd.	27,282	6.86%
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,587	4.17%
Nippon Life Insurance Company	10,530	2.65%
Japan Trustee Services Bank, Ltd. (Trust Account)	10,195	2.56%
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	7,179	1.80%
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%
Nissay Dowa General Insurance Co., Ltd.	4,928	1.24%
The Dai-Ichi Mutual Life Insurance Company	3,248	0.82%

Composition of Shareholders

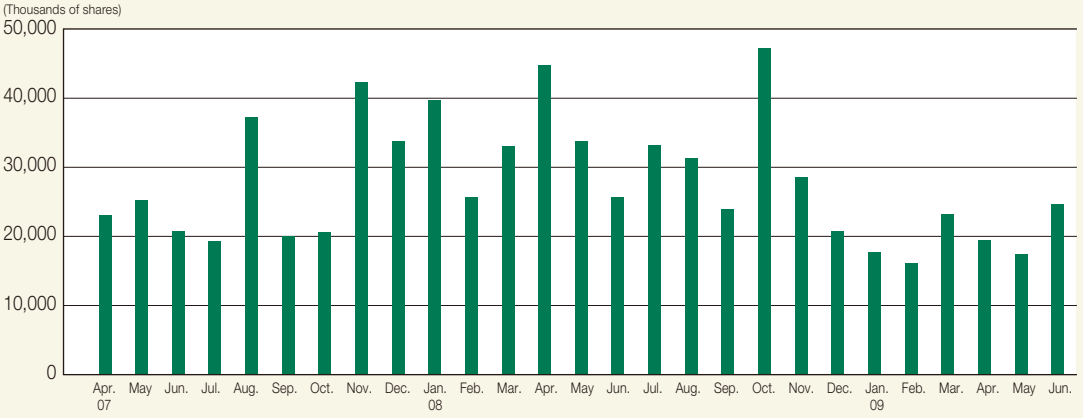


*1: The Company revised its default method to electronic disclosure, effective June 26, 2009.
*2: Branches numbered 25 as of June 26, 2009.

Stock Price



Turnover



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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.

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SUMITOMO
PHARMA

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