



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

July 31, 2008

Company Name: DAINIPPON SUMITOMO PHARMA CO., LTD.
 Head Office: 6-8, Doshomachi, 2-chome, Chuo-ku, Osaka, 541-0045
 Stock Exchange Listings: Tokyo, Osaka, Nagoya
 Security Code number: 4506 (URL: <http://www.ds-pharma.co.jp>)
 Filing date of Quarterly Financial Report: August 13, 2008

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

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

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

(1) Results of Operations

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

	Net sales		Operating income		Ordinary income		Net income	
	Yen million	%	Yen million	%	Yen million	%	Yen million	%
Three months ended June 30, 2008	70,129	—	10,208	—	10,802	—	6,446	—
Three months ended June 30, 2007	65,313	0.1	12,114	(0.5)	12,822	2.9	7,818	40.7

	Earnings per share	Earnings per share (diluted)
Three months ended June 30, 2008	¥16.22	—
Three months ended June 30, 2007	¥19.67	—

(2) Financial Position

(millions of yen)

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share (yen)
As of June 30, 2008	393,174	322,583	82.0%	¥811.51
As of March 31, 2008	399,790	318,277	79.6%	¥800.63

Reference: Shareholders' Equity (millions of yen)

As of June 30, 2008 : 322,496

As of March 31, 2008 : 318,194

2. Dividends

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

Note: Revision of dividend forecast during this period: None

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

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

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Yen million	%	Yen million	%	Yen million	%	Yen million	%	
Six months ending September 30, 2008	132,600	—	14,600	—	14,600	—	8,800	—	¥22.14
Year ending March 31, 2009	266,000	0.8	30,500	(23.4)	30,500	(19.0)	18,500	(27.7)	¥46.55

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

4. Basis of Preparing the Consolidated Financial Statements

- (1) Shift of significant subsidiaries during the period (shift of specified subsidiaries accompanied by changes in scope of consolidation) : None
- (2) Application of simplified accounting methods and specific accounting methods for preparing quarterly financial statements: Yes
- (3) Changes in accounting principles, procedures, disclosure methods for preparing quarterly financial statements
 - ① Changes due to adoption of new accounting standards: Yes
 - ② Other changes: Yes
- (4) Number of shares outstanding (Common stock) at end of period
 - ① Number of shares outstanding (Including treasury stock)
 - Three months ended June 30, 2008 : 397,900,154
 - Year ended March 31, 2008 : 397,900,154
 - ② Number of treasury stock
 - Three months ended June 30, 2008 : 495,609
 - Year ended March 31, 2008 : 472,642
 - ③ Average number of shares during the period
 - Three months ended June 30, 2008 : 397,414,655
 - Three months ended June 30, 2007 : 397,490,826

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

Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of June 30, 2008	As of March 31, 2008
Assets		
Current assets:		
Cash and time deposits	26,244	28,168
Notes and accounts receivable	86,771	86,363
Marketable securities	24,593	30,086
Merchandise	5,545	5,610
Finished goods	12,666	12,721
Semi-finished goods	17,671	18,212
Raw materials	8,754	9,719
Work in process	2,134	2,259
Short-term loans	40,000	40,000
Others	18,800	18,220
Allowance for doubtful receivables	(377)	(301)
Total current assets	242,805	251,063
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	83,632	83,139
Accumulated depreciation	43,880	43,363
Buildings and structures, net	39,751	39,776
Machinery, equipment and carriers	68,278	67,929
Accumulated depreciation	58,338	57,876
Machinery, equipment and carriers, net	9,940	10,052
Land	9,975	9,975
Construction in progress	6,815	6,170
Others	23,394	23,018
Accumulated depreciation	19,038	18,713
Others, net	4,355	4,304
Total property, plant and equipment	70,838	70,279
Intangible assets	6,205	5,849
Investments and other assets:		
Investment securities	46,941	44,340
Others	26,614	28,567
Allowance for doubtful receivables	(232)	(309)
Total investments and other assets	73,323	72,598
Fixed assets	150,368	148,727
Total assets	393,174	399,790

	(Millions of yen)	
	As of June 30, 2008	As of March 31, 2008
Liabilities		
Current liabilities:		
Notes and accounts payable	15,474	16,499
Current portion of long-term debt	4,600	4,600
Income taxes payable	4,448	10,862
Reserve for bonuses	3,665	8,214
Reserve for sales returns	94	120
Reserve for sales rebates	385	458
Reserve for loss on litigation	1,065	1,054
Others	27,822	26,105
Total current liabilities	<u>57,556</u>	<u>67,914</u>
Long-term liabilities:		
Liability for retirement benefits	8,845	8,797
Liability for directors' retirement benefits	36	34
Others	4,151	4,766
Total long-term liabilities	<u>13,033</u>	<u>13,598</u>
Total liabilities	<u>70,590</u>	<u>81,513</u>
Net assets		
Shareholders' equity:		
Common stock	22,400	22,400
Capital surplus	15,860	15,860
Retained earnings	271,669	268,800
Treasury stock	(576)	(557)
Total shareholders' equity	<u>309,353</u>	<u>306,503</u>
Valuation, translation adjustments and others:		
Unrealized gains on available-for-sale securities, net of tax	13,143	11,690
Total valuation, translation adjustments and others	<u>13,143</u>	<u>11,690</u>
Minority interests	86	83
Total net assets	<u>322,583</u>	<u>318,277</u>
Total liabilities and net assets	<u>393,174</u>	<u>399,790</u>

(2) Consolidated Statements of Income

	(Millions of yen)
	Three months ended June 30, 2008
Net sales	70,129
Cost of sales	27,826
Gross profit	42,303
Reversal of reserve for sales returns	25
Gross profit-net	42,329
Selling, general and administrative expenses	
Provision for allowance for doubtful receivables	73
Salaries	4,021
Provision for reserve for bonuses	2,233
Provision for liability for directors' retirement benefits	2
Research and development costs	12,654
Others	13,135
Total selling, general and administrative expenses	32,120
Operating income	10,208
Non-operating income	
Interest income	258
Dividend income	368
Insurance income	234
Others	147
Total non-operating income	1,008
Non-operating expenses	
Interest expense	31
Contribution	299
Others	83
Total non-operating expenses	414
Ordinary income	10,802
Income before income taxes and minority interests	10,802
Income taxes	4,353
Minority interests in net income	3
Net income	6,446

(3) Consolidated Statements of Cash Flows

	(Millions of yen)
	Three months ended June 30, 2008
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Net cash provided by operating activities:	
Income before income taxes and minority interests	10,802
Depreciation and amortization	2,668
Provision for liability for retirement benefits, less payments	15
Interest and dividend income	(626)
Interest expense	31
Decrease (increase) in notes and accounts receivable	(407)
Decrease (increase) in inventories	1,750
Increase (decrease) in notes and accounts payable	(1,024)
Other—net	1,070
Subtotal	<hr/> 14,281
Interest and dividend received	689
Interest paid	(4)
Income taxes paid	(10,032)
Net cash provided by operating activities	<hr/> 4,933
Net cash used in investing activities:	
Purchases of property, plant and equipment	(7,735)
Purchases of intangible assets	(1,152)
Purchases of investment securities	(1,171)
Other—net	140
Net cash used in investing activities	<hr/> (9,918)
Net cash used in financing activities:	
Decrease (increase) in treasury stock	(19)
Dividends paid	(3,439)
Dividends paid to minority shareholders	(0)
Net cash used in financing activities	<hr/> (3,459)
Effect of exchange rate changes on cash and cash equivalents	26
Net increase (decrease) in cash and cash equivalents	<hr/> (8,417)
Cash and cash equivalents at beginning of period	56,259
Cash and cash equivalents at end of period	<hr/> 47,841

(4) Notes on premise of going concern

Not applicable.

(5) Segment Information

Business segment information

Three months ended June 30, 2008

(Millions of yen)

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

(Notes)

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

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

Geographical segment information

Three months ended June 30, 2008

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

Overseas sales

Three months ended June 30, 2008

(Millions of yen)

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

(6) Notes on significant changes in shareholders' equity

Not applicable.

[Reference]**Consolidated Financial Statements for the First Quarter Ended June 30, 2007****(1) Consolidated Statements of Income (Summary)**

	(Millions of yen)
	Three months ended June 30, 2007
Net sales	65,313
Cost of sales	25,382
Gross profit	39,930
Reversal of reserve for sales returns	15
Gross profit-net	39,915
Selling, general and administrative expenses	27,800
Operating income	12,114
Non-operating income	1,127
Non-operating expenses	420
Ordinary income	12,822
Income before income taxes and minority interests	12,822
Income taxes	4,973
Minority interests in net income	30
Net income	7,818

(2) Consolidated Statements of Cash Flows (Summary)

(Millions of yen)

	Three months ended June 30, 2007
Net cash provided by operating activities:	
Income before income taxes and minority interests	12,822
Depreciation and amortization	2,807
Provision for liability for retirement benefits, less payments	(336)
Interest and dividend income	(583)
Interest expense	30
Decrease (increase) in notes and accounts receivable	4,310
Decrease (increase) in inventories	601
Increase (decrease) in notes and accounts payable	(1,048)
Other—net	129
Subtotal	18,732
Interest and dividend received	549
Interest paid	(4)
Income taxes paid	(8,112)
Net cash provided by operating activities	11,166
Net cash used in investing activities:	
Increase in time deposits	(3,000)
Purchases of property, plant and equipment	(506)
Purchases of intangible assets	(1,330)
Purchases of investment securities	(1,822)
Net decrease (increase) in short-term loans	(40,200)
Other—net	650
Net cash used in investing activities	(46,209)
Net cash used in financing activities:	
Net increase (decrease) in short-term bank loans	(300)
Decrease (increase) in treasury stock	(19)
Dividends paid	(2,678)
Dividends paid to minority shareholders	(7)
Net cash used in financing activities	(3,005)
Net increase (decrease) in cash and cash equivalents	(38,048)
Cash and cash equivalents at beginning of period	81,722
Cash and cash equivalents at end of period	43,674

(3) Segment Information

Business segment information

Three months ended June 30, 2007

(Millions of yen)

	Pharmaceuticals	Other products	Total	Eliminations / Corporate	Consolidated
Sales and operating income					
Sales to customers	51,334	13,978	65,313	—	65,313
Intersegment sales and transfers	—	—	—	—	—
Total	51,334	13,978	65,313	—	65,313
Operating expenses	39,631	13,567	53,198	—	53,198
Operating income	11,702	411	12,114	—	12,114

Geographical segment information

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

Overseas sales

Three months ended June 30, 2007

(Millions of yen)

Overseas sales	6,714
Consolidated net sales	65,313
Overseas sales as a percentage of consolidated net sales	10.3%

Reference Data

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

I. Consolidated Financial Highlights

1. Highlights of the Statements of Income

(Billions of Yen)

	Three months ended 6/30/07	Three months ended 6/30/08		Six months ending 9/30/08 (Forecast)		Year ending 3/31/09 (Forecast)	
			Change (%)		Change (%)		Change (%)
Net sales	65.3	70.1	7.4	132.6	3.0	266.0	0.8
Cost of sales	25.4	27.8	9.5	51.2	6.3	102.5	3.1
SG&A expenses	27.8	32.1	15.5	66.8	14.7	133.0	6.6
SG&A expenses less R&D costs	18.5	19.5	5.2	38.7	0.3	76.5	(1.3)
R&D costs	9.3	12.7	36.1	28.1	42.9	56.5	19.5
Operating income	12.1	10.2	(15.7)	14.6	(34.6)	30.5	(23.4)
Ordinary income	12.8	10.8	(15.8)	14.6	(34.2)	30.5	(19.0)
Net income	7.8	6.4	(17.6)	8.8	(36.2)	18.5	(27.7)

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

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

Forecasts are unchanged from those announced in May 2008.

Earnings per share (yen)	19.67	16.22	22.14	46.55
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2. Highlights of the Balance Sheets

(Billions of Yen)

	As of 3/31/08 (A)	As of 6/30/08 (B)	(B) - (A)
Total assets	399.8	393.2	(6.6)
Net assets	318.3	322.6	4.3
Shareholders' equity	318.2	322.5	4.3

Shareholders' equity ratio	79.6%	82.0%
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3. Capital Expenditures and Depreciation

(Billions of Yen)

	Three months ended 6/30/07	Three months ended 6/30/08	Change	Year ending 3/31/09 (Forecast)	
					Change
Capital expenditures (including intangible assets)	1.5	3.4	1.9	12.0	(3.5)
Depreciation and amortization	2.6	2.5	(0.1)	11.5	0.4

Notes: "Change" represent changes from the corresponding period of the previous year.

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

	Three months ended 6/30/07 (A)	Three months ended 6/30/08 (B)	(B)-(A)
Net cash provided by operating activities	11.2	4.9	(6.2)
Net cash used in investing activities	(46.2)	(9.9)	36.3
Net cash used in financing activities	(3.0)	(3.5)	(0.5)
Cash and cash equivalents at end of period	43.7	47.8	4.2

•(A): Short-term loan to the parent company (40.0billion yen)
 •(B): Purchase of property, plant and equipment (the Suzuka Plant, etc.) (7.7billion yen)

II. Consolidated Statements of Income

1. Statements of Income

(Billions of Yen)

	Three months ended 6/30/07 (A)	Three months ended 6/30/08 (B)		
			(B)-(A)	Change (%)
Net sales	65.3	70.1	4.8	7.4
Overseas sales	6.7	6.9	0.2	2.8
Cost of Sales	25.4	27.8	2.4	9.5
Gross profit	39.9	42.3	2.4	6.0
SG&A expenses	27.8	32.1	4.3	15.5
Labor costs	8.1	8.2	0.0	0.6
Advertising and promotion costs	1.1	1.3	0.2	19.5
Sales promotion costs	2.1	2.7	0.6	26.0
Other costs	7.2	7.3	0.1	2.0
SG&A expenses less R&D costs	18.5	19.5	1.0	5.2
R&D costs	9.3	12.7	3.4	36.1
Operating income	12.1	10.2	(1.9)	(15.7)
Non-operating income	1.1	1.0	(0.1)	
Non-operating expenses	0.4	0.4	(0.0)	
Ordinary income	12.8	10.8	(2.0)	(15.8)
Income before income taxes and minority interests	12.8	10.8	(2.0)	(15.8)
Income taxes	5.0	4.4	(0.6)	
Minority interests in net income	0.0	0.0	(0.0)	
Net income	7.8	6.4	(1.4)	(17.6)

(Positives)
 • Increased sales of strategic products
 • Sales of new products (LONASEN®/AVAPRO®)
 • Start of new contract manufacturing
 (Negatives)
 • NHI price revision

• Rise in cost of sales ratio due to NHI price revision and the application of "Accounting Standard for Measurement of Inventories" (38.9%→39.6%)

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

• Overseas clinical trials of lurasidone in progress

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

2. Segment Information

(Billions of Yen)

	Three months ended 6/30/07			Three months ended 6/30/08			Six months ending 9/30/08 (Forecast)			Year ending 3/31/09 (Forecast)		
	Pharma ceuticals	Other Products	Total	Pharma ceuticals	Other Products	Total	Pharma ceuticals	Other Products	Total	Pharma ceuticals	Other Products	Total
Net sales	51.3	14.0	65.3	55.6	14.5	70.1	104.6	28.0	132.6	209.0	57.0	266.0
Operating income	11.7	0.4	12.1	9.8	0.4	10.2						

4. Sales of Major Products

Domestic Sales

(Billions of Yen)

Brand name (Generic name) Therapeutic indication	Three months ended 6/30/07	Three months ended 6/30/08	Year ended 3/31/08	Year ending 3/31/09 (Forecast)
AMLODIN [®] (amlodipine) Therapeutic agent for hypertension and angina pectoris	15.2	16.4	63.6	57.0
GASMOTIN [®] (mosapride citrate) Gastroprokinetic	4.7	5.0	19.5	20.0
PRORENAL [®] (limaprost alfadex) Vasodilator	3.5	3.7	14.5	15.0
MEROPEN [®] (meropenem) Carbapenem antibiotic	3.5	3.6	14.8	14.5
EBASTEL [®] (ebastine) Antiallergic	2.1	2.2	11.1	10.5
SUMIFERON [®] (interferon- α NAMALWA)) Natural alpha interferon	1.5	1.6	6.0	6.5
GROWJECT [®] (somatropin) Growth hormone	1.1	1.1	4.3	4.5
QVAR [™] (beclomethasone dipropionate) Bronchial asthma	1.0	1.0	4.3	4.3
DOPS [®] (droxidopa) Norepinephrine-activating neural function ameliorant	1.0	1.0	4.1	3.6
GLIMICRON [®] (gliclazide) Oral hypoglycemic	1.0	1.0	3.9	3.5
EXCEGRAN [®] (zonisamide) Antiepileptic	0.9	0.9	3.5	3.5
ALMARL [®] (arotinolol) Therapeutic agent for hypertension, angina pectoris and arrhythmia	0.8	0.8	3.2	3.0
LULLAN [®] (perospirone) Antipsychotic	0.7	0.8	3.0	2.9
TAGAMET [®] (cimetidine) H ₂ -receptor antagonist	0.9	0.7	3.3	2.8
SEDIEL [®] (tandospirone) Serotonin-agonist antianxiety drug	0.8	0.7	3.0	2.9
AmBisome [®] (amphotericin B) Therapeutic agent for systemic fungal infection	0.5	0.6	2.5	4.0

New Products

AVAPRO [®] (irbesartan) Therapeutic agent for hypertension	—	1.1	—	3.0
LONASEN [®] (blonanserin) Antipsychotic	—	0.5	—	1.0

Exports

(Billions of Yen)

Generic name Therapeutic indication	Three months ended 6/30/07	Three months ended 6/30/08	Year ended 3/31/08	Year ending 3/31/09 (Forecast)
meropenem trihydrate Carbapenem antibiotic	6.0	6.1	18.1	14.0
zonisamide Antiepileptic	0.0	0.4	0.3	0.8
mosapride citrate Gastroprokinetic	0.4	0.2	1.7	1.8

Industrial Property Revenues

(Billions of Yen)

	Three months ended 6/30/07	Three months ended 6/30/08	Year ended 3/31/08	Year ending 3/31/09 (Forecast)
Industrial property revenues	0.0	0.0	3.5	3.4

Overseas Sales

(Billions of Yen)

	Three months ended 6/30/07	Three months ended 6/30/08	Year ended 3/31/08	Year ending 3/31/09 (Forecast)
Exports	6.7	6.9	21.1	17.3
Industrial property revenues	0.0	0.0	3.5	3.4
Overseas Sales Total (% of net sales)	6.7 (10.3)	6.9 (9.8)	24.5 (9.3)	20.7 (7.8)

III. Consolidated Balance Sheets

ASSETS

(Billions of Yen)

	As of 3/31/08 (A)	As of 6/30/08 (B)	(B) - (A)
[Assets]	399.8	393.2	(6.6)
Current assets:	251.1	242.8	(8.3)
Cash and time deposits	28.2	26.2	(1.9)
Notes and accounts receivable	86.4	86.8	0.4
Marketable securities	30.1	24.6	(5.5)
Inventories	48.5	46.8	(1.8)
Short-term loans	40.0	40.0	—
Others	18.2	18.8	0.6
Allowance for doubtful receivables	(0.3)	(0.4)	(0.1)
Fixed assets:	148.7	150.4	1.6
Property, plant and equipment:	70.3	70.8	0.6
Buildings and structures	39.8	39.8	(0.0)
Machinery, equipment and carriers	10.1	9.9	(0.1)
Land	10.0	10.0	—
Construction in progress	6.2	6.8	0.6
Others	4.3	4.4	0.1
Intangible assets	5.8	6.2	0.4
Investments and other assets:	72.6	73.3	0.7
Investment securities	44.3	46.9	2.6
Others	28.6	26.6	(2.0)
Allowance for doubtful receivables	(0.3)	(0.2)	0.1
Total assets	399.8	393.2	(6.6)

• Payments for construction of new solid dosage form building at the Suzuka Plant, income taxes and dividends

• Increase by valuation of marketable securities

LIABILITIES AND NET ASSETS

(Billions of Yen)

	As of 3/31/08 (A)	As of 6/30/08 (B)	(B) - (A)
[Liabilities]	81.5	70.6	(10.9)
Current liabilities:	67.9	57.6	(10.4)
Notes and accounts payable	16.5	15.5	(1.0)
Current portion of long-term debt	4.6	4.6	—
Income taxes payable	10.9	4.4	(6.4)
Reserve for bonuses	8.2	3.7	(4.5)
Reserve for sales returns	0.1	0.1	(0.0)
Reserve for sales rebates	0.5	0.4	(0.1)
Reserve for loss on litigation	1.1	1.1	0.0
Others	26.1	27.8	1.7
Long-term liabilities:	13.6	13.0	(0.6)
Liability for retirement benefits	8.8	8.8	0.0
Liability for directors' retirement benefits	0.0	0.0	0.0
Others	4.8	4.2	(0.6)
[Net assets]	318.3	322.6	4.3
Shareholders' equity:	306.5	309.4	2.9
Common stock	22.4	22.4	—
Capital surplus	15.9	15.9	—
Retained earnings	268.8	271.7	2.9
Treasury stock	(0.6)	(0.6)	(0.0)
Valuation, translation adjustments and others	11.7	13.1	1.5
Unrealized gains on available-for-sale securities, net of tax	11.7	13.1	1.5
Minority interests	0.1	0.1	0.0
Total liabilities and net assets	399.8	393.2	(6.6)

• Payment of income taxes

• Transfer from reserve to others (accrued expenses) due to settlement of bonus amounts paid in July

• Others (other accounts payable) decreased by payments for construction of new solid dosage form building at the Suzuka Plant

• Increase by net income
Decrease by dividends payment

IV. Quarterly Business Result

(Billions of Yen)

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

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

V. Development Pipeline

Major Products under Development in Japan by DSP

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

Stage in JPN	Brand name/ Product code Formulation	Generic name	Therapeutic indications	Origin	Remarks
Phase III	SMP-508 Oral	repaglinide	Diabetes	Novo Nordisk	Rapid insulin secretagogue
	SM-13496 Oral	lurasidone	Schizophrenia	In-house	Pan-asia study (Japan, Korea and Taiwan)
Phase III New Indication	MEROPEN Injection	meropenem hydrate	Febrile neutropenia	In-house	Approved indications: moderate to severe bacterial infections

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

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

[Main revisions since the announcement of May 2008]

AVAPRO (irbesartan)	Deleted because launched
SMP-862 (metformine hydrochloride)	Changed from “Phase II” to “NDA filed”
AmBisome (amphotericin B)	Newly added in “NDA filed for new indication”

Major Products under Development in Foreign Markets by DSP

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

Stage	Brand name/ Product code Formulation	Generic name	Therapeutic indications	Origin	Country/Area	Remarks
Phase II	SMP-114 Oral	rimacalib	Rheumatoid arthritis	In-house	Europe	
	AD-5423 Oral	blonanserin	Schizophrenia	In-house	U.S. and Europe	
	AC-3933 Oral	radequinil	Dementia	In-house	U.S. and Europe	
	SMP-986 Oral	TBD	Overactive bladder	In-house	U.S. and Europe	

Stage	Brand name/ Product code Formulation	Generic name	Therapeutic indications	Origin	Country/Area	Remarks
Phase I	SMP-028 Oral	TBD	Bronchial asthma	In-house	U.S.	
	DSP-7238 Oral	TBD	Diabetes	In-house	Europe	DPPIV inhibitor
	DSP-8658 Oral	TBD	Diabetes	In-house	U.S.: Preparing for Phase I	PPAR α/γ modulator

[Main revisions since the announcement of May 2008]

None

Major Products under Development in Foreign Markets by Licensees

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

[Main revisions since the announcement of May 2008]

None

VI. Profile of Major Products under Development

SM-11355 (miriplatin hydrate) Hepatocellular carcinoma

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

SMP-862 (metformin hydrochloride) Diabetes

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

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

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

SMP-508 (repaglinide) Diabetes

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

SM-13496 (lurasidone) Schizophrenia

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

AS-3201 (ranirestat) Diabetic neuropathy

- Developed in-house
- AS-3201 alleviates diabetic neuropathy, a complication of diabetes, by inhibiting aldose reductase and thereby inhibiting the accumulation of intracellular sorbitol that causes diabetic neuropathy. This drug

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

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

SMP-114 (rimacalib) Rheumatoid arthritis

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

AC-3933 (radequinil) Dementia

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

SMP-986 Overactive bladder

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

SMP-028 Bronchial asthma

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

DSP-7238 Diabetes

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

DSP-3235 Diabetes

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

DSP-8658 Diabetes

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

DSP-3025 Bronchial asthma, allergic rhinitis

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