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

February 3, 2009

Company Name: *DAINIPPON SUMITOMO PHARMA CO., LTD.*
Head Office: *6-8, Doshomachi, 2-chome, Chuo-ku, Osaka, 541-0045*
Stock Exchange Listings: *Tokyo, Osaka*
Security Code number: *4506 (URL:http://www.ds-pharma.co.jp)*
Filing date of Quarterly Financial Report: *February 9, 2009*

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 Third Quarter of the Year Ending March 31, 2009 (April 1, 2008 to December 31, 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	%
Nine months ended December 31, 2008	201,908	—	27,545	—	28,447	—	17,088	—
Nine months ended December 31, 2007	199,205	1.7	33,204	(2.8)	33,259	(0.1)	20,665	15.6

	Earnings per share	Earnings per share (diluted)
Nine months ended December 31, 2008	¥43.00	—
Nine months ended December 31, 2007	¥51.99	—

(2) Financial Position

(millions of yen)

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share (yen)
As of December 31, 2008	385,934	324,132	84.0%	¥815.56
As of March 31, 2008	399,790	318,277	79.6%	¥800.63

Reference: Shareholders' Equity (millions of yen)
As of December 31, 2008 : *324,046*
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	—	¥9.00	—		
Year ending March 31, 2009 (Forecast)				¥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 previous year.)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Yen million	%	Yen million	%	Yen million	%	Yen million	%	
Year ending March 31, 2009	266,000	0.8	30,500	(23.4)	30,500	(19.0)	18,500	(27.7)	¥46.56

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)

Nine months ended December 31, 2008 : 397,900,154

Year ended March 31, 2008 : 397,900,154

② Number of treasury stock

Nine months ended December 31, 2008 : 569,732

Year ended March 31, 2008 : 472,642

③ Average number of shares during the period

Nine months ended December 31, 2008 : 397,375,816

Nine months ended December 31, 2007 : 397,460,524

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 December 31, 2008	As of March 31, 2008
Assets		
Current assets:		
Cash and time deposits	17,258	28,168
Notes and accounts receivable	87,789	86,363
Marketable securities	20,899	30,086
Merchandise and finished goods	36,202	36,544
Work-in-process	3,963	2,259
Raw materials and supplies	11,129	9,719
Short-term loans	47,000	40,000
Others	18,972	18,220
Allowance for doubtful receivables	(405)	(301)
Total current assets	242,810	251,063
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	83,826	83,139
Accumulated depreciation	(44,254)	(43,363)
Buildings and structures, net	39,571	39,776
Machinery, equipment and carriers	71,700	67,929
Accumulated depreciation	(59,782)	(57,876)
Machinery, equipment and carriers, net	11,917	10,052
Land	9,975	9,975
Construction in progress	4,142	6,170
Others	24,266	23,018
Accumulated depreciation	(19,687)	(18,713)
Others, net	4,579	4,304
Total property, plant and equipment	70,186	70,279
Intangible assets	6,340	5,849
Investments and other assets:		
Investment securities	40,851	44,340
Others	25,854	28,567
Allowance for doubtful receivables	(109)	(309)
Total investments and other assets	66,596	72,598
Fixed assets	143,123	148,727
Total assets	385,934	399,790

(Millions of yen)

	As of December 31, 2008	As of March 31, 2008
Liabilities		
Current liabilities:		
Notes and accounts payable	19,343	16,499
Current portion of long-term debt	—	4,600
Income taxes payable	2,897	10,862
Reserve for bonuses	4,137	8,214
Reserve for sales returns	93	120
Reserve for sales rebates	462	458
Reserve for loss on litigation	1,087	1,054
Others	20,383	26,105
Total current liabilities	48,406	67,914
Long-term liabilities:		
Liability for retirement benefits	9,209	8,797
Liability for directors' retirement benefits	39	34
Others	4,146	4,766
Total long-term liabilities	13,395	13,598
Total liabilities	61,801	81,513
Net assets		
Shareholders' equity:		
Common stock	22,400	22,400
Capital surplus	15,860	15,860
Retained earnings	278,729	268,800
Treasury stock	(634)	(557)
Total shareholders' equity	316,355	306,503
Valuation, translation adjustments and others:		
Unrealized gains on available-for-sale securities, net of tax	7,691	11,690
Total valuation, translation adjustments and others	7,691	11,690
Minority interests	85	83
Total net assets	324,132	318,277
Total liabilities and net assets	385,934	399,790

(2) Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2008
Net sales	201,908
Cost of sales	78,893
Gross profit	123,015
Reversal of reserve for sales returns	26
Gross profit-net	123,041
Selling, general and administrative expenses	
Provision for allowance for doubtful receivables	99
Salaries	12,432
Provision for reserve for bonuses	2,602
Provision for liability for directors' retirement benefits	7
Research and development costs	38,311
Others	42,042
Total selling, general and administrative expenses	95,496
Operating income	27,545
Non-operating income	
Interest income	750
Dividend income	734
Insurance income	249
Others	881
Total non-operating income	2,616
Non-operating expenses	
Interest expense	76
Contribution	1,074
Others	563
Total non-operating expenses	1,714
Ordinary income	28,447
Income before income taxes and minority interests	28,447
Income taxes	11,349
Minority interests in net income	8
Net income	17,088

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2008
Net cash provided by operating activities:	
Income before income taxes and minority interests	28,447
Depreciation and amortization	8,436
Provision for liability for retirement benefits, less payments	309
Provision for other liabilities	(4,156)
Interest and dividend income	(1,485)
Interest expense	76
Decrease (increase) in notes and accounts receivable	(1,425)
Decrease (increase) in inventories	(2,771)
Increase (decrease) in notes and accounts payable	2,843
Other－net	(431)
Subtotal	29,842
Interest and dividend received	1,378
Interest paid	(36)
Income taxes paid	(18,575)
Net cash provided by operating activities	12,607
Net cash used in investing activities:	
Increase in time deposits	(1,000)
Decrease in time deposits	3,000
Purchases of marketable securities	(1,001)
Proceeds from sales of marketable securities	1,000
Purchases of property, plant and equipment	(12,201)
Purchases of intangible assets	(2,761)
Purchases of investment securities	(3,919)
Decrease (increase) in short-term loans	(7,000)
Other－net	(47)
Net cash used in investing activities	(23,930)
Net cash used in financing activities:	
Repayment of long-term debt	(4,600)
Decrease (increase) in treasury stock	(83)
Dividends paid	(7,140)
Dividends paid to minority shareholders	(0)
Net cash used in financing activities	(11,824)
Effect of exchange rate changes on cash and cash equivalents	45
Net increase (decrease) in cash and cash equivalents	(23,101)
Cash and cash equivalents at beginning of period	56,259
Cash and cash equivalents at end of period	33,157

(4) Notes on premise of going concern

Not applicable.

(5) Segment Information

Business segment information

Nine months ended December 31, 2008 (Millions of yen)

	Pharmaceuticals	Other products	Total	Eliminations / Corporate	Consolidated
Sales to customers	158,184	43,724	201,908	—	201,908
Intersegment sales and transfers	—	—	—	—	—
Total	158,184	43,724	201,908	—	201,908
Operating income	26,373	1,172	27,545	—	27,545

(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

Nine months ended December 31, 2008

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

Overseas sales

Nine months ended December 31, 2008 (Millions of yen)

Overseas sales	14,743
Consolidated net sales	201,908
Overseas sales as a percentage of consolidated net sales	7.3%

(6) Notes on significant changes in shareholders' equity

Not applicable.

［Reference］

Consolidated Financial Statements for the Third Quarter Ended December 31, 2007

(1) Consolidated Statements of Income (Summary)

(Millions of yen)

	Nine months ended December 31, 2007
Net sales	199,205
Cost of sales	74,030
Gross profit	125,174
Provision for reserve for sales returns	7
Gross profit-net	125,166
Selling, general and administrative expenses	91,961
Operating income	33,204
Non-operating income	2,539
Non-operating expenses	2,484
Ordinary income	33,259
Income before income taxes and minority interests	33,259
Income taxes	12,520
Minority interests in net income	73
Net income	20,665

(2) Consolidated Statements of Cash Flows (Summary)

(Millions of yen)

	Nine months ended December 31, 2007
Net cash provided by operating activities:	
Income before income taxes and minority interests	33,259
Depreciation and amortization	8,773
Provision for liability for retirement benefits, less payments	(814)
Interest and dividend income	(1,281)
Interest expense	95
Decrease (increase) in notes and accounts receivable	(256)
Decrease (increase) in inventories	(2,201)
Increase (decrease) in notes and accounts payable	719
Other－net	(3,312)
Subtotal	34,981
Interest and dividend received	1,130
Interest paid	(34)
Income taxes paid	(15,609)
Net cash provided by operating activities	20,467
Net cash used in investing activities:	
Increase in time deposits	(3,000)
Decrease in time deposits	4,000
Proceeds from sales of marketable securities	1,000
Purchases of property, plant and equipment	(5,022)
Purchases of intangible assets	(2,208)
Purchases of investment securities	(4,471)
Net decrease (increase) in short-term loans	(40,000)
Other－net	(366)
Net cash used in investing activities	(50,070)
Net cash used in financing activities:	
Net increase (decrease) in short-term bank loans	(300)
Decrease (increase) in treasury stock	(77)
Dividends paid	(6,341)
Dividends paid to minority shareholders	(7)
Net cash used in financing activities	(6,725)
Net increase (decrease) in cash and cash equivalents	(36,328)
Cash and cash equivalents at beginning of period	81,722
Increase in cash and cash equivalents due to changes in scope of consolidation	70
Cash and cash equivalents at end of period	45,464

(3) Segment Information

Business segment information

Nine months ended December 31, 2007 (Millions of yen)

	Pharmaceuticals	Other products	Total	Eliminations / Corporate	Consolidated
Sales and operating income					
Sales to customers	157,632	41,572	199,205	—	199,205
Intersegment sales and transfers	—	—	—	—	—
Total	157,632	41,572	199,205	—	199,205
Operating expenses	125,363	40,637	166,000	—	166,000
Operating income	32,269	935	33,204	—	33,204

Geographical segment information

Nine months ended December 31, 2007

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

Overseas sales

Nine months ended December 31, 2007 (Millions of yen)

Overseas sales	15,281
Consolidated net sales	199,205
Overseas sales as a percentage of consolidated net sales	7.7%

Supplementary Financial Data
for the Third Quarter of the Year Ending March 31, 2009

February 3, 2009

Dainippon Sumitomo Pharma Co., Ltd.

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

I. Consolidated Financial Highlights

1. Highlights of the Statements of Income (Billions of Yen)

	Nine months ended 12/31/07	Nine months ended 12/31/08		Year ended 3/31/08	Year ending 3/31/09 (Forecast)	
			Change (%)			Change (%)
Net sales	199.2	201.9	1.4	264.0	266.0	0.8
Cost of sales	74.0	78.9	6.5	99.4	103.5	4.1
SG&A expenses	92.0	95.5	3.8	124.8	132.0	5.8
[R&D costs]	[33.8]	[38.3]	[13.5]	[47.3]	[55.0]	[16.4]
Operating income	33.2	27.5	(17.0)	39.8	30.5	(23.4)
Ordinary income	33.3	28.4	(14.5)	37.7	30.5	(19.0)
Net income	20.7	17.1	(17.3)	25.6	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.

Earnings per share (yen)	51.99	43.00	64.39	46.56
Return on equity (ROE)	6.7%	5.3%	8.2%	5.7%

2. Highlights of the Balance Sheets (Billions of Yen)

	As of 3/31/08 (A)	As of 12/31/08 (B)	(B) - (A)
Total assets	399.8	385.9	(13.9)
Net assets	318.3	324.1	5.9
Shareholders' equity	318.2	324.0	5.9
Shareholders' equity ratio	79.6%	84.0%	

3. Capital Expenditures and Depreciation (Billions of Yen)

	Nine months ended 12/31/07	Nine months ended 12/31/08	Change	Year ended 3/31/08	Year ending 3/31/09 (Forecast)	Change
Capital expenditures (including intangible assets)	7.7	8.7	0.9	15.5	13.0	(2.5)
Depreciation and amortization	8.2	7.9	(0.3)	11.1	11.5	0.4

- Major capital expenditure projects for the year ending March 31, 2009

Renovation of Experimental animal facility in Central Research Laboratories:

¥0.5 billion (total budget: ¥0.55 billion, completed in December 2008)

Renewal of PTP packaging machine in Ibaraki Plant:

¥0.57 billion (total budget: ¥0.57 billion, expected to start operation in April 2009)

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

	Nine months ended 12/31/07 (A)	Nine months ended 12/31/08 (B)	(B)-(A)
Net cash provided by operating activities	20.5	12.6	(7.9)
Net cash used in investing activities	(50.1)	(23.9)	26.1
Net cash used in financing activities	(6.7)	(11.8)	(5.1)
Cash and cash equivalents at end of period	45.5	33.2	(12.3)

・(A): Short-term loans to the parent company (40 billion yen)
・(B): Purchase of property, plant and equipment (12.2 billion yen)
(new solid dosage form building at Suzuka Plant,etc.)
Short-term loans to the parent company (7 billion yen)

・(B):Repayment of long-term debt (4.6 billion yen)

II. Consolidated Statements of Income

1. Statements of Income (Billions of Yen)

	Nine months ended 12/31/07 (A)	Nine months ended 12/31/08 (B)	(B)-(A)	Change (%)
Net sales	199.2	201.9	2.7	1.4
Overseas sales	15.3	14.7	(0.5)	(3.5)
Cost of Sales	74.0	78.9	4.8	6.5
Gross profit	125.2	123.0	(2.1)	(1.7)
SG&A expenses	92.0	95.5	3.5	3.8
Labor costs	24.2	24.5	0.2	1.0
Advertising and promotion costs	4.1	3.8	(0.4)	(9.2)
Sales promotion costs	7.0	8.0	1.0	14.4
Other costs	22.8	21.0	(1.9)	(8.3)
SG&A expenses less R&D costs	58.2	57.2	(1.0)	(1.7)
R&D costs	33.8	38.3	4.6	13.5
Operating income	33.2	27.5	(5.7)	(17.0)
Non-operating income	2.5	2.6	0.1	
Non-operating expenses	2.5	1.7	(0.8)	
Ordinary income	33.3	28.4	(4.8)	(14.5)
Income before income taxes and minority interests	33.3	28.4	(4.8)	(14.5)
Income taxes	12.5	11.3	(1.2)	
Minority interests in net income	0.1	0.0	(0.1)	
Net income	20.7	17.1	(3.6)	(17.3)

(Positives)
・Sales of new products (LONASEN®／AVAPRO®)
・Start of new contract manufacturing
(Negatives)
・NHI price revision

・Rise in cost of sales ratio (37.2%→39.1%) due to NHI price revision and the application of "Accounting Standard for Measurement of Inventories"

・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)

	Nine months ended 12/31/07			Nine months ended 12/31/08			Year ended 3/31/08			Year ending 3/31/09 (Forecast)		
	Pharmaceuticals	Other Products	Total	Pharmaceuticals	Other Products	Total	Pharmaceuticals	Other Products	Total	Pharmaceuticals	Other Products	Total
Net sales	157.6	41.6	199.2	158.2	43.7	201.9	208.7	55.3	264.0	209.0	57.0	266.0
Operating income	32.3	0.9	33.2	26.4	1.2	27.5	38.7	1.1	39.8			

4. Sales of Major Products

Domestic Sales (Billions of Yen)

Brand name (Generic name) Therapeutic indication	Nine months ended 12/31/07 (A)	**Nine months ended 12/31/08 (B)**	(B)-(A) Change (%)	(B)/(C)	Year ended 3/31/08	Year ending 3/31/09 (Forecast) (C)
AMLODIN® (amlodipine) Therapeutic agent for hypertension and angina pectoris	50.1	**46.1**	(8.0%)	80.8%	63.6	57.0
GASMOTIN® (mosapride citrate) Gastroprokinetic	15.3	**15.5**	1.7%	77.6%	19.5	20.0
MEROPEN® (meropenem) Carbapenem antibiotic	11.5	**11.5**	0.1%	79.5%	14.8	14.5
PRORENAL® (limaprost alfadex) Vasodilator	11.3	**11.4**	1.1%	76.2%	14.5	15.0
EBASTEL® (ebastine) Antiallergic	6.6	**6.5**	(2.0%)	61.9%	11.1	10.5
SUMIFERON® (interferon-α NAMALWA)) Natural alpha interferon	4.8	**4.7**	(1.6%)	72.1%	6.0	6.5
GROWJECT® (somatropin) Growth hormone	3.3	**3.3**	0.4%	74.4%	4.3	4.5
DOPS® (droxidopa) Norepinephrine-activating neural function ameliorant	3.3	**3.0**	(9.0%)	82.4%	4.1	3.6
GLIMICRON® (gliclazide) Oral hypoglycemic	3.1	**2.8**	(8.8%)	80.2%	3.9	3.5
EXCEGRAN® (zonisamide) Antiepileptic	2.8	**2.8**	(0.0%)	79.9%	3.5	3.5
QVAR™ (beclomethasone dipropionate) Bronchial asthma	3.4	**2.8**	(17.8%)	73.0%	4.3	3.8
ALMARL® (arotinolol) Therapeutic agent for hypertension, angina pectoris and arrhythmia	2.5	**2.4**	(5.8%)	79.0%	3.2	3.0
AmBisome® (amphotericin B) Therapeutic agent for systemic fungal infection	2.0	**2.3**	14.2%	66.6%	2.5	3.5
LULLAN® (perospirone) Antipsychotic	2.4	**2.2**	(4.9%)	77.1%	3.0	2.9
TAGAMET® (cimetidine) H_2-receptor antagonist	2.6	**2.2**	(16.9%)	77.1%	3.3	2.8
SEDIEL® (tandospirone) Serotonin-agonist antianxiety drug	2.4	**2.2**	(8.9%)	74.3%	3.0	2.9
New Products						
LONASEN® (blonanserin) Antipsychotic	—	**2.4**	—	69.7%	—	[2.0]3.5
AVAPRO® (irbesartan) Therapeutic agent for hypertension	—	**1.4**	—	92.0%	—	[3.0]1.5

(C): Figures in parentheses are forecasts released on October 31, 2008.

Exports

(Billions of Yen)

Generic name Therapeutic indication	Nine months ended 12/31/07 (A)	**Nine months ended 12/31/08 (B)**	(B)-(A) Change (%)	(B)/(C)	Year ended 3/31/08	Year ending 3/31/09 (Forecast) (C)
meropenem trihydrate Carbapenem antibiotic	11.4	**10.7**	(5.9%)	74.1%	18.1	14.5
zonisamide Antiepileptic	0.1	**1.0**	695.9%	93.8%	0.3	1.1
mosapride citrate Gastroprokinetic	1.2	**0.8**	(29.5%)	75.5%	1.7	1.1

Industrial Property Revenues

(Billions of Yen)

	Nine months ended 12/31/07 (A)	**Nine months ended 12/31/08 (B)**	(B)-(A) Change (%)	(B)/(C)	Year ended 3/31/08	Year ending 3/31/09 (Forecast) (C)
Industrial property revenues	1.8	**1.6**	(7.8%)	49.8%	3.5	3.3

Overseas Sales

(Billions of Yen)

	Nine months ended 12/31/07 (A)	**Nine months ended 12/31/08 (B)**	(B)-(A) Change (%)	(B)/(C)	Year ended 3/31/08	Year ending 3/31/09 (Forecast) (C)
Exports	13.5	**13.1**	(3.0%)	74.9%	21.1	17.5
Industrial property revenues	1.8	**1.6**	(7.7%)	49.7%	3.5	3.3
Overseas Sales Total [% of net sales]	15.3 [7.7%]	**14.7** **[7.3%]**	(3.5%)	70.9%	24.5 [9.3%]	20.8 [7.8%]

III. Consolidated Balance Sheets

ASSETS

(Billions of Yen)

	As of 3/31/08 (A)	As of 12/31/08 (B)	(B) - (A)
[Assets]	399.8	385.9	(13.9)
Current assets:	251.1	242.8	(8.3)
Cash and time deposits	28.2	17.3	(10.9)
Notes and accounts receivable	86.4	87.8	1.4
Marketable securities	30.1	20.9	(9.2)
Inventories	48.5	51.3	2.8
Short-term loans	40.0	47.0	7.0
Others	18.2	19.0	0.8
Allowance for doubtful receivables	(0.3)	(0.4)	(0.1)
Fixed assets:	148.7	143.1	(5.6)
Property, plant and equipment:	70.3	70.2	(0.1)
Buildings and structures	39.8	39.6	(0.2)
Machinery, equipment and carriers	10.1	11.9	1.9
Land	10.0	10.0	－
Construction in progress	6.2	4.1	(2.0)
Others	4.3	4.6	0.3
Intangible assets	5.8	6.3	0.5
Investments and other assets:	72.6	66.6	(6.0)
Investment securities	44.3	40.9	(3.5)
Others	28.6	25.9	(2.7)
Allowance for doubtful receivables	(0.3)	(0.1)	0.2
Total assets	399.8	385.9	(13.9)

・Payments for construction of new solid dosage form building at Suzuka Plant, income taxes and dividends
・Repayment of long-term debt

・Short-term loans to the parent company

・Decrease by valuation of investment securities
・Increase by purchases of corporate bonds,etc.

・Decrease of long-term time deposits

LIABILITIES AND NET ASSETS

(Billions of Yen)

	As of 3/31/08 (A)	As of 12/31/08 (B)	(B) - (A)
[Liabilities]	81.5	61.8	(19.7)
Current liabilities:	67.9	48.4	(19.5)
Notes and accounts payable	16.5	19.3	2.8
Current portion of long-term debt	4.6	–	(4.6)
Income taxes payable	10.9	2.9	(8.0)
Reserve for bonuses	8.2	4.1	(4.1)
Reserve for sales returns	0.1	0.1	(0.0)
Reserve for sales rebates	0.5	0.5	0.0
Reserve for loss on litigation	1.1	1.1	0.0
Others	26.1	20.4	(5.7)
Long-term liabilities:	13.6	13.4	(0.2)
Liability for retirement benefits	8.8	9.2	0.4
Liability for directors' retirement benefits	0.0	0.0	0.0
Others	4.8	4.1	(0.6)
[Net assets]	318.3	324.1	5.9
Shareholders' equity:	306.5	316.4	9.9
Common stock	22.4	22.4	–
Capital surplus	15.9	15.9	–
Retained earnings	268.8	278.7	9.9
Treasury stock	(0.6)	(0.6)	(0.1)
Valuation, translation adjustments and others	11.7	7.7	(4.0)
Unrealized gains on available-for-sale securities, net of tax	11.7	7.7	(4.0)
Minority interests	0.1	0.1	0.0
Total liabilities and net assets	399.8	385.9	(13.9)

- Decrease by repayment
- Decrease by payment
- Payments for construction of new solid dosage form building at Suzuka Plant
- Increase by net income
- Decrease by dividends payment
- Decrease by valuation of investment securities

IV. Quarterly Business Results

(Billions of Yen)

	Year ended 3/31/08				Year ending 3/31/09		
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
Net sales	65.3	63.4	70.5	64.8	70.1	64.2	67.6
Cost of Sales	25.4	22.8	25.9	25.3	27.8	25.0	26.0
SG&A expenses	27.8	30.5	33.7	32.8	32.1	31.2	32.2
SG&A expenses less R&D costs	18.5	20.1	19.6	19.3	19.5	19.1	18.6
R&D costs	9.3	10.4	14.1	13.5	12.7	12.1	13.5
Operating income	12.1	10.2	10.9	6.6	10.2	8.0	9.4
Non-operating income	1.1	0.4	1.0	0.6	1.0	0.4	1.2
Non-operating expenses	0.4	1.3	0.8	2.8	0.4	1.0	0.3
Ordinary income	12.8	9.4	11.1	4.4	10.8	7.4	10.2
Extraordinary income	–	–	–	3.8	–	–	–
Income before income taxes and minority interests	12.8	9.4	11.1	8.2	10.8	7.4	10.2
Net income	7.8	6.0	6.9	4.9	6.4	4.4	6.2

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

V. Development Pipeline (as of February 3, 2009)

Major Products under Development in Japan by DSP

Stage in JPN	Brand name/ Product code Formulation	Generic name	Therapeutic indications	Origin	Remarks
Approved (awaiting NHI pricing)	TRERIEF Oral	zonisamide	Parkinson's disease	In-house	Approved indication: epilepsy (Brand name: EXCEGRAN®)
NDA filed	SM-11355 Injection	miriplatin hydrate	Hepatocellular carcinoma	In-house	Suspending in vehicle before use
	SMP-862 Oral	metformin hydrochloride	Diabetes	Merck Santé	Improvement of insulin resistance and reduction in hepatic glyconeogenesis
NDA filed New Indication	GASMOTIN Oral	mosapride citrate hydrate	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	Fungal species	Gilead Sciences	Approved indications: deep-seated mycosis, febrile neutropenia with possible mycotic infection
	MEROPEN Injection	meropenem hydrate	Febrile neutropenia	In-house	Approved indications: moderate to severe bacterial infections

Stage in JPN	Brand name/ Product code Formulation	Generic name	Therapeutic indications	Origin	Remarks
Phase III	SMP-508 Oral	repaglinide	Diabetes	Novo Nordisk	Rapid insulin secretagogue
	SM-13496 Oral	lurasidone	Schizophrenia	In-house	Pan-asia study (Japan, Korea and Taiwan)

Stage in JPN	Brand name/ Product code Formulation	Generic name	Therapeutic indications	Origin	Remarks
Phase II	AS-3201 Oral	ranirestat	Diabetic neuropathy	In-house	Co-developed with Kyorin Pharmaceutical
	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 October 2008]

TRERIEF(zonisamide)	Changed from “NDA filed” to “Approved (awaiting NHI pricing)”
SMP-114 (rimacalib)	Deleted because of discontinuation

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 Bipolar disorder	In-house	U.S. and Europe, etc.	
	amrubicin hydrochloride Injection	amrubicin hydrochloride	Small cell cancer	In-house	China	Domestic brand name: Calsed

Stage	Brand name/ Product code Formulation	Generic name	Therapeutic indications	Origin	Country/Area	Remarks
	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.	PPARα/γ modulator

[Main revisions since the announcement of October 2008]

Lurasidone (SM-13496)	Development for bipolar disorder started
SMP-114	Deleted because of discontinuation
amrubicin hydrochloride	Development in China newly added

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 hypotention	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 October 2008]

None

VI. Profile of Major Products under Development (as of February 3, 2009)

TRERIEF (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. This drug has beneficial effects when administered once daily in patients with Parkinson's disease in case sufficient effects are not obtained even though any of other Parkinson's disease drugs is administered besides a levodopa-containing agent.
- Development stage: Approved (awaiting NHI pricing) in Japan

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 and hepatic adverse reactions.
- Development stage: NDA filed in Japan

SMP-862 (metformin hydrochloride)　　Diabetes

- In-licensed from Merck Santé
- SMP-862 (metformin hydrochloride) is an anti-diabetic agent that lowers blood glucose levels by reducing hepatic glyconeogenesis and improving peripheral glucose uptake, without enhancing insulin secretion. An oral formulation of metformin hydrochloride was first developed and launched as Melbin® 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

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 HbAlc 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)

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 IIa 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 PPARα/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 PPARγ agonists, particularly with respect to improvements in lipid metabolism and incidence of fluid retention or body weight gain.
- Development stage: Phase I in the U.S.

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