



**Summary of Consolidated Financial Results for the Second  
Quarter of the Year Ending March 31, 2011 [Japanese GAAP]  
(Unaudited)**

October 29, 2010

**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>)

**Representative:** Masayo Tada, Representative Director, President and Chief Executive Officer

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**Filing Date of Quarterly Financial Report:** November 12, 2010

**Starting Date of Dividend Payments:** December 1, 2010

**Preparation of Supplementary Financial Data for Quarterly Financial Results:** Yes

**Information Meeting for Quarterly Financial Results to be held:** Yes (for institutional investors and analysts)

*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 Second Quarter of the Year Ending  
March 31, 2011 (April 1, 2010 to September 30, 2010)**

**(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	%
Six months ended September 30, 2010	188,574	42.6	14,941	(21.0)	14,381	(24.5)	8,650	(31.6)
Six months ended September 30, 2009	132,210	(1.6)	18,919	4.1	19,053	4.6	12,654	16.4

	Earnings per share	Earnings per share (diluted)
Six months ended September 30, 2010	¥21.77	—
Six months ended September 30, 2009	¥31.85	—

**(2) Financial Position**

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share (yen)
As of September 30, 2010	601,906	337,252	56.0%	¥848.83
As of March 31, 2010	626,743	343,483	54.8%	¥864.51

Reference: Shareholders' Equity (Millions of yen)

As of September 30, 2010: 337,252

As of March 31, 2010: 343,483

## 2. Dividends

	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-End	Annual
Year ended March 31, 2010	—	¥9.00	—	¥9.00	¥18.00
Year ending March 31, 2011	—	¥9.00			
Year ending March 31, 2011 (Forecast)			—	¥9.00	¥18.00

Note: Revision of dividend forecast during this period: None

## 3. Consolidated Financial Forecasts for the Year Ending March 31, 2011 (April 1, 2010 to March 31, 2011)

(% 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	%	
Year ending March 31, 2011	365,000	23.2	18,000	(49.5)	15,500	(54.2)	9,000	(57.1)	¥22.65

Note: Revision of consolidated financial forecasts during this period: Yes

## 4. Other

(1) Shift of significant subsidiaries during the period (shift of specified subsidiaries accompanied by changes in scope of consolidation): None

(2) Application of simplified accounting methods and specific accounting methods for preparing quarterly consolidated financial statements: Yes

### ① Simplified accounting methods

#### ▪ Valuation of inventories

In our certain subsidiaries, the amount of inventories at the end of this second quarter is calculated by using a reasonable method based on the actual balance of inventories at the end of the previous fiscal year.

Write-down of the book value of inventories is done only for those inventories whose profitability has clearly declined, by estimating the net sale value.

#### ▪ Calculation of deferred tax assets and deferred tax liabilities

In regard to judgments of the recoverability of deferred tax assets, since it is recognized that there has been no marked changes in both the business environment and the occurrence of temporary differences from the end of the previous fiscal year, the future performance forecasts or tax planning of the previous fiscal year is used.

### ② Specific accounting methods for preparing quarterly consolidated financial statements

#### ▪ Calculation of income taxes

The effective tax rate, after applying tax effect accounting, expected to be imposed on income before income taxes and minority interests for the fiscal year in which this second quarter is included is estimated based on reasonable assumptions. Then, tax expenses are calculated by multiplying the income before income taxes and minority interests for the quarter by the estimated effective tax rate.

Note that income taxes-deferred is included in "Income taxes."

(3) Changes in accounting principles, procedures, disclosure methods for preparing quarterly consolidated financial statements

① Changes due to adoption of new accounting standards: Yes

• Application of “Accounting Standard for Asset Retirement Obligations”

From the first quarter of the fiscal year ending March 31, 2011, the Group applies the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18 of March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21 of March 31, 2008).

As a result of the adoption, operating income, ordinary income and income before income taxes and minority interests for the period decreased by 70 million yen respectively.

② Other changes: None

(4) Number of shares outstanding (Common stock) at the end of period

① Number of shares outstanding (Including treasury stock)

September 30, 2010 : 397,900,154 shares

March 31, 2010 : 397,900,154 shares

② Number of treasury stock

September 30, 2010 : 585,475 shares

March 31, 2010 : 584,644 shares

③ Average number of shares during the period

Six months ended September 30, 2010 : 397,315,063 shares

Six months ended September 30, 2009 : 397,318,067 shares

Note: This document contains forward-looking statements based on management’s assumptions and beliefs in light of the information currently available, and involves risks and uncertainties. Actual financial results may differ materially depending on a number of factors, including economic conditions.

## [Attachment Documents]

### 1. Qualitative Information for the Six Months Ended September 30, 2010

#### (1) Qualitative Information on Consolidated Business Results

The Japanese economy, during the first half of the present consolidated fiscal year, continued to progress under uncertainty over the future, such as yen strength, an anxiety about weakening economy, a severe employment situation and a deflationary situation still going on.

The situation surrounding the Japanese pharmaceutical industry is still severe because various measures, such as NHI price revisions in April this year, have been implemented domestically in order to control medical costs against the backdrop of a global move toward drastic healthcare system reform.

Under such circumstances, DSP Group considers this fiscal year to be extremely important as the starting year for the second Mid-term Business Plan under the theme "Creation and transformation toward a new stage of globalization", and has been conducting business, aggressively working on the tasks to achieve our mid- to long-term vision.

Net sales by the Group for the first half of this consolidated fiscal year amounted to 188,574 million yen (a 42.6% increase from the first half of the previous fiscal year), partly due to the contribution of the results of the U.S. subsidiaries. Operating income amounted to 14,941 million yen (a 21.0% decrease from the first half of the previous fiscal year) and ordinary income amounted to 14,381 million yen (a 24.5% decrease from the first half of the previous fiscal year). Net income amounted to 8,650 million yen (a 31.6% decrease from the first half of the previous fiscal year).

The results by business segment are as follows:

##### ① Japan (Pharmaceuticals)

The Company has continued its intensive infusions of operating resources into its strategic products, such as AVAPRO<sup>®</sup>, a therapeutic agent for hypertension, LONASEN<sup>®</sup>, an antipsychotic, and PRORENAL<sup>®</sup>, a vasodilator, as well as its new products, such as TRERIEF<sup>®</sup>, a Parkinson's disease drug, MIRIPLA<sup>®</sup>, a therapeutic agent for hepatocellular carcinoma, and METGLUCO<sup>®</sup>, an oral hypoglycemic, thereby working to maximize earnings. As a result of the foregoing, net sales amounted to 100,767 million yen, operating income amounted to 16,348 million yen.

##### ② U.S.

This represents the business results of U.S. subsidiaries, including Sunovion Pharmaceuticals Inc. (Sunovion, formally changed its name from Sepracor Inc. in October, 2010.), net sales amounted to 60,761 million yen, with main contributing factors being LUNESTA<sup>®</sup>, a sedative hypnotic, and XOPENEX<sup>®</sup>, a short-acting beta-agonist. Operating loss amounted to 3,266 million yen as a result of implementing accounting procedures for the business combination associated with mergers, such as the amortization of patent rights and goodwill.

##### ③ China

This represents the business results of Sumitomo Pharmaceuticals (Suzhou) Co., Ltd., which sells MEROPEN<sup>®</sup> (sold in China as MEPEN<sup>®</sup>), a carbapenem antibiotic, etc., and net sales amounted to 2,500 million yen and operating income amounted to 846 million yen.

In addition to the above-listed reportable segments, the Group has been marketing animal health products, food additives, and diagnostics. These businesses are included in "Other Business." Net sales for "Other Business" amounted to 24,546 million yen and operating income amounted to 1,089 million yen.

## (2) Qualitative Information on Consolidated Financial Condition

Total assets decreased 24,836 million yen from the previous consolidated fiscal year-end, to 601,906 million yen, primarily due to the fact that although marketable securities increased, and intangible assets, such as goodwill and patent rights, and investment securities decreased.

Total liabilities decreased 18,605 million yen from the previous consolidated fiscal year-end, to 264,654 million yen, largely due to the decrease in notes and accounts payable, short-term loans payable and accounts payable-other.

Net assets decreased 6,230 million yen from the previous consolidated fiscal year-end, to 337,252 million yen, mainly because foreign currency translation adjustment swung into minus due to stronger yen, although retained earnings increased from the quarterly net income.

In addition, shareholders' equity ratio as of the end of the second quarter of the present consolidated fiscal year amounted to 56.0%.

## (3) Qualitative Information on Consolidated Financial Forecasts

Consolidated financial forecasts were revised, reflecting changes in the business performance since the previous forecasts announced on July 30, 2010.

Revision of consolidated financial forecasts for the fiscal year ending March 31, 2011  
(April 1, 2010 – March 31, 2011)

	Net sales	Operating income	Ordinary income	Net income	Earnings per share
	Yen million	Yen million	Yen million	Yen million	
Previous forecasts (A)	359,000	8,500	6,000	3,000	¥7.55
New forecasts (B)	365,000	18,000	15,500	9,000	¥22.65
(B – A)	6,000	9,500	9,500	6,000	
Change (%)	1.7	111.8	158.3	200.0	
(Reference) Results for the year ended March 31, 2010	296,261	35,624	33,837	20,958	¥52.75

Sales are expected to exceed those of the previous forecasts because they are showing basically favorable trends both in Japan and overseas even though there are influences by yen's appreciation. Continued efforts are exerted for effective control of expense budget, and in addition, partly due to strong yen, some retrenchment is expected on the expenses of the Company's U.S. subsidiary, all contributing to possible reduction in the total expenses from the previous forecasts.

Consequently, in the revised consolidated financial forecasts for the year ending March 31, 2011, the Company anticipates that net sales increase 6.0 billion yen to 365.0 billion yen, operating income increases 9.5 billion yen to 18.0 billion yen, ordinary income increases 9.5 billion yen to 15.5 billion yen and net income increases 6.0 billion yen to 9.0 billion yen compared to the previous forecasts dated July 30, 2010.

Note: Forecasts shown above are based on management's assumptions and beliefs in light of the information currently available, and involve risks and uncertainties. Actual results may differ materially depending on a number of factors, including economic conditions.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	(Millions of yen)	
	As of September 30, 2010	As of March 31, 2010
Assets		
Current assets:		
Cash and time deposits	14,683	13,823
Notes and accounts receivable	90,292	93,961
Marketable securities	76,611	51,184
Merchandise and finished goods	41,379	46,707
Work-in-process	2,213	3,348
Raw materials and supplies	15,016	15,174
Deferred tax assets	31,667	32,447
Short-term loans	25,000	25,000
Others	6,713	6,079
Allowance for doubtful receivables	(105)	(172)
Total current assets	303,471	287,555
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	89,994	89,108
Accumulated depreciation and impairment loss	(47,220)	(46,125)
Buildings and structures, net	42,774	42,983
Machinery, equipment and carriers	75,177	74,327
Accumulated depreciation and impairment loss	(63,100)	(61,566)
Machinery, equipment and carriers, net	12,077	12,761
Land	10,318	10,332
Construction in progress	1,573	2,691
Others	27,497	26,865
Accumulated depreciation and impairment loss	(22,314)	(21,549)
Others, net	5,183	5,315
Total property, plant and equipment	71,926	74,083
Intangible assets:		
Goodwill	76,461	83,564
Patent rights	86,131	104,018
Others	11,235	11,899
Total intangible assets	173,828	199,482
Investments and other assets:		
Investment securities	39,484	53,171
Deferred tax assets	3,528	2,389
Others	9,770	10,158
Allowance for doubtful receivables	(104)	(97)
Total investments and other assets	52,679	65,621
Total fixed assets	298,434	339,188
Total assets	601,906	626,743

(Millions of yen)

	As of September 30, 2010	As of March 31, 2010
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable	13,524	16,878
Short-term loans payable	160,900	165,800
Income taxes payable	6,595	8,571
Reserve for bonuses	7,243	7,408
Reserve for sales returns	2,653	2,700
Reserve for sales rebates	15,336	15,709
Accounts payable-other	27,979	33,395
Others	13,031	14,536
Total current liabilities	<u>247,264</u>	<u>264,999</u>
Long-term liabilities:		
Liability for retirement benefits	10,045	9,797
Liability for directors' retirement benefits	5	50
Others	7,338	8,412
Total long-term liabilities	<u>17,389</u>	<u>18,260</u>
Total liabilities	<u>264,654</u>	<u>283,259</u>
<b>Net assets</b>		
Shareholders' equity:		
Common stock	22,400	22,400
Capital surplus	15,860	15,860
Retained earnings	299,776	294,701
Treasury stock	(646)	(646)
Total shareholders' equity	<u>337,389</u>	<u>332,315</u>
Valuation, translation adjustments and others:		
Unrealized gains on available-for-sale securities, net of tax	5,893	7,945
Foreign currency translation adjustment	(6,030)	3,222
Total valuation, translation adjustments and others	<u>(136)</u>	<u>11,167</u>
Total net assets	<u>337,252</u>	<u>343,483</u>
Total liabilities and net assets	<u>601,906</u>	<u>626,743</u>

## (2) Consolidated Statements of Income

	(Millions of yen)	
	Six months ended September 30, 2009	Six months ended September 30, 2010
Net sales	132,210	188,574
Cost of sales	51,351	57,845
Gross profit	80,858	130,729
Reversal of reserve for sales returns	29	20
Gross profit-net	80,887	130,749
Selling, general and administrative expenses		
Provision for allowance for doubtful receivables	14	—
Salaries	8,701	17,471
Provision for reserve for bonuses	4,491	4,812
Provision for liability for directors' retirement benefits	6	1
Research and development costs	24,245	32,807
Others	24,509	60,715
Total selling, general and administrative expenses	61,968	115,808
Operating income	18,919	14,941
Non-operating income		
Interest income	378	241
Dividend income	348	474
Equity in earnings of affiliates	—	461
Others	699	704
Total non-operating income	1,426	1,881
Non-operating expenses		
Interest expense	35	874
Contribution	923	900
Others	333	666
Total non-operating expenses	1,293	2,441
Ordinary income	19,053	14,381
Income before income taxes and minority interests	19,053	14,381
Income taxes	6,393	5,730
Income before minority interests	—	8,650
Minority interests in net income	5	—
Net income	12,654	8,650



### (3) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Six months ended September 30, 2009	Six months ended September 30, 2010
Net cash provided by operating activities:		
Income before income taxes and minority interests	19,053	14,381
Depreciation and amortization	5,475	20,749
Amortization of goodwill	—	2,027
Provision for liability for retirement benefits, less payments	728	386
Provision for other liabilities	(1,248)	508
Interest and dividend income	(727)	(715)
Interest expense	35	874
Decrease (increase) in notes and accounts receivable	(2,075)	3,131
Decrease (increase) in inventories	3,862	6,325
Increase (decrease) in notes and accounts payable	(5,888)	(3,348)
Increase (decrease) in accounts payable-other	—	(4,270)
Other-net	(1,179)	(2,224)
Subtotal	18,035	37,825
Interest and dividend received	907	891
Interest paid	(11)	(945)
Income taxes paid	(5,936)	(7,740)
Net cash provided by operating activities	12,994	30,030
Net cash used in investing activities:		
Decrease (increase) in time deposits	5,000	—
Purchases of marketable securities	—	(3,316)
Proceeds from sales of marketable securities	—	750
Proceeds from redemption of marketable securities	2,000	5,219
Purchases of property, plant and equipment	(3,023)	(3,377)
Purchases of intangible assets	(529)	(832)
Proceeds from sales of intangible assets	—	1,142
Purchases of investment securities	(376)	(2,476)
Proceeds from sales of investment securities	—	1,916
Proceeds from redemption of investment securities	—	1,502
Purchase of investments in subsidiaries	(1,070)	—
Other-net	127	(212)
Net cash used in investing activities	2,127	314
Net cash used in financing activities:		
Net increase (decrease) in short-term loans payable	(100)	(5,500)
Net decrease (increase) in treasury stock	(1)	(0)
Dividends paid	(3,574)	(3,573)
Dividends paid to minority shareholders	(0)	—
Other-net	—	(46)
Net cash used in financing activities	(3,676)	(9,120)
Effect of exchange rate changes on cash and cash equivalents	(18)	(1,223)
Net increase (decrease) in cash and cash equivalents	11,427	20,001
Cash and cash equivalents at the beginning of period	49,481	58,139
Increase in cash and cash equivalents related to change in scope of consolidation	482	—
Cash and cash equivalents at the end of period	61,390	78,140

#### (4) Notes on Assumption of Going Concern

Not applicable.

#### (5) Segment Information

##### **Business segment information**

Six months ended September 30, 2009

(Millions of yen)

	Pharmaceuticals	Other products	Total	Eliminations / Corporate	Consolidated
Sales and operating income					
Sales to customers	103,542	28,667	132,210	—	132,210
Intersegment sales and transfers	—	—	—	—	—
Total	103,542	28,667	132,210	—	132,210
Operating income	17,678	1,240	18,919	—	18,919

(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**

Six months ended September 30, 2009

As net sales outside Japan constituted less than 10% of consolidated total sales of all segments, the disclosure of geographical segment information has been omitted.

##### **Overseas sales**

Six months ended September 30, 2009

(Millions of yen)

Overseas sales	12,434
Consolidated net sales	132,210
Overseas sales as a percentage of consolidated net sales	9.4%

## Segment information

— Additional Information —

From the three months ended June 30, 2010, the Group applies the “Accounting Standard for Disclosures about Segments of an Enterprise and Related information” (ASBJ Statement No. 17 of March 27, 2009) and “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20 of March 21, 2008).

### 1. Outline of reportable segments

The Company's reportable segments are the components of the Group whose operating results are regularly reviewed by the board of directors to make decisions about resources to be allocated to the segment and assess their performance, and for which discrete financial information is available.

The Group purchases, manufactures, and sells mainly ethical pharmaceuticals. In Japan, the Company, and outside Japan, primarily in the U.S., a consolidated subsidiary, Sunovion Pharmaceuticals Inc., and in China, a consolidated subsidiary, Sumitomo Pharmaceuticals (Suzhou) Co., Ltd., are conducting business activities, respectively. These local subsidiaries are financially independent business units.

Therefore, the pharmaceutical business consists of geographical segments that are based on the business units, and the three segments, i.e., “Japan(Pharmaceuticals)”, “U.S.” and “China” are designated as reportable segments.

In addition, the businesses such as animal health products, food additives, diagnostics, and other products, are included in “Other Business.”

### 2. Information on sales and income (loss) by reportable segment

Six months ended September 30, 2010

(Millions of yen)

	Reportable Segments				Other Business	Total
	Japan (Pharmaceuticals)	U.S.	China	Subtotal		
Net sales						
Sales to customers	100,767	60,761	2,500	164,028	24,546	188,574
Intersegment sales and transfers	1,238	2,206	371	3,816	19	3,836
Total	102,005	62,967	2,871	167,844	24,566	192,410
Income of segment	16,348	(3,266)	846	13,927	1,089	15,017

Note: The “Other Business” category incorporates operations not included in reportable segments, including animal health products, food additives, diagnostics and other products.

### 3. Difference between total of the income (loss) of the reportable segments and the amount on consolidated statements of income, and main contents of the difference (adjustment of difference)

(Millions of yen)

Income	Amount
Reportable segments total	13,927
Income of “Other Business” category	1,089
Elimination of intersegment transaction	(75)
Operating income on consolidated statements of income	14,941

### (6) Notes on Significant Changes in Shareholders' Equity

Not applicable.