



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

February 3, 2011

**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:** February 10, 2011

**Starting Date of Dividend Payments:** —

**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 Third Quarter of the Year Ending  
March 31, 2011 (April 1, 2010 to December 31, 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	%
Nine months ended December 31, 2010	280,805	37.8	27,064	(15.4)	26,193	(17.6)	14,788	(30.1)
Nine months ended December 31, 2009	203,751	0.9	31,984	16.1	31,806	11.8	21,152	23.8

	Earnings per share	Earnings per share (diluted)
Nine months ended December 31, 2010	¥37.22	—
Nine months ended December 31, 2009	¥53.24	—

**(2) Financial Position**

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share (yen)
As of December 31, 2010	588,245	328,442	55.8%	¥826.66
As of March 31, 2010	626,743	343,483	54.8%	¥864.51

Reference: Shareholders' Equity (Millions of yen)

As of December 31, 2010: 328,442

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	22,000	(38.2)	19,500	(42.4)	11,000	(47.5)	¥27.69

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  
The amount of inventories at the end of this third quarter is calculated by using a reasonable method based on the actual balance of inventories mainly at the end of the second quarter. 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 third 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 112 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)

December 31, 2010 : 397,900,154 shares

March 31, 2010 : 397,900,154 shares

② Number of treasury stock

December 31, 2010 : 586,456 shares

March 31, 2010 : 584,644 shares

③ Average number of shares during the period

Nine months ended December 31, 2010 : 397,314,779 shares

Nine months ended December 31, 2009 : 397,317,635 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 Nine Months Ended December 31, 2010

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

The Japanese economy, during the nine months ended December 31, 2010, of the present consolidated fiscal year, continued to progress under uncertainty over the future with a severe employment situation and a deflationary situation still going on amid the general trend toward the appreciation of yen, although a sign of recovery in corporate profits was seen to some extent.

The situation surrounding the Japanese pharmaceutical industry is still severe because various measures, such as NHI price revisions in April last 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, the 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 aggressively conducting business by working on the tasks to achieve our mid- to long-term vision. Regarding the efforts for overseas business expansion, in October last year, Latuda (generic name: lurasidone hydrochloride) as the Company's strategic global product, was approved for the treatment of schizophrenia from the U.S. Food and Drug Administration (FDA).

Net sales by the Group for the nine months ended December 31 of this consolidated fiscal year amounted to 280,805 million yen (a 37.8% increase from the nine months of the previous consolidated fiscal year), partly due to the contribution of the U.S. subsidiaries. Operating income amounted to 27,064 million yen (a 15.4% decrease from the nine months of the previous consolidated fiscal year) and ordinary income amounted to 26,193 million yen (a 17.6% decrease from the nine months of the previous consolidated fiscal year). In addition, as a result of recording an impairment loss for a part of patent rights as an extraordinary loss, net income amounted to 14,788 million yen (a 30.1% decrease from the nine months of the previous consolidated 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 153,639 million yen, operating income amounted to 31,926 million yen.

#### ② U.S.

This represents the business results of U.S. subsidiaries, including Sunovion Pharmaceuticals Inc., net sales amounted to 88,474 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 4,946 million yen as a result of 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 MEPEM<sup>®</sup>), a carbapenem antibiotic, etc., and net sales amounted to 4,078 million yen and operating income amounted to 1,194 million yen.

In addition to the above-listed reportable segments, the Group has been marketing food additives, animal health products, and diagnostics. These businesses are included in "Other Business." Net sales for "Other Business" amounted to 34,613 million yen and operating income amounted to 1,638 million yen.

## (2) Qualitative Information on Consolidated Financial Condition

Total assets decreased 38,497 million yen from the previous consolidated fiscal year-end, to 588,245 million yen, primarily due to the fact that although marketable securities increased, intangible fixed assets, such as goodwill and patent rights, and investment securities decreased.

Total liabilities decreased 23,456 million yen from the previous consolidated fiscal year-end, to 259,803 million yen, largely due to the decrease in interest-bearing liabilities.

Net assets decreased 15,040 million yen from the previous consolidated fiscal year-end, to 328,442 million yen, mainly because foreign currency translation adjustment swung into minus due to stronger yen, although retained earnings increased. In addition, shareholders' equity ratio as of the end of the third quarter of the present consolidated fiscal year amounted to 55.8%.

## (3) Qualitative Information on Consolidated Financial Forecasts

Consolidated financial forecasts were revised, reflecting changes in the business performance from the previous forecasts announced on October 29, 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)	365,000	18,000	15,500	9,000	¥22.65
New forecasts (B)	365,000	22,000	19,500	11,000	¥27.69
(B – A)	—	4,000	4,000	2,000	
Change (%)	—	22.2	25.8	22.2	
(Reference) Results for the year ended March 31, 2010	296,261	35,624	33,837	20,958	¥52.75

Net sales are expected to proceed according to the previous financial forecast. However, on the cost side, general administrative and selling expenses are expected to decrease from the previous forecast, mainly due to a decrease in R&D expenses.

Consequently, in the revised consolidated financial forecasts for the year ending March 31, 2011, the Company anticipates that net sales are in accordance to the previous forecast, 365.0 billion yen, operating income increases 4.0 billion yen to 22.0 billion yen, ordinary income increases 4.0 billion yen to 19.5 billion yen and net income increases 2.0 billion yen to 11.0 billion yen compared to the previous forecasts dated October 29, 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 December 31, 2010	As of March 31, 2010
<b>Assets</b>		
Current assets:		
Cash and time deposits	10,254	13,823
Notes and accounts receivable	100,460	93,961
Marketable securities	80,917	51,184
Merchandise and finished goods	41,429	46,707
Work-in-process	3,382	3,348
Raw materials and supplies	14,739	15,174
Short-term loans	25,000	25,000
Others	37,180	38,527
Allowance for doubtful receivables	(113)	(172)
Total current assets	313,249	287,555
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	89,959	89,108
Accumulated depreciation and impairment loss	(47,783)	(46,125)
Buildings and structures, net	42,175	42,983
Machinery, equipment and carriers	76,053	74,327
Accumulated depreciation and impairment loss	(64,058)	(61,566)
Machinery, equipment and carriers, net	11,994	12,761
Land	10,300	10,332
Construction in progress	1,427	2,691
Others	27,695	26,865
Accumulated depreciation and impairment loss	(22,608)	(21,549)
Others, net	5,086	5,315
Total property, plant and equipment	70,984	74,083
Intangible assets:		
Goodwill	73,300	83,564
Patent rights	69,159	104,018
Others	11,674	11,899
Total intangible assets	154,134	199,482
Investments and other assets:		
Investment securities	35,090	53,171
Others	14,892	12,547
Allowance for doubtful receivables	(106)	(97)
Total investments and other assets	49,876	65,621
Total fixed assets	274,995	339,188
Total assets	588,245	626,743

(Millions of yen)

	As of December 31, 2010	As of March 31, 2010
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable	16,792	16,878
Short-term loans payable	100,000	165,800
Current portion of long-term loans payable	10,600	—
Income taxes payable	5,607	8,571
Reserve for bonuses	3,797	7,408
Reserve for sales returns	2,186	2,700
Reserve for sales rebates	14,748	15,709
Others	43,847	47,931
Total current liabilities	197,579	264,999
Long-term liabilities:		
Long-term loans payable	45,500	—
Liability for retirement benefits	10,239	9,797
Liability for directors' retirement benefits	6	50
Others	6,478	8,412
Total long-term liabilities	62,223	18,260
Total liabilities	259,803	283,259
<b>Net assets</b>		
Shareholders' equity:		
Common stock	22,400	22,400
Capital surplus	15,860	15,860
Retained earnings	302,338	294,701
Treasury stock	(647)	(646)
Total shareholders' equity	339,951	332,315
Valuation, translation adjustments and others:		
Unrealized gains on available-for-sale securities, net of tax	6,074	7,945
Foreign currency translation adjustment	(17,583)	3,222
Total valuation, translation adjustments and others	(11,508)	11,167
Total net assets	328,442	343,483
Total liabilities and net assets	588,245	626,743

## (2) Consolidated Statements of Income

	(Millions of yen)	
	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Net sales	203,751	280,805
Cost of sales	79,105	83,764
Gross profit	124,645	197,040
Reversal of reserve for sales returns	29	25
Gross profit-net	124,675	197,066
Selling, general and administrative expenses		
Provision for allowance for doubtful receivables	24	—
Salaries	13,073	26,126
Provision for reserve for bonuses	2,575	2,541
Provision for liability for directors' retirement benefits	9	2
Research and development costs	35,668	46,330
Others	41,338	95,000
Total selling, general and administrative expenses	92,690	170,001
Operating income	31,984	27,064
Non-operating income		
Interest income	471	381
Dividend income	590	751
Equity in earnings of affiliates	—	452
Others	834	1,000
Total non-operating income	1,896	2,585
Non-operating expenses		
Interest expense	439	1,245
Contribution	1,082	1,048
Others	553	1,162
Total non-operating expenses	2,075	3,456
Ordinary income	31,806	26,193
Extraordinary loss		
Impairment loss	—	2,221
Total Extraordinary loss	—	2,221
Income before income taxes and minority interests	31,806	23,971
Income taxes	10,647	9,183
Income before minority interests	—	14,788
Minority interests in net income	6	—
Net income	21,152	14,788



### (3) Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Net cash provided by operating activities:		
Income before income taxes and minority interests	31,806	23,971
Depreciation and amortization	8,364	30,464
Impairment loss	—	2,221
Amortization of goodwill	—	3,087
Provision for liability for retirement benefits, less payments	1,165	453
Provision for other liabilities	(4,177)	(3,086)
Interest and dividend income	(1,062)	(1,132)
Interest expense	439	1,245
Decrease (increase) in notes and accounts receivable	(8,646)	(8,018)
Decrease (increase) in inventories	317	4,982
Increase (decrease) in notes and accounts payable	704	(69)
Increase (decrease) in accounts payable-other	—	(5,341)
Other-net	1,841	4,357
Subtotal	30,753	53,136
Interest and dividend received	1,309	1,423
Interest paid	(17)	(1,299)
Income taxes paid	(11,615)	(14,388)
Net cash provided by operating activities	20,430	38,870
Net cash used in investing activities:		
Decrease (increase) in time deposits	5,000	—
Purchases of marketable securities	—	(8,612)
Proceeds from sales of marketable securities	—	699
Proceeds from redemption of marketable securities	2,000	8,372
Purchases of property, plant and equipment	(3,853)	(5,002)
Purchases of intangible assets	(750)	(1,096)
Proceeds from sales of intangible assets	—	1,118
Purchases of investment securities	(384)	(2,512)
Proceeds from sales of investment securities	—	3,631
Proceeds from redemption of investment securities	—	1,581
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(200,649)	—
Decrease (increase) in short-term loans receivable	25,000	—
Other-net	(217)	(421)
Net cash used in investing activities	(173,856)	(2,240)

(Millions of yen)

	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Net cash used in financing activities:		
Net increase (decrease) in short-term loans payable	176,900	(65,500)
Proceeds from long-term loans payable	—	58,000
Repayment of long-term loans payable	—	(2,800)
Net decrease (increase) in treasury stock	(2)	(1)
Dividends paid	(7,139)	(7,140)
Dividends paid to minority shareholders	(0)	—
Other-net	—	(56)
Net cash used in financing activities	169,757	(17,498)
Effect of exchange rate changes on cash and cash equivalents	(81)	(2,833)
Net increase (decrease) in cash and cash equivalents	16,250	16,297
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	1,454	—
Cash and cash equivalents at the end of period	67,186	74,437

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

Not applicable.

#### (5) Segment Information

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

Nine months ended December 31, 2009

(Millions of yen)

	Pharmaceuticals	Other products	Total	Eliminations / Corporate	Consolidated
Sales and operating income					
Sales to customers	158,675	45,075	203,751	—	203,751
Intersegment sales and transfers	—	—	—	—	—
Total	158,675	45,075	203,751	—	203,751
Operating income	29,823	2,161	31,984	—	31,984

(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, 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**

Nine months ended December 31, 2009

(Millions of yen)

Overseas sales	16,095
Consolidated net sales	203,751
Overseas sales as a percentage of consolidated net sales	7.9%

## 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 food additives, animal health products, diagnostics, and other products, are included in “Other Business.”

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

Nine months ended December 31, 2010

(Millions of yen)

	Reportable Segments				Other Business	Total
	Japan (Pharmaceuticals)	U.S.	China	Subtotal		
Net sales						
Sales to customers	153,639	88,474	4,078	246,192	34,613	280,805
Intersegment sales and transfers	4,995	3,368	489	8,852	36	8,889
Total	158,635	91,842	4,567	255,045	34,649	289,694
Income (loss) of segment	31,926	(4,946)	1,194	28,173	1,638	29,812

Note: The “Other Business” category incorporates operations not included in reportable segments, including food additives, animal health products, 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	28,173
Income of “Other Business” category	1,638
Elimination of intersegment transaction	(2,747)
Operating income on consolidated statements of income	27,064

### 4. Information on impairment losses of fixed assets or goodwill etc. by reportable segment

Nine months ended December 31, 2010

(Significant impairment losses relating to fixed assets)

In the U.S. segment, an impairment loss is recorded for a part of patent rights. The patent right deemed to have no future profitability is evaluated as zero in terms of collectability and 2,221million yen of unamortized balance is recorded as an impairment loss.

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

Not applicable.

(7) Significant subsequent event  
(Issuance of domestic unsecured straight bonds)

At the Board of Directors meeting held on January 27, 2011, a comprehensive resolution was passed with regard to the issuance of domestic unsecured straight bonds. The summary is as follows:

(1)Type of bonds	Domestic unsecured straight bonds
(2)Total amount issued	Not more than 50 billion yen however, multiple issues are possible within this total amount
(3)Due date of payment	From January 28, 2011 through March 31, 2011
(4)Interest rate	Not more than 1.5% per annum
(5)Term to maturity	Within 7 years
(6)Method of redemption	Bullet maturity (retirement by purchase is possible)
(7)Amount paid	100 yen per bond amount of 100 yen
(8)Financial covenant	Negative pledge clause (with inter-bond pari passu clause)
(9)Purpose of funds	Funds for repayment of loans
(10)Others	It has been agreed that to the extent provided in each item above, the decision of specific conditions of issuance and all other matters required in connection with the said corporate bond issuance shall be entrusted to the president.