

First Half Financial Results for FY 2007

(Apr. 1, 2007 to Sep. 30, 2007)

November 8, 2007

Kenjiro Miyatake
President

Dainippon Sumitomo Pharma Co., Ltd.

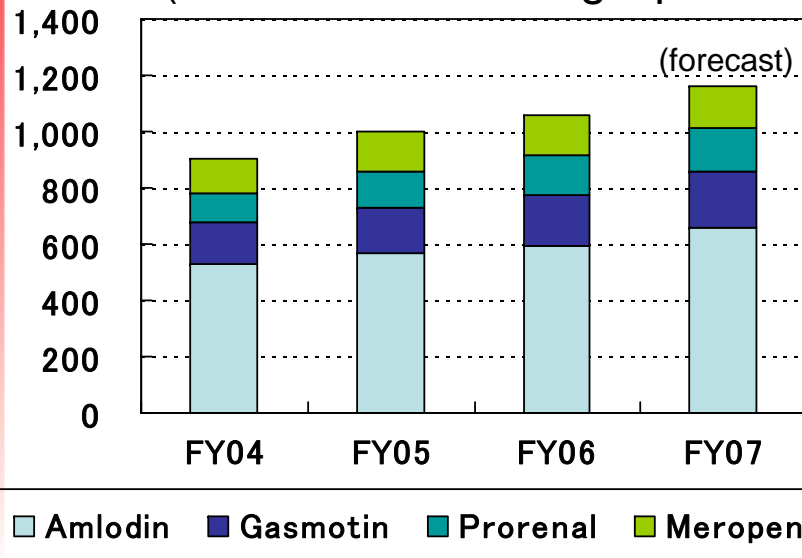
First Half Financial Results



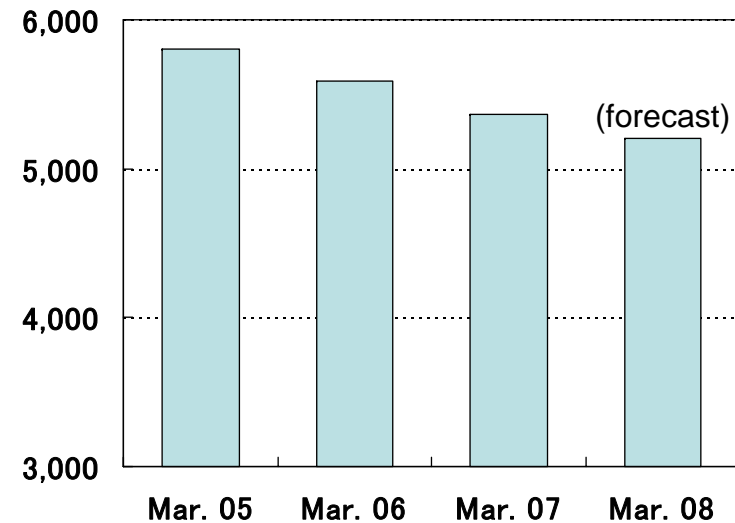
Synergies in 3 areas

(Two years' outcome since the merger)

Business Synergies
(Sales of four strategic products)



Cost Synergies
(Number of employees)



Culture Synergies

Multiple compounds with DSP-number in preclinical stage

Cost Synergies

Procurement cost: 2 bn. yen reduction
Integration of operating bases:
1 bn. yen reduction

Financial Results

Billions of yen

	1 st Half FY06	1 st Half FY07	Change		Interim forecast as of May 11	Variation
			Value	Percentage		
Net Sales	126.9	128.7	1.8	1.4%	133.0	-4.3
Operating Income	20.5	22.3	1.8	9.0%	22.0	0.3
Recurring Income	19.6	22.2	2.6	13.3%	21.0	1.2
Net Income	9.5	13.8	4.3	45.5%	12.4	1.4

Notes

1. All values are rounded.
2. DS Pharma Biomedical Co., Ltd. is newly added as a consolidated subsidiary from this interim period.

Increase and Decrease Factors of Net Sales

Billions of yen

	1 st Half FY06	1 st Half FY07	Change	
			Value	Percentage
Net Sales	126.9	128.7	1.8	1.4%

(Positives)

- Increased sales of 4 strategic products
- Increase of exports

(Negatives)

- Increase of previous year-end's shipment due to distribution centers/system integration
- Sales decrease other than 4 strategic products
- Decrease in industrial property revenues

Sales of 4 Strategic Products

Billions of yen

	1 ST Half	1 st Half	Change	
	FY06	FY07	Value	Percentage
AMLODIN [®]	28.7	32.1	3.4	11.9%
GASMOTIN [®]	8.9	9.4	0.5	5.8%
PRORENAL [®]	6.8	7.1	0.3	4.4%
MEROPEN [®]	7.0	7.1	0.1	1.1%
Total	51.4	55.7	4.3	8.4%

Cost of Sales and Selling, General & Administrative Expenses

Billions of yen

	1 st Half FY06		1 st Half FY07		Changes
		% of net sales		% of net sales	
Net sales	126.9	—	128.7	—	1.8
Cost of sales	48.1	37.9%	48.2	37.4%	0.1
Gross profit	78.9	62.1%	80.6	62.6%	1.7
SG&A expenses	58.4	46.0%	58.3	45.3%	- 0.1
SG&A expenses	37.7	29.7%	38.6	30.0%	0.9
R&D expenses	20.7	16.3%	19.7	15.3%	- 1.0
Operating income	20.5	16.1%	22.3	17.3%	1.8

(Cost of Sales)

- Improved cost of sales ratio due to sales growth of 4 strategic products

(SG&A expenses)

- Increase in advertising expenses
- Decrease in R&D expenses

Non-operating Income & Expenses and Extraordinary Income & Expenses

Billions of yen

	1 st Half FY06	1 st Half FY07	Changes
Operating income	20.5	223	1.8
Non-operating income and expenses	- 0.9	- 0.1	0.8
Finance income and expenses including dividend income	0.4	0.8	0.3
Contribution	- 0.7	- 0.9	- 0.1
Others	- 0.6	-0	0.6
Recurring income	19.6	22.2	2.6
Extraordinary income and expenses	- 3.5	—	3.5
Additional retirement expense	- 2.9	—	2.9
Loss on revision of the retirement benefit plans	- 0.6	—	0.6
Income taxes and minority interests	- 6.5	- 8.4	- 1.8
Net income	9.5	13.8	4.3

Financial Position

Billions of yen

	As of March 31, 2007	As of Sept. 30, 2007	Changes
ASSETS	382.5	384.2	1.6
Current assets	234.3	237.8	3.5
Fixed assets	148.2	146.4	- 1.8
LIABILITIES	76.5	70.3	- 6.2
Current liabilities	56.0	56.1	0.1
Fixed liabilities	20.5	14.2	- 6.3
NET ASSETS	306.0	313.8	7.8

(shareholders' equity ratio)

79.8%

81.4%

(ASSETS)

- Increase in short-term loans 40.0 billion yen
- Decrease in cash & time deposits and marketable securities - 34.1 billion yen

(LIABILITIES)

- Decrease in notes and accounts payable - 2.9 billion yen
- Decrease in deferred tax liabilities - 1.2 billion yen

Cash Flows

Billions of yen

I	Cash flows from operating activities	+ 17.7
	▪ Income before income taxes and minority interests	+ 22.2
	▪ Depreciation and amortization	+ 5.7
	▪ Decrease in notes and accounts receivable	+ 3.6
	▪ Income taxes paid	- 8.6
II	Cash flows from investing activities	- 49.7
	▪ Net increase in time deposits	- 3.0
	▪ Purchases of investment securities	- 3.2
	▪ Net increase in short-term loans	- 40.0
III	Cash flows from financing activities	- 3.3
	▪ Net decrease in short-term bank loans	- 0.4
	▪ Dividends paid	- 2.8

Cash and cash equivalents, end of the period: 46.6 billion yen (-35.1 billion yen)

Outline of Financial Forecasts for FY2007



Forecasts for FY2007

Billions of yen

	FY06 Results	FY07		Changes	
		Forecast (as of May 10)	Forecast (as of Nov. 7)	Compared with the previous fiscal year	Compared with the forecast of May
Net sales	261.2	273.0	267.0	5.8	- 6.0
Operating income	45.6	46.0	41.0	- 4.6	- 5.0
Recurring income	43.2	44.0	40.2	- 3.0	- 3.8
Net income	22.6	26.0	24.7	2.1	- 1.3
R&D expenses	40.9	48.0	47.0	6.1	- 1.0

Cost of Sales and Selling, General & Administrative Expenses

Billions of yen

	FY06 Results		FY07 Forecasts		Changes
		% of net sales		% of net sales	
Net sales	261.2	—	267.0	—	5.8
Cost of sales	99.3	38.0%	100.3	37.6%	1.0
Gross profit	161.9	62.0%	166.7	62.4%	4.8
SG&A expenses	116.3	44.5%	125.7	47.1%	9.4
SG&A expenses	75.4	28.9%	78.7	29.5%	3.3
R&D expenses	40.9	15.6%	47.0	17.6%	6.1
Operating income	45.6	17.4%	41.0	15.4%	- 4.6

(Cost of Sales)

- Improved cost of sales ratio due to sales growth of 4 strategic products

(SG&A expenses)

- Increase in advertising expenses and sales promotion expenses
- Strategic R&D investment in overseas development of lurasidone and license of indiplone

Activities in Domestic Sales and Marketing



Introduction of Region-based Marketing System

- Region-based Marketing System
 - New framework dividing Japan into 7 regions
 - 28 branches under the 7 regions
- Aim of the Regional Marketing System
 - Community-based sales & marketing
 - Marketing strategy to be planned and examined jointly by the head office and the front line
 - Transfer of the part of the Executive Director's authority to the Senior Directors of the 7 regions
 - Reducing the size of the communication unit with a view to providing relevant staff with convincing and satisfactory explanation

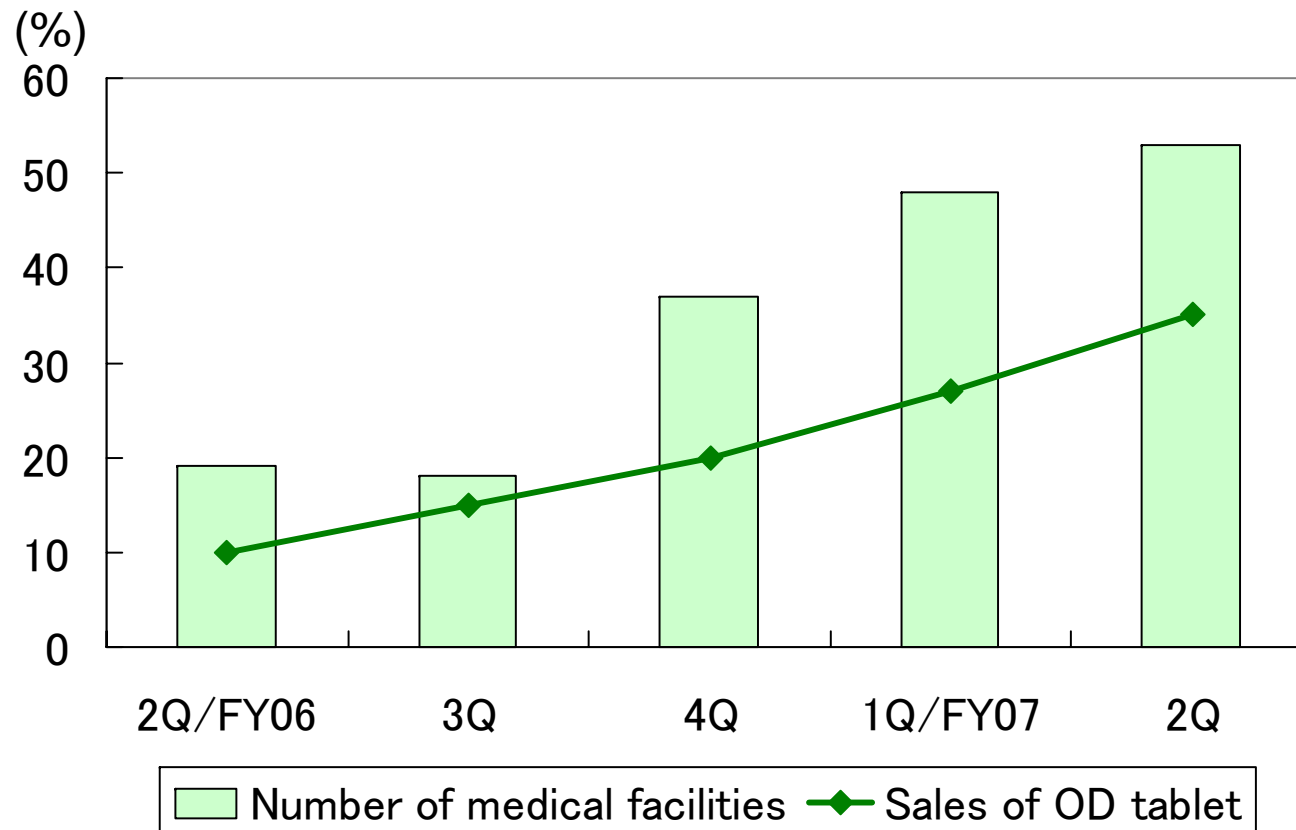
Domestic Sales Forecasts of 4 Strategic Products

Billions of Yen

	FY05 results	FY06 results	FY07 forecasts
AMLODIN [®]	56.8	59.2	66
GASMOTIN [®]	16.3	18.5	20
PRORENAL [®]	12.6	13.8	15
MEROPEN [®]	14.1	14.3	15
Total	99.9	105.7	116

Prioritized Resource Allocation to 4 Strategic Products (AMLODIN®)

- Sales promotion for switching to OD tablet and increasing the number of its prescription



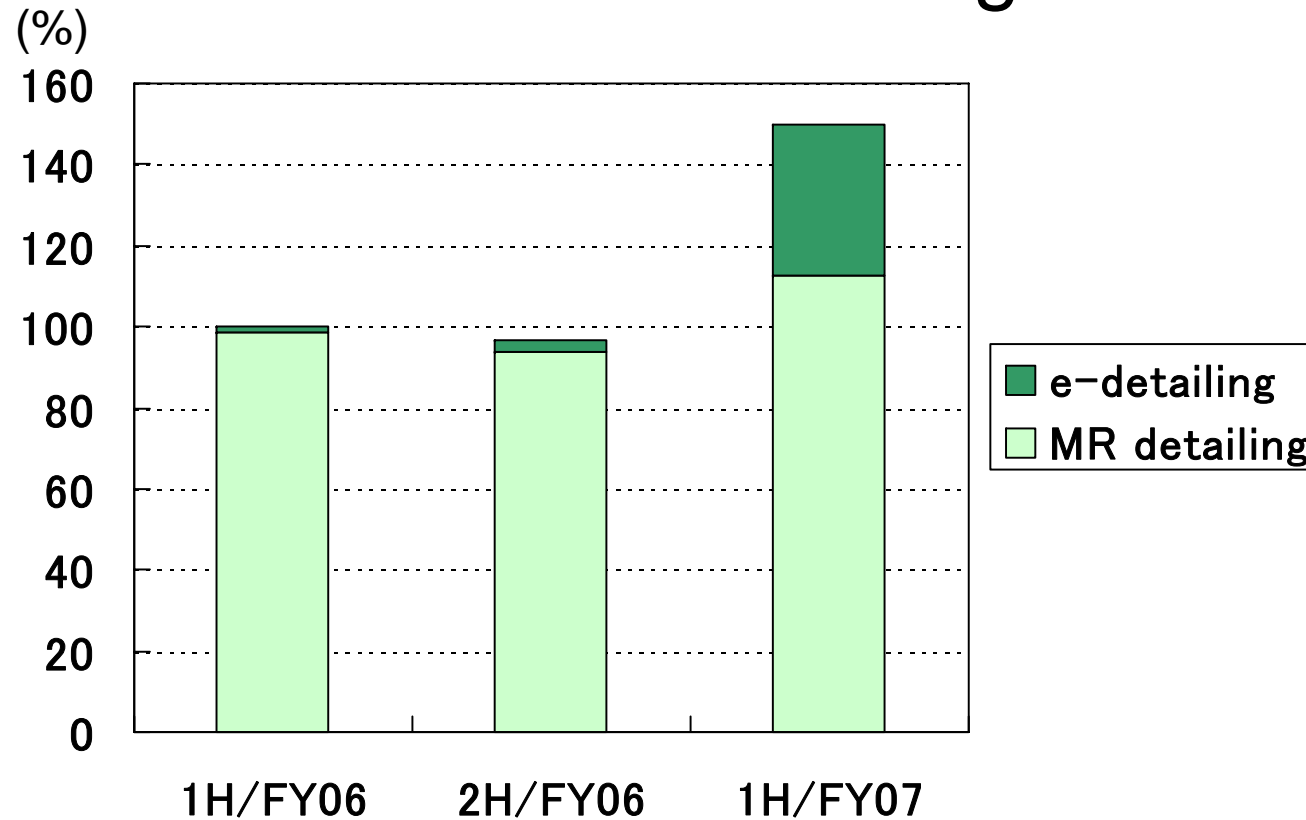
Prioritized Resource Allocation to Cardiovascular Area

Enhancing the specialist knowledge of MRs to maximize Amlodin sales and in preparation for the launch of irbesartan

- Preparing MR upgrading education programs
- DSP internal appraisal system to qualify MRs with capabilities in CV area under consideration

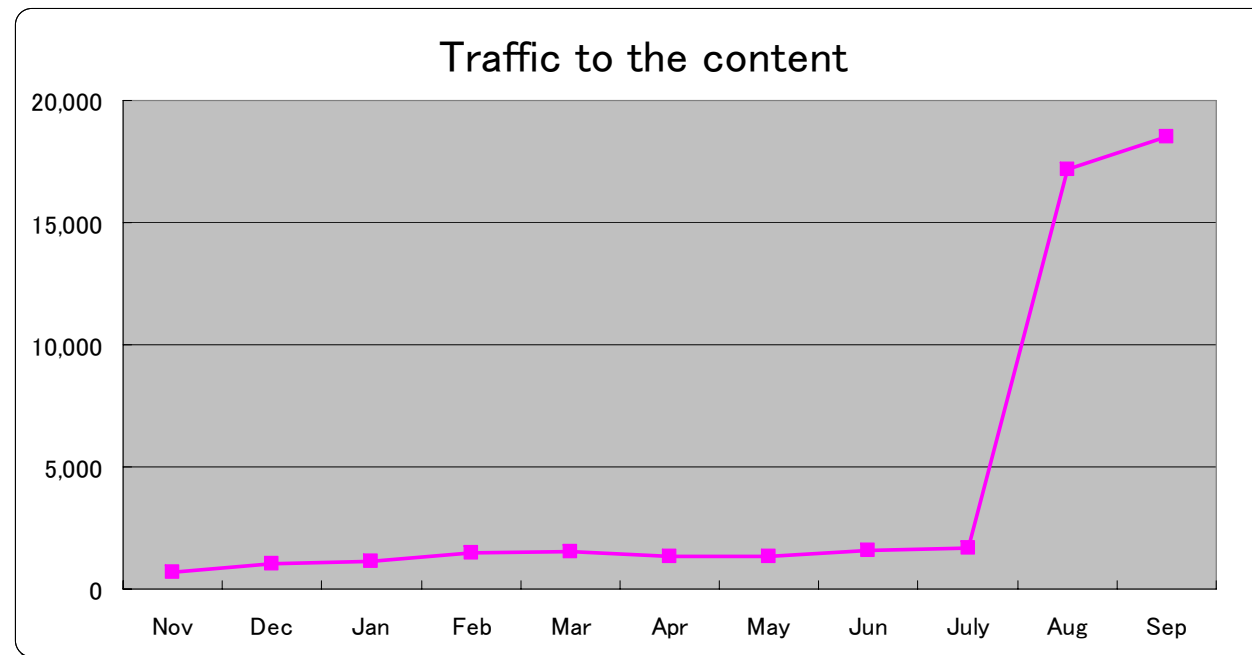
Prioritized Resource Allocation to 4 Strategic Products (GASMOTIN[®])

- Utilization of e-detailing
⇒ Increase of total detailing



Expanding the Recognition of Functional Dyspepsia (FD)

- Increase in the traffic to website for the general population



- Epidemiologic investigation by the Study Group for Functional Dyspepsia

Prioritized Resource Allocation to 4 Strategic Products (PRORENAL[®], MEROPEN[®])

■ Prorenal

- Patient number on the increase
- Continued activities to expand the recognition of the disease in primary care

■ Meropen

- Measures against hospital-acquired infection
- Focused promotion to surgeons

Strengthening the Presence in CNS Area

Further strengthening the CNS area marketing capabilities in preparation for the launch of blonanserin (expected in the coming spring)

- Reinforcing the CNS specialist MRs
 - Increase the number of MRs
 - Enhancing the specialist knowledge of MRs

- Co-promotion with Yoshitomiyakuhin, Co., Ltd.
 - Co-promotion agreement for blonanserin in addition to LULLAN[®]
 - Aiming at early maximization of blonanserin sales

Other Sales Activities in the 2nd Half of FY2007

- Expansion of newly launched products sales
 - Ambisome (to establish a strong market position promptly)
 - SEIBULE[®] (to increase the number of doctors prescribing the product)

- “Customer Support Center” (tentative name)
 - Set up “Customer Support Center Preparatory Group” toward the start of the Center next April
 - Aiming at increasing the level of customer satisfaction

R&D Pipeline

A decorative white line runs horizontally across the page, starting from the left edge and ending with a stepped, circuit-like pattern on the right. The background features a large, stylized, light green flower-like graphic with multiple petals, centered behind the white line.

R&D Pipeline

Pre-registration	Phase III	Phase II		Phase I
Schizophrenia AD-5423 (blonanserin)	Febrile neutropenia MEROPEN	Diabetic neuropathy AS-3201 (ranirestat)	Diabetes SMP-508 (repaglinide)	Overactive bladder SMP-986
Hypertension (irbesartan)	pretreatment of the colon examined by the barium enema X-ray radiography	Schizophrenia SM-13496 (lurasidone)	Diabetes SMP-862 (metformin)	
Hepatocellular carcinoma SM-11355 (miriplatin)	GASMOTIN	Rheumatoid arthritis SMP-114	Dementia AC-3933	
Parkinson's disease AD-810N (zonisamide)	Schizophrenia (US/EU) SM-13496 (lurasidone)	Cervical spondylosis PRORENAL		
Compensated cirrhosis associated with chronic hepatitis C SUMIFERON		Rheumatoid arthritis (EU) SMP-114	Dementia (EU/US) AC-3933	Bronchial asthma (US) SMP-028
		Schizophrenia (EU/US) AD-5423 (blonanserin)	Overactive bladder (US/EU) SMP-986	

 Development in Japan (New Chemical Entity)

 Development in Japan for new indication etc.

 Overseas development

White font indicates updated projects

Clinical Development Plan of Lurasidone (1)

■ Overseas

- August 30: The first IND Amendment (for Phase III trial) was submitted to FDA.
- Protocol Synopsis
 - Target Disease: Schizophrenia
 - Comparator: Placebo
 - Target Number of Enrolled Patients: 480
 - Country: US, France, Russia etc.
 - Design: Randomized, Double-blind, 4 Group Parallel Comparison
 - Endpoints: PANSS, CGI-S

Clinical Development Plan of Lurasidone (2)

■ Overseas

➤ Schedule

- Phase III study including an active comparator group on schizophrenia patients will be conducted.
- Phase III study on bipolar disorder patients will be started by the end of March 2008.
- Planning a clinical study to confirm cognitive function improving effect

■ In Japan

- Planning a meeting with PMDA to discuss Phase III study design on schizophrenia patients

License of a Sedative Hypnotic Agent; indiplon

- License agreement with Neurocrine Biosciences for indiplon, a sedative hypnotic agent
Exclusive right to develop and market indiplon in Japan

- Profile
 - Non-benzodiazepine compound, short-acting type
 - Shorter half life compared with current short-acting drugs
 - High selectivity to GABA-A receptor
 - Safer profiles in terms of the reduction of adverse events, such as hang-over, amnesia and muscle relaxant

- Next step
 - Initiation of Phase I clinical study in Japan

Disclaimer Regarding Forward-looking Statements

The statements made in this presentation material are forward-looking statements based on management's assumptions and beliefs in light of information available up to the day of announcement, and involve both known and unknown risks and uncertainties.

Actual financial results may differ materially from those presented in this document, being dependent on a number of factors.

Information concerning pharmaceuticals (including compounds under development) contained within this material is not intended as advertising or medical advice.