Financial Results for FY2007
（ended March 31, 2008 ）

May 12, 2008

Dainippon Sumitomo Pharma Co., Ltd.

Financial Results for FY2007

Financial Results

Billions of Yen

	FY2006	FY2007	Change		Forecast	Difference
			Value	Percentage		
Net sales	261.2	264.0	2.8	1.1 %	267.0	- 3.0
Operating income	45.6	39.8	- 5.7	- 12.6 %	41.0	- 1.2
Recurring income	43.2	37.7	- 5.5	- 12.8 %	40.2	- 2.5
Net income	22.6	25.6	3.0	13.2 %	24.7	0.9

Notes
1. All values are rounded to the nearest 100 million yen.
2. DS Pharma Biomedical Co., Ltd. is newly added as a consolidated subsidiary from this period.

Increase and Decrease Factors of Net Sales

Billions of Yen

	FY2006	FY2007	Change	
			Value	Percentage
Net sales	261.2	264.0	2.8	1.1 %

(Positives)
- Increased sales of 4 strategic products
- Increase of exports

(Negatives)
- Decreased sales other than 4 strategic products

Domestic Sales of 4 Strategic Products

Billions of Yen

	FY2006	FY2007	Change	
			Value	Percentage
AMLODIN®	59.2	63.6	4.5	7.6%
GASMOTIN®	18.5	19.5	1.0	5.5%
PRORENAL®	13.8	14.5	0.8	5.5%
MEROPEN®	14.3	14.8	0.5	3.2%
Total	105.7	112.4	6.7	6.3%

Cost of Sales and Selling, General & Administrative Expenses

Billions of yen

	FY2006		FY2007		Change	
		% of net sales		% of net sales	Value	percentage
Net sales	261.2	—	264.0	—	2.8	1.1%
Cost of sales	99.3	38.0%	99.4	37.6%	0.0	0.0%
Gross profit	161.9	62.0%	164.6	62.4%	2.7	1.7%
SG&A expenses	116.3	44.6%	124.8	47.3%	8.5	7.3%
SG&A expenses	75.4	29.0%	77.5	29.4%	2.1	2.8%
R&D expenditures	40.9	15.6%	47.3	17.9%	6.4	15.7%
Operating income	45.6	17.4%	39.8	15.1%	- 5.7	- 12.6%

(Cost of sales)
・Improved cost of sales ratio due to sales growth of 4 strategic products
(SG&A expenses)
・Increase of advertising expenses
・Increase of R&D expenditures

Non-operating Income & Expenses and Extraordinary Income & Expenses

Billions of yen

	FY2006	FY2007	Change	
			Value	Percentage
Operating income	45.6	39.8	- 5.7	- 12.6%
Non-operating income and expenses	- 2.4	- 2.2	0.2	
Finance income and expenses including dividend income	0.9	1.4	0.5	
Contribution	- 1.9	- 1.8	0.1	
Others	- 1.4	- 1.8	- 0.4	
Recurring income	43.2	37.7	- 5.5	- 12.8%
Extraordinary income and expenses	- 4.8	3.8	8.6	
Gain on sales of investment securities	—	3.8	3.8	
Additional retirement expense	- 2.9	—	2.9	
Expense related to litigation	- 1.0	—	1.0	
Loss on revision of the retirement benefit plans	- 0.6	—	0.6	
Loss on impairment of fixed assets	- 0.2	—	0.2	
Income taxes and minority interests	- 15.8	- 15.9	- 0.1	
Net income	22.6	25.6	3.0	13.2%

Financial Position

Billions of yen

	As of March 31, 2007	As of March 31, 2008	Change
ASSETS	382.5	399.8	17.3
Current assets	234.3	251.1	16.7
Fixed assets	148.2	148.7	0.5
LIABILITIES	76.5	81.5	5.0
Current liabilities	56.0	67.9	11.9
Fixed liabilities	20.5	13.6	- 6.9
NET ASSETS	306.0	318.3	12.3
(shareholders' equity ratio)	79.8%	79.6%	

(ASSETS)

- Increase in short-term loans ····· 40.0 billion yen
- Decrease in cash and time deposits ····· - 27.6 billion yen

(LIABILITIES)

- Increase in other accounts payable ····· 7.1 billion yen

Cash Flows

Billions of yen

I Cash flows from operating activities	**＋ 32.5**
・Income before income taxes and minority interests	＋ 41.5
・Depreciation and amortization	＋ 11.9
・Decrease in notes and accounts receivable	＋ 2.4
・Increase in inventories	- 2.1
・Income taxes paid	- 15.6
II Cash flows from investing activities	**- 51.0**
・Purchases of property, plant and equipment	- 7.1
・Net increase in short-term loans	- 40.0
III Cash flows from financing activities	**- 6.9**
・Dividends paid	- 6.4

Cash and cash equivalents, end of the period : 56.3 billion yen (− 25.5 billion yen)

Financial Forecasts for FY2008

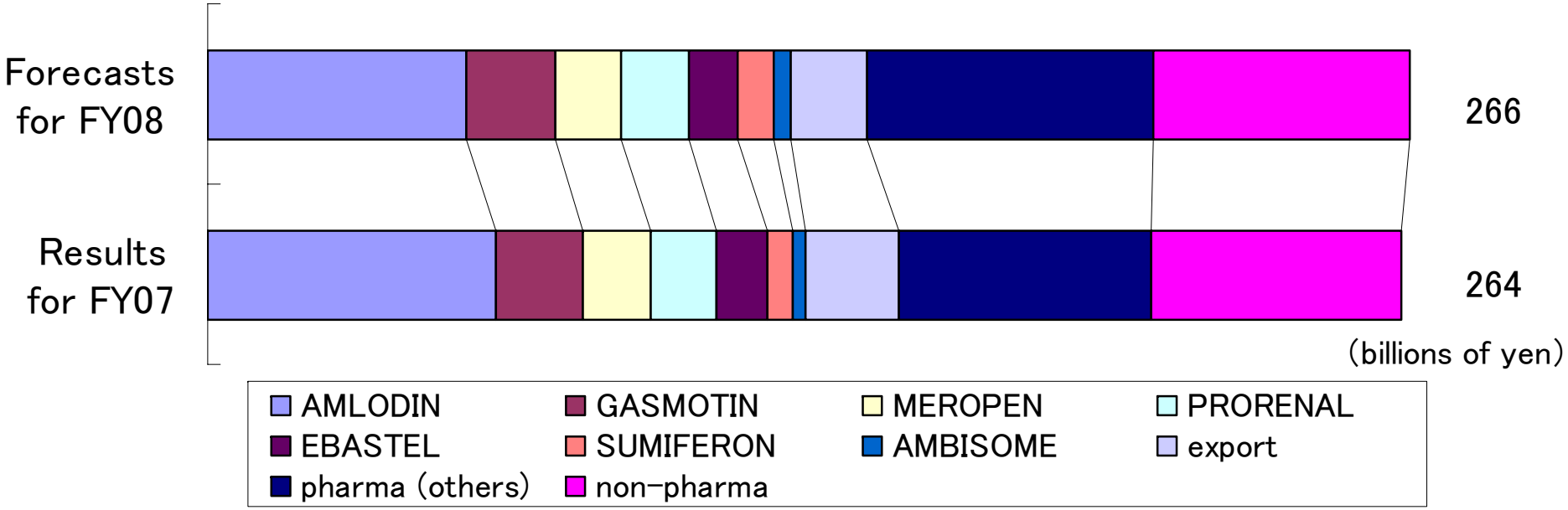
Financial Forecasts for FY2008

Billions of yen

	FY07	FY08	change	
	results	forecasts	value	%
Net sales	264.0	266.0	2.0	0.8%
Operating income	39.8	30.5	- 9.3	- 23.4%
Recurring income	37.7	30.5	- 7.2	- 19.0%
Net income	25.6	18.5	- 7.1	- 27.7%

R&D expenses	47.3	56.5	9.2	19.5%

Net Sales



(Pharmaceuticals)

Expand the net sales mainly with new products and strategic 4 products by strengthening sales & marketing activities with a view to making up a potential loss resulting from the NHI price revision (approx. 10 billions of yen) and emergence of generic drugs

(Non-pharmaceuticals)

Expand the net sales mainly with launch of new animal health products and sweetener

Cost of Sales and Selling, General & Administrative Expenses

Billions of yen

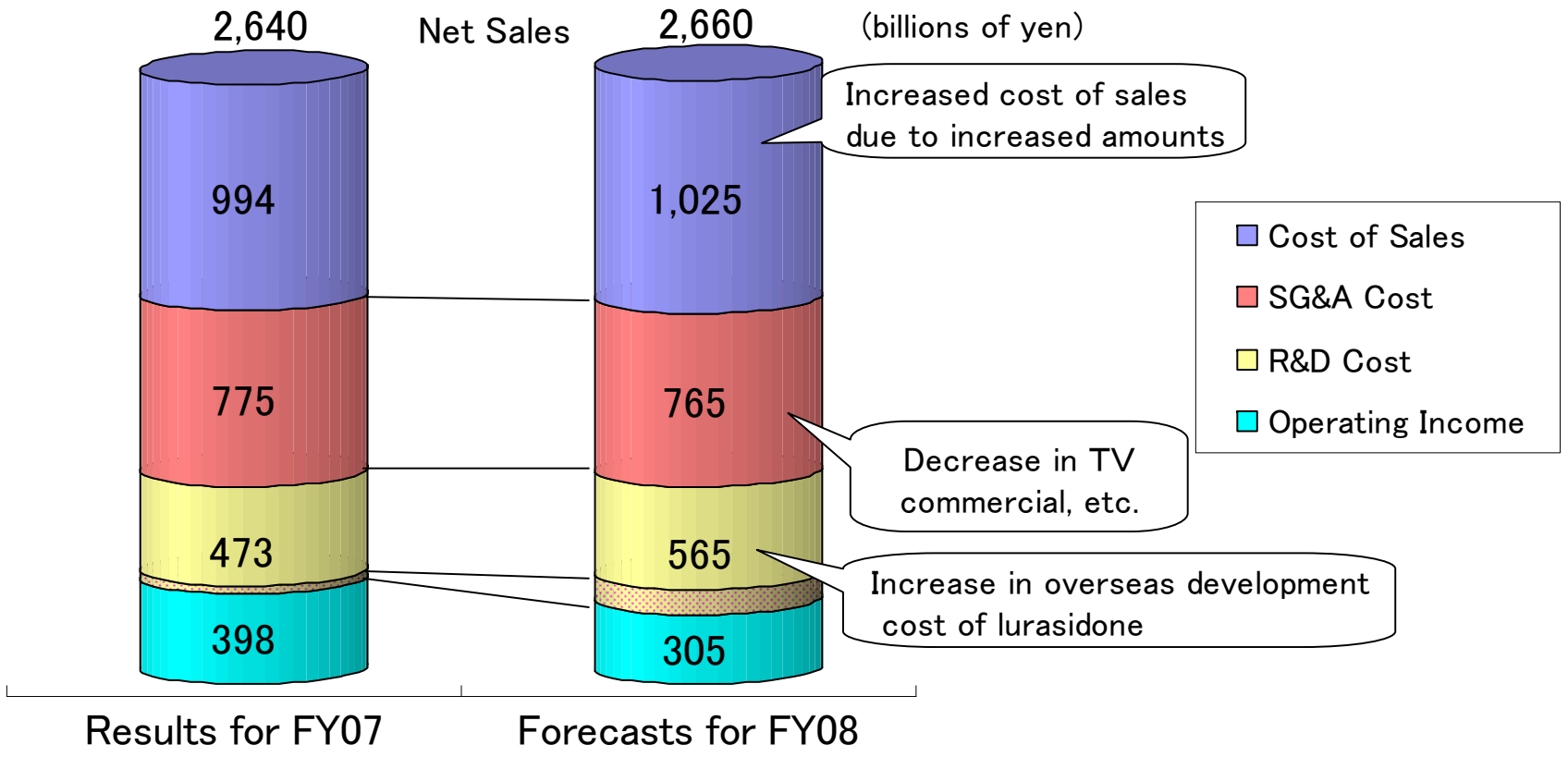
	FY07		FY08		Change	
	results		forecasts		value	percentage
Net sales	264.0	—	266.0	—	2.0	0.8%
Cost of sales	99.4	37.6%	102.5	38.5%	3.1	3.1%
Gross profit	164.6	62.4%	163.5	61.5%	- 1.1	- 0.7%
SG&A expenses	124.8	47.3%	133.0	50.0%	8.2	6.6%
SG&A expenses	77.5	29.4%	76.5	28.3%	- 1.0	- 1.3%
R&D costs	47.3	17.9%	56.5	21.2%	9.2	19.5%
Operating income	39.8	15.1%	30.5	11.5%	- 9.3	- 23.4%

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

(Net sales)
- Increase in cost of sales ratio due to NHI price revision and others

(SG&A expenses)
- Aggressive investment on the overseas development of lurasidone
- Intensive ”selection and focus” to lead efficient business management

Profit and Cost Structure



Return to Shareholders

1. Basic Policy

- **Returning our profits adequately to our shareholders is one of our most important management policies**
- **Dividend amount is decided by evaluating the following factors overall;**
  - **The company performance should be appropriately allocated**
  - **Positive investment should be done for the future growth to further increase the corporate value**
  - **Solid business foundation and sound financial condition should be ensured**
- **Target in the Mid-term Business Plan: 30% payout ratio in FY09, assuming continued increase in net profit**

2. Changes in dividends

	FY06	FY07(planned)	FY08(planned)
Dividends per share (yen)	14.00	18.00	18.00
Payout ratio (%)	24.6	28.0	38.7

〈reference〉

Dividends to net assets ratio (%)	1.9	2.3	2.2

Marketing Strategy for Domestic Territory

Priorities in FY2008

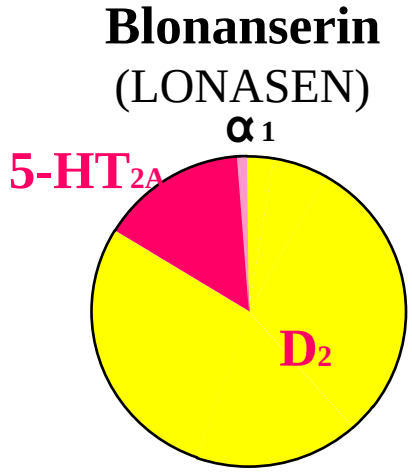
- Focus on AMLODIN and two new products (AVAPRO and LONASEN)
- Promote programs to build up a more aggressive sales & marketing group
  - "Change your behavior" campaign
  - "Let's think about detailing" month, etc.
- Promote region-based marketing activities, in order for leading to improvement of customer satisfaction

AMLODIN and AVAPRO

- AMLODIN
  - Promote the benefit of OD formulation
- AVAPRO
  - Long-acting ARB with “high anti-hypertensive effect” and “evidence for renoprotective effect”
  - To be launched immediately after listed in NHI drug price standard
- Cardiovascular area
  - AMLODIN and AVAPRO are best combination in anti-hypertensive therapy
  - Strengthen ability to provide medical information
  - Advance expertise in cardiovascular area

LONASEN

- The first original drug launched since the merger, in our future's core area
- Dopamine-dominant Serotonin Antagonist (DSA)
- Expected to be effective against positive symptoms such as hallucinations and delusions by virtue of strong dopamine blocking action



Others

- GASMOTIN
  Expansion of e-promotion called “MR-kun” (“Mr. MR”; marketing support service) by So-net M3

- PRORENAL
  Educational activities for the disease
  Improvement of PRORENAL brand awareness

- MEROPEN
  Training MRs to learn in-hospital infection control measures
  Focus on surgery

- AmBisome
  “The team for AmBisome promotion” was newly set up

R&D Pipelines

R&D Pipeline

Pre-registration	Phase III	Phase II		Phase I
Hepatocellular carcinoma SM-11355 (miriplatin)	Diabetes SMP-508 (repaglinide)	Diabetic neuropathy AS-3201 (ranirestat)	Diabetes SMP-862	Over-active bladder syndrome SMP-986
Parkinson's disease AD-810N (zonisamide)	Schizophrenia SM-13496 (lurasidone)	Rheumatoid arthritis SMP-114	Dementia AC-3933	Diabetes DSP-3235
Compensated cirrhosis associated with chronic hepatitis C SUMIFERON	Febrile neutropenia MEROPEN			Allergic disorders TLR7 agonist*
Improvement in bowel cleansing by orally gastrointestinal lavage solution prior to barium enema X-ray examination GASMOTIN	Schizophrenia (US) SM-13496 (lurasidone)	Rheumatoid arthritis (EU) SMP-114	Schizophrenia (US/EU) AD-5423 (blonanserin)	Bronchial asthma (US) SMP-028
		Dementia (EU/US) AC-3933	Over-active bladder syndrome (US/EU) SMP-986	Diabetes (EU) DSP-7238
				Diabetes (US) DSP-8658*

Development in Japan (New Chemical Entity) Development in Japan for new indications etc. Overseas development

* Under preparation for Phase 1

Clinical Development of Lurasidone (1)

- Overseas Development
  - Started Long-term Safety Studies in March (PEARL Safety)
  - Protocol Synopsis
    - Target Patients: Schizophrenia
    - Comparator: Risperidone
    - Target Number of Enrolled Patients：600
    - Country：US, South Africa, Thailand, etc.
    - Design：Randomized, Double-blind, Parallel Comparison
    - Endpoints：Safety
  - Schizophrenia Phase 3 Study Including Active Comparator (PEARL #3) and Bipolar Disorders Phase 3 Study will be Started in FY2008

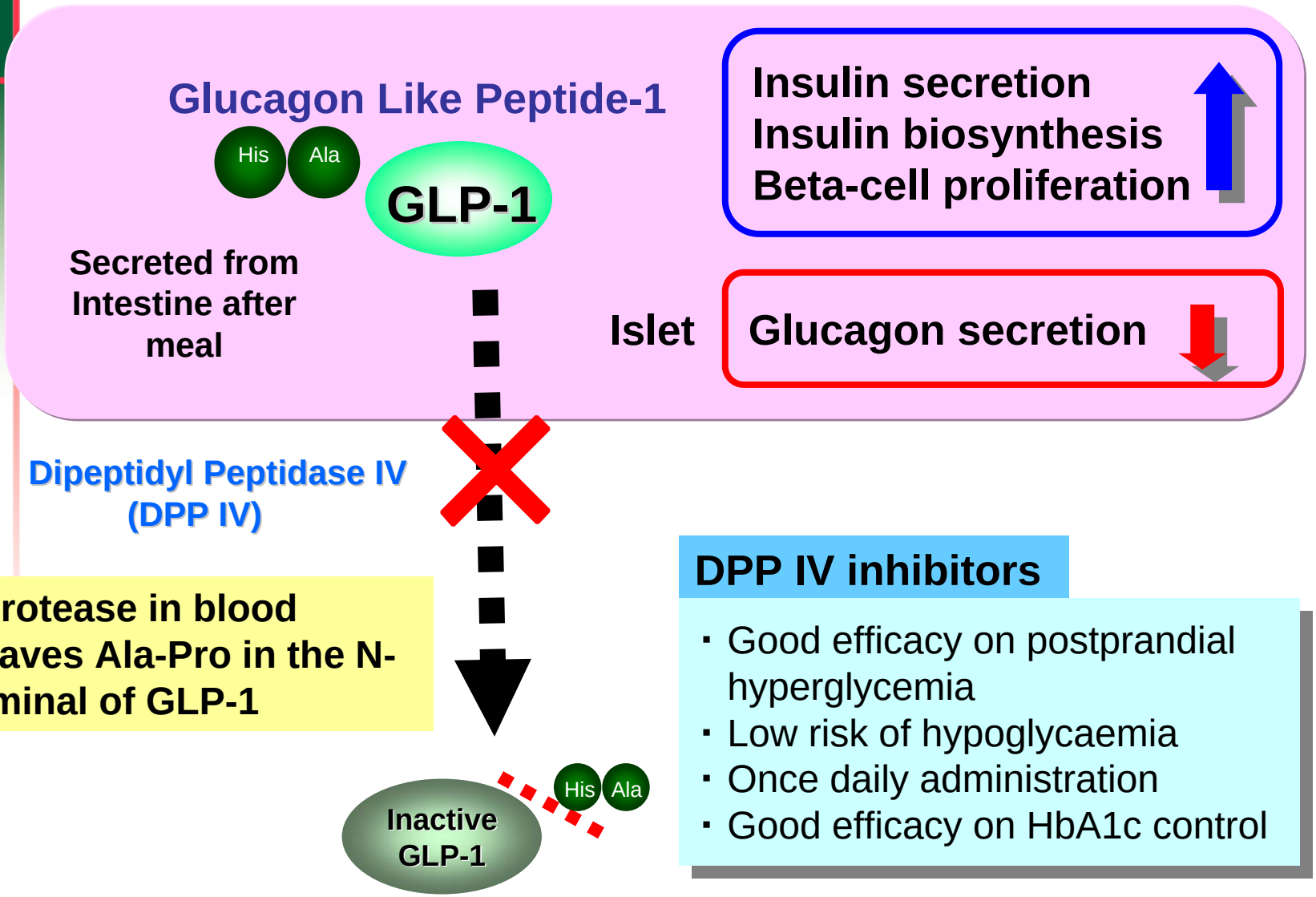
Clinical Development of Lurasidone (2)

- Domestic Development
  - Meeting with PMDA in 2007
  - IND for Phase 3 Study in April, 2008
  - Protocol Synopsis
    - Target Patients: Schizophrenia
    - Comparator: Placebo
    - Target Number of Enrolled Patients：440
    - Country： Japan, South Korea and Taiwan
    - Design：Randomized, Double-blind, Parallel Comparison
    - Endpoints： PANSS, CGI-S, etc.

Outline of DSP-7238

• Indication	Type 2 diabetes
• Mechanism of Action	DPP IV inhibition
• Formulation	Tablet
• Origin	Dainippon Sumitomo Pharma
• Development Stage	Phase 1 (EU)

DSP-7238: Mechanism of Action



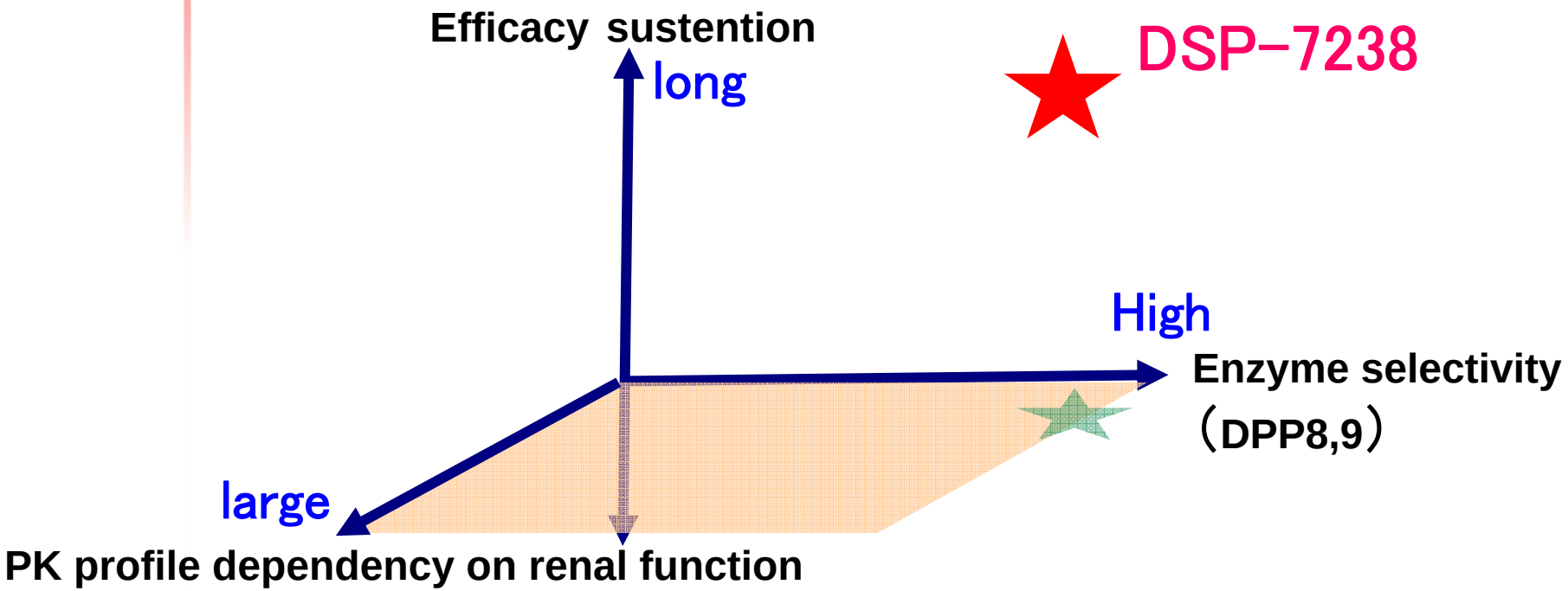
- **A protease in blood**
- **Cleaves Ala-Pro in the N-terminal of GLP-1**

DPP IV inhibitors

- Good efficacy on postprandial hyperglycemia
- Low risk of hypoglycaemia
- Once daily administration
- Good efficacy on HbA1c control

Product Profile of DSP-7238

- Original and novel chemical structure
- Target enzyme inhibition: Potent and selective DPP IV inhibition with high substrate specificity
- Efficacy: Strong and sustained
- PK profile: No dependency on renal function



Outline of DSP-8658

• Indication	Type 2 diabetes
• Mechanism of Action	PPAR α/γ modulator
• Formulation	Tablet
• Origin	Dainippon Sumitomo Pharma
• Development stage	Phase I (in preparation, US)

Concept of DSP-8658

Marketed PPAR-gamma agonists

Merits
- Substantial blood glucose lowering
- Less hypoglycemia

Demerits
- Weight gain
- Fluid retention, Edema, Congestive Heart Failure

✓**Less side effects**

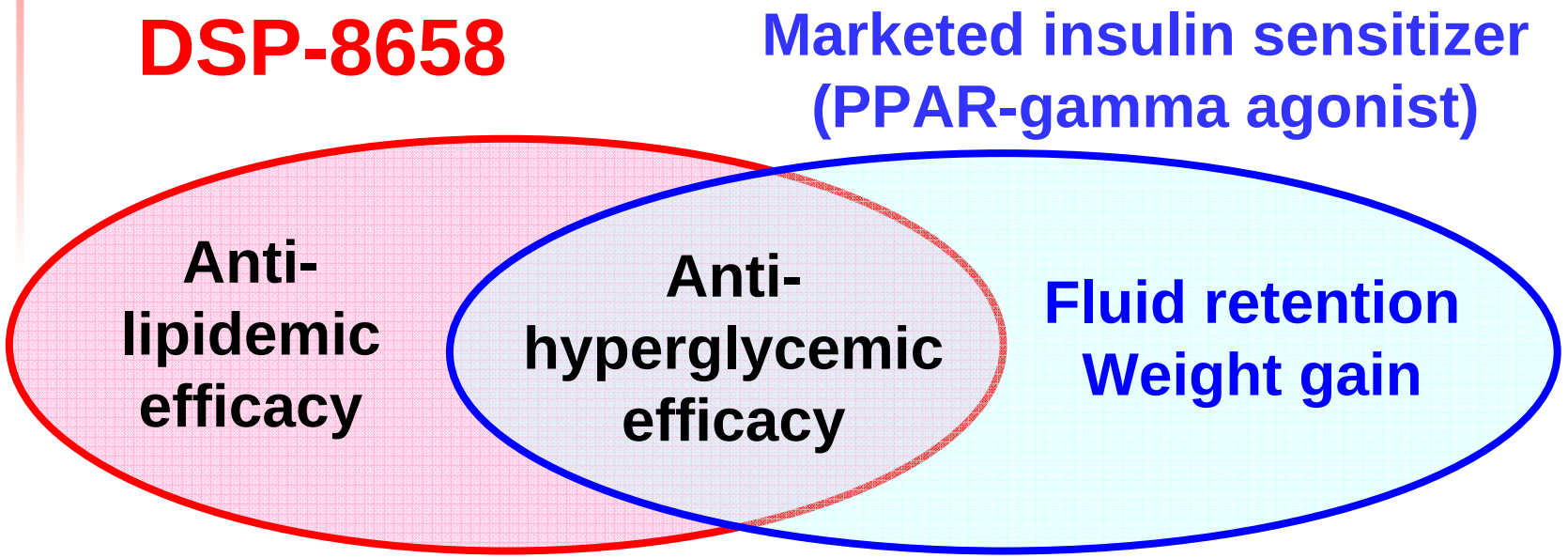
✓**Addition of anti-hyperlipidemic effects**

Lipid abnormality is a common finding with diabetes patients

DSP-8658
PPAR alpha / gamma modulator

Product Profile of DSP-8658

- **Novel chemical structure: Non-thiazolizinedione**
- **Potent antihyperglycemic efficacy: HbA_{1c} ↓**
- **Antilipidemic efficacy: Triglyceride ↓, HDL-C ↑**
- **Less fluid retention/ body weight gain**

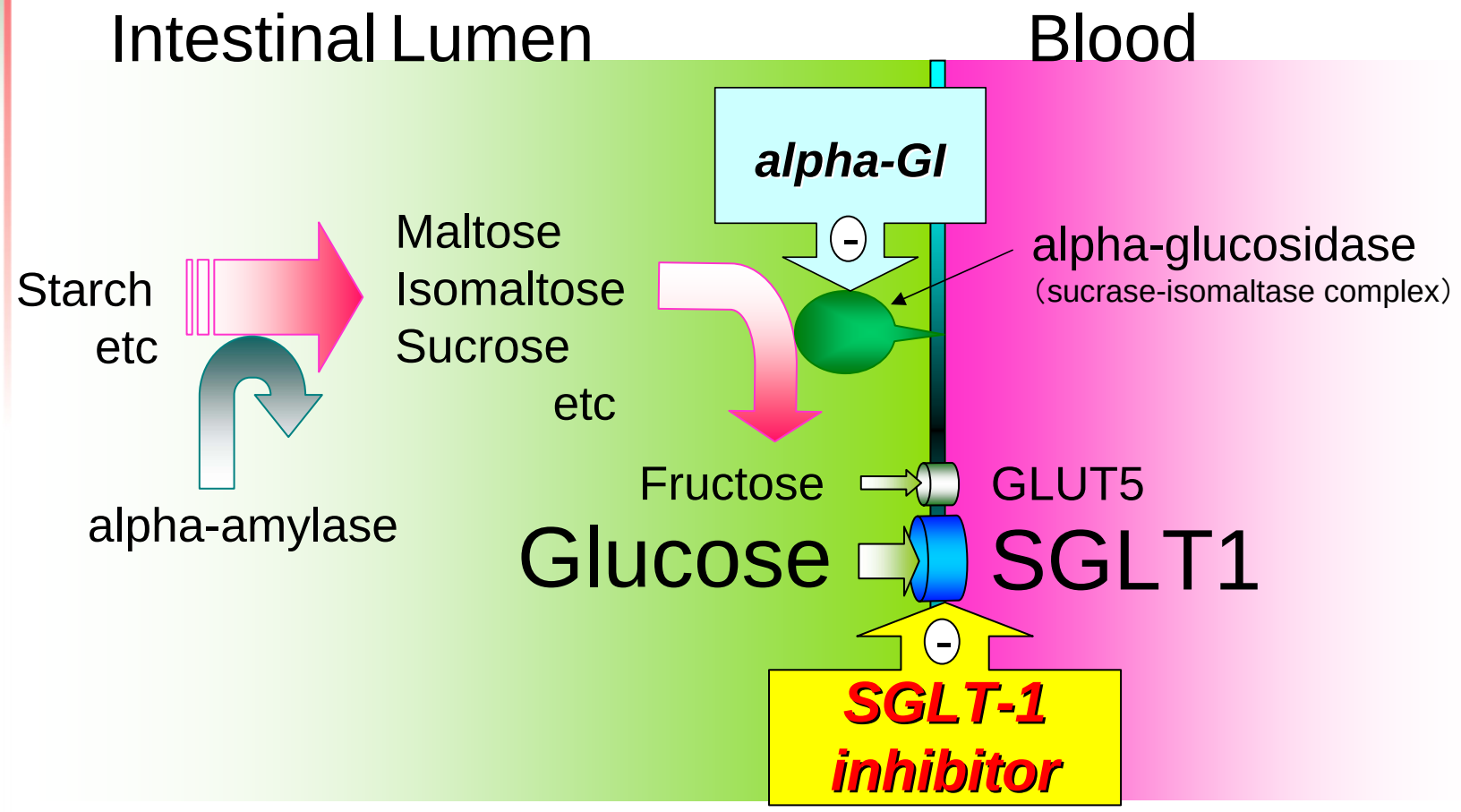


Outline of DSP-3235

• Indication	Type 2 diabetes
• Mechanism of Action	Sodium-dependent glucose cotransporter-1 (SGLT-1) inhibitor
• Formulation	Tablet
• Origin	In-licensed from Kissei Pharmaceutical
• Development Stage	Phase 1 (Japan)

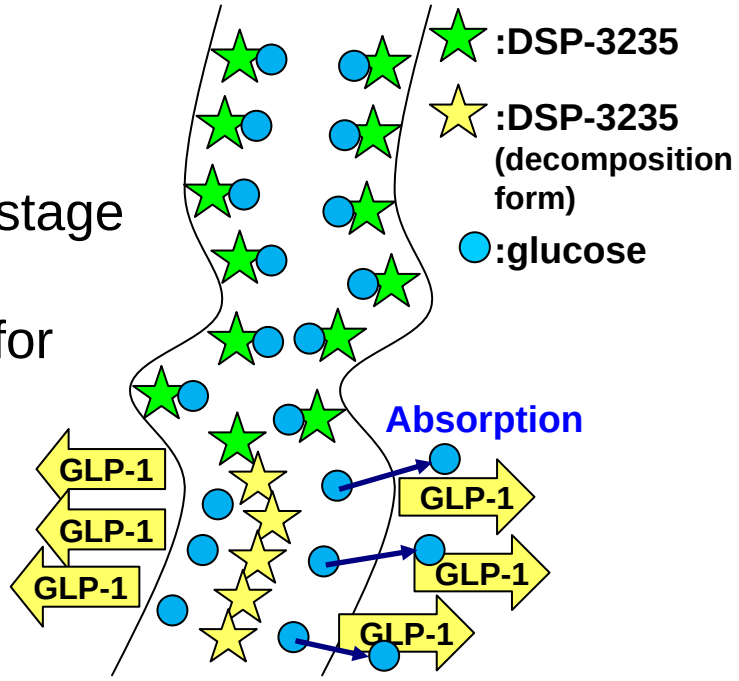
Concept of DSP-3235

- DSP-3235 could improve the postprandial hyperglycemia because SGLT-1 inhibition restrains glucose absorption.
- It is the feature DSP-3235 acts in the lumen of small intestine.



Product Profile of DSP-3235

- Novel chemical structure
- Useful for diabetics from early stage
- Be expected as baseline drug for diabetes
- New approach to treatment for diabetes, differ from alpha-GI



DSP-3235

- **As DSP-3235 move to a lower intestine, the effect is disappearing because of decomposition.**
- **Less gastrointestinal adverse events are expected.**
- **Glucose coming to a lower intestine may encourage releasing more GLP-1.**

Outline of a TLR7 agonist

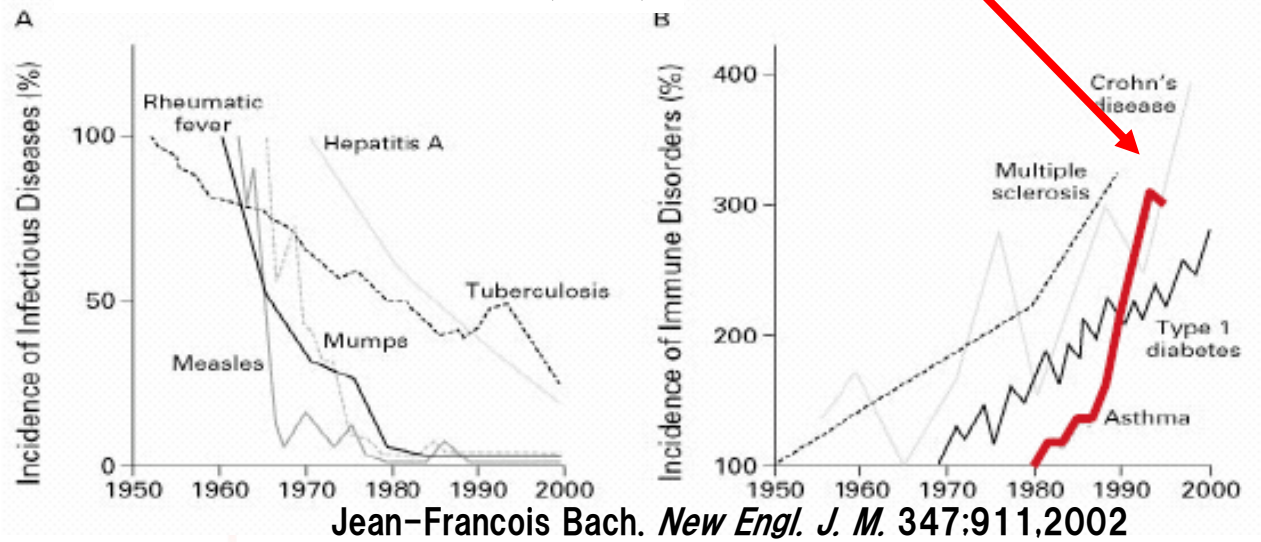
• Indication	Asthma, allergic rhinitis
• Mechanism of action	Novel immune response modifier (selective Toll-like receptor 7 (TLR7) agonist)
• Origin	Outcome of Research Collaboration with AstraZeneca
• Development stage	Phase 1 (Europe, Astra Zeneca) Preparing for Phase 1 (Japan, DSP)

Features of a TLR7 Agonist

Drug discovery concept (hygiene hypothesis)

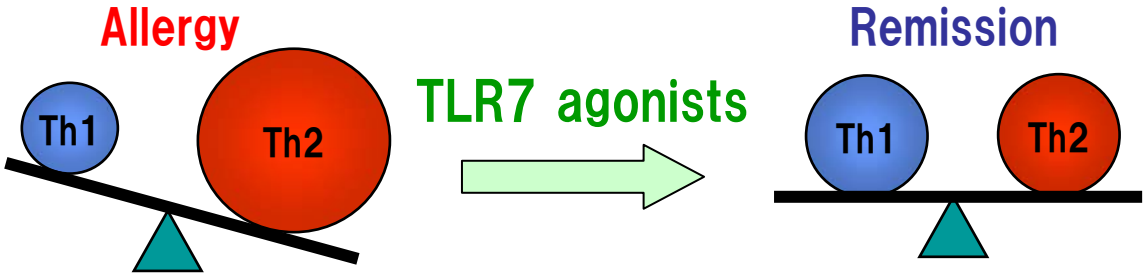
Decrease in infection (Th1)

Rapid increase of asthma (Th2)



Jean-Francois Bach. *New Engl. J. M.* 347:911,2002

Recent rapid increase of allergic disorders is thought to be caused by the decrease of infectious diseases resulted from improved hygiene.



TLR7 agonists induce Th1 and suppress Th2 to provide long-term disease remission in allergic disorders

Expansion in Diabetes

	Product	R&D Pipeline
Insulin secretagogue	Glimicron®	SMP-508 (repaglinide) DSP-7238 (DPP IV inhibition)
Insulin resistance improvement Liver glycogenesis suppression	Melbin®	SMP-862 (metformin) DSP-8658 (PPARα/γ modulator)
Glucose absorption suppression	Seibule®	DSP-3235 (SGLT1 inhibition)

Complication of diabetes		AS-3201 (ranirestat)

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

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