

Second Quarter Financial Results for FY2008

(Apr. 1 to Sep. 30, 2008)

November 4, 2008

Dainippon Sumitomo Pharma Co., Ltd.

Financial Results

Billions of Yen

Progress against forecast
for 2Q FY2008

	2Q FY2007	2Q FY2008	Change	
			Value	Percentage
Net sales	128.7	134.4	5.6	4.4 %
Operating income	22.3	18.2	- 4.1	- 18.5 %
Ordinary income	22.2	18.2	- 4.0	- 17.9 %
Net income	13.8	10.9	- 2.9	- 21.2 %

2Q FY2008 Forecast	Variation
132.6	1.8
14.6	3.6
14.6	3.6
8.8	2.1

Notes

1. All values are rounded to the nearest 100 million yen.
2. 2Q represents period from Apr.1 to Sep.30 in this document.

Increase and Decrease Factors of Net Sales

Billions of Yen

	2Q FY2007	2Q FY2008	Change	
			Value	Percentage
Net sales	128.7	134.4	5.6	4.4 %

(Positives)

- Launch of new products (LONASEN®/AVAPRO®)
- Start of new contract manufacturing
- Increase of exports

(Negatives)

- NHI price revision
- Decreased sales of AMLODIN®

Domestic Sales of 4 Strategic Products and New Products

Billions of Yen

	2Q FY2007	2Q FY2008	Change	
			Value	Percentage
AMLODIN®	32.1	30.5	- 1.6	- 4.9 %
GASMOTIN®	9.4	9.9	0.5	5.6 %
PRORENAL®	7.1	7.3	0.2	3.3 %
MEROPEN®	7.1	7.3	0.2	2.4 %
4 Strategic Products Total	55.7	55.1	- 0.7	- 1.2 %

AVAPRO®	—	1.3	1.3	—
LONASEN®	—	1.3	1.3	—
New Products Total	—	2.7	2.7	—

Cost of Sales and Selling, General & Administrative Expenses

Billions of yen

	2Q FY2007		2Q FY2008		Change
		% of net sales		% of net sales	
Net sales	128.7	—	134.4	—	5.6
Cost of sales	48.2	37.4 %	52.8	39.3 %	4.7
Gross profit	80.6	62.6 %	81.5	60.7 %	0.9
SG&A expenses	58.3	45.3 %	63.3	47.2 %	5.1
SG&A expenses	38.6	30.0 %	38.5	28.7 %	- 0.0
R&D costs	19.7	15.3 %	24.8	18.5 %	5.1
Operating income	22.3	17.3 %	18.2	13.5 %	- 4.1

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

(Cost of sales)

- Rise in cost of sales ratio due to NHI price revision and the application of “Accounting Standard for Measurement of Inventories”

(SG&A expenses)

- Increase of R&D costs due to overseas clinical trials of lurasidon in progress

Non-operating Income & Expenses and Extraordinary Income & Expenses

Billions of yen

	2Q FY2007	2Q FY2008	Change
Operating income	22.3	18.2	- 4.1
Non-operating income and expenses	- 0.1	0.0	0.2
Finance income and expenses including dividend income	0.8	0.8	0.1
Contribution	- 0.9	- 0.9	- 0.1
Others	- 0.0	0.1	0.2
Ordinary income	22.2	18.2	- 4.0
Extraordinary income and expenses	—	—	—
Income taxes and minority interests	- 8.4	- 7.3	1.0
Net income	13.8	10.9	- 2.9

Financial Position

Billions of yen

	As of March 31, 2008	As of Sept. 30, 2008	Changes
ASSETS	399.8	385.5	- 14.3
Current assets	251.1	239.3	- 11.8
Fixed assets	148.7	146.2	- 2.5
LIABILITIES	81.5	61.9	- 19.6
Current liabilities	67.9	48.7	- 19.2
Fixed liabilities	13.6	13.2	- 0.4
NET ASSETS	318.3	323.6	5.3
(shareholders' equity ratio)	79.6%	83.9%	

(ASSETS)

- Decrease of cash & time deposits and marketable securities - 8.8 billion yen
- Decrease of long-term time deposits - 4.0 billion yen

(LIABILITIES)

- Repayment of long-term debt - 4.6 billion yen
- Decrease of other accounts payable - 7.0 billion yen

Cash Flows

Billions of yen

I	Cash flows from operating activities	+ 10.4
	▪ Income before income taxes and minority interests	+ 18.2
	▪ Depreciation and amortization	+ 5.5
	▪ Decrease in notes and accounts payable	- 3.0
	▪ Income taxes paid	- 10.1
II	Cash flows from investing activities	- 13.0
	▪ Net increase in time deposits	2.0
	▪ Purchases of property, plant and equipment	- 10.3
	▪ Purchases of investment securities	- 3.8
III	Cash flows from financing activities	- 8.2
	▪ Repayment of long-term debt	- 4.6
	▪ Dividends paid	- 3.6

Cash and cash equivalents, end of period: 45.5 billion yen
(compared with the beginning of period: -10.8 billion yen)

Financial Forecasts for FY2008



Forecasts for FY2008

Billions of yen

	FY07 Results	FY08		Changes	
		Forecast (as of May 9)	Forecast (as of Oct. 31)	Compared with the Previous fiscal year	Compared with the Forecast of May
Net sales	264.0	266.0	266.0	2.0	—
Operating income	39.8	30.5	30.5	- 9.3	—
Ordinary income	37.7	30.5	30.5	- 7.2	—
Net income	25.6	18.5	18.5	- 7.1	—

R&D costs	47.3	55.5 [56.5]	55.0	7.7	- 0.5 [- 1.5]
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Notes: R&D costs of forecast released on May 9 were revised because of organizations change executed in June. (In parentheses, original numerical targets have been described)

Cost of Sales and Selling, General & Administrative Expenses

Billions of yen

	FY07 Results	FY08 Forecasts		Changes	
		Forecast (as of May 9)	Forecast (as of Oct. 31)	Compared with the previous fiscal year	Compared with the forecast of May
Net sales	264.0	266.0	266.0	2.0	0.0
	[37.6%]	[38.5%]	[38.9%]	[1.3%]	[0.4%]
Cost of sales	99.4	102.5	103.5	4.1	1.0
Gross profit	164.6	163.5	162.5	- 2.1	- 1.0
SG&A expenses	124.8	133.0	132.0	7.2	- 1.0
SG&A expenses	77.5	[76.5] 77.5	77.0	- 0.5	- 0.5
R&D costs	47.3	[56.5] 55.5	55.0	7.7	- 0.5
Operating income	[15.1%] 39.8	[11.5%] 30.5	[11.5%] 30.5	[-3.6%] - 9.3	[0.0%] 0.0

Notes: 1. Cost of sales includes provision for (reversal of) reserve for sales returns

2.SG&A expenses and R&D expenditures of forecast released on May 9 were revised because of organizations change executed in June. (In parentheses, original numerical targets have been described)

3. Assumption Exchange rate in Second- half ¥110 to US\$1, ¥225 to UK£1

Marketing Activities in Domestic Territory



Domestic Sales Forecast for 4 Strategic Products and New Products

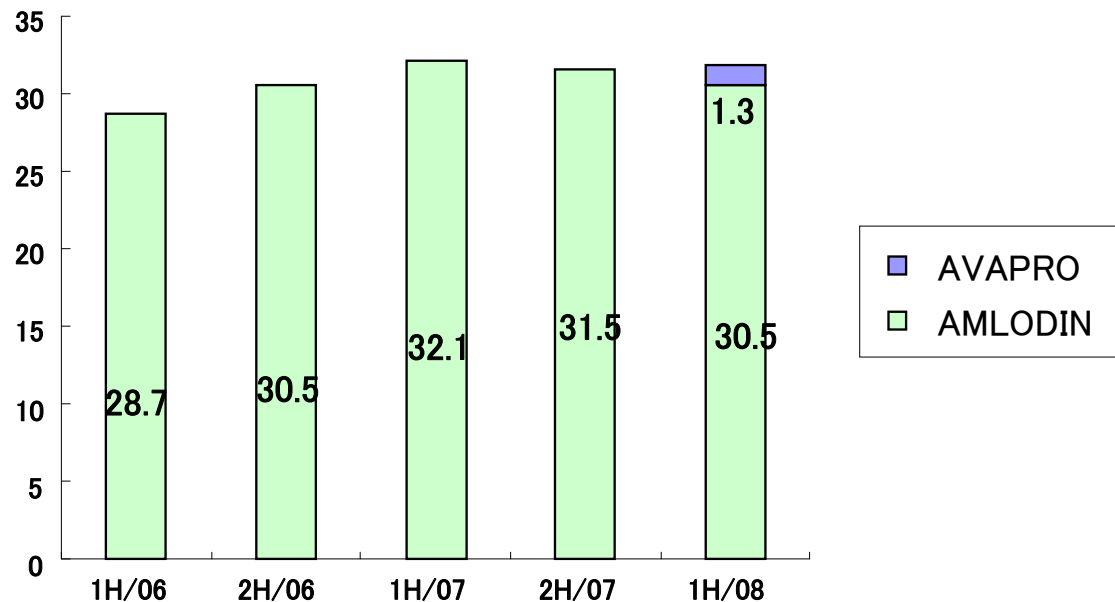
Billions of Yen

	FY07 Results	FY08 Forecast	Change	
			Value	Percentage
AMLODIN [®]	63.6	57.0	- 6.6	- 10.4 %
GASMOTIN [®]	19.5	20.0	0.5	2.6 %
PRORENAL [®]	14.5	15.0	0.5	3.4 %
MEROPEN [®]	14.8	14.5	- 0.3	- 2.0 %
Total	112.4	106.5	- 5.9	- 5.2 %

AVAPRO [®]	—	3.0	3.0	—
LONASEN [®]	—	2.0	2.0	—
Total	—	5.0	5.0	—

AMLODIN[®]/AVAPRO[®]

- AMLODIN[®]
 - Sales results in line with our annual forecast
 - Ratio of OD tablets (end of September) : 51%
- AVAPRO[®]
 - Focused detailing
 - Early establishment of definite position in ARB market



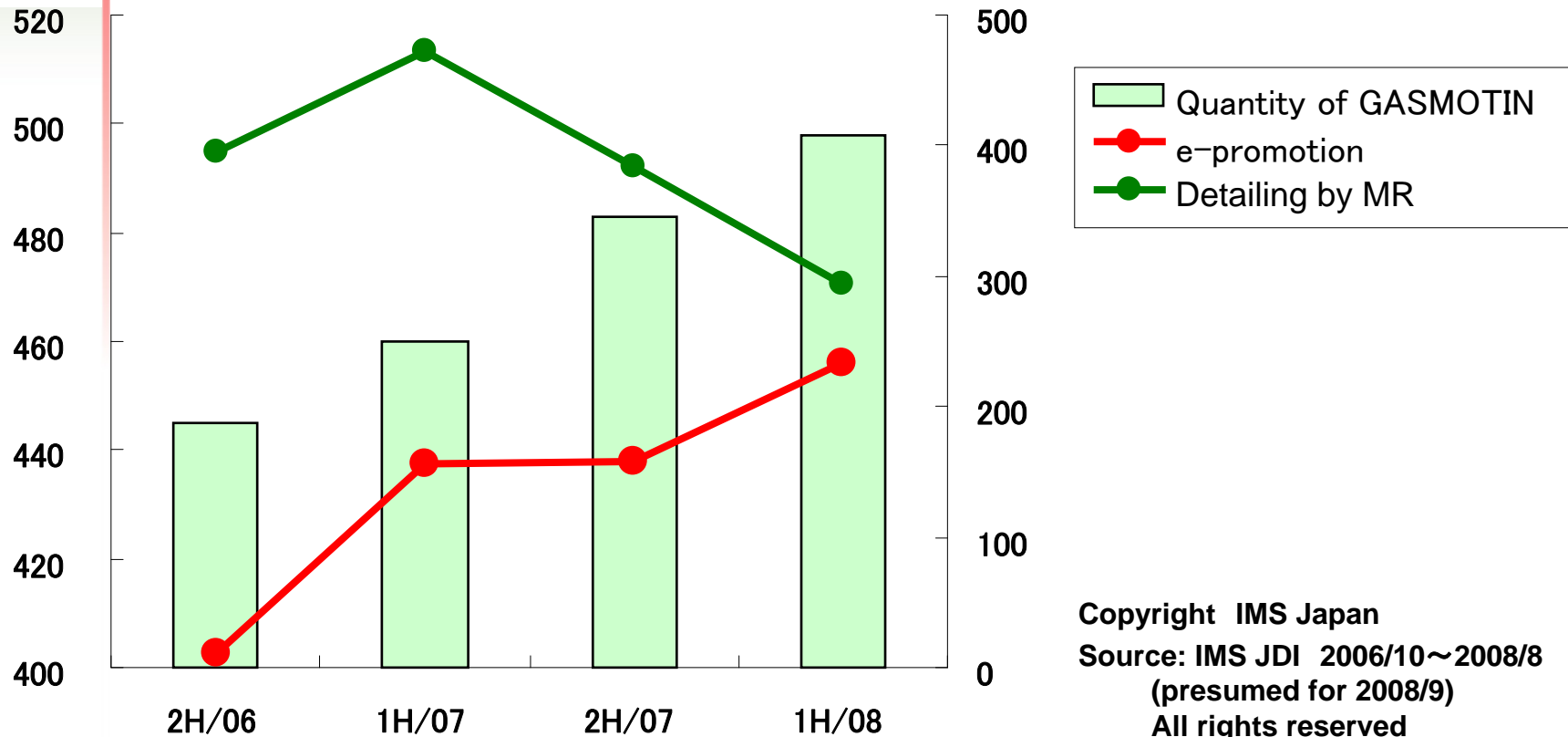
GASMOTIN®

■ Focused on utilization of e-promotion “GASMOTIN Channel”

- The contents delivered to about 20,000 doctors through “MR-kun” (marketing support service by So-net M3)

quantity
(million)

Detailing number
JDI: in thousands

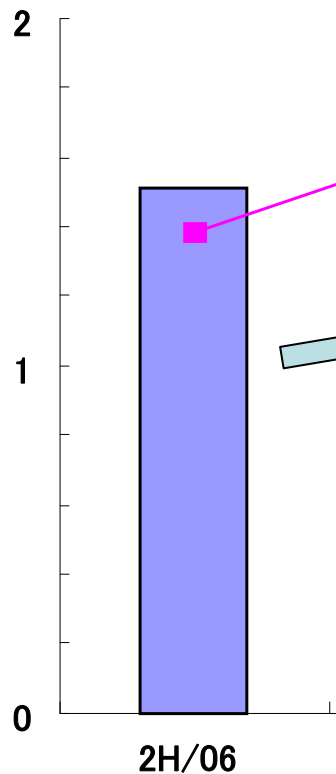


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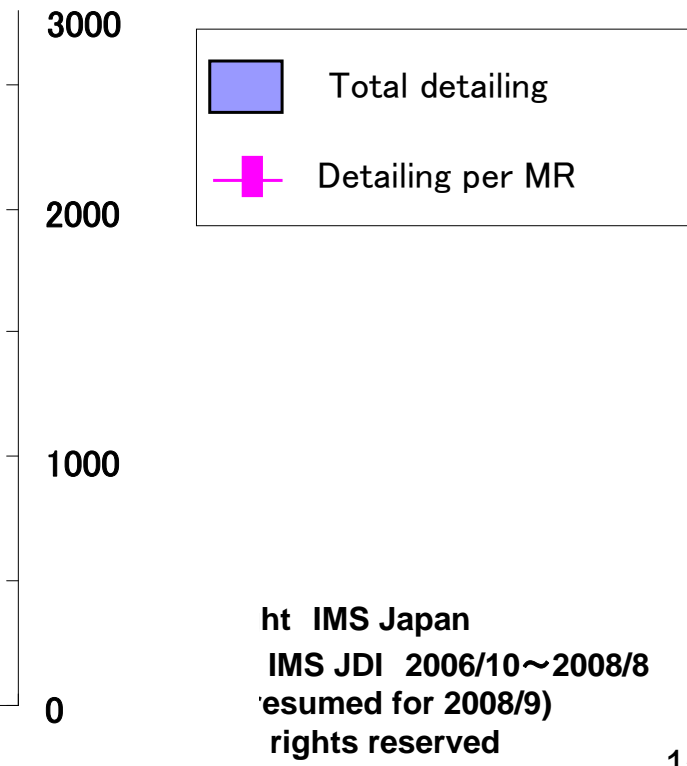
Programs to Increase Detailing

- Programs started in 2Q/FY07 to increase quantity and quality of detailing.
 - “Change your behavior” campaign
 - “Let’s think about detailing” month, etc.

Detailing per MR
JDI:in thousands



Total detailing
JDI:in thousands



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New Therapeutic Indication of SUMIFERON®

- Approval of a new therapeutic indication on Oct. 16. “Compensated cirrhosis associated with chronic hepatitis C (except the case that the load of blood HCV RNA serogroup 1 is high)”
- First approval of “Compensated cirrhosis associated with chronic hepatitis C” among the interferon-alfa preparations in Japan
- Potential to improve QOL of patients with subcutaneous/intramuscular administration

R&D Pipelines

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Development Pipeline

Pre-registration	Phase III	Phase II		Phase I
<p>Hepatocellular carcinoma</p> <p>SM-11355 (miriplatin)</p> <p>Diabetes</p> <p>SMP-862 (metformin)</p> <p>Parkinson's disease</p> <p>AD-810N (zonisamide)</p> <p>Improvement in bowel cleansing by orally gastrointestinal lavage solution prior to barium enema X-ray examination</p> <p>GASMOTIN</p> <p>Addition of fungal species</p> <p>AmBisome</p> <p>Febrile neutropenia</p> <p>MEROPEN</p>	<p>Diabetes</p> <p>SMP-508 (repaglinide)</p> <p>Schizophrenia</p> <p>SM-13496 (lurasidone)</p> <p>Schizophrenia (US/EU etc.)</p> <p>SM-13496 (lurasidone)</p>	<p>Diabetic neuropathy</p> <p>AS-3201 (ranirestat)</p> <p>Rheumatoid arthritis</p> <p>SMP-114</p> <p>Dementia</p> <p>AC-3933</p> <p>Rheumatoid arthritis (EU)</p> <p>SMP-114</p> <p>Over-active bladder syndrome (US/EU)</p> <p>SMP-986</p>	<p>Dementia (US/EU)</p> <p>AC-3933</p>	<p>Over-active bladder syndrome</p> <p>SMP-986</p> <p>Diabetes</p> <p>DSP-3235</p> <p>Allergic disorders (Under preparation for Phase I)</p> <p>DSP-3025</p> <p>Bronchial asthma (US)</p> <p>SMP-028</p> <p>Diabetes (EU)</p> <p>DSP-7238</p> <p>Diabetes (US: Under preparation for Phase I)</p> <p>DSP-8658</p>

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

White font indicates updated projects

Clinical Development of Lurasidone

Global studies (ongoing)

■ Schizophrenia

- Phase 3 Placebo-Controlled Clinical Trial (PEARL #1)
 - Screening started on October 25, 2007.
 - Recruitment of patients completed as scheduled
- Phase 3 Placebo - and Active Comparator- Controlled Clinical Trial (PEARL #2)
 - Screening started on January 31, 2008, dosing underway
- Long-term Safety Study (PEARL Safety)
 - Screening started on March 17, 2008, dosing underway
- Phase 3 Placebo- and Active Comparator- Controlled Clinical Trial (PEARL #3)
 - IND Amendment submitted to FDA on October 15, 2008.
 - Screening to be started soon

Clinical Development of Lurasidone

Global studies (planning)

■ Bipolar Disorder

- Phase 3 studies to be started early next year

Development for Japanese NDA submission Japan (Pan-Asia study)

- IND for Phase 3 Study (against schizophrenia) in Japan, Taiwan and South Korea
- Screening started in June, 2008 (Japan)
- Taiwan and Korea: IND approved by the health authorities, and the screening to be started soon
- Protocol Synopsis
 - Comparator: Placebo (Reference: risperidone)
 - Target Number of Enrolled Patients: 440
 - Primary Endpoints: PANSS

NDDC

Neuropsychiatric Drug Discovery Consortium

*"Accelerate the translational research to innovate
the treatment for neuropsychiatric diseases"*

DSP takes a new approach "NDDC"

Neuropsychiatric diseases

DSP's research focus

Lullan[®]

Launched in 2001

Lonasen[®]

Launched this year

Lurasidone

Phase 3 underway globally

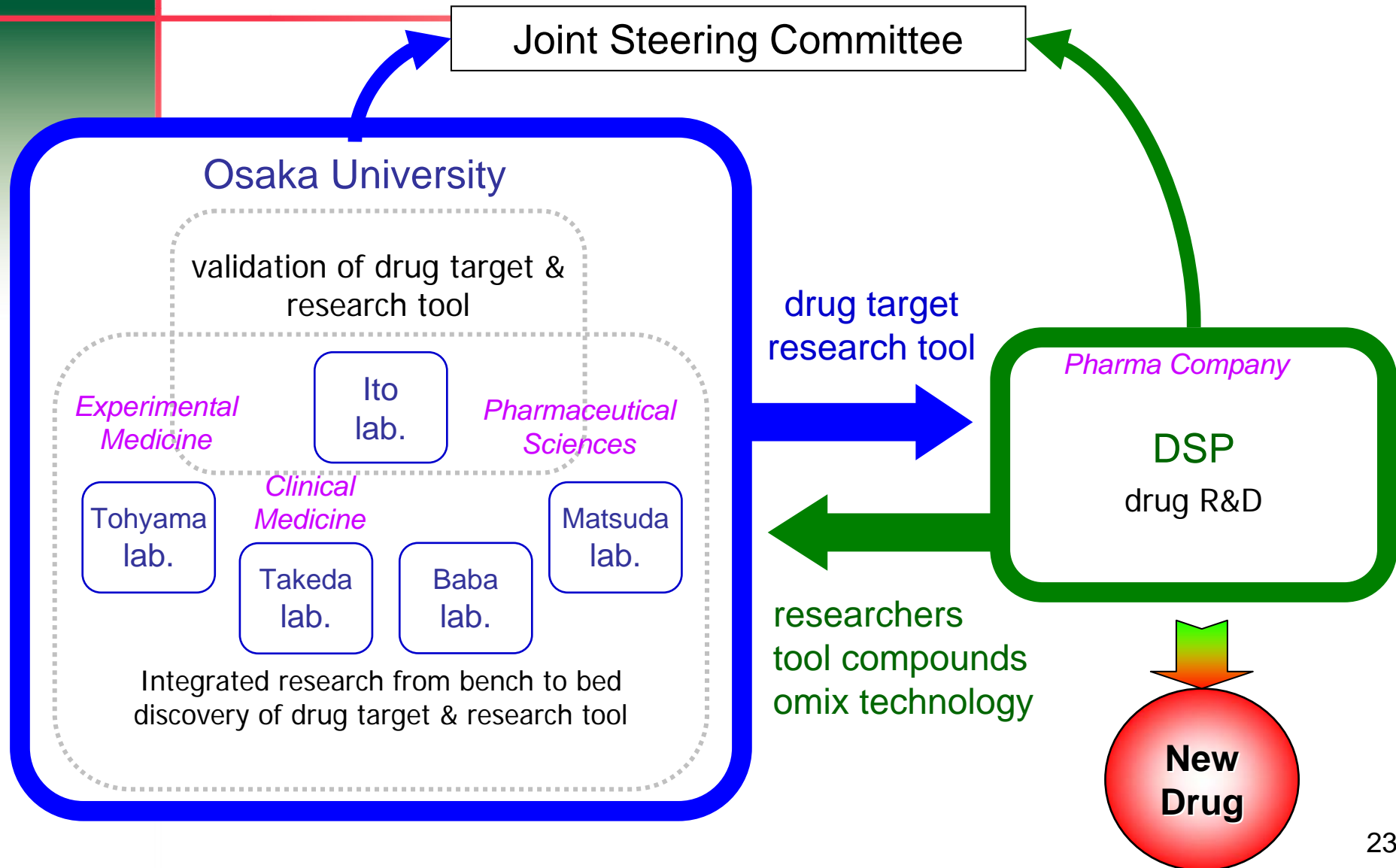
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NDDC

Research consortium with laboratories in Osaka University to discover a drug based on new findings in neuropsychiatric disease pathogenesis

established in November, 2008

NDDC conducts multidiscipline research for drug discovery



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