

Financial Results for FY2008 (ended March 31, 2009)

May 12, 2009

Masayo Tada

President and CEO

Dainippon Sumitomo Pharma Co., Ltd.

Financial Results for FY2008



Summary of Financial Results for FY2008

1. Profit target achieved.
2. Net sales remained steady due to launch of new products in spite of NHI price revision and decreased sales of AMLODIN[®].
3. Clinical development of lurasidon successfully in progress.
4. Operating income decreased due to rise in cost of sales ratio and increase in R&D costs.

Financial Results

Billions of Yen

	FY2007	FY2008	Change		Forecast	Difference
			Value	Percentage		
Net sales	264.0	264.0	0.0	0.0 %	266.0	- 2.0
Operating income	39.8	31.2	- 8.6	- 21.7 %	30.5	0.7
Ordinary income	37.7	31.4	- 6.3	- 16.6 %	30.5	0.9
Net income	25.6	20.0	- 5.6	- 21.9 %	18.5	1.5

Note: All values are rounded to the nearest 100 million yen.

Increase and Decrease Factors of Net Sales

Billions of Yen

	FY2007	FY2008	Change	
			Value	Percentage
Net sales	264.0	264.0	0.0	0.0 %

(Positives)

- Sales of new products (LONASEN[®] / AVAPRO[®])
- Start of new contract manufacturing

(Negatives)

- NHI price revision
- Decreased sales of AMLODIN[®]

Sales of Pharmaceutical Products

Billions of yen

	FY2007	FY2008	Change	
			Value	Percentage
AMLODIN®	63.6	57.9	- 5.7	- 9.0 %
GASMOTIN®	19.5	20.2	0.7	3.4 %
PRORENAL®	14.5	14.8	0.3	2.1 %
MEROPEN®	14.8	14.8	0.0	0.1 %
4 Strategic Products Total	112.4	107.7	- 4.8	- 4.2 %
LONASEN®	—	3.4	3.4	—
AVAPRO®	—	1.5	1.5	—
TRERIEF®	—	0.1	0.1	—
New Products Total	—	5.0	5.0	—
EBASTEL®	11.1	10.6	- 0.5	- 4.1 %
SUMIFERON®	6.0	6.0	- 0.0	- 0.7 %
AmBisome®	2.5	3.1	0.5	20.0 %
Other Products	52.4	52.7	0.3	0.5 %
Domestic Sales Total	184.5	185.0	0.5	0.3 %
Overseas Sales Total	24.1	21.8	- 2.3	- 9.6 %
Pharmaceuticals Total	208.7	206.8	- 1.8	- 0.9 %

Cost of Sales and Selling, General & Administrative Expenses

Billions of yen

	FY2007		FY2008		Change	
		% of net sales		% of net sales	Value	Percentage
Net sales	264.0	—	264.0	—	0.0	0.0%
Cost of sales	99.4	37.6%	103.7	39.3%	4.4	4.4%
Gross profit	164.6	62.4%	160.3	60.7%	- 4.3	- 2.6%
SG&A expenses	124.8	47.3%	129.1	48.9%	4.3	3.5%
SG&A expenses	77.5	29.4%	76.3	28.9%	- 1.2	- 1.6%
R&D costs	47.3	17.9%	52.8	20.0%	5.6	11.7%
Operating income	39.8	15.1%	31.2	11.8%	- 8.6	- 21.7%

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

Non-operating Income & Expenses and Extraordinary Income & Loss

Billions of yen

	FY2007	FY2008	Change	
			Value	Percentage
Operating income	39.8	31.2	- 8.6	- 21.7%
Non-operating income and expenses	- 2.2	0.2	2.4	
Finance income and expenses including dividend income	1.4	1.6	0.2	
Contribution	- 1.8	- 1.8	- 0.1	
Others	- 1.8	0.4	2.2	
Ordinary income	37.7	31.4	- 6.3	- 16.6%
Extraordinary income and loss	3.8	0.8	- 3.0	
Reversal of reserve for loss on litigation	—	1.1	1.1	
Gain on sales of investment securities	3.8	—	- 3.8	
Loss on valuation of investment securities	—	- 0.3	- 0.3	
Income taxes and minority interests	- 15.9	- 12.2	3.7	
Net income	25.6	20.0	- 5.6	- 21.9%

Financial Position

Billions of yen

	As of March 31, 2008	As of March 31, 2009	Change
ASSETS	399.8	391.3	- 8.5
Current assets	251.1	263.5	12.5
Fixed assets	148.7	127.8	- 21.0
LIABILITIES	81.5	66.8	- 14.7
Current liabilities	67.9	53.3	- 14.6
Long-term liabilities	13.6	13.4	- 0.1
NET ASSETS	318.3	324.5	6.2

(shareholders' equity ratio)

79.6%

82.9%

(ASSETS)

- Increase in short-term loans 10.0 billion yen
- Decrease in investment securities (valuation adjustments, etc.) - 10.4 billion yen

(LIABILITIES)

- Repayment of long-term debt - 4.6 billion yen
- Decrease in other accounts payable - 5.9 billion yen

Cash Flows

Billions of yen

I	Net cash provided by operating activities	+ 26.3
	▪ Income before income taxes and minority interests	+ 32.2
	▪ Depreciation and amortization	+ 11.5
	▪ Decrease in notes and accounts receivable	+ 6.6
	▪ Increase in inventories	- 6.0
	▪ Income taxes paid	- 18.6
II	Net cash used in investing activities	- 21.3
	▪ Purchases of property, plant and equipment	- 13.6
	▪ Net increase in short-term loans	- 10.0
III	Net cash used in financing activities	- 11.8
	▪ Repayment of long-term debt	- 4.6
	▪ Dividends paid	- 7.2

Cash and cash equivalents at the end of period: 49.5 billion yen
 (compared with the beginning of period: - 6.8 billion yen)

Financial Forecasts for FY2009



Points of Forecasts for FY2009

1. Slight decrease in sales of pharmaceuticals according to the influence of generics
2. Rise in cost of sales ratio due to changes of sales structure
3. Development cost of lurasidone reaching its peak
4. Significant decrease in operating income

Financial Forecasts for FY2009

Billions of yen

	FY08	FY09	Change	
	Results	Forecasts	Value	Percentage
Net sales	264.0	264.0	—	—
Operating income	31.2	25.0	- 6.2	- 19.8%
Ordinary income	31.4	24.0	- 7.4	- 23.6%
Net income	20.0	15.0	- 5.0	- 25.0%

* Sumitomo Pharmaceuticals (Suzhou) Co.,Ltd. is newly added as a consolidated subsidiary from FY09.

R&D costs	52.8	54.5	1.7	3.2%
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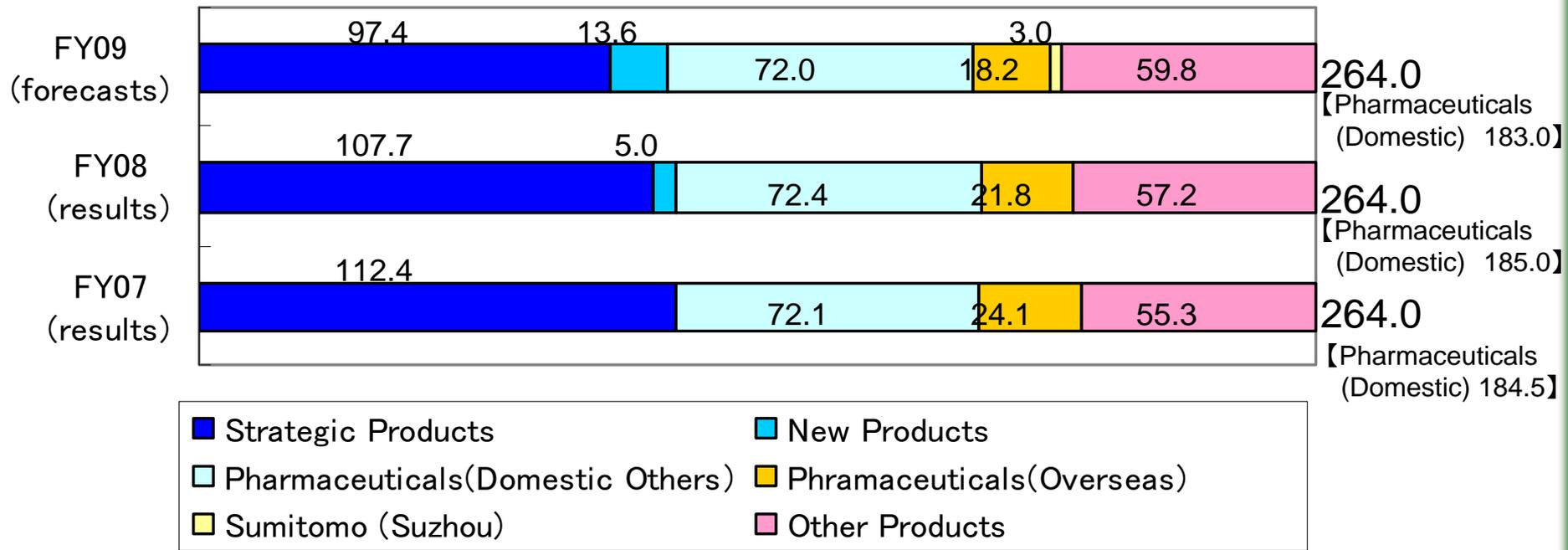
Forecasts of Net Sales (1)

Billions of yen

	FY08	FY09	Change
AMLODIN [®]	57.9	48.0	- 9.9
GASMOTIN [®]	20.2	21.0	0.8
PRORENAL [®]	14.8	15.5	0.7
MEROPEN [®]	14.8	12.9	- 1.9
4 Strategic Products Total	107.7	97.4	- 10.3
LONASEN [®]	3.4	6.5	3.1
AVAPRO [®]	1.5	6.0	4.5
TRERIEF [®]	0.1	1.1	1.0
New Products Total	5.0	13.6	8.6
EBASTEL [®]	10.6	8.6	- 2.0
SUMIFERON [®]	6.0	6.0	0.0
AmBisome [®]	3.1	4.3	1.2
Other Products	52.7	53.1	0.4
Domestic Sales Total	185.0	183.0	- 2.0
Overseas Sales Total	21.8	21.2	- 0.6
Pharmaceuticals Total	206.8	204.2	- 2.6

Forecasts of Net Sales (2)

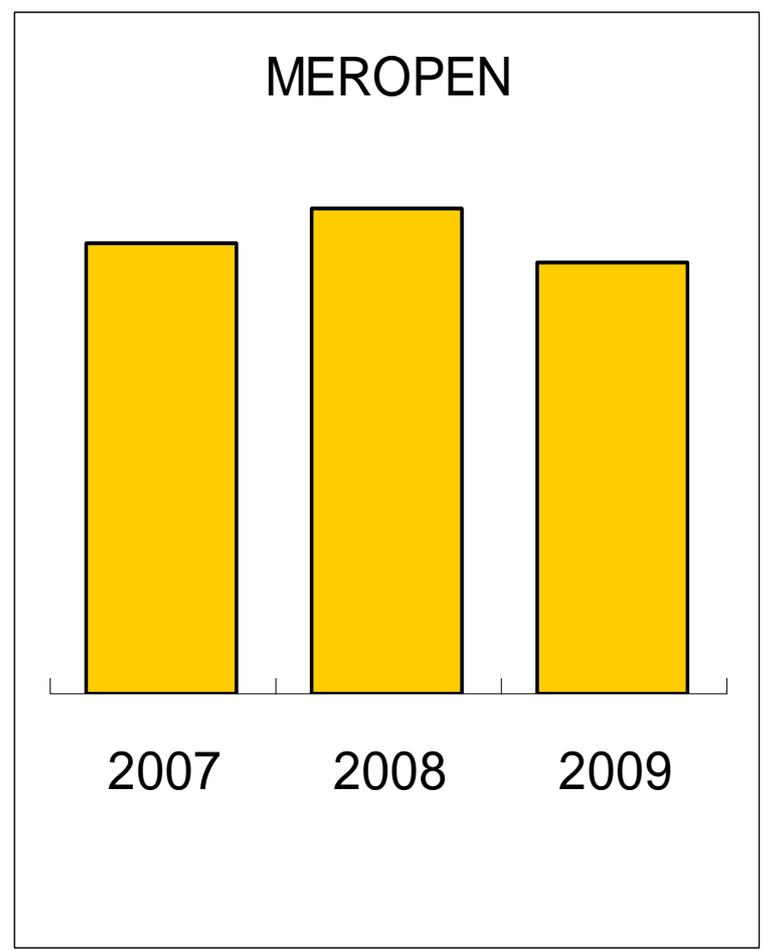
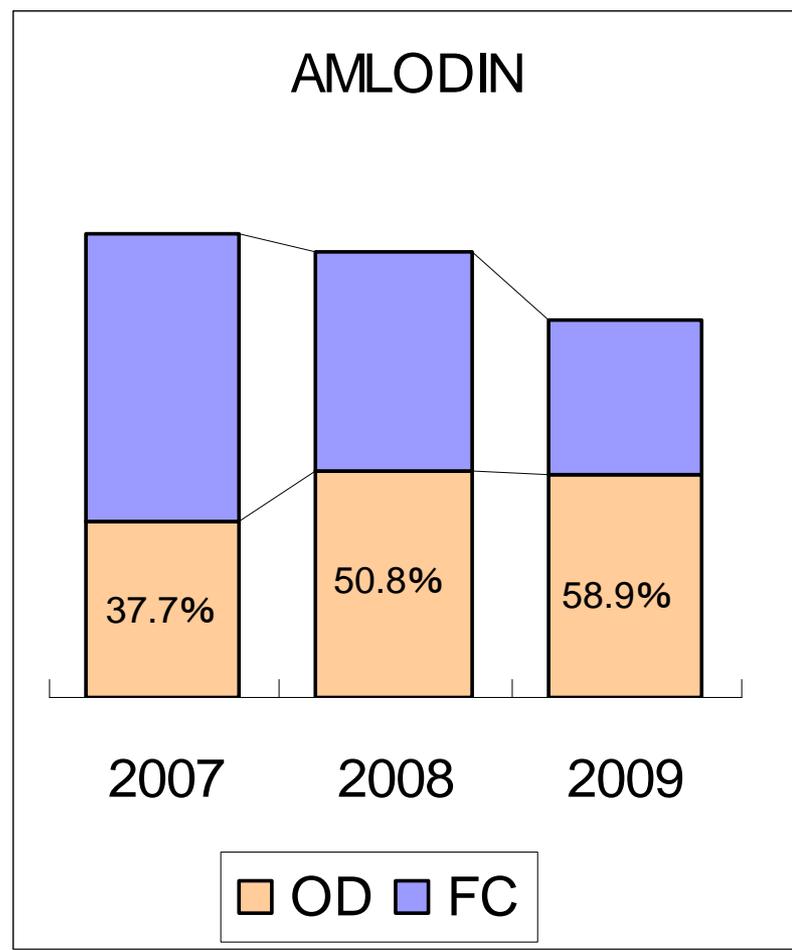
Billions of yen



(Pharmaceuticals)
 The influence of generics products is covered by increasing the sales of new products, etc.

Forecasts of Net Sales (3)

Transition of Amount of AMLODIN® and MEROPEN®



Cost of Sales and Selling, General & Administrative Expenses

Billions of yen

	FY08		FY09		Change	
	Results		Forecasts		Value	Percentage
Net sales	264.0	—	264.0	—	0.0	0.0%
Cost of sales	103.7	39.3%	106.5	40.3%	2.8	2.7%
Gross profit	160.3	60.7%	157.5	59.7%	- 2.8	- 1.7%
SG&A expenses	129.1	48.9%	132.5	50.2%	3.4	2.6%
SG&A expenses	76.3	28.9%	78.0	29.5%	1.7	2.2%
R&D costs	52.8	20.0%	54.5	20.6%	1.7	3.2%
Operating income	31.2	11.8%	25.0	9.5%	- 6.2	- 19.8%

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

(Cost of sales)

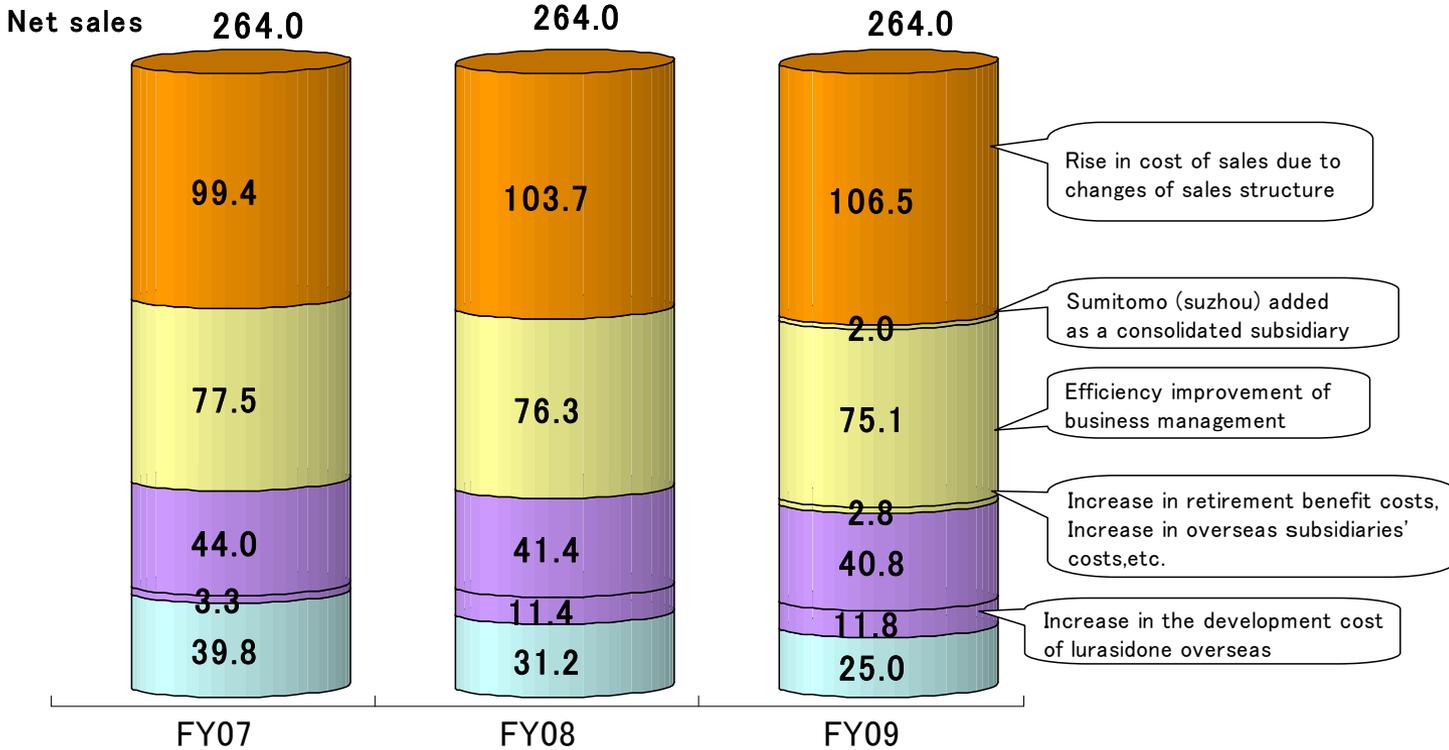
- Rise in cost of sales ratio due to changes of sales structure

(SG&A expenses)

- Aggressive investment on the development of lurasidone overseas
- Reduction in other costs by thorough pursuit of management efficiency improvement
- Increase in SG&A expenses by adding Sumitomo (Suzhou) as a consolidated subsidiary

Profit and Cost Structure

Billions of yen



□ Operating income □ R&D costs □ SG&A expenses □ Cost of sales

Financial influence by Sumitomo (Suzhou) Co.,Ltd.

Billions of yen

	Sumitomo (Suzhou)	Elimination of internal transactions	Influence on consolidation
Net sales	5.0	- 2.0	3.0
Cost of sales	1.5	- 1.0	0.5
Gross profit	3.5	- 1.0	2.5
SG&A expenses	2.5	- 0.5	2.0
Operating income	1.0	- 0.5	0.5

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

2. Changes in dividends

	FY07	FY08 (planned)	FY09 (planned)
Dividends per share (yen)	18.00	18.00	18.00
Payout ratio (%)	28.0	35.8	47.7

〈reference〉

Dividends to net assets ratio (%)	2.3	2.2	2.2
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R&D Pipeline



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>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 Bipolar disorder (US/EU etc.)</p> <p>SM-13496 (lurasidone)</p> <p>Small cell lung cancer (China)</p> <p>Amrubicin</p>	<p>Diabetic neuropathy</p> <p>AS-3201 (ranirestat)</p> <p>Hypertension (Combination Product)</p> <p>DSP-8153</p> <p>Over-active bladder syndrome (US/EU)</p> <p>SMP-986</p>	<p>Over-active bladder syndrome</p> <p>SMP-986</p> <p>Diabetes</p> <p>DSP-3235</p> <p>Allergic disorders</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)</p> <p>DSP-8658</p>

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

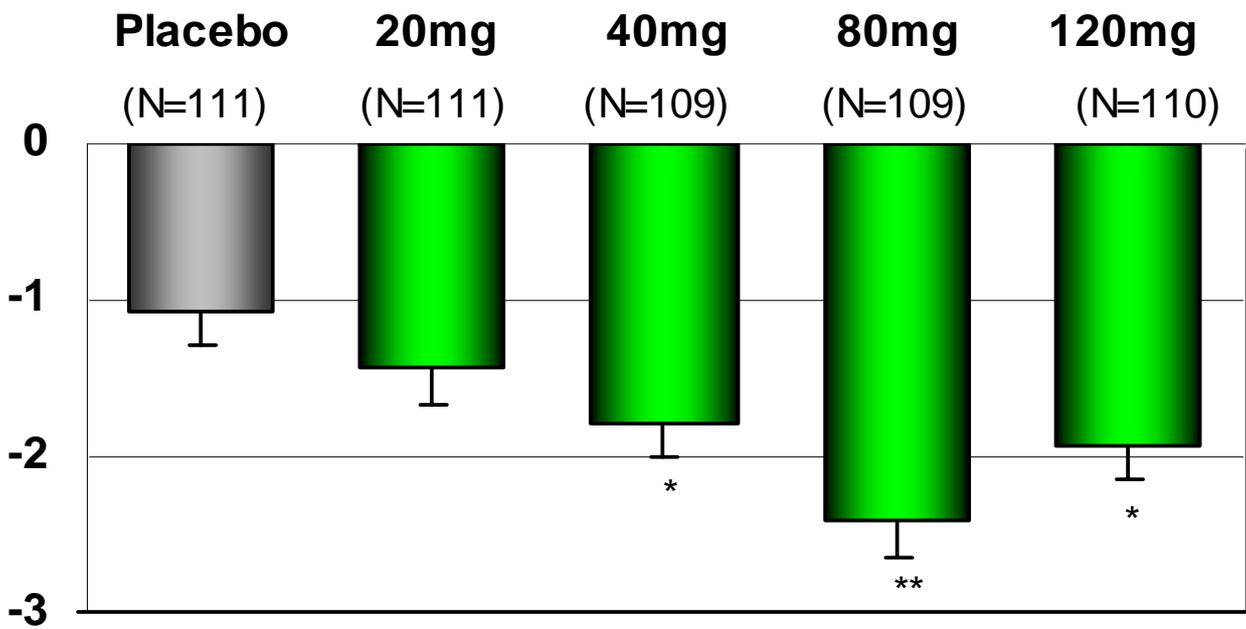
White font indicates updated projects

Development Pipeline Highlight

- GASMOTIN (mosapride) :
Deleted because of approval in April 2009
Indication : Adjunctive treatment to the pretreatment with orally gastrointestinal lavage solution for barium enema X-ray exam.
- DSP-8153 :
Newly added in “Phase II”
Combination Product of Amlodipine and Irbesartan
Indication : Hypertension
- DSP-3025 :
“Phase I” study is ongoing
- AC-3933 :
Deleted because of discontinuation

SMP-986 Phase 2 study in US/EU Efficacy result

Change of voiding frequency per 24 hours



Mean change from baseline at 8 week (LOCF analysis)

*: p<0.05, **: p<0.01 vs placebo

SMP-986 Phase 2 study in US/EU Summary

■ Efficacy

The mean decreases of number of voids per 24 hours (primary efficacy endpoint) were statistically significantly decreased in SMP-986 40 mg, 80 mg and 120 mg.

■ Safety

Although there was a relationship between SMP-986 dose levels and incidence of anti-muscarinic related adverse events, there was no other concern for adverse events. SMP-986 was generally well tolerated.

Basic policy in and after FY2009

Progress in Business Goals Pursued in the Mid-term Business Plan

Billions of Yen

About the variance in sales

	FY2009		Change
	Business goals (Mid-term Plan)	Forecasts 2009.5.11	
Net sales	295.0	264.0	- 31.0
Pharmaceuticals	233.0	204.2	- 28.8
Operating income	50.0	25.0	- 25.0
Net income	30.0	15.0	- 15.0

■ Large deviations from the target of four strategic products

Amlodin	¥58.0billion	¥48.0billion
Gasmotin	28.0billion	21.0billion
Prorenal	18.0billion	15.5billion
Meropen	16.0billion	12.9billion
Total	120.0billion	97.4billion


(- ¥22.6billion)

- Factor in the deviations
- Understanding of the market of each product and market transition
 - Evaluation of the sales force

R&D costs	55.0	54.5	- 0.5
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Basic Strategies of the Mid-term Business Plan

Strengthen our business foundation for the first step to become a global corporation

1. Strengthening our domestic business foundation
2. Strengthening our R&D organization for strong flow of the pipeline products
3. Preparing international operation structure
4. Strengthening strategic partnership
5. Striving for efficient management and for efficient and profitable corporate structure
6. Establishment of “DSP Management”

Focused Challenges in FY2009

Actions continuing after FY2010

- Strengthening our domestic business foundation
- Striving for efficient management and for efficient and profitable corporate structure
- Preparing international operation structure

Focused Challenges in FY2009

- Strengthening our domestic business foundation

<Strengthening in sales & marketing>

- Organizational reform of Sales & Marketing Division
- Introduction of regional profit and loss management system
- Further advancement in quality and quantity of detailing

<Strengthening in product>

- Maximization of values of four strategic products
- Focused sales & marketing on new product, and accelerated launch of development pipeline
- Accelerated in-licensing of products under late-stage development

Focused Challenges in FY2009

- Striving for efficient management and for efficient and profitable corporate structure
 - Efficient R&D spending based on prioritization
 - Promotion of operation streamlining project in indirect sections
 - Reduction in total cost

Focused Challenges in FY2009

- Preparing international operation structure
 - Establishment of US sales organization for lurasidone, possible partnership in US, etc.
 - Pursuing further business development in US following lurasidone
 - Strengthening of business in China
 - Other territories

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 started on October 27, 2008, dosing underway

Clinical Development of Lurasidone

Global studies (ongoing)

- Bipolar Disorder (Phase 3 studies)
 - IND submitted to FDA on December 17, 2008.
 - Screening started in April, 2009

Development for Japanese NDA submission (Pan-Asia study)

- IND for Phase 3 Study (against schizophrenia) in Japan, Taiwan and South Korea
- Dosing underway in Japan, Taiwan and South Korea
- Protocol Synopsis
 - Comparator: Placebo (Reference: risperidone)
 - Target Number of Enrolled Patients: 440
 - Primary Endpoints: PANSS

Lurasidone Schedule (2009)

- PEARL 1 Trial Results
 - Presentation at APA: 20 May, 2009
 - Analyst Meeting in Tokyo: mid in June, 2009

- PEARL 2 Trial Results: to be received in autumn, 2009

- PREVAIL Trial: Dosing to be started in 1Q, FY2009

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.

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