



**Overview of Consolidated Financial Results
for the First Three Months of the Year Ending March 31, 2008
(Unaudited)**

July 30, 2007

Company Name: DAINIPPON SUMITOMO PHARMA CO., LTD.
 Head Office: 6-8, Doshomachi, 2-chome, Chuo-ku, Osaka, 541-0045
 Stock Exchange Listings: Tokyo, Osaka, Nagoya
 Security Code number: 4506 (URL: <http://www.ds-pharma.co.jp>)

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.

1. Consolidated Financial Results for the First Three Months of the Year Ending March 31, 2008

(1) Results of Operations

Note : All amounts are rounded down to the nearest million yen.

	Net sales		Operating income		Recurring income	
	Yen Million	% change	Yen Million	% change	Yen million	% change
Three months ended June 30, 2007	65,313	0.1	12,114	(0.5)	12,822	2.9
Three months ended June 30, 2006	65,273	56.3	12,174	217.0	12,459	201.1
Year ended March 31, 2007	261,213		45,554		43,181	

	Net income		Earnings per share	Earnings per share (diluted)
	Yen Million	% change		
Three months ended June 30, 2007	7,818	40.7	¥19.67	—
Three months ended June 30, 2006	5,554	190.9	¥13.97	—
Year ended March 31, 2007	22,605		¥56.86	—

Note: The percentages shown above represent ratio of changes from the figures for the corresponding period of the previous fiscal year.

(2) Financial Position

(millions of yen)

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share (yen)
June 30, 2007	381,754	309,963	80.9%	¥777.43
June 30, 2006	373,221	291,180	77.8%	¥730.15
March 31, 2007	382,535	306,012	79.8%	¥767.52

(3) Cash Flows

(millions of yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Balance of cash and cash equivalents
Three months ended June 30, 2007	11,166	(46,209)	(3,005)	43,674
Three months ended June 30, 2006	13,004	(5,626)	(4,119)	74,577
Year ended March 31, 2007	37,871	(19,687)	(7,780)	81,722

2. Consolidated Financial Forecast for the Year Ending March 31, 2008 (April 1, 2007 to March 31, 2008)

Forecasts are unchanged from those announced on May 10, 2007.

3. Basis of Preparing the Consolidated Financial Statements

- (1) Shift of principal subsidiaries during the period (shift of particular subsidiaries accompanied by changes in scope of consolidation) : No
- (2) Adoption of simplified method : Yes
"Income taxes" in the consolidated statements of income for the quarterly period was calculated using a simplified method.
- (3) Change of the accounting principles from the previous fiscal year : No

Financial Information

(1) Consolidated Balance Sheets

ASSETS		(Millions of yen)					
	As of June 30, 2006		As of June 30, 2007 (A)		As of March 31, 2007 (B)		Increase (Decrease) (A)-(B)
		%		%		%	
Current assets:	227,205	60.9	231,466	60.6	234,313	61.3	(2,847)
Cash and time deposits	56,587		38,682		55,765		(17,082)
Notes and accounts receivable	89,579		84,188		88,768		(4,580)
Marketable securities	20,991		6,994		27,962		(20,968)
Inventories	43,485		43,917		44,954		(1,037)
Deferred tax assets	11,124		10,440		10,442		(2)
Short-term loans	—		41,800		—		41,800
Others	5,654		5,748		6,645		(896)
Allowance for doubtful receivables	(217)		(305)		(225)		(79)
Fixed assets:	146,015	39.1	150,288	39.4	148,221	38.7	2,066
Property, plant and equipment	67,849	18.2	64,312	16.9	65,241	17.1	(928)
Buildings and structures	37,928		37,081		37,436		(355)
Machinery, equipment and carriers	13,310		11,211		11,292		(80)
Land	9,988		9,975		9,975		—
Construction in progress	1,829		1,015		1,945		(929)
Others	4,791		5,028		4,590		437
Intangible fixed assets	6,000	1.6	6,479	1.7	6,702	1.7	(223)
Investments and other assets	72,166	19.3	79,496	20.8	76,277	19.9	3,218
Investment securities	48,665		52,721		52,026		695
Deferred tax assets	490		3		4		(0)
Others	23,428		27,130		24,615		2,514
Allowance for doubtful receivables	(417)		(359)		(368)		8
Total assets	373,221	100.0	381,754	100.0	382,535	100.0	(780)

LIABILITIES AND NET ASSETS

(Millions of yen)

	As of June 30, 2006		As of June 30, 2007 (A)		As of March 31, 2007 (B)		Increase (Decrease) (A)-(B)
		%		%		%	
Total liabilities	82,041	22.0	71,790	18.8	76,522	20.0	(4,732)
Current liabilities:	59,912	16.1	52,650	13.8	56,038	14.6	(3,387)
Notes and accounts payable	20,627		16,987		18,036		(1,048)
Income taxes payable	5,540		4,960		8,220		(3,259)
Reserve for bonuses	3,717		3,613		8,036		(4,422)
Reserve for sales returns	121		137		121		15
Reserve for sales rebates	407		452		490		(37)
Reserve for expenses related to litigation	—		1,010		1,010		—
Others	29,499		25,489		20,124		5,365
Long-term liabilities:	22,128	5.9	19,139	5.0	20,484	5.4	(1,344)
Long-term debt	4,761		4,600		4,600		—
Deferred tax liabilities	—		1,379		2,093		(713)
Reserve for retirement benefits	12,757		8,208		8,169		39
Reserve for directors' retirement benefits	43		25		51		(26)
Others	4,565		4,926		5,570		(643)
Net assets	291,180	78.0	309,963	81.2	306,012	80.0	3,951
Shareholders' equity	273,126	73.2	292,279	76.6	287,262	75.1	5,016
Common stock	22,400	6.0	22,400	5.9	22,400	5.9	—
Capital surplus	15,860	4.3	15,860	4.1	15,860	4.1	0
Retained earnings	235,214	63.0	254,517	66.7	249,481	65.2	5,035
Treasury stock	(347)	(0.1)	(499)	(0.1)	(479)	(0.1)	(19)
Valuation, transaction adjustments and others	17,179	4.6	16,739	4.4	17,827	4.7	(1,088)
Unrealized gains on available-for-sale securities	17,179	4.6	16,739	4.4	17,827	4.7	(1,088)
Minority interests	874	0.2	945	0.2	921	0.2	23
Total liabilities and net assets	373,221	100.0	381,754	100.0	382,535	100.0	(780)

(2) Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2006 (A)		Three months ended June 30, 2007 (B)		Increase (Decrease) (B)-(A)		Year ended March 31, 2007	
		%		%		%		%
Net sales	65,273	100.0	65,313	100.0	40	0.1	261,213	100.0
Cost of sales	24,610	37.7	25,382	38.9	771	3.1	99,337	38.0
Gross profit	40,662	62.3	39,930	61.1	(731)	(1.8)	161,875	62.0
Provision for reserve for sales returns	8	0.0	15	0.0	7		8	0.0
Net gross profit	40,653	62.3	39,915	61.1	(738)	(1.8)	161,867	62.0
Selling, general and administrative expenses	28,479	43.6	27,800	42.6	(678)	(2.4)	116,312	44.6
Operating income	12,174	18.7	12,114	18.5	(60)	(0.5)	45,554	17.4
Non-operating income:	724	1.1	1,127	1.7	403		1,887	0.7
Non-operating expense:	439	0.7	420	0.6	(19)		4,261	1.6
Recurring income	12,459	19.1	12,822	19.6	362	2.9	43,181	16.5
Extraordinary expense:	2,938	4.5	—		(2,938)		4,765	1.8
Additional retirement expenses for employees	2,938		—		(2,938)		2,938	
Expenses related to litigation	—		—				1,010	
Loss on revision of the retirement benefit plans	—		—				611	
Loss on impairment of fixed assets	—		—				205	
Income before income taxes and minority interests	9,520	14.6	12,822	19.6	3,301	34.7	38,415	14.7
Income taxes	3,949	6.1	4,973	7.6	1,023		15,751	6.0
Minority interests	16	0.0	30	0.0	14		58	0.0
Net income	5,554	8.5	7,818	12.0	2,263	40.7	22,605	8.7

(4) Consolidated Statements of Changes in Net Assets

Three months ended June 30, 2006

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
As of March 31, 2006	22,400	15,860	232,485	(329)	270,415
Changes during the period					
Cash dividends			(2,783)		(2,783)
Directors' bonuses			(42)		(42)
Net income			5,554		5,554
Purchases of treasury stock				(18)	(18)
Sales of treasury stock		0		0	0
Changes in items other than shareholders' equity (net)					
Total	—	0	2,728	(18)	2,710
As of June 30, 2006	22,400	15,860	235,214	(347)	273,126

(Millions of yen)

	Valuation, transaction adjustments and others		Minority interests	Total net assets
	Unrealized gains on available-for-sale securities	Total valuation, transaction adjustments and others		
As of March 31, 2006	17,348	17,348	869	288,633
Changes during the period				
Cash dividends				(2,783)
Directors' bonuses				(42)
Net income				5,554
Purchases of treasury stock				(18)
Sales of treasury stock				0
Changes in items other than shareholders' equity (net)	(168)	(168)	4	(163)
Total	(168)	(168)	4	2,546
As of June 30, 2006	17,179	17,179	874	291,180

Three months ended June 30, 2007

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
As of March 31, 2007	22,400	15,860	249,481	(479)	287,262
Changes during the period					
Cash dividends			(2,782)		(2,782)
Net income			7,818		7,818
Purchases of treasury stock				(21)	(21)
Sales of treasury stock		0		1	1
Changes in items other than shareholders' equity (net)					
Total	—	0	5,035	(19)	5,016
As of June 30, 2007	22,400	15,860	254,517	(499)	292,279

(Millions of yen)

	Valuation, transaction adjustments and others		Minority interests	Total net assets
	Unrealized gains on available-for-sale securities	Total valuation, transaction adjustments and others		
As of March 31, 2007	17,827	17,827	921	306,012
Changes during the period				
Cash dividends				(2,782)
Net income				7,818
Purchases of treasury stock				(21)
Sales of treasury stock				1
Changes in items other than shareholders' equity (net)	(1,088)	(1,088)	23	(1,064)
Total	(1,088)	(1,088)	23	3,951
As of June 30, 2007	16,739	16,739	945	309,963

Year ended March 31, 2007

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
As of March 31, 2006	22,400	15,860	232,485	(329)	270,415
Changes during the period					
Cash dividends			(5,566)		(5,566)
Directors' bonuses			(42)		(42)
Net income			22,605		22,605
Purchases of treasury stock				(154)	(154)
Sales of treasury stock		0		4	5
Changes in items other than shareholders' equity (net)					
Total	—	0	16,996	(149)	16,846
As of March 31, 2007	22,400	15,860	249,481	(479)	287,262

(Millions of yen)

	Valuation, transaction adjustments and others		Minority interests	Total net assets
	Unrealized gains on available-for-sale securities	Total valuation, transaction adjustments and others		
As of March 31, 2006	17,348	17,348	869	288,633
Changes during the period				
Cash dividends				(5,566)
Directors' bonuses				(42)
Net income				22,605
Purchases of treasury stock				(154)
Sales of treasury stock				5
Changes in items other than shareholders' equity (net)	479	479	52	531
Total	479	479	52	17,378
As of March 31, 2007	17,827	17,827	921	306,012

(5) Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2006	Three months ended June 30, 2007	Year ended March 31, 2007
Cash flows from operating activities:			
Income before income taxes and minority interests	9,520	12,822	38,415
Depreciation and amortization	2,859	2,807	12,008
Provision for reserve for retirement benefits, less payments	(1,765)	(336)	(3,908)
Interest and dividend income	(355)	(583)	(986)
Interest expense	22	30	108
Decrease in notes and accounts receivable	24,923	4,310	25,735
Decrease (increase) in inventories	631	601	(837)
Decrease in notes and accounts payable	(18,066)	(1,048)	(20,657)
Other, net	1,834	129	(683)
Subtotal	19,604	18,732	49,192
Interest and dividend received	356	549	968
Interest paid	(3)	(4)	(52)
Income taxes paid	(6,952)	(8,112)	(12,236)
Net cash provided by operating activities	13,004	11,166	37,871
Cash flows from investing activities:			
Increase in time deposits etc.	(4,000)	(3,000)	(7,000)
Purchases of tangible fixed assets	(1,960)	(506)	(7,410)
Purchases of intangible fixed assets	—	(1,330)	(2,346)
Purchases of investment securities	(2)	(1,822)	(5,259)
Net decrease (increase) in short-term loans	1,000	(40,200)	(500)
Other, net	(663)	650	2,829
Net cash used in investing activities	(5,626)	(46,209)	(19,687)
Cash flows from financing activities:			
Net decrease in short-term bank loans	(900)	(300)	(1,370)
Repayment of long-term debt	(514)	—	(688)
Net increase in treasury stock	(18)	(19)	(149)
Dividends paid	(2,679)	(2,678)	(5,565)
Dividends paid to minority shareholders	(7)	(7)	(7)
Net cash used in financing activities	(4,119)	(3,005)	(7,780)
Net increase (decrease) in cash and cash equivalents	3,258	(38,048)	10,403
Cash and cash equivalents at beginning of year	71,318	81,722	71,318
Cash and cash equivalents at end of period	74,577	43,674	81,722

(6) Segment Information

Business segment information

Three months ended June 30, 2006

(Millions of yen)

	Pharmaceuticals	Other Products	Total	Eliminations / Corporate	Consolidated
Sales and operating income					
Sales to customers	51,676	13,596	65,273	—	65,273
Inter-segment sales and transfers	—	—	—	—	—
Total	51,676	13,596	65,273	—	65,273
Operating expenses	39,863	13,234	53,098	—	53,098
Operating income	11,813	361	12,174	—	12,174

Three months ended June 30, 2007

(Millions of yen)

	Pharmaceuticals	Other Products	Total	Eliminations / Corporate	Consolidated
Sales and operating income					
Sales to customers	51,334	13,978	65,313	—	65,313
Inter-segment sales and transfers	—	—	—	—	—
Total	51,334	13,978	65,313	—	65,313
Operating expenses	39,631	13,567	53,198	—	53,198
Operating income	11,702	411	12,114	—	12,114

Year ended March 31, 2007

(Millions of yen)

	Pharmaceuticals	Other Products	Total	Eliminations / Corporate	Consolidated
Sales and operating income					
Sales to customers	206,259	54,953	261,213	—	261,213
Inter-segment sales and transfers	—	—	—	—	—
Total	206,259	54,953	261,213	—	261,213
Operating expenses	161,856	53,801	215,658	—	215,658
Operating income	44,402	1,151	45,554	—	45,554

(Notes)

1. Business segments are divided into "Pharmaceuticals" and "Other products" based on natures of products and businesses.

2. The principal 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 Nutrients, hormones and vitamins
Other products	Animal health products Feeds and feed additives Food additives Diagnostics Other products

Geographical segment information

Geographical segment information are not disclosed because none of consolidated subsidiaries are located outside Japan.

Overseas sales

Three months ended June 30, 2007

(Millions of yen)

Overseas sales	6,714
Consolidated net sales	65,313
Overseas sales as a percentage of consolidated net sales	10.3%

(Notes) We disclosed overseas sales because overseas sales during the period exceeded 10% of consolidated net sales.

Reference Data

- All values are rounded. Therefore totals may not be consistent with aggregated figures.
- "Fiscal 2006" represents the year ended March 31, 2007 and "fiscal 2007" represents the year ending March 31, 2008.

I. Consolidated Statements of Income

1. Statements of Income

(Billions of Yen)

	1st quarter of fiscal 2006 (A)	1st quarter of fiscal 2007 (B)		
			(B)-(A)	Change (%)
Net sales	65.3	65.3	0.0	0.1
Cost of Sales	24.6	25.4	0.8	3.2
Gross profit	40.7	39.9	(0.7)	(1.8)
SG&A expenses	28.5	27.8	(0.7)	(2.4)
SG&A expenses less R&D expenditures	18.9	18.5	(0.4)	(2.2)
R&D expenditures	9.6	9.3	(0.3)	(2.8)
Operating income	12.2	12.1	(0.1)	(0.5)
Non-operating income	0.7	1.1	0.4	55.7
Non-operating expenses	0.4	0.4	(0.0)	(4.5)
Recurring income	12.5	12.8	0.4	2.9
Extraordinary expenses	2.9	-	(2.9)	-
Additional retirement expenses for employees	2.9	-	(2.9)	-
Income before income taxes and minority interests	9.5	12.8	3.3	34.7
Income taxes	3.9	5.0	1.0	25.9
Minority interests	0.0	0.0	0.0	86.1
Net income	5.6	7.8	2.3	40.7

- Sales of 4 strategic products remained firm and exports increased, while non-strategic products and industrial property revenues decreased.

- Change of sales structure

- Reduced labor costs

- Increase in interest and dividend income

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

Earnings per share	¥13.97	¥19.67
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(Reference) Forecasts

(Billions of Yen)

	1st half of fiscal 2007		Fiscal 2007	
		Change(%)		Change(%)
Net sales	133.0	4.8	273.0	4.5
Cost of Sales	49.5	3.0	102.0	2.7
SG&A expenses	61.5	5.3	125.0	7.5
SG&A expenses less R&D expenditures	38.5	2.1	77.0	2.1
R&D expenditures	23.0	11.2	48.0	17.4
Operating income	22.0	7.5	46.0	1.0
Recurring income	21.0	7.3	44.0	1.9
Net income	12.4	30.8	26.0	15.0

Notes: Forecasts are unchanged from those announced in May, 2007.

"Change(%)" represent ratio of changes from the figures for the corresponding period of the previous fiscal year.

2. Capital Expenditures and Depreciation

(Billions of Yen)

	1st quarter of fiscal 2006	Fiscal 2006	1st quarter of fiscal 2007	Fiscal 2007 (Forecast)
Capital expenditures (including intangible fixed assets)	2.4	9.5	1.5	17.5
Depreciation and amortization	2.7	11.3	2.6	11.7

- Major capital expenditure projects for the year ending March 31, 2008

Construction of a new solid preparation building at the Suzuka Plant:

¥10.0 billion (total budget: ¥10.0 billion, to be completed in October 2007)

Renovation of Experimental animal facility of Central Research Laboratories:

¥0.55 billion (total budget: ¥0.55 billion, to be completed in January 2008)

3. Segment Information

(Billions of Yen)

	1st quarter of fiscal 2006			1st quarter of fiscal 2007		
	Pharmaceuticals	Other Products	Total	Pharmaceuticals	Other Products	Total
Net sales	51.7	13.6	65.3	51.3	14.0	65.3
Operating income	11.8	0.4	12.2	11.7	0.4	12.1

(Reference) Forecasts

(Billions of Yen)

	1st half of fiscal 2007			Fiscal 2007		
	Pharmaceuticals	Other Products	Total	Pharmaceuticals	Other Products	Total
Net sales	106.5	26.5	133.0	217.0	56.0	273.0

4. Sales of Major Products

Domestic Sales (Billions of Yen)

Brand name (Generic name) Therapeutic indication	1st quarter of fiscal 2006	Fiscal 2006	1st quarter of fiscal 2007	Fiscal 2007 (Forecast)
AMLODIN [®] (amlodipine) Therapeutic agent for hypertension and angina pectoris	14.0	59.2	15.2	66.0
GASMOTIN [®] (mosapride citrate) Gastroprokinetic	4.5	18.5	4.7	21.0
MEROPEN [®] (meropenem) Carbapenem antibiotic	3.6	14.3	3.5	15.5
PRORENAL [®] (limaprost alfadex) Vasodilator	3.5	13.8	3.5	16.0
EBASTEL [®] (ebastine) Antiallergic	2.4	11.4	2.1	11.0
SUMIFERON [®] (interferon- α NAMALWA)) Natural alpha interferon	1.6	6.4	1.5	6.9
GROWJECT [®] (somatropin) Growth hormone	1.3	4.8	1.1	5.2
QVAR [™] (beclomethasone dipropionate) Bronchial asthma	1.3	4.8	1.0	5.6
DOPS [®] (droxidopa) Norepinephrine-activating neural function ameliorant	1.2	4.5	1.0	4.1
GLIMICRON [®] (gliclazide) Oral hypoglycemic	1.2	4.4	1.0	4.3
TAGAMET [®] (cimetidine) H ₂ -receptor antagonist	1.1	3.9	0.9	3.6
EXCEGRAN [®] (zonisamide) Antiepileptic	0.9	3.6	0.9	3.5
ALMARL [®] (arotinolol) Therapeutic agent for hypertension, angina pectoris and arrhythmia	0.9	3.5	0.8	3.0
SEDIEL [®] (tandospirone) Serotonin-agonist anti-anxiety drug	0.8	3.0	0.8	2.9
LULLAN [®] (perospirone) Antipsychotic	0.8	3.1	0.7	3.4

Exports (Billions of Yen)

Brand name (Generic name) Therapeutic indication	1st quarter of fiscal 2006	Fiscal 2006	1st quarter of fiscal 2007	Fiscal 2007 (Forecast)
MEROPENEM (meropenem trihydrate) Carbapenem antibiotic	4.4	16.1	6.0	15.9
MOSAPRIDE (mosapride citrate) Gastroprokinetic	0.3	1.4	0.4	1.6
ZONISAMIDE (zonisamide) Antiepileptic	0.1	0.8	0.0	0.2

Industrial Property Revenues (Billions of Yen)

	1st quarter of fiscal 2006	Fiscal 2006	1st quarter of fiscal 2007	Fiscal 2007 (Forecast)
Industrial property revenues	1.2	3.9	0.0	2.3

II. Consolidated Balance Sheets

ASSETS

(Billions of Yen)

	As of 6/30/06	As of 3/31/07 (A)	As of 6/30/07 (B)	(B) - (A)
[Assets]	373.2	382.5	381.8	(0.8)
Current assets:	227.2	234.3	231.5	(2.8)
Cash and time deposits	56.6	55.8	38.7	(17.1)
Notes and accounts receivable	89.6	88.8	84.2	(4.6)
Marketable securities	21.0	28.0	7.0	(21.0)
Inventories	43.5	45.0	43.9	(1.0)
Deferred tax assets	11.1	10.4	10.4	(0.0)
Short-term loans	0.1	1.6	41.8	40.2
Others	5.6	5.0	5.7	0.7
Allowance for doubtful receivables	(0.2)	(0.2)	(0.3)	(0.1)
Fixed assets:	146.0	148.2	150.3	2.1
Property, plant and equipment	67.8	65.2	64.3	(0.9)
Buildings and structures	37.9	37.4	37.1	(0.4)
Machinery, equipment and carriers	13.3	11.3	11.2	(0.1)
Land	10.0	10.0	10.0	-
Construction in progress	1.8	1.9	1.0	(0.9)
Others	4.8	4.6	5.0	0.4
Intangible fixed assets	6.0	6.7	6.5	(0.2)
Investments and other assets	72.2	76.3	79.5	3.2
Investment securities	48.7	52.0	52.7	0.7
Deferred tax assets	0.5	0.0	0.0	(0.0)
Others	23.4	24.6	27.1	2.5
Allowance for doubtful receivables	(0.4)	(0.4)	(0.4)	0.0
Total assets	373.2	382.5	381.8	(0.8)

- Decrease in time deposits
and CPs because of loan to
affiliates

- Increase by investment
on Apposite Healthcare
Fund and purchase of
corporate bond
- Decrease by valuation

- Increase in long-term
deposits

LIABILITIES AND NET ASSETS

(Billions of Yen)

	As of 6/30/06	As of 3/31/07 (A)	As of 6/30/07 (B)	(B) - (A)	
[Liabilities]	82.0	76.5	71.8	(4.7)	
Current liabilities:	59.9	56.0	52.7	(3.4)	
Notes and accounts payable	20.6	18.0	17.0	(1.0)	- Payment of income taxes
Income taxes payable	5.5	8.2	5.0	(3.3)	
Reserve for bonuses	3.7	8.0	3.6	(4.4)	
Reserve for sales returns	0.1	0.1	0.1	0.0	- Transfer from reserve to accrued expenses due to settlement of bonus amounts paid in July
Reserve for sales rebates	0.4	0.5	0.5	(0.0)	
Reserve for expenses related to litigation	-	1.0	1.0	-	
Others	29.5	20.1	25.5	5.4	
Long-term liabilities:	22.1	20.5	19.1	(1.3)	
Long-term debt	4.8	4.6	4.6	-	
Deferred tax liabilities	-	2.1	1.4	(0.7)	
Reserve for retirement benefits	12.8	8.2	8.2	0.0	
Reserve for directors' retirement benefits	0.0	0.1	0.0	(0.0)	
Others	4.6	5.6	4.9	(0.6)	
[Net assets]	291.2	306.0	310.0	4.0	
Shareholders' equity	273.1	287.3	292.3	5.0	
Common stock	22.4	22.4	22.4	-	
Capital surplus	15.9	15.9	15.9	0.0	
Retained earnings	235.2	249.5	254.5	5.0	- Increase by quarterly net income - Decrease by cash dividends
Treasury stock	(0.3)	(0.5)	(0.5)	(0.0)	
Valuation, transaction adjustments and others	17.2	17.8	16.7	(1.1)	
Unrealized gains on available-for-sale securities	17.2	17.8	16.7	(1.1)	
Minority interests	0.9	0.9	0.9	0.0	
Total liabilities and net assets	373.2	382.5	381.8	(0.8)	

III. Quarterly Business Results

(Billions of Yen)

	Fiscal 2006				Fiscal 2007
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter
Net sales	65.3	61.7	68.9	65.3	65.3
Cost of Sales	24.6	23.5	25.8	25.5	25.4
SG&A expenses	28.5	29.9	29.4	28.5	27.8
SG&A expenses less R&D expenditures	18.9	18.8	18.9	18.8	18.5
R&D expenditures	9.6	11.1	10.5	9.7	9.3
Operating income	12.2	8.3	13.7	11.4	12.1
Non-operating income	0.7	0.4	0.4	0.4	1.1
Non-operating expenses	0.4	1.6	0.4	1.9	0.4
Recurring income	12.5	7.1	13.7	9.9	12.8
Extraordinary expenses	2.9	0.6	–	1.2	–
Income before income taxes and minority interests	9.5	6.5	13.7	8.7	12.8
Net income	5.6	3.9	8.4	4.7	7.8

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

IV. Development Pipeline

Major Products under Development in Japan by DSP

Stage in JPN	Brand name/ Product code Formulation	Generic name	Therapeutic indications	Remarks
NDA filed	AD-5423 Oral	blonanserin	Schizophrenia	Developed in-house
	Oral	irbesartan	Hypertension	Originated by sanofi-aventis and sublicensed from Bristol-Myers K.K. for the Japanese market. Co-development with Shionogi for the Japanese market.
NDA filed New Indication	AD-810N Oral	zonisamide	Parkinson's disease	Developed in-house Approved indication: epilepsy (Trade name: EXCEGRAN®)
	SUMIFERON Injection	interferon-alfa (NAMALWA)	Compensated cirrhosis associated with chronic hepatitis C	In-licensed from GlaxoSmithKline Approved indications: chronic hepatitis C, renal cancer, etc.

Stage in JPN	Brand name/ Product code Formulation	Generic name	Therapeutic indications	Remarks
Phase III New Indication	MEROPEN (SM-7338) Injection	meropenem hydrate	Febrile neutropenia	Developed in-house Approved indications: moderate to severe bacterial infections
	GASMOTIN (AS-4370) Oral	mosapride citrate	Concomitant use with "Niflec" for pretreatment of the colon examined by barium enema X-ray radiography	Co-developed with Ajinomoto Approved indications: Gastrointestinal symptoms associated with chronic gastritis (heartburn, nausea/vomiting).

Stage in JPN	Brand name/ Product code Formulation	Generic name	Therapeutic indications	Remarks
Phase II	AS-3201 Oral	ranirestat	Diabetic neuropathy	Developed in-house Co-developed with Kyorin Pharmaceutical in JPN Under preparation for Phase IIb
	SM-11355 Injection	miriplatin hydrate	Hepatocellular carcinoma	Developed in-house
	SM-13496 Oral	lurasidone	Schizophrenia	Developed in-house
	SMP-114 Oral	rimacalib	Rheumatoid arthritis	Developed in-house
	SMP-508 Oral	repaglinide	Diabetes	In-licensed from Novo Nordisk Under preparation for Phase III
	SMP-862 Oral	metformin hydrochloride	Diabetes	In-licensed from Merck Sante
	AC-3933 Oral	radequinil	Dementia	Developed in-house
Phase II New Indication	PRORENAL Oral	limaprost alfadex	Cervical spondylosis	Co-developed with Ono Pharmaceutical in JPN Approved indications: symptoms associated with thromboangitis obliterans and acquired lumbar spinal canal stenosis

[Main revisions since the announcement of May 2007]

EPHEDRINE NAGAI for new admin. route: Deleted because approved

GASMOTIN for new indication: Newly added for Phase III

AS-3201 (ranirestat): Added "Under preparation for Phase IIb"

SMP-508 (repaglinide): Added "Under preparation Phase III"

Note: AC-5216 (anxiolytic, anti-depressant) that had been under reevaluation for further development was discontinued.

Major Products under Development in Foreign Markets by DSP

Stage	Brand name/ Product code Formulation	Generic name	Therapeutic indications	Remarks
Phase II	SM-13496 Oral	lurasidone	Schizophrenia	Developed in-house Under preparation for Phase III in the U.S. and Europe, etc.
	SMP-114 Oral	rimacalib	Rheumatoid arthritis	Developed in-house Phase IIb in Europe
	AD-5423 Oral	blonanserin	Schizophrenia	Developed in-house Phase II in the U.S. and Europe
	AC-3933 Oral	radequinil	Dementia	Developed in-house Phase IIa in the U.S. and Europe
	SMP-986 Oral	Not determined	Overactive bladder syndrome	Developed in-house Phase II in the U.S. and Europe

Stage	Brand name/ Product code Formulation	Generic name	Therapeutic indications	Remarks
Phase I	SMP-028 Oral	Not determined	Bronchial asthma	Developed in-house Phase I in the U.S.

[Main revisions since the announcement of May 2007]

AS-3201 (ranirestat): Deleted because Eisai is now responsible for the development under the license agreement

Major Products under Development in Foreign Markets by Licensees

Generic / Product code (Brand name in JPN)	Therapeutic indications	Status of development
AG-7352	Cancer	Out-licensed to Sunesis Pharmaceuticals Inc. for the worldwide territory in October 2003 Phase II trials conducted by Sunesis (Sunesis' product code: SNS-595)
SMP-601	Life-threatening infection	Out-licensed to Protez Pharmaceuticals for the worldwide territory in May 2005 Protez Pharmaceuticals has started Phase I in Switzerland.
Amrubicin hydrochloride SM-5887 (CALSED)	Cancer	Out-licensed to Pharmion (transferred from Cabrellis) for the European and U.S. territories in June 2005 Phase II conducted in the U.S. and Europe by Pharmion
Ranirestat AS-3201	Diabetic neuropathy (Aldose reductase inhibitor)	Out-licensed to Eisai for the worldwide territory, excluding Japan, in September 2005. Eisai is considering plans for Phase III trials.

[Main revisions since the announcement of May 2007]

AS-3201 (ranirestat): Eisai is considering plans for Phase III trials.