Securities Code: 4506

# Supplementary Financial Data for the Third Quarter of the Year Ending March 31, 2011



February 3, 2011

Dainippon Sumitomo Pharma Co., Ltd.

- Forecasts provided in this document are based on the management's assumptions and beliefs, made in light of information available up to the day of announcement. Actual financial results may differ materially from those presented in this document, being dependent upon a number of factors.
- All values are rounded. Therefore totals may not be consistent with aggregated figures.

# I. Consolidated Financial Highlights

## I. Highlights of the Statements of Income

(Billions of yen)

| | Nine months ended 12/31/09 | Nine months ended 12/31/10 | Change (%) | Year ended 3/31/10 | Change (%) | Year ending 3/31/11 (Forecasts)*3 | Change (%) |
|---|---|---|---|---|---|---|---|
| Net sales | 203.8 | 280.8 | 37.8 | 296.3 | 12.2 | 365.0 | 23.2 |
| Cost of sales | 79.1 | 83.7 | 5.9 | 112.3 | 8.2 | 108.5 | (3.4) |
| SG&A expenses | 92.7 | 170.0 | 83.4 | 148.4 | 14.9 | 234.5 | 58.0 |
| SG&A expenses less R&D costs | 57.0 | 123.7 | 116.9 | 97.0 | 27.1 | 170.5 | 75.8 |
| R&D costs | 35.7 | 46.3 | 29.9 | 51.4 | (2.7) | 64.0 | 24.6 |
| Operating income | 32.0 | 27.1 | (15.4) | 35.6 | 14.3 | 22.0 | (38.2) |
| Ordinary income | 31.8 | 26.2 | (17.6) | 33.8 | 7.8 | 19.5 | (42.4) |
| Net income | 21.2 | 14.8 | (30.1) | 21.0 | 4.9 | 11.0 | (47.5) |

Notes 1: Cost of sales includes provision for (reversal of) reserve for sales returns.
2: Change (%) represent ratio of changes from the corresponding period of the previous year.
3: Forecasts released on October 29, 2010 are revised.

| | | | | |
|---|---|---|---|---|
| EBITDA (Billions of yen) | 40.1 | 64.0 | 56.4 | 69.5 |
| Earnings per share (yen) | 53.24 | 37.22 | 52.75 | 27.69 |
| Return on equity (ROE) | 6.4% | 4.4% | 6.3% | 3.3% |
| Payout ratio | 25.4% | 36.3% | 34.1% | 65.0% |

## 2. Financial Results of U.S. Subsidiary

### (1) Excluding Impact of Valuations and Accounting Procedures

(Billions of yen)

| | Nine months ended 12/31/10 | Oct-Dec 2010 (Unaudited) | Jan-Dec 2010 (Unaudited) |
|---|---|---|---|
| Net sales | 91.8 | 30.3 | 122.1 |
| Cost of sales | 9.0 | 3.5 | 12.6 |
| SG&A expenses | 60.4 | 25.9 | 86.3 |
| SG&A expenses less R&D costs | 44.0 | 19.4 | 63.4 |
| R&D costs | 16.4 | 6.5 | 22.9 |
| Operating income | 22.4 | 0.9 | 23.3 |
| Ordinary income | 22.8 | 0.6 | 23.4 |
| Net income | 14.3 | 1.3 | 15.5 |

### (2) Impact of Valuations and Accounting Procedures

(Billions of yen)

| | Nine months ended 12/31/10 | Oct-Dec 2010 (Unaudited) | Jan-Dec 2010 (Unaudited) |
|---|---|---|---|
| Net sales | — | — | — |
| Cost of sales | 3.4 | (0.1) | 3.3 |
| SG&A expenses | 24.0 | 7.4 | 31.4 |
| Operating income | (27.4) | (7.4) | (34.7) |
| Ordinary income | (27.4) | (7.4) | (34.7) |
| Extraordinary loss | 2.2 | — | 2.2 |
| Net income | (19.7) | (5.0) | (24.6) |

## 3. Currency Exchange Rates

(Billions of yen)

| | FY2009 Nine months ended average rate | FY2010 Nine months ended average rate | FY2010 average rate Oct-Dec | FY2010 average rate Jan-Dec |
|---|---|---|---|---|
| Yen / USD | 95 | 89 | 83 | 88 |
| Yen / RMB | 14 | 13 | 12 | 13 |

| Forex sensitivity (2010 Jan-Dec) (Impact of yen strength by 1yen/$) | |
|---|---|
| Sales | (1.3) |
| Operating income | 0.2 |

## 4. Capital Expenditures and Depreciation

(Billions of yen)

| | Nine months ended 12/31/09 | Nine months ended 12/31/10 | Change | Year ended 3/31/10 | Year ending 3/31/11 (Forecasts) | Change |
|---|---|---|---|---|---|---|
| Capital expenditures (including intangible assets) | 3.9 | 5.9 | 1.9 | 6.5 | 13.5 | 7.0 |
| Depreciation and amortization | 7.8 | 8.8 | 1.0 | 11.0 | 13.5 | 2.5 |

Note: Excluding the depreciation associated with acquisition of Sunovion Pharmaceuticals Inc.

## II. Consolidated Statements of Income

1. Statements of Income (Billions of yen)

| | Nine months ended 12/31/09 (A) | Nine months ended 12/31/10 (B) | (B)-(A) | Change (%) | Breakdown of (B)-(A) | |
|---|---|---|---|---|---|---|
| | | | | | U.S. Subsidiaries | Except U.S. Subsidiaries |
| Net sales | 203.8 | 280.8 | 77.1 | 37.8 | 88.5 | (11.4) |
| Overseas sales | 16.1 | 106.6 | 90.5 | 562.1 | 88.5 | 2.0 |
| [% of net sales] | [7.9%] | [38.0%] | | | | |
| Cost of sales | 79.1 | 83.7 | 4.7 | 5.9 | 12.4 | (7.7) |
| Gross profit | 124.7 | 197.1 | 72.4 | 58.1 | 76.1 | (3.7) |
| SG&A expenses | 92.7 | 170.0 | 77.3 | 83.4 | 81.0 | (3.7) |
| Labor costs | 25.5 | 50.5 | 25.0 | 97.8 | 24.3 | 0.7 |
| Advertising and promotion costs | 3.0 | 10.8 | 7.9 | 266.0 | 8.3 | (0.4) |
| Sales promotion costs | 8.1 | 9.7 | 1.7 | 20.6 | 2.0 | (0.4) |
| Other costs | 20.5 | 52.7 | 32.2 | 156.9 | 33.4 | (1.2) |
| SG&A expenses less R&D costs | 57.0 | 123.7 | 66.6 | 116.9 | 68.0 | (1.3) |
| R&D costs | 35.7 | 46.3 | 10.7 | 29.9 | 13.1 | (2.4) |
| Operating income | 32.0 | 27.1 | (4.9) | (15.4) | (4.9) | 0.0 |
| Non-operating income | 1.9 | 2.6 | 0.7 | | 0.8 | (0.1) |
| Non-operating expenses | 2.1 | 3.5 | 1.4 | | 0.4 | 1.0 |
| Ordinary income | 31.8 | 26.2 | (5.6) | (17.6) | (4.6) | (1.1) |
| Extraordinary loss | — | 2.2 | 2.2 | | 2.2 | — |
| Impairment loss | — | 2.2 | 2.2 | | 2.2 | — |
| Income before income taxes and minority interests | 31.8 | 24.0 | (7.8) | (24.6) | (6.8) | (1.1) |
| Income taxes | 10.6 | 9.2 | (1.5) | | (1.4) | (0.1) |
| Minority interests in net income | 0.0 | — | (0.0) | | — | (0.0) |
| Net income | 21.2 | 14.8 | (6.4) | (30.1) | (5.4) | (1.0) |

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

2: Overseas sales includes the sales of export.

(Reference) Statements of Income (Non-Consolidated) (Billions of yen)

| | Nine months ended 12/31/09 (A) | Nine months ended 12/31/10 (B) | Change (%) | Group-to-parent ratio |
|---|---|---|---|---|
| Net sales | 190.0 | 170.1 | (10.5) | 1.65 |
| Cost of sales | 70.0 | 54.0 | (22.9) | |
| SG&A expenses | 88.7 | 83.9 | (5.5) | |
| SG&A expenses less R&D costs | 53.1 | 50.9 | (4.1) | |
| R&D costs | 35.6 | 33.0 | (7.4) | |
| Operating income | 31.3 | 32.2 | 3.0 | 0.84 |
| Ordinary income | 31.2 | 31.0 | (0.6) | 0.84 |
| Net income | 20.3 | 20.1 | (0.9) | 0.73 |
| Earnings per share (yen) | 51.14 | 50.70 | | |

2. Segment Information (Nine months ended 12/31/10) (Billions of yen)

| | Pharmaceuticals Segment | | | | | | Others | Total |
|---|---|---|---|---|---|---|---|---|
| | Japan | U.S.*1 | Impact of purchase price allocation*2 | China | Elimination | Total | | |
| Net sales | 158.6 | 91.8 | — | 4.6 | (8.7) | 246.3 | 34.5 | 280.8 |
| Sales to customers | 153.6 | 88.5 | — | 4.1 | — | 246.2 | 34.6 | 280.8 |
| Intersegment | 5.0 | 3.4 | — | 0.5 | (8.7) | 0.1 | (0.1) | — |
| Cost of sales | 44.2 | 9.0 | 3.4 | 1.5 | (2.1) | 56.0 | 27.8 | 83.7 |
| Gross profit | 114.5 | 82.8 | (3.4) | 3.0 | (6.6) | 190.3 | 6.7 | 197.1 |
| SG&A expenses | 82.6 | 60.4 | 24.0 | 1.8 | (3.9) | 164.9 | 5.1 | 170.0 |
| SG&A expenses less R&D costs | 49.8 | 44.0 | 24.0 | 1.8 | (0.5) | 119.2 | 4.5 | 123.7 |
| R&D costs | 32.7 | 16.4 | — | — | (3.4) | 45.8 | 0.5 | 46.3 |
| Operating income | 31.9 | 22.4 | (27.4) | 1.2 | (2.8) | 25.4 | 1.7 | 27.1 |

Notes: *1: Excluding the impact of purchase price allocation by acquisition of Sunovion Pharmaceuticals Inc.
*2: Mainly amortization of patent rights and goodwill

(Reference) Segment Information (Year ending 3/31/11 forecasts) (Billions of yen)

| | Pharmaceuticals Segment | | | | | | Others | Total |
|---|---|---|---|---|---|---|---|---|
| | Japan | U.S.*1 | Impact of purchase price allocation*2 | China | Elimination | Total | | |
| Net sales | 203.9 | 122.1 | — | 6.0 | (11.4) | 320.6 | 44.4 | 365.0 |
| Sales to customers | 197.1 | 117.9 | — | 5.4 | — | 320.4 | 44.6 | 365.0 |
| Intersegment | 6.8 | 4.3 | — | 0.6 | (11.4) | 0.2 | (0.2) | — |
| Cost of sales | 57.9 | 12.6 | 3.3 | 2.1 | (2.7) | 73.2 | 35.3 | 108.5 |
| Gross profit | 146.0 | 109.6 | (3.3) | 3.9 | (8.7) | 247.4 | 9.1 | 256.5 |
| SG&A expenses | 112.1 | 86.3 | 31.4 | 2.9 | (5.2) | 227.5 | 7.0 | 234.5 |
| SG&A expenses less R&D costs | 67.4 | 63.4 | 31.4 | 2.9 | (0.7) | 164.4 | 6.1 | 170.5 |
| R&D costs | 44.7 | 22.9 | — | — | (4.5) | 63.1 | 0.9 | 64.0 |
| Operating income | 33.9 | 23.3 | (34.7) | 1.0 | (3.5) | 19.9 | 2.1 | 22.0 |

Notes: *1: Excluding the impact of purchase price allocation by acquisition of Sunovion Pharmaceuticals Inc.
*2: Mainly amortization of patent rights and goodwill
*3: Forecasts released on October 29, 2010 are revised.

(Reference) Segment Information (Nine months ended 12/31/09) (Billions of yen)

| | Pharmaceuticals Segment | | | | Others | Total |
|---|---|---|---|---|---|---|
| | Japan | China | Elimination | Total | | |
| Net sales | 156.7 | 3.3 | (1.4) | 158.7 | 45.1 | 203.8 |
| Cost of sales | 41.1 | 1.0 | (0.9) | 41.2 | 37.8 | 79.1 |
| Gross profit | 115.6 | 2.3 | (0.5) | 117.4 | 7.2 | 124.7 |
| SG&A expenses | 86.6 | 1.4 | (0.4) | 87.6 | 5.1 | 92.7 |
| Operating income | 29.1 | 0.9 | (0.1) | 29.8 | 2.2 | 32.0 |

3. Sales of Pharmaceuticals Segment (Sales to customers) (Billions of yen)

| | Nine months ended 12/31/09(A) | Nine months ended 12/31/10 (B) | (B)-(A) | Change (%) | Progress (%) | Year ended 3/31/10 | Year ending 3/31/11 (Forecasts) |
|---|---|---|---|---|---|---|---|
| Japan | 155.7 | 153.6 | (2.1) | (1.3) | 78.0 | 204.0 | [197.3] 197.1 |
| Domestic | 143.0 | 139.9 | (3.1) | (2.2) | 78.0 | 184.2 | [179.4] 179.2 |
| Export | 12.8 | 13.8 | 1.0 | 8.1 | 77.0 | 19.8 | 17.9 |
| U.S. | — | 88.5 | 88.5 | — | 75.0 | 28.6 | [117.0] 117.9 |
| China | 2.9 | 4.1 | 1.1 | 38.3 | 75.5 | 4.1 | [5.7] 5.4 |

Overseas Sales Total

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Overseas sales (Pharmaceuticals) | 15.7 | 106.3 | 90.6 | 577.3 | 75.3 | 52.6 | [140.6] 141.2 |
| % of net sales (Pharmaceuticals) | 9.9% | 43.2% | | | | 22.2% | 44.1% |

4. Sales of Major Products

Pharmaceuticals (Domestic) (Billions of yen)

| Brand name (Generic name)<br>Therapeutic indication | Nine months ended 12/31/09(A) | Nine months ended 12/31/10 (B) | (B)-(A) | Change (%) | Progress (%) | Year ended 3/31/10 | Year ending 3/31/11 (Forecasts) |
|---|---|---|---|---|---|---|---|
| AMLODIN® (amlodipine)<br>Therapeutic agent for hypertension and angina pectoris | 41.6 | 32.7 | (8.9) | (21.3) | 81.9 | 52.0 | [39.5] 40.0 |
| GASMOTIN® (mosapride citrate)<br>Gastroprokinetic | 16.2 | 16.0 | (0.1) | (0.8) | 78.6 | 20.7 | 20.4 |
| PRORENAL® (limaprost alfadex)<br>Vasodilator | 12.1 | 11.5 | (0.6) | (4.8) | 76.9 | 15.4 | [15.5] 15.0 |
| MEROPEN® (meropenem)<br>Carbapenem antibiotic | 11.6 | 9.9 | (1.8) | (15.2) | 81.5 | 14.7 | [11.6] 12.1 |
| LONASEN® (blonanserin)<br>Antipsychotic | 4.7 | 6.8 | 2.1 | 44.2 | 71.7 | 6.3 | [10.5] 9.5 |
| AVAPRO® (irbesartan)<br>Therapeutic agent for hypertension | 2.4 | 6.1 | 3.7 | 149.7 | 76.2 | 3.7 | 8.0 |
| EBASTEL® (ebastine)<br>Antiallergic | 6.4 | 5.0 | (1.4) | (22.3) | 68.4 | 9.2 | 7.3 |
| REPLAGAL® (agalsidase alfa)<br>Anderson-Fabry disease drug | 1.7 | 4.4 | 2.8 | 164.8 | 74.1 | 2.5 | [5.0] 6.0 |
| SUMIFERON® (interferon-α NAMALWA)<br>Natural alpha interferon | 4.5 | 4.0 | (0.6) | (13.0) | 74.7 | 5.8 | 5.3 |
| AmBisome® (amphotericin B)<br>Therapeutic agent for systemic fungal infection | 3.1 | 3.5 | 0.5 | 15.1 | 72.0 | 4.0 | 4.9 |
| MELBIN® (metformin)<br>Oral hypoglycemic | 3.0 | 3.4 | 0.4 | 12.0 | 79.9 | 3.9 | 4.2 |
| EXCEGRAN® (zonisamide)<br>Antiepileptic | 2.8 | 2.7 | (0.1) | (4.6) | 79.3 | 3.6 | 3.4 |
| DOPS® (droxidopa)<br>Neural function ameliorant | 2.8 | 2.6 | (0.2) | (8.7) | 78.8 | 3.6 | 3.3 |
| QVAR™ (beclomethasone dipropionate)<br>Bronchial asthma | 2.3 | 2.2 | (0.1) | (3.0) | 88.5 | 3.0 | 2.5 |
| GLIMICRON® (gliclazide)<br>Oral hypoglycemic | 2.6 | 2.2 | (0.4) | (16.0) | 74.9 | 3.2 | 2.9 |
| ALMARL® (arotinolol)<br>Therapeutic agent for hypertension, angina pectoris and arrhythmia | 2.2 | 2.0 | (0.2) | (9.8) | 80.5 | 2.8 | 2.5 |
| LULLAN® (perospirone)<br>Antipsychotic | 2.0 | 1.9 | (0.1) | (5.3) | 73.8 | 2.6 | 2.6 |
| SEDIEL® (tandospirone)<br>Serotonin-agonist antianxiety drug | 2.0 | 1.8 | (0.2) | (9.5) | 76.4 | 2.5 | 2.4 |

Note: Figures in parentheses [ ] are forecasts released on October 29, 2010.

Pharmaceuticals（Domestic, New Products）　（Billions of yen）

| Brand name (Generic name)<br>Therapeutic indication | Nine months ended 12/31/09(A) | Nine months ended 12/31/10 (B) | (B)-(A) | Change (%) | Progress (%) | Year ended 3/31/10 | Year ending 3/31/11 (Forecasts) |
|---|---|---|---|---|---|---|---|
| TRERIEF® (zonisamide)<br>Parkinson's disease drug<br>(Launch: March, 2009) | 0.6 | 2.7 | 2.1 | 350.1 | 78.6 | 0.8 | 3.4 |
| MIRIPLA® (miriplatin hydrate)<br>Therapeutic agent for hepatocellular Carcinoma (Launch: January, 2010) | — | 1.2 | 1.2 | — | 78.9 | 0.2 | 1.5 |
| METGLUCO® (metformin)<br>Oral hypoglycemic (Launch: May, 2010) | — | 0.2 | 0.2 | — | 54.3 | — | 0.3 |

Pharmaceuticals（Export）　（Billions of yen）

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| MEROPEN® (meropenem)<br>Carbapenem antibiotic | 10.1 | 10.5 | 0.4 | 4.4 | 77.2 | 15.7 | 13.6 |
| GASMOTIN® (mosapride citrate)<br>Gastroprokinetic | 0.8 | 1.0 | 0.2 | 22.2 | 90.3 | 1.1 | 1.1 |
| EXCEGRAN® (zonisamide)<br>Antiepileptic | 0.4 | 1.3 | 0.9 | 247.1 | 78.2 | 0.6 | 1.6 |
| Industrial property revenues | 1.4 | 0.9 | (0.5) | (36.1) | 67.4 | 2.2 | 1.3 |

Note: Sales to customers

U.S.　（Billions of yen）

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| LUNESTA® (eszopiclone)<br>Sedative hypnotic | — | 41.7 | 41.7 | — | 77.3 | 10.5 | [52.8] 53.9 |
| XOPENEX® (levalbuterol HCl)<br>Short-acting beta-agonist | — | 27.4 | 27.4 | — | 71.4 | 13.6 | 38.4 |
| BROVANA® (arformoterol tartrate)<br>Long-acting beta-agonist | — | 6.9 | 6.9 | — | 74.3 | 1.7 | 9.3 |
| OMNARIS® (ciclesonide)<br>Corticosteroid nasal spray | — | 3.6 | 3.6 | — | 75.3 | 0.6 | [4.9] 4.8 |
| Industrial property revenues | — | 5.3 | 5.3 | — | 77.5 | 1.5 | 6.8 |

China　（Billions of yen）

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| MEROPEN® (meropenem)<br>Carbapenem antibiotic | 2.7 | 3.7 | 1.0 | 35.5 | 74.9 | 3.8 | [5.2] 4.9 |

Note: Figures in parentheses [ ] are forecasts released on October 29, 2010.

(Reference) Business Results of U.S. Subsidiary (based on local currency)

(1) Excluding Impact of Valuations and Accounting Procedures （Millions of dollar)

| | Jan-Sep 2010 | Oct-Dec 2010 (Unaudited) | Jan-Dec 2010 (Unaudited) |
|---|---|---|---|
| Net sales | 1,027 | 364 | 1,391 |
| Cost of sales | 101 | 42 | 143 |
| SG&A expenses | 674 | 309 | 983 |
| SG&A expenses less R&D costs (Excluding depreciation of patent rights) | 490 | 232 | 722 |
| R&D costs | 184 | 77 | 261 |
| Operating income | 252 | 13 | 265 |
| Ordinary income | 256 | 10 | 267 |
| Net income | 161 | 16 | 177 |

(2) Impact of Valuations and Accounting Procedures （Millions of dollar)

| | Jan-Sep 2010 | Oct-Dec 2010 (Unaudited) | Jan-Dec 2010 (Unaudited) |
|---|---|---|---|
| Net sales | — | — | — |
| Cost of sales | 38 | 0 | 38 |
| SG&A expenses | 268 | 90 | 358 |
| Operating income | (306) | (90) | (396) |
| Ordinary income | (306) | (90) | (396) |
| Extraordinary loss | 25 | — | 25 |
| Net income | (220) | (61) | (281) |

(3) Sales of Products （Millions of dollar)

| Brand name (Generic name) Therapeutic indication | Jan-Sep 2010 | Oct-Dec 2010 (Unaudited) | Jan-Dec 2010 (Unaudited) |
|---|---|---|---|
| LUNESTA® (eszopiclone) Sedative hypnotic | 466 | 148 | 614 |
| XOPENEX® (levalbuterol HCl) Short-acting beta-agonist | 307 | 131 | 437 |
| BROVANA® (arformoterol tartrate) Long-acting beta-agonist | 77 | 28 | 105 |
| OMNARIS® (ciclesonide) Corticosteroid nasal spray | 40 | 14 | 54 |
| Industrial property revenues | 59 | 19 | 78 |
| Others | 78 | 25 | 103 |
| Total | 1,027 | 364 | 1,391 |

III. Consolidated Balance Sheets

ASSETS

(Billions of yen)

| | As of 3/31/10 (A) | As of 12/31/10 (B) | (B)-(A) |
|---|---|---|---|
| [ Assets ] | 626.7 | 588.2 | (38.5) |
| Current assets: | 287.6 | 313.2 | 25.7 |
| Cash and time deposits | 13.8 | 10.3 | (3.6) |
| Notes and accounts receivable | 94.0 | 100.5 | 6.5 |
| Marketable securities | 51.2 | 80.9 | 29.7 |
| Inventories | 65.2 | 59.6 | (5.7) |
| Deferred tax assets | 32.4 | 32.2 | (0.2) |
| Short-term loans | 25.0 | 25.0 | — |
| Others | 6.1 | 5.0 | (1.1) |
| Allowance for doubtful receivables | (0.2) | (0.1) | 0.1 |
| Fixed assets: | 339.2 | 275.0 | (64.2) |
| Property, plant and equipment: | 74.1 | 71.0 | (3.1) |
| Buildings and structures | 43.0 | 42.2 | (0.8) |
| Machinery, equipment and carriers | 12.8 | 12.0 | (0.8) |
| Land | 10.3 | 10.3 | (0.0) |
| Construction in progress | 2.7 | 1.4 | (1.3) |
| Others | 5.3 | 5.1 | (0.2) |
| Intangible assets: | 199.5 | 154.1 | (45.3) |
| Goodwill | 83.6 | 73.3 | (10.3) |
| Patent rights | 104.0 | 69.2 | (34.9) |
| Others | 11.9 | 11.7 | (0.2) |
| Investments and other assets: | 65.6 | 49.9 | (15.7) |
| Investment securities | 53.2 | 35.1 | (18.1) |
| Deferred tax assets | 2.4 | 4.8 | 2.4 |
| Others | 10.2 | 10.1 | (0.0) |
| Allowance for doubtful receivables | (0.1) | (0.1) | (0.0) |
| Total assets | 626.7 | 588.2 | (38.5) |

・Transfer from investment securities
・Increase in short-term operating funds

・Decrease in inventories added according to accounting for business combinations

・Decrease by amortization
・Decrease in yen amounts by yen strength

・Transfer to marketable securities
・Decrease by revaluation of investment securities

| Accounts receivable turnover period (in months) | Year ended 3/31/10 | Nine months ended 12/31/10 |
|---|---|---|
| | 3.81 | 3.22 |

LIABILITIES AND NET ASSETS

(Billions of yen)

| | As of 3/31/10 (A) | As of 12/31/10 (B) | (B)-(A) |
|---|---|---|---|
| [ Liabilities ] | 283.3 | 259.8 | (23.5) |
| Current liabilities: | 265.0 | 197.6 | (67.4) |
| Notes and accounts payable | 16.9 | 16.8 | (0.1) |
| Short-term loans payable | 165.5 | 100.0 | (65.5) |
| Current portion of long-term loans payable | 0.3 | 10.6 | 10.3 |
| Income taxes payable | 8.6 | 5.6 | (3.0) |
| Reserve for bonuses | 7.4 | 3.8 | (3.6) |
| Reserve for sales returns | 2.7 | 2.2 | (0.5) |
| Reserve for sales rebates | 15.7 | 14.7 | (1.0) |
| Accounts payable-other | 33.4 | 26.5 | (6.9) |
| Others | 14.5 | 17.4 | 2.8 |
| Long-term liabilities: | 18.3 | 62.2 | 44.0 |
| Long-term loans payable | 0.6 | 45.5 | 44.9 |
| Liability for retirement benefits | 9.8 | 10.2 | 0.4 |
| Liability for directors' retirement benefits | 0.1 | 0.0 | (0.0) |
| Others | 7.8 | 6.5 | (1.3) |
| [ Net assets ] | 343.5 | 328.4 | (15.0) |
| Shareholders' equity: | 332.3 | 340.0 | 7.6 |
| Common stock | 22.4 | 22.4 | — |
| Capital surplus | 15.9 | 15.9 | — |
| Retained earnings | 294.7 | 302.3 | 7.6 |
| Treasury stock | (0.6) | (0.6) | (0.0) |
| Valuation, translation adjustments and others: | 11.2 | (11.5) | (22.7) |
| Unrealized gains on available-for-sale securities, net of tax | 7.9 | 6.1 | (1.9) |
| Foreign currency translation adjustment | 3.2 | (17.6) | (20.8) |
| Total liabilities and net assets | 626.7 | 588.2 | (38.5) |

・Repayment of loans
・Shift from short-term to long-term

・Impact of yen strength

IV. Quarterly Business Results

(Billions of yen)

| | FY2009 | | | | FY2010 | | |
|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q |
| Net sales | 66.0 | 66.2 | 71.5 | 92.5 | 101.8 | 86.8 | 92.2 |
| Cost of sales | 25.4 | 25.9 | 27.8 | 33.2 | 32.6 | 25.2 | 25.9 |
| SG&A expenses | 29.4 | 32.6 | 30.7 | 55.7 | 54.4 | 61.4 | 54.2 |
| SG&A expenses less R&D costs | 17.5 | 20.2 | 19.3 | 40.0 | 39.9 | 43.1 | 40.7 |
| R&D costs | 11.9 | 12.4 | 11.4 | 15.7 | 14.5 | 18.3 | 13.5 |
| Operating income | 11.2 | 7.7 | 13.1 | 3.6 | 14.8 | 0.1 | 12.1 |
| Non-operating income | 1.1 | 0.3 | 0.5 | 0.4 | 1.1 | 0.8 | 0.7 |
| Non-operating expenses | 0.5 | 0.8 | 0.8 | 2.0 | 1.1 | 1.4 | 1.0 |
| Ordinary income | 11.8 | 7.2 | 12.8 | 2.0 | 14.8 | (0.5) | 11.8 |
| Extraordinary loss | — | — | — | 2.4 | — | — | 2.2 |
| Income before income taxes and minority interests | 11.8 | 7.2 | 12.8 | (0.4) | 14.8 | (0.5) | 9.6 |
| Net income | 7.8 | 4.8 | 8.5 | (0.2) | 9.3 | (0.6) | 6.1 |

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

**VII. Development Pipeline (as of February 3, 2011)**

## Major Products under Development in Japan

| Stage in JPN | Brand name/ Product code Formulation | Generic name | Therapeutic indications | Origin | Remarks |
|---|---|---|---|---|---|
| Approved (awaiting NHI pricing) | SUREPOST® (SMP-508) Oral | repaglinide | The reduction of postprandial blood glucose in patients with type 2 diabetes | Novo Nordisk | Rapid insulin secretagogue |
| NDA filed | MEROPEN® Injection | meropenem hydrate | Change of the maximum daily dose from 2g to 3g | In-house | Approved maximum daily dose:2g for patients with severe/refractory infection |
| Phase III | SM-13496 Oral | lurasidone hydrochloride | Schizophrenia | In-house | Pan-Asia study (Japan, Korea and Taiwan) |
| | SUREPOST® (SMP-508) Oral | repaglinide | (New Indication) Type 2 diabetes Combination therapy with biguanide | Novo Nordisk | approved indication: The reduction of postprandial blood glucose in patients with type 2 diabetes |
| | | | Type 2 diabetes Combination therapy with thiazolidine | | |
| Phase II | AS-3201 Oral | ranirestat | Diabetic neuropathy | In-house | Co-developed with Kyorin Pharmaceutical |
| | DSP-8153 Oral | amlodipine besilate / irbesartan | Hypertension | In-house | Combination product |
| | SMP-986 Oral | TBD | Overactive bladder | In-house | |
| Phase I/II | WT4869 Injection | TBD | Myelodysplastic syndromes | In-house (with Chugai Pharmaceutical) | Co-developed with Chugai Pharmaceutical |
| Phase I | DSP-3235 Oral | TBD | Diabetes | Kissei Pharmaceutical | SGLT1 inhibitor |
| | DSP-3025 Intranasal | TBD | Bronchial asthma, Allergic rhinitis | In-house | TLR7 agonist |

[Main revisions since the announcement of Oct. 2010]

| | |
|---|---|
| SUREPOST® (repaglinide) | Changed from "NDA filed" to "Approved (awaiting NHI pricing)" <Approved in Jan.2011> |
| WT4869 | Newly added in Phase I/II |
| SMP-028 | Deleted due to discontinuation of development for bronchial asthma |

**Major Products under Development in Foreign Markets**

| Stage | Brand name/ Product code Formulation | Generic name | Therapeutic indications | Origin | Country/Area | Remarks |
|---|---|---|---|---|---|---|
| Approved | LATUDA® Oral | lurasidone hydrochloride | Schizophrenia | In-house | U.S. | Approved in Oct.2010 |
| NDA submitted | STEDESA™ Oral | eslicarbazepine acetate | Epilepsy-adjunct | BIAL | U.S. | NDA submitted in Mar.2009 |
| Phase III | LATUDA® Oral | lurasidone hydrochloride | (New Indication) Bipolar depression | In-house | U.S. and Europe, etc. | approved indication: Schizophrenia |
| | amrubicin hydrochloride Injection | amrubicin hydrochloride | Small cell lung cancer | In-house | China | Brand name in Japan: CALSED® |
| | ciclesonide Nasal Aerosol (HFA) Collunarium | ciclesonide | (New Formulation) Allergic rhinitis | Nycomed | U.S. | approved formulation: OMNARIS® Nasal Spray, an aqueous solution nasal spray |
| | STEDESA™ Oral | eslicarbazepine acetate | Epilepsy-adult monotherapy | BIAL | U.S. | |
| Phase II | SMP-986 Oral | TBD | Overactive bladder | In-house | U.S. and Europe | |
| Phase I | DSP-7238 Oral | TBD | Diabetes | In-house | Europe | DPPIV inhibitor |
| | DSP-8658 Oral | TBD | Diabetes, Alzheimer's disease | In-house | U.S. | PPARα/γ modulator |
| | SEP-228432 Oral | TBD | Neuropathic pain, Major depressive disorder (MDD) | In-house (Sunovion) | U.S. | |

[Main revisions since the announcement of Oct. 2010]

| | |
|---|---|
| DSP-8658 | Added Alzheimer's disease in therapeutic indication |
| ALVESCO® HFA | Deleted due to discontinuation of new indication development (pediatric) for asthma |
| SMP-028 | Deleted due to the discontinuation of development for bronchial asthma |

**Major Products under Development 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<br>Phase III study ongoing in North America by Sunesis (Sunesis' product code: SNS-595) |
| amrubicin hydrochloride (CALSED®) | Small cell lung cancer | Out-licensed to Celgene (former Pharmion) for the U.S. and European territories in June 2005<br>Phase III study ongoing in the U.S. and Europe by Celgene |
| ranirestat AS-3201 | Diabetic neuropathy | Out-licensed to Eisai for the worldwide territory, excluding Japan, in September 2005.<br>Phase II / III study ongoing in the U.S., Canada and Europe by Eisai |
| droxidopa (DOPS®) | Neurogenic orthostatic hypotension, Intradialytic hypotension, Fibromyalgia | Out-licensed to Chelsea Therapeutics for the worldwide territory, excluding Japan, China, Korea and Taiwan in May 2006.<br>Phase III study of neurogenic orthostatic hypotension in the U.S. and Europe, and phase II study of fibromyalgia in the UK are ongoing by Chelsea. Phase II study of intradialytic hypotension completed in the U.S. by Chelsea. |
| DSP-3025 | Bronchial asthma, Allergic rhinitis | Entered into a development and marketing agreement concluded in March 2005. AstraZeneca has the right for the worldwide territory, excluding Japan, China, Korea and Taiwan.<br>Phase II study is ongoing in Europe by AstraZeneca (AstraZeneca' product code: AZD-8848) |
| eszopiclone | Insomnia | Out-licensed by Sunovion to Eisai for the Japanese territory in July, 2007.<br>(Brand name in U.S.: LUNESTA®)<br>NDA filed in Japan by Eisai |

[Main revisions since the announcement of Oct. 2011]

| | |
|---|---|
| AG-7352 | Changed from "Phase II" to "Phase III" |
| eszopiclone | NDA filed in Japan by Eisai <Filed in Nov. 2010> |

## VIII. Profile of Major Products under Development (as of February 3, 2011)

**SUREPOST® (repaglinide)　Diabetes**

- In-licensed from Novo Nordisk
- SUREPOST® is a rapid-acting insulin secretagogue that is approved and marketed in over 90 countries worldwide. SUREPOST® binds to the sulfonylurea receptors in the pancreatic beta cells to stimulate the postprandial insulin secretion rapidly, thereby reducing postprandial blood glucose and lowering HbA1c in type 2 diabetes patients.
- Development stage:
  The reduction of postprandial blood glucose in patients with type 2 diabetes : Approved (awaiting NHI pricing) in Japan
  Type 2 diabetes:（Combination therapy with beguanide）: Phase III in Japan
  Type 2 diabetes:（Combination therapy with thiazolidine）: Phase III in Japan

**LATUDA® (lurasidone hydrochloride)　Schizophrenia, Bipolar depression**

- Developed in-house
- LATUDA® (lurasidone hydrochloride) tablets was approved for the treatment of schizophrenia in the United States in October 2010. LATUDA is an atypical antipsychotic agent with an affinity for dopamine $D_2$, serotonin 5-$HT_{2A}$ and serotonin 5-$HT_7$ receptors where it has antagonist effects. In addition, LATUDA is a partial agonist at the serotonin 5-$HT_{1A}$ receptor and has no appreciable affinity for histamine or muscarinic receptors. The efficacy of LATUDA for the treatment of schizophrenia was established in four, short-term (6-week), placebo-controlled clinical studies in adult patients who met DSM-IV criteria for schizophrenia. In these studies, LATUDA demonstrated significantly greater improvement versus placebo on the primary efficacy measures [the Positive and Negative Syndrome Scale (PANSS) total score and the Brief Psychiatric Rating Scale-derived from PANSS (BPRSd)] at study endpoint. A total of five clinical trials contributed to the understanding of the tolerability and safety profile of LATUDA. LATUDA was launched in the United States for the treatment of schizophrenia in February 2011.
- Development stage:
  Schizophrenia: Phase III as Pan-Asia study (Japan, Korea and Taiwan)
  Planning to develop in other countries including Europe by using global Phase III data
  Bipolar depression: Phase III in the U.S. and Europe, etc.

**STEDESA™ (eslicarbazepine acetate)　Epilepsy**

- In-licensed from BIAL Portela & C[a], S.A
- STEDESA is a novel voltage-gated sodium channel blocker. STEDESA has been studied in Phase III, multi-center, randomized, placebo-controlled studies, which involved patients from over 20 countries. Patients involved in the studies were required to have at least four partial-onset seizures per month despite treatment with one to three concomitant antiepileptic drugs. After a two-week titration period, patients were assessed over a 12-week maintenance period with continued follow-up over a one-year, open-label period. STEDESA is expected to have clear dose-response correlation and marked and sustained seizure reduction with favorable tolerability and safety profiles.
- NDA submitted in March 2009 in the U.S.
- NDA Complete Response received April 2010.
- Sunovion is committed to seeking FDA approval of STEDESA as a once-daily, adjunctive therapy in the treatment of partial-onset seizures in adults with epilepsy in the U.S.

**AS-3201 (ranirestat)　　Diabetic neuropathy**

- Developed in-house
- AS-3201 alleviates diabetic neuropathy, a complication of diabetes, by inhibiting aldose reductase and thereby inhibiting the accumulation of intracellular sorbitol that causes diabetic neuropathy. This compound has a stronger inhibitory effect and is longer-acting compared to other drugs in this therapeutic area. Clinical studies have shown AS-3201 to have good penetration into nerve tissues, resulting in dose-dependent inhibition of intraneural accumulation of sorbitol and fructose. Based on the results of clinical studies, AS-3201 is expected to show improvement of neuronal function and symptoms related to diabetic neuropathy.
- AS-3201 was out-licensed to Eisai for the overseas territory in September 2005. Eisai is conducting Phase II / III study in the U.S., Canada and Europe.
- Development stage: Phase IIb in Japan (co-developed with Kyorin Pharmaceutical)

**DSP-8153　　Hypertension**

- Developed in-house
- Combination product of amlodipine besilate (AMLODIN®; calcium channel blocker) and irbesartan (AVAPRO®; angiotensin II receptor blocker). DSP-8153 is expected to have an antihypertensive activity for the patients with essential hypertension who do not have sufficient antihypertensive effect by irbesartan or amlodipine treatment. In addition, the product is expected to have cerebroprotective, cardioprotective and renoprotective effect for patients with essential hypertension, because irbesartan has renoprotective effect and amlodipine has cerebroprotective and cardioprotective effects.
- Development stage: Phase II in Japan

**SMP-986　　Overactive bladder**

- Developed in-house
- SMP-986 possesses the dual pharmacological actions of muscarinic receptor antagonism (non-selective) and inhibition of the bladder afferent pathway through $Na^+$-channel blockade. This compound is expected to ease urinary urgency and reduce the frequency of both urination and incontinence. The compound is also expected to have lower incidence of side effects related to muscarinic receptor antagonism, such as dry mouth.
- Development stage: Phase II in the U.S. and Europe.　Phase II in Japan

**WT4869　　Myelodysplastic syndromes (MDS)**

- Developed in-house (Co-developed with Chugai Pharmaceutical)
- WT4869 is applied as a therapeutic cancer vaccine targeting various types of cancer. It is expected that administration of WT4869 will show efficacy in the treatment of leukemia and other types of cancers that express WT1, by inducing WT1-specific cytotoxic T-lymphocytes that have the potential to attack tumor cells. The compound is under development for MDS.
- Development stage: Phase I/II in Japan

**DSP-3235　　Diabetes**

- In-licensed from Kissei Pharmaceutical
- DSP-3235 is a selective inhibitor for an isoform of sodium-dependent glucose cotransporters (SGLT1). It is expected to improve postprandial hyperglycemia by suppressing glucose absorption from the intestine with a novel mechanism of action different from that of conventional alpha-glucosidase inhibitors.
- Development stage: Phase I in Japan

**DSP-3025 Bronchial asthma, Allergic rhinitis**

- Developed in-house
- An immune response modifier with agonistic activity against Toll-like receptor 7 (TLR7). It is expected to become a therapeutic agent providing long-term disease remission in bronchial asthma and allergic rhinitis.
- A series of promising compounds were identified from drug discovery research for a therapeutic agent with a novel mechanism of action against allergic disorders. With this as a turning point, we started a research collaboration with AstraZeneca in 2004 and discovered a drug candidate as an outcome based on this research collaboration.
- We entered into a development and marketing agreement with AstraZeneca in March 2005. Under the agreement, we will retain development and commercialization rights in Japan, China, Korea and Taiwan and AstraZeneca will retain development and commercialization rights worldwide excluding the four countries. AstraZeneca is conducting Phase II study in Europe. (AstraZeneca' product code: AZD-8848)
- Development stage: Phase I in Japan

**DSP-7238 Diabetes**

- Developed in-house
- DSP-7238 is a dipeptidyl peptidase IV (DPP IV) inhibitor and improves hyperglycemia through the GLP-1-induced acceleration of insulin secretion. Since DSP-7238 has a selective and strong inhibitory activity for the GLP-1-degrading enzyme DPP IV, it may be a promising DPP IV inhibitor that achieves better glycemic control.
- Development stage: Phase I in Europe

**DSP-8658 Diabetes, Alzheimer's disease**

- Developed in-house
- DSP-8658 is a novel PPARα/γ modulator that exhibits potent antihyperglycemic and lipid lowering activity in several animal models.
- Non-clinical studies suggest that DSP-8658 may offer advantages over marketed PPARγ agonists, particularly with respect to improvements in lipid metabolism and incidence of fluid retention or body weight gain in the treatment of diabetes.
- Also it is expected that DSP-8658 may improve symptomatic cognitive decline and show disease modification with mechanism of reduction in β amyloid by impacting a number of different mechanism in marketed compound.
- Development stage: Phase I in the U.S.

**SEP-228432 Neuropathic pain, Major depressive disorder (MDD)**

- Developed in-house (Sunovion)
- SEP-228432 is a new triple unbalanced reuptake inhibitor (TRI) that inhibits reuptake of serotonin, norepinephrine and dopamine. The compound is under development for neuropathic pain and MDD in central nervous disorders (CNS) area.
- Development stage: Phase I in the U.S.