Summary of Consolidated Financial Results For The Year Ended March 31, 2006

(Fiscal Year 2005:April 1,2005 to March 31,2006)

May 11, 2006

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)
Date of Board of Directors' meeting: May 11, 2006

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 year ended March 31, 2006 (April 1, 2005 to March 31, 2006)

Dainippon Pharmaceutical Co., Ltd. and Sumitomo Pharmaceuticals Co., Ltd. merged on October 1, 2005 and became Dainippon Sumitomo Pharma Co., Ltd..
Numerical value of Sumitomo Pharmaceuticals Co., Ltd. before the merger date is not included in the followings.

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

(1) Results of Operations

	Net sales		Operating income		Recurring income	
	Yen Million	% change	Yen million	% change	Yen Million	% change
Year ended March 31,2006	245,783	41.3	28,885	177.8	27,235	143.4
Year ended March 31,2005	173,899	1.8	10,396	12.0	11,187	10.2

	Net income		Earnings per share	Earnings per share (diluted)
	Yen Million	% change		
Year ended March 31,2006	15,377	122.1	¥54.57	—
Year ended March 31,2005	6,924	(13.1)	¥41.76	—

Note 1. Equity in earnings of unconsolidated subsidiaries and affiliates
Year ended March 31, 2006 : —
Year ended March 31, 2005 : —
2. Average number of shares outstanding:
Year ended March 31, 2006 : 280,991,352 shares
Year ended March 31, 2005 : 165,113,669 shares
3. Change of the accounting principles [Yes/No] : Yes
4. Presentation of percentages in the above shows increase or decrease ratio in comparison with the previous fiscal year.

(2) Financial Position

(millions of yen)

	Total assets	Shareholders' Equity	Shareholders' equity ratio	Shareholders' equity per share
March 31, 2006	392,965	287,764	73.2%	¥723.63
March 31, 2005	201,431	134,649	66.8%	¥815.76

Note number of shares outstanding at end of year:
Year ended March 31, 2006 : 397,609,083 shares
Year ended March 31, 2005 : 165,024,830 shares

(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
March 31, 2006	9,084	(10,446)	(7,286)	71,318
March 31, 2005	15,522	982	(1,805)	38,182

(4) Scope of consolidation and application of the equity method

Consolidated subsidiaries : 1 company
Unconsolidated subsidiaries for which the equity method is applied : None
Affiliates for which the equity method is applied : None

(5) Changes in scope of consolidation and application of the equity method

Consolidation : (Newly consolidated) None, (Excluded) 3 companies
Equity method : (Newly applied) None, (Excluded) None

2. Consolidated Financial Forecast for the year ending March 31, 2007 (April 1, 2006 to March 31, 2007)

(millions of yen)

	Net sales	Recurring income	Net income
Six months ending September 30,2006	127,000	17,000	7,500
Year ending March 31, 2007	260,000	40,000	21,000

Reference : Estimated earnings per share for fiscal year 2006 : ¥52.82

Note : The foregoing are forward-looking statements based on management's assumptions and beliefs in light of the information currently available, and involve risks and uncertainties. Actual financial results may differ materially depending on a number of factors including economic conditions.

Financial Information

(1) Consolidated Balance Sheets

ASSETS (Millions of yen)

	As of Marchi 31, 2006		As of March 31, 2005		Increase (Decrease)
		%		%	
Current assets:	249,733	63.6	131,176	65.1	118,556
Cash and time deposits	60,327		35,190		25,137
Notes and accounts receivable	114,503		67,405		47,098
Marketable securities	13,995		4,510		9,484
Inventories	44,116		16,217		27,899
Deferred tax assets	11,126		5,081		6,045
Others	5,773		2,848		2,924
Allowance for doubtful accounts	(109)		(77)		(31)
Fixed assets:	143,232	36.4	70,255	34.9	72,977
Property, plant and equipment	68,335	17.4	32,610	16.2	35,725
Buildings and structures	37,695		20,141		17,554
Machinery, equipment and carriers	14,136		5,905		8,231
Land	9,988		4,499		5,488
Construction in progress	1,615		81		1,534
Others	4,900		1,983		2,917
Intangible fixed assets	5,952	1.5	2,977	1.5	2,974
Investments and other assets	68,944	17.5	34,667	17.2	34,277
Investment securities	48,920		29,486		19,434
Deferred tax assets	373		53		319
Others	20,073		5,474		14,599
Allowance for doubtful accounts	(423)		(348)		(75)
Total assets	392,965	100.0	201,431	100.0	191,534

LIABILITIES, MINORITY INTERESTS
AND SHAREHOLDERS' EQUITY

(Millions of yen)

	As of March 31, 2006		As of March 31, 2005		Increase (Decrease)
		%		%	
Total liabilities	104,332	26.6	65,997	32.8	38,334
Current liabilities:	80,070	20.4	49,975	24.8	30,094
Notes and accounts payable	38,693		32,172		6,521
Income taxes payable	8,410		4,018		4,391
Reserve for bonuses	8,050		4,126		3,924
Reserve for sales returns	113		65		48
Reserve for sales rebate	565		1,056		(491)
Others	24,237		8,536		15,701
Long-term liabilities:	24,261	6.2	16,021	8.0	8,239
Long-term debt	5,275		7,000		(1,724)
Long-term accouts payable	–		1,326		(1,326)
Deferred tax liabilities	–		1,313		(1,313)
Reserve for retirement benefits	14,116		5,832		8,283
Reserve for directors' retirement benefits	59		549		(489)
Others	4,810		–		4,810
Minority interests	869	0.2	783	0.4	85
Shareholders' equity	287,764	73.2	134,649	66.8	153,114
Common stock	22,400	5.7	13,444	6.7	8,955
Capital surplus	15,860	4.0	15,860	7.9	–
Retained earnings	232,485	59.2	100,821	50.0	131,663
Unrealized gains on securities	17,348	4.4	8,031	4.0	9,316
Treasury stock	(329)	(0.1)	(3,508)	(1.8)	3,178
Total liabilities, minority interests and shareholders' equity	392,965	100.0	201,431	100.0	191,534

(2) Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2006		Year ended March 31, 2005		Increase (Decrease)	
		%		%		%
Net sales	245,783	100.0	173,899	100.0	71,884	41.3
Cost of sales	130,444	53.1	111,087	63.9	19,356	17.4
Gross profit	115,339	46.9	62,811	36.1	52,527	83.6
Reversal of (provision for) reserve for sales returns	7	0.0	(10)	(0.0)	18	
Net gross profit	115,347	46.9	62,800	36.1	52,546	83.7
Selling, general and administrative expenses	86,461	35.1	52,404	30.1	34,056	65.0
Operating income	28,885	11.8	10,396	6.0	18,489	177.8
Non-operating income:	1,726	0.7	2,358	1.3	(631)	
Non-operating expense:	3,377	1.4	1,567	0.9	1,809	
Recurring income	27,235	11.1	11,187	6.4	16,047	143.4
Extraordinary income:	4,422	1.8	2,934	1.7	1,488	
Gains on sales of investment securities	1,852		2,672			
Gains on sales of property, plant and equipment	1,788		262			
Gains on transfer of the substitutional portion of the government pension program	781		–			
Extraordinary expense:	5,970	2.4	2,436	1.4	3,534	
Expense related to business combination	5,794		487			
Loss on enterprise restructuring	176		831			
Loss on discontinued development of new compound	–		581			
Loss on disposal of inventories	–		536			
Income before income taxes and minority interests	25,687	10.5	11,686	6.7	14,001	119.8
Income taxes:						
Current	10,380	4.2	6,162	3.5	4,217	
Deferred	(140)	(0.0)	(1,489)	(0.9)	1,348	
Minority interests	70	0.0	88	0.1	(18)	
Net income	15,377	6.3	6,924	4.0	8,452	122.1

(3) Consolidated Statements of Capital Surplus and Retained Earnings

(Millions of yen)

	Year ended March 31,2006	Year ended March 31,2005
(Capital Surplus)		
Balance at beginning of year	15,860	15,860
Increases	–	–
Deductions	–	–
Balance at end of year	15,860	15,860
(Retained Earnings)		
Balance at beginning of year	100,821	95,579
Increases	138,124	6,924
Net income	15,377	6,924
Increase due to merger	122,747	–
Deductions	6,461	1,681
Cash dividends paid	1,649	1,651
Bonuses to directors and corporate auditors	28	28
(Including bonuses to corporate auditors)	(8)	(8)
Payments to shareholders of Sumitomo's shares in lieu of devidends	2,886	–
Decrease due to change in scope of consolidation	278	–
Loss on trades of treasury stock	1,617	1
Balance at end of year	232,485	100,821

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31,2006	Year ended March 31,2005
Cash flows from operating activities:		
Income before income taxes and minority interests	25,687	11,686
Depreciation and amortization	8,900	5,232
Provision for liability for retirement benefits, less payments	(1,151)	(173)
Provision for other reserves	(515)	218
Interest and dividend income	(518)	(603)
Interest expense	90	62
Gains on transfer of the substitutional portion of the government pension program	(781)	–
Gains on sales of investment securities	(1,852)	(2,672)
Gains on sales of property, plant and equipment	(1,642)	(239)
Loss on disposal of property, plant and equipment	557	–
Increase in notes and accounts receivable	(4,218)	(2,996)
Decrease (increase) in inventories	(3,348)	5,591
Increase (decrease) in notes and accounts payable	(143)	641
Other, net	316	3,299
Subtotal	21,379	20,045
Interest and dividend received	528	605
Interest paid	(66)	(62)
Income taxes paid	(12,756)	(5,065)
Net cash provided by operating activities	9,084	15,522
Cash flows from investing activities:		
Increase in time deposits etc.	(8,013)	(2,019)
Proceeds from sales of marketable securities	1,000	3,676
Purchases of property, plant and equipment	(4,572)	(3,639)
Proceeds from sales of property, plant and equipment	2,386	1,133
Purchases of investment securities	(1,572)	(673)
Proceeds from sales of investment securities	2,886	3,241
Net increase in short-term loan	(1,100)	–
Other, net	(1,461)	(736)
Net cash provided by (used in) investing activities	(10,446)	982
Cash flows from financing activities:		
Net decrease in short-term borrwings	(670)	–
Repayment of long-term borrowings	(1,917)	–
Increase in treasury stock	(155)	(147)
Dividends paid	(1,650)	(1,651)
Dividends paid to minority shareholders	(7)	(7)
Payments to shareholders of Sumitomo's shares in lieu of devidends	(2,886)	–
Net cash used in financing activities	(7,286)	(1,805)
Net increase (decrease) in cash and cash equivalents	(8,648)	14,699
Cash and cash equivalents at beginning of year	38,182	23,482
Net increase in cash and cash equivalents accompanied by merger	42,235	–
Net decrease in cash and cash equivalents due to change in scope of consolidation	(449)	–
Cash and cash equivalents at end of period	71,318	38,182

(5) Segment Information

Segment information by business segment

Year ended March 31, 2006 (Millions of yen)

	Pharmaceuticals	Other Products	Total	Eliminations and Corporate	Consolidated
Ⅰ Sales and operating income					
Sales to customers	192,601	53,181	245,783	–	245,783
Inter-segment sales / transfers	–	528	528	(528)	–
Total	192,601	53,710	246,312	(528)	245,783
Operating expenses	164,852	52,574	217,427	(528)	216,898
Operating income	27,749	1,136	28,885	–	28,885
Ⅱ Identifiable assets, depreciation and capital expenditures					
Identifiable assets	245,598	24,140	269,738	123,227	392,965
Depreciation	8,255	331	8,586	–	8,586
Capital expenditures	6,352	263	6,615	–	6,615

Year ended March 31, 2005 (Millions of yen)

	Pharmaceuticals	Other Products	Total	Eliminations and Corporate	Consolidated
Ⅰ Sales and operating income					
Sales to customers	122,628	51,270	173,899	–	173,899
Inter-segment sales / transfers	–	1,099	1,099	(1,099)	–
Total	122,628	52,370	174,999	(1,099)	173,899
Operating expenses	114,581	50,021	164,602	(1,099)	163,503
Operating income	8,047	2,348	10,396	–	10,396
Ⅱ Identifiable assets, depreciation and capital expenditures					
Identifiable assets	114,886	21,692	136,579	64,851	201,431
Depreciation	4,737	392	5,129	–	5,129
Capital expenditures	2,828	235	3,063	–	3,063

（Notes）

1. Business segments are devided 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:

Current business segment

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

Previous business segment

Business segment	Major products
Pharmaceuticals	Cardiovascular system drugs Antibacterial and antibiotic agents Central nervous system and antiallergic drugs Nutrients, hormones and vitamins Diagnostics
Animal health products	Animal health products Feeds and feed additives
Other products	Food additives Other products

We established two business segments instead of the previous three business segments shown above because "Animal health products" has become a much smaller segment after the merger with Sumitomo Pharmaceuticals Co., Ltd..

We also changed allocation method of operating expenses so that all operating expenses are born by the two segments.

Business segment information for the year ended March 31,2005 have been modified accordingly.

3. Geographical segment information and overseas sales information are not disclosed, because none of consolidated subsidiaries are located outside Japan, and the overseas sales of our group for the year ended March 31, 2005 and 2006 were less than 10% of consolidated net sales.

Securities Code: 4506

Supplementary Financial Data for the Year Ended－March 31, 2006

May 11, 2006

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.
- Figures for the year ended March 31, 2005 are for Dainippon Pharmaceutical Co., Ltd., and those for the year ended March 31, 2006 are for Dainippon Sumitomo Pharma Co., Ltd., with figures for the six months ended September 30, 2005 being for Dainippon Pharmaceutical Co., Ltd. only.
- Figures noted as "simple totals" are the simple totals of Dainippon Pharmaceutical Co., Ltd. and Sumitomo Pharmaceuticals Co., Ltd. for the year ended March 31, 2005, and those of Dainippon Sumitomo Pharma Co., Ltd. and Sumitomo Pharmaceuticals Co., Ltd. (the first half of FY05 only) for the year ended March 31, 2006.

I. Consolidated Financial Highlights

1. Highlights of the Statements of Income (Billions of Yen)

	Year ended 3/31/05	Year ended 3/31/06	Change (%)	Year ending 3/31/07 (Forecast)	Change (%)	Six months ending 9/30/06 Forecast	Six months ending 9/30/06 Change (%)
Net sales	173.9	245.8	41.3	260.0	5.8	127.0	49.9
Cost of sales	111.1	130.4	17.4	100.3	−23.1		
Selling, general and administrative expenses	52.4	86.5	65.0	118.7	37.3		
(R&D expenditure)	(17.4)	(29.6)	(69.9)	(42.0)	(41.7)		
Operating income	10.4	28.9	177.8	41.0	41.9	17.5	94.6
Recurring income	11.2	27.2	143.4	40.0	46.9	17.0	100.6
Net income	6.9	15.4	122.1	21.0	36.6	7.5	87.6

＊ Cost of Sales includes transfer (reversal) reserve for sales returns.

Net income per common share (yen)	41.76	54.57	52.82
Return on equity (ROE)	5.2%	7.3%	7.1%

(Reference) Comparison of simple totals (Billions of Yen)

	Year ended 3/31/05	Year ended 3/31/06	Change (%)	Year ending 3/31/07 (Forecast)	Change (%)	Six months ending 9/30/06 Forecast	Six months ending 9/30/06 Change (%)
Net sales	316.2	318.2	0.6	260.0	−18.3	127.0	−19.2
Cost of Sales	156.0	152.1	−2.5	100.3	−34.1		
Selling, general and administrative expenses	121.9	121.4	−0.4	118.7	−2.2		
(R&D expenditures)	(42.7)	(41.8)	(−2.0)	(42.0)	(0.4)		
Operating income	38.4	44.7	16.3	41.0	−8.2	17.5	−29.4
Recurring income	37.8	42.2	11.8	40.0	−5.2	17.0	−27.5
Net income	22.6	25.3	11.6	21.0	−16.9	7.5	−46.0

＊ Cost of Sales includes transfer (reversal) reserve for sales returns.

2. Highlights of the Balance Sheet (Billions of Yen)

	As of 3/31/05	As of 3/31/06	Change
Total assets	201.4	393.0	191.5
Shareholders' equity	134.6	287.8	153.1
Shareholders' equity ratio	66.8%	73.2%	

(Reference) Circumstances following merger (Billions of Yen)

	As of 10/1/05	As of 3/31/06	Change
Total assets	383.3	393.0	9.7
Shareholders' equity	276.1	287.8	11.7

3. Capital Expenditures and Depreciation (Billions of Yen)

	Year ended 3/31/05	Year ended 3/31/06	Change	Year ending 3/31/07 (Forecast)	Change
Capital expenditures (including intangible fixed assets)	3.1	6.6	3.6	14.0	7.4
Depreciation and amortization	5.1	8.6	3.5	11.8	3.2

- Major capital expenditure projects for the year ending March 31, 2007

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

¥200 million (total budget: ¥6 billion completed in September 2007)

Merger-related systems integration:

¥3.5 billion (total budget: ¥3.5 billion, for systems operating in April 2007)

4. Highlights of the Statements of Cash Flows (Billions of Yen)

	Year ended 3/31/05	Year ended 3/31/06	Change
Cash flows from operating activities	15.5	9.1	−6.4
Cash flows from investing activities	1.0	−10.4	−11.4
Cash flows from financial activities	−1.8	−7.3	−5.5
Cash and cash equivalents at end of period	38.2	71.3	33.1

Increase was due to the combination of cash and cash equivalents. Decrease was due to deconsolidation. (NET change of ¥41.8 billion)

II. Consolidated Statements of Income

1. Statements of Income (Billions of Yen)

	Year ended 3/31/05	Year ended 3/31/06	Change
Net sales	173.9	245.8	71.9
Cost of Sales	111.1	130.4	19.3
Gross profit	62.8	115.3	52.5
Selling, general and administrative expenses	52.4	86.5	34.1
(R&D expenditures)	(17.4)	(29.6)	(12.2)
Operating income	10.4	28.9	18.5
Non-operating income	2.4	1.7	-0.6
Non-operating expense	1.6	3.4	1.8
Recurring income	11.2	27.2	16.0
Extraordinary income	2.9	4.4	1.5
Extraordinary expense	2.4	6.0	3.5
Income before income taxes and minority interests	11.7	25.7	14.0
Income taxes: Current	6.2	10.4	
Income taxes: Deferred	-1.5	-0.1	
Minority interests	0.1	0.1	
Net income	6.9	15.4	8.5

Scale of operations expanded following the merger in the 2H

Industrial property revenues now included in "Net sales" (¥1.2 billion in non-operating revenues for the previous year)

Gains on sale of investment securities: ¥2.7 billion (FY05), ¥1.9 billion (FY06)
Gains on sale of property, plant and equipment: ¥300 million (FY05), ¥1.8 billion (FY06)
Gains on return of substitutional portion of employees' welfare pension fund plans: N/A (FY05), ¥800 million (FY06)

Merger-related expenses: ¥500 million (FY05), ¥5.8 billion (FY06)
Other: ¥1.9 billion (FY05), ¥200 million (FY06)

＊Cost of Sales includes transfer (reversal) reserve for sales returns.

(Reference)

Comparison of Simple Totals (Billions of Yen)

	Year ended 3/31/05	Year ended 3/31/06	Change
Net sales	316.2	318.2	2.0
Cost of Sales	156.0	152.1	−3.9
Gross profit	160.3	166.1	5.8
Selling, general and administrative expenses	121.9	121.4	−0.5
(R&D expenditures)	(42.7)	(41.8)	(−0.9)
Operating income	38.4	44.7	6.3
Non-operating income	2.7	2.0	−0.6
Non-operating expense	3.3	4.5	1.2
Recurring income	37.8	42.2	4.5
Extraordinary income	2.9	8.9	6.0
Extraordinary expense	3.3	9.8	6.6
Income before income taxes and	37.4	41.3	3.9
Income taxes: Current	14.9	16.2	
Income taxes: Deferred	−0.2	−0.2	
Minority interests	0.1	0.1	
Net income	22.6	25.3	2.6

Increase in sales of the four main products: ¥9.2 billion
Increase in industrial property revenues: ¥6.2 billion
Decline due to the restructuring of Zyrtec and other businesses

Change in product mix (growth of sales in main products with lower cost of goods element
Increased income from commercial rights

Much expended for clinical trials in the previous year

Gains on sale of investment securities: ¥2.7 billion (FY05), ¥1.9 billion (FY06)
Gains on sale of property, plants and equipment: ¥300 million (FY05), ¥1.8 billion (FY06)
Gains on return of substitutional portion of employees' welfare pension fund plans: N/A (FY05), ¥800 million (FY06)
Gains on business transfers: N/A (FY05), ¥4.5 billion (FY06)

Merger-related expenses: ¥900 million (FY05), ¥8.2 billion (FY06)
Losses from enterprise restructuring: ¥900 million (FY05), ¥1.0 billion (FY06)
Other: ¥1.5 billion (FY05), ¥600 million (FY06)

＊Cost of Sales includes transfer (reversal) reserve for sales returns.

2. Segment Information

Billions of Yen

	Year ended 3/31/05			Year ended 3/31/06			Year ending 3/31/07 (Forecast)		
	Pharmaceuticals	Other Products	Total	Pharmaceuticals	Other Products	Total	Pharmaceuticals	Other Products	Total
Net sales	122.6	51.3	173.9	192.6	53.2	245.8	203.5	56.5	260.0
Operating income	8.0	2.3	10.4	27.7	1.1	28.9			

3. Sales of Major Products

Domestic Sales

Billions of Yen

Brand name (Generic name) Therapeutic indication	Year ended 3/31/05	Year ended 3/31/06	Year ending 3/31/07 (Forecast)
AMLODIN® (amlodipine) Therapeutic agent for hypertension and angina pectoris	52.8	**56.8**	57.0
GASMOTIN® (mosapride citrate) Gastroprokinetic	15.0	**16.3**	20.0
MEROPEN® (meropenem) Carbapenem antibiotic	12.8	**14.1**	14.0
PRORENAL® (limaprost alfadex) Vasodilator	10.0	**12.6**	14.5
EBASTEL® (ebastine) Antiallergic	10.2	**11.3**	11.0
SUMIFERON® (interferon-α (NAMALWA)) Natural alpha interferon	6.6	**6.0**	6.1
GROWJECT® (somatropin) Growth hormone	5.6	**4.9**	5.0
GLIMICRON® (gliclazide) Oral hypoglycemic	5.0	**4.7**	4.5
DOPS® (droxidopa) Norepinephrine-activating neural function ameliorant	5.0	**4.7**	4.3
TAGAMET® (cimetidine) H_2-receptor antagonist	5.4	**4.6**	3.5
QVAR™ (beclomethasone dipropionate) Bronchial asthma	3.0	**4.2**	5.4
ALMARL® (arotinolol) Therapeutic agent for hypertension, angina pectoris and arrhythmia	4.0	**3.7**	3.3

Brand name (Generic name) Therapeutic indication	Year ended 3/31/05	Year ended 3/31/06	Year ending 3/31/07 (Forecast)
EXCEGRAN® (zonisamide) Antiepileptic	3.5	**3.6**	3.5
SEDIEL® (tandospirone) Serotonin-agonist antianxiety drug	3.3	**3.1**	2.8
LULLAN® (perospirone) Antipsychotic	2.8	**3.0**	3.3
KLARICID® (clarithromycin) Macrolide antibiotic	19.1	**19.0**	—
ENSURE LIQUID® Enteral nutrition	13.9	**13.8**	—
SYNAGIS® (palivizumab) Monoclonal antibody	7.5	**12.0**	—
SEVOFRANE® (sevoflurane) Anesthetic	4.3	**4.4**	—
LOPEMIN® (loperamide hydrochloride) Antidiarrheal	3.3	**3.1**	—

Exports

Billions of Yen

Brand name (Generic name) Category	Year ended 3/31/05	Year ended 3/31/06	Year ending 3/31/07 (Forecast)
MEROPENEM (meropenem trihydrate) Carbapenem antibiotic	10.6	**12.9**	14.1
ZONISAMIDE (zonisamide) Antiepileptic	2.8	**2.4**	0.7
MOSAPRIDE (mosapride citrate) Gastroprokinetic	0.5	**0.9**	1.0
Others	0.7	**0.6**	0.7
Export total (simple totals)	14.6	**16.8**	16.5

Industrial Property Revenues

Billions of Yen

	Year ended 3/31/05	Year ended 3/31/06	Year ending 3/31/07 (Forecast)
Industrial property revenues (simple totals)	(*)2.3	**8.5**	3.6

* Sumitomo Pharmaceuticals Co., Ltd. only

4. Selling, General and Administrative Expenses

(Billions of Yen)

		Year ended 3/31/05	% of net sales	Year ended 3/31/06	% of net sales	Year ending 3/31/07 (Forecast)	% of net sales
Net sales		173.9	100.0%	245.8	100.0%	260.0	100.0%
	Labor costs	17.5	—	25.7	—		
	Advertising and promotion costs	1.7	—	3.4	—		
	Sales promotion costs	3.4	—	6.7	—		
	Other costs	12.4	—	21.0	—		
	Selling, general and administrative expenses less R&D expenditures	35.0	20.1%	56.8	23.1%	76.7	29.5%
	R&D expenditure	17.4	10.0%	29.6	12.1%	42.0	16.2%
	Selling, general and administrative expenses	52.4	30.1%	86.5	35.2%	118.7	45.7%

(Reference) Simple Totals

(Billions of Yen)

		Year ended 3/31/05	% of net sales	Year ended 3/31/06	% of net sales	Year ending 3/31/07 (Forecast)	% of net sales
Net sales		316.2	100.0%	318.2	100.0%	260.0	100.0%
	Selling, general and administrative expenses less R&D expenditure	79.2	25.0%	79.6	25.0%	76.7	29.5%
	R&D expenditure	42.7	13.5%	41.8	13.1%	42.0	16.2%
	Selling, general and administrative expenses	121.9	38.5%	121.4	38.2%	118.7	45.7%

III. Consolidated Balance Sheet

ASSETS

(Billions of Yen)

	As of 3/31/05 (A)	As of 10/1/05 (merger date) (B)	As of 3/31/06 (C)	(C) – (A)	(C) – (B)
[Assets]	201.4	383.3	393.0	191.5	9.7
Current assets:	131.2	248.3	249.7	118.6	1.4
Cash and time deposits	35.2	82.3	60.3	25.1	−22.0
Notes and accounts receivab	67.4	101.0	114.5	47.1	13.5
Marketable securities	4.5	4.0	14.0	9.5	10.0
Inventories	16.2	43.9	44.1	27.9	0.2
Deferred tax assets	5.1	10.0	11.1	6.0	1.1
Others	2.8	7.2	5.8	2.9	−1.5
Allowance for doubtful accounts	−0.1	−0.1	−0.1	0.0	0.0
Fixed assets:	70.3	135.0	143.2	73.0	8.3
Property, plant and equipment	32.6	70.4	68.3	35.7	−2.1
Buildings and structures	20.1	34.2	37.7	17.6	3.5
Machinery, equipment and carriers	5.9	11.8	14.1	8.2	2.4
Land	4.5	10.2	10.0	5.5	−0.3
Construction in progress	0.1	9.9	1.6	1.5	−8.2
Others	2.0	4.3	4.9	2.9	0.6
Intangible fixed assets	3.0	6.5	6.0	3.0	−0.5
Investments and other assets	34.7	58.1	68.9	34.3	10.9
Investment securities	29.5	41.3	48.9	19.4	7.6
Deferred tax assets	0.1	3.7	0.4	0.3	−3.4
Others	5.5	13.5	20.1	14.6	6.6
Allowance for doubtful accounts	−0.3	−0.5	−0.4	−0.1	0.0
Total assets	201.4	383.3	393.0	191.5	9.7

Sales growth in 2H

Diversifying management methods Transferred to CPs and long-term deposits

Increase in gains on the market-value appraisal of stock holdings

Notes on changes from the previous year-end

Since ¥184.4 billion worth of assets and ¥48.4 billion worth of liabilities were assumed from Sumitomo Pharmaceuticals Co., Ltd. following the merger in October 2005, assets, liabilities, and capital increased substantially from the previous year-end.

	Year ended 3/31/05	Year ended 3/31/06
Accounts receivable turnover period (in months)	4.65	4.27

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY

(Billions of Yen)

	As of 3/31/05 (A)	As of 10/1/05 (merger date) (B)	As of 3/31/06 (C)	(C) – (A)	(C) – (B)
Total liabilities	66.0	106.3	104.3	38.3	−2.0
Current liabilities:	50.0	80.0	80.1	30.1	0.1
Notes and accounts payable	32.2	35.4	38.7	6.5	3.3
Income taxes payable	4.0	9.1	8.4	4.4	−0.7
Reserve for bonuses	4.1	7.4	8.1	3.9	0.7
Reserve for sales returns	0.1	0.1	0.1	0.0	0.0
Reserve for sales rebate	1.1	0.5	0.6	−0.5	0.0
Others	8.5	27.5	24.2	15.7	−3.2
Long-term liabilities:	16.0	26.3	24.3	8.2	−2.1
Long-term debt	7.0	7.2	5.3	−1.7	−1.9
Deferred tax liabilities	1.3	–	–	−1.3	–
Reserve for retirement benefits	5.8	14.1	14.1	8.3	0.0
Reserve for directors' retirement benefits	0.5	0.1	0.1	−0.5	0.0
Others	1.3	4.9	4.8	3.5	−0.1
Minority interests	0.8	0.8	0.9	0.1	0.0
Shareholders' equity	134.6	276.1	287.8	153.1	11.7
Common stock	13.4	22.4	22.4	9.0	–
Capital surplus	15.9	15.9	15.9	–	–
Retained earnings	100.8	224.8	232.5	131.7	7.7
Unrealized gains on securities	8.0	13.3	17.3	9.3	4.1
Treasury stock	−3.5	−0.3	−0.3	3.2	−0.1
Total liabilities, minority interests and shareholders' equity	201.4	383.3	393.0	191.5	9.7

Repayment of borrowings

IV. Group-to-Parent Ratios, Consolidated Subsidiary, Numbers of Employees and MRs

1. Group-to-parent ratios for the year ended 3/31/06

Billions of Yen

	Consolidated	Non-consolidated	Variance	Group-to-parent ratio
Net sales	245.8	232.6	13.2	1.06
Operating income	28.9	28.6	0.3	1.01
Recurring income	27.2	27.0	0.2	1.01
Net income	15.4	15.4	-0	1.00

2. Consolidated subsidiary (as of 3/31/06)

	Establishment date	Paid-in capital	Ownership
Gokyo Trading Co., Ltd.	October 1947	¥100 million	52.48%

3. Number of employees (as of 3/31/06): 5,142 (consolidated); 5,061 (non-consolidated)

4. Number of MRs (as of 3/31/06): 1,530 (excluding managers); 1,760 (including managers)

V. Non-Consolidated Financial Highlights

1. Highlights of the Statements of Income (Billions of Yen)

	Year ended 3/31/05	Year ended 3/31/06	Change (%)	Year ending 3/31/07 (Forecast)	Change (%)	Six months ending 9/30/06 Forecast	Six months ending 9/30/06 Change (%)
Net sales	160.4	232.6	45.0	247.0	6.2	120.0	53.7
Cost of Sales	100.2	119.0	18.7	89.0	−25.2		
Selling, general and administrative expenses	50.5	85.0	68.1	117.3	38.0		
(R&D expenditures)	(17.5)	(29.7)	(69.8)	(42.0)	(41.6)		
Operating income	9.6	28.6	197.4	40.7	42.3	17.3	94.6
Recurring income	10.6	27.0	154.5	39.7	46.9	16.8	99.4
Net income	6.7	15.4	129.8	20.9	35.8	7.4	82.6

＊ Cost of Sales includes transfer (reversal) reserve for sales returns.

Net income per common share (yen)	40.40	54.63	52.56
Return on equity (ROE)	5.1%	7.4%	7.1%

2. Highlights of the Balance Sheet (Billions of Yen)

	As of 3/31/05	As of 3/31/06	Change
Total assets	195.3	387.4	192.1
Shareholders' equity	133.5	286.9	153.4
Shareholders' equity ratio	68.3%	74.0%	

VI. Shareholder Positioning (As of March 31, 2006)

1. Total number of shares issued by the Company: 1,500,000,000

Note: In accordance with the change in the Articles of Incorporation, this figure increased by 900,000,000 shares since the previous year-end to reach the current 1,500,000,000.

2. Total number of shares outstanding: 397,900,154

Note: Following the merger with Sumitomo Pharmaceuticals Co., Ltd., 229,716,000 new shares have been issued.

3. Number of shareholders at year-end: 15,944

4. Major shareholders

Shareholders	Status of Ownership	
	Share ownership	Equity position
	000 shares	%
Sumitomo Chemical Co., Ltd.	199,434	50.12
Inabata & Co., Ltd.	33,282	8.36
The Master Trust Bank of Japan, Ltd (Trust account)	18,765	4.72
Japan Trustee Services Bank, Ltd. (Trust account)	10,710	2.69
Nippon Life Insurance Company	10,530	2.65
Japan Trustee Services Bank, Ltd. (Trust account for Sumitomo Mitsui Banking Corporation's retirement benefits)	7,000	1.76
Sumitomo Life Insurance Company	5,776	1.45
Nissay Dowa General Ins.	4,928	1.24
Mitsubishi UFJ Trust and Banking Corporation (Trust account)	4,249	1.07
The Dai-ichi Mutual Life Insurance Company	3,248	0.82

VII. New Drugs in the R&D Pipeline

Major Products under Development in Japan by DSP

Stage in JPN	Brand name/ Product code Formulation	Generic name	Therapeutic indications	Remarks
Approved (awaiting NHI pricing)	AmBisome SM-26000 Injection	amphotericin B (active ingredient)	Systemic fungal infection	Licensed from Gilead Sciences, Inc.
NDA filed	SMP-536 Injection	agalsidase alfa	Fabry's disease	Licensed from Shire Pharmaceuticals Group plc (formerly Transkaryotic Therapies Inc.)
	AD-5423 Oral	blonanserin	Schizophrenia	Developed in-house
NDA filed New Indication	AD-810N Oral	zonisamide	Parkinson's disease	Developed in-house Approved indication: epilepsy (Brand name: EXCEGRAN®)
NDA filed New Admin. Route	EPHEDRINE NAGAI Injection	ephedrine hydrochloride	Hypotension during anesthesia	Approved administration route: subcutaneous dose Co-developed with 2 other companies

Stage in JPN	Brand name/ Product code Formulation	Generic name	Therapeutic indications	Remarks
Phase III New Indication	SUMIFERON Injection	interferon-alfa (NAMALWA)	Compensated cirrhosis	Licensed from GlaxoSmithKline Approved indications: Type-C chronic hepatitis, renal cancer, etc.

Stage in JPN	Brand name/ Product code Formulation	Generic name	Therapeutic indications	Remarks
Phase III New Indication under preparation	MEROPEN (SM-7338) Injection	meropenem trihydrate	Febrile neutropenia	Developed in-house Approved indications: moderate to severe bacterial infections

Stage in JPN	Brand name/ Product code Formulation	Generic name	Therapeutic indications	Remarks
Phase II	AS-3201 Oral	ranirestat	Diabetic neuropathy (Aldose reductase inhibitor)	Developed in-house Co-developed with Kyorin Pharmaceutical in JPN
	SM-11355 Injection	miriplatin hydrate	Hepatocellular carcinoma	Developed in-house
	SM-13496 Oral	lurasidone	Schizophrenia	Developed in-house
	SMP-114 Oral	Not determined	Rheumatoid arthritis	Developed in-house
	SMP-508 Oral	repaglinide	Diabetes	Licensed from Novo Nordisk
	SMP-862 Oral	metformin hydrochloride	Diabetes	Licensed from Merck Sante
	AC-5216 Oral	Not determined	Anxiety & Depression	Developed in-house
Phase II New Indication	GASMOTIN Oral	mosapride citrate	Post-gastrectomy syndrome	Developed in-house Approved indications: Digestive organ symptoms associated with chronic gastritis (heartburn, nausea, vomiting)
	PRORENAL Oral	limaprost alfadex	Cervical spondylosis	Co-developed with Ono Pharmaceutical in JPN Approved indications: symptoms associated with thromboangiitis obliterans and acquired lumbar spinal canal stenosis

Stage in JPN	Brand name/ Product code Formulation	Generic name	Therapeutic indications	Remarks
Phase I	AC-3933 Oral	Not determined	Dementia	Developed in-house
	SMP-797 Oral	Not determined	Hypercholesterolemia	Developed in-house

[Main revisions since the announcement of February 2006]

AmBisome (SM-26000): Approval was obtained (awaiting NHI pricing).
CALSED: NDA filing for new indication was withdrawn.
SUMIFERON: Concomitant use of ribavirin was deleted from new indication for Phase III trial.

Major Products under Development in Foreign Markets by DSP

Stage	Brand name/ Product code Formulation	Generic name	Therapeutic indications	Remarks
Phase III	AS-3201 Oral	ranirestat	Diabetic neuropathy (Aldose reductase inhibitor)	Developed in-house Phase III in the U.S. and Canada

Stage	Brand name/ Product code Formulation	Generic name	Therapeutic indications	Remarks
Phase II	SMP-114 Oral	Not determined	Rheumatoid arthritis	Developed in-house Phase IIb in Europe
	AD-5423 Oral	blonanserin	Schizophrenia	Developed in-house Phase II in Europe and the U.S.
	AC-3933 Oral	Not determined	Dementia	Developed in-house Phase IIa trials in Europe (completed) Phase IIa trials in the U.S.
	SMP-797 Oral	Not determined	Hypercholesterolemia	Developed in-house Phase IIa in Europe

Stage	Brand name/ Product code Formulation	Generic name	Therapeutic indications	Remarks
Phase I	SMP-986 Oral	Not determined	Overactive bladder syndrome	Developed in-house Phase I in Europe
	SMP-028 Oral	Not determined	Bronchial asthma	Developed in-house Phase I in the U.S.

[Main revisions since the announcement of February 2006]

SMP-028: Phase I trial was initiated.

Major Products under Development in Foreign Markets by Licensees

Generic / Product code (Brand name in JPN)	Therapeutic indications	Status of development
AC-5216	Anxiety & Depression	Out-licensed to Novartis Pharma AG for the worldwide territory, excluding Japan, South Korea, Taiwan and China, in February 2002 Phase IIa conducted in the U.S. and Canada by Novartis
AG-7352	Cancer	Out-licensed to Sunesis Pharmaceuticals Inc. for the worldwide territory in October 2003 Phase II trials conducted by Sunesis (Sunesis's product code: SNS-595)
SMP-601	Life-threatening infection	Out-licensed to Protez Pharmaceuticals for the worldwide territory in May 2005 Protez Pharmaceuticals is now preparing for clinical studies in the U.S.
lurasidone SM-13496	Schizophrenia	Out-licensed to Merck for the worldwide territory, excluding Japan, South Korea, Taiwan and China, in June 2005 Merck is conducting clinical studies in the U.S.
amrubicin hydrochloride SM-5887 (CALSED)	Cancer	Out-licensed to Conforma for the European and U.S. territories in June 2005 Phase II conducted in the U.S. by Conforma Conforma is now preparing for Phase II trials in Europe.
ranirestat AS-3201	Diabetic neuropathy (Aldose reductase inhibitor)	Out-licensed to Eisai for the worldwide territory, excluding Japan, in September 2005. Phase III conducted in the U.S. and Canada by DSP Eisai will proceed with subsequent trials.

[Main revisions since the announcement of February 2006]

None

VIII. Profile of Major Products under Development

AmBisome (SM-26000)　　Systemic fungal infection

- Licensed from Gilead Sciences, Inc.
- This drug is a liposomal formulation of amphotericin B. Delivery of the active ingredient via liposomes helps to lower the incidence of side effects without reducing the efficacy of amphotericin B.
- Development stage: approved in Japan (awaiting NHI pricing)

SMP-536 (agalsidase alfa)　　Fabry's disease

- Licensed from Shire Pharmaceuticals Group plc (formerly Transkaryotic Therapies Inc.)
- This drug is a manufactured version of alpha-galactosidase A, a hydrolytic enzyme produced by sarcomatous human fibroblast cell lines. It treats the symptoms of Fabry's disease by helping to correct the enzyme deficiency characteristic of this condition.
- Development stage: NDA filed in Japan

AD-5423 (blonanserin)　　Schizophrenia

- Developed in-house
- Clinical trials have confirmed that this drug possesses blocking activity for specific dopamine (D2) and serotonin ($5HT_2$) receptor subtypes. It has demonstrated efficacy in relieving not only the positive symptoms of schizophrenia (such as hallucinations or delusions), but also negative symptoms (such as reduced emotion or lack of volition and drive). It has also demonstrated advantages over comparator drugs in terms of a reduced incidence of side effects, such as extrapyramidal symptoms or weight gain.
- Development stage: NDA filed in Japan. Phase II in Europe and the U.S.

AD-810N (zonisamide)　　Parkinson's disease (Additional therapeutic indication)

- Developed in-house
- Launched in June 1989 as an anti-epileptic treatment (EXCEGRAN®), this drug has since been found to be useful in ameliorating the symptoms of Parkinson's disease. It is believed to have a different mechanism of action to conventional anti-Parkinson's agents, which are dopamine receptor agonists.
- Development stage: NDA filed in Japan

AS-3201 (ranirestat)　　Diabetic neuropathy

- Developed in-house
- The drug relieves the symptoms of diabetic neuropathy, a complication of diabetes, by powerfully inhibiting the action of enzyme aldose reductase and thereby restricting intracellular accumulation of sorbitol. The inhibitory effect of AS-3201 is stronger and longer acting than other drugs in its class. In Phase IIa trials conducted overseas, AS-3201 showed good take-up into human nervous tissue, inhibiting intraneural accumulation of sorbitol and fructose in a dose-dependent manner. Phase III trials are currently under way in North America to investigate the utility of this drug in treating diabetic neuropathy. Global development and sales rights for AS-3201 outside Japan were out-licensed to Eisai in September 2005.
- Development stage: Phase III in the U.S. and Canada. Phase II in Japan (co-developed with

Kyorin Pharmaceutical)

SM-11355 (miriplatin hydrate) Hepatocellular carcinoma

- Developed in-house
- A fat-soluble platinum complex, this drug is injected via a hepatic artery into the liver in a suspension using a lipid contrast medium, which acts as the carrier for the drug so that it can target the tumor. This enables selective and sustained release of the drug's active ingredient in the vicinity of the tumor, which is expected to cut the incidence of side effects affecting the rest of the body while producing a strong anticancer effect.
- Development stage: Phase II in Japan

SM-13496 (lurasidone) Schizophrenia

- Developed in-house
- SM-13496 has demonstrated long-acting efficacy against schizophrenia due to powerful antagonism of dopamine (D2) receptors and antagonist effects at three serotonin receptor subtypes ($5HT_2$, $5HT_7$, $5HT_{1A}$). It is expected to have a superior safety profile due to a reduced incidence of extrapyramidal reactions, cardiac problems and other side effects such as weight gain. Global development and sales rights for SM-13496 excluding Japan, South Korea, Taiwan and China were out-licensed to Merck in June 2005.
- Development stage: Phase II in Japan. Clinical studies in the U.S. conducted by Merck

SMP-114 Rheumatoid arthritis

- Developed in-house
- A new type of disease-modifying anti-rheumatic drug (DMARD) for oral administration, SMP-114 is expected to inhibit progressive symptoms of rheumatoid arthritis, such as chronic inflammation and the destruction or deformation of joints.
- Development stage: Phase II in Europe. Phase II in Japan

SMP-508 (repaglinide) Diabetes

- Licensed from Novo Nordisk
- This drug is a secretagogue that acts on pancreatic beta cells, causing them to produce insulin. Rapidly effective, SMP-508 is faster acting than existing drugs that stimulate the production of insulin. By boosting insulin secretion capabilities to normal levels, it is expected to help suppress the postprandial elevation of blood sugar levels that typically occurs in Type II diabetes patients due to reduced secretion of insulin shortly after meals. Similarly, the drug's action is also expected to help prevent low levels of glucose and HbA1c when the stomach is empty.
- Development stage: Phase II in Japan

SMP-862 (metformin hydrochloride) Diabetes

- Licensed from Merck Sante
- SMP-862 (metformin hydrochloride) is a non-secretagogue anti-diabetic that lowers blood sugar levels without promoting insulin secretion, chiefly by improving insulin resistance. Melbin®, an oral formulation of metformin hydrochloride developed in-house, was first launched in Japan in 1961. In recent years, following the elucidation of the mechanism of action and with the benefit of clinical knowledge acquired from large-scale clinical trials conducted in the U.S. and Europe, we believe that it is important to supply updated treatment information for Japanese patients as part of

the drive toward evidence-based medicine. As a result, we are recompiling the clinical data for this drug in conformity with today's regulatory approval standards. Our aim is to gain a fresh approval for the drug with a more appropriate indication, dosing method and dosage.

- Development stage: Phase II in Japan

AC-5216 Anxiety & Depression

- Developed in-house
- This drug is an anxiolytic and antidepressant with a novel mechanism of action affecting GABA-A receptors. AC-5216 promotes the production of neurosteroids by acting as an agonist at mitochondrial benzodiazepine receptors.
- Development stage: Phase II in Japan. Phase II conducted in the U.S. and Canada by Novartis

AC-3933 Dementia

- Developed in-house
- AC-3933 acts as a partial inverse agonist at benzodiazepine receptors, a mechanism of action markedly different from that of acetylcholinesterase inhibitors. This effect not only activates acetylcholine neural pathways by promoting the release of acetylcholine, but it also stimulates other neural pathways that use glutamic acid as a neurotransmitter. It is hoped that the drug will help improve memory impairment, a core symptom of dementia.
- Development stage: Phase II in the U.S. Phase I in Japan

SMP-797 Hypercholesterolemia

- Developed in-house
- SMP-797 is a potential treatment for hypercholesterolemia. The drug helps combat atherosclerosis directly by inhibiting the membrane-bound enzyme acyl-CoA:cholesterol O-acyl transferase (ACAT) while promoting the expression of low-density lipoprotein (LDL) receptors in the liver.
- Development stage: Phase II in Europe. Phase I in Japan

SMP-986 Overactive bladder syndrome

- Developed in-house
- Besides antagonism of muscarinic receptors, SMP-986 also helps to suppress abnormal signals sent from the bladder to the central nervous system in cases of overactive bladder. The result is increased volume of micturition per visit, which in turn eases urinary urgency and reduces the frequency both of urination and incontinence. Due to its more selective action, an additional expected benefit is an absence of side effects, such as dry mouth, caused by the antagonism of M3 muscarinic receptors.
- Development stage: Phase I in Europe

SMP-028 Bronchial asthma

- Developed in-house
- SMP-028 has demonstrated broad suppression of the major types of inflammation-related cells known to be involved in the pathology of bronchial asthma. It is expected to become a treatment for asthma with a novel anti-inflammatory mechanism of action.
- Development stage: Phase I in the U.S.