DAINIPPON SUMITOMO PHARMA

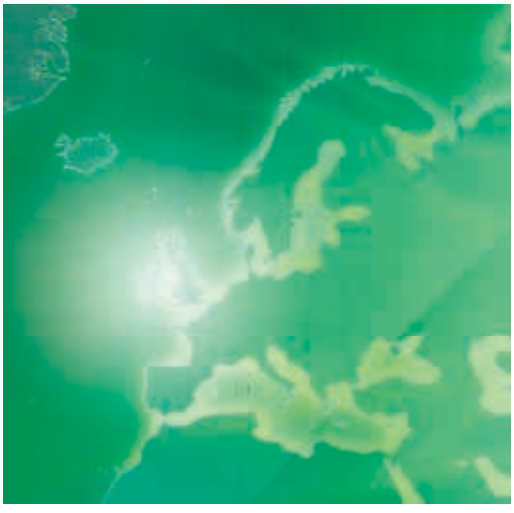
Dainippon Sumitomo Pharma Co., Ltd.

Annual Report 2010

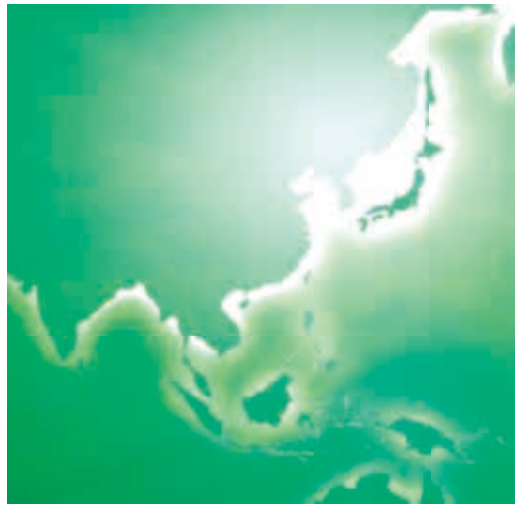
For the year ended March 31, 2010

Poised for Global Growth





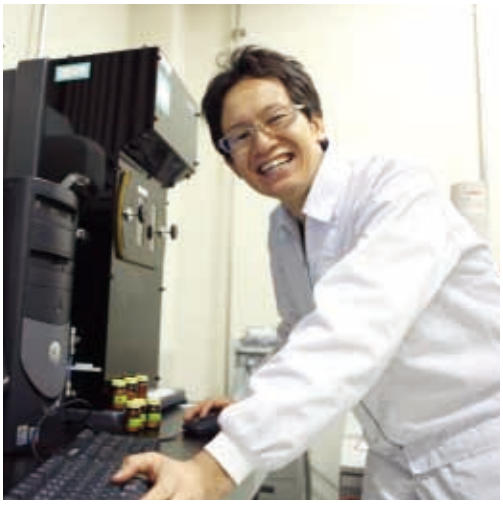


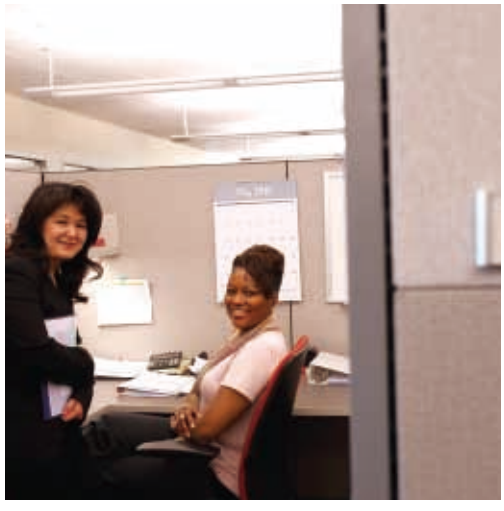

Profile

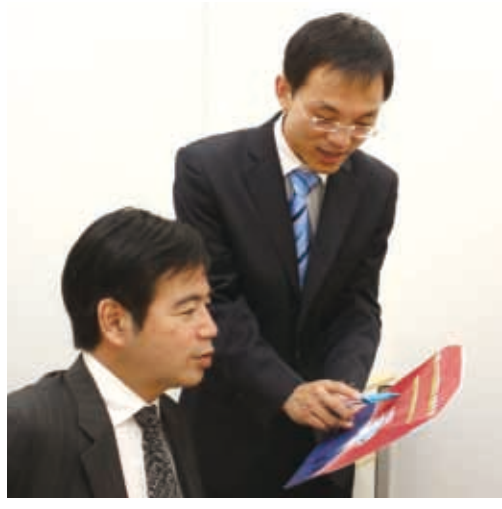
Dainippon Sumitomo Pharma Co., Ltd. (DSP) was formed on October 1, 2005, with a corporate mission “to broadly contribute to society through value creation based on innovative research and development activities for the betterment of healthcare and fuller lives of people worldwide”.

In 2007, we established our Mid- to Long-term Vision focusing on establishing a solid foundation for our domestic business, expanding our international business operations, and enriching our R&D product pipeline to realize our future vision of the Company in ten years. We have also set the goals of becoming an internationally competitive R&D-oriented pharmaceutical company and establishing two solid mainstreams of revenue, from domestic and international operations.

After completing the first Mid-term Business Plan, we have launched the five-year second Mid-term Business Plan starting in the fiscal year ending March 31, 2011 to move Dainippon Sumitomo Pharma to the next stage.







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Note: Sepracor Inc. is scheduled to change its corporate name to Sunovion Pharmaceuticals Inc. by the end of 2010.

Financial Highlights

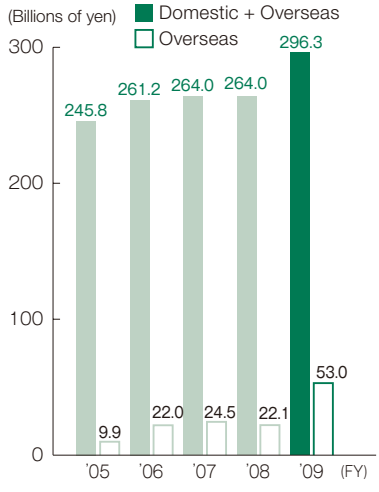
Dainippon Sumitomo Pharma Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010, 2009, 2008, 2007 and 2006
(Fiscal years 2009, 2008, 2007, 2006 and 2005)

	Millions of Yen			Percent Change	Thousands of U.S. Dollars (Note 1)
Fiscal Year (FY)	**2009**	2008	2007	**2009/2008**	**2009**
For the Year:					
Net sales	296,262	264,037	263,993	12.2%	3,185,613
Overseas sales	53,015	22,051	24,521	140.4%	570,054
Overseas sales as a percentage of total net sales	17.9%	8.4%	9.3%		
Operating income	35,625	31,166	39,814	14.3%	383,065
Net income	20,958	19,988	25,592	4.9%	225,355
R&D costs	51,371	52,819	47,266	(2.7%)	552,376
Capital expenditures	6,471	10,569	15,491	(38.8%)	69,581
Depreciation and amortization	18,650	11,455	11,870	62.8%	200,538
EBITDA[2]	56,448	41,970	48,802	34.5%	606,968
At Year-End:					
Total assets	626,743	391,295	399,791	60.2%	6,739,172
Net assets	343,483	324,496	318,278	5.9%	3,693,366

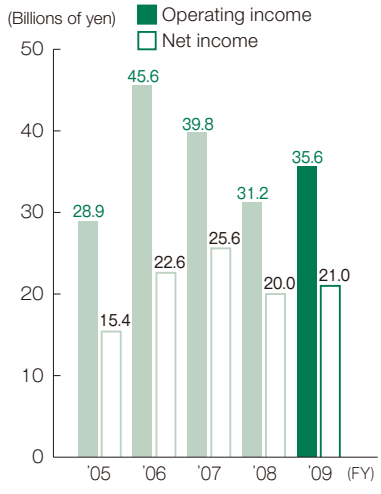
	Yen			Percent Change	U.S. Dollars (Note 1)
Per Share of Common Stock:					
Net income	52.75	50.30	64.39	4.9%	0.57
Net assets	864.51	816.49	800.63	5.9%	9.30
Cash dividends	18.00	18.00	18.00	0.0%	0.19
Financial Indicators:					
Operating margin	12.0%	11.8%	15.1%		
ROE	6.3%	6.2%	8.2%		
Equity ratio	54.8%	82.9%	79.6%		

Notes: 1. The U.S. dollar amounts in this report represent translations of Japanese yen, solely for the reader's convenience, at the rate of ¥93 = US$1, the approximate exchange rate at March 31, 2010.
2. Earnings Before Interest, Taxes, Depreciation and Amortization
3. Overseas sales, total assets and depreciation and amortization increased significantly due to the acquisition of Sepracor Inc.

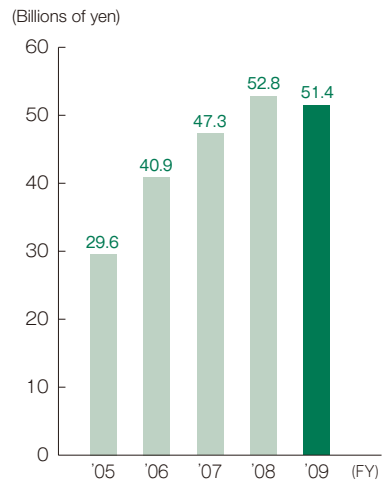
Net Sales



Operating Income/Net Income



R&D Costs



Message from the Chairman and President

We have strengthened our international operations with the acquisition of Sepracor Inc.

Overview of the Past Fiscal Year

In the fiscal year ended March 31, 2010 (fiscal 2009), the final year of the first Mid-term Business Plan, DSP strengthened its international operations with the acquisition of U.S. pharmaceutical company, Sepracor Inc. The addition of Sepracor contributed to a 12.2 percent increase in consolidated net sales over the previous fiscal year to ¥296.3 billion. Due in part to cost reductions throughout the Group under the "Overall Business Results Improvement Project", operating income increased 14.3 percent to ¥35.6 billion and net income was up 4.9 percent to ¥21.0 billion. Both of these results exceeded our forecast.

Outlook for the Fiscal Year Ending March 31, 2011 (Fiscal 2010)

In fiscal 2010, we anticipate that overseas sales will rise substantially with the addition of Sepracor's results for the entire period. In Japan, however, the operating environment is expected to remain challenging due to National Health Insurance (NHI) price revisions and the increasing impact of generic competition.

DSP will also incur non-cash expenses of approximately ¥36.0 billion, including amortization of patent rights and goodwill associated with the acquisition of Sepracor. Consequently, for fiscal 2010, we forecast net sales of ¥359.0 billion, a 21.2 percent increase year-on-year, but operating income of ¥8.5 billion, a 76.1 percent decrease. We forecast net income of ¥3.0 billion, a decrease of 85.7 percent from fiscal 2009.

Shareholder Returns

One of our top management priorities at DSP is making consistent and appropriate distributions of profits to shareholders. While we emphasize appropriate profit distributions, we take a comprehensive view in setting dividends, considering factors such as investments in future growth to increase the Company's corporate value, as well as the need to ensure a strong business foundation and enhance the Company's financial position.

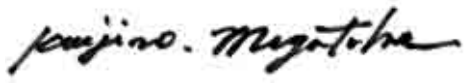
For fiscal 2009, we paid a year-end cash dividend of ¥9.00 per share, the same amount as the interim dividend, bringing total dividends for the year to ¥18.00 per share. We plan to maintain the same level of dividends for fiscal 2010 to continue providing stable returns to shareholders.

Respectfully, we ask for the continuing support and patronage of our shareholders and other stakeholders.

August 2010

(right) Kenjiro Miyatake,
Representative Director, Chairman of the Board of Directors

(left) Masayo Tada,
Representative Director, President and Chief Executive Officer



Interview with the President

Creation and Transformation toward a New Stage of Globalization

In fiscal 2009, DSP took a major step toward achieving globalization by making U.S. company, Sepracor Inc. a subsidiary. Under the second Mid-term Business Plan (2nd MTBP), DSP will quicken its pace toward realization of its Mid- to Long-term Vision of becoming a truly “internationally competitive R&D-oriented pharmaceutical company”.

Masayo Tada
Representative Director, President
and Chief Executive Officer

Q.1 In fiscal 2009, the Company completed the first Mid-term Business Plan (1st MTBP). Please tell us your overview of the Company's performance against the 1st MTBP, focusing on initiatives you have taken in the last year.

I am very pleased with our overall performance. While our numeric targets were not achieved, we made very satisfactory achievements on our key strategic priorities, including "expand our international business operation".

In the Mid- to Long-term Vision we launched in 2007, we defined our key strategic priorities as: establish a solid foundation for our domestic business; expand our international business operation; and enrich our R&D product pipeline to realize our future vision. In 2021, we want to be a truly "internationally competitive R&D-oriented pharmaceutical company" with two solid mainstreams of revenue, one from domestic operations and the other from international operations.

In the 1st MTBP, our aim was to "strengthen our business foundation for the first step to become a global corporation". To achieve this objective, we proceeded with global clinical development of lurasidone (generic name) for schizophrenia treatment. In addition, we made U.S. company, Sepracor Inc. a subsidiary in October 2009 and successfully established a commercial platform ready for the anticipated launch of lurasidone. Through these strategic actions, we achieved substantial reinforcement of our international business platform. On December 30, 2009, we submitted a new drug application (NDA) for lurasidone to the U.S. Food and Drug Administration (FDA).

In domestic commercial operations, we introduced the "Regional Division System" in June 2009. This system facilitates more customer-oriented, community-based sales and marketing activities and helps boost profitability in each region through the delegation of authority to the newly established "Regional Divisions".

In research and development, we achieved our launch targets during the 1st MTBP. We launched seven products in Japan, including existing products approved for additional indications. During this same period, we did not achieve in-licensing of new candidates for our pipeline as planned. This will be a continuing challenge as we move forward.

As for our numeric targets, despite the successful substantial cost reductions through the "Overall Business Results Improvement Project" we started during this past year, earnings fell short of our target. This was mainly due to the larger-than-expected decline in revenues from off-patent products.

In summary, although we did not reach our numeric targets, we achieved very satisfactory results on our key strategic priorities.

Q.2 The real highlight during this fiscal year was the addition of Sepracor as a subsidiary. What was the background leading up to this?

Our main objectives were to establish a solid commercial platform in the U.S. and to achieve rapid market penetration of lurasidone, maximizing its sales after launch.

Lurasidone is the product opening DSP's new era of globalization. Toward its launch, we had been building our commercial organization and strengthening our global clinical development capabilities.

Our main objective in making Sepracor a subsidiary last fall was to promptly establish a solid commercial platform in the U.S. thus expediting the market penetration of lurasidone following launch and achieving early maximization of its sales.

Also, DSP's global operations are substantially expanded with the addition of Sepracor. On a consolidated basis, our overseas revenue contribution is now increased to approximately 40 percent, and our pipeline in the U.S. is reinforced.

Furthermore, Sepracor's corporate strategy of growing its business by launching drugs from its own R&D pipeline is in line with DSP's management philosophy. As the core of our U.S. pharmaceutical operations, Sepracor will serve as a sales and marketing base for our global products and also play a key role as an operating base for business development and licensing activities.

Q.3 DSP has formulated the 2nd MTBP starting in fiscal 2010. Can you explain the outline of this Plan?

We will raise profitability by increasing the ratio of new drugs in our portfolio to achieve a new stage of globalization.

Following the execution of the 1st MTBP, we have defined "Creation and transformation toward a new stage of globalization" as the main slogan of the 2nd MTBP. To achieve our Mid- to Long-term Vision, we will strive to raise profitability by increasing the revenue contribution of new products.

In the 2nd MTBP, we have defined five "key strategic priorities":

1) Transform the earnings structure in Japan;
2) Expand overseas operation and maximize earnings;
3) Expand the pipeline for continuous new drug creation;
4) Promote CSR management and continuous increases in management efficiency; and
5) Establish a challenging corporate culture and cultivate human resources.

The five-year period of the plan will ensure the successful accomplishment of these priorities.

Regarding the first — transforming the earnings structure in Japan — in order to achieve sustained growth as a branded pharmaceutical company, we will strive to increase the revenue contribution of new drugs through product development, as well as business development and in-licensing activities, which is a continuing challenge from the 1st MTBP. To maximize earnings, we have positioned cardiovascular and diabetes, central nervous system (CNS) and cancer and infectious diseases as our core marketing areas, and we are concentrating sales and marketing resources on existing strategic products AVAPRO®, LONASEN® and PRORENAL®, as well as new products such as TRERIEF®, MIRIPLA® and METGLUCO®. We are also increasing the number of MRs (Medical Representatives) specializing in CNS to increase our presence in this area.

In our efforts to expand overseas operation and maximize earnings, in North America we will strive to maximize earnings from lurasidone and antiepileptic agent STEDESA™, as well as other new products planned for the future through Sepracor's business activities.

In China, where the market continues to expand, our goal is to increase sales to ¥10 billion in 2014 by

Overview of Second Mid-term Business Plan (Fiscal 2010 – Fiscal 2014)

Slogan Creation and transformation toward a new stage of globalization

- Transform the earnings structure in Japan
- Expand overseas operation and maximize earnings
- Expand the pipeline for continuous new drug creation
- Promote CSR management and continuous increases in management efficiency
- Establish a challenging corporate culture and cultivate human resources

Mid-term Business Plan Numeric Targets

(Billions of yen)

	Fiscal 2012 (Reference)	Fiscal 2014 (Targets)
Net sales	400.0	440.0
Pharmaceuticals	340.0	375.0
Operating income	30.0	70.0
EBITDA	70.0	90.0
R&D costs	65.0	70.0

expanding sales of existing products and introducing new products.

With these actions, we aim to achieve 50 percent of our sales revenue from outside Japan in fiscal 2014 and fully establish two solid mainstreams of revenue, one from domestic operations and the other from international operations.

To expand the pipeline for continuous new drug creation, we are taking a mid- to long-term view in setting CNS as the focus therapeutic area. Additionally, we are setting diseases with significantly unmet medical needs, such as cancer and immune-related diseases, as the challenge therapeutic areas. By concentrating resources on these areas, we aim to steadily generate innovative new drugs.

As we move into the next phase of higher global earnings, we will be even more conscious of selection and concentration to increase management efficiency, thereby maximizing the Company's corporate value.

Q.4 What specifically is involved in the other two key strategic priorities of the 2nd MTBP – "promote CSR management and continuous increases in management efficiency", and "establish a challenging corporate culture and cultivate human resources"?

We will pursue management efficiency, with plans to cut costs by more than ¥12 billion in total by the end of the fiscal 2014. In addition, we will continue to promote the "C&S Campaign" to realize a dynamic organization.

From the standpoint of CSR management, we will enhance our global corporate governance system as we move forward with further globalization following the acquisition of Sepracor.

In pursuit of management efficiency, we will continue the Overall Business Results Improvement Project we started in fiscal 2009. This involves making comprehensive efficiency improvements, including streamlining work processes, introducing innovative business processes and making effective use of R&D expenditures based on prioritizations. Specifically, we plan to cut costs by more than ¥12 billion in total by the end of fiscal 2014 from the initial forecast for fiscal 2009.

To ensure our successful execution of challenging business plans, one of the key success factors is to have a dynamic organization full of talented people. To this end, we will enhance our challenging corporate culture under the mottos, "Change for Challenge!" and "Seek Something New!". Also, in professional development, besides the new Research Specialist System introduced in June 2009, we implemented a new personnel system in July 2010. This aims to foster a highly motivated corporate climate through a new compensation structure that is more rewarding to higher-performing employees than before.

Q.5 Investors believe the success of lurasidone will be the key factor for the future growth of DSP. How is clinical development progressing?

We have already submitted an NDA for the indication of schizophrenia to the FDA and aim for a U.S. launch in the first quarter of 2011.

The successful clinical development of lurasidone is the core of our business expansion going forward. It is a top-priority project throughout the Company and we have aggressively invested management resources in this product. As a result, we submitted an NDA for the indication of schizophrenia to the FDA on December 30, 2009, ahead of our original plan. The application was accepted by the FDA in March 2010 and we have been notified that the review will be completed at the end of this October.

Expectations for lurasidone are high because clinical trials to date have shown it to be a product with strong efficacy in improving symptoms of schizophrenia and a good safety profile, with few side effects. Clinical trials are currently being conducted for effectiveness for cognitive dysfunction, giving the drug even greater future potential. In addition, Phase III clinical studies are under way for treatment of bipolar disorder, a possible additional indication.

We are currently aiming for a launch in the U.S. in the first quarter of 2011 for the indication of schizophrenia and anticipate sales of ¥70 billion in fiscal 2014.

We are also considering development in Europe, primarily through alliances. Domestic development is at the Phase III stage, with a multinational study in Japan, Korea and Taiwan.

Q.6 In closing, what message would you like to give to stakeholders?

We have already established the foundation for our globalization. Going forward, we will steadily and securely execute our 2nd MTBP to move toward a solid growth path for the Company.

Fiscal 2009 was a transformational year for the Company. With Sepracor becoming our subsidiary, we now have an established platform for our globalization, and are ready to move on to a growth path toward becoming “an internationally competitive R&D-oriented pharmaceutical company”. Globalization is now starting to appear within sight, and employee motivation is very high.

Fiscal 2010, the first year of the 2nd MTBP, will be a challenging year from the perspective of income, mainly due to amortization of intangible assets associated with the acquisition of Sepracor. We will ensure readiness for the launch of lurasidone in the U.S. Furthermore, our management team and all of our employees will work together to address and overcome this challenge, by the successful execution of our “key strategic priorities” in our 2nd MTBP so that the Company will be on a solid growth path.

To our shareholders and other stakeholders: We remain committed to investor relations activities, including timely and appropriate disclosure of necessary management information and fulfillment of accountability as top management.

We welcome the candid feedback of our stakeholders and ask for your continued support.

Feature

A Global Franchise

Dialogue

DSP President Tada & Sepracor President and COO Iwicki

In its drive to become an internationally competitive R&D-oriented pharmaceutical company, DSP positioned the period of the first Mid-term Business Plan, which covered the three years from April 2007 to March 2010, as a time for strengthening our business foundation as the first step to becoming a global corporation.

A priority during this period was establishing our operating infrastructure in the U.S., the world's largest pharmaceutical market, in order to quickly maximize earnings after the launch of lurasidone, a schizophrenia treatment that is currently in development.

After considering our options from various angles, we decided that Sepracor was the best partner to help DSP achieve its goals and made it a subsidiary.

Feature:

A Global Franchise

Dialogue: DSP President Tada & Sepracor President and COO Iwicki

> “I believe the acquisition of Sepracor has been a tremendously meaningful step for DSP, from which we expect to rapidly enhance our business foundation and generate substantial synergies.”

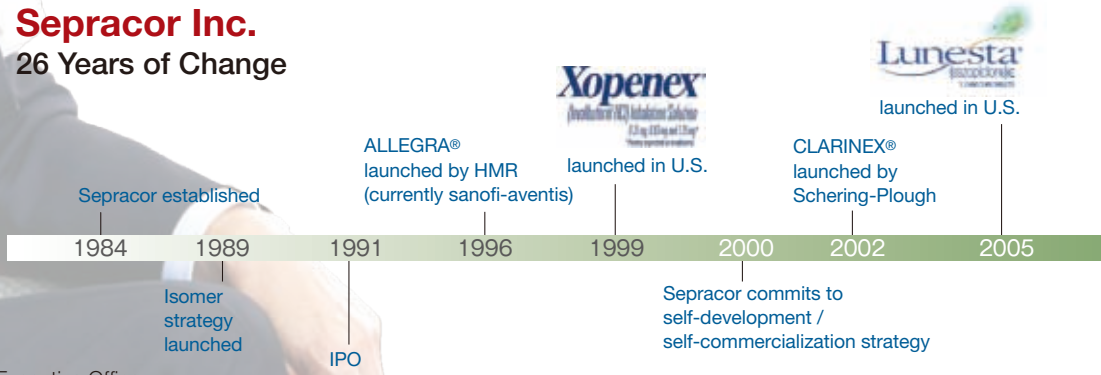
Masayo Tada
Representative Director, President and Chief Executive Officer
Dainippon Sumitomo Pharma Co., Ltd.

In your view, what is the significance of the Company’s acquisition of Sepracor?

Tada: Since setting our Mid- to Long-term Vision in 2007, DSP has taken a number of steps toward becoming an internationally competitive R&D-oriented pharmaceutical company. Central to the attainment of our Vision is the successful global launch of lurasidone, a schizophrenia treatment candidate we believe will be the nucleus of our global growth strategy. Pending approval by the U.S. Food and Drug Administration (FDA), it is our goal to launch lurasidone in the U.S. in the first quarter of 2011 and, in anticipation, we have been actively preparing to build a marketing organization to help achieve this important strategic initiative.

The acquisition of Sepracor has provided us with the opportunity to instantly obtain an experienced North American infrastructure, reducing both the time and the cost of building an independent commercial network within this new, strategically important market. With their established commercial presence in the U.S., particularly in the area of CNS, Sepracor’s highly talented employees will help to advance our global growth strategy.

Sepracor Inc.
26 Years of Change

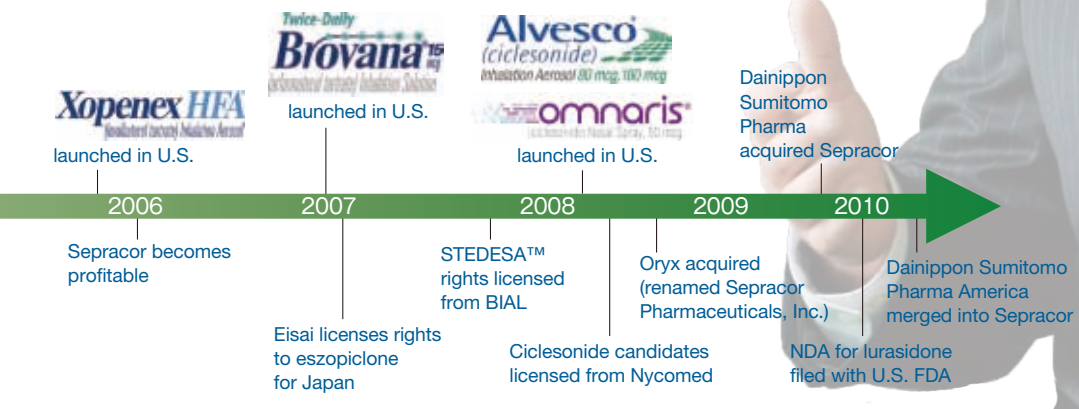


In other words, I believe the acquisition of Sepracor has been a tremendously meaningful step for DSP, from which we expect to rapidly enhance our business foundation and generate substantial synergies.

With respect to research and development, we expect there to be substantial synergies between the companies in the area of new drug discovery, which may provide increased efficiencies for existing and future internal research programs.

Iwicki: I also view this merger as highly significant and beneficial to both companies, and I expect it to generate positive synergies in various areas. The business operations of both companies complement one another and DSP's pipeline is a great strategic fit with ours. As a major Japanese pharmaceutical company with a long history of success, solid business fundamentals, financial strength and a promising product pipeline, including lurasidone, DSP provides Sepracor and our employees with increased stability and an opportunity to accelerate growth.

"DSP provides Sepracor and our employees with increased stability and an opportunity to accelerate growth."



Mark Iwicki
President and COO
Sepracor Inc.

You said the merger can enhance the foundation for globalization and you expect synergy, but what are your thoughts on the overall position you hope to achieve for the Company?

Tada: The position we are targeting for DSP is the one we set in our Mid- to Long-term Vision in 2007 — to become an internationally competitive R&D-oriented pharmaceutical company with two solid mainstreams of revenue, one from domestic operations and the other from international operations.

Establishing our own commercial organization in the U.S. is a goal we had aimed to accomplish during the second Mid-term Business Plan. With the acquisition of Sepracor, we have achieved this goal much sooner than we had anticipated — a very important accomplishment in realizing our plan for solid revenue.

Going forward, we will take full advantage of the synergies that exist with Sepracor to grow sales in North America, with a future view of expanding into regions beyond North America and China.

Regarding R&D, integrating our combined pipelines enables us to conduct group-wide portfolio management with global drug development as our fundamental strategy.

With respect to business development, we will leverage Sepracor's track record of success and transaction expertise, with both companies focused on bringing pipeline candidates to market in an ongoing manner.

Iwicki: To help DSP obtain this overall position for the Company, it is Sepracor's mission to maximize revenues for the DSP Group, not only in our role as the Group's sales base in North America, but also as a base for strategic business development initiatives.

As we prepare to enter the take-off phase of achieving DSP's Mid- to Long-term Vision, we are fully focused on accomplishing this important mission.

> "We aim to become an internationally competitive R&D-oriented pharmaceutical company with two solid mainstreams of revenue, one from domestic operations and the other from international operations."

One key to establishing the position you mentioned will be generating synergies between the two companies and doing so with a sense of speed. Please discuss your plans for taking advantage of synergies resulting from the Sepracor acquisition, both from a commercial and R&D perspective.

Tada: To quickly generate synergies between the two companies, we need to optimize the efficiencies of our operations. As an important first step, we merged Dainippon Sumitomo Pharma America, which conducted the clinical development of lurasidone and other drug candidates, into Sepracor on April 1, 2010. This gives us a framework for speedier, more efficient drug development. As Sepracor is familiar with the U.S. market, we expect their development expertise to be a major factor in driving synergies. This will provide the basis for our U.S. staff to devote their efforts to the successful development and launch of other pipeline products, including STEDESA™ and OMNARIS® HFA. For R&D, we have set up a global portfolio management committee (Global PMC), composed of key R&D members from each company, to direct the R&D strategy for the whole group.

Iwicki: The integration of the companies is going smoothly and is occurring faster than we had planned. I think the reason for this is that the visions and values of our respective companies were closely aligned from the beginning, enabling us to easily understand one another's strategies for the future and merge them to develop common goals.

As lurasidone plays such an important part in achieving DSP's global growth strategy, it is a priority for our commercial organization to plan and support its successful launch in the U.S. We plan to dedicate a sales force of approximately 300 medical representatives, many of whom are existing Sepracor employees already familiar with the U.S. CNS market, in an effort to achieve rapid market penetration and maximize the value of this important asset. A comprehensive cross-functional project team has been assembled to plan for a successful product launch, working diligently to prepare for market acceptance among academic societies, patient groups and other key stakeholders. As the launch of lurasidone presents Sepracor with the opportunity to apply existing expertise within CNS to a new therapeutic area, this project team is also developing what we believe is a strong medical representative training program designed to achieve strong sales results in a rapid manner.

"The integration of the companies is going smoothly and is occurring faster than we had planned. Our research and development organizations have begun working together to share the best practices of each company."

Regarding research and development, both DSP and Sepracor share an expertise within the CNS area and, while our respective approaches to drug discovery are complimentary, some differences do exist. Our research and development organizations have begun working together to share the best practices of each company in an effort to generate a synergistic approach that will enable the successful development of new drug compounds that will continue to serve the unmet and underserved medical needs of the patients who benefit from the use of our drug products.

Each of the interactions between DSP and Sepracor employees will serve to develop a globally strong culture with common goals.

Global development will most likely require new approaches to corporate social responsibility (CSR) and corporate governance. What are your thoughts in this area?

Tada: First, for corporate governance, we established our "Five Principles of Governance" with an emphasis on clearly defining Sepracor's operating policies (see page 43 for the "Five Principles of Governance"). This allows us to share our values while harmonizing decision-making. For CSR, we don't want to just take the policies and initiatives we practice in Japan and expand them on a global scale. Our policy will be to identify the unique needs and conditions of each of the regions in which we operate and localize our efforts accordingly.

Iwicki: Establishing the "Five Principles of Governance" will help guide our future decision-making in many areas. As the core values of each company are very much aligned, our CSR activities will be supported on a truly global level.

> "We established our "Five Principles of Governance" to build a framework for smooth decision-making."

What are people in your respective companies saying about the future course based on the merger?

Tada: We have been explaining to employees that the merger was a strategic business decision aimed at achieving rapid globalization. Although we had already entered the U.S. market, many employees did not have a clear sense of our plans for expansion beyond the anticipated U.S. launch of lurasidone. After the merger was announced, I received many positive comments and good wishes from our employees. Some told me they could now imagine what true globalization will look like. Others expressed a strong desire to go to America. It has really boosted the motivation of our people. As it is our employees who will carry out our strategy, this high level of motivation puts our organization in an excellent condition.

> "The merger has created a strong sense of excitement for the future among our employees. We will do everything we can to help make DSP a truly global competitor."

Iwicki: We have received similar employee feedback at Sepracor in terms of opportunities for sustained growth of the company. In addition to providing us with a stronger business foundation and enhanced financial stability for the future, the merger provides us with a near-term opportunity to successfully launch a promising new compound, lurasidone, and to further develop our commercial expertise within the CNS field. The merger has created a strong sense of excitement for the future among our employees.

Tada: I think that as managers, we need to make sound decisions that will leverage the high morale and productive nature of our employees — and translate that into results. Overall, my goal is to ensure that, together, we achieve our Mid- to Long-term Vision.

Iwicki: I recognize that the growth of its North American business operations is vital for DSP to realize its vision of becoming a truly global competitor and believe it is my primary mission to help achieve this goal by guiding Sepracor to the successful launch of lurasidone — a product with the potential to satisfy unmet medical needs and deliver value to our company. Additionally, we will work to deliver continued value from our current portfolio to help fuel future growth.

Research and Development

We are concentrating our resources in areas where we have a competitive edge.

Strategic Priority

DSP is determined to become an internationally competitive R&D-oriented pharmaceutical company and is working to expand its pipeline in an effort to bring a constant flow of new drugs to the market as one of the key strategic priorities in the second Mid-term Business Plan (2nd MTBP). Accordingly, we are focusing management resources on the following target areas:

Focus therapeutic area: CNS area
Challenge therapeutic areas: Specialty areas

We will accelerate the development of existing clinical-stage products regardless of whether they fall into the above categories, placing top priority on early establishment of Proof of Concept (POC) and on timely submission of new drug applications and approval. Regarding new research and development programs, we will prioritize candidates in the focus therapeutic and challenge therapeutic areas to conduct speed- and efficiency-oriented research and development ensuring a high probability of success.

Proof of Concept: Confirmation in human subjects of the predicted efficacy and side-effect characteristics

R&D Initiatives

Focus Therapeutic Area and Challenge Therapeutic Areas

Focus Therapeutic Area

The CNS field is our primary research area of focus in our drive to create global products. We have positioned it as our focus therapeutic area because it is an area with significantly unmet medical needs and an area in which DSP is already particularly active. In discovery research, we are focusing on diseases that have rising medical needs within the current aging and high-stress society, such as schizophrenia, Alzheimer's disease and depression. The acquisition of Sepracor, with its competitive advantage in this area, augmented our R&D in terms of research programs, personnel and other aspects. We will work to further strengthen our research capabilities to expand our pipeline in the focus therapeutic area.

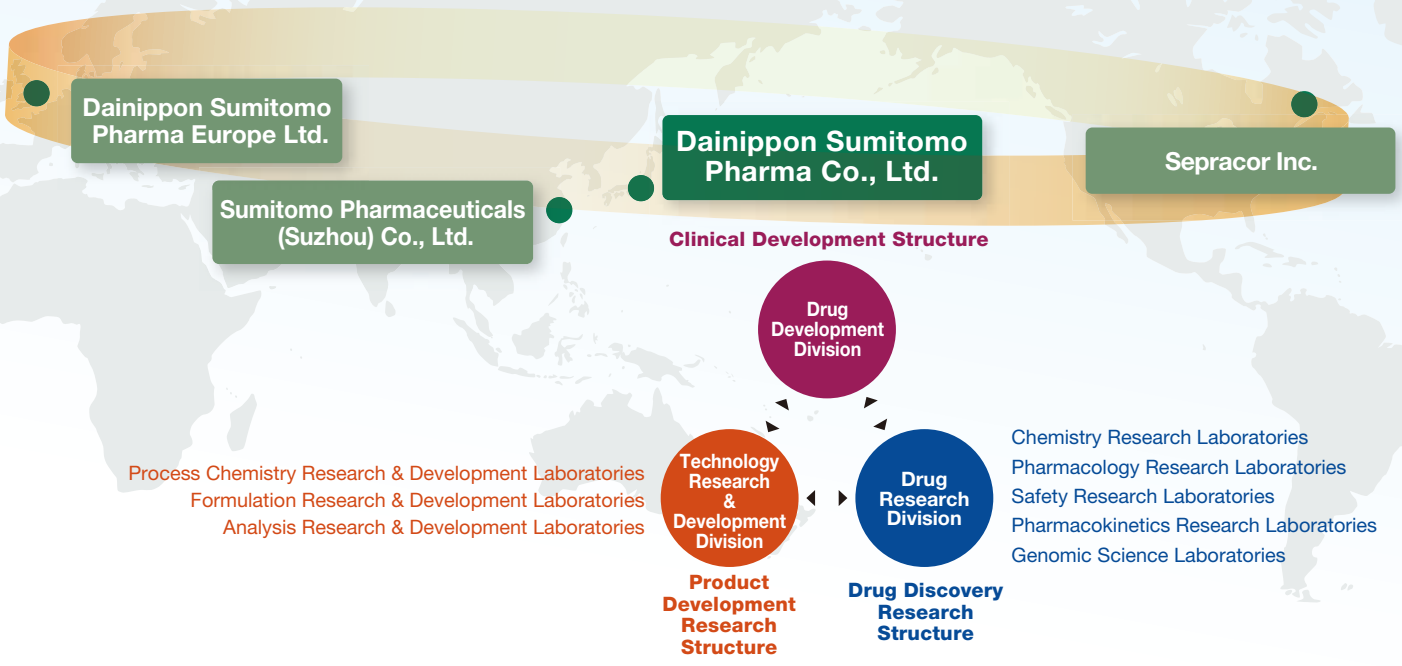
Challenge Therapeutic Areas

To create breakthrough drugs that can make significant contributions to medical care, DSP has chosen specialty areas as its challenge therapeutic areas. Specialty areas are those that have significantly unmet medical needs and that demand a high degree of specialization in research, development and marketing. We envision cancer and immune-related diseases as belonging within this category, but we will also look at other diseases to utilize our experience in taking on new challenges in discovery research.

Leveraging Our Proprietary Technologies

DSP has a solid foundation of technologies and experience throughout its pharmaceutical research and development operations, and a particular competitive advantage in such cutting-edge technologies as genomics, proteomics and metabolomics. We aim to deploy these technologies in all phases of pharmaceutical research and development. In addition, we are conducting research on biopharmaceuticals, including nucleic acid drugs and antibody drugs.

Research and Development Structure



Research Alliances with Outside Research Institutions

To ensure a continuous flow of new drug candidates, DSP promotes research alliances with universities and other research institutions, as well as with venture companies that possess innovative technologies. In addition, we pursue opportunities to participate in industry-government collaborative projects. We actively seek out alliances with outside partners by gathering information in various forms, including our investment in Apposite Healthcare Fund, a bio-venture fund.

A concrete example of joint research with outside research institutions is our established alliance with the Graduate School of Osaka University in the Neuropsychiatric Drug Discovery Consortium (NDDC). In the CNS area, the NDDC is working to create innovative therapies with characteristics differing from existing therapies based on the pathogenic mechanisms of psychiatric diseases at the genetic and molecular level. Overseas, we are searching for drug discovery targets and conducting research on genetic diagnosis primarily for Alzheimer's disease at the Karolinska Institutet Sumitomo Pharmaceuticals Alzheimer Center (KASPAC), DSP's research laboratory within the Karolinska Institutet of Sweden.

Initiatives for a Continuous Flow of New Drug Candidates

In line with the key strategic priority of the 2nd MTBP, we have positioned the following three initiatives as general R&D strategies to generate a steady flow of new drug candidates in our drug development pipeline.

Prioritize Investment in Confirming POC of Next Strategic Candidates

To create novel strategic drug candidates to follow lurasidone, we will prioritize allocation of resources to compounds already in clinical-stage development to confirm POC as soon as possible. After confirming POC, we will promptly select the next strategic candidates and focus on accelerating the development of these compounds.

Enhance Overseas Development Functions as a Basic Strategy for Global Development

We have set up the Global PMC to discuss research and development strategies from a global perspective, including operations in North America, where development has been strengthened by the addition of Sepracor as one of our subsidiaries. With these and other measures, we will work to optimize the Group's portfolio and to establish global development as a fundamental strategy, sharing our focus therapeutic

area and challenge therapeutic areas throughout the DSP Group.

The merger between the two U.S. subsidiaries in April 2010 has raised the efficiency of development functions in North America. In Japan, DSP's Strategic Planning & Management Division has enhanced its portfolio and project management functions to promote globalization. Looking ahead, in addition to functional enhancement, we will actively pursue synergies through sharing of knowledge and employee exchanges between employees in Japan and the U.S.

Seek Various Measures to Expedite R&D

We are taking various measures to expedite R&D and raise operating efficiency. Specifically, we are able to efficiently confirm POC with the shortest amount of time and fewest resources possible. We subsequently make the go/no go decision based on those study results and on an assessment of commercial viability. The Drug Research Division is now in charge of the R&D process through confirming POC to ensure a seamless transition from research to development. To expedite R&D, we utilize a screening cascade (evaluation steps and selection criteria for new drug candidates) in the drug discovery stage and proactively incorporate extemporaneous preparation, microdosing, and global clinical studies in the development stage.

Promotion of Alliances and In-Licensing through Strategic Investment

From the standpoint of expanding our pipeline, we will also fully leverage Sepracor's existing information network, knowledge and expertise as we actively promote alliances and in-licensing through strategic investment.

For products in the later stages of development, we will encourage in-licensing of products that can be launched quickly, with an emphasis on products in areas such as CNS where we can make use of our domestic sales and marketing infrastructure.

For products in early stages of development, we will also consider alliances and in-licensing, mainly in our focus therapeutic area and challenge therapeutic areas, for the purpose of enhancing and supplementing our pipeline.

Products in Development

▶ CNS Area

In December 2009, DSP submitted a new drug application (NDA) to the U.S. Food and Drug Administration (FDA) for lurasidone, an agent for the potential treatment of schizophrenia that DSP has been developing as a global product. The NDA was accepted in March 2010, and we have been notified that the review completion date will be at the end of October 2010. Accordingly, we anticipate launching lurasidone in the U.S. in the first quarter of 2011 for the indication of schizophrenia. We also plan to add new indications, and clinical studies of lurasidone for the potential treatment of bipolar disorder are currently at the Phase III stage. A pan-Asia study in Japan, Korea and Taiwan is also at the Phase III stage for schizophrenia.

Additionally, our U.S. subsidiary, Sepracor, has filed an NDA for STEDESA™, an antiepileptic agent. Sepracor has received a complete response letter indicating that the application will not be approved as of this time. Following discussions with the FDA, we are currently working toward early approval.

Other compounds in current clinical studies include SEP-227900, a potential treatment for improvement of cognition, neuropathic pain and Alzheimer's disease; and SEP-228432, a potential treatment for attention-deficit hyperactivity disorder. Both are at the Phase I stage.

Specialty Areas

A new drug application was filed with Japan's Ministry of Health, Labour and Welfare for MIRIPLA®, a treatment for hepatocellular carcinoma that was launched in January 2010. In June 2009, we obtained approval for an additional indication and a new dosing regimen for AmBisome® with respect to infections caused by *Mucor* species and species of a few other genera, as well as treatment of visceral leishmaniasis. Also, in January 2010, we obtained approval for a new indication and dosing regimen of MEROPEN®, a carbapenem antibiotic related to treatment of febrile neutropenia. In May 2010, we filed an application for partial change of the dosage and administration of MEROPEN® for serious illness and intractable cases of general infections.

In China, the DSP Group is engaged in Phase III clinical studies of amrubicin hydrochloride (brand name in Japan: CALSED®) for the treatment of small cell lung cancer.

Cardiovascular & Diabetes

In May 2010, we launched METGLUCO®, an oral hypoglycemic agent licensed from Merck Santé. In September 2009, we filed a new drug application for repaglinide, a potential treatment for diabetes intended to improve postprandial hyperglycemia that was licensed from Novo Nordisk A/S. We also started Phase III for combination therapy with biguanide/thiazolidine. Ranirestat, a potential treatment for diabetic neuropathy with strong market potential, is currently in a joint Phase II clinical study with Kyorin Pharmaceutical Co.,

New Drug Candidate Profile Lurasidone

Lurasidone is a new psychotropic drug that DSP has been developing globally for the treatment of schizophrenia. The NDA submitted to the FDA in December 2009 is currently under review. If approved, we anticipate launching lurasidone in the U.S. in the first quarter of 2011 and are currently preparing for commercialization with Sepracor, a subsidiary of DSP since 2009.

Lurasidone is an atypical antipsychotic agent with a unique chemical structure. In clinical studies, it has demonstrated significantly greater improvement versus placebo in the Positive and Negative Syndrome Scale (PANSS) total score. Lurasidone was generally well-tolerated, with very limited reports of weight gain, increased lipids and movement disorders. Existing antipsychotics are not satisfactory in many patients. Lurasidone is expected to be a new treatment option for these patients and their families as well as medical professionals.

DSP is currently conducting a multinational joint clinical study in Japan, Korea and Taiwan, and is aiming for early approval and launch in Japan. Moreover, global Phase III clinical studies for bipolar disorder are currently in progress. We have been diligently expanding the potential of lurasidone, not only for the U.S., but as a global strategic product.

Members of Lurasidone Business Development & Management

Ltd. We have granted Eisai Co., Ltd. the development and marketing rights for this compound outside of Japan. Furthermore, clinical studies in Japan for DSP-8153 for hypertension, a combination product of amlodipine besilate (AMLODIN® calcium channel blocker) and irbesartan (AVAPRO® angiotensin II receptor blocker) are at the Phase II stage. Clinical studies currently at the Phase I stage for potential treatment of diabetes include: DSP-7238, developed from DSP research, in Europe; DSP-3235, licensed from Kissei Pharmaceutical Co., Ltd., in Japan; and DSP-8658, developed from DSP research, in the U.S.

▶ Respiratory

In the U.S., clinical studies are at the Phase III stage for OMNARIS® HFA Nasal MDI, a new formulation of Sepracor's allergic rhinitis treatment OMNARIS®. A new pediatric indication for ALVESCO®, one of Sepracor's existing treatments for asthma, is at the Phase II stage.

In Japan, DSP-3025, a potential treatment for bronchial asthma and allergic rhinitis, is at the Phase I stage. SMP-028, a promising agent based on a new mechanism of action for the treatment of bronchial asthma, is at the Phase I stage in the U.S. and Europe. Additionally, DSP has started Phase I clinical studies for SMP-028 in Japan.

▶ Other Areas

In April 2009, DSP obtained approval in Japan of GASMOTIN®, a gastroprokinetic agent, for an additional indication as an adjunct to pretreatment with an orally-available gastrointestinal lavage solution for barium enema X-ray examination. SMP-986, a potential treatment for overactive bladder syndrome developed in-house, is at the Phase II stage in the U.S., Europe and Japan. This compound is expected to ease urinary urgency and effectively reduce the frequency of urination and incontinence.

New Drug Candidate Profile STEDESA™

STEDESA™, the U.S. trade name for eslicarbazepine acetate, has the potential to be a meaningful new treatment option for patients with epilepsy. A voltage-gated sodium channel blocker initially intended for use as an adjunctive therapy to reduce the frequency of partial-onset seizures in adults (18 years of age and older) with epilepsy, STEDESA™ also offers the potential benefits of once-daily dosing and a reduction in side effects as demonstrated by clinical studies.

While the precise mechanism(s) by which STEDESA™ exerts its anticonvulsant actions are not fully characterized, studies indicate that upon ingestion, eslicarbazepine acetate is extensively converted to eslicarbazepine, which stabilizes the inactive state of voltage-gated sodium channels. It has also been shown to inhibit the T-type calcium channels, which may further contribute to its anticonvulsant effect.

The product candidate was in-licensed from Portugal-based pharmaceutical company BIAL-Portela & Ca, S.A., and an NDA for STEDESA™ has been submitted to the FDA. We look forward to meeting the needs of those patients whose seizures are not controlled successfully with their current epilepsy medications.

The STEDESA Joint Steering Committee (Sepracor)

New Drugs in the R&D Pipeline

Product /Code Name	Generic Name	Formulation	Therapeutic Indications	Country/Area	Development Stage	Remarks
					Phase I / Phase II / Phase III / NDA Filed	
CNS						
SM-13496	lurasidone hydrochloride	Oral	Schizophrenia	Pan-Asia study (Japan, Korea and Taiwan)	Phase III	Developed in-house
			Schizophrenia	U.S.	Phase III / NDA Filed	
			Bipolar disorder	U.S. and Europe, etc.	Phase III	
STEDESA™	eslicarbazepine acetate	Oral	Epilepsy (adjunct)	U.S.	Phase III / NDA Filed	In-Licensed from BIAL-Portela & Ca, S.A.
			Epilepsy (adult monotherapy)	U.S.	Phase III	
SEP-227900	TBD	Oral	Cognition/Pain/Alzheimer's disease	U.S.	Phase I	Developed in-house (Sepracor)
SEP-228432	TBD	Oral	Attention-deficit hyperactivity disorder	U.S.	Phase I	Developed in-house (Sepracor)
DOPS[1]	droxidopa	Oral	Neurogenic orthostatic hypotension	U.S. and Europe	Phase III	Out-licensed to Chelsea Therapeutics International, Ltd.
			Intradialytic hypotension	U.S.	Phase II	
			Fibromyalgia	U.K.	Phase II	
LUNESTA[2]	eszopiclone	Oral	Insomnia	Japan	Phase III	Out-licensed to Eisai Co., Ltd.
Diabetes/Cardiovascular						
SMP-508	repaglinide	Oral	Diabetes/Rapid insulin secretagogue	Japan	Phase III / NDA Filed	In-licensed from Novo Nordisk A/S
			Diabetes (combination therapy with biguanide)	Japan	Phase III	
			Diabetes (combination therapy with thiazolidine)	Japan	Phase III	
AS-3201	ranirestat	Oral	Diabetic neuropathy	Japan	Phase II	Developed in-house; Co-developed with Kyorin Pharmaceutical Co., Ltd.
				U.S., Canada and Europe	Phase III	Out-licensed to Eisai Co., Ltd.
DSP-8153	amlodipine besilate /irbesartan	Oral	Hypertension/ Combination product	Japan	Phase II	Developed in-house
DSP-3235	TBD	Oral	Diabetes/ SGLT1 inhibitor	Japan	Phase I	In-licensed from Kissei Pharmaceutical Co., Ltd.
DSP-7238	TBD	Oral	Diabetes/DPP IV inhibitor	Europe	Phase I	Developed in-house
DSP-8658	TBD	Oral	Diabetes/ PPARα/γ modulator	U.S.	Phase I	Developed in-house
Respiratory						
OMNARIS® HFA Nasal MDI	ciclesonide	Collunarium	(New formulation) Allergic rhinitis	U.S.	Phase III	In-licensed from Nycomed S.C.A., SICAR
ALVESCO® HFA	ciclesonide	Inhaler	(New indication) Asthma (Pediatric: age range TBD)	U.S.	Phase II	In-licensed from Nycomed S.C.A., SICAR
DSP-3025	TBD		Bronchial asthma, Allergic rhinitis/ TLR7 agonist	Japan	Phase I	Developed in-house
				Europe	Phase II	Developed by AstraZeneca PLC
SMP-028	TBD	Oral	Bronchial asthma	Japan	Phase I	Developed in-house
				U.S. and Europe	Phase I	
Others						
MEROPEN®	meropenem hydrate	Injection	(Change of the maximum daily dose) Severe/refractory infection	Japan	Phase III / NDA Filed	Developed in-house
CALSED®[1]	amrubicin hydrochloride	Injection	Small-cell lung cancer	China	Phase III	Developed in-house
				U.S. and Europe	Phase III	Out-licensed to Celgene Corporation (former Pharmion Corporation)
SMP-986	TBD	Oral	Overactive bladder	Japan	Phase II	Developed in-house
				U.S. and Europe	Phase II	
AG-7352	TBD	Injection	Cancer	U.S. and Canada	Phase II	Out-licensed to Sunesis Pharmaceuticals, Inc.

1. Product name in Japanese market. Product name for overseas markets is to be decided.
2. Product name in U.S. market.

(As of July 30, 2010)

Manufacturing

We provide a stable supply of products with quality at a global level.

Global-Minded Supply Chain

DSP's supply chain management is assumed by the Manufacturing Division, which combines manufacturing, logistics and shipping functions to provide a stable supply of products to all customers. To maintain an optimal product supply system, DSP runs the four factories in Japan as its primary manufacturing bases, while also forming alliances with domestic and overseas contract manufacturers.

Under the second Mid-term Business Plan, we plan to further expand overseas sourcing of active pharmaceutical ingredients and conduct some manufacturing at overseas factories as we move toward globalization. In upgrading our overseas manufacturing network, in addition to manufacturing at our own facilities, we will promote contract manufacturing under technology tie-ups. This approach is exemplified by MIRIPLA®, which is manufactured by Pierre Fabre in France.

In Japan, we are currently establishing a production and supply system for lurasidone to prepare for its anticipated launch in the U.S. in the first quarter of 2011.

Quality Assurance

The production of pharmaceuticals requires a high-level quality assurance system. Therefore, rigorous Good Manufacturing Practice (GMP) standards have been established in many countries.

The pharmaceuticals manufactured by DSP are exported around the world after obtaining approvals by the authorities of the importing nations, including the FDA and the EMEA, and must meet local and global GMP standards. Strict guidelines are set especially in Japan, the U.S. and Europe, through the ICH (International Conference on Harmonisation) and require a world-class level of quality assurance.

Standards for quality assurance at the global level are expected to become increasingly rigorous. Therefore, DSP's manufacturing and quality assurance units and other related units will continue to work in concert to maintain and enhance the level of quality assurance.

A Trusted Manufacturing Division

DSP is striving for customer-oriented product development. For example, we have responded to requests from medical institutions and patients by improving package and label designs in an effort to help prevent medical errors.

We also continuously work to reduce production costs through labor-saving measures such as automation of facilities and by optimizing production sites. Moreover, as part of our commitment to eco-friendly production activities, we are thoroughly reducing waste and introducing co-generation systems.

Overseas Plants

The plant at Sumitomo Pharmaceuticals (Suzhou) Co., Ltd. in China serves as our own production facility and packages products for sale in the local market. In addition, the factory of Kyowa Hakko Pharmaceuticals (Suzhou) Co., Ltd., which DSP acquired in 2008, will begin the packaging process in 2011 and is scheduled to start fully integrated production, from formulation to packaging, in 2014.

In North America, we are making preparations for the creation of a cooperative system with Sepracor.

Production Sites

Suzuka Plant

The Suzuka Plant, our main factory, is a facility that is compliant with cGMP (U.S. current GMP). A state-of-the-art formulation facility was constructed in 2008 and began operation in early 2009. The plant maintains integrated pharmaceutical manufacturing facilities at which a full range of operations are conducted, from production of active pharmaceutical ingredients and finished products to packaging. Products manufactured at Suzuka include LONASEN®, PRORENAL®, GASMOTIN® and EBASTEL®.

Ibaraki Plant

This plant, which is also the main base of the Technology Research and Development Division, is an R&D-driven pharmaceutical plant able to accommodate new products and technologies in a flexible manner. It produces drugs in broad range of dosage forms, including AMLODIN® and various investigational new drugs.

Ehime Plant

One of the world's largest biopharmaceutical production facilities, the Ehime Plant manufactures a stable supply of biopharmaceuticals, which demand high-precision technology. The plant produces crude intermediate solution of SUMIFERON® and CALSED®, a sterile freeze-dried formulation.

Oita Plant

The Oita Plant is our core facility for active pharmaceutical ingredients and its equipment is cGMP-compliant. The plant produces MEROPEN®, from active ingredient to finished product, and supplies it to the domestic and overseas markets. It also produces the active pharmaceutical ingredients for AMLODIN®, DOPS® and other products.

Marketing

We plan to raise our global presence by concentrating sales resources on our focus marketing areas.

Marketing Strategy

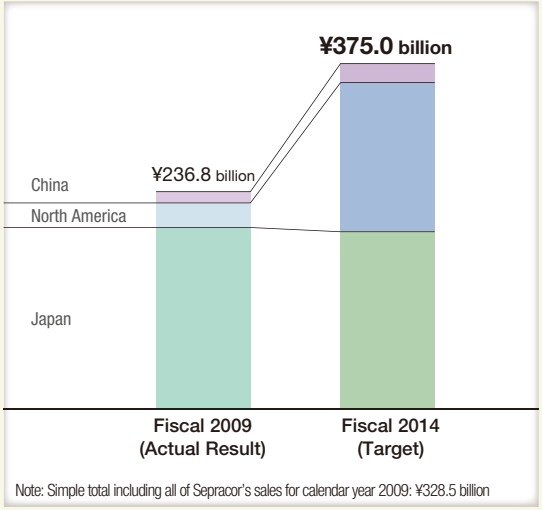
Strategic Priority

During the second Mid-term Business Plan (2nd MTBP), we aim to raise overseas sales of the pharmaceuticals business to 50 percent of consolidated net sales and establish two solid mainstreams of revenue, one from domestic operations and the other from international operations.

In Japan, we will work to increase the ratio of new drugs in our product portfolio, and to maximize earnings by positioning cardiovascular/diabetes, central nervous system (CNS) and cancer/infectious diseases as our focus marketing areas.

In North America, we will focus on maximizing sales of new products such as lurasidone while securing sales for existing products in the CNS and respiratory areas. In China, in addition to increasing sales of existing products, we will further expand our business by introducing new products.

Pharmaceutical Sales Target



Note: Simple total including all of Sepracor's sales for calendar year 2009: ¥328.5 billion

Area-based Marketing Structure
(As of March 31, 2010)

Domestic Pharmaceuticals Business

Domestic Market

Net sales: ¥184.2 billion

Number of MRs: 1,440

(Fiscal 2009)

Main Points of Key Measures

- Maximize product value
- Maximize customer satisfaction
- Improve management efficiency

Focus Marketing Areas

Cardiovascular/diabetes, CNS and cancer/ infectious diseases

Key Products for Sales and Marketing

Strategic products	AVAPRO® (cardiovascular), LONASEN® (CNS), PRORENAL® (other)
New products	TRERIEF® (CNS), MIRIPLA® (cancer), METGLUCO® (diabetes), etc.
Focus products	AMLODIN® (cardiovascular), GASMOTIN® (other), MEROPEN® (infectious diseases), AmBisome® (infectious diseases), etc.

Key Measures

In keeping with the strategic priorities of the 2nd MTBP, we have set our objective in domestic operations as "we grow continually as an internationally competitive R&D-oriented pharmaceutical company" and have developed sales strategies that emphasize maximization of product value, maximization of customer satisfaction and improvement of management efficiency.

To raise product value and maximize sales, we will concentrate sales resources on the focus marketing areas and key products we have defined.

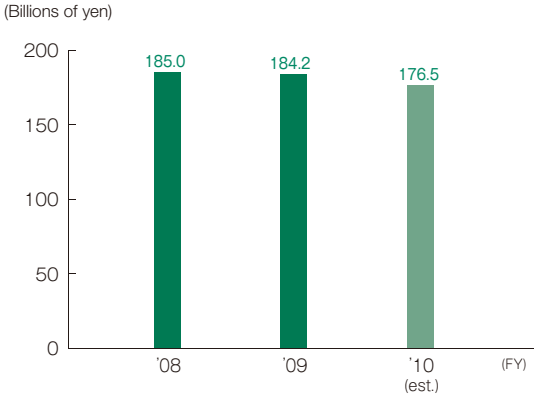
In addition, we will further promote transfer of responsibilities to the Regional Division to quickly entrench the Regional Division System instituted in June 2009 and conduct efficiency-oriented, community-based sales activities from the viewpoint of management.

Enhanced MR Training

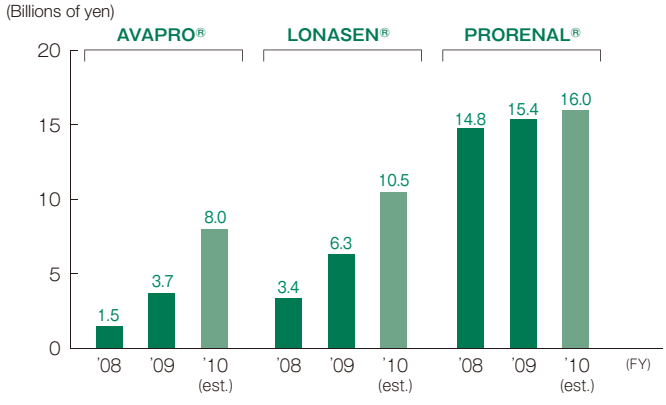
As customer needs become more diverse and sophisticated, we believe it is an important challenge to cultivate the highest level of specialized medical representatives (MRs) in the industry. MRs are not only required to have a high level of specialized knowledge, but to also be keenly aware of patients' viewpoints and proactively anticipate customer needs, offering information in both a timely and appropriate manner.

Accordingly, together with enhancement of our training program to raise MRs' specialization in each therapeutic area, we are also establishing a variety of training opportunities and initiatives aimed at cultivating MRs who are trusted and respected by customers. Specifically, besides programs to enhance specialization in the areas of cardiovascular and CNS, we are conducting education/training and various

Domestic Pharmaceuticals Sales



Three Strategic Products



measures to develop MRs who are better able to respond to customer needs with patients' viewpoints.

Cardiovascular/Diabetes

In the cardiovascular area centered on hypertension, DSP strives to be a partner in treatment as a pharmaceutical company handling a variety of anti-hypertensive products with a lineup consisting of an ARB, calcium antagonist, diuretic, ACE inhibitor and beta blocker.

While we are concentrating sales and marketing resources on our strategic product AVAPRO®, a therapeutic agent for hypertension, we are also encouraging physicians to prescribe the drug in combination with our focus product AMLODIN®, a therapeutic agent for hypertension and angina pectoris. For AVAPRO®, we are providing accurate information by doing e-promotion with our medical information site and a pharmaceutical portal site and aim to increase sales to ¥15.0 billion in fiscal 2014.

In the diabetes area, we launched METGLUCO®, a biguanide oral hypoglycemic drug, in May 2010. DSP also markets MELBIN®, a metformin drug like METGLUCO®, and is providing information with the purpose of promoting appropriate use of both products, aimed at contributing to the treatment of Type 2 diabetes.

CNS

As a pharmaceutical company handling therapeutic agents for schizophrenia, anxiety, Parkinson's disease and epilepsy, DSP has established a unique position by offering a number of atypical antipsychotics with different characteristics.

In the CNS area, we are focusing on our strategic product LONASEN®, an antipsychotic, and our new product TRERIEF®, a Parkinson's disease drug. We are working to maximize the value of both products as quickly as possible.

We also recognize the need to further boost our presence in the CNS market with an eye on the launch of lurasidone, a therapeutic agent for schizophrenia that is currently under development. Therefore, in June 2009 we organized CNS Product Management & Promotion Planning to unify promotional and marketing functions in this area. Additionally, we have increased

Focus Marketing: Strategic Products

AVAPRO® (Therapeutic agent for hypertension)

AVAPRO® is a long-acting ARB (angiotensin II receptor blocker) with a long half-life in blood and a sustained hypotensive effect lasting 24 hours. It has demonstrated good efficacy in lowering blood pressure in patients with mild to severe hypertension. This drug has already been launched in the U.S. and in Europe, where it is marketed under the brand name of AVAPRO or APROVEL, and substantial evidence has been accumulated showing its renoprotective effect.

LONASEN® (Therapeutic agent for schizophrenia)

Characterized by its strong blocking action and high selectivity against dopamine-2 receptors and serotonin-2 receptors, LONASEN® has shown not only efficacy on positive symptoms of schizophrenia, such as hallucinations and delusions, but also on negative symptoms such as affective flattening and decrease in motivation. It also has a low rate of extrapyramidal symptoms and few of the side effects, such as weight gain and hyperprolactinemia, that are problematic with existing antipsychotic drugs.

PRORENAL® (Vasodilator)

This is the only drug indicated in Japan for lumbar spinal canal stenosis. PRORENAL® improves blood flow to nerve tissue compressed by changes in the vertebra associated with aging. It thus improves symptoms such as pain, numbness and intermittent claudication in the lower extremities, contributing to improvement of patients' quality of life.

the number of CNS specialist MRs to conduct proposal-based promotional activities covering major psychiatric treatment facilities in Japan.

For LONASEN®, we will focus on compiling evidence and implementing product life cycle management (PLCM) and our CNS MRs will bring a high level of specialty to sales activities. Our target for sales is ¥22.0 billion in fiscal 2014.

Cancer/Infectious Diseases

In the area of infectious diseases, we work to contribute to medical treatment mainly by promoting appropriate use of MEROPEN®, a carbapenem antibiotic, while also highlighting the advantages of AmBisome®, a therapeutic agent for systemic fungal infection, and HIBITANE®, a disinfectant.

In the cancer area, we launched MIRIPLA®, a therapeutic agent for hepatocelluar carcinoma, in January 2010. With this product, as well as the natural interferon alpha SUMIFERON®, we aim to contribute to the total care of liver diseases. We are also focusing on research in the cancer area with high medical needs and work to fortify our development pipeline.

Other Areas

In other therapeutic areas, we will strive to expand sales with our strategic product PRORENAL®, a vasodilator, and our focus product GASMOTIN®, a gastroprokinetic. For PRORENAL®, we are aiming for sales of ¥18.0 billion in fiscal 2014 by expanding the market with education of patients about lumbar spinal canal stenosis in context of accelerated aging in society, raising product recognition and compiling evidence as a result.

Overseas Pharmaceuticals Business

North American Market

Net sales: ¥28.6 billion*

Number of MRs: 1,190 (U.S.)

(Fiscal 2009)

Main Points of Key Measures

- Strengthen existing product franchise
- Enhance commercial operations for anticipated launch of lurasidone

*Net Sales in January – December 2009: ¥120.4 billion

Key Measures

One of the key strategic priorities of the 2nd MTBP is to maximize earnings by expanding our overseas operations. We plan to carry out this strategy by strengthening Sepracor's existing product franchises in both the CNS and respiratory areas.

We also plan on enhancing Sepracor's commercial organization in preparation for the potential approval of lurasidone, which could be launched in 2011.

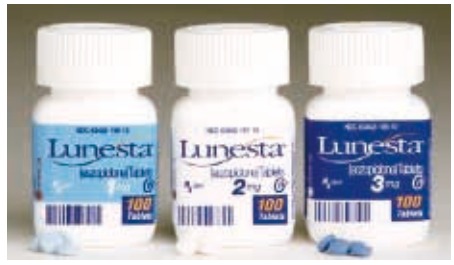
CNS

Lurasidone is currently under review at the U.S. Food and Drug Administration (FDA). Pending approval, it is our intention to ensure a successful product launch through enhancements to Sepracor's commercial organization while we prepare for the anticipated commercialization of lurasidone in 2011.

To support these efforts, it is our current plan to dedicate approximately 300 specialized medical representatives (MRs) to lurasidone, composed of existing Sepracor employees, as well as newly hired staff. In utilizing existing employees, we seek to fully leverage the advantage of Sepracor's already established sales network in the CNS area, built through its success with LUNESTA®, a sedative hypnotic. As lurasidone represents a different disease category, we are in the process of designing an intensive sales training program that is intended to ensure that the MRs dedicated to lurasidone have the specialized information necessary to achieve successful sales results for this new product.

Additionally, we are engaged in a variety of strategic pre-launch activities intended to increase the level of awareness of the names of both DSP and Sepracor among key CNS stakeholders, including academic societies and patient groups. In May 2010, we participated in the 163rd Annual Meeting of the American Psychiatric Association (APA), a critically important opportunity to show our presence in the CNS area, to inform attendees about what we believe are the unmet medical needs of those patients suffering from schizophrenia, as well as the health care professionals who treat them. The APA also selected and displayed at the meeting several posters that detail clinical data for lurasidone.

To achieve ongoing success in marketing LUNESTA®, a non-narcotic sedative hypnotic indicated for the treatment of insomnia, including sleep onset and sleep maintenance, Sepracor continues to utilize an effective, strategic mix of promotional initiatives designed to position the product as a unique, safe and effective alternative to competing products. Included in this mix are both on- and off-line direct-to-consumer marketing campaigns geared at getting patients who suffer from insomnia to ask their health care provider about LUNESTA® as a treatment alternative and the benefits of continuing LUNESTA® therapy after treatment begins.



LUNESTA® **(Sedative hypnotic)**

A non-narcotic sedative hypnotic indicated for the treatment of insomnia, including sleep onset and sleep maintenance. While the precise mechanism of action is unknown, the effect of LUNESTA® is believed to result from its interaction with the GABA-A receptor complex across α1, α2 and α3 receptor subtypes.

XOPENEX®

(Short-acting beta agonist)

A bronchodilator indicated for the treatment or prevention of acute bronchospasm in patients with reversible obstructive airway disease, such as asthma or COPD. XOPENEX® contains only the (R)-isomer of albuterol, and is available for use with either a nebulizer or metered dose inhaler.

Respiratory

XOPENEX®, one of Sepracor's major products, is a short-acting beta agonist for the treatment of constricted airways often experienced by patients with asthma. It is available in two different formulations: XOPENEX® Inhalation Solution is used with a nebulizer; XOPENEX® HFA is delivered via a metered dose inhaler for fast-acting relief of symptoms associated with asthma, such as difficulty breathing. To achieve continued commercial success, Sepracor has created a sales team dedicated to the asthma marketplace and will maintain its established strategy of targeting high-prescribing physicians, including pediatricians, to highlight the drug's unique single-isomer form. Additionally, Sepracor will continue to encourage initial use by patients through the offering of product samples.

BROVANA®, a long-acting beta agonist designed as a maintenance treatment for chronic obstructive pulmonary disease, continues to build volume through Sepracor's continued efforts to maintain or improve high levels of unrestricted access to the product for managed care patients. Sepracor also continues to increase awareness of the product among those physicians targeted as top prescribers.

OMNARIS®, an inhaled nasal corticosteroid, is used to treat the symptoms of allergic rhinitis. Product performance is strong, with a high double digit growth rate, and is supported by a series of innovative television commercials as a means of increasing brand awareness among patients. Additional focused sales and marketing programs continue to result in positive gains in market share.

ALVESCO® is an inhaled corticosteroid for the treatment of asthma. To leverage its strategy of creating a sales force dedicated to the asthma market, Sepracor will continue to promote this product to physicians by highlighting its unique ability to provide symptom relief directly to the lungs. In promoting product awareness and use among patients, Sepracor will promote ALVESCO® by offering co-pay reduction cards to encourage initial product trials.

Chinese Market

Net sales: ¥4.1 billion

Number of MRs: 210

(Fiscal 2009)

Main Points of Key Measures

- Expand sales of existing products
- Introduce new products

Key Measures

China's high economic growth rate is reflected in its pharmaceutical market, which is growing by approximately 20 percent annually. This rapid market expansion is projected to continue in the coming years. The DSP Group is aggressively moving to expand sales of existing products and introduce new products in China with the goal of generating ¥10.0 billion in sales in 2014.

DSP currently sells four products in China: MEPEM® (MEROPEN®), a carbapenem antibiotic; ALMARL®, a therapeutic agent for hypertension, angina pectoris and arrhythmia; SEDIEL®, a serotonin agonist antianxiety drug; and GASMOTIN®, a gastroprokinetic.

In order to quickly capture a share of this growing market, we have reinforced and enhanced our sales structure, focused on departments that handle sales promotion and marketing. We are expanding our promotion area in stages, with 210 MRs covering hospitals in 27 sectors (major urban, administrative and self-governed areas) as of March 31, 2010. We plan to increase the number of MRs to 280 in December 2010 to accommodate sales expansion.

Future Business Expansion

Operations in China generated sales of ¥4.1 billion in fiscal 2009 and we are making steady progress toward achieving ¥10 billion in sales in 2014. We are also committed to introducing more of our products in China. We are currently developing CALSED®, a small-cell lung cancer treatment. China has a high rate of lung cancer and, considering its population of 1.3 billion, we believe this will be a promising new product. Our strategy will be to expand sales with aggressive launches of our products and we plan to begin development of LONASEN® during fiscal 2010.

MEPEM® (MEROPEN®) (Carbapenem antibiotic)

The world's first non-combination broad-spectrum carbapenem antibiotic, this drug has a leading market share in Japan and about 30 other countries. It has outstanding antibiotic activities against Gram-positive, Gram-negative and anaerobic bacteria. This activity is especially strong against Gram-negative bacteria such as *Haemophilus influenza* and *Pseudomonas aeruginosa*.

Non-pharmaceuticals Operations

We are leveraging our technology and expertise from the pharmaceuticals business to expand in other business areas.

Animal Health Products

Taking a scientific approach to animal health, DSP sells veterinary medicines, pet food and other products for companion animals — primarily dogs and cats — as well as farm animals such as cattle, swine, horses and cultured fish.

We have developed this business, making active use of the technology and resources cultivated through pharmaceutical operations including application of data from human pharmaceutical research and development to veterinary medicines.

We are focusing in particular on the companion animal market. Our broad line of therapeutics includes VICTAS®, an antibacterial preparation, and APINAC® for treating canine chronic heart failure. PRONAMID®, Japan's first canine gastroprokinetic agent for the improvement of gastrointestinal motility, which was newly developed as a veterinary medicine from pharmaceutical product GASMOTIN®. We are also aggressively developing new products, including a treatment for canine idiopathic epilepsy that is now in the clinical trial stage by newly developing pharmaceutical product EXCEGRAN® as a veterinary medicine.

Other products include canine and feline therapeutic nutritional formulas under the Prescription Diet® brand of Hill's Pet Nutrition, Inc., and LifeChip, radio frequency identification (RFID) microchips for dogs and cats. In addition, we sell URSO® for farm animals and inactivated iridovirus vaccine for aquaculture. We expect to put our emphasis on sales of these types of products aimed at disease prevention through immunostimulation to further contribute to food safety and reliability.

On July 1, 2010, the animal health products business was split off into a new independent subsidiary, DS Pharma Animal Health Co., Ltd. This will allow it to develop the animal health products business more flexibly and dynamically for further growth and expansion, while maintaining and strengthening ties with pharmaceutical operations.

Food and Speciality Products

In the food and food additives business, DSP draws on the natural material and processing technologies cultivated in its pharmaceutical business to develop and sell ingredients for use in manufacturing safe, high-quality food products.

In the polysaccharide business, we provide a diverse array of polysaccharide products tailored to customer needs. They include GLYLOID® (tamarind gum), the first product of this kind successfully produced on an industrial scale, and ECHO GUM® (xanthan gum), which the Company was the first to bring to the Japanese market.

In the seasoning business, we utilize our extraction and processing technologies to create an authentic and delicious bouillon soup from safe and reliable livestock ingredients.

In the sweetener business, DSP provides MIRASEE®, a neotame preparation. Neotame is a high-intensity sweetener with about 10,000 times the sweetness of sugar and a clean taste.

DSP has been committed to its speciality products business for more than 90 years. Main business areas and products include electronic chemicals, chemicals for personal care such as natural polysaccharides and their derivatives, and pharmaceutical excipients. DSP is leveraging its advantage as a pharmaceutical manufacturer to expand its business as a chemical supplier.

The Food and Speciality Products business merged with Dainippon Sumitomo Pharma Group company Gokyo Trading Co., Ltd., and made a new start as DSP Gokyo Food & Chemical Co., Ltd. on July 1, 2010. It will work to expand business through its integrated research, development and sales operations.

Diagnostics and Research Materials

We develop and sell useful diagnostics and research materials to help ensure accurate and timely treatment and to facilitate research related to medical care.

In the diagnostics business, we supply in-vitro diagnostics with a focus on bone and calcium metabolism and point-of-care testing (POCT) products such as diagnostics for influenza and other infectious diseases and for acute myocardial infarction.

The research materials business primarily supplies products related to cell cultures, including cells, culture media and serum. It also sells research reagents, measuring instruments for research use and image analyzers for small animals.

The diagnostics and research materials business is handled by Dainippon Sumitomo Pharma Group company DS Pharma Biomedical Co., Ltd.

Social Responsibility of Dainippon Sumitomo Pharma

Contents

Corporate Social Responsibility (CSR)

We view CSR as the daily pursuit of our mission by each DSP member.

■ Corporate Mission

To broadly contribute to society through value creation based on innovative research and development activities for the betterment of healthcare and fuller lives of people worldwide.

■ Management Mission

- **To contribute to healthcare and people's well-being based upon the principles of patient-oriented management and innovative research**
- **To continuously strive to maximize corporate value through constant business development and to fulfill shareholder expectations**
- **To create an environment in which employees can fulfill their potential and increase their creativity**
- **To maintain the trust of society and to contribute to the realization of a better global environment**

■ Declaration of Conduct

The Declaration of Conduct is the cornerstone of our efforts to foster shared corporate values, to respond to the demands of law and society from a perspective of CSR and to pursue our corporate activities.

1. **Contribute to people's health, wellbeing and happiness.**
2. **Pursue trustworthy corporate activities.**
3. **Positively disclose information and properly manage information.**
4. **Help employees demonstrate their abilities.**
5. **Respect human rights.**
6. **Positively address global environmental issues.**
7. **Build harmonious relationships with society.**

Fundamental Approach to CSR

The mission of DSP toward society is given in the company's Corporate Mission, and the aim of its operations, which are focused on its stakeholders, is given in the Management Mission.

CSR for our company is the daily pursuit of our mission by each DSP executive and employee, never forgetting their position as a member of society. Always keeping CSR at the front of our minds gives us a strong desire to improve the quality of our corporate activities with the aim of being a "company that fulfills missions". In turn, this serves as the source of our corporate branding. We have also established the Declaration of Conduct as the foundation for the CSR activities of each individual executive and employee.

Initiatives under the Mid-term CSR Policy

We set and have been promoting activities under a Mid-term CSR Policy that ended in fiscal 2009. The Mid-term CSR Policy was aimed at adding value to our business activities and enhancing our brand power and competitiveness in response to the trust and expectations of society. As a result, all executives and employees now share the company's philosophy and objectives, are steadily increasing their awareness of CSR and taking pride in the results they have produced under our various initiative themes.

Under the second Mid-term Business Plan, which started in fiscal 2010, we will continue to promote CSR activities. We must, however, raise these activities to the next level in an effort to cope with the changes to the increasingly challenging domestic operating environment and the changes in the operating environment as we move toward globalization. Therefore, we have formulated more advanced initiatives in line with the Declaration of Conduct and will carry out our CSR activities according to the content of these initiatives.

Activities in Fiscal 2009

Items	Objectives	Main Results in Fiscal 2009
Establishment of our shared, common values among employees	• Activities to firmly establish the common values among employees	• Promoted C&S activities
	• Assessment of employee awareness and feedback of the findings	• Conducted awareness survey and publicized the results
Corporate governance	• Reinforcement of the management system	• Continued initiatives for J-SOX
Risk management	• Maintenance and enhancement of risk management systems	• Implemented in line with risk management program
Compliance	• Promotion of compliance education	• Implemented basic compliance training • Had employees sign oath of ethical corporate behavior
Information management	• Positive information disclosure	• Made accurate and timely disclosure of significant management information
	• Reinforcement of information management	• Took technological measures and revised rules to reflect changes in the social environment and advances in information technology
Provision of products and services tailored to the needs of society	• Strengthening of new drug discovery	• Utilized new techniques and methodologies (Electronic Data Capture[1], Adaptive Design[2], etc.) and promoted thorough standardization • Promoted research tie-ups with outside research institutions
	• Acceleration of the R&D process	• Emphasized validation of pharmacological concepts, and conducted research with a focus on formulating evaluation procedures, selection criteria and target product profiles for new candidate compounds • Use of bio-markers
	• Active engagement in PLCM to maximize product value	• Launched convenient orally disintegrating tablet that is easy to take, easy to handle
	• Effective utilization of proprietary advanced technologies	• Advanced Omics analysis and development of proprietary technology
	• Enhancement of quality and safety of products	• Began use of Product Information System
	• Environment-friendly production and other corporate activities	• Carried out green product development
	• Development of a system to ensure stable supply of products	• Created a backup system for alternate production, etc.
	• Enhancement of customer satisfaction	• Enhanced Product Information Center
Creation of opportunities for communication	• Development of systems to promote dialog with stakeholders	• Established system for cooperation in external surveys, etc.
	• Enhancement of corporate name recognition	• Ran TV commercials, newspaper advertisements, etc.
	• Promotion of exchanges between DSP's business locations and local communities	• Participated in community activities
	• Publication of detailed CSR report	• Issued CSR Report 2009
Contribution to society under the slogan "Healthy Bodies, Healthy Lives"	• Contribution to the wellbeing of local communities near DSP business locations	• Participated in local community activities
	• Contribution to promotion of people's health	• Contributed to promotion of people's health
	• Support for civic activities that conform to DSP philosophy	• Donated funds to three organizations
Development of mechanisms and environments that enhance employees' initiative and creativity	• Effective use of human resources and assignment of employees to workplaces that best suit their aptitude	• Conducted interviews based on self-reporting
	• Creation of a comfortable and safe workplace environment	• Implemented health and safety campaign and took proactive measures to prevent industrial accidents and injuries
Employee training	• Training and employment of skilled personnel	• Enhanced level-based training, global personnel training and personal development support

Notes: 1. Electronic Data Capture: A system for actively gathering clinical trial data via the Internet
2. Adaptive Design: Clinical trial design in which the results of an interim analysis are used to decide whether to change the trial design midway through the trial, and whether to stop or continue the trial

Initiatives for Patients and Healthcare Professionals

DSP will contribute to society by continuing to offer quality products and services through its ordinary course of business in response to the needs of society.

Responding to the Needs of Patients

Development of New Drugs that Meet Patient Needs

Launch of MIRIPLA®, a Therapeutic Agent for Hepatocellular Carcinoma

In January 2010, we launched the hepatocellular carcinoma therapeutic agent MIRIPLA®.

Various therapies are available for hepatocellular carcinoma. However, anticancer drugs suspended in an oil-based imaging agent are administered through the hepatic artery using a catheter (a therapy known as lipiodolization) for tumors that are growing fast or difficult to remove surgically.

MIRIPLA® was approved for the indication of lipiodolization in hepatocellular carcinoma. MIRIPLA® is first suspended in a special oily lymphographic agent, which facilitates retention at the tumor site when administered into the hepatic artery. Lipiodolization uses this property to retain the anticancer agent in the tumor, making it effective in killing the cancer cells.

Adverse events such as vascular disorders in the hepatic artery have been reported with preceding drugs that are used for lipiodolization in hepatocellular carcinoma treatment. Other anticancer agents are unsuitable for use as a suspension in oil-based contrast agents because they are water-based, and thus their retention in the tumor cannot be expected.

Because MIRIPLA® has high lipid solubility and excellent suspensibility, the suspension is easily adjustable. In addition, it has good retention in the tumor, where its active substance is released gradually. As a result, it has less impact on the body and is expected to produce fewer side effects.

Hepatocellular carcinoma affects an estimated 70,000 people in Japan and 570,000 worldwide. Patient expectations are high for MIRIPLA® and we believe it can contribute significantly to the treatment of liver disease.

Initiatives on PLCM in Response to Patient Needs

Original New Formulation Technology SUITAB-NEX®

Patients receiving drug therapy often have to deal with the burden of medications that are hard to swallow or difficult to use. Product Life Cycle Management (PLCM) is the process we use to continually improve our products to help lessen the burden on patients and make greater contributions to medical care. One of our successes in this effort is SUITAB-NEX®, a state-of-the-art formulation technology that enables the evolution of “universal design” drug formulations.

Universal design refers to a product design that is intended for ease of use by as many people as possible, not tailored to specific individuals.

With SUITAB-NEX®, we added three features to universal design drug formulation: improvement of palatability, improvement of stability, and improvement of ease of handling. In consideration of small children and the elderly, we are making tablets more palatable by using a particulate coating on the active ingredients to lessen the unpleasant bitter taste when the tablet disintegrates in the mouth. Additionally, we design formulations to harden the tablets while maintaining their ability to disintegrate quickly. This makes the tablets easier to handle and improves their stability after opening, both in single-dose packages and no-packaging applications.

This new technology, already utilized in AMLODIN® OD tablets and other products, is helping to improve treatment of hypertension and angina pectoris.

We are committed to formulation expansion of all of our products to meet the needs of patients, gradually lessening the burden for patients undergoing drug therapy and providing a greater contribution to medical care.

Product Information Center

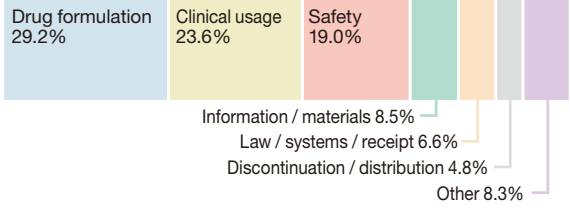
The Product Information Center was established to handle internal and external inquiries concerning DSP's pharmaceutical products. The center receives an average of approximately 300 inquiries each day from healthcare professionals, as well as patients and their families and DSP medical representatives (MRs).

The center conducts various initiatives that help to improve relationships of trust with customers. For example, the center uses DI-SaGaS and other internal information search systems, and maintains a database of frequently asked questions to increase the speed and accuracy of responses. In addition, responses are scrutinized and secured through a mechanism of applying for approval of response results, followed by approval by another member.

In addition, the center shares information, including questions from healthcare professionals and a summary of the response, with the MR in charge through e-mail notification.

The center also seeks to raise customer satisfaction by ensuring that its areas of focus clearly reflect what customers need.

Subjects of Inquiries (April 1, 2009 – March 31, 2010)

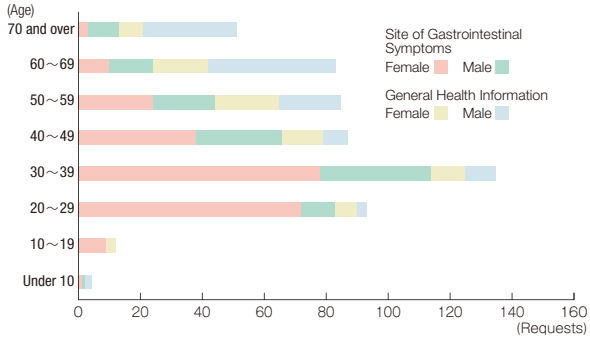


Medical Information Website Initiative

We have a website dedicated to patients and their families, and everyone who hopes to have informational pamphlets on diseases can request them through it. In 2009, we were pleased to receive continuous requests from individuals from a wide range of ages. At the same time, we received their comments on the website content and opinions related to their health issues from the patients who requested our pamphlets. We are using this direct feedback to provide appropriate drug information that directly addresses the feelings of patients and their families.

On our site for healthcare practitioners, we have enhanced our e-mail magazines. In addition to the popular e-mail magazines JWO and NEJM, we now have eight e-mail newsletters categorized by therapeutic area. This figure is one of the highest in the pharmaceutical industry. We strive to provide timely and high-quality information to increase customer satisfaction.

Requests for Pamphlets



We proactively conduct initiatives that help to realize our corporate slogan – “Healthy Bodies, Healthy Lives”.

Our Approach to Social Contribution

As a good corporate citizen, we respect the local culture and traditions wherever we do business and contribute to the development of our communities through our corporate activities. To that end, DSP prompts each of its employees to be aware of their responsibility as members of their local communities, think what they can do for the community and act for its continued development. As a company specializing in life sciences, DSP remains committed to contributing to the well-being of local communities to build harmonious relationships with society.

Donations by Employees

DSP’s social contribution activities include fund-raising from executives and employees of DSP and its group companies, as well as donations from the companies themselves. These funds are donated to organizations as determined by employees and help to support the Company slogan, “Healthy Bodies, Healthy Lives”.

In fiscal 2009, as in the previous year, donations were made to Japan Hearing Dogs for Deaf People; the non-profit organization “Asobi no Volunteer”, which conducts activities including playful interaction with sick children; and five Clubhouses recognized by the International Center for Clubhouse Development. Through these activities, we were able to reaffirm the importance of taking the initiative to address various issues in society.

We provide support for training of hearing dogs, which serve as “ears” for the hearing impaired.

DSP provides support for “Asobi no Volunteer”, which helps sick children and their families through playful interaction.

Aid for Victims of the Haiti Earthquake

The Dainippon Sumitomo Pharma Group donated relief funds totaling ¥10 million for the damage caused by the magnitude 7.0 earthquake that struck Haiti in January 2010. The funds were donated by DSP and its U.S. subsidiary, Sepracor, through the Japanese Red Cross and the American Red Cross, respectively.

Japan Epilepsy Research Foundation

This foundation operates using funds from DSP and other contributors and holds research conferences, publishes literature and engages in other efforts aimed primarily at furthering the research and treatment of epilepsy. In fiscal 2009, the foundation helped subsidize the work of 15 epilepsy researchers. DSP will continue to contribute to the medical care and well-being of society by providing support for this foundation.

TOPIC

Acorn Collecting for Local Schoolchildren at the Osaka Center

Innocent Cries of Delight Ring Out in the Autumn Skies

In addition to company-wide activities such as donation campaigns, each DSP work site conducts social contribution activities tailored to the needs of its local community. The Osaka Center, as part of its local activities, supports field trips each fall for neighborhood kindergarten and first-grade students.

In 2009, the center held an acorn collecting event on its premises, an activity that fewer and fewer children have been able to experience in recent years.

Children squeal with delight as they collect acorns.

Initiatives for Employees

We believe that energizing the organizational climate and providing a challenging, secure workplace are key CSR issues.

Promotion of C&S Activities

As DSP takes a major step forward, all employees must share the company's values, change their thinking and boldly work on their respective missions in order to continue to be a "company that fulfills missions".

We have therefore adopted the mottos "Change for Challenge!" and "Seek Something New!" to inspire employees to work on the various tasks involved in achieving their missions from a different perspective. Under these mottos, we are working to foster a corporate culture that embraces the new and to promote a dynamic atmosphere aimed at realizing our vision.

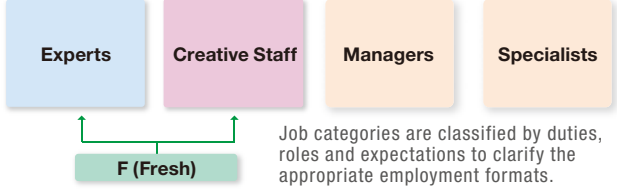
Each department in the company is now implementing the "C&S" (the initial letters in the mottos) Campaign to promote the spread and practice of this thinking among employees. The C&S Campaign has been a successful attempt to organize and share anew the values of DSP with all company employees and thus energize the organizational climate.

New Personnel System

DSP revised its personnel system in July 2010 with an emphasis on shifting from integration to change.

In the former personnel system, which we established after the merger in 2005, we had focused first on unifying the systems of our former companies. The revisions are aimed at reinforcing our corporate competitiveness, promoting leaner organization and supporting achievement of the Mid-term Business Plan by raising our specialties to the world-class level; enhancing the professionalism of all employees; and further raising productivity.

New Personnel System



Ongoing Health and Safety Initiatives and Their Results

At DSP, annual action plans based on the company-wide Safety and Health Policy and the Mid-term Action Plan are prepared for 11 business sites. Based on these action plans, various health and safety activities are implemented according to the kind of work performed at each site, with a focus on health and safety risk assessments, to prevent work-related accidents before they occur. Ongoing measures include training by job level, sharing of work-related accident information to prevent similar accidents, and initiatives during National Safety Week. As a result of these initiatives, in fiscal 2009 three business sites – the Ibaraki Plant, Oita Plant and Osaka Research Center – achieved accident-free records (zero lost-time and non-lost-time accidents). We will continue to promote health and safety activities throughout the company to maintain safe and comfortable workplace environments and further improve such environments.

Crisis Management

Swift and sure action within the corporate structure is needed in the event of an emergency such as a major disaster or accident. We responded to the worldwide H1N1 influenza pandemic according to our prior plans. First, we set up a countermeasure headquarters when the outbreak occurred and took thorough measures at each site to prevent infections and their spread. Departments also prepared for an increase in absentees by rearranging work assignments and taking other measures to ensure business continuity. We revised our existing guidelines and are prepared for a second wave of influenza. In addition, we updated the Disaster Countermeasures Manual, established a system for confirming the safety of employees and generally strengthened our ability to respond to an emergency situation. Furthermore, we focused on enhancing security measures, including improving the storage of important data and installing entry control systems at business sites.

Environmental Activities

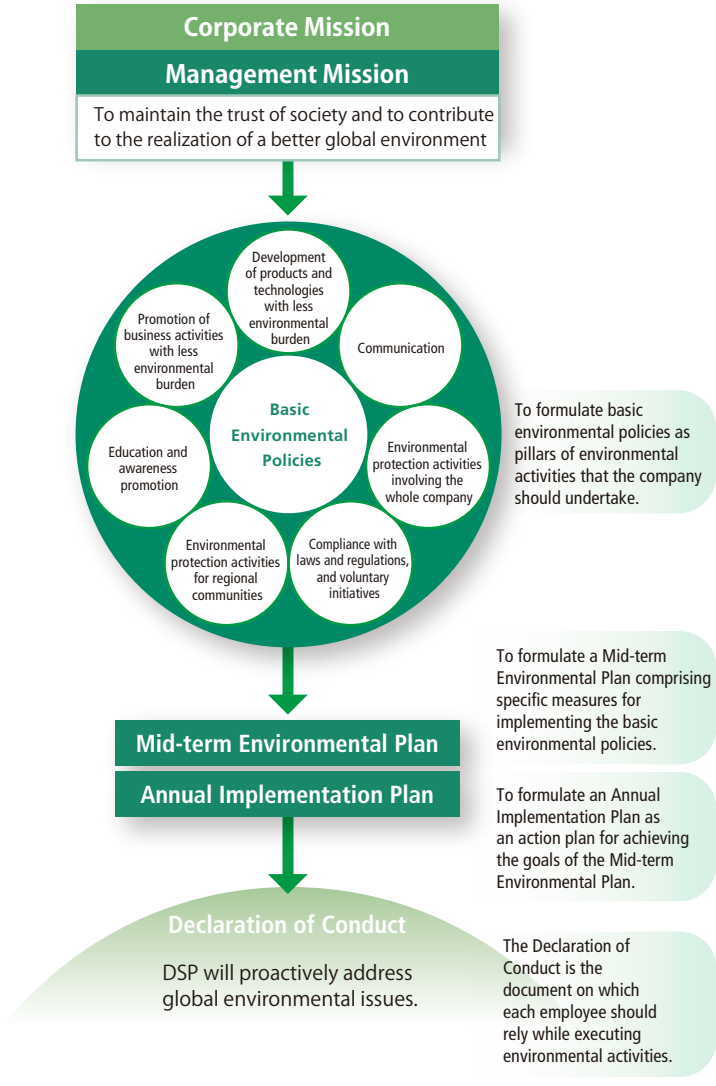
DSP is working to reduce its burden on the environment in all of its business activities by setting basic environmental policies and recognizing its responsibility for its own environmental impact.

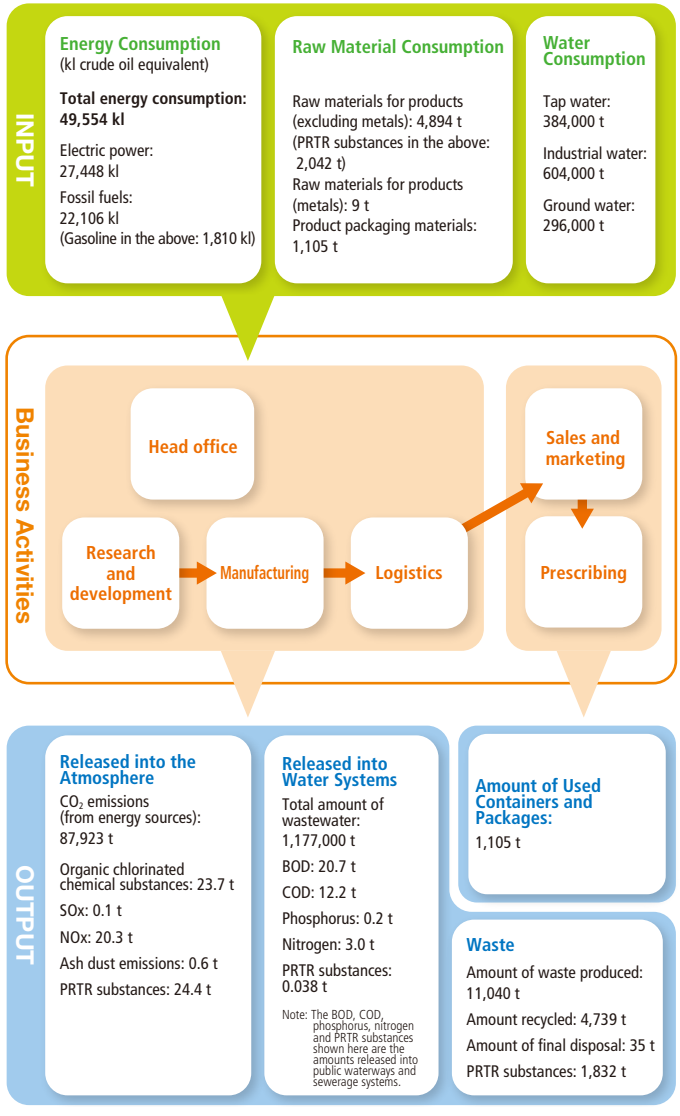
DSP's Environmental Vision

DSP understands that the global environment is entering a critical phase. As a company that aims to protect people's lives and their health, DSP makes all-out efforts to realize a world that is prosperous and nice to live in, by proactively working for environmental protection and creating a recycling-oriented society through the company's business activities.

Overview of the Environmental Burden

DSP's business activities affect the environment in various ways at every stage, from research and development through manufacturing, logistics and marketing, up to the use of its products by customers. All our employees are aware of this environmental impact and work to reduce the environmental burden.





Mid-term Environmental Plan (Fiscal 2009 – Fiscal 2011)

DSP has formulated the Mid-term Environmental Plan to clearly define key objectives in environmental activities and to form an action plan for achieving and continuously improving on these objectives. During fiscal 2009, we made steady progress in most areas but fell short of some targets. We will continue activities for further improvement.

Degree of progress: ◎ : Goal achieved ○ : Steady progress made toward objective △ : Progress somewhat behind schedule × : Progress significantly behind schedule

Goals of Special Importance	Objectives	Progress in Fiscal 2009	Degree of Progress
1. To enhance the environmental preservation promotion system	(1) To establish and implement a green procurement system	(1) Now implementing standards for formulating guidelines and guidelines for 4 types of items, including office supplies	◎
	(2) To establish and implement a green logistics system	(2) Now implementing green logistics guidelines	◎
	(3) To implement green product development	(3) Implementing in Manufacturing Division and Technology Research & Development Division	◎
	(4) To establish and implement a system for green equipment designing	(4) Implementing in Manufacturing Division, Drug Research Division and General Affairs Department	◎
2. To reduce emissions of chemical substances	(1) To reduce atmospheric emissions of dichloromethane, chloroform and 1,2-dichloroethane by 20% or more by FY2009 based on the FY2003 levels	(1) Compared to FY2003, dichloromethane increased by 35%, 1,2-dichloroethane decreased by 71% (target achieved), and chloroform decreased by 14%	×
3. To promote energy saving and prevent global warming	[1] Numerical targets:	[1] Numerical targets:	
	(1) To reduce CO_2 emissions for the whole company to the level of the benchmark year (FY2006) by FY2012	(1) CO_2 emissions for the whole company in FY2009 were 107.1% of the level in FY2006	△
	(2) To improve the specific energy consumption and CO_2 emission rate for the whole company by 1% or more per year	(2) Specific energy consumption for the whole company worsened by 1.5% and CO_2 emission rate worsened by 1.4%	×
	[2] Activity targets:	[2] Activity targets:	
	(1) To promote greening of the company's work sites	(1) Green cover expanded at Osaka Center	○
	(2) To promote the introduction of energy-efficient equipment and machinery at the company's work sites	(2) Considered various measures at each work site and in Environment & Safety Department	○
	(3) To promote the use of renewable energy at the company's work sites	(3) Considered various measures at each work site and in Environment & Safety Department	○
	(4) To promote efficiency in all types of business operations at the company's work sites	(4) Considered various measures at each work site and in Environment & Safety Department	○
	(5) To promote visualization of energy use at work sites	(5) Considered various measures at each work site	○
4. To reduce waste	(1) To promote the saving of resources and recycling, and to reduce waste: Maintain final landfill disposal by the entire company at less than 1% of waste generated	(1) Maintained at less than 1% (FY2009 result 0.3%)	◎
	(2) To promote zero emissions: ・ Applicable work sites (sites that discharge industrial waste): Reduce final landfill disposal of industrial waste to less than 1% of amount generated (by FY2009) ・ Other sites (sites that do not discharge industrial waste): Achieve complete recycling of recyclable waste (by FY2009)	(2) Achieved zero emissions at sites that discharge industrial waste (4 factories, 2 research laboratories). Sites that do not discharge industrial waste made progress in recycling recyclable waste	○
5. To be conscious of environmental safety in contract production	(1) To establish and implement environmental safety measures in contract production	(1) Manufacturing Division provided information to contract manufacturers	○
6. To promote communications with group companies	(1) To support environmental safety activities of group companies	(1) Held meeting in April 2009 to exchange information on energy management of domestic group companies	○
7. To promote communications with local communities	(1) To understand environmental risks that corporate activities can present to the local community	(1) Gained understanding of most risks, and are implementing countermeasures	○
	(2) To disclose suitable information to the local community in an appropriate way	(2) Implementing appropriately	○
	(3) To participate actively in local environmental activities	(3) Actively participating at each work site	○
8. To support social contribution activities	(1) To support and collaborate with environment-related social contribution activities	(1) Considered implementation within the framework for CSR activities of the whole company	△
9. To enhance environmental education	(1) To develop and implement educational programs	(1) Created and implemented a setup for education by job level, education of all employees, and support for education conducted by work sites	○
10. To train employees	(1) To train key persons in environmental management	(1) Training taking place at each work site	○

Initiatives in Fiscal 2009

We have evaluated our fiscal 2009 initiatives in the Mid-term Environmental Plan, and will link the results to further progress.

Improvements in Environmental Preservation Promotion Systems

At DSP, we are taking proactive initiatives to reduce the burden on the environment throughout the company. These include creating and implementing environmental preservation promotion systems, including green procurement, green logistics, green product development, and green facilities design. In fiscal 2009, we demonstrated concern for the environment in various ways. Among our initiatives, we applied green facilities design to the construction of a new lodging facility at the Sanda Training Center, including installation of EcoCute energy-efficient heat pumps, LED lighting in training rooms, and double-glazed glass in guest rooms.

Reduction of Chemical Substance Waste

Dichloromethane, chloroform, 1,2-dichlorethane and other chemical substances are causes of atmospheric pollution. DSP is therefore implementing countermeasures, such as installation of recovery equipment. In fiscal 2009, the amount of chloroform and 1,2-dichloroethane released into the atmosphere declined in comparison to the previous fiscal year but the amount of dichloromethane increased.

Dichloromethane emissions are expected to decline dramatically as recovery equipment installed in the new drug formulation facility at the Suzuka Plant goes into full operation.

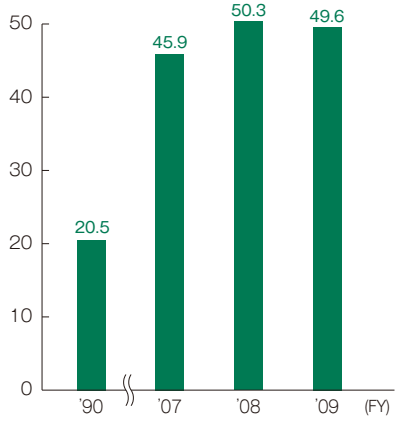
Efforts on Energy Conservation and Global Warming Prevention

Measures to combat global warming are a top-priority issue around the world. At DSP, we are actively taking advantage of new energy technologies that reduce CO_2 emissions and using energy efficiently in all areas of our business. At the same time, we are working to reduce our greenhouse gas emissions. In fiscal 2009, our company-wide energy usage and CO_2 emissions were slightly lower than in the previous fiscal year. While the start of full operation of the new drug formulation facility at the Suzuka Plant increased energy usage, the success of our energy conservation measures contributed to the overall decrease. We made various investments related to reducing energy use during the past fiscal year, including starting renewal of co-generation facilities at the Central Research Laboratories. We will continue our efforts to reduce greenhouse gas emissions in all of our business activities.

Note: CO_2 conversion factors used in this publication use the values prescribed within the company. Thus, the figures may differ from those reported in accordance with the Law Concerning the Promotion of Measures to Cope with Global Warming and other standards.

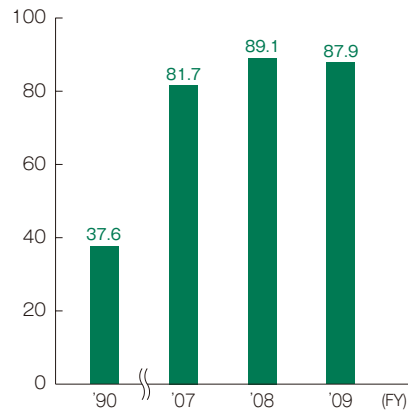
Energy Consumption

(Thousand kl / Year: crude oil equivalent)



CO_2 Emissions

(Thousand tons / Year)



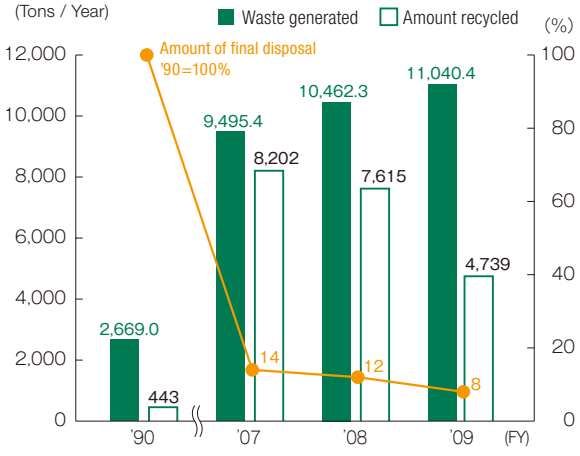
Waste Reduction

DSP actively employs the “3 Rs” (Reduce, Reuse, Recycle) to make effective use of finite resources. In fiscal 2009, we reduced the amount of landfill (buried) waste generated by the whole company to just 7.6 percent of the level in fiscal 1990. This is the result of our initiatives at each work site, including thorough separation of waste and consignment of recyclable materials to outside waste disposal companies.

We are also promoting zero emissions, defined as less than 1 percent of the volume of landfill (buried) waste produced. Since fiscal 2008, we have achieved or maintained zero emissions at all of our plants and research laboratories. At the Suzuka Plant, landfill waste declined substantially to 2.2 tons in fiscal 2009 from 9.8 tons in the previous fiscal year.

Recycling volume was down significantly from the previous fiscal year, but this was due to the temporary suspension of processing facilities at the disposal company, which prevented the Oita Plant from recycling alkali waste.

Waste Recycling



Environmental Accounting Report – Summary

DSP practices environmental accounting to obtain a quantitative understanding of the investment in and cost of environmental protection, and to determine the effects of the investment and its cost-effectiveness.

Period covered: April 1, 2009 to March 31, 2010

Scope: The entire company

Method of compiling: Compiled based on the “Environmental Accounting Guidelines 2005” (Ministry of the Environment, Japan)

The total amount of environmental investment in fiscal 2009 was ¥15 million. Major investments included greenery work at the Osaka Center (¥9 million) and installation of emergency shutoff valves in wastewater treatment facilities (¥4 million). The cost of environmental protection in fiscal 2009 was ¥1,185 million, and the economic benefit from environmental protection measures was ¥25 million.

Environmental Accounting Results (Millions of Yen)

	FY2007	FY2008	FY2009
Environmental investment	57	140	15
Cost of environmental protection	1,498	1,226	1,185
Economic benefit	131	161	25

A more detailed report and environmental performance data are available on our website:

URL

http://www.ds-pharma.com/csr/environmental_plan.html

Corporate Governance

Basic Approach to Corporate Governance

DSP recognizes that strengthening corporate governance is a key managerial responsibility to ensure sustained augmentation of corporate value — one of the missions entrusted to management by shareholders and other stakeholders.

DSP has a corporate auditor system. With the introduction of an executive officer system, the Company separates management oversight from operational execution in a way that promotes delegation of authority while clarifying operational responsibility, thereby realizing a faster and more transparent decision-making process.

Factors that Could Significantly Influence Corporate Governance

Holding a 50.22% share of voting rights, Sumitomo Chemical Co., Ltd. is the parent company of DSP. However, DSP is not subject to any restraints in its business operations. One employee of the parent company has been appointed as an outside corporate auditor of DSP, but the management of DSP is independent from the parent company since no directors of Sumitomo Chemical sit on the Board of Directors. DSP also retains some personnel seconded from the parent company based on DSP's own judgment, but believes it has no influence on the Company's business operations. Respect for autonomy is affirmed by the parent company and DSP's independence is maintained. Therefore, DSP believes that having a parent company does not undermine the interests of general shareholders.

Management Structure

The Board of Directors meets at least once a month. The Chairman of DSP presides over the board meetings which are attended by all the directors and all the auditors.

DSP has a Management Committee, composed of several executive officers, which serves as a consultative body to assist the President of DSP in his decision-making. As a rule, the Management Committee convenes at least twice a month to deliberate on important business matters, guided by the basic policies made by the Board of Directors. As an additional measure to ensure that top managers are fully aware of the operational status of the business and related important matters, DSP has instituted the Executive Committee, which consists of all the executive officers and convenes at least once a month as a rule.

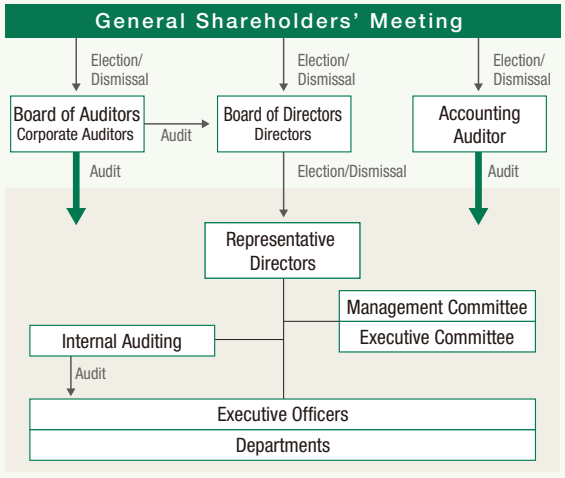
Audit System

DSP has appointed five corporate auditors, three of whom are outside auditors. One of the outside auditors is registered as an independent officer with Tokyo Stock Exchange, Inc. and the Osaka Securities Exchange. The outside auditors contribute statements from their respective professional viewpoints, thus enhancing the Company's auditing system.

As a rule, the Board of Auditors, composed of all the corporate auditors, meets once a month to discuss and decide important audit-related matters and review the agenda for board meetings. In line with the audit policy and task allocation determined by the Board of Auditors, each corporate auditor endeavors to communicate with directors, the employees belonging to the internal auditing department and other relevant sections, the corporate auditors in the parent company of the Company, and other parties to gather information and maintain an environment conducive to the auditing process. Corporate auditors attend key business meetings including those of the Board of Directors and the Management Committee. They receive reports from directors and employees on the status of task execution, requesting explanation as necessary and viewing significant approval forms and other documents. This enables the Corporate Auditors to take a proactive internal auditing stance, focusing in particular on legal compliance and the efficiency of business operations.

Internal audits are carried out by the Internal Audit Department, which reports directly to the President of DSP. The Internal Audit Department conducts audits in accordance with the audit plan

Corporate Governance Structure



developed at the beginning of each fiscal year.

Accounting audits are handled by KPMG AZSA LLC.

Corporate auditors, accounting auditors and internal auditors meet periodically to exchange information and enhance cooperation.

Establishment of an Internal Control System

The Board of Directors of DSP passed a resolution on the basic policies for the establishment of a system to ensure appropriate business operation. The status of implementation efforts pursuant to the basic policies for each year is reported at the Board of Directors meeting held in the last month of the fiscal year and the basic policies are revised as necessary to improve the system.

Internal Control over Financial Reporting

With the introduction of the internal control reporting system, the Company is also implementing activities to further raise management efficiency and transparency, the appropriateness of business operations and the credibility of financial reporting.

In fiscal 2009, the Company evaluated the improvement and operation of internal control over financial reporting. The results confirmed that there are no significant deficiencies in the Company's internal control over financial reporting.

Basic Policy for Management of Sepracor

The Company manages Sepracor according to the following five principles of governance:

- To share its Management Mission
- To determine global strategies through discussion with Sepracor
- To determine Sepracor's important management issues through its Board of Directors
- To determine North American operations on Sepracor's responsibilities
- To strive to maximize the business value and synergies of the DSP Group

Compliance

The Company has declared both internally and publically its commitment to "abide by laws and regulations, and conduct corporate activities in a transparent and fair manner with high ethical standards". The Compliance Committee, presided over by the executive officer in charge of compliance, met twice in fiscal 2009. The committee ascertained the status of compliance efforts throughout the Company and issued reminders, recommendations and advice as necessary to the parties concerned.

In addition, a compliance hotline has been set up for use within and outside the Company to provide consultation or accept reports in the event that an employee has questions or has obtained information concerning violations related to compliance.

As an initiative for compliance, company-wide compliance training for all employees was held in May and June 2010. The training covered the Foreign Corrupt Practices Act and served to increase employee awareness of corrupt practices.

Annual Shareholders' Meeting and Exercise of Voting Rights

The Company endeavors to conduct its annual shareholders' meetings in an open manner.

First, the Company sends out a notice of convocation approximately three weeks before the date of the annual shareholders' meeting to facilitate the exercise of voting rights.

For foreign shareholders, the Company sends out an English-language version of the convocation notice, which is also posted on the Company's website together with the Japanese version on the day the convocation notices are sent. As to methods of voting, in addition to conventional voting in writing, voting by electromagnetic methods (the Internet, etc.) is allowed.

Furthermore, the Company takes measures to add vitality to the annual shareholders' meeting, including the use of video and narration when presenting business and other reports.

At the 190th Annual Shareholders' Meeting held on June 25, 2010, the number of shareholders who voted in writing or via the Internet was 5,140 (including 178 who were in attendance), and the voting rate (ratio of voting rights exercised to total number of voting rights) was 88.7 percent.

Stock Holdings

As of March 31, 2010, the Company held 79 issues of stock for purposes other than pure investment, with a total amount on the balance sheet of ¥28,219 million. The stocks were held for purposes including maintaining and strengthening business relationships and fiscal policy requirements.

The Company holds no stock purely for the purpose of investment.

Board of Directors and Executive Officers (As of July 1, 2010)

Seated, from left: Kenjiro Miyatake, Masayo Tada

Standing, from left: Yoshihiro Okada, Hiroshi Noguchi, Keiichi Ono, Kazumi Okamura, Yutaka Takeuchi, Tetsuya Oida

Directors

Kenjiro Miyatake
Representative Director, Chairman of the Board of Directors

Masayo Tada
Representative Director, President and Chief Executive Officer
Executive Director, International Business

Keiichi Ono
Member, Board of Directors, Senior Executive Officer
Corporate Communications; Intellectual Property; Drug Research

Kazumi Okamura
Member, Board of Directors, Senior Executive Officer
Legal Affairs; Environment & Safety; Personnel; General Affairs; Osaka Administration

Hiroshi Noguchi
Member, Board of Directors, Senior Executive Officer
Executive Director, Strategic Planning & Business Development; Corporate Planning

Yutaka Takeuchi
Member, Board of Directors, Executive Officer
Executive Director, Manufacturing; Technology Research & Development

Yoshihiro Okada
Member, Board of Directors, Executive Officer
Executive Director, Drug Development

Tetsuya Oida
Member, Board of Directors

Corporate Auditors

Ikuo Hino
Full-Time Corporate Auditor

Nobuo Takeda
Full-Time Corporate Auditor

Toshiyuki Aoki
Corporate Auditor

Masahiro Kondo
Corporate Auditor

Harumichi Uchida
Corporate Auditor

Executive Officers

Yukio Kitahara
Senior Executive Officer
Executive Director, Sales & Marketing

Yasuji Furutani
Senior Executive Officer
Executive Director, Corporate Regulatory Compliance & Quality Assurance

Yosuke Fukuhara
Executive Officer
Deputy Executive Director, Sales & Marketing (New Management System Promotion)

Masaharu Kanaoka
Executive Officer
Executive Director, Drug Research

Masaru Ishidahara
Executive Officer
Director, Personnel; Career Development Support; Procurement

Hiroshi Nomura
Executive Officer
Director, International Business Strategic Planning and Management; Finance & Accounting; Information Systems Planning; Business Support Center

Susumu Nakajima
Executive Officer
Deputy Executive Director, Sales & Marketing; External Affairs

Nobuhiko Tamura
Executive Officer
Executive Vice President, Chief Scientific Officer, Sepracor Inc.

Saburo Hamanaka
Executive Officer
Chairman and CEO, Sepracor Inc.

Yoshihiro Shinkawa
Executive Officer
Deputy Executive Director, Sales & Marketing; Senior Director, Higashi-Nippon Region

Yoshinori Oh-e
Executive Officer
Director, Business Development

Yoshiharu Ikeda
Executive Officer
Director, Corporate Planning

Financial Section

Contents

Six-Year Summary

Dainippon Sumitomo Pharma Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010, 2009, 2008, 2007, 2006 and 2005
(Fiscal years 2009, 2008, 2007, 2006, 2005 and 2004)

	Millions of yen						Thousands of U.S. dollars (Note 1)
Fiscal Year (FY)	**2009**	2008	2007	2006	2005	2004	**2009**
RESULTS OF OPERATIONS:							
Net sales	**¥296,262**	¥264,037	¥263,993	¥261,213	¥245,784	¥175,088	**$3,185,613**
Cost of sales	**112,263**	103,741	99,385	99,346	130,437	111,099	**1,207,129**
Selling, general and administrative expenses	**148,374**	129,130	124,794	116,312	86,461	52,404	**1,595,420**
Operating income	**35,625**	31,166	39,814	45,555	28,886	11,585	**383,065**
Income before income taxes and minority interests	**31,423**	32,168	41,457	38,415	25,687	11,686	**337,882**
Net income	**20,958**	19,988	25,592	22,605	15,377	6,924	**225,355**
FINANCIAL POSITION:							
Current assets	**¥287,555**	¥263,540	¥251,063	¥234,313	¥249,733	¥131,176	**$3,091,989**
Net property, plant and equipment	**74,084**	69,105	70,280	65,241	68,336	32,611	**796,602**
Total assets	**626,743**	391,295	399,791	382,535	392,966	201,431	**6,739,172**
Current liabilities	**265,000**	53,350	67,915	56,039	80,071	49,196	**2,849,462**
Long-term liabilities	**18,260**	13,449	13,598	20,484	24,262	16,802	**196,344**
Net assets	**343,483**	324,496	318,278	306,012	288,633	135,433	**3,693,366**
OTHER STATISTICS:							
R&D costs	**¥51,371**	¥52,819	¥47,266	¥40,870	¥29,636	¥17,444	**$552,376**
Capital expenditures	**6,471**	10,569	15,491	9,543	6,616	3,064	**69,581**
Depreciation and amortization	**18,650**	11,455	11,870	12,008	8,901	5,233	**200,538**

	Yen						U.S. dollars
PER SHARE OF COMMON STOCK:							
Basic net income	**¥52.75**	¥50.30	¥64.39	¥56.86	¥54.57	¥41.76	**$0.57**
Cash dividends applicable to the year	**18.00**	18.00	18.00	14.00	12.00	10.00	**0.19**

Notes 1: The U.S. dollar amounts in this report represent translations of Japanese yen, solely for the reader's convenience, at the rate of ¥93=US$1, the approximate exchange rate at March 31, 2010.

2: Dainippon Pharmaceutical Co., Ltd. merged with Sumitomo Pharmaceuticals Co., Ltd. on October 1, 2005 and changed its name to Dainippon Sumitomo Pharma Co., Ltd.

3: Dainippon Sumitomo Pharma Co., Ltd. (formerly Dainippon Pharmaceutical Co., Ltd.) and its consolidated subsidiaries adopted the new accounting standard for presentation of net assets in the balance sheet from fiscal 2006. In accordance with the adoption of the new accounting standard, net assets in the financial position from fiscal 2004 to 2005 have been reclassified.

Management's Discussion and Analysis

Overview

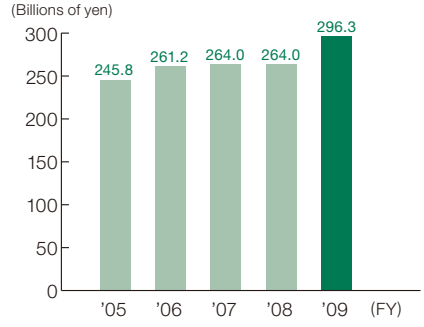
During the fiscal year ended March 31, 2010 (fiscal 2009), although foreign demand and economic stimulus measures fueled an upturn in some sectors of the Japanese economy, the recovery of domestic demand lacked sustainability, and the future of the economy remained uncertain, with lingering concerns about excess equipment and employment.

In the pharmaceutical industry, various factors made the operating environment increasingly challenging. In addition to the growing difficulty in discovering new epoch-making drugs, ongoing measures aimed at reducing medical costs are being implemented in Japan, as countries around the world make drastic changes to their health care systems.

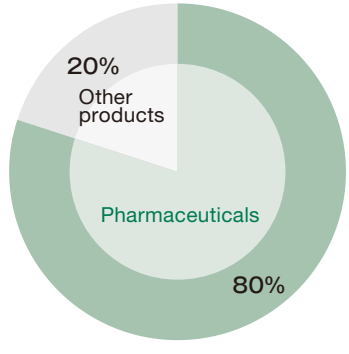
Under these conditions, the Dainippon Sumitomo Pharma Group aggressively carried out its business activities in the final year of the Mid-Term Business Plan launched in February 2007.

Major initiatives during the fiscal year included efforts to strengthen the Group's profit base in Japan by promoting community-based sales activities and bolstering its activities in the central nervous system therapeutic area. In addition, we established an organizational structure to facilitate expansion of our overseas business, notably the acquisition of the U.S. pharmaceutical company Sepracor Inc., in order to expedite the launch of the schizophrenia treatment lurasidone in the U.S., maximize the Group's business value and establish an operating base in North America. We also carried out an "Overall Business Results Improvement Project" in pursuit of ongoing improvements in operating efficiency through measures including the further reduction of expenses in all divisions.

Net Sales



Sales Composition by Business Segment



(FY2009)

Results of Operations

General Results

Net Sales

Net sales for fiscal 2009 increased ¥32.2 billion, or 12.2%, year-on-year to ¥296.3 billion. Continuing from the previous fiscal year, we concentrated sales resources on our four strategic products – AMLODIN®, GASMOTIN®, PRORENAL®, and MEROPEN® – and also focused on expanding sales of LONASEN®, AVAPRO®, TRERIEF® and AmBisome®. However, sales of AMLODIN® were substantially impacted by generic erosion, resulting in a slight decline in domestic sales. On the other hand, overseas sales increased due to the addition of the fourth-quarter results of our U.S. subsidiaries, including Sepracor, and the addition of Sumitomo Pharmaceuticals (Suzhou) Co., Ltd., to the scope of consolidation, resulting in an overall increase in net sales.

Cost of Sales and Gross Profit

Along with the increase in net sales, cost of sales increased ¥8.5 billion, or 8.2%, year-on-year to ¥112.3 billion. However, due in part to the relatively low cost of sales ratio of the overseas subsidiaries added to consolidation during the fiscal year, the cost of sales ratio declined 1.4 percentage points to 37.9%. As a result, gross profit increased ¥23.7 billion, or 14.8%, to ¥184.0 billion.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses increased ¥19.2 billion, or 14.9%, year-on-year to ¥148.4 billion.

Clinical development expenses for lurasidone and other drug candidates decreased at the parent company, which also made more efficient use of advertising and public relations expenses under the "Overall Business Results Improvement Project". However, SG&A expenses increased overall due to the expansion in the scope of consolidation and the effect of the amortization of intangible assets and goodwill associated with the acquisition of Sepracor.

Operating Income

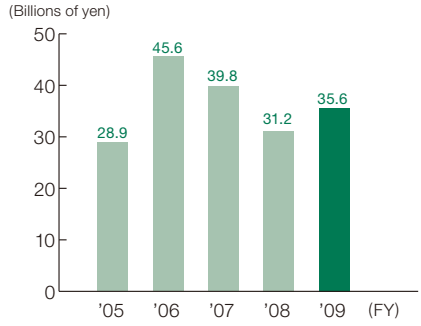
As a result of the above factors, operating income increased ¥4.5 billion, or 14.3%, year-on-year to ¥35.6 billion, as the increase in gross profit reflecting sales growth outweighed the impact of higher SG&A expenses.

Other Income (Expenses) and Net Income

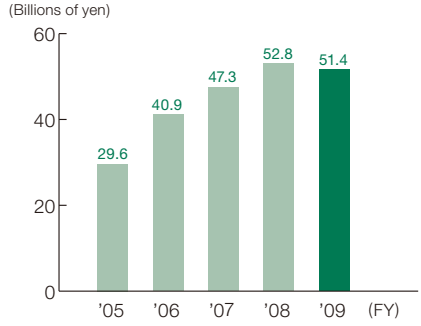
During the fiscal year, other expenses exceeded other income by ¥4.2 billion. The principal factors were the interest payments on borrowings related to the Sepracor acquisition and compensation associated with a revision of the personnel system.

As a result, net income after income taxes for fiscal 2009 was ¥21.0 billion, an increase of ¥1.0 billion, or 4.9%, compared with the amount recorded in the previous fiscal year.

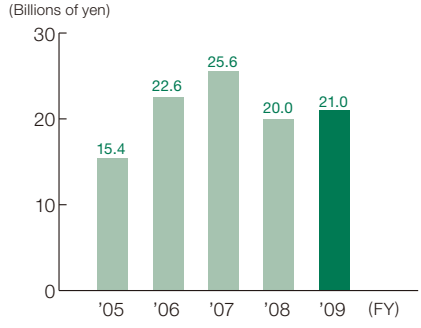
Operating Income



R&D Costs



Net Income



Results by Business Segment

Pharmaceuticals

The Group concentrated its sales resources on its four strategic products – AMLODIN®, GASMOTIN®, PRORENAL® and MEROPEN® – and also focused on new products AVAPRO®, LONASEN®, TRERIEF® and MIRIPLA®. As a result, while sales of AMLODIN® declined because of competing sales of generic products, sales of GASMOTIN®, PRORENAL®, AVAPRO®, LONASEN®, AmBisome® and other products increased. Furthermore, in addition to the full-year contribution of the results of Sumitomo Pharmaceuticals (Suzhou) Co., Ltd., which became a consolidated subsidiary in the year under review, the fourth-quarter results of our U.S. subsidiaries, including Sepracor, were also added. As a result, sales of pharmaceuticals increased ¥30.0 billion, or 14.5%, year-on-year to ¥236.8 billion.

Details of Accounting for Business Combinations Associated with Acquisition of Sepracor Inc. (Millions of dollars)

	Before purchase price allocation	After purchase price allocation	Valuation differences	Accounting procedures (amortization)	Impact on pretax income	Impact on pretax income (forecasts for FY2010)
Patent rights	—	1,197	1,197	Amortization years by products	67	319
In-process R&D (intangible assets)	—	59	59	Capitalize (amortize after approval)	—	—
Inventories	67	144	77	Charge to cost of sales	40	38
Deferred tax liabilities	—	(485)	(485)	—	—	—
Other assets & liabilities (net)	633	677	44	—	—	—
Goodwill	26	914	888	Amortization for 20 years	9	46
Total	726	2,506	1,780		116	403

The increase in gross profit, which reflected the increase in sales and improvement in the cost of sales ratio, exceeded the increase in SG&A expenses due in part to the business combination accounting associated with the Sepracor acquisition. Operating income therefore increased ¥3.2 billion, or 10.7%, to ¥33.0 billion.

Other Products

Other products include animal health products, feeds and feed additives, food additives, industrial chemicals, diagnostics, and research reagents and materials. Due mainly to strong sales of influenza diagnostic products, segment sales increased ¥2.3 billion, or 4.0%, to ¥59.5 billion. Operating income rose ¥1.3 billion, or 96.1%, to ¥2.6 billion.

Sales of Major Pharmaceutical Products

Sales of our four strategic products – AMLODIN®, GASMOTIN®, PRORENAL® and MEROPEN® – totaled ¥102.8 billion, a decrease of ¥4.8 billion, or 4.5%, from the previous fiscal year.

AMLODIN® sales, though significantly higher than projected at the start of the fiscal year, decreased 10.1% to ¥52.0 billion from the impact of the sale of generics following the patent expiration.

Sales of GASMOTIN® and PRORENAL®, however, increased in response to the concentration of sales resources on these strategic products.

In addition, sales of new products LONASEN®, AVAPRO®, TRERIEF® and MIRIPLA® totaled ¥11.1 billion, an increase of ¥6.1 billion, or 122.9%, over the previous fiscal year.

Sales of these and other major pharmaceutical products were as follows:

Domestic Sales of Major Pharmaceutical Products (Billions of yen)

Brand name (Generic name)	Therapeutic indication	FY2009	FY2008
AMLODIN®	Therapeutic agent for hypertension and angina pectoris	52.0	57.9
GASMOTIN®	Gastroprokinetic	20.7	20.2
PRORENAL®	Vasodilator	15.4	14.8
MEROPEN®	Carbapenem antibiotic	14.7	14.8
EBASTEL®	Antiallergic	9.2	10.6
LONASEN®	Antipsychotic	6.3	3.4
SUMIFERON®	Natural alpha interferon	5.8	6.0
GROWJECT®	Growth hormone	4.6	4.3
AmBisome®	Therapeutic agent for systemic fungal infection	4.0	3.1
MELBIN®	Oral hypoglycemic	3.9	3.4
AVAPRO®	Therapeutic agent for hypertension	3.7	1.5
EXCEGRAN®	Antiepileptic	3.6	3.6
DOPS®	Neural function ameliorant	3.6	3.8
GLIMICRON®	Oral hypoglycemic	3.2	3.6
QVAR™	Bronchial asthma	3.0	3.6
ALMARL®	Therapeutic agent for hypertension, angina pectoris and arrhythmia	2.8	3.0
LULLAN®	Antipsychotic	2.6	2.8
SEDIEL®	Serotonin-agonist antianxiety drug	2.5	2.7
REPLAGAL®	Anderson-Fabry disease drug	2.5	1.1
TRERIEF®	Parkinson's disease drug	0.8	0.1
MIRIPLA®	Therapeutic agent for hepatocellular carcinoma	0.2	—

Major Exported Pharmaceuticals (Billions of yen)

Brand name (Generic name)	Therapeutic indication	FY2009	FY2008
MEROPEN®	Carbapenem antibiotic	15.7	16.2
GASMOTIN®	Gastroprokinetic	1.1	1.0
EXCEGRAN®	Antiepileptic	0.6	1.0

Note: For external customers

U.S. Subsidiaries Sales (October 15, 2009 to December 31, 2009) (Billions of yen)

Brand name (Generic name)	Therapeutic indication	FY2009	FY2008
LUNESTA®	Sedative hypnotic	10.5	—
XOPENEX®	Short-acting beta-agonist	13.6	—
BROVANA®	Long-acting beta-agonist	1.7	—
OMNARIS®	Corticosteroid nasal spray	0.6	—

China Subsidiaries Sales (Billions of yen)

Brand name (Generic name)	Therapeutic indication	FY2009	FY2008
MEROPEN®	Carbapenem antibiotic	3.8	—

Financial Position

Assets, Liabilities and Net Assets

Total Assets

Total assets as of March 31, 2010 amounted to ¥626.7 billion, an increase of ¥235.4 billion, or 60.2%, from the end of the previous fiscal year. The increase was primarily due to the addition of U.S. subsidiaries, including Sepracor, to the scope of consolidation.

Current assets grew ¥24.0 billion, or 9.1%, from the previous fiscal year end to ¥287.6 billion. Notes and accounts receivable, marketable securities, inventories and other items increased due to the consolidation of Sepracor.

Fixed assets increased ¥211.4 billion, or 165.5%, from the previous fiscal year end to ¥339.2 billion. This was primarily attributable to an increase in intangible assets consisting of patent rights and goodwill associated with the Sepracor acquisition.

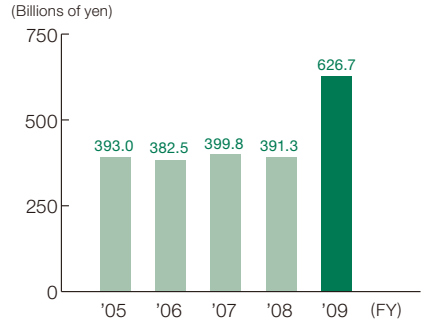
Total Liabilities

Total liabilities at the end of the fiscal year were ¥283.3 billion, up ¥216.5 billion, or 324.0%, from a year earlier, primarily due to funds borrowed for the Sepracor acquisition.

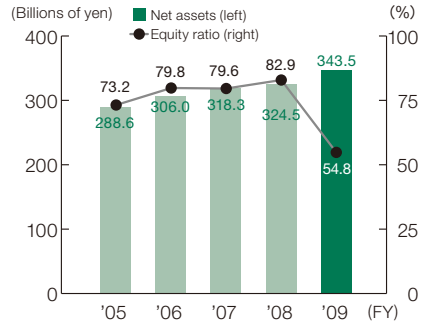
Net Assets

Net assets at the end of the fiscal year were ¥343.5 billion, an increase of ¥19.0 billion, or 5.9%, as a result of growth in retained earnings and increases in valuation, translation adjustments and others.

Total Assets



Net Assets/Equity Ratio



Cash Flows

Cash and Cash Equivalents

The balance of cash and cash equivalents ("cash") as of March 31, 2010 was ¥58.1 billion, up ¥8.7 billion from the end of the previous fiscal year.

Net Cash Provided by Operating Activities

The increase in cash flows from income before income taxes and minority interests, depreciation and amortization, and other items more than offset the decrease in cash flows from a net decrease in payables, income taxes paid and other items. As a result, net cash provided by operating activities was ¥26.7 billion.

Net Cash Used in Investing Activities

Net cash used in investing activities was ¥151.8 billion. The main factor was payment for the acquisition of Sepracor, which outweighed the increase in cash flows due to a net decrease in marketable securities, a net decrease in short-term loans receivable, and other factors.

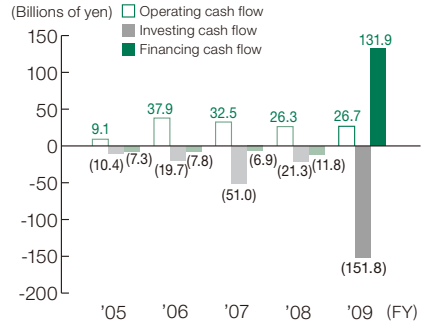
Free Cash Flow

Free cash flow, defined as the total of net cash provided by operating activities and net cash used in investing activities, was negative ¥125.2 billion, compared with positive ¥5.0 billion for the previous fiscal year, due mainly to the acquisition of Sepracor.

Net Cash Provided by Financing Activities

The increase in cash flows from bank loans for the purchase of Sepracor was substantially higher than the payment for redemption of bonds and dividends paid. Consequently, net cash provided by financing activities was ¥131.9 billion.

Cash Flows



Major Cash Flow Indicators

	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
Equity ratio	66.8%	73.2%	79.8%	79.6%	82.9%	54.8%
Equity ratio on fair value basis	85.1%	132.1%	130.8%	90.6%	83.1%	54.3%
Ratio of interest-bearing debt to cash flows	42.1%	52.4%	18.1%	17.5%	8.5%	431.2%
Interest coverage ratio	331.4	328.8	960.4	748.5	648.1	42.7

Dividend Policy and Dividends

The Company views the regular and consistent return of profits to shareholders as one of its most important management policies.

The Company's basic policy is to pay dividends from retained earnings twice a year, first as an interim dividend and second as a year-end dividend. The Board of Directors and the general meeting of shareholders determine the interim and year-end dividends, respectively.

We believe that it is important to allocate profits to our shareholders in a way that accurately reflects our business performance. When determining the amount of dividends to be distributed, we take a comprehensive view that includes consideration for the importance of raising corporate value through aggressive investment in

future growth, solidifying our operating base and enhancing our financial position. We also take into consideration the importance of paying stable dividends.

Based on this policy, the Company paid cash dividends applicable to fiscal 2009 of ¥18.00 per share, consisting of an interim dividend and a year-end dividend of ¥9.00 per share each.

Internal reserves are primarily used for investments in R&D and for capital investments, aimed at improving the efficiency of business activities in Japan and overseas.

Number of Employees

The Group had 7,407 employees as of March 31, 2010, up 2,620 from a year earlier. In the Pharmaceuticals segment, the consolidation of Sepracor and Sumitomo Pharmaceuticals (Suzhou) Co., Ltd. increased the number of employees by 2,567, for a total of 6,838. The number of employees increased by 3 to 309 in the Other Products segment and by 50 to 260 in corporate divisions, including administration department staff.

Outlook for Fiscal 2010

In fiscal 2010, the first year of the second Mid-Term Business Plan, the Group will focus on transforming its earnings structure in Japan and expanding overseas operations, under the slogan “Creation and transformation toward a new stage of globalization”.

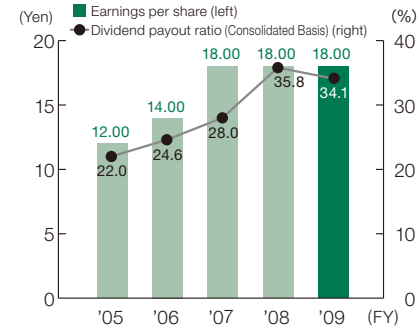
In sales, the Group will work to expand sales of strategic products AVAPRO®, LONASEN® and PRORENAL® and new products including TRERIEF®, MIRIPLA® and METGLUCO®. In addition, overseas sales will expand significantly for the entire period with the contribution of our U.S. subsidiary Sepracor. Therefore, overall sales are projected to increase year-on-year despite the expected decline in sales in Japan due to the National Health Insurance (NHI) drug price revisions implemented in April 2010 and the impact of sales of generics on sales of AMLODIN® and MEROPEN®.

In terms of profit, the Group will pursue ongoing gains in operating efficiency, including continued reduction of expenses. However, profits in the domestic pharmaceutical business are expected to decline due to the significant impact of the NHI drug price revisions. Moreover, in overseas business, despite the contribution of Sepracor’s profits for the full fiscal year, income is projected to decline because accounting standards for business combinations in connection with the acquisition require the Company to incur substantial noncash expenses, including the amortization of patent rights and goodwill.

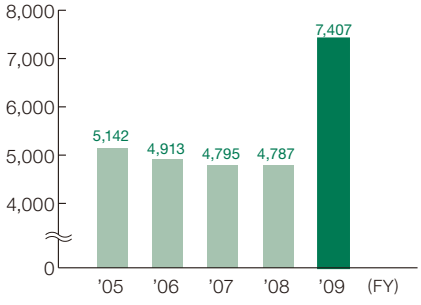
For fiscal 2010, we forecast net sales of ¥359.0 billion, a year-on-year increase of 21.2%, operating income of ¥8.5 billion, a year-on-year decrease of 76.1%, and net income of ¥3.0 billion, a year-on-year decrease of 85.7%. EBITDA is projected to be ¥57.2 billion.

These forecasts reflect management’s judgments based on currently available information. Actual results may differ from these forecasts due to various risks and uncertainties.

Earnings Per Share/Dividend Payout Ratio (Consolidated Basis)



Number of Employees (Consolidated Basis)



Business Risks

Below is a discussion of the most significant risks that could negatively impact the operating results and financial position of the Dainippon Sumitomo Pharma Group. Forward-looking statements in the discussion of risks discussed below reflect the judgment of the Dainippon Sumitomo Pharma Group as of March 31, 2010.

Research and Development of New Products

The Dainippon Sumitomo Pharma Group works to research and develop highly original and globally viable products. The Group strives to maintain an extensive product pipeline and to bring products to market as early as possible. Nevertheless, the Group can envision scenarios in which not all products under development will progress smoothly to eventual sale, as well as instances in which the development of certain products must be halted. Depending on the nature of the product under development, such cases could have a significant and negative impact on the Group's operating results and financial position.

Problems Concerning Adverse Events

The Dainippon Sumitomo Pharma Group conducts rigorous safety testing of its pharmaceutical products at different stages of development, with products receiving approval only after rigorous screening by the regulatory authorities in each country. These efforts notwithstanding, previously unreported adverse events are sometimes discovered only after a drug has already been marketed. The appearance of such unexpected adverse events once a product has been sold could have a significant and negative impact on the Group's operating results and financial position.

Healthcare System Reforms

The precipitous decline in Japan's birthrate and the rapid increase in the country's elderly population are the prime factors causing the financial state of Japan's healthcare insurance system to deteriorate. In this climate, measures aimed at curbing healthcare costs, and how to best reform the country's healthcare system continues to be debated. The direction that any healthcare system reforms might take, including mandated NHI drug price revisions, could ultimately have a significant and negative impact on the Dainippon Sumitomo Pharma Group's operating results and financial position. Outside Japan, pharmaceuticals are also subject to various regulations, and the policies other governments may pursue could have a significant and negative impact on the Group's operating results and financial position.

Risk Relating to the Sale of Products

In the event that sales of pharmaceutical products sold by the Dainippon Sumitomo Pharma Group decrease due to factors including competition with the products of other manufacturers in the same therapeutic area or the launch of generic products following the expiration of a patent period or otherwise, such decreases could be significant and have a negative impact on the Group's operating results and financial position.

Intellectual Property

The Dainippon Sumitomo Pharma Group utilizes a wide range of intellectual property during the course of its R&D activities, including both property owned by the Group and property that the Group lawfully uses with the authorization of the property's owner. Nevertheless, the Group recognizes the possibility, no matter how slight, that some use might be deemed an infringement of a third party's intellectual property rights. Consequently, legal disputes pertaining to intellectual property rights could arise and have a significant and negative impact on the Group's operating results and financial position.

Termination of Partnerships

The Dainippon Sumitomo Pharma Group enters into a variety of partnerships with other companies for the sale of purchased goods, the establishment of joint ventures, co-promotion, and the licensing in and out of products under development, as well as for collaborative research and other purposes. The termination, for whatever reason, of such partnerships could have a significant and negative impact on the Group's operating results and financial position.

Prerequisites for Primary Business Activities

The Dainippon Sumitomo Pharma Group's core business is the ethical pharmaceutical products business. Accordingly, the Group obtains licenses and other certifications, including Type 1 and Type 2 Pharmaceuticals Manufacturing and Sales Business licenses (both valid for five years), to engage in R&D and the manufacture and sale of drugs pursuant to Japan's Pharmaceutical Affairs Law and other laws and regulations related to pharmaceuticals. In addition, in conducting its ethical pharmaceutical business outside Japan, the Company is subject to pharmaceutical-related laws and other regulations in the countries in which it operates, and obtains licenses and other certifications as necessary.

Maintaining the validity of these licenses and other certifications requires that the Company properly carry out the procedures stipulated by the applicable laws and regulations. These laws and regulations also stipulate that these licenses and certifications may be revoked and/or that the Company may be ordered to suspend part or all of its operations for a fixed period of time or be subject to other measures in the event that the Company violates these laws and regulations. The Group currently has no knowledge of any facts that would warrant the revocation or suspension of any of its licenses or other certifications. However, a revocation or suspension of any of the Company's licenses or other certifications could have a significant and negative impact on the Group's operating results and financial position.

Litigation Risk

The Dainippon Sumitomo Pharma Group is exposed to the possibility of lawsuits in connection with adverse effects of pharmaceuticals, product liability, labor issues, fair trade or other issues related to its business activities. The outcome of such lawsuits could have a significant and negative impact on the Group's operating results and financial position.

Closure or Shutdown of Factories

In the event that the Dainippon Sumitomo Pharma Group's factories are forced to close or shut down due to technical problems, interruption in the supply of raw materials, fire, earthquake or any other disaster, the resulting delay or suspension of the supply of products could have a significant and negative impact on the Group's operating results and financial position.

Effect of Financial Market Conditions and Changes in Exchange Rates

Losses on devaluation or sale of stocks due to a downturn in stock markets, an increase in interest payments on loans and other debt due to changes in interest rates, or an increase in retirement benefit obligations due to deteriorating conditions in financial markets could have a significant and negative impact on the Dainippon Sumitomo Pharma Group's operating results and financial position. Fluctuations in exchange rates could also have a significant impact on the translation into yen of import and export transactions, the results of consolidated subsidiaries, or other foreign currency amounts.

Effect of Impairment of Assets

The Dainippon Sumitomo Pharma Group owns various tangible and intangible fixed assets, including assets used in business operations and goodwill. In the future, the need to recognize impairment of these assets may arise because of a sharp decline in business results, a drop in asset value, or other events. The recognition of such impairment could have a significant and negative impact on the Group's operating results and financial position.

Transactions with the Parent Company

The Company and its parent company, Sumitomo Chemical Co., Ltd., have concluded agreements for the leasing of land for the Osaka Research Laboratories, Ehime Plant and Oita Plant, as well as for the purchase of raw materials used in the production of active pharmaceutical ingredients at these sites and other locations. These agreements involve prices that are determined based on discussions between the two parties with reference to general market prices. These agreements are customarily renewed every year. The Company also accepts employees on loan from the parent company. Furthermore, during the year the Company also made short-term loans to its parent company to raise capital efficiency. The Company's policy is to continue these transactions and other ties with the parent company. However, changes in these agreements, including changes in the transaction terms specified therein, could have a significant and negative impact on the Group's operating results and financial position.

Risks Related to the Acquisition of Sepracor

The acquisition of Sepracor, a U.S. pharmaceutical company, has played an important part in the Dainippon Sumitomo Pharma Group's business expansion in North America. However, changes in the operating environment, competition or other conditions that result in the Group's inability to achieve its business plans could have a significant impact on the Group's operating results and financial position.

The Dainippon Sumitomo Pharma Group also faces risks other than those discussed above.

Consolidated Balance Sheets

Dainippon Sumitomo Pharma Co., Ltd. and Consolidated Subsidiaries
March 31, 2010 and 2009

ASSETS	Millions of yen 2010	2009	Thousands of U.S. dollars (Note 1) 2010
CURRENT ASSETS:			
Cash and time deposits (Note 3)	**¥ 13,823**	¥ 21,990	**$ 148,634**
Marketable securities (Notes 3 and 6)	**51,185**	34,501	**550,376**
Receivables:			
Trade notes	**2,791**	2,844	**30,011**
Trade accounts	**92,953**	77,585	**999,495**
Due from parent company, unconsolidated subsidiaries and affiliates (Note 13)	**25,118**	50,415	**270,086**
Allowance for doubtful receivables	**(173)**	(395)	**(1,860)**
Total	**120,689**	130,449	**1,297,732**
Inventories (Note 4)	**65,230**	54,510	**701,398**
Deferred tax assets (Note 9)	**32,447**	17,130	**348,892**
Other current assets	**4,181**	4,960	**44,957**
Total current assets	**287,555**	263,540	**3,091,989**
PROPERTY, PLANT AND EQUIPMENT:			
Land	**10,332**	9,976	**111,097**
Buildings and structures	**89,108**	83,820	**958,151**
Machinery and equipment	**101,193**	95,025	**1,088,097**
Construction in progress	**2,691**	4,025	**28,935**
Total	**203,324**	192,846	**2,186,280**
Accumulated depreciation	**(129,240)**	(123,741)	**(1,389,678)**
Net property, plant and equipment	**74,084**	69,105	**796,602**
INVESTMENTS AND OTHER ASSETS:			
Investment in unconsolidated subsidiaries and affiliates	**3,752**	4,190	**40,344**
Investment securities (Note 6)	**51,137**	33,141	**549,860**
Intangible assets (Note 15)	**199,483**	6,408	**2,144,978**
Deferred tax assets (Note 9)	**2,389**	3,744	**25,688**
Other assets (Note 10)	**8,343**	11,167	**89,711**
Total investments and other assets	**265,104**	58,650	**2,850,581**
TOTAL	**¥ 626,743**	¥ 391,295	**$ 6,739,172**

See Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of yen 2010	2009	Thousands of U.S. dollars (Note 1) 2010
CURRENT LIABILITIES:			
Short-term bank loans (Note 8)	**¥165,800**	¥ 600	**$1,782,796**
Payables:			
Trade notes	**176**	122	**1,892**
Trade accounts (Notes 5 and 7)	**44,682**	27,076	**480,452**
Due to parent company, unconsolidated subsidiaries and affiliates (Note 13)	**2,682**	5,930	**28,839**
Total	**47,540**	33,128	**511,183**
Income taxes payable	**8,571**	6,299	**92,161**
Accrued expenses	**33,294**	9,310	**358,000**
Other current liabilities	**9,795**	4,013	**105,322**
Total current liabilities	**265,000**	53,350	**2,849,462**
LONG-TERM LIABILITIES:			
Liability for retirement benefits (Note 10)	**9,848**	9,296	**105,892**
Other liabilities (Notes 8 and 9)	**8,412**	4,153	**90,452**
Total long-term liabilities	**18,260**	13,449	**196,344**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 14 and 17)**:**			
NET ASSETS:			
Shareholders' equity (Note 11)			
Common stock: authorized —1,500,000,000 shares in 2010 and 2009; issued —397,900,154 shares in 2010 and 2009	**22,400**	22,400	**240,860**
Capital surplus	**15,860**	15,860	**170,538**
Retained earnings	**294,702**	281,629	**3,168,839**
Treasury stock, at cost, 584,644 shares in 2010 and 580,814 shares in 2009	**(647)**	(643)	**(6,957)**
Total	**332,315**	319,246	**3,573,280**
Valuation, translation adjustments and others			
Unrealized gains on available-for-sale securities, net of tax	**7,945**	5,162	**85,430**
Foreign currency translation adjustment	**3,223**	—	**34,656**
Total	**11,168**	5,162	**120,086**
Minority interests	**—**	88	**—**
Total net assets	**343,483**	324,496	**3,693,366**
TOTAL	**¥626,743**	¥391,295	**$6,739,172**

Consolidated Statements of Income

Dainippon Sumitomo Pharma Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
NET SALES (Notes 12 and 13)	**¥296,262**	¥264,037	**$3,185,613**
COST OF SALES (Notes 12 and 13)	**112,263**	103,741	**1,207,129**
Gross profit	**183,999**	160,296	**1,978,484**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	**148,374**	129,130	**1,595,420**
Operating income	**35,625**	31,166	**383,065**
OTHER INCOME (EXPENSES):			
Interest and dividend income (Note 13)	**1,228**	1,711	**13,204**
Interest expense	**(1,017)**	(94)	**(10,935)**
Reversal of reserve for loss on litigation	**—**	1,054	**—**
Compensation for revision of personnel system	**(1,570)**	—	**(16,882)**
Loss on valuation of investment securities (Note 6)	**(843)**	(281)	**(9,065)**
Other — net	**(2,000)**	(1,388)	**(21,505)**
Other income (expenses) — net	**(4,202)**	1,002	**(45,183)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**31,423**	32,168	**337,882**
INCOME TAXES (Note 9)**:**			
Current	**13,999**	14,091	**150,526**
Deferred	**(3,541)**	(1,922)	**(38,074)**
Total income taxes	**10,458**	12,169	**112,452**
MINORITY INTERESTS IN NET INCOME	**7**	11	**75**
NET INCOME	**¥ 20,958**	¥ 19,988	**$ 225,355**

	Yen		U.S. dollars (Note 1)
PER SHARE OF COMMON STOCK:			
Basic net income	**¥52.75**	¥50.30	**$0.57**
Cash dividends applicable to the year	**18.00**	18.00	**0.19**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

Dainippon Sumitomo Pharma Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2009

	Thousands of shares		Millions of yen									
			Shareholders' equity					Valuation, translation adjustments and others				
	Issued number of shares of common stock	Number of treasury stocks	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains on available-for-sale securities	Foreign currency translation adjustments	Total valuation, translation adjustments and others	Minority interests	Total net assets
BALANCE, MARCH 31, 2008	397,900	(473)	¥22,400	¥15,860	¥268,800	¥(557)	¥306,503	¥11,691	¥ —	¥11,691	¥ 84	¥318,278
Cash dividends, ¥18.00 per share					(7,153)		(7,153)					(7,153)
Net income					19,988		19,988					19,988
Purchases of treasury stock		(128)				(109)	(109)					(109)
Sales of treasury stock		20			(6)	23	17					17
Net change in items other than shareholders' equity								(6,529)		(6,529)	4	(6,525)
BALANCE, MARCH 31, 2009	397,900	(581)	22,400	15,860	281,629	(643)	319,246	5,162	—	5,162	88	324,496
Cash dividends, ¥18.00 per share					**(7,152)**		**(7,152)**					**(7,152)**
Net income					**20,958**		**20,958**					**20,958**
Purchases of treasury stock		**(4)**				**(4)**	**(4)**					**(4)**
Sales of treasury stock		**0**			**(0)**	**0**	**0**					**0**
Change in scope of consolidation					**(733)**		**(733)**					**(733)**
Net change in items other than shareholders' equity								**2,783**	**3,223**	**6,006**	**(88)**	**5,918**
BALANCE, MARCH 31, 2010	**397,900**	**(585)**	**¥22,400**	**¥15,860**	**¥294,702**	**¥(647)**	**¥332,315**	**¥7,945**	**¥3,223**	**¥11,168**	**¥ —**	**¥343,483**

	Thousands of U.S. dollars (Note 1)									
	Shareholders' equity					Valuation, translation adjustments and others				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains on available-for-sale securities	Foreign currency translation adjustments	Total valuation, translation adjustments and others	Minority interests	Total net assets
BALANCE, MARCH 31, 2009	$240,860	$170,538	$3,028,269	$(6,914)	$3,432,753	$55,505	$ —	$ 55,505	$ 946	$3,489,204
Cash dividends, U.S.$ 0.19 per share			**(76,903)**		**(76,903)**					**(76,903)**
Net income			**225,355**		**225,355**					**225,355**
Purchases of treasury stock				**(43)**	**(43)**					**(43)**
Sales of treasury stock			**(0)**	**0**	**0**					**0**
Change in scope of consolidation			**(7,882)**		**(7,882)**					**(7,882)**
Net change in items other than shareholders' equity						**29,925**	**34,656**	**64,581**	**(946)**	**63,635**
BALANCE, MARCH 31, 2010	**$240,860**	**$170,538**	**$3,168,839**	**$(6,957)**	**$3,573,280**	**$85,430**	**$34,656**	**$120,086**	**$ —**	**$3,693,366**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Dainippon Sumitomo Pharma Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 31,423**	¥ 32,168	**$ 337,882**
Adjustments for:			
Depreciation and amortization	**17,783**	11,455	**191,215**
Amortization of goodwill	**867**	—	**9,323**
Provision for liability for retirement benefits, less payments	**1,527**	323	**16,419**
Interest and dividend income	**(1,228)**	(1,711)	**(13,204)**
Interest expense	**1,017**	94	**10,935**
Reversal of reserve for loss on litigation	**—**	(1,054)	**—**
Loss on valuation of investment securities	**843**	281	**9,065**
Changes in assets and liabilities:			
Decrease in receivables	**988**	6,488	**10,624**
Decrease (increase) in inventories	**2,872**	(5,987)	**30,882**
Increase (decrease) in payables	**(16,781)**	2,257	**(180,441)**
Other—net	**(1,399)**	(972)	**(15,042)**
Subtotal	**37,912**	43,342	**407,658**
Interest and dividend received	**1,462**	1,617	**15,720**
Interest paid	**(921)**	(69)	**(9,903)**
Income taxes paid	**(11,771)**	(18,595)	**(126,570)**
Net cash provided by operating activities	**26,682**	26,295	**286,905**
INVESTING ACTIVITIES:			
Net decrease in time deposits	**5,000**	11,000	**53,763**
Purchases of property, plant and equipment	**(5,241)**	(13,626)	**(56,355)**
Purchases of intangible assets	**(889)**	(3,211)	**(9,559)**
Net decrease in marketable securities	**24,803**	498	**266,699**
Proceeds from sales of investment securities	**1**	33	**11**
Purchases of investment securities	**(1,078)**	(3,956)	**(11,591)**
Proceeds from redemption of investment securities	**2,007**	—	**21,581**
Purchase of investments in subsidiaries	**(88)**	(3)	**(946)**
Payments for investments in capital of subsidiaries	**0**	(2,009)	**0**
Net decrease (increase) in short-term loans receivable	**25,000**	(10,000)	**268,817**
Purchase of investments in subsidiaries resulting in change in scope of consolidation	**(200,649)**	—	**(2,157,516)**
Other—net	**(705)**	7	**(7,581)**
Net cash used in investing activities	**(151,839)**	(21,267)	**(1,632,677)**
FINANCING ACTIVITIES:			
Net decrease in short-term bank loans	**164,900**	—	**1,773,118**
Redemption of bonds	**(25,795)**	—	**(277,366)**
Repayment of long-term debt	**—**	(4,600)	**—**
Increase in treasury stock	**(3)**	(92)	**(32)**
Dividends paid	**(7,150)**	(7,151)	**(76,882)**
Dividends paid to minority interests	**(1)**	(1)	**(11)**
Other—net	**(21)**	—	**(225)**
Net cash provided by (used in) financing activities	**131,930**	(11,844)	**1,418,602**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**430**	38	**4,624**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**7,203**	(6,778)	**77,454**
INCREASE IN CASH AND CASH EQUIVALENTS RELATED TO CHANGE IN SCOPE OF CONSOLIDATION	**1,455**	—	**15,645**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**49,482**	56,260	**532,064**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 58,140**	¥ 49,482	**$ 625,163**

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Dainippon Sumitomo Pharma Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2009

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of consolidated subsidiaries in U.S. are prepared in accordance with U.S. generally accepted accounting principles, with adjustments for the specified six items as applicable according to Practical Issues Task Force No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements."

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Dainippon Sumitomo Pharma Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been translated at the rate of ¥93 to U.S.$1.00, the approximate rate of exchange at March 31, 2010. These translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

The Company and its consolidated subsidiaries (together, the "Group") have made certain reclassifications in the 2009 consolidated financial statements to conform to the classifications applied in 2010. These reclassifications have had no effect on the previously reported net income or retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements include the accounts of the Company and its 13 significant subsidiaries. Sumitomo Pharmaceuticals (Suzhou) Co., Ltd., has been included in the scope of consolidation as its importance has increased. In addition, as a result of the acquisition of Sepracor Inc., its 7 subsidiaries and the 2 U.S. subsidiaries that were previously nonconsolidated are newly consolidated.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in the unconsolidated subsidiaries and affiliates are stated at cost, except for an affiliate company which is stated with the fair value option of U.S. GAAP. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not have been material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group has been eliminated.

There are 11 consolidated overseas subsidiaries. The fiscal year ends of all of the 11 companies are December 31. The Company uses the consolidated subsidiaries' financial statements as of December 31 to prepare the consolidated financial statements. For significant transactions which have occurred during the period between December 31 and March 31, necessary adjustments have been made to the consolidated financial statements.

b. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and have no significant risk of change in value. Cash equivalents include time deposits, certificate of deposits, commercial paper and bond funds, all of which mature within three months of the date of acquisition.

c. Marketable and Investment Securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost, and ii) available-for-sale securities, which are not classified as either trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses net of applicable taxes reported in a separate component of net assets. Non marketable available-for-sale securities are stated at cost, determined by the moving average method. If the fair value of investment securities declines to below cost and the decline is material and other than temporary, the carrying value is reduced to net realizable value by a charge to income.

d. Inventories

Prior to April 1, 2008, inventories of the Group were stated at cost determined by the weighted-average method. Effective April 1, 2008, the Group adopted a new accounting standard for measurement of inventories and stated the inventories at the lower of weighted-average cost or net realizable value. Certain overseas consolidated subsidiaries use the FIFO (first-in, first-out) costing method. Book values have been calculated using the lower of cost or net realizable value.

e. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of buildings is computed by the straight-line method over the estimated useful life of the asset. Depreciation of machinery and equipment is computed by the declining balance method over the estimated useful life of the asset. At the overseas consolidated subsidiaries, depreciation of all tangible fixed assets is computed by the straight-line method. Ranges of useful lives used in the computation of depreciation are as follows:

Buildings and structures:	3–60 years
Machinery and equipment:	2–17 years

f. Intangible Assets

Intangible assets are stated at cost less accumulated amortization, which is computed by the straight-line method. Ranges of useful lives used in the computation of depreciation are as follows:

Patent rights:	1 to 10 years

g. Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets of the business acquired and is amortized using the straight-line method over 20 years.

h. Leases

Finance leases are to be capitalized, except for finance leases that commenced prior to April 1, 2008 and do not transfer the ownership of the leased property to the lessee.

Capitalized finance leases are depreciated by the straight-line method in which the lease period is taken as the useful life and the residual value is zero.

i. Long-Lived Assets

Long-lived assets presented as property, plant and equipment and intangible assets on the consolidated balance sheets are carried at cost less depreciation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss is measured as the result from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. Retirement and Severance Benefits

Upon retirement or termination of employment, employees are normally entitled to lump-sum and/or annuity payments based on their rate of payment at the time of retirement or termination and length of service.

The Group has a lump-sum plan, a defined benefit pension plan and a defined contribution plan for employees. The liability for retirement benefit is provided based on projected benefit obligations and the fair value of plan assets at the balance sheet date.

The liability for retirement benefits for directors and corporate auditors in certain consolidated subsidiaries are recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at the balance sheet date. The liability for retirement benefits includes retirement benefits for directors and corporate auditors in the consolidated subsidiaries.

The Company terminated its retirement benefit plan for directors and corporate auditors on June 29, 2005. The benefits granted prior to the termination date are included in current liabilities.

k. Research and Development Costs

Research and development costs are charged to income as incurred. Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2010 and 2009 were ¥51,371 million ($552,376 thousand) and ¥52,819 million, respectively.

l. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred tax assets and liabilities are measured by using currently enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

m. Foreign Currency Items

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statements of income.

Financial statements of overseas subsidiaries are translated into Japanese yen at year-end rate for all assets and liabilities and at weighted average rates for income and expense accounts. Differences arising from such translations are shown as “Foreign currency translation adjustments” in a component of net assets.

n. Derivative Financial Instruments

Foreign exchange contracts are utilized to hedge the exposure risk arising from fluctuations in foreign exchange rates. Derivative instruments are stated at fair value and accounted for using deferred hedge accounting. Recognition of gain or loss resulting from a change in fair value of a derivative financial instrument is deferred until the related loss or gain on the hedged item is recognized if the derivative financial instrument is used as a hedge and meets certain hedging criteria. Foreign exchange contracts that meet certain hedging criteria are accounted for under the allocation method. The allocation method requires recognized foreign currency receivables and payables to be translated using the corresponding foreign exchange contract rates. The Group has established a hedging policy which includes policies and procedures for risk assessment and for the approval, reporting and monitoring of derivatives transactions. The Group does not hold or issue derivative financial instruments for speculative trading purposes.

The Group is exposed to certain market risk arising from its forward foreign exchange contracts. The Group is also exposed to the risk of credit loss in the event of nonperformance by the counterparties to its currency contracts. However, the Group does not anticipate nonperformance by any of these counterparties as all are financial institutions with high credit ratings.

o. Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period, retroactively adjusted for stock splits. The number of shares used in the calculation of net income per share was 397,317 thousand and 397,363 thousand for the years ended March 31, 2010 and 2009, respectively.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

p. Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in Japan requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

q. Accounting Changes

Application of accounting standards for business combination

The "Accounting Standards for Business Combination" (Accounting Standards Board of Japan Statement No. 21, dated December 26, 2008), the "Accounting Standards for Consolidated Financial Statements" (Accounting Standards Board of Japan Statement No. 22, dated December 26, 2008), the "Partial Amendment of the Accounting Standards for Research & Development Expenses, etc." (Accounting Standards Board of Japan Statement No. 23, dated December 26, 2008), the "Accounting Standards for Business Divestiture, etc." (Accounting Standards Board of Japan Statement No. 7, dated December 26, 2008), the "Accounting Standards for the Equity Method" (Accounting Standards Board of Japan Statement No. 16, promulgated on December 26, 2008), and the "Accounting Standards for Business Combination and the Implementation Guidance for the Accounting Standards for Business Divestiture, etc." (Implementation Guidance No. 10 of Accounting Standards Board of Japan Statement, dated December 26, 2008), have all become applicable to business combinations, business divestitures, etc., implemented in the consolidated fiscal year commencing on or after April 1, 2009. Accordingly, these accounting standards have been adopted from the present consolidated fiscal year.

r. Additional Information

Effective from the year ended March 31, 2010, the Company adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10, revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, revised on March 10, 2008). Information on financial instruments for the year ended March 31, 2010 required pursuant to the revised accounting standards is set forth in note 5.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31, 2010 and 2009 for purposes of the consolidated statements of cash flows consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Cash and time deposits	**¥13,823**	¥21,990	**$148,634**
Time deposits with maturities over three months	**—**	(2,000)	**—**
Marketable securities with maturities of three months or less when purchased	**44,317**	29,492	**476,529**
Cash and cash equivalents	**¥58,140**	¥49,482	**$625,163**

4. INVENTORIES

Inventories at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Finished goods and semi-finished goods	**¥46,708**	¥39,674	**$502,237**
Work–in-process	**3,348**	2,934	**36,000**
Raw materials and supplies	**15,174**	11,902	**163,161**
Total	**¥65,230**	¥54,510	**$701,398**

5. FINANCIAL INSTRUMENTS

1) *Policies for using financial instruments*

The Group procures funds that are required for investments plan and other purposes in order to carry out business inside and outside Japan. Temporary surplus funds are invested only in safe financial instruments for which there is a low probability of loss of invested capital. Derivative transactions are used only to avoid risk as described below, and speculative transactions are not undertaken.

2) *Details of financial instruments and risks, policies and systems for risk management*

In order to reduce the credit risks of notes and accounts receivable associated with customers, due dates and amounts outstanding are managed for each customer in accordance with the standards pertaining to the management of loans as determined by each Group company. In addition, a system to regularly obtain and review the credit standing of major clients has been adopted.

Marketable securities and investment securities consist primarily of bonds held to maturity and stocks. These investments are exposed to risks associated with changes in market prices. The market values of the securities and the financial standing of the issuers of these investments are regularly monitored. The shareholding status is also reviewed continuously, and relationships with the client companies are taken into account. In addition, bonds held to maturity consist of only highly rated bonds, pursuant to the Group regulations for the management of funds to minimize credit risks.

Payables such as notes and trade accounts payable are all due within one year. As some of these payables consist of notes and accounts payable that are denominated in foreign currencies and generated through import of raw materials, they are also exposed to the risk of fluctuations in exchange rates. When significant, these risks are hedged using foreign exchange forward contracts.

Almost all income taxes payable are due within two months.

Derivative financial instruments of the Group include forward exchange contracts for the purpose of hedging risks of fluctuations in exchange rates of receivables and payables denominated in foreign currencies. With respect to forward exchange contracts, the Finance & Accounting Division formulates an implementation plan for hedging foreign currency risks every half year pursuant to the regulations for management of foreign currency risks and, upon reporting to the Board of Directors, executes transactions, and posts the applicable entries. The results of derivative transactions are also reported to the Board of Directors. See “Derivative Financial Instruments” as stated in the above “Summary of Significant Accounting Policies” for information on hedging instruments, hedged items, hedging policy, and the method by which the effectiveness of hedging is evaluated, as they relate to hedge accounting.

While loans payable and accounts payable–other are exposed to liquidity risks, the risks are managed within the Group by producing cash flow plans on a monthly basis.

3) *Supplemental information on market values*

In addition to value based on quoted market prices, the market value of financial instruments includes fair value which is determined by using valuation techniques. Since certain assumptions are considered in the calculation of such amounts, the adoption of different assumptions may cause prices to vary.

Book values and market values of the financial instruments on the consolidated balance sheet at March 31, 2010 are as follows:

	Millions of yen		
	Book values	Market values	Difference
(1) Cash and time deposits	¥ 13,823	¥ 13,823	¥ —
(2) Trade notes	2,791	2,791	—
(3) Trade accounts	92,953	92,953	—
(4) Due from parent company, unconsolidated subsidiaries and affiliates	25,118	25,118	—
(5) Marketable and investment securities	99,993	100,016	23
(6) Investment in unconsolidated subsidiaries and affiliates	1,262	1,262	—
Total assets	¥235,940	¥235,963	¥23
(1) Short-term bank loans	165,800	165,800	—
(2) Trade notes	176	176	—
(3) Trade accounts	44,682	44,682	—
(4) Due to parent company, unconsolidated subsidiaries and affiliates	2,682	2,682	—
(5) Income taxes payable	8,571	8,571	—
Total liabilities	¥221,911	¥221,911	¥ —
Derivative transactions	¥ —	¥ —	¥ —

	Thousands of U.S. dollars		
	Book values	Market values	Difference
(1) Cash and time deposits	$ 148,634	$ 148,634	$ —
(2) Trade notes	30,011	30,011	—
(3) Trade accounts	999,495	999,495	—
(4) Due from parent company, unconsolidated subsidiaries and affiliates	270,086	270,086	—
(5) Marketable and investment securities	1,075,194	1,075,441	247
(6) Investment in unconsolidated subsidiaries and affiliates	13,570	13,570	—
Total assets	$2,536,990	$2,537,237	$247
(1) Short-term bank loans	1,782,796	1,782,796	—
(2) Trade notes	1,892	1,892	—
(3) Trade accounts	480,452	480,452	—
(4) Due to parent company, unconsolidated subsidiaries and affiliates	28,839	28,839	—
(5) Income taxes payable	92,161	92,161	—
Total liabilities	$2,386,140	$2,386,140	$ —
Derivative transactions	$ —	$ —	$ —

Note 1: Basis of determining fair value of financial instruments, and matters pertaining to securities and derivative transactions

Assets

(1) Cash and time deposits

As all time deposits are short-term deposits, fair value is approximately equal to book value and is calculated according to the applicable book value.

(2) Trade notes, (3) Trade accounts, (4) Due from parent company, unconsolidated subsidiaries and affiliates

As these assets are settled on a short-term basis, fair value is approximately equal to book value and is calculated according to the applicable book value.

(5) Marketable and investment securities

The fair value of these assets is calculated according to the quoted market price for shares and the price indicated by the applicable financial trading institution for bonds. As negotiable certificates of deposit are settled on a short-term basis, fair value is approximately equal to book value and is calculated according to the applicable book value. See the notes on "Marketable and investment securities" for notes pertaining to securities according to the purpose for which they are held.

Liabilities

(1) Short-term bank loans, (2) Trade notes, (3) Trade accounts, (4) Due to parent company, unconsolidated subsidiaries and affiliates, (5) Income taxes payable

As these liabilities are settled on a short-term basis, fair value is approximately equal to book value and is calculated according to the applicable book value.

Derivative transactions

See notes on "Derivative transactions."

Note 2: Financial instruments for which the ascertainment of a fair value is deemed to be exceedingly difficult and are not included in "(5) Marketable and investment securities, (6) Investment in unconsolidated subsidiaries and affiliates" are as follows:

	Amount on consolidated balance sheet	
	Millions of yen	Thousands of U.S. dollars
Unlisted shares	¥ 434	¥ 4,667
Investment in unconsolidated subsidiaries and affiliates	2,490	26,773
Investment in limited partnership	1,895	20,376

The fair value of unlisted shares and investment in unconsolidated subsidiaries and affiliates is not disclosed given the unavailability of quoted market prices because they are deemed to be exceedingly difficult to ascertain.

The fair value of investment in limited partnerships is not disclosed as their assets consist of those deemed to be exceedingly difficult to ascertain, such as unlisted shares.

Note 3: Scheduled redemption amounts after the consolidated balance sheet date for monetary claims and securities with period of maturity

	Millions of yen			
	Within 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
Cash and time deposits	¥ 13,823	¥ —	¥—	¥ —
Trade notes	2,791	—	—	—
Trade accounts	92,953	—	—	—
Due from parent company, unconsolidated subsidiaries and affiliates	25,118	—	—	—
Marketable and investment securities:				
Bonds held to maturity (corporate bonds)	2,003	2,991	—	—
Available-for-sale securities with maturities (negotiable certificates of deposit)	28,000	—	—	—
Available-for-sale securities with maturities (bonds)	5,326	10,918	—	6,600
Total	¥170,014	¥13,909	¥—	¥6,600

	Thousands of U.S. dollars			
	Within 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
Cash and time deposits	$ 148,634	$ —	$—	$ —
Trade notes	30,011	—	—	—
Trade accounts	999,495	—	—	—
Due from parent company, unconsolidated subsidiaries and affiliates	270,086	—	—	—
Marketable and investment securities:				
Bonds held to maturity (corporate bonds)	21,538	32,161	—	—
Available-for-sale securities with maturities (negotiable certificates of deposit)	301,075	—	—	—
Available-for-sale securities with maturities (bonds)	57,269	117,398	—	70,968
Total	$1,828,108	$149,559	$—	$70,968

6. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Current:			
Government/local government bonds	**¥ 575**	¥ 1,011	**$ 6,183**
Corporate bonds	**6,754**	5,000	**72,623**
Commercial paper	**—**	2,990	**—**
Negotiable certificates of deposit	**28,000**	25,500	**301,075**
MMF	**15,856**	—	**170,495**
Total	**¥51,185**	¥34,501	**$550,376**
Noncurrent:			
Equity securities	**¥28,300**	¥24,930	**$304,301**
Government and corporate bonds	**13,908**	6,992	**149,548**
Trust fund investments and other	**8,929**	1,219	**96,011**
Total	**¥51,137**	¥33,141	**$549,860**

The carrying amount and aggregate fair value of marketable and investment securities at March 31, 2010 and 2009 were as follows:

	Millions of yen			
	2010			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥14,965**	**¥13,605**	**¥(270)**	**¥28,300**
Bonds and debentures	**16,260**	**13**	**(29)**	**16,244**
Other securities	**6,541**	**59**	**—**	**6,600**
Held-to-maturity	**4,994**	**26**	**(4)**	**5,016**

	Millions of yen			
	2009			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥15,044	¥9,853	¥(821)	¥24,076
Held-to-maturity	13,003	24	(239)	12,788

	Thousands of U.S. dollars			
	2010			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	**$160,914**	**$146,290**	**$(2,903)**	**$304,301**
Bonds and debentures	**174,839**	**140**	**(312)**	**174,667**
Other securities	**70,333**	**635**	**—**	**70,968**
Held-to-maturity	**53,699**	**279**	**(43)**	**53,935**

The Company recognized ¥843 million ($9,065 thousand) and ¥281 million as impairment loss on equity securities in available-for-sale securities with determinable market value in the years ended at March 31, 2010 and 2009, respectively.

Proceeds from sales of available-for-sale securities were ¥19,882 million ($213,785 thousand) and ¥1 million for the years ended March 31, 2010 and 2009, respectively. On those sales, gross realized gains and losses computed on a moving average cost basis were ¥2 million ($22 thousand) and ¥0 million ($0 thousand), respectively, for the year ended March 31, 2010, and ¥0 million and ¥0 million, respectively, for the year ended March 31, 2009.

At March 31, 2010, investment securities of ¥62 million ($667 thousand) were pledged as collateral for accounts payable of ¥219 million ($2,355 thousand). At March 31, 2009, investment securities of ¥34 million were pledged as collateral for accounts payable of ¥218 million.

7. DERIVATIVE TRANSACTIONS

Derivative transactions as of March 31, 2010 were as follows:

Currency related

Hedge accounting method	Transaction type	Main hedged items	Contract amount	Portion over 1 year	Market value
			Millions of yen		
Appropriation of forward exchange contracts	Forward exchange contracts				
	Buy contracts	Trade			
	USD	accounts/payable	172	—	(*)
	EUR		22	—	(*)

* As forward exchange contracts subject to appropriation are processed in an integrated manner together with the hedged trade accounts/payable, the fair value of the forward exchange contact is included in the fair value of the applicable trade accounts/payable items and stated accordingly.

8. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans consisted of unsecured loans from banks bearing interest at a rate of 0.93% at March 31, 2010 and at a rate of 1.65% at March 31, 2009. Other liabilities include deposits received from customers in the amount of ¥3,259 million ($35,043 thousand) as of March 31, 2010, bearing interest at a rate of 0.35%, and ¥3,224 million as of March 31, 2009, bearing interest at a rate of 1.98%, respectively.

The annual average interest rate applicable to short-term bank loans at March 31, 2010 was 0.93%.

9. INCOME TAXES

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.6% for the years ended March 31, 2010 and 2009.

Significant components of deferred tax assets and liabilities as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Deferred tax assets:			
Liability for retirement benefits	**¥ 3,016**	¥ 2,605	**$ 32,430**
Accrued enterprise taxes	**799**	588	**8,591**
Accrued bonuses to employees	**2,967**	3,302	**31,903**
Reserve for sales rebates	**5,932**	168	**63,785**
Loss on devaluation of investment securities	**1,265**	949	**13,602**
Research and development costs	**13,143**	9,822	**141,323**
Inventories	**2,638**	2,320	**28,366**
Net operating loss carried forward	**22,110**	—	**237,742**
Amortization of intangible assets	**13,140**	—	**141,290**
Tax credit for R&D expenses of overseas subsidiaries	**9,513**	—	**102,290**
Other	**12,183**	6,833	**131,001**
Gross deferred tax assets	**86,706**	26,587	**932,323**
Valuation allowance	**(5,191)**	(1,785)	**(55,818)**
Total deferred tax assets	**81,515**	24,802	**876,505**
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	**(5,044)**	(3,219)	**(54,237)**
Deferred gain on sales of fixed assets	**(663)**	(694)	**(7,129)**
Tax effect of intangible assets related to business combination	**(40,633)**	—	**(436,914)**
Other	**(1,092)**	(15)	**(11,472)**
Total deferred tax liabilities	**(47,432)**	(3,928)	**(510,022)**
Net deferred tax assets	**¥ 34,083**	¥20,874	**$ 366,483**

A reconciliation between the normal statutory tax rates and the effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2010 and 2009 was as follows:

	2010	2009
Normal statutory tax rate	**40.6%**	40.6%
Increase (decrease) in taxes due to:		
Expenses not deductible for tax purposes	**4.9**	5.4
Nontaxable dividend income	**(0.4)**	(0.6)
Tax credits for research and development costs	**(11.7)**	(7.1)
Amortization of goodwill	**1.1**	—
Change in valuation allowance	**(1.5)**	—
Other	**(0.3)**	(0.5)
Effective tax rate	**33.3%**	37.8%

10. RETIREMENT AND SEVERANCE BENEFITS

The liability (asset) for employees' retirement benefits at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Projected benefit obligation	**¥ 81,791**	¥ 81,589	**$ 879,473**
Fair value of plan assets	**(66,079)**	(62,348)	**(710,527)**
Unrecognized prior service benefit	**1,428**	1,662	**15,355**
Unrecognized actuarial gain (loss)	**(10,102)**	(15,391)	**(108,624)**
Prepaid pension cost	**2,759**	3,742	**29,667**
Liability for employees' retirement benefits	**¥ 9,797**	¥ 9,254	**$ 105,344**

Certain consolidated subsidiaries have adopted a simplified calculation method for projected benefit obligation allowed for small business entities in Japan. The components of net periodic retirement benefit costs were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Service cost	**¥ 3,166**	¥ 3,286	**$ 34,043**
Interest cost	**1,624**	1,621	**17,462**
Expected return on plan assets	**(1,159)**	(1,372)	**(12,462)**
Amortization of prior service cost	**(234)**	(234)	**(2,516)**
Recognized actuarial loss	**1,217**	301	**13,086**
Net periodic benefit costs	**¥ 4,614**	¥ 3,602	**$ 49,613**
Contribution payments to defined contribution pension plan	**706**	495	**7,591**
Total	**¥ 5,320**	¥ 4,097	**$ 57,204**

The Company has a lump-sum payment plan, a noncontributory defined benefit pension plan and a defined contribution pension plan.

The liability for retirement benefits for directors and corporate auditors in the consolidated subsidiaries as of March 31, 2010 and 2009 were ¥51 million ($548 thousand) and ¥42 million, respectively.

Assumptions used for the years ended March 31, 2010 and 2009 were as follows:

	2010	2009
Method of attributing benefits to periods of service	**straight-line basis**	straight-line basis
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**2.0%**	2.0%
Amortization period for prior service cost	**15 years**	15 years
Recognition period for actuarial gain/loss	**15 years**	15 years

11. SHAREHOLDERS' EQUITY

Under The Japanese Corporate Law ("the Law") and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal reserve must be set aside as additional paid-in capital or legal reserve. Legal reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Japanese Commercial Code, legal reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal reserve may not be distributed as dividends, but may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the annual shareholders' meeting held on June 25, 2010, the shareholders approved year-end cash dividends of ¥9.00 ($0.09) per share, totaling ¥3,576 million ($38,452 thousand). These appropriations had not been accrued in the consolidated financial statements as of March 31, 2010. Such appropriations are recognized in the period in which they are approved by the shareholders.

12. TRANSACTIONS WITH PARENT COMPANY, UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Transactions of the Group with the parent company, Sumitomo Chemical Co., Ltd., unconsolidated subsidiaries and affiliates for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Sales	**¥ 286**	¥1,560	**$ 3,075**
Purchases	**7,566**	9,105	**51,355**

13. RELATED PARTY TRANSACTIONS

Major transactions of the Group with the parent company, Sumitomo Chemical Co., Ltd., for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Sales of products	**¥ 20**	¥ 26	**$ 215**
Purchases of products	**4,501**	5,737	**48,398**
Payment of other expenses	**1,627**	1,579	**17,495**
Sales of other assets	**47**	58	**505**
Loans provided and settled (net)	**25,000**	10,000	**268,817**
Interest income	**260**	398	**2,796**

The balances due to or from the parent company, Sumitomo Chemical Co., Ltd., at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Trade receivable accounts	**¥ 42**	¥ 61	**$ 452**
Other current assets	**25,012**	50,223	**268,946**
Trade payable accounts	**1,793**	3,435	**19,280**

14. LEASES

The Group leases certain machinery, computer equipment, office space and other assets. Total rental expenses for the years ended March 31, 2010 and 2009 were ¥6,920 million ($74,409 thousand) and ¥7,147 million, respectively, including ¥513 million ($5,516 thousand) and ¥867 million of lease payments under finance leases.

Pro forma information for leased property including acquisition cost, accumulated depreciation, obligations under finance leases and depreciation expense for finance leases that do not transfer ownership of the leased property to the lessee on an “as if capitalized” basis for the years ended March 31, 2010 and 2009 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Machinery and equipment:			
Acquisition cost	**¥ 1,775**	¥ 3,227	**$ 19,086**
Accumulated depreciation	**(1,404)**	(2,338)	**(15,097)**
Net leased property	**¥ 371**	¥ 889	**$ 3,989**

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Obligations under finance leases:			
Due within one year	**¥274**	¥516	**$2,946**
Due after one year	**97**	373	**1,043**
Total	**¥371**	¥889	**$3,989**

15. BUSINESS COMBINATIONS

Acquisition of Sepracor Inc.

a. Name of acquired company, description of its business, main reasons for undertaking the business combination, date and legal form of business combination, name of combined entity, ratios of acquired voting rights, and main basis behind the determination of the acquiring company

1. Name of acquired company and description of its business
   Name of acquired company: Sepracor Inc.
   Description of business: Research and development into and the production, marketing, and sales of ethical drugs for areas such as the central nervous system and the respiratory system.
2. Main reasons for undertaking business combination
   To establish a sales system in the United States and facilitate early market penetration for lurasidone. To allow for the rapid maximization of sales, significantly expanding our overseas operations and further fortifying our development pipeline in the United States.
3. Date of business combination
   October 15, 2009
4. Legal form of business combination
   Acquisition of shares for cash consideration
5. Name of combined entity
   Sepracor Inc.
6. Ratios of acquired voting rights
   Ratio of voting rights owned prior to the acquisition of shares: 0%
   Ratio of voting rights after acquisition: 100%
7. Main basis behind the determination of the acquiring company
   Aptiom, Inc., an indirect wholly owned subsidiary, acquired 100% of the shares of Sepracor Inc. for cash consideration

b. Term of performance of the acquired company included in the consolidated financial statements
From October 15, 2009 to December 31, 2009

c. Cost of acquisition and form of consideration
The acquisition cost was 2,506 million US dollars and the consideration was cash.

d. Amount of accrued goodwill, cause of accrual, amortization method, amortization period

1. Amount of goodwill: ¥82,986 million ($913,847 thousand)
2. Cause of accrual: As the cost of acquisition exceeded the net amount allocated to acquired assets and assumed liabilities, the difference has been posted as goodwill.
3. Amortization method and amortization period
   Straight-line method for 20 years
4. The amount of goodwill has been calculated on a tentative basis.

e. Total assets acquired and liabilities assumed on the date of business combination and the main components thereof

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 93,392	$1,028,436
Fixed assets	226,433	2,493,475
Total assets	319,825	3,521,911
Current liabilities	83,182	916,001
Long-term liabilities	9,028	99,418
Total liabilities	¥ 92,210	$1,015,419

f. The cost of acquisition allocated to intangible fixed assets other than goodwill and amortization periods by main components

	Amount		
Main components	Millions of yen	Thousands of U.S. dollars	Amortization period
Patent rights	¥108,654	$1,168,323	1 to 10 years
In-process research and development	5,358	57,613	available period

g. Estimated impact on the consolidated statements of income for the year ended March 31, 2010, assuming that the business combination was concluded on April 1, 2009, was as follows:

	Millions of yen	(Unaudited) Thousands of U.S. dollars
Net sales	¥ 96,700	$1,021
Ordinary income	(14,700)	(156)
Net income	(15,800)	(168)

These unaudited amounts were calculated according to the difference between unaudited information on sales and income calculated on the assumption that the business combination was concluded on April 1, 2009 and information on sales and income contained in the consolidated statements of income of the acquiring company.

16. SEGMENT INFORMATION

The Group operates in two business segments: "Pharmaceuticals" and "Other products." Business segment information for the Group for the years ended March 31, 2010 and 2009 was as follows:

	Millions of yen				
	2010				
	Pharmaceuticals	Other products	Total	Eliminations/ corporate	Consolidated
I. Sales and operating income					
Sales to customers	**¥236,755**	**¥59,507**	**¥296,262**	**—**	**¥296,262**
Intersegment sales and transfers					
Total	**236,755**	**59,507**	**296,262**	**—**	**296,262**
Operating expenses	**203,741**	**56,896**	**260,637**	**—**	**260,637**
Operating income	**¥ 33,014**	**¥ 2,611**	**¥ 35,625**	**—**	**¥ 35,625**
II. Identifiable assets, depreciation and capital expenditures					
Identifiable assets	**¥498,057**	**¥22,922**	**¥520,979**	**¥105,764**	**¥626,743**
Depreciation	**17,671**	**172**	**17,843**	**—**	**17,843**
Capital expenditures	**6,321**	**150**	**6,471**	**—**	**6,471**

	Millions of yen				
	2009				
	Pharmaceuticals	Other products	Total	Eliminations/ corporate	Consolidated
I. Sales and operating income					
Sales to customers	¥206,816	¥57,221	¥264,037	—	¥264,037
Intersegment sales and transfers					
Total	206,816	57,221	264,037	—	264,037
Operating expenses	176,981	55,890	232,871	—	232,871
Operating income	¥ 29,835	¥ 1,331	¥ 31,166	—	¥ 31,166
II. Identifiable assets, depreciation and capital expenditures					
Identifiable assets	¥217,660	¥21,026	¥238,686	¥152,609	¥391,295
Depreciation	10,542	182	10,724	—	10,724
Capital expenditures	10,387	182	10,569	—	10,569

	Thousands of U.S. dollars				
	2010				
	Pharmaceuticals	Other products	Total	Eliminations/ corporate	Consolidated
I. Sales and operating income					
Sales to customers	**$2,545,753**	**$639,860**	**$3,185,613**	**—**	**$3,185,613**
Intersegment sales and transfers					
Total	**2,545,753**	**639,860**	**3,185,613**	**—**	**3,185,613**
Operating expenses	**2,190,763**	**611,785**	**2,802,548**	**—**	**2,802,548**
Operating income	**$ 354,990**	**$ 28,075**	**$ 383,065**	**—**	**$ 383,065**
II. Identifiable assets, depreciation and capital expenditures					
Identifiable assets	**$5,355,452**	**$246,473**	**$5,601,925**	**$1,137,247**	**$6,739,172**
Depreciation	**190,011**	**1,849**	**191,860**	**—**	**191,860**
Capital expenditures	**67,968**	**1,613**	**69,581**	**—**	**69,581**

Business segments comprise the following:

Business Segment	Major Products
Pharmaceuticals	Cardiovascular system drugs
	Antibacterial and antibiotic agents
	Central nervous system and antiallergic drugs
	Gastrointestinal drugs
Other Products	Animal health products
	Feeds and feed additives
	Food additives
	Diagnostics
	Other products (industrial chemicals, research reagents and instruments, etc.)

Geographical segment information for the Group for the year ended March 31, 2010 was as follows:

	Millions of yen					
	2010					
	Japan	North America	China	Total	Eliminations/ corporate	Consolidated
I. Sales and operating income						
Sales to customers	¥263,467	¥ 28,648	¥4,147	¥296,262	¥ —	¥296,262
Intersegment sales and transfers	1,362	1,304	463	3,129	3,129	—
Total	264,829	29,952	4,610	299,391	3,129	296,262
Operating expenses	227,874	32,111	3,738	263,723	3,086	260,637
Operating income (loss)	¥ 36,955	¥ (2,159)	¥ 872	¥ 35,668	¥ 43	¥ 35,625
II. Identifiable assets	¥575,500	¥281,047	¥2,852	¥859,399	¥232,656	¥626,743

	Thousands of U.S. dollars					
	2010					
	Japan	North America	China	Total	Eliminations/ corporate	Consolidated
I. Sales and operating income						
Sales to customers	$2,832,978	$ 308,043	$44,591	$3,185,613	$ —	$3,185,613
Intersegment sales and transfers	14,645	14,022	4,978	33,645	33,645	—
Total	2,847,624	322,065	49,569	3,219,258	33,645	3,185,613
Operating expenses	2,450,258	345,280	40,194	2,835,731	33,183	2,802,549
Operating income (loss)	$ 397,366	$ (23,215)	$ 9,375	$ 383,527	$ 462	$ 383,065
II. Identifiable assets	$6,188,172	$3,022,011	$30,667	$9,240,849	$2,501,677	$6,739,172

Geographical segment information for the year ended March 31, 2009 is not disclosed because none of the Company's consolidated subsidiaries were located outside Japan.

Overseas sales information for the Group for the years ended March 31, 2010 and 2009 was as follows:

	Overseas sales		
	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
North America	**¥28,947**	¥ 281	**$311,258**
Europe	**17,059**	17,681	**183,430**
Asia and Other	**7,009**	4,089	**75,366**
Total	**¥53,015**	¥22,051	**$570,054**

	Percentage of consolidated net sales	
	2010	2009
North America	**9.8%**	0.1%
Europe	**5.7**	6.7
Asia and Other	**2.4**	1.6
Total	**17.9%**	8.4%

17. CONTINGENT LIABILITIES

Contingent liabilities for guarantees of indebtedness of an affiliate and for employees' housing loans guaranteed at March 31, 2010 were as follows:

	Millions of yen	Thousands of U.S. dollars
Guarantees of indebtedness	**¥791**	**$8,505**
Loans guaranteed	**213**	**2,290**

18. LITIGATION

a. An appeal filed on April 6, 2009 by Wakunaga Pharmaceutical Co., Ltd. ("Wakunaga") to the Japanese Supreme Court, of a judgment rendered by the Osaka High Court in favor of the Company on March 24, 2009, involving litigation between Wakunaga and the Company arising from the termination of a license agreement between Wakunaga and the Company concerning the new compound quinolone, was rejected by the Japanese Supreme Court on April 22, 2010. As a result, the judgment of the Osaka High Court in favor of the Company was confirmed, and the litigation has been completed.

b. In April 2007, Dey, L.P. and Dey, Inc. (together, "Dey") filed a lawsuit in the U.S. District Court for the Southern District of New York against Sepracor, alleging that the manufacture and sale of BROVANA® Inhalation Solution infringes or will induce infringement of a single United States patent owned by Dey. Sepracor is currently litigating this matter.

Independent Auditors' Report

To the Board of Directors of Dainippon Sumitomo Pharma Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Dainippon Sumitomo Pharma Co., Ltd. (the "Company") and its consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dainippon Sumitomo Pharma Co., Ltd. and its consolidated subsidiaries as of March 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.

(1) As discussed in Note 2(q) to the Notes to consolidated financial statements, the Company has adopted the Accounting Standard for Business Combinations (Accounting Standards Board of Japan Statement No. 21, dated December 26, 2008) and several other related standard changes from the year ended March 31, 2010.
(2) As discussed in Note 2(d) to the Notes to consolidated financial statements, the Company and its domestic consolidated subsidiaries have adopted the Accounting Standard for Measurement of Inventories from the year ended March 31, 2009.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, the translation was made on the basis described in Note 1 to the Notes to consolidated financial statements.

KPMG AZSA & Co.

Osaka, Japan
June 25, 2010

Corporate Data (As of March 31, 2010)

Name	Dainippon Sumitomo Pharma Co., Ltd.
Establishment	May 14, 1897
Date of Merger	October 1, 2005
Headquarters	6-8 Doshomachi 2-chome, Chuo-ku, Osaka 541-0045, Japan TEL: +81-6-6203-5321 FAX: +81-6-6202-6028
Capital	¥22.4 billion
Employees	7,407 (consolidated), 4,686 (non-consolidated)
Total Number of Shares Issued	397,900,154
Total Number of Shareholders	18,702
Stock Exchange Listings	First Sections of Tokyo and Osaka
Securities Code	4506
Independent Public Accountants	KPMG AZSA & Co.
Fiscal Year-end	March 31
Ordinary General Meeting of Shareholders	June

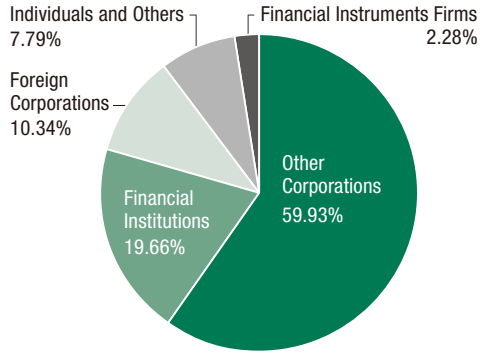
Administrator of Shareholders' Register	The Sumitomo Trust & Banking Co., Ltd.
Lead Managers	(Main) Daiwa Securities Capital Markets Co., Ltd.; (Sub) Nikko Cordial Securities Inc.
Main Banks	Sumitomo Mitsui Banking Corporation; The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Key Facilities	Headquarters (Osaka), Tokyo Office (Tokyo), Osaka Center (Osaka), 25 Branches, 4 Plants (Mie, Osaka, Ehime, Oita), 2 Research Laboratories (Osaka), 2 Distribution Centers (Saitama, Hyogo)
Major Consolidated Subsidiaries	Gokyo Trading Co., Ltd. DS Pharma Biomedical Co., Ltd. Dainippon Sumitomo Pharma America Holdings, Inc. (U.S.) Sepracor Inc. (U.S.) Sumitomo Pharmaceuticals (Suzhou) Co., Ltd. (China)

Principal Shareholders

Name	No. of Shares Held (Thousands of Shares)	Percentage of Issued Shares
Sumitomo Chemical Co., Ltd.	199,434	50.20
Inabata & Co., Ltd.	27,282	6.87
The Master Trust Bank of Japan, Ltd. (Trust Account)	13,552	3.41
Nippon Life Insurance Company	10,530	2.65
Japan Trustee Services Bank, Ltd. (Trust Account)	8,867	2.23
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 Insurance Co., Ltd.	4,928	1.24
Dainippon Sumitomo Pharma Employee Shareholding Association	3,310	0.83
JPMorgan Securities Japan Co., Ltd.	3,277	0.82

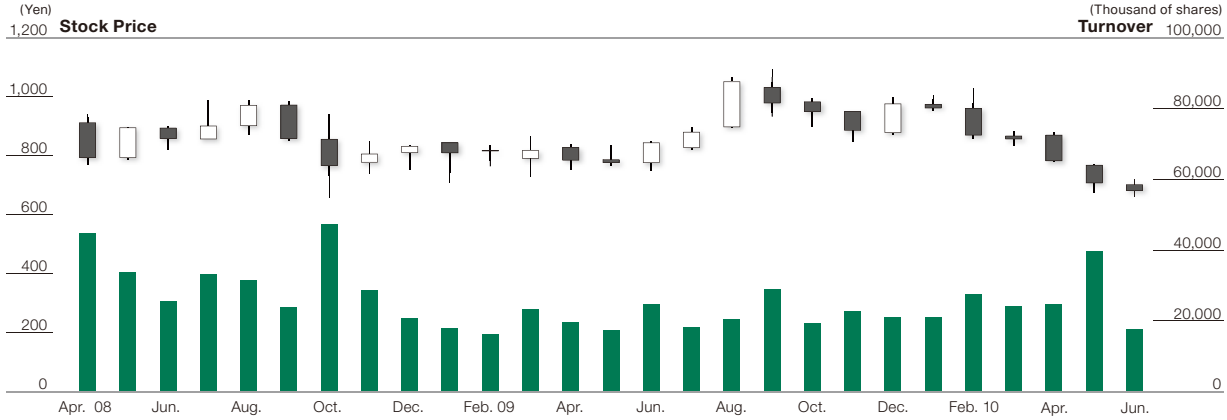
Note: Calculation of the percentage of issued shares does not include treasury stock (584,644 shares).

Composition of Shareholders



Note: The 585,644 shares of treasury stock consist of 585,600 shares in "Individuals and Others" and 44 odd-lot shares.

Stock Share



DAINIPPON
SUMITOMO
PHARMA

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Printed in Japan