Summary of Consolidated Financial Results for the Year Ended March 31, 2012 [Japanese GAAP] (Unaudited)

May 10, 2012

Company Name: DAINIPPON SUMITOMO PHARMA CO., LTD.
Stock Exchange Listings: Tokyo, Osaka
Security Code number: 4506 (URL:http://www.ds-pharma.co.jp)
Representative: Masayo Tada, Representative Director, President and Chief Executive Officer
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Date of Annual Shareholders' Meeting: June 22, 2012
Starting date of dividend payments: June 25, 2012
Filing date of Financial Report: June 22, 2012
Preparation of Supplementary Financial Data for Financial Results: Yes
Information Meeting for Financial Results to be held: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Year Ended March 31, 2012 （April 1, 2011 to March 31, 2012）

(1) Results of Operations

(% represents changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Yen million	%	Yen million	%	Yen million	%	Yen million	%
Year ended March 31, 2012	350,395	(7.7)	20,402	(34.1)	18,872	(34.0)	8,629	(48.6)
Year ended March 31, 2011	379,513	28.1	30,951	(13.1)	28,616	(15.4)	16,796	(19.9)

Note: Comprehensive income (Millions of yen)
Year ended March 31, 2012 : 2,396 —% Year ended March 31, 2011 : (12,065) —%

	Earnings per share	Earnings per share (diluted)	Net income / Shareholders' equity (ROE)	Ordinary income / Total assets	Operating income / Net sales
Year ended March 31, 2012	¥21.72	—	2.7%	3.3%	5.8%
Year ended March 31, 2011	¥42.27	—	5.0%	4.7%	8.2%

Reference: Equity in earnings of non-consolidated subsidiaries and affiliates (Millions of yen)
Year ended March 31, 2012 : — Year ended March 31, 2011 : 443

(2) Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share (yen)
As of March 31, 2012	559,410	319,227	57.1%	¥803.47
As of March 31, 2011	589,868	323,983	54.9%	¥815.44

Reference: Shareholders' Equity (Millions of yen)
As of March 31, 2012 : 319,227 As of March 31, 2011 : 323,983

(3) Cash Flows

(Millions of yen)

	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at the end of period
Year ended March 31, 2012	48,382	(4,373)	(32,922)	92,179
Year ended March 31, 2011	55,041	(6,567)	(20,335)	82,868

2. Dividends

	Dividends per share					Dividends paid for the year (million)	Payout ratio	Dividends to net assets ratio
	1st quarter	2nd quarter	3rd quarter	Year-End	Annual			
Year ended March 31, 2011	—	¥9.00	—	¥9.00	¥18.00	¥7,151	42.6%	2.1%
Year ended March 31, 2012	—	¥9.00	—	¥9.00	¥18.00	¥7,151	82.9%	2.2%
Year ending March 31, 2013 (Forecast)	—	¥9.00	—	¥9.00	¥18.00		68.1%	

3. Consolidated Financial Forecast for the Year Ending March 31, 2013 （April 1, 2012 to March 31, 2013）

(% represents changes from the corresponding period of the previous year)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Yen million	%	Yen million	%	Yen million	%	Yen million	%	
Six months ending September 30, 2012	176,000	(1.1)	11,000	(25.3)	10,500	(27.5)	5,000	(47.8)	¥12.58
Year ending March 31, 2013	348,000	(0.7)	22,000	7.8	21,000	11.3	10,500	21.7	¥26.43

4. Other

(1) Shift of significant subsidiaries during the period (shift of specified subsidiaries accompanied by changes in scope of consolidation) : None

(2) Changes in accounting policies, accounting estimates, and retrospective restatements

① Changes due to changes in accounting standards: None
② Changes due to changes in accounting standards other than(2),①: None
③ Changes in accounting estimates: None
④ Retrospective restatements: None

(3) Number of shares outstanding (Common stock)

① Number of shares outstanding (Including treasury stock) at the end of period
March 31, 2012 : 397,900,154 shares
March 31, 2011 : 397,900,154 shares

② Number of treasury stock at the end of period
March 31, 2012 : 588,699 shares
March 31, 2011 : 587,168 shares

③ Average number of shares during the period
March 31, 2012 : 397,312,069 shares
March 31, 2011 : 397,314,369 shares

(Reference)

Non-consolidated Financial Results for the year ended March 31, 2012 (April 1, 2011 to March 31, 2012)

(1) Results of Operations

(% represents changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Yen million	%	Yen million	%	Yen million	%	Yen million	%
Year ended March 31,2012	203,460	(11.4)	36,336	(16.4)	35,184	(14.5)	22,058	(17.6)
Year ended March 31,2011	229,756	(7.6)	43,464	21.8	41,155	19.5	26,756	27.8

	Earnings per share	Earnings per share (diluted)
Year ended March 31,2012	¥55.52	—
Year ended March 31,2011	¥67.34	—

(2) Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share (yen)
As of March 31, 2012	549,418	367,035	66.8%	¥923.80
As of March 31, 2011	561,568	349,421	62.2%	¥879.46

Reference: Shareholders' Equity (Millions of yen)

As of March 31, 2012 : 367,035 As of March 31, 2011 : 349,421

Indication of audit procedure implementation status:

This summary of financial results is exempt from audit procedure based upon the Financial Instruments and Exchange Act. It is under the audit procedure process at the time of disclosure of this report.

Explanation for Appropriate Use of Forecasts and Other Notes:

This document contains forward-looking statements which are based on management's assumptions and beliefs in light of the information currently available and involves risks and uncertainties, and are not the commitment made by the Company. Actual financial results may differ materially depending on a number of factors, including economic conditions.

The Company holds an earnings presentation for institutional investors and analysts on Friday, May 11, 2012. The documents distributed at the presentation are scheduled to be posted on our website.

【Attachment Documents】

1. Operating Results

(1) Analysis of Operating Results

(i) Overview of overall operating results

During the current consolidated fiscal year, the Japanese economy showed signs of improvement in terms of manufacturing compared to where things stood in the immediate aftermath of the Great East Japan Earthquake. Nevertheless, uncertainty remains prevalent given, among other factors, the ongoing severity of the employment picture, a protracted deflationary situation, and supply issues concerning electrical power. In looking overseas, we see that the economy of the United States is gradually recovering while economic growth in China and other emerging nations is being sustained, albeit at a slower rate. The risks of an economic downturn attributed to the financial instability originating in Europe have not wiped out, and the prospects of the world economy are too severe for comfort.

The pharmaceutical industry remains mired in a severe business environment, in part due to the difficulty in the creation of groundbreaking new drugs and increases in the cost of developing new drugs and in part due to the implementation in Japan of drug price revisions in April of this year while facing worldwide a more stringent approval process and movement toward drastic reforms of healthcare systems.

Under such circumstances, focus was placed on increasing sales by intensively directing business resources towards strategic products such as AVAPRO®, a therapeutic agent for hypertension as well as new products such as TRERIEF®, a Parkinson's disease drug, in Japan. In addition, the Company focused on achieving of LONASEN®, an atypical antipsychotic, further market penetration by launching CNS Sales & Marketing Division in April of last year, and endeavored to reinforce the product lineup in this category through sales collaboration, launch of generic products and the like. In the United States, the DSP Group focused on quickly achieving market penetration for and an expansion of sales of LATUDA® (generic name: lurasidone hydrochloride), an atypical antipsychotic that went on sale in that country in February of last year. In February of this year, the Company reached an agreement with Boston Biomedical, Inc. (hereinafter referred to as “BBI”), a bio-venture enterprise in the United States, to acquire this company. In this way, the Company seeks to fortify its development pipelines and enhance its research and development system in the cancer field (See note below.).

Business results in the current consolidated fiscal year are as follows:

・Net sales:

350,395 million yen (a 7.7% decrease from the previous consolidated fiscal year)

Net sales decreased due in part to the appreciation of the yen and decrease of a lump-sum income associated with development and sales collaboration.

・Operating income:

20,402 million yen (a 34.1% decrease from the previous consolidated fiscal year)

Operating income resulted in decrease, mostly due to the decrease of net sales, although research and development cost including primarily license fee was saved.

・Ordinary income:

18,872 million yen (a 34.0% decrease from the previous consolidated fiscal year)

・Net income:

8,629 million yen (a 48.6% decrease from the previous consolidated fiscal year)

The DSP Group posted gains on the sales of fixed assets including the land of former Tokyo Northern Office as extraordinary gains, and losses such as impairment losses of certain patent rights and business structure improvement costs associated with a revision of our sales structure in the United States as extraordinary losses. In addition, the effective statutory tax rate was changed in association with the revision of the Corporation Tax Act of Japan. With all these, the net income resulted in decrease.

Note: The acquisition of BBI was completed in April of this year.

(ii) Status of each business segment

The DSP Group undertook a review of the classification of reportable segments with the aim of further reinforcing the management of the pharmaceuticals business results in each market beginning in the current consolidated fiscal year. The DSP Group does not deduct research and development costs from segment income since these costs are managed on a global basis without being allocated to each segment. Business results by reportable segment are as follows:

[Japan segment]

This section outlines the business results for our domestic pharmaceuticals business. While focusing on selling mainly the strategic products and new products, the Company made proactive efforts to maximize income through the ongoing pursuit of management streamlining, such as efficient and effective control of expense budget. Consequently, with the impact of declining sales of existing products minimized, net sales amounted to 179,879 million yen (a 1.6% decrease from the previous consolidated fiscal year) and segment income amounted to 66,445 million yen (a 2.5% decrease from the previous consolidated fiscal year).

[North America segment]

This section outlines the business results of US subsidiaries, led by Sunovion Pharmaceuticals Inc. (hereinafter referred to as "Sunovion"), and the Company's North American operations. In addition to focusing on the early expansion of the sales of LATUDA®, the DSP Group also engaged in positive promotional activities for LUNESTA®, a sedative hypnotic drug, and other existing products. Despite a slight rise in net sales on a local currency basis over the previous fiscal year, the appreciation of the yen caused net sales to amount to 108,431 million yen (a 7.8% decrease from the previous consolidated fiscal year). Segment loss amounted to 323 million yen (compared to income of 6,905 million yen in the previous consolidated fiscal year) due to an increase in expenses relating to LATUDA®.

[China segment]

This section outlines the business results of Sumitomo Pharmaceuticals (Suzhou) Co., Ltd., and the Company's Chinese operations. While the DSP Group expanded sales primarily through MEROPEN® (sold in China as MEPEM®), a carbapenem antibiotic preparation, and achieved net sales of 6,541 million yen (an increase of 15.0% over the previous consolidated fiscal year), segment income amounted to 965 million yen (a decrease of 19.3% from the previous consolidated fiscal year) due in part to an increase in selling, general, and administrative expenses.

[Other Regions segment]

This section outlines business results relating to the exporting of products to regions other than North America and China segments and other operations. Mainly due to decrease of a lump-sum income associated with development and sales collaboration, net sales amounted to 15,208million yen (a decrease of 46.4% from the previous consolidated fiscal year) and segment income came to 7,009 million yen (a decrease of 65.1% from the previous consolidated fiscal year).

In addition to the aforementioned reporting segments, the DSP Group markets food ingredients, food additives, chemical product materials, veterinary drugs, diagnostic products and the like and the net sales of these products amounted to 40,334 million yen (a decrease of 10.2% from the previous consolidated fiscal year) and segment income amounted to 3,162 million yen (an increase of 15.6% from the previous consolidated fiscal year).

(iii) Status of research and development activities

Aiming to create innovative pharmaceutical products, the DSP Group has positioned the central nervous system (CNS) field as a key strategic area and designated the specialty field—which is marked by a high level of unmet medical needs and a requirement for advanced expertise in the areas of research, development, and marketing, such as with respect to cancer and immune-related diseases—as a frontier therapeutic area. The DSP Group is also proactively engaged in adopting products under development from outside the company.

In the early research stage, the DSP Group implements measures to increase the efficiency of research by taking advantage of genomics, proteomics, metabolomics, and other proprietary advanced technologies. With regard to nucleic acid drugs, antibody drugs, and other biopharmaceuticals, the DSP Group has been conducting research with specialized research groups. In addition, the Laboratory for Malignancy Control Research (the DSK Project), a collaborative project with Kyoto University to invent innovative anti-cancer drugs started in April of last year. In the CNS field, the Neuropsychiatry Drug Discovery Consortium (NDDC) established with five departments of Graduate School of Medicine and Graduate School of Pharmaceutical Sciences of Osaka University was shifted to the second period in October of last year. As above, the DSP Group also proactively promotes the formation of alliances with research institutes and other pertinent entities, including domestic and foreign universities in order to create innovative therapeutic pharmaceuticals.

In later research stages and during the development stage, the research and development portfolio of the DSP Group is optimized accordingly from a global perspective. In addition, the DSP Group takes a proactive approach to the development of dosage formulations and other aspects of product life-cycle management in order to maximize product values.

The status of the progress of major development projects during the current consolidated fiscal year is as follows:

In the CNS field, the DSP Group submitted a new drug approval application in Canada in June of last year for lurasidone hydrochloride, an atypical antipsychotic. In the United States, an approval application to change the maximum daily dosage of LATUDA® to 160 mg was submitted (See note below). In addition to ongoing global phase III clinical trials for depression from bipolar disorder, the DSP group commenced phase III clinical trials in the United States for major depressive disorder (mixed features) and in the United States, Europe and other regions for bipolar disorder maintenance. Other than that, in the United States, the DSP Group commenced phase I clinical trials on DSP-0565, an antiepileptic drug, and in the United Kingdom, the DSP Group commenced phase I clinical trials on DSP-2230, a neuropathic pain drug.

In the specialty field, the Company commenced phase I clinical trials jointly with Chugai Pharmaceutical Co., Ltd., on WT4869, a cancer peptide vaccine, with a focus on solid carcinomas in Japan. In addition, the Company also commenced phase I clinical trials on DSP-1747, a therapeutic agent for primary biliary liver cirrhosis and non-alcoholic steatohepatitis, and ceftaroline fosamil, a therapeutic agent for MRSA infections.

In the other fields, the DSP Group obtained approval for ZETONNA™ (generic name: ciclesonide), a therapeutic agent for allergic rhinitis in January of this year in the United States. In addition, the Company submitted an approval application for DSP-8153 (a combination product irbesartan and amlodipine besilate), a therapeutic agent for hypertension, in November of last year in Japan.

In addition to the above-mentioned pharmaceuticals area, the DSP Group has implemented research and development for food ingredients, food additives, chemical product materials, veterinary drugs, etc.

Note: Approval in the United States for changing the maximum daily dosage of LATUDA® (lurasidone hydrochloride) to 160 mg was obtained in April of this year.

(iv) Forecasts for the year ending March 31, 2013

(Millions of yen)

	Fiscal 2011 Results	Fiscal 2012 Forecasts	Change	Change %
Net sales	350,395	348,000	(2,395)	(0.7)
Operating income	20,402	22,000	1,597	7.8
Ordinary income	18,872	21,000	2,127	11.3
Net income	8,629	10,500	1,870	21.7

<Net sales>

In the domestic pharmaceutical business, sales will be influenced by drug price revision and generics etc., but is expected to be the same level as the previous fiscal year by striving to raise the sales of its strategic products and new products. In the U.S., though sales of existing products will decline, a slight increase is expected in comparison to the previous year due to the sales expansion of LATUDA® and outlook for the lower yen. Meanwhile, because the export of MEROPEN® will decrease due to influence of generics, we expect total net sales will be 348 billion yen (2.4 billion yen down compared with the previous fiscal year.).

<Incomes>

Unit sales will increase, but total amount of net sale will decrease, gross margin is expected to decrease. In addition, R&D costs will increase associated with the acquisition of BBI, but we strive for pursuit of management streamlining. As a result, we expect that operating income will be 22 billion yen (16 billion yen up compared to the previous fiscal year), ordinary income will be 21 billion yen (2.1 billion yen up compared to the previous fiscal year), and net income will be 10.5 billion yen (1.9 billion yen up compared to the previous fiscal year).

<Prior condition>

Foreign currency exchange rate used for the forecasts 1 USD = 83 yen, 1 RMB = 12 yen

(2) Analysis of Financial Condition

Analysis of the status of assets, liabilities, net assets, and cash flows

(a) Summary of assets, liabilities, and net assets

- Assets

With a decrease in intangible fixed assets, including patent rights and goodwill, due in part to amortization, total assets decreased 30,457 million yen from the end of the previous consolidated fiscal year to 559,410 million yen.

- Liabilities

Total liabilities decreased 25,701 million yen from the end of the previous consolidated fiscal year to 240,183 million yen due in part to a decrease in interest-bearing debt attributed to the repayment of borrowings and other factors.

- Net assets

With significant fluctuations in foreign currency translation adjustments due to a stronger yen, net assets decreased 4,756 million yen from the end of the previous consolidated fiscal year to 319,227 million yen despite increases in retained earnings and unrealized gains on available-for-sale securities.

In addition, the shareholders' equity ratio as of the end of the current consolidated fiscal year equaled 57.1%.

(b) Status of cash flows

- Net cash provided by operating activities

With the amount of net income before taxes and minority interests, depreciation and amortization, etc., exceeding the increase in inventories, corporate taxes paid, etc., cash flows from operating activities amounted to net proceeds of 48,382 million yen (net proceeds of 55,041 million yen in the previous consolidated fiscal year).

- Net cash used in investing activities

Disbursements for the acquisition of tangible fixed assets primarily accounted for cash flows from investment activities amounting to a net disbursement of 4,373 million yen (net disbursement of 6,567 million yen in the previous consolidated fiscal year).

- Net cash used in financing activities

Cash flows from financing activities amounted to a net disbursement of 32,922 million yen (net disbursement of 20,335 million yen in the previous consolidated fiscal year) as the repayment of borrowings greatly exceeded proceeds from the additional issuance of corporate bonds.

As a result of the foregoing, the balance of cash and cash equivalents as of the end of the current consolidated fiscal year increased by 9,311 million yen to 92,179 million yen.

(Reference) Trend of cash flow indicators

	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
Shareholder's equity ratio	79.6%	82.9%	54.8%	54.9%	57.1%
Shareholder's equity ratio (market value basis)	90.6%	83.1%	54.3%	52.2%	62.3%
Ratio of interest-bearing debt cash flow	17.5%	8.5%	431.2%	218.4%	205.4%
Interest coverage ratio [times]	748.5	648.1	42.7	37.4	57.9

Shareholders' equity ratio: Shareholders' equity / total assets
Shareholders' equity ratio (market value basis): total market capitalization / total assets
Ratio of interest-bearing debt to cash flow: interest-bearing debt / operating cash flow
Interest coverage ratio: operating cash flow / interest paid

Notes: 1. Each indicator is calculated on a consolidated basis.
2. Total market capitalization is calculated based on the number of shares outstanding, less treasury stock.
3. Operating cash flow is based on the net cash provided by operating activities in the consolidated statements of cash flows less the amounts of "interest paid" and "income taxes paid".

4. Interest-bearing debt includes all consolidated balance sheet liabilities which are subject to an interest payment. Interest paid equal to the "interest paid" of the consolidated statements of cash flows.

(3) Fundamental Profit and Dividend Distribution Policy for the Current Term and the Next Term

The allocation of the Company's profits in a customarily appropriate manner to its shareholders is one of the Company's fundamental management policies.

The Company's basic policy is to make dividends payments twice each year from retained earnings, including an interim dividend, as determined by the Company's Board of Directors; and a year-end dividend, as determined by the general meeting of shareholders.

In addition to stressing the distribution of surplus in a manner that reflects the Company's performance, the Company intends to make decisions on distribution from a comprehensive standpoint, while actively investing in its future growth, ensuring a solid management base and enhancing its financial condition to further increase its enterprise value. The Company believes that it is important to allocate profits to its shareholders in a consistent manner.

The Company plans to declare a cash dividend of ¥9 per share for the current term, which is equal to the interim cash dividend for the current term, resulting in a total dividend of ¥18 per share for the current term.

The Company further plans to declare a cash dividend of ¥18 per share for the next term (the same amount as declared for the current term) in order to continue to provide regular dividends to the Company's shareholders.

(4) Business Risks

Below is a discussion of the most significant risks that could negatively impact the operating results and financial position of the DSP Group.

Forward-looking statements in the discussion of risks discussed below reflect the judgment of the Group as of March 31, 2012.

(i) Risk relating to research and development of new products

The 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.

(ii) Problems concerning adverse events

The Group conducts rigorous safety testing of its pharmaceutical products at different stages of development, with products receiving approval only after rigorous screening by the competent authorities in all the countries. 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.

(iii) Healthcare system reforms

The precipitous decline in Japan's birthrate and the rapid rise 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 continue to emerge 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 price revisions, could ultimately have a significant and negative impact on the Group's operating results and financial position. In addition, pharmaceutical products are subject to various kinds of regulations in foreign countries and, therefore, have a possibility that they might be significantly affected depending on the way administrative measures are implemented.

(iv) Risk relating to the sale of products

The Group can envision scenarios in which sales of its pharmaceutical products are threatened to decrease due to a competition with the products of the same area of other manufacturers or a launching of generic products following the expiration of a patent period or otherwise. Such cases could have a significant and negative impact on the Group's financial position and operating results.

(v) Risk relating to intellectual property rights

The 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.

(vi) Termination of partnerships

The 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.

(vii) Prerequisites for primary business activities

The Group's core business is the ethical pharmaceutical products business. Accordingly, the Group requires licenses and other certifications 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. The Company has obtained licenses and other certifications, including Type 1 and Type 2 Pharmaceuticals Manufacturing and Sales Business licenses (both valid for five years). In addition, in order to engage in the ethical pharmaceutical products business in overseas countries, the Group also has obtained licenses as needed under laws and regulations related to pharmaceuticals of those countries. These licenses and other certifications will cease to be valid unless gone through procedures as 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 Group may be ordered to suspend part of or all of its operations for a fixed period of time or be subject to other measures in the event that the Group violates these laws and regulations. The Group currently has no knowledge of any facts that would warrant the revocation of its licenses or other certifications.

However, an order to revoke the Group's licenses or other certifications could have a significant and negative impact on the Group's operating results and financial position.

(viii) Risk relating to litigation

There is a possibility that a suit may be brought to court in terms of an adverse effect of a pharmaceutical product, product liability, labor issues, fair trade, etc., relating to the business activities of the Group. Depending on the development thereof, such cases could have a significant and negative impact on the Group's operating results and financial position.

(ix) Closedown or shutdown of a plant

The Group can envision scenarios in which the Group's plant is closed down or shut down due to technical problems, stoppage of supply of raw materials, fire, earthquake, or any other disaster where the supply of products is delayed or halted. Such cases could have a significant and negative impact on the Group's operating results and financial position.

(x) Impact of financial market situation and foreign exchange fluctuations

A sluggish equity market will give rise to a loss on valuation or sale of shares held, and the interest rate trend may increase interest expenses on borrowings etc., and the deterioration of financial market situation will cause the retirement benefit obligations to increase. All these factors could have a significant and negative impact on the Group's operating results and financial position. Furthermore, foreign exchange fluctuations may have a material impact on importing and exporting transactions and the conversion of operating results of consolidated subsidiaries into yen.

(xi) Impact of impairment of fixed assets

The Group owns various types of tangible and intangible fixed assets, such as business assets and goodwill. In the future, in the event of substantial deterioration of operating results or reduction in values, the need to treat the impairment will arise, which could have a significant and negative impact on the Group's operating results and financial position.

(xii) 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 we also made short-term loans to our 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.

(xiii) Risk relating to overseas operation

The Group conducts global business activity mainly in regions North America and China. The risks such as change of local restrictions, worsening of diplomatic relations and political uncertainties are inherent in these activities. In the event the Group faces such risks, it could have a significant and negative impact on the Group's operating results and financial position.

The Group also faces risks other than those discussed above.

2. Summary of the Business of the Group

The Group consists of the Company, the parent company, 20 subsidiaries (13 consolidated subsidiaries and 7 non-consolidated subsidiaries), and 5 affiliated companies as of March 31, 2012. The description of the main business of the Group, the summary of the positioning relating to the relevant business of each company being part of the Group and its relationship with business segments are as follows:

(1) Japan

The Company manufactures, purchases, and sells ethical pharmaceuticals. In addition, the Company's affiliate company, Kyoto Pharmaceutical Industries, Ltd., is engaged in the manufacture and sales of ethical pharmaceuticals and non-prescription drugs.

(2) North America

Under the initiative of the consolidated subsidiary and holding company, Dainippon Sumitomo Pharma America Holdings, Inc., a consolidated subsidiary, Sunovion Pharmaceuticals Inc., manufactures, purchases, and sells ethical pharmaceutical products. Its seven consolidated subsidiaries manufacture, sell, and develop ethical pharmaceuticals.

(3) China

In China, a consolidated subsidiary, Sumitomo Pharmaceuticals (Suzhou) Co., Ltd., manufactures (subdivide packaging) and sells ethical pharmaceuticals. In addition, a non-consolidated subsidiary, Sumiyaku China Co., Ltd., which sold ethical pharmaceuticals, suspended operations and is scheduled to be liquidated in the future.

(4) Other Regions

In Europe, a non-consolidated subsidiary, Dainippon Sumitomo Pharma Europe Ltd., develops the Company's products.

(5) Other

A consolidated subsidiary, DSP Gokyo Food & Chemical Co., Ltd., manufactures, purchases, and sells food ingredients, food additives and chemical product materials, part of which is supplied to the Company. A consolidated subsidiary, DS Pharma Animal Health Co., Ltd., manufactures, purchases, and sells veterinary drugs, etc.

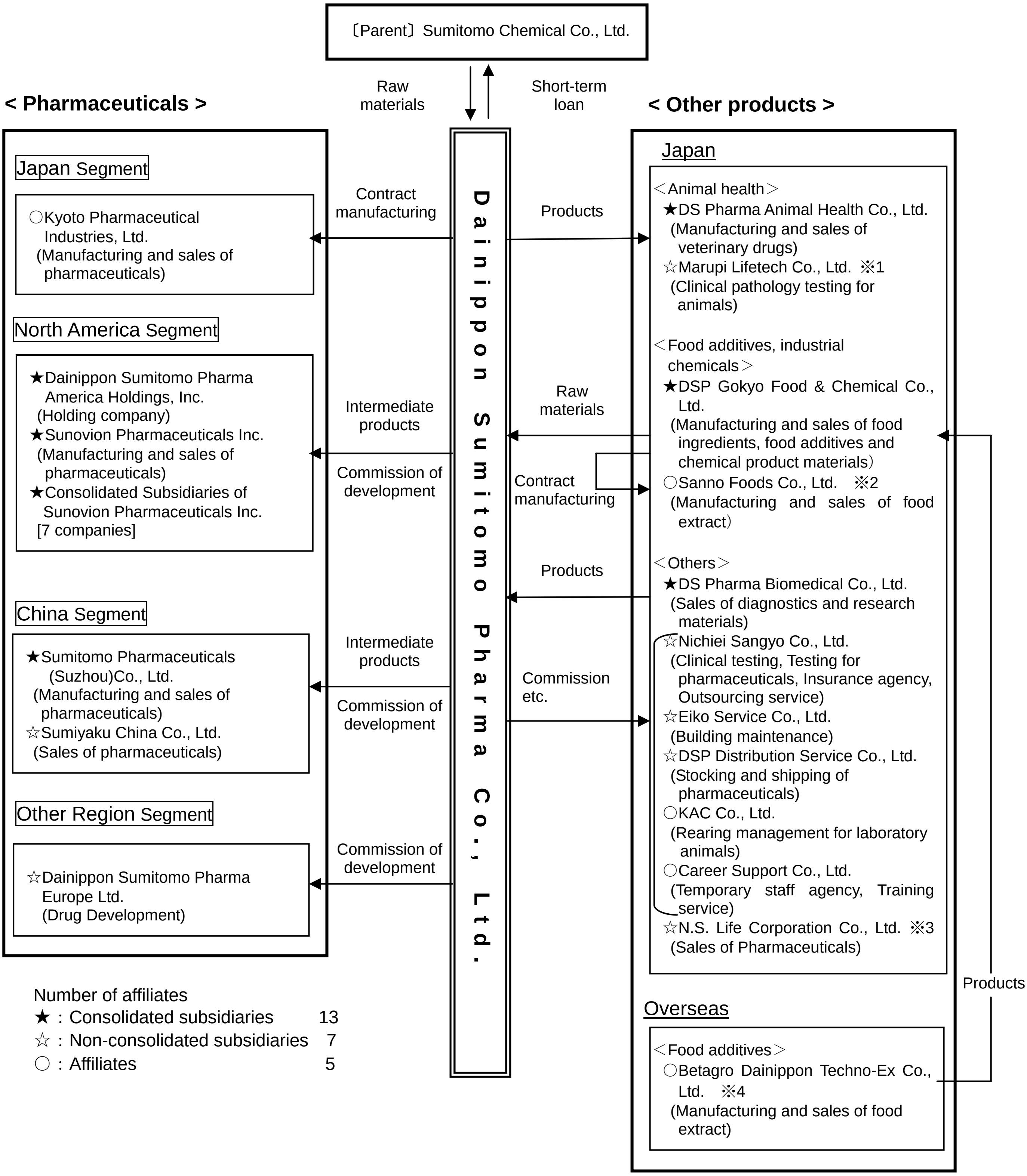
Clinical diagnostic products, machinery, and equipment for research and testing are manufactured, purchased, and sold by a consolidated subsidiary, DS Pharma Biomedical Co., Ltd., from which part of diagnostic products are purchased and sold by the Company.

A non-consolidated subsidiary, Marupi Lifetech Co., Ltd., is engaged in clinical pathology testing operations for animals.

An affiliated company, Sanno Foods Co., Ltd., manufactures food extract products and provides them to DSP Gokyo Food & Chemical Co., Ltd.

In Thailand, an affiliated company, Betagro Dainippon Techno-Ex Co., Ltd., manufactures food extract products and provides them to DSP Gokyo Food & Chemical Co., Ltd.

In addition to the above, the Group has four non-consolidated subsidiaries and two affiliated companies that provide various services, such as storage, delivery, clinical lab tests, and examinations and tests of pharmaceutical products.



※1 : Marupi Lifetech Co., Ltd. is a subsidiary company of DS Pharma Animal Health Co. Ltd.
※2 : Sanno Foods Co., Ltd. is an affiliate company of DSP Gokyo Food & Chemical Co., Ltd.
※3 : NS Life Corporation Co., Ltd. is a subsidiary company of Nichiei Sangyo Co., Ltd.
※4 : Betagro Dainippon Techno-Ex Co., Ltd. is an affiliate company of DSP Gokyo Food & Chemical Co., Ltd.
5 : In April 2012, the Company acquired Boston Biomedical, Inc. and made it a wholly-owned subsidiary of the Company.

3. Management Policy

(1) Fundamental Management Policy of the Company

The Company has set our 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” and in order to accomplish this corporate mission, we are striving to conduct business activities based on the following management missions:

■ To contribute to healthcare and peoples 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

By fulfilling these management missions, we sincerely hope to enhance our presence in Japan by living up to the expectations of patients and their family members, medical personnel, our shareholders, business partners, employees, and stakeholders of the local communities to become a highly advanced R&D-oriented pharmaceutical company capable of global business expansion.

(2) Medium-to-Long-Term Management Strategy and Outstanding Issues

For implementing our corporate mission, the DSP Group adopted a mid- to long-term vision plan in 2007, aiming to achieve the principal goals by 2022 to “become an internationally competitive R&D-oriented pharmaceutical company and have two solid streams of revenue, the first from domestic operations and the second from international operations,” and for the next ten years, in defining its corporate identity, the DSP Group has set the targets of establishing a solid foundation for domestic business, expanding international business operations, and enriching R&D product pipeline.

In the second five year mid-term business plan (“MTBP”), which first came into effect in 2010, the DSP Group has set the following five basic policies to achieve net sales of 420 billion yen and operating income of 70 billion yen in the fiscal year ending March 2015 as its management goals (See Note Below).

(1) Transform the earnings structure in Japan

The Company strives to further obtain customers’ confidence by promoting DSP Ambition, which was formulated to achieve patient-oriented marketing appreciated by clients and consists of the guidelines for sales activities. The Company also aims to establish a strategic and flexible sales system by reinforcing our Regional Division System and CNS Sales & Marketing Division. Furthermore, the Company will continue to direct its business resources primarily towards strategic products and new products. At the same time, the Company will endeavor to engage in low-cost operations and work to proactively address in-licensing and alliances of products or chemical compounds in the late development stage that can contribute to the business performance at an early stage and are expected to have a synergistic effect on existing products.

(2) Expand overseas operations and maximize earnings

In the United States, the DSP Group will make it top priority to expand the sales of LATUDA®, a global strategic product, and will also continue to proactively direct business resources to obtain additional indications for expanding future sales of LATUDA®. In addition, the DSP Group will make efforts toward early approval and launch of STEDESA™, an antiepileptic agent for which an NDA has been submitted. In China, the DSP Group will upgrade and strengthen business platform of Sumitomo Pharmaceuticals (Suzhou) Co., Ltd. by reinforcing its internal controls as well as marketing and IT capabilities, and will also work to revitalize its development activities, focusing on the continuously growing pharmaceuticals market in the country.

(3) Expand pipeline for the continuous creation of new drugs

The DSP Group aims to cultivate strategic candidates as prospective successors to LATUDA® and continue to create globally competitive products, and will work on research and development activities, to be mainly handled by the R&D Divisions of the Company and Sunovion. The DSP Group will strive to operate the decision-making system for Global research and development projects which started in April of this year in an efficient and effective manner. At the same time, the DSP Group will promote open innovation based on cooperative relationship with academia and venture companies. Through the acquisition of BBI, the DSP Group obtained research and development capabilities in the cancer field. With BBI, the DSP Group will continue to engage in the establishment of a research and development system in the cancer field on a global basis.

(4) Pursue CSR and continuous management efficiency

The DSP Group makes it a top priority among its business activities to ensure corporate ethics, and will request all employees to maintain their senses of ethics at a higher level. The DSP Group will continue to promote CSR management through further reinforcement of global governance, compliance, risk management and social contribution. The DSP Group will also make its continuous efforts to improve management efficiency.

(5) Establish a challenging corporate culture and cultivate human resources

The DSP Group will endeavor to establish nimble and dynamic corporate culture that fosters new challenges. The DSP Group will also develop and cultivate a highly diverse pool of human resources. The DSP Group strives to share and implement corporate and management philosophy in order to ensure that the DSP Group retains a lofty spirits and a strong willingness to fulfill its mission.

All of the DSP Group will strive together to promote “creation and transformation” towards a new stage in order to achieve the goals set out in the second MTBP and further accomplish the mid- to long-term vision.

Note: The sales amount has been changed to 420 billion yen from 440 billion yen released at the time of announcement of the MTBP. This reduction derived from spin-off of the Company’s animal health products business and has no impact on operating income. The target operating income of 70 billion yen has no change from the time of announcement of MTBP. However, the figures of management targets are those deemed to be appropriate as of the end of the current consolidated fiscal year and may vary to a substantial degree depending on various factors in the future.

(3) Other: Significant Matters Management Issues

(Lawsuits)

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 Sunovion, alleging that the manufacture and sale of BROVANA® Inhalation Solution infringes or will induce infringement of a single United States patent owned by Dey. Sunovion is currently litigating this matter.

4. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

		As of March 31, 2011		As of March 31, 2012
Assets				
Current assets:				
Cash and time deposits		14,938		12,953
Notes and accounts receivable	*5	107,803	*5	101,955
Marketable securities		90,921		99,118
Merchandise and finished goods		38,442		42,480
Work-in-process		2,388		2,591
Raw materials and supplies		15,140		13,045
Deferred tax assets		33,489		31,782
Short-term loans		25,000		25,000
Others		4,998		5,433
Allowance for doubtful receivables		(122)		(110)
Total current assets		332,999		334,250
Fixed assets:				
Property, plant and equipment:				
Buildings and structures		91,227		91,115
Accumulated depreciation and impairment loss		(49,497)		(50,753)
Buildings and structures, net		41,730		40,361
Machinery, equipment and carriers		77,089		76,854
Accumulated depreciation and impairment loss		(65,030)		(66,997)
Machinery, equipment and carriers, net		12,058		9,856
Land		10,291		10,248
Construction in progress		941		2,121
Others		27,529		28,104
Accumulated depreciation and impairment loss		(22,758)		(23,994)
Others, net		4,771		4,109
Total property, plant and equipment		69,793		66,697
Intangible assets:				
Goodwill		70,369		64,311
Patent rights	*4	60,984	*4	32,524
Others		11,912		10,871
Total intangible assets		143,266		107,706
Investments and other assets:				
Investment securities	*1,*2	27,922	*1,*2	29,855
Deferred tax assets		7,023		11,624
Others	*2	8,961	*2	9,331
Allowance for doubtful receivables		(99)		(55)
Total investments and other assets		43,807		50,755
Total fixed assets		256,868		225,159
Total assets		589,868		559,410

(Millions of yen)

	As of March 31, 2011	As of March 31, 2012
Liabilities		
Current liabilities:		
Notes and accounts payable	*1,*5 15,647	*1,*5 16,860
Short-term loans payable	50,000	—
Current portion of long-term loans payable	10,600	10,000
Income taxes payable	7,678	5,437
Reserve for bonuses	7,431	7,592
Reserve for sales returns	2,289	3,657
Reserve for sales rebates	15,875	18,527
Accounts payable-other	33,849	30,009
Others	13,831	13,881
Total current liabilities	157,203	105,965
Long-term liabilities:		
Bonds payable	50,000	70,000
Long-term loans payable	43,000	48,000
Liability for retirement benefits	10,266	10,790
Others	5,414	5,427
Total long-term liabilities	108,680	134,217
Total liabilities	265,884	240,183
Net assets		
Shareholders' equity:		
Common stock	22,400	22,400
Capital surplus	15,860	15,860
Retained earnings	304,186	305,664
Treasury stock	(648)	(649)
Total shareholders' equity	341,798	343,275
Accumulated other comprehensive income		
Unrealized gains on available-for-sale securities, net of tax	5,413	8,016
Foreign currency translation adjustment	(23,228)	(32,064)
Total accumulated other comprehensive income	(17,814)	(24,047)
Total net assets	323,983	319,227
Total liabilities and net assets	589,868	559,410

(2) Consolidated Statements of (Comprehensive) Income

Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Net sales	379,513	350,395
Cost of sales	*1 110,047	*1 98,845
Gross profit	269,466	251,550
Reversal of reserve for sales returns	16	—
Provision for reserve for sales returns	—	11
Gross profit-net	269,482	251,539
Selling, general and administrative expenses		
Salaries	34,634	36,549
Provision for reserve for bonuses	4,957	5,128
Depreciation and amortization	31,120	27,555
Research and development costs	*2 68,159	*2 56,890
Others	99,658	105,013
Total selling, general and administrative expenses	238,531	231,136
Operating income	30,951	20,402
Non-operating income		
Interest income	494	347
Dividend income	753	676
Real estate rent	226	219
Others	1,829	842
Total non-operating income	3,304	2,086
Non-operating expenses		
Interest expense	1,919	1,122
Contribution	1,835	1,590
Others	1,884	903
Total non-operating expenses	5,639	3,616
Ordinary income	28,616	18,872
Extraordinary income		
Gain on sales of property, plant and equipment	—	1,240
Total extraordinary income	—	1,240
Extraordinary loss		
Impairment loss	*3 3,246	*3 2,337
Business structure improvement expenses	—	*4 1,224
Loss on valuation of investment securities	320	223
Total extraordinary loss	3,566	3,785
Income before income taxes and minority interests	25,049	16,327
Income taxes-current	13,988	12,291
Income taxes-deferred	(5,735)	(4,593)
Income taxes	8,253	7,698
Income before minority interests	16,796	8,629
Net income	16,796	8,629

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Income before minority interests	16,796	8,629
Other comprehensive income		
Unrealized gains on available-for-sale securities, net of tax	(2,531)	2,602
Foreign currency translation adjustment	(26,330)	(8,836)
Total other comprehensive income	(28,862)	* (6,233)
Comprehensive income	(12,065)	2,396
Comprehensive income attributable to		
Comprehensive income attributable to parent company	(12,065)	2,396
Comprehensive income attributable to minority interests	―	―

(3) Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Shareholders' equity		
Common stock		
Balance at the end of previous period	22,400	22,400
Changes in items during the period		
Total changes in items during the period	—	—
Balance at the end of current period	22,400	22,400
Capital surplus		
Balance at the end of previous period	15,860	15,860
Changes in items during the period		
Total changes in items during the period	—	—
Balance at the end of current period	15,860	15,860
Retained earnings		
Balance at the end of previous period	294,701	304,186
Changes in items during the period		
Cash dividends	(7,151)	(7,151)
Net income	16,796	8,629
Sales of treasury stock	(0)	(0)
Changes in scope of consolidation	(159)	—
Total changes in items during the period	9,484	1,477
Balance at the end of current period	304,186	305,664
Treasury stock		
Balance at the end of previous period	(646)	(648)
Changes in items during the period		
Purchases of treasury stock	(2)	(1)
Sales of treasury stock	0	0
Total changes in items during the period	(1)	(1)
Balance at the end of current period	(648)	(649)
Total shareholders' equity		
Balance at the end of previous period	332,315	341,798
Changes in items during the period		
Cash dividends	(7,151)	(7,151)
Net income	16,796	8,629
Purchases of treasury stock	(2)	(1)
Sales of treasury stock	0	0
Changes in scope of consolidation	(159)	—
Total changes in items during the period	9,482	1,476
Balance at the end of current period	341,798	343,275

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Accumulated other comprehensive income		
Unrealized gains on available-for-sale securities, net of tax		
Balance at the end of previous period	7,945	5,413
Changes in items during the period		
Net changes in items other than shareholders' equity	(2,531)	2,602
Total changes in items during the period	(2,531)	2,602
Balance at the end of current period	5,413	8,016
Foreign currency translation adjustment		
Balance at the end of previous period	3,222	(23,228)
Changes in items during the period		
Changes in scope of consolidation	(120)	—
Net changes in items other than shareholders' equity	(26,330)	(8,836)
Total changes in items during the period	(26,451)	(8,836)
Balance at the end of current period	(23,228)	(32,064)
Total accumulated other comprehensive income		
Balance at the end of previous period	11,167	(17,814)
Changes in items during the period		
Changes in scope of consolidation	(120)	—
Net changes in items other than shareholders' equity	(28,862)	(6,233)
Total changes in items during the period	(28,982)	(6,233)
Balance at the end of current period	(17,814)	(24,047)
Total net assets		
Balance at the end of previous period	343,483	323,983
Changes in items during the period		
Cash dividends	(7,151)	(7,151)
Net income	16,796	8,629
Purchases of treasury stock	(2)	(1)
Sales of treasury stock	0	0
Changes in scope of consolidation	(280)	—
Net changes in items other than shareholders' equity	(28,862)	(6,233)
Total changes in items during the period	(19,499)	(4,756)
Balance at the end of current period	323,983	319,227

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Net cash provided by operating activities:		
Income before income taxes and minority interests	25,049	16,327
Depreciation and amortization	*1 40,590	*1 36,468
Impairment loss	3,246	2,337
Amortization of goodwill	4,037	3,764
Provision for liability for retirement benefits, less payments	368	(129)
Provision for other liabilities	2,343	5,058
Interest and dividend income	(1,248)	(1,024)
Interest expense	1,919	1,122
Loss (gain) on sales of property, plant and equipment	(0)	(1,240)
Loss (gain) on valuation of investment securities	320	223
Business structure improvement expenses	—	1,224
Decrease (increase) in notes and accounts receivable	(15,531)	4,998
Decrease (increase) in inventories	8,160	(2,584)
Increase (decrease) in notes and accounts payable	(1,203)	1,252
Increase (decrease) in accounts payable-other	2,715	(3,738)
Other-net	(435)	(1,426)
Subtotal	70,332	62,632
Interest and dividend received	1,577	1,348
Interest paid	(1,925)	(1,105)
Income taxes paid	(14,943)	(14,492)
Net cash provided by operating activities	55,041	48,382
Net cash used in investing activities:		
Purchases of marketable securities	(11,577)	(35,772)
Proceeds from sales of marketable securities	647	6,203
Proceeds from redemption of marketable securities	10,216	34,916
Purchases of property, plant and equipment	(7,134)	(6,715)
Proceeds from sales of property, plant and equipment	52	1,944
Purchases of intangible assets	(2,012)	(2,136)
Proceeds from sales of intangible assets	1,097	—
Purchases of investment securities	(2,524)	(3,202)
Proceeds from sales of investment securities	3,581	362
Proceeds from redemption of investment securities	1,623	46
Other-net	(538)	(20)
Net cash used in investing activities	(6,567)	(4,373)

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Net cash used in financing activities:		
Net increase (decrease) in short-term loans payable	(115,500)	(50,000)
Proceeds from long-term loans payable	58,000	15,000
Repayment of long-term debt	(5,300)	(10,600)
Proceeds from issuance of bonds	49,763	19,895
Redemption of bonds	(74)	―
Net decrease (increase) in treasury stock	(1)	(1)
Dividends paid	(7,149)	(7,149)
Other-net	(73)	(67)
Net cash used in financing activities	(20,335)	(32,922)
Effect of exchange rate changes on cash and cash equivalents	(3,796)	(1,775)
Net increase (decrease) in cash and cash equivalents	24,341	9,311
Cash and cash equivalents at the beginning of period	58,139	82,868
Increase in cash and cash equivalents related to change in scope of consolidation	386	―
Cash and cash equivalents at the end of period	*2 82,868	*2 92,179

(5) Notes on Premise of Going Concern

Not applicable.

(6) Significant Basic Items for Preparing Consolidated Financial Statements

1. Scope of consolidation

Of our 20 subsidiaries, 13 companies are consolidated subsidiaries. The names of the major consolidated subsidiaries are omitted as they are set out in the “2. Summary of the Business of the group.”

Our 7 non-consolidated companies have been excluded from the scope of consolidation because they are small companies and their exclusion does not have a material impact on our consolidated financial statements.

2. Application of the equity method

Our 7 non-consolidated companies and 5 affiliated companies have been excluded from the scope of the application of the equity method as their exclusion does not have a material impact on our consolidated financial statements,.

3. Fiscal year of consolidated subsidiaries

There are 10 consolidated overseas subsidiaries.

All of fiscal year ends of the 10 companies are December 31. The Company uses the subsidiaries’ consolidated financial statements, as of December 31, to prepare the consolidated financial statements. For significant transactions which have occurred during the period between the fiscal year ends of the consolidated subsidiaries and March 31, necessary adjustments have been made for the consolidated financial statements.

4. Accounting policies and methods

(1) Valuation standards and methods of significant assets

(i) Securities

Held-to-maturity securities

Amortized cost method (straight-line method)

Available-for-sale securities

With market values

Market value method based on the market price as of the last day of the consolidated fiscal period (All valuation gains or losses are treated as a component of net assets, with the cost of securities sold calculated using the moving-average method.)

Without market values

Cost method using the moving-average method

(ii) Inventories

Inventories held for sale in the regular course of business

Weighted average cost method (Book values have been calculated using the lower of cost or market principle)
Certain consolidated subsidiaries use the FIFO (first-in, first-out) costing method (Book values have been calculated using the lower of cost or market principle).

(2) Depreciation and amortization of significant depreciable assets

(i) Property, plant and equipment (excluding leased assets)

Buildings: straight-line method

Other tangible fixed assets: declining-balance method

At certain subsidiaries, all tangible fixed assets are depreciated using the straight-line method.

The estimated useful life of each asset is as follows:

Buildings and structures: 3 to 60 years

Machinery, equipment and carriers: 2 to 17 years

(ii) Intangible assets (excluding lease assets)

Straight-line method

The estimated useful life or each asset is as follows:

Software for internal use: Internally usable period (5 years)

Patent rights: 1 to 10 years

(iii) Lease assets

Lease assets related to finance lease transactions do not transfer ownership

Straight-line method is used where the lease period is taken as the useful life and the residual value is zero.

Finance lease transactions which do not transfer ownership, which started on or before March 31, 2008, are accounted for in the same manner as ordinary operating lease transactions.

(3) Accounting for significant allowance/reserves

(i) Allowance for doubtful receivables

In order to provide for losses arising from uncollectable notes receivable and other bad debts, we review the loan loss ratio of general claims and collectability on an individual basis of particular loans, such as those with higher probability of default, and accrue provisions for the amounts that we estimate will be uncollectable.

(ii) Reserve for bonuses

In order to provide for the payment of employee bonuses, the amounts that we estimate will be paid are accrued.

(iii) Reserve for sales returns

A reserve is accrued for the profits from sales which are expected to be returned. In certain consolidated subsidiaries, a reserve is accrued for losses from sales which are expected to be returned.

(iv) Reserve for sales rebates

A reserve for sales rebates is accrued in order to provide for the disbursement of sales rebates for public programs, wholesalers, other contracts.

(v) Liability for retirement benefits

In order to provide for the retirement benefits of employees, amounts are accrued based on the projected benefit obligations and estimated value of pension assets as of the end of the consolidated fiscal year.

Unrecognized prior service costs are treated as an expense and recognized using the straight-line method, based on the average number of remaining service years of employees when incurred (fifteen years).

Unrecognized actuarial gains and losses are treated as an expense and recognized from the following consolidated fiscal year using the straight-line method based on the average number of remaining service years of employees when incurred (fifteen years).

(4) Standards applicable to the conversion of material foreign currency-denominated assets and liabilities into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into yen at the spot exchange rate of the last day of the consolidated fiscal year. Any foreign exchange gain or loss resulting from translation is charged to income.

Assets and liabilities of overseas subsidiaries are translated into yen at the spot exchange rate in effect at the balance sheet date. Revenue and expenses are translated at the average exchange rate for the period into yen. Differences arising from translations have been reported in foreign currency translation adjustment in net asset section.

(5) Significant hedge accounting method

(i) Hedge accounting method

The DSP Group uses the deferred hedge accounting method. Foreign exchange forward contracts are accounted for by recognizing gains and losses on foreign monetary rights or obligations, preset price, when the contracts conditions are satisfied.

(ii) Hedging instruments and hedged items

- Hedging instruments

Foreign exchange forward contracts

- Hedged items

Monetary assets and liabilities denominated in foreign currencies and monetary assets and liabilities specifically related to anticipated transactions, denominated in foreign currencies, which are covered by an agreement.

(iii) Hedging policy

Foreign exchange forward contract are conducted pursuant to internal rules and regulations in order to hedge foreign currency risks.

(iv) Method of evaluating the effectiveness of hedges

The effectiveness has been evaluated by comparing the accumulated changes in market value of hedged items with the accumulated changes in market value of hedging instruments. With regard to foreign exchange forward contracts, the effectiveness of such contracts has not been evaluated as important conditions for hedged items and hedging instruments are the same,.

(6) Amortization of goodwill and negative goodwill

Goodwill accrued due to the acquisition of Sunovion has been amortized on a straight-line basis over a period of 20 years.

(7) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows represents cash and deposits (excluding the time deposits with a term longer than three months), and short-term investment maturing within three months from the acquisition date.

(8) Other significant accounting policies for consolidated financial statements

Accounting for consumption taxes

All financial statement items are net of consumption taxes.

(7) Notes to Consolidated Financial Statements

(Notes to consolidated balance sheets)

* 1. Assets pledged as collateral are as follows:

(Millions of yen)

	As of March 31, 2011	As of March 31, 2012
Investment securities	60	51

Secured liabilities are as follows:

(Millions of yen)

	As of March 31, 2011	As of March 31, 2012
Accounts payable	168	205

* 2. Investment in non-consolidated subsidiaries and affiliates are as follows:

(Millions of yen)

	As of March 31, 2011	As of March 31, 2012
Investment securities (stock)	772	772
Investments in capital (included in “Others” under “Investments and other assets”)	200	200

3. Contingent liabilities

(1) Debt guarantees covering amounts borrowed by non-consolidated companies from financial institutions have been extended as follows:

(Millions of yen)

	As of March 31, 2011	As of March 31, 2012
Sanno Food Co., Ltd.	277	280

(2) Debt guarantees covering amounts of housing funds borrowed by employees from financial institutions have been extended as follows:

(Millions of yen)

As of March 31, 2011	As of March 31, 2012
152	167

* 4. Patent rights include distributorship, etc.

*5.Accounting for notes mature on the settlement date

Notes that reach maturity on the settlement date are settled as of the conversion date of the notes. The following notes mature on the settlement date will be included in the accounts of this consolidated fiscal year because the final date of this consolidated fiscal year was a bank holiday

(Millions of yen)

	As of March 31, 2011	As of March 31, 2012
Notes receivable	—	469
Notes payable	—	65

(Notes to consolidated statements of income)

* 1. Inventory is stated at value after devaluation corresponding to reduced profitability, the following loss on (reversal of) valuation of inventories is included in the “Cost of sales”:

	Year ended March 31, 2011 (April 1,2010 to March 31, 2011)	Year ended March 31, 2012 (April 1,2011 to March 31, 2012)
	613	(451)

* 2. Year ended March 31, 2011 (April 1, 2010 to March 31, 2011)

The total amount of research and development costs equals 68,159 million yen and has been included in “Selling, general and administrative expenses.”

Year ended March 31, 2012 (April 1, 2010 to March 31, 2012)

The total amount of research and development costs equals 56,890 million yen and has been included in “Selling, general and administrative expenses.”

* 3. Impairment loss

Year ended March 31, 2011 (April 1, 2010 to March 31, 2011)

Among the fixed assets owned by the DSP Group, business assets are grouped by segment, with individual assets constituting the smallest grouping unit for idle assets, patents, and other such assets.

In the year ended March 31, 2011, the DSP Group posted impairment losses with respect to the following assets.

(Millions of yen)

Usage for	Item	Location	Impairment loss amount
Exclusive rights with respect to pharmaceuticals	Patents	U.S.	2,179
Idle assets	Buildings, machinery and equipment etc.	Osaka	274
	Buildings, machinery and equipment etc.	Suzuka, Mie	792
Total			3,246

The recoverability of patents deemed to be lacking in future profitability was assessed at zero, and their unamortized balance has been posted as impairment losses.

The book values of idle assets that are not expected to be used in the future owing to reviews of the production system and the unification of research facilities were diminished to recoverable amounts and the diminished amounts have been posted as impairment losses. While the recoverable amounts of idle assets are normally measured according to their net sales prices, these idle assets were assessed according to their memorandum prices in light of the low likelihood that they could be sold.

Year ended March 31, 2012 (April 1, 2011 to March 31, 2012)

Among the fixed assets owned by the DSP Group, business assets are grouped by segment, with individual assets constituting the smallest grouping unit for idle assets, patents, and other such assets.

In the year ended March 31, 2012, the DSP Group posted impairment losses with respect to the following assets.

(Millions of yen)

Usage for	Item	Location	Impairment loss amount
Exclusive rights with respect to Pharmaceuticals	Patents	U.S.	2,337

The recoverability of patents deemed to be lacking in future profitability was assessed, and a part of their unamortized balance has been posted as impairment losses. The recoverable amounts of these assets are measured according to value in use (discount rate 13.0%).

* 4. Business structure improvement expenses

Conducting the review of the business structure in the U.S. subsidiary, business structure improvement expenses occurred.

(Notes to consolidated statements of comprehensive income)

Year ended March 31, 2012（April 1,2011 to March 31, 2012）

Amount of recycling and amount of income tax effect associated with other comprehensive income

	(Millions of yen)
Valuation difference on available-for-sale securities	
Amount recognized in the period under review	2,950
Amount of recycling	354
Before income tax effect adjustment	3,304
Amount of income tax effect	(702)
Valuation difference on available-for-sale securities, net of tax	2,602
Foreign currency translation adjustment	
Amount recognized in the period under review	(8,836)
Foreign currency translation adjustment	(8,836)
Total other comprehensive income	(6,233)

(Notes to consolidated statements of changes in net assets)

Year ended March 31, 2011 (April 1, 2010 to March 31, 2011)

1. Type and total number of issued shares and treasury stock

(Thousands of shares)

	Number of shares as of March 31, 2010	Increase during the period	Decrease during the period	Number of shares as of March 31, 2011
Issued shares				
Common stock	397,900	―	―	397,900
Total	397,900	―	―	397,900
Treasury stock				
Common stock	584	2	0	587
Total	584	2	0	587

Notes: 1. The increase of 2 thousand shares of treasury stock was a result of purchasing fractional shares.
2. The decrease of 0 thousand shares of treasury stock was a result of a request for purchase of fractional shares.

2. Dividends

(1) Dividend payment amounts

Resolution	Type of share	Total dividend amount	Dividend amount per share	Record date	Effective date of distribution
June 25, 2010 Annual shareholders' meeting	Common stock	3,575 million yen	9.00 yen	March 31, 2010	June 28, 2010
October 29, 2010 Meeting of the Board of Directors	Common stock	3,575 million yen	9.00 yen	September 30, 2010	December 1, 2010

(2) Dividends for which the base date belongs to the current consolidated fiscal year and for which the effective date of distribution falls in the following consolidated fiscal year

Resolution	Type of share	Total dividend amount	Source of funds for dividend distribution	Dividend amount per share	Record date	Effective date of distribution
June 24, 2011 Annual shareholders' meeting	Common stock	3,575 million yen	Retained earnings	9.00 yen	March 31, 2011	June 27, 2011

Year ended March 31, 2012 (April 1, 2011 to March 31, 2012)

1. Type and total number of issued shares and treasury stock

(thousands of shares)

	Number of shares as of March 31, 2011	Increase during the period	Decrease during the period	Number of shares as of March 31, 2012
Issued shares				
Common stock	397,900	—	—	397,900
Total	397,900	—	—	397,900
Treasury stock				
Common stock	587	1	0	588
Total	587	1	0	588

Notes: 1. The increase of 1 thousand shares of treasury stock was a result of purchasing fractional shares.
2. The decrease of 0 thousand shares of treasury stock was a result of a request for purchase of fractional shares.

2. Dividends

(1) Dividend payment amounts

Resolution	Type of share	Total dividend amount	Dividend amount per share	Record date	Effective date of distribution
June 24, 2011 Annual shareholders' meeting	Common stock	3,575 million yen	9.00 yen	March 31, 2011	June 27, 2011
October 31, 2011 Meeting of the Board of Directors	Common stock	3,575 million yen	9.00 yen	September 30, 2011	December 1, 2011

(2) Dividends for which the base date belongs to the current consolidated fiscal year and for which the effective date of distribution falls in the following consolidated fiscal year

Resolution schedule	Type of share	Total dividend amount	Source of funds for dividend distribution	Dividend amount per share	Record date	Effective date of distribution
June 22, 2012 Annual shareholders' meeting	Common stock	3,575 million yen	Retained earnings	9.00 yen	March 31, 2012	June 25, 2012

(Notes to consolidated statements of cash flows)

*1. Year ended March 31, 2011（April 1,2010 to March 31, 2011）

"Depreciation and amortization" includes 1,001 million yen, amortized amount of long-term prepaid expenses.

Year ended March 31, 2012 (April 1, 2011 to March 31, 2012)

"Depreciation and amortization" includes 1,006 million yen, amortized amount of long-term prepaid expenses.

* 2. Reconciliation of balance of "cash and cash equivalents at the end of period" and the amounts of items stated in the consolidated balance sheet are as follows:

(Millions of yen)

	Year ended March 31, 2011 (April 1,2010 to March 31, 2011)	Year ended March 31, 2012 (April 1,2011 to March 31, 2012)
Cash and time deposit accounts	14,938	12,953
Short-term investments with a maturity within 3 months from acquisition date (marketable securities)	67,929	79,226
Cash and cash equivalent	82,868	92,179

(Segment information)

1. Outline of reportable segments

The Company's reportable segments are the components of the DSP Group whose operating results are regularly reviewed by the board of directors to make decisions about resources to be allocated to the segment and assess their performance, and for which discrete financial information is available.

The DSP Group assesses our pharmaceutical business performance by markets such as Japan, North America, China, and the like. The reportable segments of the Group consist of the following four segments: Japan, North America, China, Other regions.

From this consolidated fiscal year, in order to strengthen the market-specific performance management, such as Japan, North America, China, the classification of profit management within the DSP Group has changed from the previous three [Japan (Pharmaceuticals), U.S., China] to four reportable segments [Japan, North America, China, Other Regions]. Because of this, results from overseas dealings that were included in the previous Japan (Pharmaceuticals) segment are now included in the North America, China and Other Regions segments. In addition, the businesses such as food ingredients, food additives, chemical product materials, veterinary drugs, diagnostics, and other products, are included in "Other Business."

Moreover, from this consolidated fiscal year, in order to manage R&D costs globally, they are not included in each segment. As a result, segment income is changed to the operating income before R&D costs from the past operating income.

2. Method of calculating sales and income (loss), identifiable assets, and other items by reportable segments

Accounting method for business segment reported is the same as presentations on "Significant Basic Items for Preparing Consolidated Financial Statements." Income by reportable segments is calculated based on operating income before R&D costs. Intersegment sales and transfers are calculated based on current market prices.

Assets and liabilities by reportable segment are not shown because they are not supplied to make decisions about resources to be allocated to the segment and assess their performance.

3. Information on sales, income (loss), assets, liabilities, and other items by reportable segment

Year ended March 31, 2011 (April 1, 2010 to March 31, 2011)

(Millions of yen)

	Reportable Segments					Other Business*	Total
	Pharmaceuticals Business						
	Japan	North America	China	Other Regions	Subtotal		
Net sales							
Sales to customers	182,859	117,647	5,687	28,391	334,586	44,927	379,513
Intersegment sales and transfers	188	―	―	―	188	56	244
Total	183,047	117,647	5,687	28,391	334,774	44,984	379,758
Income (loss) of segment	68,180	6,905	1,196	20,066	96,348	2,736	99,085
Others							
Depreciation and amortization	6,462	28,697	356	748	36,263	186	36,450
Amortization of Goodwill	―	4,037	―	―	4,037	―	4,037

Note: The “Other Business” category incorporates operations not included in reportable segments, including food ingredients, food additives, chemical product materials, veterinary drugs, diagnostics and other products.

Year ended March 31, 2012 (April 1, 2011 to March 31, 2012)

(Millions of yen)

	Reportable Segments					Other Business*	Total
	Pharmaceuticals Business						
	Japan	North America	China	Other Regions	Subtotal		
Net sales							
Sales to customers	179,879	108,431	6,541	15,208	310,061	40,334	350,395
Intersegment sales and transfers	200	―	―	―	200	84	284
Total	180,080	108,431	6,541	15,208	310,262	40,418	350,680
Income (loss) of segment	66,445	(323)	965	7,009	74,096	3,162	77,259
Others							
Depreciation and amortization	6,028	25,323	362	697	32,412	153	32,566
Amortization of Goodwill	―	3,764	―	―	3,764	―	3,764

Note: The “Other Business” category incorporates operations not included in reportable segments, including food ingredients, food additives, chemical product materials, veterinary drugs, diagnostics and other products.

4. Difference between total of reportable segments and the amount on consolidated statements of income, and main contents of the difference (adjustment of difference)

(Millions of yen)

Net sales	Year ended March 31, 2011 (April 1, 2010 to March 31, 2011)	Year ended March 31, 2012 (April 1, 2011 to March 31, 2012)
Reportable segments total	334,774	310,262
Net sales of "Other Business"	44,984	40,418
Elimination of intersegment transaction	(244)	(284)
Net sales on consolidated statements of income	379,513	350,395

(Millions of yen)

Income	Year ended March 31, 2011 (April 1, 2010 to March 31, 2011)	Year ended March 31, 2012 (April 1, 2011 to March 31, 2012)
Reportable segments total	96,348	74,096
Income of "Other Business"	2,736	3,162
Research and development costs*	(68,159)	(56,890)
Elimination of intersegment transaction	26	34
Operating income on consolidated statements of income	30,951	20,402

Note: Because the group manages R&D costs globally, they are not included in each segment.

(Millions of yen)

Other items	Reportable segments total		Other Business		Adjustment		Amount recorded on consolidated financial statements	
	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2012
Depriciation and amortization	36,263	32,412	186	153	3,138	2,894	39,588	35,461
Amortization of Goodwill	4,037	3,764	—	—	—	—	4,037	3,764

[Relative information]

Year ended March 31, 2011(April 1, 2010 to March 31, 2011)

1. Products and services information

(Millions of yen)

	Pharmaceuticals	Other products	Total
Sales to customers	334,586	44,927	379,513

2. Geographic segment information

(1) Net sales

(Millions of yen)

Japan	U.S.	Others	Total
227,287	115,404	36,821	379,513

Note: Net sales are allocated into countries or regions based on customer locations.

(2) Tangible fixed assets

(Millions of yen)

Japan	Others	Total
62,131	7,662	69,793

3. Information by major clients

(Millions of yen)

Name of customer	Net sales	Name of relative segment
McKesson Corporation	44,188	North America
Mediceo Corporation	38,982	Japan
Alfresa Corporation	38,192	Japan

Year ended March 31, 2012(April 1, 2011 to March 31, 2012)

1. Products and services information

(Millions of yen)

	Pharmaceuticals	Other products	Total
Sales to customers	310,061	40,334	350,395

2. Geographic segment information

(1) Net sales

(Millions of yen)

Japan	U.S.	Others	Total
220,153	107,010	23,232	350,395

Note: Net sales are allocated into countries or regions based on customer locations.

(2) Tangible fixed assets

(Millions of yen)

Japan	Others	Total
59,292	7,404	66,697

3. Information by major clients

(Millions of yen)

Name of customer	Net sales	Name of relative segment
McKesson Corporation	43,807	North America
Alfresa Corporation	37,933	Japan
Mediceo Corporation	37,814	Japan

[Information on impairment loss in noncurrent assets by reportable segment]

Year ended March 31, 2011(April 1, 2010 to March 31, 2011)

(Millions of yen)

	Reportable Segments					Other Business	Eliminations/ Corporate	Total
	Japan	North America	China	Other Regions	Subtotal			
Impairment loss	1,066	2,179	—	—	3,246	—	—	3,246

Year ended March 31, 2012(April 1, 2011 to March 31, 2012)

(Millions of yen)

	Reportable Segments					Other Business	Eliminations/ Corporate	Total
	Japan	North America	China	Other Regions	Subtotal			
Impairment loss	—	2,337	—	—	2,337	—	—	2,337

[Information on amortization of goodwill and unamortized balance by reportable segment]

Year ended March 31, 2011(April 1, 2010 to March 31, 2011)

(Millions of yen)

	Reportable Segments					Other Business	Eliminations/ Corporate	Total
	Japan	North America	China	Other Regions	Subtotal			
Amortization	—	4,037	—	—	4,037	—	—	4,037
Balance at end of period	—	70,369	—	—	70,369	—	—	70,369

Year ended March 31, 2012(April 1, 2011 to March 31, 2012)

(Millions of yen)

	Reportable Segments					Other Business	Eliminations/ Corporate	Total
	Japan	North America	China	Other Regions	Subtotal			
Amortization	—	3,764	—	—	3,764	—	—	3,764
Balance at end of period	—	64,311	—	—	64,311	—	—	64,311

[Information on negative goodwill by reportable segment]

Year ended March 31, 2011(April 1, 2010 to March 31, 2011)

Not applicable

Year ended March 31, 2012(April 1, 2011 to March 31, 2012)

Not applicable

(Information of affiliated parties)

Year ended March 31, 2011(April 1, 2010 to March 31, 2011)

Transactions between company submitting consolidated financial statements and affiliated parties

Parent company, major shareholders (limited to cases in which shareholder is a company, etc.) of the company submitting consolidated financial statements

Type	Name of company	Location	Capital or amount invested	Business contents or employment	Ratio of voting rights (or ownership)	Relationship with affiliated party	Description of transaction(s)	Amount of transaction(s)	Item	End-of-term balance
Parent company	Sumitomo Chemical Co., Ltd.	Chuo-ku, Tokyo	89,699 million yen	Production and sales of chemical products	Direct ownership: 50.22%	・Supplier of raw materials ・Leasing land, etc. ・Purchasing plant utilities, etc. ・Lending funds	Lending funds	25,000 million yen	Short-term loans to affiliates	25,000 million yen

Transaction terms and policies for determining transaction terms, etc.

With respect to the lending of funds, a reasonable rate of interest is determined, by considering the market rate of interest.

Year ended March 31, 2012(April 1, 2011 to March 31, 2012)

Transactions between company submitting consolidated financial statements and affiliated parties

Parent company, major shareholders (limited to cases in which shareholder is a company, etc.) of the company submitting consolidated financial statements

Type	Name of company	Location	Capital or amount invested	Business contents or employment	Ratio of voting rights (or ownership)	Relationship with affiliated party	Description of transaction(s)	Amount of transaction(s)	Item	End-of-term balance
Parent company	Sumitomo Chemical Co., Ltd.	Chuo-ku, Tokyo	89,699 million yen	Production and sales of chemical products	Direct ownership: 50.22%	・Supplier of raw materials ・Leasing land, etc. ・Purchasing plant utilities, etc. ・Lending funds	Lending funds	25,000 million yen	Short-term loans to affiliates	25,000 million yen

Transaction terms and policies for determining transaction terms, etc.

With respect to the lending of funds, a reasonable rate of interest is determined, by considering the market rate of interest

(Tax effect accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by main cause of occurrence:

(Millions of yen)

	As of March 31, 2011	As of March 31, 2012
Deferred tax assets		
Reserve for bonuses	2,973	2,821
Reserve for sales rebates	5,881	7,199
Accrued enterprise taxes	782	515
Liabilities for employees' retirement benefits	3,015	2,592
Loss on valuation of investment securities	594	601
Research and development costs	11,093	10,380
Inventories	2,660	2,163
Net operating loss carried forward	13,252	8,830
Amortization of intangible assets	10,909	9,543
Tax credit for R&D costs of overseas subsidiaries	7,968	10,113
Others	14,436	11,402
Subtotal of deferred tax assets	73,567	66,163
Amount of valuation allowance	(4,307)	(4,004)
Total of deferred tax assets	69,259	62,158
Deferred tax liabilities		
Unrealized gains on available-for-sale securities, net of tax	(3,587)	(4,236)
Reserve for advanced depreciation of fixed assets	(632)	(883)
Valuation of intangible assets	(24,923)	(13,962)
Total deferred tax liabilities	(29,143)	(19,081)
Net amount of deferred tax assets	40,116	43,077

Note: Net amount of deferred tax assets is included the following consolidated balance sheet items:

(Millions of yen)

	As of March 31, 2011	As of March 31, 2012
Current assets – deferred tax assets	33,489	31,782
Fixed assets – deferred tax assets	7,023	11,624
Current liabilities – deferred tax liabilities	—	—
Fixed liabilities – deferred tax liabilities	(396)	(330)

2. Reconciliation of effective tax rate:

	As of March 31, 2011	As of March 31, 2012
Statutory tax rate	40.6%	40.6%
(Adjustments)		
Entertainment expenses and other items that are excluded from nontaxable expenses	6.5%	11.4%
Dividend income and other items that are excluded from taxable income	(0.8%)	(2.6%)
Tax credit for R&D expenses	(17.5%)	(23.2%)
Residence tax on per-capita basis	0.5%	0.8%
Amortization of goodwill	6.6%	9.4%
Change in valuation allowance	(2.6%)	(0.1%)
Adjustment on deferred tax assets due to change in income tax rate	—	10.9%
Others	(0.4%)	(0.1%)
Actual effective tax rate	32.9%	47.1%

3. Changes in amounts of deferred tax assets and deferred tax liabilities due to change of the corporation tax rate

Due to the promulgation on December 2, 2011, of The Low to Revise the Income Tax, etc., in Order to Construct a Tax System Addressing Changes in the Socio-Economic Structure, and The Act on Special Measures for Securing the Financial Resources to Implement the Restoration from the Tohoku Earthquake, for fiscal years beginning on or after April 1, 2012, the corporation tax rate has been reduced and a special reconstruction corporation tax has been instituted, and as a result, the effective statutory tax rate used to measure deferred tax assets and liabilities has been changed from the previous 40.6% to 38.0% for temporary differences expected to be eliminated during the period from the fiscal year beginning on April 1, 2012 to the fiscal year beginning on April, 2014 and to 35.9% for temporary differences expected to be eliminated in the fiscal year beginning on April 1, 2015.

As a result, the amount of deferred tax assets (net of the amount of deferred tax liabilities) decreased by 1,181 million yen, income taxes-deferred posted in this consolidated fiscal year increased by 1,783 million yen, and valuation difference on available-for–sale securities increased by 601 million yen.

(Retirement benefit)

1. Outline of adopted retirement benefit plans

The Company and certain consolidated subsidiaries have set up a retirement lump-sum grant plan, a defined benefit corporate pension plan and others as defined benefit-type plans. In addition, a defined contribution pension plan has been set up as a defined contribution type plan. A retirement benefit trust has also been set up by the Company.

2. Liability for retirement benefits

(Millions of yen)

	As of March 31, 2011	As of March 31, 2012
(a) Liabilities for retirement benefits	(80,178)	(81,096)
(b) Pension assets *1	65,378	67,106
(c) Unfunded liability for retirement benefits [(a) + (b)]	(14,800)	(13,990)
(d) Unrecognized actuarial differences	8,369	7,471
(e) Unrecognized past service liability (reduction in liability)	(975)	(757)
(f) Net retirement benefit obligations [(c) + (d) + (e)]	(7,406)	(7,276)
(g) Prepaid pension expense	2,859	3,513
(h) Reserve for retirement benefits [(f) – (g)]	(10,266)	(10,790)

Notes: 1. A pension benefit trust has been set up.
2. In calculating the liability for retirement benefits for certain consolidated subsidiaries, a simplified method has been adopted.

3. Retirement benefit expenses

(Millions of Yen)

	Year ended March 31, 2011 (April 1,2010 to March 31, 2011)	Year ended March 31, 2012 (April 1,2011 to March 31, 2012)
(a) Service cost *1, 2, 3	3,210	3,108
(b) Interest expense	1,627	1,595
(c) Expected returns on plan assets	(1,235)	(1,231)
(d) Amortization of actuarial differences	945	893
(e) Amortization of prior service costs	(222)	(218)
(f) Retirement benefit expenses [(a) + (b) + (c) + (d) + (e)]	4,326	4,146
(g) Others	2,604	2,199
(h) Total [(f) + (g)]	6,930	6,346

Notes: 1. Includes retirement funds for received loan employees payable to the originating company.
2. Excludes retirement funds payable by the company to which loan employees are dispatched.
3. Retirement benefit expenses incurred by consolidated subsidiaries that have adopted a simplified method are posted to “(a) Service costs.”
4. “(g) Others” consists of installment payments made to defined contribution pensions and other payments

4. Basis for calculating the liability for retirement benefits

(a) Period allocation method for estimated retirement benefits

Fixed amount method

(b) Discount rate

Year ended March 31, 2011 (April 1, 2010 to March 31, 2011)	Year ended March 31, 2012 (April 1, 2011 to March 31, 2012)
2.0%	2.0%

(c) Expected returns on plan assets

Year ended March 31, 2011 (April 1, 2010 to March 31, 2011)	Year ended March 31, 2012 (April 1, 2011 to March 31, 2012)
2.0%	2.0%

(d) Amortization period of prior service costs

15 years (treated as an expense and recognized using the straight-line method, based on the average number of remaining service years of employees when incurred)

(e) Amortization period of actuarial differences

15 years (treated as an expense and recognized from the following consolidated fiscal year using the straight-line method based on the average number of remaining service years of employees when incurred)

(Per-share information)

	Year ended March 31, 2011 (April 1, 2010 to March 31, 2011)	Year ended March 31, 2012 (April 1, 2011 to March 31, 2012)
Net assets per share	815.44 yen	803.47 yen
Net income per share	42.27 yen	21.72 yen

Notes: 1. No diluted net income per share is stated as no potential dilution exists.
2. The basis for the calculation of the net income per share is as follows:

	Year ended March 31, 2011 (April 1, 2010 to March 31, 2011)	Year ended March 31, 2012 (April 1, 2011 to March 31, 2012)
Net income per share		
Net income (millions of yen)	16,796	8,629
Amount not belonging to common shareholders (millions of yen)	—	—
Net income related to common stocks (millions of yen)	16,796	8,629
Average number of common stock during the period (thousands of shares)	397,314	397,312

(Significant subsequent event)

Acquisition of a company by way of the acquisition of shares

On February 29, 2012, we reached an agreement with Boston Biomedical Inc. of the United States (hereinafter referred to as “BBI”) on our acquisition of BBI. Pursuant to said agreement, we acquired the relevant shares on April 24, 2012 (U.S. time), whereupon BBI became a fully owned subsidiary of our company.

(1) Purpose of acquisition

BBI is a biotechnology company focusing on the oncology area and possesses two highly promising products in their pipeline called BBI608 and BBI503, which are small molecular oral drugs created by BBI with the aim to cause an antitumor effect in cancer stem cells. Anticancer drugs targeting cancer stem cells are considered to be effective against refractory, recurrent and metastatic cases, which are the main challenges in current cancer treatment, and BBI608 and BBI503 are likely to become the first anticancer drugs in the world targeting cancer stem cells.

After execution of the option agreement with BBI, DSP recognized BBI's innovative development pipeline and its excellent ability of drug discovery/development, which led to DSP's decision to acquire BBI.

Acquisition of BBI is not only an acquisition of an innovative pipeline in the oncology area, it also represents obtaining an excellent drug discovery/development platform with the capabilities of BBI, enabling us to continuously create candidate compounds likely to advance into later development stages. Subsequently we intend to establish our R&D base in the US to expand our presence in cancer treatment globally. We are aiming to make the oncology area one of our future focus therapeutic areas next to the CNS area.

(2) Name of the parties from whom shares acquired

Shareholders of BBI and BBI itself

(3) Name of acquired company and the description and size of operations undertaken thereby

Name: Boston Biomedical Inc.

Description of business: Biotechnology company focusing on R&D in the cancer stem cell area.

Size: Amount of net assets: 11 million US dollars

Amount of total assets: 4 million US dollars (As of March 31, 2012)

(4) Date on which shares acquired

April 24, 2012 (U.S. time)

(5) Acquisition price and equity ratio after acquisition

Consideration for acquisition: 200 million US dollars (excluding incidental costs)

Equity ratio after acquisition: 100%

(6) Contents of the condition clause for the acquisition cost under an acquisition agreement and its accounting method hereafter

DSP will make an upfront payment of US$200 million on closing of the acquisition of its shares, and thereafter it will make development milestone payments up to US$540 million related to the compounds (BBI608 and BBI503) currently being developed by BBI. Furthermore, after the launch, DSP will also make milestone payments up to US$1,890 million, based on the achievement of various net sales targets with the last milestone being paid upon net sales of greater than US$4 billion in any fiscal year. If additional payment for the acquisition cost occurs as mentioned above, the acquisition cost is revised assuming that the additional payment had been made at the time of acquisition and the Company revises the amount of goodwill and the amortization of goodwill.

(7) Method by which funds for payment procured

Own funds