

Financial Results for FY2005 (ended March 31, 2006)

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FY2005 Update



Financial Highlights

1. Sales and profit growth accelerated substantially through the merger
(Sales and profits also increased on a simple total basis)
2. “Industrial property revenues” now included in “Net sales”
3. Increase of domestic MRs (to 1,500) and a focus on our 4 main products paid off
4. Selling expenses and R&D expenditures below initial budgets
5. Merger-related expenses (systems and office integration) recorded as an extraordinary loss

Financial Highlights for FY05

Billions of Yen

	FY04	FY05			Change	FY05 revised forecast	
	Year ended 3/31/05	6 months ended 9/30/05	6 months ended 3/31/06	Year ended 3/31/06 (A)		As of February 6 (B)	Variance (A - B)
Net sales	173.9	84.7	161.0	245.8	+71.9	246.0	-0.2
Operating income	10.4	9.0	19.9	28.9	+18.5	27.5	+1.4
Recurring income	11.2	8.5	18.8	27.2	+16.0	26.0	+1.2
Net income	6.9	4.0	11.4	15.4	+8.5	14.0	+1.4

The numerical value of Sumitomo Pharmaceuticals Co., Ltd. prior to the merger date is not included in the above.

All values are rounded to the nearest billion yen.

Cost of Sales and Selling, General and Administrative Expenses

Billions of Yen

	FY04		FY05				Change
	Year ended 3/31/05	% of net sales	6 months ended 9/30/05	6 months ended 3/31/06	Year ended 3/31/06	% of net sales	
Net sales	173.9	—	84.7	161.0	245.8	—	+71.9
Cost of Sales	111.1	63.9%	49.6	80.8	130.4	53.1%	+19.3
SG&A expenses	52.4	30.1%	26.2	60.3	86.5	35.2%	+34.1
R&D expenditure	17.4	10.0%	7.8	21.8	29.6	12.1%	+12.2
Operating income	10.4	6.0%	9.0	19.9	28.9	11.8%	+18.5

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

[Comparison of Simple Totals]

Selected Financial Information (Consolidated)

Billions of Yen

	FY04	FY05		Change	
	Year ended 3/31/05	6 months ended 9/30/05	6 months ended 3/31/06		Year ended 3/31/06
Net sales	316.2	157.2	161.0	318.2	+2.0
Operating income	38.4	24.8	19.9	44.7	+6.3
Recurring income	37.8	23.4	18.8	42.2	+4.5
Net income	22.6	13.9	11.4	25.3	+2.6

Domestic Sales of Our 4 Main Products

- Marketing synergy immediately apparent -

	Year ended 3/31/05 results	Year ended 3/31/06 forecast*	Year ended 3/31/06 results	Change	
				Value	Percentage
AMLODIN [®]	52.8	56.7	56.8	+4.0	+7.6%
GASMOTIN [®]	15.0	16.6	16.3	+1.3	+8.7%
PRORENAL [®]	10.0	12.9	12.6	+2.6	+25.8%
MEROPEN [®]	12.8	14.3	14.1	+1.3	+10.4%
Total	90.7	100.5	99.9	+9.2	+10.2%

All values provided are expressed in billions of yen.

*Announced with 3Q results

[Comparison of Simple Totals]

Cost of Sales and Selling, General and Administrative Expenses

Billions of Yen

	FY04		FY05				Change
	Year ended 3/31/05	% of net sales	6 months ended 9/30/05	6 months ended 3/31/06	Year ended 3/31/06	% of net sales	
Net sales	316.2	—	157.2	161.0	318.2	—	+2.0
Cost of Sales	156.0	49.3%	71.3	80.8	152.1	47.8%	-3.9
SG&A expenses	121.9	38.5%	61.1	60.3	121.4	38.2%	-0.5
R&D expenditure	42.7	13.5%	20.0	21.8	41.8	13.1%	-0.9
Operating income	38.4	12.1%	24.8	19.9	44.7	14.0%	+6.3

Non-operating Income and Extraordinary Income

[Comparison of Simple Totals]

Billions of Yen

	FY04	FY05			Change
	Year ended 3/31/05	6 months ended 9/30/05	6 months ended 3/31/06	Year ended 3/31/06	
Operating income	38.4	24.8	19.9	44.7	+6.3
Non-operating income and expenses	-0.6	-1.3	-1.1	-2.5	-1.8
Recurring income	37.8	23.4	18.8	42.2	+4.5
Extraordinary income and expenses	-0.3	-0.8	-0	-0.9	-0.6
Gains on sale of investment securities	2.7		1.9	1.9	-0.8
Gains on sale of property, plant and equipment	0.3		1.8	1.8	+1.5
Gains on transfer of business		4.5		4.5	+4.5
Merger-related expenses	-0.9	-4.5	-3.7	-8.2	-7.3
Losses on enterprise restructuring	-0.8	-1.0		-1.0	-0.2
Other	-1.5	0.2		0.2	+1.7
Income taxes, minority interests	-14.8	-8.7	-7.3	-16.1	-1.3
Net income	22.6	13.9	11.4	25.3	+2.6

Selected FY06 Financial Forecast Information



FY06 Financial Forecast (Consolidated)

Billions of Yen

	FY05	FY06	Change
	Year ended 3/31/06 (simple totals)	Year ending 3/31/07 (forecast)	
Net sales	318.2	260.0	-58.2
Operating income	44.7	41.0	-3.7
Recurring income	42.2	40.0	-2.2
Net income	25.3	21.0	-4.3
R&D expenditure	41.8	42.0	+0.2

Variance Analysis of FY05 with Forward Projections for FY06

Billions of Yen


	Year ended 3/31/06	Year ending 3/31/07 (forecast)	Variance	Descriptions
Net sales	318.2	260.0	-58.2	<p><Negatives></p> <ul style="list-style-type: none"> - Dissolving partnerships, business transfers (Abbott Japan, ASKA Pharmaceutical, Lopemin, Zyrtec, OTC, etc.): Over ¥60 billion in sales lost - NHI drug price revision - Decrease in industrial property revenues (one-off) <p><Positives></p> <ul style="list-style-type: none"> - Growth of sales in our 4 main products and other priority items (including new products)
Gross profit	166.1	159.7	-6.4	<ul style="list-style-type: none"> - Limited impact resulting from dissolved partnerships and business transfers. - Despite efforts to expand the sales of profitable lines, including our 4 main products, so as to cover the sales decrease due to the above "negatives," gross profit will nonetheless decline as a direct result of the decrease in industrial property revenues.
SG&A expenses	121.4	118.7	-2.7	SG&A expenses decreased through the pursuit of synergies in labor costs.
Operating income	44.7	41.0	-3.7	With the completion of several dissolutions of partnerships and business operations, DSP will make a fresh start in FY06, targeting an operating income of ¥41 billion.


In the Pipeline



R & D Pipeline

NDA filed	Phase III	Phase II		Phase I
Fabry's disease SMP-536		Diabetic neuropathy AS-3201 (ranirestat)	Diabetes SMP-508 (repaglinide)	Dementia AC-3933
Schizophrenia AD-5423 (blonanserin)		Hepatocellular carcinoma SM-11355 (miriplatin)	Diabetes SMP-862 (metformin)	Hypercholesterolemia SMP-797
(Parkinson's disease)	(Compensated cirrhosis) SUMIFERON	Schizophrenia SM-13496 (lurasidone)	Anxiety & Depression AC-5216	
zonisamide	(Febrile neutropenia) MEROPEN	Rheumatoid arthritis SMP-114	(Cervical spondylosis) PRORENAL	Over-active bladder syndrome Europe SMP-986
(Intravenous injection) EPHEDRINE NAGAI	(Phase III under preparation) Diabetic neuropathy U.S./ Canada AS-3201 (ranirestat)	(Post-gastrectomy syndrome) GASMOTIN	Dementia U.S. AC-3933	Bronchial asthma U.S. SMP-028
		Europe, U.S. AD-5423 (blonanserin)	Hypercholesterolemia Europe SMP-797	
		Rheumatoid arthritis Europe SMP-114		

 Developed in Japan by DSP (new active ingredient)

 Developed in Japan by DSP (new therapeutic indication)

 Developed in overseas markets by DSP

SMP-028

Generic name:	Not determined
Formulation:	Oral
Origin:	Developed in-house
Target indication:	Bronchial asthma
Properties:	Shows broad inhibitory action against the main inflammatory cells that are involved in the development of bronchial asthma
Domestic development:	Preclinical stage
Overseas development:	Phase I (U.S.)

Progress of the Merger Process



Marketing Synergies (1)

- Organizational -

	Until March 2006	After April 2006
1,500-strong MR Sales Force	Two MRs were assigned to each medical institution for more frequent visits and smoother transfer of site representation	To fully benefit from the merger, a system with one MR per medical institution was introduced, allowing coverage of the entire country with these 1,500 MRs
Therapeutic area-specific MRs	<p>CNS Group established 44 MRs throughout 12 groups → 72 MRs throughout 22 groups</p> <p>Growth Hormone Sales Division established 28 MRs throughout 2 groups → Increase of MRs to 34</p>	
Others	<ul style="list-style-type: none"> - Area marketing managers appointed throughout the country - Instructors appointed throughout the country - Support groups established throughout the country 	

Marketing Synergies (2)

- Four Main Products -

- By fully leveraging the potential of our 1,500 MRs and developing strategic programs for each product, we intend to absorb the impact of NHI drug price revisions, and also achieve continued expansion with integrated sales of ¥105.5 billion in FY06.

	Year ended 3/31/05	Year ended 3/31/06	Year ending 3/31/07 (forecast)
AMLODIN [®]	52.8	56.8	57.0
GASMOTIN [®]	15.0	16.3	20.0
PRORENAL [®]	10.0	12.6	14.5
MEROPEN [®]	12.8	14.1	14.0
Total	90.7	99.9	105.5

➔ To reach over
¥110 billion in
FY07

Domestic sales. All values provided are expressed in billions of yen.

Marketing Synergies (3)

- Four Main Products -

Programs in FY06

- AMLODIN[®]
 - Launch of OD (orally-disintegrating) tablets scheduled for July 2006
- GASMOTIN[®]
 - In accordance with the results of the JMMS (Japan Mosapride Mega-Study) announced this April, gain consumer recognition for FD (functional dyspepsia)
- PRORENAL[®]
 - Increased use of simplified diagnostic support tools
- MEROPEN[®]
 - With wider MR coverage of hospitals, expand sales at hospitals that treat numerous patients with serious infectious diseases

Marketing Synergies (4)

- New Offerings -

July 2005

EBASTEL OD tablets launched

Co-promotion initiated by Dainippon & Sumitomo prior to the merger

January 2006

SEIBULE (miglitol agent for controlling postprandical blood glucose)

Co-promoted by Sanwa Kagaku Kenkyusho

Boosted sales through this collaboration

New offerings scheduled for FY06

AMLODIN[®] OD tablets

AmBisome[®] (SM-26000) Systemic fungal infection drug

SMP-536 Fabry's disease drug

Cost Synergies (1)

	Until March 2006	After April 2006
Labor cost reduction	<ul style="list-style-type: none"> • June 2006 124 applicants for the Re-employment Assistance Program • Further reductions in headcount (including contract staff and part-timers) to an optimal level → Target: over ¥4 billion reduction from the simple total prior to the merger 	
Increased pipeline efficiency	<ul style="list-style-type: none"> • Prioritization of projects by introducing/fully implementing the project system in order to increase efficiency of R&D expenditures • FY07 R&D expenditure: approximately ¥45 billion 	

Cost Synergies (2)

	Until March 2006	After April 2006
Unified procurement	Procurement functions (contacts) unified with Purchasing Dept.	Major reduction in procurement costs via unification → Slash over ¥1 billion
Consolidation of Operations Sites	<ul style="list-style-type: none"> • Head Office, Tokyo Branch Office • Branch offices, sales offices • R&D laboratories 	<ul style="list-style-type: none"> • Consolidation of Development Divisions in Osaka to one site (Esaka) • Closure of Kitahama Office • Consolidate logistics centers (from 4 to 2)
	Save approx. ¥700 million through the consolidation of operations sites	

Synergies in Employee Consciousness

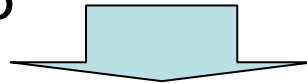
Fostering an enterprising corporate culture

- Determination & pursuit of “best practices,” without influence of the precedents in ones former company
 - Pursuit of what is best for the new company while promoting a spirit of harmonization

- Develop leaders and encourage cross-departmental thinking through promotion of the project system

Details of the FY06 Merger Program

- Merge production, sales, and logistics systems: March 2007
 - Amount invested: approx. ¥3.5 billion
- Merge logistics centers: March 2007
- Unify personnel systems
 - Qualification, merit rating, remuneration, etc.: July 2006
 - Retirement allowance, retirement pension: October 2006



Completion of the Merger Process

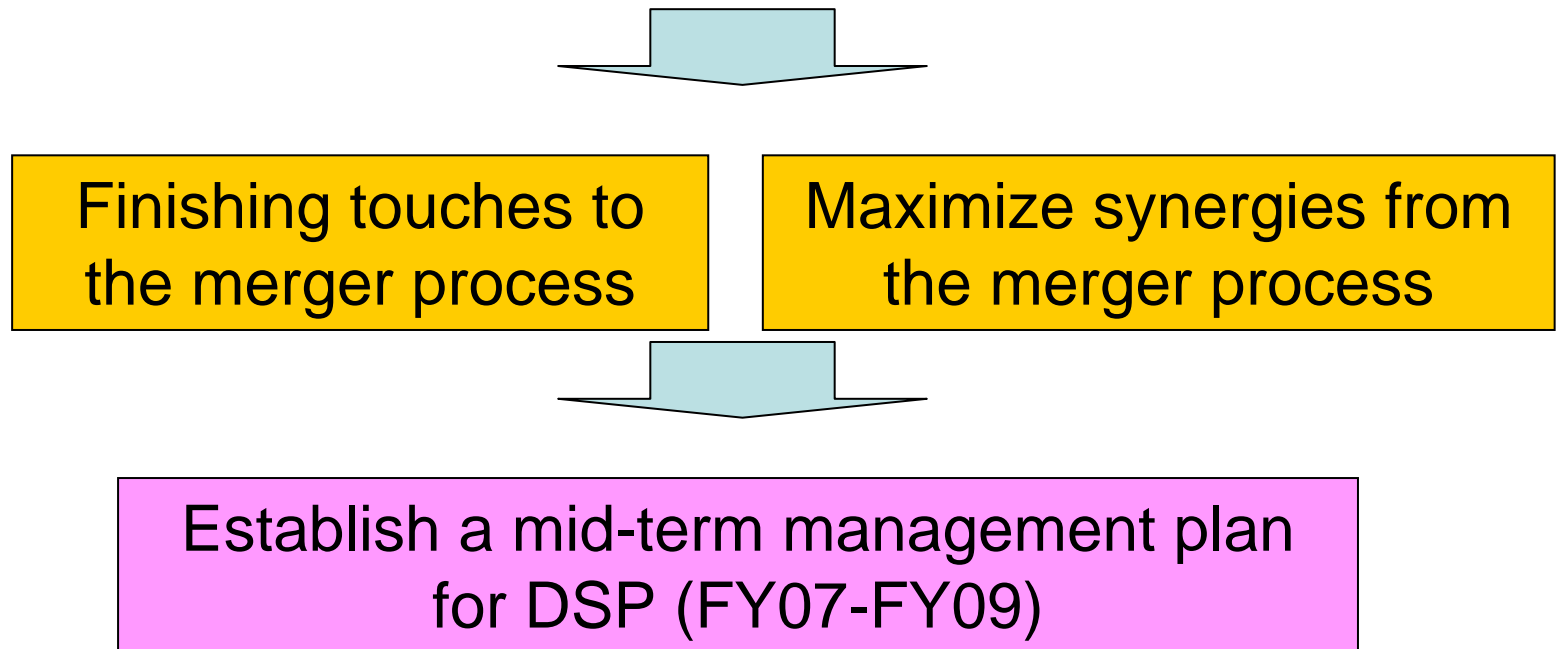
Topics

- Overseas strategy
- Dividend policy
- Lawsuit related to AMLODIN[®]

Summary

Strategic importance of FY06

Operations as a fully integrated company



Disclaimer Regarding Forward-looking Statements

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Actual financial results may differ materially from those presented in this document, being dependent on a number of factors.

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