

# Financial Results for the First Quarter of FY2006

---

July 28, 2006

Dainippon Sumitomo Pharma Co., Ltd.

# Financial Highlights for the First Quarter of FY2006

1. Forecast sales figures were achieved through intensive promotional activities focused on DSP's 4 main products.
2. Selling expenses and R&D expenditure were less than forecast, leading to more than 70% of the forecast Recurring Income for the first half of FY2006 to be realized.
3. Both Net Sales and Net Income decreased on a simple totals basis compared with the corresponding period of the previous year, due to NHI drug price revisions, partnership dissolutions, business transfers and a decrease in industrial property revenues.
4. Extraordinary severance expenses arising from the Re-employment Assistance Plan were accounted for as an extraordinary expense.

# First-Quarter Financial Results for FY2006

Billions of Yen

	First- Quarter FY2005	First- Quarter FY2005 (simple totals)	First- Quarter FY2006	Change	
				Yen Value	Percentage
Net sales	41.8	81.0	65.3	-15.7	-19.4%
Operating income	3.8	14.2	12.2	-2.0	-14.3%
Recurring income	4.1	14.2	12.5	-1.7	-12.3%
First-Quarter Net income	1.9	9.9	5.6	-4.4	-44.1%

- Notes: 1. All values are rounded to the nearest billion yen.  
 2. Simple totals are sums of the results of the First Quarter of FY2005 of the former Dainippon Pharmaceutical Co., Ltd. and the former Sumitomo Pharmaceuticals Co., Ltd.  
 3. Yen Value and Percentage Change show increases or decreases of figures for the First Quarter of FY2006 from those of First Quarter of FY2005 (simple totals).

# First-Quarter Sales Results

Billions of Yen

	First-Quarter FY2005	First-Quarter FY2005 (simple totals)	First-Quarter FY2006	Change	
				Yen Value	Percentage
Net sales	41.8	81.0	65.3	-15.7	-19.4%
Pharmaceuticals	28.9	67.6	51.7	-15.9	-23.6%

## Negatives

- Dissolving partnerships (Abbott Japan, etc.)
- Decrease in industrial property revenues
- NHI drug price revision

## Positives

- Growth of sales in our 4 main products and other priority products

# Sales of DSP's Four Main Products

Billions of Yen

	First-Quarter Results FY2005	First-Quarter Results FY2006	Change	
			Yen Value	Percentage
AMLODIN <sup>®</sup>	14.7	14.0	-0.7	-4.5%
GASMOTIN <sup>®</sup>	3.9	4.5	+0.5	+13.6%
PRORENAL <sup>®</sup>	3.0	3.5	+0.5	+15.0%
MEROPEN <sup>®</sup>	3.5	3.6	+0.1	+4.0%
Total	25.1	25.5	+0.5	+1.9%

# First-Quarter Operating Income

Billions of Yen

	First-Quarter Results FY2005 (simple totals)		First-Quarter Results FY2006		Change
		% of net sales		% of net sales	
Net sales	81.0	—	65.3	—	-15.7
Cost of Sales	37.6	46.4%	24.6	37.7%	-13.0
<b>SG&amp;A expenses</b>	29.2	36.1%	28.5	43.6%	-0.7
R&D expenditure	9.8	12.1%	9.6	14.7%	-0.2
<b>Operating income</b>	14.2	17.6%	12.2	18.7%	-2.0

# Non-Operating Income & Expenses and Extraordinary Income & Expenses

Billions of Yen

	First-Quarter Results FY2005 (simple totals)	First-Quarter Results FY2006	Change
Operating income	14.2	12.2	-2.0
Non-operating income and expenses	-0.0	0.3	+0.3
Recurring income	14.2	12.5	-1.7
Extraordinary income and expenses	3.3	-2.9	-6.2
Additional retirement benefits for employees	—	-2.9	
Gains on transfer of business	4.3	—	
Expense related to merger	-0.9	—	
Income taxes, minority interests	7.6	4.0	-3.6
First-Quarter Net income	9.9	5.6	-4.4

# Financial Forecast for FY2006

Billions of Yen

	FY2005	FY2006	
	Results for Year ended 3/31/06 (simple totals)	Forecast for six months ending 9/30/2006	Forecast for year ending 3/31/2007
<b>Net sales</b>	318.2	127.0	260.0
<b>Operating income</b>	44.7	17.5	41.0
<b>Recurring income</b>	42.2	17.0	40.0
<b>Net income</b>	25.3	7.5	21.0
<b>R&amp;D expenditure</b>	41.8	—	42.0

Note: Forecasts are unchanged from those announced in May 2006



# Clinical Development Progress in the First Quarter

AmBisome (SM-26000): Launched on June 20

Meropen (SM-7338): Phase III trials initiated

Amrubicin hydrochloride: Cabrellis (formerly Conforma) initiated Phase II trials

# Disclaimer Regarding Forward-looking Statements

The statements made in this presentation material are forward-looking statements based on management's assumptions and beliefs in light of information available up to the day of announcement, and involve both known and unknown risks and uncertainties.

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

Information concerning pharmaceuticals (including compounds under development) contained within this material is not intended as advertising or medical advice.