



## Summary of Consolidated Financial Results for the Year Ended March 31, 2010 (Unaudited)

May 10, 2010

Company Name: DAINIPPON SUMITOMO PHARMA CO., LTD.  
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 Stock Exchange Listings: Tokyo, Osaka  
 Security Code number: 4506 ([URL:http://www.ds-pharma.co.jp](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 25, 2010  
 Starting date of dividend payments: June 28, 2010  
 Filing date of Financial Report: June 25, 2010

The accompanying consolidated financial statements are prepared in accordance with Japanese GAAP. Certain accounting principles and practices generally accepted in Japan are different from International Financial Reporting Standards. The translation of consolidated financial statements into English from Japanese is solely for the convenience of readers outside Japan.

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

### 1. Consolidated Financial Results for the Year Ended March 31, 2010 (April 1, 2009 to March 31, 2010)

#### (1) Results of Operations

(% represent 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, 2010	296,261	12.2	35,624	14.3	33,837	7.8	20,958	4.9
Year ended March 31, 2009	264,037	0.0	31,166	(21.7)	31,395	(16.6)	19,987	(21.9)

	Earnings per share	Earnings per share (diluted)	Net income / Shareholders' equity (ROE)	Ordinary income / Total assets	Operating income / Net sales
Year ended March 31, 2010	¥52.75	—	6.3%	6.6%	12.0%
Year ended March 31, 2009	¥50.30	—	6.2%	7.9%	11.8%

Reference: Equity in earnings of non-consolidated subsidiaries and affiliates

Year ended March 31, 2010 : —  
 Year ended March 31, 2009 : —

## (2) Financial Position

(millions of yen)

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share (yen)
As of March 31, 2010	626,743	343,483	54.8%	¥864.51
As of March 31, 2009	391,294	324,495	82.9%	¥816.49

Reference: Shareholders' Equity (millions of yen)

As of March 31, 2010 : 343,483

As of March 31, 2009 : 324,408

## (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, 2010	26,682	(151,838)	131,929	58,139
Year ended March 31, 2009	26,295	(21,266)	(11,844)	49,481

## 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, 2009	—	¥9.00	—	¥9.00	¥18.00	¥7,152	35.8%	2.2%
Year ended March 31, 2010	—	¥9.00	—	¥9.00	¥18.00	¥7,151	34.1%	2.1%
Year ending March 31, 2011 (Forecast)	—	¥9.00	—	¥9.00	¥18.00		—	

## 3. Consolidated Financial Forecast for the Year Ending March 31, 2011 (April 1, 2010 to March 31, 2011)

(% represent 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, 2010	181,500	37.3	3,500	(81.5)	2,000	(89.5)	700	(94.5)	¥1.76
Year ending March 31, 2011	354,000	19.5	3,500	(90.2)	1,000	(97.0)	0	(100.0)	¥0.00

#### 4. Other

(1) Shift of significant subsidiaries during the period (shift of specified subsidiaries accompanied by changes in scope of consolidation) : Yes

- Specified subsidiaries (New : 2 Companies)  
Dainippon Sumitomo Pharma America Holdings, Inc.  
Sepracor Inc.

(2) Changes in accounting principles, procedures, disclosure methods for preparing consolidated financial statements

- ① Changes due to adoption of new accounting standards: Yes
- ② Other changes: Yes

(Note) Refer to **(6) Significant Basic Items for Preparing Consolidated Financial Statements**, on page 28 and **(7) Changes in Significant Basic Items for preparing Consolidated Financial Statements**, on page 31, for details.

(3) Number of shares outstanding (Common stock) at the end of period

① Number of shares outstanding (Including treasury stock)

March 31, 2010 : 397,900,154 shares

March 31, 2009 : 397,900,154 shares

② Number of treasury stock

March 31, 2010 : 584,644 shares

March 31, 2009 : 580,814 shares

**(Reference)**

**1. Non-consolidated Financial Results for the Year Ending March 31, 2010 (April 1, 2009 to March 31, 2010)**

**(1) Results of Operations**

(% represent 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, 2010	248,697	0.1	35,690	16.7	34,426	11.4	20,932	6.1
Year ended March 31, 2009	248,433	0.3	30,582	(22.5)	30,893	(18.7)	19,729	(22.4)

	Earnings per share	Earnings per share (diluted)
Year ended March 31, 2010	¥52.68	—
Year ended March 31, 2009	¥49.65	—

**(2) Financial Position**

(millions of yen)

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share (yen)
As of March 31, 2010	569,445	339,614	59.6%	¥854.77
As of March 31, 2009	387,031	323,038	83.5%	¥813.05

Reference: Shareholders' Equity (millions of yen)

As of March 31, 2010 : 339,614

As of March 31, 2009 : 323,038

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

## 1. Operating Results

### (1) Analysis of Operating Results

#### (i) Overview of overall operating results

*During the current consolidated fiscal year, the Japanese economy has continued to make progress in the face of uncertainty about the future, the lack of a resilient domestic demand required for a self-sustaining economic recovery, and lingering deep-seated concerns about excessive equipment and employment. Nonetheless, signs of partial economic recovery can be seen in demands from overseas countries and economic countermeasures.*

*The situation in the Japanese pharmaceutical industry is becoming increasingly severe, in part due to the increased difficulty in discovering new epoch-making drugs, and in part due to the continuous implementation of various domestic measures aimed at controlling medical costs in the face of the global movement toward drastic reform of healthcare systems.*

*Under such circumstances, the DSP Group has actively engaged in business development based on the understanding that the current consolidated fiscal year is the final year of the first "Mid-Term Business Plan" adopted in February 2007. The major efforts made by the DSP Group during the current consolidated fiscal year included strengthening the domestic revenue base through the propulsion of community-based sales schemes, and enhancement of the central nervous system ("CNS") field, and the like. The DSP Group's major efforts also included the creation of an international operational structure which facilitated the acquisition of Sepracor Inc., a U.S. pharmaceutical company ("Sepracor"), for the early stage launching of Lurasidone (generic name), a schizophrenia drug and maximizing the enterprise value in the United States, while simultaneously establishing a business base in North America. Furthermore, the Company has continued to strive for efficient management by implementing the "Overall Business Results Improvement Project" and endeavoring to further reduce expenses through the concerted efforts of all its departments.*

*With respect to sales activities, the Company has continued its intense concentration of business resources on AMLODIN<sup>®</sup>, a treatment for hypertension and angina pectoris; GASMOTIN<sup>®</sup>, a gastroprokinetic agent; PRORENAL<sup>®</sup>, a vasodilator; and MEROPEN<sup>®</sup>, a carbapenem antibiotic; while simultaneously focusing on the sales expansion of LONASEN<sup>®</sup>, a treatment for schizophrenia; AVAPRO<sup>®</sup>, an anti-hypertension drug; TRERIEF<sup>®</sup>, a treatment for Parkinson's disease; and AmBisome<sup>®</sup>, a therapeutic agent for systemic fungal infections. In addition, in January of this year, the Company launched MIRIPLA<sup>®</sup>, a treatment for hepatocellular carcinoma.*

*Largely due to the foregoing, net sales of the DSP Group for this consolidated fiscal year amounted to 296,261 million yen (a 12.2% increase over the previous consolidated fiscal year). The operating income amounted to 35,624 million yen (a 14.3% increase over the previous consolidated fiscal year), and ordinary income amounted to 33,837 million yen (a 7.8% increase over the previous consolidated fiscal year). In addition, due to the posting of extraordinary losses associated with the revision of the Company's personnel system and the valuation of investment securities, net income for the current fiscal year amounted to 20,958 million yen (a 4.9% increase over the previous consolidated fiscal year).*

(ii) Status of each business segment

**[Pharmaceutical business segment]**

Although the sales of AMLODIN<sup>®</sup> decreased, the sales of GASMOTIN<sup>®</sup>, PRORENAL<sup>®</sup>, AVAPRO<sup>®</sup>, LONASEN<sup>®</sup>, AmBisome<sup>®</sup>, and other drugs increased. In addition, due in part to the contribution made throughout the year by the inclusion of Sumitomo Pharmaceuticals (Suzhou) Co., Ltd., in the consolidation of the current consolidated fiscal year, and in part to the contribution of the fourth quarter results of the Company's U.S. subsidiaries (including Sepracor), the net sales for the pharmaceutical sector amounted to 236,755 million yen (a 14.5% increase over the previous consolidated fiscal year). With respect to the profit of the DSP Group for the current consolidated fiscal year, selling, general and administrative expenses increased due to accounting operation of business combination associated with the acquisition of Sepracor, however, gross profit increased due to the sales increase and improvement of cost-of-sales ratio. As a result of these factors, the DSP Group's operating income attributable to the pharmaceutical business sector amounted to 33,014 million yen (a 10.7% increase over the previous consolidated fiscal year).

**Detail of Accounting for Business Combinations Associated with Acquisition of Sepracor**

Valuations of assets and the impact on the results for this fiscal year associated with acquisition are as follows.

(Millions of dollars)

	Before purchase price allocation	After purchase price allocation	Impact on pretax income	Accounting procedures (Amortization)
Patent rights	—	1,197	67	Amortization years by products
In-process R&D (Intangible Assets)	—	59	—	Capitalize (Amortize after approval)
Inventories	67	144	40	Charge to cost of sales
Deferred tax liabilities (of the above)	—	(485)	—	—
Other assets & liabilities (Net)	633	678	—	—
Goodwill	26	914	10	Amortization for 20 years
Total	726	2,506	116	

**[Other business segments]**

The DSP Group has been marketing veterinary drugs, feed, feed additives, food additives, industrial chemicals, clinical diagnostic products, and machinery and equipment for research and testing. For the current consolidated fiscal year, primarily due to the brisk sales of influenza diagnostic products, the DSP Group's net sales attributable to other business segments amounted to 59,506 million yen (a 4.0% increase over the previous consolidated fiscal year) and operating income amounted to 2,610 million yen (a 96.1% increase over the previous consolidated fiscal year).

(iii) Status of research and development activities

**[Pharmaceutical business segment]**

With respect to the status of research and development activities in the pharmaceutical business, the DSP Group has positioned the CNS field as its key strategic area and is engaged in highly innovative drug discovery that is recognized internationally. The DSP Group's research and development in the foregoing areas have been further reinforced by the acquisition of Sepracor, which has a competitive edge in the CNS field. Furthermore, the DSP Group aims to develop innovative pharmaceutical products by targeting specialty areas, where unmet medical needs are strong and sophisticated expertise is required in the areas of research, development, and marketing. In addition, the DSP Group will also focus on in-licensing of developed products from outside the Group in cooperation with

*Sepracor.*

*In the early research stage, along with implementing measures to increase the efficiency of research and development by taking advantage of genomics, proteomics, metabolomics, and so forth, which are the advanced technologies held by the Company, the DSP Group has proactively promoted the formation of alliances with research institutes, including domestic and foreign universities, and the like, as well as participating in industry-government collaborative projects. In addition, with regard to nucleic acid drugs and antibody drugs, the DSP Group has been conducting research with designated specialized research groups.*

*In late research stages and during development the DSP Group has endeavored to promote and expedite its projects by fostering stronger cooperation between the departments constituting each division through a cross division project system, as well as optimizing the DSP Group's research and development portfolio. In addition, in order to maximize product values, the DSP Group has taken a proactive approach to product life-cycle management with the development of dosage formulations.*

*Currently, the following compounds have entered the clinical trial stage not only in Japan, but in some cases in foreign countries as well: SM-13496 (Lurasidone), a treatment for schizophrenia; AS-3201 (ranirestat), a treatment for diabetic neuropathy; DSP-8153, a treatment for hypertension and angina pectoris; SMP-986, a treatment for overactive bladder syndrome; DSP-3235, a treatment for diabetes; DSP-3025, a treatment for bronchial asthma and allergic rhinitis; SMP-028, a treatment for bronchial asthma; DSP-7238, a treatment for diabetes; DSP-8658, a treatment for diabetes; SEP-227900, a treatment for dementia, pain, and Alzheimer's disease; and SEP-228432, a treatment for attention-deficit hyperactivity disorder.*

*With regard to the status of development progress during the present consolidated fiscal year, approvals were granted for applications in Japan with respect to GASMOTIN<sup>®</sup>, for an additional therapeutic indication as adjunctive treatment to the pretreatment with orally gastrointestinal lavage solution for barium enema X-ray examination in April last year; with respect to AmBisome<sup>®</sup>, for the addition of new fungal species to its antifungal indication and an additional therapeutic indication in June last year; with respect to MIRIPLA<sup>®</sup> for the treatment of hepatocellular carcinoma in October last year; with respect to MEROPEN<sup>®</sup> for the addition of febrile neutropenia as a new indication; and with respect to METGLUCO<sup>®</sup>, as an orally active hypoglycemic agent in January this year. In addition, an application for approval of SMP-508 (repaglinide), a treatment for diabetes, was submitted in September last year.*

*Outside of Japan, the DSP Group is currently engaged in overseas phase III clinical trials for Lurasidone, which are progressing smoothly. The DSP Group submitted an application for approval to the U.S. Food and Drug Administration (the "FDA") in December last year. Currently, the DSP Group continue to be engaged in the third overseas phase III clinical trials for schizophrenia, in a long-term safety trial, and in overseas phase III clinical trials for bipolar disorder. Furthermore, through the acquisition of Sepracor, the drug development pipeline in the United States has been enhanced by STEDESA<sup>™</sup>, a treatment for epilepsy, which is the subject of an application for approval to the FDA; OMNARIS<sup>®</sup> HFA, a treatment for allergic rhinitis; SEP-227900 and SEP-228432. In addition, in China, the DSP Group is currently engaged in phase III clinical trials for the treatment of small cell lung cancer (amrubicin hydrochloride).*

**[Other business segments]**

With regard to veterinary drugs, the DSP Group is focusing on the development of in-house discovered chemical compounds for the treatment of animals. Major products under development include an additional agent for drinking water for the treatment of swine respiratory tract and digestive organ infection, a new formulation of the VICTAS® series, an antibacterial preparation; which is currently under new animal drug applications for approval in Japan. In addition, PRONAMID®, a gastroprokinetic treatment for equine use as the conversion of mosapride citrate for use in animals, is now in the preparatory stage for application, and A-99, a drug for canine idiopathic epilepsy as the conversion of zonisamide for use in animals, is currently in the clinical trial stage. With respect to food additives, the DSP Group is developing products containing natural ingredients, such as polysaccharides (explicitly, the GLYLOID® series, the ECHO GUM® series, and the GELMATE® series), functional ingredients, and the seasoning AJIPOL®. In addition, the DSP Group is actively engaged in the development of potential uses for the sweetener MIRASEE®. With respect to industrial chemicals, the DSP Group is concentrating its efforts on the research and development of polysaccharides (personal care products), the GARO® series (chemicals for electronic materials), and pharmaceutical excipients.

(iv) Forecasts for the year ending March 31, 2011

(millions of Yen)

	Fiscal 2009 Results	Fiscal 2010 Forecasts	Change	Change %
Net sales	296,261	354,000	57,739	19.5
Operating income	35,624	3,500	(32,124)	(90.2)
Ordinary income	33,837	1,000	(32,837)	(97.0)
Net income	20,958	0	(20,958)	(100.0)

<Net sales>

In domestic pharmaceutical business, the Company strives to raise the sales of its strategic products (AVAPRO®, LONASEN® and PRORENAL®) and certain new products, including TRERIEF®, MIRIPLA®, and METGLUCO® mainly, however, due to the impact of the drug price revision in this April, the sales are expected to decrease compared with the fiscal year 2009. On the other hand, because the overseas sales should increase substantially due to the contribution of the whole year sales of the U.S. subsidiaries, total net sales are to increase by 57.7 billion yen, to 354 billion yen.

<Incomes>

Although the Company continues to endeavor for efficient management by reducing expenses, domestic pharmaceutical business is expected to decrease in profit due to the major impact of the drug price revision. In addition, in overseas business, the contribution of the whole year results of the U.S. subsidiaries is a factor of increase in profit, however, a large amount of cost without cash outflow should be charged, which is amortization of patent rights and goodwill associated with accounting operation of business combination.

As the result of these, the Company expects that operating income decrease 32.1 billion yen, to 3.5 billion yen, ordinary income decrease 32.8 billion yen, to 1.0 billion, net income decrease 21.0 billion yen, to 0 billion yen.

<Prior condition>

Foreign currency exchange rate used for the forecasts 1 USD = 90 yen, 1 RMB = 13 yen



## (2) Analysis of Financial Condition

### (i) Analysis of the status of assets, liabilities, net assets, and cash flows

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

##### - Assets

Total assets increased 235,448 million yen from the previous consolidated fiscal year-end to 626,743 million yen because the U.S. subsidiaries, including Sepracor Inc., were newly included in the scope of consolidation. Current assets increased 24,015 million yen from the previous consolidated fiscal year-end, to 287,555 million yen, and fixed assets increased 211,433 million yen from the previous consolidated fiscal year-end to 339,188 million yen, primarily due to the increase in intangible fixed assets through the posting of the patent rights and goodwill associated with the acquisition.

##### - Liabilities

Total liabilities increased 216,460 million yen from the previous consolidated fiscal year-end to 283,259 million yen, primarily due to the borrowing of funds for the purchase.

##### - Net assets

Net assets increased 18,987 million yen from the previous consolidated fiscal year-end to 343,483 million yen as the increase in retained earnings, and valuation, translation adjustments and others. Shareholders' equity ratio as of the present consolidated fiscal year-end amounted to 54.8%.

#### (b) Status of cash flows

##### - Net cash provided by operating activities

Net cash amounted to 26,682 million yen (an increase of 387 million yen compared with the previous consolidated fiscal year) as the amount of net income before taxes and minority interests, depreciation and amortization etc. exceeded the decrease of accounts payable-other and the payment of corporate tax etc.

##### - Net cash used in investing activities

Net cash for investments amounted to -151,838 million yen (a decrease of 130,572 million yen compared with the previous consolidated fiscal year) as the cash outflow primarily due to the expenditures as a result of the acquisition of Sepracor, exceeded the cash inflow mainly due to the proceeds from sales of marketable securities and the decrease in short-term loans.

##### - Net cash used in financing activities

Net cash for financing amounted to 131,929 million yen (an increase of 143,773 million yen compared with the previous consolidated fiscal year) as the cash inflow primarily due to the borrowing of funds to purchase exceeded the cash outflow mainly due to the redemption of bonds and dividends paid. As a result of the foregoing, cash and cash equivalents as of the present consolidated fiscal year-end rose 8,657 million yen compared with the previous consolidated fiscal year, to 58,139 million yen.

#### (Reference) Trend of cash flow indicators

	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009
Shareholders' equity ratio	73.2%	79.8%	79.6%	82.9%	54.8%
Shareholders' equity ratio (market value basis)	132.1%	130.8%	90.6%	83.1%	54.3%
Ratio of interest-bearing debt to cash flow	52.4%	18.1%	17.5%	8.5%	431.2%
Interest coverage ratio [times]	328.8	960.4	748.5	648.1	42.7

*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, 2010.*

#### *(i) 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 in Japan*

*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) Intellectual Property*

*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 company 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 Company 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 Company 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 Company's licenses or other certifications could have a significant and*

*negative impact on the Group's operating results and financial position.*

*(viii) Litigation risk*

*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 Company. 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 Company 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 the acquisition of Sepracor Inc.*

*The acquisition of Sepracor, a U.S. pharmaceutical company, is expected to play an important role in the Group's business expansion in North America; however, there is a possibility that the original business plan cannot be achieved due to the business environment, changes in competitive situation, etc., which could have a significant and negative impact on the Group's operating results and financial position.*

*The DSP Group also faces risks other than those discussed above.*

## **2. Status of Group**

The Group consists of the Company, the parent company, 22 subsidiaries (13 consolidated subsidiaries and 9 non-consolidated subsidiaries), and 6 affiliated companies as of March 31, 2010,

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) Pharmaceutical Business**

*(In Japan) The Company manufactures, purchases, and sells ethical pharmaceuticals. In addition, the Company's affiliate, Kyoto Pharmaceutical Industries, Ltd., manufactures and sells ethical pharmaceuticals and non-prescription drugs.*

*(Outside Japan) Under the initiative of the consolidated subsidiary and holding company, Dainippon Sumitomo Pharma America Holdings, Inc., the consolidated subsidiary, Sepracor Inc., manufactures, purchases, and sells ethical pharmaceutical products in North America. We have acquired Sepracor Inc. in October 2009, and as a result, newly added its seven consolidated subsidiaries, one non-consolidated subsidiary and one affiliated company in the Group. These associated companies manufacture, sell, and develop ethical pharmaceuticals. In addition, the consolidated subsidiary, Dainippon Sumitomo Pharma America, Inc., develops the Company's products in the United States. The company functions as the overseas development base for Lurasidone, a schizophrenia treatment that is expected to be the core product for future overseas expansion. (The company merged with Sepracor Inc. which is a surviving company.) In Europe, a non-consolidated subsidiary, Dainippon Sumitomo Pharma Europe Ltd., develops the Company's products.*

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

### **(2) Other Business**

*(Animal health products)*

*Veterinary medicines are manufactured, purchased and sold by the Company.*

*Feeds and feed additives products are purchased and sold by the Company.*

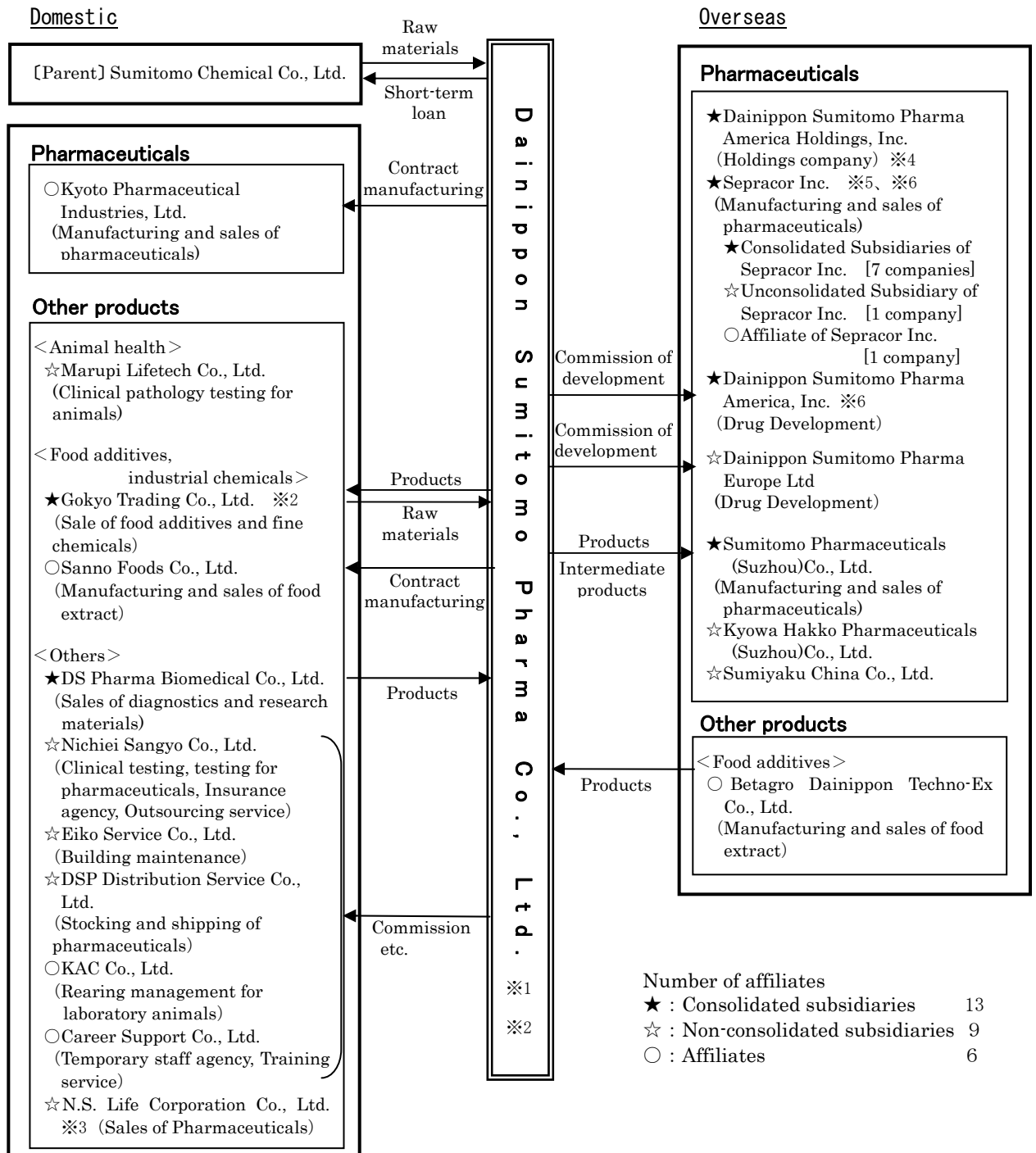
*A non-consolidated subsidiary, Marupi Lifetech Co., Ltd., is engaged in clinical pathology testing operations for animals.*

*(Food additives and industrial chemicals)*

*Food additives and industrial chemicals are manufactured, purchased by the Company, and sold by the Company and a consolidated subsidiary, Gokyo Trading Co., Ltd. Gokyo Trading Co., Ltd., purchases and sells food additives, industrial chemicals, and other chemical products, part of which is supplied to the Company. An affiliated company, Sanno Foods Co., Ltd., manufactures food extract products and provides them to the Company.*

*Outside Japan, in Thailand, an affiliated company, Betagro Dainippon Techno-Ex Co., Ltd., manufactures food extract products and provides them to the Company.*

*(Other) Clinical diagnostic products, machinery and equipment for research and testing, etc., are manufactured, purchased, and sold by the consolidated subsidiary, DS Pharma Biomedical Co., Ltd., from which part of clinical diagnostic products are purchased and sold by the Company. In addition to the above, the Group has four non-consolidated subsidiaries and two affiliated companies that are providing various types of services, such as storage, delivery, clinical lab tests, and examinations and tests of pharmaceutical products etc.*



- ※1: In January this year, we decided to transfer the Company's animal science business to DS Pharma Animal Health Co., Ltd., to be newly set up. The transfer is scheduled to take place in July this year.
- ※2: In January this year, we decided to transfer the Company's food & specialty products business to Gokyo Trading Co., Ltd. The transfer is scheduled to take place in July this year. At the same time, the company's name will be changed to "DSP Gokyo Food & Chemical Co., Ltd."
- ※3: NS Life Corporation Co., Ltd. is a subsidiary company of Nichiei Sangyo Co., Ltd.
- ※4: In July last year, we set up a holding company, Dainippon Sumitomo Pharma America Holdings, Inc., in the United States and made Dainippon Sumitomo Pharma America, Inc., a wholly owned subsidiary thereof.
- ※5: In October last year, we acquired Sepracor Inc. in the United States, and made it a wholly-owned subsidiary of Dainippon Sumitomo Pharma America Holdings, Inc.
- ※6: In April this year, Sepracor Inc. as a surviving company, merged itself and Dainippon Sumitomo Pharma America, Inc.

### **3. Management Policy**

#### **(1) Fundamental Management Policy of the Company**

*We have 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” 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 as the most reliable medical partner and 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**

*The economic circumstances in the pharmaceutical industry have been heavily impacted by, among other things, increased difficulty in drug discovery, increased new drug development expenses, the rapid development of the healthcare system reform in the United States, and, in Japan, the reform of the drug price system in Japan to reduce medical costs, and the push to promote the use of generic products. All of this has led to significant changes in the economic prospects of the pharmaceutical industry.*

*In the face of such a business environment, the Company adopted a “Mid to Long Term Vision” Plan (the “Vision”) in 2007 which set forth principal goals for the Company for the subsequent fifteen years, which would be implemented in accordance with the first 3 year Mid-Term Business Plan (the “First MTBP”) adopted in 2007 and the second five-year Mid-Term Business Plan” (the “Second MTBP”) adopted in 2010. In accordance with the Vision, the Company aims to become an internationally competitive R&D-oriented pharmaceutical company and to have two solid streams of revenue, the first from domestic operations and the second from international operations by 2022. For the next ten years, in defining its corporate identity, the Company has set the targets of “Establishing a solid foundation for our domestic business,” “Expanding our international business operation” and “Enriching our R&D product pipeline to realize the Company’s future Vision”. In order to achieve the goals contained in the Vision, as implemented in accordance with the First MTBP ending in the 2009 fiscal year, the Company worked to upgrade and strengthen its business platform for globalization and submitted a New Drug Application (NDA) to the FDA in the U.S. ahead of schedule for Lurasidone, an investigational agent for schizophrenia being developed globally. In addition, the Company made significant advances in its globalization by its acquisition of Sepracor, thereby establishing and expanding its business platform and R&D facilities in North America.*

*Based on the progress made under the First MTBP, the Company adopted the Second MTBP starting with fiscal year 2010, which was announced in February 2010. In the Second MTBP, the Company has characterized this subsequent five-year period as one of creation and transformation toward a new stage of globalization, and will strive to achieve the Vision, proceeding to a new stage by raising its creative capabilities and further transforming itself into a global player. The following five goals were established as basic policies of the Second MTBP:*

##### *(i) Transforming the revenue source structure in Japan*

*The DSP Group will work to increase the sales ratio of new drugs through encouraging increased in-house inventorship, in-licensing and alliances. The DSP Group aims to maximize earnings by positioning cardiovascular/diabetes, central nervous system (CNS) and cancer/infectious diseases as the key marketing areas, and by concentrating its business resources on certain strategic products*

(AVAPRO<sup>®</sup>, LONASEN<sup>®</sup> and PRORENAL<sup>®</sup>), and certain new products, including TRERIEF<sup>®</sup>, MIRIPLA<sup>®</sup> and METGLUCO<sup>®</sup>.

*(ii) Expanding overseas operations and maximizing earnings*

The DSP Group aims to raise overseas sales to 50% of total net sales for the fiscal year 2014 by maximizing sales of new drugs such as Lurasidone and STEDESA<sup>™</sup> (eslicarbazepine acetate), (which are both currently under FDA review), through Sepracor-centered business expansion in North America. In China, the DSP Group aims for sales of 10.0 billion yen in fiscal year 2014 through business expansion, including the introduction of new drugs. In addition, the DSP Group will enter and expand its operations in the EU and other regions.

*(iii) Expanding the pipeline for continuous new drug creation*

The DSP Group aims to produce innovative new drugs in the CNS field, which has been designated as the key therapeutic area, and the specialty area, designated as a frontier therapeutic area. In addition, the DSP Group will make priority investments in the next strategic drug candidates with its basic strategy for global development and promotion of alliances and in-licensing through strategic investment.

*(iv) Promoting Corporate Social Responsibility (CSR) management and continuous increase management efficiency.*

The DSP Group will continue to promote CSR management, including inter-company governance on a global basis. In addition, the DSP Group will work to improve management efficiency through innovative streamlining efforts and encouragement of self-initiative and innovative creativity.

*(v) Establish a proactive corporate culture and cultivation of human resources*

The DSP Group will work to encourage self-initiative and innovative creativity, establish a proactive energetic corporate culture, cultivate and energize diverse human resources.

Through implementation of the goals discussed above, the DSP Group aims to achieve net sales of 440 billion yen and operating income of 70 billion yen in the fiscal year ended March 2015 as the management goals of the Second MTBP.

The DSP Group anticipates that in the current fiscal year, profits may be under pressure, primarily due to the impact of the drug price revision of pharmaceutical products in Japan, as well as the depreciation of the patent rights and goodwill associated with acquisition of Sepracor. The DSP Group regards the current fiscal year, the initial year of the Second MTBP, as an extremely significant year. During the current fiscal year, the DSP Group anticipates conducting its business activities in a manner calculated to implement the five goals of the Vision.

*(i) Transform the revenue source structure in Japan*

The DSP Group aims to achieve its sales goals by establishing the customer-oriented marketing methods through marketing activities that meet increasingly sophisticated customer needs, and by concentrating its business resources on its strategic products (AVAPRO<sup>®</sup>, LONASEN<sup>®</sup> and PRORENAL<sup>®</sup>) and certain new products, including TRERIEF<sup>®</sup>, MIRIPLA<sup>®</sup>, and METGLUCO<sup>®</sup>. In addition, the DSP Group will work to transform the revenue source structure of its pharmaceutical business in Japan by establishing and promoting the "Regional Division System", which was created in the fiscal year 2009 to promote community-based sales activities and facilitate decision-making through delegation of certain decision-making authority to the local level, and by further promoting management efficiency and the like.

*(ii) Expanding overseas operations and maximizing earnings*

The DSP Group will work to achieve its performance targets by ensuring smooth business management through close collaboration with respective regional subsidiaries, and by pursuing further enhancement of management efficiency. In the United States, the DSP Group will make it a top priority to establish the sales system for maximization of sales at an early stage centered on Sepracor so that the approval can be obtained for the DSP Group's global strategic product, Lurasidone, and so that it



can be launched by the end of the Current Term. In China, in light of the ever-growing Chinese pharmaceuticals market, the DSP Group will increase the number of sales representatives of Sumitomo Pharmaceuticals (Suzhou) Co., Ltd. and strive for further sales volume.

*(iii) Expanding the drug pipeline*

In research and development activities, the DSP Group aims to continue creating internationally competitive products by concentrating its resources on the CNS field, which has been designated as the key therapeutic area, and the specialty area, designated as the frontier therapeutic field. In addition, portfolio management will be implemented throughout the DSP Group, including Sepracor. In the meantime, the DSP Group will work to proactively address in-licensing of 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, and address in-licensing and alliances for expansion of the drug pipeline.

*(iv) Promoting continuous increases in management efficiency*

The DSP Group will work to ensure low-cost management through innovative streamlining efforts and encouragement of self-initiative and innovative creativity to enhance the profit-earning capacity of the DSP Group.

The Company will strive to promote "Creativity" and "Transformation" for a new stage by the concerted effort of all the entire DSP Group to achieve the goals set out in the Second MTBP, and further accomplish the Vision.

**(3) Other: Significant Matters Management Issues**

*(Lawsuits)*

- (i) An appeal filed on April 6, 2009 by Wakunaga Pharmaceutical Co., Ltd. ("Wakunaga") to the Japanese Supreme Court, of a judgment rendered by the Osaka High Court in favor of the Company on March 24, 2009, involving litigation between Wakunaga and the Company arising from the termination of a license agreement between Wakunaga and the Company concerning the new compound quinolone, was rejected by the Japanese Supreme Court on April 22, 2010. As a result, the judgment of the Osaka High Court in favor of the Company was confirmed, and the litigation has been completed.*
- (ii) In April 2007, Dey, L.P. and Dey, Inc. (together, "Dey") filed a lawsuit in the U.S. District Court for the Southern District of New York against Sepracor, alleging that the manufacture and sale of BROVANA® Inhalation Solution infringes or will induce infringement of a single United States patent owned by Dey. Sepracor is currently litigating this matter.*

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2009	As of March 31, 2010
<b>Assets</b>		
Current assets:		
Cash and time deposits	21,990	13,823
Notes and accounts receivable	79,759	93,961
Marketable securities	34,500	51,184
Merchandise and finished goods	39,674	46,707
Work-in-process	2,934	3,348
Raw materials and supplies	11,901	15,174
Deferred tax assets	17,129	32,447
Short-term loans	50,000	25,000
Others	6,044	6,079
Allowance for doubtful receivables	(394)	(172)
Total current assets	263,539	287,555
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	83,820	89,108
Accumulated depreciation and impairment loss	(44,329)	(46,125)
Buildings and structures, net	39,490	42,983
Machinery, equipment and carriers	70,438	74,327
Accumulated depreciation and impairment loss	(59,390)	(61,566)
Machinery, equipment and carriers, net	11,048	12,761
Land	9,975	10,332
Construction in progress	4,024	2,691
Others	24,586	26,865
Accumulated depreciation and impairment loss	(20,021)	(21,549)
Others, net	4,565	5,315
Total property, plant and equipment	69,104	74,083
Intangible assets		
Goodwill	—	83,564
Patent rights	—	104,018
Others	6,407	11,899
Total Intangible assets	6,407	199,482
Investments and other assets:		
Investment securities	*1,*2 33,982	*1,*2 53,171
Deferred tax assets	3,744	2,389
Others	*2 14,617	*2 10,158
Allowance for doubtful receivables	(102)	(97)
Total investments and other assets	52,242	65,621
Fixed assets	127,754	339,188
Total assets	391,294	626,743

	(Millions of yen)	
	As of March 31, 2009	As of March 31, 2010
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable	*1 18,523	*1 16,878
Short-term loans payable	—	165,800
Income taxes payable	6,298	8,571
Reserve for bonuses	8,120	7,408
Reserve for sales returns	96	2,700
Reserve for sales rebates	412	15,709
Accounts payable-other	—	33,395
Others	19,897	14,536
Total current liabilities	<u>53,349</u>	<u>264,999</u>
Long-term liabilities:		
Liability for retirement benefits	9,253	9,797
Liability for directors' retirement benefits	42	50
Others	4,153	8,412
Total long-term liabilities	<u>13,449</u>	<u>18,260</u>
Total liabilities	<u>66,799</u>	<u>283,259</u>
<b>Net assets</b>		
Shareholders' equity:		
Common stock	22,400	22,400
Capital surplus	15,860	15,860
Retained earnings	281,628	294,701
Treasury stock	(643)	(646)
Total shareholders' equity	<u>319,245</u>	<u>332,315</u>
Valuation, translation adjustments and others:		
Unrealized gains on available-for-sale securities, net of tax	5,162	7,945
Foreign currency translation adjustment	—	3,222
Total valuation, translation adjustments and others	<u>5,162</u>	<u>11,167</u>
Minority interests	87	—
Total net assets	<u>324,495</u>	<u>343,483</u>
Total liabilities and net assets	<u>391,294</u>	<u>626,743</u>

## (2) Consolidated Statements of Income

	(Millions of yen)			
	Year ended March 31, 2009		Year ended March 31, 2010	
Net sales		264,037		296,261
Cost of sales	*1	103,765	*1	112,297
Gross profit		160,271		183,964
Reversal of reserve for sales returns		23		34
Gross profit-net		160,295		183,998
Selling, general and administrative expenses				
Provision for allowance for doubtful receivables		95		14
Salaries		16,581		20,647
Provision for reserve for bonuses		5,143		4,832
Provision for liability for directors' retirement benefits		10		12
Research and development costs	*2	52,818	*2	51,371
Others		54,479		71,496
Total selling, general and administrative expenses		129,129		148,374
Operating income		31,166		35,624
Non-operating income				
Interest income		974		635
Dividend income		736		592
Real estate rent		—		226
Reversal of allowance for doubtful accounts		—		234
Others		1,259		563
Total non-operating income		2,970		2,251
Non-operating expenses				
Interest expense		93		1,016
Contribution		1,836		1,767
Loss on disposal of fixed assets		446		472
Others		364		782
Total non-operating expenses		2,741		4,039
Ordinary income		31,395		33,837
Extraordinary income				
Reversal of reserve for loss on litigation	*3	1,054		—
Total extraordinary income		1,054		—
Extraordinary loss				
Compensation for revision of personnel system		—	*3	1,570
Loss on valuation of investment securities		281		843
Total extraordinary loss		281		2,413
Income before income taxes and minority interests		32,168		31,423
Income taxes-current		14,090		13,999
Income taxes-deferred		(1,921)		(3,540)
Income taxes		12,169		10,458
Minority interests in net income		11		6
Net income		19,987		20,958

### (3) Consolidated Statements of Changes in Net Assets

	(Millions of yen)	
	Year ended March 31, 2009	Year ended March 31, 2010
<b>Shareholders' equity</b>		
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	268,800	281,628
Changes in items during the period		
Cash dividends	(7,153)	(7,151)
Net income	19,987	20,958
Sales of treasury stock	(6)	(0)
Changes in scope of consolidation	—	(733)
Total changes in items during the period	12,828	13,073
Balance at the end of current period	281,628	294,701
Treasury stock		
Balance at the end of previous period	(557)	(643)
Changes in items during the period		
Purchases of treasury stock	(108)	(3)
Sales of treasury stock	22	0
Total changes in items during the period	(85)	(3)
Balance at the end of current period	(643)	(646)
Total shareholders' equity		
Balance at the end of previous period	306,503	319,245
Changes in items during the period		
Cash dividends	(7,153)	(7,151)
Net income	19,987	20,958
Purchases of treasury stock	(108)	(3)
Sales of treasury stock	16	0
Changes in scope of consolidation	—	(733)
Total changes in items during the period	12,742	13,069
Balance at the end of current period	319,245	332,315

	Year ended March 31, 2009	Year ended March 31, 2010
Valuation, translation adjustments and others		
Unrealized gains on available-for-sale securities		
Balance at the end of previous period	11,690	5,162
Changes in items during the period		
Net changes in items other than shareholders' equity	(6,528)	2,782
Total changes in items during the period	(6,528)	2,782
Balance at the end of current period	5,162	7,945
Foreign currency translation adjustment		
Balance at the end of previous period	—	—
Changes in items during the period		
Net changes in items other than shareholders' equity	—	3,222
Total changes in items during the period	—	3,222
Balance at the end of current period	—	3,222
Total valuation, translation adjustments and others		
Balance at the end of previous period	11,690	5,162
Changes in items during the period		
Net changes in items other than shareholders' equity	(6,528)	6,005
Total changes in items during the period	(6,528)	6,005
Balance at the end of current period	5,162	11,167
Minority interests		
Balance at the end of previous period	83	87
Changes in items during the period		
Net changes in items other than shareholders' equity	4	(87)
Total changes in items during the period	4	(87)
Balance at the end of current period	87	—
Total net assets		
Balance at the end of previous period	318,277	324,495
Changes in items during the period		
Cash dividends	(7,153)	(7,151)
Net income	19,987	20,958
Purchases of treasury stock	(108)	(3)
Sales of treasury stock	16	0
Changes in scope of consolidation	—	(733)
Net changes in items other than shareholders' equity	(6,524)	5,917
Total changes in items during the period	6,217	18,987
Balance at the end of current period	324,495	343,483

**(4) Consolidated Statements of Cash Flows**

	(Millions of yen)			
	Year ended March 31, 2009		Year ended March 31, 2010	
Net cash provided by operating activities:				
Income before income taxes and minority interests		32,168		31,423
Depreciation and amortization	*1	11,455	*1	17,782
Amortization of goodwill		—		866
Provision for liability for retirement benefits, less payments		323		1,526
Reversal of reserve for loss on litigation		(1,054)		—
Provision for other liabilities		(269)		(2,957)
Interest and dividend income		(1,711)		(1,228)
Interest expense		93		1,016
Loss (gain) on valuation of investment securities		281		843
Loss on disposal of property, plant and equipment		256		230
Decrease (increase) in notes and accounts receivable		6,604		1,805
Decrease (increase) in inventories		(5,986)		2,871
Increase (decrease) in notes and accounts payable		2,024		(1,722)
Increase (decrease) in accounts payable-other		—		(13,093)
Other-net		(843)		(1,453)
Subtotal		<u>43,341</u>		<u>37,912</u>
Interest and dividend received		1,617		1,462
Interest paid		(69)		(921)
Income taxes paid		(18,594)		(11,770)
Net cash provided by operating activities		<u>26,295</u>		<u>26,682</u>
Net cash used in investing activities:				
Increase in time deposits		(1,000)		—
Decrease in time deposits		12,000		5,000
Purchases of marketable securities		(1,501)		(757)
Proceeds from sales of marketable securities		2,000		19,432
Proceeds from redemption of marketable securities		—		6,128
Purchases of property, plant and equipment		(13,625)		(5,240)
Purchases of intangible assets		(3,211)		(889)
Purchases of investment securities		(3,956)		(1,078)
Proceeds from redemption of investment securities		—		2,006
Payments for investments in capital		(2,009)		—
Decrease (increase) in short-term loans receivable		(10,000)		25,000
Purchase of investments in subsidiaries resulting in change in scope of consolidation		—		(200,649)
Other-net		38		(790)
Net cash used in investing activities		<u>(21,266)</u>		<u>(151,838)</u>
Net cash used in financing activities:				
Net increase (decrease) in short-term loans payable		—		164,900
Redemption of bonds		—		(25,795)
Repayment of long-term debt		(4,600)		—
Net decrease (increase) in treasury stock		(92)		(3)
Dividends paid		(7,150)		(7,149)
Dividends paid to minority shareholders		(0)		(0)
Other-net		—		(21)
Net cash used in financing activities		<u>(11,844)</u>		<u>131,929</u>
Effect of exchange rate changes on cash and cash equivalents		37		429
Net increase (decrease) in cash and cash equivalents		<u>(6,777)</u>		<u>7,203</u>
Cash and cash equivalents at the beginning of period		56,259		49,481
Increase in cash and cash equivalents related to change in scope of consolidation		—		1,454
Cash and cash equivalents at the end of period	*2	<u>49,481</u>	*2	<u>58,139</u>

**(5) Notes on Premise of Going Concern**

Not applicable.

**(6) Significant Basic Items for Preparing Consolidated Financial Statements**

	Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)	Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)
1 Scope of consolidation	<p>Of our 12 subsidiaries, 2 companies - Gokyo Trading Co., Ltd., and DS Pharma Biomedical Co., Ltd., - are consolidated subsidiaries.</p> <p>As they are small companies and as their exclusion from the scope of consolidation would not have a material impact on our consolidated financial statements, our 10 non-consolidated companies have been excluded from the scope of consolidation.</p>	<p>Of our 22 subsidiaries, 13 companies are consolidated subsidiaries. The names of the major consolidated subsidiaries are omitted as they are set out in the "2. Status of the group."</p> <p>As a result of the acquisition of Sepracor Inc., its 7 subsidiaries and the 2 U.S. subsidiaries that were previously non-consolidated are newly consolidated. In addition, Sumitomo Pharmaceuticals (Suzhou) Co., Ltd., is included in the scope of consolidation as its importance has increased. Our 9 non-consolidated companies have been excluded from the scope of consolidation because they are small companies and their exclusion would not have a material impact on our consolidated financial statements.</p>
2 Application of the equity method	<p>As their exclusion from the scope of the application of the equity method would not have a material impact on our consolidated financial statements, our 10 non-consolidated companies and 5 affiliated companies have been excluded from the scope of the application of the equity method.</p>	<p>As their exclusion from the scope of the application of the equity method would not have a material impact on our consolidated financial statements, our 9 non-consolidated companies and 5 affiliated companies have been excluded from the scope of the application of the equity method.</p> <p>In addition, as a result of the acquisition of Sepracor Inc., one of its affiliated companies has become the Company's affiliated company. It is evaluated by adopting the fair value option of the U.S. GAAP.</p>
3 Fiscal year of consolidated subsidiaries	—	<p>There are 11 consolidated overseas subsidiaries. All of fiscal year-end of the 11 companies are December 31, and the Company uses the financial statements as of December 31 in preparing the Company's consolidated financial statements. For significant transactions occurred during the period between the fiscal year-end and March 31, necessary adjustments have been made for the consolidated financial statements.</p>



	<i>Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)</i>	<i>Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)</i>
<i>4 Accounting policies and methods</i>	<p><i>(1) Valuation standards and methods of significant assets</i></p> <p><i>(i) Securities</i></p> <p style="padding-left: 20px;"><i>Held-to-maturity securities</i> <i>Amortized cost method (straight-line method)</i></p> <p style="padding-left: 20px;"><i>Available-for-sale securities</i> <i>With market values</i> <i>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 according to the moving-average method.)</i></p> <p style="padding-left: 20px;"><i>Without market values</i> <i>Cost method based on the moving-average method</i></p> <p><i>(ii) Inventories</i></p> <p style="padding-left: 20px;"><i>Inventories held for sale in the regular course of business</i> <i>Weighted average cost method (Book values have been calculated according to the lower of cost or market method based on decreased profitability)</i></p> <p><i>(Change in accounting policies)</i> <i>As from this consolidated fiscal year, we have adopted the "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan Statement No. 9, promulgated on July 5, 2006). Consequently, operating income has been reduced by 1,393 million yen and ordinary income and current term net income before taxes have each been reduced by 649 million yen respectively.</i></p>	<p><i>(1) Valuation standards and methods of significant assets</i></p> <p><i>(i) Securities</i></p> <p style="padding-left: 20px;"><i>Held-to-maturity securities</i> <i>Same as on the left</i></p> <p style="padding-left: 20px;"><i>Available-for-sale securities</i> <i>With market values</i> <i>Same as on the left</i></p> <p style="padding-left: 20px;"><i>Without market values</i> <i>Same as on the left</i></p> <p><i>(ii) Inventories</i></p> <p style="padding-left: 20px;"><i>Inventories held for sale in the regular course of business</i> <i>Weighted average cost method (Book values have been calculated according to the lower of cost or market method based on decreased profitability) Certain consolidated subsidiaries are subject to the lower of cost or market method based on the FIFO (first-in, first-out) method.</i></p>

	Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)	Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)
	<p>(2) Depreciation and amortization of significant depreciable assets</p> <p>(i) Property, plant and equipment                      Buildings: straight-line method                      Other tangible fixed assets:                          declining-balance method                      The useful life of each asset is as follows:                      Buildings and structures:                     3 to 60 years                      Machinery, equipment and carriers:             2 to 17 years</p> <p>(Additional information)                      Prompted by revisions to the Corporation Tax Law enacted in 2008, we revised the useful life of each tangible fixed asset this consolidated fiscal year to the useful life based on the revised Corporation Tax Law.                      The above change will have a minor impact on results.</p> <p>(ii) Intangible assets                      Straight-line method                      The software for internal use has been amortized, by the straight-line method based on the internally usable period (5 years.)</p>	<p>(2) Depreciation and amortization of significant depreciable assets</p> <p>(i) Tangible fixed assets (excluding lease assets)                      Buildings: straight-line method                      Other tangible fixed assets:                          declining-balance method                      As certain subsidiaries, all tangible fixed assets are depreciated according to the straight-line method.                      The useful life of each asset is as follows:                      Buildings and structures:                     3 to 60 years                      Machinery, equipment and carriers:             2 to 17 years</p> <p>(ii) Intangible assets (excluding lease assets)                      Straight-line method                      The useful life of each asset is as follows:                      Software for internal use:                          Internally usable period (5 years)                      Patent rights:   1 to 10 years</p> <p>(iii) Lease assets                      Lease assets related to finance lease transactions do not transfer ownership                      Straight-line method where the lease period is taken as the useful life and the residual value should be zero.                      Among finance lease transactions do not transfer ownership, those that started on or prior to March 31, 2008, are accounted for in the same manner as ordinary operating lease transactions.</p>

	Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)	Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)
	<p>(3) Standards for posting important reserves</p> <p>(i) Allowance for doubtful receivables                      In order to provide for losses arising from uncollectable notes receivable and other bad debts, we accrue provisions for the amounts that we estimate will be unrecoverable, by use of the loan loss ratio for general claims, or by way of investigating the collectability on an individual basis of particular loans, such as those with higher probability of default.</p> <p>(ii) Reserve for bonuses                      In order to provide for the payment of employee bonuses, the amounts that we estimate will be paid are accrued.</p> <p>(iii) Reserve for sales returns (the Company)                      In order to provide for losses from returned products, the sales profits corresponding to all of the expected products returned are accrued.</p> <p>(iv) Reserve for sales rebates (the Company)                      In order to provide for the disbursement of sales rebates to wholesalers, amounts calculated according to the following standards are accrued:</p> <p>(a) The sales rebate as calculated based on the sales performance of wholesalers equals the wholesale inventory as of the end of the consolidated fiscal year multiplied by the rebate rate.</p> <p>(b) The sales rebate as calculated based on the amount of accounts receivable collected equals the applicable amount of accounts receivable as of the end of the consolidated fiscal year multiplied by the rebate rate.</p>	<p>(3) Standards for posting important reserves</p> <p>(i) Allowance for doubtful receivables                      Same as on the left</p> <p>(ii) Reserve for bonuses                      Same as on the left</p> <p>(iii) Reserve for sales returns                      In order to provide for losses from returned products, the sales profits corresponding to all of the expected products returned are accrued. In certain consolidated subsidiaries, in order to provide for losses from returned products, the estimated losses corresponding to all of the expected products returned are accrued.</p> <p>(iv) Reserve for sales rebates                      In order to provide for the disbursement of sales rebates to public programs, wholesalers, other contracts, etc., the estimated amount thereof is accrued.</p>

	Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)	Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)
	<p>(v) <i>Liability for retirement benefits</i>  <i>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.</i>  <i>Unrealized prior service cost is treated as an expense and recognized according to the straight-line method based on a specific number of years (fifteen years) within the average remaining service years of employees when incurred.</i>  <i>Unrealized actuarial gains and losses are treated as an expense and recognized from the following consolidated fiscal year according to the straight-line method based on a specific number of years (fifteen years) within the average remaining service years of employees when incurred.</i></p>	<p>(v) <i>Liability for retirement benefits</i>  <i>Same as on the left</i></p> <p>(Change in accounting policies)  <i>We have adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)," (Accounting Standards Board of Japan Statement No.19, July 31, 2008) from this consolidated fiscal year.</i>  <i>This change will have no impact on income.</i></p>
	<p>(vi) <i>Liability for directors' retirement benefits</i>  <i>Prescribed amounts as calculated pursuant to internal rules are accrued by consolidated subsidiaries at the end of the consolidated fiscal year in order to provide for directors' retirement benefits.</i></p>	<p>(vi) <i>Liability for directors' retirement benefits</i>  <i>Prescribed amounts as calculated pursuant to internal rules are accrued by certain consolidated subsidiaries at the end of the consolidated fiscal year in order to provide for directors' retirement benefits.</i></p>

	Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)	Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)
	<p style="text-align: center;">—</p> <p>(4) Important hedge accounting</p> <p>(i) Hedge accounting method                      Foreign exchange forward contracts for foreign currency transactions at our consolidated subsidiaries are subject to a method whereby gains and losses on foreign monetary rights or obligations are recognized at a preset price as the contracts satisfy the conditions.</p> <p>(ii) Hedging instruments and hedged items</p> <ul style="list-style-type: none"> <li>- Hedging instruments                      Foreign exchange forward contracts.</li> <li>- Hedged items                      Monetary assets and liabilities denominated in foreign currencies</li> </ul> <p>(iii) Hedging policy                      Foreign exchange forward contracts are concluded pursuant to internal regulations at consolidated subsidiaries in order to hedge foreign currency risks associated with importing and exporting transactions.</p>	<p>(4) Foreign currency translation                      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 and foreign exchange gain or loss 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.</p> <p>(5) Important hedge accounting</p> <p>(i) Hedge accounting method                      In principle, the deferred hedge accounting is adopted. Foreign exchange forward contracts are subject to a method whereby gains and losses on foreign monetary rights or obligations are recognized at a preset price as the contracts satisfy the conditions.</p> <p>(ii) Hedging instruments and hedged items</p> <ul style="list-style-type: none"> <li>- Hedging instruments                      Foreign exchange forward contracts.</li> <li>- Hedged items                      Monetary assets and liabilities denominated in foreign currencies and anticipated transactions denominated in foreign currencies.</li> </ul> <p>(iii) Hedging policy                      Foreign exchange forward contracts are concluded pursuant to internal regulations in order to hedge foreign currency risks.</p>

	Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)	Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)
	<p>(iv) Method of evaluating the effectiveness of hedges As foreign exchange forward contracts are subject to a method whereby gains and losses on foreign monetary rights or obligations are recognized at a preset price, the effectiveness of such contracts has not been evaluated.</p> <p>(5) Other significant accounting policies Accounting for consumption taxes Consumption taxes are subject to the net of tax method.</p>	<p>(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, as important conditions for hedged items and hedging instruments are the same, the effectiveness of such contracts has not been evaluated.</p> <p>(6) Other significant accounting policies Accounting for consumption taxes Same as on the left</p>
5 Valuation of the assets and liabilities of consolidated subsidiaries	The assets and liabilities of consolidated subsidiaries are valued based on full market value method.	Same as on the left
6 Amortization of goodwill and negative goodwill	Goodwill accrued in connection with capital transactions in the consolidated financial statements is included in retained earnings by amortizing it over a period of five years from the date of accrual on a straight-line basis. In addition, where the amount of goodwill is immaterial, it is charged against income in the period when it is accrued.	Goodwill accrued with the acquisition of Sepracor Inc. has been amortized on a straight-line basis over a period of (20 years) during which the effect thereof is expected to develop.
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.	Same as on the left

**(7) Changes in Significant Basic Items for Preparing Consolidated Financial Statements**

*Changes in accounting policies*

Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)	Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)
<p><i>(Accounting Standards for lease transactions)</i>                      While finance lease transactions not entailing the transfer of ownership had previously been subject to accounting procedures in accordance with a method applicable to ordinary lease transactions, the “Accounting Standards for Lease Transactions” (Accounting Standards Board of Japan Statement No. 13 (June 17, 1993 (Business Accounting Council Sectional Meeting No. 1), revised March 30, 2007) and the “Implementation Guidance for the Accounting Standards for Lease Transactions” (Implementation Guidance No. 16 of Accounting Standards Board of Japan Statement (January 18, 1994 (Japanese Institute of Certified Public Accountants Accounting System Committee), revised March 30, 2007)) were put into effect this consolidated fiscal year, such that said transactions are now subject to accounting procedures in accordance with a method applicable to ordinary sales transactions. In addition, finance lease transactions not entailing the transfer of ownership and whose lease transaction commencement date falls on or prior to March 31, 2008, shall continue to be subject to accounting procedures in accordance with a method applicable to ordinary lease transactions. The above points have had no impact on income.</p>	<p><i>(Application of accounting standards etc. for business combination)</i>                      With regard to the “Accounting Standards for Business Combination” (Accounting Standards Board of Japan Statement No. 21 dated December 26, 2008), the “Accounting Standards for Consolidated Financial Statements” (Accounting Standards Board of Japan Statement No. 22 dated December 26, 2008), the “Partial Amendment of the Accounting Standards for Research &amp; Development Expenses etc.” (Accounting Standards Board of Japan Statement No. 23 dated December 26, 2008), the “Accounting Standards for Business Divestiture etc.” (Accounting Standards Board of Japan Statement No. 7 dated December 26, 2008), the “Accounting Standards for the Equity Method” (Accounting Standards Board of Japan Statement No. 16 promulgated on December 26, 2008), and the “Accounting Standards for Business Combination and the Implementation Guidance for the Accounting Standards for Business Divestiture etc.” (Implementation Guidance No. 10 of Accounting Standards Board of Japan Statement dated December 26, 2008), as all these standards have become applicable to business combinations, business divestitures, etc., implemented for the first time in the consolidated fiscal year that commences on or after April 1, 2009, we have adopted these accounting standards from the present consolidated fiscal year.</p>

**(8) Notes to Consolidated Financial Statements**

(Notes to consolidated balance sheets)

(millions of yen)

As of March 31, 2009	As of March 31, 2010
<p>* 1. Assets pledged as collateral are as follows:  <i>Investment securities</i> 34                      Secured liabilities are as follows:  <i>Accounts payable</i> 218</p>	<p>* 1. Assets pledged as collateral are as follows:  <i>Investment securities</i> 62                      Secured liabilities are as follows:  <i>Accounts payable</i> 219</p>
<p>* 2. Investment in non-consolidated subsidiaries and affiliates are as follows:  <i>Investment securities (stock)</i> 842  <i>Investments in capital (included in "Others" under "Investments and other assets")</i> 3,347</p>	<p>* 2. Investment in non-consolidated subsidiaries and affiliates are as follows:  <i>Investment securities (stock)</i> 2,034  <i>Investments in capital (included in "Others" under "Investments and other assets")</i> 1,717</p>
<p>3. Contingent liabilities                      (1) Debt guarantees have been applied to amounts borrowed from financial institutions by non-consolidated companies:  <i>Sumitomo Pharmaceuticals (Suzhou) Co., Ltd.</i> 900  <i>Sanno Food Co., Ltd.</i> 730  <hr/> <i>Total</i> 1,630</p>	<p>3. Contingent liabilities                      (1) Debt guarantees have been applied to amounts borrowed from financial institutions by non-consolidated companies:  <i>Kyowa Hakko Pharmaceuticals (Suzhou) Co., Ltd.</i> 300  <i>Sanno Food Co., Ltd.</i> 491  <hr/> <i>Total</i> 791</p>
<p>(2) Debt guarantees have been applied to amounts of housing funds borrowed from financial institutions by employees:  <hr/>                     229</p>	<p>(2) Debt guarantees have been applied to amounts of housing funds borrowed from financial institutions by employees:  <hr/>                     212</p>

(Notes to consolidated statements of income)

(millions of yen)

Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)	Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)
<p>* 1. Inventory at March 31, 2009 is stated at value after devaluation corresponding to reduced profitability, the following loss on valuation of inventories is included in the "Cost of sales":  <hr/>                     649</p>	<p>* 1. Inventory at March 31, 2010 is stated at value after devaluation corresponding to reduced profitability, the following loss on valuation of inventories is included in the "Cost of sales":  <hr/>                     94</p>
<p>* 2. The total amount of research and development costs equals 52,818 million yen and has been included in "Selling, general and administrative expenses."</p>	<p>* 2. The total amount of research and development costs equals 51,371 million yen and has been included in "Selling, general and administrative expenses."</p>
<p>* 3. The reversal of reserve for loss on litigation corresponds to a reversal of a reserve set aside for anticipated losses relating to a lawsuit arising from the termination of a license agreement concerning new quinolone compounds in accordance with the results of an appeals court ruling.</p>	<p>* 3. Compensation for revision of personnel system corresponds to the amount of temporary compensation for the annual salary difference caused by revision of personnel system.</p>



(Notes to consolidated statements of changes in Net Assets)

Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)

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

(thousands of shares)

	Number of shares as of March 31, 2008	Increase during the period	Decrease during the period	Number of shares as of March 31, 2009
<i>Issued shares</i>				
Common stock	397,900	—	—	397,900
Total	397,900	—	—	397,900
<i>Treasury stock</i>				
Common stock	472	128	20	580
Total	472	128	20	580

(Notes)

1. The increase of 128 thousand shares of treasury stock was a result of purchasing fractional shares.
2. The decrease of 20 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 27, 2008 Annual shareholders' meeting	Common stock	3,576 million yen	9.00 yen	March 31, 2008	June 30, 2008
October 31, 2008 Meeting of the Board of Directors	Common stock	3,576 million yen	9.00 yen	September 30, 2008	December 1, 2008

(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 26, 2009 Annual shareholders' meeting	Common stock	3,575 million yen	Retained earnings	9.00 yen	March 31, 2009	June 29, 2009

Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)

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

(thousands of shares)

	Number of shares as of March 31, 2009	Increase during the period	Decrease during the period	Number of shares as of March 31, 2010
<i>Issued shares</i>				
<i>Common stock</i>	397,900	—	—	397,900
<i>Total</i>	397,900	—	—	397,900
<i>Treasury stock</i>				
<i>Common stock</i>	580	4	0	584
<i>Total</i>	580	4	0	584

(Notes)

1. The increase of 4 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 26, 2009 Annual shareholders' meeting	Common stock	3,575 million yen	9.00 yen	March 31, 2009	June 29, 2009
October 29, 2009 Meeting of the Board of Directors	Common stock	3,575 million yen	9.00 yen	September 30, 2009	December 1, 2009

(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 25, 2010 Annual shareholders' meeting	Common stock	3,575 million yen	Retained earnings	9.00 yen	March 31, 2010	June 28, 2010

(Consolidated statements of cash flows)

(millions of yen)

Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)	Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)														
<p>* 1. "Depreciation and amortization" includes 730 million yen, amortized amount of long-term prepaid expenses.</p> <p>* 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 is as follows:</p> <p style="text-align: right;">(March 31, 2009)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and time deposit accounts</td> <td style="text-align: right;">21,990</td> </tr> <tr> <td>Time deposits with a maturity exceeds 3 months</td> <td style="text-align: right;">(2,000)</td> </tr> <tr> <td>Short-term investments with a maturity within 3 months from acquisition date (marketable securities)</td> <td style="text-align: right;"><u>29,491</u></td> </tr> <tr> <td>Cash and cash equivalent</td> <td style="text-align: right;"><u>49,481</u></td> </tr> </table>	Cash and time deposit accounts	21,990	Time deposits with a maturity exceeds 3 months	(2,000)	Short-term investments with a maturity within 3 months from acquisition date (marketable securities)	<u>29,491</u>	Cash and cash equivalent	<u>49,481</u>	<p>* 1. "Depreciation and amortization" includes 806 million yen, amortized amount of long-term prepaid expenses.</p> <p>* 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 is as follows:</p> <p style="text-align: right;">(March 31, 2010)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and time deposit accounts</td> <td style="text-align: right;">13,823</td> </tr> <tr> <td>Short-term investments with a maturity within 3 months from acquisition date (marketable securities)</td> <td style="text-align: right;"><u>44,316</u></td> </tr> <tr> <td>Cash and cash equivalent</td> <td style="text-align: right;"><u>58,139</u></td> </tr> </table>	Cash and time deposit accounts	13,823	Short-term investments with a maturity within 3 months from acquisition date (marketable securities)	<u>44,316</u>	Cash and cash equivalent	<u>58,139</u>
Cash and time deposit accounts	21,990														
Time deposits with a maturity exceeds 3 months	(2,000)														
Short-term investments with a maturity within 3 months from acquisition date (marketable securities)	<u>29,491</u>														
Cash and cash equivalent	<u>49,481</u>														
Cash and time deposit accounts	13,823														
Short-term investments with a maturity within 3 months from acquisition date (marketable securities)	<u>44,316</u>														
Cash and cash equivalent	<u>58,139</u>														

(Segment information)

1. Business segment information

Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)

(millions of yen)

	Pharmaceuticals	Other products	Total	Eliminations/ Corporate	Consolidated
<i>I Net sales and operating income</i>					
<i>Net sales</i>					
(1) Sales to customers	206,816	57,221	264,037	—	264,037
(2) Intersegment sales and transfers	—	—	—	—	—
<i>Total</i>	<i>206,816</i>	<i>57,221</i>	<i>264,037</i>	<i>—</i>	<i>264,037</i>
<i>Operating expenses</i>	<i>176,981</i>	<i>55,889</i>	<i>232,871</i>	<i>—</i>	<i>232,871</i>
<i>Operating income</i>	<i>29,834</i>	<i>1,331</i>	<i>31,166</i>	<i>—</i>	<i>31,166</i>
<i>II Assets, depreciation and amortization, and capital expenditures</i>					
<i>Assets</i>	<i>217,660</i>	<i>21,025</i>	<i>238,686</i>	<i>152,608</i>	<i>391,294</i>
<i>Depreciation and amortization</i>	<i>10,542</i>	<i>181</i>	<i>10,724</i>	<i>—</i>	<i>10,724</i>
<i>Capital expenditures</i>	<i>10,386</i>	<i>182</i>	<i>10,568</i>	<i>—</i>	<i>10,568</i>

Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)

(millions of yen)

	Pharmaceuticals	Other products	Total	Eliminations/ Corporate	Consolidated
<i>I Net sales and operating income</i>					
<i>Net sales</i>					
(1) Sales to customers	236,755	59,506	296,261	—	296,261
(2) Intersegment sales and transfers	—	—	—	—	—
<i>Total</i>	<i>236,755</i>	<i>59,506</i>	<i>296,261</i>	<i>—</i>	<i>296,261</i>
<i>Operating expenses</i>	<i>203,741</i>	<i>56,895</i>	<i>260,636</i>	<i>—</i>	<i>260,636</i>
<i>Operating income</i>	<i>33,014</i>	<i>2,610</i>	<i>35,624</i>	<i>—</i>	<i>35,624</i>
<i>II Assets, depreciation and amortization, and capital expenditures</i>					
<i>Assets</i>	<i>498,057</i>	<i>22,922</i>	<i>520,979</i>	<i>105,763</i>	<i>626,743</i>
<i>Depreciation and amortization</i>	<i>17,670</i>	<i>172</i>	<i>17,843</i>	<i>—</i>	<i>17,843</i>
<i>Capital expenditures</i>	<i>6,321</i>	<i>149</i>	<i>6,470</i>	<i>—</i>	<i>6,470</i>

(Notes)

1. Business segments are divided into "Pharmaceuticals" and "Other products" based on natures of products and businesses.

2. The major products in each of the business segment are as follows:

Business segment	Major products
Pharmaceuticals	Ethical pharmaceuticals
Other products	Animal health products, feeds and feed additives, food additives, diagnostics, and other products

3. Amounts and main contents included in "Elimination/Corporate" are as follows:

(millions of yen)

	Year ended March 31, 2009	Year ended March 31, 2010	Main contents
Amount of corporate assets included in eliminations/corporate	152,608	105,763	Surplus funds (cash, deposits and marketable securities) and long-term investment funds (investment securities) in the Company

2. Geographical segment information

Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)

Geographical segment information is not disclosed because none of consolidated subsidiaries are located outside Japan.

Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)

(millions of yen)

	Japan	North America	China	Total	Eliminations/ Corporate	Consolidated
<i>I</i> Net sales and operating income						
Net sales						
(1) Sales to customers	263,467	28,647	4,146	296,261	—	296,261
(2) Intersegment sales and transfers	1,361	1,304	463	3,129	(3,129)	—
Total	264,828	29,952	4,610	299,391	(3,129)	296,261
Operating expenses	227,873	32,111	3,738	263,723	(3,086)	260,636
Operating income	36,955	(2,159)	871	35,667	(43)	35,624
<i>II</i> Assets	575,500	281,046	2,851	859,398	(232,655)	626,743

(Notes)

1. Country and regional segments are based on geographic proximity.

2. Main countries and regions included in each segment

North America: United States, Canada

### 3. Overseas sales

Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)

(millions of yen)

	North America	Europe	Asia and Others	Total
<i>I Overseas sales</i>	280	17,681	4,088	22,051
<i>II Consolidated net sales</i>	—	—	—	264,037
<i>III Overseas sales as a percentage of consolidated net sales</i>	0.1%	6.7%	1.6%	8.4%

Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)

(millions of yen)

	North America	Europe	Asia and Others	Total
<i>I Overseas sales</i>	28,946	17,059	7,009	53,015
<i>II Consolidated net sales</i>	—	—	—	296,261
<i>III Overseas sales as a percentage of consolidated net sales</i>	9.8%	5.7%	2.4%	17.9%

(Notes)

1. Country and regional segments are based on geographic proximity.
2. Main countries and regions included in each segment
  - (1) North America: United States, Canada
  - (2) Europe: United Kingdom and others
  - (3) Asia and Others: China, South Korea, Taiwan and others
3. Overseas sales consist of sales earned by the Company and its consolidated subsidiaries in countries or regions outside of Japan.
4. Overseas sales is divided into regional from this consolidated fiscal year because the importance of dividing into regional increased.  
Overseas sales in the previous consolidated fiscal year are also divided as well as current consolidated fiscal year.

*(Information of affiliated parties)*

*Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)*

*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: Parent company*

*Name of company, etc.: Sumitomo Chemical Co., Ltd.*

*Location: Chuo-ku, Tokyo*

*Capital or amount invested: 89,699 million yen*

*Business contents or employment: Production and sales of chemical products*

*Parent company ownership of voting rights, etc.: Direct 50.22%*

*Relationship with affiliated party:*

- Purchase of raw materials*
- Leasing of land, etc.*
- Purchase of plant services, etc.*
- Lending of funds*

*Contents of transactions: Lending of funds*

*Amount of transactions: 10,000 million yen*

*Items on balance sheet: Short-term loans*

*End-of-term balance: 50,000 million yen*

*Transaction conditions and policy, etc., for determining transaction conditions*

*Where funds are lent, applicable interest rates are rationally determined upon taking into account the market rate of interest.*

*Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)*

*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: Parent company*

*Name of company, etc.: Sumitomo Chemical Co., Ltd.*

*Location: Chuo-ku, Tokyo*

*Capital or amount invested: 89,699 million yen*

*Business contents or employment: Production and sales of chemical products*

*Parent company ownership of voting rights, etc.: Direct 50.22%*

*Relationship with affiliated party:*

- Purchase of raw materials*
- Leasing of land, etc.*
- Purchase of plant services, etc.*
- Lending of funds*

*Contents of transactions: Lending of funds*

*Amount of transactions: 25,000 million yen*

*Items on balance sheet: Short-term loans*

*End-of-term balance: 25,000 million yen*

*Transaction conditions and policy, etc., for determining transaction conditions*

*Where funds are lent, applicable interest rates are rationally determined upon taking into account the market rate of interest.*

(Tax effect accounting)

(millions of yen)

Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)	Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)
<p>1. Main components of deferred tax assets and deferred tax liabilities:</p> <p><i>Deferred tax assets</i></p> <p>Reserve for bonuses 3,301</p> <p>Reserve for sales rebates 168</p> <p>Accrued enterprise tax 587</p> <p>Liability for employees' retirement benefits 2,605</p> <p>Loss on valuation of investment securities 948</p> <p>Prepaid R&amp;D expenses 9,822</p> <p>Stored goods 2,320</p> <p>Others 6,832</p> <hr/> <p>Subtotal of deferred tax assets 26,586</p> <p>Amount of valuation allowance (1,785)</p> <hr/> <p>Total of deferred tax assets 24,801</p> <p><i>Deferred tax liabilities</i></p> <p>Unrealized gains on available-for-sale securities, net of tax (3,218)</p> <p>Reserve for advanced depreciation of fixed assets (694)</p> <p>Reserve for special depreciation (15)</p> <hr/> <p>Total deferred tax liabilities (3,927)</p> <hr/> <p>Net amount of deferred tax assets 20,874</p> <p> </p> <p>(Note): Net amount of deferred tax assets is included the following consolidated balance sheet items:</p> <p>Current assets – deferred tax assets 17,129</p> <p>Fixed assets – deferred tax assets 3,744</p> <p>Current liabilities – deferred tax liabilities —</p> <p>Fixed liabilities – deferred tax liabilities —</p>	<p>1. Main components of deferred tax assets and deferred tax liabilities:</p> <p><i>Deferred tax assets</i></p> <p>Reserve for bonuses 2,966</p> <p>Reserve for sales rebates 5,931</p> <p>Accrued enterprise tax 798</p> <p>Liability for employees' retirement benefits 3,016</p> <p>Loss on valuation of investment securities 1,264</p> <p>Prepaid R&amp;D expenses 13,143</p> <p>Stored goods 2,638</p> <p>Net operating loss carried forward 22,109</p> <p>Amortization of intangible assets 13,140</p> <p>Tax credit for R&amp;D expenses of overseas subsidiaries 9,513</p> <p>Others 12,183</p> <hr/> <p>Subtotal of deferred tax assets 86,706</p> <p>Amount of valuation allowance (5,191)</p> <hr/> <p>Total of deferred tax assets 81,514</p> <p><i>Deferred tax liabilities</i></p> <p>Unrealized gains on available-for-sale securities, net of tax (5,043)</p> <p>Reserve for advanced depreciation of fixed assets (663)</p> <p>Amortization intangible assets (40,633)</p> <p>Others (1,091)</p> <hr/> <p>Total deferred tax liabilities (47,431)</p> <hr/> <p>Net amount of deferred tax assets 34,082</p> <p> </p> <p>(Note): Net amount of deferred tax assets is included the following consolidated balance sheet items:</p> <p>Current assets – deferred tax assets 32,447</p> <p>Fixed assets – deferred tax assets 2,389</p> <p>Current liabilities – deferred tax liabilities —</p> <p>Fixed liabilities – deferred tax liabilities (753)</p>



<i>Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)</i>	<i>Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)</i>
<p>2. <i>Main items cause a significant difference between the statutory tax rate and the actual effective tax rate:</i></p> <p><i>Statutory tax rate</i> <span style="float: right;">40.6%</span></p> <p><i>(Adjustments)</i></p> <p style="padding-left: 20px;"><i>Entertainment expenses and other items that are excluded from nontaxable expenses</i> <span style="float: right;">5.4%</span></p> <p style="padding-left: 20px;"><i>Dividend income and other items that are excluded from taxable income</i> <span style="float: right;">(0.6%)</span></p> <p style="padding-left: 20px;"><i>Tax credit for R&amp;D expenses</i> <span style="float: right;">(7.1%)</span></p> <p style="padding-left: 20px;"><i>Residence tax on per-capita basis</i> <span style="float: right;">0.4%</span></p> <p style="padding-left: 20px;"><i>Others</i> <span style="float: right;">(0.9%)</span></p> <p><i>Actual effective tax rate</i> <span style="float: right;"><u>37.8%</u></span></p>	<p>2. <i>Main items cause a significant difference between the statutory tax rate and the actual effective tax rate:</i></p> <p><i>Statutory tax rate</i> <span style="float: right;">40.6%</span></p> <p><i>(Adjustments)</i></p> <p style="padding-left: 20px;"><i>Entertainment expenses and other items that are excluded from nontaxable expenses</i> <span style="float: right;">4.9%</span></p> <p style="padding-left: 20px;"><i>Dividend income and other items that are excluded from taxable income</i> <span style="float: right;">(0.4%)</span></p> <p style="padding-left: 20px;"><i>Tax credit for R&amp;D expenses</i> <span style="float: right;">(11.7%)</span></p> <p style="padding-left: 20px;"><i>Residence tax on per-capita basis</i> <span style="float: right;">0.4%</span></p> <p style="padding-left: 20px;"><i>Amortization of goodwill</i> <span style="float: right;">1.1%</span></p> <p style="padding-left: 20px;"><i>Change in valuation allowance</i> <span style="float: right;">(1.5%)</span></p> <p style="padding-left: 20px;"><i>Others</i> <span style="float: right;">(0.1%)</span></p> <p><i>Actual effective tax rate</i> <span style="float: right;"><u>33.3%</u></span></p>

(Notes to Financial instruments)

Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)

1. Status of financial instruments

(1) Policy on dealing with financial instruments

The DSP group procures funds that are required in light of investment plans and other determining factors in order to carry out business inside and outside Japan. Temporary surplus funds are to be utilized only for highly safe financial instruments for which there is a low probability of a loss of principal. Derivative transactions shall be used only in order to avoid risks as described below, such that speculative transactions shall not be undertaken.

(2) Contents of and risks associated with financial instruments and the risk management system applied thereto

With respect to the credit risks of clients associated with notes and accounts receivable, in order to reduce such risks, due dates and amounts outstanding are managed for each client in accordance with standards pertaining to the management of loans as set forth by each companies and a system to regularly ascertain the credit standing of major clients has been adopted.

Marketable securities and investment securities primarily comprise bonds held to maturity and shares, are exposed to variable risks associated with market prices. With respect to these instruments, market values and the financial status, etc., of issuers (client companies) are regularly ascertained, ownership status is reviewed continuously, for which relationships with client companies are taken into account. In addition, bonds held to maturity are to consist of only highly rated bonds pursuant to regulations for management of funds, such that applicable credit risks are slight.

As operating payables such as notes and accounts payable- trade, and accounts payable-other are all due within one year. As some of these payables consist of notes and accounts payable that are denominated in foreign currencies for the purpose of importing raw materials and other items, they are exposed to variable risks associated with currencies; nevertheless, these risks, where significant, are hedged by way of foreign exchange forward contracts.

Derivative transactions consist of foreign exchange forward contracts entered into to hedge currency-associated variable risks that arise with foreign currency-denominated debts and credits and anticipated transactions. With respect to foreign exchange forward contracts, the Finance & Accounting Division shall, as the implementing section, formulate an implementation plan for hedging foreign currency risks every half year pursuant to the regulations for management of foreign currency risks and, upon reporting to the Board of Directors, engage in transactions, and post the applicable entries. The results of implementation shall also be reported to the Board of Directors. See "Important hedge accounting" as stated in the above "Significant accounting policies" for information on hedging instruments, hedged items, hedging policy, the method by which the effectiveness of hedging is evaluated, as they relate to hedge accounting.

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

(3) Supplementary explanation regarding matters pertaining to the market value, etc., of financial instruments

In addition to value based on market prices, the market value of financial instruments comprises a reasonably calculated price where no market price exists. Since variable factors are incorporated into the calculation of said price, the adoption of different prerequisites and other conditions may cause said price to vary.

## 2. Fair value of financial instruments

Amounts of items posted to the consolidated balance sheet, the fair values of said items, and the differences between these figures as of March 31, 2010, are as follows. Items for which the ascertainment of a fair value is deemed to be exceedingly difficult are not included in the following table (see Note 2).

(millions of yen)

	Amount on consolidated balance sheet	Fair value	Difference
(1) Cash and time deposits	13,823	13,823	—
(2) Notes and accounts receivable	93,961	93,961	—
(3) Short-term loans	25,000	25,000	—
(4) Marketable securities and investment securities	101,254	101,277	22
<b>Total assets</b>	<b>234,039</b>	<b>234,061</b>	<b>22</b>
(1) Notes and accounts payable-trade	16,878	16,878	—
(2) Short-term loans payable	165,800	165,800	—
(3) Accounts payable-other	33,395	33,395	—
<b>Total liabilities</b>	<b>216,073</b>	<b>216,073</b>	<b>—</b>
Derivative transactions	—	—	—

(Note 1): Calculation of the fair value of financial instruments, and matters pertaining to securities and derivative transactions

### Assets

#### (1) Cash and time deposits, (2) Notes and accounts receivable, and (3) Short-term loans

As these assets are settled on a short-term basis, their fair value is approximately equal to their book value; for this reason, their fair value is calculated according to their applicable book value.

#### (4) Marketable securities and investment securities

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

### Liabilities

#### (1) Notes and accounts payable-trade, (2) Short-term loans payable and (3) Accounts payable-other

As these liabilities are settled on a short-term basis, their fair value is approximately equal to their book value; for this reason, their fair value is calculated according to their applicable book value.

### Derivative transactions

See notes on "Derivative transactions."

(Note 2): Financial instruments for which the ascertainment of a fair value is deemed to be exceedingly difficult are as follows, and are not included in "(4) Marketable securities and investment securities".

Classification	Amount on consolidated balance sheet (millions of yen)
Unlisted shares	1,207
Investment limited partnership	1,894

The fair value of unlisted shares is not disclosed as they are not given the lack of any market prices, and are deemed to be exceedingly difficult to ascertain.

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

(Note 3): Scheduled redemption amounts after the consolidated settlement date for monetary claims and securities with period of maturity

(millions of yen)

	Within 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
Cash and time deposits	13,823	—	—	—
Notes and accounts receivable	93,961	—	—	—
Short-term loans	25,000	—	—	—
Marketable securities and investment securities				
Bonds held to maturity (corporate bonds)	2,002	2,990	—	—
Available-for-sale securities with terms of maturity (Negotiable certificates of deposit)	28,000	—	—	—
Available-for-sale securities with terms of maturity (Bonds)	5,326	10,917	—	6,600
<b>Total</b>	<b>168,113</b>	<b>13,908</b>	<b>—</b>	<b>6,600</b>

(Additional information)

The “Accounting standards pertaining to financial instruments” (Corporate Accounting Standards No. 10; March 10, 2008) and the “Application guidelines pertaining to the disclosure of the market value, etc., of financial instruments” (Application Guideline No. 19 of the Business Accounting Principles; March 10, 2008) are applicable from the current consolidated accounting year.

(Securities)

Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)

(1) Market value of held-to-maturity securities (March 31, 2009)

(millions of yen)

	Amount on consolidated balance sheet	Market Value	Unrealized gain
<i>Amount on consolidated balance sheet exceeding market value</i>			
1, Government and municipal bonds and others	1,011	1,013	2
2, Corporate bonds	4,499	4,521	21
3, Others	—	—	—
<i>Sub-total</i>	<i>5,510</i>	<i>5,534</i>	<i>24</i>
<i>Amount on consolidated balance sheet below market value</i>			
1, Government and municipal bonds and others	—	—	—
2, Corporate bonds	7,492	7,253	(238)
3, Others	—	—	—
<i>Sub-total</i>	<i>7,492</i>	<i>7,253</i>	<i>(238)</i>
<i>Total</i>	<i>13,002</i>	<i>12,788</i>	<i>(214)</i>

(2) Market value of Available-for-sale securities (March 31, 2009)

(millions of yen)

	Acquisition Cost	Amount on consolidated balance sheet	Unrealized gain
<i>Amount on consolidated balance sheet exceeding market value</i>			
1, Stock	10,828	20,681	9,852
2, Bonds			
Government and municipal bonds and others	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
3, Others	—	—	—
<i>Sub-total</i>	<i>10,828</i>	<i>20,681</i>	<i>9,852</i>
<i>Amount on consolidated balance sheet below market value</i>			
1, Stock	4,215	3,394	(821)
2, Bonds			
Government and municipal bonds and others	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
3, Others	—	—	—
<i>Sub-total</i>	<i>4,215</i>	<i>3,394</i>	<i>(821)</i>
<i>Total</i>	<i>15,044</i>	<i>24,075</i>	<i>9,031</i>

(Note)The Company recorded loss on impairment of available-for-sale securities of 279 millions of yen for the current consolidated fiscal year.

- (3) Available-for-sale securities sold during the current consolidated fiscal year (April 1, 2008 to March 31, 2009)

(millions of yen)

Sales amount	Gain on sales	Loss on sales
1	0	0

- (4) Held-to-maturity and Available-for-sale securities of which fair value is not readily determinable (March 31, 2009)

1, Held-to-Maturity Securities

Commercial Paper 2,990 million yen

2, Available-for-sale Securities

Negotiable certificates of deposit 25,500 million yen

Unlisted stocks 853 million yen

Others 1,218 million yen

(Note)The Company recorded loss on impairment of Available-for-sale securities "Unlisted stock" of 1 millions of yen for the current consolidated fiscal year.

- (5) Scheduled redemption amounts of Available-for-sale and held-to-maturity securities at contractual maturities (March 31, 2009)

(millions of yen)

	Within 1year	From 1year to 5years	From 5years to 10years	Over 10years
1, Bonds				
Government and municipal bonds and others	1,011	—	—	—
Corporate bonds	4,999	6,992	—	—
Others	2,990	—	—	—
2, Others				
Negotiable certificates of deposit	25,500	—	—	—
<b>Total</b>	<b>34,500</b>	<b>6,992</b>	<b>—</b>	<b>—</b>

Year ended March 31, 2010(April 1, 2009 to March 31, 2010)

(1) Held-to-maturity securities (March 31, 2010)

(millions of yen)

	Amount on consolidated balance sheet	Market Value	Unrealized gain
<i>Amount on consolidated balance sheet exceeding market value</i>			
1, Government and municipal bonds and others	—	—	—
2, Corporate bonds	3,990	4,017	26
3, Others	—	—	—
<i>Sub-total</i>	<i>3,990</i>	<i>4,017</i>	<i>26</i>
<i>Amount on consolidated balance sheet below market value</i>			
1, Government and municipal bonds and others	—	—	—
2, Corporate bonds	1,002	998	(4)
3, Others	—	—	—
<i>Sub-total</i>	<i>1,002</i>	<i>998</i>	<i>(4)</i>
<i>Total</i>	<i>4,993</i>	<i>5,016</i>	<i>22</i>

(2) Available-for-sale securities(March 31, 2010)

(millions of yen)

	Amount on consolidated balance sheet	Acquisition Cost	Unrealized gain
<i>Amount on consolidated balance sheet exceeding market value</i>			
1, Stock	25,776	12,172	13,604
2, Bonds			
Government and municipal bonds and others	114	114	0
Corporate bonds	6,533	6,520	12
Others	6,591	6,532	59
<i>Sub-total</i>	<i>39,016</i>	<i>25,339</i>	<i>13,676</i>
<i>Amount on consolidated balance sheet below market value</i>			
1, Stock	2,522	2,792	(270)
2, Bonds			
Government and municipal bonds and others	948	951	(3)
Corporate bonds	8,647	8,673	(26)
Others	8	8	(0)
<i>Sub-total</i>	<i>12,127</i>	<i>12,426</i>	<i>(299)</i>
<i>Total</i>	<i>51,143</i>	<i>37,765</i>	<i>13,377</i>

(3) Available-for-sale securities sold during the current consolidated fiscal year (April 1, 2009 to March 31, 2010)

(millions of yen)

	Sales amount	Gain on sales	Loss on sales
1, Stock	0	0	0
2, Bonds			
Government and municipal bonds and others	449	0	—
Corporate bond	2,551	1	0
Other	—	—	—
3, Other	16,880	—	—
<b>Total</b>	<b>19,882</b>	<b>1</b>	<b>0</b>

(4) Loss on impairment of securities (April 1, 2009 to March 31, 2010)

The Company recorded loss on impairment of Available-for-sale securities of 843 million yen for the current consolidated fiscal year. In accounting for the impairment of securities, securities are described as having “declined significantly in value” where their market value as of the end of the current consolidated fiscal year has declined by approximately 30% or more compared to the acquisition cost. Securities have been subject to an impairment write-down with their market value deemed to have no possibility of recovery where their market value has declined by at least 50% compared to the acquisition cost and to an impairment write-down based on a determination of recovery possibility made upon taking into account changes in market value, the financial situation of the issuing company, and other factors where their market value has declined by at least 30% and less than 50%.

(Derivative transactions)

As of March 31, 2010

Derivative transaction subject to hedge accounting

Currency related

(millions of yen)

Hedge accounting method	Transaction type	Main hedged items	Contract amount, etc.	Portion over 1 year	Market value
Appropriation of foreign exchange forward contracts	Foreign exchange forward contracts				
	Buy contracts USD EUR	Accounts payable	172 22	— —	(*) (*)

(\*) As foreign exchange forward contracts subject to appropriation are processed in an integrated manner together with the accounts payable items constituting hedged items, the fair value thereof is included in the fair value of the applicable accounts payable items and stated accordingly.



(Retirement benefit)

Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)	Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)																																												
<p>1. Outline of adopted retirement benefit plans The corporate group has set up a defined benefit corporate pension plan (eligible retirement pension system at consolidated subsidiaries) and a retirement lump-sum grant plan 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.</p>	<p>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.</p>																																												
<p>2. Liability for retirement benefits (March 31, 2009) (millions of yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">(a) Liabilities for retirement benefits</td> <td style="text-align: right;">(81,558)</td> </tr> <tr> <td>(b) Pension assets (Note 1)</td> <td style="text-align: right;">62,347</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>(c) Unfunded liability for retirement benefits [(a) + (b)]</td> <td style="text-align: right;">(19,240)</td> </tr> <tr> <td>(d) Unrecognized actuarial differences</td> <td style="text-align: right;">15,391</td> </tr> <tr> <td>(e) Unrecognized past service liability (reduction in liability)</td> <td style="text-align: right;">(1,662)</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>(f) Net retirement benefit obligations [(c) + (d) + (e)]</td> <td style="text-align: right;">(5,511)</td> </tr> <tr> <td>(g) Prepaid pension expense</td> <td style="text-align: right;">3,742</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>(h) Reserve for retirement benefits [(f) – (g)]</td> <td style="text-align: right;">(9,253)</td> </tr> </table> <p>(Note):</p> <ol style="list-style-type: none"> <li>1. A pension benefit trust has been set up.</li> <li>2. In calculating the liability for retirement benefits for consolidated subsidiaries, a simplified method has been adopted.</li> </ol>	(a) Liabilities for retirement benefits	(81,558)	(b) Pension assets (Note 1)	62,347	<hr/>		(c) Unfunded liability for retirement benefits [(a) + (b)]	(19,240)	(d) Unrecognized actuarial differences	15,391	(e) Unrecognized past service liability (reduction in liability)	(1,662)	<hr/>		(f) Net retirement benefit obligations [(c) + (d) + (e)]	(5,511)	(g) Prepaid pension expense	3,742	<hr/>		(h) Reserve for retirement benefits [(f) – (g)]	(9,253)	<p>2. Liability for retirement benefits (March 31, 2010) (millions of yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">(a) Liabilities for retirement benefits</td> <td style="text-align: right;">(81,790)</td> </tr> <tr> <td>(b) Pension assets (Note 1)</td> <td style="text-align: right;">66,078</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>(c) Unfunded liability for retirement benefits [(a) + (b)]</td> <td style="text-align: right;">(15,712)</td> </tr> <tr> <td>(d) Unrecognized actuarial differences</td> <td style="text-align: right;">10,102</td> </tr> <tr> <td>(e) Unrecognized past service liability (reduction in liability)</td> <td style="text-align: right;">(1,428)</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>(f) Net retirement benefit obligations [(c) + (d) + (e)]</td> <td style="text-align: right;">(7,038)</td> </tr> <tr> <td>(g) Prepaid pension expense</td> <td style="text-align: right;">2,759</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>(h) Reserve for retirement benefits [(f) – (g)]</td> <td style="text-align: right;">(9,797)</td> </tr> </table> <p>(Note):</p> <ol style="list-style-type: none"> <li>1. A pension benefit trust has been set up.</li> <li>2. In calculating the liability for retirement benefits for certain consolidated subsidiaries, a simplified method has been adopted.</li> </ol>	(a) Liabilities for retirement benefits	(81,790)	(b) Pension assets (Note 1)	66,078	<hr/>		(c) Unfunded liability for retirement benefits [(a) + (b)]	(15,712)	(d) Unrecognized actuarial differences	10,102	(e) Unrecognized past service liability (reduction in liability)	(1,428)	<hr/>		(f) Net retirement benefit obligations [(c) + (d) + (e)]	(7,038)	(g) Prepaid pension expense	2,759	<hr/>		(h) Reserve for retirement benefits [(f) – (g)]	(9,797)
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(g) Prepaid pension expense	3,742																																												
<hr/>																																													
(h) Reserve for retirement benefits [(f) – (g)]	(9,253)																																												
(a) Liabilities for retirement benefits	(81,790)																																												
(b) Pension assets (Note 1)	66,078																																												
<hr/>																																													
(c) Unfunded liability for retirement benefits [(a) + (b)]	(15,712)																																												
(d) Unrecognized actuarial differences	10,102																																												
(e) Unrecognized past service liability (reduction in liability)	(1,428)																																												
<hr/>																																													
(f) Net retirement benefit obligations [(c) + (d) + (e)]	(7,038)																																												
(g) Prepaid pension expense	2,759																																												
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(h) Reserve for retirement benefits [(f) – (g)]	(9,797)																																												
<p>3. Retirement benefit expenses (April 1, 2008 to March 31, 2009) (millions of yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">(a) Service cost (Note 1,2,3)</td> <td style="text-align: right;">3,285</td> </tr> <tr> <td>(b) Interest expense</td> <td style="text-align: right;">1,621</td> </tr> <tr> <td>(c) Expected returns on plan assets</td> <td style="text-align: right;">(1,372)</td> </tr> <tr> <td>(d) Amortization of actuarial differences</td> <td style="text-align: right;">300</td> </tr> <tr> <td>(e) Amortization of prior service costs</td> <td style="text-align: right;">(233)</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>(f) Retirement benefit expenses [(a) + (b) + (c) + (d) + (e)]</td> <td style="text-align: right;">3,602</td> </tr> <tr> <td>(g) Others</td> <td style="text-align: right;">494</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>(h) Total [(f) + (g)]</td> <td style="text-align: right;">4,096</td> </tr> </table>	(a) Service cost (Note 1,2,3)	3,285	(b) Interest expense	1,621	(c) Expected returns on plan assets	(1,372)	(d) Amortization of actuarial differences	300	(e) Amortization of prior service costs	(233)	<hr/>		(f) Retirement benefit expenses [(a) + (b) + (c) + (d) + (e)]	3,602	(g) Others	494	<hr/>		(h) Total [(f) + (g)]	4,096	<p>3. Retirement benefit expenses (April 1, 2009 to March 31, 2010) (millions of yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">(a) Service cost (Note 1,2,3)</td> <td style="text-align: right;">3,165</td> </tr> <tr> <td>(b) Interest expense</td> <td style="text-align: right;">1,623</td> </tr> <tr> <td>(c) Expected returns on plan assets</td> <td style="text-align: right;">(1,158)</td> </tr> <tr> <td>(d) Amortization of actuarial differences</td> <td style="text-align: right;">1,217</td> </tr> <tr> <td>(e) Amortization of prior service costs</td> <td style="text-align: right;">(233)</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>(f) Retirement benefit expenses [(a) + (b) + (c) + (d) + (e)]</td> <td style="text-align: right;">4,613</td> </tr> <tr> <td>(g) Others</td> <td style="text-align: right;">705</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>(h) Total [(f) + (g)]</td> <td style="text-align: right;">5,319</td> </tr> </table>	(a) Service cost (Note 1,2,3)	3,165	(b) Interest expense	1,623	(c) Expected returns on plan assets	(1,158)	(d) Amortization of actuarial differences	1,217	(e) Amortization of prior service costs	(233)	<hr/>		(f) Retirement benefit expenses [(a) + (b) + (c) + (d) + (e)]	4,613	(g) Others	705	<hr/>		(h) Total [(f) + (g)]	5,319				
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Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)	Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)										
<p>(Note):</p> <ol style="list-style-type: none"> <li>1. Includes retirement funds for received loan employees payable to the originating company.</li> <li>2. Excludes retirement funds payable by the company to which loan employees are dispatched.</li> <li>3. Retirement benefit expenses incurred by consolidated subsidiaries that have adopted a simplified method are posted to "(a) Service costs."</li> <li>4. "(g) Others" consists of installment payments made to defined contribution pensions</li> </ol> <p>4. Basis for calculating the liability for retirement benefits</p> <table data-bbox="287 851 813 1189"> <tr> <td>(a) Period allocation method for estimated retirement benefits</td> <td>Fixed amount method</td> </tr> <tr> <td>(b) Discount rate</td> <td>2.0%</td> </tr> <tr> <td>(c) Expected returns on plan assets</td> <td>2.0%</td> </tr> <tr> <td>(d) Amortization period of prior service costs</td> <td>15 years</td> </tr> <tr> <td>(e) Amortization period of actuarial differences</td> <td>15 years</td> </tr> </table>	(a) Period allocation method for estimated retirement benefits	Fixed amount method	(b) Discount rate	2.0%	(c) Expected returns on plan assets	2.0%	(d) Amortization period of prior service costs	15 years	(e) Amortization period of actuarial differences	15 years	<p>(Note):</p> <ol style="list-style-type: none"> <li>1. Includes retirement funds for received loan employees payable to the originating company.</li> <li>2. Excludes retirement funds payable by the company to which loan employees are dispatched.</li> <li>3. Retirement benefit expenses incurred by consolidated subsidiaries that have adopted a simplified method are posted to "(a) Service costs."</li> <li>4. "(g) Others" consists of installment payments made to defined contribution pensions</li> </ol> <p>4. Basis for calculating the liability for retirement benefits</p> <p style="text-align: center;">Same as on left.</p>
(a) Period allocation method for estimated retirement benefits	Fixed amount method										
(b) Discount rate	2.0%										
(c) Expected returns on plan assets	2.0%										
(d) Amortization period of prior service costs	15 years										
(e) Amortization period of actuarial differences	15 years										

*(Business combination)*

*Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)*

*Business combination through acquisition*

*1. Name of acquired company, the contents of the business thereof, main reasons for undertaking business combination, date and legal form of business combination, the name of combined entity, ratios of acquired voting rights, and main basis behind the determination of the acquiring company*

*(1) Name of acquired company and the contents of the business thereof*

*Name of acquired company: Sepracor Inc.*

*Contents of business: Research and development into and the production, marketing, and sales of ethical drugs in area such as the central nervous system and the respiratory system.*

*(2) Main reasons for undertaking business combination*

*To establish a sales system in the United States, facilitate early market penetration for Lurasidone, rapidly maximize sales, significantly expand our overseas operations, and further fortify our development pipeline in the United States.*

*(3) Date of business combination*

*October 15, 2009*

*(4) Legal form of business combination*

*Acquisition of shares for cash consideration*

*(5) Name of combined entity*

*Sepracor Inc.*

*(6) Ratios of acquired voting rights*

*Ratio of voting rights owned prior to the acquisition of shares: 0%*

*Ratio of voting rights after acquisition: 100%*

*(7) Main basis behind the determination of the acquiring company*

*Aptiom, Inc., an indirect wholly owned subsidiary, acquired 100% of the shares of Sepracor Inc. for cash consideration*

*2. Term of performance of the acquired company included in the consolidated financial statements*

*From October 15, 2009 to December 31, 2009*

*3. Cost of the acquisition of the acquired company and the breakdown thereof*

*The acquisition cost 2,506 million US dollars and was with cash.*

*4. Amount of accrued goodwill, cause of accrual, amortization method, amortization period*

*(1) Amount of goodwill: 82,986 million yen*

*(2) Cause of accrual: As the cost of acquisition exceeded the net amount allocated to acquired assets and assumed liabilities, the difference has been posted as goodwill.*

*(3) Amortization method and amortization period*

*Straight-line method for 20 years*

*(4) The amount of goodwill is calculated on a tentative basis.*

*5. Amounts of assets accepted and liabilities assumed on the date of business combination and the main components thereof*

*Current assets 93,392 million yen*

*Fixed assets 226,432 million yen*

*Total assets 319,824 million yen*

*Current liabilities 83,182 million yen*

*Long-term liabilities 9,028 million yen*

*Total liabilities 92,210 million yen*

6. Amounts of the cost of acquisition allocated to intangible fixed assets other than goodwill and amortization periods by main components

Main components	Amount	Amortization period
Patent rights	108,654 million yen	1 to 10years
In-process Research and development	5,357 million yen	available period

7. Estimated amounts of impact on the consolidated statement of income in the current consolidated fiscal year if it is assumed that the business combination was concluded on April 1, 2009 and the method of calculation:

Sales	96,700 million yen
Ordinary income	(14,700) million yen
Net income	(15,800) million yen

(Method by which estimated amounts were calculated)

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

The estimated amounts of impact have not been subject to a certification of audit.

(Per-share information)

	Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)	Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)
Net assets per share	816.49 yen	864.51 yen
Net income per share	50.30 yen	52.75 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, 2009 (April 1, 2008 to March 31, 2009)	Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)
Net income per share		
Net income (millions of yen)	19,987	20,958
Amount not belonging to common shareholders (millions of yen)	—	—
Net income related to common stocks (millions of yen)	19,987	20,958
Average number of common stock during the period (thousands of shares)	397,362	397,317

(Omission of disclosure)

Note to lease transactions is not disclosed as the disclosure in summary of consolidated financial results is not believed to be of material significance.

## 5. Non-consolidated Financial Statements

### (1) Non-consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2009	As of March 31, 2010
<b>Assets</b>		
Current assets:		
Cash and time deposits	21,127	9,958
Notes receivable	1,118	983
Accounts receivable	74,702	75,871
Marketable securities	34,500	30,002
Merchandise and finished goods	38,258	37,764
Work-in-process	2,934	3,401
Raw materials and supplies	11,894	12,243
Advance payments-trade	2,293	1,947
Prepaid expenses	107	110
Deferred tax assets	17,070	20,117
Short-term loans to subsidiaries and affiliates	51,100	25,350
Others	3,680	3,637
Allowance for doubtful receivables	(340)	(106)
<b>Total current assets</b>	<b>258,448</b>	<b>221,282</b>
Fixed assets:		
Property, plant and equipment:		
Buildings, net	38,163	37,225
Structures, net	1,310	1,152
Machinery and equipment, net	11,011	11,003
Vehicles, net	36	28
Tools, furniture and fixtures, net	4,532	3,724
Land	9,975	9,975
Construction in progress	4,024	2,657
<b>Total property, plant and equipment</b>	<b>69,055</b>	<b>65,767</b>
Intangible assets		
Goodwill	2	—
Patent rights	4	2
Trademark rights	163	90
Software	5,304	4,424
Sales rights	810	619
Others	105	104
<b>Total Intangible assets</b>	<b>6,390</b>	<b>5,241</b>
Investments and other assets:		
Investment securities	32,933	33,104
Stocks of subsidiaries and affiliates	2,122	231,629
Investments in capital	1	1
Investments in capital of subsidiaries and affiliates	3,347	3,347
Long-term loans	4	4
Long-term loans to employees	8	3
Long-term prepaid expenses	2,566	3,444
Deferred tax assets	3,684	1,179
Others	8,558	4,528
Allowance for doubtful receivables	(90)	(89)
<b>Total investments and other assets</b>	<b>53,137</b>	<b>277,154</b>
<b>Fixed assets</b>	<b>128,583</b>	<b>348,163</b>
<b>Total assets</b>	<b>387,031</b>	<b>569,445</b>

	(Millions of yen)	
	As of March 31, 2009	As of March 31, 2010
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	17,143	14,474
Short-term loans payable	—	165,000
Accounts payable-other	16,816	18,203
Accrued consumption taxes	368	1,028
Accrued expenses	1,607	1,765
Income taxes payable	6,183	8,220
Deposits received	300	351
Reserve for bonuses	7,927	7,108
Reserve for sales returns	96	61
Reserve for sales rebates	412	377
Total current liabilities	50,854	216,591
Long-term liabilities:		
Long-term accounts payable-other	926	398
Long-term deposits received	3,163	3,196
Liability for retirement benefits	9,048	9,644
Total long-term liabilities	13,138	13,240
Total liabilities	63,992	229,831
<b>Net assets</b>		
Shareholders' equity:		
Common stock	22,400	22,400
Capital surplus		
Legal capital surplus	15,860	15,860
Total capital surplus	15,860	15,860
Retained earnings		
Legal retained earnings	5,288	5,288
Other retained earnings		
Reserve for special depreciation	21	—
Reserve for advanced depreciation of fixed assets	1,013	968
General reserve	250,510	262,510
Retained earnings carried forward	23,395	25,243
Total other retained earnings	274,941	288,722
Total retained earnings	280,229	294,010
Treasury stock	(643)	(646)
Total shareholders' equity	317,846	331,623
Valuation, translation adjustments and others:		
Unrealized gains on available-for-sale securities, net of tax	5,192	7,991
Total valuation, translation adjustments and others	5,192	7,991
Total net assets	323,038	339,614
Total liabilities and net assets	387,031	569,445

**(2) Non-consolidated Statements of Income**

	(Millions of yen)	
	Year ended March 31, 2009	Year ended March 31, 2010
Net sales	248,433	248,697
Cost of sales	91,240	93,634
Gross profit	157,192	155,062
Reversal of reserve for sales returns	23	34
Gross profit-net	157,216	155,096
Selling, general and administrative expenses	126,633	119,406
Operating income	30,582	35,690
Non-operating income		
Interest and dividend income	1,737	1,155
Others	1,310	1,076
Total non-operating income	3,048	2,232
Non-operating expenses		
Interest expense	83	803
Others	2,654	2,693
Total non-operating expenses	2,737	3,496
Ordinary income	30,893	34,426
Extraordinary income		
Reversal of reserve for loss on litigation	1,054	—
Total extraordinary income	1,054	—
Extraordinary loss		
Compensation for revision of personnel system	—	1,570
Loss on valuation of investment securities	278	843
Total extraordinary loss	278	2,413
Income before income taxes	31,668	32,012
Income taxes-current	13,874	13,416
Income taxes-deferred	(1,935)	(2,337)
Total income taxes	11,939	11,079
Net income	19,729	20,932

**(3) Non-consolidated Statements of Changes in Net Assets**

	(Millions of yen)	
	Year ended March 31, 2009	Year ended March 31, 2010
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		
Legal 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
Total 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		
Legal retained earnings		
Balance at the end of previous period	5,288	5,288
Changes in items during the period		
Total changes in items during the period	—	—
Balance at the end of current period	5,288	5,288
Other retained earnings		
Reserve for special depreciation		
Balance at the end of previous period	58	21
Changes in items during the period		
Reversal of reserve for special depreciation	(36)	(21)
Total changes in items during the period	(36)	(21)
Balance at the end of current period	21	—
Reserve for advanced depreciation of fixed assets		
Balance at the end of previous period	1,059	1,013
Changes in items during the period		
Reversal of reserve for advanced depreciation of fixed assets	(45)	(45)
Total changes in items during the period	(45)	(45)
Balance at the end of current period	1,013	968
General reserve		
Balance at the end of previous period	233,510	250,510
Changes in items during the period		
Provision of general reserve	17,000	12,000



	Year ended March 31, 2009	Year ended March 31, 2010
Total changes in items during the period	17,000	12,000
Balance at the end of current period	250,510	262,510
Retained earnings carried forward		
Balance at the end of previous period	27,744	23,395
Changes in items during the period		
Cash dividends	(7,153)	(7,151)
Reversal of reserve for special depreciation	36	21
Reversal of reserve for advanced depreciation of fixed assets	45	45
Provision of general reserve	(17,000)	(12,000)
Net income	19,729	20,932
Disposal of treasury stock	(6)	(0)
Total changes in items during the period	(4,348)	1,847
Balance at the end of current period	23,395	25,243
Total retained earnings		
Balance at the end of previous period	267,660	280,229
Changes in items during the period		
Cash dividends	(7,153)	(7,151)
Reversal of reserve for special depreciation	—	—
Reversal of reserve for advanced depreciation of fixed assets	—	—
Provision of general reserve	—	—
Net income	19,729	20,932
Disposal of treasury stock	(6)	(0)
Total changes in items during the period	12,569	13,780
Balance at the end of current period	280,229	294,010
Treasury stock		
Balance at the end of previous period	(557)	(643)
Changes in items during the period		
Purchases of treasury stock	(108)	(3)
Sales of treasury stock	22	0
Total changes in items during the period	(85)	(3)
Balance at the end of current period	(643)	(646)
Total shareholders' equity		
Balance at the end of previous period	305,363	317,846
Changes in items during the period		
Cash dividends	(7,153)	(7,151)
Net income	19,729	20,932
Purchases of treasury stock	(108)	(3)
Sales of treasury stock	16	0
Total changes in items during the period	12,483	13,777
Balance at the end of current period	317,846	331,623

	Year ended March 31, 2009	Year ended March 31, 2010
Valuation, translation adjustments and others		
Unrealized gains on available-for-sale securities		
Balance at the end of previous period	11,658	5,192
Changes in items during the period		
Net changes in items other than shareholders' equity	(6,466)	2,798
Total changes in items during the period	(6,466)	2,798
Balance at the end of current period	5,192	7,991
Total valuation, translation adjustments and others		
Balance at the end of previous period	11,658	5,192
Changes in items during the period		
Net changes in items other than shareholders' equity	(6,466)	2,798
Total changes in items during the period	(6,466)	2,798
Balance at the end of current period	5,192	7,991
Total net assets		
Balance at the end of previous period	317,021	323,038
Changes in items during the period		
Cash dividends	(7,153)	(7,151)
Net income	19,729	20,932
Purchases of treasury stock	(108)	(3)
Sales of treasury stock	16	0
Net changes in items other than shareholders' equity	(6,466)	2,798
Total changes in items during the period	6,017	16,576
Balance at the end of current period	323,038	339,614

**(4) Notes on Premise of Going Concern**

*Not applicable.*