

For immediate release

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Dainippon Pharmaceutical and Sumitomo Pharmaceuticals Finalize Merger Agreement

Dainippon Pharmaceutical Co., Ltd.

Sumitomo Pharmaceuticals Co., Ltd.

Dainippon Pharmaceutical Co., Ltd. (President: Kenjiro Miyatake, “Dainippon Pharmaceutical”) and Sumitomo Pharmaceuticals Co., Ltd. (President: Yasuo Okamoto, “Sumitomo Pharmaceuticals”) today announced that the two companies have reached a definitive agreement for their merger, effective October 1, 2005, with resolutions passed by their respective Board of Directors and conclusion of the merger agreement (the “Agreement”) during the day.

Dainippon Pharmaceutical and Sumitomo Pharmaceuticals entered into a basic agreement to merge on November 25, 2004, based on their mutual ideal of contributing to the betterment of healthcare and fuller lives for all people worldwide, while striving to be a leading research-driven pharmaceutical company with an increasing presence in the domestic Japanese market and pursuing further development of global operations. Guided by the since established Merger Committee, which is led by the Presidents of both companies, subsequent inter-company discussions to promote the merger have facilitated smooth progress towards the merger’s successful completion.

In the basic agreement to merge, which was reached together with Sumitomo Chemical Co., Ltd. (President: Hiromasa Yonekura, “Sumitomo Chemical”), it was stated that Sumitomo Chemical was to be limited to acquiring up to 50.1% of the voting stock in the new company (the “New Company”), however, it was agreed by the three companies today to revise this to maintaining a holding of 50.1% of the issued stock and acquiring up to but less than 51% of the voting stocks.

The content of the Agreement is summarized below. Mid-term growth strategies for the New Company are currently under deliberation, and further details will be released once finalized (scheduled for May).

1. Merger structure

Dainippon Pharmaceutical will be the surviving company and Sumitomo Pharmaceuticals will be dissolved.

2. Effective date of merger

October 1, 2005

The above date is subject to change based upon discussion between Dainippon Pharmaceutical and Sumitomo Pharmaceuticals, should any significant issues arise as the merger proceeds.

3. Company name

Dainippon Sumitomo Pharma Co., Ltd.

4. Business description

The manufacture, sale/purchase, and import/export of pharmaceuticals, diagnostics, medical devices, veterinary products, food additives, industrial chemicals, other chemicals, and so forth

5. Merger Ratio

Company	Dainippon Pharmaceutical	Sumitomo Pharmaceuticals
Merger Ratio	1	1,290

a. Allotment ratio of shares

One Sumitomo Pharmaceuticals share will be exchanged for 1,290 Dainippon Pharmaceutical shares. (There has been no change in the merger ratio since concluding the basic agreement to merge.)

On a stock value basis, the ratio between Dainippon Pharmaceutical and Sumitomo Pharmaceuticals is 41.5:58.5

b. Allotment of shares

Among the shares that are to be allotted to the shareholders of Sumitomo Pharmaceuticals, 3 million shares will be allotted using Dainippon Pharmaceutical's treasury stocks and the remaining 229,716,000 shares will be issued as common stock.

c. Basis for the merger ratio calculation

Dainippon Pharmaceutical engaged the services of J.P. Morgan Securities Asia Pte. Limited and Sumitomo Pharmaceuticals engaged the services of Nikko Citigroup as independent financial advisors with respect to the determination of the Merger Ratio. The merging companies, through negotiation and discussion, determined the agreed upon Merger Ratio with the advice of their respective independent financial advisors. Both Dainippon Pharmaceutical and Sumitomo Pharmaceuticals have received opinions from their respective advisors that the above Merger Ratio is fair from a financial point of view.

6. Capital upon merger

22.4 billion yen

The above value is subject to change based upon discussion between Dainippon Pharmaceutical and Sumitomo Pharmaceuticals, depending on the assets, liabilities, rights and obligations, etc., of Sumitomo Pharmaceuticals on the effective date of the merger.

7. Cash payment upon merger

The New Company will pay to the shareholders of Sumitomo Pharmaceuticals as of the last day prior to the effective date of the merger, 16,000 yen per share as cash payment within 3 months of the effective date of the merger, in lieu of an interim dividend to be paid for the period ending September 2005. The value of this payment is subject to change based upon discussion between Dainippon Pharmaceutical and Sumitomo Pharmaceuticals, depending on the assets, liabilities, rights and obligations, etc., of Sumitomo Pharmaceuticals on the day before the effective date of the merger.

Candidates for the member of the board and corporate auditors are as follows.

Member of the Board	Yasuo Okamoto (to be Chairman, currently President of Sumitomo Pharmaceuticals)
Member of the Board	Kenjiro Miyatake (to be President, currently President of Dainippon Pharmaceutical)
Member of the Board	Hisashi Fujita (currently Executive Corporate Officer, Member of the Board of Dainippon Pharmaceutical)

Member of the Board	Ken-ichiro Kimura (currently Senior Managing Executive Officer, Member of the Board of Sumitomo Pharmaceuticals)
Member of the Board	Masayo Tada (currently Managing Executive Officer of Sumitomo Pharmaceuticals)
Member of the Board	Teruho Adachi (currently Managing Executive Officer, Member of the Board of Sumitomo Pharmaceuticals)
Member of the Board	Fujio Okamoto (currently Corporate Officer, Member of the Board of Dainippon Pharmaceutical)
Member of the Board	Keiichi Ono (currently Executive Officer, Member of the Board of Sumitomo Pharmaceuticals)
Member of the Board	Tetsuya Oida (currently Corporate Officer, Member of the Board of Dainippon Pharmaceutical)
Member of the Board	Yuichi Yokoyama (currently Corporate Officer of Dainippon Pharmaceutical)

The New Company intends to adopt a Corporate Officer system.

Corporate Auditor	Fuminori Hashimoto (currently Corporate Auditor of Dainippon Pharmaceutical)
Corporate Auditor	Tadayoshi Nishimura (currently Managing Executive Officer, Member of the Board of Sumitomo Pharmaceuticals)
Corporate Auditor	Michihiro Ishii (currently Corporate Auditor of Dainippon Pharmaceutical)
Corporate Auditor	Takayuki Usui (currently Corporate Auditor of Dainippon Pharmaceutical)

(Attachment)**Profiles of Dainippon Pharmaceutical and Sumitomo Pharmaceuticals**

(1) Company name	Dainippon Pharmaceutical Co., Ltd.	Sumitomo Pharmaceuticals Co., Ltd.
(2) Business	Manufacture, sale/purchase and export/import of pharmaceuticals, veterinary products, food additives, industrial chemicals and other chemicals	Manufacture and sale of pharmaceuticals, diagnostics and medical equipment.
(3) Date of incorporation	May 1897	February 1984
(4) Location of head office	6-8, Doshomachi 2-chome, Chuo-ku, Osaka, Japan	2-8, Doshomachi, 2-chome Chuo-ku, Osaka, Japan
(5) Representative	Kenjiro Miyatake, President	Yasuo Okamoto, President
(6) Capital	13,444 million yen (as of September 30, 2004)	9,020 million yen (as of September 30, 2004)
(7) Total shares outstanding	168,184,154 shares (as of September 30, 2004)	180,400 shares (as of September 30, 2004)
(8) Shareholders' equity	129,620 million yen (as of September 30, 2004, consolidated)	123,345 million yen (as of September 30, 2004, non-consolidated)
(9) Total assets	185,352 million yen (as of September 30, 2004, consolidated)	170,489 million yen (as of September 30, 2004, non-consolidated)
(10) Fiscal year end	March 31	March 31
(11) Employees	2,493 (as of September 30, 2004, consolidated)	2,799 (as of September 30, 2004, non-consolidated)
(12) Major customers and suppliers	Mediceo Holdings Co., Ltd. Alfresa Corporation Toho Pharmaceutical Co., Ltd.	Suzuken Co., Ltd. Mediceo Holdings Co., Ltd. Alfresa Corporation
(13) Major shareholders (%)	-Japan Trustee Services Bank, Ltd. (Trust Account) 9.95 -The Master Trust Bank of Japan, Ltd. (Trust Account) 9.60 -Nippon Life Insurance Co. 6.90 -Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui) 4.16	-Sumitomo Chemical Co., Ltd. 77.83 -Inabata & Co., Ltd. 22.17 (As of September 30, 2004) <u>NB</u> : Shareholdings as of April 27, 2005 are as follows.

	Banking Corporation Pension Fund Trust Account) - Sumitomo Life Insurance Co. 3.43 (As of September 30, 2004)	-Sumitomo Chemical Co., Ltd. 85.70 -Inabata & Co., Ltd. 14.30
(14) Major banks	Sumitomo Mitsui Banking Corporation UFJ Bank Limited	Sumitomo Mitsui Banking Corporation The Norinchukin Bank Sumitomo Trust & Banking Co., Ltd.
(15) Relationship between the two companies	No capital, personnel or trading relationship with the other party	No capital, personnel or trading relationship with the other party

(16) Financial results for the previous three fiscal years and forecast for the current fiscal year (Unit: Millions Yen)								
Company	Dainippon Pharmaceutical (Consolidated)				Sumitomo Pharmaceuticals (Non-consolidated)			
Fiscal year	March 2002 (actual)	March 2003 (actual)	March 2004 (actual)	March 2005 (forecast*)	March 2002 (actual)	March 2003 (actual)	March 2004 (actual)	March 2005 (forecast*)
Net sales	164,117	172,161	170,842	171,000	143,446	138,282	136,915	138,000
Operating income	17,181	12,876	9,283	8,800	33,574	24,177	21,239	22,000
Recurring income	17,910	12,869	10,155	10,300	32,161	21,106	20,387	20,000
Net income	9,595	6,364	7,967	7,700	17,434	11,168	12,048	12,000
Earnings per share (Yen)	57.06	38.02	48.05	46.45	96,641	61,676	66,555	66,519
Dividend per share (Yen)	10.00	10.00	10.00	10.00	38,000	24,000	26,000	26,000
Shareholders' equity per share (Yen)	689.79	702.09	784.24		570,365	600,806	652,189	

*All forecasted fiscal-year results are those previously announced in conjunction with the interim results of fiscal 2004.