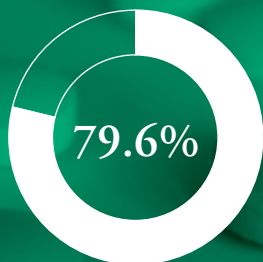
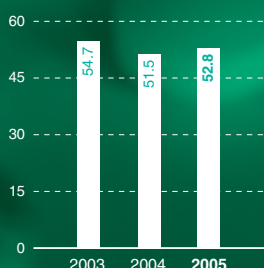


Ethical Drugs in Japan

Segment Sales as a Percentage of Total Net Sales (as of March 31, 2005)



Segment Sales (Billions of yen)



Principal Products

Kipres: Leukotriene receptor antagonist
Mucodyne: Mucoregulant
Gatiflo: Broad-spectrum oral antibacterial agent
Pentasa: Ulcerative colitis/Crohn's disease drug



Kipres



Mucodyne



Gatiflo



Pentasa

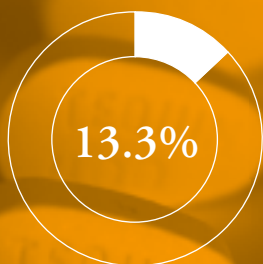
Highlights

In the year ended March 31, 2005, sales of Kipres rose, supported by prescriptions for new asthma patients, steady demand from customers switching to our product and a general expansion of the leukotriene receptor antagonist market. In an effort to boost sales, we filed an application for an additional indication in fiscal 2005 so that Kipres may be used to treat allergic rhinitis. In fiscal 2006, we plan to launch Kipres 4mg fine-granule formulation for asthma treatment in young children. In the area of existing products, we are endeavoring to increase sales through improved lifecycle management of existing products such as Mucodyne, Gatiflo and Ketas.

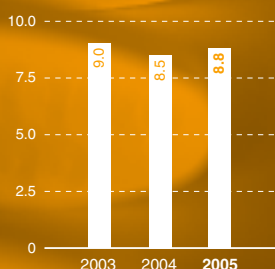
Review of Operations

Ethical Drugs Overseas

Segment Sales as a Percentage of Total Net Sales (as of March 31, 2005)



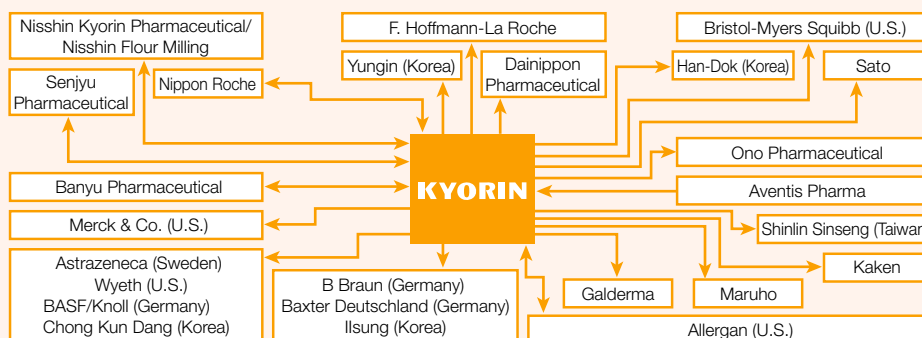
Segment Sales (Billions of yen)



Principal Products

Tequin: Broad-spectrum antibacterial agent
Zymar: Broad-spectrum antibacterial eyedrops

Major Domestic and Overseas Alliances



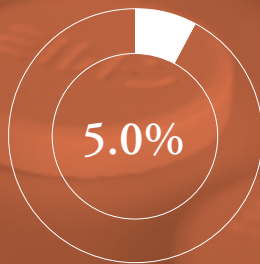
Highlights

Our efforts in this area focused on promoting global sales of gatifloxacin through business alliances. U.S. company Allergan, which markets gatifloxacin eye-drops under the brand name Zymar, steadily expanded its share of the U.S. market, with a particular improvement in demand from the ophthalmology field. As a result, Allergan's share of the U.S. antibacterial eyedrop market reached 20%. Building on this success, Allergan will endeavor to expand sales to customers in the pediatric field.

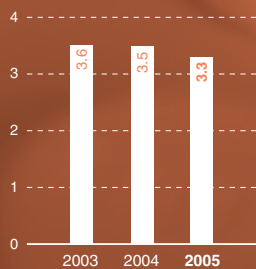
Sales of Tequin, the brand name for the oral and intravenous (i.v.) forms of gatifloxacin licensed to U.S.-based Bristol-Myers Squibb, fell compared with the previous year, as a consequence of fewer flu outbreaks in the United States. Exports of bulk powder for the product, however, exceeded average yearly levels.

Consumer Healthcare Business

Segment Sales as a Percentage of Total Net Sales
(as of March 31, 2005)



Segment Sales
(Billions of yen)



Principal Product

Milton: A disinfectant for the insides and teats of baby bottles.



Liquid form



Tablet form



Container designed for powdered form

Highlights

We continued to develop our consumer healthcare business centered on the disinfectant Milton, a product with a solid reputation among obstetricians and gynecologists. In the area of over-the-counter (OTC) drugs, we sought to enhance the development and marketing of OTC switch drugs—ethical drugs that have been proved safe for OTC sale. Other steps to improve our lineup included cultivating a private branding business with retail chain stores seeking to differentiate their products from competitors.

Ongoing Innovation for Further Growth

Other Businesses

Segment Sales as a Percentage of Total Net Sales
(as of March 31, 2005)



Segment Sales
(Billions of yen)



Highlights

During the period under review, we continued to promote business in this category through subsidiary Kyobundo Co., Ltd., which specializes in advertising planning and production. On March 31, 2005, we acquired more than half of the outstanding shares in Toyo Pharmar, a generic drug producer, making it a consolidated subsidiary. We anticipate that changes in government policy will lead to greater use of generic drugs. In light of this, we will build a new business base using Toyo Pharmar to establish a firm foothold in the generic drug market.



Toyo Pharmar

Toyo Pharmar's Business Results for the Recent Fiscal Years (Millions of yen)

	Fiscal 2003/5	Fiscal 2004/5
Revenue	¥6,334	¥6,419
Ordinary income	257	347
Net income	143	202
Total assets	8,217	8,456
Total stockholders' equity	3,648	3,842