Review of Operations

**Ethical Drugs Overseas**
Segment Sales as a Percentage of Total Net Sales (as of March 31, 2005)

- **Nisshin Kyorin Pharmaceutical/ Nisshin Flour Milling**
- **Senjyu Pharmaceutical**
- **Banyu Pharmaceutical**
- **Merck & Co. (U.S.)**
- **AstraZeneca (Sweden)**
- **Wyeth (U.S.)**
- **BASF/Knoll (Germany)**
- **Chong Kun Dang (Korea)**

**Tequin:** Broad-spectrum antibacterial agent

**Zymar:** Broad-spectrum antibacterial eyedrops

**Major Domestic and Overseas Alliances**

- **F. Hoffmann-La Roche**
- **Yungin (Korea)**
- **Dainippon Pharmaceutical**
- **Bristol-Myers Squibb (U.S.)**
- **Han-Dok (Korea)**
- **Sato**
- **Ono Pharmaceutical**
- **Aventis Pharma**
- **Shinn Sinteng (Taiwan)**
- **B Braun (Germany)**
- **Baxter Deutschland (Germany)**
- **Ilisung (Korea)**
- **Galderma**
- **Mabro**
- **Koken**
- **Allergan (U.S.)**

**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.
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.

### Highlights

#### Milton

A disinfectant for the insides and teats of baby bottles.

#### Other Businesses

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

#### 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.

### Toyo Pharmar’s Business Results for the Recent Fiscal Years

(Millions of yen)

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<thead>
<tr>
<th></th>
<th>Fiscal 2003/5</th>
<th>Fiscal 2004/5</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>¥6,334</td>
<td>¥6,419</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>257</td>
<td>347</td>
</tr>
<tr>
<td>Net income</td>
<td>143</td>
<td>202</td>
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<tr>
<td>Total assets</td>
<td>8,217</td>
<td>8,456</td>
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<tr>
<td>Total stockholders’ equity</td>
<td>3,648</td>
<td>3,842</td>
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