

We will continue to take on the challenge of satisfying  
“unmet medical needs.”



**Q:** Please give us a brief overview of the Manufacturing business.

**A:** Alfresa Pharma Corporation is responsible for the Group’s Manufacturing business. In line with our management philosophy of “energetically taking on the challenge of new and ‘unmet medical needs’,” we are engaged in R&D, manufacturing and sales of unique pharmaceuticals, diagnostic reagents, medical devices and other healthcare products with a strong presence in the marketplace.

**Q:** Please describe your financial results and the business environment in the March 2005 fiscal year?

**A:** For the fiscal year under review, the Manufacturing business reported net sales of ¥20,881 million, an increase of 0.6% from the previous fiscal year including intersegment sales of ¥4,468 million. On the earnings front, however, the effect of the amortization of costs associated with transferred products and other factors led to operating income of ¥460 million, down 46.9% year-on-year.

Against the background of a challenging business environment, compounded by a reduction of 4.2% in NHI drug price standards in April 2004, we have entered a period of profound change. Most significant are major developments such as announcements of mergers between prominent domestic drug manufacturers.

#### Targeted Indicators in the Manufacturing Business

(¥ millions)	2005/03 (actual)	2006/03	2007/03	2008/03
Net Sales	¥20,881	¥22,400	¥23,600	¥24,800
Gross Profit	7,896	8,800	9,380	10,080
SG&A Expenses	7,436	7,800	8,660	9,300
Operating Income	460	1,000	720	780

\* Figures for 2007/03 onward were released on April 12, 2005.

**Q:** Please outline the fields you will be focusing on in your new medium-term management plan.

**A:** On March 31, 2005, we applied for manufacturing approval of CN-801, a therapeutic agent for narcolepsy, a form of chronic sleep disorder, with the Ministry of Health, Labour and Welfare. We are hoping to obtain approval and bring this product to market midway through 2006. Plans call for expanding possible indications of CN-801 for residual drowsiness associated with obstructive sleep apnea syndrome and pediatric attention deficit hyperactivity disorder (ADHD).

In diagnostic reagents, in addition to the biochemical testing field, we will be focusing on the immunological testing field. Another priority is to upgrade our lineup of point-of-care-testing (POCT) products, for which there is strong demand in the testing market.

Furthermore, positioning surgical sutures as our core product in the medical devices business, we will concentrate especially on upgrading products for the cardiovascular surgery domain. In October 2005, Alfresa Pharma is scheduled to launch a surgical suture with a newly developed needle that is much sharper and easier to handle. We are also developing an absorbable monofilament suture.

Production technology and quality control processes for Nesco Suture, a surgical suture, were transferred from the Chiba Plant to ISO 9001-certified QINGDAO NESCO MEDICAL CO., LTD. in China. This move came as part of efforts to supply various finished products, such as synthetic absorbable sutures, to overseas markets, including China, with the aim to contribute to medical care in various countries.

**Q:** What is the outlook and direction for the Manufacturing business?

**A:** From a comprehensive perspective encompassing prevention, diagnosis, and treatment, we are seeking to leverage our strengths in having the three divisions of pharmaceuticals, diagnostic reagents and medical devices. Our goal is to develop a highly distinctive business. Aiming to open up and expand new markets, we will maximize the advantage of the Alfresa Group's extensive wholesaling network. Furthermore, we will strengthen sales of our own highly profitable products to make a greater contribution to Group-wide earnings.



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Alfresa Pharma Corporation