

Structure of the Manufacturing Business and Growth Strategy



Embracing the Challenge of Opening Up New Fields Required by Society

Taking on the Challenge of Satisfying Unmet Medical Needs

Alfresa Pharma Corporation, which is responsible for the Group's Manufacturing business, manufactures and sells a wide range of products in the three divisions: pharmaceuticals, diagnostic reagents and medical devices. In line with its management philosophy of "energetically taking on the challenge of new and 'unmet medical needs,'" Alfresa Pharma aims to help improve the health of people worldwide through R&D, manufacturing and sales of unique products with a strong presence in the marketplace.

Higher Sales, but Lower Operating Income

For the fiscal year ended March 31, 2006, the Manufacturing business reported net sales of ¥22,024 million, an increase of 5.5% year on year. However, a rise in depreciation expenses and other factors led to a decrease of 11.9% in operating income to ¥405 million.

In pharmaceuticals, we recorded increased sales of Mysteran, an antiepileptic pharmaceutical, and Incremin

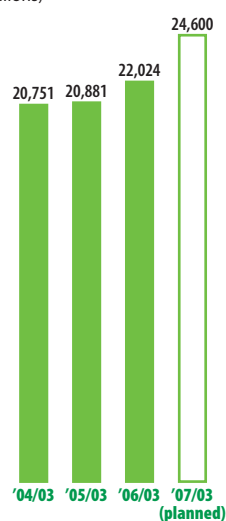
Syrup, a treatment for iron-deficiency anemia. We also took over the right to manufacture and market the antidepressant agent Anafranil in January 2006. In diagnostic reagents, we also posted higher sales of the Hemotect, an automated immunochemical analyzer for fecal occult blood tests, and its proprietary reagent Hemo Auto. Meanwhile, the POCT (point-of-care-testing) reagent CHECK Flu A-B was launched in November 2005. In medical devices, we reported increased sales of the Nespron Cable System, which is used to stabilize the spine, and unveiled Monodiox, a synthetic absorbable monofilament suture, in March 2006.

In quality assurance, ISO13485:2003, the international quality management certification for manufacturers of medical equipment, was obtained by the Chiba Plant in February 2006, followed by the Okayama Pharmaceutical Plant and R&D Department (now the Ibaraki Research Center) in March 2006. We will work to further improve production management and quality assurance standards.

Segment Performance and Targets

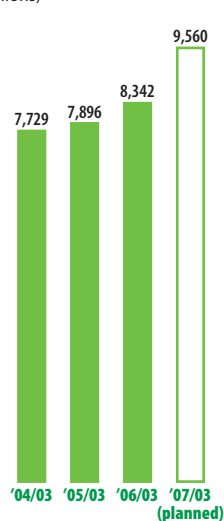
Net Sales

(¥ millions)



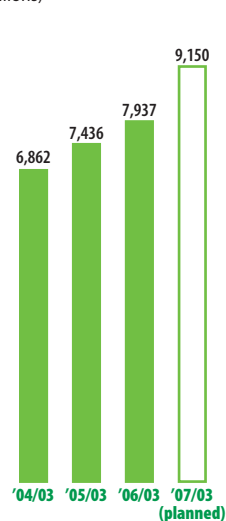
Gross Profit

(¥ millions)



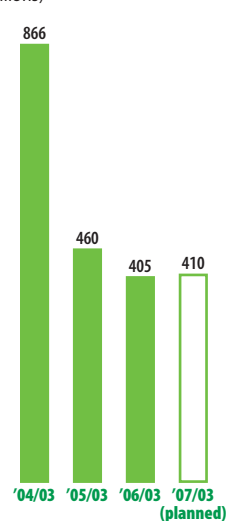
SG&A Expenses

(¥ millions)



Operating Income

(¥ millions)



Business Expansion Through Closer Internal and External Cooperation

We applied for approval to manufacture and market the narcolepsy treatment CN-801, and continue to strive to obtain approval as rapidly as possible. Narcolepsy is a sleep disorder that causes overwhelming excessive daytime sleepiness. Following approval, we plan to jointly market CN-801 with Tanabe Seiyaku Co., Ltd. In addition, we are conducting joint development to expand possible indications of CN-801 for treatment of obstructive sleep apnea syndrome and pediatric attention deficit hyperactivity disorder (ADHD).

In pharmaceuticals, while continuing to focus on products for the central nervous system, such as the antidepressant agent Anafranil, we will also work to expand our product lineup including generic pharmaceuticals. In medical devices, efforts have been made to create a comprehensive lineup of surgical sutures through the addition of Monodiox. Finally, in diagnostic reagents, we are further upgrading our lineup, focusing on POCT products such as CHECK Flu A-B.

By actively leveraging the Alfresa Group's sales channels of the Wholesaling business and promoting sales and business alliances with other companies, we aim to aggressively open up new markets and further expand our businesses.

Segment Sales

