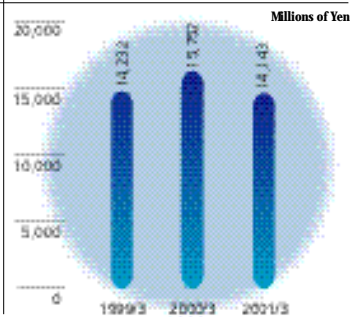


# Divisional Review

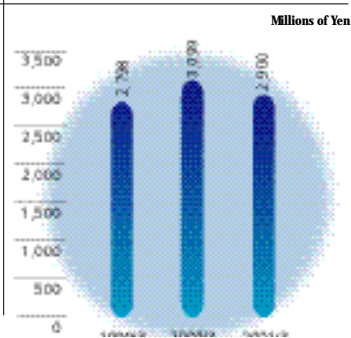
Sales of Pharmaceuticals and Medical Devices



## Pharmaceuticals and Medical Devices

Seikagaku's flagship pharmaceutical products are the joint function improvers ARTZ<sup>®</sup> and ARTZ Dispo<sup>®</sup>. Circumstances in the domestic market became more difficult with the launch of new competing products in August 2000. Seikagaku worked closely with its sales partner, Kaken Pharmaceutical Co., Ltd., to implement marketing countermeasures that were effective in maintaining sales volumes at the previous year's level. However, the value of sales was severely affected by the April 2000 cuts in the reimbursement prices, which included reductions of 11.4% and 13.1% respectively in the prices of ARTZ<sup>®</sup> and ARTZ Dispo<sup>®</sup>. This inevitability caused revenues to decline. There was a volume increase in sales of the ophthalmic surgical aids OPEGAN<sup>®</sup> and OPEGAN Hi<sup>®</sup> following the launch of increased-volume formulations, OPEGAN<sup>®</sup> 1.1 and OPEGAN Hi<sup>®</sup> (0.85mL), to meet the needs of ophthalmologists. However, this was not enough to compensate for the effect of changes in reimbursement prices, and sales remained at the previous year's level. Overseas sales of ARTZ<sup>®</sup> increased by 15.6%, due to strong sales in Western Europe and Taiwan. However, this growth did not completely offset reduced domestic sales, and total sales of pharmaceuticals in the year ended March 31, 2001 were 10.2% below the previous year's result at ¥14,143 million.

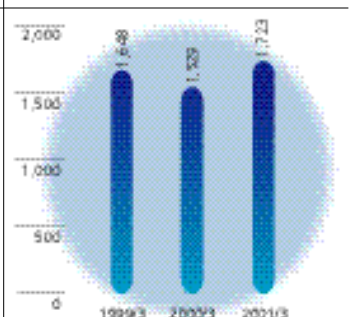
Sales of Research Biologicals and Diagnostics



## Research Biologicals and Diagnostics

Fungitec<sup>®</sup> G Test, which is an in-vitro diagnostic for invasive fungal infections in immunocompromised infection, continued to meet market needs, and sales remained strong. Demand for the reagent for endotoxin assay and related equipment for use in quality control for pharmaceuticals and medical appliances expanded following listing under the Japanese Pharmacopoeia. However, sales of other diagnostics and reagents were eroded. The sales of ACC, a consolidated subsidiary that manufactures endotoxin reagents in the U.S., remained close to the previous year's level. Unfortunately the revenues of affiliates in the U.K., Germany and elsewhere were affected by the low value of the euro, and dollar-based returns were lower. Overall, there was a 6.4% decline to ¥2,900 million.

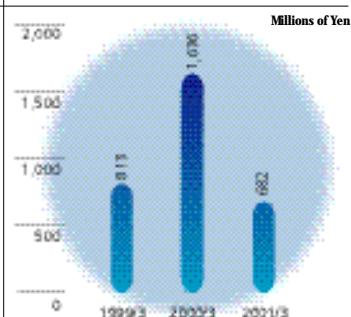
Sales of Bulks



## Bulks

There was a sustained rise in sales of bulks. This was attributable to increased marketing of its existing products, and to aggressive efforts to develop new customers. With regard to chondroitin sulfate, which is a leading bulk material, sales increased, due to demand expansion in the over-the-counter ophthalmic field. Similarly, as well the successful introduction of sodium hyaluronate into the ethical drug field. Total sales in this category increased by 12.7% to ¥1,723 million.

Sales of Other Products



## Other Products

Seikagaku Corporation also manufactures health food ingredients and skin creams. Sales in this category amounted to ¥130 million, a decline of 14.5% compared with the previous year's figure. R&D royalties tend to fluctuate in step with progress on various projects. In the year ended March 31, 2001 income from this source was 62.8% lower at ¥551 million.

