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For Immediate Release

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## Taisho Revises Earnings Forecasts for FY2004 First Half and Full Year

Taisho Pharmaceutical Co., Ltd. announced that, based on recent business trends, it has revised its earnings forecasts for the first half and full year of fiscal 2004 (April 1, 2004 to March 31, 2005). The previous forecasts were announced on May 17, 2004.

### 1. Consolidated Forecasts of Business Results

First Half Fiscal 2004 (April 1, 2004 to September 30, 2004)

( Millions of yen, % )

|                        | Sales   | Operating<br>Income | Recurring<br>Income | Net<br>Income |
|------------------------|---------|---------------------|---------------------|---------------|
| Previous Forecast (A)  | 149,500 | 31,500              | 34,000              | 19,500        |
| Revised Forecast (B)   | 140,500 | 30,500              | 33,500              | 19,500        |
| Change (B-A)           | 9,000   | 1,000               | 500                 | -             |
| Change (%)             | 6.0%    | 3.2%                | 1.5%                | -             |
| First Half Fiscal 2003 | 146,288 | 31,733              | 33,771              | 19,664        |

Full Year Fiscal 2004

( Millions of yen, % )

|                       | Sales   | Operating<br>Income | Recurring<br>Income | Net<br>Income |
|-----------------------|---------|---------------------|---------------------|---------------|
| Previous Forecast (A) | 295,000 | 59,000              | 64,000              | 37,000        |
| Revised Forecast (B)  | 283,500 | 53,500              | 58,500              | 34,000        |
| Change (B-A)          | 11,500  | 5,500               | 5,500               | 3,000         |
| Change (%)            | 3.9%    | 9.3%                | 8.6%                | 8.1%          |
| Full Year Fiscal 2003 | 286,433 | 57,700              | 61,180              | 40,910        |

## 2. Non-Consolidated Forecasts of Business Results

First Half Fiscal 2004

( Millions of yen, % )

|                        | Sales   | Operating<br>Income | Recurring<br>Income | Net<br>Income |
|------------------------|---------|---------------------|---------------------|---------------|
| Previous Forecast (A)  | 126,000 | 31,000              | 33,500              | 20,000        |
| Revised Forecast (B)   | 117,500 | 30,000              | 32,000              | 19,000        |
| Change (B-A)           | 8,500   | 1,000               | 1,500               | 1,000         |
| Change (%)             | 6.7%    | 3.2%                | 4.5%                | 5.0%          |
| First Half Fiscal 2003 | 124,658 | 33,000              | 35,654              | 21,306        |

Full Year Fiscal 2004

( Millions of yen, % )

|                       | Sales   | Operating<br>Income | Recurring<br>Income | Net<br>Income |
|-----------------------|---------|---------------------|---------------------|---------------|
| Previous Forecast (A) | 246,500 | 57,500              | 62,500              | 37,500        |
| Revised Forecast (B)  | 236,000 | 52,500              | 57,500              | 34,500        |
| Change (B-A)          | 10,500  | 5,000               | 5,000               | 3,000         |
| Change (%)            | 4.3%    | 8.7%                | 8.0%                | 8.0%          |
| Full Year Fiscal 2003 | 240,562 | 57,292              | 62,506              | 43,350        |

## 3. Reasons for the Revision

*Operating results for the first half of fiscal 2004*

Sales of over-the-counter medications are expected to decline year on year, mainly due to continued weakness in the overall market.

The tonics and nutrient drinks market, including small-drinks, saw the successive landfall of several typhoons since August wipe out benefits gained from intense summer heat up through July. This situation will likely undermine year-on-year growth in this market and food-oriented channels. To complement growth in the ZENA and ALFE series of tonics and nutrient drinks, Taisho Pharmaceutical moved to bolster performance through the launch of two new products—Lipovitan Amino and Lipovitan Amino Gold. Despite these and other efforts, overall performance is still expected to dip slightly compared to the previous year. Meanwhile, the market for cold medicines contracted due to fewer cases of hay fever in spring, typically the peak season for such allergies, and a lower incidence of summer colds. Consequently, sales are predicted to decline year on year for Taisho's Pabron series of cold remedies. Similarly, a contraction in the hair tonic market is expected to undercut growth year on year for RiUP, a

hair-growth drug by Taisho for combating common (or pattern) baldness. In contrast, VICKS Medicated Drops and VICKS VapoRub both steadily outperformed expectations. Taisho took steps to acquire these products two years earlier, concluding this transaction in the previous year.

Sales of prescription pharmaceuticals are expected to edge lower overall irrespective of steady growth posted for Ancaron, an antiarrhythmic agent, and other products. Factors negatively impacting sales growth include a predicted year-on-year decline for Clarith, a mainstay macrolide antibiotic agent, and Palux, an injection used to treat minor circulatory ailments, due to lower drug prices and measures to restrict prescriptions for more expensive drugs.

On the earnings side, although Taisho has initiated a review of R&D expenses, sales promotion costs and other expenses, earnings are expected to decline by a small margin compared to initial forecasts.

*Operating results for the full year*

In over-the-counter medications, Taisho Pharmaceutical plans to launch a variety of new products and commence the sale of non-pharmaceutical products, such as the VICKS series, at convenience stores and other locations in the second half of the year. Nevertheless, the presence of a number of unpredictable market factors at this time has prompted Taisho to downwardly revise forecasts for the full year alongside its revision of first-half forecasts.

(Note) The above forecasts were formulated based on information available as of the release date of this report. A number of subsequent factors may cause actual results to differ materially from these forecasts.