

Consolidated Financial Statements for the First Quarter of the March 31, 2006 Fiscal Year

July 29, 2005

Listed Company Name: TAISHO PHARMACEUTICAL CO., LTD.
Security Code: 4535 (First Section of TSE) Headquarters: Tokyo
(URL <http://www.taisho.co.jp/>)
Representative: Akira Uehara, President
Contact: Makoto Funahashi, TEL: +81-3-3985-1111
General Manager, Public Relations Section

1. Issues Relating to the Preparation of Financial Statements for the First Quarter of Fiscal 2005

- ① These financial statements have been prepared using the simplified method. Income tax is calculated based on the income tax rate forecast for the year in accordance with the effective statutory income tax rate.
- ② These financial statements have been prepared following the same accounting principles used in recent years.
- ③ There are no changes in the scope of consolidation and application of the equity method.

2. Financial Results for the First Quarter of Fiscal 2005 (April 1, 2005 to June 30, 2005)

(1) Consolidated Operating Results

Millions of yen, amounts less than one million yen have been omitted

	Net sales (% of change)	Operating income (% of change)	Ordinary income (% of change)
Fiscal 2005 1Q	57,451 (-6.5)	7,165 (-35.2)	8,154 (-40.7)
Fiscal 2004 1Q	61,474 (-5.9)	11,060 -	13,754 -
Fiscal 2004 (full year)	279,437 (-2.4)	54,698 (- 5.2)	58,063 (- 5.1)

	Net income (% of change)	Net income per share (Yen)	Net income per share,diluted (Yen)
Fiscal 2005 1Q	4,247 (-52.2)	13.78	-
Fiscal 2004 1Q	8,890 -	28.43	-
Fiscal 2004 (full year)	35,489 (-13.3)	114.15	-

Notes:

1. Percentage figures for net sales, operating income and other items indicate year-on-year changes.
2. Except for net sales, no quarterly data was disclosed in fiscal 2003. Consequently, no percentage figures have been shown for the first quarter of fiscal 2004.

Qualitative Information Related to Consolidated Operating Results

For the first quarter of fiscal 2005, the three-month period ended June 30, 2005, Taisho Pharmaceutical reported net sales of ¥57,451 million, a decrease of ¥4,023 million, or 6.5%, compared with the same period a year earlier.

Performance by segment is as follows:

Net sales in the Self-Medication Operation Group declined ¥5.1 billion, or 12.9%, to ¥34.7 billion, reflecting difficult trading conditions such as continued weakness in the over-the-counter medication market. Please refer to the reference data for first-quarter sales of principal over-the-counter medications, tonics and nutrient drinks by distribution channel.

Net sales in the Prescription Pharmaceutical Operation Group increased ¥1.1 billion, or 5.3%, to ¥22.7 billion, despite a challenging operating environment characterized by the impact of government measures to modify health costs and intensifying competition. Sales at consolidated subsidiary Taisho Toyama Pharmaceutical Co., Ltd. rose as the benefits of restructuring measures, including staff transfers and steps to unify employee benefits, began to emerge. Please refer to the reference data for first-quarter sales of principal ethical drugs

On the earnings front, the Company reported operating income of ¥7,165 million, ordinary income of ¥8,154 million and net income of ¥4,247 million, reflecting the drop in net sales, rising R&D costs associated with clinical trial and other factors.

(2) Consolidated Financial Position

Millions of yen, unless otherwise stated

	Total assets	Shareholders' equity	Shareholders' equity ratio (%)	Shareholders' equity per share (Yen)
June 30, 2005	604,688	514,293	85.1	1,668.27
June 30, 2004	591,371	498,837	84.3	1,597.13
March 31, 2005	613,802	517,634	84.3	1,678.78

Qualitative Information Related to Consolidated Financial Position

As of June 30, 2005, total assets stood at ¥604.6 billion, a decline of ¥9.1 billion, or 1.5%, compared to the end of the previous fiscal year. Current assets totaled ¥248.7 billion, a decline of ¥24.3 billion, or 8.9%, while fixed assets totaled ¥355.9 billion, an increase of ¥15.2 billion, or 4.5%.

The decline in current assets was mainly attributable to a drop in cash, including time deposits, due to the payment of income taxes and cash dividends, and a decline in notes and accounts receivable-trade.

The increase in fixed assets chiefly reflected the acquisition of preferred securities, which is included in investment securities.

Total liabilities as of June 30, 2005 stood at ¥89.1 billion, a decrease of ¥5.7 billion, or 6.1%, compared to the end of the previous fiscal year. Total liabilities comprised ¥50.3 billion in current liabilities, down ¥5.9 billion, or 10.6%, mainly due to a decline in accrued corporate taxes, and long-term liabilities of ¥38.7 billion, up ¥0.2 billion, or 0.5%, primarily reflecting an increase in reserves for retirement benefits.

3. Forecasts of Consolidated Operating Results for Fiscal 2005 (April 1, 2005 to March 31, 2006)

(Millions of yen)

	Net sales	Ordinary income	Net income
Interim year	141,500	27,500	16,000
Full year	280,000	51,500	35,500

Reference: Forecast net income per share for the year: ¥114.91

Qualitative Information of Financial Forecasts

There are no changes to interim and fiscal 2005 financial forecasts announced on May 11, 2005.

* The forecasts presented in this financial report reflect the Company's analysis of data currently available. Certain risks and uncertainties could cause the Company's actual results to differ materially from any projections presented in this report.

[Supplementary materials]

Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)

	First Quarter Fiscal 2005 As of June 30, 2005		Fiscal 2004 As of March 31, 2005		Increase/ Decrease		First Quarter Fiscal 2004 As of June 30, 2004	
	Amount	Share	Amount	Share	Amount	% of change	Amount	Share
(Assets)		%		%		%		%
Current assets:								
1 Cash and deposits	136,973		147,265		-10,292	-7.0	134,490	
2 Notes and accounts receivable-trade	67,399		78,920		-11,521	-14.6	68,434	
3 Marketable securities	7,366		11,267		-3,900	-34.6	9,319	
4 Inventories	24,146		22,905		1,241	5.4	24,744	
5 Deferred tax assets	8,090		8,132		-41	-0.5	9,089	
6 Others	5,368		5,286		81	1.6	4,329	
Sub-total	249,344		273,776		-24,431	-8.9	250,406	
7 Allowance for doubtful accounts	-599		-631		32	5.1	-821	
Total current assets	248,745	41.1	273,144	44.5	-24,399	-8.9	249,585	42.2
Fixed assets:								
(1) Tangible fixed assets:								
1 Buildings and structures	50,198		51,001		-802	-1.6	51,967	
2 Machinery and equipment	10,630		11,015		-385	-3.5	13,226	
3 Land	27,231		27,230		1	0.0	27,229	
4 Construction in progress	2,135		1,387		747	53.9	1,402	
5 Others	5,369		5,635		-265	-4.7	5,442	
Total tangible fixed assets	95,565	(15.8)	96,270	(15.7)	-705	-0.7	99,268	(16.8)
(2) Intangible fixed assets:								
1 Goodwill	165		180		-15	-8.3	225	
2 Trademarks	8,301		8,886		-584	-6.6	10,641	
3 Software	3,861		3,957		-95	-2.4	3,827	
4 Adjustment account for consolidation	23		27		-4	-16.7	44	
5 Others	193		192		0	0.0	202	
Total intangible fixed assets	12,543	(2.1)	13,244	(2.1)	-700	-5.3	14,940	(2.5)
(3) Investments and other assets:								
1 Investments in securities	232,336		215,785		16,551	7.7	210,530	
2 Long-term prepaid expenses	3,399		3,538		-138	-3.9	3,662	
3 Deferred tax assets	8,898		8,695		203	2.3	8,447	
4 Others	3,432		3,357		74	2.2	5,098	
Sub-total	248,067		231,376		16,690	7.2	227,738	
5 Allowance for doubtful receivables-long term	-232		-232		0	0.0	-162	
Total investments and other assets	247,834	(41.0)	231,143	(37.7)	16,690	7.2	227,576	(38.5)
Total fixed assets	355,943	58.9	340,658	55.5	15,285	4.5	341,786	57.8
Total assets	604,688	100.0	613,802	100.0	-9,114	-1.5	591,371	100.0

(Millions of yen)

	First Quarter Fiscal 2005 As of June 30, 2005		Fiscal 2004 As of March 31, 2005		Increase/ Decrease		First Quarter Fiscal 2004 As of June 30, 2004	
	Amount	Share	Amount	Share	Amount	% of change	Amount	Share
(Liabilities)		%		%		%		%
Current liabilities:								
1 Notes and accounts payable-trade	19,731		20,370		-639	-3.1	21,542	
2 Short-term loans	200		205		-5	-2.4	235	
3 Accounts payable	12,423		12,927		-503	-3.9	11,100	
4 Accrued corporate tax	3,390		9,486		-6,095	-64.3	4,877	
5 Accrued expenses	6,974		8,386		-1,412	-16.8	7,386	
6 Adjustment allowance for returns	550		615		-65	-10.6	533	
7 Allowance for bonuses	5,756		3,337		2,418	72.5	5,599	
8 Others	1,325		1,014		310	30.7	1,754	
Total current liabilities	50,352	8.3	56,344	9.2	-5,991	-10.6	53,028	9.0
Long-term liabilities:								
1 Reserves for retirement benefits	34,699		34,506		192	0.6	34,036	
2 Reserves for directors' retirement payments	1,515		1,527		-11	-0.8	1,451	
3 Deferred taxes liabilities	27		27		0	1.4	13	
4 Others	2,508		2,483		24	1.0	2,944	
Total long-term liabilities	38,750	6.4	38,543	6.3	206	0.5	38,446	6.5
Total liabilities	89,102	14.7	94,888	15.5	-5,785	-6.1	91,474	15.5
(Minority interest)								
Minority interest:	1,292	0.2	1,279	0.2	12	1.0	1,059	0.2
(Shareholders' equity)								
Common stock:	29,804	4.9	29,804	4.9	-	-	29,804	5.0
Additional paid-in capital:	14,935	2.5	14,935	2.4	-	-	14,935	2.5
Retained earnings	483,370	79.9	506,797	82.5	-23,427	-4.6	499,141	84.4
Unrealized gain on securities:	13,765	2.3	13,951	2.3	-185	-1.3	13,399	2.3
Foreign currency adjustment accounts:	-4,493	-0.7	-4,905	-0.8	412	8.4	-4,925	-0.8
Treasury stock:	-23,088	-3.8	-42,947	-7.0	19,859	46.2	-53,517	-9.1
Total shareholders' equity:	514,293	85.1	517,634	84.3	-3,341	-0.6	498,837	84.3
Total liabilities and shareholders' equity:	604,688	100.0	613,802	100.0	-9,114	-1.5	591,371	100.0

2. Consolidated Statements of Income

(Millions of yen)

	First Quarter Fiscal 2005 (April 1, 2005 to June 30, 2005)		First Quarter Fiscal 2004 (April 1, 2004 to June 30, 2004)		Increase/ Decrease		Fiscal 2004 (April 1, 2004 to March 31, 2005)	
	Amount	% Comp.	Amount	% Comp.	Amount	% of change	Amount	% Comp.
Net sales	57,451	100.0	61,474	100.0	-4,023	-6.5	279,437	100.0
Cost of sales	17,824	31.0	18,176	29.6	-351	-1.9	84,762	30.3
Gross profit on sales	39,626	69.0	43,298	70.4	-3,671	-8.5	194,674	69.7
Reversal of provision for sales returns	615		521		93	18.0	522	
Provision for sales returns	550		533		16	3.2	615	
Gross profit	39,692	69.1	43,287	70.4	-3,595	-8.3	194,582	69.7
Selling, general & administrative expenses	32,526	56.6	32,226	52.4	299	0.9	139,883	50.1
Operating income	7,165	12.5	11,060	18.0	-3,895	-35.2	54,698	19.6
Non-operating income								
1 Interest income	1,011		855		155	18.2	3,547	
2 Dividend income	331		211		119	56.3	299	
3 Rent income on real estate	26		27		-0	-3.1	110	
4 Investement gain by the equity mthod	-		1,332		-1,332	-	-	
5 Others	200		462		-261	-56.7	955	
Total non-operating income	1,569	2.7	2,889	4.7	-1,320	-45.7	4,913	1.7
Non-operating expenses								
1 Interest expenses	0		1		-0	-31.7	4	
2 Investment loss in affiliates using the equity accounting method	534		-		-534	-	649	
3 Others	45		194		-148	-76.4	893	
Total non-operating expenses	581	1.0	195	0.3	385	197.2	1,547	0.5
Ordinary income	8,154	14.2	13,754	22.4	-5,600	-40.7	58,063	20.8
Extraordinary gains								
1 Profit on sales of investment securities	0		39		-39	-100.0	39	
2 Profit on sales of fixed assets	0		0		-0	-96.1	23	
3 Others	-		-		—	-	606	
Total extraordinary gains	0	0.0	39	0.1	-39	-100.0	669	0.2
Extraordinary losses								
1 Evaluation loss on investment securities	-		-		-	-	72	
2 Loss on disposal of fixed assets	308		9		298	-	319	
Total extraordinary losses	308	0.5	9	0.0	298	-	392	0.1
Income before income taxes and minority interests	7,845	13.7	13,785	22.4	-5,939	-43.1	58,341	20.9
Corporate and inhabitants' taxes	3,620	6.3	4,922	8.0	-1,301	-26.4	22,141	7.9
Corporate tax adjustment	-24	-0.0	-32	-0.1	8	25.7	483	0.2
Minority interest gain (loss) of consolidated subsidiaries	1	0.0	5	0.0	-3	-63.5	226	0.1
Net income	4,247	7.4	8,890	14.5	-4,642	-52.2	35,489	12.7

3. Consolidated Statements of Retained Earnings

(Millions of yen)

	First Quarter Fiscal 2005 (April 1, 2005 to June 30, 2005)	First Quarter Fiscal 2004 (April 1, 2004 to June 30, 2004)	Fiscal 2004 (April 1, 2004 to March 31, 2005)
(Additional paid-in capital)			
Additional paid-in capital, beginning balance	14,935	14,935	14,935
Additional paid-in capital, ending balance	14,935	14,935	14,935
(Retained earnings)			
Consolidated retained earnings, beginning balance	506,797	498,172	498,172
Increase in retained earnings			
Net income for the period	4,247	8,890	35,489
Decrease in retained earnings			
1. Dividends	7,707	7,833	7,833
2. Bonuses to directors	73	87	87
3. Treasury stock retired	19,894	-	18,943
Consolidated retained earnings for the term, ending balance	483,370	499,141	506,797

Segment Information

- Segment information by type of business

First quarter fiscal 2005 (April 1, 2005 to June 30, 2005)

(Millions of yen)

	Self-medication operation group	Prescription pharmaceutical operation group	Total	Elimination or corporate	Consolidated
Sales and operating income					
Sales					
(1)Sales to outside customers	34,713	22,738	57,451	-	57,451
(2)Sales or transfers between segments	-	-	-	-	-
Total	34,713	22,738	57,451	-	57,451
Operating expenses	30,508	19,777	50,285	-	50,285
Operating income	4,204	2,961	7,165	-	7,165

First quarter fiscal 2004 (April 1, 2004 to June 30, 2004)

(Millions of yen)

	Self-medication operation group	Prescription pharmaceutical operation group	Total	Elimination or corporate	Consolidated
Sales and operating income					
Sales					
(1)Sales to outside customers	39,875	21,599	61,474	-	61,474
(2)Sales or transfers between segments	-	-	-	-	-
Total	39,875	21,599	61,474	-	61,474
Operating expenses	32,233	18,180	50,413	-	50,413
Operating income	7,642	3,418	11,060	-	11,060

(Reference) Fiscal 2004 (April 1, 2004 to March 31, 2005)

(Millions of yen)

	Self-medication operation group	Prescription pharmaceutical operation group	Total	Elimination or corporate	Consolidated
Sales and operating income					
Sales					
(1)Sales to outside customers	183,416	96,020	279,437	-	279,437
(2)Sales or transfers between segments	-	-	-	-	-
Total	183,416	96,020	279,437	-	279,437
Operating expenses	144,402	80,336	224,738	-	224,738
Operating income	39,014	15,683	54,698	-	54,698