

Consolidated Financial Statements for the Nine Months of the March 31, 2010 Fiscal Year

January 29, 2010

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* All amounts in this report are rounded down to the nearest million yen.

1. Consolidated Financial Results for the Nine Months of Fiscal 2009

(cumulative: April 1, 2009 to December 31, 2009)

(1) Consolidated Operating Results

Note: Percentages indicate changes over the same period in the previous fiscal year.

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For nine months ended								
December 31, 2009	202,930	1.6	29,245	(10.0)	30,649	(10.2)	15,774	236.0
December 31, 2008	199,797	–	32,479	–	34,149	–	4,695	–

	Net income per share	Net income per share, diluted
	Yen	Yen
For nine months ended		
December 31, 2009	55.00	–
December 31, 2008	15.94	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
December 31, 2009	602,631	523,626	85.2	1,790.15
March 31, 2009	591,568	514,511	85.4	1,745.96

Reference: Equity As of December 31, 2009: ¥513,380 million As of March 31, 2009: ¥505,166 million

2. Cash Dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2008	–	12.00	–	15.00	27.00
Fiscal 2009	–	12.00	–	–	–
Fiscal 2009 (Forecast)	–	–	–	15.00	27.00

Note: Revision of the forecasts in the third quarter of Fiscal 2009: No

3. Forecasts of Consolidated Operating Results for Fiscal 2009 (April 1, 2009 to March 31, 2010)

Note: Percentages indicate changes over the same period in the previous fiscal year.

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal 2009	259,000	1.1	33,500	(11.7)	35,500	(11.0)	18,500	109.9	64.51

Note: Revision of the forecasts in the third quarter of Fiscal 2009: Yes

4. Other

(1) Changes in significant subsidiaries during the period (or changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Application of simplified accounting as well as specific accounting for preparing the quarterly consolidated financial statements: Yes

Note: For more details, please refer to the section of "4. Other" of Qualitative Information and Financial Statements.

(3) Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements (changes described in the section of "Changes in significant matters forming the basis of preparing the quarterly consolidated financial statements")

a. Changes due to revisions to accounting standards: No

b. Changes due to other reasons: No

(4) Number of issued shares (common stock)

a. Total number of issued shares at the end of the period (including treasury stock)

As of December 31, 2009: 300,465,510 shares

As of March 31, 2009: 320,465,510 shares

b. Number of shares of treasury stock at the end of the period

As of December 31, 2009: 13,685,519 shares

As of March 31, 2009: 31,130,669 shares

c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For nine months ended December 31, 2009: 286,807,697 shares

For nine months ended December 31, 2008: 294,550,272 shares

*Disclaimer regarding appropriate use of forecasts and related points of note

1. Forecasts of consolidated operating results for Fiscal 2009 (April 1, 2009 to March 31, 2010) announced on October 30, 2009 have been revised in these materials.

2. The forecast statements shown in these materials are based on the information available at the time of preparation and certain assumptions that Taisho deems rational. Actual performance and other factors may differ materially from these forecasts due to various factors.

Qualitative Information and Financial Statements

1. Qualitative Information Regarding Consolidated Operating Results

In the business field of the Self-Medication Operation Group, the results were harsh with the over-the counter (OTC) drug market, the central market of this field, cooling sharply upon entering the third quarter and the size of the market for the first nine months declining year on year.

In particular, cold remedies and energy drinks were down despite comparatively healthy sales for the first six months and sales of category 1 drugs were sluggish.

The difficult business environment continued also for the Prescription Pharmaceutical Operation Group, in which there was a trend of further intensification of competition between companies amid the steady penetration of various government measures designed to curb healthcare costs.

Under these circumstances, the Self-Medication Operation Group continued to nurture brands and develop and nurture new products and made all-out efforts to enhance solution proposals and strengthen in-store sales promotion by highlighting product value as well as launching new category 1 drug products and strengthening the provision of information for such drugs. The Prescription Pharmaceutical Operation Group also, while strengthening marketing strength by focusing on the provision of information, dedicated itself to the ongoing development of its original development substances and the accelerations of the speed of such development.

As a result of these activities, consolidated net sales for the nine months ended December 31, 2009, increased by ¥3.132 billion, or 1.6% from the same period a year earlier, to ¥202.93 billion.

Performance by segment is provided below.

(Billions of yen)

Segment / Category	Amount	Increase (Decrease)	
		Amount	%
Self-Medication Operation Group	124.6	(2.7)	(2.1)
Over-the-counter drugs, etc.	113.7	(3.5)	(3.0)
Foods for Specified Health Use, etc.	7.9	0.2	2.8
Others	2.9	0.5	25.2
Prescription Pharmaceutical Operation Group	78.2	5.8	8.1
Ethical drugs	70.9	6.2	9.7
Others	7.0	0.6	10.8
Royalty income	0.2	(1.1)	(82.9)

Sales from consolidated subsidiary Biofermin Pharmaceutical Co., Ltd. of ¥6.4 billion (down 2.0%) is included in consolidated net sales (its breakdown is stated separately).

Sales situations of major products by business segment were as follows:

< Self-Medication Operation Group >

Net sales for the nine months ended December 31, 2009 fell by ¥2.7 billion, or 2.1%, to ¥124.6 billion.

With regard to the Lipovitan series of energy drinks, despite achieving growth in sales of such products as Lipovitan Fine and Lipovitan Half, which appealed to consumers who prefer low-calorie drinks, sales of our mainstay Lipovitan D suffered weaker sales due to the economic recession, intensified competition and the impact of unfavorable weather conditions during the high demand period in summer. Sales for the Lipovitan series overall fell 5.7% to ¥57.9 billion.

Regarding sales of the Pabron series of cold remedies, the mainstay general cold remedies declined year on year in the third quarter; however, for the nine months, overall sales for the Pabron Series grew 2.1% to ¥18.6 billion.

The RiUP series of hair regrowth treatments grew 9.6% to ¥9.8 billion. A contributing factor behind this was the new product RiUP X5 released in June last year despite category 1 drugs generally struggling in the OTC drug market. Among other brands, there were steady performances from the NARON series, which rose 3.4% to ¥3.4 billion thanks to the contribution of the new product NARON ACE R, and the Colac series, which rose 1.3% to ¥3.0 billion. Also, the new external analgesic and anti-inflammatory Diclotect is performing according to targets.

On the other hand, sales of the ZENA series of energy mini-drinks were down 11.2% to ¥2.6 billion impacted by a slowdown in private consumption and the Gastrointestinal Treatment series were down 2.1% to ¥3.4 billion.

Sales of the Livita series of Foods for Specified Health Use and others, which performed strongly, rose 17.1% to ¥2.3 billion.

Biofermin Pharmaceutical Co., Ltd. contributed ¥4.0 billion (down 5.2%) to consolidated net sales.

< Prescription Pharmaceutical Operation Group >

Net sales for the nine months ended December 31, 2009 rose by ¥5.8 billion or 8.1% to ¥78.2 billion due to the contribution of the strong sales of new products and other factors.

In addition to sales of macrolide antibiotic Clarith, a mainstay product of the Group, performing steadily at ¥18.0 billion, up 3.7%, sales grew steadily for the new products beta-lactamase inhibitor-penicillin antibacterial agent ZOSYN, which was ¥8.2 billion and quinolone antibacterial agent Geninax, which was ¥4.7 billion.

On the other hand, sales of the peripheral vasodilator Palux were down 1.8% to ¥8.5 billion, sales of the nonsteroidal anti-inflammatory drug Lorcam were down 6.5% to ¥2.9 billion, sales of the injectable penicillin antibiotic PENTCILLIN were down 21.5% to ¥3.5 billion and sales of the cephem antibiotic TOMIRON fell 11.6% to ¥1.9 billion.

Sales of other products (such as intermediate products for ethical drugs) increased by 10.8% to ¥7.0 billion.

Elsewhere, royalty income decreased 82.9% to ¥0.2 billion.

Biofermin Pharmaceutical Co., Ltd. contributed ¥2.4 billion (up 3.8%) to consolidated net sales.

On the cost front, selling, general & administrative expenses increased considerably. The primary factors behind this increase were an increase in research and development expenses for ethical drugs, an increase in advertising expenses accompanying the large-scale launches of new products such as RiUP X5 and Diclotect, and an increase in sales promotion expenses centered on the cost of promotional goods to respond to the revision of Pharmaceutical Affairs Law and for other purposes. Operating income dropped 10.0% to ¥29.245 billion, ordinary income dropped 10.2% to ¥30.649 billion and net income increased by 236.0% to ¥15.774 billion.

2. Qualitative Information Regarding Consolidated Financial Position

Total assets as of December 31, 2009 amounted to ¥602.6 billion, an increase of ¥11.0 billion from the previous year-end. This reflected an increase of ¥22.5 billion in notes and accounts receivable-trade due to period-end holidays and other factors, and the recording of ¥11.4 billion in sales rights, ¥2.5 billion in trademarks and ¥12.0 billion in goodwill that accompanied the acquisition of shares of PT. Taisho Indonesia despite a ¥26.5 billion decline in cash and deposits. Liabilities amounted to ¥79.0 billion, an increase of ¥1.9 billion from the previous year-end.

Net assets amounted to ¥523.6 billion, an increase of ¥9.1 billion from the previous year-end. Unrealized gain on securities of ¥4.7 billion and net income of ¥15.7 billion were the main factors of increase and dividends from surplus of ¥7.7 billion and acquisition of treasury stock of ¥4.7 billion were the main factors of decrease.

As in June last year, 20,000,000 shares (¥40.3 billion) of treasury stock were retired.

3. Qualitative Information Related to Forecasts of Consolidated Operating Results

– Projections of Consolidated Operating Results

Concerning full-year sales forecasts, Taisho has downwardly revised its forecasted net sales for the Self-Medication Operation Group upon consideration of not only the deterioration of the market environment from October onwards, but also the slowing growth of prevention-related products accompanying the easing trend of the new strain of influenza, weather predictions of low quantities of airborne pollens, and other considerations. In the Prescription Pharmaceutical Operation Group, the forecast for full-year net sales of consolidated subsidiary Taisho Toyama Pharmaceutical Co., Ltd. remains unchanged.

In addition to the above net sales projections, Taisho has reviewed its forecasted costs and has downwardly revised its previous forecasts for net sales and income.

4. Other

- (1) Changes in significant subsidiaries during the period (or changes in specified subsidiaries resulting in changes in scope of consolidation):

No items to report

- (2) Application of simplified accounting as well as specific accounting for preparing the quarterly consolidated financial statements:

a. Simplified accounting

- Depreciation of fixed assets

Depreciation expense for assets that are depreciated using the declining-balance method is calculated by dividing on a pro-rata basis the annual depreciation expense.

- Calculation of deferred and accrued account items

Deferred and accrued account items are booked at approximate amounts resulting from the application of a reasonable calculating method.

- Calculation of income taxes and deferred tax assets and liabilities

The calculation of the payment amount of income taxes is based on the method in which the addition and subtraction items and tax credit items are limited to important items only. In judging the recoverability of deferred tax assets, because it is found that business circumstances as well as occurrences of temporary differences have not materially changed since the previous fiscal year-end, the calculation of income taxes and deferred tax assets and liabilities is made employing the future forecasts of operating results and the tax planning used at the previous fiscal year-end.

b. Specific accounting for preparing the quarterly consolidated financial statements

No items to report

- (3) Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements

No items to report

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2009	As of March 31, 2009 (Summary)
ASSETS		
Current assets		
Cash and deposits	86,426	112,989
Notes and accounts receivable–trade	84,505	61,968
Marketable securities	2,589	2,918
Merchandise and finished goods	12,253	12,280
Work in process	2,318	2,281
Raw materials and supplies	7,440	7,583
Deferred tax assets	6,069	7,450
Other	4,489	8,557
Allowance for doubtful accounts	(193)	(159)
Total current assets	205,899	215,872
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	47,579	48,681
Machinery, equipment and vehicles, net	8,990	9,211
Land	30,795	29,652
Construction in progress	199	1,218
Other, net	4,011	4,196
Total tangible fixed assets	91,576	92,961
Intangible fixed assets		
Goodwill	14,420	2,519
Sales rights	11,456	–
Trademarks	4,435	2,443
Software	4,313	4,978
Other	376	166
Total intangible fixed assets	35,003	10,108
Investments and other assets		
Investment securities	208,258	205,410
Stocks of subsidiaries and affiliates	43,601	46,706
Long-term prepaid expenses	1,067	1,082
Deferred tax assets	12,513	14,121
Other	4,968	5,609
Allowance for doubtful receivable–long term	(259)	(302)
Total investments and other assets	270,151	272,626
Total fixed assets	396,731	375,696
Total assets	602,631	591,568

(Millions of yen)

	As of December 31, 2009	As of March 31, 2009 (Summary)
LIABILITIES		
Current liabilities		
Notes and accounts payable–trade	26,303	20,149
Short-term loans	1,295	605
Accounts payable	11,985	11,265
Accrued income taxes	4,818	9,193
Accrued expenses	7,910	7,328
Adjustment allowance for returns	745	635
Allowance for bonuses	1,561	4,326
Other	1,565	624
Total current liabilities	56,186	54,130
Long-term liabilities		
Long-term loans payable	–	1,050
Reserves for retirement benefits	16,639	15,937
Reserves for directors' retirement payments	1,498	1,329
Deferred tax liabilities	467	424
Other	4,212	4,186
Total long-term liabilities	22,819	22,927
Total liabilities	79,005	77,057
NET ASSETS		
Shareholders' equity		
Common stock	29,804	29,804
Additional paid-in capital	14,935	14,935
Retained earnings	503,015	535,393
Treasury stock	(27,633)	(63,183)
Total shareholders' equity	520,121	516,948
Valuation, translation adjustments and others		
Unrealized gain (loss) on securities	1,045	(3,752)
Deferred gain (loss) from hedging	4	–
Foreign currency adjustment accounts	(7,791)	(8,030)
Total valuation, translation adjustments and others	(6,740)	(11,782)
Minority interests	10,245	9,344
Total net assets	523,626	514,511
Total liabilities and net assets	602,631	591,568

(2) Consolidated Statements of Income (cumulative)

(Millions of yen)

	For nine months ended December 31, 2008	For nine months ended December 31, 2009
Net sales	199,797	202,930
Cost of sales	66,480	71,059
Gross profit on sales	133,316	131,871
Reversal of provision for sales returns	761	613
Provision for sales returns	787	736
Gross profit	133,291	131,748
Selling, general & administrative expenses	100,811	102,502
Operating income	32,479	29,245
Non-operating income		
Interest income	3,306	3,713
Dividend income	1,243	897
Rental income on real estate	22	18
Other	502	512
Total non-operating income	5,074	5,142
Non-operating expenses		
Interest expenses	21	24
Investment loss in affiliates using the equity accounting method	3,179	3,084
Other	204	629
Total non-operating expenses	3,404	3,737
Ordinary income	34,149	30,649
Extraordinary gains		
Gain on sales of fixed assets	4	14
Gain on sales of investment securities	59	–
Gain on sales of stocks of subsidiaries and affiliates	4,382	–
Gain on prior periods adjustment	891	–
Return of profit gained through short-term trading of Company shares by a major shareholder	80	–
Total extraordinary gains	5,417	14
Extraordinary losses		
Amortization of goodwill	12,852	–
Loss on change in equity	2,275	–
Evaluation loss on investment securities	3,332	268
Loss on disposal of fixed assets	67	102
Asset impairment loss	–	510
Total extraordinary losses	18,527	882
Income before income taxes and minority interests	21,039	29,782
Income taxes	15,368	12,810
Minority interest gain (loss) of consolidated subsidiaries	975	1,197
Net income	4,695	15,774

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	For nine months ended December 31, 2008	For nine months ended December 31, 2009
Cash flows from operating activities		
Income before income taxes and minority interests	21,039	29,782
Depreciation and amortization	8,096	8,350
Amortization of goodwill	13,322	98
Evaluation loss (gain) on investment securities	3,332	268
Loss (gain) on sales of fixed assets	(4)	(14)
Loss (gain) on disposal of fixed assets	67	102
Asset impairment loss	–	510
Loss (gain) on prior periods adjustment	(891)	–
Loss (gain) on sales of investment securities	(59)	–
Loss (gain) on sales of stocks of subsidiaries and affiliates	(4,382)	–
Loss (gain) on change in equity	2,275	–
Interest and dividend income	(4,549)	(4,611)
Interest expenses	21	24
Investment loss (gain) in affiliates using the equity accounting method	3,179	3,084
Increase (decrease) in allowance for doubtful accounts	25	(1)
Increase (decrease) in reserves for retirement benefits	628	702
Decrease (increase) in prepaid pension costs	(1,268)	24
Increase (decrease) in reserves for directors' retirement payments	(645)	47
Increase (decrease) in allowance for bonuses	(2,763)	(2,764)
Decrease (increase) in notes and accounts receivable–trade	(19,949)	(21,121)
Decrease (increase) in inventories	1,448	418
Increase (decrease) in notes and accounts payable–trade	2,164	6,081
Increase (decrease) in long-term accounts payable–other	(207)	(13)
Other	3,980	3,253
Subtotal	24,860	24,223
Interest and dividends income received	4,526	3,985
Interest paid	(21)	(24)
Income taxes paid	(17,396)	(17,472)
Net cash provided by operating activities	11,968	10,711

(Millions of yen)

	For nine months ended December 31, 2008	For nine months ended December 31, 2009
Cash flows from investing activities		
Decrease (increase) in time deposits	4,775	39,615
Proceeds from sales/redemption of marketable securities	6,761	2,949
Payments for purchases of tangible fixed assets	(3,900)	(5,319)
Proceeds from sales of tangible fixed assets	95	42
Payments for purchases of intangible fixed assets	(784)	(14,925)
Proceeds from sales of intangible fixed assets	6	0
Payments for purchases of investment securities	(29,227)	(44,079)
Proceeds from sales/redemption of investment securities	11,010	46,068
Payments for purchases of subsidiaries' stocks	(18)	–
Payments for purchases of investments in subsidiaries resulting in change in scope of consolidation	–	(13,976)
Payments for purchases of stocks of subsidiaries and affiliates	(24,746)	–
Proceeds from sales of stocks of subsidiaries and affiliates	4,382	–
Payments for purchases of long-term prepaid expenses	(421)	(337)
Other	(123)	621
Net cash provided by (used in) investing activities	(32,189)	10,659
Cash flows from financing activities		
Increase in short-term loans payable	547	325
Decrease in short-term loans payable	(235)	(696)
Repayments of finance lease obligations	(55)	(174)
Payments for acquiring treasury stock	(11,421)	(4,793)
Decrease (increase) in money held in trust for acquiring treasury stock	–	4,713
Payments for dividends	(7,743)	(7,547)
Cash dividends paid to minority shareholders	(263)	(307)
Net cash used in financing activities	(19,170)	(8,481)
Effect of exchange rate changes on cash and cash equivalents	(735)	81
Net increase (decrease) in cash and cash equivalents	(40,127)	12,971
Cash and cash equivalents at the beginning of period	72,621	64,862
Cash and cash equivalents at the end of period	32,494	77,833

(4) Notes on Premise of Going Concern

No items to report

(5) Segment Information (cumulative)

– Segment information by business category

For nine months ended December 31, 2008

(Millions of yen)

	Self-Medication Operation Group	Prescription Pharmaceutical Operation Group	Total	Elimination or corporate	Consolidated
Sales					
(1) Sales to outside customers	127,392	72,405	199,797	–	199,797
(2) Sales or transfers between segments	–	–	–	–	–
Total	127,392	72,405	199,797	–	199,797
Operating income	25,631	6,847	32,479	–	32,479

For nine months ended December 31, 2009

(Millions of yen)

	Self-Medication Operation Group	Prescription Pharmaceutical Operation Group	Total	Elimination or corporate	Consolidated
Sales					
(1) Sales to outside customers	124,665	78,265	202,930	–	202,930
(2) Sales or transfers between segments	–	–	–	–	–
Total	124,665	78,265	202,930	–	202,930
Operating income	24,836	4,409	29,245	–	29,245

– Segment information by geographical category

For nine months ended December 31, 2008 and nine months ended December 31, 2009

The description of segment information by geographical category is omitted because the amount of sales in Japan among the total sales of all the segments exceeds 90%.

– Overseas sales

For nine months ended December 31, 2008 and nine months ended December 31, 2009

The description of overseas sales is omitted because the overseas sales total are less than 10% of consolidated net sales.

(6) Notes on Substantial Changes in the Amount of Shareholders' Equity

During the first quarter, additions to treasury stock amounted to ¥4,746 million due to Taisho executing an acquisition of treasury stock of 2,494,000 shares in April 2009 based on the resolution at a meeting of the Board of Directors. On the other hand, reductions to treasury stock during the first quarter amounted to ¥40,365 million due to the execution of the retirement of 20,000,000 shares of treasury stock on June 26, 2009, and the same amount was also subtracted from retained earnings. As a result of these causes and others, at the end of the third quarter, the balance of treasury stock was ¥27,633 million. Moreover, in addition to the retirement of treasury stock, dividends of ¥4,343 million were paid on June 29, 2009, interim dividends of ¥3,444 million were paid on December 3, 2009, and as a result, retained earnings stood at ¥503,015 million as of December 31, 2009.