



Presentation of Fiscal 2003 Results

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Fiscal 2003 Results Summary
and Fiscal 2004 Targets

Self-Medication Operation Group

Prescription Pharmaceutical Operation
Group ; Taisho Toyama Pharmaceutical

Fiscal 2003 Results Summary

(Billions of yen)

	FY03 Results	YOY growth		vs. forecast*
		Change	%	
Sales	286.4	+12.3	+4.5%	-3.6
Operating income	57.7	+3.3	+6.1%	+4.7
Ordinary income	61.2	+0.2	+0.5%	+3.2
Net income	40.9	+5.5	+15.5%	+6.9
EPS(¥)	127.9		+20.9%	

*Revised Jan. 2004

- Factors affecting sales:

- < Revenue increases >

- Pharmaceuticals +¥19.4 bil.
(of which, Toyama Chemical products, ¥21.2 bil. :

- Clarith +¥0.5 bil.

- Ancaron +¥0.7 bil.

- Lorcam +¥0.3 bil.)

- < Revenue decreases >

- Self-Medication business

- Lipovitan series ¥-5.1bil.

- RiUP ¥-2.3bil.

- Pharmaceutical business

- Palux ¥-1.3bil.

- Factors affecting profit:

Slow sales of nutrient drinks due to the cool summer, and inclusion of Taisho Toyama Pharmaceutical under scope of consolidation resulted in GoGS ratio rise(+2.9 percentage points). SG&A ratio improved(+3.2 percentage points).

Extraordinary gain of ¥9.2 billion from return of the substitutional portion of the employees' welfare fund

- <Expenditure decreases>

- R&D (-¥5.4 bil.)

- Depreciation (-¥1.5 bil.)

- Acquisition of sales rights for T-3811 in previous FY (-¥7.0 bil.)

- < Expenditue increases >

- Sales promotion (¥+1.9 bil.)

Changes in Balance Sheet Items

(Billions of yen)

Assets

- Marketable securities (-28.8) : Redemption of bonds (-34.0)
- Inventories (+3.1) : Preparations to ship new products
- Investments in securities (+35.0) : Acquisition of bonds (+59.0)
- Deferred tax assets (-11.4) : Increase on revaluation of securities (unrealized gain) (-9.4)

Liabilities

- Reserves for retirement benefits (-7.3) : Return of the substitutional portion of the employees' welfare fund (-9.2)

Shareholders' Equity

- Unrealized gain on securities (+14.0)
- Treasury stock (total: 51.2)

Other Income Statement Items

(Billions of yen)

- Non-operating expenses :
 - Investment loss under the equity method (1.8)
- Extraordinary loss: Losses in evaluation of investment securities (0.9)
(Overseas biotech ventures, etc.)
- Minority interest losses (0.2)

Status of Treasury Stock Acquisition

- Fiscal 2003 total 15.9 mil. shares, ¥28.5 bil.

Fiscal 2004 Targets

(Billions of yen)

	FY2004 Estimates	YOY growth	
Sales	295.0	+8.6	+3.0%
Operating income	59.0	+1.3	+2.3%
Ordinary income	64.0	+2.8	+4.6%
Net income	37.0	-3.9	-9.6%
EPS(¥)	117.8		-7.9%

Self-Medication Operation Group

- Recovery in market for nutrient drinks
- Aggressive launch of new products
- Positive effect of deregulation
- Possible launch of RiUP for women

Prescription Pharmaceutical Operation Group; Taisho Toyama Pharmaceutical

- Marketing structure for Taisho Toyama Pharmaceutical in place
- Increase in R&D expenses

Other Costs

- Initial stage of large-scale capital investments completed,
no major expansion planned

Self-Medication Operation Group

(Billions of yen)

	FY2002	FY2003		FY2004E	
			YOY		YOY
Self-Medication operations	195.1	188.0	-3.6%	195.2	+3.8%
Tonics and nutrient drinks	112.9	107.6	-4.7%	111.7	+3.8%
Lipovitan series	102.0	96.9	-5.0%	99.2	+2.4%
Lipovitan D	77.9	72.9	-6.4%	73.0	+0.1%
Cold remedies	28.7	28.1	-2.1%	28.3	+0.7%
Gastrointestinal treatments	5.3	5.4	+2.2%	5.4	0.0%
RiUP	17.7	15.3	-13.1%	14.5	-5.2%
Livita series	1.5	1.1	-26.3%	2.9	+263.6%

Fiscal 2003 Market Overview

- Drug market down 4% overall (Taisho's estimate)
 - In the drink market, medicinal drinks down 6%, nutrient drinks down 8% due to cool summer

Taisho's Results

- Sales of nutrient drinks down 5% from previous year
- Slight decline in cold remedies due to warm winter
- Release of RiUP in 120mL bottles in September 2002 helps increase number of continuous users despite YOY fall in sales
- Strong sales of Colac and ZENA
- VICKS acquired top share of cough drops market

New Products Launched During Fiscal 2003

Approximately 20 new and renewed products released

Apr	Resty Tablets	Oct	ZENA F0-I Contract secured as general sales agent for VICKS VapoRub
May	DENTWELL[Medicated]VC	Nov	
Jun	DENTWELL Toothbrush Colac Suppository-Type	Dec	
Jul		Jan	Dermarin Cool Spray ALFE Launch of VICKS VapoRub
Aug	Emazen Moist Foam ALFE White Pabron SC, SC tablets Pabron Troche AZ	Feb	Cholescare Neo Gen-en Shukan
Sep	Pabron Rhinitis Tablets S Balancer Ichoyaku Preser S High, Ointment Menfula Hot <IM>	Mar	Colac Fiber Menfula Lotion, Ointment , Gel

Market Outlook During Fiscal 2004

- Continued slight decline in OTC market
 - Down 4% (FY2003)
- Accelerated polarization of retail market
 - Greater focus on price and private-brand by drugstores
 - Fierce competition among small to mid-size drugstores
- Expansion of Taisho's business
 - Rapid growth of the specified health food market

Business Strategies for Fiscal 2004

Continue FY03 strategy to aggressively launch new products and strengthen marketing

- Increase brand share by area
 - Reorganization of marketing structure by prefecture in April
 - Focused, attentive marketing for each store in each area (prefecture)

Business Strategies for Fiscal 2004 (continued)

– Nutrient Drinks

- Three new products launched in April contribute to sales increase
- Conduct samplings to acquire new users

– RiUP

- Acquire new users, retain existing users
- Acquire approval for and launch women's RiUP

– Livita Series

- Enhance series lineup with new products

FY2004 : New Self-Medication Operation Group Products (Forecast)

<p>< 1st Quarter ></p> <p><i>ALFE Light</i></p> <p><i>ALFE BB</i></p> <p><i>Lipovitan Gold</i></p> <p><i>DENTWELL [Medicated] VC</i></p> <p>Two nutrient drinks</p> <p>Hair-growth products</p>	<p>< 3rd Quarter ></p> <p>Two nutrient drinks</p> <p>New healthcare medicines</p> <p>Four or five new treatment medications</p> <p>RiUP for women (Application file Dec. 2002)</p>
<p>< 2nd Quarter ></p> <p>New Livita brand product</p> <p>Medicinal small-drink</p> <p>One or two new treatment medications</p>	<p>< 4th Quarter ></p> <p>Medicinal drink</p> <p>New healthcare medicines</p> <p>Two or three treatment medications</p>

Note: Excepting products that have already been launched (*those in orange italics*), forecasts are made with current information, and are subject to change.

Prescription Pharmaceutical Operation Group; Taisho Toyama Pharmaceutical

(Billions of yen)

	FY2002	FY2003	FY2004E		
			YOY		YOY
Taisho Toyama	-	83.0	-	85.0	+2.4%
Clarith	27.1	27.7	+2.0%	28.0	+1.4%
Palux	14.5	13.2	-8.9%	13.2	0.0%
Pentcillin	-	6.4	-	6.7	+4.7%
Tomiron	-	4.9	-	5.3	+8.2%
Lorcam	4.2	4.5	+7.2%	4.9	+8.9%
Ancaron	3.5	4.2	+20.6%	4.8	+14.3%
Ozex	-	2.9	-	3.1	+6.9%
Solon	2.6	2.3	-14.2%	2.3	0.0%
Metligine	2.4	2.2	-6.3%	2.3	+4.5%
Limas	2.3	2.3	0.0%	2.3	0.0%
Luprac	-	1.6	-	1.8	+12.5%
Pasil	-	0.9	-	1.2	+33.3%

Taisho Toyama Pharmaceutical

Fiscal 2003 Market Overview

- Prescription pharmaceuticals market up 1.7% (delivery price base)
- Principal factors affecting performance
 - Warm winter dampened market for antibacterial agents
 - Fixed rate expense for elderly
 - Deductible increase to 30% reduced number of doctor visits
 - Inclusive hospitalization plans encouraged use of generic drugs at advanced treatment hospitals

Taisho Toyama Pharmaceutical

Fiscal 2003 Business Highlights

Began full-scale operations in April 2003, focusing on infectious diseases and inflammation

Initiated structure with 1,000 medical representatives (MRs)

(Initial year target: ¥95.0 bil. Actual: ¥83.0 bil.)

Factors behind target shortfall

- Warm winter dampened antibacterial agents
- Extensive personnel changeover reduced efficiency
- Proficiency in product knowledge fell short of expectations
- Rationalization of inventories, coordination with wholesale agents
- Fallout from generic drugs and inclusive hospitalization plans

Taisho Toyama Pharmaceutical

Fiscal 2004 Business Strategies

1. Increase efficiency with marketing restructuring

– Streamline structure, improve productivity

- Integration of facilities

153 sales offices → 95 sales offices

- Revision of management structure

From dual vice president (VP) structure to single

- Revision of MR placement

– Establish new specialty division

- Biopex division established

Ten specialists

Greatly strengthens orthopedic and inflammation fields

2. Set single standard of personnel policies to quickly realize synergies

- Eliminate temporary assignments from parent company and enact full transfers
 - Planned implementation in April 2005
 - Aimed at sales and marketing staff
- Taisho policies to be adopted as standard
- Fiscal 2004 results will be reflected in fiscal 2005 personnel policies

3. Fiscal 2004 targets

- Net sales ¥85.0 bil. (up from ¥83.0 bil.)
 - Launch of three new product variations
 - Clarith : smaller tablet size
 - Metligine : rapidly disintegrating tablet
 - Solon : powder (half-portion)
- To achieve medium-term target of ¥120 billion
 - Monthly sales per MR of ¥10 mil., ¥120 bil. annually
- Attain second position in infectious disease field in Japan
 - Super MR certification and training (100 persons)
 - Attaining top position is a medium-term goal

New Drug Pipeline

Taisho

Stage	Name	Application	Development with	Remarks
Approved (Date of approval)	Clarith (Nov. 2003)	Macrolide antibiotic; small tablet		Additional formula
	Metligine (Feb. 2004)	Hypotension; rapidly disintegrating tablet		Additional formula
	Solon (Feb. 2004)	Anti-ulcerant; powder (half portion)		Additional formula
Filed	RiUP (OTC Drug)	Female androgenetic alopecia		Indication expansion
Phase2	NT-702 (NM-702)	Vasodilator/Antiplatelet drug Intermittent claudication (Intermittent claudication)	Nissan Chemical (Nissan Chemical)	 (U.S.)
Phase1	SUN N8075	Cerebral infarction (acute)	Daiichi Suntory Pharma	U.S.
	TS-011	Cerebral infarction (acute)	in-house	U.S.
	TS-021	Type II diabetes	in-house	
	TS-022	Atopic dermatitis	In-house	

Toyama Chemical

Stage	Name	Application	Development with	Remarks
Filed	T-614	Rheumatoid arthritis (DMARD)	Eisai	Phase2a completed in South Africa Lisenced out to Dong-A Pharmaceutical (Korea)
	Pasil	Legionella	Mitsubishi Pharma	Additional indication
Phase3	T-3811 (oral)	New quinolone antibacterial	In-house	Overseas: Agreed to out-license to Schering-Plough Corporation (U.S.)
Phase1	T-3811 (injection)			
Phase2	T-588	Alzheimer's disease Aftereffect of cerebro-vascular accident	In-house	Phase2a completed in U.K.
Pre-clinical	T-5226	Rheumatoid arthritis (AP-1 inhibitor)	In-house	

Original Research Areas

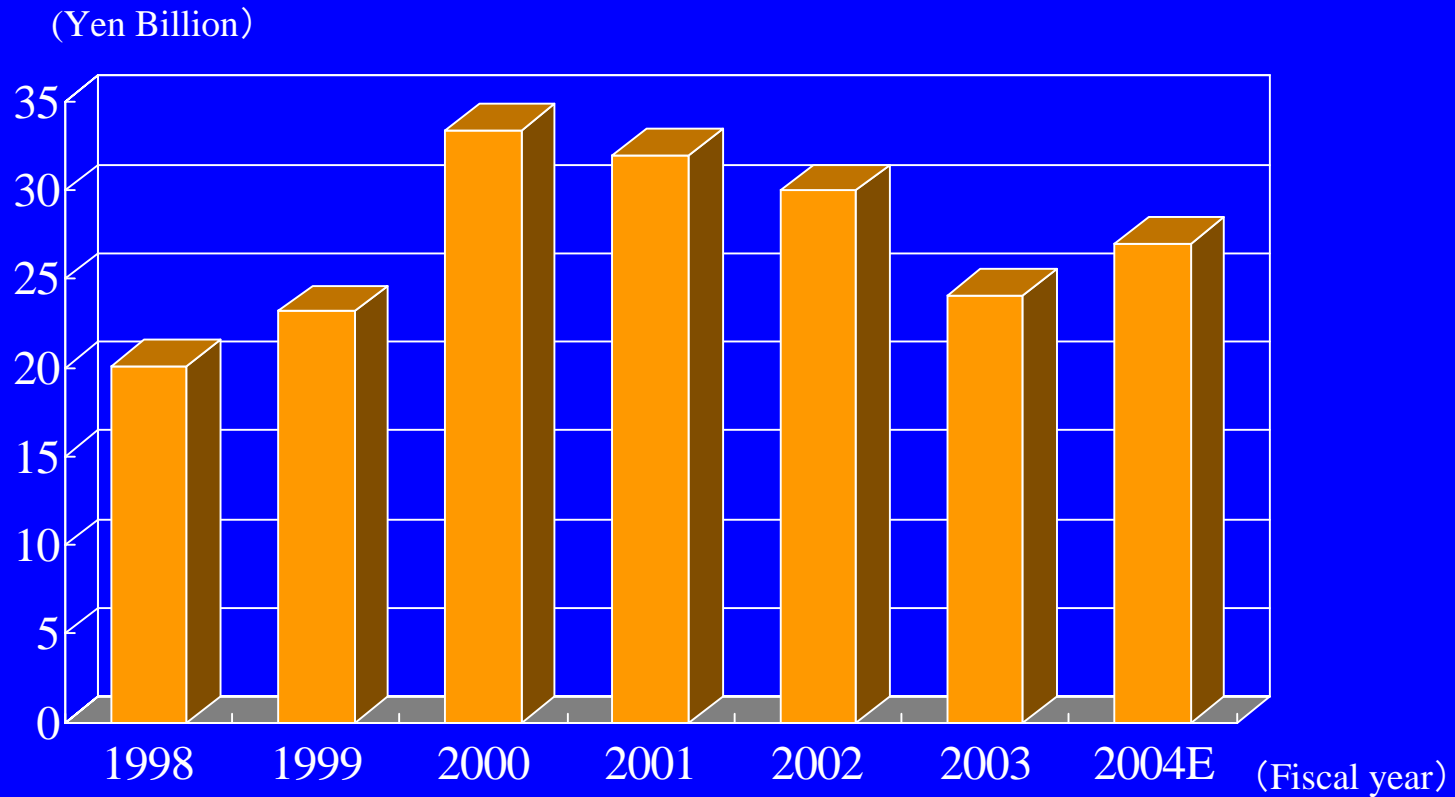
Name	Stage	Domestic / Overseas	Property/Indication	Formulation
TS-011	P1	U.S.	Medicine to protect the brain by improving localized blood flow Acute stage of cerebral infarction	Injecton
TS-021	P1	Japan	Reduce high blood sugar levels after meals in patients with type II diabetes	Oral
TS-022	P1	Japan	Control of itching associated with atopic dermatitis	Topical

Compounds which is licensed to/co-developed with global major companies:
 MGS0028 (Schizophrenia) ; licensed out to Merck (pre-clinical)
 CRA compounds (Depression/Anxiety); co-developed with J&J(pre-clinical).

Taisho Research Projects Entering Clinical Development

Fiscal year	Name	Property/Indication	Target
2003	TS-011	Acute stage of cerebral infarction	Approval around 2010
	TS-021	Type II diabetes	
	TS-022	Atopic dermatitis	
2004 (scheduled)	TS-033	Type I & II diabetes	
	Several others		
2005 and after (scheduled)	Average of two products per year from original development		

Trend of R&D Investments



Decline in fiscal 2003 is due to withdrawal from joint research conducted with a venture company

Future increases are expected in conjunction with progress on original development projects