

First Quarter of FY2008
(March 2009)
Earnings Results



Akira Ohira, Executive Vice President
Taisho Pharmaceutical
July 30, 2008

Results for the First Quarter of FY2008



	07/1Q (Yen B)	08/1Q (Yen B)	YOY change (Yen B)	
Sales	56.9	61.9	+5.0	+9%
Self-Medication	34.7	38.6	+4.0	+11%
Rx Pharmaceutical	22.2	23.2	+1.0	+4%
Operating income	8.2	11.6	+3.5	+43%
Ordinary income	9.8	12.4	+2.6	+27%
Net income	6.0	7.7	+1.7	+28%

Note: All amounts are rounded to the nearest tenth of a billion yen.

FY2008 First Quarter: Trends in Japan's Pharmaceutical Market



Self-Medication Operation Group

- The over-the-counter (OTC) drug market contracted by 1% year on year (retail price basis)
 - Growth in markets for traditional Chinese medicines, rhinitis drugs, and other categories
 - Year-on-year drop in sales of energy drinks, mini-drinks (affected by extended rain and other weather conditions), nutritional tonics, and cold remedies
 - New drug categories contributed to market growth

Prescription Pharmaceutical Operation Group

- The prescription pharmaceutical market was up 2% year on year
 - Oral antibacterial drugs were down 8%
 - Injected antibacterial drugs were down 7%

(Source: IMS data; based on NHI prices)

Copyright 2008 IMS JAPAN K.K.
IMS JPM April-June 2008 MAT
Unauthorized reproduction prohibited

Overview of FY2008 First Quarter Results



- Net sales were largely on target

Self-Medication Operation Group

- In the *Lipovitan* series, sales of *Lipovitan D* were slightly sluggish, but were compensated for by other products in the series
- Mainstay product brands such as the *Pabron* and *RiUP* series sold well, partly due to a boost from new products

Prescription Pharmaceutical Operation Group

- Sales were largely on target despite the effect of NHI price revisions

- Earnings were higher year on year; costs were held down

Fiscal 2008 First Quarter: Sales by Brand



(Yen B)

	Sales	YOY	
<i>Lipovitan series</i>	19.7	-0.1	Falling sales of <i>Lipovitan D</i> were covered by sales of other products in the series
<i>Pabron series</i>	4.3	+1.1	New product <i>Pabron Ace AX</i> contributed to sales
<i>RiUP series</i>	2.8	+0.7	New product <i>RiUP PLUS</i> contributed to sales
GI drugs	1.0	+0.1	Shifted emphasis from year-end to year-round products
<i>ZENA series</i>	1.0	+0.1	<i>F-0</i> series of quasi drugs performed strongly
<i>Livita series</i>	0.7	+0.1	<i>Glucocare Powder Stick</i> performed strongly
<i>Clarith</i>	5.7	-0.4	In line with plans
<i>Palux</i>	2.9	-0.1	In line with plans
Royalty income	1.2	+0.8	Includes the milestone fee from Pfizer

Note: Figures are rounded to the nearest tenth of a billion yen.

FY2008 First Quarter: Factors Behind Changes in Net Sales and Operating Income



<p>Sales (up ¥5.0bn)</p>	<p>Self-Medication: up ¥4.0bn OTC drugs, etc.*: up ¥2.4bn <i>Livita</i> series: up ¥0.1bn Overseas energy drinks: down ¥0.1bn Biofermin: up ¥1.4bn</p>	<p>Rx Pharmaceutical: up ¥1.0bn Taisho Toyama: down ¥0.2bn Royalty income: up ¥0.8bn Intermediate products, etc.: down ¥0.3bn Biofermin: up ¥0.8bn</p>
<p>Operating income (up ¥3.5bn)</p>	<p>Gross profit** increase of ¥3.7bn (Gross margin** improved from 67.5% to 68.0%)</p> <p>SG&A expenses rose ¥0.2bn <Change in SG&A expenses> R&D expenses: up ¥0.4bn Sales promotion expenses: down ¥0.4bn Advertising expenses: flat Personnel expenses: up ¥0.4bn Amortization of goodwill for Biofermin: ¥0.2bn</p>	
<p>Non-operating items: Investment loss in affiliates using the equity accounting method deteriorated by ¥1.1bn (from -¥0.1bn to -¥1.2bn)</p> <p>Extraordinary items: Booking of ¥0.9bn gain on prior periods adjustment</p>		

*Excludes Biofermin

**After adjusting for net provisions for sales returns

FY2008 Forecasts (consolidated)



- No changes to both interim and full-year forecasts

(Yen B)

	2Q(4-9) E	YOY	Full year E	YOY
Sales	124.0	+3%	252.0	+1%
Self-Medication	80.6	+7%	161.1	+6%
Rx Pharmaceutical	43.4	-4%	90.9	-6%
Operating income	15.0	-22%	33.0	-11%
Ordinary income	16.5	-27%	37.5	-10%
Net income	9.5	-33%	22.5	-10%
EPS (Yen)	31.95		75.67	
Sales of Taisho Toyama	36.5	-9%	77.0	-6%

Note: All amounts are rounded to the nearest tenth of a billion yen.

Supplemental Information: Consolidated FY2008 Business Forecasts



- Higher-than-normal SG&A expenses in the second quarter will result in large fluctuations in earnings on a quarterly basis
- The main components of SG&A expenses are shown in the following table:

(Yen B)

	1Q	YOY change	2Q	YOY change	Changes from 1Q	2Q Cumulative
R&D expenses	5.8	+0.4	8.5	+3.0	+2.8	14.3
Advertising expenses	3.5	0	4.7	+2.0	+1.2	8.2
Sales promotion expenses	5.2	-0.4	7.2	+0.8	+2.1	12.4

- R&D expenses: spending on in-licensed items
- Advertising expenses: Advertising of *Ciganon CQ* and energy drinks, etc.
- Sales promotion expenses: *Ciganon CQ* and energy drink campaigns, etc.

Outlook for Major Trends in FY2008 Second Quarter and Beyond



- **Self-Medication Operation Group**
 - Launched *Ciganon CQ* patch-type smoking cessation drug on July 1
 - Approval and rollout of new products
 - Developments in anticipation of the enactment of OTC drugs new sales system in Japan
- **Prescription Pharmaceutical Operation Group**
 - Injected antibacterial drug *ZOSYN*(YP-18): Approved on July 16; preparations for launch under way at Taisho Toyama Pharmaceutical

Self-Medication Operation Group: New Products



- *Ciganon CQ* (patch-type smoking cessation drug): Launched July 1
- Approval of products for treatment of recurrent vaginal candida (antifungal drug)

(*Italics*: New products that have already been launched)

<p><1st quarter></p> <p><i>Caffeine 180 (food product)</i></p> <p><i>Chinese Herbal series (test sales)</i></p> <p>...and others</p>	<p><3rd quarter></p> <p><i>Pabron series</i></p> <p><i>Livita series</i></p> <p><i>Lipovitan series</i></p> <p>...and others</p>
<p><2nd quarter></p> <p><i>Ciganon CQ</i></p> <p><i>ALFE neo</i></p> <p><i>Mail order (diet support drink)</i></p> <p>Treatments for recurrent vaginal candida</p> <p>...and others</p>	<p><4th quarter></p> <p>External preparation</p> <p><i>Livita series</i></p> <p>Internally administered drugs</p> <p>...and others</p>

Prescription Pharmaceuticals: New Drug Pipeline (1)



(As of July 29, 2008)

	Description Application	Development with	Originator
Submitted			
<i>Clarith Tab. 200</i> (Oral)	Macrolide antibiotic Nontuberculous Mycobacteriosis (lung infection) <Additional indication>	Abbott Japan	Taisho
Phase 3			
CT-081* (Oral)	Activated vitamin D derivative Osteoporosis	Chugai Pharmaceutical	Chugai Pharmaceutical
Phase 2/3			
CT-064 (Injection)	Antiresorptive bisphosphonate Osteoporosis	Chugai Pharmaceutical	Roche

*CT-081:Chugai Pharmaceutical development code: ED-71

Prescription Pharmaceuticals: New Drug Pipeline (2)



(As of July 29, 2008)

	Description Application	Development with	Originator
Phase 2			
NT-702 (Oral)	Intermittent claudication caused by ASO*, SCS**	Nissan Chemical	Nissan Chemical
TT-063 (Topical)	Osteoarthritis, scapulothoracic periartrosis, myalgia and other conditions	Tokuhon	Tokuhon
CT-064 (Oral)	Antiresorptive bisphosphonate Osteoporosis	Chugai Pharmaceutical	Roche
NT-702 (Oral)	Asthma	Nissan Chemical	Nissan Chemical
TS-033 (Oral)	Type 1 and 2 diabetes	In-house	Taisho
TS-022 (Topical)	Pruritus caused by Atopic dermatitis	In-house	Taisho
<i>Palux</i> (Injection)	Intermittent claudication caused by SCS** <Additional indication>	In-house	Taisho/ Mitsubishi Tanabe