

# Third Quarter of FY2008 (March 2009) Earnings Results



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# Results for the 3Q of Fiscal 2008

3rd quarter results (cumulative)

(Yen B)

	FY07 3Q	FY08 3Q	YOY change	
Net Sales	193.5	199.8	+6.3	+3%
Self-Medication	118.5	127.4	+8.9	+8%
Rx Pharmaceutical	75.0	72.4	-2.6	-3%
Operating income	32.9	32.5	-0.4	-1%
Ordinary income	37.4	34.1	-3.2	-9%
Net income	23.1	4.7	-18.4	-80%

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

# Factors Affecting 3Q of Fiscal 2008

## Net Sales and Profits



(cumulative , Year-on-year change from 3Q FY2007 to 3Q FY2008)

<p><b>Net sales</b> (up ¥6.3bn)</p>	<p><b>Self-Medication: up ¥8.9bn</b> OTC drugs, etc.: up ¥4.1bn (Taisho) Biofermin: up ¥4.3bn FOSHU, etc.: up ¥0.3bn Others: up ¥0.3bn</p>	<p><b>Rx Pharmaceutical: down ¥2.6bn</b> Taisho Toyama: down ¥1.3bn Biofermin: up ¥2.4bn Royalty income: down ¥2.3bn Others: down ¥1.4bn</p>
<p><b>Operating income</b> (down ¥0.4bn)</p>	<p><b>Gross profit increase of ¥4.5bn (CoGS margin 33.4%→33.3%)</b> &lt;SG&amp;A expenses: up ¥4.9bn&gt; (including ¥3.1bn for Biofermin) R&amp;D expenses: up ¥2.7bn (Biofermin: ¥0.2bn) Advertising expenses: up ¥2.5bn (Biofermin: ¥2.0bn) Sales promotion expenses: down ¥0.7bn (Biofermin: ¥0.2bn) Personnel expenses: up ¥0.6bn (Biofermin: ¥0.4bn)</p>	
<p>Non-operating items: Investment income (loss) in affiliates using the equity accounting method changed from income of ¥0.1bn in the same period of FY2007 to a loss of ¥3.2bn Extraordinary items: Booking of ¥2.1bn net gain after offsetting profit on sale of shares of related company with loss on change in equity; evaluation loss on investment securities reached ¥3.3bn (up ¥2.8bn from 2Q-end)</p>		

# Sales Breakdown by Major Brands/Products



(Yen B)

	FY08 3Q*	YOY change	FY08E	vs. Forecast**
<i>Lipovitan series</i>	61.5	-0.8	75.1	-0.9
<i>Pabron series</i>	18.2	+2.1	24.8	+0.8
<i>RiUP series</i>	9.0	+1.5	11.4	+0.5
GI drug series	3.5	+0.2	4.5	0
<i>Colac series</i>	3.0	+0.3	3.8	0
<i>Livita series</i>	2.0	+0.2	2.7	0
<i>Clarith</i>	17.4	-1.6	23.7	+0.2
<i>Geninax</i>	3.3	+0.8	3.7	+0.2
<i>TAZOCIN+ZOSYN</i>	2.4	+1.3	3.9	+1.9

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

\*Cumulative sales      \*\*Forecasts released when 2Q results announced.

# 3Q of Fiscal 2008: Segment Overview



## Self-Medication Operation Group

- Mainstay brands
  - Lower sales of *Lipovitan* series partly due to slowing economy
  - *RiUP* and *Pabron* continue to post steady sales growth
- New products such as switch OTC and new drug categories
  - *Meditreat* (for treatment of recurrent vaginal candidia) launched (October 1)
  - Each product is contributing to net sales

## Prescription Pharmaceutical Operation Group

- Taisho Toyama Pharmaceutical
  - *Clarith* and other existing products are outperforming forecasts thanks to the information provision activities conducted from the beginning of fiscal 2008
  - New injectable antibacterial agent *ZOSYN* made a stronger than expected start
  - Oral antibacterial agent *Geninax* is also performing well (launched October 2007)

# First Three Quarters of FY2008: Market Trends



- **The OTC drug market declined 1% year on year\***
  - October-December 2008: Year-on-year drop in energy drinks, mini-drinks and cold remedies, due in part to slowing economy and weather conditions
  - Categories posting sales growth included Chinese herbal medicines, rhinitis drugs and hair-care products
  - “Class 1” drugs and new drug categories continued to contribute
- **The prescription drug market was up 2% year on year\***
  - The overall market for antibacterial drugs, Taisho’s major market, was down 7% (Oral: down 6%; Injected: down 7%)

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\* Year-on-year changes for the nine months ended Dec. 31

# Fiscal 2008 Forecasts (consolidated)



(Yen B)

	FY08E	YOY change		Previous* forecast	vs. Previous forecast
Net Sales	255.0	+5.3	+2%	252.0	+3.0
Self-Medication	161.3	+8.6	+6%	161.1	+0.2
Rx Pharmaceutical	93.7	-3.3	-3%	90.9	+2.8
Operating income	36.5	-0.5	-1%	35.5	+1.0
Ordinary income	37.5	-4.4	-10%	39.0	-1.5
Net income	6.5	-18.5	-74%	10.5	-4.0
EPS (Yen)	15.9			22.2	-0.6
(Reference)					
Taisho Toyama: Net Sales	80.5	-1.6	-2%	77.0	+3.5

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

\* Forecasts released when 2Q results announced.

# FY2008 Full-Year Forecasts: Factors Affecting Projected Net Sales and Profits



(Year-on-year changes)

<p>Net sales (up ¥5.3bn) Previous forecast raised by ¥3.0bn</p>	<p><b>Self-Medication: up ¥8.6bn</b> OTC drugs, etc.: up ¥2.5bn (Taisho) Biofermin: ¥5.3bn FOSHU, etc.: up ¥0.3bn Others: ¥0.5bn</p>	<p><b>Rx Pharmaceutical: down ¥3.3bn</b> Taisho Toyama: down ¥1.6bn Biofermin: up ¥3.0bn Royalty income: down ¥2.5bn Others: down ¥2.3bn</p>
<p>Operating income (down ¥0.5bn) Previous forecast raised by ¥1.0bn</p>	<p>Gross profit increase of ¥5.2bn &lt;SG&amp;A expenses projected to rise ¥5.7bn&gt; (Including ¥4.1 billion for Biofermin) R&amp;D expenses: up ¥2.7bn (Biofermin ¥0.3bn) Advertising expenses: up ¥3.0bn (Biofermin ¥2.5bn) Sales promotion expenses: down ¥0.6bn (Biofermin ¥0.3bn) Personnel expenses: up ¥0.9bn (Biofermin ¥0.6bn)</p>	
<p>Non-operating items: Investment income (loss) in affiliates using the equity accounting method expected to return a loss of ¥5.0bn Extraordinary items: Forecast incorporates items booked through the third quarter of fiscal 2008</p>		

# FY2008 Fourth-Quarter Activities



- No change in current policies for Self-Medication Operation Group and Prescription Pharmaceutical Operation Group
  - **Self-Medication Operation Group**
    - Towards the rollout of the new sales system (June 2009)
      - Preparation and adjustments for the new sales system
      - Initiatives for new drugs and new categories
    - Initiatives to develop brands and new products
  - **Prescription Pharmaceutical Operation Group**
    - Continue to reinforce priority areas
      - *ZOSYN*: Establish product in market as early as possible in an effort to enhance hospital sales channels
      - *Geninax*: Actively provide information in second year
      - Maintain sales of *Clarith* and other existing products
      - R&D: Speed up development of key products

# Self-Medication Operation Group: New Products



- Cultivating our latest products, such as *Ciganon CQ* and *Meditreat* (antifungal agent for treatment of recurrent vaginal candidia) , to ensure market penetration
- Looking to actively license-in products going forward

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

<p>&lt;1st quarter&gt;</p> <p><i>Caffeine 180 (food product)</i></p> <p><i>Chinese Herbals series (test sales)</i></p> <p>...and others</p>	<p>&lt;3rd quarter&gt;</p> <p><i>Meditreat</i></p> <p><i>Lipovitan Noncaffe</i></p> <p><i>Cholescare Chitosan Green Juice</i></p> <p><i>Glucocare Green Tea</i></p> <p>...and others</p>
<p>&lt;2nd quarter&gt;</p> <p><i>Ciganon CQ, ALFE neo</i></p> <p><i>Pabron 50, Pabron Gargle 365</i></p> <p><i>hisoca (co-development with Isetan) :additional products</i></p> <p>...and others</p>	<p>&lt;4th quarter&gt;</p> <p>External preparation</p> <p>Internal preparation</p> <p>...and others</p>

# Prescription Pharmaceuticals: New Drug Pipeline (1)



- New drug pipeline: No changes

(As of January 29, 2009)

	Description Application	Development with	Originator
Approved			
<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 <sub>3</sub> 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

\*\*CT-064: Chugai Pharmaceutical development code: R484

# Prescription Pharmaceuticals: New Drug Pipeline (2)



(As of January 29, 2009)

	Description Application	Development with	Originator
Phase 2			
NT-702 (Oral)	Intermittent claudication caused by ASO*, SCS**	Nissan Chemical	Nissan Chemical
TT-063 (Topical)	Osteoarthritis, scapulohumeral peri-arthritis, myalgia and other conditions	Tokuhon	Tokuhon
CT-064*** (Oral)	Antiresorptive bisphosphonate Osteoporosis	Chugai Pharmaceutical	Roche
NT-702 (Oral)	Asthma	Nissan Chemical	Nissan Chemical
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

\*\*ASO: Arteriosclerosis obliterans \*\*SCS: Spinal canal stenosis

\*\*\*CT-064: Chugai Pharmaceutical development code: R484

# Trends in R&D Expenses

(Including Self-Medication Operation Group)



FY2008 forecast for R&D expenses maintained at ¥27.4bn  
(Changed only the composition of R&D expenses in the Self-Medication Operation Group and Prescription Pharmaceutical Operation Group)

