

FY2008 (March 2009) Earnings Results



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Taisho Pharmaceutical
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Results for Fiscal 2008 (consolidated)



(Yen B)

	FY07	FY08	YOY change		vs. Forecast*
Net sales	249.7	256.2	+6.6	+3%	+1.2
Self-Medication	152.7	161.1	+8.5	+6%	-0.2
Rx Pharmaceutical	97.0	95.1	-1.9	-2%	+1.4
Operating income	37.0	37.9	+1.0	+3%	+1.4
Ordinary income	41.9	39.9	-2.0	-5%	+2.4
Net income	25.0	8.8	-16.2	-65%	+2.3
EPS (Yen)	84.0	30.0			

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

(*Estimates released when 3Q results announced)

Fiscal 2008 Initiatives and Results



- **Self-Medication Operation Group**

- Promoted marketing activities emphasizing added value
- Bolstered measures related to new medicinal benefits, new categories, etc.
- Prepared for the new sales system of OTC drugs

→ Despite a lackluster performance for energy drinks, sales were up, due to contributions from *RiUP*, *Pabron* and new products, especially “Class 1” drugs.

- **Prescription Pharmaceutical Operation Group**

- Generated sales for *Clarith* and other existing products
- Launched injectable antibacterial drug *ZOSYN*, growing sales quickly
- Oral antibacterial agent *Geninax*: Growth in second year since launch

→ Increased share in antibacterial market.

Fiscal 2008 Market Trends



- The OTC drugs market down 1% year on year
 - Growth drug categories: Chinese herbal medicines, hay fever-related, hair-care products, etc.
 - Energy drinks registered a year-on-year drop, partly due to the weather
 - “Class 1” drugs and new offerings in new drug categories contributed
- The Prescription drugs market up 3% year on year
 - The market for antibacterial drugs -Taisho’s core market- shrank by 7%
(Oral: down 6%; injected: down 8%)

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Factors Affecting Fiscal 2008 Net Sales and Profits

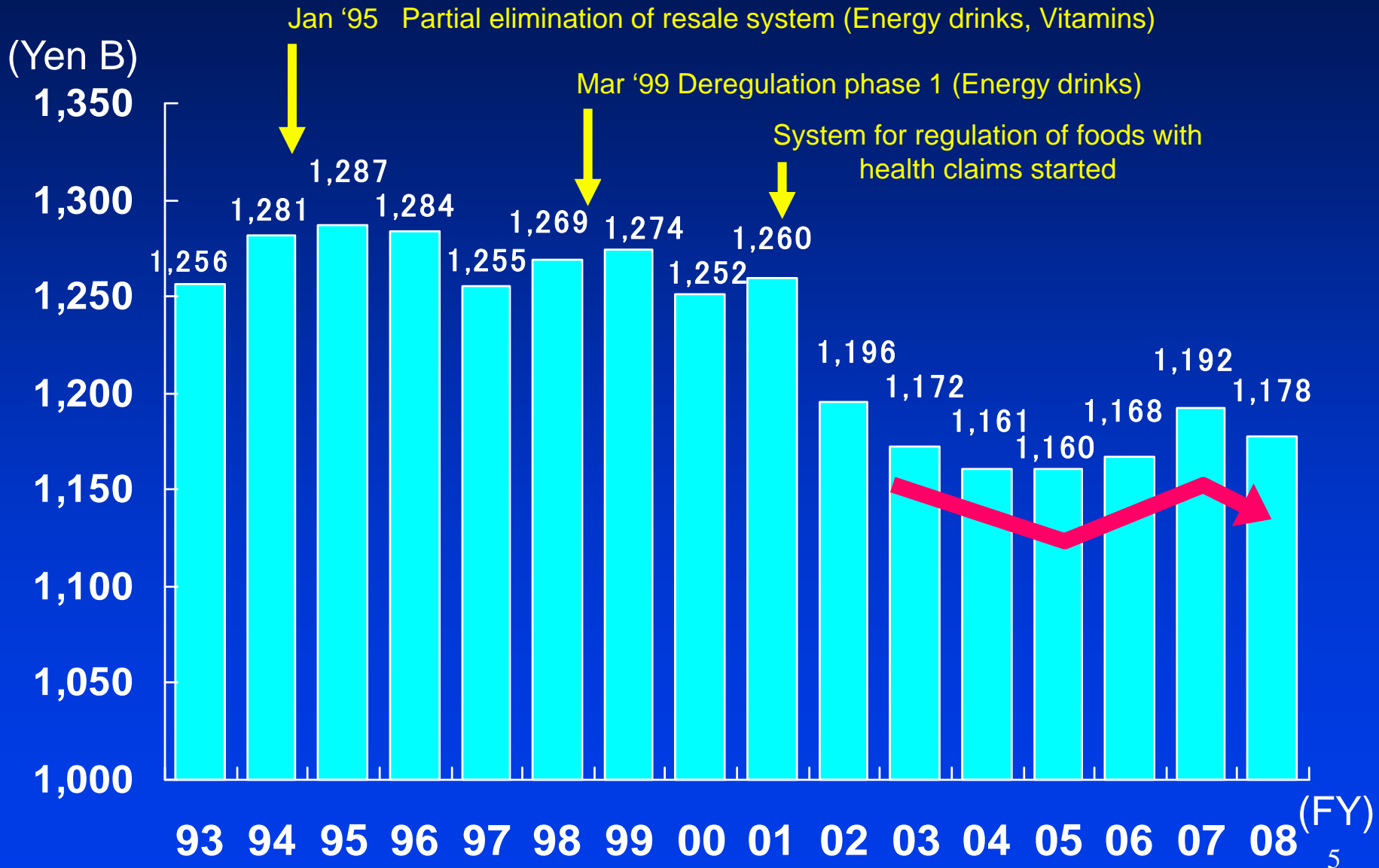


(Year-on-Year change)

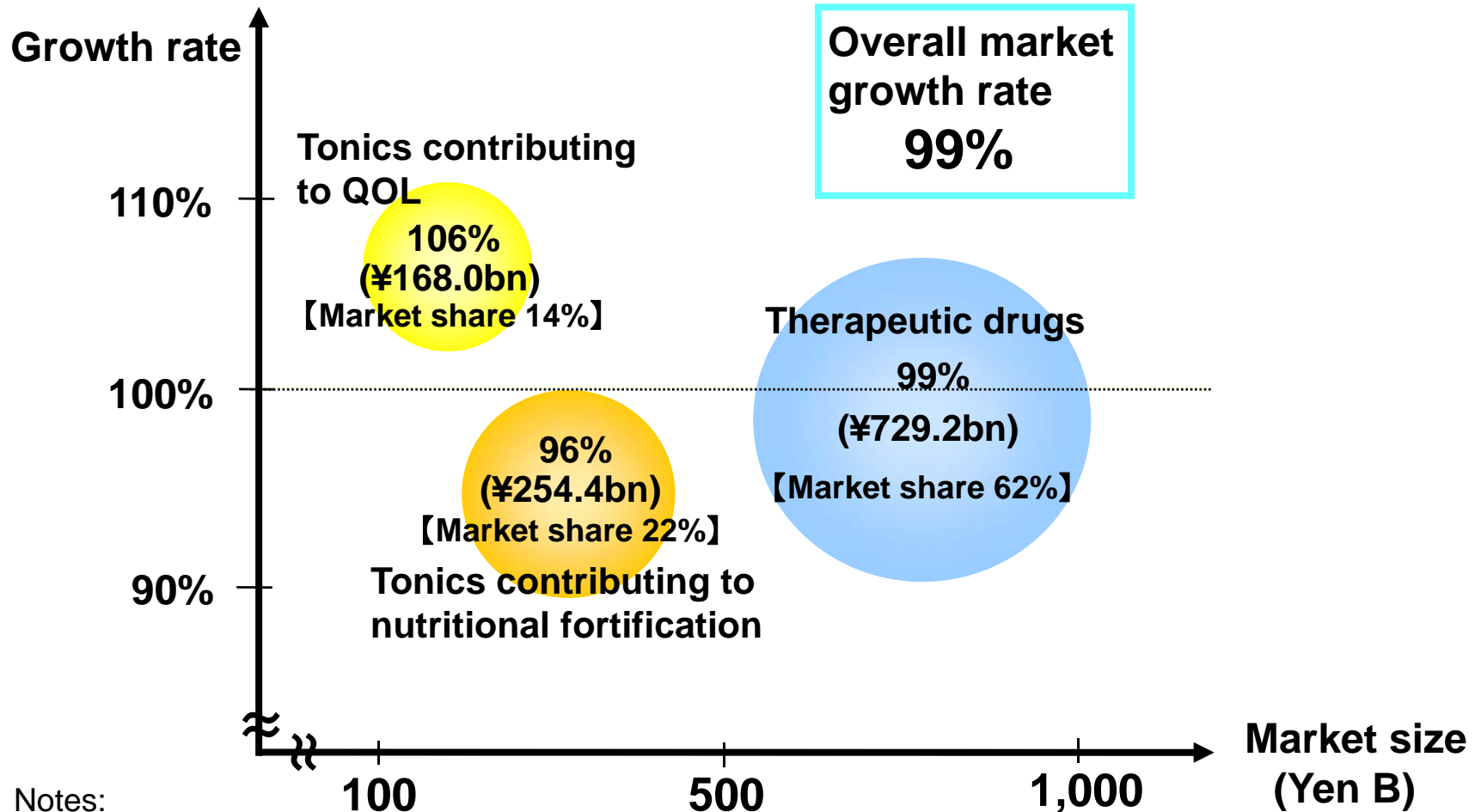
<p>Net sales (up ¥6.6bn)</p>	<p>Self-Medication: up ¥8.5bn OTC drugs, etc.: up ¥2.7bn (Taisho) Biofermin: up ¥5.5bn</p>	<p>Rx Pharmaceutical: down ¥1.9bn Taisho Toyama: down ¥0.3bn Royalty income: down ¥2.7bn Others: down ¥2.0bn Biofermin: up ¥3.1bn</p>
<p>Operating income (up ¥1.0bn)</p>	<p>Gross profit increase of ¥5.0bn Cost of sales margin improved from 34.2% to 33.9%</p> <p><SG&A expenses rose ¥4.0bn> (including ¥3.9bn of Biofermin) R&D expenses: up ¥2.8bn Advertising expenses: up ¥2.2bn Sales promotion expenses: down ¥1.4bn Personnel expenses: up ¥0.3bn</p>	
<p>Non-operating items: Deterioration in equity-method income (¥0.5bn loss widened ¥4.6bn loss)</p> <p>Extraordinary items: One-time write-off of goodwill (¥12.9bn), loss on devaluation of marketable securities (¥3.3bn), loss on change in equity (¥2.3bn)</p>		

Trends in Japanese OTC Drugs Market

(Taisho's estimates based on SDI and SRI data)



Fiscal 2008/2007 Growth Rate by OTC Drugs Market Segment



Notes:

Growth rate denotes growth in monetary sales between fiscal 2007 and fiscal 2008.

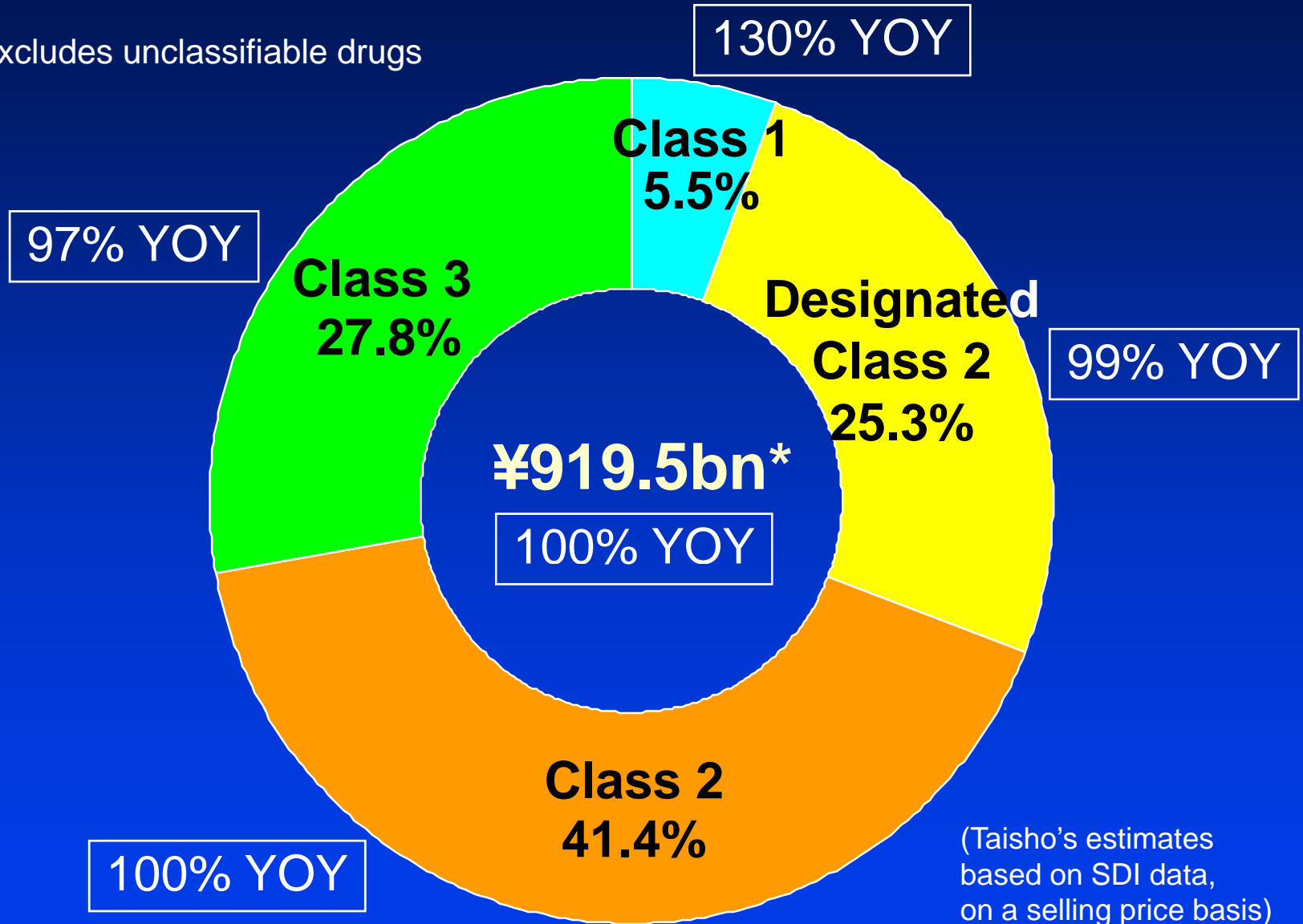
The sizes of the circles in the graph indicate the relative sizes of the markets.

Includes designated quasi-drugs.

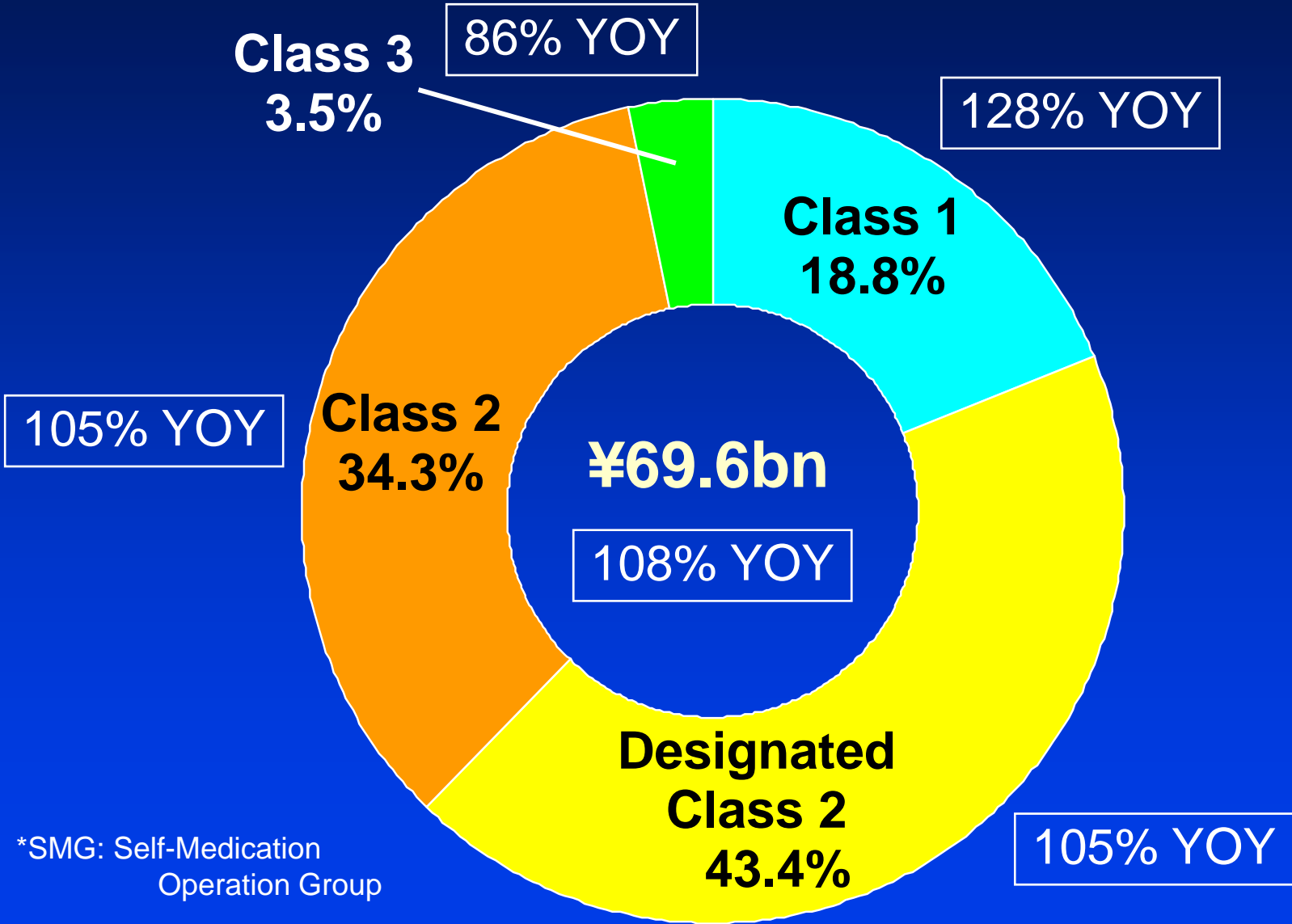
(Taisho's estimates based on SDI and SRI data)

Size of OTC Drugs Market by Drug Class (2008)

*Excludes unclassifiable drugs



Sales of SMG* Pharmaceutical Products by Drug Class (FY2008)



*SMG: Self-Medication Operation Group

Fiscal 2009 Outlook



- **Self-Medication Operation Group**
 - Prepare to further strengthen “Class 1” drugs business
 - Launch *RiUP X5* and other new products; foster sales growth
 - Adapt to new sales system of OTC drugs
- **Prescription Pharmaceutical Operation Group**
 - Generate sales for existing products
 - Foster new product growth
 - Expand share of the infectious disease-related field

Fiscal 2009 Forecasts (consolidated)



(Yen B)

	FY09E	YOY change	
Net sales	257.0	+0.8	+0%
Self-Medication	162.5	+1.4	+1%
Rx Pharmaceutical	94.5	-0.6	-1%
Operating income	34.0	-3.9	-10%
Ordinary income	39.0	-0.9	-2%
Net income	23.0	+14.2	+161%
EPS (Yen)	79.5		
Sales of Taisho Toyama	82.0	+0.3	+0%

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

FY2009 Forecasts: Factors Affecting Projected Net Sales and Profits



(Year-on-Year change)

<p>Net sales (up ¥0.8bn)</p>	<p>Self-Medication: up ¥1.4bn OTC drugs, etc.: up ¥1.2bn (Including Biofermin: down ¥0.3bn)</p>	<p>Rx Pharmaceutical: down ¥0.6bn Taisho Toyama: up ¥0.3bn Royalty income: down ¥1.0bn Biofermin: up ¥0.1bn</p>
<p>Operating income (down ¥3.9bn)</p>	<p>Gross profit decrease of ¥1.0bn Cost of sales margin 33.9% → 34.4%</p> <p><SG&A expenses up ¥3.0bn> R&D expenses: up ¥1.2bn Advertising expenses: up ¥0.8bn Sales promotion expenses: up ¥1.2bn Personnel expenses: up ¥0.8bn Annual amortization of Biofermin goodwill: ¥135mn</p>	
<p>Non-operating items: Includes ¥1.3bn in equity-method loss</p>		

Sales Breakdown by Brands



(Yen B)

	FY08	YOY change	FY09E	YOY change
<i>Lipovitan series</i>	74.8	-1.8	72.9	-1.9
<i>Pabron series</i>	25.4	+2.1	25.2	-0.2
<i>RiUP series</i>	11.4	+1.4	13.0	+1.6
GI drugs	4.4	+0.2	4.5	+0.1
<i>Naron series</i>	4.4	+0.1	4.7	+0.3
<i>Colac series</i>	3.9	+0.3	3.9	0
<i>Livita series</i>	2.6	+0.3	2.9	+0.3
<i>Clarith</i>	24.0	-1.5	23.8	-0.2
<i>Palux</i>	11.2	-0.3	11.2	0
<i>Geninax</i>	3.7	+0.4	5.1	+1.4
<i>Zosyn (including Tazocin)</i>	4.0	+2.7	5.4	+1.4

Note: Rounded to the nearest hundred-million.

Self-Medication Operation Group: Trend in New Products



RiUP X5 (5%-minoxidil hair regrowth treatment):

scheduled to launch in June 2009

<FY2009 New Products>

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

<p><1st quarter> <i>Stopan</i> <i>Diclotect</i> <i>RiUP X5</i> Drink ...and others</p>	<p><3rd quarter> Drink <i>Livita</i> series ...and others</p>
<p><2nd quarter> <i>Livita</i> series ...and others</p>	<p><4th quarter> External preparation Internal agent ...and others</p>

Prescription Pharmaceuticals: New Drug Pipeline (1)



In Japan

(As of May 15, 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 ₃ 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)



In Japan (continued)

(As of May 15, 2009)

	Description Application	Development with	Originator
Phase 2			
TT-063 (Topical)	Anti-inflammatory analgesic patch formulation containing S-flurbiprofen Osteoarthritis, scapulohumeral peri-arthritis, myalgia and other conditions	Tokuhon	Tokuhon
NT-702 (Oral)	Asthma	Nissan Chemical	Nissan Chemical
NT-702 (Oral)	Intermittent claudication caused by ASO*, SCS**	Nissan Chemical	Nissan Chemical
CT-064*** (Oral)	Antiresorptive bisphosphonate Osteoporosis	Chugai Pharmaceutical	Roche
TS-071 (Oral)	SGLT**** inhibitor Type 1 and 2 diabetes	In-house	Taisho

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

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

****SGLT: Sodium-dependent glucose cotransporter

Prescription Pharmaceuticals: New Drug Pipeline (3)



In Japan (continued)

(As of May 15, 2009)

	Description Application	Development with	Originator
Phase 2			
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

*SCS: Spinal canal stenosis

In Overseas Countries

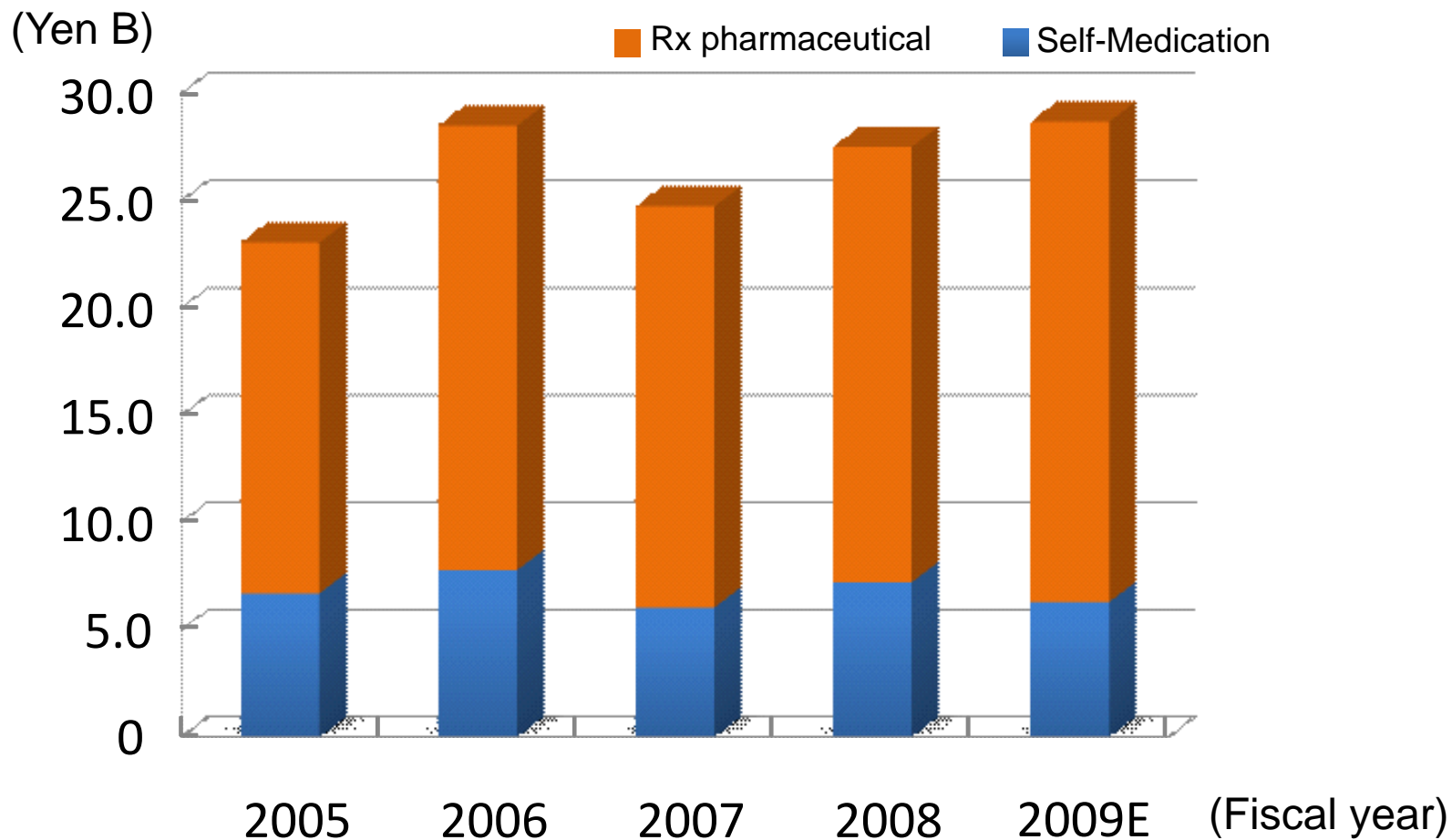
(As of May 15, 2009)

	Description Application	Development with	Originator
Phase 2			
TS-022 (Topical)	Pruritus caused by Atopic dermatitis	In-house	Taisho

Trends in R&D Expenses



Expected to increase in fiscal 2009

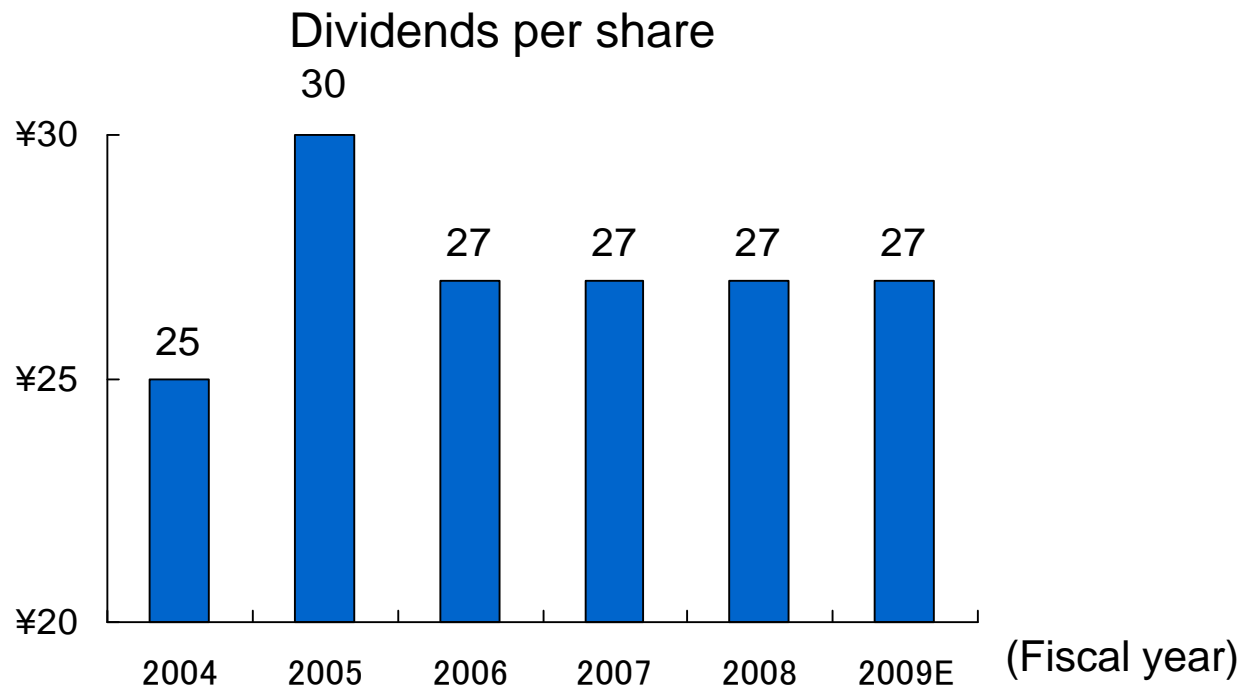


Returning Profits to Shareholders & Treasury Stock



- Dividends

- Taisho plans to maintain its existing dividend policy and pay a dividend for fiscal 2009 of ¥27 per share as in previous years



- Treasury Stock:

- Taisho plans to retire 20 million shares (in June)
(6.24% of total shares issued prior to retirement)

Medium-Term Consolidated Business Targets



- Taking On the Challenge for FY2012
 - Net sales for fiscal 2012: ¥290.0bn
 - Self-Medication Operation Group: ¥180.0bn
 - Prescription Pharmaceutical Operation Group: ¥110.0bn
 - Ordinary income ratio for fiscal 2012:
around 15%