

Third Quarter of FY2009(March 2010) Earnings Results



Akihito Sakai, Managing Director
Taisho Pharmaceutical
January 29, 2010

Results for the 3Q of Fiscal 2009



3rd quarter results (cumulative)

(Yen B)

	FY08 3Q	FY09 3Q	YOY change	
Net sales	199.8	202.9	+3.1	+2%
Self-Medication	127.4	124.7	-2.7	-2%
Rx Pharmaceutical	72.4	78.3	+5.9	+8%
Operating income	32.5	29.2	-3.2	-10%
Ordinary income	34.1	30.6	-3.5	-10%
Net income	4.7	15.8	+11.1	+236%

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



- **Self-Medication Operation Group**

- *Pabron* series: The market for general cold remedies was stagnant; growth of prevention-related products slowed
- Energy drinks: Continued to struggle
- *RiUP* series: *RiUP X5* sold steadily
→ 3rd quarter sales fell short of target

<For reference: Market conditions>

OTC drug market (for the first three quarters of FY2009) decreased 0.4% year on year

- Largest factor was a drop in sales of general cold remedies (increased visits to physicians, rigorously taking preventive measures, etc.)
- Growth of sales related to preventing influenza slowed



- **Prescription Pharmaceutical Operation Group**
 - Continued strong sales of injectable antibiotic product *ZOSYN*; sales of quinolone oral antibacterial agent *Geninax* also met the target
 - *Clarith* and *Palux* made a good showing
 - Net sales at Taisho Toyama Pharmaceutical were strong

<For reference: Market conditions>

The prescription pharmaceutical market expanded by 8% year on year

- The market for antibacterial agents – Taisho's core market – shrank by 3% overall

(Oral: down 2%. Injected: down 4%)

Copyright 2010 IMS JAPAN
JPM Apr-Dec 2008, JPM Apr-Dec 2009
Unauthorized reproduction prohibited

Factors Affecting FY2009 3rd Quarter Net Sales and Profits



(Year-on-year change of cumulative 9 months from start of fiscal year)

<p>Net sales (up ¥3.1bn)</p>	<p>Self-Medication: down ¥2.7bn (Main factors) OTC drugs, etc.: down ¥3.5bn Miscellaneous prevention-related products, etc.: up ¥0.5bn <i>Livita</i> series: up ¥0.3bn Overseas energy drinks: down ¥0.5bn</p>	<p>Rx Pharmaceutical: up ¥5.9bn (Main factors) Taisho Toyama: up ¥6.2bn Royalty income: down ¥1.1bn Intermediate products, etc.: up ¥0.7bn</p>
<p>Operating income (down ¥3.2bn)</p>	<p>Gross profit* decrease of ¥1.5bn (Gross margin* : FY08 3Q 66.7% → FY09 3Q 64.9%) SG&A expenses: up ¥1.7bn R&D expenses: up ¥1.2bn Sales promotion expenses: up ¥0.7bn Advertising expenses: up ¥0.7bn Personnel expenses: up ¥0.4bn Others: down ¥1.3bn (decrease of amortization of goodwill, etc.)</p>	
<p>Non-operating items: Equity method income (loss) decreased (FY08 3Q: loss of ¥3.179bn → FY09 3Q: loss of ¥3.084bn)</p>		

*After provision/reversal of reserve for returned unsold goods

Sales of Leading Products



(Yen B)

	3Q (4-12)	YOY change	Full-year E		
			Revised E	Vs. Previous E	YOY change
<i>Lipovitan series</i>	58.0	-3.5	70.7	-1.2	-4.1
<i>Pabron series</i>	18.6	+0.4	25.5	-1.1	+0.1
<i>RiUP series</i>	9.9	+0.9	12.7	-	+1.3
<i>Livita series</i>	2.3	+0.3	3.1	+0.1	+0.5
<i>Clarith</i>	18.0	+0.6	24.4	-	+0.4
<i>Palux</i>	8.6	-0.1	11.0	-	-0.2
<i>ZOSYN</i>	8.3	+5.9	10.2	-	+6.2
<i>Geninax</i>	4.8	+1.5	5.4	-	+1.7

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

Fiscal 2009 Full-year Forecasts



Revised down the sales of Self-Medication and overall income (Yen B)

	Revised E	YOY change		Vs. Previous E
Net sales	259.0	+2.8	+1%	-3.0
Self-Medication	158.9	-2.2	-1%	-3.0
Rx Pharmaceutical	100.1	+5.0	+5%	-
Operating income	33.5	-4.4	-12%	-1.0
Ordinary income	35.5	-4.4	-11%	-0.5
Net income	18.5	+9.7	+110%	-1.0
EPS (Yen)	64.5	+34.5	+115%	-3.5
Sales of Taisho Toyama	87.0	+5.3	+6%	-

Factors Affecting FY2009 Full-year Forecasts of Net Sales and Profits



(Year-on-year change from FY2008 to FY2009)

<p>Net sales (up ¥2.8bn)</p>	<p>Self-Medication: down ¥2.2bn (Main factors) OTC drugs, etc.: down ¥3.4bn <i>Livita</i> series: up ¥0.5bn Overseas energy drinks: down ¥0.2bn</p>	<p>Rx Pharmaceutical: up ¥5.0bn (Main factors) Taisho Toyama: ¥5.3bn Royalty income: down ¥1.1bn Intermediate products, etc.: up ¥0.7bn</p>
<p>Operating income (down ¥4.4bn)</p>	<p>Gross profit* decrease of ¥1.5bn (Gross margin*: FY08 66.1% → FY09 64.9%) SG&A expenses: up ¥3.0bn R&D expenses: up ¥0.8bn Sales promotion expenses: up ¥1.1bn Advertising expenses: up ¥0.5bn Personnel expenses: up ¥0.7bn Others: down ¥0.1bn</p>	
<p>Non-operating items: Forecast incorporates an assumed equity-method loss of ¥4.0bn</p>		

*After provision/reversal of reserve for returned unsold goods

Sales of Leading Products



(Yen B)

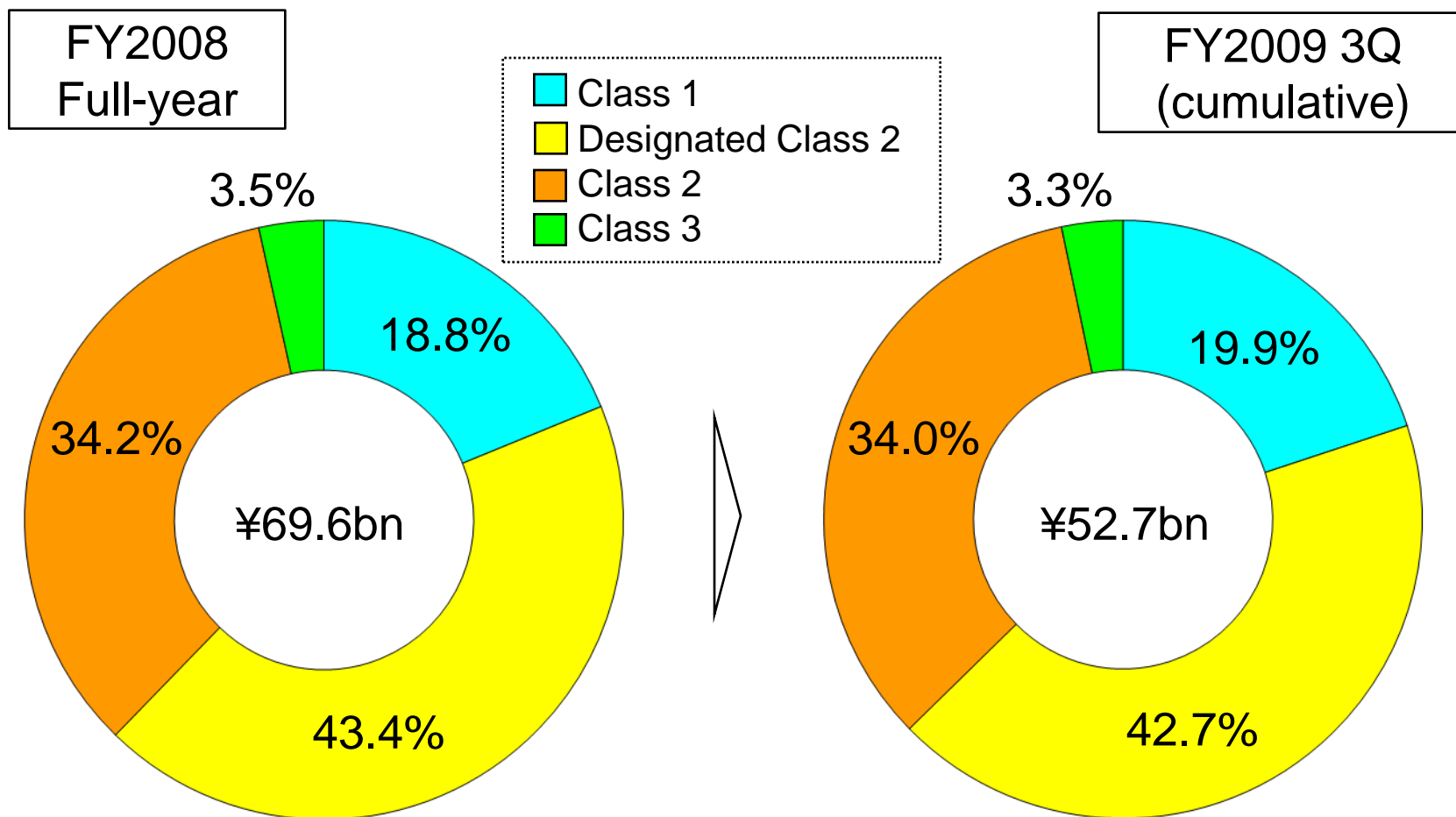
	3Q (4-12)	YOY change	Full-year E		
			Revised E	Vs. Previous E	YOY change
<i>Lipovitan series</i>	58.0	-3.5	70.7	-1.2	-4.1
<i>Pabron series</i>	18.6	+0.4	25.5	-1.1	+0.1
<i>RiUP series</i>	9.9	+0.9	12.7	-	+1.3
<i>Livita series</i>	2.3	+0.3	3.1	+0.1	+0.5
<i>Clarith</i>	18.0	+0.6	24.4	-	+0.4
<i>Palux</i>	8.6	-0.1	11.0	-	-0.2
<i>ZOSYN</i>	8.3	+5.9	10.2	-	+6.2
<i>Geninax</i>	4.8	+1.5	5.4	-	+1.7

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

Taisho's Sales Breakdown by Drug Class



- In the first three quarters of fiscal 2009, the sales ratio of “Class 1” drugs rose compared to the previous fiscal year on a full-year basis, due to the contributions of *RiUP X5* and other products.
(Rose from 18.8% on a fiscal 2008 full-year basis to 19.9% for the first three quarters of fiscal 2009)



Size of OTC Drugs Market by Drug Class

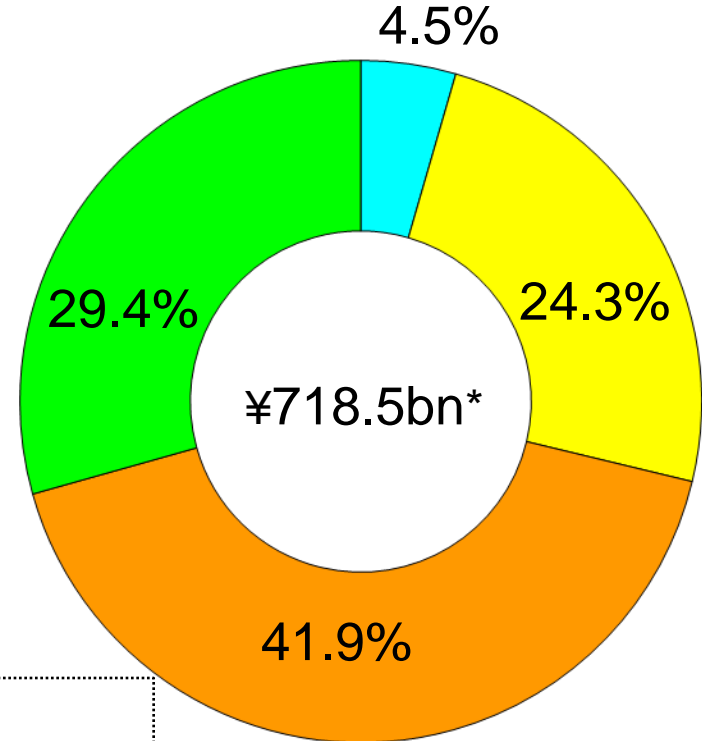
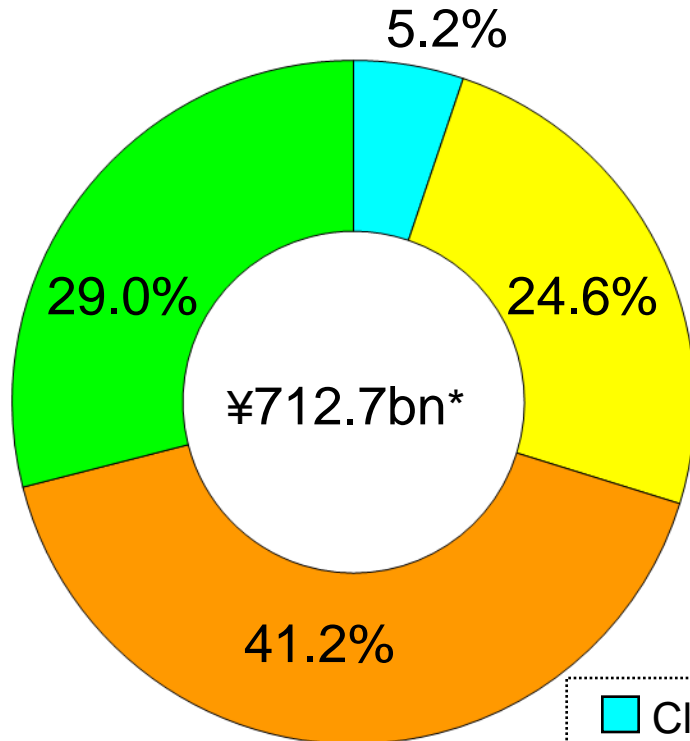


Breakdown of domestic OTC drugs market
 *Excludes unclassifiable drugs

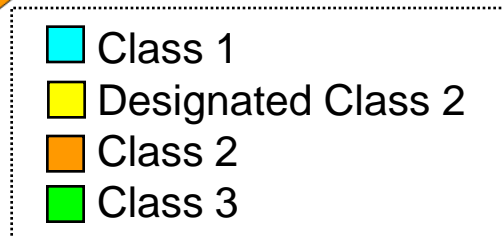
Class 1
 87% YOY

FY2008 3Q
 (cumulative)

FY2009 3Q
 (cumulative)



(Taisho's estimates based on SDI data on a selling price basis)



Major Trends in FY2009 4th Quarter and Next Fiscal Year



- **Self-Medication Operation Group**

- Core brands

- Energy drinks including *Lipovitan* series: No policy change
- *RiUP* series: Steady sales of *RiUP X5* toward target

- New products: From next fiscal year, we will launch new products in new fields

- **Prescription Pharmaceutical Operation Group**

- Following infections, strengthen inflammation and immunity fields

(Filed application in Oct. 2009 for CT-081,
an osteoporosis therapeutic drug)

- Further expand share of infections market

Self-Medication Business: New Products



<Fiscal year 2009>

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

<1st quarter>

Stopan, Diclotect

Lipovitan Half

RiUP X5

Flavan-age (mail order)

...and others

<3rd quarter>

Lipovitan Gold Ace

Naturalcare Granules<GABA>

Wakan-no-Katsuryoku (mail order)

...and others

<2nd quarter>

Lipovitan Ace

Anserine Powdered Green Tea

...and others

<4th quarter>

Benifuuki Powdered Green Tea

Dermarin Grande Powder Spray

Energy drink

...and others

Prescription Pharmaceuticals: New Drug Pipeline (1)



In Japan

(As of January 29, 2010)

	<u>Description</u> Application	Development with	Originator
Filed for application			
<i>Clarith tab.</i> 200 (Oral)	<u>Macrolide antibiotic</u> Eradication by concomitant therapy (*1) of <i>H.pylori</i> in gastric MALT lymphoma, the stomach after endoscopic resection of early stage gastric cancer, and idiopathic thrombocytopenic purpura (additional indication)	Joint application with 9 companies (*2)	Taisho
CT-081* (Oral)	<u>Activated vitamin D3 derivative</u> Osteoporosis	Chugai	Chugai
Phase 2/3			
CT-064** (Injection)	<u>Antiresorptive bisphosphonate</u> Osteoporosis	Chugai	Roche

*CT-081: Chugai Pharmaceutical development code: ED-71, applied by Chugai Pharmaceutical

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

*1 Consists of a proton pump inhibitor (lansoprazole, omeprazole, and rabeprazole sodium), amoxicillin hydrate, and clarithromycin

*2 Taisho, ABBOTT JAPAN, Astellas, AstraZeneca, Eisai, Kyowa Hakko Kirin, Shionogi, Takeda, Mitsubishi Tanabe

Prescription Pharmaceuticals: New Drug Pipeline (2)



In Japan (continued)

(As of January 29, 2010)

	<u>Description</u> Application	Development with	Originator
Phase 2			
TT-063 (Topical)	<u>Anti-inflammatory analgesic patch formulation containing S-flurbiprofen</u> Osteoarthritis, scapulothoracic periarthritis, myalgia and other conditions	Tokuhon	Tokuhon
NT-702 (Oral)	<u>Bronchodilatation and inhibition of cellular infiltration</u> Asthma	Nissan Chemical	Nissan Chemical
NT-702 (Oral)	<u>Vasodilation as well as platelet aggregate inhibition</u> Intermittent claudication caused by arteriosclerosis obliterans	Nissan Chemical	Nissan Chemical
CT-064* (Oral)	<u>Antiresorptive bisphosphonate</u> Osteoporosis	Chugai	Roche
TS-071 (Oral)	<u>SGLT inhibitor</u> Type 1 and 2 diabetes	In-house	Taisho

*CT-064: Chugai Pharmaceutical development code: R484

Prescription Pharmaceuticals: New Drug Pipeline (3)



In Japan (continued)

(As of January 29, 2010)

	<u>Description</u> Application	Development with	Originator
Phase 2 (continued)			
TS-022 (Topical)	<u>Prostaglandin derivative</u> Pruritus caused by atopic dermatitis	In-house	Taisho
<i>Palux</i> (Injection)	<u>Prostaglandin E1 preparation</u> Intermittent claudication caused by spinal canal stenosis (additional indication)	In-house	Taisho/ Mitsubishi Tanabe

In overseas countries

(As of January 29, 2010)

	<u>Description</u> Application	Development with	Originator
Phase 2 (continued)			
TS-022 (Topical)	<u>Prostaglandin derivative</u> Pruritus caused by atopic dermatitis	In-house	Taisho

Purchase of OTC Drug Business Held by Bristol-Myers Squibb Company in Asia



- Transfer of OTC drug business from Bristol-Myers Squibb Company made on schedule
- Overview of managing company
 - Taisho Pharmaceutical Singapore Private Limited (the managing company) established on October 19, 2009
 - Commenced business, except in Indonesia, from January 2010

- Effect on results

(Millions of yen)

Balance sheet items	Consolidated (at acquisition)	3rd quarter amortization	Balance sheet at end of 3rd quarter
Trademarks (10-year amortization)	2,620	-60	2,560
Sales rights (10-year amortization)	11,750	-290	11,460
Goodwill (20-year amortization)	12,010	—	12,010
Total	26,380	-350	26,030

Forecast of annual amortization

Trademarks: ¥260 million, sales rights: ¥1,180 million, goodwill: ¥600 million
The profit/loss of PT. Taisho Pharmaceutical Indonesia Tbk for the quarter (October-December) will be booked in Taisho's 4th quarter consolidated results.