

Consolidated Financial Statements for the Fiscal Year Ended March 31, 2006

May 15, 2006

Listed Company Name: TAISHO PHARMACEUTICAL CO., LTD. Stock Listing: Tokyo
 Security Code: 4535 Headquarters: Tokyo
 (URL <http://www.taisho.co.jp/>)
 Representative: Akira Uehara, President
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 General Manager, Public Relations Section
 Board of Directors Meeting: May 15, 2006
 U.S. GAAP: Not applied

1. Financial Results for Fiscal 2005 (April 1, 2005 to March 31, 2006)

(1) Consolidated Operating Results

(Millions of yen unless otherwise stated, amounts less than ¥1 million have been omitted)

	Net sales (% change from previous period)		Operating income (% change from previous period)		Ordinary income (% change from previous period)	
Fiscal 2005	271,407	(-2.9%)	46,395	(-15.2%)	49,748	(-14.3%)
Fiscal 2004	279,437	(-2.4%)	54,698	(-5.2%)	58,063	(-5.1%)

	Net income (% change from previous period)		Net income per share (Yen)	Net income per share, diluted (Yen)	Return on shareholders' equity (%)	Ordinary income to total assets (%)	Ordinary income to net sales (%)
Fiscal 2005	35,884	(+1.1%)	116.18	—	6.6	7.8	18.3
Fiscal 2004	35,489	(-13.3%)	114.15	—	7.0	9.6	20.8

Notes:

- Equity in earnings (loss) of subsidiaries and affiliates accounted for by the equity accounting method:
 Fiscal 2005 ¥ (637) million Fiscal 2004 ¥ (649) million
- Average number of shares issued and outstanding during the period (consolidated):
 Fiscal 2005 308,244,568 shares Fiscal 2004 310,256,730 shares
- Changes in accounting procedures: No
- Percentages for net sales, operating income, ordinary income, and net income indicate percentage change from corresponding period of previous fiscal year

(2) Consolidated Financial Position

(Millions of yen)

	Total assets	Shareholders' equity	Shareholders' equity ratio (%)	Shareholders' equity per share (Yen)
March 31, 2006	664,431	567,364	85.4	1,840.63
March 31, 2005	613,802	517,634	84.3	1,678.78

Note: Total shares issued and outstanding (consolidated) as of:

March 31, 2006 308,204,761 shares March 31, 2005 308,296,281 shares

(3) Consolidated Cash Flows

(Millions of yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal 2005	38,487	-17,364	-6,888	92,195
Fiscal 2004	43,179	-52,499	-19,382	77,557

(4) Notes Regarding the Scope of Consolidation and Application of the Equity Accounting Method

Consolidated subsidiaries:	24
Non-consolidated subsidiaries accounted for under the equity accounting method:	None
Affiliated companies accounted for under the equity accounting method:	3

(5) Changes in the Scope of Consolidation and Application of the Equity Accounting Method

Consolidated subsidiaries	
(new additions)	1
(new exclusions)	None
Equity accounting method affiliates	
(new additions)	None
(new exclusions)	None

2. Forecasts of Consolidated Operating Results for Fiscal 2006 (April 1, 2006 to March 31, 2007)

(Millions of yen unless otherwise stated)

	Net sales	Ordinary income	Net income
Interim	131,000	22,500	13,500
Full-year	266,000	45,500	27,500

Reference: Forecast net income per share for the year: ¥88.99

* The forecasts presented in this financial report reflect the Company's current analysis of data available and the Company's assumptions as of May 15, 2006. Certain risks and uncertainties could cause the Company's actual results to differ materially from any projections presented in this report. Please refer to the attached documents for further details.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2005 March 31, 2006		Fiscal 2004 March 31, 2005		Increase/ (Decrease)
	Amount	Comp.	Amount	Comp.	Amount
Assets		%		%	
Current assets:					
Cash and deposits	155,205		147,265		7,939
Notes and accounts receivable-trade	76,718		78,920		(2,201)
Marketable securities	3,492		11,267		(7,774)
Inventories	23,612		22,905		707
Deferred tax assets	8,160		8,132		27
Others	4,528		5,286		(757)
Sub-total	271,717		273,776		(2,058)
Allowance for doubtful accounts	(561)		(631)		70
Total current assets	271,156	40.8	273,144	44.5	(1,987)
Fixed assets					
Tangible fixed assets:					
Buildings and structures	50,638		51,001		(363)
Machinery and equipment	10,095		11,015		(920)
Land	27,233		27,230		3
Construction in progress	5,853		1,387		4,466
Others	5,221		5,635		(414)
Total tangible fixed assets	99,041	(14.9)	96,270	(15.7)	2,771
Intangible fixed assets:					
Goodwill	162		180		(17)
Trademarks	6,546		8,886		(2,339)
Software	3,842		3,957		(114)
Adjustment account for consolidation	9		27		(18)
Others	198		192		5
Total intangible fixed assets	10,758	(1.6)	13,244	(2.1)	(2,485)
Investments and other assets:					
Investments in securities	276,614		215,785		60,828
Long-term prepaid expenses	2,615		3,538		(922)
Deferred tax assets	723		8,695		(7,971)
Others	3,759		3,357		402
Sub-total	283,713		231,376		52,336
Allowance for doubtful receivables-long term	(239)		(232)		(6)
Total investments and other assets	283,474	(42.7)	231,143	(37.7)	52,330
Total fixed assets	393,274	59.2	340,658	55.5	52,616
Total assets	664,431	100.0	613,802	100.0	50,628

(Millions of yen)

	Fiscal 2005 March 31, 2006		Fiscal 2004 March 31, 2005		Increase/ (Decrease)
	Amount	Comp.	Amount	Comp.	Amount
Liabilities		%		%	
Current liabilities:					
Notes and accounts payable-trade	21,798		20,370		1,427
Short-term loans	260		205		55
Accounts payable	14,062		12,927		1,134
Accrued corporate tax	7,237		9,486		(2,249)
Accrued expenses	7,875		8,386		(511)
Adjustment allowance for returns	893		615		278
Allowance for bonuses	3,917		3,337		579
Others	1,680		1,014		665
Total current liabilities	57,724	8.7	56,344	9.2	1,380
Long-term liabilities:					
Reserves for retirement benefits	18,763		34,506		(15,742)
Reserves for directors' retirement payments	1,589		1,527		62
Deferred taxes liabilities	9,473		27		9,446
Others	7,338		2,483		4,855
Total long-term liabilities	37,165	5.6	38,543	6.3	(1,378)
Total liabilities	94,890	14.3	94,888	15.5	1
Minority interest	2,176	0.3	1,279	0.2	896
Shareholders' equity					
Common stock	29,804	4.5	29,804	4.9	—
Additional paid-in capital	14,935	2.3	14,935	2.4	—
Retained earnings	515,006	77.5	506,797	82.5	8,209
Unrealized gain on securities	34,065	5.1	13,951	2.3	20,114
Foreign currency adjustment accounts	(3,193)	(0.5)	(4,905)	(0.8)	1,712
Treasury stock	(23,253)	(3.5)	(42,947)	(7.0)	19,694
Total shareholders' equity	567,364	85.4	517,634	84.3	49,730
Total liabilities, minority interest and shareholders' equity	664,431	100.0	613,802	100.0	50,628

Consolidated Statements of Income

(Millions of yen)

	Fiscal 2005 (April 1, 2005 to March 31, 2006)		Fiscal 2004 (April 1, 2004 to March 31, 2005)		Increase/ (Decrease)
	Amount	Comp. (%)	Amount	Comp. (%)	Amount
Net sales	271,407	100.0	279,437	100.0	(8,029)
Cost of sales	86,408	31.8	84,762	30.3	1,646
Gross profit on sales	184,999	68.2	194,674	69.7	(9,675)
Reversal of provision for sales returns	615		522		92
Provision for sales returns	893		615		278
Gross profit	184,720	68.1	194,582	69.7	(9,861)
Selling, general & administrative expenses	138,325	51.0	139,883	50.1	(1,558)
Operating income	46,395	17.1	54,698	19.6	(8,302)
Non-operating income					
Interest income	3,833		3,547		285
Dividend income	548		299		249
Rental income on real estate	108		110		(2)
Others	688		955		(267)
Total non-operating income	5,178	1.9	4,913	1.7	265
Non-operating expenses					
Interest expenses	4		4		(0)
Investment loss in affiliates using the equity accounting method	637		649		(11)
Others	1,182		893		289
Total non-operating expenses	1,825	0.7	1,547	0.5	277
Ordinary income	49,748	18.3	58,063	20.8	(8,314)
Extraordinary gains					
Profit on sales of investment securities	89		39		49
Profit on sales of fixed assets	3		23		(20)
Profit on sales of shares of related company	8,496		—		8,496
Gain on transfer to defined contribution pension plan	759		—		759
Others	—		606		(606)
Total extraordinary gains	9,348	3.5	669	0.2	8,678
Extraordinary losses					
Evaluation loss on investment securities	0		72		(71)
Loss on disposal of fixed assets	574		319		255
Loss on sales of investment securities	1		—		1
Asset impairment loss	208		—		208
Total extraordinary losses	785	0.3	392	0.1	393
Income before income taxes and minority interests	58,311	21.5	58,341	20.9	(29)
Corporate and inhabitants' taxes	18,625	6.9	22,141	7.9	(3,516)
Corporate tax adjustment	3,892	1.4	483	0.2	3,409
Minority interest gain (loss) of consolidated subsidiaries	(89)	(0.0)	226	0.1	(316)
Net income	35,884	13.2	35,489	12.7	394

Consolidated Statements of Retained Earnings

(Millions of yen)

	Fiscal 2005 (April 1, 2005 to March 31, 2006)	Fiscal 2004 (April 1, 2004 to March 31, 2005)	Increase/ (Decrease)
(Additional paid-in capital)			
Additional paid-in capital, beginning balance	14,935	14,935	—
Additional paid-in capital, ending balance	14,935	14,935	—
(Retained earnings)			
Consolidated retained earnings, beginning balance	506,797	498,172	8,625
Increase in retained earnings			
Net income for the period	35,884	35,489	394
Decrease in retained earnings			
Dividend	7,707	7,833	(126)
Bonuses to directors	73	87	(14)
Treasury stock retired	19,894	18,943	951
Consolidated retained earnings for the term, ending balance	515,006	506,797	8,209

Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2005 (April 1, 2005 to March 31, 2006)	Fiscal 2004 (April 1, 2004 to March 31, 2005)
Cash flows from operating activities:		
Income before income taxes and minority interests	58,311	58,341
Depreciation and amortization	12,809	13,501
Asset impairment loss	208	—
Interest and dividend income	(4,382)	(3,846)
Interest expenses	4	4
Profit on sales of investment securities	(8,591)	(39)
Loss on sales of investment securities	1	—
Evaluation loss on investment securities	—	72
Loss on sales of fixed assets	(3)	(23)
Disposal loss on fixed assets	574	319
Amortization of adjustment account for consolidation	18	22
Equity in net losses of affiliated companies	637	649
Increase (decrease) in allowance for doubtful accounts	(68)	(155)
Increase (decrease) in reserves for retirement benefits	(15,744)	762
Increase (decrease) in reserves for directors' retirement payments	62	25
Increase (decrease) in allowance for bonuses	577	165
Increase (decrease) in notes and accounts receivable	2,289	(3,181)
Increase in inventories	(658)	(1,205)
Increase (decrease) in notes and accounts payable	1,385	(794)
Increase (decrease) in long-term accounts payable	5,075	—
Others	2,544	2,099
Subtotal	55,053	66,719
Interest and dividend income received	4,316	3,950
Interest paid	(4)	(4)
Income taxes paid	(20,877)	(27,485)
Net cash provided by operating activities	38,487	43,179
Cash flows from investing activities:		
Increase (decrease) in time deposits	6,767	(38,178)
Proceeds from sales of marketable securities	12,545	5,585
Payments for purchases of tangible fixed assets	(12,121)	(6,881)
Proceeds from sales of tangible fixed assets	693	805
Payments for purchases of intangible fixed assets	(1,285)	(2,252)
Proceeds from sales of intangible fixed assets	5	5
Payments for purchases of investment securities	(61,698)	(15,960)
Proceeds from sales of investment securities	38,009	3,073
Payments for acquisition of long-term prepaid expenses	(330)	(361)
(Increase) decrease in other assets	49	1,665
Net cash provided by investing activities	(17,364)	(52,499)
Cash flows from financing activities:		
Proceeds from short-term borrowings	345	335
Repayment of short-term borrowings	(290)	(395)
Payments from minority shareholders	945	—
Payments for dividends	(7,687)	(7,820)
Payments for acquiring treasury stocks	(200)	(10,657)
Others	(0)	(844)
Net cash used in financing activities	(6,888)	(19,382)
Effect of exchange rate changes on cash and cash equivalents	403	(542)
Net increase in cash and cash equivalents	14,638	(29,244)
Cash and cash equivalents at the beginning of period	77,557	106,801
Cash and cash equivalents at the end of period	92,195	77,557