

First Quarter of FY2011  
(March 2012)  
Earnings Results



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# Results for the 1st Quarter of FY2011



(Yen B)

	FY10 1Q	FY11 1Q	YOY change	
Sales	64.6	64.3	-0.3	-0.5%
Self-Medication	39.9	39.9	-0.1	-0.2%
Rx Pharmaceutical	24.6	24.4	-0.2	-0.9%
Operating income	11.9	10.9	-1.1	-9.0%
Ordinary income	12.9	12.6	-0.4	-2.9%
Net income	7.7	8.1	+0.3	+4.5%

Note: All amounts are rounded to the nearest hundred-million

# Overview of FY2011 1st Quarter Results (1)



- **Self-Medication Operation Group (domestic)**

- Sales of domestic OTC drugs, etc. were largely as planned
  - Sales of the *Lipovitan* series and *RiUP* series dropped slightly but were within the targeted range
- Steady performance seen in H&B-related areas, including the *Livita* series and mail-order sales
- Negligible impact from earthquake

<For reference: Market conditions>

- OTC drug market  
FY2011 Apr-Jun: contracted 3% YOY

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

# 1Q of FY2011: Sales of Leading Brands



(Yen B)

	FY2011 1Q	YOY change	
<i>Lipovitan series</i>	18.2	-0.3	-1.7%
<i>Pabron series</i>	4.7	+0.1	+2.3%
<i>RiUP series</i>	3.6	-0.1	-2.8%
<i>Naron series</i>	0.9	-0.2	-15.9%
GI drugs series	0.9	-0.1	-1.5%
<i>Colac series</i>	0.9	-0.1	-1.8%
<i>Livita series</i>	1.0	+0.1	+13.6%

Note: All amounts are rounded to the nearest hundred-million

# Size of OTC Drugs Market by Drug Category

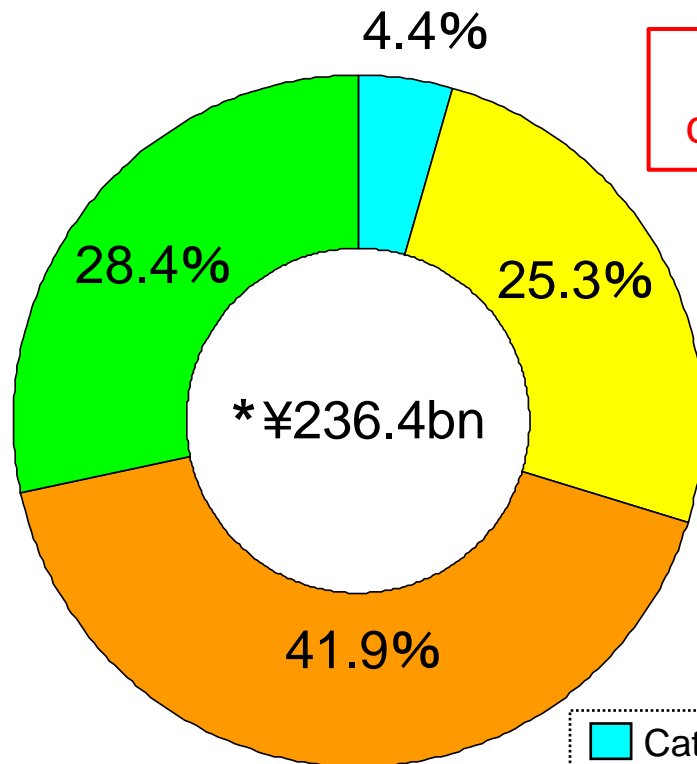


Breakdown of domestic OTC drugs market  
 \*Excludes unclassifiable drugs

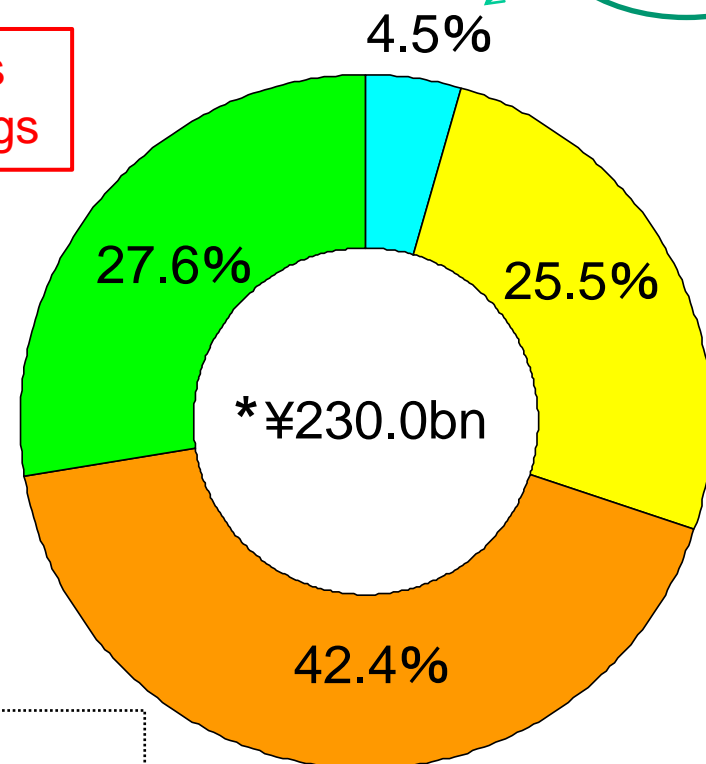
Category 1  
 98% YOY

(FY2010 1Q)

(FY2011 1Q)

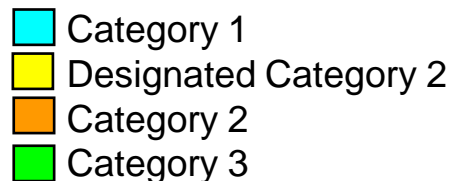


Excludes  
 quasi drugs

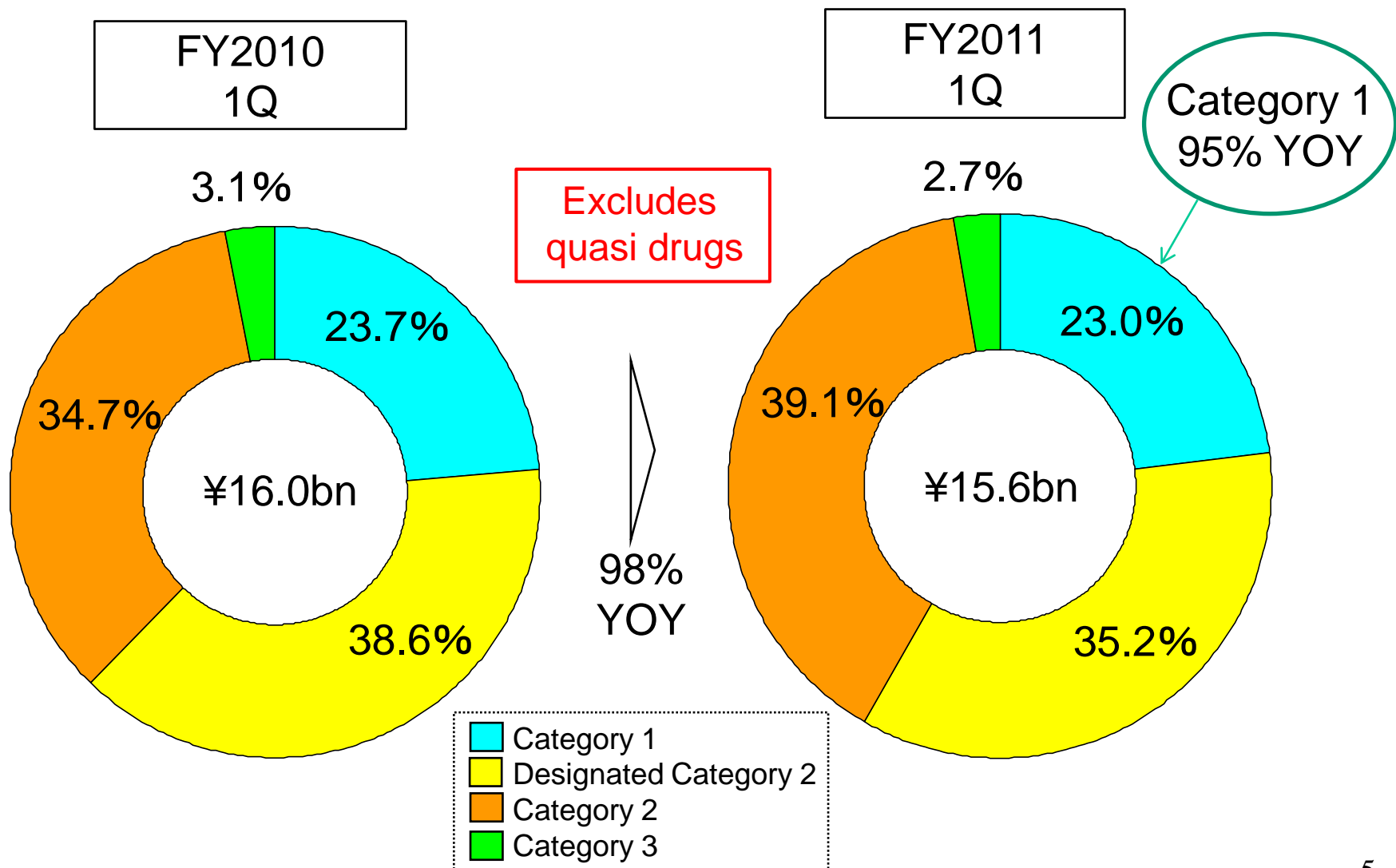


97%  
 YOY

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



# Taisho's Sales Breakdown by Drug Category



# Overview of FY2011 1st Quarter Results (2)



- Steady performance by the OTC Drug Business in Asia\*
  - FY2011 1st quarter results:  
net sales of ¥1.3bn, operating income of ¥0.8bn
- Factors behind strong performance
  - Taisho actively conducted sales promotions
  - Steady growth in both *Tempura* (antipyretic analgesic) and *Counterpain* (anti-inflammatory analgesic for external use)
  - Strong performance centered on Thailand

\* Portion from Bristol-Myers Squibb Company (BMS)

# Overview of FY2011 1st Quarter Results (3)



- **Prescription Pharmaceutical Operation Group**
  - Net sales largely as planned for Taisho Toyama as a whole
  - The earthquake had an impact on sales in April, but sales have recovered since May
  - Continued strong sales of *ZOSYN* and *OZEX* fine granules for pediatric use
  - *Clarith*: the spread of infectious diseases was less prevalent than last year
  - Taisho Toyama's share of the antibacterial agent market\* rose to 17.5%  
(\*J01 antibacterial agent market)

<For reference: Market conditions>

- The prescription pharmaceutical market expanded by 5.3% YOY
  - The market for antibacterial agents – Taisho's core market – shrank by 3.8% overall  
(Oral: down 4.1%, Injected: down 3.5%)

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# Taisho Toyama: Sales of Leading Products for 1Q of FY2011

(Yen B)

	FY2011 1Q	YOY change	
<i>Clarith</i>	4.8	-0.6	-11.7%
<i>ZOSYN</i>	3.9	+0.5	+14.5%
<i>Palux</i>	2.3	-0.3	-10.2%
<i>Geninax</i>	0.8	-0.2	-11.3%
<i>OZEX</i>	1.1	+0.1	+11.1%
<i>Lorcam</i>	0.9	0	-7.9%
<i>Edirol</i>	0.6	+0.6	-

Note: All amounts are rounded to the nearest hundred-million

# Factors Affecting FY2011 1st Quarter Net Sales and Profits



(Year-on-Year change)

<p>Net sales (down ¥0.3bn)</p>	<p><b>Self-Medication</b> <b>(down ¥0.1bn)</b> (main factors) Domestic OTC, etc.: down ¥0.3bn Asian OTC: up ¥0.3bn <i>Livita</i> series: up ¥0.1bn</p>	<p><b>Rx Pharmaceutical</b> <b>(down ¥0.2bn)</b> (main factors) Taisho Toyama: down ¥0.6bn Intermediate products, etc.: up ¥0.4bn</p>
<p>Operating income (down ¥1.1bn)</p>	<p>Gross profit*: down ¥0.3bn (Gross margin* : FY10 1Q 64.3% → FY11 1Q 64.1%) SG&amp;A expenses: up ¥0.8bn R&amp;D expenses: up ¥0.3bn      Sales promotion expenses: up ¥0.6bn System-related: down ¥0.2bn</p>	
<p>Non-operating items: Equity method income (loss) improved by ¥0.8bn (FY10 1Q: loss of ¥0.9bn → FY11 1Q: loss of ¥0.1bn) Extraordinary gains: ¥0.65bn (Reversal of provision for loss on disaster)</p>		

Note: All amounts are rounded to the nearest hundred-million

\*After provision/reversal of reserve for returned unsold goods

# FY2011 Forecasts



No changes to both 2Q and full-year forecasts

(Yen B)

	FY11	FY11	YOY change	
	2Q(4-9) E	Full-year E		
Net sales	136.5	274.0	+5.4	+2%
Self-Medication	87.0	171.3	+4.1	+2%
Rx Pharmaceutical	49.5	102.7	+1.3	+1%
Operating income	21.0	39.5	-4.6	-10%
Ordinary income	23.5	45.5	-8.6	-16%
Net income	14.0	28.0	-6.9	-20%
EPS (Yen)	50.76	101.52	-23.38	-19%
Sales of Taisho Toyama	43.8	91.0	+1.2	+1%

Note: All amounts are rounded to the nearest hundred-million

# Outlook for Major Trends in FY2011 2nd Quarter and Beyond



- **Self-Medication Operation Group**
  - Domestic OTC drugs, etc.: generate earnings primarily from *Lipovitan*, *Pabron* and *RiUP* series
  - OTC drug business in Asia: expand business in the Southeast Asian market  
(Expand business centered on portion from BMS, along with portion from Hoepharma Holdings Sdn. Bhd. (HOE))
- **Prescription Pharmaceutical Operation Group**
  - Infectious disease field: increase share of the antibacterial agent market
  - Inflammatory / immunological disease field:  
Achieve rapid market penetration of *Edirol*  
Develop into a core business alongside the infectious disease field

# FY2011 Forecasts: Sales of Leading Products



(Yen B)

	FY2011 2Q(4-9)E	YOY change	FY2011 Full-year E	YOY change
<i>Lipovitan series</i>	40.9	+0.1	71.6	+0.5
<i>Pabron series</i>	10.1	+0.1	25.7	0
<i>RiUP series</i>	7.4	0	15.2	+0.3
<i>Naron series</i>	2.2	0	4.3	-0.3
GI drugs series	2.0	0	4.3	0
<i>Colac series</i>	2.1	+0.2	4.0	+0.1
<i>Livita series</i>	1.8	+0.1	3.7	+0.1
<i>Clarith</i>	9.4	-0.2	22.0	-0.9
<i>ZOSYN</i>	7.7	+0.6	16.2	+1.4
<i>Palux</i>	5.1	0	10.0	-0.2
<i>Geninax</i>	2.3	0	5.0	+0.5
<i>OZEX</i>	1.8	+0.1	4.1	0
<i>Edirol</i>	1.7	+1.7	3.4	+3.4

Note: All amounts are rounded to the nearest hundred-million

# OTC Business in Asia



(Yen B)

	FY2010 Full-year	FY2011 Full-year E	YOY change
OTC business in Asia	4.7	6.5	+1.8
Portion from BMS	4.7	5.1	+0.4
Portion from HOE	-	1.4	+1.4

- No change in initial business forecast
- Portion from Bristol-Myers Squibb Company (BMS) :  
Active sales promotions should contribute positively to results
- Portion from Hoepharma Holdings Sdn. Bhd. (HOE):  
This business should begin contributing to results from the third quarter

(Taisho plans to include earnings from HOE for the six-month period from August 2011 to January 2012, as HOE's fiscal year-end falls in January)

# Self-Medication Business: New Products



## <FY2011 Forecasts>

### <1st half>

*Lipovitan D8*

*Lipovitan Gold N*

*ALFE Fe up*

...and others

### <2nd half>

RiUP series

GI drugs series

Livita series

(For lifestyle-related diseases)

...and others

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

# Prescription Pharmaceuticals: New Drug Pipeline (1)



In Japan

(As of July 29, 2011)

	<u>Description</u> Application	Development with	Originator
Phase 2/3			
CT-064* (Injection)	<u>Antiresorptive bisphosphonate</u> Osteoporosis	Chugai	Roche
Phase 2			
TT-063 (Topical)	<u>Anti-inflammatory analgesic patch formulation containing S-flurbiprofen</u> Osteoarthritis, scapulohumeral periarthritis, myalgia and other conditions	Tokuhon	Tokuhon
TS-071 (Oral)	<u>SGLT2 inhibitor</u> Type 1 and 2 diabetes	In-house	Taisho
CT-064* (Oral)	<u>Antiresorptive bisphosphonate</u> Osteoporosis	Chugai	Roche

\*CT-064: Chugai Pharmaceutical development code: RG484

# Prescription Pharmaceuticals: New Drug Pipeline (2)



In Japan (continued)

(As of July 29, 2011)

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

# Trends in R&D Expenses



FY2011 1Q result: ¥5.0bn (up ¥0.3bn YOY), as planned

FY2011 full-year forecast: ¥26.2bn (up ¥2.5bn YOY), no change in full-year forecast

