



Financial Results for the Third Quarter of Fiscal Year 2008

February 2, 2009

Name of Listed Company: **SHIONOGI & CO., LTD.**

Code: 4507

Representative: Title of Person in Charge: President

Contact responsibility: Title of Person in Charge: General Manager,
Public Relations Unit

Date of the filing of quarterly securities report (scheduled):

Listed Exchanges: Section I of Tokyo and Osaka

URL <http://www.shionogi.co.jp>

Name: Isao Teshirogi

Name: Noriyuki Kishida TEL: (06) 6202-2161

February 12, 2009

(Note: All amounts are rounded down to the nearest million yen.)

1. Consolidated results for the period from April 1, 2008 to December 31, 2008

(1) Results of operations

(% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2008	164,874	—	22,959	—	23,408	—	10,852	—
Nine months ended December 31, 2007	162,423	8.7	29,628	39.3	29,582	38.7	18,690	47.3

	Earnings per share	Earnings per share (diluted)
	yen	yen
Nine months ended December 31, 2008	32.39	—
Nine months ended December 31, 2007	55.20	—

(2) Financial position

	Total assets	Net assets	Shareholders Equity ratio	Net assets per share
	Million yen	Million yen	%	yen
As of December 31, 2008	513,108	321,185	62.5	957.87
As of March 31, 2008	413,703	342,235	82.7	1,020.31

Reference: Shareholders' equity As of December 31, 2008: 320,852 million yen
As of March 31, 2008: 341,928 million yen

2. Dividends

(Date of record)	Cash dividends per share				
	The First quarter	The Second quarter	The Third quarter	Year-end	Annual
	yen	yen	yen	yen	yen
Year ended March 31, 2008	—	10.00	—	12.00	22.00
Year ending March 31, 2009	—	14.00	—		
Year ending March 31, 2009 (Forecast)				14.00	28.00

Note: Revision of cash dividend forecast during this period : None

3. Forecasted consolidated results for the year ending March 31, 2009 (April 1, 2008 to March 31, 2009)

(% of change from previous year)

	Net sales	Operating income	Ordinary income	Net income	Earnings per share
	Million yen %	Million yen %	Million yen %	Million yen %	yen
For the year ending March 31, 2009	226,500 5.7	32,200 (20.3)	32,200 (19.3)	16,600 (33.8)	49.56

Note: Revision of forecast consolidated operating performance during this period : Yes

4. Others

- (1) Significant changes to consolidated subsidiaries during this period: None
- (2) Adoption of simplified financial accounting methods and special accounting methods for presenting quarterly consolidated financial statements: Yes
 Note: For details, please see page 7 "4.Others" of "Qualitative information on consolidated results and consolidated financial statements".
- (3) Changes in accounting principles and procedures, presentation methods and other matters related to preparation of the quarterly consolidated financial statements
 a) Changes and amendments of accounting standards : Yes
 b) Other changes : Yes
 Note: For details, please see page 7 "4.Others" of "Qualitative information on consolidated results and consolidated financial statements".

(4) Number of shares issued (common stock)		
a) Number of shares outstanding (including treasury stock)	As of December 31, 2008	351,136,165shares
	As of March 31, 2008	351,136,165shares
b) Treasury stock	As of December 31, 2008	16,171,365shares
	As of March 31, 2008	16,013,128shares
c) <i>Average number of shares outstanding</i>		
during the period	Nine months ended December 31, 2008	335,044,159shares
	Nine months ended December 31, 2007	338,617,630shares

Notes

- This document contains various forward-looking statements based on assumptions, expectations, and plans regarding future events, circumstances, results, and aspirations. Forward-looking statements are subject to risks and uncertainties, related to the competitive environment and other factors, that may cause Shionogi & Co.'s actual future results to differ materially from those set forth in or implied by its forward-looking statements.
- As of the year ending March 31, 2009, the Company is applying the Accounting Standards Board of Japan (ASBJ) Statement No. 12, "Accounting Standard for Quarterly Financial Statements," and ASBJ Guidance No. 14, "Implementation Guidance on Accounting Standard for Quarterly Financial Statements." In addition, the Company prepares its quarterly financial statements in accordance with the Quarterly Financial Reporting Rules.

【Qualitative information on consolidated results and consolidated financial statements】**1. Qualitative information on results of operations**

In the cumulative third quarter, the nine months ended December 31, 2008, despite a substantial increase in sales of hyperlipidemia treatment Crestor and contributions from the newly launched antihypertensive Irbetan and topical acne vulgaris treatment Differin, sales of anticancer agent Imunace decreased due to the impact of competing products entering the market, and sales of antibiotics and other products decreased due to the influence of factors including drug price revisions and the shrinking market. As a result, overall net sales of prescription drugs decreased 1.5 percent compared with the same period of the previous fiscal year. Royalty income from industrial property rights increased due to growth in overseas sales of Crestor by AstraZeneca, and sales of export-use Doripenem to Johnson & Johnson increased. However, construction contracts at Shionogi Engineering Service Co., Ltd. from outside the Shionogi Group decreased. As a result, overall net sales were ¥164,874 million, a 1.5 percent increase compared with the same period of the previous fiscal year.

In terms of profit, although the cost of sales ratio worsened domestically for prescription drugs as a result of the impact of drug price revisions, changes in product lineups and other circumstances, gross profit increased 3.0 percent due to factors including the increase in royalty income from industrial property rights. However, due to the one-time booking of in-process research and development expenses totaling ¥9,669 million resulting from the acquisition of Sciele Pharma, , operating income was ¥22,959 million, a 22.5 percent decrease compared with the same period of the previous fiscal year, and ordinary income was ¥23,408 million, a 20.9 percent decrease. In addition, the in-process research and development expenses do not qualify as a tax credit. As a result, net income was ¥10,852 million, a 41.9 percent decrease. Excluding in-process research and development expenses, operating income for the cumulative third quarter increased 10.1 percent compared with the same period of the previous fiscal year, ordinary income increased 11.8 percent and net income increased 9.8 percent.

Accounting Treatment for the Business Combination Resulting from the Acquisition of Sciele Pharma

Asset valuation and accounting treatment for the acquisition of Sciele Pharma are as follows.

Total acquisition price: ¥1,446 million

(Units: Millions of U.S. dollars)

Valuation of assets and other items	Book value on Sciele Pharma's balance sheets	Fair value of assets in acquisition price	Valuation difference	Accounting treatment (amortization method)
Intangible assets (sales rights)	236	445	209	Amortization periods will be determined separately for each product
Deferred tax liabilities associated with above	—	(74)	(74)	
In-process research and development expenses	—	97	97	Recognized as a lump-sum expense in the three months ended December 31, 2008
Other assets and liabilities (net)	181	181	—	
Goodwill	79	797	718	20-year amortization period
Total	496	1,446	950	

2. Qualitative information on financial position

(1) Assets, Liabilities and Net Assets

As of December 31, 2008, total assets were ¥513,108 million, an increase of ¥99,405 million compared with the end of the previous fiscal year. Current assets increased ¥3,141 million compared with the end of the previous fiscal year to ¥198,104 million.

Property, plant and equipment, net and investments in other assets increased ¥96,264 million to ¥315,003 million. Although investments and other assets decreased due to the declining stock market, total intangible assets increased due to factors including the value of sales rights and goodwill acquired with Sciele Pharma.

Total liabilities increased ¥120,454 million compared with the end of the previous fiscal year to ¥191,922 million due to loans to finance the acquisition of Sciele Pharma.

Net assets were ¥321,185 million, a decrease of ¥21,050 million compared with the end of the previous fiscal year. The principal factors were a decrease in the valuation difference on available-for-sale securities due to a decrease in the securities' fair value, and an increase in negative foreign currency translation adjustment due to appreciation of the yen.

As a result, the shareholders' equity ratio was 62.5 percent, compared with 82.7 percent at the end of the previous fiscal year.

(2) Cash Flow

Net cash provided by operating activities during the nine months ended December 31, 2008 was ¥20,337 million. The principal factor providing cash was income before income taxes of ¥23,253 million. Positive adjustments included depreciation and amortization of ¥8,709 million and in-process research and development expenses resulting from the acquisition of Sciele Pharma of ¥9,669 million. The principal factors using cash included income tax paid of ¥13,129 million.

Net cash used in investing activities was ¥140,744 million due to factors including the purchase of investments in subsidiaries resulting in change in the scope of consolidation totaling ¥146,766 million and purchases of property, plant and equipment totaling ¥7,357 million, which used cash.

Net cash provided by financing activities was ¥100,418 million, primarily consisting of ¥110,000 million in loans to finance the acquisition of Sciele Pharma.

As a result of these factors, the decrease in cash and cash equivalents during the nine months ended December 31, 2008 was ¥20,276 million, and cash and cash equivalents as of December 31, 2008 totaled ¥47,332 million.

3. Qualitative information on forecasted consolidated results

Forecasted consolidated results for the fiscal year ending March 31, 2009 are as follows.

(The forecasted consolidated results have been revised from the previous announcement; please refer to "Notice of Revision of Earning forecast for Year Ending March 31, 2009" published February 2, 2009.)

Forecasted consolidated results				
	(Units: Millions of yen, %)			
	Net sales	Operating income	Ordinary income	Net income
Forecast year ending March 31, 2009	226,500	32,200	32,200	16,600
Fiscal year ended March 31, 2008	214,268	40,399	39,879	25,063
Percent increase / decrease	5.7	(20.3)	(19.3)	(33.8)

Shionogi forecasts that net sales will increase due to factors including the consolidation of the sales of Sciele Pharma for the three months ended December 31, 2008 due to that company's acquisition, and continuing growth in royalty income from industrial property rights for Crestor.

Despite the consolidation of the income of Sciele Pharma for the three months ended December 31, 2008 due to that company's acquisition, income is forecast to decrease because of the one-time booking of in-process research and development expenses and amortization of intangible assets and goodwill in accounting for the business combination from the acquisition of Sciele Pharma.

Forecasted consolidated results excluding the effects of the consolidation of Sciele Pharma, using pre-acquisition calculation methods

(Units: Millions of yen, %)

	Net sales	Operating income	Ordinary income	Net income
Forecast year ending March 31, 2009	217,000	41,000	41,000	26,000
Percent increase	1.3	1.5	2.8	3.7

Shionogi would have forecast an increase in net sales and income excluding the effect of the acquisition of Sciele Pharma.

Effects of the Business Combination Resulting from the Acquisition of Sciele Pharma

The effects of the business combination for the fiscal year ending March 31, 2009 are as follows

<u>Item</u>	<u>Amount</u>	<u>Accounting classification</u>
Amortization of intangible assets (sales rights)	885	Selling expenses
In-process research and development	9,669	Research and development expenses
Amortization of goodwill	907	Selling expenses
Tax-effect accounting for intangible assets	(314)	Income taxes-deferred

4. Others

(1) Significant changes to consolidated subsidiaries resulting in change of scope of consolidation during the period

N/A

Acquired in October 2008, Sciele Pharma is not a direct subsidiary, but it is included in the scope of consolidation. As a result, its assets and liabilities are included in Shionogi's consolidated balance sheets, and in-process research and development expenses resulting from the acquisition are included in the consolidated statements of income

(2) Adoption of simplified methods of accounting

N/A

(3) Changes in method of accounting

1. As of the year ending March 31, 2009, the Company is applying the Accounting Standards Board of Japan (ASBJ) Statement No. 12, "Accounting Standard for Quarterly Financial Statements," and ASBJ Guidance No. 14, "Implementation Guidance on Accounting Standard for Quarterly Financial Statements." In addition, the Company prepares its quarterly financial statements in accordance with the Quarterly Financial Reporting Rules.

2. Finance leases other than those under which the leased property is deemed transferred to the lessee were previously accounted for as operating leases. Effective from the fiscal year ending March 31, 2009, the Company is implementing early adoption of ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," and ASBJ Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions," which requires that all finance leases be capitalized. In addition, leased assets under finance leases other than those under which the leased property is deemed transferred to the lessee are depreciated on a straight-line basis over their estimated useful lives (the lease period), with no residual value.

As a result of this change, compared with the previous method, leased assets of ¥4 million are accounted for in property, plant and equipment. The change has no effect on operating income, ordinary income, and income before income taxes and minority interests. Also, finance leases other than those under which the leased property is deemed transferred to the lessee will continue to be accounted for as operating leases if the lease period began prior to the fiscal year in which the new standard was adopted.

3. Inventories held for sale in the ordinary course of business were previously stated at cost determined principally by the gross average method. Effective from the fiscal year ending March 31, 2009, the Company adopted ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." This standard requires that inventories held for sale in the ordinary course of business be stated at the lower of cost or net selling value on the balance sheet date. As a result of this change, operating income decreased by ¥167 million, ordinary income increased by ¥19 million, and income before income taxes and minority interests decreased by ¥109 million.

5. Consolidated Financial Statements

(1) Consolidated balance sheets

(Units: Millions of yen)

	As of December 31, 2008	(Reference) As of March 31, 2008
Assets		
Current assets		
Cash and deposits	22,680	11,709
Notes and accounts receivable-trade	75,727	67,605
Short-term investment securities	31,738	62,440
Merchandise and finished goods	21,331	18,728
Work in process	10,880	9,469
Raw materials and supplies	9,730	5,882
Other	26,028	19,141
Allowance for doubtful accounts	(12)	(13)
Total current assets	198,104	194,963
Non-current assets		
Total property, plant and equipment	71,820	70,377
Intangible assets		
Goodwill	79,664	—
Other	54,713	5,618
Total intangible assets	134,378	5,618
Investments and other assets		
Investment securities	68,651	105,452
Other	40,273	37,457
Allowance for doubtful accounts	(120)	(165)
Total investments and other assets	108,804	142,744
Total non-current assets	315,003	218,739
Total assets	513,108	413,703

(Units: Millions of yen)

	As of December 31, 2008	(Reference) As of March 31, 2008
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,117	11,301
Short-term loans payable	101,000	—
Income taxes payable	3,868	7,611
Provision		
Provision for bonuses	3,567	6,714
Other provision	2,181	1,010
Other	29,142	15,805
Total current liabilities	155,876	42,443
Non-current liabilities		
Long-term loans payable	9,000	—
Provision		
Provision for retirement benefits	7,918	7,949
Other provision	155	168
Other	18,971	20,906
Total non-current liabilities	36,045	29,024
Total liabilities	191,922	71,468
Net assets		
Shareholders' equity		
Capital stock	21,279	21,279
Capital surplus	20,227	20,227
Retained earnings	299,953	297,811
Treasury stock	(19,620)	(19,280)
Total shareholders' equity	321,839	320,038
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	11,265	22,068
Foreign currency translation adjustment	(12,252)	(178)
Total valuation and translation adjustments	(987)	21,889
Minority interests	332	307
Total net assets	321,185	342,235
Total liabilities and net assets	513,108	413,703

(2) Consolidated statements of income

For the Third quarter ended December 31 , 2008

(Units : Millions of yen)

	Nine months ended December 31, 2008
Net sales	164,874
Cost of sales	52,160
Gross profit	112,714
Selling, general and administrative expenses	89,754
Operating income	22,959
Non-operating income	
Interest income	751
Dividends income	1,260
Other	534
Total non-operating income	2,546
Non-operating expenses	
Interest expenses	293
Contribution	845
Other	959
Total non-operating expenses	2,098
Ordinary income	23,408
Extraordinary income	
Gain on sales of investment securities	213
Total extraordinary income	213
Extraordinary loss	
Loss on disaster	253
Loss on valuation of inventories	89
Loss on sales of investment securities	25
Total extraordinary losses	368
Income before income taxes and minority interests	23,253
Income taxes-current	9,462
Income taxes-deferred	2,910
Total income taxes	12,372
Minority interests in income	27
Net income	10,852

(3) Consolidated statements of cash flows

(Units : Millions of yen)

	Nine months ended December 31, 2008
<hr/>	
Net cash provided by operating activities	
Income before income taxes	23,253
Depreciation and amortization	8,709
Decrease in allowance for doubtful accounts	(46)
Interest and dividends income	(2,012)
Interest expenses	293
Foreign exchange losses	82
In-process R&D expense	9,669
Increase in notes and accounts receivable-trade	(2,122)
Increase in inventories	(6,119)
Increase in notes and accounts payable-trade	1,918
Other	(2,021)
Subtotal	<hr/> 31,603 <hr/>
Interest and dividends income received	2,042
Interest expenses paid	(179)
Income tax paid	(13,129)
Net cash provided by operating activities	<hr/> 20,337 <hr/>
Net cash used in investment activities	
Payments into time deposits	(3,504)
Proceeds from withdrawal of time deposits	3,343
Purchase of short-term securities	(19)
Proceeds from sales and redemption of securities	2,020
Purchases of property, plant and equipment	(7,357)
Proceeds from sales of property, plant and equipment	57
Purchases of investment securities	(1,012)
Proceeds from sales of investment securities	18,198
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(146,766)
Collection of loans receivable	3
Other	(5,706)
Net cash used in investment activities	<hr/> (140,744) <hr/>
Net cash provided by financing activities	
Net increase in short-term loans payable	100,000
Proceeds from long-term loans payable	10,000
Cash dividends paid	(8,708)
Cash dividends paid to minority shareholders	(2)
Other	(870)
Net cash provided by financing activities	<hr/> 100,418 <hr/>
Effect of exchange rate change on cash and cash equivalents	(288)
Net decrease in cash and cash equivalents	<hr/> (20,276) <hr/>
Cash and cash equivalents at beginning of period	67,609
Cash and cash equivalents at end of period	<hr/> 47,332 <hr/>

As of the year ending March 31, 2009, the Company is applying the Accounting Standards Board of Japan (ASBJ) Statement No. 12, "Accounting Standard for Quarterly Financial Statements," and ASBJ Guidance No. 14, "Implementation Guidance on Accounting Standard for Quarterly Financial Statements." In addition, the Company prepares its quarterly financial statements in accordance with the Quarterly Financial Reporting Rules.

(4) Notes on premise of going concern

N/A

(5) Notes to segment information

a. Business Segment Information

Nine months ended December 31, 2008 (April 1, 2008 to December 31, 2008)

Because more than 90% of the total sales and operating income in all business segments were made in "Pharmaceuticals and related business", the disclosure of business segment information has been omitted.

b. Segment information by geographic area

Nine months ended December 31, 2008 (April 1, 2008 to December 31, 2008)

Because more than 90% of the total sales were made in Japan, the disclosure of segment information by geographic area has been omitted.

c. Overseas sales

Nine months ended December 31, 2008 (April 1, 2008 to December 31, 2008)

	Europe	Other	Total
I. Overseas sales (Units: Millions of yen)	27,454	6,328	33,783
II. Consolidated net sales (Units: Millions of yen)	—	—	164,874
III. Overseas sales as a percentage of to consolidated net sales (%)	16.7	3.8	20.5

Notes: 1. Country and regional segments are based on geographic proximity.

2. Main countries and regions included in each segment

(1) Europe: United Kingdom, Switzerland, Germany and others

(2) Others: North America, Asia and others

3. Overseas sales represent those of the Company and consolidated subsidiaries in countries areas outside Japan and include royalty income from industrial property rights.

(6) Notes on significant changes in stockholders' equity

N/A

(Reference : Consolidated financial statements for the Third quarter ended December 31 , 2007)

(1) Consolidated statements of income

(Units : Millions of yen)

Account	Nine months ended December 31, 2007	
	Amount	Percentage
		%
Net sales	162,423	100.0
Cost of sales	52,996	32.6
Gross profit	109,427	67.4
Selling, general and administrative expenses	79,798	49.2
[R&D]	[30,733]	[18.9]
Operating income	29,628	18.2
Non-operating income	2,795	1.7
Non-operating expenses	2,842	1.7
Ordinary income	29,582	18.2
Extraordinary income	276	0.2
Extraordinary loss	25	0.0
Income before income taxes	29,833	18.4
Income taxes-current	6,825	4.2
Income taxes-deferred	4,307	2.7
Minority interests in income	(10)	(0.0)
Net income	18,690	11.5

(2) Consolidated statements of cash flows

(Units: Millions of yen)

	Nine months ended December 31, 2007
Account Title	Amount
I Net cash provided by operating activities	
Income before income taxes	29,833
Depreciation and amortization	7,576
Increase in notes and accounts receivable-trade	(3,537)
Increase in inventories	(2,518)
Increase in notes and accounts payable-trade	329
Other	(8,799)
Subtotal	22,885
Interest and dividends income received	2,074
Interest expenses paid	(36)
Income tax paid	(11,179)
Net cash provided by operating activities	13,744
II Net cash used in investment activities	
Purchase of short-term and long term investment securities	(5,858)
Proceeds from sales of short-term and long term investment securities	3,308
Purchase of property, plant and equipment	(7,431)
Proceeds from sales of property, plant and equipment	10
Other	8,670
Net cash used in investment activities	(1,301)
III Net cash used in financing activities	
Cash dividends paid	(6,120)
Other	(10,753)
Net cash used in financing activities	(16,873)
IV Effect of exchange rate change on cash and cash equivalents	24
V Decrease in cash and cash equivalents	(4,406)
VI Cash and cash equivalents at beginning of period	74,546
VII Cash and cash equivalents at end of period	70,139

Financial Results for the Third Quarter of Fiscal Year 2008

February 2, 2009
Shionogi & Co., Ltd.

1. Sales by Segment

(Units: 100 million yen)

FY2008 3Q	FY2008 2H Forecast	FY2008 Forecast	Oct.1-Dec.31 2008	Oct.1-Dec.31 2007	Apr.1-Dec.31 2008	Apr.1-Dec.31 2007	% progress vs. FY2008 forecast
Pharmaceuticals and related business	1,186 (9.3)	2,224 (6.7)	587 (2.2)	574 (7.0)	1,625 (3.2)	1,573 (8.8)	73.0
Ethical drugs	780 (△ 3.6)	1,523 (△ 1.8)	423 (△ 4.1)	441 (2.6)	1,166 (△ 1.5)	1,183 (1.7)	76.5
FLOMOX	154	275	88	92	209	216	76.0
CRESTOR	100	183	48	31	132	75	71.9
FLUMARIN	45	100	27	34	82	97	81.9
RINDERON	45	97	25	26	76	80	78.7
VANCOMYCIN	30	76	18	30	64	85	84.3
OXYCONTIN	45	85	24	21	63	53	74.5
CLARITIN	62	95	20	15	53	44	55.6
IMUNACE	22	58	12	26	48	90	83.1
FINIBAX	18	31	9	7	22	19	71.4
AVELOX	9	16	5	7	12	15	75.4
IRBETAN	5	15	1	-	11	-	70.1
DIFFERIN	14	14	7	-	7	-	47.0
PIRESPA	2	2	0.4	-	0.4	-	19.1
Export/Overseas operations	142 (329.2)	184 (192.7)	28 (104.1)	13 (3.9)	69 (59.7)	43 (6.5)	37.7
Sciele Pharma, Inc	95	95	-	-	-	-	-
DORIPENEM	20	31	15	1	26	1	84.0
Contract manufacturing	28 (△ 11.2)	59 (0.1)	16 (△ 14.1)	18 (32.5)	46 (2.5)	44 (46.6)	77.7
OTC and quasi-drugs	25 (△ 7.8)	54 (△ 4.8)	14 (△ 11.9)	15 (△ 12.1)	42 (△ 5.5)	44 (△ 8.4)	78.7
SEDES	11	23	6	7	18	19	79.2
POPON-S	5	10	3	3	8	8	76.8
Diagnostics	15 (△ 11.1)	32 (△ 5.6)	8 (△ 6.0)	8 (7.9)	25 (△ 2.2)	25 (3.4)	78.8
Royalty income	194 (17.2)	372 (16.1)	98 (27.7)	76 (42.3)	276 (19.2)	231 (68.8)	74.2
CRESTOR	181	347	93	74	259	218	74.6
Other business	27 (77.3)	41 (△ 29.8)	11 (37.6)	7 (△ 77.5)	24 (△ 52.2)	50 (5.8)	59.0
Total	1,214 (10.3)	2,265 (5.7)	598 (2.7)	582 (1.8)	1,648 (1.5)	1,624 (8.7)	72.8

() Percentage change to the previous fiscal year

Sales of each product are shown on a non-consolidated basis

2. Quarterly Financial Results Trends (1)

Quarterly Sales by Segment

(Units: 100 million yen)

FY2008	Apr.1-Jun.30 2007	Y on Y Change(%)	Jul.1-Sep.30 2007	Y on Y Change(%)	Oct.1-Dec.31 2007	Y on Y Change(%)	Jan.1-Mar.31 2008	Y on Y Change(%)
Pharmaceuticals and related business	496	8.9	502	10.9	574	7.0	510	7.9
Ethical drugs	378	△ 0.1	363	2.4	441	2.6	368	3.6
FLOMOX	65	△ 8.5	59	△ 9.1	92	△ 1.7	71	△ 8.5
CRESTOR	19	-	25	140.9	31	-	29	154.7
FLUMARIN	30	△ 11.9	33	△ 7.6	34	△ 6.5	24	△ 8.8
RINDERON	27	△ 1.6	27	1.3	26	△ 0.6	20	△ 4.4
VANCOMYCIN	30	△ 19.0	25	△ 27.1	30	△ 4.5	21	△ 18.6
OXYCONTIN	16	22.2	16	33.6	21	35.4	13	19.8
CLARITIN	16	20.9	12	8.2	15	△ 11.0	46	55.0
IMUNACE	32	4.7	33	23.1	26	△ 22.7	27	△ 0.9
FINIBAX	5	16.6	7	47.8	7	23.5	6	19.7
AVELOX	4	△ 47.2	4	△ 8.3	7	△ 34.7	4	113.2
Export/Overseas operations	15	28.3	14	△ 8.1	13	3.9	19	61.5
DORIPENEM	-	-	1	-	1	-	3	-
Contract manufacturing	9	26.8	16	84.7	18	32.5	14	49.2
OTC and quasi-drugs	14	△ 4.0	14	△ 8.4	15	△ 12.1	11	△ 3.6
SEDES	6	△ 1.1	6	△ 13.5	7	△ 2.7	5	△ 7.1
POPON-S	3	△ 12.4	3	4.9	3	△ 20.6	2	3.9
Diagnostics	9	3.8	7	△ 1.7	8	7.9	8	△ 2.9
Royalty income	69	107.8	85	71.6	76	42.3	88	17.8
CRESTOR	67	112.8	77	83.5	74	41.9	81	18.1
Other business	5	△ 9.9	37	445.4	7	△ 77.5	7	△ 74.8
Total	502	8.7	539	17.4	582	1.8	518	2.9

FY2008	Apr.1-Jun.30 2008	Y on Y Change(%)	Jul.1-Sep.30 2008	Y on Y Change(%)	Oct.1-Dec.31 2008	Y on Y Change(%)
Pharmaceuticals and related business	511	2.9	526	4.8	587	2.2
Ethical drugs	380	0.5	362	△ 0.3	423	△ 4.1
FLOMOX	61	△ 5.8	60	1.9	88	△ 4.4
CRESTOR	38	99.9	46	79.7	48	55.0
FLUMARIN	25	△ 17.3	30	△ 10.8	27	△ 19.6
RINDERON	26	△ 2.4	26	△ 3.2	25	△ 6.7
VANCOMYCIN	23	△ 22.2	23	△ 10.3	18	△ 39.4
OXYCONTIN	20	27.7	19	22.3	24	12.3
CLARITIN	18	6.4	15	25.1	20	32.6
IMUNACE	20	△ 35.4	16	△ 52.2	12	△ 53.3
FINIBAX	6	16.5	7	10.1	9	15.7
AVELOX	4	14.2	2	△ 40.9	5	△ 21.5
IRBETAN	8	-	2	-	1	-
DIFFERIN	-	-	-	-	7	-
PIRESPA	-	-	-	-	0.4	-
Export/Overseas operations	19	25.4	22	53.3	28	104.1
DORIPENEM	5	-	6	528.6	15	-
Contract manufacturing	12	22.5	18	8.6	16	△ 14.1
OTC and quasi-drugs	14	△ 2.6	14	△ 1.4	14	△ 11.9
SEDES	6	△ 2.5	6	3.2	6	△ 15.8
POPON-S	3	3.5	3	△ 12.0	3	4.1
Diagnostics	9	0.6	8	△ 1.2	8	△ 6.0
Royalty income	75	9.5	102	19.3	98	27.7
CRESTOR	72	8.3	93	20.6	93	26.6
Other business	6	14.5	7	△ 80.8	11	37.6
Total	517	3.0	533	△ 1.1	598	2.7

2. Quarterly Financial Results Trends (2)

Quarterly Consolidated Statement of Income

(Units: 100 million yen)

FY2007	Apr.1-Jun.30 2007	Y on Y Change(%)	Jul.1-Sep.30 2007	Y on Y Change(%)	Oct.1-Dec.31 2007	Y on Y Change(%)	Jan.1-Mar.31 2008	Y on Y Change(%)
Net sales	502	8.7	539	17.4	582	1.8	518	2.9
Cost of sales	32.1 161	4.0	34.4 185	22.9	31.5 183	△ 8.0	30.1 155	△ 8.4
Gross profit	341	11.1	353	14.7	399	7.0	362	8.7
SG & A expenses	52.0 261	2.4	48.6 262	4.6	47.1 274	1.6	49.1 254	△ 1.1
Selling & General expenses	163	△ 0.2	163	0.6	163	△ 5.4	159	△ 0.3
R & D expenses	97	7.2	98	12.1	111	13.8	95	△ 2.3
Operating income	15.9 79	53.4	17.0 91	58.5	21.4 124	21.4	20.8 107	41.7
Non-operating gain & loss	5		△ 5		0		△ 4	
Ordinary income	17.0 85	66.2	15.9 86	47.5	21.3 124	20.1	19.9 102	51.7
Net income	10.7 53	76.2	10.0 54	61.9	13.6 79	25.5	12.3 63	8.0

FY2008	Apr.1-Jun.31 2008	Y on Y Change(%)	Jul.1-Sep.31 2008	Y on Y Change(%)	Oct.1-Dec.31 2008	Y on Y Change(%)
Net sales	517	3.0	533	△ 1.1	598	2.7
Cost of sales	32.0 165	2.6	30.8 164	△ 11.5	32.1 191	4.8
Gross profit	351	3.2	368	4.3	406	1.7
SG & A expenses	52.4 271	3.8	49.7 265	1.1	60.4 361	31.6
Selling & General expenses	166	1.4	162	△ 1.0	170	4.7
R & D expenses	104	7.8	102	4.5	190	71.0
Operating income	15.6 80	1.1	19.5 103	13.4	7.5 44	△ 64.0
Non-operating gain & loss	2		2		0	
Ordinary income	16.2 83	△ 2.1	19.9 105	23.2	7.4 44	△ 64.3
Net income	10.4 53	0.3	12.1 64	19.1	- △ 9	-

3. Impact of Accounting for Business Combinations Associated with Sciele Acquisition (1)

For the Third quarter ended December 31, 2008

Summary of Statement of Income (Consolidated)

(Units: 100 million yen)

FY2008	Apr.1-Dec.31 2008	IP R&D	Apr.1-Dec.31 2008 without IP R&D	Apr.1-Dec.31 2007	Y on Y Change(%)
Net sales	1,648		1,648	1,624	1.5
Cost of sales	521		31.6 521	32.6 529	Δ 1.6
Gross profit	1,127		1,127	1,094	3.0
SG & A expenses	897	96	48.6 800	49.2 797	0.4
Selling & General expenses	499		499	490	1.7
R & D expenses	398	96	301	307	Δ 1.8
Operating income	229	Δ 96	19.8 326	18.2 296	10.1
Non-operating gain & loss	4		4	0	
Ordinary income	234	Δ 96	20.1 330	18.2 295	11.8
Net income	108	Δ 96	12.4 205	11.5 186	9.8

3. Impact on Accounting for Business Combinations Associated with Sciele Acquisition (2)

Financial performance forecasts

Summary of Statement of Income (Consolidated excluding Sciele)

(Units: 100 million yen)

FY2008	FY2008 Revised Forecast	Y on Y Change (%) a)	Accounting for business combinations	Sciele 4Q Forecast	Forecast excluding Sciele	FY2007 Actual	Y on Y Change (%) b)
Net sales	2,265	5.7		95	2,170	2,142	1.3
Cost of sales	695	1.3		10	685	685	△ 0.1
Gross profit	1,570	7.8		85	1,485	1,456	1.9
SG & A expenses	1,248	18.5	114	58	1,075	1,052	2.1
Selling & General expenses	718	10.5	17	50	650	649	0.0
R & D expenses	530	31.5	96	8	425	402	5.5
Operating income	322	△ 20.3	△ 114	27	410	403	1.5
Ordinary income	322	△ 19.3	△ 114	27	410	398	2.8
Net income	166	△ 33.8	△ 111	18	260	250	3.7

Note:

Percentage change to the previous fiscal year a) : Percentage change of revised forecasts for FY2008 to actual financial results of FY2007

Percentage change to the previous fiscal year b) : Percentage change of revised consolidated forecasts without Sciele to actual financial results of FY2007

List of Impact on Accounting for Business Combinations Associated with Sciele Acquisition

(Units: 100 million yen)

Affected contents	Amount	Items
Amortization of intangible assets (Sales right)	8	Selling & General expenses
In-Process R&D expenses	96	R & D expenses
Amortization of goodwill	9	Selling & General expenses
Tax effect accounting for intangible assets	△3	Income taxes-deffed

4. Drugs Under Development (as of February 2009) (1)

<In Japan>

Code No. (Generic name)	Category (Administration)	Indication	Stage	Origin	Development
S-7701 (Pirfenidone)	Anti-fibrosis (Oral)	Idiopathic pulmonary fibrosis	Launch (December, 2008)	Marnac, Inc. (USA) & KDL, Inc. (Japan)	In-house
LY248686 (Duloxetine hydrochloride)	SNRI (serotonin & noradrenaline reuptake inhibitor) (Oral)	Depression	NDA submission (January, 2008)	Eli Lilly and Company (USA)	In-house
LY248686 (Duloxetine hydrochloride)	SNRI (serotonin & noradrenaline reuptake inhibitor) (Oral)	Diabetic peripheral neuropathic pain	Phase III	Eli Lilly and Company (USA)	Co-development: Eli Lilly Japan K.K.
S-4661 (Doripenem hydrate)	Carbapenem antibiotic (Injection)	Pediatric infection	Phase III	In-house	In-house
S-4661 (Doripenem hydrate)	Carbapenem antibiotic (Injection)	Addition of new dosage regimen (1g i.i.d. for serious infection)	Phase III	In-house	In-house
S-021812 (Peramivir)	Neuraminidase inhibitor (Injection)	Influenza infection	Phase III (Asian multi- national study)	BioCryst Pharmaceuticals, Inc. (USA)	In-house
S-811717 (Oxycodone hydrochloride)	Natural opium alkaloids (Injection)	For the treatment of moderate to severe pain in patients with cancer pain	Phase III	Napp Pharmaceutical Limited (UK)	In-house
S-013420 (Modithromycin)	Novel macrolide antibiotic (Oral)	Bacterial infection	Phase IIb	Enanta Pharmaceuticals, Inc. (USA)	In-house
NS75B (Cetorelix pamoate)	Gonadotropin releasing hormone antagonist (Injection)	Benign prostatic hypertrophy	Phase IIb	Æterna Zentaris GmbH (Canada)	In-house
NS75A (Cetorelix acetate)	Gonadotropin releasing hormone antagonist (Injection)	Uterine myoma	Phase II	Æterna Zentaris GmbH (Canada)	Co-development: Nippon Kayaku Co., Ltd.
S-777469	Selective cannabinoid 2 receptor agonist (Oral)	Atopic dermatitis	Phase IIa	In-house	In-house
S-888711	Small molecule TPO mimetic (Oral)	Thrombocytopenia	Phase I	In-house	In-house
S-555739	Prostaglandin D2 receptor antagonist (Oral)	Allergic disease	Phase I	In-house	In-house
S-297995	Peripheral opioid receptor antagonist (Oral)	Alleviation of opioid-induced adverse effect	Phase I	In-house	In-house
S-444823	Cannabinoid receptor agonist (Topical)	Atopic dermatitis	Phase I (in preparation)	In-house	In-house

<Outside Japan>

Code No.	Category (Administration)	Indication	Stage	Origin	Development
S-2367	Neuropeptide Y Y5 receptor antagonist (Oral)	Obesity	USA: Phase IIb	In-house	In-house
S-777469	Selective cannabinoid 2 receptor agonist (Oral)	Atopic dermatitis	USA: Phase IIa	In-house	In-house
S-349572/S-265744/S-247303	Integrase inhibitor (Oral)	HIV infection	USA: Phase IIa (the most advanced phase)	Shionogi & GlaxoSmithKline	Shionogi-GlaxoSmithKline Pharmaceuticals LLC (USA)
S-0139	Endothelin A receptor antagonist (Injection)	Cerebrovascular diseases	Japan: Phase IIa Europe: Phase I	In-house	In-house
S-555739	Prostaglandin D2 receptor antagonist (Oral)	Allergic disease	Europe: POM	Shionogi & Eli Lilly and Company (USA)	In-house
S-222611	Her2/EGFR dual inhibitor (Oral)	Malignant tumor	Europe: Phase I	In-house	In-house
S-888711	Small molecule TPO mimetic (Oral)	Thrombocytopenia	USA: Phase I	In-house	In-house

4. Drugs Under Development (as of February 2009) (2)

<Out-Licensing Activity>

Code No. (Generic name)	Category (Administration)	Indication	Stage	Origin	Development
S-4661 (Doripenem hydrate)	Carbapenem antibiotic (Injection)	Bacterial infection	USA: Approval (October, 2007) Complicated intra-abdominal infections, Complicated urinary tract infections including pyelonephritis NDA submission (June, 2007) Hospital-acquired (nosocomial) pneumonia including ventilator-associated pneumonia EU: Approved (July, 2008)	In-house	Peninsula (USA) ↓ Johnson & Johnson (USA)
S-0373	Non-peptide mimetic of TRH (Oral)	Spinocerebellar ataxia	Phase II (in preparation)	In-house	Kissei Pharmaceutical Co., Ltd.
S-3013 (Varespladib methyl)	Secretory PLA2(sPLA2) inhibitor (Oral)	Acute coronary syndromes Mixed dyslipidemia	USA, EU: Phase IIb	Shionogi & Eli Lilly and Company (USA)	Anthera (USA)

Since November, 2008

Change of phases	S-7701 (In Japan) : Approval → Launch
	S-222611 (Outside Japan) : In preparation for Phase I → Phase I
	S-3013 (Out-Licensing Activity): USA, EU: Phase IIb (Indication: Atherosclerosis → Acute coronary syndromes, Mixed dyslipidemia)
Compound added to the list	S-297995 (In Japan) : Phase I
	S-444823 (In Japan) : In preparation for Phase I S-888711 (Outside Japan) : Phase I
Compound erased	Adapalene gel (In-Licensing Activity) : Launched in October 2008

<Sciele Pharma. Inc.>

Product (Generic name)	Category (Administration)	Indication	Stage	Origin	Development
PrandiMet (Repaglinide and metformin HCl)	Fast-acting insulin secretagogue and metformin; antihyperglycemic insulin sensitizer (Oral)	Type 2 Diabetes	Launch (January, 2009)	Novo Nordisk	Novo Nordisk
VIQ (Benzyl alcohol)	Topical benzyl alcohol pediculocide (Topical lotion)	Head lice	USA: FDA approval expected 1H09	Summers Laboratories, Inc	Summers Laboratories, Inc
Sympres XR (Clonidine hydrochloride)	Centrally acting alpha adrenergic agonist (Oral)	Hypertension	USA: NDA submission 2H09	Addrenex Pharmaceuticals, Inc	Addrenex Pharmaceuticals, Inc
Prenate DHA (Vitamins, minerals, DHA and metafolin)	Vitamins, minerals, metafolin (active form of folate), omega-3 fatty acids (Oral)	Prenatal DHA vitamin	USA: NDA not required	Sciele Pharma Inc	Sciele Pharma Inc
Glycopyrrolate	Anticholinergic (Oral)	Chronic moderate-to-severe drooling in pediatric patients	USA: NDA submission 2H09	Sciele Pharma Inc	Sciele Pharma Inc
Adrenamate (Epinephrine)	Self-injectable epinephrine (Single-dose auto-injector)	Anaphylaxis	USA: NDA submission 2H09	Sciele Pharma Inc	Sciele Pharma Inc
PSD502 (Lidocaine/prilocaine)	Eutectic mixture of anesthetics (Metered-dose topical aerosol spray)	Premature Ejaculation (PE)	USA and Europe: NDA submission 2H09	Plethora Solutions Holdings PLC	Plethora Solutions Holdings PLC
Clonixel (Clonidine hydrochloride)	Centrally acting alpha adrenergic agonist (Oral)	Attention Deficit Hyperactivity Disorder (ADHD)	USA: Phase III monotherapy trial completed; Phase III combination therapy ongoing; NDA submission 2H09	Addrenex Pharmaceuticals, Inc.	Addrenex Pharmaceuticals, Inc.
Duochol (Pravastatin/fenofibrate combination)	Statin-HMG-CoA reductase inhibitors, fenofibrate lipid regulating agent (Oral)	Lowering non-HDL cholesterol and triglycerides	USA: Phase III efficacy study completed; USA: NDA submission 2H09	Galephar, PR Inc / SMB Laboratories	Sciele Pharma, Inc. and SMB Laboratories
Prenate Elite (Vitamin, minerals and metafolin)	Vitamins, minerals, metafolin (active form of folate) (Oral)	Prenatal Vitamin	USA: NDA not required	Sciele Pharma Inc	Sciele Pharma Inc
ADX415	2 alpha specific adrenergic agonist (Oral)	Hypertension	USA: Phase II clinical trials	Addrenex Pharmaceuticals, Inc.	Addrenex Pharmaceuticals, Inc. and Sciele Pharma, Inc