



Financial Results for the Second Quarter of Fiscal Year 2009

November 4, 2009

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

Listed Exchanges: Section I of Tokyo and Osaka

Code: 4507 URL: <http://www.shionogi.co.jp>

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Scheduled date of quarterly securities report submission: November 12, 2009

Scheduled date of dividend payments: December 1, 2009

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

1. Consolidated results for the period from April 1, 2009 to September 30, 2009

(1) Consolidated operating results (% shows changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2009	132,639	26.3	17,838	(3.4)	16,397	(13.6)	11,591	(2.1)
Six months ended September 30, 2008	105,056	—	18,464	—	18,969	—	11,835	—

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
Six months ended September 30, 2009	34.61	—
Six months ended September 30, 2008	35.32	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2009	524,431	326,771	62.2	974.33
As of March 31, 2009	501,852	310,093	61.7	924.43

Reference: Shareholders' equity As of September 30, 2009: 326,309 million yen As of March 31, 2009: 309,635 million yen

2. Dividends

(Date of record)	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
Year ended March 31, 2009	Yen —	Yen 14.0	Yen —	Yen 14.0	Yen 28.0
Year ending March 31, 2010	—	18.0			
Year ending March 31, 2010 (forecast)			—	18.0	36.0

Note: Revisions to dividend forecast during this period: None

3. Consolidated financial forecast for the year ending March 31, 2010

(% shows changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
For the year ending March 31, 2010	280,000	23.1	60,000	87.4	58,000	81.2	35,000	123.5	104.49

Note: Revisions to consolidated financial forecast during this period: None

4. Others

(1) Significant changes in subsidiaries during the period (changes in specified subsidiaries involving changes in scope of consolidation): None

(2) Adoption of simplified accounting methods and accounting methods specific to quarterly consolidated financial statements: Yes

Note: For details, please see page 4 "4.Others" of "Qualitative Information, Financial Statements".

(3) Changes in accounting principles, procedures and presentation methods for quarterly consolidated financial statements

a) Changes and amendments of accounting standards: None

b) Other changes: Yes

Note: For details, please see page 4 "4.Others" of "Qualitative Information, Financial Statements".

(4) Number of shares issued (common stock)

a) Number of shares issued (including treasury stock)

As of September 30, 2009: 351,136,165 shares

As of March 31, 2009: 351,136,165 shares

b) Number of treasury stock

As of September 30, 2009: 16,228,634 shares

As of March 31, 2009: 16,189,825 shares

c) Average number of shares issued during the period

Six months ended September 30, 2009: 334,924,355 shares

Six months ended September 30, 2008: 335,073,058 shares

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.

【Qualitative Information, Financial Statements】

1. Qualitative information regarding consolidated operating results

During the cumulative second quarter, the six months ended September 30, in the pharmaceutical industry in Japan the sense of uncertainty increased in the debate over restraining healthcare costs following the change of government. Meanwhile, merger and acquisition activity by pharmaceutical companies was brisk, due in part to issues such as the patent expirations of global products.

Under these conditions, fiscal 2009, the final year of the Shionogi Group's second medium-term business plan, marked the full-fledged start of the Group's move toward globalization with U.S. company Sciele Pharma, Inc. becoming a wholly owned subsidiary in October 2008. In research and development, compounds in Shionogi's global development pipeline advanced steadily through their respective stages. In manufacturing, the Shionogi Group progressed in establishing a quality and production structure that can accommodate global development, and continued cost-cutting measures including raw material cost reductions and process improvements. In sales, in addition to the hyperlipidemia treatment Crestor, Shionogi launched the antihypertensive Irbetan in July 2008, and is steadily expanding its market share in the area of metabolic syndrome (MS).

For the six months ended September 30, 2009, sales of prescription drugs increased overall, as a substantial increase in sales of Crestor and the contributions of Irbetan, Differin and Pirespa, which were launched in 2008, offset the decrease in sales of antibiotics due to market contraction. 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. These factors, along with the addition of sales of Sciele Pharma, which became a consolidated subsidiary in the previous year, resulted in total net sales of ¥132,639 million, a 26.3 percent increase compared with the same period of the previous fiscal year.

In terms of profit, gross profit increased 32.8 percent, reflecting improvement of the cost of sales ratio with the increase in royalty income from industrial property rights and the addition of the profits of Sciele Pharma. However, selling, general and administrative expenses increased by a substantial 45.4 percent due to higher expenses including research and development expenses and amortization of goodwill. As a result, operating income was ¥17,838 million, a 3.4 percent decrease compared with the same period of the previous fiscal year, and ordinary income was ¥16,397 million, a 13.6 percent decrease. Net income was ¥11,591 million, a 2.1 percent decrease.

In research and development activities, Shionogi is awaiting regulatory approval for antidepressant duloxetine hydrochloride (generic name). Shionogi is also currently developing an anti-obesity agent, an anti-influenza drug, an anti-HIV drug and an atopic dermatitis treatment. Social expectations are high for the anti-influenza drug (generic name: peramivir) in particular, and Shionogi has submitted a New Drug Application for the product in October ahead of schedule.

As a result of these activities, R&D expenses for the six months ended September 30, 2009 were ¥27,917 million, or 21.0 percent of net sales.

2. Qualitative information regarding consolidated financial position

(1) Assets, Liabilities and Net Assets

As of September 30, 2009, total assets were ¥524,431 million, an increase of ¥22,578 million compared with the end of the previous fiscal year. Current assets increased ¥21,446 million from the end of the previous fiscal year to ¥224,170 million. This was primarily the result of an increase in cash on hand (short-term investment securities) due to the issuance of bonds. Noncurrent assets increased ¥1,132 million to ¥300,260 million.

Total liabilities increased ¥5,900 million compared with the end of the previous fiscal year to ¥197,659 million. Current liabilities decreased ¥16,410 million to ¥60,394 million due to factors including repayment of short-term loans payable. Noncurrent liabilities increased ¥22,310 million to ¥137,265 million due to factors including the increase from the issuance of bonds.

Net assets increased ¥16,777 million compared with the end of the previous fiscal year to ¥326,771 million. Shareholders' equity increased ¥6,826 million to ¥333,442 million, reflecting factors including an increase from net income and a decrease due to cash dividends paid. Valuation and translation adjustments were negative ¥7,132 million, an increase of ¥9,847 million from the end of the previous fiscal year, due to increases in foreign currency translation adjustment and valuation difference on available-for-sale securities.

(2) Cash Flow

Net cash provided by operating activities during the six months ended September 30, 2009 was ¥20,630 million, an increase of ¥2,287 million compared with the same period of the previous fiscal year. The principal factors included income before income taxes and minority interests of ¥16,350 million, depreciation and amortization of ¥8,656 million and income taxes paid of ¥8,907 million.

Net cash used in investing activities was ¥5,288 million, due to factors including purchases of property, plant and equipment totaling ¥4,260 million, purchases of investment securities totaling ¥3,711 million, and proceeds from redemption of investment securities totaling ¥5,000 million. This represented a decrease in cash of ¥13,999 million compared with the same period of the previous fiscal year, when Shionogi had proceeds of ¥18,196 million from sales of investment securities.

Net cash provided by financing activities was ¥8,051 million, an increase of ¥12,681 million compared with the same period of the previous fiscal year. Principal factors were a net decrease in short-term loans payable of ¥10,000 million, repayment of long-term loans payable of ¥7,000 million, proceeds from issuance of bonds of ¥30,000 million and cash dividends paid of ¥4,688 million.

As a result, cash and cash equivalents at the end of the second quarter totaled ¥75,312 million, an increase of ¥23,776 million compared with the end of the previous fiscal year.

3. Qualitative information regarding consolidated financial forecast

There are no revisions to the consolidated financial forecast announced on August 3, 2009.

4. Others

(1) Significant changes in subsidiaries during the period (changes in specified subsidiaries involving changes in scope of consolidation): None

(2) Adoption of simplified accounting methods and accounting methods specific to quarterly consolidated financial statements: There are no significant matters to report.

(3) Changes in accounting principles, procedures and presentation methods for quarterly consolidated financial statements:

(Change in Method of Translation of Income and Expenses of Foreign Consolidated Subsidiaries)

Shionogi formerly translated the income and expenses of foreign subsidiaries and affiliates to Japanese yen using the spot exchange rate on the balance sheet date. Beginning in the first quarter ended June 30, 2009, the Company has changed to a method of translating these amounts to Japanese yen using the average spot rate during the period.

The Company made this change to obtain a more accurate understanding of profit and loss by excluding excessive effects on income due to any sharp fluctuations in exchange rates on the balance sheet dates of foreign consolidated subsidiaries and affiliates.

As a result, for the six months ended September 30, 2009, net sales decreased ¥98 million, operating income increased ¥4 million and ordinary income and income before income taxes and minority interests each decreased ¥5 million compared with their respective amounts calculated using the former method.

5. Consolidated Financial Statements

(1) Consolidated balance sheets

Millions of yen

	As of September 30, 2009	(Reference) As of March 31, 2009
Assets		
Current assets		
Cash and deposits	29,753	23,349
Notes and accounts receivable-trade	73,353	75,380
Short-term investment securities	53,349	35,453
Merchandise and finished goods	23,734	20,632
Work in process	14,649	12,556
Raw materials and supplies	9,338	9,838
Other	20,002	25,525
Allowance for doubtful accounts	(12)	(12)
Total current assets	224,170	202,724
Noncurrent assets		
Property, plant and equipment	70,289	71,811
Intangible assets		
Goodwill	73,623	71,625
Other	51,277	48,763
Total intangible assets	124,900	120,388
Investments and other assets		
Investment securities	67,234	66,813
Other	37,958	40,236
Allowance for doubtful accounts	(121)	(121)
Total investments and other assets	105,071	106,928
Total noncurrent assets	300,260	299,128
Total assets	524,431	501,852
Liabilities		
Current liabilities		
Notes and accounts payable-trade	14,784	15,444
Short-term loans payable	—	10,000
Current portion of long-term loans payable	14,000	14,000
Income taxes payable	6,032	8,131
Provision for bonuses	6,532	5,325
Other provision	1,472	2,336
Other	17,571	21,566
Total current liabilities	60,394	76,804
Noncurrent liabilities		
Bonds payable	30,000	—
Long-term loans payable	84,337	91,000
Provision for retirement benefits	7,946	7,793
Other provision	—	155
Other	14,981	16,005
Total noncurrent liabilities	137,265	114,954
Total liabilities	197,659	191,759

Millions of yen

	As of September 30, 2009	(Reference) As of March 31, 2009
Net assets		
Shareholders' equity		
Capital stock	21,279	21,279
Capital surplus	20,227	20,227
Retained earnings	311,663	304,761
Treasury stock	(19,728)	(19,652)
Total shareholders' equity	333,442	326,616
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	10,227	8,207
Foreign currency translation adjustment	(17,360)	(25,188)
Total valuation and translation adjustments	(7,132)	(16,980)
Minority interests	461	458
Total net assets	326,771	310,093
Total liabilities and net assets	524,431	501,852

(2) Consolidated statements of income

Millions of yen

	Six months ended September 30, 2008	Six months ended September 30, 2009
Net sales	105,056	132,639
Cost of sales	32,979	36,861
Gross profit	72,077	95,778
Selling, general and administrative expenses	53,613	77,939
Operating income	18,464	17,838
Non-operating income		
Interest income	628	219
Dividends income	644	648
Other	392	278
Total non-operating income	1,664	1,145
Non-operating expenses		
Interest expenses	35	897
Contribution	632	703
Other	491	985
Total non-operating expenses	1,158	2,586
Ordinary income	18,969	16,397
Extraordinary income		
Gain on sales of investment securities	212	—
Total extraordinary income	212	—
Extraordinary loss		
Loss on valuation of investment securities	—	47
Loss on disaster	157	—
Loss on valuation of inventories	89	—
Loss on sales of investment securities	25	—
Total extraordinary losses	272	47
Income before income taxes and minority interests	18,909	16,350
Income taxes-current	6,026	6,499
Income taxes-deferred	1,027	(1,747)
Total income taxes	7,054	4,752
Minority interests in income	19	7
Net income	11,835	11,591

(3) Consolidated statements of cash flows

Millions of yen

	Six months ended September 30, 2008	Six months ended September 30, 2009
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	18,909	16,350
Depreciation and amortization	5,549	8,656
Amortization of goodwill	—	1,904
Increase (decrease) in allowance for doubtful accounts	(45)	—
Interest and dividends income	(1,272)	(867)
Interest expenses	35	897
Foreign exchange losses (gains)	(45)	259
Decrease (increase) in notes and accounts receivable-trade	5,325	2,488
Decrease (increase) in inventories	(4,841)	(4,556)
Increase (decrease) in notes and accounts payable-trade	1,041	(778)
Other, net	(91)	5,031
Subtotal	24,566	29,385
Interest and dividends income received	1,295	881
Interest expenses paid	(14)	(730)
Income taxes paid	(7,504)	(8,907)
Net cash provided by (used in) operating activities	18,342	20,630
Net cash provided by (used in) investing activities		
Payments into time deposits	(2,667)	(2,487)
Proceeds from withdrawal of time deposits	2,492	2,177
Purchase of short-term investment securities	(19)	(464)
Proceeds from sales and redemption of securities	2,020	2,342
Purchase of property, plant and equipment	(6,145)	(4,260)
Proceeds from sales of property, plant and equipment	36	5
Purchase of investment securities	(1,012)	(3,711)
Proceeds from sales of investment securities	18,196	—
Proceeds from redemption of investment securities	—	5,000
Collection of loans receivable	3	97
Other, net	(4,193)	(3,987)
Net cash provided by (used in) investing activities	8,710	(5,288)
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term loans payable	—	(10,000)
Proceeds from long-term loans payable	—	337
Repayment of long-term loans payable	—	(7,000)
Proceeds from issuance of bonds	—	30,000
Cash dividends paid	(4,020)	(4,688)
Cash dividends paid to minority shareholders	(2)	(2)
Other, net	(607)	(594)
Net cash provided by (used in) financing activities	(4,630)	8,051
Effect of exchange rate change on cash and cash equivalents	(143)	383
Net increase (decrease) in cash and cash equivalents	22,280	23,776
Cash and cash equivalents at beginning of period	67,609	51,536
Cash and cash equivalents at end of period	89,889	75,312

(4) Going concern assumption

None

(5) Segment information

Business segment information

Six months ended September 30, 2008 (April 1, 2008 to September 30, 2008)

Business segment information has been omitted because pharmaceuticals and related businesses operations account for more than 90% of net sales and operating income in all segments.

Six months ended September 30, 2009 (April 1, 2009 to September 30, 2009)

Business segment information has been omitted because pharmaceuticals and related businesses operations account for more than 90% of net sales and operating income in all segments.

Geographical segment information

Six months ended September 30, 2008 (April 1, 2008 to September 30, 2008)

Geographical segment information has been omitted because Japanese operations account for more than 90% of net sales in all segments.

Six months ended September 30, 2009 (April 1, 2009 to September 30, 2009)

Millions of yen

	Japan	North America	Other	Total	Eliminations and corporate	Consolidated
Net sales						
(1) Sales to third parties	113,405	18,370	863	132,639	—	132,639
(2) Inter-group sales and transfers	146	1,638	27	1,812	(1,812)	—
Total	113,552	20,009	890	134,452	(1,812)	132,639
Operating income (loss)	18,867	669	205	19,743	(1,904)	17,838

Overseas sales

Six months ended September 30, 2008 (April 1, 2008 to September 30, 2008)

Millions of yen

	Europe	Other	Total
I. Overseas sales	17,737	3,714	21,452
II. Consolidated net sales	—	—	105,056
III. Overseas sales as a percentage of consolidated net sales	16.9%	3.5%	20.4%

Six months ended September 30, 2009 (April 1, 2009 to September 30, 2009)

Millions of yen

	Europe	North America	Other	Total
I. Overseas sales	23,037	22,505	2,102	47,644
II. Consolidated net sales	—	—	—	132,639
III. Overseas sales as a percentage of consolidated net sales	17.3%	17.0%	1.6%	35.9%

(6) Significant changes in shareholders' equity

None