

*Presentation of Interim Results  
for the Six Months Ended September 30, 2005*



November 9, 2005

Shionogi & Co., Ltd.

Motozo Shiono, President



SHIONOGI & CO., LTD.



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## Financial results (Consolidated and Non-consolidated)

(Billions of yen)

<b>&lt; Consolidated &gt;</b>	<b>Apr. 1, 2005 - Sept. 30, 2005</b>	<b>Apr. 1, 2004 - Sept. 30, 2004</b>	<b>% Change</b>
<b>Sales</b>	<b>96.8</b>	<b>95.3</b>	<b>1.6</b>
<b>Operating income</b>	<b>12.1</b>	<b>10.3</b>	<b>17.5</b>
<b>Ordinary income</b>	<b>12.3</b>	<b>10.1</b>	<b>21.3</b>
<b>Net income</b>	<b>8.3</b>	<b>8.1</b>	<b>2.3</b>
<b>&lt; Non-consolidated &gt;</b>			
<b>Sales</b>	<b>87.5</b>	<b>85.4</b>	<b>2.5</b>
<b>Operating income</b>	<b>10.4</b>	<b>7.8</b>	<b>33.2</b>
<b>Ordinary income</b>	<b>11.8</b>	<b>8.4</b>	<b>40.1</b>
<b>Net income</b>	<b>8.4</b>	<b>7.0</b>	<b>19.5</b>



# Consolidated financial position and Cash flows

(Billions of yen)

<b>&lt; Financial position &gt;</b>	<b>At Sept. 30, 2005</b>	<b>At Mar. 31, 2005</b>	<b>Increase/ Decrease</b>
<b>Total assets</b>	<b>392.3</b>	<b>396.9</b>	<b>(4.6)</b>
<b>Shareholders' equity</b>	<b>314.8</b>	<b>299.8</b>	<b>15.0</b>
<b>Shareholders' equity ratio</b>	<b>8.3%</b>	<b>75.5%</b>	<b>+4.8%</b>
<b>Shareholders' equity per share (¥)</b>	<b>924.33</b>	<b>879.79</b>	<b>44.54</b>

<b>&lt; Cash flows &gt;</b>	<b>Apr. 1, 2005 - Sept. 30, 2005</b>	<b>Apr. 1, 2004 - Sept. 30, 2004</b>
<b>C/F from operating activities</b>	<b>8.5</b>	<b>13.1</b>
<b>C/F from investing activities</b>	<b>(1.2)</b>	<b>(3.8)</b>
<b>C/F from financing activities</b>	<b>(22.4)</b>	<b>(2.6)</b>
<b>Cash &amp; cash equivalents at end of period</b>	<b>80.8</b>	<b>75.3</b>



## Consolidated sales by segment

	(Billions of yen)		
	Apr. 1, 2005 - Sept. 30, 2005	Apr. 1, 2004 - Sept. 30, 2004	% Change
<b>Prescription drugs</b>	<b>80.2</b>	<b>79.9</b>	<b>0.3</b>
<b>Flomox</b>	<b>15.1</b>	<b>14.3</b>	<b>6.2</b>
<b>Flumarin</b>	<b>8.7</b>	<b>9.0</b>	<b>(2.9)</b>
<b>Vancomycin</b>	<b>8.2</b>	<b>8.4</b>	<b>(1.9)</b>
<b>Immunace</b>	<b>5.3</b>	<b>5.4</b>	<b>(0.9)</b>
<b>Claritin</b>	<b>3.3</b>	<b>2.4</b>	<b>33.8</b>
<b>Oxycontin</b>	<b>2.0</b>	<b>1.2</b>	<b>65.2</b>
<b>MS Contin</b>	<b>2.0</b>	<b>3.2</b>	<b>(39.2)</b>
<b>OTC products</b>	<b>3.2</b>	<b>3.1</b>	<b>5.1</b>
<b>Diagnostics</b>	<b>1.8</b>	<b>1.8</b>	<b>(3.5)</b>
<b>Industrial property rights</b>	<b>4.1</b>	<b>2.3</b>	<b>80.3</b>
<b>Crestor</b>	<b>3.2</b>	<b>1.8</b>	<b>82.3</b>
<b>Capsule business</b>	<b>6.1</b>	<b>5.9</b>	<b>2.4</b>
<b>Real estate &amp; others</b>	<b>1.5</b>	<b>2.3</b>	<b>(36.6)</b>
<b>Total</b>	<b>96.8</b>	<b>95.3</b>	<b>1.6</b>

\*Sales of prescription drugs are shown on a non-consolidated basis.



## Consolidated Cost of sales, SG&A expenses and Operating income

	(Billions of yen)			
	Apr. 1, 2005 - Sept. 30, 2005	Apr. 1, 2004 - Sept. 30, 2004	% Change	Increase/ Decrease
<b>Sales</b>	<b>96.8</b>	<b>95.3</b>	<b>1.6</b>	<b>1.5</b>
<b>[Royalty income]</b>	<b>[4.1]</b>	<b>[2.3]</b>		<b>[1.8]</b>
	<b>36.9</b>	<b>38.6</b>		
	<b>[38.6]</b>	<b>[39.6]</b>		
<b>Cost of sales</b>	<b>35.7</b>	<b>36.8</b>	<b>(2.9)</b>	<b>1.1</b>
	<b>50.6</b>	<b>50.5</b>		
<b>SG&amp;A expenses</b>	<b>49.0</b>	<b>48.2</b>	<b>1.6</b>	<b>0.8</b>
<b>Selling &amp; General</b>	<b>33.7</b>	<b>32.4</b>	<b>3.9</b>	<b>1.3</b>
<b>R&amp;D</b>	<b>15.3</b>	<b>15.8</b>	<b>(3.2)</b>	<b>(0.5)</b>
	<b>12.5</b>	<b>10.9</b>		
<b>Operating income</b>	<b>12.1</b>	<b>10.3</b>	<b>17.5</b>	<b>1.8</b>



# Profit and Loss analysis. Effect on Operating income

	Effect on Operating income (Billions of yen)
<b>Decrease in sales</b>	<b>(0.2)</b>
<b>Increase in royalty income</b>	<b>+ 1.8</b>
<b>Decrease in manufacturing costs</b>	<b>+ 1.0</b>
<b>Increase in selling and general expenses</b>	<b>(1.3)</b>
<b>Decrease in R&amp;D expenses</b>	<b>+ 0.5</b>
<b>Total</b>	<b>+ 1.8</b>



## Forecast results for fiscal 2005 : Transfer of capsule business

### Capsule business

Shionogi Qualicaps Co., Ltd.

Shionogi Europe B.V.

Shionogi Qualicaps, Inc.

Shionogi Qualicaps, S.A.

Transferred all shares of each company to the Carlyle Group

\* Completed on Oct. 3, 2005

- Concentrate management resources on prescription drug business
- Influence on the forecast results
  - Decrease in sales : about ¥12 billion /year
  - Decrease in operating income : about ¥1.4 billion /year
  - Improvement in cost of sales : about 2 points/year on a consolidated basis in or after FY 2006
  - Forecast extraordinary gains : ¥12 billion on a non-consolidated basis and ¥8.8 billion on a consolidated basis





## Forecast consolidated and non-consolidated results for FY 2005

(Billions of yen)

<b>&lt; Consolidated &gt;</b>	<b>FY 2005 Forecast</b>	<b>FY 2004 Results</b>	<b>% Change</b>
<b>Sales</b>	<b>200.0</b>	<b>199.3</b>	<b>0.3</b>
<b>Operating income</b>	<b>29.3</b>	<b>28.7</b>	<b>2.0</b>
<b>Ordinary income</b>	<b>28.5</b>	<b>27.8</b>	<b>2.5</b>
<b>Net income</b>	<b>22.5</b>	<b>18.9</b>	<b>18.8</b>
<b>&lt; Non-consolidated &gt;</b>			
<b>Sales</b>	<b>187.0</b>	<b>180.7</b>	<b>3.5</b>
<b>Operating income</b>	<b>26.5</b>	<b>24.5</b>	<b>7.8</b>
<b>Ordinary income</b>	<b>27.8</b>	<b>25.4</b>	<b>9.0</b>
<b>Net income</b>	<b>26.5</b>	<b>17.7</b>	<b>49.0</b>



## Forecast consolidated sales by segment

	(Billions of yen)		
	FY 2005	FY 2004	%
	Forecast	Results	Change
<b>Prescription drugs</b>	<b>171.0</b>	<b>168.0</b>	<b>1.8</b>
Flomox	34.3	33.2	3.4
Flumarin	16.5	17.0	(2.9)
Vancomycin	15.7	16.1	(2.3)
Imunace	10.5	10.4	1.4
Claritin	10.3	8.9	15.3
Oxycontin	4.7	2.9	62.2
MS contin	4.0	5.6	(28.0)
Finibax	1.0	-	-
Avelox	1.0	-	-
<b>OTC products</b>	<b>6.6</b>	<b>6.3</b>	<b>4.1</b>
<b>Diagnostics</b>	<b>3.3</b>	<b>3.5</b>	<b>(7.8)</b>
<b>Industrial property right</b>	<b>10.0</b>	<b>6.1</b>	<b>63.8</b>
Crestor	8.5	4.8	77.1
<b>Capsule business</b>	<b>6.1</b>	<b>11.8</b>	<b>(49.1)</b>
<b>Real estate &amp; Others</b>	<b>3.0</b>	<b>3.3</b>	<b>(11.6)</b>
<b>Total</b>	<b>200.0</b>	<b>199.3</b>	<b>0.3</b>

\* Sales of prescription drugs are shown on non-consolidated basis.



# Forecast consolidated operating income

	FY 2005 Forecast	FY 2004 Results	% Change	(Billions of yen) Increase/ Decrease
<b>Sales</b>	<b>200.0</b>	<b>199.3</b>	<b>0.3</b>	<b>0.7</b>
[Royalty income]	[10.0]	[6.1]		[3.9]
	<b>34.8</b>	<b>37.2</b>		
	<b>[36.6]</b>	<b>[38.3]</b>		
<b>Cost of sales</b>	<b>69.5</b>	<b>74.0</b>	<b>(6.2)</b>	<b>(4.5)</b>
	<b>50.6</b>	<b>48.4</b>		
<b>SG&amp;A expenses</b>	<b>101.2</b>	<b>96.6</b>	<b>4.8</b>	<b>4.6</b>
Selling and General	<b>67.2</b>	<b>67.2</b>	<b>0.1</b>	<b>0.0</b>
R&D	<b>34.0</b>	<b>29.4</b>	<b>15.6</b>	<b>4.6</b>
	<b>14.7</b>	<b>14.4</b>		
<b>Operating income</b>	<b>29.3</b>	<b>28.7</b>	<b>2.0</b>	<b>0.6</b>



# Dividend policy

## **Fundamental policy on appropriation of retained earnings**

**The Company's basic policy is to distribute profits while taking into account capital requirements for future business development and the trend of results in each fiscal term. Concerning dividends, the Company follows a policy of distributing dividends in proportion to results for each fiscal term, and aims to make stable increases in the dividend in the medium to long term.**

**The Company also flexibly uses share repurchases as a means of improving capital efficiency.**

**The Company continues to study an appropriate dividend policy, setting a payout ratio of around 25 percent as a benchmark, while maintaining a stable dividend.**



## R&D Update

**Made tangible progress in building a new R&D organization according to each R&D area so that people from research, development & supporting staff can work more closely**

- γ **MPDR\* cooperation system started functioning efficiently through the TA conference.**

**Thoroughly upgrade the prioritization policy and develop a system to implement R&D policy more effectively**

- γ **Research: Review every 3 months**
- γ **Reset**
- γ **Development: Redistribute in-house resources by fully utilizing CRO**



**Build an R&D organization that can function flexibly**

\* MPDR: Marketing, Production, Development, Research TA: Therapeutic Area



## **Pipeline update (1)**

**Finibax (Doripenem) and Avelox (Moxifloxacin) : Approved**

**3 products under review by authorities : No questionable issues  
for approval**

**Products in the late development stage (Domestic) :  
Advancing on schedule**

- ◆ **LY248686 (Depression)**
- ◆ **S-7701 (Idiopathic interstitial pulmonary fibrosis)**
- ◆ **Irbesartan (Hypertension) Additional clinical studies**

**PLCM: Crestor  $\gamma$  IVUS study is under way :**

**Finibax  $\gamma$  Comparative study is under way.**

**(250mg x 3 times / day and 250mg x twice / day)**



## **Pipeline update (2)**

### **Initiated Phase II clinical studies**

**<Domestic> LY248686 : Diabetic peripheral neuropathic pain**

**S-013420 (Novel microlide antibiotic (oral) :  
Respiratory infection**

**<Overseas> S-2367 : Obesity**

**S-5751 : Bronchial asthma**

**Moved from Phase I to Phase I / II (Domestic)**

**NS-75B : Prostate hypertrophy**



**Pipeline adjustment and prioritization is getting on track.**



## Research Topics

**Projects in the late stages of research are advancing smoothly.**

- γ Decided to search for a back-up compound effective against gram-negative bacteria**
- γ FTIH pre-stage (Late research pre-clinical) : 4 compounds**
- γ Projects to follow the above : 4 projects**

**Exclusive alliance agreement in pain field**

- γ Is nearing the final stage**



**Strong commitment to achieve the goals of the 2<sup>nd</sup> medium-term business plan**





# Sales & Marketing : Infectious disease drugs (Injectable)

**Further enhance Shionogi's leading position in the antibiotics market**

## ● **FY 2005 : The 1st half**

- ◆ **Market share: Flumarin + Broact  $\gamma$  22.4% in 1st half of FY 2005**
- ◆ **New product : Launched Finibax on Sep. 16, 2005**

## ● **Strategies to achieve the 2nd medium-term management plan**

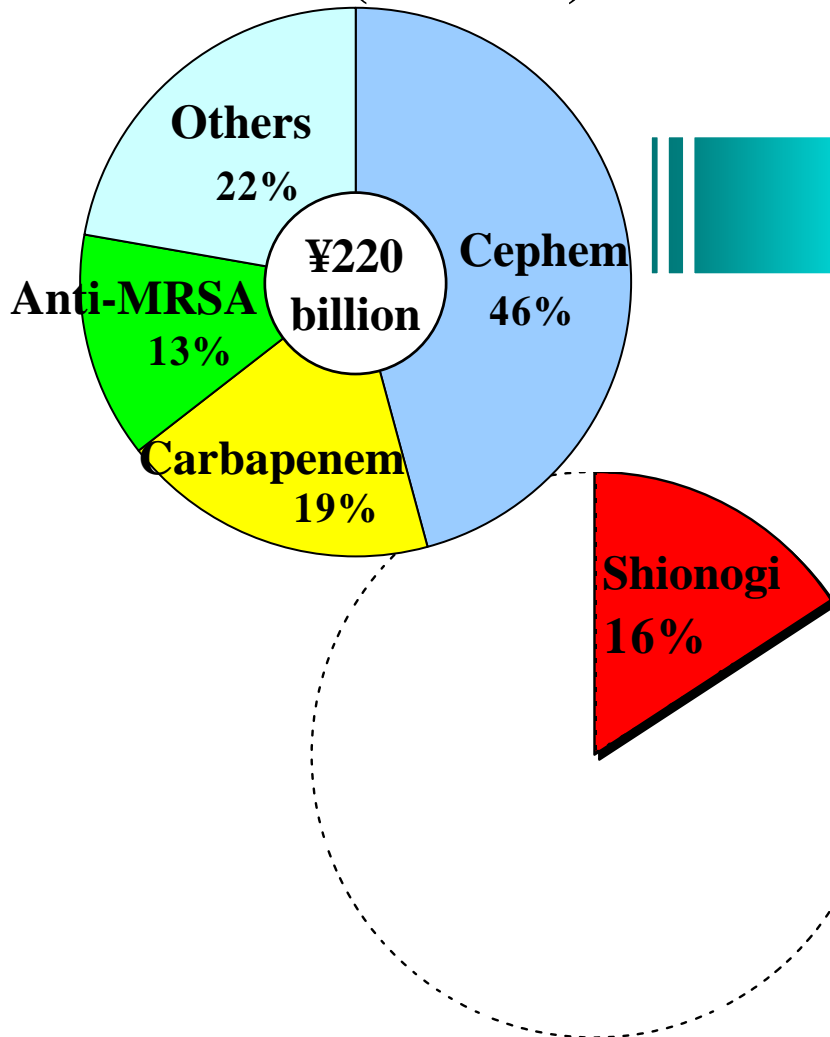
- ◆ **Carry out information activities focusing on acute care medical facilities  
(Select & Concentrate  $\gamma$  Develop more efficient information activities)**
- ◆ **Develop the ability to provide information activities that propose different treatment options according to each patient's disease status through an enhanced product lineup of products with different mechanisms of action  
(Injectable products : Flumarin, Broact, Finibax, Vancomycin)**
- ◆ **Develop more efficient information activities to simultaneously promote other Shionogi products most suitable for treating various complications occurring in connection with infectious diseases**
- ◆ **Flumarin + Broact : Market size of Cephem antibiotics in FY 2005: ¥98 billion  $\gamma$  Target share 23%**
- ◆ **Finibax : Market size of Carbapenem antibiotics in FY 2005: ¥41.5 billion  $\gamma$  Target share 3%  
in FY 2009 (Forecast): ¥42 billion  $\gamma$  Target share 28%**

Market size is based on NHI prices.

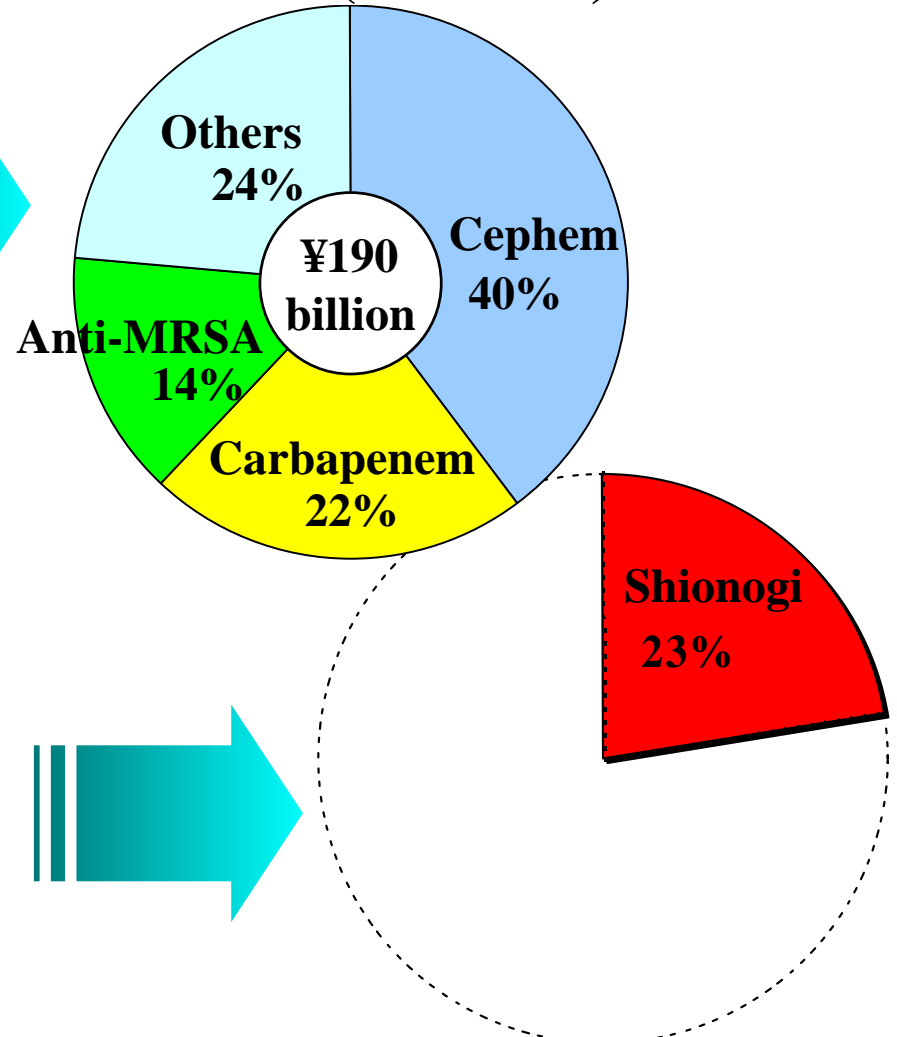


# Sales & Marketing : Forecast of infectious treatment market and Shionogi's share (Injectable)

## FY 2004 (Results)



## FY 2009 (Forecast)





## Sales & Marketing : Infectious diseases (Oral)

### Further enhance Shionogi's leading position in the antibiotics market

#### ● FY 2005 : The 1st half

- ◆ Market share: Flomox γ 38.8% in the 1st half of FY 2005

#### ● Strategies to achieve the 2nd medium-term business plan

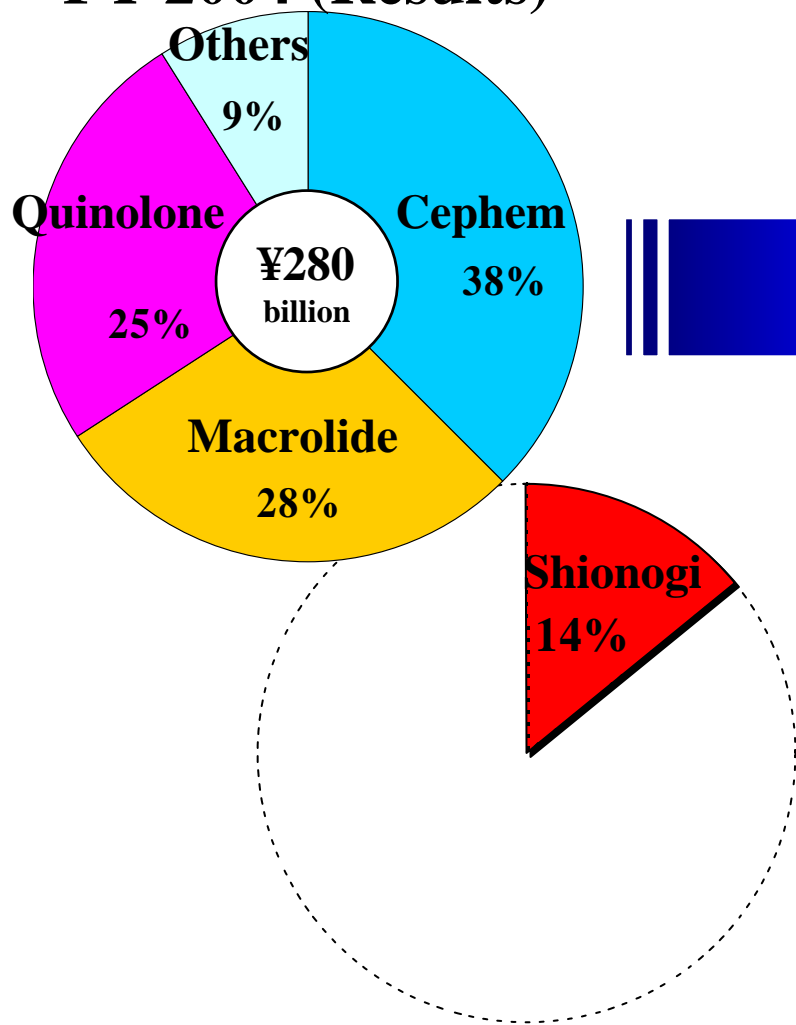
- ◆ Develop the ability to provide information activities to propose treatment options for respiratory infection according to each patient's disease status through an enriched product lineup of products with different mechanisms of action (Flomox · Avelox)
- ◆ New product : Expand the market for respiratory quinolones through the smooth start-up of Avelox scheduled for December launch
- ◆ Develop more efficient information activities to simultaneously promote other Shionogi products most suitable for treating various complications occurring in connection with infectious diseases
- ◆ Flomox : Market size of cephem antibiotics in FY 2005 : ¥105 billion γ Target share 40%
- ◆ Avelox : Market size of new quinolone antibiotics in FY 2005: ¥74.5 billion γ Target share 1.5%  
in FY 2009 (Forecast) : ¥65 billion γ  
Target share 18%

Market size is based on NHI prices.

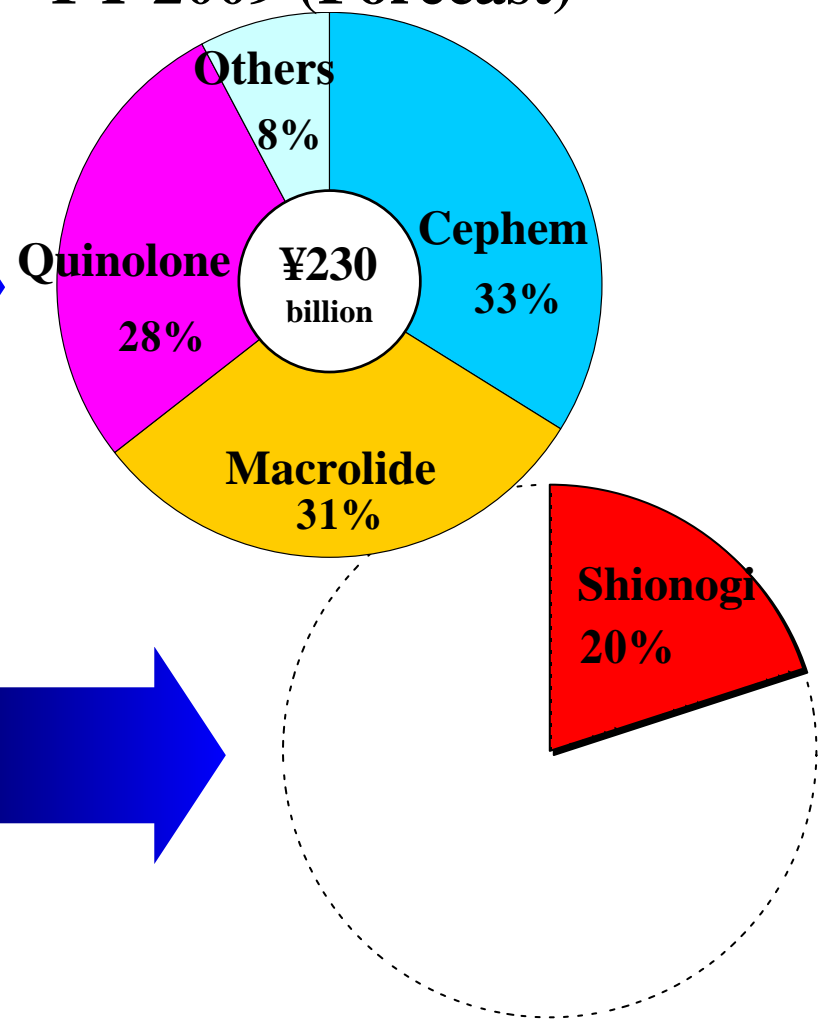


# Sales & Marketing: Forecast of infectious treatment market and Shionogi's share (Oral)

### FY 2004 (Results)



### FY 2009 (Forecast)





# Sales & Marketing : Pain

## Expanded promotional activities centered on total relief of cancer pain

### ● FY 2005 : The 1st half

- ◆ DOT\* share for Oxycontin : 28% in FY 2004 on average γ Over 40% in FY 2005  
: Oxycontin + MS Contin : Remain unchanged

### ● Strategies to achieve the 2nd medium-term business plan

- ◆ As the Company's social mission, continue educational activities to unversed medical practitioners
- ◆ Expand information activities for proper use of the products according to the severity of individual patient's pain
- ◆ Launch immediate release formulations to accelerate the realization of the total relief of cancer pain
- ◆ Organized activities : Promote the understanding of the WHO treatment system by holding small seminars or workshops (400~500 times / year)
- ◆ Market size in FY 2005 : ¥32 billion / Sales value share : 40% (Oxycontin + MS Contin)
- ◆ Market size in FY 2009 (Forecast) : ¥35.5 billion / Sales value share : 50% (Oxycontin + MS Contin)

Market size is based on NHI prices  
\*DOT: Day of Therapy

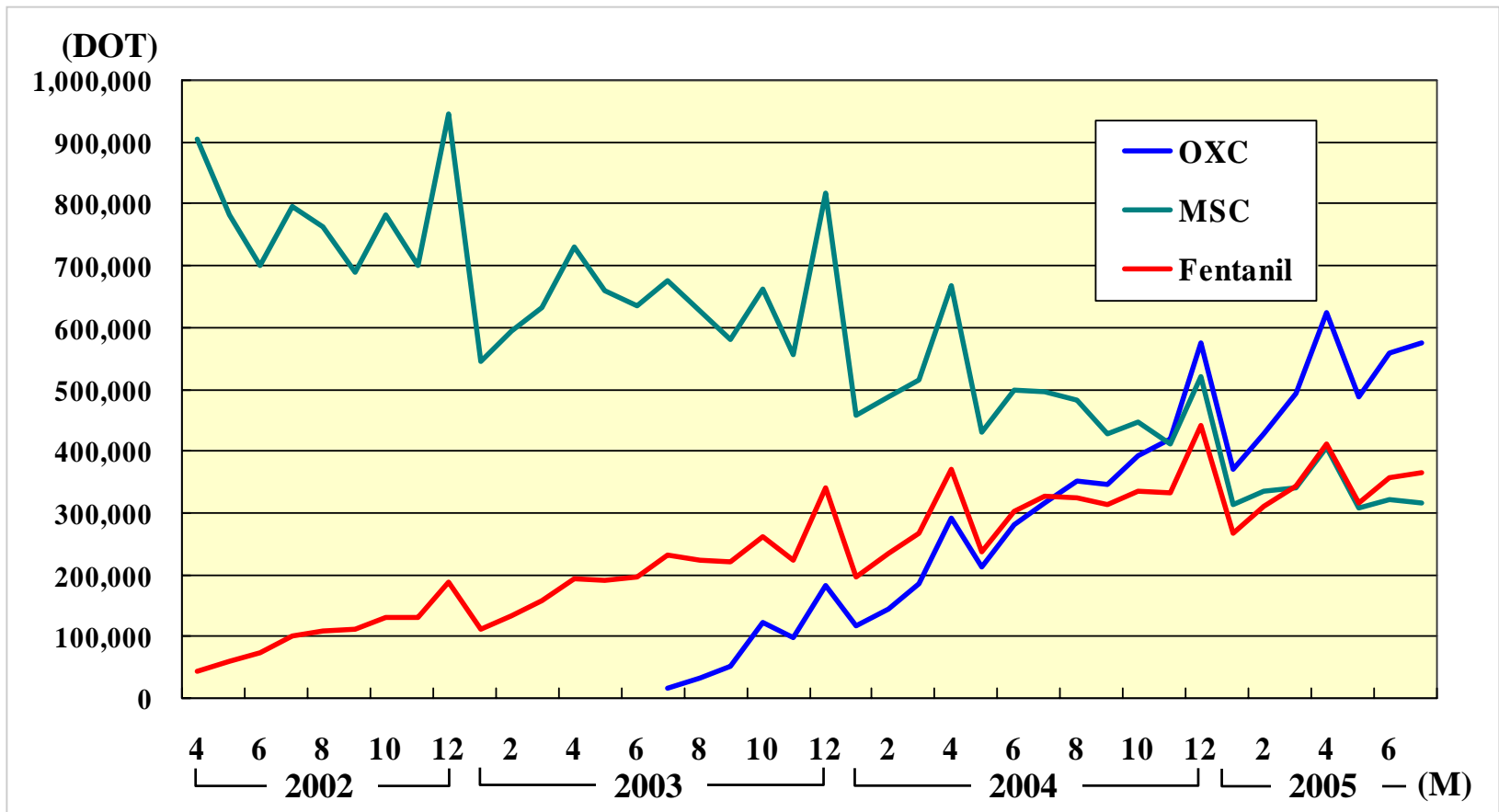


# Sales & Marketing : Pain

## DOT (Cumulative number of prescribed dates) - Monthly Trend

Since 2005, Oxycontin has become the No.1 product in the number of patients who were prescribed morphine or related products.

Note: For calculation purposes, Oxy=30mg, MSC=60mg & Phentanyl patch=3mg were each regarded as an average daily dosage. Data source and subjected period: IMS JMDI 1999-2003: 2nd half, 2004: 1st half

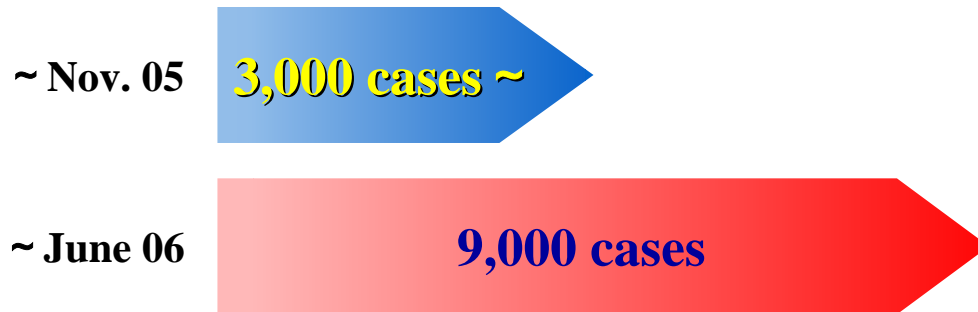




# Crestor : Safety monitoring program update & future schedule

2005                      2006  
Oct. Nov. Dec. Jan. Feb. Mar. Apr. May June July Aug.

## 1. Patient enrollment schedule



## 2. Case report collection schedule





## For further inquiries

### **SHIONOGI & CO., LTD.** **Public Relations Unit**

#### **Head office**

**TEL : +81-6-6209-7885**

**FAX : +81-6-6229-9596**

#### **Tokyo branch office**

**TEL : +81-3-3406-8164**

**FAX : +81-3-3406-8099**

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