

Presentation of Results for the First Quarter of Fiscal 2006

Conference Call

July 31, 2006

Shionogi & Co., Ltd.





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Consolidated and Non-consolidated First Quarter Financial Results

			<u>Billions of yen</u>
	1st Quarter FY2006	1st Quarter FY2005	Change (%)
< Consolidated >			
Sales	46.1	48.4	-4.7
Operating income	5.2	6.9	-24.6
Ordinary income	5.1	7.1	-28.1
Net income	3.0	5.5	-45.4
< Non-consolidated >			
Sales	44.3	44.3	0.1
Operating income	4.3	6.1	-29.7
Ordinary income	4.9	7.0	-29.9
Net income	2.7	5.8	-53.2



Consolidated Financial Position

	<u>Billions of yen</u>		
<Financial position>	6/30/2006	3/31/2006	Change
Total assets	422.2	427.6	-5.4
Net assets	335.8	337.1	-1.3
Equity ratio (%)	79.5	78.8	0.7
Net assets per share (yen)	985.48	989.76	4.28

■ Total assets

- Cash and deposits decreased and accrued tax liabilities decreased mainly due to payment of income taxes related to income of previous fiscal year.
- Net assets decreased mainly due to payment of cash dividends and a decrease in unrealized gain on securities.



Consolidated Cash Flows

	<u>Billions of yen</u>		
< Cash flows >	1st Quarter FY2006	1st Quarter FY2005	Increase/ Decrease
Net cash used in operating activities	-1.8	2.3	-4.1
Net cash used in investing activities	-3.7	-1.1	-2.6
Net cash used in financing activities	-3.6	-22.6	19.0
Total	-9.3	-21.2	11.9
Cash & cash equivalents at end of period	66.7	74.4	-

■ Net cash provided by operating activities

- Net cash provided by operating activities decreased due to payment of income taxes related to income of previous fiscal year.



Consolidated First Quarter Sales by Segment

	1st Half FY2006 (Forecast)	1st Quarter FY2006	Progress % vs 1st Half FY2006	1st Quarter FY2005	<u>Billions of yen</u> Increase % vs 1st Quarter FY2005
Prescription drugs	82.9	39.9	48.1	40.8	-2.4
Flomox	15.0	7.2	48.1	7.6	-5.2
Flumarin	7.7	3.6	46.5	4.2	-15.0
Vancomycin	7.6	3.7	49.3	4.4	-14.7
Imunace	5.5	3.0	54.6	2.7	10.4
Claritin	3.8	1.4	35.4	2.0	-30.3
Oxycontin	3.1	1.3	42.2	1.0	26.5
MS Contin	1.1	0.7	65.1	1.0	-30.3
Finibax	1.2	0.5	37.7	-	-
Avelox	2.0	0.7	34.0	-	-
Contract manufacturing	2.0	0.8	39.0	0.3	184.0
OTC products	3.5	1.5	43.7	1.6	-5.2
Diagnostics	1.7	0.9	51.9	0.9	-5.7
Royalty income	7.5	3.3	44.3	1.7	88.4
Crestor	6.5	3.1	48.1	1.4	119.0
Capsule business	-	-	-	2.7	-
Real estate & others	1.4	0.6	43.5	0.5	3.7
Total	97.0	46.1	47.6	48.4	-4.7

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



Comparative Analysis of First Quarter Financial Results (Consolidated)

<u>Billions of yen</u>	1st Half FY2006 (Forecast)	1st Quarter FY2006	Progress % vs 1st Half FY2006	1st Quarter FY2005	Increase % vs 1st Quarter FY2005
Net sales	97.0	46.1	47.6	48.4	-4.7
[Royalty income]	[7.5]	[3.3]	[44.3]	[1.7]	[88.4]
	33.6 [36.4]	33.5 [36.1]		37.0 [38.4]	
Cost of sales	32.6	15.4	47.5	17.9	-13.6
Gross profit	64.4	30.7	47.7	30.5	0.5
	54.0	55.2		48.7	
Selling, general and administrative expenses	52.4	25.4	48.6	23.6	7.8
Selling and administrative expenses	34.4	16.4	47.7	16.6	-1.7
Research & development expenses	18.0	9.0	50.5	6.9	30.4
	12.4	11.3		14.3	
Operating income	12.0	5.2	43.4	6.9	-24.6
Non-operating income and expenses	△ 0.5	△ 0.1		0.2	
	11.9	11.1		14.8	
Ordinary income	11.5	5.1	44.7	7.1	-28.1
Extraordinary gain and loss	-	-		2.0	
Income before income taxes and minority interests	11.5	5.1	44.7	9.1	-44.0
income taxes and minority interests	5.0	2.0		3.6	
	6.7	6.6		11.5	
Net income	6.5	3.0	46.9	5.5	-45.4



Highlights of Consolidated Financial Results

- **Net sales** **-4.7%**
 - Royalty income of Crestor increased substantially, but due to a revision of National Health Insurance (NHI) drug prices and sale of capsule business overall net sales declined.
- **Operating income** **-24.6%**
- **Ordinary income** **-28.1%**
 - Selling, general and administrative expenses increased because research and development expenses increased substantially (30.4% increase vs the same period of the previous year, 50.5% progress vs 1st half forecast)
- **Net income** **-45.4%**
 - Net income decreased due to gain on sales of investments in securities in the same period of the previous year.



Pipeline Update (since May, 2006)

- **S-2367(Anti-obesity)**
 - **Phase 2a studies have been finished successfully (press release, July 10)**
 - ⇒ **PoC established**

- **S-777469 (Antipruritic)**
 - **Stage up from drug candidate to clinical study**
 - ⇒ **In preparation for phase 1 study**

- **Adapalene (Acne Vulgaris)**
 - **NDA was filed in June by Galderma KK**



For further inquiries

This presentation material contains forward-looking statements regarding the Company's plans, outlook, strategies and results for the future. All forward-looking statements are based on judgments derived from the information available to the Company at the time of publication. Certain risks and uncertainties could cause the Company's actual results to differ materially from any projections presented in this presentation material.

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