



**Presentation of 1<sup>st</sup> half of Fiscal 2006  
Financial Results**

**November 7, 2006**

**President Motozo Shiono**

 **SHIONOGI & CO., LTD.**



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**Overview of 1<sup>st</sup> half Results  
for Fiscal 2006**

 **SHIONOGI & CO., LTD.**



## 1<sup>st</sup> half of Financial Results (Consolidated & Non-consolidated)

<u>Billions of yen</u>	FY2006	FY2005	% Change
< Consolidated >	1st half	1st half	
Sales	92.1	96.8	(4.9)
Operating income	10.9	12.1	(9.6)
Ordinary income	10.9	12.3	(11.1)
Net income	6.3	8.3	(23.1)
< Non-consolidated >			
Sales	88.0	87.5	0.5
Operating income	9.0	10.4	(13.2)
Ordinary income	10.0	11.8	(14.7)
Net income	5.6	8.4	(33.0)



## Consolidated Financial Position and Cash Flows

Billions of yen

	9/30/2006	3/31/2006	Change
<b>&lt; Financial position &gt;</b>			
Total assets	425.1	427.6	(2.5)
Shareholders' equity	339.3	337.4	1.9
Shareholders' equity ratio	79.8%	78.9%	0.9%
Shareholders' equity per share (yen)	995.78	989.76	6.02
	FY2006 1st half	FY2005 1st half	Change
<b>&lt; Cash flows &gt;</b>			
Net cash provided by operating activities	2.1	8.5	(6.4)
Net cash used in investing activities	(20.9)	(1.2)	(19.7)
Net cash used in financing activities	(3.9)	(22.4)	18.5
Total	(22.7)	(15.1)	(7.6)
Cash & cash equivalents at end of period	53.3	80.8	



## Main events during the 1st half of FY 2006

- ❑ **NHI price revision was implemented (Industry average: 6.7%)**
- ❑ **Launched Finibax 0.25g IV Solution Kit (Doripenem Hydrate ), carbapenem antibiotic**
- ❑ **Launched Sedes® V containing the vitamin B1, non-pyrazolone-antipyretic analgesic**
- ❑ **Confirmed safety and efficacy of S-2367 (Anti-obesity) in early phase 2 clinical study**
- ❑ **Launched Cetrotide injectable, premature ovulation inhibitor**
- ❑ **Initiated regular promotional activities for Crestor® in domestic market**
- ❑ **Reached basic agreement with Hokkaido University on construction of joint research facility**
- ❑ **Announced final result of JATOS, Japan's first large-scale clinical trial for treatment of hypertension in elderly patients**
- ❑ **Obtained an approval for Oxynorm powder 0.5%, cancer pain analgesic**
- ❑ **Decided to discontinue development of S-5751, a prostaglandin D<sub>2</sub> receptor antagonist**



## Consolidated Sales by Segment

<u>Billions of yen</u>	FY2006 1st half	FY2005 1st half	% Change
<b>Prescription drugs</b>	<b>76.1</b>	<b>79.6</b>	<b>(4.4)</b>
Flomox	13.8	15.1	(8.7)
Flumarin	7.4	8.7	(15.2)
Vancomycin	7.2	8.2	(12.7)
Imunace	5.7	5.3	6.0
Claritin	2.5	3.3	(23.7)
Oxycontin	2.5	2	23.1
MS Contin	1.3	2	(31.3)
Finibax	0.9	0.1	—
Avelox	1.1	—	—
Crestor	1.1	0	—
Contract manufacturing	1.7	0.6	187.6
<b>OTC products</b>	<b>3.1</b>	<b>3.2</b>	<b>(4.7)</b>
<b>Diagnostics</b>	<b>1.7</b>	<b>1.8</b>	<b>(4.2)</b>
<b>Royalty income</b>	<b>8.3</b>	<b>4.1</b>	<b>100.9</b>
Crestor	7.4	3.2	130.7
<b>Capsule business</b>	<b>—</b>	<b>6.1</b>	<b>—</b>
<b>Real estate &amp; others</b>	<b>1.3</b>	<b>1.5</b>	<b>(12.6)</b>
<b>Total</b>	<b>92.1</b>	<b>96.8</b>	<b>(4.9)</b>

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



## Consolidated Cost of Sales, SG&A Expenses and Operating Income

<u>Billions of yen</u>	FY2006 1st half	FY2005 1st half	% change	Change
Sales	<b>92.1</b>	<b>96.8</b>	<b>(4.9%)</b>	<b>(4.7)</b>
[Royalty income]	<b>[8.3]</b>	<b>[4.1]</b>		<b>4.2</b>
	<b>33.2</b>	<b>36.9</b>		
	<b>[36.5]</b>	<b>[38.6]</b>		
Cost of sales	<b>30.6</b>	<b>35.8</b>	<b>(14.4%)</b>	<b>(5.2)</b>
Gross profit	<b>61.5</b>	<b>61.0</b>	<b>0.7%</b>	<b>0.5</b>
	<b>54.9</b>	<b>50.6</b>		
SG&A expenses	<b>50.6</b>	<b>48.9</b>	<b>3.3%</b>	<b>1.7</b>
Selling & General	<b>32.7</b>	<b>33.6</b>	<b>(2.9%)</b>	<b>(0.9)</b>
R & D	<b>17.9</b>	<b>15.3</b>	<b>17.1%</b>	<b>2.6</b>
	<b>11.9</b>	<b>12.5</b>		
Operating income	<b>10.9</b>	<b>12.1</b>	<b>(9.6%)</b>	<b>(1.2)</b>



## Operating Income Analysis

Billions of yen

Effect on consolidated operating income

**〈 Positive factors 〉**

<b>Increase in sales</b>	<b>0.4</b>
<b>Increase in royalty income</b>	<b>4.2</b>
<b>Decrease in manufacturing costs</b>	<b>0.9</b>

**〈 Negative factors 〉**

<b>NHI price revision</b>	<b>(3.1)</b>
<b>Exclusion of capsule business</b>	<b>(0.7)</b>
<b>Increase in SG&amp;A expenses (Capsule excluded)</b>	<b>(0.3)</b>
<b>Increase in R&amp;D expenses</b>	<b>(2.6)</b>

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<b>Total</b>	<b>(1.2)</b>
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**Forecast for Fiscal 2006**

 **SHIONOGI & CO., LTD.**



## Consolidated and Non-consolidated Financial Results

<u>Billions of yen</u>	FY 2006 Forecast	FY 2005 Actual	% Change
<b>&lt; Consolidated &gt;</b>			
Sales	<b>205.0</b>	<b>196.3</b>	<b>4.4</b>
Operating income	<b>31.0</b>	<b>29.2</b>	<b>6.1</b>
Ordinary income	<b>31.0</b>	<b>29.6</b>	<b>4.5</b>
Net income	<b>18.0</b>	<b>22.7</b>	<b>(20.8)</b>
<b>&lt; Non-consolidated &gt;</b>			
Sales	<b>193.0</b>	<b>183.3</b>	<b>5.2</b>
Operating income	<b>27.5</b>	<b>25.7</b>	<b>6.7</b>
Ordinary income	<b>29.0</b>	<b>28.1</b>	<b>3.2</b>
Net income	<b>17.0</b>	<b>26.6</b>	<b>(36.2)</b>



## Consolidated Sales by Segment

<u>Billions of yen</u>	<b>FY 2006 Forecast</b>	<b>FY 2005 Actual</b>	<b>% Change</b>
<b>Prescription drugs</b>	<b>165.0</b>	<b>165.4</b>	<b>(0.3)</b>
Flomox	32.0	34.1	(6.3)
Flumarin	14.4	16.4	(12.2)
Vancomycin	13.7	16.1	(14.6)
Imunace	11.5	11.1	3.3
Claritin	8.0	8.0	0.4
Oxycontin	7.0	4.3	63.0
MS contin	2.2	3.5	(37.4)
Finibax	3.5	0.8	358.1
Avelox	3.0	1.8	67.8
Crestor	4.0	0.1	-
Cetrotide	0.5	-	-
Contract manufacturing	4.0	2.1	89.9
<b>OTC products</b>	<b>6.4</b>	<b>6.4</b>	<b>(0.7)</b>
<b>Diagnostics</b>	<b>3.5</b>	<b>3.4</b>	<b>3.2</b>
<b>Royalty income</b>	<b>20.5</b>	<b>9.8</b>	<b>108.2</b>
Crestor	18.5	8.1	127.3
<b>Capsule business</b>	<b>-</b>	<b>6.1</b>	<b>-</b>
<b>Real estate &amp; others</b>	<b>5.6</b>	<b>3.1</b>	<b>81.3</b>
<b>Total</b>	<b>205.0</b>	<b>196.3</b>	<b>4.4</b>

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



## Consolidated Operating Income

<u>Billions of yen</u>	FY 2006 Forecast	FY 2005 Actual	% Change	Change
Sales	205.0	196.3	4.4%	8.7
[Royalty income]	[20.5]	[9.8]		[10.7]
	33.7	35.0		
	(37.4)	(36.8)		
Cost of Sales	69.0	68.7	0.4%	0.3
Gross profit	136.0	127.6	6.5%	8.4
	51.2	50.1		
SG&A expenses	105.0	98.4	6.6%	6.6
Selling & General	68.0	66.2	2.7%	1.8
R&D	37.0	32.2	14.7%	4.8
	15.1	14.9		
Operating income	31.0	29.2	6.1%	1.8



## Operating Income Analysis

Billions of yen

Effect on consolidated operating income

〈 Positive factors 〉

Increase in sales	4.2
Increase in royalty income	10.7
Decrease in manufacturing costs	2.2

〈 Negative factors 〉

NHI price revision	(6.8)
Exclusion of capsule Business	(0.7)
Increase in SG&A expenses (Capsule excluded)	(3)
Increase in R&D expenses	(4.8)

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<b>Total</b>	<b>1.8</b>
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## Dividend

	<b>FY 2006 Forecast</b>	<b>FY 2005 Actual</b>
<b>□ Net income per share (Consolidated)</b>	<b>¥52.85</b>	<b>¥66.55</b>
<b>□ Cash dividend per share</b>	<b>¥16.00</b>	<b>¥16.00</b>
<b>□ Dividend ratio</b>	<b>30.3%</b>	<b>24.0%</b>



## **Pipeline Update**

 **SHIONOGI & CO., LTD.**



### □ **Launch/Approval and Termination of development**

■ **Cetrotide® (NS75A) Launched on September 21, 2006**

■ **Oxynorm Powder (S-8116)**

**Obtained an approval on October 20, 2006**

**(Scheduled to launch during a period between January and February 2007)**

■ **S-5751(Asthma )**

**No statistical significance was observed in primary endpoint (FEV<sub>1.0</sub>) between groups of S-5751 and placebo group**

**Evaluation is in progress for backup candidates while conducting more detailed statistical analysis of the PoC study**



## Pipeline Update

### □ Progress in development

- **Irbesartan** : Completed phase 3 study and NDA filing is scheduled during this year
- **Pirfenidone**: Completed LPO (last patient out) smoothly and NDA filing is scheduled during this fiscal year (Feb. to March, 2007)
- **S-013420 (New macrolide antibiotic)**
  - : Completed phase 2a study
  - Phase 2b study is scheduled during this year
- **S-777469 (Antipruritic treatment)**
  - : Scheduled to start FTIH (First time in human) in early November, 2006
- **S-364735 (Integrase inhibitor)**
  - : Scheduled to start phase 2a study during this year
- **S-2367 (Anti-obesity)**
  - : Scheduled to start phase 2b study in early next year



## 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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