

**Presentation of Results for the
3rd Quarter of Fiscal 2006**

Conference Call

January 29, 2007

SHIONOGI & CO., LTD.



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Financial Results (Consolidated & Non-Consolidated)

	<u>Billions of yen</u>		
	Apr.1- Dec.31 2006	Apr.1 - Dec.31 2005	Change (%)
< Consolidated >			
Sales	149.3	151.8	(1.7)
Operating income	21.2	24.5	(13.5)
Ordinary income	21.3	25.1	(15.3)
Net income	12.6	20.9	(39.4)
< Non-consolidated >			
Sales	139.8	140.5	(0.5)
Operating income	18.2	21.5	(15.7)
Ordinary income	19.4	23.6	(17.6)
Net income	11.4	24.2	(52.9)

Financial Position & Cash Flows

	<u>Billions of yen</u>		
< Financial position >	12/31/2006	3/31/2006	Change
Total assets	426.3	427.6	(1.3)
Net assets	342.9	337.4	5.5
Equity ratio (%)	80.4	78.8	1.6
Net assets per share (yen)	1,006.54	989.76	16.78

	<u>Billions of yen</u>		
< Cash flows >	Apr.1 - Dec.31 2006	Apr.1 - Dec.31 2005	Change
Net cash used in operating activities	2.2	8.2	(6.0)
Net cash used in investing activities	(8.1)	3.2	(11.3)
Net cash used in financing activities	(6.9)	(24.6)	17.7
Total	(12.8)	(13.2)	0.4
Cash & cash equivalents at the end of period	63.3	82.9	-

Sales by Segment (Consolidated)

<u>Billions of yen</u>	Apr.1-Dec.31 2006	Apr.1-Dec.31 2005	% Change
Prescription drugs	120.4	127.9	(5.8)
Flomox	23.2	25.9	(10.3)
Flumarin	11.2	13.1	(14.6)
Vancomycin	10.3	12.6	(18.6)
Imunace	9.0	8.6	4.9
Claritin	4.2	5.2	(19.1)
Oxycontin	4.0	3.4	20.6
MS Contin	2.1	2.9	(26.7)
Finibax	1.5	0.4	286.7
Avelox	2.2	1.6	39.6
Crestor	1.4	0.1	-
Cetrotide	0.1	-	-
Contract manufacturing	3.1	1.3	133.5
OTC products	4.9	5.1	(3.5)
Diagnostics	2.5	2.6	(3.7)
Royalty income	13.7	6.5	111.6
Crestor	12.6	5.4	134.2
Capsule business	-	6.1	-
Real estate & others	4.8	2.5	94.0
Total	149.3	151.8	(1.7)

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

Sales by Segment (Consolidated)

<u>Billions of yen</u>	Oct.1-Dec.31 2006	Oct.1-Dec.31 2005	% Change
Prescription drugs	44.3	48.3	(8.2)
Flomox	9.4	10.7	(12.4)
Flumarin	3.8	4.4	(13.5)
Vancomycin	3.1	4.4	(29.6)
Imunace	3.4	3.3	3.1
Claritin	1.7	1.9	(11.2)
Oxycontin	1.6	1.3	16.8
MS Contin	0.8	1.0	(17.2)
Finibax	0.6	0.3	88.5
Avelox	1.1	1.6	(32.3)
Crestor	0.3	0	-
Cetrotide	0.1	-	-
Contract manufacturing	1.4	0.7	89.4
OTC products	1.8	1.8	(1.4)
Diagnostics	0.8	0.8	(2.8)
Royalty income	5.4	2.3	130.5
Crestor	5.2	2.2	139.3
Capsule business	-	-	-
Real estate & others	3.5	1.0	249.0
Total	57.2	55.0	4.0

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

Overview of P/L Statement

<u>Billions of yen</u>	Apr.1 -Dec.31 2006	Apr.1 -Dec.31 2005	% Change
Net sales	149.3	151.8	(1.7)
[Royalty income]	[13.7]	[6.5]	[111.6]
	33.8	35.5	
	[37.2]	[37.1]	
Cost of sales	50.5	53.9	(6.4)
Gross profit	98.8	97.9	1.0
	52.0	48.3	
Selling,general and administrative expenses	77.6	73.3	5.8
Selling and administrative expenses	49.9	49.9	0.0
Research & development expenses	27.6	23.3	18.3
	14.2	16.2	
Opereting income	21.2	24.5	(13.5)
Non-operating income and expenses	0.1	0.6	
	14.3	16.6	
Ordinary income	21.3	25.1	(15.3)
Extraordinary gain and loss	0.8	10.5	
Income before income taxes and minority interests	22.1	35.6	(38.0)
Income taxes and minority interests	9.4	14.6	
	8.5	13.8	
Net income	12.6	20.9	(39.4)

Highlights of Consolidated Financial Results

- **Net sales** **-1.7%**
 - Royalty income for *Crestor* and *BNP* increased
 - Total sales of prescription drugs decreased:
Sales of new products, *Finibax*, *Avelox* and *Crestor* increased, but could not make up for the sales decrease of core products resulting from negative factors including NHI price revision .
 - Sales of Contract manufacturing, Real-estate and others (construction work) increased
 - Sales from Capsule business was not posted because of the sale of the business
- **Operating income** **-13.5%**
- **Ordinary income** **-15.3%**
 - Increased royalty contributed to the income.
 - Decreased manufacturing cost with a focus on cutting the raw material cost contributed to the income.
 - But, total income decreased because of the substantially increased R&D expenses as well as increased SG&A expenses for expansion of sales. Sales of the prescription drugs did not reach a level to absorb those increased expenses.
- **Net income** **-39.4%**
 - Decreased because we recorded an extraordinary gain on the sales of capsule business in the same period of the last fiscal year.

Pipeline Update (since November, 2006)

■ Progress in development

- **Irbesartan: NDA was filed in December, 2006.**
- **Pirfenidone: Completed phase 3 study and NDA filing is scheduled within FY2006.**
- **NS75B(Benign Prostatic Hypertrophy)**
 - : Discontinued collaborative development with Nippon Kayaku Ltd. and the product development will be continued solely by Shionogi.**
 - Started Phase 2a study in December, 2006.**
- **S-2367(Anti-obesity): Scheduled to start phase 2b study during FY2006.**
- **S-364735(HIV Integrase inhibitor) : Started phase 2 study.**

Pipeline Update (since November, 2006)

■ Out-licensed compound

■ S-4661(Dripenem Hydrate, Carbapenem Antibiotics)

: In US, NDA was filed by Johnson & Johnson K.K. we out-licensed to in December, 2006.

In Europe, scheduled to file NDA.

■ Discontinued Compound

■ S-0373(Spinocerebellar ataxia, Parkinson's disease)

: Discontinued the development and considering out-license.



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