

**Presentation of Results for the
1st Quarter of Fiscal 2008
Conference Call**

July 28, 2008

SHIONOGI & CO.,LTD.





Forward-Looking Statements

- **This presentation contains forward-looking statements. These statements are based on expectations in light of the information currently available, assumptions that are subject to risks and uncertainties which could cause actual results to differ materially from these statements.**
- **Risks and uncertainties include general domestic and international economic conditions such as general industry and market conditions, and changes of interest rate and currency exchange rate. These risks and uncertainties particularly apply with respect to product-related forward-looking statements. Product risks and uncertainties include, but are not limited to, completion and discontinuation of clinical trials; obtaining regulatory approvals; claims and concerns about product safety and efficacy; technological advances; adverse outcome of important litigation; domestic and foreign healthcare reforms and changes of laws and regulations. Also for existing products, there are manufacturing and marketing risks, which include, but are not limited to, inability to build production capacity to meet demand, unavailability of raw materials and entry of competitive products.**
- **The company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.**
- **This material contains information on pharmaceuticals (including compounds under development), but this information is not intended to make any representations or advertisements regarding the efficacy or effectiveness of these preparations nor provide medical advice of any kinds.**



Contents

■ Overview of 1st Quarter Results	Page
◆ Financial Results	3
◆ Financial Position	4
◆ Cash Flows	5
◆ Sales by Segment	6
◆ Overview of P/L Statement	7
◆ Highlights of Consolidated Financial Results	8
■ Pipeline	
◆ Pipeline Update (Since May, 2008)	9-11



Financial Results (Consolidated & Non-Consolidated)

	<u>Billions of yen</u>		
< Consolidated >	Apr.1-Jun.30 2008	Apr.1-Jun.30 2007	Y on Y change (%)
Net sales	51.7	50.2	3.0
Operating income	8.0	7.9	1.1
Ordinary income	8.3	8.5	(2.1)
Net income	5.3	5.3	0.3
< Non-consolidated >			
Net sales	49.5	48.1	2.9
Operating income	7.2	7.3	(1.5)
Ordinary income	8.2	8.6	(3.8)
Net income	5.5	5.4	0.7



Financial Position

<Financial position>	<u>Billions of yen</u>		
	<u>6/30/2008</u>	<u>3/31/2008</u>	<u>Change</u>
Total assets	420.6	413.7	6.9
Net assets	345.9	342.2	3.7
Equity ratio (%)	82.2	82.7	(0.5)
Net assets per share (yen)	1,031.66	1,020.31	11.35

■ Total assets

- ◆ Investment in securities increased due to the rise in share prices.

■ Net assets

- ◆ Valuation difference on available-for-sale securities increased due to the rise in share prices.



Cash Flows

< Cash flows >	<u>Billions of yen</u>		
	Apr.1-Jun.30 2008	Apr.1-Jun.30 2007	Y on Y change
Net cash provided by operating activities	8.6	0.3	8.3
Net cash used in investing activities	(3.8)	(1.9)	(1.9)
Net cash used in financing activities	(4.2)	(2.9)	(1.3)
Total	0.4	(4.5)	4.9
Cash & cash equivalents at the end of period	67.8	70.0	—

■ Net cash provided by operating activities

- ◆ Increased significantly compared to the same period of the previous fiscal year thanks to the reduction of running costs necessary for operating activities, while income before income taxes slightly decreased.



Sales by Segment (Consolidated)

<u>Billions of yen</u>	1st half 2008 (Forecast)	Apr.1-Jun.30 2008 (Results)	% progress vs. 1st half	Apr.1-Jun.30 2007 (Results)	Y on Y change (%)
Prescription drugs	76.5	38.0	49.8	37.8	0.5
Flomox	11.5	6.1	53.2	6.5	(5.8)
Crestor	8.0	3.8	47.4	1.9	99.9
Rinderon	5.3	2.6	48.9	2.7	(2.4)
Flumarin	5.6	2.5	44.4	3.0	(17.3)
Vancomycin	4.8	2.3	48.9	3.0	(22.2)
Imunace	5.3	2.0	38.5	3.2	(35.4)
Oxycontin	3.9	2.0	52.5	1.6	27.7
Claritin	3.3	1.8	53.1	1.6	6.4
Irbetan	0.6	0.8	129.7	-	-
Finibax	1.6	0.6	38.4	0.5	16.5
Avelox	1.1	0.4	38.0	0.4	14.2
Export/overseas operations	3.7	1.9	52.2	1.5	25.4
Contract manufacturing	2.9	1.2	41.9	0.9	22.5
OTC products	2.8	1.4	51.1	1.4	(2.6)
Diagnostics	1.7	0.9	54.3	0.9	0.6
Royalty income	17.0	7.5	44.4	6.9	9.5
Crestor	16.0	7.2	45.2	6.7	8.3
Real estate & others	1.4	0.6	43.7	0.5	14.5
Total	106.0	51.7	48.8	50.2	3.0

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



Overview of P/L Statement

<u>Billions of yen</u>	1st half 2008 (Forecast)	Apr.1-Jun.30 2008 (Results)	% progress vs. 1st half	Apr.1-Jun.30 2007 (Results)	Y on Y change (%)
Net sales	106.0	51.7	48.8	50.2	3.0
[Royalty income]	[17.0]	[7.5]	44.4	[6.9]	[9.5]
	30.2 [36.0]	32.0 [37.4]		32.1 [37.2]	
Cost of sales	32.0	16.5	51.7	16.1	2.6
Gross profit	74.0	35.1	47.6	34.1	3.2
SG & A expenses	53.3 56.5	52.4 27.1	48.0	52.0 26.1	3.8
Selling, general & administrative expenses	32.5	16.6	51.1	16.3	1.4
Research & development expenses	24.0	10.4	43.7	9.7	7.8
Operating income	16.5 17.5	15.6 8.0	46.2	15.9 7.9	1.1
Non-operating gain & loss	-	0.2		0.5	
Ordinary income	16.5 17.5	16.2 8.3	47.8	17.0 8.5	(2.1)
Extraordinary gain & loss	-	0		0.2	
Income before income taxes & minority interests	17.5	8.2	47.3	8.8	(5.9)
Income taxes & minority interests	6.5	2.8	44.5	3.4	(15.5)
Net income	10.4 11.0	10.4 5.3	49.0	10.7 5.3	0.3



Highlights of Consolidated Financial Results

■ Net sales

+3.0%

◆ Total sales of ethical drugs stayed 0.5% increase over the same period of the previous fiscal year. Shionogi's core products including Crestor[®] and Oxycontin[®] steadily expanded their market shares in the domestic market. Sales of existing drugs, however decreased due to NHI drug price reduction on an average of 4.3%, gradual penetration of generic products into the market and other factors. Thanks to an increase of Crestor sales in the global market, royalty income increased. As a result, total sales increased by 3.0% over the same period of the previous year.

■ Operating income

+1.1%

◆ Stayed slight increase due to an increased R&D expenses by 7.8% over the same period of the previous fiscal year, while gross profit increased by 3.2%.

■ Ordinary income

-2.1%

◆ Decreased by 2.1% compared to the same period of the previous fiscal year due to exchange loss and other factors, while operating income increased slightly.

■ Net income

+0.3%

◆ Remained in similar level of the same period of the previous fiscal year due to improvement of the tax burden ratio, while income before income taxes and minority interests decreased slightly.



Pipeline Update (since May, 2008)

<Change of phases>

- **Irbetan[®] (SR-47436, hypertension)**
 - ◆ **Launched on July 1, 2008.**

- **S-4661 (Finibax[®], Carbapenem antibiotic)**
 - ◆ **Started additional studies for a new dosage of 1g t.i.d.* for severe infection in July, 2008 ⇒ started phase 3 in Japan**
 - * t.i.d.: three times a day

- **S-021812 (Peramivir, influenza)**
 - ◆ **Confirmed significant improvement in the time to alleviation of symptoms as a primary endpoint in comparison with the placebo.**
 - ◆ **POC obtained ⇒ Phase 3 in preparation**

- **S-349572/S-265744/S-247303 (HIV infection)**
 - ◆ **Started phase 2a for S-349572 in June, 2008.**

- **S-555739 (Allergic disease)**
 - ◆ **Started phase 1 in the EU in July, 2008.**
(In Japan: phase 1 study is ongoing)



Pipeline Update (since May, 2008)

<Out-licensing activity>

- S-3013 (Atherosclerosis)

- ◆ Phase 2 study is ongoing by Anthera, licensee of the product

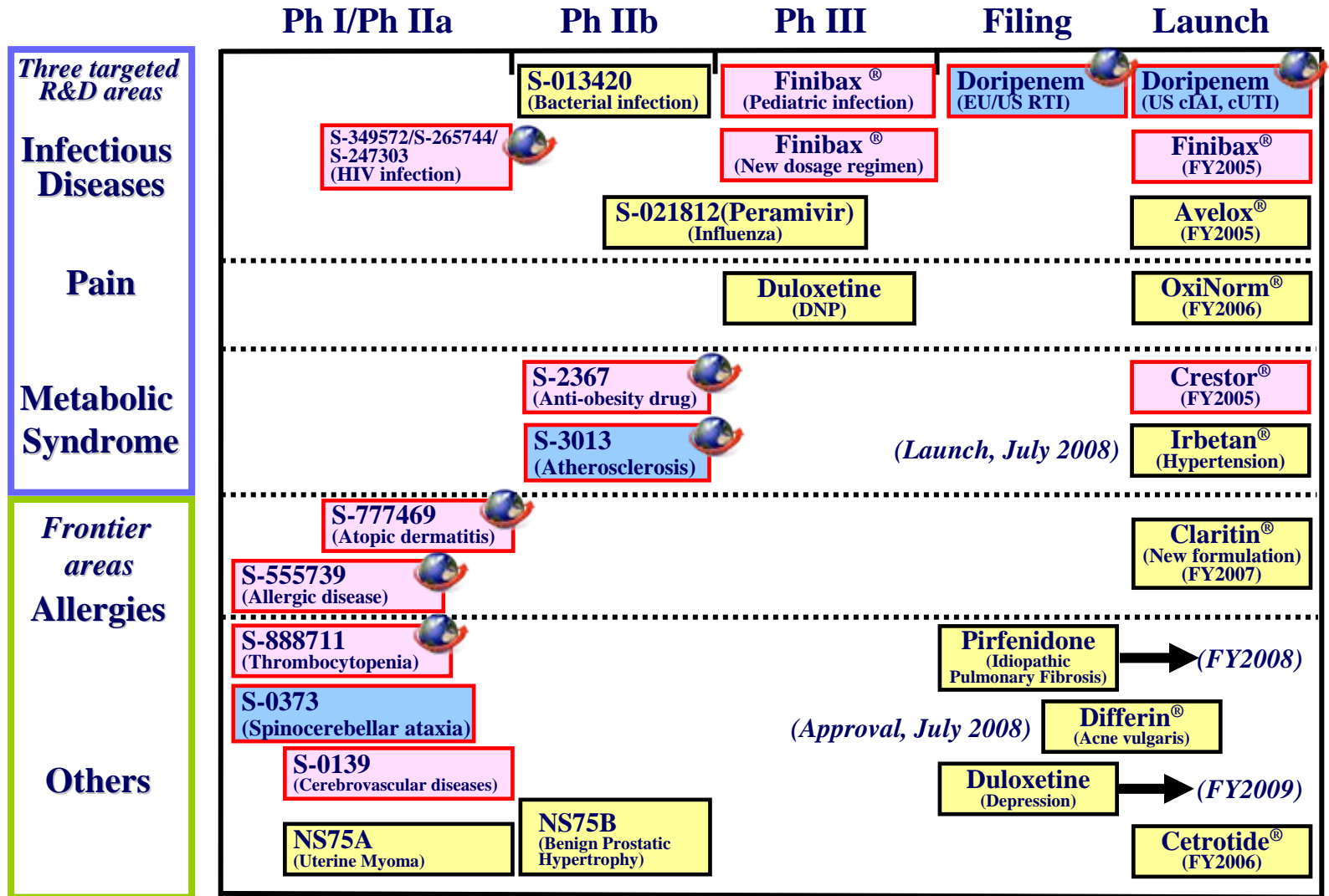
<In-licensing activity>

- Differin® (Adapalene gel, Acne vulgaris) Galderma K.K.

- ◆ Galderma K.K. received marketing and manufacturing approval in July, 2008



Pipeline Update (since May, 2008)



DNP: Diabetic Neuropathic Pain, RTI: Respiratory Tract Infection, cIAI: complicated Intra-Abdominal Infections, cUTI: complicated Urinary Tract Infections including pyelonephritis

In-house Out-licensed In-licensed



Developing in-house products globally