



1st Half and 2nd Quarter of Fiscal 2008 Financial Results

November 5, 2008

Isao Teshirogi, Ph.D.

President and Representative Director



SHIONOGI & CO., LTD.

- 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.



Overview of Financial Results for 1st Half and 2nd Quarter of Fiscal 2008

*** Financial results of Sciele are not included.**

Financial Results (Consolidated & Non-consolidated)

<u>Billions of yen</u>	FY2008	FY2007	Y on Y	
<Consolidated>	1st half	1st half	change (%)	Change
Sales	105.0	104.1	0.9	0.9
Operating income	18.4	17.1	7.7	1.3
Ordinary income	18.9	17.1	10.6	1.8
Net income	11.8	10.7	9.7	1.1
<Non-consolidated>				
Net sales	100.0	96.2	3.9	3.8
Operating income	16.2	15.1	7.6	1.1
Ordinary income	17.9	15.9	12.4	2.0
Net income	11.4	9.0	26.3	2.4

Financial Position and Cash Flows (Consolidated)

Billions of yen

	9/30/2008	3/31/2008	Change
<Financial Position>			
Total assets	415.7	413.7	2.0
Net assets	341.6	342.2	(0.6)
Equity ratio (%)	82.1	82.7	(0.6)
Net assets per share (yen)	1018.96	1020.31	(1.35)
<Cash Flows>			
	FY2008 1st half	FY2007 1st half	Change
Net cash used in operating activities	18.3	9.1	9.2
Net cash used in investing activities	8.7	(8.5)	17.2
Net cash used in financing activities	(4.6)	(4.0)	(0.6)
Total	22.2	(3.4)	25.6
Cash & cash equivalents at the end of period	89.8	71.1	-

Sales by Segment (Consolidated)

<u>Billions of yen</u>	FY2008 1st half	FY2007 1st half	Y on Y change (%)	Change
Prescription drugs	74.3	74.2	0.1	0.1
Flomox	12.1	12.4	(2.2)	(0.3)
Crestor	8.3	4.4	88.4	3.9
Flumarin	5.5	6.3	(13.8)	(0.8)
Rinderon	5.2	5.3	(2.8)	(0.1)
Vancomycin	4.6	5.5	(16.8)	(0.9)
OxyContin	4.0	3.2	25.0	0.8
Imunace	3.6	6.4	(43.9)	(2.8)
Claritin	3.3	2.9	14.4	0.4
Finibax	1.3	1.2	12.9	0.1
Irbetan	1.0	-	-	1.0
Avelox	0.7	0.8	(14.8)	(0.1)
Export/Overseas operating	4.1	2.9	38.8	1.2
Contract manufacturing	3.0	2.6	13.8	0.4
OTC and quasi-drugs	2.8	2.9	(2.0)	(0.1)
Diagnostics	1.7	1.7	(0.2)	0.0
Royalty income	17.8	15.4	14.9	2.4
Crestor	16.6	14.4	14.9	2.2
Real estate & others	1.3	4.2	(68.9)	(2.9)
Total	105.0	104.1	0.9	0.9

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

Operating Income

<u>Billions of yen</u>	FY2008 1st half	FY2007 1st half	Y on Y change (%)	Change
Sales	105.0	104.1	0.9	0.9
[Royalty income]	[17.8]	[15.4]	[14.9]	[2.4]
	31.4	33.3		
	[37.8]	[39.1]		
Cost of sales	32.9	34.6	(4.9)	(1.7)
Gross profit	72.0	69.4	3.7	2.6
	51.0	50.2		
SG&A expenses	53.6	52.3	2.4	1.3
Selling & General expenses	32.8	32.7	0.2	0.1
R&D expenses	20.7	19.5	6.1	1.2
	17.6	16.5		
Operating income	18.4	17.1	7.7	1.3



Forecast for Fiscal 2008

*** Financial results of Sciele are not included.**

Financial Results (Consolidated & Non-consolidated)

<u>Billions of yen</u> <Consolidated>	FY2008 Forecast	FY2007 Results	Y on Y change (%)	Change
Sales	231.0	214.2	7.8	16.8
Operating income	48.0	40.3	18.8	7.7
Ordinary income	48.0	39.8	20.4	8.2
Net income	30.0	25.0	19.7	5.0
<Non-consolidated>				
Sales	220.0	201.0	9.5	19.0
Operating income	44.5	36.3	22.3	8.2
Ordinary income	46.0	37.2	23.5	8.8
Net income	29.0	22.4	29.0	6.6

Sales by Segment (Consolidated)

<u>Billions of yen</u>	FY2008 Forecast	FY2007 Results	Y on Y change (%)	Change
Prescription drugs	160.9	155.1	3.7	5.8
Flomox	27.5	28.6	(3.9)	(1.1)
Crestor	20.0	10.4	91.5	9.6
Flumarin	11.0	12.2	(9.7)	(1.2)
Rinderon	10.0	10.0	0.0	0.0
Vancomycin	9.5	10.6	(10.4)	(1.1)
Claritin	9.5	9.0	5.5	0.5
Oxycontin	8.5	6.6	28.6	1.9
Imunace	7.2	11.7	(38.4)	(4.5)
Finibax	3.3	2.5	30.3	0.8
Irbetan	2.5	-	-	2.5
Avelox	2.0	1.9	5.3	0.1
Pirespa	0.5	-	-	0.5
Differin	0.4	-	-	0.4
Export/Overseas operating	8.8	6.3	40.0	2.5
Contract manufacturing	6.3	5.8	6.9	0.5
OTC and quasi-drugs	5.8	5.6	2.2	0.2
Diagnostics	3.2	3.3	(5.6)	(0.1)
Royalty income	41.8	32.0	30.5	9.8
Crestor	39.4	29.8	32.0	9.6
Real estate & others	4.2	5.8	(28.0)	(1.6)
Total	231.0	214.2	7.8	16.8

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

Operating Income (Consolidated)

<u>Billions of yen</u>	FY2008 Forecast	FY2007 Results	Y on Y change (%)	Change
Sales	231.0	214.2	7.8	16.8
[Royalty income]	[41.8]	[32.0]	[30.5]	[9.8]
	30.7 [37.5]	32.0 [37.6]		
Cost of Sales	71.0	68.5	3.5	2.5
Gross profit	160.0	145.6	9.8	14.4
	48.5	49.1		
SG&A expenses	112.0	105.2	6.4	6.8
Selling & General expenses	66.0	64.9	1.6	1.1
R&D expenses	46.0	40.2	14.2	5.8
	20.8	18.9		
Operating income	48.0	40.3	18.8	7.7

Dividend Policy

- **FY2008 forecast: 28 yen per share (as planned)**
- **Target for FY2009 and beyond:**

Payout ratio (consolidated) 35%

Dividend policy remains the same, after Sciele acquisition



Acquisition of **Sciele**[®]
Pharma, Inc.

Overseas Strategy

the 2nd Mid-term Business Plan

- Move at least 5 products to Phase II or later by the end of FY2009
- Simultaneously develop multiple in-house products in Japan, the US and Europe
- Forge strategic alliances for each products

Medium to Long Term Goals

- Establish a sales infrastructure in the US
- Continuously expand in-house product pipeline
- Educate personnel to enable adaptation to globalization

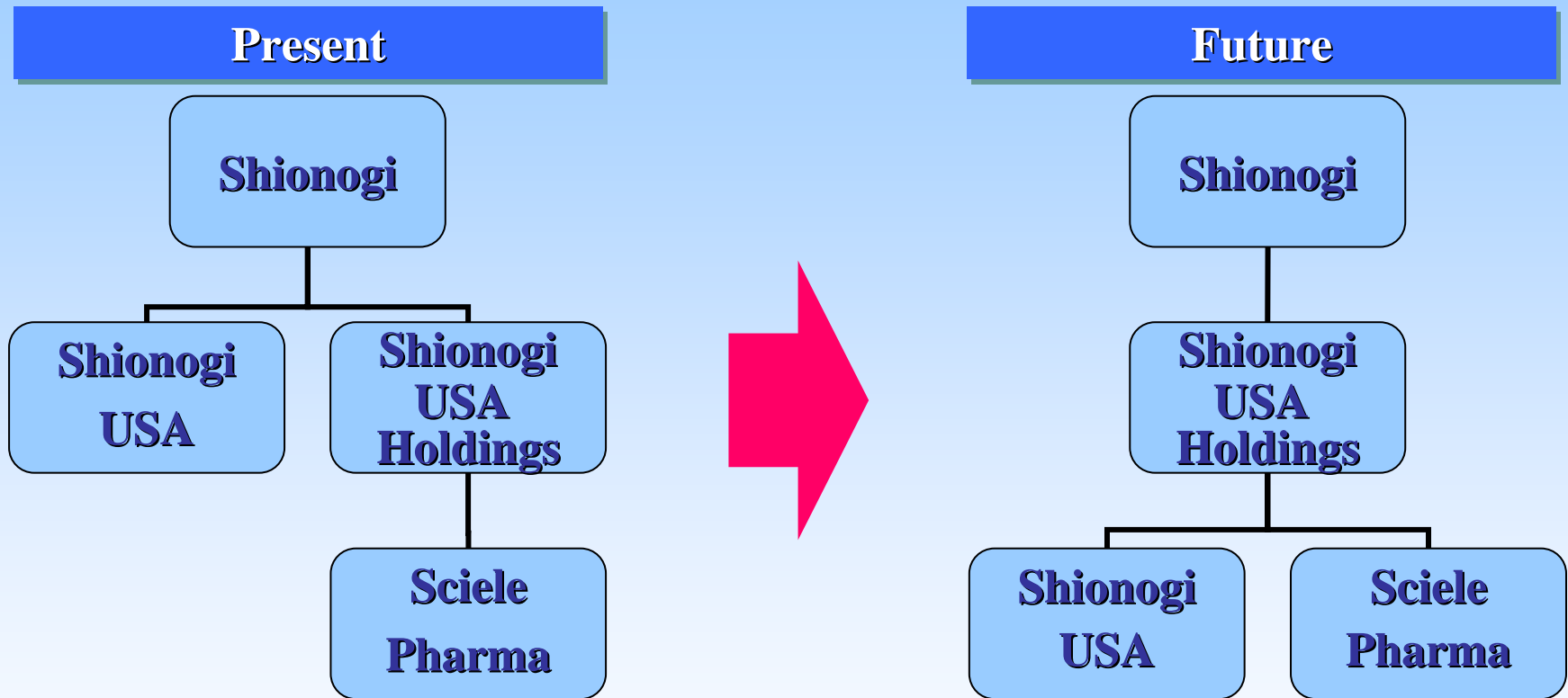


Accelerate globalization by acquisition of Sciele

Completion of Sciele Acquisition

- **October 8, 2008:**
Completion of the tender offer
92.0% of the shares outstanding were tendered
- **October 9, 2008:**
Sciele became a wholly-owned subsidiary of Shionogi USA Holdings, Inc. by short-form merger
- **Acquisition Price:**
\$ 31 per share, total \$ 1,099 million
Total \$ 1,424 million including the redemption of senior convertible notes

Governing Structure in the US



Decided future governing structure in the US (see diagram above) and have begun discussing synergies between Sciele and Shionogi USA

Acquisition Financing

- **Bridge loans: 110 billion yen**

Cash on hand: Approximately 45 billion yen

- **In the future, after comprehensively examining market trends or costs, it is planned that bridge loans will be switched to permanent loans including long-term borrowing and corporate bonds**

Benefits expected from Acquisition

- **Increase profitability by selling Shionogi's in-house products through Sciele's sales force**
 - Immediately acquire a nationwide sales network with more than 700 MRs
 - Utilize highly capable know-how concerning product launches and sales in the US
 - Leverage Sciele's strong sales force in the cardiovascular and metabolic areas
- **Enhance expertise in development activities and in-licensing activities in the US**
- **Cost reduction as a group by exchanging know-how on manufacturing**
- **Tax savings through optimizing tax structure**
- **Improve infrastructure of operating system in the US**
 - Strengthen functions of marketing, pharmaceutical affairs and administration

Impact on Financials

	FY2008	FY2009	2010FY	FY2011
<Financial Forecast of Sciele>				Units: million dollar
Sales	105	500	650	780
Operating income	30	140	200	250

※ FY2008: Oct.-Dec.

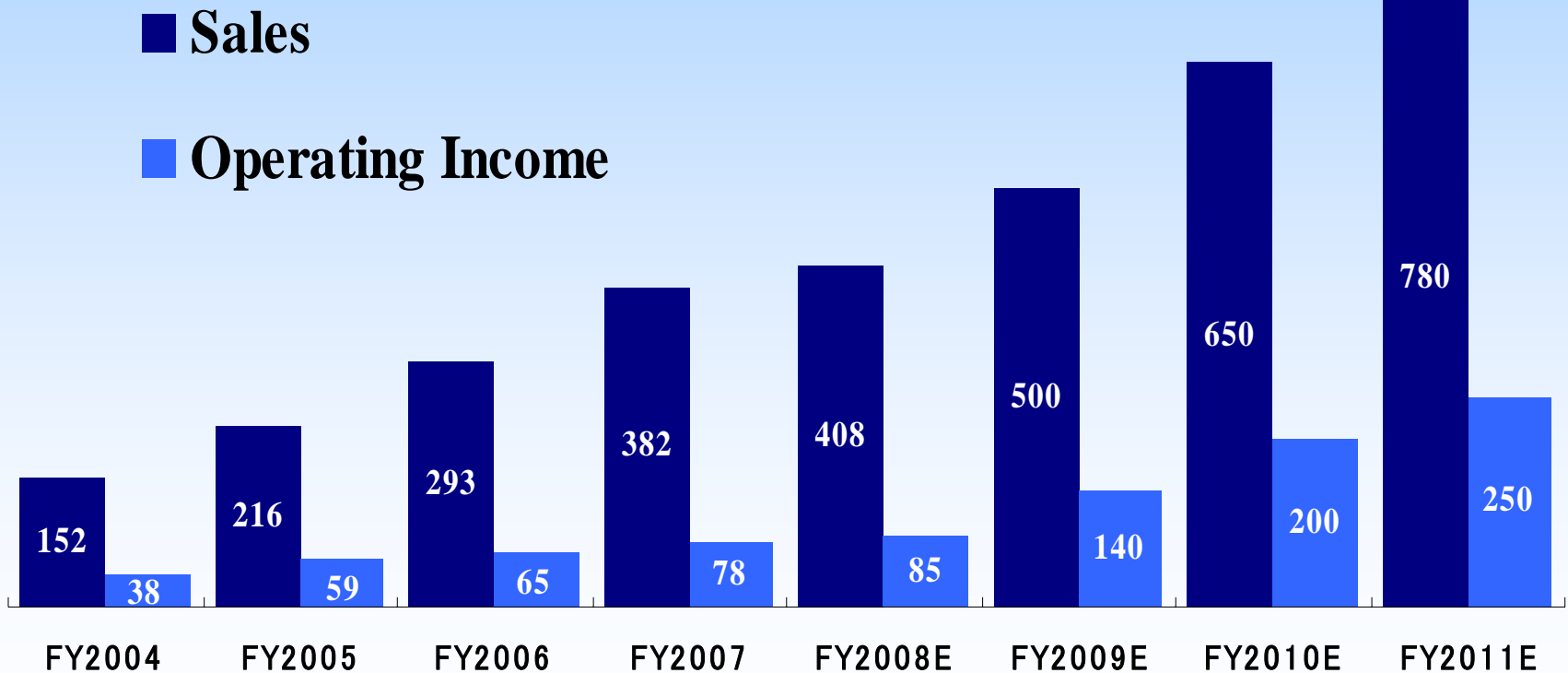
<Impact resulting from Acquisition>				Units: billion yen
Net interest payment (Approx.)	L 1	L 2	L 2	L 2
Amortization of IPR&D, goodwill & intangible assets and fair value of inventory	Amount will be announced promptly following the final settlement of accounts			

Impact on EPS	Dilutive	Accretive	Accretive	Accretive
---------------	----------	-----------	-----------	-----------

Sciele's Continuous Growth

<Financial Forecasts of Sciele>

(Units: million dollar)

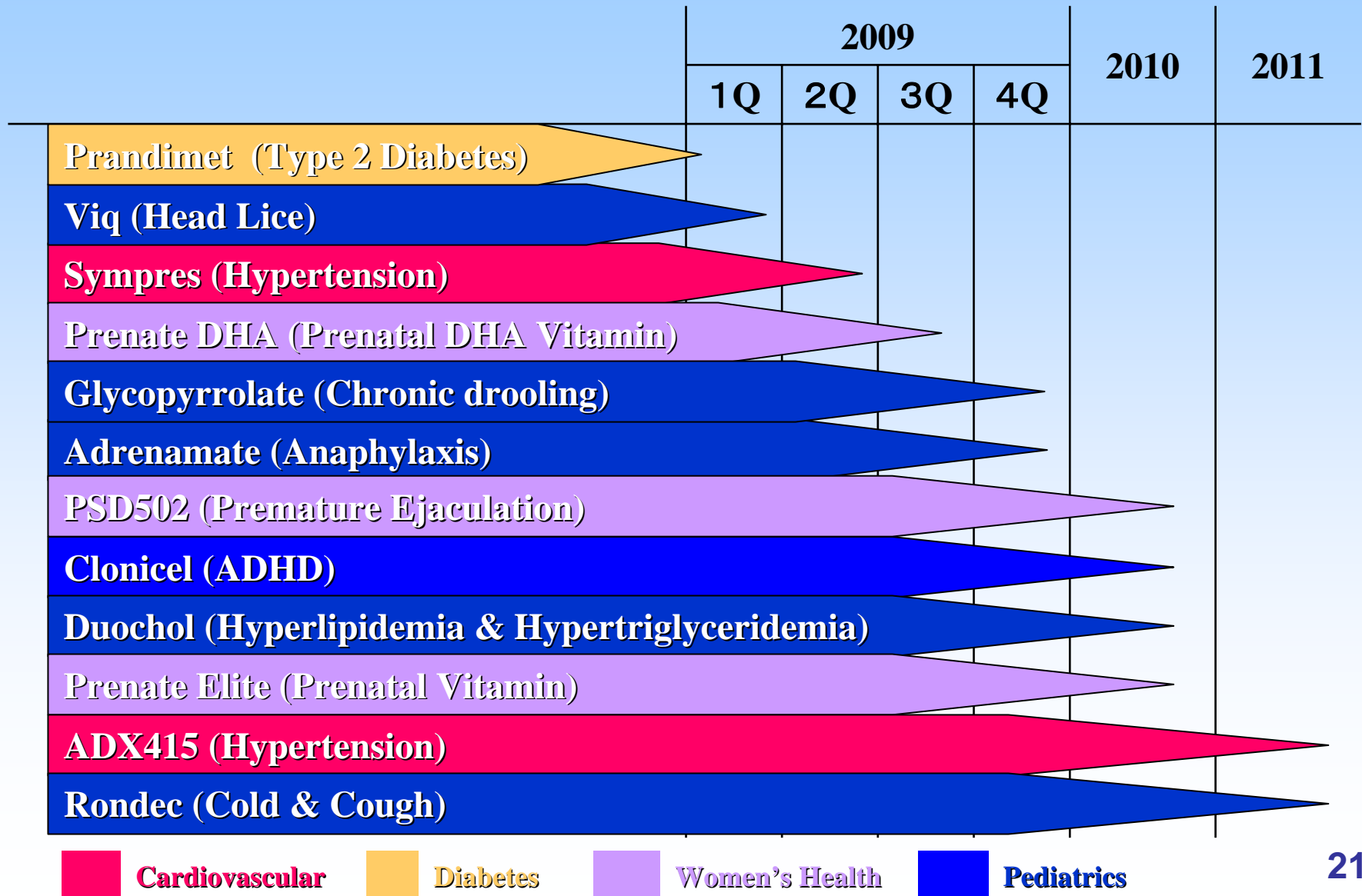


Sciele's Growth Strategy

(Units: million dollar)

Therapeutic areas	Strategy toward growth	Sales forecast	
		FY2008	FY2011
Diabetes	Expand the market share of Prandin together with the launch of Prandimet (Type2 diabetes), while sustaining sales of Fenoglide/Triglide	116	215
Cardiovascular	Strengthen position in hypertension through launches of Sympres/Sympres XR, (Hypertension), while maintaining NLPS (Angina) sales	147	195
Women's Healthcare	Expand the market share of Prenate Family through launches of new formulations, Launch PSD502, (Premature Ejaculation)	72	160
Pediatrics	Expand the sales of Allegra OS/ODT (Allergies), Orapred ODT (Asthma) and Twinject, and initiate launches of Adrenamate (Anaphylaxis), Viq (Head Lice) and Cloniceal (ADHD)	73	210

Pipeline Leading Sciele's Growth





Pipeline

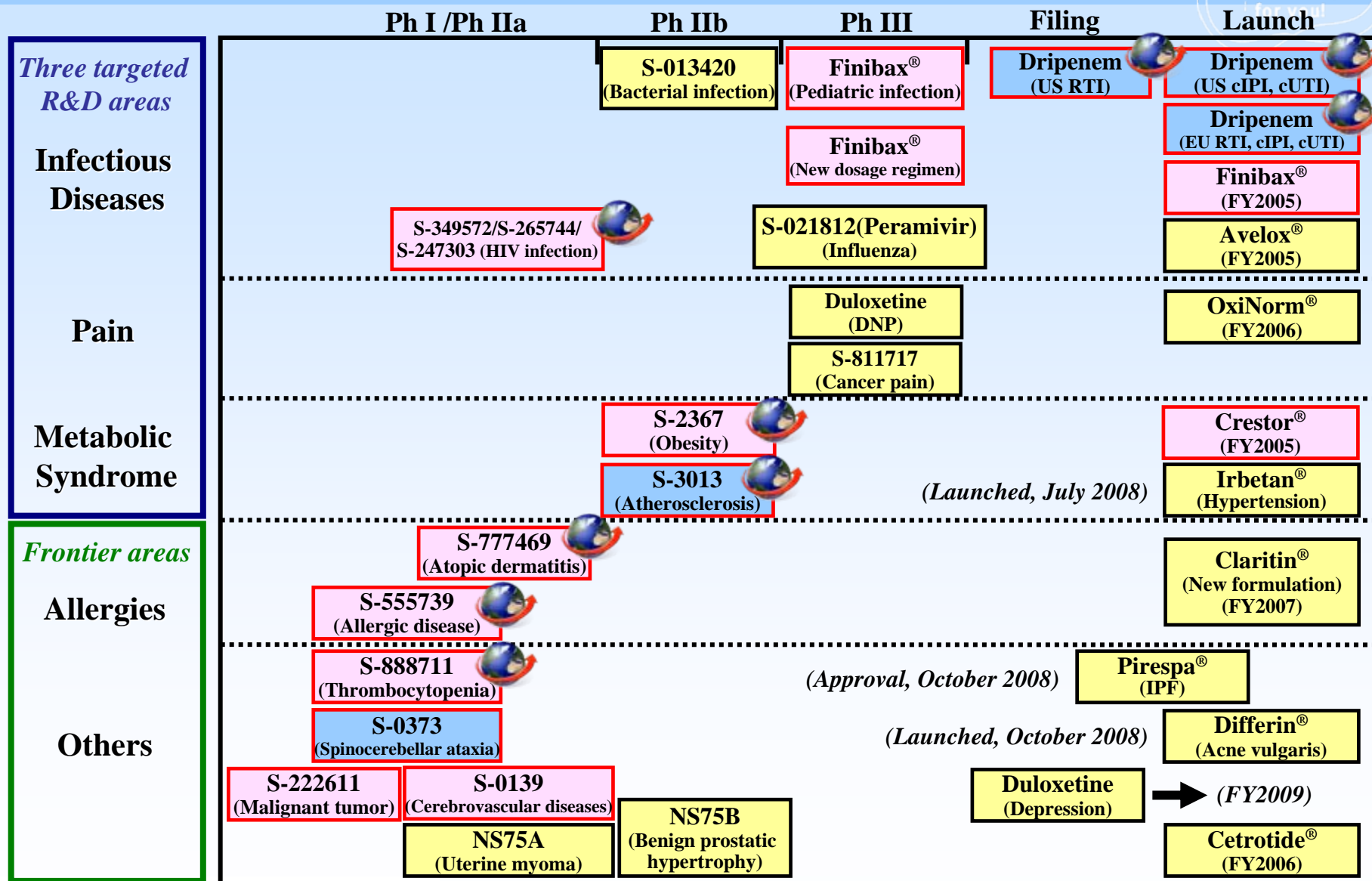
Change of Phases (1) (since July, 2008)

- **Differin[®]gel (Adapalene, Acne vulgaris)**
 - Launched on October 21, 2008
- **Pirespa[®] (Pirfenidone, Idiopathic pulmonary fibrosis)**
 - Marketing and manufacturing approval on October 16, 2008
- **S-021812 (Peramivir, Influenza)**
 - Started phase III as Asian multi-national study in September, 2008
- **S-811717 (Oxycodone HCl, Cancer pain)**
 - Started phase III in Japan (Moderate to severe cancer pain)
- **S-0373 (Non-peptide mimetic of TRH, Spinocerebellar ataxia)**
 - Preparation for phase II in Japan by Kissei, licensee of the product
- **S-555739 (PGD2 receptor antagonist, Allergic disease)**
 - Started proof of mechanism (PoM) studies in Europe
- **S-222611 (Her2/EGFR dual inhibitor, Malignant tumor)**
 - Preparation for phase I in Europe

Change of Phases (2) (since July, 2008)

- **NS75B (LHRH antagonist, Benign prostatic hypertrophy)**
 - Completed phase II study in Japan
 - Improvement of I-PSS of NS75B groups was seen in dose dependent manner, although it was not statistically significant compared with placebo group due to a high placebo response. In patients with severer disease, the difference of effect expanded between NS75B and placebo.
 - The statistically significant reduction of prostate volume was observed
 - Preparation for a new study in Japan including higher dose divided into two doses with two week interval being used in overseas
- **S-777469 (CB2 receptor agonist, Atopic dermatitis)**
 - Completed phase IIa studies for short term treatment (1W&4W) in Japan
 - With a longer term therapy, it was found that the S-777469 group tended to show an improvement in DS greater than placebo group, although there was no statistically significant difference between groups
 - A 12-week dosing Phase IIa study is ongoing in the US
 - A topical formulation of follow-up candidate is under development with an eye to enter into the clinical stage next year

Pipeline (As of November, 2008)



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

In-house

Out-licensed

In-licensed

Developing in-house products globally