



3rd Quarter of Fiscal 2008

Financial Results

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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.**



Accounting for Business Combination Associated with Sciele Acquisition

Purchase Price Allocation of Acquisition Cost

Account treatment: Based on US GAAP (SFAS141)

Assessment: The third party (Deloitte Tohmatsu FAS)

(Units: million dollar)

	Sciele B/S (Book Value)	Fair Value of Each Assets	Difference of Fair Value	
Intangible assets	236	445	209	Set the amortization period for each product
Deferred tax liability	-	(74)	(74)	
In-Process R&D expenses	-	97	97	One-time booking of expenses
Other assets	181	181	-	
Goodwill	79	797	718	20-year Amortization (Total amount of Fair Value)
Total	496	1,446	950	

Impact on Consolidated Statements of Income

(Units: million dollar)

	Fair Value	FY2008	FY2009	Items
Intangible assets	209	10	37	Selling expenses
In-Process R&D expenses	97	97	-	R&D expenses
Goodwill	797	10	40	Selling expenses

(FY2008 Exchange rate IP R&D: \$1= 99.99 yen / Intangible assets & Goodwill: \$1=91.04 yen)

- **In-Process R&D expenses: One-time booking of expenses in 3Q of FY2008**
- **Amortization of Intangible assets and Goodwill: Booking from 4Q of FY2008**

● Financial Forecast of Sciele

(Units: million dollar)

	FY2008	FY2009	FY2010	FY2011
Sales	105	500	650	780
Operating income	30	140	200	250



Overview of Financial Results

3rd Quarter of Fiscal 2008



Financial Results (Consolidated & Non-consolidated)

Billions of yen

< Consolidated >	Apr.1-Dec.31 2008	Apr.1-Dec.31 2007	Y on Y change(%)
Sales	164.8	162.4	1.5
Operating income	22.9	29.6	(22.5)
Ordinary income	23.4	29.5	(20.9)
Net income	10.8	18.6	(41.9)
< Non-consolidated >	Apr.1-Dec.31 2008	Apr.1-Dec.31 2007	Y on Y change(%)
Sales	156.9	151.6	3.5
Operating income	29.1	26.6	9.6
Ordinary income	31.1	27.6	12.7
Net income	19.6	16.5	18.8

FY2008 3rd Quarter

Financial Position and Cash Flows (Consolidated)

Billions of yen

<u>< Financial Position ></u>	<u>12/31/2008</u>	<u>3/31/2008</u>	<u>Change</u>
Total assets	513.1	413.7	99.4
Net assets	321.1	342.2	(21.1)
Equity ratio (%)	62.5	82.7	(20.2)
Net assets per share (yen)	957.87	1020.31	(62.44)
	<u>Apr.1-Dec.31</u>	<u>Apr.1-Dec.31</u>	
<u>< Cash Flows ></u>	<u>2008</u>	<u>2007</u>	<u>Change</u>
Net cash provided by operating activities	20.3	13.7	6.6
Net cash used in investing activities	(140.7)	(1.3)	(139.4)
Net cash provided by (used in) financing activities	100.4	(16.8)	117.2
Total	(20.2)	(4.4)	(15.8)
Cash & cash equivalents at the end of period	47.3	70.1	-

FY2008 3rd Quarter

Statements of Income (Consolidated)

<u>Billions of yen</u>	Apr.1-Dec.31 2008	IP R&D Expenses	Apr.1-Dec.31, 2008 Excluding IP R&D Expenses	Apr.1-Dec.31 2007	Y on Y change (%)
Sales	164.8		164.8	162.4	1.5
[Royalty]	[27.6]		[27.6]	[23.1]	[19.2]
Cost of sales	52.1		52.1	52.9	(1.6)
Gross profit	112.7		112.7	109.4	3.0
SG&A expenses	89.7	9.6	80.0	79.7	0.4
Selling & General expenses	49.9		49.9	49.0	1.7
R&D expenses	39.8	9.6	30.1	30.7	(1.8)
Operating income	22.9	(9.6)	32.6	29.6	10.1
Non-operating gain & loss	0.4		0.4	0.0	
Ordinary income	23.4	(9.6)	33.0	29.5	11.8
Extraordinary gain & loss	(0.1)		(0.1)	0.2	
Income before income taxes and minority interests	23.2	(9.6)	32.9	29.8	10.4
Income taxes and minority interest	12.4		12.4	11.1	
Net income	10.8	(9.6)	20.5	18.6	9.8



Sales by Segment (Consolidated)

<u>Billions of yen</u>	Apr.1-Dec.12 2008	Apr.1-Dec.12 2007	Y on Y change (%)
Prescription drugs	116.6	118.3	(1.5)
Flomox	20.9	21.6	(3.1)
Crestor	13.2	7.5	74.6
Flumarin	8.2	9.7	(15.8)
Rinderon	7.6	8.0	(4.1)
Vancomycin	6.4	8.5	(24.7)
OxyContin	6.3	5.3	20.0
Claritin	5.3	4.4	20.7
Imunace	4.8	9.0	(46.6)
Finibax	2.2	1.9	14.0
Avelox	1.2	1.5	(18.0)
Irbetan	1.1	-	-
Differin	0.7	-	-
Pirespa	0.04	-	-
Export/Overseas operating	6.9	4.3	59.7
Doripenem	2.6	0.1	-
Contract manufacturing	4.6	4.4	2.5
OTC and quasi-drugs	4.2	4.4	(5.5)
Diagnostics	2.5	2.5	(2.2)
Royalty income	27.6	23.1	19.2
Crestor	25.9	21.8	18.8
Real estate & others	2.4	5.0	(52.2)
Total	164.8	162.4	1.5



Forecast for Fiscal 2008



Financial Results (Consolidated & Non-consolidated)

<u>Billions of yen</u>	FY2008 Forecast	FY2007 Results	Y on Y change (%)	Change
< Consolidated >				
Sales	226.5	214.2	5.7	12.3
Operating income	32.2	40.3	(20.3)	(8.1)
Ordinary income	32.2	39.8	(19.3)	(7.6)
Net income	16.6	25.0	(33.8)	(8.4)
< Non-consolidated >				
Sales	206.0	201.0	2.5	5.0
Operating income	37.5	36.3	3.0	1.2
Ordinary income	39.0	37.2	4.7	1.8
Net income	25.0	22.4	11.2	2.6

Revision of Financial Forecast (Consolidated)

<u>Billions of yen</u>	FY2008 Original Forecast	FY2008 Revised Forecast	Change	Accounting for Business Combination	Sciele 4Q 2008 Forecast	Change Excluding Sciele
Sales	231.0	226.5	(4.5)		9.5	(14.0)
[Royalty]	[41.8]	[37.2]	[(4.6)]			[(4.6)]
Cost of sales	71.0	69.5	(1.5)		1.0	(2.5)
Gross profit	160.0	157.0	(3.0)		8.5	(11.5)
SG&A expenses	112.0	124.8	12.8	11.4	5.8	(4.5)
Selling & General expenses	66.0	71.8	5.8	1.7	5.0	(1.0)
R&D expenses	46.0	53.0	7.0	9.6	0.8	(3.5)
Operating income	48.0	32.2	(15.8)	(11.4)	2.7	(7.0)
Ordinary income	48.0	32.2	(15.8)	(11.4)	2.7	(7.0)
Income taxes and others	18.0	15.6	(2.4)	(0.3)	0.9	(3.0)
Net income	30.0	16.6	(13.4)	(11.1)	1.8	(4.0)

Statements of Income (Consolidated excluding Sciele)

<u>Billions of yen</u>	FY2008 Revised Forecast	Accounting For Bussiness Combination	Sciele 4Q Forecast	Forecast Excluding Sciele	FY2007 Results	Y on Y change (%)
Sales	226.5		9.5	217.0	214.2	1.3
[Royalty income]	[37.2]			[37.2]	[32.0]	[16.1]
Cost of sales	69.5		1.0	68.5	68.5	(0.1)
Gross profit	157.0		8.5	148.5	145.6	1.9
SG&A expenses	124.8	11.4	5.8	107.5	105.2	2.1
Selling & General expenses	71.8	1.7	5.0	65.0	64.9	0.0
R&D expenses	53.0	9.6	0.8	42.5	40.2	5.5
Operaing income	32.2	(11.4)	2.7	41.0	40.3	1.5
Ordinary income	32.2	(11.4)	2.7	41.0	39.8	2.8
Income taxes and others	15.6	(0.3)	0.9	15.0	14.8	1.2
Net income	16.6	(11.1)	1.8	26.0	25.0	3.7

Sales by Segment (Consolidated)

<u>Billions of yen</u>	FY2008 Original Forecast	FY2008 Revised Forecast	Change	FY2007 Results	Y on Y change (%)
Prescription drugs	160.9	152.3	(8.6)	155.1	(1.8)
Flomox	27.5	27.5	0.0	28.6	(3.9)
Crestor	20.0	18.3	(1.7)	10.4	75.2
Flumarin	11.0	10.0	(1.0)	12.2	(17.9)
Rinderon	10.0	9.7	(0.3)	10.0	(3.0)
Vancomycin	9.5	7.6	(1.9)	10.6	(28.3)
OxyContin	8.5	8.5	0.0	6.6	28.6
Claritin	9.5	9.5	0.0	9.0	5.5
Imunace	7.2	5.8	(1.4)	11.7	(50.4)
Finibax	3.3	3.1	(0.2)	2.5	22.4
Avelox	2.0	1.6	(0.4)	1.9	(15.8)
Irbetan	2.5	1.5	(1.0)	-	-
Differin	0.4	1.4	1.0	-	-
Pirespa	0.5	0.2	(0.3)	-	-
Export/Overseas operating	8.8	18.4	9.6	6.3	192.7
Sciele	-	9.5	9.5	-	-
Doripenem	3.0	3.1	0.1	0.4	655.9
Contract manufacturing	6.3	5.9	(0.4)	5.8	0.1
OTC and quasi-drugs	5.8	5.4	(0.4)	5.6	(4.8)
Diagnostics	3.2	3.2	0.0	3.3	(5.6)
Royalty income	41.8	37.2	(4.6)	32.0	16.1
Crestor	39.4	34.7	(4.7)	29.8	16.3
Real estate & others	4.2	4.1	(0.1)	5.8	(29.8)
Total	231.0	226.5	(4.5)	214.2	5.7

Dividend Policy

- **Steadily raise the consolidated payout ratio**
- **FY2008 forecast: 28 yen per share (as planned)**
 - FY2007: 22 yen per share**
 - FY2006: 16 yen per share**
- **Target for FY2009 and beyond:**
 - payout ratio (consolidated) 35%**



Pipeline

Change of Phases and Additional Indication (since November, 2008)

- **Pirespa[®] (Pirfenidone, Idiopathic pulmonary fibrosis)**
 - Launched on December 12, 2008
- **S-222611 (Her2/EGFR dual inhibitor, Malignant tumor)**
 - Started phase I (FTIH) in Europe
- **S-888711 (Small molecule TPO mimetic, Thrombocytopenia)**
 - Started phase I (multiple dose) in the US
- **S-297995 (Periferal opioid receptor antagonist)**
 - Started phase I (FTIH) in Japan (Opioid-induced adverse effect)
- **S-444823 (Cannabinoid receptor agonist)**
 - Preparation for phase I (FTIH) in Japan (Atopic dermatitis, Topical)
- **Flomox[®] Fine Granules 100mg for children**
 - Approval for the additional indication on November 25, 2008

Other Topics (since November, 2008)

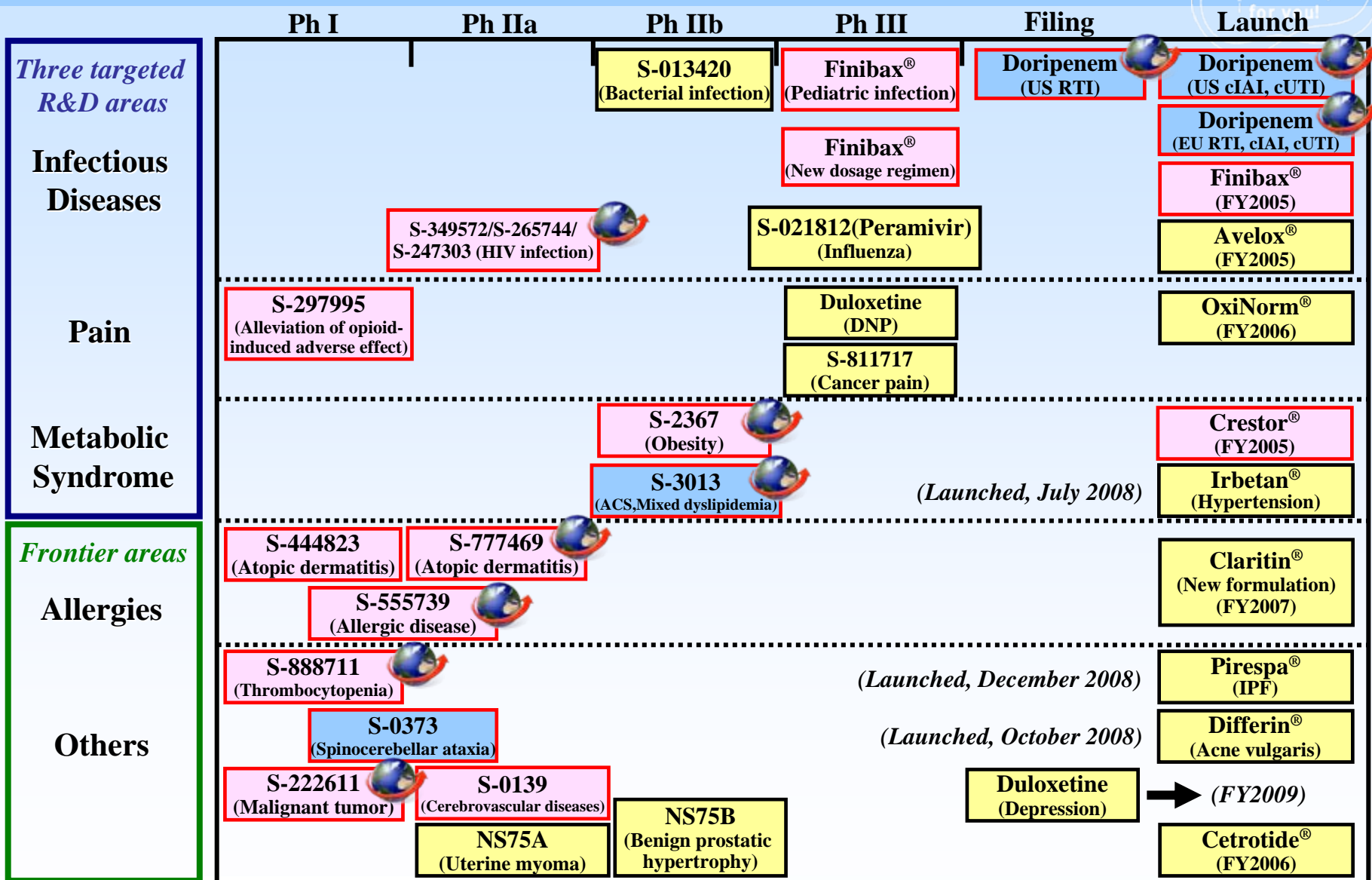
● Peptide Vaccines for Cancer Treatment

- Licensing agreement with OTS* on Feb. 2, 2009
- Licensed right: Globally exclusive right to develop, manufacture and commercialize
- Peptide 1: Urinary bladder cancer
- Peptide 2: Squamous cell cancer (esophagus, lung, bronchus, head and neck)
- Stage: Non-clinical studies before up-coming clinical trial

* OncoTherapy Science, Inc.:

- Collaborate with the Institute of Medical Science, the University of Tokyo
- Identify and analyze various cancer related genes based on the information from the gene expression profile of various cancers
- Identified various peptide vaccines for cancer treatment and dedicated them to start clinical trials

Pipeline (As of February, 2009)



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

In-house **Out-licensed** **In-licensed**

Developing in-house products globally

Pipeline Leading Sciele's Growth

