



# *Fiscal 2009 Financial Results*

*May 11, 2010*

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*President and Representative Director*

 **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.**

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# *Overview of FY2009 Results*

*Financial Results (Consolidated & Non-Consolidated)*

(Units: billion yen)

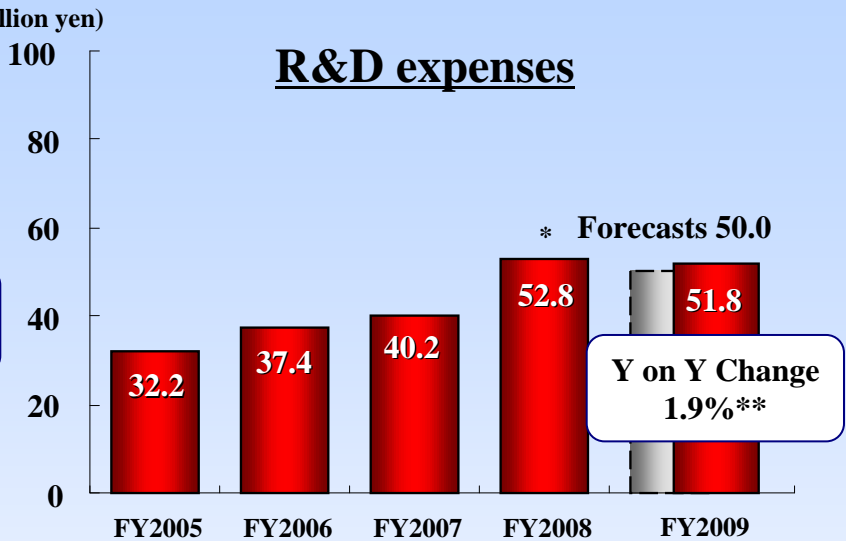
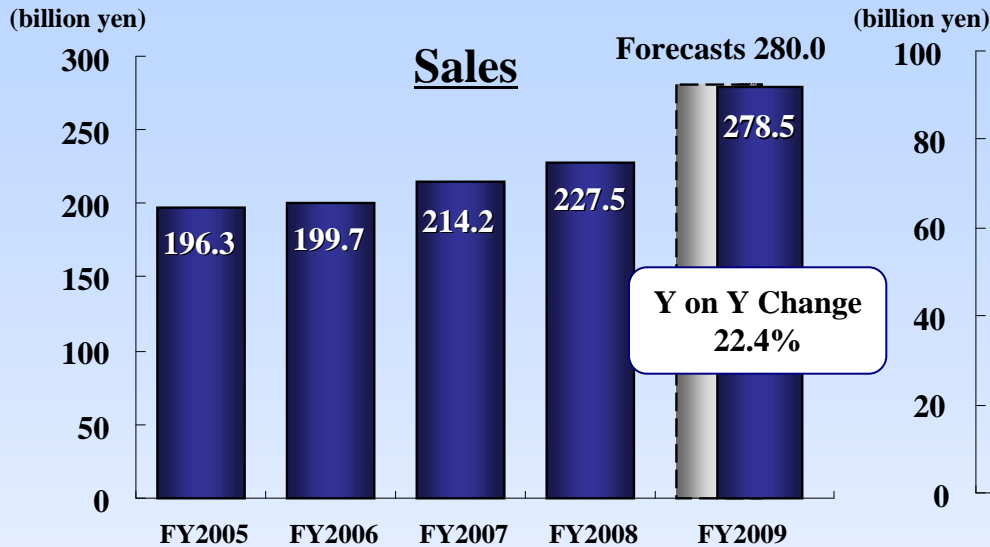
<Consolidated>	FY2009 Forecasts	FY2009 Results	Achievement (%)	Forecasting Variance	FY2008 Results	Y on Y Change (%)	Y on Y Change
Sales	280.0	278.5	99.5	(1.5)	227.5	22.4	51.0
Operating income	60.0	52.4	87.4	(7.6)	32.0	63.8	20.4
Ordinary income	58.0	50.5	87.1	(7.5)	32.0	57.9	18.5
Net income	35.0	38.6	110.4	3.6	15.6	146.6	23.0

(Units: billion yen)

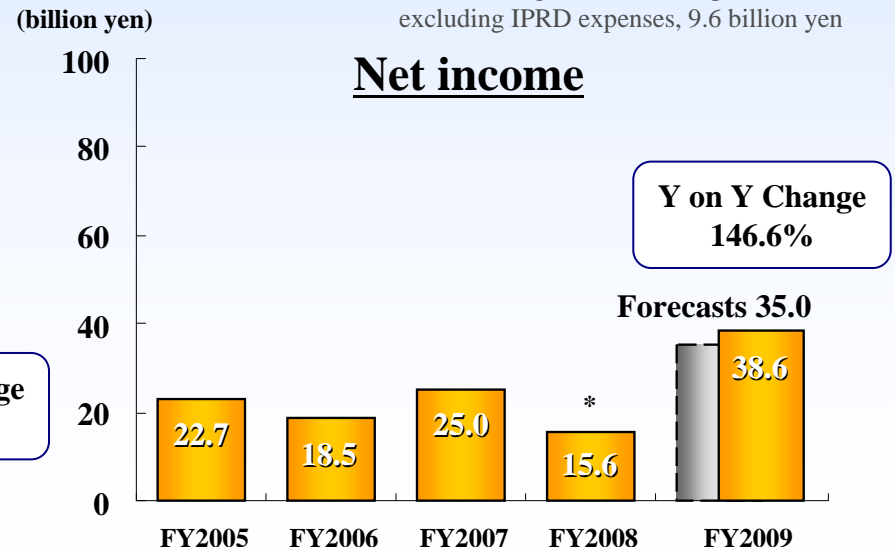
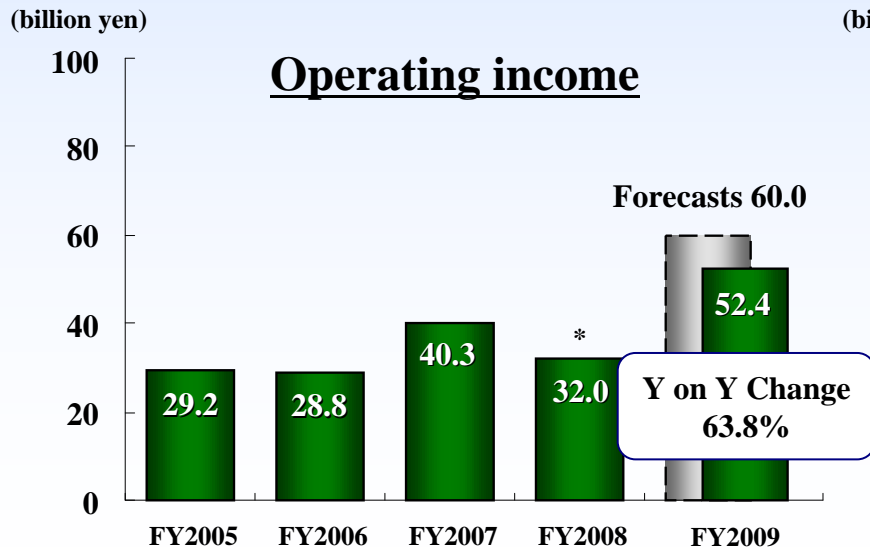
<Non-consolidated>	FY2009 Forecasts	FY2009 Results	Achievement (%)	Forecasting Variance	FY2008 Results	Y on Y Change (%)	Y on Y Change
Sales	225.5	228.5	101.4	3.0	206.7	10.6	21.8
Operating income	51.5	49.2	95.6	(2.3)	36.2	35.9	13.0
Ordinary income	51.5	49.9	97.0	(1.6)	37.9	31.7	12.0
Net income	32.0	40.7	127.4	8.7	23.8	70.8	16.9



## Results of The 2<sup>nd</sup> Mid-Term Business Plan (Consolidated)



\*\* : Y on Y Change is 20.1% compared with FY2008 excluding IPRD expenses, 9.6 billion yen



## *Financial Position and Cash Flows (Consolidated)*

(Units: billion yen)

<Financial position>	3/31/2010	3/31/2009	Y on Y Change
Total assets	540.7	501.8	38.9
Net assets	341.9	310.0	31.9
Equity ratio (%)	63.2	61.7	+ 1.5
Net assets per share (yen)	1,019	924	95

(Units: billion yen)

<Cash flows>	FY2009 Results	FY2008 Results	Y on Y Change
Net cash provided by operating activities	52.9	29.1	23.8
Net cash provided by investing activities	(0.8)	(149.0)	148.2
Net cash provided by financing activities	(4.9)	105.2	(110.1)
Net increase (decrease)	46.1	(16.0)	62.1
Cash and cash equivalents at end of period	97.6	51.5	46.1

# FY2009 Results



## *Sales by Segments (Consolidated)*

(Units: billion yen)

	FY2009 Forecasts	FY2009 Results	Achievement (%)	Forecasting Variance	FY2008 Results	Y on Y Change (%)	Y on Y Change
<b>Prescription drugs</b>	<b>155.5</b>	<b>152.5</b>	<b>98.1</b>	<b>(3.0)</b>	<b>153.2</b>	<b>(0.5)</b>	<b>(0.7)</b>
Crestor	23.0	24.2	105.1	1.2	17.7	36.6	6.5
Flomox	24.0	24.0	100.0	0	27.3	(12.1)	(3.3)
Rinderon	9.5	9.5	99.7	0	9.6	(1.3)	(0.1)
Claritin	9.7	9.0	93.1	(0.7)	9.6	(6.4)	(0.6)
Flumarin	9.0	8.7	96.6	(0.3)	10.1	(13.9)	(1.4)
OxyContin	8.8	8.5	96.7	(0.3)	7.7	10.6	0.8
Vancomycin	6.5	6.1	94.5	(0.4)	8.1	(24.5)	(2.0)
Imunace	4.6	4.6	99.8	0	6.1	(24.8)	(1.5)
Irbetan	3.5	3.8	107.4	0.3	1.2	219.0	2.6
Finibax	4.0	3.4	84.0	(0.6)	2.9	15.5	0.5
Differin	2.8	2.2	77.8	(0.6)	1.2	85.6	1.0
Pirespa	1.7	1.5	89.6	(0.2)	0.2	840.5	1.3
Avelox	1.3	1.0	80.7	(0.3)	1.5	(32.1)	(0.5)
Rapiacta	-	0.6	-	0.6	-	-	0.6
<b>Export/Overseas operating</b>	<b>54.3</b>	<b>49.1</b>	<b>90.4</b>	<b>(5.2)</b>	<b>18.6</b>	<b>163.5</b>	<b>30.5</b>
Shionogi Pharma, Inc.	43.0	38.6	89.9	(4.4)	9.2	319.5	29.4
Doripenem	5.0	5.2	104.8	0.2	3.5	48.6	1.7
<b>Contract manufacturing</b>	<b>6.4</b>	<b>7.4</b>	<b>116.0</b>	<b>1.0</b>	<b>5.7</b>	<b>28.8</b>	<b>1.7</b>
<b>OTC and quasi-drugs</b>	<b>5.0</b>	<b>5.4</b>	<b>107.8</b>	<b>0.4</b>	<b>5.2</b>	<b>3.2</b>	<b>0.2</b>
<b>Diagnostics</b>	<b>3.0</b>	<b>2.9</b>	<b>98.2</b>	<b>(0.1)</b>	<b>3.3</b>	<b>(11.2)</b>	<b>(0.4)</b>
<b>Royalty income</b>	<b>52.0</b>	<b>57.0</b>	<b>109.6</b>	<b>5.0</b>	<b>36.8</b>	<b>54.6</b>	<b>20.2</b>
Crestor	49.5	50.0	101.0	0.5	34.3	45.7	15.7
<b>Others</b>	<b>3.8</b>	<b>4.1</b>	<b>107.0</b>	<b>0.3</b>	<b>4.4</b>	<b>(8.2)</b>	<b>(0.3)</b>
<b>Total</b>	<b>280.0</b>	<b>278.5</b>	<b>99.5</b>	<b>(1.5)</b>	<b>227.5</b>	<b>22.4</b>	<b>51.0</b>

# FY2009 Results



## Statements of Income (Consolidated)

(Units: billion yen)

	FY2009 Forecasts	FY2009 Results	Achievement (%)	Forecasting Variance	FY2008 Results	Y on Y Change (%)	Y on Y Change
Sales	280.0	278.5	99.5	(1.5)	227.5	22.4	51.0
[Royalty]	[52.0]	[57.0]	[109.6]	[5.0]	[36.8]	[54.6]	[20.2]
Cost of sales	26.4 [32.5] 74.0	27.4 [34.4] 76.2	103.1	2.2	31.2 [37.2] 70.9	7.5	5.3
Gross profit	206.0	202.2	98.2	(3.8)	156.5	29.2	45.7
SG&A expenses	52.1 146.0	53.8 149.8	102.6	3.8	54.7 124.5	20.3	25.3
Selling & general expenses	96.0	97.9	102.1	1.9	71.7	36.6	26.2
R&D expenses	50.0	51.8	103.6	1.8	52.8	(1.9)	(1.0)
Operating income	21.4 60.0	18.8 52.4	87.4	(7.6)	14.1 32.0	63.8	20.4
Non-operating income and expenses	L 2.0	L 1.9	-	0.1	L 0	-	L 1.9
Ordinary income	20.7 58.0	18.1 50.5	87.1	(7.5)	14.1 32.0	57.9	18.5
Extraordinary income and loss	-	P 8.0	-	8.0	L 1.2	-	9.2
Income before income taxes	58.0	58.5	100.9	0.5	30.7	90.2	27.8
Total income taxes	23.0	19.9	86.6	(3.1)	15.1	31.7	4.8
Net income	12.5 35.0	13.9 38.6	110.4	3.6	6.9 15.6	146.6	23.0



# *Difference between Forecasts and Results*

**Sales: (1.5)      Forecasts 280.0 / Results 278.5**

- **Domestic prescription drugs:** **(3.0)**
- **Shionogi Pharma, Inc.:** **(4.4)**
- **Others:** **+0.9**
- **Royalty:** **+5.0**
  - **Crestor: +0.5 / Cymbalta: +3.8 / Others including BNP: +0.7**

**Operating income: (7.6)      Forecasts 60.0 / Results 52.4**

- **Decrease of gross profit:** **(3.8)**
  - **Increase of royalty:** **+5.0**
  - **Decrease of gross profit following decrease of sales:** **(5.6)**
    - Decrease of sales of domestic prescription drugs and Shionogi Pharma
    - Increase of sales of other segments
  - **Deteriorating factors on cost of sales:** **(3.2)**
    - Effect of the Product Mix / Reduced operation by the decrease of sales
    - / Delay of decreasing Cost
- **Increase of SG&A expenses:** **(3.8)**
  - Insufficient absorption of the increase of retirement benefit by the cost reduction**
  - **Increase of selling & general expenses:** **(1.9)**
    - Front-loaded expenses related to Rapiacta and Cymbalta
  - **Increase of R&D expenses:** **(1.8)**
    - Front-loaded expense related to Rapiacta / Increase of development costs in the U.S.

# *Difference between Forecasts and Results*

(Units: billion yen)

**Net Income: +3.6    Forecasts 35.0 / Results 38.6**

● <b>Decrease of Ordinary Income:</b>	<b>(7.5)</b>
● <b>Extraordinary income and expenses:</b>	<b>+8.0</b>
➤ <b>Gain from the transfer of Bushu Pharmaceuticals Ltd.:</b>	<b>+5.3</b>
/ <b>Gain on the exchange of shares between OMWELL Inc. and Toho Pharmaceutical Co., Ltd.:</b>	<b>+4.9</b>
/ <b>Loss on valuation of securities:</b>	<b>(2.2)</b>
● <b>Decrease of corporate tax etc.:</b>	<b>+3.1</b>
<b>Increase of R&amp;D tax deduction / Consolidated tax system in the U.S.</b>	

# *FY2010 Financial Forecasts*

## *Financial Forecasts (Consolidated & Non-Consolidated)*

(Units: billion yen)

<Consolidated>	FY2010 Forecasts	FY2009 Results	Y on Y Change (%)	Y on Y Change
Sales	295.0	278.5	5.9	16.5
Operating income	61.0	52.4	16.3	8.6
Ordinary income	59.0	50.5	16.8	8.5
Net income	39.0	38.6	1.0	0.4

(Units: billion yen)

<Non-consolidated>	FY2010 Forecasts	FY2009 Results	Y on Y Change (%)	Y on Y Change
Sales	239.0	228.5	4.6	10.5
Operating income	57.0	49.2	15.7	7.8
Ordinary income	56.5	49.9	13.1	6.6
Net income	38.0	40.7	(6.8)	(2.7)

Due to change in the accounting periods, forecasts in FY2010 include 15 months for the U.S. subsidiaries.

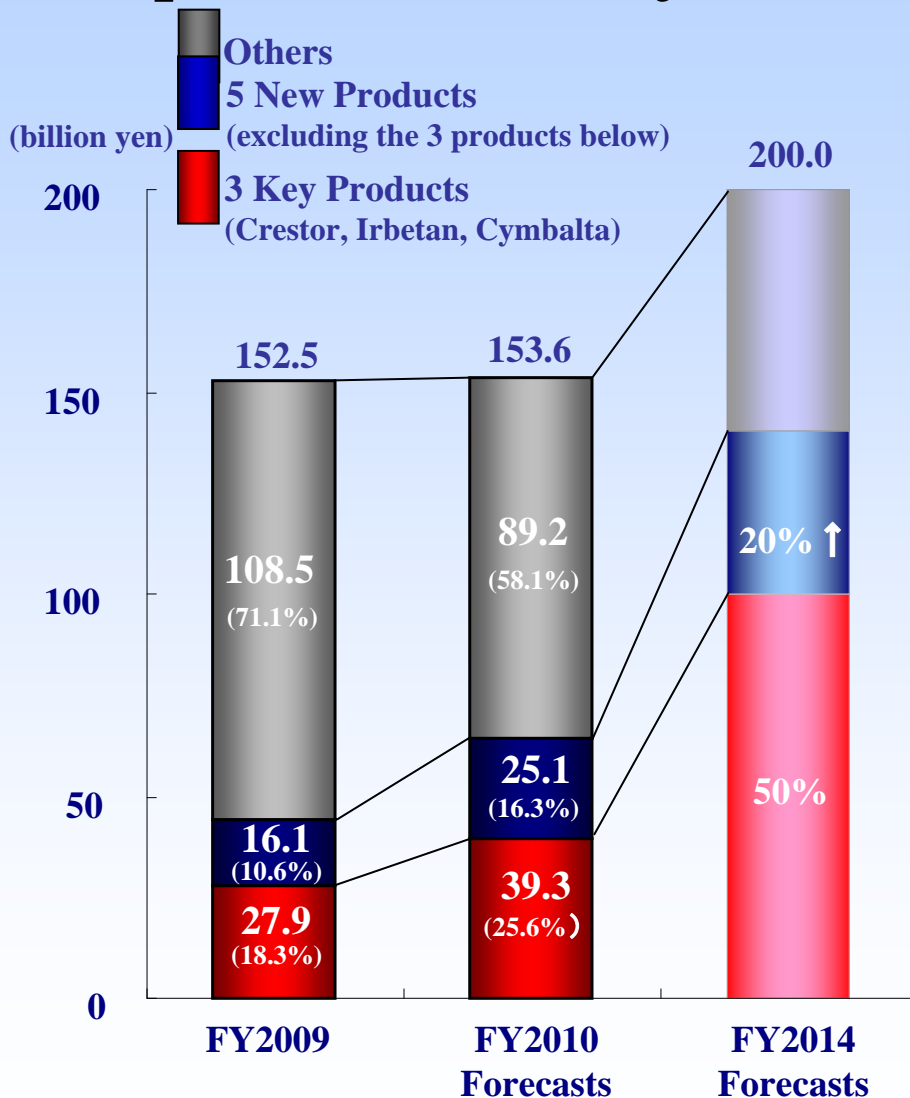
## *Sales by Segments (Consolidated)*

(Units: billion yen)

	FY2010 Forecasts	FY2009 Results	Y on Y Change (%)	Y on Y Change
<b>Prescription drugs</b>	<b>153.6</b>	<b>152.5</b>	<b>0.7</b>	<b>1.1</b>
Crestor	30.0	24.2	24.1	5.8
Irbetan	8.3	3.8	120.7	4.5
Cymbalta	1.0	-	-	1.0
<b>Total of 3 key products</b>	<b>39.3</b>	<b>27.9</b>	<b>40.7</b>	<b>11.4</b>
OxyContin	9.5	8.5	11.7	1.0
Finibax	4.3	3.4	28.0	0.9
Differin	3.9	2.2	79.1	1.7
Pirespa	3.4	1.5	123.2	1.9
Rapiacta	4.0	0.6	627.2	3.4
<b>Total of 5 new products</b>	<b>25.1</b>	<b>16.1</b>	<b>55.7</b>	<b>8.9</b>
Flomox	19.0	24.0	(20.8)	(5.0)
Rinderon	8.9	9.5	(6.0)	(0.6)
Claritin	8.1	9.0	(10.3)	(0.9)
Flumarin	6.6	8.7	(24.1)	(2.1)
Vancomycin	3.9	6.1	(36.5)	(2.2)
Imunace	3.7	4.6	(19.4)	(0.9)
<b>Export/Overseas operating</b>	<b>61.6</b>	<b>49.1</b>	<b>25.5</b>	<b>12.5</b>
Shionogi Pharma, Inc.	51.3	38.6	32.8	12.7
Doripenem	5.4	5.2	3.1	0.2
<b>Contract manufacturing</b>	<b>2.5</b>	<b>7.4</b>	<b>(66.3)</b>	<b>(4.9)</b>
<b>OTC and quasi-drugs</b>	<b>5.5</b>	<b>5.4</b>	<b>1.1</b>	<b>0.1</b>
<b>Diagnostics</b>	<b>2.8</b>	<b>2.9</b>	<b>(4.9)</b>	<b>(0.1)</b>
<b>Royalty income</b>	<b>66.0</b>	<b>57.0</b>	<b>15.8</b>	<b>9.0</b>
Crestor	63.5	50.0	27.0	13.5
<b>Others</b>	<b>3.0</b>	<b>4.1</b>	<b>(26.2)</b>	<b>(1.1)</b>
<b>Total</b>	<b>295.0</b>	<b>278.5</b>	<b>5.9</b>	<b>16.5</b>

Due to change in the accounting periods, forecasts in FY2010 include 15 months for the U.S. subsidiaries.

## *Expand the Sales of 8 New Products*



## FY2010 Strategy for the 3 Key Products

### ➤ Crestor

- Strengthen the promotion of the efficient plaque regression based on JUPITER/COSMOS studies
- Promote the regression effect of arteriosclerosis related to improvement of LDL-C/HDL-C ratio

### ➤ Irbetan

- Enhance positioning as the best ARB for hypertensive patients with metabolic syndromes, which is increasing among the Japanese population
- Differentiate it as the new-generation ARB which meets guidelines for hypertension treatment

### ➤ Cymbalta

- Position as the first-line drug for the treatment of depression to doctors of psychiatry or psychosomatic medicine
- Appeal the dual-active SNRI which affects the reuptake processes of serotonin and noradrenalin



## Statements of Operating Income (Consolidated)

(Units: billion yen)

	FY2010 Forecasts	FY2009 Results	Y on Y Change (%)	Y on Y Change
Sales [Royalty]	295.0 [66.0]	278.5 [57.0]	5.9 [15.8]	16.5 [9.0]
Cost of sales	25.0 (32.2) 73.7	27.4 (34.4) 76.2	(3.4)	(2.5)
Gross profit	221.3	202.2	9.4	19.1
SG&A expenses	54.3 160.3	53.8 149.8	7.0	10.5
Selling&general expenses	106.0	97.9	8.2	8.1
R&D expenses	54.3	51.8	4.8	2.5
Operating income	20.7 61.0	18.8 52.4	16.3	8.6

Due to change in the accounting periods, forecasts in FY2010 include 15 months for the U.S. subsidiaries.



## *Strategy and Sales Forecasts of FY2010 in Each Therapeutic Area of Shionogi Pharma*

Therapeutic Areas	Executing Growth Strategy in FY2010	Sales (\$M)	
		FY2009 Results	FY2010 Forecasts
Cardio/ Diabetes	<ul style="list-style-type: none"> <li>● Grow Nitrolingual<sup>®</sup> Pumpspray (Angina), Fenoglide<sup>®</sup> (Mixed Dyslipidemia), Prandin<sup>®</sup> (Type 2 Diabetes), and maintain sales of Fortamet<sup>®</sup> (Type 2 Diabetes)</li> </ul>	243	300
Women's Health	<ul style="list-style-type: none"> <li>● Expand sales of the Prenate Family through the launch of Prenate<sup>®</sup> Essential<sup>™</sup> and other formulations</li> </ul>	74	106
Pediatrics	<ul style="list-style-type: none"> <li>● Expand the sales of Orapred ODT<sup>®</sup> (Asthma) and Ulesfia<sup>™</sup> (Head Lice)</li> <li>● Launch of Adrenaclick<sup>™</sup> (Anaphylaxis), Clonidine HCL (ADHD) and Glycopyrrolate (Chronic Pediatric Drooling)</li> </ul>	96	164
<b>Total</b>		<b>413</b>	<b>570</b>

1. Due to change in the accounting periods, forecasts in FY2010 include 15 months.
2. Forecasts for FY2010 do not include the impact of the recently passed U.S Health Care Reform law





# *Approach to Control Budget*

## <Sales Plan>

- Discuss progress and feasibility of the monthly sales plans among each Sales, Corporate Planning and Financial & Accounting Departments
- Revise sales plans by considering the fluctuation of sales forecasts associated with market environment changes

## <Management of the Shionogi Pharma-Centered Subsidiaries >

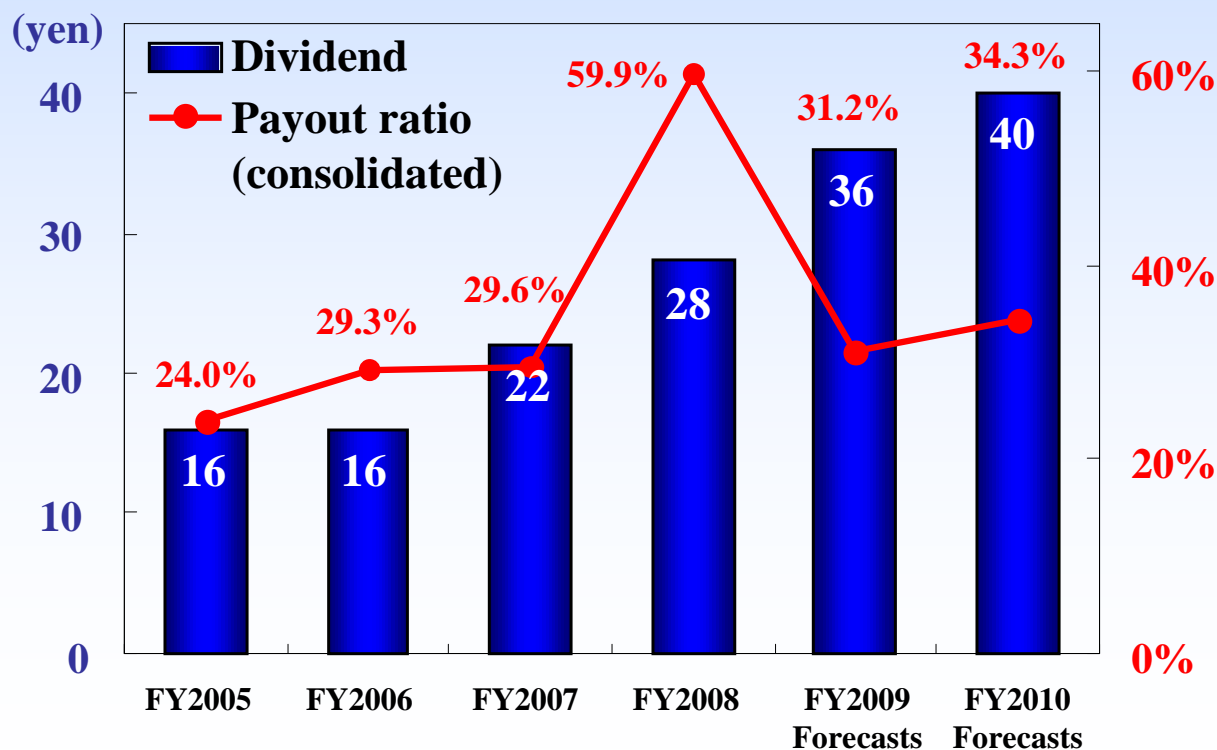
- Make the U.S. operations more efficient by operating Shionogi Pharma and Shionogi USA as one functional unit and consistently review their performance
- Promote efficient and transparent operations in the domestic subsidiaries by utilizing the SHARED SERVICE focused on financial & accounting

## <Cost Management>

- Clarify the emphasis on profit in the performance evaluation of each department
- Tighten budget controls. Discuss monthly progress with Sales, Corporate Planning and Financial & Accounting Departments, and reducing budget costs in some cases
- Establish a plan to control the budget properly that incorporates work restructuring and the improvement of corporate culture

## *Dividend Policy*

- Steadily raise the consolidated payout ratio
- FY2009 forecasts: **36 yen per share** as planned
- FY2010 forecasts: **40 yen per share**



# *Pipeline*

### *Change of Phases*

#### ◆ Newly Launched

- April 2010; Cymbalta<sup>®</sup> (Duloxetine): Depression

#### ◆ New Drug Application

- February 2010; Rapiacta<sup>®</sup> (Peramivir): Influenza infection for children
- March 2010; Finibax<sup>®</sup>: Serious infection, additional new dosage regimen (1g x 3 times per day)

#### ◆ Change of Phases

- S-707106 (Insulin sensitizer): Type 2 diabetes
  - Started Phase I in the U.S.
- S-222611 (Her2/EGFR dual inhibitor): Malignant tumor
  - Started Phase Ib in the Europe
- S-297995 (Peripheral opioid receptor antagonist):  
Alleviation opioid-induced adverse effect
  - Started Phase IIa in the U.S.

## *Added Developmental Compound and Discontinued Development*

### ◆ Newly Added Developmental Compound

#### ● S-474474

(Oral combination drug of angiotensin receptor antagonist and thiazide diuretic): Hypertension

➤ Started Phase III in Japan

### ◆ Discontinued Development

● S-013420 (Novel macrolide antibiotic: Bacterial Infection)

● NS75B (GnRH antagonist: Benign prostatic hypertrophy)

● S-0139 (Endothelin A receptor antagonist: Cerebrovascular diseases)

## *Update of Shionogi Pharma's Pipeline*

### ◆ Newly launched

● April 2010; Prenate<sup>®</sup> Essential<sup>™</sup>: Prenatal vitamin

### ◆ Newly Added Developmental Compound

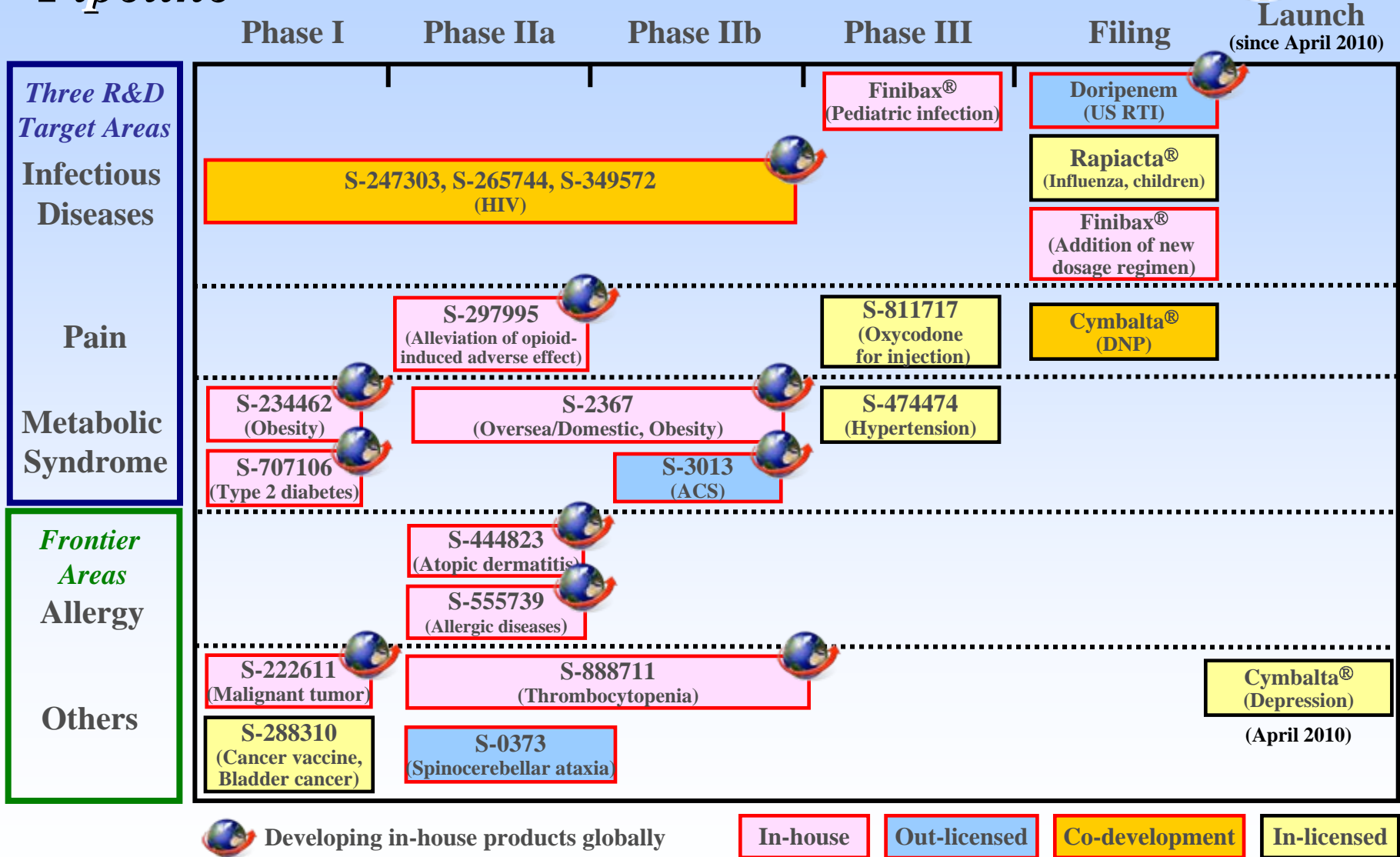
● Ospemifene: Post-menopausal vaginal atrophy

➤ Completed Phase III

# Pipeline (As of May 2010)



## Pipeline



## *Target Milestones for FY2010*

<b>Progress in global development products</b>	
<b>S-2367</b>	<b>Dosing in Phase II (used in combination with Orlistat) completed (U.S.) Dosing in two Phase II studies completed (Japan)</b>
<b>S-349572*</b>	<b>Phase IIb completed, Phase III initiated (U.S., EU etc.)</b>
<b>S-555739</b>	<b>Additional therapeutic exploratory study to be planned</b>
<b>S-444823</b>	<b>Phase IIa completed (Japan)</b>
<b>S-888711</b>	<b>Phase II to be initiated (except immune thrombocytopenia)</b>
<b>S-234462</b>	<b>Phase I completed, Phase II to be initiated (U.S.)</b>
<b>S-297995</b>	<b>Phase IIa completed (U.S.)</b>
<b>S-707106</b>	<b>Phase I completed, Phase IIa study to be initiated (U.S.)</b>
<b>S-288310</b>	<b>Phase I/II completed (Japan)</b>

\*: Developed by Shionogi-GSK



## Shionogi Pharma's Pipeline

