



1st Half of Fiscal 2010
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.**
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Overview of 1st Half FY2010

Financial Results

1st Half FY2010 Results

Financial Results (Consolidated)



(Units: billion yen)

<Consolidated>	1 st Half FY2010 Forecasts	1 st Half FY2010 Results	Achievement (%)	1 st Half FY2009 Results	Y on Y Change (%)	Change
Sales	142.8	143.3	100.4	132.6	8.1	10.7
Operating income	19.7	19.2	97.6	17.8	7.8	1.4
Ordinary income	18.7	17.6	94.6	16.3	7.9	1.3
Net income	11.0	6.8	62.4	11.5	(40.8)	(4.7)

Due to change in the accounting periods, 1st half results of FY2010 include 9 months from Jan.1 to Sep. 30 for the US subsidiaries.

1st Half FY2010 Results



Financial Position and Cash Flows (Consolidated)

(Units: billion yen)

<Financial position>	As of Sep. 30, 2010	As of Mar. 31, 2010	Change
Total assets	516.7	540.7	(24.0)
Net assets	326.3	341.9	(15.6)
Equity ratio (%)	63.1	63.2	(0.1)
Net assets per share (yen)	973	1,019	(46)

(Units: billion yen)

<Cash flows>	1 st Half FY2010 Results	1 st Half FY2009 Results	Change
Net cash provided by operating activities	30.9	20.6	10.3
Net cash provided by investing activities	(16.3)	(5.2)	(11.1)
Net cash provided by financing activities	(13.1)	8.0	(21.1)
Net increase (decrease)	(0.9)	23.7	(24.6)
Cash and cash equivalents at end of period	96.7	75.3	-

1st Half FY2010 Results



Sales by Segments (Consolidated)

(Units: billion yen)

	1 st Half FY2010 Forecasts	1 st Half FY2010 Results	Achievement (%)	1 st Half FY2009 Results	Y on Y Change (%)	Y on Y Change
Prescription drugs	74.9	75.1	100.3	74.7	0.6	0.4
Crestor	14.5	13.7	94.4	11.5	18.7	2.2
Irbetan	3.8	3.3	86.9	1.2	170.6	2.1
Cymbalta	0.8	0.9	110.9	-	-	0.9
Total of 3 strategic products	19.1	17.9	93.6	12.8	40.2	5.1
OxyContin	4.7	4.8	102.0	4.2	13.6	0.6
Finibax	2.1	1.8	85.8	1.8	2.8	0.0
Differin	1.9	1.5	76.8	1.0	43.5	0.5
Pirespa	1.4	1.3	89.6	0.6	107.5	0.7
Rapiacta	0.0	0.0	-	-	-	0.0
Total of 8 new products	29.2	27.2	93.1	20.3	33.6	6.9
Flomox	9.0	10.1	112.4	11.3	(10.5)	(1.2)
Rinderon	4.8	5.0	104.9	5.1	(1.9)	(0.1)
Flumarin	3.6	3.9	108.3	4.7	(17.0)	(0.8)
Claritin	3.4	3.1	90.2	3.4	(10.5)	(0.3)
Vancomycin	2.2	2.6	118.4	3.4	(24.3)	(0.8)
Export/Overseas subsidiaries	26.9	26.0	96.8	23.9	9.0	2.1
Shionogi Inc.	22.6	21.0	92.9	18.3	14.3	2.7
Doripenem	1.8	2.5	138.0	2.9	(14.6)	(0.4)
Contract manufacturing	1.5	1.8	121.7	3.4	(46.8)	(1.6)
OTC and quasi-drugs	2.9	2.8	97.9	3.0	(4.0)	(0.2)
Diagnostics	1.3	1.5	112.8	1.6	(6.1)	(0.1)
Royalty income	34.3	34.8	101.7	24.0	45.3	10.8
Crestor	32.5	32.8	100.8	22.5	45.3	10.3
Others	1.0	1.2	118.0	2.1	(43.7)	(0.9)
Total	142.8	143.3	100.4	132.6	8.1	10.7

1st Half FY2010 Results

Statements of Income (Non-Consolidated)



(Units: billion yen)

	1 st Half FY2010 Forecasts	1 st Half FY2010 Results	Achievement (%)	1 st Half FY2009 Results	Y on Y Change (%)	Y on Y Change
Sales	117.9	120.3	102.1	108.3	11.1	12.0
[Royalty income]	[34.3]	[34.8]	[101.7]	[24.0]	[45.3]	[10.8]
Cost of sales	27.7 (39.0) 32.6	28.0 (39.4) 33.7	103.4	29.5 (37.9) 32.0	5.3	1.7
Gross profit	85.3	86.6	101.6	76.3	13.5	10.3
SG&A expenses	49.7 58.6	49.7 59.7	102.0	54.9 59.4	0.5	0.3
Selling & general expenses	34.0	33.9	99.7	33.6	0.7	0.3
R&D expenses	24.6	25.8	105.1	25.8	0.2	0.0
Operating income	22.6 26.7	22.3 26.8	100.7	15.6 16.8	59.3	10.0

Small numbers in red are percentages of sales, and numbers in red provided in parentheses are percentages of royalty excluded sales.

1st Half FY2010 Results



Financial Results of US Operations

(Units: upper/million dollar,
lower/billion yen)

	1 st Half FY2010 Forecasts*	1 st Half FY2010 Results*	Achievement (%)	Jan.1-Mar.31 FY2010 Results	Apr.1-Jun.30 FY2010 Results	Jul.1-Sep.30 FY2010 Results
Sales	248 22.6	235 21.0	94.8 92.9	110 10.1	56 5.1	69 5.8
Cost of sales	53 4.8	56 5.0	105.7 104.2	18 1.6	23 2.1	15 1.3
SG&A expenses	222 20.3	214 19.1	96.4 94.1	76 7.0	83 7.6	54 4.6
Operating income	(27) (2.5)	(35) (3.2)	- -	16 1.5	(51) (4.6)	(1) (0.0)
Extra- ordinary loss	L 25 L 2.2	L 72 L 6.5	- -	- -	L 25 L 2.3	L 47 L 4.2

<Current Situation>

*: 9 months from Jan. 1 to Sep. 30

- Stabilize current P&L through review of product lineup and cost structure
 - Streamline product portfolio by reviewing product lineup and priority reassessment of clinical development
 - Reductions of field force in Primary Care and associated commercial and marketing personnel
 - Reductions of administrative and R&D personnel
- Incurred Extraordinary Loss
 - Personnel reduction expenses 3.3 billion yen (approx.)
 - Impairment loss on intangible assets of discontinued products 3.1 billion yen (approx.)

1st Half FY2010 Results

Statements of Income (Consolidated)



(Units: billion yen)

	1 st Half FY2010 Forecasts	1 st Half FY2010 Results	Achievement (%)	1 st Half FY2009 Results	Y on Y Change (%)	Y on Y Change
Sales	142.8	143.3	100.4	132.6	8.1	10.7
[Royalty income]	[34.3]	[34.8]	[101.7]	[24.0]	[45.3]	[10.8]
Cost of sales	26.2 (34.5) 37.4	27.2 (36.0) 39.0	104.4	27.8 (33.9) 36.8	6.0	2.2
Gross profit	105.4	104.3	99.0	95.7	8.9	8.6
SG&A expenses	60.0 85.7	59.3 85.0	99.3	58.8 77.9	9.2	7.1
Selling & general expenses	57.4	56.9	99.3	50.0	13.9	6.9
R&D expenses	28.3	28.0	99.3	27.9	0.6	0.1
Operating income	13.8 19.7	13.4 19.2	97.6	13.4 17.8	7.8	1.4

Small numbers in red are percentages of sales, and numbers in red provided in parentheses are percentages of royalty excluded sales.



Review of 1st Half FY2010

◆ Domestic sales (Prescription Drugs)

- Under the influence of average 6.1% NHI drug price reduction in FY2010, the sales of prescription drugs increased compared with previous fiscal year, and achieved 1st half forecast.
- Three and eight strategic products in all increased by 40.2% and 33.6% in year-on-year term respectively.

◆ US Operations

- Clarify leadership in US operations by the establishment of “Shionogi Inc.”, and speed up decision-making and achieve efficient operations
- Stabilize current P&L through review of product lineup and cost structure

◆ R&D/Licensing

- S-349572 (HIV infection): Reported good results in Phase IIb
- Aggressive licensing activities; agreement with Stallergenes SA about sublingual tablets of house-dust mite allergen extract for immunotherapy, and collaboration with GlaxoSmithKline about novel antibiotics targeting drug-resistant Gram-negative bacteria



FY2010 Financial Forecasts

FY2010 Financial Forecasts



Revision of FY2010 Financial Forecasts (Consolidated)

(Units: billion yen)

<Consolidated>	Original Forecasts	Revised Forecasts	Change from Original	FY2009 Results	Y on Y Change (%)	Change
Sales	290.0	283.0	(7.0)	278.5	1.6	4.5
Operating income	57.0	54.0	(3.0)	52.4	3.0	1.6
Ordinary income	55.0	51.5	(3.5)	50.5	1.9	1.0
Net income	36.0	30.0	(6.0)	38.6	(22.3)	(8.6)

Due to change in the accounting periods, FY2010 forecasts include 15 months from Jan. 1, 2010 to Mar. 30, 2011 for the US subsidiaries.

FY2010 Financial Forecasts



Revision of FY2010 Financial Forecasts (Sales by Segments)

(Units: billion yen)

	FY2010 Original	FY2010 Revised Forecasts	Change from Original	FY2009 Results	Y on Y Change (%)	Y on Y Change
Prescription drugs	155.2	155.4	0.2	152.5	1.9	2.9
Crestor	30.0	29.2	(0.8)	24.2	20.8	5.0
Irbetan	8.3	7.8	(0.5)	3.8	107.4	4.0
Cymbalta	1.8	2.6	0.8	-	-	2.6
Total of 3 strategic products	40.1	39.6	(0.5)	27.9	41.7	11.7
OxyContin	9.5	9.8	0.3	8.5	15.2	1.3
Finibax	4.3	4.0	(0.3)	3.4	19.1	0.6
Differin	3.9	3.0	(0.9)	2.2	37.8	0.8
Pirespa	3.4	3.0	(0.4)	1.5	97.0	1.5
Rapiacta	3.0	1.8	(1.2)	0.6	227.2	1.2
Total of 8 new products	64.2	61.2	(3.0)	44.1	38.9	17.1
Flomox	19.0	20.1	1.1	24.0	(16.2)	(3.9)
Rinderon	8.9	9.1	0.2	9.5	(3.9)	(0.4)
Claritin	8.1	8.2	0.1	9.0	(9.2)	(0.8)
Flumarin	6.6	6.9	0.3	8.7	(20.7)	(1.8)
Vancomycin	3.9	4.3	0.4	6.1	(30.0)	(1.8)
Export/Overseas subsidiaries	52.1	44.2	(7.9)	49.1	(9.9)	(4.9)
Shionogi Inc.	41.8	33.9	(7.9)	38.6	(12.3)	(4.7)
Doripenem	5.4	5.4	0.0	5.2	3.1	0.2
Contract manufacturing	3.1	3.4	0.3	7.4	(54.2)	(4.0)
OTC and quasi-drugs	5.5	5.5	0.0	5.4	1.1	0.1
Diagnostics	2.8	2.8	0.0	2.9	(4.9)	(0.1)
Royalty income	68.3	68.3	0.0	57.0	19.8	11.3
Crestor	65.5	63.5	(2.0)	50.0	27.0	13.5
Others	3.0	3.4	0.4	4.1	(16.4)	(0.7)
Total	290.0	283.0	(7.0)	278.5	1.6	4.5

FY2010 Financial Forecasts



Revision of FY2010 Financial Forecasts

(Statements of Income: Non-Consolidated)

(Units: billion yen)

	Original Forecasts	Revised Forecasts	Change from Original	FY2009 Results	Y on Y Change (%)	Change
Sales	243.5	244.0	0.5	228.5	6.7	15.5
[Royalty income]	[68.3]	[68.3]	[0.0]	[57.0]	[19.7]	[11.3]
Cost of sales	<small>27.6 (38.4)</small> 67.3	<small>27.7 (38.5)</small> 67.6	0.3	<small>28.6 (38.2)</small> 65.4	3.2	2.2
Gross profit	176.2	176.4	0.2	163.1	8.2	13.3
SG&A expenses	<small>47.6</small> 115.8	<small>47.5</small> 115.8	0.0	<small>49.8</small> 113.8	1.7	2.0
Selling & general expenses	67.8	67.8	0.0	67.0	1.1	0.8
R&D expenses	48.0	48.0	0.0	46.7	2.6	1.3
Operating income	<small>24.8</small> 60.4	<small>24.8</small> 60.6	0.2	<small>21.5</small> 49.2	23.0	11.4

Small numbers in red are percentages of sales, and numbers in red provided in parentheses are percentages of royalty excluded sales.

FY2010 Financial Forecasts



Next Actions and Forecasts of US Operations (Units: upper/million dollar, lower/billion yen)

	FY2010 Original Forecasts	FY2010 Revised Forecasts	Change from Original	1 st Half FY2010 Results*	2 nd Half FY2010 Revised Forecasts
Sales	460 41.8	395 33.9	(65) (7.9)	235 21.0	160 12.9
Cost of sales	80 7.3	83 7.2	3 (0.1)	56 5.0	27 2.1
SG&A expenses	352 32.0	327 28.1	(25) (3.9)	214 19.1	113 9.0
Operating income	28 2.5	(15) (1.3)	(43) (3.8)	(35) (3.2)	20 1.8
Extra-ordinary loss	L 25 L 2.2	L 140 L 12.0	(115) (9.8)	L 72 L 6.5	L 68 L 5.6

*: 9 months from Jan. 1 to Sep. 30

- **Measures to further streamline and stabilize US operations**
 - Enhance organizational efficiencies by further consolidation of US operations to New Jersey headquarters
 - Improvement of quality processes associated with contract manufacturers
 - Aggressive license activities to strengthen product portfolio
- **Anticipation of extraordinary loss**
 - Expenses on integration of business locations 1.4 billion yen (approx.)
 - Impairment loss on intangible assets of pre-determinate discontinued products coming in 2H 4.2 billion yen (approx.)
- **Accelerate steady growth by speed-up of clinical development and licensing-in**

FY2010 Financial Forecasts



Revision of FY2010 Financial Forecasts

(Statements of Income: Consolidated)

(Units: billion yen)

	Original Forecasts	Revised Forecasts	Change from Original	FY2009 Results	Y on Y Change (%)	Change
Sales	290.0	283.0	(7.0)	278.5	1.6	4.5
[Royalty income]	[68.3]	[68.3]	[0.0]	[57.0]	[19.8]	[11.3]
Cost of sales	<small>26.4 (34.5)</small> 76.5	<small>27.0 (35.5)</small> 76.3	(0.2)	<small>27.4 (34.4)</small> 76.2	0.0	0.1
Gross profit	213.5	206.7	(6.8)	202.2	2.2	4.5
SG&A expenses	<small>54.0</small> 156.5	<small>54.0</small> 152.7	(3.8)	<small>53.8</small> 149.8	1.9	2.9
Selling & general expenses	102.2	99.2	(3.0)	97.9	1.2	1.3
R&D expenses	54.3	53.5	(0.8)	51.8	3.3	1.7
Operating income	<small>19.7</small> 57.0	<small>19.1</small> 54.0	(3.0)	<small>18.8</small> 52.4	3.0	1.6

Small numbers in red are percentages of sales, and numbers in red provided in parentheses are percentages of royalty excluded sales.

Dividend



Dividend Forecast

	Dividends per Share		
	Half-year	Year-end	Annual
	Yen	Yen (Forecasts)	Yen (Forecasts)
FY2010	20 . 00	20 . 00	40 . 00
FY2009	18 . 00	18 . 00	36 . 00