



*3rd Quarter of Fiscal 2010
Financial Results
Conference Call*

January 31, 2011





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.

Overview of 3rd Quarter FY2010 Financial Results

3rd Quarter FY2010 Results



Financial Results

(Units: billion yen)

<Consolidated>	FY2010 Forecasts	Apr.-Dec. FY2010 Results	Progress (%)	Apr.-Dec. FY2009 Results	Y on Y Change (%)	Change
Sales	283.0	217.2	76.8	206.4	5.2	10.8
Operating income	54.0	35.7	66.1	35.0	1.9	0.7
Ordinary income	51.5	33.7	65.5	33.3	1.0	0.4
Net income	30.0	13.5	45.1	25.5	(47.0)	(12.0)

<Non-consolidated>	FY2010 Forecasts	Apr.-Dec. FY2010 Results	Progress (%)	Apr.-Dec. FY2009 Results	Y on Y Change (%)	Change
Sales	244.0	187.4	76.8	169.4	10.7	18.0
Operating income	60.6	44.5	73.5	32.4	37.2	12.1
Ordinary income	59.6	43.9	73.7	32.4	35.3	11.5
Net income	45.3	29.4	64.9	24.8	18.3	4.6

Due to change in the accounting periods, Apr.-Dec. results of FY2010 include 12 months from Jan. to Dec. for the US subsidiaries.

3rd Quarter FY2010 Results



Financial Position and Cash Flows (Consolidated)

(Units: billion yen)

<Financial position>	As of Dec. 31, 2010	As of Mar. 31, 2010	Change
Total assets	505.6	540.7	(35.1)
Net assets	322.6	341.9	(19.3)
Equity ratio (%)	63.8	63.2	0.6
Net assets per share (yen)	963	1,019	(56)

<Cash flows>	Apr.-Dec. FY2010	Apr.-Dec. FY2009	Change
Net cash provided by operating activities	34.0	32.5	1.5
Net cash provided by investing activities	(16.5)	(7.6)	(8.9)
Net cash provided by financing activities	(20.4)	1.3	(21.7)
Net increase (decrease)	(5.6)	25.4	(31.0)
Cash and cash equivalents at end of period	91.9	76.9	-

3rd Quarter FY2010 Results



Sales by Segments (Consolidated)

(Units: billion yen)

	2 nd half FY2010 Forecasts	Oct.-Dec. FY2010 Results	Progress (%)	Oct.-Dec. FY2009 Results	Y on Y Change (%)	Apr.-Dec. FY2010 Results	Apr.-Dec. FY2009 Results	Y on Y Change (%)
Prescription drugs	80.3	43.9	54.6	42.4	3.3	119.0	117.1	1.6
Crestor	15.5	8.4	53.9	6.9	21.0	22.0	18.4	19.6
Irbetan	4.5	2.2	48.2	1.2	75.0	5.5	2.5	122.4
Cymbalta	1.7	0.9	51.7	-	-	1.8	-	-
Total of 3 strategic products	21.7	11.4	52.6	8.2	40.1	29.3	20.9	40.1
OxyContin	5.0	2.7	54.0	2.5	7.7	7.5	6.7	11.4
Finibax	2.2	1.0	43.5	0.8	18.1	2.8	2.6	7.6
Differin	1.5	1.0	62.0	0.6	54.4	2.4	1.6	47.6
Pirespa	1.7	0.8	46.0	0.4	79.7	2.1	1.1	95.7
Rapiacta	1.8	(0.3)	-	-	-	(0.3)	-	-
Total of 8 new products	34.0	16.6	48.7	12.5	32.1	43.7	32.8	33.0
Flomox	10.0	6.6	65.7	7.9	(16.6)	16.7	19.2	(13.0)
Rinderon	4.1	2.3	57.2	2.3	(0.5)	7.4	7.5	(1.5)
Flumarin	3.0	2.1	68.4	2.3	(9.9)	6.0	7.0	(14.7)
Claritin	5.1	2.2	43.5	2.0	9.1	5.3	5.5	(3.2)
Vancomycin	1.7	1.4	80.9	1.5	(6.9)	4.0	4.9	(19.1)
Export/Overseas subsidiaries	18.2	8.7	47.8	12.7	(31.5)	34.7	36.5	(5.1)
Shionogi Inc.	12.9	5.6	43.5	9.9	(43.5)	26.6	28.3	(6.0)
Doripenem	2.9	1.7	58.5	1.3	35.8	4.2	4.2	0.6
Contract manufacturing	1.6	1.9	119.1	1.9	0.3	3.7	5.3	(30.2)
OTC and quasi-drugs	2.7	1.3	49.3	1.4	(3.4)	4.2	4.3	(3.8)
Diagnostics	1.3	0.7	50.9	0.6	7.5	2.1	2.1	(2.2)
Royalty income	33.5	16.7	50.2	13.8	21.5	51.6	37.8	36.6
Crestor	30.7	15.2	49.4	13.2	15.1	48.0	35.7	34.2
Others	2.2	0.7	33.2	1.0	(28.7)	1.9	3.1	(38.8)
Total	139.7	73.9	52.9	73.8	0.1	217.2	206.4	5.2

3rd Quarter FY2010 Results

Statements of Income (Consolidated)



(Units: billion yen)

	2 nd half FY2010 Forecasts	Oct.-Dec. FY2010 Results	Progress (%)	Oct.-Dec. FY2009 Results	Y on Y Change (%)	Apr.-Dec. FY2010 Results	Apr.-Dec. FY2009 Results	Y on Y Change (%)
Sales	139.6	73.9	52.9	73.8	0.1	217.2	206.4	5.2
[Royalty income]	[33.4]	[16.7]	[50.2]	[13.8]	[21.5]	[51.6]	[37.8]	[36.6]
Cost of sales	26.7 (35.1) 37.2	29.6 (38.3) 21.9		27.5 (33.8) 20.2		28.1 (36.8) 60.9	27.7 (33.9) 57.1	
Gross profit	102.3	52.0	50.8	53.5	(2.9)	156.3	149.3	4.7
SG&A expenses	48.4 67.6	48.1 35.5	52.5	49.3 36.3	(2.3)	55.5 120.6	55.4 114.2	5.5
Selling & general expenses	42.2	24.5	58.1	23.8	3.1	81.5	73.8	10.4
R&D expenses	25.4	10.9	43.2	12.5	(12.5)	39.1	40.4	(3.4)
Operating income	24.9 34.7	22.3 16.4	47.4	23.3 17.1	(4.1)	16.4 35.7	17.0 35.0	1.9

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

3rd Quarter FY2010 Results



Financial Results of US Operations

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

	2 nd Half FY2010 Forecasts	Oct.-Dec. FY2010 Results	Progress (%)	Jan.-Mar. FY2010 Results	Apr.-Jun. FY2010 Results	Jul.-Sep. FY2010 Results
Sales	160 12.9	68 5.6	42.5	110 10.1	56 5.1	69 5.8
Cost of sales	27 2.1	12 1.0	44.4	18 1.6	23 2.1	15 1.3
SG&A expenses	113 9.0	55 4.5	48.6	76 7.0	83 7.6	54 4.6
Operating income	20 1.8	1 0.1	5.0	16 1.5	(51) (4.6)	(1) (0)
Extraordinary loss	L 68 L 5.6	L 62 L 5.4	-	- -	L 25 L 2.3	L 47 L 4.2

<Current Situation>

- Returns or delayed delivery by quality issues of some products and recall expenses
- Incurred extraordinary loss in the 3rd Quarter of Fiscal 2010
 - Impairment loss on intangible assets of discontinued products : 4.2 billion yen
 - Improvement expenses of business structure : 0.8 billion yen
 - Recall expenses : 0.3 billion yen

FY2010 Financial Forecasts

FY2010 Financial Forecasts

FY2010 Financial Forecasts



(Units: billion yen)

<Consolidated>	FY2010 Forecasts	FY2009 Results	Y on Y Change (%)	Change
Sales	283.0	278.5	1.6	4.5
Operating income	54.0	52.4	3.0	1.6
Ordinary income	51.5	50.5	1.9	1.0
Net income	30.0	38.6	(22.3)	(8.6)

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

FY2010 Financial Forecasts



Revised Forecasts and Next Actions of US Operations

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

	Original Forecasts	Revised Forecasts	Change from Original	1 st Half FY2010 Results*	2 nd Half FY2010 Revised Forecasts
Sales	395 33.9	382 32.9	(13) (1.0)	235 21.0	147 11.9
Cost of sales	83 7.2	82 7.1	(1) (0.1)	56 5.0	26 2.1
SG&A expenses	327 28.1	324 27.9	(3) (0.2)	214 19.1	110 8.8
Operating income	(15) (1.3)	(24) (2.1)	(9) (0.8)	(35) (3.2)	11 1.1
Extraordinary loss	L 140 L 12.0	L 144 L 12.4	L 4 L 0.4	L 72 L 6.5	L 72 L 5.9

<Actions>

*: 9 months from Jan. to Sep.

- Ongoing activities for more effective and stable US operations
 - Further consolidation of US operations to New Jersey headquarters for the new administrative structure from next April (Facilities in Georgia will be closed next June except for the Distribution Center)
 - Improvement of collaboration between Japan and the United States to address frequent quality issues in manufacturing
 - Consolidating the management of the developing pipelines between Japan and the United States
 - Aggressive license activities continued to strengthen product portfolio
- Anticipation of extraordinary loss in the second half of FY2010
 - Impairment loss on intangible assets of pre-determinate discontinued products : 4.2 billion yen
 - Improvement expenses of business structure : 1.4 billion yen
 - Recall expenses : 0.3 billion yen

Pipeline

Pipeline (since November 2010)



Progress of Developmental Compounds

◆ New Launch

- **KAPVAY™ (Clonidine HCL, Alpha 2 specific adrenergic agonist, Oral): ADHD, Pediatric**
 - **USA: Launched January 2011**
 - **The first and only FDA-approved ADHD treatment indicated for use as add-on therapy to stimulant medication, in addition to use as mono-therapy**

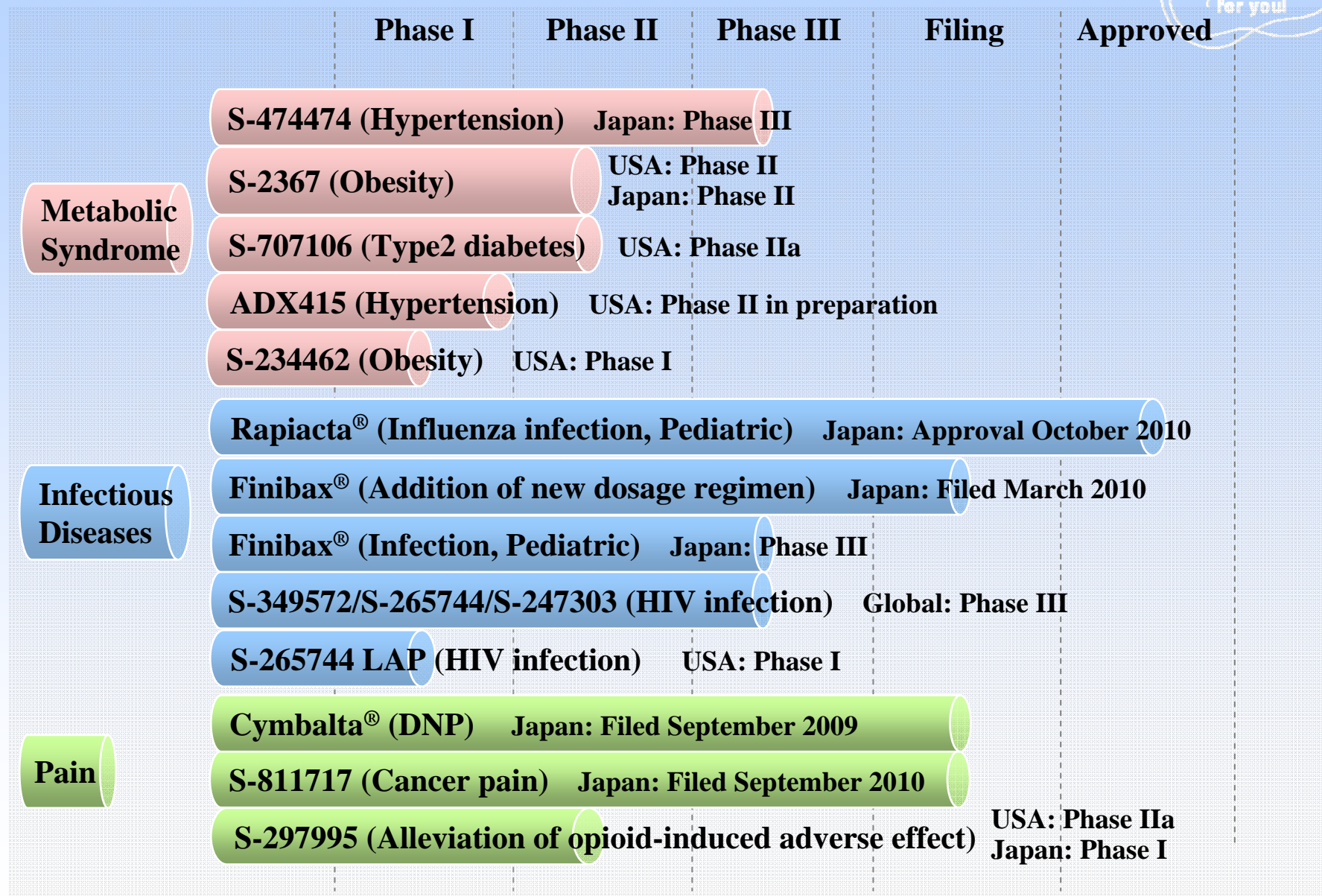
◆ Change of Phases in Clinical Studies

- **S-888711 (Small molecule TPO mimetic, Oral): Thrombocytopenia**
 - **Japan: Phase IIa**
- **S-488410 (Peptide cancer vaccine, Injection): Esophageal cancer**
 - **Japan: Phase I/II**

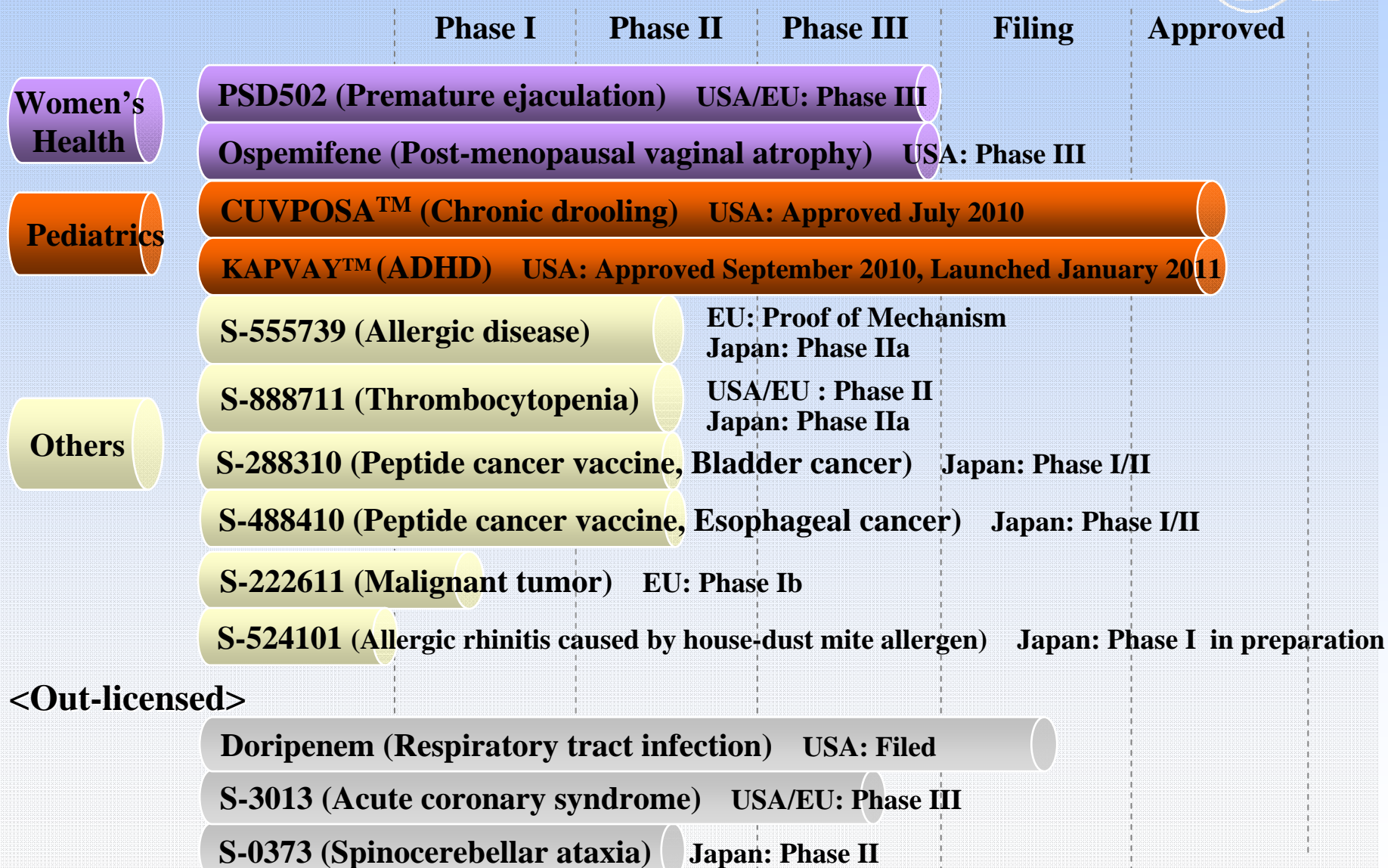
License Agreements

- ◆ **Peptide vaccines for the treatment of ophthalmic disease**
 - Licensed from OncoTherapy Science, Inc.
 - Global exclusive right to develop, manufacture and commercialize
 - Ophthalmologic disease of the retina resulted by abnormal blood vessel growth (pathological angiogenesis) including age-related macular degeneration
 - The peptide vaccine is expected to prevent and reverse vision loss by activating the immune system which leads to specifically inhibit vessel endothelial cells for pathological angiogenesis.
- ◆ **NF- κ B Decoy Oligodeoxynucleotide**
 - Licensed from AnGes MG, Inc.
 - Collaborative research and development and exclusive rights to globally commercialize
 - Atopic dermatitis and other skin disorders
 - NF- κ B decoy oligodeoxynucleotide binds to NF- κ B by pretending the genome region to which original NF- κ B should bind. As a result, the transcription process causing dermatitis could be inhibited. NF- κ B decoy oligodeoxynucleotide is expected to be a new treatment option of different mechanism of action for atopic dermatitis.

Pipeline (as of January 2011)



Pipeline (as of January 2011)



End of File