



Fiscal 2010 Financial Results

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Forward-Looking Statements

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Overview of FY2010 Results

FY2010 Results



Financial Results (Consolidated)

(Units: billion yen)

<Consolidated>	FY2010 Forecasts	FY2010 Results	Achievement (%)	Forecasting Variance	FY2009 Results	Y on Y Change (%)	Y on Y Change
Sales	283.0	282.3	99.8	(0.7)	278.5	1.4	3.8
Operating income	54.0	46.8	86.8	(7.2)	52.4	(10.6)	(5.6)
Ordinary income	51.5	45.1	87.7	(6.4)	50.5	(10.6)	(5.4)
Net income	30.0	20.0	66.8	(10.0)	38.6	(48.2)	(18.6)

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

FY2010 Results



Financial Position and Cash Flows (Consolidated)

(* Units: billion yen)

<Financial position>	3/31/2011	3/31/2010	Y on Y Change
Total assets*	523.2	540.7	(17.5)
Net assets*	328.0	341.9	(13.9)
Equity ratio (%)	62.7	63.2	(0.5)
Net assets per share (yen)	979	1,019	(40)

(Units: billion yen)

<Cash flows>	FY2010 Results	FY2009 Results	Y on Y Change
Net cash provided by operating activities	56.5	52.9	3.6
Net cash provided by investing activities	(13.9)	(0.8)	(13.1)
Net cash provided by financing activities	(27.0)	(4.9)	(22.1)
Net increase (decrease)	13.0	46.1	(33.1)
Cash and cash equivalents at end of period	110.6	97.6	13.0

FY2010 Results



Sales by Segments (Consolidated)

(Units: billion yen)

	FY2010 Forecasts	FY2010 Results	Achievement (%)	Forecasting Variance	FY2009 Results	Y on Y Change (%)	Y on Y Change
Prescription drugs	155.4	158.9	102.3	3.5	152.5	4.2	6.4
Crestor	29.2	29.0	99.2	(0.2)	24.2	19.8	4.8
Irbetan	7.8	7.3	93.1	(0.5)	3.8	93.2	3.5
Cymbalta	2.6	2.7	102.3	0.1	—	—	2.7
Total of 3 key products	39.6	38.9	98.2	(0.7)	27.9	39.2	11.0
OxyContin	9.8	9.6	98.3	(0.2)	8.5	13.2	1.1
Finibax	4.0	3.6	89.1	(0.4)	3.4	6.0	0.2
Differin	3.0	3.2	106.3	0.2	2.2	46.4	1.0
Pirespa	3.0	2.8	91.8	(0.2)	1.5	80.9	1.3
Rapiacta	1.8	0.3	15.6	(1.5)	0.6	(49.1)	(0.3)
Total of 8 strategic products	61.2	58.3	95.3	(2.9)	44.1	32.3	14.2
Flomox	20.1	21.9	108.9	1.8	24.0	(8.8)	(2.1)
Claritin	8.2	10.0	121.7	1.8	9.0	10.5	1.0
Rinderon	9.1	9.5	104.6	0.4	9.5	0.5	0
Flumarin	6.9	7.5	109.0	0.6	8.7	(13.6)	(1.2)
Export/Overseas subsidiaries	43.2	37.4	86.6	(5.8)	49.1	(23.7)	(11.7)
Shionogi Inc.	32.9	27.0	82.2	(5.9)	38.6	(30.0)	(11.6)
Doripenem	5.4	4.7	86.6	(0.7)	5.2	(10.7)	(0.5)
Contract manufacturing	4.4	5.4	123.0	1.0	7.4	(27.1)	(2.0)
OTC and quasi-drugs	5.5	5.2	94.1	(0.3)	5.4	(4.9)	(0.2)
Diagnostics	2.8	2.9	102.1	0.1	2.9	(2.9)	(0)
Royalty income	68.3	68.9	100.9	0.6	57.0	20.9	11.9
Crestor	63.5	64.2	101.2	0.7	50.0	28.5	14.2
Others	3.4	3.6	107.0	0.2	4.1	(10.5)	(0.5)
Total	283.0	282.3	99.8	(0.7)	278.5	1.4	3.8

FY2010 Results



Statements of Income (Consolidated)

(Units: billion yen)

	FY2010 Forecasts	FY2010 Results	Achievement (%)	Forecasting Variance	FY2009 Results	Y on Y Change (%)	Y on Y Change
Sales	283.0	282.3	99.8	(0.7)	278.5	1.4	3.8
[Royalty income]	[68.3]	[68.9]	[100.9]	[0.6]	[57.0]	[20.9]	[11.9]
Cost of sales	27.0 [35.5] 76.3	28.9 [38.3] 81.7	107.1	5.4	27.4 [34.4] 76.2	7.2	5.5
Gross profit	206.7	200.6	97.1	(6.1)	202.2	(0.8)	(1.6)
SG&A expenses	54.0 152.7	54.4 153.7	100.7	1.0	53.8 149.8	2.6	3.9
Selling & general expenses	99.2	102.8	103.6	3.6	97.9	4.9	4.9
R&D expenses	53.5	50.9	95.2	(2.6)	51.8	(1.7)	(0.9)
Operating income	19.1 54.0	16.6 46.8	86.8	(7.2)	18.8 52.4	(10.6)	(5.6)
Non-operating income and expenses	L2.5	L1.7		0.8	L1.9		
Ordinary income	18.2 51.5	16.0 45.1	87.7	(6.4)	18.1 50.5	(10.6)	(5.4)
Extraordinary income and loss	L4.2	L12.0		(7.8)	P8.0		
Income before income taxes	47.3	33.1		(14.2)	58.5		
Total income taxes	17.3	13.1	75.8	(4.2)	19.9	(34.2)	(6.8)
Net income	30.0	20.0	66.8	(10.0)	38.6	(48.2)	(18.6)

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

FY2010 Results



Financial Results of U.S. Operations (Shionogi Inc.)

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

	FY2010 Forecasts	FY2010 Results	Achievement (%)	Forecasting Variance	FY2010 Results *				
					Jan-Mar 2010	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar 2011
Sales	382 32.9	312 27.0	81.7	(70) (5.9)	110 10.1	56 5.1	69 5.8	68 5.6	9 0.4
Cost of sales	82 7.1	79 6.8	96.3	(3) (0.3)	18 1.6	23 2.1	15 1.3	12 1.0	10 0.8
SG&A expenses	324 27.9	312 27.0	96.2	(12) (0.8)	76 7.0	83 7.6	54 4.6	55 4.5	44 3.5
Operating income	(24) (2.1)	(80) (6.9)	—	(56) (4.8)	16 1.5	(51) (4.6)	(1) (0)	1 0.1	(46) (3.9)
Extraordinary loss	L144 L12.4	L173 L15.0	—	(29) (2.6)	— —	L25 L2.3	L47 L4.2	L62 L5.4	L38 L3.2

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

<Reasons for business under performance from Jan. to Mar. 2011>

- Decrease of sales due to termination of marketing agreement of some primary care products
- Increase of allowance for the revenue deductions
- Additional extraordinary loss of about 1.8 billion yen relating to collection uncertainties in addition to anticipated business restructuring costs and impairment loss



Difference between Forecasts and Results

(Units: billion yen)

Sales: (0.7) Forecast 283.0 / Result 282.3

- **Prescription drugs (Japan):** + 3.5
- **Shionogi Inc.:** (5.9)
- **Contract manufacturing:** + 1.0 - Increased costs for Cymbalta etc.
- **Royalty income:** + 0.6
- **Other departments:** + 0.1

Operating income: (7.2) Forecast 54.0 / Result 46.8

- **Decrease in gross profit:** (6.1) - Increased cost to sales ratio
 - Decreased sales in Shionogi Inc.
 - Delays in reducing cost of sales
 - Impact of the earthquake
- **Increase in SG&A expenses:** + 1.0
 - **Selling & general expenses:** + 3.6 - Increased selling cost and delays in cost reductions
 - **R&D expenses:** (2.6) - Reduced development costs in Shionogi Inc.

Note: As the described numerical value is rounded, the total value might not agree with the sum of individual numerical values.



Difference between Forecasts and Results

(Units: billion yen)

Net income: (10.0) Forecast 30.0 / Result 20.0

● Extraordinary income:	+ 6.2	
➤ Sales of idle real estate and investment securities:	+ 5.7	
➤ Others:	+ 0.5	
● Extraordinary loss:	(18.3)	
➤ Impact of the Great Eastern Japan Earthquake:	(3.0)	
➤ Impairment loss:	(7.3)	- Intangible assets related to discontinued products in Shionogi Inc.
➤ Business structure improvement expenses:	(4.8)	- Consolidation of U.S. operations in New Jersey
➤ Collection uncertainties:	(1.8)	- Shionogi Inc.
➤ Cost for recall:	(0.5)	- Shionogi Inc.
➤ Others:	(0.8)	

Note: As the described numerical value is rounded, the total value might not agree with the sum of individual numerical values.



Review of FY2010 Results

◆ Japanese domestic sales (prescription drugs)

- Robust sales increase of 4.2% compared with FY2009 results despite the reduction in NHI drug prices
- Increase of 32.3% year on year in the sales of 8 strategic products as a result of increased focus

◆ Crestor royalty

- Vigorous growth of 28.5% year on year as a result of global sales expansion

◆ Shionogi Inc.

- Decreased sales due to increased generic competition and deductions for non-promoted primary care products
- Stabilize financial results of U.S. operations in FY2011 and beyond aided by the adoption of more conservative accounting procedures
- U.S. operations are now managed by tightly integrated and highly committed Japanese and U.S. management teams, after difficulties in the integration process from Atlanta into New Jersey

FY2011 Financial Forecasts

FY2011 Forecasts



Financial Forecasts (Consolidated)

(Units: billion yen)

<Consolidated>	FY2011 Forecasts	1 st Half FY2011 Forecasts	FY2010 Results	Y on Y Change (%)	Y on Y Change
Sales	286.0	137.5	282.3	1.3	3.7
Operating income	58.0	24.5	46.8	23.7	11.2
Ordinary income	56.0	23.5	45.1	24.0	10.9
Net income	37.0	15.5	20.0	84.8	17.0

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

FY2011 Forecasts



Sales by Segments (Consolidated)

(Units: billion yen)

	FY2011 Forecasts	1st Half FY2011 Forecasts	FY2010 Results	Y on Y Change (%)	Y on Y Change
Prescription drugs	166.8	80.4	158.9	5.0	7.9
Crestor	37.0	17.6	29.0	27.8	8.0
Irbetan	10.5	4.8	7.3	44.5	3.2
Cymbalta	5.5	2.5	2.7	106.8	2.8
Total of 3 key products	53.0	24.9	38.9	36.3	14.1
OxyContin	10.5	5.1	9.6	9.0	0.9
Finibax	4.2	2.0	3.6	17.9	0.6
Differin	4.1	1.9	3.2	28.6	0.9
Pirespa	3.4	1.6	2.8	23.4	0.6
Rapiacta	1.5	0.1	0.3	435.5	1.2
Total of 8 strategic products	76.7	35.6	58.3	31.6	18.4
Flomox	19.0	9.0	21.9	(13.2)	(2.9)
Claritin	7.5	3.5	10.0	(24.9)	(2.5)
Rinderon	9.2	4.5	9.5	(3.4)	(0.3)
Flumarin	6.2	3.3	7.5	(17.5)	(1.3)
Export/Overseas subsidiaries	33.5	15.8	37.4	(10.5)	(3.9)
Shionogi Inc.	22.4	10.2	27.0	(17.2)	(4.6)
Doripenem	5.0	2.4	4.7	6.9	0.3
Contract manufacturing	5.9	2.6	5.4	9.1	0.5
OTC and quasi-drugs	5.1	2.5	5.2	(1.5)	(0.1)
Diagnostics	2.7	1.2	2.9	(5.6)	(0.2)
Royalty income	70.0	34.0	68.9	1.6	1.1
Crestor	67.0	32.0	64.2	4.3	2.8
Others	2.0	1.0	3.6	(45.0)	(1.6)
Total	286.0	137.5	282.3	1.3	3.7

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

FY2011 Forecasts



Statements of Operating Income (Consolidated)

(Units: billion yen)

	FY2011 Forecasts	1st Half FY2011 Forecasts	FY2010 Results	Y on Y Change (%)	Y on Y Change
Sales	286.0	137.5	282.3	1.3	3.7
[Royalty income]	[70.0]	[34.0]	[68.9]	[1.6]	1.1
	26.9 [35.6]	27.3 [36.2]	28.9 [38.3]		
Cost of sales	77.0	37.5	81.7	(5.8)	(4.7)
Gross profit	209.0	100.0	200.6	4.2	8.4
	52.8	54.9	54.4		
SG&A expenses	151.0	75.5	153.7	(1.8)	(2.7)
Selling & general expenses	94.0	47.0	102.8	(8.6)	(8.8)
R&D expenses	57.0	28.5	50.9	11.9	6.1
	20.3	17.8	16.6		
Operating income	58.0	24.5	46.8	23.7	11.2

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

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

FY2011 Forecasts



Forecasts of Shionogi Inc.

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

	FY2011 Forecasts	1st Half FY2011 Forecasts	FY2010 Results	Y on Y Change (%)	Y on Y Change
Sales	280 22.4	128 10.2	312 27.0	(10.3)	(32) (4.6)
Cost of sales	34 2.7	16 1.2	79 6.8	(57.0)	(45) (4.1)
SG&A expenses	244 19.5	122 9.7	312 27.0	(21.8)	(68) (7.5)
Operating income	1 0.1	(10) (0.8)	(80) (6.9)	—	81 7.0

Assumed exchange rates: 87 yen (FY2010) and 80 yen (FY2011) to the dollar

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



Key Issue to Achieve the FY2011 Forecasts

◆ **Japanese domestic sales (Prescription drugs)**

- Further focus on newly launched products (8 strategic products)
- Increase of hospital market share with stronger presence
- Enhancing the productivity per sales representative with better cost control

◆ **Expense control**

- **Cost of sales**
 - Review of suppliers of raw materials and manufacturing processes including internally manufactured products
- **SG&A expenses**
 - Increased budget control and improved response to changes in the business environment by careful prioritization of all expenses during FY2011 budget planning process



Key Issue to Achieve the FY2011 Forecasts

◆ Pipeline

- Continuing to enrich the development pipeline with appropriate prioritization
- Target milestones of the key pipeline products in FY2011
 - S-349572; Global : Phase III enrollment completed
 - Ospemifene; U.S. : BE study completion, NDA filing
 - S-297995; U.S. : Phase IIa completion, Phase IIb initiation, Japan : Phase IIb initiation
 - S-707106; U.S. : Phase IIa completion, Go/No-Go decision

◆ Crestor royalty

- Sustainable growth in the global market
- Enhancement of collaboration with AstraZeneca, proactively addressing changes in the global market trend of Crestor[®] after the launch of Lipitor[®] generics



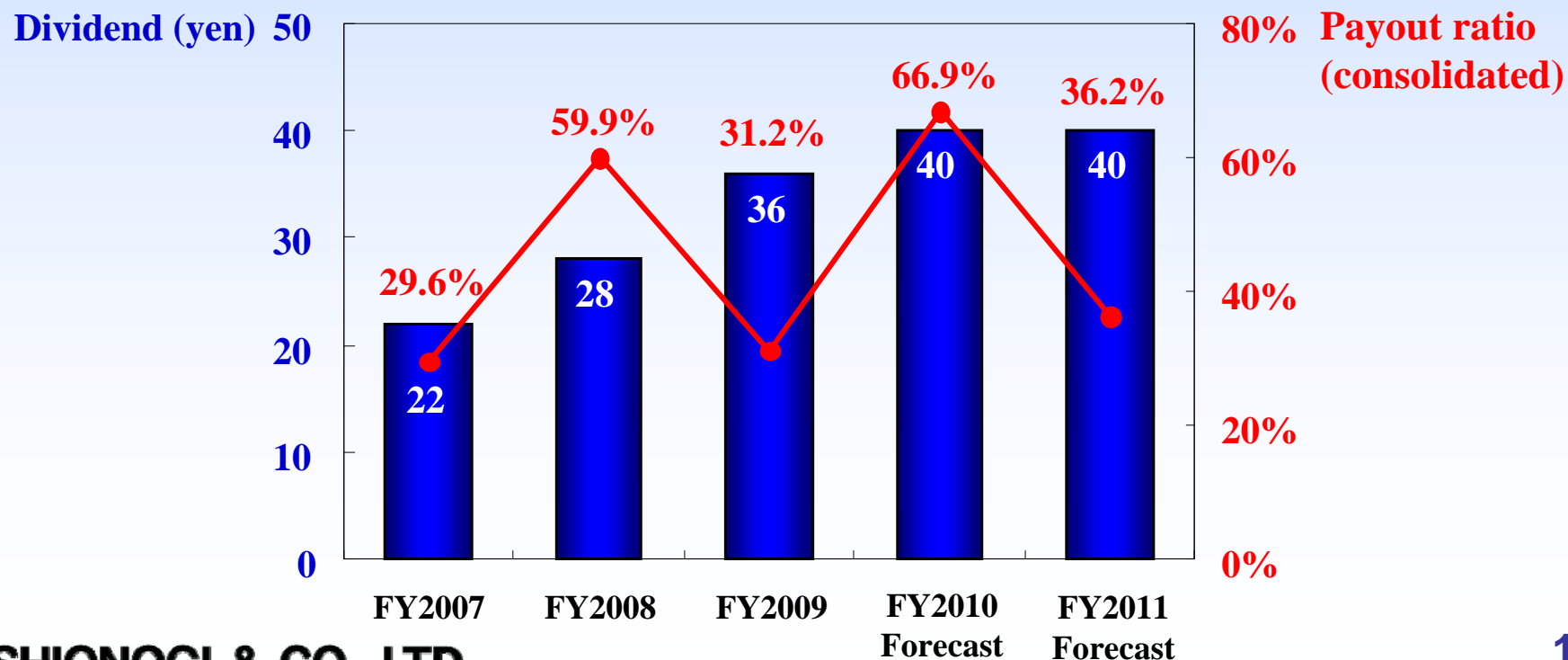
Action against Key Issue

◆ **Shionogi Inc.**

- **Expand sales by strengthening the product portfolio**
 - Enhance presence in the pediatrics market with the launches of KAPVAY™ and CUVPOSA™
 - Augment product lineup through in-licensing activities
 - Contribute to the mid to long term sales of Shionogi Group by the development and launch of new global products including Ospemifene, PSD502 and S-297995
- **Stabilize product supply by rapidly addressing quality issues**
 - Experts from Shionogi Japan supervising contract manufacturers to improve product quality
- **Stabilize business performance**
 - More stable results achieved through tight focus on product sales and reducing variability in deductions
- **Smooth and effective integration and operation of U.S. business**
 - Unifying the direction of all employees, including management, toward the same goal

Dividend Policy

- **FY2010 forecast: 40 yen as planned**
- **FY2011 forecast: 40 yen**
- **Sustain the consolidated payout ratio of 35% based on the 3rd Medium-Term Business Plan and return the profit to shareholders in case the financial result exceeds FY2011 forecast**



Pipeline



Change of Phases (since January 2011)

◆ Newly launched

- **CUVPOSA™ (Glycopyrrolate, Anticholinergic, Oral):**
Chronic moderate-to-severe drooling in pediatric patients
➤ **USA: Launched April 2011**

◆ Approved

- **Finibax® (Carbapenem antibiotic, Injection):**
Serious infection,
Additional new dosage regimen
➤ **Japan: Approved April 2011**

Change of Phases (since January 2011)

◆ Change of Phases

- **S-297995 (Peripheral opioid receptor antagonist, Oral):**
Alleviation of opioid-induced adverse effects
 - Started Phase IIb in Japan (Anti-constipation)
- **S-524101 (Sublingual tablet of house-dust mite allergen extracts for immunotherapy):**
Allergic rhinitis caused by house-dust mite allergen
 - Started Phase I in Japan

◆ Discontinued development

- **S-2367 (NPY Y5 receptor antagonist, Oral): Obesity**
 - Development in USA and expansion into EU
- **S-888711 (Small molecule TPO mimetic, Oral): Thrombocytopenia**
 - Development for ITP in EU and USA



International Industry-Academic Collaboration Initiatives

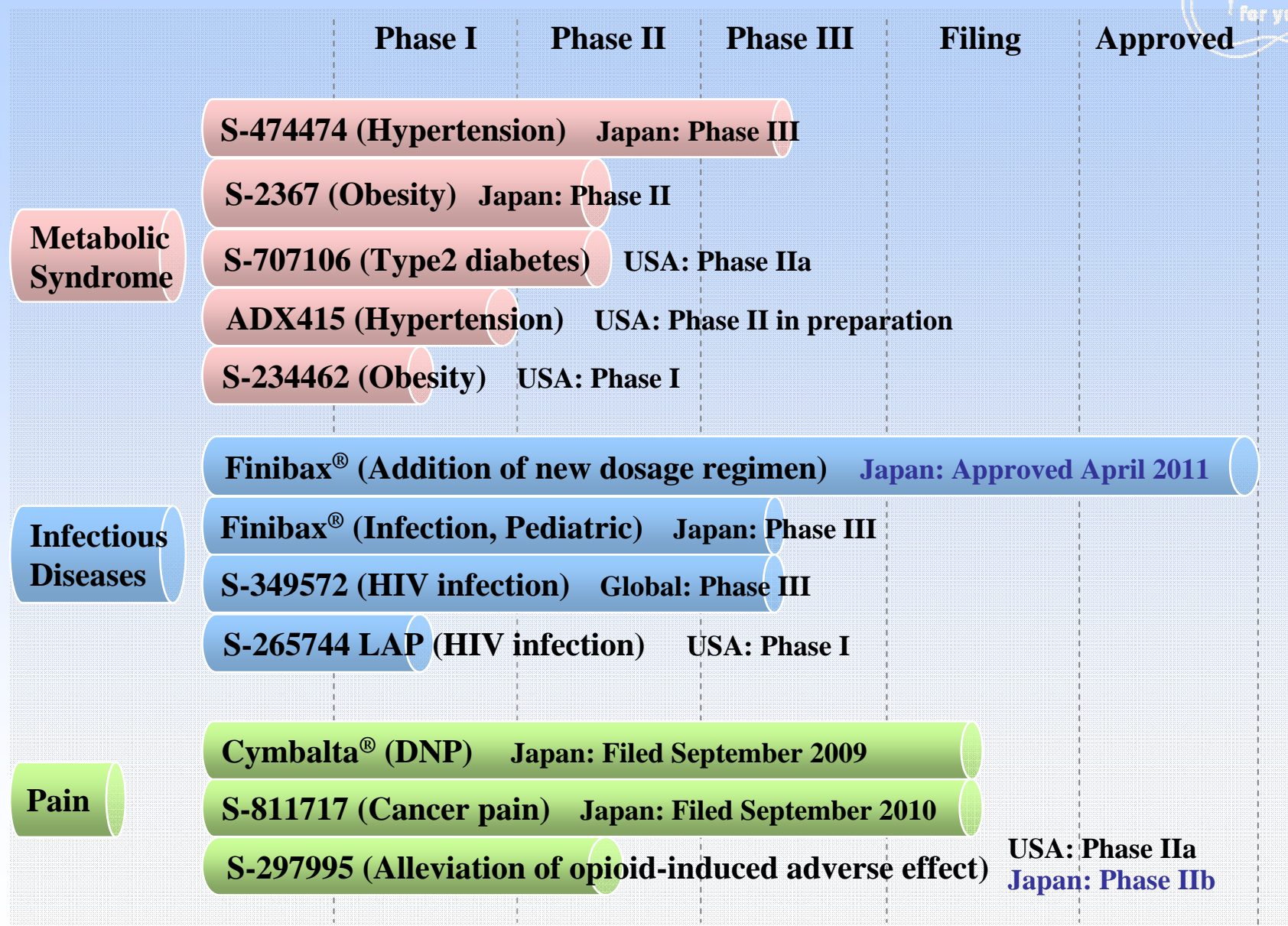
◆ Industrial-academic collaboration initiative in Denmark

● Main elements

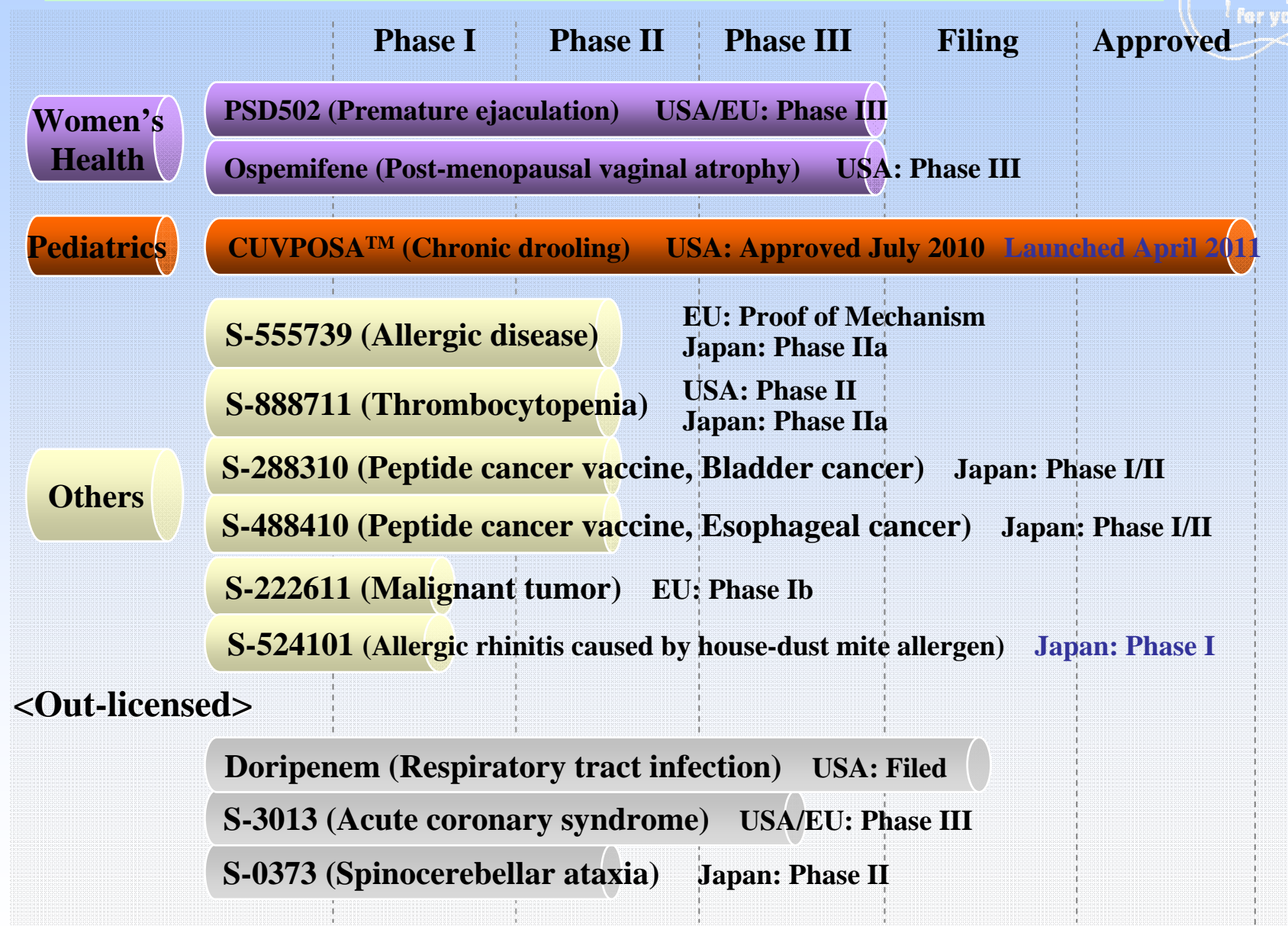
- Matching innovations in research institutions in Denmark with the drug-discovery technology and needs of Shionogi
- Establishing cooperative research relationships with those institutions by embarking on joint research for new drug 'seeds'
- Personnel exchanges to facilitate international human resources development

● Further accelerate the globalization of Shionogi's activities

Pipeline (as of May 2011)



Pipeline (as of May 2011)



Target Milestones for FY2011

Progress in global development products	
S-349572 (Dolutegravir)*	Global: Phase III enrollment completed
S-2367 (Japan) S-234462	Go/No-Go decision
Ospemifene	US: BE study completion, NDA filing
S-555739	Japan: Phase IIa completion, Go/No-Go decision
S-297995	US: Phase IIa completion, Phase IIb initiation Japan: Phase IIb initiation
S-707106	US: Phase IIa completion, Go/No-Go decision
S-888711 (chronic liver disease)	Japan: Phase IIa completion, Go/No-Go decision
S-288310	Japan: Phase I/II in progress (enrollment completed)
S-488410	Japan: Phase I/II in progress (enrollment completed)
S-222611	US/EU: Phase Ib in progress (enrollment completed)
S-265744 LAP*	US: Phase I completion
FTIH: more than 3 compounds	