

The Growth Strategy of Shionogi

September, 2011



SHIONOGI & CO., LTD.

Forward-Looking Statements



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Overview of The 3rd Medium-Term Business Plan

Basic Strategy in The 3rd Mid-Term Business Plan

S-O-N-G
for you!

Goals for
the next 10 years

Consolidated net sales: 600 billion yen
Operating margin: More than 25%
Overseas net sales ratio: More than 50%

Basic strategy 1

Steady growth
mainly through
enriched pipeline

Crestor cliff

Basic strategy 2

Investments in the
new growth drivers

Basic strategy 3

Therapeutic areas to
be focused on

2010

2012

2014

2016

2018

2020

3rd Mid-Term
Business Plan

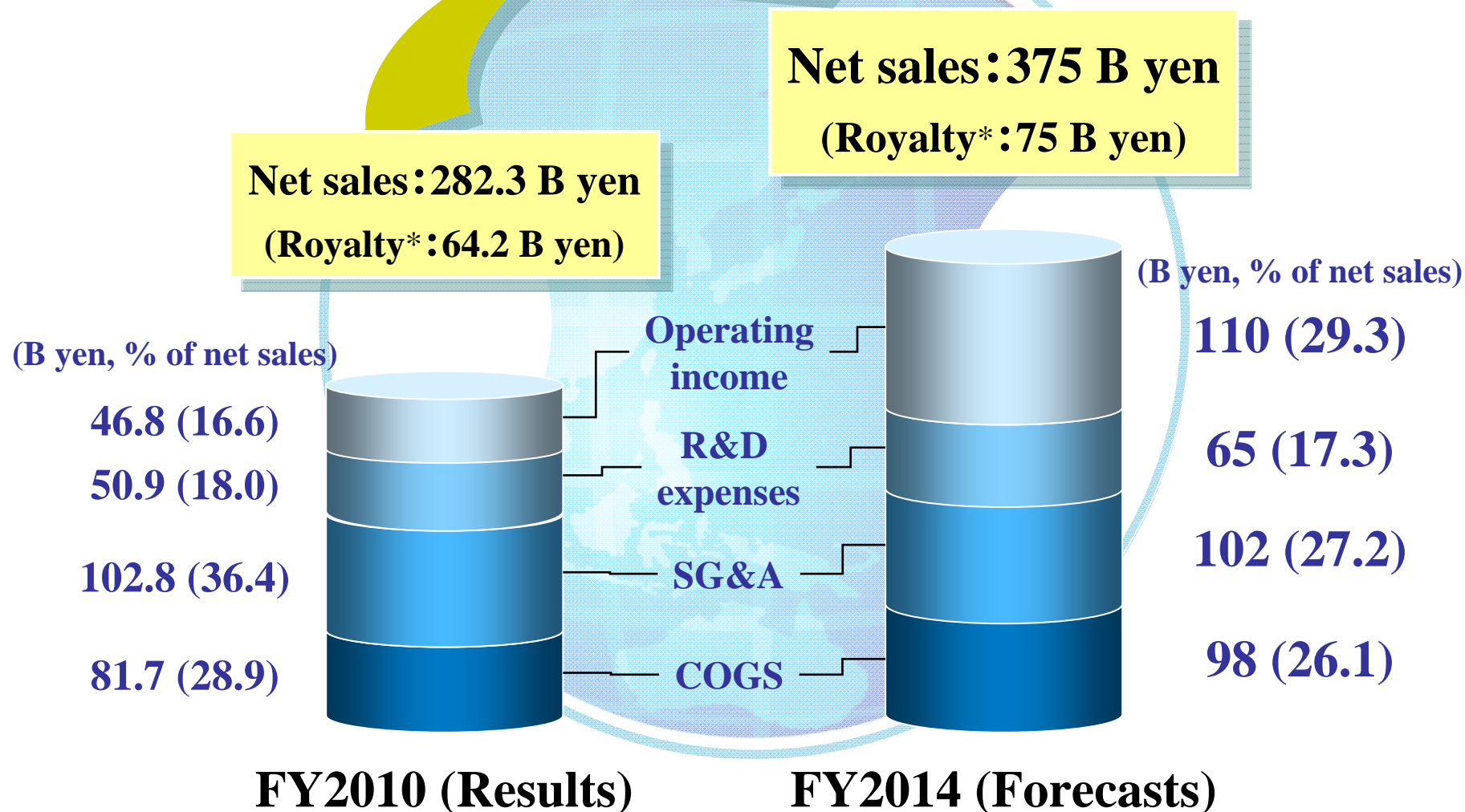
4th Mid-Term
Business Plan

5th Mid-Term
Business Plan

Financial Target for FY2014 (Consolidated)



Exclude additional sales through strategic business development deals



Strengthening of Operational Fundamentals and Shareholder Return



Put 3 Gears in Motion, Strengthening both the Business Foundation and Shareholder Return While Effectively Balancing the Two Well

Investment toward the future

- R&D expenses: 305 B yen
- Capital investments: 75 B yen

Shareholder return

- Keep 35% payout ratio
Expected total dividend amount: 94 B yen
Dividend forecast for FY2011: 40 yen
- Dividend enabling holders to feel the real growth
Expected dividend per share: 36 \Rightarrow 78 yen

Improvement of B/S for financial strategy

- Debt refund/bond retirement: 111 B yen
Term-end balance: 121 \Rightarrow 10 B yen
- Strategic business development funds: 150 B yen
Term-end balance: 100 \Rightarrow 250 B yen

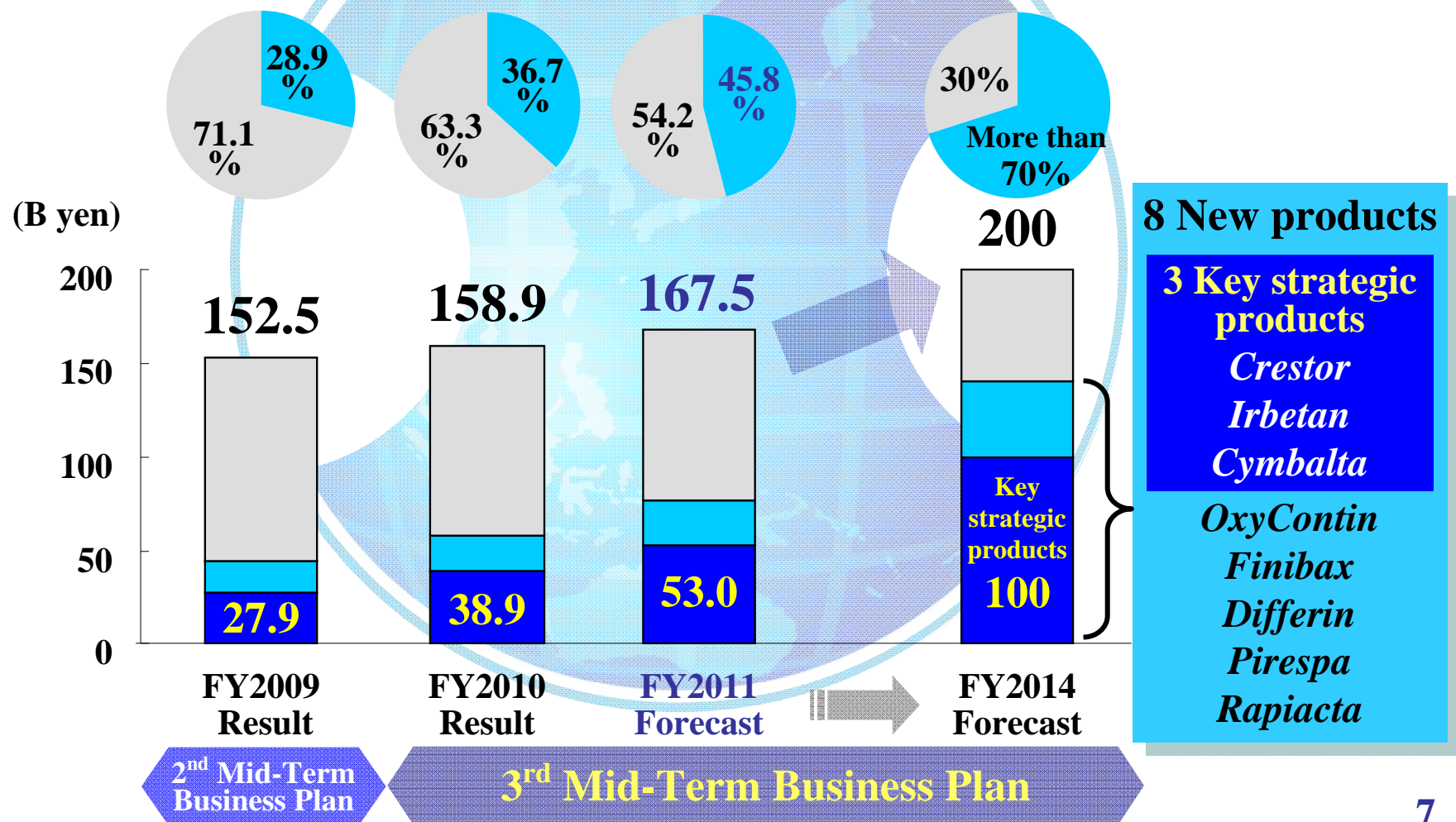


Current Status and Road to the Goal

Japanese Domestic Sales



- 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

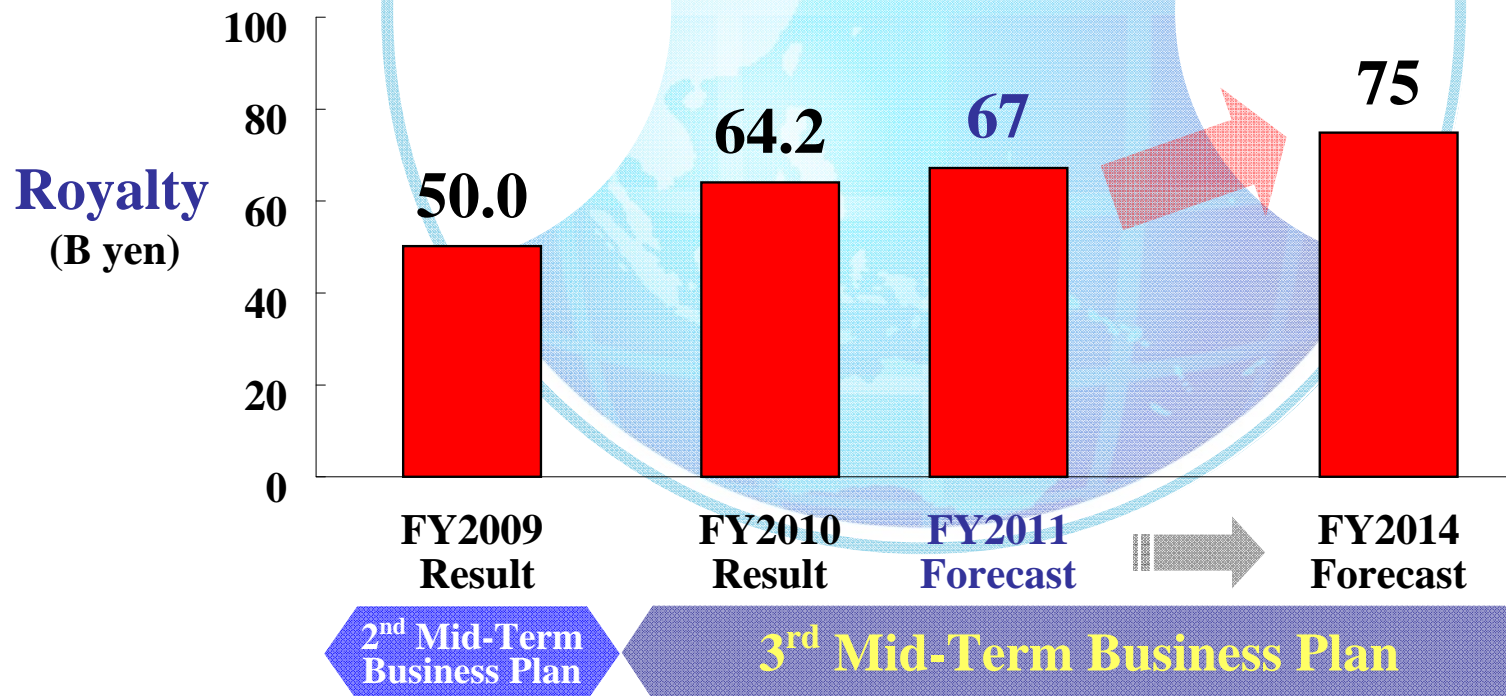


Crestor Royalty



- Steady growth of global Crestor sales by AstraZeneca
 - 1st half 2011: 3.2 B dollar (increase of 16.9% y/y)
- Enhancement of collaboration with AstraZeneca, proactively addressing changes in the global market trend of Crestor® after the launch of Lipitor® generics

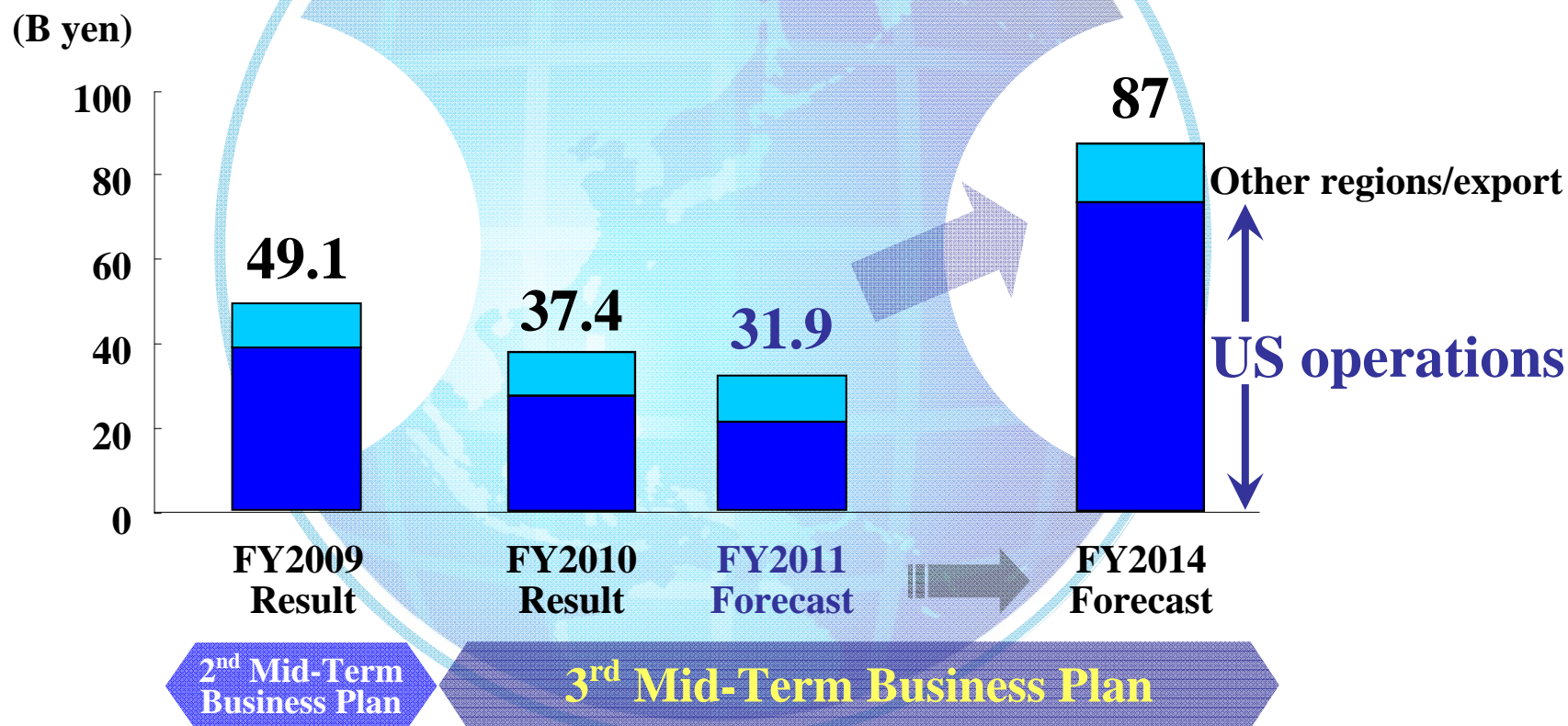
Year	2006	2007	2008	2009	2010	2011/1H
Global sales (\$B)	2.0	2.8	3.6	4.5	5.7	3.2



Overseas Sales



- Expansion of sales by developing and launching new global products including S-349572 (Dolutegravir), Ospemifene and S-297995



Results of FY2010 for the US subsidiaries include 15 months from Jan. 2010 to Mar. 2011.

Overview of 1st Quarter FY2011 Results



(B yen)	1 st half FY2011 Forecasts	Apr.1-Jun.30 FY2011	Apr.1-Jun.30 FY2010 *	Y on Y Change (%)
Total sales	134.5	63.7	75.2	(15.3)
Domestic prescription drugs	80.4	39.3	38.0	3.6
- 8 new products	35.6	16.6	13.2	26.1
Overseas sales	12.3	4.3	17.1	(74.8)
- Shionogi Inc.	7.2	2.5	15.2	(82.9)
Crestor royalty	32.0	15.2	15.4	(0.8)
Operating income	24.5	11.4	7.9	43.7

- **Domestic sales:** Robust increase of 3.6% y/y mainly in 8 new products
- **Shionogi Inc.**
 - **Sales:** Decrease due to underperformance of new products and generic competitions
 - **Revenue deductions:** Increase in returned goods of expired products
- **Crestor royalty:** Remain the same by the effect of exchange rate
- **Pipelines:** Consistently moving forward

*: Due to change in the accounting periods, 1st quarter results of FY2010 include 6 months from Jan.1 to Jun.30 for the US subsidiaries. **10**

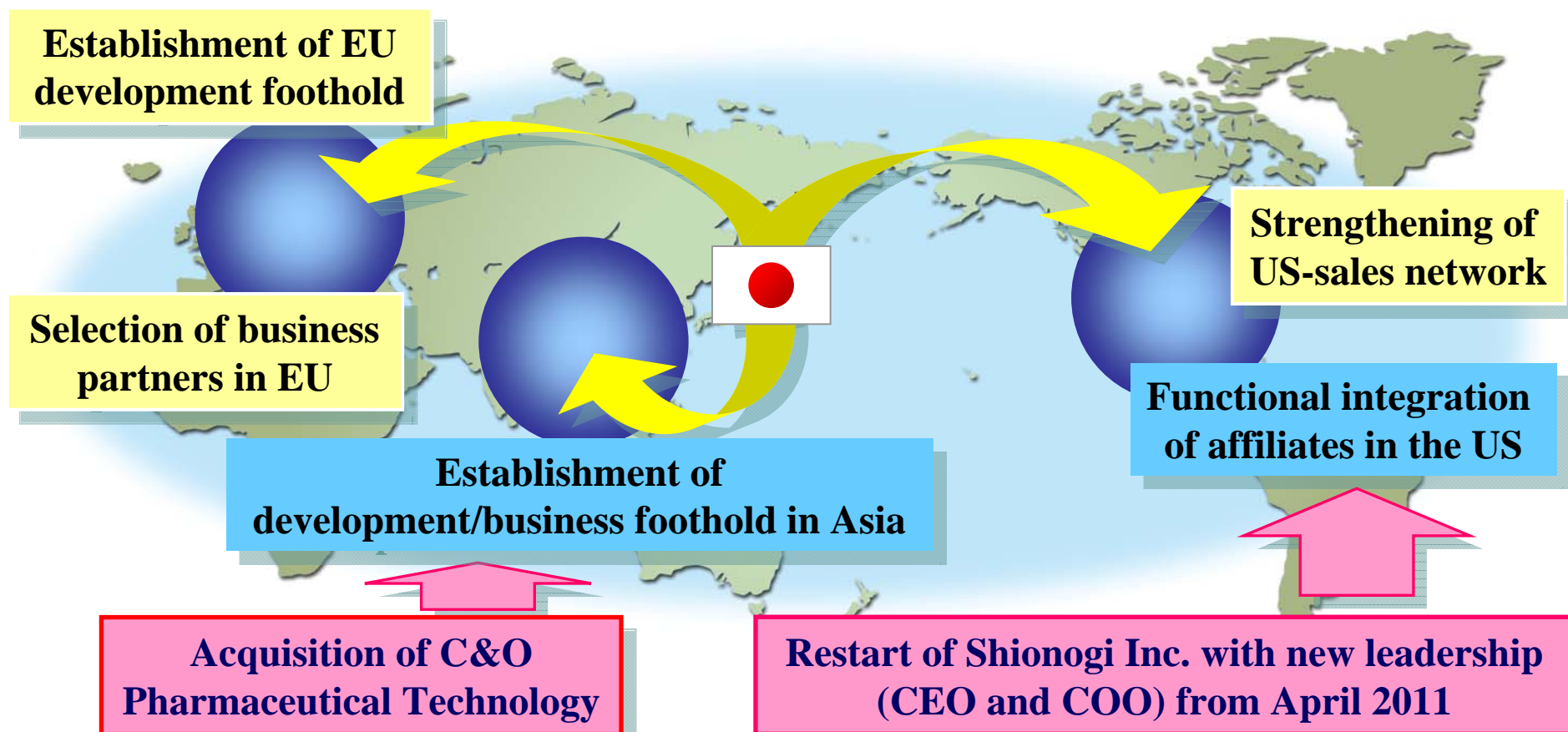


Global Strategy for Future Success

Globalization



- Establish footholds in EU, US and Asia for global development of new drugs
- Establish aggressively a business platform in Asia aiming for direct sales
- Select multiple alliance partners in EU for sales





- **Complete integration of the development and sales subsidiaries into Shionogi Inc. in NJ (April 2011)**
- **Focusing on the marketing with a high regard for profitability**
 - **Enhancement of presence in the pediatric area based on the sales promotion of new products including KAPVAY™ and CUVPOSA™**
 - **Strengthening of the product portfolio by the product acquisition from Victory Pharma, Inc.**
 - **Flexible realignment of sales reps corresponding to the change of promoted products**
 - **Thorough control of revenue deductions**
- **Constitutional improvement toward the Company capable of creating markets and growing Shionogi-brand products**

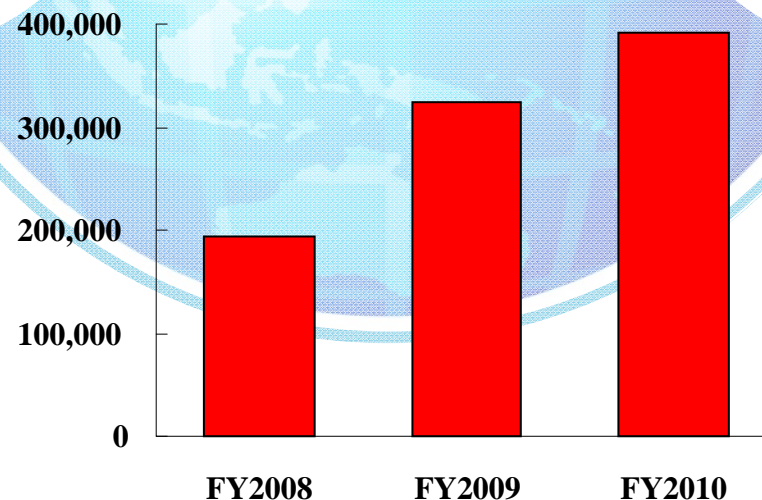
Accelerate the mid to long term growth of Shionogi Group through development and sales of “Shionogi-brand products”

Product Acquisition from Victory Pharma, Inc.

- **Products**
 - 7 for pain and 2 for infectious diseases
- **Purpose of the acquisition**
 - Increase sales by the renewed product portfolio
 - Establish a sales platform for the future products
- **Sales promotion**
 - Dedicate to NAPRELAN, Rybix and Moxatag
 - Leverage commercial infrastructure of Shionogi Inc. with no increase in number of sales reps

Product name	Therapeutic area
NAPRELAN	Pain
Rybix	
XODOL	
Fexmid	
Dolgit Plus	
Zebutal	
Magnacet	
Moxatag	Infectious diseases
Keflex	

NAPRELAN
Total prescription number





Enhancement of R&D Activities



● Research

Our Goal: Top Class Global Research Productivity

- Stimulating creativity and supporting innovation by concentrating research functions and increasing communication among researchers

Inauguration of Shionogi Pharmaceutical Research Center (SPRC) in July 2011

● Development

Our Goal: Speed-Up of Global Clinical Development

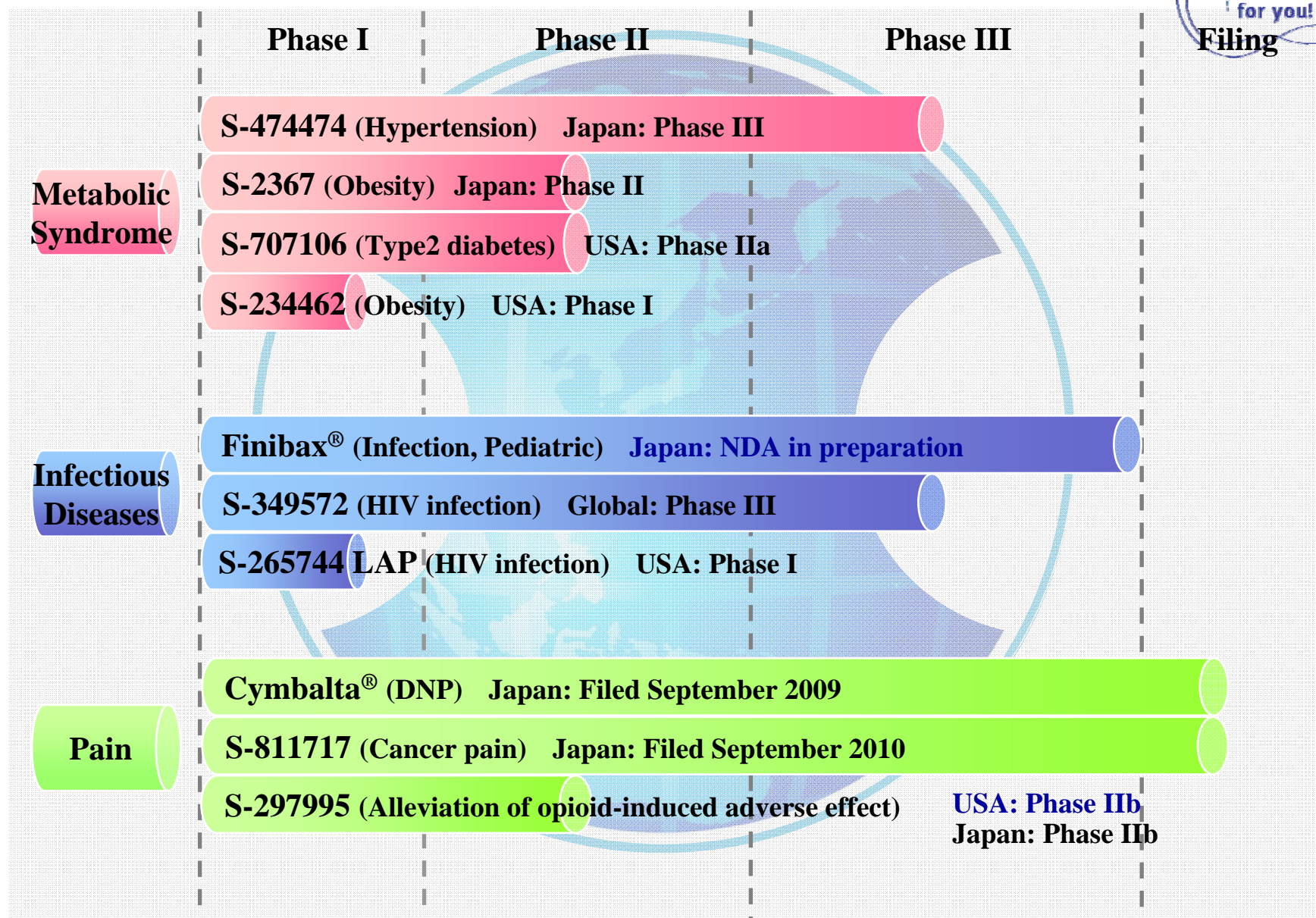
- Enhancement of strategic decision making function
- Establishment of 3 regional development footholds worldwide

Establishment of Global Development Office in April 2011

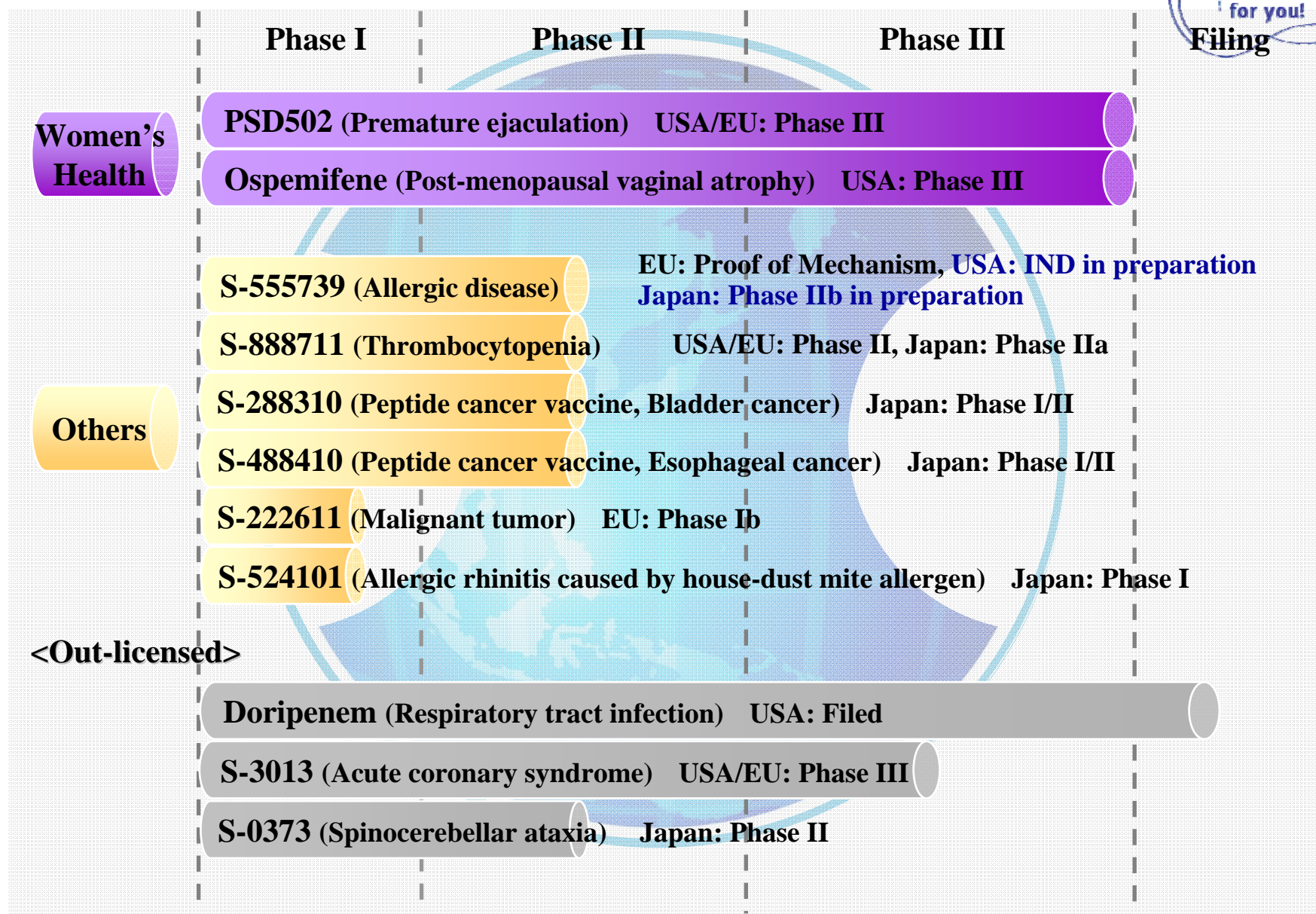
Pipeline

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

Pipeline (as of September 2011)



Pipeline (as of September 2011)



Shionogi's Direction in The 3rd Mid-Term Business Plan



- **Domestic sales**
 - Continuous concentration on 8 new products
- **Crestor Royalty**
 - Sustainable growth in the world allow us to invest in growth strategy
- **Overseas operations**
 - Expand the sales of “Shionogi-brand products” by prompt development and launch of global pipelines
 - Enter the Chinese business with C&O, and expand the sales and profit based on the launch of our products
- **R&D**
 - Achieve steady development toward the launch from FY2013 onward by the appropriate prioritization on pipeline such as Go/No-Go decision

*Steady progress for the “Real Growth”
→ Toward the financial target for FY2014*



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