



*1<sup>st</sup> Half of Fiscal 2011  
Financial Results*

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 **SHIONOGI & CO., LTD.**



# *Overview of 1<sup>st</sup> Half FY2011*

## *Financial Results*

## 1<sup>st</sup> Half FY2011 Results



### *Financial Results (Consolidated)*

(Units: B yen)

	1 <sup>st</sup> Half FY2011 Forecasts	1 <sup>st</sup> Half FY2011 Results	Achievement (%)	1 <sup>st</sup> Half FY2010 Results	Y on Y Change (%)	Change
<b>Sales</b>	134.5	124.0	92.2	143.3	(13.5)	(19.3)
<b>Operating income</b>	24.5	18.2	74.4	19.2	(5.1)	(1.0)
<b>Ordinary income</b>	23.5	18.4	78.4	17.6	4.1	0.8
<b>Net income</b>	15.5	8.2	52.9	6.8	19.5	1.4

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

(Units: yen)

Exchange rate (average)	Forecasts	1 <sup>st</sup> Half FY2011 Results
USD(\$)	80	79.74
EUR(€)	115	113.72



*Financial Position (Consolidated)*

(Units: B yen)

	Sep. 30, 2011	Mar. 31, 2011	Change
Total assets	512.9	523.2	(10.3)
Net assets	324.7	328.0	(3.3)
Equity ratio (%)	62.6	62.7	(0.1)

◆ Acquisition of C&O Pharmaceutical Technology (Holdings) Limited

- Acquired majority of C&O as of the end of September, making it a subsidiary of Shionogi (General offer was ended on October 12, 2011)
- At present, the difference between the acquisition price and C&O's net assets will be accounted for as goodwill
- However, detailed evaluation of intangible assets and definition of purchase price allocation may alter the balance sheet treatment



*Cash Flows (Consolidated)*

(Units: B yen)

	1 <sup>st</sup> Half FY2011	1 <sup>st</sup> Half FY2010	Change
Net cash provided by operating activities	23.3	30.9	(7.6)
Net cash provided by investing activities	(25.3)	(16.3)	(9.0)
Net cash provided by financing activities	(13.8)	(13.1)	(0.7)
Net increase (decrease)	(16.7)	(0.9)	(15.8)
Cash and cash equivalents at end of period	93.9	96.7	–

◆ **Net cash used in investing activities**

- **Product acquisition from Victory Pharma, Inc.: 9.4 billion yen**
- **Acquisition of shares in C&O: 10.5 billion yen (as of the end of September, 2011)**

# 1<sup>st</sup> Half FY2011 Results



## Sales by Segments (Consolidated)

(Units: B yen)

	1 <sup>st</sup> Half FY2011 Forecasts	1 <sup>st</sup> Half FY2011 Results	Achievement (%)	1 <sup>st</sup> Half FY2010 Results	Y on Y Change (%)	Y on Y Change
<b>Prescription drugs</b>	<b>80.4</b>	<b>78.7</b>	<b>98.0</b>	<b>75.1</b>	<b>4.8</b>	<b>3.6</b>
Crestor	17.6	17.2	97.7	13.7	25.7	3.5
Irbetan	4.8	4.3	88.7	3.3	29.0	1.0
Cymbalta	2.5	2.8	113.5	0.9	219.6	1.9
<b>Total of 3 strategic products</b>	<b>24.9</b>	<b>24.3</b>	<b>97.5</b>	<b>17.9</b>	<b>35.9</b>	<b>6.4</b>
OxyContin	5.1	4.5	88.3	4.8	(6.1)	(0.3)
Finibax	2.0	2.2	109.8	1.8	21.9	0.4
Differin	1.9	1.7	89.6	1.5	16.7	0.2
Pirespa	1.6	1.6	101.5	1.3	29.4	0.3
Rapiacta	0.1	0	7.2	0	-	0
<b>Total of 8 strategic products</b>	<b>35.6</b>	<b>34.3</b>	<b>96.4</b>	<b>27.2</b>	<b>26.3</b>	<b>7.1</b>
Flomox	9.0	9.8	109.3	10.1	(2.8)	(0.3)
Rinderon	4.5	4.8	107.7	5.0	(3.8)	(0.2)
Claritin	3.5	3.2	90.4	3.1	3.1	0.1
Flumarin	3.3	3.5	106.0	3.9	(10.2)	(0.4)
<b>Export/Overseas subsidiaries</b>	<b>12.3</b>	<b>2.0</b>	<b>17.0</b>	<b>26.0</b>	<b>(92.0)</b>	<b>(24.0)</b>
Shionogi Inc.	7.2	(2.4)	-	21.0	-	(23.4)
Doripenem	1.9	1.9	97.7	2.5	(25.3)	(0.6)
<b>Contract manufacturing</b>	<b>3.1</b>	<b>3.7</b>	<b>122.5</b>	<b>1.8</b>	<b>108.0</b>	<b>1.9</b>
<b>OTC and quasi-drugs</b>	<b>2.5</b>	<b>2.7</b>	<b>108.0</b>	<b>2.8</b>	<b>(4.9)</b>	<b>(0.1)</b>
<b>Diagnostics</b>	<b>1.2</b>	<b>1.3</b>	<b>112.7</b>	<b>1.5</b>	<b>(7.7)</b>	<b>(0.2)</b>
<b>Royalty income</b>	<b>34.0</b>	<b>34.3</b>	<b>101.0</b>	<b>34.8</b>	<b>(1.6)</b>	<b>(0.5)</b>
Crestor	32.0	32.3	101.0	32.8	(1.4)	(0.5)
<b>Others</b>	<b>1.0</b>	<b>0.9</b>	<b>95.0</b>	<b>1.2</b>	<b>(19.5)</b>	<b>(0.3)</b>
<b>Total</b>	<b>134.5</b>	<b>124.0</b>	<b>92.2</b>	<b>143.3</b>	<b>(13.5)</b>	<b>(19.3)</b>

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

# 1<sup>st</sup> Half FY2011 Results



## Statements of Income (Consolidated)

(Units: B yen)

	1 <sup>st</sup> Half FY2011 Forecasts	1 <sup>st</sup> Half FY2011 Results	Achievement (%)	1 <sup>st</sup> Half FY2010 Forecasts	Y on Y Change (%)	Y on Y Change
Sales	134.5	124.0	92.2	143.3	(13.5)	(19.3)
[Royalty income]	[34.0]	[34.3]	[101.0]	[34.8]	[(1.6)]	[(0.5)]
	27.5 [36.8]	30.3 [41.8]		27.2 [36.0]		
Cost of sales	37.0	37.5	101.4	39.0	(3.9)	(1.5)
Gross profit	97.5	86.4	88.7	104.3	(17.1)	(17.9)
SG&A expenses	54.3 73.0	55.0 68.2	93.5	59.3 85.0	(19.8)	(16.8)
Selling & general expenses	45.0	42.5	94.5	56.9	(25.4)	(14.4)
R&D expenses	28.0	25.7	91.8	28.0	(8.5)	(2.3)
Operating income	18.2 24.5	14.7 18.2	74.4	13.4 19.2	(5.1)	(1.0)
Extraordinary income and loss	–	L3.8	–	L6.1	–	–

Due to change in the accounting periods, 1<sup>st</sup> half results of FY2010 include 9 months from Jan.1 to Sep.30 for the US subsidiaries.  
Small numbers in red are percentages of sales, and numbers in red provided in parentheses are percentages of royalty excluded sales.



# Financial Results of Shionogi Inc.

(Units: upper/M dollar, lower/B yen)

	FY2011						FY2010
	1 <sup>st</sup> Half						1 <sup>st</sup> Half Results
	Forecasts	Results	1Q	2Q			
			Results	Results	Additional Allowance	Before Allowance	
Sales	91 7.2	(31) (2.4)	31 2.5	(62) (5.0)	117 9.3	54 4.2	235 21.0
Cost of sales	14 1.1	15 1.2	6 0.5	8 0.7	-	8 0.7	56 5.0
SG&A expenses	97 7.7	85 6.7	43 3.5	42 3.2	-	42 3.2	214 19.1
Operating income	(20) (1.6)	(131) (10.4)	(17) (1.4)	(113) (9.0)	-	3 0.2	(35) (3.2)

## <Results in 2Q FY2011>

- **Sales:** Sales before the deduction of the additional allowance was close to the prior forecast. The products from Victory Pharma contributed as planned. Prenate, however, was below forecast due to supply interruptions
- **SG&A expenses:** Stabilized by continued focus on cost containment
- **Operating income:** Results before deduction of additional allowances exceeded the forecast slightly
- **Additional allowance:** Reflects revised allowances for returns (\$72M) and rebates (\$45M)





# *FY2011 Financial Forecasts*



*Revision of FY2011 Financial Forecasts (Consolidated)*

(Units: B yen)

	FY2011							FY2010	Y on Y Change (%)
	Full Year			1 <sup>st</sup> Half	2 <sup>nd</sup> Half			Results	
	Original Forecasts	Revised Forecasts	Change from Original	Results	Original Forecasts	Revised Forecasts	Change from Original		
Sales	286.0	269.0	(17.0)	124.0	151.5	145.0	(6.5)	282.3	(4.7)
Operating income	58.0	46.0	(12.0)	18.2	33.5	27.7	(5.7)	46.8	(1.9)
Ordinary income	56.0	44.0	(12.0)	18.4	32.5	25.5	(6.9)	45.1	(2.6)
Net income	37.0	27.0	(10.0)	8.2	21.5	18.7	(2.7)	20.0	34.8

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

# FY2011 Forecasts



## Revision of FY2011 Forecasts (Sales by Segments/Consolidated)

(Units: B yen)

	FY2011							FY2010 Results	Y on Y Change (%)
	Full Year			1 <sup>st</sup> Half	2 <sup>nd</sup> Half				
	Original	Revised	Change	Results	Original	Revised	Change		
<b>Prescription drugs</b>	167.5	165.8	(1.7)	78.7	87.1	87.1	–	158.9	4.4
Crestor	37.0	36.6	(0.4)	17.2	19.4	19.4	–	29.0	26.4
Irbetan	10.5	9.7	(0.8)	4.3	5.7	5.4	(0.3)	7.3	33.5
Cymbalta	5.5	6.1	0.6	2.8	3.0	3.3	0.3	2.7	129.4
<b>Total of 3 strategic products</b>	<b>53.0</b>	<b>52.4</b>	<b>(0.6)</b>	<b>24.3</b>	<b>28.1</b>	<b>28.1</b>	<b>–</b>	<b>38.9</b>	<b>34.8</b>
OxyContin	10.5	9.9	(0.6)	4.5	5.4	5.4	–	9.6	2.8
Finibax	4.2	4.6	0.4	2.2	2.2	2.4	0.2	3.6	29.1
Differin	4.1	3.6	(0.5)	1.7	2.2	1.9	(0.3)	3.2	12.9
Pirespa	3.4	3.4	-	1.6	1.8	1.8	–	2.8	23.4
Rapiacta	1.5	1.4	(0.1)	0	1.4	1.4	–	0.3	399.8
<b>Total of 8 strategic products</b>	<b>76.7</b>	<b>75.3</b>	<b>(1.4)</b>	<b>34.3</b>	<b>41.1</b>	<b>41.0</b>	<b>(0.1)</b>	<b>58.3</b>	<b>29.2</b>
Flomox	19.0	20.9	1.9	9.8	10.0	11.1	1.1	21.9	(4.5)
Rinderon	9.2	9.5	0.3	4.8	4.7	4.7	–	9.5	(0.2)
Claritin	7.5	7.2	(0.3)	3.2	4.0	4.0	–	10.0	(27.9)
Flumarin	6.2	6.4	0.2	3.5	2.9	2.9	–	7.5	(14.9)
<b>Export/Overseas subsidiaries</b>	<b>31.9</b>	<b>15.3</b>	<b>(16.6)</b>	<b>2.0</b>	<b>19.6</b>	<b>13.3</b>	<b>(6.3)</b>	<b>37.4</b>	<b>(59.3)</b>
Shionogi Inc.	20.8	5.7	(15.1)	(2.4)	13.6	8.2	(5.4)	27.0	(78.6)
Doripenem	5.0	4.8	(0.2)	1.9	3.1	2.9	(0.2)	4.7	2.7
<b>Contract manufacturing</b>	<b>6.8</b>	<b>7.8</b>	<b>1.0</b>	<b>3.7</b>	<b>3.7</b>	<b>4.1</b>	<b>0.4</b>	<b>5.4</b>	<b>44.2</b>
<b>OTC and quasi-drugs</b>	<b>5.1</b>	<b>5.3</b>	<b>0.2</b>	<b>2.7</b>	<b>2.6</b>	<b>2.6</b>	<b>–</b>	<b>5.2</b>	<b>2.4</b>
<b>Diagnostics</b>	<b>2.7</b>	<b>2.8</b>	<b>0.1</b>	<b>1.3</b>	<b>1.5</b>	<b>1.5</b>	<b>–</b>	<b>2.9</b>	<b>(2.1)</b>
<b>Royalty income</b>	<b>70.0</b>	<b>70.0</b>	<b>-</b>	<b>34.3</b>	<b>36.0</b>	<b>35.7</b>	<b>(0.3)</b>	<b>68.9</b>	<b>1.6</b>
Crestor	67.0	67.3	0.3	32.3	35.0	35.0	–	64.2	4.8
<b>Others</b>	<b>2.0</b>	<b>2.0</b>	<b>-</b>	<b>0.9</b>	<b>1.0</b>	<b>1.1</b>	<b>0.1</b>	<b>3.6</b>	<b>(45.3)</b>
<b>Total</b>	<b>286.0</b>	<b>269.0</b>	<b>(17.0)</b>	<b>124.0</b>	<b>151.5</b>	<b>145.0</b>	<b>(6.5)</b>	<b>282.3</b>	<b>(4.7)</b>

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



*Revision of FY2011 Forecasts of Shionogi Inc.*

(Units: upper/M dollar, lower/B yen)

	FY2011							FY2010
	Full Year			1 <sup>st</sup> Half	2 <sup>nd</sup> Half			Results
	Original	Revised	Change	Results	Original	Revised	Change	
Sales	260 20.8	73 5.7	(187) (15.1)	(31) (2.4)	169 13.6	104 8.2	(65) (5.4)	312 27.0
Cost of sales	43 3.4	28 2.2	(15) (1.2)	15 1.2	29 2.3	13 0.9	(16) (1.4)	79 6.8
SG&A expenses	217 17.4	192 14.9	(25) (2.5)	85 (6.7)	120 9.7	106 8.1	(14) (1.6)	312 27.0
Operating income	0 0	(146) (11.4)	(146) (11.4)	(131) (10.4)	20 1.6	(15) (0.9)	(35) (2.5)	(80) (6.9)

*<Forecasts for 2<sup>nd</sup> Half FY2011>*

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

- **Sales:** The average sales per quarter in the revised projection for the 2nd half, is similar to the 2Q sales result obtained before allowances  
**Positive factors:** improvements in quality issues, promotional performance for Naprelan and Kapvay, launch of authorized generic strategy  
**Challenges:** Entry of generic version of Fortamet, consequences of interruption of Prenate supply
- **Deductions:** Improved due to changes in commercialization strategy (e.g. Kapvay and Ulesfia) and more stable and reliable projections going forward
- **SG&A expenses:** Ongoing cost containment efforts from present level



### *Dividend Forecast*

	Dividends per Share		
	Half-year	Year-end	Annual
	Yen	Yen (Forecast)	Yen (Forecast)
<b>FY2011</b>	<b>20 . 00</b>	<b>20 . 00</b>	<b>40 . 00</b>
<b>FY2010</b>	<b>20 . 00</b>	<b>20 . 00</b>	<b>40 . 00</b>

- **FY2011 forecast: 40 yen as planned**



## *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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