



*3rd Quarter of Fiscal 2011
Conference Call*

January 30, 2012





Overview of 3rd Quarter FY2011 Results

3rd Quarter FY2011 Results

Financial Results (Consolidated)



(Units: B yen)

	FY2011 Forecasts	Apr-Dec FY2011 Results	Progress vs. Forecasts (%)	Apr-Dec FY2010 Results	Y on Y	
					Change (%)	Change
Sales	269.0	198.7	73.9	217.3	(8.5)	(18.6)
Operating income	46.0	34.7	75.4	35.7	(2.9)	(1.0)
Ordinary income	44.0	34.6	78.6	33.7	2.5	0.9
Net income	27.0	18.6	68.8	13.5	37.3	5.1

All numerical values are rounded to the nearest unit.

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 FY2011 Results

Financial Position and Cash Flows (Consolidated)



(Units: B yen)

<Financial position>	Dec. 31, 2011	Mar. 31, 2011	Change
Total assets	503.7	523.2	(19.5)
Net assets	329.3	328.1	1.2
Equity ratio (%)	64.8	62.7	2.1

(Units: B yen)

<Cash flows>	Apr-Dec FY2011	Apr-Dec FY2010	Change
Net cash provided by operating activities	26.8	34.0	(7.2)
Net cash provided by investing activities	(29.4)	(16.5)	(12.9)
Net cash provided by financing activities	(21.1)	(20.4)	(0.7)
Net increase (decrease)	(23.5)	(5.7)	(17.8)
Cash and cash equivalents at end of period	87.2	92.0	-

3rd Quarter FY2011 Results

Breakdown of Sales (Consolidated)

(Units: B yen)



	FY2011		Progress vs. 2 nd H (%)	FY2010 Oct-Dec Results	Y on Y		FY2011 Apr-Dec Results	FY2010 Apr-Dec Results	Y on Y Change (%)
	2 nd Half Forecasts	Oct-Dec Results			Change (%)	Change			
Prescription drugs	87.1	45.9	52.6	43.9	4.5	2.0	124.6	119.0	4.7
Crestor	19.4	9.5	48.8	8.4	13.1	1.1	26.7	22.0	20.9
Irbetan	5.4	2.5	45.9	2.2	15.1	0.3	6.8	5.5	23.5
Cymbalta	3.3	1.9	57.8	0.9	113.0	1.0	4.7	1.8	166.4
Total of 3 strategic products	28.1	13.8	49.2	11.4	21.2	2.4	38.1	29.3	30.2
OxyContin	5.4	2.6	47.7	2.7	(4.6)	(0.1)	7.1	7.5	(5.6)
Finibax	2.4	1.4	59.9	1.0	50.7	0.4	3.6	2.8	31.8
Differin	1.9	1.0	53.3	1.0	5.9	0.0	2.7	2.4	12.4
Pirespa	1.8	1.0	54.8	0.8	21.1	0.2	2.6	2.1	26.2
Rapiacta	1.4	0.3	17.6	(0.3)	-	0.6	0.3	(0.3)	-
Total of 8 strategic products	41.0	20.1	49.0	16.6	21.3	3.5	54.4	43.7	24.4
Flomox	11.1	6.0	53.7	6.6	(9.5)	(0.6)	15.8	16.7	(5.4)
Rinderon	4.7	2.5	52.3	2.3	4.5	0.2	7.3	7.4	(1.1)
Claritin	4.0	2.3	56.8	2.2	2.8	0.1	5.5	5.3	3.0
Flumarin	2.9	1.6	56.7	2.1	(19.8)	(0.5)	5.1	6.0	(13.6)
Export/Overseas subsidiaries	13.3	7.8	58.7	8.7	(11.1)	(0.9)	9.8	34.7	(71.7)
Shionogi Inc.	8.2	4.1	50.2	5.6	(26.2)	(1.5)	1.7	26.6	(93.7)
C&O	-	0.9	-	-	-	0.9	0.9	-	-
Doripenem	2.9	1.6	55.2	1.7	(4.6)	(0.1)	3.5	4.2	(16.9)
Contract manufacturing	4.1	2.1	51.2	1.9	9.3	0.2	5.8	3.7	58.0
OTC and quasi-drugs	2.6	1.3	48.4	1.3	(4.1)	(0.0)	4.0	4.2	(4.6)
Diagnostics	1.5	0.7	47.1	0.7	0.4	0.0	2.0	2.1	(5.2)
Royalty income	35.7	16.7	46.9	16.7	(0.3)	(0.0)	51.0	51.6	(1.2)
Crestor	35.0	16.0	45.9	15.2	5.7	0.8	48.3	48.0	0.8
Others	1.1	0.5	47.3	0.7	(33.2)	(0.2)	1.4	1.9	(24.8)
Total	145.0	74.7	51.5	73.9	1.1	0.8	198.7	217.3	(8.5)

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 FY2011 Results

Statements of Income (Consolidated)



(Units: B yen)

	FY2011		Progress vs. 2 nd H (%)	FY2010	Y on Y		FY2011	FY2010	Y on Y Change (%)
	2 nd Half Forecasts	Oct-Dec Results		Oct-Dec Results	Change (%)	Change	Apr-Dec Results	Apr-Dec Results	
Sales	145.0	74.7	51.5	73.9	1.1	0.8	198.7	217.3	(8.5)
[Royalty income]	35.7	16.7	46.9	16.7	(0.3)	(0.0)	51.0	51.6	(1.2)
	27.2 (36.1)	29.6 (38.1)		29.6 (38.3)			30.0 (40.4)	28.1 (36.8)	
Cost of sales	39.5	22.1	56.0	21.9	0.9	0.2	59.6	61.0	(2.2)
Gross profit	105.5	52.6	49.9	52.0	1.2	0.6	139.1	156.3	(11.0)
	53.6	48.4		48.1			52.5	55.5	
SG&A expenses	77.8	36.2	46.5	35.5	1.9	0.7	104.4	120.6	(13.4)
Selling & general expenses	46.5	23.6	50.7	24.5	(4.0)	(0.9)	66.1	81.5	(18.9)
R&D expenses	31.3	12.6	40.4	11.0	15.0	1.6	38.3	39.1	(1.9)
	19.1	22.0		22.3			17.5	16.4	
Operating income	27.8	16.4	59.3	16.5	(0.2)	(0.1)	34.7	35.7	(2.9)

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, Apr-Dec results of FY2010 include 12 months from Jan. to Dec. for the US subsidiaries.

3rd Quarter FY2011 Results

Accounting for Business Combination Associated with C&O



◆ Impact on consolidated statements of income

(Units: B yen)

	Fair Value	Amortization		Items
		FY2011 Forecasts	FY2012 Forecasts	
Intangible assets	2.8	0.1	0.2	Selling expenses
Goodwill	7.9	0.2	0.4	Selling expenses

- Amortization of intangible assets and goodwill:
Booking from 3rd quarter of FY2011

Assumed exchange rate
HK\$1 = ¥10.00
Fair value calculated in ¥9.84

◆ Financial results of C&O

(Units: B yen)

	Jul-Sep 2011 Results	Oct-Dec 2011 Forecast
Sales	0.9	1.0
Operating income	(0.0)	0.1

Exchange rate
Jul-Sep 2011 results
HK\$1 = ¥10.00

- 3rd quarter results of FY2011 consolidated the results from Jul. to Sep. for C&O



Current and Future Business in China

◆ Market trend of antibiotics in China

- Chinese government issued to launch an examination on the clinical use of antibiotics towards nationwide medical institutions in August 2011
 - Strengthen medical institution's management in the clinical use of antibiotics and promoting proper use of antibiotics
 - Slow the market growth of antibiotics

◆ Business perspective of C&O

- Sales activities by approaching the examination as a business opportunity
 - Utilize Shionogi's extensive know-how in the antibiotic field to strengthen promotion
 - Promote judicious use of antibiotics
 - Increase the market share of Flumarin[®] which has less propensity to select for drug-resistant bacteria
 - Sustain accounts and expand prescriptions from current medical institutions
- New products as growth drivers
 - C&O products: edaravone, rabeprazole
 - Shionogi products: In-license from Japan and US

3rd Quarter FY2011 Results

Financial Results of Shionogi Inc.



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

	FY2011				FY2010
	1 st Half Results	2 nd Half Forecasts	Oct-Dec Results	Progress vs. 2 nd H (%)	Oct-Dec Results
Sales	(31) (2.4)	104 8.2	52 4.1	50.2	68 5.6
Cost of sales	15 1.2	13 0.9	6 0.4	42.8	12 1.0
SG&A expenses	85 6.7	106 8.1	50 3.9	47.9	55 4.5
Operating income	(131) (10.4)	(15) (0.9)	(4) (0.2)	-	1 0.1

<Results in 3Q FY2011>

- **Sales:** Performance of promoted products (Naprelan[®] and Kapvay[™]) coupled with increased Fortamet[®] sales due to preliminary injunction. Some additional gain resulted from the sale of the Prenate trademark.
- **Gross to net ratio:** Revised allowance for returns last quarter and changes in commercialization strategy have substantially improved gross to net ratio.
- **Cost of sales and SG&A expenses:** Progressing as planned reflecting continued focus on cost containment
- **Operating income:** On track for the 2nd half target

3rd Quarter FY2011 Results

Forecasts of Sales Breakdown (Consolidated)



(Units: B yen)

	FY2011							FY2010	Y on Y Change (%)
	Full Year			1 st Half Results	2 nd Half			Results	
	Original	Revised	Change		Original	Revised	Change		
Prescription drugs	165.8	165.8	-	78.7	87.1	87.1	-	158.9	4.4
Export/Overseas subsidiaries	15.3	16.7	1.4	2.0	13.3	14.7	1.4	37.4	(55.5)
Shionogi Inc.	5.7	5.7	-	(2.4)	8.2	8.2	-	27.0	(78.6)
C&O	-	1.9	1.9	-	-	1.9	1.9	-	-
Doripenem	4.8	4.2	(0.6)	1.9	2.9	2.3	(0.6)	4.7	(10.2)
Contract manufacturing	7.8	7.8	-	3.7	4.1	4.1	-	5.4	44.2
OTC and quasi-drugs	5.3	4.9	(0.4)	2.7	2.6	2.2	(0.4)	5.2	(5.4)
Diagnostics	2.8	2.8	-	1.3	1.5	1.5	-	2.9	(2.1)
Royalty income	70.0	69.0	(1.0)	34.3	35.7	34.7	(1.0)	68.9	0.1
Crestor	67.3	65.8	(1.5)	32.3	35.0	33.5	(1.5)	64.2	2.4
Others	2.0	2.0	-	0.9	1.1	1.1	-	3.6	(45.3)
Total	269.0	269.0	-	124.0	145.0	145.0	-	282.3	(4.7)

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



Direction to Achievement of the 3rd Mid-Term Business Plan



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

- Further focus on 8 strategic products (Diminution of the effects by NHI price revision in future year)
- Reorganize Human Health Care Division to enhance the domestic sales

◆ **Crestor royalty**

- Global sales by AstraZeneca in 2011 will not differ from Shionogi's forecasts
- Impact of Lipitor GE on the US market is limited as of December 2011

◆ **Overseas operations**

- US: Continue stable business operations to prepare for growth through the launch of new drugs starting in FY2013
- China: Develop a foothold as global business location for mid to long-term growth of Shionogi group by the growth of Amolin and Flumarin[®] and the launch of edaravone

◆ **R&D**

- Vigorously advance the global pipeline (S-349572, ospemifene, S-297995, S-555739 and etc.)

Reorganization of Human Health Care Division



◆ Concept

- We are now in growth phase by focusing on 8 strategic products based on enhancing the productivity per sales representative, focusing newly launched products and strengthen sales in hospitals. But, we have more space to improve for further growth.
- Now is the chance for improving and changing to achieve the 3rd Mid-Term Business Plan and further growth.

◆ Purpose

- Strengthen the function of strategic planning, and speed up communication between the headquarters office and field
- Enhance the function of education, training and supporting MR

◆ Key changes

- Strategic Sales Planning Dept was divided into Sales Strategy Dept and Product Strategy Dept, plays roles of annual planning, implementation of plans and budget control, and strategic planning of each product, respectively.
- Established Sales Human Resources Development Dept by integrating the function of personnel, education and training of Sales Resources Management Dept with the product education function of Strategic Sales Planning Dept
- Established Strategic Planning Unit in Human Health Care Division for strengthening the function of headquarters office such as planning medium to long term vision
- Integrated Pharmaceutical Promotion Region 1 - 7 into West Japan Pharmaceutical Promotion Dept and East Japan Pharmaceutical Promotion Dept, respectively.
Sales and Distribution Dept was renamed Sales and Distribution Management Dept.

Direction to Achievement of the 3rd Mid-Term Business Plan

Aiming for Stabilization and Growth of the US Operations



◆ Stabilization of US operations

- Prepare the groundwork for stable operations throughout FY2012 by achieving the 2nd half FY2011 forecasts

◆ Enhancing the business performance of Shionogi Inc.

- Focus marketing resources on key promoted products, mainly Naprelan® and Kapvay™
- Develop a company capable of creating markets and growing “Shionogi-brand products”
- Expand pre-launch activities to prepare the market for a strong launch of ospemifene

◆ Development and launch of global pipelines products

- S-349572, ospemifene and S-297995, etc.

◆ Drive growth through the launch of new drugs from FY2013





Pipeline



◆ **Goal of development division in the 3rd Mid-Term Business Plan**

- Accelerate global development by enhancement of strategic decision making function and establishment of 3 regional development footholds worldwide

◆ **Significance for establishment of subsidiary in EU**

- To prepare a development foothold in EU in addition to Japan and US enable more efficient and rapid development because it is possible to select the best region globally depending on stages of clinical trials

◆ **Overview of EU subsidiary**

- Name: Shionogi Limited
- Location: London, United Kingdom
- Capital: 700 thousand pounds (owned 100% by Shionogi)
- Business: Drug development



◆ **Approval**

- **S-811717 (Oxycodone hydrochloride, Injection):**
Treatment of moderate to severe pain inpatients with cancer pain
 - **Approved in January 2012 in Japan**

◆ **Change of phases in clinical studies**

- **S-117957 (Analgesic agent for neuropathic pain, Oral):**
Neuropathic pain (co-development with US company Purdue Pharma)
 - **Started Phase I in the US**
- **S-488210 (Cancer peptide vaccine, Injection):**
Head and neck squamous cell carcinoma
 - **Phase I/II in preparation in EU**



◆ **Development for new indications requested by the Ministry of Health, Labour and Welfare**

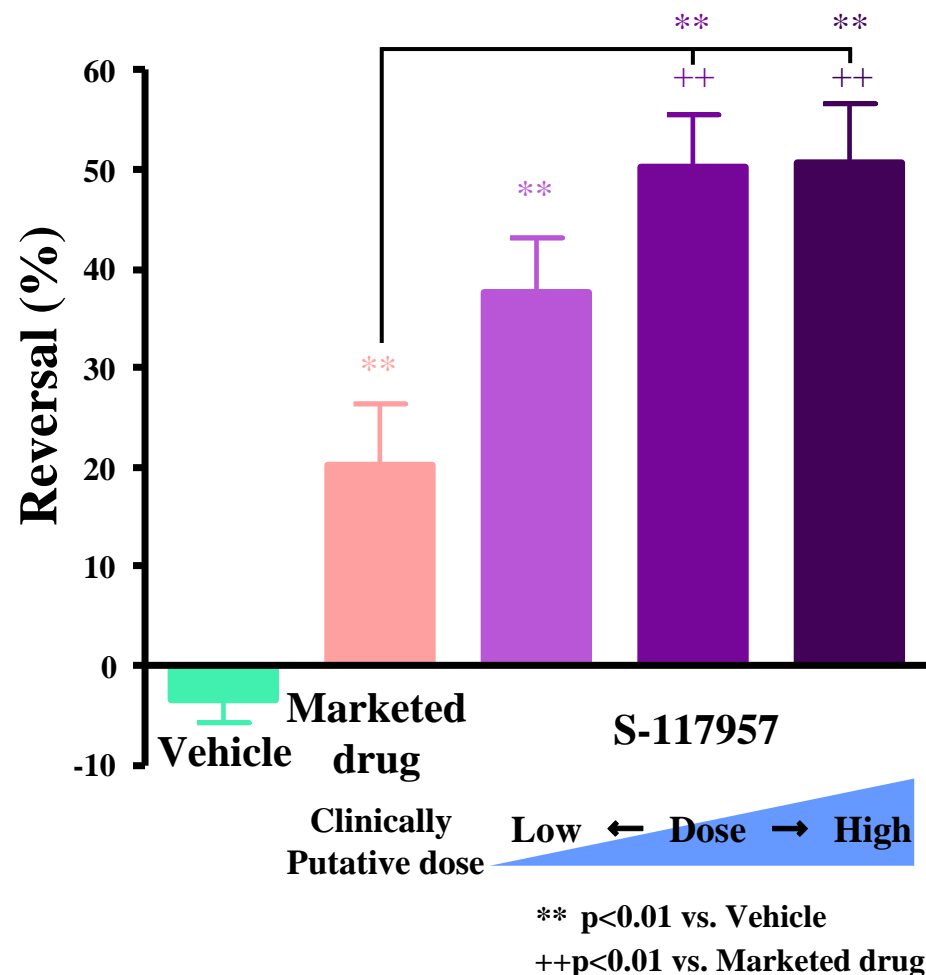
- **OxyContin[®]/OxiNorm[®] (Oxycodone hydrochloride hydrate, Oral):**
Treatment of moderate to severe chronic pain in patients with non cancer pain
 - Clinical trial in preparation in Japan
- **Cymbalta[®] (Duloxetine hydrochloride, Oral): Fibromyalgia**
 - Started Phase III in Japan



◆ **Compound profile/Market**

- New mechanism
- Orally analgesic drug with greater efficacy and improved tolerability than those of marketed products
- Market for neuropathic pain in the US, EU and Japan: \$5.6 billion in 2010, then further increase can be expected

◆ **Co-research & development with US based company Purdue Pharma**



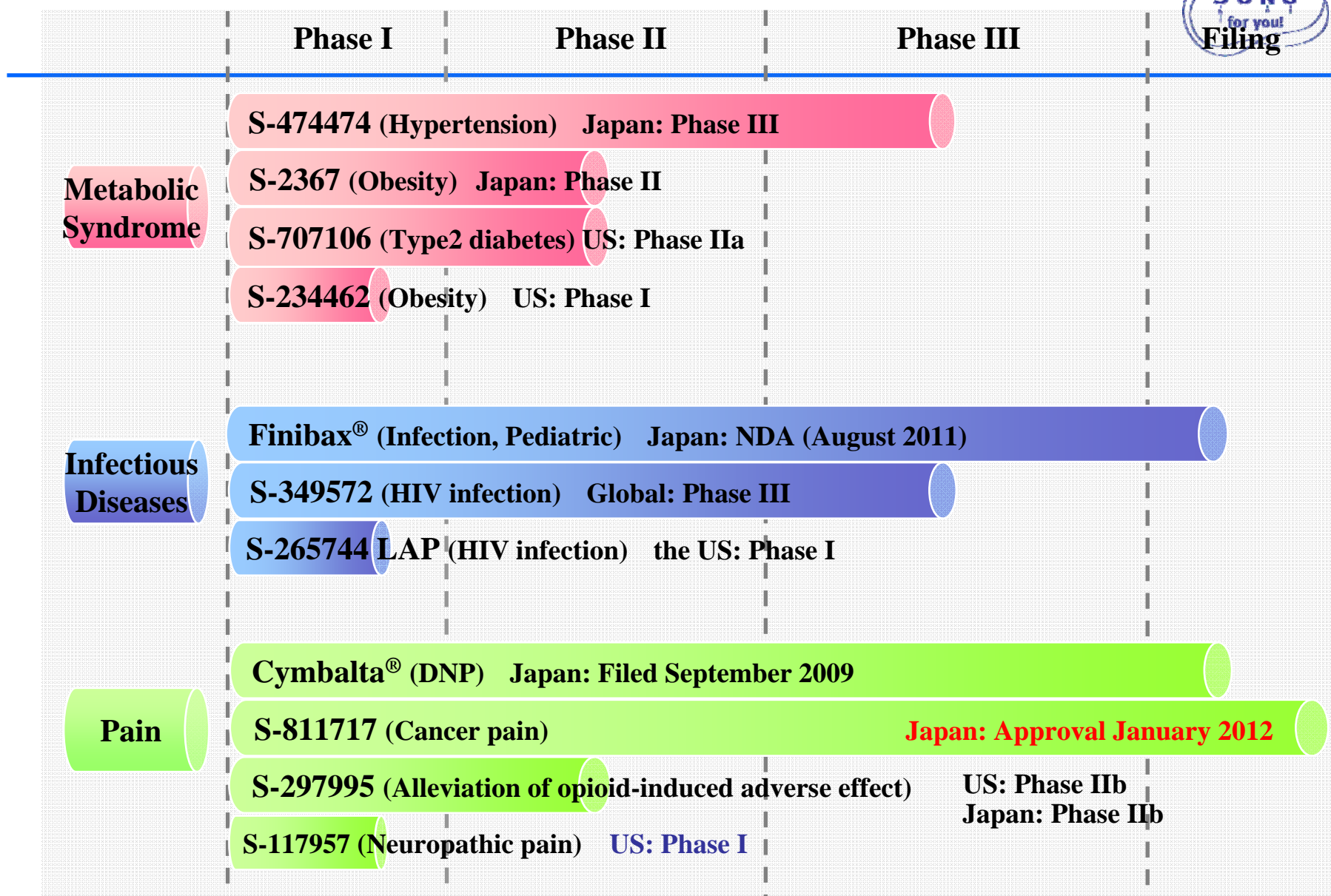
Dose over 1 mg/kg of S-117957 produced higher efficacy (suppression of hyperalgesia) than a marketed drug at putative clinical dose in rat neuropathic pain model (Seltzer model)



◆ **Therapeutic agents for Attention-Deficit/Hyperactivity Disorder (ADHD)**

- **Licensed from Shire plc**
- **Focus on the development and commercialization of the established US products, Vyvanse® and Intuniv® for the treatment of ADHD in Japan**
 - **Vyvanse® (Stimulant)**
 - **Increase the release of dopamine and norepinephrine into extraneuronal space and blocks the reuptake of these monoamines into the presynaptic neuron to stimulate the both neurons**
 - **Intuniv® (Non-stimulant)**
 - **Enhances the activity of norepinephrinergic neuron via their $\alpha 2$ receptors in the synapse**
- **Expected to be a new treatment option of different mechanism, and possibility total care for ADHD patients**
- **Expand presence in the CNS therapeutic area by developing and commercializing of Vyvanse® and Intuniv® following the antidepressant Cymbalta®**

Pipeline (as of January 2012)



LAP: Long acting parenteral formulation, DNP: Diabetic neuropathic pain

Pipeline (as of January 2012)



Women's Health

PSD502 (Premature ejaculation) US/EU: Phase III

Ospemifene (Post-menopausal vaginal atrophy) US: NDA filing in preparation

Others

S-555739 (Allergic disease) EU: Proof of Mechanism, US: Phase I
Japan: Phase IIb

S-888711 (Thrombocytopenia) US/EU: Phase II, Japan: Phase IIa

S-288310 (Cancer peptide vaccine, Bladder cancer) Asia: Phase I/II

S-488410 (Cancer peptide vaccine, Esophageal cancer) Japan: Phase I/II

S-524101 (Allergic rhinitis caused by house-dust mite allergen) Japan: Phase II in preparation

S-222611 (Malignant tumor) EU: Phase Ib

S-488210 (Cancer peptide vaccine, Head and neck squamous cell carcinoma)
EU: Phase I/II in preparation

<Out-licensed>

Doripenem (Respiratory tract infection) US: Filed

S-3013 (Acute coronary syndrome) US/EU: Phase III

S-0373 (Spinocerebellar ataxia) Japan: Phase II

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.
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