



*Fiscal 2011  
Financial Results*

*May 9, 2012*

 **SHIONOGI & CO., LTD.**



# *Overview of FY2011 Results*

## FY2011 Results

# Financial Results (Consolidated)



(Units: B yen)

	FY2011 Forecasts	FY2011 Results	Achieve- ment (%)	Fore- casting variance	FY2010 Results	Y on Y	
						Change (%)	Change
Sales	269.0	267.3	99.4	(1.7)	282.4	(5.3)	(15.1)
Operating income	46.0	47.0	102.2	1.0	46.9	0.2	0.1
Ordinary income	44.0	46.1	104.8	2.1	45.2	2.0	0.9
Net income	27.0	27.1	100.4	0.1	20.0	35.3	7.1

All numerical values are rounded to the nearest unit.

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

(Units: yen)

Exchange rate (average)	FY2011 Forecast*	FY2011 Results	FY2010 Results	Y on Y
USD(\$)	78	79.06	86.73	7.67 yen appreciation
EUR(€)	108	109.00	115.60	6.60 yen appreciation

\*: Revised in 3Q FY2011

## FY2011 Results

# *Financial Position and Cash Flows (Consolidated)*



(Units: B yen)

<Financial position>	3/31/2012	3/31/2011	Y on Y Change
Total assets	522.2	523.2	(1.0)
Net assets	347.2	328.1	19.1
Equity ratio (%)	65.9	62.7	3.2
Net assets per share (yen)	1,028	980	48

(Units: B yen)

<Cash flows>	FY2011 Results	FY2010 Results	Y on Y Change
Net cash provided by operating activities	54.7	56.5	(1.8)
Net cash provided by investing activities	(38.3)	(13.9)	(24.4)
Net cash provided by financing activities	(27.7)	(27.0)	(0.7)
Net increase (decrease)	(12.0)	13.0	(25.0)
Cash and cash equivalents at end of period	98.7	110.7	(12.0)

# FY2011 Results

## Breakdown of Sales (Consolidated)



(Units: B yen)

	FY2011 Forecasts	FY2011 Results	Achievement (%)	Forecasting Variance	FY2010 Results	Y on Y	
						Change (%)	Change
<b>Prescription drugs</b>	<b>165.8</b>	<b>164.4</b>	<b>99.1</b>	<b>(1.4)</b>	<b>158.9</b>	<b>3.4</b>	<b>5.5</b>
Crestor	36.6	35.7	97.6	(0.9)	29.0	23.4	6.7
Irbetan	9.7	8.9	92.0	(0.8)	7.3	22.9	1.6
Cymbalta	6.1	6.6	108.4	0.5	2.7	148.7	3.9
<b>Total of 3 key products</b>	<b>52.4</b>	<b>51.3</b>	<b>97.8</b>	<b>(1.1)</b>	<b>38.9</b>	<b>31.9</b>	<b>12.4</b>
OxyContin	9.9	8.9	89.5	(1.0)	9.6	(8.0)	(0.7)
Finibax	4.6	4.7	102.2	0.1	3.6	32.0	1.1
Differin	3.6	3.7	101.5	0.1	3.2	14.6	0.5
Pirespa	3.4	3.4	99.1	(0)	2.8	22.3	0.6
Rapiacta	1.4	1.4	97.3	(0)	0.3	386.2	1.1
<b>Total of 8 strategic products</b>	<b>75.3</b>	<b>73.2</b>	<b>97.2</b>	<b>(2.1)</b>	<b>58.3</b>	<b>25.6</b>	<b>14.9</b>
Flomox	20.9	20.7	99.2	(0.2)	21.9	(5.3)	(1.2)
Rinderon	9.5	9.2	97.1	(0.3)	9.5	(3.1)	(0.3)
Claritin	7.2	7.8	108.7	0.6	10.0	(21.6)	(2.2)
Flumarin	6.4	6.9	108.1	0.5	7.5	(7.9)	(0.6)
<b>Export/Overseas subsidiaries</b>	<b>16.7</b>	<b>17.0</b>	<b>101.7</b>	<b>0.3</b>	<b>37.4</b>	<b>(54.6)</b>	<b>(20.4)</b>
Shionogi Inc.	5.7	5.8	102.6	0.1	27.0	(78.4)	(21.2)
C&O	1.9	1.9	101.6	0	-	-	-
Doripenem	4.2	4.2	100.8	0	4.7	(9.5)	(0.5)
<b>Contract manufacturing</b>	<b>7.8</b>	<b>7.6</b>	<b>97.5</b>	<b>(0.2)</b>	<b>5.4</b>	<b>40.5</b>	<b>2.2</b>
<b>OTC and quasi-drugs</b>	<b>4.9</b>	<b>5.0</b>	<b>102.5</b>	<b>0.1</b>	<b>5.2</b>	<b>(3.0)</b>	<b>(0.2)</b>
<b>Diagnostics</b>	<b>2.8</b>	<b>2.7</b>	<b>96.7</b>	<b>(0.1)</b>	<b>2.9</b>	<b>(5.3)</b>	<b>(0.2)</b>
<b>Royalty income</b>	<b>69.0</b>	<b>68.7</b>	<b>99.5</b>	<b>(0.3)</b>	<b>68.9</b>	<b>(0.4)</b>	<b>(0.2)</b>
Crestor	65.8	64.7	98.4	(1.1)	64.2	0.8	0.5
<b>Others</b>	<b>2.0</b>	<b>1.9</b>	<b>95.9</b>	<b>(0.1)</b>	<b>3.6</b>	<b>(47.3)</b>	<b>(1.7)</b>
<b>Total</b>	<b>269.0</b>	<b>267.3</b>	<b>99.4</b>	<b>(1.7)</b>	<b>282.4</b>	<b>(5.3)</b>	<b>(15.1)</b>

Due to change in the accounting periods, results of FY2010 include 15 months from Jan. 2010 to Mar. 2011 for the US subsidiaries. 4

# FY2011 Results

## Statements of Income (Consolidated)



(Units: B yen)

	FY2011 Forecasts	FY2011 Results	Achieve- ment (%)	Forecasting Variance	FY2010 Results	Y on Y	
						Change (%)	Change
Sales	269.0	267.3	99.4	(1.7)	282.4	(5.3)	(15.1)
[Royalty income]	69.0	68.7	99.5	(0.3)	68.9	(0.4)	(0.2)
Cost of sales	28.6 [38.5] 77.0	29.1 [39.1] 77.8	101.0	0.8	28.9 [38.3] 81.7	(4.9)	(3.9)
Gross profit	192.0	189.5	98.7	(2.5)	200.6	(5.5)	(11.1)
SG&A expenses	54.3 146.0	53.3 142.5	97.6	(3.5)	54.4 153.7	(7.3)	(11.2)
Selling & general expenses	89.0	88.9	99.9	(0.1)	102.8	(13.5)	(13.9)
R&D expenses	57.0	53.6	94.0	(3.4)	50.9	5.3	2.7
Operating income	17.1 46.0	17.6 47.0	102.2	1.0	16.6 46.9	0.2	0.1
Non-operating income and expenses	L2.0	L0.9	-	1.1	L1.7	-	-
Ordinary income	16.4 44.0	17.2 46.1	104.8	2.1	16.0 45.2	2.0	0.9
Extraordinary income and loss	L1.2	L4.6	-	(3.4)	L12.0	-	-
Income before income taxes	42.8	41.5	96.9	(1.3)	33.1	25.2	8.4
Total income taxes	15.8	14.4	91.1	(1.4)	13.1	9.8	1.3
Net income	27.0	27.1	100.4	0.1	20.0	35.3	7.1

Small numbers in red are percentages of sales, and numbers in red provided in parentheses are percentages of royalty excluded sales. 5

## FY2011 Results

# Financial Results of Shionogi Inc.



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

	FY2011 Forecasts	FY2011 Results	FY2011				
			1 <sup>st</sup> Half Results	2 <sup>nd</sup> Half Forecasts	2 <sup>nd</sup> Half Results	3Q	4Q
Sales	73 5.7	74 5.8	(31) (2.4)	104 8.2	105 8.2	52 4.1	53 4.1
Cost of sales	28 2.2	29 2.3	15 1.2	13 0.9	14 1.1	6 0.4	8 0.7
SG&A expenses	192 14.9	191 15.1	85 6.7	106 8.1	106 8.4	50 3.9	56 4.5
Operating income	(146) (11.4)	(146) (11.5)	(131) (10.4)	(15) (0.9)	(15) (1.1)	(4) (0.2)	(11) (0.9)

### <Results in 4Q and 2<sup>nd</sup> Half of FY2011>

- Sales: Met the target for two consecutive quarters - Slow Naprelan growth, but steady growth of Kapvay and Orapred. Fortamet preliminary injunction minimized generic impact. Some additional gain resulted from the sales of the Prenate trademark, Adrenaclick and Twinject.
- Gross to net ratio: Controlled as planned
- Cost of sales and SG&A expenses: Stable business operation reflecting continued focus on cost containment
- Operating income: On track for the 2<sup>nd</sup> half target

## FY2011 Results

### Accounting for Business Combination Associated with C&O



#### ◆ Completed Accounting for Business Combination (Impact on Consolidated Statements of Income)

(Units: B yen)

	Fair Value	Amortization		Item
		FY2011 Results	FY2012 Forecasts	
Intangible assets	2.8	0.1	0.2	Selling expenses
Goodwill	8.1	0.2	0.4	Selling expenses

- Acquired the remaining 2.18% from minority shareholders (final stock owner ratio: 66%)
- Amortization is unchanged in FY2011 results and FY2012 forecasts

#### ◆ Financial Results of C&O

(Units: B yen)

	FY2011 Forecasts	FY2011 Results	FY2011	
			Jul-Sep	Oct-Dec
Sales	1.9	1.9	0.9	1.0
Operating income	0	(0.1)	(0)	(0.1)

- Market growth of antibiotics is temporarily slowed as a result of the examination of the clinical use of antibiotics by medical institutions nationwide in August 2011.





◆ **Domestic sales (prescription drugs)**

- Further focus for 8 strategic products resulted in a sales increase of 25.6% y on y
- 6 of 8 strategic products adjusted the “Premium for promotion of new drug creation and resolution of unapproved drugs/indications”

◆ **Crestor Royalty**

- Steady growth of global sales by AZ. Slight increase of 0.8% y on y due to the effect of exchange rate and extensive discussion with AZ

◆ **Shionogi Inc.**

- Solved the quality issues reported in FY2010, establishing steady supply chain management
- Focused marketing resources on key promoted products, mainly Napreelan and Kapvay, controlled deductions, and reviewed product portfolio to increase profitability
- Identified future exposure and recognized additional allowances for returns and rebates in the 1<sup>st</sup> half of FY2011, and adopting more conservative accounting procedures

⇒ **Stable business operation in the 2<sup>nd</sup> half**

◆ **C&O**

- Acquired capital in C&O, and fully committed to the business operation by the appointment of 4 management representatives to the board of directors (3 of them are in China)



# *FY2012 Financial Forecasts*

## FY2012 Forecasts

# *Financial Forecasts (Consolidated)*



(Units: B yen)

	FY2012 Forecasts		FY2011 Results	Y on Y	
	Full Year	1 <sup>st</sup> Half		Change (%)	Change
Sales	289.0	138.0	267.3	8.1	21.7
Operating income	56.0	24.5	47.0	19.1	9.0
Ordinary income	54.0	23.5	46.1	17.2	7.9
Net income	32.0	14.0	27.1	18.1	4.9

The depreciation method of tangible fixed asset will be changed from declining-balance method mainly now we use to straight-line method in FY2012. FY2012 forecasts are calculated based on this change.

## FY2012 Forecasts

# Forecasts of Sales Breakdown (Consolidated)



(Units: B yen)

	FY2012 Forecasts		FY2011 Results	Y on Y	
	Full year	1 <sup>st</sup> Half		Change (%)	Change
<b>Prescription drugs</b>	<b>168.6</b>	<b>79.5</b>	<b>164.4</b>	<b>2.6</b>	<b>4.2</b>
Crestor	37.0	18.0	35.7	3.6	1.3
Irbetan	10.0	4.8	8.9	12.0	1.1
Cymbalta	13.8	5.9	6.6	108.7	7.2
<b>Total of 3 key products</b>	<b>60.8</b>	<b>28.7</b>	<b>51.3</b>	<b>18.6</b>	<b>9.5</b>
OxyContin	9.7	4.8	8.9	9.4	0.8
Finibax	6.1	3.0	4.7	29.7	1.4
Differin	4.5	2.1	3.7	23.1	0.8
Pirespa	3.9	1.8	3.4	15.7	0.5
Rapiacta	2.5	0	1.4	83.6	1.1
<b>Total of 8 strategic products</b>	<b>87.5</b>	<b>40.4</b>	<b>73.2</b>	<b>19.5</b>	<b>14.3</b>
<b>Export/Overseas subsidiaries</b>	<b>29.7</b>	<b>14.6</b>	<b>17.0</b>	<b>74.9</b>	<b>12.7</b>
Shionogi Inc.	15.5	7.0	5.8	165.0	9.7
C&O	5.6	2.9	1.9	190.1	3.7
Doripenem	3.4	1.8	4.2	(19.7)	(0.8)
<b>Contract manufacturing</b>	<b>10.1</b>	<b>4.7</b>	<b>7.6</b>	<b>32.9</b>	<b>2.5</b>
<b>OTC and quasi-drugs</b>	<b>5.1</b>	<b>2.7</b>	<b>5.0</b>	<b>1.5</b>	<b>0.1</b>
<b>Diagnostics</b>	<b>2.4</b>	<b>1.0</b>	<b>2.7</b>	<b>(11.4)</b>	<b>(0.3)</b>
<b>Royalty income</b>	<b>71.2</b>	<b>34.5</b>	<b>68.7</b>	<b>3.7</b>	<b>2.5</b>
Crestor	68.0	32.7	64.7	5.0	3.3
<b>Others</b>	<b>1.9</b>	<b>1.0</b>	<b>1.9</b>	<b>(1.0)</b>	<b>(0)</b>
<b>Total</b>	<b>289.0</b>	<b>138.0</b>	<b>267.3</b>	<b>8.1</b>	<b>21.7</b>

## FY2012 Forecasts

# Forecasts of Shionogi Inc. and C&O



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

Shionogi Inc.	FY2012 Forecasts		FY2011 Results	Y on Y		FY2011 2nd Half Results
	Full Year	1st Half		Change (%)	Change	
Sales	194 15.5	87 7.0	74 5.8	161.9	120 9.7	105 8.2
Cost of sales	21 1.6	10 0.8	29 2.3	(28.3)	(8) (0.7)	14 1.1
SG&A expenses	211 16.9	107 8.5	191 15.1	10.4	20 1.8	106 8.4
Operating income	(38) (3.0)	(30) (2.4)	(146) (11.5)	-	108 8.5	(15) (1.1)

Assumed exchange rates: 79.06 yen (FY2011) and 80 yen (FY2012) to the dollar, Y on Y change (%) calculated in US\$. Yen of Y on Y change includes the difference of exchange rate mentioned above.

(Units: B yen)

C&O	FY2012 Forecasts		FY2011 Results
	Full year	1st Half	
Sales	5.6	2.9	1.9
Operating income	0.5	0.3	(0.1)

Results of FY2011 include 6 months from Jul. to Dec. 2011.

## Shareholder Return

### *Dividend Forecasts*



	Dividends per Share			Payout ratio
	Half-year	Year-end	Annual	
	Yen	Yen	Yen	
<b>FY2009</b>	<b>18.00</b>	<b>18.00</b>	<b>36.00</b>	<b>31.2%</b>
<b>FY2010</b>	<b>20.00</b>	<b>20.00</b>	<b>40.00</b>	<b>66.9%</b>
<b>FY2011</b>	<b>20.00</b>	(Forecast) <b>20.00</b>	(Forecast) <b>40.00</b>	<b>49.4%</b>
<b>FY2012</b>	(Forecast) <b>20.00</b>	(Forecast) <b>20.00</b>	(Forecast) <b>40.00</b>	<b>41.9%</b>

- **FY2011 forecast: 40 yen as planned**
- **FY2012 forecast: 40 yen**
- **Sustain the consolidated payout ratio of 35% based on the 3<sup>rd</sup> Med-Term Business Plan and return the profit to shareholders in case the financial result exceeds FY2012 forecast**

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# *Forward-Looking Statements*

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- 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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