



1st Half of Fiscal 2012 Financial Results

November 2, 2012

 **SHIONOGI & CO., LTD.**



Overview of 1st Half FY2012 Financial Results



Financial Results (Consolidated)

(Units: B yen)

	FY2012 forecasts	FY2012		Achievement (%)	FY2011 1H results	Y on Y	
		1H forecasts	1H results			change (%)	change
Sales	289.0	138.0	137.3	99.5	124.0	10.7	13.3
Operating income	56.0	24.5	26.1	106.6	18.2	43.1	7.9
Ordinary income	54.0	23.5	25.1	106.8	18.4	36.2	6.7
Net income	32.0	14.0	14.9	106.2	8.2	81.2	6.7

- All income levels from April to September 2012 are higher than the levels achieved in the first half of any prior fiscal year.

* All numerical values are rounded to the nearest unit.

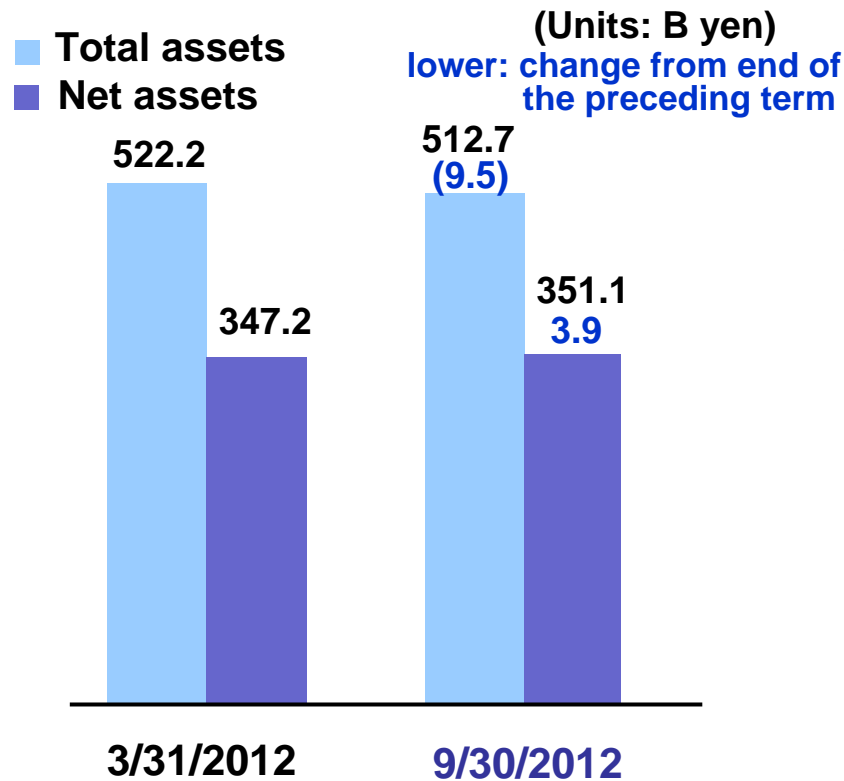
* The depreciation method for tangible fixed assets has been changed from the declining-balance method predominantly used previously to the straight-line method from FY2012. With this change, operating and ordinary incomes have each increased by 1.4 billion yen in the 1st half of FY2012.

Exchange rate (average)	FY2012 forecasts	FY2012 1H results
USD(\$)	80	79.39
EUR(€)	105	100.49

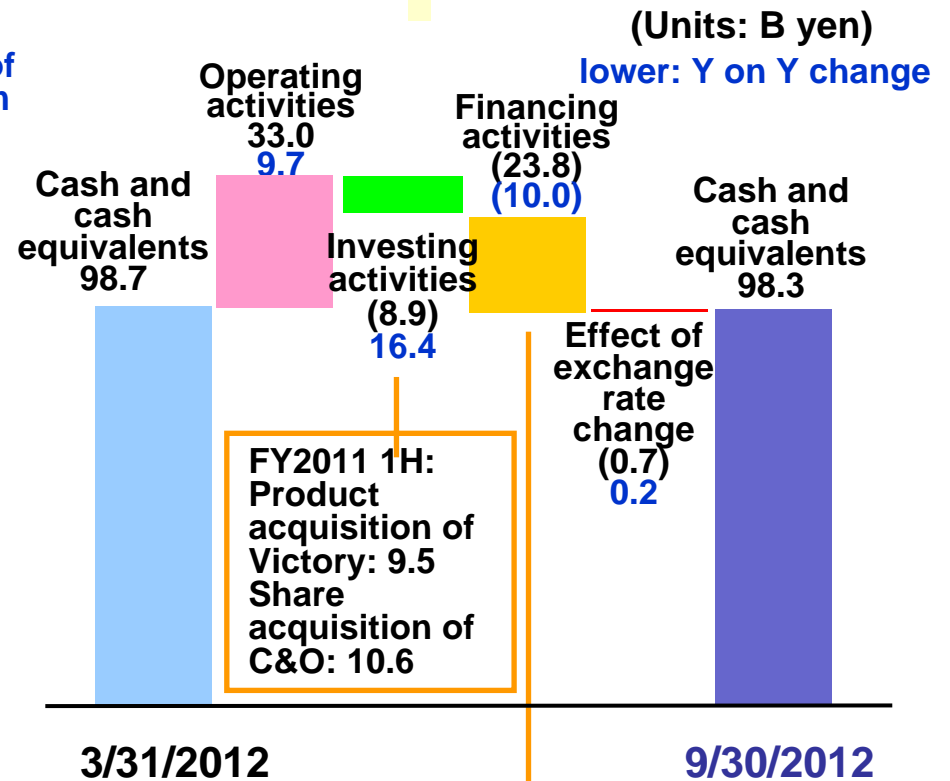


Financial Position and Cash Flow (Consolidated)

◆ Financial Position



◆ Cash Flow



	3/31/2012	9/30/2012
Equity ratio	65.9%	67.9%



Statements of Income (Consolidated)

(Units: B yen)

	FY2012		Achievement (%)	FY2011 1H results	Y on Y	
	1H forecasts	1H results			change (%)	change
Sales	138.0	137.3	99.5	124.0	10.7	13.3
[Royalty income]	34.5	33.4	96.8	34.3	(2.7)	(0.9)
Cost of sales	29.0 [38.6]	29.3 [38.7]		30.3 [41.8]		
	40.0	40.2	100.5	37.5	7.2	2.7
Gross profit	98.0	97.1	99.1	86.5	12.3	10.6
SG&A expenses	53.3 73.5	51.7 71.0	96.6	55.0 68.2	4.1	2.8
Selling & general expenses	47.0	46.0	97.9	42.5	8.2	3.5
R&D expenses	26.5	25.0	94.3	25.7	(2.8)	(0.7)
Operating income	17.8 24.5	19.0 26.1	106.6	14.7 18.2	43.1	7.9

* Small numbers in red are percent of sales, and numbers in red provided in parentheses are percent of sales excluding royalty income.

1st Half FY2012 Results



Breakdown of Sales (Consolidated)

(Units: B yen)

	FY2012		Achievement (%)	FY2011 1H results	Y on Y	
	1H forecasts	1H results			change (%)	change
Prescription drugs	79.5	79.7	100.3	78.7	1.2	1.0
Total of 3 key products	28.7	28.0	97.5	24.3	15.2	3.7
Total of 8 strategic products	40.4	39.8	98.4	34.3	15.9	5.5
Overseas subsidiaries/export	* 14.6	* 14.8	101.4	2.0	607.8	12.8
Shionogi Inc.	7.0	7.5	106.7	(2.4)	-	9.9
C&O	2.9	2.9	100.8	-	-	2.9
Doripenem	1.8	1.4	77.1	1.9	(25.2)	(0.5)
Contract manufacturing	4.7	4.5	94.8	3.7	17.3	0.8
OTC and quasi-drugs	2.7	2.8	103.6	2.7	3.6	0.1
Diagnostics	1.0	1.1	110.2	1.3	(18.6)	(0.2)
Royalty income	34.5	33.4	96.8	34.3	(2.7)	(0.9)
Crestor	32.7	30.7	93.9	32.3	(5.0)	(1.6)
Others	1.0	1.0	105.0	0.9	10.5	0.1
Total	138.0	137.3	99.5	124.0	10.7	13.3

Eight strategic products: Crestor, Irbetan, Cymbalta (3 key products), and OxyContin, Finibax, Differin, Pirespa, Rapiacta

*Taiwan Shionogi has changed its accounting period since Jan. 2012, and 1H results include 9 months from Jan. to Sep. C&O has been consolidated since Oct. 2011, and 1H results include 6 months from Jan. to Jun. **5**

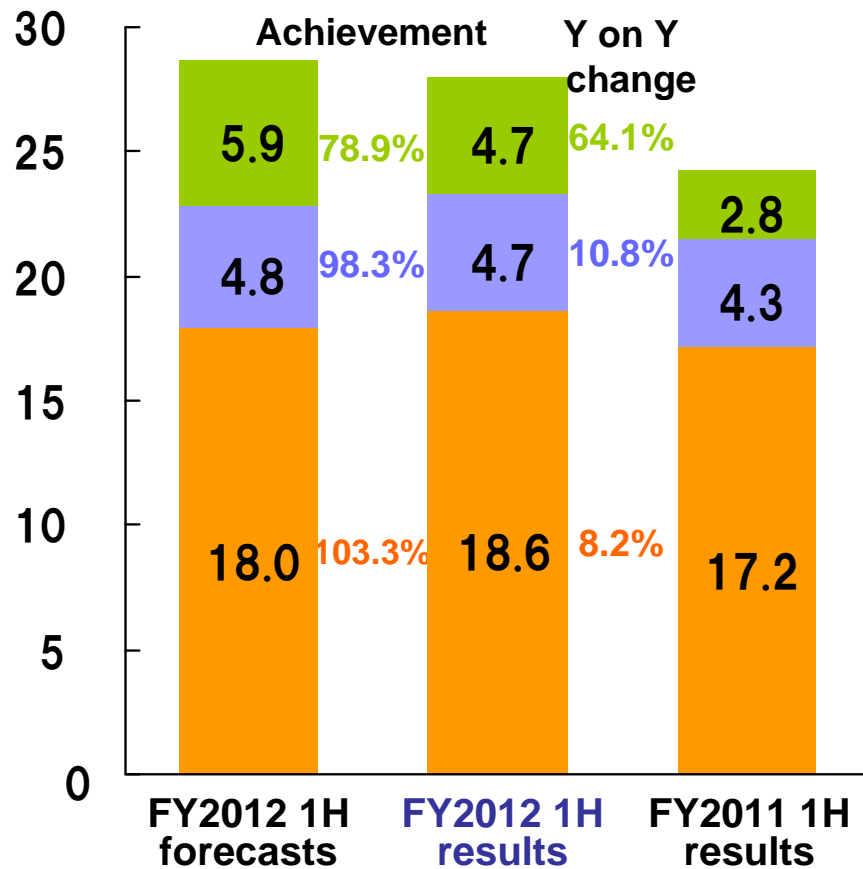


Domestic: Sales of 8 Strategic Products

(Units: B yen)

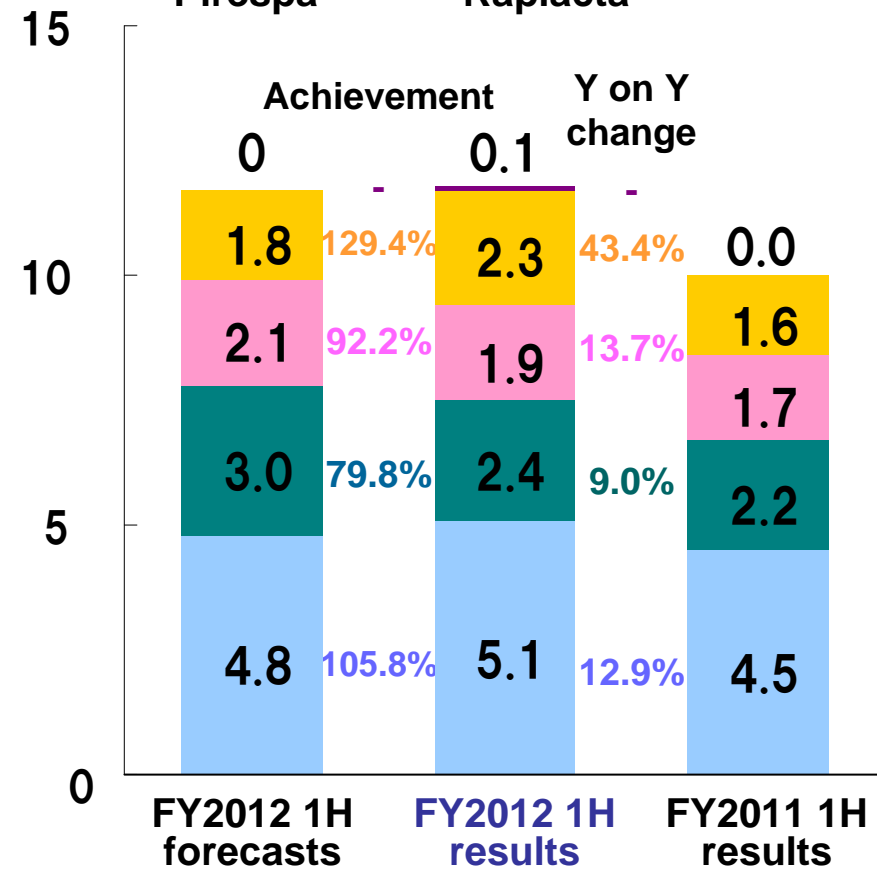
◆ 3 Key Products

■ Crestor
 ■ Irbetan
 ■ Cymbalta



◆ 5 Strategic Products

■ OxyContin
 ■ Finibax
 ■ Differin
■ Pirespa
■ Rapiacta



1st Half FY2012 Results



Financial Results of Shionogi Inc.

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

	FY2012			Achievement (%)
	Full year forecasts	1H forecasts	1H results	
Sales	194 15.5	87 7.0	94 7.5	107.9
Cost of sales	21 1.6	10 0.8	16 1.2	153.2
SG&A expenses	211 16.9	107 8.5	106 8.4	99.2
Operating income	(38) (3.0)	(30) (2.4)	(27) (2.2)	-

* Y on Y changes (%) are calculated in US\$ and are different from those calculated in Japanese yen.

Financial Results of C&O

(Units: B yen)

	FY2012			Achievement (%)
	Full year forecasts	1H forecasts	1H results	
Sales	5.6	2.9	2.9	100.8
Operating income	0.5	0.3	0.3	96.4

* C&O: C&O Pharmaceutical Technology (Holdings) Limited

* C&O has been consolidated since Oct. 2011, and 1H results in FY2012 include 6 months from Jan.-Jun. results in 2012.



Review of 1st Half FY2012

- ◆ **Japanese Domestic Sales**
 - Sales increase in eight strategic products of 16% Y on Y
 - Eight strategic products reached 50% of total net sales
- ◆ **Cost Control**
 - Cost of sales level consistent with plan
 - Continued focus on cost containment via budgetary control and prioritization
- ◆ **Overseas Business Operations**
 - Shionogi Inc. (US): Stable business operations and increased sales ⇒ Targets met for four consecutive quarters
 - C&O (China): Continued stable business operation
- ◆ **R&D**
 - Each pipeline compound, including dolutegravir, showed steady progress toward its milestone targets for FY2012
- ◆ **Crestor Royalty**
 - Global sales of Crestor by AstraZeneca in the 1st half of 2012 were down 3% Y on Y



FY2012 Financial Forecasts



Revision of FY2012 Financial Forecasts (Consolidated)

(Units: B yen)

	FY2012							FY2011	Y on Y change (%)
	Full Year forecasts			1H results	2H forecasts				
	original	revised	change		original	revised	change	results	
Sales	289.0	283.0	(6.0)	137.3	151.0	145.7	(5.3)	267.3	5.9
Operating income	56.0	56.0	-	26.1	31.5	29.9	(1.6)	47.0	19.1
Ordinary income	54.0	54.0	-	25.1	30.5	28.9	(1.6)	46.1	17.2
Net income	32.0	32.0	-	14.9	18.0	17.1	(0.9)	27.1	18.1

FY2012 Forecasts



Revision of Sales by Segments (Consolidated)

(Units: B yen)

	FY2012							FY2011 results	Y on Y change (%)
	Full year forecasts			1H results	2H forecasts				
	original	revised	change		original	revised	change		
Prescription drugs	168.6	168.6	-	79.7	89.1	88.9	(0.2)	164.4	2.6
Crestor	37.0	37.0	-	18.6	19.0	18.4	(0.6)	35.7	3.6
Irbetan	10.0	10.0	-	4.7	5.2	5.3	0.1	8.9	12.0
Cymbalta	13.8	10.8	(3.0)	4.7	7.9	6.1	(1.8)	6.6	63.3
Total of 3 key products	60.8	57.8	(3.0)	28.0	32.1	29.8	(2.3)	51.3	12.7
OxyContin	9.7	10.2	0.5	5.1	4.9	5.1	0.2	8.9	15.1
Finibax	6.1	5.1	(1.0)	2.4	3.1	2.7	(0.4)	4.7	8.5
Differin	4.5	4.0	(0.5)	1.9	2.4	2.1	(0.3)	3.7	9.5
Pirespa	3.9	4.9	1.0	2.3	2.1	2.6	0.5	3.4	45.4
Rapiacta	2.5	2.5	-	0.1	2.5	2.4	(0.1)	1.4	83.6
Total of 8 strategic products	87.5	84.5	(3.0)	39.8	47.1	44.7	(2.4)	73.2	15.4
Overseas subsidiaries/export	29.7	28.3	(1.4)	14.8	15.1	13.5	(1.6)	17.0	66.6
Shionogi Inc.	15.5	15.5	-	7.5	8.5	8.0	(0.5)	5.8	165.0
C&O	5.6	5.6	-	2.9	2.7	2.7	-	1.9	190.1
Doripenem	3.4	1.8	(1.6)	1.4	1.6	0.4	(1.2)	4.2	(57.5)
Contract manufacturing	10.1	7.6	(2.5)	4.5	5.4	3.1	(2.3)	7.6	(0.0)
OTC and quasi-drugs	5.1	5.1	-	2.8	2.4	2.3	(0.1)	5.0	1.5
Diagnostics	2.4	2.4	-	1.1	1.4	1.3	(0.1)	2.7	(11.4)
Royalty income	71.2	69.1	(2.1)	33.4	36.7	35.7	(1.0)	68.7	(0.6)
Crestor	68.0	63.0	(5.0)	30.7	35.3	32.3	(3.0)	64.7	(2.7)
Others	1.9	1.9	-	1.0	0.9	0.9	-	1.9	(1.0)
Total	289.0	283.0	(6.0)	137.3	151.0	145.7	(5.3)	267.3	5.9

Revision of Statements of Income (Consolidated)

	FY2012							FY2011 results	Y on Y Change (%)
	Full year forecasts			1H results	2H forecasts				
	Original	Revised	Change		Original	Revised	Change		
Sales	289.0	283.0	(6.0)	137.3	151.0	145.7	(5.3)	267.3	5.9
[Royalty income]	71.2	69.1	(2.1)	33.4	36.7	35.7	(1.0)	68.7	0.6
Cost of sales	28.5 [37.8]	28.3 [37.4]		29.3 [38.7]	28.1 [37.1]	27.3 [36.2]		29.1 [39.1]	2.9
	82.4	80.0	(2.4)	40.2	42.4	39.8	(2.6)	77.8	
Gross profit	206.6	203.0	(3.6)	97.1	108.6	105.9	(2.7)	189.5	7.1
SG&A expenses	52.1 150.6	51.9 147.0	(3.6)	51.7 71.0	51.1 77.1	52.2 76.0	(1.1)	53.3 142.5	3.1
Selling & general expenses	94.0	94.0	-	46.0	47.0	48.0	1.0	88.9	5.7
R&D expenses	56.6	53.0	(3.6)	25.0	30.1	28.0	(2.1)	53.6	(1.1)
Operating income	19.4 56.0	19.8 56.0	-	19.0 26.1	20.9 31.5	20.5 29.9	(1.6)	17.6 47.0	19.1

* Small numbers in red are percent of sales, and numbers in red provided in percent of sales excluding royalty income



New Agreement for HIV integrase Inhibitors with ViiV

◆ New Alliance Scheme for DTG (announced on Oct. 29)

- JV's rights to the integrase inhibitor franchise products are transferred to ViiV Healthcare, and Shionogi becomes a 10% shareholder in ViiV with Board representation*
- Shionogi Limited receives dividends from ViiV in the UK
- Shionogi receives royalty on net sales of integrase inhibitor portfolio, averaging in high teens

◆ Financial Impact for FY2012

- Difference between book value of equity interest in JV and value of equity share in ViiV will be allocated as extraordinary income
- Income and losses may be allocated on the reevaluation of other assets such as goodwill
- JV development costs will not be incurred after the new agreement

◆ Financial Impact after FY2013

- Royalty income and a proportional share of dividends from ViiV
- Development costs and amortization of goodwill and other intangible assets may be reduced



Dividend Forecast

	Dividends per Share		
	Half-year	Year-end	Annual
	Yen	Yen (Forecast)	Yen (Forecast)
FY2012	20 . 00	20 . 00	40 . 00
FY2011	20 . 00	20 . 00	40 . 00

- **FY2012 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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