

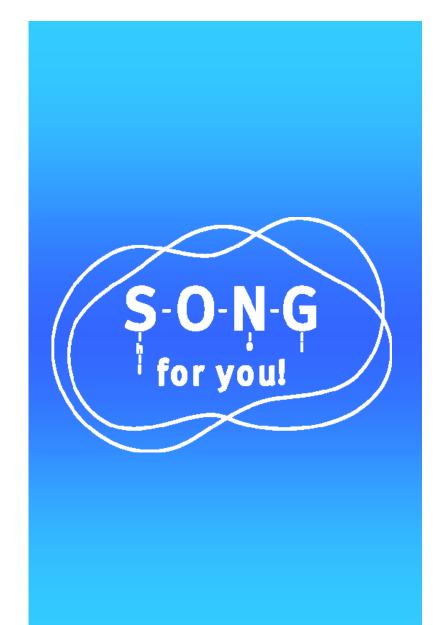
Presentation of 1st half of Fiscal 2006 Financial Results

November 7, 2006 President Motozo Shiono





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Overview of 1st half Results for Fiscal 2006

SHIONOGI & CO., LTD.



1st half of Financial Results (Consolidated & Non-consolidated)

Billions of yen			
/ Campalidated >	FY2006	FY2005	% Change
< Consolidated>	1st half	1st half	
Sales	92.1	96.8	(4.9)
Operating income	10.9	12.1	(9.6)
Ordinary income	10.9	12.3	(11.1)
Net income	6.3	8.3	(23.1)
<non-consolidated></non-consolidated>			
Sales	88.0	87.5	0.5
Operating income	9.0	10.4	(13.2)
Ordinary income	10.0	11.8	(14.7)
Net income	5.6	8.4	(33.0)



Consolidated Financial Position and Cash Flows

Billions of yen			
	9/30/2006	3/31/2006	Change
<financial position=""></financial>			
Total assets	425.1	427.6	(2.5)
Shareholders' equity	339.3	337.4	1.9
Shareholders' equity ratio	79.8%	78.9%	0.9%
Shareholders' equity per share (yen)	995.78	989.76	6.02
	FY2006	FY2005	Change
<cash flows=""></cash>	1st half	1st half	
Net cash provided by operating activities	2.1	8.5	(6.4)
Net cash used in investing activities	(20.9)	(1.2)	(19.7)
Net cash used in financing activites	(3.9)	(22.4)	18.5
Total	(22.7)	(15.1)	(7.6)
Cash & cash equivalents at end of period	53.3	80.8	



Main events during the 1st half of FY 2006

	NHI price revision was implemented (Industry average: 6.7%)
	Launched Finibax 0.25g IV Solution Kit (Doripenem Hydrate), carbapenem antibiotic
0	Launched Sedes® V containing the vitamin B1, non-pyrazolone-antipyretic analgesic
	Confirmed safety and efficacy of S-2367 (Anti-obesity) in early phase 2 clinical study
	Launched Cetrotide injectable, premature ovulation inhibitor
	Initiated regular promotional activities for Crestor® in domestic market
0	Reached basic agreement with Hokkaido University on construction of joint research facility
0	Announced final result of JATOS, Japan's first large-scale clinical trial for treatment of hypertension in elderly patients
	Obtained an approval for Oxynorm powder 0.5%, cancer pain analgesic
	Decided to discontinue development of S-5751, a prostaglandin D ₂ receptor antagonist



Consolidated Sales by Segment

Billions of yen	FY2006	FY2005	% Change
Dimons of yen	1st half	1st half	70 Change
Prescription drugs	76.1	79.6	(4.4)
Flomox	13.8	15.1	(8.7)
Flumarin	7.4	8.7	(15.2)
Vancomycin	7.2	8.2	(12.7)
Imunace	5.7	5.3	6.0
Claritin	2.5	3.3	(23.7)
Oxycontin	2.5	2	23.1
MS Contin	$\overline{1.3}$	$\overline{2}$	(31.3)
Finibax	0.9	$0.\overline{1}$	_
Avelox	1.1	_	
Crestor	1.1	0	_
Contract manufacturing	1.7	0.6	187.6
OTC products	3.1	3.2	(4.7)
Diagnostics	1.7	1.8	(4.2)
Royalty income	8.3	4.1	100.9
Crestor	7.4	3.2	130.7
Capsule business	_	6.1	_
Real estate & others	1.3	1.5	(12.6)
Total	92.1	96.8	(4.9)
* Sales of p		are shown on a no	n-consolidated basis.
	6		



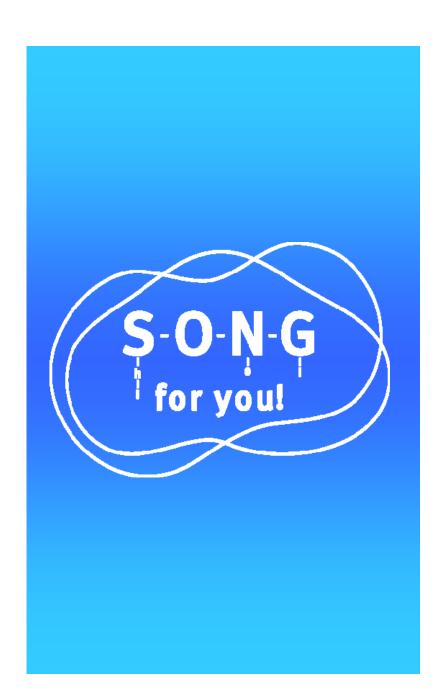
Consolidated Cost of Sales, SG&A Expenses and Operating Income

Billions of yen	FY2006 1st half	FY2005 1st half	% change	Change
Sales	92.1	96.8	(4.9%)	(4.7)
[Royalty income]	[8.3]	[4.1]		4.2
	33.2	36.9		
	[36.5]	[38.6]		
Cost of sales	30.6	35.8	(14.4%)	(5.2)
Gross profit	61.5	61.0	0.7%	0.5
	54.9	50.6		
SG&A expenses	50.6	48.9	3.3%	1.7
Selling & General	32.7	33.6	(2.9%)	(0.9)
R & D	17.9	15.3	17.1%	2.6
	11.9	12.5		
Operating income	10.9	12.1	(9.6%)	(1.2)



Operating Income Analysis

Billions of yen	Effect on consolidated operating income
⟨ Positive factors ⟩	
Increase in sales	0.4
Increase in royalty income	4.2
Decrease in manufacturing costs	0.9
⟨ Negative factors ⟩	
NHI price revision	(3.1)
Exclusion of capsule business	(0.7)
Increase in SG&A expenses (Capsul	le excluded) (0.3)
Increase in R&D expenses	(2.6)
Total	(1.2)



Forecast for Fiscal 2006

SHIONOGI & CO., LTD.



Consolidated and Non-consolidated Financial Results

Billions of yen	FY 2006	FY 2005	%
<consolidated></consolidated>	Forecast	Actual	Change
Sales	205.0	196.3	4.4
Operating income	31.0	29.2	6.1
Ordinary income	31.0	29.6	4.5
Net income	18.0	22.7	(20.8)
<non-consolidated></non-consolidated>			
Sales	193.0	183.3	5.2
Operating income	27.5	25.7	6.7
Ordinary income	29.0	28.1	3.2
Net income	17.0	26.6	(36.2)



Consolidated Sales by Segment

Billions of yen	FY 2006 Forecast	FY 2005 Actual	% Change
Prescription drugs	165.0	165.4	(0.3)
Flomox	32.0	34.1	(6.3)
Flumarin	14.4	16.4	(12.2)
Vancomycin	13.7	16.1	(14.6)
Imunace	11.5	11.1	3.3
Claritin	8.0	8.0	0.4
Oxycontin	7.0	4.3	63.0
MS contin	2.2	3.5	(37.4)
Finibax	3.5	0.8	358.1
Avelox	3.0	1.8	67.8
Crestor	4.0	0.1	-
Cetrotide	0.5	-	-
Contract manufacturing	4.0	2.1	89.9
OTC products	6.4	6.4	(0.7)
Diagnostics	3.5	3.4	3.2
Royalty income	20.5	9.8	108.2
Crestor	18.5	8.1	127.3
Capsule business	=	6.1	-
Real estate & others	5.6	3.1	81.3
Total	205.0	196.3	4.4

^{*} Sales of prescription drugs are shown on a non-consolidated basis.



Consolidated Operating Income

Billions of yen	FY 2006 Forecast	FY 2005 Actual	% Change	Change
Sales	205.0	196.3	4.4%	8.7
[Royalty income]	[20.5]	[9.8]		[10.7]
	33.7	35.0		
	(37.4)	(36.8)		
Cost of Sales	69.0	68.7	0.4%	0.3
Gross profit	136.0	127.6	6.5%	8.4
	51.2	50.1		
SG&A expenses	105.0	98.4	6.6%	6.6
Selling & General	68.0	66.2	2.7%	1.8
R&D	37.0	32.2	14.7%	4.8
	15.1	14.9		
Operating income	31.0	29.2	6.1%	1.8



Operating Income Analysis

Billions of yen	Effect on consolidated operating income
⟨ Positive factors ⟩	
Increase in sales	4.2
Increase in royalty income	10.7
Decrease in manufacturing costs	2.2
⟨ Negative factors ⟩	
NHI price revision	(6.8)
Exclusion of capsule Business	(0.7)
Increase in SG&A expenses (Capsul	e excluded) (3)
Increase in R&D expenses	(4.8)
Total	1.8



Dividend

	FY 2006 Forecast	FY 2005 Actual
■ Net income per share (Consolidated)	¥52.85	¥66.55
☐ Cash dividend per share	¥16.00	¥16.00
□ Dividend ratio	30.3%	24.0%



Pipeline Update

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Pipeline Update

□Launch/Approval and Termination of development

- ■Cetrotide® (NS75A) Launched on September 21, 2006
- ■Oxynorm Powder (S-8116)
 Obtained an approval on October 20, 2006
 (Scheduled to launch during a period between January and February 2007

■S-5751(Asthma)

No statistical significance was observed in primary endpoint $(FEV_{1.0})$ between groups of S-5751 and placebo group Evaluation is in progress for backup candidates while conducting more detailed statistical analysis of the PoC study



Pipeline Update

□Progress in development

- ■Irbesartan: Completed phase 3 study and NDA filing is scheduled during this year
- ■Pirfenidone: Completed LPO (last patient out) smoothly and NDA filing is scheduled during this fiscal year (Feb. to March, 2007)
- ■S-013420 (New macrolide antibiotic)
 - : Completed phase 2a study Phase 2b study is scheduled during this year
- **■**S-777469 (Antipruritic treatment)
 - : Scheduled to start FTIH (First time in human) in early November, 2006
- **■**S-364735 (Integrase inhibitor)
 - :Scheduled to start phase 2a study during this year
- **■**S-2367 (Anti-obesity)
 - : Scheduled to start phase 2b study in early next year



For further inquiries

This presentation material contains forward-looking statements regarding the Company's plans, outlook, strategies and results for the future. All forward-looking statements are based on judgments derived from the information available to the Company at the time of publication. Certain risks and uncertainties could cause the Company's actual results to differ materially from any projections presented in this presentation material.

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