In addition to providing physicians with accurate information on the efficacy and safety of the Company’s prescription drugs, Shionogi’s medical representatives (MRs) thoroughly confirm the efficacy and safety of those drugs by visiting doctors to check whether patient symptoms have improved and whether the drugs have facilitated treatment. Based on Shionogi’s philosophy of “working for patients,” MRs work to improve the quality of the information they provide by feeding more detailed information back to the relevant healthcare practitioners. In addition, Shionogi’s other divisions, including Research, Development and Manufacturing, provide unified support for the Company’s sales and marketing activities to enhance the quality of information. The information received from healthcare providers is also used for drug discovery and development.

Domestic Sales Results in Fiscal 2006

The domestic pharmaceutical industry faced an increasingly severe operating environment. In April 2006, National Health Insurance (NHI) drug prices were lowered by an average of 6.7 percent across the industry amid discussions on containing rising healthcare costs. Moreover, the promotion of generic drugs gained momentum, and the adoption of the Diagnosis Related Group/Prospective Payment System (DRG/PPS) for medical expenses expanded.

In particular, amid continuing shrinkage of the market for antibiotics, a core product area for Shionogi, the Company was unable to focus its efforts on the expansion of new products. As a result, domestic sales of prescription drugs were short of the fiscal 2006 target.

Sales and Marketing Strategies and Measures for Increasing New Product Sales

A major objective under the second medium-term management plan is to revitalize domestic sales and marketing in order to provide a stable source of income as a base for “preparing for a significant leap forward” in the future. To achieve this objective, Shionogi aligned its sales and marketing activities with research and development by focusing on the targeted areas of infectious diseases, pain and metabolic syndrome, and the frontier area, and concentrated resources on new products in each area to expand market share.

From fiscal 2007, we plan to enhance our efforts at advanced treatment hospitals and develop highly specialized information activities in each disease area that meet physicians’ expectations. In addition, we will enhance area-based marketing and actively conduct sales and marketing that reflects the state of healthcare in each locality while concentrating resources on new products.

Infectious Diseases

Over many years, Shionogi has built a strong presence as an “anti-infective company” with a full product pipeline in the area of infectious diseases, and will continue to contribute to the treatments in this area. Reviewing the current status of the market, we will work to enhance the Company’s presence in the area of severe infectious diseases, where significant needs still exist. Shionogi intends to further expand its market share by positioning Finibax and Avelox as strategic products. The Company plans to enhance the information it provides on these products by amassing more clinical and non-clinical data.

Finibax®

Launched in September 2005, this injectable carbapenem antibiotic has a profile of strong antibacterial action and high level of safety. In particular, Finibax exhibits strong antibacterial action against Pseudomonas aeruginosa, which is frequently a problem when treating severe infectious diseases. Overseas, the product was developed by Johnson & Johnson, which submitted it for approval to the FDA in the United States in December 2006 and to the European Medicines Agency (EMEA) in June 2007.
International Society of Hypertension in Fukuoka in 2006. JATOS provided clinically valuable research findings.

**Pain**

To fulfill Shionogi’s mission of improving the quality of life (QOL) of patients, the Company’s MRs are working toward complete relief from pain for all cancer patients. Shionogi’s core product in this area is the controlled-release oral opioid OxyContin. Launched in 2003, OxyContin Tablets continued to expand their market share and became the most-prescribed oral opioid analgesic in Japan in 2006. In February 2007, Shionogi launched OxiNorm powder, an immediate-release formulation of OxyContin. Shionogi is working to promote widespread alleviation of cancer pain through the combination of these two products. However, a deeply rooted prejudice in Japanese medical tradition against medical narcotics is interfering with the spread of pain treatments.

In April 2007, Shionogi established the Cancer Pain Management Business Development Department, and plans to strengthen efforts to educate the general public about pain.

**Metabolic Syndrome**

In Japan, healthcare needs have been increasing in the area of metabolic syndrome due to factors including the growing population of elderly people, changes in diet, chronic lack of exercise and rising levels of stress. To meet these needs, Shionogi intends to make metabolic syndrome a central area of focus. Shionogi develops information activities centered on the hyperlipidemia treatment Crestor combined with details on drugs such as Landel Tablets, a calcium channel blocker for treating hypertension. The Company has also filed an NDA for irbesartan, an angiotensin II receptor antagonist for treatment of hypertension, and plans to add it to the product lineup upon approval.

In this area, there is a critical need for evidence of efficacy and safety obtained through large-scale clinical studies of a large number of patients. Clinical studies for Crestor by AstraZeneca plc have been proceeding on a global scale. Completed tests have yielded considerable data supporting the drug’s efficacy. In clinical studies for Landel, the final results of the Japanese Trial to Assess Optimal Systolic Blood Pressure in Elderly Hypertensive Patients (JATOS), Japan’s first large-scale clinical trial for the treatment of hypertension in elderly patients, were announced at the 21st Scientific Meeting of the International Society of Hypertension.

**Future Sales Expansion**

During the period of the second medium-term management plan from April 2005 to March 2010, Shionogi plans to launch 10 new products, including new formulations for marketed products. By working steadily to maximize the potential of these new products, Shionogi intends to build a strong domestic business base.