

April 4, 2007  
Shionogi & Co., Ltd.

## **Shionogi Announces Revisions to the Second Medium-Term Business Plan**

**Osaka, April 4, 2007** – Based on a review of the first two years of the second medium-term business plan (covering the period from fiscal 2005 to fiscal 2009), Shionogi & Co., Ltd. (Head Office: Osaka; President: Motozo Shiono) announces the following revisions to the goals and targets for the coming three years.

### **Status of the Second Medium-Term Business Plan**

Under the first medium-term business plan, Shionogi established an operating structure with a focus on prescription drugs as its base. The second medium-term business plan was positioned as a period for aggressively preparing for long-term growth as a pharmaceutical company under the banner of “preparing for a significant leap forward.”

In particular, Shionogi has worked to concentrate research, development, sales and marketing resources in key areas, with the aim of establishing a second and third target area in addition to Shionogi’s core antibiotics business. At the same time, Shionogi has aimed to steadily build a base for full-scale overseas development.

In research and development, Shionogi is concentrating resources in the three target areas of infections, pain and metabolic syndrome, with the aim of advancing at least five new chemical compounds to Phase II or more advanced stages by the end of fiscal 2009. At present, three compounds have advanced to the development stage: S-2367, S-364735 and S-777469. Development of these three compounds is currently under way, with an eye on future overseas business development. Shionogi has steadily launched or applied for manufacturing approval for drugs that are in the final stage of the development pipeline. In addition, aggressive efforts to establish a continuous pipeline stream resulted in the in-licensing of Adapalene (acne) and Peramivir (influenza).

Initiatives aimed at achieving the Company’s research and development goals are thus largely proceeding as planned.

In sales and marketing, Shionogi is working to further expand its presence in the area of antibiotics, and launched Finibax<sup>®</sup> and Avelox<sup>®</sup> in fiscal 2005. In the area of

cancer-related pain, Shionogi is conducting promotional activities focused on improving quality of life through alleviation of cancer pain and promoting educational activities regarding the medical use of narcotics.

In the area of metabolic syndrome, Shionogi shifted to regular sales of Crestor® in September 2006 after completing post-marketing surveillance with a scale of 10,000 subjects with AstraZeneca six months ahead of schedule. This has allowed the Company to get an early start on full-scale programs to provide information on Crestor®, which will be a crucial core product.

Through these efforts, Shionogi has strengthened training of medical representatives (MRs) and improved their capabilities so they are constantly aware of medical needs. However, Shionogi must still improve its sales and marketing organization, such as by enhancing coordination between marketing functions and sales divisions. In addition, conditions in the prescription drug market are becoming more challenging than expected. Consequently, domestic sales of prescription drugs have not reached target. Moreover, higher research and development expenses have offset an increase in royalty revenues, which has kept Shionogi from achieving its income targets.

### Revised Targets

Shionogi has revised its targets for fiscal 2007 and fiscal 2009, the final year of the second medium-term business plan, after taking into account factors including the Company's performance over the last two years and changes in its operating environment. The revised targets are as follows.

(Million yen)

	FY2007 (Year ended March 2008)			FY2009 (Year ended March 2010)		
	Original target	Revised target	Increase (decrease)	Original target	Revised target	Increase (decrease)
Net sales	246,000	215,000	(31,000)	305,000	270,000	(35,000)
Operating income	53,200	40,000	(13,200)	98,000	80,000	(18,000)
Net income	35,000	24,000	(11,000)	59,000	48,000	(11,000)
R&D expenses	44,000	41,000	(3,000)	50,000	50,000	0

## **Challenges for Fiscal 2007 and Beyond**

Shionogi will intensify the efforts below over the three-year period beginning fiscal 2007, which is the second half of the second medium-term business plan.

- In research and development, Shionogi will enhance its framework for continuously discovering and developing world-class drugs. In addition to working on compounds currently under development, the Company will focus on building an organizational framework and educating personnel for simultaneous development of internationally competitive drugs in Japan, the United States and the European Union. Shionogi will also concentrate on strategic alliances.
- In sales and marketing, Shionogi will work to expand market share by concentrating resources on Crestor<sup>®</sup>, Finibax<sup>®</sup>, Avelox<sup>®</sup> and other new products while enhancing efforts at advanced treatment hospitals by taking market structure into account. In addition, the Company will take steps to strengthen its sales organization. This will include creating positions for marketing plan promoters who have a detailed understanding of medical needs.
- In “preparing for a significant leap forward,” Shionogi will strengthen drug discovery research for drug “seeds,” aggressively in-license and enhance its organization for overseas business development. In addition, over the next three years the Company plans to make strategic investments totaling more than ¥60 billion in manufacturing, research, development and other areas.
- While aggressively investing for medium-to-long-term growth and working to improve its earnings base, Shionogi will energetically work to increase shareholder returns. The Company is aiming for a payout ratio of 35 percent in fiscal 2009.

“Shionogi strives constantly to provide medicine of the best possible kind essential for protection of the health of the people.” By implementing the second medium-term business plan, the Company is working to realize this mission and further increase its presence as a pharmaceutical company.

[For further information]

Shionogi & Co., Ltd., Public Relations Unit

Osaka TEL: +81-6-6209-7885 Fax: +81-6-6229-9596

Tokyo TEL: +81-3-3406-8164 Fax: +81-3-3406-8099