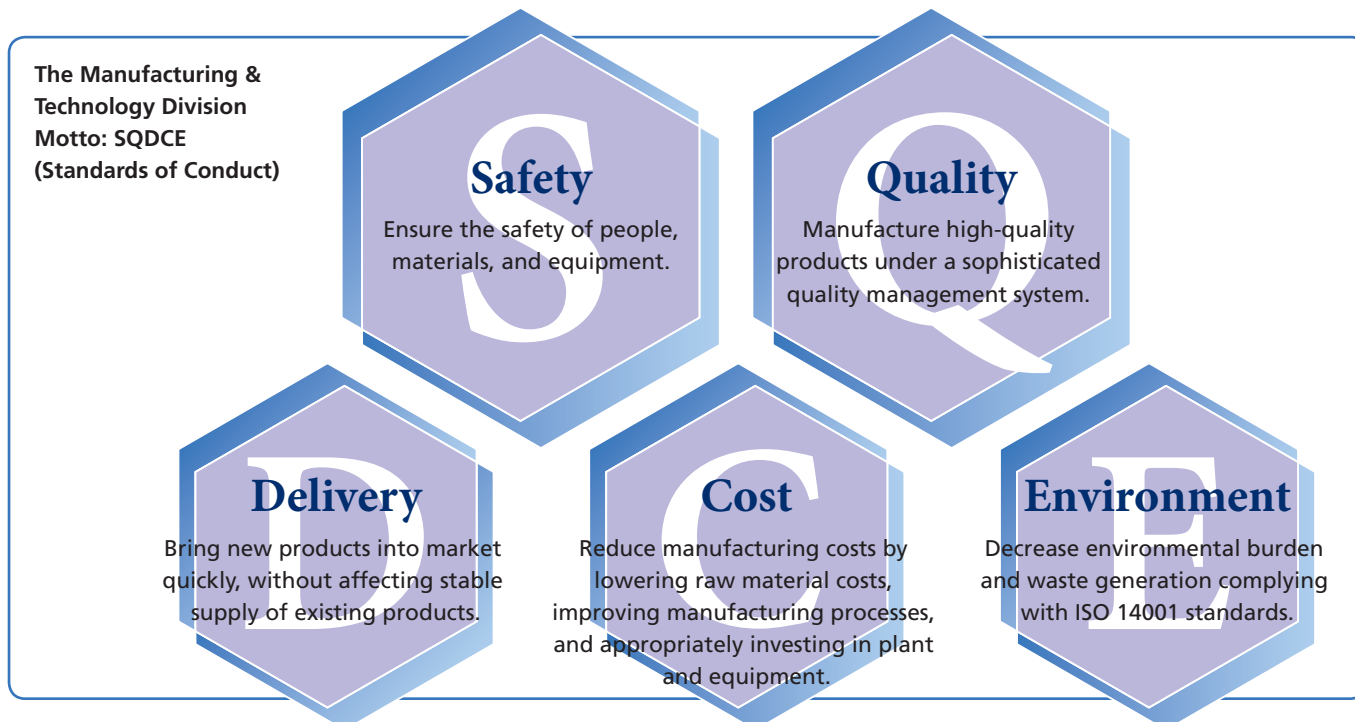


Manufacturing

Shionogi has developed manufacturing systems and facilities to meet global standards and is steadily expanding overseas business.



Under the Company Policy of Shionogi, the Manufacturing & Technology Division has carried out the following three missions based on the SQDCE motto:

- 1 To manufacture high-quality medicines at an appropriate cost and provide their stable supply.
- 2 To contribute to the quick launches of new products by developing them considering their post-marketing stages at their early development stages.
- 3 To effectively apply product life cycle management (PLCM) methods, which are upgraded by developing and adding new high-value-added formulations.

Manufacturing Technologies to Support Overseas Business

To fulfill these missions, Shionogi has been enhancing its manufacturing technologies through commercial manufacturing and CMC (chemistry, manufacturing, and controls) activities. Its global manufacturing systems have been built on enhanced technologies. To make this objective clear, the Company renamed the current division from its Manufacturing Division to the Manufacturing

& Technology Division in April 2009. In addition, the functions of the CMC Development Laboratories and Industrial Technology Laboratories were consolidated into the CMC Research Laboratories.

By these changes, we intend to strengthen the division's responsibility for a broad range of CMC research covering all stages from initial development to post-marketing and enable the division to act on emerging issues more flexibly and quickly.

Shionogi also proactively provides technical support to Sciele Pharma, Inc.—a new Shionogi Group company based in the United States—for PLCM of existing products and new product development.

This helps Shionogi strengthen its global CMC capability and bolster human resource development.

Attaining Second Medium-Term Management Plan

Aiming to respond to new product demands on the market and increase its productivity, Shionogi has been proactively implementing investments in plant and equipment.

In fiscal 2009—the final year of its second medium-term management plan—the Company intends to leverage facilities built by the investment made so far to achieve further progress in increasing quality and decreasing manufacturing cost.

Shionogi also makes its continuous efforts to execute well-planned infrastructure

development essential for corporate growth in the next medium-term management plan and beyond.

●**Kanegasaki Plant:** The Kanegasaki Plant achieved considerable results and progress as a supply base for narcotics as well as antibiotics that inspire confidence overseas as well as in Japan. Regarding antibiotics production, Shionogi responds to the global marketing demands of the carbapenem antibiotic Doribax® (marketed as Finibax® in Japan) by obtaining approval from the U.S. and the EU authorities for the production of the aseptic drug substance using a new facility with four times greater manufacturing capacity than the existing facility. Concerning narcotics for cancer pain, to increase productivity to meet growing demand for OxiNorm®, an immediate release formulation of OxyContin®, the Company has expanded and strengthened its production capabilities in the solid formulation facility. In addition, to improve patients' compliance, Shionogi proactively addresses improvement of packaging and an increase in the kind of dosages.

●**Settsu Plant:** In response to needs associated with the production of Pirespa®, which were launched in December 2008, and needs associated with the import custom clearance and visual inspection of Differin® Gel, the Settsu Plant has taken measures to quickly supply these products to the market and thereby has contributed to smooth sales growth of these products. In November 2008, the Company built a new solid formulation packaging facility in which Shionogi's formulation and packaging technology and manufacturing know-how accumulated over many years are incorporated.

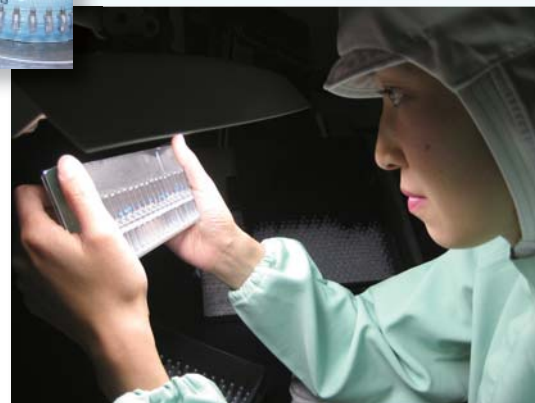
This facility allows to complete entire manufacturing ranging from clinical trial samples to commercial products in a single building, which gives a considerable contribution to increase the quality of clinical trial samples and the quick commercial launch of new products. Moreover, the equipment in the

facility and quality assurance systems, which meet global standards, make it possible for Shionogi to supply products for Japanese and overseas markets. The manufacture of new products, such as duloxetine hydrochloride, an antidepressant for which the NDA was filed, will commence in the near future.

This facility is also a major base for integrated contract manufacturing services by Shionogi, so, the Company is considering maximizing the utilization of this facility not only for its own products but for the products of other companies.



Solid formulation manufacturing and packaging facility at the Settsu Plant



●**Kuise Site:** The Kuise Site operates as a base for chemistry, manufacturing, and controls (CMC) technology research, which currently develops bulk drug substance manufacturing processes, formulation processes, and quality testing methods for many drug candidate compounds. It also quickly supplies products for clinical trials.

In particular, with respect to formulation and packaging technologies, the site has developed various technologies—such as those for relatively small-sized tablets, the precise printing of information on specific locations of the foil sheet components of press-through packages (PTPs*), and for a new protective bottle filler for tablets—that have already been applied to new products. The site continues to contribute to global-level manufacturing and maximizing product values.

*PTPs: Press-through packages (PTPs) hold drug tablets in individual pockets that can be pressed with a finger to push the tablet through the backing.