

## Intellectual Property

Shionogi's global intellectual property activities aim to link intellectual property strategies with R&D strategies to promote sustained corporate growth and profitability.

The difficulty of discovering new drugs is growing each year, but imitating existing drugs has become increasingly easy and inexpensive due to globalization and the advancing technological capabilities in developing countries. The process of developing new drugs requires huge R&D expenditures, and it is also noteworthy for consuming considerable time before a product can be marketed. Because of this, if one calculates the time required to reach the break-even point with a new drug based on discounted cash flow, it becomes clear that—in addition to the reexamination period system of Japan's Pharmaceutical Affairs Law and data exclusivity periods overseas—it is crucial that protection be provided by means of patent laws. Moreover, there are fewer patents in the pharmaceutical industry than in other industries; so, the value of a single patent is extremely high, and intellectual property factors can determine the level of a company's competitiveness. In view of these situations, improving the quality of patent protection is a top priority task for the pharmaceutical industry on a par with the task of cultivating R&D operations able to generate innovative new drugs.

### Patent Filing Strategy

Shionogi's patent filing strategy emphasizes the efficient acquisition of substance patents covering a broad range of the novel compounds it discovers. Focusing on the future, Shionogi also continues working to reserve suitable patent rights for drug discovery targets and basic search technologies relating to genes, proteins, and screening methods.

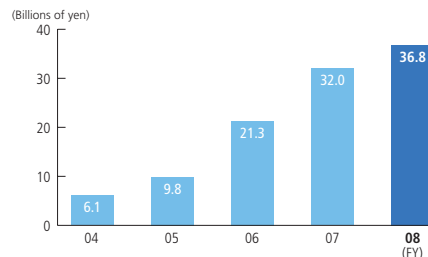
In fiscal 2008, Shionogi filed approximately 100 patent applications, of which about 30% were filed overseas.

### Patent Portfolio Management and Royalty Income from Patent Licensing

Shionogi periodically reviews its patent portfolio to determine how to manage the portfolio, taking cost into account. As of March 31, 2009, Shionogi held approximately 220 patents in Japan and about 140 patent families (subject matter claimed, patents registered) overseas.

Royalty income from patent licensing in fiscal 2008 was approximately ¥36.8 billion, up approximately 15% from ¥32.0 billion in fiscal 2007.

### Royalty Income from Patent Licensing



### Response to Patent Disputes

Shionogi does its utmost to sustain protection of its profits based on patents. In the United States, Shionogi filed patent infringement actions based on the substance patent covering the active ingredient in the hyperlipidemia treatment agent Crestor®. The actions were filed against each generic drug company that has filed an application for permission to produce a generic version of Crestor® before expiration of the substance patent. In Japan, Shionogi filed patent infringement actions based on the crystal patent for the Flomox® oral cephem antibiotic agent against import companies and a generic drug company that wished to import the Flomox® from Korea in bulk powder form.