

To Our Stakeholders



Motozo Shiono

Isao Teshirogi

In line with its second medium-term management plan, which covers the period from April 2005 through March 2010, the Shionogi Group has moved ahead with the creation of systems for sustaining long-term growth in operations centered on the prescription drug business. During fiscal 2008, ended March 31, 2009, the Group took various initiatives based on its new management structure, giving particular emphasis to the objectives of augmenting the development pipeline; maximizing the value of Crestor[®], our key hyperlipidemia treatment product; strengthening domestic marketing systems; and preparing a strong foundation for the expansion of our global operations. As a result, besides further expanding our development pipeline, we successfully undertook overseas business initiatives, including the acquisition of a U.S. pharmaceutical company, and thereby built a solid platform for the acceleration of our global business development.

Fiscal 2009 is the final year of Shionogi's second medium-term management plan. We are particularly intent on further strengthening our domestic marketing systems, which represent a principal management base, and the entire Group is concertedly working to attain the final targets of the plan.

For pharmaceutical companies seeking to expand their overseas operations, it is crucial to continuously undertake the global launch of in-house products. In the case of Shionogi, our R&D programs have been quite productive during recent years, providing us with additional innovative in-house products that are expected to expand globally. Moreover, we have, on our own, completed the late Phase II (Phase IIb) clinical trials for S-2367 (anti-obesity drug) in the United States, and we are making smooth progress in other ways in our independent efforts to expand our global development operations.

In view of the positive trends in our R&D programs, we undertook the October 2008 acquisition of U.S. pharmaceutical company Sciele Pharma, Inc., as a means of moving ahead even more proactively with our overseas business expansion strategies. A collaboration between Sciele Pharma and Shionogi USA, Inc., have also been making a smooth flight, and Sciele Pharma is expected to play a central role in the development of Shionogi Group business in the United States.

Concerning our development programs in Japan, we were able to complete the domestic market launch of the antihypertensive Irbetan[®] and two other products during fiscal 2008. In this way, while we have the goal of launching 10 new products during our second medium-term management plan, we have already launched nine such products during the term of the plan.

With respect to the domestic marketing operations that provide our profit base, we are seeking to sustain our growth momentum by concentrating resources on such high-potential products as Crestor[®] and newly launched Irbetan[®].

Looking at Shionogi's consolidated performance in fiscal 2008, our net sales increased 6.2% from the fiscal 2007 level, to ¥227.5 billion, reflecting such factors as growth in royalty income associated with sales of Crestor[®] by AstraZeneca and the conversion of Sciele Pharma into a consolidated subsidiary. Regarding profitability, the application of business combination accounting associated with the acquisition of Sciele Pharma and other one-time expenses caused a 20.8% drop in operating income, to ¥32.0 billion, and a 37.5% fall in net income, to ¥15.7 billion. Because of the temporary nature of the factors that depressed fiscal 2008 profitability, however, we are anticipating a large increase in profitability during fiscal 2009.

Total dividends applicable to fiscal 2008 amounted to ¥28.00 per share, up ¥6 per share from the level for fiscal 2007. Shionogi will maintain its basic policy of seeking to steadily increase dividends in line with growth in its performance figures.

We are confident that the diverse strategic initiatives Shionogi undertook overseas and in Japan during fiscal 2008 will make a great contribution to the Shionogi Group's capabilities for sustaining its development over the medium-to-long term.

We look forward to the continuing support and guidance of all our shareholders and all other stakeholders.

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Motozo Shiono
Chairman and Representative Director

Isao Teshirogi, Ph.D.
President and Representative Director