



The 2nd Medium-term Business Plan

April 27, 2005

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Positioning of Shionogi's action guidelines and the 2nd medium-term business plan

Shionogi's Mission

Shionogi strives to continually provide the superior medicines essential to protect people's health.

To realize the mission

Shionogi's action guidelines

established to realize Shionogi's mission (mind of Shionogi)

Shionogi's objectives

Management concept
(mission)

Seek to contribute to a better quality of life by delivering medicines that provide greater satisfaction to patients, their families and healthcare providers

Create, manufacture and sell quality medicines effectively

Medium- to long-term business strategy
(vision)

A strong Shionogi with a greater presence
A Shionogi that has enthusiasm, pride and a vision for the future

Realization

The 2nd medium-term business plan

Spirit shared by people at Shionogi

Action guidelines
(values)

Customer orientation, Trust, On-site focus
Professionalism, Respect for the individual

Purpose and value of the 2nd medium-term business plan

1. The 1st medium-term business plan

- positioned as a period to build an infrastructure
- concentrated on the ethical drug business

2. The 2nd medium term business plan

- established in order to show Shionogi's strong commitment to achieving the set goals for survival
- positioned as a concentration period to establish the second and third target areas in addition to infectious diseases
- ready to meet any circumstantial changes and proactively make use of various opportunities



Shifting from laying the foundation to accelerating toward significant strides

Outline of the 2nd medium-term business plan

Entering a stage to accelerate toward significant strides

1. Clarify target areas for research and development
2. Establish a strong business presence
3. Steadily develop overseas business, starting with the infectious disease field

Numerical targets for fiscal 2009 (Consolidated)

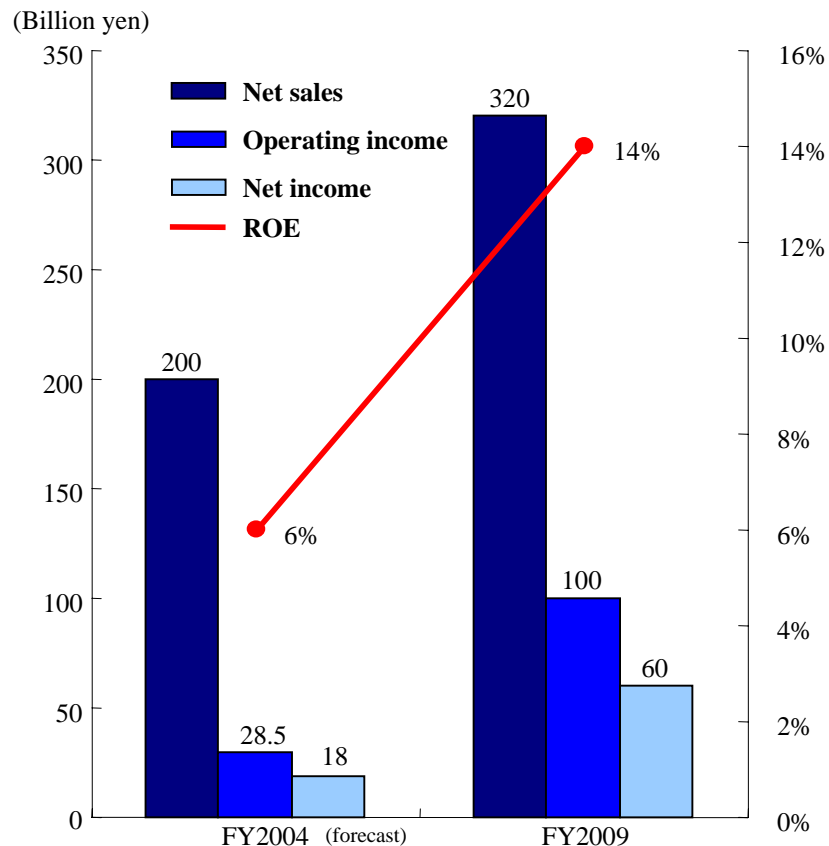
Net sales **¥320 billion (1.6 times)**

Operating income **¥100 billion (3.5 times)**

Net income **¥60 billion (3.3 times)**

Return on equity **14%** **(+8%)**

(): Comparative figures with forecast
for fiscal 2004



Entering a stage to accelerate toward significant strides

1. Clarify target areas for research and development

- Enrich product line for infectious diseases
- Add pain and metabolic syndrome to new target areas
- Move at least five new chemical entities to phase II or more advanced stages by the end of fiscal 2009 to introduce blockbusters to succeed Crestor
- Establish an unbroken pipeline stream through strategic development of licensing activity
- Increase the R&D efficiency and success rate by forming active alliances with outside resources
- Maximize product potential through life-cycle management from an early development stage

Entering a stage to accelerate toward significant strides

2. Establish a strong business presence

- Further promote information activities for acute treatments by adding doripenem and moxifloxacin to the current product line and expand the Company's No.1 market share in the anti-infective field.
- Relieve patients from cancer pain and further improve quality of life. Implement information activities aiming at total pain relief.
- Maximize Crestor's value by collecting the necessary clinical evidence and by establishing confidence in the product through thorough post-marketing surveillance studies.
- Expand marketing synergy and the efficiency of information activities by introducing multi-product promotion methods for each target disease and medical specialty.
- Strengthen sales support activities by creating an organization-wide support system.
- Strengthen training of medical representatives so they can accurately perceive medical needs and make suggestions about medical treatment options.

3. Steadily develop overseas business, starting with the infectious disease field

- Strengthen the function of Shionogi USA, Inc. and enhance its presence in the infectious disease field. Also, expand overseas business into the Chinese market.
- Develop and ensure human resources with the competence necessary to compete in the global market.

Contribution to healthcare

Three Targeted Research Areas

- (1) Infection
- (2) Pain
- (3) Metabolic Syndrome

Free from infection

- The market for anti-infectives has been growing in Western countries where unmet medical needs still exist. In Asian countries, demand is also expected to increase.
- Work to further develop the anti-infective field and realize *an infection-free society* by fulfilling unmet medical needs while making use of Shionogi's competence in the field.
- Pursue the position of all-round player in the anti-infective field by actively committing the Company to infection-related treatment.

Free from pain

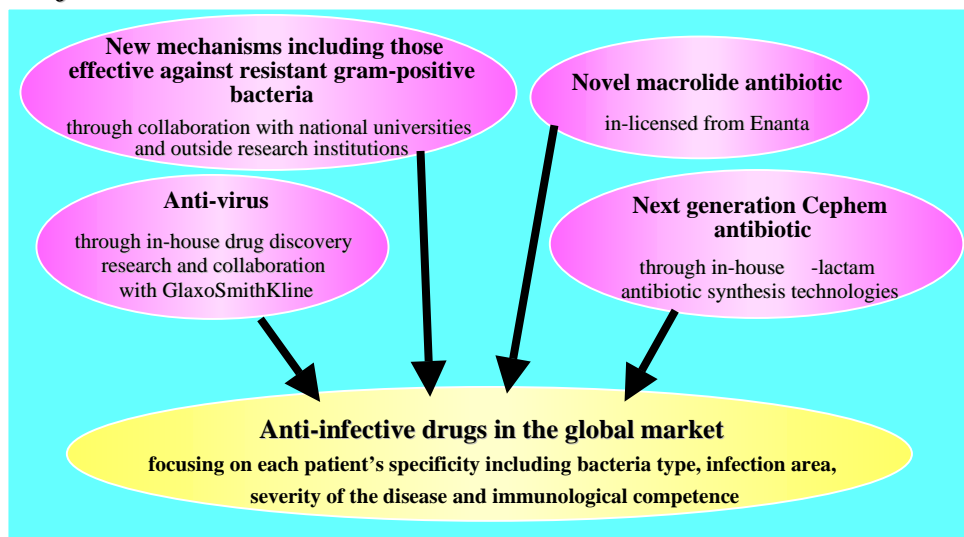
- Unmet medical needs still exist for the treatment of pain.
- Become a specialty company in pain treatment, working on non-opioid analgesics in addition to opioid analgesics supplied to date.
- Contribute to enhancing the QOL of patients through the establishment of *a pain-free society*.

Free from cardiovascular events

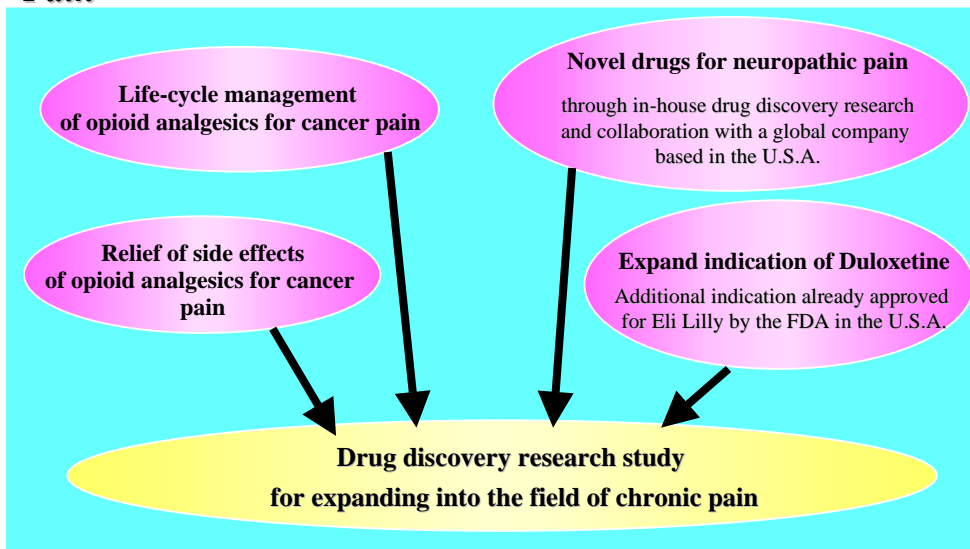
- Crestor's mission is to decrease the risk of cardiovascular events resulting from arteriosclerosis.
- Integrate fully with the mission of Crestor through the promotion of the R&D program for metabolic syndrome.
- Contribute to healthcare by realizing *a society free from cardiovascular events* through the enhancement of the pipeline in this field.

Drug discovery concept in the targeted research areas

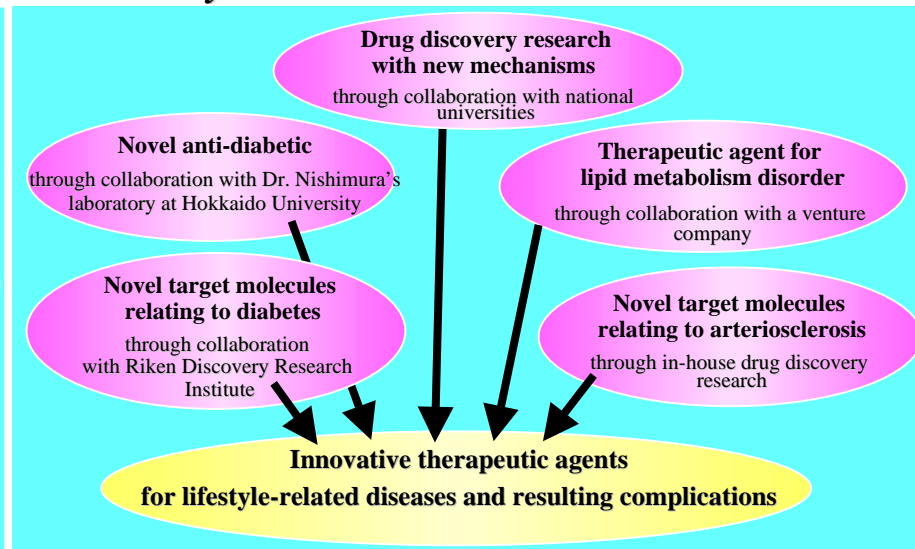
Infection



Pain

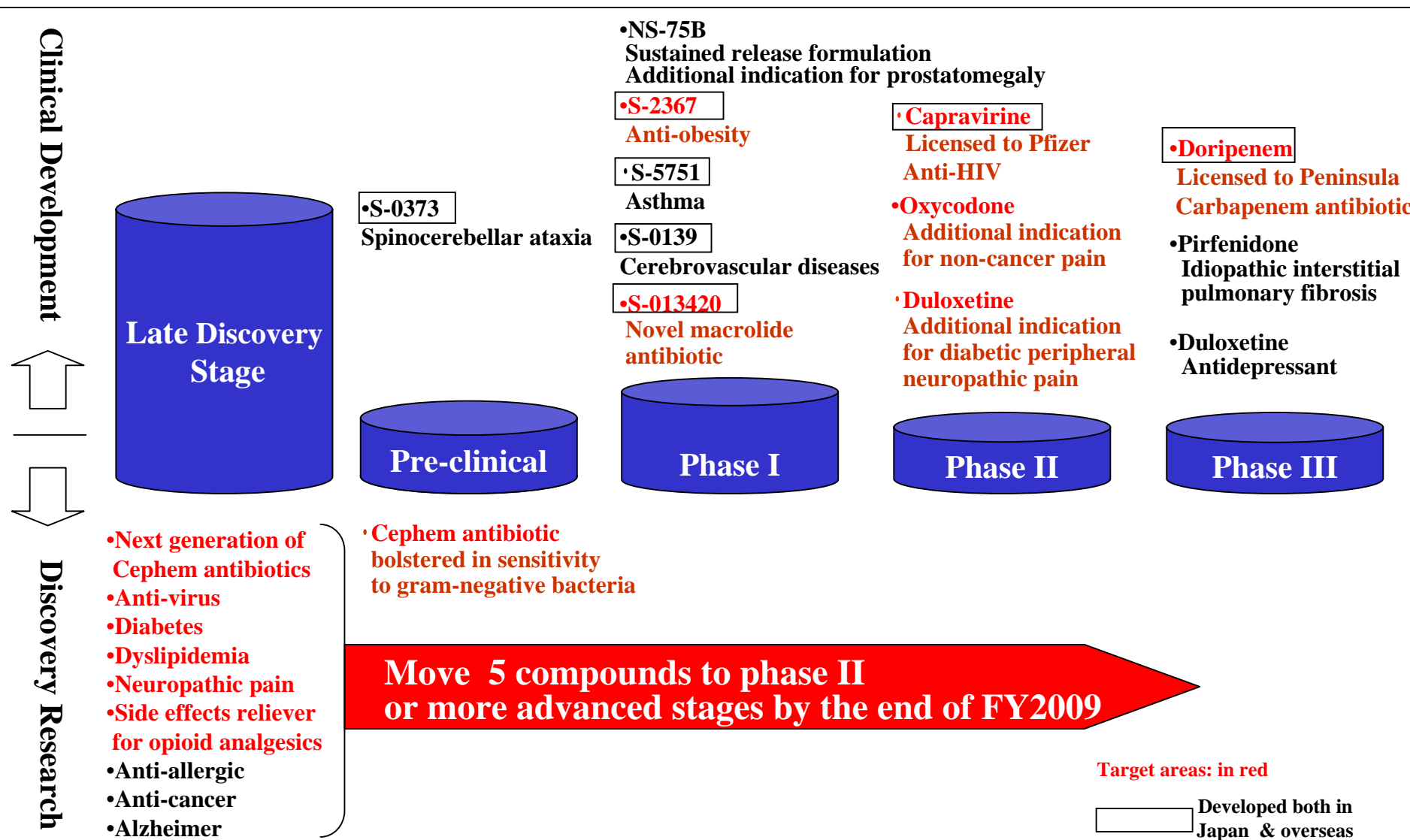


Metabolic syndrome



R&D pipeline

Enrich R&D pipeline using a positive in-licensing strategy



Launch schedule

2004

Infection : Vancomycin
(Additional indication)
Claritin® Redi Tabs®
(Rapidly dissolving tablet)

2005

Infection : Doripenem
Infection : Moxifloxacin
MS (*) : Crestor®
Pain : Oxycodone
(Additional formulation)

(*)Metabolic Syndrome

2006 ~ 2009

Infection : Capravirine (overseas)
Infection : Doripenem (overseas)
MS(*) : Irbesartan
Claritin ®(pediatric use)
Pirfenidone
(Idiopathic interstitial pulmonary fibrosis)
Duloxetine (Antidepressant)
NS75A-Cetrorelix
(Prevention of premature ovulation during a controlled ovarian stimulation followed by assisted reproductive technology)

Target R&D areas: in red

Key products for domestic development

Duloxetine (Diabetic peripheral neuropathic pain)

In preparation for Ph II

Licensed by Eli Lilly and Company (U.S.A.)

- Serotonin & norepinephrine reuptake inhibitor, treatment for diabetic peripheral neuropathic pain (Oral)
- No approved medicine is available with a high efficacy rate and with great potential to be the first-line drug.
- Expected effect on diabetes-related complications. Will also contribute to the enrichment of the pipeline, both in the metabolic syndrome and pain treatment areas.
- Strengthen life-cycle management after obtaining an approval for the treatment of depression.
- Scheduled to file an NDA in 2009 for an additional indication.
- The licensor, Eli Lilly and Company, obtained an approval for the above indication in September 2004.

Cetrorelix sustained release formulation (Prostatomegaly)

Ph I-II

Licensed by Zentaris (Germany)

- LHRH (luteinizing hormone-releasing hormone) antagonist (intramuscular injection)
- Treatment for prostatomegaly with the advantages of both α -blocker and anti-androgen inhibitor
- Expected to prevent progression to a stage requiring operational treatment
- Treatment-related side effects are very minor or temporary, with suppression of sexual function and tumor marker
- Scheduled to file an NDA in 2010
- Co-development with Nippon Kayaku Co., Ltd.

S-013420 (Bacterial infection)

Ph I

Licensed by Enanta Pharmaceuticals, Inc. (U.S.A.)

- Novel macrolide antibiotic (Oral)
- Good anti-microbial spectrum covering key respiratory tract pathogens
- Highly active against penicillin- and macrolide-resistant *S. pneumonia*
- Superior PK profile
- Initiated phase I study in January 2005

Key products for global development

S-2367 (Obesity)

Late Ph I

Developed in-house

- Anti-obesity agent (Oral)
- Expected high efficacy without weight rebound
- Prevention of visceral fat accumulation, improvement of blood sugar level and serum lipid level
- No serious adverse events were observed. Good PK profile was confirmed
- Single dose study was completed in the U.S.A. (September 2004). Repeated dose study is under way (October 2004)
- In preparation for Phase II study

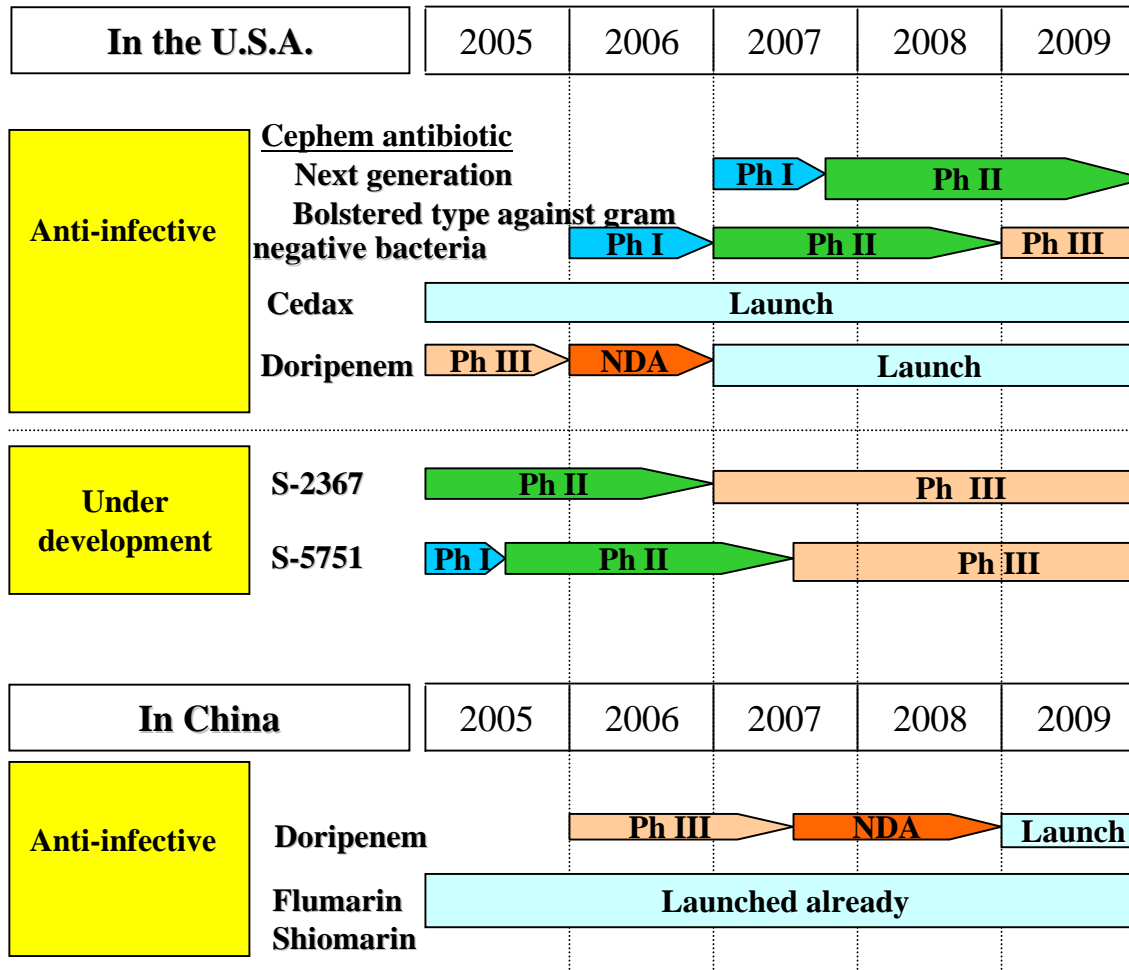
S-5751 (Asthma)

Late Ph I

Developed in-house

- Anti-asthma agent, Prostaglandin D₂ receptor antagonist (Oral)
- High efficacy with sheep asthma model
- Filed an IND in December 2004
- Clinical studies are under way to confirm safety with asthma patients (1Q-2Q, 2005)

Overseas development schedule



Strategic policy

Anti-infective

In-house development and marketing

Others

In-house development, or in & out-licensing

Action plan

1 . In the U.S.A.

- Strengthen the function of Shionogi USA, Inc.
- Advance joint venture activity with GlaxoSmithKline

2 . In China

- Initiate clinical development for Doripenem
- Increase sales of Flumarin, Shiomarin

Marketing strategy

(Establish a strong business presence)

1. Expand Shionogi's presence further in the anti-infective market by promoting information activities in acute care treatment, adding two new antibiotics.

- Increase sales of anti-infectives by relocating medical representatives to acute care medical facilities from regional core hospitals where Shionogi has established a strong presence.
- Launch new products Doripenem and Moxifloxin, and increase their sales.

2. Improve quality of life by relieving patients of cancer pain. Implement information activities aiming at total relief from cancer pain.

- Continuously promote to physicians the proper use of OxyContin® and MS Contin® according to the individual patient's severity of pain.
- Strengthen information activities for OxyContin® to be prescribed at an early stage of cancer pain, aiming to improve the patient's quality of life and provide total relief from cancer pain.

3. Maximize Crestor's value by implementing thorough post-marketing surveillance studies and by establishing confidence in the product.

- Conduct thorough post-marketing surveillance for new products at regional core hospitals. Establish supporting evidence and confidence in the new products.
- Expand coverage of information activities by becoming closely involved in cooperative relationships between regional core hospitals and clinics in regional healthcare communities.

Marketing strategy

(Establish a strong business presence)

4. Expand marketing synergy and efficiency of information activities by introducing multi-product promotion methods focused on types of diseases and medical specialties.

- Maximize sales by providing healthcare providers the most appropriate information on medical treatment options, including Shionogi products, while receiving information from healthcare communities on a wide variety of medical needs. Contribute to a healthcare society.

Promote multiple products simultaneously, including Crestor, Longes and Landel, for prevention of cardiovascular events resulting from metabolic syndrome.

Elaborate on the special characteristics of Shionogi antibiotics, including Flumarin, Doripenem, Proact, Vancomycin, Flomox and Moxifloxacin, according to each patient's specificity (bacteria type, infection area, disease severity and immune level).

5. Strengthen sales support by creating an organization-wide support system.

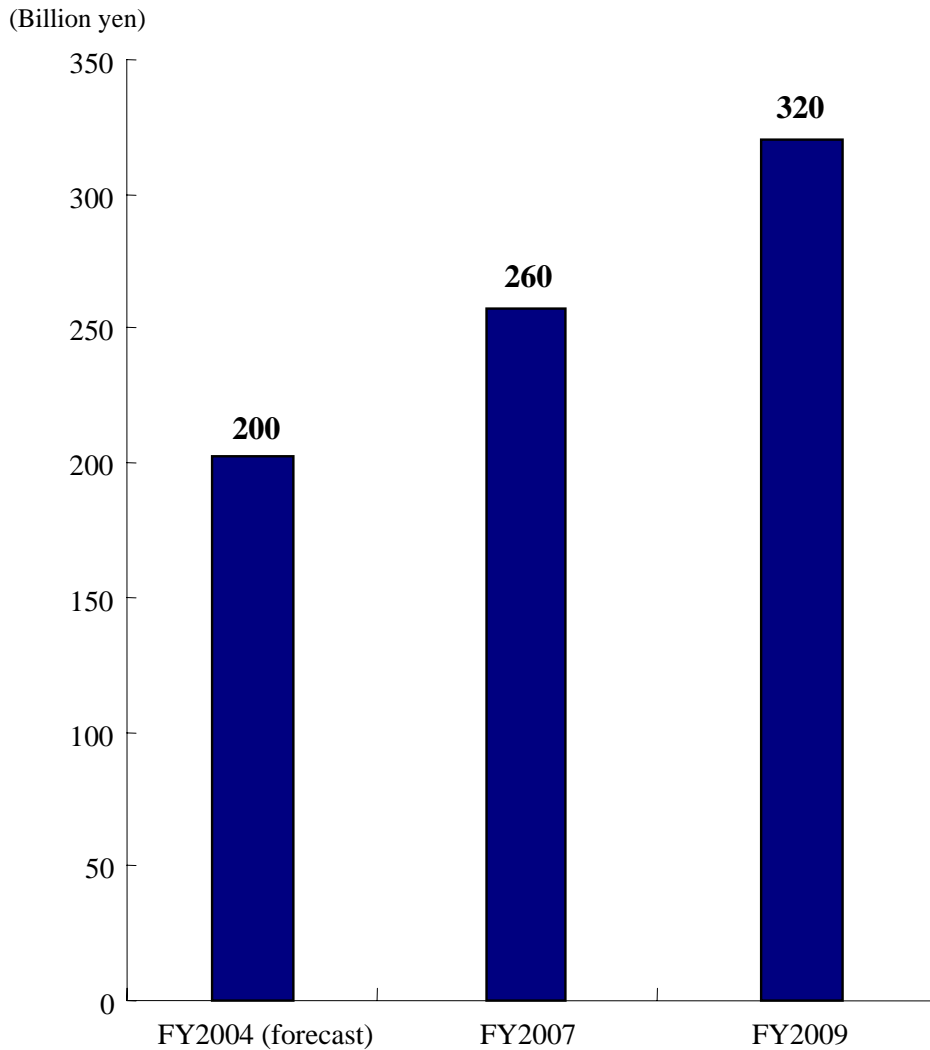
- Implement effective marketing activities through product strategies involving wholesalers.
- Increase the chance of having Shionogi products recognized by healthcare providers by using effective promotional material and by improving dissemination activities for medical and drug information.
- Promote a distinctive product strategy through life-cycle management, including EBM planning and the addition of new formulations.
- Respond promptly to any changes in the healthcare industry, including revision of guidelines for medical practice.

6. Strengthen training of medical representatives.

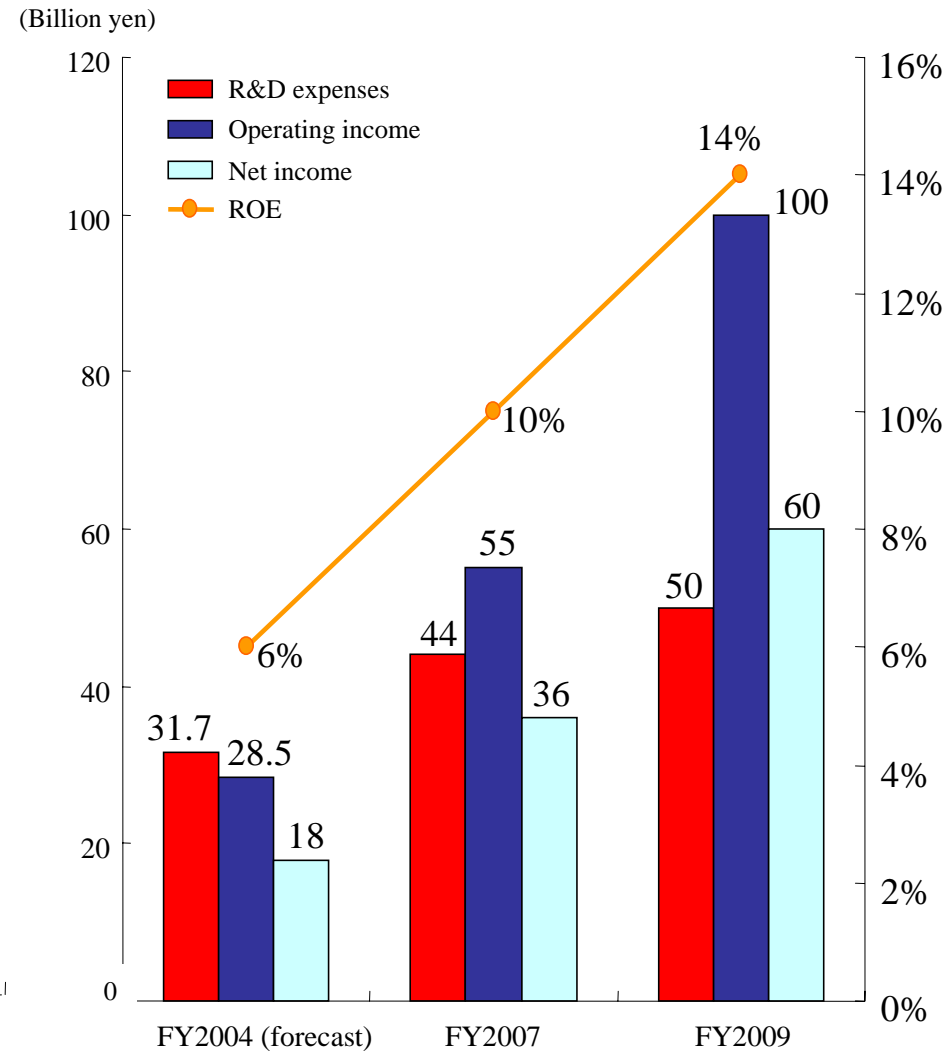
- Develop medical representatives so they can accurately perceive medical needs in healthcare communities, exercise initiative, effectively convey information and make suggestions about medical treatment options.

Trends of net sales, R&D expenses, operating income, net income and ROE (Consolidated)

Net sales



R&D expenses, Operating income, Net income and ROE



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