Financial Statements (Consolidated) for The Year Ended March 31, 2009

May 11 , 2009

Name of Listed Company: **SHIONOGI & CO., LTD.** Listed Exchanges: Section I of Tokyo and Osaka

Code: 4507 URL http://www.shionogi.co.jp

Representative: Title of Person in Charge: President Name: Isao Teshirogi

Contact responsibility: Title of Person in Charge: General Manager, Public Relations Unit Name: Noriyuki Kishida TEL: (06) 6202-2161

Date of an Annual General Meeting Shareholders (scheduled): June 25, 2009 Starting date of dividend payment (scheduled) : June 26 ,2009

Date of the filing of annual securities report (scheduled): June 26, 2009

1. Consolidated results for the period from April 1, 2008 to March 31, 2009

(Note: All amounts are rounded down to the nearest million yen.)

(1) Results of operations

(% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2009	227,511	6.2	32,014	(20.8)	32,003	(19.7)	15,661	(37.5)
Year ended March 31, 2008	214,268	7.3	40,399	40.0	39,879	41.9	25,063	34.8

	Earnings per share	Earnings per share (diluted)	Return on equity	Ordinary income to total assets	Operating income to net sales
	yen	yen	%	%	%
Year ended March 31, 2009	46 . 75	–	4.8	7.0	14.1
Year ended March 31, 2008	74 . 21	–	7.3	9.5	18.9

Reference: Equity in losses of affiliates: Year ended March 31, 2009: (589) million yen Year ended March 31, 2008 : (851) million yen

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	yen
As of March 31, 2009	501,852	310,093	61.7	924 . 43
As of March 31, 2008	413,703	342,235	82.7	1,020 . 31

Reference: Shareholders' equity As of March 31, 2009: 309,635 million yen As of March 31, 2008: 341,928 million yen

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2009	29,120	(149,055)	105,293	51,536
Year ended March 31, 2008	15,618	(5,335)	(17,123)	67,609

2. Dividends

	Cash dividends per share					Total amounts of dividends (Annual)	Dividends payout ratio (Consolidated)	Dividends on equity (Consolidated)
(Date of record)	The first quarter	The second quarter	The third quarter	Year-end	Annual			
	yen	yen	yen	yen	yen	Million yen	%	%
Year ended March 31, 2008	–	10 . 00	–	12 . 00	22 . 00	7,420	29.6	2.2
Year ended March 31, 2009	–	14 . 00	–	14 . 00	28 . 00	9,379	59.9	2.9
Year ending March 31, 2010 (Forecast)	–	18 . 00	–	18 . 00	36 . 00		34.5	

3. Forecasted consolidated results for the year ending March 31, 2010 (April 1, 2009 to March 31, 2010)

(% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
For the six months ending September 30, 2009	133,000	26.6	19,000	2.9	18,000	(5.1)	11,000	(7.1)	32 . 84
For the year ending March 31, 2010	284,000	24.8	60,000	87.4	58,000	81.2	35,000	123.5	104 . 49

4. Others

(1)Significant changes to consolidated subsidiaries during the fiscal year: None

(2)Changes in the accounting principles, procedure, and indication method regarding the preparation of consolidated financial statement
a) Changes and amendments of accounting standards : Yes
b) Other changes : None
Note: For details, please see page 18 "Notes to consolidated financial statements "

(3)Number of shares issued (common stock)
a) Number of shares outstanding (including treasury stock) As of March 31, 2009 351,136,165shares As of March 31, 2008 351,136,165shares
b) Treasury stock As of March 31, 2009 16,189,625shares As of March 31, 2008 16,013,128shares
Note: For details, please see page41 "Notes to amounts per share".

（Reference）Summary non-consolidated results

1. Non-consolidated results for the period from April 1, 2008 to March 31, 2009

(1) Results of operations *(% of change from previous year）*

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2009	206,753	2.9	36,236	(0.4)	37,924	1.8	23,863	6.2
Year ended March 31, 2008	201,002	8.2	36,397	46.2	37,240	43.3	22,479	29.8

	Earnings per share	Earnings per share (diluted)
	yen	Yen
Year ended March 31, 2009	71 . 23	―
Year ended March 31, 2008	66 . 56	―

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	yen
As of March 31, 2009	521,184	335,235	64.3	1,000 . 86
As of March 31, 2008	400,154	334,316	83.5	997 . 59

Reference: Shareholders' equity As of March 31, 2009: 309,635 million yen As of March 31, 2008: 334,316 million yen

2. Forecasted non-consolidated results for the year ending March 31, 2010 (April 1, 2009 to March 31, 2010)

(% of change from previous year）

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
For the six months ending September 30, 2009	106,500	6.5	17,000	4.4	17,000	(5.2)	10,500	(8.3)	31 . 35
For the year ending March 31, 2010	225,500	9.1	49,500	36.6	49,500	30.5	31,000	29.9	92 . 55

Note: This document contains various forward-looking statements based on assumptions, expectations, and plans regarding future events, circumstances, results, and aspirations. Forward-looking statements are subject to risks and uncertainties, related to the competitive environment and other factors, that may cause Shionogi & Co.'s actual future results to differ materially from those set forth in or implied by its forward-looking statements
Refer to page 5 of the accompanying materials for information related to the above forecasts.

CONTENTS

1.Results of Operations

(1) Analysis of Results of Operations

1)Results for the Fiscal Year ended March 31, 2009

a) General Overview

Operating conditions remained challenging in Japan's pharmaceutical industry during the fiscal year ended March 31, 2009 (fiscal year 2008). More stringent measures were taken by the government to curb rising healthcare costs, including the promotion of generic drug use and the Diagnosis Related Group/Prospective Payment System (DRG/PPS), and in April 2008 average drug prices across the industry were reduced an average of 5.2 percent.

In this environment, the Shionogi Group took a range of aggressive initiatives in research and development, manufacturing and sales, with a focus on the prescription drugs business, toward achieving the goals set out in its second medium-term management plan (April 2005 – March 2010), the period in which the Company plans to prepare for significant long-term growth. We promoted the refinement of our research and development system to ensure that we are able to continuously discover drug candidates and develop them globally. We also steadily advanced a number of compounds to the next stages of development. In manufacturing, we promoted efforts to upgrade our manufacturing and quality control infrastructure to support global development. The Company also reviewed procurement and took steps to raise productivity in a bid to further cut costs. In domestic sales and marketing, Shionogi concentrated its resources on products with high growth potential with a focus on Crestor, a treatment for hyperlipidemia, and also promoted systematic sales and marketing activities. We worked for sustainable growth through success in these concentrated efforts.

Moreover, in October 2008 Shionogi made U.S. pharmaceutical company Sciele Pharma, Inc. a consolidated subsidiary in order to ensure long-term growth by enhancing the sales infrastructure in the United States and increasing the value of original Group products..

Consolidated Results of Operations

(In millions yen)

	Net sales	Operating income	Ordinary income	Net income
Year ended 3/2009	227,511	32,014	32,003	15,661
Year ended 3/2008	214,268	40,399	39,879	25,063
Percentage Increase(Decrease)	6.2	(20.8)	(19.7)	(37.5)

Sales

Overall net sales of prescription drugs decreased. Despite an increase in sales for core prescription drugs including Crestor and treatments for cancer pain, and contributions by newly launched products including topical acne vulgaris treatment Differin, sales of anticancer agent Imunace decreased due to the impact of competing products entering the market, and sales of antibiotics and other products decreased as a result of drug price revisions and a shrinking market. However, net sales increased 6.2 percent year on year to ¥227,511 million as a result of a substantial increase in royalty income from industrial property rights compared with the previous fiscal year due to growth in overseas sales of Crestor by AstraZeneca and the inclusion of Sciele Pharma in the scope of consolidation.

Income

Gross profit rose as a result of an increase in royalty income from industrial property rights and the inclusion of Sciele Pharma in the scope of consolidation. However, due to substantial increases in R&D expenses and selling, general and administrative expenses resulting from the acquisition of Sciele Pharma, operating income was ¥32,014 million, a 20.8 percent decrease compared with the previous fiscal year, and ordinary income was ¥32,003 million, a 19.7 percent decrease. Net income was ¥15,661 million, a decrease of 37.5 percent. Excluding the impact on accounting for business combinations associated with the acquisition of Sciele Pharma and the business results of Sciele Pharma, on a consolidated basis net sales increased. 1.9 percent, operating income increased 1.1 percent, ordinary income increased 2.0 percent and net income decreased 0.1 percent.

Impact on Accounting for Business Combinations Associated with the Acquisition of Sciele Pharma

The impact on accounting for business combinations for the fiscal year ended March 31, 2009 are as follows.

(In millions yen)

Item Recognized	Amount Recognized	Where Recognized
Amortization of intangible assets (sales rights)	873	Selling & general expenses
In-process R&D expenses	9,669	R&D expenses
Amortization of goodwill	906	Selling & general expenses
Tax-effect accounting for intangible assets	(310)	Income taxes-deferred

Research and Development

In research and development activities, the Shionogi Group launched three products in Japan during fiscal year 2008: Irbetan in July, Differin in October and idiopathic pulmonary fibrosis treatment Pirespa in December. The Company is awaiting regulatory approval for antidepressant duloxetine hydrochloride (generic name), which we applied for in January 2008. Among compounds under development, including those being developed overseas, are an anti-obesity agent, an anti-influenza drug, an anti-HIV drug and an atopic dermatitis treatment. In research, in May 2008 we opened the Shionogi Innovation Center for Drug Discovery, a joint research facility with the University of Hokkaido, which we expect will further the discovery of the seeds of new drugs and enhance basic drug discovery technologies.
As a result of these activities, R&D expenses for the fiscal year ended March 31, 2009 totaled ¥52,822 million, including in-process R&D expenses of ¥9,669 million resulting from the impact on accounting for business combinations associated with the acquisition of Sciele Pharma.

Capital Investment

The Shionogi Group's capital investments for the fiscal year ended March 31, 2009 totaled ¥10,800 million. The Group invested aggressively, focusing on upgrading and expanding research and manufacturing facilities, including the construction of a new facility for manufacturing and packaging solid dosage forms at the Settsu Plant.

b) Segment Information

Businesses Segment Information

Because "Pharmaceuticals and related business" accounts for more than 90 percent of net sales, the disclosure of business segment information has been omitted.

Geographical Segment Information

Japan

Net sales in Japan totaled ¥215,874 million, and operating income totaled ¥40,395 million.

North America

Net sales in North America totaled ¥9,885 million. This includes the ¥9,212 million in net sales of Sciele Pharma, which was added to the scope of consolidation during fiscal year 2008. Operating loss totaled ¥7,933 million, including the fourth-quarter operating income of Sciele Pharma and the accounting treatment for business combinations resulting from the acquisition of Sciele Pharma (consisting of in-process R&D expenses of ¥9,669 million and amortization of intangible assets of ¥873 million).

Other

Net sales in other regions, primarily Asia, totaled ¥1,751 million, and operating income totaled ¥460 million.

2) Outlook for the Year Ending March 31, 2010

Forecasted results for the year ending March 31, 2010 are as follows.

Forecasted Consolidated Results (In millions yen, %)

	Net sales	Operating income	Ordinary income	Net income
Year ending March 31, 2010	284,000	60,000	58,000	35,000
Year ended March 31, 2009	227,511	32,014	32,003	15,661
Percentage increase	24.8	87.4	81.2	123.5

Conditions in the market for prescription drugs, the core of Shionogi's operations, are forecasted to become even more challenging. Nevertheless, we project a continuing increase in sales, centered on Crestor and Irbetan. We also project an overall increase in earnings due to the contribution of net sales of Sciele Pharma and an increase in royalty income from industrial property rights.
Despite a projected increase in R&D expenses, Shionogi projects substantial increases in operating income, ordinary income and net income as a result of the absence of in-process R&D expenses, the full-year contribution to net income of Sciele Pharma, which is now within the scope of consolidation, and increased royalty income from industrial property rights.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

Total assets at March 31, 2009 were ¥501,852 million, an increase of ¥88,148 million compared with the end of the previous fiscal year. Total liabilities were ¥191,759 million, an increase of ¥120,290 million, and net assets were ¥310,093 million, an increase of ¥32,142 million. The main factor behind the increases was the October 2008 acquisition and addition to the scope of consolidation of Sciele Pharma, which increased total assets by ¥136,524 million, while loans to finance the acquisition increased total liabilities by ¥115,000 million. In addition, translation adjustments under net assets decreased ¥24,246 million due to exchange rate fluctuation between the date of acquisition of Sciele Pharma and the closing date.

2) Cash Flows

Income before income taxes and minority interests decreased, but net cash provided by operating activities increased ¥13,503 million compared with the previous fiscal year to ¥29,121 million as a result of increases in non-fund transaction expenses including depreciation and amortization and in-process R&D expenses resulting from the acquisition of Sciele Pharma.
Net cash used in investment activities totaled ¥149,055 million due to factors including payment for the acquisition of Sciele Pharma and other purchases of property, plant and equipment.
Net cash provided by financing activities totaled ¥105,293 million due to factors including loans for the acquisition of Sciele Pharma.
As a result, cash and cash equivalents at the end of the fiscal year totaled ¥51,536 million, a decrease of ¥16,073 million compared with the end of the previous fiscal year.

Cash Flow Indicators

	Year ended March 31, 2005	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009
Net worth ratio (%)	75.5	78.8	80.4	82.7	61.7
Net worth ratio on market value basis (%)	126.8	153.8	168.0	137.9	112.4
Interest-bearing liabilities/ Cash flowratio	0.7	0.2	0.2	0.1	4.0
Interest coverage ratio (times)	68.5	72.1	225.6	306.3	37.3

Notes: Net worth ratio: Total net assets/Total assets
Net worth ratio on market value basis: Total market value of stock/Total assets
Interest-bearing liabilities/Cash flow ratio: Interest-bearing liabilities/ Net cash provided by operating activities
Interest coverage ratio: Net cash provided by operating activities/Interest expense

1. All indicators are calculated on a consolidated basis.
2. Total market value of stock is calculated based on the total number of shares outstanding excluding treasury stock.
3. Net cash provided by operating activities is as reported in the consolidated statements of cash flows.
4. Interest-bearing liabilities are liabilities stated on the consolidated balance sheets on which interest is paid.

(3) Fundamental Policy on Appropriation of Retained Earnings

Shionogi aggressively invests in its business to enhance its corporate value over the mid- to long-term. While the company follows a policy of paying dividends in proportion to results achieved in each fiscal year, it also aims to make stable increases. Shionogi has set a target of raising its payout ratio to 35 percent (on a consolidated basis) for the fiscal year ending March 31, 2010.
Net income for the fiscal year ended March 31, 2009 was distorted by the booking of expenses in accounting for business combinations associated with the acquisition of Sciele Pharma. Consequently, the year-end dividend to be raised for approval at the Annual General Meeting of Shareholders as an appropriation of retained earnings is ¥14 per share, taking into consideration the real profit level for the fiscal year and forecasted profit levels for the fiscal year ending March 31, 2010 and beyond. As a result, the total annual dividend including the interim dividend is ¥28 per share. The Company plans to raise its annual dividend for the fiscal year ending March 31, 2010 by ¥8 per share to ¥36 per share.

(4) Business and Other Risks

The main risks that have the potential to affect the Shionogi Group's results of operations and financial condition are as follows.

The forward-looking items described herein are based on the judgment of the Shionogi Group as of March 31, 2009.

1) Systemic and Regulatory Risk

In the Japanese pharmaceutical industry, revisions to the National Health Insurance (NHI) system are under review, including the NHI drug price system. These trends could affect the results of the Shionogi Group. Moreover, additional expenses and incompatibilities with manufacturing regulations that arise as a result of increasingly stringent regulations in Japan and overseas concerning the manufacture and development of prescription drugs have the potential to exert a material effect on business results.

2) Risk of Adverse Drug Reactions

Pharmaceuticals entail the risk of unanticipated adverse drug reactions that could involve termination of sales, product recalls and other outcomes that could affect the results of the Shionogi Group.

3) Pharmaceutical R&D Risk

Pharmaceutical R&D requires substantial commitment of resources and time. In addition, new drugs are subject to numerous uncertainties prior to the start of actual sales.

4) Intellectual Property Risk

The Shionogi Group uses patents as intellectual property to protect the pharmaceuticals it discovers and to generate income from them. However, the various types of intellectual property may be unable to provide adequate protection, or may infringe on the intellectual property of third parties.

5) Risk of Dependence on Certain Products

Sales and royalty income from industrial property rights of two Shionogi Group pharmaceutical products, Crestor and Flomox, accounted for about 35 percent of total net sales as of March 31, 2009. An unanticipated decrease in or termination of sales of these products could affect the results of the Shionogi Group.

6) Intensifying Global Competition

Global competition that includes non-Japanese companies is intensifying further in pharmaceutical industry R&D and sales.

7) Risk of Alliances with Other Companies

The Shionogi Group has various alliances with other companies including joint research, joint development, licensing and joint sales. Change or dissolution of these alliances for whatever reason could affect the results of the Shionogi Group.

8) Plant Closure and Shutdown Risk

The sudden occurrence of natural disasters or other unforeseen incidents could result in the closure or shutdown of plants, which could affect the results of the Shionogi Group.

9) Capital Market and Foreign Exchange Risk

Fluctuations in stock and foreign exchange markets that exceed the projected range could affect the results and financial position of the Shionogi Group.

10) Other Risks

In addition to the above, other risks that could affect the results and financial condition of the Shionogi Group include, but are not limited to, the risk of litigation concerning the Group's business activities as well as regulatory and economic factors.

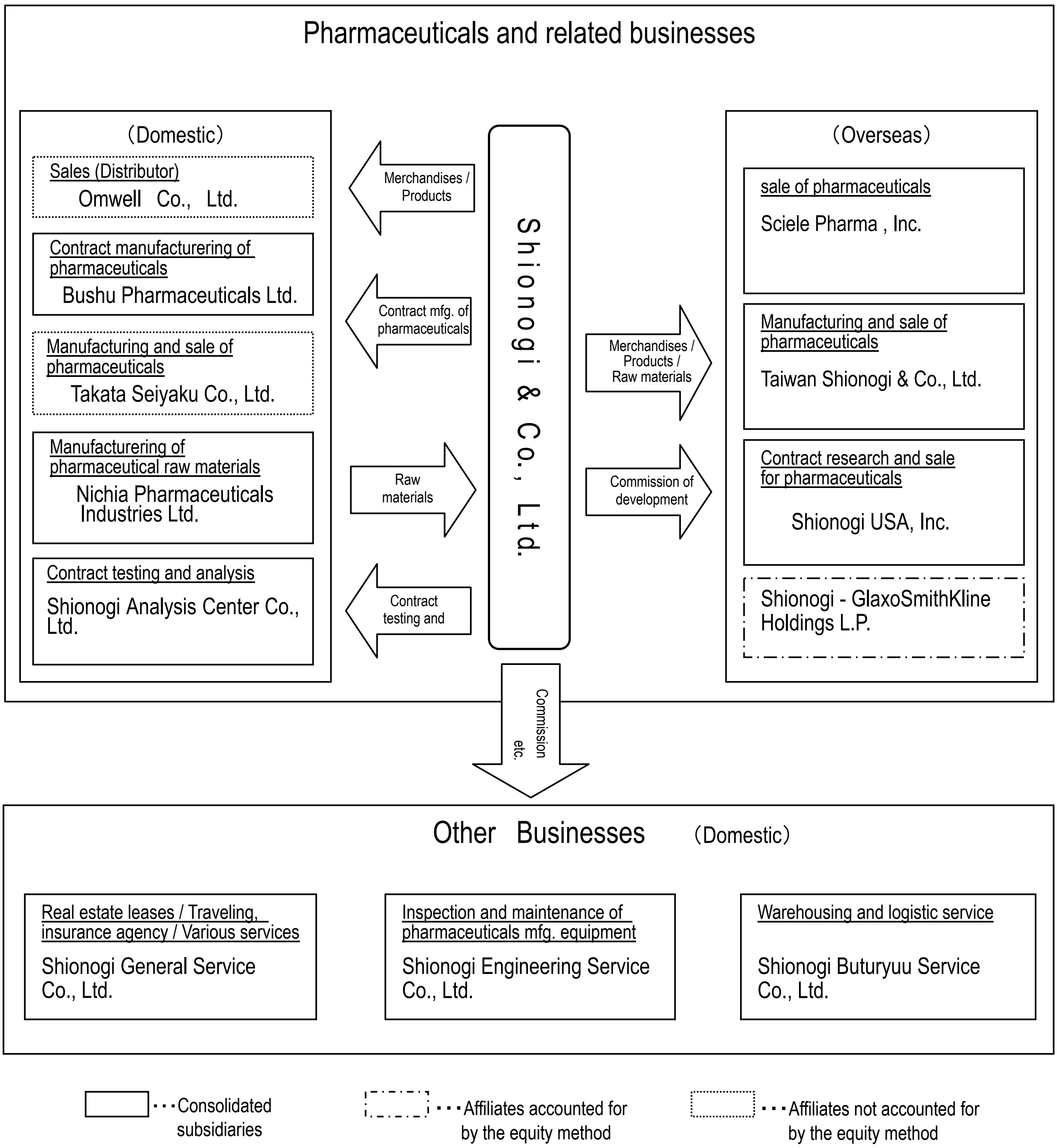
2.Companies in the Shionogi Group

As of March 31, 2009, the Shionogi Group consisted of Shionogi & Co., Ltd. (the "Company"), 18 consolidated subsidiaries and 6 affiliates. These companies are engaged primarily in the manufacture and sale of ethical drugs. In addition, they render related services.

In the year ended March 31, 2009, the Shionogi Group acquired Sciele Pharma, Inc., a pharmaceutical company in the United States. As a result, Sciele Pharma and its subsidiaries and affiliates were added to the pharmaceuticals and related businesses segmen

Business segments	Main products/ merchandise and services	Major companies
Pharmaceuticals and related businesses	Ethical drugs, OTC drugs and Diagnostics	Shionogi & Co., Ltd. Bushu Pharmaceuticals Ltd. Nichia Pharmaceutical Industries Ltd. Shionogi Analysis Center Co., Ltd. Takata Seiyaku Co., Ltd Omwell Co., Ltd. Taiwan Shionogi & Co., Ltd. Shionogi USA Holdings, Inc. Sciele Phrma,Inc. Shionogi USA, Inc. Shionogi-GlaxoSmithKline Holdings L.P. 9 other companies
Other businesses	Real estate leasing, Physical distribution and other services	Shionogi General Service Co., Ltd. Shionogi Buturyuu Service Co., Ltd. Shionogi Engineering Service Co., Ltd. 2 other companies

A business organizational chart illustrating the above-mentioned activities is presented on the next page.



Note: 1 Nine consolidated subsidiaries and 3 affiliates are not shown in this chart as the scale of their business is very small.

2 On April 1, 2009, Shionogi General Service Co., Ltd. conducted a merger by absorption with Shionogi Buturyuu Service Co., Ltd.

3. Management Policy

(1)Fundamental Management Policy

Shionogi's corporate philosophy is to "constantly strive to provide medicine of the best possible kind essential for protection of people's health." For this purpose, we must create and manufacture progressively better pharmaceuticals, while ensuring that as many people as possible know about and use them. To accomplish this goal, we believe that having all of Shionogi's people improve technologies day by day enables us to contribute to expanding the benefits we offer our customers, shareholders, business partners, society, our employees, and all our other stakeholders.

(2)Management Strategy and Challenges Ahead

Amid an unclear global economic environment, operating conditions in the prescription drug industry in Japan are expected to become increasingly severe due to pressure on healthcare expenditures. Global competition is also expected to intensify, including initiatives by companies facing expiration of patents for major products.

In such an operating environment, fiscal year 2008 was a turning point for the Shionogi Group's future growth. The Group began full-scale globalization with the addition of Sciele Pharma. In order for this acquisition to contribute to future growth, we must continuously discover and develop internationally competitive drugs and globalize our prescription drug operations. Further improving our earnings model in Japan is also a key to supporting these activities. In particular, we believe we must properly address the deficiencies that remain in our sales and marketing efforts in Japan. Going forward, we will work to expand our market share by focusing resources on Crestor and Irbetan, which have the capacity for further growth, and products such as duloxetine hydrochloride (generic name), which we plan to launch in the future. In this way, we will create a solid base for prescription drugs. In manufacturing and administrative management, we plan to enhance our ability to respond globally, as well as lower the cost of sales ratio and administrative expenses.

By steadily implementing these initiatives on a global basis, Shionogi will be working to realize its fundamental policy—constantly striving to provide medicine of the best possible kind essential for protection of people's health—and further enhance its presence as a pharmaceutical company.

4.Consolidated Financial Statements
(1) Consolidated Balance Sheets

(In millions yen)

		As of March 31, 2008		As of March 31, 2009
Assets				
Current assets				
Cash and deposits	*1	11,709	*1	23,349
Notes and accounts receivable-trade		67,605		75,380
Short-term investment securities		62,440		35,453
Inventories		34,080		—
Merchandise and finished goods		—		20,632
Work in process		—		12,556
Raw materials and supplies		—		9,838
Deferred tax assets		4,450		5,188
Other		14,691	*3	20,336
Allowance for doubtful accounts		(13)		(12)
Total current assets		194,963		202,724
Noncurrent assets				
Property, plant and equipment				
Buildings and structures		98,345		100,295
Accumulated depreciation		(67,090)		(69,200)
Buildings and structures, net		31,255		31,095
Machinery, equipment and vehicles		84,690		87,771
Accumulated depreciation		(71,313)		(75,526)
Machinery, equipment and vehicles, net		13,377		12,244
Land		14,811		14,809
Construction in progress		5,021		8,407
Other		32,037		32,932
Accumulated depreciation		(26,126)		(27,678)
Other, net		5,911		5,254
Total property, plant and equipment		70,377		71,811
Intangible assets				
Goodwill		—		71,625
Sales rights		—		42,152
Other		5,618		6,610
Total Intangible assets		5,618		120,388
Investments and other assets				
Investment securities	*2	105,452	*2	66,813
Prepaid pension cost		23,338		25,971
Deferred tax assets		17		96
Other		14,101		14,168
Allowance for doubtful accounts		(165)		(121)
Total investments and other assets		142,744		106,928
Total noncurrent assets		218,739		299,128

(In millions yen)

	As of March 31, 2008		As of March 31, 2009	
Total assets		413,703		501,852
Liabilities				
Current liabilities				
Notes and accounts payable-trade		11,301		15,444
Short-term loans payable		—		24,000
Income taxes payable		7,611		8,131
Provision				
Provision for bonuses		6,714		5,325
Other provision		1,010		2,336
Total provisions		7,725		7,662
Other	*1, *3	15,805	*1	21,566
Total current liabilities		42,443		76,804
Noncurrent liabilities				
Long-term loans payable		—		91,000
Deferred tax liabilities		18,561		13,998
Provision				
Provision for retirement benefits		7，949		7，793
Provision for directors' retirement benefits		168		155
Total provisions		8,117		7,948
Other		2,345		2,007
Total noncurrent liabilities		29,024		114,954
Total liabilities		71,468		191,759
Net assets				
Shareholders' equity				
Capital stock		21,279		21,279
Capital surplus		20,227		20,227
Retained earnings		297,811		304,761
Treasury stock		(19,280)		(19,652)
Total shareholders' equity		320,038		326,616
Valuationan and translation adjustments				
Valuation difference on available-for-sale securities		22,068		8,207
Foreign currency translation adjustment		(178)		(25,188)
Total valuation and translation adjustments		21,889		(16,980)
Minority interests		307		458
Total net assets		342,235		310,093
Total liabilities and net assets		413,703		501,852

(2) Consolidated Statements of Income

(In millions yen)

		Year ended March 31, 2008		Year ended March 31, 2009
Net sales		214,268		227,511
Cost of sales	*1	68,594	*1	170,928
Gross profit		145,674		156,582
Selling, general and administrative expenses	*2, *3	105,275	*2, *3	124,568
Operating income		40,399		32,014
Non-operating income				
Interest income		1,347		1,072
Dividends income		1,045		1,263
Royalty income		—		426
Real estate rent		593		—
Other		543		581
Total non-operating income		3,530		3,343
Non-operating expenses				
Interest expenses		83		701
Contribution		1,374		1,248
Loss on disposal of inventories		869		—
Loss on disposal of noncurrent assets		880		426
Other		842		977
Total non-operating expenses		4,050		3,354
Ordinary income		39,879		32,003
Extraordinary income				
Gain on sales of investment securities		276		213
Gain on exchenge of investment securities		1,043		—
Total extraordinary income		1,319		213
Extraordinary loss				
Special contract expenses		—	*4	700
Special retirement expenses		—		362
Loss on disaster		—	*5	253
Loss on valuation of inventories		—		89
Loss on sales of investment securities		25		25
Loss on disposal of inventories		796		—
Loss on valuation of investment securities		414		—
Total extraordinary losses		1,236		1,430
Income before income taxes and minority interests		39,962		30,785
Income taxes-current		11,765		14,717
Income taxes-deferred		3,106		369
Total income taxes		14,872		15,086
Minority interests in income		26		37
Net income		25,063		15,661

(3) Consolidated Statements of Changes in Net Assets

(In millions yen)

	Year ended March 31, 2008	Year ended March 31, 2009
Shareholders' equity		
Capital stock		
Balance at the end of previous period	21，279	21，279
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	21，279	21，279
Capital surplus		
Balance at the end of previous period	20,227	20,227
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	20,227	20,227
Retained earnings		
Balance at the end of previous period	278,871	297,811
Changes of items during the period		
Dividends from surplus	(6,122)	(8,711)
Net income	25,063	15,661
Total changes of items during the period	18,940	6,949
Balance at the end of current period	297,811	304,761
Treasury stock		
Balance at the end of previous period	(9,088)	(19,280)
Changes of items during the period		
Purchase of treasury stock	(10,192)	(371)
Total changes of items during the period	(10,192)	(371)
Balance at the end of current period	(19,280)	(19,652)
Total shareholders' equity		
Balance at the end of previous period	311,289	320,038
Changes of items during the period		
Dividends from surplus	(6,122)	(8,711)
Net income	25,063	15,661
Purchase of treasury stock	(10,192)	(371)
Total changes of items during the period	8,748	6,577
Balance at the end of current period	320,038	326,616

(In millions yen)

	Year ended March 31, 2008	Year ended March 31, 2009
Valuation and translation adjustments		
Valuati on difference on available-for-sale securities		
Balance at the end of previous period	34,262	22,068
Changes of items during the period		
Net changes of items other than shareholders' equity	(12,194)	(13,860)
Total changes of items during the period	(12,194)	(13,860)
Balance at the end of current period	22,068	8,207
Foreign currency translation adjustment		
Balance at the end of previous period	(83)	(178)
Changes of items during the period		
Net changes of items other than shareholders' equity	(94)	(25,010)
Total changes of items during the period	(94)	(25,010)
Balance at the end of current period	(178)	(25,188)
Total valuation and translation adjustments		
Balance at the end of previous period	34,178	21,889
Changes of items during the period		
Net changes of items other than shareholders' equity	(12,289)	(38,870)
Total changes of items during the period	(12,289)	(38,870)
Balance at the end of current period	21,889	(16,980)
Minority interests		
Balance at the end of previous period	283	307
Changes of items during the period		
Net changes of items other than shareholders' equity	23	150
Total changes of items during the period	23	150
Balance at the end of current period	307	458
Total net assets		
Balance at the end of previous period	345,752	342,235
Changes of items during the period		
Dividends from surplus	(6,122)	(8,711)
Net income	25,063	15,661
Purchase of treasury stock	(10,192)	(371)
Net changes of items other than shareholders' equity	(12,265)	(38,719)
Total changes of items during the period	(3,516)	(32,142)
Balance at the end of current period	342,235	310,093

(4) Consolidated Statements of Cash Flows

(In millions yen)

	Year ended March 31, 2008	Year ended March 31, 2009
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	39,962	30,785
Depreciation and amortization	10,665	13,468
Loss (gain) on disposal of property, plant and equipment	874	429
Loss (gain) on sales of investment securities	(276)	(187)
Gain on exchenge of investment securities	(1,043)	—
Loss (gain) on valuation of investment securities	414	—
Amortization of goodwill	—	906
Increase (decrease) in allowance for doubtful accounts	(1)	(43)
Increase (decrease) in provision for retirement benefits	(3,573)	(2,789)
Increase (decrease) in provision for directors' retirement benefits	(17)	(12)
Interest and dividends income	(2,393)	(2,335)
Interest expenses	83	701
Foreign exchange losses (gains)	13	79
Other loss (gain)	—	*3 9,669
Decrease (increase) in notes and accounts receivable-trade	(75)	(2,418)
Decrease (increase) in inventories	(1,711)	(7,361)
Increase (decrease) in notes and accounts payable-trade	(860)	1,393
Increase (decrease) in accrued expenses	555	(3,823)
Increase (decrease) in accounts payable-other	(5,974)	1,116
Other, net	(11,984)	467
Subtotal	24,657	40,045
Interest and dividends income received	2,598	2,385
Interest expenses paid	(50)	(780)
Income taxes paid	(11,586)	(12,531)
Net cash provided by (used in) operating activities	15,618	29,121
Net cash provided by (used in) investing activities		
Payments into time deposits	(4,814)	(4,213)
Proceeds from withdrawal of time deposits	14,529	4,074
Purchase of short-term investment securities	(19)	(19)
Proceeds from sales of short-term investment securities	4,024	4,020
Purchase of investment securities	(7,209)	(5,583)
Proceeds from sales of investment securities	1,070	18,345
Purchase of property, plant and equipment	(11,660)	(11,200)
Proceeds from sales of property, plant and equipment	22	62
Collection of loans receivable	312	3
Purchase of stock of affiliates	(634)	(1,920)
Proceeds from sales of stock of affiliates	443	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	*2 (146,766)
Other, net	(1,399)	(5,856)
Net cash provided by (used in) investing activities	(5,335)	(149,055)

(In millions yen)

	Year ended March 31, 2008	Year ended March 31, 2009
Net cash provided by (used in) financing activities		
Repayments of installment payables	(802)	(746)
Net increase (decrease) in short-term loans payable	—	10,000
Proceeds from long-term loans payable	—	105,000
Purchase of treasury stock	(10,204)	(371)
Cash dividends paid	(6,114)	(8,701)
Cash dividends paid to minority shareholders	(2)	(2)
Proceeds from stock issuance to minority shareholders	—	115
Net cash provided by (used in) financing activities	(17,123)	105,293
Effect of exchange rate change on cash and cash equivalents	(95)	(1,430)
Net increase (decrease) in cash and cash equivalents	(6,936)	(16,073)
Cash and cash equivalents at beginning of period	74,546	*1 67,609
Cash and cash equivalents at end of period	*1 67,609	*1 51,536

Events or conditions that may raise significant questions regarding the validity of the premise of going concern

None

Notes to consolidated financial statements

Item	Year ended March 31, 2008	Year ended March 31, 2009
1. Scope of consolidation	Number of consolidated subsidiaries: 11 Bushu Pharmaceuticals Ltd., Nichia Pharmaceutical Industries Ltd., Saishin Igaku Co., Ltd., Shionogi Engineering Service Co., Ltd., Shionogi Buturyuu Service Co., Ltd., Shionogi General Service Co., Ltd., Aburahi AgroResearch Co., Ltd., Shionogi Analysis Center Co., Ltd., Taiwan Shionogi & Co., Ltd., Shionogi USA, Inc., SG Holding Inc. The accompanying consolidated financial statements include the accounts of the Company and all companies controlled directly or indirectly the Company. (Newly consolidated) Shionogi Analysis Center Co., Ltd. was newly established and consolidated during the period.	Number of consolidated subsidiaries: 18 Bushu Pharmaceuticals Ltd., Nichia Pharmaceutical Industries Ltd., Saishin Igaku Co., Ltd., Shionogi Engineering Service Co., Ltd., Shionogi Buturyuu Service Co., Ltd., Shionogi General Service Co., Ltd., Aburahi AgroResearch Co., Ltd., Shionogi Analysis Center Co., Ltd., Taiwan Shionogi & Co., Ltd., Shionogi USA Holdings, Inc. Sciele Pharma, Inc., Shionogi USA, Inc., SG Holding Inc. Other 5 The accompanying consolidated financial statements include the accounts of the Company and all companies controlled directly or indirectly the Company. (Newly consolidated) Subsidiaries newly consolidated through acquisition: 5 Sciele Pharma, Inc. and 4 others Subsidiaries newly established during the period: 2 Shionogi USA Holding, Inc. Other 1
2. Application of equity method	(1) Unconsolidated subsidiaries and affiliates accounted for by the equity method No unconsolidated subsidiaries were accounted for by the equity method for the Year ended March 31, 2008. Affiliates accounted for by the equity method: 1 Shionogi-GlaxoSmithKline Holdings L.P. was accounted for by the equity method and its closing date differs from the consolidated closing date. Therefore the financial statements for its fiscal year have been used. (2) That portion of the net profit (loss) of the 4 affiliates not accounted for by the equity method which was attributable to the Company in proportion to its shareholding ratio had no significant effect on the consolidated net income or retained earnings of the Company for the current period.	(1) Unconsolidated subsidiaries and affiliates accounted for by the equity method No unconsolidated subsidiaries were accounted for by the equity method for in the year ended March 31, 2009 Affiliates accounted for by the equity method: 2 Shionogi-GlaxoSmithKline Holdings L.P. Other 1 Affiliates newly added through acquisition: 1 The closing dates of the two affiliates differ from the consolidated closing date. Therefore the financial statements for their respective fiscal years have been used. (2) Same as on the left

Item	Year ended March 31, 2008	Year ended March 31, 2009
3. Closing date of consolidated subsidiaries	Three overseas consolidated subsidiaries close their accounts on December 31, for financial reporting purpose. The accompanying consolidated financial statements of the Company have been prepared on the basis of the consolidated subsidiaries' financial statements prepared as of their respective closing dates. The necessary adjustments have been made to reflect any significant transactions occurring between the respective closing dates and the date of the consolidated financial statements.	Ten consolidated subsidiaries are overseas consolidated subsidiaries. Eight overseas consolidated subsidiaries close their accounts on December 31 and two close their accounts on September 30, for financial reporting purposes. The accompanying consolidated financial statements of the Company have been prepared using actual and pro forma financial statements for consolidated subsidiaries prepared as of December 31. The necessary adjustments have been made to reflect any significant transactions occurring between the respective closing dates and the date of the consolidated financial statements.
4. Significant accounting policies	(1) Basis and method of valuation of significant assets 1. Securities A) Held-to-maturity securities Amortized cost method B) Other securities a) Market value available At fair value, based on market price or other appropriate quotation as of period end (Unrealized gain is charged directly to net assets; cost of sales is accounted for by the moving average method.) b) Market value not available At cost determined by the moving average method (The securities based on Financial Products Exchange Law article 2.2 are evaluated their net profit/loss(equity method).) 2. Inventories Most items are evaluated at cost determined by the average method.	(1) Basis and method of valuation of significant assets 1. Securities A) Held-to-maturity securities Same as on the left B) Other securities a) Market value available Same as on the left b) Market value not available Same as on the left 2. Inventories Inventories are mainly stated at the lower of cost, determined by the average method, or net selling value. [Change of accounting policy] Effective the year ended March 31, 2009, the Company has applied "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan Statement No. 9; July 5, 2006). As a result, in the year ended March 31, 2009 operating income decreased by ¥327 million, ordinary income decreased by ¥57 million and income before income taxes decreased by ¥146 million compared with the former method. The impact of this change on segment information is disclosed in 'Segment information'.

Item	Year ended March 31, 2008	Year ended March 31, 2009
	(2) Depreciation method of significant depreciable assets 1. Property, plant and equipment Most items are depreciated by the declining balance method. Buildings (except for structures attached to the buildings) acquired subsequent to April 1, 1998 are depreciated by straight-line method. The useful lives are principally as follows: Buildings and structures: 2 to 60 years Machinery and equipment and vehicles: 2 to 17 years [Change of accounting policy] In accordance with revisions to the Corporation Tax Law, for depreciation of tangible fixed assets acquired from April 1, 2007, the Company and its domestic consolidated subsidiaries have changed to a calculation method based on the revised Corporation Tax Law. As a result, in the year ended March 31, 2008 , operating income, ordinary income and income before income taxes each decreased by ¥498 million compared with the former method. The impact of this change on segment information is disclosed in 'Segment information'. [Additional information] In accordance with revisions to the Corporation Tax Law, the Company and its domestic consolidated subsidiaries depreciate tangible assets acquired before April 1, 2007 until the remaining value of assets reaches 5 percent of acquisition cost, as per pre-revision rules. Thereafter, the difference between the equivalent of 5 percent of the acquisition cost and the disposal cost is depreciated uniformly over five years as part of depreciation expenses. As a result, in the year ended March 31, 2008 , operating income, ordinary income and income before income taxes each decreased by ¥850 million compared with the former method. The impact of this change on segment information is disclosed in 'Segment information'.	(2) Depreciation method of significant depreciable assets 1. Property, plant and equipment（excluding lease assets） Most items are depreciated by the declining balance method. Buildings (except for structures attached to the buildings) acquired subsequent to April 1, 1998 are depreciated by straight-line method. The useful lives are principally as follows: Buildings and structures: 2 to 60 years Machinery and equipment and vehicles: 2 to 17 years [Additional information] The Company and its domestic consolidated subsidiaries revised the useful life of machinery and equipment as per revisions to the Corporation Tax Law, and applied the revised useful lives during the year ended March 31, 2009. As a result, in the year ended March 31, 2009, depreciation expense decreased by ¥423 million, and operating income, ordinary income and income before income taxes each increased by ¥423 million compared with the former method. The impact of this change on segment information is disclosed in 'Segment information'.

Item	Year ended March 31, 2008	Year ended March 31, 2009
	2. Intangible fixed assets Most items are depreciated by the Straight-line method Expenditures related to computer software intended for internal use are amortized over the useful life of the respective assets (in general, 5 years).	2. Intangible fixed assets (excluding lease assets) Same as on the left
		3. Lease assets For lease transactions not involving transfer ownership, lease assets are depreciated over their useful lives using the straight-line method until the residual value reaches zero (Change of accounting policy) Formerly, finance lease transactions not involving the transfer of ownership were accounted for in a manner similar to the accounting treatment for operating lease transactions. However, effective from the fiscal year ended March 31, 2009, the Company applied “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13; Business Accounting Council Committee No. 1, June 17, 1993; revised March 30, 2007) and “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16; the Japanese Institute of Certified Public Accountants, Accounting Committee, January 18, 1994; revised March 30, 2007). Such transactions are now accounted for as ordinary sale and purchase transactions. As a result, in the year ended March 31, 2009, compared with the former method lease assets totaling ¥3 million were included in property, plant and equipment, and operating income, ordinary income and income before income taxes were not affected. For reference, the Company continues to account for finance lease transactions not involving the transfer of ownership that were concluded prior to April 1, 2008 in a manner similar to the accounting treatment for ordinary operating lease transactions. The impact of this change on segment information is disclosed in ‘Segment information’.

Item	Year ended March 31, 2008	Year ended March 31, 2009
	(3) Basis for providing significant allowances and reserves 1. Allowance for doubtful accounts The allowance for doubtful accounts is provided to cover bad debt loss. The amount provided for general receivables is based on the historical rate of bad debts; for certain receivable accounts of considerable risk, the estimated uncollectible amount is provided as an additional allowance after examining specific possibility of collection. 2. Reserve for bonuses To prepare for payment of bonuses to employees, a reserve for bonuses is provided based on the estimated amount of bonuses to be paid. 3. Reserve for directors' bonuses To prepare for payment of bonuses to directors and statutory auditors, a reserve for bonuses is provided based on the estimated amount of bonuses to be paid. 4. Reserve for retirement benefits To prepare for the payment of retirement benefits to employees, a reserve for retirement benefits is provided based on the retirement benefit liabilities accrued and the expected value of the pension plan assets as of the period end. Prior service cost is amortized by the straight-line method over 10 years, which is within the estimated average remaining years of service of the eligible employees. Actuarial gain or loss is proportionally amortized in the each year following the year in which the gain or loss is recognized principally by the straight-line method over 10 years, which is within the estimated average remaining years of service of the eligible employees. 5. Reserve for directors’ retirement benefits To prepare for the payment of retirement benefits to directors and statutory auditors, a reserve for their retirement benefits is provided for the estimated amounts as of the year end based on the Company’s internal rules. The retirement benefits system for directors and statutory auditors was abolished in June 2004, and there is no provision for the year.	(3) Basis for providing significant allowances and reserves 1. Allowance for doubtful accounts Same as on the left 2. Reserve for bonuses Same as on the left 3. Reserve for directors' bonuses Same as on the left 4. Reserve for retirement benefits Same as on the left 5. Reserve for directors’ retirement benefits Same as on the left

Item	Year ended March 31, 2008	Year ended March 31, 2009
	(4) Foreign currency translation Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the balance sheet date. Gain or loss on translation is credited or charged to income; however, assets, liabilities, income and expenses of certain overseas consolidated subsidiaries are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. Adjustments resulting from the translation of foreign currency financial statements have been reported as Translation adjustment in net assets. (5) Accounting for significant lease transactions Finance leases other than those under which the leased property is deemed transferred to the lessee are accounted for as operating leases; however, certain overseas consolidated subsidiaries account for such finance leases as ordinary sales transactions. (6) Significant hedge accounting 1. Method of hedge accounting Gain (loss) resulting from forward foreign exchange contracts relating to transactions denominated in a foreign currency is allocated over the applicable periods. 2. Hedging instruments and hedged items A) Hedging instruments Forward foreign exchange contracts B) Hedged items Receivables and payables denominated in foreign currencies 3. Hedging policy The Company enters into forward foreign exchange contracts to hedge against the risk of exchange rate fluctuation for receivables and payables denominated in foreign currencies. (7) Other significant accounting policies Consumption tax Amounts reflected in the consolidated financial statements are stated exclusive of consumption tax.	(4) Foreign currency translation Same as on the left (5) Significant hedge accounting 1. Method of hedge accounting In principle, deferred hedge accounting is used. Translation at the contract rate is applied in accounting for forward foreign exchange contracts that meet specified conditions. Hedges that meet conditions for the special treatment of interest-rate swaps are accounted for separately. 2. Hedging instruments and hedged items A) Hedging instruments Forward foreign exchange contracts and interest-rate swaps B) Hedged items Assets and liabilities denominated in foreign currencies and debt 3. Hedging policy The Company enters into forward foreign exchange contracts and interest-rate swaps with the objective of hedging the risk of exchange rate fluctuations in connection with foreign currency-denominated assets and liabilities and the risk of interest rate fluctuations in connection with debt. (6) Other significant accounting policies Consumption tax Same as on the left
5. Valuation of assets and liabilities in the consolidated subsidiaries	Assets and liabilities of the consolidated subsidiaries are revalued at their current value.	Same as on the left

Item	Year ended March 31, 2008	Year ended March 31, 2009
6. Goodwill and negative goodwill		Goodwill is amortized over 20 years using the straight-line method
7. Definition of cash and cash equivalents in the consolidated cash flow statements	Cash and cash equivalents reported in the consolidated cash flow statements include cash on hand, bank deposits and deposits in other financial institutions immediately withdrawable upon request, or liquid short-term investments with only a minor risk of any fluctuation in their value which mature within three months of their acquisition dates.	Same as on the left

Changes to presentation of consolidated financial statements

Year ended March 31, 2008	Year ended March 31, 2009
―――――	[Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements] Effective from the year ended March 31, 2009, the Companies applied "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" (ASBJ Practical Issues Task Force (PITF) No. 18, May 17, 2006) and amended the consolidated financial statements as required. As a result, in the year ended March 31, 2009, operating income, ordinary income and income before income taxes each decreased by ¥906 million compared with the former method. "Business Segment Information" provides additional information of the impact of this change on segment results.

Change in method of presentation

Year ended March 31, 2008	Year ended March 31, 2009
[Consolidated Balance Sheers] In accordance with amendments to the Guidelines to Regulations Governing Interim Consolidated Financial Statements specifying that certificates of deposit (domestic) are to be included in securities, from the year ended March 31, 2008 , certificates of deposit (domestic) included in cash and deposits prior to April 1, 2007 are reported as marketable securities. Certificates of deposit (domestic) included in marketable securities as of March 31, 2008 totaled ¥58,400 million. Certificates of deposit (domestic) included in cash and deposits as of March 31, 2007 totaled ¥14,300 million.	[Consolidated Balance Sheers] During the year ended March 31, 2009, the Shionogi Group applied a Cabinet Office Ordinance (Cabinet Office Ordinance 50, August 7, 2008) that revised certain regulations governing financial statements and other matters. As a result, the item Inventories in the financial statements for the year ended March 31, 2008 has been recategorized to consist of Merchandise and finished goods, Work in process and Row materials and supplies from the year ended March 31, 2009. Merchandise and finished goods, Work in process and Row materials and supplies included in Inventories in the year ended March 31, 2008 were ¥18,728 million, ¥9,469 million and ¥5,882 million, respectively. The item Intangible assets in the financial statements for the year ended March 31, 2008 has been recategorized as Goodwill, Sales rights and Other intangible assets from the year ended March 31, 2009 to conform with the introduction of XBRL to EDINET to improve the comparability of financial statements. Sales rights and Other intangible assets in the year ended March 31, 2008 were ¥1,105 million and ¥4,513 million, respectively. [Consolidated Statements of income] Royalty income was included in Other under Other non-operating income in the fiscal year ended March 31, 2008. It is now presented as a separate line item because it exceeds more than 10 percent of total non-operating income. Royalty income in the year ended March 31, 2008 was ¥128 million. The item Real estate rent in the year ended March 31, 2009 totaled ¥185 million. In the year ended March 31, 2009 it is included in Other under Other non-operating income because it has decreased to less than 10 percent of total non-operating income.

Notes

Notes to consolidated balance sheets

Year ended March 31, 2008	Year ended March 31, 2009
*1 Pledged assets and secured liabilities The assets listed below have been pledged as collateral against borrowings and other debts: 1)Book value of pledged assets: Cash and deposits 6 Million yen 2)Liabilities secured by the above assets: 'Other' of current liabilities 6 Million yen	*1 Pledged assets and secured liabilities The assets listed below have been pledged as collateral against borrowings and other debts: 1)Book value of pledged assets: Cash and deposits 7 Million yen 2)Liabilities secured by the above assets: 'Other' of current liabilities 6 Million yen
*2 Stocks etc, of unconsolidated subsidiaries and affiliates Investments in securities (stocks etc.) 2,898 Million yen	*2 Stocks etc, of unconsolidated subsidiaries and affiliates Investments in securities (stocks etc.) 4,565 Million yen
*3 Accrued consumption taxes are included in Other under Current liabilities.	*3 Consumption taxes receivable are included in Other under Current assets.
4 Guaranteed liabilities Guarantee of loans from financial institutions and other companies not included in consolidation Employee housing loans 65 Million yen	4 Guaranteed liabilities Guarantee of loans from financial institutions and other companies not included in consolidation Employee housing loans 34 Million yen
5 Commitments - Lines of credit The Company entered into line-of-credit commitments with financial institutions in order to enhance its working capital efficiency. Number of financial institutions and the outstanding balances of these lines of credit are as follows: Number of financial institutions 10 Total amount of lines of credit 24,000 Million yen The amount of borrowing — Outstanding balances 24,000 Million yen	

Notes to consolidated statements of income

<table>
<tr><th>Year ended March 31, 2008</th><th>Year ended March 31, 2009</th></tr>
<tr><td>*1 Devaluation due to application of the lower-of-cost-or-market method included in cost of sales
Merchandise and main raw materials 96 million</td><td>*1 Inventories at March 31, 2009 are stated at net selling value.
Inventory valuation totaling ¥317 million is included in cost of sales.</td></tr>
<tr><td>*2 The major items and amounts included in selling, general and administrative expenses were as follows:
Sales promotional activities 13,726 Million yen
Salaries 19,411
Provision for reserve for bonuses 3,456
Provision for reserve for directors' bonuses 40
Retirement benefit expenses 51
R & D expenses 40,290
(Provision for reserve for bonuses) (1,897)
(Retirement benefit expenses) (44)</td><td>*2 The major items and amounts included in selling, general and administrative expenses were as follows:
Sales promotional activities 13,356 Million yen
Salaries 21,295
Provision for reserve for bonuses 2,713
Provision for reserve for directors' bonuses 38
Retirement benefit expenses 377
R & D expenses 52,822
(Provision for reserve for bonuses) (1,392)
(Retirement benefit expenses) (202)</td></tr>
<tr><td>*3 R&D expenses
R&D expenses, which are included in SG&A expenses, were as follows. No R&D expenses are included in production expenses
R&D expenses 40,290 million</td><td>*3 R&D expenses
R&D expenses, which are included in SG&A expenses, were as follows. No R&D expenses are included in production expenses
R&D expenses 52,822 million

*4 Special contract expenses
Special contract expenses consist of exemptions for charges for disposal of existing inventory upon renewal of sales contracts.

*5 Loss on disaster
Loss on natural disaster consists of factory restoration expenses and loss on disposal of inventories and property, plant and equipment as a result of the Iwate-Miyagi Nairiku Earthquake and the Iwate Hokubu Earthquake.</td></tr>
</table>

Notes to consolidated statement of changes in net assets

[Year ended March 31, 2008]

(1) Type and number of shares in issue and type and number of shares of treasury stock(Units: Shares)

	March 31, 2007	Increase	Decrease	March 31, 2008
Shares in issue				
Common stock	351,136,165	–	–	351,136,165
Total	351,136,165	–	–	351,136,165
Treasury stock				
Common stock	10,683,759	5,329,369	–	16,013,128
Total	10,683,759	5,329,369	–	16,013,128

Note: The increase in treasury stock reflects the purchase of odd-lot shares.

(2) Matters concerning subscription rights and subscription rights owned by the Company

N/A

(3) Dividends

A) Dividend payments

Resolution	Category	Total amount of dividends	Amount per share	Dividend record date	Effective date
Annual General Meeting of Shareholders held on June 28, 2007	Common stock	2,723 Million yen	8 Yen	March 31, 2007	June 29, 2007
Meeting of Board of directors on November 5, 2007	Common stock	3,399 Million yen	10 Yen	September 30, 2007	December 3, 2007

B) Dividends whose effective date is subsequent to March 31, 2008

The following is to be approved at the 143rd Annual General Meeting of Shareholders to be held on June 27, 2008.

Resolution	Category	Total amount of dividends	Funds for dividend	Amount per share	Dividend record date	Effective date
Annual General Meeting of Shareholders to be held on June 27, 2008	Common stock	4,021 Million yen	Retained earnings	12 Yen	March 31, 2008	June 30, 2008

[Year ended March 31, 2009]

(1) Type and number of shares in issue and type and number of shares of treasury stock(Units: Shares)

	March 31, 2008	Increase	Decrease	March 31, 2009
Shares in issue				
Common stock	351,136,165	–	–	351,136,165
Total	351,136,165	–	–	351,136,165
Treasury stock				
Common stock	16,013,128	176,697	–	16,189,825
Total	16,013,128	176,697	–	16,189,825

Note: The increase in treasury stock reflects the purchase of odd-lot shares.

(2) Matters concerning subscription rights and subscription rights owned by the Company

None

(3) Dividends

A) Dividend payments

Resolution	Category	Total amount of dividends	Amount per share	Dividend record date	Effective date
Annual General Meeting of Shareholders held on June 27, 2008	Common stock	4,021 Million yen	12 Yen	March 31, 2008	June 30, 2008
Meeting of Board of directors on November 4, 2008	Common stock	4,690 Million yen	14 Yen	September 30, 2008	December 1, 2008

B) Dividends whose effective date is subsequent to March 31, 2009

The following is to be approved at the 144th Annual General Meeting of Shareholders to be held on June 25, 2009.

Resolution	Category	Total amount of dividends	Funds for dividend	Amount per share	Dividend record date	Effective date
Annual General Meeting of Shareholders to be held on June 25, 2009	Common stock	4,689 Million yen	Retained earnings	14 Yen	March 31, 2009	June 26, 2009

Notes to consolidated statements of cash flow

Year ended March 31, 2008

*1. Reconciliation of balance of cash and cash equivalents as of the period end with the amounts reported in the consolidated balance sheets:

	Year ended March 31, 2008
Cash and deposits	11,709 Million yen
Time deposits with a maturity exceeding three months	(2,499)
Cash and cash equivalents including "Marketable securities"	58,400
Cash and cash equivalents	67,609 Million yen

Year ended March 31, 2009

*1. Reconciliation of balance of cash and cash equivalents as of the period end with the amounts reported in the consolidated balance sheets:

	Year ended March 31, 2009
Cash and deposits	23,349 Million yen
Time deposits with a maturity exceeding three months	(2,113)
Cash and cash equivalents including "Marketable securities"	30,300
Cash and cash equivalents	51,536 Million yen

*2. Assets and liabilities of companies newly consolidated through acquisition of shares

The assets, liabilities, acquisition cost and net acquisition cost of Sciele Pharma, Inc. ("Sciele") upon consolidation due to acquisition of shares are as follows.

Current assets	27,050 Million yen
Intangible assets	44,525
In-process research and development	9,669
Goodwill	79,664
Other non-current assets	2,228
Current liabilities	(13,446)
Non-current liabilities	(5,075)
Foreign currency translation adjustment	11,997
Sciele acquisition cost	156,613
Sciele cash and cash equivalents	(9,846)
Sciele net acquisition cost	146,766

*3. In-process R&D expenses resulting from acquisition

Notes to securities

Ⅰ [Year ended March 31,2008]

(1) Bonds to be held until maturity with quoted market prices

(Market value is in excess of the carrying value reported in the consolidated balance sheets)

	Value reported in consolidated balance sheet	*Market price*	*Difference*
A) National, local government and other public bonds	38,068 Million yen	39,242 Million yen	1,173 Million yen
B) Corporate bonds	—	—	—
C) Other bonds	—	—	—
Subtotal	38,068 Million yen	39,242 Million yen	1,173 Million yen

(Market value is not in excess of the carrying value reported in the consolidated balance sheets)

	Value reported in consolidated balance sheet	*Market price*	*Difference*
A) National, local government and other public bonds	2,005 Million yen	2,005 Million yen	0 Million yen
B) Corporate bonds	—	—	—
C) Other bonds	19	19	0
Subtotal	2,024 Million yen	2,024 Million yen	0 Million yen
Total	40,093 Million yen	41,267 Million yen	1,173 Million yen

(2) Other securities; market value available

(Fair value reported in consolidated balance sheets is in excess of the acquisition cost)

	Acquisition cost	*Value reported in consolidated balance sheet*	*Difference*
A) Stocks	17,658 Million yen	54,477 Million yen	36,818 Million yen
B) Bonds			
a) National, local government and other public bonds	—	—	—
b) Corporate bonds	—	—	—
c) Other bonds	1,291	1,831	539
C) Other securities	—	—	—
Subtotal	18,950 Million yen	56,308 Million yen	37,358 Million yen

(Fair value reported in consolidated balance sheets is not in excess of the acquisition cost)

	Acquisition cost	*Value reported in consolidated balance sheet*	*Difference*
A) Stocks	3,269 Million yen	3,152 Million yen	(117) Million yen
B) Bonds			
a) National, local government and other public bonds	—	—	—
b) Corporate bonds	—	—	—
c) Other bonds	—	—	—
C) Other securities	5,000	4,910	(89)
Subtotal	8,269 Million yen	8,062 Million yen	(206) Million yen
Total	27,219 Million yen	64,371 Million yen	37,151 Million yen

(3) Other securities sold in their fiscal year

Sales value	*Sales gain*	*Sales loss*
288 Million yen	276 Million yen	0 Million yen

(4) Other securities sold in their fiscal year

Other securities

A) Unlisted stocks (excluding OTC stocks)	2,118 Million yen
B) Certificates of deposits (domestic)	58,400 Million yen

(5) Future estimated redemption prices of other securities having maturity and bonds to be held until maturity

	Within 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
A) Bonds				
a) National, local government and other public bonds	4,020 Million yen	16,029 Million yen	20,023 Million yen	─ Million yen
b) Corporate bonds	─	─	─	─
c) Other bonds	19	575	─	1,256
B) Other securities	58,400	─	─	─
Total	62,440 Million yen	16,605 Million yen	20,023 Million yen	1,256 Million yen

Ⅱ [[Year ended March 31,2009]

(1) Bonds to be held until maturity with quoted market prices

(Market value is in excess of the carrying value reported in the consolidated balance sheets)

	Value reported in consolidated balance sheet	Market price	Difference
A) National, local government and other public bonds	─ Million yen	─ Million yen	─ Million yen
B) Corporate bonds	─	─	─
C) Other bonds	─	─	─
Subtotal	─ Million yen	─ Million yen	─ Million yen

(Market value is not in excess of the carrying value reported in the consolidated balance sheets)

	Value reported in consolidated balance sheet	Market price	Difference
A) National, local government and other public bonds	─ Million yen	─ Million yen	─ Million yen
B) Corporate bonds	─	─	─
C) Other bonds	19	19	0
Subtotal	19 Million yen	19 Million yen	0 Million yen
Total	19 Million yen	19 Million yen	0 Million yen

(2) Other securities; market value available

(Fair value reported in consolidated balance sheets is in excess of the acquisition cost)

	Acquisition cost	Value reported in consolidated balance sheet	Difference
A) Stocks	15,182 Million yen	29,051 Million yen	13,869 Million yen
B) Bonds			
a) National, local government and other public bonds	18,029	18,268	238
b) Corporate bonds	─	─	─
c) Other bonds	1,357	1,902	545
C) Other securities	─	─	─
Subtotal	34,568 Million yen	49,222 Million yen	14,654 Million yen

(Fair value reported in consolidated balance sheets is not in excess of the acquisition cost)

	Acquisition cost	Value reported in consolidated balance sheet	Difference
A) Stocks	5,821 Million yen	5,060 Million yen	(761) Million yen
B) Bonds			
a) National, local government and other public bonds	─	─	─
b) Corporate bonds	─	─	─
c) Other bonds	469	460	(8)
C) Other securities	10,022	9,947	(74)
Subtotal	16,312 Million yen	15,468 Million yen	(843) Million yen
Total	50,881 Million yen	64,691 Million yen	13,810 Million yen

(3) Held-to-maturity securities sold in the fiscal year

Sales value	*Sales gain*	*Sales loss*
18,196 Million yen	212 Million yen	25 Million yen

(Reason for sale) The Company sold held-to-maturity securities to prepare funding for the October 2008 acquisition of Sciele Pharma, Inc.

(4) Other securities sold in their fiscal year

Sales value	*Sales gain*	*Sales loss*
2 Million yen	0 Million yen	– Million yen

(5) Other securities sold in their fiscal year

Other securities

A) Unlisted stocks (excluding OTC stocks)	2,591 Million yen
B) Certificates of deposits (domestic)	30,300 Million yen

(6) Change in intent for holding securities

The Company sold a portion of its held-to-maturity debt securities in the year ended March 31, 2009 prior to maturity. Therefore, pursuant to “Practical Guidelines on Accounting Standards for Financial Instruments” (JICPA Laws and Regulations Committee Report No.14), Paragraph 83, all remaining held-to-maturity debt securities totaling ¥20,144 million were reclassified as other securities

As a result, net unrealized gain increased by ¥19 million for short-term investment securities, by ¥219 million for Investment securities, and by ¥141 million for valuation defference on availabl-for-sale securities compared to the valuation using the former intent for holding securities.

(7) Future estimated redemption prices of other securities having maturity and bonds to be held until maturity

	Within 1 year	*From 1 year to 5 years*	*From 5 years to 10 years*	*Over 10 years*
A) Bonds				
a) National, local government and other public bonds	4,490 Million yen	12,180 Million yen	2,058 Million yen	– Million yen
b) Corporate bonds	–	–	–	–
c) Other bonds	640	–	–	1,281
B) Other securities	30,300	–	–	–
Total	35,431 Million yen	12,180 Million yen	2,058 Million yen	1,281 Million yen

Notes to retirement benefits

1. Outline of retirement benefit programs

The Company have adopted a cash balance plan (a money market pension plan), a lump-sum payment plan and a defined contribution pension plan. Certain domestic consolidated subsidiaries have adopted lump-sum payment plans and defined contribution pension plans. And certain consolidated subsidiaries have adopted defined contribution pension plans.

In certain cases, premium retirement benefits may be paid to retiring employees which are not included in the retirement benefit obligations determined actuarially in accordance with the accounting standard for retirement benefits.

2. Information on retirement benefit obligations

(Units : Million yen)

		[As of March 31, 2008]	[As of March 31, 2009]
a.	Retirement benefit obligations	(89,438)	(86,167)
b.	Pension assets	108,811	80,639
c.	Unfunded retirement benefit obligations (a + b)	19,372	(7,527)
d.	Unrecognized actuarial difference	9,646	36,662
e.	Unrecognized prior service cost	(13,630)	(10,956)
f.	Net accrued retirement benefits reflected in consolidated balance sheet (c + d + e)	15,388	18,178
g.	Prepaid pension costs	23,338	25,971
h.	Accrued retirement benefits (f – g)	(7,949)	(7,793)

Notes: 1. The above amounts do not include temporary additional retirement benefits.

2. Certain consolidated subsidiaries have adopted a simplified method to calculate retirement benefit obligations.

3. Information on retirement benefit expenses

(Units : Million yen)

		[Year ended March 31, 2008]	[Year ended March 31, 2009]
a.	Service cost	1,851	1,828
b.	Interest cost	1,835	1,787
c.	Expected return on plan assets	(2,786)	(3,891)
d.	Amortization of actuarial difference	1,135	2,868
e.	Amortization of prior service cost	(2,673)	(2,673)
f.	Other cost	813	824
g.	Retirement benefit expenses (a + b + c + d + e + f)	175	744

Notes: 1. Retirement benefit expenses of consolidated subsidiaries which have the simplified computation methods are included in "a. Service cost".

2.'f. Other cost' presents the contributions to the defined contribution retirement benefit plans.

4. Basis of determining retirement benefit obligations and other expenses

			[As of March 31, 2008]	[As of March 31, 2009]
a.	Allocation of estimated amount of retirement benefits to be paid to employees	:	Periodic straight-line method	The same as at left
b.	Discount rate	:	2.0%	2.0%
c.	Expected rate of return on plan assets	:	2.2%	3.6%
d.	Years to amortize prior service cost	:	10 years(to be amortized by straight-line method)	The same as at left
e.	Years to amortize actuarial difference	:	10 years (to be amortized by straight-line method in the each following year)	The same as at left

Notes to tax effects

Year ended March 31, 2008

1. The contents of significant evidences from which deferred income taxes arisen

(1) Current :

Deferred tax assets:		
Reserve for bonuses	2,725	Million yen
Accrued enterprise tax	687	
Reserve for sales rebates	342	
Other	772	
Subtotal	4,527	
Valuation allowance	(10)	
Total deferred tax assets	4,516	
Total deferred tax liabilities	(66)	
Net deferred tax assets	4,449	

(2) Non-current:

Deferred tax assets:		
Research and development expenses	1,964	Million yen
Loss on revaluation of investments in securities	437	
Loss carry forward of a consolidated subsidiary	352	
Reserve for directors retirement benefits	68	
Other	1,338	
Subtotal	4,161	
Valuation allowance	(731)	
Total deferred tax assets	3,429	
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(15,083)	
Prepaid pension cost	(5,955)	
Special depreciation	(315)	
Other	(619)	
Total deferred tax liabilities	(21,973)	
Net deferred tax liabilities	(18,544)	

Note: Net deferred tax assets and liabilities in the years ended March 31, 2008 are included in consolidated balance sheets as follows:

Current assets - deferred tax assets	4,450	Million yen
Fixed assets - deferred tax assets	17	
Current liabilities - ‘other’ of current liabilities	(0)	
Non-current liabilities - deferred tax liabilities	(18,561)	

2. The effective tax rates for the years ended March 31, 2008 differ from the statutory tax rate above for the following reasons:

Statutory tax rate	40.6	
Expenses not deductible for income tax purposes	3.1	%
Dividends not taxable for income tax purpose	(0.6)	
Tax credit	(4.4)	
Inhabitants’ per capita taxes	0.3	
Differences between statutory tax rate in Japan and income tax rate applied for overseas consolidated subsidiaries	(0.2)	
Loss on valuation of stocks of affiliates	(1.1)	
Other	(0.5)	
Effective tax rates	37.2	%

Year ended March 31, 2009

1. The contents of significant evidences from which deferred income taxes arisen

Deferred tax assets:		
Research and development expenses	2,541	Millions yen
Reserve for bonuses	2,107	
Accrued enterprise tax	795	
Loss on revaluation of investments in securities	439	
Reserve for sales rebates	346	
Loss carry forward of a consolidated subsidiary	362	
Reserve for directors retirement benefits	63	
Other	5,749	
Subtotal	12,405	
Valuation allowance	(754)	
Total deferred tax assets	11,651	
Deferred tax liabilities:		
Prepaid pension cost	(7,086)	
Valuation difference on available-for-sale securities	(5,610)	
Sales rights	(4,627)	
Special depreciation	(188)	
Other	(2,850)	
Total deferred tax liabilities	(20,364)	
Net deferred tax liabilities	(8,713)	

Note: Net deferred tax assets and liabilities in the years ended March 31, 2009 are included in consolidated balance sheets as follows:

Current assets - deferred tax assets	5,188	Million yen
Fixed assets - deferred tax assets	96	
Non-current liabilities - deferred tax liabilities	(13,998)	

2. The effective tax rates for the years ended March 31, 2009 differ from the statutory tax rate above for the following reasons:

Statutory tax rate	40.6	
Expenses not deductible for income tax purposes	4.0	%
Dividends not taxable for income tax purpose	(0.8)	
Amortization of goodwill	1.0	
Tax credit	(8.6)	
Inhabitants’ per capita taxes	0.4	
Differences between statutory tax rate in Japan and income tax rate applied for overseas consolidated subsidiaries	1.1	
In-process R&D expenses	11.1	
Other	0.2	
Effective tax rates	49.0	%

Notes to business combinations

Year ended March 31, 2008	Year ended March 31, 2009
————	Application of the Purchase Method (1) Name and business of acquired company, primary reasons for business combination, date of business combination, legal form of business combination and name of company after business combination, and ratio of voting rights acquired a. Name and business of acquired company Name of acquired company: Sciele Pharma, Inc. Business: Pharmaceutical research, development and sales b. Primary reasons for business combination Establish a stronger presence in the United States, beginning with the sales infrastructure, to realize the full value of original products and ensure steadier growth over the long term. c. Date of business combination October 9, 2008 d. Legal form of business combination and name of company after business combination Legal form of business combination: Cash acquisition of Sciele Pharma, Inc.'s stock Name of company after business combination: Sciele Pharma, Inc. e. Ratio of voting rights acquired 100% (2) Period of the operating results of the acquired company included in the consolidated financial statements October 10, 2008 to December 31, 2008 (3) Acquisition cost of the acquired company The acquisition cost of the acquired company was US$1,446 million. The company's stock was acquired with cash. (4) Amount of goodwill, reason for recognition, and amortization method and useful life a. Amount of goodwill US$718 million b. Reason for the recognition Goodwill was recognized because the acquisition cost exceeded the net amount allocated to assets acquired and liabilities assumed. c. Amortization method and useful life Amortization on a straight-line basis over 20 years

Year ended March 31, 2008	Year ended March 31, 2009
	(5) Estimated effect the acquired company would have had on the statements of income for the year ended March 31, 2009 if the business combination had been completed on April 1, 2008 Net sales US$404 million Operating income US$80 million Income before income taxes US$73 million The above estimates are the actual results for Sciele Pharma, Inc. that are applicable to the statements of income for the year ended March 31, 2009. The figures are unaudited.

Notes to segment information

a. Business Segment Information

[Year ended March 31, 2008] (In millions yen)

Account \ Segment	Pharmaceuticals and related businesses	Other businesses	Total	Eliminations	Consolidated
Ⅰ. Net sales and operating income:					
Net sales					
(1) Sales to third parties	208,431	5,837	214,268	–	214,268
(2) Inter-group sales and transfers	–	3,730	3,730	(3,730)	–
Total	208,431	9,567	217,998	(3,730)	214,268
Operating expenses	169,612	7,987	177,599	(3,730)	173,869
Operating income	38,818	1,580	40,399	0	40,399
Ⅱ. Assets, depreciation and capital expenditures:					
Total assets	270,751	11,091	281,843	131,860	413,703
Depreciation	11,843	9	11,853	–	11,853
Capital expenditures	25,586	9	25,595	–	25,595

Notes: *1 .Businesses of the Shionogi & Co., Ltd. and consolidated subsidiaries are segmented into "Pharmaceuticals and related businesses" and "Other businesses", considering the types of products/merchandise handled and the similarities in their markets.*

2. Major products/merchandise and services provided by each segment

Business segment	*Major products/merchandise and services*
Pharmaceuticals and related businesses	*Ethical drugs, OTC drugs and Diagnostics*
Other businesses	*Real estate leases, Physical distribution and other services*

3. Depreciation and capital expenditures include long-term prepaid expenses and their amortized amounts.

4. The amounts of general corporate assets in Eliminations and general corporate assets are 134,051 million yen in the Year ended March 31, 2008. The significant items are enough operating funds (marketable securities) and long-term investment funds (investments in securities) in the Company.

5. Change of accounting policy

In accordance with revisions to the Corporation Tax Law, for depreciation of tangible fixed assets acquired from April 1, 2007, the Company and its domestic consolidated subsidiaries have changed to a calculation method based on the revised Corporation Tax Law.

With this change, operating expenses in the Pharmaceuticals and Related Businesses and the Other Businesses segments for the year ended March 31, 2008 increased by ¥498 million and ¥0 million, respectively, compared with the former method, decreasing operating income in each segment by the same respective amount.

6. Additional information

In accordance with revisions to the Corporation Tax Law, the Company and its domestic consolidated subsidiaries depreciate tangible assets acquired before April 1, 2007 until the remaining value of assets reaches 5 percent of acquisition cost, as per pre-revision rules. Thereafter, the difference between the equivalent of 5 percent of the acquisition cost and the disposal cost is depreciated uniformly over five years as part of depreciation expenses.

With this change, operating expenses in the Pharmaceuticals and Related Businesses and the Other Businesses segments for the year ended March 31, 2008 increased by ¥850 million and ¥0 million, respectively, compared with the former method, decreasing operating income in each segment by the same respective amount.

[Year ended March 31, 2009]

The segment Pharmaceuticals and related businesses includes more than 90% of the total sales, operating income and total assets of all business segments. Therefore, the disclosure of business segment information has been omitted.

b. Segment information by geographic area

[Year ended March 31, 2008]

Japan includes more than 90% of the total sales and total assets of all business segments. Therefore, the disclosure of segment information by geographic area has been omitted.

[Year ended March 31, 2009]

	Japan (millions yen)	North America (millions yen)	Other (millions yen)	Total (millions yen)	Eliminations (millions yen)	Consolidated (millions yen)
Ⅰ. Net sales and operating income:						
Net sales						
(1) Sales to third parties	215,874	9,885	1,751	227,511	—	227,511
(2) Inter-group sales and transfers	436	3,252	56	3,745	(3,745)	—
Total	216,310	13,137	1,808	231,256	(3,745)	227,511
Operating expenses	175,915	21,071	1,348	198,335	(2,838)	195,496
Operating income / loss	40,395	(7,933)	460	32,921	(906)	32,014
Ⅱ. Total assets	276,221	67,846	3,741	347,808	154,044	501,852

Note: 1. National and regional categories are based on geographic proximity.

2. The main countries and regions included in categories other than Japan are as follows:

(1) North America: United States

(2) Other: Asia

3. Eliminations in Other operating expenses include ¥906 million in unallocable operating expenses consisting primarily of amortization of goodwill.

4. Eliminations in Assets include ¥154,497 million in general corporate assets consisting primarily of surplus funds under management (securities), long-term investment funds (investment securities) and goodwill at Shionogi & Co., Ltd

5. Change of accounting policy

1) As presented in Notes to consolidated financial statements, effective the year ended March 31, 2009, the Company has applied "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan Statement No. 9; July 5, 2006). As a result, in the year ended March 31, 2009 operating expenses in the Japan segment increased by ¥316 million, and operating income decreased by a corresponding amount compared with the former method.

2) As presented in Notes to consolidated financial statements, effective from the fiscal year ended March 31, 2009, the Company applied "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13; Business Accounting Council Committee No. 1, June 17, 1993; revised March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16; the Japanese Institute of Certified Public Accountants, Accounting Committee, January 18, 1994; revised March 30, 2007).

As a result, in the year ended March 31, 2009, compared with the former method assets in the Japan segment increased by ¥3 million. Operating expenses and income were not affected.

3) As presented in Notes to consolidated financial statements, effective from the fiscal year ended March 31, 2009, the Company applied "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18, issued May 17, 2006).

As a result, in the year ended March 31, 2009, compared with the former method operating expenses included in General corporate increased ¥906 million and operating income decreased by a corresponding amount.

6. Additional information

As presented in Changes to presentation of consolidated financial statements, effective from the fiscal year ended March 31, 2009, the Company and its consolidated subsidiaries have revised the useful life applied to machinery and equipment due to a revision of the Corporation Tax Law in 2008.

As a result, in the year ended March 31, 2009, compared with the former method operating expenses in the Japan segment decreased ¥423 million and operating income increased by a corresponding amount.

C. Overseas sales

[Year ended March 31, 2008] (In millions yen)

	Europe	Other	Total
Ⅰ. Overseas sales	32,336	5,322	37,658
Ⅱ. Consolidated net sales	―	―	214,268
Ⅲ. Overseas sales as a percentage of to consolidated net sales	15.1%	2.5%	17.6%

[Year ended March 31, 2009] (In millions yen)

	Europe	Other	Total
Ⅰ. Overseas sales	36,180	18,305	54,486
Ⅱ. Consolidated net sales	―	―	227,511
Ⅲ. Overseas sales as a percentage of to consolidated net sales	15.9%	8.0%	23.9%

Notes: 1. Country and regional segments are based on geographic proximity.

2. Main countries and regions included in each segment

(1) Europe: United Kingdom, Switzerland, Germany and others

(2) Others: North America, Asia and others

3. Overseas sales represent those of the Company and consolidated subsidiaries in countries areas outside Japan and include profit derived from licensing fees as royalty revenue.

Notes to amounts per share

Item	Year ended March 31, 2008	Year ended March 31, 2009
Net assets per share	1,020.31 yen	924.43 yen
Earnings per share	74.21 yen	46.75 yen

Notes: 1. Net income after giving effect to the diluted potential of common stock has not been presented since there are no such potential shares to be issued.

2. Information for the computation of net assets per share is as follows.

Item	Year ended March 31, 2008	Year ended March 31, 2009
Total net assets	*342,235 million yen*	*310,093 million yen*
Amount deducted from total net assets	*307 million yen*	*458million yen*
（Amounts attributed to minority interests in total net assets）	*(307 million yen)*	*(458 million yen)*
Net assets at year end available to common stocks	*341,928 million yen*	*309,635 million yen*
Shares outstanding as of the period end	*335,123 thousands of stocks*	*334,946 thousands of stocks*

3. Information for the computation of earnings per share is as follows.

Item	Year ended March 31, 2008	Year ended March 31, 2009
Net income	*25,063 million yen*	*15,661 million yen*
The amount which is not attributable to ordinary shareholders	–	–
Net income related to common stocks	*25,063 million yen*	*15,661 million yen*
Average number of shares outstanding during the period	*337,744 thousands of stocks*	*335,021 thousands of stocks*

Important Subsequent Events

None

Items Omitted from Disclosure

Year Ended March 31, 2008, Year Ended March 31, 2009

Disclosure of lease transactions, transactions with related parties, related party information, derivatives transactions, and disposition of stock options are is omitted because it is not deemed material.

5.Non-Consolidated Financial Statements
(1) Non-Consolidated Balance Sheets

(In millions yen)

	As of March 31, 2008	As of March 31, 2009
Assets		
Current assets		
Cash and deposits	2,500	4,686
Notes receivable-trade	189	71
Accounts receivable-trade	65,541	65,535
Short-term investment securities	62,420	34,859
Merchandise	3,181	—
Finished goods	8,766	—
Semi-finished goods	5,818	—
Raw materials	3,634	—
Merchandise and finished goods	—	18,693
Work in process	8,866	11,726
Supplies	1,508	—
Raw materials and supplies	—	8,079
Advance payments	11,261	11,892
Prepaid expenses	15	14
Deferred tax assets	4,260	3,467
Short-term loans receivable	9,450	5,397
Other	4,417	4,893
Allowance for doubtful accounts	(158)	(154)
Total current assets	191,673	169,162
Noncurrent assets		
Property, plant and equipment		
Buildings	84,887	86,319
Accumulated depreciation	(58,723)	(60,573)
Buildings, net	26,163	25,745
Structures	7,699	7,705
Accumulated depreciation	(6,358)	(6,435)
Structures, net	1,340	1,270
Machinery and equipment	74,947	75,565
Accumulated depreciation	(65,071)	(67,018)
Machinery and equipment, net	9,875	8,546
Vehicles	486	489
Accumulated depreciation	(419)	(448)
Vehicles, net	66	40
Tools, furniture and fixtures	31,263	31,283
Accumulated depreciation	(25,602)	(26,733)
Tools, furniture and fixtures, net	5,661	4,549
Land	10,124	10,124
Lease assets	—	4
Accumulated depreciation	—	0
Lease assets, net	—	3

（In millions yen）

	As of March 31, 2008	As of March 31, 2009
Construction in progress	5,314	8,038
Total property, plant and equipment	58,547	58,319
Intangible assets		
Patent right	110	1,951
Right of trademark	1,806	2,017
Software	2,128	1,842
Sales rights	1,105	3,020
Telephone subscription right	69	69
Right of using facilities	32	28
Total intangible assets	5,252	8,928
Investments and other assets		
Investment securities	102,551	62,150
Stocks of subsidiaries and affiliates	3,893	175,330
Investments in other securities of subsidiaries and affiliates	845	2,472
Long-term loans receivable	20	16
Long-term loans receivable from employees	4	―
Long-term loans receivable from subsidiaries and affliates	―	5,250
Long-term prepaid expenses	13,164	12,717
Prepaid pension cost	23,338	25,971
Other	1,029	985
Allowance for doubtful accounts	(165)	(121)
Total investments and other assets	144,680	284,773
Total noncurrent assets	208,480	352,021
Total assets	400,154	521,184
Liabilities		
Current liabilities		
Accounts payable-trade	11,041	12,118
Short-term loans payable	―	24,000
Lease obligations	―	0
Accounts payable-other	5,657	6,386
Accrued expenses	4,141	4,365
Income taxes payable	7,054	7,313
Deposits received	3,172	3,028
Provision for bonuses	6,433	4,904
Provision for directors' bonuses	38	36
Provision for sales rebates	843	854
Provision for sales returns	95	78
Other	189	224
Total current liabilities	38,667	63,309
Noncurrent liabilities		
Long-term loans payable	―	91,000
Lease obligations	―	3

(In millions yen)

	As of March 31, 2008	As of March 31, 2009
Long-term accounts payable-other	—	14,006
Deferred tax liabilities	18,464	9,088
Provision for retirement benefits	7,906	7,754
Provision for directors' retirement benefits	168	155
Other	630	631
Total noncurrent liabilities	27,170	122,639
Total liabilities	65,837	185,948
Net assets		
Shareholders' equity		
Capital stock	21,279	21,279
Capital surplus		
Legal capital surplus	20,227	20,227
Total capital surpluses	20,227	20,227
Retained earnings		
Legal retained earnings	5,388	5,388
Other retained earnings		
Reserve for special depreciation	461	276
Reserve for advanced depreciation of noncurrent assets	24	23
General reserve	258,645	273,645
Retained earnings brought forward	25,503	25,839
Total earned surpluses	290,021	305,173
Treasury stock	(19,280)	(19,652)
Total shareholders' equity	312,248	327,027
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	22,068	8,207
Total valuation and translation adjustments	22,068	8,207
Total net assets	334,316	335,235
Total liabilities and net assets	400,154	521,184

(2) Non-consolidated Statements of Income

(In millions yen)

	Year ended March 31, 2008	Year ended March 31, 2009
Net sales		
Net sales of finished goods	129,925	131,039
Net sales of merchandise	39,034	38,832
Royalty income from industrial property rights	32,042	36,881
Total net sales	201,002	206,753
Cost of sales		
Beginning finished goods and merchandise	13,456	11,948
Cost of purchased merchandise	16,891	16,208
Cost of products manufactured	43,269	49,074
Finished goods and merchandise transfer to other account	(662)	1,444
Total	72,955	78,675
Ending finished goods and merchandise	11,948	14,154
Cost of finished goods and merchandise sold	61,007	64,520
Valuation loss on raw materials	58	--
Total cost of sales	61,065	64,520
Gross profit	139,937	142,233
Provision for sales returns	13	—
Reversal of provision for sales returns	—	17
Gross profit-net	139,924	142,250
Selling, general and administrative expenses	103,527	106,013
Operating income	36,397	36,236
Non-operating income		
Interest income	533	171
Interest on securities	847	828
Dividends income	1,417	1,713
Real estate rent	1,985	2,038
Other	457	731
Total non-operating income	5,241	5,482
Non-operating expenses		
Interest expenses	40	609
Contribution	1,363	1,235
Foreign exchange losses	—	415
Depreciation	470	452
Loss on disposal of inventories	843	—
Loss on disposal of noncurrent assets	807	397
Other	872	685
Total non-operating expenses	4,397	3,795
Ordinary income	37,240	37,924

(In millions yen)

	Year ended March 31, 2008	Year ended March 31, 2009
Extraordinary income		
Gain on sales of investment securities	276	213
Gain on exchange of investment securities	1,043	—
Total extraordinary income	1,319	213
Extraordinary loss		
Special contract expenses	—	700
Loss on disaster	—	253
Loss on valuation of inventories	—	35
Loss on sales of investment securities	—	25
Loss on valuation of stocks of subsidiaries and affiliates	1,114	—
Loss on disposal of inventories	796	—
Loss on valuation of investment securities	414	—
Loss on sales of stocks of subsidiaries and affiliates	101	—
Total extraordinary losses	2,428	1,014
Income before income taxes	36,132	37,123
Income taxes-current	10,740	12,370
Income taxes-deferred	2,913	889
Total income taxes	13,653	13,259
Net income	22,479	23,863

(3) Non-consolidated Statement of Changes in Net Assets

(In millions yen)

	Year ended March 31, 2008	Year ended March 31, 2009
Shareholders' equity		
Capital stock		
Balance at the end of previous period	21,279	21,279
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	21,279	21,279
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	20,227	20,227
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	20,227	20,227
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	5,388	5,388
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	5,388	5,388
Other retained earnings		
Reserve for special depreciation		
Balance at the end of previous period	575	461
Changes of items during the period		
Provision of reserve for special depreciation	149	29
Reversal of reserve for special depreciation	(263)	(213)
Total changes of items during the period	(114)	(184)
Balance at the end of current period	461	276
Reserve for advanced depreciation of noncurrent assets		
Balance at the end of previous period	25	24
Changes of items during the period		
Reversal of reserve for advanced depreciation of noncurrent assets	(0)	(0)
Total changes of items during the period	(0)	(0)
Balance at the end of current period	24	23
General reserve		
Balance at the end of previous period	248,645	258,645
Changes of items during the period		
Provision of general reserve	10,000	15,000
Total changes of items during the period	10,000	15,000
Balance at the end of current period	258,645	273,645
Retained earnings brought forward		
Balance at the end of previous period	19,031	25,503

(In millions yen)

	Year ended March 31, 2008	Year ended March 31, 2009
Changes of items during the period		
Provision of reserve for special depreciation	(149)	(29)
Reversal of reserve for special depreciation	263	213
Reversal of reserve for advanced depreciation of noncurrent assets	0	0
Provision of general reserve	(10,000)	(15,000)
Dividends from surplus	(6,122)	(8,711)
Net income	22,479	23,863
Total changes of items during the period	6,471	336
Balance at the end of current period	25,503	25,839
Total retained earnings		
Balance at the end of previous period	273,665	290,021
Changes of items during the period		
Dividends from surplus	(6,122)	(8,711)
Net income	22,479	23,863
Total changes of items during the period	16,356	15,151
Balance at the end of current period	290,021	305,173
Treasury stock		
Balance at the end of previous period	(9,088)	(19,280)
Changes of items during the period		
Purchase of treasury stock	(10,192)	(371)
Total changes of items during the period	(10,192)	(371)
Balance at the end of current period	(19,280)	(19,652)
Total shareholders' equity		
Balance at the end of previous period	306,083	312,248
Changes of items during the period		
Dividends from surplus	(6,122)	(8,711)
Net income	22,479	23,863
Purchase of treasury stock	(10,192)	(371)
Total changes of items during the period	6,164	14,779
Balance at the end of current period	312,248	327,027
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	34,262	22,068
Changes of items during the period		
Net changes of items other than shareholders' equity	(12,194)	(13,860)
Total changes of items during the period	(12,194)	(13,860)
Balance at the end of current period	22,068	8,207

(In millions yen)

	Year ended March 31, 2008	Year ended March 31, 2009
Total net assets		
Balance at the end of previous period	340,346	334,316
Changes of items during the period		
Dividends from surplus	(6,122)	(8,711)
Net income	22,479	23,863
Purchase of treasury stock	(10,192)	(371)
Net changes of items other than shareholders' equity	(12,194)	(13,860)
Total changes of items during the period	(6,030)	919
Balance at the end of current period	334,316	335,235

Events or conditions that may raise significant questions regarding the validity of the premise of going concern

None

6.Others

Changes in Directors and Auditors (Scheduled for June 25, 2009)

1. Change in Representatives

   No changes.

2. Change in Other Directors

   (1) New External Director Candidates

   Director Akio Nomura (Chairman, Osaka Gas Co., Ltd.)

   Director Teppei Mogi (Partner Attorney at Law, Oh-Ebashi LPC & Partners)

   (2)Retiring Directors

   Director of the Board, Advisor Kiyoshi Miyamoto

The 144th Annual General Meeting of Shareholders to be held on June 25, 2009 will decide on the new candidates for Corporate Directors.
These issues were disclosed as of March 16, 2009