Translation for reference only

Ticker Code: 4507

To All Shareholders

June 2, 2010

Notice of Convocation of the 145th Annual General Meeting of Shareholders

The 145th Annual General Meeting of Shareholders will be convened at the time and location listed below. On behalf of the directors of the Company, we cordially invite you to attend this shareholders' meeting. If you are unable to attend, you can exercise your voting rights with the proxy form on the back of this notice. If you wish to vote by using the proxy form, you are kindly requested to take the time to review the reference information provided below and exercise it by 5:00 p.m., Wednesday June 23, 2010.

Yours faithfully,

Isao Teshirogi
President and Representative Director
Shionogi & Co., Ltd.
1-8 Doshomachi 3-chome, Chuo-ku, Osaka 541-0045, Japan

Annual General Meeting of Shareholders

1. **Date and time:** **10:00 a.m., Thursday, June 24, 2010**
2. **Location:** **Third-floor hall, Shionogi Head Office**
   1-8 Doshomachi 3-chome, Chuo-ku, Osaka, Japan
3. **Agenda:**

   Items to report:

   1.The Business Report, the Consolidated Financial Statement and the Non-Consolidated Financial Statement for the 145th Fiscal Term (year ended March 31, 2010)

   2.The Audit Report of the Consolidated Financial Statement for the 145th Fiscal Term (year ended March 31, 2010) by the Accounting Auditor and the Board of Corporate Auditors

   Items for resolution:

   Proposal No. 1: Appropriation of Surplus

   Proposal No. 2: Election of Six (6) Directors

   Proposal No. 3: Election of One (1) Substitute Corporate Auditor

   Proposal No. 4: Payment of the Bonuses to the Directors

4. **Exercise of voting rights:**

   1. Exercise of voting rights by mail

   If you wish to do so by mail, you are kindly requested to indicate your consent or refusal on the proxy form and return it by 5:00 p.m., Wednesday, June 23, 2010

2. Exercise of voting rights by Internet

If you wish to vote by Internet, you are kindly requested to take the time to review the reference information “Procedures on Exercise of Voting Rights through the Internet etc.” provided on page 40. Please indicate your consent or refusal on the proxy form and input it by 5:00 p.m., Wednesday June 23, 2010[1]

If you intend to exercise your voting rights in person, you are kindly requested to hand in your proxy form at the reception desk when you arrive at the Annual General Meeting of Shareholders.
Please note that if any revisions are made to the contents of the business report, the consolidated financial statements, the non-consolidated financial statements and the referential documents concerning the exercise of voting rights that are attached to this Notice of Convocation, the revised contents will be posted on our Internet website (http://www.shionogi.co.jp/).

[1] Japan Standard Time

(Appended documents)

Business Report

Fiscal 2009(Year ended March 31, 2010)

1. Overview of Operations

(1) Business Operations and Results

In Japan's pharmaceutical industry, reforms of the National Health Insurance (NHI) drug pricing system for the fiscal year ended March 31, 2010 (fiscal 2009) included the trial implementation of a system for premium pricing for the development of new drugs and the elimination of off-label drug use. Pharmaceutical companies must formulate various new initiatives in response. Going forward, companies that do not deal with this issue successfully will be forced to withdraw from the business. Overseas, the United States is reforming its health insurance system, which will affect the world's largest pharmaceutical market in a number of ways.

Given these circumstances, the Shionogi Group focused its efforts on executing its second medium-term business plan (April 2005 – March 2010), a period in which the Company laid a solid foundation for a long-term surge of corporate growth. Achievements included the creation of a world-class development pipeline, growth of anti-hyperlipidemia treatment Crestor into a core product, and the acquisition of a U.S. marketing network centered on Shionogi Pharma, Inc. (formerly Sciele Pharma, Inc.) as a base for global business development. However, the Shionogi Group's failure to achieve its performance targets in fiscal 2009, the final year of the second medium-term management plan, underscored the many tasks that remain. Based on the achievements and tasks remaining from the second medium-term business plan, the Shionogi Group formulated its third medium-term business plan for the five years beginning fiscal year 2010 and initiated it in April 2010 with the goal of steadily achieving further growth. In March 2010, the Shionogi Group divested Bushu Pharmaceuticals Ltd., a consolidated subsidiary involved in consignment manufacturing, to further the development of this company and concentrate the Shionogi Group's resources on the prescription drug business.

With regard to the consolidated performance for this fiscal year, net sales increased 22.4 percent compared with the previous fiscal year to ¥278,502 million. Sales of prescription drugs decreased slightly year on year. Sales of the core domestic products Crestor and hypertension treatment Irbetan increased substantially. Differin, a topical preparation for acne vulgaris, and Pirespa, an idiopathic pulmonary fibrosis treatment, were among other products that contributed to growth in sales. However, sales of seasonal products including antibiotic agents decreased due to the impact of an abnormally large contraction in the winter market. On the other hand, royalty income increased significantly because of growth in overseas sales of Crestor by AstraZeneca, and the full-year contribution of sales at Shionogi Pharma, Inc.

Gross profit increased 29.2 percent compared with the previous fiscal year, supported by the increase in royalty income and the contribution of Shionogi Pharma, Inc. Operating income increased 63.8 percent to ¥52,438 million because in-process R&D expenses associated with business combination totaling ¥9,669 million that were included in selling, general and administrative expenses in the previous fiscal year did not recur. Ordinary income increased 57.9 percent to ¥50,522 million. Net income increased 146.6 percent to ¥38,625 million, reflecting factors including the gain on transfer of Bushu Pharmaceuticals, Ltd. recorded as extraordinary income.

Regarding research and development activities, in Japan the Shionogi Group received marketing and manufacturing approval in January 2010 for Rapiacta, an anti-influenza drug that meets the needs of society, and began sales in the same month. The Shionogi Group expects Rapiacta to make a significant contribution to treating influenza in the future. In addition, the Shionogi Group received marketing and manufacturing approval for the antidepressant drug Cymbalta in January 2010, and began sales in April 2010. We also filed an application for Cymbalta for the additional indication of diabetic neuropathic pain in September 2009. The Shionogi Group has a number of pharmaceuticals under development in Japan and overseas, including an anti-obesity drug, an anti-HIV drug, a TPO mimetic for thrombocytopenia and an atopic dermatitis treatment. The Shionogi Group also began construction of Shionogi Pharmaceutical Research Center (SPRC) in Toyonaka City, Osaka that is expected to strengthen drug discovery capabilities by focusing research functions to increase productivity when it is completed in April 2011. As a result of these activities, overall Group R&D expenses for the fiscal year ended March 31, 2010 totaled ¥51,808 million.

(2) Capital investment

For the fiscal year ended March 31, 2010, Group capital expenditures totaled ¥12,500 million, centered on aggressive investment in projects such as expansion and enhancement of manufacturing and research facilities, including the construction of SPRC

(3) Fund-raising

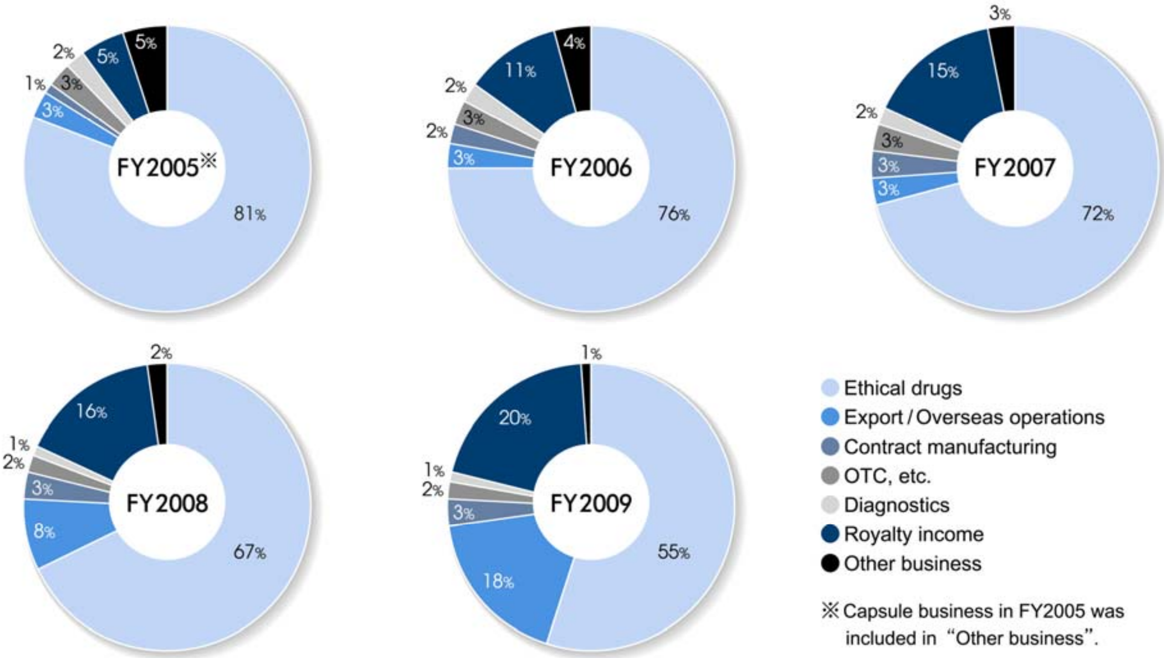
About fund-raising in the fiscal year, the domestic straight bonds of 30 billion yen were procured in June, 2009, and were allocated for the repayment of loans payable for the acquisition of Shionogi Pharma, Inc.

(4) Sales by Division

Classification	FY2005	FY2006	FY2007	FY2008	FY2009
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Pharmaceuticals and related businesses	187,235	191,914	208,431	223,083	274,435
Ethical drugs	159,667	151,906	155,144	153,224	152,534
Export/Overseas operations	5,800	5,281	6,287	18,624	49,073
Contract manufacturing	2,082	4,003	5,892	5,765	7,425
OTC etc.	6,447	6,131	5,674	5,271	5,441
Diagnostics	3,391	3,331	3,390	3,317	2,945
Royalty income	9,848	21,262	32,042	36,882	57,015
Capsule business	6,060	—	—	—	—
Other business	3,092	7,844	5,837	4,428	4,067
Real estate leasing, Physical distribution and other services	3,092	7,844	5,837	4,428	4,067
Totals	196,388	199,759	214,268	227,511	278,502

Note: In October 2005, the Capsule business was divested.

〔Reference〕 Proportion of Sales by Segment



(5) Challenges ahead

The Shionogi Group has formulated its third medium-term business plan for the five-year period beginning fiscal 2010. The basic strategies of the plan follow.

1. Steady growth mainly through enriched pipeline

In Japan, we will focus marketing resources on eight strategic products: the three key strategic products Crestor, Irbetan and Cymbalta, as well as Pirespa, Differin, Finibax, OxyContin/OxyNorm, and Rapiacta. The objective of this strategy is to generate growth from new products that is independent of legacy products. Moreover, we will expand overseas sales by developing existing products and those under development with the goal of increasing the ratio of overseas sales to consolidated net sales.

2. Investments in new growth drivers

We aim for world-class research productivity while assiduously managing our development pipeline portfolio, which includes an anti-HIV drug and an anti-obesity drug. As a result, our goal by fiscal 2014 is to have five candidates in late development stages (Phase IIb and beyond), submit applications for approval overseas for four products and receive approval for one or more products.

3. Sustained focus on target therapeutic areas

We will continuously provide the drugs that patients need in our priority therapeutic areas of metabolic syndrome, infectious diseases and pain, while taking on the challenge of early research in new therapeutic areas to flexibly deal with unmet medical needs. In particular, we will concentrate investment of resources in the R&D priority areas of obesity/diabetes and viral infections.

Regarding our long-term vision for the next 10 years, we will enter a challenging era from 2016 as the Crestor patent expires, and fully recognize that we will not have a second chance in our initiatives for further growth. Under these conditions, we have made “SONG for Real Growth” the slogan for the third medium-term business plan with the aim of achieving true growth for all stakeholders.

SONG for the Real Growth

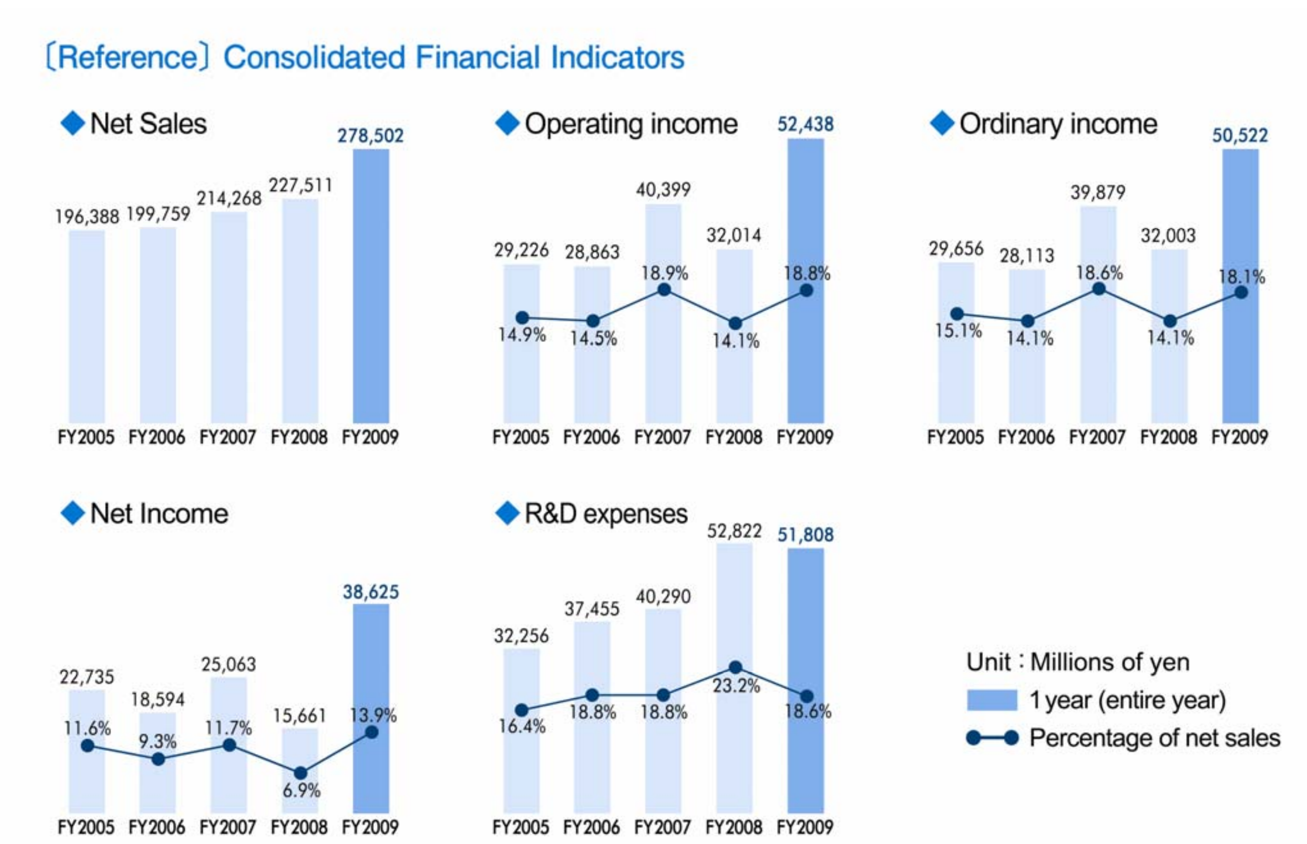
Speed	**“Quick decision and implementation”**
Open Mind	**“Flexible mind and out of box thinking”**
Never-Failing Passion	**“Persistent passion”**
Global Perspective	**“Higher and broader perspective”**

(6) Business Results and Financial Position

①Business Results and Financial Position of the Corporate Group (Units: Millions of yen)

Classification	FY2005	FY2006	FY2007	FY2008	FY2009
Net sales	196,388	199,759	214,268	227,511	278,502
Operating income	29,226	28,863	40,399	32,014	52,438
Ordinary income	29,656	28,113	39,879	32,003	50,522
Net income	22,735	18,594	25,063	15,661	38,625
Earnings per share	yen 66.55	yen 54.61	yen 74.21	yen 46.75	yen 115.33
Total assets	427,682	429,569	413,703	501,852	540,761
Net assets	337,185	345,752	342,235	310,093	341,976
Net assets per share	yen 989.76	yen 1,014.73	yen 1,020.31	yen 924.43	yen 1,019.71

Note: Effective in fiscal 2006 (the 142nd Fiscal Term), the Company adopted Corporate Accounting Standard No.5 and Corporate Accounting Standard Implementation Guideline No.8 issued by the Accounting Standards Board of Japan, both of which relate to the balance-sheet presentation of net assets.



②Business Results and Financial Position of the Company **(Units: Millions of yen)**

Type	FY2005	FY2006	FY2007	FY2008	FY2009
Net sales	183,388	185,686	201,002	206,753	228,585
Operating income	25,770	24,893	36,397	36,236	49,256
Ordinary income	28,107	25,985	37,240	37,924	49,941
Net income	26,663	17,324	22,479	23,863	40,757
Earning per share	yen 78.11	yen 50.88	yen 66.56	yen 71.23	yen 121.70
Total assets	415,740	414,992	400,154	521,184	553,013
Net assets	332,426	340,346	334,316	335,235	367,341
Net assets per share	yen 975.81	yen 999.69	yen 997.59	yen 1,000.86	yen 1,096.85

Note: Effective in fiscal 2006, the Company adopted Corporate Accounting Standard No.5 and Corporate Accounting Standard Implementation Guideline No.8 issued by the Accounting Standards Board of Japan, both of which relate to the balance-sheet presentation of net assets.

(7) Significant Subsidiaries

Company Name	Capital Stock	Percentage of Ownership	Main Areas of Business
Shionogi Pharma, Inc.	U.S. dollars 0.01	100.0 (100.0)	Pharmaceutical sales
Taiwan Shionogi & Co., Ltd.	Million NT dollars 92	100.0	Pharmaceutical manufacturing and sales

Notes: 1. Indirect property ratio (%) is shown in parentheses of "Percentage of Ownership".
2. Sciele Pharma, Inc. changed its trade name to Shionogi Pharma, Inc. during the fiscal year.

(8) Main Operations of the Company Group

The company group mainly manufactures and sells pharmaceutical products.

(9) Main Offices, Plants, and Laboratories of the Company Group

①Main Offices, Plants, and Laboratories of the Company

Name	Location	Name	Location
Head Office	Osaka, Osaka Prefecture	Settsu Plant	Settsu, Osaka Prefecture
Tokyo Branch Office	Shibuya-ku, Tokyo	Kanegasaki Plant	Isawa-gun, Iwate Prefecture
Nagoya Branch Office	Nagoya, Aichi Prefecture	Shionogi Research Laboratories	Osaka, Osaka Prefecture
Fukuoka Branch Office	Fukuoka, Fukuoka Prefecture	Developmental Research Laboratories	Toyonaka, Osaka Prefecture
Sapporo Branch Office	Sapporo, Hokkaido	Institute for Medical Science	Settsu, Osaka Prefecture
Administration Service Center of Kuise Site	Amagasaki, Hyogo Prefecture	Aburahi Laboratories	Koka, Shiga Prefecture

Note: In addition to the above list, the Company has business offices in every major city in Japan.

②Main Offices, Plants, and Laboratories of the Subsidiaries

Name	Location	Name	Location
Shionogi Pharma Inc.	Georgia, U.S.	Taiwan Shionogi & Co., Ltd.	Taipei, Taiwan, R.O.C.

(10) Employees

①Number of Employees of the Corporate Group

Classification	Number of employees	Increase/decrease over previous FY
Pharmaceuticals and related businesses	5,644	(-) 197
Other businesses	243	(+) 74
Total	5,887	(-) 123

②Number of Employees of the Company

Number of employees	Increase/decrease over previous FY	Average age	Average number of years with the Company
4,124	(-) 138	40.5	17.1

(11) Main Loans from Banks

Loans from banks	Amount of loans
	Millions of yen
Syndicated Loan	52,000
Mizuho Corporate Bank, Ltd.	10,000
Sumitomo Trust & Banking Co., Ltd.	10,000
Sumitomo Life Insurance Company	9,000
Nippon Life Insurance Company	5,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,000

Note: Sumitomo Mitsui Banking Corporation is the lead bank of the Syndicated Loan.

2. Stock Data

1) Number of shares authorized to be issued 1,000,000,000
2) Number of shares issued 334,904,920 (excludes treasury stock 16,231,245)
3) Number of shareholders 29,439
4) Major Shareholders

Name of shareholder	Number of shares held	% of total
	Thousands of shares	
Japan Trustee Services Bank, Ltd. (as a trustee)	21,609	6.45%
The Master Trust Bank of Japan, Ltd. (as a trustee)	20,261	6.04%
Sumitomo Life Insurance Company	18,604	5.55%
Nippon Life Insurance Company	13,138	3.92%
JP Morgan Chase Bank 385147	10,126	3.02%
JP Morgan Chase Bank 380055	10,109	3.01%
Japan Trustee Services Bank, Ltd. (as a trustee for (i) Sumitomo Trust & Banking Co., Ltd. and (ii) retirement benefit of Sumitomo Mitsui Banking Corporation)	9,485	2.83%
NIPPONKOA Insurance Company, Limited	7,551	2.25%
State Street Bank and Trust Company	6,657	1.98%
Japan Trustee Services Bank, Ltd. (as a trustee)	6,596	1.96%

Note: 1. The Company owns 16,231,245 shares of treasury stock but the Company is not included in the major shareholders listed above (top 10).
2. The percentage of total is calculated as the proportion of shares to 334,904,920 shares of total issued stock (excluding 16,231,245 shares of treasury stock).

3. Board members

(1) Directors and Corporate Auditors

Position	Name	Areas of responsibility and other major posts
Representative Director and Chairman of the Board	Motozo Shiono	Chief Director of The Cell Science Research Foundation
President and Representative Director	Isao Teshirogi	
Director	Sachio Tokaji	Senior Executive Officer
Director	Yasuhiro Mino	Senior Executive Officer
Director	Akio Nomura	Outside Director of West Japan Railway Company Outside Director of the Royal Hotel, Ltd.
Director	Teppei Mogi	Partner of Oh-Ebashi LPC & Partners
Standing Corporate Auditor	Mitsuaki Ohtani	
Standing Corporate Auditor	Satoshi Komatsu	
Corporate Auditor	Takeharu Nagata	President of Keihanshin Real Estate Co., Ltd. Director and Chairman of the Board of Ginsen Co., Ltd. Outside Auditor of SANYO Electric Co., Ltd.
Corporate Auditor	Shinichi Yokoyama	Representative Director and Chairman of Sumitomo Life Insurance Company Outside Auditor of NEC Corporation

Note:

1. Directors Akio Nomura and Teppei Mogi are Outside Directors stipulated in Section 15, Article 2 of the Corporate Law.
2. Auditors Takeharu Nagata and Shinichi Yokoyama are Outside Corporate Auditors stipulated in Section 16, Article 2 of the Corporate Law.
3. Director who retired during the fiscal year is as follows:
   Director and Adviser Kiyoshi Miyamoto Retired on June 25, 2009

(2) Amount of remuneration for Directors and Corporate Auditors

Category	Number of persons remunerated	Total amount of remuneration paid	Note
Directors (of which are outside directors)	7 (2)	Millions of yen 231 (18)	Total amount of Directors' remuneration is limited to an amount not exceeding ¥450 million per year by a resolution passed at Annual Shareholders' Meeting held on June 28, 2007 and total amount of Corporate Auditors' remuneration is limited to an amount not exceeding ¥90 million per year by a resolution passed at the Annual Shareholders' Meeting held on June 28, 2007.
Corporate Auditors (of which are outside auditors)	4 (2)	76 (24)	
Total	11	308	

Note:

1. Remuneration shown above includes bonus for Directors in the following amounts, which is subject to approval at the 145th Annual Shareholders' Meeting: ¥15 million (for 4 Directors)
2. Remuneration for the Directors and their number (one (1)) who retired at the 144th Annual Shareholders' Meeting held on June 25, 2009 are also shown.
3. In addition to the amounts of remuneration cited above, we paid ¥46 million to one (1) retiring Director as a Retirement Benefit during fiscal 2009.

(3) Outside Board members

① Major Activities

Name	Major Activities
Akio Nomura	He participated in the Board of Directors meetings (attended 5 of 7 meetings) since assuming his post on June 25, 2009 and he made statements on the execution of duties by the directors from the perspective of his long and successful career placing importance on the objectivity and impartiality of management.
Teppei Mogi	He participated in the Board of Directors meetings (attended all 7 meetings) since assuming his post on June 25, 2009 and he made statements on the execution of duties by the directors from a perspective placing priority on the observance of social norms, laws and ordinances, etc.
Takeharu Nagata	He participated in the Board of Directors meetings (attended 7 of 9 meetings) held during fiscal 2009 and he made statements on the execution of duties by the directors from the perspective of his long and successful career. He also participated in the Board of Corporate Auditors meetings (attended all 8 meetings) held during fiscal 2009 where significant matters of audit were discussed and recommendations made as necessary.
Shinichi Yokoyama	He participated in the Board of Directors meetings (attended 8 of 9 meetings) held during fiscal 2009 and he made statements on the execution of duties by the directors from the perspective of his long and successful career. He also participated in all Board of Corporate Auditors meetings (attended all 8 meetings) held during fiscal 2009 where significant matters of audit were discussed and recommendations made as necessary.

② Relationship of the Company with the Companies where Outside Board members hold major posts

The Company does not have any relationship which should be indicated with West Japan Railway Company and the Royal Hotel, Ltd. where Director Akio Nomura serves as an outside director.

The Company receives legal advice, etc., when needed from the Oh-Ebashi LPC & Partners where Director Teppei Mogi serves as a partner.

The Company has a contractual relationship on insurance for property and article with Ginsen Co., Ltd. where Auditor Takeharu Nagata serves as the chairman of the board. However, the Company does not have any relationship which should be indicated with Keihanshin Real Estate Co., Ltd. where he serves as the president and representative director and SANYO Electric Co., Ltd. where he serves as an outside corporate auditor.

Sumitomo Life Insurance Company where Shinichi Yokoyama serves as the chairman of the board and representative director holds 5.55% of the Company stock (which is the proportion of shares to the 334,904,920 shares of total issued stock excluding the 16,231,245 shares of treasury stock of the Company), and the Company has a business relationship with Sumitomo Life Insurance Company such as the borrowing of funds, etc. However, the Company does not have any relationship which should be indicated with NEC Corporation where he serves as an outside corporate auditor.

③ Matters on Contract to Limit Liability
The Company has concluded the contracts with all Outside Directors and Outside Corporate Auditors to limit their liability stipulated in Section 1, Article 423 of the Corporate Law to the amount stipulated in the relevant laws and ordinances under the condition that the requirements stipulated therein are fulfilled.

4. Independent Accounting Auditor

(1) Name of the Independent Accounting Auditor

Ernst & Young Shin Nihon LLC

(2) Compensation paid to Independent Accounting Auditor for the fiscal year ended on March 31, 2010

①Compensation paid to the Independent Accounting Auditor for the fiscal year ended on March 31, 2010:

¥47 million

②Total of cash and other financial profits payable by the Company and its subsidiaries to the Independent Accounting Auditor:

¥53 million

Note: The audit agreement entered into between the independent accounting auditors and the Company does not clearly distinguish the amount of the auditor's compensation being derived from the audit under the Corporate Law and that being derived from the audit under the Financial Products Exchange Law, and the two amounts cannot be substantially distinguished from each other. Therefore, the amount in ① above includes both of these two kinds of amounts.

(3) Nature of non-audit professional services provided by the Independent Accounting Auditor

The Company has paid the independent accounting auditor in consideration of the work rendered to prepare the "letter from the auditor to undertaking book runner" concerning issuance of the public offering of straight bonds, etc. which is a (non-audit professional) service that is outside the scope of the auditing duties stipulated in Paragraph 1, Article 2 of the Certified Public Accountants Law.

(4) Company Policy regarding dismissal or decision not to reappoint the Independent Accounting Auditor

The Company will dismiss the Independent Accounting Auditor if the Company judges that the Independent Accounting Auditor falls within the scope of Paragraph 1, Article 340 of the Corporate Law. In addition, the Company will decide on the reappointment or non-reappointment of the Independent Accounting Auditor considering the situation of the adjustments to the Articles concerning the execution of the Independent Accounting Auditor's duties.

5. Systems and Policies of Company

The systems to assure appropriate execution of the Directors' duties in accordance with the related regulations and the Articles of Incorporation; and other systems to assure appropriate business operations.

On April 26, 2010, at the meeting of the Board of Directors, the Company passed a resolution to amend the basic policy for construction of systems to assure appropriate business operations ("The Basic Policy for Construction of Internal Control System") as follows:

The Company will promote clear and reliable operations by sharing their philosophy and their sense of values contained in "Shionogi's Policy" among the Company, officers and employees and by execution of the Company's duties satisfying the requirements of "compliance".

For the purpose of enhancing effective execution, the company will construct the systems to assure appropriate business operations in accordance with the Corporate Law and the Enforcement Regulations of the Corporate Law as follows:

(1) A system to assure appropriate execution of the directors' duties in accordance with the related regulations and the Articles of Incorporation.

The Board of Directors will make decisions on material matters of management based on appropriate business judgments in accordance with the Board of Directors Regulations, and each director will supervise the execution of the other directors' duties and prevent the other directors' violation of the related laws, regulations and the Articles of Incorporation.

In the event that a director finds the instance of another directors' violation of the related laws, regulations and the Articles of Incorporation, such director will immediately report to the corporate auditors and the Board of Directors and correct such violation.

In order to establish proper corporate governance systems, the Company introduced outside directors to make decisions with a broader view of the matter taking into consideration the objective views of third parties including shareholders.

The outside directors recognize the corporate responsibility which the Company should achieve from their perspective as independent directors, and contribute to the improvement of management transparency.

In order to secure reliability of financial reports, the Board of Directors will prepare and operate the system constituted by evaluation, report and audit on the internal control for financial reporting.

The corporate auditors will audit the execution of duties by the directors, and the directors will co-operate in such audit.

The Company will constantly keep the officers and employees informed about "Shionogi's Policy" and "Shionogi's Action Guidelines" set forth as company's philosophy and "Shionogi's Behavior Charter" providing how the officers and employees should act, and the compliance committee presided by a representative director will establish and promote the measures for the compliance with the related laws, regulations and ethical behavior in its business operations.

(2) A system for storage and management of information related to execution of the directors' duties.

The Company has established a security system for the information related to execution of the directors' duties, including documents electronically recorded.

The minutes of the Board of Directors' meetings, the management meetings and the compliance committee meetings, and the documents on decisions approved by the president and representative director, etc., will be properly and strictly stored in the manner appropriate to the form they have been recorded in and will be accessible by directors and corporate auditors for the appropriate period in accordance with the related laws and regulations.

(3) A system and other rules for management of risk of loss.

Each division will understand the internal risk factors, and take an appropriate action for avoidance or decrease of such risks by means of countermeasures according to the degree of such risk.

Especially, countermeasures for material risks which may have an influence on the company's management will be discussed and determined at the meeting of the corporate executive committee and the responsible division will take appropriate action in cooperation with the related divisions based on such determination.

Moreover, with regard to emergency risks such as disasters, accidents and company scandals, etc., the Company enacted the "Crisis Management Policy" and defined the "Disaster Measures Outline", the "Pandemic Measures Outline" and the "Company Scandals Measures Outline" based on the policy, and the Company will promote crisis management while aiming to show respect for human life, be considerate of and contribute to regional communities and suppress derogation of corporate value.

The Internal Control Unit (section for internal control) will verify the management system for various risks independently from the company's other divisions.

(4) A system to assure efficient execution of the directors' duties.

The Company has allocated the role of execution and supervision of operations, and for the purpose of the flexible operation, the corporate executive officer system was introduced.

The regularly(weekly)-held management meeting will fully discuss the material matters regarding the business operation, and the Board of Directors will make a decision based on the result of such deliberation.

The decision at the Board of Directors meeting and the results of deliberation at the management meeting will be communicated to the general manager of the related division allocated the role of execution of business operations, and such general manager will follow the necessary procedures for business operations in accordance with the regulations concerning allocation of responsibility and duties.

(5) A system to assure appropriate operation of the employees' business in accordance with the related laws, regulations and the Articles of Incorporation.

The Company will promote the measures for the compliance with the related laws, regulations and ethical behavior in its business operations mainly through the compliance committee.

The Company will improve the compliance senses of all officers and employees by means of penetration of "Shionogi's Policy" and "Shionogi's Action Guidelines", distribution of "Shionogi Compliance Handbook" and periodic implementation of education and training.

A secretariat of the compliance committee has been established in the Legal Affairs Department, and it will implement training and assist each division in risk management compliance.

In addition, the Company will work to enhance audits by corporate auditors and internal audits by the Internal Control Unit, strengthening their monitoring capabilities, and seek out and prevent the occurrence of any scandalous affairs through the internal reporting system.

(6) A system to assure appropriate operation of business by the corporate group comprised of the company and subsidiaries.

The Company and the group company will improve the value of the corporate group, and keep the group company informed about "Shionogi's Policy" and "Shionogi's Action Guidelines" in order to fulfill the corporate group's social responsibility.

Directors will receive reports on the business operations by group companies, and will properly manage and encourage group companies subsidiaries based on "Shionogi's Policy", "Shionogi's Action Guidelines", and the management plan.

Each company of the corporate group will promote the appropriate and efficient operation of business.

The corporate auditors and the Internal Control Unit will inspect the contents of the business operations in order to confirm the appropriateness and effectiveness of the business operations by group companies.

(7) Matters regarding employees assigned to assist the corporate auditors' duties by the request from the corporate auditors, and matters regarding independence of such employees from the directors.

The company will assign employees to assist the corporate auditors' duties according to the request from the corporate auditors.

The employees assigned will be independent from the directors.

(8) A system for reporting to the corporate auditors by directors and employees.

The corporate auditors will attend the material meeting such as the Board of Directors and the management meeting etc. and obtain the information relating to the business operations and management, and efficacy of the internal control.

The corporate auditors may directly instruct directors and corporate officers etc. to report on the business operations.

The directors or corporate officers will construct the system to inform the corporate auditors, either in writing or orally, of a fact that could cause substantial damage to the Company or group companies, a situation that markedly impairs the company's reputation, and breaches of the law such as illicit or wrongful acts by the officers or employees.

(9) Other systems to assure effective audit by corporate auditors.

The corporate auditors will construct the system to improve upon the audit to make it more effective by cooperating with the accounting auditors and the Internal Control Unit in conducting the audit as well as in advising and recommending, and by regularly holding opinion exchange meetings with the President and Representative Directors.

6. Other Material Matters

Legal Actions

In December 2007, the Company brought a patent infringement action jointly with AstraZeneca against seven (7) generic drug companies (another company was added later) including Cobalt Pharmaceuticals, Inc. and Apotex, Inc., which filed Abbreviated New Drug Applications for generic drugs of "Crestor", to prevent such companies from selling any generic drugs under the patent owned by the Company in the U.S.A. The trial was conducted from late February, 2010 to early March. Decision is expected to be made around June to July, 2010.

Furthermore, in September, 2009, the Company brought in collaboration with AstraZeneca Canada a patent infringement action against two (2) companies, namely Novopharm Limited and Apotex, Inc. which filed Abbreviated New Drug Applications for generic drugs of "Crestor" in Canada, to prevent such companies from selling any generic drugs under the patent owned by the Company in Canada.

In May 2008, a suit was brought against the Company in Osaka District Court by Cellectis who is the exclusive licensee of the patent owned by Pasteur Institute claiming that our use of the technology relating to the genetically modified mice for research would infringe the patent and the company should pay ¥970 million. The suit is pending in court.

In February 2009, the Company brought a patent infringement action under its patent of the crystal of Cefcapene Pivoxil Hydrochloride monohydrate, the active ingredient of Flomox® which is the antibiotic of the Company, against ITOCHU CHEMICAL FRONTIER Corporation, who is the importer of such active ingredient and simultaneously initiated the procedures to petition for a provisional deposition order thereunder. Furthermore, in August 2009, the Company brought a patent infringement action to Sawai Pharmaceutical Co., Ltd. which had been selling a generic version of Flomox® since May 2009 and simultaneously initiated the procedures to petition for a provisional deposition order thereunder. Since the Osaka District Court made a judgment to repel the series of claims by the Company in April 2010, the Company filed the appeal to the Intellectual Property High Court for the above-mentioned two (2) companies as appellants.

Consolidated Balance Sheet

(As of March 31, 2010)

(Units: millions of yen)

Account	Amount	Account	Amount
(Assets)	**(540,761)**	**(Liabilities)**	**(198,785)**
Current Assets	**250,664**	**Current Liabilities**	**66,829**
Cash and deposits	33,532	Notes and accounts payable-trade	13,400
Notes and accounts receivable-trade	79,414	Current portion of long-term loans payable	14,000
Short-term investment securities	70,677	Income taxes payable	13,479
Merchandise and finished goods	26,931	Provision	7,789
Work in process	14,058	Provision for bonuses	6,473
Raw materials and supplies	8,350	Other provision	1,316
Deferred tax assets	5,418	Other	18,159
Other	12,292		
Allowance for doubtful accounts	(11)	**Noncurrent liabilities**	**131,955**
		Bonds payable	30,000
		Long-term loans payable	77,000
Noncurrent assets	**290,097**	Deferred tax liabilities	15,435
Property, plant and equipment	**62,447**	Provision for retirement benefits	8,077
Buildings and structures, net	29,795	Other	1,442
Machinery, equipment and vehicles, net	10,786		
Land	10,088		
Other	11,777	**(Net assets)**	**341,976**
Intangible assets	**119,065**	**Shareholders' equity**	**354,443**
Goodwill	69,874	Capital stock	21,279
Sales rights	40,719	Capital surplus	20,227
Other	8,470	Retained earnings	332,669
Investments and other assets	**108,584**	Treasury stock	(19,733)
Investment securities	71,870	**Valuation and translation adjustments**	**(12,939)**
Prepaid pension cost	24,410	Valuation difference on available-for-sale securities	10,362
Other	12,424	Foreign currency translation adjustment	(23,301)
Allowance for doubtful accounts	(121)	**Minority interests**	**471**
Total assets	**540,761**	**Total liabilities and net assets**	**540,761**

Consolidated Statements of Income

(Year ended March 31, 2010)

(Units: Millions of yen)

Accounts	Amount	
Net sales		**278,502**
Cost of sales		**76,263**
Gross profit		**202,239**
Selling, general and administrative expenses		**149,801**
(R&D expenses)		51,808
Operating income		**52,438**
Non-operating income		**2,579**
Interest and dividends income	1,609	
Other	970	
Non-operating expenses		**4,494**
Interest expenses	1,675	
Other	2,819	
Ordinary income		**50,522**
Extraordinary income		**10,251**
Gain on transfer of business	5,351	
Gain on exchange from business combination	4,900	
Extraordinary loss		**2,233**
Loss on valuation of investment securities	1,942	
Impairment loss	199	
Other	90	
Income before income taxes		**58,540**
Income taxes-current		21,145
Income taxes-deferred		(1,246)
Minority interests in income		15
Net income		**38,625**

Consolidated Statements of Changes in Net Assets

(Year ended March 31, 2010)

(Units: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2009	21,279	20,227	304,761	(19,652)	326,616
Changes of items during the period					
Dividends from surplus			(10,717)		(10,717)
Net income			38,625		38,625
Purchase of treasury stock				(80)	(80)
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	—	27,908	(80)	27,827
Balance as of March 31, 2010	21,279	20,227	332,669	(19,733)	354,443

	Valuation and translation adjustments			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total valuation and translation adjustments		
Balance as of March 31, 2009	8,207	(25,188)	(16,980)	458	310,093
Changes of items during the period					
Dividends from surplus			—		(10,717)
Net income			—		38,625
Purchase of treasury stock			—		(80)
Net changes of items other than shareholders' equity	2,154	1,887	4,041	13	4,054
Total changes of items during the period	2,154	1,887	4,041	13	31,882
Balance as of March 31, 2010	10,362	(23,301)	(12,939)	471	341,976

Notes on Consolidated Financial Statements

(Notes on Consolidated Financial Statements)

1. Scope of consolidation
 Number of consolidated subsidiaries: 17
  Names of significant consolidated subsidiaries
  Shionogi Pharma Inc., Taiwan Shionogi & Co., Ltd.
  (Newly consolidated) Subsidiaries newly consolidated through acquisition: 1
  (Excluded) Subsidiaries excluded through transfer: 1
   Subsidiaries excluded through merger: 1
   Subsidiaries excluded through liquidation: 1

2. Application of equity method
 (1) Number of unconsolidated subsidiaries and affiliates accounted for by the equity method
  No unconsolidated subsidiaries were accounted for by the equity method.
  Number of affiliate companies 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 in its fiscal year have been used.

 (2) That portion of the net profit (loss) of the 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 of the Company for the current period.

3. Closing date of consolidated subsidiaries
 Eleven consolidated subsidiaries are overseas consolidated subsidiaries.
 Ten overseas consolidated subsidiaries close their accounts on December 31 and one 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
   ・Held-to-maturity securities
    Amortized cost method
   ・Other securities
    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.)
    Market value not available
     At cost determined by the moving average method
     (The securities based on the Financial Instruments and Exchange Law article 2.2 are evaluated at their net profit/loss (equity method).)
  ② Inventories
   Inventories are mainly stated at the lower of cost, determined by the average method, or net selling value.
 (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.
  ② Intangible assets (excluding lease 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).
  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.
   However, the Company continues to account for finance lease transactions not involving the transfer of ownership that were concluded prior to the beginning of the first year when “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) were applied (April 1, 2008) in a manner similar to the accounting treatment for ordinary operating lease transactions.

(3) Basis for providing significant allowances and provisions

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 Provision for bonuses

To prepare for payment of bonuses to employees, a provision for bonuses is provided based on the estimated amount of bonuses to be paid.

③ Provision for retirement benefits

To prepare for the payment of retirement benefits to employees, a provision 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 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.

(4) Foreign currency translation

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates in effect as of the balance sheet date. Gain or loss on translation is credited or charged to income; however, assets and liabilities of consolidated overseas subsidiaries are translated into Japanese yen at the spot exchange rates in effect as of the balance sheet dates. Income and expenses of consolidated overseas subsidiaries are translated into Japanese yen at the average exchange rate during the period. Adjustments resulting from translating the foreign currency financial statements are reported as “Foreign currency translation adjustments” in “Net assets” in the consolidated balance sheets.

(Change of accounting policy)

The Company formerly translated the income and expenses of overseas subsidiaries and affiliates to Japanese yen using the spot exchange rate on the balance sheet date. Beginning in the fiscal year ended March 31, 2010, the Company has changed to a method of translating these amounts to Japanese yen using the average spot exchange rate during the period.

The Company made this change to obtain a more accurate understanding of profit and loss by excluding excessive effects on income due to any sharp fluctuations in exchange rates on the balance sheet dates of overseas consolidated subsidiaries and affiliates.

As a result, for the year ended March 31, 2010, net sales increased 632 million yen, operating income before income taxes and minority interests each increased 8 million yen compared with their respective amounts calculated using the former method.

(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

・Hedging instruments

Forward foreign exchange contracts and interest-rate swaps

・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

Amounts reflected in the consolidated financial statements are stated exclusive of consumption tax.

5. Valuation of assets and liabilities in the consolidated subsidiaries

Assets and liabilities of the consolidated subsidiaries are revalued at their current value.

6. Goodwill and negative goodwill

Goodwill is amortized over 20 years using the straight-line method.

7. Changes to presentation of consolidated financial statements

(Change of accounting policy)

Application of accounting standards for business combinations and related matters

"Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008), "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23, December 26, 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, December 26, 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, released December 26, 2008), and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008) can be applied from the first business combination or business divestiture implemented in the fiscal year commencing on or after April 1, 2009. Accordingly, effective from the fiscal year ended March 31, 2010, the Company has applied these standards and guidance.

(Notes on Consolidated Balance Sheets)

1. All amounts are rounded down to the nearest million yen..

2. Pledged assets

Cash and deposits	6 million yen
Liabilities secured by the above assets	
'Other' of current liabilities	7 million yen

3. Accumulated depreciation amount of property, plant and equipment 171,888 million yen

4. Guaranteed liabilities 29 million yen

(Notes on Consolidated Statements of Income)

1. All amounts are rounded down to the nearest million yen..
2. Impairment loss

The Shionogi Group recognized asset impairment as follows.

Location	Application	Class
Chuo-ku, Osaka-shi, Osaka, Japan, etc.	Exclusive prescription pharmaceutical marketing rights	Sales rights

The Shionogi Group categorizes assets for business operations into groups that are based on the product lines used in management accounting, and categorizes rental and underutilized assets individually.

The marketing contracts for certain exclusive prescription pharmaceutical marketing rights (sales rights) will terminate in the year ending March 2011. The Shionogi Group therefore set the amounts recoverable under these contracts to zero and recognized impairment loss of ¥199 million for the unamortized balance.

(Notes on Consolidated Statement of Changes in Net Assets)

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

	March 31, 2009	Increase	Decrease	March 31, 2010
Shares in issue Common stock	351,136,165	—	—	351,136,165
Total	351,136,165	—	—	351,136,165
Treasury stock Common stock	16,189,825	41,420	—	16,231,245
Total	16,189,825	41,420	—	16,231,245

Note: The increase in treasury stock (41,420 shares) reflects the purchase of odd-lot shares.

2. Dividends

(1) Dividend payments

Resolution	Category	Total dividends	Dividends per share	Dividend record date	Effective date
Annual General Meeting of Shareholders held on June 25, 2009	Common stock	4,689 Million yen	14 yen	March 31, 2009	June 26, 2009
Meeting of Board of directors on November 4, 2009	Common stock	6,028 Million yen	18 yen	September 30, 2009	December 1, 2009

(2) Dividends whose effective date is subsequent to March 31, 2010

The following is to be approved at the 145th Annual General Meeting of Shareholders to be held on June 24, 2010.

Resolution	Category	Total dividends	Dividend resource	Dividends per share	Dividend record date	Effective date
Annual General Meeting of Shareholders to be held on June 24, 2010	Common stock	6,028 Million yen	Retained earnings	18 Yen	March 31, 2010	June 25, 2010

(Notes on Financial Instruments)

1. Matters relating to financial instruments

The Shionogi Group manages surplus capital using financial instruments that carry little or no risk, and procures the required capital from bank loans and bond issues.

As for credit risk of customers concerning notes and accounts receivable-trade, the risk reduction is promoted through the periodical monitoring of counterparty status by the Financial & Accounting Department and related departments in accordance with the established internal procedures. For listed stocks among short-term and long term investments, the Shionogi Group examines their fair value quarterly.

Long-term loans and bonds are financed based on the business plan to undertake the manufacturing and sales of pharmaceuticals, and the Group performs the fixing of interest cost by carrying out interest rate swap transactions against the interest rate risk for a portion of the long term loans. For derivatives transactions, the Group uses ordinary transactions in accordance with established internal procedures.

2. Matters relating to fair value of financial instruments

Fair value and difference compared to the carrying value reported in the balance sheets as of March 31, 2010 were as follows. Note 2 provides information on financial instruments that are not included because of the difficulty of determining their fair value.

Millions of yen

	Carrying value reported in the balance sheets (*)	Fair value (*)	Difference
(1) Cash and deposits	33,532	33,532	—
(2) Notes and accounts receivable-trade	79,414	79,321	(93)
(3) Short-term and long term investment securities and other securities	134,787	134,787	—
(4) Notes and accounts payable-trade	(13,400)	(13,400)	—
(5) Current portion of long-term loans payable	(14,000)	(14,003)	(3)

(6) Bonds payable	(30,000)	(30,403)	(403)
(7) Long-term loans payable	(77,000)	(77,048)	(48)
(8) Derivatives transactions	—	—	—

(*) Those accounted for in the liability are shown in parentheses.

Notes 1: Marketable securities, derivatives transactions and methods for estimating fair value of financial instruments

(1) Cash and deposits
All deposits are short-term. Therefore, carrying value is used for the fair value of deposits because these amounts are essentially the same.

(2) Notes and accounts receivable-trade
Fair value of receivables that require time for recovery is calculated as discounted present value by adjusting interest rates using credit risk and time until redemption for receivables grouped by period. Carrying value is used for the fair value of short-term receivables not included in the above because these amounts are essentially equivalent.

(3) Short-term and long term investment securities
Domestic certificates of deposit included in short-term investments are all short term. Therefore, carrying value is used for the fair value of deposits because these amounts are essentially the same. The fair value of short-term investments and investments in securities excluding domestic certificates of deposit is the price listed on securities exchanges or quoted by financial institutions for bonds and the price listed on securities exchanges for equities

(4) Notes and accounts payable-trade
Carrying value is used for the fair value of these short-term investments because these amounts are essentially equivalent.

(5) Current portion of long-term loans payable / (7) Long-term loans payable
Fair value of these investments is estimated as discounted present value of total principal and interest using assumed interest rates for equivalent new loans. Interest rate swaps subject to special treatment are used for long-term floating-rate loans. '(8) Derivatives transactions' provide additional explanation. Principal and interest of the loans in which these interest rate swaps are embedded are discounted using a reasonable estimate of the interest rate on the loan at the time of issue.

(6) Bonds payable
The fair value of bonds issued by the Company is estimated based on market prices.

(8) Derivatives transactions
The fair value of gain or loss resulting from forward foreign exchange contracts embedded in the payable subject to hedging is included in the fair value of the corresponding payable (refer to above (4)). The fair value of interest rate swaps subject to special treatment embedded in long-term loans subject to hedging is included in the fair value of the corresponding long-term loan (refer to above (7))..

Note 2: Financial instruments for which determining fair value is difficult

Millions of yen

classification	Carrying value reported in the balance sheets
Unlisted stocks	7,760

Financial instruments for which determining fair value is difficult because no market price is available are not included in "(3) Short-term and long-term investment securities".

(Notes on rental and other real estate assets)

1. Matters relating to the situation of rental and other real estate assets
The Shionogi Group has office buildings, etc. (including land) for lease in Tokyo and other areas.
2. Matters relating to the fair value, etc. of rental and other real estate assets

Millions of yen

Carrying value reported in the balance sheets	Fair value
6,234	25,960

Note 1: Carrying value reported in the balance sheets is the amount of accumulated depreciation deducted from the acquisition cost.

Note 2: The fair value as of the period end is the amount calculated mainly based on "real estate appraisal standards"(including those amounts that were adjusted employing an index, etc.).

(Notes on Amounts per share)

1. Net assets per share 1,019.71 yen
2. Earnings per share 115.33 yen

Non-consolidated Balance Sheets

(As of March 31, 2010)

(Units: Millions of yen)

Account	Amount	Account	Amount
(Assets)	**(553,013)**	**(Liabilities)**	**(185,672)**
Current assets	**201,614**	**Current liabilities**	**58,297**
Cash and deposits	2,219	Accounts payable-trade	10,848
Notes receivable-trade	71	Current portion of long-term loans payable	14,000
Accounts receivable-trade	67,598	Accounts payable-other	6,103
Short-term investment securities	70,223	Accrued expenses	4,355
Merchandise and finished goods	23,624	Income taxes payable	13,195
Work in process	13,934	Deposits received	2,703
Raw materials and supplies	7,325	Provision for bonuses	5,850
Deferred tax assets	4,786	Provision for sales rebates	679
Other	11,977	Provision for sales returns	67
Allowance for doubtful accounts	(146)	Other	493
Noncurrent assets	**351,399**	**Noncurrent liabilities**	**127,374**
Property, plant and equipment	**59,500**	Bonds payable	30,000
Buildings, net	27,648	Long-term loans payable	77,000
Structures, net	1,247	Deferred tax liabilities	11,568
Machinery and equipment, net	9,796	Provision for retirement benefits	8,036
Vehicles, net	35	Other	770
Tools, furniture and fixtures, net	4,084		
Land	10,079	**(Net assets)**	**367,341**
Lease assets, net	10	**Shareholders' equity**	**356,987**
Construction in progress	6,598	**Capital stock**	**21,279**
Intangible assets	**6,843**	**Capital surpluses**	**20,227**
Software	1,417	Legal capital surplus	20,227
Sales rights	1,960	**Retained earnings**	**335,213**
Other	3,466	Legal retained earnings	5,388
Investments and other assets	**285,054**	Other retained earnings	329,825
Investment securities	65,166	Reserve for special depreciation	177
Stocks of subsidiaries and affiliates	177,994	Reserve for advanced depreciation of noncurrent assets	23
Investments in other securities of subsidiaries and affiliates	5,351	General reserve	288,645
Prepaid pension cost	24,410	Retained earnings brought forward	40,979
Other	12,252	**Treasury stock**	**(19,733)**
Allowance for doubtful accounts	(121)	**Valuation and translation adjustments**	**10,353**
		Valuation difference on available-for-sale securities	10,353
Total assets	**553,013**	**Total liabilities and net assets**	**553,013**

Non-consolidated Statements of Income

(Year ended March 31, 2010)

(Units: Millions of yen)

Account	Amount	
Net sales		**228,585**
Cost of sales		**65,485**
Gross profit, net		**163,100**
Selling, general and administrative expenses		**113,843**
(R&D expenses)		(46,797)
Operating income		**49,256**
Non-operating income		**5,422**
Interest and dividends income	2,720	
Other	2,701	
Non-operating expenses		**4,737**
Interest expenses	1,627	
Other	3,110	
Ordinary income		**49,941**
Extraordinary income		**12,017**
Gain on transfer of business	7,117	
Gain on exchange of investment securities	4,900	
Extraordinary loss		**2,262**
Loss on valuation of investment securities	1,942	
Impairment loss	199	
Other	119	
Income before income taxes		**59,696**
Income taxes-current		19,245
Income taxes-deferred		(306)
Net income		**40,757**

Non-consolidated Statement of Changes in Net Assets

(Year ended March 31, 2010)

(Units：Millions of yen)

	Shareholders' equity								
		Capital surplus	Retained earnings						
				Other retained earnings					
	Capital stock	Legal capital surplus	Legal retained earnings	Reserve for special depreciation	Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward	Treasury stock	Total shareholders' equity
Balance as of March 31, 2009	21,279	20,227	5,388	276	23	273,645	25,839	(19,652)	327,027
Changes of items during the period									
Provision of reserve for special depreciation				44			(44)		—
Reversal of reserve for special depreciation				(144)			144		—
Reversal of reserve for advanced depreciation of noncurrent assets					(0)		0		—
Provision of general reserve						15,000	(15,000)		—
Dividends from surplus							(10,717)		(10,717)
Net income							40,757		40,757
Purchase of treasury stock								(80)	(80)
Net changes of items other than shareholders' equity									
Total changes of items during the period	—	—	—	(99)	(0)	15,000	15,140	(80)	29,959
Balance as of March 31, 2010	21,279	20,227	5,388	177	23	288,645	40,979	(19,733)	356,987

	Valuation and translation adjustments	Total net assets
	Valuation difference on available-for-sale securities	
Balance as of March 31, 2009	8,207	335,235
Changes of items during the period		
Provision of reserve for special depreciation		—
Reversal of reserve for special depreciation		—
Reversal of reserve for advanced depreciation of noncurrent assets		—
Provision of general reserve		—
Dividends from surplus		(10,717)
Net income		40,757
Purchase of treasury stock		(80)
Net changes of items other than shareholders' equity	2,145	2,145
Total changes of items during the period	2,145	32,105
Balance as of March 31, 2010	10,353	367,341

Notes on Non-consolidated Financial Statements

(Significant accounting policies)

1. Basis and method of valuation of significant assets

(1) Securities

① Stocks of subsidiaries and affiliates

At cost determined by the moving average method

② Investments in other securities of subsidiaries and affiliates (The securities based on the Financial Instruments and Exchange Law article 2.2)

The securities based on the Financial Instruments and Exchange Law article 2.2 are evaluated at their net profit/loss (equity method).

③ Other securities

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.)

Market value not available

At cost determined by the moving average method

(The securities based on the Financial Instruments and Exchange Law article 2.2 are evaluated at their net profit/loss (equity method).)

(2) Inventories

Inventories are stated at the lower of cost, determined by the average method, or net selling value.

2. Method of depreciation for noncurrent assets

(1) Property, plant and equipment (excluding lease assets)

Declining-balance method

Buildings (except for structures attached to the buildings) acquired subsequent to April 1, 1998 are depreciated by straight-line method.

(2) Intangible assets (excluding lease assets)

Straight-line method

Expenditures relating to computer software intended for internal use are amortized over the useful life of the respective assets (in general, 5 years).

(3) Lease assets

For lease transactions not involving transfer of ownership, lease assets are depreciated over their useful lives using the straight-line method until the residual value reaches zero.

However, the Company continues to account for finance lease transactions not involving the transfer of ownership that were concluded prior to the beginning of the first year when "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) were applied (April 1, 2008) in a manner similar to the accounting treatment for ordinary operating lease transactions.

3. Basis for providing significant allowances and provisions

(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) Provision for bonuses

To prepare for payment of bonuses to employees, a provision for bonuses is provided based on the estimated amount of bonuses to be paid.

(3) Provision for directors' bonuses

To prepare for payment of bonuses to directors and corporate auditors, a provision for directors' bonuses is provided based on the estimated amount of bonuses to be paid.

(4) Provision for sales rebates

To prepare for future discounts and rebates for certain agents, a provision for sales rebates is provided based on the amount of their stock as of the year end multiplied by the estimated rebate rate for the year.

(5) Provision for sales returns

To prepare for returned goods unsold, a provision for returned goods unsold is provided at the amount equivalent to the sales profit corresponding to the estimated number of goods returned.

(Change of accounting policy)

Formerly, a provision for sales returns was provided at the maximum amount stipulated in the Corporation Tax Law of Japan; however, we have changed it to the method to provide the amount equivalent to the sales profit corresponding to the estimated number of goods returned in order to obtain an amount closer to the actual condition.

It should be noted that the effect of this change on the operating profit, the ordinary profit and the net income before taxes in the period is slight.

(6) Provision for retirement benefits

To prepare for the payment of retirement benefits to employees, a provision 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 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.

4. Foreign currency translation

Monetary receivables and payable denominated in foreign currencies are translated into Japanese yen using the spot exchange rate on the balance sheet date. Gain or loss resulting from translation is credited or charged to income.

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

・Hedging instruments

Forward foreign exchange contracts and interest-rate swaps

・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. Consumption tax

Amounts reflected in the non-consolidated financial statements are stated exclusive of consumption tax.

7. Change in method of presentation

(Balance Sheets)

① Since the "Short-term loans receivable" separately listed in the previous period (989 million yen in the period) was of negligible importance in the period, it is included in and indicated as "Other" under Current Assets.

② Since "Long-term loans receivable" separately listed in the previous period (12 million yen in the period) was of negligible importance in the period, it is included in and indicated as "Others" under Investments and other assets.

(Notes on Non-consolidated Balance Sheets)

1. All amounts are rounded down to the nearest million yen.
2. Accumulated depreciation amount of property, plant and equipment 166,213 million yen
3. Guaranteed liabilities 29 million yen
4. Short-term credit for subsidiaries and affiliates 2,932 million yen
   Short-term debts to subsidiaries and affiliates 5,222 million yen

(Notes on Non-consolidated Statements of Income)

1. All amounts are rounded down to the nearest million yen.
2. Transactions with subsidiaries and affiliates

Business transactions	17,132 million yen
Transactions other than business transactions:	4,191 million yen

3. Impairment loss

The Company recognized asset impairment as follows.

Location	Application	Class
Chuo-ku, Osaka-shi, Osaka, Japan, etc.	Exclusive prescription pharmaceutical marketing rights	Sales rights

The Company categorizes assets for business operations into groups that are based on the product lines used in management accounting, and categorizes rental and underutilized assets individually.

The marketing contracts for certain exclusive prescription pharmaceutical marketing rights (sales rights) will terminate in the year ending March 2011. The Company therefore set the amounts recoverable under these contracts to zero and recognized impairment loss of ¥199 million for the unamortized balance.

(Non-consolidated Statement of Changes in Net Assets)

Shares held at the end of the period under review

Common stock	16,231,245 shares

(Notes on tax effects)

The contents of significant instances where deferred income taxes arose

(Units : Millions of yen)

	[As of March 31, 2010]
1. Current:	
Deferred tax assets:	
Provision for bonuses	2,375
Accrued enterprise tax	1,340
Provision for sales rebates	276
Other	919
Total deferred tax assets	4,910
Deferred tax liabilities	(124)
Net deferred tax assets	4,786
2. Non-current:	
Deferred tax assets:	
Loss on revaluation of investments in securities	520
Other	4,037
Total deferred tax assets	4,557
Deferred tax liabilities:	
Valuation difference on available-for-sale securities	(7,064)
Prepaid pension cost	(6,338)
Special depreciation	(120)
Other	(2,601)
Total deferred tax liabilities	(16,125)
Net deferred tax liabilities	(11,568)

(Notes on Noncurrent assets involving lease transactions)

Besides the Noncurrent assets shown in the balance sheet, for a portion of the office equipment, etc., finance lease transactions not involving the transfer of ownership are used.

1. Acquisition cost equivalent, accumulated depreciation equivalent and period end balance equivalent of lease properties

Acquisition cost equivalent	76 Million yen
Accumulated depreciation equivalent	58 Million yen
Term-end balance	18 Million yen

Note: Tools, furniture and fixtures account for most of the above balances.

2. Breakdown of period end balance equivalent of unexpired leases

Within one year	8 Million yen
Exceeding one year	9 Million yen
Total	18 Million yen

3. Lease payments and depreciation equivalent

Lease payments	371 Million yen
Depreciation equivalent	371 Million yen

4. Calculation of depreciation equivalent

The lease period is deemed as the useful life of the leased property. The acquisition cost equivalent is depreciated by the straight-line method over the useful life, assuming a nil residual value.

Note: The amounts shown in 1 and 2 above include the interest portion because the proportion of the Property, plant and equipment taken up by the period end balance equivalent of unexpired leases is small.

(Notes on amounts per share)

1. Net assets per share	1,096.85 yen
2. Earnings per share	121.70 yen

Copy of the Audit Report of Independent Accounting Auditors relating to the Consolidated Financial Statements

Accounting Auditor's Audit Report

May 6, 2010

The Board of Directors
Shionogi & Co., Ltd.

Ernst & Young ShinNihon LLC

Kazunori Tanigami
Designated and Engagement Partner with limited liability (C.P.A.)

Hideki Maekawa
Designated and Engagement Partner with limited liability (C.P.A.)

Pursuant to Paragraph 4 of Article 444 of the Corporate Law, we have audited the consolidated balance sheet, the consolidated income statement and the consolidated change in shareholders' equity statement of Shionogi & Co., Ltd. (the "Company") for fiscal term from April 1, 2009 to March 31, 2010. Preparation of these consolidated financial statements is the responsibility of the Company's management. Our responsibility as auditors is to express an opinion on the consolidated financial statements from an independent perspective.

Our audit was made in accordance with generally accepted auditing standards. Auditing standards require that we obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, the accounting policies adopted by management and their method of application, as well as the overall presentation of the consolidated financial statements, including evaluation of significant estimates made by management. We consider that we could obtain the reasonable basis to express our opinions as a result of the audit.

We agree the consolidated financial statements above present properly, in all material aspect, the financial position and results of operations of the Corporate Group which mainly consists of the Company and its consolidated subsidiaries for the period covered by the aforesaid financial statements in accordance with generally accepted auditing standards.

We have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law.

Copy of the Audit Report of Independent Accounting Auditors

Accounting Auditor's Audit Report

May 6, 2010

The Board of Directors
Shionogi & Co., Ltd.

Ernst & Young ShinNihon LLC

Kazunori Tanigami
Designated and Engagement Partner with limited liability (C.P.A.)

Hideki Maekawa
Designated and Engagement Partner with limited liability (C.P.A.)

Pursuant to Item 1, Paragraph 2, Article 436 of the Corporate Law, we have audited the balance sheet, the income statement and the change in shareholders' equity statement of Shionogi & Co., Ltd. (the "Company") for the 145th fiscal term from April 1, 2009 to March 31, 2010. Preparation of these financial statements and supporting schedules is the responsibility of the Company's management. Our responsibility as auditors is to express an opinion on the financial statements and supporting schedules from an independent perspective.

Our audit was made in accordance with generally accepted auditing standards. Auditing standards require that we obtain reasonable assurance about whether the financial statements and supporting schedules are free of material misstatement. An audit includes examining, on a test basis, the accounting policies adopted by management and their method of application, as well as the overall presentation of the financial statements and supporting schedules, including evaluation of significant estimates made by management. We consider that we could obtain the reasonable basis to express our opinions as a result of the audit.

We agree the financial statements and supporting schedules above present properly, in all material aspect, the Company's financial position and results of operations for the period covered by the aforesaid financial statements and supporting schedules in accordance with generally accepted auditing standards.

We have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law.

Audit Report of the Board of Corporate Auditors

The Board of Corporate Auditors has compiled this Audit Report, upon due discussion, based on the audit report prepared by each Corporate Auditor regarding the execution of Directors' duties for the 145th fiscal period from April 1, 2009 to March 31, 2010 and submit our report as follows:

1. The Auditing Methods and Contents of Corporate Auditors and the Board of Corporate Auditors

The Board of the Corporate Auditors stipulated the auditing policies and share of assignment, etc., received reports regarding the situation and results of the audit from each Corporate Auditor and received reports regarding the situation of the business operations from the Directors and the Accounting Auditors, and, as required, received explanations.

Each Corporate Auditor, in accordance with the auditing standards, auditing policies and share of assignment, etc., stipulated by the Board of the Corporate Auditors, communicated with the Directors, the internal control section of the Company, and employees, endeavored to collect information and organize the environment for auditing, attended the Board of the Directors meetings and other material meetings, received reports regarding the situation of the business operations from the Directors and employees, as required, received explanations, perused the material documents on decisions and investigated the operations and assets at the Company's head office and other main offices.

In addition, we monitored and verified a system to assure appropriate execution of the Directors' duties in accordance with the related regulations and the Articles of Incorporation, the resolution of the Board of the Directors regarding a system to assure appropriate operations of the Company under Paragraph 1 and 3, Article 100 of the Enforcement Regulations of the Corporate Law and the system established pursuant to such resolution (the Internal Control System).

With respect to the Internal Control regarding the financial reports, we received reports regarding the evaluation of such Internal Control and the situation of auditing from the Directors and Ernst & Young ShinNihon LLC, as required, received explanations.

With respect to the Company's subsidiaries, we communicated with and held opinion exchange meetings with the Directors and Corporate Auditors, etc., of subsidiaries, and, as required, received reports regarding the business operations from subsidiaries.

Based on the above mentioned method for auditing, we reviewed the business reports and supporting schedules for the relevant fiscal year.

Furthermore, we monitored and verified whether the Accounting Auditors maintain their independence and conduct the appropriate audit, received reports regarding the execution of their duties from the Accounting Auditors, and, as required, received explanations.

We also received notification that the "system to assure appropriate execution of the duties" (the item enumerated in each number of Article 131 of the Corporate Accounting Regulations Ordinance) was established in accordance with the "Quality Control Standards for Auditing" (adopted by the Business Accounting Deliberation Council on October 28, 2005), and as required received explanation.

Based on the above mentioned method, we reviewed the financial statements (the balance sheet, the income statement, the change in shareholders' equity statement and note on the financial statements) as well as the supporting schedules, and the consolidated financial statements (the consolidated balance sheet, the consolidated income statement, the consolidated change in shareholders' equity statement and note on the consolidated financial statements) for the relevant fiscal year.

2. Result of audit

(1) Results of audit on the business reports, etc.

1) The business reports and supporting schedules present properly the Company's affairs in accordance with the related regulations and the Articles of Incorporation of the Company.
2) No improper acts or serious matters in violation of the related regulations or the Articles of Incorporation in the course of execution of the Directors' duties have been observed.
3) The resolutions of the Board of the Directors regarding the Internal Control System are appropriate and there is nothing to point out with regard to the execution of the Directors' duties concerning the Internal Control System including the internal control for financial reporting.

(2) Results of audit on the financial statements and supporting schedules

The methods and results of the audit made by Ernst & Young ShinNihon LLC are appropriate.

(3) Results of audit on the consolidated financial statements

The methods and results of the audit made by Shin Nihon & Co. are appropriate.

May 6, 2010

Board of Auditors, Shionogi & Co., Ltd.

Standing auditor: Mitsuaki Ohtani
Standing auditor: Satoshi Komatsu
Outside auditor: Takeharu Nagata
Outside auditor: Shinichi Yokoyama

REFERENCE MATERIALS CONCERNING THE EXERCISE OF VOTING RIGHTS

Proposals and reference matters:

No. 1: Appropriation of Surplus

The Company's basic policy is to make an aggressive investment in future business development according to its growth to increase corporate value in the medium to long term perspective and to make stable increases in the dividend in accordance with fiscal year results. The Company also recognizes 35 percent as its reference index for payout ratio.

The Company intends to appropriate the internal reserves primarily towards capital demands for initiatives to generate future growth such as investments in R&D of new pharmaceutical products.

The Company, based on the above-mentioned principles, proposes to appropriate the retained earnings for the fiscal year ended March 31, 2008 as follows:

1. Year-end dividends

(1) Type of dividend assets

Cash

(2) Allocation of dividend assets to the shareholders and total amount of allocation

¥18 per share of common stock

Total amount of dividends: ¥6,028,288,560 -

(3) Effective date of dividends

June 25, 2010

Cash dividends per share for the fiscal year including the interim dividends would total ¥36.

2. Appropriation of other surplus

(1) Retained earnings account to be increased and the amount of increase

General reserves: ¥25,000,000,000 -

(2) Retained earnings account to be decreased and the amount of decrease

Retained earnings brought forward to the next period: ¥25,000,000,000 -

No. 2: Election of Six (6) Directors

The term of office of all six (6) Directors expires at the end of this Annual General Meeting of Shareholders.

Accordingly, the company proposes the election of six (6) Directors.

Candidates for Director are as follows:

Candidate No.	Name (Date of birth)	Career summary, position within the Company and other major posts		Number of the Company's shares owned
1	Motozo Shiono (November 17, 1946)	January 1972: June 1984: April 1987: June 1987: June 1990: March 1996: August 1999: August 1999: April 2008: (Other major posts)	Joined Shionogi & Co., Ltd. Director of the Company General Manager, Accounting Department Managing Director of the Company Senior Managing Director of the Company General Manager, Agro., Vet. & Industrial Chem. Division President of the Company General Manager, Corporate Planning Division Chairperson of the Company (incumbent) Chief Director of The Cell Science Research Foundation	266,648
2	Isao Teshirogi (December 12, 1959)	April 1982: January 1999: June 2002: October 2002: April 2004: April 2006: April 2007: April 2008	Joined Shionogi & Co., Ltd. General Manager, Secretary Office and General Manager, Corporate Planning Department Director of the Company General Manager, Corporate Planning Department Executive Officer and Executive General Manager, Pharmaceutical Research & Development Division Senior Executive Officer and Executive General Manager, Pharmaceutical Research & Development Division Senior Executive Officer President of the Company (incumbent)	6,650
3	Sachio Tokaji (December 24, 1947)	April 1970: June 1998: June 2002: June 2002: April 2004: October 2004: April 2006: April 2007: April 2008	Joined Shionogi & Co., Ltd. General Manager, Accounting Department Director of the Company (incumbent) General Manager, Accounting & Financial Department Corporate Officer and General Manager, Accounting & Financial Department Corporate Officer and General Manager, Accounting & Financial Department and General Manager, International Business Department Corporate Officer and Corporate Business Management Executive and General Manager, Accounting & Financial Department Executive Officer and Corporate Business Management Executive Senior Executive Officer (incumbent)	8,200

4	Yasuhiro Mino (May 23, 1947)	April 1970: Joined Shionogi & Co., Ltd. December 1996: General Manager, International Affiliate Management Department October 2001: General Manager, Planning Department, Manufacturing Division October 2002: Deputy General Manager, Manufacturing Division April 2004: Corporate Officer and General Manager, Corporate Planning Department April 2006: Corporate Officer and Corporate Strategic Planning Executive and General Manager, Corporate Planning Department June 2006: Director of the Company (incumbent) April 2007: Executive Officer and Corporate Strategic Planning Executive April 2008 Senior Executive Officer (incumbent)	5,900
5	Akio Nomura (February 8, 1936)	April 1958: Joined Osaka Gas Co., Ltd. June 1988: Director of Osaka Gas, Ltd. June 1989: Managing Director of Osaka Gas, Ltd. June 1991: Representative Director and Senior Managing Director of Osaka Gas, Ltd. June 1994: Representative Director and Vice President of Osaka Gas, Ltd. June 1998: Representative Director and President of Osaka Gas, Ltd. June 2000: Director of West Japan Railway Company (incumbent) June 2003: Representative Director and Chairman of Osaka Gas, Ltd. June 2008: Director of the Royal Hotel, Ltd. (incumbent) (Other major posts) Director of West Japan Railway Company Director of the Royal Hotel, Ltd.	0
6	Teppei Mogi (October 17, 1958)	April 1989: Registration of Attorney at Law April 1989: Joined Oh-Ebashi Law Offices April 1992: Service at Brussels Office of Cleary, Gottlieb, Steen & Hamilton LLP January 1993: Service at Rotterdam Office of De Brauw Blackstone Westbroek April 1994: Partner of Oh-Ebashi Law Offices August 2002: Partner of Oh-Ebashi LPC & Partners (incumbent) April 2004: Practitioner teacher, Graduate School of Law and Faculty in practical business at The Kwansei Gakuin University Law School (Full-time teacher) April 2005: Instructor at the Graduate School of Law, Kobe University (incumbent)	0

Note:

1. There are no special interests between the candidates and the Company.
2. Messrs. Akio Nomura and Teppei Mogi are the candidates of outside directors stipulated in Article 2, Paragraph 3, Subparagraph 7 of the Enforcement Regulations of the Companies Act.
3. The Company proposes to elect the candidate, Mr. Akio Nomura as outside director to reflect his abundant experiences and broad discernment as the top management in our management. The period of assumption of Mr. Akio Nomura as outside director is one year from the the end of this Annual General Meeting of Shareholders. In addition, the Company has submitted to Tokyo Stock Exchange Group, Inc. and Osaka Securities Exchange the independent directors/auditors notification which states Mr. Akio Nomura to be an independent director.
4. The Company proposes to elect the candidate, Mr. Teppei Mogi as outside director to reflect his abundant experiences and professional knowledge as Attorney at Law in our management. The Company trusts that the candidate will be able to properly execute his duties as outside director due to the reasons above-mentioned though he has not been involved in the management of a company. The period of assumption of Mr. Teppei Mogi as outside director is one year from the end of this Annual General Meeting of Shareholders. In addition, the Company has submitted to Tokyo Stock Exchange Group, Inc. and Osaka Securities Exchange the independent directors/auditors notification which states Mr. Teppei Mogi to be an independent director..

5. Outlines of the contract with outside directors to limit their liability are as follows:
The Company has concluded the contracts with Messrs. Akio Nomura and Teppei Mogi that limit their liability stipulated in Section 1, Article 423 of the Corporate Law based upon Section 1, Article 427 of the Corporate Law and Article 25 of the Articles of Incorporation of the Company. The limited amount provided in the contract is the minimum liability limit amount stipulated in Section 1, Article 425 of the Corporate Law. In the event that the candidates, Messrs. Akio Nomura and Teppei Mogi are reelected as outside directors at this Annual General Meeting of Shareholders, the Company will continue to conclude such contracts with the candidates.

No. 3: Election of One (1) Substitute Corporate Auditor

In order to prepare for the event of there being an insufficient number of auditors as required by law, we would like you to elect Mr. Mitunori Umeyama as an outside auditor who could substitute for Mr. Takeharu Nagata, an outside auditor, or for Mr. Shinichi Yokoyama, an outside auditor, based on provision of the 2nd clause of Article 329 of Corporate Law. Such candidate for auditor shall assume the post only if the number of auditors is insufficient as required by a law, and his term shall be the remaining period of the term of the predecessor.

In addition, we have obtained consent from the candidate that he shall become an auditor in case an auditor resigns during the term of office, and the number of auditors is insufficient as required by a law.

The consent of the Board of Corporate Auditors has been obtained for submission of this proposal.

Candidate for the Substitute corporate auditor is as follows:

Name (Date of birth)	Career summary, position and major other posts	Number of the Company's shares owned
Mitsunori Umeyama (February 11, 1955)	April 1983: Assistant Judge of Osaka District Court April 1985: Member of Osaka Bar Association (incumbent) March 2005: Outside Corporate Auditor of Takenaka Corporation (incumbent) April 2005: Fujii & Umeyama Law Office (incumbent)	0

Note:
1. The Company has concluded an advisory agreement with the Law Office to which the candidate belongs.
2. Mr. Mitsunori Umeyama is a candidate for substitute outside corporate auditor.
3. The Company proposes to elect the candidate, Mr. Mitsunori Umeyama as a substitute outside corporate auditor with the expectation that he will reflect his advanced professional knowledge cultivated as Attorney at Law and broad discernment in the audit of the Company.
4. In the event that the candidate, Mr. Mitsunori Umeyama is assumed as outside corporate auditor, the Company will conclude the contract with him that would limit his liability as stipulated in Section 1, Article 423 of the Corporate Law based upon Section 1, Article 425 of the Corporate Law and Article 25 of the Articles of Incorporation of the Company. The limited amount provided in the contract will be the minimum liability limit amount stipulated in Section 1, Article 425 of the Corporate Law.

No. 4: Payment of Bonuses to the Directors

Considering the results of the Company's business for the fiscal year ended March 31, 2010, the Company proposes to pay the following bonuses to the six (6) Directors who were in office as of the end of the fiscal year ended March 31, 2010:
For Directors' Bonuses: ¥15,200,000
The Company also proposes to entrust the Board of the Directors to decide the amount of the bonuses for each Director.

【Procedures on Exercise of Voting Rights through the Internet etc.】

1. Notice to Internet users

If you wish to exercise your voting rights through the Internet, please do so after taking the time to read and to fully understand the following:

(1) To exercise your voting rights through the Internet, you must use the following voting service website designated by the Company. Please note that you are also able to access and use this website for exercising voting rights through a cellular phone.

【Voting Service Website】 http://www.webdk.net

(2) To exercise your voting rights through the Internet, please register your approval or disapproval of each proposition by using the code and password for the exercise of voting rights indicated in the Proxy Card enclosed herewith and following the directions on the screen

(3) Although it is acceptable to exercise voting rights through the Internet until 5:00 P.M.*, Wednesday, June 23, 2010, please exercise your voting rights as early as possible to assist us with compiling the results of the voting.

(4) If you exercise your voting rights both in writing and through the Internet, we will only accept the exercise of your voting rights through the Internet.

(5) If you exercise your voting rights more than once through the Internet, we will only accept the last exercise of your voting rights as valid.

(6) The dial-up access fee to providers, telecommunications fee to telecommunications carriers and other fees for the usage of the website for exercising voting rights shall be borne by the shareholder.

【System Conditions to Exercise Voting Rights through the Internet】

To exercise your voting rights through the Internet, you will need to have the following systems:

① Internet access;

② For voting via personal computer:
Microsoft® Internet Explorer 6.0 or greater, as Internet browser software, and appropriate hardware to use the required Internet browser software mentioned above;

③ For voting via cellular phone:
Cellular phones with 128-bit SSL encryption
Note: To ensure the security of your data transmission, the voting website for cellular phones can be accessed only from cellular phones with 128-bit SSL encryption capability. Please note the voting service is not available for cellular phones that do not support 128-bit SSL encryption.

(Microsoft is the trademark of U.S. Microsoft Corporation, registered in the United States and other countries.)

【Reference Regarding Exercise of Voting Rights through the Internet】

Please call the following number if you have any questions relating to exercise of voting rights through the Internet.

Shareholder Registrar **The Sumitomo Trust and Banking Company, Limited**
Stock Transfer Agency Department

【Exclusive Line】 **0120-186-417 (24-hours, toll free)**

＜Request for Forms or other inquiries, etc.＞ **0120-176-417 (9:00 A.M. – 5:00 P.M.*, toll free)**

***Japan Standard Time**

2. To Institutional investors

For management and trust banks or other nominee shareholders (including standing proxies), the Electronic Voting Platform operated by Investor Communication Japan, Inc. (ICJ, Inc.), a joint venture instituted by Tokyo Stock Exchange, Inc., etc. is available as another online voting method for the exercise of voting rights pertaining to the Annual General Meeting of Shareholders, in addition to the method of voting through the Internet as described above, subject to the prior application for use to ICJ, Inc.