Financial Results for Fiscal Year 2009

May 10, 2010

Name of Listed Company: **SHIONOGI & CO., LTD.** Listed Exchanges: Section I of Tokyo and Osaka
Code: 4507 URL: http://www.shionogi.co.jp
Representative: Isao Teshirogi, President
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Scheduled date of Annual General Meeting of Shareholders: June 24, 2010 Scheduled date of dividend payments: June 25, 2010
Scheduled date of annual securities report submission: June 25, 2010

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

1. Consolidated results for the period from April 1, 2009 to March 31, 2010

(1) Consolidated operating results *(% shows changes from the same period of the previous fiscal year)*

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	*%*	*Millions of yen*	*%*	*Millions of yen*	*%*	*Millions of yen*	*%*
Year ended March 31, 2010	278,502	22.4	52,438	63.8	50,522	57.9	38,625	146.6
Year ended March 31, 2009	227,511	6.2	32,014	(20.8)	32,003	(19.7)	15,661	(37.5)

	Earnings per share	Earnings per share (diluted)	Return on Equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	*Yen*	*%*	*%*	*%*
Year ended March 31, 2010	115.33	–	11.9	9.7	18.8
Year ended March 31, 2009	46.75	–	4.8	7.0	14.1

Reference: Equity in earnings (losses) of affiliates: Year ended March 31, 2010: (743) million yen Year ended March31, 2009: (589) million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	*Millions of yen*	*%*	*Yen*
As of March 31, 2010	540,761	341,976	63.2	1019.71
As of March 31, 2009	501,852	310,093	61.7	924.43

Reference: Shareholders' equity As of March 31, 2010: 341,504 million yen As of March 31, 2009: 309,635 million yen

(3) Consolidated cash flows

	From operating activities	From investing activities	From financing activities	Cash and cash equivalents at end of period
	Millions of yen	*Millions of yen*	*Millions of yen*	*Millions of yen*
Year ended March 31, 2010	52,901	(826)	(4,978)	97,663
Year ended March 31, 2009	29,120	(149,055)	105,293	51,536

2. Dividends

	Dividends per share					Total dividends (Annual)	Payout ratio (consolidated)	Ratio of dividends to net assets
(Date of record)	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Annual			
	yen	*yen*	*yen*	*yen*	*yen*	*Millions of yen*	%	%
Year ended March 31, 2009	–	14.00	–	14.00	28.00	9,379	59.9	2.9
Year ended March 31, 2010	–	18.00	–	18.00	36.00	12,056	31.2	3.7
Year ending March 31, 2011 (forecast)		20.00		20.00	40.00		34.3	

3. Consolidated financial forecast for the year ending March 31, 2011

(% shows changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Millions of yen	*%*	*Millions of yen*	*%*	*Millions of yen*	*%*	*Millions of yen*	*%*	*Yen*
Six month ending September 30, 2010	146,000	10.1	23,000	28.9	22,000	34.2	14,500	25.1	43.30
Year ending March 31, 2011	295,000	5.9	61,000	16.3	59,000	16.8	39,000	1.0	116.45

4. Others

(1) Significant changes in subsidiaries during the period (changes in specified subsidiaries involving changes in scope of consolidation): None

(2) Changes in accounting principles, procedures and presentation methods for consolidated financial statements

a) Changes and amendments of accounting standards: Yes

b) Other changes: Yes

Note: For details, please see page 18 "Notes to consolidated financial statements" and page 24 "Changes to presentation of consolidated financial statements".

(3) Number of shares issued (common stock)

a) Number of shares issued (including treasury stock)

As of March 31, 2010:	351,136,165 shares
As of March 31, 2009:	351,136,165 shares

b) Number of treasury stock

As of March 31, 2010:	16,231,245 shares
As of March 31, 2009:	16,189,825 shares

Note: For details, please see page 41 "Notes to amounts per share.

(Reference) Non-consolidated financial results

1. Non-consolidated results for the period from April 1, 2009 to March 31, 2010

(1) Non-consolidated operating results *(% shows changes from the same period of the previous fiscal year)*

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	*%*	*Millions of yen*	*%*	*Millions of yen*	*%*	*Millions of yen*	*%*
Year ended March 31, 2010	228,585	10.6	49,256	35.9	49,941	31.7	40,757	70.8
Year ended March 31, 2009	206,753	2.9	36,236	(0.4)	37,924	1.8	23,863	6.2

	Earnings per share	Earnings per share (diluted)
	Yen	*Yen*
Year ended March 31, 2010	121.70	—
Year ended March 31, 2009	71.23	—

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	*Millions of yen*	*%*	*Yen*
As of March 31, 2010	553,013	367,341	66.4	1,096.85
As of March 31, 2009	521,184	335,235	64.3	1,000.86

Reference: Shareholders' equity As of March 31, 2010: 367,341 million yen As of March 31, 2009: 335,235 million yen

2. Non-consolidated financial forecast for the year ending March 31, 2011

(% shows changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Millions of yen	*%*	*Millions of yen*	*%*	*Millions of yen*	*%*	*Millions of yen*	*%*	*Yen*
Six month ending September 30, 2010	114,000	5.2	23,000	36.3	23,000	36.6	15,500	32.5	46.28
Year ending March 31, 2011	239,000	4.6	57,000	15.7	56,500	13.1	38,000	(6.8)	113.47

Notes

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

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1. Results of operations

(1) Analysis of results of operations

1) Results for the fiscal year ended March 31, 2010

a. General overview

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 and in April 2010 initiated its third medium-term business plan for the five years beginning fiscal year 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.

Consolidated operating results

Millions of yen

	Net sales	Operating income	Ordinary income	Net income
Year ended March 31, 2010	278,502	52,438	50,522	38,625
Year ended March 31, 2009	227,511	32,014	32,003	15,661
Percentage increase	22.4	63.8	57.9	146.6

<u>Sales</u>

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.

<u>Income</u>

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.

<u>Research and Development</u>

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 filled 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.

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.

b. Segment information

Business segment information

Business segment information has been omitted because pharmaceuticals and related businesses operations account for more than 90 percent of net sales, operating income and total assets in all segments.

Geographical segment information

Japan

Domestic sales increased 10.3 percent compared with the previous fiscal year to ¥238,191 million. Domestic operating income increased 31.1 percent to ¥52,972 million.

North America

In North America, sales increased by four times compared with the previous fiscal year to ¥38,642 million because prior-year sales only included three months of results at Shionogi Pharma, Inc. following the acquisition. Operating income totaled ¥2,912 million, compared to an operating loss in the previous fiscal year due to the lump sum recognition of in-process R&D expenses associated with the Sciele acquisition totaling ¥9,669 million.

Other

In other regions, primarily Asia, sales decreased 4.7 percent compared with the previous fiscal year to ¥1,669 million. Operating income decreased 32.0 percent to ¥313 million

2) Financial forecast for the year ending March 31, 2011

Financial forecast for the year ending March 31, 2011 are as follows.

Millions of yen

	Net sales	Operating income	Ordinary income	Net income
Year ending March 31, 2011 *	295,000	61,000	59,000	39,000
Year ended March 31, 2010	278,502	52,438	50,552	38,625
Percentage increase	5.9	16.3	16.8	1.0

* Due to change in the accounting periods, figures include 15 months for the U.S. subsidiaries.

Marketing conditions in the domestic prescription drug market are forecast to remain challenging due to factors including the April 2010 NHI drug price reduction averaging 6.5 percent for the industry as a whole. However, the Shionogi Group forecasts that prescription drug sales will increase because expansion in sales of new products centered on Crestor and Irbetan will compensate for the reduction in sales resulting from lower NHI drug prices. While the divestiture of Bushu Pharmaceuticals Ltd. will reduce sales, we forecast growth in overall net sales because we expect royalty income to continue expanding. U.S. subsidiaries, primarily Shionogi Pharma, Inc., have changed their fiscal years to end on March 31. As a result, the period ending March 31, 2011 will comprise 15 months, which the Shionogi Group forecasts will increase consolidated net sales for the fiscal year ending March 31, 2011 by ¥10,000 million.

The Shionogi Group forecasts that operating income and ordinary income will increase substantially because growth in U.S. sales, for which cost of sales is comparatively low, higher royalty income and assiduous control of selling, general and administrative and other expenses will more than compensate for increased R&D expenses. We forecast that net income will be essentially unchanged because the extraordinary income recorded in the fiscal year ended March 2010 will not recur. The Shionogi Group forecasts that the change in the fiscal year of U.S. subsidiaries will have no effect on income.

(2) Analysis of financial position

1) Assets, Liabilities and Net assets

As of March 31, 2010, total assets increased ¥38,908 million from a year earlier to ¥540,761 million. Total liabilities increased ¥7,026 million to ¥198,785 million, and net assets increased ¥31,882 million to ¥341,976 million. Main reasons for the increase in assets included an increase in cash and deposits and short-term investment securities due to the increase in income and the gain on transfer of Bushu Pharmaceuticals, Ltd. However, this divestiture also reduced property, plant and equipment. Total liabilities increased because of a domestic issue of bonds in June 2009 totaling ¥30,000 million, but decreased due to the repayment short- and long-term loans payable totaling ¥24,000 million. The increase in net assets reflected the increase in income as well as an increase in valuation difference on available-for-sale securities due to the listing of shares and an increase in foreign currency translation adjustment due to depreciation of the yen.

2) Cash flows

Net cash provided by operating activities increased ¥23,781 million compared with the previous fiscal year to ¥52,901 million. Factors included the substantial increase in income before income taxes and minority interests, and an increase in non-cash components including depreciation and amortization and amortization of goodwill.

Net cash used in investing activities totaled ¥826 million. The Shionogi Group used cash for purchases of property, plant and equipment, and generated cash through the sale of Bushu Pharmaceuticals, Ltd.

Net cash used in financing activities totaled ¥4,978 million. The Shionogi Group generated cash by issuing bonds, and used cash to repay debt and pay dividends.

As a result, cash and cash equivalents at the end of the year increased ¥46,127 million from a year earlier to ¥97,663 million.

Cash flow indicators

	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010
Net worth ratio	78.8%	80.4%	82.7%	61.7%	63.2%
Net worth ratio on market value basis	153.8%	168.0%	137.9%	112.4%	110.1%
Interest-bearing liabilities/ Cash flow ratio	0.2	0.2	0.1	4.0	2.3
Interest coverage ratio (times)	72.1	225.6	306.3	37.3	35.0

Notes: Net worth ratio: Total net assets/Total assets

Net worth ratio on market value basis: Total market value of stock/Total assets

Interest-bearing liabilities/Cash flow ratio: Interest-bearing liabilities/ Net cash provided by operating activities

Interest coverage ratio: Net cash provided by operating activities/Interest expense

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

(3) Fundamental policy on appropriation of retained earnings

The Company takes a medium-to-long-term perspective in working to increase corporate value, and therefore invests aggressively in its businesses while considering performance in each fiscal year with the aim of steadily increasing dividends. Shionogi's target for the consolidated dividend payout ratio is 35 percent.

Net income for the year ended March 31, 2010 includes extraordinary income and loss recognized during the year. Extraordinary income included gain under business combination accounting on exchange of shares between Omwell Inc. and Toho Holdings Co., Ltd. As a result, the Shionogi Group will propose for the approval of the General Meeting of Shareholders a year-end cash dividend per share of ¥18.00 to be appropriated from retained earnings, based on actual net income for the year excluding the gain on exchange of shares and future income potential. The Shionogi Group plans to increase dividends for the fiscal year ending March 2011 by ¥4.00 per share to ¥40.00 per share.

(4) Business and other risks

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

The forward-looking items described herein are based on the judgment of the Shionogi Group as of March 31, 2010.

1) Systemic and Regulatory Risk

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

2) Risk of Adverse Drug Reactions

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

3) Pharmaceutical R&D Risk

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

4) Intellectual Property Risk

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

5) Risk of Dependence on Certain Products

Sales and royalty income from industrial property rights of two Shionogi Group pharmaceutical products, Crestor and Flomox, accounted for about 35 percent of total net sales as of March 31, 2010. An unanticipated decrease in or termination of sales of these products could affect the results of the Shionogi Group.

6) Intensifying Global Competition

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

7) Risk of Alliances with Other Companies

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

8) Plant Closure and Shutdown Risk

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

9) Capital Market and Foreign Exchange Risk

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

10) Other Risks

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

2. Companies in the Shionogi Group

As of March 31, 2010, the Shionogi Group consisted of Shionogi & Co., Ltd. (the "Company"), 17 consolidated subsidiaries and 4 affiliates. These companies are engaged primarily in the manufacture and sale of ethical drugs. In addition, they render related services.

Significant changes to the Shionogi Group during the year ended March 31, 2010 were as follows:

Pharmaceuticals and related businesses

Bushu Pharmaceuticals Ltd. is no longer a consolidated subsidiary because the Shionogi Group transferred it on March 31, 2010.

Omwell Inc. is no longer an affiliate because the Shionogi Group transferred its shares to Toho Holdings Co., Ltd. on October 1, 2009.

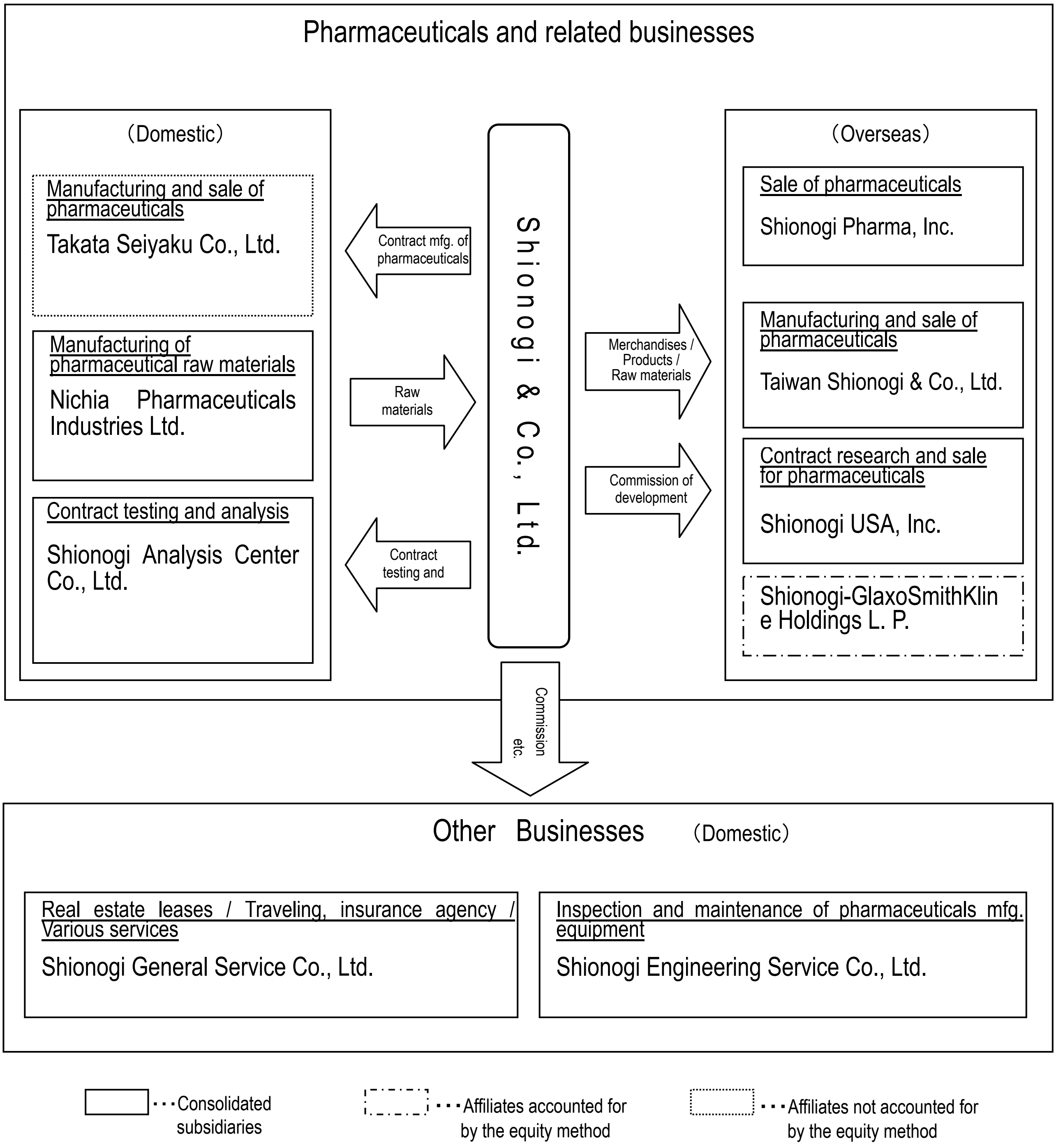
Other businesses

Shionogi Buturyuu Service Co., Ltd. is no longer a consolidated subsidiary because it conducted an absorption merger with and into Shionogi General Service Co., Ltd. on April 1, 2009.

Business and segment information for Shionogi & Co., Ltd. and its consolidated subsidiaries and affiliates are as follows:

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

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



Note: 1 Ten consolidated subsidiaries and 2 affiliates are not shown in this chart as the scale of their business is very small.
2 On January 11, 2010 (Eastern Standard Time), Sciele Pharma, Inc. changed its name to Shionogi Pharma, Inc.

3. Management policy

(1) Fundamental management policy

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

(2) Management strategy and challenges ahead

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 product.

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

***S**peed*	"Quick decision and implementation"
***O**pen Mind*	"Flexible mind and out of box thinking"
***N**ever-Failing Passion*	"Persistent passion"
***G**lobal Perspective*	"Higher and broader perspective"

4. Consolidated financial statements

(1) Consolidated balance sheets

Millions of yen

	As of March 31, 2009	As of March 31, 2010
Assets		
Current assets		
Cash and deposits	*1 23,349	*1 33,532
Notes and accounts receivable-trade	75,380	79,414
Short-term investment securities	35,453	70,677
Merchandise and finished goods	20,632	26,931
Work in process	12,556	14,058
Raw materials and supplies	9,838	8,350
Deferred tax assets	5,188	5,418
Other	*3 20,336	12,292
Allowance for doubtful accounts	(12)	(11)
Total current assets	202,724	250,664
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	100,295	100,040
Accumulated depreciation	(69,200)	(70,244)
Buildings and structures, net	31,095	29,795
Machinery, equipment and vehicles	87,771	83,502
Accumulated depreciation	(75,526)	(72,716)
Machinery, equipment and vehicles, net	12,244	10,786
Land	14,809	10,088
Construction in progress	8,407	6,842
Other	32,932	33,862
Accumulated depreciation	(27,678)	(28,927)
Other, net	5,254	4,934
Total property, plant and equipment	71,811	62,447
Intangible assets		
Goodwill	71,625	69,874
Sales rights	42,152	40,719
Other	6,610	8,470
Total intangible assets	120,388	119,065
Investments and other assets		
Investment securities	*2 66,813	*2 71,870
Prepaid pension cost	25,971	24,410
Deferred tax assets	96	80
Other	14,168	12,343
Allowance for doubtful accounts	(121)	(121)
Total investments and other assets	106,928	108,584
Total noncurrent assets	299,128	290,097
Total assets	501,852	540,761

Millions of yen

	As of March 31, 2009	As of March 31, 2010
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,444	13,400
Short-term loans payable	10,000	—
Current portion of long-term loans payable	14,000	14,000
Income taxes payable	8,131	13,479
Provision		
Provision for bonuses	5,325	6,473
Other provision	2,336	1,316
Total provisions	7,662	7,789
Other	*1 21,566	*1 18,159
Total current liabilities	76,804	66,829
Noncurrent liabilities		
Bonds payable	—	30,000
Long-term loans payable	91,000	77,000
Deferred tax liabilities	13,998	15,435
Provision		
Provision for retirement benefits	7,793	8,077
Provision for directors' retirement benefits	155	—
Total provisions	7,948	8,077
Other	2,007	1,442
Total noncurrent liabilities	114,954	131,955
Total liabilities	191,759	198,785
Net assets		
Shareholders' equity		
Capital stock	21,279	21,279
Capital surplus	20,227	20,227
Retained earnings	304,761	332,669
Treasury stock	(19,652)	(19,733)
Total shareholders' equity	326,616	354,443
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	8,207	10,362
Foreign currency translation adjustment	(25,188)	(23,301)
Total valuation and translation adjustments	(16,980)	(12,939)
Minority interests	458	471
Total net assets	310,093	341,976
Total liabilities and net assets	501,852	540,761

(2) Consolidated statements of income

Millions of yen

	Year ended March 31, 2009	Year ended March 31, 2010
Net sales	227,511	278,502
Cost of sales	*1 70,928	*1 76,263
Gross profit	156,582	202,239
Selling, general and administrative expenses	*2, *3 124,568	*2, *3 149,801
Operating income	32,014	52,438
Non-operating income		
Interest income	1,072	484
Dividends income	1,263	1,124
Royalty income	426	—
Other	581	970
Total non-operating income	3,343	2,579
Non-operating expenses		
Interest expenses	701	1,675
Contribution	1,248	1,412
Loss on disposal of noncurrent assets	426	251
Other	977	1,155
Total non-operating expenses	3,354	4,494
Ordinary income	32,003	50,522
Extraordinary income		
Gain on transfer of business	—	5,351
Gain on exchange from business combination	—	4,900
Gain on sales of investment securities	213	—
Total extraordinary income	213	10,251
Extraordinary loss		
Loss on valuation of investment securities	—	1,942
Impairment loss	—	*4 199
Special contract expenses	*4 700	—
Special retirement expenses	362	—
Loss on disaster	*5 253	—
Loss on valuation of inventories	89	—
Loss on sales of investment securities	25	—
Other	—	90
Total extraordinary losses	1,430	2,233
Income before income taxes and minority interests	30,785	58,540
Income taxes-current	14,717	21,145
Income taxes-deferred	369	(1,246)
Total income taxes	15,086	19,899
Minority interests in income	37	15
Net income	15,661	38,625

(3) Consolidated statements of changes in net assets

Millions of yen

	Year ended March 31, 2009	Year ended March 31, 2010
Shareholders' equity		
Capital stock		
Balance at the end of previous period	21,279	21,279
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	21,279	21,279
Capital surplus		
Balance at the end of previous period	20,227	20,227
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	20,227	20,227
Retained earnings		
Balance at the end of previous period	297,811	304,761
Changes of items during the period		
Dividends from surplus	(8,711)	(10,717)
Net income	15,661	38,625
Total changes of items during the period	6,949	27,908
Balance at the end of current period	304,761	332,669
Treasury stock		
Balance at the end of previous period	(19,280)	(19,652)
Changes of items during the period		
Purchase of treasury stock	(371)	(80)
Total changes of items during the period	(371)	(80)
Balance at the end of current period	(19,652)	(19,733)
Total shareholders' equity		
Balance at the end of previous period	320,038	326,616
Changes of items during the period		
Dividends from surplus	(8,711)	(10,717)
Net income	15,661	38,625
Purchase of treasury stock	(371)	(80)
Total changes of items during the period	6,577	27,827
Balance at the end of current period	326,616	354,443

Millions of yen

	Year ended March 31, 2009	Year ended March 31, 2010
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	22,068	8,207
Changes of items during the period		
Net changes of items other than shareholders' equity	(13,860)	2,154
Total changes of items during the period	(13,860)	2,154
Balance at the end of current period	8,207	10,362
Foreign currency translation adjustment		
Balance at the end of previous period	(178)	(25,188)
Changes of items during the period		
Net changes of items other than shareholders' equity	(25,010)	1,887
Total changes of items during the period	(25,010)	1,887
Balance at the end of current period	(25,188)	(23,301)
Total valuation and translation adjustments		
Balance at the end of previous period	21,889	(16,980)
Changes of items during the period		
Net changes of items other than shareholders' equity	(38,870)	4,041
Total changes of items during the period	(38,870)	4,041
Balance at the end of current period	(16,980)	(12,939)
Subscription rights to shares		
Changes of items during the period		
Minority interests		
Balance at the end of previous period	307	458
Changes of items during the period		
Net changes of items other than shareholders' equity	150	13
Total changes of items during the period	150	13
Balance at the end of current period	458	471
Total net assets		
Balance at the end of previous period	342,235	310,093
Changes of items during the period		
Dividends from surplus	(8,711)	(10,717)
Net income	15,661	38,625
Purchase of treasury stock	(371)	(80)
Net changes of items other than shareholders' equity	(38,719)	4,054
Total changes of items during the period	(32,142)	31,882
Balance at the end of current period	310,093	341,976

(4) Consolidated statements of cash flows

Millions of yen

	Year ended March 31, 2009	Year ended March 31, 2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	30,785	58,540
Depreciation and amortization	13,468	18,047
Impairment loss	―	199
Amortization of goodwill	906	3,730
Loss (gain) on disposal of property, plant and equipment	429	244
Loss (gain) on transfer of business	―	(5,351)
Loss (gain) on sales of investment securities	(187)	―
Loss (gain) on valuation of investment securities	―	1,942
Increase (decrease) in allowance for doubtful accounts	(43)	(1)
Increase (decrease) in provision for retirement benefits	(2,789)	1,845
Increase (decrease) in provision for directors' retirement benefits	(12)	(154)
Interest and dividends income	(2,335)	(1,609)
Interest expenses	701	1,675
Foreign exchange losses (gains)	79	264
Other loss (gain)	*3 9,669	*4 (4,900)
Decrease (increase) in notes and accounts receivable-trade	(2,418)	(4,739)
Decrease (increase) in inventories	(7,361)	(7,866)
Increase (decrease) in notes and accounts payable-trade	1,393	(2,095)
Increase (decrease) in accrued expenses	(3,823)	(6,417)
Increase (decrease) in accounts payable-other	1,116	5,542
Other, net	467	7,609
Subtotal	40,045	66,507
Interest and dividends income received	2,385	1,645
Interest expenses paid	(780)	(1,513)
Income taxes paid	(12,531)	(13,737)
Net cash provided by (used in) operating activities	29,120	52,901
Net cash provided by (used in) investing activities		
Payments into time deposits	(4,213)	(4,776)
Proceeds from withdrawal of time deposits	4,074	4,580
Purchase of short-term investment securities	(19)	(455)
Proceeds from sales of short-term investment securities	4,020	―
Proceeds from redemption of securities	―	5,066
Purchase of investment securities	(5,583)	(4,395)
Proceeds from sales of investment securities	18,345	―
Proceeds from redemption of investment securities	―	5,000
Purchase of property, plant and equipment	(11,200)	(13,156)
Proceeds from sales of property, plant and equipment	62	49
Collection of loans receivable	3	9,602
Purchase of stock of affiliates	(1,920)	(3,203)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	*2 (146,766)	*2 (2,506)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	―	*3 8,092
Other, net	(5,856)	(4,723)
Net cash provided by (used in) investing activities	(149,055)	(826)

Millions of yen

	Year ended March 31, 2009	Year ended March 31, 2010
Net cash provided by (used in) financing activities		
Repayments of installment payables	(746)	(1,031)
Net increase (decrease) in short-term loans payable	10,000	(10,000)
Proceeds from long-term loans payable	105,000	988
Repayment of long-term loans payable	—	(14,000)
Proceeds from issuance of bonds	—	30,000
Purchase of treasury stock	(371)	(80)
Cash dividends paid	(8,701)	(10,701)
Cash dividends paid to minority shareholders	(2)	(2)
Proceeds from stock issuance to minority shareholders	115	—
Other, net	—	(150)
Net cash provided by (used in) financing activities	105,293	(4,978)
Effect of exchange rate change on cash and cash equivalents	(1,430)	(969)
Net increase (decrease) in cash and cash equivalents	(16,073)	46,127
Cash and cash equivalents at beginning of period	67,609	51,536
Cash and cash equivalents at end of period	*1 51,536	*1 97,663

Going concern assumption

None

Notes to consolidated financial statements

Item	Year ended March 31, 2009	Year ended March 31, 2010
1. Scope of consolidation	Number of consolidated subsidiaries: 18 Bushu Pharmaceuticals Ltd., Nichia Pharmaceutical Industries Ltd., Saishin Igaku Co., Ltd., Shionogi Engineering Service Co., Ltd., Shionogi Buturyuu Service Co., Ltd., Shionogi General Service Co., Ltd., Aburahi AgroResearch Co., Ltd., Shionogi Analysis Center Co., Ltd., Taiwan Shionogi & Co., Ltd., Shionogi USA Holdings, Inc. Sciele Pharma, Inc., Shionogi USA, Inc., SG Holding Inc. Other 5 The accompanying consolidated financial statements include the accounts of the Company and all companies controlled directly or indirectly the Company. (Newly consolidated) Subsidiaries newly consolidated through acquisition: 5 Sciele Pharma, Inc. and 4 others Subsidiaries newly established during the period: 2 Shionogi USA Holding, Inc. Other 1	Number of consolidated subsidiaries: 17 Nichia Pharmaceutical Industries Ltd., Saishin Igaku Co., Ltd., Shionogi Engineering Service Co., Ltd., Shionogi General Service Co., Ltd., Aburahi AgroResearch Co., Ltd., Shionogi Analysis Center Co., Ltd., Taiwan Shionogi & Co., Ltd., Shionogi USA Holdings, Inc. Shionogi Pharma, Inc., Shionogi USA, Inc., SG Holding Inc. Other 6 The accompanying consolidated financial statements include the accounts of the Company and all companies controlled directly or indirectly the Company. (Newly consolidated) Subsidiaries newly consolidated through acquisition: 1 (Excluded) Subsidiaries excluded through transfer: 1 Bushu Pharmaceuticals, Ltd. Subsidiaries excluded through merger: 1 Shionogi Buturyuu Service Co., Ltd. Subsidiaries excluded through liquidation: 1
2. Application of equity method	(1) Unconsolidated subsidiaries and affiliates accounted for by the equity method No unconsolidated subsidiaries were accounted for by the equity method for in the year ended March 31, 2009 Affiliates accounted for by the equity method: 2 Shionogi-GlaxoSmithKline Holdings L.P. Other 1 Affiliates newly added through acquisition: 1 The closing dates of the two affiliates differ from the consolidated closing date. Therefore the financial statements for their respective fiscal years have been used. (2) That portion of the net profit (loss) of the 4 affiliates not accounted for by the equity method which was attributable to the Company in proportion to its shareholding ratio had no significant effect on the consolidated net income or retained earnings of the Company for the current period.	(1) Unconsolidated subsidiaries and affiliates accounted for by the equity method No unconsolidated subsidiaries were accounted for by the equity method for in the year ended March 31, 2010 Affiliates accounted for by the equity method: 1 Shionogi-GlaxoSmithKline Holdings L.P. The closing dates of the two affiliates differ from the consolidated closing date. Therefore the financial statements for their respective fiscal years have been used. (2) That portion of the net profit (loss) of the 3 affiliates not accounted for by the equity method which was attributable to the Company in proportion to its shareholding ratio had no significant effect on the consolidated net income or retained earnings of the Company for the current period.

Item	Year ended March 31, 2009	Year ended March 31, 2010
3. Closing date of consolidated subsidiaries	Ten consolidated subsidiaries are overseas consolidated subsidiaries. Eight overseas consolidated subsidiaries close their accounts on December 31 and two close their accounts on September 30, for financial reporting purposes. The accompanying consolidated financial statements of the Company have been prepared using actual and pro forma financial statements for consolidated subsidiaries prepared as of December 31. The necessary adjustments have been made to reflect any significant transactions occurring between the respective closing dates and the date of the consolidated financial statements.	Eleven consolidated subsidiaries are overseas consolidated subsidiaries. Ten overseas consolidated subsidiaries close their accounts on December 31 and one closes its account on September 30, for financial reporting purposes. The accompanying consolidated financial statements of the Company have been prepared using actual and pro forma financial statements for consolidated subsidiaries prepared as of December 31. The necessary adjustments have been made to reflect any significant transactions occurring between the respective closing dates and the date of the consolidated financial statements.
4. Significant accounting policies	(1) Basis and method of valuation of significant assets 1) Securities A) Held-to-maturity securities Amortized cost method B) Other securities a) Market value available At fair value, based on market price or other appropriate quotation as of period end (Unrealized gain is charged directly to net assets; cost of sales is accounted for by the moving average method.) b) Market value not available At cost determined by the moving average method (The securities based on Financial Instruments Exchange Law article 2.2 are evaluated 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. (Change of accounting policy) Effective the year ended March 31, 2009, the Company has applied “Accounting Standard for Measurement of Inventories“(Accounting Standards Board of Japan Statement No. 9; July 5, 2006). As a result, in the year ended March 31, 2009 operating income decreased by ¥327 million, ordinary income decreased by ¥57 million and income before income taxes decreased by ¥146 million compared with the former method. The impact of this change on segment information is disclosed in ‘Segment information’.	(1) Basis and method of valuation of significant assets 1) Securities A) Held-to-maturity securities Same as on the left B) Other securities a) Market value available Same as on the left b) Market value not available Same as on the left 2) Inventories Inventories are mainly stated at the lower of cost, determined by the average method, or net selling value.

Item	Year ended March 31, 2009	Year ended March 31, 2010
	(2) Depreciation method of significant depreciable assets 1) Property, plant and equipment（excluding lease assets） Most items are depreciated by the declining balance method. Buildings (except for structures attached to the buildings) acquired subsequent to April 1, 1998 are depreciated by straight-line method. The useful lives are principally as follows: Buildings and structures: 2 to 60 years Machinery and equipment and vehicles: 2 to 17 years (Additional information) The Company and its domestic consolidated subsidiaries revised the useful life of machinery and equipment as per revisions to the Corporation Tax Law, and applied the revised useful lives during the year ended March 31, 2009. As a result, in the year ended March 31, 2009, depreciation expense decreased by ¥423 million, and operating income, ordinary income and income before income taxes each increased by ¥423 million compared with the former method. The impact of this change on segment information is disclosed in 'Segment information'. 2) Intangible fixed 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).	(2) Depreciation method of significant depreciable assets 1) Property, plant and equipment（excluding lease assets） Most items are depreciated by the declining balance method. Buildings (except for structures attached to the buildings) acquired subsequent to April 1, 1998 are depreciated by straight-line method. The useful lives are principally as follows: Buildings and structures: 2 to 60 years Machinery and equipment and vehicles: 2 to 17 years 2) Intangible fixed assets (excluding lease assets) Same as on the left

Item	Year ended March 31, 2009	Year ended March 31, 2010
	3) Lease assets For lease transactions not involving transfer ownership, lease assets are depreciated over their useful lives using the straight-line method until the residual value reaches zero (Change of accounting policy) Formerly, finance lease transactions not involving the transfer of ownership were accounted for in a manner similar to the accounting treatment for operating lease transactions. However, effective from the fiscal year ended March 31, 2009, the Company applied "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13; Business Accounting Council Committee No. 1, June 17, 1993; revised March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16; the Japanese Institute of Certified Public Accountants, Accounting Committee, January 18, 1994; revised March 30, 2007). Such transactions are now accounted for as ordinary sale and purchase transactions. As a result, in the year ended March 31, 2009, compared with the former method lease assets totaling ¥3 million were included in property, plant and equipment, and operating income, ordinary income and income before income taxes were not affected. For reference, the Company continues to account for finance lease transactions not involving the transfer of ownership that were concluded prior to April 1, 2008 in a manner similar to the accounting treatment for ordinary operating lease transactions. The impact of this change on segment information is disclosed in 'Segment information'.	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 For reference, the Company continues to account for finance lease transactions not involving the transfer of ownership that were concluded prior to April 1, 2008 in a manner similar to the accounting treatment for ordinary operating lease transactions.

Item	Year ended March 31, 2009	Year ended March 31, 2010
	(3) Basis for providing significant allowances and reserves 1) Allowance for doubtful accounts The allowance for doubtful accounts is provided to cover bad debt loss. The amount provided for general receivables is based on the historical rate of bad debts; for certain receivable accounts of considerable risk, the estimated uncollectible amount is provided as an additional allowance after examining specific possibility of collection. 2) Provision for bonuses To prepare for payment of bonuses to employees, a reserve for bonuses is provided based on the estimated amount of bonuses to be paid. 3) Provision for directors' bonuses To prepare for payment of bonuses to directors and statutory auditors, a reserve for bonuses is provided based on the estimated amount of bonuses to be paid. 4) Provision for retirement benefits To prepare for the payment of retirement benefits to employees, a reserve for retirement benefits is provided based on the retirement benefit liabilities accrued and the expected value of the pension plan assets as of the period end. Prior service cost is amortized by the straight-line method over 10 years, which is within the estimated average remaining years of service of the eligible employees. Actuarial gain or loss is proportionally amortized in the each year following the year in which the gain or loss is recognized principally by the straight-line method over 10 years, which is within the estimated average remaining years of service of the eligible employees. 5) Provision for directors' retirement benefits To prepare for the payment of retirement benefits to directors and statutory auditors, a reserve for their retirement benefits is provided for the estimated amounts as of the year end based on the Company's internal rules. The retirement benefits system for directors and statutory auditors was abolished in June 2004, and there is no provision for the year.	(3) Basis for providing significant allowances and provisions 1) Allowance for doubtful accounts Same as on the left 2) Provision for bonuses Same as on the left 3) Provision for directors' bonuses Same as on the left 4) Provision for retirement benefits To prepare for the payment of retirement benefits to employees, a reserve for retirement benefits is provided based on the retirement benefit liabilities accrued and the expected value of the pension plan assets as of the period end. Prior service cost is amortized by the straight-line method over 10 years, which is within the estimated average remaining years of service of the eligible employees. Actuarial gain or loss is proportionally amortized in the each year following the year in which the gain or loss is recognized principally by the straight-line method over 10 years, which is within the estimated average remaining years of service of the eligible employees. (Change of accounting policy) Effective from the year ended March 31, 2010, Shionogi Group adopted "Partial Amendments to Accounting Standard for Retirement Benefits" (Part 3) (ASBJ Statement No. 19, July 31, 2008) The adoption of this accounting standard had no effect on operating income, ordinary income or income before income taxes. In addition, the adoption of this accounting standard did not incur unrecognized retirement benefit obligations.

Item	Year ended March 31, 2009	Year ended March 31, 2010
	(4) Foreign currency translation Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the balance sheet date. Gain or loss on translation is credited or charged to income; however, assets, liabilities, income and expenses of certain overseas consolidated subsidiaries are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. Adjustments resulting from the translation of foreign currency financial statements have been reported as Translation adjustment in net assets.	(4) Foreign currency translation Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the balance sheet date. Gain or loss on translation is credited or charged to income; however, assets and liabilities of consolidated overseas subsidiaries are translated into yen at the exchange rates in effect as of the balance sheet dates. Income and expenses of consolidated overseas subsidiaries are translated into yen at the average exchange rates during the year. 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) Shionogi formerly translated the income and expenses of foreign 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 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 foreign consolidated subsidiaries and affiliates. As a result, for the year ended March 31, 2010, net sales increased ¥632 million, operating income decreased ¥66 million and ordinary income and income before income taxes and minority interests each increased ¥8 million compared with their respective amounts calculated using the former method. The impact of this change on segment information is disclosed in 'Segment information'.
	(5) Significant hedge accounting 1) Method of hedge accounting In principle, deferred hedge accounting is used. Translation at the contract rate is applied in accounting for forward foreign exchange contracts that meet specified conditions. Hedges that meet conditions for the special treatment of interest-rate swaps are accounted for separately. 2) Hedging instruments and hedged items A) Hedging instruments Forward foreign exchange contracts and interest-rate swaps B) Hedged items Assets and liabilities denominated in foreign currencies and debt	(5) Significant hedge accounting 1) Method of hedge accounting Same as on the left 2) Hedging instruments and hedged items Same as on the left

Item	Year ended March 31, 2009	Year ended March 31, 2010
	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.	3) Hedging policy Same as on the left (6) Other significant accounting policies Consumption tax Same as on the left
5. Valuation of assets and liabilities in the consolidated subsidiaries	Assets and liabilities of the consolidated subsidiaries are revalued at their current value.	Same as on the left
6. Goodwill and negative goodwill	Goodwill is amortized over 20 years using the straight-line method	Same as on the left
7. Definition of cash and cash equivalents in the consolidated cash flow statements	Cash and cash equivalents reported in the consolidated cash flow statements include cash on hand, bank deposits and deposits in other financial institutions immediately withdrawable upon request, or liquid short-term investments with only a minor risk of any fluctuation in their value which mature within three months of their acquisition dates.	Same as on the left

Changes to presentation of consolidated financial statements

Year ended March 31, 2009	Year ended March 31, 2010
(Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements) Effective from the year ended March 31, 2009, the Companies applied “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements” (ASBJ Practical Issues Task Force (PITF) No. 18, May 17, 2006) and amended the consolidated financial statements as required. As a result, in the year ended March 31, 2009, operating income, ordinary income and income before income taxes each decreased by ¥906 million compared with the former method. “Business Segment Information” provides additional information of the impact of this change on segment results.	(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.

Changes in method of presentation

Year ended March 31, 2009	Year ended March 31, 2010
(Consolidated Balance Sheers) During the year ended March 31, 2009, the Shionogi Group applied a Cabinet Office Ordinance (Cabinet Office Ordinance 50, August 7, 2008) that revised certain regulations governing financial statements and other matters. As a result, the item Inventories in the financial statements for the year ended March 31, 2008 has been recategorized to consist of Merchandise and finished goods, Work in process and Row materials and supplies from the year ended March 31, 2009. Merchandise and finished goods, Work in process and Row materials and supplies included in Inventories in the year ended March 31, 2008 were ¥18,728 million, ¥9,469 million and ¥5,882 million, respectively. The item Intangible assets in the financial statements for the year ended March 31, 2008 has been recategorized as Goodwill, Sales rights and Other intangible assets from the year ended March 31, 2009 to conform with the introduction of XBRL to EDINET to improve the comparability of financial statements. Sales rights and Other intangible assets in the year ended March 31, 2008 were ¥1,105 million and ¥4,513 million, respectively.	
(Consolidated Statements of income) Royalty income was included in Other under Other non-operating income in the fiscal year ended March 31, 2008. It is now presented as a separate line item because it exceeds more than 10 percent of total non-operating income. Royalty income in the year ended March 31, 2008 was ¥128 million. The item Real estate rent in the year ended March 31, 2009 totaled ¥185 million. In the year ended March 31, 2009 it is included in Other under Other non-operating income because it has decreased to less than 10 percent of total non-operating income.	(Consolidated Statements of income) Royalty income, presented as a separate line item until the fiscal year ended March 31, 2009, totaled ¥65 million for the fiscal year ended March 2010. Because it represented less than 10 percent of non-operating expenses, it is included in “Other.”

Notes

Notes to consolidated balance sheets

Year ended March 31, 2009	Year ended March 31, 2010
*1 Pledged assets and secured liabilities The assets listed below have been pledged as collateral against borrowings and other debts: 1) Carrying value of pledged assets: Cash and deposits 7 million yen 2) Liabilities secured by the above assets: 'Other' of current liabilities 6 million yen	*1 Pledged assets and secured liabilities The assets listed below have been pledged as collateral against borrowings and other debts: 1) Carrying value of pledged assets: Cash and deposits 6 million yen 2) Liabilities secured by the above assets: 'Other' of current liabilities 7 million yen
*2 Stocks etc, of unconsolidated subsidiaries and affiliates Investments in securities (stocks etc.) 4,565 million yen	*2 Stocks etc, of unconsolidated subsidiaries and affiliates Investments in securities (stocks etc.) 6,593 million yen
*3 Consumption taxes receivable are included in Other under Current assets. 4 Guaranteed liabilities Guarantee of loans from financial institutions and other companies not included in consolidation Employee housing loans 34 million yen	3 Guaranteed liabilities Guarantee of loans from financial institutions and other companies not included in consolidation Employee housing loans 29 million yen

Notes to consolidated statements of income

<table>
<tr><th>Year ended March 31, 2009</th><th>Year ended March 31, 2010</th></tr>
<tr><td>*1 Inventories at March 31, 2009 are stated at net selling value. Inventory valuation totaling ¥317 million is included in cost of sales.</td><td>*1 Inventories at March 31, 2010 are stated at net selling value. Inventory valuation totaling ¥474 million is included in cost of sales.</td></tr>
<tr><td>*2 The major items and amounts included in selling, general and administrative expenses were as follows:
Sales promotional activities 13,356 million yen
Salaries 21,295
Provision for bonuses 2,713
Provision for directors' bonuses 38
Retirement benefit expenses 377
R & D expenses 52,822
(Provision for bonuses) (1,392)
(Retirement benefit expenses) (202)</td><td>*2 The major items and amounts included in selling, general and administrative expenses were as follows:
Sales promotional activities 14,036 million yen
Salaries 29,387
Provision for bonuses 3,679
Retirement benefit expenses 2,961
R & D expenses 51,808
(Provision for bonuses) (1,837)
(Retirement benefit expenses) (1,493)</td></tr>
<tr><td>*3 R&D expenses
R&D expenses, which are included in SG&A expenses, were as follows. No R&D expenses are included in production expenses
R&D expenses 52,822 million yen</td><td>*3 R&D expenses
R&D expenses, which are included in SG&A expenses, were as follows. No R&D expenses are included in production expenses
R&D expenses 51,808 million yen</td></tr>
<tr><td>*4 Special contract expenses
Special contract expenses consist of exemptions for charges for disposal of existing inventory upon renewal of sales contracts.

*5 Loss on disaster
Loss on natural disaster consists of factory restoration expenses and loss on disposal of inventories and property, plant and equipment as a result of the Iwate-Miyagi Nairiku Earthquake and the Iwate Hokubu Earthquake.</td><td>*4 Impairment loss
The Shionogi Group recognized asset impairment as follows.
<table>
<tr><th>Location</th><th>Application</th><th>Class</th></tr>
<tr><td>Chuo-ku, Osaka-shi, Osaka, Japan, etc.</td><td>Exclusive prescription pharmaceutical marketing rights</td><td>Sales rights</td></tr>
</table>
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.</td></tr>
</table>

Notes to consolidated statement of changes in net assets

Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)

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

Shares

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

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

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

None

(3) Dividends

A) Dividend payments

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

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

Resolution	Category	Total dividends	Resolution	Dividends per share	Dividend record date	Effective date
Annual General Meeting of Shareholders to be held on June 25, 2009	Common stock	4,689 million yen	Retained earnings	14 yen	March 31, 2009	June 26, 2009

Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)

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

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 reflects the purchase of odd-lot shares.

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

None

(3) Dividends

A) Dividend payments

Resolution	Category	Total 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

B) 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	Resolution	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 to consolidated statements of cash flow

Year ended March 31, 2009

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

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

*2. Assets and liabilities of companies newly consolidated through acquisition of shares
The assets, liabilities, acquisition cost and net acquisition cost of Sciele Pharma, Inc. ("Sciele") upon consolidation due to acquisition of shares are as follows.

Current assets	27,050	million yen
Intangible assets	44,525	
In-process research and development	9,669	
Goodwill	79,664	
Other noncurrent assets	2,228	
Current liabilities	(13,446)	
Noncurrent liabilities	(5,075)	
Foreign currency translation adjustment	11,997	
Purchase price of shares of Sciele	156,613	
Cash and cash equivalents of Sciele	(9,846)	
Purchase of investments in subsidiaries resulting in change in scope of consolidation	146,766	

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

Year ended March 31, 2010

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

Cash and deposits	33,532	million yen
Time deposits with a maturity exceeding three months	(2,069)	
Cash and cash equivalents including "Marketable securities"	66,200	
Cash and cash equivalents	97,663	million yen

*2. Assets and liabilities of companies newly consolidated through acquisition of shares
The assets, liabilities, acquisition cost and net acquisition cost of Addrenex, Inc. ("Addrenex") upon consolidation due to acquisition of shares are as follows.

Current assets	47	million yen
In-process research and development	2,827	
Goodwill	1,063	
Current liabilities	(141)	
Noncurrent liabilities	(769)	
Existing equity	(330)	
Purchase price of shares of Addrenex	2,697	
Offsetting of advance payments-trade, etc.	(145)	
Cash and cash equivalents of Addrenex	(46)	
Purchase of investments in subsidiaries resulting in change in scope of consolidation	2,506	

*3. Assets and liabilities of companies excluded from consolidated subsidiaries through sale of shares.
Assets and liabilities at the time of transfer, proceeds from sale of shares and gain on transfer of Bushu Pharmaceuticals Ltd. ("Bushu") are as follows:

Current assets	4,186	million yen
Noncurrent assets	11,556	
Current liabilities	(2,377)	
Noncurrent liabilities	(10,599)	
Cost for sale of shares of Bushu	437	
Gain on transfer of business	5,351	
Sales price of shares of Bushu	8,555	
Cash and cash equivalents of Bushu	(462)	
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	8,092	

*4. Gain on exchange from business combination

Notes to financial instruments

Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)

1. Financial instruments

(1) Policies for the use of financial instruments

The Company primarily engages in the production and sale of pharmaceuticals and procures the capital required under its business plan primarily from bank loans and bond issues. On occasion, the Shionogi Group manages surplus capital using financial instruments that carry little or no risk. The Shionogi Group uses derivatives to mitigate the risks that are described below, and as a matter of policy does not use derivatives for speculative transactions.

(2) Financial instruments, associated risks and the risk management system

Notes and accounts receivable expose the Shionogi Group to customer credit risk. In addition, receivables denominated in foreign currencies expose the Shionogi Group to the risk of exchange rate fluctuations. Short-term investments and investments in securities expose the Shionogi Group to the risk of changes in market prices.

Notes and accounts payable are due within one year. In addition, certain payables associated with the import of raw materials are denominated in foreign currencies, which exposes the Shionogi Group to the risk of exchange rate fluctuations. The Shionogi Group generally procures capital required under its business plan through bank loans and bond issues with maturities not exceeding nine years.

The Shionogi Group uses derivatives transactions including forward foreign exchange contracts to hedge the risk of exchange rate fluctuations associated with receivables denominated in foreign currencies and interest rate swaps to hedge the risk of interest rate fluctuations associated with loans. ‘Significant hedge accounting’ in ‘Significant accounting policies’ presented earlier explains hedge accounting issues including methods, hedging policies, hedged items and recognition of gain or loss on hedged positions.

(3) Risk management system for financial instruments

1) Credit risk management (counterparty risk)

The Company has established internal procedures for receivables under which the Financial & Accounting Department and related divisions are primarily responsible for periodically monitoring counterparty status. The department manages amounts and settlement dates by counterparty and works to quickly identify and mitigate payment risk that may result from situations including deterioration of the financial condition of counterparties. Consolidated subsidiaries of the Shionogi Group are subject to the same risk management rules.

In using derivatives transactions, the Company mitigates counterparty risk by conducting transactions with highly creditworthy financial institutions.

Maximum credit risk as of March 31, 2010 is presented on the balance sheet as the carrying value of financial assets exposed to credit risk.

2) Market risk management (risk of exchange rate and interest rate fluctuations)

For receivables and payables denominated in foreign currencies, the Company uses appropriate forward foreign exchange contracts to hedge the risk of exchange rate fluctuations on a currency-by-currency basis. In addition, the Company uses interest rate swaps to mitigate the risk of interest rate fluctuations associated with loans.

For short-term investments and investments in securities, the Shionogi Group periodically examines fair value and the financial condition of the issuing entity. In addition, for all securities other than those classified as held-to-maturity debt securities the Shionogi Group regularly revises its portfolio based on its relationships with issuing entities.

For derivatives transactions, the Shionogi Group uses ordinary forward foreign exchange contracts and interest rate swaps in accordance with established internal procedures. The Financial & Accounting Department handles the transactions and periodically provides administrative reports on the results to the Board of Directors. Consolidated subsidiaries do not conduct derivatives transactions.

3) Management of liquidity risk associated with capital procurement (payment default risk)

The Financial & Accounting Department manages liquidity risk for the Company by creating and updating a capital deployment plan based on reports from each division.

(4) Supplemental information on the fair value of financial instruments

The fair value of financial instruments is based on market prices, or a reasonable estimate of fair value for instruments for which market prices are not available. Estimates of fair value are subject to fluctuation because they employ variable factors and assumptions.

In addition, the contractual amounts of the derivatives transactions discussed in ‘2. Fair value of financial instruments’ below are not an indicator of the market risk associated with derivatives transactions.

(5) Concentration of credit risk

As of March 31, 2010, 53 percent of receivables were due from specific, large-scale corporate customers.

2. 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
a. Cash and deposits	33,532	33,532	—
b. Notes and accounts receivable-trade	79,414	79,321	(93)
c. Short-term and long term investment securities	134,787	134,787	—
Assets	247,734	247,641	(93)
a. Notes and accounts payable-trade	13,400	13,400	—
b. Current portion of long-term loans payable	14,000	14,003	3
c. Bonds payable	30,000	30,403	403
d. Long-term loans payable	77,000	77,048	48
Liabilities	134,400	134,855	455
Derivatives transactions	—	—	—

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

Assets

a. 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.

b. 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.

c. 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. In addition, 'Notes to securities' provides information on marketable securities by holding intent.

Liabilities

a. Notes and accounts payable-trade

Carrying value is used for the fair value of these short-term investments because these amounts are essentially equivalent.

b. Current portion of long-term loans payable / d. 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. 'Notes to derivatives transactions' provides 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.

c. Bonds payable

The fair value of bonds issued by the Company is estimated based on market prices.

Derivatives transactions

Please refer to page 34 'Notes to derivatives transactions'

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

Millions of yen

	Carrying value reported in the balance sheets
Unlisted stocks (excluding OTC 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 investments and investments in securities.

Note 3: The redemption schedule for receivables and marketable securities with maturity dates after the close of the fiscal year

Millions of yen

	Within 1 year	*From 1 year to 5 years*	*From 5 years to 10 years*	*Over 10 years*
Cash and deposits	*33,592*	*—*	*—*	*—*
Notes and accounts receivable-trade	*75,950*	*2,309*	*1,154*	*—*
Short-term and long term investment securities				*—*
Bonds held to maturity	*19*	*—*	*—*	*—*
Other securities with maturity dates	*70,657*	*10,238*	*5,142*	*—*
Total	*180,160*	*12,547*	*6,296*	*—*

Note 4: The redemption schedule bonds payable and long-term loans payable after the close of the fiscal year

Millions of yen

	Within 1 year	*From 1 year to 5 years*	*From 5 years to 10 years*	*Over 10 years*
Bonds payable	*—*	*30,000*	*—*	*—*
Long-term loans payable	*14,000*	*67,000*	*10,000*	*—*
Total	*14,000*	*97,000*	*10,000*	*—*

(Additional information)

Effective from the year ended March 31, 2010, the Shionogi Group adopted “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10, March 10, 2008) and “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 10, 2008).

Notes to securities

Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)

(1) Bonds held to maturity which market prices are available
(Market price is in excess of the carrying value reported in the consolidated balance sheets)

Millions of yen

	Carrying value reported in the consolidated balance sheets	Market price	Difference
A) National, local government and other public bonds	—	—	—
B) Corporate bonds	—	—	—
C) Other bonds	—	—	—
Subtotal	—	—	—

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

Millions of yen

	Carrying value reported in the consolidated balance sheets	Market price	Difference
A) National, local government and other public bonds	—	—	—
B) Corporate bonds	—	—	—
C) Other bonds	19	19	0
Subtotal	19	19	0
Total	19	19	0

(2) Other securities which market prices are available
(Carrying value reported in consolidated balance sheets is in excess of the acquisition cost)

Millions of yen

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

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

Millions of yen

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

(3) Bonds held to maturity sold in the fiscal year ended March 31, 2009

Millions of yen

Sales value	Gain on sales	Loss on sales
18,196	212	25

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

(4) Other securities sold in their fiscal year ended March 31, 2009

Millions of yen

Sales value	Gain on sales	Loss on sales
2	0	—

(5) Carrying value of major securities which market prices are not available
Other securities

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

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

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

(7) The redemption schedule for other securities with maturity dates and bonds held to maturity

Millions of yen

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

Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)

(1) Bonds held to maturity
(Market price is in excess of the carrying value reported in the consolidated balance sheets)

Millions of yen

	Carrying value reported in the consolidated balance sheets	Market price	Difference
A) National, local government and other public bonds	—	—	—
B) Corporate bonds	—	—	—
C) Other bonds	—	—	—
Subtotal	—	—	—

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

Millions of yen

	Carrying value reported in the consolidated balance sheets	Market price	Difference
A) National, local government and other public bonds	—	—	—
B) Corporate bonds	—	—	—
C) Other bonds	19	19	0
Subtotal	19	19	0
Total	19	19	0

(2) Other securities
(Carrying value reported in consolidated balance sheets is in excess of the acquisition cost)

Millions of yen

	Carrying value reported in the consolidated balance sheets	Acquisition cost	Difference
A) Stocks	40,546	23,648	16,898
B) Bonds			
a) National, local government and other public bonds	14,261	14,015	245
b) Corporate bonds	—	—	—
c) Other bonds	1,127	832	294
C) Other securities	5,309	5,000	309
Subtotal	61,244	43,496	17,747

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

Millions of yen

	Carrying value reported in the consolidated balance sheets	Acquisition cost	Difference
A) Stocks	2,873	3,176	(302)
B) Bonds			
a) National, local government and other public bonds	4,015	4,029	(14)
b) Corporate bonds	—	—	—
c) Other bonds	433	433	—
C) Other securities	—	—	—
Subtotal	7,322	7,639	(317)
Total	68,567	51,136	17,430

(3) Impairment of marketable securities

The Shionogi Group recognized impairment for other securities totaling ¥1,942 million in the year ended March 31, 2010. The Shionogi Group recognizes a material decrease in the value of investments in securities when fair value or market price has fallen 30 percent below acquisition cost as of the balance sheet date. In addition, the Shionogi Group evaluates recoverability of securities according to factors including the financial condition of the issuing entity, and recognizes impairment for securities with a material decrease in fair value unless the value of the securities is deemed recoverable.

Notes to derivatives transactions

Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)

1. Transactions

The Company uses forward foreign exchange contracts and interest rate swaps to mitigate the risk of foreign exchange fluctuations associated with assets and liabilities denominated in foreign currencies and the risk of interest rate fluctuations associated with bank loans, not for speculative transactions or short-term trading. The Company believes that these transactions incur little or no credit risk because they are only conducted with highly creditworthy financial institutions. The Company limits the use of forward foreign exchange contracts and interest rate swaps to ordinary transactions executed by the Financial & Accounting Department, which periodically provides administrative reports on transactions to the Board of Directors.

Consolidated subsidiaries do not conduct derivatives transactions.

2. Fair value of transactions

The Company does not disclose fair value for its forward foreign exchange contracts and interest rate swaps because all qualify for hedge accounting.

Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)

1. Derivatives transactions for which hedge accounting does not apply

None

2. Derivatives transactions for which hedge accounting applies

(1) Currency-related

Hedge accounting method	Type of transaction	Hedge item	Contract amount	Portion over 1 year	Fair value
Gain (loss) resulting from forward foreign exchange contracts is allocated over the applicable periods	Forward foreign exchange purchase contract	Accounts payable-trade	¥133 million	—	(See margin note.)

Note: The fair value of gain or loss resulting from forward foreign exchange contracts embedded in payable subject to hedging is included in the fair value of the corresponding payable.

(2) Interest rate-related

Hedge accounting method	Type of transaction	Hedge item	Contract amount	Portion over 1 year	Fair value
Special treatment of interest rate swaps	Payable fixed rate / Receivable floating interest rate swaps	Long-term loans payable	¥25,000 million	¥25,000 million	(See margin note.)

Note: 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.

Notes to retirement benefits

1. Outline of retirement benefit programs

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

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

2. Retirement benefit obligations

Millions of yen

		As of March 31, 2009	As of March 31, 2010
a.	Retirement benefit obligations	(86,167)	(86,497)
b.	Pension assets	80,639	89,012
c.	Unfunded retirement benefit obligations (a + b)	(7,527)	(2,514)
d.	Unrecognized actuarial difference	36,662	22,100
e.	Unrecognized prior service cost	(10,956)	(8,282)
f.	Net accrued retirement benefits reflected in consolidated balance sheets (c + d + e)	18,178	16,333
g.	Prepaid pension costs	25,971	24,410
h.	Accrued retirement benefits (f – g)	(7,793)	(8,077)

Notes: 1. The above amounts do not include temporary additional retirement benefits.
2. Certain consolidated subsidiaries have adopted a simplified method to calculate retirement benefit obligations.

3. Retirement benefit expenses

Millions of yen

		Year ended March 31, 2009	Year ended March 31, 2010
a.	Service cost	1,828	1,865
b.	Interest cost	1,787	1,762
c.	Expected return on plan assets	(3,891)	(2,530)
d.	Amortization of actuarial difference	2,868	5,857
e.	Amortization of prior service cost	(2,673)	(2,673)
f.	Other cost	824	1,045
g.	Retirement benefit expenses (a + b + c + d + e + f)	744	5,325

Notes: 1. Retirement benefit expenses of consolidated subsidiaries which have the simplified computation methods are included in "a. Service cost".
2. "f. Other cost" presents the contributions to the defined contribution retirement benefit plans.

4. Basis of determining retirement benefit obligations and other expenses

			As of March 31, 2009	As of March 31, 2010
a.	Allocation of estimated amount of retirement benefits to be paid to employees	:	Periodic straight-line method	The same as at left
b.	Discount rate	:	2.0%	2.0%
c.	Expected rate of return on plan assets	:	3.6%	3.1%
d.	Years to amortize prior service cost	:	10 years(to be amortized by straight-line method)	Same as on the left
e.	Years to amortize actuarial difference	:	10 years (to be amortized by straight-line method in the each following year)	Same as on the left

Notes to tax effects

Year ended March 31, 2009

1. Significant evidences from which deferred income taxes arisen

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

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

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

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

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

Year ended March 31, 2010

1. Significant evidences from which deferred income taxes arisen

Deferred tax assets:		
Research and development expenses	2,617	million yen
Provision for bonuses	2,397	
Accrued enterprise tax	1,354	
Investment securities	520	
Provision for sales rebates	276	
Loss carry forward of a consolidated subsidiary	753	
Other	7,971	
Subtotal	15,889	
Valuation allowance	(2,146)	
Total deferred tax assets	13,742	
Deferred tax liabilities:		
Prepaid pension cost	(6,338)	
Valuation difference on available-for-sale securities	(7,076)	
Sales rights	(7,307)	
Investment securities	(2,580)	
Special depreciation	(120)	
Other	(255)	
Total deferred tax liabilities	(23,679)	
Net deferred tax liabilities	(9,936)	

Note: Net deferred tax assets and liabilities in the years ended March 31, 2010 are included in consolidated balance sheets as follows:

Current assets - deferred tax assets	5,418	million yen
Fixed assets - deferred tax assets	80	
Non-current liabilities - deferred tax liabilities	(15,435)	

2. The effective tax rates for the years ended March 31, 2010 differ from the statutory tax rate above for the following reasons:

Statutory tax rate	40.6 %
Expenses not deductible for income tax purposes	1.8
Dividends not taxable for income tax purpose	(1.2)
Amortization of goodwill	2.2
Tax credit	(10.8)
Inhabitants' per capita taxes	0.2
Differences between statutory tax rate in Japan and income tax rate applied for overseas consolidated subsidiaries	(0.4)
Increase and decrease in valuation allowance	(0.3)
Consolidation adjustments resulting from transfer of consolidated subsidiaries	2.3
Other	(0.4)
Effective tax rates	34.0 %

Notes to business combinations

Year ended March 31, 2009	Year ended March 31, 2010
Application of the Purchase Method (1) Name and business of acquired company, primary reasons for business combination, date of business combination, legal form of business combination and name of company after business combination, and ratio of voting rights acquired a. Name and business of acquired company Name of acquired company: Sciele Pharma, Inc. Business: Pharmaceutical research, development and sales b. Primary reasons for business combination Establish a stronger presence in the United States, beginning with the sales infrastructure, to realize the full value of original products and ensure steadier growth over the long term. c. Date of business combination October 9, 2008 d. Legal form of business combination and name of company after business combination Legal form of business combination: Cash acquisition of Sciele Pharma, Inc.'s stock Name of company after business combination: Sciele Pharma, Inc. e. Ratio of voting rights acquired 100% (2) Period of the operating results of the acquired company included in the consolidated financial statements October 10, 2008 to December 31, 2008 (3) Acquisition cost of the acquired company The acquisition cost of the acquired company was US$1,446 million. The company's stock was acquired with cash. (4) Amount of goodwill, reason for recognition, and amortization method and useful life a. Amount of goodwill US$718 million b. Reason for the recognition Goodwill was recognized because the acquisition cost exceeded the net amount allocated to assets acquired and liabilities assumed. c. Amortization method and useful life Amortization on a straight-line basis over 20 years (5) Estimated effect the acquired company would have had on the statements of income for the year ended March 31, 2009 if the business combination had been completed on April 1, 2008 Net sales US$404 million Operating income US$80 million Income before income taxes US$73 million The above estimates are the actual results for Sciele Pharma, Inc. that are applicable to the statements of income for the year ended March 31, 2009. The figures are unaudited.	――――――

Notes to rental and other real estate asset-related

1. Outline of retirement benefit programs

The Shionogi Group owns rental office buildings (including land) in Tokyo Prefecture and elsewhere. Real estate rent in the year ended March 31, 2010 totaled ¥1,652 million. Rent received is included in non-operating income and rent expense is primarily included in non-operating expenses.

Moreover, the fair value and changes in the value of rental real estate assets included in the consolidated balance sheets were as follows:

Millions of yen

Carrying value reported in the consolidated balance sheets			Fair value as of March 31, 2010
Value as of March 31, 2009	Increase (decrease)	Value as of March 31, 2010	
6,398	(164)	6,234	25,960

Note 1: Rental real estate assets are presented on the consolidated balance sheets net of accumulated depreciation.

Note 2: Fair value of these assets as of March 31, 2010 is primarily calculated based on real estate appraisal standards and includes applicable adjustments using indices and other methods.

(Additional information)

Effective from the year ended March 31, 2010, the Shionogi Group adopted “Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Statement No. 20, November 28, 2008) and “Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Guidance No. 23, November 28, 2008).

Notes to segment information

a. Business segment information

Year ended March 31, 2009 (April 1, 2008 to March 31, 2009) and year ended March 31, 2010 (April 1, 2009 to March 31, 2010)

Business segment information has been omitted because pharmaceuticals and related businesses operations account for more than 90% of net sales, operating income and total assets in all segments.

b. Geographical segment information

Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)

Millions of yen

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

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

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

(1) North America: United States

(2) Other: Asia

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

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

5. Change of accounting policy

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

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

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

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

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

6. Additional information

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

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

Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)

Millions of yen

	Japan	North America	Other	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income						
Net sales						
(1) Sales to third parties	238,191	38,642	1,669	278,502	—	278,502
(2) Inter-group sales and transfers	413	2,926	58	3,397	(3,397)	—
Total	238,604	41,569	1,727	281,900	(3,397)	278,502
Operating expenses	185,631	38,656	1,414	225,701	363	226,064
Operating income (loss)	52,972	2,912	313	56,199	(3,761)	52,438
II. Total assets	287,602	85,802	3,818	377,224	163,537	540,761

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

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

(1) North America: United States

(2) Other: Asia

3. Eliminations in other operating expenses include ¥3,761 million in unallocable operating expenses consisting primarily of amortization of goodwill.

4. Eliminations in assets include ¥163,537 million in general corporate assets consisting primarily of surplus funds under management (securities), long-term investment funds (investment securities) and goodwill at Shionogi & Co., Ltd

5. Change of accounting policy

As presented in 'Changes to presentation of consolidated financial statements,' effective from the fiscal year ended March 31, 2010 the income and expenses of overseas subsidiaries are translated into yen at the average exchange rates for the period. Formerly, the rates of exchange in effect at the balance sheet date were used.

For the fiscal year ended March 31, 2010, compared with the previous method this change increased sales by ¥643 million in the North America segment and reduced sales by ¥11 million in the Other segment; increased operating expenses by ¥643 million in the North America segment, reduced operating expenses by ¥7 million in the Other segment and increased eliminations and general corporate assets related to operating expenses by ¥62 million; and increased operating income by ¥0 in the North America segment, reduced operating income by ¥4 million in the Other segment and reduced eliminations and general corporate assets related to operating income by ¥62 million.

c. Overseas sales

Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)

Millions of yen

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

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

2. Main countries and regions included in each segment

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

(2) Others: North America, Asia and others

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

Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)

Millions of yen

	Europe	North America	Other	Total
I. Overseas sales	51,039	44,652	4,149	99,842
II. Consolidated net sales	—	—	—	278,502
III. Overseas sales as a percentage of consolidated net sales	18.3%	16.0%	1.5%	35.8%

Notes: 1. National and regional segments are based on geographic proximity.
2. Main countries and regions included in each segment
(1) Europe: United Kingdom, Switzerland, Germany and others
(2) North America: United States of America and others
(3) Others: Asia and others
3. Overseas sales represent those of the Company and consolidated subsidiaries in countries areas outside Japan and include profit derived from licensing fees as royalty revenue.
4. Changes in national and regional categories
Previously, overseas sales were categorized as "Europe" and "Others." From the fiscal year ended March 31, 2010, "North America" is presented as a separate category because sales in North America exceeded 10 percent of consolidated net sales. For reference, sales in North America presented in "Overseas sales" for the fiscal year ended March 31, 2009 totaled ¥14,567 million and represented 6.4 percent of consolidated net sales.
5. As presented in 'Notes to consolidated financial statements,' effective from the fiscal year ended March 31, 2010, the income and expenses of overseas subsidiaries are translated into yen at the average exchange rates for the period. Formerly, the rates of exchange in effect at the balance sheet date were used.
For the fiscal year ended March 31, 2010, compared with the previous method this change increased sales by ¥643 million in the North America segment, reduced sales by ¥11 million in the Other segment and increased consolidated net sales by ¥632 million. In addition, this change increased the ratio of sales in North America to consolidated net sales by 0.2 percentage points. The effect of this change on the ratio of sales in Europe and Other to consolidated net sales was not material.

Notes to amounts per share

Item	Year ended March 31, 2009	Year ended March 31, 2010
Net assets per share	924.43 yen	1,019.71 yen
Earnings per share	46.75 yen	115.33 yen

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

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

Item	Year ended March 31, 2009	Year ended March 31, 2010
Total net assets	*310,093 million yen*	*341,976 million yen*
Amount deducted from total net assets	*458million yen*	*471million yen*
(Amounts attributed to minority interests in total net assets)	*(458 million yen)*	*(471 million yen)*
Net assets at year end available to common stocks	*309,635 million yen*	*341,504 million yen*
Shares outstanding as of the period end	*334,946 thousands of stocks*	*334,904 thousands of stocks*

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

Item	Year ended March 31, 2009	Year ended March 31, 2010
Net income	*15,661 million yen*	*38,625 million yen*
The amount which is not attributable to ordinary shareholders	–	–
Net income related to common stocks	*15,661 million yen*	*38,625 million yen*
Average number of shares outstanding during the period	*335,021 thousands of stocks*	*334,915 thousands of stocks*

Important Subsequent Events

Year ended March 31, 2009 (April 1, 2008 to March 31, 2009and Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)

None

Items Omitted from Disclosure

Year ended March 31, 2009 (April 1, 2008 to March 31, 2009and Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)

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

5. Non-consolidated financial statements
(1) Non-consolidated balance sheets

Millions of yen

	As of March 31, 2009	As of March 31, 2010
Assets		
Current assets		
Cash and deposits	4,686	2,219
Notes receivable-trade	71	71
Accounts receivable-trade	65,535	67,598
Short-term investment securities	34,859	70,223
Merchandise and finished goods	18,693	23,624
Work in process	11,726	13,934
Raw materials and supplies	8,079	7,325
Advance payments-trade	11,892	6,972
Prepaid expenses	14	95
Deferred tax assets	3,467	4,786
Short-term loans receivable	5,397	989
Other	4,893	3,918
Allowance for doubtful accounts	(154)	(146)
Total current assets	169,162	201,614
Noncurrent assets		
Property, plant and equipment		
Buildings	86,319	89,986
Accumulated depreciation	(60,573)	(62,338)
Buildings, net	25,745	27,648
Structures	7,705	7,782
Accumulated depreciation	(6,435)	(6,535)
Structures, net	1,270	1,247
Machinery and equipment	75,565	78,657
Accumulated depreciation	(67,018)	(68,860)
Machinery and equipment, net	8,546	9,796
Vehicles	489	496
Accumulated depreciation	(448)	(461)
Vehicles, net	40	35
Tools, furniture and fixtures	31,283	32,099
Accumulated depreciation	(26,733)	(28,014)
Tools, furniture and fixtures, net	4,549	4,084
Land	10,124	10,079
Lease assets	4	13
Accumulated depreciation	(0)	(2)
Lease assets, net	3	10
Construction in progress	8,038	6,598
Total property, plant and equipment	58,319	59,500

Millions of yen

	As of March 31, 2009	As of March 31, 2010
Intangible assets		
Patent right	1,951	1,672
Right of trademark	2,017	1,699
Software	1,842	1,417
Sales rights	3,020	1,960
Telephone subscription right	69	69
Right of using facilities	28	24
Total intangible assets	8,928	6,843
Investments and other assets		
Investment securities	62,150	65,166
Stocks of subsidiaries and affiliates	175,330	177,994
Investments in other securities of subsidiaries and affiliates	2,472	5,351
Long-term loans receivable	16	10
Long-term loans receivable from employees	—	1
Long-term loans receivable from subsidiaries and affiliates	5,250	—
Long-term prepaid expenses	12,717	11,281
Prepaid pension cost	25,971	24,410
Other	985	958
Allowance for doubtful accounts	(121)	(121)
Total investments and other assets	284,773	285,054
Total noncurrent assets	352,021	351,399
Total assets	521,184	553,013
Liabilities		
Current liabilities		
Accounts payable-trade	12,118	10,848
Short-term loans payable	10,000	—
Current portion of long-term loans payable	14,000	14,000
Lease obligations	0	2
Accounts payable-other	6,386	6,103
Accrued expenses	4,365	4,355
Income taxes payable	7,313	13,195
Advances received	—	210
Deposits received	3,028	2,703
Provision for bonuses	4,904	5,850
Provision for directors' bonuses	36	—
Provision for sales rebates	854	679
Provision for sales returns	78	67
Other	224	280
Total current liabilities	63,309	58,297

Millions of yen

	As of March 31, 2009	As of March 31, 2010
Noncurrent liabilities		
Bonds payable	—	30,000
Long-term loans payable	91,000	77,000
Lease obligations	3	9
Long-term accounts payable-other	14,006	129
Deferred tax liabilities	9,088	11,568
Provision for retirement benefits	7,754	8,036
Provision for directors' retirement benefits	155	—
Other	631	631
Total noncurrent liabilities	122,639	127,374
Total liabilities	185,948	185,672
Net assets		
Shareholders' equity		
Capital stock	21,279	21,279
Capital surplus		
Legal capital surplus	20,227	20,227
Total capital surpluses	20,227	20,227
Retained earnings		
Legal retained earnings	5,388	5,388
Other retained earnings		
Reserve for special depreciation	276	177
Reserve for advanced depreciation of noncurrent assets	23	23
General reserve	273,645	288,645
Retained earnings brought forward	25,839	40,979
Total retained earnings	305,173	335,213
Treasury stock	(19,652)	(19,733)
Total shareholders' equity	327,027	356,987
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	8,207	10,353
Total valuation and translation adjustments	8,207	10,353
Total net assets	335,235	367,341
Total liabilities and net assets	521,184	553,013

(2) Non-consolidated statements of income

Millions of yen

	Year ended March 31, 2009	Year ended March 31, 2010
Net sales		
Net sales of finished goods	131,039	129,768
Net sales of goods	38,832	41,765
Royalty income	36,881	57,051
Total net sales	206,753	228,585
Cost of sales		
Beginning merchandise and finished goods	11,948	14,154
Cost of purchased goods	16,208	18,509
Cost of products manufactured	49,074	49,447
Transfer to other account	(1,444)	(1,209)
Total	78,675	83,320
Ending merchandise and finished goods	14,154	17,824
Cost of merchandise and finished goods sold	64,520	65,496
Total cost of sales	64,520	65,496
Gross profit	142,233	163,089
Reversal of provision for sales returns	17	11
Gross profit-net	142,250	163,100
Selling, general and administrative expenses	106,013	113,843
Operating income	36,236	49,256
Non-operating income		
Interest income	171	193
Interest on securities	828	397
Dividends income	1,713	2,129
Real estate rent	2,038	1,939
Miscellaneous income	731	761
Total non-operating income	5,482	5,422
Non-operating expenses		
Interest expenses	609	1,385
Interest on bonds	—	242
Contribution	1,235	1,401
Foreign exchange losses	415	389
Depreciation	452	424
Loss on disposal of noncurrent assets	397	234
Miscellaneous expenses	685	660
Total non-operating expenses	3,795	4,737
Ordinary income	37,924	49,941

Millions of yen

	Year ended March 31, 2009	Year ended March 31, 2010
Extraordinary income		
Gain on transfer of business	—	7,117
Gain on exchange of investment securities	—	4,900
Gain on sales of investment securities	213	—
Total extraordinary income	213	12,017
Extraordinary loss		
Loss on valuation of investment securities	—	1,942
Impairment loss	—	199
Special contract expenses	700	—
Loss on disaster	253	—
Loss on valuation of inventories	35	—
Loss on sales of investment securities	25	—
Other	—	119
Total extraordinary losses	1,014	2,262
Income before income taxes	37,123	59,696
Income taxes-current	12,370	19,245
Income taxes-deferred	889	(306)
Total income taxes	13,259	18,938
Net income	23,863	40,757

(3) Non-consolidated statements of changes in net assets

Millions of yen

	Year ended March 31, 2009	Year ended March 31, 2010
Shareholders' equity		
Capital stock		
Balance at the end of previous period	21,279	21,279
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	21,279	21,279
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	20,227	20,227
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	20,227	20,227
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	5,388	5,388
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	5,388	5,388
Other retained earnings		
Reserve for special depreciation		
Balance at the end of previous period	461	276
Changes of items during the period		
Provision of reserve for special depreciation	29	44
Reversal of reserve for special depreciation	(213)	(144)
Total changes of items during the period	(184)	(99)
Balance at the end of current period	276	177
Reserve for advanced depreciation of noncurrent assets		
Balance at the end of previous period	24	23
Changes of items during the period		
Reversal of reserve for advanced depreciation of noncurrent assets	(0)	(0)
Total changes of items during the period	(0)	(0)
Balance at the end of current period	23	23
General reserve		
Balance at the end of previous period	258,645	273,645
Changes of items during the period		
Provision of general reserve	15,000	15,000
Total changes of items during the period	15,000	15,000
Balance at the end of current period	273,645	288,645

Millions of yen

	Year ended March 31, 2009	Year ended March 31, 2010
Retained earnings brought forward		
Balance at the end of previous period	25,503	25,839
Changes of items during the period		
Provision of reserve for special depreciation	(29)	(44)
Reversal of reserve for special depreciation	213	144
Reversal of reserve for advanced depreciation of noncurrent assets	0	0
Provision of general reserve	(15,000)	(15,000)
Dividends from surplus	(8,711)	(10,717)
Net income	23,863	40,757
Total changes of items during the period	336	15,140
Balance at the end of current period	25,839	40,979
Total retained earnings		
Balance at the end of previous period	290,021	305,173
Changes of items during the period		
Dividends from surplus	(8,711)	(10,717)
Net income	23,863	40,757
Total changes of items during the period	15,151	30,040
Balance at the end of current period	305,173	335,213
Treasury stock		
Balance at the end of previous period	(19,280)	(19,652)
Changes of items during the period		
Purchase of treasury stock	(371)	(80)
Total changes of items during the period	(371)	(80)
Balance at the end of current period	(19,652)	(19,733)
Total shareholders' equity		
Balance at the end of previous period	312,248	327,027
Changes of items during the period		
Dividends from surplus	(8,711)	(10,717)
Net income	23,863	40,757
Purchase of treasury stock	(371)	(80)
Total changes of items during the period	14,779	29,959
Balance at the end of current period	327,027	356,987
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	22,068	8,207
Changes of items during the period		
Net changes of items other than shareholders' equity	(13,860)	2,145
Total changes of items during the period	(13,860)	2,145
Balance at the end of current period	8,207	10,353

Millions of yen

	Year ended March 31, 2009	Year ended March 31, 2010
Total net assets		
Balance at the end of previous period	334,316	335,235
Changes of items during the period		
Dividends from surplus	(8,711)	(10,717)
Net income	23,863	40,757
Purchase of treasury stock	(371)	(80)
Net changes of items other than shareholders' equity	(13,860)	2,145
Total changes of items during the period	919	32,105
Balance at the end of current period	335,235	367,341

Going concern assumption

None

6. Others

Changes in Directors and Auditors (Scheduled for June 24, 2010)

1. Change in Representatives

No changes.

2. Change in Other Directors

New Substitute Corporate Auditor Candidates

Part-time Substitute Corporate Auditor Mitsunori Umeyama (Attorney at Law, Fujii & Umeyama Law Office)

The 145th Annual General Meeting of Shareholders to be held on June 24, 2010 will decide on the new candidates for Outside Corporate Auditor.