Translation for reference only

Ticker Code: 4507

To All Shareholders

June 2, 2011

Notice of Convocation of the 146th Annual General Meeting of Shareholders

The 146th Annual General Meeting of Shareholders will be convened at the time and location listed below. On behalf of the directors of the Company, we cordially invite you to attend this shareholders' meeting. If you are unable to attend, you can exercise your voting rights with the proxy form on the back of this notice. If you wish to vote by using the proxy form, you are kindly requested to take the time to review the reference information provided below and exercise it by 5:00 p.m., Thursday June 23, 2011.

Yours faithfully,

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

Annual General Meeting of Shareholders

1. **Date and time:** **10:00 a.m., Friday, June 24, 2011**
2. **Location:** **Third-floor hall, Shionogi Head Office**
   1-8 Doshomachi 3-chome, Chuo-ku, Osaka, Japan
3. **Agenda:**

   Items to report:

   1.The Business Report, the Consolidated Financial Statement and the Non-Consolidated Financial Statement for the 146th Fiscal Term (year ended March 31, 2011)

   2.The Audit Report of the Consolidated Financial Statement for the 146th Fiscal Term (year ended March 31, 2011) by the Accounting Auditor and the Board of Corporate Auditors

   Items for resolution:

   Proposal No. 1: Appropriation of Surplus

   Proposal No. 2: Election of Five (5) Directors

   Proposal No. 3: Election of Two (2) Corporate Auditors

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

   Proposal No. 5: Issuance of Stock Acquisition Rights (Stock Options) as Director Compensation

   Proposal No. 6: Revision of Corporate Auditor Compensation

4. **Exercise of voting rights:**

   1. Exercise of voting rights by mail
   If you wish to do so by mail, you are kindly requested to indicate your consent or refusal on the proxy form and return it by 5:00 p.m., Thursday, June 23, 2011.

2. Exercise of voting rights by Internet

If you wish to vote by Internet, you are kindly requested to take the time to review the reference information "Procedures on Exercise of Voting Rights through the Internet etc." provided on page 43. Please indicate your consent or refusal on the proxy form and input it by 5:00 p.m., Thursday June 23, 2011.[1]

If you intend to exercise your voting rights in person, you are kindly requested to hand in your proxy form at the reception desk when you arrive at the Annual General Meeting of Shareholders.

Please note that if any revisions are made to the contents of the business report, the consolidated financial statements, the non-consolidated financial statements and the referential documents concerning the exercise of voting rights that are attached to this Notice of Convocation, the revised contents will be posted on our Internet website (http://www.shionogi.co.jp/).

[1] Japan Standard Time

(Appended documents)

Business Report

Fiscal 2010(Year ended March 31, 2011)

1. Overview of Operations

(1) Business Operations and Results

In the fiscal year ended March 31, 2011 (fiscal 2010), the market environment of Japan's pharmaceutical industry was increasingly severe, with the April 2010 implementation of National Health Insurance (NHI) drug price revisions that averaged 6.0 percent throughout the industry, exacerbated by competition among pharmaceutical companies faced with the expiration of patents. Overseas, with the added factor of reform of the U.S. health insurance system, conditions in the pharmaceutical market are expected to remain severe.

Under these circumstances, the Shionogi Group formulated and started the first year of its third medium-term business plan for the five years from fiscal 2010. Despite the revision of NHI drug prices, the Group achieved growth in sales of prescription drugs in Japan that outpaced the market average and recovered market share. With regard to the Great East Japan Earthquake that occurred on March 11, 2011, the Group incurred an extraordinary loss of approximately ¥3.0 billion to cover the substantial impact on operations at the Group's Kanegasaki Plant in Iwate Prefecture and its sales activities in East Japan. Thereafter, the Group worked tirelessly to restore operations, restarting activities in stages. For the Group's U.S. operations, it was a challenging year. Since operating results became increasingly unstable from the previous year, the Shionogi Group implemented measures including business integration with the Group's U.S. development subsidiary, structural reform of expenses including cutbacks in personnel, review of the product lineup including discontinuing certain products, and adoption of more conservative accounting procedures. As a result of these initiatives, the Group recorded an extraordinary loss of approximately ¥15.0 billion. With these measures, the Shionogi Group is preparing a framework for stable business operations in fiscal 2011 and beyond.

Net sales increased 1.4 percent compared with the previous fiscal year to ¥282,350 million. In core prescription drugs in Japan, sales of Crestor, a hyperlipidemia treatment, and Irbetan, a hypertension treatment, grew substantially, and Cymbalta, an antidepressant drug launched in April 2010, contributed to the increase in sales. Sales of other strategic drugs also increased, and overall sales of prescription drugs rose 4.2 percent year-on-year. In addition, royalty income increased significantly due to overseas sales growth of Crestor by AstraZeneca. On the other hand, sales decreased at U.S. subsidiary Shionogi Inc.

In terms of profit, the increases in domestic sales of prescription drugs and royalty income were offset by the decrease in sales at Shionogi Inc. and other factors. As a result, cost of sales exceeded the Group's target, leading to a 0.8 percent decrease in gross profit compared with the previous fiscal year. In addition, due to a 2.6 percent increase in selling, general and administrative (SG&A) expenses, operating income decreased 10.6 percent to ¥46,892 million and ordinary income decreased 10.6 percent to ¥45,176 million. Net income decreased 48.2 percent to ¥20,026 million as a result of extraordinary losses incurred including loss relating to disasters caused by the Great East Japan Earthquake, business structure improvement expenses and impairment loss for Shionogi Inc..

Regarding research and development activities in Japan, the Shionogi Group launched Cymbalta in April 2010. The Group has also filed an application for this drug for the additional indication of diabetic neuropathic pain. In addition, Shionogi received approval in October 2010 for the additional indication of pediatric use of RAPIACTA®, an anti-viral drug for influenza. Drugs currently under development in and outside Japan include an anti-HIV drug, a drug to alleviate opioid-induced adverse effects and a drug for the treatment of diabetes. Regarding research facilities, the Shionogi Pharmaceutical Research Center (SPRC), which is under construction in Toyonaka City, Osaka, is scheduled to commence operations in or after summer 2011. This is expected to further strengthen drug discovery capabilities through a projected consolidation of research functions and improvement in productivity. Moreover, in April 2011 the Shionogi Group reviewed its development organization and established a Global Development Office to enhance and accelerate strategic decision making about global products under development.

As a result of these activities, overall Group R&D expenses for the fiscal year ended March 31, 2011 totaled ¥50,921 million.

(2) Capital investment

For the fiscal year ended March 31, 2011, Group capital expenditures totaled ¥17,900 million, reflecting aggressive investment in such projects as the construction of the SPRC and enhancement of manufacturing capabilities.

(3) Fund-raising

The Shionogi Group conducted no fund-raising of note during the fiscal year ended March 31, 2011.

(4) Challenges ahead

The Shionogi Group has formulated and started initiatives under its third medium-term business plan for the five-year period from fiscal 2010, with the following basic strategies:

1. Steady growth mainly through enriched pipeline
2. Investments in the new growth drivers
3. Therapeutic areas to be focused on

For its domestic prescription drugs, the Shionogi Group's activities for strategic products have been showing results, and it will aim for steady growth in the future. Regarding R&D, the Group aims to bring its anti-HIV drug and other global products under development to market as quickly as possible. At the same time, the Group will continue to ramp up its activities to reduce cost of sales and SG&A expenses.

From the start of this fiscal year, various issues concerning the U.S. subsidiary the Shionogi Group acquired in October 2008 have become evident, and its financial results are unstable. In response, the Group has initiated a series of countermeasures including business integration with a development subsidiary, structural reform of the company's expenses including cutbacks in personnel, and a review of the product lineup. In addition to these efforts, the Group will work to strengthen the product portfolio, including through in-licensing, to create a new structure that can flexibly address changes in the U.S. pharmaceutical market environment, and that will result in business stability in the next fiscal year and beyond through sales of global products developed in-house.

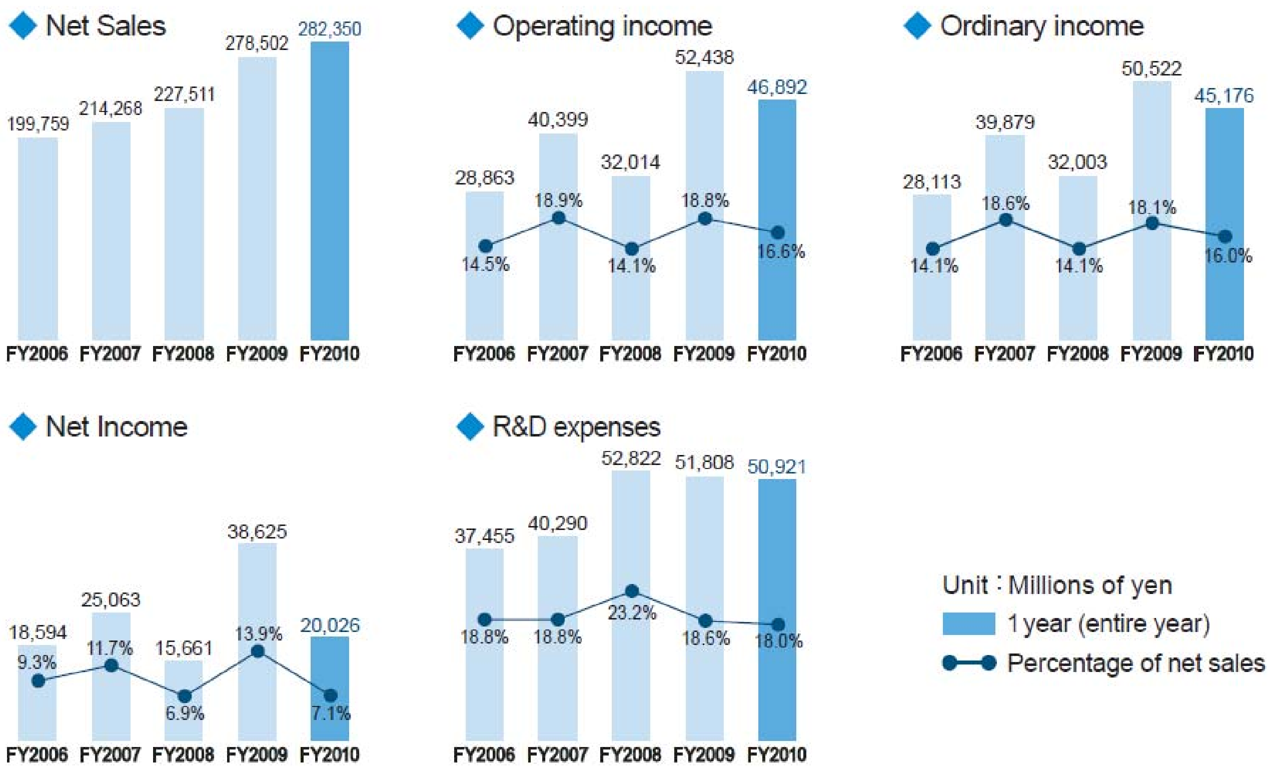
Overcoming each challenge and issue, the Shionogi Group will implement its third medium-term business plan to steadily realize its corporate philosophy "to strive constantly to provide medicine of the best possible kind essential for the protection of the health of the people" globally and further enhance its presence and standing as a pharmaceutical company.

(5) Business Results and Financial Position

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

Classification	FY2006	FY2007	FY2008	FY2009	FY2010
Net sales	199,759	214,268	227,511	278,502	282,350
Operating income	28,863	40,399	32,014	52,438	46,892
Ordinary income	28,113	39,879	32,003	50,522	45,176
Net income	18,594	25,063	15,661	38,625	20,026
Earnings per share	yen 54.61	yen 74.21	yen 46.75	yen 115.33	yen 59.80
Total assets	429,569	413,703	501,852	540,761	523,242
Net assets	345,752	342,235	310,093	341,976	328,096
Net assets per share	yen 1,014.73	yen 1,020.31	yen 924.43	yen 1,019.71	yen 979.69

〔Reference〕 Consolidated Financial Indicators



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

Type	FY2006	FY2007	FY2008	FY2009	FY2010
Net sales	185,686	201,002	206,753	228,585	249,989
Operating income	24,893	36,397	36,236	49,256	60,435
Ordinary income	25,985	37,240	37,924	49,941	60,337
Net income	17,324	22,479	23,863	40,757	41,657
Earning per share	yen 50.88	yen 66.56	yen 71.23	yen 121.70	yen 124.39
Total assets	414,992	400,154	521,184	553,013	565,170
Net assets	340,346	334,316	335,235	367,341	389,344
Net assets per share	yen 999.69	yen 997.59	yen 1,000.86	yen 1,096.85	yen 1,162.57

(6) Significant Subsidiaries

Company Name	Capital Stock	Percentage of Ownership	Main Areas of Business
Shionogi Inc.	U.S. dollars 6.00	100.0	Overall management of U.S. subsidiaries, etc.
Taiwan Shionogi & Co., Ltd.	Million NT dollars 92	100.0	Pharmaceutical manufacturing and sales

(7) Main Operations of the Company Group

The company group mainly manufactures and sells pharmaceutical products.

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

①**Main Offices, Plants, and Laboratories of the Company**

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

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

②Main Offices, Plants, and Laboratories of the Subsidiaries

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

(9) Employees

①Number of Employees of the Corporate Group

Classification	Number of employees	Increase/decrease over previous FY
Pharmaceuticals and related businesses	5,277	(-) 610

②Number of Employees of the Company

Number of employees	Increase/decrease over previous FY	Average age	Average number of years with the Company
4,162	(+) 38	40.5	16.9

(10) Main Loans from Banks

Loans from banks	Amount of loans
	Millions of yen
Syndicated Loan	39,000
Mizuho Corporate Bank, Ltd.	10,000
Sumitomo Trust & Banking Co., Ltd.	10,000
Sumitomo Life Insurance Company	8,000
Nippon Life Insurance Company	5,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,000

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

2. Stock Data

1) Number of shares authorized to be issued 1,000,000,000

2) Number of shares issued 351,136,165 (excludes treasury stock 16,237,775)

3) Number of shareholders 34,532

4) Major Shareholders

Name of shareholder	Number of shares held	% of total
	Thousands of shares	
Japan Trustee Services Bank, Ltd. (as a trustee)	19,028	5.68%
Sumitomo Life Insurance Company	18,604	5.56%
The Master Trust Bank of Japan, Ltd. (as a trustee)	15,465	4.62%
Nippon Life Insurance Company	13,138	3.92%
JP Morgan Chase Bank 385147	10,716	3.20%
JP Morgan Chase Bank 380055	10,620	3.17%
Japan Trustee Services Bank, Ltd. (as a trustee for (i) Sumitomo Trust & Banking Co., Ltd. and (ii) retirement benefit of Sumitomo Mitsui Banking Corporation)	9,485	2.83%
NIPPONKOA Insurance Company, Limited	7,551	2.25%
State Street Bank and Trust Company	6,935	2.07%
Japan Trustee Services Bank, Ltd. (as a trustee)	6,787	2.03%

Note:
1. The Company owns 16,237,775 shares of treasury stock but the Company is not included in the major shareholders listed above (top 10).
2. The percentage of total is calculated as the proportion of shares to 334,898,390 shares of total issued stock (excluding 16,237,775 shares of treasury stock).

3. Board members

(1) Directors and Corporate Auditors

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

Note:

1. Directors Akio Nomura and Teppei Mogi are Outside Directors stipulated in Section 15, Article 2 of the Corporate Law.
2. Auditors Takeharu Nagata and Shinichi Yokoyama are Outside Corporate Auditors stipulated in Section 16, Article 2 of the Corporate Law.
3. Directors Akio Nomura and Teppei Mogi have each submitted notification as independent directors as stipulated by Tokyo Stock Exchange Group, Inc. and Osaka Securities Exchange.

(2) Amount of remuneration for Directors and Corporate Auditors

Category	Number of persons remunerated	Total amount of remuneration paid	Note
Directors (of which are outside directors)	6 (2)	Millions of yen 237 (24)	Total amount of Directors' remuneration is limited to an amount not exceeding ¥450 million per year by a resolution passed at Annual Shareholders' Meeting held on June 28, 2007 and total amount of Corporate Auditors' remuneration is limited to an amount not exceeding ¥90 million per year by a resolution passed at the Annual Shareholders' Meeting held on June 28, 2007.
Corporate Auditors (of which are outside auditors)	4 (2)	77 (24)	
Total	10	315	

Note: Remuneration shown above includes bonus for Directors in the following amounts, which is subject to approval at the 146th Annual Shareholders' Meeting: ¥19 million (for 4 Directors)

(3) Outside Board members

① Major Activities

Name	Major Activities
Akio Nomura	He participated in the Board of Directors meetings (attended all 11 meetings) held during fiscal 2010 and he made statements on the execution of duties by the directors from the perspective of his long and successful career placing importance on the objectivity and impartiality of management.
Teppei Mogi	He participated in the Board of Directors meetings (attended all 11 meetings) held during fiscal 2010 and he made statements on the execution of duties by the directors from a perspective placing priority on the observance of social norms, laws and ordinances, etc.
Takeharu Nagata	He participated in the Board of Directors meetings (attended all 11 meetings) held during fiscal 2010 and he made statements on the execution of duties by the directors from the perspective of his long and successful career. He also participated in the Board of Corporate Auditors meetings (attended all 7 meetings) held during fiscal 2010 where significant matters of audit were discussed and recommendations made as necessary.
Shinichi Yokoyama	He participated in the Board of Directors meetings (attended 10 of 11 meetings) held during fiscal 2010 and he made statements on the execution of duties by the directors from the perspective of his long and successful career. He also participated in the Board of Corporate Auditors meetings (attended all 7 meetings) held during fiscal 2010 where significant matters of audit were discussed and recommendations made as necessary.

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

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

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

The Company does not have any relationship which should be indicated with Keihanshin Real Estate Co., Ltd. where Corporate Auditor Takeharu Nagata serves as the chairman, KOKUYO Co., Ltd., where he serves as an outside director, or SANYO Electric Co., Ltd., where he serves as an outside auditor.

Sumitomo Life Insurance Company where Shinichi Yokoyama serves as the chairman of the board and representative director holds 5.56% of the Company stock (which is the proportion of shares to the 334,898,390 shares of total issued stock excluding the 16,237,775 shares of treasury stock of the Company), and the Company has a business relationship with Sumitomo Life Insurance Company such as the borrowing of funds, etc. However, the Company does not have any relationship which should be indicated with NEC Corporation or Sumitomo Chemical Co., Ltd. where he serves as an outside auditor.

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

4. Independent Accounting Auditor

(1) Name of the Independent Accounting Auditor

Ernst & Young Shin Nihon LLC

(2) Compensation paid to Independent Accounting Auditor for the fiscal year ended on March 31, 2011

① Compensation paid to the Independent Accounting Auditor for the fiscal year ended on March 31, 2011:

¥49 million

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

¥65 million

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

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

The Company has paid the independent accounting auditor compensation for services including advisory work, which is a service outside the scope of the duties stipulated in Paragraph 1, Article 2 of the Certified Public Accountants Law (a non-audit service).

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

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

5. Systems and Policies of Company

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

On April 25, 2011, at the meeting of the Board of Directors, the Company passed a resolution to amend the basic policy for construction of systems to assure appropriate business operations ("The Basic Policy for Construction of Internal Control System") as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Moreover, with regard to emergency risks such as disasters, accidents and company scandals, etc., the Company enacted the "Crisis Management Policy" and defined the "Disaster Measures

Outline", the "Pandemic Measures Outline" and the "Company Scandals Measures Outline" based on the policy, and the Company will promote crisis management while aiming to show respect for human life, be considerate of and contribute to regional communities and suppress derogation of corporate value.

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

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

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

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

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

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

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

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

In addition, to verify the effectiveness of its internal control system, the Company will enhance internal audits by the Internal Control Department to strengthen its monitoring capabilities, and will make full use of its internal reporting system to work for the early detection of misconduct and prevention of its recurrence.

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

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

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

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

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

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

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

The employees assigned will be independent from the directors.

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

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

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

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

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

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

6. Other Material Matters

Legal Actions

- In December 2007, the Company brought a patent infringement action jointly with AstraZeneca against seven generic drug companies (two other companies were added later) including Cobalt Pharmaceuticals, Inc. and Apotex, Inc., which had filed Abbreviated New Drug Applications ("ANDAs") for a generic drug version of Crestor in the United States, in order to prevent said companies from selling any generic drug under the patent owned by the Company in the United States.

  The trial was held from late February to early March 2010. In June 2010, the United States District Court for the District of Delaware found that the Company's patent is valid and enforceable, and ordered eight generic drug companies to prohibit their manufacture and distribution of said generic drugs prior to the expiration of the patent. In August 2010, seven generic drug companies appealed the above ruling to the United States Court of Appeals for the Federal Circuit. As a result, the Company has responded to this action, which is currently pending in court.

  In September 2009, the Company brought, in collaboration with AstraZeneca Canada, a patent infringement action against two companies, namely Novopharm Limited (currently Teva Canada Limited) and Apotex, Inc., which had filed ANDAs for a generic drug version of Crestor in Canada, in order to prevent said companies from selling generic drugs under the patent owned by the Company in Canada.

  The Company has performed the necessary procedures in court, to request the relevant administrative authorities to stop the approval of ANDAs filed by the aforementioned two companies as well as six other generic drug companies.

  Of the parties in the suit and procedures, a settlement was reached with and actions have been terminated against Teva Canada Limited (which absorbed Ratiopharm Inc.), Apotex, Inc., Cobalt Pharmaceuticals Company, Sandoz Canada Inc. and Mylan Pharmaceuticals ULC. Procedures against Pharmascience Inc. and Ranbaxy Pharmaceuticals Canada Inc.are still pending.

  In October 2010 in the Delaware District Court and again in November 2010 in the Nevada District Court, the Company brought a patent infringement action jointly with AstraZeneca against Watson Pharmaceuticals, Inc., which had filed an ANDA for a generic drug version of Crestor in the United States, in order to prevent Watson Pharmaceuticals, Inc. from selling any generic drug under the patent owned by the Company in the United States.
- In May 2008, a suit was brought against the Company in Osaka District Court by Cellectis SA, which is the exclusive licensee of the patent owned by Institut Pasteur, claiming that the use of the technology relating to genetically modified mice for research would infringe the patent and demanding that the Company pay ¥970 million. The trial for this suit is currently under way.
- In February 2009, the Company brought a patent infringement action under its patent for the crystal of cefcapene pivoxil hydrochloride monohydrate, the active ingredient of Flomox®, an antibiotic developed by the Company, against ITOCHU CHEMICAL FRONTIER Corporation, which is the importer of said active ingredient, and simultaneously initiated procedures to petition for a provisional deposition order.

  In August 2009, the Company also brought a patent infringement action against Sawai Pharmaceutical Co., Ltd., which had started selling a generic drug version of Flomox® in May 2009, for the same patent, and simultaneously initiated procedures to petition for a provisional deposition order. Additionally, in February 2010, the Company initiated procedures to petition for a provisional deposition order, based on infringement of this same patent, against eight generic drug companies including Towa Pharmaceutical Co., Ltd. that started selling a generic version of the drug in November 2009.

  Since the Osaka District Court made a judgment to repeal the series of claims by the Company in April 2010, the Company filed an appeal to the Intellectual Property High Court with ITOCHU CHEMICAL FRONTIER Corporation and Sawai Pharmaceutical Co., Ltd. as appellees. This suit was settled and the action was terminated in October 2010

Consolidated Balance Sheet

(As of March 31, 2011)

(Units: millions of yen)

Account	Amount	Account	Amount
(Assets)	**(523,242)**	**(Liabilities)**	**(195,145)**
Current Assets	**256,937**	**Current Liabilities**	**79,819**
Cash and deposits	27,579	Notes and accounts payable-trade	12,884
Notes and accounts receivable-trade	69,498	Current portion of long-term loans payable	14,000
Short-term investment securities	88,914	Income taxes payable	13,510
Merchandise and finished goods	24,369	Provision	10,349
Work in process	13,294	Provision for bonuses	7,059
Raw materials and supplies	9,675	Other provision	3,290
Deferred tax assets	7,872	Other	29,075
Other	15,745		
Allowance for doubtful accounts	(12)	**Noncurrent liabilities**	**115,325**
		Bonds payable	30,000
		Long-term loans payable	63,000
Noncurrent assets	**266,304**	Deferred tax liabilities	6,623
Property, plant and equipment	**70,220**	Provision for retirement benefits	8,573
Buildings and structures, net	27,808	Other	7,128
Machinery, equipment and vehicles, net	8,596		
Land	9,914		
Other	23,900	**(Net assets)**	**328,096**
Intangible assets	**99,593**	**Shareholders' equity**	**361,733**
Goodwill	58,830	Capital stock	21,279
Sales rights	34,255	Capital surplus	20,227
Other	6,506	Retained earnings	339,970
Investments and other assets	**96,491**	Treasury stock	(19,743)
Investment securities	60,654	**Accumulated other comprehensive income**	**(33,637)**
Prepaid pension cost	23,330	Valuation difference on available-for-sale securities	3,732
Other	12,626	Deferred gains or losses on hedges	(288)
Allowance for doubtful accounts	(121)	Foreign currency translation adjustment	**(37,081)**
Total assets	**523,242**	**Total liabilities and net assets**	**523,242**

Consolidated Statements of Income

(Year ended March 31, 2011)

(Units: Millions of yen)

Accounts	Amount	
Net sales		**282,350**
Cost of sales		**81,737**
Gross profit		**200,612**
Selling, general and administrative expenses		**153,720**
(R&D expenses)		50,921
Operating income		**46,892**
Non-operating income		**2,326**
Interest and dividends income	1,638	
Other	643	
Non-operating expenses		**4,042**
Interest expenses	1,478	
Other	2,563	
Ordinary income		**45,176**
Extraordinary income		**6,237**
Gain on sales of non-current assets	4,067	
Gain on sales of investment securities	1,647	
Other	523	
Extraordinary loss		**18,278**
Impairment loss	7,342	
Business structure improvement expenses	4,829	
Loss on disaster	2,826	
Bad debts written off	1,769	
Other	1,511	
Income before income taxes		**33,135**
Income taxes-current		20,207
Income taxes-deferred		(7,129)
Income before minority interests		**20,057**
Minority interests in income		30
Net income		**20,026**

Consolidated Statements of Changes in Net Assets

(Year ended March 31, 2011)

(Units: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2010	21,279	20,227	332,669	(19,733)	354,443
Changes of items during the period					
Dividends from surplus			(12,726)		(12,726)
Net income			20,026		20,026
Purchase of treasury stock				(10)	(10)
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	—	7,300	(10)	7,290
Balance as of March 31, 2011	21,279	20,227	339,970	(19,743)	361,733

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance as of March 31, 2010	10,362	—	(23,301)	(12,939)	471	341,976
Changes of items during the period						
Dividends from surplus				—		(12,726)
Net income				—		20,062
Purchase of treasury stock				—		(10)
Net changes of items other than shareholders' equity	(6,629)	(288)	(13,779)	(20,697)	(471)	(21,169)
Total changes of items during the period	(6,629)	(288)	(13,779)	(20,697)	(471)	(13,879)
Balance as of March 31, 2011	3,732	(288)	(37,081)	(33,637)	—	328,096

Notes on Consolidated Financial Statements

(Notes on Consolidated Financial Statements)

1. Scope of consolidation
   Number of consolidated subsidiaries: 17
   Names of significant consolidated subsidiaries
   Shionogi Inc., Taiwan Shionogi & Co., Ltd.
   (Newly consolidated) Subsidiaries newly consolidated: 1
   (Excluded) Subsidiaries excluded through merger: 1
2. Application of equity method
   (1) Number of unconsolidated subsidiaries and affiliates accounted for by the equity method
   No unconsolidated subsidiaries were accounted for by the equity method.
   Number of affiliate companies accounted for by the equity method: 1
   Shionogi-.ViiV Healthcare L.P. was accounted for by the equity method and its closing date differs from the consolidated closing date, therefore the financial statements in its fiscal year have been used. From the fiscal year ended March 31, 2011, Shionogi-Glaxo SmithKline Holding L.P. changed its corporate name to Shionogi-.ViiV Healthcare L.P.
   (2) That portion of the net profit (loss) of the affiliates not accounted for by the equity method which was attributable to the Company in proportion to its shareholding ratio had no significant effect on the consolidated net income of the Company for the current period.
3. Closing date of consolidated subsidiaries
   Ten consolidated subsidiaries are overseas consolidated subsidiaries.
   One of these overseas consolidated subsidiaries closes its accounts on December 31. In preparing the consolidated financial statements, the financial statements of this subsidiary as of December 31 are used. The necessary adjustments have been made to reflect any significant transactions occurring between this closing date and the date of the consolidated financial statements.
   (Changes in Closing Dates of Consolidated Subsidiaries)
   Effective from the fiscal year ended March 31, 2011, the closing dates of Shionogi Inc. (Shionogi USA Holdings, Inc. changed its name to Shionogi Inc. in July 2010) and eight other companies were amended to the closing date of the consolidated financial statements. As a result of this change, nine consolidated subsidiaries had a 15-month settlement period from January 1, 2010 to March 31, 2011. This change in closing date has further resulted in a consolidated statement of income for the fiscal year under review of 15 months from January 1, 2010 to March 31, 2011. In adjusting income and loss to conform with previous closing dates, net sales increased by ¥9,563 million and operating income, ordinary income, income before income taxes and minority interests and net income all decreased by ¥602 million, ¥567 million, ¥1,001 million and ¥624 million, respectively.
4. Significant accounting policies
   (1) Basis and method of valuation of significant assets
   ① Securities
   ・Held-to-maturity securities
   Amortized cost method
   ・Other securities
   Market value available
   At fair value, based on market price or other appropriate quotation as of period end (Unrealized gain is charged directly to net assets; cost of sales is accounted for by the moving average method.)
   Market value not available
   At cost determined by the moving average method
   (The securities based on the Financial Instruments and Exchange Law article 2.2 are evaluated at their net profit/loss (equity method).)
   ② Derivatives
   Market value method
   ③ Inventories
   Inventories are mainly stated at the lower of cost, determined by the average method, or net selling value.
   (2) Depreciation Method of significant depreciable assets
   ① Property, plant and equipment (excluding lease assets)
   Most items are depreciated by the declining balance method.
   Buildings (except for structures attached to the buildings) acquired subsequent to April 1, 1998 are depreciated by straight-line method.
   ② Intangible assets (excluding lease assets)
   Most items are depreciated by the Straight-line method
   Expenditures related to computer software intended for internal use are amortized over the useful life of the respective assets (in general, 5 years).

③ Lease assets

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

However, the Company continues to account for finance lease transactions not involving the transfer of ownership that were concluded prior to the beginning of the first year when “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13; Business Accounting Council Committee No. 1, June 17, 1993; revised March 30, 2007) and “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16; the Japanese Institute of Certified Public Accountants, Accounting Committee, January 18, 1994; revised March 30, 2007) were applied (April 1, 2008) in a manner similar to the accounting treatment for ordinary operating lease transactions.

(3) Basis for providing significant allowances and provisions

① Allowance for doubtful accounts

The allowance for doubtful accounts is provided to cover bad debt loss. The amount provided for general receivables is based on the historical rate of bad debts; for certain receivable accounts of considerable risk, the estimated uncollectible amount is provided as an additional allowance after examining specific possibility of collection.

② Provision for bonuses

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

③ Provision for retirement benefits

To prepare for the payment of retirement benefits to employees, a provision for retirement benefits is provided based on the retirement benefit liabilities accrued and the expected value of the pension plan assets as of the period end. Prior service cost is amortized by the straight-line method over 10 years, which is within the estimated average remaining years of service of the eligible employees. Actuarial gain or loss is proportionally amortized each year following the year in which the gain or loss is recognized principally by the straight-line method over 10 years, which is within the estimated average remaining years of service of the eligible employees.

(4) Foreign currency translation

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

(5) Significant hedge accounting

① Method of hedge accounting

In principle, deferred hedge accounting is used. Translation at the contract rate is applied in accounting for forward foreign exchange contracts that meet specified conditions. Hedges that meet conditions for the special treatment of interest-rate swaps are accounted for separately.

② Hedging instruments and hedged items

・Hedging instruments

Forward foreign exchange contracts, currency options and interest-rate swaps

・Hedged items

Foreign currency-denominated claims and obligations, forecast transactions and debt

③ Hedging policy

The Company enters into forward foreign exchange contracts and uses currency options with the objective of hedging the risk of exchange rate fluctuations in connection with its foreign currency-denominated claims and obligations. Additionally, the Company also enters into interest-rate swaps with the objective of hedging the risk of interest rate fluctuations relating to its debt.

④ Methods for evaluating the effectiveness of hedging

The Company evaluates the effectiveness of its hedging practices by comparing the cash flow fluctuations for hedged items and hedging methods and using changes in both as a basis for its evaluation. However, evaluations concerning the effectiveness of forward foreign exchange contracts accounted for by the allocation method and interest rate swaps accounted for using special treatment are omitted.

(6) Goodwill and negative goodwill

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

(7) Other significant accounting policies

Consumption tax

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

5. Changes in presentation of information

(Consolidated Balance Sheets)

The item previously presented as "Valuation and translation adjustments" has been changed to "Accumulated other comprehensive income" starting in the consolidated fiscal year under review due to the application of the Ministerial Regulation Revising Part of the Ordinance for Enforcement of the Corporate Law and Company Accounting Regulations (Ministry of Justice Regulation No. 33 [2010]) based on the "Accounting Standard for Presentation of Comprehensive Income" (Accounting Standards Board of Japan ("ASBJ") Statement No. 25 issued on June 30, 2010).

(Consolidated Statements of Income)

(1) "Income before minority interests" is displayed starting in the consolidated fiscal year under review due to the application of the Ministerial Regulation Revising Part of the Ordinance for Enforcement of the Corporate Law and Company Accounting Regulations (Ministry of Justice Regulation No. 7 [2009]) based on the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on December 26, 2008).

(2) Because the amount is not significant, "Impairment loss on devaluation of investment securities" is included in the "Other" item of extraordinary losses in the consolidated fiscal year under review. In addition, the item "Impairment loss on devaluation of investment securities" totalled ¥172 million in the consolidated fiscal year under review.

(Consolidated Statements of Changes in Net Assets)

The item previously presented as "Valuation and translation adjustments" has been changed to "Accumulated other comprehensive income" starting in the consolidated fiscal year under review due to the application of the Ministerial Regulation Revising Part of the Ordinance for Enforcement of the Corporate Law and Company Accounting Regulations (Ministry of Justice Regulation No. 33 [2010]) based on the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25 issued on June 30, 2010).

(Notes on Consolidated Balance Sheets)

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

2. Pledged assets

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

3. Accumulated depreciation amount of property, plant and equipment — 175,335 million yen

4. Guaranteed liabilities — 19 million yen

(Notes on Consolidated Statements of Income)

1. All amounts are rounded down to the nearest million yen..
2. Gain on sales of non-current assets

   Land — 4,067 million yen
3. Impairment loss

   The Shionogi Group recognized asset impairment as follows.

Location	Application	Class	Amount (¥million)
U.S.A	Exclusive prescription pharmaceutical marketing rights	Intangible assets (Sales rights)	7,134
U.S.A	In-process research and development for compounds under development	Intangible assets (Other)	208

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.

With respect to the exclusive prescription pharmaceuticals included in sales rights, the Shionogi Group set the amounts recoverable at zero in line with the decision to terminate sales and recognized an impairment loss for the unamortized balance.

With respect to those items relating to compound development that have been determined as having no future value included in in-process research and development, the Shionogi Group has set the amounts recoverable at zero and recognized an impairment loss for theunamortized balance.

4. Business structure improvement expenses

   These expenses are attributable to the reorganization of U.S. subsidiaries. The principal component was extraordinary retirement benefits totaling ¥4,006 million.

5. Loss on disaster

This expense is attributable to the impact of the Great East Japan Earthquake and represents the provision of an allowance to cover actual projected expenditure.

(Notes on Consolidated Statement of Changes in Net Assets)

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

	March 31, 2010	Increase	Decrease	March 31, 2011
Shares in issue Common stock	351,136,165	—	—	351,136,165
Total	351,136,165	—	—	351,136,165
Treasury stock Common stock	16,231,245	6,530	—	16,237,775
Total	16,231,245	6,530	—	16,237,775

Note: The increase in treasury stock (6,530 shares) reflects the purchase of odd-lot shares.

2. Dividends

(1) Dividend payments

Resolution	Category	Total dividends	Dividends per share	Dividend record date	Effective date
Annual General Meeting of Shareholders held on June 24, 2010	Common stock	6,028 Million yen	18 yen	March 31, 2010	June 25, 2010
Meeting of Board of directors on November 1, 2010	Common stock	6,698 Million yen	20 yen	September 30, 2010	December 1, 2010

(2) Dividends whose effective date is subsequent to March 31, 2011

The following is to be approved at the 146th Annual General Meeting of Shareholders to be held on June 24, 2011.

Resolution	Category	Total dividends	Dividend resource	Dividends per share	Dividend record date	Effective date
Annual General Meeting of Shareholders to be held on June 24, 2011	Common stock	6,697 Million yen	Retained earnings	20 Yen	March 31, 2011	June 27, 2011

(Notes on Financial Instruments)

1. Matters relating to financial instruments

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

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

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

2. Matters relating to fair value of financial instruments

Fair value and difference compared to the carrying value reported in the balance sheets as of March 31, 2011 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 (*1)	Fair value (*1)	Difference
(1) Cash and deposits	27,579	27,579	—
(2) Notes and accounts receivable-trade	69,498	69,448	(50)
(3) Short-term and long term investment securities			
Bonds held to maturity	19	19	—
Other marketable securities	141,518	141,518	—
(4) Notes and accounts payable-trade	(12,884)	(12,884)	—
(5) Current portion of long-term loans payable	(14,000)	(14,003)	3
(6) Bonds payable	(30,000)	(30,324)	324
(7) Long-term loans payable	(63,000)	(63,480)	480
(8) Derivatives transactions(*2)	(485)	(485)	—

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

(*2) Derivative transactions are presented as net amounts receivable or payable, with net amounts payable in parentheses.

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

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

(2) Notes and accounts receivable-trade
Fair value of receivables that require time for recovery is calculated as discounted present value using interest rates adjusted for credit risk and time until redemption for receivables grouped by period. Carrying value is used for the fair value of short-term receivables other than the preceding because these amounts are essentially equivalent.

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

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

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

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

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

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

Millions of yen

classification	Carrying value reported in the balance sheets
Unlisted stocks	8,030

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

(Notes on rental and other real estate assets)

1. Matters relating to the situation of rental and other real estate assets

   The Shionogi Group has office buildings, etc. (including land) for lease in Tokyo and other areas.

   In the fiscal year ended March 31, 2011, rental income from these rental and other real estate assets was 1,257 million yen (with rental revenues mainly recorded in net sales and rental expenses mainly recorded in cost of sales) and gain on sale of these assets was 4,067 million yen (recorded as extraordinary income).

2. Matters relating to the fair value, etc. of rental and other real estate assets

Millions of yen

Carrying value reported in the balance sheets	Fair value
5,643	21,510

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

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

(Notes on Amounts per share)

1.	Net assets per share	979.69 yen
2.	Earnings per share	59.80 yen

Non-consolidated Balance Sheets

(As of March 31, 2011)

(Units: Millions of yen)

Account	Amount	Account	Amount
(Assets)	**(565,170)**	**(Liabilities)**	**(175,825)**
Current assets	**219,870**	**Current liabilities**	**66,649**
Cash and deposits	3,284	Accounts payable-trade	11,219
Accounts receivable-trade	64,778	Current portion of long-term loans payable	14,000
Short-term investment securities	88,638	Accounts payable-other	11,895
Merchandise and finished goods	21,811	Accrued expenses	4,203
Work in process	13,218	Income taxes payable	12,803
Raw materials and supplies	9,290	Deposits received	2,666
Deferred tax assets	5,350	Provision for bonuses	6,701
Other	13,504	Provision for directors' bonuses	22
Allowance for doubtful accounts	(7)	Provision for sales returns	126
		Provision for loss on disaster	1,492
		Other	1,519
Noncurrent assets	**345,300**	**Noncurrent liabilities**	**109,176**
Property, plant and equipment	**68,144**	Bonds payable	30,000
Buildings, net	26,129	Long-term loans payable	63,000
Structures, net	1,174	Deferred tax liabilities	6,544
Machinery and equipment, net	7,809	Provision for retirement benefits	8,534
Vehicles, net	22	Other	1,097
Tools, furniture and fixtures, net	3,302	**(Net assets)**	**389,344**
Land	9,914	**Shareholders' equity**	**385,907**
Lease assets, net	622	**Capital stock**	**21,279**
Construction in progress	19,168	**Capital surpluses**	**20,227**
Intangible assets	**5,673**	Legal capital surplus	20,227
Software	1,372	**Retained earnings**	**364,144**
Sales rights	1,400	Legal retained earnings	5,388
Other	2,900	Other retained earnings	358,756
Investments and other assets	**271,482**	Reserve for special depreciation	79
Investment securities	53,719	Reserve for advanced depreciation of noncurrent assets	2,211
Stocks of subsidiaries and affiliates	178,154	General reserve	313,645
Investments in other securities of subsidiaries and affiliates	6,306	Retained earnings brought forward	42,819
Prepaid pension cost	23,330	**Treasury stock**	**(19,743)**
Other	10,092	**Valuation and translation adjustments**	**3,436**
Allowance for doubtful accounts	(121)	Valuation difference on available-for-sale securities	3,725
		Deferred gains or losses on hedges	(288)
Total assets	**565,170**	**Total liabilities and net assets**	**565,170**

Non-consolidated Statements of Income

(Year ended March 31, 2011)

(Units: Millions of yen)

Account	Amount	
Net sales		**249,989**
Cost of sales		**72,952**
Gross profit, net		**177,036**
Selling, general and administrative expenses		**116,601**
(R&D expenses)		(48,318)
Operating income		**60,435**
Non-operating income		**4,317**
Interest and dividends income	1,981	
Other	2,336	
Non-operating expenses		**4,415**
Interest expenses	1,360	
Other	3,055	
Ordinary income		**60,337**
Extraordinary income		**6,133**
Gain on sales of non-current assets	4,067	
Gain on exchange of investment securities	1,647	
Gains on forgiveness of debts	279	
Reversal of allowance for doubtful accounts	139	
Extraordinary loss		**3,248**
Loss on disaster	2,826	
Disaster relief and assistance expenses	250	
Loss on valuation of investment securities	172	
Income before income taxes		**63,223**
Income taxes-current		22,425
Income taxes-deferred		(859)
Net income		**41,657**

Non-consolidated Statement of Changes in Net Assets

(Year ended March 31, 2011)

(Units : Millions of yen)

	Shareholders' equity								
		Capital surplus	Retained earnings						
				Other retained earnings					
	Capital stock	Legal capital surplus	Legal retained earnings	Reserve for special depreciation	Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward	Treasury stock	Total shareholders' equity
Balance as of March 31, 2010	21,279	20,227	5,388	177	23	288,645	40,979	(19,733)	356,987
Changes of items during the period									
Reversal of reserve for special depreciation				(97)			97		―
Provision of reserve for advanced depreciation of noncurrent assets					2,188		(2,188)		―
Reversal of reserve for advanced depreciation of noncurrent assets					(0)		0		―
Provision of general reserve						25,000	(25,000)		―
Dividends from surplus							(12,726)		(12,726)
Net income							41,657		41,657
Purchase of treasury stock								(10)	(10)
Net changes of items other than shareholders' equity									
Total changes of items during the period	―	―	―	(97)	2,187	25,000	1,840	(10)	28,920
Balance as of March 31, 2011	21,279	20,227	5,388	79	2,211	313,645	42,819	(19,743)	385,907

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance as of March 31, 2010	10,353	―	10,353	367,341
Changes of items during the period				
Reversal of reserve for special depreciation			―	―
Provision of reserve for advanced depreciation of noncurrent assets			―	―
Reversal of reserve for advanced depreciation of noncurrent assets			―	―
Provision of general reserve			―	―
Dividends from surplus			―	(12,726)
Net income			―	41,657
Purchase of treasury stock			―	(10)
Net changes of items other than shareholders' equity	(6,628)	(288)	(6,917)	(6,917)
Total changes of items during the period	(6,628)	(288)	(6,917)	(22,003)
Balance as of March 31, 2011	3,725	(288)	3,436	389,344

Notes on Non-consolidated Financial Statements

(Significant accounting policies)

1. Basis and method of valuation of significant assets
   (1) Securities
      ① Stocks of subsidiaries and affiliates
         At cost determined by the moving average method
      ② Investments in other securities of subsidiaries and affiliates (The securities based on the Financial Instruments and Exchange Law article 2.2)
         The securities based on the Financial Instruments and Exchange Law article 2.2 are evaluated at their net profit/loss (equity method).
      ③ Other securities
         Market value available
            At fair value, based on market price or other appropriate quotation as of period end (Unrealized gain is charged directly to net assets; cost of sales is accounted for by the moving average method.)
         Market value not available
            At cost determined by the moving average method
            (The securities based on the Financial Instruments and Exchange Law article 2.2 are evaluated at their net profit/loss (equity method).)
   (2) Derivatives
      Market value method
   (3) Inventories
      Inventories are stated at the lower of cost, determined by the average method, or net selling value.

2. Method of depreciation for noncurrent assets
   (1) Property, plant and equipment (excluding lease assets)
      Declining-balance method
      Buildings (except for structures attached to the buildings) acquired subsequent to April 1, 1998 are depreciated by straight-line method.
   (2) Intangible assets (excluding lease assets)
      Straight-line method
      Expenditures relating to computer software intended for internal use are amortized over the useful life of the respective assets (in general, 5 years).
   (3) Lease assets
      For lease transactions not involving transfer of ownership, lease assets are depreciated over their useful lives using the straight-line method until the residual value reaches zero.
      However, the Company continues to account for finance lease transactions not involving the transfer of ownership that were concluded prior to the beginning of the first year when “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13; Business Accounting Council Committee No. 1, June 17, 1993; revised March 30, 2007) and “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16; the Japanese Institute of Certified Public Accountants, Accounting Committee, January 18, 1994; revised March 30, 2007) were applied (April 1, 2008) in a manner similar to the accounting treatment for ordinary operating lease transactions.

3. Basis for providing significant allowances and provisions
   (1) Allowance for doubtful accounts
      The allowance for doubtful accounts is provided to cover bad debt loss. The amount provided for general receivables is based on the historical rate of bad debts; for certain receivable accounts of considerable risk, the estimated uncollectible amount is provided as an additional allowance after examining specific possibility of collection.
   (2) Provision for bonuses
      To prepare for payment of bonuses to employees, a provision for bonuses is provided based on the estimated amount of bonuses to be paid.
   (3) Provision for directors' bonuses
      To prepare for payment of bonuses to directors and corporate auditors, a provision for directors’ bonuses is provided based on the estimated amount of bonuses to be paid.
   (4) Provision for sales returns
      To prepare for returned goods unsold, a provision for returned goods unsold is provided at the amount equivalent to the sales profit corresponding to the estimated number of goods returned.
   (5) Provision for retirement benefits
      To prepare for the payment of retirement benefits to employees, a provision for retirement benefits is provided based on the retirement benefit liabilities accrued and the expected value of the pension plan assets as of the period end.
      Prior service cost is amortized by the straight-line method over 10 years, which is within the estimated

average remaining years of service of the eligible employees.
Actuarial gain or loss is proportionally amortized each year following the year in which the gain or loss is recognized, principally by the straight-line method over 10 years, which is within the estimated average remaining years of service of the eligible employees.

(6) Provision for loss on disaster
A provision for loss on disaster is provided for estimated future costs incurred for recovery from the Great East Japan Earthquake.

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

5. Significant hedge accounting
(1) Method of hedge accounting
In principle, deferred hedge accounting is used. Translation at the contract rate is applied in accounting for forward foreign exchange contracts that meet specified conditions. Hedges that meet conditions for the special treatment of interest-rate swaps are accounted for separately.

(2) Hedging instruments and hedged items
・Hedging instruments
Forward foreign exchange contracts, currency options and interest-rate swaps
・Hedged items
Foreign currency-denominated claims and obligations, forecast transactions and debt

(3) Hedging policy
The Company enters into forward foreign exchange contracts and uses currency options with the objective of hedging the risk of exchange rate fluctuations in connection with its foreign currency-denominated claims and obligations. Additionally, the Company also enters into interest-rate swaps with the objective of hedging the risk of interest rate fluctuations relating to its debt.

(4) Methods for evaluating the effectiveness of hedging
The Company evaluates the effectiveness of its hedging practices by comparing the cash flow fluctuations for hedged items and hedging methods and using changes in both as a basis for its evaluation. However, evaluations concerning the effectiveness of forward foreign exchange contracts accounted for by the allocation method and interest rate swaps accounted for using special treatment are omitted.

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

(Notes on Non-consolidated Balance Sheets)

1. All amounts are rounded down to the nearest million yen.	
2. Accumulated depreciation amount of property, plant and equipment	170,194 million yen
3. Guaranteed liabilities	19 million yen
4. Short-term credit for subsidiaries and affiliates	2,393 million yen
Short-term debts to subsidiaries and affiliates	4,407 million yen

(Notes on Non-consolidated Statements of Income)

1. All amounts are rounded down to the nearest million yen.	
2. Transactions with subsidiaries and affiliates	
Business transactions	13,498 million yen
Transactions other than business transactions:	3,638 million yen
3. Gain on sales of non-current assets	
Land	4,067 million yen

4. Gain on forgiveness of debts
The Japan Information Center of Science and Technology (JICST) has exempted the Company from its obligation to repay the cost of development of the specific compound of which development under a development agreement concluded between the Company and JICST in fiscal 2005 was terminated during the period. As a result, the Company has recorded this amount as a gain on forgiveness of debts in the fiscal year ended March 31, 2011.

5. Loss on disaster

The Company has allocated the following reserve amounts to offset costs that have occurred and that are expected to occur as a result of the Great East Japan Earthquake.

Facility and equipment repairs	1,466 million yen
Fixed expenses during suspension of operations and sales activities	855 million yen
Disposal of inventories	450 million yen

6. Disaster relief and assistance expenses

Provision of over-the-counter pharmaceuticals, donations of funds and other expenses related to the Great East Japan Earthquake.

(Non-consolidated Statement of Changes in Net Assets)

Shares held at the end of the period under review

Common stock	16,237,775 shares

(Notes on tax effects)

The contents of significant instances where deferred income taxes arose

(Units : Millions of yen)

	[As of March 31, 2011]
1. Current:	
Deferred tax assets:	
Provision for bonuses	2,720
Accrued enterprise tax	1,098
Other	1,672
Total deferred tax assets	5,491
Deferred tax liabilities	(141)
Net deferred tax assets	5,350
2. Non-current:	
Deferred tax assets:	
R&D expenses	3910
Loss on revaluation of investments in securities	469
Other	1457
Total deferred tax assets	5,837
Deferred tax liabilities:	
Valuation difference on available-for-sale securities	(2,532)
Prepaid pension cost	(5,697)
Special depreciation	(54)
reserve for advanced depreciation of non-current assets	(1,511)
Other	(2,585)
Total deferred tax liabilities	(12,382)
Net deferred tax liabilities	(6,544)

(Notes on Noncurrent assets involving lease transactions)

Besides the non-current assets shown in the balance sheet, normal accounting methods in adherence to lease transactions are used for apparatuses and equipment as well as motor vehicles and transport equipment and tools used as part of lease agreements not involving transfer of ownership concluded prior to March 31, 2008. However, the items have been omitted from the balance sheet because they have been recognized as immaterial.

(Notes on amounts per share)

1. Net assets per share	1,162.57 yen
2. Earnings per share	124.39 yen

(Notes on retirement benefits)

The Company employs a cash balance plan (interest indexed annuity), retirement lump sum plan and defined contribution pension plan.

Additionally, when an employee retires, the Company on occasion pays a premium severance payout not subject to the actuarial calculation of its retirement benefit obligation in compliance with retirement benefit accounting methods.

1. Retirement benefit obligations

	(Units: Millions of yen)
Retirement benefit obligations	(84,807)
Fair value of plan assets	79,142
Plan assets in excess of retirement benefit obligations	(5,664)
Unrecognized actuarial loss	26,069
Unrecognized prior service costs	(5,608)
Net retirement benefit obligation	14,796
Prepaid pension costs	23,330
Provision for retirement benefits	(8,534)

2. Retirement benefit expenses

	(Units: Millions of yen)
Service cost	1,901
Interest cost	1,729
Expected return on plan assets	(2,227)
Amortization of actuarial loss	4,986
Amortization of prior service cost	(2,673)
Other	677
Retirement benefit expenses	4,393

3. Basis for calculation of retirement benefit obligation, etc.

Periodic allocation method for projected benefits	Straight-line attribution
Discount rate	2.0%
Expected rates of return on plan assets	2.8%
Amortized period of past service cost obligations	10 years (straight-line method)
Amortized period of actuarial loss	10 years (Expenses are paid from the following fiscal year using the straight-line method)

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

<u>Accounting Auditor's Audit Report</u>

May 6, 2011

The Board of Directors
Shionogi & Co., Ltd.

Ernst & Young ShinNihon LLC

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

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

Pursuant to Paragraph 4 of Article 444 of the Corporate Law, we have audited the consolidated balance sheet, the consolidated income statement and the consolidated change in shareholders' equity statement of Shionogi & Co., Ltd. (the "Company") for fiscal term from April 1, 2010 to March 31, 2011. Preparation of these consolidated financial statements is the responsibility of the Company's management. Our responsibility as auditors is to express an opinion on the consolidated financial statements from an independent perspective.

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

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

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

Copy of the Audit Report of Independent Accounting Auditors

Accounting Auditor's Audit Report

May 6, 2011

The Board of Directors
Shionogi & Co., Ltd.

Ernst & Young ShinNihon LLC

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

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

Pursuant to Item 1, Paragraph 2, Article 436 of the Corporate Law, we have audited the balance sheet, the income statement and the change in shareholders' equity statement of Shionogi & Co., Ltd. (the "Company") for the 146th fiscal term from April 1, 2010 to March 31, 2011. Preparation of these financial statements and supporting schedules is the responsibility of the Company's management. Our responsibility as auditors is to express an opinion on the financial statements and supporting schedules from an independent perspective.

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

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

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

Audit Report of the Board of Corporate Auditors

The Board of Corporate Auditors has compiled this Audit Report, upon due discussion, based on the audit report prepared by each Corporate Auditor regarding the execution of Directors' duties for the 146th fiscal period from April 1, 2010 to March 31, 2011 and submit our report as follows:

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

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

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

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

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

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

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

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

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

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

2. Result of audit

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

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

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

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

(3) Results of audit on the consolidated financial statements

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

May 9, 2011

Board of Auditors, Shionogi & Co., Ltd.

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

REFERENCE MATERIALS CONCERNING THE EXERCISE OF VOTING RIGHTS

Proposals and reference matters:

No. 1: Appropriation of Surplus

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

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

The Company, based on the above-mentioned principles, proposes to appropriate the retained earnings for the fiscal year ended March 31, 2011 as follows:

1. Year-end dividends

(1) Type of dividend assets

Cash

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

¥20 per share of common stock

Total amount of dividends: ¥6,697,967,800 -

(3) Effective date of dividends

June 27, 2011

Cash dividends per share for the fiscal year including the interim dividends would total ¥40.

2. Appropriation of other surplus

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

General reserves:	¥25,000,000,000 -

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

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

No. 2: Election of Five (5) Directors

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

Accordingly, the company proposes the election of five (5) Directors.

Candidates for Director are as follows:

Candidate No.	Name (Date of birth)	Career summary, position within the Company and other major posts	Number of the Company's shares owned
1	Motozo Shiono (November 17, 1946)	January 1972: Joined Shionogi & Co., Ltd. June 1984: Director of the Company April 1987: General Manager, Accounting Department June 1987: Managing Director of the Company June 1990: Senior Managing Director of the Company March 1996: General Manager, Agro., Vet. & Industrial Chem. Division August 1999: President of the Company August 1999: General Manager, Corporate Planning Division April 2008: Chairperson of the Company (incumbent) (Other major posts) Chief Director of The Cell Science Research Foundation	266,648
2	Isao Teshirogi (December 12, 1959)	April 1982: Joined Shionogi & Co., Ltd. January 1999: General Manager, Secretary Office and General Manager, Corporate Planning Department June 2002: Director of the Company October 2002: General Manager, Corporate Planning Department April 2004: Executive Officer and Executive General Manager, Pharmaceutical Research & Development Division April 2006: Senior Executive Officer and Executive General Manager, Pharmaceutical Research & Development Division April 2007: Senior Executive Officer April 2008: President of the Company (incumbent)	7,750

3	Yasuhiro Mino (May 23, 1947)	April 1970: Joined Shionogi & Co., Ltd. December 1996: General Manager, International Affiliate Management Department October 2001: General Manager, Planning Department, Manufacturing Division October 2002: Deputy General Manager, Manufacturing Division April 2004: Corporate Officer and General Manager, Corporate Planning Department April 2006: Corporate Officer and Corporate Strategic Planning Executive and General Manager, Corporate Planning Department June 2006: Director of the Company (incumbent) April 2007: Executive Officer and Corporate Strategic Planning Executive April 2008: Senior Executive Officer April 2011: Vice President Officer of the Company (incumbent)	6,900
4	Akio Nomura (February 8, 1936)	April 1958: Joined Osaka Gas Co., Ltd. June 1988: Director of Osaka Gas, Ltd. June 1989: Managing Director of Osaka Gas, Ltd. June 1991: Representative Director and Senior Managing Director of Osaka Gas, Ltd. June 1994: Representative Director and Vice President of Osaka Gas, Ltd. June 1998: Representative Director and President of Osaka Gas, Ltd. June 2000: Director of West Japan Railway Company (incumbent) June 2003: Representative Director and Chairman of Osaka Gas, Ltd. June 2008: Director of the Royal Hotel, Ltd. (incumbent) June 2009: Director of the Company (incumbent) (Other major posts) Director of the Royal Hotel, Ltd.	0
5	Teppei Mogi (October 17, 1958)	April 1989: Registration of Attorney at Law April 1989: Joined Oh-Ebashi Law Offices April 1992: Service at Brussels Office of Cleary, Gottlieb, Steen & Hamilton LLP January 1993: Service at Rotterdam Office of De Brauw Blackstone Westbroek April 1994: Partner of Oh-Ebashi Law Offices August 2002: Partner of Oh-Ebashi LPC & Partners (incumbent) April 2004: Practitioner teacher, Graduate School of Law and Faculty in practical business at The Kwansei Gakuin University Law School (Full-time teacher) April 2005: Part-time instructor, Graduate School of Law, Kobe University (incumbent) June 2009: Director of the Company (incumbent) April 2010: Part-time instructor, Graduate School of Law and Faculty in practical business at The Kwansei Gakuin University Law School (incumbent) (Other major posts) Partner of Oh-Ebashi LPC & Partners	0

Note:

1. There are no special interests between the candidates and the Company.
2. The Company has paid compensation for legal services to Oh-Ebashi Law Offices, at which Mr. Teppei Mogi is a partner, and Oh-Ebashi LPC & Partners, at which he is an employee.
3. Messrs. Akio Nomura and Teppei Mogi are the candidates of outside directors stipulated in Article 2, Paragraph 3, Sub-paragraph 7 of the Enforcement Regulations of the Corporate Law.
4. The Company proposes to elect the candidate Mr. Akio Nomura as outside director to reflect his abundant experience and broad discernment as a member of top management in its management. Mr. Nomura's term of office as outside director will be two years as of the end of this Annual General Meeting of Shareholders.
5. The Company proposes to re-elect the candidate Mr. Teppei Mogi as outside director to reflect his abundant experience and professional knowledge as Attorney at Law in its management and because Mr. Mogi has

sufficiently fulfilled his role of outside director expected of him, even though he has not been involved in the management of a company before beyond his experience as outside director and outside auditor. Mr. Mogi's term of office as outside director will be two years as of the end of this Annual General Meeting of Shareholders.

6. In 2008, Mr. Teppei Mogi was appointed as outside director of Senba Kitcho Co., Ltd. as part of that company's corporate rehabilitation measures following a scandal in which the company falsely labeled food items in 2007. Although Mr. Mogi strove to build a compliance structure and to reform the company's culture, another scandal involving the company, which occurred prior to his appointment (reuse of food ingredients), was brought to light after he was appointed, forcing the company to cease operations.

7. In addition, the Company has submitted to Tokyo Stock Exchange Group, Inc. and Osaka Securities Exchange the independent directors/auditors notification which states Messrs. Akio Nomura and Teppei Mogi are independent directors. If this proposal is approved and Messrs. Nomura and Mogi are appointed, both shall continue to serve as independent directors.

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

No. 3: Election of Two (2) Corporate Auditors

The term of office of corporate auditor Satoshi Komatsu will expire at the close of this General Meeting of Shareholders.

Accordingly, the Company proposes the election of two (2) corporate auditors.

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

Candidate for the corporate auditors are as follows:

Name (Date of birth)	Career summary, position and major other posts	Number of the Company's shares owned
Sachio Tokaji (December 24, 1947)	April 1970: Joined Shionogi & Co., Ltd. June 1998: General Manager, Accounting Department June 2002: Director of the Company (incumbent) June 2002: General Manager, Accounting & Financial Department April 2004: Corporate Officer and General Manager, Accounting & Financial Department October 2004: Corporate Officer and General Manager, Accounting & Financial Department and General Manager, International Business Department April 2006: Corporate Officer and Corporate Business Management Executive and General Manager, Accounting & Financial Department April 2007: Executive Officer and Corporate Business Management Executive April 2008: Senior Executive Officer	9,000
Kenji Fukuda (March 4,1956)	April 1984: Registration as attorney at law April 1984: Joined Dojima Law Office January 1987: Partner at Dojima Law Office (incumbent) April 2009: Vice President, Osaka Bar Association April 2009: Vice President, Japan Federation of Bar Associations April 2009: Visiting Professor, Osaka University Law School	0

Note:

1. There are no special interests between the candidates and the Company.
2. Mr. Kenji Fukuda is a candidate for outside corporate auditor as stipulated in Article 2, Paragraph 3, Sub-paragraph 8 of the Enforcement Regulations of the Corporate Law.

3. The Company proposes to elect the candidate Mr. Kenji Fukuda as outside corporate auditor to reflect his advanced legal knowledge and broad discernment amassed as an attorney at law in its auditing. The Company trusts that the candidate will be able to properly execute his duties as outside corporate auditor because of his powerful insight into corporate management and his in-depth knowledge of corporate legal affairs, even though he has not been involved in the management of a company.
4. If Mr. Kenji Fukuda is appointed as corporate auditor, the Company plans to conclude an agreement with him that limits his liability as stipulated in Section 1, Article 423 of the Corporate Law, based upon Section 1, Article 427 of the Corporate Law and Article 32 of the Articles of Incorporation of the Company.
   The limit of liability under this agreement shall be set as the minimum liability amount stipulated in Section 1, Article 425 of the Corporate Law.

No. 4: Payment of Bonuses to Directors

Considering the results of the Company's business for the fiscal year ended March 31, 2011, the Company proposes to pay the following bonuses to the four (4) directors (excluding the two (2) outside directors) who were in office as of the end of the fiscal year ended March 31, 2011:

For Directors' Bonuses: ¥19,200,000

The Company also proposes to entrust the Board of the Directors to decide the amount of the bonuses for each director.

No. 5: Issuance of Stock Acquisition Rights (Stock Options) as Director Compensation

The 142nd Annual General Meeting of Shareholders held on June 28, 2007 approved a maximum limit on compensation paid to the Company's directors of ¥450 million per annum (not including employee compensation for directors that are concurrently employed by the Company). This limit remains in effect today. In line with the review of the Company's director compensation system, the Company proposes that stock acquisition rights be allotted as stock options to directors (excluding outside directors) within the scope of this maximum limit on director compensation.

The granting of stock options will be executed by providing directors who received an allotment of stock acquisition rights with the same amount of compensation as the amount to be paid upon exercise of the stock acquisition rights. This scheme will enable directors to acquire stock acquisition rights by setting off the compensation obligation with the amount to be paid upon exercise of the stock acquisition rights.

The amount of stock option compensation will be determined by multiplying the fair value per one stock acquisition right calculated on the allotment day by the total number of stock acquisition rights allotted.

At present, there are six directors (two of whom are outside directors), and if proposal number 2 is approved without modification, the number of directors will decrease to five (two of whom will be outside directors).

Details of Stock Acquisition Rights (Stock Options) used as Director Compensation

(1) Total number of the stock acquisition rights, and class and number of shares to be issued upon exercise of stock acquisition rights

1) Total number of the stock acquisition rights

The maximum number of stock acquisition rights is 750, which will be allotted among directors within a year from the day of the Annual General Meeting of Shareholders for the corresponding fiscal year.

2) Class and number of shares to be issued upon exercise of stock acquisition rights

The class of shares to be issued upon exercise of stock acquisition rights will be shares of common stock of the Company. The number of shares to be issued upon exercise of each of the 750 stock acquisition rights will be 100 shares (hereafter the "Number of Allotted Shares").

In case the Company conducts a stock split (including free allotment of common stocks) or a consolidation of common stock of the Company, after the date of the allocation of stock acquisition rights (hereafter the "Allotment Date"), the Number of Allotted Shares will be adjusted according to the formula below, regarding non-exercised stock acquisition rights as of the date when the stock split or stock consolidation is conducted.

Number of Allotted Shares after adjustment = Number of Allotted Shares before adjustment x Ratio of stock split or stock consolidation

In addition, in the case that the Company is subject to a merger, a company split or a share exchange after the Allotment Date, or if there is another instance in which the adjustment of the Number of Allotted Shares is appropriate, the Company shall reasonably adjust it to the extent possible, based on the resolutions of the Board of Directors of the Company. Any fractional shares resulting from the adjustment mentioned above shall be rounded down.

(2) Amount of assets to be paid upon the exercise of stock acquisition rights

The amount of assets to be paid upon exercise of stock acquisition rights shall be determined by multiplying the per-share value by the number of allotted shares, where the value per share to be issued or transferred upon exercise of the stock acquisition rights shall be ¥1.

(3) Exercise period for stock acquisition rights

Within 30 years of the day following the Allotment Date.

(4) Restrictions on transfer of stock acquisition rights

Any proposed transfer of stock acquisition rights shall be subject to the approval of the Board of Directors of the Company.

(5) Conditions for the exercise of stock acquisition rights

A person who has been granted stock acquisition rights, but who ceases to be a director before the expiration of the exercise period in (3) above, may exercise all such rights, in a single transaction, within ten days (in the event that the 10th day is a holiday, by the next business day) of the day immediately following the day upon which he/she ceases to be a director.

(6) Other details of the stock acquisition rights

Other matters related to the stock acquisition rights shall be determined by the Board of Directors of the Company when the offering circular for stock acquisition rights is determined.

No. 6: Revision of Corporate Auditor Compensation

The 142nd Annual General Meeting of Shareholders held on June 28, 2007 approved an elimination of the Company’s corporate auditor bonuses and set compensation be paid to said corporate auditors within an approved scope, with a maximum limit set at ¥90 million per annum. This limit remains in effect today.

However, the responsibilities and workload of the Company’s corporate auditors have increased due to the significant changes in economic conditions and management climate since June 2007. Accordingly, the Company proposes that an additional corporate auditor be appointed as stated in proposal number 3 in order to enhance the Company’s corporate auditing functions and that the maximum limit of corporate auditor compensation be increased to ¥120 million per annum.

At present, there are four (4) corporate auditors (two (2) of whom are outside corporate auditors), and if proposal number 3 is approved without modification, the number of corporate auditors will increase to five (5) (three (3) of whom will be outside corporate auditors).

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

1. Notice to Internet users

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

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

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

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

(3) Although it is acceptable to exercise voting rights through the Internet until 5:00 P.M.*, Thursday, June 23, 2011, please exercise your voting rights as early as possible to assist us with compiling the results of the voting.

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

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

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

【System Conditions to Exercise Voting Rights through the Internet】

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

① Internet access;

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

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

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

【Reference Regarding Exercise of Voting Rights through the Internet】

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

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

【Exclusive Line】 **0120-186-417 (9:00 A.M. – 9:00 P.M. *, toll free)**

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

***Japan Standard Time**

2. To Institutional investors

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