

To All Shareholders

June 3, 2009

Notice of Convocation of the 144th Annual General Meeting of Shareholders

The 144th Annual General Meeting of Shareholders will be convened at the time and location listed below. On behalf of the directors of the Company, we cordially invite you to attend this shareholders' meeting. If you are unable to attend, you can exercise your voting rights with the proxy form on the back of this notice. If you wish to vote by using the proxy form, you are kindly requested to take the time to review the reference information provided below and exercise it by 5:00 p.m., Wednesday June 24, 2009

Yours faithfully,

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

Annual General Meeting of Shareholders

1. Date and time: 10:00 a.m., Thursday, June 25, 2009
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 144th Fiscal Term (year ended March 31, 2009)
 2. The Audit Report of the Consolidated Financial Statement for the 144th Fiscal Term (year ended March 31, 2009) by the Accounting Auditor and the Board of Corporate Auditors

Items for resolution:

- Proposal No. 1: Appropriation of Surplus
- Proposal No. 2: Amendment to Articles of Incorporation
- Proposal No. 3: Election of Six (6) Directors
- Proposal No. 4: Election of One (1) Corporate Auditor
- Proposal No. 5: Payment of the Bonuses to the Directors
- Proposal No. 6: Presentation of Retirement Benefits to a Retiring Director and Re-elected Directors since Abolishment of Retirement Benefit Systems

4. Exercise of voting rights:
 1. Exercise of voting rights by mail
If you wish to do so by mail, you are kindly requested to indicate your consent or refusal on the proxy form and return it by 5:00 p.m., Wednesday June 24, 2009

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 to on Exercise Voting Rights through the Internet etc. “ provided on page 40. Please indicate your consent or refusal on the proxy form and input it by 5:00 p.m., Wednesday June 24, 2009¹

Please 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

Business Report
Fiscal 2008 (Year ended March 31, 2009)

1. Overview of Operations

(1) Business Operations and Results

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

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

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

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

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

In research and development activities, the Shionogi Group launched three products in Japan during fiscal year 2008: Irbetan in July, Differin in October and idiopathic pulmonary fibrosis treatment Pirespa in December. The Company is awaiting regulatory approval for antidepressant duloxetine hydrochloride (generic name), which we applied for in January 2008. Among compounds under development, including those being developed overseas, are an anti-obesity agent, an anti-influenza drug, an anti-HIV drug and an atopic dermatitis treatment. In research, in May 2008 we opened the Shionogi Innovation Center for Drug Discovery, a joint research facility with the University of Hokkaido, which we expect will further the discovery of the seeds of new drugs and enhance basic drug discovery technologies.

As a result of these activities, R&D expenses for the fiscal year ended March 31, 2009 totaled ¥52,822 million, including in-process R&D expenses of ¥9,669 million resulting from the impact on accounting for business combinations associated with the acquisition of Sciele Pharma.

(2) Capital investment

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

(3) Fund-raising

About fund-raising in the fiscal year, short-term loans payable (bridge loan) of ¥110,000 million for acquisition of Sciele Pharma Inc. was raised from financial institutions in October 2008. Thereafter, by March 2009, short-term loans payable of ¥105,000 million were exchanged with long-term loans payable.

(4) Sales by Division

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

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

(5) Challenges ahead

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

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

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

(6) Business Results and Financial Position

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

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

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

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

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

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

(7) Significant Subsidiaries

Company Name	Capital Stock	Percentage of Ownership	Main Areas of Business
Bushu Pharmaceuticals, Ltd.	Millions of yen 1,000	% 100.0	Contract pharmaceutical manufacturing
Sciele Pharma Inc.	U.S. dollars 0.01	100.0 (100.0)	Pharmaceutical sales
Taiwan Shionogi & Co., Ltd.	Million NT dollars 92	100.0	Pharmaceutical manufacturing and sales

Notes: 1. Indirect property ratio (%) is shown in parentheses of "Percentage of Ownership".
2. Sciele Pharma Inc. newly participates in our consolidated subsidiaries in fiscal 2008.

(8) Main Operations of the Company Group

The company group mainly manufactures and sells pharmaceutical products.

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

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.

② Main Offices, Plants, and Laboratories of the Subsidiaries

Name	Location	Name	Location
Bushu Pharmaceuticals Ltd.	Kawagoe, Saitama Prefecture	Taiwan Shionogi & Co., Ltd.	Taipei, Taiwan, R.O.C.
Sciele Pharma Inc.	Georgia, U.S.		

(10) Employees**① Number of Employees of the Corporate Group**

Classification	Number of employees	Increase/decrease over previous FY
Pharmaceuticals and related businesses	5,841	(+) 1,048
Other businesses	169	(-) 20
Total	6,010	(+) 1,028

Note: The main reason for increase of employees in Pharmaceuticals and related businesses when compared with the previous fiscal year is the acquisition of Sciele Pharma Inc.

② Number of Employees of the Company

Number of employees	Increase/decrease over previous FY	Average age	Average number of years with the Company
4,262	(+) 29	40.8	17.7

(11) Main Loans from Banks

Loans from banks	Amount of loans
	Millions of yen
Syndicated Loan	65,000
Sumitomo Mitsui Banking Corporation	10,000
Mizuho Corporate Bank, Ltd.	10,000
Sumitomo Trust & Banking Co., Ltd.	10,000
Sumitomo Life Insurance Company	10,000
Nippon Life Insurance Company	5,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,000

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

2. Stock Data

- 1) Number of shares authorized to be issued 1,000,000,000
- 2) Number of shares issued 334,946,340 (excludes treasury stock 16,189,825)
- 3) Number of shareholders 20,353
- 4) Major Shareholders

Name of shareholder	Number of shares held	% of total
	Thousands of shares	
The Master Trust Bank of Japan, Ltd. (as a trustee)	21,828	6.22%
Japan Trustee Services Bank, Ltd. (as a trustee)	19,858	5.66%
Sumitomo Life Insurance Company	18,604	5.30%
The Chase Manhattan Bank, NA London, SL Omnibus Account	17,191	4.90%
Shionogi & Co., Ltd.	16,189	4.61%
Japan Trustee Services Bank, Ltd. (as a trustee 4G)	14,930	4.25%
Nippon Life Insurance Company	13,138	3.74%
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	2.70%
State Street Bank and Trust Company	8,385	2.39%
NIPPONKOA Insurance Company, Limited	7,551	2.15%

3. Board members

(1) Directors and Corporate Auditors

Position	Name	Areas of responsibility or main duties
Representative Director and Chairman of the Board	Motozo Shiono	Chief Director of The Cell Science Research Foundation
President and Representative Director	Isao Teshirogi	
Director and Advisor	Kiyoshi Miyamoto	
Director	Sachio Tokaji	Senior Executive Officer
Director	Yasuhiro Mino	Senior Executive Officer
Standing Corporate Auditor	Mitsuaki Ohtani	
Standing Corporate Auditor	Satoshi Komatsu	
Corporate Auditor	Takeharu Nagata	President of Keihanshin Real Estate Co., Ltd. Director and Chairman of the Board of Ginsen Co., Ltd. Outside Auditor of SANYO Electric Co., Ltd.
Corporate Auditor	Shinichi Yokoyama	Representative Director and Chairman of Sumitomo Life Insurance Company Outside Auditor of NEC Corporation

Note:

1. Auditors Takeharu Nagata and Shinichi Yokoyama are Outside Corporate Auditors stipulated in Section 16, Article 2 of the "Corporate Law".
2. Auditor who retired during the fiscal year is as follows:
Corporate Auditor Toshiomi Uragami Retired on June 27, 2008

(2) Amount of remuneration for Directors and Corporate Auditors

Category	Number of persons remunerated	Total amount of remuneration paid	Note
Directors	5	Millions of yen 248	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)	5 (3)	73 (24)	
Total	10	321	

Note:

1. Remuneration shown above includes bonus in the following amounts, which is subject to approval at the 144th Annual Shareholders' Meeting: ¥36 million
2. Remuneration and number of one (1) outside Auditor who retired at the 143rd Annual Shareholders' Meeting held on June 27, 2008 are also shown.
3. In addition to the amounts of remuneration cited above, we paid ¥12 million to one (1) retiring Auditor as a Retirement Benefit during fiscal 2008

(3) Major Activities of Outside Auditors

Major Activities

Name	Major Activities
Takeharu Nagata	He participated in the Board of Directors meetings (attended 10 of 11 meetings) held during fiscal 2008 and he made statements from the perspective of his long and successful career. He also participated in the Board of Corporate Auditors meetings (attended 5 of 6 meetings) held during fiscal 2008 where significant matters of audit were discussed and recommendations made as necessary.
Shinichi Yokoyama	He participated in the Board of Directors meetings (attended 8 of 9 meetings) since assuming his post on June 27, 2008 and he made statements from the perspective of his long and successful career. He also participated in all Board of Corporate Auditors meetings (attended 4 meetings) since assuming his post on June 27, 2008 where significant matters of audit were discussed and recommendations made as necessary.

4. Independent Accounting Auditors

(1) Name of the Independent Auditor

Ernst & Young Shin Nihon LLC

(2) Compensation paid to Independent Auditor for the fiscal year ended on March 31, 2009

- ① Compensation paid to the Independent Auditor for the fiscal year ended on March 31, 2009:
¥50 million
- ② Total of cash and other financial profits payable by the Company and its subsidiaries to the Independent Auditor:
¥57 million

Note: The audit agreement entered into between the 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 Auditor

The Company also assigns to its Independent Auditor professional duties including “Advice on and provision of documents on construction of the internal control system in financial reporting” which are not auditing duties stipulated in Paragraph 1, Article 2 of the Certified Public Accountants Law.

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

The Company will dismiss the Independent Auditor if the Company judges that the Independent 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 Auditor considering the situation of the adjustments to the Articles concerning the execution of the Independent 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.

The Company previously 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”) at the meeting of the Board of Directors held on April 20, 2009 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.

The Company appoints outside directors who contribute to the improvement of management transparency by making decisions with a broader view of the matter taking into consideration the objective views of third parties including shareholders.

The Board of Auditors and corporate auditors will audit the execution of the directors and the effectiveness of internal control system, and the directors will co-operate in such audit

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 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.

The Company will take necessary action against emergency risks such as disasters and accidents, etc., with respect for human life and in consideration of contribution to regional communities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The employees assigned will be independent from the directors.

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

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

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

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

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

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

6. Other Material Matters

Legal Actions

In March 2007, a suit was brought against the Company in Osaka District Court by a former employee who is one of inventors of the basic patent for Crestor, claiming that the Company should pay the amount of about ¥870 million as reasonable compensation under Article 35 of the Patent Act with respect to the amount of about ¥20,300 million which the company received from AstraZeneca during the period ended on September 30, 2006. The suit was ended in November 2008 by the settlement with the mutually-agreed conditions through sufficient claims and demonstrations by the both parties.

In December 2007, the Company brought a patent infringement action jointly with AstraZeneca against seven (7) generic drug companies (another company was added later), which filed the New Drug Application for the generic drugs of Crestor, such as Cobalt Pharmaceuticals, Inc., Apotex, Inc. etc. to prevent such generic drug companies from selling any generic drugs under the patent owned by the company in the U.S.A. In such action, the procedure of discovery was initiated, and the company expects that it will take a considerably long time before the procedure of trials is initiated and the judgment for such action is obtained.

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

In February 2009, the company brought a patent infringement action against ITOCHU CHEMICAL FRONTIER Corporation, who is the importer of bulk powder of Cefcapene Pivoxil Hydrochloride monohydrate, under the patent of the crystal of Cefcapene Pivoxil Hydrochloride monohydrate owned by the company and simultaneously initiated the procedures to petition for a provisional deposition order thereunder. Both procedures are in initial stages of deliberation.

Consolidated Balance Sheet

(As of March 31, 2009)

(Units: millions of yen)

Account	Amount	Account	Amount
(Assets)	(501,852)	(Liabilities)	(191,759)
Current Assets	202,724	Current Liabilities	76,804
Cash and deposits	23,349	Notes and accounts payable-trade	15,444
Notes and accounts receivable-trade	75,380	Short-term loans payable	24,000
Marketable securities	35,453	Income taxes payable	8,131
Merchandise and finished goods	20,632	Provision	7,662
Work in process	12,556	Provision for bonuses	5,325
Raw materials and supplies	9,838	Other provision	2,336
Deferred tax assets	5,188	Other	21,566
Other	20,336		
Allowance for doubtful accounts	△ 12	Noncurrent liabilities	114,954
		Long-term loans payable	91,000
Noncurrent assets	299,128	Deferred tax liabilities	13,998
Property, plant and equipment	71,811	Provision	7,948
Buildings and structures, net	31,095	Provision for retirement benefits	7,793
Machinery, equipment and vehicles, net	12,244	Provision for directors' retirement benefits	155
Land	14,809	Other	2,007
Other	13,661		
Intangible assets	120,388	(Net assets)	△ 310,093
Goodwill	71,625	Shareholders' equity	326,616
Other	48,763	Capital stock	21,279
Investments and other assets	106,928	Capital surplus	20,227
Investment securities	66,813	Retained earnings	304,761
Prepaid pension cost	25,971	Treasury stock	△ 19,652
Other	14,265	Valuation and translation adjustments	△ 16,980
Allowance for doubtful accounts	△ 121	Valuation difference on available-for-sale	8,207
		Foreign currency translation adjustment	△ 25,188
		Minority interests	458
Total assets	501,852	Total liabilities and net assets	501,852

Consolidated Statements of Income
(Year ended March 31, 2009)

(Units: Millions of yen)

Accounts	Amount	
Net sales		227,511
Cost of sales		70,928
Gross profit		156,582
Selling, general and administrative expenses (R&D expenses)		124,568 (52,822)
Operating income		32,014
Non-operating income		3,343
Interest income and dividends income	2,335	
Other	1,007	
Non-operating expenses		3,354
Interest expenses	701	
Other	2,652	
Ordinary income		32,003
Extraordinary income		213
Gain on exchange of investment securities	213	
Extraordinary loss		1,430
Special contract expenses	700	
Special retirement expenses	362	
Loss on disaster	253	
Loss on valuation of inventories	89	
Loss on sales of investment securities	25	
Income before income taxes		30,785
Income taxes-current		14,717
Income taxes-deferred		369
Minority interests in income		37
Net income		15,661

Consolidated Statements of Changes in Net Assets
(Year ended March 31, 2009)

(Units: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2008	21,279	20,227	297,811	△ 19,280	320,038
Changes of items during the period					
Dividends from surplus			△ 8,711		△ 8,711
Net income			15,661		15,661
Purchase of treasury stock				△ 371	△ 371
Net changes of items other than owners' equity					—
Total changes of items during the period	—	—	6,949	△ 371	6,577
Balance as of March 31, 2009	21,279	20,227	304,761	△ 19,652	326,616

	Valuation and translation adjustments			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Translation adjustment	Total valuation and translation adjustments		
Balance as of March 31, 2008	22,068	△ 178	21,889	307	342,235
Changes of items during the period					
Dividends from surplus			—		△ 8,711
Net income			—		15,661
Purchase of treasury stock			—		△ 371
Net changes of items other than owners' equity	△ 13,860	△ 25,010	△ 38,870	150	△ 38,719
Total changes of items during the period	△ 13,860	△ 25,010	△ 38,870	150	△ 32,142
Balance as of March 31, 2009	8,207	△ 25,188	△ 16,980	458	310,093

Notes to Consolidated Financial Statements

(Notes to Consolidated Financial Statements)

1. Scope of consolidation

Number of consolidated subsidiaries: 18

Names of significant consolidated subsidiaries

Bushu Pharmaceuticals Ltd., Sciele Pharma Inc., Taiwan Shionogi & Co., Ltd.

(Newly consolidated) Subsidiaries newly consolidated through acquisition: 5

Subsidiaries newly established during the period: 2

2. Application of equity method

(1) Number of non-consolidated subsidiaries and affiliate companies accounted for by the equity method:
No unconsolidated subsidiaries were accounted for by the equity method for the Year ended March 31, 2009.

Number of affiliate companies accounted for by the equity method: 2 affiliate companies

Shionogi-GlaxoSmithKline Holdings L.P. was accounted for by the equity method and its closing date differs from the consolidated closing date, therefore the financial statements in its fiscal year have been used.

(Newly consolidated) Subsidiary newly consolidated through acquisition: 1

The closing dates of the two affiliates differ from the consolidated closing date. Therefore the financial statements for their respective fiscal years have been used.

(2) Net income (loss) of affiliate companies (OMWELL Co., Ltd. etc) which are not accounted for by the equity method were not significant with respect to the consolidated net income (loss) etc.

3. Closing date of consolidated subsidiaries

Ten consolidated subsidiaries are overseas consolidated subsidiaries.

Eight overseas consolidated subsidiaries close their accounts on December 31 and two close their accounts on September 30, for financial reporting purposes. The accompanying consolidated financial statements of the Company have been prepared using actual and pro forma financial statements for consolidated subsidiaries prepared as of December 31.

The necessary adjustments have been made to reflect any significant transactions occurring between the respective closing dates and the date of the consolidated financial statements.

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 capital; 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 Products Exchange Law article 2.2 are evaluated their net profit/loss (equity method).)

② Inventories

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

(Change of accounting policy)

Effective the year ended March 31, 2009, the Company has applied "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan Statement No. 9; July 5, 2006). As a result, in the year ended March 31, 2009 operating income decreased by ¥316 million, ordinary income decreased by ¥46 million and income before income taxes decreased by ¥135 million compared with the former method.

(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.

(Additional information)

The Company and its domestic consolidated subsidiaries revised the useful life of machinery and equipment as per revisions to the Corporation Tax Law, and applied the revised useful lives during the year ended March 31, 2009.

As a result, in the year ended March 31, 2009, depreciation expense decreased by ¥423 million, and operating income, ordinary income and income before income taxes each increased by ¥423 million compared with the former method.

② Intangible fixed assets (excluding lease assets)

Most items are depreciated by the Straight-line method

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

③ Lease assets

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

(Change of accounting policy)

Formerly, finance lease transactions not involving the transfer of ownership were accounted for in a manner similar to the accounting treatment for operating lease transactions. However, effective from the fiscal year ended March 31, 2009, the Company applied “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13; Business Accounting Council Committee No. 1, June 17, 1993; revised March 30, 2007) and “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16; the Japanese Institute of Certified Public Accountants, Accounting Committee, January 18, 1994; revised March 30, 2007). Such transactions are now accounted for as ordinary sale and purchase transactions. As a result, in the year ended March 31, 2009, compared with the former method lease assets totaling ¥3 million were included in property, plant and equipment, and operating income, ordinary income and income before income taxes were not affected.

For reference, the Company continues to account for finance lease transactions not involving the transfer of ownership that were concluded prior to April 1, 2008 in a manner similar to the accounting treatment for ordinary operating lease transactions.

(3) Basis for providing significant allowances and reserves

① Allowance for doubtful accounts

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

② Reserve for bonuses

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

③ Reserve for retirement benefits

To prepare for the payment of retirement benefits to employees, a reserve for retirement benefits is provided based on the retirement benefit liabilities accrued and the expected value of the pension plan assets as of the period end. Prior service cost is amortized by the straight-line method over 10 years, which is within the estimated average remaining years of service of the eligible employees. Actuarial gain or loss is proportionally amortized in the 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 balance sheet date. Gain or loss on translation is credited or charged to income; however, assets, liabilities, income and expenses of certain overseas consolidated subsidiaries are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. Adjustments resulting from the translation of foreign currency financial statements have been reported as Translation adjustments in Shareholders' equity.

(5) Significant hedge accounting

① Method of hedge accounting

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

② Hedging instruments and hedged items

• Hedging instruments

Forward foreign exchange contracts and interest-rate swaps

• Hedged items

Assets and liabilities denominated in foreign currencies and debt

③ Hedging policy

The Company enters into forward foreign exchange contracts and interest-rate swaps with the objective of hedging the risk of exchange rate fluctuations in connection with foreign currency-denominated assets and liabilities and the risk of interest rate fluctuations in connection with debt.

(6) Other significant accounting policies

Consumption tax

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

5. Valuation of assets and liabilities in the consolidated subsidiaries

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

6. Goodwill and negative goodwill

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

7. Changes to presentation of consolidated financial statements

Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

Effective from the year ended March 31, 2009, the Companies applied “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements” (ASBJ Practical Issues Task Force (PITF) No. 18, May 17, 2006) and amended the consolidated financial statements as required.

As a result, in the year ended March 31, 2009, operating income, ordinary income and income before income taxes each decreased by ¥906 million compared with the former method.

(Notes to Consolidated Balance Sheets)

1. The monetary figures in these tables are shown with amounts less than one million yen discarded.

2. Pledged assets

Cash and deposits	7 million yen
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Liabilities secured by the above assets

‘Other’ of current liabilities	6 million yen
--------------------------------	---------------

3. Accumulated depreciation amount of property, plant and equipment 172,405 million yen

4. Guaranteed liabilities 34 million yen

(Notes to Consolidated Statements of Income)

1. The monetary figures in these tables are shown with amounts less than one million yen discarded.

2. Special contract expenses

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

3. Loss on disaster

Loss on natural disaster consists of factory restoration expenses and loss on disposal of inventories and property, plant and equipment as a result of the Iwate-Miyagi Nairiku Earthquake and the Iwate Hokubu Earthquake.

(Notes to 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, 2007	Increase	Decrease	March 31, 2009
Shares in issue				
Common stock	351,136,165	—	—	351,136,165
Total	351,136,165	—	—	351,136,165
Treasury stock				
Common stock	16,013,128	176,697	—	16,189,825
Total	16,013,128	176,697	—	16,189,825

Note: The increase in treasury stock (176,697 shares) reflects the purchase of odd-lot shares.

2. Dividends

(1) Dividend payments

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

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

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

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

(Note to Amounts per share)

- | | |
|-------------------------|------------|
| 1. Net assets per share | 924.43 yen |
| 2. Earnings per share | 46.75 yen |

(Notes to business combinations)

1. Name and business of acquired company, primary reasons for business combination, date of business combination, legal form of business combination and name of company after business combination, and ratio of voting rights acquired

(1) Name and business of acquired company

Name of acquired company: Sciele Pharma, Inc.

Business: Pharmaceutical research, development and sales

(2) Primary reasons for business combination

Establish a stronger presence in the United States, beginning with the sales infrastructure, to realize the full value of original products and ensure steadier growth over the long term.

(3) Date of business combination

October 9, 2008

(4) Legal form of business combination and name of company after business combination

Legal form of business combination: Cash acquisition of Sciele Pharma, Inc.'s stock

Name of company after business combination: Sciele Pharma, Inc.

(5) Ratio of voting rights acquired

100%

2. Period of the operating results of the acquired company included in the consolidated financial statements

October 10, 2008 to December 31, 2008

3. Acquisition cost of the acquired company

The acquisition cost of the acquired company was US\$1,446 million. The company's stock was acquired with cash.

4. Amount of goodwill, reason for recognition, and amortization method and useful life

(1) Amount of goodwill

US\$718 million

(2) Reason for the recognition

Goodwill was recognized because the acquisition cost exceeded the net amount allocated to assets acquired and liabilities assumed.

(3) Amortization method and useful life

Amortization on a straight-line basis over 20 years

5. Estimated effect the acquired company would have had on the statements of income for the year ended March 31, 2009 if the business combination had been completed on April 1, 2008

Net sales	US\$404 million
Operating income	US\$80 million
Income before income taxes	US\$73 million

The above estimates are the actual results for Sciele Pharma, Inc. that are applicable to the statements of income for the year ended March 31, 2009. The figures are unaudited.

Balance Sheets
(As of March 31, 2009)

(Units: Millions of yen)

Account	Amount	Account	Amount
(Assets)	(521,184)	(Liabilities)	(185,948)
Current assets	169,162	Current liabilities	63,309
Cash and deposits	4,686	Accounts payable-trade	12,118
Notes receivable-trade	71	Short-term loans payable	24,000
Accounts receivable-trade	65,535	Accounts payable-other	6,386
Short-term investment securities	34,859	Accrued expenses	4,365
Merchandise and finished goods	18,693	Income taxes payable	7,313
Work in process	11,726	Deposits received	3,028
Raw materials and supplies	8,079	Provision for bonuses	4,904
Deferred tax assets	3,467	Provision for directors' bonuses	36
Short-term loans receivable	5,397	Provision for sales rebates	854
Other	16,801	Provision for sales returns	78
Allowance for doubtful accounts	△ 154	Other	225
Noncurrent assets	352,021	Noncurrent liabilities	122,639
Property, plant and equipment	58,319	Long-term loans payable	91,000
Buildings, net	25,745	Long-term accounts payable-other	14,006
Structures, net	1,270	Deferred tax liabilities	9,088
Machinery and equipment, net	8,546	Provision for retirement benefits	7,754
Vehicles, net	40	Provision for directors' retirement benefits	155
Tools, furniture and fixtures, net	4,549	Other	635
Land	10,124	(Net assets)	(335,235)
Lease assets, net	3	Shareholders' equity	327,027
Construction in progress	8,038	Capital stock	21,279
Intangible assets	8,928	Capital surpluses	20,227
Software	1,842	Legal capital surplus	20,227
Other	7,086	Retained earnings	305,173
Investments and other assets	284,773	Legal retained earnings	5,388
Investment securities	62,150	Reserve for advanced depreciation of fixed assets	299,785
Stocks of subsidiaries and affiliates	175,330	Reserve for special depreciation	276
Investments in other securities of subsidiaries and affiliates	2,472	Reserve for advanced depreciation of noncurrent assets	23
Long-term loans	5,266	General reserve	273,645
Prepaid pension cost	25,971	Retained earnings brought forward	25,839
Other	13,702	Treasury stock	△ 19,652
Allowance for doubtful accounts	△ 121	Valuation and translation adjustments	8,207
		Valuation difference on available-for-sale securities	8,207
Total assets	521,184	Total liabilities and net assets	521,184

Statements of Income
(Year ended March 31, 2009)

(Units: Millions of yen)

Account	Amount	
Net sales		206,753
Cost of sales		64,503
Gross profit, net		142,250
Selling, general and administrative expenses (R&D expenses)		106,013 (42,256)
Operating income		36,236
Non-operating income		5,482
Interest income and dividends income	2,713	
Other	2,769	
Non-operating expenses		3,795
Interest expenses	609	
Other	3,185	
Ordinary income		37,924
Extraordinary income		213
Gain on sales of investment securities	213	
Extraordinary loss		1,014
Special contract expenses	700	
Loss on disaster	253	
Loss on valuation of inventories	35	
Loss on sales of investment securities	25	
Income before income taxes		37,123
Income taxes-current		12,370
Income taxes-deferred		889
Net income		23,863

Non-consolidated Statement of Changes in Net Assets
(Year ended March 31, 2009)

(Units: Millions of yen)

	Shareholders' equity								Treasury stock	Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings							
		Legal capital surplus	Legal retained earnings	Other retained earnings			Retained earnings brought forward			
				Reserve for special depreciation	Reserve for advanced depreciation of fixed assets	General reserve				
Balance as of March 31, 2008	21,279	20,227	5,388	461	24	258,645	25,503	△ 19,280	312,248	
Changes of items during the period										
Provision of reserve for special depreciation				29			△ 29		—	
Reversal of reserve for special depreciation				△ 213			213		—	
Reversal of reserve for advanced depreciation of fixed assets					△ 0		0		—	
Provision of general reserve						15,000	△ 15,000		—	
Dividends from surplus							△ 8,711		△ 8,711	
Net income							23,863		23,863	
Purchase of treasury stock								△ 371	△ 371	
Net changes of items other than owners' equity										
Total changes of items during the period	—	—	—	△ 184	△ 0	15,000	336	△ 371	14,779	
Balance as of March 31, 2009	21,279	20,227	5,388	276	23	273,645	25,839	△ 19,652	327,027	

	Valuation and translation adjustments	Total net assets
	Valuation difference on available-for-sale securities	
Balance as of March 31, 2008	22,068	334,316
Changes of items during the period		
Provision of reserve for special depreciation		—
Reversal of reserve for special depreciation		—
Reversal of reserve for advanced depreciation of fixed assets		—
Provision of general reserve		—
Dividends from surplus		△ 8,711
Net income		23,863
Purchase of treasury stock		△ 371
Net changes of items other than owners' equity	△ 13,860	△ 13,860
Total changes of items during the period	△ 13,860	919
Balance as of March 31, 2009	8,207	335,235

Notes to Non-consolidated Financial Statements

(Significant accounting policies)

1. Basis and method of valuation of significant assets

(1) Basis and method of Securities evaluation

① Investments in subsidiaries and affiliates

At cost determined by the moving average method

② Other investments in subsidiaries' and affiliates (The securities based on the Financial Products Exchange Law article 2.2)

The securities based on Securities and Exchange Law article 2.2 are evaluated 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 Products Exchange Law article 2.2 are evaluated their net profit/loss (equity method).)

(2) Basis and method of Inventories evaluation

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

(Change of accounting policy)

Effective the year ended March 31, 2009, the Company has applied "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan Statement No. 9; July 5, 2006). As a result, in the year ended March 31, 2009 operating income decreased by ¥289 million, ordinary income decreased by ¥18 million and income before income taxes decreased by ¥54 million compared with the former method.

2. Method of depreciation for fixed assets

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

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.

(Additional information)

The Company and its domestic consolidated subsidiaries revised the useful life of machinery and equipment as per revisions to the Corporation Tax Law, and applied the revised useful lives during the year ended March 31, 2009.

As a result, in the year ended March 31, 2009, depreciation expense decreased by ¥360 million, and operating income, ordinary income and income before income taxes each increased by ¥360 million compared with the former method. .

(2) Intangible fixed 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 ownership, lease assets are depreciated over their useful lives using the straight-line method until the residual value reaches zero.

(Change of accounting policy)

Formerly, finance lease transactions not involving the transfer of ownership were accounted for in a manner similar to the accounting treatment for operating lease transactions. However, effective from the fiscal year ended March 31, 2009, the Company applied "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13; Business Accounting Council Committee No. 1, June 17, 1993; revised March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16; the Japanese Institute of Certified Public Accountants, Accounting Committee, January 18, 1994; revised March 30, 2007). Such transactions are now accounted for as ordinary sale and purchase transactions.

As a result, in the year ended March 31, 2009, compared with the former method lease assets totaling ¥3 million were included in property, plant and equipment, and operating income, ordinary income and income before income taxes were not affected.

For reference, the Company continues to account for finance lease transactions not involving the transfer of ownership that were concluded prior to April 1, 2008 in a manner similar to the accounting treatment for ordinary operating lease transactions.

3. Basis for providing significant allowances and reserves

(1) Allowance for doubtful accounts

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

(2) Reserve for bonuses

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

(3) Reserve for directors' bonuses

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

(4) Reserve for rebates of sales

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

(5) Reserve for returned goods unsold

To prepare for returned goods unsold, a reserve for returned goods unsold is provided at the maximum amount stipulated in the Corporation Tax Law of Japan.

(6) Reserve for retirement benefits

To prepare for the payment of retirement benefits to employees, a reserve for retirement benefits is provided based on the retirement benefit liabilities accrued and the expected value of the pension plan assets as of the period end.

Prior service cost is amortized by the straight-line method over 10 years, which is within the estimated average remaining years of service of the eligible employees.

Actuarial gain or loss is proportionally amortized in the 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.

(7) Reserve for directors' retirement benefits

To prepare for the payment of retirement benefits to directors and corporate auditors, a reserve for their retirement benefits is provided for the estimated amounts as of the year end based on the Company's internal rules.

The retirement benefits system for directors and corporate auditors was abolished in June 2004, and there is no provision for the year ended March 31, 2009.

4. Transactions denominated in foreign currencies

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

5. Significant hedge accounting

(1) Method of hedge accounting

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

(2) Hedging instruments and hedged items

- Hedging instruments

- Forward foreign exchange contracts and interest-rate swaps

- Hedged items

- Assets and liabilities denominated in foreign currencies and debt

(3) Hedging policy

The Company enters into forward foreign exchange contracts and interest-rate swaps with the objective of hedging the risk of exchange rate fluctuations in connection with foreign currency-denominated assets and liabilities and the risk of interest rate fluctuations in connection with debt.

6. Consumption tax

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

(Notes to Balance Sheet)

1. The monetary figures in these tables are shown with amounts less than one million yen discarded.	
2. Accumulated depreciation amount of property, plant and equipment	161,209 million yen
3. Guaranteed liabilities	34 million yen
4. Short-term credit for subsidiaries	15,611 million yen
Short-term debts to subsidiaries	5,297 million yen

(Notes to Income Statements)

1. The monetary figures in these tables are shown with amounts less than one million yen discarded.

2. Special contract expenses

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

3. Loss on disaster

Loss on natural disaster consists of factory restoration expenses and loss on disposal of inventories and property, plant and equipment as a result of the Iwate-Miyagi Nairiku Earthquake and the Iwate Hokubu Earthquake.

4. Transactions with affiliates

Business transactions	24,589 million yen
Transactions other than business transactions:	4,915 million yen

(Non-consolidated Statement of Changes in Net Assets)

Shares held at the end of the period under review

Common stock	16,189,825 shares
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(Notes to tax effects)

The contents of significant instances where deferred income taxes arose

(Units: Millions of yen)

[As of March 31, 2009]

1. Current:

Deferred tax assets:

Reserve for bonuses	1,991
Accrued enterprise tax	729
Reserve for sales rebates	346
Other	586

Total deferred tax assets	3,654
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Deferred tax liabilities	△ 186
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Net deferred tax assets	3,467
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2. Non-current:

Deferred tax assets:

Research and development expenses	2,541
Loss on revaluation of investments in securities	439
Reserve for directors retirement benefits	63
Other	1,322

Total deferred tax assets	4,366
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Deferred tax liabilities:

Valuation difference on available-for-sale securities	△ 5,562
Prepaid pension cost	△ 7,086
Special depreciation	△ 188
Other	△ 616

Total deferred tax liabilities	△ 21,973
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Net deferred tax liabilities	△ 9,088
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(Notes to lease transactions)

Finance leases other than those under which the leased property is deemed transferred to the lessee

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

Acquisition cost equivalent	1,383 Million yen
<u>Accumulated depreciation equivalent</u>	<u>993 Million yen</u>
Term-end balance	389 Million yen

Note: Tool and furniture account for most of the above balances.

2. Breakdown of period end balance equivalent of unexpired leases

Within one year	371 Million yen
<u>Exceeding one year</u>	<u>18 Million yen</u>
Total	389 Million yen

3. Lease payments and depreciation equivalent

Lease payments	376 Million yen
Depreciation equivalent	376 Million yen

4. Calculation of depreciation equivalent

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

Note: The amounts shown in 1 and 2 above include the interest portion.

(Notes to amounts per share)

1. Net assets per share	1000.86 yen
2. Earnings per share	71.23 yen

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

Accounting Auditor's Audit Report

May 7, 2009

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, the consolidated change in shareholders' equity statement and Note to the consolidated financial statement of Shionogi & Co., Ltd. (the "Company") for fiscal term from April 1, 2008 to March 31, 2009. 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.

Accounting Auditor's Audit Report

May 7, 2009

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, the change in shareholders' equity statement and note to the financial statements, and the supporting schedules of Shionogi & Co., Ltd. (the "Company") for the 144th fiscal term from April 1, 2008 to March 31, 2009. 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 144th fiscal period from April 1, 2008 to March 31, 2009 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 to 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 to 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 Article of Incorporation of the Company.
- 2) No improper acts or serious matters in violation of the related regulations or the Articles of Incorporation in the course of execution of the Directors' duties have been observed.
- 3) The resolutions of the Board of the Directors regarding the Internal Control System are appropriate and there is nothing to point out with regard to the execution of the Directors' duties concerning the Internal Control System.

We received reports that there is no material defect in the Internal Control regarding the financial reports at the time of preparation of this Audit Report from the Directors and Ernst & Young ShinNihon LLC.

(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 8, 2009

Board of Auditors, Shionogi & Co., Ltd.

Standing auditor: Mitsuaki Ohtani

Standing auditor: Satoshi Komatsu

Auditor: Takeharu Nagata

Auditor: Shinichi Yokoyama

Note: Auditors Takeharu Nagata and Shinichi Yokoyama are outside Corporate Auditors stipulated in Section 16, Article 2 of the "Corporate Law".

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 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 has set a target of raising its payout ratio to 35 percent by the fiscal year ending March 31, 2010.

Net income for the fiscal year ended March 31, 2009 was distorted by the booking of expenses in accounting for business combinations associated with the acquisition of Sciele Pharma Inc.. Consequently, the company proposes ¥14 as an appropriation of retained earnings per share, taking into consideration the real profit level for the fiscal year and forecasted profit levels for the fiscal year ending March 31, 2010.

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

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

1. Year-end cash dividends

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

¥14 per share of common stock

Total amount of dividends: ¥4,689,248,760 -

(2) Effective date of dividends

June 26, 2009

Cash dividends per share for the fiscal year including the interim dividends would total ¥28.

2. Appropriation of other surplus

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

General reserves: ¥15,000,000,000 -

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

Retained earnings brought forward to the next period: ¥15,000,000,000 -

No. 2: Amendments to Articles of Incorporation

1. Reasons for Amendments

- (1) “The Law for Partial Amendments to the Law concerning Book-Entry Transfer of Corporate Bonds and Other Securities for the Purpose of Streamlining the Settlement for Trade of Stocks and Other Securities” (the Law No. 88 in 2004, hereinafter referred to as the “Book-Entry Law”) became effective on January 5, 2009. Pursuant to the Law, the common stocks of the Company shall be handled by the stock transfer system (so called the “Stocks Computerization” system) under the Law concerning Book-Transfer of Corporate Bonds and Other Securities (the Law No. 75 in 2001). Associated with this, the following amendments to the current Article of Incorporation will be made.
 - ① Pursuant to Section 1, Article 6 of Book-Entry Law Supplementary Provisions, it is deemed that resolution for amendment to Article of Incorporation to delete the provisions of Articles of Incorporation related to the issuance of stock certificates have been made on the effective date of the Stocks Computerization system. Accordingly, the Article 8 (issuance of share certificates) of and the wordings concerning share certificates in the current Article of Incorporation are to be deleted.
 - ② Associated with the repeal of “Act on Custody and Transfer of Share Certificates, Etc.,” (the Law No.30 in 1984), the wordings concerning the beneficiary shareholder and the list of beneficiary shareholders are to be deleted.
 - ③ It is required that the register of lost share certificates is prepared and maintained for a period of one year beginning from the day following the implementation of the Book-Entry Law in accordance with Article 221 of the Companies Act. Accordingly, necessary provisions are to be established in the Supplementary Provisions section.
- (2) Because outside directors play no role in the execution of duty directly, under condition that they act in good faith and without gross negligence, the proposed amendment to Article 25 (Contracts Limiting the Liability of Outside Directors) will establish provisions for concluding contracts with outside directors that limit their liability, within the scope stipulated in laws. Each of Shionogi’s corporate auditors has agreed with the proposed amendment.
- (3) In addition to the above reasons, any necessary changes such as additions, deletions and revisions are to be made.

2. Details of Amendments

The details of amendments are as follows:

(Amended portion is underlined.)

Current Article of Incorporation	Proposed Amendments
Chapter 2 Shares	Chapter 2 Shares
Article 8 (Issuance of Share Certificates) <u>The Company will issue share certificates representing shares.</u>	(Deleted)
Article 2 (Number of Shares Constituting One Trading Unit <u>and No Issuance of Certificate for Shares Less Than One Trading Unit</u>) The number of shares constituting one trading unit of the Company's shares shall be one thousand (1,000). 2. <u>Notwithstanding the provision of Article 8 hereof, the Company shall not issue a share certificate for shares less than one trading unit (hereinafter referred to as "Shares Less Than One Trading Unit") unless otherwise provided in the Rules for Handling of Shares.</u>	Article 8 (Number of Shares Constituting One Trading Unit) The number of shares constituting one trading unit of the Company's shares shall be one thousand (1,000).
Article 10 (Shareholder Registrar) The Company shall have a Shareholder Registrar. 2. The Shareholder Registrar and its handling office shall be designated by a resolution of the Board of Directors and public notice shall be given with regard thereto. 3. The register of shareholders <u>(including the register of beneficial shareholders, the same definition shall apply hereinafter)</u> , the register of rights to subscribe for the new shares <u>and the register of lost share certificate</u> shall be maintained in the handling office of the Shareholder Registrar, and the handling of other administrative work relating to the register of shareholders, rights to subscribe for the new shares <u>and the register of lost share certificate</u> shall be entrusted to the Shareholder Registrar, and the Company shall not handle such administrative work.	Article 9 (Shareholder Registrar) The Company shall have a Shareholder Registrar. 2. The Shareholder Registrar and its handling office shall be designated by a resolution of the Board of Directors and public notice shall be given with regard thereto. 3. The handling of all administrative work relating to the register of shareholders <u>and</u> rights to subscribe for the new shares shall be entrusted to the Shareholder Registrar, and the Company shall not handle such administrative work.
Article 11 (Rule for Handling of Shares) Handling of shares of the Company as well as its handling charges, including classes of share certificates, change in entries of the register of shareholders such as shareholder's name and purchase claim of Shares Less than One Trading Unit shall be governed by laws or this Article of Incorporation and/or the Rules for Handling of Shares established by the Board of Directors.	Article 10 (Rule for Handling of Shares) Handling of shares of the Company as well as its handling charges shall be governed by laws or this Article of Incorporation and/or the Rules for Handling of Shares established by the Board of Directors.
Article 12 through Article 25 (Text not shown)	Article 11 through Article 24 (same as current Article 12 through Article 25)
Chapter 4 Directors and Board of Directors	Chapter 4 Directors and Board of Directors
(Newly established)	Article 25 (Contracts Limiting the Liability of Outside Directors) <u>As per Article 427, Paragraph 1 of the Companies Act, the Company may conclude contracts with outside directors that limit their liability for claims for damages on the grounds of neglect of duty. Provided, however, that the maximum amount of liability for damages pursuant to such contracts shall be governed by laws.</u>

Article 26 through Article 36 (Text not shown)	Article 26 through Article 36 (same as current Articles)
(Newly established)	<u>Supplementary Provisions</u>
(Newly established)	<u>Article 1 The register of lost share certificates shall be maintained in the handling office of the Shareholder Registrar, and the handling of other administrative work relating to the register of lost share certificate shall be entrusted to the Shareholder Registrar, and the Company shall not handle such administrative work.</u>
(Newly established)	<u>Article2 The former Article and this Article shall be effective until January 5, 2010 and those Articles shall be deleted as of January 6, 2010.</u>

No. 3: Election of Six (6) Directors

The term of office of all five (5) Directors expires at the end of this Annual General Meeting of Shareholders.

In order to improve corporate governance, the Company has promoted such a reformation as reduction of the number of directors, shortening of director's term and introduction of corporate officers, from the perspectives of 'Speeding up of operating decision making' and 'Enhancement of supervisory function over operations'.

The Company will introduce external board members to further enhance supervisory function over operations, improve management transparency and promote highly fair management from the view of outside the Company

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

Candidates for Director are as follows:

Candidate No.	Name (Date of birth)	Career summary, position within the Company and representative position held at other companies	Number of the Company's shares owned
1	Motozo Shiono (November 17, 1946)	<p>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) (Representative position held at other companies) Chief Director of The Cell Science Research Foundation</p>	264,648
2	Isao Teshirogi (December 12, 1959)	<p>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)</p>	5,050
3	Sachio Tokaji (December 24, 1947)	<p>April 1970: Joined Shionogi & Co., Ltd. April 1997: General Manager in Accounting Department 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 (incumbent)</p>	7,000

4	Yasuhiro Mino (May 23, 1947)	<p>April 1970: Joined Shionogi & Co., Ltd.</p> <p>December 1996: General Manager, International Affiliate Management Department</p> <p>October 2001: General Manager, Planning Department, Manufacturing Division</p> <p>October 2002: Deputy General Manager, Manufacturing Division</p> <p>April 2004: Corporate Officer and General Manager, Corporate Planning Department</p> <p>April 2006: Corporate Officer and Corporate Strategic Planning Executive and General Manager, Corporate Planning Department</p> <p>June 2006: Director of the Company (incumbent)</p> <p>April 2007: Executive Officer and Corporate Strategic Planning Executive</p> <p>April 2008: Senior Executive Officer (incumbent)</p>	5,000
5	Akio Nomura (February 8, 1936)	<p>April 1958: Joined Osaka Gas Co., Ltd.</p> <p>June 1988: Director of Osaka Gas, Ltd.</p> <p>June 1989: Managing Director of Osaka Gas, Ltd.</p> <p>June 1991: Representative Director and Senior Managing Director of Osaka Gas, Ltd.</p> <p>June 1994: Representative Director and Vice President of Osaka Gas, Ltd.</p> <p>June 1998: Representative Director and President of Osaka Gas, Ltd.</p> <p>June 2000: Director of West Japan Railway Company (incumbent)</p> <p>June 2003: Representative Director and Chairman of Osaka Gas, Ltd. (incumbent)</p> <p>(Representative position held at other companies)</p> <p>Representative Director and Chairman of Osaka Gas, Ltd.</p> <p>Chairman of the Osaka Chamber of Commerce and Industry</p> <p>Chairman of the Japan Gas Association</p>	0
6	Teppei Mogi (October 17, 1958)	<p>April 1989: Registration of Attorney at Law</p> <p>April 1989: Joined Oh-Ebashi Law Offices</p> <p>April 1992: Service at Brussels Office of Cleary, Gottlieb, Steen & Hamilton LLP</p> <p>January 1993: Service at Rotterdam Office of De Brauw Blackstone Westbroek</p> <p>April 1994: Partner of Oh-Ebashi Law Offices</p> <p>August 2002: Partner of Oh-Ebashi LPC & Partners (incumbent)</p> <p>April 2004: Professor, Graduate School of Law and Faculty in practical business at The Kwansei Gakuin University Law School (incumbent)</p> <p>April 2005: Instructor at the Graduate School of Law, Kobe University (incumbent)</p>	0

Note:

1. There are no special interests between the candidates and the Company.
2. The Company is under business relationship with Osaka Gas, Ltd. where Mr. Akio Nomura is serving as Representative Director and Chairman.
3. Messrs. Akio Nomura and Teppei Mogi are the candidates of outside directors stipulated in Article 2, Paragraph 3, Subparagraph 7 of the Enforcement Regulations of the Companies Act.
4. The Company proposes to elect the candidate, Mr. Akio Nomura as outside directors to reflect his abundant experiences and broad discernment as the top management in our management.
5. The Company proposes to elect the candidate, Mr. Teppei Mogi as outside director to reflect his abundant experiences and professional knowledge as Attorney at Law in our management. The Company trusts that the candidate will be able to properly execute his duties as outside director due to the reasons above-mentioned though he has not been involved in the management of a company.
6. In the event that the candidates, Messrs. Akio Nomura and Teppei Mogi are elected as outside directors at this Annual General Meeting of Shareholders, the Company will conclude the contracts with the candidates that limit their liability stipulated in Section 1, Article 423 of the Companies Act to the minimum amount stipulated in Article 425 of the Act under the condition that they act in good faith and without gross negligence.

No. 4: Election of One (1) Corporate Auditor

As Mr. Takeharu Nagata will resign as Corporate Auditor at the end of this Annual General Meeting of Shareholders, the Company proposes the election of 1 Corporate Auditor.

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

Candidate for Corporate Auditor is as follows:

Name (Date of birth)	Career summary and position held at other companies	Number of the Company's shares owned
Takeharu Nagata (May 23, 1944)	April 1967: Joined Sumitomo Bank June 1992: Director and General Manager of Corporate Research Department of Sumitomo Bank June 1997: Managing Director of Sumitomo Mitsui Banking Corporation June 1999: Executive Managing Officer of Sumitomo Mitsui Banking Corporation June 2000: Representative Managing Director and Executive Officer of Sumitomo Mitsui Banking Corporation June 2002: Deputy President and Executive Officer of Sumitomo Mitsui Banking Corporation June 2005: Representative Director and President of Keihanshin Real Estate Co., Ltd. (incumbent) Director and Chairman of GINSEN Co., Ltd. June 2006: Corporate Auditor of the Company Corporate Auditor of SANYO Electric Co., Ltd. (Representative position held at other companies) Representative Director and President of Keihanshin Real Estate Co., Ltd.	0

Note:

1. There are no special interests between the candidates and the Company.
2. Mr. Takeharu Nagata is a candidate for outside Corporate Auditor stipulated in Article 2, Paragraph 16 of the Companies Act.
3. Mr. Takeharu Nagata currently serves as representative director and outside Corporate Auditor of other companies, and from his independent position, assumes an important role in audit as an outside Corporate Auditor of the Company. The Company proposes to elect the candidate, Mr. Takeharu Nagata as an outside Corporate Auditor since the Company trusts Mr. Takeharu Nagata to continuously reflect his abundant management experiences and broad discernment in the auditing duty of the Company.
4. The period of his duty as an outside Corporate Auditor since assumption will be four (4) years at the end of this Annual General Meeting of Shareholders.
5. SANYO Electric Co., Ltd. ("SANYO"), which Mr. Takeharu Nagata serves as outside Corporate Auditor, made review on the impairment loss of investments in subsidiaries and affiliates, etc. of the non-consolidated financial statements back to the period ending March 31, 2001 and, on December 25, 2007, corrected the financial statements, etc. of the past financial year. Due to this correction, SANYO received the order by the Financial Services Agency on January 18, 2008 to pay penalty as the reason for false statement(s) about material matter(s) in the interim financial report ending September 2005. Mr. Takeharu Nagata has made proposals from the viewpoint of the necessity of risk management and the compliance management from the past and he expressed instructive opinion on the measures for the investigation of cause and the prevention of relapse with respect to this case. Moreover, he checked the progress of each countermeasure aiming at the prevention of relapse and properly made proposals and expressed opinions.
6. Since the Company provides in Article of Incorporation that the Company can conclude a contract with each outside Corporate Auditor that limits his/her liability stipulated in Section 1, Article 423 of the Companies Act to the minimum amount stipulated in Laws, the Company will conclude such contract with Mr. Takeharu Nagata when he is reelected as outside Corporate Auditor at this Annual General Meeting of Shareholders.

No. 5: Payment of Bonuses to the Directors

Considering the results of the Company's business for the fiscal year ended March 31, 2009, the Company proposes to pay the following bonuses to the five (5) Directors who were in office as of the end of the fiscal year ended March 31, 2009:

For Directors' Bonuses: ¥36,050,000

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

No. 6: Presentation of Retirement Benefits to a Retiring Director and Reelected Directors since Abolishment of Retirement Benefit Systems

In reward for Mr. Kiyoshi Miyamoto's contribution during the term from his assumption to the end of the 139th Annual General Meeting of Shareholders*, the Company proposes to give Mr. Kiyoshi Miyamoto retirement benefits according to the internal rules existing before abolishment of the retirement benefit system. The Company also proposes to entrust the Board of Directors to discuss and decide the amount of the retirement benefit, timing and method of payment, etc.

* The 139th Annual General Meeting of Shareholders held on June 29, 2004 abolished Shionogi's system of retirement benefits for the Directors and Corporate Auditors. The retirement benefits for the period of service of the Directors and Corporate Auditors up to the 139th Annual General Meeting of Shareholders will be submitted for consideration at the Annual General Meeting of Shareholders when each Director and Corporate Auditor retires.

Career summary of Retiring Director is as follows:

Name	Career summary
Kiyoshi Miyamoto	June 1994: Director of the Company June 1998: Managing Director of the Company June 2002: Senior Managing Director of the Company June 2004: Executive Vice President of the Company April 2006: Chairperson of the Company April 2008: Director and Advisor of the Company (incumbent)

In the event that the proposal No. 3 is resolved as proposed, the reelected directors since the abolishment of retirement benefit systems will be three (3) Directors, namely, Messrs. Motozo Shiono, Isao Teshirogi and Sachio Tokaji. In reward for the three (3) Directors' contribution during the term from their assumption to the end of the 139th Annual General Meeting of Shareholders, the Company proposes to give them retirement benefits according to the internal rules existing before abolishment of the retirement benefit system. The Company also proposes to entrust the Board of Directors to discuss and decide the amount of the retirement benefit, timing and method of payment, etc.

Career summary of Reelected Directors since Abolishment of Retirement Benefit Systems is as follows:

Name	Career summary
Motozo Shiono	June 1984: Director of the Company June 1987: Managing Director of the Company June 1990: Senior Managing Director of the Company August 1999: President of the Company April 2008: Chairperson of the Company (incumbent)
Isao Teshirogi	June 2002: Director of the Company April 2008: President of the Company (incumbent)
Sachio Tokaji	June 2002: Director of the Company (incumbent)

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

1. Notice to Internet users

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

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

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

- (2) To exercise your voting rights through the Internet, please register your approval or disapproval of each proposition by using the code and password for the exercise of voting rights indicated in the Proxy Card enclosed herewith and following the directions on the screen
- (3) Although it is acceptable to exercise voting rights through the Internet until 5:00 P.M.*, Wednesday, June 24, 2009, 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 5.5 SP2 or greater, or Netscape 6.2 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. Netscape is the trademark of Netscape Communications Corporation, registered in the United States and other countries.)


【Reference Regarding Exercise of Voting Rights through the Internet】

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

Shareholder Registrar

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

【Exclusive Line】

 **0120-186-417 (24-hours, toll free)**

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

*Japan Standard Time

2. To Institutional investors

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