

## Corporate Governance

In line with the Company Policy of Shionogi, we recognize that it is our social mission to continually discover, develop, and provide highly effective and safe medicines. Shionogi is also aware that sustaining its implementation of this social mission will increase corporate value. Accordingly, it gives top priority to carrying out sound and transparent management through the corporate governance system it has established.

### Corporate Governance System

Shionogi has adopted a “company with corporate auditors” corporate governance system that includes a board of directors, a board of corporate auditors, and independent accounting auditors.

At the June 2009 General Meeting of Shareholders, two outside directors were elected to the Board of Directors to promote highly fair management from an outside perspective, thereby further strengthening the directors’ capabilities for supervising operation and supporting an additional rise in the level of management transparency. The Board of Directors is composed of six directors, including the two outside directors. It meets once a month, in principle, to make decisions on important matters affecting management. To facilitate rapid responses to changes in the operating environment and clarify management responsibilities, the directors’ term in office has been set at one year. Moreover, the Company has introduced a corporate officer system to build a flexible operational execution structure able to rapidly respond to changes in the operating environment. The

Corporate Executive Meeting is a unit created to conduct deliberations regarding operational execution issues. It is composed of the directors and managers responsible for operation, and, in principle, it meets every week.

In addition, to further increase management transparency, the Board of Directors decided in August 2009 to establish a nomination advisory committee and a compensation advisory committee. Composed mainly of outside directors, these committees are advisory bodies with the task of conducting deliberations concerning directors and corporate officer-related personnel matters and remuneration matters.

The Company has two standing corporate auditors and two outside corporate auditors. The corporate auditors attend meetings of the Board of Directors, Corporate Executive Meetings, and other important meetings, offering opinions when necessary. In addition, by conducting operational and accounting audits in accordance with corporate auditing standards, they check and evaluate the legality and propriety of operations executed by directors and corporate officers and thereby

work to ensure management transparency. While implementing audits and providing advice and suggestions, the corporate auditors work to coordinate their activities with the Internal Control Unit, an internal auditing department. In addition, by regularly exchanging opinions with the representative directors, the corporate auditors endeavor to increase the effectiveness of audits.

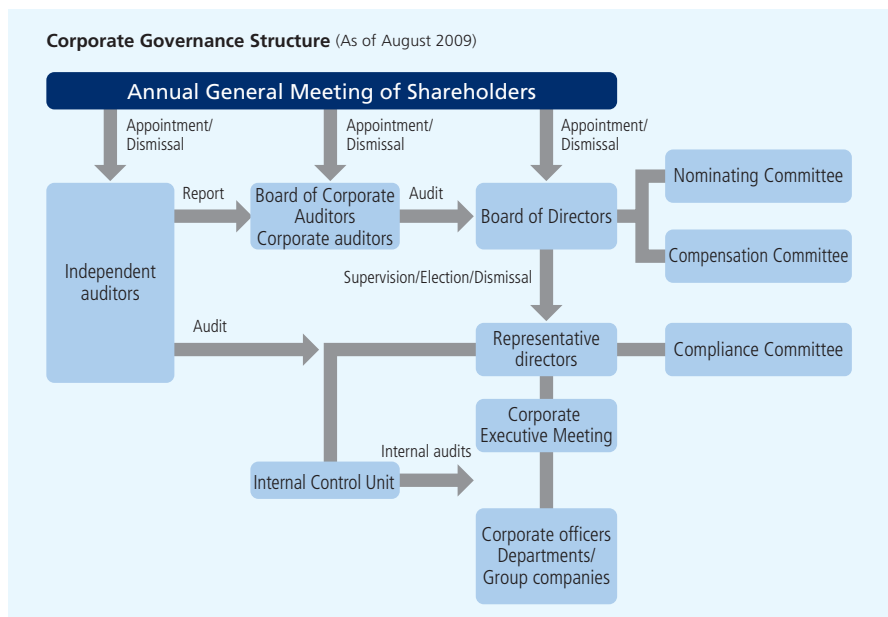
### Strengthening the Internal Control System

In accordance with the Basic Policy for Building an Internal Control System approved by the Board of Directors based on the Companies Act, Shionogi has worked to establish internal control systems throughout the Shionogi Group. The Board of Directors annually evaluates the state of internal control systems and the progress in implementing the basic policy based on consideration of the operational situation during the previous year and continually works to strengthen and augment the internal control systems.

Sincere efforts to ensure the reliability of financial statements are necessary for maintaining management transparency and integrity. To comply with the J-SOX internal control report system under the Financial Instruments and Exchange Act, Shionogi has worked to optimize its IT environment and is moving ahead with measures to build and improve internal controls over financial reporting. As part of these efforts, the president of Shionogi has sent a message to all Group employees regarding the need to emphasize the reliability of financial reporting, and the Company is working to promote greater and broader-spread awareness of this issue.

### Risk Management

Each of the Company’s organizational units recognizes the intrinsic risk factors associated with its activities, determines response strategies in line with the degree of risk related to each factor, and takes measures to avoid or mitigate those risks.



Responses to important risks that could significantly impact the Company's management are discussed at the Corporate Executive Meeting and other meetings and, based on the response policies determined at those meetings, the responsible units cooperate with relevant departments to respond as necessary. Regarding risks associated with disasters, accidents, and other situations requiring emergency responses, Shionogi is promoting crisis management processes that emphasize respect for human lives as well as consideration for and contributions to local communities.

**Framework for Information Disclosure**

Shionogi has established internal systems for the timely, appropriate, and fair disclosure of accurate corporate information to investors and all other kinds of stakeholders, and the Company continues to make necessary revisions to these systems with the goal of maintaining and improving them.

**Thorough Compliance**

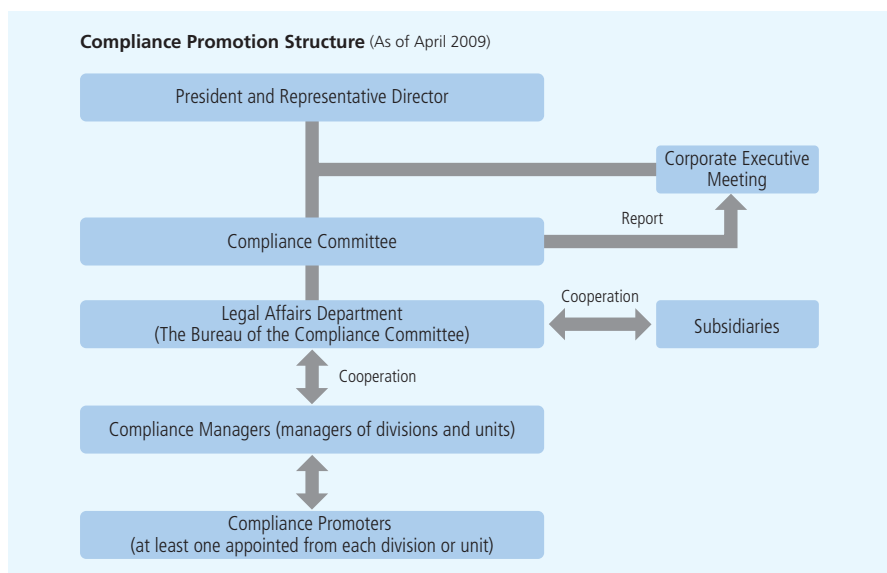
Shionogi promotes compliance in all departments and units including subsidiaries through measures centered on those of the Compliance Committee, which is chaired by

the president and for which the Legal Affairs Department serves as the secretariat.

Not limited to conformance with laws and regulations, Shionogi's broad definition of compliance also requires ethical behavior. Each year, the Company engages in the following activities aimed at promoting outstanding compliance consciousness and compliance performance among all employees.

1. As the designated Compliance Manager, the manager of each department or unit cooperates with an assistant—designated the Compliance Promoter—in undertaking activities that promote comprehensive compliance consciousness, identifying risks and considering related responses, drafting and submitting reports regarding implementation and improvement measures, and taking various other measures.
2. Besides drafting compliance measure proposals, the Legal Affairs Department provides support for each department or unit through such measures as those to implement and facilitate compliance education programs, prepare and distribute Shionogi's Compliance Handbook, and conduct employee attitude surveys.

3. Shionogi has established an internal reporting system, an internal reporting desk in the Legal Affairs Department, and an external reporting desk at the offices of its outside legal counsel. Moreover, in accordance with the intent of Japan's Whistleblower Protection Act, the Company has established internal protection regulations aimed at preventing whistleblowers from being subjected to disadvantageous situations, and it makes risk management efforts designed to promote the early discovery, amelioration, and prevention of compliance violations.
4. Concerning the protection of personal information, Shionogi has established an information management system based on its Information Security Policy and employs this system to manage information assets. In addition, the Company has established a standing committee headed by the General Manager of the Legal Affairs Department that takes various measures to prevent the inappropriate usage or leakage of personal information, including implementation of the Company's privacy policy, disclosing the scope of personal information usage objectives, establishing a dedicated consulting line to handle personal information-related consultations and complaints, and helping employees who handle personal information to participate in educational programs and acquire related certifications.



Compliance Education Course



Compliance Handbook (3rd Edition)