



## Corporate Governance System

In line with the Company Policy of Shionogi, we recognize that it is our social mission to continually discover, develop, and provide effective and safe medicines. Shionogi is also aware that sustaining its implementation of this social mission will increase corporate value. Accordingly, it believes strongly in carrying out sound management practices 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.

To further enhance the effective functioning of corporate governance, two outside directors were elected to the Board of Directors in fiscal 2009 to promote comprehensive decision-making incorporating an objective, outside perspective. Both directors recognize their role as independent directors in helping the Company to fulfill its corporate responsibilities, making decisions with the interest of general shareholders in mind and contributing to highly transparent management. The Board of Directors is composed of five 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.

In addition, to further increase management transparency and accountability to stakeholders, the Company has established a nomination advisory committee and a compensation advisory committee as advisory bodies to the Board of Directors. Both committees are chaired by outside directors, ensuring that management decisions in these areas are examined from a fair and honest perspective, as well as that selected directors are vetted and evaluated from multiple angles, including assessment of aptitude, impact on management, and quality of work performance.

Moreover, the Company has introduced a corporate officer system to allow management policy to be reflected in operations without delay, and has built a flexible operational execution structure able to rapidly respond to changes in the operating environment. Furthermore, 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.

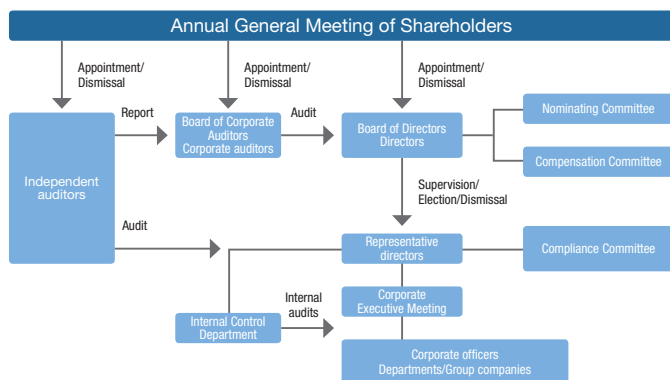
The Company has two standing corporate auditors and three outside corporate auditors. The corporate auditors attend meetings of the Board of Directors, Corporate Executive Meetings, and other important meetings, offering opinions when necessary. In addition, by conducting operational and accounting audits 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 enhance the implementation of oversight. While implementing audits and providing advice and suggestions, the corporate auditors work to coordinate their activities with the independent accounting auditors and the Internal Control Department, an internal auditing department. In addition, by regularly exchanging opinions with the representative directors, the corporate auditors endeavor to ensure the appropriateness and 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 Corporate Law, Shionogi

has worked to establish internal control systems throughout the Shionogi Group. The Board of Directors annually evaluates the state and management of internal control systems based on consideration of the operational situation during the previous year and continually works to

**Corporate Governance Structure** (As of April 2011)



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 is moving ahead with measures to build and improve internal controls over financial reporting. As part of these efforts, a message has been sent to all domestic and global 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, corporate scandals, and other situations requiring emergency responses, Shionogi has formulated a Crisis Management Policy, as well as separate sets of critical measures and contact chains pertaining specifically to disasters, pandemics, and corporate scandals. In this way, Shionogi is promoting crisis management processes that emphasize respect for human lives, demonstrate consideration for and contributions to local communities, and mitigate potential damage to corporate value. Moreover, we have formulated a business continuity plan and system for each risk factor in order to fulfill our mission as a pharmaceuticals manufacturer of ensuring the stable and continuous provision of essential medicines.

**Framework for Information Disclosure**

Shionogi has established internal systems for the timely, appropriate, and

fair disclosure of accurate corporate information to all kinds of stakeholders, and the Company continues to make necessary revisions to these systems with the goal of maintaining and improving them.

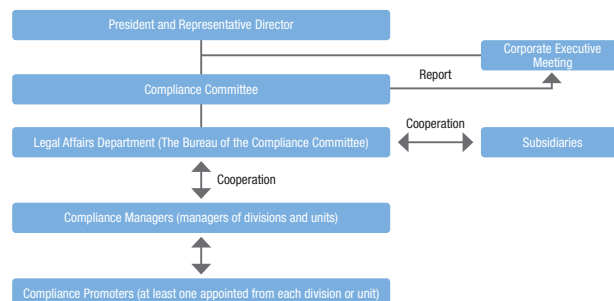
**Thorough Compliance**

Shionogi promotes compliance in all departments and units, including domestic and overseas 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.

In order to further enhance the assurance of compliance of which Shionogi's broad definition does not mean only compliance with laws and regulations but also requires ethical behavior, the Company engages in the following types of 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, including the drafting and submitting of compliance risk management action plans that identify risks and consider related responses, and the drafting and submitting of reports regarding the promotion of compliance consciousness, implementation, and improvement measures based on these action plans, in order to ensure thorough compliance.
2. Besides drafting compliance measure proposals, the Legal Affairs Department provides support for promotion activities of the entire Shionogi Group through such measures as those to implement and facilitate compliance education programs for executives and all Shionogi Group employees, prepare and distribute Shionogi's Compliance Handbook, disseminate messages and reminders regarding compliance, conduct employee attitude surveys, and feed back survey results internally.
3. Shionogi has established an internal reporting system comprising an internal reporting desk in the Legal Affairs Department, and an external reporting desk at the office of its outside legal counsel, and makes risk management efforts designed to promote the early discovery as well as the amelioration and prevention of compliance violations utilizing the system. In conjunction with this system, the Company, in accordance with the intent of Japan's Whistleblower Protection Act, has established internal protection regulations within the rules for its internal reporting system aimed at preventing whistleblowers from being subjected to disadvantageous situations.
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 assure the appropriate usage of and to prevent 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 questions and complaints, and helping employees who handle personal information to participate in educational programs.

**Compliance Promotion Structure** (As of April 2011)



## Members of the Board

(As of June 24, 2011)



Front row from left: Motozo Shiono, Isao Teshirogi. Back row from left: Teppei Mogi, Akio Nomura, Yasuhiro Mino.

### Directors

Chairman of the Board  
Representative Director

**Motozo Shiono**

President and CEO  
Representative Director

**Isao Teshirogi, Ph.D.**

Director

**Yasuhiro Mino**

### Outside Directors

#### Akio Nomura

June 1998: Representative Director and President of Osaka Gas, Ltd.

June 2000: Director of West Japan Railway Company

June 2003: Representative Director and Chairman of Osaka Gas, Ltd.

June 2008: Director of the Royal Hotel, Ltd. (incumbent)

June 2009: Director of Shionogi & Co., Ltd. (incumbent)

#### Teppei Mogi

April 1989: Admitted to Osaka Bar Association

August 2002: Partner of Oh-Ebashi LPC & Partners (incumbent)

April 2004: Professor, Kwansai Gakuin University Law School

April 2005: Part-time lecturer, Kobe University Graduate School of Law (incumbent)

June 2009: Director of Shionogi & Co., Ltd. (incumbent)

April 2010: Part-time instructor, Kwansai Gakuin University Law School (incumbent)

### Corporate Auditors

Standing Corporate Auditor **Mitsuaki Ohtani, Ph.D.**

Standing Corporate Auditor **Sachio Tokaji**

Outside Corporate Auditor **Takeharu Nagata**

Outside Corporate Auditor **Shinichi Yokoyama**

Outside Corporate Auditor **Kenji Fukuda**

### Corporate Officers

Vice President Officer

Senior Executive Officer

Executive Officer

Executive Officer

Executive Officer

Corporate Officer

Corporate Officer

Corporate Officer

Corporate Officer

Corporate Officer

**Yasuhiro Mino**

**Takuko Sawada**

**Takuo Fukuda**

**Ryuichi Kume, Ph.D.**

**Yoshiaki Kamoya**

**Hirosato Kondo, Ph.D.**

**Masaaki Goshima**

**Kohji Hanasaki, Ph.D.**

**Takayuki Yoshioka, Ph.D.**

**Kiyoshi Nagata, Ph.D.**