Translation for reference only

Ticker Code: 4507

To All Shareholders

June 2, 2015

Notice of Convocation of the 150th Annual General Meeting of Shareholders

The 150th 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., Tuesday June 23, 2015.[1]

Yours faithfully,

Isao Teshirogi
President and CEO
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., Wednesday, June 24, 2015**
2. Location: **HERBIS HALL**
5-25, Umeda 2-chome, Kita-ku, Osaka 530-0001, Japan

3. Agenda:

Items to report:

1. The Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 150th Fiscal Term (year ended March 31, 2015)
2. The Audit Report of the Consolidated Financial Statements for the 150th Fiscal Term (year ended March 31, 2015) by the Accounting Auditor and the Board of Corporate Auditors

Items for resolution:

Proposal No. 1: Appropriation of Surplus
Proposal No. 2: Partial Amendments to the Articles of Incorporation
Proposal No. 3: Election of Six (6) Directors
Proposal No. 4: Election of Two (2) Auditors

4. Exercise of voting rights:

You are kindly requested to review "How to Exercise Your Voting Rights" on pages 49 and 50 before exercising your voting rights.

1. Exercise of voting rights by mail
   If you wish to vote by mail, you are kindly requested to indicate your consent or refusal on the proxy form and return it by 5:00 p.m., Tuesday, June 23, 2015.
2. Exercise of voting rights by Internet
   You are kindly requested to exercise your voting rights by 5:00 p.m., Tuesday, June 23, 2015, after reviewing the instructions and cautionary statements.

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* The reception desk opens at 9:00 A.M.
* If you intend to exercise your voting rights in person, you are kindly requested to hand in your proxy form at the reception desk when you arrive at the Annual General Meeting of Shareholders
* Pursuant to the Companies Act and Article 14 of Shionogi's Articles of Incorporation, the Notes to Consolidated Financial Statements and the Notes to Non-Consolidated Financial Statements are not included in this Notice of Convocation as they are available on our Internet website (http://www.shionogi.co.jp/en/). Therefore, the consolidated and non-consolidated financial statements audited by the Accounting Auditor and the corporate auditors include the Notes to Consolidated Financial Statements and the Notes to Non-Consolidated Financial Statements posted on our website in addition to the statements attached to this Notice of Convocation
* 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/en/).

[1] Japan Standard Time

(**Appended documents**)

Business Report

Fiscal 2014 (Year ended March 31, 2015)

1. Overview of Operations

(1) Business Operations and Results

The global pharmaceutical industry has contributed to human health and welfare by providing innovative medicines. The result has been a shift to other areas of unmet medical need, such as cancer, Alzheimer's disease and other central nervous system diseases, and antibiotic-resistant infections, for which drug development is particularly challenging. Research and development is moving forward on large molecules such as antibody therapies and regenerative therapies, which originate from iPS cell research, in addition to small molecules. Moreover, development time and R&D expenses needed to verify efficacy and safety are increasing further, reflecting rising demands for safety as well as efficacy. In response to the increasing difficulty of drug discovery, industry trends such as open innovation, business alliances, and business acquisitions, transfers and exchanges are accelerating. Unconventional alliances between pharmaceutical companies and businesses in other industries, including IT companies and electrical equipment manufacturers, are also beginning.

In the domestic prescription pharmaceuticals market, the profit structures of pharmaceutical companies are changing significantly in response to the drug price reductions implemented in April, 2014, which averaged in the mid-two percent range for the industry as a whole, as well as measures to encourage the use of generics. It is expected that government policies to control medical cost and drug prices will be strengthened in an effort to curb the rise in social welfare costs related to Japan's rapidly aging society. On the other hand, the field of life sciences is positioned as a priority sector in the government's Japan Revitalization Strategy, contributing to high expectations for the pharmaceutical industry as a growth engine of the Japanese economy. Such as the establishment of The Japan Agency for Medical Research and Development (AMED), specific evaluation and support measures for the creation of innovative drugs have been proposed, so drug discovery-based pharmaceutical companies will have a mission to continue to create high-quality new drugs and make them available for patients.

In this operating environment, the Shionogi Group launched a new Medium-Term Business Plan, Shionogi Growth Strategy 2020 (SGS2020) in April 2014 with the goal of growing globally as a drug discovery-based pharmaceutical company. In fiscal 2014, the first year of the plan, the Shionogi Group defined its core businesses to quickly bring innovative new drugs to patients around the world. The company focused resources on strategic therapeutic and marketing areas, worked to create first-in-class (FIC)*1 and last-in-class (LIC)*2 drugs to support future growth, and continued to strengthen its business operations.

*1 First-in-class (FIC): Innovative medicines with particularly high novelty and efficacy that can change the existing therapeutic paradigm significantly.

*2 Last-in-class (LIC): Unrivaled medicines with clear superiority over others that have the same mechanism of action.

≪Summary of business operation for Fiscal 2014≫

During fiscal 2014, ended March 31, 2015, the Shionogi Group placed top priority on overcoming the "Crestor Hill" following modification of its royalty agreement with AstraZeneca, and worked to maximize the value of strategic products while laying the groundwork for its medium-to-long-term product portfolio. In terms of costs, the Shionogi Group took measures to reduce the cost of sales, including raising production efficiency, and carried out clearly prioritized strategic allocation of resources throughout its operations. In addition, royalties and dividends from UK-based ViiV Healthcare Ltd. (ViiV) were much higher than expected due to expanding sales of Tivicay® (dolutegravir), an anti-HIV drug for which Shionogi transferred the rights to ViiV, and Triumeq®, a combination drug that includes dolutegravir. Shionogi also recorded foreign exchange gains due to the weaker yen. As a result, ordinary income, which had initially been projected to decline, reached a record level for the third consecutive year.

Net sales and operating income were as planned, and the Shionogi Group took a step forward in moving to a true growth phase toward achievement of the financial targets of SGS2020.

(Billions of yen)

Net Sales	274.0	Operating Income	50.4
	Y on Y Change (15.7) Y on Y Change (%) (5.4)		Y on Y Change (11.5) Y on Y Change (%) (18.6)
Ordinary Income	77.9	Net Income	44.1
	Y on Y Change 15.7 Y on Y Change (%) 25.2		Y on Y Change 3.5 Y on Y Change (%) 8.5

Note: The Company changed its accounting policy for research and development expenses effective April 1, 2014. Figures for the fiscal year ended March 31, 2014 and percentage increase have been restated to reflect this change.

Reference: Exchange rate (FY2014 results average)

(Units : Yen)

USD($) – JPY(¥)	109.76
GBP(£)－JPY(¥)	176.68

1) Domestic Prescription Pharmaceuticals Market

In SGS2020, the Shionogi Group will focus primarily on its home Japanese market. To realize its vision for 2020 -- "to become the best medical partner for patients and healthcare providers" -- the Group will strengthen strategic products and continue its efforts to provide high-quality information across all therapeutic areas with a focus on patients.

In fiscal 2014, the Shionogi Group focused its resources on its eight strategic products, centered on hyperlipidemia treatment Crestor®, hypertension treatment Irbetan® and antidepressant drug Cymbalta®. As a result, sales of the eight strategic products increased ¥2.9 billion year on year to ¥95.8 billion. Crestor® has grown into a blockbuster drug, with combined sales by Shionogi and AstraZeneca surpassing the ¥100.0 billion mark based on National Health Insurance (NHI) drug prices.

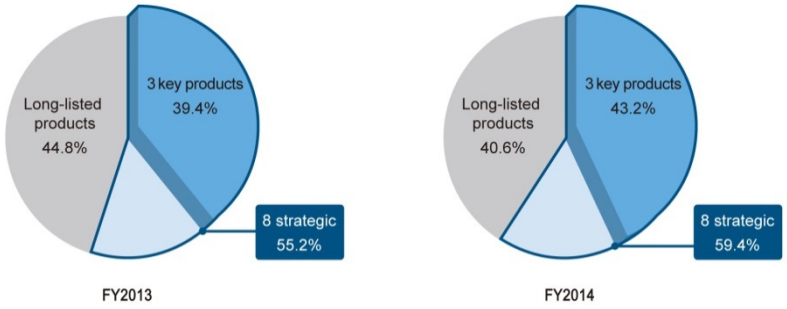
In overall domestic sales of prescription drugs, the expansion of the eight strategic products did not fully offset the decline in sales of long-listed products due to the impact of changing significantly in response to the drug price reductions implemented, government measures to control drug costs, and other factors. However, sales increased 4.2 percent year on year because the eight strategic products accounted for 59.4 percent of total domestic prescription drug sales.

≪Sales of strategic products≫

(Billions of yen; %)

	FY2014	FY2013	Y on Y Change	Y on Y Change (%)
CRESTOR	43.6	41.1	2.5	6.1
IRBETAN Franchise	15.1	13.9	1.2	9.1
CYMBALTA	10.9	11.4	(0.5)	(4.0)
Total of 3 key products	69.7	66.3	3.4	5.0
OXYCONTIN Franchise	10.3	10.6	(0.3)	(3.5)
FINIBAX	4.0	4.7	(0.7)	(15.2)
DIFFERIN	3.9	4.4	(0.5)	(11.9)
PIRESPA	5.4	4.8	0.6	11.6
RAPIACTA	2.6	2.0	0.6	30.6
Total of 8 strategic products	95.8	92.9	2.9	3.1

◆ Percentage for total domestic prescription drug sales



To respond to changes in the domestic market, including the expansion of generic drugs, Shionogi overhauled its sales operations by reorganizing departments under the Human Health Care Division in October 2014. With this reorganization, Shionogi is better able to tailor promotional and marketing activities to regional market characteristics and medical needs, and has established a structure to reliably deliver the best medicines to the patients who need them.

2) Overseas Business

In the United States, the other main sales area of focus in SGS2020, the Shionogi Group concentrated resources on Osphena® (ospemifene), a treatment for postmenopausal vulvar and vaginal atrophy, which the Group has positioned for rapid expansion as a growth driver in its overseas business. Osphena® was launched by U.S. subsidiary Shionogi Inc. in June 2013. Sales of Osphena® in fiscal 2014 did not reach sales target, but after analysis of sales trends, the target of promotional activities was broadened from gynecologists to primary care physicians. In addition, effective use of marketing expenses under a flexible marketing strategy that included a marketing message emphasizing improved treatment continuity and a change in packaging specifications resulted in steady sales growth.

In the European Union and Asia including China and Taiwan, the Shionogi Group conducted development activities and worked to establish its business foundation for 2020. As part of that effort, China subsidiary C&O Pharmaceutical Technology (Holdings) Limited launched peptic ulcer treatment 澳博平® (Ao Bo Pin: Rabeprazole Sodium) in September 2014, the first new product developed in-house by a Shionogi Group subsidiary. In addition, Shionogi Singapore Pte. Ltd. began full-scale operations in April 2014, and is studying aspects such as healthcare systems, marketability and economic efficiency to prepare for entry into the ASEAN market.

3) Royalty Income

Crestor® royalties decreased in comparison with the previous year because of the change in the royalty rate from 2014 to 2016 under the adjusted royalty arrangement with AstraZeneca. However, as a result of this adjustment, the period of royalty payments for Crestor® will be extended until 2023. This is expected to contribute to stable revenue for the Shionogi Group.

In addition, in fiscal 2015 Shionogi will begin receiving royalties from the Tivicay® and Triumeq® of products, which are positioned as the next growth drivers to replace Crestor®. Tivicay® has gained strong market acceptance for its superior efficacy and safety, high barrier to resistance and other characteristics. Expectations are therefore increasing for expansion of global sales of Tivicay® and Triumeq® by ViiV.

4) Results in Research and Development

In SGS2020, the Shionogi Group selected therapeutic areas based on the medical needs of Japan's rapidly aging society and time frames of the present, near future and future. By focusing resources in this way, the Group aims to create innovative FIC and LIC compounds. The Shionogi Group is also undertaking process innovation in clinical development for faster development. In addition, functions for strengthening discovery and in-licensing of promising lead compounds and technologies have been unified at the Global Innovation Office (GIO), established in 2014. The Shionogi Group also promoted further collaboration with universities and research institutions in Japan and around the world. By incorporating external research assets and drug discovery technologies, the Group is building a system for strengthening its pipeline.

① Research Activities

The Shionogi Group's core therapeutic areas are infectious diseases that the Shionogi Group has its strength and pain/CNS. The Shionogi Group continues to conduct activities aimed at creating development candidates with the potential to become FIC or LIC compounds and improving the success rate in moving them from non-clinical to clinical trials.

In the fiscal year ended March 31, 2015, an oral anti-influenza treatment with a novel mechanism of action advanced to the development stage, and the Shionogi Group created new development candidates for the treatment of severe bacterial infection and neuropathic pain. The results of non-clinical studies of S-649266, a novel siderophore cephalosporin antibiotic for intravenous injection created at a Shionogi research laboratory, has a unique "Trojan Horse" mechanism* that transports the drug into the bacterial body, and it shows good antibacterial action against multidrug-resistant gram-negative pathogens. This compound is therefore attracting interest as an antimicrobial agent with the potential to become a new treatment option for multidrug-resistant bacterial infections, which have become a public health issue in recent years.

Moreover, in concentrating resources on selected therapeutic areas, the Shionogi Group took steps to maximize the value of its outstanding drug discovery technologies. These included licensing the rights to its early-stage biologic program, which it had been implementing in the area of metabolic diseases, to U.S. company MedImmune.

*A method of transporting the effective drug to the site of action using the mechanism for the uptake of iron, which is necessary for cell growth

② Development Activities

In October 2013, ViiV filed for approval in the United States and the EU for Triumeq®. Triumeq® received regulatory approval in the United States in August 2014 and the EU in September 2014. In Japan, approval was granted in March 2015. In addition, Senshio® (ospemifene), for which Shionogi had filed for regulatory approval in the EU, received approval in January 2015 for the treatment of moderate to severe symptomatic vulvar and vaginal atrophy in post-menopausal women.

For Cymbalta®, which is expected to support the growth of the Shionogi Group in Japan, Shionogi filed for regulatory approval for the additional indications of fibromyalgia, which is requested for development by government and chronic low back pain as part of its lifecycle management. Shionogi also filed for approval of S-888711, a treatment for thrombocytopenia, and S-524101, a treatment for allergic rhinitis caused by house-dust mite allergen. S-524101 received regulatory approval in March 2015.

In addition, the Shionogi Group is energetically moving forward with global development of compounds in its strong pipeline, including S-297995 for alleviation of opioid-induced adverse effects and S-649266. Both are being developed as the next generation of growth drivers for the Shionogi Group. Development of these compounds is progressing smoothly. The Shionogi Group will continue to move forward with faster, more effective development in Japan, the United States, Europe and Asia to enable the rapid supply to global markets of medicines that patients need.

The progress of the main clinical development activities at the end of the fiscal 2014 (ended March 31, 2015) are as follows:

Approval

Therapeutic area	【Product Name 】	Category (Administration)	Indication	Country/ Region	Period
Infectious disease	Dolutegravir sodium /Abacavir sulfate /Lamivudine* 【Triumeq®】	Integrase inhibitor /nucleoside analogue reverse transcriptase inhibitor (Oral combination)	HIV infection	Global	USA: Aug., 2014 Europe: Sep., 2014 Japan: Mar., 2015
Infectious disease	Vancomycin hydrochloride 【Vancomycin】	Glycopeptide antibiotic (Injection)	Febrile Neutropenia Suspected of MRSA or MRCNS Infection	Japan	May, 2014
Other	Ospemifene 【Senshio®】	Selective estrogen receptor modulator (Oral)	Post-menopausal vaginal atrophy	Europe	Jan., 2015
Other	S-524101	Sublingual tablet of house -dust mite allergen extracts for immunotherapy	Allergic rhinitis caused by house-dust mite allergen	Japan	Mar., 2015
Other	Interferon gamma-la 【Imunomax®- γ 】	Interferon gamma-la (Genetical recombination) (Injection)	Mycosis fungoides/Sazary syndrome	Japan	May, 2014

*Approval was obtained by ViiV

Note: MRCNS: Methicillin Resistant Coagulase-Negative Staphylococcus

NDA Submission

Therapeutic area	【Product Name 】 (General name)	Category (Administration)	Indication	Country/ Region	Period
Pain/CNS	【Cymbalta®】	SNRI (Serotonin & noradrenaline reuptake inhibitor (Oral)	Fibromyalgia	Japan	Jun., 2014
Pain/CNS	【Cymbalta®】	SNRI (Serotonin & noradrenaline reuptake inhibitor (Oral)	Chronic low back pain	Japan	Dec., 2014
Other	S-888711 (Lusutrombopag)	Small molecule TPO receptor agonist (Oral)	Thrombocytopenia	Japan	Dec., 2014

Clinical Testing Initiated and in Progress

Therapeutic area	Code No. 【Product Name 】 (General name)	Category (Administration)	Indication	Country/ Region	Stage (Phase)
Infectious disease	S-649266	Cephem antibiotics (Injection)	Severe bacterial infections	Global	II
Infectious disease	S/GSK1265744LAP	Integrase inhibitor (Injection)	HIV infection	USA	II (development by ViiV)
Infectious disease	S-033188	Influenza virus infection (Oral)	Influenza virus infection	Japan	I
Pain/CNS	【Cymbalta®】	SNRI(Serotonin & noradrenaline reuptake inhibitor (Oral)	Osteoarthritis	Japan	III (co-development with Eli Lilly Japan)
Pain/CNS	【OxyContin®】	Opioid (Oral)	For the treatment of moderate to severe chronic pain	Japan	III
Pain/CNS	S-297995 (Naldemedine)	Peripheral opioid receptor antagonist (Oral)	Alleviation of opioid-induced adverse effect	Global	III
				Japan	III
Pain/CNS	S-120083	Analgesic agent for inflammatory pain (Oral)	Inflammatory pain	Japan	I (co-development with Purdue)
Pain/CNS	S-010887	Analgesic agent for neuropathic pain (Oral)	Neuropathic pain	Japan	I
Pain/CNS	S-718632 (Hydrocodone)	Abuse-deterrent extended release hydrocodone (Oral)	Chronic pain	USA	I (co-development with Egalet)
Pain/CNS	S-877503 (Guanfacine hydrochloride)	Non-central nervous system stimulant (Oral)	Attention deficit hyperactivity disorder (ADHD)	Japan	NDA submission in preparation (co-development with Shire)
Pain/CNS	S-877489 (Lisdexamfetamine)	Central nervous system Stimulant (Oral)	Attention deficit hyperactivity disorder (ADHD)	Japan	III (co-development with Shire)
Pain/CNS	S-0373	Non-peptide mimetic of TRH (Oral)	Spinocerebellar ataxia	Japan	III (development by Kissei)
Pain/CNS	Janssen/Shionogi BACE inhibitor	BACE inhibitor (Oral)	Alzheimer's disease	Europe	II (development by Janssen)
Pain/CNS	S-117957	Agent for insomnia (Oral)	Insomonia	USA	I (co-development with Purdue)
Metabolic disorder	S-556971	Cholesterol absorption inhibitor (Oral)	Dyslipidemia	Japan	II (co-development with Kotobuki)
Metabolic disorder	S-237648	Neuropeptide Y Y5 receptor antagonist (Oral)	Obesity	Japan	II
Metabolic disorder	S-707106	Insulin sensitizer (Oral)	Type 2 diabetes	USA	II

Note: LAP : Long acting parenteral formulation

Therapeutic area	Code No. 【Product Name 】 (General name)	Category (Administration)	Indication	Country/ Region	Stage(Phase)
Other	S-888711 (Lusutrombopag)	Small molecule TPO receptor agonist (Oral)	Thrombo cytopenia	USA Europe	Ⅲ
Other	S-555739	Prostaglandin D2 receptor antagonist (Oral)	Allergic rhinitis	Japan	Ⅲ
				USA	Ⅱ
				Europe	POM
Other	S-588410	Cancer peptide vaccine (Injection)	Esophageal cancer	Japan	Ⅲ
			Bladder cancer	Japan Europe	Ⅱ
Other	S-488210	Cancer peptide vaccine (Injection)	Head and neck squamous cell cancer	Europe	Ⅰ/Ⅱ
Other	S-222611	HER2/EGFR dual inhibitor (Oral)	Malignant tumor	Europe	Ⅰ/Ⅱ
Other	S-646240	Peptide vaccine (Injection)	Age-related macular degeneration	Japan	Ⅱ
Other	S-525606	Sublingual tablet of Japanese cedar allergen extracts for immunotherapy	Allergic rhinitis caused by Japanese cedar allergen	Japan	Ⅰ

Notes:

Phase I Clinical Trials	The initial phase of testing on humans. Confirms the drug's pharmacokinetics (the rate of absorption in the body and the rate and method of elimination) and safety in healthy adults (certain drugs such as anti-cancer agents, however, are tested in patients).
Phase II Clinical Trials	Clinical trials to test efficacy and safety by administering the drug to a relatively small number of patients and to determine the effective dose regimen (dosage amount, dosing interval, etc.).
Phase III Clinical Trials	Clinical trials to test efficacy and safety by administering the drug to a larger number of patients. In many cases, the drug's advantage compared with a placebo or an existing drug is also investigated.
POM (Proof of Mechanism)	Proof that the mechanism of action confirmed in the discovery stage can also be confirmed in humans, and whether a therapeutic effect can be expected.

5) Enhancement of Business Operations

In the fiscal year ended March 31, 2015, the Shionogi Group worked to enhance its business operations to support profit growth. For cost of sales, the Group carried out measures to establish both the stable supply of high-quality pharmaceuticals and cost competitiveness by strengthening collaboration among purchasing, manufacturing, distribution and sales operations. Inventory turnover improved as a result.

In selling, general and administrative (SG&A) expenses, Shionogi channeled resources into strategic areas and established a framework that can consistently generate results in proportion to the resources invested. In research and development expenses, which are included in SG&A expenses, the Shionogi Group clarified the priority of development projects, taking into account the return on investment and strategic value of the project as well as unmet medical needs, in its drive to increase productivity while also making effective use of alliances and external funds.

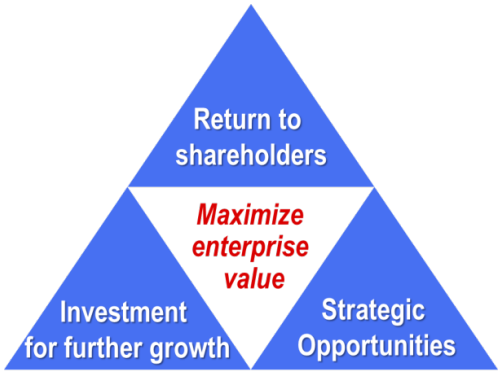
6) Maximization of Corporate Value

The Shionogi Group is working to reinforce its operating foundation and maximize corporate value by returning to shareholders the profits generated from improvements to business operations, while also using funds in a balanced manner to invest in future growth and to make strategic business investments.

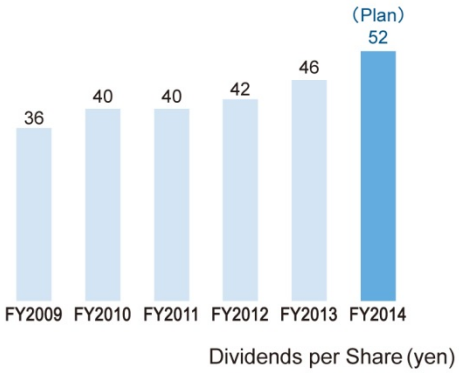
In SGS2020, the Shionogi Group is focusing on increasing capital efficiency, and has set return on equity (ROE) targets for 2016 and 2020 of 11 percent and 15 percent, respectively. During the fiscal year ended March 31, 2015, Shionogi made a share repurchase totaling ¥30.0 billion, using cash on hand of ¥10.0 billion and ¥20.1 billion raised with the issue of euro-yen convertible bonds due 2019 (par value ¥20.0 billion). The Shionogi Group will continue to focus on achieving its ROE targets through execution of a flexible capital policy as it aims to increase its business value and maximize profitability.

The Shionogi Group increased dividends in fiscal 2014 based on its policy of using the dividend on equity (DOE) ratio as an indicator to steadily increase dividends in proportion to growth.

◆ Maximize enterprise value



◆ History of Dividends per Share



7) Summary of Consolidated Results for Fiscal 2014

① Sales

Net sales decreased 5.4 percent year on year to ¥274billion.

(Billions of yen; %)

	FY2014	FY2013	Y on Y Change	Y on Y Change (%)
Net Sales	274.0	289.7	(15.7)	(5.4)
Domestic sales of prescription drugs	161.4	168.3	(6.9)	(4.1)
Export/Overseas subsidiaries	28.7	34.0	(5.3)	(15.8)
Shionogi Inc.	15.9	21.4	(5.5)	(25.4)
C&O	6.9	5.9	1.0	17.9
Royalty income	60.7	70.7	(10.0)	(14.2)
Crestor	47.4	65.7	(18.3)	(27.8)

• Domestic Sales of Prescription Drugs

Sales of the eight strategic products centered on Crestor®, Irbetan® and Cymbalta® continued to grow steadily, increasing 3.1 percent year on year to ¥95.8 billion. However, the effect of the April 2014 drug price reductions led to a 4.1 percent decrease in total sales.

• Exports and Overseas Subsidiaries

Exports and overseas subsidiaries' sales decreased 15.8 percent year on year overall as the steady increase in sales of Osphena® by U.S. subsidiary Shionogi Inc. was offset by the impact from the sale of rights to a product in the previous fiscal year.

• Royalty Income

Royalties for Crestor® decreased 27.8 percent year on year due to the royalty agreement adjustment made in the previous fiscal year, but total royalty income decreased only 14.2 percent because of the addition of royalties from Tivicay®.

② Operating Income, Ordinary Income and Net Income

Operating income decreased 18.6 percent year on year to ¥50.4 billion and ordinary income increased 25.2 percent year on year to ¥77.9 billion.

As for operating income, the Shionogi Group continued its efforts to efficiently use domestic and overseas marketing expenses and research and development expenses, but gross profit decreased 9.4 percent year on year due to the effect of the drug price reductions and the decrease in Crestor® royalties.

As for ordinary income, dividend payments from ViiV increased substantially because sales of Tivicay® and Triumeq® expanded, and because dividends for fiscal 2014 were settled during the fiscal year. In addition, foreign exchange gains increased due to the weak yen.

Net income increased 8.5 percent year on year to ¥44.1 billion, reflecting the increase in ordinary income.

(2) Capital Investment

The Shionogi Group capital investment for the fiscal year ended March 31, 2015 totaled ¥8.2 billion. The Group's primary investments were expansion of the facility for formulation and packaging of solid dosage forms at the Settsu Plant and construction of a new injectable drug manufacturing facility by C&O Pharmaceutical Technology (Holdings) Limited.

(3) Fund-raising

The Shionogi Group, in the fiscal year ended March 31, 2015, raised ¥20.1 billion with the issue of euro-yen convertible bonds due 2019 (par value ¥20.0 billion) on December 17, 2014 and used full amount to repurchase its treasury stocks.

(4) Challenges Ahead

The Shionogi Group is executing SGS2020 on a three-year rolling basis. With this approach, we will monitor results and remaining challenges and clarify what the Group should accomplish in the three years ahead in order to link the plan to sustained growth while responding to rapid changes in the business environment. Below are the challenges the Group will address in fiscal 2015 while working toward achievement of its financial targets for 2017.

① Domestic prescription drugs

Further growth of the eight strategic products will be required, particularly the three products with the highest priority. One of those is Crestor®, which has grown into a blockbuster drug. In the fiscal year ending March 31, 2016, we will leverage AstraZeneca's and Shionogi's respective strengths to support further growth of Crestor®.

For Cymbalta®, the change in the co-marketing arrangement with Eli Lilly Japan K.K. has resulted in a structure that takes advantage of the respective strengths of Eli Lilly Japan and Shionogi and enables more efficient use of sales resources. Under this structure, Shionogi will implement strategies to maximize Cymbalta's product value. Strategies will include increasing the Group's presence in the area of pain as well as depression and by providing information from the standpoint of patients.

② Overseas business

In the United States, a key growth market for the Shionogi Group, rapid expansion of sales of Osphena® is the top priority. Sales of Osphena® grew steadily in the fiscal year ended March 31, 2015 as we invested marketing resources effectively under a flexible marketing strategy. In the fiscal year ending March 31, 2016, we will continue initiatives based on the marketing strategies implemented in the previous year. To further expand sales, we will also increase Osphena's presence in the women's health field through marketing synergy with Brisdelle®, a treatment for hot flashes associated with menopause. Shionogi Inc. is co-promoting Brisdelle® with Noven Pharmaceuticals, Inc., a U.S. subsidiary of Hisamitsu Pharmaceutical Co., Inc.

③ Research and development

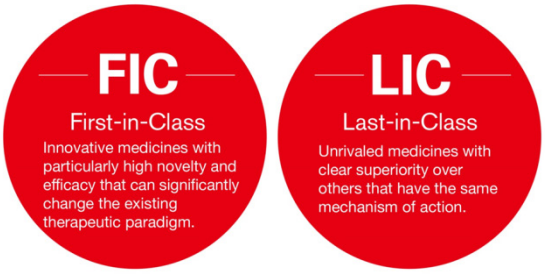
The Shionogi Group will channel business resources into selected areas of medical needs to continuously create FIC and LIC drugs with the potential to drive future growth.

In the field of infectious diseases, one of Shionogi's strengths, we are conducting speedy and efficient development of S-649266 as a treatment for severe infections in consultation with the U.S. Food and Drug Administration (FDA) and the European Medicines Agency (EMA). We are also accelerating development of S-033188, an anti-influenza drug with a novel mechanism of action, to make it available wherever it is needed as soon as possible.

In the area of pain/CNS, we are focusing resources on S-297995, a medication for alleviation of opioid-induced adverse effects. It is a proprietary drug candidate that the Shionogi Group is developing globally on its own. Phase III clinical trials are advancing steadily toward the goal of the earliest possible filing, approval and launch. Development of Cymbalta® is also under way for additional indications in the area of pain, including fibromyalgia, chronic low back pain, and pain associated with osteoarthritis, to maximize its value.

In addition, by integrating the Business Development Department and the Global Innovation Office (GIO), Shionogi will establish a structure for proactive and flexible incorporation of external resources and discovery technologies to further enhance its development pipeline.

◆ Future growth by FIC and LIC drugs



④ Evolution of business operations

To help secure growth, we are promoting the evolution of our business operations. Reducing the cost of sales is imperative to survival in global competition. To address that challenge, we established the Global Sourcing Strategy Department under the Global SCM Division to strengthen global sourcing, including raw material procurement and outsourcing, with the aim of lowering the cost-to-sales ratio and improving inventory turnover.

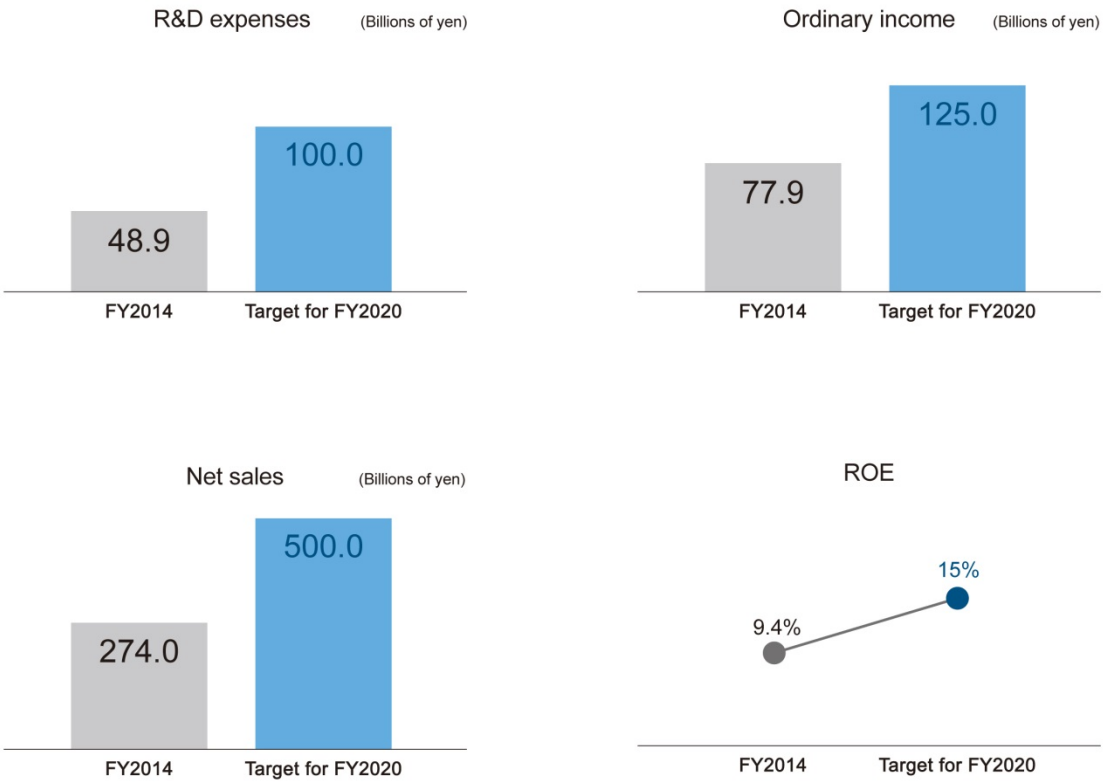
In addition, we are placing priority on strengthening head office functions, and have positioned the Corporate Strategy Meeting as a body to deliberate and make decisions on significant matters concerning business execution. We also established the Corporate Strategy Division to manage and supervise the Corporate Strategy Meeting. These changes will result in a stronger corporate governance system and support decision-making by senior management, and will facilitate speedy execution and management of business strategies.

◆ Business operation



We will maximize profit by consistently improving our business operations, and in the fiscal year ending March 31, 2016, will continue to return profits to shareholders based on our dividend policy so that they can share in our growth.

◆ Financial Target in SGS2020(Consolidated)



To actualize its Management Policy – "to strive constantly to supply the best possible medicine to protect the health and well-being of the patients we serve" – on a global basis, the Shionogi Group will grow as a drug discovery-based pharmaceutical company and to contribute to the growth and advancement of the Japanese economy as a global pharmaceutical company that is trusted by patients, their families, healthcare providers and other stakeholders.

(5) Business Results and Financial Position

1) Business Results and Financial Position of the Corporate Group

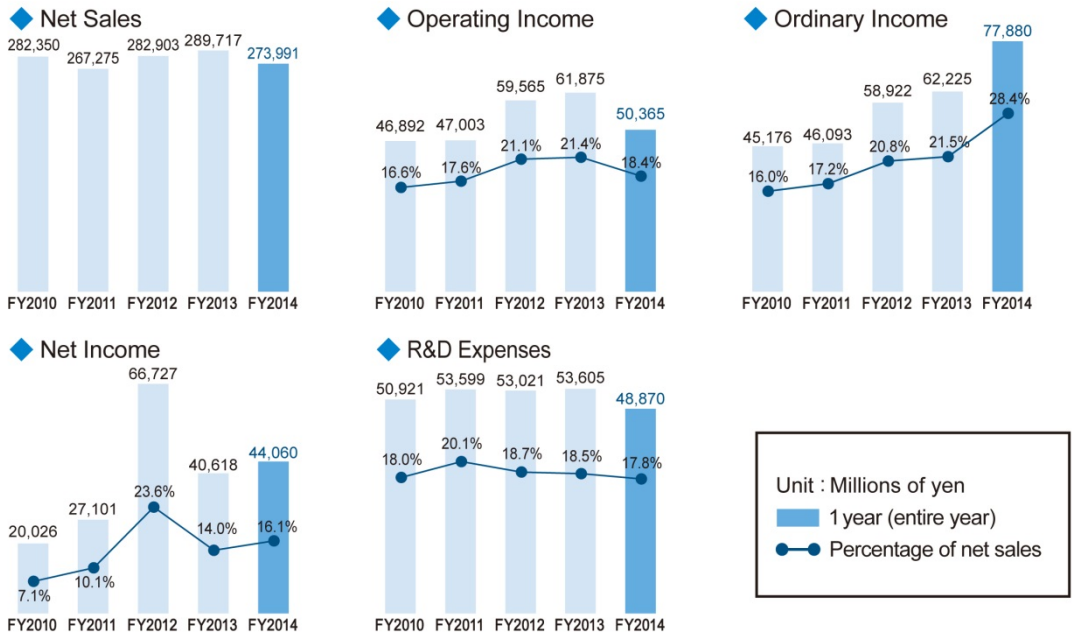
(Millions of yen)

Classification	FY2010	FY2011	FY2012	FY2013	FY2014
Net sales	282,350	267,275	282,903	289,717	273,991
Operating income	46,892	47,003	59,565	61,875	50,365
Ordinary income	45,176	46,093	58,922	62,225	77,880
Net income	20,026	27,101	66,727	40,618	44,060
R&D expenses	50,921	53,599	53,021	53,605	48,870
Total assets	523,242	522,161	574,882	580,566	602,900
Net assets	328,096	347,198	423,633	467,836	478,883
Earnings per share	yen 59.80	yen 80.93	yen 199.25	yen 121.29	yen 132.67
Net assets per share	yen 979.69	yen 1,027.83	yen 1,254.44	yen 1,385.11	yen 1,456.70
Dividend per share	yen 40.00	yen 40.00	yen 42.00	yen 46.00	yen 52.00
Return on Equity	% 6.0	% 8.1	% 17.5	% 9.2	% 9.4
Dividend on Equity	% 4.0	% 4.0	% 3.7	% 3.5	% 3.7

Notes:

1. The Company changed its accounting policy for research and development expenses effective April 1, 2014. Figures for FY2013 have been restated to reflect this change.
2. The figures presented for dividend per share and dividend on equity are the amounts in the event Proposal No. 1 is approved without changes by the 150th Annual General Meeting of Shareholders.

〔Reference〕 Consolidated Financial Indicator



2) Business Results and Financial Position of the Company

(Millions of yen)

Classification	FY2010	FY2011	FY2012	FY2013	FY2014
Net sales	249,989	256,187	255,946	259,760	246,980
Operating income	60,435	62,875	66,068	71,525	61,398
Ordinary income	60,337	63,536	68,205	73,530	70,409
Net income (loss)	41,657	43,678	(32,014)	54,600	42,153
Total assets	565,170	575,447	511,433	530,027	537,567
Net assets	389,344	423,827	386,509	432,656	430,129
Earning (losses) per share	yen 124.39	yen 130.42	yen (95.59)	yen 163.04	yen 126.93
Net assets per share	yen 1,162.57	yen 1,265.37	yen 1,153.74	yen 1,291.30	yen 1,320.32

Note: The Company changed its accounting policy for research and development expenses effective April 1, 2014. Figures for FY 2013 have been restated to reflect this change.

(6) Significant Subsidiaries

Company Name	Paid-in Capital	Percentage of Ownership	Main Areas of Business
Shionogi Inc.	US dollars 8.00	100.0	Pharmaceutical manufacturing and sales
Shionogi Ltd.	Thousand UK Pounds 700	100.0	Pharmaceutical clinical development
Taiwan Shionogi & Co., Ltd.	Million NT dollars 92	100.0	Pharmaceutical manufacturing and sales
C&O Pharmaceutical Technology (Holdings) Limited	Thousand HK dollars 165,840	71.0	Pharmaceutical manufacturing and sales

(7) Main Operations of the Shionogi Group

The Shionogi Group mainly manufactures and sells pharmaceutical products.

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

		Name	Location
Domestic	Head Office and Branches	Head Office	Osaka, Osaka Prefecture
		Tokyo Branch Office	Shibuya-ku, Tokyo
		Nagoya Branch Office	Nagoya, Aichi Prefecture
		Fukuoka Branch Office	Fukuoka, Fukuoka Prefecture
		Sapporo Branch Office	Sapporo, Hokkaido
	Sites	Administration Office of Kuise Site	Amagasaki, Hyogo Prefecture
		Global Development office	Osaka, Osaka Prefecture
		Human Health Care Division Office	Suita, Osaka Prefecture
	Plants	Settsu Plant	Settsu, Osaka Prefecture
		Kanegasaki Plant	Isawa-gun, Iwate Prefecture
	Research Laboratories	Shionogi Pharmaceutical Research Center	Toyonaka, Osaka Prefecture
Overseas (2)		Shionogi Inc.	New Jersey, U.S.
		Shionogi Ltd.	London, U.K.
		Taiwan Shionogi & Co., Ltd.	Taipei, Taiwan, R.O.C.
		C&O Pharmaceutical Technology (Holdings) Limited	Shenzhen, China

Notes:
1. In addition to the above list, the Company has business offices in every major city in Japan.
2. Bases in overseas subsidiaries

(9) Employees

1) Number of Employees of the Corporate Group

Number of Employees	Y on Y Change
6,059	(106)

Note: The number of employees includes personnel that external companies assign to the Shionogi Group and excludes personnel that the Shionogi Group assigns to external companies and temporary personnel.

2) Number of Employees of the Company

Number of Employees	Y on Y Change	Average Age	Average Number of Years with the Company
4,139	(39)	41.3	17.1

(10) Main Loans from Banks

(Millions of yen)

Loans from Banks	Loan Amount
Sumitomo Life Insurance Company	5,000
Nippon Life Insurance Company	5,000

2. Stock Data

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

2) Number of shares issued: 351,136,165 (including 25,564,239 shares of treasury stock)

3) Number of shareholders: 24,298

4) Major shareholders (Top 10)

Name of Shareholder	Number of Shares Held (Thousands of shares)	% of Total
The Master Trust Bank of Japan, Ltd. (as a trustee)	26,827	8.24%
Sumitomo Life Insurance Company	18,604	5.71%
JP MORGAN CHASE BANK 385147	17,307	5.31%
Japan Trustee Services Bank, Ltd. (as a trustee)	16,704	5.13%
Japan Trustee Services Bank, Ltd. (as a trustee for (i) Sumitomo Mitsui Trust Bank Ltd. and (ii) retirement benefit of Sumitomo Mitsui Banking Corporation)	9,485	2.91%
Nippon Life Insurance Company	8,409	2.58%
Sumitomo Mitsui Banking Corporation	6,564	2.01%
THE BANK OF NEW YORK MELLON SA/NV 10	4,386	1.34%
SUZUKEN CO., LTD.	4,341	1.33%
STATE STREET BANK WEST CLIENT - TREATY 505234	4,257	1.30%

Notes:

1. The Company owns 25,564,239 shares of treasury stock but the Company is not included in the major shareholders listed above (Top 10).
2. The percentage of total is calculated as the proportion of shares to 325,571,926 shares of total issued stock (excluding 25,564,239 shares of treasury stock).

3. Stock Acquisition Rights

1) Stock Acquisition Rights Issued as Remuneration to and held by Company Directors as of March 31, 2015

Title (Issue Date)	Date of issue resolution	Number of stock acquisition rights	Class and number of shares to be issued	Issue price per stock acquisition rights	Exercise price per stock acquisition rights	Stock acquisition rights exercise period	Status of director holdings (Rights holders)
FY2011 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 11, 2011)	June 24, 2011	252	25,200 shares of common stock	113,000 yen	100 yen	July 12, 2011 to July 11, 2041	180 (2)
FY2012 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 12, 2012)	June 27, 2012	316	31,600 shares of common stock	91,700 yen	100 yen	July 13, 2012 to July 12, 2042	316 (2)
FY2013 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 11, 2013)	June 26, 2013	172	17,200 shares of common stock	193,100 yen	100 yen	July 12, 2013 to July 11, 2043	172 (2)
FY2014 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 10, 2014)	June 25, 2014	178	17,800 shares of common stock	190,000 yen	100 yen	July 11, 2014 to July 10, 2044	178 (2)

Notes:
1. Each share subscription right is exercisable into 100 shares of common stock.
2. The issue price is the sum of the fair value of the stock acquisition rights on the allotment date and the amount to be paid upon exercise (¥1 per share) of the stock acquisition rights. The recipients of the allotted stock acquisition rights (stock acquisition rights holders) will have an amount equal to the issue price deducted from their remuneration as payment.
3. During the stock acquisition rights exercise period, Company directors who are stock acquisition rights holders who cease to be a Company director may only exercise their stock acquisition rights during the 10-day period beginning the day immediately following the date of cessation (if the 10th day is a holiday, the next business day), and may only exercise their stock acquisition rights in full, in a single transaction. Other conditions for exercising the rights are stipulated in the Stock Acquisition Rights Agreement concluded between the Company and the stock acquisition rights holders.
4. Shionogi does not allot share subscription rights to outside directors and corporate auditors.

2) Stock Acquisition Rights Issued as Remuneration to Company Employees during Fiscal 2015

Title (Issue Date)	Date of issue resolution	Number of stock acquisition rights	Class and number of shares to be issued	Issue price per stock acquisition rights	Exercise price per stock acquisition rights	Stock acquisition rights exercise period	Status of issuance to employee (Issuer Number)
FY2014 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 10, 2014)	June 25, 2014	246	24,600 shares of common stock	190,000 yen	100 yen	July 11, 2014 to July 10, 2044	246 (11)

Notes:
1. Each share subscription right is exercisable into 100 shares of common stock.
2. The issue price is the sum of the fair value of the stock acquisition rights on the allotment date and the amount to be paid upon exercise (¥1 per share) of the stock acquisition rights. The recipients of the allotted stock acquisition rights (stock acquisition rights holders) will have an amount equal to the issue price deducted from their remuneration as payment.
3. During the stock acquisition rights exercise period, Company directors who are stock acquisition rights holders who cease to be a Company director may only exercise their stock acquisition rights during the 10-day period beginning the day immediately following the date of cessation (if the 10th day is a holiday, the next business day), and may only exercise their stock acquisition rights in full, in a single transaction. Other conditions for exercising the rights are stipulated in the Stock Acquisition Rights Agreement concluded between the Company and the stock acquisition rights holders.
4. Shionogi allots share subscription rights to the corporate officers of the Company excluding those holding a post of director as well.

3) Other Important Matters on Stock Acquisition Rights, etc.

Stock Acquisition Rights Attached to "Euro-Yen Convertible Bonds due 2019" Issued Pursuant to a Resolution of the Board of Directors at a Meeting Held on December 1, 2014

Title (Issue Date)	Number of stock acquisition rights	Class and number of shares to be issued	Exercise price stock acquisition rights	Stock acquisition rights exercise period
Euro-Yen Convertible Bonds due 2019 (Issued December 17, 2014)	2,000	4,784,688 shares of common stock	4,180 yen	January 5, 2015 to December 3, 2019 (Local time at place of acceptance of exercise request)

Notes:

1. One stock acquisition right shall be attached to a bond with a total face value of ¥10 million.
2. These stock acquisition rights may not be partially exercised, and the number of shares of common stock of the Company issued by the Company upon such exercise shall be the total face amount of the bonds subject to the exercise request divided by the conversion price of ¥4,180. However, fractions less than a single share resulting from the exercise shall be rounded down and no cash adjustment shall be made.
3. Exercise of the stock acquisition rights shall be deemed an investment in these bonds related to the stock acquisition rights and the value of the relevant bonds shall be the same as the face amount.

4. Board Members

(1) Directors and Corporate Auditors

Position	Name	Areas of responsibility and other major posts
Representative Director and Chairman of the Board	Motozo Shiono	Chief Director of The Cell Science Research Foundation
President and Representative Director	Isao Teshirogi	
Director	Akio Nomura	Outside Director of The Royal Hotel, Ltd.
Director	Teppei Mogi	Partner of Oh-Ebashi LPC & Partners Outside Auditor of NIITAKA Co., Ltd.
Director	Katsuhiko Machida	
Standing Corporate Auditor	Mitsuaki Ohtani	
Standing Corporate Auditor	Sachio Tokaji	
Corporate Auditor	Shinichi Yokoyama	Outside Auditor of Sumitomo Chemical Co.,Ltd. Outside Auditor of Rengo Co.,Ltd.
Corporate Auditor	Kenji Fukuda	Partner of DOJIMA Law Office
Corporate Auditor	Koichi Tsukihara	Outside Director of Gurunavi, Inc.

Notes:

1. Directors Akio Nomura, Teppei Mogi and Katsuhiko Machida are Outside Directors stipulated in Section 15, Article 2 of the Companies Act.
2. Auditors Shinichi Yokoyama, Kenji Fukuda and Koichi Tsukihara are Outside Corporate Auditors stipulated in Section 16, Article 2 of the Companies Act.
3. Directors Akio Nomura, Teppei Mogi and Katsuhiko Machida have each submitted notification as independent directors as stipulated by Tokyo Stock Exchange Group, Inc. .

(2) Amount of remuneration for Directors and Corporate Auditors

Total director remuneration is determined within limits set by resolution of the General Meeting of Shareholders. It encompasses base monthly remuneration, performance-linked bonuses determined by results for the fiscal year and other factors, and stock options introduced in fiscal 2011. Outside directors only receive base remuneration.

Base monthly remuneration is determined according to the position and responsibilities of directors with due consideration of the operating environment and global trends. Bonuses are short-term incentives determined according to performance and other factors in each fiscal year based on a calculation matrix. In addition, Shionogi has introduced stock options to incentivize directors in their activities to increase the value of Shionogi shareholders over the medium to long term. New share subscription rights are allotted as a fundamental component in calculating base monthly remuneration.

Total corporate auditor remuneration is determined within limits set by resolution of the General Meeting of Shareholders. It encompasses base monthly remuneration.

Shionogi has established the Compensation Advisory Committee led by outside directors to advise the Board of Directors. This committee duly considers director and corporate auditor remuneration.

(Millions of yen, except for persons)

Category	Persons remunerated	Amount of remuneration paid				Note
		Base remuneration	Bonus	Stock options	Total	
Directors (outside directors among directors)	5 (3)	189 (36)	45 (-)	33 (-)	268 (36)	Total amount of Directors' remuneration is limited to an amount not exceeding 450 million yen per year by a resolution passed at the Annual General Meeting of Shareholders held on June 28, 2007. Total amount of Corporate Auditors' remuneration is limited to an amount not exceeding 120 million yen per year by a resolution passed at the Annual General Meeting of Shareholders held on June 24, 2011
Corporate Auditors (outside auditors among auditors)	5 (3)	92 (36)	- (-)	- (-)	92 (36)	
Total	10	282	45	33	361	

Notes:

1. "Bonus" above is the relevant allowance for directors' bonuses for fiscal 2014.
2. "Stock options" above is the relevant expense recognized for fiscal 2014.

(3) Outside Board Members

1) Major Activities

Office	Name	Major Activities
Director	Akio Nomura	At meetings of the Board of Directors, Mr. Nomura made statements on the execution of duties by the directors from a broad perspective, focusing on the objectivity and impartiality of management, based on his long and successful career. Attended 10 of the 11 Board of Directors meetings Percentage of attendance: 90.9%
Director	Teppei Mogi	At meetings of the Board of Directors, Mr. Mogi made statements on the execution of duties by the directors from a broad perspective placing priority on the observance of social norms and compliance with laws and regulations and with recognition of the corporate responsibility held by the Company. Attended all 11 Board of Directors meetings Percentage of attendance: 100%
Director	Katsuhiko Machida	At meetings of the Board of Directors, Mr. Machida made statements on the execution of duties by the directors from the perspective of his long and successful career, placing importance on the objectivity and impartiality of management. Attended all 11 Board of Directors meetings Percentage of attendance: 100%
Corporate Auditor	Shinichi Yokoyama	At meetings of the Board of Directors, Mr. Yokoyama made statements on the execution of duties by the directors from a broad perspective, based on his long and successful career. In addition, at meetings of the Board of Corporate Auditors, he discussed significant matters of audit and made recommendations as necessary. Attended 9 of the 11 Board of Directors meetings Percentage of attendance: 81.8% Attended all 8 Board of Corporate Auditors meetings Percentage of attendance: 100%
Corporate Auditor	Kenji Fukuda	At meetings of the Board of Directors, Mr. Fukuda made statements on the execution of duties by the directors from a broad perspective based on his legal insight. In addition, at meetings of the Board of Corporate Auditors, he discussed significant matters of audit and made recommendations as necessary. Attended all 11 Board of Directors meetings Percentage of attendance: 100% Attended all 8 Board of Corporate Auditors meetings Percentage of attendance: 100%
Corporate Auditor	Koichi Tsukihara	At meetings of the Board of Directors, Mr. Tsukihara made statements on the execution of duties by the directors from a broad perspective based on his long and successful career. In addition, at meetings of the Board of Corporate Auditors, he discussed significant matters of audit and made recommendations as necessary. Attended all 11 Board of Directors meetings Percentage of attendance: 100% Attended all 8 Board of Corporate Auditors meetings Percentage of attendance: 100%

2) Relationship of the Company with Companies where Outside Board Members Hold Major Posts

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

The Company does not have an advisory contract with Oh-Ebashi LPC & Partners, where Director Teppei Mogi is a partner. However, the Company receives advice from Oh-Ebashi LPC & Partners regarding certain specific cases involving international legal affairs.

In addition, The Company does not have any relationship that should be indicated with NIITAKA Co., Ltd., where Teppei Mogi serves as an outside auditor.

The Company does not have any relationship that should be indicated with Sumitomo Chemical Co., Ltd., and Rengo Co., Ltd. where Shinichi Yokoyama serves as an outside auditor.

The Company does not have any relationship that should be indicated with DOJIMA Law Office, where Corporate Auditor Kenji Fukuda is a partner.

The Company does not have any relationship that should be indicated with Gurunavi, Inc., where Koichi Tsukihara serves as an outside director.

3) Matters on Contract to Limit Liability

The Company has concluded contracts with all outside directors and outside corporate auditors to limit their liability stipulated in Section 1, Article 423 of the Companies Act to the amount stipulated in the relevant laws and ordinances under the condition that the requirements stipulated therein are fulfilled.

5. Independent Accounting Auditor

(1) Name of Independent Accounting Auditor

Ernst & Young ShinNihon LLC

(2) Compensation Paid to Independent Accounting Auditor for the Fiscal Year Ended March 31, 2015

1. Compensation paid to the Independent Accounting Auditor for the fiscal year ended on March 31, 2015:

   60 million yen

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

   60 million yen

Note: The audit agreement entered into between the independent accounting auditors and the Company does not clearly distinguish the amount of the auditor's compensation being derived from the audit under the Companies Act and that being derived from the audit under the Financial Instruments and 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) Company Policy regarding Dismissal or Decision Not to Reappoint Independent Accounting Auditor

In the event that the Company concludes that the Independent Accounting Auditor falls within the scope of any of the items in Paragraph 1, Article 340 of the Companies Act, its policy is for the Board of Corporate Auditors to dismiss the Independent Accounting Auditor with the consent of all Corporate Auditors.

In addition, in the event that the Company concludes that the appropriateness of the Independent Accounting Auditor's execution of its duties cannot be ensured in light of the criteria for proper evaluation of the Independent Accounting Auditor established by the Company, its policy is not to reappoint the Independent Accounting Auditor by resolution of the Board of Auditors.

6. Systems and Policies of the Company

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

On April 22, 2015, at the meeting of the Board of Directors, the Company passed a resolution to amend the basic policy for construction of systems to assure appropriate business operations ("The Basic Policy for Construction and Operation of Internal Control System") as follows:

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

For the purpose of enhancing effective execution, the company will prepare and operate the systems to assure appropriate business operations as follows:

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

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

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

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

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

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

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

The Company will constantly keep the officers and employees informed about "Shionogi's Policy" and "Shionogi's Action Guidelines" set forth as the 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.

Based on Shionogi's "Behavior Charter", the Company consistently and resolutely resists the influence of antisocial forces and precludes any connection with them

(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 and signatures electronically recorded.

The minutes of the Board of Directors' meetings, the corporate executive meetings and the compliance committee meetings, and the documents on decisions approved by the 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 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 corporate executive meeting and the responsible department will take appropriate action in cooperation with the related divisions based on such determination.

Moreover, with regard to emergency risks such as disasters, accidents and company scandals, etc., the Company enacted the "Crisis Management Policy" and defined the " Compendium for Disaster Measures", the " Compendium for Pandemic Measures" and the " Compendium for Corporate Scandals Measures" based on the policy, and the Company will promote crisis management while aiming to reflect respect for human life, be considerate of and contribute to regional communities and suppress derogation of corporate value.

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

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

The Company has clearly 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 corporate executive 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 corporate executive meeting will be communicated to the general manager of the related department 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 execution of the employees' duties in accordance with the related laws, regulations and the Articles of Incorporation.

The Company will further promote the measures for the compliance with the related laws, regulations and ethical behavior in its business operations mainly through the compliance committee in accordance with "Shionogi Group Compliance Policy".

A secretariat of the compliance committee has been established in the General Administration & Subsidiaries Management Department, and it will implement training and assist each department in compliance risk management.

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

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

The Company and the group companies will improve the value of the corporate group, and keep the group companies 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 business operations from group companies, and will properly manage and guide group companies based on the "Rules for Management of Shionogi Group Companies" in order to realize Shionogi's Company Policy, Action Guidelines and Business Plan.

Group companies will promote appropriate and efficient business operations by conducting business management in accordance with the policies and guidelines mentioned above.

With regard to the status of execution of business, the General Administration Department will conduct business management of group companies and support the promotion of proper management of subsidiaries as the department in charge, and the Internal Control Department will conduct surveys as required to ensure the appropriateness and effectiveness of the businesses of 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 based upon their needs.

The Company will ensure the system that the employees assigned will be independent from the directors.

The Company will make it generally known among the directors and employees that employees assigned to assist the corporate auditors' duties follow the instructions of the corporate auditors.

(8) A system for reporting to the corporate auditors by directors and employees, and other systems regarding the reporting to the corporate auditors

The corporate auditors will attend the material meeting such as the Board of Directors and the corporate executive meeting etc. and establish the system to obtain the information relating to the business operations and management, and efficacy of the internal control in a timely manner.

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

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

The Company will ensure that officers or employees of the Company or group companies who make reports to the corporate auditors do not receive unfavorable treatment as a result of making such reports.

When a corporate auditor makes a claim to the Company for prepayment of expenses or other reason related to the execution of these duties, the Company will promptly process such expenses or debt, except where it is considered unnecessary.

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

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

In addition, to ensure the effectiveness of audits throughout the group, the corporate auditors have established the "Group Company Audit Liaison Committee" and hold meetings regularly.

Reference: Fundamental Approach to and System of Corporate Governance

In line with its Company Policy, Shionogi recognizes that its social mission is to continually discover, develop, and provide useful and safe medicines, and to help improve the health of people and medical treatment around the world as well as quality of life by promoting appropriate use of those medicines. Shionogi strongly believes that accomplishing this mission through rigorous compliance will lead to enhancement of its corporate value. Accordingly, the Company carries out sound and transparent management practices throughout the corporate governance system it has established.

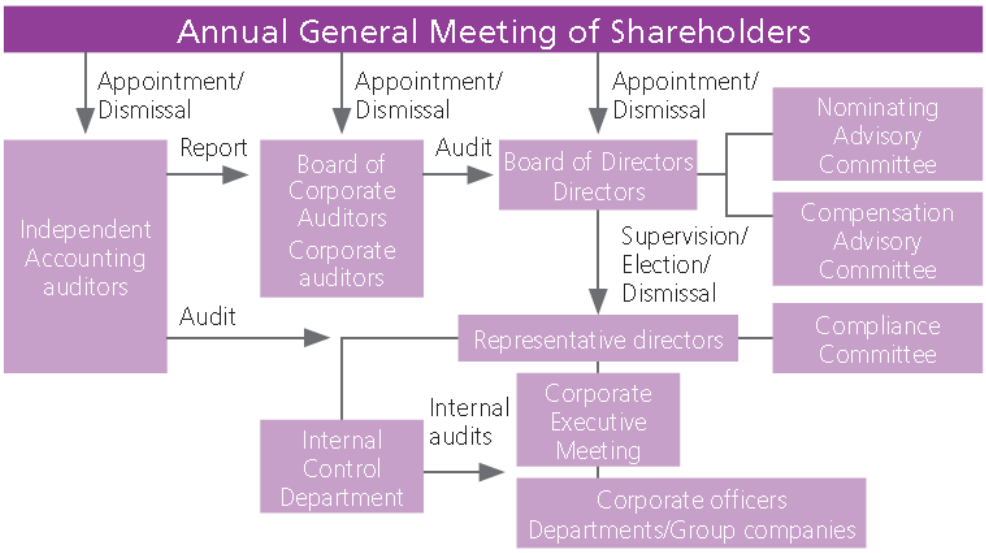
Shionogi has adopted a "company with board of corporate auditors" corporate governance system. The Board of Directors is composed of five directors, three of whom are outside directors to further enhance management transparency and accountability to stakeholders. In addition, the Company has established a Nominating Advisory Committee and a Compensation Advisory Committee as advisory bodies to the Board of Directors. Both committees are chaired by outside directors, ensuring that directors are assessed impartially from multiple perspectives including aptitude, impact on management, work performance, and appropriateness of compensation.

The Board of Corporate Auditors consists of five corporate auditors, three of whom are outside corporate auditors to further enhance transparency and impartiality. The corporate auditors attend meetings of the Board of Directors, corporate executive meetings, and other important meetings to audit the execution of duties by directors.

Moreover, Shionogi 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, standing corporate auditors, and corporate officers responsible for business operation.

(On March 31, 2015)

(Corporate Governance System)



7. Other Material Matters

Legal Actions

In December 2011, the Company brought a patent infringement action in the United States District Court for the District of New Jersey jointly with Peninsula Pharmaceuticals, Inc. and Janssen Pharmaceuticals, Inc. against Sandoz Inc., which had filed an ANDA for a generic version of Doribax® (brand name in Japan: Finibax®). The action sought in part to make the effective date of FDA approval of the above generic drug ANDA no earlier than the expiration date of the patent owned by the Company in the United States.
In addition, the Company filed a patent infringement action against Sandoz in the U.S. District Court for the District of New Jersey under the patent on crystal form owned by the Company in December 2012. The action sought to make the effective date of FDA approval of the above generic drug ANDA no earlier than the expiration date of the patent.
Settlements were reached and both of these actions were concluded in March 2015.

In April 2013, the Company filed a patent infringement action against Hospira Inc, and in January 2015 against Aurobindo Pharma Ltd. and Apotex Inc. in the U.S. District Court for the District of New Jersey (also in the U.S. District Court for the Northern District of Illinois against Aurobindo Pharma Ltd.) under the patent on crystal form owned by the Company. Now pending, the action seeks to make the effective date of FDA approval of the above generic drug ANDA no earlier than the expiration date of the patent.

Consolidated Balance Sheets

(As of March 31, 2015)

(Millions of yen)

Accounts	FY2014	(Reference) FY2013	Accounts	FY2014	(Reference) FY2013
Assets	**602,900**	**580,566**	**Liabilities**	**124,016**	**112,730**
Current Assets	**259,948**	**248,893**	**Current Liabilities**	**67,794**	**79,008**
Cash and deposits	50,784	34,238	Notes and accounts payable-trade	11,572	9,627
Notes and accounts receivable-trade	70,584	64,290	Current portion of long-term loans payable	38	—
Short-term investment securities	58,700	80,100	Current portion of bonds	—	20,000
Merchandise and finished goods	18,943	24,005	Income taxes payable	16,447	12,392
Work in process	11,786	11,425	Provision	11,233	11,413
Raw materials and supplies	13,751	12,938	Provision for bonuses	8,315	7,071
Deferred tax assets	13,538	12,727	Provision for sales returns	2,873	4,320
Other	21,886	9,189	Other provisions	45	21
Allowance for doubtful accounts	(28)	(24)	Other	28,501	25,575
			Non-current liabilities	**56,222**	**33,721**
Non-current assets	**342,951**	**331,673**	Bonds payable	20,094	—
Property, plant and equipment	**77,022**	**78,976**	Long-term loans payable	10,000	10,034
Buildings and structures, net	47,277	46,216	Deferred tax liability	14,538	12,627
Machinery, equipment and vehicles, net	9,844	9,972	Net defined benefit liability	9,901	9,967
Land	8,409	9,755	Other	1,688	1,091
Construction in progress	5,415	6,864	**Net assets**	**478,883**	**467,836**
Other	6,075	6,168	**Shareholders' equity**	**447,249**	**451,277**
Intangible assets	**80,328**	**72,824**	Capital stock	21,279	21,279
Goodwill	46,534	42,878	Capital surplus	20,227	20,227
Sales rights	29,055	24,355	Retained earnings	455,497	429,526
Other	4,738	5,590	Treasury stock	(49,754)	(19,756)
Investments and other assets	**185,600**	**179,871**	**Accumulated other comprehensive income**	**27,010**	**12,587**
Investment securities	158,339	149,519	Valuation difference on available-for-sale securities	28,675	25,289
Deferred tax assets	7,186	8,015	Foreign currency translation adjustment	3,843	(6,113)
Net defined benefit asset	18,439	19,047	Remeasurements of defined benefit plans	(5,508)	(6,588)
Other	1,696	3,379	**Subscription rights to shares**	**270**	**207**
Allowance for doubtful accounts	(62)	(90)	**Minority interests**	**4,353**	**3,762**
Total assets	**602,900**	**580,566**	**Total liabilities and net assets**	**602,900**	**580,566**

Note: The Company changed its accounting policy for research and development expenses effective April 1, 2014. Figures for FY2013 have been restated to reflect this change.

Consolidated Statements of Income

(Year ended March 31, 2015)

(Millions of yen)

Accounts	FY2014	(Reference) FY2013
Net sales	273,991	289,717
Cost of sales	82,189	77,993
Gross profit	191,801	211,724
Selling, general and administrative expenses	141,436	149,848
[R&D expenses]	[48,870]	[53,605]
Operating income	50,365	61,875
Non-operating income	31,495	4,789
Interest and dividends income	22,522	2,067
Other	8,972	2,722
Non-operating expenses	3,979	4,439
Interest expenses	274	888
Other	3,705	3.551
Ordinary income	77,880	62,225
Extraordinary income	5,860	4,757
Gain on sales of non-current assets	5,584	4,203
Gain on transfer of business	189	—
Gain on sales of investment securities	86	554
Extraordinary loss	1,689	3,794
Settlement package	1,306	651
Special retirement expenses	383	—
Impairment loss	—	878
Business structure improvement expenses	—	840
Loss on penalty	—	500
Loss on disposal of non-current assets	—	471
Loss on valuation of inventories	—	451
Income before income taxes and minority interests	82,051	63,188
Income taxes-current	20,820	11,561
Income taxes for prior periods	13,543	—
Income taxes-deferred	3,468	10,907
Income before minority interests	44,218	40,719
Minority interests in income	158	101
Net income	44,060	40,618

Note: The Company changed its accounting policy for research and development expenses effective April 1, 2014. Figures for FY2013 have been restated to reflect this change.

Consolidated Statements of Changes in Net Assets

(Year ended March 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	21,279	20,227	434,103	(19,756)	455,854
Cumulative effects of changes in accounting policies			(6,590)		(6,590)
Restated balance	21,279	20,227	427,512	(19,756)	449,263
Changes of items during the period					
Dividends from surplus			(16,075)		(16,075)
Net income			44,060		44,060
Purchase of treasury stock				(30,016)	(30,016)
Disposal of treasury stock		0		17	18
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	0	27,984	(29,998)	(2,013)
Balance at the end of current period	21,279	20,227	455,497	(49,754)	447,249

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	25,289	(6,113)	(6,588)	12,587	207	3,762	472,412
Cumulative effects of changes in accounting policies							(6,590)
Restated balance	25,289	(6,113)	(6,588)	12,587	207	3,762	465,821
Changes of items during the period							
Dividends from surplus							(16,075)
Net income							44,060
Purchase of treasury stock							(30,016)
Disposal of treasury stock							18
Net changes of items other than shareholders' equity	3,385	9,956	1,079	14,422	62	590	15,075
Total changes of items during the period	3,385	9,956	1,079	14,422	62	590	13,061
Balance at the end of current period	28,675	3,843	(5,508)	27,010	270	4,353	478,883

Non-consolidated Balance Sheets

(As of March 31, 2015)

(Millions of yen)

Accounts	FY2014	(Reference) FY2013	Accounts	FY2014	(Reference) FY2013
Assets	537,657	530,027	Liabilities	107,437	97,370
Current assets	250,936	244,027	Current liabilities	49,846	61,809
Cash and deposits	22,399	11,759	Accounts payable-trade	9,320	8,132
Accounts receivable-trade	66,412	61,012	Current portion of bonds	-	20,000
Short-term investment securities	58,700	80,100	Accounts payable-other	11,784	9,597
Merchandise and finished goods	16,178	21,287	Accrued expenses	2,858	3,484
Work in process	11,309	11,088	Income taxes payable	15,282	11,348
Raw materials and supplies	10,348	10,381	Deposits received	3,224	3,168
Advances	1,159	1,635	Provision for bonuses	7,018	5,790
Deferred tax assets	7,829	6,679	Provision for directors' bonuses	45	21
Short-term loans receivable	50,763	35,843	Provision for sales returns	82	83
Other	5,849	4,249	Other	230	182
Allowance for doubtful accounts	(12)	(9)	Non-current liabilities	57,590	35,561
Non-current assets	286,631	285,999	Bonds payable	20,094	-
Property, plant and equipment	68,311	72,143	Long-term loans payable	10,000	10,000
Buildings, net	40,151	41,050	Deferred tax liabilities	16,671	15,838
Structures, net	2,101	1,678	Provision for retirement benefits	9,746	9,046
Machinery and equipment, net	9,497	9,524	Other	1,079	676
Vehicles, net	39	57	Net assets	430,129	432,656
Tools, furniture and fixtures, net	4,720	5,228	Shareholders' equity	401,334	407,267
Land	8,409	9,755	Capital stock	21,279	21,279
Lease assets, net	623	31	Capital surpluses	20,227	20,227
Construction in progress	2,767	4,816	Legal capital surplus	20,227	20,227
Intangible assets	9,555	8,262	Other capital surplus	0	-
Software	2,070	2,568	Retained earnings	409,581	385,517
Sales rights	6,784	4,491	Legal retained earnings	5,388	5,388
Other	700	1,201	Other retained earnings	404,193	380,128
Investments and other assets	208,764	205,594	Reserve for special depreciation	5	14
Investment securities	88,325	81,825	Reserve for advanced depreciation of noncurrent assets	5,538	2,452
Stocks of subsidiaries and affiliates	92,489	92,195	General reserve	368,645	368,645
Investments in capital of subsidiaries and associates	30	30	Retained earnings brought forward	30,005	9,017
Long-term prepaid expense	530	2,202	Treasury stock	(49,754)	(19,756)
Prepaid pension cost	26,449	28,397	Valuation and translation adjustments	28,525	25,180
Other	1,002	1,032	Valuation difference on available-for-sale securities	28,525	25,180
Allowance for doubtful accounts	(62)	(90)	Subscription rights to shares	270	207
Total assets	537,567	530,027	Total liabilities and net assets	537,567	530,027

Note: The Company changed its accounting policy for research and development expenses effective April 1, 2014. Figures for FY2013 have been restated to reflect this change.

Non-consolidated Statements of Income

(Year ended March 31, 2015)

(Millions of yen)

Accounts	FY2014	(Reference) FY2013
Net sales	246,980	259,760
Cost of sales	77,296	73,509
Gross profit, net	169,684	186,250
Selling, general and administrative expenses	108,285	114,724
[R&D expenses]	[47,127]	[50,731]
Operating income	61,398	71,525
Non-operating income	12,483	6,035
Interest and dividends income	2,198	1,943
Other	10,285	4,091
Non-operating expenses	3,472	4,030
Interest expenses	270	889
Other	3,202	3,140
Ordinary income	70,409	73,530
Extraordinary income	5,652	4,757
Gain on sales of non-current assets	5,584	4,203
Gain on sales of investment securities	67	554
Extraordinary loss	-	1,802
Impairment loss	-	878
Loss on disposal of non-current assets	-	471
Loss on valuation of inventories	-	451
Income before income taxes	76,061	76,485
Income taxes-current	20,096	10,924
Income taxes for prior periods	13,543	-
Income taxes-deferred	267	10,961
Net income	42,153	54,600

Note: The Company changed its accounting policy for research and development expenses effective April 1, 2014. Figures for FY 2013 have been restated to reflect this change.

Non-consolidated Statements of Changes in Net Assets

(Year ended March 31, 2015)

(Millions of yen)

	Capital stock	Capital surpluses		Retained earnings				
		Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings			
					Reserve for special depreciation	Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward
Balance at the beginning of the period	21,279	20,227	-	5,388	14	2,452	368,645	13,594
Cumulative effects of changes in accounting policies								(6,590)
Restated balance	21,279	20,227	-	5,388	14	2,452	368,645	7,003
Changes of items during the period								
Provision of reserve for special depreciation					0			(0)
Reversal of reserve for special depreciation					(9)			9
Provision of reserve for advanced depreciation of non-current assets						3,154		(3,154)
Reversal of reserve for advanced depreciation of non-current assets						(68)		68
Dividends from surplus								(16,075)
Net income								42,153
Purchase of treasury stock								
Disposal of treasury stock			0					
Net changes of items other than shareholders' equity								
Total changes of items during the period	-	-	0	-	(8)	3,085	-	23,001
Balance at the end of current period	21,279	20,227	0	5,388	5	5,538	368,645	30,005

	Treasury stock	Total shareholders' equity	Valuation and translation adjustments	Subscription rights to shares	Total net assets
			Valuation difference on available-for-sale securities		
Balance at the beginning of the period	(19,756)	411,844	25,180	207	437,233
Cumulative effects of changes in accounting policies		(6,590)			(6,590)
Restated balance	(19,756)	405,253	25,180	207	430,642
Changes of items during the period					
Provision of reserve for special depreciation		-			-
Reversal of reserve for special depreciation		-			-
Provision of reserve for advanced depreciation of non-current assets		-			-
Reversal of reserve for advanced depreciation of non-current assets		-			-
Dividends from surplus		(16,075)			(16,075)
Net income		42,153			42,153
Purchase of treasury stock	(30,016)	(30,016)			(30,016)
Disposal of treasury stock	17	18			18
Net changes of items other than shareholders' equity			3,344	62	3,407
Total changes of items during the period	(29,998)	(3,919)	3,344	62	(512)
Balance at the end of current period	(49,754)	401,334	28,525	270	430,129

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

Accounting Auditor's Audit Report

May 8, 2015

The Board of Directors
Shionogi & Co., Ltd.

Ernst & Young ShinNihon LLC

Akihiko Masuda
Designated and Engagement Partner with limited liability (C.P.A.)

Takashi Umehara
Designated and Engagement Partner with limited liability (C.P.A.)

Pursuant to Paragraph 4 of Article 444 of the Companies Act, we have audited the consolidated balance sheets, the consolidated statements of income and the consolidated statements of changes in net assets of Shionogi & Co., Ltd. and its consolidated subsidiaries (the "Company") for fiscal term from April 1, 2014 to March 31, 2015.

Management's Responsibility for the Consolidated Financial Statements

Company management is responsible for preparing and appropriately presenting the consolidated financial statements in accordance with generally accepted accounting standards in Japan. This responsibility includes establishing and maintaining internal controls deemed necessary by management to prepare and present the consolidated financial statements without material misstatement due to fraud or error.

Independent Accounting Auditor's Responsibility

Our responsibility is to express an independent opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted accounting standards in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement.

Our audit involves procedures conducted to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. We choose and apply audit procedures in accordance with our judgment, based on our assessment of the risk of material misstatement in the consolidated financial statements due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of internal controls. However, we examine internal controls related to the preparation and appropriate presentation of the consolidated financial statements in the course of conducting risk assessment, in order to plan audit procedures appropriate to the circumstances. An audit includes examining 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 believe that we have obtained sufficient and appropriate audit evidence to support our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements above present properly, in every material aspect, the financial position and results of operations of Shionogi & Co., Ltd. and its consolidated subsidiaries for the relevant term of the consolidated financial statements in accordance with generally accepted auditing standards in Japan.

Emphasized Items

As described in the changes in accounting policies, the Company and its consolidated subsidiaries generally recognized the portion of R&D expenses from contract research and development when project deliverables were obtained. Effective April 1, 2014, the Company and its consolidated subsidiaries has adopted a policy of recognizing these expenses according to the progress of research and development activities.

This fact has no impact on our opinion

Interests in the Company

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

Copy of the Audit Report of Independent Accounting Auditors

Accounting Auditor's Audit Report

May 8, 2015

The Board of Directors
Shionogi & Co., Ltd.

Ernst & Young ShinNihon LLC

Akihiko Masuda
Designated and Engagement Partner with
limited liability (C.P.A.)

Takashi Umehara
Designated and Engagement Partner with
limited liability (C.P.A.)

Pursuant to Item 1, Paragraph 2, Article 436 of the Companies Act, we have audited the balance sheets, the statements of income and the statements of changes in net assets of Shionogi & Co., Ltd. (the "Company") for the 150th fiscal term from April 1, 2014 to March 31, 2015.

Management's Responsibility for the Financial Statements

Company management is responsible for preparing and appropriately presenting the financial statements and the supplementary schedules in accordance with generally accepted accounting standards in Japan. This responsibility includes establishing and maintaining internal controls deemed necessary by management to prepare and present the financial statements and the supplementary schedules without material misstatement due to fraud or error.

Independent Accounting Auditor's Responsibility

Our responsibility is to express an independent opinion on the financial statements and the supplementary schedules based on our audit. We conducted our audit in accordance with generally accepted accounting standards in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements and the supplementary schedules are free of material misstatement.

Our audit involves procedures conducted to obtain audit evidence supporting the amounts and disclosures in the financial statements and the supplementary schedules. We choose and apply audit procedures in accordance with our judgment, based on our assessment of the risk of material misstatement in the financial statements and the supplementary schedules due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of internal controls. However, we examine internal controls related to the preparation and appropriate presentation of the financial statements and the supplementary schedules in the course of conducting risk assessment, in order to plan audit procedures appropriate to the circumstances. An audit includes examining the accounting policies adopted by management and their method of application, as well as the overall presentation of the financial statements and the supplementary schedules, including evaluation of significant estimates made by management.

We believe that we have obtained sufficient and appropriate audit evidence to support our audit opinion.

Audit Opinion

In our opinion, the financial statements and the supplementary schedules above present properly, in every material aspect, the financial position and results of operations of Shionogi & Co., Ltd. for the relevant term of the financial statements in accordance with generally accepted auditing standards in Japan.

Emphasized Items

As described in the changes in accounting policies, the Company generally recognized the portion of R&D expenses from contract research and development when project deliverables were obtained. Effective April 1, 2014, the Company has adopted a policy of recognizing these expenses according to the progress of research and development activities.

This fact has no impact on our opinion

Interests in the Company

We have no interest in the Company that 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 150th fiscal period from April 1, 2014 to March 31, 2015 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 Companies Act 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 sheets, the statements of income, the statements of change in net assets and notes on financial statements) as well as the supporting schedules, and the consolidated financial statements (the consolidated balance sheets, the consolidated statements of income, the consolidated statements of changes in net assets and notes on consolidated financial statements) for the relevant fiscal year.

2. Result of Audit

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

1) The business reports and supporting schedules present properly the Company's affairs in accordance with the related regulations and the Articles of Incorporation of the Company.

2) No improper acts or serious matters in violation of the related regulations or the Articles of Incorporation in the course of execution of the Directors' duties have been observed.

3) The content of the Board of Directors' resolution concerning the internal control system is appropriate. We found no matters requiring additional mention with regard to the details in the business reports or Directors' execution of duties concerning the Company's internal control system.

(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 Ernst & Young ShinNihon LLC are appropriate.

May 8, 2015

Board of Auditors, Shionogi & Co., Ltd.

Standing Corporate Auditor :Mitsuaki Ohtani

Standing Corporate Auditor :Sachio Tokaji

Outside Corporate Auditor :Shinichi Yokoyama

Outside Corporate Auditor :Kenji Fukuda

Outside Corporate Auditor :Koichi Tsukihara

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 aggressive investments in future business development to increase corporate value with a medium to long term perspective along with the growth of its business and to steadily increase dividends.

To return profits to shareholders by steadily increasing the dividend amount in proportion to growth, the Company has made DOE (dividend on equity) a performance indicator and set a target of 3.5% or higher as its policy for allocation of its business results.

Based on this policy, the Company proposes to appropriate retained earnings for the fiscal year ended March 31, 2015 as follows:

1. Year-end dividends
   (1) Type of dividend assets
   Cash

   (2) Allocation of dividend assets to the shareholders and total amount of allocation
   ¥28 per share of common stock
   Total amount of dividends: ¥9,116,013,928

   (3) Effective date of dividends
   June 25, 2015

Including the interim dividend, cash dividends per share for the fiscal year ended March 31, 2015 totaled ¥52.00, an increase of ¥6.00 compared with the previous fiscal year.

No. 2: Partial Amendments to the Articles of Incorporation

1. Reason for the Amendments:
   On and after the effective date (May 1, 2015) of the "Act for partial revision of the Companies Act" (Act No. 90 of 2014), it will be possible to execute a limited liability agreement with Directors other than executive Directors, etc. and Corporate Auditors other than Outside Corporate Auditors, pursuant to articles of incorporation. In line with this revision of the Companies Act, the Company plans to make partial revision to Articles 25 (Contracts Limiting the Liability of Outside Directors) and 32 (Contracts Limiting the Liability of Outside Corporate Auditors) of the articles of incorporation to ensure that such Directors and Corporate Auditors can adequately fulfill the role expected of them.
   Please note that the Company has received approval from each Corporate Auditor for the partial revision of Article 25 of the articles of incorporation.

2. Details of the Amendments:
   Details of the amendments are described in the Attachment.

(Amended portions are underlined.)

Current Articles of Incorporation	Proposed Amendments
Article 25 (Contracts Limiting the Liability of Outside Directors) 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.	Article 25 (Contracts Limiting the Liability of Directors) As per Article 427, Paragraph 1 of the Companies Act, the Company may conclude contracts with directors (excluding executive directors, etc.) 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.
Article 32 (Contracts Limiting the Liability of Outside Corporate Auditors) As per Article 427, Paragraph 1 of the Companies Act, the Company may conclude contracts with outside corporate auditors 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.	Article 32 (Contracts Limiting the Liability of Corporate Auditors) As per Article 427, Paragraph 1 of the Companies Act, the Company may conclude contracts with corporate auditors 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.

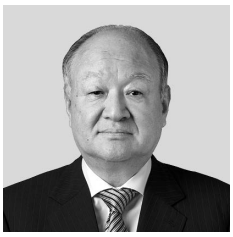
No. 3: Election of Six (6) Directors

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

Accordingly, to promote further enhancement of management and greater diversity, the Company proposes the addition of one (1) Director and the election of six (6) Directors.

Candidates for Director are as follows:

Candidate No.	Name (Date of birth)	Career summary, position and responsibility within the Company and other major posts	Number of the Company's shares owned
1	Reappointment  Motozo Shiono (November 17, 1946)	January 1972: Joined the Company 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: Chairman of the Boar of the Company (incumbent) (Major concurrent posts) Chief Director of The Cell Science Research Foundation	266,648
2	Reappointment  Isao Teshirogi (December 12, 1959)	April 1982: Joined the Company 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)	13,850
3	Reappointment Outside Director Candidate  Akio Nomura (February 8, 1936)	April 1958: Joined Osaka Gas Co., Ltd. June 1988: Director of Osaka Gas, Ltd. June 1989: Managing Director of Osaka Gas, Ltd. June 1991: Representative Director and Senior Managing Director of Osaka Gas, Ltd. June 1994: Representative Director and Vice President of Osaka Gas, Ltd. June 1998: Representative Director and President of Osaka Gas, Ltd. June 2000: Director of West Japan Railway Company (incumbent) June 2003: Representative Director and Chairman of Osaka Gas, Ltd. June 2008: Director of the Royal Hotel, Ltd. (incumbent) June 2009: Director of the Company (incumbent) (Major concurrent posts) Outside Director of The Royal Hotel, Ltd.	0

Candidate No.	Name (Date of birth)	Career summary, position within the Company and other major posts	Number of the Company's shares owned
4	Reappointment Outside Director Candidate  Teppei Mogi (October 17, 1958)	April 1989: Registration of Attorney at Law April 1989: Joined Oh-Ebashi Law Offices April 1992: Service at Brussels Office of Cleary, Gottlieb, Steen & Hamilton LLP January 1993: Service at Rotterdam Office of De Brauw Blackstone Westbroek April 1994: Partner of Oh-Ebashi Law Offices August 2002: Partner of Oh-Ebashi LPC & Partners (incumbent) April 2004: Practitioner teacher, Graduate School of Law and Faculty in practical business at The Kwansei Gakuin University Law School (Full-time teacher) April 2005: Part-time instructor, Graduate School of Law, Kobe University (incumbent) June 2009: Director of the Company (incumbent) April 2010: Part-time instructor, Graduate School of Law and Faculty in practical business at The Kwansei Gakuin University Law School (incumbent) August 2014 Outside Auditor of NIITAKA Co., Ltd. (incumbent) (Major concurrent posts) Partner of Oh-Ebashi LPC & Partners Outside Auditor of NIITAKA Co., Ltd.	0
5	Reappointment Outside Director Candidate  Katsuhiko Machida (June 22, 1943)	March 1969: Joined Hayakawa Electric Industry Co., Ltd., which changed its name to Sharp Corporation in January 1970 June 1987: Corporate Director of Sharp Corporation April 1990: Corporate Executive Director of Sharp Corporation October 1992: Corporate Senior Executive Director of Sharp Corporation June 1998: President of Sharp Corporation April 2007: Chairman of Sharp Corporation April 2008: Outside Director of Sekisui House Ltd. June 2008: Chairman and Chief Executive Officer of Sharp Corporation April 2010: Chairman of Sharp Corporation April 2012: Corporate Advisor of Sharp Corporation (resigned Corporate Director in June of the same year) June 2012 Director of the Company (incumbent)	0
6.	New appointment  Takuko Sawada (March 11, 1955)	April 1978: Joined the Company April 2002: Executive General Manager, Pharmaceutical Development Division April 2007: Officer and Executive General Manager, Pharmaceutical Development Division April 2010: Executive Officer and Executive General Manager, Pharmaceutical Development Division April 2011: Senior Executive Officer and Executive General Manager, Global Development Office April 2013: Senior Executive Officer and Senior Vice President, Global Development and, Pharmaceutical Development Division April 2014: Senior Executive Officer and Senior Vice President, Global Pharmaceutical Development Division April 2015: Senior Executive Officer and Senior Vice President, Corporate Strategy Division (incumbent)	24,100

Notes:
1. There are no special interests between the candidates and the Company.
2. Messrs. Akio Nomura, Teppei Mogi and Katsuhiko Machida are the candidates of outside directors stipulated in Article 2, Paragraph 3, Sub-paragraph 7 of the Enforcement Regulations of the Companies Act.
3. The Company proposes to reelect the candidate Mr. Akio Nomura as outside director to reflect his abundant experience and broad discernment as a member of top management in its management. Mr. Nomura's term of office as outside director will be six (6) years as of the end of this Annual General Meeting of Shareholders.
4. The Company proposes to reelect the candidate Mr. Teppei Mogi as outside director to reflect his abundant experience and professional knowledge as Attorney at Law in its management and because Mr. Mogi has sufficiently fulfilled his role of outside director expected of him, even though he has not been involved in the management of a company before beyond his experience as outside director and outside auditor. Mr. Mogi's term of office as outside director will be six (6) years as of the end of this Annual General Meeting of Shareholders.
5. The Company does not have an advisory contract with Oh-Ebashi LPC & Partners, where Director Teppei Mogi is a partner. However, the Company has remunerated Oh-Ebashi LPC & Partners for expert advice regarding certain specific cases involving international legal affairs.
6. The Company proposes to elect the candidate Mr. Katsuhiko Machida as outside director to reflect his abundant experience and broad discernment as a member of top management in its management. Mr. Machida's term of office as outside director will be three (3) years as of the end of this Annual General Meeting of Shareholders.
7. Messrs. Akio Nomura, Teppei Mogi and Katsuhiko Machida are registered as independent directors as defined in the regulations of the Tokyo Stock Exchange. If this proposal is approved and these three candidates are reelected as outside directors, they plan to continue as independent directors.
8. Outline of the contract with outside directors to limit their liability are as follows:
   The Company has concluded contracts with Messrs. Akio Nomura ,Teppei Mogi and Katsuhiko Machida that limit their liability stipulated in Section 1, Article 423 of the Companies Act based upon Section 1, Article 427 of the Companies Act and Article 25 of the Articles of Incorporation of the Company. The limited amount provided in the contract is the minimum liability limit amount stipulated in Section 1, Article 425 of the Companies Act. In the event that the candidates, Messrs. Akio Nomura, Teppei Mogi and Katsuhiko Machida are reelected as outside directors at this Annual General Meeting of Shareholders, the Company will continue to conclude such contracts with the candidates.

No. 4: Election of Two (2) Auditors

The term of office of corporate auditor Sachio Tokaji and Kenji Fukuda will expire at the close of this General Meeting of Shareholders.

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

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

Candidate for the corporate auditors are as follows:

Candidate No.	Name (Date of birth)	Career summary, position within the Company and other major posts	Number of the Company's shares owned
1	Reappointment  Kenji Fukuda (March 3, 1956)	April 1984: Registration as attorney at law April 1984: Joined Dojima Law Office January 1987: Partner, Dojima Law Office (incumbent) April 2009: Vice President, Osaka Bar Association April 2009: Governor, Japan Federation of Bar Associations April 2009: Visiting Professor, Osaka University Law School Division June 2011: Auditor of the Company (incumbent) (Major concurrent posts) Partner, Dojima Law Office	0
2	New appointment  Akira Okamoto (April 4, 1955)	April 1978: Joined the Company April 2006: General Manager, Business Support Center April 2007: General Manager, General Affairs & Personnel Department April 2008: General Manager, Human Resources Department April 2011: General Manager, Internal Control Department April 2015: Internal Control Department (incumbent)	6,652

Notes:

1. There are no special interests between the candidates and the Company.
2. Mr. Kenji Fukuda is a candidate for outside corporate auditor as stipulated in Article 2, Paragraph 3, Sub-paragraph 8 of the Enforcement Regulations of the Companies Act.
3. The Company proposes to reelect the candidate Mr. Kenji Fukuda as outside director or auditor to reflect his abundant experience and professional knowledge as Attorney at Law in its management and because Mr. Fukuda has sufficiently fulfilled his role of outside director expected of him, even though he has not been involved in the management of a company before beyond his experience as outside auditor. Mr.Fukuda's term of office as outside auditor will be four (4) years as of the end of this Annual General Meeting of Shareholders.
4. The Company has concluded a contract with Mr. Kenji Fukuda that limit his liability as stipulated in Section 1, Article 423 of the Companies Act based upon Section 1, Article 427 of the Companies Act and Article 25 of the Articles of Incorporation of the Company. The limited amount provided in the contract is the minimum liability limit amount stipulated in Section 1, Article 425 of the Companies Act.
   In the event that the candidate Mr. Kenji Fukuda is reelected as outside auditor at this Annual General Meeting of Shareholders, the Company plans to continue such contract with the candidate.
5. If Proposal No. 2 is approved without changes by this Annual General Meeting of Shareholders and Mr. Akira Okamoto is appointed as an auditor, the Company plans to conclude a contract with Mr. Okamoto limiting his liability as stipulated in Section 1, Article 423 of the Companies Act based upon Section 1, Article 427 of the Companies Act and Article 32 of the Articles of Incorporation of the Company. The limited amount provided in the contract is the minimum amount stipulated in Section 1, Article 425 of the Companies Act.

How to Exercise Your Voting Rights

There are three ways to exercise your voting rights.

1



If attending the General Meeting → Hand in your proxy form at the reception desk when you arrive (no signature or seal necessary)

Date & time of the General Meeting: 10:00 a.m., Wednesday, June 24, 2015

2



If exercising your voting rights by mail → Indicate your consent or refusal, then mail the form (please mail early)

Voting deadline: Form must arrive by 5:00 p.m., Tuesday, June 23, 2015

3



If exercising your voting rights by Internet → Please see the instructions below

Voting deadline: 5:00 p.m., Tuesday, June 23, 2015

Procedures on Exercise of Voting Rights through the Internet etc.

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. Notice to Voting Service Website

To exercise your voting rights through the Internet, you must use the following voting service website designated by the Company.

Voting Service Website Address http://www.web54.net

*You can also read the QR Code® on the right and connect with the voting service website using a mobile phone with a bar code reading function. Please refer to the operating manual for your mobile phone to find out how.
(QR Code ® is a registered trademark of Denso Wave Incorporated)

2. Notice Regarding Handling of Voting Rights

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

(2) Although it is acceptable to exercise voting rights through the Internet until 5:00 P.M.*, Tuesday, June 23, 2015, please exercise your voting rights as early as possible to assist us with compiling the results of the voting.

(3) 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. If you exercise your voting rights more than once through the Internet etc. or in the personal Computer and mobile phone, we will only accept the last exercise of your voting rights as valid.

(4) The internet access fee to providers and telecommunications carriers and other fees for the usage of the website for exercising voting rights shall be borne by the shareholder.

3. Using the Password and Voting Rights Exercise Code

(1) Please protect your password because it is crucial for confirming your identity as a voting shareholder.

(2) Your password becomes invalid if you fail to input it correctly within the set number of times. Follow the instructions on the screen if you need to have a new password issued.

(3) The Voting Rights Exercise Code on the Proxy Card is only valid for the General Meeting of Shareholders on Wednesday, June 24, 2015.

4. System Requirements

(1) Voting via personal computer:

Microsoft® Internet Explorer 5.01 SP2 or greater, as Internet browser software, and appropriate hardware to use the required Internet browser software mentioned above;
(Microsoft® is a registered trademark of Microsoft Corporation in the United States and other countries.)

(2) Voting via mobile phone:

You may use any of the following services to vote your rights using a mobile phone. Your phone must be capable of 128bit SSL (Secure Socket Layer) encrypted communication.

1. i-mode 2. EZweb 3. Yahoo! Mobile

Note: Your voting via mobile phone will be handled as voting via personal computer if you access the system using a full browser mobile phone application, a personal computer with a telephone as the communication device, or a smartphone.

(i-mode, EZweb, Yahoo! and Yahoo! Mobile are registered trademarks of NTT DoCoMo, Inc., KDDI CORPORATION, Yahoo! Inc. of the United States, and Softbank Mobile Corp., respectively.

5.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 handling personal computer or mobile phone.

Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Web Support

【Exclusive Line】 0120-652-031 (9:00 A.M. – 9:00 P.M.*, toll free)

***Japan Standard Time**

6. Using the Electronic Voting Platform (Institutional Investors)

Institutional investors may exercise their voting rights for the General Meeting of Shareholders electronically using the Electronic Voting Platform operated by ICJ, Inc.