Translation for reference only

Items Disclosed on Internet Concerning Notice of Convocation of the 150th Annual General Meeting of Shareholders

Notes to Consolidated Financial Statements

Notes to Non-Consolidated Financial Statements

SHIONOGI & CO., LTD.

Pursuant to the Companies Act and Article 14 of Shionogi's Articles of Incorporation, the above are available to shareholders through our Internet website (http://www.shionogi.co.jp/en/)

Notes on Consolidated Financial Statements

(Significant Basic Items for Preparing Consolidated Financial Statement)

1. Scope of consolidation

Number of consolidated subsidiaries: 36

Names of significant consolidated subsidiaries

Shionogi Inc., Shionogi Ltd., Taiwan Shionogi & Co., Ltd.,
C&O Pharmaceutical Technology (Holdings), Limited

(Excluded) Subsidiaries excluded through merger : 1

2. Application of equity method

(1) Number of unconsolidated subsidiaries and affiliates accounted for by the equity method

No unconsolidated subsidiaries and affiliates were accounted for by the equity method.

(Excluded) Subsidiaries excluded through transfer : 3

(2) That portion of the net profit (loss) of the affiliates not accounted for by the equity method which was attributable to the Company in proportion to its shareholding ratio had no significant effect on the consolidated net income of the Company for the current period.

3. Closing date of consolidated subsidiaries

Thirty consolidated subsidiaries are overseas consolidated subsidiaries.

Eighteen of these overseas consolidated subsidiaries close their accounts on December 31. In preparing the consolidated financial statements, the financial statements of these subsidiaries as of December 31 are used.

Moreover, one of these overseas consolidated subsidiaries close their accounts on June 30. In preparing the consolidated financial statements, the financial statements of these subsidiaries as of December 31 are used.

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

4. Significant accounting policies

(1) Basis and method of valuation of significant assets

1. Securities

・Held-to-maturity securities

Amortized cost method

・Other securities

Market value available

At fair value, based on market price or other appropriate quotation as of period end (Unrealized gain is charged directly to net assets; cost of sales is accounted for by the moving average method.)

Market value not available

At cost determined by the moving average method

(The securities based on the Financial Instruments and Exchange Law article 2.2 are evaluated at their net profit/loss (equity method)).

2. Assets held in trust for management

Market value method

3. Derivatives

Market value method

4. Inventories

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

(2) Depreciation method of significant depreciable assets

1. Property, plant and equipment (excluding lease assets)
   Items are depreciated by the straight-line method
   The main useful life is as follows
   Buildings and structures : from 2years to 60years
   Machinery, equipment and vehicles : from 2years to 17years
2. Intangible assets (excluding lease assets)
   Items are depreciated by the straight-line method
   Expenditures related to computer software intended for internal use are amortized over the useful life of the respective assets (in general, 5 years).
3. Lease assets
   For lease transactions not involving transfer ownership, lease assets are depreciated over their useful lives using the straight-line method until the residual value reaches zero.

(3) Basis for providing significant allowances and provisions

1. Allowance for doubtful accounts
   The allowance for doubtful accounts is provided to cover bad debt loss. The amount provided for general receivables is based on the historical rate of bad debts; for certain receivable accounts of considerable risk, the estimated uncollectible amount is provided as an additional allowance after examining specific possibility of collection.
2. Provision for bonuses
   To prepare for payment of bonuses to employees, a provision for bonuses is provided based on the estimated amount of bonuses to be paid.
3. Provision for sales returns
   The Company provides for loss on product returns in an amount equivalent to the income on the sale of products that the Company estimates will be returned. Certain consolidated subsidiaries provide for loss on product returns in an amount equivalent to the income on the sale of products that they estimate will be returned.

(4) Foreign currency translation

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

(5) Significant hedge accounting

1. Method of hedge accounting

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

2. Hedging instruments and hedged items

・Hedging instruments: Forward foreign exchange contracts, currency options and interest-rate swaps

・Hedged items: Foreign currency-denominated claims and obligations, forecast transactions and debt

3. Hedging policy

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

4. Methods for evaluating the effectiveness of hedging

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

(6) Amortization of goodwill

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

(7) Other significant accounting policies

1. Consumption tax

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

2. Net defined benefit liabilities

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

i) Method of attributing expected benefit to periods

In calculating the retirement benefit obligation, the method of attributing expected benefits to periods up until the end of the fiscal year is based on the benefit formula basis.

ii) Amortization method of actuarial gain or loss and prior service cost

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

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

Unrecognized actuarial gains and losses and unrecognized prior service costs are recorded in remeasurements of defined benefit plan in accumulated other comprehensive income.

5. Changes in accounting policies

(Application of Accounting Standard for Retirement Benefits, etc.)

Effective April 1, 2014, the Company has applied "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, issued on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on March 26, 2015) to the provisions specified in the main text of paragraph 35 of the Accounting Standard for Retirement Benefit and paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits. Accordingly, the calculation methods for retirement benefit obligation and service cost have been amended as follows: The method of attributing expected benefit to periods has been changed from a straight-line basis to the benefit formula basis, and the method of determining the discount rate has been changed from a rate based on a period that approximates the average remaining years of service of the eligible employees to the use of a single weighted average discount rate reflecting the estimated timing and amount of benefit payments.

In accordance with transitional accounting as stipulated in paragraph 37 of the Accounting Standard for Retirement Benefits, the effect of the change in the calculation methods of retirement benefit obligation and service cost is recognized as an adjustment to retained earnings at the beginning of the year ended March 31, 2015.

As a result, net defined benefit liability increased by ¥648 million, Net defined benefit asset decreased by ¥2,478 million, and retained earnings decreased by ¥2,014 million as of April 1, 2014. In addition, operating income, ordinary income and income before income taxes for the year ended March 31, 2015, each increased by ¥162 million.

For the fiscal year ended March 31, 2015, net assets per share decreased ¥5.86, and net income per share and diluted net income per share increased ¥0.32 respectively.

(Change in Accounting Policy for R&D Expenses)

Previously, the Shionogi Group generally recognized the portion of R&D expenses from contract research and development when project deliverables were obtained. Effective April 1, 2014, the Shionogi Group has adopted a policy of recognizing these expenses according to the progress of research and development activities.

The Shionogi Group formerly conducted research and development centered on pharmaceuticals for patients in Japan. However, with the globalization of new drug development and marketing, research and development work has gradually shifted from work done primarily with internal resources to work contracted out to other companies. This trend is expected to continue.

In addition, the focus areas of development have been shifting from drugs for infectious diseases, which have relatively short development times, to areas with longer development times such as cardiovascular disorders and pain.

Under these circumstances, contract research expenses account for an increasing share of overall R&D expenses, and development times are becoming longer. Consequently, with the previous method in which expenses were recognized when the final result was obtained, the gap between the timing of expense recognition and the progress of research and development had become increasingly evident. Shionogi therefore judged that expense recognition according to the progress of research and development would more accurately reflect the actual situation. In light of these circumstances, Shionogi and its overseas subsidiaries began operating a progress management system for contract research and development during the year ended March 31, 2015, and established a framework for measuring expenses according to the progress of research and development. With these systems in place, Shionogi changed the accounting policy from April 1, 2014.

As a result, retained earnings at the beginning of the fiscal year after retrospective application decreased by ¥4,576 million, reflecting the cumulative impact on net assets at the beginning of that fiscal year.

(Notes on Consolidated Balance Sheets)

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

Cash and deposits	6 million yen
Liabilities secured by the above assets	
"Other" of current liabilities	6 million yen

3. Accumulated depreciation amount of property, plant and equipment 166,318 million yen
4. Guaranteed liabilities 5 million yen

(Notes on Consolidated Statements of Income)

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

Buildings and land	5,584 million yen

3. Gain on transfer of business

   This gain is the transfer of all assets of the Company's wholly-owned subsidiary providing glycan analytical services in the United States.
4. Settlement package

   This expense is attributable to a lawsuit brought against Cowen Healthcare Royalty Partners by Shionogi Inc.
5. Special retirement expenses

   This expense is attributable to the retirement of Shionogi Inc.

(Notes on Consolidated Statement of Changes in Net Assets)

1. Type and number of shares in issue and type and number of shares of treasury stock

(Shares)

	April 1, 2014	Increase	Decrease	March 31, 2015
Shares in issue				
Common stock	351,136,165	-	-	351,136,165
Total	351,136,165	-	-	351,136,165
Treasury stock				
Common stock	16,242,701	9,336,238	14,700	25,564,239
Total	16,242,701	9,336,238	14,700	25,564,239

Note:
1. The increase in treasury stock by 9,336,238, including 9,329,900 shares acquisition based on the resolution of the Board of Directors and 6,338 shares reflects the purchase of odd-lot shares.
2. The decrease in treasury stock reflects the exercise of subscription rights to shares.

2. Dividends

(1) Dividend payments

Resolution	Category	Total dividends	Dividends per share	Dividend record date	Effective date
Annual General Meeting of Shareholders held on June 25, 2014	Common stock	8,037 million yen	24 yen	March 31, 2014	June 26, 2014
Meeting of Board of directors on October 29, 2014	Common stock	8,037 million yen	24 yen	September 30, 2014	December 1, 2014

(2) Dividends whose effective date is subsequent to March 31, 2015

The following is to be approved at the 150th Annual General Meeting of Shareholders to be held on June 24, 2015.

Resolution	Category	Total dividends	Resolution	Dividends per share	Dividend record date	Effective date
Annual General Meeting of Shareholders to be held on June 24, 2015	Common stock	9,116million yen	Retained earnings	28 yen	March 31, 2015	June 25, 2015

3. Shares Issuable during the Share Subscription Rights Exercise Period as of March 31, 2015

Subscription rights to shares

	FY 2011 Subscription Rights to Shares for Shionogi & Co., Ltd.	FY 2012 Subscription Rights to Shares for Shionogi & Co., Ltd.	FY 2013 Subscription Rights to Shares for Shionogi & Co., Ltd.	FY 2014 Subscription Rights to Shares for Shionogi & Co., Ltd
Date of resolution issuance	June 24, 2011	June 27, 2012	June 26, 2013	June 25, 2014
Class of shares to be issued upon exercise of the subscription rights to shares	Common stock	Common stock	Common stock	Common stock
Number of shares to be issued upon exercise of the subscription rights to shares	42,200	71,200	39,900	42,400

Notes: The Stock Acquisition Rights Agreement concluded between the Company and the stock acquisition rights holders stipulates the following during the exercise period:

1. 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.
2. During the stock acquisition rights exercise period, Company corporate officers who are stock acquisition rights holders who cease to be a Company corporate officer or whose employment contract with the Company expires (excluding the re-employment contract after retirement) 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.

   Corporate officers who are stock acquisition rights holders and who are elected as directors may not exercise their stock acquisition rights until they officially retire as directors.

(Notes on Financial Instruments)

1. Matters relating to financial instruments

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

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

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

2. Matters relating to fair value of financial instruments

Fair value and difference compared to the carrying value reported in the balance sheets as of March 31, 2015 were as follows. Note 2 provides information on financial instruments that are not included because of the difficulty of determining their fair value.

(Millions of yen)

	Carrying value reported in the balance sheets (*)	Fair value (*)	Difference
(1) Cash and deposits	50,784	50,784	-
(2) Notes and accounts receivable-trade	70,584	70,584	-
(3) Short-term and long-term investment securities			
Other marketable securities	147,127	147,127	-
(4) Notes and accounts payable-trade	(11,572)	(11,572)	-
(5) Current portion of long-term loans payable	(38)	(38)	-
(6) Income taxes payable	(16,447)	(16,447)	-
(7) Bonds payable	(20,094)	(23,400)	3,305
(8) Long-term loans payable	(10,000)	(10,398)	398

(*) Parentheses indicate liabilities.

Notes:

1. Marketable securities and methods for estimating fair value of financial instruments

(1) Cash and deposits

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

(2) Notes and accounts receivable-trade

Carrying value is used for the fair value of these short-term receivable because these amounts are essentially equivalent.

(3) Short-term and long-term investment securities

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

(4) Notes and accounts payable-trade

Carrying value is used for the fair value of these short-term payable because these amounts are essentially equivalent.

(5) Current portion of long-term loans payable, (8) Long-term loans payable

Fair value of long-term loans payable is calculated as the present value of total principal and interest discounted by the estimated interest rates that would be applied if similar new loans were made.

(6) Income taxes payable

Carrying value is used for the fair value of these short-term payable because these amounts are essentially equivalent.

(7) Bonds payable

The fair value of these bonds is the price quoted by financial institutions.

2. Financial instruments for which determining fair value is difficult

(Millions of yen)

Classification	Carrying value reported in the balance sheets
Unlisted stocks	69,911

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

(Notes on Amounts per Share)

1. Net assets per share	1,456.70 yen
2. Earnings per share	132.67 yen
3. Earnings per share (diluted)	132.04 yen

Notes on Non-consolidated Financial Statements

(Significant Accounting Policies)

1. Basis and method of valuation of significant assets
   (1) Securities
      1. Stocks of subsidiaries and affiliates
         At cost determined by the moving average method
      2. Other securities
         Market value available
            At fair value, based on market price or other appropriate quotation as of period end (Unrealized gain is charged directly to net assets; cost of sales is accounted for by the moving average method.)
         Market value not available
            At cost determined by the moving average method
            (The securities based on the Financial Instruments and Exchange Law article 2.2 are evaluated at their net profit/loss (equity method).)
   (2) Assets held in trust for management
         Market value method
   (3) Derivatives
         Market value method
   (4) Inventories
         Inventories are stated at the lower of cost, determined by the average method, or net selling value.
2. Method of depreciation for noncurrent assets
   (1) Property, plant and equipment (excluding lease assets)
         Straight-line method
         The main useful life is as follows
         Buildings : from 3years to 50years
         Machinery and equipment : from 5years to 17years
   (2) Intangible assets (excluding lease assets)
         Straight-line method
         Expenditures relating to computer software intended for internal use are amortized over the useful life of the respective assets (in general, 5 years).
   (3) Lease assets
         For lease transactions not involving transfer of ownership, lease assets are depreciated over their useful lives using the straight-line method until the residual value reaches zero.
3. Basis for providing significant allowances and provisions
   (1) Allowance for doubtful accounts
         The allowance for doubtful accounts is provided to cover bad debt loss. The amount provided for general receivables is based on the historical rate of bad debts; for certain receivable accounts of considerable risk, the estimated uncollectible amount is provided as an additional allowance after examining specific possibility of collection.
   (2) Provision for bonuses
         To prepare for payment of bonuses to employees, a provision for bonuses is provided based on the estimated amount of bonuses to be paid.
   (3) Provision for directors' bonuses
         To prepare for payment of bonuses to directors and corporate auditors, a provision for directors' bonuses is provided based on the estimated amount of bonuses to be paid.

(4) Provision for sales returns

The Company provides for loss on product returns in an amount equivalent to the income on the sale of products that the Company estimates will be returned.

(5) Provision for retirement benefits

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

i) Method of attributing expected benefit to periods

In calculating the retirement benefit obligation, the method of attributing expected benefits to periods up until the end of the fiscal year is based on the benefit formula basis.

ii) Amortization method of actuarial gain or loss and prior service cost

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

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

The method of accounting for unrecognized actuarial gains and losses and unrecognized prior service cost related to retirement benefits differs from the method of accounting for these items in the consolidated financial statements.

4. Foreign currency translation

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

5. Significant hedge accounting

(1) Method of hedge accounting

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

(2) Hedging instruments and hedged items

・Hedging instruments:
Forward foreign exchange contracts, currency options and interest-rate swaps

・Hedged items:
Foreign currency-denominated claims and obligations, forecast transactions and debt

(3) Hedging policy

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

(4) Methods for evaluating the effectiveness of hedging

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

6. Consumption tax

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

7. Changes in accounting policies

(Application of Accounting Standard for Retirement Benefits, etc.)

Effective April 1, 2014, the Company has applied "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, issued on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on March 26, 2015) to the provisions specified. Accordingly, the calculation methods for retirement benefit obligation and service cost have been amended as follows: The method of attributing expected benefit to periods has been changed from a straight-line basis to the benefit formula basis, and the method of determining the discount rate has been changed from a rate based on a period that approximates the average remaining years of service of the eligible employees to the use of a single weighted average discount rate reflecting the estimated timing and amount of benefit payments.

In accordance with transitional accounting as stipulated in paragraph 37 of the Accounting Standard for Retirement Benefits, the effect of the change in the calculation methods of retirement benefit obligation and service cost is recognized as an adjustment to retained earnings at the beginning of the year ended March 31, 2015.

As a result, provision for retirement benefits increased by ¥648 million, prepaid pension cost decreased by ¥2,478 million, and retained earnings decreased by ¥2,014 million as of April 1, 2014. In addition, operating income, ordinary income and income before income taxes for the year ended March 31, 2015, each increased by ¥162 million.

For the fiscal year ended March 31, 2015, net assets per share decreased ¥5.87, and net income per share and diluted net income per share increased ¥0.32 respectively.

(Change in Accounting Policy for R&D Expenses)

Previously, Shionogi generally recognized the portion of R&D expenses from contract research and development when project deliverables were obtained. Effective April 1, 2014, the Shionogi Group has adopted a policy of recognizing these expenses according to the progress of research and development activities.

Shionogi formerly conducted research and development centered on pharmaceuticals for patients in Japan. However, with the globalization of new drug development and marketing, research and development work has gradually shifted from work done primarily with internal resources to work contracted out to other companies. This trend is expected to continue.

In addition, the focus areas of development have been shifting from drugs for infectious diseases, which have relatively short development times, to areas with longer development times such as cardiovascular disorders and pain.

Under these circumstances, contract research expenses account for an increasing share of overall R&D expenses, and development times are becoming longer. Consequently, with the previous method in which expenses were recognized when the final result was obtained, the gap between the timing of expense recognition and the progress of research and development had become increasingly evident. Shionogi therefore judged that expense recognition according to the progress of research and development would more accurately reflect the actual situation. In light of these circumstances, Shionogi and its overseas subsidiaries began operating a progress management system for contract research and development during the year ended March 31, 2015, and established a framework for measuring expenses according to the progress of research and development. With these systems in place, Shionogi changed the accounting policy from April 1, 2014.

As a result, retained earnings at the beginning of the fiscal year after retrospective application decreased by ¥4,576 million, reflecting the cumulative impact on net assets at the beginning of that fiscal year.

(Notes on Non-consolidated Balance Sheets)

1. All amounts are rounded down to the nearest million yen.
2. Accumulated depreciation amount of property, plant and equipment 156,984 million yen
3. Guaranteed liabilities 5 million yen
4. Short-term credit for subsidiaries and affiliates 52,591 million yen
   Short-term debts to subsidiaries and affiliates 4,092 million yen

(Notes on Non-consolidated Statements of Income)

1. All amounts are rounded down to the nearest million yen
2. Transactions with subsidiaries and affiliates
   Business transactions 18,882 Millions of yen
   Transactions other than business transactions 2,032 Millions of yen
3. Gain on sales of noncurrent assets
   Buildings and Land 5,584 Millions of yen

(Notes on Non-consolidated Statements of Changes in Net Assets)

Shares held as of March 31, 2015
   Common stock 25,564,239 shares

(Notes on Tax Effects)

1. Principal components of deferred tax assets and deferred tax liabilities

Deferred tax assets:

Revision of carrying value of stocks of subsidiaries and affiliates	13,113 Millions of yen
R&D expenses	6,270 Millions of yen
Loss on revaluation of investments in securities	2,568 Millions of yen
Provision for bonuses	2,315 Millions of yen
Loss on valuation of stocks of subsidiaries and affiliates	2,046 Millions of yen
Enterprise tax payable	1,226 Millions of yen
Other	2,724 Millions of yen
Subtotal deferred tax assets	30,266 Millions of yen
Valuation Allowance	(19,027) Millions of yen
Total deferred tax assets	11,239 Millions of yen

Deferred tax liabilities:

Valuation difference on available-for-sale securities	(10,834) Millions of yen
Provision for retirement benefits	(5,133) Millions of yen
Reserve for advanced depreciation of noncurrent	(2,630) Millions of yen
Gain on exchange of investment securities	(1,349) Millions of yen
Other	(133) Millions of yen
Total deferred tax liabilities	(20,081) Millions of yen
Net deferred tax liabilities	(8,841) Millions of yen

2. Revision of the Amounts of Deferred Tax Assets and Liabilities Due to Changes in Income Tax Rates

The “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 9 of 2015) and the “Act for Partial Revision of the Local Tax Act, etc.” (Act No. 2 of 2015) were promulgated on March 31, 2015, resulting in a reduction in the rates of corporate taxes from fiscal years beginning on or after April 1, 2015. Accordingly, the effective statutory tax rate used to measure deferred tax assets and liabilities will change from the former 35.6% to 33.0% for temporary differences expected to be reversed in the fiscal year beginning April 1, 2015, and to 32.2% for temporary differences expected to be reversed in fiscal years beginning on or after April 1, 2016.

As a result of these changes, as of March 31, 2015 deferred tax liabilities net of deferred tax assets have increased by ¥1,143 million, income taxes - deferred have decreased by ¥0 million, and valuation difference on available-for-sale securities has increased by ¥1,143 million.

(Notes on Amounts per Share)

1. Net assets per share	1,320.32yen
2. Earnings per share	126.93 yen
3. Earnings per share (diluted)	126.33 yen