



Financial Results for Fiscal Year 2014 (Consolidated)

May 11, 2015

Name of Listed Company: **SHIONOGI & CO., LTD.**

Listed Exchanges: Section I of Tokyo

Code: 4507

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Scheduled date of Annual General Meeting of Shareholders: June 24, 2015

Scheduled date of dividend payments: June 25, 2015

Scheduled date of annual securities report submission: June 24, 2015

Preparation of supplemental material for financial results: Yes

Holding of presentation for financial results: Yes (for investment analysts)

(Note: All amounts are rounded down to the nearest million yen.)

1. Consolidated results for the period from April 1, 2014 to March 31, 2015

(1) Consolidated operating results

(% shows changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2015	273,991	(5.4)	50,365	(18.6)	77,880	25.2	44,060	8.5
Year ended March 31, 2014	289,717	2.4	61,875	—	62,225	—	40,618	—

Reference: Comprehensive income : Year ended March 31, 2015: 59,092 million yen ((14.8)%) Year ended March 31, 2014: 69,361 million yen (—%)

	Earnings per share	Earnings per share (diluted)	Return on Equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2015	132.67	132.04	9.4	13.2	18.4
Year ended March 31, 2014	121.29	121.23	9.2	10.8	21.4

Reference: Equity in earnings (losses) of affiliates: Year ended March 31, 2015: (1) million yen Year ended March 31, 2014: (5) million yen

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 have been restated to reflect this change, but percentage changes from the same period of the previous fiscal year are omitted as they have not been calculated.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2015	602,900	478,883	78.7	1,456.70
As of March 31, 2014	580,566	467,836	79.9	1,385.11

Reference: Shareholders' equity As of March 31, 2015: 474,259 million yen

As of March 31, 2014: 463,865 million yen

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 have been restated to reflect this change.

(3) Consolidated cash flows

	From operating activities	From investing activities	From financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2015	45,604	(31,696)	(46,211)	78,722
Year ended March 31, 2014	79,496	(20,040)	(53,798)	108,338

2. Dividends

(Date of record)	Dividends per share					Total dividends (Annual)	Payout ratio (consolidated)	Ratio of dividends to net assets
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Annual			
	yen	yen	yen	yen	yen	Millions of yen	%	%
Year ended March 31, 2014	—	22.00	—	24.00	46.00	15,405	37.9	3.5
Year ended March 31, 2015	—	24.00	—	28.00	52.00	17,153	39.2	3.7
Year ending March 31, 2016 (forecast)	—	28.00	—	28.00	56.00		35.1	

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 have been restated to reflect this change.

3. Consolidated financial forecast for the year ending March 31, 2016

(% shows changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six month ending September 30, 2015	138,000	6.3	28,500	25.4	28,000	(10.9)	17,000	75.1	52.22
Year ending March 31, 2016	296,000	8.0	72,500	43.9	79,500	2.1	52,000	18.0	159.72

※ Notes

- (1) Significant changes in subsidiaries during the period (changes in specified subsidiaries involving changes in scope of consolidation): None
- (2) Changes in accounting policies, changes/restatements of accounting estimates
- a) Changes in accounting policies in connection with amendments to accounting standards, etc.: Yes
- b) Changes in accounting policies other than a) above: Yes
- c) Changes in accounting estimates: None
- d) Restatements: None

Note: For details, please see "4. Consolidated Financial Statements (5) Notes Changes in Accounting Policies" on page 18 of the supplemental materials for the Financial Results for the Fiscal Year 2014 (Consolidated)

- (3) Number of shares issued (common stock)
- a) Number of shares issued (including treasury stock)
- | | |
|-----------------------|--------------------|
| As of March 31, 2015: | 351,136,165 shares |
| As of March 31, 2014: | 351,136,165 shares |
- b) Number of treasury stock
- | | |
|-----------------------|-------------------|
| As of March 31, 2015: | 25,564,239 shares |
| As of March 31, 2014: | 16,242,701 shares |
- c) Average number of shares issued during the period
- | | |
|-----------------------|--------------------|
| As of March 31, 2015: | 332,103,674 shares |
| As of March 31, 2014: | 334,896,392 shares |

(Reference) Non-consolidated financial results

Non-consolidated results for the period from April 1, 2014 to March 31, 2015

- (1) Non-consolidated operating results (% shows changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2015	246,980	(4.9)	61,398	(14.2)	70,409	(4.2)	42,153	(22.8)
Year ended March 31, 2014	259,760	1.5	71,525	—	73,530	—	54,600	—

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
Year ended March 31, 2015	126.93	126.33
Year ended March 31, 2014	163.04	162.96

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 have been restated to reflect this change, but percentage changes from the same period of the previous fiscal year are omitted as they have not been calculated.

- (2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2015	537,567	430,129	80.0	1,320.32
As of March 31, 2014	530,027	432,656	81.6	1,291.30

Reference: Shareholders' equity As of March 31, 2015: 429,859 million yen As of March 31, 2014: 432,448 million yen

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 have been restated to reflect this change.

※ Implementation Status of Audit Procedures

This Financial Results Report is exempt from the audit procedures stipulated under the Financial Instruments and Exchange Act of Japan. Audit procedures applicable to financial statements stipulated under the Financial Instruments and Exchange Act had not been completed at the time of disclosure of this Financial Results Report.

※ Explanation Concerning the Appropriate Use of Financial Results Forecasts and Other Special Instructions

(Cautionary note concerning forward-looking statements)

The forecast of financial results and forward-looking statements contained in this report are based on information currently available to the Company as well as certain assumptions that it judges to be reasonable. Actual results may differ materially due to a variety of factors.

For details of the assumptions used in the forecast of financial results and a cautionary note concerning appropriate use, please refer to "2. Financial forecast for the year ending March 31, 2016" on page 6 of the accompanying materials.

(Method of Obtaining Financial Results Supplementary Materials and Details of Results Briefing Meeting)

Financial results supplementary materials are posted via TDnet on the date of disclosure. The Company plans to hold a results briefing meeting for analysts on Tuesday, May 12, 2015. Plans are also in place to post audio explanatory details together with financial results explanatory materials distributed to analysts on May 12, 2015 on the Company's website in a timely manner after the results briefing.

CONTENTS

1. Analysis of Financial Results	2
(1) Analysis of results of operations	2
(2) Analysis of financial position	7
(3) Fundamental policy on the appropriation of retained earnings and cash dividends for the fiscal years ended March 31, 2015 and ending March 31, 2016	8
2. Management policy	8
(1) Fundamental management policy	8
(2) Management strategy and challenges ahead	8
3. Accounting Standards	9
4. Consolidated Financial Statements	10
(1) Consolidated balance sheets	10
(2) Consolidated statements of income and Consolidated statements of comprehensive income	12
Consolidated statements of income	12
Consolidated statements of comprehensive income	13
(3) Consolidated statements of changes in net assets	14
(4) Consolidated statements of cash flows	16
(5) Notes	18
Going concern assumption	18
Changes in accounting policies	18
Consolidated balance sheets	19
Consolidated statements of income	19
Consolidated statements of comprehensive income	21
Consolidated statement of changes in net assets	22
Consolidated statements of cash flows	23
Segment information	24
Amounts per share	24
Important subsequent events	24
5. Others	25
Change in Directors	25

1. Analysis of Financial Results

(1) Analysis of results of operations

1) Results for the fiscal year ended March 31, 2015

a. General overview

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.

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.

Consolidated operating results

Billions of yen

	Net sales	Operating income	Ordinary income	Net income
Year ended March 31, 2015	274.0	50.4	77.9	44.1
Year ended March 31, 2014	289.7	61.9	62.2	40.6
Percentage increase(decrease)	(5.4)	(18.6)	25.2	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.

(i) 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 the Shionogi Group 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.

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.

(ii) Overseas Business

In the United States, the other main sales area of focus in SGS2020, the Shionogi Group concentrated resources on Ospheia (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. Ospheia was launched by U.S. subsidiary Shionogi Inc. in June 2013. Sales of Ospheia in fiscal 2014 did not reach sales targets, 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(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.

(iii) 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 is positioned as the next growth driver 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.

(iv) 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.

(v) 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.

(vi) 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.

b. Sales

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

	FY2014 Results	FY2013 Results	Change	<i>Billions of yen</i> change %
Sales	274.0	289.7	(15.7)	(5.4)
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)

(i) 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 sales.

(ii) Exports and Overseas Subsidiary Sales

Exports and overseas subsidiary 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.

(iii) 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.

c. Income

Operating income decreased 18.6 percent year on year to ¥50.4 billion. 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.

Ordinary income increased 25.2 percent year on year to ¥77.9 billion. 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.

d. Research and Development

(i) Research Activities

The Shionogi Group's core therapeutic areas are infectious diseases 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*

(ii) 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.

e. Capital Investment

Shionogi Group capital investment for the fiscal year ended March 31, 2015 totaled ¥82 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.

2) Financial forecast for the year ending March 31, 2016

The financial forecast for the year ending March 31, 2016 is as follows.

Millions of yen

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent
Year ending March 31, 2016	296,000	72,500	79,500	52,000
Year ended March 31, 2015	273,991	50,365	77,880	44,060
Percentage increase	8.0	43.9	2.1	18.0

Regarding net sales, royalty income is expected to increase with the expansion of global sales of the Tivicay and Triumeq of products. In the domestic market, the Shionogi Group is projecting an increase in sales, in part because of the expansion in sales due to a change in the co-marketing arrangement for Cymbalta with Eli Lilly Japan K.K.

With the increase in royalty income for the Tivicay and Triumeq of products, operating income, ordinary income and Net income attributable to owners of the parent are each expected to increase.

(2) Analysis of financial position

1) Assets, liabilities and net assets

As of March 31, 2015, total assets increased ¥22,333 million from a year earlier to ¥602,900 million. Current assets increased ¥11,055 million, largely because of increases in cash and deposits and accounts receivable (included in "Other" current assets), which more than offset decreases in short-term investment securities and merchandise and finished goods. Non-current assets increased ¥11,278 million from a year earlier, mainly because of a gain on valuation of investment securities and an increase in foreign currency-denominated goodwill and sales rights due to the weak yen.

Total liabilities increased ¥11,286 million from a year earlier to ¥124,016 million. Current liabilities decreased ¥11,214 million, mainly due to redemption of bonds (the current portion of bonds). Non-current liabilities increased ¥22,501 million due to the issuance of bonds (convertible bonds with warrants) to be used for a share repurchase.

Net assets increased ¥11,047 million from a year earlier to ¥478,883 million. Shareholders' equity decreased ¥4,027 million from a year earlier, reflecting the decrease due to the share repurchase, which exceeded the increase from net income. Accumulated other comprehensive income increased ¥14,422 million from a year earlier due to the effect of foreign exchange rates and stock prices. Subscription rights to shares increased ¥62 million to ¥270 million and minority interests increased ¥590 million to ¥4,353 million.

2) Cash flows

For the fiscal year ended March 31, 2015, in addition to the increase in income before income taxes and minority interests, there was an increase in cash due to a decrease in inventories; however, net cash provided by operating activities decreased ¥33,891 million compared with the previous fiscal year to ¥45,604 million due to income taxes paid, including taxes for prior years.

Net cash used in investing activities increased ¥11,656 million compared with the previous fiscal year to ¥31,696 million. The main uses of cash included construction of the Nanjing Plant of C&O Pharmaceutical Technology (Holdings) Limited and the purchase of short-term investment securities.

Net cash used in financing activities decreased ¥7,587 million to ¥46,211 million, mainly because Shionogi made share repurchases totaling ¥30,000 million, whereas in the previous fiscal year, repayment of long-term loans payable was ¥39,000 million.

As a result, cash and cash equivalents at the end of the fiscal year decreased ¥29,616 million from the end of the previous fiscal year to ¥78,722 million.

Cash flow indicators

	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015
Net worth ratio	62.7%	65.9%	73.1%	79.9%	78.7%
Net worth ratio on market value basis	90.8%	73.4%	113.2%	110.3%	216.3%
Interest-bearing liabilities/ Cash flow ratio	1.9	1.7	1.2	0.4	0.2
Interest coverage ratio (times)	37.9	44.5	55.0	87.3	145.1

Notes: Net worth ratio: Total net assets/Total assets

Net worth ratio on market value basis: Total market value of stock/Total assets

Interest-bearing liabilities/Cash flow ratio: Interest-bearing liabilities/ Net cash provided by operating activities

Interest coverage ratio: Net cash provided by operating activities/Interest expense

1. All indicators are calculated on a consolidated basis.

2. Total market value of stock is calculated based on the total number of shares outstanding excluding treasury stock.

3. Net cash provided by operating activities is as reported in the consolidated statements of cash flows.

4. Interest-bearing liabilities are liabilities stated on the consolidated balance sheets on which interest is paid.

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

(3) Fundamental policy on the appropriation of retained earnings and cash dividends for the fiscal years ended March 31, 2015 and ending March 31, 2016

In the new medium-term business plan Shionogi Growth Strategy 2020 (SGS2020), the Shionogi Group stated its policy of using dividends on equity or net assets (DOE) as an indicator to steadily increase dividends in proportion to growth, and set a DOE target of 3.5 percent or more for the fiscal year ended March 31, 2015.

Regarding results of initiatives in the fiscal year ended March 31, 2015, sales of the anti-HIV drug Tivicay and the combination tablet Triumeq, for which Shionogi transferred the global rights to ViiV, are increasing, and the measures taken to quickly overcome the earnings volatility resulting from the patent expiration of Crestor and achieve further growth are progressing steadily. Therefore, Shionogi plans to pay a year-end dividend of ¥28 per share for the fiscal year ended March 31, 2015. Combined with the interim cash dividend, this will result in total annual cash dividends of ¥52 per share.

2. Management policy

(1) Fundamental management policy

Shionogi's corporate philosophy is to "constantly strive to provide medicine of the best possible kind essential for protection of people's health." For this purpose, we must create and manufacture progressively better pharmaceuticals, while ensuring that as many people as possible know about and use them. To accomplish this goal, we believe that having all of Shionogi's people improve technologies day by day enables us to contribute to expanding the benefits we offer our customers, shareholders, business partners, society, our employees, and all our other stakeholders.

(2) Management strategy and 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 Ospheña is the top priority. Sales of Ospheña 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 Ospheña'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 need 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.

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.

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.

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.

3.Accounting Standards

The Shionogi Group applies Japanese generally accepted accounting principles (GAAP), as they have reached a level of high quality and consistency with international standards as a result of convergence with International Financial Reporting Standards (IFRS), and are recognized by the European Union as equivalent to IFRS.

The Shionogi Group is considering applying IFRS in the future, and is currently conducting studies to analyze the impact of adoption, but has not yet set a timetable for applying IFRS.

4. Consolidated Financial Statements

(1) Consolidated balance sheets

Millions of yen

	As of March 31, 2014	As of March 31, 2015
Assets		
Current assets		
Cash and deposits	*1 34,238	*1 50,784
Notes and accounts receivable-trade	64,290	70,584
Short-term investment securities	80,100	58,700
Merchandise and finished goods	24,005	18,943
Work in process	11,425	11,786
Raw materials and supplies	12,938	13,751
Deferred tax assets	12,727	13,538
Other	9,189	21,886
Allowance for doubtful accounts	(24)	(28)
Total current assets	248,893	259,948
Non-current assets		
Property, plant and equipment		
Buildings and structures	119,043	113,007
Accumulated depreciation	(72,826)	(65,730)
Buildings and structures, net	46,216	47,277
Machinery, equipment and vehicles	83,343	79,536
Accumulated depreciation	(73,370)	(69,692)
Machinery, equipment and vehicles, net	9,972	9,844
Land	9,755	8,409
Construction in progress	6,864	5,415
Other	37,797	36,971
Accumulated depreciation	(31,629)	(30,895)
Other, net	6,168	6,075
Total property, plant and equipment	78,976	77,022
Intangible assets		
Goodwill	42,878	46,534
Sales rights	24,355	29,055
Other	5,590	4,738
Total intangible assets	72,824	80,328
Investments and other assets		
Investment securities	*2 149,519	*2 158,339
Net defined benefit asset	19,047	18,439
Deferred tax assets	8,015	7,186
Other	3,379	1,696
Allowance for doubtful accounts	(90)	(62)
Total investments and other assets	179,871	185,600
Total non-current assets	331,673	342,951
Total assets	580,566	602,900

Millions of yen

	As of March 31, 2014	As of March 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,627	11,572
Current portion of long-term loans payable	—	38
Current portion of bonds	20,000	—
Income taxes payable	12,392	16,447
Provision		
Provision for bonuses	7,071	8,315
Provision for sales returns	4,320	2,873
Other provision	21	45
Total provisions	11,413	11,233
Other	*1 25,575	*1 28,501
Total current liabilities	79,008	67,794
Non-current liabilities		
Bonds payable	—	20,094
Long-term loans payable	10,034	10,000
Deferred tax liabilities	12,627	14,538
Net defined benefit liability	9,967	9,901
Other	1,091	1,688
Total non-current liabilities	33,721	56,222
Total liabilities	112,730	124,016
Net assets		
Shareholders' equity		
Capital stock	21,279	21,279
Capital surplus	20,227	20,227
Retained earnings	429,526	455,497
Treasury stock	(19,756)	(49,754)
Total shareholders' equity	451,277	447,249
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	25,289	28,675
Foreign currency translation adjustment	(6,113)	3,843
Remeasurements of defined benefit plans	(6,588)	(5,508)
Total accumulated other comprehensive income	12,587	27,010
Subscription rights to shares	207	270
Minority interests	3,762	4,353
Total net assets	467,836	478,883
Total liabilities and net assets	580,566	602,900

(2) Consolidated statements of income and Consolidated statements of comprehensive income

Consolidated statements of income

Millions of yen

	Year ended March 31, 2014	Year ended March 31, 2015
Net sales	289,717	273,991
Cost of sales	*1 77,993	*1 82,189
Gross profit	211,724	191,801
Selling, general and administrative expenses	*2, *3 149,848	*2, *3 141,436
Operating income	61,875	50,365
Non-operating income		
Interest income	376	500
Dividends income	1,690	22,022
Foreign exchange gains	1,662	8,094
Other	1,059	878
Total non-operating income	4,789	31,495
Non-operating expenses		
Interest expenses	888	274
Contribution	1,413	1,160
Loss on retirement of non-current assets	379	1,086
Litigation expenses	1,235	625
Other	522	833
Total non-operating expenses	4,439	3,979
Ordinary income	62,225	77,880
Extraordinary income		
Gain on sales of non-current assets	*4 4,203	*4 5,584
Gain on transfer of business	—	*5 189
Gain on sales of investment securities	554	86
Total extraordinary income	4,757	5,860
Extraordinary loss		
Settlement package	*6 651	*6 1,306
Special retirement expenses	—	*7 383
Impairment loss	*8 878	—
Business structure improvement expenses	*9 840	—
Loss on penalty	*10 500	—
Loss on disposal of non-current assets	*11 471	—
Loss on valuation of inventories	*12 451	—
Total extraordinary losses	3,794	1,689
Income before income taxes and minority interests	63,188	82,051
Income taxes-current	11,561	20,820
Income taxes for prior periods	—	13,543
Income taxes-deferred	10,907	3,468
Total income taxes	22,469	37,832
Income before minority interests	40,719	44,218
Minority interests in income	101	158
Net income	40,618	44,060

Consolidated statements of comprehensive income*Millions of yen*

	Year ended March 31, 2014	Year ended March 31, 2015
Income before minority interests	40,719	44,218
Other comprehensive income		
Valuation difference on available-for-sale securities	9,233	3,385
Deferred gains or losses on hedges	450	—
Foreign currency translation adjustment	18,957	10,408
Remeasurements of defined benefit plans	—	1,079
Total other comprehensive income	* 28,641	* 14,873
Comprehensive income	69,361	59,092
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	68,456	58,482
Comprehensive income attributable to minority interests	904	610

(3) Consolidated statements of changes in net assets

Year ended March 31, 2014

	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	407,007	(19,741)	428,772
Cumulative effects of changes in accounting policies			(3,363)		(3,363)
Restated balance	21,279	20,227	403,643	(19,741)	425,408
Changes of items during the period					
Dividends from surplus			(14,735)		(14,735)
Net income			40,618		40,618
Purchase of treasury stock				(14)	(14)
Disposal of treasury stock					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	25,882	(14)	25,868
Balance at the end of current period	21,279	20,227	429,526	(19,756)	451,277

	Millions of yen						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests
Balance at the beginning of the period	16,055	(450)	(24,267)	—	(8,662)	123	3,399
Cumulative effects of changes in accounting policies							
Restated balance	16,055	(450)	(24,267)	—	(8,662)	123	3,399
Changes of items during the period							
Dividends from surplus							(14,735)
Net income							40,618
Purchase of treasury stock							(14)
Disposal of treasury stock							—
Net changes of items other than shareholders' equity	9,233	450	18,153	(6,588)	21,249	84	363
Total changes of items during the period	9,233	450	18,153	(6,588)	21,249	84	363
Balance at the end of current period	25,289	—	(6,113)	(6,588)	12,587	207	3,762

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	429,526	(19,756)	451,277
Cumulative effects of changes in accounting policies			(2,014)		(2,014)
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

	Millions of yen							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at the beginning of the period	25,289	—	(6,113)	(6,588)	12,587	207	3,762	467,836
Cumulative effects of changes in accounting policies								(2,014)
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

(4) Consolidated statements of cash flows*Millions of yen*

	Year ended March 31, 2014	Year ended March 31, 2015
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	63,188	82,051
Depreciation and amortization	12,912	12,672
Impairment loss	878	—
Amortization of goodwill	2,713	2,978
Loss (gain) on disposal of property, plant and equipment	(3,290)	(4,645)
Loss (gain) on sales of investment securities	(554)	(86)
Loss (gain) on valuation of investment securities	7	—
Loss (gain) on transfer of business	—	(189)
Increase (decrease) in net defined benefit liability	(3,033)	(480)
Interest and dividends income	(2,067)	(22,522)
Interest expenses	888	274
Foreign exchange losses (gains)	(1,229)	(7,109)
Decrease (increase) in notes and accounts receivable-trade	4,269	(5,752)
Decrease (increase) in inventories	773	4,700
Increase (decrease) in notes and accounts payable-trade	(1,268)	529
Increase (decrease) in accrued expenses	(2,152)	(2,365)
Increase (decrease) in accounts payable-other	(1,886)	1,542
Other, net	(1,240)	4,629
Subtotal	68,909	66,228
Interest and dividends income received	2,049	9,947
Interest expenses paid	(910)	(314)
Income taxes (paid) refund	9,448	(30,257)
Net cash provided by (used in) operating activities	79,496	45,604
Net cash provided by (used in) investing activities		
Payments into time deposits	(10,786)	(11,529)
Proceeds from withdrawal of time deposits	7,397	11,206
Purchase of short-term investment securities	—	(34,000)
Proceeds from sales and redemption of securities	2,021	10,000
Purchase of investment securities	(5,585)	(2,724)
Proceeds from sales of investment securities	652	544
Purchase of property, plant and equipment	(6,960)	(10,640)
Proceeds from sales of property, plant and equipment	4,728	8,277
Purchase of intangible assets	(10,436)	(2,739)
Purchase of investments in subsidiaries	(954)	(24)
Proceeds from transfer of business	—	235
Other, net	(116)	(302)
Net cash provided by (used in) investing activities	(20,040)	(31,696)

Millions of yen

	Year ended March 31, 2014	Year ended March 31, 2015
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(7,500)	—
Repayment of long-term loans payable	(31,500)	—
Proceeds from issuance of bonds	—	20,070
Redemption of bonds	—	(20,000)
Purchase of treasury stock	(14)	(30,050)
Cash dividends paid	(14,718)	(16,060)
Cash dividends paid to minority shareholders	—	(19)
Other, net	(66)	(151)
Net cash provided by (used in) financing activities	(53,798)	(46,211)
Effect of exchange rate change on cash and cash equivalents	1,138	2,687
Net increase (decrease) in cash and cash equivalents	6,795	(29,616)
Cash and cash equivalents at beginning of period	101,543	108,338
Cash and cash equivalents at end of period	* 108,338	* 78,722

(5) Notes**Going concern assumption**

None

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.

This change in accounting policy has been applied retrospectively, and the financial statements present financial information for the previous fiscal year and for the previous fiscal year after retrospective application. As a result, for the previous fiscal year, selling, general and administrative expenses (R&D expenses) increased ¥1,681 million, and operating income, ordinary income and income before income taxes each decreased ¥1,681 million compared with the amounts prior to retrospective application. In addition, retained earnings at the beginning of the previous fiscal year after retrospective application decreased by ¥3,363 million, reflecting the cumulative impact on net assets at the beginning of that fiscal year.

For the fiscal year ended March 31, 2014, net assets per share decreased ¥13.67, and net income per share and diluted net income per share decreased ¥3.62 respectively.

Notes to consolidated balance sheets***1 Pledged assets and secured liabilities**

The assets listed below have been pledged as collateral against borrowings and other debts:

1) Carrying value of pledged assets:

	As of March 31, 2014	As of March 31, 2015
Cash and deposits	7 million yen	6 million yen

2) Liabilities secured by the above assets:

	As of March 31, 2014	As of March 31, 2015
'Other' of current liabilities	6 million yen	6 million yen

***2 Stocks etc, of unconsolidated subsidiaries and affiliates**

	As of March 31, 2014	As of March 31, 2015
Investments in securities (stocks etc.)	1,617 million yen	1,242 million yen

3 Guaranteed liabilities

Guarantee of loans from financial institutions and other companies not included in consolidation

	As of March 31, 2014	As of March 31, 2015
Employee housing loans	6 million yen	5 million yen

Notes to consolidated statements of income***1 Inventories are stated at net selling value. The following inventory valuation totaling is included in cost of sales.**

	Year ended March 31, 2014	Year ended March 31, 2015
	1,303 million yen	1,688 million yen

***2 The major items and amounts included in selling, general and administrative expenses were as follows:**

	Year ended March 31, 2014	Year ended March 31, 2015
Sales promotional activities	16,181 million yen	16,912 million yen
Salaries	28,129	27,389
Provision for bonuses	3,658	4,505
Provision for directors' bonuses	21	45
Retirement benefit expenses	1,420	2,324
R & D expenses	53,605	48,870
[Provision for bonuses]	[2,307]	[2,488]
[Retirement benefit expenses]	[795]	[1,204]

***3 R&D expenses**

R&D expenses, which are included in SG&A expenses, were as follows. No R&D expenses are included in production expenses.

	Year ended March 31, 2014	Year ended March 31, 2015
	53,605 million yen	48,870 million yen

***4 Gain on sales of non-current assets**

	Year ended March 31, 2014	Year ended March 31, 2015
Buildings and land	4,203 million yen	5,584 million yen

***5 Gain on transfer of business**

Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

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

***6 Settlement package**

Year ended March 31, 2014 (April 1, 2013 to March 31, 2014) and Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

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

***7 Special retirement expenses**

Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

This expense is attributable to the retirement of Shionogi Inc.

***8 Impairment loss**

The Shionogi Group recognized asset impairment as follows.

Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

Location	Use	Class	Amount
Aburahi Facilities (Koka, Shiga Prefecture)	Idle assets	Buildings, etc.	312 million yen
Shionogi Pharma Chemicals Co., Ltd., C4 Building (Tokushima, Tokushima Prefecture)	Idle assets	Construction in progress	565 million yen

The Shionogi Group categorizes assets for business operations into groups that are based on the product lines used in management accounting, and categorizes rental and underutilized assets individually.

Shionogi has decided to dismantle assets at the Aburahi Facilities that will become inactive with the construction of a new animal breeding facility. As a result, Shionogi will record an impairment charge equal to the carrying value of these idle assets. In addition, the C4 building located on the premises of consolidated subsidiary Shionogi Pharma Chemicals Co., Ltd., which is a pharmaceutical research and development and production facility owned by Shionogi, has been classified as an idle asset as its original projects were suspended and there are no immediate plans to use it. Shionogi has recorded an impairment charge equal to the carrying value of this asset.

***9 Business structure improvement expenses**

Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

This expense is primarily associated with the restructuring of Shionogi Inc. by its sales of the rights of Naprelan.

***10 Loss on penalty**

Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

This expense is attributable to the termination of the agreement between Shionogi Inc. and CaremarkPCS Health, LLC.

***11 Loss on disposal of noncurrent assets**

Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

This consists of costs associated with the disposal of idle assets at the Aburahi Facilities.

***12 Loss on valuation of inventories**

Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

Due to the termination of an agreement for sales of the antibiotic doripenem between the Shionogi Group and Johnson & Johnson, Shionogi has recorded a valuation loss on the portion of inventories transferred to Shionogi that are not available for sale.

Notes to consolidated statements of comprehensive income

Amount of recycling and amount of income tax effect associated with other comprehensive income

	Year ended March 31, 2014	Year ended March 31, 2015
Valuation difference on available-for-sale securities		
Amount recognized in the period under review	11,211 million yen	4,018 million yen
Amount of recycling	(547)	(67)
Before income tax effect adjustment	10,664	3,951
Amount of income tax effect	(1,430)	(565)
Valuation difference on available-for-sale securities	9,233	3,385
Deferred gains or losses on hedges		
Amount recognized in the period under review	(273)	(416)
Amount of recycling	999	416
Before income tax effect adjustment	726	—
Amount of income tax effect	(276)	—
Deferred gains or losses on hedges	450	—
Foreign currency translation adjustment		
Amount recognized in the period under review	18,957	10,426
Amount of recycling	—	(18)
Before income tax effect adjustment	18,957	10,408
Amount of income tax effect	—	—
Foreign currency translation adjustment	18,957	10,408
Remeasurements of defined benefit plans		
Amount recognized in the period under review	—	123
Amount of recycling	—	1,981
Before income tax effect adjustment	—	2,105
Amount of income tax effect	—	(1,025)
Remeasurements of defined benefit plans	—	1,079
Total other comprehensive income	28,641	14,873

Notes to consolidated statement of changes in net assets

Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(1) Type and number of shares in issue and type and number of shares of treasury stock

	April 1, 2013	Increase	Decrease	Shares March 31, 2014
Shares in issue				
Common stock	351,136,165	—	—	351,136,165
Total	351,136,165	—	—	351,136,165
Treasury stock				
Common stock	16,236,003	6,698	—	16,242,701
Total	16,236,003	6,698	—	16,242,701

*Note: The increase in treasury stock reflects the purchase of odd-lot shares.***(2) Matters concerning subscription rights and subscription rights owned by the Company**

Category	Detail of subscription rights to shares	March 31, 2014
The Company (parent company)	Stock options	207 million yen
Total		207 million yen

(3) Dividends**A) Dividend payments**

Resolution	Category	Total dividends	Dividends per share	Dividend record date	Effective date
Annual General Meeting of Shareholders held on June 26, 2013	Common stock	7,367 million yen	22 yen	March 31, 2013	June 27, 2013
Meeting of Board of directors on October 31, 2013	Common stock	7,367 million yen	22 yen	September 30, 2013	December 2, 2013

B) Dividends whose effective date is subsequent to March 31, 2014

Resolution	Category	Total dividends	Resolution	Dividends per share	Dividend record date	Effective date
Annual General Meeting of Shareholders to be held on June 25, 2014	Common stock	8,037million yen	Retained earnings	24 yen	March 31, 2014	June 26, 2014

Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(1) Type and number of shares in issue and type and number of shares of treasury stock

	April 1, 2014	Increase	Decrease	Shares 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) Matters concerning subscription rights and subscription rights owned by the Company

Category	Detail of subscription rights to shares	March 31, 2015
The Company (parent company)	Stock options	270 million yen
	Total	270 million yen

(3) Dividends

A) 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

B) 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	9,116 million yen	Retained earnings	28 yen	March 31, 2015	June 25, 2015

Notes to consolidated statements of cash flow

* Reconciliation of balance of cash and cash equivalents as of the period end with the amounts reported in the consolidated balance sheets:

	Year ended March 31, 2014	Year ended March 31, 2015
Cash and deposits	34,238 million yen	50,784 million yen
Time deposits with a maturity exceeding three months	(6,000)	(6,762)
Cash and cash equivalents including "Marketable securities"	80,100	34,700
Cash and cash equivalents	108,338	78,722

Notes to segment information

Segment information

Year ended March 31, 2014 (April 1, 2013 to March 31, 2014) and Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

Shionogi group has a single business segment related to prescription drugs. The group operates research, development, purchase, manufacturing, and distributing prescription drugs and related businesses. While analysis of each product sales and profits or expenses of each subsidiary are made, decision of business strategy and allocation of the management resources, especially allocation of R&D expenses, are made on a company-wide basis. Therefore disclosure of segment information is omitted.

Notes to amounts per share

Item	Year ended March 31, 2014	Year ended March 31, 2015
Net assets per share	1,385.11 yen	1,456.70 yen
Earnings per share	121.29 yen	132.67 yen
Earnings per share (diluted)	121.23 yen	132.04 yen

Notes: 1. Information for the computation of earnings per share and Earnings per share (diluted) is as follows.

Item	Year ended March 31, 2014	Year ended March 31, 2015
<i>Earnings per share</i>		
Net income	40,618 million yen	44,060 million yen
The amount which is not attributable to ordinary shareholders	—	—
Net income related to common stocks	40,618 million yen	44,060 million yen
Average number of shares outstanding during the period	334,896 thousands of stocks	332,103 thousands of stocks
<i>Earnings per share (diluted)</i>		
Adjustments to net income	—	(3 million yen)
(Interest income, net tax)	(—)	((3 million yen))
Increase of common stock	167 thousands of stocks	1,560 thousands of stocks
(Bonds payable)	(—)	(1,376 thousands of stocks)
(Subscription rights to shares)	(167 thousands of stocks)	(184 thousands of stocks)

2. Information for the computation of net assets per share is as follows.

Item	As of March 31, 2014	As of March 31, 2015
Total net assets	467,836 million yen	478,883 million yen
Amount deducted from total net assets	3,970 million yen	4,623 million yen
(Amounts attributed to Subscription rights to shares in total net assets)	(207 million yen)	(270 million yen)
(Amounts attributed to minority interests in total net assets)	(3,762 million yen)	(4,353 million yen)
Net assets at year end available to common stocks	463,865 million yen	474,259 million yen
Shares outstanding as of the period end	334,893 thousands of stocks	325,571 thousands of stocks

Important subsequent events

None

5. Others

Change in Directors (Scheduled on June 24, 2015)

(1) Change in Representative Directors

No change.

(2) Change in other Directors

- 1) Nominees for New Director
Takuko Sawada (currently, Senior Executive Officer, Senior Vice President, Corporate Strategy Division)
- 2) Retiring Directors
None
- 3) Nominees for New Standing Corporate Auditor
Akira Okamoto (currently, Internal Control Department, formerly, Vice President, Internal Control Department)
- 4) Retiring Standing Corporate Auditor
Sachio Tokaji

The change in Directors will be formally determined at the 150th Annual General Meeting of Shareholders to be held on June 24, 2015.