Financial Results for Fiscal Year 2012 (Consolidated)

May 9, 2013

Name of Listed Company: **SHIONOGI & CO., LTD.** Listed Exchanges: Section I of Tokyo and Osaka

Code: 4507 URL: http://www.shionogi.co.jp

Representative: Isao Teshirogi, President and CEO

Contact responsibility: Hiroki Takagi, General Manager of Corporate Communications Department Tel.: (06)6202-2161

Scheduled date of Annual General Meeting of Shareholders: June 26, 2013 Scheduled date of dividend payments: June 27, 2013

Scheduled date of annual securities report submission: June 27, 2013

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, 2012 to March 31, 2013

(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, 2013	282,903	5.8	58,848	25.2	58,922	27.8	66,727	146.2
Year ended March 31, 2012	267,275	(5.3)	47,003	0.2	46,093	2.0	27,101	35.3

Reference: Comprehensive income :Year ended March 31, 2013: 89,762 million yen (204.5%) Year ended March31, 2012:29,481 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, 2013	199.25	199.17	17.5	10.7	20.8
Year ended March 31, 2012	80.93	80.91	8.1	8.8	17.6

Reference: Equity in earnings (losses) of affiliates: Year ended March 31, 2013:(1,594) million yen Year ended March31, 2012: (485) million yen

(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, 2013	574,882	423,633	73.1	1,254.44
As of March 31, 2012	522,161	347,198	65.9	1,027.83

Reference: Shareholders' equity As of March 31, 2013: 420,110 million yen As of March 31, 2012: 344,216 million yen

(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, 2013	59,276	(19,959)	(37,687)	101,543
Year ended March 31, 2012	54,724	(38,290)	(27,749)	98,687

2. Dividends

	Dividends per share					Total dividends (Annual)	Payout ratio (consolidated)	Ratio of dividends to net assets
(Date of record)	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, 2012	–	20.00	–	20.00	40.00	13,395	49.4	4.0
Year ended March 31, 2013	–	20.00	–	22.00	42.00	14,065	21.1	3.7
Year ending March 31, 2014 (forecast)	–	22.00	–	22.00	44.00		39.8	

3. Consolidated financial forecast for the year ending March 31, 2014

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

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Millions of yen	*%*	*Millions of yen*	*%*	*Millions of yen*	*%*	*Millions of yen*	*%*	*Yen*
Six month ending September 30, 2013	138,000	0.5	24,000	(8.1)	24,000	(4.4)	14,500	(2.4)	43.30
Year ending March 31, 2014	287,000	1.4	60,000	2.0	59,000	0.1	37,000	(44.6)	110.48

4. 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.: None

b) Changes in accounting policies other than a) above: Yes

c) Changes in accounting estimates: Yes

d) Restatements: None

(3) Number of shares issued (common stock)

a) Number of shares issued (including treasury stock)

As of March 31, 2013:	351,136,165 shares
As of March 31, 2012:	351,136,165 shares

b) Number of treasury stock

As of March 31, 2013:	16,236,003 shares
As of March 31, 2012:	16,240,245 shares

c) Average number of shares issued during the period

As of March 31, 2013:	334,900,608 shares
As of March 31, 2012:	334,897,129 shares

(Reference) Non-consolidated financial results

Non-consolidated results for the period from April 1, 2012 to March 31, 2013

(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, 2013	255,946	(0.1)	65,888	4.8	68,205	7.3	(32,014)	—
Year ended March 31, 2012	256,187	2.5	62,875	4.0	63,536	5.3	43,678	4.9

	Earnings per share	Earnings per share (diluted)
	Yen	*Yen*
Year ended March 31, 2013	(95.59)	—
Year ended March 31, 2012	130.42	130.40

Note: As of March 31, 2013 : Although diluted shares exist, diluted net income per share is not disclosed since there is net loss per share for the period.

(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, 2013	511,433	386,509	75.5	1,153.74
As of March 31, 2012	575,447	423,827	73.6	1,265.37

Reference: Shareholders' equity As of March 31, 2013: 386,386 million yen As of March 31, 2012: 423,768 million yen

※ *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, 2014" on page 4 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 Friday, May 10, 2013. Plans are also in place to post audio explanatory details together with financial results explanatory materials distributed to analysts on May 10, 2013 on the Company's website in a timely manner after the results briefing.

CONTENTS

1. Results of operations ····· 2
(1) Analysis of results of operations ····· 2
(2) Analysis of financial position ····· 5
(3) Fundamental policy on the appropriation of retained earnings and cash dividends for the fiscal years ended March 31, 2013 and ending March 31, 2014 ····· 6
2. Management policy ····· 6
(1) Fundamental management policy ····· 6
(2) Management strategy and challenges ahead ····· 6
3. Consolidated Financial Statements ····· 8
(1) Consolidated balance sheets ····· 8
(2) Consolidated statements of income and Consolidated statements of comprehensive income ····· 10
Consolidated statements of income ····· 10
Consolidated statements of comprehensive income ····· 11
(3) Consolidated statements of changes in net assets ····· 12
(4) Consolidated statements of cash flows ····· 14
(5) Notes ····· 16
Going concern assumption ····· 16
Changes in accounting policies, changes/restatements of accounting estimates ····· 16
Consolidated balance sheets ····· 17
Consolidated statements of income ····· 17
Consolidated statements of comprehensive income ····· 19
Consolidated statement of changes in net assets ····· 20
Consolidated statements of cash flows ····· 22
Business combination ····· 23
Segment information ····· 24
Amounts per share ····· 24
Important subsequent events ····· 24
4. Others ····· 25

1. Results of operations

(1) Analysis of results of operations

1) Results for the fiscal year ended March 31, 2013

a. General overview

As a global R&D-based company, the Shionogi Group has a clear commitment to continuously discovering innovative, highly effective new drugs and is strategically developing new drugs in the United States, Europe and Asia.

The domestic prescription pharmaceuticals market is not expected to grow significantly because of issues including the National Health Insurance (NHI) drug price reductions, which averaged 6 percent in April 2012, and the effect of policies to control drug prices including those to promote the use of generics. On the other hand, against a background of unstable economic conditions in global markets, major pharmaceutical companies from Europe and the United States are concentrating on rapidly expanding markets in emerging countries while continuing to concentrate on the large Japanese market. Therefore, the operating environment in the domestic prescription pharmaceutical market is increasingly competitive.

In this operating environment, sales of prescription drugs in Japan for the fiscal year ended March 31, 2013 increased slightly year on year despite the effect of the NHI drug price revisions on the Shionogi Group.

In addition, the previously volatile results of U.S. operations stabilized and the Shionogi Group benefited from Groupwide cost reductions. As a result of these and other factors, the Shionogi Group achieved record operating income and ordinary income.

In October 2012, Shionogi and ViiV Healthcare Ltd. (ViiV) of the United Kingdom revised their agreement covering the anti-HIV drug dolutegravir the two companies had been developing jointly and concluded an agreement on a new framework. As a result, the Shionogi Group transferred its rights to dolutegravir to ViiV in return for a 10 percent equity stake in ViiV. The Shionogi Group will participate in ViiV management as a ViiV shareholder, and retained rights to royalties at a fixed percentage of sales. Consequently, the Shionogi Group has created a framework that allows it to further concentrate resources on the development and sale of global in-house products. Of note, in December 2012 ViiV submitted a New Drug Application (NDA) to the U.S. Food and Drug Administration (FDA), European Medicines Agency (EMA) and Canada for dolutegravir. In February 2013, the FDA gave dolutegravir priority review status, and is expected to approve it in summer 2013.

Furthermore, in April 2012 the Shionogi Group submitted an NDA to the FDA for ospemifene (product name: Osphena™) for post-menopausal vaginal atrophy, and received approval in February 2013. Shionogi Inc. expects to begin marketing this major new drug in the United States in June 2013. Following the U.S. NDA submission, in March 2013 Shionogi also submitted an NDA to the EMA for this drug. The Shionogi Group is preparing for the substantial growth it expects from ospemifene as a global product.

Patents for the anti-hyperlipidemia treatment Crestor will expire in many countries in 2016 and 2017. The entire Shionogi Group is therefore working in concert so that earnings from these global products replace the Crestor royalty revenue from AstraZeneca plc of the United Kingdom.

Consolidated operating results

Millions of yen

	Net sales	Operating income	Ordinary income	Net income
Year ended March 31, 2013	282,903	58,848	58,922	66,727
Year ended March 31, 2012	267,275	47,003	46,093	27,101
Percentage increase	5.8	25.2	27.8	146.2

b. Sales

Net sales increased 5.8 percent year on year to ¥282.9 billion.

Billions of yen

	FY2011 Results	FY2012 Results	Change	change %
Sales	267.3	282.9	15.6	5.8
Prescription drugs	164.4	165.7	1.3	0.8
Export/Overseas subsidiaries	17.0	30.6	13.6	80.3
Shionogi INC.	5.8	17.0	11.2	190.2
C&O	1.9	5.8	3.9	201.2
Royalty income	68.7	69.8	1.1	1.7
CRESTOR	64.7	63.0	(1.7)	(2.7)

(1) Domestic Sales of Prescription Drugs

Domestic sales of prescription drugs increased. Sales of eight strategic products centered on anti-hyperlipidemia treatment Crestor, hypertension treatment Irbetan, and antidepressant drug Cymbalta increased 15.0 percent year on year to ¥84.2 billion, which compensated for lower sales of existing products due to NHI drug price revisions and other factors.

(2) Exports and Overseas Subsidiary Sales

Export and overseas subsidiary sales increased substantially. Sales increased substantially year on year at Shionogi Inc., which achieved stable operations throughout the fiscal year. In addition, China-based pharmaceutical company C&O Pharmaceutical Technology (Holdings) Limited (C&O) also contributed to full-year sales.

(3) Royalty Income

Crestor royalty income decreased because AstraZeneca's global sales of Crestor decreased in 2012. Total royalty income increased year on year to ¥69.8 billion due to a one-time licensing fee for an Alzheimer's disease treatment.

c. Income

Operating income increased 25.2 percent year on year to ¥58.8 billion. Ordinary income increased 27.8 percent year on year to ¥58.9 billion.

Operating income increased due to factors including higher net sales, improved gross margin, ongoing cost reductions, and improved earnings at Shionogi Inc.

Ordinary income increased because of foreign exchange gains from the weakening of the yen.

Net income increased 146.2 percent to ¥66.7 billion.

As a result of the ViiV agreement covering HIV drugs, the Shionogi Group recognized extraordinary income of ¥40,433 million as gain on exchange of investment securities, which is the difference between the carrying value of the Shionogi Group's equity position in Shionogi-ViiV Healthcare L.P. and the market value (fair value) of a 10 percent equity position in ViiV.

In addition, when revising the agreement Shionogi considered reallocation of the management resources of U.S. operations and tested for impairment of goodwill and Sales rights associated with products that Shionogi Inc. handles. As a result, Shionogi recognized an impairment loss on fixed assets of ¥40,835 million.

Shionogi & Co., Ltd. recognized impairment at Shionogi Inc. as an extraordinary loss (loss on valuation of stock of affiliates) totaling ¥110,103 million on the non-consolidated financial statements. However, this loss was eliminated upon consolidation and did not affect consolidated income. Income taxes on a non-consolidated basis decreased substantially because of the above loss, which resulted in a substantial increase in consolidated net income.

d. Research and Development

The Shionogi Group aims to achieve world-class research productivity and to quickly supply pharmaceuticals to global markets in conducting research and development activities. The Group quickly identifies unmet medical needs (medical needs that are not addressed for reasons including lack of effective treatment), enhances its strength in small molecule drug discovery, and deploys various leading-edge technologies to develop large molecule drugs to continuously supply innovative pharmaceuticals to patients worldwide.

(1) Research Activities

In July 2011, the Shionogi Group completed the Shionogi Pharmaceutical Research Center (SPRC) with the aim of consolidating and strengthening research functions. SPRC is energetically conducting activities with the aim of further strengthening organizational cooperation, increasing candidates for development, and improving the success rate in moving from non-clinical to clinical trials. In October 2012, the Shionogi Group licensed a treatment for Alzheimer's disease with a novel mechanism of action to a Johnson & Johnson group company with excellent experience and expertise in the field of Alzheimer's disease. Moreover, the Shionogi Group energetically collaborates with universities and research institutions in Japan and around the world to sustain the discovery of innovative new drugs.

(2) Development Activities

At present, the Shionogi Group is developing a strong pipeline that includes late-stage development of a drug for alleviating opioid-induced adverse effects (S-297995) and an allergic rhinitis treatment (S-555739). In February 2012, the Shionogi Group established a wholly owned subsidiary, Shionogi Limited, in London, United Kingdom as a development base in Europe. The Shionogi Group will move forward with faster, more effective tri-regional development in the United States, Europe and Asia to enable the rapid supply of drugs to global markets.

(3) In-Licensing

In October 2012, the Shionogi Group and Kotobuki Pharmaceutical Co., Ltd. (Nagano Prefecture) concluded a license agreement covering the worldwide rights to develop, manufacture and commercialize a cholesterol absorption inhibitor (Kotobuki code name: KT6-971) owned by Kotobuki. This product is expected to lower serum cholesterol levels by selectively inhibiting a cholesterol transporter in the small intestine. The Shionogi Group is committing to providing new options for treating metabolic syndrome, which is one of its targeted therapeutic areas.

e. Capital Investment

Shionogi Group capital investment for the fiscal year ended March 31, 2013 totaled ¥11.4 billion. The Group invested aggressively with a focus on enhancing production facilities, including construction of a beta lactam injectable drug facility and a new production facility for high-potency active pharmaceutical ingredients

2) Financial forecast for the year ending March 31, 2014

The financial forecast for the year ending March 31, 2014 is as follows.

Millions of yen

	Net sales	Operating income	Ordinary income	Net income
Year ending March 31, 2014	287,000	60,000	59,000	37,000
Year ended March 31, 2013	282,903	58,848	58,922	66,727
Percentage increase	1.4	2.0	0.1	(44.6)

The Group expects net sales to increase slightly despite a decrease in royalty income because of continued growth in sales of strategic products centered on Crestor, Irbetan, and Cymbalta in the domestic prescription pharmaceuticals market and higher overseas sales at U.S. subsidiary Shionogi Inc. due to the launch of Osphena™.

Regarding profits, the Shionogi Group forecasts greater efficiency for marketing-related expenses in the domestic market but a slight increase in overall selling, general and administrative (SG&A) expenses due to intensified marketing activities related to the U.S. product discussed above, and also forecasts higher sales and improvement in the cost of sales ratio. Consequently, operating income and ordinary income are forecast to increase. Net income is forecast to decrease absent the reduced tax expense for the fiscal year ended March 31, 2013.

(2) Analysis of financial position

1) Assets, liabilities and net assets

As of March 31, 2013, total assets increased ¥52,720 million from a year earlier to ¥574,882 million. Current assets increased ¥25,914 million from a year earlier, largely because loss carry forwards at Shionogi & Co., Ltd. resulted in increases in deferred tax assets and Income taxes receivable. Non-current assets increased ¥26,806 million from a year earlier, mainly because an increase in investment securities resulting from the acquisition of ViiV shares offset a decrease in goodwill and sales rights due to impairment.

Total liabilities decreased ¥23,714 million from a year earlier to ¥151,249 million, primarily because the loss carry forwards discussed above reduced income taxes payable and the Group redeemed bonds payable and repaid long-term loans payable.

Net assets increased ¥76,434 million from a year earlier to ¥423,633 million. Shareholders' equity increased ¥53,335 million from a year earlier, mainly because of a net increase in retained earnings after addition of net income and deduction of dividends. Accumulated other comprehensive income increased ¥22,558 million from a year earlier due to the impact of exchange rates and stock prices. Subscription rights to shares increased ¥64 million and minority interests increased ¥475 million.

2) Cash flows

For the fiscal year ended March 31, 2013, net cash provided by operating activities increased ¥4,551 million compared with the previous fiscal year to ¥59,276 million. Income before income taxes and minority interests increased, while depreciation and amortization and other non-cash items decreased.

Absent the use of cash in connection with the C&O acquisition in the fiscal year ended March 31, 2012, net cash used in investing activities decreased ¥18,330 million compared with the previous fiscal year to ¥19,959 million despite purchases of property, plant and equipment in connection with the construction of a beta lactam injectable drug facility and a new production facility for high-potency active pharmaceutical ingredients.

Net cash used in financing activities increased ¥9,938 million compared with the previous fiscal year to ¥37,687 million as a result of factors including redemption of bonds payable, repayment of long-term loans payable and payment of dividends.

As a result, cash and cash equivalents at the end of the fiscal year increased ¥2,855 million from the end of the previous fiscal year to ¥101,543 million.

Cash flow indicators

	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013
Net worth ratio	61.7%	63.2%	62.7%	65.9%	73.1%
Net worth ratio on market value basis	112.4%	110.1%	90.8%	73.4%	113.2%
Interest-bearing liabilities/ Cash flow ratio	4.0	2.3	1.9	1.7	1.2
Interest coverage ratio (times)	37.3	35.0	37.9	44.5	55.0

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.*

(3) Fundamental policy on the appropriation of retained earnings and cash dividends for the fiscal years ended March 31, 2013 and ending March 31, 2014

The Company takes a medium-to-long-term perspective in working to increase corporate value, and therefore invests aggressively in its businesses while considering performance in each fiscal year with the aim of steadily increasing dividends. The Shionogi Group is making steady progress with its growth initiatives, and therefore raised its target for the consolidated dividend payout ratio to 40 percent to return profits to shareholders.

Consolidated net income for the fiscal year ended March 31, 2013 includes reduced tax payments in connection with the loss on valuation of stock of affiliates. Excluding this one-time tax effect and based on the above policy, Shionogi plans to increase the year-end cash dividend by ¥2 to ¥22 per share for the fiscal year ended March 31, 2013, as forecast at the beginning of the fiscal year. Together with the interim cash dividend, Shionogi will therefore pay annual cash dividends of ¥42 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 intends to put its basic policy of "constantly strive to provide medicine of the best possible kind essential for protection of people's health" into practice globally. The Group therefore formulated and is now implementing its Third Medium-Term Business Plan for the five years ending March 31, 2015, which sets clear short- and medium-term directions and targets.

Global competition is intensifying further in the pharmaceutical industry. However, the Shionogi Group is implementing a strategy that leverages its strengths through continuous and proactive initiatives to achieve steady, sustained growth.

1) Improving operations in the domestic prescription drug business

In the domestic prescription drug business, the Shionogi Group is concentrating resources on its eight new strategic products that are not strongly affected by NHI drug price revisions and steadily increasing net sales. In December 2012, the Shionogi Group launched AIMIX® Combination Tablets LD/HD, a combination product of irbesartan, which is a long-acting angiotensin II receptor antagonist, and besilate, which is a calcium antagonist amlodipine. The Group is now energetically promoting sales of this product, which is likely to increase sales of Irbetan and related products. The Group will continue to focus resources on its eight strategic products while further strengthening initiatives to increase productivity, emphasize new products, and strengthen operations in the hospital market to increase sales.

2) Stable management and expansion of overseas operations

The results of U.S. operations were volatile, but the Shionogi Group withdrew from the primary care market, built a new management framework, consolidated offices and implemented other countermeasures. As a result, the Shionogi Group was able to achieve stable U.S. results for the fiscal year ended March 31, 2013. Osphena™ for post-menopausal vaginal atrophy will drive growth in the United States. It is the Group's first major new drug in the United States, and the Group plans to launch it in June 2013. The Group will concentrate resources on quickly maximizing sales to expand U.S. operations.

In China, the Shionogi Group added C&O to enter the Chinese market, which is expected to grow in the future. The Group will use its many years of experience in promoting the proper use of drugs for infectious diseases in Japan in fully deploying its broadly based marketing capabilities through activities such as providing information to build operations in China by continuously expanding share in the antibiotics market.

Shionogi Ltd., the Group's R&D base in Europe, has set the goal of further strengthening the Shionogi Group's globalization by raising the speed and quality of drug development, primarily in Europe. Working to steadily launch global products, the Group has filed an NDA for ospemifene, has a drug for alleviating opioid-induced adverse effects (S-297995) in late-stage development, and is preparing for the development of drugs including an allergic rhinitis treatment (S-555739).

The Group will continue to invest aggressively in R&D while strengthening its portfolio management organization and working to raise the efficiency and profitability of R&D. In addition, the Group will work to optimize and reduce the cost of overall global procurement, manufacturing and inventory management by establishing a new organization with the objective of reviewing and upgrading the Group's global manufacturing infrastructure and supply chain management from a global point of view.

3) Investment in new growth drivers

Continuous global development of breakthrough new drugs is required for the Shionogi Group to grow and develop in the future during the next Medium-Term Business Plan and beyond to 2020. The targets of the Third Medium-Term Business Plan are globally developing five or more late-stage products (Phase IIb and beyond), filing for overseas regulatory approval for four products created in Japan, and receiving approval for at least one of them. The Shionogi Group will continue to invest aggressively in steady progress for global development of products to launch them even one day sooner.

4) Replacing Crestor Royalty Income

Generic versions of Crestor's largest competing drug have been launched in various countries, which will have a significant impact on global sales. In addition, the expiration of the Crestor patent is a major issue for the Shionogi Group because it is forecast to reduce royalty income.

At the same time, under the new agreement with ViiV the Shionogi Group will receive dividends from ViiV and royalties from sales of the anti-HIV drug dolutegravir and related products. Dolutegravir has strong anti-HIV activity and the virus does not become resistant to it easily. It also features excellent safety and rapid effect with once-daily dosing. This product is therefore attracting global attention as a new treatment option for the HIV infection. In 2012, ViiV submitted NDAs to regulatory authorities in the United States, Europe and Canada. The FDA gave dolutegravir priority review status, and the Shionogi Group expects it to quickly become a new pillar of earnings. Moreover, the Shionogi Group is aiming for growth that is greater than the impact of the Crestor patent expiration through the launch of ospemifene and subsequent rapid launches of other in-house drugs.

The initiatives above to achieve the goals of the Third Medium-Term Business Plan will allow the Shionogi Group to realize its basic policy and further enhance its presence as a pharmaceuticals company.

3. Consolidated financial statements

(1) Consolidated balance sheets

Millions of yen

	As of March 31, 2012	As of March 31, 2013
Assets		
Current assets		
Cash and deposits	*1 18,427	*1 21,575
Notes and accounts receivable-trade	65,568	67,908
Short-term investment securities	86,556	84,432
Merchandise and finished goods	26,040	26,531
Work in process	12,662	14,024
Raw materials and supplies	11,418	8,771
Deferred tax assets	9,044	21,035
Other	11,231	22,577
Allowance for doubtful accounts	(17)	(12)
Total current assets	240,931	266,845
Non-current assets		
Property, plant and equipment		
Buildings and structures	120,206	119,342
Accumulated depreciation	(75,219)	(72,688)
Buildings and structures, net	44,986	46,654
Machinery, equipment and vehicles	82,433	80,982
Accumulated depreciation	(75,161)	(72,903)
Machinery, equipment and vehicles, net	7,271	8,079
Land	9,856	9,769
Construction in progress	5,777	7,524
Other	37,380	36,894
Accumulated depreciation	(30,990)	(30,448)
Other, net	6,390	6,446
Total property, plant and equipment	74,282	78,473
Intangible assets		
Goodwill	63,572	40,293
Sales rights	36,663	24,048
Other	6,457	6,123
Total intangible assets	106,694	70,464
Investments and other assets		
Investment securities	*2 63,568	*2 122,628
Prepaid pension cost	22,809	25,272
Deferred tax assets	6,238	5,732
Other	7,735	5,555
Allowance for doubtful accounts	(97)	(90)
Total investments and other assets	100,253	159,098
Total non-current assets	281,230	308,036
Total assets	522,161	574,882

Millions of yen

	As of March 31, 2012	As of March 31, 2013
Liabilities		
Current liabilities		
Notes and accounts payable-trade	8,613	10,734
Short-term loans payable	—	7,500
Current portion of long-term loans payable	14,000	31,500
Current portion of bonds	10,000	—
Income taxes payable	9,891	1,146
Provision		
Provision for bonuses	6,745	7,134
Provision for sales returns	5,356	6,459
Other provision	25	26
Total provisions	12,128	13,620
Other	*1 27,430	*1 33,706
Total current liabilities	82,063	98,207
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	49,000	10,027
Deferred tax liabilities	7,729	12,756
Provision		
Provision for retirement benefits	8,793	8,995
Other	7,376	1,262
Total non-current liabilities	92,899	53,041
Total liabilities	174,963	151,249
Net assets		
Shareholders' equity		
Capital stock	21,279	21,279
Capital surplus	20,227	20,227
Retained earnings	353,676	407,007
Treasury stock	(19,746)	(19,741)
Total shareholders' equity	375,436	428,772
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,729	16,055
Deferred gains or losses on hedges	(141)	(450)
Foreign currency translation adjustment	(38,809)	(24,267)
Total accumulated other comprehensive income	(31,220)	(8,662)
Subscription rights to shares	58	123
Minority interests	2,923	3,399
Total net assets	347,198	423,633
Total liabilities and net assets	522,161	574,882

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

Consolidated statements of income

Millions of yen

	Year ended March 31, 2012	Year ended March 31, 2013
Net sales	267,275	282,903
Cost of sales	*1 77,753	*1 78,574
Gross profit	189,521	204,329
Selling, general and administrative expenses	*2, *3 142,518	*2, *3 145,480
Operating income	47,003	58,848
Non-operating income		
Interest income	384	381
Dividends income	1,249	1,691
Foreign exchange gains	1	1,377
Other	1,289	770
Total non-operating income	2,925	4,220
Non-operating expenses		
Interest expenses	1,330	1,123
Contribution	1,374	1,363
Loss on disposal of non-current assets	330	556
Other	799	1,104
Total non-operating expenses	3,834	4,147
Ordinary income	46,093	58,922
Extraordinary income		
Gain on sales of non-current assets	*4 587	*4 228
Gain on exchange of investment securities	—	40,433
Gain on sales of investment securities	152	1,018
Total extraordinary income	739	41,680
Extraordinary loss		
Loss on sales of non-current assets	—	*5 329
Impairment loss	*6 1,557	*6 40,835
Loss on disaster	*7 1,165	*7 269
Settlement package	—	*8 489
Loss on penalty	1,345	158
Loss on valuation of investment securities	426	124
Special retirement expenses	—	*9 89
Business structure improvement expenses	*10 843	—
Total extraordinary losses	5,338	42,296
Income before income taxes and minority interests	41,494	58,306
Income taxes-current	20,339	763
Income taxes-deferred	(5,947)	(9,295)
Total income taxes	14,391	(8,531)
Income before minority interests	27,103	66,838
Minority interests in income	1	110
Net income	27,101	66,727

Consolidated statements of comprehensive income

Millions of yen

	Year ended March 31, 2012	Year ended March 31, 2013
Income before minority interests	27,103	66,838
Other comprehensive income		
Valuation difference on available-for-sale securities	3,996	8,326
Deferred gains or losses on hedges	147	(309)
Foreign currency translation adjustment	(1,765)	14,907
Total other comprehensive income	* 2,378	* 22,924
Comprehensive income	29,481	89,762
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	29,518	89,286
Comprehensive income attributable to minority interests	(36)	475

(3) Consolidated statements of changes in net assets

Millions of yen

	Year ended March 31, 2012	Year ended March 31, 2013
Shareholders' equity		
Capital stock		
Balance at the beginning of the period	21,279	21,279
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	21,279	21,279
Capital surplus		
Balance at the beginning of the period	20,227	20,227
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	20,227	20,227
Retained earnings		
Balance at the beginning of the period	339,970	353,676
Changes of items during the period		
Dividends from surplus	(13,395)	(13,395)
Net income	27,101	66,727
Other	—	(0)
Total changes of items during the period	13,705	53,331
Balance at the end of current period	353,676	407,007
Treasury stock		
Balance at the beginning of the period	(19,743)	(19,746)
Changes of items during the period		
Purchase of treasury stock	(2)	(4)
Disposal of treasury stock	—	8
Total changes of items during the period	(2)	4
Balance at the end of current period	(19,746)	(19,741)
Total shareholders' equity		
Balance at the beginning of the period	361,733	375,436
Changes of items during the period		
Dividends from surplus	(13,395)	(13,395)
Net income	27,101	66,727
Purchase of treasury stock	(2)	(4)
Disposal of treasury stock	—	8
Other	—	(0)
Total changes of items during the period	13,703	53,335
Balance at the end of current period	375,436	428,772

Millions of yen

	Year ended March 31, 2012	Year ended March 31, 2013
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of the period	3,732	7,729
Changes of items during the period		
Net changes of items other than shareholders' equity	3,996	8,326
Total changes of items during the period	3,996	8,326
Balance at the end of current period	7,729	16,055
Deferred gains or losses on hedges		
Balance at the beginning of the period	(288)	(141)
Changes of items during the period		
Net changes of items other than shareholders' equity	147	(309)
Total changes of items during the period	147	(309)
Balance at the end of current period	(141)	(450)
Foreign currency translation adjustment		
Balance at the beginning of the period	(37,081)	(38,809)
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,727)	14,541
Total changes of items during the period	(1,727)	14,541
Balance at the end of current period	(38,809)	(24,267)
Total accumulated other comprehensive income		
Balance at the beginning of the period	(33,637)	(31,220)
Changes of items during the period		
Net changes of items other than shareholders' equity	2,416	22,558
Total changes of items during the period	2,416	22,558
Balance at the end of current period	(31,220)	(8,662)
Subscription rights to shares		
Balance at the beginning of the period	—	58
Changes of items during the period		
Net changes of items other than shareholders' equity	58	64
Total changes of items during the period	58	64
Balance at the end of current period	58	123
Minority interests		
Balance at the beginning of the period	—	2,923
Changes of items during the period		
Net changes of items other than shareholders' equity	2,923	475
Total changes of items during the period	2,923	475
Balance at the end of current period	2,923	3,399
Total net assets		
Balance at the beginning of the period	328,096	347,198
Changes of items during the period		
Dividends from surplus	(13,395)	(13,395)
Net income	27,101	66,727
Purchase of treasury stock	(2)	(4)
Disposal of treasury stock	—	8
Other	—	(0)
Net changes of items other than shareholders' equity	5,398	23,098
Total changes of items during the period	19,101	76,434
Balance at the end of current period	347,198	423,633

(4) Consolidated statements of cash flows

Millions of yen

	Year ended March 31, 2012	Year ended March 31, 2013
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	41,494	58,306
Depreciation and amortization	16,282	11,912
Impairment loss	1,557	40,835
Amortization of goodwill	3,425	3,203
Loss (gain) on disposal of property, plant and equipment	(263)	656
Loss (gain) on sales of investment securities	(152)	(1,108)
Loss (gain) on valuation of investment securities	426	124
Gain on exchange of investment securities	—	(40,433)
Increase (decrease) in provision for loss on disaster	(1,492)	—
Increase (decrease) in provision for retirement benefits	741	(2,260)
Interest and dividends income	(1,634)	(2.072)
Interest expenses	1,330	1,123
Foreign exchange losses (gains)	(320)	(1,248)
Decrease (increase) in notes and accounts receivable-trade	6,286	(1,705)
Decrease (increase) in inventories	(1,296)	1,233
Increase (decrease) in notes and accounts payable-trade	(4,954)	1,965
Increase (decrease) in accrued expenses	8,853	7,986
Increase (decrease) in accounts payable-other	(5,815)	(7,251)
Other, net	12,720	6,651
Subtotal	77,188	78,006
Interest and dividends income received	1,653	2,072
Interest expenses paid	(1,229)	(1,076)
Income taxes paid	(22,888)	(19,725)
Net cash provided by (used in) operating activities	54,724	59,276
Net cash provided by (used in) investing activities		
Payments into time deposits	(4,641)	(5,138)
Proceeds from withdrawal of time deposits	3,718	5,418
Purchase of short-term investment securities	(19)	(19)
Proceeds from sales and redemption of securities	4,243	4,032
Purchase of investment securities	(4,061)	(4,274)
Proceeds from sales of investment securities	4,178	3,828
Purchase of property, plant and equipment	(18,312)	(12,769)
Proceeds from sales of property, plant and equipment	3,852	530
Purchase of intangible assets	(10,927)	(8,516)
Purchase of stock of affiliates	(3,577)	(2,750)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	*2 (12,639)	—
Other, net	(102)	(299)
Net cash provided by (used in) investing activities	(38,290)	(19,959)

Millions of yen

	Year ended March 31, 2012	Year ended March 31, 2013
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	—	7,500
Proceeds from long-term loans payable	—	25
Repayment of long-term loans payable	(14,000)	(21,500)
Redemption of bonds	—	(10,000)
Purchase of treasury stock	(2)	(4)
Cash dividends paid	(13,375)	(13,377)
Cash dividends paid to minority shareholders	(66)	—
Other, net	(303)	(330)
Net cash provided by (used in) financing activities	(27,749)	37,687
Effect of exchange rate change on cash and cash equivalents	(689)	1,225
Net increase (decrease) in cash and cash equivalents	(12,003)	2,855
Cash and cash equivalents at beginning of period	110,691	98,687
Cash and cash equivalents at end of period	*1 98,687	*1 101,543

(5) Notes

Going concern assumption

None

Changes in accounting policies, changes/restatements of accounting estimates

Change in Method of Depreciation

The Shionogi Group have changed their method of depreciation for property, plant and equipment to the straight-line method as of the year ending March 31, 2013 from the declining balance method mainly used in the past.

Under the third medium-term business plan from fiscal 2010, the Shionogi Group is implementing a fundamental strategy of generating steady growth by transitioning its organization away from its former focus on products that grew rapidly soon after launch to a focus on eight strategic products that are expected to generate stable, long-term earnings. In addition, the Shionogi Group is developing globally by establishing bases in North America, Europe and Asia with the objective of globalizing new drug development.

Aiming to expand sales of the eight strategic products mentioned above, the Shionogi Group has nearly completed programs to consolidate and strengthen production facilities that included constructing a plant for solid preparations and strengthening tablet and granulation facilities. In addition, the Shionogi Group expects the eight strategic products to exceed 50 percent of prescription drug sales in Japan for the first time during fiscal 2012, and to account for a higher percentage in the future. A consolidated subsidiary established in the United Kingdom, Shionogi Ltd., began operations in fiscal 2012, giving the Shionogi Group bases in North America, Europe and Asia. The Shionogi Group took this opportunity to review and change its method of depreciation for property, plant and equipment to the straight-line method for the reasons below because the Shionogi Group decided this would present its financial position more appropriately.

1. The Shionogi Group formerly focused on products that grew rapidly soon after launch, which enabled comparatively faster facility investment cost recovery. With the transition to a focus on eight strategic products that are expected to generate stable, long-term earnings, facility utilization should be more level and stable.
2. Consolidated overseas subsidiaries have conventionally mainly used the straight-line method. The Shionogi Group therefore needed to standardize its accounting policies with the use of the straight-line method to effectively and efficiently allocate resources among its unified network of bases in Japan, North America, Europe and Asia, and to support the construction, maintenance and operation of its global R&D, production and sales organization.

For the fiscal year ended March 31, 2013, the effect of this change compared with the former method increased Gross profit by ¥540 million, operating income by ¥3,254 million, and ordinary income and income before income taxes and minority interests by ¥3,423 million, respectively.

Additional Information

(Closing date of consolidated subsidiaries)

As of the fiscal year ended March 31, 2013, the fiscal year-end date of Taiwan Shionogi & Co., Ltd. has been changed from December 31 to March 31. As a result of this change, the financial statements of Taiwan Shionogi & Co., Ltd. for the fiscal year ended March 31, 2013 cover the 15 months from January 1, 2012 to March 31, 2013. Accordingly, its results for the 15-month period from January 1, 2012 to March 31, 2013 are consolidated in the financial results for the fiscal year ended March 31, 2013. For the period from January 1, 2012 to March 31, 2012, after eliminating intercompany transactions, Taiwan Shionogi & Co., Ltd.'s net sales, operating income, ordinary income and income before income taxes were ¥398 million, ¥149 million, ¥154 million and ¥154 million, respectively.

In addition, C&O and its subsidiaries, a total of 10 companies, changed their fiscal year-end date from June 30 to December 31, but this change in fiscal year-end date had no effect on consolidated financial results.

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:

	Year ended March 31, 2012	Year ended March 31, 2013
Cash and deposits	7 million yen	7 million yen

2) Liabilities secured by the above assets:

	Year ended March 31, 2012	Year ended March 31, 2013
'Other' of current liabilities	7 million yen	6 million yen

*2 Stocks etc, of unconsolidated subsidiaries and affiliates

	Year ended March 31, 2012	Year ended March 31, 2013
Investments in securities (stocks etc.)	8,417 million yen	1,551 million yen

3 Guaranteed liabilities

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

	Year ended March 31, 2012	Year ended March 31, 2013
Employee housing loans	11 million yen	9 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, 2012	Year ended March 31, 2013
1,142 million yen	1,692 million yen

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

	Year ended March 31, 2012		Year ended March 31, 2013	
Sales promotional activities	12,672	million yen	14,668	million yen
Salaries	24,222		24,244	
Provision for bonuses	3,772		3,804	
Provision for directors' bonuses	25		26	
Retirement benefit expenses	2,180		1,731	
R & D expenses	53,599		53,021	
[Provision for bonuses]	[1,901]		[2,073]	
[Retirement benefit expenses]	[1,174]		[984]	

*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, 2012	Year ended March 31, 2013
53,599 million yen	53,021 million yen

*4 Gain on sales of non-current assets

	Year ended March 31, 2012	Year ended March 31, 2013
Land	587 million yen	228 million yen

*5 Loss on sales of noncurrent assets

Year ended March 31, 2013(April 1, 2012 to March 31, 2013)

The Shionogi Group recognized noncurrent asset loss as follows.

Class	amount
Buildings and structures	205 million yen
Land	57
Other	66
Total noncurrent assets	329

*6 Impairment loss

The Shionogi Group recognized asset impairment as follows.

Year ended March 31, 2012 (April 1, 2011 to March 31, 2012)

Location	Class	Amount
U.S.A	Intangible assets (Other)	1,557 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.

With respect to those items relating to compound development that have been determined as having no future value included in in-process research and development, the Shionogi Group has set the amounts recoverable at zero and recognized an impairment loss for the unamortized balance.

Year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

Location	Class	Amount
U.S.A	Goodwill	26,371 million yen
U.S.A	Sales rights etc.	14,464 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.

Upon concluding the agreement concerning anti-HIV drugs with ViiV of the United Kingdom, Shionogi considered reallocation of the management resources of U.S. operations and found impairment of marketing rights and other assets associated with products that Shionogi Inc. handles. Shionogi also found impairment of goodwill due to a change in grouping from the overall prescription drug business to U.S. operations. As a result, the Shionogi Group recognized impairment loss equivalent to the reduction in carrying value to recoverable value required for impaired asset groups.

*7 Loss on disaster

Year ended March 31, 2012 (April 1, 2011 to March 31, 2012)

This expense is attributable to the impact of the Great East Japan Earthquake.

Year ended March 31, 2013(April 1, 2012 to March 31, 2013)

This expence is the amount assumed not covered by insurance claim in connection with the disposal of inventory by fire in the supplier of Shionogi Inc. in 2011.

*8 Settlement package

Year ended March 31, 2013(April 1, 2012 to March 31, 2013)

This expense is attributable to a lawsuit brought against Lupin Ltd.by Shionogi Inc.

*9 Special retirement expenses

Year ended March 31, 2013(April 1, 2012 to March 31, 2013)

This expense is attributable to the retirement of Shionogi Inc.

*10 Business structure improvement expenses

Year ended March 31, 2012 (April 1, 2011 to March 31, 2012)

This expense is primarily associated with the restructuring of Shionogi Inc.

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, 2012	Year ended March 31, 2013
Valuation difference on available-for-sale securities		
Amount recognized in the period under review	5,542 million yen	13,792 million yen
Amount of recycling	177	(860)
Before income tax effect adjustment	5,719	12,932
Amount of income tax effect	(1,723)	(4,606)
Valuation difference on available-for-sale securities	3,996	8,326
Deferred gains or losses on hedges		
Amount recognized in the period under review	527	(217)
Amount of recycling	(269)	(281)
Before income tax effect adjustment	258	(498)
Amount of income tax effect	(110)	189
Deferred gains or losses on hedges	147	(309)
Foreign currency translation adjustment		
Amount recognized in the period under review	(1,765)	15,586
Amount of recycling	—	(678)
Before income tax effect adjustment	(1,765)	14,907
Amount of income tax effect	—	—
Deferred gains or losses on hedges	(1,765)	14,907
Total other comprehensive income	2,378	22,924

Notes to consolidated statement of changes in net assets

Year ended March 31, 2012 (April 1, 2011 to March 31, 2012)

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

Shares

	April 1, 2011	Increase	Decrease	March 31, 2012
Shares in issue				
Common stock	351,136,165	–	–	351,136,165
Total	351,136,165	–	–	351,136,165
Treasury stock				
Common stock	16,237,775	2,470	–	16,240,245
Total	16,237,775	2,470	–	16,240,245

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, 2012
The Company (parent company)	Stock options	58 million yen
Total	–	58 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 24, 2011	Common stock	6,697 million yen	20 yen	March 31, 2011	June 27, 2011
Meeting of Board of directors on October 31, 2011	Common stock	6,697 million yen	20 yen	September 30, 2011	December 1, 2011

B) Dividends whose effective date is subsequent to March 31, 2012

Resolution	Category	Total dividends	Resolution	Dividends per share	Dividend record date	Effective date
Annual General Meeting of Shareholders to be held on June 27, 2012	Common stock	6,697million yen	Retained earnings	20 yen	March 31, 2012	June 28, 2012

Year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

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

Shares

	April 1, 2012	Increase	Decrease	March 31, 2013
Shares in issue				
Common stock	351,136,165	–	–	351,136,165
Total	351,136,165	–	–	351,136,165
Treasury stock				
Common stock	16,240,245	2,958	7,200	16,236,003
Total	16,240,245	2,958	7,200	16,236,003

Note: The increase in treasury stock reflects the purchase of odd-lot shares.
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, 2013
The Company (parent company)	Stock options	123 million yen
Total	–	123 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 27, 2012	Common stock	6,697 million yen	20 yen	March 31, 2012	June 28, 2012
Meeting of Board of directors on Nobember 2, 2012	Common stock	6,698 million yen	20 yen	September 30, 2012	December 3, 2012

B) Dividends whose effective date is subsequent to March 31, 2013

The following is to be approved at the 148th Annual General Meeting of Shareholders to be held on June 26, 2013.

Resolution	Category	Total dividends	Resolution	Dividends per share	Dividend record date	Effective date
Annual General Meeting of Shareholders to be held on June 26, 2013	Common stock	7,367 million yen	Retained earnings	22 yen	March 31, 2013	June 27, 2013

Notes to consolidated statements of cash flow

*1. 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, 2012	Year ended March 31, 2013
Cash and deposits	18,427 million yen	21,575 million yen
Time deposits with a maturity exceeding three months	(2,239)	(2,432)
Cash and cash equivalents including "Marketable securities"	82,500	82,400
Cash and cash equivalents	98,687	101,543

*2. Assets and liabilities of companies newly consolidated through acquisition of shares

Year ended March 31, 2012 (April 1, 2011 to March 31, 2012)

The Shionogi Group consolidated C&O Pharmaceutical Technology (Holdings) Limited (C&O) through acquisition of shares. C&O assets and liabilities at the time of consolidation, total acquisition price of C&O shares, and net expenditure to acquire C&O are as follows.

Current assets	5,386 million yen
Noncurrent assets	5,634
Goodwill	8,196
Current liabilities	(1,460)
Noncurrent liabilities	(625)
Minority interests	(3,026)
Purchase price of shares of C&O	14,103
Cash and cash equivalents of C&O	(1,336)
Accounts payable	(127)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	12,639

3. Details of major non-cash transactions

Year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

Acquisition of investment securities by contribution in-kind 53,717 million yen

Note: The Shionogi Group received shares of ViiV Healthcare Ltd. in consideration of equity ownership in Shionogi-ViiV Healthcare L.P. (an equity method affiliate) by contribution in-kind.

Notes to business combination

Year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

Transfer of equity ownership in Shionogi-ViiV Healthcare L.P.

1. Summary of equity ownership transfer

(1) Name of equity ownership transferee

ViiV Healthcare Ltd.

(2) Details of equity ownership transferred

Shionogi Group equity ownership (50 percent) in Shionogi-ViiV Healthcare L.P. (an equity method affiliate; "the JV"), which was established under a joint venture agreement between the Shionogi Group and ViiV Healthcare Ltd. ("ViiV") of the United Kingdom

(3) Reason for change in equity ownership

The Shionogi Group initially formed the JV with the goal of developing and marketing products. Development focused on the HIV integrase inhibitor dolutegravir (generic name; Shionogi code name: S-349572; "DTG") and related products (including combinations of DTG and other integrase inhibitors S-265744 and S-247303).

However, combination therapy is forecast to become the mainstream in treating HIV. Therefore, a JV with DTG as its only asset would require complex management. The Shionogi Group established this JV with the assumption that it would become a base for U.S. sales, but this need diminished when the Shionogi Group acquired Sciele Pharma, Inc. (now Shionogi Inc.) in 2008. Among other issues, Shionogi Inc. had its marketing models different from one of an HIV drug. Changing circumstances over time therefore led the Shionogi Group to initiate discussion of a new framework.

The acquisition of clinical trial data required for NDAs was completed in October 2012. With the submission of NDAs for DTG planned for 2012, the Shionogi Group concluded an agreement under which it transferred all of its equity in the JV to ViiV in return for a 10 percent equity stake in ViiV. The NDAs for DTG were submitted in December 2012.

(4) Date of equity ownership transfer

October 31, 2012

(5) Outline of the transfer including legal method

Contribution in-kind

ViiV received equity ownership in the JV. In return, the Shionogi Group received shares of ViiV.

2. Summary of accounting method implemented

The transfer was accounted for as a transfer of assets in exchange for shares of the transferee (excluding business divestitures) based on the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, December 26, 2008) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, December 26, 2008).

(1) Gain on exchange

¥40,433 million

The Shionogi Group recognized the difference between the carrying value of the its equity position in the JV and the market value (fair value) of a 10 percent equity position in ViiV as extraordinary income (gain on exchange of investment securities).

(2) Carrying value of the transferred equity ownership

Investment securities	¥7,278 million

3. Name of reportable segment of inclusion

Prescription drugs

4. Income (loss) associated with the transfer of equity ownership reported on the consolidated statements of income for the fiscal year ended March 31, 2013

Net sales	–
Operating loss	¥3,515 million
Ordinary loss	¥2,965 million

Note: These are items on the JV's statements of income presented in proportion to the equity ownership transferred.

Notes to segment information

Segment information

Year ended March 31, 2012 (April 1, 2011 to March 31, 2012) and Year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

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, 2012	Year ended March 31, 2013
Net assets per share	1,027.83 yen	1,254.44 yen
Earnings per share	80.93 yen	199.25 yen
Earnings per share (diluted)	80.91 yen	199.27 yen

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

Item	Year ended March 31, 2012	Year ended March 31, 2013
Earnings per share		
Net income	*27,101 million yen*	*66,727 million yen*
The amount which is not attributable to ordinary shareholders	*–*	*–*
Net income related to common stocks	*27,101 million yen*	*66,727 million yen*
Average number of shares outstanding during the period	*334,897 thousands of stocks*	*334,900 thousands of stocks*
Earnings per share (diluted)		
Adjustments to net income	*–*	*–*
Increase of common stock	*52 thousands of stocks*	*125 thousands of stocks*
(Subscription rights to shares)	*52 thousands of stocks*	*125 thousands of stocks*

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

Item	Year ended March 31, 2012	Year ended March 31, 2013
Total net assets	*347,198 million yen*	*423,633 million yen*
Amount deducted from total net assets	*2,982 million yen*	*3,522 million yen*
(Amounts attributed to Subscription rights to shares in total net assets)	*58 million yen*	*123 million yen*
(Amounts attributed to minority interests in total net assets)	*2,923 million yen*	*3,399 million yen*
Net assets at year end available to common stocks	*344,216 million yen*	*420,110 million yen*
Shares outstanding as of the period end	*334,895 thousands of stocks*	*334,900 thousands of stocks*

Important Subsequent Events

Year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

None

4. Others

Change in Directors (Scheduled on June 26, 2013)

(1) Change in Representative Directors

No change.

(2) Change in other Directors

1) New Outside Corporate Auditors

Koichi Tsukihara (Chairman of the Board, Sumitomo Mitsui Card Company, Limited)

2) Retiring Outside Corporate Auditors

Takeharu Nagata

The change in Directors will be formally determined at the 148th Annual General Meeting of Shareholders to be held on June 26, 2013.