Financial Results for the Third Quarter of Fiscal Year 2013(Consolidated)

February 3, 2014

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

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

Representative: Isao Teshirogi, President and CEO

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Scheduled date of quarterly securities report submission: February 7, 2014

Scheduled date of dividend payments: —

Preparation of supplemental material for the quarterly financial results: Yes

Holding of presentation for the quarterly 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, 2013 to December 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*	*%*
Nine months ended December 31, 2013	218,099	3.1	50,520	15.7	51,709	21.4	37,235	31.4
Nine months ended December 31, 2012	211,443	6.4	43,680	—	42,583	23.2	28,340	52.6

Note: Comprehensive income Nine months ended December 31, 2013 63,490 million yen (81.0 %)
Nine months ended December 31, 2012 35,071 million yen (205.4 %)

	Earnings per share	Earnings per share (diluted)
	Yen	*Yen*
Nine months ended December 31, 2013	111.18	111.13
Nine months ended December 31, 2012	84.62	84.59

Note: The Company has changed its presentation method for litigation expenses from the first quarter of the fiscal year ending March 31, 2014. Operating income for the Third quarter of the fiscal year ended March 31, 2013 has been restated to reflect this change. However, the percentage change compared with the same period of the previous fiscal year has been omitted because it has not been calculated.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	*Millions of yen*	*%*
As of December 31, 2013	614,918	471,917	76.2
As of March 31, 2013	574,882	423,633	73.1

Reference: Shareholders' equity As of December 31, 2013: 468,339 million yen As of March 31, 2013: 420,110 million yen

2. Dividends

	Dividends per share				
(Date of record)	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
Year ended March 31, 2013	—	20.0	—	22.0	42.0
Year ending March 31, 2014	—	22.0	—		
Year ending March 31, 2014 (forecast)				22.0	44.0

Note: Revisions of the most recent dividend forecast: None

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*
Year ending March 31, 2014	284,800	0.7	62,000	4.1	61,000	3.5	43,000	(35.6)	128.40

Note: Revisions of the most recent consolidated financial forecast: None

Note: The Company has changed its presentation method for litigation expenses from the first quarter of the fiscal year ending March 31, 2014. Percentage change comparing annual operating income for the fiscal year ending March 31, 2014 with annual operating income for the fiscal year ended March 31, 2013 has been calculated using restated figure for the fiscal year ended March 31, 2013 that reflects this change.

※ Notes

(1) Significant changes in subsidiaries during the period (changes in specified subsidiaries involving changes in scope of consolidation): None

(2) Adoption of accounting methods specific to the preparation of quarterly consolidated financial statements: None

(3) 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: None

c) Changes in accounting estimates: None

d) Restatements: None

(4) Number of shares issued (common stock)

a) Number of shares issued (including treasury stock)

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

b) Number of treasury stock

As of December 31, 2013:	16,241,275 shares
As of March 31, 2013:	16,236,003 shares

c) Average number of shares issued during the period

Nine months ended December 31, 2013:	334,897,225 shares
Nine months ended December 31, 2012:	334,900,647 shares

※ *Implementation status of quarterly review procedures*

This summary of quarterly results is exempt from the quarterly review procedures based on the Financial Instruments and Exchange Act. Review procedures for the quarterly financial statements based on the Financial Instruments and Exchange Act had not been completed at the time of disclosure of this summary of quarterly results.

※ *Notes to consolidated financial forecasts and other items*

The forecasts and other forward-looking statements contained in this document are based on the information currently available and certain assumptions that it judges to be reasonable. Actual results may differ materially due to a variety of factors.

For the assumptions used in forecasts and precautionary statements regarding the use of the forecasts, please refer to "1. Qualitative Information on Quarterly Financial Reslts (3) Description of Consolidated Financial Forecast" on page 2 of the supplemental materials for the Financial Results for the Third Quarter of Fiscal Year 2013 (Consolidated).

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1. Qualitative Information on Quarterly Financial Results

(1) Description of Consolidated Operating Results

For the nine months ended December 31, 2013 (April 1, 2013 to December 31, 2013), net sales were ¥218,099 million, operating income was ¥50,520 million, ordinary income was ¥51,709 million and net income was ¥37,235 million.

Regarding net sales, domestic sales of prescription drugs increased 2.0 percent compared with the same period of the previous fiscal year, with solid performance by the three key strategic products Crestor, Irbetan and Cymbalta as well as other strategic products, as Shionogi was forced to fight heavy odds in the Japanese market. Outside Japan, overseas sales and exports increased 27.9 percent and contributed to overall net sales as a result of the stabilization of sales of existing products and the contribution of the antibiotic doripenem at U.S. subsidiary Shionogi Inc., as well as the increase in the subsidiary's net sales from the sale of rights to Naprelan®, a nonsteroidal anti-inflammatory drug that Shionogi Inc. sold in the United States. Consequently, overall net sales increased 3.1 percent.

Regarding profit, gross profit increased 6.0 percent compared with the same period of the previous fiscal year due to the increase in U.S. sales and the associated improvement in the cost of sales ratio. Although there was an increase in selling-related expenses in connection with the U.S. launch of post-menopausal vaginal atrophy treatment Osphena™, Shionogi limited the increase in selling, general and administrative (SG&A) expenses to 2.0 percent as a result of lower R&D expenses and ongoing efforts to reduce domestic operating expenses. Consequently, operating income increased 15.7 percent. Ordinary income increased 21.4 percent with the favorable impact of foreign currency exchange rates in addition to the increase in operating income. Net income rose 31.4 percent due to the aforementioned increases in income and extraordinary income related to sale of non-current assets.

(2) Description of Consolidated Financial Position

As of December 31, 2013, total assets were ¥614,918 million, an increase of ¥40,036 million from the end of the previous fiscal year. Current assets increased ¥16,556 million to ¥283,401 million, mainly due to factors including increases in both cash and deposits and short-term investment securities. Non-current assets increased ¥23,480 million to ¥331,516 million, mainly due to an increase in the valuation of investment securities.

Total liabilities decreased ¥8,247 million from the end of the previous fiscal year to ¥143,001 million. Current liabilities increased ¥9,558 million to ¥107,765 million due to factors including the transfer of ¥20,000 million from non-current liabilities to the current portion of bonds, which was partially offset by a decrease of ¥7,500 million in the current portion of long-term loans payable. Non-current liabilities decreased ¥17,805 million to ¥35,235 million, mainly because of the decrease resulting from the aforementioned transfer of bonds.

Net assets increased ¥48,283 million from the end of the previous fiscal year to ¥471,917 million. Shareholders' equity increased ¥22,488 million to ¥451,261 million due to factors including an increase from net income and a decrease due to cash dividends paid. Accumulated other comprehensive income was ¥17,078 million compared with accumulated other comprehensive loss of ¥8,662 million, due mainly to factors including an increase in positive foreign currency translation adjustment resulting from exchange rate fluctuations. Subscription rights to shares increased ¥84 million to ¥207 million and minority interests decreased ¥29 million to ¥3,369 million.

(3) Description of Consolidated Financial Forecast

There are no revisions to the consolidated financial forecast announced on October 31, 2013.

2. Summary Data (Notes)

(1) Significant changes in subsidiaries during the period (changes in specified subsidiaries involving changes in scope of consolidation)

None

(2) Adoption of accounting methods specific to the preparation of quarterly consolidated financial statements

None

(3) Changes in accounting policies, changes/restatements of accounting estimates

None

Additional Information

Change in Classification of Litigation Expenses

Expenses associated with litigation were formerly recognized under selling, general and administrative expenses together with non-litigation legal expenses on the grounds of materiality. However, from the first quarter of the fiscal year ending March 31, 2014, litigation expenses are recognized separately under non-operating expenses.

This change was made because the number of lawsuits involving foreign corporations has increased as Shionogi's business has expanded overseas, the cost of these lawsuits has become material, and the Company expects these expenses to increase going forward as its business becomes more global in scale. Therefore, after an internal review, Shionogi judged that including expenses associated with litigation in non-operating expenses more accurately presents the Company's position.

The Company has restated its consolidated statements of income for the third quarter of the previous fiscal year to reflect this change.

As a result, ¥472 million of the ¥108,417 million in selling, general and administrative expenses has been reclassified as litigation expenses under non-operating expenses in the consolidated statements of income for the third quarter of the previous fiscal year. As a result of this change, operating income for third quarter of the previous fiscal year increased from ¥43,208 million to ¥43,680 million.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

Millions of yen

	As of March 31, 2013	As of December 31, 2013
Assets		
Current assets		
Cash and deposits	21,575	32,270
Notes and accounts receivable-trade	67,908	65,975
Short-term investment securities	84,432	100,800
Merchandise and finished goods	26,531	30,037
Work in process	14,024	13,476
Raw materials and supplies	8,771	11,208
Other	43,612	29,655
Allowance for doubtful accounts	(12)	(22)
Total current assets	266,845	283,401
Non-current assets		
Property, plant and equipment	78,473	78,779
Intangible assets		
Goodwill	40,293	43,589
Other	30,171	29,039
Total intangible assets	70,464	72,628
Investments and other assets		
Investment securities	122,628	143,666
Other	36,560	36,531
Allowance for doubtful accounts	(90)	(90)
Total investments and other assets	159,098	180,108
Total non-current assets	308,036	331,516
Total assets	574,882	614,918
Liabilities		
Current liabilities		
Notes and accounts payable-trade	10,734	11,086
Short-term loans payable	7,500	7,500
Current portion of long-term loans payable	31,500	24,000
Current portion of bonds	—	20,000
Income taxes payable	1,146	7,518
Provision for bonuses	7,134	4,404
Provision for sales returns	6,459	4,944
Other provision	26	—
Other	33,706	28,311
Total current liabilities	98,207	107,765
Non-current liabilities		
Bonds payable	20,000	—
Long-term loans payable	10,027	10,031
Provision for retirement benefits	8,995	9,205
Other	14,018	15,997
Total non-current liabilities	53,041	35,235
Total liabilities	151,249	143,001

Millions of yen

	As of March 31, 2013	As of December 31, 2013
Net assets		
Shareholders' equity		
Capital stock	21,279	21,279
Capital surplus	20,227	20,227
Retained earnings	407,007	429,507
Treasury stock	(19,741)	(19,753)
Total shareholders' equity	428,772	451,261
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,055	22,594
Deferred gains or losses on hedges	(450)	(62)
Foreign currency translation adjustment	(24,267)	(5,453)
Total accumulated other comprehensive income	(8,662)	17,078
Subscription rights to shares	123	207
Minority interests	3,399	3,369
Total net assets	423,633	471,917
Total liabilities and net assets	574,882	614,918

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

Consolidated statements of income

Millions of yen

	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Net sales	211,443	218,099
Cost of sales	59,817	57,431
Gross profit	151,625	160,668
Selling, general and administrative expenses	107,944	110,148
Operating income	43,680	50,520
Non-operating income		
Interest income	225	219
Dividends income	1,015	1,553
Foreign exchange gains	537	2,399
Other	372	516
Total non-operating income	2,150	4,688
Non-operating expenses		
Interest expenses	891	692
Contribution	863	997
Litigation expenses	472	1,058
Other	1,019	750
Total non-operating expenses	3,247	3,498
Ordinary income	42,583	51,709
Extraordinary income		
Gain on sales of noncurrent assets	228	4,203
Gain on sales of investment securities	1,017	554
Gain on exchange of investment securities	41,118	—
Total extraordinary income	42,363	4,757
Extraordinary loss		
Loss on valuation of inventories	—	451
Loss on sales of noncurrent assets	240	—
Impairment loss	39,359	—
Loss on valuation of investment securities	375	—
Loss on penalty	88	—
Total extraordinary losses	40,064	451
Income before income taxes and minority interests	44,882	56,016
Income taxes-current	15,454	6,793
Income taxes-deferred	1,032	11,928
Total income taxes	16,486	18,722
Income before minority interests	28,396	37,293
Minority interests in income	55	58
Net income	28,340	37,235

Consolidated statements of comprehensive income

Millions of yen

	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Income before minority interests	28,396	37,293
Other comprehensive income		
Valuation difference on available-for-sale securities	402	6,538
Deferred gains or losses on hedges	(52)	388
Foreign currency translation adjustment	6,325	19,269
Total other comprehensive income	6,675	26,196
Comprehensive income	35,071	63,490
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	35,018	62,975
Comprehensive income attributable to minority interests	53	514

(3) Notes

Going concern assumption

None

Significant changes in shareholders' equity

None

Supplemental material for financial results for the 3rd quarter of fiscal year 2013

February 3, 2014

Shionogi & Co., Ltd.

1. Sales of main merchandise and finished goods

(Billions of yen)

	FY2013 2H forecast	FY2013 forecast	FY2013 3Q actual	FY2012 3Q actual	FY2013 1Q-3Q actual	FY2012 1Q-3Q actual	Progress % vs. FY2013 forecast
Prescription drugs	87.5	168.4	46.5	45.2	127.4	124.9	75.7
change %	*1.7*	*1.6*	*2.9*	*(1.3)*	*2.0*	*0.3*	
CRESTOR	21.8	42.4	10.6	9.8	31.2	28.4	73.6
IRBETAN Franchise	6.3	13.0	3.9	3.6	10.6	8.3	81.2
CYMBALTA	5.8	11.0	3.1	2.4	8.4	7.1	76.1
Total of 3 key products	33.9	66.4	17.6	15.8	50.1	43.8	75.5
OXYCONTIN Franchise	5.0	10.4	3.1	2.9	8.5	8.0	81.7
FINIBAX	2.5	4.8	1.3	1.5	3.6	3.9	75.2
DIFFERIN	2.3	4.2	1.2	1.1	3.1	3.0	74.6
PIRESPA	2.2	4.6	1.4	1.1	3.7	3.4	80.6
RAPIACTA	2.4	2.5	0.4	0.3	0.5	0.4	18.9
Total of 8 strategic products	48.5	92.9	25.1	22.8	69.5	62.6	74.9
FLOMOX	9.0	16.5	4.6	5.4	12.1	13.8	73.3
RINDERON	4.2	8.9	2.2	2.3	6.9	7.0	77.8
CLARITIN	3.6	5.4	1.2	1.3	3.0	3.5	54.9
FLUMARIN	2.7	5.5	1.5	1.5	4.3	4.7	77.9
Export/Overseas subsidiaries	17.7	33.1	12.0	6.6	27.3	* 21.4	82.6
change %	*12.2*	*8.1*	*82.4*	*(15.1)*	*27.9*	*117.7*	
Shionogi Inc.	11.2	20.7	8.3	4.2	17.9	11.7	86.2
Osphena	5.4	5.5	0.4	-	0.5	-	9.8
C&O	3.1	6.0	1.3	1.3	4.2	4.2	70.6
Contract manufacturing	3.7	8.7	0.8	1.3	5.8	5.8	66.5
change %	*32.0*	*20.0*	*(41.8)*	*(35.2)*	*(0.0)*	*(1.1)*	
OTC and quasi-drugs	2.4	4.7	1.1	1.2	3.4	4.0	72.7
change %	*0.5*	*(9.0)*	*(8.3)*	*(4.8)*	*(14.4)*	*0.9*	
Diagnostics	1.1	1.9	0.5	0.5	1.3	1.6	67.0
change %	*0.4*	*(14.0)*	*(6.8)*	*(23.8)*	*(21.5)*	*(20.3)*	
Royalty income	32.6	66.0	18.1	18.8	51.5	52.2	78.0
change %	*(10.6)*	*(5.5)*	*(3.6)*	*12.2*	*(1.3)*	*2.2*	
CRESTOR	31.8	63.0	16.7	15.7	47.9	46.4	76.0
Others	1.1	2.0	0.5	0.6	1.4	1.6	69.8
change %	*5.4*	*(3.3)*	*(13.8)*	*10.4*	*(12.4)*	*10.4*	
Total	146.1	284.8	79.4	74.1	218.1	211.4	76.6
change %	*0.3*	*0.7*	*7.1*	*(0.8)*	*3.1*	*6.4*	

Note: Change % shows changes from the same period of the previous fiscal year

Sales of each merchandise and finished goods are shown on non-consolidated basis

** Because of changing fiscal term, FY2012 1Q-3Q actual of Taiwan Shionogi & Co., Ltd. includes 12-month sales from January to December 2012.*

2-1. Quarterly trend for FY2012 and FY2013 (Sales of main merchandise and finished goods)

Fiscal year ended March 31, 2013

(Billions of yen)

FY2012	FY2012 1Q actual	Y on Y change %	FY2012 2Q actual	Y on Y change %	FY2012 3Q actual	Y on Y change %	FY2012 4Q actual	Y on Y change %
Prescription drugs	39.7	0.8	40.0	1.6	45.2	(1.3)	40.8	2.6
CRESTOR	8.6	2.7	10.0	13.3	9.8	4.1	9.7	6.4
IRBETAN Franchise	2.3	9.3	2.4	12.2	3.6	42.4	2.4	12.7
CYMBALTA	2.2	65.5	2.5	62.8	2.4	29.2	2.6	36.4
Total of 3 key products	13.1	11.0	14.9	19.1	15.8	14.4	14.7	11.8
OXYCONTIN Franchise	2.6	16.6	2.5	9.3	2.9	14.2	2.2	19.9
FINIBAX	1.2	23.4	1.2	(2.6)	1.5	6.3	1.1	3.5
DIFFERIN	0.9	8.4	1.0	18.4	1.1	10.0	1.0	3.0
PIRESPA	1.1	34.6	1.2	51.9	1.1	9.5	1.1	43.9
RAPIACTA	0.1	76.2	0.0	-	0.3	49.9	1.6	42.7
Total of 8 strategic products	18.9	13.6	20.9	18.1	22.8	13.8	21.6	14.8
FLOMOX	4.4	(13.7)	4.0	(14.6)	5.4	(9.6)	4.2	(15.1)
RINDERON	2.4	0.9	2.3	(4.8)	2.3	(6.2)	1.9	(3.3)
CLARITIN	1.3	(28.0)	0.9	(32.5)	1.3	(43.0)	2.8	17.0
FLUMARIN	1.5	(14.8)	1.7	(2.7)	1.5	(7.2)	1.3	(29.7)
Export/Overseas subsidiaries	* 7.4	71.4	7.4	-	6.6	(15.1)	9.2	29.0
Shionogi Inc.	3.5	35.4	4.0	-	4.2	2.5	5.3	26.1
C&O	1.5	-	1.4	-	1.3	40.1	1.6	58.4
Contract manufacturing	2.3	39.7	2.2	(0.4)	1.3	(35.2)	1.5	(16.3)
OTC and quasi-drugs	1.3	4.9	1.5	2.4	1.2	(4.8)	1.2	9.9
Diagnostics	0.6	(20.6)	0.5	(16.2)	0.5	(23.8)	0.6	(12.7)
Royalty income	16.0	0.9	17.4	(5.8)	18.8	12.2	17.6	0.4
CRESTOR	14.7	(3.5)	16.0	(6.4)	15.7	(2.0)	16.6	1.0
Others	0.5	(1.3)	0.5	21.6	0.6	10.4	0.6	(0.3)
Total	67.8	6.4	69.5	15.3	74.1	(0.8)	71.5	4.3

Fiscal year ending March 31, 2014

FY2013	FY2013 1Q actual	Y on Y change %	FY2013 2Q actual	Y on Y change %	FY2013 3Q actual	Y on Y change %
Prescription drugs	40.4	1.9	40.5	1.1	46.5	2.9
CRESTOR	10.0	16.7	10.6	5.4	10.6	7.9
IRBETAN Franchise	2.9	23.7	3.8	58.2	3.9	9.6
CYMBALTA	2.6	19.4	2.6	6.8	3.1	28.3
Total of 3 key products	15.5	18.4	17.0	14.1	17.6	11.4
OXYCONTIN Franchise	2.7	5.9	2.7	5.4	3.1	6.4
FINIBAX	1.1	(7.1)	1.2	(3.4)	1.3	(12.2)
DIFFERIN	0.9	7.2	1.0	(9.4)	1.2	11.1
PIRESPA	1.2	15.1	1.2	(10.8)	1.4	26.8
RAPIACTA	0.1	36.0	0.0	(83.4)	0.4	8.1
Total of 8 strategic products	21.6	14.4	22.8	9.4	25.1	9.8
FLOMOX	3.9	(11.9)	3.6	(11.0)	4.6	(14.0)
RINDERON	2.4	(0.4)	2.3	(2.3)	2.2	(1.6)
CLARITIN	0.9	(26.0)	0.9	(9.4)	1.2	(10.6)
FLUMARIN	1.4	(7.9)	1.4	(17.4)	1.5	(1.5)
Export/Overseas subsidiaries	8.4	13.3	7.0	(5.8)	12.0	82.4
Shionogi Inc.	5.4	53.0	4.1	4.9	8.3	96.0
Osphena	-	-	0.1	-	0.4	-
C&O	1.3	(14.2)	1.6	13.5	1.3	2.7
Contract manufacturing	2.4	1.4	2.6	24.6	0.8	(41.8)
OTC and quasi-drugs	1.0	(25.2)	1.3	(9.6)	1.1	(8.3)
Diagnostics	0.4	(22.6)	0.4	(34.7)	0.5	(6.8)
Royalty income	14.0	(12.5)	19.4	11.6	18.1	(3.6)
CRESTOR	13.1	(10.9)	18.1	13.1	16.7	6.0
Others	0.6	33.2	0.3	(46.2)	0.5	(13.8)
Total	67.3	(0.8)	71.4	2.8	79.4	7.1

Note: Sales of each product are shown on non-consolidated basis

** Because of changing fiscal term, FY2012 1Q actual of Taiwan Shionogi & Co., Ltd. includes 6-month sales from January to June 2012.*

2-2. Quarterly trend for FY2012 and FY2013 (Consolidated statements of income)

Fiscal year ended March 31, 2013

(Billions of yen)

FY2012	FY2012 1Q actual *	Y on Y change %	FY2012 2Q actual	Y on Y change %	FY2012 3Q actual	Y on Y change %	FY2012 4Q actual	Y on Y change %
Net sales	**67.8**	**6.4**	**69.5**	**15.3**	**74.1**	**(0.8)**	**71.5**	**4.3**
Cost of sales	30.3 20.6	14.0	28.3 19.6	0.8	26.4 19.6	(11.2)	26.2 18.8	3.4
Gross profit	47.2	3.4	49.9	22.2	54.5	3.6	52.7	4.6
SG & A expenses	51.4 34.9	–	51.5 35.8	–	50.3 37.3	–	51.5 36.8	–
Selling & general expenses	23.1	–	22.6	–	22.6	–	23.5	–
R & D expenses	11.8	(10.0)	13.2	4.6	14.7	16.5	13.3	(12.6)
Operating income	**18.2** **12.4**	**–**	**20.2** **14.1**	**–**	**23.3** **17.3**	**–**	**22.2** **15.9**	**–**
Non-operating income & expenses	(0.3)		(1.0)		0.2		0.5	
Ordinary income	**17.8** **12.1**	**3.2**	**18.7** **13.0**	**93.4**	**23.6** **17.5**	**8.4**	**22.9** **16.3**	**41.7**
Extraordinary income & loss	(0.4)		0.1		2.6		(2.9)	
Income before income taxes and minority interests	11.7		13.1		20.1		13.4	
Income taxes and minority interests	4.7		5.2		6.6		(25.0)	
Net income	**10.2** **6.9**	**82.8**	**11.4** **8.0**	**79.8**	**18.2** **13.5**	**29.9**	**53.7** **38.4**	**350.2**

Fiscal year ending March 31, 2014

FY2013	FY2013 1Q actual	Y on Y change %	FY2013 2Q actual	Y on Y change %	FY2013 3Q actual	Y on Y change %
Net sales	**67.3**	**(0.8)**	**71.4**	**2.8**	**79.4**	**7.1**
Cost of sales	27.3 18.4	(10.8)	26.4 18.9	(3.8)	25.4 20.2	3.0
Gross profit	48.9	3.5	52.6	5.4	59.2	8.6
SG & A expenses	54.6 36.8	5.4	50.7 36.3	1.3	46.8 37.1	(0.3)
Selling & general expenses	23.6	2.2	23.8	5.4	24.8	9.9
R & D expenses	13.1	11.6	12.5	(5.8)	12.4	(15.9)
Operating income	**18.1** **12.2**	**(1.7)**	**22.8** **16.3**	**16.0**	**27.8** **22.1**	**27.8**
Non-operating income & expenses	0.5		(1.1)		1.8	
Ordinary income	**18.8** **12.6**	**4.6**	**21.3** **15.2**	**16.7**	**30.1** **23.9**	**36.6**
Extraordinary income & loss	0.6		3.8		-	
Income before income taxes and minority interests	13.2		19.0		23.9	
Income taxes and minority interests	2.3		8.4		8.1	
Net income	**16.1** **10.8**	**56.9**	**14.8** **10.6**	**32.8**	**19.9** **15.8**	**17.5**

** Because of changing fiscal term, FY2012 1Q actual of Taiwan Shionogi & Co., Ltd. includes 6-month results from January to June 2012.*

The Company has changed its presentation method for litigation expenses from the first quarter of the fiscal year ending March 31, 2014.
SG & A expenses, Selling & general expenses, Operating income and Non-operating income & expenses for the fiscal year ended March 31, 2013 has been restated to reflect this change.
However, the Y on Y change % has been omitted because it has not been calculated.

3. Pipeline (as of February 2014)

Areas	Code No. (Generic name) 【Product name】	Category (Administration)	Indication	Stage	Origin	Development
Infectious Diseases	S-649266	Cephem antibiotic (Injection)	Infection	Japan: Phase I USA: Phase I	In-house	In-house
Metabolic Syndrome	S-556971	Cholesterol absorption inhibitor (Oral)	Dyslipidemia	Japan: Phase IIb	Kotobuki Pharmaceutical Co., Ltd. (Japan)	Shionogi/Kotobuki Pharmaceutical Co., Ltd.
	S-707106	Insulin sensitizer (Oral)	Type 2 diabetes	USA: Phase IIa	In-house	In-house
	S-234462	Neuropeptide Y Y5 receptor antagonist (Oral)	Obesity	USA: Phase I	In-house	In-house
	S-237648	Neuropeptide Y Y5 receptor antagonist (Oral)	Obesity	Japan: Phase I	In-house	In-house
Pain	LY248686 Duloxetine hydrochloride 【Cymbalta®】	SNRI (Serotonin & noradrenaline reuptake inhibitor) (Oral)	Chronic low back pain	Japan: Phase III	Eli Lilly (USA)	Shionogi/Eli Lilly Japan K.K.
	S-297995 (Naldemedine)	Peripheral opioid receptor antagonist (Oral)	Alleviation of opioid-induced adverse effects	Global: Phase III Japan: Phase III	In-house	In-house
	S-117957	Analgesic agent for neuropathic pain (Oral)	Neuropathic pain	USA: POM (Proof of Mechanism)	Shionogi/Purdue Pharma L.P. (USA)	Shionogi/Purdue Pharma L.P.
	S-120083	Analgesic agent for inflammatory pain (Oral)	Inflammatory pain	Japan: Phase I	Shionogi/Purdue Pharma L.P. (USA)	Shionogi/Purdue Pharma L.P.
	S-010887	Analgesic agent for neuropathic pain (Oral)	Neuropathic pain	Japan: Phase I	In-house	In-house
Other	Ospemifene	Selective estrogen receptor modulator (Oral)	Post-menopausal vaginal atrophy	USA: Approval (Feb. 2013) Europe: NDA submission (Mar. 2013)	QuatRx Pharmaceuticals Company (USA)	Shionogi/QuatRx Pharmaceuticals Company
	S-555739	Prostaglandin D2 receptor antagonist (Oral)	Allergic rhinitis	Japan: Phase III USA: Phase IIa Europe: POM (Proof of Mechanism)	In-house	In-house
	S-524101	Sublingual tablet of house-dust mite allergen extracts for immunotherapy	Allergic rhinitis caused by house-dust mite allergen	Japan: NDA submission (in preparation)	Stallergenes SA (France)	In-house
	S-888711 (Lusutrombopag)	Small molecule TPO mimetic (Oral)	Thrombocytopenia	USA, Europe: Phase II Japan: Phase III	In-house	In-house
	S-877503 (Guanfacine hydrochloride)	Alpha-2A-adrenergic receptor agonist (Oral)	ADHD	Japan: Phase II/III	Shire (Ireland)	Shionogi/Shire
	S-877489 (Lisdexamfetamine)	DA and NE reuptake inhibitor/Releaser of DA, NE (Oral)	ADHD	Japan: Phase II	Shire (Ireland)	Shionogi/Shire
	S-588410	Cancer peptide vaccine (Injection)	Bladder cancer	Japan, Europe: Phase II	OncoTherapy Science, Inc. (Japan)	In-house
	S-488210	Cancer peptide vaccine (Injection)	Head and neck squamous cell carcinoma	Europe: Phase I/II	OncoTherapy Science, Inc. (Japan)	In-house
	S-646240	Peptide vaccine (Injection)	Age-related macular degeneration	Japan: Phase IIa	OncoTherapy Science, Inc. (Japan)	In-house
	S-222611	HER2/EGFR dual inhibitor (Oral)	Malignant tumor	Europe: Phase I/II	In-house	In-house
	S-414114	NF-κB decoy oligodeoxynucleotide (Topical)	Atopic dermatitis	Japan: Phase I	AnGes MG, Inc. (Japan)	Shionogi/AnGes MG, Inc.

<Out-Licensing Activity>

Code No. (Generic name)	Category (Administration)	Indication	Stage	Origin	Development
S/GSK1349572 (Dolutegravir)	Integrase inhibitor (Oral)	HIV infection	Global: NDA submission (Dec. 2012) USA: Approval (Aug. 2013) Europe: Approval (Jan. 2014) Japan: NDA submission (Dec. 2013)	Shionogi-ViiV Healthcare LLC	ViiV Healthcare Ltd. (UK)
Dolutegravir/Abacavir/Lamivudine	Integrase inhibitor/Nucleoside reverse transcriptase inhibitor (Oral)	HIV infection	USA, Europe: NDA submission (Oct. 2013)	Shionogi-ViiV Healthcare LLC	ViiV Healthcare Ltd. (UK)
S/GSK1265744 LAP*	Integrase inhibitor (Injection)	HIV infection	USA: Phase II	Shionogi-ViiV Healthcare LLC	ViiV Healthcare Ltd. (UK)
S-0373	Non-peptide mimetic of TRH (Oral)	Spinocerebellar ataxia	Japan: Phase III	In-house	Kissei Pharmaceutical Co., Ltd. (Japan)
Janssen/Shionogi BACE inhibitor	BACE inhibitor (Oral)	Alzheimer's disease	Europe: Phase I	In-house	Janssen Pharmaceuticals, Inc. (USA)

*: Long acting parenteral formulation

<Drugs to acquire new indication requested by the Ministry of Health, Labour and Welfare>

Generic name 【Product name】	Category (Administration)	Indication	Stage	Origin	Development
Oxycodone hydrochloride hydrate 【OxyContin®】	Natural opium alkaloids (Oral)	For the treatment of moderate to severe chronic pain	Japan: Phase III	Napp Pharmaceuticals Limited (UK)	In-house
Duloxetine hydrochloride 【Cymbalta®】	SNRI (Serotonin & noradrenaline reuptake inhibitor) (Oral)	Fibromyalgia	Japan: Phase III	Eli Lilly (USA)	Shionogi/Eli Lilly Japan K.K.
Vancomycin hydrochloride 【Vancomycin】	Glycopeptide antibiotic (Drip infusion)	1. <Spectrum> Vancomycin-sensitive Methicillin resistant coagulase negative Staphylococcus (MRCNS) <Indication> Septicemia, Infectious endocarditis, (Superficial) Secondary infections in trauma, Burns, Surgical wounds, etc., Osteomyelitis, Arthritis, Peritonitis, Bacterial meningitis 2. Febrile Neutropenia suspected of MRSA or MRCNS infection	Japan: NDA submission (Nov. 2013)	Eli Lilly (USA)	In-house

<Requested for development by academy>

Generic name 【Product name】	Category (Administration)	Indication	Stage	Origin	Development
Interferon gamma-1a 【Imunomax®-γ】	Interferon gamma-1a (Genetical recombination) (Injection)	Mycosis fungoides/Sezary syndrome	Japan: NDA submission (Aug. 2013)	Biogen Idec, Inc. (USA)	In-house

Since October 2013

Change of phase	S-649266: Development：Shionogi/GlaxoSmithKline (UK) → In-house
	S-524101: Japan: Phase II/III → Japan: NDA submission (in preparation)
	S-222611: Europe: Phase Ib → Europe: Phase I/II
	S/GSK1349572 (Dolutegravir): Europe: Approval (Jan.2014), Japan: NDA submission (Dec. 2013)
	Vancomycin hydrochloride【Vancomycin】: Japan: NDA submission (in preparation) → Japan: NDA submission (Nov. 2013), change of indication
Compound added to the list	S-237648: Japan: Phase I
	S-010887: Japan: Phase I
	S-588410 (Combined with S-288310 and S-488410): Japan, Europe: Phase II
Compound erased	S-288310, S-488410: Unified to S-588410
	Prednisolone【Predonine®】Synthetic corticosteroid: Japan: Approval (Sep. 2013)
	Prednisolone【Predonine®】Kawasaki disease (Acute stage): Japan: Approval (Sep. 2013)