Financial Results for the Third Quarter of Fiscal Year 2016(Consolidated)

February 2, 2017

Name of Listed Company: **SHIONOGI & CO., LTD.** Listed Exchanges: Section I of Tokyo
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Scheduled date of quarterly securities report submission: February 13, 2017
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, 2016 to December 31, 2016

(1) Consolidated operating results *(% shows changes from the same period of the previous fiscal year)*

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	*%*	*Millions of yen*	*%*	*Millions of yen*	*%*	*Millions of yen*	*%*
Nine months ended December 31, 2016	256,533	13.5	87,719	34.0	90,970	36.7	67,541	62.1
Nine months ended December 31, 2015	225,923	12.8	65,456	81.5	66,542	28.7	41,669	58.7

Note: Comprehensive income Nine months ended December 31, 2016: 59,835 million yen (20.7%)
Nine months ended December 31, 2015: 49,558 million yen (24.8%)

	Earnings per share	Earnings per share (diluted)
	Yen	*Yen*
Nine months ended December 31, 2016	208.40	205.20
Nine months ended December 31, 2015	127.99	126.02

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	*Millions of yen*	*%*
As of December 31, 2016	645,502	516,654	79.5
As of March 31, 2016	639,638	513,877	79.6

Reference: Shareholders' equity As of December 31, 2016: 512,966 million yen As of March 31, 2016: 509,439 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, 2016	—	28.00	—	34.00	62.00
Year ending March 31, 2017	—	34.00	—		
Year ending March 31, 2017 (forecast)				34.00	68.00

Note: Revisions of the most recent dividend forecast: None

3. Consolidated financial forecast for the year ending March 31, 2017

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	*%*	*Millions of yen*	*%*	*Millions of yen*	*%*	*Millions of yen*	*%*	*Yen*
Year ending March 31, 2017	334,000	7.8	97,500	6.7	105,500	4.6	76,000	14.0	235.46

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

Pursuant to a resolution at a meeting of the Board of Directors held on October 31, 2016, the Company acquired its own shares.
"Earnings per share" in the consolidated financial forecast takes into account the impact of this share acquisition.

※ 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, 2016:	351,136,165 shares
As of March 31, 2016:	351,136,165 shares

b) Number of treasury stock

As of December 31, 2016:	32,346,965 shares
As of March 31, 2016:	25,559,022 shares

c) Average number of shares issued during the period

Nine months ended December 31, 2016:	324,093,255 shares
Nine months ended December 31, 2015:	325,579,416 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 Results (3) Description of Consolidated Financial Forecast" on page 2 of the supplemental materials for the Financial Results for the Third Quarter of Fiscal Year 2016 (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, 2016 (April 1, 2016 to December 31, 2016), net sales were ¥256,533 million, operating income was ¥87,719 million, ordinary income was ¥90,970 million, and profit attributable to owners of parent was ¥67,541 million.

Overall domestic sales of prescription drugs decreased 1.8 percent compared with the same period of the previous fiscal year, due in part to a decline in sales of existing products in the domestic prescription drug market and the impact of a transfer of products, although strategic products, led mainly by the three strategic products Crestor, Cymbalta and Irbetan, showed solid performance. Outside Japan, total overseas sales increased 0.6 percent, due in part to the sale of product rights by U.S. subsidiary Shionogi Inc. Contract manufacturing sales increased 65.1 percent due to expanded contract manufacturing of the active pharmaceutical ingredient (API) dolutegravir, and royalty income increased 19.5 percent from steady growth in global sales of anti-HIV drugs Tivicay and Triumeq. Due in part to the receipt of consideration from Kyowa Pharmaceutical Industry Co., Ltd. for a transfer of marketing rights, overall net sales increased 13.5 percent compared with the same period of the previous fiscal year.

Operating income rose 34.0 percent compared with the same period of the previous fiscal year, reflecting a 15.3 percent increase in gross profit due to the growth in royalty income mentioned above. Ordinary income increased 36.7 percent due to dividends received from ViiV Healthcare, in addition to the abovementioned increase in operating income. Profit attributable to owners of parent increased 62.1 percent.

(2) Description of Consolidated Financial Position

As of December 31, 2016, total assets were ¥645,502 million, an increase of ¥5,864 million from the end of the previous fiscal year. Current assets increased ¥3,294 million to ¥318,905 million, mainly due to an increase in cash and deposits and a decrease in short-term investment securities for surplus fund management. Non-current assets increased ¥2,569 million to ¥326,596 million, mainly due to purchase of intangible assets.

Total liabilities increased ¥3,086 million from the end of the previous fiscal year to ¥128,848 million. Current liabilities increased ¥4,904 million to ¥76,887 million, mainly because of an increase in accounts payable (included in “Other” under current liabilities), despite a decrease due to payment of income taxes payable. Non-current liabilities decreased ¥1,817 million to ¥51,960 million.

Net assets increased ¥2,777 million from the end of the previous fiscal year to ¥516,654 million. Shareholders’ equity increased ¥10,419 million to ¥506,112 million as a result of recording profit attributable to owners of parent, as well as payment of dividends and acquisition of the Company’s own shares. As of January 10, 2017, the Company cancelled 22 million treasury shares. Accumulated other comprehensive income decreased ¥6,891 million to ¥6,853 million, mainly because of a decrease in foreign currency translation adjustment due to the effect of currency translation. Subscription rights to shares increased ¥64 million to ¥416 million and non-controlling interests decreased ¥814 million to ¥3,271 million.

(3) Description of Consolidated Financial Forecast

There are no revisions to the consolidated financial forecast announced on October 31, 2016.

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

(4) Additional Information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

The Company is applying the Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan, Guidance No. 26, issued on March 28, 2016) from the start of the fiscal year beginning on April 1, 2016.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

Millions of yen

	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	80,230	115,122
Notes and accounts receivable-trade	65,207	66,621
Short-term investment securities	97,200	75,900
Merchandise and finished goods	21,263	20,316
Work in process	8,839	7,762
Raw materials and supplies	12,080	13,045
Other	30,834	20,176
Allowance for doubtful accounts	(45)	(38)
Total current assets	315,611	318,905
Non-current assets		
Property, plant and equipment	78,673	78,775
Intangible assets		
Goodwill	41,208	38,175
Other	30,417	38,383
Total intangible assets	71,626	76,558
Investments and other assets		
Investment securities	146,451	142,823
Other	27,319	28,482
Allowance for doubtful accounts	(44)	(42)
Total investments and other assets	173,727	171,263
Total non-current assets	324,027	326,596
Total assets	639,638	645,502
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,050	11,029
Income taxes payable	20,294	12,393
Provision for bonuses	10,118	4,817
Provision for sales returns	2,414	1,771
Other provision	88	—
Other	28,016	46,875
Total current liabilities	71,982	76,887
Non-current liabilities		
Bonds payable	20,074	20,059
Long-term loans payable	10,000	10,000
Net defined benefit liability	9,447	9,458
Other	14,256	12,442
Total non-current liabilities	53,778	51,960
Total liabilities	125,761	128,848

Millions of yen

	As of March 31, 2016	As of December 31, 2016
Net assets		
Shareholders' equity		
Capital stock	21,279	21,279
Capital surplus	20,227	20,227
Retained earnings	503,946	549,344
Treasury stock	(49,759)	(84,738)
Total shareholders' equity	495,693	506,112
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	26,748	29,271
Deferred gains or losses on hedges	—	218
Foreign currency translation adjustment	(7,333)	(18,963)
Remeasurements of defined benefit plans	(5,669)	(3,672)
Total accumulated other comprehensive income	13,745	6,853
Subscription rights to shares	352	416
Non-controlling interests	4,085	3,271
Total net assets	513,877	516,654
Total liabilities and net assets	639,638	645,502

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

Consolidated statements of income

Millions of yen

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net sales	225,923	256,533
Cost of sales	55,178	59,656
Gross profit	170,745	196,876
Selling, general and administrative expenses	105,288	109,156
Operating income	65,456	87,719
Non-operating income		
Interest income	515	557
Dividends income	1,234	4,802
Other	731	293
Total non-operating income	2,481	5,652
Non-operating expenses		
Interest expenses	158	161
Contribution	603	618
Litigation expenses	236	681
Other	397	939
Total non-operating expenses	1,396	2,401
Ordinary income	66,542	90,970
Extraordinary income		
Gain on sales of investment securities	3,066	—
Total extraordinary income	3,066	—
Extraordinary loss		
Impairment loss	2,449	—
Settlement package	1,900	—
Total extraordinary losses	4,349	—
Income before income taxes	65,258	90,970
Income taxes-current	20,300	25,276
Income taxes-deferred	3,371	(1,725)
Total income taxes	23,672	23,550
Profit	41,586	67,419
Loss attributable to non-controlling interests	(83)	(122)
Profit attributable to owners of parent	41,669	67,541

Consolidated statements of comprehensive income

Millions of yen

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Profit	41,586	67,419
Other comprehensive income		
Valuation difference on available-for-sale securities	6,432	2,523
Deferred gains or losses on hedges	(11)	218
Foreign currency translation adjustment	62	(12,322)
Remeasurements of defined benefit plans	1,488	1,996
Total other comprehensive income	7,972	(7,583)
Comprehensive income	49,558	59,835
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	49,747	60,650
Comprehensive income attributable to non-controlling interests	(189)	(814)

(3) Notes

Going concern assumption

None

Significant changes in shareholders' equity

Repurchase of Shares

Shionogi executed a repurchase of its own shares (6,802,100 shares) pursuant to the resolution of its Board of Directors meeting on October 31, 2016. As a result, treasury stock increased ¥34,978 million during the nine months ended December 31, 2016 and totaled ¥84,738 million as of December 31, 2016.