Financial Results for Fiscal Year 2016 (Consolidated)

May 10, 2017

Name of Listed Company: **SHIONOGI & CO., LTD.** Listed Exchanges: Section I of Tokyo
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Scheduled date of Annual General Meeting of Shareholders: June 22, 2017
Scheduled date of dividend payments: June 23, 2017
Scheduled date of annual securities report submission: June 22, 2017
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, 2016 to March 31, 2017

(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*	*%*
Year ended March 31, 2017	338,890	9.3	108,178	18.3	123,031	22.0	83,879	25.8
Year ended March 31, 2016	309,973	13.1	91,406	81.5	100,869	29.5	66,687	51.4

Reference: Comprehensive income :Year ended March 31, 2017: 69,398 million yen (30.6%)
Year ended March 31, 2016: 53,155 million yen ((10.0)%)

	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, 2017	259.88	255.87	16.3	18.8	31.9
Year ended March 31, 2016	204.83	201.70	13.6	16.2	29.5

Reference: Equity in earnings (losses) of affiliates: Year ended March 31, 2017: ― million yen Year ended March31, 2016: ― 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, 2017	670,271	526,211	77.9	1,638.46
As of March 31, 2016	639,638	513,877	79.6	1,564.73

Reference: Shareholders' equity As of March 31, 2017: 522,320 million yen As of March 31, 2016: 509,439 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, 2017	111,903	(31,643)	(57,411)	149,324
Year ended March 31, 2016	102,290	(32,894)	(18,525)	127,743

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, 2016	―	28.00	―	34.00	62.00	20,185	30.3	4.1
Year ended March 31, 2017	―	34.00	―	38.00	72.00	23,184	27.7	4.5
Year ending March 31, 2018 (forecast)	―	38.00	―	38.00	76.00		26.3	

3. Consolidated financial forecast for the year ending March 31, 2018

(% 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*
Six months ending September 30, 2017	162,500	4.8	46,000	3.9	51,500	22.2	38,500	23.4	120.77
Year ending March 31, 2018	340,000	0.3	112,500	4.0	123,500	0.4	92,000	9.7	288.59

※ 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: None

c) Changes in accounting estimates: None

d) Restatements: None

(3) Number of shares issued (common stock)

a) Number of shares issued (including treasury stock)

As of March 31, 2017: 329,136,165 shares

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

b) Number of treasury stock

As of March 31, 2017: 10,347,876 shares

As of March 31, 2016: 25,559,022 shares

c) Average number of shares issued during the period

As of March 31, 2017: 322,767,096 shares

As of March 31, 2016: 325,578,864 shares

(Reference) Non-consolidated financial results

Non-consolidated results for the period from April 1, 2016 to March 31, 2017

(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, 2017	305,256	7.7	108,513	6.2	108,113	4.3	28,767	(61.6)
Year ended March 31, 2016	283,428	14.8	102,212	66.5	103,642	47.2	74,975	77.9

	Earnings per share	Earnings per share (diluted)
	Yen	*Yen*
Year ended March 31, 2017	89.13	87.72
Year ended March 31, 2016	230.28	226.77

(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, 2017	570,731	451,572	79.0	1,415.22
As of March 31, 2016	597,753	485,167	81.1	1,489.09

Reference: Shareholders' equity As of March 31, 2017: 451,156 million yen As of March 31,2016: 484,814 million yen

※ This report of financial results is unaudited.

※ 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 "1. Overview of Operating Results and Financial Position (4) Outlook " 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 Thursday, May 11, 2017. Plans are also in place to post audio explanatory details together with financial results explanatory materials distributed to analysts on May 11, 2017 on the Company's website in a timely manner after the results briefing.

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1. Overview of Operating Results and Financial Position

(1) Operating Results for the Fiscal Year Ended March 31, 2017

1) Sales and profit

Consolidated operating results

Billions of yen

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Year ended March 31, 2017	338.9	108.2	123.0	83.9
Year ended March 31, 2016	310.0	91.4	100.9	66.7
Percentage increase(decrease)	9.3	18.3	22.0	25.8

Net sales were ¥338.9 billion, a 9.3 percent increase year on year. Domestic prescription drug sales were ¥158.0 billion (2.5 percent decrease) and exports and overseas subsidiary sales were ¥29.2 billion (1.7 percent decrease), but royalty income of ¥115.7 billion (13.6 percent increase) contributed to sales growth.
Operating income increased 18.3 percent to ¥108.2 billion, a record for the second consecutive year. Factors contributing to the increase in operating income included ongoing efforts for more efficient use of selling, general and administrative expenses, excluding research and development expenses.
Ordinary income increased 22.0 percent to ¥123.0 billion, setting a new record for the fifth consecutive year, owing to an increase in dividend income from UK-based ViiV Healthcare Ltd. ("ViiV") in addition to the increase in operating income.
Profit attributable to owners of parent increased 25.8 percent to ¥83.9 billion, a new record, reflecting the increases in operating income and ordinary income.

■ Domestic sales of prescription drugs
Domestic sales of prescription drugs were impacted by NHI drug price reductions, but sales of strategic products continued to grow. Sales of the seven strategic products were solid, increasing 2.7 percent to ¥99.1 billion.
As a result, the seven strategic products accounted for 62.7 percent of Shionogi's total domestic prescription drug sales, up 3.2 percent from the previous year. In addition, the rights to 24 off-patent drugs were transferred during the fiscal year, further clarifying Shionogi's shift to business centered on new products rather than dependence on off-patent drugs.

■ Exports/Overseas subsidiary sales
In sales from overseas business, the sale of rights to a product of U.S. subsidiary Shionogi Inc. contributed to sales, but total sales from overseas business decreased 1.7 percent to ¥29.2 billion.
In overseas business, Shionogi concluded strategic business alliances for Symproic (a treatment for opioid-induced constipation) with Purdue Pharma L.P., a leader in the U.S. market for treatment of chronic pain, and for Osphena (a treatment for postmenopausal vulvar and vaginal atrophy) with Duchesnay Inc., a specialty pharmaceutical company with a long-standing commitment to women's health. Shionogi will make full use of these alliances to conduct efficient management with its own, more limited, operating resources.

■ Royalty income
Global sales of the anti-HIV drug Tivicay and the combination drug Triumeq, which Shionogi licensed to ViiV, exceeded £2.6 billion (approximately ¥360.0 billion), and royalties from ViiV increased 81.1 percent to ¥73.3 billion.

2) Research and development

■ Discovery research and CMC research*1

During the fiscal year ended March 31, 2017, the Shionogi Group advanced its discovery research program, undertaking full-fledged peptide discovery while focusing on small-molecule discovery research for the creation of FIC*2 and LIC*3 compounds.

As a result, the Shionogi Group created multiple development candidates and products under development in core therapeutic areas (infectious disease and pain/CNS) and frontier therapeutic areas (obesity/geriatric metabolic disease and oncology/immunology).

The Shionogi Group also vigorously worked on discovery research using open innovation. Through joint research with other domestic and overseas companies and academia, the Group enhanced its drug discovery program and built up research assets that will become competitive strengths.

In CMC research, the Shionogi Group established new CMC technologies, including technology for synthesis of poorly soluble peptides, technology for designing formulations with low API content, basic technology for inhalation DDS, and high-sensitivity analytical techniques that meet global standards.

Furthermore, to meet the need of society for innovative drug development that takes medical economics into account, the Shionogi Group will carry out efforts to deliver products with high added value to patients economically.

*1 CMC research: Research that integrates API process research, formulation development research and quality evaluation research
*2 First-in-Class: Innovative medicines with particularly high novelty and usability that can change the existing therapeutic paradigm significantly
*3 Last-in-Class: Unrivaled medicines with clear superiority over others with the same mechanism of action

■ Development

In the first full-fledged global phase III clinical trial conducted by the Shionogi Group on its own, Shionogi worked to enhance clinical trial cost management and global clinical trial operations.

As a result, approval was obtained in Japan and the United States, and an application was filed in Europe, for naldemedine, a product from Shionogi research.

For cefiderocol, a drug candidate for the treatment of multidrug-resistant gram-negative bacterial infection, a global phase II clinical trial for complicated urinary tract infection was completed, and a global phase III clinical trial for hospital-acquired pneumonia/ventilator-associated pneumonia is in progress.

Phase III clinical trials of S-033188, a drug candidate with a novel mechanism of action for the treatment of influenza virus infection, are currently under way in Japan and overseas.

Cymbalta was approved in Japan in December 2016 for the additional indication of pain associated with osteoarthritis.

For oxycodone abuse-deterrent tablets for treatment of persistent pain*4 , Shionogi filed an application for manufacturing and marketing approval in Japan, and also filed for approval of the additional indication of moderate to severe chronic pain in response to a development request from an evaluation committee*5 of the Ministry of Health, Labour and Welfare.

In March 2017, Shionogi obtained approval in Japan for Intuniv, a treatment for pediatric attention deficit/hyperactivity disorder (ADHD), which Shionogi had been co-developing with Shire plc of Ireland.

For Actair house dust mite sublingual tablets, Shionogi filed for approval in Japan for use in children 5 to 11 years old, in addition to adults.

*4 Abuse-deterrent tablets: Tablets that are specially designed to prevent drug abuse
*5 Evaluation Committee on Unapproved or Off-label Drugs with High Medical Needs

(2) Financial Position for the Fiscal Year Ended March 31, 2017

As of March 31, 2017, total assets were ¥670,271 million, an increase of ¥30,632 million from a year earlier.

Current assets increased ¥27,773 million as cash and deposits increased, while notes and accounts receivable – trade decreased. Non-current assets increased ¥2,858 million due to an increase in sales rights, although investment securities decreased mainly due to the effect of foreign currency translation.

Total liabilities were ¥144,059 million, an increase of ¥18,297 million from a year earlier.

Current liabilities increased ¥18,612 million, mainly due to increases in income taxes payable and accounts payable – other (included in "Other" under current liabilities). Non-current liabilities decreased ¥314 million.

Net assets were ¥526,211 million, an increase of ¥12,334 million from a year earlier.

Shareholders' equity increased ¥26,751 million, largely reflecting the increase due to profit attributable to owners of parent and a decrease due to cash dividends paid. Accumulated other comprehensive income decreased ¥13,870 million, mainly due to the effect of foreign currency translation. Subscription rights to shares increased ¥64 million to ¥416 million and non-controlling interests decreased ¥611 million to ¥3,474 million.

(3) Cash Flows for the Fiscal Year Ended March 31, 2017

Net cash provided by operating activities during the year ended March 31, 2017 was ¥111,903 million, an increase of ¥9,612 million from the previous fiscal year. Factors included the increase in income before income taxes and an increase in income taxes paid.
Net cash used in investing activities was ¥31,643 million, a decrease of ¥1,251 million due to repayment of time deposits with terms of more than three months, which offset a decrease in proceeds from redemption of bank debentures.
Net cash used in financing activities was ¥57,411 million due to the purchase of treasury stock and cash dividends paid.
As a result, cash and cash equivalents at the end of the period increased ¥21,580 million to ¥149,324 million.

Cash flow indicators

	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017
Net worth ratio	73.1%	79.9%	78.7%	79.6%	77.9%
Net worth ratio on market value basis	113.2%	110.3%	216.3%	269.6%	273.4%
Interest-bearing liabilities/Cash flow ratio	1.2	0.4	0.2	0.1	0.1
Interest coverage ratio (times)	55.0	87.3	145.1	533.6	538.5

Notes: Net worth ratio: Total net assets/Total assets
Net worth ratio on market value basis: Total market value of stock/Total assets
Interest-bearing liabilities/Cash flow ratio: Interest-bearing liabilities/Net cash provided by operating activities
Interest coverage ratio: Net cash provided by operating activities/Interest expense
1. All indicators are calculated on a consolidated basis.
2. Total market value of stock is calculated based on the total number of shares outstanding excluding treasury stock.
3. Net cash provided by operating activities is as reported in the consolidated statements of cash flows.
4. Interest-bearing liabilities are liabilities stated on the consolidated balance sheets on which interest is paid.
5. The Company changed its accounting policy for research and development expenses effective April 1, 2014. Figures for the fiscal year ended March 31, 2014 have been restated to reflect this change.

(4) Outlook

The financial forecast for the year ending March 31, 2018 is as follows.

Millions of yen

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Year ending March 31, 2018	340,000	112,500	123,500	92,000
Year ended March 31, 2017	338,890	108,178	123,031	83,879
Percentage increase(decrease)	0.3	4.0	0.4	9.7

Shionogi is projecting an increase in net sales because of an expected increase in royalty income with the expansion in global sales of Tivicay and Triumeq by ViiV.
Expenses are projected to rise due to preparations for new product launches, but with the aforementioned increase in royalty income from Tivicay and Triumeq, operating income, ordinary income and profit attributable to owners of parent are each projected to increase.

2. Accounting Standards

The Shionogi Group applies Japanese generally accepted accounting principles (GAAP), as they have reached a level of high quality and consistency with international standards as a result of convergence with International Financial Reporting Standards (IFRS), and are recognized by the European Union as equivalent to IFRS.
The Shionogi Group is taking steps toward adopting IFRS in the future, and is currently considering a timetable for adoption.

3. Consolidated Financial Statements and Notes

(1) Consolidated balance sheets

Millions of yen

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	*1 80,230	107,847
Notes and accounts receivable-trade	65,207	59,336
Short-term investment securities	97,200	98,800
Merchandise and finished goods	21,263	19,152
Work in process	8,839	8,294
Raw materials and supplies	12,080	13,940
Deferred tax assets	13,301	11,347
Other	17,532	24,700
Allowance for doubtful accounts	(45)	(34)
Total current assets	315,611	343,384
Non-current assets		
Property, plant and equipment		
Buildings and structures	114,978	119,587
Accumulated depreciation	(67,992)	(69,285)
Buildings and structures, net	46,985	50,302
Machinery, equipment and vehicles	80,516	83,446
Accumulated depreciation	(70,583)	(71,728)
Machinery, equipment and vehicles, net	9,933	11,717
Land	8,408	8,410
Construction in progress	7,871	2,873
Other	37,519	38,240
Accumulated depreciation	(32,044)	(32,756)
Other, net	5,474	5,484
Total property, plant and equipment	78,673	78,788
Intangible assets		
Goodwill	41,208	37,630
Sales rights	26,282	49,969
Other	4,135	3,525
Total intangible assets	71,626	91,125
Investments and other assets		
Investment securities	*2 146,451	*2 135,970
Net defined benefit asset	19,663	18,407
Other	*2 7,655	*2 2,637
Allowance for doubtful accounts	(44)	(42)
Total investments and other assets	173,727	156,972
Total non-current assets	324,027	326,886
Total assets	639,638	670,271

Millions of yen

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,050	11,943
Income taxes payable	20,294	28,746
Provision		
Provision for bonuses	10,118	9,182
Provision for sales returns	2,414	1,565
Other provision	88	110
Total provisions	12,621	10,859
Other	*1 28,016	39,046
Total current liabilities	71,982	90,595
Non-current liabilities		
Bonds payable	20,074	20,054
Long-term loans payable	10,000	10,000
Deferred tax liabilities	12,856	9,372
Net defined benefit liability	9,447	9,581
Other	1,400	4,456
Total non-current liabilities	53,778	53,464
Total liabilities	125,761	144,059
Net assets		
Shareholders' equity		
Capital stock	21,279	21,279
Capital surplus	20,227	20,227
Retained earnings	503,946	508,049
Treasury stock	(49,759)	(27,110)
Total shareholders' equity	495,693	522,445
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	26,748	25,041
Deferred gains or losses on hedges	—	122
Foreign currency translation adjustment	(7,333)	(20,026)
Remeasurements of defined benefit plans	(5,669)	(5,262)
Total accumulated other comprehensive income	13,745	(125)
Subscription rights to shares	352	416
Non-controlling interests	4,085	3,474
Total net assets	513,877	526,211
Total liabilities and net assets	639,638	670,271

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

Consolidated statements of income

Millions of yen

	Year ended March 31, 2016	Year ended March 31, 2017
Net sales	*1 309,973	*1 338,890
Cost of sales	*1, *2 74,758	*1, *2 77,777
Gross profit	235,214	261,113
Selling, general and administrative expenses	*3, *4 143,808	*3, *4 152,934
Operating income	91,406	108,178
Non-operating income		
Interest income	774	808
Dividends income	11,136	18,031
Other	752	472
Total non-operating income	12,663	19,312
Non-operating expenses		
Interest expenses	207	220
Contribution	1,069	1,031
Foreign exchange losses	828	1,305
Litigation expenses	339	758
Other	755	1,144
Total non-operating expenses	3,200	4,459
Ordinary income	100,869	123,031
Extraordinary income		
Gain on sales of investment securities	3,066	2,182
Total extraordinary income	3,066	2,182
Extraordinary loss		
Business structure improvement expenses	—	*5 2,158
Impairment loss	*6 2,583	*6 359
Settlement package	*7 1,900	—
Special retirement expenses	*8 1,295	—
Loss on valuation of investment securities	704	—
Total extraordinary losses	6,483	2,517
Income before income taxes	97,452	122,695
Income taxes-current	28,724	35,745
Income taxes-deferred	2,100	3,339
Total income taxes	30,824	39,084
Profit	66,628	83,610
Loss attributable to non-controlling interests	(58)	(268)
Profit attributable to owners of parent	66,687	83,879

Consolidated statements of comprehensive income

Millions of yen

	Year ended March 31, 2016	Year ended March 31, 2017
Profit	66,628	83,610
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,927)	(1,706)
Deferred gains or losses on hedges	—	122
Foreign currency translation adjustment	(11,384)	(13,035)
Remeasurements of defined benefit plans	(160)	407
Total other comprehensive income	* (13,473)	* (14,212)
Comprehensive income	53,155	69,398
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	53,422	70,009
Comprehensive income attributable to non-controlling interests	(267)	(611)

(3) Consolidated statements of changes in net assets

Year ended March 31, 2016

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	21,279	20,227	455,497	(49,754)	447,249
Changes of items during period					
Dividends of surplus			(18,232)		(18,232)
Profit attributable to owners of parent			66,687		66,687
Purchase of treasury stock				(25)	(25)
Disposal of treasury stock		(6)		20	14
Retirement of treasury stock					—
Other		5	(5)		—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(0)	48,449	(4)	48,443
Balance at the end of current period	21,279	20,227	503,946	(49,759)	495,693

Millions of yen

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available -for -sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	28,675	—	3,843	(5,508)	27,010	270	4,353	478,883
Changes of items during period								
Dividends of surplus								(18,232)
Profit attributable to owners of parent								66,687
Purchase of treasury stock								(25)
Disposal of treasury stock								14
Retirement of treasury stock								—
Other								—
Net changes of items other than shareholders' equity	(1,927)	—	(11,176)	(160)	(13,264)	81	(267)	(13,450)
Total changes of items during period	(1,927)	—	(11,176)	(160)	(13,264)	81	(267)	34,993
Balance at the end of current period	26,748	—	(7,333)	(5,669)	13,745	352	4,085	513,877

Year ended March 31, 2017

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	21,279	20,227	503,946	(49,759)	495,693
Changes of items during period					
Dividends of surplus			(22,139)		(22,139)
Profit attributable to owners of parent			83,879		83,879
Purchase of treasury stock				(35,014)	(35,014)
Disposal of treasury stock		(4)		31	26
Retirement of treasury stock		(57,632)		57,632	—
Other		57,637	(57,637)		—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	4,102	22,649	26,751
Balance at the end of current period	21,279	20,227	508,049	(27,110)	522,445

Millions of yen

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available -for -sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	26,748	—	(7,333)	(5,669)	13,745	352	4,085	513,877
Changes of items during period								
Dividends of surplus								(22,139)
Profit attributable to owners of parent								83,879
Purchase of treasury stock								(35,014)
Disposal of treasury stock								26
Retirement of treasury stock								—
Other								—
Net changes of items other than shareholders' equity	(1,706)	122	(12,693)	407	(13,870)	64	(611)	(14,417)
Total changes of items during period	(1,706)	122	(12,693)	407	(13,870)	64	(611)	12,334
Balance at the end of current period	25,041	122	(20,026)	(5,262)	(125)	416	3,474	526,211

(4) Consolidated statements of cash flows

Millions of yen

	Year ended March 31, 2016	Year ended March 31, 2017
Net cash provided by (used in) operating activities		
Income before income taxes	97,452	122,695
Depreciation and amortization	12,578	13,362
Impairment loss	2,583	359
Amortization of goodwill	3,290	2,978
Loss (gain) on disposal of property, plant and equipment	283	536
Loss (gain) on sales of investment securities	(3,066)	(2,182)
Loss (gain) on valuation of investment securities	704	14
Increase (decrease) in net defined benefit liability	(1,722)	1,976
Interest and dividends income	(11,911)	(18,840)
Interest expenses	207	220
Foreign exchange losses (gains)	3,632	812
Decrease (increase) in notes and accounts receivable-trade	5,195	5,803
Decrease (increase) in inventories	1,939	625
Increase (decrease) in notes and accounts payable-trade	760	893
Increase (decrease) in accrued expenses	1,231	1,749
Increase (decrease) in accounts payable-other	669	322
Other, net	(755)	1,548
Subtotal	113,074	132,876
Interest and dividends income received	14,873	13,274
Interest expenses paid	(191)	(207)
Income taxes (paid) refund	(25,467)	(34,040)
Net cash provided by (used in) operating activities	102,290	111,903
Net cash provided by (used in) investing activities		
Payments into time deposits	(48,787)	(37,626)
Proceeds from withdrawal of time deposits	25,217	33,354
Purchase of short-term investment securities	(22,500)	(16,987)
Proceeds from sales and redemption of securities	25,000	12,487
Purchase of investment securities	(246)	(31)
Proceeds from sales of investment securities	4,021	1
Purchase of property, plant and equipment	(8,175)	(10,434)
Proceeds from sales of property, plant and equipment	11	22
Purchase of intangible assets	(6,925)	(12,825)
Payments for investments in capital of subsidiaries and associates	(543)	—
Other, net	30	396
Net cash provided by (used in) investing activities	(32,894)	(31,643)

Millions of yen

	Year ended March 31, 2016	Year ended March 31, 2017
Net cash provided by (used in) financing activities		
Repayment of long-term loans payable	(38)	—
Purchase of treasury stock	(25)	(35,014)
Cash dividends paid	(18,216)	(22,112)
Other, net	(245)	(284)
Net cash provided by (used in) financing activities	(18,525)	(57,411)
Effect of exchange rate change on cash and cash equivalents	(1,847)	(1,268)
Net increase (decrease) in cash and cash equivalents	49,021	21,580
Cash and cash equivalents at beginning of period	78,722	127,743
Cash and cash equivalents at end of period	* 127,743	* 149,324

(5) Notes

Going concern assumption

None

Change in presentation methods

Consolidated balance sheets

"Deferred tax assets'' posted under Investments and other assets for the previous fiscal year has been included in "Other" under Investments and other assets from the fiscal year ended March 31,2017, since it is no longer important.
In order to reflect this change of presentation, the consolidated balance sheets for the previous fiscal year have been reclassified.
As a result, ¥5,163 million presented as "Deferred tax assets'' under Investments and other assets in the consolidated balance sheets for the previous fiscal year have been reclassified as "Other".

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.

Notes to consolidated balance sheets

*1 Pledged assets and secured liabilities

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

1) Carrying value of pledged assets

	As of March 31, 2016	As of March 31, 2017
Cash and deposits	6 million yen	― million yen

2) Liabilities secured by the above assets

	As of March 31, 2016	As of March 31, 2017
'Other' of current liabilities	7 million yen	― million yen

*2 Stocks etc, of unconsolidated subsidiaries and affiliates

	As of March 31, 2016	As of March 31, 2017
Investments in securities (stocks etc.)	1,242 million yen	1,242 million yen
Other (Investments in capital)	573 million yen	573 million yen

Notes to consolidated statements of income

*1 Provision for (reversal of) sales returns included in net sales and cost of sales is as follows:

Year ended March 31, 2016	Year ended March 31, 2017
(458) million yen	(848) million yen

*2 Inventories are stated at net selling value. The following inventory valuation totaling is included in cost of sales.

Year ended March 31, 2016	Year ended March 31, 2017
1,184 million yen	1,208 million yen

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

	Year ended March 31, 2016	Year ended March 31, 2017
Sales promotional activities	18,028 million yen	14,848 million yen
Salaries	28,134	25,759
Provision for bonuses	5,647	4,885
Provision for directors' bonuses	88	110
Retirement benefit expenses	1,908	3,227
R & D expenses	49,787	59,907
[Provision for bonuses]	[3,122]	[2,886]
[Retirement benefit expenses]	[919]	[1,732]

*4 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, 2016	Year ended March 31, 2017
49,787 million yen	59,907 million yen

*5 Business structure improvement expenses

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

This expense is attributable to Shionogi Inc.

*6 Impairment loss

The Shionogi Group recognized asset impairment as follows:

Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

Location	Use	Class	Amount
The United Kingdom	Sales rights for a prescription drug	Sales rights	2,379 million yen
The United States	Sales rights for a prescription drug	Sales rights	204 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.
Due to the termination of a development collaboration agreement between UK subsidiary Shionogi Limited and Egalet Corporation, the Shionogi Group recognized an impairment loss equal to the carrying value of sales rights related to the compound in development. In addition, U.S. subsidiary Shionogi Inc. recognized an impairment loss equal to the reduction in carrying value to the net realizable value of sales rights to a product following the transfer of the rights.

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

Location	Use	Class	Amount
Settsu Plant Building No.602, etc. (Settsu, Osaka Prefecture)	Idle assets	Buildings, etc.	359 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.
At the Settsu Plant, Shionogi made the decision to remove unnecessary assets. In connection with this, Shionogi recognized the full carrying amount of the idle assets as an impairment loss.

*7 Settlement package

Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

This expense is attributable to Eli Lilly Japan K.K.

*8 Special retirement expenses

Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

This expense is attributable to the retirement of Shionogi and Shionogi Inc.

Shionogi 1,003 million yen *

Shionogi Inc. 292 million yen

* Related to the system of transfers to subsidiaries

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, 2016		Year ended March 31, 2017	
Valuation difference on available-for-sale securities				
Amount recognized in the period under review	(1,929)	million yen	76	million yen
Amount of recycling	(2,361)		(2,166)	
Before income tax effect adjustment	(4,291)		(2,090)	
Amount of income tax effect	2,363		383	
Valuation difference on available-for-sale securities	(1,927)		(1,706)	
Deferred gains or losses on hedges				
Amount recognized in the period under review	(249)		287	
Amount of recycling	249		(110)	
Before income tax effect adjustment	—		176	
Amount of income tax effect	—		(54)	
Deferred gains or losses on hedges	—		122	
Foreign currency translation adjustment				
Amount recognized in the period under review	(11,384)		(13,035)	
Amount of recycling	—		—	
Before income tax effect adjustment	(11,384)		(13,035)	
Amount of income tax effect	—		—	
Foreign currency translation adjustment	(11,384)		(13,035)	
Remeasurements of defined benefit plans				
Amount recognized in the period under review	(1,258)		(3,250)	
Amount of recycling	1,213		3,836	
Before income tax effect adjustment	(44)		586	
Amount of income tax effect	(116)		(179)	
Remeasurements of defined benefit plans	(160)		407	
Total other comprehensive income	(13,473)		(14,212)	

Notes to consolidated statement of changes in net assets

Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

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

Shares

	April 1, 2015	Increase	Decrease	March 31, 2016
Shares in issue				
Common stock	351,136,165	–	–	351,136,165
Total	351,136,165	–	–	351,136,165
Treasury stock				
Common stock	25,564,239	5,183	10,400	25,559,022
Total	25,564,239	5,183	10,400	25,559,022

Note: 1.The increase in treasury stock reflects the purchase of odd-lot shares.
2.The decrease in treasury stock reflects the exercise of subscription rights to shares.

(2) Matters concerning subscription rights and subscription rights owned by the Company

Category	Detail of subscription rights to shares	March 31, 2016
The Company (parent company)	Stock options	352 million yen
Total		352 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, 2015	Common stock	9,116 million yen	28 yen	March 31, 2015	June 25, 2015
Meeting of Board of directors on October 29, 2015	Common stock	9,116 million yen	28 yen	September 30, 2015	December 1, 2015

B) Dividends whose effective date is subsequent to March 31, 2016

Resolution	Category	Total dividends	Resolution	Dividends per share	Dividend record date	Effective date
Annual General Meeting of Shareholders to be held on June 23, 2016	Common stock	11,069 million yen	Retained earnings	34 yen	March 31, 2016	June 24, 2016

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

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

Shares

	April 1, 2016	Increase	Decrease	March 31, 2017
Shares in issue				
Common stock	351,136,165	—	22,000,000	329,136,165
Total	351,136,165	—	22,000,000	329,136,165
Treasury stock				
Common stock	25,559,022	6,804,854	22,016,000	10,347,876
Total	25,559,022	6,804,854	22,016,000	10,347,876

Note: 1. The decrease in the total number of shares of common stock issued was due to the cancellation of treasury stock.
2. The increase in treasury stock by 6,804,854 shares reflects an increase of 6,802,100 shares due to the acquisition of treasury stock based on the Board of Directors resolution and an increase of 2,754 shares due to the purchase of odd-lot shares.
3. The decrease in treasury stock of 22,016,000 shares reflects the decrease of 22,000,000 shares due to cancellation of treasury stock and the decrease of 16,000 shares due to 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, 2017
The Company (parent company)	Stock options	416 million yen
Total		416 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 23, 2016	Common stock	11,069 million yen	34 yen	March 31, 2016	June 24, 2016
Meeting of Board of directors on October 31, 2016	Common stock	11,070 million yen	34 yen	September 30, 2016	December 1, 2016

B) Dividends whose effective date is subsequent to March 31, 2017

The following is to be approved at the 152nd Annual General Meeting of Shareholders to be held on June 22, 2017.

Resolution	Category	Total dividends	Resolution	Dividends per share	Dividend record date	Effective date
Annual General Meeting of Shareholders to be held on June 22, 2017	Common stock	12,113 million yen	Retained earnings	38 yen	March 31, 2017	June 23, 2017

Notes to consolidated statements of cash flow

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

	Year ended March 31, 2016		Year ended March 31, 2017	
Cash and deposits	80,230	million yen	107,847	million yen
Time deposits with a maturity exceeding three months	(28,187)		(31,323)	
Cash and cash equivalents including “Marketable securities”	75,700		72,800	
Cash and cash equivalents	127,743		149,324	

Notes to segment information

Segment information

Year ended March 31, 2016 (April 1, 2015 to March 31, 2016) and Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

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, 2016	Year ended March 31, 2017
Net assets per share	1,564.73 yen	1,638.46 yen
Earnings per share	204.83 yen	259.88 yen
Earnings per share (diluted)	201.70 yen	255.87 yen

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

Item	Year ended March 31, 2016	Year ended March 31, 2017
Earnings per share		
Profit attributable to owners of parent	*66,687 million yen*	*83,879 million yen*
The amount which is not attributable to ordinary shareholders	—	—
Profit attributable to owners of parent related to common stocks	*66,687 million yen*	*83,879 million yen*
Average number of shares outstanding during the period	*325,578 thousands of stocks*	*322,767 thousands of stocks*
Earnings per share (diluted)		
Adjustments to profit attributable to owners of parent	*(13) million yen*	*(13) million yen*
[Interest income, net tax]	*[(13) million yen]*	*[(13) million yen]*
Increase of common stock	*4,988 thousands of stocks*	*5,002 thousands of stocks*
[Bonds payable]	*[4,787 thousands of stocks]*	*[4,799 thousands of stocks]*
[Subscription rights to shares]	*[200 thousands of stocks]*	*[203 thousands of stocks]*

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

Item	As of March 31, 2016	As of March 31, 2017
Total net assets	*513,877 million yen*	*526,211 million yen*
Amount deducted from total net assets	*4,438 million yen*	*3,891 million yen*
[Amounts attributed to Subscription rights to shares in total net assets]	*[352 million yen]*	*[416 million yen]*
[Amounts attributed to non-controlling interests in total net assets]	*[4,085 million yen]*	*[3,474 million yen]*
Net assets at year end available to common stocks	*509,439 million yen*	*522,320 million yen*
Shares outstanding as of the period end	*325,577 thousands of stocks*	*318,788 thousands of stocks*

Important subsequent events

None