



## Financial Results for the First Quarter of Fiscal Year 2014(Consolidated)

August 1, 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

Contact responsibility: Hiroki Takagi, Vice President, Corporate Communications Department

Tel.: (06)6202-2161

Scheduled date of quarterly securities report submission: August 8, 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, 2014 to June 30, 2014

(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	%
Three months ended June 30, 2014	62,737	(6.7)	8,049	(33.6)	13,634	8.4	10,322	(4.6)
Three months ended June 30, 2013	67,265	(0.8)	12,119	—	12,582	—	10,821	—

Note: Comprehensive income Three months ended June 30, 2014 8,992 million yen (51.0)%  
Three months ended June 30, 2013 18,345 million yen ( — %)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
Three months ended June 30, 2014	30.82	30.81
Three months ended June 30, 2013	32.31	32.30

Note: The Company changed its accounting policy for research and development expenses effective April 1, 2014. Figures for the first quarter of the fiscal year ended March 31, 2014 have been restated to reflect this change, but percentage changes from the same period of the previous fiscal year are omitted as they have not been calculated.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2014	554,965	466,775	83.4
As of March 31, 2014	580,566	467,836	79.9

Reference: Shareholders' equity As of June 30, 2014: 462,945 million yen As of March 31, 2014: 463,865 million yen

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

### 2. Dividends

(Date of record)	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2014	—	22.0	—	24.0	46.0
Year ending March 31, 2015	—				
Year ending March 31, 2015 (forecast)		24.0	—	24.0	48.0

Note: Revisions of the most recent dividend forecast: None

### 3. Consolidated financial forecast for the year ending March 31, 2015

(% 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, 2014	130,000	(6.3)	18,500	(33.8)	24,000	(12.1)	16,000	(24.1)	47.78
Year ending March 31, 2015	269,000	(7.2)	45,000	(27.3)	50,000	(19.6)	33,000	(18.8)	98.54

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

Note: The Company changed its accounting policy for research and development expenses effective April 1, 2014. For the year ending March 31, 2015, percentage changes in operating income, ordinary income and net income from the same period of the previous fiscal year and the previous fiscal year are calculated using the restated figures for the year ended March 31, 2014.

#### ※ 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.: Yes
  - b) Changes in accounting policies other than a) above: Yes
  - c) Changes in accounting estimates: None
  - d) Restatements: None

Note: For details, please see "2. Summary Data (Notes) (3) Changes in Accounting Policies, Changes/Restatements of Accounting Estimates" on page 3 of the supplemental materials for the Financial Results for the First Quarter of Fiscal Year 2014 (Consolidated).

- (4) Number of shares issued (common stock)
  - a) Number of shares issued (including treasury stock)
 

As of June 30, 2014:	351,136,165 shares
As of March 31, 2014:	351,136,165 shares
  - b) Number of treasury stock
 

As of June 30, 2014:	16,228,895 shares
As of March 31, 2014:	16,242,701 shares
  - c) Average number of shares issued during the period
 

Three months ended June 30, 2014:	334,907,650 shares
Three months ended June 30, 2013:	334,898,854 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 Statements (3) Description of Consolidated Financial Forecast" on page 2 of the supplemental materials for the Financial Results for the First Quarter of Fiscal Year 2014 (Consolidated).

## CONTENTS

1. Qualitative Information on Quarterly Financial Statements .....	2
(1) Description of consolidated operating results .....	2
(2) Description of consolidated financial position .....	2
(3) Description of consolidated financial forecast .....	2
2. Summary Data (Notes)	
(1) Significant changes in subsidiaries during the period (changes in specified subsidiaries involving changes in scope of consolidation) .....	3
(2) Adoption of accounting methods specific to the preparation of quarterly consolidated financial statements .....	3
(3) Changes in accounting policies, changes/restatements of accounting estimates .....	3
3. Consolidated Financial Statements.....	4
(1) Consolidated balance sheets.....	4
(2) Consolidated statements of income and Consolidated statements of comprehensive income .....	6
Consolidated statements of income .....	6
Consolidated statements of comprehensive income .....	7
(3) Notes .....	8
Going concern assumption .....	8
Significant changes in shareholders' equity .....	8

## 1. Qualitative Information on Quarterly Financial Results

### (1) Description of Consolidated Operating Results

For the first quarter ended June 30, 2014 (April 1, 2014 to June 30, 2014), net sales were ¥62,737 million, operating income was ¥8,049 million, ordinary income was ¥13,634 million and net income was ¥10,322 million.

Regarding net sales, strategic products Crestor, Irbetan and Cymbalta contributed to overall net sales in an extremely difficult pricing environment following the implementation of National Health Insurance (NHI) drug price revisions in April 2014. However, overall domestic sales of prescription drugs decreased 4.3 percent compared with the previous fiscal year due to continued weak sales of existing products and the effect of the NHI drug price revisions. Outside Japan, despite solid sales of Ospheña, a treatment for post-menopausal vaginal atrophy, at U.S. subsidiary Shionogi Inc., overseas sales decreased 19.6 percent, in part reflecting the sale of rights to a product in the previous fiscal year. Crestor royalties decreased 10.1 percent, reflecting an adjustment to the royalty agreement in 2013. As a result of these factors, total net sales decreased 6.7 percent compared with the same period of the previous fiscal year.

Regarding profit, gross profit decreased 12.3 percent compared with the same period of the previous fiscal year due to the impact of the NHI drug price revisions mentioned above. Selling, general and administrative (SG&A) expenses decreased 5.3 percent, reflecting Shionogi's focus on efficient use of marketing-related expenses and development expenses in Japan and overseas. However, operating income decreased 33.6 percent. Ordinary income increased 8.4 percent as a result of an increase in dividends received from ViiV Healthcare. Net income decreased 4.6 percent, reflecting the decrease in income tax in the same period of the previous fiscal year due to changes to the allowable limit of deductible expenses for the write-down of Shionogi Inc. stock.

### (2) Description of Consolidated Financial Position

As of June 30, 2014, total assets were ¥554,965 million, a decrease of ¥25,600 million from the end of the previous fiscal year. Current assets decreased ¥20,086 million from the end of the previous fiscal year to ¥228,806 million, mainly due to a decrease in short-term investment securities. Non-current assets decreased ¥5,514 million to ¥326,158 million, largely due to decreases in intangible non-current assets and net defined benefit asset.

Total liabilities decreased ¥24,539 million from the end of the previous fiscal year to ¥88,190 million. Current liabilities decreased ¥25,013 million from the end of the previous fiscal year to ¥53,994 million, mainly reflecting the decrease due to redemption of bonds. Non-current liabilities increased ¥474 million from the end of the previous fiscal year to ¥34,195 million.

Net assets decreased ¥1,060 million from the end of the previous fiscal year to ¥466,775 million. Shareholders' equity increased ¥287 million to ¥451,564 million, due to factors including an increase from net income and a decrease due to cash dividends paid. Accumulated other comprehensive income was ¥11,380 million, a decrease of ¥1,207 million from the end of the previous fiscal year, mainly due to a decrease in valuation difference on available-for-sale securities reflecting changes in stock prices. Subscription rights to shares decreased ¥18 million from the end of the previous fiscal year to ¥189 million and minority interests decreased ¥122 million from the end of the previous fiscal year to ¥3,640 million.

### (3) Description of Consolidated Financial Forecast

There are no revisions to the consolidated financial forecast announced on May 9, 2014.

## 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

### Application of Accounting Standard for Retirement Benefits, etc.

Effective April 1, 2014, the Company has applied "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, issued on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on May 17, 2012) to the provisions specified in the main text of paragraph 35 of the Accounting Standard for Retirement Benefit and paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits. Accordingly, the calculation methods for retirement benefit obligation and service cost have been amended as follows: The method of attributing expected benefit to periods has been changed from a straight-line basis to the benefit formula basis, and the method of determining the discount rate has been changed from a rate based on a period that approximates the average remaining years of service of the eligible employees to the use of a single weighted average discount rate reflecting the estimated timing and amount of benefit payments. In accordance with transitional accounting as stipulated in paragraph 37 of the Accounting Standard for Retirement Benefits, the effect of the change in the calculation methods of retirement benefit obligation and service cost is recognized as an adjustment to retained earnings at the beginning of the first quarter of the year ending March 31, 2015.

As a result, net defined benefit liability increased by ¥648 million, investments and other assets (Net defined benefit asset) decreased by ¥2,478 million, and retained earnings decreased by ¥2,014 million as of April 1, 2014. In addition, operating income, ordinary income and income before income taxes for the first quarter of the year ending March 31, 2015, each increased by ¥40 million.

### Change in Accounting Policy for R&D Expenses

Previously, the Shionogi Group generally recognized the portion of R&D expenses from contract research and development when project deliverables were obtained. Effective April 1, 2014, the Shionogi Group has adopted a policy of recognizing these expenses according to the progress of research and development activities.

The Shionogi Group formerly conducted research and development centered on pharmaceuticals for patients in Japan. However, with the globalization of new drug development and marketing, research and development work has gradually shifted from work done primarily with internal resources to work contracted out to other companies.

This trend is expected to continue.

In addition, the focus areas of development have been shifting from drugs for infectious diseases, which have relatively short development times, to areas with longer development times such as cardiovascular disorders and pain.

Under these circumstances, contract research expenses account for an increasing share of overall R&D expenses, and development times are becoming longer. Consequently, with the previous method in which expenses were recognized when the final result was obtained, the gap between the timing of expense recognition and the progress of research and development had become increasingly evident. Shionogi therefore judged that expense recognition according to the progress of research and development would more accurately reflect the actual situation. In light of these circumstances, Shionogi and its overseas subsidiaries began operating a progress management system for contract research and development during the first quarter of the year ending March 31, 2015, and established a framework for measuring expenses according to the progress of research and development. With these systems in place, Shionogi changed the accounting policy from April 1, 2014.

This change in accounting policy has been applied retrospectively, and the quarterly financial statements present financial information for the first quarter of the previous fiscal year and for the previous fiscal year after retrospective application. As a result, for the first quarter of the previous fiscal year, selling, general and administrative expenses (R&D expenses) increased ¥40 million, and operating income, ordinary income and income before income taxes each decreased ¥40 million compared with the amounts prior to retrospective application. In addition, retained earnings at the beginning of the previous fiscal year after retrospective application decreased by ¥3,363 million, reflecting the cumulative impact on net assets at the beginning of that fiscal year.

**3. Consolidated Financial Statements****(1) Consolidated balance sheets***Millions of yen*

	As of March 31, 2014	As of June 30, 2014
<b>Assets</b>		
Current assets		
Cash and deposits	34,238	35,037
Notes and accounts receivable-trade	64,290	65,408
Short-term investment securities	80,100	52,300
Merchandise and finished goods	24,005	24,898
Work in process	11,425	11,855
Raw materials and supplies	12,938	12,979
Other	21,917	26,350
Allowance for doubtful accounts	(24)	(23)
Total current assets	248,893	228,806
Non-current assets		
Property, plant and equipment	78,976	79,348
Intangible assets		
Goodwill	42,878	41,445
Other	29,945	28,557
Total intangible assets	72,824	70,003
Investments and other assets		
Investment securities	149,519	149,111
Other	30,442	27,786
Allowance for doubtful accounts	(90)	(90)
Total investments and other assets	179,871	176,807
Total non-current assets	331,673	326,158
Total assets	580,566	554,965
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	9,627	12,405
Current portion of bonds	20,000	—
Income taxes payable	12,392	4,247
Provision for bonuses	7,071	9,346
Provision for sales returns	4,320	3,610
Other provision	21	—
Other	25,575	24,384
Total current liabilities	79,008	53,994
Non-current liabilities		
Long-term loans payable	10,034	10,033
Net defined benefit liability	9,967	10,775
Other	13,719	13,386
Total non-current liabilities	33,721	34,195
Total liabilities	112,730	88,190

*Millions of yen*

	As of March 31, 2014	As of June 30, 2014
Net assets		
Shareholders' equity		
Capital stock	21,279	21,279
Capital surplus	20,227	20,227
Retained earnings	429,526	429,797
Treasury stock	(19,756)	(19,739)
Total shareholders' equity	451,277	451,564
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	25,289	24,381
Foreign currency translation adjustment	(6,113)	(6,731)
Remeasurements of defined benefit plans	(6,588)	(6,269)
Total accumulated other comprehensive income	12,587	11,380
Subscription rights to shares	207	189
Minority interests	3,762	3,640
Total net assets	467,836	466,775
Total liabilities and net assets	580,566	554,965

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

## Consolidated statements of income

*Millions of yen*

	Three month ended June 30, 2013	Three month ended June 30, 2014
Net sales	67,265	62,737
Cost of sales	18,355	19,836
Gross profit	48,910	42,901
Selling, general and administrative expenses	36,791	34,851
Operating income	12,119	8,049
Non-operating income		
Interest income	29	52
Dividends income	965	6,898
Foreign exchange gains	412	—
Other	65	60
Total non-operating income	1,472	7,011
Non-operating expenses		
Interest expenses	227	95
Contribution	293	123
Foreign exchange losses	—	532
Other	488	674
Total non-operating expenses	1,010	1,427
Ordinary income	12,582	13,634
Extraordinary income		
Gain on sales of investment securities	554	—
Total extraordinary income	554	—
Income before income taxes and minority interests	13,137	13,634
Income taxes-current	1,284	4,239
Income taxes-deferred	1,026	(973)
Total income taxes	2,310	3,265
Income before minority interests	10,826	10,368
Minority interests in income	4	45
Net income	10,821	10,322



## Consolidated statements of comprehensive income

*Millions of yen*

	Three month ended June 30, 2013	Three month ended June 30, 2014
Income before minority interests	10,826	10,368
Other comprehensive income		
Valuation difference on available-for-sale securities	548	(908)
Deferred gains or losses on hedges	306	—
Foreign currency translation adjustment	6,663	(786)
Remeasurements of defined benefit plans	—	319
Total other comprehensive income	7,518	(1,375)
Comprehensive income	18,345	8,992
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	18,039	9,115
Comprehensive income attributable to minority interests	305	(122)

(3) Notes

Going concern assumption

None

Significant changes in shareholders' equity

None

# Supplemental material Financial results for the 1st quarter of fiscal year 2014

August 1, 2014

Shionogi & Co., Ltd.

## 1. Sales by main merchandise and finished goods

(Billions of yen)

	FY2014 1H forecast	FY2014 forecast	FY2014 1Q actual	FY2013 1Q actual	change	Progress % vs. 2013 1H forecast
Prescription drugs	80.5	167.0	38.7	40.4	(1.7)	48.1
<i>change %</i>	(0.5)	(0.8)	(4.3)	1.9		
CRESTOR	21.0	42.5	10.8	10.0	0.8	51.6
IRBETAN Franchise	7.3	15.9	3.7	2.9	0.8	51.2
CYMBALTA	6.2	13.6	2.5	2.6	(0.1)	41.0
<b>Total of 3 key products</b>	<b>34.5</b>	<b>72.0</b>	<b>17.1</b>	<b>15.5</b>	<b>1.6</b>	<b>49.6</b>
OXYCONTIN Franchise	5.5	10.7	2.7	2.7	(0.0)	49.0
FINIBAX	2.3	4.6	0.9	1.1	(0.2)	37.9
DIFFERIN	2.1	4.6	0.9	0.9	(0.0)	42.0
PIRESPA	2.7	5.6	1.3	1.2	0.1	46.7
RAPIACTA	0.2	2.5	0.1	0.1	(0.0)	26.1
<b>Total of 8 strategic products</b>	<b>47.3</b>	<b>100.0</b>	<b>22.9</b>	<b>21.6</b>	<b>1.3</b>	<b>48.4</b>
FLOMOX	6.2	13.0	3.1	3.9	(0.8)	50.6
RINDERON	4.5	8.4	2.1	2.4	(0.3)	46.0
CLARITIN	1.7	4.1	0.9	0.9	(0.0)	51.0
FLUMARIN	2.3	4.4	1.1	1.4	(0.3)	47.1
Export/Overseas subsidiaries	15.0	31.3	6.7	8.4	(1.7)	44.7
<i>change %</i>	(2.3)	(8.0)	(19.6)	13.3		
Shionogi Inc.	7.9	17.7	2.8	5.4	(2.6)	36.0
Osphena	2.5	7.0	0.8	-	0.8	30.4
C&O	3.4	7.5	1.8	1.3	0.5	52.0
Contract manufacturing	4.8	11.4	2.8	2.4	0.4	58.0
<i>change %</i>	(4.2)	36.1	17.2	1.4		
OTC and quasi-drugs	2.4	4.6	1.1	1.0	0.1	46.2
<i>change %</i>	3.4	1.9	11.3	(25.2)		
Royalty income	26.0	52.0	12.7	14.0	(1.3)	48.7
<i>change %</i>	(22.2)	(26.4)	(9.8)	(12.5)		
CRESTOR	24.2	47.5	11.8	13.1	(1.3)	48.6
Others *	1.3	2.7	0.7	1.0	(0.3)	56.9
<i>change %</i>	(24.3)	(29.2)	(29.9)	2.1		
<b>Total</b>	<b>130.0</b>	<b>269.0</b>	<b>62.7</b>	<b>67.3</b>	<b>(4.6)</b>	<b>48.3</b>
<i>change %</i>	(6.3)	(7.2)	(6.7)	(0.8)		

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

\* From FY2014, "Diagnosis" is included in the "Other" item.

## 2-1. Quarterly trend for FY2013 and FY2014 (Sales of main merchandise and finished goods)

Fiscal year ended March 31, 2014

(Billions of yen)

FY2013	FY2013 1Q actual	Y on Y change %	FY2013 2Q actual	Y on Y change %	FY2013 3Q actual	Y on Y change %	FY2013 4Q actual	Y on Y change %
Prescription drugs	40.4	1.9	40.5	1.1	46.5	2.9	40.9	0.2
CRESTOR	10.0	16.7	10.6	5.4	10.6	7.9	9.9	2.5
IRBETAN Franchise	2.9	23.7	3.8	58.2	3.9	9.6	3.3	35.1
CYMBALTA	2.6	19.4	2.6	6.8	3.1	28.3	3.1	17.1
<b>Total of 3 key products</b>	<b>15.5</b>	<b>18.4</b>	<b>17.0</b>	<b>14.1</b>	<b>17.6</b>	<b>11.4</b>	<b>16.2</b>	<b>10.5</b>
OXYCONTIN Franchise	2.7	5.9	2.7	5.4	3.1	6.4	2.1	(0.5)
FINIBAX	1.1	(7.1)	1.2	(3.4)	1.3	(12.2)	1.1	(2.1)
DIFFERIN	0.9	7.2	1.0	(9.4)	1.2	11.1	1.3	30.1
PIRESPA	1.2	15.1	1.2	(10.8)	1.4	26.8	1.0	(1.1)
RAPIACTA	0.1	36.0	0.0	(83.4)	0.4	8.1	1.5	(1.9)
<b>Total of 8 strategic products</b>	<b>21.6</b>	<b>14.4</b>	<b>22.8</b>	<b>9.4</b>	<b>25.1</b>	<b>9.8</b>	<b>23.4</b>	<b>8.1</b>
FLOMOX	3.9	(11.9)	3.6	(11.0)	4.6	(14.0)	3.7	(10.8)
RINDERON	2.4	(0.4)	2.3	(2.3)	2.2	(1.6)	1.9	2.0
CLARITIN	0.9	(26.0)	0.9	(9.4)	1.2	(10.6)	1.9	(31.6)
FLUMARIN	1.4	(7.9)	1.4	(17.4)	1.5	(1.5)	1.1	(12.2)
Export/Overseas subsidiaries	8.4	13.3	7.0	(5.8)	12.0	82.4	6.6	(27.5)
Shionogi Inc.	5.4	53.0	4.1	4.9	8.3	96.0	3.6	(32.9)
Osphepa	-	-	0.1	-	0.4	-	0.6	-
C&O	1.3	(14.2)	1.6	13.5	1.3	2.7	1.7	2.8
Contract manufacturing	2.4	1.4	2.6	24.6	0.8	(41.8)	2.6	76.8
OTC and quasi-drugs	1.0	(25.2)	1.3	(9.6)	1.1	(8.3)	1.1	(6.2)
Diagnostics	0.4	(22.6)	0.4	(34.7)	0.5	(6.8)	0.7	25.3
Royalty income	14.0	(12.5)	19.4	11.6	18.1	(3.6)	19.2	8.5
CRESTOR	13.1	(10.9)	18.1	13.1	16.7	6.0	17.8	7.7
Others	0.6	33.2	0.3	(46.2)	0.5	(13.8)	0.4	(13.9)
<b>Total</b>	<b>67.3</b>	<b>(0.8)</b>	<b>71.4</b>	<b>2.8</b>	<b>79.4</b>	<b>7.1</b>	<b>71.6</b>	<b>0.2</b>

Fiscal year ending March 31, 2015

FY2014	FY2014 1Q actual	Y on Y change %
Prescription drugs	38.7	(4.3)
CRESTOR	10.8	8.2
IRBETAN Franchise	3.7	30.4
CYMBALTA	2.5	(2.5)
<b>Total of 3 key products</b>	<b>17.1</b>	<b>10.5</b>
OXYCONTIN Franchise	2.7	(1.7)
FINIBAX	0.9	(22.0)
DIFFERIN	0.9	(5.8)
PIRESPA	1.3	2.9
RAPIACTA	0.1	(30.7)
<b>Total of 8 strategic products</b>	<b>22.9</b>	<b>6.0</b>
FLOMOX	3.1	(19.6)
RINDERON	2.1	(13.2)
CLARITIN	0.9	(7.8)
FLUMARIN	1.1	(21.0)
Export/Overseas subsidiaries	6.7	(19.6)
Shionogi Inc.	2.8	(47.0)
Osphepa	0.8	-
C&O	1.8	37.6
Contract manufacturing	2.8	17.2
OTC and quasi-drugs	1.1	11.3
Royalty income	12.7	(9.8)
CRESTOR	11.8	(10.1)
Others *	0.7	(29.9)
<b>Total</b>	<b>62.7</b>	<b>(6.7)</b>

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

\* From FY2014, "Diagnostics" is included in the "Other" item.

## 2-2. Quarterly trend for FY2013 and FY2014 (Consolidated statements of income)

Fiscal year ended March 31, 2014

(Billions of yen)

FY2013	FY2013 1Q actual	Y on Y change %	FY2013 2Q actual	Y on Y change %	FY2013 3Q actual	Y on Y change %	FY2013 4Q actual	Y on Y change %
<b>Net sales</b>	<b>67.3</b>	<b>(0.8)</b>	<b>71.4</b>	<b>2.8</b>	<b>79.4</b>	<b>7.1</b>	<b>71.6</b>	<b>0.2</b>
Cost of sales	27.3 18.4	(10.8)	26.4 18.9	(3.8)	25.4 20.2	3.0	28.7 20.6	9.6
Gross profit	48.9	3.5	52.6	5.4	59.2	8.6	51.1	(3.1)
SG & A expenses	54.7 36.8	-	51.4 36.7	-	48.3 38.4	-	53.0 38.0	-
Selling & general expenses	23.6	2.2	23.8	5.4	24.8	9.9	24.0	2.4
R & D expenses	13.2	-	12.9	-	13.6	-	13.9	-
<b>Operating income</b>	<b>18.0</b> <b>12.1</b>	<b>-</b>	<b>22.2</b> <b>15.8</b>	<b>-</b>	<b>26.3</b> <b>20.8</b>	<b>-</b>	<b>18.3</b> <b>13.1</b>	<b>-</b>
Non-operating income & expenses	0.5		(1.1)		1.8		(0.8)	
<b>Ordinary income</b>	<b>18.7</b> <b>12.6</b>	<b>-</b>	<b>20.6</b> <b>14.7</b>	<b>-</b>	<b>28.5</b> <b>22.7</b>	<b>-</b>	<b>17.1</b> <b>12.2</b>	<b>-</b>
Extraordinary income & loss	0.6		3.8		-		(3.3)	
Income before income taxes and minority interests	13.1		18.5		22.7		8.9	
Income taxes and minority interests	2.3		8.2		7.6		4.4	
<b>Net income</b>	<b>16.1</b> <b>10.8</b>	<b>-</b>	<b>14.4</b> <b>10.3</b>	<b>-</b>	<b>19.0</b> <b>15.1</b>	<b>-</b>	<b>6.2</b> <b>4.5</b>	<b>-</b>

Fiscal year ending March 31, 2015

FY2014	FY2014 1Q actual	Y on Y change %
<b>Net sales</b>	<b>62.7</b>	<b>(6.7)</b>
Cost of sales	31.6 19.8	8.1
Gross profit	42.9	(12.3)
SG & A expenses	55.6 34.9	(5.3)
Selling & general expenses	23.1	(2.2)
R & D expenses	11.7	(10.7)
<b>Operating income</b>	<b>12.8</b> <b>8.0</b>	<b>(33.6)</b>
Non-operating income & expenses	5.6	
<b>Ordinary income</b>	<b>21.7</b> <b>13.6</b>	<b>8.4</b>
Extraordinary income & loss	-	
Income before income taxes and minority interests	13.6	
Income taxes and minority interests	3.3	
<b>Net income</b>	<b>16.5</b> <b>10.3</b>	<b>(4.6)</b>

The Company changed its accounting policy for R&D expenses effective April 1, 2014.

SG & A expenses, R&D expenses, Operating income, Ordinary income, Income before income taxes and minority interests, Income taxes and minority interests and Net income for the fiscal year ended March 31, 2014 have been restated to reflect this change.

But the Y on Y change % are omitted as they have not been calculated.

### 3. Pipeline (as of August 2014)

Areas	Code No. (Generic name) 【Product name】	Category (Administration)	Indication	Stage	Origin	Development
Infectious disease	S-649266	Cephem antibiotic (Injection)	Infection	Global: Phase II	In-house	In-house
Pain/CNS	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-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-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
Metabolic disorder	S-556971	Cholesterol absorption inhibitor (Oral)	Dyslipidemia	Japan: Phase II	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-237648	Neuropeptide Y Y5 receptor antagonist (Oral)	Obesity	Japan: Phase I	In-house	In-house
Frontier	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-524101	Sublingual tablet of house-dust mite allergen extracts for immunotherapy	Allergic rhinitis caused by house-dust mite allergen	Japan: NDA submission (Apr. 2014)	Stallergenes SA (France)	In-house
	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-888711 (Lusutrombopag)	Small molecule TPO mimetic (Oral)	Thrombocytopenia	USA, Europe: Phase II Japan: Phase III	In-house	In-house
	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-525606	Sublingual tablet of Japanese cedar allergen extracts for immunotherapy	Allergic rhinitis caused by Japanese cedar allergen	Japan: Phase I	Stallergenes SA (France)	In-house	

<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: Approval (Mar. 2014) Other: Approval in 11 countries	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: NDA submission (Jun. 2014)	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: Approval (May 2014)	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: Approval (May 2014)	Biogen Idec, Inc. (USA)	In-house

Since May 2014

Change of phase	S-649266: USA: Phase II, Japan: Phase I → Global: Phase II
	S-525606: Japan: Phase I (in preparation) → Japan: Phase I
	Duloxetine hydrochloride【Cymbalta®】 Fibromyalgia: Japan: NDA submission (in preparation) → Japan: NDA submission (Jun. 2014)
	Vancomycin hydrochloride【Vancomycin】: Japan: NDA submission (Nov. 2013) → Japan: Approval (May 2014)
	Interferon gamma-1a【Imunomax®-γ】: Japan: NDA submission (Aug. 2013) → Japan: Approval (May 2014)