



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

February 2, 2015

Name of Listed Company: **SHIONOGI & CO., LTD.**

Listed Exchanges: Section I of Tokyo

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

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Scheduled date of quarterly securities report submission: February 10, 2015

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 December 31, 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	%
Nine months ended December 31, 2014	200,269	(8.2)	36,066	(26.1)	51,722	3.5	26,261	(27.4)
Nine months ended December 31, 2013	218,099	3.1	48,787	—	49,976	—	36,160	—

Note: Comprehensive income Nine months ended December 31, 2014 39,721 million yen (36.4)%  
 Nine months ended December 31, 2013 62,415 million yen ( — %)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
Nine months ended December 31, 2014	78.56	78.46
Nine months ended December 31, 2013	107.98	107.92

Note: The Company changed its accounting policy for research and development expenses effective April 1, 2014. Figures for the third 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 December 31, 2014	587,155	471,838	79.7
As of March 31, 2014	580,566	467,836	79.9

Reference: Shareholders' equity As of December 31, 2014: 467,702 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
Year ended March 31, 2014	Yen —	Yen 22.0	Yen —	Yen 24.0	Yen 46.0
Year ending March 31, 2015	—	24.0	—		
Year ending March 31, 2015 (forecast)				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
Year ending March 31, 2015	273,500	(5.6)	49,500	(20.0)	58,000	(6.8)	30,000	(26.1)	90.33

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 previous fiscal year are calculated using the restated figures for the year ended March 31, 2014. In addition, earnings per share reflects share repurchases made from December 2, 2014 to January 22, 2015.

## ※ 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 Third Quarter of Fiscal Year 2014 (Consolidated).*

### (4) Number of shares issued (common stock)

a) Number of shares issued (including treasury stock)		
	As of December 31, 2014:	351,136,165 shares
	As of March 31, 2014:	351,136,165 shares
b) Number of treasury stock		
	As of December 31, 2014:	21,858,067 shares
	As of March 31, 2014:	16,242,701 shares
c) Average number of shares issued during the period		
	Nine months ended December 31, 2014:	334,280,812 shares
	Nine months ended December 31, 2013:	334,897,225 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 2014 (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, 2014 (April 1, 2014 to December 31, 2014), net sales were ¥200,269 million, operating income was ¥36,066 million, ordinary income was ¥51,722 million and net income was ¥26,261 million.

Domestic sales of prescription drugs decreased 5.2 percent compared with the same period of the previous fiscal year as weak sales of existing products and the impact of the NHI drug price revisions in April 2014 on product prices outweighed steady growth in sales of strategic products centered on Crestor, Irbetan and Rapiacta. Outside Japan, sales of the post-menopausal vaginal atrophy treatment Osphena by U.S. subsidiary Shionogi Inc. showed solid growth, but overseas sales and exports decreased 17.3 percent overall, partly due to the impact from the sale of rights to a product in the previous fiscal year. Crestor royalties decreased 26.6 percent because of a modification of the royalty agreement in 2013. However, overall royalty income decreased only 17.8 percent with the addition of royalties from the anti-HIV drug Tivicay (dolutegravir) starting in the current fiscal year. As a result, total net sales decreased 8.2 percent compared with the same period of the previous fiscal year.

Regarding profit, selling, general and administrative (SG&A) expenses decreased 5.8 percent, reflecting group-wide efforts to efficiently utilize funds for marketing and development. For research and development expenses in particular, Shionogi promoted new initiatives such as the use of external funds. However, operating income decreased 26.1 percent, in part because of an 11.9 percent decline in gross profit due to the impact of the NHI drug price revisions and the decrease in Crestor royalties. Ordinary income increased 3.5 percent, mainly due to an increase in dividends received from ViiV Healthcare Ltd. and valuation gains on foreign denominated assets due to the weak yen. Net income decreased 27.4 percent as a result of a substantial increase in tax expenses because of the provision for income taxes for prior years based on a tax reassessment notice the Company received from the Osaka Regional Taxation Bureau in September 2014.

### (2) Description of Consolidated Financial Position

As of December 31, 2014, total assets were ¥587,155 million, an increase of ¥6,589 million from the end of the previous fiscal year. Current assets decreased ¥7,720 million to ¥241,172 million, mainly due to a decrease in short-term investment securities. Non-current assets were ¥345,982 million, an increase of ¥14,309 million from the end of the previous fiscal year, mainly due to an increase in investment securities.

Total liabilities increased ¥2,587 million from the end of the previous fiscal year to ¥115,317 million. Current liabilities decreased ¥21,112 million to ¥57,896 million, mainly reflecting a ¥20,000 million decrease due to redemption of bonds. Non-current liabilities increased ¥23,699 million to ¥57,420 million, mainly due to the issue of bonds.

Net assets totaled ¥471,838 million, an increase of ¥4,002 million from the end of the previous fiscal year. Shareholders' equity decreased ¥9,500 million to ¥441,776 million due to the repurchase of shares. Accumulated other comprehensive income increased ¥13,337 million to ¥25,925 million, mainly due to an increase in positive foreign currency translation adjustment resulting from exchange rate fluctuations. Subscription rights to shares increased ¥62 million to ¥270 million and minority interests increased ¥102 million to ¥3,865 million.

### (3) Description of Consolidated Financial Forecast

There are no revisions to the consolidated financial forecast announced on October 29, 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 third quarter of the year ending March 31, 2015, each increased by ¥121 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 third quarter of the previous fiscal year and for the previous fiscal year after retrospective application. As a result, for the third quarter of the previous fiscal year, selling, general and administrative expenses (R&D expenses) increased ¥1,733 million, and operating income, ordinary income and income before income taxes each decreased ¥1,733 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 December 31, 2014
<b>Assets</b>		
Current assets		
Cash and deposits	34,238	59,754
Notes and accounts receivable-trade	64,290	69,125
Short-term investment securities	80,100	35,100
Merchandise and finished goods	24,005	22,540
Work in process	11,425	11,571
Raw materials and supplies	12,938	15,791
Other	21,917	27,314
Allowance for doubtful accounts	(24)	(26)
Total current assets	248,893	241,172
Non-current assets		
Property, plant and equipment	78,976	77,807
Intangible assets		
Goodwill	42,878	46,395
Other	29,945	31,018
Total intangible assets	72,824	77,413
Investments and other assets		
Investment securities	149,519	160,899
Other	30,442	29,922
Allowance for doubtful accounts	(90)	(60)
Total investments and other assets	179,871	190,761
Total non-current assets	331,673	345,982
Total assets	580,566	587,155
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	9,627	10,105
Current portion of bonds	20,000	—
Income taxes payable	12,392	10,586
Provision for bonuses	7,071	4,528
Provision for sales returns	4,320	3,449
Other provision	21	—
Other	25,575	29,226
Total current liabilities	79,008	57,896
Non-current liabilities		
Bonds payable	—	20,099
Long-term loans payable	10,034	10,035
Net defined benefit liability	9,967	10,763
Other	13,719	16,521
Total non-current liabilities	33,721	57,420
Total liabilities	112,730	115,317

*Millions of yen*

	As of March 31, 2014	As of December 31, 2014
Net assets		
Shareholders' equity		
Capital stock	21,279	21,279
Capital surplus	20,227	20,227
Retained earnings	429,526	437,699
Treasury stock	(19,756)	(37,429)
Total shareholders' equity	451,277	441,776
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	25,289	26,112
Deferred gains or losses on hedges	—	(267)
Foreign currency translation adjustment	(6,113)	5,712
Remeasurements of defined benefit plans	(6,588)	(5,631)
Total accumulated other comprehensive income	12,587	25,925
Subscription rights to shares	207	270
Minority interests	3,762	3,865
Total net assets	467,836	471,838
Total liabilities and net assets	580,566	587,155

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

## Consolidated statements of income

*Millions of yen*

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Net sales	218,099	200,269
Cost of sales	57,431	58,772
Gross profit	160,668	141,497
Selling, general and administrative expenses	111,881	105,430
Operating income	48,787	36,066
Non-operating income		
Interest income	219	325
Dividends income	1,553	9,387
Foreign exchange gains	2,399	8,643
Other	516	225
Total non-operating income	4,688	18,582
Non-operating expenses		
Interest expenses	692	219
Contribution	997	671
Loss on retirement of non-current assets	281	846
Other	1,527	1,189
Total non-operating expenses	3,498	2,926
Ordinary income	49,976	51,722
Extraordinary income		
Gain on sales of non-current assets	4,203	5,503
Gain on transfer of business	—	184
Gain on sales of investment securities	554	86
Total extraordinary income	4,757	5,774
Extraordinary loss		
Settlement package	—	1,270
Loss on valuation of inventories	451	—
Total extraordinary losses	451	1,270
Income before income taxes and minority interests	54,283	56,226
Income taxes-current	6,793	15,307
Income taxes for prior periods	—	13,582
Income taxes-deferred	11,270	960
Total income taxes	18,063	29,851
Income before minority interests	36,219	26,375
Minority interests in income	58	113
Net income	36,160	26,261



## Consolidated statements of comprehensive income

*Millions of yen*

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Income before minority interests	36,219	26,375
Other comprehensive income		
Valuation difference on available-for-sale securities	6,538	822
Deferred gains or losses on hedges	388	(267)
Foreign currency translation adjustment	19,269	11,834
Remeasurements of defined benefit plans	—	957
Total other comprehensive income	26,196	13,346
Comprehensive income	62,415	39,721
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	61,901	39,599
Comprehensive income attributable to minority interests	514	122

### (3) Notes

#### Going concern assumption

None

#### Significant changes in shareholders' equity

##### Repurchase of Shares

Shionogi executed a repurchase of its own shares pursuant to the resolution of its Board of Directors on December 1, 2014. As a result, treasury stock increased ¥17,673 million during the nine months ended December 31, 2014 and totaled ¥37,429 million as of December 31, 2014.

Share repurchases based on the above Board of Directors' resolution were completed on January 22, 2015.

# Supplemental material for financial results for the 3rd quarter of fiscal year 2014

February 2, 2015

Shionogi & Co., Ltd.

## 1. Sales of main merchandise and finished goods

(Billions of yen)

	FY2014 2H forecast	FY2014 forecast	FY2014 3Q actual	FY2013 3Q actual	FY2014 1Q-3Q actual	FY2013 1Q-3Q actual	Progress % vs. FY2014 forecast
Prescription drugs	86.5	163.5	43.8	46.5	120.8	127.4	73.9
<i>change %</i>	(1.0)	(2.8)	(5.8)	2.9	(5.2)	2.0	
CRESTOR	21.5	42.6	11.1	10.6	32.1	31.2	75.4
IRBETAN Franchise	9.0	16.5	3.9	3.9	11.4	10.6	69.0
CYMBALTA	7.4	12.9	3.0	3.1	8.5	8.4	65.6
Total of 3 key products	38.0	72.0	17.9	17.6	52.0	50.1	72.2
OXYCONTIN Franchise	5.4	10.7	2.9	3.1	8.2	8.5	76.7
FINIBAX	2.3	4.2	1.1	1.3	3.0	3.6	72.1
DIFFERIN	2.6	4.4	1.1	1.2	2.9	3.1	65.0
PIRESPA	2.9	5.5	1.4	1.4	4.0	3.7	72.8
RAPIACTA	2.4	2.5	1.1	0.4	1.1	0.5	45.3
Total of 8 strategic products	53.6	99.3	25.5	25.1	71.2	69.5	71.7
FLOMOX	6.5	12.3	3.7	4.6	9.5	12.1	77.6
RINDERON	4.2	8.4	2.1	2.2	6.2	6.9	74.1
CLARITIN	2.4	4.0	0.9	1.2	2.5	3.0	62.6
FLUMARIN	2.3	4.7	1.2	1.5	3.6	4.3	76.1
Export/Overseas subsidiaries	16.7	31.3	8.1	12.0	22.6	27.3	72.2
<i>change %</i>	(10.3)	(8.0)	(32.7)	82.4	(17.3)	27.9	
Shionogi Inc.	10.3	17.7	4.6	8.3	12.0	17.9	67.8
Osphena	5.3	7.0	1.4	0.4	3.1	0.5	44.7
C&O	4.2	7.5	1.7	1.3	5.0	4.2	67.0
Contract manufacturing	5.3	11.4	2.5	0.8	8.6	5.8	75.2
<i>change %</i>	58.3	36.1	223.2	(41.8)	48.1	(0.0)	
OTC and quasi-drugs	2.1	4.6	1.2	1.1	3.6	3.4	79.0
<i>change %</i>	(2.2)	1.9	7.5	(8.3)	6.3	(14.4)	
Royalty income	31.7	60.0	14.0	18.1	42.3	51.5	70.6
<i>change %</i>	(15.0)	(15.1)	(22.4)	(3.6)	(17.8)	(1.3)	
CRESTOR	24.6	49.0	10.7	16.7	35.1	47.9	71.6
Others *	1.2	2.7	0.8	1.0	2.3	2.7	86.7
<i>change %</i>	(42.6)	(29.2)	(11.1)	(10.4)	(12.2)	(17.0)	
Total	143.7	273.5	70.4	79.4	200.3	218.1	73.2
<i>change %</i>	(4.9)	(5.6)	(11.3)	7.1	(8.2)	3.1	

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

Sales of each product are shown on non-consolidated basis

\* From FY2014, "Diagunostics" 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)
Osphena	-	-	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 %	FY2014 2Q actual	Y on Y change %	FY2014 3Q actual	Y on Y change %
Prescription drugs	38.7	(4.3)	38.3	(5.5)	43.8	(5.8)
CRESTOR	10.8	8.2	10.3	(3.2)	11.1	4.4
IRBETAN Franchise	3.7	30.4	3.8	(0.1)	3.9	(0.8)
CYMBALTA	2.5	(2.5)	3.0	10.9	3.0	(4.2)
<b>Total of 3 key products</b>	<b>17.1</b>	<b>10.5</b>	<b>16.9</b>	<b>(0.4)</b>	<b>17.9</b>	<b>1.7</b>
OXYCONTIN Franchise	2.7	(1.7)	2.6	(1.7)	2.9	(6.6)
FINIBAX	0.9	(22.0)	1.0	(7.8)	1.1	(18.4)
DIFFERIN	0.9	(5.8)	0.9	(5.1)	1.1	(13.9)
PIRESPA	1.3	2.9	1.3	19.4	1.4	3.3
RAPIACTA	0.1	(30.7)	(0.0)	-	1.1	172.9
<b>Total of 8 strategic products</b>	<b>22.9</b>	<b>6.0</b>	<b>22.8</b>	<b>(0.1)</b>	<b>25.5</b>	<b>1.6</b>
FLOMOX	3.1	(19.6)	2.7	(25.3)	3.7	(19.2)
RINDERON	2.1	(13.2)	2.1	(8.8)	2.1	(8.2)
CLARITIN	0.9	(7.8)	0.7	(16.7)	0.9	(21.0)
FLUMARIN	1.1	(21.0)	1.3	(6.3)	1.2	(21.8)
Export/Overseas subsidiaries	6.7	(19.6)	7.9	11.9	8.1	(32.7)
Shionogi Inc.	2.8	(47.0)	4.6	9.9	4.6	(44.9)
Osphena	0.8	-	0.9	833.0	1.4	227.2
C&O	1.8	37.6	1.5	(6.8)	1.7	31.4
Contract manufacturing	2.8	17.2	3.3	24.6	2.5	223.2
OTC and quasi-drugs	1.1	11.3	1.4	1.4	1.2	7.5
Royalty income	12.7	(9.8)	15.6	(19.3)	14.0	(22.4)
CRESTOR	11.8	(10.1)	12.6	(30.2)	10.7	(35.7)
Others *	0.7	(29.9)	0.8	14.2	0.8	(11.1)
<b>Total</b>	<b>62.7</b>	<b>(6.7)</b>	<b>67.1</b>	<b>(6.1)</b>	<b>70.4</b>	<b>(11.3)</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>22.2</b> <b>15.8</b>	-	<b>26.3</b> <b>20.8</b>	-	<b>18.3</b> <b>13.1</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>20.6</b> <b>14.7</b>	-	<b>28.5</b> <b>22.7</b>	-	<b>17.1</b> <b>12.2</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>14.4</b> <b>10.3</b>	-	<b>19.0</b> <b>15.1</b>	-	<b>6.2</b> <b>4.5</b>	-

Fiscal year ending March 31, 2015

FY2014	FY2014 1Q actual	Y on Y change %	FY2014 2Q actual	Y on Y change %	FY2014 3Q actual	Y on Y change %
<b>Net sales</b>	<b>62.7</b>	<b>(6.7)</b>	<b>67.1</b>	<b>(6.1)</b>	<b>70.4</b>	<b>(11.3)</b>
Cost of sales	31.6 19.8	8.1	27.3 18.3	(3.1)	29.3 20.6	2.2
Gross profit	42.9	(12.3)	48.8	(7.2)	49.8	(15.9)
SG & A expenses	55.6 34.9	(5.3)	50.9 34.1	(7.1)	51.8 36.5	(5.0)
Selling & general expenses	23.1	(2.2)	22.7	(4.7)	24.1	(2.9)
R & D expenses	11.7	(10.7)	11.4	(11.5)	12.4	(8.7)
<b>Operating income</b>	<b>12.8</b> <b>8.0</b>	<b>(33.6)</b>	<b>21.9</b> <b>14.7</b>	<b>(7.3)</b>	<b>19.0</b> <b>13.3</b>	<b>(36.0)</b>
Non-operating income & expenses	5.6		3.1		7.0	
<b>Ordinary income</b>	<b>21.7</b> <b>13.6</b>	<b>8.4</b>	<b>26.5</b> <b>17.8</b>	<b>20.7</b>	<b>28.8</b> <b>20.3</b>	<b>(10.4)</b>
Extraordinary income & loss	-		0.2		4.3	
Income before income taxes and minority interests	13.6		18.0		24.6	
Income taxes and minority interests	3.3		18.6		8.0	
<b>Net income</b>	<b>16.5</b> <b>10.3</b>	<b>(4.6)</b>	<b>(0.9)</b> <b>(0.6)</b>	<b>(4.6)</b>	<b>23.5</b> <b>16.6</b>	<b>9.8</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 February 2015)

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: NDA submission (Dec. 2014)	Eli Lilly (USA)	Shionogi/Eli Lilly Japan K.K.
	LY248686 (Duloxetine hydrochloride) 【Cymbalta®】	SNRI (Serotonin & noradrenaline reuptake inhibitor) (Oral)	Osteoarthritis	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 III	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
S-718632 (Hydrocodone)	Abuse-deterrent extended release hydrocodone (Oral)	Chronic pain	USA: Phase I (in preparation)	Egalet Corporation (USA)	Shionogi/Egalet Corporation	
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: Approval (Jan. 2015)	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-888711 (Lusutrombopag)	Small molecule TPO receptor agonist (Oral)	Thrombocytopenia	Japan: NDA submission (Dec. 2014) USA, Europe: Phase II	In-house	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-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
Dolutegravir/Abacavir/Lamivudine	Integrase inhibitor/Nucleoside reverse transcriptase inhibitor (Oral)	HIV infection	USA: Approval (Aug. 2014) Europe: Approval (Sep. 2014) Japan: NDA submission (Dec. 2014) Other: Approval in 4 countries	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 IIa	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.

Since October 2014

Change of phase	LY248686 (Duloxetine hydrochloride) 【Cymbalta®】 Chronic low back pain: Japan: NDA submission (in preparation) → Japan: NDA submission (Dec. 2014)
	Ospemifene: Europe: NDA submission (Mar. 2013) → Europe: Approval (Jan. 2015)
	S-888711 (Lusutrombopag): Japan: NDA submission (in preparation) → Japan: NDA submission (Dec. 2014)
	Dolutegravir/Abacavir/Lamivudine: Japan: NDA submission (Dec. 2014)
	Janssen/Shionogi BACE inhibitor: Europe: Phase I → Europe: Phase IIa
Compound added to the list	S-718632 (Hydrocodone): USA: Phase I (in preparation)
Compound erased from the list	S/GSK1349572 (Dolutegravir): Approval