



Financial Results for the Second Quarter of Fiscal Year 2015(Consolidated)

October 29, 2015

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: November 9, 2015

Scheduled date of dividend payments: December 1, 2015

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, 2015 to September 30, 2015

(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	%
Six months ended September 30, 2015	138,279	6.5	33,933	49.4	34,791	10.7	21,386	120.2
Six months ended September 30, 2014	129,842	(6.4)	22,719	(18.7)	31,415	15.0	9,710	(53.9)

Note: Comprehensive income Six months ended September 30, 2015: 26,995 million yen (175.3%)
Six months ended September 30, 2014: 9,805 million yen (71.2)%

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
Six months ended September 30, 2015	65.69	64.68
Six months ended September 30, 2014	29.00	28.98

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2015	611,053	496,841	80.5
As of March 31, 2015	602,900	478,883	78.7

Reference: Shareholders' equity As of September 30, 2015: 492,059 million yen As of March 31, 2015: 474,259 million yen

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, 2015	—	24.00	—	28.00	52.00
Year ending March 31, 2016	—	28.00			
Year ending March 31, 2016 (forecast)			—	32.00	60.00

Note: Revisions of the most recent dividend forecast: Yes

3. Consolidated financial forecast for the year ending March 31, 2016

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2016	301,500	10.0	78,000	54.9	88,000	13.0	59,000	33.9	181.22

Note: Revisions of the most recent consolidated financial forecast: Yes

※ 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: None
 - 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 4 of the supplemental materials for the Financial Results for the Second Quarter of Fiscal Year 2015 (Consolidated).

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

As of September 30, 2015:	351,136,165 shares
As of March 31, 2015:	351,136,165 shares
 - b) Number of treasury stock

As of September 30, 2015:	25,557,435 shares
As of March 31, 2015:	25,564,239 shares
 - c) Average number of shares issued during the period

Six months ended September 30, 2015:	325,580,071 shares
Six months ended September 30, 2014:	334,906,733 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 3 of the supplemental materials for the Financial Results for the Second Quarter of Fiscal Year 2015 (Consolidated).

CONTENTS

1. Qualitative Information on Quarterly Financial Results	2
(1) Description of consolidated operating results	2
(2) Description of consolidated financial position	2
(3) Description of consolidated financial forecast	3
2. Summary Data (Notes)	4
(1) Significant changes in subsidiaries during the period (changes in specified subsidiaries involving changes in scope of consolidation)	4
(2) Adoption of accounting methods specific to the preparation of quarterly consolidated financial statements	4
(3) Changes in accounting policies, changes/restatements of accounting estimates	4
3. Consolidated Financial Statements	5
(1) Consolidated balance sheets	5
(2) Consolidated statements of income and Consolidated statements of comprehensive income	7
Consolidated statements of income	7
Consolidated statements of comprehensive income	8
(3) Consolidated statements of cash flows	9
(4) Notes	10
Going concern assumption	10
Significant changes in shareholders' equity	10

1. Qualitative Information on Quarterly Financial Results

(1) Description of Consolidated Operating Results

For the six months ended September 30, 2015 (April 1, 2015 to September 30, 2015), net sales were ¥138,279 million, operating income was ¥33,933 million, ordinary income was ¥34,791 million and profit attributable to owners of parent was ¥21,386 million.

Sales in the domestic pharmaceutical market were led by firm sales of Crestor and Irbetan as well as steady expansion of sales of Cymbalta, for which a change in the agreement with Eli Lilly Japan K.K. took effect during the first quarter. With the contribution of these three strategic products, overall domestic sales of prescription drugs increased 1.9 percent compared with the same period of the previous fiscal year. Outside Japan, total overseas sales, including the sale of rights to a product, rose 6.7 percent compared with the same period of the previous fiscal year, due to solid expansion of sales of Osphena, a treatment for post-menopausal vaginal atrophy, by U.S. subsidiary Shionogi Inc. Contract manufacturing sales decreased 46.1 percent due to the change in the agreement for Cymbalta, but royalty income increased 32.4 percent with steady growth in global sales of the anti-HIV drugs Tivicay and Triumeq, and total net sales increased 6.5 percent compared with the same period of the previous fiscal year.

Regarding profit, gross profit increased 11.0 percent compared with the same period of the previous fiscal year, while selling, general and administrative expenses decreased 1.6 percent, due in part to more efficient deployment of selling and research and development expenses in Japan and overseas. Consequently, operating income rose 49.4 percent. Despite this increase in operating income, the increase in ordinary income was 10.7 percent because of dividends received from ViiV Healthcare in the same period of the previous fiscal year. Profit attributable to owners of parent increased by 120.2 percent because of provision for income taxes for prior years in the same period of the previous fiscal year.

(2) Description of Consolidated Financial Position

1) Assets, Liabilities and Net Assets

As of September 30, 2015, total assets were ¥611,053 million, an increase of ¥8,153 million from the end of the previous fiscal year. Current assets were ¥264,394 million, an increase of ¥4,446 million from the end of the previous fiscal year, mainly because of decreases in notes and accounts receivable – trade and inventories, collection of accounts receivable recorded in the previous fiscal year (dividends received from ViiV Healthcare, included in “Other” in current assets), and an increase in cash and deposits. Non-current assets increased ¥3,707 million to ¥346,658 million, mainly due to an increase in investment securities as a result of higher stock prices.

Total liabilities decreased ¥9,804 million from the end of the previous fiscal year to ¥114,212 million. Current liabilities decreased ¥10,711 million to ¥57,082 million, mainly due to the payment of income taxes payable and consumption taxes payable (included in “Other” in current liabilities). Non-current liabilities increased ¥907 million to ¥57,129 million.

Net assets increased ¥17,958 million from the end of the previous fiscal year to ¥496,841 million. Shareholders' equity increased ¥12,268 million to ¥459,517 million as a result of factors including an increase from profit attributable to owners of parent and a decrease due to cash dividends paid. Accumulated other comprehensive income increased ¥5,531 million to ¥32,541 million, mainly because of an increase in valuation difference on available-for-sale securities due to higher stock prices and an increase in foreign currency translation adjustment due to the positive effect of currency translation. Subscription rights to shares increased ¥81 million to ¥352 million and non-controlling interests increased ¥77 million to ¥4,430 million.

2) Cash Flow

Net cash provided by operating activities during the six months ended September 30, 2015 was ¥41,151 million. Principal factors providing cash included income before income taxes of ¥34,648 million, depreciation and amortization of ¥5,970 million, amortization of goodwill of ¥1,661 million, and dividends on ViiV Healthcare stock. Uses of cash included income taxes paid. As a result, net cash provided by operating activities increased ¥18,804 million compared with the same period of the previous fiscal year.

Net cash used in investing activities was ¥19,150 million, a decrease of ¥8,643 million compared with the same period of the previous fiscal year, mainly due to payments into time deposits and purchase of property, plant and equipment.

Net cash used in financing activities was ¥9,313 million, a decrease of ¥18,748 million from the same period of the previous fiscal year, due to factors including cash dividends paid of ¥9,107 million.

As a result, cash and cash equivalents at the end of the second quarter totaled ¥91,651 million, an increase of ¥12,929 million from the end of the previous fiscal year.

(3) Description of Consolidated Financial Forecast

Based on recent performance trends, the Shionogi Group has revised its financial forecast for the fiscal year ending March 31, 2016, released on May 11, 2015, as follows.

1) Revisions of Financial Forecast

Revised forecasts for the year ending March 31, 2016

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Earnings per share
	<i>Millions of yen</i>	<i>Millions of yen</i>	<i>Millions of yen</i>	<i>Millions of yen</i>	<i>Yen</i>
Previous forecast (A)	296,000	72,500	79,500	52,000	159.72
New forecast (B)	301,500	78,000	88,000	59,000	181.22
Change (B-A)	5,500	5,500	8,500	7,000	—
Percentage change (%)	1.9	7.6	10.7	13.5	—
(reference) For the year ended March 31, 2015	273,991	50,365	77,880	44,060	132.67

2) Reasons for Revision of Financial Forecast

Regarding net sales, overall sales are expected to increase, as solid expansion in global sales of Tivicay and Triumeq is boosting royalty income. As for profits, in addition to the aforementioned increase in royalty income, an increase in dividends from ViiV Healthcare is forecast, and increases in operating income, ordinary income and profit attributable to owners of parent are expected for the fiscal year.

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 Business Combinations, etc.

Effective April 1, 2015, the Company has applied "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on September 13, 2013) and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on September 13, 2013). As a result, the method of recording the amount of difference caused by changes in the Company's ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to record it as capital surplus, and the method of recording acquisition-related costs was changed to recognition as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after April 1, 2015, the accounting method was changed to reflect the reviewed acquisition cost allocation resulting from the finalization of the tentative accounting treatment in the quarterly consolidated financial statements for the quarterly period in which the business combination occurs. In addition, the presentation of net income has been changed, and the presentation of minority interests has been changed to non-controlling interests. The second quarter ended September 30, 2014 and fiscal year ended March 31, 2015 have been reclassified on the quarterly consolidated financial statements and consolidated financial statements to reflect the change in presentation.

In the consolidated statements of cash flows, the classification of cash flows has been changed to record cash flows related to purchase or sale of investments in subsidiaries not involving changes in the scope of consolidation in "Net cash provided by (used in) financing activities," and to record expenses associated with purchase of investments in subsidiaries involving changes in the scope of consolidation, or cash flows related to expenses associated with purchase or sale of investments in subsidiaries not involving changes in the scope of consolidation, in "Net cash provided by (used in) operating activities."

The Accounting Standard for Business Combinations, etc. is applied from April 1, 2015 into the future in accordance with the transitional measures provided in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures.

The Company has applied the transitional treatment stipulated in Article 26-4 of the Practical Guidelines on Accounting Standards for Preparing Consolidated Statements of Cash Flows, and did not reclassify comparative information in the consolidated statements of cash flows.

These changes have no material effect on the quarterly consolidated financial statements for the six months ended September 30, 2015.

Application of Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

Effective April 1, 2015, the Company has applied "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force ("PITF") No. 18, issued March 26, 2015). In accordance with the transitional measures provided in PITF No. 18, U.S. subsidiary Shionogi Inc. amortizes goodwill for which it has selected amortization treatment based on Financial Accounting Standards Board ("FASB") Accounting Standards Codification, Topic 350, "Intangibles—Goodwill and Other" using the remaining amortization period of goodwill on the consolidated financial statements.

There is no effect on the quarterly consolidated financial statements.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

Millions of yen

	As of March 31, 2015	As of September 30, 2015
Assets		
Current assets		
Cash and deposits	50,784	74,199
Notes and accounts receivable-trade	70,584	63,981
Short-term investment securities	58,700	61,500
Merchandise and finished goods	18,943	19,318
Work in process	11,786	9,776
Raw materials and supplies	13,751	13,579
Other	35,425	22,065
Allowance for doubtful accounts	(28)	(27)
Total current assets	259,948	264,394
Non-current assets		
Property, plant and equipment	77,022	78,162
Intangible assets		
Goodwill	46,534	44,998
Other	33,794	32,135
Total intangible assets	80,328	77,133
Investments and other assets		
Investment securities	158,339	162,099
Other	27,323	29,306
Allowance for doubtful accounts	(62)	(43)
Total investments and other assets	185,600	191,362
Total non-current assets	342,951	346,658
Total assets	602,900	611,053
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,572	11,011
Income taxes payable	16,447	11,722
Provision for bonuses	8,315	7,284
Provision for sales returns	2,873	2,571
Other provision	45	—
Other	28,540	24,492
Total current liabilities	67,794	57,082
Non-current liabilities		
Bonds payable	20,094	20,084
Long-term loans payable	10,000	10,000
Net defined benefit liability	9,901	9,755
Other	16,226	17,289
Total non-current liabilities	56,222	57,129
Total liabilities	124,016	114,212

Millions of yen

	As of March 31, 2015	As of September 30, 2015
Net assets		
Shareholders' equity		
Capital stock	21,279	21,279
Capital surplus	20,227	20,227
Retained earnings	455,497	467,762
Treasury stock	(49,754)	(49,751)
Total shareholders' equity	447,249	459,517
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	28,675	31,155
Deferred gains or losses on hedges	—	(146)
Foreign currency translation adjustment	3,843	5,756
Remeasurements of defined benefit plans	(5,508)	(4,225)
Total accumulated other comprehensive income	27,010	32,541
Subscription rights to shares	270	352
Non-controlling interests	4,353	4,430
Total net assets	478,883	496,841
Total liabilities and net assets	602,900	611,053

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

Consolidated statements of income

Millions of yen

	Six months ended September 30, 2014	Six months ended September 30, 2015
Net sales	129,842	138,279
Cost of sales	38,146	36,451
Gross profit	91,695	101,828
Selling, general and administrative expenses	68,976	67,894
Operating income	22,719	33,933
Non-operating income		
Interest income	241	338
Dividends income	7,061	718
Other	3,171	746
Total non-operating income	10,474	1,803
Non-operating expenses		
Interest expenses	180	107
Contribution	528	407
Other	1,069	431
Total non-operating expenses	1,778	945
Ordinary income	31,415	34,791
Extraordinary income		
Gain on sales of investment securities	67	1,757
Gain on transfer of business	179	—
Total extraordinary income	246	1,757
Extraordinary loss		
Settlement package	—	1,900
Total extraordinary losses	—	1,900
Income before income taxes	31,661	34,648
Income taxes-current	9,078	10,728
Income taxes for prior periods	13,842	—
Income taxes-deferred	(1,003)	2,538
Total income taxes	21,917	13,266
Profit	9,744	21,381
Profit (loss) attributable to non-controlling interests	33	(4)
Profit attributable to owners of parent	9,710	21,386

Consolidated statements of comprehensive income

Millions of yen

	Six months ended September 30, 2014	Six months ended September 30, 2015
Profit	9,744	21,381
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,655)	2,480
Deferred gains or losses on hedges	(182)	(146)
Foreign currency translation adjustment	3,260	1,995
Remeasurements of defined benefit plans	638	1,283
Total other comprehensive income	61	5,613
Comprehensive income	9,805	26,995
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,050	26,917
Comprehensive income attributable to non-controlling interests	(245)	77

(3) Consolidated statements of cash flows

Millions of yen

	Six months ended September 30, 2014	Six months ended September 30, 2015
Net cash provided by (used in) operating activities		
Income before income taxes	31,661	34,648
Depreciation and amortization	6,294	5,970
Amortization of goodwill	1,406	1,661
Loss (gain) on disposal of property, plant and equipment	2	(0)
Loss (gain) on sales of investment securities	(67)	(1,757)
Loss (gain) on transfer of business	(179)	—
Interest and dividends income	(7,303)	(1,056)
Interest expenses	180	107
Foreign exchange losses (gains)	(2,879)	101
Decrease (increase) in notes and accounts receivable-trade	45	6,595
Decrease (increase) in inventories	(1,927)	1,800
Increase (decrease) in notes and accounts payable-trade	1,232	661
Other, net	(1,468)	(6,113)
Subtotal	26,998	42,619
Interest and dividends income received	7,245	14,357
Interest expenses paid	(211)	(99)
Income taxes (paid) refund	(11,685)	(15,726)
Net cash provided by (used in) operating activities	22,346	41,151
Net cash provided by (used in) investing activities		
Payments into time deposits	(5,270)	(17,119)
Proceeds from withdrawal of time deposits	5,236	5,748
Purchase of short-term investment securities	(18,000)	(7,500)
Proceeds from redemption of short-term investment securities	—	5,000
Purchase of property, plant and equipment	(6,592)	(3,416)
Proceeds from sales of property, plant and equipment	0	1
Purchase of intangible assets	(1,482)	(3,021)
Purchase of investment securities	(1,924)	(46)
Proceeds from sales of investment securities	152	2,128
Payments of short-term loans receivable	—	(370)
Purchase of investments in subsidiaries	(23)	—
Payments for investments in capital of subsidiaries and associates	—	(543)
Proceeds from transfer of business	221	—
Other, net	(110)	(11)
Net cash provided by (used in) investing activities	(27,794)	(19,150)
Net cash provided by (used in) financing activities		
Repayment of long-term loans payable	—	(38)
Redemption of bonds	(20,000)	—
Cash dividends paid	(8,030)	(9,107)
Other, net	(31)	(167)
Net cash provided by (used in) financing activities	(28,061)	(9,313)
Effect of exchange rate change on cash and cash equivalents	711	242
Net increase (decrease) in cash and cash equivalents	(32,797)	12,929
Cash and cash equivalents at beginning of period	108,338	78,722
Cash and cash equivalents at end of period	75,540	91,651

(4) Notes

Going concern assumption

None

Significant changes in shareholders' equity

None