



## Financial Results for Fiscal Year 2017 (Consolidated)

May 9, 2018

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

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Scheduled date of Annual General Meeting of Shareholders: June 20, 2018

Scheduled date of dividend payments: June 21, 2018

Scheduled date of annual securities report submission: June 20, 2018

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, 2017 to March 31, 2018

#### (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, 2018	344,667	1.7	115,219	6.5	138,692	12.7	108,866	29.8
Year ended March 31, 2017	338,890	9.3	108,178	18.3	123,031	22.0	83,879	25.8

Reference: Comprehensive income : Year ended March 31, 2018: 130,573 million yen (88.2%)

Year ended March 31, 2017: 69,398 million yen (30.6%)

	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, 2018	342.71	337.43	19.4	19.9	33.4
Year ended March 31, 2017	259.88	255.87	16.3	18.8	31.9

Reference: Equity in earnings (losses) of affiliates: Year ended March 31, 2018: — million yen Year ended March 31, 2017: — 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, 2018	722,500	604,840	83.2	1,911.36
As of March 31, 2017	670,271	526,211	77.9	1,638.46

Reference: Shareholders' equity As of March 31, 2018: 600,847 million yen As of March 31, 2017: 522,320 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, 2018	129,790	(51,238)	(53,893)	172,400
Year ended March 31, 2017	111,903	(31,643)	(57,411)	149,324

### 2. Dividends

(Date of record)	Dividends per share					Total dividends (Annual)	Payout ratio (Consolidated)	Ratio of dividends to net assets
	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, 2017	—	34.00	—	38.00	72.00	23,184	27.7	4.5
Year ended March 31, 2018	—	38.00	—	44.00	82.00	25,946	23.9	4.6
Year ending March 31, 2019 (forecast)	—	44.00	—	44.00	88.00		24.9	

### 3. Consolidated financial forecast for the year ending March 31, 2019

(% 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, 2018	164,000	(4.7)	44,500	(20.2)	54,500	(16.9)	43,100	(14.4)	137.11
Year ending March 31, 2019	346,500	0.5	119,000	3.3	140,000	0.9	111,000	2.0	353.10

## ※ 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, 2018: 324,136,165 shares

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

b) Number of treasury stock

As of March 31, 2018: 9,780,027 shares

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

c) Average number of shares issued during the period

As of March 31, 2018: 317,660,484 shares

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

## (Reference) Non-consolidated financial results

### Non-consolidated results for the period from April 1, 2017 to March 31, 2018

(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, 2018	315,941	3.5	116,907	7.7	117,534	8.7	89,135	209.9
Year ended March 31, 2017	305,256	7.7	108,513	6.2	108,113	4.3	28,767	(61.6)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
Year ended March 31, 2018	280.60	276.26
Year ended March 31, 2017	89.13	87.72

(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, 2018	596,028	500,510	83.9	1,590.50
As of March 31, 2017	570,731	451,572	79.0	1,415.22

Reference: Shareholders' equity As of March 31, 2018: 499,983 million yen As of March 31, 2017: 451,156 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 10, 2018. Plans are also in place to post audio explanatory details together with financial results explanatory materials distributed to analysts on May 10, 2018 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, 2018

#### 1) Sales and profit

Net sales were ¥344.7 billion, a 1.7 percent increase year on year. Domestic prescription drug sales, the main component of net sales, were ¥139.2 billion (11.9 percent decrease), but royalty income of ¥155.0 billion (34.0 percent increase) contributed to sales growth.

Operating income increased 6.5 percent to ¥115.2 billion, a record for the third consecutive year. Despite higher selling expenses for new products, growth in sales led to the increase in operating income.

Ordinary income increased 12.7 percent to ¥138.7 billion, a record for the sixth consecutive year, largely because of 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 29.8 percent to ¥108.9 billion, exceeding ¥100.0 billion for the first time and setting a record for the second consecutive year, reflecting the increases in operating income and ordinary income.

#### ■ Domestic sales of prescription drugs

Domestic sales of prescription drugs decreased 11.9 percent to ¥139.2 billion as a result of the launch of generic versions of Crestor and Irbetan. Shionogi defined Cymbalta, Intuniv, Symproic and Xofluza as new strategic products beginning in the fiscal year under review, and focused its management resources on strategic products and new products. As a result, sales of strategic products totaled ¥28.4 billion (49.5 percent increase) and sales of new products amounted to ¥48.6 billion (24.2 percent increase).

In addition, Shionogi began sales of Xofluza, an anti-flu drug, during the fiscal year ended March 31, 2018.

#### ■ Exports/Overseas subsidiary sales

Sales from overseas business decreased 19.1 percent to ¥23.6 billion.

In overseas business, Symproic, the first drug that Shionogi developed simultaneously in Japan, the United States and Europe, was launched in the United States. By taking full advantage of cooperation with Purdue Pharma L.P. in the United States, Shionogi has established an efficient marketing system using fewer of its own management resources.

#### ■ Royalty income and dividend income from ViiV

Global sales of the anti-HIV drug Tivicay and the combination drug Triumeq, which Shionogi licensed to ViiV, expanded steadily, and royalties from ViiV increased 41.2 percent to ¥103.5 billion. As was the case in the previous fiscal year, dividend income from ViiV increased during the fiscal year ended March 31, 2018, due to strong global sales of anti-HIV drugs.

During the fiscal year ended March 31, 2018, Shionogi also received payments from Switzerland-based Roche in connection with progress in development of anti-flu drug Xofluza.

Royalties on Crestor sales from UK-based AstraZeneca decreased 31.6 percent to ¥22.6 billion, but total royalties and dividend income increased 36.2 percent to ¥180.1 billion.

## 2) Research and development

### ■ Discovery research and CMC research\*1

During the fiscal year ended March 31, 2018, Shionogi worked to continuously create development candidates and products under development mainly in its two core therapeutic areas of infectious diseases and pain/CNS. As a result, in the area of infectious diseases, Shionogi created an anti-HIV drug candidate with a novel mechanism of action and S-004992, a drug candidate for tuberculosis. In the pain/CNS area, Shionogi discovered S-637880, a drug candidate for neuropathic pain.

Shionogi has also initiated numerous peptide discovery programs in the area of medium-sized molecules in addition to small molecules, and created an adjuvant for vaccines\*2 from its nucleic acid drug discovery platform.

Shionogi also moved S-770108 (pirfenidone inhalant), a drug candidate for idiopathic pulmonary fibrosis, into the clinical trial stage by utilizing its proprietary formulation technology for inhalation drug delivery systems.

In small-molecule API manufacturing technologies, Shionogi succeeded in reducing raw material costs by approximately half by incorporating an oxidation and reduction reaction using visible light into synthetic pathways. For manufacturing technology for medium-sized molecule APIs, Shionogi successfully shortened the reaction time in the manufacturing process of cancer peptide vaccine S-288301 to approximately 1/40 using microwave irradiation.

\*1 CMC research: Research that integrates API process research, formulation development research and quality evaluation research

\*2 Adjuvant: A substance that enhances the effect of drugs with a non-specific immunostimulatory action

### ■ Development

In the fiscal year ended March 31, 2018, by prioritizing investment of management resources in Xofluza, a new anti-flu drug, Shionogi filed for approval under the Sakigake designation system\*3 on October 25, 2017, and obtained approval on February 23, 2018. Shionogi launched Xofluza on March 14, 2018, contributing to quickly bringing this innovative drug to patients.

For cefiderocol, a drug candidate for multidrug-resistant gram-negative bacterial infection, Shionogi has been conducting a study on gram-negative carbapenem-resistant bacterial infections to maximize the value of cefiderocol amid the increasingly serious worldwide problem of antimicrobial resistance (AMR).

Shionogi obtained approval for abuse-deterrent OxyContin TR tablets\*4 in August 2017, and began sales in December 2017. Shionogi filed applications in the United States and Europe for approval of Mulpleta, a treatment for thrombocytopenia, which has already been launched in Japan.

Shionogi began phase III clinical trials of Xofluza in a granular formulation to maximize its value. For Cymbalta, Shionogi began phase III clinical trials for the indication of pediatric depression.

\*3 Sakigake designation system: A part of Japan's Revitalization Strategy, this system designates pharmaceutical products that are being developed ahead of other countries and have shown exceptional efficacy in the early clinical trial stage. It is aimed at facilitating their early commercialization through various kinds of support.

\*4 Abuse-deterrent OxyContin TR tablets: A time-release formulation designed to prevent drug abuse

## (2) Financial Position for the Fiscal Year Ended March 31, 2018

As of March 31, 2018, total assets were ¥722,500 million, an increase of ¥52,228 million from a year earlier.

Current assets increased ¥47,881 million, reflecting an increase in cash and deposits and short-term investment securities for surplus fund management. Non-current assets increased ¥4,347 million, as sales rights decreased due to amortization but investment securities increased mainly due to higher stock prices.

Total liabilities were ¥117,659 million, a decrease of ¥26,400 million from a year earlier.

Current liabilities decreased ¥18,028 million, mainly due to increases in income taxes payable and accounts payable (included in "Other" in current liabilities). Non-current liabilities decreased ¥8,371 million.

Net assets were ¥604,840 million, an increase of ¥78,629 million from a year earlier.

Shareholders' equity increased ¥56,811 million, largely reflecting the increase due to profit attributable to owners of parent, a decrease due to cash dividends paid, and changes due to purchase and cancellation of treasury stock.

Accumulated other comprehensive income increased ¥21,715 million, mainly due to higher stock prices. Subscription rights to shares increased ¥110 million to ¥527 million and non-controlling interests decreased ¥8 million to ¥3,466 million.

### (3) Cash Flows for the Fiscal Year Ended March 31, 2018

Net cash provided by operating activities during the fiscal year ended March 31, 2018 was ¥129,790 million, an increase of ¥17,887 million from the previous fiscal year. Factors included the increase in income before income taxes, an increase in interest and dividend income, and an increase in income taxes paid.

Net cash used in investing activities was ¥51,238 million, a decrease of ¥19,595 million due to an increase in repayment of time deposits with terms of more than three months.

Net cash used in financing activities was ¥53,893 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 ¥23,076 million to ¥172,400 million.

#### Cash flow indicators

	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018
Net worth ratio	79.9%	78.7%	79.6%	77.9%	83.2%
Net worth ratio on market value basis	110.3%	216.3%	269.6%	273.4%	238.9%
Interest-bearing liabilities/Cash flow ratio	0.4	0.2	0.1	0.1	0.1
Interest coverage ratio (times)	87.3	145.1	533.6	538.5	238.0

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, 2019 is as follows.

	<i>Millions of yen</i>			
	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Year ending March 31, 2019	346,500	119,000	140,000	111,000
Year ended March 31, 2018	344,667	115,219	138,692	108,866
Percentage increase(decrease)	0.5	3.3	0.9	2.0

Shionogi is projecting an increase in net sales because of an expected increase in royalty income for Tivicay and Triumeq and the start of full-scale sales of Xofluza.

Expenses are projected to rise due to vigorous research and development activities, 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

	<i>Millions of yen</i>	
	As of March 31, 2017	As of March 31, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	107,847	140,106
Notes and accounts receivable-trade	59,336	53,240
Short-term investment securities	98,800	124,300
Merchandise and finished goods	19,152	14,716
Work in process	8,294	6,993
Raw materials and supplies	13,940	12,926
Deferred tax assets	11,347	11,761
Other	24,700	27,257
Allowance for doubtful accounts	(34)	(36)
Total current assets	343,384	391,266
Non-current assets		
Property, plant and equipment		
Buildings and structures	119,587	118,546
Accumulated depreciation	(69,285)	(69,820)
Buildings and structures, net	50,302	48,725
Machinery, equipment and vehicles	83,446	85,228
Accumulated depreciation	(71,728)	(72,633)
Machinery, equipment and vehicles, net	11,717	12,595
Land	8,410	8,352
Construction in progress	2,873	1,057
Other	38,240	38,942
Accumulated depreciation	(32,756)	(33,718)
Other, net	5,484	5,224
Total property, plant and equipment	78,788	75,956
Intangible assets		
Goodwill	37,630	32,852
Sales rights	49,969	38,073
Other	3,525	4,134
Total intangible assets	91,125	75,060
Investments and other assets		
Investment securities	135,970	155,675
Net defined benefit asset	18,407	21,735
Other	2,637	2,848
Allowance for doubtful accounts	(42)	(42)
Total investments and other assets	156,972	180,216
Total non-current assets	326,886	331,233
<b>Total assets</b>	<b>670,271</b>	<b>722,500</b>



	As of March 31, 2017	As of March 31, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	11,943	8,016
Current portion of long-term loans payable	—	10,000
Income taxes payable	28,746	19,513
Provision		
Provision for bonuses	9,182	8,741
Provision for sales returns	1,565	1,360
Other provision	110	105
Total provisions	10,859	10,207
Other	39,046	24,829
Total current liabilities	90,595	72,566
Non-current liabilities		
Bonds payable	20,054	18,491
Long-term loans payable	10,000	—
Deferred tax liabilities	9,372	14,159
Net defined benefit liability	9,581	8,096
Other	4,456	4,344
Total non-current liabilities	53,464	45,092
Total liabilities	144,059	117,659
<b>Net assets</b>		
Shareholders' equity		
Capital stock	21,279	21,279
Capital surplus	20,227	20,227
Retained earnings	508,049	574,392
Treasury stock	(27,110)	(36,641)
Total shareholders' equity	522,445	579,257
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	25,041	35,856
Deferred gains or losses on hedges	122	1,174
Foreign currency translation adjustment	(20,026)	(15,330)
Remeasurements of defined benefit plans	(5,262)	(111)
Total accumulated other comprehensive income	(125)	21,589
Subscription rights to shares	416	527
Non-controlling interests	3,474	3,466
Total net assets	526,211	604,840
Total liabilities and net assets	670,271	722,500

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

	<i>Millions of yen</i>	
	Year ended March 31, 2017	Year ended March 31, 2018
Net sales	338,890	344,667
Cost of sales	77,777	73,911
Gross profit	261,113	270,756
Selling, general and administrative expenses	152,934	155,537
Operating income	108,178	115,219
Non-operating income		
Interest income	808	1,167
Dividends income	18,031	26,535
Other	472	623
Total non-operating income	19,312	28,326
Non-operating expenses		
Interest expenses	220	557
Foreign exchange losses	1,305	1,415
Contribution	1,031	1,020
Loss on retirement of non-current assets	542	577
Litigation expenses	758	534
Other	602	747
Total non-operating expenses	4,459	4,852
Ordinary income	123,031	138,692
Extraordinary income		
Gain on sales of investment securities	2,182	—
Total extraordinary income	2,182	—
Extraordinary losses		
Loss on valuation of investment securities	—	794
Impairment loss	359	519
Business structure improvement expenses	2,158	—
Total extraordinary losses	2,517	1,314
Income before income taxes	122,695	137,378
Income taxes-current	35,745	30,152
Income taxes-deferred	3,339	(1,562)
Total income taxes	39,084	28,589
Profit	83,610	108,788
Loss attributable to non-controlling interests	(268)	(78)
Profit attributable to owners of parent	83,879	108,866

**Consolidated statements of comprehensive income**

*Millions of yen*

	Year ended March 31, 2017	Year ended March 31, 2018
Profit	83,610	108,788
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,706)	10,815
Deferred gains or losses on hedges	122	1,052
Foreign currency translation adjustment	(13,035)	4,765
Remeasurements of defined benefit plans	407	5,151
Total other comprehensive income	(14,212)	21,784
Comprehensive income	69,398	130,573
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	70,009	130,581
Comprehensive income attributable to non-controlling interests	(611)	(8)

### (3) Consolidated statements of changes in net assets

Year ended March 31, 2017

	<i>Millions of yen</i>				
	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

	<i>Millions of yen</i>							
	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

Year ended March 31, 2018

	<i>Millions of yen</i>				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	21,279	20,227	508,049	(27,110)	522,445
Changes of items during period					
Dividends of surplus			(24,228)		(24,228)
Profit attributable to owners of parent			108,866		108,866
Purchase of treasury stock				(29,369)	(29,369)
Disposal of treasury stock		437		1,105	1,543
Retirement of treasury stock		(18,732)		18,732	—
Other		18,295	(18,295)		—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	66,342	(9,531)	56,811
Balance at the end of current period	21,279	20,227	574,392	(36,641)	579,257

	<i>Millions of yen</i>							
	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	25,041	122	(20,026)	(5,262)	(125)	416	3,474	526,211
Changes of items during period								
Dividends of surplus								(24,228)
Profit attributable to owners of parent								108,866
Purchase of treasury stock								(29,369)
Disposal of treasury stock								1,543
Retirement of treasury stock								—
Other								—
Net changes of items other than shareholders' equity	10,815	1,052	4,696	5,151	21,715	110	(8)	21,817
Total changes of items during period	10,815	1,052	4,696	5,151	21,715	110	(8)	78,629
Balance at the end of current period	35,856	1,174	(15,330)	(111)	21,589	527	3,466	604,840

**(4) Consolidated statements of cash flows**

*Millions of yen*

	Year ended March 31, 2017	Year ended March 31, 2018
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes	122,695	137,378
Depreciation and amortization	13,362	15,972
Impairment loss	359	519
Amortization of goodwill	2,978	3,035
Loss (gain) on disposal of property, plant and equipment	536	572
Loss (gain) on sales of investment securities	(2,182)	—
Loss (gain) on valuation of investment securities	14	794
Increase (decrease) in net defined benefit liability	1,976	2,610
Interest and dividends income	(18,840)	(27,702)
Interest expenses	220	557
Foreign exchange losses (gains)	812	3,070
Decrease (increase) in notes and accounts receivable-trade	5,803	5,974
Decrease (increase) in inventories	625	6,552
Increase (decrease) in notes and accounts payable-trade	893	(3,811)
Increase (decrease) in accrued expenses	1,749	(5,143)
Increase (decrease) in accounts payable-other	322	1,695
Other, net	1,548	(4,895)
<b>Subtotal</b>	<b>132,876</b>	<b>137,182</b>
Interest and dividends income received	13,274	31,773
Interest expenses paid	(207)	(545)
Income taxes (paid) refund	(34,040)	(38,620)
<b>Net cash provided by (used in) operating activities</b>	<b>111,903</b>	<b>129,790</b>
<b>Net cash provided by (used in) investing activities</b>		
Payments into time deposits	(37,626)	(85,439)
Proceeds from withdrawal of time deposits	33,354	57,771
Purchase of short-term investment securities	(16,987)	(30,300)
Proceeds from sales and redemption of securities	12,487	24,500
Purchase of investment securities	(31)	(2,917)
Proceeds from sales of investment securities	1	2,291
Purchase of property, plant and equipment	(10,434)	(5,880)
Proceeds from sales of property, plant and equipment	22	112
Purchase of intangible assets	(12,825)	(11,132)
Other, net	396	(244)
<b>Net cash provided by (used in) investing activities</b>	<b>(31,643)</b>	<b>(51,238)</b>

*Millions of yen*

	Year ended March 31, 2017	Year ended March 31, 2018
Net cash provided by (used in) financing activities		
Purchase of treasury stock	(35,014)	(29,369)
Cash dividends paid	(22,112)	(24,235)
Other, net	(284)	(288)
Net cash provided by (used in) financing activities	(57,411)	(53,893)
Effect of exchange rate change on cash and cash equivalents	(1,268)	(1,581)
Net increase (decrease) in cash and cash equivalents	21,580	23,076
Cash and cash equivalents at beginning of period	127,743	149,324
Cash and cash equivalents at end of period	149,324	172,400

**(5) Notes**

**Going concern assumption**

None

**Notes to segment information**

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017) and Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

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, 2017	Year ended March 31, 2018
Net assets per share	1,638.46 yen	1,911.36 yen
Earnings per share	259.88 yen	342.71 yen
Earnings per share (diluted)	255.87 yen	337.43 yen

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

Item	Year ended March 31, 2017	Year ended March 31, 2018
<i>Earnings per share</i>		
<i>Profit attributable to owners of parent</i>	83,879 million yen	108,866 million yen
<i>The amount which is not attributable to ordinary shareholders</i>	—	—
<i>Profit attributable to owners of parent related to common stocks</i>	83,879 million yen	108,866 million yen
<i>Average number of shares outstanding during the period</i>	322,767 thousands of stocks	317,660 thousands of stocks
<i>Earnings per share (diluted)</i>		
<i>Adjustments to profit attributable to owners of parent</i>	(13) million yen	(13) million yen
<i>[Interest income, net tax]</i>	[(13) million yen]	[(13) million yen]
<i>Increase of common stock</i>	5,002 thousands of stocks	4,935 thousands of stocks
<i>[Bonds payable]</i>	[4,799 thousands of stocks]	[4,713 thousands of stocks]
<i>[Subscription rights to shares]</i>	[203 thousands of stocks]	[221 thousands of stocks]

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

Item	As of March 31, 2017	As of March 31, 2018
<i>Total net assets</i>	526,211 million yen	604,840 million yen
<i>Amount deducted from total net assets</i>	3,891 million yen	3,993 million yen
<i>[Amounts attributed to Subscription rights to shares in total net assets]</i>	[416 million yen]	[527 million yen]
<i>[Amounts attributed to non-controlling interests in total net assets]</i>	[3,474 million yen]	[3,466 million yen]
<i>Net assets at year end available to common stocks</i>	522,320 million yen	600,847 million yen
<i>Shares outstanding as of the period end</i>	318,788 thousands of stocks	314,356 thousands of stocks

## Important subsequent events

(Establishment of significant subsidiary, etc.)

At the Board of Directors meeting held on April 23, 2018, Shionogi resolved to establish a new wholly owned subsidiary as follows.

### (1) Purpose of establishment

The new subsidiary will be in charge of manufacturing functions in the Shionogi Group. It will promote the innovative development of manufacturing technology to ensure both the high-quality and cost-competitiveness of the medicines that Shionogi creates, making them available to patients around the world in a reliable manner.

### (2) Outline of subsidiary to be established

- 1) Company name: To be determined
- 2) Location of head office: Settsu, Osaka (Planned)
- 3) Business description: Manufacturing of pharmaceutical products, contract manufacturing of investigational drug products, etc.
- 4) Date of establishment: October 1, 2018 (Planned)
- 5) Date of commencement of operations: April 1, 2019 (Planned)
- 6) Investment ratio: 100%

Details other than those specified above are undecided at this time.