Translation for reference only

Items Disclosed on Internet Concerning Notice of Convocation of the 149th Annual General Meeting of Shareholders

Notes to Consolidated Financial Statements

Notes to Non-Consolidated Financial Statements

SHIONOGI & CO., LTD.

Pursuant to the Companies Act and Article 14 of Shionogi's Articles of Incorporation, the above are available to shareholders through our Internet website (http://www.shionogi.co.jp/en/)

Notes on Consolidated Financial Statements

(Significant Basic Items for Preparing Consolidated Financial Statement)

1. Scope of consolidation

Number of consolidated subsidiaries: 37

Names of significant consolidated subsidiaries

Shionogi Inc., Shionogi Ltd., Taiwan Shionogi & Co., Ltd.,
C&O Pharmaceutical Technology (Holdings), Limited

(Newly consolidated) Subsidiaries newly consolidated: 5

2. Application of equity method

(1) Number of unconsolidated subsidiaries and affiliates accounted for by the equity method

No unconsolidated subsidiaries were accounted for by the equity method.

Number of affiliate companies accounted for by the equity method: 3

These companies' fiscal year-end dates differ from the consolidated fiscal year-end date, therefore the financial statements for their respective fiscal years have been used.

(2) That portion of the net profit (loss) of the affiliates not accounted for by the equity method which was attributable to the Company in proportion to its shareholding ratio had no significant effect on the consolidated net income of the Company for the current period.

3. Closing date of consolidated subsidiaries

Thirty one consolidated subsidiaries are overseas consolidated subsidiaries.

Eighteen of these overseas consolidated subsidiaries close their accounts on December 31. In preparing the consolidated financial statements, the financial statements of these subsidiaries as of December 31 are used.

Moreover, one of these overseas consolidated subsidiaries close their accounts on June 30. In preparing the consolidated financial statements, the financial statements of these subsidiaries as of December 31 are used.

The necessary adjustments have been made to reflect any significant transactions occurring between this closing date and the date of the consolidated financial statements.

4. Significant accounting policies

(1) Basis and method of valuation of significant assets

1. Securities

・Held-to-maturity securities

Amortized cost method

・Other securities

Market value available

At fair value, based on market price or other appropriate quotation as of period end (Unrealized gain is charged directly to net assets; cost of sales is accounted for by the moving average method.)

Market value not available

At cost determined by the moving average method

(The securities based on the Financial Instruments and Exchange Law article 2.2 are evaluated at their net profit/loss (equity method)).

2. Derivatives

Market value method

3. Inventories

Inventories are mainly stated at the lower of cost, determined by the average method, or net selling value.

(2) Depreciation method of significant depreciable assets

1. Property, plant and equipment (excluding lease assets)
   Items are depreciated by the straight-line method
2. Intangible assets (excluding lease assets)
   Items are depreciated by the straight-line method
   Expenditures related to computer software intended for internal use are amortized over the useful life of the respective assets (in general, 5 years).
3. Lease assets
   For lease transactions not involving transfer ownership, lease assets are depreciated over their useful lives using the straight-line method until the residual value reaches zero.
   However, the Company continues to account for finance lease transactions not involving the transfer of ownership that were concluded prior to the beginning of the first year when "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13; Business Accounting Council Committee No. 1, June 17, 1993; revised March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16; the Japanese Institute of Certified Public Accountants, Accounting Committee, January 18, 1994; revised March 30, 2007) were applied (April 1, 2008) in a manner similar to the accounting treatment for ordinary operating lease transactions.

(3) Basis for providing significant allowances and provisions

1. Allowance for doubtful accounts
   The allowance for doubtful accounts is provided to cover bad debt loss. The amount provided for general receivables is based on the historical rate of bad debts; for certain receivable accounts of considerable risk, the estimated uncollectible amount is provided as an additional allowance after examining specific possibility of collection.
2. Provision for bonuses
   To prepare for payment of bonuses to employees, a provision for bonuses is provided based on the estimated amount of bonuses to be paid.
3. Provision for sales returns
   The Company provides for loss on product returns in an amount equivalent to the income on the sale of products that the Company estimates will be returned. Certain consolidated subsidiaries provide for loss on product returns in an amount equivalent to the income on the sale of products that they estimate will be returned.

(4) Foreign currency translation

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates in effect as of the balance sheet date. Gain or loss on translation is credited or charged to income; however, assets and liabilities of consolidated overseas subsidiaries are translated into Japanese yen at the spot exchange rates in effect as of the balance sheet dates. Income and expenses of consolidated overseas subsidiaries are translated into Japanese yen at the average exchange rate during the period. Adjustments resulting from translating the foreign currency financial statements are reported as foreign currency translation adjustments and minority interests in net assets in the consolidated balance sheets.

(5) Significant hedge accounting

1. Method of hedge accounting

   In principle, deferred hedge accounting is used. Translation at the contract rate is applied in accounting for forward foreign exchange contracts that meet specified conditions. Hedges that meet conditions for the special treatment of interest-rate swaps are accounted for separately.

2. Hedging instruments and hedged items

   ・Hedging instruments: Forward foreign exchange contracts, currency options and interest-rate swaps

   ・Hedged items: Foreign currency-denominated claims and obligations, forecast transactions and debt

3. Hedging policy

   The Company enters into forward foreign exchange contracts and uses currency options with the objective of hedging the risk of exchange rate fluctuations in connection with its foreign currency-denominated claims and obligations. Additionally, the Company also enters into interest-rate swaps with the objective of hedging the risk of interest rate fluctuations relating to its debt.

4. Methods for evaluating the effectiveness of hedging

   The Company evaluates the effectiveness of its hedging practices by comparing the cash flow fluctuations for hedged items and hedging methods and using changes in both as a basis for its evaluation. However, evaluations concerning the effectiveness of forward foreign exchange contracts accounted for by the allocation method and interest rate swaps accounted for using special treatment are omitted.

(6) Amortization of goodwill

Goodwill is amortized over 20 years using the straight-line method.

(7) Other significant accounting policies

1. Consumption tax

   Amounts reflected in the consolidated financial statements are stated exclusive of consumption tax.

2. Net defined benefit liabilities

   To prepare for the payment of retirement benefits to employees, a provision for retirement benefits is provided based on the retirement benefit liabilities accrued and the expected value of the pension plan assets as of the period end. Prior service cost is amortized by the straight-line method over 10 years, which is within the estimated average remaining years of service of the eligible employees.

   Actuarial gain or loss is proportionally amortized each year following the year in which the gain or loss is recognized principally by the straight-line method over 10 years, which is within the estimated average remaining years of service of the eligible employees.

   Unrecognized actuarial gains and losses and unrecognized prior service costs are recorded in remeasurements of defined benefit plan in accumulated other comprehensive income.

5. Changes in accounting policies

(Application of Accounting Standard for Retirement Benefits, etc.)

Effective from the fiscal year ended March 31, 2014, the Company has adopted “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) (excluding the provisions specified in paragraph 35 of the Accounting Standard for Retirement Benefits and paragraph 67 of the Guidance on Retirement Benefits). The accounting standard and guidance were amended such that the excess of retirement benefit obligations over pension plan assets is recognized as a net defined benefit liability, and the Company recorded previously unrecognized actuarial gains and losses and unrecognized past service cost as net defined benefit liabilities. However, if plan assets exceed retirement benefit obligations, the difference is recognized as a net defined benefit asset in investments and other assets.

The Company has applied the Accounting Standard for Retirement Benefits and the related implementation guidance according to the transitional provisions specified in paragraph 37 of the Accounting Standard for Retirement Benefits. The impact of this change was recognized as an adjustment to remeasurements of defined benefit plan in accumulated other comprehensive income.

As a result, net defined benefit liabilities as of March 31, 2014 were ¥9,967 million, net defined benefit assets were ¥19,047 million, and accumulated other comprehensive income decreased ¥6,588 million.

Net assets per share decreased by 19.67 yen.

6. Changes in presentation of information

(Consolidated Balance Sheets)

Deferred tax assets were formerly included in other in investments and other assets, but is presented separately from the fiscal year ended March 31, 2014 because the amount became material.

(Consolidated statement of income)

(Change in Classification of Litigation Expenses)

Expenses associated with litigation were formerly recognized under selling, general and administrative expenses together with non-litigation legal expenses on the grounds of materiality. However, from the fiscal year ended March 31, 2014, litigation expenses are recognized separately as other under non-operating expenses.

This change was made because the number of lawsuits involving foreign corporations has increased as Shionogi’s business has expanded overseas, the cost of these lawsuits has become material, and the Company expects these expenses to increase going forward as its business becomes more global in scale. Therefore, after an internal review, Shionogi judged that including expenses associated with litigation in non-operating expenses more accurately presents the Company’s position.

The Company has restated its consolidated statements of income for the previous fiscal year to reflect this change.

As a result, ¥716 million of the ¥145,480 million in selling, general and administrative expenses has been reclassified as other under non-operating expenses in the consolidated statements of income for the previous fiscal year. As a result of this change, operating income for the previous fiscal year increased from ¥58,848 million to ¥59,565 million.

(Notes on Consolidated Balance Sheets)

1. All amounts are rounded down to the nearest million yen.
2. Pledged assets

Cash and deposits	7 million yen
Liabilities secured by the above assets	
“Other” of current liabilities	6 million yen

3. Accumulated depreciation amount of property, plant and equipment 177,826 million yen
4. Guaranteed liabilities 6 million yen

(Notes on Consolidated Statements of Income)

1. All amounts are rounded down to the nearest million yen.
2. Gain on sales of non-current assets

   Buildings and land 4,203 million yen
3. Impairment loss

   The Shionogi Group recognized asset impairment as follows.

Location	Use	Class	Amount
Aburahi Facilities (Koka, Shiga Prefecture)	Idle assets	Buildings, etc.	312 million yen
Shionogi Pharma Chemicals Co., Ltd., C4 Building (Tokushima, Tokushima Prefecture)	Idle assets	Construction in progress	565 million yen

The Shionogi Group categorizes assets for business operations into groups that are based on the product lines used in management accounting, and categorizes rental and underutilized assets individually.

Shionogi has decided to dismantle assets at the Aburahi Facilities that will become inactive with the construction of a new animal breeding facility. As a result, Shionogi will record an impairment charge equal to the carrying value of these idle assets. In addition, the C4 building located on the premises of consolidated subsidiary Shionogi Pharma Chemicals Co., Ltd., which is a pharmaceutical research and development and production facility owned by Shionogi, has been classified as an idle asset as its original projects were suspended and there are no immediate plans to use it. Shionogi has recorded an impairment charge equal to the carrying value of this asset.

4. Business structure improvement expenses

   This expense is primarily associated with the restructuring of Shionogi Inc. by its sales of the rights of Naprelan®.
5. Settlement package

   This expense is attributable to a lawsuit brought against Cowen Healthcare Royalty Partners by Shionogi Inc.
6. Loss on penalty

   This expense is attributable to the termination of the agreement between Shionogi Inc. and CaremarkPCS Health, LLC.
7. Loss on disposal of noncurrent assets

   This consists of costs associated with the disposal of idle assets at the Aburahi Facilities.

8. Loss on valuation of inventories

Due to the termination of an agreement for sales of the antibiotic doripenem between the Shionogi Group and Johnson & Johnson, Shionogi has recorded a valuation loss on the portion of inventories transferred to Shionogi that are not available for sale.

(Notes on Consolidated Statement of Changes in Net Assets)

1. Type and number of shares in issue and type and number of shares of treasury stock

(Shares)

	April 1, 2013	Increase	Decrease	March 31, 2014
Shares in issue				
Common stock	351,136,165	-	-	351,136,165
Total	351,136,165	-	-	351,136,165
Treasury stock				
Common stock	16,236,003	6,698	-	16,242,701
Total	16,236,003	6,698	-	16,242,701

Note: The increase in treasury stock reflects 6,698 the purchase of odd-lot shares.

2. Dividends

(1) Dividend payments

Resolution	Category	Total dividends	Dividends per share	Dividend record date	Effective date
Annual General Meeting of Shareholders held on June 26, 2013	Common stock	7,367 million yen	22 yen	March 31, 2013	June 27, 2013
Meeting of Board of directors on October 31, 2013	Common stock	7,367 million yen	22 yen	September 30, 2013	December 2, 2013

(2) Dividends whose effective date is subsequent to March 31, 2014

The following is to be approved at the 149th Annual General Meeting of Shareholders to be held on June 25, 2014.

Resolution	Category	Total dividends	Resolution	Dividends per share	Dividend record date	Effective date
Annual General Meeting of Shareholders to be held on June 25, 2014	Common stock	8,037million yen	Retained earnings	24 yen	March 31, 2014	June 26, 2014

3. Shares Issuable during the Share Subscription Rights Exercise Period as of March 31, 2014
Subscription rights to shares

	FY 2011 Subscription Rights to Shares for Shionogi & Co., Ltd.	FY 2012 Subscription Rights to Shares for Shionogi & Co., Ltd.	FY 2013 Subscription Rights to Shares for Shionogi & Co., Ltd.
Date of resolution issuance	June 24, 2011	June 27, 2012	June 26, 2013
Class of shares to be issued upon exercise of the subscription rights to shares	Common stock	Common stock	Common stock
Number of shares to be issued upon exercise of the subscription rights to shares	45,000	79,100	43,900

Notes: The Stock Acquisition Rights Agreement concluded between the Company and the stock acquisition rights holders stipulates the following during the exercise period:

1. During the stock acquisition rights exercise period, Company directors who are stock acquisition rights holders who cease to be a Company director may only exercise their stock acquisition rights during the 10-day period beginning the day immediately following the date of cessation (if the 10th day is a holiday, the next business day), and may only exercise their stock acquisition rights in full, in a single transaction.
2. During the stock acquisition rights exercise period, Company corporate officers who are stock acquisition rights holders who cease to be a Company corporate officer or whose employment contract with the Company expires (excluding the re-employment contract after retirement) may only exercise their stock acquisition rights during the 10-day period beginning the day immediately following the date of cessation (if the 10th day is a holiday, the next business day), and may only exercise their stock acquisition rights in full, in a single transaction.
   Corporate officers who are stock acquisition rights holders and who are elected as directors may not exercise their stock acquisition rights until they officially retire as directors.

(Notes on Financial Instruments)

1. Matters relating to financial instruments

The Shionogi Group manages surplus capital using financial instruments that carry little or no risk, and procures the required capital from bank loans and bond issues.

As for credit risk of customers concerning notes and accounts receivable-trade, the risk reduction is promoted through the periodical monitoring of counterparty status by the Financial & Accounting Department and related departments in accordance with the established internal procedures. For listed stocks among short-term and long term investments, the Shionogi Group examines their fair value quarterly.

Short-term and long-term loans and bonds are financed based on the business plan to undertake the manufacturing and sales of pharmaceuticals, and the Group performs the fixing of interest cost by carrying out interest rate swap transactions against the interest rate risk for a portion of short-term and long-term loans. For derivatives transactions, the Group uses ordinary transactions in accordance with established internal procedures.

2. Matters relating to fair value of financial instruments

Fair value and difference compared to the carrying value reported in the balance sheets as of March 31, 2014 were as follows. Note 2 provides information on financial instruments that are not included because of the difficulty of determining their fair value.

(Millions of yen)

	Carrying value reported in the balance sheets (*)	Fair value (*)	Difference
(1) Cash and deposits	34,238	34,238	-
(2) Notes and accounts receivable-trade	64,290	64,290	(0)
(3) Short-term and long-term investment securities			
Other marketable securities	162,678	162,678	-
(4) Notes and accounts payable-trade	(9,627)	(9,627)	-
(5) Current portion of bonds	(20,000)	(20,036)	36
(6) Income taxes payable	(12,392)	(12,392)	-
(7) Long-term loans payable	(10,034)	(10,501)	466

(*) Parentheses indicate liabilities.

Notes:

1. Marketable securities and methods for estimating fair value of financial instruments

(1) Cash and deposits

All deposits are short-term. Therefore, carrying value is used for the fair value of deposits because these amounts are essentially the same.

(2) Notes and accounts receivable-trade

Fair value of receivables that require time for recovery is calculated as discounted present value using interest rates adjusted for credit risk and time until redemption for receivables grouped by period. Carrying value is used for the fair value of short-term receivables other than the preceding because these amounts are essentially equivalent.

(3) Short-term and long-term investment securities

Domestic certificates of deposit included in short-term investments are all short term. Therefore, carrying value is used for the fair value of deposits because these amounts are essentially the same. The fair value of short-term investments and investments in securities excluding domestic certificates of deposit is the price listed on securities exchanges or quoted by financial institutions for bonds and the price listed on securities exchanges for equities.

(4) Notes and accounts payable-trade

Carrying value is used for the fair value of these short-term investments because these amounts are essentially equivalent.

(5) Current portion of bonds

The fair value of bonds issued by the Company is estimated based on market prices.

(6) Income taxes payable

Carrying value is used for the fair value of these short-term investments because these amounts are essentially equivalent.

(7) Long-term loans payable

Fair value of long-term loans payable is calculated as the present value of total principal and interest discounted by the estimated interest rates that would be applied if similar new loans were made.

2. Financial instruments for which determining fair value is difficult

(Millions of yen)

Classification	Carrying value reported in the balance sheets
Unlisted stocks	66,940

Financial instruments for which determining fair value is difficult because no market price is available are not included in “(3) Short-term and long-term investment securities”.

(Notes on Amounts per Share)

1. Net assets per share 1,398.78yen
2. Earnings per share 124.91 yen
3. Earnings per share (diluted) 124.85 yen

Notes on Non-consolidated Financial Statements

(Significant Accounting Policies)

1. Basis and method of valuation of significant assets
   (1) Securities
      1. Stocks of subsidiaries and affiliates
         At cost determined by the moving average method
      2. Other securities
         Market value available
            At fair value, based on market price or other appropriate quotation as of period end (Unrealized gain is charged directly to net assets; cost of sales is accounted for by the moving average method.)
         Market value not available
            At cost determined by the moving average method
            (The securities based on the Financial Instruments and Exchange Law article 2.2 are evaluated at their net profit/loss (equity method).)
   (2) Derivatives
      Market value method
   (3) Inventories
      Inventories are stated at the lower of cost, determined by the average method, or net selling value.
2. Method of depreciation for noncurrent assets
   (1) Property, plant and equipment (excluding lease assets)
      Straight-line method
   (2) Intangible assets (excluding lease assets)
      Straight-line method
      Expenditures relating to computer software intended for internal use are amortized over the useful life of the respective assets (in general, 5 years).
   (3) Lease assets
      For lease transactions not involving transfer of ownership, lease assets are depreciated over their useful lives using the straight-line method until the residual value reaches zero.
      However, the Company continues to account for finance lease transactions not involving the transfer of ownership that were concluded prior to the beginning of the first year when "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13; Business Accounting Council Committee No. 1, June 17, 1993; revised March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16; the Japanese Institute of Certified Public Accountants, Accounting Committee, January 18, 1994; revised March 30, 2007) were applied (April 1, 2008) in a manner similar to the accounting treatment for ordinary operating lease transactions.

3. Basis for providing significant allowances and provisions

(1) Allowance for doubtful accounts

The allowance for doubtful accounts is provided to cover bad debt loss. The amount provided for general receivables is based on the historical rate of bad debts; for certain receivable accounts of considerable risk, the estimated uncollectible amount is provided as an additional allowance after examining specific possibility of collection.

(2) Provision for bonuses

To prepare for payment of bonuses to employees, a provision for bonuses is provided based on the estimated amount of bonuses to be paid.

(3) Provision for directors' bonuses

To prepare for payment of bonuses to directors and corporate auditors, a provision for directors' bonuses is provided based on the estimated amount of bonuses to be paid.

(4) Provision for sales returns

The Company provides for loss on product returns in an amount equivalent to the income on the sale of products that the Company estimates will be returned.

(5) Provision for retirement benefits

To prepare for the payment of retirement benefits to employees, a provision for retirement benefits is provided based on the retirement benefit liabilities accrued and the expected value of the pension plan assets as of the period end. Prior service cost is amortized by the straight-line method over 10 years, which is within the estimated average remaining years of service of the eligible employees. Actuarial gain or loss is proportionally amortized each year following the year in which the gain or loss is recognized, principally by the straight-line method over 10 years, which is within the estimated average remaining years of service of the eligible employees.

The method of accounting for unrecognized actuarial gains and losses and unrecognized prior service cost related to retirement benefits differs from the method of accounting for these items in the consolidated financial statements.

4. Foreign currency translation

Monetary receivables and payable denominated in foreign currencies are translated into Japanese yen using the spot exchange rate on the balance sheet date. Gain or loss resulting from translation is credited or charged to income.

5. Significant hedge accounting

(1) Method of hedge accounting

In principle, deferred hedge accounting is used. Translation at the contract rate is applied in accounting for forward foreign exchange contracts that meet specified conditions. Hedges that meet conditions for the special treatment of interest-rate swaps are accounted for separately.

(2) Hedging instruments and hedged items

・Hedging instruments:
Forward foreign exchange contracts, currency options and interest-rate swaps

・Hedged items:
Foreign currency-denominated claims and obligations, forecast transactions and debt

(3) Hedging policy

The Company enters into forward foreign exchange contracts and uses currency options with the objective of hedging the risk of exchange rate fluctuations in connection with its foreign currency-denominated claims and obligations. Additionally, the Company also enters into interest-rate swaps with the objective of hedging the risk of interest rate fluctuations relating to its debt.

(4) Methods for evaluating the effectiveness of hedging

The Company evaluates the effectiveness of its hedging practices by comparing the cash flow fluctuations for hedged items and hedging methods and using changes in both as a basis for its evaluation. However, evaluations concerning the effectiveness of forward foreign exchange contracts accounted for by the allocation method and interest rate swaps accounted for using special treatment are omitted.

6. Consumption tax

Amounts reflected in the non-consolidated financial statements are stated exclusive of consumption tax.

7. Changes in presentation of information

(Statements of Income)

(Change in Classification of Litigation Expenses)

Expenses associated with litigation were formerly recognized under selling, general and administrative expenses together with non-litigation legal expenses on the grounds of materiality. However, from the fiscal year ended March 31, 2014, litigation expenses are recognized separately as other under non-operating expenses.

This change was made because the number of lawsuits involving foreign corporations has increased as Shionogi’s business has expanded overseas, the cost of these lawsuits has become material, and the Company expects these expenses to increase going forward as its business becomes more global in scale. Therefore, after an internal review, Shionogi judged that including expenses associated with litigation in non-operating expenses more accurately presents the Company’s position.

The Company has restated its non-consolidated statements of income for the previous fiscal year to reflect this change.

As a result, ¥179 million of the ¥116,955 million in selling, general and administrative expenses has been reclassified as other under non-operating expenses in the non-consolidated statements of income for the previous fiscal year. As a result of this change, operating income for the previous fiscal year increased from ¥65,888 million to ¥66,068 million.

(Notes on Non-consolidated Balance Sheets)

1. All amounts are rounded down to the nearest million yen.
2. Accumulated depreciation amount of property, plant and equipment 169,088 million yen
3. Guaranteed liabilities 6 million yen
4. Short-term credit for subsidiaries and affiliates 37,084 million yen
   Short-term debts to subsidiaries and affiliates 5,153 million yen

(Notes on Non-consolidated Statements of Income)

1. All amounts are rounded down to the nearest million yen
2. Transactions with subsidiaries and affiliates
   Business transactions 20,640 Millions of yen
   Transactions other than business transactions 1,938 Millions of yen
3. Gain on sales of noncurrent assets
   Buildings and Land 4,203 Millions of yen
4. Impairment loss
   Shionogi recognized asset impairment as follows.

Location	Use	Class	Amount
Aburahi Facilities (Koka, Shiga Prefecture)	Idle assets	Buildings, etc.	312 million yen
Shionogi Pharma Chemicals Co., Ltd., C4 Building (Tokushima, Tokushima Prefecture)	Idle assets	Construction in progress	565 million yen

Shionogi categorizes assets for business operations into groups that are based on the product lines used in management accounting, and categorizes rental and underutilized assets individually.

Shionogi has decided to dismantle assets at the Aburahi Facilities that will become inactive with the construction of a new animal breeding facility. As a result, Shionogi will record an impairment charge equal to the carrying value of these idle assets. In addition, the C4 building located on the premises of consolidated subsidiary Shionogi Pharma Chemicals Co., Ltd., which is a pharmaceutical research and development and production facility owned by Shionogi, has been classified as an idle asset as its original projects were suspended and there are no immediate plans to use it. Shionogi has recorded an impairment charge equal to the carrying value of this asset.

5. Loss on disposal of noncurrent assets
   This consists of costs associated with the disposal of idle assets at the Aburahi Facilities.
6. Loss on valuation of inventories
   Due to the termination of an agreement for sales of the antibiotic doripenem between Shionogi and Johnson & Johnson, Shionogi has recorded a valuation loss on the portion of inventories transferred to Shionogi that are not available for sale.

(Notes on Non-consolidated Statements of Changes in Net Assets)

Shares held as of March 31, 2014
   Common stock 16,242,701 shares

(Notes on Tax Effects)

1. Principal components of deferred tax assets and deferred tax liabilities

Deferred tax assets:	
R&D expenses	3,796 Millions of yen
Loss on revaluation of investments in securities	2,856 Millions of yen
Loss on valuation of stocks of subsidiaries and affiliates	2,262 Millions of yen
Provision for bonuses	2,061Millions of yen
Other	3,775 Millions of yen
Subtotal deferred tax assets	14,752 Millions of yen
Valuation Allowance	(6,542) Millions of yen
Total deferred tax assets	8,209 Millions of yen
Deferred tax liabilities:	
Valuation difference on available-for-sale securities	(10,306) Millions of yen
Provision for retirement benefits	(6,617) Millions of yen
Reserve for advanced depreciation of noncurrent	(1,355) Millions of yen
Other	(1,619) Millions of yen
Total deferred tax liabilities	(19,899) Millions of yen
Net deferred tax liabilities	(11,689) Millions of yen

2. Revision of the Amounts of Deferred Tax Assets and Deferred Tax Liabilities Due to Changes in Income Tax Rates

Following the promulgation of the "Act for Partial Revision of the Income Tax Act, etc." (Law No. 10 of 2014) on March 31, 2014, the Special Corporation Tax for Reconstruction is no longer levied for fiscal years beginning on or after April 1, 2014.

Consequently, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities will be revised from 38.0% to 35.6% for temporary differences that are expected to be eliminated in the fiscal year beginning April 1, 2014.

As a result of this tax rate change, the amount of deferred tax liabilities as of March 31, 2014 (net of deferred tax assets) increased ¥279 million and income taxes-deferred increased ¥279 million.

(Notes on Amounts per Share)

1. Net assets per share	1,304.97yen
2. Earnings per share	166.66 yen
3. Earnings per share (diluted)	166.57 yen

(Notes on Retirement Benefits)

The Company employs a cash balance plan (interest indexed annuity), retirement lump sum plan and defined contribution pension plan.

Additionally, when an employee retires, the Company on occasion pays a premium severance payout not subject to the actuarial calculation of its retirement benefit obligation in compliance with retirement benefit accounting methods.

1. Retirement benefit obligations

Retirement benefit obligations	(81,361) Millions of yen
Fair value of plan assets	90,482 Millions of yen
Plan assets in excess of retirement benefit obligations	9,121 Millions of yen
Unrecognized actuarial loss	12,274 Millions of yen
Unrecognized prior service costs	(2,043) Millions of yen
Net retirement benefit obligation	19,351 Millions of yen
Prepaid pension costs	28,397 Millions of yen
Provision for retirement benefits	(9,046) Millions of yen

2. Retirement benefit expenses

Service cost	2,227 Millions of yen
Interest cost	1,065 Millions of yen
Expected return on plan assets	(2,067) Millions of yen
Amortization of actuarial loss	1,240 Millions of yen
Amortization of prior service cost	(1,275) Millions of yen
Other	683 Millions of yen
Retirement benefit expenses	1,874 Millions of yen

3. Basis for calculation of retirement benefits obligation, etc.

Periodic allocation method for projected benefits	Straight-line attribution
Discount rate	1.2%
Expected rates of return on plan assets	2.8%
Amortized period of past service cost obligations	10 years (straight-line method)
Amortized period of actuarial loss	10 years (Expenses are paid from the following fiscal year using the straight-line method)