Translation for reference only

Items Disclosed on Internet Concerning Notice of Convocation of the 151st Annual General Meeting of Shareholders

Consolidated Statements of Changes in Net Assets

Notes to Consolidated Financial Statements

Non-consolidated Statements of Changes in Net Assets

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/)

Consolidated Statements of Changes in Net Assets

(Year ended March 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	21,279	20,227	455,497	(49,754)	447,249
Changes of items during period					
Dividends of surplus			(18,232)		(18,232)
Profit attributable to owners of parent			66,687		66,687
Purchase of treasury stock				(25)	(25)
Disposal of treasury stock		(6)		20	14
Other		5	(5)		-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(0)	48,449	(4)	48,443
Balance at the end of current period	21,279	20,227	503,946	(49,759)	495,693

	Accumulated other comprehensive income				Subscription rights to shares	Non-Controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	28,675	3,843	(5,508)	27,010	270	4,353	478,883
Changes of items during period							
Dividends of surplus							(18,232)
Profit attributable to owners of parent							66,687
Purchase of treasury stock							(25)
Disposal of treasury stock							14
Other							-
Net changes of items other than shareholders' equity	(1,927)	(11,176)	(160)	(13,264)	81	(267)	(13,450)
Total changes of items during period	(1,927)	(11,176)	(160)	(13,264)	81	(267)	34,993
Balance at the end of current period	26,748	(7,333)	(5,669)	13,745	352	4,085	513,877

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: 1
2. Application of equity method
   (1) Number of unconsolidated subsidiaries and affiliates accounted for by the equity method
   No unconsolidated subsidiaries and affiliates were accounted for by the equity method.
   (2) That portion of the net profit (loss) of the affiliates not accounted for by the equity method which was attributable to four Companies(TAKATA Pharmaceutical Co.,Ltd. etc.) 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 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
      ・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. Assets held in trust for management
      Market value method
   3. Derivatives
      Market value method
   4. 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
   The main useful life is as follows
   Buildings and structures : from 2years to 60years
   Machinery, equipment and vehicles : from 2years to 17years
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.

(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 non-controlling 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 and forecast transactions. 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.

i) Method of attributing expected benefit to periods

In calculating the retirement benefit obligation, the method of attributing expected benefits to periods up until the end of the fiscal year is based on the benefit formula basis.

ii) Amortization method of actuarial gain or loss and prior service cost

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 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 consolidated financial statements for the fiscal year 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 fiscal year ended March 31, 2015 have been reclassified on the consolidated financial statements to reflect the change in presentation.

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.

These changes have no material effect on the consolidated financial statements for the year ended March 31, 2016.

(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 consolidated financial statements.

(Notes on Consolidated Balance Sheets)

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

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

3. Accumulated depreciation amount of property, plant and equipment 170,620 million yen
4. Guaranteed liabilities 4 million yen

(Notes on Consolidated Statements of Income)

1. All amounts are rounded down to the nearest million yen.
2. Impairment loss

The Shionogi Group recognized asset impairment as follows:

Location	Use	Class	Amount
The United Kingdom	Sales rights for a prescription drug	Sales rights	2,379 million yen
The United States	Sales rights for a prescription drug	Sales rights	204 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.

Due to the termination of a development collaboration agreement between UK subsidiary Shionogi Limited and Egalet Corporation, the Shionogi Group recognized an impairment loss equal to the carrying value of sales rights related to the compound in development. In addition, U.S. subsidiary Shionogi Inc. recognized an impairment loss equal to the reduction in carrying value to the net realizable value of sales rights to a product following the transfer of the rights

3. Settlement package

This expense is attributable to Eli Lilly Japan K.K.

4. Special retirement expenses

This expense is attributable to the retirement of Shionogi and Shionogi Inc.

Shionogi	1,003 million yen	*
Shionogi Inc.	292 million yen	

* Related to the system of transfers to subsidiaries

(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, 2015	Increase	Decrease	March 31, 2016
Shares in issue				
Common stock	351,136,165	-	-	351,136,165
Total	351,136,165	-	-	351,136,165
Treasury stock				
Common stock	25,564,239	5,183	10,400	25,559,022
Total	25,564,239	5,183	10,400	25,559,022

Notes:
1. The increase in treasury stock reflects the purchase of odd-lot shares.
2. The decrease in treasury stock reflects the exercise of subscription rights to 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 24, 2015	Common stock	9,116 million yen	28 yen	March 31, 2015	June 25, 2015
Meeting of Board of directors on October 29, 2015	Common stock	9,116 million yen	28 yen	September 30, 2015	December 1, 2015

(2) Dividends whose effective date is subsequent to March 31, 2016

The following is to be approved at the 151st Annual General Meeting of Shareholders to be held on June 23, 2016.

Resolution	Category	Total dividends	Resolution	Dividends per share	Dividend record date	Effective date
Annual General Meeting of Shareholders to be held on June 23, 2016	Common stock	11,069million yen	Retained earnings	34 yen	March 31, 2016	June 24, 2016

3. Shares Issuable during the Share Subscription Rights Exercise Period as of March 31, 2016

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.	FY 2014 Subscription Rights to Shares for Shionogi & Co., Ltd
Date of resolution issuance	June 24, 2011	June 27, 2012	June 26, 2013	June 25, 2014
Class of shares to be issued upon exercise of the subscription rights to shares	Common stock	Common stock	Common stock	Common stock
Number of shares to be issued upon exercise of the subscription rights to shares	39,600	67,400	37,900	40,400

	FY 2015 Subscription Rights to Shares for Shionogi & Co., Ltd.
Date of resolution issuance	June 24, 2015
Class of shares to be issued upon exercise of the subscription rights to shares	Common stock
Number of shares to be issued upon exercise of the subscription rights to shares	21,100

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, 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, 2016 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*[1]	Fair value*[1]	Difference
(1) Cash and deposits	80,230	80,230	-
(2) Notes and accounts receivable-trade	65,207	65,207	-
(3) Short-term and long-term investment securities			
Other marketable securities	179,581	179,581	-
(4) Notes and accounts payable-trade	(11,050)	(11,050)	-
(5) Income taxes payable	(20,294)	(20,294)	-
(6) Bonds payable	(20,074)	(27,260)	7,185
(7) Long-term loans payable	(10,000)	(10,404)	404
(8) Derivatives transactions*[2]	(26)	(26)	-

(1) Parentheses indicate liabilities.

(2) Derivatives transactions are presented as net amounts receivable or payable, with net amounts payable in parentheses.

Notes:
1. Marketable securities, derivatives transactions and methods for estimating the 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

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

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

Domestic certificates of deposit and money held in trust 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 and money held in trust is the price listed on securities exchanges or quoted by financial institutions mainly, 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 payable because these amounts are essentially equivalent.

(5) Income taxes payable

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

(6) Bonds payable

The fair value of these bonds is the price quoted by financial institutions.

(7) Long-term loans payable

The 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

(8) Derivatives transactions

Fair value is estimated based on the price quoted by financial institutions.

2. Financial instruments for which determining fair value is difficult

(Millions of yen)

Classification	Carrying value reported in the balance sheets
Unlisted stocks	64,070

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	1,564.73 yen
2. Earnings per share	204.83 yen
3. Earnings per share (diluted)	201.70 yen

Non-consolidated Statements of Changes in Net Assets

(Year ended March 31, 2016)

(Millions of yen)

	Capital stock	Capital surplus		Retained earnings				
		Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings			
					Reserve for special depreciation	Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward
Balance at the beginning of the period	21,279	20,227	0	5,388	5	5,538	368,645	30,005
Changes of items during period								
Provision of reserve for special depreciation					0			(0)
Reversal of reserve for special depreciation					(3)			3
Provision of reserve for advanced depreciation of non-current assets						129		(129)
Reversal of reserve for advanced depreciation of non-current assets						(67)		67
Dividends of surplus								(18,232)
Net income								74,975
Purchase of treasury stock								
Disposal of treasury stock			(6)					
Other			5					(5)
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	(0)	-	(2)	61	-	56,679
Balance at the end of current period	21,279	20,227	-	5,388	2	5,599	368,645	86,684

	Treasury stock	Total shareholders' equity	Valuation and translation adjustments	Subscription rights to shares	Total net assets
			Valuation difference on available-for-sale securities		
Balance at the beginning of the period	(49,754)	401,334	28,525	270	430,129
Changes of items during period					
Provision of reserve for special depreciation		-			-
Reversal of reserve for special depreciation		-			-
Provision of reserve for advanced depreciation of non-current assets		-			-
Reversal of reserve for advanced depreciation of non-current assets		-			-
Dividends of surplus		(18,232)			(18,232)
Net income		74,975			74,975
Purchase of treasury stock	(25)	(25)			(25)
Disposal of treasury stock	20	14			14
Other		-			-
Net changes of items other than shareholders' equity			(1,777)	81	(1,695)
Total changes of items during period	(4)	56,732	(1,777)	81	55,037
Balance at the end of current period	(49,759)	458,066	26,748	352	485,167

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) Assets held in trust for management
      Market value method
   (3) Derivatives
      Market value method
   (4) 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
      The main useful life is as follows
      Buildings : from 3years to 50years
      Machinery and equipment : from 5years to 17years
   (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.
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.

i) Method of attributing expected benefit to periods

In calculating the retirement benefit obligation, the method of attributing expected benefits to periods up until the end of the fiscal year is based on the benefit formula basis.

ii) Amortization method of actuarial gain or loss and prior service cost

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 and forecast transactions. 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 accounting policies

(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) and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on September 13, 2013). As a result, 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 non-consolidated financial statements for the fiscal year in which the business combination occurs.

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 and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures.

These changes have no material effect on the non-consolidated financial statements for the year ended March 31, 2016.

(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	161,873 million yen
3. Guaranteed liabilities	4 million yen
4. Short-term credit for subsidiaries and affiliates	49,262 million yen
Short-term debts to subsidiaries and affiliates	6,473 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	23,801 Millions of yen
Transactions other than business transactions	2,449 Millions of yen

3. Settlement package

   This expense is attributable to Eli Lilly Japan K.K.
4. Special retirement expenses

   This expense is related to the system of transfers to subsidiaries
5. Loss on valuation of stocks of subsidiaries and affiliates

   This expense is related to Shionogi Pte.Ltd.

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

Shares held as of March 31, 2016

Common stock	25,559,022 shares

(Notes on Tax Effects)

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

Deferred tax assets:	
Revision of carrying value of stocks of subsidiaries and affiliates	12,461 Millions of yen
R&D expenses	5,344 Millions of yen
Provision for bonuses	2,590 Millions of yen
Loss on revaluation of investments in securities	2,395 Millions of yen
Loss on valuation of stocks of subsidiaries and affiliates	1,944 Millions of yen
Accrued enterprise taxes	1,444 Millions of yen
Other	2,760 Millions of yen
Subtotal deferred tax assets	28,942 Millions of yen
Valuation Allowance	(18,188) Millions of yen
Total deferred tax assets	10,823 Millions of yen
Deferred tax liabilities:	
Valuation difference on available-for-sale securities	(8,504) Millions of yen
Asset for retirement benefits	(5,405) Millions of yen
Reserve for advanced depreciation of noncurrent	(2,468) Millions of yen
Gain on exchange of investment securities	(1,282) Millions of yen
Other	(143) Millions of yen
Total deferred tax liabilities	(17,805) Millions of yen
Net deferred tax liabilities	(6,981) Millions of yen

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

The “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 15 of 2016) and the “Act for Partial Revision of the Local Tax Act, etc.” (Act No. 13 of 2016) were promulgated on March 29, 2016, resulting in a reduction in the rates of corporate taxes from fiscal years beginning on or after April 1, 2016. Accordingly, the effective statutory tax rate used to measure deferred tax assets and liabilities will change from the former 32.2% to 30.8% for temporary differences expected to be reversed in the fiscal year beginning April 1, 2016 and in the fiscal year beginning April 1, 2017, and to 30.6% for temporary differences expected to be reversed in fiscal years beginning on or after April 1, 2018.

As a result of these changes, as of March 31, 2016 deferred tax liabilities net of deferred tax assets have decreased by ¥419 million, income taxes - deferred have increased by ¥25 million, and valuation difference on available-for-sale securities has increased by ¥444 million.

(Notes on Related Party Transactions)

Attribute	Company Name	Rate of ownership of voting	Relationship	Transaction Content	Transaction Amount	Account	Balance at the end of current period
Subsidiary	Shionogi Inc.	Directly owned 100.0%	Consignment of development Sales drugs from the Company Financial support Interlocking directorate	Capital Contribution*	¥24,004 million	—	—

Guideline for determination of business conditions

* It is capital contribution to the total increase in capital of the subsidiary.

(Notes on Amounts per Share)

1. Net assets per share 1,489.09 yen
2. Earnings per share 230.28 yen
3. Earnings per share (diluted) 226.77 yen