

Items Disclosed on Internet Concerning Notice of Convocation of the 154th Annual General Meeting of Shareholders

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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/>)

1 Overview of Operations

(1) Business Results and Financial Position

1) Business Results and Financial Position of the Corporate Group

(Millions of yen)

Classification	FY2014	FY2015	FY2016	FY2017	FY2018
Net sales	273,991	309,973	338,890	344,667	363,721
Operating income	50,365	91,406	108,178	115,219	138,537
Ordinary income	77,880	100,869	123,031	138,692	166,575
Profit attributable to owners of parent	44,060	66,687	83,879	108,866	132,759
R&D expenses	48,870	49,787	59,907	59,945	68,325
Total assets	595,067	631,599	661,499	711,463	778,741
Net assets	478,883	513,877	526,211	604,840	672,429
Earnings per share	yen 132.67	yen 204.83	yen 259.88	yen 342.71	yen 424.31
Net assets per share	yen 1,456.70	yen 1,564.73	yen 1,638.46	yen 1,911.36	yen 2,144.33
Dividend per share	yen 52.00	yen 62.00	yen 72.00	yen 82.00	yen 94.00 ^{*1}
Return on Equity	% 9.4	% 13.6	% 16.3	% 19.4	% 20.9
Dividend on Equity	% 3.7	% 4.1	% 4.5	% 4.6	% 4.6 ^{*1}

Notes:

1. The figures presented for dividend per share and dividend on equity are the amounts in the event Proposal No. 1 is approved without changes by the 154th Annual General Meeting of Shareholders.
2. Shionogi has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) to FY2018. This accounting standard has been retrospectively applied to figures for FY2014 through FY2017.

2) Business Results and Financial Position of the Company

(Millions of yen)

Classification	FY2014	FY2015	FY2016	FY2017	FY2018
Net sales	246,980	283,428	305,256	315,941	327,991
Operating income	61,398	102,212	108,513	116,907	138,366
Ordinary income	70,409	103,642	108,113	117,534	139,836
Profit (loss)	42,153	74,975	28,767	89,135	100,037
Total assets	529,737	589,765	559,714	584,964	612,336
Net assets	430,129	485,167	451,572	500,510	533,261
Earnings (losses) per share	yen 126.93	yen 230.28	yen 89.13	yen 280.60	yen 319.73
Net assets per share	yen 1,320.32	yen 1,489.09	yen 1,415.22	yen 1,590.50	yen 1,711.39

Note: Shionogi has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) to FY2018. This accounting standard has been retrospectively applied to figures for FY2014 through FY2017.

(2) Main Operations of the Shionogi Group

The Shionogi Group mainly manufactures and sells pharmaceutical products.

(3) Main Offices, Plants, and Laboratories of the Shionogi Group

		Name	Location
Domestic	Head Office and Branches	Head Office	Osaka, Osaka Prefecture
		Tokyo Branch Office	Chiyoda-ku, Tokyo
	Sites	Administration Office of Kuisse Site	Amagasaki, Hyogo Prefecture
		Umeda office	Osaka, Osaka Prefecture
		Human Health Care Division Office	Osaka, Osaka Prefecture
	Plants	Settsu Plant	Settsu, Osaka Prefecture
		Kanegasaki Plant	Isawa-gun, Iwate Prefecture
	Research Laboratories	Shionogi Pharmaceutical Research Center	Toyonaka, Osaka Prefecture
Overseas ^{*2}		Shionogi Inc.	New Jersey, U.S.
		Shionogi B.V.	Amsterdam, Netherlands
		Taiwan Shionogi & Co., Ltd.	Taipei, Taiwan, R.O.C.
		C&O Pharmaceutical Technology (Holdings) Limited	Shenzhen, China

Notes:

1. In addition to the above list, the Company has business offices in every major city in Japan.
2. Bases in overseas subsidiaries

(4) Employees

1) Number of Employees of the Corporate Group

Number of Employees	Y on Y Change
5,233	113

Note: The number of employees includes personnel that external companies assign to the Shionogi Group and excludes personnel that the Shionogi Group assigns to external companies and temporary personnel.

2) Number of Employees of the Company

Number of Employees	Y on Y Change	Average Age	Average Number of Years with the Company
3,596	(81)	41.7	17.3

(5) Main Loans from Banks

Not applicable.

2. Stock Acquisition Rights

1) Stock Acquisition Rights Issued as Remuneration to and held by Company Directors as of March 31, 2019

Title (Issue Date)	Date of issue resolution	Number of stock acquisition rights	Class and number of shares to be issued	Issue price per stock acquisition rights	Exercise price per stock acquisition rights	Stock acquisition rights exercise period	Status of director holdings (Rights holders)
FY2011 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 11, 2011)	June 24, 2011	252	25,200 shares of common stock	113,000 yen	100 yen	July 12, 2011 to July 11, 2041	217 (3)
FY2012 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 12, 2012)	June 27, 2012	316	31,600 shares of common stock	91,700 yen	100 yen	July 13, 2012 to July 12, 2042	371 (3)
FY2013 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 11, 2013)	June 26, 2013	172	17,200 shares of common stock	193,100 yen	100 yen	July 12, 2013 to July 11, 2043	201 (3)
FY2014 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 10, 2014)	June 25, 2014	178	17,800 shares of common stock	190,000 yen	100 yen	July 11, 2014 to July 10, 2044	206 (3)
FY2015 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 9, 2015)	June 24, 2015	99	9,900 shares of common stock	455,400yen	100 yen	July 10, 2015 to July 9, 2045	99 (3)
FY2016 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 8, 2016)	June 23, 2016	85	8,500 shares of common stock	525,700yen	100 yen	July 9, 2016 to July 8, 2046	85 (3)
FY2017 Stock Acquisition Rights for Shionogi & Co., Ltd. (Issued July 7, 2017)	June 22, 2017	85	8,500 shares of common stock	574,200yen	100 yen	July 8, 2017 to July 7, 2047	85 (3)

Notes:

- Each stock acquisition right is exercisable into 100 shares of common stock.
- The issue price is the sum of the fair value of the stock acquisition rights on the allotment date and the amount to be paid upon exercise (¥1 per share) of the stock acquisition rights. The recipients of the allotted stock acquisition rights (stock acquisition rights holders) will have an amount equal to the issue price deducted from their remuneration as payment.
- 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. Other conditions for exercising the rights are stipulated in the Stock Acquisition Rights Agreement concluded between the Company and the stock acquisition rights holders.
- Of the above, FY2011 stock acquisition rights, FY2012 stock acquisition rights, FY2013 stock acquisition rights and FY2014 stock acquisition rights granted to one director were granted before the director was appointed.
- Shionogi does not allot share subscription rights to outside directors and corporate auditors.

2) Stock Acquisition Rights Issued as Remuneration to Company Employees during Fiscal 2018

Not applicable.

3. Independent Accounting Auditor

(1) Name of Independent Accounting Auditor

Ernst & Young ShinNihon LLC

(2) Compensation Paid to Independent Accounting Auditor for the Fiscal Year Ended March 31, 2019

1. Compensation paid to the Independent Accounting Auditor for the fiscal year ended on March 31, 2019:

60 million yen

2. Total of cash and other financial profits payable by the Company and its subsidiaries to the Independent Accounting Auditor:

60 million yen

Notes:

1. The audit agreement entered into between the Independent Accounting Auditor and the Company does not clearly distinguish the amount of the auditor's compensation being derived from the audit under the Companies Act and that being derived from the audit under the Financial Instruments and Exchange Law, and the two amounts cannot be substantially distinguished from each other. Therefore, the amount in 1 above includes both of these two kinds of amounts.
2. For the amount in 1 above, the Board of Corporate Auditors received explanations from the Independent Accounting Auditor about the audit plan (including audit policies, items, team structure, expected time, and changes from the previous year) and the estimated amount of compensation, performed comparisons with the previous year's plan and actual results, compensation amount and compensation rate per unit of time, and checked and considered the opinions of related internal departments. As a result, the Board of Corporate Auditors judged and agreed that the amount of compensation was reasonable.

(3) Company Policy regarding Dismissal or Decision Not to Reappoint Independent Accounting Auditor

In the event that the Company concludes that the Independent Accounting Auditor falls within the scope of any of the items in Article 340, Paragraph 1 of the Companies Act, its policy is for the Board of Corporate Auditors to dismiss the Independent Accounting Auditor with the consent of all Corporate Auditors.

In addition, in the event that the Company concludes that the appropriateness of the Independent Accounting Auditor's execution of its duties cannot be ensured in light of the criteria for proper evaluation of the Independent Accounting Auditor established by the Company, its policy is not to reappoint the Independent Accounting Auditor by resolution of the Board of Corporate Auditors.

(4) Reason the Board of Corporate Auditors Did Not Make a Decision Not to Reappoint the Independent Accounting Auditor

The Board of Corporate Auditors received a report and requested an explanation from the Independent Accounting Auditor concerning the execution status of duties. The Board of Corporate Auditors conducted a rigorous evaluation and held discussions through an appropriate process based on the Board's Evaluation Criteria for Independent Accounting Auditors. As a result of this process, the Board of Corporate Auditors reached a decision that reappointment was appropriate, but will continue to monitor the Independent Accounting Auditor's operations.

4. Systems and Policies of the Company

The systems to assure appropriate execution of the Directors' duties in accordance with the related regulations and the Articles of Incorporation; and other systems to assure appropriate business operations.

(1) Summary of status of systems to assure appropriate business operations

The status of these systems in the fiscal year ended March 31, 2019 in accordance with the basic policy for construction of systems to assure appropriate business operations (the Basic Policy for Construction and Operation of Internal Control System) is summarized below.

1) Matters concerning directors' execution of duties

The Board of Directors (composed of six directors, including three outside directors) met 13 times in the fiscal year ended March 31, 2019, and made appropriate decisions on important matters that require management's judgment in accordance with laws and regulations and the Company's Articles of Incorporation. The five corporate auditors supervised directors' execution of their duties.

The Company has adopted the corporate officer system to clarify the executive and supervisory roles of management while facilitating responsive and flexible business operations. Important matters concerning business execution are decided efficiently and in accordance with laws by the Board of Directors based on discussions of the Corporate Executive Meeting, which is composed of directors, standing corporate auditors and corporate officers responsible for business execution and meets regularly (weekly). The Board also monitors the execution of business by business execution departments and major Group companies by having them report regularly on the condition of their business operations.

In December 2018, as part of the Company's efforts to promote proper corporate governance, reports to the Board of Directors on the implementation of the Basic Views and Guidelines on Corporate Governance were presented, with revisions to certain items, including the policy on appointment and dismissal of President and CEO, status of cross-shareholdings, and environmental initiatives, and the addition of a new item, the role of the corporate pension plan as asset owner.

To ensure the reliability of financial reporting, the Board of Directors performs evaluations of internal controls based on plans, and calls attention to any improvements that are needed.

For protection and management of information, the Company has updated its information management rules and established an information security system, and properly stores and manages information, including electronic records, in accordance with laws and regulations.

2) Matters concerning compliance

To assure legal compliance and ethical behavior in its business activities, President and CEO repeatedly refers to the importance of corporate ethics in the president's message issued quarterly. This helps to ensure thorough awareness of compliance among the Group's officers and employees.

The Compliance Committee (chaired by President and CEO) holds discussions on compliance issues on a quarterly basis and provides regular compliance training and harassment training to support compliance in business execution departments. To promote the compliance system, the supervisory role of the Board of Directors is further strengthened by having the Compliance Committee make reports to the Board of Directors on the state of its compliance activities twice a year.

To verify the effectiveness of its internal control system, the Company continued monitoring by the Internal Control Department and set up a compliance hotline and a whistleblowing hotline as an internal reporting system in the Bureau of the Compliance Committee (the Company's Corporate Social Responsibility Department) and at an external law firm, and also set up a harassment hotline and overtime hotline internally and in the Company labor union to promote prevention and early detection of compliance violations, harassment and overwork, and to prevent their recurrence.

3) Matters concerning risk management

To maintain and promote a comprehensive crisis management system, including a business continuity plan, the Shionogi Group updated its disaster response guidelines in preparation for the possible occurrence of unprecedented natural disasters, and revised the functions of the central disaster response headquarters and the disaster task forces at each business site to establish a system for responding effectively in times of disaster. As a routine activity, Shionogi strives to raise awareness about disasters and pandemics. In particular, Shionogi has made improvements to the systems so that the safety of employees can be confirmed more quickly and effectively in the event of an emergency, and conducted safety confirmation drills assuming the occurrence of a major earthquake or pandemic. In addition, Shionogi conducts business continuity plan (BCP) training at the management or front-line level every year, and conducted such training for organizations associated with the Group's business operations, assuming cooperation with Group companies, in the fiscal year ended March 31, 2019. The results are being used to improve the BCPs of the companies and organizations where the training was conducted. In addition, the Company, centered on its EHS** Unit, is focusing on actualizing the Shionogi Group EHS Policy, which was established in October 2015. Shionogi has set the Shionogi Group EHS Action Targets, and built a Group-wide EHS system to help create safe and secure workplaces and enrich society by protecting the global environment, preventing pollution, and ensuring the health and safety of all those who work with us as well as the communities in which we operate.

The Internal Control Department, which is in charge of internal auditing, conducts verifications and evaluations from an independent position on the state of risk management within the Company.

*EHS: Environment, Health and Safety

4) Matters concerning the Group company management system

Based on the Rules for Management of Shionogi Group Companies, individual departments in charge of relevant Company business guide and supervise the business of subsidiaries, and the Company dispatches directors and corporate auditors to subsidiaries to supervise and audit their business execution.

In order to enhance the corporate value of the Group as a whole and fulfill its social responsibility, the Company familiarizes Group companies with the Company Policy and Action Guideline. In addition, the Human Resources & Administration Department promotes appropriate subsidiary management with measures such as training for Group company executives, while the Internal Control Department verifies the appropriateness and effectiveness of business execution at Group companies.

5) Matters concerning corporate auditors' execution of duties

Corporate auditors attend Board of Directors meetings, the Corporate Executive Meeting and other key meetings, obtain information related to business execution and management and information related to internal controls in a timely manner, and regularly meet with representative directors and department general managers to exchange opinions. In addition, they have established a framework for close cooperation with the Independent Accounting Auditor and the Internal Control Department to ensure the effectiveness of audits.

At the request of the corporate auditors, multiple employees were assigned to assist the auditors in their duties. Under the direction of the corporate auditors, they provided assistance as necessary in the corporate auditors' work, including assessment of the Independent Accounting Auditor by the Board of Corporate Auditors.

The Group Company Audit Liaison Committee, led by a standing corporate auditor, holds meetings regularly to verify the status of audits of the overall Group through measures including the exchange of opinions on the issue and risks of each Group company, and to ensure the effectiveness of audits.

In the fiscal year ended March 31, 2019, the Group Company Audit Liaison Committee held eight meetings, and also held extraordinary meetings on important matters. The Committee broadly tested the appropriateness and effectiveness of management, compliance, risk management and the effectiveness of internal controls, and provided advice and suggestions to management as necessary.

(2) Systems to assure appropriate business operations

Based on operations during the fiscal year in accordance with the Basic Policy for Construction and Operation of Internal Control System on April 22, 2019, at the meeting of the Board of Directors, the Company passed a resolution to amend the basic policy for construction of systems to assure appropriate business operations (“The Basic Policy for Construction and Operation of Internal Control System”) as follows:

The Company will promote clear and reliable operations by sharing their philosophy and their sense of values contained in “Shionogi’s Policy” among the Company, officers and employees and by execution of the Company’s duties satisfying the requirements of “compliance”.

For the purpose of enhancing effective execution, the company will prepare and operate the systems to assure appropriate business operations as follows:

(1) A system to assure appropriate execution of the Directors’ duties in accordance with the related regulations and the Articles of Incorporation.

The Board of Directors will make decisions on material matters of management based on appropriate business judgments in accordance with the Board of Directors Regulations, and each director will supervise the execution of the other directors’ duties and prevent the other directors’ violation of the related laws, regulations and the Articles of Incorporation.

The Board of Directors will strive to achieve sustainable growth for the Shionogi Group and work to increase corporate value over the medium and long term by practicing the Basic Views and Guidelines on Corporate Governance, which were established to realize the best possible corporate governance.

In the event that a director finds the instance of another directors’ violation of the related laws, regulations and the Articles of Incorporation, such director will immediately report to the corporate auditors and the Board of Directors and correct such violation.

In order to establish proper corporate governance systems, the Company introduced outside directors to make decisions with a broader view of the matter taking into consideration the objective views of third parties including shareholders.

The outside directors recognize the corporate responsibility which the Company should achieve from their perspective as independent directors, and contribute to the improvement of management transparency.

To ensure the reliability of financial reporting, the Company maintains and implements internal controls over financial reporting, and appropriately evaluates and reports on their effectiveness.

The corporate auditors will audit the execution of duties by the directors, and the directors will co-operate in such audit.

The Company will constantly keep the officers and employees informed about “Shionogi’s Policy” and “Shionogi’s Action Guidelines” set forth as the Company’s philosophy and “Shionogi’s Behavior Charter” providing how the officers and employees should act, and the compliance committee presided by a representative director will establish and promote the measures for the compliance with the related laws, regulations and ethical behavior in its business operations.

Based on Shionogi’s “Behavior Charter”, the Company consistently and resolutely resists the influence of antisocial forces and precludes any connection with them

(2) A system for storage and management of information related to execution of the directors' duties.

The Company has established a security system for the information related to execution of the directors' duties, including documents and signatures electronically recorded.

The minutes of the Board of Directors' meetings, the corporate executive meetings and the compliance committee meetings, and the documents on decisions approved by the representative director, etc., will be properly and strictly stored in the manner appropriate to the form they have been recorded in and will be accessible for the appropriate period in accordance with the related laws and regulations.

(3) A system and other rules for management of risk of loss

The Company will establish, improve and maintain a comprehensive risk management system, including a business continuity plan, in accordance with the Shionogi Group Risk Management Policy.

Each division will understand the internal risk factors, and take an appropriate action for avoidance or decrease of such risks by means of countermeasures according to the degree of such risk.

Especially, countermeasures for material risks which may have an influence on the Company's management will be discussed and determined at the corporate executive meeting and the responsible department will take appropriate action in cooperation with the related divisions based on such determination.

Moreover, with regard to emergency risks such as disasters, accidents and company scandals, etc., the Company enacted the "Crisis Management Policy" and defined the "Compendium for Disaster Measures", the "Compendium for Pandemic Measures" and the "Compendium for Corporate Scandals Measures" based on the policy, and the Company will promote crisis management while aiming to reflect respect for human life, be considerate of and contribute to regional communities and suppress derogation of corporate value.

In accordance with the Shionogi Group EHS* Policy, the Shionogi Group strives to conduct business activities in a manner that gives consideration to protection of the global environment, prevention of pollution, and support of the health and safety of its employees and the local communities in which Shionogi Group companies operate.

The Internal Control Department (section for internal control) will verify the management system for various risks independently from the Company's other divisions.

*EHS: Environment, Health and Safety

(4) A system to assure efficient execution of the directors' duties.

The Company has clearly allocated the role of execution and supervision of operations, and for the purpose of the flexible operation, the corporate executive officer system was introduced.

The regularly (weekly)-held corporate executive meeting will fully discuss the material matters regarding the business operation, and the Board of Directors will make a decision based on the result of such deliberation.

The decision at the Board of Directors meeting and the results of deliberation at the corporate executive meeting will be communicated to the general manager of the related department allocated the role of execution of business operations, and such general manager will follow the necessary procedures for business operations in accordance with the regulations concerning allocation of responsibility and duties.

(5) A system to assure appropriate execution of the employees' duties in accordance with the related laws, regulations and the Articles of Incorporation.

The Company will further promote the measures for the compliance with the related laws, regulations and ethical behavior in its business operations mainly through the compliance committee in accordance with "Shionogi Group Compliance Policy".

A secretariat of the Compliance Committee has been established in the Corporate Social Responsibility (CSR) Department . It will implement compliance training and harassment training, as well as assist each department in managing compliance and harassment risk.

In addition, to verify the effectiveness of its internal control system, the Company will enhance internal audits by the Internal Control Department to strengthen its monitoring capabilities, and will make full use of its internal reporting system and consultation hotlines to work for the prevention and early detection of misconduct and prevention of its recurrence.

(6) A system to assure appropriate operation of business by the corporate group comprised of the company and subsidiaries.

The Company and the group companies will improve the value of the corporate group, and keep the group companies informed about "Shionogi's Policy" and "Shionogi's Action Guidelines" in order to fulfill the corporate group's social responsibility.

Directors will receive reports on business operations from group companies, and will properly manage and guide group companies based on the "Rules for Management of Shionogi Group Companies" in order to realize Shionogi's Company Policy, Action Guidelines and Business Plan.

Group companies will promote appropriate and efficient business operations by conducting business management in accordance with the policies and guidelines mentioned above.

Operating divisions, including the Pharmaceutical Research Division and Human Healthcare Division, and administrative divisions, including the Human Resources & Administration Department and the Finance & Accounting Department, will manage and provide support for appropriate business operations of group companies, with the Human Resources & Administration Department in charge of overall administration.

The Internal Control Department will conduct surveys as required to ensure the appropriateness and effectiveness of the business operations of group companies. In addition, the Finance & Accounting Department and the Internal Control Department conduct audits of group companies.

(7) Matters regarding employees assigned to assist the corporate auditors' duties by the request from the corporate auditors, and matters regarding independence of such employees from the directors.

The Company will assign employees to assist the corporate auditors' duties according to the request from the corporate auditors based upon their needs.

The Company will ensure the system that the employees assigned will be independent from the directors.

The Company will make it generally known among the directors and employees that employees assigned to assist the corporate auditors' duties follow the instructions of the corporate auditors.

(8) A system for reporting to the corporate auditors by directors and employees, and other systems regarding the reporting to the corporate auditors

The corporate auditors will attend the material meeting such as the Board of Directors and the corporate executive meeting etc. and establish the system to obtain the information relating to the business operations and management, and efficacy of the internal control in a timely manner.

The corporate auditors may directly instruct directors and corporate officers etc. to report on the business operations.

The directors or responsible employees for execution will inform the corporate auditors, either in writing or orally, of a fact that could cause substantial damage to the Company or group companies, a potential and actual situation that markedly impairs the Company's reputation, and illicit or wrongful acts by the officers or employees such as breaches of the law.

The Company will guarantee that officers or employees of the Company or group companies who make reports to the corporate auditors do not receive unfavorable treatment as a result of making such reports.

When a corporate auditor makes a claim to the Company for prepayment of expenses or other reason related to the execution of these duties, the Company will promptly process such expenses or debt, except where it is considered unnecessary.

(9) Other systems to assure effective audits by corporate auditors.

The corporate auditors will improve upon the audit to make it more effective by cooperating with the accounting auditors and the Internal Control Department in conducting the audit as well as in advising and recommending, and by regularly holding opinion exchange meetings with the representative directors.

In addition, to ensure the effectiveness of audits throughout the group, the corporate auditors have established the "Group Company Audit Liaison Committee" and hold meetings regularly to exchange opinions on the issue and risks of Group companies.

Consolidated Statements of Changes in Net Assets

(Year ended March 31, 2019)

(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	574,392	(36,641)	579,257
Changes of items during period					
Dividends of surplus			(27,669)		(27,669)
Profit attributable to owners of parent			132,759		132,759
Purchase of treasury stock				(50,020)	(50,020)
Disposal of treasury stock		(1,414)		19,174	17,759
Retirement of treasury stock		(38,604)		38,604	-
Other		40,305	(40,019)		285
Net changes of items other than shareholders' equity					
Total changes of items during period	-	285	65,069	7,759	73,114
Balance at the end of current period	21,279	20,512	639,461	(28,882)	652,371

	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	35,856	1,174	(15,330)	(111)	21,589	527	3,466	604,840
Changes of items during period								
Dividends of surplus								(27,669)
Profit attributable to owners of parent								132,759
Purchase of treasury stock								(50,020)
Disposal of treasury stock								17,759
Retirement of treasury stock								-
Other								285
Net changes of items other than shareholders' equity	(6,929)	(427)	(3,039)	3,937	(6,458)		933	(5,525)
Total changes of items during period	(6,929)	(427)	(3,039)	3,937	(6,458)	-	933	67,588
Balance at the end of current period	28,927	747	(18,370)	3,826	15,130	527	4,400	672,429

Notes on Consolidated Financial Statements

(Significant Basic Items for Preparing Consolidated Financial Statement)

1. Scope of consolidation

Number of consolidated subsidiaries: 47

Names of significant consolidated subsidiaries

Shionogi Inc., Shionogi B.V., Taiwan Shionogi & Co., Ltd.,

C&O Pharmaceutical Technology (Holdings), Limited

(Newly consolidated) Subsidiaries newly established: 3

Subsidiaries newly purchased: 1

(Exclusion) Decrease due to merger: 1

During the consolidated fiscal year, Shionogi Ltd. was dissolved in a merger with consolidated subsidiary Shionogi B.V. as the surviving company. It is therefore excluded from consolidation.

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 seven 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-one consolidated subsidiaries are overseas consolidated subsidiaries.

Seventeen 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 2 years to 60 years
Machinery, equipment and vehicles: from 2 years to 17 years
 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. Change in accounting policies

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

Shionogi has applied the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (Practical Issues Task Force [PITF] No. 18, September 14, 2018) early from the fiscal year ended March 31, 2019.

The early application of this PITF has minimal impact on the consolidated financial statements.

6. Change in presentation methods

(Change Associated with Application of Partial Amendments to Accounting Standard for Tax Effect Accounting, Etc.)

Shionogi has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) as of the beginning of the fiscal year ended March 31, 2019. Accordingly, Shionogi now classifies deferred tax assets under investments and other assets, and deferred tax liabilities under non-current liabilities.

(Notes on Consolidated Balance Sheets)

1. All amounts are rounded down to the nearest million yen.
2. Accumulated depreciation amount of property, plant and equipment 178,012 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
Mainly consists of gains from the sale of the Nanjing Factory of C&O Pharmaceutical Technology (Holdings) Limited, a subsidiary in China (¥2,406 million) and the sale of the Company's Omori dormitory (¥451 million)

3. Impairment loss

The Shionogi Group recognized asset impairment as follows:

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

Location	Use	Class	Amount
U.S.A.	-	Goodwill	11,942 million yen
Netherlands	Sales rights for a prescription drug	Sales rights	459 million yen

Shionogi reduced the carrying amount to the recoverable amount for (1) the goodwill of U.S. subsidiary Shionogi Inc. because the profitability of U.S. business that Shionogi originally assumed is no longer projected due to the deteriorating operating environment; and (2) the sales rights of Netherlands subsidiary Shionogi B.V. because profitability on products has declined. Shionogi recognized an impairment loss on the amounts of these reductions.

Location	Use	Class	Amount
Settsu Plant Building 301 (Settsu, Osaka Prefecture)	Idle assets	Buildings, etc.	746 million yen

In connection with the maintenance of the Settsu Plant, Shionogi has decided to scrap Settsu Plant Building 301, which will become idle. Accordingly, Shionogi recognized an impairment loss on the entire carrying amount of the facilities that will become idle assets. The impairment loss consists mainly of ¥677 million on the building.

4. Special retirement expenses

This expense is attributable to retirements at Shionogi and its Netherlands subsidiary Shionogi B.V.

Shionogi: 2,504 million yen*

Shionogi B.V.: 344 million yen

* Related to the system of transfers of subsidiaries

5. Loss on disaster

Loss related to an earthquake centered in northern Osaka Prefecture that occurred on June 18, 2018

6. Loss on disposal of non-current assets

Loss related to Settsu Plant Building 301

(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, 2018	Increase	Decrease	March 31, 2019
Shares in issue				
Common stock	324,136,165	-	7,350,000	316,786,165
Total	324,136,165	-	7,350,000	316,786,165
Treasury stock				
Common stock	9,780,027	7,353,561	11,634,837	5,498,751
Total	9,780,027	7,353,561	11,634,837	5,498,751

Notes:

- 1.The decrease in the total number of shares of common stock issued was due to the cancellation of treasury stock.
- 2.The increase in treasury stock by 7,353,561 shares reflects an increase of 7,350,400 shares due to the acquisition of treasury stock based on the Board of Directors resolution and an increase of 3,161 shares due to the purchase of odd-lot shares.
- 3.The decrease in treasury stock of 11,634,837 shares reflects the decrease of 7,350,000 shares due to cancellation of treasury stock, the decrease of 4,249,737 shares due to conversion of convertible bonds with warrants, and the decrease of 35,100 shares due to the disposal as restricted stock compensation .

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 20, 2018	Common stock	13,831 million yen	44yen	March 31, 2018	June 21, 2018
Meeting of Board of directors on October 29, 2018	Common stock	13,838 million yen	44 yen	September 30, 2018	December 3, 2018

(2) Dividends whose effective date is subsequent to March 31, 2019

The following is to be approved at the 154th Annual General Meeting of Shareholders to be held on June 18, 2019.

Resolution	Category	Total dividends	Resolution	Dividends per share	Dividend record date	Effective date
Annual General Meeting of Shareholders to be held on June 18, 2019	Common stock	15,564 million yen	Retained earnings	50 yen	March 31, 2019	June 19, 2019

3. Shares Issuable during the Share Subscription Rights Exercise Period as of March 31, 2019

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	36,800	63,300	33,800	36,300

	FY 2015 Subscription Rights to Shares for Shionogi & Co., Ltd.	FY 2016 Subscription Rights to Shares for Shionogi & Co., Ltd.	FY 2017 Subscription Rights to Shares for Shionogi & Co., Ltd.
Date of resolution issuance	June 24, 2015	June 23, 2016	June 22, 2017
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	20,200	17,300	19,300

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, 2019 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	193,549	193,549	-
(2) Notes and accounts receivable-trade	65,918	65,918	-
(3) Short-term and long-term investment securities			
Other marketable securities	214,818	214,818	-
Shares of subsidiaries	923	1,100	176
(4) Notes and accounts payable-trade	(9,442)	(9,442)	-
(5) Current portion of bonds	(920)	(1,535)	614
(6) Income taxes payable	(35,870)	(35,870)	-
(7) Derivatives transactions*2			
For which hedge Accounting applies	1,077	1,077	-

(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) Current portion of bonds

Payable at the prices quoted by the correspondent financial institutions.

(6) Income taxes payable

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

(7) 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	69,373

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	2,144.33 yen
2. Earnings per share	424.31 yen
3. Earnings per share (diluted)	420.67 yen

(Important subsequent events)

(Significant company split)

Based on an absorption-type split agreement approved by resolution of the Board of Directors on February 18, 2019, Shionogi carried out the following absorption-type split (hereinafter, the “Split”) on April 1, 2019.

(1) Purpose of the Split

Shionogi Pharma Co., Ltd. (hereinafter, “Shionogi Pharma”), a wholly owned subsidiary of Shionogi that was established on October 1, 2018, succeeded Shionogi’s pharmaceutical manufacturing operations for the purpose of providing stable supplies of products with high quality and at competitive prices to domestic and overseas markets, with Shionogi responsible for the Shionogi Group’s production-related functions and making innovative developments in production technology.

(2) Description of business subject to the Split and book values of assets and liabilities spun off

Description of business: Manufacturing and contract manufacturing of pharmaceutical products

Assets spun off: 51,088 million yen

Liabilities spun off: 43 million yen

Note: The amounts of assets and liabilities spun off are currently being calculated.

(3) Form of the Split

Simplified absorption-type split with Shionogi as the splitting company and Shionogi Pharma as the successor company.

(4) Name of successor company in the Split, and amounts of its assets, liabilities and net assets (as of March 31, 2019)

Company name: Shionogi Pharma Co., Ltd.

Assets: 25 million yen

Liabilities: 164 million yen

Net assets: (139) million yen

Note: Shionogi Pharma commenced operations on April 1, 2019.

(5) Timing of the Split

April 1, 2019

(6) Summary of accounting treatment

The transaction is treated as a transaction under common control based on the Accounting Standard for Business Combinations and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.

(7) Other significant items

On the same date, Shionogi Pharma, the successor company, carried out an absorption-type merger of Shionogi Pharma Chemicals Co., Ltd. and Shionogi Analysis Center Co., Ltd, which were wholly owned subsidiaries of Shionogi.

Non-consolidated Statements of Changes in Net Assets

(Year ended March 31, 2019)

(Millions of yen)

	Capital stock	Capital surplus		Retained earnings			
		Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings		
					Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward
Balance at the beginning of the period	21,279	16,392	-	5,388	3,948	368,645	83,938
Changes of items during period							
Reversal of reserve for advanced depreciation of non-current assets					(128)		128
Dividends of surplus							(27,669)
Net income							100,037
Purchase of treasury stock							
Disposal of treasury stock			(1,414)				
Retirement of treasury stock			(38,604)				
Other			40,019				(40,019)
Net changes of items other than shareholders' equity							
Total changes of items during period	-	-	-	-	(128)	-	32,475
Balance at the end of current period	21,279	16,392	-	5,388	3,820	368,645	116,414

	Treasury stock	Total shareholders' equity	Valuation and translation adjustments			Subscription rights to shares	Total net assets
			Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at the beginning of the period	(36,641)	462,951	35,856	1,174	37,031	527	500,510
Changes of items during period							
Reversal of reserve for advanced depreciation of non-current assets		-					-
Dividends of surplus		(27,669)					(27,669)
Net income		100,037					100,037
Purchase of treasury stock	(50,020)	(50,020)					(50,020)
Disposal of treasury stock	19,174	17,759					17,759
Retirement of treasury stock	38,604	-					-
Other		-					-
Net changes of items other than shareholders' equity			(6,928)	(427)	(7,356)		(7,356)
Total changes of items during period	7,759	40,106	(6,928)	(427)	(7,356)	-	32,750
Balance at the end of current period	(28,882)	503,058	28,928	747	29,675	527	533,261

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 3 years to 50 years
Machinery and equipment: from 4 years to 17 years
 - (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. Change in presentation methods
(Change Associated with Application of Partial Amendments to Accounting Standard for Tax Effect Accounting, Etc.)
Shionogi has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) as of the beginning of the fiscal year ended March 31, 2019. Accordingly, Shionogi now classifies deferred tax assets under investments and other assets, and deferred tax liabilities under non-current liabilities.

(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 169,269 million yen
3. Short-term credit for subsidiaries and affiliates 4,277 million yen
Short-term debts to subsidiaries and affiliates 6,255 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 34,334 Millions of yen
Transactions other than business transactions 3,515 Millions of yen
3. Gain on sale of shares of subsidiaries and associates
Gain due to sale of a portion of shares of subsidiary Shionogi Healthcare Co., Ltd.
4. Gain on sales of non-current assets
Mainly due to the sale of the Omori dormitory (¥451 million)
5. Loss on valuation of shares of subsidiaries and associates
Loss on valuation of shares of U.S. subsidiary Shionogi Inc.
6. Special retirement expenses
Related to the system of transfers of subsidiaries
7. Loss on disaster
Loss related to an earthquake centered in northern Osaka Prefecture that occurred on June 18, 2018
8. Impairment loss
Shionogi recognized asset impairment as follows:
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.

Location	Use	Class	Amount
Settsu Plant Building 301 (Settsu, Osaka Prefecture)	Idle assets	Buildings, etc.	746 million yen

In connection with the maintenance of the Settsu Plant, Shionogi has decided to scrap Settsu Plant Building 301, which will become idle. Accordingly, Shionogi recognized an impairment loss on the entire carrying amount of the facilities that will become idle assets. The impairment loss consists mainly of ¥677 million on the building.

9. Loss on disposal of non-current assets
Loss related to Settsu Plant Building 301

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

Shares held as of March 31, 2019

Common stock 5,498,751 shares

(Notes on Tax Effects)

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

Deferred tax assets:

Loss on valuation of stocks of subsidiaries and affiliates	23,993 Millions of yen
Revision of carrying value of stocks of subsidiaries and affiliates	12,461 Millions of yen
R&D expenses	9,229 Millions of yen
Loss on revaluation of investments in securities	2,185 Millions of yen
Provision for bonuses	2,034 Millions of yen
Accrued enterprise taxes	1,742 Millions of yen
Other	3,778 Millions of yen
<hr/>	<hr/>
Subtotal deferred tax assets	55,425 Millions of yen
Valuation Allowance	(39,933) Millions of yen
<hr/>	<hr/>
Total deferred tax assets	15,492 Millions of yen
Deferred tax liabilities:	
Unrealized gain on other securities	(8,912) Millions of yen
Reserve for advanced depreciation of property, plant and equipment	(1,684) Millions of yen
Investments in securities	(1,282) Millions of yen
Asset for retirement benefits	(239) Millions of yen
Other	(529) Millions of yen
<hr/>	<hr/>
Total deferred tax liabilities	(12,648) Millions of yen
<hr/>	<hr/>
Net deferred tax assets	2,843 Millions of yen

(Notes on Related-Party transactions)

(Millions of yen)

Attribute	Company Name	Rate of ownership of voting	Relationship	Transaction Content	Transaction Amount	Account	Balance at end of current period
Subsidiary	Shionogi Inc.	Directly owned 100%	Outsourcing of development work Sale of Shionogi products Financial assistance Interlocking directors	Subscription to capital increase*	44,400	—	—

Transaction terms and method of determining transaction terms, etc.

* The subscription to capital increase was a debt-equity swap.

(Notes on Amounts per Share)

1. Net assets per share	1,711.39 yen
2. Earnings per share	319.73 yen
3. Earnings per share (diluted)	316.98 yen

(Important subsequent events)

Please refer “Notes on Consolidated Financial Statements (Important Subsequent events)”.