

Notice Regarding Reorganization of Manufacturing Subsidiaries through Company Split and Merger

OSAKA, Japan, October 29, 2018 - Shionogi & Co., Ltd. (Head Office: Osaka, Japan; President & CEO: Isao Teshirogi, Ph.D.; hereafter, “Shionogi”) today announced that it has resolved at a meeting of the Board of Directors held today, to have Shionogi Pharma Co., Ltd. (hereafter, “Shionogi Pharma”) succeed its manufacture of pharmaceutical products through an absorption-type split (hereafter, “Split”) on April 1, 2019, upon the launch of operations of Shionogi Pharma on the same day.

Shionogi has also resolved to have Shionogi Pharma, a successor company, implement an absorption-type merger (hereafter, “Merger”) of its wholly-owned subsidiaries, Shionogi Pharma Chemicals Co., Ltd. (Head Office: Tokushima, Japan; President & CEO: Shozo Takechi; hereafter, “Shionogi Pharma Chemicals”) and Shionogi Analysis Center Co., Ltd. (Head Office: Settsu, Osaka, Japan; President & CEO: Makoto Kobayashi; hereafter, “Shionogi Analysis Center”) on April 1, 2019. Because the Split will be conducted between Shionogi and its wholly-owned subsidiary and the Merger will be carried out among several subsidiaries, some information and details are omitted in the disclosure.

1. Purpose of the Split and Merger

Shionogi will have Shionogi Pharma succeed its manufacture of pharmaceutical products through the Split on April 1, 2019, and Shionogi Pharma, a successor company, will merge Shionogi Pharma Chemicals and Shionogi Analysis Center on the same day, to manufacture new pharmaceuticals invented by Shionogi with high quality and at globally competitive prices and maintain a stable supply of those pharmaceuticals on the market as a manufacturing hub in the Shionogi Group’s value chain.

Shionogi Pharma will provide a wide range of services under contract, such as manufacturing investigational drugs, analyzing pharmaceutical products, and engineering pharmaceuticals, in addition to manufacturing pharmaceuticals under contract by using its know-how and highly specialized knowledge. Through these services, Shionogi Pharma aims not only to contribute to further development of the pharmaceutical industry in Japan, but also to become a technology oriented-type manufacturing company that develops and globally provides new manufacturing methods and products by focusing on development of manufacturing technologies.

2. Absorption-type split

(1) Summary of the Split

(a) Schedule of the Split

Approval of Split by Board of Directors	October 29, 2018
Approval of Split agreement by Board of Directors	February 18, 2019 (planned)
Conclusion date of Split agreement	February 18, 2019 (planned)
Effective date of Split	April 1, 2019 (planned)
Registration date of Split	April 1, 2019 (planned)

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(b) Method of the Split

The Split is a simplified absorption-type split under which Shionogi shall be the splitting company and Shionogi Pharma, its wholly-owned subsidiary, shall be the successor company.

For information, allotments regarding the Split, the treatment of share acquisition rights and bonds with share acquisition rights associated with the Split, changes in capital due to the Split, rights and obligations succeeded by the successor company, and the prospects of fulfillment of obligations have not yet been determined.

(2) Outline of the parties concerned in the Split

	Splitting company (as of March 31, 2018)	Successor company (as of October 1, 2018)	
(a) Company name	Shionogi & Co., Ltd.	Shionogi Pharma Co., Ltd.	
(b) Business	Research, development, manufacture, and distribution of pharmaceuticals, diagnostic reagents, and medical devices, etc.	Manufacture and contract manufacture of pharmaceutical products, etc.	
(c) Date established	June 5, 1919	October 1, 2018	
(d) Location of Head Office	1-8 Doshomachi 3-chome, Chuo-ku, Osaka	5-1 Mishima 2-chome, Settsu, Osaka	
(d) Representative	Isao Teshirogi, President & CEO	Yoshihiro Furuya, President & CEO	
(f) Capital	21,279 million yen	10 million yen	
(g) Number of outstanding shares	324,136,165	200	
(h) Shareholders' equity	579,257 million yen (consolidated)	10 million yen	
(i) Total assets	722,500 million yen (consolidated)	10 million yen	
(j) End of fiscal year	March 31	March 31	
(k) Number of employees	5,120 (consolidated)	3 (*Note)	
(l) Main business partners	ViiV Healthcare Ltd. Suzuken Co., Ltd. AstraZeneca UK Ltd.	None (*Note)	
(m) Principal shareholders and investment ratio	The Master Trust Bank of Japan, Ltd.: 10.31%; Japan Trustee Services Bank, Ltd.: 6.45%; Sumitomo Life Insurance Company: 5.91%	Shionogi & Co., Ltd.: 100.0%	
(n) Banks	Sumitomo Mitsui Banking Corporation	Sumitomo Mitsui Banking Corporation	
(o) Consolidated business performance of Shionogi for the recent three fiscal years (Unit: millions of yen)			
Fiscal year	March 2016	March 2017	March 2018

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Net sales	309,973	338,890	344,667
Operating income	91,406	108,178	115,219
Ordinary income	100,869	123,031	138,692
Profit attributable to owners of parent	66,687	83,879	108,866
Earnings per share (yen)	204.83	259.88	342.71
Dividends per share (yen)	62.00	72.00	82.00
Net assets per share (yen)	1,564.73	1,638.46	1,911.36

(Note) Shionogi Pharma Co., Ltd., a successor company, was established on October 1, 2018 and is scheduled to commence operations on April 1, 2019.

(3) Outline of the business subject to the Split

(a) Business subject to the Split

Manufacture of pharmaceuticals

For information, operating results of the business subject to the Split and items and book values of assets and liabilities to be spun off have not yet been determined.

(4) Status after the Split

Except for total assets, the status of Shionogi, the splitting company, will remain the same as shown above in “2. Absorption-type split (2) Outline of the parties concerned in the Split.” For information, any decrease in total assets has not yet been determined.

3. Absorption-type merger

(1) Summary of the Merger

(a) Schedule of the Merger

Approval of Merger by Board of Directors	October 29, 2018
Approval of Merger agreement by Board of Directors	February 18, 2019 (planned)
Conclusion date of Merger agreement	February 18, 2019 (planned)
Effective date of Merger	April 1, 2019 (planned)
Registration date of Merger	April 1, 2019 (planned)

(b) Method of the Merger

The Merger is an absorption-type merger under which Shionogi Pharma shall be the company surviving the Merger, and Shionogi Pharma Chemicals and Shionogi Analysis Center shall be to be absorbed in the Merger.

For information, allotments regarding the Merger and the treatment of share acquisition rights and bonds with share acquisition rights associated with the Merger have not yet been determined.

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(2) Outline of the parties concerned in the Merger

	Company surviving the Merger (as of October 1, 2018)	Company absorbed in the Merger (as of March 31, 2018)	Company absorbed in the Merger (as of March 31, 2018)
(a) Company name	Shionogi Pharma Co., Ltd.	Shionogi Pharma Chemicals Co., Ltd.	Shionogi Analysis Center Co., Ltd.
(b) Business	Manufacture and contract manufacture of pharmaceutical products, etc.	Contract manufacture of drug substance for pharmaceutical products and investigational drugs, etc.	Contract analysis of pharmaceutical products, etc.
(c) Date established	October 1, 2018	August 24, 1976	December 21, 2007
(d) Location of head office	5-1 Mishima 2-chome, Settsu, Osaka	224-20 Ebisuno Hiraishi Kawauchi-cho, Tokushima	5-1 Mishima 2-chome, Settsu, Osaka
(e) Representative	Yoshihiro Furuya, President & CEO	Shozo Takechi, President & CEO	Makoto Kobayashi, President & CEO
(f) Capital	10 million yen	200 million yen	10 million yen
(g) Number of outstanding shares	200	400,000	1,000
(h) End of fiscal year	March 31	March 31	March 31
(i) Principal shareholders and investment ratio	Shionogi & Co., Ltd.: 100.0%	Shionogi & Co., Ltd.: 100.0%	Shionogi & Co., Ltd.: 100.0%

4. Prospects

We expect the impact of the Split and the Merger on Shionogi's consolidated business performance to be minimal. Furthermore, we will promptly announce the above undetermined matters as soon as they are determined.