



Financial Results for the First Quarter of Fiscal Year 2018(Consolidated)

July 30, 2018

Name of Listed Company: **SHIONOGI & CO., LTD.**

Listed Exchanges: Section I of Tokyo

Code: 4507 URL: <http://www.shionogi.co.jp>

Representative: Isao Teshirogi, President and CEO

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Scheduled date of quarterly securities report submission: August 8, 2018

Scheduled date of dividend payments: —

Preparation of supplemental material for the quarterly financial results: Yes

Holding of presentation for the quarterly financial results: Yes (for investment analysts)

(Note: All amounts are rounded down to the nearest million yen.)

1. Consolidated results for the period from April 1, 2018 to June 30, 2018

(1) Consolidated operating results

(% shows changes from the same period of the previous fiscal year)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | |
|----------------------------------|-----------------|------|------------------|--------|-----------------|------|---|------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Three months ended June 30, 2018 | 88,524 | 18.0 | 27,646 | 72.9 | 37,941 | 80.1 | 31,892 | 99.2 |
| Three months ended June 30, 2017 | 75,023 | 2.5 | 15,988 | (11.4) | 21,071 | 26.3 | 16,010 | 27.7 |

Note: Comprehensive income Three months ended June 30, 2018: 35,562 million yen (66.5%)

Three months ended June 30, 2017: 21,354 million yen (—%)

| | Earnings per share | Earnings per share (diluted) |
|----------------------------------|--------------------|------------------------------|
| | Yen | Yen |
| Three months ended June 30, 2018 | 101.45 | 99.95 |
| Three months ended June 30, 2017 | 50.22 | 49.43 |

(2) Consolidated financial position

| | Total assets | Net assets | Shareholders' equity ratio |
|----------------------|-----------------|-----------------|----------------------------|
| | Millions of yen | Millions of yen | % |
| As of June 30, 2018 | 738,654 | 627,462 | 84.3 |
| As of March 31, 2018 | 711,463 | 604,840 | 84.5 |

Reference: Shareholders' equity As of June 30, 2018: 622,418 million yen As of March 31, 2018: 600,847 million yen

2. Dividends

| (Date of record) | Dividends per share | | | | |
|---------------------------------------|----------------------|-----------------------|----------------------|----------|--------|
| | End of first quarter | End of second quarter | End of third quarter | Year-end | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| Year ended March 31, 2018 | — | 38.00 | — | 44.00 | 82.00 |
| Year ending March 31, 2019 | — | | | | |
| Year ending March 31, 2019 (forecast) | | 44.00 | — | 44.00 | 88.00 |

Note: Revisions of the most recent dividend forecast: None

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

(% shows changes from the same period of the previous fiscal year)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | | Earnings per share |
|--------------------------------------|-----------------|-------|------------------|--------|-----------------|-------|---|-------|--------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Six months ending September 30, 2018 | 168,000 | (2.4) | 48,000 | (13.9) | 61,000 | (7.0) | 48,600 | (3.4) | 154.60 |
| Year ending March 31, 2019 | 348,000 | 1.0 | 120,000 | 4.1 | 144,000 | 3.8 | 114,500 | 5.2 | 364.24 |

Note: Revisions of the most recent consolidated financial forecast: None

※ Notes

- (1) Significant changes in subsidiaries during the period (changes in specified subsidiaries involving changes in scope of consolidation): None
- (2) Adoption of accounting methods specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes/restatements of accounting estimates
- a) Changes in accounting policies in connection with amendments to accounting standards, etc.: None
 - b) Changes in accounting policies other than a) above: None
 - c) Changes in accounting estimates: None
 - d) Restatements: None
- (4) Number of shares issued (common stock)
- a) Number of shares issued (including treasury stock)

| | |
|-----------------------|--------------------|
| As of June 30, 2018: | 324,136,165 shares |
| As of March 31, 2018: | 324,136,165 shares |
 - b) Number of treasury stock

| | |
|-----------------------|------------------|
| As of June 30, 2018: | 9,780,617 shares |
| As of March 31, 2018: | 9,780,027 shares |
 - c) Average number of shares issued during the period

| | |
|-----------------------------------|--------------------|
| Three months ended June 30, 2018: | 314,355,784 shares |
| Three months ended June 30, 2017: | 318,787,772 shares |

※ *This report of financial results is unaudited.*

※ *Notes to consolidated financial forecasts and other items*

(Cautionary note concerning forward-looking statements)

The forecasts and other forward-looking statements contained in this document are based on the information currently available and certain assumptions that it judges to be reasonable. Actual results may differ materially due to a variety of factors.

For the assumptions used in forecasts and precautionary statements regarding the use of the forecasts, please refer to "1. Overview of Operating Results and Financial Position (3) Outlook" on page 2 of the accompanying materials.

(Method of Obtaining Financial Results Supplementary Materials and Details of Results Briefing Meeting)

Financial results supplementary materials are posted via TDnet on the date of disclosure. The Company plans to hold a results briefing meeting for analysts on Monday, July 30, 2018. Plans are also in place to post audio explanatory details together with financial results explanatory materials distributed to analysts on July 30, 2018 on the Company's website in a timely manner after the results briefing.

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1. Overview of Operating Results and Financial Position

(1) Operating Results for the First Quarter of the Fiscal Year Ending March 31, 2019

In the first quarter ended June 30, 2018 (April 1, 2018 to June 30, 2018), net sales were ¥88,524 million, operating income was ¥27,646 million, ordinary income was ¥37,941 million, and profit attributable to owners of parent was ¥31,892 million.

Domestic sales of prescription drugs decreased 31.9 percent compared with the same period of the previous fiscal year. In the domestic prescription drug market, sales of strategic products Cymbalta, Intuniv and Symproic expanded steadily, but sales of Crestor and Irbetan were significantly impacted by generic competition. Despite a decrease in royalty income associated with the drop in sales of authorized generics in the United States, overseas subsidiary sales and exports increased 49.3 percent because Shionogi received a one-time payment due to the termination of the alliance with Purdue Pharma L.P. for Symproic. Royalty income increased 89.7 percent compared with the same period of the previous fiscal year as global sales of anti-HIV drugs Tivicay and Triumeq expanded steadily, and Shionogi received milestone payments from Roche, its alliance partner, in connection with the smooth progress in global development of anti-flu drug Xofluz.

Gross profit increased 39.0 percent compared with the same period of the previous fiscal year, mainly due to the aforementioned increase in royalty income. Selling, general and administrative expenses increased 25.2 percent due to an increase in general and administrative expenses as a result of IT-related investments and an increase in research and development expenses in connection with strategic business investments. However, operating income increased 72.9 percent because of the increase in gross profit. Ordinary income increased 80.1 percent due to the increase in dividends received from UK-based ViiV Healthcare Ltd. Profit attributable to owners of parent increased 99.2 percent. During the first quarter ended June 30, 2018, Shionogi recorded an extraordinary gain on the sale of the Nanjing Plant of C&O Pharmaceutical Technology (Holdings) Limited.

(2) Financial Position for the First Quarter of the Fiscal Year Ending March 31, 2019

As of June 30, 2018, total assets were ¥738,654 million, an increase of ¥27,191 million from the end of the previous fiscal year. Current assets increased ¥20,862 million to ¥400,367 million as a result of factors including an increase in cash and deposits and accounts receivable associated with milestone payments from Roche. Non-current assets increased ¥6,328 million to ¥338,287 million, largely because of an increase in investment securities reflecting higher stock prices.

Total liabilities increased ¥4,569 million from the end of the previous fiscal year to ¥111,192 million. Current liabilities increased ¥5,912 million to ¥78,478 million. Non-current liabilities decreased ¥1,343 million to ¥32,713 million.

Net assets increased ¥22,621 million from the end of the previous fiscal year to ¥627,462 million. Shareholders' equity increased ¥18,342 million to ¥597,599 million as a result of factors including an increase from profit attributable to owners of parent and a decrease due to cash dividends paid. Accumulated other comprehensive income increased ¥3,228 million to ¥24,818 million, mainly due to an increase in valuation difference on available-for-sale securities reflecting higher stock prices and a decrease in foreign currency translation adjustment due to the effect of currency translation. Non-controlling interests increased ¥1,050 million to ¥4,517 million, partly because of an increase due to an equity alliance between Shionogi Healthcare Co., Ltd. and Rohto Pharmaceutical Co., Ltd.

(3) Outlook

There are no revisions to the consolidated financial forecast announced on July 23, 2018.

2. Consolidated Financial Statements and Notes

(1) Consolidated balance sheets

| | <i>Millions of yen</i> | |
|--|------------------------|---------------------|
| | As of March 31, 2018 | As of June 30, 2018 |
| Assets | | |
| Current assets | | |
| Cash and deposits | 140,106 | 147,660 |
| Notes and accounts receivable-trade | 53,240 | 63,730 |
| Short-term investment securities | 124,300 | 124,500 |
| Merchandise and finished goods | 14,716 | 16,365 |
| Work in process | 6,993 | 6,491 |
| Raw materials and supplies | 12,926 | 13,847 |
| Other | 27,257 | 27,807 |
| Allowance for doubtful accounts | (36) | (35) |
| Total current assets | 379,504 | 400,367 |
| Non-current assets | | |
| Property, plant and equipment | 75,956 | 74,848 |
| Intangible assets | | |
| Goodwill | 32,852 | 32,498 |
| Other | 42,207 | 41,326 |
| Total intangible assets | 75,060 | 73,825 |
| Investments and other assets | | |
| Investment securities | 155,675 | 163,180 |
| Other | 25,309 | 26,475 |
| Allowance for doubtful accounts | (42) | (42) |
| Total investments and other assets | 180,942 | 189,613 |
| Total non-current assets | 331,959 | 338,287 |
| Total assets | 711,463 | 738,654 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 8,016 | 6,824 |
| Current portion of long-term loans payable | 10,000 | 10,000 |
| Income taxes payable | 19,513 | 20,229 |
| Provision for bonuses | 8,741 | 10,821 |
| Provision for sales returns | 1,360 | 1,407 |
| Other provision | 105 | — |
| Other | 24,829 | 29,196 |
| Total current liabilities | 72,565 | 78,478 |
| Non-current liabilities | | |
| Bonds payable | 18,491 | 18,486 |
| Net defined benefit liability | 8,096 | 8,200 |
| Other | 7,468 | 6,025 |
| Total non-current liabilities | 34,056 | 32,713 |
| Total liabilities | 106,622 | 111,192 |

Millions of yen

| | As of March 31, 2018 | As of June 30, 2018 |
|---|----------------------|---------------------|
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 21,279 | 21,279 |
| Capital surplus | 20,227 | 20,512 |
| Retained earnings | 574,392 | 592,452 |
| Treasury stock | (36,641) | (36,645) |
| Total shareholders' equity | 579,257 | 597,599 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 35,856 | 41,127 |
| Deferred gains or losses on hedges | 1,174 | 2,557 |
| Foreign currency translation adjustment | (15,330) | (19,161) |
| Remeasurements of defined benefit plans | (111) | 294 |
| Total accumulated other comprehensive income | 21,589 | 24,818 |
| Subscription rights to shares | 527 | 527 |
| Non-controlling interests | 3,466 | 4,517 |
| Total net assets | 604,840 | 627,462 |
| Total liabilities and net assets | 711,463 | 738,654 |

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

Consolidated statements of income

| | <i>Millions of yen</i> | |
|--|-------------------------------------|-------------------------------------|
| | Three months ended June 30, 2017 | Three months ended June 30, 2018 |
| Net sales | 75,023 | 88,524 |
| Cost of sales | 19,918 | 11,913 |
| Gross profit | 55,105 | 76,610 |
| Selling, general and administrative expenses | 39,116 | 48,964 |
| Operating income | 15,988 | 27,646 |
| Non-operating income | | |
| Interest income | 234 | 445 |
| Dividends income | 5,716 | 9,756 |
| Other | 190 | 684 |
| Total non-operating income | 6,141 | 10,887 |
| Non-operating expenses | | |
| Interest expenses | 160 | 89 |
| Contribution | 253 | 254 |
| Foreign exchange losses | 257 | — |
| Other | 387 | 247 |
| Total non-operating expenses | 1,059 | 591 |
| Ordinary income | 21,071 | 37,941 |
| Extraordinary income | | |
| Gain on sales of non-current assets | — | 2,462 |
| Total extraordinary income | — | 2,462 |
| Extraordinary loss | | |
| Loss on disaster | — | 331 |
| Loss on valuation of investment securities | 523 | — |
| Total extraordinary losses | 523 | 331 |
| Income before income taxes | 20,547 | 40,072 |
| Income taxes-current | 6,920 | 12,573 |
| Income taxes-deferred | (2,400) | (4,980) |
| Total income taxes | 4,519 | 7,593 |
| Profit | 16,027 | 32,478 |
| Profit attributable to non-controlling interests | 17 | 586 |
| Profit attributable to owners of parent | 16,010 | 31,892 |

Consolidated statements of comprehensive income

Millions of yen

| | Three months ended June 30, 2017 | Three months ended June 30, 2018 |
|--|-------------------------------------|-------------------------------------|
| Profit | 16,027 | 32,478 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,534 | 5,270 |
| Deferred gains or losses on hedges | (1,143) | 1,383 |
| Foreign currency translation adjustment | 3,177 | (3,975) |
| Remeasurements of defined benefit plans | 759 | 405 |
| Total other comprehensive income | 5,326 | 3,084 |
| Comprehensive income | 21,354 | 35,562 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 21,429 | 35,120 |
| Comprehensive income attributable to non-controlling interests | (74) | 441 |

(3) Notes

Going concern assumption

None

Significant changes in shareholders' equity

None

Additional information

Application of Partial Amendments to Accounting Standard for Tax-Effect Accounting, Etc.

Shionogi has adopted the "Partial Amendments to Accounting Standard for Tax-Effect Accounting" (Accounting Standards Board of Japan Statement No. 28, February 16, 2018), etc. as of the first quarter of the fiscal year ending March 31, 2019. Accordingly, deferred tax assets are classified under investments and other assets, and deferred tax liabilities are classified under non-current liabilities.

Supplemental material for financial results for the 1st quarter of fiscal year 2018

July 30, 2018
Shionogi & Co., Ltd.

1. Sales of Segments

(Billions of yen)

| | FY2018 1H forecast | FY2018 forecast | FY2018 1Q actual | FY2017 1Q actual | change | Progress% vs. 2018 1H forecast |
|------------------------------------|-----------------------|--------------------|------------------------|------------------------|-------------|--------------------------------------|
| Prescription drugs | 52.3 | 119.3 | 25.4 | 37.3 | (11.9) | 48.6 |
| <i>change %</i> | (28.5) | (14.3) | (31.9) | (6.6) | | |
| CYMBALTA | 12.1 | 26.0 | 6.1 | 5.8 | 0.4 | 50.3 |
| INTUNIV | 1.9 | 5.0 | 1.1 | 0.4 | 0.8 | 57.3 |
| XOFLUZA | 1.3 | 13.0 | 0.0 | — | 0.0 | 2.6 |
| RAPIACTA | 0.1 | 1.1 | 0.0 | 0.1 | (0.0) | 22.3 |
| BRIGHTPOC Flu | 0.1 | 1.1 | 0.0 | 0.0 | (0.0) | 4.5 |
| OXYCONTIN Franchise | 4.2 | 9.1 | 2.0 | 2.4 | (0.4) | 47.3 |
| SYMPROIC | 0.5 | 1.2 | 0.3 | 0.0 | 0.3 | 65.0 |
| Total of strategic products | 20.3 | 56.4 | 9.6 | 8.6 | 1.0 | 47.3 |
| ACTAIR | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 | 68.2 |
| MULPLETA | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 | 39.9 |
| PIRESPA | 3.1 | 6.0 | 1.4 | 1.4 | (0.1) | 44.7 |
| Total of new products | 23.5 | 62.8 | 11.0 | 10.1 | 0.9 | 47.0 |
| CRESTOR | 5.3 | 9.7 | 2.6 | 12.1 | (9.4) | 49.6 |
| IRBETAN Franchise | 3.6 | 6.4 | 1.9 | 3.7 | (1.8) | 53.8 |
| Other | 19.9 | 40.4 | 9.8 | 11.4 | (1.6) | 49.2 |
| Overseas subsidiaries/Export | 15.1 | 31.3 | 9.9 | 6.6 | 3.3 | 65.3 |
| <i>change %</i> | 24.0 | 32.5 | 49.3 | 1.2 | | |
| Shionogi Inc. | 6.5 | 12.4 | 6.1 | 3.5 | 2.6 | 93.1 |
| Osphena | 2.1 | 4.1 | 0.8 | 1.1 | (0.4) | 36.7 |
| C&O | 5.8 | 12.4 | 2.3 | 1.8 | 0.6 | 40.4 |
| Contract manufacturing | 5.6 | 12.1 | 2.8 | 3.5 | (0.7) | 50.1 |
| <i>change %</i> | (34.0) | (28.7) | (20.5) | 35.4 | | |
| OTC and quasi-drugs | 3.4 | 7.4 | 1.6 | 1.6 | 0.0 | 46.7 |
| <i>change %</i> | 1.2 | 1.7 | 1.3 | (7.8) | | |
| Royalty income | 90.3 | 175.5 | 48.3 | 25.5 | 22.8 | 53.5 |
| <i>change %</i> | 22.4 | 13.2 | 89.7 | 16.9 | | |
| HIV Franchise | 58.7 | 124.9 | 24.5 | 18.6 | 5.8 | 41.7 |
| CRESTOR | 10.6 | 21.1 | 5.5 | 5.7 | (0.2) | 51.9 |
| Other | 21.0 | 29.5 | 18.3 | 1.1 | 17.2 | 87.2 |
| Others | 1.3 | 2.5 | 0.6 | 0.6 | 0.0 | 45.9 |
| <i>change %</i> | 2.6 | (4.5) | 1.8 | (8.4) | | |
| Total | 168.0 | 348.0 | 88.5 | 75.0 | 13.5 | 52.7 |
| <i>change %</i> | (2.4) | 1.0 | 18.0 | 2.5 | | |

Note: Change % shows changes from the same period of the previous fiscal year

Sales of prescription drugs are shown on non-consolidated basis.

The forecast announced on July 23, 2018.

2 - 1. Quarterly trend for FY2017 and FY2018 (Sales of main merchandise and finished goods)

Fiscal year ended March 31, 2018

(Billions of yen)

| FY2017 | FY2017 1Q actual | Y on Y change% | FY2017 2Q actual | Y on Y change% | FY2017 3Q actual | Y on Y change% | FY2017 4Q actual | Y on Y change% |
|------------------------------------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
| Prescription drugs | 37.3 | (6.6) | 35.9 | (8.6) | 35.2 | (16.3) | 30.8 | (16.2) |
| CYMBALTA | 5.8 | 30.6 | 6.0 | 32.9 | 6.5 | 23.8 | 5.3 | 8.7 |
| INTUNIV | 0.4 | - | 0.3 | - | 0.5 | - | 0.7 | - |
| SYMPROIC | 0.0 | - | 0.1 | - | 0.2 | - | 0.2 | - |
| XOFLUZA | - | - | - | - | - | - | 2.4 | - |
| Total of strategic products | 6.2 | 39.9 | 6.4 | 42.8 | 7.3 | 37.9 | 8.6 | 77.1 |
| ACTAIR | 0.0 | 131.4 | 0.0 | 50.9 | 0.0 | 48.7 | 0.0 | 45.0 |
| MULPLETA | 0.0 | 41.4 | 0.0 | 33.8 | 0.0 | 38.8 | 0.0 | (3.2) |
| PIRESPA | 1.4 | (11.6) | 1.7 | 20.8 | 1.8 | 18.6 | 1.5 | 17.3 |
| OXYCONTIN Franchise | 2.4 | (8.2) | 2.2 | (10.5) | 2.4 | (8.9) | 1.7 | (14.5) |
| RAPIACTA | 0.1 | (57.5) | 0.0 | (417.7) | 1.2 | 2.3 | 2.1 | 30.8 |
| BRIGHTPOC Flu | 0.0 | 3.9 | 0.1 | 86.5 | 0.4 | (14.8) | 0.6 | 38.4 |
| GLASHVISTA | 0.1 | (40.3) | 0.1 | (78.3) | 0.0 | (53.8) | 0.1 | 198.5 |
| Total of new products | 10.2 | 14.0 | 10.5 | 21.1 | 13.2 | 17.5 | 14.7 | 43.2 |
| CRESTOR | 12.1 | 5.6 | 9.9 | (5.7) | 4.3 | (61.3) | 3.0 | (70.1) |
| IRBETAN Franchise | 3.7 | (11.8) | 4.0 | 12.6 | 4.1 | 3.2 | 2.7 | (22.2) |
| Other | 11.3 | (26.3) | 11.4 | (30.7) | 13.6 | (13.4) | 10.5 | (19.7) |
| Overseas subsidiaries/Export | 6.6 | 1.2 | 5.6 | (36.1) | 5.3 | (30.9) | 6.2 | (2.3) |
| Shionogi Inc. | 3.5 | (3.9) | 2.6 | (53.1) | 2.3 | (51.0) | 2.2 | (44.6) |
| Osphena | 1.1 | (5.6) | 0.9 | 6.4 | 1.0 | (24.9) | 0.7 | (49.9) |
| C&O | 1.8 | 20.3 | 1.6 | (1.7) | 1.4 | 12.4 | 2.1 | 42.9 |
| Contract manufacturing | 3.5 | 35.4 | 4.9 | 75.2 | 3.4 | (1.4) | 5.2 | 55.7 |
| OTC and quasi-drugs | 1.6 | (7.8) | 1.8 | 4.8 | 2.3 | 12.1 | 1.5 | 19.6 |
| Royalty income | 25.5 | 16.9 | 48.3 | 67.5 | 44.3 | 42.6 | 37.0 | 8.7 |
| HIV Franchise | 18.6 | 82.3 | 27.6 | 49.7 | 27.8 | 34.9 | 29.4 | 22.5 |
| CRESTOR | 5.7 | (45.6) | 5.6 | (17.1) | 5.6 | (27.8) | 5.6 | (29.0) |
| Others | 0.6 | (8.4) | 0.7 | 11.3 | 0.8 | (95.0) | 0.6 | (5.8) |
| Total | 75.0 | 2.5 | 97.1 | 18.6 | 91.2 | (10.1) | 81.3 | (1.3) |

Fiscal year ending March 31, 2019

| FY2018 | FY2018 1Q actual | Y on Y change% |
|------------------------------------|---------------------|-------------------|
| Prescription drugs | 25.4 | (31.9) |
| CYMBALTA | 6.1 | 6.1 |
| INTUNIV | 1.1 | 209.9 |
| XOFLUZA | 0.0 | - |
| RAPIACTA | 0.0 | (76.4) |
| BRIGHTPOC Flu | 0.0 | (90.5) |
| OXYCONTIN Franchise | 2.0 | (15.2) |
| SYMPROIC | 0.3 | 526.3 |
| Total of strategic products | 9.6 | 11.0 |
| ACTAIR | 0.0 | 47.4 |
| MULPLETA | 0.0 | 0.6 |
| PIRESPA | 1.4 | (5.1) |
| Total of new products | 11.0 | 8.8 |
| CRESTOR | 2.6 | (78.1) |
| IRBETAN Franchise | 1.9 | (48.5) |
| Other | 9.8 | (13.8) |
| Overseas subsidiaries/Export | 9.9 | 49.3 |
| Shionogi Inc. | 6.1 | 75.7 |
| Osphena | 0.8 | (32.7) |
| C&O | 2.3 | 31.0 |
| Contract manufacturing | 2.8 | (20.5) |
| OTC and quasi-drugs | 1.6 | 1.3 |
| Royalty income | 48.3 | 89.7 |
| HIV Franchise | 24.5 | 31.4 |
| CRESTOR | 5.5 | (4.3) |
| Others | 18.3 | - |
| Others | 0.6 | 1.8 |
| Total | 88.5 | 18.0 |

Note: Sales of prescription drugs are shown on non-consolidated basis.

2 - 2. Quarterly trend for FY2017 and FY2018 (Consolidated statements of income)

Fiscal year ended March 31, 2018

(Billions of yen)

| FY2017 | FY2017 1Q actual | Y on Y change % | FY2017 2Q actual | Y on Y change % | FY2017 3Q actual | Y on Y change % | FY2017 4Q actual | Y on Y change % |
|--|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|
| Net sales | 75.0 | 2.5 | 97.1 | 18.6 | 91.2 | (10.1) | 81.3 | (1.3) |
| Cost of sales | 26.5 19.9 | 0.5 | 20.3 19.8 | 4.6 | 18.7 17.1 | (18.6) | 21.1 17.2 | (5.1) |
| Gross profit | 55.1 | 3.3 | 77.4 | 22.8 | 74.1 | (7.9) | 64.1 | (0.2) |
| SG & A expenses | 52.1 39.1 | 10.8 | 38.7 37.6 | 2.3 | 43.6 39.8 | 7.3 | 48.0 39.0 | (10.9) |
| Selling & administrative expenses | 22.1 | (2.6) | 24.5 | 7.8 | 24.3 | 3.8 | 24.7 | 2.0 |
| R & D expenses | 17.0 | 34.8 | 13.1 | (6.8) | 15.5 | 13.4 | 14.4 | (26.7) |
| Operating income | 21.3 16.0 | (11.4) | 40.9 39.8 | 51.5 | 37.7 34.4 | (20.9) | 30.9 25.1 | 22.7 |
| Non-operating income & expenses | 5.1 | | 4.8 | | 5.5 | | 8.1 | |
| Ordinary income | 28.1 21.1 | 26.3 | 45.8 44.5 | 74.9 | 43.7 39.9 | (18.3) | 40.9 33.2 | 3.6 |
| Extraordinary income & losses | (0.5) | | (0.2) | | (0.4) | | (0.2) | |
| Income before income taxes | 20.5 | | 44.4 | | 39.5 | | 33.0 | |
| Income taxes and etc. | 4.5 | | 10.0 | | 10.1 | | 3.8 | |
| Profit attributable to owners of parent | 21.3 16.0 | 27.7 | 35.3 34.3 | 83.9 | 32.2 29.4 | (19.1) | 35.8 29.1 | 78.4 |

Fiscal year ending March 31, 2019

| FY2018 | FY2018 1Q actual | Y on Y change % |
|--|---------------------|--------------------|
| Net sales | 88.5 | 18.0 |
| Cost of sales | 13.5 11.9 | (40.2) |
| Gross profit | 76.6 | 39.0 |
| SG & A expenses | 55.3 49.0 | 25.2 |
| Selling & administrative expenses | 24.3 | 9.7 |
| R & D expenses | 24.7 | 45.3 |
| Operating income | 31.2 27.6 | 72.9 |
| Non-operating income & expenses | 10.3 | |
| Ordinary income | 42.9 37.9 | 80.1 |
| Extraordinary income & losses | 2.1 | |
| Income before income taxes | 40.1 | |
| Income taxes and etc. | 8.2 | |
| Profit attributable to owners of parent | 36.0 31.9 | 99.2 |

3. Pipeline (as of July 2018)

| Areas | Code No. (Generic name) [Product name] | Category (Administration) | Indication | Stage | Origin | Development |
|--------------------|---|--|--|--|-----------------------------------|-------------------------------|
| Infectious disease | S-649266 (Cefiderocol Tosilate Sulfate Hydrate) | Cephem antibiotic (injection) | Multidrug-resistant Gram-negative bacterial infections | Global: Phase III USA: NDA submission (in preparation) | In-house | In-house |
| | S-033188 (baloxavir marboxil) [Japan:Xofluza®] | Anti-influenza virus infection (oral) | Influenza virus infection | Japan: Approval (Feb.2018) USA: NDA (Apr. 2018) Taiwan: NDA (Jun. 2018) Global: Phase III | In-house | Shionogi/Roche (Switzerland) |
| | S-033188 (baloxavir marboxil) [Japan:Xofluza®] | Anti-influenza virus infection (oral, granule) | Influenza virus infection | Japan: NDA (Apr. 2018) | In-house | Shionogi/Roche (Switzerland) |
| Pain/CNS | S-297995 (naldemedine tosilate) [Symproic®] | Peripheral opioid receptor antagonist (oral) | Opioid-induced constipation | USA, Japan: Approval (Mar.2017) Europe:MAA submission (Mar.2017) | In-house | In-house |
| | S-877489 (lisdexamfetamine mesilate) | DA and NE reuptake inhibitor/releaser of DA, NE (oral) | ADHD (pediatric) | Japan: NDA submission (Apr.2017) | Shire (Ireland) | Shionogi/Shire |
| | S-877503 (guanfacine hydrochloride) [Intuniv®] | Alpha-2A-adrenergic receptor agonist (oral) | ADHD (adult) | Japan: Phase III | Shire (Ireland) | Shionogi/Shire |
| | S-120083 | Analgesic agent for inflammatory pain (oral) | Inflammatory pain | Japan: Phase I USA: Phase II | Shionogi/Purdue Pharma L.P. (USA) | Shionogi/Purdue Pharma L.P. |
| | S-010887 | Analgesic agent for neuropathic pain (oral) | Neuropathic pain | Japan: Phase I | In-house | In-house |
| | S-117957 | Agent for insomnia (oral) | Insomnia | USA: Phase I | Shionogi/Purdue Pharma L.P. (USA) | Shionogi/Purdue Pharma L.P. |
| | S-600918 | Analgesic agent for neuropathic pain (oral) | Neuropathic pain | Japan: Phase I | In-house | In-house |
| | S-600918 | Antitussive agent (oral) | Refractory/unexpected chronic cough | Japan: Phase II | In-house | In-house |
| | S-637880 | Analgesic agent for neuropathic pain (oral) | Neuropathic pain | Japan: Phase I | In-house | In-house |
| | LY248686 (duloxetine hydrochloride) [Cymbalta®] | SNRI (Serotonin-norepinephrine reuptake inhibitors) (oral) | Depression (pediatric) | Japan: Phase III | Eli Lilly (USA) | Shionogi/Eli Lilly Japan K.K. |
| Metabolic disorder | S-237648 | Neuropeptide Y Y5 receptor antagonist (oral) | Obesity | Japan: Phase II USA: Phase I | In-house | In-house |
| | S-707106 | Insulin sensitizer (oral) | Type 2 diabetes | USA: Phase IIa | In-house | In-house |
| Frontier | S-888711 (lusutrombopag) [Japan: Mupleta®] | Thrombopoetin (TPO) receptor agonist (oral) | Thrombocytopenia associated with chronic liver disease | Japan: Approval (Sep.2015) USA: NDA submission (Dec.2017) Europe:MAA submission(Jan.2018) | In-house | In-house |
| | S-588410 | Cancer peptide vaccine (injection) | Esophageal cancer | Japan: Phase III | OncoTherapy Science, Inc. (Japan) | In-house |
| | S-588410 | Cancer peptide vaccine (injection) | Bladder cancer | Japan, Europe: Phase II | OncoTherapy Science, Inc. (Japan) | In-house |
| | S-525606 | Sublingual tablet of Japanese cedar allergen extracts for immunotherapy (sublingual) | Allergic rhinitis caused by Japanese cedar allergen | Japan: Phase II | Stallergenes (France) | In-house |

| Areas | Code No. (Generic name) [Product name] | Category (Administration) | Indication | Stage | Origin | Development |
|----------|--|---------------------------------------|--|--------------------|---|-------------|
| Frontier | S-488210 | Cancer peptide vaccine (injection) | Head and neck squamous cell carcinoma | Europe: Phase I/II | OncoTherapy Science, Inc. (Japan) | In-house |
| | S-222611 (epertinib) | HER2/EGFR dual inhibitor (oral) | Malignant tumor | Europe: Phase I/II | In-house | In-house |
| | S-770108 | Anti-fibrosis (inhalation) | Idiopathic pulmonary fibrosis | Japan: Phase I | In-house | In-house |
| | SR-0379 | Cutaneous ulcer (topical) | Cutaneous ulcer (Pressure ulcer, Diabetic ulcer) | Japan: Phase II | FunPep (Japan) | In-house |
| | S-005151 | Stroke (injection) | Stroke | Japan: Phase I | StemRIM (Japan) | In-house |

<Out-Licensing Activity>

| Code No. (Generic name) [Product name] | Category (Administration) | Indication | Stage | Origin | Development |
|--|---|--|--|---------------------------------|--|
| S/GSK1349572 (dolutegravir) | Integrase inhibitor (oral) | For the treatment of HIV infection | (DTG/rilpivirine 2-drug fixed dose combination tablet) USA: Approved (Nov.2017) Europe: Approved (May.2018) (DTG/3TC 2-drug fixed dose combination tablet for naïve patients) Global: Phase III (DTG+3TC 2-drug fixed dose combination tablet for maintenance therapy) Global: Phase III | Shionogi-ViiV Healthcare LLC | ViiV Healthcare Ltd. (UK) |
| S/GSK1265744 LAP* (cabotegravir) | Integrase inhibitor (injection) | For the treatment and prevention for HIV infection | Global: Phase III (treatment) Global: Phase III (prevention) | Shionogi-ViiV Healthcare LLC | ViiV Healthcare Ltd. (UK) for treatment Collaboration among ViiV, HPTN, NIAID and Gilead Sciences, Inc. (USA) for prevention |
| S-0373 | Non-peptide mimetic of TRH (oral) | Spinocerebellar ataxia | Japan: Phase III | In-house | Kissei Pharmaceutical Co., Ltd. (Japan) |
| Ospemifene [USA: Osphena®] | Selective estrogen receptor modulator (oral) | Vaginal dryness associated with postmenopausal VVA | USA: NDA submission (Mar.2018) | QuatRx (USA) | Duchesnay(Canada) |

*: Long acting parenteral formulation

<Drugs to acquire new indication requested by the Ministry of Health, Labour and Welfare>

| Generic name [Product name] | Category (Administration) | Indication | Stage | Origin | Development |
|---|--------------------------------------|--|---|---|-------------|
| Oxycodone hydrochloride hydrate [OxyContin®] | Natural opium alkaloids (oral) | For the treatment of moderate to severe chronic pain | Japan: NDA submission (Nov.2016) Japan: Phase III | Napp Pharmaceuticals Limited (UK) | In-house |

Since May 2018

| | |
|----------------------------------|--|
| Change of phase | S-033188:USA: NDA submission(in preparation), Global: Phase III →USA: NDA submission(Apr.2018), Taiwan: NDA submission(Jun.2018), Global: Phase III |
| | S/GSK1349572 (DTG/rilpivirine 2-drug fixed dose combination tablet): Europe:MAA submission(Jun.2017)→Europe: Approved (May.2018) |
| | S/GSK1349572 (DTG/3TC 2-drug fixed dose combination tablet for maintenance therapy) : Global:Phase III |
| | Oxycodone hydrochloride hydrate: Japan: NDA submission(Nov.2016)→Japan: NDA submission(Nov.2016), Japan:Phase III |
| Compound added to the list | S-600918(Refractory/unexpected chronic cough) : Japan: Phase II |
| | SR-0379: Japan: Phase II |
| | S-005151: Japan: Phase I |
| Compound erased from the list | S-033188(pediatric): Approval(Feb.2018) |
| | S-524101: Approval(Feb.2018) |
| | Janssen/Shionogi BACE inhibitor: Stop development(Jul.2018) |