



Financial Results for the Third Quarter of Fiscal Year 2019(Consolidated)

February 3, 2020

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

Contact responsibility: Yoshimasa Kyokawa, Vice President, Corporate Communications Department Tel.:(06)6202-2161

Scheduled date of quarterly securities report submission: February 10, 2020

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, 2019 to December 31, 2019

(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 | % |
| Nine months ended December 31, 2019 | 253,514 | (4.4) | 99,249 | 1.9 | 114,899 | (0.6) | 90,844 | (3.7) |
| Nine months ended December 31, 2018 | 265,242 | 0.7 | 97,423 | 8.1 | 115,649 | 9.7 | 94,344 | 18.3 |

Note: Comprehensive income Nine months ended December 31, 2019: 81,044 million yen ((9.0)%)

Nine months ended December 31, 2018: 89,061 million yen ((10.6)%)

| | Earnings per share | Earnings per share (diluted) |
|-------------------------------------|--------------------|------------------------------|
| | Yen | Yen |
| Nine months ended December 31, 2019 | 292.78 | 292.42 |
| Nine months ended December 31, 2018 | 300.95 | 297.78 |

(2) Consolidated financial position

| | Total assets | Net assets | Shareholders' equity ratio |
|-------------------------|-----------------|-----------------|----------------------------|
| | Millions of yen | Millions of yen | % |
| As of December 31, 2019 | 765,439 | 689,477 | 90.0 |
| As of March 31, 2019 | 778,741 | 672,429 | 85.7 |

Reference: Shareholders' equity As of December 31, 2019: 688,896 million yen As of March 31, 2019: 667,502 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, 2019 | — | 44.00 | — | 50.00 | 94.00 |
| Year ending March 31, 2020 | — | 50.00 | — | | |
| Year ending March 31, 2020 (forecast) | | | | 50.00 | 100.00 |

Note: Revisions of the most recent dividend forecast: None

3. Consolidated financial forecast for the year ending March 31, 2020

(% 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 |
| Year ending March 31, 2020 | 355,000 | (2.4) | 141,500 | 2.1 | 167,000 | 0.3 | 133,000 | 0.2 | 433.65 |

Note: Revisions of the most recent consolidated financial forecast: Yes

※ 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 December 31, 2019: | 316,786,165 shares |
| As of March 31, 2019: | 316,786,165 shares |
 - b) Number of treasury stock

| | |
|--------------------------|-------------------|
| As of December 31, 2019: | 10,088,542 shares |
| As of March 31, 2019: | 5,498,751 shares |
 - c) Average number of shares issued during the period

| | |
|--------------------------------------|--------------------|
| Nine months ended December 31, 2019: | 310,283,585 shares |
| Nine months ended December 31, 2018: | 313,486,768 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 3 of the supplemental materials for the Financial Results for the Third Quarter of Fiscal Year 2019 (Consolidated).

(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, February 3, 2020. Plans are also in place to post audio explanatory details together with financial results explanatory materials distributed to analysts on February 3, 2020 on the Company's website in a timely manner after the results briefing.

CONTENTS

| | |
|--|---|
| 1. Overview of Operating Results and Financial Position..... | 2 |
| (1) Operating Results for the Third Quarter of the Fiscal Year Ending March 31, 2020..... | 2 |
| (2) Financial Position for the Third Quarter of the Fiscal Year Ending March 31, 2020..... | 2 |
| (3) Outlook..... | 3 |
| 2. Consolidated Financial Statements and Notes..... | 4 |
| (1) Consolidated balance sheets..... | 4 |
| (2) Consolidated statements of income and Consolidated statements of comprehensive income | 6 |
| Consolidated statements of income..... | 6 |
| Consolidated statements of comprehensive income..... | 7 |
| (3) Notes..... | 8 |
| Going concern assumption..... | 8 |
| Significant changes in shareholders' equity..... | 8 |

1. Overview of Operating Results and Financial Position

(1) Operating Results for the Third Quarter of the Fiscal Year Ending March 31, 2020

For the nine months ended December 31, 2019 (April 1, 2019 to December 31, 2019), net sales were ¥253,514 million, operating income was ¥99,249 million, ordinary income was ¥114,899 million, and profit attributable to owners of parent was ¥90,844 million.

Net sales decreased 4.4 percent compared with the same period of the previous fiscal year. Domestic sales of prescription drugs decreased 7.2 percent compared with the same period of the previous fiscal year as sales of strategic products Cymbalta and Intuniv expanded, but sales of Xofluza decreased substantially from the same period of the previous fiscal year, its first year of full-scale sales. Overseas subsidiary sales and exports increased 8.4 percent. In the United States, Shionogi received a one-time payment during the period in connection with a licensing agreement with BioDelivery Sciences International, Inc. for the co-commercialization of Symproic, but sales decreased 9.8 percent, reflecting the substantial impact of the absence of the one-time payment received from Purdue Pharma L.P. in the same period of the previous fiscal year due to the termination of the alliance for Symproic. In China, sales increased 24.7 percent as a result of steady expansion in sales of Rabeprazole. Sales from contract manufacturing increased 30.5 percent compared with the same period of the previous fiscal year, mainly due to an increase in orders for Xofluza from Roche. Royalty income from ViiV Healthcare Ltd. ("ViiV") increased 5.2 percent, reflecting ViiV's expansion in global sales of Tivicay, Triumeq and Juluca, although certain royalty income was impacted by exchange rate fluctuations. However, royalty income overall decreased 8.1 percent compared with the same period of the previous fiscal year because Shionogi received milestone payments from Roche during the third quarter in connection with the global development of Xofluza, but also received these milestone payments from Roche in the same period of the previous fiscal year.

Gross profit decreased 5.5 percent compared with the same period of the previous fiscal year because of the decrease in sales mentioned above, in addition to an increase in cost of sales due to an increase in contract manufacturing. Operating income increased 1.9 percent as a result of a decrease in research and development expenses, reflecting the absence of the strategic business investments made in the previous fiscal year. Ordinary income decreased 0.6 percent due to a decrease in dividend income received from ViiV and fluctuations in foreign exchange rates. Profit attributable to owners of parent decreased 3.7 percent.

(2) Financial Position for the Third Quarter of the Fiscal Year Ending March 31, 2020

As of December 31, 2019, total assets were ¥765,439 million, a decrease of ¥13,301 million from the end of the previous fiscal year. Cash and deposits increased, but current assets decreased ¥641 million to ¥461,102 million, mainly because of a decrease in notes and accounts receivable-trade due to factors including progress in collection of accounts receivable related to seasonal products including Xofluza, and a decrease in short-term investment securities for surplus fund management. Non-current assets decreased ¥12,660 million to ¥304,336 million, largely because of a decrease in investment securities reflecting lower stock prices and sales of securities.

Total liabilities decreased ¥30,349 million from the end of the previous fiscal year to ¥75,962 million. Current liabilities decreased ¥29,747 million to ¥59,359 million, mainly because income taxes payable decreased. Non-current liabilities decreased ¥601 million to ¥16,602 million.

Net assets increased ¥17,047 million from the end of the previous fiscal year to ¥689,477 million. Shareholders' equity increased ¥30,950 million to ¥683,321 million as a result of profit attributable to owners of parent, cash dividends paid and the repurchase of shares. Accumulated other comprehensive income decreased ¥9,555 million to ¥5,575 million, due to a decrease in valuation difference on available-for-sale securities, mainly because of lower stock prices. Subscription rights to shares decreased ¥88 million to ¥438 million and non-controlling interests decreased ¥4,258 million to ¥141 million.

During the nine-month period, Shionogi acquired additional shares of UMN Pharma Inc. and made it a consolidated subsidiary, but has used a provisional accounting treatment because the purchase price allocation was not yet completed at the end of the third quarter.

(3) Outlook

Based on recent performance trends, the Shionogi Group has revised its financial forecast for the fiscal year ending March 31, 2020, released on October 30, 2019, as follows.

1) Revisions of Financial Forecast

Revised forecasts for the year ending March 31, 2020

| | Net sales | Operating income | Ordinary income | Profit attributable to owners of parent | Earnings per share |
|---|------------------------|------------------------|------------------------|---|--------------------|
| | <i>Millions of yen</i> | <i>Millions of yen</i> | <i>Millions of yen</i> | <i>Millions of yen</i> | <i>Yen</i> |
| Previous forecast (A) | 367,000 | 150,000 | 171,500 | 135,000 | 440.17 |
| New forecast (B) | 355,000 | 141,500 | 167,000 | 133,000 | 433.65 |
| Change (B-A) | (12,000) | (8,500) | (4,500) | (2,000) | — |
| Percentage change (%) | (3.3) | (5.7) | (2.6) | (1.5) | — |
| (reference) For the year ended March 31, 2019 | 363,721 | 138,537 | 166,575 | 132,759 | 424.31 |

Note: Shionogi is repurchasing shares of its own stock based on a resolution approved at the Board of Directors meeting held on September 30, 2019. The effect of this repurchase of shares was considered in the calculation of earnings per share in the previously announced forecast.

2) Reasons for Revision of Financial Forecast

Although Shionogi projects that contract manufacturing and royalty income from ViiV will increase from the previous forecast, net sales overall are expected to be lower than the previous forecast because of an expected decrease in sales of prescription drug in Japan. As for profits, Shionogi strives constantly to optimize total costs by clear priorities and focused resourcing for the growth, but operating income is projected to be lower than the previous forecast due to the aforementioned decrease in net sales. Ordinary income and profit attributable to owners of parent are each projected to be less than the previous forecast for the fiscal year, reflecting the decrease in operating income.

2. Consolidated Financial Statements and Notes

(1) Consolidated balance sheets

| | <i>Millions of yen</i> | |
|-------------------------------------|------------------------|-------------------------|
| | As of March 31, 2019 | As of December 31, 2019 |
| Assets | | |
| Current assets | | |
| Cash and deposits | 193,549 | 231,619 |
| Notes and accounts receivable-trade | 65,918 | 47,387 |
| Short-term investment securities | 133,264 | 105,876 |
| Merchandise and finished goods | 18,741 | 18,013 |
| Work in process | 7,272 | 11,855 |
| Raw materials and supplies | 14,097 | 11,831 |
| Other | 28,942 | 34,560 |
| Allowance for doubtful accounts | (43) | (42) |
| Total current assets | 461,743 | 461,102 |
| Non-current assets | | |
| Property, plant and equipment | 74,653 | 75,605 |
| Intangible assets | | |
| Goodwill | 19,258 | 25,065 |
| Other | 35,511 | 31,582 |
| Total intangible assets | 54,769 | 56,648 |
| Investments and other assets | | |
| Investment securities | 151,851 | 131,953 |
| Other | 35,765 | 40,172 |
| Allowance for doubtful accounts | (42) | (42) |
| Total investments and other assets | 187,574 | 172,082 |
| Total non-current assets | 316,997 | 304,336 |
| Total assets | 778,741 | 765,439 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 9,442 | 9,741 |
| Current portion of bonds | 920 | — |
| Income taxes payable | 35,870 | 15,031 |
| Provision for bonuses | 9,058 | 4,960 |
| Provision for sales returns | 1,428 | 993 |
| Other provision | 166 | — |
| Other | 32,219 | 28,633 |
| Total current liabilities | 89,107 | 59,359 |
| Non-current liabilities | | |
| Net defined benefit liability | 11,930 | 10,980 |
| Other | 5,272 | 5,621 |
| Total non-current liabilities | 17,203 | 16,602 |
| Total liabilities | 106,311 | 75,962 |

Millions of yen

| | As of March 31, 2019 | As of December 31, 2019 |
|---|----------------------|-------------------------|
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 21,279 | 21,279 |
| Capital surplus | 20,512 | 21,298 |
| Retained earnings | 639,461 | 698,751 |
| Treasury stock | (28,882) | (58,008) |
| Total shareholders' equity | 652,371 | 683,321 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 28,927 | 22,122 |
| Deferred gains or losses on hedges | 747 | 1,353 |
| Foreign currency translation adjustment | (18,370) | (21,213) |
| Remeasurements of defined benefit plans | 3,826 | 3,313 |
| Total accumulated other comprehensive income | 15,130 | 5,575 |
| Subscription rights to shares | 527 | 438 |
| Non-controlling interests | 4,400 | 141 |
| Total net assets | 672,429 | 689,477 |
| Total liabilities and net assets | 778,741 | 765,439 |

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

| | <i>Millions of yen</i> | |
|---|--|--|
| | Nine months ended December 31, 2018 | Nine months ended December 31, 2019 |
| Net sales | 265,242 | 253,514 |
| Cost of sales | 40,380 | 40,994 |
| Gross profit | 224,861 | 212,519 |
| Selling, general and administrative expenses | 127,438 | 113,270 |
| Operating income | 97,423 | 99,249 |
| Non-operating income | | |
| Interest income | 1,657 | 2,206 |
| Dividends income | 18,859 | 16,240 |
| Other | 584 | 402 |
| Total non-operating income | 21,101 | 18,848 |
| Non-operating expenses | | |
| Interest expenses | 256 | 75 |
| Contribution | 495 | 886 |
| Other | 2,123 | 2,236 |
| Total non-operating expenses | 2,875 | 3,198 |
| Ordinary income | 115,649 | 114,899 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 2,870 | 1,251 |
| Gain on sales of investment securities | 1,497 | 2,672 |
| Gain on step acquisitions | — | 1,331 |
| Total extraordinary income | 4,368 | 5,255 |
| Extraordinary loss | | |
| Loss on valuation of investment securities | 439 | 696 |
| Loss on disaster | 826 | — |
| Special retirement expenses | 346 | — |
| Total extraordinary losses | 1,611 | 696 |
| Income before income taxes | 118,406 | 119,459 |
| Income taxes-current | 28,165 | 29,529 |
| Income taxes-deferred | (4,562) | (879) |
| Total income taxes | 23,602 | 28,650 |
| Profit | 94,803 | 90,808 |
| Profit (loss) attributable to non-controlling interests | 458 | (36) |
| Profit attributable to owners of parent | 94,344 | 90,844 |

Consolidated statements of comprehensive income

Millions of yen

| | Nine months ended December 31, 2018 | Nine months ended December 31, 2019 |
|--|--|--|
| Profit | 94,803 | 90,808 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (1,286) | (6,805) |
| Deferred gains or losses on hedges | 1,020 | 606 |
| Foreign currency translation adjustment | (6,692) | (3,052) |
| Remeasurements of defined benefit plans | 1,216 | (513) |
| Total other comprehensive income | (5,741) | (9,764) |
| Comprehensive income | 89,061 | 81,044 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 88,730 | 81,289 |
| Comprehensive income attributable to non-controlling interests | 331 | (245) |

(3) Notes

Going concern assumption

None

Significant changes in shareholders' equity

Repurchase of Shares

By resolution of the Board of Directors on September 30, 2019, Shionogi is repurchasing up to 8,350,000 shares of common stock, at a cost up to ¥50,000 million in total, during the period from October 1, 2019 through February 28, 2020. Based on this resolution, Shionogi repurchased 4,879,600 shares during the third quarter at a cost of ¥30,719 million.

In addition, treasury stock increased by ¥29,126 million in the third quarter, partly due to the conversion of convertible bonds. The amount of treasury stock held as of December 31, 2019 was ¥58,008 million.

Supplemental material for financial results for the 3rd quarter of fiscal year 2019

February 3, 2020
Shionogi & Co., Ltd.

1. Sales of segments

(Billions of yen)

| | FY2019 2H forecast | FY2019 forecast | FY2019 3Q actual | FY2018 3Q actual | FY2019 1Q-3Q actual | FY2018 1Q-3Q actual | Progress %vs.FY2019 forecast |
|------------------------------------|-----------------------|--------------------|------------------------|------------------------|---------------------------|---------------------------|------------------------------------|
| Prescription drugs | 76.6 | 129.1 | 29.5 | 38.3 | 82.0 | 88.3 | 63.5 |
| <i>change %</i> | (2.6) | 0.3 | (23.0) | 8.8 | (7.2) | (18.5) | |
| CYMBALTA | 14.4 | 27.3 | 7.3 | 6.7 | 20.2 | 18.6 | 73.9 |
| INTUNIV | 6.2 | 10.6 | 2.6 | 1.6 | 7.1 | 3.9 | 66.4 |
| VYVANSE | 0.1 | 0.1 | 0.0 | - | 0.0 | - | 10.1 |
| XOFLUZA | 18.0 | 18.0 | 0.4 | 9.5 | 0.4 | 9.9 | 2.1 |
| RAPIACTA | 2.6 | 2.6 | 1.0 | 0.8 | 1.0 | 0.8 | 38.2 |
| BRIGHTPOC Flu | 1.8 | 2.2 | 0.5 | 0.3 | 0.8 | 0.6 | 35.5 |
| Total of strategic products | 43.1 | 60.7 | 11.7 | 18.8 | 29.4 | 33.8 | 48.4 |
| OXYCONTIN Franchise | 3.2 | 6.4 | 1.7 | 2.0 | 4.9 | 5.8 | 76.2 |
| SYMPROIC | 1.2 | 2.3 | 0.5 | 0.5 | 1.6 | 1.2 | 70.5 |
| ACTAIR | 0.1 | 0.3 | 0.1 | 0.1 | 0.2 | 0.1 | 73.1 |
| MULPLETA | 0.2 | 0.2 | 0.0 | 0.0 | 0.1 | 0.1 | 45.5 |
| PIRESPA | 3.5 | 7.0 | 1.5 | 1.6 | 5.0 | 4.5 | 71.2 |
| Total of new products | 51.3 | 76.9 | 15.6 | 23.0 | 41.1 | 45.6 | 53.5 |
| CRESTOR | 4.9 | 9.5 | 2.2 | 2.7 | 6.8 | 7.8 | 71.7 |
| IRBETAN Franchise | 2.4 | 4.6 | 1.1 | 1.3 | 3.3 | 4.4 | 72.0 |
| Other | 18.0 | 38.1 | 10.6 | 11.4 | 30.7 | 30.5 | 80.6 |
| Overseas subsidiaries/Export | 13.8 | 31.3 | 6.4 | 6.7 | 24.0 | 22.1 | 76.4 |
| <i>change %</i> | (1.6) | 6.5 | (4.2) | 27.5 | 8.4 | 26.6 | |
| Shionogi Inc. | 3.4 | 10.2 | 1.7 | 2.0 | 8.5 | 9.4 | 83.2 |
| Mulpleta | 0.7 | 1.0 | 0.1 | 0.0 | 0.4 | 0.0 | 43.3 |
| C&O | 6.2 | 13.3 | 3.0 | 3.2 | 10.2 | 8.2 | 76.5 |
| Contract manufacturing | 6.8 | 16.9 | 1.9 | 3.4 | 12.0 | 9.2 | 70.9 |
| <i>change %</i> | (24.6) | 14.3 | (44.8) | 2.7 | 30.5 | (22.1) | |
| OTC and quasi-drugs | 5.0 | 9.7 | 2.8 | 2.5 | 7.5 | 6.3 | 77.6 |
| <i>change %</i> | 15.1 | 19.7 | 11.7 | 7.1 | 19.8 | 10.2 | |
| Royalty income | 90.8 | 165.7 | 51.4 | 45.3 | 126.4 | 137.5 | 76.2 |
| <i>change %</i> | 3.0 | (8.1) | 13.5 | 2.3 | (8.1) | 16.4 | |
| HIV Franchise | 66.0 | 127.1 | 33.4 | 32.8 | 94.5 | 89.9 | 74.4 |
| CRESTOR | 11.0 | 22.0 | 5.5 | 5.5 | 16.6 | 16.4 | 75.2 |
| Others | 13.8 | 16.6 | 12.4 | 6.9 | 15.3 | 31.2 | 91.7 |
| Others | 1.1 | 2.2 | 0.6 | 0.8 | 1.7 | 1.9 | 77.2 |
| <i>change %</i> | (16.4) | (8.7) | (21.4) | (0.5) | (8.4) | (4.5) | |
| Total | 194.1 | 355.0 | 92.6 | 97.0 | 253.5 | 265.2 | 71.4 |
| <i>change %</i> | (0.7) | (2.4) | (4.5) | 6.4 | (4.4) | 0.7 | |

Note: Change % shows changes from the same period of the previous fiscal year.
Sales of prescription drugs are shown on non-consolidated basis.

2 - 1. Quarterly trend for FY2018 and FY2019 (Sales of segments)

Fiscal year ended March 31, 2019

(Billions of yen)

| FY2018 | FY2018 1Q actual | Y on Y change % | FY2018 2Q actual | Y on Y change % | FY2018 3Q actual | Y on Y change% | FY2018 4Q actual | Y on Y change% |
|------------------------------------|---------------------|--------------------|---------------------|--------------------|---------------------|-------------------|---------------------|-------------------|
| Prescription drugs | 25.4 | (31.9) | 24.6 | (31.5) | 38.3 | 8.8 | 40.4 | 31.0 |
| CYMBALTA | 6.1 | 6.1 | 5.8 | (2.2) | 6.7 | 2.1 | 5.5 | 4.2 |
| INTUNIV | 1.1 | 209.9 | 1.3 | 284.8 | 1.6 | 194.4 | 1.4 | 100.1 |
| XOFLUZA | 0.0 | - | 0.4 | - | 9.5 | - | 16.4 | 578.7 |
| RAPIACTA | 0.0 | (76.4) | (0.0) | (131.8) | 0.8 | (33.9) | 1.3 | (39.9) |
| BRIGHTPOC Flu | 0.0 | (90.5) | 0.2 | 168.5 | 0.3 | (11.6) | 0.6 | (0.9) |
| OXYCONTIN Franchise | 2.0 | (15.2) | 1.8 | (16.8) | 2.0 | (18.7) | 1.5 | (11.6) |
| SYMPROIC | 0.3 | 526.3 | 0.4 | 257.6 | 0.5 | 123.0 | 0.4 | 72.2 |
| Total of strategic products | 9.6 | 11.0 | 10.0 | 14.8 | 21.2 | 88.9 | 27.0 | 107.7 |
| ACTAIR | 0.0 | 47.4 | 0.0 | 63.3 | 0.1 | 61.0 | 0.0 | 51.4 |
| MULPLETA | 0.0 | 0.6 | 0.0 | 3.0 | 0.0 | (2.2) | 0.0 | (21.6) |
| PIRESPA | 1.4 | (5.1) | 1.5 | (10.5) | 1.6 | (10.8) | 1.2 | (22.2) |
| Total of new products | 11.0 | 8.8 | 11.6 | 10.8 | 23.0 | 74.7 | 28.2 | 93.6 |
| CRESTOR | 2.6 | (78.1) | 2.5 | (74.6) | 2.7 | (38.1) | 2.0 | (31.9) |
| IRBETAN Franchise | 1.9 | (48.5) | 1.1 | (71.5) | 1.3 | (67.7) | 1.0 | (63.8) |
| Other | 9.8 | (13.8) | 9.3 | (18.6) | 11.4 | (16.7) | 9.1 | (13.4) |
| Overseas subsidiaries/Export | 9.9 | 49.3 | 5.5 | (1.1) | 6.7 | 27.5 | 7.3 | 18.8 |
| Shionogi Inc. | 6.1 | 75.7 | 1.3 | (49.7) | 2.0 | (14.6) | 2.4 | 8.3 |
| Osphena | 0.8 | (32.7) | 0.7 | (21.4) | 1.0 | (0.1) | 0.6 | (17.6) |
| C&O | 2.3 | 31.0 | 2.7 | 69.2 | 3.2 | 125.0 | 3.3 | 57.7 |
| Contract manufacturing | 2.8 | (20.5) | 2.9 | (40.1) | 3.4 | 2.7 | 5.6 | 8.3 |
| OTC and quasi-drugs | 1.6 | 1.3 | 2.2 | 21.9 | 2.5 | 7.1 | 1.8 | 18.8 |
| Royalty income | 48.3 | 89.7 | 43.9 | (9.2) | 45.3 | 2.3 | 42.8 | 15.7 |
| HIV Franchise | 24.5 | 31.4 | 32.6 | 18.2 | 32.8 | 18.1 | 34.5 | 17.3 |
| CRESTOR | 5.5 | (4.3) | 5.4 | (3.9) | 5.5 | (1.4) | 5.5 | (1.9) |
| Others | 18.3 | - | 5.9 | (61.1) | 6.9 | (36.0) | 2.7 | 43.6 |
| Others | 0.6 | 1.8 | 0.6 | (14.5) | 0.8 | (0.5) | 0.6 | (9.1) |
| Total | 88.5 | 18.0 | 79.7 | (18.0) | 97.0 | 6.4 | 98.5 | 21.1 |

Fiscal year ending March 31, 2020

| FY2019 | FY2019 1Q actual | Y on Y change% | FY2019 2Q actual | Y on Y change % | FY2019 3Q actual | Y on Y change% |
|------------------------------------|---------------------|-------------------|---------------------|--------------------|---------------------|-------------------|
| Prescription drugs | 26.7 | 5.0 | 25.8 | 4.9 | 29.5 | (23.0) |
| CYMBALTA | 6.7 | 10.3 | 6.1 | 5.3 | 7.3 | 9.6 |
| INTUNIV | 1.8 | 65.6 | 2.6 | 105.0 | 2.6 | 68.6 |
| VYVANSE | - | - | - | - | 0.0 | - |
| XOFLUZA | 0.0 | (100.0) | 0.0 | (99.7) | 0.4 | (96.0) |
| RAPIACTA | 0.0 | (89.4) | 0.0 | (263.2) | 1.0 | 29.3 |
| BRIGHTPOC Flu | 0.0 | 97.7 | 0.3 | 31.0 | 0.5 | 31.3 |
| Total of strategic products | 8.6 | 18.1 | 9.1 | 16.8 | 11.7 | (37.5) |
| OXYCONTIN Franchise | 1.7 | (15.5) | 1.5 | (17.8) | 1.7 | (14.8) |
| SYMPROIC | 0.5 | 70.6 | 0.6 | 37.2 | 0.5 | 6.9 |
| ACTAIR | 0.1 | 42.1 | 0.1 | 37.8 | 0.1 | 21.3 |
| MULPLETA | 0.0 | (31.2) | 0.0 | (2.5) | 0.0 | (10.8) |
| PIRESPA | 1.7 | 26.2 | 1.7 | 14.8 | 1.5 | (5.8) |
| Total of new products | 12.6 | 14.4 | 12.9 | 11.9 | 15.6 | (32.2) |
| CRESTOR | 2.4 | (7.8) | 2.1 | (15.4) | 2.2 | (16.4) |
| IRBETAN Franchise | 1.2 | (35.5) | 1.0 | (11.9) | 1.1 | (17.4) |
| Other | 10.4 | 5.8 | 9.7 | 3.7 | 10.6 | (6.5) |
| Overseas subsidiaries/Export | 10.6 | 7.4 | 6.9 | 25.6 | 6.4 | (4.2) |
| Shionogi Inc. | 5.2 | (14.0) | 1.6 | 20.2 | 1.7 | (16.7) |
| Mulpleta | 0.2 | - | 0.2 | - | 0.1 | 392.6 |
| C&O | 3.8 | 61.1 | 3.4 | 26.6 | 3.0 | (3.9) |
| Contract manufacturing | 2.4 | (12.1) | 7.6 | 158.8 | 1.9 | (44.8) |
| OTC and quasi-drugs | 2.1 | 29.4 | 2.7 | 22.0 | 2.8 | 11.7 |
| Royalty income | 36.9 | (23.6) | 38.1 | (13.3) | 51.4 | 13.5 |
| HIV Franchise | 29.7 | 21.4 | 31.4 | (3.7) | 33.4 | 1.9 |
| CRESTOR | 5.6 | 1.1 | 5.5 | 1.8 | 5.5 | (0.5) |
| Others | 1.6 | (91.0) | 1.2 | (80.1) | 12.4 | 79.2 |
| Others | 0.5 | (5.9) | 0.6 | 6.7 | 0.6 | (21.4) |
| Total | 79.2 | (10.5) | 81.7 | 2.5 | 92.6 | (4.5) |

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

2 - 2. Quarterly trend for FY2018 and FY2019 (Consolidated statements of income)

Fiscal year ended March 31, 2019

(Billions of yen)

| FY2018 | FY2018 1Q actual | Y on Y change % | FY2018 2Q actual | Y on Y change % | FY2018 3Q actual | Y on Y change % | FY2018 4Q actual | Y on Y change % |
|---|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|
| Net sales | 88.5 | 18.0 | 79.7 | (18.0) | 97.0 | 6.4 | 98.5 | 21.1 |
| Cost of sales | 13.5 11.9 | (40.2) | 16.1 12.8 | (35.1) | 16.1 15.7 | (8.2) | 14.7 14.5 | (15.6) |
| Gross profit | 76.6 | 39.0 | 66.9 | (13.6) | 81.4 | 9.8 | 84.0 | 31.0 |
| SG & A expenses | 55.3 49.0 | 25.2 | 46.7 37.2 | (1.1) | 42.5 41.3 | 3.8 | 43.5 42.9 | 9.8 |
| Selling & administrative expenses | 24.3 | 9.7 | 23.3 | (5.2) | 26.9 | 10.9 | 27.5 | 11.6 |
| R & D expenses | 24.7 | 45.3 | 13.9 | 6.5 | 14.3 | (7.4) | 15.3 | 6.8 |
| Operating income | 31.2 27.6 | 72.9 | 37.2 29.7 | (25.4) | 41.3 40.1 | 16.7 | 41.7 41.1 | 63.8 |
| Non-operating income & expenses | 10.3 | | 2.5 | | 5.5 | | 9.8 | |
| Ordinary income | 42.9 37.9 | 80.1 | 40.3 32.1 | (27.8) | 47.0 45.6 | 14.3 | 51.7 50.9 | 53.3 |
| Extraordinary income & losses | 2.1 | | (0.0) | | 0.7 | | 1.0 | |
| Income before income taxes | 40.1 | | 32.1 | | 46.2 | | 51.9 | |
| Income taxes and etc. | 8.2 | | 6.1 | | 9.8 | | 13.5 | |
| Profit attributable to owners of parent | 36.0 31.9 | 99.2 | 32.6 26.0 | (24.2) | 37.6 36.4 | 24.0 | 39.0 38.4 | 31.8 |

Fiscal year ending March 31, 2020

| FY2019 | FY2019 1Q actual | Y on Y change % | FY2019 2Q actual | Y on Y change % | FY2019 3Q actual | Y on Y change % |
|---|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|
| Net sales | 79.2 | (10.5) | 81.7 | 2.5 | 92.6 | (4.5) |
| Cost of sales | 16.1 12.7 | 6.9 | 18.6 15.2 | 18.4 | 14.1 13.1 | (16.3) |
| Gross profit | 66.5 | (13.2) | 66.5 | (0.6) | 79.5 | (2.3) |
| SG & A expenses | 47.4 37.5 | (23.3) | 45.7 37.3 | 0.2 | 41.5 38.5 | (6.8) |
| Selling & administrative expenses | 25.7 | 5.8 | 26.2 | 12.5 | 26.9 | (0.2) |
| R & D expenses | 11.9 | (51.9) | 11.1 | (20.4) | 11.6 | (19.2) |
| Operating income | 36.6 29.0 | 4.7 | 35.8 29.2 | (1.5) | 44.4 41.1 | 2.4 |
| Non-operating income & expenses | 3.4 | | 3.7 | | 8.5 | |
| Ordinary income | 40.9 32.4 | (14.6) | 40.3 32.9 | 2.4 | 53.5 49.6 | 8.8 |
| Extraordinary income & losses | (0.5) | | 2.6 | | 2.5 | |
| Income before income taxes | 31.9 | | 35.5 | | 52.1 | |
| Income taxes and etc. | 7.5 | | 8.3 | | 12.8 | |
| Profit attributable to owners of parent | 30.8 24.4 | (23.4) | 33.3 27.2 | 4.6 | 42.3 39.2 | 7.6 |

3. Pipeline (as of February 3, 2020)

| Areas | Code No. (Generic name) [Product name] | Category (Administration) | Indication | Stage | Origin | Development |
|--------------------|--|--|--|---|-----------------------------------|-------------------------------|
| Infectious disease | S-649266 (Cefiderocol Tosilate Sulfate Hydrate) [US:Fetroja®] | Cephem antibiotic (injection) | USA: Complicated urinary tract infections, including pyelonephritis Europe: Infections due to aerobic gram-negative bacteria in adult patients with limited treatment options | Global: Phase III USA: Approval (Nov.2019) Europe: MAA submission (Mar.2019) | In-house | In-house |
| | S-033188 (baloxavir marboxil) [Japan:Xofluza®] | Anti-influenza virus infection (oral, granule) | Influenza virus infection | Japan: Approval (body weight \geq 20kg) (Sep.2018) Japan: NDA submission (body weight <20kg) (Aug.2018) Japan: Phase III (high dosage for children) | In-house | Shionogi/Roche (Switzerland) |
| | S-033188 (baloxavir marboxil) [Japan:Xofluza®] | Anti-influenza virus infection (oral) | Influenza virus infection (prophylaxis) | Japan: NDA submission (Oct. 2019) | In-house | Shionogi/Roche (Switzerland) |
| | S-648414 | Anti-HIV infection (oral) | HIV infection | USA: Phase I | In-house | In-house |
| Pain/CNS | S-297995 (naldemedine tosilate) [US/Japan:Symproic®] [EU: Rizmoic®] | Peripheral opioid receptor antagonist (oral, granule) | Opioid-induced constipation(pediatric) | Europe: Phase I/II | In-house | In-house |
| | S-297995 (naldemedine tosilate) | Peripheral opioid receptor antagonist (oral.) | Postoperative ileus | USA: Phase II | In-house | In-house |
| | 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/unexplained chronic cough | Global: 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. |
| | S-812217 (Zuranolone) | GABAA receptor positive allosteric modulator (oral) | Depression | Japan: Phase I | Sage (USA) | Shionogi/Sage |
| | SDT-001 | Treatment digital application based on cerebral mechanism | Inattention symptom in ADHD patients (pediatric) | Japan: Phase II | Akili (USA) | Shionogi/Akili |

| Areas | Code No. (Generic name) [Product name] | Category (Administration) | Indication | Stage | Origin | Development |
|--------------------|--|--|--|---------------------------------|-----------------------------------|----------------|
| 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 |
| | ADR-001 | Human mesenchymal stem cells (injection) | Decompensated liver cirrhosis | Japan: Phase I/II | Rohto | Shionogi/Rohto |
| Frontier | 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-488210 | Cancer peptide vaccine (injection) | Head and neck squamous cell carcinoma | Europe: Phase I/II | OncoTherapy Science, Inc. (Japan) | In-house |
| | S-588210 | Cancer peptide vaccine (injection) | Solid tumor | UK: Phase I | 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 (Redasemtide Trifluoroacetate) | Stroke (injection) | Stroke | Japan: Phase II | StemRIM (Japan) | In-house |
| | S-005151 (Redasemtide Trifluoroacetate) | Epidermolysis bullosa (injection) | Epidermolysis bullosa | Japan: Phase II | 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 ^{*1} /3TC ^{*2} 2-drug fixed dose combination tablet) USA: Approval (naïve patients) (Apr.2019) Europe: Approval (naïve and switch patients) (Jul.2019) Japan: Approval (naïve patients) (Jan. 2020) Global: Phase III (switch patients) | Shionogi-ViiV Healthcare LLC | ViiV Healthcare Ltd. (UK) |
| S/GSK1265744 LAP ^{*3} (cabotegravir) | Integrase inhibitor (injection) | For the treatment and prevention for HIV infection | (CAB ^{*4} LAP+RPV ^{*5} LAP 2-drug regimen for treatment) USA: NDA submission (Apr.2019) (CAB LAP for prevention) Global: Phase III | 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) |
| S-033188 (baloxavir marboxil) [USA: Xofluza™] | Anti-influenza virus infection (oral) | Influenza virus infection | USA: Approval (Oct.2018) USA: Approval (high risk patients) (Oct.2019) Europe: NDA submission (Nov.2019) Global: Phase III (severe influenza virus infection) Global: Phase III (pediatric) Global: Phase III (transmission) | In-house | Shionogi/Roche (Switzerland) |

*1 Dolutegravir, *2 Lamivudine, *3 Long acting parenteral formulation, *4 Cabotegravir, *5 Rilpivirine

<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 re-submission (May.2019) | Napp Pharmaceuticals Limited (UK) | In-house |

Since Oct 30, 2019

| | |
|-------------------------------|--|
| Change of phase | S-649266 (Complicated urinary tract infections, including pyelonephritis): USA: NDA submission (Dec.2018)→Approval (Nov.2019) |
| | S-297995(Opioid-induced constipation/pediatric) : Japan: Phase I → Europe: Phase I/II |
| | S/GSK1349572 (DTG+3TC 2-drug fixed dose combination tablet/naïve patients): Japan: NDA submission (Sep.2019)→Approval (Jan.2020) |
| | S-033188 (Influenza virus infection) : Europe: NDA submission (Nov.2019) |
| Compound added to the list | S-297995 (Postoperative ileus) : USA: Phase II |
| | SDT-001 (Inattention symptom in ADHD patients/pediatric) : Japan: Phase II |
| Compound erased from the list | S-033188 (Influenza virus infection (oral)): Approved (Japan: Feb.2018, Taiwan (12 years of age and older): Aug.2019) |
| | S-525606 (Allergic rhinitis caused by Japanese cedar allergen): Stop development |