



The 154th Business Report

from April 1, 2018 to March 31, 2019.

Current State of the Shionogi Group

Aiming to Solve Social Problems



Grow sustainably as a drug discovery-based pharmaceutical company contributing to a more vigorous society through improved healthcare



Updates to SGS 2020 (Oct. 2016)



Grow sustainably as a drug discovery-based pharmaceutical company contributing to a more vigorous society through improved healthcare

Region to grow

Japan/US

Development in EU/Asia

**Infectious disease
Pain/CNS**



Keys to growth

**Addressing society's
needs**

**Balance of innovation
and health economic
efficiency**

Business Operations and Results

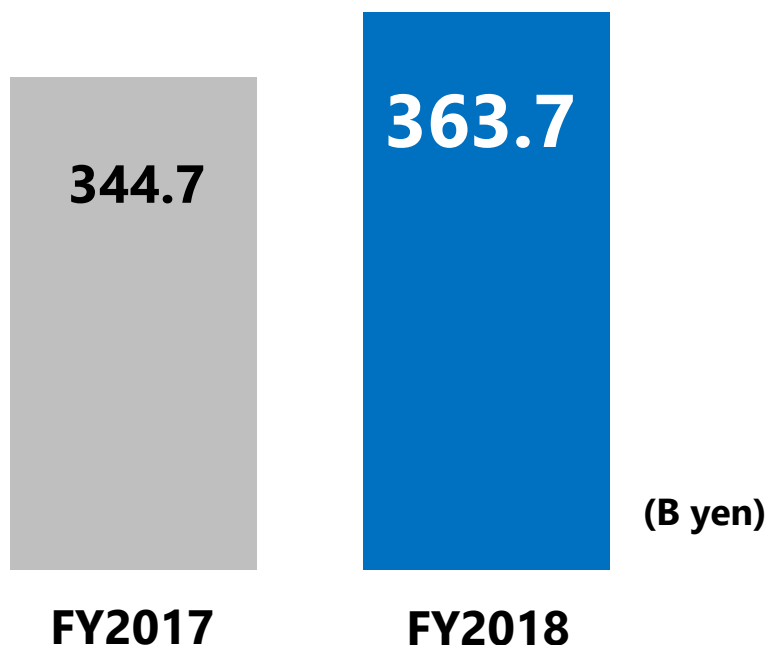
Highlight (1) : Constant Top-line Growth



**Increased for
4 consecutive years**

Net Sales (FY2018)

+5.5% (vs prior FY)



Net Sales Breakdown (B yen)

	FY2018 Results	FY2017 Results
Prescription drugs	128.7	139.2
Overseas subsidiaries/export	29.4	23.6
Contract manufacturing	14.8	16.9
OTC and quasi-drug	8.1	7.2
Royalty income	180.3	155.0

Highlight (2) : All Profit Measures Were Higher Than the Levels Achieved in Prior Years



higher than the levels achieved in prior Fiscal Years for 4 consecutive years

higher than the levels achieved in prior Fiscal Years for 7 consecutive years

higher than the levels achieved in prior Fiscal Years for 3 consecutive years

Operating income

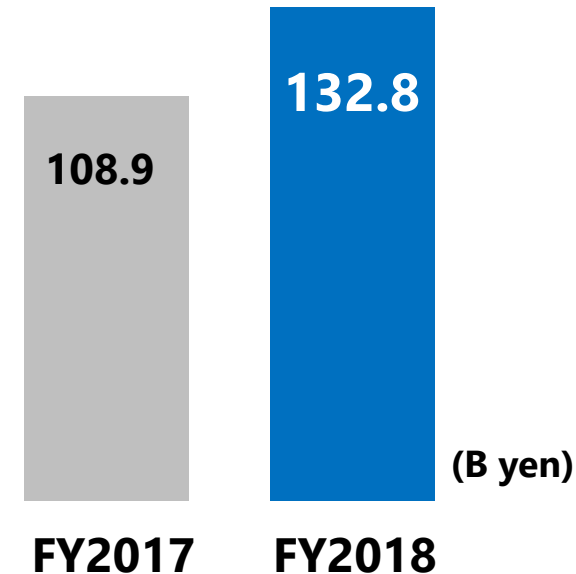
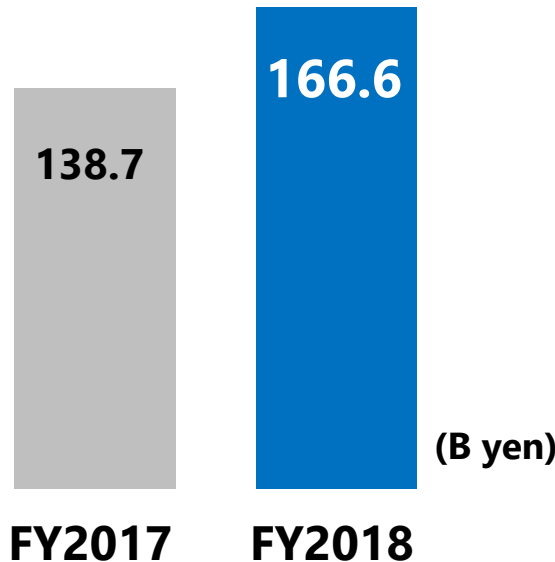
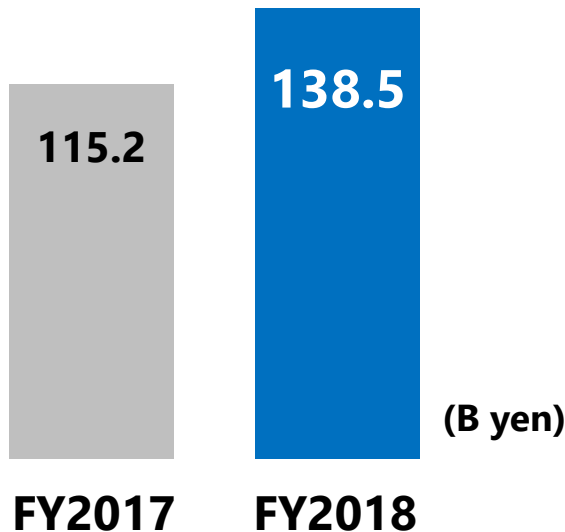
+20.2% (vs prior FY)

Ordinary income

+20.1% (vs prior FY)

Profit attributable to owners of parent

+21.9% (vs prior FY)

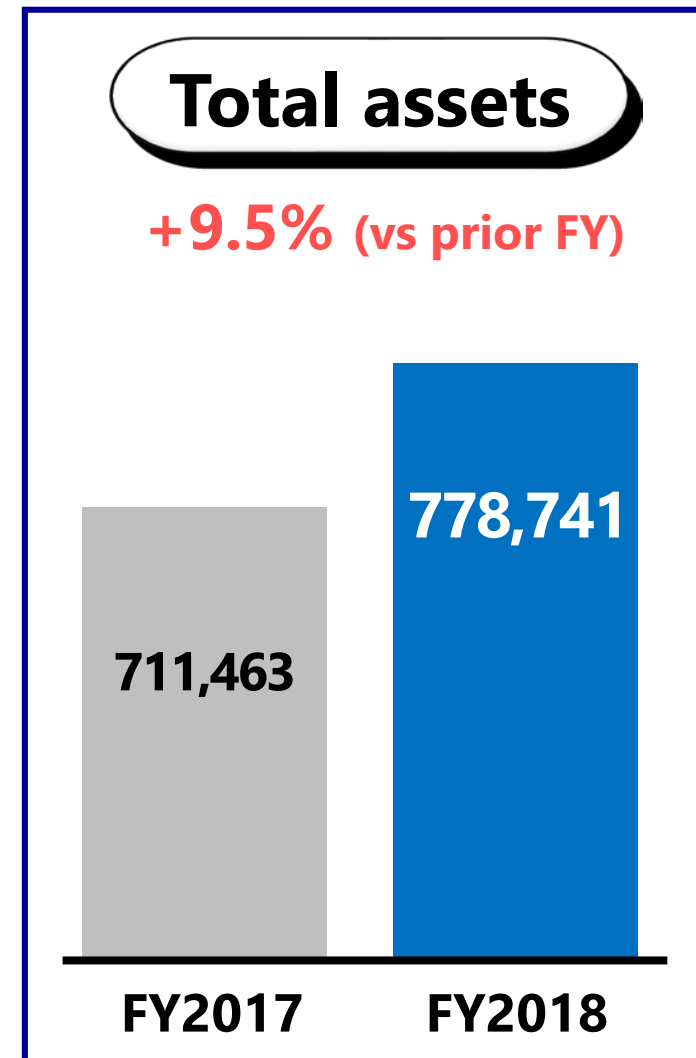


Highlight (3) :Summary of Consolidated Balance Sheets -1-



(Millions of yen)

Accounts	(Millions of yen)	
	FY 2018	FY 2017
Assets		
Current Assets	461,743	379,504
Non-current assets	316,997	331,959
Property, plant and equipment	74,653	75,956
Intangible assets	54,769	75,060
Investments and other assets	187,574	180,942
Total assets	778,741	711,463

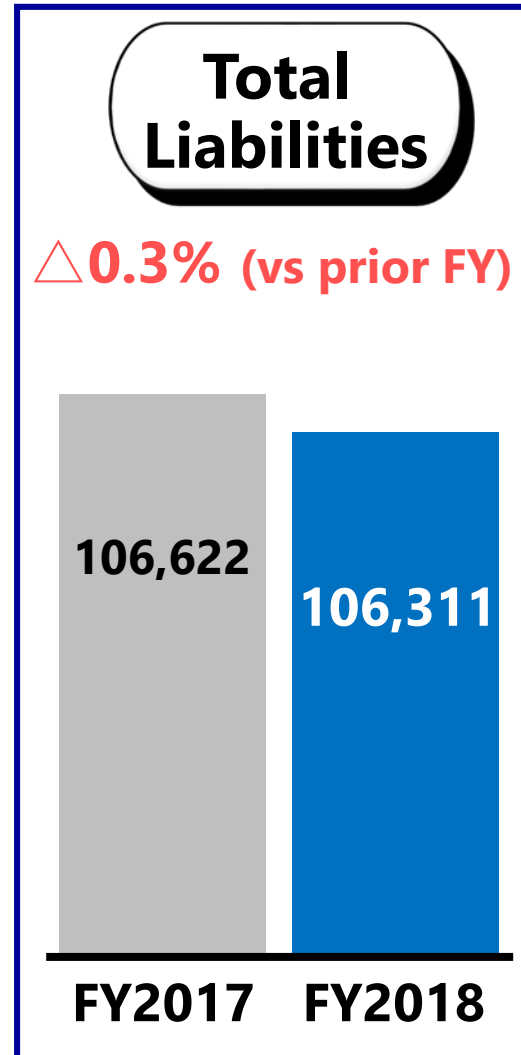


Highlight (4) :Summary of Consolidated Balance Sheets -2-

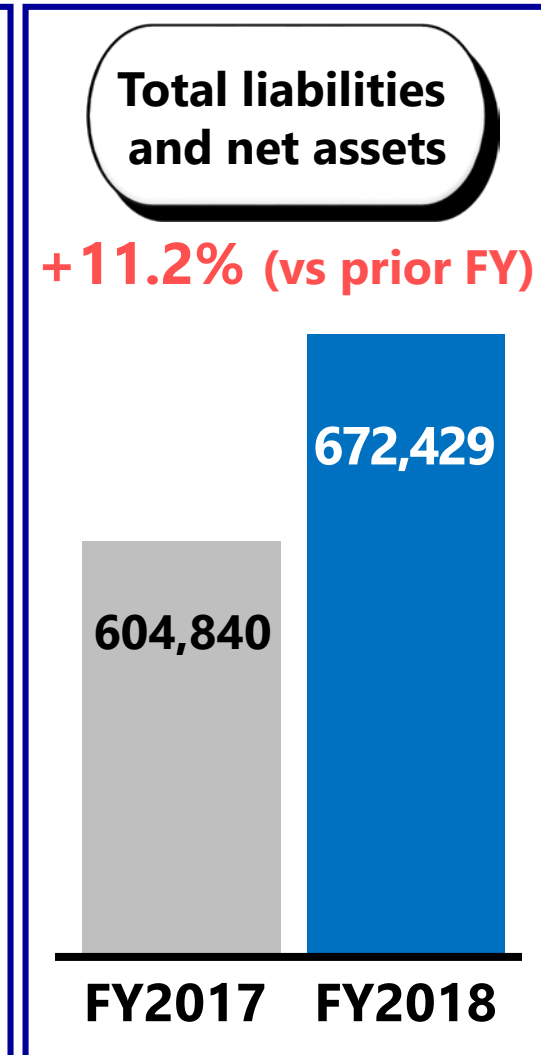


Accounts	(Millions of yen)	
	FY 2018	FY 2017
Liabilities		
Current liabilities	89,107	72,565
Non-current liabilities	17,203	34,056
Total liabilities	106,311	106,622
Net assets		
Shareholders' equity	652,371	579,257
Accumulated other comprehensive income	15,130	21,589
Total net assets	672,429	604,840
Total liabilities and net assets	778,741	711,463

(Millions of yen)



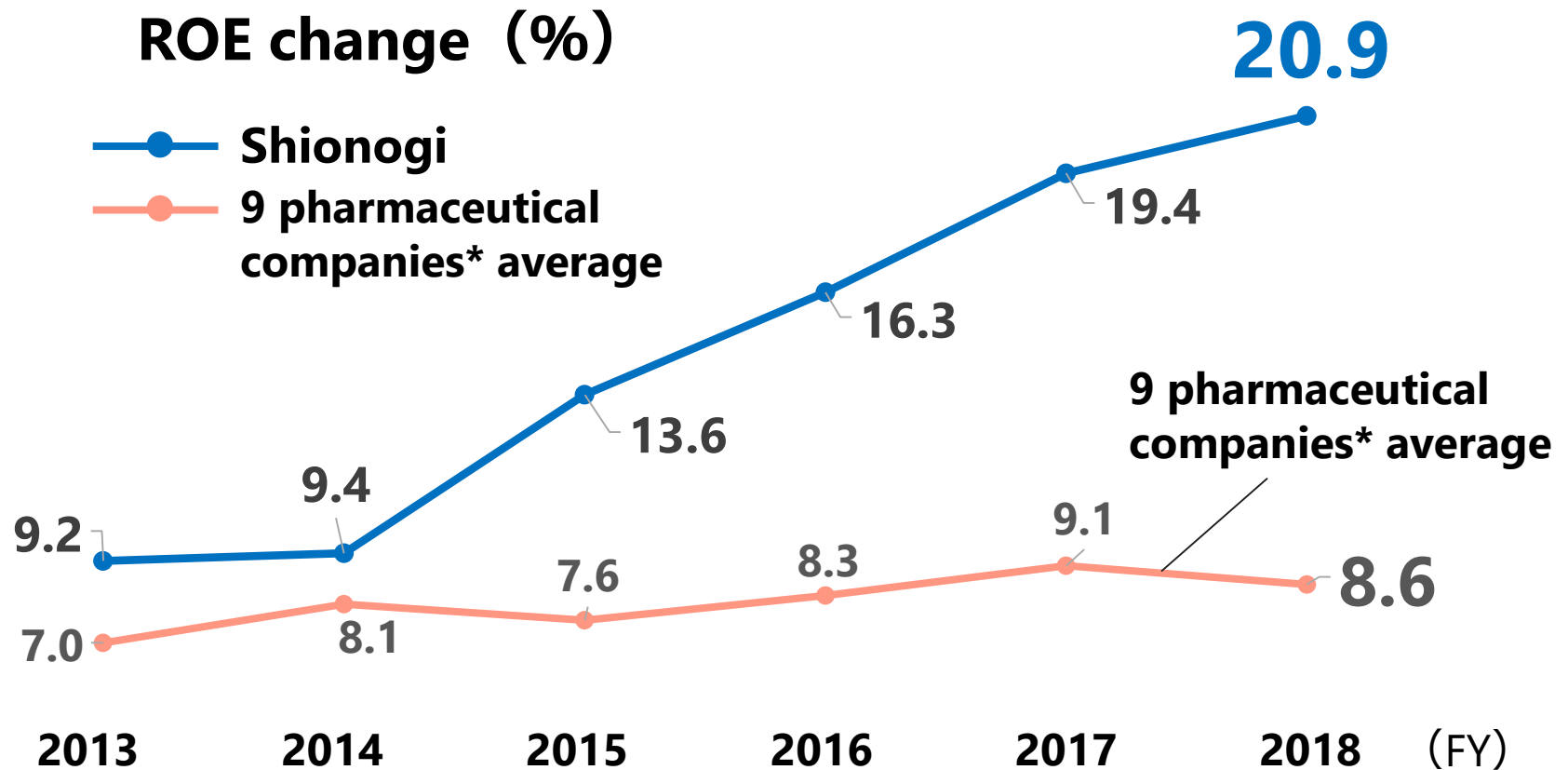
(Millions of yen)



Highlight (5) : Increase of Return On Equity (ROE)



**ROE rises steadily,
exceeding 20% for the first time**



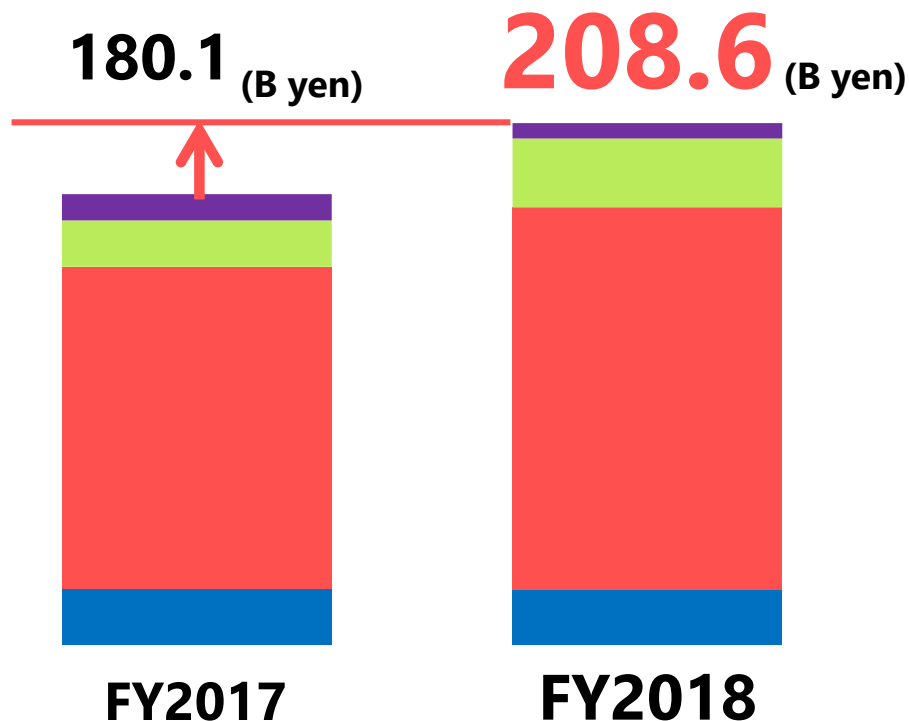
Key Results in FY2018

- 1. Royalties and milestone payments, plus dividend income from ViiV**
- 2. Research and development**
 - Progress of growth drivers and expansion of them by investment
- 3. Domestic/overseas business**
 - Sales growth of strategic products
- 4. Social contribution activities**
- 5. Promotion of diversity and inclusion**

① Royalties and Milestone Payments, Plus Dividend Income From ViiV



- Royalties and milestone payments, plus dividend income increased
 - Global sales of the anti-HIV drug expanded steadily (Royalties, Dividend income)
 - Milestone payments from Roche for Xofluza™



- Royalty income from others
- Milestone income from Roche
- Royalty income and dividend income from ViiV
- Royalty income from AstraZeneca

② Research and Development : Progress of Growth Drivers -1-



Steady progress of R&D especially for 8 high-priority projects

Infectious disease

Novel HIV drug

Progress of pre-clinical studies

S-004992 (Tuberculosis)

Progress of pre-clinical studies

S-600918 (Refractory/unexpected chronic cough)

Efficacy was confirmed in Phase2 clinical study

Pain/CNC

S-637880 (Neuropathic pain)

Progress of Phase1 clinical study

S-812217 (Depression)

Progress of Phase1 clinical study

Others

S-540956 (Nucleic acid adjuvant*)

Progress of pre-clinical studies

S-770108 (Idiopathic pulmonary fibrosis)

Completion of Phase1 clinical study

Peptide

Peptide

Start of 5 new research program

② Research and Development : Progress of Growth Drivers -2-



Progress of action for new value creation

Results of Discovery Research

<Create Development Candidates>

- New anti-flu drug candidate
- Drug Candidate for Non-Alcoholic Steatohepatitis (NASH)

Results of Discovery Research and CMC Research

- Development for commercial production of cefiderocol, ahead of its launch in the U.S.
- Development of a commercial inhalation device in preparation for the launch of S-770108

② Research and Development : Progress of Growth Drivers -3-



Progress of development mainly on late-stage development products

Xofluza™ Influenza virus infection	U.S.: NDA submission – Approval in Oct . 2018 Japan: progress of phase III clinical trial for prophylaxis, initiation of phase III clinical trial for pediatric granule formulation
Cefiderocol Multidrug-resistant gram-negative bacterial infections	<ul style="list-style-type: none"> • Accepted for review: U.S., Europe • Progress of global phase III clinical trials for gram-negative carbapenem resistance and for hospital-acquired pneumonia
Intuniv® ADHD	Japan: Supplemental NDA for use in adult patients
Vyvanse® ADHD	Japan: Approval in Mar. 2019
Lusutrombopag (Mulpleta®) Thrombocytopenia	U.S: Approval in Jul. 2018 Europe: Approval in Feb. 2019
S-005151 Acute ischemic stroke, Epidermolysis bullosa	Japan: initiation of Phase I clinical trial (acute ischemic stroke)

② Research and Development : Strategic Investment



Shionogi made strategic investments toward sustainable growth beyond 2020, and in-licensed a total of 10 compounds or technologies.

Infectious Disease

Mycobacterial disease (Hsiri)

Anti-RS virus drug (Ube)

Malaria (Nagasaki Univ.)

Inhaled antimicrobial drug candidates (Vast)

Technology for Antimicrobial Resistance (Nemesis)

Pain/CNS

Anti-depressant candidate (Sage)

Cognitive and memory deficits (Tetra)

ADHD (Digital medicine candidate) (Akili)

Modality

PDC* technology (PeptiDream)

Decompensated cirrhosis (Regenerative medicine) (Rohto)

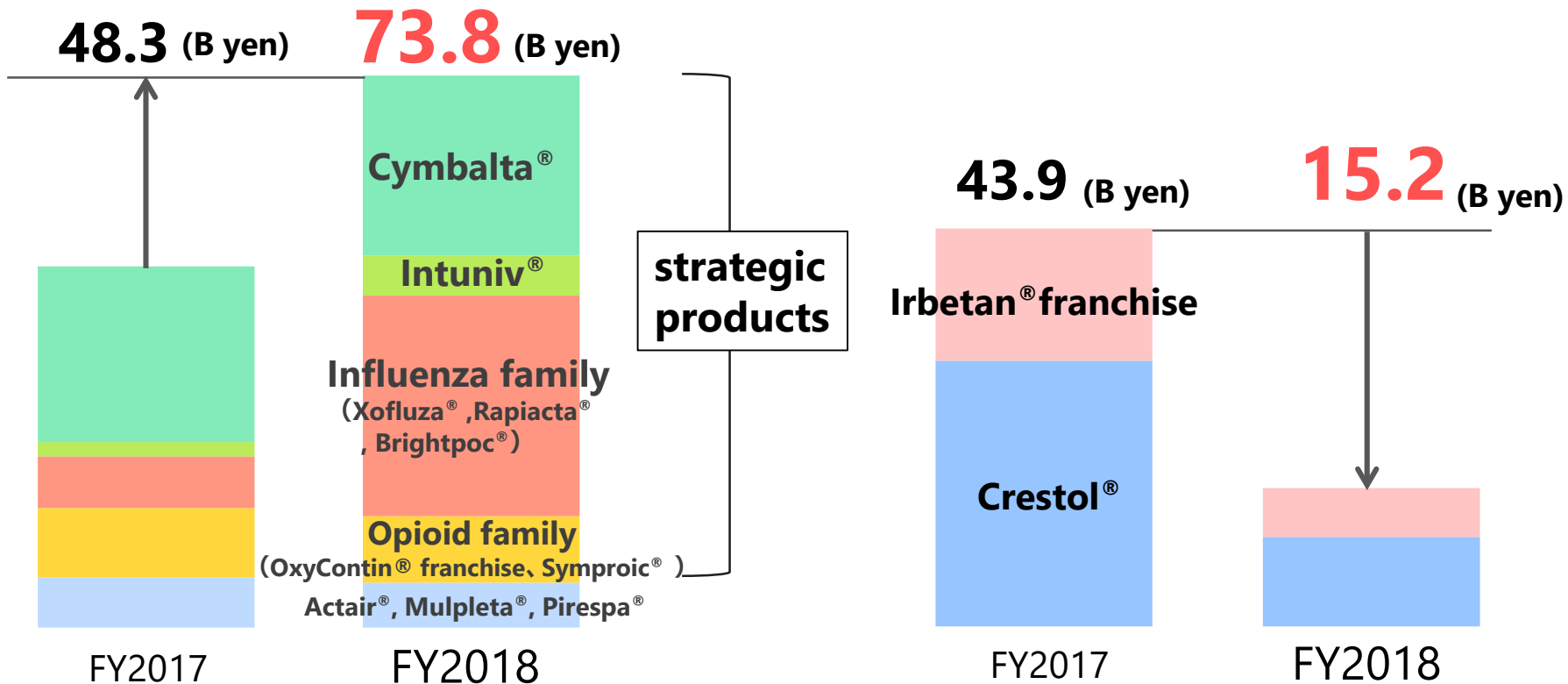
③ Domestic Business : Domestic Sales of Prescription Drugs



Sales increases of new products, and Sales-growth phase by our own earning power

Sales of new products
(+52.8% vs prior FY)

Sales of Crestol[®], Irbetan[®] franchise
(-65.2% vs prior FY)



③ Overseas Business



Maximize product value through combination of our own promotion and collaboration with business partners

U.S. ⇒ Sales increased

- **Symproic[®]:**
 - **Termination of the alliance with Purdue and Marketing agreement with BDSI (Apr. 2019)**
- **Mulpleta[®]: Our own promotion**

EU ⇒ Sales increased

- **Rizmoic[®] :**
 - **Marketing agreement with Sandoz and Molteni (May 2019)**

China ⇒ Sales increased

- **Sales increase of Rabeprazole**

④ Social Contribution Activities



Further focus on addressing social problems

~Grow sustainably contributing to a more vigorous society and become a company whose contribution is recognized by society~

[Efforts by CSR department]

Mother to Mother SHIONOGI Project

EHS* initiatives

Projects for barrier-free communication



Promote proper use of medicine

Support children's bright future

SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD



⑤ Promotion of Diversity and Inclusion



Promote diversity & inclusion (D&I) throughout the company to create innovation

- Established a vision to be shared by all employees in working for the promotion of diversity & inclusion
- Joined “Diversity Western-Japan Study Group” in 2017

Diversity Vision

**Understand yourself and others, and celebrate individual diversity.
Allow the wide variety of unique qualities to inspire creativity and innovation.**

We will

have an unbiased understanding of others, knowing that everyone has a different perspective; connect and resonate with diverse personalities to foster an inclusive spirit and generate abundant ideas; and, driven by such spirit and ideas, create new value and grow with society for our collective future.

**Significant Subsidiaries,
Capital Investment,
Fund-raising,
Fundamental policy on
the appropriation of
retained earnings**

U.S.: Shionogi Inc.

- **Business is on track in FY2018**
 - **Achieved break even by cost management**

EU: Shionogi B.V.

- **EMA moved to Amsterdam in preparation for Brexit**
- 
- **The European headquarter moved to Amsterdam**
 - **Keep business operation at the center of UK**

Shionogi Pharma founded  シオノギファーマ株式会社

Improve product value through technology development
⇒ Contribute to innovation of management of Shionogi group

Produce at
affordable prices

Proactively introduce
new technologies

Aspire to become top-level CDMO* in Japan

* **C**ontract **D**evelopment **M**anufacturing **O**rganization

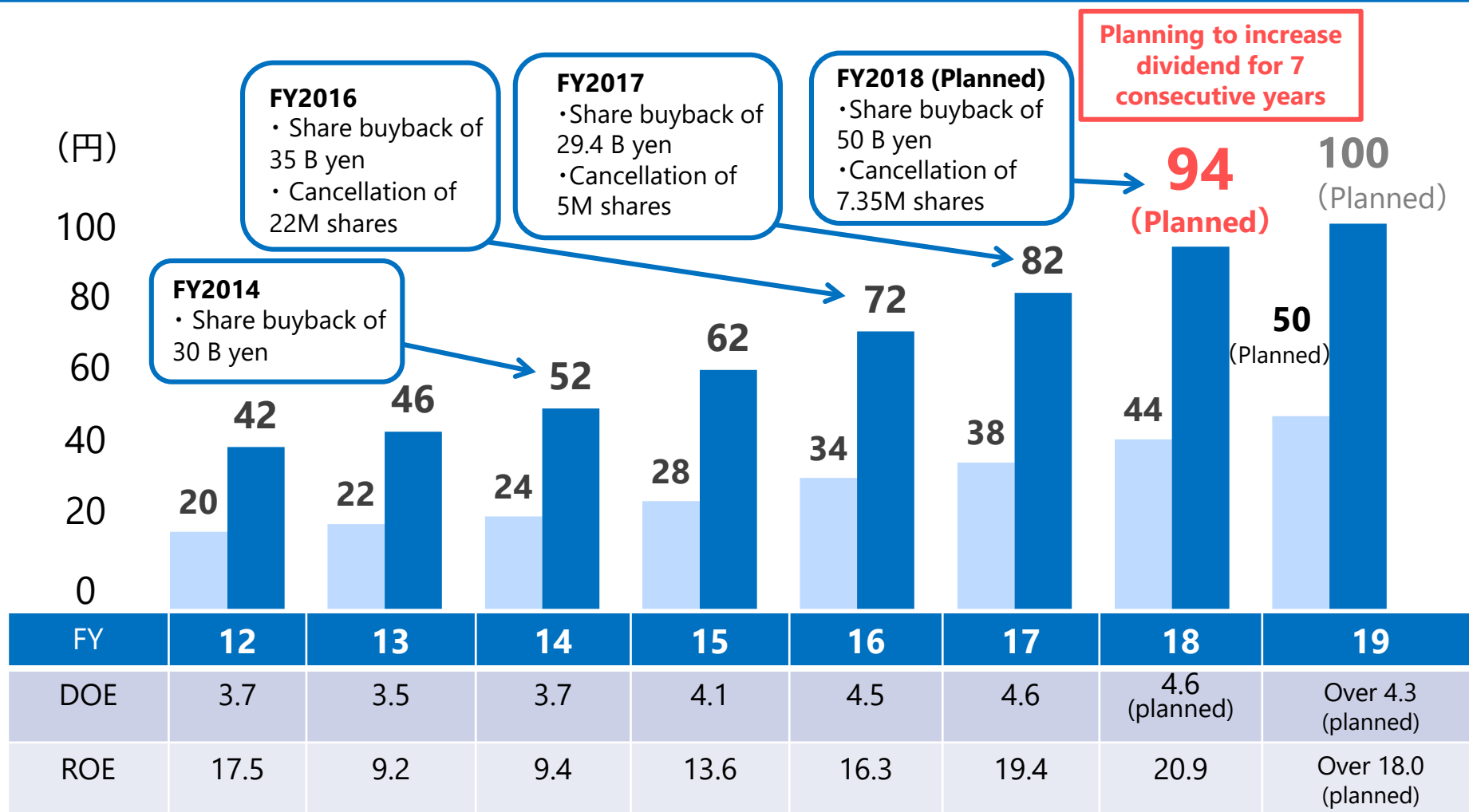
Flexibly respond to
changes in product
LCM

Ensure stable supply
for the global market

Shareholder Return Policy Through Which Shareholders Can Feel Our Growth



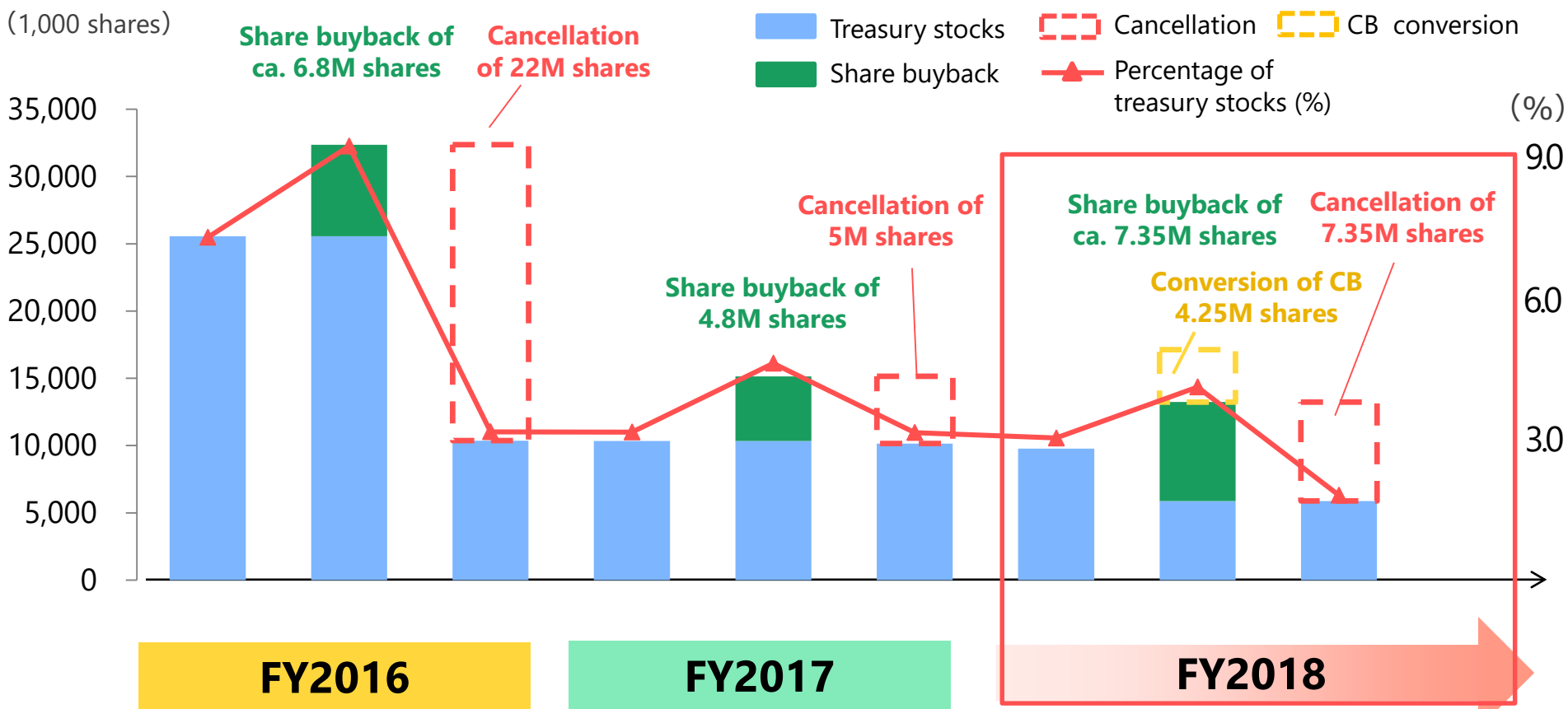
Plan to increase dividend for 7 consecutive years



Flexible and Prompt Capital Policy



Proceed to the shareholder return policy for which shareholders can feel mid- to long-term profit growth



Challenges Ahead

FY2019 and Medium-to-Long-Term Challenges and Actions



R&D

Develop next growth drivers

**Japanese/Overseas
business**

**Strengthen domestic business
and global presence**

**Business
Innovation**

**Deliver new value and strengthen
our business foundation**

Efforts & Challenges in FY2019 -1-



- R&D, Japanese & Overseas Business -

R&D: Progress of next growth drivers

- Steady progress of the high-priority projects (8 projects at present)

Start and progress of clinical studies

- Novel HIV drug
- S-812217 (Depression)
- S-770108 (Idiopathic pulmonary fibrosis)
- S-600918 (Neuropathic pain)
- S-637880 (Refractory/unexplained chronic cough)

Progress of pre-clinical studies

- S-004992 (Tuberculosis)
- Peptide
- S-540956 (Nucleic acid adjuvant)

Japanese & Overseas Business:

Strengthen Japanese business and establish global presence

- Japan: Sales growth of new products such as Cymbalta[®], Intuniv[®], Xofluza[®]
- U.S.: Highly efficient operation through combination of our own promotion and collaboration with business partners for growth of cefiderocol, Mulpleta[®], Symproic[®], and Osphena[®]

Efforts & Challenges in FY2019 -2-



- Business Innovation: Create New Value and Strengthen Business Foundation -

Use of IT to create new value



Digital treatment

Promotion of D&I

Joined Diversity Western-Japan Study Group*, using collaboration approach to working-from-home and understanding LGBT** etc.

Introduce IFRS and change operation flow

➤ **Sophistication of business management**

JAAGAP



IFRS

Efforts on EHS for sustainable growth



ESG (Environment, Society, Governance) : Non-financial information to evaluate sustainability and risks of companies

Aiming to sales and profit increases in FY2019 for sustainable growth beyond 2020

Make further efforts to satisfy the interests of our four stakeholders



Who owns the company?

**Shareholders/
Investors**

Customers

Best Balance

Employees

Society

Shionogi's Philosophy



Supply the best possible
medicine to protect the
health and well-being of
the patients we serve



Forward-Looking Statements

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