



Fiscal 2012 Financial Results

May 10, 2013

**Isao Teshirogi, Ph.D.
President and CEO**

 **SHIONOGI & CO., LTD.**

Overview of FY2012 Results

Financial Results (Consolidated)

(Units: B yen)

	FY2012 Forecasts*	FY2012 results	Achieve- ment (%)	Variance	FY2011 Results	Y on Y	
						change (%)	change
Sales	283.0	282.9	100.0	(0.1)	267.3	5.8	15.6
Operating income	56.0	58.8	105.1	2.8	47.0	25.2	11.8
Ordinary income	54.0	58.9	109.1	4.9	46.1	27.8	12.8
Net income	32.0	66.7	208.5	34.7	27.1	146.2	39.6

- All income levels in FY2012 are higher than the levels achieved in any prior fiscal year.

Note: All numerical values are rounded to the nearest unit.

The depreciation method for tangible fixed assets has been changed from the declining-balance method predominantly used previously to the straight-line method from FY2012. With this change, operating and ordinary incomes have increased by 3.3 billion yen and 3.4 billion yen respectively in FY2012.

(Units: Yen)

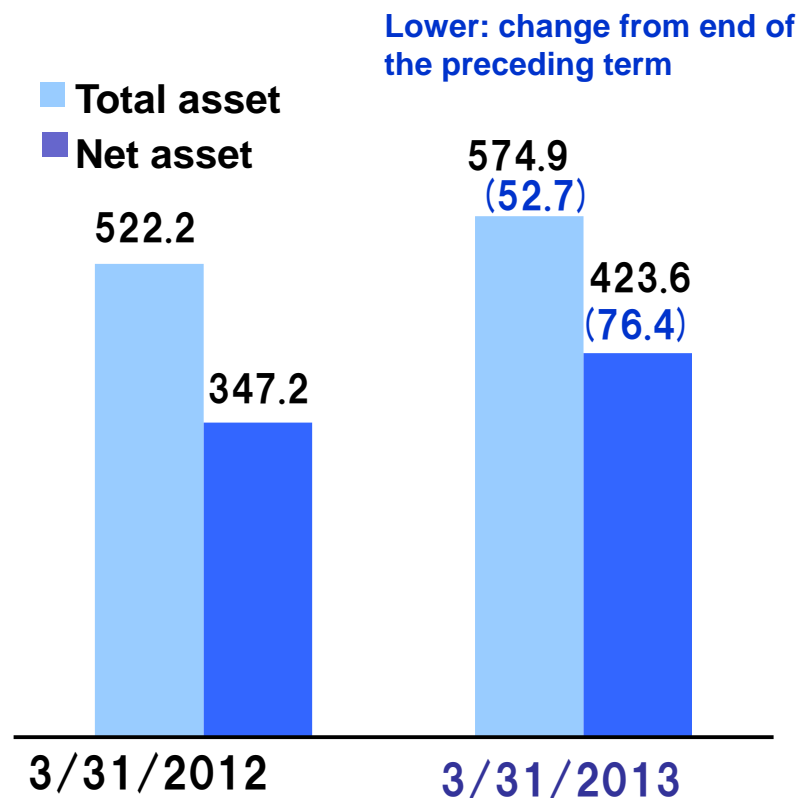
Exchange rate (average)	FY2012 forecasts	FY2012 results	FY2011 results	Y on Y
USD (\$) – JPY (¥)	80	82.95	79.06	+3.89 yen depreciation
EUR (€) – JPY (¥)	105	106.83	109.00	-2.17 yen appreciation



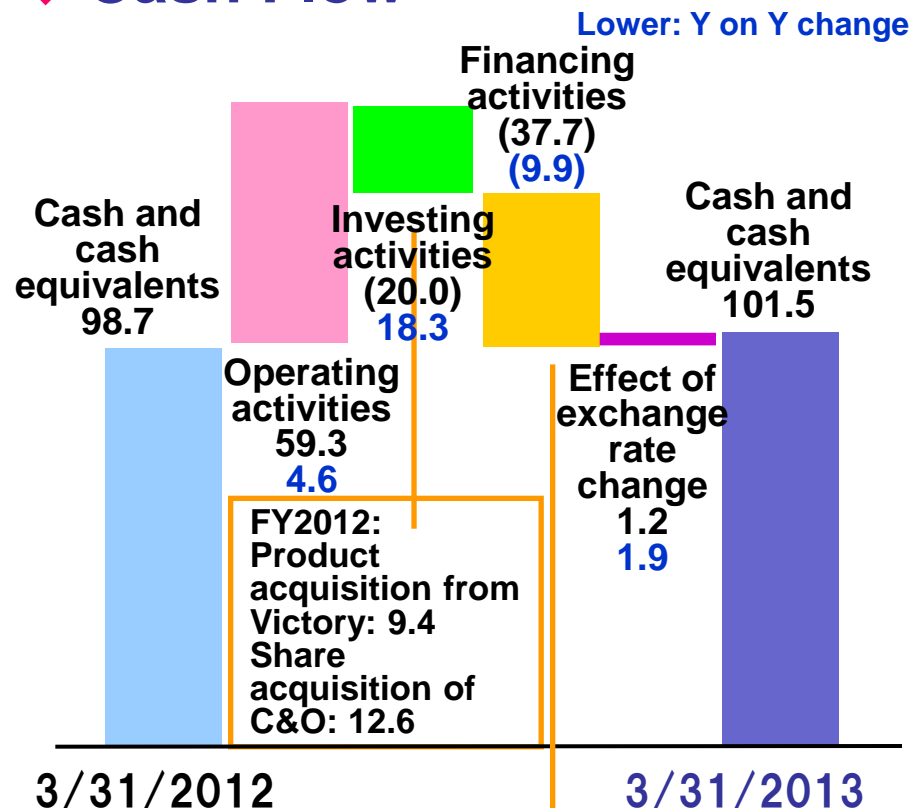
Financial Position and Cash Flow (Consolidated)

(Units: B yen)

◆ Financial Position



◆ Cash Flow



	3/31/2012	3/31/2013
Equity ratio	65.9%	73.1%

Statements of Income (Consolidated)

(Units: B yen)

	FY2012		Achievement (%)	Variance	FY2011	Y on Y	
	Forecasts*	results			results	change (%)	change
Sales [Royalty income]	283.0 69.1	282.9 69.8	100.0 101.1	(0.1) 0.7	267.3 68.7	5.8 1.7	15.6 1.1
Cost of sales	28.3 (37.4) 80.0	27.8 (36.9) 78.6	98.2	(1.4)	29.1 (39.1) 77.8	1.1	0.8
Gross profit	203.0	204.3	100.7	1.3	189.5	7.8	14.8
SG&A expenses	51.9 147.0	51.4 145.5	99.0	(1.5)	53.3 142.5	2.1	3.0
Selling & general expenses	94.0	92.5	98.4	(1.5)	88.9	4.0	3.6
R&D expenses	53.0	53.0	100.0	0.0	53.6	(1.1)	(0.6)
Operating income	19.8 56.0	20.8 58.8	105.1	2.8	17.6 47.0	25.2	11.8
Non-operating income and expenses	L2.0	P0.1	-	2.1	L0.9	-	1.0
Ordinary income	19.1 54.0	20.8 58.9	109.1	4.9	17.2 46.1	27.8	12.8
Extraordinary income and loss	L0.3	L0.6	197.4	(0.3)	L4.6	-	4.0
Income before income taxes	53.7	58.3	108.6	4.6	41.5	40.5	16.8
Total income taxes	21.7	(8.4)	-	(30.1)	14.4	-	(22.8)
Net income	32.0	66.7	208.5	34.7	27.1	146.2	39.6

*: The consolidated earnings forecasts announced on Nov. 2, 2012 were written here, and the revisions to the forecasts were announced on Apr. 22, 2013

Note: Small numbers in red are percentages of sales, and numbers in red provided in parentheses are percentages of royalty excluded sales

Difference between Forecasts* and Results

◆ Operating income

- Reduced SG&A expenses by implementing multiple steps to improve the cost-effectiveness of business operations in all group companies

◆ Ordinary income

- Received foreign exchange profit on foreign-currency-based assets due to yen depreciation

◆ Extraordinary income and loss

- New agreement with ViiV Healthcare: L0.4 B yen
 - Gain on exchange of investment securities: P40.4 B yen
 - Impairment loss (goodwill, sales rights, etc.): L40.8 B yen
- Others (Gains and losses on sales of noncurrent assets and investment securities, etc.): L0.2 B yen

◆ Decrease in tax-related expenses

- Deductible losses on valuation of stocks of subsidiaries and affiliates included as extraordinary losses in non-consolidated financial results
- Effects on losses carried forward

Breakdown of Sales (Consolidated)

(Units: B yen)

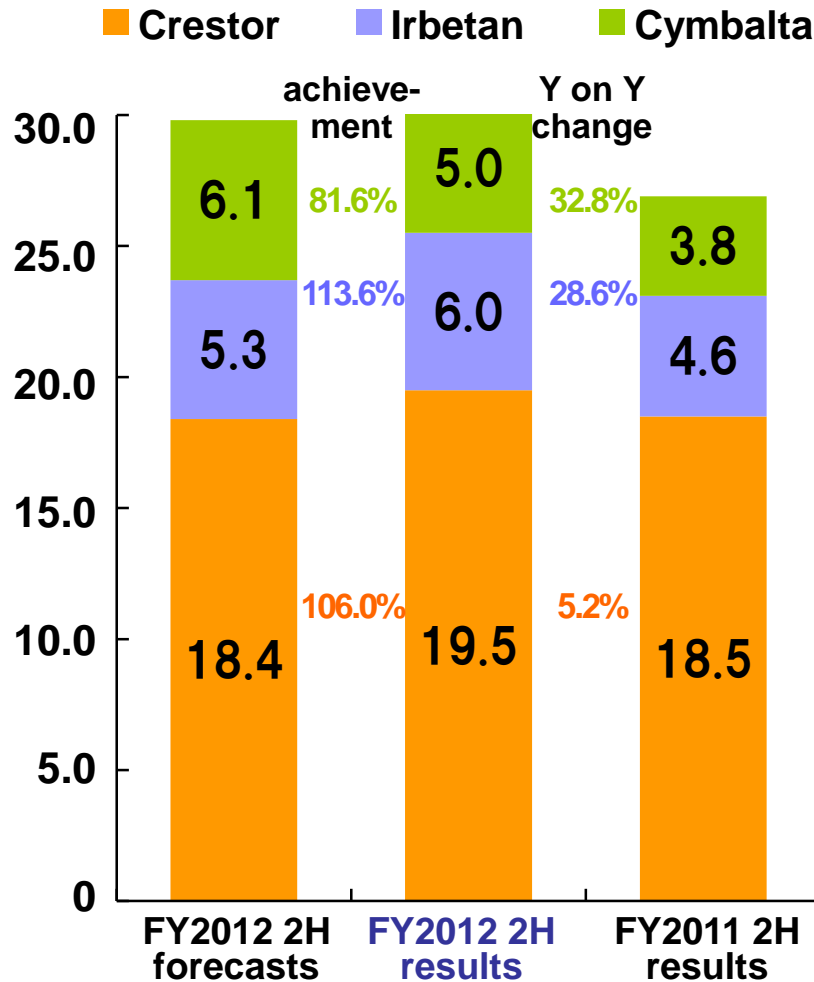
	FY2012		Achievement (%)	Variance	FY2011	Y on Y	
	forecasts	results			results	change (%)	change
Prescription drugs	168.6	165.7	98.3	(2.9)	164.4	0.8	1.3
Total of 3 key products	57.8	58.5	101.2	0.7	51.3	14.1	7.2
Total of 8 strategic products	84.5	84.2	99.7	(0.3)	73.2	15.0	11.0
Overseas subsidiaries/export	28.3	* 30.6	108.2	2.3	17.0	80.3	13.6
Shionogi Inc.	15.5	17.0	109.5	1.5	5.8	190.2	11.2
C&O	5.6	5.8	103.8	0.2	1.9	201.2	3.9
Doripenem	1.8	2.5	136.8	0.7	4.2	(41.8)	(1.7)
Contract manufacturing	7.6	7.3	95.4	(0.3)	7.6	(4.6)	(0.3)
OTC and quasi-drugs	5.1	5.2	101.2	0.1	5.0	2.8	0.2
Diagnostics	2.4	2.2	92.0	(0.2)	2.7	(18.4)	(0.5)
Royalty income	69.1	69.8	101.1	0.7	68.7	1.7	1.1
Crestor	63.0	63.0	99.9	(0.0)	64.7	(2.7)	(1.7)
Others	1.9	2.1	108.8	0.2	1.9	7.8	0.2
Total	283.0	282.9	100.0	(0.1)	267.3	5.8	15.6

Eight strategic products: Crestor, Irbetan, Cymbalta (3 key products), and OxyContin, Finibax, Differin, Pirespa, Rapiacta
 *: Taiwan Shionogi has changed its accounting period since Jan. 2012, and FY2012 results include 15 months from Jan. 2012 to Mar. 2013. C&O has been consolidated since Oct. 2011, and FY2012 results include 12 months from Jan. to Dec. in 2012, and FY2011 results include 6 months from Jul. to Dec. in 2012

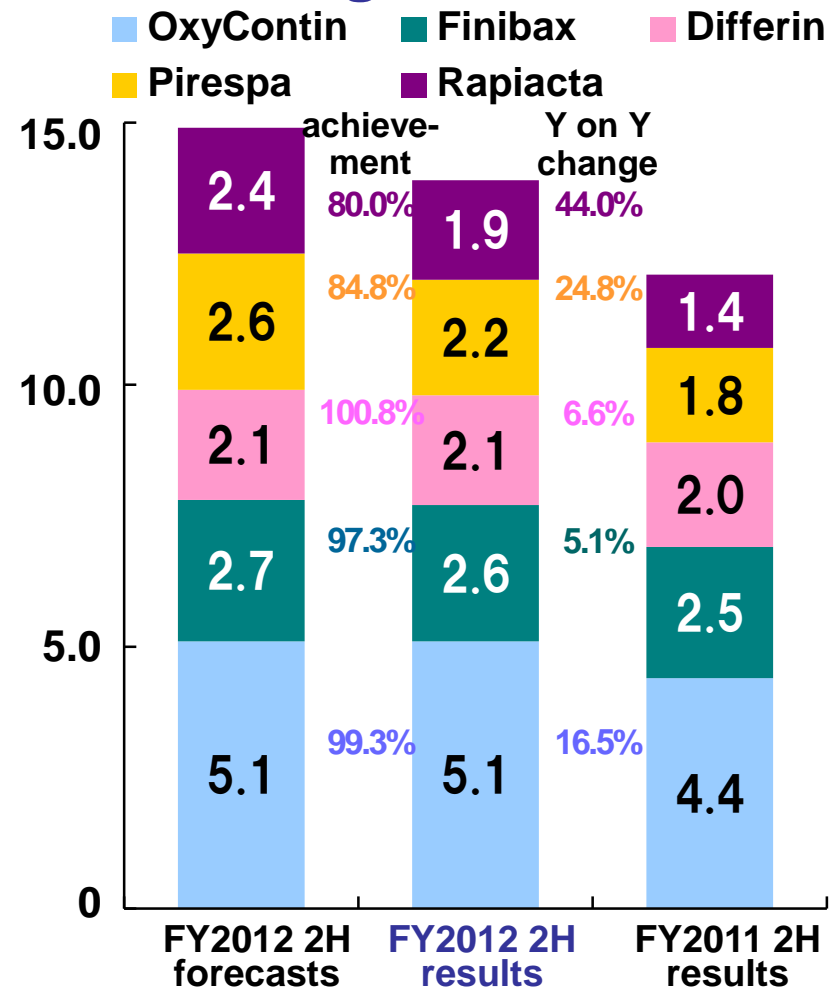
Domestic: Sales of 8 Strategic Products in 2H of FY2012

(Units: B yen)

◆ 3 Key Products



◆ 5 Strategic Products

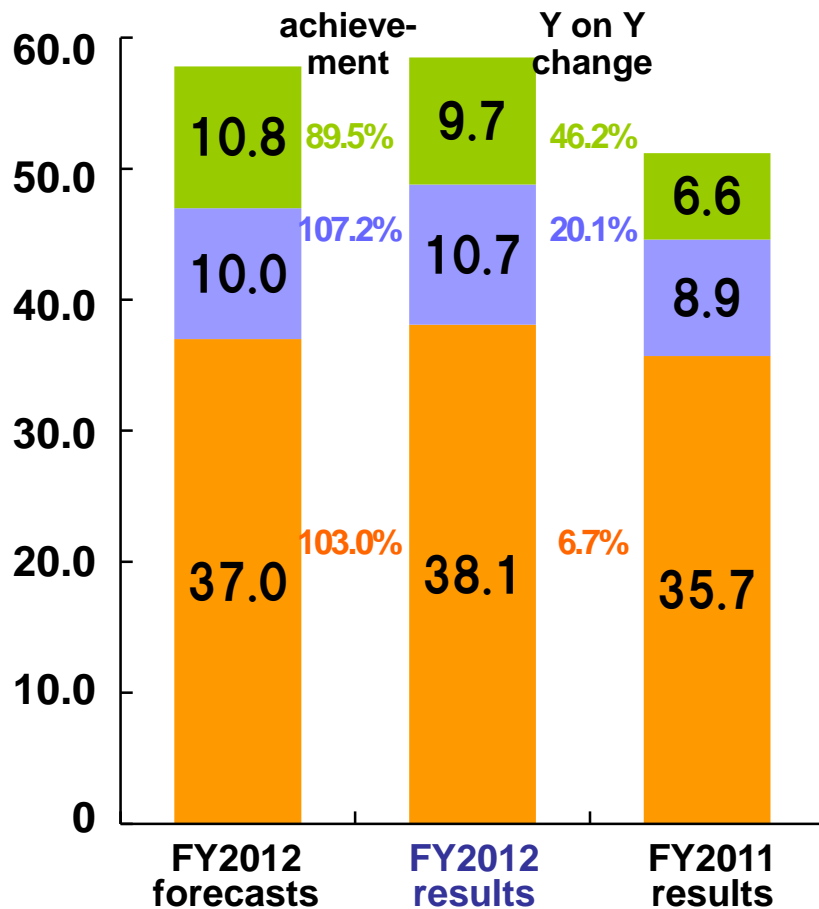


Domestic: Full Year Sales of 8 Strategic Products

(Units: B yen)

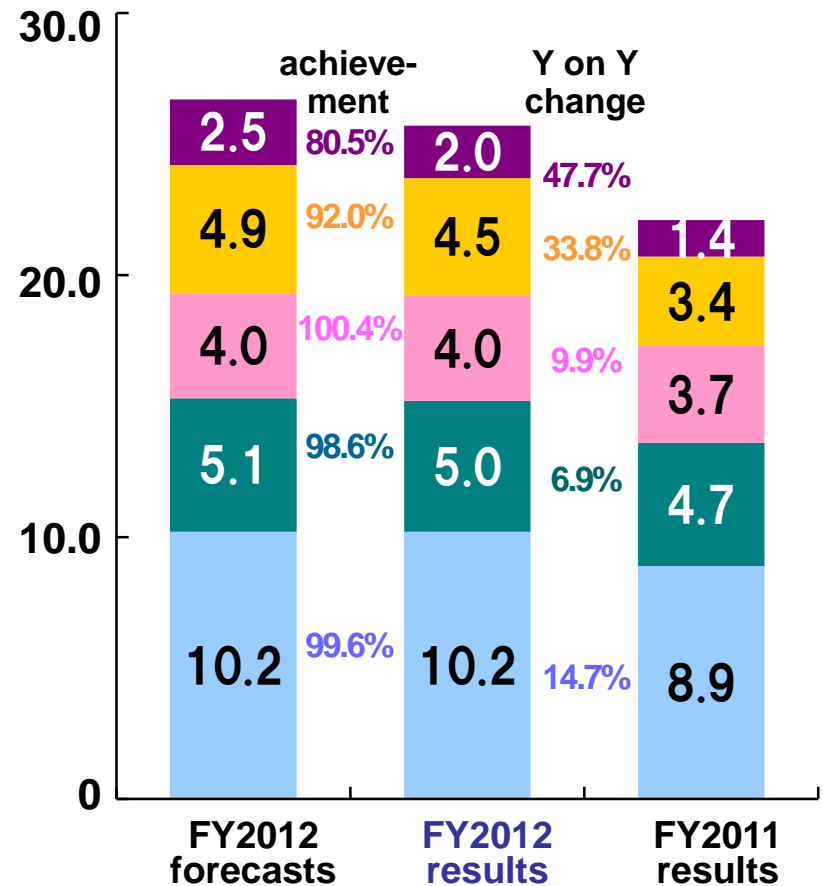
◆ 3 Key Products

■ Crestor ■ Irbetan ■ Cymbalta



◆ 5 Strategic Products

■ OxyContin ■ Finibax ■ Differin
■ Pirespa ■ Rapiacta



Financial Results of Shionogi Inc.

(Units: upper/million dollar, lower/B yen)

	FY2012				Achievements (%)	FY2011
	forecasts	1H results	2H results	full year results		results
Sales	194 15.5	94 7.5	110 9.5	205 17.0	105.6	74 5.8
Cost of sales	26 2.0	16 1.2	11 0.9	26 2.2	102.8	29 2.3
SG&A expenses	206 16.5	106 8.4	78 6.9	184 15.3	89.3	191 15.1
Operating income	(38) (3.0)	(27) (2.2)	21 1.7	(6) (0.5)	-	(146) (11.5)

Note: Achievements (%) are calculated in US\$ and are different from those calculated in Japanese yen

Financial Results of C&O

(Units: B yen)

	FY2012				Achievements (%)	FY2011
	forecasts	1H results	2H results	full year results		results*
Sales	5.6	2.9	2.9	5.8	103.8	1.9
Operating income	0.5	0.3	0.3	0.6	124.9	(0.1)



Review of FY2012 Results

◆ Domestic sales (prescription drugs)

- Sales of eight strategic products increased 15.0% y on y, diminishing the negative impact of the NHI price revisions
- The total sales of eight strategic products reached 50.8% of total product sales

◆ Crestor royalty

- 2.7% y on y decrease due to weak global sales by AstraZeneca

◆ Shionogi Inc.

- Improved profitability due to growth of key promoted products, continued review of gross to net ratio, cost containment, and reduction of amortization of impairment losses of intangible assets
- Operating income became profitable in 2H FY2012
- FDA approval of Osphena (Feb. 26, 2013)

◆ C&O

- Continued stable business operations and strengthened business performance as a foothold in China

◆ Cost control

- Decreased COGS rate through improvement of manufacturing costs
- Decreased SG&A expenses by further cost containment throughout the company

Achievements of Core Global Products in FY2012

Core Global Development Products		As of 3/31/2012	Target Milestones for FY2012 <i>Achieved in FY2012</i>
Ospemifene	Post-menopausal vaginal atrophy	US: NDA submission in preparation	US: NDA submission <i>US: NDA approved (Feb. 2013)</i> <i>EU: NDA submission (Mar. 2013)</i>
S/GSK1349572* (Dolutegravir)	HIV infection	Global: Phase III	Global: NDA submission <i>EU/US/Canada: NDA submission (Dec 2012)</i>
S-297995 (Naldemedine)	Alleviation of opioid-induced adverse effect	US/Japan: Phase IIb	US/Japan: Phase IIb LPO, code-break, meeting with each regulatory agency <i>Japan: Phase IIb code-break</i> <i>Global: Phase III in preparation</i>
S-555739	Allergic rhinitis	Japan: Phase IIb US: Phase I	Japan: Phase IIb LPO, code-break US: Phase IIa FPI <i>Japan: SAR Phase III LPO</i> <i>US: Phase IIa LPO</i>
S-888711 (Lusutrombopag)	Thrombocytopenia	Japan: Phase IIa	Japan: Phase IIb initiation <i>Japan: Phase IIb LPO</i>
S-288310	Bladder cancer	Asia: Phase I/II	Japan: Go/No-go decision based on Phase I/II results <i>Japan: ongoing</i>
S-488410	Esophageal cancer	Japan: Phase I/II	Japan: Go/No-go decision based on Phase I/II results <i>Japan: ongoing</i>
S-488210	Head and neck squamous cell carcinoma	EU: Phase I/II IND	EU: Phase I/II FPI <i>EU: Phase I/II FPI</i>
S-646240	Age-related macular degeneration	Japan: Phase IIa IND	Japan: Phase IIa FPI <i>Japan: Phase IIa FPI</i>

*: Transferred to ViiV Healthcare Ltd.

NDA: New drug application, SAR: Seasonal allergic rhinitis

LPO: Last patient out, FPI: First patient in, IND: Investigational new drug

FY2013 Financial Forecasts

Financial Forecasts (Consolidated)

(Units: B yen)

	FY2013 forecasts		FY2012 results	Y on Y	
	full year	1H		change (%)	change
Sales	287.0	138.0	282.9	1.4	4.1
Operating income	60.0	24.0	58.8	2.0	1.2
Ordinary income	59.0	24.0	58.9	0.1	0.1
Net income	37.0	14.5	66.7	(44.6)	(29.7)

(Units: Yen)

Exchange rate (average)	FY2013 forecasts	FY2012 results
USD (\$) – JPY (¥)	95	82.95
EUR (€) – JPY (¥)	120	106.83

Statements of Operating Income (Consolidated)

(Units: B yen)

	FY2013 forecasts		FY2012 results	Y on Y	
	Full year	1H		change (%)	change
Sales	287.0	138.0	282.9	1.4	4.1
[Royalty income]	65.0	31.0	69.8	(6.9)	(4.8)
	28.2 (36.5)	28.3 (36.4)	27.8 (36.9)		
Cost of sales	81.0	39.0	78.6	3.1	2.4
Gross profit	206.0	99.0	204.3	0.8	1.7
	50.9	54.3	51.4		
SG&A expenses	146.0	75.0	145.5	0.4	0.5
Selling & general expenses	93.0	48.0	92.5	0.6	0.5
R&D expenses	53.0	27.0	53.0	(0.0)	(0.0)
	20.9	17.4	20.8		
Operating income	60.0	24.0	58.8	2.0	1.2

Note: Small numbers in red are percentages of sales, and numbers in red provided in parentheses are percentages of royalty excluded sales

Forecasts of Sales by Segments (Consolidated)

(Units: B yen)

	FY2013		FY2012 results	Y on Y	
	full year	1H		change (%)	change
Prescription drugs	170.6	83.1	165.7	2.9	4.9
Total of 3 key products	65.9	32.5	58.5	12.7	7.4
Total of 8 strategic products	93.1	45.0	84.2	10.5	8.9
Overseas subsidiaries/export	31.8	14.4	* 30.6	3.9	1.2
Shionogi Inc.	20.2	9.0	17.0	19.0	3.2
Osphena	5.5	0.8	-	-	5.5
C&O	6.0	2.9	5.8	3.2	0.2
Contract manufacturing	10.8	5.2	7.3	48.9	3.5
OTC and quasi-drugs	5.1	2.7	5.2	(1.2)	(0.1)
Diagnostics	1.7	0.6	2.2	(23.0)	(0.5)
Royalty income	65.0	31.0	69.8	(6.9)	(4.8)
Crestor	62.0	29.5	63.0	(1.5)	(1.0)
Others	2.0	1.0	2.1	(3.3)	(0.1)
Total	287.0	138.0	282.9	1.4	4.1

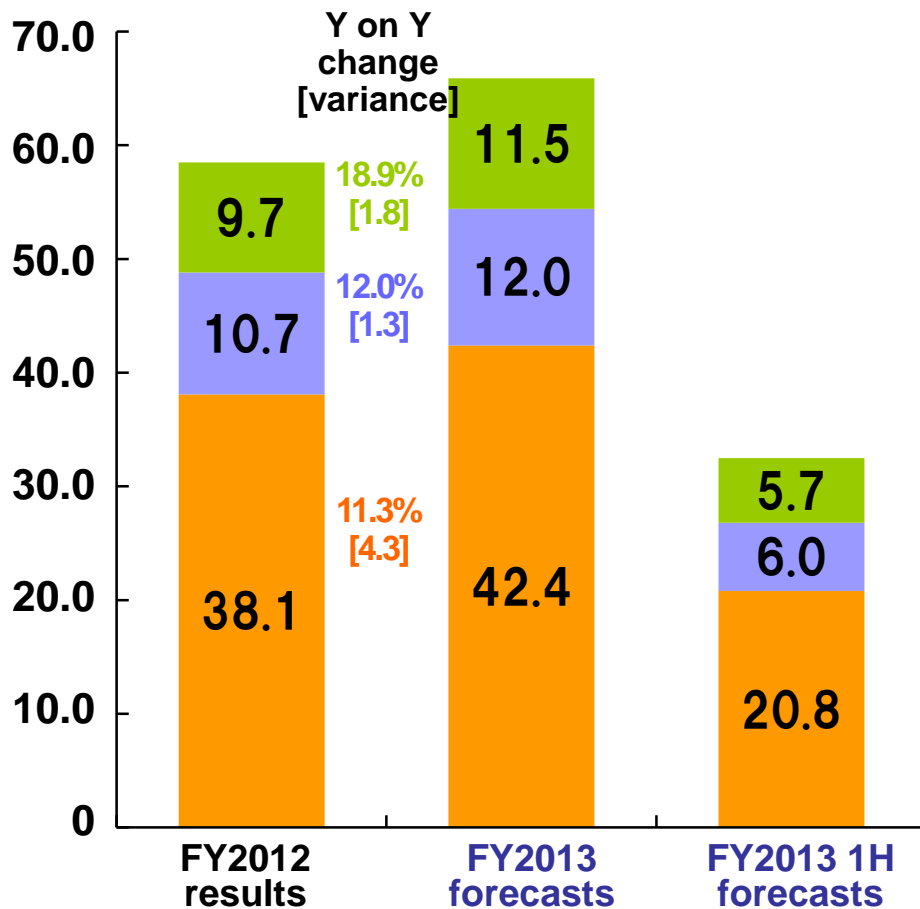


Domestic: Sales of 8 Strategic Products

(Units: B yen)

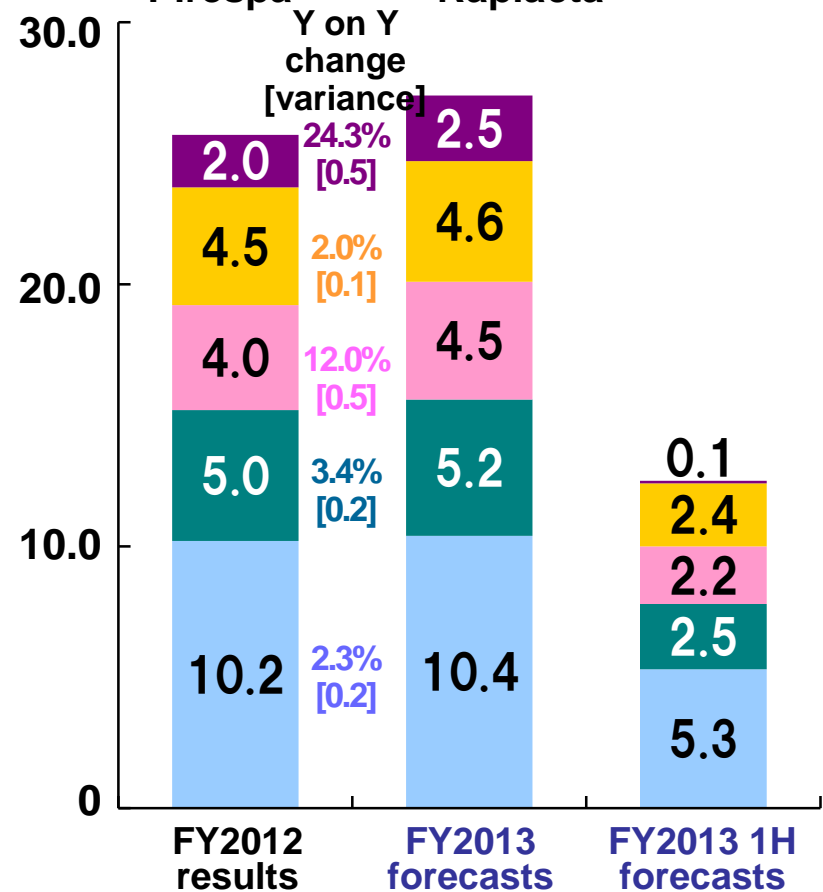
◆ 3 Key Products

■ Crestor ■ Irbetan ■ Cymbalta



◆ 5 Strategic Products

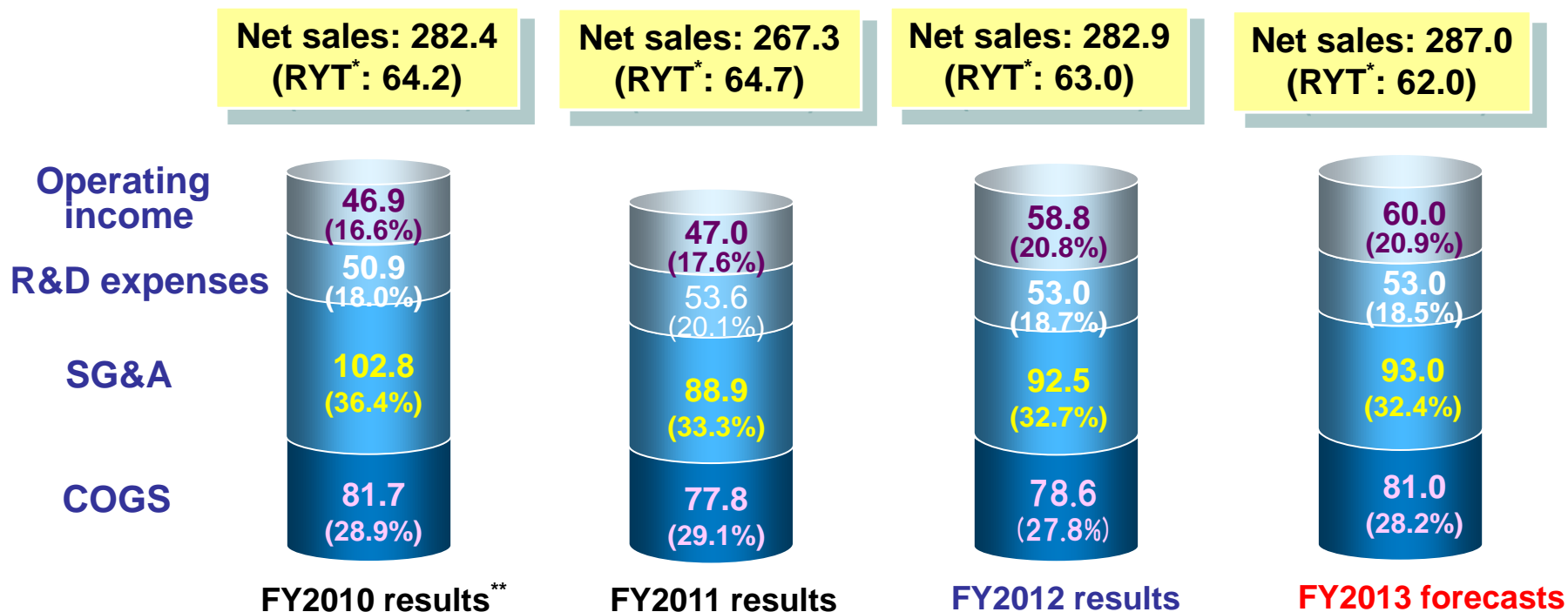
■ OxyContin ■ Finibax ■ Differin
■ Pirespa ■ Rapiacta



Improving Business Operations to Overcome Crestor Cliff

Three-year Progress on the 3rd Mid-Term Plan

(Units: B yen)



(): % of net sale

*: Crestor royalty from AstraZeneca

** : Including 15 months sales about Shionogi Inc.

- R&D expenses: Aggressive investment up to 20% of net sales
- SG&A: Reduce the net sales ratio every year
- COGS: Consistently reducing percent of net sales
 - COGS (excl. royalties) of net sales:
38.3%(FY2010)→39.1%(FY2011)→36.9%(FY2012)→36.5%(FY2013 as planned)

Establishment of Stable Business Platform

◆ Dolutegravir (PDUFA: August 2013)

- Maximize DTG potential through our ViiV Board representation
 - Receive royalty income from DTG franchise
 - Receive dividends as a 10% shareholder of ViiV

◆ Crestor royalty

- Legal actions against patent infringements with AstraZeneca
- Manage foreign currency risk to stabilize royalty income levels

◆ Licensing activities

- In-licensing activities based on unmet medical needs and sales synergies with in-house products
- Utilize partnering activities to maximize potential of in-house R&D pipeline compounds while effectively leveraging internal resources
- Marketing alliances to maximize product value

Sales Growth in Overseas Business

◆ Shionogi Inc.

- Maximize the value of Osphena (launch: by June, 2013)
 - Increase the sales force size to fully support the product
 - Enhance awareness through effective communication with health care practitioners (HCPs)
 - Educate consumers
- Maintain stable business operations
 - Focus on women's health and pain areas, mainly Osphena and Naprelan
 - Maximize operating income from product portfolio
 - Continue cost containment, but invest in Osphena's success

◆ C&O

- Expand sales of Flumarin and develop and launch doripenem

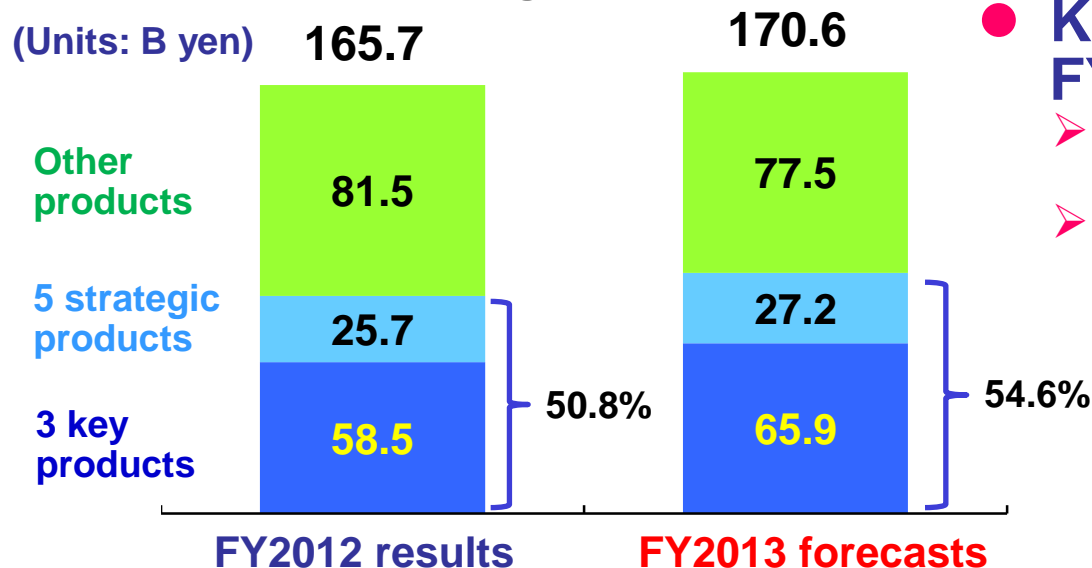
◆ Shionogi Limited

- Receive approval of ospemifene and select its business partners in the EU
- Progress development of cancer peptide vaccines in the EU

Sales Growth in Japan

◆ Expand sales of eight strategic products by improving detail impact of sales force

- Improve profitability through a new approach to the deployment of SG&A, with investment based on each product's life cycle and market trend
- Return to Shionogi's original sales policy to increase the trust of healthcare providers and enhance Shionogi's presence
- Foster a strong sense of unity between the head office and field force in the new organization



● Key points to achieve the FY2013 targets

- Improve behavior and enhance productivity
- Increase sales of eight strategic products 10% y on y
 - Crestor: Promote as a top brand of Shionogi
 - Irbetan: Expand market share through synergies between single pill and fixed-dose combination
 - Cymbalta: Establish No.1 presence in anti-depression market, and penetrate into pain area

Reduce Cost of Sales

◆ Improve manufacturing costs

- Review procurement and consider outsourcing
- Improve timing of maintenance, repair and maintenance expenses, and enhance cost containment

◆ Reducing cost of sales

- Internal manufacture of Cymbalta pellets
- Improve manufacturing yield of Irbetan
- Improve cost other products with a mid-to-long term perspective

◆ Key points to achieve FY2013 targets

- Establish a global manufacturing management system spanning strategy, procurement, manufacturing and inventory control by the Manufacturing Division and the Global SCM Division acting in partnership
- Strong collaboration with Shionogi Inc. to reduce consolidated cost of sales and assure stable supply of Osphena

Review and Optimize SG&A

- Instill cost containment focus in all employees via budgetary control and prioritization



- FY2013 is the first year of Shionogi's globalization
- Review all costs and optimize distributing expenses in all group companies

SG&A (excl. R&D expenses)

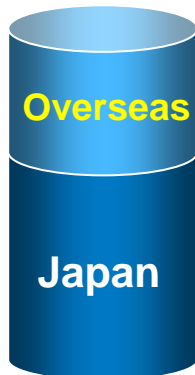
(Units: B yen)

92.5
(32.7%)



FY2012 results

93.0
(32.4%)



FY2013 forecasts

- Key points to achieve FY2013 targets

- Prioritize maximizing Osphena's value
- Zero-based review of fixed cost base
- Maintain same level of expenses on consolidated basis as the previous fiscal year, while investing in Osphena's launch by Shionogi Inc.

Accelerate Global Clinical Development as Our Growth Driver Following DTG

◆ Ospemifene (Osphena™)

- US: Increase dialogue between HCPs and patients on the need to treat dyspareunia
- EU: Respond to regulatory agencies and select business partners
- Asia: Development under consideration

◆ S-297995

- Global: Initiation of Phase III

◆ S-555739

- Japan: Phase III for seasonal allergic rhinitis initiation
- US/EU: Start dose-exploring study

◆ Cancer peptide vaccine

- Japan/EU: Regarding 5-peptide cocktail vaccine (S-588410), POC study will be started with bladder as a priority
- Global: Phase III study preparation under consideration

Growth-Driven Vision to Overcome Crestor Cliff

Crestor cliff

Back to growth era

FY2010~

- Improvement of US business structure
- Establishment of development footholds in US/EU/China

FY2012

- New agreement with ViiV
- NDA submission of DTG in US/EU/Canada
- Osphena approved in US

Continuous launch of growth drivers
(S-297995, S-555739,
cancer peptide vaccine, etc.)

Growth of DTG franchise
(Shionogi receives dividend and royalty
income)

Expansion of Ospemifene
(Osphena™)

2010

2012

2014

2016

2018

2020

3rd Mid-Term
Business Plan



4th Mid-Term
Business Plan

5th Mid-Term
Business Plan



Shareholder Return

Dividend Policy for The Future

- Shionogi has a fundamental policy with respect to retained earnings, based on the need to invest for business expansion and on its business performance, and takes a medium-to-long term perspective on its business, with the goal of steadily increasing its dividends **(Consolidated payout ratio: 35%)**

- On the basis of business performance through FY2012
 - Clarified future earnings of anti-HIV drugs
 - Defined future R&D expenses and maintain sound financial basis
 - Made solid progress to overcome Crestor cliff through FDA's priority review of DTG, approval for Osphena and progress of development products
- Key points for future dividend policy
 - Balance future investment and strengthening financial performance for future growth
 - Stable dividends in FY2016 and FY2017

- According to our fundamental policy, **Shionogi plans to increase its consolidated dividend payout ratio from 35% to 40% to return profits to its shareholders**

Dividend Forecasts for FY2012 and FY2013

	Dividends per share			Payout ratio (consolidated)
	half-year	year-end	annual	
FY2009	Yen 18.00	Yen 18.00	Yen 36.00	31.2%
FY2010	20.00	20.00	40.00	66.9%
FY2011	20.00	20.00	40.00	49.4%
FY2012	20.00	(forecasts) 22.00	(forecasts) 42.00	21.1%
FY2013	(forecasts) 22.00	(forecasts) 22.00	(forecasts) 44.00	39.8%

- FY2012 forecast: 42 yen (+ 2 yen, prior: 40 yen)
 - Consolidated payout ratio: 40% (based on net income excl. the one-time positive effect in tax expenses, prior: 35%)
- FY2013 forecast: 44 yen

Appendix

Change of Phases (since February 2013)

Code No. 【Product name】	Category (Administration)	Indication	Change of Phase
Ospemifene	Selective estrogen receptor modulator (Oral)	Post-menopausal vaginal atrophy	US: NDA submission (Apr. 2012) ⇒ Approval (Feb. 2013) EU: NDA submission in preparation ⇒ NDA submission (Mar. 2013)
LY248686 【Cymbalta®】	SNRI (Serotonin & noradrenaline reuptake inhibitor) (Oral)	Chronic low back pain	Japan: Phase III
S-877503	Alpha-2A-adrenergic receptor agonist (Oral)	ADHD	Japan: Phase II/III in preparation ⇒ Phase II/III
S-877489	DA and NE reuptake inhibitor/Releaser of DA, NE (Oral)	ADHD	Japan: Phase II in preparation ⇒ Japan: Phase II
S-649266	Cephem antibiotic (Injection)	Infection	US: Phase I
S-414114	NF-κB decoy oligodeoxynucleotide (Topical)	Atopic dermatitis	Japan: Phase I in preparation

Out-Licensing Activity

Code No.	Category (Administration)	Indication	Change of Phase	Development
Janssen/ Shionogi BACE inhibitor	BACE inhibitor (Oral)	Alzheimer's disease	EU: Phase I	Janssen Pharmaceuticals, Inc. (USA)



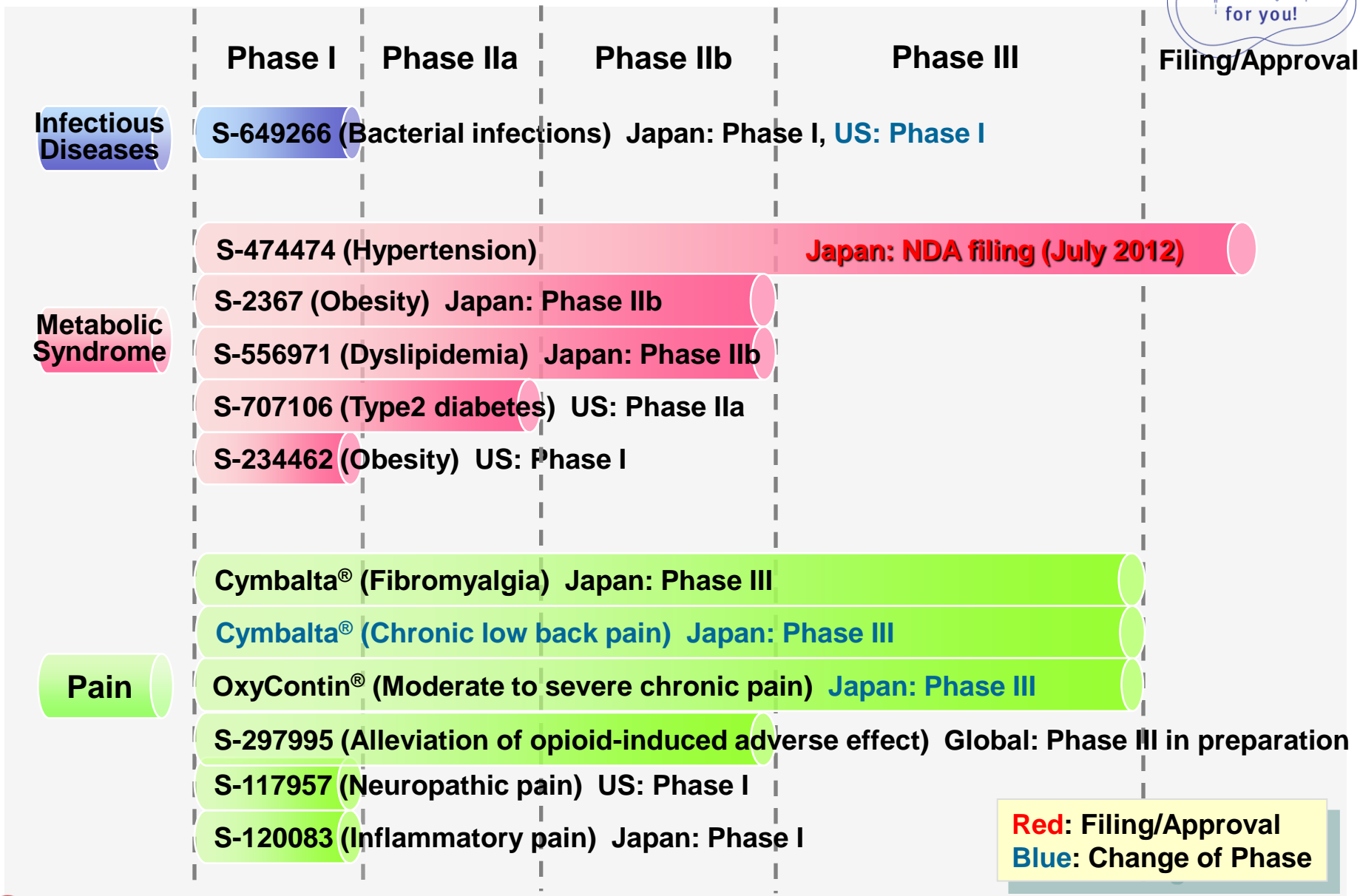
Change of Phases (since February 2013)

Development for new indications with high medical need, requested by Review Committee* or Academies

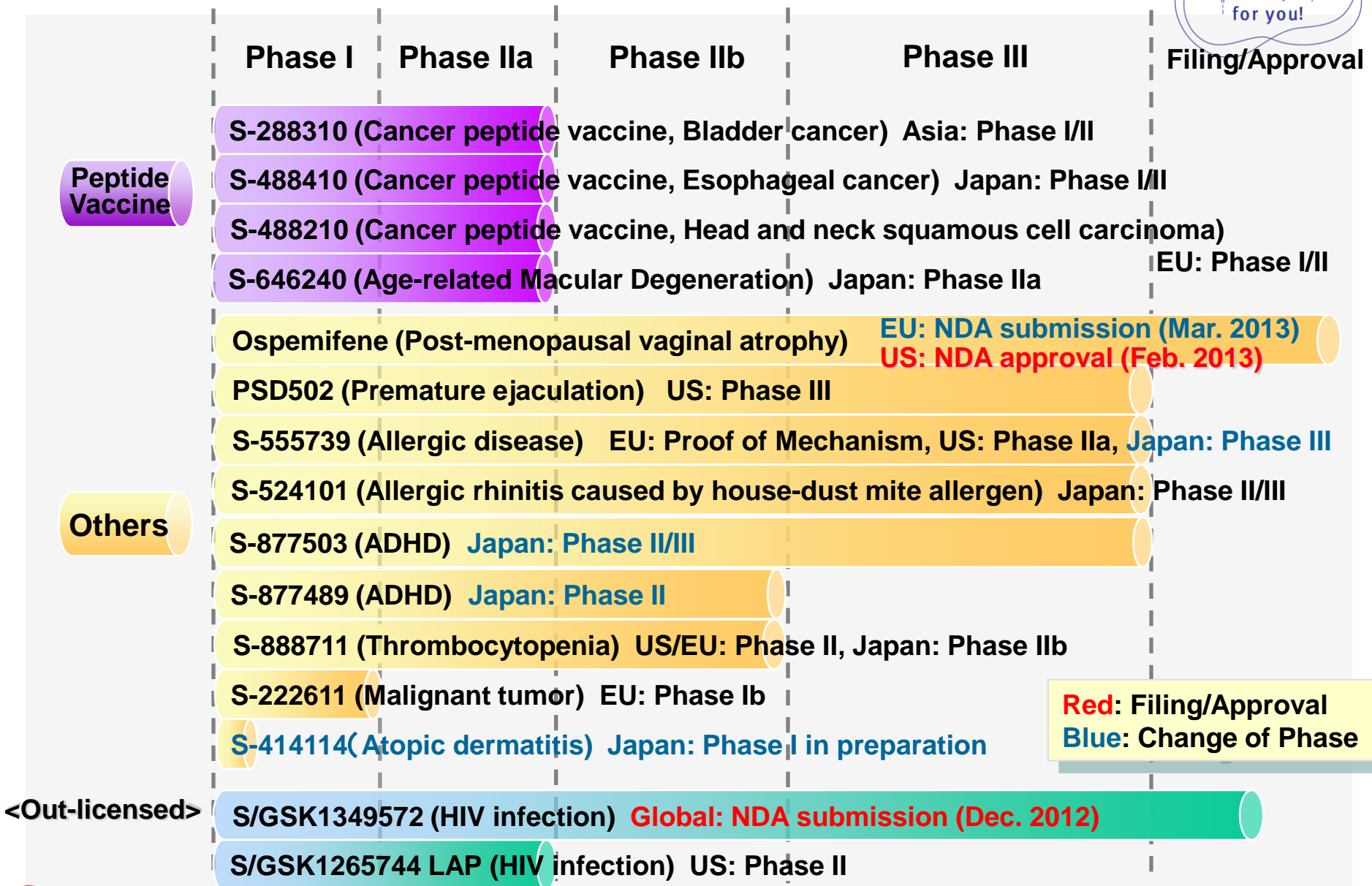
Code No. 【Product name】	Category (Administration)	Indication	Change of Phase
Oxycodone hydrochloride hydrate 【OxyContin®】	Natural opium alkaloids (Oral)	For the treatment of moderate to severe chronic pain	Japan: Clinical trial in preparation ⇒ Phase III
Cyclophosphamide hydrate 【Endoxan®】	Alkylating agent (Injection)	Pheochromocytoma	Japan: NDA submission (Nov. 2012) ⇒ Approval (Mar. 2013)
Prednisolone 【Predonine®】	Synthetic corticosteroid (Oral)	Duchenne muscular dystrophy	Japan: NDA submission in preparation ⇒ NDA submission (Feb. 2013)
Metreleptin	Human leptin (Genetical recombination) (Injection)	Lipodystrophy	Japan: NDA submission (Jul. 2012) ⇒ Approval (Mar. 2013)
Metronidazole 【Fragyl®】	Antiprotozoal agent (Oral)	<i>Helicobacter pylori</i> gastritis	Japan: NDA submission (Aug. 2012) ⇒ Approval (Feb. 2013)

*: A committee convened by the Ministry of Health, Labor and Welfare to promote new development and applications of drugs which have not yet been approved for use in Japan but that have already been approved for use in the US and Europe

Pipeline (as of May 2013)



Pipeline (as of May 2013)



Red: Filing/Approval
Blue: Change of Phase

- This presentation contains forward-looking statements. These statements are based on expectations in light of the information currently available, assumptions that are subject to risks and uncertainties which could cause actual results to differ materially from these statements.
- Risks and uncertainties include general domestic and international economic conditions such as general industry and market conditions, and changes of interest rate and currency exchange rate. These risks and uncertainties particularly apply with respect to product-related forward-looking statements. Product risks and uncertainties include, but are not limited to, completion and discontinuation of clinical trials; obtaining regulatory approvals; claims and concerns about product safety and efficacy; technological advances; adverse outcome of important litigation; domestic and foreign healthcare reforms and changes of laws and regulations. Also for existing products, there are manufacturing and marketing risks, which include, but are not limited to, inability to build production capacity to meet demand, unavailability of raw materials and entry of competitive products.
- The company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.
- This material contains information on pharmaceuticals (including compounds under development), but this information is not intended to make any representations or advertisements regarding the efficacy or effectiveness of these preparations nor provide medical advice of any kinds.

End of File