Fiscal 2013
Financial Results

May 12, 2014

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President and CEO

SHIONOGI

Overview of FY2013 Financial Results

Financial Results (Consolidated)

(Units: B yen)

	FY2013 forecasts*	FY2013 results	achieve-ment(%)	variance	FY2012 results	Y on Y	
						change(%)	change
Sales	284.8	289.7	101.7	4.9	282.9	2.4	6.8
Operating income	62.0	63.6	102.5	1.6	59.6	6.7	4.0
Ordinary income	61.0	63.9	104.8	2.9	58.9	8.5	5.0
Net income	43.0	41.8	97.3	(1.2)	66.7	(37.3)	(24.9)

- **Operating income and ordinary income in FY2013 are higher than the levels achieved in the full year of any prior fiscal year**

Note: All numerical values are rounded to the nearest unit
The litigation expenses have been recognized under non-operating expenses since FY2013. We have restated the consolidated statements of income for the previous fiscal year to reflect this change

(Units: Yen)

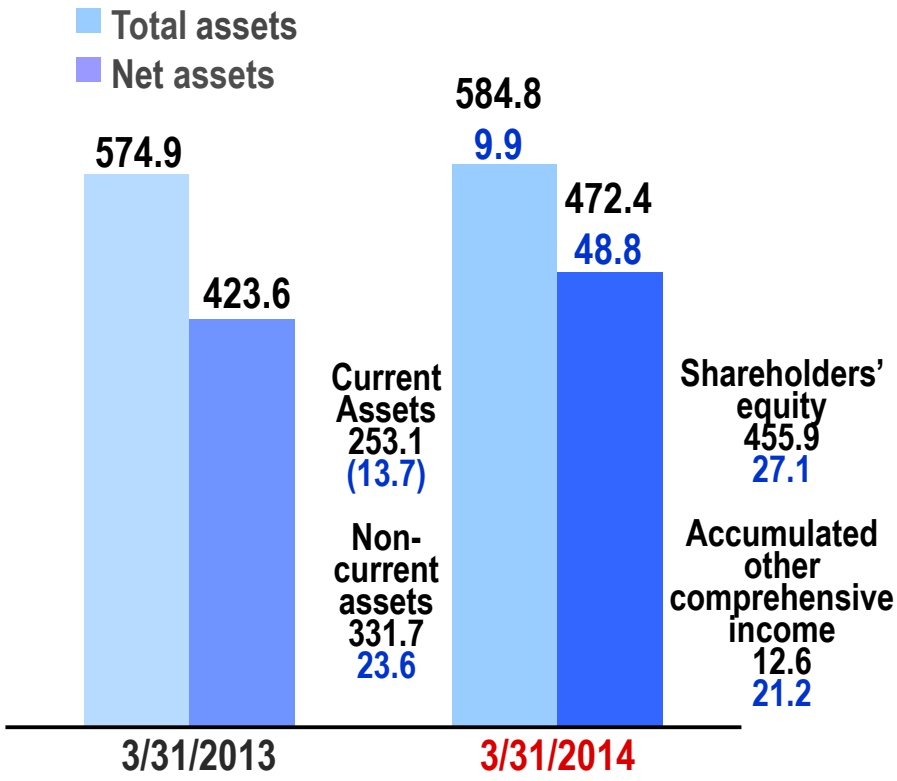
Exchange rate (average)	FY2013 forecasts	FY2013 results	FY2012 results	Y on Y
USD($)	95	100.18	82.95	+17.23 yen depreciation
EUR(€)	120	134.23	106.83	+27.40 yen depreciation

* The consolidated earnings forecasts announced on Oct. 31, 2013

Financial Position and Cash Flow (Consolidated)

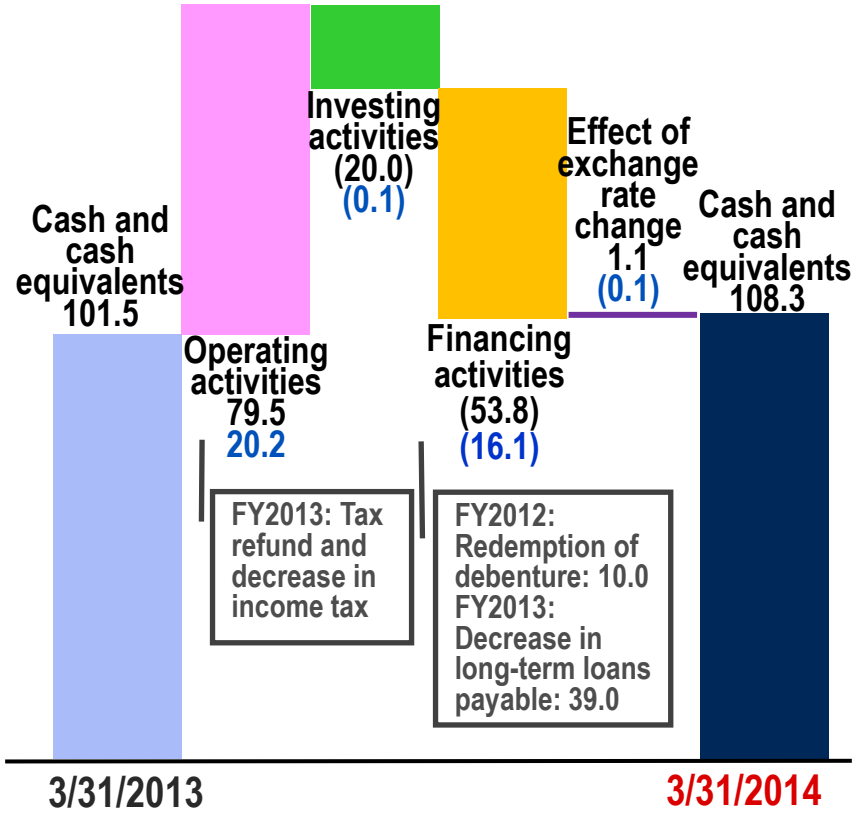
(Units: B yen)
lower: Y on Y change

Financial Position



	3/31/2013	3/31/2014
Equity ratio	73.1%	80.1%

Cash Flow



Statements of Income (Consolidated)

(Units: B yen)

	FY2013		achieve-ment(%)	variance	FY2012	Y on Y	
	forecasts	results			results	change(%)	change
Prescription drugs	168.4	168.3	99.9	(0.1)	165.7	1.5	2.6
Total of 3 key products	66.4	66.3	99.9	(0.1)	58.5	13.4	7.8
Total of 8 strategic products	92.9	92.9	100.0	(0.0)	84.2	10.3	8.7
Overseas subsidiaries/export	33.1	34.0	102.8	0.9	* 30.6	11.1	3.4
Shionogi Inc.	20.7	21.4	103.3	0.7	17.0	26.0	4.4
Osphena™	5.5	1.1	20.0	(4.4)	-	-	1.1
C&O	6.0	5.9	97.9	(0.1)	5.8	1.0	0.1
Contract manufacturing	8.7	8.4	96.3	(0.3)	7.3	15.5	1.1
OTC and quasi-drugs	4.7	4.5	96.1	(0.2)	5.2	(12.6)	(0.7)
Diagnostics	1.9	2.0	105.7	0.1	2.2	(9.0)	(0.2)
Royalty income	66.0	70.7	107.1	4.7	69.8	1.2	0.9
Crestor®	63.0	65.7	104.2	2.7	63.0	4.3	2.7
Others	2.0	1.8	90.2	(0.2)	2.1	(12.7)	(0.3)
Total	284.8	289.7	101.7	4.9	282.9	2.4	6.8

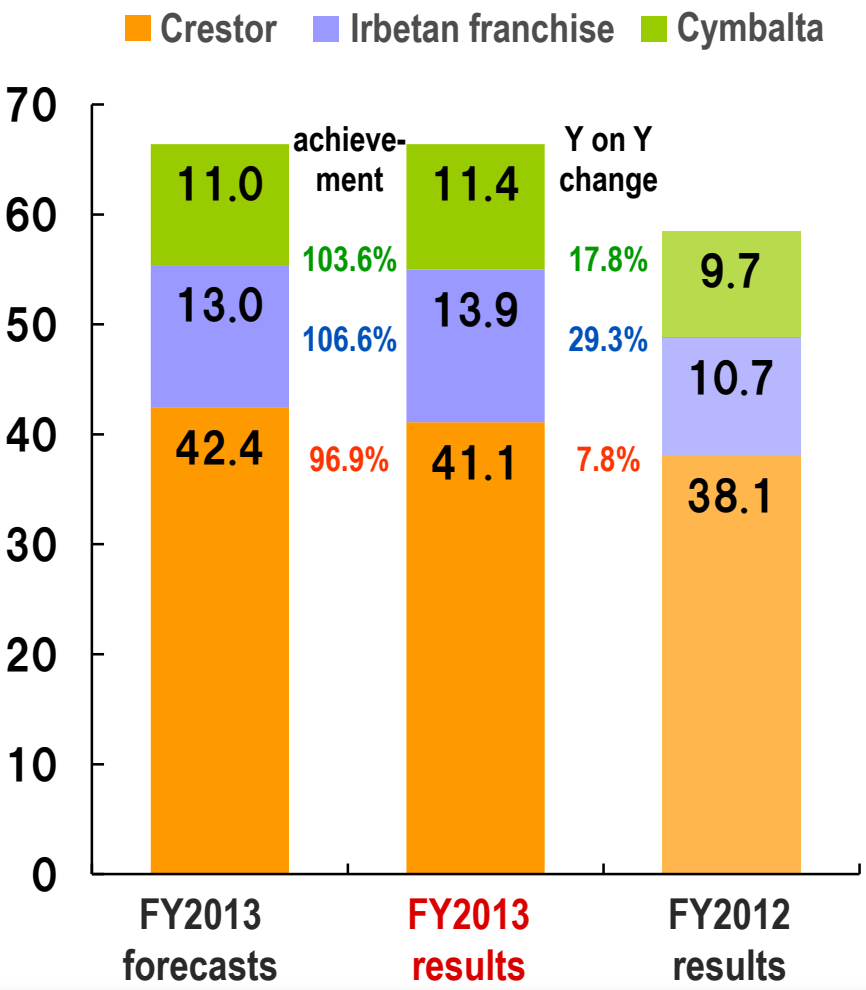
Eight strategic products: Crestor®, Irbetan® franchise, Cymbalta® (3 key products), and OxyContin® franchise, Finibax®, Differin®, Pirespa®, Rapiacta®

* Taiwan Shionogi has changed its accounting period since Jan. 2012, and FY2012 results include 15 months from Jan. 2012 to Mar. 2013

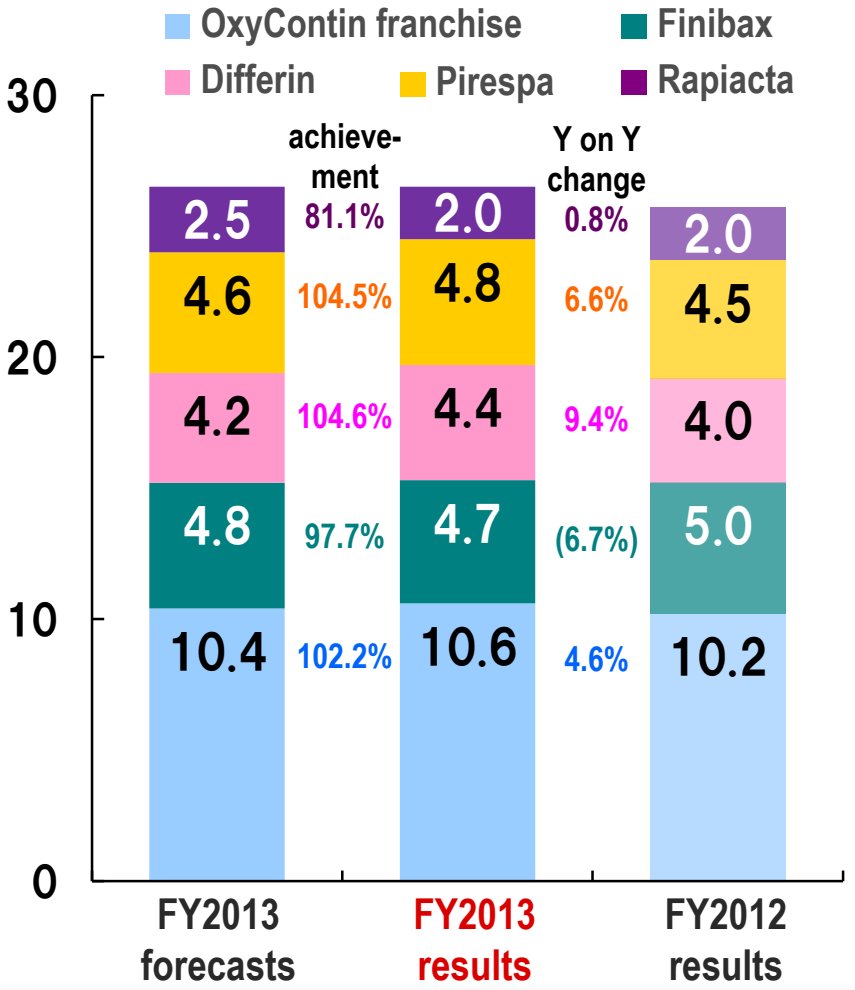
Japan: Sales of 8 Strategic Products

(Units: B yen)

3 Key Products



5 Strategic Products



Statements of Income (Consolidated)

(Units: B yen)

	FY2013		achieve-ment(%)	variance	FY2012	Y on Y	
	forecasts	results			results	change(%)	change
Sales	284.8	289.7	101.7	4.9	282.9	2.4	6.8
[Royalty income]	66.0	70.7	107.1	4.7	69.8	1.2	0.9
Cost of sales	27.3 (35.6) 77.8	26.9 (35.6) 78.0	100.2	0.2	27.8 (36.9) 78.6	(0.7)	(0.6)
Gross profit	207.0	211.7	102.3	4.7	204.3	3.6	7.4
SG&A expenses	50.9 145.0	51.1 148.2	102.2	3.2	51.2 144.8	2.4	3.4
Selling & general expenses	92.0	96.2	104.6	4.2	91.7	4.9	4.5
R&D expenses	53.0	51.9	98.0	(1.1)	53.0	(2.1)	(1.1)
Operating income	21.8 62.0	21.9 63.6	102.5	1.6	21.1 59.6	6.7	4.0
[Excluding royalty income]	(4.0)	(7.1)	-	(3.1)	(10.3)	-	3.2
Non-operating income and expenses	L1.0	P0.4	-	1.4	L0.6	-	1.0
Ordinary income	21.4 61.0	22.1 63.9	104.8	2.9	20.8 58.9	8.5	5.0
Extraordinary income and loss	P4.3	P1.0	22.4	(3.3)	L0.6	-	1.6
Income before income taxes and minority interests	65.3	64.9	99.3	(0.4)	58.3	11.3	6.6
Total income taxes, etc.	22.3	23.0	-	0.7	(8.4)	-	31.4
Net income	43.0	41.8	97.3	(1.2)	66.7	(37.3)	(24.9)

Note: Small numbers in red are percent of sales, and numbers in red provided in parentheses are percent of sales excluding royalties

Changes of Our Business Operations in 1H FY2013

Started FY2013 with operating income forecast of 60 B yen at minimum

- **Activities in 1H to improve the focus and constitution of our business operations to overcome Crestor cliff**
  - Review and optimize fixed costs in all group companies, while investing in Osphena's launch
  - Improve behavior and profitability of Japanese domestic business
  - Accelerate reduction in cost of sales mainly through the newly established Global SCM Division

1H FY2013: All income levels for 1H were higher than the levels achieved in the 1H of any prior fiscal year (Operating income: +4.5 B yen vs. target)

- Maintain cost control in all group companies, mainly in Japan
  - SG&A and cost of sales decreased by 2.0 B yen and 1.8 B yen compared to the original forecasts
- Royalty income exceeded the original forecast by 2.4 B yen

Significant Changes in the Business Environment in 2H FY2013

Significant changes in the business environment

Finalized agreement to revise Crestor royalty structure

- Leveling Crestor cliff to Crestor hill in FY2014
- Received one-time income from settlement of arbitration

Smooth launch of dolutegravir

Moving into accelerated growth phase from FY2014 onward

Changes of Our Business Operation in 2H FY2013

2H FY2013: Additional actions

- Implemented activities to ensure growth from FY2014 onward by improving our business operations and utilize the additional operating profit (+4.5 B yen compare to the original 1H forecasts)
  - Accelerated investment in key marketing activities for future growth in Japan (selling & general expenses: +4.2 B yen)
    - Japanese domestic sales: +3.0 B yen (direct to consumer education: +1.2 B yen)
    - Doripenem related costs: +0.5 B yen
    - Fluctuations in foreign exchange rates: +0.7 B yen
  - Global SCM Division streamlined inventories: -2.0 B yen in Japan (with temporary increase in cost of sales)

FY2013:
Operating income: 63.6 B yen (record, +3.6 B yen vs. original forecasts)
Ordinary income: 63.9 B yen (record, +4.9 B yen vs. original forecasts)

Extraordinary Income and Loss (Consolidated)

(Units: B yen)

Extraordinary income and loss: P1.0 (1H: P4.3, 2H: L3.3)

- **Extraordinary income: P4.8**
  - Gain on sales of investment securities: P0.6
  - Gain on sales of noncurrent assets: P4.2 --- sales of rental properties, etc.

- **Extraordinary loss: L3.8**
  - Impairment loss: L0.9 --- property, plant and equipment
  - Business structure improvement expenses: L0.8 --- due to divestiture of Naprelan®
  - Loss on sales of noncurrent assets: L0.5
  - Loss on valuation of inventories: L0.5, etc.

Actions taken to strengthen the balance sheet

Achievements of Core Products

Core Development Products		As of 3/31/2013	Target milestones for FY2013 *Achievement in FY2013*
S/GSK1349572* (Dolutegravir)	HIV infection	Global: NDA submission	Global: Approval *Global: Approval (US, EU, Japan, other 5 countries)* *Dolutegravir/Abacavir/Lamivudine: US/EU: NDA submission*
S-474474 [IRTRA®]	Hypertension	Japan: NDA submission	Japan: Approval *Japan: Approval*
S-297995 (Naldemedine)	Alleviation of opioid-induced adverse effects	Global: Phase III (in preparation)	Global; Phase III initiated *Global: Phase III initiated*
S-555739	Allergic rhinitis	Japan: Phase III US: Phase IIa	Japan: SAR Phase III code-break, US/EU: Phase II completed *Japan: SAR/PAR Phase III completed*
S-888711 (Lusutrombopag)	Thrombocytopenia	Japan: Phase IIb US/EU: Phase II	Japan: Phase IIb code-break, Go/No Go decision *Japan: Phase IIb completed, Phase III initiated*
S-524101	Allergic rhinitis caused by house-dust mite allergen	Japan: Phase II/III	Japan: Phase II/III code-break *Japan: Phase II/III completed, NDA submission (in preparation)*
S-588410	Bladder cancer	(assess formulation)	Japan/EU: POC initiated *Japan/EU: Phase II initiated*
S-222611	Malignant tumor	EU: Phase Ib	EU: Phase II initiated *EU: Phase I/II initiated*
S-649266	Infection	Japan: Phase I	US: Phase II initiated *US: Phase I initiated, Phase II (in preparation)*

* ViiV Healthcare Ltd.
SAR: Seasonal allergic rhinitis PAR: Perennial allergic rhinitis POC: Proof of concept

FY2014　Financial Forecasts

Financial Forecasts (Consolidated)

(Units: B yen)

	FY2014 forecasts		FY2013 results	Y on Y	
	full year	1H		change(%)	change
Sales	269.0	130.0	289.7	(7.2)	(20.7)
Operating income	45.0	18.5	63.6	(29.2)	(18.6)
Ordinary income	50.0	24.0	63.9	(21.8)	(13.9)
Net income	33.0	16.0	41.8	(21.1)	(8.8)

Note: All numerical values are rounded to the nearest unit

(Units: Yen)

Exchange rate (average)	FY2014 forecasts	FY2013 results
USD($)	100	100.18
EUR(€)	140	134.23

Statements of Income (Consolidated)

(Units: B yen)

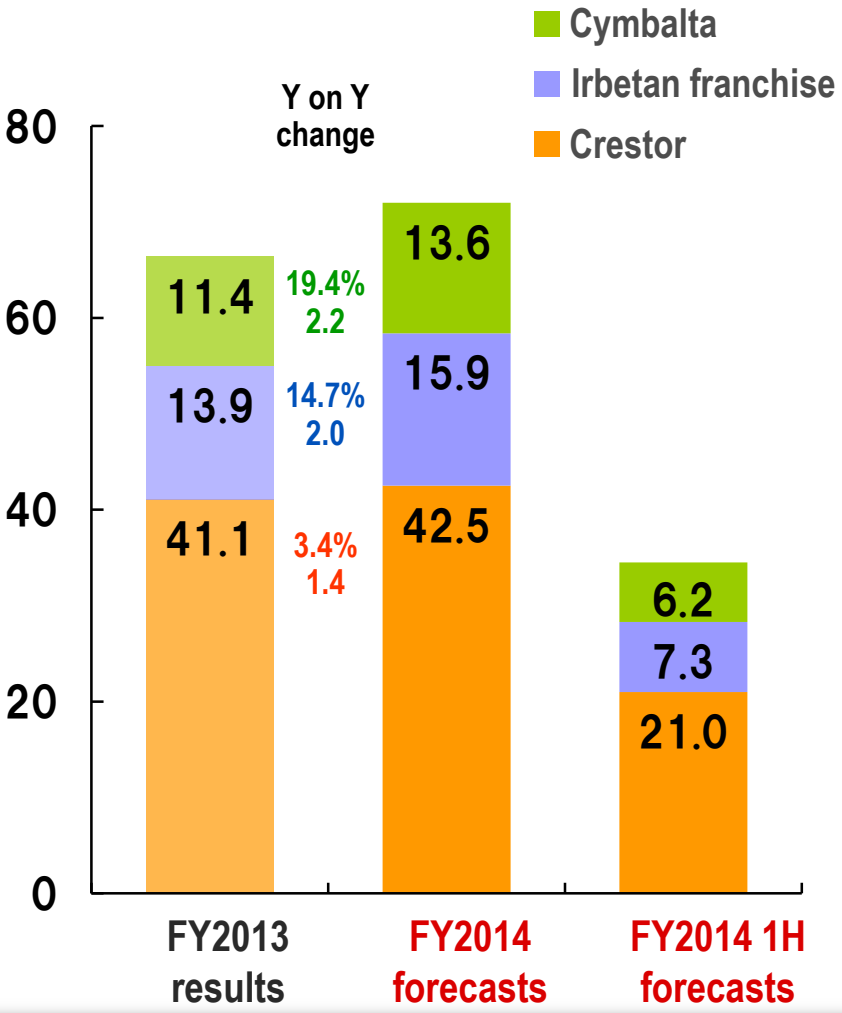
	FY2014 forecasts		FY2013	Y on Y	
	full year	1H	results	change(%)	change
Prescription drugs	167.0	80.5	168.3	(0.8)	(1.3)
Total of 3 key products	72.0	34.5	66.3	8.5	5.7
Total of 8 strategic products	100.0	47.3	92.9	7.6	7.1
Overseas subsidiaries/export	31.3	15.0	34.0	(8.0)	(2.7)
Shionogi Inc.	17.7	7.9	21.4	(17.2)	(3.7)
Osphena	7.0	2.5	1.1	536.6	5.9
C&O	7.5	3.4	5.9	27.7	1.6
Contract manufacturing	11.4	4.8	8.4	36.1	3.0
OTC and quasi-drugs	4.6	2.4	4.5	1.9	0.1
Royalty income	52.0	26.0	70.7	(26.4)	(18.7)
Crestor	47.5	24.2	65.7	(27.7)	(18.2)
Others	2.7	1.3	3.8	(29.2)	(1.1)
Total	269.0	130.0	289.7	(7.2)	(20.7)

Sales of diagnostics have been included in Others since FY2014. We have restated the consolidated statements of income for the prior fiscal year to reflect this change

Japan: Sales of 8 Strategic Products

(Units: B yen)

3 Key Products



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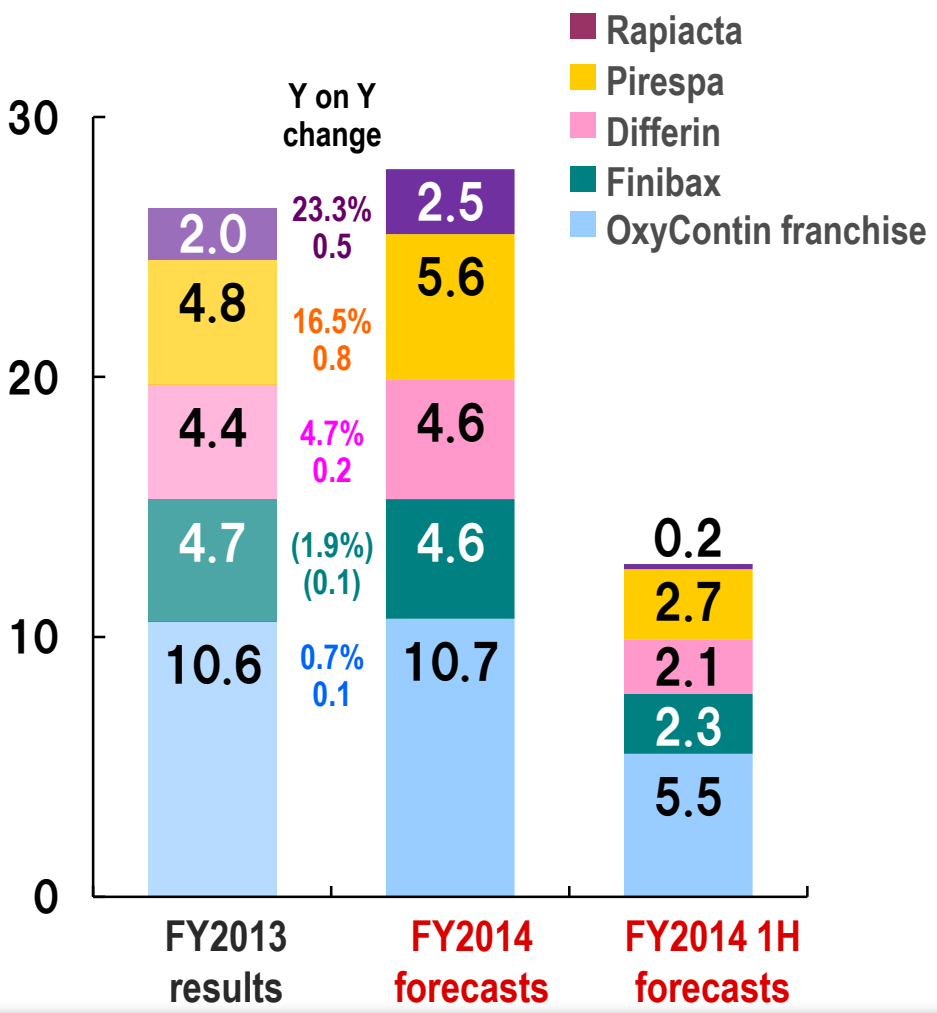


Statements of Income (Consolidated)

(Units: B yen)

	FY2014 forecasts		FY2013	Y on Y	
	full year	1H	results	change(%)	change
Sales	269.0	130.0	289.7	(7.2)	(20.7)
[Royalty income]	52.0	26.0	70.7	(26.4)	(18.7)
Cost of sales	29.4 (36.4) 79.0	29.2 (36.5) 38.0	26.9 (35.6) 78.0	1.3	1.0
Gross profit	190.0	92.0	211.7	(10.3)	(21.7)
SG&A expenses	53.9 145.0	56.5 73.5	51.1 148.2	(2.1)	(3.2)
Selling & general expenses	93.0	46.5	96.2	(3.4)	(3.2)
R&D expenses	52.0	27.0	51.9	0.1	0.1
Operating income	16.7 45.0	14.2 18.5	21.9 63.6	(29.2)	(18.6)
[Excluding royalty income]	(7.0)	(7.5)	(7.1)	-	0.1
Non-operating income and expenses	P5.0	P5.5	P0.4	-	4.6
Ordinary income	18.6 50.0	18.5 24.0	22.1 63.9	(21.8)	(13.9)

Note: Small numbers in red are percent of sales, and numbers in red provided in parentheses are percent of sales excluding royalties

Key Elements for Achieving Our FY2014 Business Plan

Determination to Achieve New Medium-Term Business Plan "SGS2020"

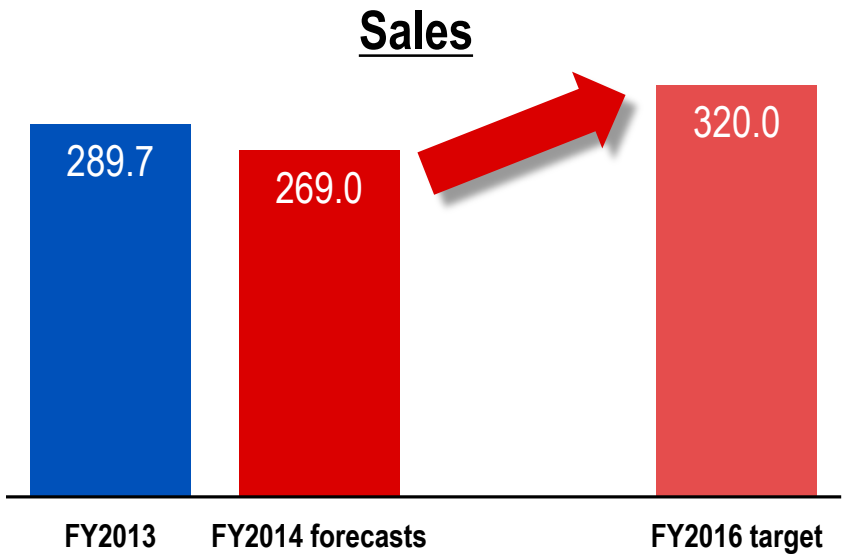
Grow as a drug discovery-based pharmaceutical company

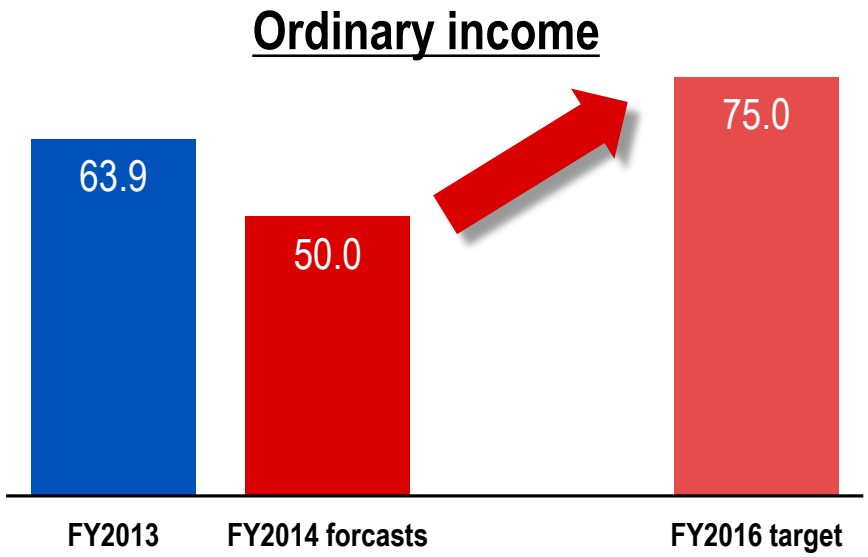
Targets for FY2020
Sales: 500 B yen Ordinary income: 125 B yen
R&D expenses: 100 B yen ROE: 15%

◆ FY2014 business plan for achieving SGS2020 target

- Leveling Crestor cliff and avoid sharp decline in corporate performance
- FY2014 is very important to prove Shionogi group's preparations and transformation
- Visualize our activities for future growth while achieving our numerical targets for FY2014

(Units: B yen)





Activities for Growth from FY2015 Onwards

Selection and concentration of operating resources

- Prioritizing and focusing all operating resources on the most productive sales areas, products, and compounds

Sales area

- Japan
- US

Therapeutic area (pipeline)

- Enhance assets in Japan
- Accelerate global development
- Select high-priority compounds

Cost management and appropriate investment

Selection and Concentration: Sales Area

- **Japanese domestic sales**
  - Diminish the negative impact of NHI price revisions by focusing on eight strategic products
  - Substantial cost management at the same level as in 1H FY2013
- **Overseas business (Shionogi Inc.)**
  - Increase the number of prescribers for Osphena by enhancing the effectiveness of promotion
    - Gain NRx in women's health area through synergy from co-promotion of Brisdelle™
    - Continue to expand prescriber base
    - Implement nurse educator programs to improve patient understanding and support communication between patients and their physicians
    - Establish competitive advantage in the market by effective direct to consumer campaign
  - Strengthen product portfolio in women's health area and R&D pipeline in pain area
  - Maintain return from established products

Selection and Concentration: Pipeline

Accelerate development of high-priority compounds in Japan

- S-524101 (Sublingual tablet of house-dust mite allergen extracts for immunotherapy): submitted an NDA in FY2014
  - S-525606 (Sublingual tablet of Japanese cedar allergen extracts for immunotherapy): plan to initiate Phase I study
- Cymbalta (Chronic low back pain / Fibromyalgia): plan to submit NDA in FY2014
- S-888711 (Thrombocytopenia): plan to submit NDA in FY2014

Focus on global compounds

- S-297995 (Alleviation of opioid-induced adverse effects): continue rapid progress of Phase III program, and consider, and incorporate as appropriate, output from the scheduled meeting of the Anesthetic and Analgesic Drug Products Advisory Committee in June
- S-888711: plan to initiate global clinical trials after discussion with each authority
- S-649266 (Infection): plan to initiate global Phase II study after discussion with each authority
- S-222611 (Malignant tumor): initiate Phase I/II study in EU based on the results from Phase I study

Selection of development compounds and licensing activities

- S-234462: switching to the follow-up compound S-237648
- S-414114: the main constituent of the development moved to AnGes MG, Inc.
- Maximization of the potential of our assets in development, using a combination of partnering, licensing-in and licensing-out

Selection of Development Compounds

S-556971

- Indication: Dyslipidemia
- Development status:
  - Initiated another Phase II study, based on the results of an additional Phase I study designed to assess dosing and formulation improvements which may increase efficacy, conducted after completion of the original Phase IIb study in Japan

S-646240

- Indication: Age-related macular degeneration (peptide vaccine)
- Development status: Completed Phase IIa study in Japan
- Summary of Phase IIa results:
  - Induction of CTL activity was observed
  - Subcutaneous administration once every two weeks had the same efficacy as once a week dosing
  - The efficacy indicated that S-646240 could be used as a maintenance therapy
  - Almost all subjects had injection site reactions
- Next step:
  - Considering existing intravitreally injected drugs, a once a month or once every two months administration profile, with less local irritation, would be required
  - Plan to assess new formulation

CTL: Cytotoxic T-lymphocyte

Change of Recording Method for Contract Research Costs in Research and Development Expenses

Changes

- Contract research costs had been recorded when final reports were received (after analysis) until FY2013 (according to income tax basis)
- The method for charging contract research costs was changed from “as obtained” to “as incurred” at the beginning of FY2014

Background of this change

- The recognition of contract research costs has been tended to lag behind the payment, because the costs were charged at the completion of final reports of contract research under the traditional method
- Need to recognize contract research costs in a manner more closely tied to the progress of research activities to effectively manage R&D expenses, given initiation of several late-stage global clinical programs

Impact on consolidated financial results

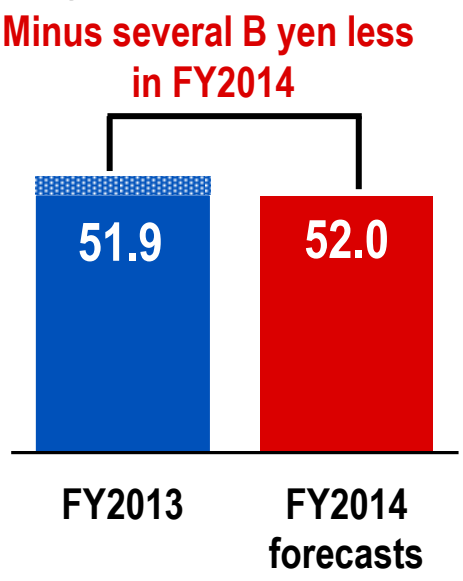
- Announce FY2014 under new method, and compare quarter-by-quarter with what R&D expenses in FY2013 would have been if new method was used
  - If the new method had been applied in FY2013, it is estimated that it would have increased FY2013 R&D expenses by several billion yen

Cost Management and Appropriate Investment (R&D expenses)

◆ Continue to invest for mid to long term growth

FY2013 vs. FY2014 if both used new recording method for expenses

(Units: B yen)



R&D expenses

- Maintain R&D investment up to 20% of net sales to accelerate development in Japan and overseas

⇒ Accelerate the development of future growth drivers following dolutegravir

- FY2014 R&D expenditure will be several billion yen less than FY2013 if calculated by the new recording method in both years

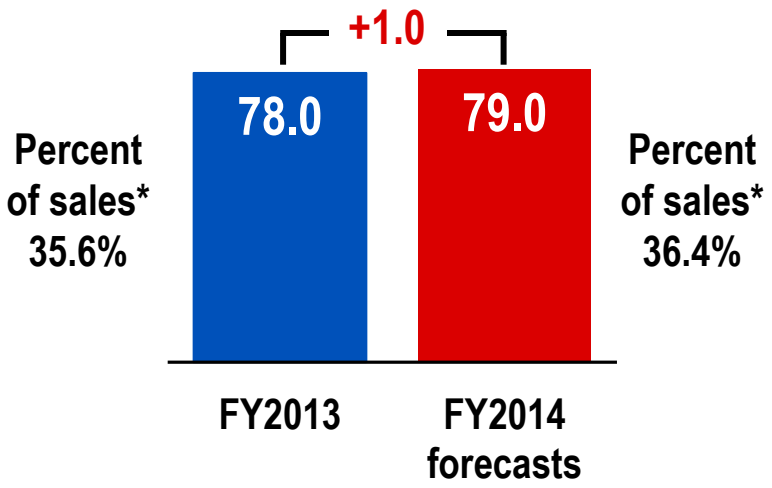
⇒ Review and prioritize fixed costs

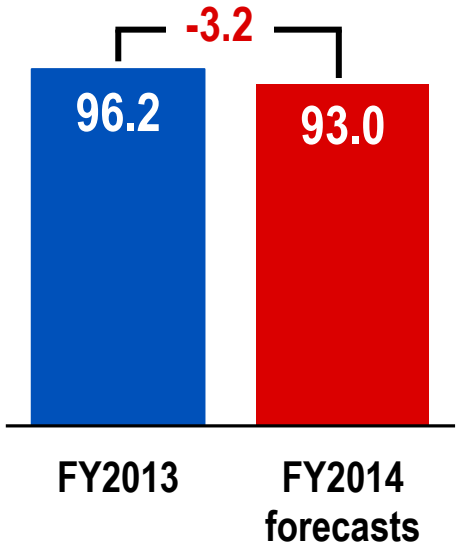
  - Concentrate investment on late-phase clinical compounds
  - Select high-priority compounds
  - Utilize appropriate partnering and out-licensing

Cost Management and Appropriate Investment (Cost of Sales / Selling & General Expenses)

◆ Year-on-year change and activities in FY2014

(Units: B yen)





Cost of sales

- Reduce the negative impact of NHI price revisions
  - Integration of suppliers
  - Creation of global inventory control system

Selling & general expenses

- Shift from verification in FY2013 to implementation in FY2014
  - Reconsider all costs from new perspective
  - Effective allocation and investment
  - Flexible and appropriate cost management responding to environmental changes

* Percent of sales excluding royalties

Shareholder Return

Dividend Forecasts

	Dividends per Share		
	half-year	year-end	annual
FY2012	Yen 20.00	Yen 22.00	Yen 42.00
FY2013	22.00	(forecast) 24.00	(forecast) 46.00
FY2014	(forecast) 24.00	(forecast) 24.00	(forecast) 48.00

Dividend policy

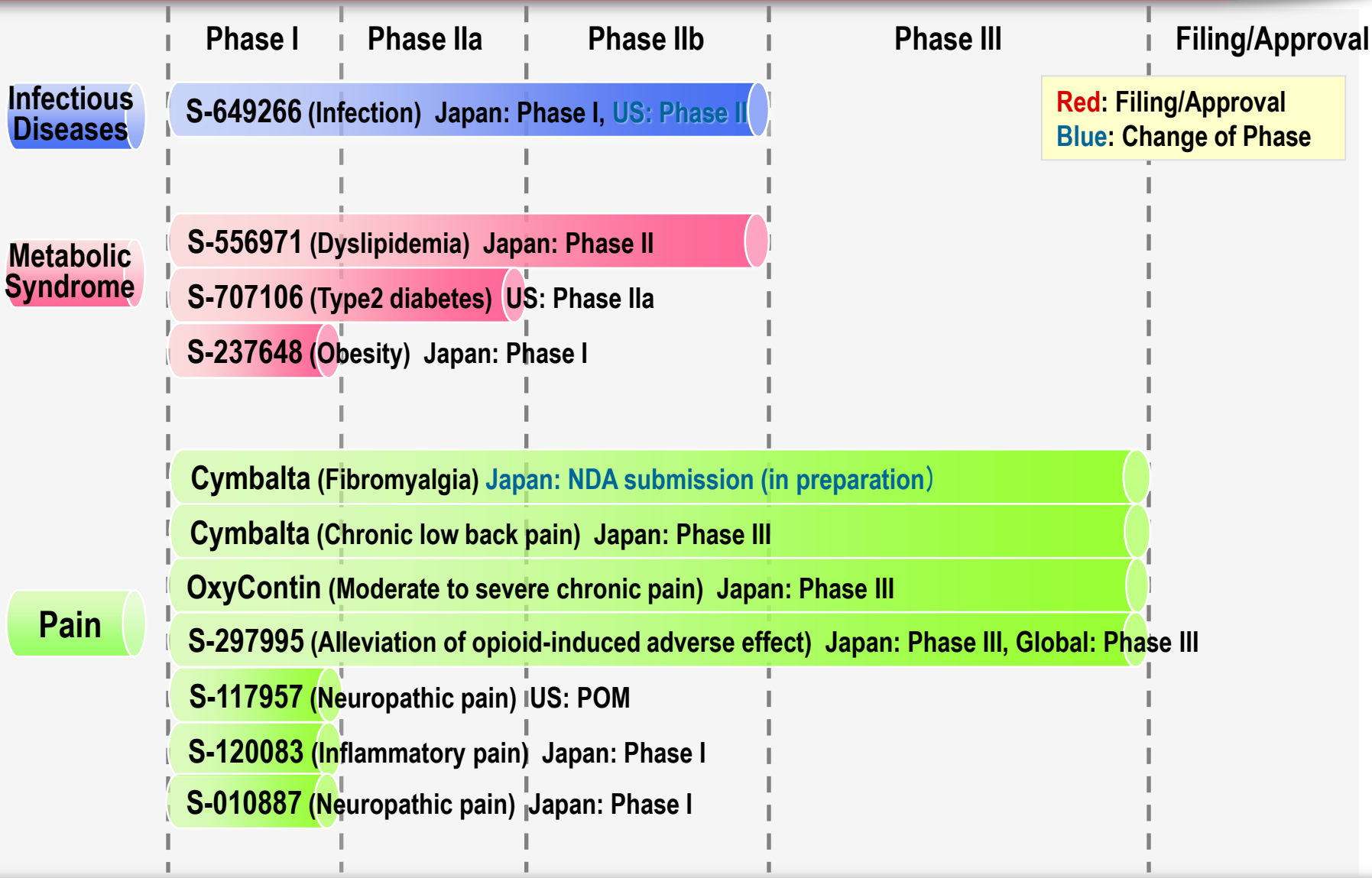
- The dividend policy was revised from payout ratio (target: 40%) to dividend on equity (DOE) at the end of FY2013
- Sharing the growth with our shareholders with further pay back as necessary
- Dividend forecast for FY2013: 46 yen (raise year-end forecast: 22 to 24 yen)
- Dividend forecast for FY2014: 48 yen

Appendix
- Pipeline -

Change of Phase (since February 2014)

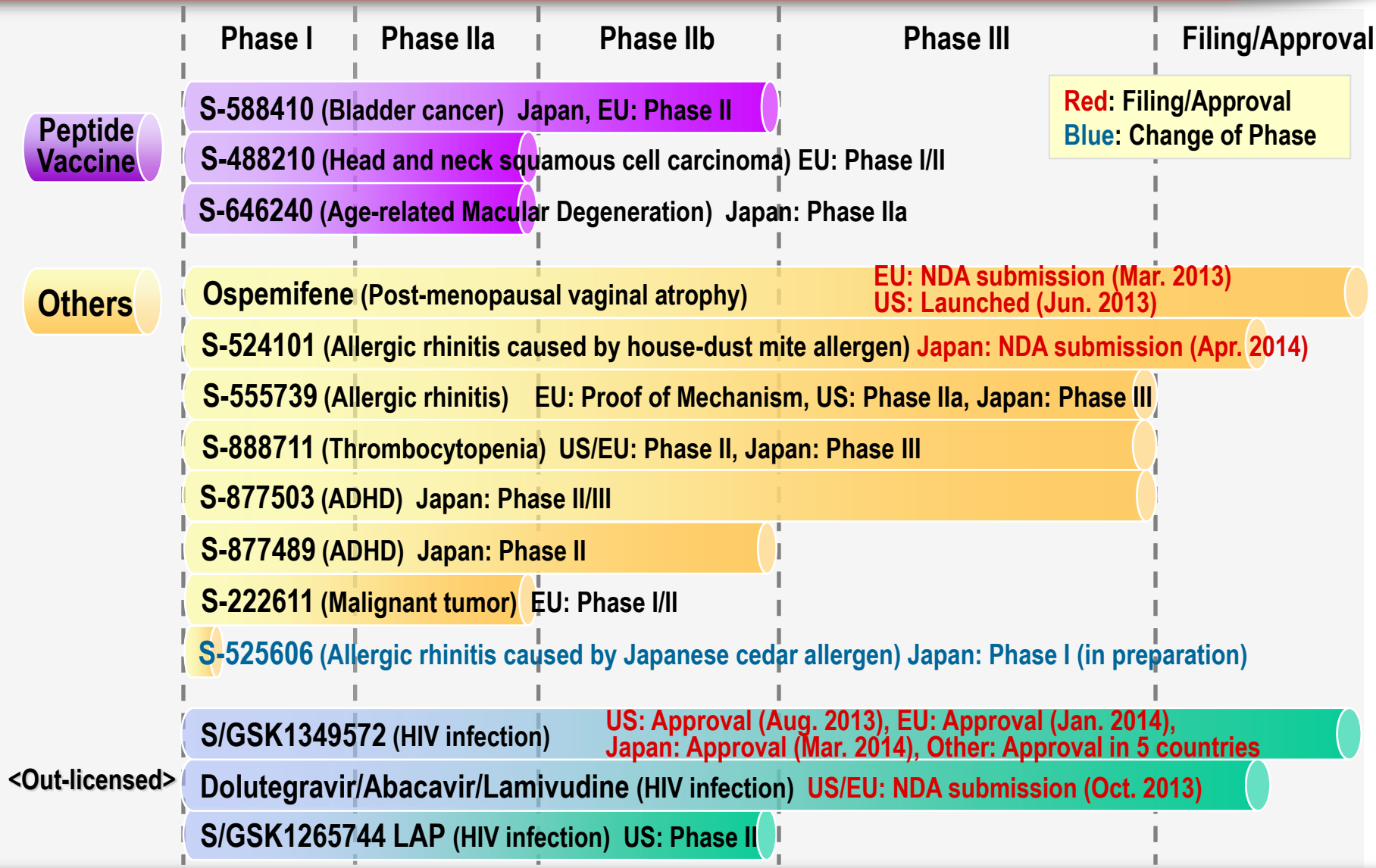
Code No. (Generic name) [Product name]	Category (Administration)	Indication	Change of Phase
S-649266	Cephem antibiotic (Injection)	Infection	US: Phase I ⇒Phase II
S-524101	Sublingual tablet of house-dust mite allergen extracts for immunotherapy	Allergic rhinitis caused by house-dust mite allergen	Japan: NDA submission (in preparation) ⇒NDA submission (Apr. 2014)
S-525606	Sublingual tablet of Japanese cedar allergen extracts for immunotherapy	Allergic rhinitis caused by Japanese cedar allergen	Japan: Phase I (in preparation)
S/GSK1349572 (Dolutegravir)	Integrase inhibitor (Oral)	HIV infection	Global: NDA submission (Dec. 2012) US: Approval (Aug. 2013) Europe: Approval (Jan. 2014) Japan: NDA submission (Dec. 2013) ⇒Approval (Mar. 2014) Other: Approval in 5 countries
Duloxetine hydrochloride [Cymbalta]	SNRI (Serotonin & noradrenaline reuptake inhibitor) (Oral)	Fibromyalgia	Japan: Phase III ⇒NDA submission (in preparation)

Pipeline (as of May 2014)



POM: Proof of mechanism

Pipeline (as of May 2014)



ADHD: Attention deficit hyperactivity disorder LAP: Long acting parenteral formulation

Forward-Looking Statements

- Forecast or target figures in this material are neither official forecasts of earnings and dividends nor guarantee of target, achievement and forecasts, but present the midterm strategies, goals and visions. Official earnings guidance should be referred to in the disclosure of the annual financial report (*kessan tanshin*) in accordance with the rules set by Tokyo Stock Exchange.
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