



FY 2016 Financial Results

(April 2016 – March 2017)

May 10, 2017

Isao Teshirogi, Ph. D.

President and CEO





Overview of FY2016 Financial Results

Highlight (1) : Constant Top-line Growth

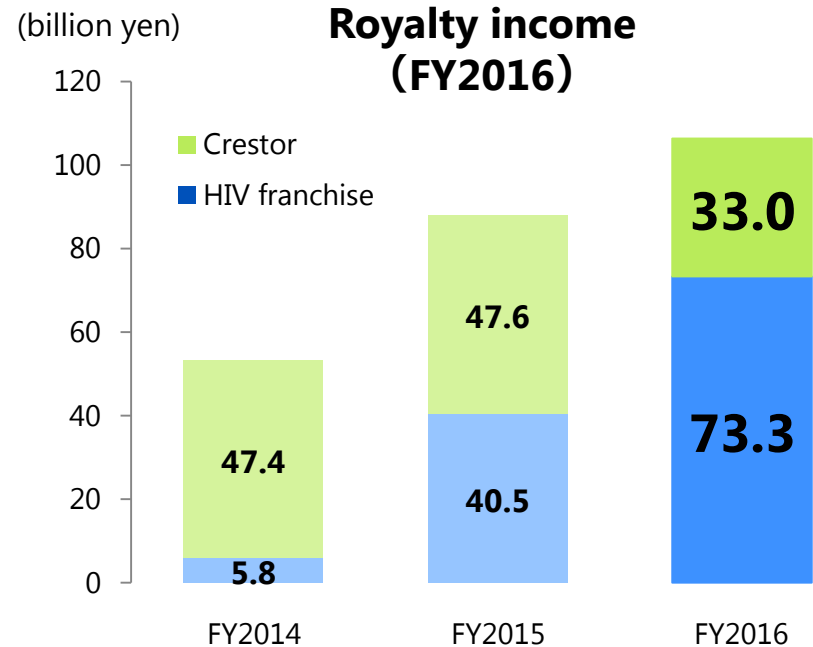
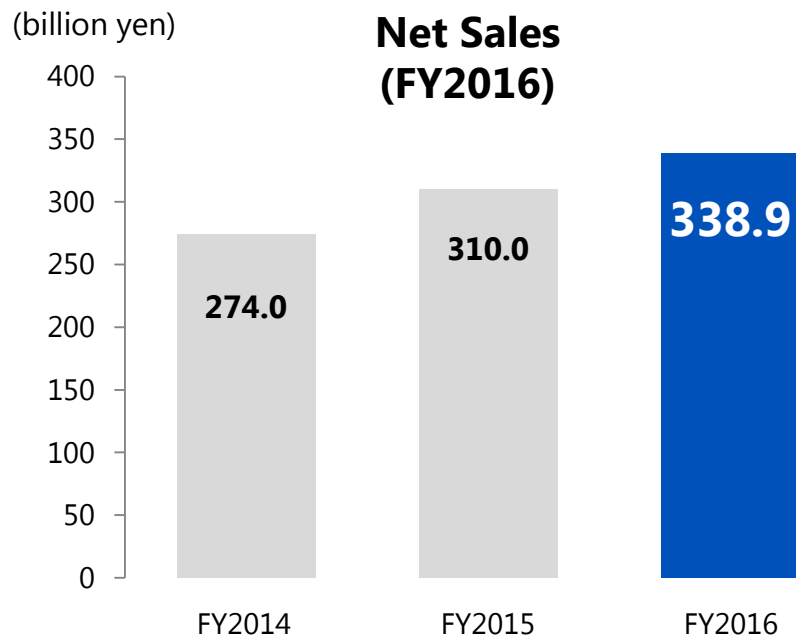


◆ Net Sales: **338.9 B yen** (+9.3%) ^{vs prior FY}

◆ Royalty income*: **106.3 B yen** (+20.7%) ^{vs prior FY}

Increased for 2 consecutive years

(Strong increase due to HIV franchise sales growth compared to FY2015)

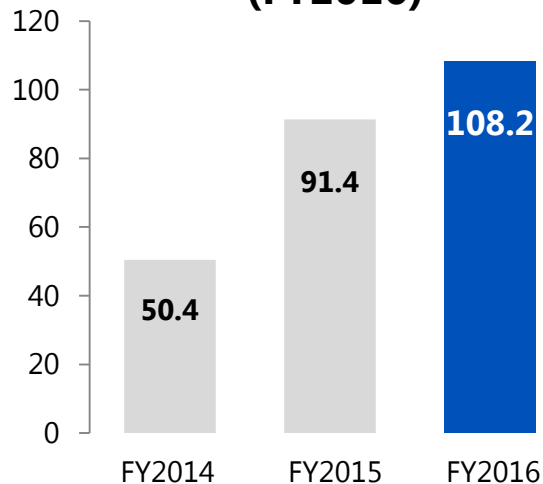


Highlight (2) : All Income and Profit Measures Higher Than the Levels Achieved in FY2016

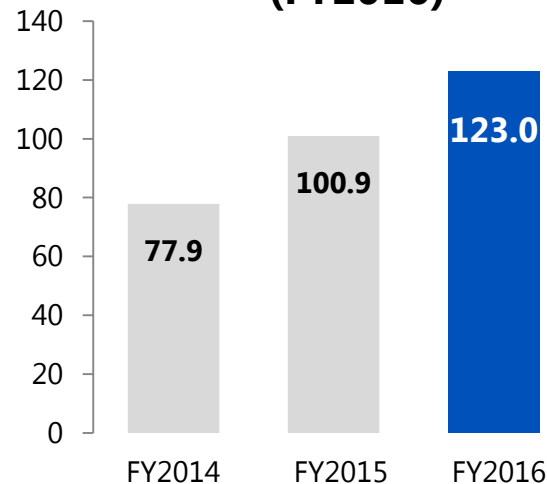


- ◆ Operating income: **108.2 B yen** ^{vs prior FY (+18.3%)}, higher than the levels achieved in prior Fiscal Years for two consecutive years
- ◆ Ordinary income: **123.0 B yen** ^{vs prior FY (+22.0%)}, higher than the levels achieved in prior Fiscal Years for five consecutive years
- ◆ Profit attributable to owners of parent: **83.9 B yen** ^{vs prior FY (+25.8%)}, higher than the highest level previously achieved (in FY 2012)

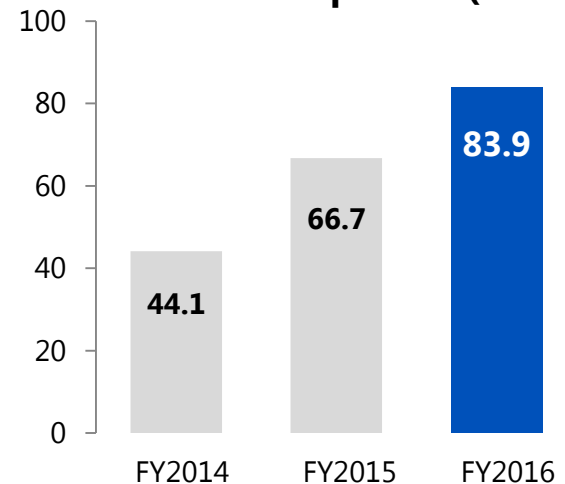
(billion yen) **Operating income (FY2016)**



(billion yen) **Ordinary income (FY2016)**



(billion yen) **Profit attributable to owners of parent (FY2016)**



Highlight (3) : KPIs - Results in FY2016



Growth

- Sales of new products*: **43.9 B yen**, +11.7% vs prior FY (200 B yen)
- Ordinary Income: **123.0 B yen** (150 B yen)

Efficiency

- ROIC**: **13.3%** (Over 13.5%)
- CCC***: **6.7 months** (5.5 months)
- Original pipeline ratio: **68.2%** (Over 50%)

Shareholder return

- ROE: **16.3%** (Over 15%)
- DOE: **4.5%** (Over 4.0%)

Inside of () are 2020 target

Financial Results (Consolidated)



(billion yen)

	FY2016			FY2015	YoY
	Forecasts	Results	Achievement (%)	Results	change (%)
Sales	334.0	338.9	101.5%	310.0	9.3%
Operating income	97.5	108.2	111.0%	91.4	18.3%
Ordinary income	105.5	123.0	116.6%	100.9	22.0%
Profit attributable to owners of parent	76.0	83.9	110.4%	66.7	25.8%

Improved the accuracy of budgets

	FY2013	FY2014	FY2015	FY2016
Acheivement of annual budget	○*	◎	◎	◎

◎ Reached our budget goal for sales & profit

○ Reached our goal for either sales or profit

*FY2013: Profit attributable to owners of parent was not achieved (actual : 97.2%)

Exchange rate (average)	FY2016 forecasts	FY2016 results
USD (\$) – JPY (¥)	105	108.39
GBP (£) – JPY (¥)	140	141.62
EUR (€) – JPY(¥)	120	118.80

Sales by Segments (Consolidated)



(billion yen)

	FY2016 Forecasts	FY2016 Results	Achieve ment (%)	FY2015 Results	Y on Y Change (%)
Prescription drugs	160.2	158.0	98.6	162.1	(2.5)
Crestor®	42.9	43.1	100.5	43.7	(1.4)
Cymbalta®	19.3	19.0	98.6	15.2	25.0
Irbetan® franchise	15.8	15.3	96.9	15.7	(2.6)
Total of 3 key products	77.9	77.4	99.3	74.6	3.7
OxyContin® franchise	9.9	9.7	97.7	10.0	(3.7)
Finibax®	3.6	3.3	90.9	3.8	(12.8)
Pirespa®	6.0	5.8	97.3	6.0	(2.6)
Rapiacta®	2.3	2.9	123.9	2.0	41.4
Total of 7 strategic products [percentage of sales]	99.8 62.3%	99.1 62.7%	99.3	96.5 59.5%	2.7
Overseas subsidiaries/export	24.8	29.2	117.8	29.7	(1.7)
Shionogi Inc.	13.6	17.9	131.1	16.6	7.4
Osphena®	4.8	4.7	98.8	4.8	(2.1)
Contract manufacturing	12.4	12.1	97.8	8.4	43.4
OTC and quasi-drugs	7.0	6.8	96.7	4.9	39.5
Royalty income	112.3	115.7	103.0	101.8	13.6
Royalty income for the sales of Crestor® and HIV franchise	103.0	106.3	103.2	88.1	20.7
Crestor®	32.8	33.0	100.8	47.6	(30.6)
HIV franchise	70.2	73.3	104.4	40.5	81.1
Others	17.2	17.1	99.1	3.0	469.7
Total	334.0	338.9	101.5	310.0	9.3

◆ Y on Y comparison

Prescription drugs

- Decreased sales due to NHI drug price reduction and the transfer of marketing rights for 24 long-listed drugs
 - Growth of strategic products: Increase of the percentage of 7 strategic products sales
 - Crestor®: Launched OD tablets
Increased prescriptions
 - Cymbalta®:
 - › Expanded sales in depression and depressive symptoms
 - › Increased awareness in pain area
- (Focused resources on maximizing the product value)

Overseas subsidiaries/export

- Shionogi Inc.
- Continued increase in Osphena® prescriptions
 - Increase in royalty income from authorized generic

Royalty income

HIV franchise: Continues to increase

Others

Upfront payments for transferring the marketing rights for long-listed drugs

Statements of Income (Consolidated)



(billion yen)

	FY2016 Forecasts	FY2016 Results	Achieve- ment (%)	FY2015 Results	Y on Y change (%)
Sales	334.0	338.9	101.5	310.0	9.3
[Royalty*income]	103.0	106.3	103.2	88.1	20.7
	23.4 [33.8]	23.0 [33.4]		24.1 [33.7]	
Cost of sales	78.0	77.8	99.7	74.8	4.0
	47.5	45.1		46.4	
SG&A expenses	158.5	152.9	96.5	143.8	6.3
Selling & general expenses	29.3 98.0	27.5 93.0	94.9	30.3 94.0	(1.1)
R&D expenses	18.1 60.5	17.7 59.9	99.0	16.1 49.8	20.3
Operating income	29.2 97.5	31.9 108.2	111.0	29.5 91.4	18.3
[Excluding royalty* income]	(5.5)	1.9	-	3.3	-
Non-operating income & expenses	P8.0	P14.9	185.7	P9.5	57.0
Ordinary income	31.6 105.5	36.3 123.0	116.6	32.5 100.9	22.0

◆ Y on Y comparison

Cost of sales

Cost of sales ratio: Improved

- Increase in sales of Cymbalta®
- Cost reduction
- Increase in royalty income
- Upfront payments for transferring the marketing rights for long-listed drugs

SG&A expenses

Total cost management

- Increase in R&D expenses including investments for growth drivers such as S-033188 (+20.3% vs prior FY)
- Tight control of total costs (+6.3% vs prior FY)

Non-operating income and expenses

Dividends from ViiV

(+6.8 B yen vs prior FY)

- Received interim dividend in addition to annual dividend

Target Milestones for FY2016



Areas	Product	As of Apr. 1, 2016	Target for FY2016
Infectious disease	Cefiderocol Multidrug-resistant Gram-negative bacterial infections	Global: Phase II, III	US: NDA submission in preparation US: Phase III (HAP/VAP) initiated
	S-033188 Influenza virus infection	Japan: Phase II US: Phase I	Japan: Phase II completed US: Phase I completed Global: Phase III initiated, Japan: Phase III (pediatric) initiated
Pain/CNS	Guanfacine ADHD (pediatric)	Japan: NDA submission	Japan: Approval
	Cymbalta® Pain associated with osteoarthritis	Japan: NDA submission	Japan: Approval
	Naldemedine Opioid-induced constipation	Japan/US: NDA submission	Japan/US: Approval EU: NDA submission
	Oxycodone Treatment of moderate to severe chronic pain	Japan: Phase III	Japan: NDA submission
	Oxycodone Tamper resistant formulation	Japan: Phase I completed	Japan: NDA submission
	Lisdexamfetamine ADHD (pediatric)	Japan: Phase III	Japan: Phase III completed
Metabolic disorder	S-237648 Obesity	Japan: Phase II	Japan: Phase II completed US: Phase I initiated
Frontier	Lusutrombopag Thrombocytopenia associated with chronic liver disease	Global: Phase III	Global: Phase III
	S-222611 Malignant tumor	EU: Phase I/II	EU: Phase I/II completed



FY2017 Business Plan

Basic strategy in FY2017

- While flexibly responding to a challenging business environment, achieve revenue and profit targets by ***strengthening and enhancing the growth trajectory of new products***
- Continue to make strong progress in global R&D to advance new growth drivers and maintain sustainable growth

Qualitative objectives

- Increase sales and profit
 - Organization-wide collaboration on marketing activities
 - Leveraging alliances
- Clear priorities and focused resourcing
 - Focus management resources to support key growth drivers

**FY2017: Taking the next step to achieve
Updated SGS2020**

Financial Forecasts (Consolidated)



(billion yen)

	FY2017 forecasts		FY2016	YoY	
	full year	1H	Results	change (%)	change
Sales	340.0	162.5	338.9	0.3	1.1
Operating income	112.5	46.0	108.2	4.0	4.3
Ordinary income	123.5	51.5	123.0	0.4	0.5
Profit attributable to owners of parent	92.0	38.5	83.9	9.7	8.1

Exchange rate (average)	FY2017 forecasts	FY2016 results
USD (\$) – JPY (¥)	110.0	108.39
GBP (£) – JPY (¥)	140.0	141.62
EUR (€) – JPY (¥)	120.0	118.80

Sales by Segments (Consolidated)



(billion yen)

	FY2017 forecasts		FY2016	YonY	
	full year	1H	Results	change (%)	change
Prescription drugs	143.9	75.2	158.0	(8.9)	(14.1)
Overseas subsidiaries/export	25.4	12.3	29.2	(13.1)	(3.8)
Shionogi Inc.	12.0	6.0	17.9	(32.8)	(5.9)
Osphena®	4.6	2.2	4.7	(3.1)	(0.1)
Contract manufacturing	15.3	7.9	12.1	26.1	3.2
OTC and quasi-drugs	7.5	3.4	6.8	10.6	0.7
Royalty income	145.0	62.3	115.7	25.4	29.4
Royalty income for the sales of Crestor® and HIV franchise	125.0	56.4	106.3	17.6	18.7
Crestor®	22.0	11.0	33.0	(33.4)	(11.0)
HIV franchise	103.0	45.4	73.3	40.5	29.7
Others	2.9	1.4	17.1	(83.1)	(14.2)
Total	340.0	162.5	338.9	0.3	1.1

Sales Forecasts for Prescription Drugs in Japan



	FY2017 forecast		FY2016	Y on Y	
	Full year	1H	Results	change (%)	change
Cymbalta [®]	25.3	11.1	19.0	33.2	6.3
Intuniv [®]	0.6	0.3	0	-	0.6
Symproic [®]	0.4	0.1	0	-	0.4
Total of Strategic Products	26.3	11.5	19.0	38.4	7.3
Actair [®]	0.1	0.0	0.1	66.8	0.1
Mulpleta [®]	0.2	0.1	0.1	32.1	0
Pirespa [®]	6.0	3.1	5.8	2.1	0.1
OxyContin [®] franchise	8.9	4.6	9.7	(8.2)	(0.8)
Rapiacta [®]	2.8	0.1	2.9	(3.4)	(0.1)
Brightpoc [®] Flu	0.9	0.1	1.0	(5.9)	(0.1)
Glashvista [®]	0.7	0.3	0.6	24.8	0.1
Total of New Products	45.8	19.9	39.1	17.1	6.7
Crestor [®]	36.4	24.7	43.1	(15.6)	(6.7)
Irbetan [®] franchise	14.8	7.6	15.3	(3.1)	(0.5)
Others	46.9	23.0	60.5	(22.5)	(13.6)
Prescription drugs	143.9	75.2	158.0	(8.9)	(14.1)

(billion yen)

Statements of Income (Consolidated)



	FY2017 forecast		FY2016	Y on Y	
	Full year	1H	Result	change(%)	change
Sales	340.0	162.5	338.9	0.3	1.1
[Royalty* income]	125.0	56.0	106.3	17.6	18.7
Cost of sales	22.5 [35.6]	24.9 [38.0]	23.0 [33.4]		
	76.5	40.5	77.8	(1.6)	(1.3)
Gross profit	263.5	122.0	261.1	0.9	2.4
SG&A expenses	44.4	46.8	45.1		
	151.0	76.0	152.9	(1.3)	(1.9)
Selling & general expenses	99.0	48.5	93.0	6.4	6.0
R&D expenses	52.0	27.5	59.9	(13.2)	(7.9)
Operating income	33.1	28.3	31.9		
[Excluding royalty* income]	112.5	46.0	108.2	4.0	4.3
	(12.5)	(10.0)	1.9	-	(14.4)
Non-operating income & expenses	P11.0	P5.5	P14.9	(25.9)	(3.9)
Ordinary income	36.3	31.7	36.3		
	123.5	51.5	123.0	0.4	0.5
Profit attributable to owners of parent	92.0	38.5	83.9	9.7	8.1

(billion yen)

KPIs - Target for FY2017 -



Growth

- Sales of new products: **53.1 B yen**, +20.7%
(200 B yen) vs prior FY
- Ordinary Income: **123.5 B yen** (150 B yen)

Efficiency

- ROIC: **13.4%** (Over 13.5%)
- CCC: **6.3 months** (5.5 months)
- Original pipeline ratio: **Over 50%** (Over 50%)

Shareholder return

- ROE: **16.3%** (Over 15.0%)
- DOE: **4.3%** (Over 4.0%)

Inside of () are 2020 target

Target Milestones for FY2017



Areas	Product	As of Apr. 1, 2017	Target for FY2017
Infectious disease	Cefiderocol Multidrug-resistant Gram-negative bacterial infections	Global: Preparation for NDA submission	US: NDA submission
	S-033188 Influenza virus infection	Global: Phase III Japan: Phase III (pediatric)	Japan: NDA submission
Pain/CNS	Intuniv® ADHD (pediatric)	Japan: NDA submission	Japan: Launch
	Symproic® Opioid-induced constipation	Japan: Approval	Japan: Launch
	Symproic® Opioid-induced constipation	US: Approval	US: Launch
	Oxycodone Treatment of moderate to severe chronic pain	Japan: NDA submission	Japan: Approval
	Oxycodone Tamper resistant formulation	Japan: NDA submission	Japan: Approval
	Lisdexamfetamine ADHD (pediatric)	Japan: Preparation for NDA submission	Japan: NDA submission
	S-600918 Neuropathic pain	Japan: Phase I	Phase II (regions to be determined)
Frontier	Lusutrombopag Thrombocytopenia associated with chronic liver disease	Global: Phase III	US and EU: NDA submission
	Actair® (Pediatric allergic rhinitis caused by house-dust mite allergen)	Japan: NDA submission	Japan: Approval

Red frame: Change since Apr. 1 2017

ADHD: Attention deficit hyperactivity disorder



Shareholder Return

Fundamental Policy on the Appropriation of Retained Earnings



- Maximize corporate value continuously by balancing three key factors; return to shareholder, investment for future growth, and strategic opportunity
- Sharing our mid- to long-term profit growth with our shareholders by increasing returns as appropriate, including share buyback
- Revision to year-end dividend forecasts in FY2016: **34 yen → 38 yen**
Planning to increase dividends for **five consecutive years** (Total return ratio: 69.1%)
- Dividend forecasts in FY2017: 76 yen per share

FY	Dividend per share			DOE	ROE
	Half-year	Year-end	Annual		
2015	28.00 yen	34.00 yen	62.00 yen	4.1%	13.6%
2016	34.00	38.00 (Plan)	72.00 (Plan)	4.5%	16.3%
2017	38.00 (Plan)	38.00 (Plan)	76.00 (Plan)	(Estimate) 4.3%	(Estimate) 16.3%

Appendix

- Progress in Our Pipeline -

Pipeline (as of May 2017)



非臨床	Phase I	Phase II	Phase III	申請
	Global	Cefiderocol Multidrug-resistant Gram-negative bacterial infections S-120083 Inflammatory pain S-707106 Type2 diabetes S-488210 Head and neck squamous cell carcinoma S-222611 Malignant tumor S-588410 Bladder cancer	S-033188 Influenza virus infection Cefiderocol Multidrug-resistant Gram-negative bacterial infections Lusutrombopag Thrombocytopenia	Naldemedine (EU) Opioid-induced constipation
Antibody drug candidate against pseudomonas Central neuropathic pain Obesity LCM inhalation	S-117957 Insomnia S-237648 Obesity			
	In Japan	Cefiderocol Multidrug-resistant Gram-negative bacterial infections S-237648 Obesity S-525606 Allergic rhinitis caused by Japanese cedar allergen S-588410 Bladder cancer	S-033188 Influenza virus infection S-033188 Influenza virus Infection (pediatric) Cefiderocol Multidrug-resistant Gram-negative bacterial infections Guanfacine ADHD (adult) S-588410 Esophageal cancer	Oxycodone Moderate to severe chronic pain Oxycodone Tamper resistant formulation Lisdexamfetamine ADHD (pediatric) Actair® Pediatric patients with perennial allergic rhinitis
Out-licensed Janssen/Shionogi Project compound Alzheimer's disease	GSK3342830 Multidrug-resistant Gram-negative bacterial infections		DTG+RPV Treatment for HIV infection DTG+3TC Treatment for HIV infection CAB LAP Prevention for HIV infection CAB + RPV LAP Treatment for HIV infection Janssen/Shionogi BACE inhibitor Alzheimer's disease Osphena® Vaginal dryness associated with postmenopausal VVA	Infectious diseases Pain/CNS Metabolic disorder Frontier

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.
- Materials and information provided during this presentation may contain so-called “forward-looking statements”. These statements are based on current expectations, forecasts and assumptions that are subject to risks and uncertainties which could cause actual outcomes and results to differ materially from these statements.
- Risks and uncertainties include general industry and market conditions, and general domestic and international economic conditions such as interest rate and currency exchange fluctuations. Risks and uncertainties particularly apply with respect to product-related forward-looking statements. Product risks and uncertainties include, but are not limited to, technological advances and patents attained by competitors; challenges inherent in new product development, including completion of clinical trials; claims and concerns about product safety and efficacy; regulatory agency’s examination period, obtaining regulatory approvals; domestic and foreign healthcare reforms; trend toward managed care and healthcare cost containment; and governmental laws and regulations affecting domestic and foreign operations.
- For products that are approved, there are manufacturing and marketing risks and uncertainties, which include, but are not limited to, inability to build production capacity to meet demand, unavailability of raw materials, and failure to gain market acceptance.
- Shionogi 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 is presented to inform stakeholders of the views of Shionogi's management but should not be relied on solely in making investment and other decisions.
- You should rely on your own independent examination of us before investing in any securities issued by our company. Shionogi shall accept no responsibility or liability for damage or loss caused by any error, inaccuracy, misunderstanding or changes of target figures or any other use of this material.
- This English presentation was translated from the original Japanese version. In the event of any inconsistency between the statements in the two versions, the statements in the Japanese version shall prevail.