



FY 2016 Financial Results

(April 2016 – March 2017)

May 11, 2017

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President and CEO



- 1. Overview of FY2016 Financial Results**
- 2. FY2017 Financial Forecasts**
- 3. FY2017 Business Plan**
- 4. Shareholder Return**

1. Overview of FY2016 Financial Results

Highlight (1) : Constant Top-line Growth



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

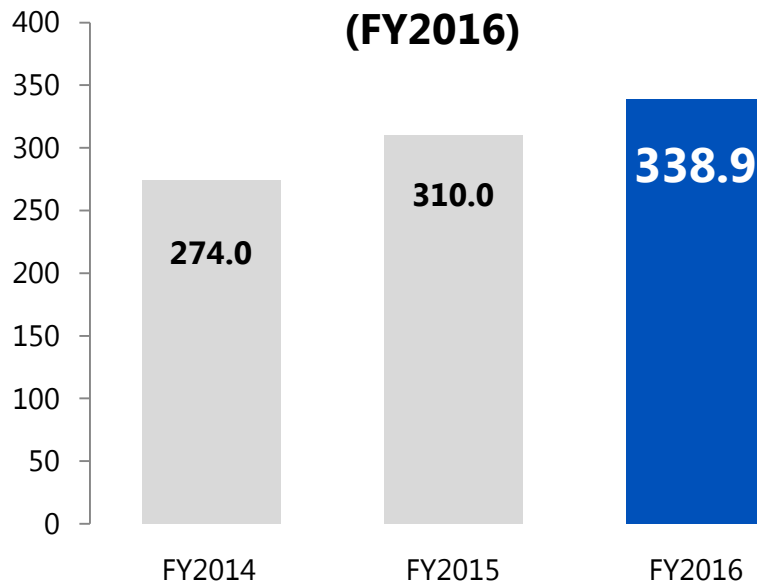
Increased for 2 consecutive years

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

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

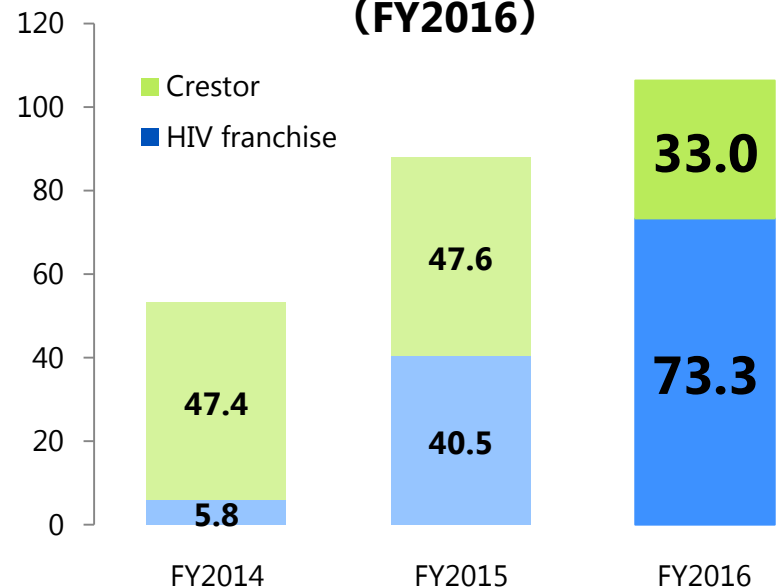
(billion yen)

**Net Sales
(FY2016)**



(billion yen)

**Royalty income
(FY2016)**

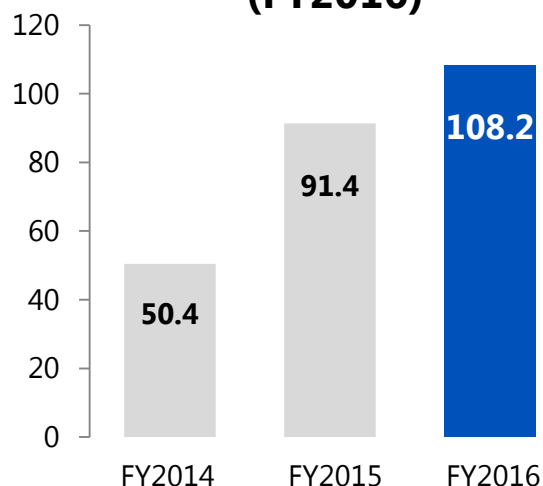


Highlight (2) : All Income and Profit Measures Higher Than the Levels Achieved in FY2016

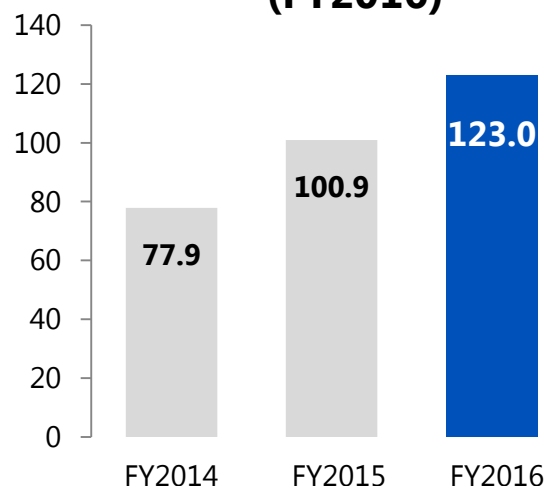


- ◆ Operating income: **108.2 B yen** ^{vs prior FY (+18.3%)}, higher than the levels achieved in prior Fiscal Years for two consecutive years
- ◆ Ordinary income: **123.0 B yen** ^{vs prior FY (+22.0%)}, higher than the levels achieved in prior Fiscal Years for five consecutive years
- ◆ Profit attributable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

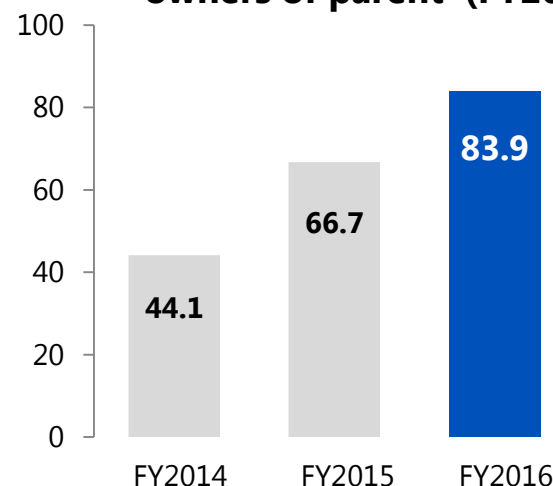
(billion yen) **Operating income (FY2016)**



(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%
(200 B yen) vs prior FY
- 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	99.8	99.1	99.3	96.5	2.7
[percentage of sales]	62.3%	62.7%		59.5%	
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	97.5	108.2	111.0	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	105.5	123.0	116.6	100.9	22.0
	31.6	36.3		32.5	

◆ 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

Key Actions in 2H FY2016 – towards FY2017 (1)



- **Investments for growth drivers**
 - Accelerated the global development of S-033188: Additional R&D cost, added into the 2H revised budget, was invested in S-033188 as the first priority
 - Focused investment in Intuniv® (Japan) and cefiderocol (global) – highly prioritized development projects, as they are key future growth drivers
- **Developing infrastructure for improving productivity**
 - Japan
 - > Focused on new products: Divested 24 long-listed drugs as “first mover” in the market
 - > Established six Shionogi group companies in Japan: Improving productivity and meeting societal requirements (e.g. extension of employment period, etc.)
 - US
 - > Strategic alliances with Purdue Pharma L.P. and Duchesnay Inc.



- **Achieved increased sales and profits exceeding original plan**
- **Invested in new products for sustained growth in FY2017 and beyond**

Key Actions in 2H FY2016 – towards FY2017 (2)



- **Extraordinary income and loss**

- Gain on sales of investment securities + 2.2 B yen
 - > Cancellation of stock cross-holdings
- Business structure improvement expenses (2.2 B yen)
 - > Special severance payment, etc. (US)
- Loss on impairment (Settsu Plant) (0.4 B yen)

- **Total income taxes, etc.**

- Reversal of deferred tax assets (US) (10.3 B yen)
 - ※ Conservatively re-examined expected earnings given the business model change associated with new alliances with Purdue Pharma L.P. and Duchesnay Inc.



Actions to achieve positive operating income in US business

- Strengthen the business base by maximizing the value of Symproic® and Osphena® with less management resources through strategic alliances
 - > Partnering with Purdue Pharma L.P. , a leading company in the pain treatment market in US
 - > Partnering with Duchesnay Inc., a specialty pharmaceutical company with a long-standing commitment to women's health
- Aim at high-productive business operation launching Shionogi-discovered products into hospital/highly-specialized markets

Achievements on Business Challenge in FY2016 (1)



Strengthen and enhance Japanese business

- **Cymbalta® and Crestor®**
 - Sales expansion of strategic products due to additional indications of Cymbalta® and launch of Crestor® OD tablets, etc.
- **Drugs for ADHD**
 - Intuniv®: NDA approval for pediatric use
- **Oxycodone/Symproic®**
 - Oxycodone temper resistant formulation: NDA submission
 - Additional indications of Oxycodone for chronic pain : NDA submission
 - Symproic®: NDA approval for OIC

Strengthen and enhance overseas business

- **Strengthen the business base in US**
 - Strategic alliances for maximizing product value
 - Symproic® (Purdue Pharma L.P.), and Osphena® (Duchesnay Inc.)
- **Innovative changes to grow business in China**
 - Transforming C&O Pharmaceutical Technology (Holdings) Limited to be more competitive on quality and price in emerging markets

Achievements on Business Challenge in FY2016 (2)



Accelerating global development

- **S-033188**
 - Dosing for all patients completed on track in OwH* study
 - HR** study is going as planned
- **Cefiderocol**
 - Preparation for NDA submission in US; CR*** study and HAP/VAP study started
- **Naldemedine**
 - NDA approval in US (Symproic®); NDA submission in EU

Cost management

- **Total cost management**
 - Tightly controlled selling & general expenses
 - Allocate budgets for development of S-033188 as the first priority and cefiderocol as a growth driver
 - Established six group companies in Japan for improving productivity of the Shionogi group through better business operations
 - Developed expertise and human resources (talent) for conducting business functions efficiently

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

Remaining Key Actions for Achieving SGS2020



Japanese business

- Promoting new products optimally, including Cymbalta[®], Mulpleta[®] and Actair[®]

Overseas business

- Contribute to the sales and profits of the Shionogi Group by strengthening businesses in the biggest market (US) and emerging market (China)

Productivity

- Improving operating income, excluding royalty income, per employee



Promptly maximizing the value of new products

2. FY2017 Financial Forecasts

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

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

3. FY2017 Business Plan

Shionogi's Business Environment Change in FY2017



- **Sales in Japan**

- Launches of generic versions of Crestor® and Irbetan®
- Some reduction in sales since the marketing rights for long-listed drugs have been transferred

- **Cost of sales**

- No immediate advantage from reduction in sales of long-listed drugs

- **Royalty income**

- Reduced royalty income from Crestor® from AstraZeneca

- **Total Cost**

- Increase in pre-launch and marketing costs related to launch of multiple new products

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**

Changed Definition of Strategic Products in Japan



Previous strategic products

Three highest priority Strategic Products

- Crestor®
- Cymbalta®
- Irbetan® franchise

Seven Strategic Products

- Three highest priority Strategic Products
- OxyContin® franchise, Finibax®, Pirespa®, and Rapiacta®



New strategic products

Strategic products

- Cymbalta®
- Intuniv®
- Symproic®, oxycodone tamper resistant formulation, and oxycodone for chronic pain

New products

- Strategic Products
- Actair®, Mulpleta®, Pirespa®, OxyContin® franchise, Rapiacta®, Brightpoc® Flu, and Glashvista®

Revised the list of strategic products designated to receive preferential investment given changes in new product line-up

Challenges and Actions in FY2017



Responding to changes in our business environment

	Challenges	Actions
Sales	Japan •Launch of generic drugs •Reduced sales due to transfer of marketing rights	•Japan: Growth led by Cymbalta®'s additional indications in the pain area, Intuniv®, Symproic®, and oxycodone tamper resistant formulation •US: Maximizing the value of Symproic® and Osphena® through smooth transition into strategic alliances
Royalty income	•Decreasing royalty income of Crestor®	•Increasing royalty income due to expanding global sales of HIV franchise
Total cost	•Increasing costs due to launch of new products	•Improving productivity based on total cost management including R&D expenses, cost of sales, etc.

Continued revenue and profit growth in FY2017

Statements of Income (Consolidated)



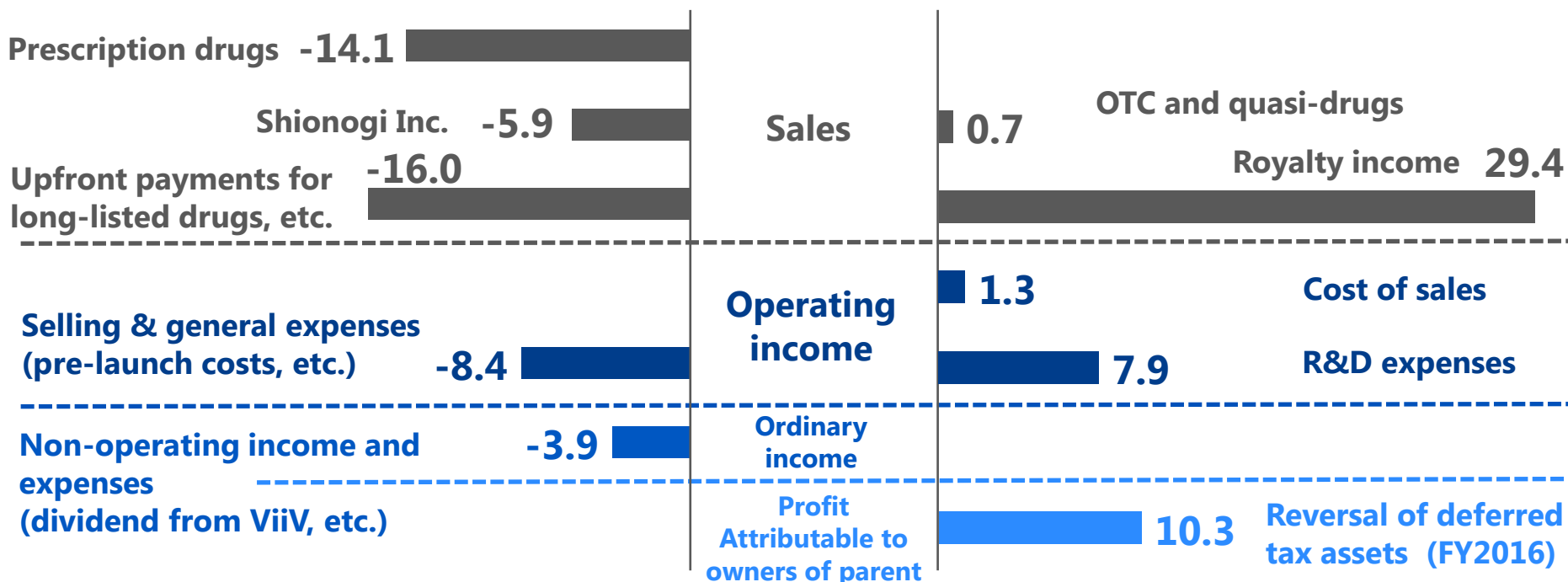
	FY2017 forecast		FY2016 Result	Y on Y		(billion yen)
	Full year	1H		change(%)	change	
Sales	340.0	162.5	338.9	0.3	1.1	
[Royalty* income]	125.0	56.0	106.3	17.6	18.7	
Cost of sales	22.5 [35.6] 76.5	24.9 [38.0] 40.5	23.0 [33.4] 77.8	(1.6)	(1.3)	
Gross profit	263.5	122.0	261.1	0.9	2.4	
SG&A expenses	44.4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

Details of Revenue and Profit Growth in FY2017 (Main Variation Factors)



	FY2017 forecasts	YonY change
Sales	340.0	1.1
Operating income	112.5	4.3
Ordinary income	123.5	0.5
Profit attributable to owners of parent	92.0	8.1

(billion yen)



Sales Forecasts for Prescription Drugs in Japan



	FY2017 forecast		FY2016 Results	Y on Y		(billion yen)
	Full year	1H		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)	

Main Variation Factors in Sales of Prescription Drugs in Japan



New drugs	1H	2H	Full year
Expansion of new drugs including Cymbalta®	+2.3 B yen	+4.4 B yen	+6.7 B yen
Launch of generics for Crestor® and Irbetan®	+2.6 B yen	(9.8 B yen)	(7.2 B yen)
Long-listed drugs, etc.	1H	2H	Full year
Decreased sales of long-listed drugs including Flomox® Decreased stockpiling of Rapiacta®	(5.1 B yen)	(3.7 B yen)	(8.8 B yen)
Transferring the marketing rights for long-listed 24 drugs	(3.8 B yen)	(1.0 B yen)	(4.8 B yen)
Prescription drugs	(4.0 B yen)	(10.1 B yen)	(14.1 B yen)

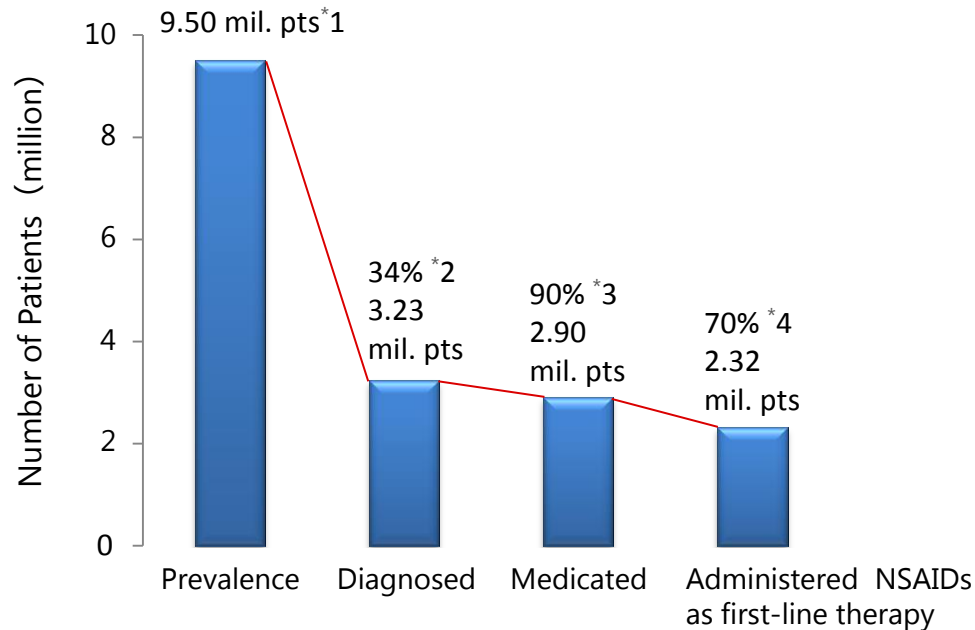
- **Decreased sales of Crestor® and Irbetan® due to the launch of generic drugs will be compensated for through growth of new drugs including Cymbalta®, Intuniv®, Symproic®, etc.**
- **Focusing on new drugs without depending on the long-listed drugs**

Growth of New Products (1) : Cymbalta®

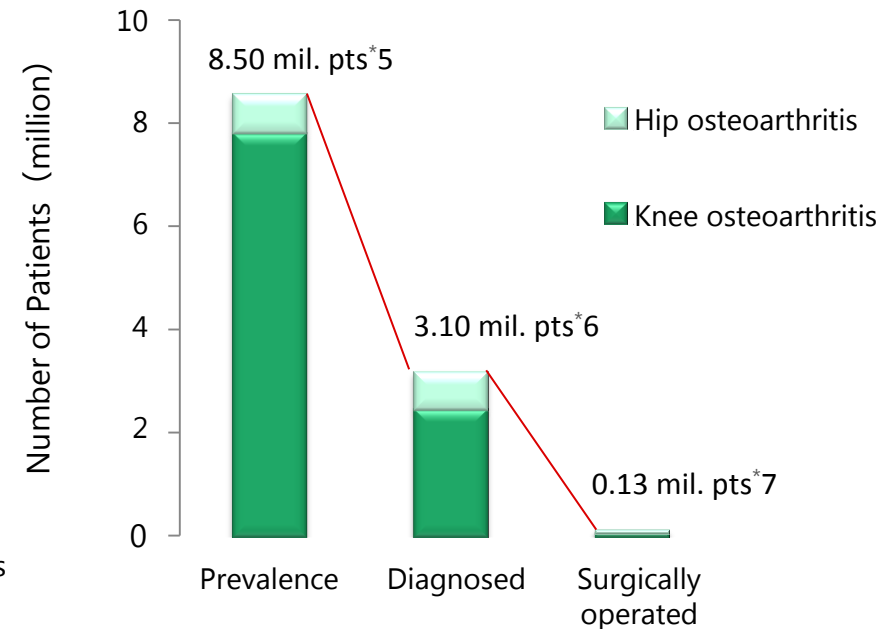


Market potential in chronic low back pain and osteoarthritis

Patients with chronic low back pain



Patients with osteoarthritis



- Expand the share of Cymbalta® in the existing market
- Increase the number of patients visiting healthcare providers for diagnosis or treatment

Maximizing the Value of Cymbalta®

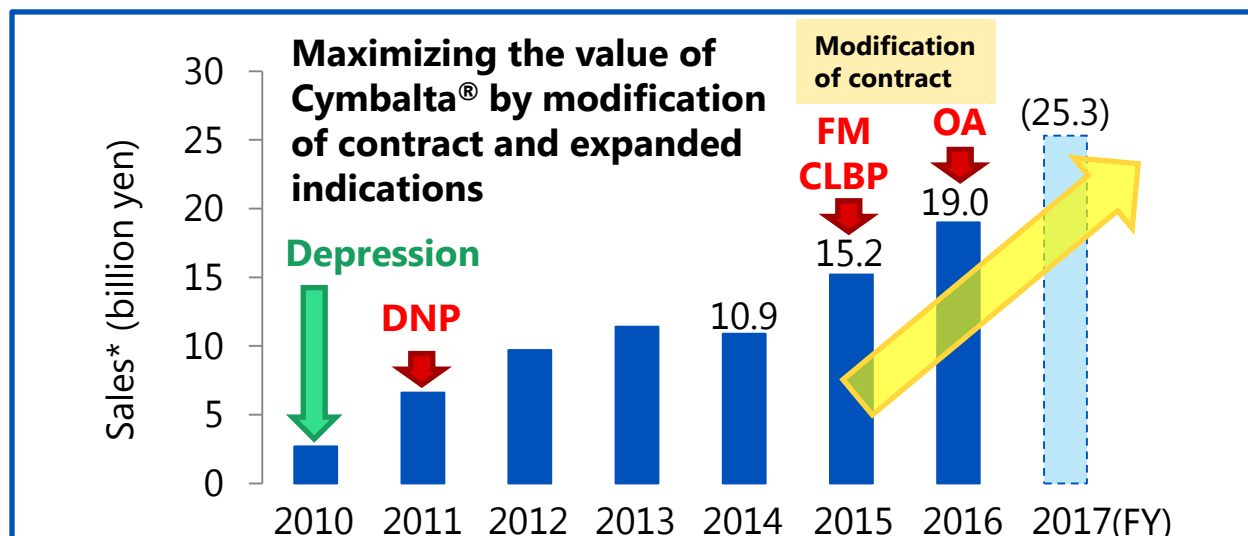


Action plan for sales expansion in the pain area

- Promoting collaboration with Eli Lilly Japan K.K.
- Focusing sales forces on the orthopedics or internal medicine department
- Utilizing the product as a key drug for patients with lower ADL or QOL caused by chronic pain, such as DNP, FM, CLBP and OA, due to its long-term safety profile

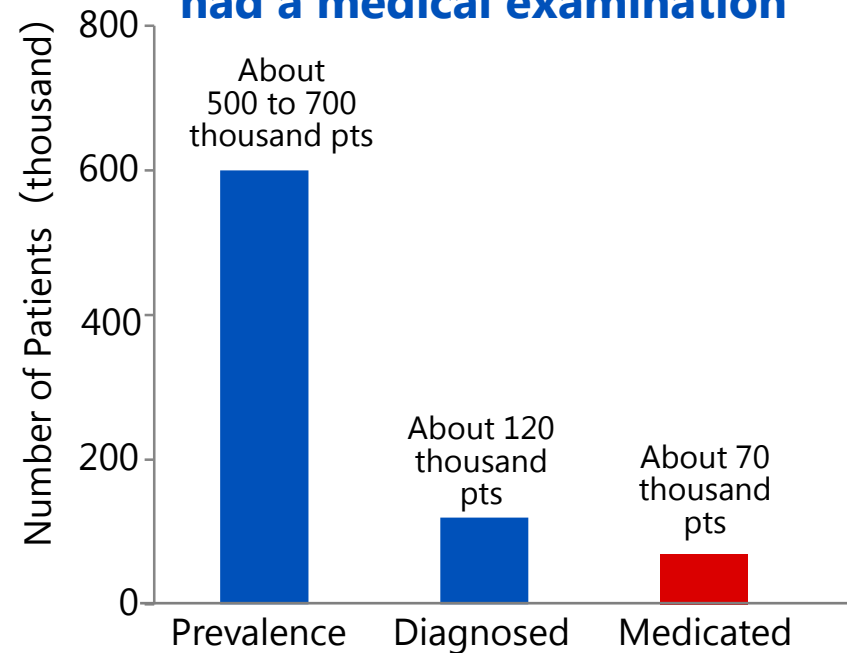


Maximizing the value of Cymbalta® with four additional indications in pain area

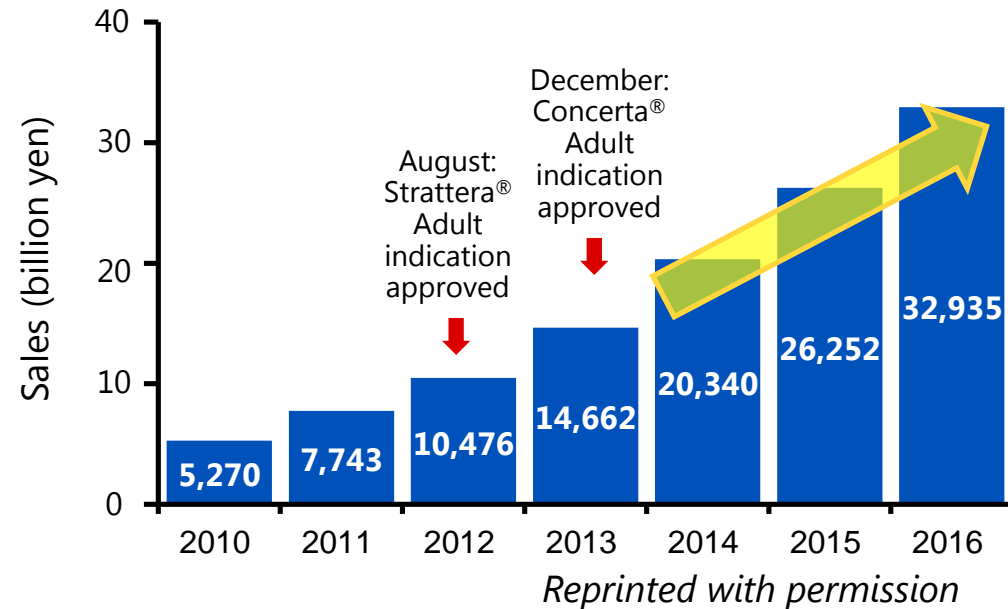


Market potential

Pediatric ADHD patients who had a medical examination



ADHD Market in Japan



Copyright (c) 2017 Quintiles IMS. Calculated based on IMS JPM Jan. 2017

[Reference information] Overseas sales of product by Shire

- Intuniv® (by Shire) : \$335M (in FY2013; Generic drugs was launched in Dec. 2014)
- Vyvanse®: \$2,014M (in FY2016; +17% vs prior FY)

Maximizing the Value of Intuniv®



Action plan for smooth launch and sales growth

- Allocation of sales forces with high level of expertise in each region
- Providing product information of Intuniv® to healthcare providers utilizing all sales forces of Shionogi
- Marketing collaboration with Shire Japan K.K.

Maximizing the value of two products, non-stimulant Intuniv®, which has a new mechanism of action, and stimulant lisdexamfetamine in this new therapeutic area for Shionogi

Projected launch timings



Growth of New Products (3) : Opioids and OIC treatment

Marketability

- Opioid market in Japan: About 35 B yen (about 1.1 million patients)
- Patients treated with strong opioids in Japan (non-cancer pain): Only about 1% (about 4 B yen)
 - Substantial unmet medical need remains
- Patients suffering from OIC: 40-50%

Source: Calculated based on IMS Health MIDAS MAT-2Q12, etc.

Contribution to a more vigorous society



Current formulation
Can be easily crushed

- Preventing the abuse of opioids for medical use
- Promoting pain management based on the proper use



Tamper resistant formulation*
**Difficult to manipulate
for misuse and abuse**

Maximizing the Value of Opioids and Product for the Treatment of OIC



Action plan for maximizing the value (FY2017)

Launch of Methapain®

Strengthen our product lineup for cancer pain management

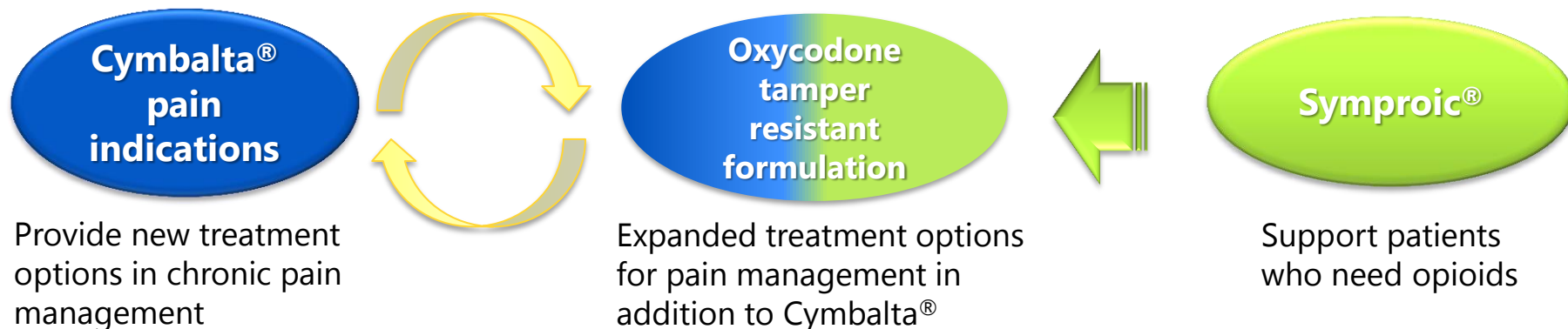
Launch of Symproic®

Achieve the total care for pain using only orally administered drugs by alleviating opioid-induced side effects

Oxycodone

- Launch of tamper resistant formulation
- Additional indication: moderate to severe chronic pain
- Prevent the abuse of opioids
- Reach more patients with medical need for opioid pain therapy

Synergistic effect of multiple products in the pain area:
Cymbalta® ↔ Oxycodone tamper resistant formulation ↔ Symproic®



Strengthen Overseas Business: Accelerating Global Development



Infectious diseases

- **S-033188:** Two Phase III studies are ongoing
 - (1) OwH study (completion of administration for all patients)
 - (2) HR study
- **Cefiderocol:** Two Phase III studies are ongoing
 - (1) Carbapenem-resistant study ②HAP/VAP study

Pain/CNS

- S-120083: Phase II study is ongoing in US
- S-117957: Phase I study is ongoing

Frontier

- **Lusutrombopag:** Phase III study is ongoing (Last Patient In)

Strengthen Overseas Business: New Business Strategy



Shionogi Inc. (US): New business strategy

- **Strategic alliances**
 - **Maximize product value with lean, focused use of our own resources**
 - Achieve a smooth launch of Symproic® in alliance with Purdue Pharm L.P., a leading company in the pain treatment market in US
 - Maximize the value of Osphena® by partnering with Duchesnay Inc., a specialty pharmaceutical company with a long-standing commitment to women's health
- **Launching Shionogi-discovered products into hospital/highly-specialized markets**
 - **High-productivity business area**
 - Cefiderocol (Multidrug-resistant Gram-negative bacterial infections)
 - > NDA submission in 1st Half of FY2017 (QIDP*)
 - Lusutrombopag (Thrombocytopenia associated with chronic liver disease)
 - > NDA submission in 2nd Half of FY2017 (fast-track product)

Target Milestones for FY2017



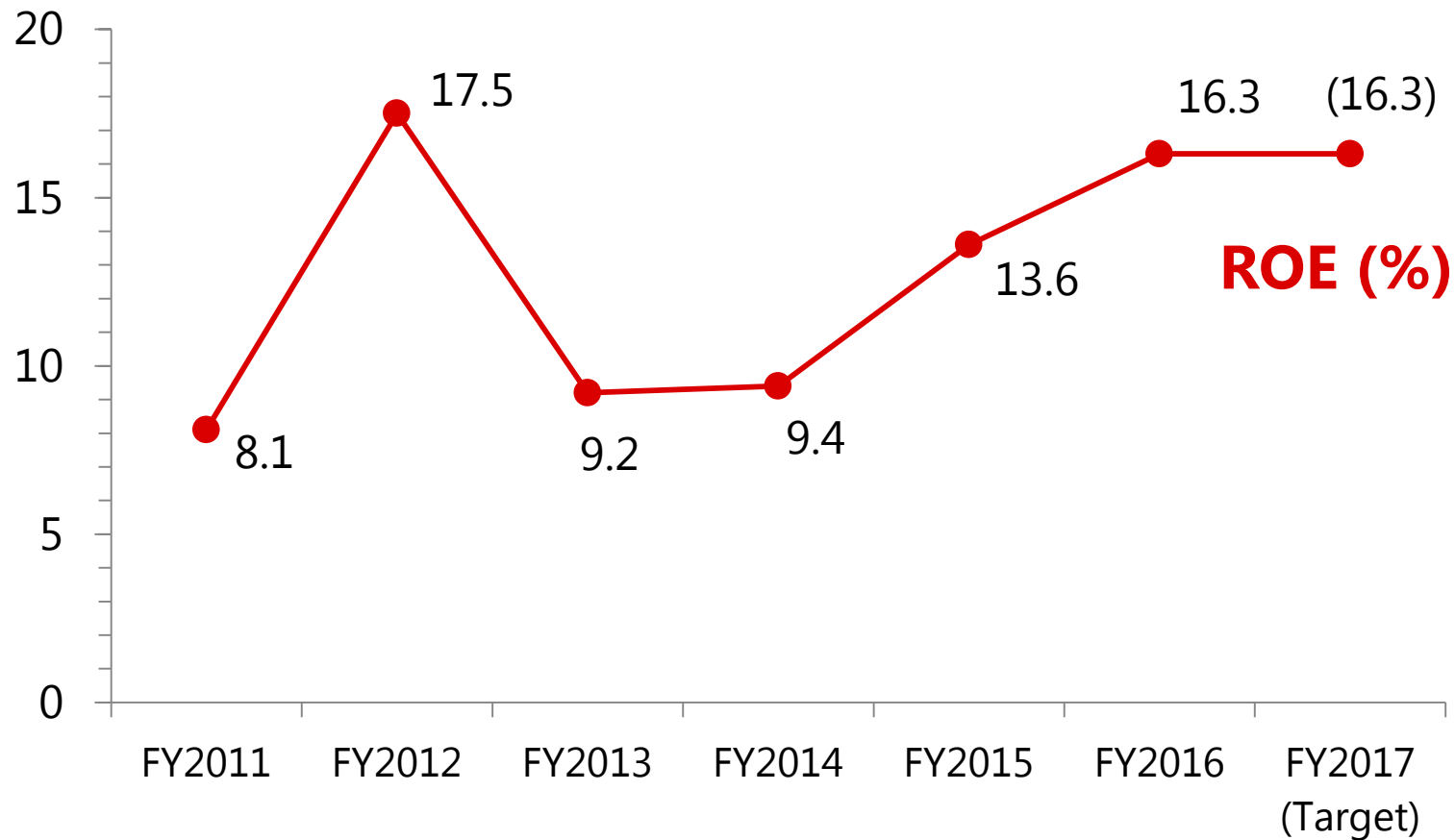
Areas	Product	As of Apr. 1, 2017		Target for FY2017
Infectious disease	Cefiderocol Multidrug-resistant Gram-negative bacterial infections	Global: Preparation for NDA submission		US: NDA submission
	S-033188 Influenza virus infection	Global: Phase III	Japan: Phase III (pediatric)	Japan: NDA submission
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

4. Shareholder Return

Increase in Capital Efficiency (ROE Trend)



**Continuous increase of capital efficiency
through growth in earning capacity**

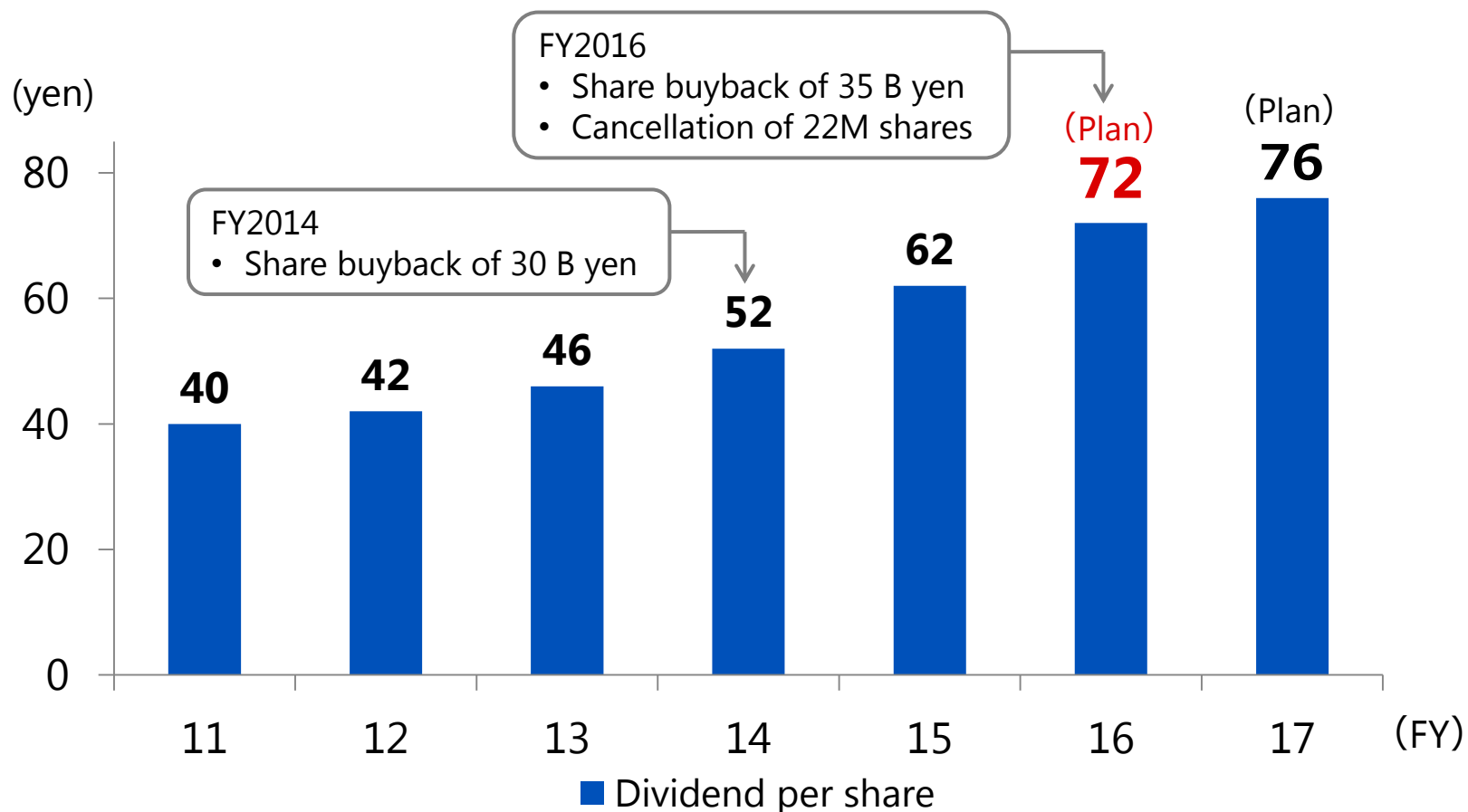


Shareholder Return - Sharing the Growth



Continuous dividend increases and flexible share buybacks

Planning to increase dividend for five consecutive years



Fundamental Policy on the Appropriation of Retained Earnings



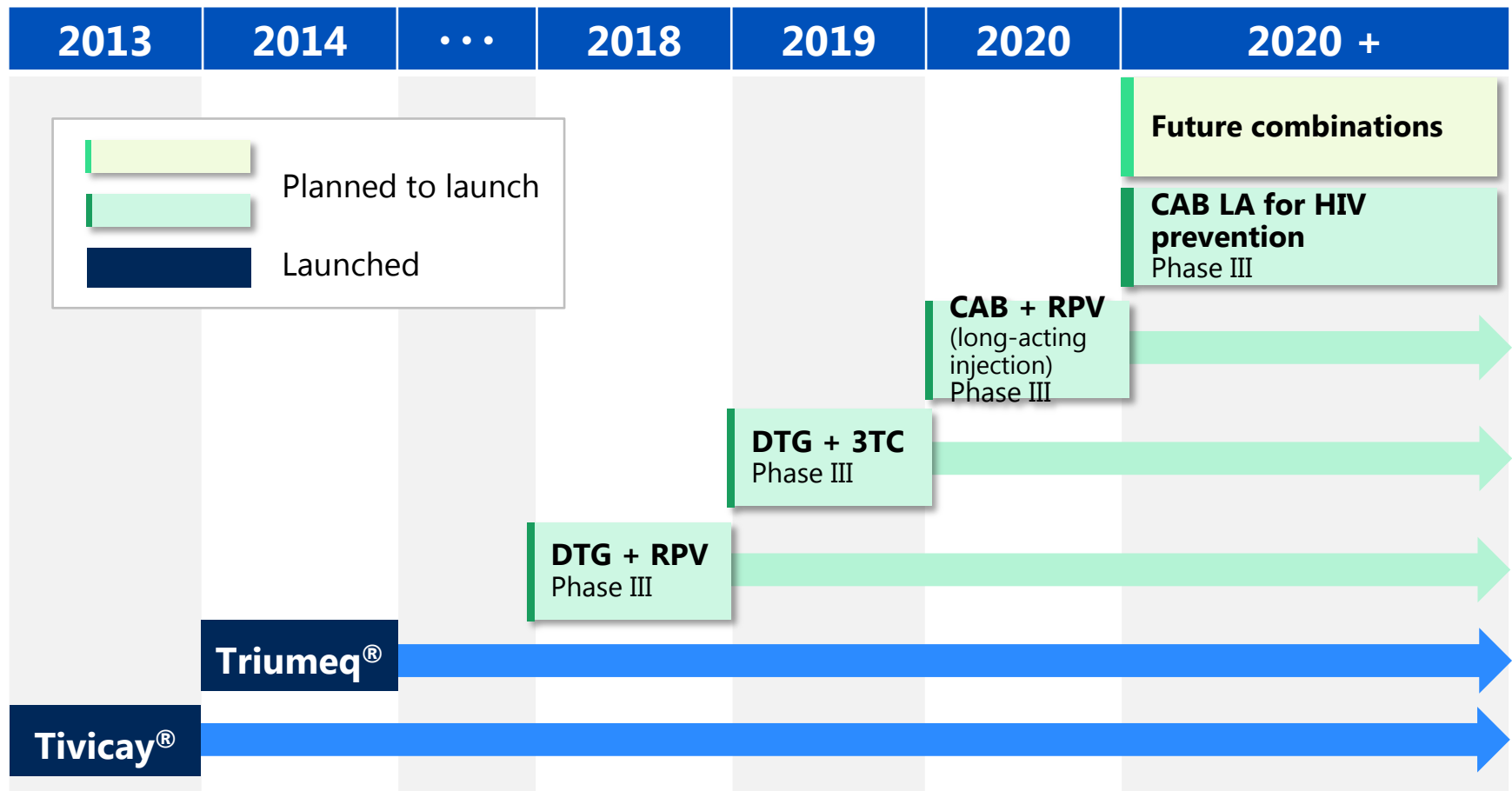
- Maximize corporate value continuously by balancing three key factors; return to shareholder, investment for future growth, and strategic opportunity
- Sharing our mid- to long-term profit growth with our shareholders by increasing returns as appropriate, including share buyback
- Revision to year-end 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	yen 28.00	yen 34.00	yen 62.00	4.1%	13.6%
2016	34.00	(Plan) 38.00	(Plan) 72.00	4.5%	16.3%
2017	(Plan) 38.00	(Plan) 38.00	(Plan) 76.00	(Estimate) 4.3%	(Estimate) 16.3%

Appendix

- Progress in Our Pipeline -

HIV Integrase Inhibitor Franchise



ViiV's strategy to develop new treatment regimens to address the needs of people living with HIV places our HIV integrase inhibitors at the core of therapy

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

Target Milestones for Launch of New Products



FY2017	FY2018	FY2019
Japanese business		
Symproic® Intuniv® ADHD (pediatric) Oxycodone Tamper resistant formulation Moderate to severe chronic pain Actair® Pediatric patients with perennial allergic rhinitis	S-033188 Lisdexamfetamine	Guanfacine ADHD (adult)
Overseas business		
Symproic®(US)	Cefiderocol Osphena® Vaginal dryness associated with postmenopausal VVA Lusutrombopag Naldemedine (EU)	
Global out-licensed products		
	DTG + RPV	DTG + 3TC

Appendix

- Actions to Achieve FY2016 Business Plan -**
- Definition of New Products -**
- KPIs for SGS2020 -**

Actions to Achieve FY2016 Business Plan

(cited from Financial Results in 1H FY2016)



Strengthen and enhance Japanese business

- **Cymbalta®**
 - Plan to expand indications: Pain associated with osteoarthritis
- **ADHD**
 - Plan to receive NDA approval for guanfacine
 - Establish platform for the launch

Strengthen and enhance overseas business

- **Naldemedine**
 - Continue to explore partnering options
 - Establish platform for the launch
- **Osphena®**
 - Expand market share
 - Continue Phase III clinical study for vaginal dryness

Global development

- **S-033188**
 - Initiate global Phase III trials
- **Cefiderocol**
 - Strong commitment to AMR issue

Cost management

- Focus resources on high priority business activities
- Implement the new cost management scheme which combines general expenses and R&D expenses into one unified expense budget

Definition of New Products

(cited from Updated SGS2020)



Pain/ CNS

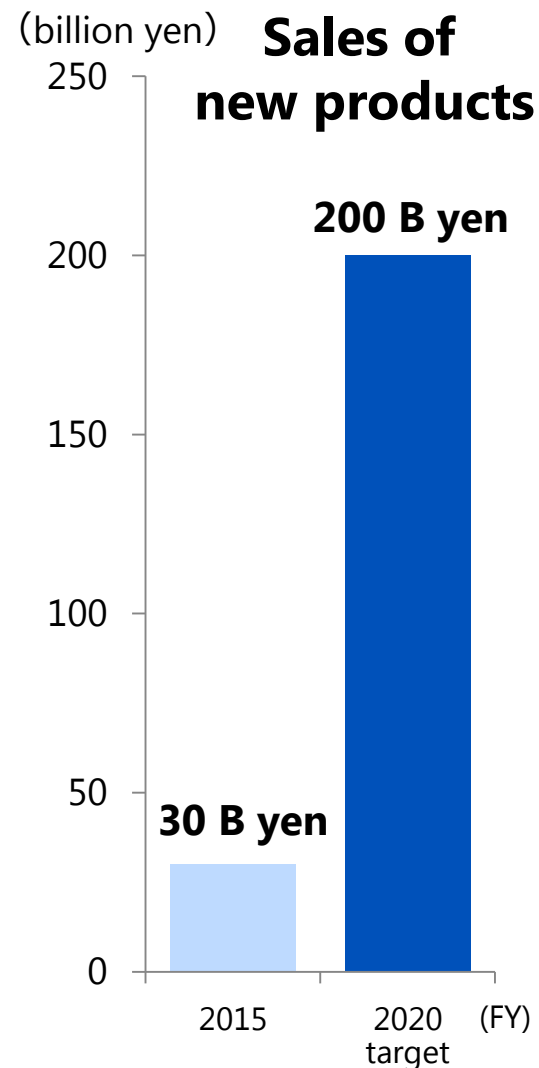
- Cymbalta®
- Oxycodone tamper resistant formulation, OxiNorm®, OxiFast®
- Naldemedine
- Guanfacine , lisdexamfetamine

Infectious diseases

- S-033188
- Cefiderocol
- Rapiacta®, flu diagnosis kit

Others

- Pirespa®
- Mulpleta®
- Actair®
- Glashvista®
- Osphena® (Senshio®)



KPIs for SGS2020

(cited from Updated SGS2020)



Growth

- Sales of new products: 200 B yen
- Ordinary income: 150 B yen

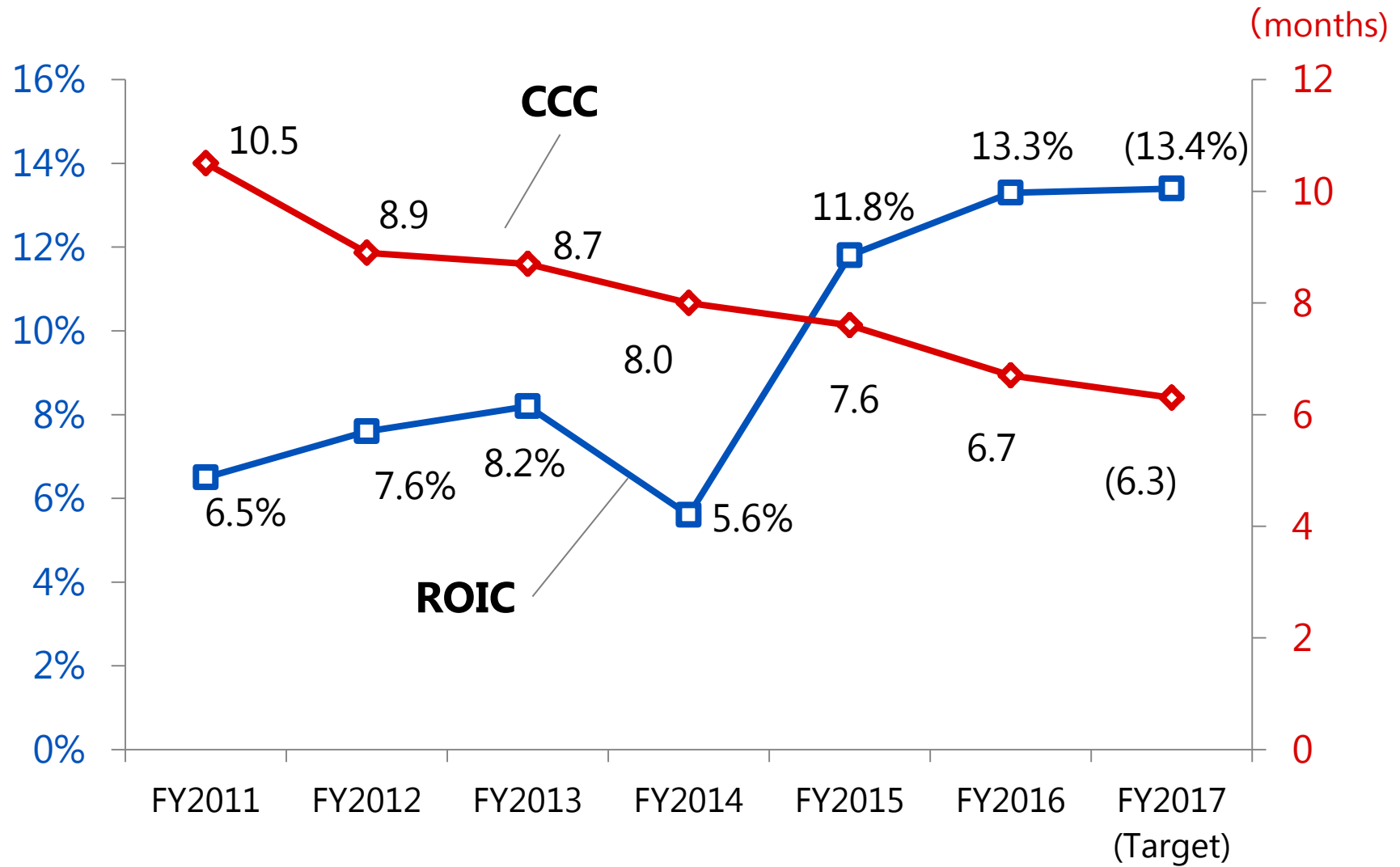
Efficiency

- ROIC: Over 13.5%
- CCC: 5.5 months
- Original pipeline ratio: Over 50%

Shareholder return

- ROE: Over 15.0%
- DOE: Over 4.0%

Trend in ROIC and CCC



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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- 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.
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