



**3rd Quarter of Fiscal 2017
Financial Results
*Conference Call***

February 5, 2018



Financial Results (Consolidated)



(Unit B yen)

	FY2017			FY2016		YoY	
	Full year forecasts	Apr.-Dec. results	Progress vs. forecasts (%)	Apr.-Dec. results	change (%)	change (B yen)	
Sales	345.0	263.4	76.3%	256.5	2.7%	6.8	
Operating income	113.5	90.1	79.4%	87.7	2.7%	2.4	
Ordinary income	132.0	105.5	79.9%	91.0	15.9%	14.5	
Profit attributable to owners of parent	101.0	79.7	78.9%	67.5	18.0%	12.2	

- **Good business progress vs. forecasts**
- **Operating income and profit attributable to owners of parent**
 - Higher than the levels in Apr.-Dec. of any prior fiscal year for three consecutive years
- **Ordinary income**
 - Higher than the levels in Apr.-Dec. of any prior fiscal year for nine consecutive years

Exchange rate (average)	FY2017 forecasts	FY2017 Apr.-Dec. results
USD (\$) – JPY (¥)	110	111.70
GBP (£) – JPY (¥)	140	145.74
EUR (€) – JPY (¥)	120	128.57

Statements of Income (Consolidated)



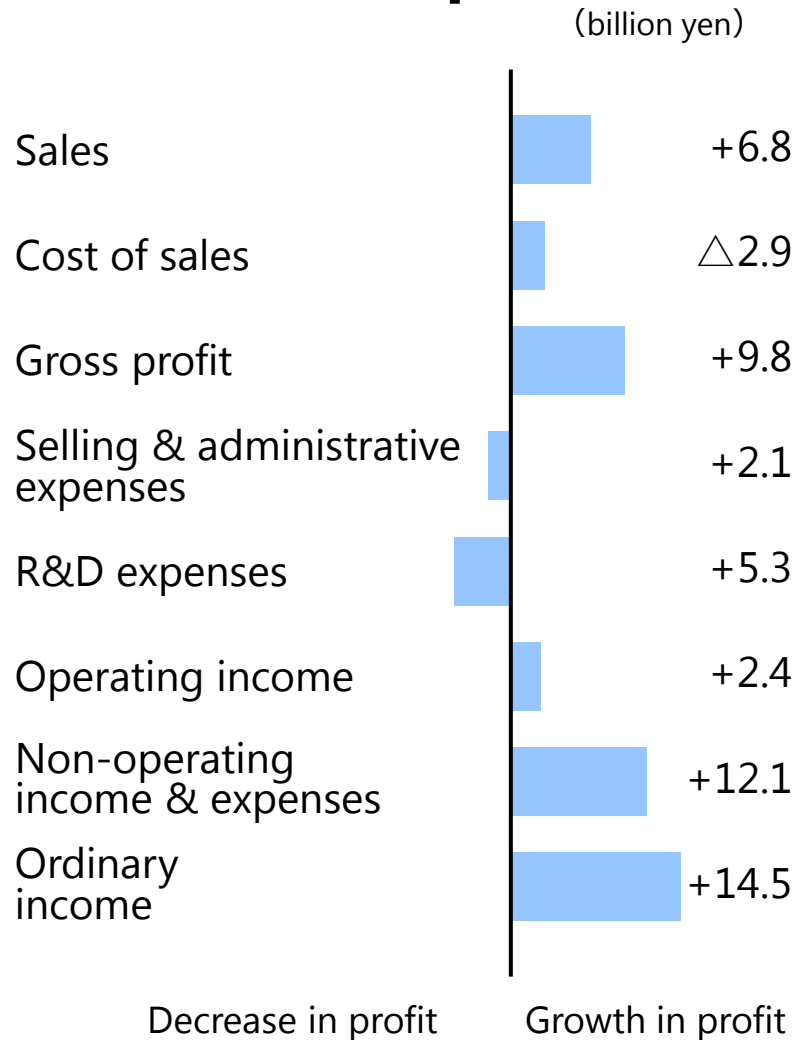
(Unit B yen)

	FY2017			FY2016	YonY	
	Full year forecasts	Apr.-Dec. results	Progress vs. forecasts (%)	Apr.-Dec. results	change (%)	change
Sales	345.0	263.4	76.3	256.5	2.7	6.8
[Royalty* income]	125.8	91.0	72.3	74.4	22.4	16.6
	22.2 [34.9]	21.5 [32.9]		23.3 [32.7]		
Cost of sales	76.5	56.7	74.1	59.7	(4.9)	(2.9)
Gross profit	268.5	206.6	77.0	196.9	5.0	9.8
	44.9	44.2		42.6		
SG&A expenses	155.0	116.5	75.2	109.2	6.7	7.4
Selling & administrative expenses	29.0 100.0	26.9 70.9	70.9	26.8 68.8	3.0	2.1
	15.9	17.3		15.7		
R&D expenses	55.0	45.6	82.9	40.3	13.1	5.3
	32.9	34.2		34.2		
Operating income	113.5	90.1	79.4	87.7	2.7	2.4
Non-operating income & expenses	P18.5	P15.3	83.0	P3.3	-	12.1
	38.3	40.0		35.5		
Ordinary income	132.0	105.5	79.9	91.0	15.9	14.5

Y on Y comparison and Main Variation Factors (Statements of Income)



• Y on Y comparison



Main Variation Factors

- Sales
 - Sales expansion of strategic products
 - Increased royalty income for HIV franchise
 - Received payments* from Roche regarding baloxavir marboxil (S-033188)
 - > 2Q: ca. 10.0 B yen
 - > 3Q: ca. 8.0 B yen
- Cost of sales
 - Cost of sales ratio
 - > Improved by 1.8%: Increase in royalty income
 - Cost of sales ratio excluding royalty income:
 - > Increased by 0.2%: Effect of product mix (Increase in manufacturing of API for dolutegravir)
- SG&A expenses
 - Selling & administrative expenses: 2.1 billion yen
 - > Advanced investment for new products
 - R&D expenses: +5.3 billion yen (Y on Y comparison +3.4 billion yen in 1H)
 - > Investment for global development of baloxavir marboxil
- Non-operating income & expenses
 - Received dividend:
 - Global sales growth of HIV franchise and dividend payment in accordance with the revised contract with ViiV
 - Receive dividend from ViiV quarterly

Sales by Segments (Consolidated)



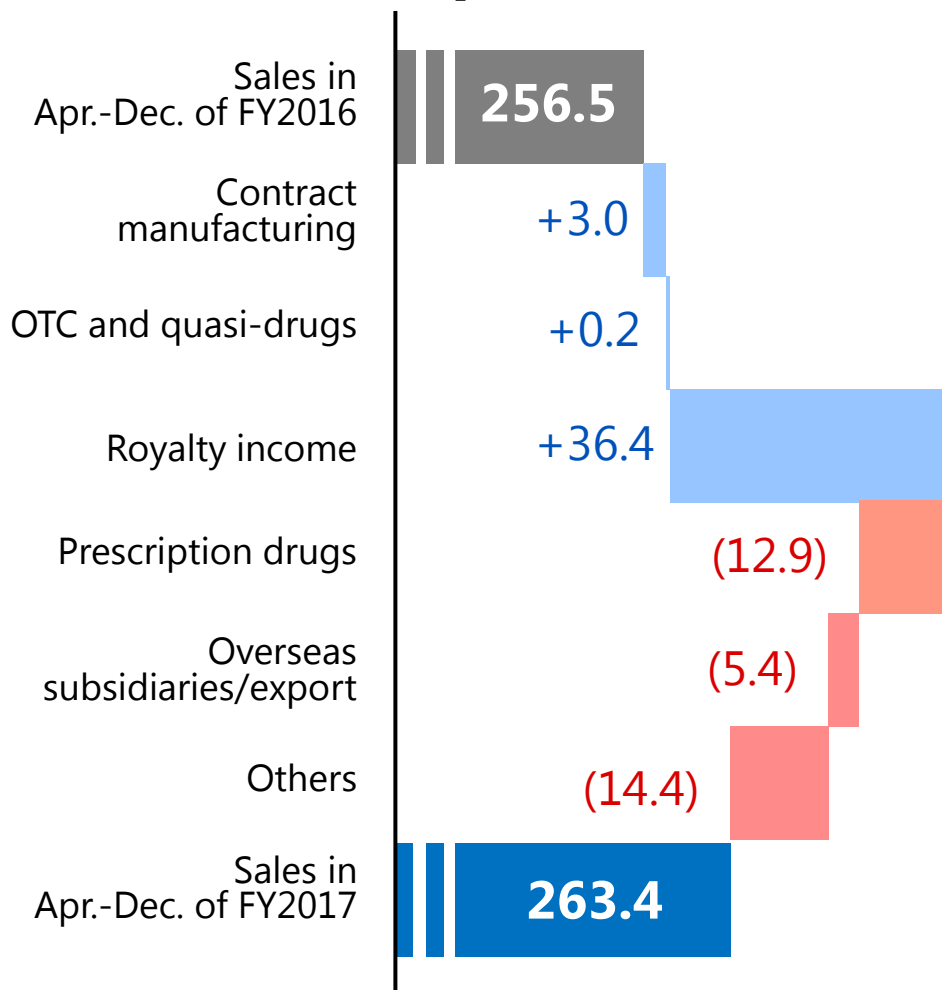
(Unit B yen)

	FY2017			FY2016	YonY	
	Full year forecasts	Apr.-Dec. results	Progress vs. forecasts (%)	Apr.-Dec. results	change (%)	change
Prescription drugs	144.1	108.4	75.2	121.2	(10.6)	(12.9)
Overseas subsidiaries/export	25.5	17.5	68.4	22.9	(23.8)	(5.4)
Shionogi Inc.	11.2	8.4	74.7	13.8	(39.6)	(5.5)
Osphena®	3.9	3.0	76.3	3.3	(10.2)	(0.3)
Contract manufacturing	15.4	11.8	76.4	8.8	33.8	3.0
OTC and quasi-drugs	7.0	5.7	81.7	5.5	3.7	0.2
Royalty income	150.3	118.1	78.5	81.7	44.6	36.4
Royalty income for the sales of HIV franchise and Crestor®	125.8	91.0	72.3	74.4	22.4	16.6
HIV franchise	103.3	74.0	71.6	49.3	50.3	24.8
Crestor®	22.5	17.0	75.4	25.1	(32.4)	(8.1)
Others	2.7	2.0	74.1	16.4	(87.9)	(14.4)
Total	345.0	263.4	76.3	256.5	2.7	6.8

Y on Y comparison and Main Variation Factors (Sales by Segments)



• Y on Y comparison (billion yen)



Main Variation Factors (YonY change: +6.8 billion yen, +2.7%)

- Contract manufacturing
 - Increase in API for dolutegravir
- Royalty income
 - Increased royalty income for HIV franchise
 - Decreased royalty income for Crestor®
 - Received payments* from Roche regarding baloxavir marboxil
 - > 2Q: ca. 10.0 B yen
 - > 3Q: ca. 8.0 B yen
- Prescription drugs
 - Sales expansion of strategic products
 - Decreased sales due to transfer of marketing rights of long-listed drugs, etc.
- Overseas subsidiaries/export
 - Decreased royalty income for authorized generic in US
- Others
 - Received upfront payments for transferring the marketing rights for long-listed drugs in prior FY

Sales of Prescription Drugs in Japan



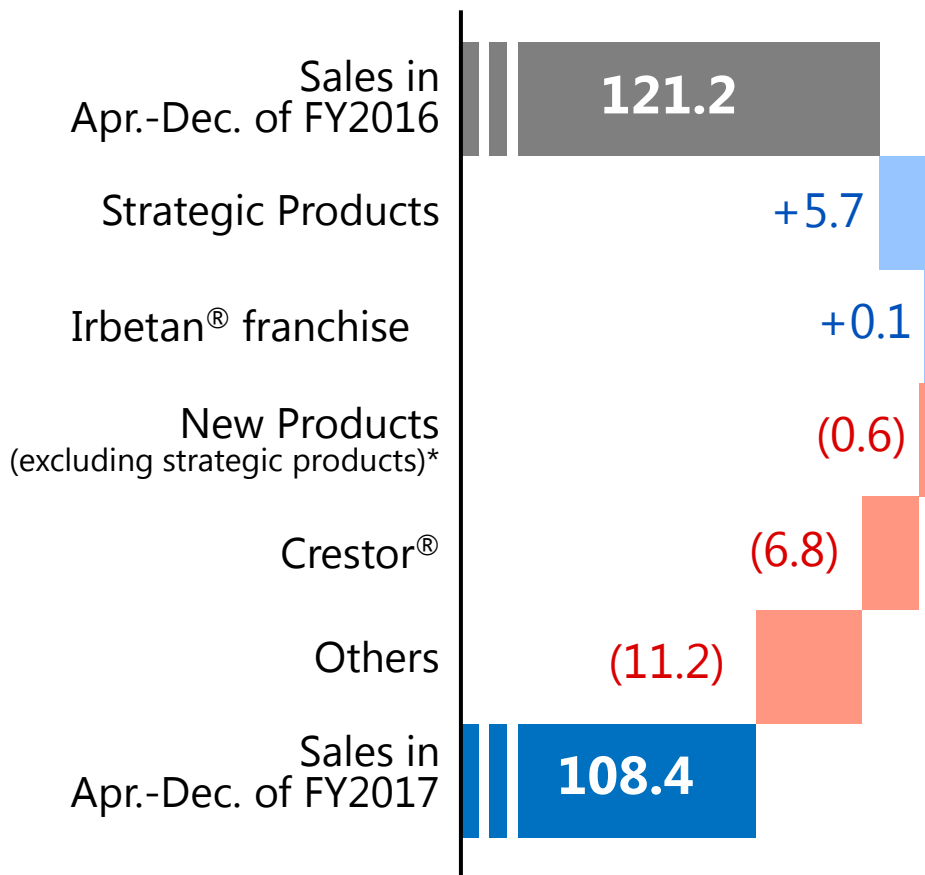
(Unit B yen)

	FY2017			FY2016	YonY	
	Full year forecasts	Apr.-Dec. results	Progress vs. forecasts (%)	Apr.-Dec. results	change (%)	change
Cymbalta[®]	26.0	18.2	70.3	14.2	28.8	4.1
Intuniv[®]	2.0	1.2	60.2	-	-	1.2
Symproic[®]	0.60	0.38	62.8	-	-	0.38
Total of Strategic Products	28.6	19.8	69.4	14.2	40.1	5.7
Actair[®]	0.13	0.09	71.5	0.05	67.4	0.04
Mulpleta[®]	0.17	0.13	74.0	0.09	38.4	0.04
Pirespa[®]	6.0	4.9	82.6	4.5	8.5	0.4
OxyContin[®] franchise	8.9	7.0	78.9	7.7	(9.2)	(0.7)
Rapiacta[®]	2.8	1.2	44.2	1.2	(1.7)	(0.0)
Brightpoc[®] Flu	0.92	0.53	57.4	0.56	(4.8)	(0.03)
Glashvista[®]	0.31	0.20	62.6	0.52	(62.6)	(0.33)
Total of New Products	47.7	33.9	71.1	28.9	17.5	5.0
Crestor[®]	34.4	26.3	76.4	33.1	(20.5)	(6.8)
Irbetan[®] franchise	14.8	11.9	80.2	11.8	0.7	0.1
Others	47.2	36.3	76.9	47.5	(23.6)	(11.2)
Prescription drugs	144.1	108.4	75.2	121.2	(10.6)	(12.9)

Y on Y comparison and Main Variation Factors (Sales of Prescription Drugs in Japan)



• Y on Y comparison (billion yen)



Main Variation Factors (YonY change: (12.9) billion yen, (10.6)%)

- Strategic Products
 - Sales** expansion of Cymbalta® in the pain area (+28.8% vs prior FY)
 - Maximizing the value of Intuniv®
- Crestor®
 - Decreased sales due to early uptake of generics for Crestor®
- Others
 - Decreased sales due to transfer of marketing rights of long-listed drugs, etc.



- **Sales in Japan**

- Maintaining sales growth of new products
 - > Cymbalta®: Maximizing the value in the pain area
 - > Intuniv®: Providing more information about ADHD and Intuniv® to support further uptake
 - > Oxycodone family: Preparation for launch of tamper resistant formulation
- Maximizing the value of our anti-flu drugs
 - > Baloxavir marboxil: Preparation for launch
 - > Rapiacta®: Collecting efficacy and safety data in repeat-dose study of patients with underlying respiratory disease

- **Overseas Business**

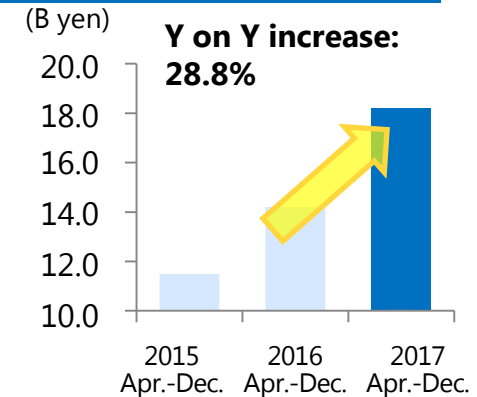
- Osphena®: Maximizing the value of Osphena® in collaboration with Duchesnay Inc. and preparation for submission of the NDA for vaginal dryness to FDA
- Symproic®: Collaboration with Purdue Pharma L.P. for a smooth launch
- Developing our marketing strategy to maximize the value of cefiderocol and Mulpleta® in hospital/highly-specialized markets

Strengthen and Enhance the Sales of New Products -1-



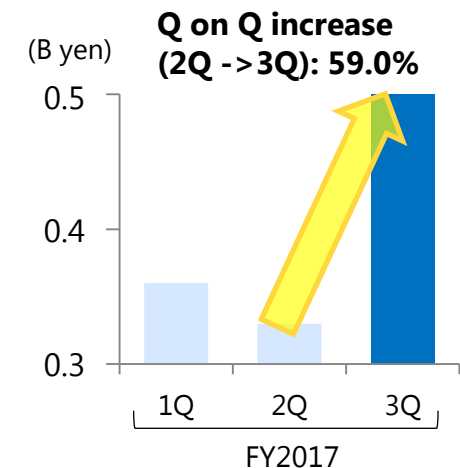
Sales* growth of Cymbalta® in the pain area

- Pain indication
 - Sales growth especially in OA and CLBP driven by positive perception
 - Depression indication
 - Largest market share
 - Further sales growth
- <Ongoing key actions>
- Focus sales force resources mainly on the pain area



Maximizing the value of Intuniv®

- Increased prescription rate of Intuniv® based on high level of satisfaction with its efficacy and safety
 - By 8 months after launch, reached a sales level exceeding that of any other ADHD drug
 - Expanding the understanding of ADHD and its treatment amongst healthcare providers
- <Ongoing key actions>
- Growing the NRx share
 - Helping patients who are unsatisfied with other ADHD drugs
 - Switch from the current treatment
 - Adjunctive use of Intuniv®



Strengthen and Enhance the Sales of New Products -2-

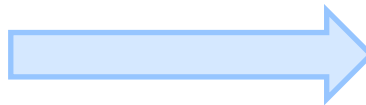


Launched Oxycontin[®] tamper resistant formulation (on Dec. 8, 2017)

- **Contribution to a more vigorous society by preventing misuse and abuse of opioids for medical use**
 - Possible to prevent misuse by crushing in addition to abuse
 - Prompt switch from the current formulation to support the proper use
 - > Considering to switch also from the other opioids in future



- Preventing the abuse of opioids for medical use
- Support proper use for pain management



Maximizing the value of anti-flu drugs

- Baloxavir marboxil: Accelerate the preparation for launch
- Rapiacta[®]: Initiated patient registration in repeat-dose study in patients with underlying respiratory disease

Sales Expansion of New Drugs and Negative Impact of Generic Entries on Main Products



(Unit: B yen)

New drugs	Full year forecast	Apr.-Dec. results	To achieve FY2017 business plan
Growth of new drugs including Cymbalta®	+8.6	+5.0	<ul style="list-style-type: none"> Sales expansion of three strategic products Launched Oxycontin® tamper resistant formulation (on Dec. 8, 2017)
Launch of generics for Crestor® and Irbetan®	(9.2)	(6.7)	<ul style="list-style-type: none"> focus on new drugs
Long-listed drugs, etc.	Full year forecast	Apr.-Dec. results	To achieve FY2017 business plan
Decreased sales of long-listed drugs including Flomox® Decreased stockpiling of Rapiacta®	(8.4)	(6.2)	<ul style="list-style-type: none"> On track
Transferring the marketing rights for long-listed 24 drugs	(4.9)	(4.9)	<ul style="list-style-type: none"> Transferring the marketing rights for 21 long-listed drugs to Kyowa Pharmaceutical Industry Co., Ltd. on Dec. 1, 2016
Prescription drugs	(13.9)	(12.9)	

Continuous focus on new drugs

Progress in Overseas Business



- **Symproic[®]/Rizmoic[®]***
 - Launched in US (in Oct. 2017)
 - Improving market access coverage and highlighting clinical differentiation should drive sales expansion through a collaboration with Purdue Pharma L.P.
 - NDA Submission under review in EU (Accepted for review Mar. 2017)
- **Osphena[®]**
 - Collaboration with Duchesnay Inc. for sales expansion
 - Vaginal dryness study: Preparation for NDA submission in US
- **Mulpleta[®]** (Lusutrombopag)
 - NDA submission in US (in Dec. 2017)
 - NDA submission in EU (in Jan. 2018)
- **Cefiderocol**
 - Global phase III studies are ongoing
 - (1) Carbapenem-resistant study
 - (2) HAP/VAP study

Baloxavir marboxil: Strong Collaboration with Roche



Decided to accelerate NDA submission in US based on positive results of Phase II study in Japan and OwH* study

Received the payment (ca. 8.0 B yen) from Roche by the agreement to accelerated NDA submission in US

→ Roche will conduct all global studies initiated from now on



Maximizing the value of baloxavir marboxil globally through a stronger collaboration with Roche

Precise Management of Total Costs



- **Total cost management scheme which combines selling & administrative expenses and R&D expenses into one unified expense budget**
 - Total cost management of SG&A expenses (Progress: 75.2%)
 - > Careful control of selling & administrative expenses (Progress: 70.9%)
 - > Increase in R&D expenses (Progress: 82.9%)
- **Advanced investment to accelerate R&D for growth drivers**
 - Baloxavir marboxil : Good progress in HR* study
 - Actions to maximize the value of baloxavir marboxil



Targeting revenue and profit growth in FY2017 based on precise total cost management while expanding investment in growth drivers

Progress in 3Q FY2017*



Strategic alliance

- Strategic digital transformation agreement

PeptiDream

- Progress in Project 2 & 3

PharmaIN

- Initiated research collaboration

Global

In Japan

Out-licensed

- Infectious diseases
- Pain/CNS
- Frontier

Phase III

Baloxavir marboxil

- Initiated pediatric study (granules)

CAB+RPV (LAP)

- Initiated every two months study

CAB (LAP)

- Initiated prevention study (for female)

Submission Approval

Mulpleta®

- NDA submission (in US)

Mulpleta®

- NDA submission (in EU)

Baloxavir marboxil

- Passed through the Special Committee on Drugs

Osphena®

- Preparation for NDA submission

Launch

Symproic®

- Steady increase of prescriptions

Strategic products and new products

- Sales growth

Oxycodone

Tamper resistant formulation

- Launched

Rapiacta®

- Initiated clinical study

Juluca® (DTG/RPV)

- Launch (in US)

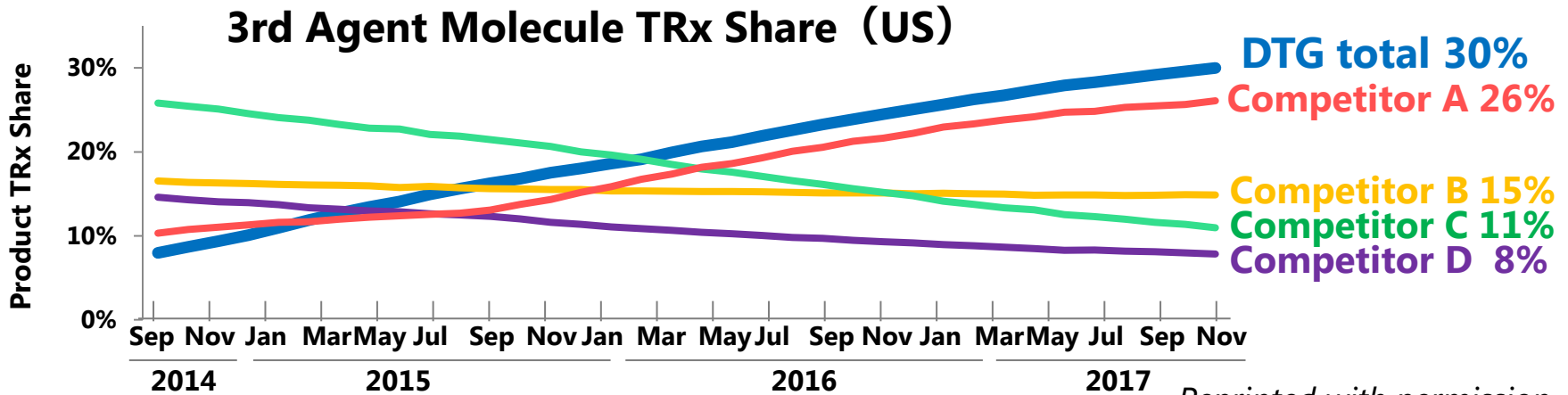
HIV franchise

- Increase royalty income and dividend through global sales growth

Growth and Progress of HIV Franchise



Prescription trend in US (TRx Share)



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Development status of the integrase inhibitor franchise

- **Juluca®**: DTG/RPV (Oral): Launched in US (in Dec. 2017)
- **DTG+3TC**: PhIII study is ongoing -> Planning to launch in FY2019
- **CAB+RPV** (LAP): Expect to improve adherence based on high convenience
PhIII study is ongoing -> Planning to launch in FY2020
Initiated PhIII study of every two months administration (in Nov. 2017)
- **CAB**(LAP) : Prevention study of every two or three months administration
-> Planning to launch after FY2020

Strategic Alliances with Accenture (in Dec. 2017)



Strengthening the basis of IT organization

- Improving productivity in IT operation service
 - Save costs and resources in operation of IT systems by outsourcing routine work
 - Focus our resources on strategic work
 - Enhance capabilities of our IT division with Accenture's support

Talent development

- Improving IT literacy and business literacy
 - Investment in human resources through a knowledge-transfer program and utilizing costs and resources saved through outsourcing routine work



Promote innovation by improving IT literacy and business literacy

2. Shareholder Return

Acquisition of Own Shares and Cancellation of Treasury Shares

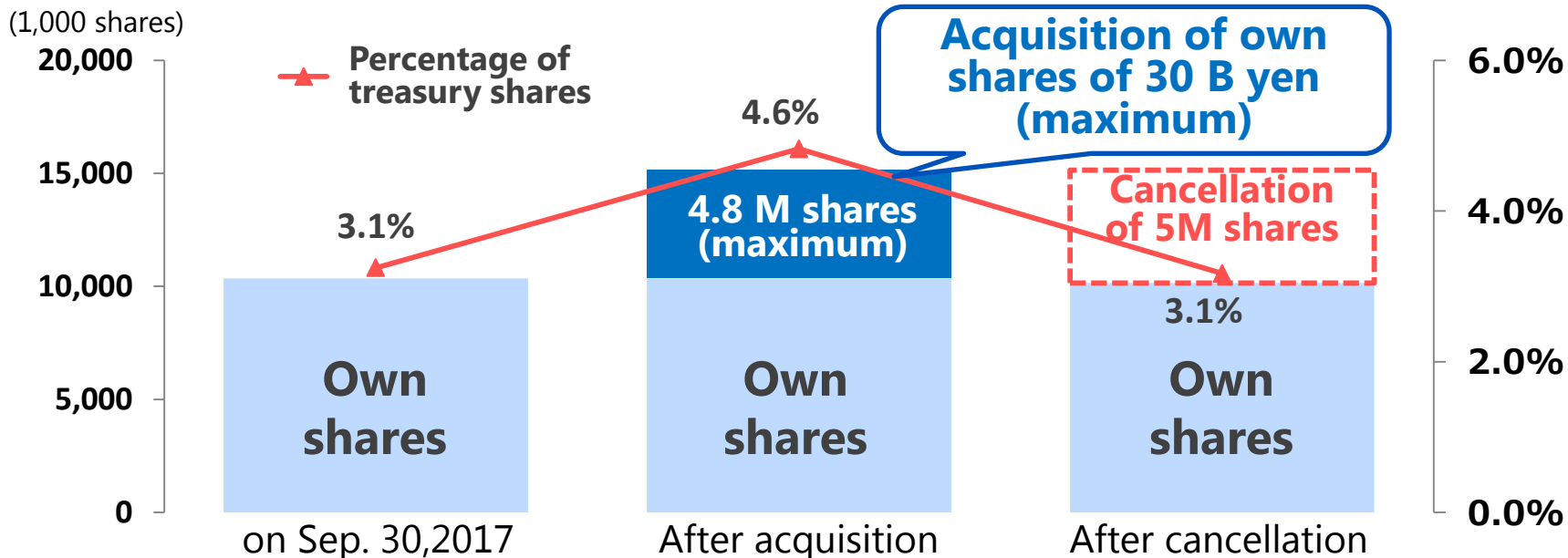


Acquisition of own shares

- Total number of shares to be acquired: 4.8 M shares (maximum)
- Total amount of acquisition cost: 30 B yen (maximum)
- Planned period of acquisition: From December 1, 2017 to February 28, 2018

cancellation of treasury shares

- Total number of shares to be cancelled: 5.0 M shares
- Scheduled date of cancellation: March 12, 2018



Increase shareholder return and capital efficiency by following a flexible capital policy, aligning with strong business progress

Appendix

- Progress in Pipeline
- Target Milestones for Launch of New Products

Target Milestones for FY2017 (as of Jan. 2018)



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
	baloxavir marboxil Influenza virus infection	Global: Phase III Japan: Phase III (pediatric)	Japan: NDA submission
Pain/CNS	Intuniv® ADHD (pediatric)	Japan: Approved ADHD (pediatric)	Japan: Launch ADHD (pediatric)
	Symproic® Opioid-induced constipation	Japan: Approved	Japan: Launch
	Symproic® Opioid-induced constipation	US: Approved	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 ADHD (pediatric)	Japan: NDA submission ADHD (pediatric)
	Cymbalta® Depression (pediatric)	-	Japan: Phase III
	S-600918 Neuropathic pain	Japan: Phase I	Phase II (regions to be determined)
Frontier	Mulpleta® 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

Pipeline (as of Jan. 2018)



Preclinical	Phase I	Phase II	Phase III	Filed
	Global	Cefiderocol Multidrug-resistant Gram-negative bacterial infections S-120083 Inflammatory pain S-707106 Type2 diabetes S-488210 Head and neck squamous cell carcinoma epertinib Malignant tumor S-588410 Bladder cancer	S-033188 (baloxavir marboxil) Influenza virus infection Cefiderocol Multidrug-resistant Gram-negative bacterial infections	Naldemedine (EU) Opioid-induced constipation Mulpleta® (US) Thrombocytopenia Mulpleta® (EU) Thrombocytopenia
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	Cefiderocol Multidrug-resistant Gram-negative bacterial infections Intuniv® ADHD (adult) Cymbalta® Depression (pediatric) S-588410 Esophageal cancer Baloxavir marboxil Influenza virus infection (oral, granule)	Baloxavir marboxil Influenza virus infection Baloxavir marboxil Influenza virus Infection (pediatric) Oxycodone Moderate to severe chronic pain Oxycodone Tamper resistant formulation Lisdexamfetamine ADHD (pediatric) Actair® Pediatric patients with perennial allergic rhinitis
S-010887 Neuropathic pain S-600918 Neuropathic pain S-770108 Idiopathic pulmonary fibrosis				
Out-licensed	GSK3342830 Multidrug-resistant Gram-negative bacterial infections		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	<ul style="list-style-type: none"> Infectious diseases Pain/CNS Metabolic disorder Frontier
Janssen/Shionogi Project compound Alzheimer's disease				

Target Milestones for Launch of New Products



FY2017	FY2018	FY2019
Japanese business		
<p>Symproic® Intuniv® ADHD (pediatric)</p> <p>Oxycodone Tamper resistant formulation Moderate to severe chronic pain</p> <p>Actair® Pediatric patients with perennial allergic rhinitis</p>	<p>Baloxavir marboxil Lisdexamfetamine</p>	<p>Intuniv® ADHD (adult)</p>
Overseas business		
<p>Symproic® (US)</p>	<p>Cefiderocol Osphena® Vaginal dryness associated with postmenopausal VVA</p> <p>Mulpleta® Rizmoic® (EU)</p>	
Global out-licensed products		
	<p>Juluca® (DTG/RPV)</p>	<p>DTG + 3TC</p>

Forward-Looking Statements



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