



FY 2017 Financial Results

(April 2017 – March 2018)

May 10, 2018

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President and CEO



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1. Overview of FY2017 Financial Results

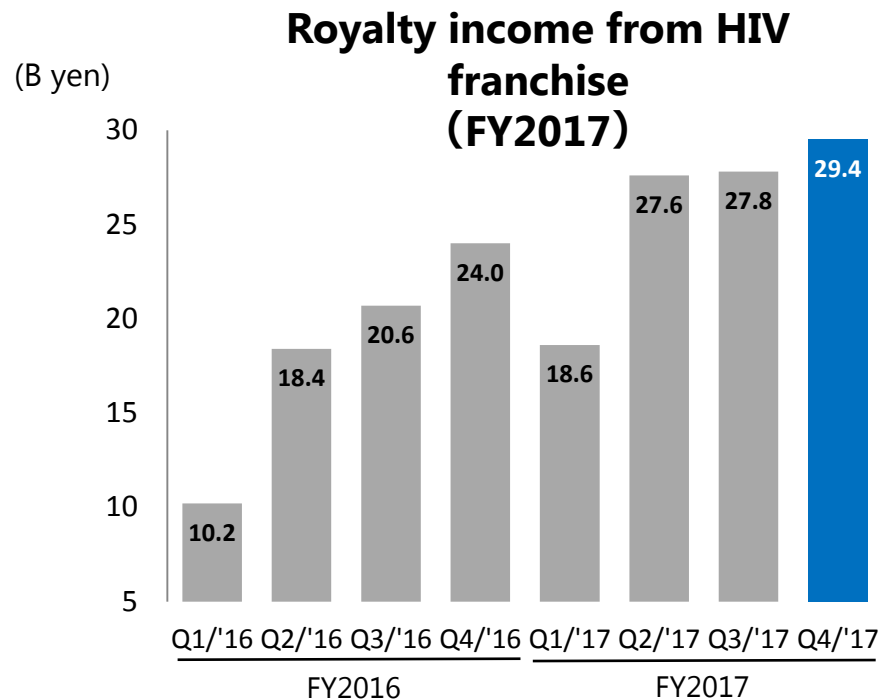
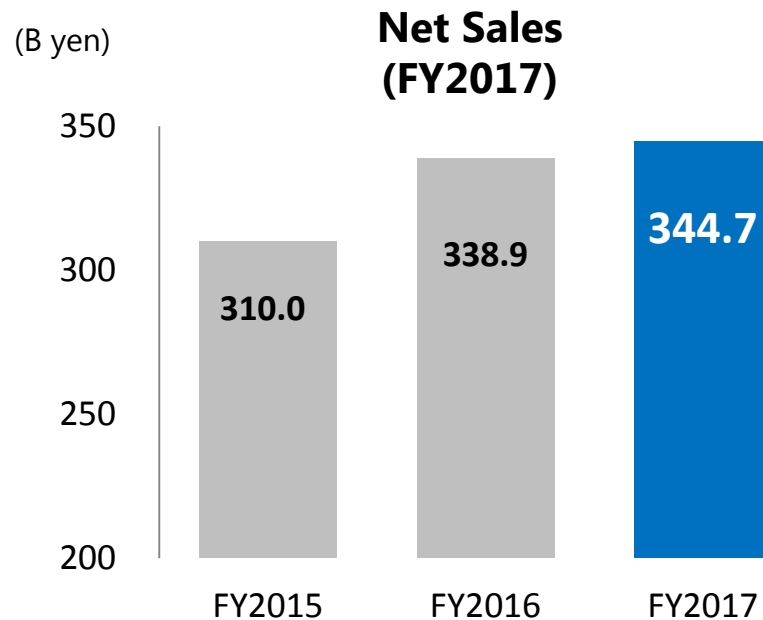
Highlight (1) : Constant Top-line Growth



◆ Net Sales: **344.7 B yen** ^{vs prior FY} (+1.7%)

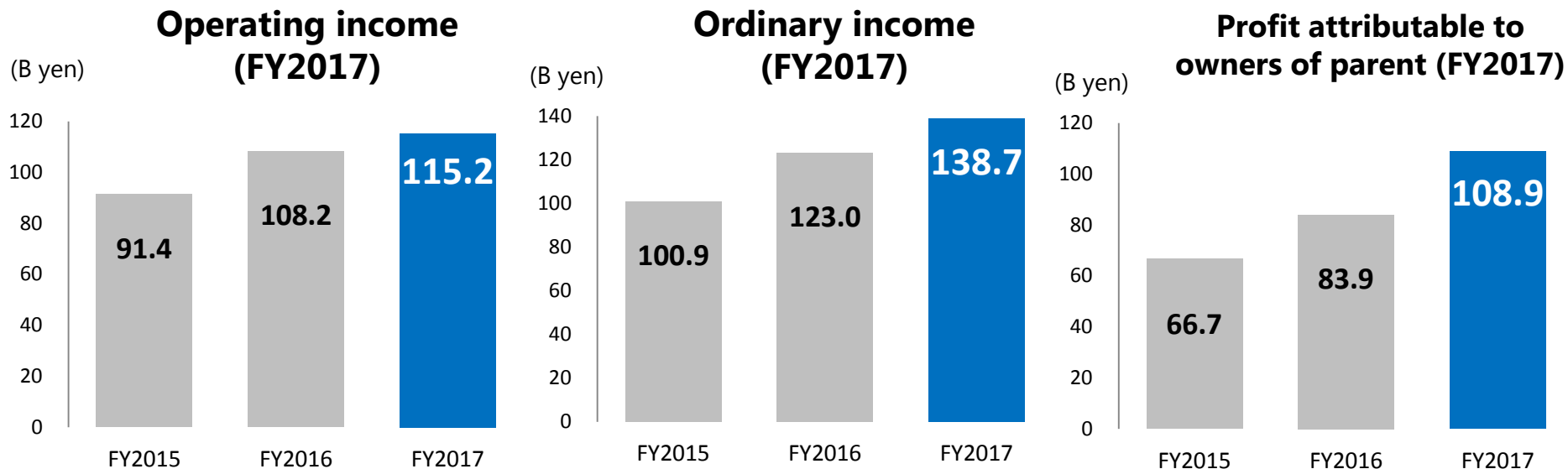
◆ Royalty income: **103.5 B yen** ^{vs prior FY} (+41.2%)
from HIV franchise

**Increased for
3 consecutive years**



Highlight (2) : All Profit Measures Were over 100 B Yen and Higher Than the Levels Achieved in Prior Years

- ◆ Operating income: **115.2 B yen** ^{vs prior FY (+6.5%)}, higher than the levels achieved in prior Fiscal Years for three consecutive years
- ◆ Ordinary income: **138.7 B yen** ^{vs prior FY (+12.7%)}, higher than the levels achieved in prior Fiscal Years for six consecutive years
- ◆ Profit attributable to owners of parent: **108.9 B yen** ^{vs prior FY (+29.8%)}, higher than the levels achieved in prior Fiscal Years for two consecutive years



Highlight (3) : KPIs - Results in FY2017



		FY2020 target	FY2017 target	FY2017 results	FY2016 results
Growth	Sales of new products*	200 B yen	53.1 B yen	55.5 B yen	43.9 B yen
	Ordinary Income	150 B yen	132.0 B yen	138.7 B yen	123.0 B yen
Efficiency	ROIC**	Over 13.5%	13.4%	14.9%	13.3%
	CCC***	5.5 months	6.3 months	6.2 months	6.7 months
	Original pipeline ratio	Over 50%	Over 50%	73.9%	68.2%
Shareholder return	ROE	Over 15.0%	16.3%	19.4%	16.3%
	DOE	Over 4.0%	4.3%	4.6% (planned)	4.5%

Financial Results (Consolidated)



(Unit: B yen)

	FY2017			Achievem ent (%)	FY2016	Y on Y	
	Forecasts (beginning of FY*)	Forecasts (revised**)	Results		Results	Change (%)	Change (B yen)
Sales	340.0	345.0	344.7	99.9%	338.9	1.7%	5.8
Operating income	112.5	113.5	115.2	101.5%	108.2	6.5%	7.0
Ordinary income	123.5	132.0	138.7	105.1%	123.0	12.7%	15.7
Profit attributable to owners of parent	92.0	101.0	108.9	107.8%	83.9	29.8%	25.0

- Profit was over 100 B yen
- Each profit measure was higher than the levels achieved in prior fiscal years

Exchange rate (average)	FY2017 forecasts	FY2017 results
USD (\$) – JPY (¥)	110	110.86
GBP (£) – JPY (¥)	140	146.96
EUR (€) – JPY (¥)	120	129.68

Statements of Income (Consolidated)



(Unit: B yen)

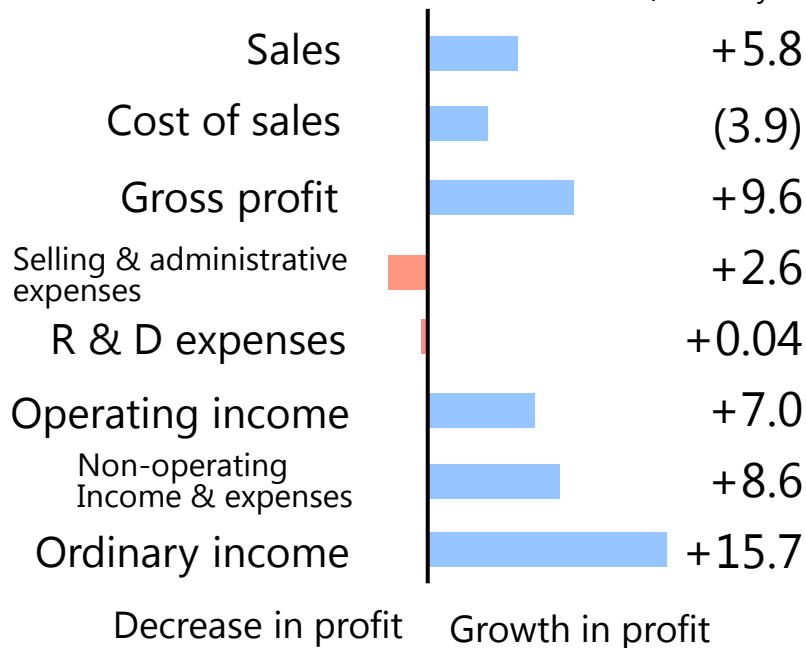
	FY2017				FY2016	Y on Y	
	Forecasts (beginning of FY*)	Forecasts (revised**)	Results	Achievement (%)	Results	Change (%)	Change (B yen)
Sales	340.0	345.0	344.7	99.9	338.9	1.7	5.8
	22.5	22.2	21.4		23.0		
Cost of sales	76.5	76.5	73.9	96.6	77.8	(5.0)	(3.9)
Gross profit	263.5	268.5	270.8	100.8	261.1	3.7	9.6
	44.4	44.9	45.1		45.1		
SG&A expenses	151.0	155.5	155.5	100.3	152.9	1.7	2.6
Selling & administrative expenses	29.1	29.0	27.7	95.6	27.5	2.8	2.6
R&D expenses	15.3	15.9	17.4	109.0	17.7	0.1	0.04
	33.1	32.9	33.4		31.9		
Operating income	112.5	113.5	115.2	101.5	108.2	6.5	7.0
Non-operating income & expenses	P11.0	P18.5	P23.5	-	P14.9	58.0	8.6
	36.3	38.3	40.2		36.3		
Ordinary income	123.5	132.0	138.7	105.1	123.0	12.7	15.7

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

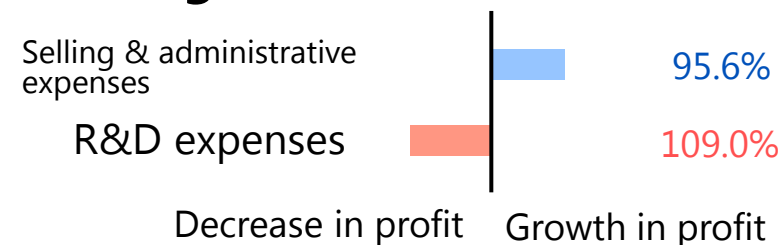


Y on Y comparison

(Unit: B yen)



Progress vs Revised forecasts



Main Variation Factors (Y on Y)

- Sales
 - Sales growth of strategic products
 - Increase in royalty income from HIV franchise
 - Receive payments for Xofluza™*
 - Sales decrease of Crestor® due to share capture by generic competitors
- SG & A expenses:
 - Selling & administrative expenses: +2.6 B yen
 - › Upfront investment to new products
- Non-operating income & expenses
 - Increase in dividends by increase in royalty income from HIV franchise from ViiV

Main Variation Factors (vs Revised forecasts)

- Cost of sales: Improved by 0.8%
 - Sales of various products and increase in royalty income
- SG & A expenses: progresses as expected
 - Selling & administrative expenses: -4.4 B yen
 - R&D expenses: +4.9 B yen
 - › Progress of global development of Xofluza™

Sales by Segments (Consolidated)



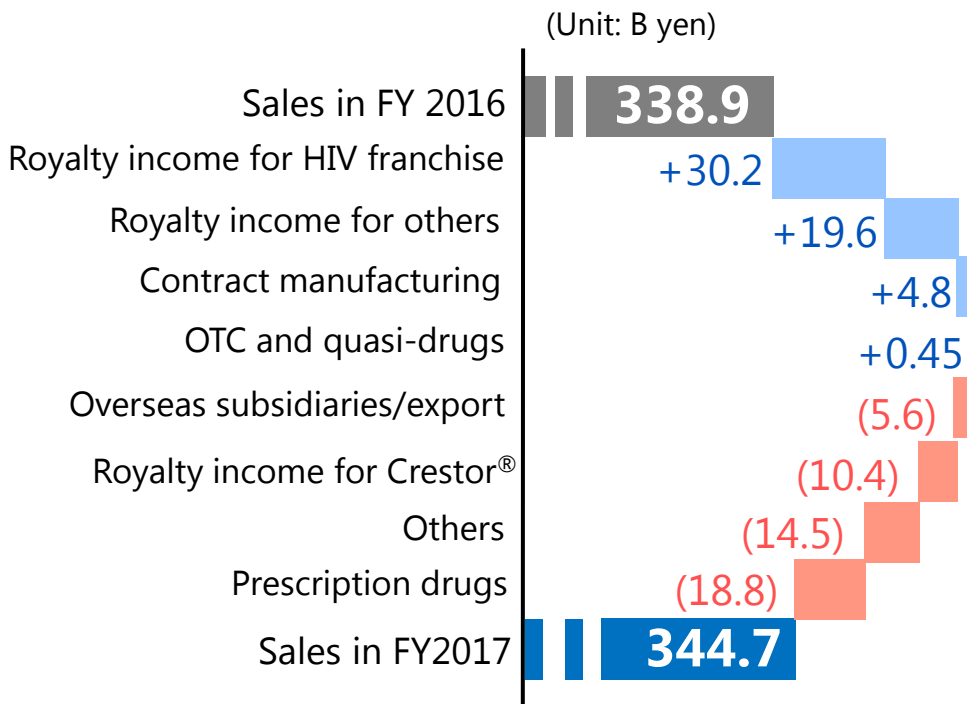
(Unit: B yen)

	FY2017				FY2016	Y on Y	
	Forecasts (beginning of FY*)	Forecasts (revised**)	Results	Achievement (%)	Results	change (%)	Change (B yen)
Prescription drugs	143.9	144.1	139.2	96.6	158.0	(11.9)	(18.8)
Overseas subsidiaries/export	25.4	25.5	23.6	92.6	29.2	(19.1)	(5.6)
Shionogi Inc.	12.0	11.2	10.6	94.6	17.9	(40.7)	(7.3)
Osphena®	4.6	3.9	3.7	94.7	4.7	(22.2)	(1.0)
Contract manufacturing	15.3	15.4	16.9	110.1	12.1	39.8	4.8
OTC and quasi-drugs	7.5	7.0	7.2	103.5	6.8	6.7	0.45
Royalty income	145.0	150.3	155.0	103.1	115.7	34.0	39.4
HIV franchise	103.0	103.3	103.5	100.2	73.3	41.2	30.2
Crestor®	22.0	22.5	22.6	100.4	33.0	(31.6)	(10.4)
Others	20.0	24.5	29.0	118.1	9.4	209.9	19.6
Others	2.9	2.7	2.6	97.4	17.1	(84.8)	(14.5)
Total	340.0	345.0	344.7	99.9	338.9	1.7	5.8

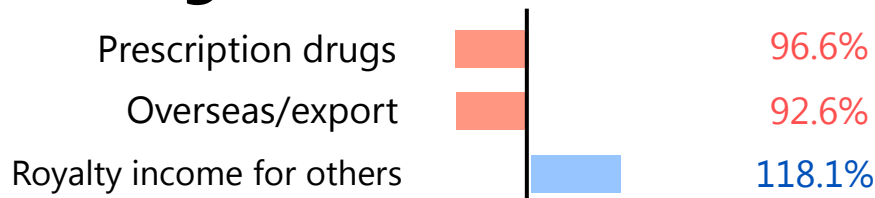
Y on Y Comparison and Main Variation Factors (Sales by Segments)



Y on Y comparison



Progress vs Revised forecasts



Main Variation Factors

(Y on Y change: +5.8 B yen, +1.7%)

- Royalty income
 - Sales growth of HIV franchise
 - Received payments for Xofluza™*
- Contract manufacturing
 - Increase in API for dolutegravir
- Overseas subsidiaries/export
 - Decrease in royalty for authorized generic in US
- Prescription drugs
 - Sales growth of strategic products
 - Sales decrease due to transfer of marketing rights of long-listed drugs
 - Sales decrease of Crestor® due to share capture by generic competitors

Main Variation Factors

(vs Revised Forecasts: -0.3 B yen, -0.1%)

- Prescription drugs
 - Sales decrease due to share capture by generic competitors
- Overseas subsidiaries/export
 - Decrease in royalty for authorized generic in US
- Royalty income for others
 - Received payments for Xofluza™

Sales of Prescription Drugs in Japan



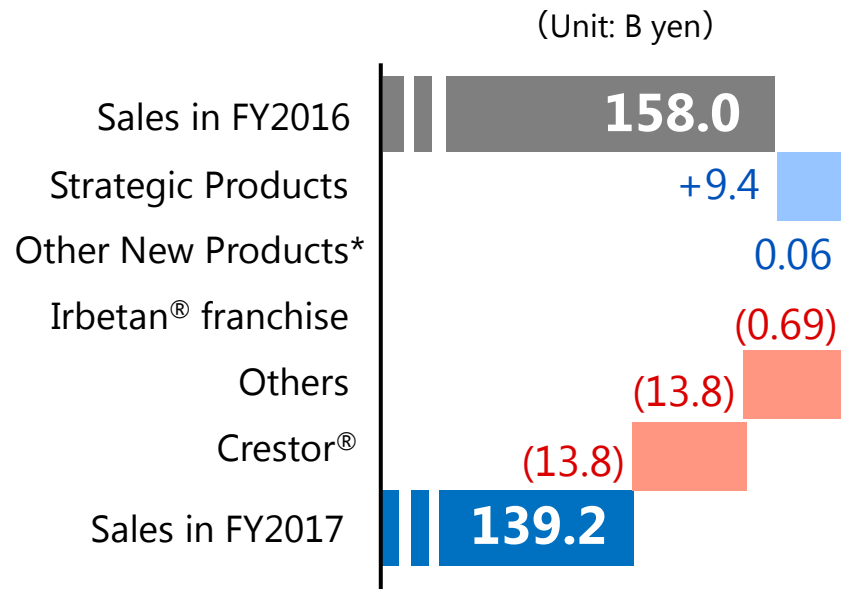
(Unit: B yen)

	FY2017			Achievement (%)	FY2016	Y on Y	
	Forecasts (beginning of FY*)	Forecasts (revised**)	Results		Results	Change (%)	Change (B yen)
Cymbalta [®]	25.3	26.0	23.5	90.6	19.0	23.7	4.5
Intuniv [®]	0.62	2.0	1.9	94.0	-	-	1.9
Symproic [®]	0.38	0.60	0.60	99.9	-	-	0.60
Xofluza [™]	-	-	2.4	-	-	-	2.4
Total of Strategic Products	26.3	28.6	28.4	99.5	19.0	49.5	9.4
Actair [®]	0.13	0.13	0.12	96.5	0.08	60.9	0.05
Mulpleta [®]	0.17	0.17	0.16	95.5	0.13	26.2	0.03
Pirespa [®]	6.0	6.0	6.5	108.3	5.8	10.4	0.61
OxyContin [®] franchise	8.9	8.9	8.7	97.7	9.7	(10.2)	(0.99)
Rapiacta [®]	2.8	2.8	3.3	120.5	2.9	16.7	0.48
Brightpoc [®] Flu	0.93	0.92	1.1	122.1	1.0	14.1	0.14
Glashvista [®]	0.69	0.31	0.30	95.6	0.55	(46.4)	(0.26)
Total of New Products	45.8	47.7	48.6	101.9	39.1	24.2	9.5
Crestor [®]	36.4	34.4	29.3	85.2	43.1	(32.1)	(13.8)
Irbetan [®] franchise	14.8	14.8	14.6	98.5	15.3	(4.5)	(0.69)
Others	46.9	47.2	46.8	99.1	60.5	(22.7)	(13.8)
Prescription Drugs	143.9	144.1	139.2	96.6	158.0	(11.9)	(18.8)

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



• Y on Y comparison



Main Variation Factors (Y on Y change: -18.8 B yen, -11.9%)

- Strategic Products
 - Cymbalta®: Sales growth mainly in pain market
 - Favorable sales growth after launch of new products such as Intuniv®, Symproic®, and Xofluza™
- Others
 - Sales decrease due to transfer of marketing rights of long-listed drugs
- Crestor®
 - Sales decrease due to share capture by generic competitors

• Progress vs Revised forecasts



Main Variation Factors (vs Revised forecasts: -4.9 B yen, -3.4%)

- Crestor®
 - Sales decrease due to share capture by generic competitors

Growth Sales in New Products /Influence of Generic Competitors



(Unit: B yen)

New Products, Crestor [®] , Irbetan [®] franchise	Forecasts*	Results	Main Variation Factors
Sales growth of new products (e.g. Cymbalta [®])	+8.6	+9.5	<ul style="list-style-type: none"> Sales growth of strategic products Favorable sales growth of Xofluza[™] after launch
Sales decrease of Crestor [®] and Irbetan [®] franchise	(9.2)	(14.5)	<ul style="list-style-type: none"> Share capture by generic competitors
Long-Listed Drugs	Forecasts*	Results	Main Variation Factors
Sales decrease of long-listed drugs (e.g. Flomox [®]) and decrease in national stockpile of Rapiacta [®]	(8.4)	(8.8)	<ul style="list-style-type: none"> Progressed as expected
Transfer of marketing rights of 24 long-listed drugs	(4.9)	(4.9)	<ul style="list-style-type: none"> Progressed as expected
Total of Prescription Drugs in Japan	(13.9)	(18.8)	

Sales growth of new products could not make up for sales decrease of Crestor[®] due to higher than forecasted share capture by generic competitors

Japanese Business

- **Cymbalta®**
 - > Strong sales growth compared to FY2016
- **Intuniv®, Symproic®**
 - > Strong sales growth after launch
- **Xofluza™**
 - > Smooth launch from NDA to approval (about 5 months)
 - > Sales were 2.4 B yen in the 2 weeks after launch (Mar 14 to 31, 2018)
- **Crestor®**
 - > Sales decreased due to rapid share capture by generics after their launch in Sep/Dec 2017.

Total sales decreased while sales of new products increased, since sales of Crestor® were impacted more than expected by share capture by generics

Overseas Business

- **Xofluza™**
 - Preparing for US NDA in collaboration with Roche
 - Completed enrollment in Phase III (HR*) study
- **Symproic®**
 - Launched in US, and sales were 0.3 B yen in FY2017
 - Collaboration with Purdue to bring Symproic® to patients across US efficiently
- **Mulpleta®**
 - NDA submitted and accepted for filing in US and EU
- **Cefiderocol**
 - Accumulating additional data in infections caused by CR** gram-negative pathogens for US NDA
- **S-004992 for tuberculosis**
 - Discovered in C&O, our subsidiary in China

Strengthening & enhancing the growth trajectory of new products, and progressing the development of new growth drivers

Refining infrastructure to enhance productivity

- **Established 6 Japanese subsidiaries in Apr. 2017 to enhance productivity while addressing societal interests such as extended employment**
 - Management of all subsidiaries proceeded on track
 - Developed human resources to increase IT and business literacy
- **Strategic IT collaboration with Accenture**
 - Operational efficiency improved for routine/existing tasks; focused resourcing on strategic tasks
- **Building new drug-discovery platforms in strategic collaboration with external organizations**
 - Peptide drugs
 - > Introduced PDPS* technology from PeptiDream
 - > Established Peptistar, joint business venture for manufacturing special peptide drugs
 - Investments in new technology
 - > Strategic collaborations with UMN Pharma and PharmaIN



Shifting gears in R&D and developing growth drivers for sustainable growth beyond 2020

Key points for R&D meeting* in FY2017

Progress in mid-sized molecule drug discovery and collaborations with external organizations from the end of 2016 to 2017, driven mainly by our Research Headquarters

⇒ **Strengthening, expanding, and accelerating internal research and collaborative research with partners**



Advanced development of early-stage pipeline products
Selected 7 high-priority projects* for FY2018

⇒ **Paving the way to expand the core pipeline beyond 2020**

Remaining Challenges

~Mid- to Long-term Plan~



Japan Business

Strengthen & re-construct foundation, and build greater strength in Japan

- Further focus resources to increase sales of new products such as Cymbalta®, Intuniv®, Symproic®, and Xofluza™

Overseas business

Strengthen global presence

- Increase sales and profits from global markets - US, EU, and China
- Address the problem of AMR and promote Antimicrobial Stewardship

Productivity

Further enhance productivity

- Maximize return on invested capital
- Continuously improve operating profit margin excluding royalty income

2. FY2018 Financial Forecasts

Financial Forecasts (Consolidated)



(Unit: B yen)

	FY2018 forecasts		FY2017	Y on Y	
	Full year	1H	Results	Change (%)	change (B yen)
Sales	346.5	164.0	344.7	0.5	1.8
Operating income	119.0	44.5	115.2	3.3	3.8
Ordinary income	140.0	54.5	138.7	0.9	1.3
Profit attributable to owners of parent	111.0	43.1	108.9	2.0	2.1

Achieve income and profit growth in FY2018

Exchange rate (average)	FY2018 forecasts	FY2017 results
USD (\$) – JPY (¥)	105	110.86
GBP (£) – JPY (¥)	145	114.96
EUR (€) – JPY (¥)	130	129.68

3. FY2018 Business Plan

For Sustainable Development of the World

- **Growing global interest in ESG***
 - Promotion of sustained increase of corporate value and mid- and long-term investment
 - Promoted by the UN Principles for Responsible Investment
- **SDGs (sustainable development goals)**
 - International development goals from 2016 to 2030, which was adopted by the UN Sustainable Development Summit
 - Consisting of 17 goals and 169 targets
 - Universal goals not only for developing countries but also developed countries



Companies need to be committed to sustainable development as a member of society

Stable royalty income supporting foundation for growth

Royalty income from HIV franchise

- Increase in royalty income due to global sales growth of ViiV
- FY2018 forecasts: 124.9 B yen (103.5 B yen in FY2017)
- Cash dividend from ViiV in FY2018 projected to be the same level as in FY2017

Royalty income from Crestor®

- Stable royalty income from AstraZeneca after contract modification
- FY2018: 21.1 B yen (FY2017: 22.6 B yen)

Income from Xofluza™

- Stable income from Roche after contract modification regarding R&D milestone payments
- Income in FY2018 will be about the same level as in FY2017 (FY2017: ca. 18 B yen)

FY2018 is a year to enhance our earning power, develop the next growth drivers, and increase productivity with stable income

Shionogi's Business Environment Change in FY2018



- **Investment**

- Global development of Xofluza™ is in its final stage
- Developing the next growth drivers beyond dolutegravir and Xofluza™
 - > Expand late development pipeline to support growth beyond 2020

- **Sales**

- Cymbalta®: Re-pricing following market expansion
- Revision of standards for price maintenance premium

- **Investment**
 - In order to ensure continuous growth
 - > Advance pipeline by clarifying priorities and focusing resources
 - > Investment in **in-licensing to expand pipeline**
- **Sales**
 - “**Sales growth of the new products**” by enhancing our earning power



FY2018 is a year to invest for sustainable growth and to build a Shionogi with more earning power

Plans/Elements for Growth in FY2018



	Challenge	Plan/Element for Growth
Investment	Developing the next growth drivers	<ul style="list-style-type: none"> • Investment in high-priority pipeline assets • Strategic investments for sustainable growth
Sales	<p><Japan></p> <ul style="list-style-type: none"> • Price reduction due to the drug price revision <p><US></p> <ul style="list-style-type: none"> • Influence of mounting concern regarding Opioid abuse on sales of Symproic® 	<p><Japan></p> <ul style="list-style-type: none"> • Sales growth of Cymbalta®, Influenza franchise, ADHD franchise, and Opioid franchises <p><US></p> <ul style="list-style-type: none"> • Further progress of strategic business collaboration for Symproic® and Osphena® • Preparation for sales growth after launch of a new product (Mulpleta®)

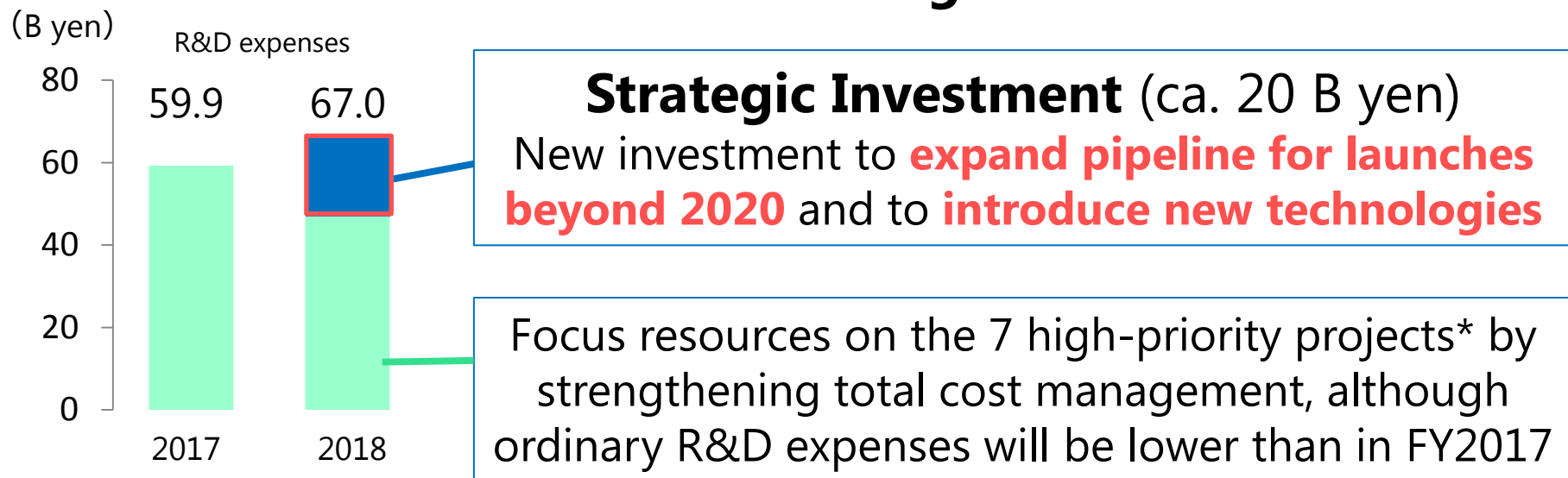
Strategic Investment for Sustainable Growth



Development of Xofluza™ is in its final stage

Favorable opportunity to invest in other growth drivers

New investment to expand pipeline for sustainable growth



Strategic investment (ca. 20 B yen) in R&D is planned for sustainable growth

Statements of Income Forecasts



(Unit: B yen)

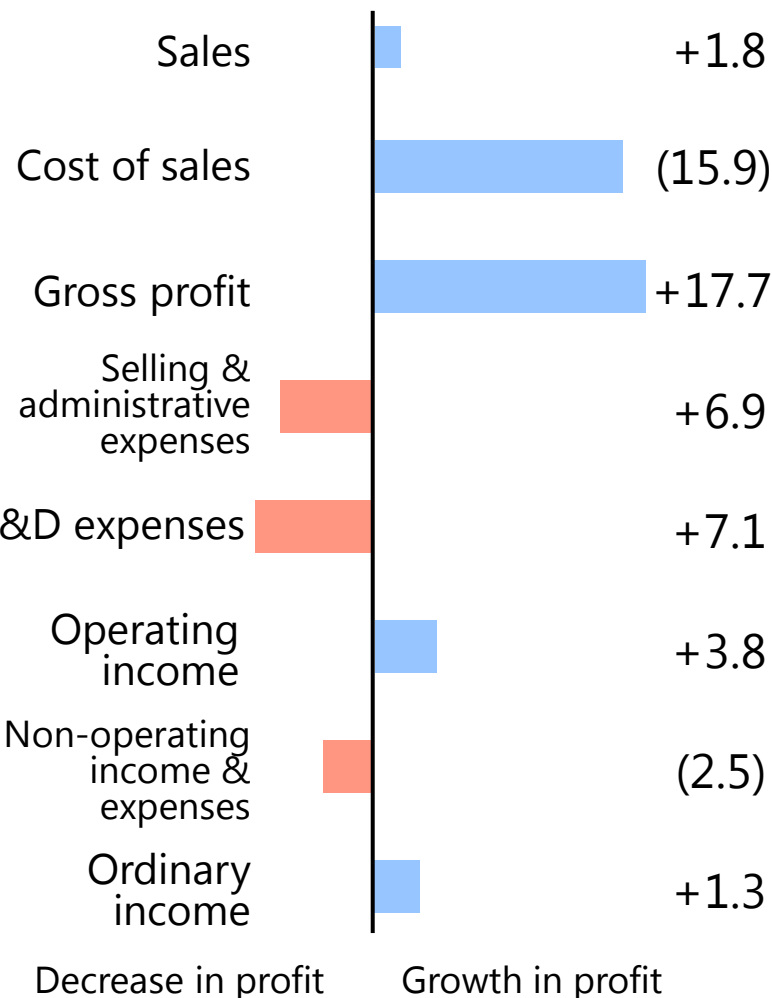
	FY2018 forecasts		FY2017	Y on Y	
	Full year	1H	Results	Change (%)	Change (B yen)
Sales	346.5	164.0	344.7	0.5	1.8
	16.7	16.5	21.4		
Cost of sales	58.0	27.0	73.9	(21.5)	(15.9)
Gross profit	288.5	137.0	270.8	6.6	17.7
	48.9	56.4	45.1		
SG&A expenses	169.5	92.5	155.5	9.0	14.0
Selling & administrative expenses	29.6	32.0	27.7		
	102.5	52.5	95.6	7.2	6.9
	19.3	24.4	17.4		
R&D expenses	67.0	40.0	59.9	11.8	7.1
Ordinary R&D expenses*	47.0	25.0	59.9	(21.6)	(12.9)
Strategic investment	20.0	15.0	-	-	-
	34.3	27.1	33.4		
Operating income	119.0	44.5	115.2	3.3	3.8
Non-operating income & expenses	P21.0	P10.0	P23.5	-	(2.5)
	40.4	33.2	40.2		
Ordinary income	140.0	54.5	138.7	0.9	1.3
Profit attributable to owners of parent	111.0	43.1	108.9	2.0	2.1

Y on Y Comparison and Main Variation Factors (Statements of Income Forecasts)



• Y on Y comparison

(Unit: B yen)



Main Variation Factors (Y on Y)

- **Sales (+1.8 B yen)**
 - Sales growth of Cymbalta[®], Intuniv[®], Symproic[®], and Xofluza[™]
 - Sales growth of HIV franchise
 - Sales decrease of Crestor[®] and Irbetan[®] franchise due to share capture by generics
 - Sales decrease due to drug price revision
- **Cost of sales (-15.9 B yen)**
 - Sales decrease of Crestor[®]
- **SG & A expenses (+14.0 B yen)**
 - Selling & administrative expenses
 - › Investment in new products such as Xofluza[™]
 - R&D expenses
 - › Decrease in ordinary R&D expenses by total cost management
 - › Strategic investment (ca. 20 B yen)

Sales by Segments Forecasts



(Unit: B yen)

	FY2018 Forecasts		FY2017 Results	Y on Y	
	Full year	1H		Change (%)	Change (B yen)
Prescription drugs	119.3	52.3	139.2	(14.3)	(19.9)
Overseas subsidiaries/export	29.8	13.6	23.6	26.2	6.2
Shionogi Inc.	10.9	5.0	10.6	2.9	0.31
Osphena®	4.1	2.1	3.7	12.0	0.44
C&O	12.4	5.8	6.9	80.1	5.5
Contract manufacturing	12.1	5.6	16.9	(28.7)	(4.9)
OTC and quasi-drugs	7.4	3.4	7.2	1.7	0.12
Royalty income	175.5	87.8	155.0	13.2	20.4
HIV franchise	124.9	58.7	103.5	20.7	21.4
Crestor®	21.1	10.6	22.6	(6.6)	(1.5)
Others	29.5	18.5	29.0	1.7	0.49
Others	2.5	1.3	2.6	(4.5)	(0.12)
Total	346.5	164.0	344.7	0.5	1.8

Sales Forecasts for Prescription Drugs in Japan



(Unit: B yen)

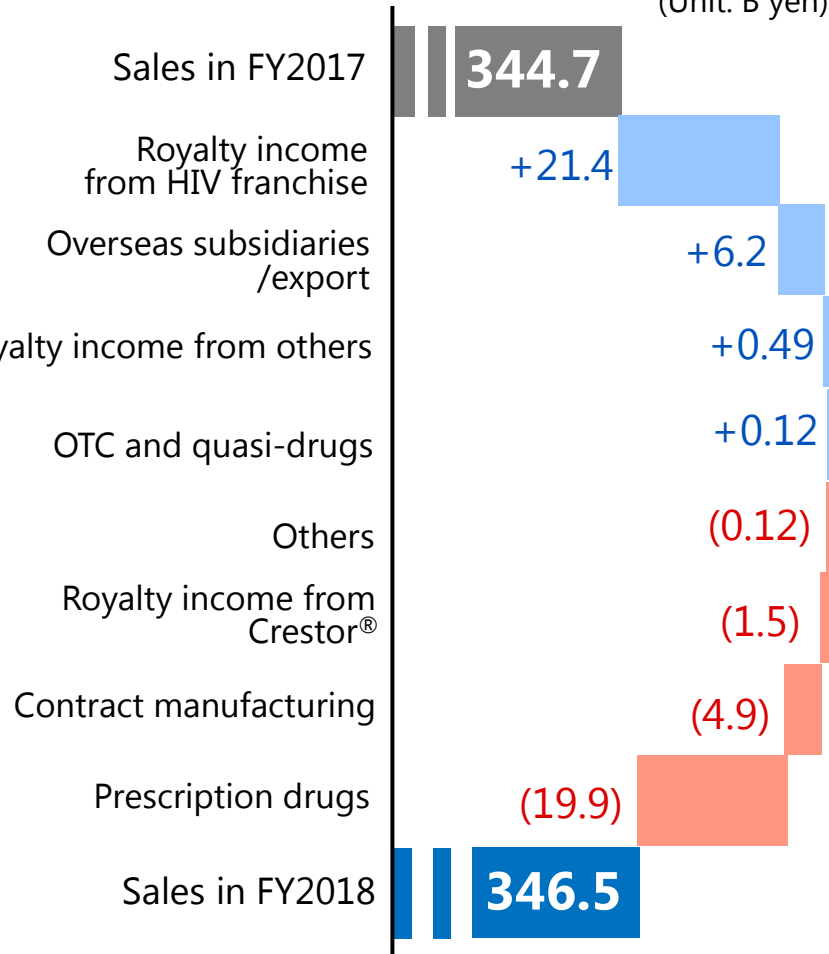
	FY2018 Forecasts		FY2017	Y on Y	
	Full year	1H	Results	Change (%)	Change (B yen)
Cymbalta[®]	26.0	12.1	23.5	10.5	2.5
Intuniv[®]	5.0	1.9	1.9	165.2	3.1
Xofluza[™]	13.0	1.3	2.4	439.1	10.6
Rapiacta[®]	1.1	0.06	3.3	(66.4)	(2.2)
Brightpoc[®] Flu	1.1	0.11	1.1	(6.0)	(0.07)
OxyContin[®] franchise	9.1	4.2	8.7	4.7	0.40
Symproic[®]	1.2	0.48	0.60	95.6	0.57
Total of Strategic Products	56.4	20.3	41.6	35.8	14.9
Actair[®]	0.15	0.06	0.12	23.8	0.03
Mulpleta[®]	0.23	0.12	0.16	43.9	0.07
Pirespa[®]	6.0	3.1	6.5	(7.6)	(0.49)
Total of New Products	62.8	23.5	48.6	29.2	14.2
Crestor[®]	9.7	5.3	29.3	(67.0)	(19.6)
Irbetan[®] franchise	6.4	3.6	14.6	(56.0)	(8.2)
Others	40.4	19.9	46.8	(13.5)	(6.3)
Prescription drugs	119.3	52.3	139.2	(14.3)	(19.9)

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



• Y on Y comparison

(Unit: B yen)



Main Variation Factors

(Y on Y change: +1.8 B yen, +0.5%)

- **Royalty income (+20.4 B yen)**
 - Sales growth of HIV franchise
- **Overseas subsidiaries/export (+6.2 B yen)**
 - Sales growth of leading products by focusing resources
- **Contract manufacturing (-4.9 B yen)**
 - Transfer of marketing rights of long-listed drugs to Kyowa Pharmaceutical Industry Co., Ltd.
- **Prescription drugs (-19.9 B yen)**
 - Sales growth of Cymbalta®, Intuniv®, Symproic®, Xofluza™
 - Sales decrease due to drug price revision
 - Sales decrease of Crestor® and Irbetan® franchise due to share capture by generic competitors

Financial Forecasts (Consolidated)

(Unit: B yen)

	FY2018 forecasts		FY2017	Y on Y	
	Full year	1H	Results	Change (%)	change (B yen)
Sales	346.5	164.0	344.7	0.5	1.8
Operating income	119.0	44.5	115.2	3.3	3.8
Ordinary income	140.0	54.5	138.7	0.9	1.3
Profit attributable to owners of parent	111.0	43.1	108.9	2.0	2.1

**Achieve income
and profit growth
in FY2018**

Exchange rate (average)	FY2018 forecasts	FY2017 results
USD (\$) – JPY (¥)	105	110.86
GBP (£) – JPY (¥)	145	114.96
EUR (€) – JPY (¥)	130	129.68

Financial Forecasts for FY2018



- Net Sales (344.7 to 346.5)**

(Unit: B yen)

FY2017 Results	1H Results 172.2	2H Results 172.5	
FY2018 Results	1H Forecasts 164.0	2H Forecasts 182.5	+1.8

Crestor®: 22.0 B yen in 1H 2017
 5.3 B yen in 1H 2018 (forecasts)

Increased royalty income

Sales of Influenza franchise are mainly in 2H

- Operating Income (115.2 to 119.0)**

- Ordinary Income (138.7 to 140.0)**

- Profit attributable to owners of parent (108.0 to 111.0)**

FY2017 Results	1H Results 55.8	2H Results 59.5	
FY2018 Results	1H Forecasts 44.5	2H Forecasts 74.5	+3.8

Strategic investment: 15.0 B yen in 1H 2018 (forecasts)

FY2017 Results	1H Results 65.6	2H Results 73.1	
FY2018 Results	1H Forecasts 54.5	2H Forecasts 85.5	+1.3

FY2017 Results	1H Results 50.3	2H Results 58.5	
FY2018 Results	1H Forecasts 43.1	2H Forecasts 67.9	+2.1

Income and profit growth will be achieved in the full-year, although decreases in income and profit are forecasted in 1H

KPIs - Target in FY2018 -



Growth

- Sales of new products*: **72.1 B yen**, +29.9% (200.0 B yen) vs prior FY
- Ordinary income: **140.0 B yen** (150.0 B yen)

Efficiency

- ROIC: **Over 14.5%** (Over 13.5%)
- CCC: **6.1 months** (5.5 months)
- Original pipeline ratio: **Over 50%** (Over 50%)

Shareholder return

- ROE: **Over 17.0%** (Over 15.0%)
- DOE: **4.3%** (Over 4.0%)

Inside of () are 2020 target

Action Plans for Each Division

1. Japan Business
2. Overseas Business
3. R&D

Approaches for Strengthening Japan Business



Establish marketing framework and strategy based on the characteristics of market for each product

~ Organization and strategy for maximizing the value of new products ~

Shionogi's way to win in the market

1: Get larger market share

- Enhance marketing activities for each region mainly by MRs
- Make blockbuster drugs by focusing resources on new products with more efficacious e-detailing*

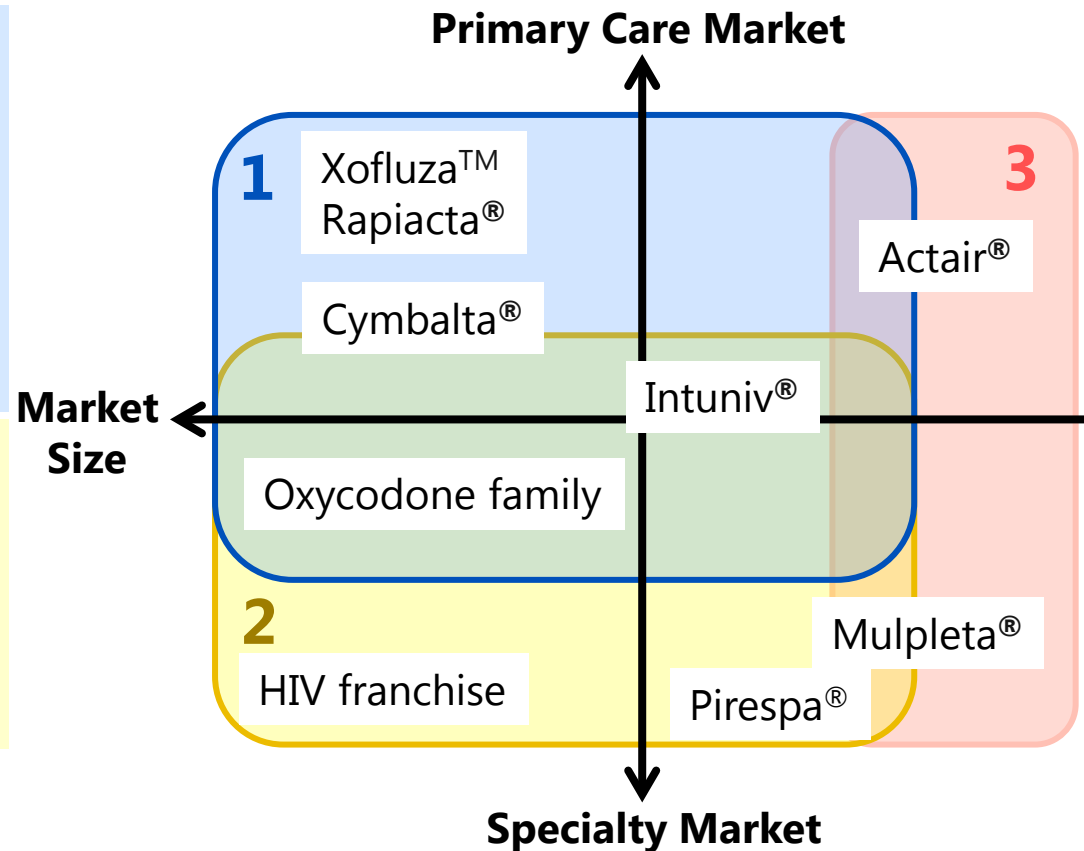
* System for providing information of drugs through internet

2: Increase presence in each market

- Improve expertise of MRs by strengthening MSL**/ASL*** network
- Communicate new treatment concepts by strengthening marketing strategy

3: Enhance efficiency of marketing

- Clarify priorities and focus resources



** MSL (Medical Science Liaison): Experts who have advanced knowledge about disease, diagnosis, treatment and drugs, and provide and collect medical and academic information through communication with leading medical professionals

*** ASL (Area Support Liaison): Experts who determine and carry out marketing strategy, and conduct promotional activity with advanced knowledge about disease and medical treatment



SHIONOGI

Characteristics of Xofluza™

Unique one dose, one time regimen

- Convenient for patients and doctors
- Improved medication adherence

Effective in reducing the duration of influenza symptoms

Stops viral replication and eliminates viral shedding in 24 hours

- Potential to reduce transmission

Novel, first in class molecule

- Cap-dependent endonuclease inhibitor
- Inhibits viral cycle at a very early stage
- Activity against oseltamivir-resistant strains and avian flu strains (H5N1, H7N9)

Only one oral drug for patients in their teens (JPN only)

Well tolerated safety profile with fewer adverse events (vs. oseltamivir)



Xofluza™ has the potential to become a new standard of care in influenza

Maximizing product value in ADHD

Increase new prescriptions for Intuniv® and enhance switches from other drugs and combination therapy for patients not satisfied with their current treatment

- Inform all target physicians of the characteristics of Intuniv® in April and May before the lifting of the ban on long-term treatment in June
 - For patients who suffer from symptoms after environmental changes
 - For patients suffering from hyperactivity and impulsivity which are easily noticeable in daily life

Maximizing the value of Intuniv® and lisdexamfetamine by synergistic effects between the products

- Suggest appropriate medication through dialogue with physicians in order to respond to the needs of each patient
- Support “creation of a more vigorous society” by providing valuable information

Sales Strategy - Oxycodone Family -



Promotion of pain-relief with complementary products

Address social problems by switching to OxyContin® TR

- Promoting importance of drug abuse prevention in advance of shifts to home medical care
- Notice from Health, Labor and Welfare Ministry regarding drug abuse prevention (See right figure)

Promotion of pain-relief through Symproic®

- Providing information on Symproic® to prepare for the lifting of the ban on long-term treatment in June
- Promotion of pain-relief and enhancement of QOL of patients by supporting appropriate use of the Oxycodone family through the complementary benefits of Symproic® and Methapain®

厚生労働省医薬・生活衛生局医薬品審査管理課長
(公印省略)
平成30年3月29日

各都道府県薬務主管部(局)長 殿

厚生労働省医薬・生活衛生局医薬品審査管理課長
(公印省略)
厚生労働省医薬・生活衛生局監視指導・麻薬対策課長
(公印省略)

医療用麻薬の乱用防止製剤について

医薬行政の推進につきましては、平素より格別の御高配を賜り厚く御礼申し上げます。

医療用麻薬は患者の疼痛緩和等に有益である一方で、乱用による公衆衛生上の危険を生じるおそれがあり、特に米国においては医療用麻薬の乱用が大きな問題となっており、様々な対策が講じられています。我が国においても、非がん疼痛への適用拡大や在宅医療推進等を背景に、医療用麻薬の利用拡大が見込まれる状況を踏まえ、乱用防止対策を推進することが極めて重要となります。

医療用麻薬の乱用防止対策の一つとして、米国では、乱用を防止するための特性を有する製剤(以下「乱用防止製剤」という。)の開発が行われており、錠剤に不正な剤型変更を防止する特性等を付与することにより、乱用を防止することが期待されています(参考1及び2参照)。我が国においても、昨年、乱用防止製剤の承認があったところですが、今後乱用防止製剤を製造する技術の開発やそうした技術を用いた製剤の普及が、乱用防止対策の推進において更に有益と考えられます。

つきましては、医療用麻薬の乱用防止対策の重要性及び乱用防止製剤の意義について、貴管下の医療機関、薬局及び医薬品製造販売業者への周知をお願いいたします。併せて、医療機関及び薬局に対し、乱用防止製剤の使用に向けた検討を行っていただくよう、周知をお願いいたします。

Sales Strategy

- Strengthening of Overseas Business -



Pain, CNS

- **Symproic®**
- Take measures to maximize value recognizing the increased focus on control of opioid use in the US

Frontier

- **Mulpleta®**
 - Achieve smooth sales growth after approval and launch through appropriate market development and preparation
 - Development in China
- **Osphena®**
 - Sales growth by further collaboration with Duchesnay, preparing for approval of the dryness indication in US

Break-even of Shionogi Inc. will be achieved in FY2018 through top-line growth, cost-control, and leveraging strategic collaborations

Infectious disease

- **Xofluza™**
 - NDA submission and approval in US
 - Obtain flash report of Phase III (HR) study
 - NDA submission in Taiwan
 - NDA submission of granule product in Japan
 - Initiation of prophylactic administration study (Phase III) in Japan and Taiwan
- **Cefiderocol**
 - Phase III studies are ongoing: infections caused by CR** gram-negative pathogens, HAP/VAP/HCAP**
 - Accumulation of additional data from infections caused by CR** gram-negative pathogens and NDA submission in US
- **S-004992**
 - Start of Phase I study in China
- **Novel HIV drug**
 - Non-clinical studies are progressing to support initiation of Phase 1 study in FY2019

Pain, CNS

- **S-600918** • Start of Proof of concept study in Japan
- **S-637880** • Completion of Phase I study in Japan

Frontier

- **Adjuvant** • Progressing non-clinical studies to support start of Phase 1 study in FY2019
- **S-770108** • Completion of Phase I study in Japan

Peptide

- **Peptide drugs** • Optimization of HIT peptides to initiate new drug discovery projects

Maximizing Corporate Value Through Group Businesses



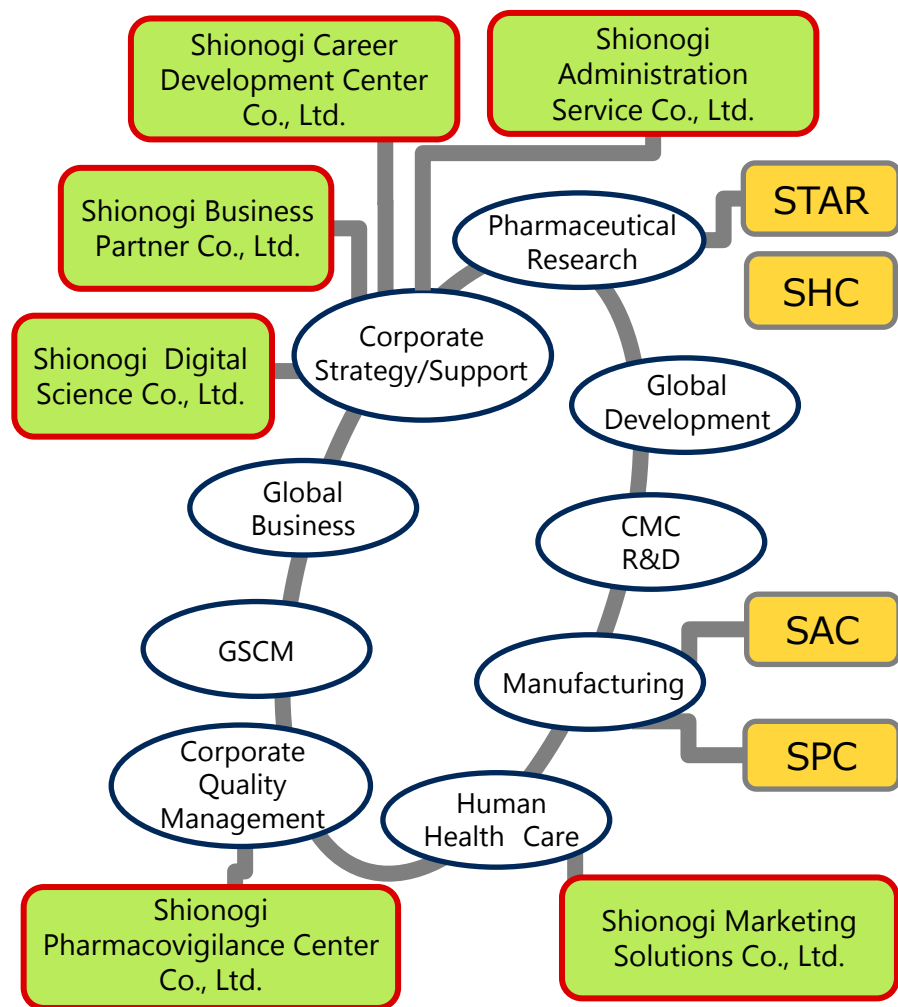
- Improvement of business operations
- Respond to requests from society (e.g. employment extension, equal pay for equal work)

Close communication between senior management of group companies

Refine infrastructure to enhance productivity and build expertise

For further growth

**Release on Apr. 23, 2018
'Construction of a New
Manufacturing Subsidiary'**



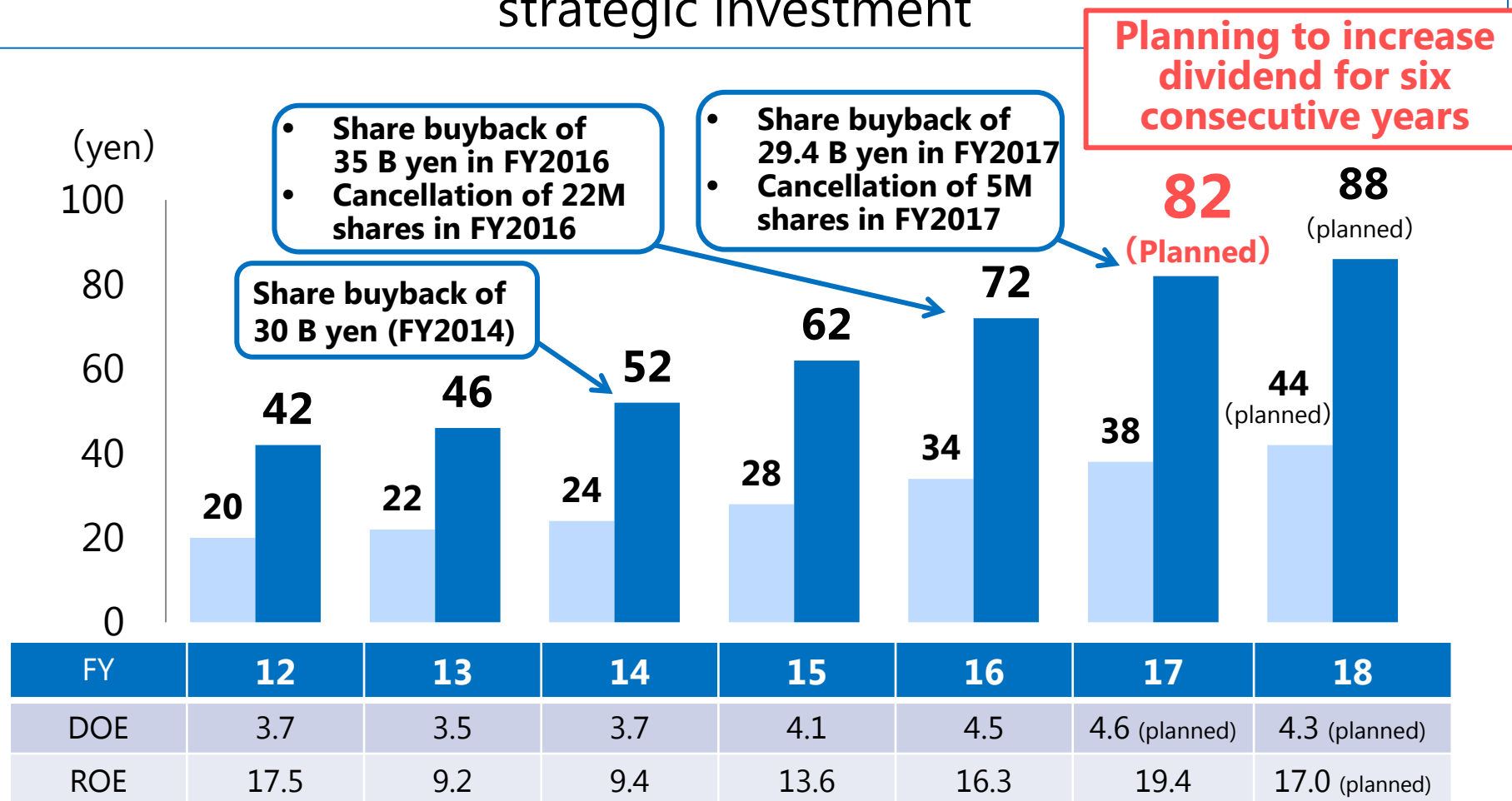
Red frame: Japanese group companies established in Apr. 2017

4. Shareholder Return

Shareholder Return Policy of Shionogi

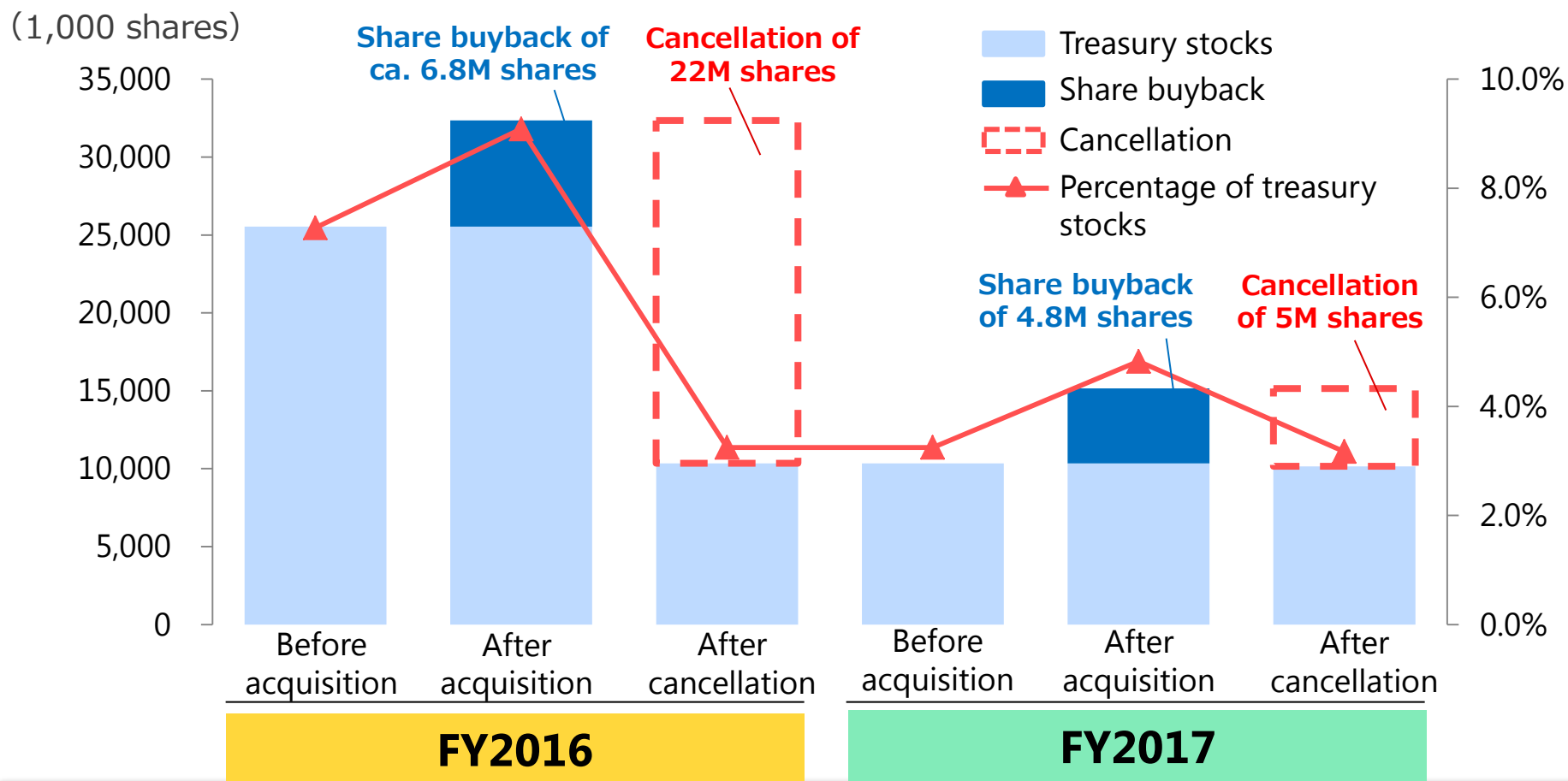


Maximizing corporate value by balancing three key factors
: return to shareholders, investment for further growth, and
strategic investment



Expeditious Capital Policy

Sharing our mid- to long-term profit growth with our shareholders by increasing returns as appropriate through share buyback, cancellation of treasury stocks, and elimination of cross-share holdings



Appendix

- Addressing Social Problems and Enhancing Corporate Value -

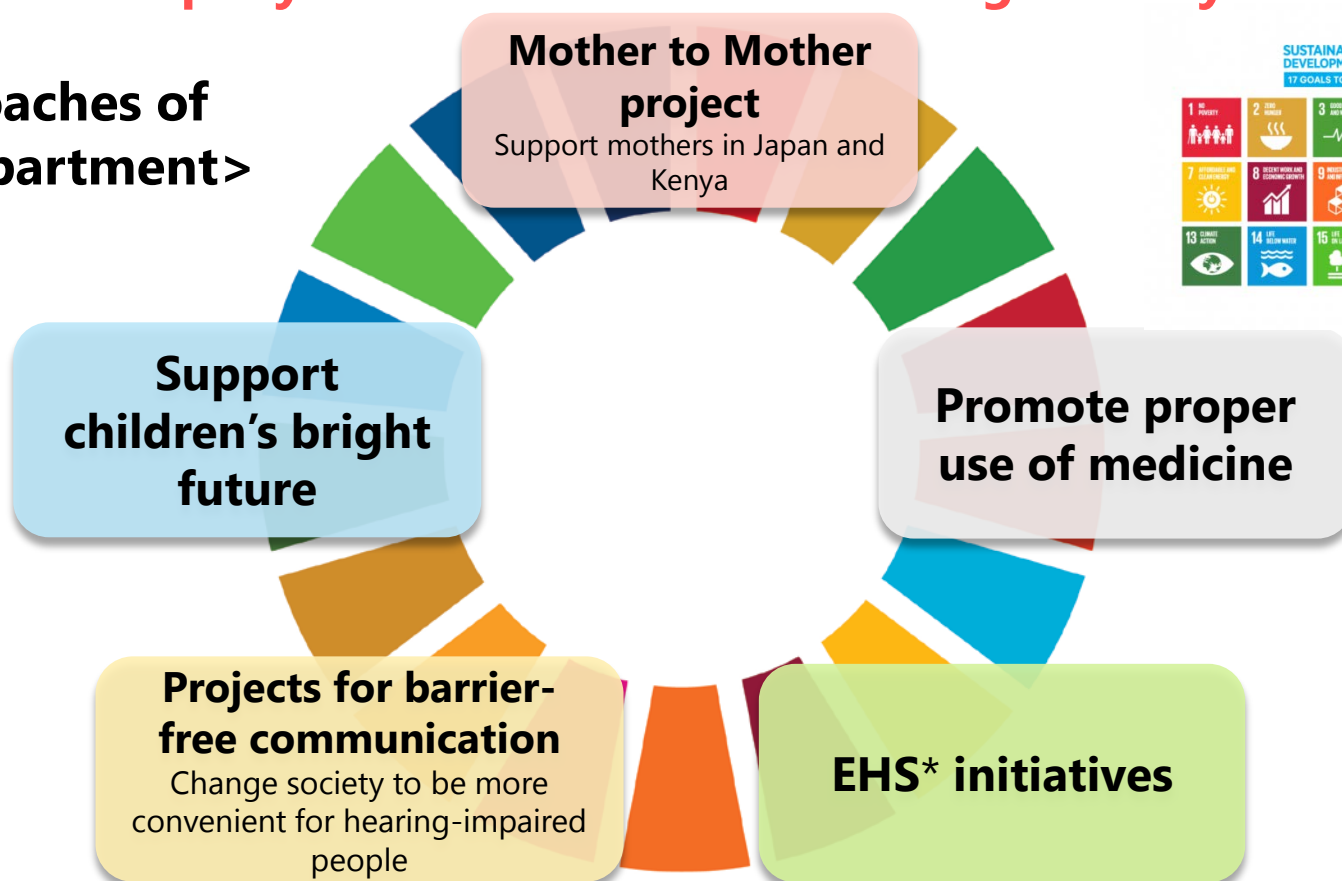
Addressing Social Problems and Enhancing Corporate Value



Further focus on addressing social problems
by a newly-established CSR department

~Grow sustainably contributing to a more vigorous society and
become a company whose contribution is recognized by society~

<Approaches of
CSR department>



Support for Children's Bright Future



Create a more vigorous society for patients suffering from ADHD and CNS diseases

Osaka

From Jan, 2017



(from left)
Mr. Matsui, Governor of Osaka; Mr. Teshirogi, President & CEO of Shionogi

Shiga

From Feb, 2018



(from left)
Ms. Sawada, Director, Executive Vice President of Shionogi; Mr. Fujimoto, Manager of Department of Public Health Care and Welfare of Shiga

Kagawa

From Mar, 2018

Sanuki city, Higashikagawa city
Ookawa Medical Association



(from left)
Mr. Miyazaki, President of Ookawa Medical Association; Mr. Teshirogi, President & CEO of Shionogi; Mr. Oyama, Mayor of Sanuki city; Mr. Fujii, Mayor of Higashikagawa city

Hiroshima

From Mar, 2018



(from left)
Mr. Yuzaki, Governor of Hiroshima; Mr. Teshirogi, President & CEO of Shionogi

Promoted by 'Office for Children's Bright Future'
Collaborations with other local governments are under discussion

Project for Barrier-Free Communication



Project was launched mainly by hearing-impaired employees



For medical staffs

- Lecture on barrier-free communication in medicine was held on Jun 9, 2017 at Yodogawa Christian Hospital (Fig.1)
- Lecture regarding characteristics of hearing-impaired people and demonstration of sign language
- 280 doctors, nurses, and staffs attended

Fig.1



⇒ **Project activities will be expanded to more medical institutions**

For patients

- Starting TV commercials with captions for products of Shionogi Healthcare & Co., Ltd. to reduce barriers to obtaining information on drugs (Fig.2)
- Changes to product packaging are under discussion to reduce barriers to understanding proper use of medication by vision-impaired patients

Fig.2



For barrier-free communication in Shionogi

- Introduce application for barrier-free communication, "UD Talk®**"

Current situation in Africa

- The maternal mortality rate in Africa is 102 times* greater than in Japan
Environment creates extreme difficulties in giving birth and raising children

Activities by Mother to Mother (Shionogi Project)

- A portion of the proceeds from the sales of Popon[®]S series is donated to support the health of mothers and children in Africa.
- Enhance the vitality of children by supporting the health of mothers in Japan and Kenya which will continue to sustain the prosperity of the society.
- Contribute in an effort to reduce infant, child, and maternal mortality rate in Kenya by supporting International NGO, 'World Vision'
 - Promote medical services (vaccination, medical examination of malnourished children)
 - Establish obstetric facility, dormitory for medical staffs, and kitchen

Support activities to improve access to medications in Africa, where many people need anti-infective drugs

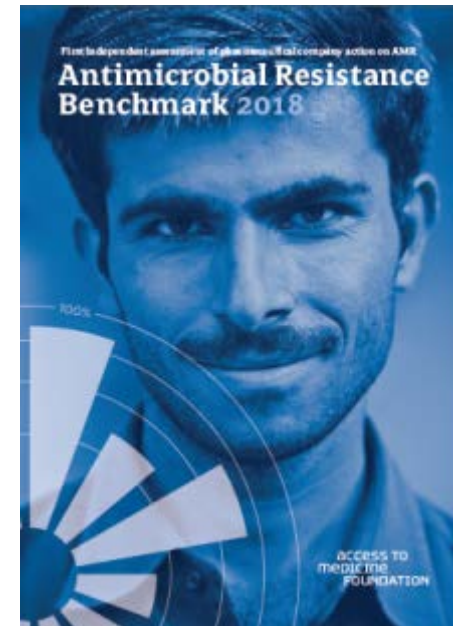
**Mother
toMother**
SHIONOGI Project

Shionogi's response to the threat of AMR is evaluated highly by the Access to Medicine Foundation

- Only Japanese company among 30 candidates
- Active investment in R&D for antibiotics
(the highest ratio of antibiotic R&D investment to income)
- The following points were noted favorably
 - R&D of antifungal drugs
 - Active surveillance of drug resistance
 - Separated the evaluation of sales representatives from the antibiotic sales levels achieved

Positive recognition for efforts with the HIV drug "Tivicay®"

- Increased access to Tivicay® to cover all lower middle-income countries by ViiV in collaboration with MPP
- Supported generic pharmaceutical companies to obtain manufacturing license for Tivicay® from FDA to provide access in lower-income countries



To Address Social Challenges



**Grow sustainably as a
drug discovery-based
pharmaceutical
company contributing
to a more vigorous
society through
improved healthcare**



Appendix

- Pipeline Progress -
- Target for Product Launch -
- Definition of New Products -
- Recognition by External Organizations -

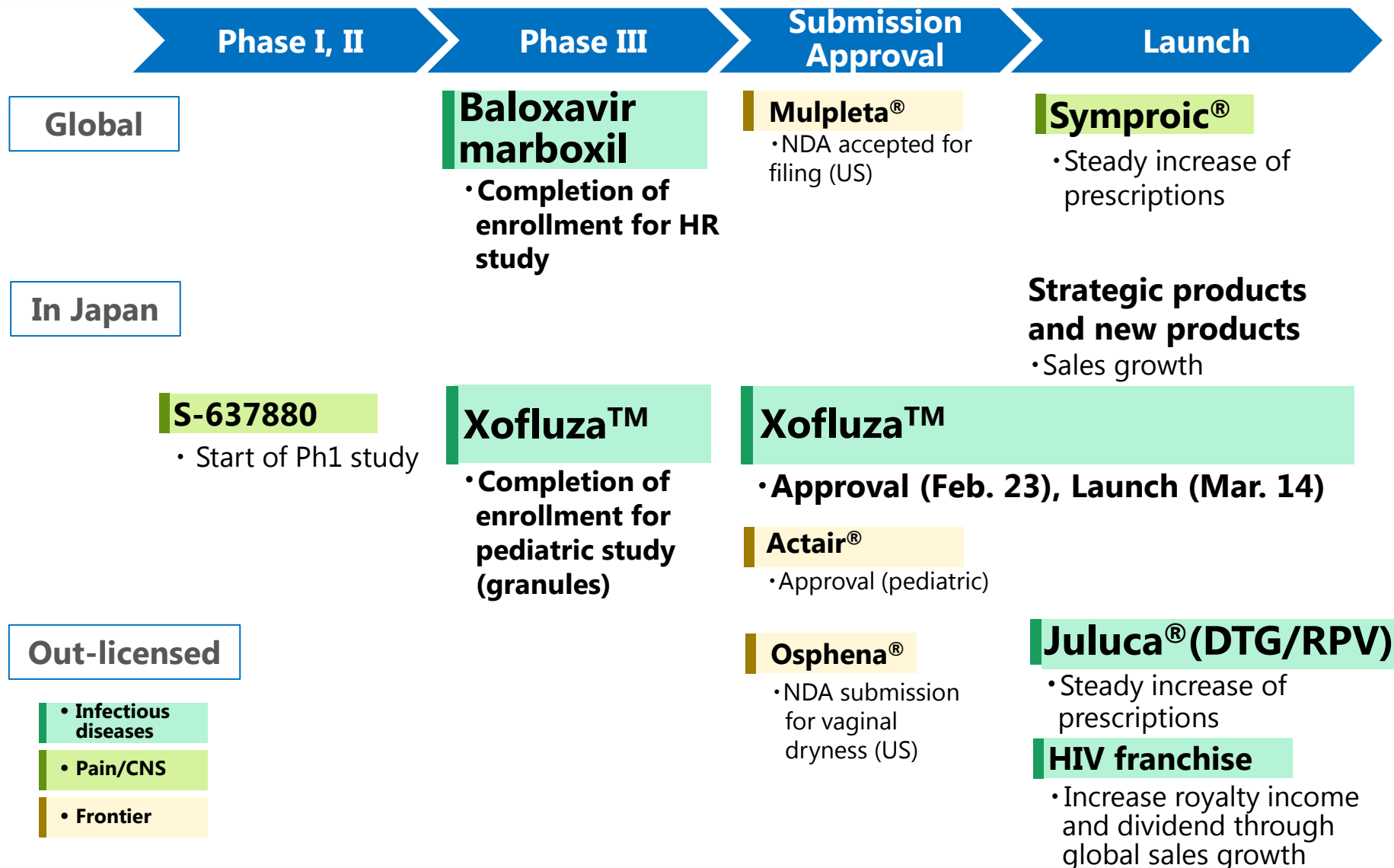
Target Milestones and Progress in FY2017

(as of May 2018)



Areas	Product	As of Apr. 1, 2017		Target for FY2017
Infectious disease	Cefiderocol Multidrug-resistant Gram-negative bacterial infections	US: Preparation for NDA submission		US: NDA submission
	Xofluza™ Influenza virus infection	Global: Phase III	Japan: Phase III (pediatric)	Japan: NDA submission
Pain/CNS	Intuniv® ADHD (pediatric)	Japan: Approval		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: Launch
	Oxycodone Tamper resistant formulation	Japan: NDA submission		Japan: Launch
	Lisdexamfetamine ADHD (pediatric)	Japan: Preparation for NDA submission		Japan: NDA submission
	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, EU: NDA submission
	Actair® Pediatric allergic rhinitis caused by house-dust mite allergen	Japan: NDA submission		Japan: Approval

Progress in 4Q FY2017*



Target Milestones for FY2018 : Approvals and NDA Submission



Product (indication)	Phase I	Phase II	Phase III	NDA submission	Approval
Mulpleta® (Thrombocytopenia associated with chronic liver disease)				US (2017.12) EU (2018.1)	US
Rizmoic® (Opioid-induced constipation)				EU (2017.3)	EU
Lisdexamfetamine (ADHD [pediatric])				Japan (2017.4)	Japan
Xofluza™ (Influenza virus infection)			Global: ongoing	US	US
Xofluza™, granule (Influenza virus infection)			Japan: ongoing	Japan	
Cefiderocol (Multidrug-resistant Gram-negative bacterial infections)			Global: ongoing	US	
Intuniv® (ADHD [adult])			Japan: Extension study ongoing	Japan	

Target Milestones for FY2018 : Phase I ~ III



Product (indication)	Phase I	Phase II	Phase III	NDA submission	Approval
Xofluza™ (Influenza virus infection [prophylaxis])			Asia (Japan, Taiwan): initiated		
OxyContin®TR (Treatment of moderate to severe chronic pain)			Japan: initiated		
S-120083 (Inflammatory pain)					
S-588410 (Bladder cancer)		US: completed			
S-600918 (Neuropathic pain or Refractory chronic cough)		Japan, EU: completed			
		Japan: initiated			
S-770108 (Idiopathic pulmonary fibrosis)	Japan: completed				
S-637880 (Neuropathic pain)	Japan: completed				
S-005151 (Acute ischemic stroke)	Japan: initiated				
S-004992 (Tuberculosis)	Asia (China) : initiated				

Pipeline (as of May 2018)



Preclinical	Phase I	Phase II	Phase III	Filed
Influenza virus infection HIV virus infection Bacterial infection Antibody drug candidate against pseudomonas Fungus infection Fungus infection	Global S-004992* Tuberculosis S-117957 Insomnia S-237648 Obesity	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	Baloxavir marboxil Influenza virus infection Cefiderocol Multidrug-resistant Gram-negative bacterial infections	Rizmoic® (EU) Opioid-induced constipation Mulpleta® (US) Thrombocytopenia Mulpleta® (EU) Thrombocytopenia
Peptide Vaccine for prevention ADHD Opioid Peptide Alzheimer's disease Diabetes Obesity Hypertrophic scars Cancer metastasis Adjuvant Peptide	In Japan S-637880 Neuropathic pain S-600918 Neuropathic pain S-010887 Neuropathic pain S-770108 Idiopathic pulmonary fibrosis S-005151* Acute ischemic stroke	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	Xofluza™ Influenza virus infection (oral, granule) Oxycodone Moderate to severe chronic pain Lisdexamfetamine ADHD (pediatric)
				<ul style="list-style-type: none"> • Infectious diseases • Pain/CNS • Other

Pipeline (as of May 2018)



Preclinical	Phase I	Phase II	Phase III	Filed
Out-licensed	<div>GSK3342830 Multidrug-resistant Gram-negative bacterial infections</div>		<div>DTG+3TC Treatment for HIV infection GEMINI study (untreated) TANGO study (maintainance)</div>	<div>Osphena® Vaginal dryness associated with postmenopausal VVA</div>
			<div>CAB LAP Prevention for HIV infection</div>	
			<div>CAB+RPV LAP Treatment for HIV infection</div>	
			<div>Janssen/Shionogi BACE inhibitor* Alzheimer's disease</div>	
			<div><div>• Infectious diseases</div><div>• Pain/CNS</div><div>• Others</div></div>	

Target Milestones for Launch of Products



FY2017 (Achieved)	FY2018	FY2019
In Japan		
Symproic® Intuniv® ADHD (pediatric) Oxycodone Tamper resistant formulation Actair® Pediatric allergic rhinitis caused by house-dust mite allergen Xofluza™ (adult, pediatric)	Lisdexamfetamine ADHD (pediatric)	Intuniv® ADHD (adult) Xofluza™ (granule)
Global		
Symproic®(US)	Mulpleta® (US) Rizmoic® (EU) Baloxabir marboxil (US)	Cefiderocol(US) Mulpleta®(EU) Baloxabir marboxil (Taiwan)
Out-licensed		
Juluca® (DTG/RPV)(US)	Juluca® (DTG/RPV) (EU) Osphena® (US) Vaginal dryness associated with postmenopausal VVA	DTG + 3TC

Definition of Strategic Products in Japan



Strategic Products (until FY2017)

Strategic Products

- Cymbalta[®]
- Intuniv[®]
- Symproic[®], Oxycodone tamper resistant formulation

New Products

- Strategic compounds, Actair[®], Mulpleta[®], Pirespa[®], OxyContin[®] franchise, Rapiacta[®], Brightpoc[®]Flu, Glashvista[®]



Strategic Products (from FY2018)

Strategic Products

Infectious disease

- XofluzaTM
- Rapiacta[®]
- Brightpoc[®]Flu

Influenza family

Pain/CNS

- Cymbalta[®]
- Intuniv[®], Lisdexamfetamine

ADHD family

- OxyContin[®], OxyContin[®]TR, OxiNorm[®], OxiFast[®], Methapain[®], Symproic[®]

Oxycodon family

New Products

- Strategic compounds, Actair[®], Mulpleta[®], Pirespa[®]

Profiles of New Products in Japan



Area	Product	Profiles
Infectious disease	Xofluza™	Drug for influenza, rapid virus decrease after a single oral dose
	Rapiacta®	First infusion drug for influenza
	Brightpoc®Flu	Diagnosis kit for influenza, rapid detection in 1 minute at earliest
Pain/CNS	Cymbalta®	Drug (SNRI) for depression and 4 pain indications
	Intuniv®	Drug (nonstimulant) for ADHD
	Lisdexamfetamine	Candidate drug for ADHD
	OxyContin®	Drug for chronic cancer pain
	OxyContin®TR	Drug for chronic cancer pain under drug abuse prevention
	OxiNorm®	Powdered drug for cancer pain
	OxiFast®	Injectable drug for cancer pain
	Methapain®	Drug for patients suffering from moderate to severe cancer pain uncontrolled by other opioids
	Symproic®	Drug for OIC (opioid-induced constipation)
Others	Actair®	First house dust mites sublingual tablet for allergen immunotherapy
	Mulpleta®	First oral drug for thrombocytopenia as an alternative treatment for platelet transfusion
	Pirespa®	First drug for IPF (idiopathic pulmonary fibrosis)

Definition of New Products (in Updates to SGS2020)



Pain/ CNS

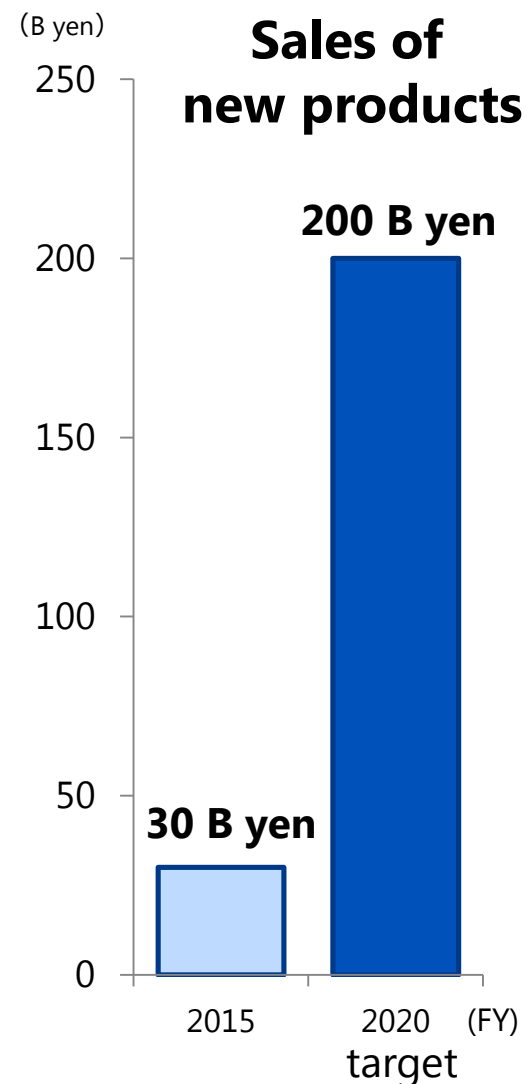
- Cymbalta®
- OxyContin® tamper resistant formulation, OxiNorm®, OxiFast®
- Naldemedine*
- Guanfacine hydrochloride, lisdexamfetamine

Infectious diseases

- S-033188
- Cefiderocol (S-649266)
- Rapiacta®, flu diagnosis kit

Others

- Pirespa®
- Mulpleta® (S-888711)
- Actair®
- Glashvista®
- Osphena® (Senshio®)



Recognition by External Organizations (FY2017)



2017
Institutional Investor
ALL-JAPAN EXECUTIVE TEAM
MOST HONORED COMPANY



ディスクロージャー
2017年度 優良企業



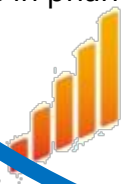
SAAI 日本証券アナリスト協会
The Securities Analysts Association of Japan

Good-standing company for disclosure
(First prize in pharmaceutical sector)

**grow
sustainably
with society**



Grand prize for the
corporate value
improvement award



健康経営銘柄 2018
Health and Productivity



2018
健康経営優良法人
Health and productivity
ホワイト500

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- 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.
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