

Fiscal 2015 Financial Results

And SGS2020 Rolling Plan

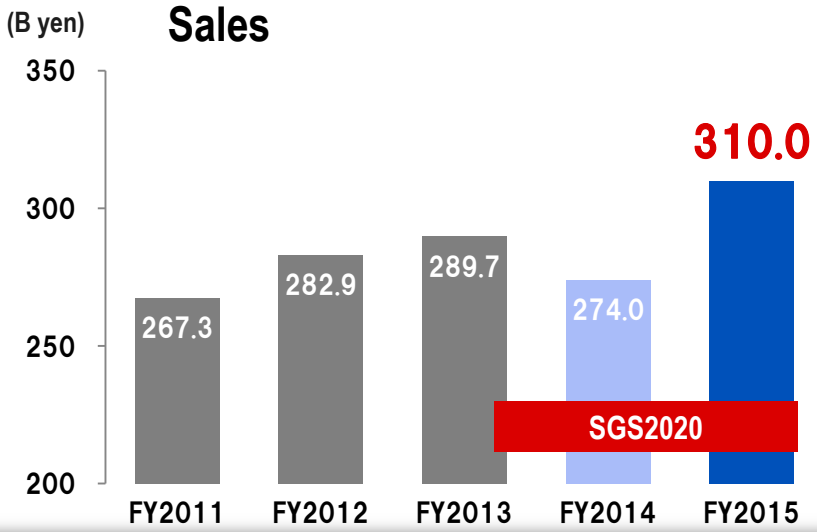
May 11, 2016

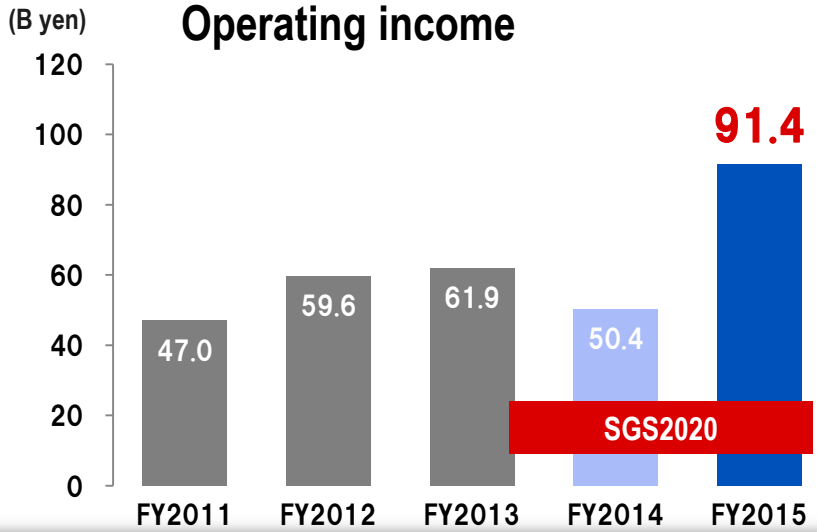
SHIONOGI

Overview of FY2015 Financial Results

Summary of FY2015 Results

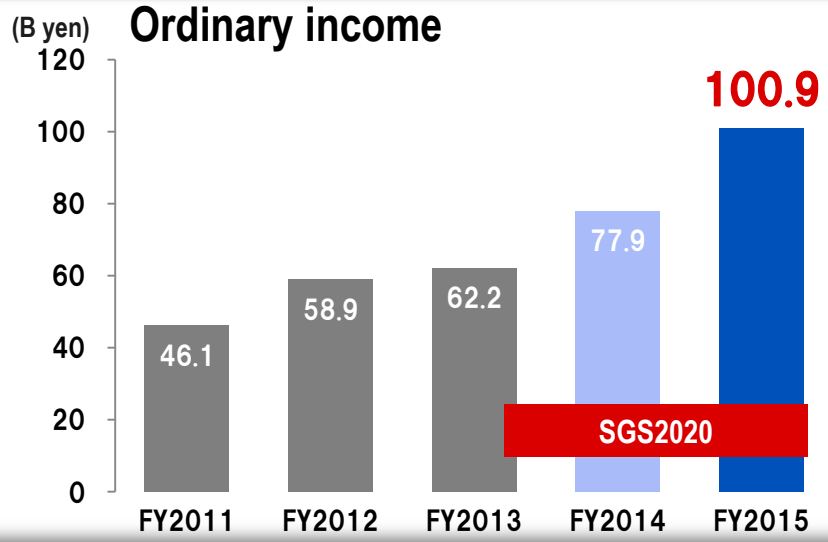
- Sales: **310.0 B yen**, higher than the target
- Operating income: **91.4 B yen**, higher than the highest level previously achieved (in FY2013)

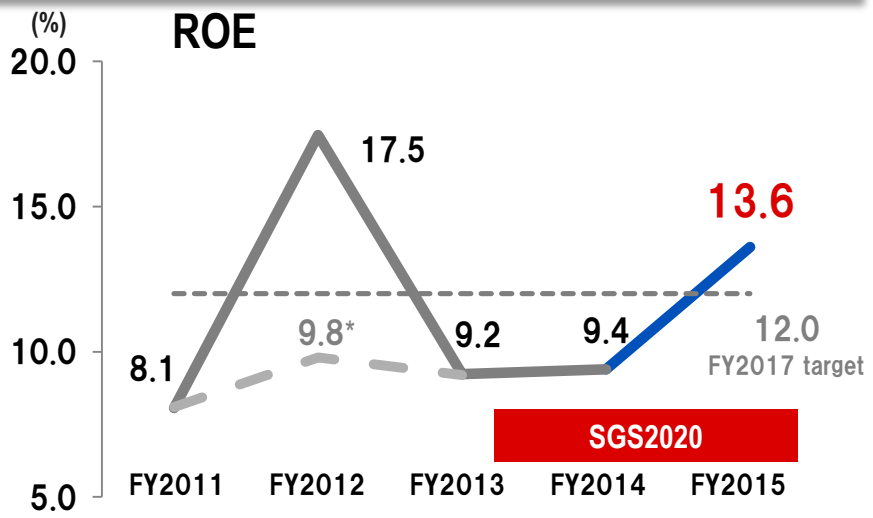




Summary of FY2015 Results

- Ordinary income: **100.9 B yen**, record-high levels for four consecutive years
- ROE: **13.6%**, substantially exceeded the FY2017 target; two years ahead of schedule
- Naldemedine: **NDA submissions in Japan and the US** in Mar. 2016





* Hypothetical ROE: Based on net income excluding the one-time positive effect of tax expenses

Financial Results (Consolidated)

(Unit: B yen)

	FY2015 forecasts	FY2015 results	achievement (%)	FY2014 results	Y on Y change (%)	Y on Y change
Sales	301.5	310.0	102.8	274.0	13.1	36.0
Operating income	78.0	91.4	117.2	50.4	81.5	41.0
Ordinary income	88.0	100.9	114.6	77.9	29.5	23.0
Profit attributable to owners of parent	59.0	66.7	113.0	44.1	51.4	22.6
ROE	11.9%	13.6%		9.4%		

Exchange rete (average)	FY2015 forecasts	FY2015 results	FY2014 results	Y on Y
USD ($) – JP (¥)	120	120.15	109.76	+10.39 Yen depreciation
EUR (€) – JP (¥)	130	132.59	138.69	-6.1 Yen appreciation
GBP (£) – JP (¥)	180	181.33	176.68	+4.65 Yen depreciation

Note: All numerical values are rounded to the nearest unit

Statements of Income (Consolidated)

(Unit: B yen)

	FY2015 forecasts	FY2015 results	achievement (%)	FY2014 results	Y on Y change (%)	Y on Y change
Prescription drugs	167.0	162.1	97.1	161.4	0.4	0.7
Overseas subsidiaries/export*	30.4	29.7	97.7	28.7	3.6	1.0
Shionogi Inc.	17.4	16.6	95.6	15.9	4.3	0.7
Osphena®	7.4	4.8	65.2	4.6	5.5	0.2
Contract manufacturing*	7.6	8.4	111.2	15.6	(45.9)	(7.2)
OTC and quasi-drugs	4.7	4.9	103.6	4.6	6.7	0.3
Royalty income	88.8	101.8	114.7	60.7	67.8	41.1
Royalty income for the sales of Crestor® and HIV franchise	80.0	88.1	110.1	53.2	65.4	34.9
Crestor®	-	47.6	-	47.4	0.4	0.2
HIV franchise		40.5		5.8	594.0	34.7
Others	3.0	3.0	100.0	3.1	(2.2)	(0.1)
Total	**301.5**	**310.0**	**102.8**	**274.0**	**13.1**	**36.0**

- **US business**
  - Osphena®: Expanded market share and increased sales Y on Y, while not achieving the target
- **Contract manufacturing**
  - Reduced due to the modification of Cymbalta® contract

* The accounting policy for API for dolutegravir was changed from export to contract manufacturing in FY2014

Statements of Income (Consolidated)

(Unit: B yen)

	FY2015 forecasts	FY2015 results	achievement (%)	FY2014 results	Y on Y change(%)	Y on Y change
Sales	301.5	310.0	102.8	274.0	13.1	36.0
[Royalty* income]	80.0	88.1	110.1	53.2	65.4	34.9
Cost of sales	24.4 [33.2] 73.5	24.1 [33.7] 74.8	101.7	30.0 [37.2] 82.2	(9.0)	(7.4)
Gross profit	228.0	235.2	103.2	191.8	22.6	43.4
SG&A expenses	49.8 150.0	46.4 143.8	95.9	51.6 141.4	1.7	2.4
Selling & general expenses	101.0	94.0	93.1	92.6	1.6	1.4
R&D expenses	49.0	49.8	101.6	48.9	1.9	0.9
Operating income	25.9 78.0	29.5 91.4	117.2	18.4 50.4	81.5	41.0
[Excluding royalty* income]	(2.0)	3.3	-	(2.9)	-	6.2
Non-operating income and expenses	P10.0	P9.5	94.6	P27.5	(65.6)	(18.0)
Ordinary income	29.2 88.0	32.5 100.9	114.6	28.4 77.9	29.5	23.0
Extraordinary income and loss	L0.2	L3.4	-	P4.2	-	(7.6)
Income before income taxes	87.9	97.5	110.9	82.1	18.8	15.4
Total income taxes, etc.	28.9	30.8	106.6	38.0	(19.0)	(7.2)
Profit attributable to owners of parent	19.6 59.0	21.5 66.7	113.0	16.1 44.1	51.4	22.6

◆Cost of sales ratio
Improved due to the modification of Cymbalta® contract, and up-front and milestone payments from alliance partners

◆SG&A expenses
Decreased due to focusing investment on high-priority programs and continuing careful cost management

◆Non-operating income and expenses
Decreased due to receiving dividends for two years from ViiV in FY2014

◆Extraordinary loss
Increased due to cancellation of co-development with Egalet

Note: Small numbers in red are percent of sales, and numbers in red provided in parentheses are percent of sales excluding royalties
* Royalty income from AstraZeneca and ViiV for the sales of Crestor® and HIV franchise

FY2016 Business Plan

Basic Strategy to Achieve Business Plan

Key actions to complete "Evolution of core business" in SGS2020

Continue achieve bottom-line targets
and
Achieve top-line targets in Japanese/overseas businesses

Positioning for FY2016

Accelerate to strengthen business base and create future growth drivers, in preparation for upcoming patent expirations of strategic products after FY2017

Basic Strategy in FY2016

Continue growth based on increasing royalty income and improved cost management
and
Strengthen and enhance Japanese/overseas business

Financial Forecasts (Consolidated)

(Unit: B yen)

	FY2016 forecasts full year	FY2016 forecasts 1H	FY2015 results	Y on Y change (%)	Y on Y change
Sales	318.0	145.0	310.0	2.6	8.0
Operating income	91.5	33.0	91.4	0.1	0.1
Ordinary income	101.5	33.0	100.9	0.6	0.6
Profit attributable to owners of parent	71.0	21.0	66.7	6.5	4.3
ROE	13.3%		13.6%		

Exchange rate (average)	FY2016 forecasts	FY2015 results
USD ($) – JP (¥)	110	120.15
EUR (€) – JP (¥)	130	132.59
GBP (£) – JP (¥)	155	181.33

Note: All numerical values are rounded to the nearest unit

Statements of Income (Consolidated)

(Unit: B yen)

	FY2016 forecasts		FY2015	Y on Y	
	full year	1H	results	change (%)	change
Prescription drugs	158.2	76.3	162.1	(2.4)	(3.9)
Overseas subsidiaries/export	24.7	12.4	29.7	(16.8)	(5.0)
Shionogi Inc.	12.4	6.0	16.6	(25.5)	(4.2)
Osphena®	5.3	2.6	4.8	10.4	0.5
Contract manufacturing	10.9	5.3	8.4	28.8	2.5
OTC and quasi-drugs	7.0	3.5	4.9	42.9	2.1
Royalty income	114.9	46.3	101.8	12.8	13.1
Royalty income for the sales of Crestor® and HIV franchise	95.0	42.5	88.1	7.8	6.9
Crestor®	33.0	16.5	47.6	(30.7)	(14.6)
HIV franchise	62.0	26.0	40.5	53.1	21.5
Others	2.4	1.2	3.0	(20.8)	(0.6)
Total	**318.0**	**145.0**	**310.0**	**2.6**	**8.0**

Statement of Income (Consolidated)

(Unit: B yen)

	FY2016 forecasts full year	FY2016 forecasts 1H	FY2015 results	Y on Y change (%)	Y on Y change
Sales	318.0	145.0	310.0	2.6	8.0
[Royalty income]	95.0	42.5	88.1	7.9	6.9
	24.5 [35.0]	26.6 [37.6]	24.1 [33.7]		
Cost of sales	78.0	38.5	74.8	4.3	3.2
Gross profit	240.0	106.5	235.2	2.0	4.8
	46.7	50.7	46.4		
SG&A expenses	148.5	73.5	143.8	3.3	4.7
Selling & general expenses	98.5	49.0	94.0	4.8	4.5
R&D expenses	50.0	24.5	49.8	0.4	0.2
	28.8	22.8	29.5		
Operating income	91.5	33.0	91.4	0.1	0.1
[Excluding royalty income]	(3.5)	(9.5)	3.3	-	(6.8)
Non-operating income and expenses	P10.0	-	P9.5	5.7	0.5
	31.9	22.8	32.5		
Ordinary income	101.5	33.0	100.9	0.6	0.6

◆ **Cost of sales ratio**

Increase:
- NHI price revisions
- Changes of product lineup

◆ **SG&A expenses**

Increase:
- Preparing for the launch of new products

◆ **Others**
- Increased personnel expenses; retirement benefit

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

Basic Policy for Income Allocation

- Annual cash dividends of 62 yen per share in FY2015 (revised on Apr. 25, 2016)
- Annual cash dividends of 68 yen per share in FY2016 (half-year: 34 yen, year-end: 34 yen)

	FY2014 results	FY2015 original	FY2015 2015/10/29 Revised	FY2015 forecasts (revised on Apr. 25)	FY2016 forecasts
Profit attributable to owners of parent	44.1 B yen		66.7 B yen		71.0 B yen
Dividend per share	52.00 yen	56.00 yen	60.00 yen	62.00 yen	68.00 yen
Payout ratio	39.2%	-	29.3%	30.3%	31.2%
DOE	3.7%	-	4.0%	4.1%	4.1%
ROE	9.4%		13.6%		13.3%

- Maximize enterprise value by balancing three key factors; return to shareholders, investment for future growth and strategic opportunities
- Sharing our mid- to long-term profit growth with our shareholders by increasing returns as appropriate

DOE: Dividend on equity ratio, ROE: Return on equity

SGS2020 Rolling Plan
(Targets for FY2018)

Positioning for FY2018

Target two growth; top-line growth and bottom-line growth

FY2015	FY2016	FY2017	FY2018	FY2019	FY2020

Clear priorities and focused resourcing

Evolution of Core Business

Growth led by FIC and LIC compounds

Shift Gears for Growth

Ordinary income and ROE targets are projected to be reached two years ahead of schedule

【FY2015 results】

Net sales **310.0** B yen

Ordinary income **100.9** B yen

ROE **13.6%**

【FY2018 targets】

Net sales **400.0** B yen

Ordinary income **125.0** B yen

ROE **15%**

【FY2020 targets】

Net sales **500.0** B yen

Ordinary income **125.0** B yen

ROE **15%**

SGS2020 Vision: Grow as a drug discovery-based pharmaceutical company

Action Plan to Achieve FY2018 Targets

SONG for you!

Quantitative targets

Net sales **400.0 B yen**

Ordinary income **125.0 B yen** ROE **15%**

Actions

- **Top-line Growth**
  - Maximize the value of strategic products
  - Approve and launch compounds in infectious diseases and pain/CNS areas
  - Strategic investment to accelerate growth
- **Bottom-line Growth**
  - Japanese business: clear priorities and focused resourcing
  - Overseas business: achieve profit targets
  - Move from cost control to intelligent cost management
  - Continue high profit level while considering strategic investments with strong potential to add shareholder value

SGS2020

Review FY2020 target based the achievement of profit targets ahead of schedule

Appendix

Financial Position/Cash Flow (Consolidated)

Financial Position

(Unit: B yen)

	3/31/2016	3/31/2015	change
Total assets	639.6	602.9	36.7
Current assets	315.6	259.9	55.7
Non-current assets	324.0	343.0	(18.9)
Total liabilities	125.8	124.0	1.7
Current liabilities	72.0	67.8	4.2
Non-current liabilities	53.8	56.2	(2.4)
Net assets	513.9	478.9	35.0
Equity ratio	79.6%	78.7%	0.9%

Cash Flow

	FY2015 results	FY2014 results	change
Cash and cash equivalents at beginning of period	78.7	108.3	
Operating activities	102.3	45.6	56.7
Investing activities	(32.9)	(31.7)	(1.2)
Financing activities	(18.5)	(46.2)	27.7
Effect of exchange rate change	(1.8)	2.7	(4.5)
Cash and cash equivalents at end of period	127.7	78.7	49.0

Assets

- Current assets
  - Cash and deposit +29.4
  - Investment securities (surplus fund management): +38.5
- Non-current assets
  - Impairment loss on intangible assets (sales rights) due to termination of Egalet collaboration, etc. (2.8)
  - Investment securities; drop in market value, sales (11.9)

Liabilities/Net assets

- Retained earnings +48.4; net income +66.7, cash dividends paid (18.2)
- Foreign currency translation adjustment (11.2)

Operating activities

- Profit with cash +35.7
- Decreased working capital +11.1
- Dividends income received +5.0
- Decreased income taxes +4.8

Financing activities

- FY2014: Share buyback (30.0)

Japan: Sales of Strategic Products

(Unit: B yen)

	FY2015 forecasts	FY2015 results	achievement (%)	FY2014 results	Y on Y change (%)	Y on Y change
Crestor®	44.4	43.7	98.5	43.6	0.3	0.1
Irbetan® franchise	17.0	15.7	92.2	15.1	3.7	0.6
Cymbalta®*	17.4	15.2	87.4	10.9	39.0	4.3
Total of 3 key products	78.8	74.6	94.7	69.7	7.1	4.9
OxyContin® franchise	10.7	10.0	93.7	10.3	(2.3)	(0.3)
Finibax®	3.8	3.8	99.7	4.0	(4.8)	(0.2)
Differin®	3.8	3.0	77.7	3.9	(23.8)	(0.9)
Pirespa®	5.4	6.0	111.2	5.4	11.9	0.6
Rapiacta®	2.8	2.0	72.4	2.6	(23.4)	(0.6)
Total of 8 strategic products	105.3	99.4	94.4	95.8	3.8	3.6
[percent of sales]	[63.1]	[61.3]		[59.3]		
Prescription drugs	167.0	162.1	97.1	161.4	0.4	0.7

- Increased sales of the strategic products
- Cymbalta®: Approved for pain associated with fibromyalgia and pain associated with chronic low back pain
- Differin®: Launch of a new competitor
- Rapiacta®: Slow flu season

* Remuneration for promotional activity from FY2015

Japan: Forecasted Sales of Strategic Products

(Unit: B yen)

	FY2016 forecasts full year	FY2016 forecasts 1H	FY2015 results	Y on Y change (%)	Y on Y change
Crestor®	41.5	20.9	43.7	(5.0)	(2.2)
Irbetan® franchise	15.1	7.4	15.7	(3.9)	(0.6)
Cymbalta®*	19.3	8.9	15.2	27.1	4.1
Total of 3 key products	75.9	37.2	74.6	1.7	1.3
OxyContin® franchise	10.5	5.5	10.0	4.7	0.5
Finibax®	3.9	2.0	3.8	4.2	0.1
Pirespa®	6.3	3.3	6.0	5.0	0.3
Rapiacta®	2.3	0.1	2.0	13.0	0.3
Total of 7 strategic products*	99.0	48.1	96.5	2.6	2.5
[percent of sales]	[62.5]	[63.0]	[59.5]		
Prescription drugs	158.2	76.3	162.1	(2.4)	(3.9)

* Strategic products were changed from eight to seven because Differin® sales right will be retuned in July 2016

Pipeline (as of May 2016)

Non-clinical	Phase I	Phase II		Phase III		NDA submission
	S-120083 Inflammatory pain	S-649266 Multidrug-resistant Gram-negative bacterial infections		【Global】		
	S-033188 Influenza virus Infection	S-707106 Type2 diabetes	S-488210 Head and neck squamous cell carcinoma	S-649266 Multidrug-resistant Gram-negative bacterial infections		
	S-117957 Insomnia	S-222611 Malignant tumor	S-588410 Bladder cancer	Osphena® Vaginal dryness associated with postmenopausal VVA	Lusutrombopag Thrombocytopenia	Naldemedine Opioid-induced constipation
				S-649266 Multidrug-resistant Gram-negative bacterial infections		【In Japan】
Antibody drug candidate against Pseudomonas	Oxycodone Tamper resistant formulation	S-649266 Multidrug-resistant Gram-negative bacterial infections		Lisdexamfetamine ADHD (pediatric)	Guanfacine hydrochloride ADHD (adult)	Naldemedine Opioid-induced constipation
Central neuropathic pain	S-120083 Inflammatory pain	S-033188 Influenza virus Infection	S-237648 Obesity	Actair® Pediatric patients with perennial allergic rhinitis	Oxycodone Moderate to severe chronic pain	Cymbalta® Pain associated with osteoarthritis
NTE Inhalation	S-010887 Neuropathic pain	S-525606 Allergic rhinitis caused by Japanese cedar allergen	S-588410 Bladder cancer	S-555739 Allergic rhinitis	S-588410 Esophageal cancer	Guanfacine hydrochloride ADHD (pediatric)

SHIONOGI

Infectious diseases | Pain/CNS | Metabolic disorder | Frontier

Pipeline (as of May 2016)

Non-clinical	Phase I	Phase II	Phase III	NDA submission
【Out-licensed】		Cabotegravir + rilpivirine LAP Treatment for HIV infection		
GSK3342830 Multidrug-resistant Gram-negative bacterial infections		Cabotegravir LAP Prevention for HIV infection	Dolutegravir + rilpivirine Treatment for HIV infection	
Janssen/Shionogi Project compound Alzheimer's disease			Janssen/Shionogi BACE inhibitor Alzheimer's disease	

Forward-Looking Statements

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