S-O-N-G
for you!

1st Half of Fiscal 2016
Financial Results

October 31, 2016

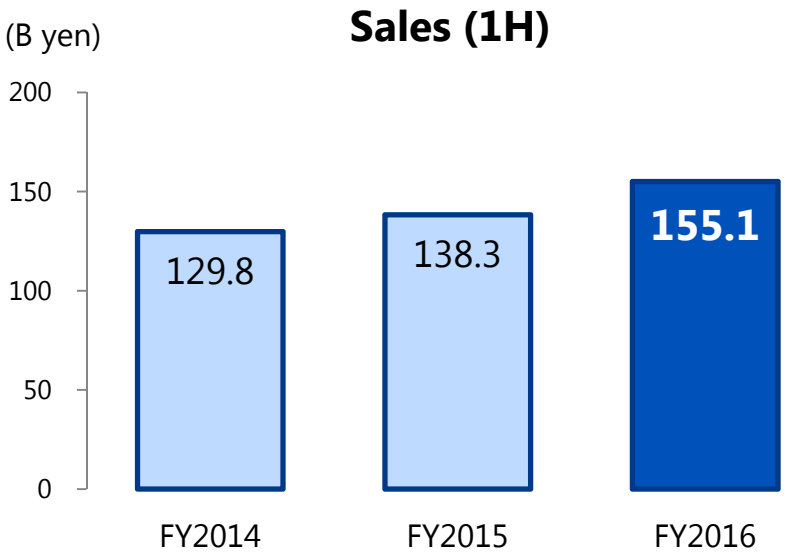
SHIONOGI

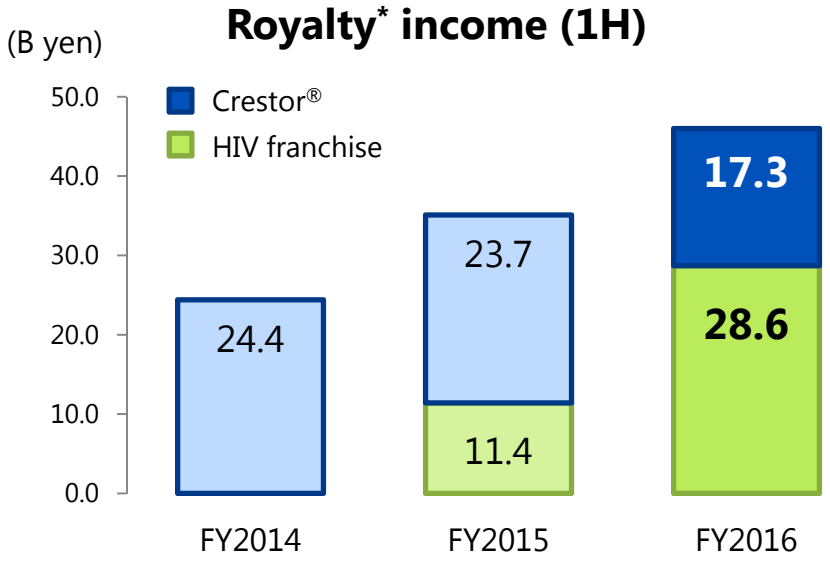
Agenda

- **1st Half FY2016 Financial Results**
- **FY2016 Financial Forecasts**
- **Dividend Forecasts**

Summary of 1H FY2016: Strong Top-line Growth

- Net sales: **155.1 B yen** vs 1H forecasts (107.0%)
- Royalty* income: **46.0 B yen** vs 1H forecasts (108.2%)

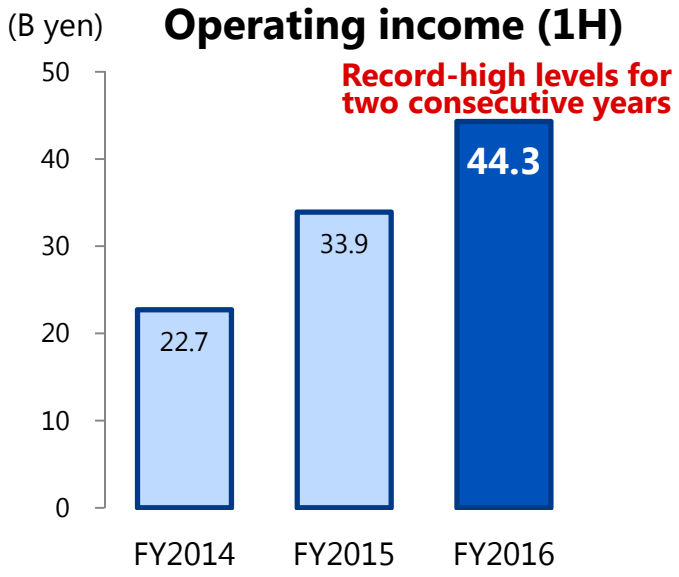


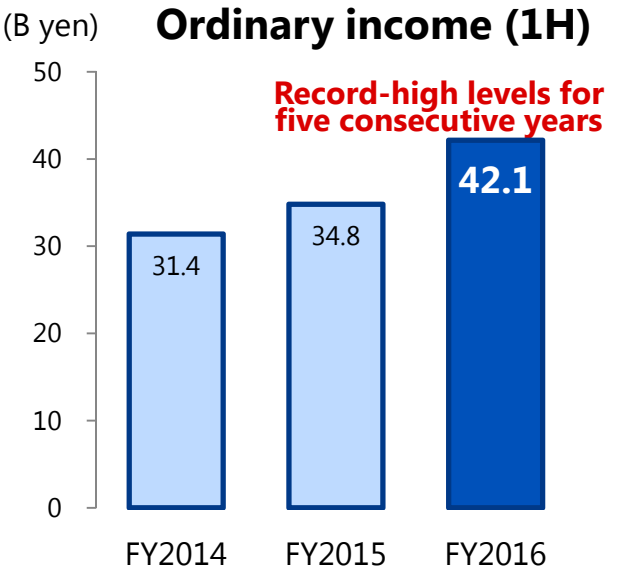


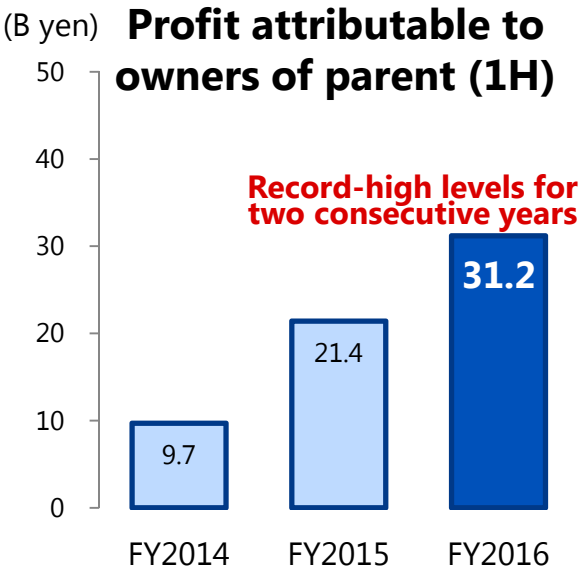
* Royalty income from AstraZeneca (Crestor®) and ViiV (HIV franchise)

Summary of 1H FY2016: Profits Higher Than the Levels Achieved in 1H of Prior Fiscal Year

- Operating income: **44.3 B yen** vs 1H forecasts (134.2%)
- Ordinary income: **42.1 B yen** vs 1H forecasts (127.7%)
- Profit attributable to owners of parent: **31.2 B yen** vs 1H forecasts (148.6%)







Financial Results (Consolidated)

(Unit B yen)

	FY2016			FY2015 results	YonY change (%)
	1H Forecasts*	1H results	Progress vs forecasts		
Sales	**145.0**	**155.1**	**107.0%**	138.3	**12.2%**
Operating income	**33.0**	**44.3**	**134.2%**	33.9	**30.5%**
Ordinary income	**33.0**	**42.1**	**127.7%**	34.8	**21.1%**
Profit attributable to owners of parent	**21.0**	**31.2**	**148.6%**	21.4	**45.9%**

Exchange rate (average)	FY2016 forecasts	FY2016 1H results
USD ($) – JPY (¥)	**110**	**105.26**
GBP (£) – JPY (¥)	**155**	**144.81**
EUR (€) – JPY (¥)	**130**	**118.13**

SHIONOGI

* The consolidated earnings forecasts announced on May 11, 2016 were written here, and the revisions to the forecasts were announced on Oct. 24, 2016

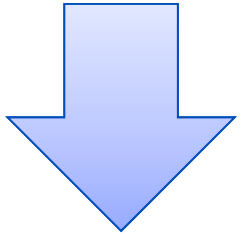
Agenda

- 1st Half FY2016 Financial Results
- **FY2016 Financial Forecasts**
- Dividend Forecasts

Key Points of Revision of FY2016 Financial Forecasts

Increased from original forecasts

- Royalty income from HIV franchise
- Investments for growth drivers: S-033188 and cefiderocol



- **Strengthen and enhance Japanese/overseas business**
- **Total cost management**

Exceed original FY2016 profit targets while expanding investment in growth drivers

Revision of FY2015 Financial Forecasts (Consolidated)

(Unit B yen)

	FY2016			FY2015 results	YonY change (%)
	original	revised	change		
Sales	**318.0**	**334.0**	**16.0**	310.0	**7.8%**
Operating income	**91.5**	**97.5**	**6.0**	91.4	**6.7%**
Ordinary income	**101.5**	**105.5**	**4.0**	100.9	**4.6%**
Profit attributable to owners of parent	**71.0**	**76.0**	**5.0**	66.7	**14.0%**

Exchange rate (average)	FY2016 forecasts (original)	FY2016 forecasts (revised)	change
USD ($) – JPY (¥)	110	105	5
GBP (£) – JPY (¥)	155	140	15
EUR (€) – JPY (¥)	130	120	10

Agenda

- 1st Half FY2016 Financial Results
- FY2016 Financial Forecasts
- **Dividend Forecasts**

Dividend Forecasts

- Maximize enterprise value by balancing three key factors: return to shareholders, investment for further growth and strategic opportunities
- Sharing our mid- to long-term profit growth with our shareholders by increasing returns as appropriate
- Dividend forecast for FY2016: **68 yen**

	Dividend per share			DOE	Payout ratio
	half-year	year-end	annual		
FY2015	28.00	34.00	62.00	4.1%	30.3%
FY2016	**34.00**	**34.00 (forecast)**	**68.00 (forecast)**	**4.3%**	**28.9%**

【Appendix】

Japan: Sales of Strategic Products

(Unit B yen)

	FY2016				FY2015	YonY	
	full year forecasts (original)	1H forecasts	1H results	Progress vs forecasts (%)	1H results	change (%)	change
Crestor®	41.5	20.9	21.9	105.1	20.4	7.5	1.5
Cymbalta®	19.3	8.9	8.9	100.2	7.2	23.7	1.7
Irbetan® franchise	15.1	7.4	7.8	104.7	8.3	(6.3)	(0.5)
Total of 3 key products	75.9	37.2	38.6	103.9	35.9	7.6	2.7
OxyContin® franchise	10.5	5.5	5.0	91.1	5.2	(2.6)	(0.2)
Finibax®	3.9	2.0	1.8	87.7	2.1	(16.8)	(0.3)
Pirespa®	6.3	3.3	3.0	91.8	2.8	9.0	0.2
Rapiacta®	2.3	0.1	0.1	118.2	(0.0)	-	0.1
Total of 7 strategic products	99.0	48.1	48.5	100.9	45.9	5.7	2.6
[percent of sales]	[62.5%]	[63.0%]	[61.3%]		[58.6%]		
Prescription drugs	158.2	76.3	79.2	103.8	78.4	0.9	0.8

Prescription Drugs Increased by 0.9% to 0.8 B Yen

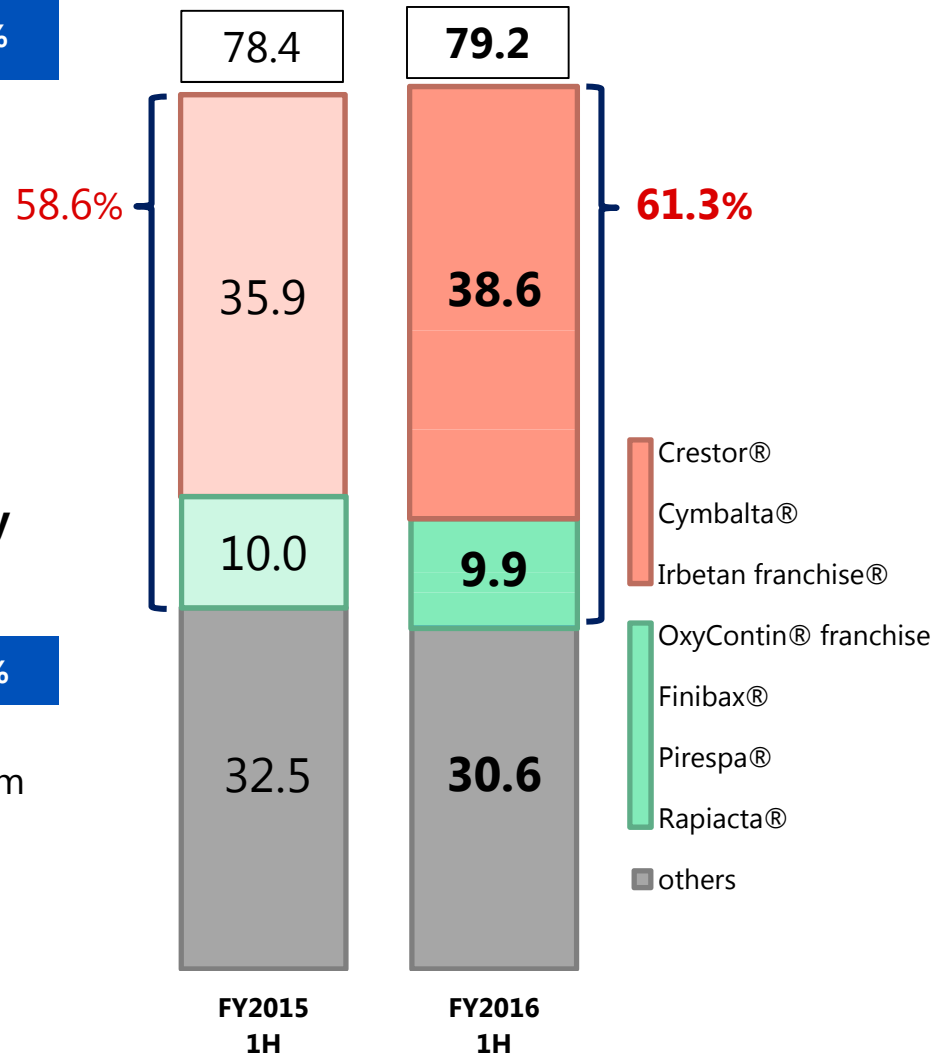
Strategic products YoY changes +2.6 B yen, +5.7%

- **Crestor® increased to 1.5 B yen**
  - Launched OD Tablets
  - Activation of marketing activities
- **Cymbalta® increased to 1.7 B yen**
  - Focused resources on maximizing the product value
  - Expanded sales in depression and depressive symptoms
  - Increased awareness in pain area
- **Percent of strategic products increased by 61.3%**

Other drugs YoY changes (1.9) B yen, (5.7)%

- **Increased in Mulpleta® adoption**
  - Mulpleta® alleviate burden by avoiding risks from blood transfusion
- **Government stockpiling of Rapiacta®**
  (Recorded 1.3 B yen as sales of other drugs)

(Unit B yen)



Sales of Main Merchandise and Finished Goods (Consolidated)

(Unit B yen)

	FY2016				FY2015	YonY	
	full year forecasts (original)	1H forecasts*	1H results	Progress vs forecasts (%)	1H results	change (%)	change
Prescription drugs	**158.2**	**76.3**	**79.2**	**103.8**	78.4	**0.9**	**0.8**
Overseas subsidiaries/export	**24.7**	**12.4**	**15.3**	**123.4**	14.7	**3.7**	**0.6**
Shionogi Inc.	**12.4**	**6.0**	**9.1**	**152.1**	8.4	**8.0**	**0.7**
Osphena®	**5.3**	**2.6**	**2.0**	**77.7**	2.6	**(22.4)**	**(0.6)**
Contract manufacturing	**10.9**	**5.3**	**5.4**	**101.5**	3.7	**46.4**	**1.7**
OTC and quasi-drugs	**7.0**	**3.5**	**3.4**	**97.5**	2.6	**33.3**	**0.8**
Royalty income	**114.9**	**46.3**	**50.6**	**109.3**	37.5	**35.2**	**13.1**
Royalty income for the sales of Crestor® and HIV franchise	**95.0**	**42.5**	**46.0**	**108.1**	35.0	**31.2**	**11.0**
Crestor®	**33.0**	**16.5**	**17.3**	**105.0**	23.7	**(26.8)**	**(6.4)**
HIV franchise	**62.0**	**26.0**	**28.6**	**110.1**	11.4	**152.0**	**17.2**
Others	**2.4**	**1.2**	**1.2**	**103.3**	1.4	**(14.4)**	**(0.2)**
Total	**318.0**	**145.0**	**155.1**	**107.0**	138.3	**12.2**	**16.8**

* The consolidated earnings forecasts announced on May 11, 2016 were written here, and the revisions to the forecasts were announced on Oct. 24, 2016

Net Sales Increased by 12.2% to 16.8 B Yen

	YoY changes
Prescription drugs	**+0.8 B yen, +0.9%**

- **Growth of strategic products**

	YoY changes
Royalty income	**+13.1 B yen, +35.2%**

- **Crestor® (6.4) B yen**: Generic entries in the US
- **HIV franchise +17.2 B yen**: Continued growth
- Others
  - Licensed out early research program to Sanofi
  - Received milestone payment from GSK

	YoY changes
Overseas subsidiaries/export	**+0.6 B yen, +3.7%**

- **SI**: Royalty from authorized generic was higher than expectation

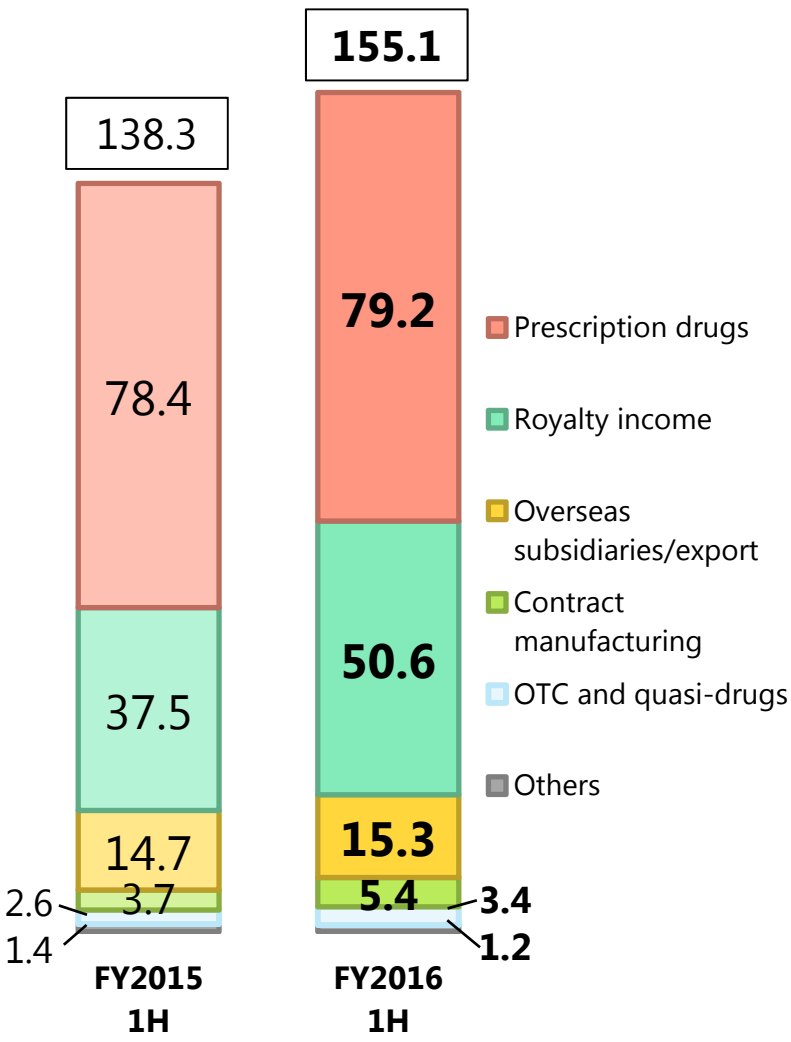
	YoY changes
Contract manufacturing	**+1.7 B yen, +46.4%**

- **Growth of API for dolutegravir**

	YoY changes
OTC and quasi-drugs	**+0.8 B yen, +33.3%**

- **ISODINE®**, new products were launched in Sep.

(Unit B yen)



Statements of Income (Consolidated)

(Unit B yen)

	FY2016				FY2015	YonY	
	full year forecasts (original)	1H forecasts*	1H results	Progress vs forecasts (%)	1H results	change (%)	change
Sales	318.0	145.0	155.1	107.0	138.3	12.2	16.8
[Royalty** income]	95.0	42.5	46.0	108.2	35.0	31.2	11.0
	24.5 [35.0]	26.6 [37.6]	25.0 [35.5]		26.4 [35.3]		
Cost of sales	78.0	38.5	38.7	100.5	36.5	6.2	2.2
Gross profit	240.0	106.5	116.4	109.3	101.8	14.3	14.6
	46.7	50.7	46.5		49.1		
SG&A expenses	148.5	73.5	72.1	98.1	67.9	6.2	4.2
	31.0	33.8	29.3		33.3		
Selling & general expenses	98.5	49.0	45.4	92.7	46.1	(1.3)	(0.7)
	15.7	16.9	17.2		15.8		
R&D expenses	50.0	24.5	26.7	108.8	21.8	22.1	4.9
	28.8	22.8	28.6		24.5		
Operating income	91.5	33.0	44.3	134.2	33.9	30.5	10.4
[Excluding royalty** income]	(3.5)	(9.5)	(1.7)	-	(1.1)	-	-
Non-operating income and expenses	P10.0	-	L2.1	-	P0.9	-	(3.0)
	31.9	22.8	27.2		25.2		
Ordinary income	101.5	33.0	42.1	127.7	34.8	21.1	7.3

Note: Small numbers in red are percent of sales, and numbers in red provided in parentheses are percent of sales excluding royalties
* The consolidated earnings forecasts announced on May 11, 2016 were written here, and the revisions to the forecasts were announced on Oct. 24, 2016
** Royalty income from AstraZeneca (Crestor®) and ViiV (HIV franchise)

Operating Income increased by 30.5% to 10.4 B Yen, Higher Than the Levels Achieved in 1H of Prior Fiscal Year

Cost of sales — **Cost of sales ratio: (1.4)%**

- Increase of royalty income improved cost of sales ratio
- Cost of sales ratio excluding royalty income increased 0.2% due to product mix, NHI price revisions and expansion of contract manufacturing of API for dolutegravir

SG&A expenses — **SG&A expense ratio: (2.6)%**

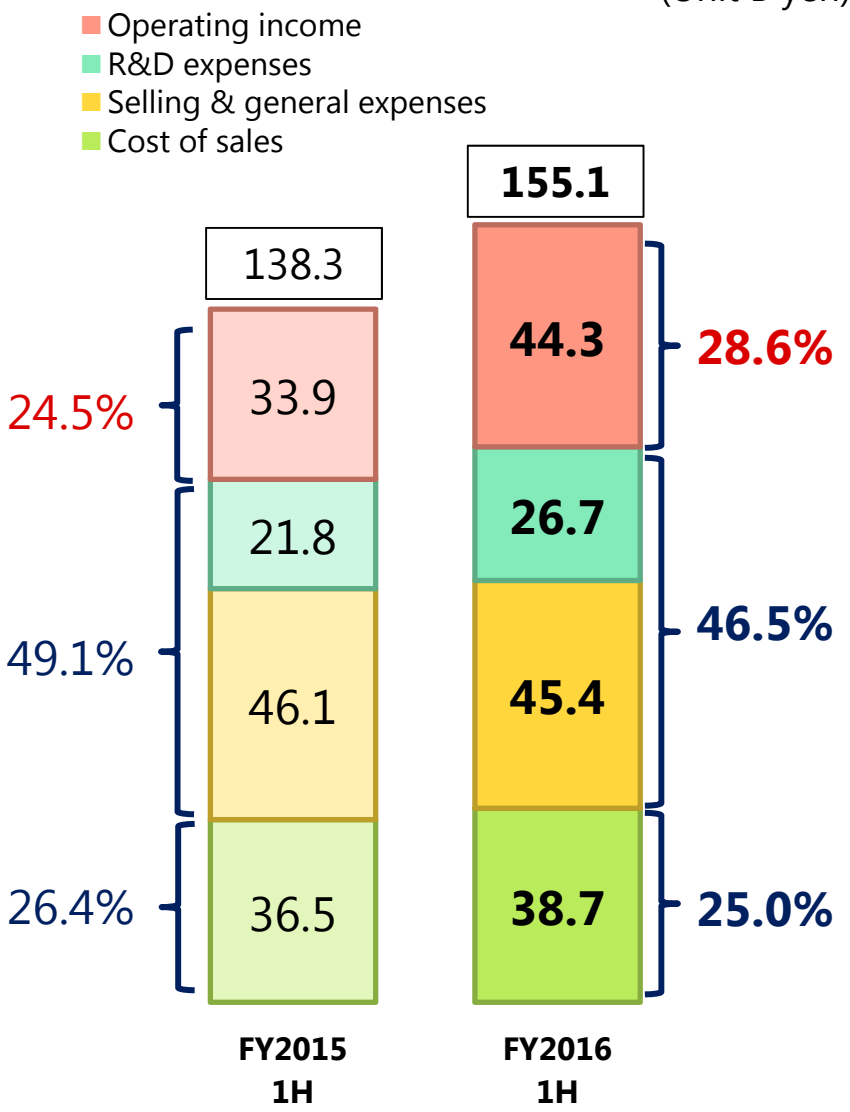
- Strategic investment by focusing on efficiency and prioritization and total cost management
  - Selling & general expenses ratio: (4.0)%
  - R&D expenses ratio: +1.4%

Operating income — **Operating income ratio: +4.1%**

- Operating income was **44.3 B yen**: Higher than the levels achieved in 1H of prior fiscal year

Non-operating income and expenses: (2.1) B yen
Ordinary income was **42.1 B yen**: Higher than the levels achieved in 1H of prior fiscal year

(Unit B yen)



Revision of Sales of Main Merchandise and Finished Goods (Consolidated)

(Unit B yen)

	FY2016			FY2015 results	YonY change (%)
	original	revised	change		
Prescription drugs	**158.2**	**160.2**	**2.0**	162.1	**(1.2)**
Crestor®	41.5	42.9	1.4	43.7	(1.9)
Cymbalta®	19.3	19.3	-	15.2	26.8
Irbetan® franchise	15.1	15.8	0.7	15.7	0.5
Total of 3 key products	**75.9**	**77.9**	**2.0**	74.6	**4.5**
OxyContin® franchise	10.5	9.9	(0.6)	10.0	(1.4)
Finibax®	3.9	3.6	(0.3)	3.8	(4.1)
Pirespa®	6.3	6.0	(0.3)	6.0	0.1
Rapiacta®	2.3	2.3	-	2.0	14.2
Total of 7 strategic products	**99.0**	**99.8**	**0.8**	96.5	**3.5**
[percent of sales]	[62.5%]	[62.3%]		[59.5%]	
Overseas subsidiaries/export	**24.7**	**24.8**	**0.1**	29.7	**(16.5)**
Shionogi Inc.	12.4	13.6	1.2	16.6	(18.1)
Osphena®	5.3	4.8	(0.5)	4.8	(1.0)
Contract manufacturing	**10.9**	**12.4**	**1.5**	8.4	**46.6**
OTC and quasi-drugs	**7.0**	**7.0**	**-**	4.9	**44.3**
Royalty income	**114.9**	**112.3**	**(2.6)**	101.8	**10.3**
Royalty income for the sales of Crestor® and HIV franchise	**95.0**	**103.0**	**8.0**	88.1	**16.9**
Crestor®	33.0	32.8	(0.2)	47.6	(31.2)
HIV franchise	62.0	70.2	8.2	40.5	73.5
Others	**2.4**	**17.2**	**14.8**	3.0	**474.9**
Total	**318.0**	**334.0**	**16.0**	310.0	**7.8**

Revision of Statement of Income (Consolidated)

(Unit B yen)

	FY2016 original	FY2016 revised	FY2016 change	FY2015 results	YonY change (%)
Sales	**318.0**	**334.0**	**16.0**	310.0	**7.8**
[Royalty* income]	**95.0**	**103.0**	**8.0**	88.1	**16.9**
Cost of sales	24.5 [35.0] **78.0**	23.4 [33.8] **78.0**	**-**	24.1 [33.7] 74.8	**4.3**
SG&A expenses	46.7 **148.5**	47.5 **158.5**	**10.0**	46.4 143.8	**10.2**
Selling & general expenses	31.0 **98.5**	29.3 **98.0**	**(0.5)**	30.3 94.0	**4.2**
R&D expenses	15.7 **50.0**	18.1 **60.5**	**10.5**	16.1 49.8	**21.5**
Operating income	28.8 **91.5**	29.2 **97.5**	**6.0**	29.5 91.4	**6.7**
[Excluding royalty* income]	**(3.5)**	**(5.5)**	**(2.0)**	3.3	**-**
Non-operating income and expenses	**P10.0**	**P8.0**	**(2.0)**	P9.5	**(15.5)**
Ordinary income	31.9 **101.5**	31.6 **105.5**	**4.0**	32.5 100.9	**4.6**

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 (Crestor®) and ViiV (HIV franchise)

Pipeline (as of Oct. 2016)

Non-clinical	Phase I	Phase II	Phase III	NDA submission
Antibody drug candidate against Pseudomonas	**【Global】**	**Cefiderocol (S-649266)** Multidrug-resistant Gram-negative bacterial infections	**S-033188** Influenza virus infection	
NTE inhalation	**S-033188** Influenza virus infection	**S-707106** Type2 diabetes	**Cefiderocol (S-649266)** Multidrug-resistant Gram-negative bacterial infections	
	S-120083 Inflammatory pain	**S-488210** Head and neck squamous cell carcinoma	**Lusutrombopag** Thrombocytopenia	
	S-117957 Insomnia	**S-222611** Malignant tumor	**Osphena®** Vaginal dryness associated with postmenopausal VVA	**Naldemedine** Opioid-induced constipation
	S-237648 Obesity	**S-588410** Bladder cancer		
	【Japan】			
	Oxycodone Tamper resistant formulation	**Cefiderocol (S-649266)** Multidrug-resistant Gram-negative bacterial infections	**S-033188** Influenza virus infection	**Naldemedine** Opioid-induced constipation
	S-120083 Inflammatory pain	**S-237648** Obesity	**S-033188** Influenza virus Infection (pediatric)	**Cymbalta®** Pain associated with osteoarthritis
	S-010887 Neuropathic pain	**S-525606** Allergic rhinitis caused by Japanese cedar allergen	**Cefiderocol (S-649266)** Multidrug-resistant Gram-negative bacterial infections	**Guanfacine hydrochloride** ADHD (pediatric)
	S-600918 Neuropathic pain	**S-588410** Bladder cancer	**Lisdexamfetamine** ADHD (pediatric)	
			Guanfacine hydrochloride ADHD (adult)	**Infectious diseases**
			Oxycodone Moderate to severe chronic pain	**Pain/CNS**
			Actair® Pediatric patients with perennial allergic rhinitis	**Metabolic disorder**
			S-555739 Allergic rhinitis	**Frontier**
			S-588410 Esophageal cancer	

Red frame: Change since Aug. 2016

Pipeline (as of Oct. 2016)

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

Red frame: Change since Aug. 2016
LAP: Long acting parenteral formulation

Forward-Looking Statements

- Forecast or target figures in this material are neither official forecasts of earnings and dividends nor guarantee of target, achievement and forecasts, but present the midterm strategies, goals and visions. Official earnings guidance should be referred to in the disclosure of the annual financial report (*kessan tanshin*) in accordance with the rules set by Tokyo Stock Exchange.
- Materials and information provided during this presentation may contain so-called "forward-looking statements". These statements are based on current expectations, forecasts and assumptions that are subject to risks and uncertainties which could cause actual outcomes and results to differ materially from these statements.
- Risks and uncertainties include general industry and market conditions, and general domestic and international economic conditions such as interest rate and currency exchange fluctuations. Risks and uncertainties particularly apply with respect to product-related forward-looking statements. Product risks and uncertainties include, but are not limited to, technological advances and patents attained by competitors; challenges inherent in new product development, including completion of clinical trials; claims and concerns about product safety and efficacy; regulatory agency's examination period, obtaining regulatory approvals; domestic and foreign healthcare reforms; trend toward managed care and healthcare cost containment; and governmental laws and regulations affecting domestic and foreign operations.
- For products that are approved, there are manufacturing and marketing risks and uncertainties, which include, but are not limited to, inability to build production capacity to meet demand, unavailability of raw materials, and failure to gain market acceptance.
- Shionogi disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.
- This material is presented to inform stakeholders of the views of Shionogi's management but should not be relied on solely in making investment and other decisions.
- You should rely on your own independent examination of us before investing in any securities issued by our company. Shionogi shall accept no responsibility or liability for damage or loss caused by any error, inaccuracy, misunderstanding or changes of target figures or any other use of this material.
- This English presentation was translated from the original Japanese version. In the event of any inconsistency between the statements in the two versions, the statements in the Japanese version shall prevail.