

FY 2016 Financial Results

(April 2016 – March 2017)

May 10, 2017

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President and CEO

SHIONOGI

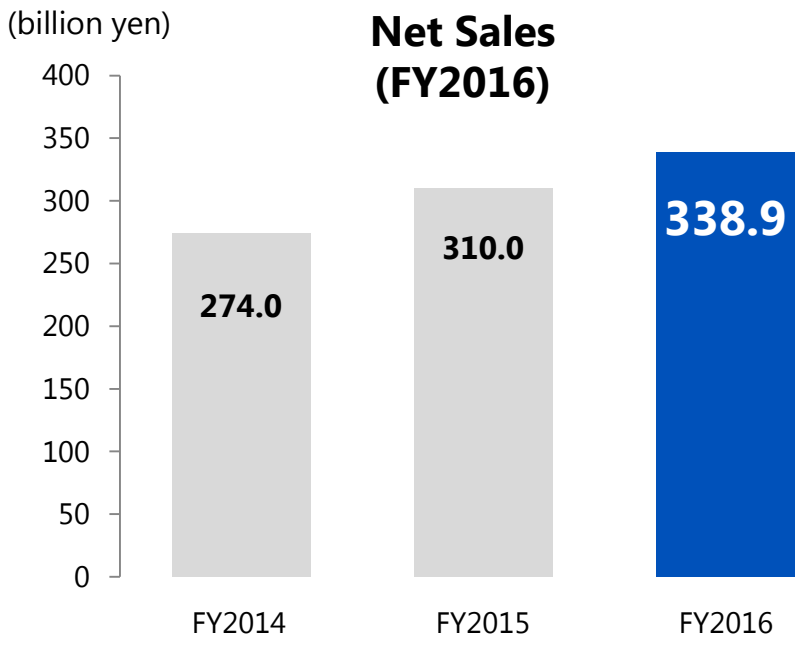
Overview of FY2016 Financial Results

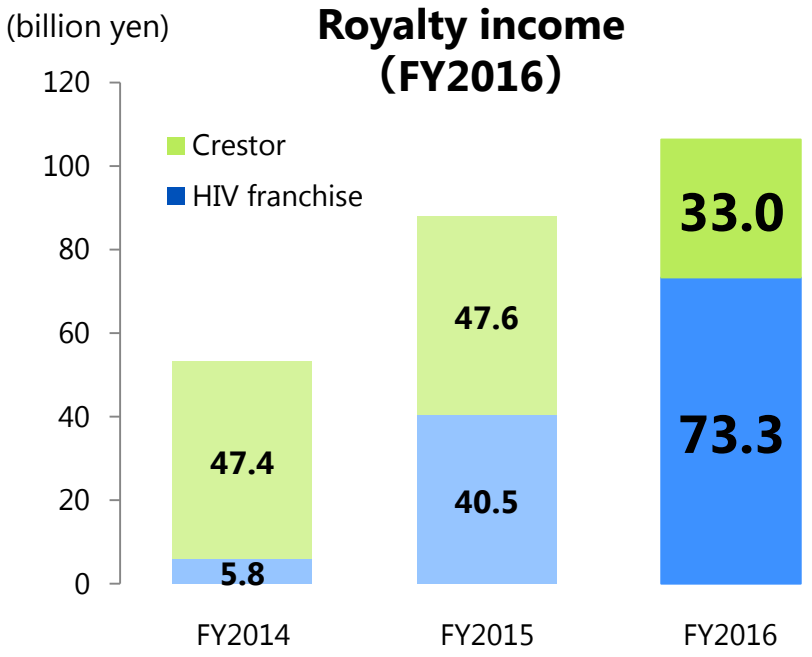
Highlight (1) : Constant Top-line Growth

- Net Sales: **338.9 B yen** (vs prior FY +9.3%)
- Royalty income*: **106.3 B yen** (vs prior FY +20.7%)

Increased for 2 consecutive years

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

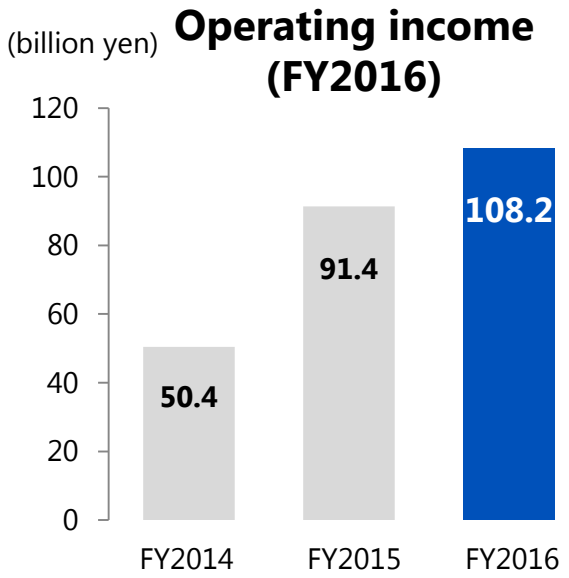


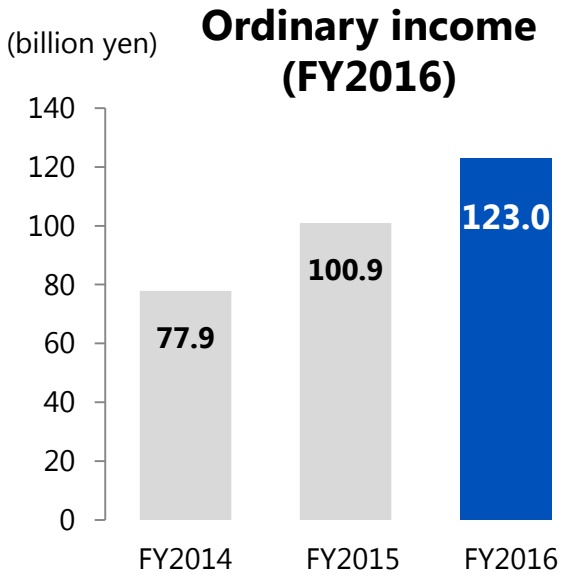


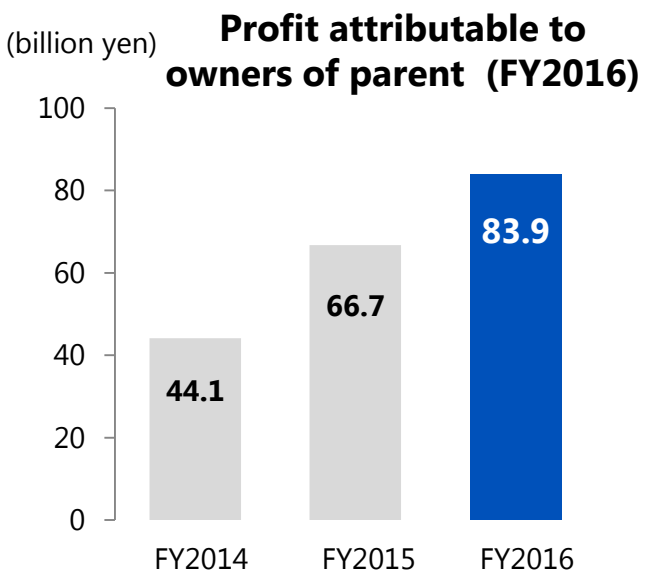
* Royalty income from Astra Zeneca (Crestor) and ViiV (HIV franchise)

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

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







Highlight (3) : KPIs - Results in FY2016

Growth

vs prior FY

- **Sales of new products*: 43.9 B yen, +11.7%**
  (200 B yen)
- **Ordinary Income: 123.0 B yen (150 B yen)**

Efficiency

- **ROIC**: 13.3% (Over 13.5%)**
- **CCC***: 6.7 months (5.5 months)**
- **Original pipeline ratio: 68.2% (Over 50%)**

Shareholder return

- **ROE: 16.3% (Over 15%)**
- **DOE: 4.5% (Over 4.0%)**

Inside of ( ) are 2020 target

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* New Products: See the Appendix
New Products were defined in Updates to SGS2020 issued on October 31, 2016

** Return on invested capital
*** Cash conversion cycle

Financial Results (Consolidated)

(billion yen)

	FY2016			FY2015	YonY
	Forecasts	Results	Achievement (%)	Results	change (%)
Sales	334.0	338.9	101.5%	310.0	9.3%
Operating income	97.5	108.2	111.0%	91.4	18.3%
Ordinary income	105.5	123.0	116.6%	100.9	22.0%
Profit attributable to owners of parent	76.0	83.9	110.4%	66.7	25.8%

Improved the accuracy of budgets

	FY2013	FY2014	FY2015	FY2016
Acheivement of annual budget	○*	◎	◎	◎

◎ Reached our budget goal for sales & profit
○ Reached our goal for either sales or profit

*FY2013: Profit attributable to owners of parent was not achieved （actual : 97.2%）

Exchange rate (average)	FY2016 forecasts	FY2016 results
USD ($) – JPY (¥)	105	108.39
GBP (£) – JPY (¥)	140	141.62
EUR (€) – JPY(¥)	120	118.80

Sales by Segments (Consolidated)

(billion yen)

	FY2016 Forecasts	FY2016 Results	Achievement (%)	FY2015 Results	Y on Y Change (%)
Prescription drugs	**160.2**	**158.0**	**98.6**	**162.1**	**(2.5)**
Crestor®	42.9	43.1	100.5	43.7	(1.4)
Cymbalta®	19.3	19.0	98.6	15.2	25.0
Irbetan® franchise	15.8	15.3	96.9	15.7	(2.6)
Total of 3 key products	77.9	77.4	99.3	74.6	3.7
OxyContin® franchise	9.9	9.7	97.7	10.0	(3.7)
Finibax®	3.6	3.3	90.9	3.8	(12.8)
Pirespa®	6.0	5.8	97.3	6.0	(2.6)
Rapiacta®	2.3	2.9	123.9	2.0	41.4
Total of 7 strategic products	99.8	99.1	99.3	96.5	2.7
[percentage of sales]	62.3%	62.7%		59.5%	
Overseas subsidiaries/export	**24.8**	**29.2**	**117.8**	**29.7**	**(1.7)**
Shionogi Inc.	13.6	17.9	131.1	16.6	7.4
Osphena®	4.8	4.7	98.8	4.8	(2.1)
Contract manufacturing	**12.4**	**12.1**	**97.8**	**8.4**	**43.4**
OTC and quasi-drugs	**7.0**	**6.8**	**96.7**	**4.9**	**39.5**
Royalty income	**112.3**	**115.7**	**103.0**	**101.8**	**13.6**
Royalty income for the sales of Crestor® and HIV franchise	**103.0**	**106.3**	**103.2**	**88.1**	**20.7**
Crestor®	32.8	33.0	100.8	47.6	(30.6)
HIV franchise	70.2	73.3	104.4	40.5	81.1
Others	**17.2**	**17.1**	**99.1**	**3.0**	**469.7**
Total	**334.0**	**338.9**	**101.5**	**310.0**	**9.3**

◆ Y on Y comparison

Prescription drugs

- Decreased sales due to NHI drug price reduction and the transfer of marketing rights for 24 long-listed drugs
- Growth of strategic products: Increase of the percentage of 7 strategic products sales
  - Crestor®: Launched OD tablets
    Increased prescriptions
  - Cymbalta®:
    - Expanded sales in depression and depressive symptoms
    - Increased awareness in pain area

(Focused resources on maximizing the product value)

Overseas subsidiaries/export

Shionogi Inc.
- Continued increase in Osphena® prescriptions
- Increase in royalty income from authorized generic

Royalty income

HIV franchise: Continues to increase

Others

Upfront payments for transferring the marketing rights for long-listed drugs

Statements of Income (Consolidated)

(billion yen)

	FY2016 Forecasts	FY2016 Results	Achievement (%)	FY2015 Results	Y on Y change (%)
Sales	**334.0**	**338.9**	101.5	310.0	9.3
[Royalty*income]	**103.0**	**106.3**	103.2	88.1	20.7
Cost of sales	23.4 [33.8] **78.0**	23.0 [33.4] **77.8**	99.7	24.1 [33.7] 74.8	4.0
SG&A expenses	47.5 **158.5**	45.1 **152.9**	96.5	46.4 143.8	6.3
Selling & general expenses	29.3 **98.0**	27.5 **93.0**	94.9	30.3 94.0	(1.1)
R&D expenses	18.1 **60.5**	17.7 **59.9**	99.0	16.1 49.8	20.3
Operating income	29.2 **97.5**	31.9 **108.2**	111.0	29.5 91.4	18.3
[Excluding royalty* income]	**(5.5)**	**1.9**	-	3.3	-
Non-operating income & expenses	**P8.0**	**P14.9**	185.7	P9.5	57.0
Ordinary income	31.6 **105.5**	36.3 **123.0**	116.6	32.5 100.9	22.0

◆ Y on Y comparison

Cost of sales

Cost of sales ratio: Improved
- Increase in sales of Cymbalta®
- Cost reduction
- Increase in royalty income
- Upfront payments for transferring the marketing rights for long-listed drugs

SG&A expenses

Total cost management
- Increase in R&D expenses including investments for growth drivers such as S-033188 (+20.3% vs prior FY)
- Tight control of total costs (+6.3% vs prior FY)

Non-operating income and expenses

Dividends from ViiV
(+6.8 B yen vs prior FY)
- Received interim dividend in addition to annual dividend

Note：The inside of [ ]is percentage [cost of sales]/ [sales excluding royalty income]
* Royalty income from Astra Zeneca (Crestor®) and ViiV (HIV franchise)

Target Milestones for FY2016

Areas	Product	As of Apr. 1, 2016	Target for FY2016
Infectious disease	**Cefiderocol** Multidrug-resistant Gram-negative bacterial infections	Global: Phase II, III	US: NDA submission in preparation / US: Phase III (HAP/VAP) initiated
	S-033188 Influenza virus infection	Japan: Phase II / US: Phase I	Japan: Phase II completed / US: Phase I completed Global: Phase III initiated, Japan: Phase III (pediatric) initiated
Pain/CNS	**Guanfacine** ADHD (pediatric)	Japan: NDA submission	Japan: Approval
	Cymbalta® Pain associated with osteoarthritis	Japan: NDA submission	Japan: Approval
	Naldemedine Opioid-induced constipation	Japan/US: NDA submission	Japan/US: Approval / EU: NDA submission
	Oxycodone Treatment of moderate to severe chronic pain	Japan: Phase III	Japan: NDA submission
	Oxycodone Tamper resistant formulation	Japan: Phase I completed	Japan: NDA submission
	Lisdexamfetamine ADHD (pediatric)	Japan: Phase III	Japan: Phase III completed
Metabolic disorder	**S-237648** Obesity	Japan: Phase II	Japan: Phase II completed / US: Phase I initiated
Frontier	**Lusutrombopag** Thrombocytopenia associated with chronic liver disease	Global: Phase III	Global: Phase III
	S-222611 Malignant tumor	EU: Phase I/II	EU: Phase I/II completed

Red frame: Change since Feb. 1 2016

ADHD: Attention deficit hyperactivity disorder
HAP: Hospital Acquired Pneumonia
VAP: Ventilator Associated Pneumonia

FY2017 Business Plan

Basic Strategy in FY2017

Basic strategy in FY2017

- While flexibly responding to a challenging business environment, achieve revenue and profit targets by ***strengthening and enhancing the growth trajectory of new products***
- Continue to make strong progress in global R&D to advance new growth drivers and maintain sustainable growth

Qualitative objectives

- Increase sales and profit
  - Organization-wide collaboration on marketing activities
  - Leveraging alliances
- Clear priorities and focused resourcing
  - Focus management resources to support key growth drivers

FY2017: Taking the next step to achieve Updated SGS2020

Financial Forecasts (Consolidated)

(billion yen)

	FY2017 forecasts		FY2016	YonY	
	full year	1H	Results	change (%)	change
Sales	340.0	162.5	338.9	0.3	1.1
Operating income	112.5	46.0	108.2	4.0	4.3
Ordinary income	123.5	51.5	123.0	0.4	0.5
Profit attributable to owners of parent	92.0	38.5	83.9	9.7	8.1

Exchange rate (average)	FY2017 forecasts	FY2016 results
USD ($) – JPY (¥)	110.0	108.39
GBP (£) – JPY (¥)	140.0	141.62
EUR (€) – JPY(¥)	120.0	118.80

Sales by Segments (Consolidated)

(billion yen)

	FY2017 forecasts		FY2016	YonY	
	full year	1H	Results	change (%)	change
Prescription drugs	**143.9**	**75.2**	158.0	**(8.9)**	**(14.1)**
Overseas subsidiaries/export	**25.4**	**12.3**	29.2	**(13.1)**	**(3.8)**
Shionogi Inc.	**12.0**	**6.0**	17.9	**(32.8)**	**(5.9)**
Osphena®	**4.6**	**2.2**	4.7	**(3.1)**	**(0.1)**
Contract manufacturing	**15.3**	**7.9**	12.1	**26.1**	**3.2**
OTC and quasi-drugs	**7.5**	**3.4**	6.8	**10.6**	**0.7**
Royalty income	**145.0**	**62.3**	115.7	**25.4**	**29.4**
Royalty income for the sales of Crestor® and HIV franchise	**125.0**	**56.4**	106.3	**17.6**	**18.7**
Crestor®	**22.0**	**11.0**	33.0	**(33.4)**	**(11.0)**
HIV franchise	**103.0**	**45.4**	73.3	**40.5**	**29.7**
Others	**2.9**	**1.4**	17.1	**(83.1)**	**(14.2)**
Total	**340.0**	**162.5**	338.9	**0.3**	**1.1**

Sales Forecasts for Prescription Drugs in Japan

(billion yen)

	FY2017 forecast		FY2016	Y on Y	
	Full year	1H	Results	change (%)	change
Cymbalta®	25.3	11.1	19.0	33.2	6.3
Intuniv®	0.6	0.3	0	-	0.6
Symproic®	0.4	0.1	0	-	0.4
Total of Strategic Products	26.3	11.5	19.0	38.4	7.3
Actair®	0.1	0.0	0.1	66.8	0.1
Mulpleta®	0.2	0.1	0.1	32.1	0
Pirespa®	6.0	3.1	5.8	2.1	0.1
OxyContin®franchise	8.9	4.6	9.7	(8.2)	(0.8)
Rapiacta®	2.8	0.1	2.9	(3.4)	(0.1)
Brightpoc®Flu	0.9	0.1	1.0	(5.9)	(0.1)
Glashvista®	0.7	0.3	0.6	24.8	0.1
Total of New Products	45.8	19.9	39.1	17.1	6.7
Crestor®	36.4	24.7	43.1	(15.6)	(6.7)
Irbetan® franchise	14.8	7.6	15.3	(3.1)	(0.5)
Others	46.9	23.0	60.5	(22.5)	(13.6)
Prescription drugs	143.9	75.2	158.0	(8.9)	(14.1)

Statements of Income (Consolidated)

(billion yen)

	FY2017 forecast		FY2016	Y on Y	
	Full year	1H	Result	change(%)	change
Sales	340.0	162.5	338.9	0.3	1.1
[Royalty* income]	125.0	56.0	106.3	17.6	18.7
Cost of sales	22.5 [35.6] 76.5	24.9 [38.0] 40.5	23.0 [33.4] 77.8	(1.6)	(1.3)
Gross profit	263.5	122.0	261.1	0.9	2.4
SG&A expenses	44.4 151.0	46.8 76.0	45.1 152.9	(1.3)	(1.9)
Selling & general expenses	99.0	48.5	93.0	6.4	6.0
R&D expenses	52.0	27.5	59.9	(13.2)	(7.9)
Operating income	33.1 112.5	28.3 46.0	31.9 108.2	4.0	4.3
[Excluding royalty* income]	(12.5)	(10.0)	1.9	-	(14.4)
Non-operating income & expenses	P11.0	P5.5	P14.9	(25.9)	(3.9)
Ordinary income	36.3 123.5	31.7 51.5	36.3 123.0	0.4	0.5
Profit attributable to owners of parent	92.0	38.5	83.9	9.7	8.1

Note：The inside of [ ]is percentage of cost of sales to sales excluding royalty income
* Royalty income from Astra Zeneca (Crestor) and Viiv (HIV franchise)

KPIs - Target for FY2017 -

vs prior FY

Growth

- **Sales of new products: 53.1 B yen, +20.7%** (200 B yen)
- **Ordinary Income: 123.5 B yen** (150 B yen)

Efficiency

- **ROIC: 13.4%** (Over 13.5%)
- **CCC: 6.3 months** (5.5 months)
- **Original pipeline ratio: Over 50%** (Over 50%)

Shareholder return

- **ROE: 16.3%** (Over 15.0%)
- **DOE: 4.3%** (Over 4.0%)

Inside of ( ) are 2020 target

Target Milestones for FY2017

Areas	Product	As of Apr. 1, 2017	Target for FY2017
Infectious disease	**Cefiderocol** Multidrug-resistant Gram-negative bacterial infections	**Global: Preparation for NDA submission**	**US: NDA submission**
	S-033188 Influenza virus infection	**Global: Phase III** **Japan: Phase III (pediatric)**	**Japan: NDA submission**
Pain/CNS	**Intuniv®** ADHD (pediatric)	**Japan: NDA submission**	**Japan: Launch**
	Symproic® Opioid-induced constipation	**Japan: Approval**	**Japan: Launch**
	Symproic® Opioid-induced constipation	**US: Approval**	**US: Launch**
	Oxycodone Treatment of moderate to severe chronic pain	**Japan: NDA submission**	**Japan: Approval**
	Oxycodone Tamper resistant formulation	**Japan: NDA submission**	**Japan: Approval**
	Lisdexamfetamine ADHD (pediatric)	**Japan: Preparation for NDA submission**	**Japan: NDA submission**
	S-600918 Neuropathic pain	**Japan: Phase I**	**Phase II (regions to be determined)**
Frontier	**Lusutrombopag** Thrombocytopenia associated with chronic liver disease	**Global: Phase III**	**US and EU: NDA submission**
	Actair® (Pediatric allergic rhinitis caused by house-dust mite allergen	**Japan: NDA submission**	**Japan: Approval**

Red frame: Change since Apr. 1 2017

ADHD: Attention deficit hyperactivity disorder

Shareholder Return

Fundamental Policy on the Appropriation of Retained Earnings

- Maximize corporate value continuously by balancing three key factors; return to shareholder, investment for future growth, and strategic opportunity
- Sharing our mid- to long-term profit growth with our shareholders by increasing returns as appropriate, including share buyback
- Revision to year-end dividend forecasts in FY2016: **34 yen → 38 yen**
  Planning to increase dividends for **five consecutive years** (Total return ratio: 69.1%)
- Dividend forecasts in FY2017: 76 yen per share

FY	Dividend per share			DOE	ROE
	Half-year	Year-end	Annual		
2015	yen 28.00	yen 34.00	yen 62.00	4.1%	13.6%
2016	**34.00**	(Plan) **38.00**	(Plan) **72.00**	4.5%	16.3%
2017	(Plan) **38.00**	(Plan) **38.00**	(Plan) **76.00**	(Estimate) 4.3%	(Estimate) 16.3%

DOE: Dividend on equity, ROE: Return on equity

Appendix
- Progress in Our Pipeline -

Pipeline (as of May 2017)

非臨床	Phase I	Phase II	Phase III	申請
	Global	**Cefiderocol** Multidrug-resistant Gram-negative bacterial infections	**S-033188** Influenza virus infection	**Naldemedine (EU)** Opioid-induced constipation
		S-120083 Inflammatory pain	**Cefiderocol** Multidrug-resistant Gram-negative bacterial infections	
Antibody drug candidate against pseudomonas	**S-117957** Insomnia	**S-707106** Type2 diabetes	**Lusutrombopag** Thrombocytopenia	
Central neuropathic pain	**S-237648** Obesity	**S-488210** Head and neck squamous cell carcinoma		
Obesity		**S-222611** Malignant tumor		
LCM inhalation		**S-588410** Bladder cancer		
	In Japan	**Cefiderocol** Multidrug-resistant Gram-negative bacterial infections	**S-033188** Influenza virus infection	**Oxycodone** Moderate to severe chronic pain
		S-237648 Obesity	**S-033188** Influenza virus Infection (pediatric)	**Oxycodone** Tamper resistant formulation
	S-010887 Neuropathic pain	**S-525606** Allergic rhinitis caused by Japanese cedar allergen	**Cefiderocol** Multidrug-resistant Gram-negative bacterial infections	**Lisdexamfetamine** ADHD (pediatric)
	S-600918 Neuropathic pain	**S-588410** Bladder cancer	**Guanfacine** ADHD (adult)	**Actair®** Pediatric patients with perennial allergic rhinitis
			S-588410 Esophageal cancer	
Out-licensed	**GSK3342830** Multidrug-resistant Gram-negative bacterial infections		**DTG+RPV** Treatment for HIV infection	
			DTG+3TC Treatment for HIV infection	
Janssen/Shionogi Project compound Alzheimer's disease			**CAB LAP** Prevention for HIV infection	
			CAB + RPV LAP Treatment for HIV infection	
			Janssen/Shionogi BACE inhibitor Alzheimer's disease	
			Osphena® Vaginal dryness associated with postmenopausal VVA	

Infectious diseases
Pain/CNS
Metabolic disorder
Frontier

Forward-Looking Statements

- Forecast or target figures in this material are neither official forecasts of earnings and dividends nor guarantee of target, achievement and forecasts, but present the midterm strategies, goals and visions. Official earnings guidance should be referred to in the disclosure of the annual financial report (*kessan tanshin*) in accordance with the rules set by Tokyo Stock Exchange.
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