

FY2018 Financial Results

(April 2018 – March 2019)

May 9, 2019

Isao Teshirogi, Ph.D.
President and CEO

SHIONOGI

Agenda

1. Overview of FY2018 Financial Results (P.3-10）
2. FY2019 Business Plan（P.11-17）
3. Shareholder Return（P.18-19）

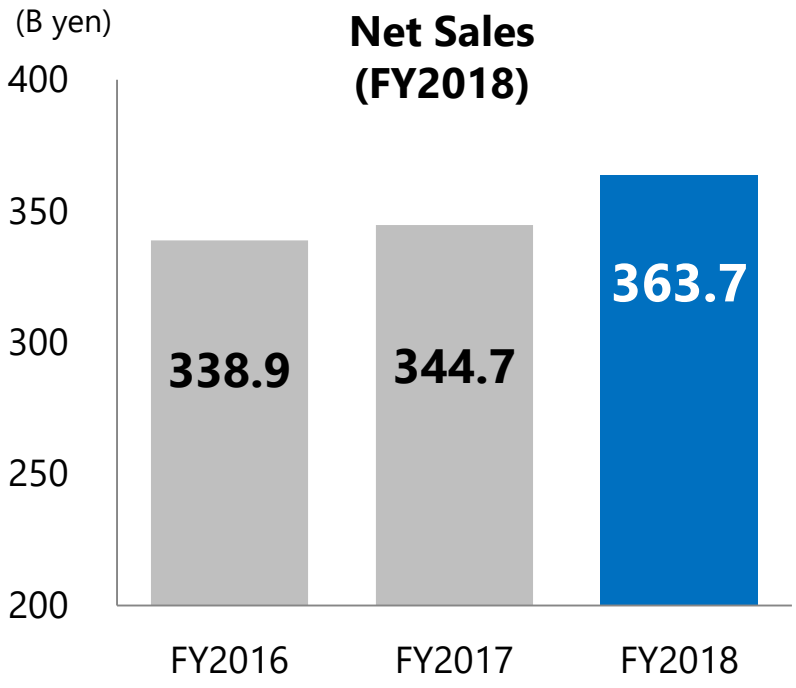
1. Overview of FY2018 Financial Results

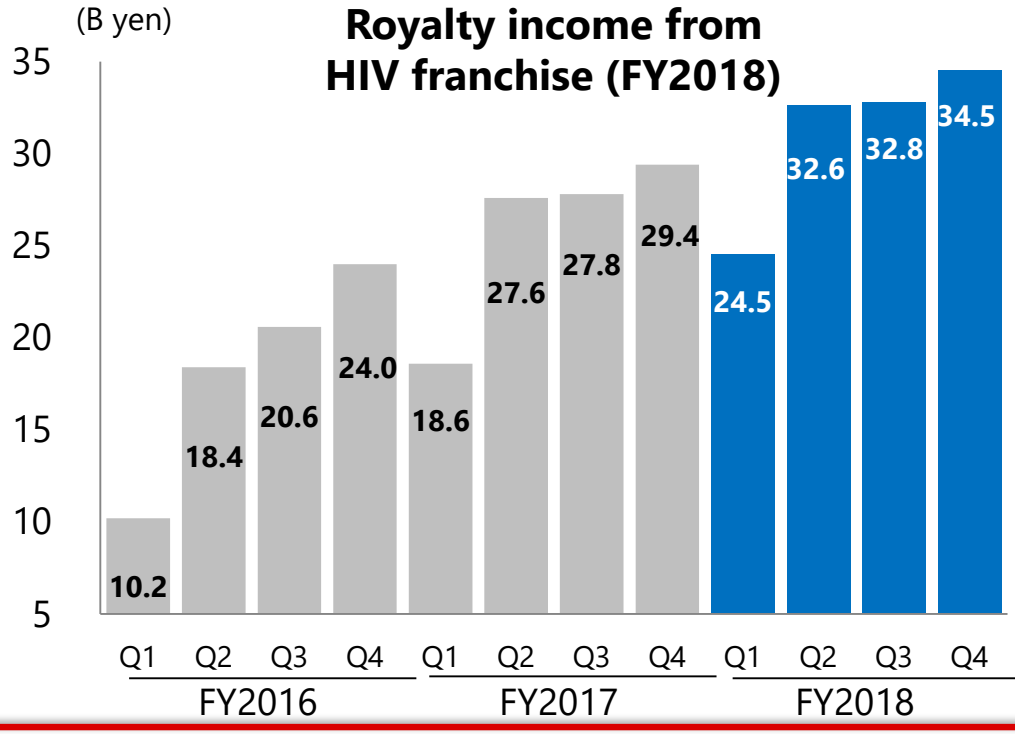
Highlight (1) : Constant Top-line Growth

- Net sales : **363.7 B yen** (+5.5%) vs prior FY

  Increased for 4 consecutive years

- Royalty income : **124.4 B yen** (+20.3%) vs prior FY
  from HIV franchise

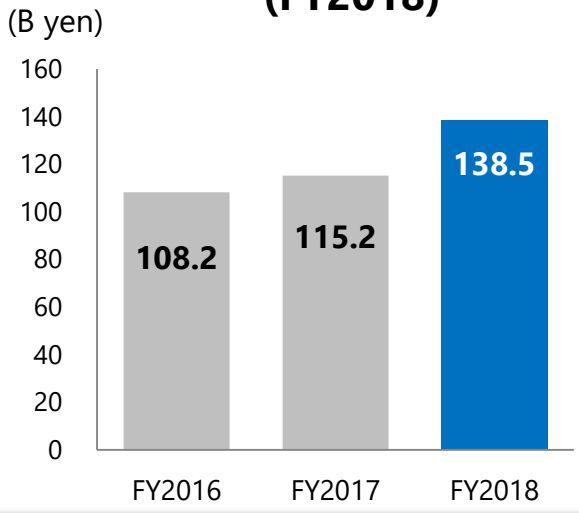




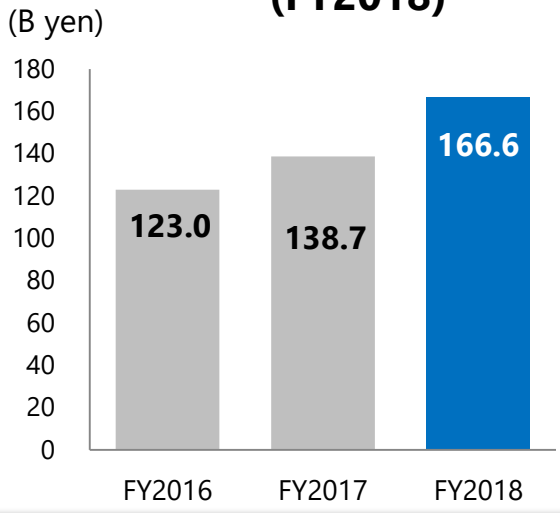
Highlight (2) : All Profit Measures Were Higher Than the Levels Achieved in Prior Years

- Operating income: **138.5 B yen** vs prior FY (+20.2%), higher than the levels achieved in prior Fiscal Years for 4 consecutive years
- Ordinary income: **166.6 B yen** vs prior FY (+20.1%), higher than the levels achieved in prior Fiscal Years for 7 consecutive years
- Profit attributable to owners of parent: **132.8 B yen** vs prior FY (+21.9%), higher than the levels achieved in prior Fiscal Years for 3 consecutive years

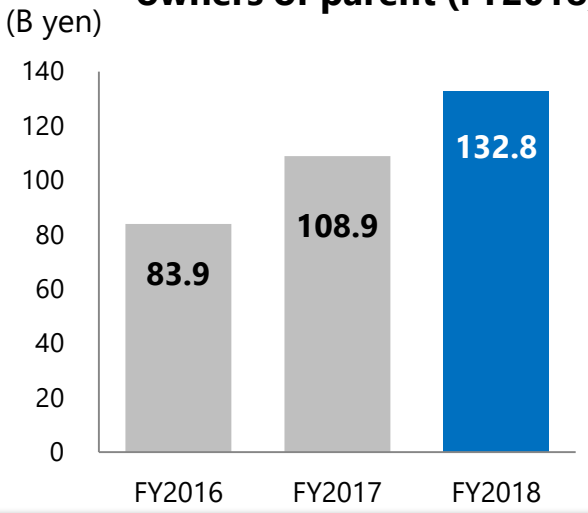
Operating income (FY2018)



Ordinary income (FY2018)



Profit attributable to owners of parent (FY2018)



Financial Results (Consolidated)

(Unit: B yen)

	FY2018				FY2017	Y on Y	
	Forecasts (May 9)	Forecasts (Revised on Oct. 29)	Results	Achievement	Results	Change (%)	Change (B yen)
Sales	346.5	354.0	**363.7**	102.7%	344.7	5.5%	19.1
Operating income	119.0	124.5	**138.5**	111.3%	115.2	20.2%	23.3
Ordinary income	140.0	148.5	**166.6**	112.2%	138.7	20.1%	27.9
Profit attributable to owners of parent	111.0	118.5	**132.8**	112.0%	108.9	21.9%	23.9

- **Sales and each profit measure were higher than FY2017**
- **Each profit measure was higher than the levels achieved in prior fiscal years**
  - **Operating income: for 4 consecutive years**
  - **Ordinary income: for 7 consecutive years**
  - **Profit attributable to owners of parent: for 3 consecutive years**

Exchange rate (average)	FY2018 forecasts	FY2018 results
USD ($) – JPY (¥)	105	**110.93**
GBP (£) – JPY (¥)	145	**145.72**
EUR (€) – JPY(¥)	130	**128.45**

Statement of Income (Consolidated)

(Unit: B yen)

	FY2018 Forecasts (May 9)	FY2018 Forecasts (Revised on Oct. 29)	FY2018 Results	Achievement (%)	FY2017 Results	Y on Y Change (%)	Y on Y Change (B yen)
Sales	**346.5**	**354.0**	**363.7**	102.7	344.7	5.5	19.1
	16.7	16.1	15.1		21.4		
Cost of sales	**58.0**	**57.0**	**54.9**	96.3	73.9	(25.7)	(19.0)
Gross profit	**288.5**	**297.0**	**308.8**	104.0	270.8	14.1	38.1
	48.9	48.7	46.8		45.1		
SG&A expenses	**169.5**	**172.5**	**170.3**	98.7	155.5	9.5	14.8
	29.6	29.4	28.0		27.7		
Selling & administrative expenses	**102.5**	**104.0**	**102.0**	98.1	95.6	6.7	6.4
	19.3	19.4	18.8		17.4		
R&D expenses	**67.0**	**68.5**	**68.3**	99.7	59.9	14.0	8.4
Ordinary R&D expenses*	**47.0**	**50.4**	**51.4**	102.0	59.9	(14.2)	(8.5)
Strategic investment	**20.0**	**18.1**	**16.9**	93.5	-	-	16.9
	34.3	35.2	38.1		33.4		
Operating income	**119.0**	**124.5**	**138.5**	111.3	115.2	20.2	23.3
Non-operating income & expenses	**21.0**	**24.0**	**28.0**	116.8	23.5	19.4	4.6
	40.4	41.9	45.8		40.2		
Ordinary income	**140.0**	**148.5**	**166.6**	112.2	138.7	20.1	27.9
Profit attributable to owners of parent	**111.0**	**118.5**	**132.8**	112.0	108.9	21.9	23.9

* Ordinary R&D expenses: Total R&D expenses excluding strategic investment

Sales by Segment

(Unit: B yen)

	FY2018				FY2017	Y on Y	
	Forecasts (May 9)	Forecasts (Revised on Oct. 29)	Results	Achievement (%)	Results	Change (%)	Change (B yen)
Prescription drugs	119.3	119.3	**128.7**	107.9	139.2	(7.6)	(10.5)
Overseas subsidiaries/export	29.8	31.3	**29.4**	94.0	23.6	24.6	5.8
Shionogi Inc.	10.9	12.4	**11.8**	95.0	10.6	11.2	1.2
Osphena®	4.1	4.1	**3.0**	72.7	3.7	(18.5)	(0.7)
C&O	12.4	12.4	**11.5**	92.8	6.9	67.2	4.6
Contract manufacturing	12.1	12.9	**14.8**	114.4	16.9	(12.8)	(2.2)
OTC and quasi-drug	7.4	7.4	**8.1**	110.1	7.2	12.0	0.9
Royalty income	175.5	180.6	**180.3**	99.8	155.0	16.3	25.2
HIV franchise	124.9	124.9	**124.4**	99.6	103.5	20.3	21.0
Crestor®	21.1	21.1	**22.0**	104.0	22.6	(2.9)	(0.7)
Others	29.5	34.6	**33.9**	97.8	29.0	16.9	4.9
Others	2.5	2.5	**2.5**	98.9	2.6	(5.6)	(0.1)
Total	**346.5**	**354.0**	**363.7**	**102.7**	**344.7**	**5.5**	**19.1**

Sales of Prescription Drugs in Japan

(Unit: B yen)

	FY2018				FY2017	Y on Y	
	Forecasts (May 9)	Forecasts (Revised on Oct. 29)	Results	Achievement (%)	Results	Change (%)	Change (B yen)
Cymbalta®	26.0	26.0	**24.1**	92.7	23.5	2.4	0.6
Intuniv®	5.0	6.1	**5.3**	86.4	1.9	179.2	3.4
Xofluza®	13.0	13.0	**26.3**	202.3	2.4	N/A*	23.9
Rapiacta®	1.1	1.1	**2.0**	181.6	3.3	(38.9)	(1.3)
Brightpoc® Flu	1.1	1.3	**1.2**	93.3	1.1	4.3	0.0
OxyContin® franchise	9.1	8.7	**7.3**	84.1	8.7	(15.9)	(1.4)
Symproic®	1.2	1.6	**1.6**	100.4	0.6	163.5	1.0
Total of strategic products	56.4	57.7	**67.8**	117.4	41.6	63.1	26.2
Actair®	0.15	0.18	**0.19**	105.2	0.12	56.0	0.1
Mulpleta®	0.23	0.19	**0.15**	80.1	0.16	(4.6)	(0.0)
Pirespa®	6.0	5.9	**5.7**	96.7	6.5	(12.2)	(0.8)
Total of new products	62.8	64.0	**73.8**	115.3	48.3	52.8	25.5
Crestor®	9.7	9.7	**9.9**	102.2	29.3	(66.3)	(19.4)
Irbetan® franchise	6.4	6.0	**5.4**	89.5	14.6	(63.1)	(9.2)
Others	40.4	39.6	**39.6**	100.0	47.0	(15.7)	(7.4)
Prescription drugs	**119.3**	**119.3**	**128.7**	**107.9**	**139.2**	**(7.6)**	**(10.5)**

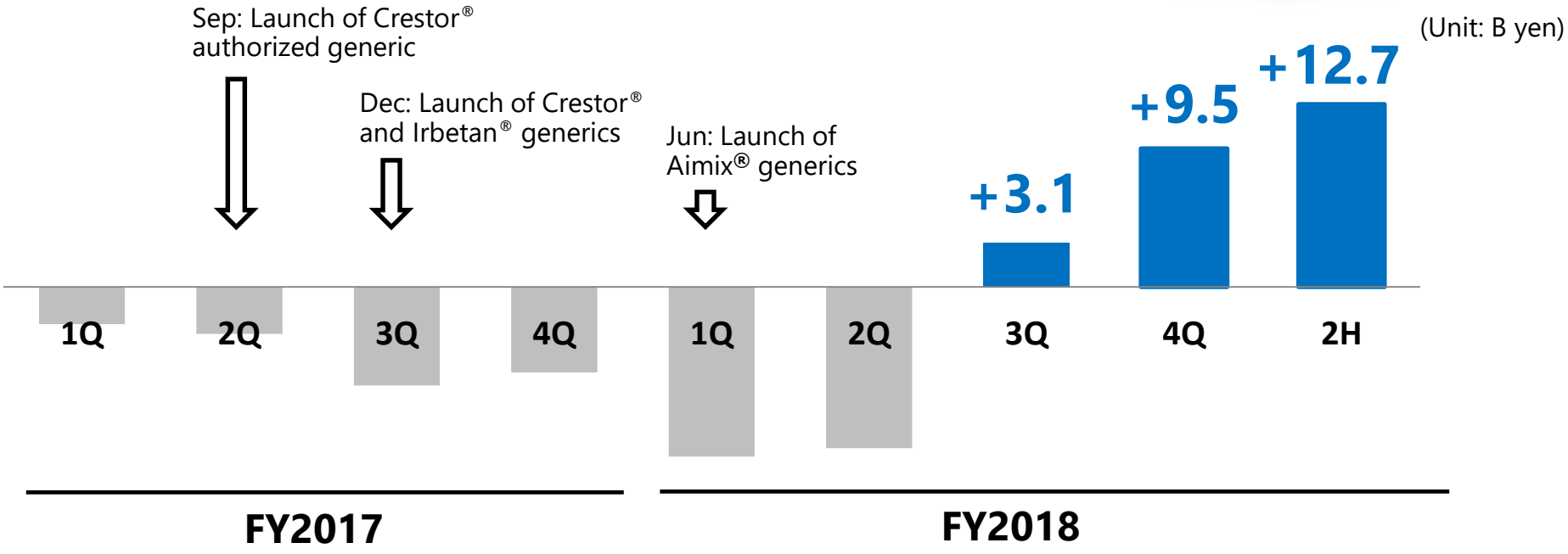
* N/A: Not applicable because Xofluza® was sold only for 2 weeks in FY2017.

Japanese Business: Driving Sales Growth by Our Own Earning Power

Sales of prescription drugs in Japan (Y on Y comparison)

The impact of share capture by generic competitors hit a plateau in 1H FY2018

Sales-growth phase by our own earning power



Achieved profit increase for two consecutive quarters

2. FY2019 Business Plan

Basic Strategy in FY2019

- **Sales**
  - Achieve increases in sales and profits by "**expanding sales of new products**" and "**further increasing management efficiency**"
- **Investment**
  - Advance pipeline assets that will become growth drivers beyond 2020
  - Establish a global presence in priority areas
- **Business innovation**
  - Improve operating process through the introduction of International Financial Reporting Standards (IFRS)
  - Create new value in healthcare by using IT
  - Advance business of group companies including Shionogi Pharma
  - Promote diversity & inclusion to create innovation
  - Promote activities related to ESG* for sustainable growth

Aggressive year to drive for sustainable growth beyond 2020, while exercising our "own earning power generate during SGS2020

* ESG (Environment, Society, Governance) : Non-financial information to evaluate corporate sustainability and risk

Financial Forecasts

(Unit: B yen)

	FY2019 forecasts		FY2018	Y on Y	
	Full year	1H	Results	Change (%)	Change (B yne)
Sales	365.5	159.0	363.7	0.5	1.8
Operating income	147.0	52.0	138.5	6.1	8.5
Ordinary income	170.5	63.0	166.6	2.4	3.9
Profit attributable to owners of parent	133.0	49.0	132.8	0.2	0.2

Achieve income and profit growth by sales growth of new products, and continue to achieve record-high profits

Exchange rate (average)	FY2019 forecasts	FY2018 results
USD ($) – JPY (¥)	110	110.93
GBP (£) – JPY (¥)	145	145.72
EUR (€) – JPY(¥)	130	128.45

Statement of Income Forecasts

(Unit: B yen)

	FY2019		FY2018	Y on Y	
	Full year	1H	Results	Change (%)	Change (B yen)
Sales	**365.5**	**159.0**	363.7	0.5	1.8
	14.6	16.0	15.1		
Cost of sales	**53.5**	**25.5**	54.9	(2.5)	(1.4)
Gross profit	**312.0**	**133.5**	308.8	1.0	3.2
	45.1	51.3	46.8		
SG&A expenses	**165.0**	**81.5**	170.3	(3.1)	(5.3)
	31.6	35.5	28.0		
Selling & administrative expenses	**115.5**	**56.4**	102.0	13.3	13.5
	13.5	15.8	18.8		
R&D expenses	**49.5**	**25.1**	68.3	(27.6)	(18.8)
Ordinary R&D expenses*	**49.5**	**25.1**	51.4	(3.7)	(1.9)
Strategic investment	**-**	**-**	16.9	-	(16.9)
	40.2	32.7	38.1		
Operating income	**147.0**	**52.0**	138.5	6.1	8.5
Non-operating income & expenses	**23.5**	**11.0**	28.0	(16.2)	(4.5)
	46.6	39.6	45.8		
Ordinary income	**170.5**	**63.0**	166.6	2.4	3.9
Profit attributable to owners of parent	**133.0**	**49.0**	132.8	0.2	0.2

* Ordinary R&D expenses: Total R&D expenses excluding strategic investment

Sales by Segment Forecasts

(Unit: B yen)

	FY2019		FY2018	Y on Y	
	Full year	1H	Results	Change (%)	Change (B yen)
Prescription drugs	**144.1**	**53.7**	**128.7**	12.0	15.4
Overseas subsidiaries/export	**31.4**	**16.0**	**29.4**	6.6	2.0
Shionogi Inc.	**9.9**	**6.3**	**11.8**	(16.2)	(1.9)
Mulpleta®	**1.0**	**0.25**	**0.08**	N/A*	0.9
C&O	**14.6**	**6.8**	**11.5**	27.0	3.1
Contract manufacturing	**14.3**	**9.1**	**14.8**	(3.0)	(0.4)
OTC and quasi-drugs	**9.7**	**4.6**	**8.1**	19.7	1.6
Royalty income	**163.6**	**74.3**	**180.3**	(9.2)	(16.7)
HIV franchise	**126.5**	**61.3**	**124.4**	1.6	2.0
Crestor®	**22.0**	**11.0**	**22.0**	0.2	0.0
Others	**15.1**	**2.1**	**33.9**	(55.4)	(18.8)
Others	**2.4**	**1.2**	**2.5**	(3.2)	(0.1)
Total	**365.5**	**159.0**	**363.7**	**0.5**	**1.8**

* N/A: Not applicable because Mulpleta® was sold only for 7 months in FY2018.

Sales Forecasts for Prescription Drugs in Japan

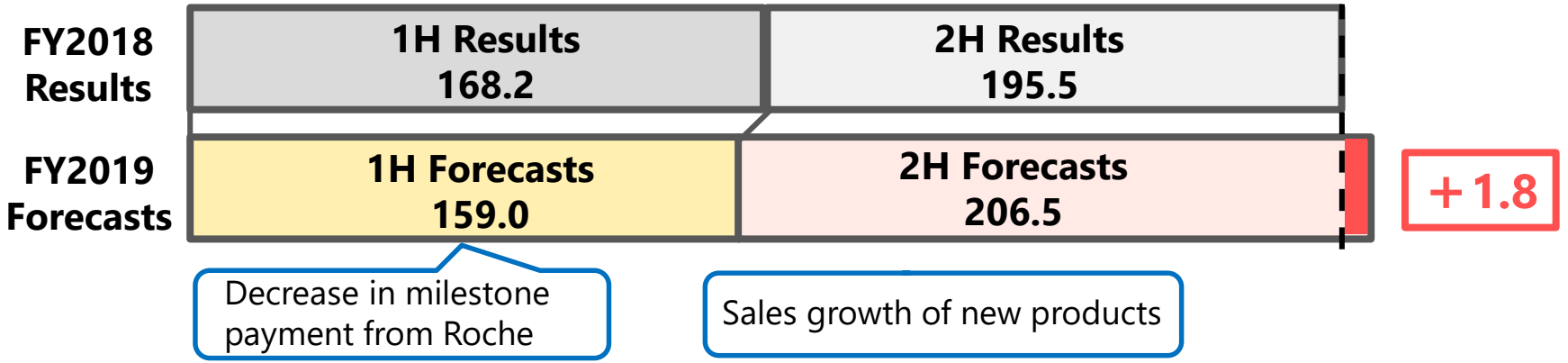
(Unit: B yen)

	FY2019		FY2018	Y on Y	
	Full year	1H	Results	Change (%)	Change (B yen)
Cymbalta®	**29.3**	**13.0**	24.1	21.6	5.2
Intuniv®	**13.6**	**4.6**	5.3	157.2	8.3
Xofluza®	**28.0**	**0.28**	26.3	6.5	1.7
Rapiacta®	**2.6**	**0.05**	2.0	27.7	0.6
Brightpoc® Flu	**1.8**	**0.18**	1.2	56.2	0.7
Strategic products total	**75.7**	**18.2**	58.9	28.6	16.8
OxyContin® franchise	**6.7**	**3.6**	7.3	(7.4)	(0.5)
Symproic®	**2.3**	**1.1**	1.6	43.8	0.7
Actair®	**0.27**	**0.12**	0.19	38.3	0.1
Mulpleta®	**0.33**	**0.17**	0.15	115.4	0.2
Pirespa®	**6.9**	**3.5**	5.7	21.0	1.2
New products total	**92.2**	**26.7**	73.8	25.0	18.4
Crestor®	**10.0**	**5.2**	9.9	1.3	0.1
Irbetan® franchise	**4.9**	**2.6**	5.4	(8.3)	(0.4)
Others	**36.9**	**19.2**	39.6	(6.8)	(2.7)
Prescription drugs	**144.1**	**53.7**	**128.7**	**12.0**	**15.4**

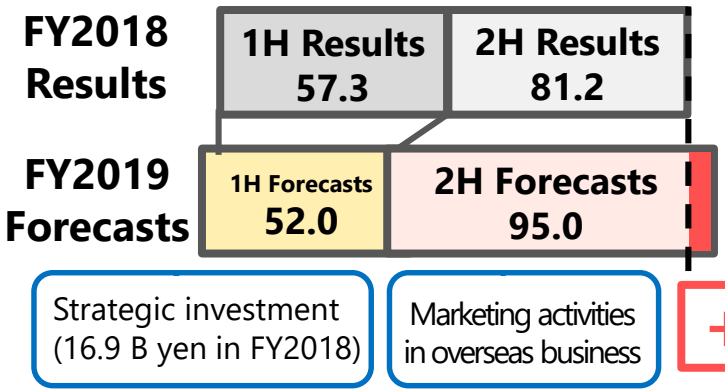
Financial Forecasts for FY2019

- **Net Sales (363.7 to 365.5)**

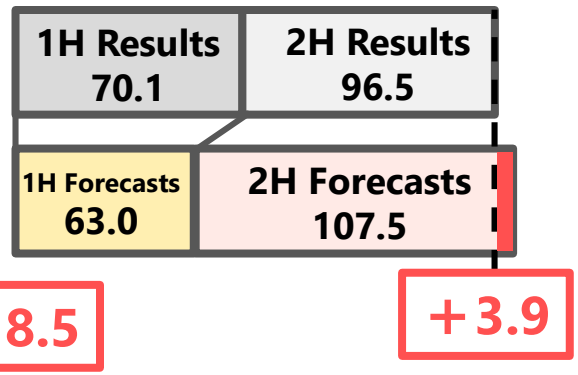
(Unit: B yen)



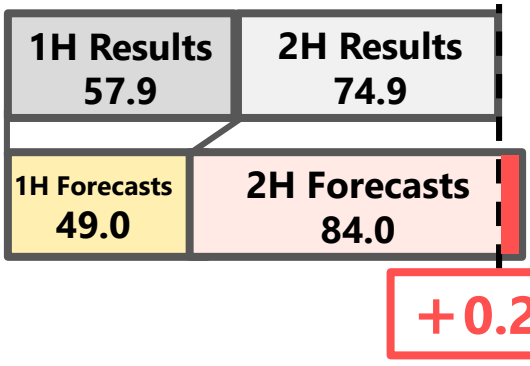
- **Operating Income (138.5 to 147.0)**



- **Ordinary Income (166.6 to 170.5)**



- **Profit attributable to owners of parent (132.8 to 133.0)**

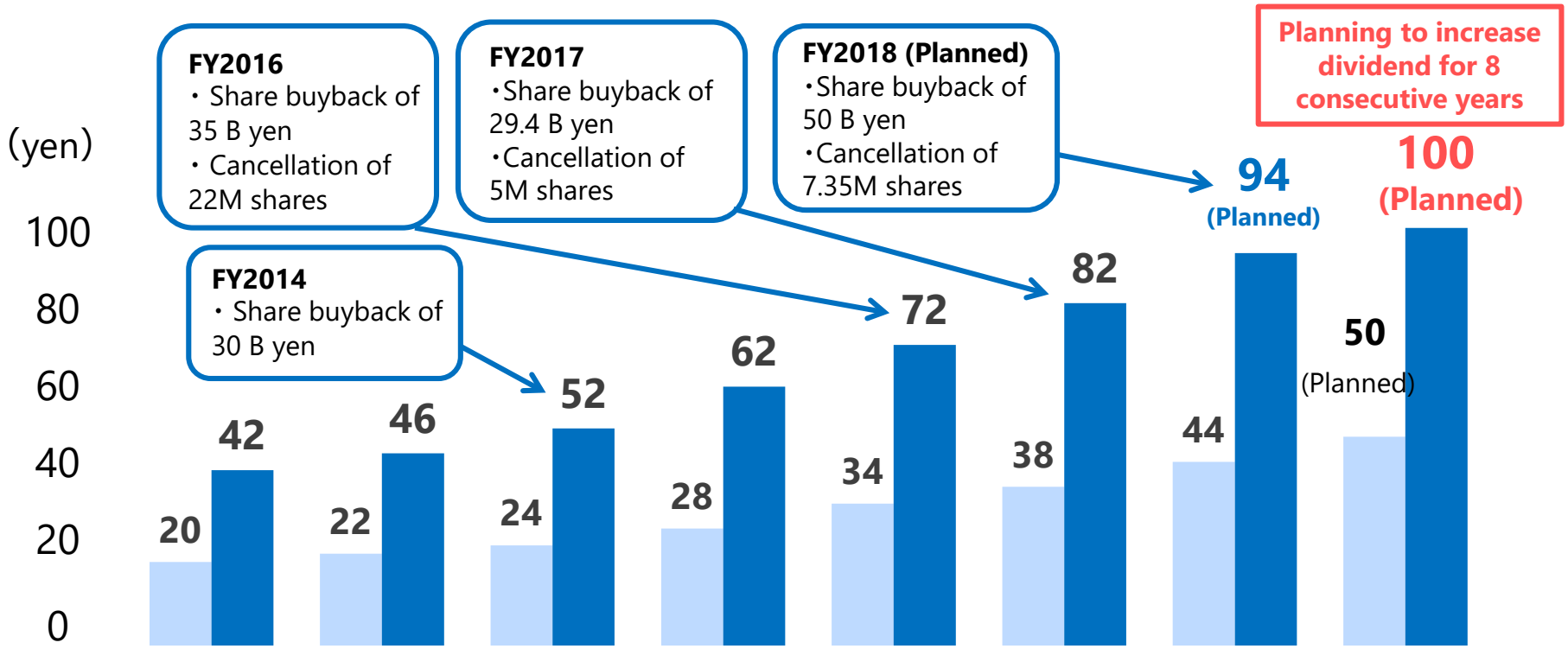


Income and profit growth will be achieved in the full-year, although decreases in income and profit are forecasted in 1H

3. Shareholder Return

Shareholder Return Policy Through Which Shareholders Can Feel Our Growth

- Plan to **increase dividend for 8 consecutive years and reach 100 yen in FY2019**
- Continuously increase dividend according to our growth



FY	12	13	14	15	16	17	18	19
DOE	3.7	3.5	3.7	4.1	4.5	4.6	4.6 (planned)	Over 4.3 (planned)
ROE	17.5	9.2	9.4	13.6	16.3	19.4	20.9	Over 18.0 (planned)

Appendix

Highlight (3) : KPIs - Results in FY2018

		FY2020 target	FY2018 target*	FY2018 results	FY2017 results
Growth	Sales of new products**	200 B yen	72.1 B yen	**83.1 B yen**	52.9 B yen
	Ordinary Income	150 B yen	140.0 B yen	**166.6 B yen**	138.7 B yen
Efficiency	ROIC***	Over 13.5%	Over14.5%	**16.5%**	14.9%
	CCC****	5.5 months	6.1 months	**8.9 months**	6.2 months
	Original pipeline ratio	Over 50%	Over 50%	**69%**	74%
Shareholder return	ROE	Over 15.0%	Over17.0%	**20.9%**	19.4%
	DOE	Over 4.0%	4.3%	**4.6% (planned)**	4.6%

* Target set on May 9, 2018 ** 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

KPIs - Target for FY2019 -

		FY2020 target	FY2019 target	FY2018 Results	FY2017 results
Growth	Sales of new products*	200 B yen	100.6 B yen	83.1 B yen	52.9 B yen
	Ordinary Income	150 B yen	170.5 B yen	166.6 B yen	138.7 B yen
Efficiency	ROIC**	Over 13.5%	Over 15.0%	16.5%	14.9%
	CCC***	5.5 months →7.0 months	Below 7.6 months	8.9 months	6.2 months
	Original pipeline ratio	Over 50%	Over 50%	69%	74%
Shareholder return	ROE	Over 15.0%	Over 18.0%	20.9%	19.4%
	DOE	Over 4.0%	Over 4.3%	4.6% (planned)	4.6%

* 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

Pipeline (as of May 9, 2019)

Preclinical (target indication*)	Phase I	Phase II	Phase III	Submission
Influenza virus infection	**Global**			
HIV virus infection	**S-004992**** Tuberculosis	**S-120083** Inflammatory pain	**Cefiderocol** Multidrug-resistant Gram-negative bacterial infections	**Cefiderocol (US/EU)** Multidrug-resistant Gram-negative bacterial infections
RS virus infection	**S-117957** Insomnia	**S-707106** Type2 diabetes		**Baloxavir Marboxil (Taiwan)** Influenza virus infection
Bacterial infection	**S-237648** Obesity	**S-488210** Head and neck squamous cell carcinoma		
Mycobacterium disease	**S-588210** Solid tumor	**epertinib** Malignant tumor		
Fungus infection	**Rizmoic®** Opioid-induced constipation (pediatric)	**S-588410** Bladder cancer		
Vaccine for prevention	**In Japan**			
Peptide	**S-812217** Depression	**Cefiderocol** Multidrug-resistant Gram-negative bacterial infections	**Cefiderocol** Multidrug-resistant Gram-negative bacterial infections	**Oxycodone** Moderate to severe chronic pain
ADHD	**S-600918** Neuropathic pain	**S-600918** Refractory/unexpected chronic cough	**Xofluza™** Influenza virus infection (prophylaxis)	**Intuniv®** ADHD (adult)
Opioid	**S-637880** Neuropathic pain	**S-005151** Acute ischemic stroke	**Xofluza™** Influenza virus infection (New dosage for children)	
Alzheimer's disease	**S-010887** Neuropathic pain	**S-237648** Obesity	**Cymbalta®** Depression (pediatric)	
Cognitive and memory deficits	**S-770108** Idiopathic pulmonary fibrosis	**S-525606** Allergic rhinitis caused by Japanese cedar allergen	**Oxycodone** Moderate to severe chronic pain	
Post-stroke spasticity		**S-588410** Bladder cancer	**S-588410** Esophageal cancer	
Peptide		**SR-0379** Cutaneous ulcer		
Obesity		**ADR-001***** Decompensated liver cirrhosis		
S-723595 NASH				
Cancer metastasis				
S-540956 Nucleic acid adjuvant				
Peptide				

- **Infectious diseases**
- **Pain/CNS**
- **Other**

SHIONOGI

Progress from Feb. 1, 2019 to May 9, 2019

* Target indication may include some projects

** In preparation for Phase I

*** In Phase I/II

Pipeline -Out-licensed (as of May 9, 2019)

Preclinical	Phase I	Phase II	Phase III	Submission
	GSK3342830 Multidrug-resistant Gram-negative bacterial infections		**DTG/3TC** Treatment for HIV infection TANGO study (maintenance)	**DTG/3TC (EU)** Treatment for HIV infection
			CAB LAP Prevention for HIV infection	**Xofluza™** Influenza virus infection (High risk patients)
			Xofluza™ Severe influenza virus infection	**CAB+RPV LAP** Treatment for HIV infection
			Xofluza™ Influenza virus infection (pediatric)	

- **Infectious diseases**
- **Pain/CNS**
- **Others**

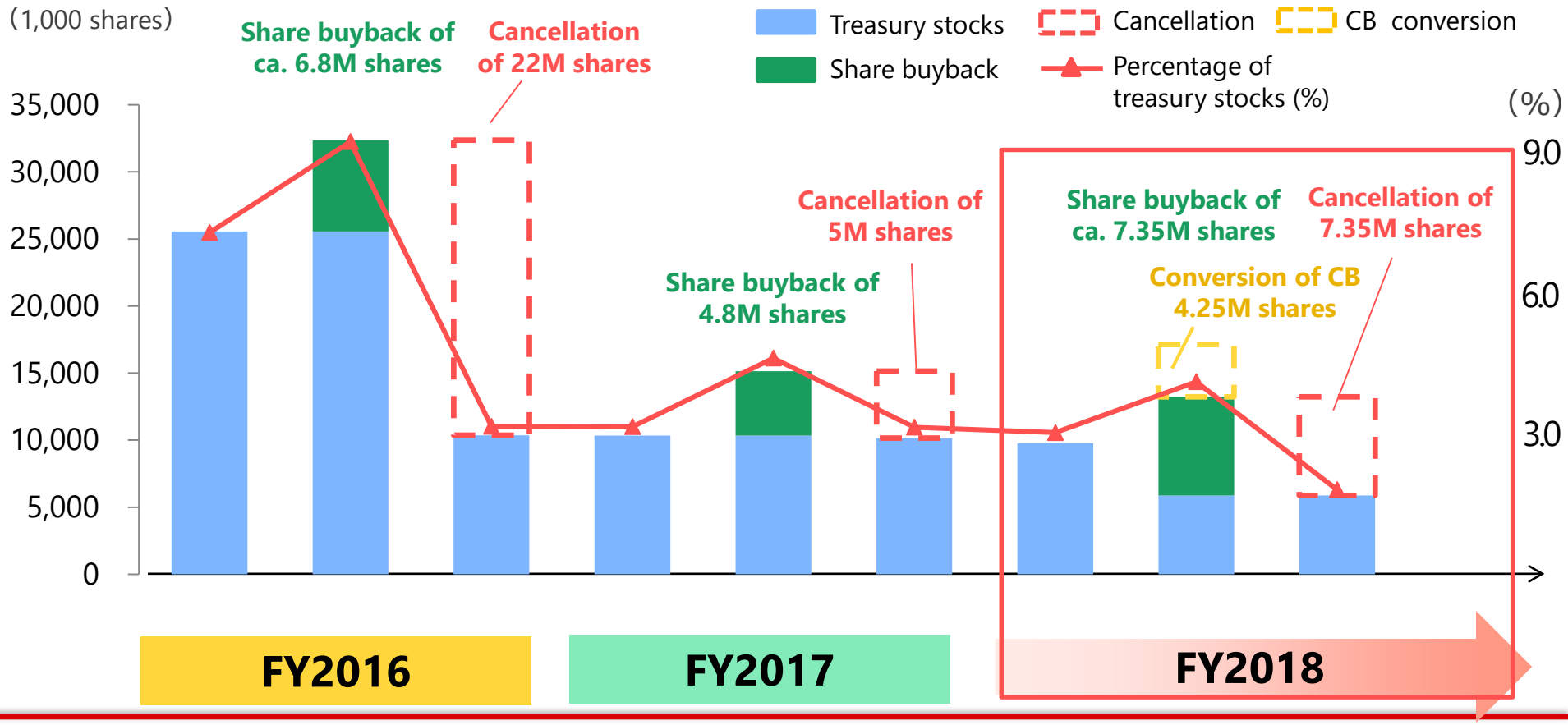
Stage progression (from Jan. 31, 2019)	Cefiderocol：Phase II→Submission (US), Phase III→Submission (EU) Naldemedine (Rizmoic®) :→Approved (EU) Lustrombopag: Submission→Approved (EU) Lisdexamfetamine: Submission→Approved (Japan) S-005151: Phase I→Phase II (Japan) Xofluza™: Phase III (high risk patients)→sNDA (US) DTG/3TC: Submission→Approved (US) CAB+RPV: Phase III→Submission (US)

Progress from Feb. 1, 2019 to Mar. 14, 2019

DTG: Dolutegravir 3TC: Lamivudine RPV: Rilpivirine CAB：Cabotegravir

Flexible and Prompt Capital Policy

Proceed to the shareholder return policy for which shareholders can feel mid- to long-term profit growth, including buyback and cancellation shares and reducing cross-shareholdings



Definition of New Products (in Updates to SGS2020)

Pain/ CNS

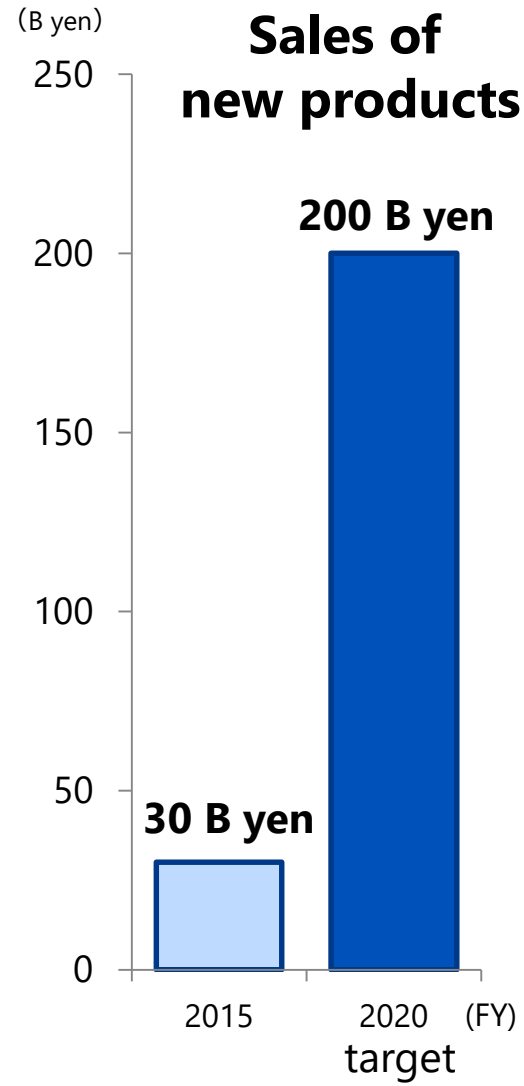
- Cymbalta®
- OxyContin® tamper resistant formulation, OxiNorm®, OxiFast®
- Naldemedine*
- Intuniv®, Vyvanse®

Infectious diseases

- Xofluza®
- Cefiderocol
- Rapiacta®, flu diagnosis kit

Others

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



* Product name of naldemedine: Symproic® in Japan and US, Rizmoic ® in EU

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, inavailability 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.