



Fiscal 2012 Financial Results

May 9, 2013

 **SHIONOGI & CO., LTD.**



Overview of FY2012 Results

Financial Results (Consolidated)

	FY2012 forecasts*	FY2012 results	Achievement (%)	Variance	FY2011 Results	Y on Y	
						change (%)	change
Sales	283.0	282.9	100.0	(0.1)	267.3	5.8	15.6
Operating income	56.0	58.8	105.1	2.8	47.0	25.2	11.8
Ordinary income	54.0	58.9	109.1	4.9	46.1	27.8	12.8
Net income	32.0	66.7	208.5	34.7	27.1	146.2	39.6

- All income levels in FY2012 are higher than the levels achieved in any prior fiscal year.

* All numerical values are rounded to the nearest unit.

* The depreciation method for tangible fixed assets has been changed from the declining-balance method predominantly used previously to the straight-line method from FY2012. With this change, operating and ordinary incomes have increased by 3.3 billion yen and 3.4 billion yen respectively in FY2012.

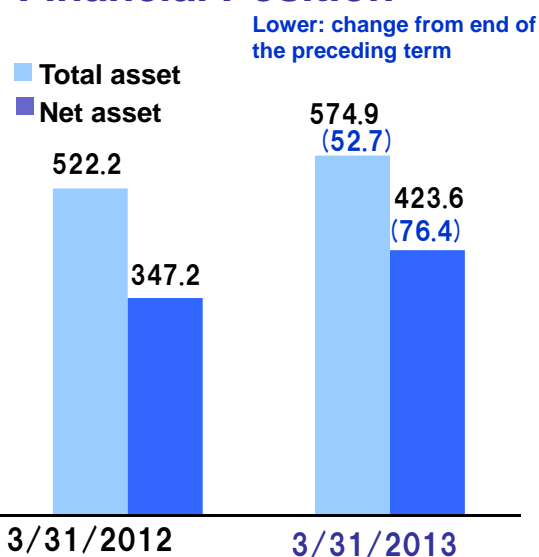
(Units: Yen)

Exchange rate (average)	FY2012 forecasts	FY2012 results	FY2011 results	Y on Y
USD (\$) – JPY (¥)	80	82.95	79.06	+3.89 yen depreciation
EUR (€) – JPY (¥)	105	106.83	109.00	-2.17 yen appreciation

SHIONOGI & CO., LTD. *: The consolidated earnings forecasts announced on Nov. 2, 2012 were written here, and the revisions to the forecasts were announced on Apr. 22, 2013. 2

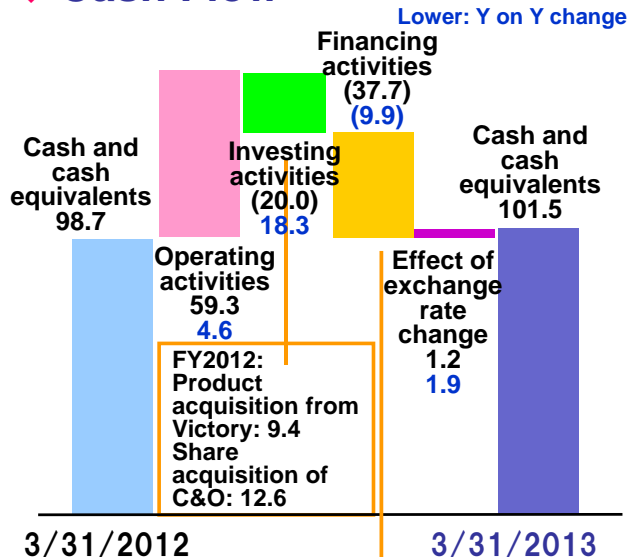
Financial Position and Cash Flow (Consolidated)

◆ Financial Position



	3/31/2012	3/31/2013
Equity ratio	65.9%	73.1%

◆ Cash Flow



FY2012: Product acquisition from Victory: 9.4
Share acquisition of C&O: 12.6
FY2012: Redemption of debenture: 10.0

Statements of Income (Consolidated)

	FY2012		Achievement (%)	Variance	FY2011	Y on Y	
	forecasts*	results			results	change (%)	change
Sales	283.0	282.9	100.0	(0.1)	267.3	5.8	15.6
[Royalty income]	69.1	69.8	101.1	0.7	68.7	1.7	1.1
	28.3 (37.4)	27.8 (36.9)			29.1 (39.1)		
Cost of sales	80.0	78.6	98.2	(1.4)	77.8	1.1	0.8
Gross profit	203.0	204.3	100.7	1.3	189.5	7.8	14.8
SG&A expenses	51.9	51.4			53.3		
	147.0	145.5	99.0	(1.5)	142.5	2.1	3.0
Selling & general expenses	94.0	92.5	98.4	(1.5)	88.9	4.0	3.6
R&D expenses	53.0	53.0	100.0	0.0	53.6	(1.1)	(0.6)
Operating income	19.8	20.8			17.6		
	56.0	58.8	105.1	2.8	47.0	25.2	11.8
Non-operating income and expenses	L2.0	P0.1	-	2.1	L0.9	-	1.0
Ordinary income	19.1	20.8			17.2		
	54.0	58.9	109.1	4.9	46.1	27.8	12.8
Extraordinary income and loss	L0.3	L0.6	197.4	(0.3)	L4.6	-	4.0
Income before income taxes	53.7	58.3	108.6	4.6	41.5	40.5	16.8
Total income taxes	21.7	(8.4)	-	(30.1)	14.4	-	(22.8)
Net income	32.0	66.7	208.5	34.7	27.1	146.2	39.6

※: The consolidated earnings forecasts announced on Nov. 2, 2012 were written here, and the revisions to the forecasts were announced on Apr. 22, 2013.

* Small numbers in red are percentages of sales, and numbers in red provided in parentheses are percentages of royalty excluded sales.

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Difference between Forecasts* and Results

◆ Operating Income

- Reduced SG&A expenses by implementing multiple steps to improve the cost-effectiveness of business operations in all group companies

◆ Ordinary Income

- Received foreign exchange profit on foreign-currency-based assets due to yen depreciation

◆ Extraordinary income and loss

- New agreement with ViiV Healthcare: L0.4 B yen
 - Gain on exchange of investment securities: P40.4 B yen
 - Impairment loss (goodwill and sales rights): L40.8 B yen
- Others (Gains and losses on sales of noncurrent assets and investment securities, etc.): L0.2 B yen

◆ Decrease in tax-related expenses

- Deductible losses on valuation of stocks of subsidiaries and affiliates included as extraordinary losses in non-consolidated financial results
- Effects on losses carried forward



Breakdown of Sales (Consolidated)

(Units: B yen)

	FY2012		Achievement (%)	Variance	FY2011	Y on Y	
	forecasts	results			results	change (%)	change
Prescription drugs	168.6	165.7	98.3	(2.9)	164.4	0.8	1.3
Total of 3 key products	57.8	58.5	101.2	0.7	51.3	14.1	7.2
Total of 8 strategic products	84.5	84.2	99.7	(0.3)	73.2	15.0	11.0
Overseas subsidiaries/export	28.3	※ 30.6	108.2	2.3	17.0	80.3	13.6
Shionogi Inc.	15.5	17.0	109.5	1.5	5.8	190.2	11.2
C&O	5.6	5.8	103.8	0.2	1.9	201.2	3.9
Doripenem	1.8	2.5	136.8	0.7	4.2	(41.8)	(1.7)
Contract manufacturing	7.6	7.3	95.4	(0.3)	7.6	(4.6)	(0.3)
OTC and quasi-drugs	5.1	5.2	101.2	0.1	5.0	2.8	0.2
Diagnostics	2.4	2.2	92.0	(0.2)	2.7	(18.4)	(0.5)
Royalty income	69.1	69.8	101.1	0.7	68.7	1.7	1.1
Crestor	63.0	63.0	99.9	(0.0)	64.7	(2.7)	(1.7)
Others	1.9	2.1	108.8	0.2	1.9	7.8	0.2
Total	283.0	282.9	100.0	(0.1)	267.3	5.8	15.6

Eight strategic products: Crestor, Irbetan, Cymbalta (3 key products), and OxyContin, Finibax, Differin, Pirespa, Rapiacta

*Taiwan Shionogi has changed its accounting period since Jan. 2012, and FY2012 results include 15 months from Jan. 2012 to Mar. 2013. C&O has been consolidated since Oct. 2011, and FY2012 results include 12 months from Jan. to Dec. in 2012, and FY2011 results include 6 months from Jul. to Dec. in 2012

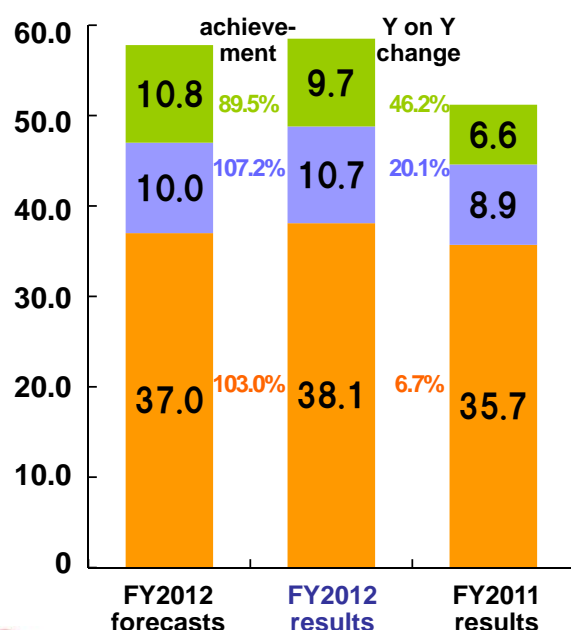
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Domestic: Sales of 8 Strategic Products

(Units: B yen)

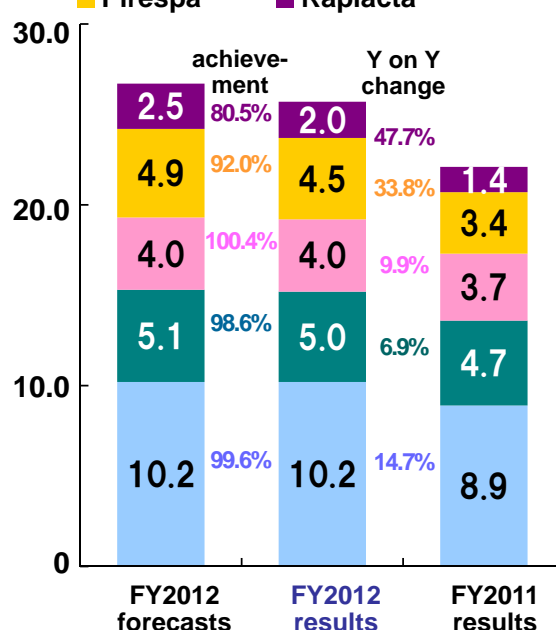
◆ 3 Key Products

■ Crestor ■ Irbetan ■ Cymbalta



◆ 5 Strategic Products

■ OxyContin ■ Finibax ■ Differin
■ Pirespa ■ Rapiacta



Financial Results of Shionogi Inc.

(Units: upper/million dollar, lower/B yen)

	FY2012				Achievements (%)	FY2011
	forecasts	1H results	2H results	full year results		results
Sales	194 15.5	94 7.5	110 9.5	205 17.0	105.6	74 5.8
Cost of sales	26 2.0	16 1.2	11 0.9	26 2.2	102.8	29 2.3
SG&A expenses	206 16.5	106 8.4	78 6.9	184 15.3	89.3	191 15.1
Operating income	(38) (3.0)	(27) (2.2)	21 1.7	(6) (0.5)	-	(146) (11.5)

* Achievements (%) are calculated in US\$ and are different from those calculated in Japanese yen.

Financial Results of C&O

(Units: B yen)

	FY2012				Achievements (%)	FY2011
	forecasts	1H results	2H results	full year results		results
Sales	5.6	2.9	2.9	5.8	103.8	1.9
Operating income	0.5	0.3	0.3	0.6	124.9	(0.1)



* FY2011 results include 6 months from Jul.-Dec. results in 2011.

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Review of FY2012 Results

◆ Domestic sales (prescription drugs)

- Sales of eight strategic products increased 15.0% y on y, diminishing the negative impact of the NHI price revisions
- The total sales of eight strategic products reached 50.8% of total product sales

◆ Crestor Royalty

- 2.7% y on y decrease due to weak global sales by AstraZeneca

◆ Shionogi Inc.

- Improved profitability due to growth of key promoted products, continued review of gross to net ratio, cost containment, and reduction of amortization of impairment losses of intangible assets
- Operating income became profitable in 2H FY2012
- FDA approval of Osphena (Feb. 26, 2013)

◆ C&O

- Continued stable business operations and strengthened business performance as a foothold in China

◆ Cost Control

- Decreased COGS rate through improvement of manufacturing costs
- Decreased SG&A expenses by further cost containment throughout the company

FY2013 Financial Forecasts

FY2013 Forecasts

Financial Forecasts (Consolidated)

(Units: B yen)

	FY2013 forecasts		FY2012 results	Y on Y	
	full year	1H		change (%)	change
Sales	287.0	138.0	282.9	1.4	4.1
Operating income	60.0	24.0	58.8	2.0	1.2
Ordinary income	59.0	24.0	58.9	0.1	0.1
Net income	37.0	14.5	66.7	(44.6)	(29.7)

(Units: Yen)

Exchange rate (average)	FY2013 forecasts	FY2012 results
USD (\$) – JPY (¥)	95	82.95
EUR (€) – JPY (¥)	120	106.83

Statements of Operating Income (Consolidated)

(Units: B yen)

	FY2013 forecasts		FY2012 results	Y on Y	
	Full year	1H		change (%)	change
Sales	287.0	138.0	282.9	1.4	4.1
[Royalty income]	65.0	31.0	69.8	(6.9)	(4.8)
	28.2 (36.5)	28.3 (36.4)	27.8 (36.9)		
Cost of sales	81.0	39.0	78.6	3.1	2.4
Gross profit	206.0	99.0	204.3	0.8	1.7
	50.9	54.3	51.4		
SG&A expenses	146.0	75.0	145.5	0.4	0.5
Selling & general expenses	93.0	48.0	92.5	0.6	0.5
R&D expenses	53.0	27.0	53.0	(0.0)	(0.0)
	20.9	17.4	20.8		
Operating income	60.0	24.0	58.8	2.0	1.2

* Small numbers in red are percentages of sales, and numbers in red provided in parentheses are percentages of royalty excluded sales.

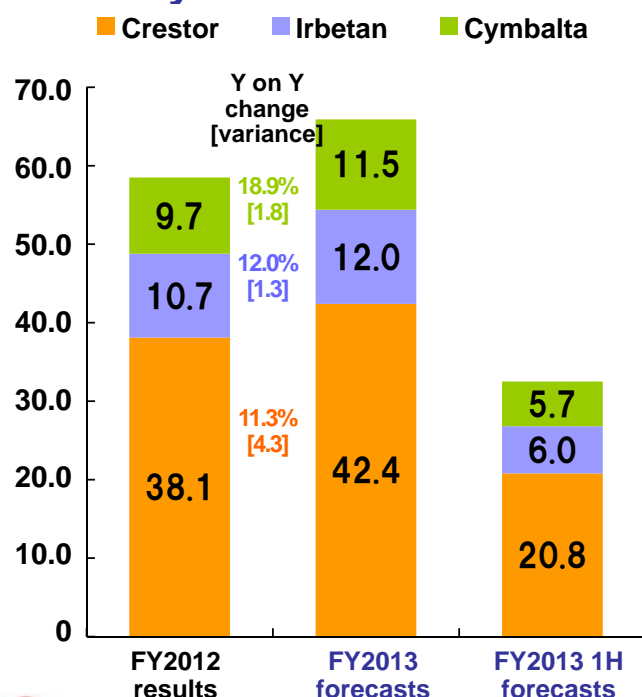
Forecasts of Sales by Segments (Consolidated)

(Units: B yen)

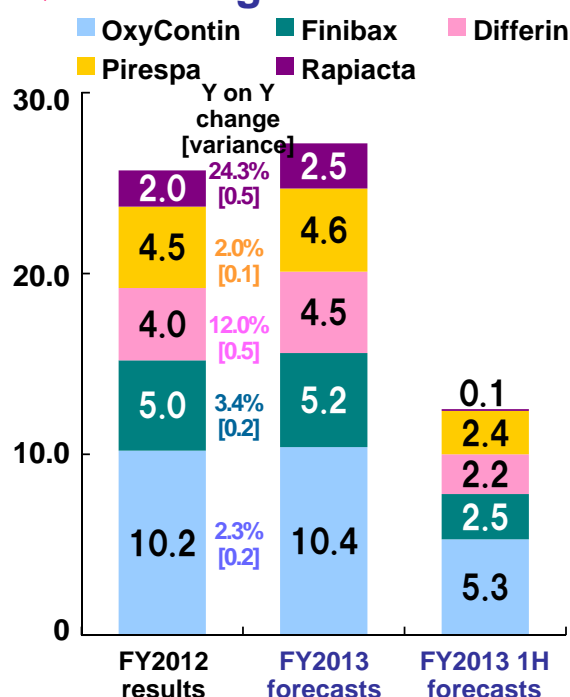
	FY2013		FY2012 results	Y on Y	
	full year	1H		change (%)	change
Prescription drugs	170.6	83.1	165.7	2.9	4.9
Total of 3 key products	65.9	32.5	58.5	12.7	7.4
Total of 8 strategic products	93.1	45.0	84.2	10.5	8.9
Overseas subsidiaries/export	31.8	14.4	※ 30.6	3.9	1.2
Shionogi Inc.	20.2	9.0	17.0	19.0	3.2
Osphena™	5.5	0.8	-	-	5.5
C&O	6.0	2.9	5.8	3.2	0.2
Contract manufacturing	10.8	5.2	7.3	48.9	3.5
OTC and quasi-drugs	5.1	2.7	5.2	(1.2)	(0.1)
Diagnostics	1.7	0.6	2.2	(23.0)	(0.5)
Royalty income	65.0	31.0	69.8	(6.9)	(4.8)
Crestor	62.0	29.5	63.0	(1.5)	(1.0)
Others	2.0	1.0	2.1	(3.3)	(0.1)
Total	287.0	138.0	282.9	1.4	4.1

Domestic: Sales of 8 Strategic Products

◆ 3 Key Products



◆ 5 Strategic Products



Shareholder Return

Dividend Forecasts for FY2012 and FY2013

	Dividends per share			Payout ratio (consolidated)
	half-year	year-end	annual	
	Yen	Yen	Yen	
FY2009	18.00	18.00	36.00	31.2%
FY2010	20.00	20.00	40.00	66.9%
FY2011	20.00	20.00	40.00	49.4%
FY2012	20.00	(forecasts) 22.00	(forecasts) 42.00	21.2%
FY2013	(forecasts) 22.00	(forecasts) 22.00	(forecasts) 44.00	39.8%

- Plans to increase its consolidated dividend payout ratio from 35% to 40% to return profits to its shareholders
- FY2012 forecast: 42 yen (+ 2 yen, prior: 40 yen)
 - Consolidated payout ratio: 40% (based on net income excl. the one-time positive effect in tax expenses, prior: 35%)
- FY2013 forecast: 44 yen



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- Risks and uncertainties include general domestic and international economic conditions such as general industry and market conditions, and changes of interest rate and currency exchange rate. These risks and uncertainties particularly apply with respect to product-related forward-looking statements. Product risks and uncertainties include, but are not limited to, completion and discontinuation of clinical trials; obtaining regulatory approvals; claims and concerns about product safety and efficacy; technological advances; adverse outcome of important litigation; domestic and foreign healthcare reforms and changes of laws and regulations. Also for existing products, there are manufacturing and marketing risks, which include, but are not limited to, inability to build production capacity to meet demand, unavailability of raw materials and entry of competitive products.
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