



Fiscal 2013 Financial Results

May 9, 2014

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President & CEO**



Overview of FY2013 Financial Results

Financial Results (Consolidated)

(Units: B yen)

	FY2013 forecasts*	FY2013 results	achievement(%)	variance	FY2012 results	Y on Y	
						change(%)	change
Sales	284.8	289.7	101.7	4.9	282.9	2.4	6.8
Operating income	62.0	63.6	102.5	1.6	59.6	6.7	4.0
Ordinary income	61.0	63.9	104.8	2.9	58.9	8.5	5.0
Net income	43.0	41.8	97.3	(1.2)	66.7	(37.3)	(24.9)

- Operating income and ordinary income in FY2013 are higher than the levels achieved in the full year of any prior fiscal year

Note: All numerical values are rounded to the nearest unit

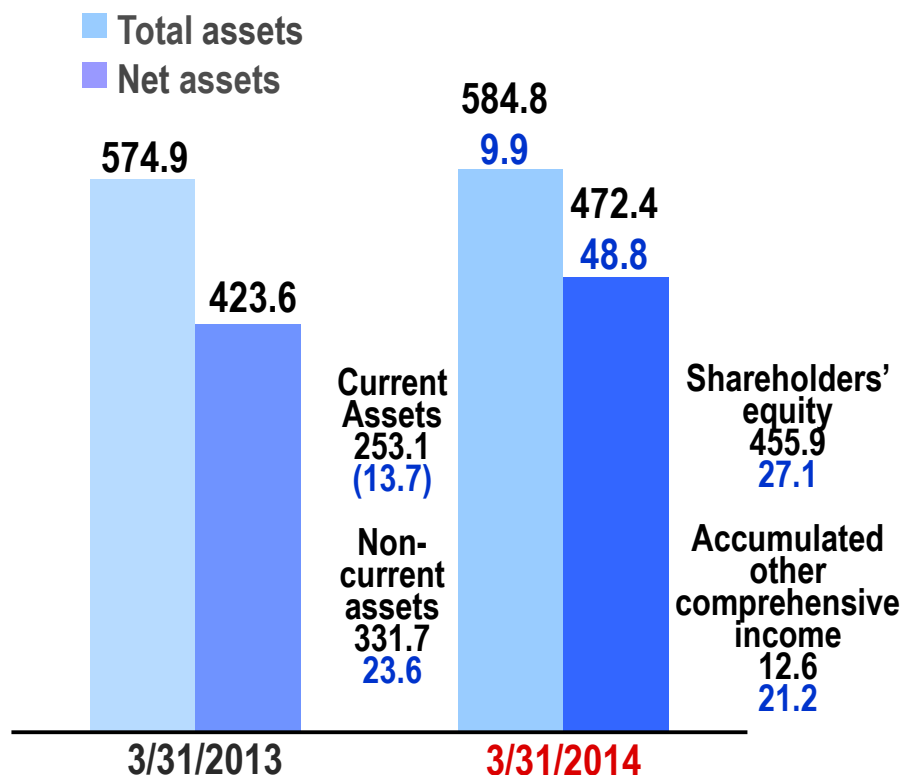
The litigation expenses have been recognized under non-operating expenses since FY2013. We have restated the consolidated statements of income for the previous fiscal year to reflect this change (Units: Yen)

Exchange rate (average)	FY2013 forecasts	FY2013 results	FY2012 results	Y on Y
USD(\$)	95	100.18	82.95	+17.23 yen depreciation
EUR(€)	120	134.23	106.83	+27.40 yen depreciation

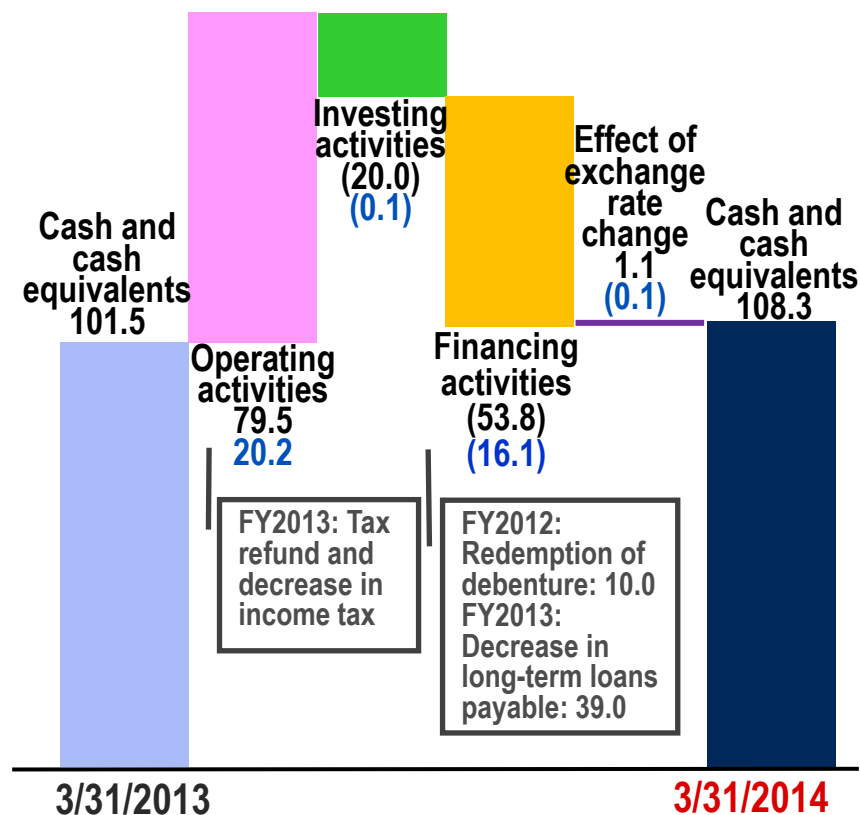
Financial Position and Cash Flow (Consolidated)

(Units: B yen)
lower: Y on Y change

◆ Financial Position



◆ Cash Flow



	3/31/2013	3/31/2014
Equity ratio	73.1%	80.1%

Statements of Income (Consolidated)

(Units: B yen)

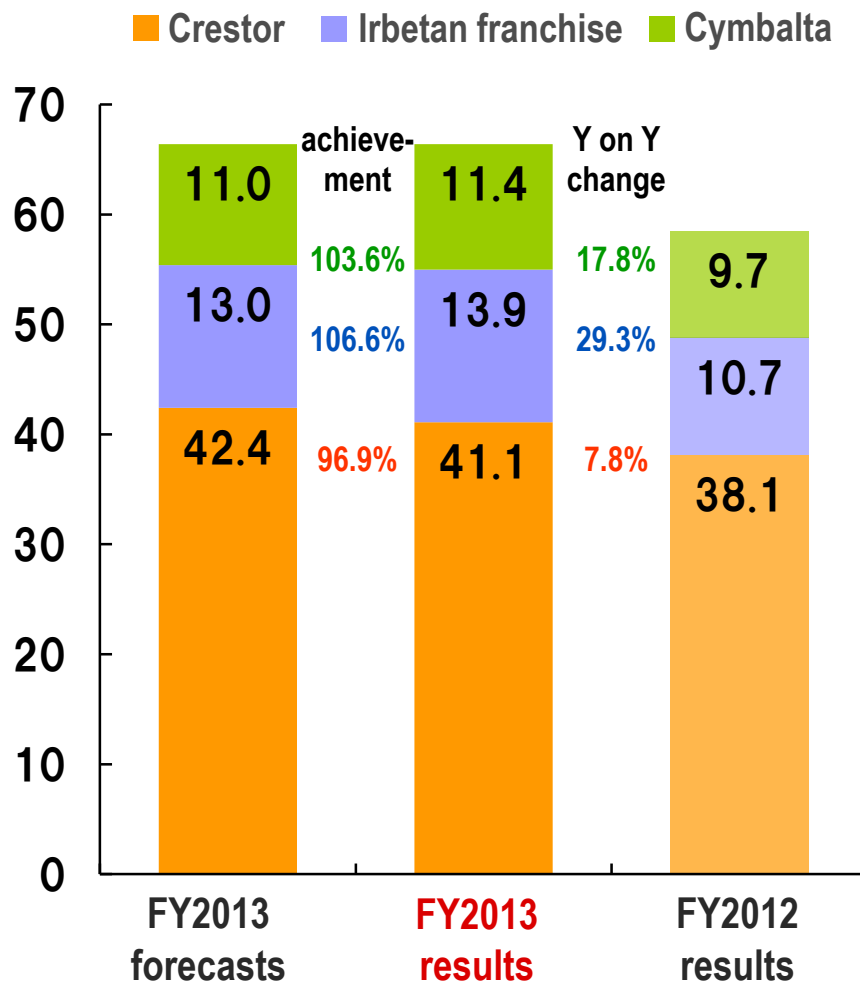
	FY2013		achieve- ment(%)	variance	FY2012	Y on Y	
	forecasts	results			results	change(%)	change
Prescription drugs	168.4	168.3	99.9	(0.1)	165.7	1.5	2.6
Total of 3 key products	66.4	66.3	99.9	(0.1)	58.5	13.4	7.8
Total of 8 strategic products	92.9	92.9	100.0	(0.0)	84.2	10.3	8.7
Overseas subsidiaries/export	33.1	34.0	102.8	0.9	* 30.6	11.1	3.4
Shionogi Inc.	20.7	21.4	103.3	0.7	17.0	26.0	4.4
Osphena™	5.5	1.1	20.0	(4.4)	-	-	1.1
C&O	6.0	5.9	97.9	(0.1)	5.8	1.0	0.1
Contract manufacturing	8.7	8.4	96.3	(0.3)	7.3	15.5	1.1
OTC and quasi-drugs	4.7	4.5	96.1	(0.2)	5.2	(12.6)	(0.7)
Diagnostics	1.9	2.0	105.7	0.1	2.2	(9.0)	(0.2)
Royalty income	66.0	70.7	107.1	4.7	69.8	1.2	0.9
Crestor®	63.0	65.7	104.2	2.7	63.0	4.3	2.7
Others	2.0	1.8	90.2	(0.2)	2.1	(12.7)	(0.3)
Total	284.8	289.7	101.7	4.9	282.9	2.4	6.8

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

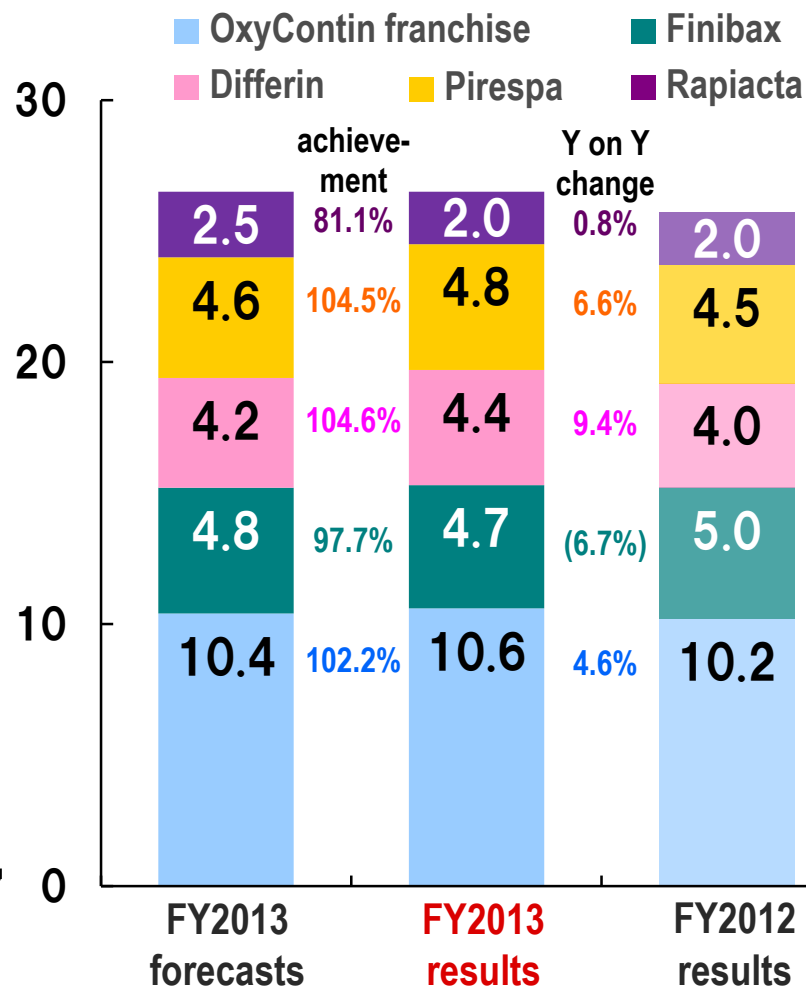
Japan: Sales of 8 Strategic Products

(Units: B yen)

◆ 3 Key Products



◆ 5 Strategic Products



Statements of Income (Consolidated)

	FY2013		achievement(%)	variance	FY2012	Y on Y	
	forecasts	results			results	change(%)	change
Sales	284.8	289.7	101.7	4.9	282.9	2.4	6.8
[Royalty income]	66.0	70.7	107.1	4.7	69.8	1.2	0.9
Cost of sales	27.3 (35.6) 77.8	26.9 (35.6) 78.0	100.2	0.2	27.8 (36.9) 78.6	(0.7)	(0.6)
Gross profit	207.0	211.7	102.3	4.7	204.3	3.6	7.4
SG&A expenses	50.9 145.0	51.1 148.2	102.2	3.2	51.2 144.8	2.4	3.4
Selling & general expenses	92.0	96.2	104.6	4.2	91.7	4.9	4.5
R&D expenses	53.0	51.9	98.0	(1.1)	53.0	(2.1)	(1.1)
Operating income	21.8 62.0	21.9 63.6	102.5	1.6	21.1 59.6	6.7	4.0
[Excluding royalty income]	(4.0)	(7.1)	-	(3.1)	(10.3)	-	3.2
Non-operating income and expenses	L1.0	P0.4	-	1.4	L0.6	-	1.0
Ordinary income	21.4 61.0	22.1 63.9	104.8	2.9	20.8 58.9	8.5	5.0
Extraordinary income and loss	P4.3	P1.0	22.4	(3.3)	L0.6	-	1.6
Income before income taxes and minority interests	65.3	64.9	99.3	(0.4)	58.3	11.3	6.6
Total income taxes, etc.	22.3	23.0	-	0.7	(8.4)	-	31.4
Net income	43.0	41.8	97.3	(1.2)	66.7	(37.3)	(24.9)

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

Changes of Our Business Operations in 1H FY2013

Started FY2013 with operating income forecast of 60 B yen at minimum



◆ **Activities in 1H to improve the focus and constitution of our business operations to overcome Crestor cliff**

- Review and optimize fixed costs in all group companies, while investing in Osphena's launch
- Improve behavior and profitability of Japanese domestic business
- Accelerate reduction in cost of sales mainly through the newly established Global SCM Division



1H FY2013: All income levels for 1H were higher than the levels achieved in the 1H of any prior fiscal year (Operating income: +4.5 B yen vs. target)

- Maintain cost control in all group companies, mainly in Japan
 - SG&A and cost of sales decreased by 2.0 B yen and 1.8 B yen compared to the original forecasts
- Royalty income exceeded the original forecast by 2.4 B yen

Significant Changes in the Business Environment in 2H FY2013

Significant changes in the business environment

**Finalized agreement to
revise Crestor royalty
structure**

- Leveling Crestor cliff to Crestor hill in FY2014
- Received one-time income from settlement of arbitration

**Smooth launch of
dolutegravir**



Moving into accelerated growth phase from FY2014 onward

Changes of Our Business Operation in 2H FY2013

2H FY2013: Additional actions

- ◆ Implemented activities to ensure growth from FY2014 onward by improving our business operations and utilize the additional operating profit (+4.5 B yen compare to the original 1H forecasts)
 - Accelerated investment in key marketing activities for future growth in Japan (selling & general expenses: +4.2 B yen)
 - Japanese domestic sales: +3.0 B yen (direct to consumer education: +1.2 B yen)
 - Doripenem related costs: +0.5 B yen
 - Fluctuations in foreign exchange rates: +0.7 B yen
 - Global SCM Division streamlined inventories: -2.0 B yen in Japan (with temporary increase in cost of sales)



FY2013:

Operating income: 63.6 B yen (record, +3.6 B yen vs. original forecasts)

Ordinary income: 63.9 B yen (record, +4.9 B yen vs. original forecasts)

Extraordinary Income and Loss (Consolidated)

(Units: B yen)

Extraordinary income and loss: P1.0 (1H: P4.3, 2H: L3.3)

◆ Extraordinary income: P4.8

- Gain on sales of investment securities: P0.6
- Gain on sales of noncurrent assets: P4.2 --- sales of rental properties, etc.

◆ Extraordinary loss: L3.8

- Impairment loss: L0.9 --- property, plant and equipment
- Business structure improvement expenses: L0.8 --- due to divestiture of Naprelan®
- Loss on sales of noncurrent assets: L0.5
- Loss on valuation of inventories: L0.5, etc.

Actions taken to strengthen the balance sheet

FY2014 Financial Forecasts

Financial Forecasts (Consolidated)

(Units: B yen)

	FY2014 forecasts		FY2013 results	Y on Y	
	full year	1H		change(%)	change
Sales	269.0	130.0	289.7	(7.2)	(20.7)
Operating income	45.0	18.5	63.6	(29.2)	(18.6)
Ordinary income	50.0	24.0	63.9	(21.8)	(13.9)
Net income	33.0	16.0	41.8	(21.1)	(8.8)

Note: All numerical values are rounded to the nearest unit

(Units: Yen)

Exchange rate (average)	FY2014 forecasts	FY2013 results
USD(\$)	100	100.18
EUR(€)	140	134.23

Statements of Income (Consolidated)

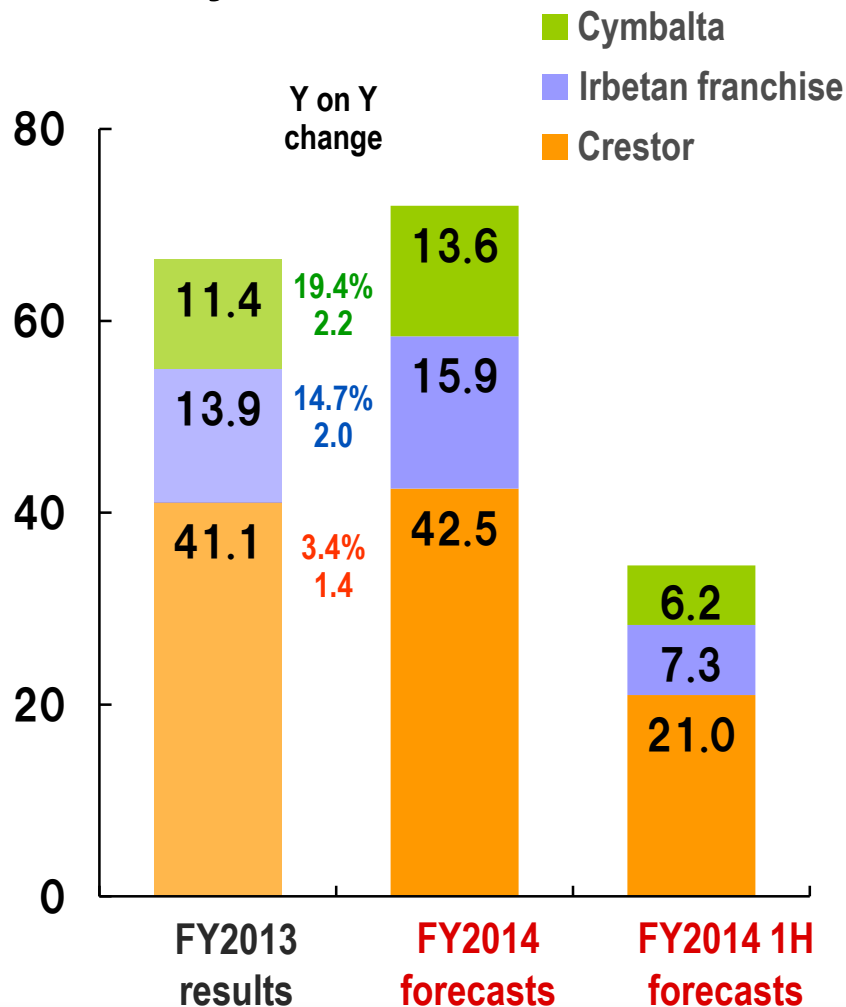
(Units: B yen)

	FY2014 forecasts		FY2013 results	Y on Y	
	full year	1H		change(%)	change
Prescription drugs	167.0	80.5	168.3	(0.8)	(1.3)
Total of 3 key products	72.0	34.5	66.3	8.5	5.7
Total of 8 strategic products	100.0	47.3	92.9	7.6	7.1
Overseas subsidiaries/export	31.3	15.0	34.0	(8.0)	(2.7)
Shionogi Inc.	17.7	7.9	21.4	(17.2)	(3.7)
Osphena	7.0	2.5	1.1	536.6	5.9
C&O	7.5	3.4	5.9	27.7	1.6
Contract manufacturing	11.4	4.8	8.4	36.1	3.0
OTC and quasi-drugs	4.6	2.4	4.5	1.9	0.1
Royalty income	52.0	26.0	70.7	(26.4)	(18.7)
Crestor	47.5	24.2	65.7	(27.7)	(18.2)
Others	2.7	1.3	3.8	(29.2)	(1.1)
Total	269.0	130.0	289.7	(7.2)	(20.7)

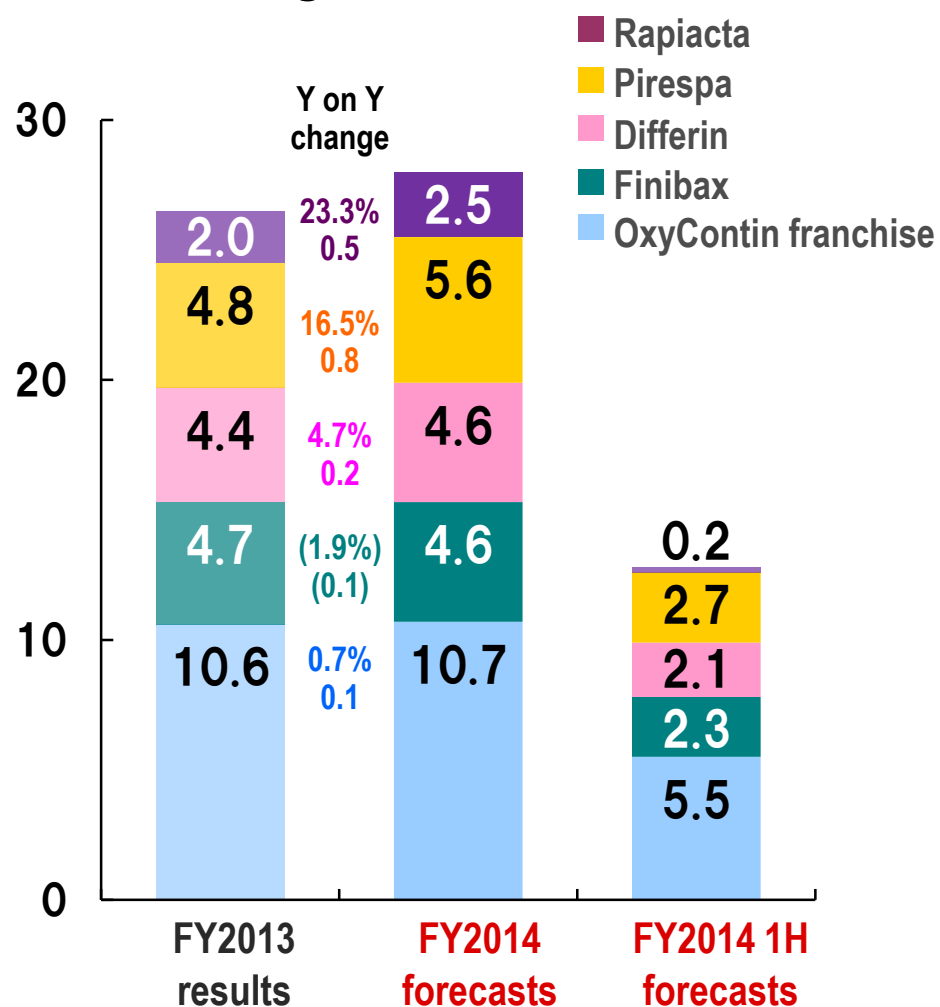
Japan: Sales of 8 Strategic Products

(Units: B yen)

◆ 3 Key Products



◆ 5 Strategic Products



Statements of Income (Consolidated)

(Units: B yen)

	FY2014 forecasts		FY2013	Y on Y	
	full year	1H	results	change(%)	change
Sales	269.0	130.0	289.7	(7.2)	(20.7)
[Royalty income]	52.0	26.0	70.7	(26.4)	(18.7)
Cost of sales	29.4 (36.4) 79.0	29.2 (36.5) 38.0	26.9 (35.6) 78.0	1.3	1.0
Gross profit	190.0	92.0	211.7	(10.3)	(21.7)
SG&A expenses	53.9 145.0	56.5 73.5	51.1 148.2	(2.1)	(3.2)
Selling & general expenses	93.0	46.5	96.2	(3.4)	(3.2)
R&D expenses	52.0	27.0	51.9	0.1	0.1
Operating income	16.7 45.0	14.2 18.5	21.9 63.6	(29.2)	(18.6)
[Excluding royalty income]	(7.0)	(7.5)	(7.1)	-	0.1
Extraordinary income and loss	P5.0	P5.5	P0.4	-	4.6
Net income	18.6 50.0	18.5 24.0	22.1 63.9	(21.8)	(13.9)

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

Grow as a drug discovery-based pharmaceutical company

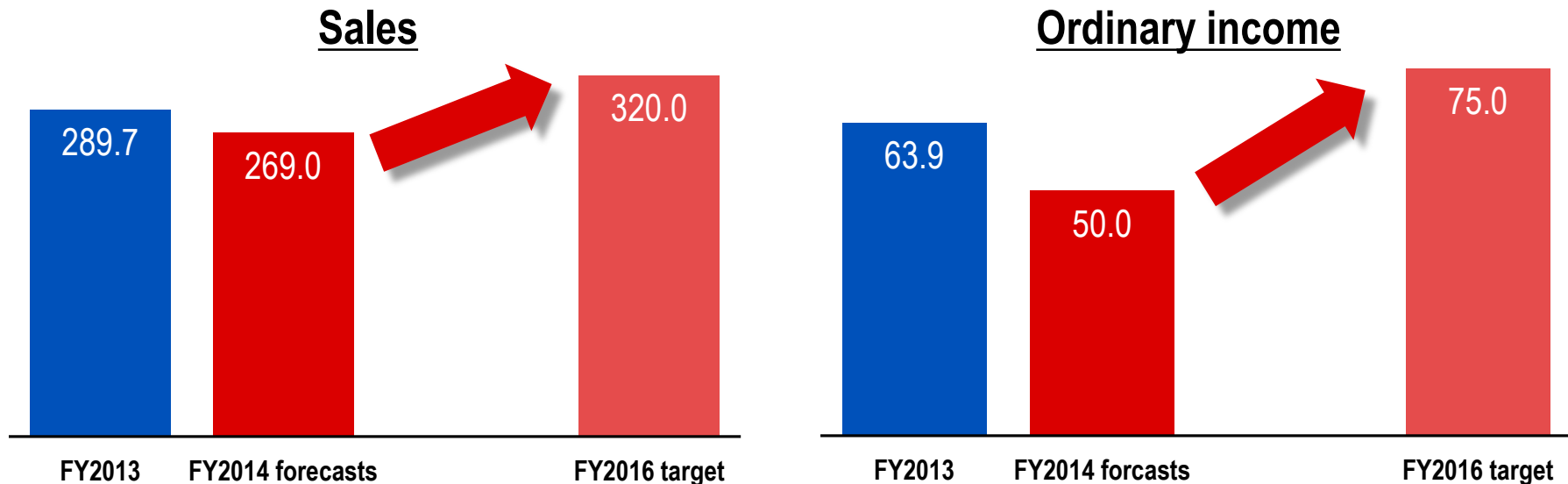
Targets for FY2020

Sales: 500 B yen Ordinary income: 125 B yen
R&D expenses: 100 B yen ROE: 15%

◆ FY2014 business plan for achieving SGS2020 target

- Leveling Crestor cliff and avoid sharp decline in corporate performance
- FY2014 is very important to prove Shionogi group's preparations and transformation
- Visualize our activities for future growth while achieving our numerical targets for FY2014

(Units: B yen)



Dividend Forecasts

	Dividends per Share		
	half-year	year-end	annual
FY2012	20.00 Yen	22.00 Yen	42.00 Yen
FY2013	22.00	(forecast) 24.00	(forecast) 46.00
FY2014	(forecast) 24.00	(forecast) 24.00	(forecast) 48.00

◆ Dividend policy

- The dividend policy was revised from payout ratio (target: 40%) to dividend on equity (DOE) at the end of FY2013
- Sharing the growth with our shareholders with further pay back as necessary
- Dividend forecast for FY2013: 46 yen (raise year-end forecast: 22 to 24 yen)
- Dividend forecast for FY2014: 48 yen

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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