

Value creation process

The Shionogi Group tackles social issues and addresses the needs of healthcare providers through its business activities as a drug discovery-based pharmaceutical company. Shionogi also strives to grow and develop as a company that plays a meaningful role in society, sharing the benefits of growth with all its stakeholders. This is our value creation process. By sustaining this process, we aim to continue increasing the Group's various management capitals to maximize the corporate value of the Shionogi Group.

Shionogi's Management Capitals

Financial Capital

Consolidated net assets

¥672.4 billion

Human Capital

Number of employees

5,233

Intellectual Capital

Strategic business investment budget for fiscal 2018

¥20.0 billion (max.)

R&D expenses

¥68.3 billion

Social and Relationship Capital

Building relationships of trust through cooperation with stakeholders

Manufactured Capital

Number of manufacturing facilities

4 facilities

Number of plants

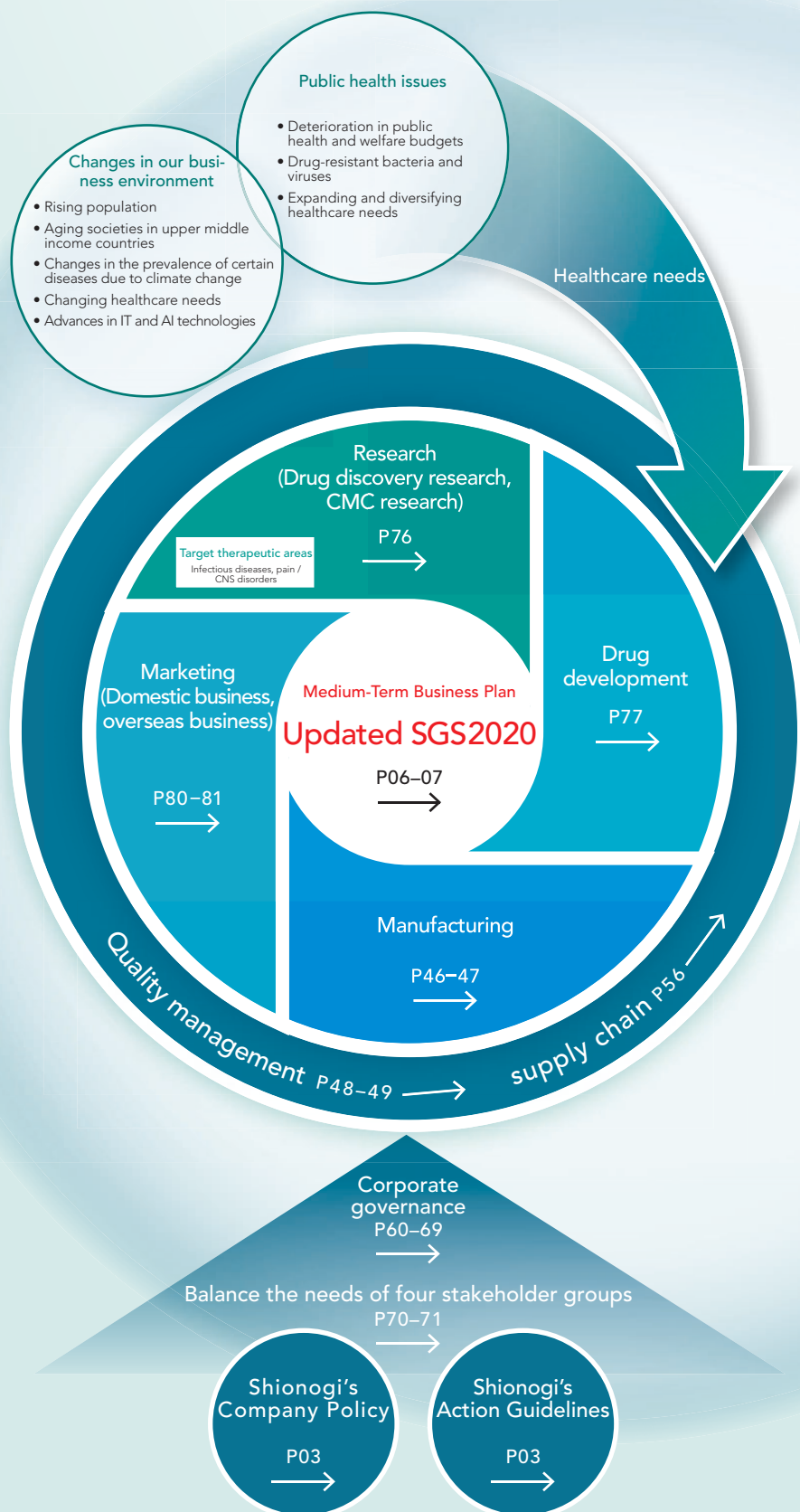
3 plants

Natural Capital

Energy use

1,522,000 GJ

inputs



Shionogi's Strengths / Characteristics

Continuous innovation

Creating a steady stream of revolutionary new drugs such as *Tivicay* and *Xofluza* with our SAR engine for small molecule drug discovery

P20–29



Expertise in infectious diseases

- More than 60 years of research experience
- Promoting proper use of medicines
- Bacteria library resources for long-term study

P22–24, 30–35



Resilient and efficient management

- High operating margin
- Continuous reform of cost structure and business approaches

P09



Various strategic partnerships

- Active use of diverse partnerships
- Flexible adjustment to contracts in line with business conditions
Crestor and *Tivicay* P05

P05, 28–29



Increase in management capitals (fiscal 2018)

Financial Capital



| | |
|---|-------|
| ROE | 20.9% |
| Operating margin | 38.1% |
| Dividend raised for 7 consecutive years | |

Human Capital



| | |
|-----------------------------------|--|
| Employee satisfaction score | Improved from 3.91 to 3.93 (average for major Japanese companies is 3.68) |
| Employee turnover rate | 1.6% |
| Ratio of female managers | 10% (Target: 10%) |
| Health & Productivity Stock | 4 consecutive years Selected for |

Intellectual Capital



| | |
|---|---|
| Patents | 1,730 (As of July 31, 2019, including patent applications) |
| New tie-ups through strategic business investment | 10 |
| Ratio of proprietary drugs | 69% (Target: 50% or higher) |

Social and Relationship Capital



| | |
|---|--|
| Ratio of HIV franchise drugs supplied to developing countries | Over 40% |
| Charitable donations | ¥45 million (Money donated to 2 disaster funds and 10 groups) |

Manufactured Capital



| | |
|------------------|--------------------------------------|
| COGs ratio | 15.1% (Improvement of 6.3ppt YoY) |
|------------------|--------------------------------------|

Natural Capital



| | |
|---------------------------------|--|
| CO ₂ emissions | Reduced by 35% |
| Water usage | Reduced by 37% (both compared with levels in fiscal 2005) |

Value Created

Society

Solutions for public health issues
Supporting local communities
Creating a sustainable society

Customers

Improving quality of life (QOL)
Reliable supplies of high-quality medicines

Grow sustainably as a drug discovery-based pharmaceutical company contributing to a more vigorous society through improved healthcare

Shareholders

Constructive dialogue
Stable and sustained shareholder returns

Employees

Job satisfaction and skills improvement
Stable employment and compensation